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REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

1978

UNION GOVERNMENT (COMMERCIAL)

PART I

INTRODUCTION

ERRATA

Page No.	Reference	<i>For</i>	<i>Read</i>
5	Item 25 (Line 3rd)	reviewed	viewed
17	Item 7	12.8	12.0
22	Column (1) First line under item D	Enarned	Earned
27	Under Column rate of growth	1976- 7	1976-77
31	Table under Para B. Cost Trends—	Heading of the table is meant for the last two columns of the table.	
59	Para 11 (a)—table under 1975-76	62,800.15	62,809.15
59	Para 11 (a)—table under 1976-77	78,705.1	78,705.15
71	Serial No. 79 (ii)	Schedule XVI 'O'	'Q'
71	Serial No. 87—Column 8	0.23	0.28
72	Serial No. 116—Column 9—figure for the year 1975-76	1307.96	1807.96
72	Serial No. 121 under Column 14	12387.808	12587.808

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

1978

UNION GOVERNMENT (COMMERCIAL)

PART I

INTRODUCTION

REPORT OF THE

COMPTROLLER AND ACCOUNTANT GENERAL
OF INDIA

1938

UNION GOVERNMENT, (COMMERCIAL)

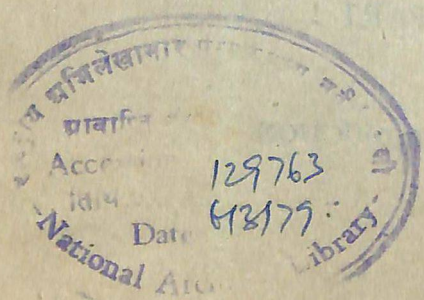


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PREFATORY REMARKS

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:—

- (i) Government companies including subsidiaries of Government companies.
- (ii) Statutory Corporations.
- (iii) Departmentally managed commercial undertakings.

The observations of Audit on all the above categories of undertakings formed part of Central Government Audit Report (Civil) till 1962. Taking into consideration the number of Commercial Undertakings, the amount of money invested and the complex nature of these organisations, it was decided to present the audit comments relating to them with effect from 1963 in a separate volume known as Central Government Audit Report (Commercial).

Consequent upon the setting up of the Parliamentary Committee on Public Undertakings to deal with Government companies and corporations, the material relating to Departmentally managed commercial undertakings is discussed by the Public Accounts Committee along with the other material relating to other departments of Government. The report relating to Departmentally managed Commercial Undertakings forms part of Audit Report (Civil) and the Audit Report (Commercial) deals with the other two categories.

2. There are, however, certain companies and corporations where Government has invested funds, but the accounts of which

are not subject to audit by the Comptroller and Auditor General of India on account of:

- (a) Government holding less than 51 per cent shares and the company, therefore, not falling within the scope of Section 617 of Companies Act, 1956 (e.g., Sindhu Resettlement Corporation Limited etc.) and/or.
- (b) there being no provision in the relevant statute establishing the Corporation for audit by the Comptroller and Auditor General of India (Reserve Bank of India, Nationalised Banks, Life Insurance Corporation of India).

A list of such undertakings where Government investment is not less than one crore of rupees is given in Annexure 'A'.

In addition, the Comptroller and Auditor General of India is also not statutorily responsible for the audit of the accounts of statutory bodies (e.g., State Bank of India, Industrial Finance Corporation of India, etc.) the majority interest in which vests with other statutory bodies (e.g., Reserve Bank of India, Industrial Development Bank of India).

Pursuant to the suggestion of the Public Accounts Committee for subjecting companies, whereof more than fifty one per cent shares are held jointly by Government and Government companies to the financial discipline of the Companies Act, as in the case of Government companies, and in view of the fact that there have been instances where more than fifty one per cent shares are held by public financial corporations either by themselves or along with Government or Government companies, it was considered necessary to empower the Central Government to appoint the auditors, on the advice of the Comptroller and Auditor General of India, for the purposes of audit of accounts of such companies in the same manner as adopted for Government companies. Accordingly, Section 619-B was added by the Companies (Amendment) Act, 1974, making the provisions of Section 619 of the Act applicable to a company in which not less than fifty one per cent of the paid up share capital is held by one or more or a combination of any of

(i) Central Government, (ii) State Governments, (iii) Government companies, (iv) Corporations owned or controlled by Central Government and (v) Corporations owned or controlled by the State Governments as if it were a Government company. This amendment came into force from 1st February, 1975.

As on 31st March 1977 there were 40 companies (Annexure-B) coming within the provisions of Section 619-B of the Companies Act in which Central Government and/or Central Government companies and corporations had dominant shares. The accounts of 25 companies (Annexure-B) for the year 1976-77 have been received so far (March 1978). The total paid up capital and the pattern of shareholding therein and also the working results of these companies as on 31st March 1977 are indicated below:—

	(Rupees in crores)
(i) Total paid up capital	73.72
Shares held by:	
(a) Central Government	1.35
(b) State Government	2.43
(c) Companies and Corporations owned or controlled by Central Government	58.40
(d) Companies and Corporations owned or controlled by State Governments	2.09
(e) Others	9.45
(ii) Total Net Profit	25.01

(iii) Sectoral distribution of the paid-up capital of 25 companies as on 31st March 1977:—

	(Rupees in lakhs)	
	No. of Compa- nies	Paid-up capital
Engineering	3	475.81
Chemicals and Pharmaceuticals	4	649.41
Mining and Minerals	2	326.39
Petroleum and Oil	1	2,500.00
Textile	1	70.00
Miscellaneous	3	273.38
Consultancy	3	15.00
Financial and Promotional	8	3,062.32
TOTAL	25	7,372.31

3. In the case of Government companies and companies coming under Section 619-B of the Companies Act, audit is conducted by professional auditors appointed on the advice of the Comptroller and Auditor General, but the latter is authorised under Section 619(3)(b) of the Companies Act, 1956 to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted by the professional auditors. The Companies Act further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. In March 1962 such directives were issued by him to the auditors for looking into certain specific aspects of the working of Government companies. These were revised in December 1965 and February 1969.

4. In respect of Air India, Indian Airlines, Oil and Natural Gas Commission, Damodar Valley Corporation, International Airports Authority of India and Delhi Transport Corporation, which are statutory organisations, the Comptroller and Auditor General of India is the sole Auditor, while in respect of the Central Warehousing Corporation and the Food Corporation of India, he has the right to conduct audit independently of the audit conducted by the professional auditors appointed under the Acts constituting these corporations.

5. After considering the recommendations of the Administrative Reforms Commission, an Audit Board was set up with effect from 1st April 1969, under the supervision and control of the Comptroller and Auditor General of India for undertaking comprehensive appraisal of the working of the Government companies and corporations.

Depending upon the requirements for appraisal of performance of the undertakings selected, the Audit Board meets in groups. Each group consists of the Chairman, two wholetime members and two part-time members. The Chairman and two wholetime members are officers of the Indian Audit and Accounts Department and are appointed by the Comptroller and Auditor

General of India. The two part-time members of each group are appointed by Government of India after consultation and with the concurrence of Comptroller and Auditor General.

During 1977-78 the Audit Board's meetings were held to consider the Draft Reports of the three Companies. The names of these Companies together with the names of part-time Members are mentioned below:—

Sl. No.	Name of the Company	Name of the part time Members	Dates of the meeting
1.	Fertilizer Corporation of India Ltd.	S/Shri T.R. Viswanathan, Superintendent, Technical Services, Madras Fertilizers Ltd., Madras. Dr. P.K. Naryanaswamy Chairman and Managing Director, Fertilizers & Chemicals Travancore Ltd. Udyogmandal.	6th to 8th July 1977
2.	Hindustan Steel Ltd.	Prof. N.S. Ramaswamy, Director, Indian Instt. of Management, Bangalore. B.R. Sule, Executive Director, Mahindra & Mahindra Ltd. Bombay.	28th Nov. to 1st December 1977.
3.	Tannery & Footwear Corporation of India Ltd.	Dr. N.V.C. Rao, Industrial Adviser, Director General of Technical Development New Delhi. M. Santappa, Director, Central Leather Research Institute, Madras.	29th & 30th July 1977 & 24th April 1978.

These reports are at various stages of finalisation.

6. As in the previous year, for facility of consideration the Report of the Comptroller and Auditor General of India—Union Government (Commercial) 1978 will be presented in several parts consisting of the following:—

- (a) Introduction—Indicating a general review of the working results of Government companies and corporations.
- (b) Results of the comprehensive appraisal conducted by the Audit Board (Referred to in paragraph 5).

- (c) Miscellaneous topics of interest noticed in audit of the undertakings not taken up for appraisal by the Audit Board and a resume of the Reports of Company Auditors submitted by them under the directives issued by Comptroller and Auditor General in one or more volumes, as may be necessary.

7. In the beginning of Part I of the Report the "Highlights of the working of the Union Government companies for 1976-77" have been indicated for convenience. They indicate an overall picture of different types of industries but should not be viewed in isolation. The details are given in the Report.

HIGHLIGHTS OF THE WORKING OF THE UNION GOVERNMENT COMPANIES DURING 1976-77

A. Government Companies other than General Insurance Companies

The overall results in the aggregate of the working of 136 Union Government companies disclosed a net profit of Rs. 440.12 crores for the year 1976-77. The return on Capital invested increased from 5.2 per cent in 1975-76 to 6.8 per cent in 1976-77 and return on capital employed increased from 7.9 per cent in 1975-76 to 10.2 per cent in 1976-77. In considering the profit and the return on capital, the following factors are relevant.

The total value of production/business of 113 companies, data in respect of which were analysed, was Rs. 10,469.52 crores in 1976-77, registering a growth of 14.5 per cent over the value of production/business of 107 companies during 1975-76. The contribution to the exchequer in the form of Central Excise Duty by 50 companies which were studied, amounted to Rs. 1,046.29 crores representing 24.8 per cent of the total collection (Rs. 4,221.35 crores—provisional) of Central Excise Duty of the country during 1976-77.

Exports made by 63 companies during 1976-77 amounted to Rs. 1,357.47 crores representing 26.4 per cent of the total exports* (Rs. 5,143 crores—provisional) of the country during 1976-77. Seventy three companies having a total value of production/business of Rs. 7,610.75 crores, imported raw materials, stores and spare parts to the extent of Rs. 1,187.78 crores.

