

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 (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 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 C&AG of India as per provisions contained in the relevant statutes.

1.1.4 As on 31 March 2007, there were 401 central government public sector undertakings (PSUs), including six corporations and 95 deemed government companies, under the audit jurisdiction of the C&AG. Out of these, shares of 49 companies (including five deemed government companies) were listed on the various stock exchanges in India. During 2006-07, 13 companies (11 government companies and two deemed government companies) came within the audit purview of the C&AG and 16 companies (12 government companies and four deemed government companies) ceased to be government companies. The details are given in **Appendix I**.

1.1.5 Out of these 401 PSUs, this Chapter deals with data relating to 348 PSUs comprising six corporations, 267 government companies and 75 deemed government companies. Figures have been taken from the accounts of 2006-07 for 289 PSUs^α that submitted their accounts for the year 2006-07 for audit by 30 September 2007. Of the remaining government companies, figures from the accounts of 2005-06 have been taken for 52 government companies (including one corporation and 10 deemed government companies) and from the accounts of 2004-05 for seven companies. 53 companies (including 20 deemed government companies), the accounts of which were in arrears for various reasons^φ, are not covered in this Chapter. These 53 companies are identified by two asterisks (**) in **Appendix II**.

^α Consisting of five corporations, 219 government companies and 65 deemed government companies. Of these 42 were listed government companies and five were listed deemed government companies.

^φ Accounts of 12 PSUs are in arrears for three years or more, two PSUs had not submitted their first accounts, 28 PSUs were defunct/under liquidation and accounts of 11 PSUs had not become due.

1.2.1 Investment in government companies and corporations

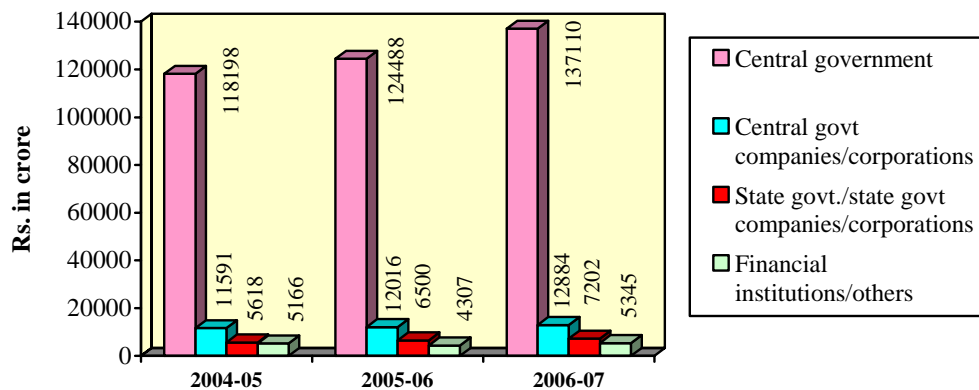
1.2.1.1 The equity investment of the Government of India in 273 government companies and corporations at the end of 2006-07 and loans given to them amounted to Rs.1,37,109.83 crore and Rs.69,798.05 crore respectively. Some government companies and corporations have also contributed to the investment 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 2007			As on 31 March 2006		
	Equity	Loans	Total	Equity	Loans	Total
Statutory Corporations						
<i>Central Government</i>	26471.27	20.00	26491.27	19281.52	1492.27	20773.79
Central Government Companies/Corporations	30.32	0.00	30.32	30.32	0.00	30.32
State Governments/State Government Companies/ Corporations	1719.65	4.00	1723.65	1342.80	0.00	1342.80
Financial Institutions/Others	0.27	10787.76	10788.03	0.27	11244.62	11244.89
Total	28221.51	10811.76	39033.27	20654.91	12736.89	33391.80
Listed Government Companies						
<i>Central Government</i>	24681.15	1836.81	26517.96	23136.96	1595.41	24732.37
Central Government Companies/Corporations	2507.08	2728.55	5235.63	2462.54	2707.23	5169.77
State Governments/State Government Companies/ Corporations	8.23	171.89	180.12	57.65	138.69	196.34
Financial Institutions/Others	3906.51	79662.91	83569.42	3592.78	71380.43	74973.21
Total	31102.97	84400.16	115503.13	29249.93	75821.76	105071.69
Unlisted Government Companies						
<i>Central Government</i>	85957.41	67941.24	153898.65	82069.41	65596.87	147666.28
Central Government Companies/Corporations	10346.65	5014.09	15360.74	9522.93	5486.77	15009.70
State Governments/State Government Companies/ Corporations	5474.15	1678.77	7152.92	5099.52	407.48	5507.00
Financial Institutions/Others	1437.90	147431.06	148868.96	713.57	130103.78	130817.35
Total	103216.11	222065.16	325281.27	97405.43	201594.90	299000.33
<i>Central Government</i>	137109.83	69798.05	206907.88	124487.89	68684.55	193172.44
Others	25430.76	247479.03	272909.79	22822.38	221469.00	244291.38
Grand Total	162540.59	317277.08	479817.67	147310.27	290153.55	437463.82
Percentage of central government investment to total investments	84.35	22.00	43.12	84.51	23.67	44.16

