

## CHAPTER 1

### FINANCIAL PERFORMANCE OF PUBLIC SECTOR UNDERTAKINGS

#### 1.1 Introductory

1.1.1 According to section 617 of the Companies Act, 1956 a government company is defined 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 (CAG) under the provision of Section 619 of the Companies Act, 1956 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. In respect of government companies, CAG has the power to appoint the Auditor and to direct the manner in which the company's accounts shall be audited by the Auditor. CAG 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 or test 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 CAG of India as per provisions contained in the relevant statutes.

1.1.4 As on 31 March 2006, there were 404 central government public Sector undertakings (PSUs), including six corporations and 94 deemed government companies, under the audit jurisdiction of the CAG. Out of these, shares of 47 companies (including five deemed government companies) were listed on the various stock exchanges in India. During 2005-06, 21 companies (15 government companies and six deemed government companies) came within the audit purview of the CAG and seven companies (four government companies and three deemed government companies) ceased to be government companies. The details are given in **Appendix I**.

1.1.5 Out of these 404 PSUs, this Chapter deals with data relating to 349 PSUs comprising six corporations, 271 government companies and 72 deemed government companies. Figures have been taken from the accounts of 2005-06 for 294 PSUs<sup>a</sup> that submitted their accounts for the year 2005-06 for audit by 30 September 2006. Of the remaining government companies, figures from the accounts of 2004-05 have been taken for 47 government companies (including one corporation and eight deemed government companies) and from the accounts of 2003-04 for eight companies (including two deemed government companies). 55 companies (including 22 deemed government companies), the accounts of which were in arrears for various reasons<sup>†</sup>, are not covered in this Chapter. These 55 companies are identified by two asterisks (\*\*) in **Appendix II**.

<sup>a</sup> including five Corporations, 227 government companies and 62 deemed government companies. Of these 41 were listed government companies and 5 were listed deemed government companies.

<sup>†</sup> Accounts of 14 PSUs are in arrears for three years or more, four PSUs had not submitted their first accounts, 23 PSUs were defunct/under liquidation and accounts of 14 PSUs had not become due.

**1.2.1 Investment in central government companies and corporations**

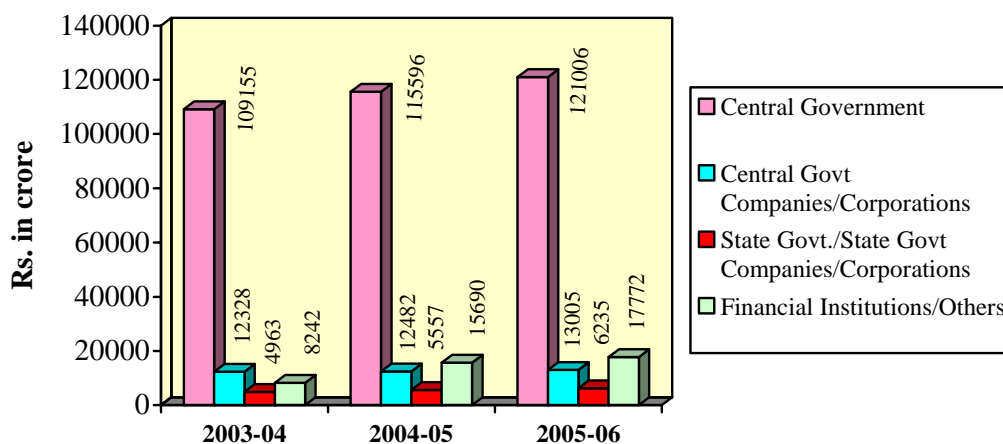
1.2.1.1 The equity investment of the Government of India in 277 central government companies and corporations at the end of 2005-06 and loans given to them amounted to Rs.1,21,006.20 crore and Rs.68,417.25 crore respectively. Some central government companies and corporations have also contributed to 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****(Rupees in crore)**

Sources	As on 31 March 2006			As on 31 March 2005		
	Equity	Loans	Total	Equity	Loans	Total
<b>Statutory Corporations</b>						
<i>Central Government</i>	19253.08	1474.27	20727.35	16964.37	982.13	17946.50
Central Government Companies/Corporations	30.32	0.00	30.32	30.32	0.00	30.32
State Governments/State Government Companies/Corporations	1342.80	0.00	1342.80	1099.47	0.00	1099.47
Financial Institutions/Others	8204.63	6698.33	14902.96	5858.05	11023.58	16881.63
<b>Total</b>	<b>28830.83</b>	<b>8172.60</b>	<b>37003.43</b>	<b>23952.21</b>	<b>12005.71</b>	<b>35957.92</b>
<b>Listed Government Companies</b>						
<i>Central Government</i>	21577.64	961.84	22539.48	21433.89	1376.14	22810.03
Central Government Companies/Corporations	2450.95	2707.23	5158.18	2471.37	2253.65	4725.02
State Governments/State Government Companies/Corporations	57.65	139.32	196.97	5.80	105.56	111.36
Financial Institutions/Others	3930.53	46312.28	50242.81	3700.49	38240.03	41940.52
<b>Total</b>	<b>28016.77</b>	<b>50120.67</b>	<b>78137.44</b>	<b>27611.55</b>	<b>41975.38</b>	<b>69586.93</b>
<b>Unlisted Government Companies</b>						
<i>Central Government</i>	80175.48	65981.14	146156.62	77198.05	62603.43	139801.48
Central Government Companies/Corporations	10523.81	13901.22	24425.03	9980.05	13375.25	23355.30
State Governments/State Government Companies/Corporations	4835.01	406.64	5241.65	4451.91	318.73	4770.64
Financial Institutions/Others	5636.72	155916.23	161552.95	6131.10	135359.60	141490.70
<b>Total</b>	<b>101171.02</b>	<b>236205.23</b>	<b>337376.25</b>	<b>97761.11</b>	<b>211657.01</b>	<b>309418.12</b>
<i>Central Government</i>	121006.20	68417.25	189423.45	115596.31	64961.70	180558.01
Others	37012.42	226081.25	263093.67	33728.56	200676.40	234404.96
<b>Grand Total</b>	<b>158018.62</b>	<b>294498.50</b>	<b>452517.12</b>	<b>149324.87</b>	<b>265638.10</b>	<b>414962.97</b>
Percentage of central government investment to total investments	76.58	23.23	41.86	77.41	24.45	43.51