133 Government companies for which data were available, provided direct employment to 8,31,396 persons by the end of 1976-77. The benefits in the shape of township facilities at concessional rates provided to the employees of 62 companies for which data were available, amounted to Rs. 33.77 crores.

*Based on figures published in Reserve Bank of India Bulletin—December 1977.

An overall profit of Rs. 440.12 crores was earned by 136 Companies (including 20 Companies whose accounts were available for the first time) in 1976-77 against an overall profit of Rs. 255.53 crores of 120 Companies in 1975-76. These include 116 Companies which were common to both the years. The comparative position of the overall profit earned by these 116 Companies was Rs. 271.64 crores in 1975-76 and Rs. 434.07 crores in 1976-77. The concerns under 'Steel', 'Mineral' and 'Petroleum' groups contributed to the increase in profits, while the concerns under 'Fertilizers, Chemicals and Pharmaceuticals' group registered increase in loss during 1976-77.

Analysis of utilisation of capacity (commissioned) in selected industries for which information was available, revealed the following:—

- (i) In steel group, utilisation of capacity commissioned improved from 82.2 per cent in 1975-76 to 92.4 per cent in 1976-77;
- (ii) in fertilizer group, it declined from 64.3 per cent in 1975-76 to 54.9 per cent in 1976-77, and
- (iii) in oil refining, it improved from 88.9 per cent in 1975-76 to 89.5 per cent in 1976-77.

The broad details are indicated below:—

1. Number of Government companies as on 31st March 1977 117 and 59 subsidiaries (for details see pages 10-11, 42-45; 67-73;)
2. Number of companies (other than General Insurance companies) which prepared accounts. 99 and 37 subsidiaries (vide Annexure 'C').
3. Paid up capital of 136 companies as on 31st March 1977. Rs. 6,073.11 crores (increase of Rs. 643.47 crores over paid up capital of 120 companies as on 31st March 1976).
4. Long-term loan capital of 136 companies as on 31st March 1977. Rs. 5,250.66 crores. Increase of Rs. 1,014.76 crores over 31st March 1976.
5. Reserves and Surplus of 136 companies as on 31st March 1977 Rs. 1,095.85 crores. Increase of Rs. 272.59 crores over 31st March 1976.

6. Capital* invested in these 136 companies as on 31st March 1977 Rs. 10,055.54 crores. Increase of Rs. 1,502.40 crores over 31st March 1976.

7. Sectoral distribution of capital invested as on 31st March 1977

	(Rupees in crores)
I. Running concerns	9,352.04
A. Industrial	8,679.83
(i) Engineering	1,486.11
(ii) Chemicals	1,863.85
(iii) Mining & Minerals	1,397.17
(iv) Shipping and Transport	750.60
(v) Ship-building and Repairing	130.48
(vi) Steel	2,576.44
(vii) Petroleum & Oil	417.37
(viii) Construction Undertakings	28.32
(ix) Miscellaneous	29.49
B. Trading and Services	160.03
C. Consultancy	9.85
D. Financial	502.33
II. Promotional and Developmental Undertakings	87.52
III. Companies in the stage of construction	615.98
8. Capital employed in 124 companies (excluding companies in the stage of construction) Rs. 7,014.17 crores. Increase of Rs. 714.87 crores over 31st March 1976.	
9. Gross assets of 136 companies as on 31st March 1977. Rs. 16,414.53 crores. Increase of Rs. 2,087.97 crores over 31st March 1976.	
10. Value of Production/Business of 113 companies. Rs. 10,469.52 crores. Increase of Rs. 1,322.39 crores over 31st March 1976.	
11. Net sales of 113 companies Rs. 10,279.77 crores. Increase of Rs. 1,404.71 crores over 31st March 1976.	

*Excludes share capital of subsidiaries to the extent held by holding companies and loans received by holding companies but lent in turn to subsidiaries.

12. Sundry Debtors of 113 companies Rs. 930.68 crores. Increase of Rs. 77.47 crores.
13. Inventories as on 31st March 1977 for 107 companies. Rs. 3,309.87 crores. Increase of Rs. 202.32 crores.
14. Subsidy paid by Government to 38 companies during 1976-77 Rs. 41.12 crores against Rs. 64.24 crores to 38 companies in 1975-76.
15. Total net profit earned by 136 companies during 1976-77 Rs. 440.12 crores against total net profit of Rs. 255.53 crores for 120 companies during 1975-76.
16. Return on Capital invested. 6.8 per cent against 5.2 per cent in 1975-76.
17. Return on capital employed of 124 companies (excluding companies in the stage of construction) during 1976-77. 10.2 per cent against 7.9 per cent in 1975-76.
18. Percentage of value of production/business to capital employed for 113 companies. 151.9% as against 147% in 1975-76
19. Percentage of sales to capital employed during 1976-77 for 113 companies. 149.2% as against 142.8% in 1975-76
20. Percentage of sundry debtors to sales during 1976-77 for 113 companies. 9% as against 9.6% in 1975-76.
21. Percentage of inventories to sales for 107 companies. 32.4% as against 35.2% in 1975-76
22. Cash and Bank Balances:
- (a) Cash and Bank balances of 136 companies as on 31st March 1977 Rs. 492.09 crores
- (b) Outstanding balances of cash credit resorted to by 52 companies as on 31st March 1977 Rs. 337.58 crores
23. Customer composition of 97 companies in respect of which information was available with total sales of Rs. 7,104.89 crores. Percentage of total sales.

Sales to Government Departments	19.4
Sales to Public Sector Undertakings	19.5
Exports	19.1

[Exports by 12 Trading companies (State Trading Corporation, Minerals & Metal Trading Corporation, Cotton Corporation, Mica Trading Corporation of India, Tea Trading Corporation, Electronics Trade & Technology Development Corporation Limited, Banana and Fruit Development Corporation Limited, Hindustan Machine Tools (International) Limited, The Cashew Corporation of India Limited, Projects and Equipment Corporation of India Limited, State Chemicals and Pharmaceuticals Corporation Limited, Central Cottage Industries Corporation Limited) accounted for 69.01 per cent of total exports].

Sales to other parties	42.0
----------------------------------	------

24. Employment Statistics

(a) Total number of employees in 133 companies (in respect of which information was available) as on 31st March 1977

8,31,396

(b) Salaries, wages, etc. charged in the accounts as on 31st March 1977

Rs. 847.17 crores.

(c) Average earnings per employee per annum on the above basis

Rs. 10,190

25. Ratio of employees to capital invested as on 31st March 1977 (the position has to be reviewed in the light of the fact that most of the Public Sector Undertakings are capital intensive and highly mechanised)

83 per every Rs. 1 crore of capital invested.

26. Net revenue expenditure on providing township facilities after deducting rent receipts etc. in 62 companies, in respect of which information was available for 1976-77

Rs. 33.77 crores.

27. Housing provided upto 1976-77

2,86,658 employees out of 7,56,426 employees in 74 companies for which information was available.

28. Cost of other facilities like educational facilities, medical facilities, social and cultural facilities, transport facilities and canteen subsidy during 1976-77 Rs. 52.16 crores for 121 companies for which information was available.
29. Contribution to Central Revenue in the form of Central Excise Duty during 1976-77 Rs. 1,046.29 crores for 50 companies having value of production Rs. 7,237.24 crores.
30. Exports by 63 companies for which information was available Rs. 1,357.47 crores.
31. Net foreign exchange earned by 14 companies (in respect of which information was available) engaged in rendering services like shipping, ship repairing, consultancy etc. during 1976-77 Rs. 177.93 crores.
32. Expenditure incurred during 1976-77 on import of raw materials, stores and spare parts for production by 62 companies, out of 75 companies engaged in manufacture/production Rs. 1,169.32 crores (Their value of production was Rs. 7,521.15 crores).
33. (a) Value of production of 75 companies engaged in manufacture/production of goods during 1976-77 Rs. 7,578.50 crores.
- (b) Contributed value of the above companies during 1976-77 Rs. 2,215.52 crores
- (c) Results of working of the above companies during 1976-77 Profit of Rs. 320.40 crores.
- (d) Composition of the major items of expenditure of these companies expressed as percentage of value of production
- | | |
|--|------|
| Consumption of raw materials, stores and spares, purchase of finished goods etc. | 57.0 |
| Central Excise Duty | 13.8 |
| Wages, Salaries, bonus, allowances, etc. | 9.2 |
| Depreciation | 3.4 |
| Interest | 2.8 |
| Repairs & Maintenance | 1.5 |
| Power and Fuel | 3.2 |
- (e) Percentage of contributed value to capital employed for 75 companies 40.4
34. Sectoral analysis of working results of 75 companies engaged in manufacture/production

(Rupees in crores)

	1976-77	1975-76
Steel	(+)81.21	(+)27.72
Machine Tools, Engineering and Allied Industries	(+)113.09	(+)99.00
Fertilizers, Chemicals & Pharmaceuticals	(-)20.46	(-)11.94
Minerals	(+)17.65	(-)11.92
Petroleum	(+)123.71	(+)72.99
Electronics	(+)7.92	(+)6.77
Others	(-)2.72	(+)0.34
	(+)320.40	(+)182.96

35. Capacity utilisation in selected industries with reference to the commissioned capacity (for which information is available)

	1976-77	1975-76
(i) Steel		
(a) Ingots	81.8	71.9
(b) Saleable Steel	92.4	82.2
(ii) Fertilizer	54.9	64.3
(iii) Oil Refining	89.5	88.9

B. General Insurance Companies

1. Number of General Insurance Companies. 1 and 6 subsidiaries (out of these two subsidiaries are not registered for insurance business).
2. Number of Companies which prepared accounts for 1976-77. 1 and 2 subsidiaries*
3. Net premium (including portfolio premium) earned by the companies referred to in 2 above. Rs. 195.92 crores

*In addition, accounts of another subsidiary (Industrial Credit Company Limited) were received. As mentioned in Section II, this company has not been registered under the insurance Act, 1938 and therefore its working results have been included in section I of this Report.