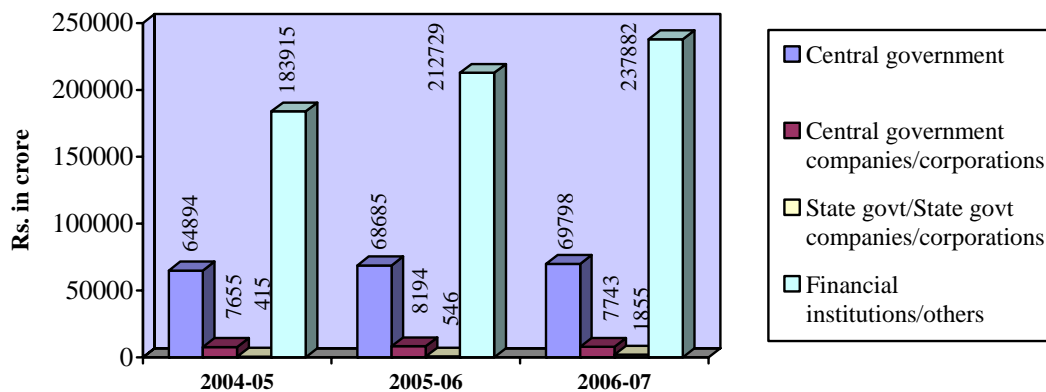
1.2.1.2 During 2006-07, the investment in equity of these government companies and corporations registered a net increase of Rs.15,230.32 crore [Graph 1(a)]. This included Rs.12,621.94 crore equity invested by the Government of India. Significant investments were made in the government companies and corporations under the Ministries of Shipping, Road Transport and Highways (Rs.7,321 crore), Power (Rs.1,448 crore), Heavy Industry & Public Enterprises (Rs.1,052 crore) and Railways (Rs.870 crore). The share of statutory corporations in the increase was Rs.6,978.12 crore in National Highways Authority of India and Rs.198 crore in the Damodar Valley Corporation.

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



1.2.1.3 During 2006-07, the loans to the government companies and corporations registered a net increase of Rs.27,123.53 crore, [Graph 1(b)]. This included Government of India loan of Rs.1,113.50 crore given mainly to government companies and corporations under the Ministry of Chemicals & Fertilizers (Rs.2,578 crore), Atomic Energy (Rs.1,116 crore), Railways (Rs.954 crore), Finance (Rs.698 crore) and Urban Development and Poverty Alleviation (Rs.595 crore).

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



1.2.1.4 The total loans received by 273 companies/corporations from all sources and outstanding against these as on 31 March 2007 was Rs.3,17,277.08 crore. However, total assets (fixed assets as well as current assets) of these government companies and corporations were Rs.10,34,203.73 crore as on 31 March 2007 which represented 325.96 *per cent* of the outstanding loans. As on 31 March 2006, the assets were Rs.9,02,886.45 crore, being 311.18 *per cent* of the outstanding loans amounting to Rs.2,90,153.55 crore.

1.2.1.5 In respect of statutory corporations, the total assets and government loans as on 31 March 2007 were Rs.73,905.76 crore and Rs.20 crore respectively against assets of Rs.66,556.27 crore and loans of Rs.1,492.27 crore as on 31 March 2006. In respect of listed government companies, the total assets and government loans as on 31 March 2007 were Rs.4,46,173.46 crore and Rs.1,836.81 crore respectively as against total assets and government loans of Rs.3,88,306.50 crore and Rs.1,595.41 crore respectively as on 31 March 2006. In respect of unlisted government companies the total assets and government loans as on 31 March 2007 were Rs.5,14,124.51 crore and Rs.67,941.24 crore respectively, as against the assets of Rs.4,48,023.68 crore and government loans of Rs.65,596.87 crore, as on 31 March 2006.

1.2.1.6 The overall interest coverage ratio[▲] had marginally improved to 5.99 during 2006-07 from 5.39 during 2005-06 and 5.28 during 2004-05. In respect of unlisted government companies interest coverage ratio for the year 2006-07 worked out to 4.19 as against 3.93 for 2005-06 and 3.24 for 2004-05.