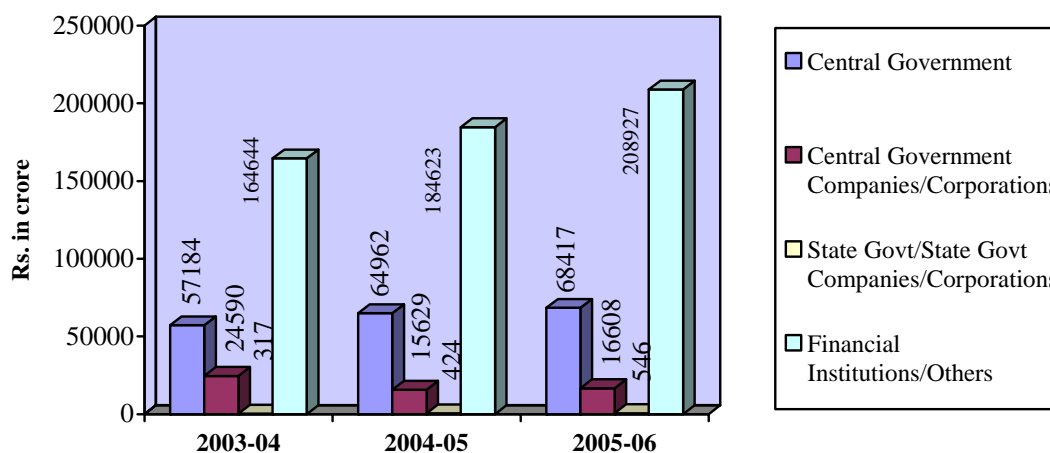
1.2.1.2 During 2005-06, the investment in equity of these central government companies and corporations registered a net increase of Rs.8,693.75 crore [Graph 1(a)]. This included Rs.5,409.89 crore equity invested by the Government of India. Significant investments were made in the central government companies and corporations under the Ministries of Shipping, Road Transport and Highways (Rs.2,198 crore), Power (Rs.1864 crore), Atomic Energy (Rs.293 crore), Commerce and Industry (Rs. 150 crore) and Urban Development and Poverty Alleviation (Rs.137 crore). The share of statutory corporations in the increase was Rs. 2,140 crore in National Highways Authority of India and Rs.131 crore in the Damodar Valley Corporation. There was no fresh investment in the listed government companies.

**Graph 1(a) - Equity investment in Central Government Companies and Corporations**



1.2.1.3 During 2005-06, the loans to the central government companies and corporations registered a net increase of Rs.28,860.40 crore, [Graph 1(b)]. This included Government of India loan of Rs.3,455.55 crore given mainly to central government companies and corporations under the Ministry of Atomic Energy (Rs.1,315 crore), Urban Development and Poverty Alleviation (Rs.1,104 crore) and Shipping, Road Transport and Highways (Rs.620 crore), which included Rs.499 crore received by National Highways Authority of India.

**Graph 1(b) - Loans given to Central Government Companies and Corporations**



1.2.1.4 The total loans received by 277 companies/corporations from all sources and outstanding against these as on 31 March 2006 was Rs.2,94,498.50 crore. However, total assets (fixed assets as well as current assets) of these central government companies and corporations were Rs.8,99,755.73 crore as on March 2006 which represented 306 per cent of the outstanding loans. As on 31 March 2005, the assets were Rs.8,07,151.02 crore, being 304 per cent of the outstanding loans amounting to Rs.2,65,638.10 crore.

1.2.1.5 In respect of statutory corporations, the total assets and government loans as on 31 March 2006 were Rs.59,533.39 crore and Rs.1,474.27 crore respectively against assets of Rs.59,509.35 crore and loans of Rs.982.13 crore as on 31 March 2005. In respect of listed government companies, the total assets and government loans as on 31 March 2006 were Rs.3,52,696.35 crore and Rs.961.84 crore respectively as against total assets and government loans of Rs.3,19,490.18 crore and Rs.1,376.14 crore respectively as on 31 March 2005. In respect of unlisted government companies the total assets and government loans as on 31 March 2006 were Rs.4,87,525.99 crore and Rs.65,981.14 crore respectively, as against the assets of Rs.4,28,151.49 crore and government loans of Rs.62,603.43 crore, as on 31 March 2005.

1.2.1.6 The overall interest coverage ratio<sup>♦</sup> had marginally improved to 5.39 during 2005-06 from 5.07 during 2004-05. In respect of unlisted government companies interest coverage ratio for the year 2005-06 worked out to 3.44 as against 2.78 for 2004-05.