4. Net claims of the above companies	Rs. 84.55 crores
5. Net commission, expenses of management and other charges of the above companies.	Rs. 54.61 crores
6. Net increase in the reserve for unexpired risks of the above companies.	Rs. 15.46 crores
7. Underwriting profits of the above companies.	Rs. 42.31 crores
8. Net profits of the above companies prior to tax.	Rs. 67.14 crores
9. Commission earned by the above companies on re-insurance ceded.	Rs. 39.75 crores
10. Commission paid by the above companies on re-insurance accepted.	Rs. 49.88 crores
11. Premium derived from business out of India by the above companies.	Rs. 42.76 crores
12. Claims paid to claimants out of India by the above companies,	Rs. 19.26 crores
13. Estimated liabilities in respect of claims, whether due or intimated, of the above companies.	Rs. 114.22 crores
14. Reserve for unexpired risk of various classes of insurance of the above companies.	Rs. 125.53 crores

INTRODUCTION

I. GOVERNMENT COMPANIES

1. Number of Companies

There were 117 companies with 59* subsidiaries of the Union Government as on 31st March 1977 as against 105 companies with 53 subsidiaries as on 31st March 1976. During the year 1976-77, 6 new companies viz. North Eastern Electric Power Corporation Limited, Indian Road Construction Corporation Limited, Indian Railway Construction Company Limited and Kudremukh Iron Ore Company Limited, Burn Standard Company Limited and Braithwaite and Company Limited were incorporated. Burn Standard Company Limited was formed on 1st December 1976 to take over the assets of the Burn and Company Limited and Indian Standard Wagon Company Limited which vested in the Central Government retrospectively with effect from 1st April 1975 under the Act of Parliament.

Braithwaite and Company Limited was incorporated on 1st December 1976 to take over the undertaking of Braithwaite and Company (India) Limited which vested in Central Government retrospectively from 1st April 1975 under Act No. 96 of 1976.

The ownership of the Indian Iron and Steel Company Limited, the management of which was taken over by the Central Government for a limited period under the Indian Iron and Steel Company (Taking over of Management) Act, 1972 was taken over by the Central Government with effect from 17th July 1976 by an Act of Parliament.

*Includes two companies which are subsidiaries of Air India but under the audit of Comptroller and Auditor General of India under the Air Corporations Act, 1953.

By virtue of the Caltex [Acquisition of shares of Caltex Oil Refining (India) Limited and of the undertakings in India of Caltex (India) Limited] Ordinance, 1976 (which became an Act of Parliament on 23rd April 1977), all the equity shares of Caltex Oil Refining (India) Limited (an Indian Company and subsidiary of a foreign company—Caltex Petroleum Corporation) and the right, title and interest of Caltex (India) Limited (another subsidiary of Caltex Petroleum Corporation) were transferred to and vested in the Central Government from 30th December 1976. The right, title and interest and the liabilities of Caltex (India) Limited in relation to its undertakings in India were transferred to and vested in Caltex Oil Refining (India) Limited from the same date *vide* notification issued by the Government of India on 30th December 1976. Three Government companies *viz.* Rourkela Ispat Limited, Bhilai Ispat Limited and Durgapur Mishra Ispat Limited were formed as subsidiaries of the Steel Authority of India Limited in October 1976 to take over the running business of the three Plants of the Hindustan Steel Limited, namely Rourkela Steel Plant, Bhilai Steel Plant and Durgapur Steel Plant, respectively. In addition to these companies, Radio and Electricals manufacturing Company Limited (Karnataka State Government Company) and Mysore Porcelains Limited (a Section 619-B company in which majority shares were held by the Karnataka State Government and the Corporation owned or controlled by the Karnataka State Government) became central Government companies in 1976-77 by virtue of acquiring more than 51 per cent of their paid-up capital by the Bharat Heavy Electricals Limited. Further, by virtue of the taking over of Indian Iron and Steel Company Limited by the Central Government its subsidiary *viz.* IISCO Stanton Pipe and Foundry Company Limited also became a Government company during the year.

The working results of the following companies have not been included as the accounts of these companies for 1976-77 have not been received (March 1978):—

- (i) Coal India Limited.
- (ii) Central Fisheries Corporation Limited.

- (iii) Rehabilitation Industries Corporation Limited.
- (iv) Jute Corporation of India Limited.
- (v) State Farms Corporation of India Limited.
- (vi) National Textile Corporation of India Limited and its 9 subsidiaries.
- (vii) Central Mine, Planning and Design Institute Limited.
- (viii) Eastern Coalfields Limited.
- (ix) Western Coalfields Limited.
- (x) National Seeds Corporation Limited.
- (xi) Bharat Coking Coal Limited.
- (xii) Bharat Refineries Limited.
- (xiii) Central Road Transport Corporation Limited.
- (xiv) National Film Development Corporation Limited.
- (xv) Burmah-Shell Provident Fund Trust Private Limited.
- (xvi) Burmah-shell Properties Private Limited.
- (xvii) Delhi Small Industries Development Corporation Limited.
- (xviii) Chandigarh Small Industries Development Corporation Limited.
- (xix) National Insurance Company Limited.
- (xx) Oriental Fire and General Insurance Company Limited.
- (xxi) Zenith Assurance Company Limited.
- (xxii) Braithwaite and Company Limited.
- (xxiii) Delhi Tourism Development Corporation Limited.
- (xxiv) Burn Standard Company Limited.
- (xxv) Indian Iron and Steel Company Limited.
- (xxvi) Burmah-Shell Pensions Trust Limited.

The working results of the following new companies have also not been included in the Report as the first accounts of these companies were not due for audit during 1976-77:—

- (i) Caltex Oil Refining (India) Limited.
- (ii) ISSCO STANTON Pipe and Foundry Company Limited.

As mentioned above, the working results of the National Textile Corporation Limited as well as its 9 subsidiaries for the year 1976-77 have not been included as their audited accounts for 1976-77 have not been received (March 1978). However, on the basis of disclosure in the audited accounts of the National Textile Corporation Limited (holding company) for the year 1975-76, the company had earned a net profit of Rs. 0.17 crores while its 9 subsidiary companies had suffered a total loss of Rs. 89.91 crores (Provisional) during 1975-76.

The holding company and its 9 subsidiaries are responsible for 103 sick textile mills taken over by Government under 'The Sick Textile Undertakings (Nationalisation) Act, 1974' out of these, 95 mills were transferred by the holding companies to its 9 subsidiaries formed during October-November 1974 and 6 mills were further transferred with effect from 1st April 1976. One mill is still under the control of the holding company and the possession of remaining one sick mill has not yet (March 1978) been taken over on account of orders of the court.

The results of working of the nationalised General Insurance companies other than Industrial Credit Company Limited and Export Credit & Guarantee Corporation Limited have been included in Section II of this Report.

2. Paid up Capital

The total paid up capital of 136 companies of the Union Government (including subsidiaries) included in this Section of the Report was Rs. 6,073.11 crores at the end of 1976-77 representing an increase of Rs. 643.47 crores over the total paid up capital of Rs. 5,429.64 crores of 120 companies at the end of the previous year.

The break-up of the paid up capital of these companies according to the investment made by the Union Government/ Union Government companies, State Governments and private parties as on 31st March 1977 is as follows:—

PAID UP CAPITAL

(Rupees in lakhs)

	No.	Union/Union Government companies	State	Private parties	Total
(1)	(2)	(3)	(4)	(5)	(6)
(i) Companies fully owned by the Union Government/Union Government companies	104	5,77,370.15	..	..	5,77,370.15
(ii) Companies jointly owned by the Union Government/Union Government companies and State Governments	6	11,632.02	592.45	..	12,224.47
(iii) Companies jointly owned by the Union Government/Union Government companies and private parties	15	3,301.31	..	1,713.06	5,014.37
(iv) Companies jointly owned by the Union Government/Union Government companies, State Governments and private parties	11	11,228.99	642.73	830.46	12,702.18
Total	136	6,03,532.47	1,235.18	2,543.52	6,07,311.17
		99.4%	0.2%	0.4%	100%
Figures for the year 1975-76	120	5,39,247.11	1,100.45	2,616.04	5,42,963.60
		99.3%	0.2%	0.5%	100%

3. Loans

The long-term loans obtained by the companies under review stood at Rs. 5,250.66 crores. This represented an increase of Rs. 1,014.76 cores over the long-term loans amounting to Rs. 4,235.90 crores of all the Union Government companies at the end of the previous year.

The break up of long-term loans according to sources of finance viz. the Union Government/ Union Government companies, the State Governments, Foreign Credits and other parties as on 31st March 1977 is as follows:—

(Rupees in lakhs)					
	1975-76	Percentage of total loans	1976-77	Percentage of total loans	Increase (+) Decrease (—)
(1)	(2)	(3)	(4)	(5)	(6)
(i) Union Government/Union Government companies .	3,27,322.80	77.3	4,15,176.48	79.1	(+)87,853.68
(ii) State Governments .	118.49	..	473.87	0.1	(+)355.38
(iii) Foreign Credits . . .	47,601.08	11.2	46,336.12	8.8	(—)1,264.96
(iv) Others	48,547.82	11.5	63,079.25	12.0	(+)14,531.43
Total	4,23,590.19	100.0	5,25,065.72	100.0	(+)1,01,475.53

Government had granted moratorium for periods ranging from 1 to 10 years in the case of 61 companies for repayment of loans aggregating Rs. 753.25 crores provided to these companies during 1976-77.

4. Government guaranteed cash credit arrangements made by 26 companies with the State Bank of India upto the total maximum limit of Rs. 111.99 crores. Against this limit, the amount outstanding as on 31st March 1977 aggregated Rs. 81.70 crores. Loans raised by 15 companies from other sources were also guaranteed by Government, the amount outstanding as on 31st March 1977 being Rs. 256.65 crores.

In addition, Government gave guarantees in respect of the following:—

- (a) Repayment of principal and interest in respect of letters of credit offered by the State Bank of India to exporters abroad to draw on it for funds in payment of specified goods to be shipped to India (10 companies).
- (b) Repayment of principal and interest and fulfilment of payment obligation in pursuance of agreements/letters of acceptance entered into with foreign consultants/contractors (19 companies).

The maximum amount thus guaranteed as on 31st March 1977 in case of these companies was Rs. 534.40 crores against which the actual amount outstanding as on that date was Rs. 194.89 crores.