1.2.2 Market value of equity investment in government companies

1.2.2.1 Shares of 49 government companies were listed on the various Stock Exchanges in India. These consist of 38 government companies, six subsidiaries of government companies and five deemed government companies.

1.2.2.2 In respect of 32 listed government companies, the shares of which were traded^α during 2006-07, the total market value of their equity shares as on 31 March 2007 stood at Rs.6,30,906.16 crore as compared to the total book value of Rs.2,46,975.72 crore. However, the total market value of shares in these companies had gone down by Rs.1,04,061.85 crore (14.16 *per cent*) as on 31 March 2007 as compared to 31 March 2006. 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.4,99,619.39 crore as on 31 March 2007 as compared to the book value of Rs.1,91,931.93 crore. However, the total market value of shares held by the Government in these companies had gone down by Rs.74,204.95 crore (12.93 *per cent*) as on 31 March 2007 as compared to 31 March 2006.

1.2.2.4 The total market value of shares of five subsidiary government companies, the shares of which were traded^β during 2006-07, stood at Rs.10,576.98 crore as on 31 March 2007 as compared to their book value of Rs.4,143.15 crore. However, the total market value of shares

[▲] *Earnings before interest and taxes to interest expense*

^α *Shares of IRCON International Limited, MMTC Limited, Hindustan Cables Limited, Hindustan Photofilms (Manufacturing) Company Limited and India Tourism Development Corporation Limited were not traded during 2006-07.*

^β *Shares of Hindustan Fluorocarbons Limited (subsidiary of Hindustan Organic Chemicals Limited) were not traded.*

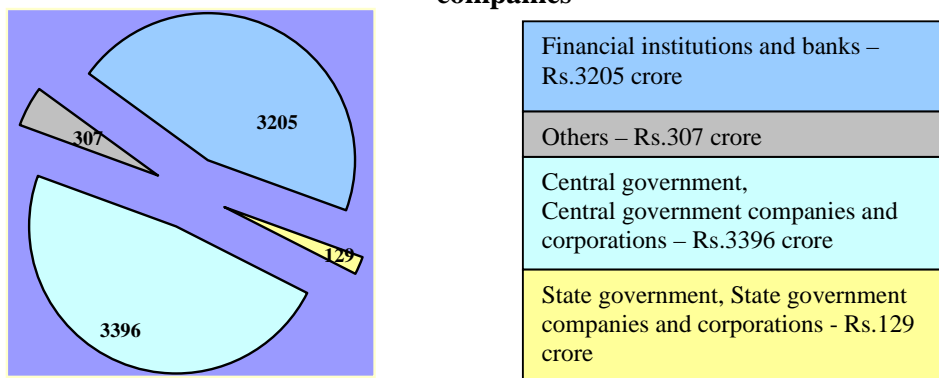
held by government companies in these companies had gone down by Rs.3,893.37 crore (33.65 per cent) as on 31 March 2007 as compared to 31 March 2006.

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 75 deemed government companies is given in **Appendix V**.

1.2.3.2 As of 31 March 2007, equity of Rs.7,037.72 crore in 75 deemed government companies (Graph 2) was contributed by the Government of India (Rs 93.52 crore in three companies), state governments (Rs.2.52 crore in five companies), central government companies and corporations (Rs.3,302.94 crore in 19 companies), state government companies and corporations (Rs.126.64 crore in 13 companies), financial institutions and banks (Rs.3,205.22 crore in 51 companies) and others (Rs.306.88 crore in 25 companies).