## 1.2.2 Market value of equity investment in central government companies

1.2.2.1 Shares of 47 central government companies are listed on the various Stock Exchanges in India. These consist of 36 central government companies, six subsidiaries of central government companies and five deemed government companies.

1.2.2.2 In respect of 32 listed central government companies, the shares of which were

<sup>♦</sup> Earnings before interest and taxes to interest expense

traded<sup>a</sup> during 2005-06, the total market value of their equity shares as on 31 March 2006 stood at Rs.6,10,733.67 crore as compared to the total book value of Rs.2,16,485.30 crore indicating an appreciation of Rs.3,94,248.37 crore in value. The total market value of shares in these companies had gone up by Rs.2,14,505.93 crore (54.13 *per cent*) as on 31 March 2006 as compared to 31 March 2005. The details are indicated in **Appendix IV**.

1.2.2.3 The market value of shares held by the Government of India in these 32 companies stood at Rs. 4,77,578.90 crore as on 31 March 2006 as compared to the book value of Rs.1,68,053.64 crore indicating an appreciation of Rs.3,09,525.26 crore in the value of the investment in these companies. The total market value of shares held by the Government in these companies had gone up by Rs.1,66,409.54 crore ( 53.48 *per cent*) as on 31 March 2006 as compared to 31 March 2005.

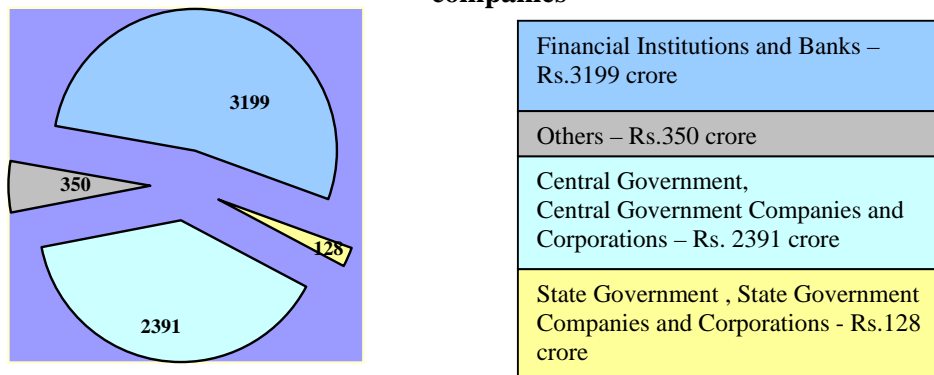
1.2.2.4 The market value of shares held by central government companies in five subsidiary companies the shares of which were traded<sup>b</sup> during 2005-06 stood at Rs. 12,018.69 crore as on 31 March 2006 as compared to their book value of Rs.4,272.05 crore indicating an appreciation of Rs. 7,746.64 crore in the value. The total market value of shares held by central government companies in these companies had gone up by Rs. 865.62 crore (7.76 *per cent*) as on 31 March 2006 as compared to 31 March 2005.

### 1.2.3 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 72 deemed government companies is given in **Appendix V**.

1.2.3.2 As of 31 March 2006, equity of Rs.6,068.76 crore in 72 deemed government companies (Graph 2) was contributed by the Government of India (Rs 93.52 crore in three companies), state governments (Rs.0.72 crore in four companies), central government companies and corporations (Rs.2,297.77 crore in 18 companies), state government companies and corporations (Rs. 127.02 crore in 14 companies), financial institutions and banks (Rs.3,199.28 crore in 49 companies) and others (Rs.350.45 crore in 26 companies).

**Graph 2 - Composition of Share Capital in deemed government companies**



<sup>a</sup> Shares of IRCON International Limited, MMTC Limited, Hindustan Cables Limited and India Tourism Development Corporation Limited were not traded.

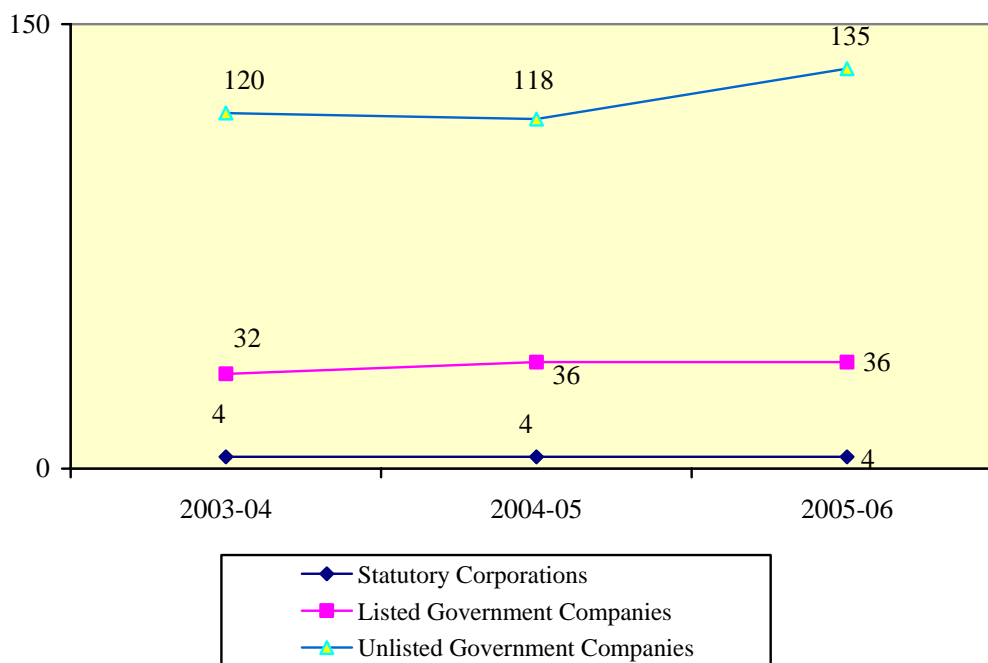
<sup>b</sup> Shares of Hindustan Fluorocarbons Limited (subsidiary of Hindustan Organic Chemicals Limited) were not traded.