5. Subsidy

Apart from the concessions mentioned in paragraph 3 and 4 above, subsidies have also been granted to some companies for industrial housing schemes (as admissible to private sector companies), hospital, exports, etc. During 1976-77, 38 companies received such subsidies aggregating Rs. 41.12 crores. The cumulative total of subsidies paid by Government upto 31st March 1977 was Rs. 279.36 crores.

6. Profit and dividend

6.01 According to the annual accounts of 136 companies there was a total net profit of Rs. 440.12 crores as against the total profit of Rs. 255.53 crores of 120 companies during the previous year.

The increase in profits during 1976-77 was mainly contributed by the concerns in 'Steel' 'Trading', 'Mineral' and 'Petroleum' group. The profits of the concerns in 'Steel' group increased from Rs. 27.72 crores in 1975-76 to Rs. 81.21 crores in 1976-77; in Petroleum group from Rs. 73.24 crores in 1975-76 to Rs. 124.11 crores in 1976-77 and in Trading group from Rs. 53.52 crores in 1975-76 to Rs. 95.09 crores in 1976-77. The 'Mineral' group also improved its performance and earned a profit of Rs. 17.65 crores in 1976-77 as against the loss of Rs. 11.92 crores in 1975-76. The concern in 'Fertilizers, Chemicals & Pharmaceuticals' group, however, registered an increase in the loss from Rs. 11.94 crores in 1975-76 to Rs. 20.46 crores in 1976-77.

6.02 Eighty seven companies showed a profit of Rs. 517.35 crores which represented 16.4 per cent of the paid up capital of Rs. 3,418.12 crores invested in these companies after making allowance for the investments made by the holding companies in their subsidiaries. Forty four companies declared dividends amounting to Rs. 33.80 crores representing 6 per cent of the paid up capital of Rs. 539.64 crores of these companies. This works out to 0.6 per cent of the total paid up capital of Rs. 6,073.11 crores of 136 companies. The companies which declared dividends, the amount of dividends declared etc. are indicated below:—

(Rupees in lakhs)

Sl. No.	Name of the Company	Amount of dividend declared/proposed	Percentage of dividend to paid up capital
1	2	3	4
1.	Hindustan Machine Tools Limited . . .	165.75	4.8
2.	Bharat Heavy Electricals Limited . . .	780.00	6.0

1	2	3	4
3.	Hindustan Cables Limited	45.62	3.9
4.	Tungabhadra Steel Products Limited	4.38	3.0
5.	Hindustan Aeronautics Limited	113.82	2.0
6.	Bharat Earth Movers Limited	60.00	5.0
7.	Bharat Electronics Limited	83.52	12.8
8.	Hindustan Teleprinters Limited	14.76	12.0
9.	Instrumentation Limited	33.82	5.8
10.	Balmer Lawrie & Company Limited	15.11	8.0
11.	Madras Fertilizers Limited	204.70	15.0
12.	Hindustan Insecticides Limited	11.29	2.0
13.	Hindustan Organic Chemicals Limited	48.41	5.0
14.	National Newsprint and Paper Mills Limited	19.61	4.0
15.	Indian Rare Earths Limited	25.88	8.0
16.	Hindustan Shipyard Limited	104.38	5.8
17.	Mazagon Dock Limited	73.50	15.0
18.	Goa Shipyard Limited	3.75	4.5
19.	Indian Oil Corporation Limited	712.98	8.7
20.	Madras Refineries Limited	193.12	15.0
21.	Lubrizol India Limited	7.20	12.0
22.	The Indo-Burma Petroleum Company Limited	22.02	10.5
23.	Hindustan Petroleum Corporation Limited	100.00	10.0
24.	Indian Oil Blending Company Limited	4.00	10.0
25.	Hindustan Steel Works Construction Limited	16.78	5.6
26.	Modern Bakeries (India) Limited	12.78	6.0
27.	The State Trading Corporation of India Limited	150.00	15.0

1	2	3	4
28. The Minerals and Metals Trading Corporation of India Limited		135.00	15.0
29. The Cottor Corporation of India Limited		25.00	7.1
30. SAIL International Limited		0.20	20.0
31. Tea Trading Corporation of India Limited		5.05	3.9
32. Electronics Trade and Technology Development Corporation Limited		2.10	6.0
33. H. M. T. (International) Limited		0.60	20.0
34. Metal Scrap Trade Corporation Limited		4.00	20.0
35. Cashew Corporation of India Limited'		30.00	20.0
36. Projects and Equipment Corporation of India Limited		15.00	15.0
37. State Chemicals and Pharmaceuticals Limited		20.00	20.0
38. Engineers India Limited		3.00	12.0
39. Water and Power Development Consultancy Services (India) Limited		12.0	40.0
40. Engineering Projects India Limited		1.80	10.0
41. Rail India Technical and Economic Services Limited		2.50	25.0
42. Rural Electrification Corporation Limited		60.00	1.0
43. National Industrial Development Corporation Limited		2.00	5.0
44. India Tourism Development Corporation Limited		34.55	2.5
TOTAL		3,379.98	6.0

6.03 Forty two companies having paid up capital of Rs. 1,081.67 crores, sustained losses totalling Rs. 77.23 crores of which Rs. 68.29 crores (details given below) pertained to the

following 11 companies each of which incurred a loss of Rs. 1 crore or above:—

					(Rupees in lakhs)
Sl. No.	Name of the Company	Paid up capital	Loss incurred in 1976-77	Loss (—) incurred/Profit (+) earned in 1975-76	Cumulative loss up to 31st March 1977
1.	Scooters India Limited.	513.06	209.44	(—)321.56	638.22
2.	*Radio and Electricals Manufacturing Company Limited	212.57	124.78	(—)489.71	580.86
3.	Bharat Pumps and Compressors Limited	936.88	119.01	(—)38.36	264.20
4.	The Fertilizer Corporation of India Limited	66,274.58	3,325.83	(—)2,229.62	4,357.47
5.	The Fertilizers and Chemicals Travancore Limited	7,401.98	1,396.12	(—)1,284.43	4,163.61
6.	National Mineral Development Corporation Limited	9,562.03	176.74	(+)67.68	1,213.85
7.	Bharat Gold Mines Limited	1,188.33	123.94	(—)249.82	767.25
8.	Bharat Aluminium Company Limited	9,768.40	361.28	(—)481.83	1,858.67
9.	The Mogul Line Limited	101.19	330.00	(—)244.43	564.19
10.	Central Inland Water Transport Corporation Limited	760.75	447.29	(—)398.29	2,143.87
11.	Tannery and Footwear Corporation of India Limited	95.92	214.82	(—)55.29	666.47
	TOTAL	96,815.69	6,829.25	(—)5,725.66	17,218.66

*It became a Central Government Company with effect from 5th October 1976, vide paragraph 1. It was earlier a Karnataka State Government Company.

6.04 The cumulative loss of the following companies is more than their paid up capital:—

(Rupees in lakhs)			
Sl. No.	Name of the Company	Paid up capital as on 31st March 1977	Cumulative loss as on 31st March 1977
1.	National Instruments Limited	185.96	283.10
2.	Triveni Structurals Limited	300.00	318.87
3.	Bharat Ophthalmic Glass Limited	556.00	734.37
4.	Bridge and Roof Company Limited	36.00	419.84
5.	Biecco Lawrie Limited	32.50	100.69
6.	Scooters India Limited	513.06	638.22
7.	Radio and Electricals Manufacturing Company Limited	212.57	580.86
8.	Artificial Limbs Manufacturing Company Ltd.	0.10	45.21
9.	Hindustan Antibiotics Limited	422.26	466.00
10.	Hindustan Photo Films Manufacturing Company Limited	1,632.00	1,767.87
11.	Bolani Ores Limited	100.00	108.28
12.	The Mogul Line Limited	101.19	564.19
13.	Central Inland Water Transport Corporation Limited	760.75	2,143.87
14.	Hindustan Housing Factory Limited	48.99	102.08
15.	Indian Railway Construction Company Limited	10.02	10.49
16.	Indian Road Construction Corporation Limited	0.14	1.97
17.	India Firebricks & Insulation Company Limited	149.67	467.90
18.	Tannery and Footwear Corporation of India Limited	95.92	666.47
19.	Coburn Properties Limited	0.69	1.11
20.	Banana and Fruit Development Corporation Limited	49.19	78.42
21.	The Industrial Credit Company Limited	1.05	1.75
TOTAL		5,208.06	9,501.56

6.05 The paid up capital and profit/loss for the three categories of Running concerns, promotional and Developmental undertakings and companies in the stage of construction for 1975-76 and 1976-77 are given below:—

(Rupees in lakhs)

(1)	1975-76			1976-77		
	No.	Paid up Capital*	Profit/Loss	No.	Paid up Capital*	Profit/Loss
	(2)	(3)	(4)	(5)	(6)	(7)
(i) Running Concerns	100	3,76,477.89	(+)25,289.60	115	4,08,695.18	(+)43,582.36
Companies which earned profit	75	2,06,876.90	(+)35,317.42	79	3,07,187.81	(+)51,144.88
Companies which incurred loss	25	1,69,600.99	(-)10,027.82	36	1,01,507.37	(-)7,562.52
A. Industrial	77	3,67,989.10	(+)18,818.38	91	3,98,933.70	(+)32,285.84
Companies which earned profit	55	1,99,328.55	(+)28,789.59	58	2,97,477.77	(+)39,812.55
Companies which incurred loss	22	1,68,660.55	(-)9,971.21	33	1,01,455.93	(-)7,526.71
B. Trading and Services	13	1,854.74	(+)5,351.53	14	2,227.43	(+)9,509.01
Companies which earned profit	12	1,815.30	(+)5,391.40	12	2,176.99	(+)9,544.76
Companies which incurred loss	1	39.44	(-)39.87	2	50.44	(-)35.75
C. Consultancy	5	83.05	(+)230.70	5	83.05	(+)392.35
Companies which earned profit	5	83.05	(+)230.70	5	83.05	(+)392.35
Companies which incurred loss	..	..	..	..	..	..