Graph 2 - Composition of share capital in deemed government companies

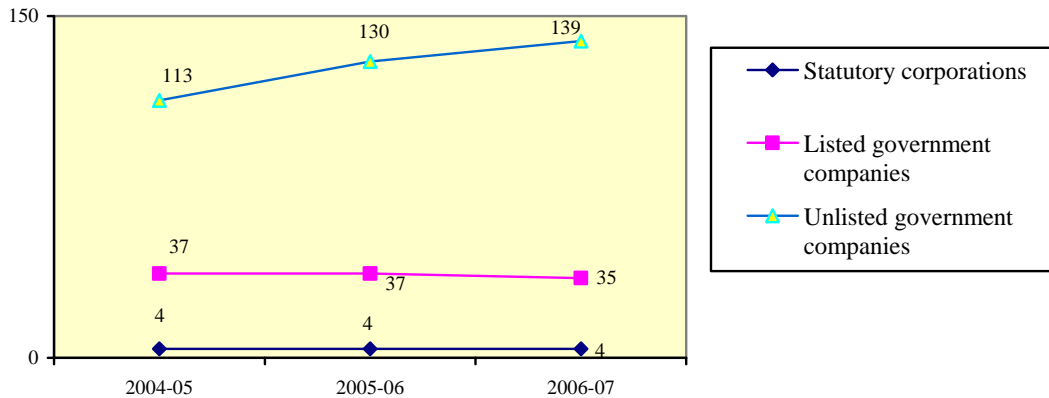


1.2.3.3 The equity in these companies increased by Rs.494.99 crore, i.e. from Rs.6,542.73 crore in 2005-06 to Rs.7,037.72 crore in 2006-07. There was no fresh investment by Government of India. The share capital of NTPC-SAIL Power Supply Company Limited increased by Rs.450 crore due to investment by two government companies, i.e. Steel Authority of India Limited and NTPC Limited.

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 2004-05 to 2006-07 in 273 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 154 in 2004-05 (Rs.75,182.37 crore) to 178 in 2006-07 (Rs.94,808.72 crore), though the number of profit earning listed government companies during the same period declined from 37 to 35.

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



1.3.1.2 During 2006-07, 178 government companies and corporations earned profit. The total profit earned by them was Rs.94,808.72 crore of which, as much as 80.96 per cent (Rs.76,749.71 crore) was contributed by 50 government companies and corporations under six sectors viz., Petroleum, Power, Telecommunication Services, Coal & Lignite, Steel and Minerals & Metals. Out of these, 32 government companies and corporations in the sectors of Petroleum, Power and Coal & Lignite contributed 58.42 per cent, in which the product prices were administratively determined or regulated to varying degrees. The sector-wise breakup of these 32 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	8	30241.07	31.90
Unlisted government companies	4	2928.41	3.09
Total	12	33169.48	34.99
2. Power			
Statutory corporations	1	1238.65	1.30
Listed government companies	1	6864.72	7.24
Unlisted government companies	9	5257.53	5.55
Total	11	13360.90	14.09
3. Coal & Lignite			
Listed government companies	1	566.78	0.60
Unlisted government companies	8	8285.42	8.74
Total	9	8852.20	9.34
Total (1) to (3)	32	55382.58	58.42

1.3.2 Profitability analysis of government companies and corporations

1.3.2.1 Profitability analysis of 273 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	2004-05	2005-06	2006-07
		Rs. in crore		
1.	Profit before interest and tax [♦]	110484.16	117619.86	147666.90
2.	Profit before tax	89544.48	95810.36	123016.43
3.	Profit after tax	66887.71	71235.57	88100.60
4.	Dividend [‡]	20573.16 ^a	23263.95 ^b	27858.62 ^c
5.	Paid up capital	140573.24	147310.27	162540.59
6.	Net worth [⊗]	366183.82	384792.13	446896.95
7.	Capital employed [⊘]	520540.85	601346.21	691355.15
Ratio				
8.	Profit after tax to net worth	0.18	0.19	0.20
9.	Profit before interest and tax to capital employed	0.21	0.20	0.21
10.	Dividend to equity	0.15	0.16	0.17

1.3.2.2 On the basis of the data for the year 2006-07 furnished by the individual government companies and corporations, the following companies 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 help measure profitability. For this purpose government companies and corporations, having paid up capital of Rs.100 crore and above and which had declared dividend, have been considered.

[♦] Profit in item 1,2,3,8 and 9 represents net of losses in respect of 273 government companies and corporations.

[‡] Includes dividend declared only by those government companies and statutory corporations whose accounts were received for audit by 30 September 2007. As such, this amount would not match the amount shown as dividend received in the Finance Accounts of the Union Government.

^a Dividend declared by 102 companies and corporations.

^b Dividend declared by 105 companies and corporations for 2005-06 and one company for 2004-05.

^c Dividend declared by 97 companies and corporations for 2006-07, nine companies for 2005-06 and one company for 2004-05.

[⊗] 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).

A. Ranking in terms of ratio of profit before interest and tax to capital employed as on 31 March 2007

Table 4

Rank	Name of the company	Ratio
1.	Hindustan Aeronautics Limited	4.122
2.	South Eastern Coalfields Limited	0.662
3.	Central Coalfields Limited	0.651
4.	National Mineral Development Corporation Limited (Listed)	0.623
5.	Oil & Natural Gas Corporation Limited (Listed)	0.599
6.	National Buildings Construction Corporation Limited	0.594
7.	Mazagon Dock Limited	0.568
8.	Mahanadi Coalfields Limited	0.545
9.	General Insurance Corporation of India Limited	0.544
10.	Bharat Heavy Electricals Limited (Listed)	0.495