1.2.3.3 The equity in these companies increased by Rs. 1828.98 crore, i.e. from Rs.4239.78 crore in 2004-05 to Rs. 6068.76 crore in 2005-06. Although Government of India made fresh investment of Rs.21.49 crore only in the equity of Pipavav Railway Corporation Limited (Rs. 21.00 crore) and Eastern Investment Company Limited (Rs. 0.49 crore), significant investment was made by the PSUs, Financial Institutions, Banks, etc. in Ratnagiri Gas & Power Private Limited (Rs.1500 crore), BOB Cards Limited (Rs. 80 crore), Neelanchal Ispat Nigam Limited (Rs.57 crore), and by the National Highways Authority of India in Paradeep Port Road Company Limited (Rs.58 crore), Chennai-Ennore Port Road Company Limited (Rs.42 crore) and Tuticorin Port Road Company Limited (Rs. 42 crore).

### 1.3.1 Return on investment in central government companies and corporations

1.3.1.1 Details of return on net worth and capital employed during 2003-04 to 2005-06 in 277 central government companies and corporations are given in **Appendix VI**. During the period of three years, the number of central government companies and corporations that earned profit increased from 156 in 2003-04 (Rs.64174.44 crore) to 175 in 2005-06 (Rs.79426.52 crore), which is graphically represented in the Graph 3 given below:

**Graph 3 - No. of Profit earning Statutory Corporations, Listed and Unlisted Government Companies**



1.3.1.2 During 2005-06, 175 central government companies and corporations earned profit. The total profit earned by them was Rs. 79426.52 crore of which, as much as 69.16 per cent (Rs.54,933.54 crore) was contributed by 38 central government companies and corporations under four sectors viz., Petroleum, Power, Telecommunication Services and Coal & Lignite in which the product prices were administratively determined or regulated to varying degrees. The sector-wise breakup of these 38 central 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
<b>1. Petroleum</b>			
Listed government companies	9	23152.00	29.15
Unlisted government companies	5	2782.90	3.50
Total	14	25934.90	32.65
<b>2. Power</b>			
Statutory corporations	1	1066.05	1.34
Listed government companies	1	5820.20	7.33
Unlisted government companies	10	4353.58	5.48
Total	12	11239.83	14.15
<b>3. Telecommunication Services</b>			
Listed government companies	1	580.29	0.73
Unlisted government companies	2	8939.75	11.26
Total	3	9520.04	11.99
<b>4. Coal &amp; Lignite</b>			
Listed government companies	1	702.35	0.88
Unlisted government companies	8	7536.42	9.49
Total	9	8238.77	10.37
<b>Total (1) to (4)</b>	<b>38</b>	<b>54933.54</b>	<b>69.16</b>

### 1.3.2 Profitability analysis of central government companies and corporations

1.3.2.1 Profitability analysis of 277 central 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 summarized in the following table indicating the trend of these ratios over a period of three years.

**Table 3**

Sl. No.	Particulars	2003-04	2004-05	2005-06
		Rs. in crore		
1.	Profit before interest and tax <sup>♦</sup>	100680.26	110519.94	119293.06
2.	Profit before tax	77879.22	88714.50	97162.65
3.	Profit after tax	55219.72	66026.83	72560.26
4.	Dividend <sup>£</sup>	15207.94 <sup>a</sup>	20615.97 <sup>b</sup>	23279.86 <sup>c</sup>
5.	Paid Up Capital	134687.26	149324.87	158018.62
6.	Net Worth <sup>⊗</sup>	272908.81	326453.07	387191.82
7.	Capital Employed <sup>Ω</sup>	453622.69	493318.96	606500.87
<b>Ratio</b>				
8.	Profit after tax to Net Worth	0.20	0.20	0.19
9.	Profit before interest and tax to Capital Employed	0.22	0.22	0.20
10.	Dividend to Equity	0.11	0.14	0.15

1.3.2.2 On the basis of the data for the year 2005-06 furnished by the individual central government companies and corporations, the following ten companies have been ranked in terms of ratio of profit before interest and tax to capital employed and profit after tax to net worth which help measure profitability. For this purpose central government companies and corporations, having paid up capital of Rs. 100 crore and above and which had declared dividend, have been considered.

<sup>♦</sup> Profit in item 1,2,3,8 and 9 represents net of losses in respect of 277 central government companies and corporations.

<sup>£</sup> Includes dividend declared only by those central government companies and statutory corporations whose accounts were received for audit by September 2006. As such, this amount would not match the amount shown as dividend received in the Finance Accounts of the Union Government.

<sup>a</sup> Dividend declared by 97 companies and corporations.

<sup>b</sup> Dividend declared by 105 companies and corporations for 2004-05 and one company for 2003-04.

<sup>c</sup> Dividend declared by 105 companies and corporations for 2005-06, three companies for 2004-05 and one company for 2003-04.

<sup>⊗</sup> 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.

<sup>Ω</sup> Capital Employed means sum of net fixed assets and working capital (current assets less current liabilities).