(1)	(2)	(3)	(4)	(5)	(6)	(7)
D. Financial	5	6,551.00	(+)888.99	5	7,451.00	(+)1,395.16
Companies which earned profit	3	5,650.00	(+)905.73	4	7,450.00	(+)1,395.22
Companies which incurred loss	2	901.00	(-)16.74	1	1.00	(-)0.06
(ii) Promotional & Developmental Undertakings	10	3,295.83	(+)324.81	9	3,065.84	(+)493.03
Companies which earned profit	8	2,970.83	(+)412.88	6	1,905.84	(+)575.67
Companies which incurred loss	2	325.00	(-)88.07	3	1,160.00	(-)82.64
(iii) Companies in partial production	5	6,212.43	(-)61.72	5	11,485.80	(-)63.44
Companies which earned profit	1	1,045.97	(+)9.07	2	5,985.71	(+)14.71
Companies which incurred loss	4	5,166.46	(-)70.79	3	5,500.09	(-)78.15
(iv) Companies in the stage of construction	5	11,144.64	—	6	26,682.08	..
(v) Companies which have not prepared Profit and Loss Account	—	..	..	1	50.00	..
TOTAL	120	3,97,130.79	(+)25,552.69	136	4,49,978.90	(+)44,011.95

*Excludes Share Capital of subsidiaries to the extent held by the Holding Companies.

7. Return on Capital invested

As (a) the capital structure differs from company to company, (b) rates of interest charged on long-term loans given to the companies are not uniform and (c) certain special facilities have been given by Government to some companies, the profit indicated in the accounts of the companies do not reflect the real comparable return on the total investment. In Annexure 'C' an attempt has, therefore, been made to study the results on a uniform basis except to the extent that allowance has not been made for subsidies received from Government on various accounts. For this purpose, the capital taken into account is not mainly the equity capital but the total paid up capital, the long-term loans and the free reserves at the close of the year after making allowance for the investments made by the holding companies in their subsidiaries. Similarly, the return has been taken not only as the profit disclosed in the accounts but also the interest paid on long-term loans. On this basis, the return in 1976-77 on a total investment of Rs. 10,055.54 crores made in 136 companies amounted to Rs. 687.92 crores, being 6.8 per cent of the investment as against 5.2 per cent in 1975-76.

The return on capital invested according to the three groups of undertakings is indicated below :—

(Rupees in lakhs)

(1)	Capital invested	Profit/loss	Interest	Total return	Percentage of return on capital invested
(1)	(2)	(3)	(4)	(5)	(6)
(i) Running concerns	9,35,203.77	(+)43,582.36	23,923.98	67,506.34	7.2
A. Industrial	8,67,983.33	(+)32,285.84	22,263.40	54,549.24	6.3
B. Trading and Services	16,002.88	(+)9,509.01	112.96	9,621.97	60.1
C. Consultancy	984.50	(+) 392.35	4.20	396.55	40.3
D. Financial	50,233.06	(+) 1,395.16	1,543.42	2,938.58	5.8
(ii) Promotional and Developmental Undertakings	8,752.48	(+) 493.03	303.15	796.18	9.1
(iii) Companies in the stage of construction	61,597.72	(-) 63.44	552.87	489.43	0.7

8. Return on Capital Employed

In Annexure 'C' an attempt has been made to calculate the return on capital employed in respect of running concerns and promotional and developmental undertakings. For this purpose, capital employed has been taken as the net fixed asset (excluding capital work-in-progress) plus working capital of each concern as a whole without segregating the data in respect of the units under construction/development. In calculating the return on capital employed, interest charges on all kinds of borrowings, which are charged to the Profit and Loss Account before arriving at the net profit/loss have been adjusted to the net profit/loss as disclosed in the Profit and Loss Account. On this basis, the return in 1976-77 on a total capital employed of Rs. 7,014.17 crores in 115 Running Concerns and 9 Promotional and Developmental Undertakings amounted to Rs. 714.95 crores, representing 10.2 per cent of the capital employed as against 7.9 per cent in 1975-76.

Categorywise details of return on capital employed for 1976-77 are indicated below :—

(Rupees in lakhs)						
		Capital employed	Profit/Loss	Interest	Total return	Percentage of return on Capital employed
(1)		(2)	(3)	(4)	(5)	(6)
(i) Running concerns	115	6,90,195.33	43,579.81	26,973.94	70,553.75	10.2
A. Industrial	90	6,20,241.94	32,283.29	24,682.50	56,965.79	9.2
B. Trading and Services	15	18,867.77	9,509.01	726.30	10,235.31	54.2
C. Consultancy	5	1,163.97	392.35	20.39	412.74	35.5
D. Financial	5	49,921.65	1,395.16	1,544.75	2,939.91	5.9
(ii) Promotional and Developmental Undertakings	9	11,222.06	493.03	448.70	941.73	8.4

9. In the following paragraphs a study of the rates of growth of paid up capital, reserves and surplus, gross assets, value of production and profits and also sources of funds, inventories and sundry debtors in 1976-77 of 100 companies and 36 subsidiaries has been made (comparative data for 1975-76 are in respect of 91 companies and 29 subsidiaries) :—

Rate of growth

(a) Paid up capital and reserves and surplus

The rate of growth of paid up capital and reserves and surplus during 1976-77 decreased as compared to 1975-76 in the case of Running Concerns and Promotional and Developmental Undertakings and increased in the case of companies in the stage of construction, as indicated below :—

	(Rupees in lakhs)				
	Paid up capital and reserves and surplus*			Rate of growth	
	1974-75	1975-76	1976-77	1975-76	1976-77
(i) Running concerns	3,12,105.69	4,57,556.20	5,06,764.82	46.6	10.8
A. Industrial	2,85,037.65	4,28,158.55	4,71,785.32	50.2	10.2
B. Trading and Services	8,917.21	9,984.49	13,639.11	12.0	36.6
C. Consultancy	399.55	577.01	840.89	44.4	45.7
D. Financial	17,751.28	18,836.15	20,499.50	6.1	8.8
(ii) Promotional and Developmental Undertakings	3,582.87	4,525.43	4,616.13	26.3	2.2
(iii) Companies in the stage of construction	97,106.04	17,375.32	38,172.51	—	119.7
(iv) All the three groups	4,12,794.60	4,79,456.95	5,49,563.46	16.1	14.6

*Excludes share capital of subsidiaries to the extent held by the holding companies.

(b) Gross Assets

The rate of growth of total gross assets increased in 1976-77 as compared to 1975-76 in the case of companies in the stage of construction. However, it decreased in the case of Running Concerns and Promotional and Developmental Undertakings :—

(Rupees in lakhs)

	Total gross assets*			Rate of growth	
	1974-75	1975-76	1976-77	1975-76	1976-77
(i) Running concerns	10,00,409.95	13,90,822.08	15,58,334.74	39.0	12.0
A. Industrial	9,24,584.60	13,00,432.60	14,38,783.07	40.7	10.6
B. Trading and Services	41,429.63	42,108.37	51,326.82	1.6	21.9
C. Consultancy	4,603.19	7,941.77	16,272.86	72.5	104.9
D. Financial	29,792.53	40,339.34	51,951.99	35.4	28.8
(ii) Promotional and Developmental Undertakings	14,915.14	16,626.78	18,394.02	11.5	10.6
(iii) Companies in the stage of construction	1,73,220.72	25,206.99	64,724.33	—	156.8
(iv) All the three groups	11,88,545.81	14,32,655.85	16,41,453.09	20.5	14.6

*Excludes accumulated losses of the undertakings and investments made by the holding companies in the share capital of subsidiaries.

(c) Value of production/business

(i) The rate of growth of value of production/business decreased in 1976-77 as compared to 1975-76 in respect of all the

concerns excepting those in 'Trading & Services' group as indicated below :—

(Rupees in lakhs)

	Value of Production			Rate of growth	
	1974-75	1975-76	1976-77	1975-76	1976-77
(i) Running concerns	7,80,299.13	9,04,334.79	10,37,949.50	15.9	15.3
A. Industrial	5,91,937.50	7,17,549.36	8,00,947.90	21.2	11.6
B. Trading and Services	1,82,974.01	1,79,087.72	2,26,512.74	Negative	26.5
C. Consultancy	4,399.24	6,176.54	8,494.41	40.4	37.5
D. Financial	988.38	1,521.17	1,994.45	53.9	31.1
(ii) Promotional and Developmental Undertakings	7,613.93	8,913.56	8,503.43	17.1	Negative
(iii) Companies in the stage of construction	14,746.19	1,464.68	499.40	Negative	Negative
(iv) All the three groups	8,02,659.25	9,14,713.03	10,46,952.33	14.0	15.0

(ii) The percentage of value of production/business to capital employed increased in 1976-77 as compared to 1975-76 in the case of Running concerns but decreased in the case of

Promotional and Developmental Undertakings as indicated below :—

(Rupees in lakhs)

	1975-76			1976-77		
	Value of Production	Capital employed	%age of value of production to capital employed	Value of Production	Capital employed	%age of value of production to capital employed
(i) Running concerns	9,04,334.79	6,13,335.12	147.4	10,37,949.50	6,80,677.39	152.5
A. Industrial	7,17,549.36	5,64,068.16	127.2	8,00,947.90	6,20,212.45	129.1
B. Trading and Services	1,79,087.72	16,478.93	1,086.8	2,26,512.74	18,867.77	1,200.5
C. Consultancy	6,176.54	705.89	875.0	8,494.41	1,163.97	729.8
D. Financial	1,521.17	32,082.14	4.7	1,994.45	40,433.20	4.9
(ii) Promotional and Developmental Undertakings	8,913.56	8,062.67	110.5	8,503.43	8,041.07	105.7
(iii) Companies in the stage of partial production . . . . .	..	..	..	499.40	450.09	110.9
TOTAL	9,13,248.35	6,21,397.79	147.0	10,46,952.33	6,89,168.55	151.9

(d) Profit

There was increase in the rate of growth of profit during 1976-77 as compared to 1975-76 as shown below :—

(Rupees in lakhs)

	Profit before tax			Rate of growth	
	1974-75	1975-76	1976-77	1975-76	1976-77
(i) Running concerns	(+)28,396.91	(+)25,289.60	(+)43,582.36	..	72.3
A. Industrial	(+)20,080.22	(+)18,818.38	(+)32,285.84	..	71.6
B. Trading and Services	(+) 7,122.26	(+) 5,351.53	(+) 9,509.01	..	77.7
C. Consultancy	(+) 191.02	(+) 230.70	(+) 392.35	20.8	70.0
D. Financial	(+) 1,003.41	(+) 888.99	(+) 1,395.16	..	56.9
(ii) Promotional and Developmental . Undertakings	(+) 328.90	(+) 324.81	(+) 483.03	..	51.8
(iii) Companies in the stage of construction	(—) 748.50	(—) 61.72	(—) 63.44
(v) All the three groups	(+)27,977.31	(+)25,552.69	(+)44,011.95	..	72.2

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(c) Contributed value and cost trends of companies engaged in manufacture/production of goods.