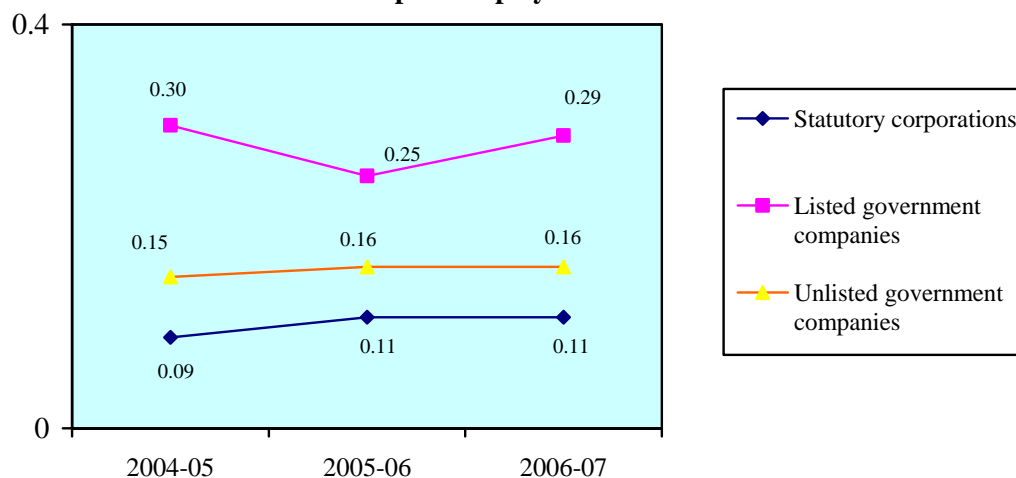
B. Ranking in terms of ratio of profit after tax to net worth as on 31 March 2007

Table 5

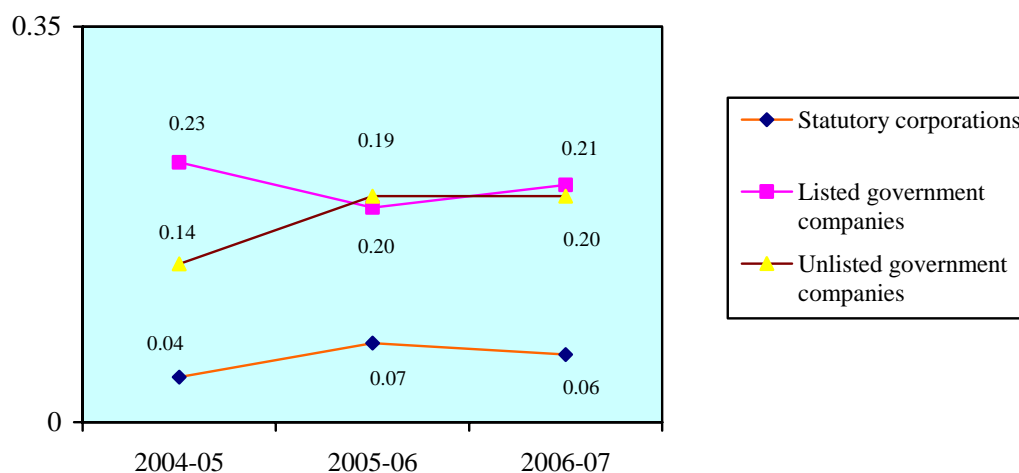
Rank	Name of the company	Ratio
1.	Hindustan Aeronautics Limited	0.552
2.	National Buildings Construction Corporation Limited	0.536
3.	Rural Electrification Corporation Limited	0.453
4.	National Mineral Development Corporation Limited (Listed)	0.402
5.	Mazagon Dock Limited	0.388
6.	Central Coalfields Limited	0.385
7.	Steel Authority of India Limited (Listed)	0.369
8.	The Shipping Corporation of India Limited	0.345
9.	Mahanadi Coalfields Limited	0.324
10.	National Aluminium Company Limited (Listed)	0.310

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 2007 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