**A. Ranking in terms of ratio of profit before interest and tax to capital employed during 2005-06**

**Table 4**

Rank	Name of the Companies	Ratio
1.	Hindustan Aeronautics Limited	6.019 <sup>~</sup>
2.	Western Coalfields Limited	0.715
3.	National Mineral Development Corporation Limited (Listed)	0.715
4.	Oil India Limited	0.672
5.	Central Coalfields Limited	0.600
6.	Mahanadi Coalfields Limited	0.591
7.	South Eastern Coalfields Limited	0.468
8.	National Aluminium Company limited (Listed )	0.386
9.	Bharat Heavy Electricals Limited (Listed)	0.375
10.	Northern Coalfields Limited	0.371

**B. Ranking in terms of ratio of profit after tax to net worth during 2005-06**

**Table 5**

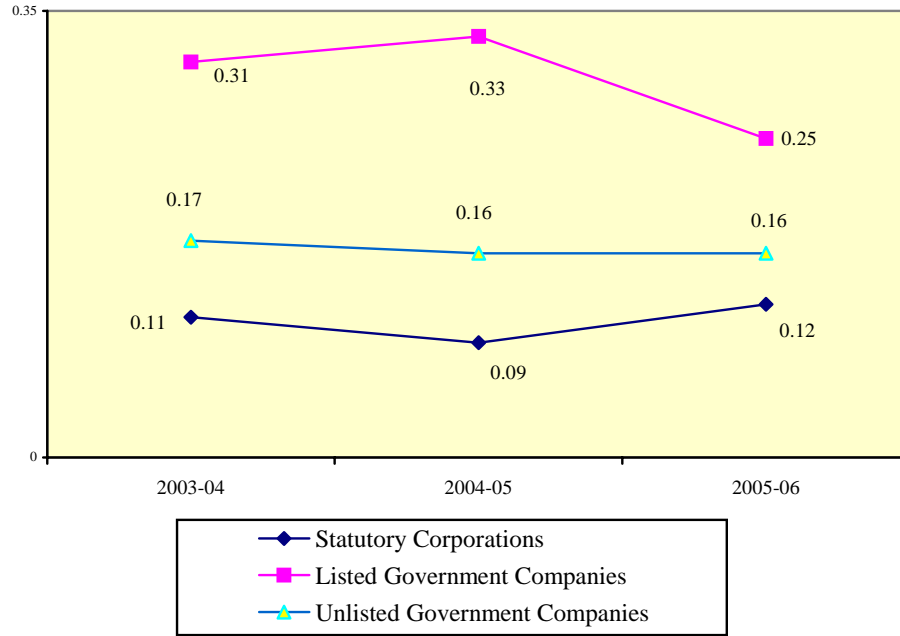
Rank	Name of the Companies	Ratio
1.	Central Coalfields Limited	0.573
2.	Hindustan Aeronautics Limited	0.572
3.	National Mineral Development Corporation Limited (Listed)	0.459
4.	Western Coalfields Limited	0.430
5.	Mahanadi Coalfields Limited	0.361
6.	Steel Authority of India Limited (Listed )	0.335
7.	Rural Electrification Corporation Limited	0.315
8.	Northern Coalfields Limited	0.301
9.	Oil India Limited	0.289
10	Numaligarh Refinery Limited	0.279

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 2006 in respect of all statutory corporations, listed government companies and unlisted government companies are given in the Graphs 4 and 5.

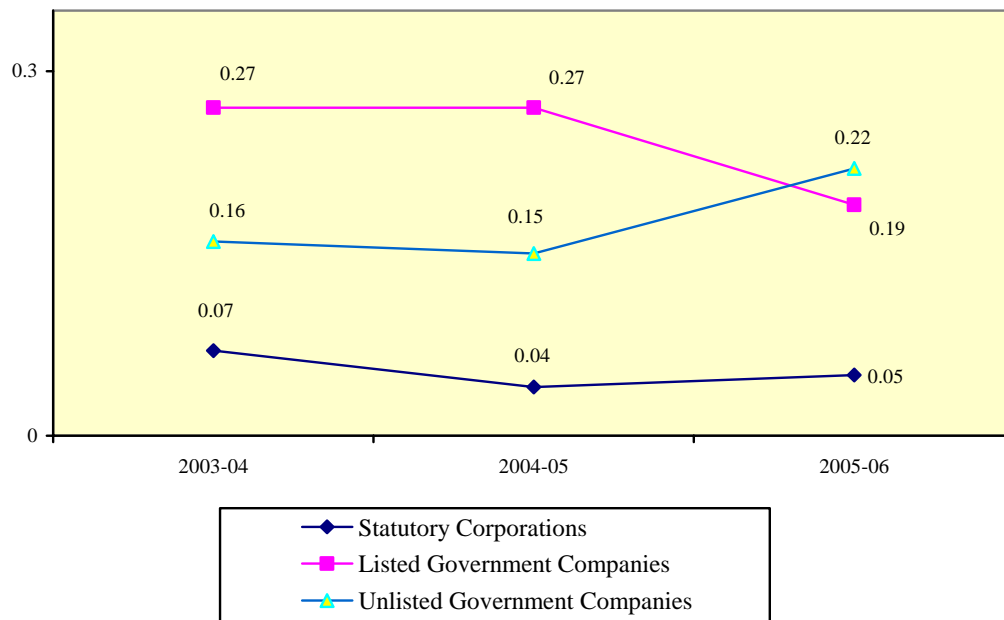
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<sup>~</sup>As the company received substantial advances from customers, it had negative working capital resulting in low capital employed and high ratio.