A. Contributed Value

The accounts of 75 companies as against 69 companies in the previous year, engaged in manufacture/production of goods were reviewed to find out their contribution to the final product *vis-a-vis* expenditure incurred in earning the contribution. The analysis revealed the following position broadly for the years 1975-76 and 1976-77 :—

(1)	(Rupees in crores)	
	1975-76	1976-77
(1)	(2)	(3)
Value of production	6,864.49	7,578.50
Less Central Excise Duty included in the above	961.28	1,042.10
Value of production exclusive of excise duty	5,903.21	6,536.40
Less consumption of raw materials, stores and spares etc.	3,905.66	4,320.88
Contributed value	1,997.55	2,215.52
Expenses (other than consumption of raw materials, stores and spares etc.)	1,814.59	1,895.12
Percentage of expenses to contributed value	90.8	85.5
Profit/Loss (Net)	(+) 182.96	(+) 320.40

An analysis of the working results of the manufacturing/producing companies, according to their broad classification, is indicated below :—

Classification of Industry	(Rupees in crores)	
	Profit (+)	Loss (—)
	1975-76	1976-77
Steel	(+) 27.72	(+) 81.21
Machine Tools, Engineering and Allied Industries	(+) 99.00	(+) 113.09
Fertilizer, Chemicals and Pharmaceuticals	(—) 11.94	(—) 20.46
Minerals	(—) 11.92	(+) 17.65
Petroleum	(+) 72.99	(+) 123.71
Electronics	(+) 6.77	(+) 7.92
Others	(+) 0.34	(—) 2.72
NET	(+) 182.96	(+) 320.40

B. Cost trends

The percentage of major items of expenditure to value of production in 1975-76 and 1976-77 in respect of the above companies is also indicated below :—

	(Rupees in crores)			
	Percentage of major items of cost to value of production			
	1975-76	1976-77	1975-76	1976-77
Value of Production	6,864.49	7,578.50		
<i>Major items of expenditure</i>				
Consumption of raw materials, stores and spares, purchase of finished goods etc.	3,905.66	4,320.88	56.9	57.0
Wages, salaries, bonus, Allowances, etc.	768.84	696.47	11.2	9.2
Depreciation	240.14	259.11	3.5	3.4
Repairs and maintenance	98.54	114.07	1.4	1.5
Central Excise duty	961.28	1,042.10	14.0	13.8
Interest	191.71	209.46	2.8	2.8
Power and fuel	222.82	244.49	3.2	3.2

10. Sources of funds

(a) *Internal Sources* : Funds received from internal sources in 1975-76 and 1976-77 are indicated below :—

	1975-76		1976-77	
	Internal sources (i.e. Reserves and surplus provision and depreciation)	Percentage to total funds (i.e. internal and external)	Internal sources (i.e. Reserves and surplus provision and depreciation)	Percentage to total funds (i.e. internal and external)
(i) Running concerns	34,459.36	16.2	58,028.48	28.8
A. Industrial	32,882.59	16.6	50,835.35	29.7
B. Trading and Services	887.18	726.8	5,650.31	52.9
C. Consultancy	169.71	5.1	503.82	6.0
D. Financial	519.88	4.9	1,039.00	8.9
(ii) Promotional and Developmental Undertakings	562.88	31.2	1,658.52	52.7
(iii) Companies in the stage of construction	147.16	1.1	191.78	0.4
(iv) All the three groups	35,169.40	15.4	59,877.78	24.1

(b) *External Sources* : Funds received from external sources in 1975-76 and 1976-77 are indicated below :—

(Rupees in lakhs)

	1975-76		1976-77	
	External sources (i.e. additional capital borrowings etc.)	Percentage to total funds (i.e. internal and external)	External sources (i.e. additional capital borrowings etc.)	Percentage to total funds (i.e. internal and external)
(i) Running concerns	1,77,710.58	83.8	1,43,666.49	71.2
A. Industrial	1,65,290.98	83.4	120,233.91	70.3
B. Trading and Services	(—)765.11	(—)626.8	5,031.63	47.1
C. Consultancy	3,167.80	94.9	7,827.29	94.0
D. Financial	10,016.91	95.1	10,573.66	91.1
(ii) Promotional and Developmental Undertakings	1,242.97	68.8	1,485.40	47.3
(iii) Companies in the stage of construction	13,730.90	98.9	43,353.03	99.6
(iv) All the three groups	1,92,684.45	84.6	1,88,504.92	75.9

(c) *Cash and Bank balances* : The cash and bank balances held by 136 companies as on 31st March 1977 amounted to Rs. 492.09 crores.

The outstanding balance in the cash credit account which had been opened by 52 companies, amounted to Rs. 337.58 crores as on 31st March 1977.

11. Inventories

(i) Inventories of 99 Running concerns, 7 Promotional and Developmental Undertakings and 1 company in the stage of construction but partially in operation as on 31st March, 1977 are indicated below. As on 31st March 1977 the total inventory amounted to Rs. 3,309.87 crores as against Rs. 3,106.16 crores as on 31st March, 1976 and represented 32.4 per cent of the net

ales in 1976-77 and 35.1 per cent in 1975-76. In compiling these figures, the data relating to certain companies carrying on servicing, financing and consultancy business and companies in the stage of construction have been excluded (29 companies).

(Rupees in lakhs)

	No. of Companies	1975-76			Net sales	Percentage of 5 to 6	No. of Companies	1976-77			Net sales	Percentage of 11 to 12
		Raw materials, Stores and spares (including in transit) loose tools, jigs and fixtures, etc.	Stock (Finished and Semi-finished goods)	Total				Raw materials, stores and spares (including in transit) loose tools, jigs and fixtures, etc.	Stock (Finished and Semi-finished goods)	Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(i) Running concerns	90	1,40,750.88	1,65,887.50	3,06,638.38	8,72,529.75	35.1	99	1,46,481.41	1,83,093.75	3,29,575.16	10,13,503.05	32.5
A. Industries	76	1,40,531.91	1,44,876.28	2,85,408.19	6,85,944.44	41.6	83	1,45,848.59	1,51,841.88	2,97,690.47	7,89,095.82	37.7
B. Trading and Services	10	46.95	16,852.88	16,899.83	1,82,737.88	9.2	12	183.41	24,509.39	24,692.80	2,16,215.79	11.4
C. Consultancy	4	172.02	4,158.34	4,330.36	3,847.43	112.4	4	449.41	6,742.48	7,191.89	8,191.45	87.8
(ii) Promotional and Developmental Undertakings	7	354.74	1,433.12	1,787.86	8,605.92	20.8	7	412.47	985.78	1,398.25	8,289.96	16.8
(iii) Companies in the stage of construction	3	1,655.30	534.32	2,189.62	1,074.02	203.9	1	13.57	..	13.57	0.19	..
TOTAL	100	1,42,760.92	1,67,854.94	3,10,615.86	8,82,209.69	35.2	107	1,46,907.45	1,84,079.53	3,30,986.98	10,21,793.20	32.4

(ii) Expenditure incurred on import of raw materials, stores and spares etc. for production :—

During 1976-77, out of 75 companies engaged in the manufacture/production of goods, 62 companies spent foreign exchange of Rs. 1,169.32 crores on import of raw materials, stores, spares, etc. The value of production of 75 and 62 companies was Rs. 7,578.65 crores and Rs. 7,521.15 crores, respectively :—

12. (i) Customer Composition and analysis of sales

Information regarding customer composition *viz.* sales to Government departments, Public Sector Undertakings, Exports and other parties was available in respect of 93 companies with a total sale of Rs. 6,041.74 crores in 1975-76 and 97 companies with a total sale of Rs. 7,104.89 crores in 1976-77. The analysis indicates the following position :—

(Percentage of total sales)

	1975-76	1976-77
(i) Sales to Government Departments	19.0	19.4
(ii) Sales to Public Sector Undertakings	20.1	19.5
(iii) Exports	18.8	19.1
(iv) Sales to other parties	42.1	42.0

(ii) *Ratio of sales to capital employed*: The figures of sales and capital employed for 1975-76 (104 companies) and 1976-77 (113 companies) are indicated below:—

(Rupees in lakhs)

Concerns	1975-76			1976-77		
	Sales	Capital employed	Percentage of sales to capital employed	Sales	Capital employed	Percentage of sales to capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i) Running concerns	8,78,779.59	6,13,335.12	143.3	10,196,86.36	6,80,677.39	149.8
A. Industrial	6,85,944.44	5,64,068.16	121.7	7,90,576.18	6,20,212.45	127.5
B. Trading and Services	1,87,430.92	16,478.93	1,137.4	2,18,843.77	18,867.77	1,159.9
C. Consultancy	3,893.24	705.89	551.5	8,265.3	1,163.97	710.1
D. Financial	1,510.99	32,082.14	4.7	2,001.11	40,433.20	4.9
(ii) Promotional and Developmental Undertakings	8,725.59	8,062.67	108.2	8,289.96	8,041.07	103.1
(iii) Companies in the stage of partial production . . . . .	..	..	..	0.19	450.09	..
TOTAL	8,87,505.18	6,21,397.79	142.8	10,27,976.51	6,89,168.55	149.2

It will be seen that the percentage of sales to capital employed during 1976-77 increased in all categories of undertakings except in the case of Promotional and Developmental Undertakings.