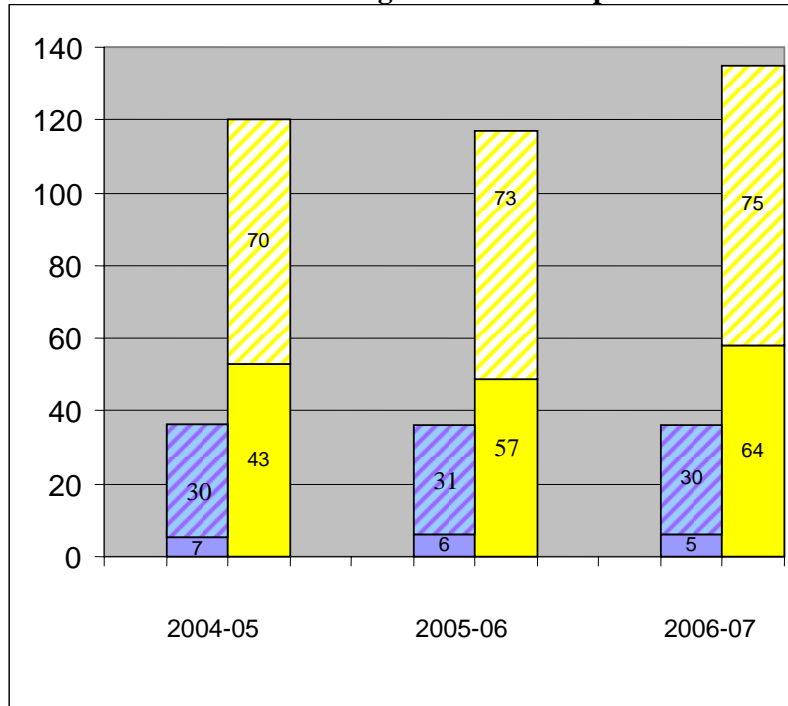
Graph 5 - Ratio of profit after tax to net worth



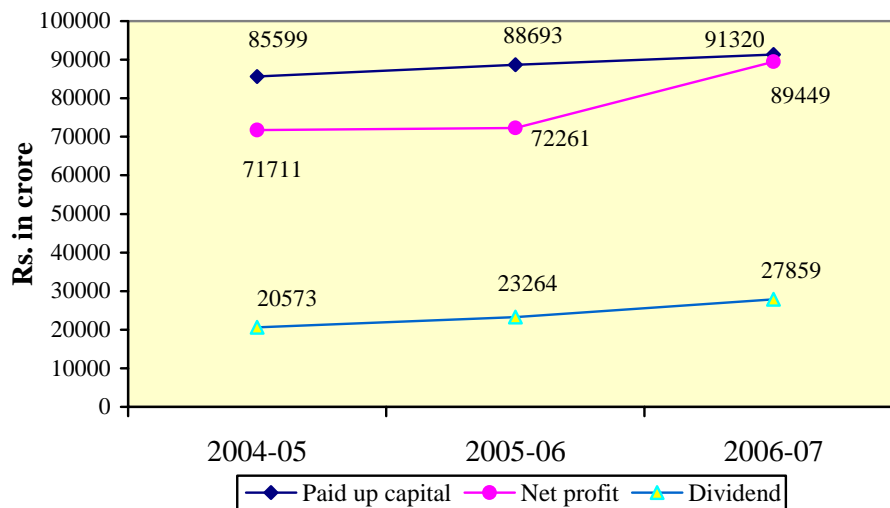
1.3.3 Profit-earning of government companies and corporations

1.3.3.1 The number of government companies and corporations that had declared dividend during the last three years ended 31 March 2007 has been given in **Appendix VII**. The number of dividend declaring government companies and corporations went up to 107 (including two statutory corporations and 30 listed companies) in 2006-07 from 102 (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 31.14 *per cent* in 2006-07. In absolute terms, the dividend declared by the companies and corporations in 2006-07 increased by Rs.7,285.46 crore from Rs.20,573.16 crore in 2004-05 to Rs.27,858.62 crore in 2006-07 (Graph 7). However, 71 government companies and corporations (including two statutory corporations and five listed government companies) which earned an aggregate profit of Rs.5,359.54 crore in the current year did not declare any dividend.

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



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



1.3.3.2 Out of total dividend of Rs.27,858.62 crore declared by 107 government companies and corporations in the current year, dividend receivable by Government of India amounted

to Rs.20,831.08 crore*. The return on aggregate investment of Rs.79,389.41 crore made by the Government of India in equity capital of 81 government companies and corporations (two statutory corporations, 25 listed government companies, 54 unlisted government companies) was 26.24 per cent. Similarly, the government companies received Rs.3,572.02 crore as dividend on their investment of Rs.5,909.47 crore in the equity of various subsidiaries (also government companies) and thus earned a return of 60.44 per cent.

1.3.3.3 The companies under the Ministry of Petroleum and Natural Gas contributed 43.24 per cent (Rs.12,045.48 crore) of the total dividend (Rs.27,858.62 crore) declared by various companies in 2006-07.