**Graph 4 - Ratio of Profit before interest and tax to Capital Employed**



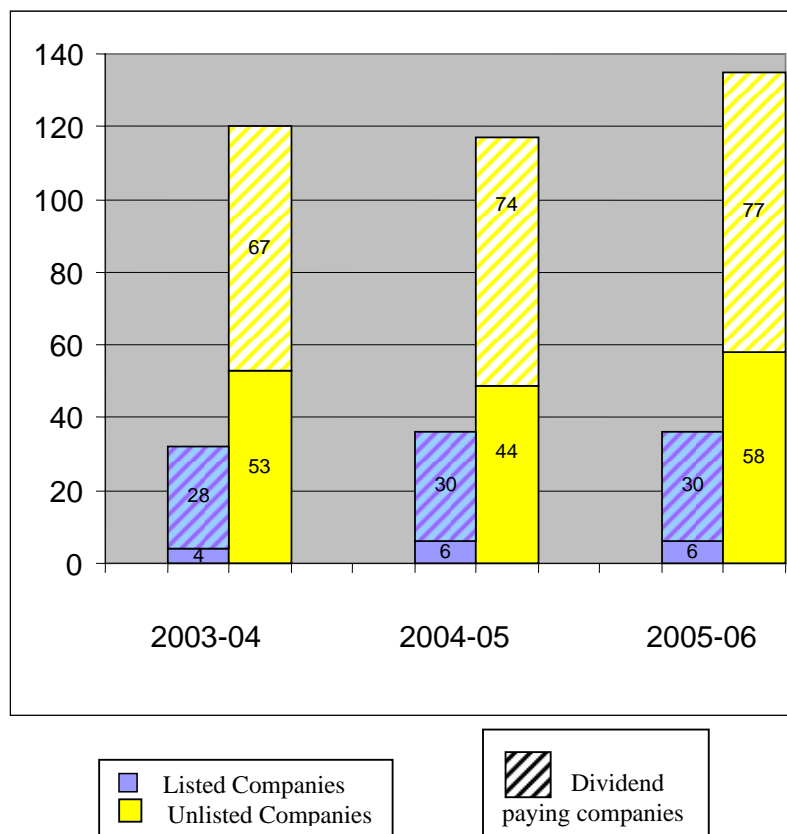
**Graph 5 - Ratio of Profit after tax to Net Worth**



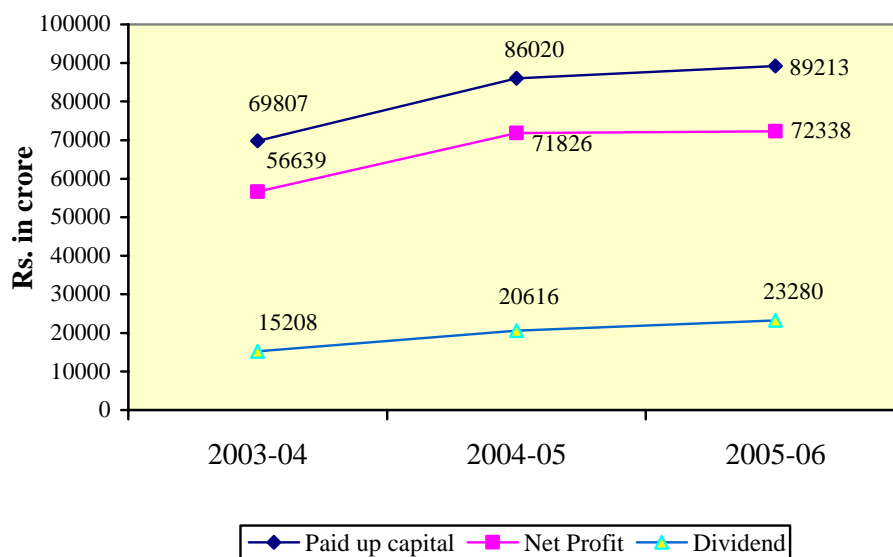
### 1.3.3 Profit-earning of central government companies and corporations

1.3.3.1 The number of central government companies and corporations that had declared dividend during the last three years ended 31 March 2006 has been given in **Appendix VII**. The number of dividend declaring central government companies and corporations went up to 109 (including two statutory corporations and 30 listed companies) in 2005-06 from 106 (including two statutory corporations and 30 listed companies) in 2004-05 (Graph 6). Dividend declared as a percentage of net profit earned by these companies and corporations increased from 28.69 *per cent* in 2004-05 to 32.15 *per cent* in 2005-06. In absolute terms, the dividend declared by the companies and corporations in 2005-06 increased by Rs.2663.89 crore (12.92 *per cent*) from Rs.20615.97 crore in 2004-05 to Rs. 23279.86 crore in 2005-06 (Graph 7). However, 66 central government companies and corporations (including two statutory corporations and six listed government companies) which earned an aggregate profit of Rs. 7088.75 crore in the current year did not declare any dividend.

**Graph 6 No. of Profit earning/Dividend paying Listed and Unlisted government companies**



**Graph 7 Dividend declared by central government companies and corporations vis-a-vis Net Profit and Paid up Capital**



1.3.3.2 Out of total dividend of Rs. 23279.86<sup>Ⓔ</sup> crore declared by 109 central government companies and corporations in the current year, dividend receivable by Government of India amounted to Rs.17344.77 crore\*. The return on aggregate investment of Rs. 76999.01 crore made by the Government of India in equity capital of 79 central government companies and corporations (two statutory corporations, 25 listed government companies, 52 unlisted government companies) was 22.53 *per cent*. Similarly, the central government companies received Rs.3493.50 crore as dividend on their investment of Rs. 6399.42 crore in the equity of various subsidiaries (also government companies) and thus earned a return of 54.59 *per cent*.