(iii) *Ratio of sundry debtors to sales* : The figures of sundry debtors and sales for the last 2 years are given below :—

(Rupees in lakhs)

Concerns	1975-76			1976-77		
	Sundry Debtors	Sales	Percentage of 2 to 3	Sundry Debtors	Sales	Percentage of 5 to 6
(1)	(2)	(3)	(4)	(5)	(6)	(7)
(i) Running concerns	83,049.04	8,76,984.40	9.5	90,854.38	10,19,686.36	8.9
A. Industrial	77,321.55	6,85,944.44	11.3	80,325.68	7,90,576.18	10.1
B. Trading and Services	4,937.04	1,87,101.11	2.6	9,184.31	2,18,843.77	4.2
C. Consultancy	783.91	3,893.24	20.1	1,160.50	8,265.30	14.0
D. Financial	6.54	45.61	14.3	183.89	2,001.11	9.2
(ii) Promotional and Developmental Undertakings	2,124.63	8,725.59	24.3	2,213.67	8,289.96	26.7
TOTAL	85,173.67	8,85,709.99	9.7	93,068.05	10,27,976.32	9.0
(iii) Companies in the stage of construction	107.40	507.02	21.02	.01	.19	9.0
GRAND TOTAL	85,281.07	8,86,217.01	9.6	93,068.06	10,27,976.51	9.0
(1975-76 — 103 companies)	1976 77 — 113 companies)					

It will be seen that percentage of sundry debtors to sales was lower in 1976-77 as compared with 1975-76 except in case of promotional and developmental undertakings.

13. (i) Although return on capital employed and capital invested are important parameters for measurement of efficiency of working of undertakings, these cannot be taken as the sole criterion for measuring the efficiency and performance of the Public sector undertakings. Various socio-economic objectives like creation of employment opportunities, contribution to the national exchequer by way of 'duty', provision of housing and urban development, export and foreign exchange earnings etc. should also be taken into account. Some of these aspects are considered below :—

(a) *Central Excise duty* : The total amount of Central excise duty charged to the Profit and Loss account of 50 companies (in respect of which information was available) during 1976-77 was Rs. 1,046.29 crores and the value of production of these companies was Rs. 7,237.24 crores.

(b) *Export and Foreign Exchange earnings* : (1) The total exports made by 63 companies in 1976-77 amounted to Rs. 1,357.47 crores. The net profit earned by 41 companies (for which information was available) in their exports of Rs. 1290.97 crores amounted to Rs. 44.24 crores.

(2) Total foreign exchange earned in rendering service (e.g. shipping, ship repairs, consultancy, etc.) in 1976-77 was Rs. 177.93 crores (14 companies) as against Rs. 122.10 crores (8 companies) in 1975-76.

(c) *Employment statistics* : The total number of persons employed in 133 companies (in respect of which information was available) as on 31st March, 1977 was 8,31,396.

(d) Total amount of salaries, wages and other benefits charged in the accounts in 1976-77 in respect of the above companies was Rs. 847.17 crores.

(e) Incidence of salaies, wages and other benefits per employee on the basis of the data mentioned in (c) above works out to Rs. 10,190 per annum.

(f) Number of employees for every Rs. 1 crore of capital invested in respect of the above companies works out to 83. (This is to be viewed in the light of the fact that most of the public sector undertakings are capital intensive and highly mechanised).

(ii) *Social Overheads* : These have been analysed under two broad categories viz. township and other social overheads.

(a) *Township maintenance* : Information available in respect of 55 companies for 1975-76 and 62 companies in respect of 1976-77 has been analysed below :—

(Rupees in lakhs)

	1975-76	1976-77
(i) Maintenance and Administrative expenses	3,554.07	3,783.18
(ii) Depreciation on township	714.02	758.40
(iii) Interest on capital outlay	322.16	346.90
TOTAL	4,590.25	4,888.48
(iv) Rent receipts and other miscellaneous collections	1,308.25	1,511.27
(v) Net expenditure on township	3,282.00	3,377.21

The net profit earned by these companies in 1976-77 was Rs. 307.80 crores as against the net profit of Rs. 241.52 crores of 55 companies in 1975-76.

Out of 7,56,426 employees in 74 companies (in respect of which information was available), housing was provided to 2,86,658 employees up to 1976-77.

(b) Total cost of other social overheads like educational facilities, medical facilities, social and cultural activities, transport facilities, canteen subsidy, etc. amounted to Rs. 52.16 crores in 1976-77 (121 companies) as against Rs. 47.69 crores in 1975-76 (107 companies).

14. Utilisation of capacity (Commissioned) in selected industries viz. Steel, Fertilizer and Oil refining, for which information is available is indicated below. For this purpose, the rated capacity which should have been installed but has not actually been installed and commissioned on account of longer gestation period than indicated in the detailed project report has not been taken into account.

(*000 tonnes)

	1975-76			1976-77		
	Installed capacity	Actual Production	% Utilization	Installed capacity	Actual Production	% Utilization
(i) Steel						
(a) Steel ingots	6850	4924	71.9	7250	5948	81.8
(b) Saleable Steel	4489	3688	82.2	4489	4146	92.4
(ii) Fertilizer	3892	2503	64.3	4840	2659	54.9
(iii) Oil Refining	18550	16493	88.9	18550	16594	89.5

15. Figures for 1975-76 appearing in preceding paragraphs have been adjusted wherever necessary to make them comparable with those of 1976-77.

II. GENERAL INSURANCE COMPANIES

1. On 31st March, 1977 there were two Government companies and 6 subsidiaries doing general insurance business in India as detailed below :—

Government Companies (1) Export Credit and Guarantee Corporation Limited, Bombay

(2) General Insurance Corporation of India.

Subsidiaries (1) National Insurance Company Limited, Calcutta

(2) New India Assurance Company Limited, Bombay.

(3) Oriental Fire & General Insurance Company Limited, Delhi.

(4) United India Fire and General Insurance Company Limited, Madras.

Subsidiaries of subsidiary companies (1) Industrial Credit Company Limited, New Delhi, subsidiary to the Oriental Fire and General Insurance Company Limited.

- (2) Zenith Assurance Company Limited, Bombay, subsidiary to the United India Fire and General Insurance Company Limited, Madras.

2. As Export Credit and Guarantee Corporation Limited, Industrial Credit Company Limited and Zenith Assurance Company Limited are not registered under the Insurance Act, 1938 for transacting general insurance, the results of working of these three companies have not been included in this section. (The working results of Export Credit and Guarantee Corporation and Industrial Credit Company have been included in Section I of this report along with other Government companies. The accounts of Zenith Assurance Company Limited for the year 1976 have not been received.)

Out of the remaining five companies, the certified accounts of three companies *viz.*, General Insurance Corporation of India, New India Assurance Company Limited and United India Fire and General Insurance Company Limited for the year 1976 have been received and, therefore, taken into account for the purpose of analysis.

3. During the year 1976, the General Insurance Corporation of India and two of its subsidiaries wrote a total net premium (including portfolio premium) of Rs. 195.92 crores as against Rs. 173.58 crores during the previous year. The net claims of these companies for the year 1976 amounted to Rs. 84.55 crores as against Rs. 82.94 crores during the previous year. The underwriting profits (*i.e.* profits from fire, marine and miscellaneous insurance business) of these companies amounted to Rs. 42.31 crores during 1976 as against Rs. 25.22 crores in the previous year. After taking credit for interest, dividend and rent and providing for other income and outgoes, profit of these companies before tax amounted to Rs. 67.14 crores as compared with Rs. 44.03 crores during 1975. The profit after tax amounted to Rs. 33.23 crores during 1976 as against Rs. 17.57 crores during 1975. The

details are given in the table below :—

(Rupees in crores)

Operating Results	General Insurance Corporation of India		New India Assurance Company Limited		United India Fire & General Insurance Company Ltd.		Total	
	1975	1976	1975	1976	1975	1976	1975	1976
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
FIRE BUSINESS :								
Net Premium including portfolio Premium	18.60	18.45	22.90	25.79	21.58	23.75	63.08	67.99
Commission on re-insurance ceded	8.95	13.11	8.39	10.60	5.66	6.72	23.00	30.43
Net Claims	4.33	4.22	8.00	7.28	7.33	6.69	19.66	18.19
Commission on re-insurance accepted	15.77	20.13	7.47	9.44	5.22	6.26	28.46	35.83
Net Commission, expenses of Management and other charges	7.05	7.31	7.28	7.99	7.64	7.07	21.97	22.37
Increase (+)/Decrease (—) of unexpired Risk reserves	(+)1.61	(—)0.14	(+)1.74	(+)1.54	(+)0.50	(+)0.84	(+)3.85	(+)2.24
Profit (+)/Loss (—)	(+)5.61	(+)7.06	(+)6.24	(+)8.98	(+)6.11	(+)9.15	(+)17.96	(+)25.19

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
MARINE BUSINESS :								
Net Premium including portfolio premium	14.96	17.58	16.62	20.13	12.39	15.24	43.97	52.95
Commission on re-insurance ceded	0.71	0.91	1.59	1.97	1.77	1.55	4.07	4.43
Net Claims	7.47	7.68	11.80	11.36	6.95	8.91	26.22	27.95
Commission on re-insurance accepted	3.55	4.17	1.99	2.19	0.76	0.77	6.30	7.13
Net commission, expenses of Management and other charges	2.92	3.38	4.23	4.55	2.90	3.03	10.05	10.96
Increase (+)/Decrease (—) of unexpired risk-reserves	(+)2.47	(+)2.61	(+)3.34	(+)3.51	(+)0.40	(+)2.85	(+)6.21	(+)8.97
Profit (+)/Loss(—)	(+)2.10	(+)3.91	(—)2.58	(+)0.71	(+)2.16	(+)0.44	(+)1.68	(+)5.06

MISCELLANEOUS BUSINESS:

Net Premium including portfolio premium	17.77	19.33	30.92	35.49	17.84	20.16	66.53	74.98
Commission on re-insurance ceded	0.27	0.34	2.45	2.74	1.47	1.81	4.19	4.89
Net Claims	10.39	9.47	16.72	17.94	9.95	11.00	37.06	38.41