1.3.3.4 The top ten dividend paying companies for 2006-07 were as under:

Table 6

Rank	Name of the company	Amount of dividend (Rs. in crore)
1	Oil and Natural Gas Corporation Limited (Listed)	6630.51
2	NTPC Limited (Listed)	2638.55
3	Indian Oil Corporation Limited (Listed)	2250.89
4	Coal India Limited	1500.00
5	Bharat Sanchar Nigam Limited	1359.84
6	Steel Authority of India Limited (Listed)	1280.42
7	Gas Authority of India Limited (Listed)	845.65
8	Hindustan Petroleum Corporation Limited (Listed)	610.79
9	Bharat Heavy Electricals Limited (Listed)	599.66
10	Bharat Petroleum Corporation Limited (Listed)	578.47

1.3.3.5 The top ten companies** in terms of ratio of dividend to equity for 2006-07 were as under:

Table 7

Rank	Name of the company	Ratio of dividend to equity
1	National Mineral Development Corporation Limited (Listed)	3.52
2	Oil and Natural Gas Corporation Limited (Listed)	3.10
3	Northern Coalfields Limited	3.08
4	Mahanadhi Coalfields Limited	2.95
5	Oil India Limited	2.60
6	Bharat Heavy Electricals Limited (Listed)	2.45
7	Hindustan Aeronautics Limited	2.07
8	Indian Oil Corporation Limited (Listed)	1.89
9	Hindustan Petroleum Corporation Limited (Listed)	1.80
10	Bharat Petroleum Corporation Limited (Listed)	1.60

* The dividend receivable by Government of India related to 81 companies with direct central government investment. The remaining 26 companies were subsidiaries of other government companies and had no direct investment by the Government of India.

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

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 government companies and corporations across the board. However, 23 companies (including five listed companies and excluding 71 government companies and corporations, which have not declared dividend) under 15 Ministries did not comply with the government directive while declaring dividend, as given in **Appendix VIII**. The total shortfall on this account was Rs.2,387.56 crore in 2006-07.

1.3.3.7 The return on net worth of Rs.4,46,896.95 crore in all government companies and corporations was 6.23 *per cent*. The return on the total investment of Rs.1,37,109.83 crore made by the Government of India in equity of all the government companies and corporations was Rs.20,831.08 crore, i.e. 15.19 *per cent*.

1.3.3.8 During the year 2006-07, three companies*, issued fully paid bonus shares amounting to Rs.763.20 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 2004-05 to 2006-07 are given in **Appendix V**. Of the 75 deemed government companies reviewed in this Report, 53 companies earned profit of Rs.753.62 crore. Out of these 53 companies, only 23 declared dividend amounting to Rs.91.44 crore which represented 4.90 *per cent* of their total paid up capital. Fourteen companies, including one in which the Government of India had invested, incurred losses during 2006-07. Remaining eight companies have not yet started their commercial operations.

1.4.1.2 Dividend of Rs.91.44 crore declared by the deemed government companies during 2006-07 came from the companies under Financial services, Power, Industrial development and technical consultancy, Trading and marketing and Steel sectors as indicated below:

Table 8

(Rs. in crore)				
Sector	No. of companies	Paid up Capital	Net Profit	Dividend
1.Financial services	14	381.08	277.59	69.52
2. Power	2	963.55	83.97	11.70
3.Industrial development and technical consultancy	5	1.02	4.59	0.21
4.Trading and marketing	1	100.00	10.55	10.00
5.Steel	1	421.15	57.80	0.01
Total	23	1866.80	434.50	91.44

* Oil and Natural Gas Corporation Limited (Rs.712.96 crore), United India Insurance Company Limited (Rs.50 crore), HMT (International) Limited (Rs. 0.24 crore).

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 2007 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				
2004-05	7	1898.67	1384.87	7329.01
2005-06	7	1618.55	1556.25	8594.67
2006-07	9	2299.31	1717.96	10004.00
Unlisted government companies				
2004-05	82	20429.46	6909.87	62257.48
2005-06	68	14466.66	4942.30	46012.32
2006-07	63 [†]	12506.98	4990.12	50700.76
Total				
2004-05	89	22328.13	8294.74	69586.49
2005-06	75	16085.21	6498.55	54606.99
2006-07	72	14806.29	6708.08	60704.76

1.5.1.2 Accumulated losses of government companies decreased by Rs.8,881.73 crore (12.76 per cent), i.e. from Rs.69,586.49 crore in 2004-05 (89 companies) to Rs.60,704.76 crore in 2006-07 (72 companies).