1.3.3.3 The companies under the Ministry of Petroleum and Natural Gas contributed 43.14 *per cent* (Rs. 10042.81 crore) of the total dividend (Rs. 23279.86 crore) declared by various companies in 2005-06.

<sup>Ⓔ</sup> Includes dividend of Rs.20.87 crore paid by three companies partly out of reserves.

\* The dividend receivable by Government of India related to 79 companies with direct central government investment. The remaining 30 companies were subsidiaries of other government companies and had no direct investment by the Government of India.

1.3.3.4 The top ten dividend paying companies for 2005-06 were as under:

**Table 6**

Rank	Name of the PSU	Amount of Dividend (Rs. in crore)
1	Oil and Natural Gas Corporation Limited (Listed)	6416.70
2	NTPC Limited (Listed)	2308.74
3	Indian Oil Corporation Limited (Listed)	1460.02
4	Coal India Limited	1263.27
5	Bharat Sanchar Nigam Limited	1175.00
6	Gas Authority of India Limited (Listed)	845.65
7	Steel Authority of India Limited (Listed)	826.08
8	Oil India Limited	567.11
9	Northern Coalfields Limited	520.39
10	Nuclear Power Corporation Limited	514.37

1.3.3.5 The top ten companies in terms of ratio of dividend to equity for 2005-06 are as under:

**Table 7**

Rank	Name of the PSU	Ratio of Dividend to Equity
1	Oil and Natural Gas Corporation Limited (Listed)	4.50
2	Northern Coalfields Limited	2.93
3	National Mineral Development Corporation Limited (Listed)	2.77
4	Mahanadhi Coalfields Limited	2.70
5	Oil India Limited	2.65
6	Hindustan Aeronautics Limited	1.66
7	Bharat Heavy Electricals Limited (Listed)	1.45
8	Western Coalfields Limited	1.40
9	Indian Oil Corporation Limited (Listed)	1.25
10	Chennai Petroleum Corporation Limited (Listed)	1.20

1.3.3.6 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 emphasized that the objective of the government was to achieve minimum return of five *per cent* on overall investment in all central government companies and corporations across the board. However, 24 companies (including four listed companies and excluding 66 central government companies and corporations, which have not declared dividend) under 11 Ministries did not comply with the government directive while declaring dividend, as given in **Appendix VIII**. The total shortfall on this account was Rs.2338.05 crore in 2005-06.

1.3.3.7 The return on net worth of Rs.387191.82 crore in all central government companies and corporations was 6.01 *per cent*. The return on the total investment of Rs.121006.20 crore made by the Government of India in equity of all the central government companies and corporations was Rs.17344.77 crore, i.e., 14.33 *per cent*.

1.3.3.8 During the year 2005-06, four companies\*, issued fully paid bonus shares amounting to Rs. 270.05 crore. The net worth of eight other government companies<sup>Σ</sup> under seven Ministries / Departments had exceeded their paid up capital twice over but they had not issued any bonus shares.

#### 1.4.1 Return on investment in deemed government companies

1.4.1.1 Details of return on investment in deemed central government companies for the years 2003-04 to 2005-06 are given in **Appendix V**. Of the 72 deemed government companies reviewed in this Report, 48 companies earned profit of Rs.465.69 crore. Out of these 48 companies, only 22 declared dividend amounting to Rs.73.72 crore which represented 9.98 *per cent* of their total paid up capital. Nineteen companies, including two in which the government of India had invested, incurred losses during 2005-06. Remaining five companies have not yet started their commercial operations.

1.4.1.2 Dividend of Rs.73.72 crore declared by the deemed government companies during 2005-06 came from the companies under Financial Services, Industrial Development & Technical Consultancy and Trading & Marketing sectors as indicated below:

**Table 8**

(Rs. in crore)				
Sector	No. of PSUs	Paid up Capital	Net Profit	Dividend
1.Financial Services	16	638.02	297.35	73.43
2.Industrial Development & Technical Consultancy	5	1.02	3.76	0.19
3.Trading & Marketing	1	100.00	0.48	0.10
<b>Total</b>	22	739.04	301.59	73.72

\* *General Insurance Corporation of India Limited (Rs. 215 crore), The New India Assurance Company Limited (Rs.50 crore), IRCON International Limited (Listed company - Rs.4.95 crore)and Zenith Securities and Investments Limited (Rs.10 lakh).*

<sup>Σ</sup> *Indian Oil Technology Limited, Central Mine Planning and Design Institute Limited, India Trade Promotion Organisation, Tamilnadu Trade Promotion Organisation, ONGC Videsh Limited, Projects and Development India Limited, National Informatic Services Inc., National Research Development Corporation of India Limited.*

### 1.5.1 Loss-making central government companies

1.5.1.1 The number of central government companies that suffered loss at the close of the last three years ending 31 March 2006 is given in the following table:

**Table 9**

(Rs. in crore)