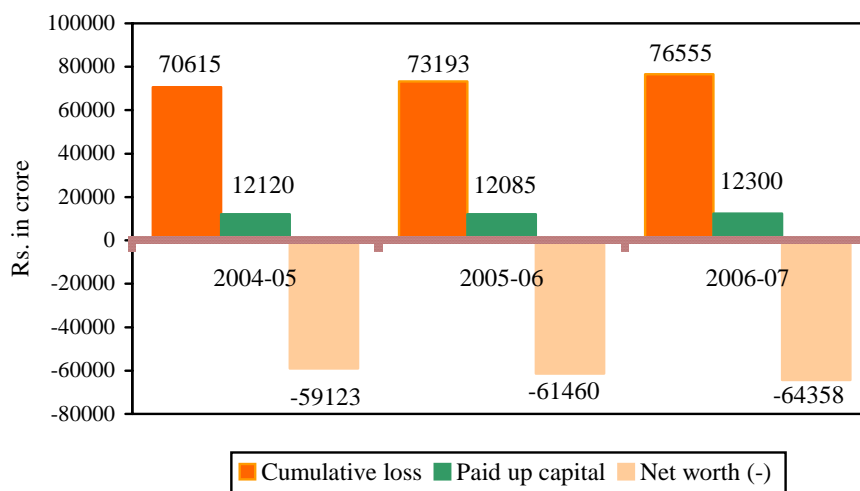
1.5.2 Capital erosion in government companies

1.5.2.1 As on 31 March 2007, 102 government companies and corporations (including 12 listed companies) had accumulated losses of Rs.79,485.71 crore which included 32 profit earning companies (including three listed companies). However, equity capital of 70 government companies (out of 102) had been completely eroded. The accumulated losses in these 70 companies were Rs.76,554.99 crore against equity investment of Rs.12,300.15 crore as on 31 March 2007 making their combined net worth negative at Rs.64,357.57 crore (Graph 8). This included six listed companies whose accumulated losses were Rs.9,595.37 crore against equity investment of Rs.1,557.18 crore, making their combined net worth negative at Rs.8,035.45 crore.

* Food Corporation of India and Inland Waterways Authority of India, the deficits of which are reimbursed by the Government of India as subsidy/grant are not included in this table.

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

Graph 8 Erosion of equity capital by cumulative loss



1.5.2.2 The total government loans outstanding against 40 companies (out of 70 companies whose capital was fully eroded) as on 31 March 2007 amounted to Rs.40,732.91 crore, including five listed companies where it amounted to Rs.1,581.84 crore. Further, an amount of Rs.2,370.42 crore given by 10 holding government companies, (which were not sick) to their subsidiaries, was also outstanding as on 31 March 2007.

1.5.2.3 The principal amount of government loans remaining unpaid on the due dates amounted to Rs.9,356.96 crore (30 government companies) as on 31 March 2007. Interest overdue on these outstanding loans was Rs.18,837.48 crore (26 companies) and penal interest leviable for non-payment of loans on due dates amounted to Rs.6,371.64 crore (10 companies). This included principal amount outstanding of Rs.638.30 crore, interest overdue of Rs.643.57 crore in respect of four listed government companies.

1.5.2.4 As the capital of 40 companies was fully eroded as on 31 March 2007, the recovery of loans amounting to Rs.40,732.91 crore became doubtful. Besides, recovery of loan of Rs.2,370.42 crore given by government companies to their 10 subsidiaries (included in the 70 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 70 companies that had their capital completely eroded, 35 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, 16 companies had been recommended for closure, winding up. Revival package had been approved in respect of six companies. 13 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 2006-07 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 2006-07 was generally good in the Chemicals and Petrochemicals, Coal and Lignite, 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		
	2004-05	2005-06	2006-07
0-50	6	12	10
More than 50-100	19	31	30
More than 100	26	21	27
Total	51	64	67

1.6.1.3 Among other sectors, high capacity utilisation was noticed in respect of Artificial Limbs Manufacturing Corporation of India Limited, Central Electronics Limited, Hindustan Newsprint Limited, Mangalore Refinery and Petrochemicals Limited, Mishra Dhatu Nigam Limited, National Aluminium Company Limited, National Fertilizers Limited, Rajasthan Drugs and Pharmaceuticals Limited, Rashtriya Chemicals and Fertilizers Limited, Rashtriya Ispat Nigam Limited, The Fertilizer and Chemicals Travancore 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 increase of the ratios during 2006-07 over the previous year.

Table 11

	Details	2004-05	2005-06	2006-07
1	Value of production (Rs. in crore)	713335.14	784197.02	956154.93
2	Total assets (Rs. in crore)	802604.03	902886.45	1034203.73
3	Capital employed (Rs. in crore)	520540.85	601346.21	691355.15
4	Ratio of value of production to total assets	0.89	0.87	0.92
5	Ratio of value of production to capital employed	1.37	1.30	1.38