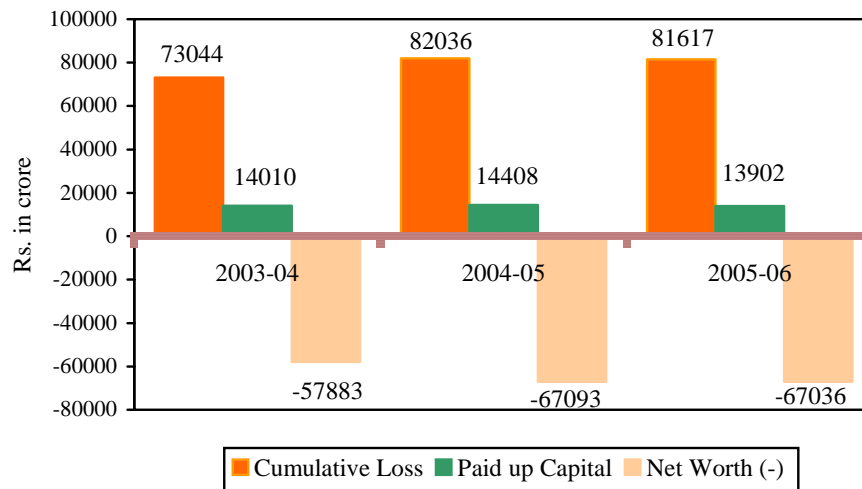
	No of PSUs suffering loss	Paid-up Capital	Net Loss for the year	Accumulated Loss
<b>Listed government companies</b>				
2003-04	10	2984.87	1510.93	4725.61
2004-05	6	1698.80	888.46	4175.55
2005-06	6	1417.69	995.34	4880.30
<b>Unlisted government companies</b>				
2003-04	95	24046.94	7442.79	62618.50
2004-05	99	23051.29	8403.42	76128.88
2005-06	88	17142.92	5870.92	56068.26
<b>Total</b>				
2003-04	105	27029.81	8954.72	67344.11
2004-05	105	24750.09	9291.88	80304.43
2005-06	94	18560.61	6866.26	60948.56

1.5.1.2 Accumulated losses of central government companies decreased by Rs. 6395.55 crore (9.50 per cent), i.e. from Rs.67344.11 crore in 2003-04 (105 PSUs) to Rs.60948.56 crore in 2005-06 (94 PSUs).

### 1.5.2 Capital Erosion

1.5.2.1 As on 31 March 2006, 116 central government companies and corporations (including 10 listed companies and one statutory corporation) had accumulated losses of Rs. 84,155.22 crore which included 29 profit earning companies (including four listed companies). However, equity capital of 82 companies (out of 116) under 19 Ministries/Departments had been completely eroded. The accumulated losses in these 82 government companies were Rs.81,617.04 crore against equity investment of Rs.13,902.20 crore as on 31 March 2006 making their combined net worth negative at Rs.67,036.47 crore (Graph 8). This included six listed companies whose accumulated losses were Rs. 4880.30 crore against equity investment of Rs.1417.69 crore, making their combined net worth negative at Rs. 3404.74 crore.

**Graph 8 Erosion of Equity Capital by Cumulative Loss**



1.5.2.2 The total central government loans outstanding against 56 companies (out of 82 companies whose capital was fully eroded) as on 31 March 2006 amounted to Rs. 39,715.36 crore, including five listed companies where it amounted to Rs.849.07 crore. Further, an amount of Rs.6913.21 crore given by 10 holding central government companies, (which were not sick) to 16 of their subsidiaries, was also outstanding as on 31 March 2006.

1.5.2.3 The principal amount of central government loans remaining unpaid on the due dates amounted to Rs. 13,011.75 crore (49 government companies) as on 31 March 2006. Interest overdue on these outstanding loans was Rs. 15,464.41 crore (44 companies) and penal interest leviable for non-payment of loans on due dates amounted to Rs. 9,822.67 crore (16 companies). This included principal amount outstanding of Rs.339.04 crore, interest overdue of Rs.193.26 crore and penal interest of Rs.0.23 crore, in respect of four listed government companies.

1.5.2.4 As the capital of 56 companies was fully eroded as on 31 March 2006, the recovery of loans amounting to Rs.39715.36 crore became doubtful. Recovery of loan of Rs.6913.21 crore given by central government companies to their subsidiaries also became doubtful.

### 1.5.3 Companies referred to BIFR

1.5.3.1. Out of 82 companies that had their capital completely eroded, 46 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, 18 companies had been recommended for closure, winding up or sale. Revival package had been approved in respect of 12 companies (including one listed company). 16 cases (including three listed companies) were under various stages of processing.



### 1.6.1 Operating Efficiency

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 2005-06 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 2005-06 was generally good in the Chemicals and Petrochemicals, Coal and Lignite, Mines and Minerals, Petroleum and Natural Gas, Power and Steel Sectors. A frequency table indicating the trend of capacity utilization achieved by manufacturing government companies of major sectors is given below:

**Table 10**

Capacity utilisation in percentage	No. of PSUs		
	2003-04	2004-05	2005-06
0-50	13	8	18
More than 50-100	41	35	43
More than 100	20	28	18
<b>Total</b>	<b>74</b>	<b>71</b>	<b>79</b>

1.6.1.3 Among other sectors, high capacity utilisation was noticed in respect of Artificial Limbs Manufacturing Corporation of India, Hindustan Newsprint Limited, National Aluminium Company Limited, National Fertilizers 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 2005-06 over the previous year.

**Table 11**

	Details	2003-04	2004-05	2005-06
1	Value of Production (Rs. in crore)	610528.95	728295.08	802686.42
2	Total Assets (Rs. in crore)	716665.70	807151.02	899755.73
3	Capital Employed (Rs. in crore)	453622.69	493318.96	606500.87
4	Ratio of Value of Production to Total Assets	0.85	0.90	0.89
5	Ratio of Value of Production to Capital Employed	1.35	1.48	1.32