Commission on re-insurance accepted	4.99	5.44	1.15	1.04	0.50	0.44	6.64	6.92
Net commission, expenses of Management and other charges	4.92	5.40	8.63	9.30	5.81	6.58	19.36	21.28
Increase (+)/Decrease (—) of unexpired risk reserves	(+)1.72	(+)0.78	(+)2.22	(+)2.33	(+)0.90	(+)1.14	(+)4.84	(+)4.25
Profit (+)/Loss(—)	(+)0.74	(+)3.68	(+)3.64	(+)5.91	(+)1.20	(+)2.47	(+)5.58	(+)12.06
Profit from various underwriting accounts	8.45	14.65	7.30	15.60	9.47	12.06	25.22	42.31
Interest, Dividends and Rents credited to Profit & Loss A/c less income tax deducted at source	8.69	12.78	7.35	9.29	5.55	7.21	21.59	29.28
Profit prior to tax after providing for other income and outgo	15.27	24.51	14.61	24.81	14.15	17.82	44.03	67.14
Tax provision	9.37	12.85	7.59	9.93	9.50	11.13	26.46	33.91
Profit after tax for appropriation	5.90	11.66	7.02	14.88	4.65	6.69	17.57	33.23

4. The table below compares the claims paid/payable, management and other expenses including net commission and underwriting profits of each of the Insurance companies for different classes of business, expressed as a percentage of its net premium income :—

(Percentage of Net Premium)

	Fire Business		Marine Business		Miscellaneous Business		Total	
	1975	1976	1975	1976	1975	1976	1975	1976
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
CLAIMS PAID/PAYABLE:								
General Insurance Corporation of India	23.3	22.9	49.9	43.7	58.5	48.9	43.2	38.6
New India Assurance Company Limited	34.9	28.2	71.0	56.4	54.1	50.5	51.9	45.0
United India Fire and General Insurance Co. Ltd.	34.0	28.2	56.1	58.5	55.8	54.6	46.7	45.0

**MANAGEMENT & OTHER
EXPENSES INCLUDING
NET COMMISSION**

General Insurance Corporation of India	37.9	39.6	19.5	19.2	27.7	27.9	29.0	29.0
New India Assurance Company Limited	31.8	31.0	25.5	22.6	27.9	26.2	28.6	26.8
United India Fire and General Insurance Co. Ltd.	35.4	29.8	23.4	19.9	32.6	32.6	31.6	28.2
UNDERWRITING PROFITS:								
General Insurance Corporation of India	30.2	38.3	14.0	22.2	4.2	19.0	16.5	26.5
New India Assurance Company Limited	27.2	34.8	(—)15.5	3.5	11.7	16.7	10.4	19.2
United India Fire and General Insurance Co. Ltd.	28.3	38.5	17.4	2.9	6.7	12.3	18.3	20.4

5. Some other aspects of the working of the General Insurance Corporation and two of its subsidiaries are mentioned below :—

- (a) Premium less re-insurance derived from business effected in India and out of India amounted to Rs. 153.15 crores and Rs. 42.76 crores during 1976 as against Rs. 134.66 crores and Rs. 39.27 crores respectively during 1975.
- (b) Claims paid to claimants out of India during 1976 amounted to Rs. 19.26 crores as against Rs. 53.85 crores paid to claimants in India, the corresponding figures for 1975 being Rs. 20.50 crores and Rs. 46.15 crores respectively.
- (c) The estimated liability in respect of claims, whether due or intimated at the end of 1976 was Rs. 114.22 crores as against Rs. 103.64 crores as at the end of 1975.
- (d) The reserves for unexpired risks for the various classes of insurance business were Rs. 125.53 crores as on 31st December, 1976 as against Rs. 110.05 crores as on 31st December, 1975. There was, therefore, a net increase of Rs. 15.48 crores.

6. Subsidiaries in Foreign countries

- (a) New India Assurance Company Limited has three subsidiary companies in foreign countries namely Nigeria, Ghana and Sierra Leone. As on 31st December, 1976 a sum of Rs. 63.03 lakhs was due from these subsidiary companies to the holding company. The two branches in Trinidad and Tobago were converted into a new subsidiary and the subsidiary commenced operations with effect from 1st July, 1977.
- (b) United India Fire and General Insurance Company Limited has two subsidiaries in foreign countries namely Nigeria and Ghana. As on 31st December, 1976, a sum of Rs. 81.40 lakhs was due from these subsidiary companies which was subject to reconciliation with the books of accounts of the subsidiaries.

III. STATUTORY CORPORATIONS

1. Number of Corporations

There were eight Union Government Corporations (Air India, Indian Airlines, Central Warehousing Corporation, Oil and Natural Gas Commission, International Airports Authority of India, Food Corporation of India, Delhi Transport Corporation and Delhi Financial Corporation) as on 31st March 1977 under the audit of the Comptroller and Auditor General of India.

The accounts of the Delhi Transport Corporation and Delhi Financial Corporation for the year 1976-77 have not been submitted for audit so far (February 1978).

2. Paid up Capital

The total paid up capital of the six Corporations as on 31st March 1977 (whose accounts for the year 1976-77 had been finalised) was Rs. 606.43 crores and represented an increase of Rs. 96.89 crores over the paid up capital of Rs. 509.54 crores at the end of the previous year.

The break-up of the paid up capital of these Corporations, according to the investment made by the Union Government and others, as on 31st March 1977 was as follows :—

(Rupees in lakhs)

	No.	Union Government	Others	Total
(i) Corporations fully owned by the Union Government	5	57,877.20	—	57,877.20
(ii) Corporations jointly owned by the Union Government and others	1	2,017.50	747.94	2,765.44
TOTAL	6	59,894.70 98.8%	747.94 1.2%	60,642.64 100%
Figures for the year 1975-76	6	50,515.17 99.1%	438.44 0.9%	50,953.61 100%

3. Loans

The total long-term loans obtained by the six corporations stood at Rs. 605.32 crores at the end of 1976-77 and represented an increase of Rs. 158.27 crores over the long-term loans of Rs. 447.05 crores as at the end of the previous year.

The break-up of long-term loans of these Corporations, according to the source of finance *viz.*, Union Government, foreign credits and others, as on 31st March 1977 was as follows :—

	(Rupees in lakhs)				
	1975-76	%age	1976-77	%age	Increase(+) Decrease(—)
(i) Union Government	27,483.97	61.5	32,122.01	53.1	(+)4,638.04
(ii) Foreign credit	10,930.89	24.4	15,870.82	26.2	(+)4,939.93
(iii) Others	6,290.00	14.1	12,538.86	20.7	(+)6,248.86
TOTAL	44,704.86	100.0	60,531.69	100.0	(+)15,826.83

The Union Government has granted moratorium for periods ranging from 1 to 6 years for repayment of loans aggregating Rs. 67.59 crores provided during the year to four Corporations (Central Warehousing Corporation, Oil and Natural Gas Commission, International Airports Authority of India and Food Corporation of India).

4. Guarantee

Government gave guarantees in respect of the following :

- (a) Cash credit arrangement made by one Corporation viz., Food Corporation of India with the State Bank of India upto a maximum limit of Rs. 2,095 crores (Government guarantee limited to 25% viz., Rs. 523.75 crores). Against this limit, the amount outstanding as on 31st March 1977 was Rs 1,971.15 crores. (Government guarantee for Rs. 492.79 crores).
- (b) Repayment of loan to the extent of Rs. 136.76 crores, raised by the following Corporations, outstanding as on 31st March 1977 :—
 - (i) Air India Rs. 52.77 crores
 - (ii) Indian Airlines Rs. 83.99 crores
- (c) Repayment of paid up capital of the Central Warehousing Corporation to the extent of Rs. 31.40 crores.
- (d) Repayment of principal and interest and fulfilment of payment obligation in pursuance of agreements/letters of credit entered into with foreign consultants/contractors in the case of Oil and Natural Gas Commission. The maximum amount thus guaranteed as on 31st March 1977 was Rs. 19.30 crores against which the actual amount outstanding on that date was Rs. 0.81 crore.

5. Subsidy

Apart from the concessions mentioned in paragraphs 3 and 4 above, subsidies have also been granted to the following Corporations :

- (a) *Indian Airlines* : The Corporation did not receive any subsidy during the year 1976-77. However, the cumulative

subsidy received by it upto 31st March 1976 to cover the short-fall of revenue over expenditure for operation of certain routes amounted to Rs. 14.33 crores.

(b) *Central Warehousing Corporation* : The Corporation did not receive any subsidy during the year 1976-77. However, the cumulative subsidy received from National Co-operative Development and Warehousing Board to cover its working deficit upto 1962-63 amounted to Rs. 0.10 crore.

(c) *Food Corporation of India* : The difference between the economic costs and issue prices on operations performed by the Corporation on behalf of the Government of India is reimbursed by Government. During 1976-77 the Corporation claimed subsidy amounting to Rs. 452.14 crores against which Rs. 399.64 crores were received on this account from Government. The cumulative subsidy claimed and received during the period 1968-69 to 1976-77 amounted to Rs. 1,590.56 crores and Rs. 1,538.06 crores respectively. Prior to 1968-69 the corporation was paid incidentals for depot and port operations and not the subsidy.

6. Profit

According to the annual accounts of these six corporations, the total net profit earned during 1976-77 was Rs. 83.92 crores as against the net profit of Rs. 60.00 crores in the previous year. The net profit for the year 1976-77 represented 13.8% of the paid up capital of Rs. 606.43 crores.

7. Return on capital invested

For the reasons stated in paragraph 7 of Section I, which also hold good in the case of corporations, an attempt has been made in Annexure 'D' to analyse the working results of the corporations on a uniform basis. On this basis, the return in 1976-77 on a total investment of Rs. 1,380.49 crores amounted to Rs. 118.50 crores representing 8.6 per cent of the investment (rate of return in 1975-76 for these six corporations was 8.3 per cent).

8. Return on capital employed

The return in 1976-77 on capital of Rs. 3,090.17 crores employed in six corporations was Rs. 333.25 crores being 10.8 per cent of the capital employed (rate of return for these six corporations in 1975-76 was 7.2 per cent).

9. Working Results

The working results of the individual corporations are indicated below :—

(i) Air India

The working of the Corporation in 1976-77 resulted in a net profit of Rs. 17.59 crores against the net profit of Rs. 6.35 crores in 1975-76.

The increase in revenue during 1976-77 was mainly due to the increase in IATA fares/rates as well as in Government directed excursion fares between U.S.A./India/U.S.A. and India/U.K./India as also increase in currency surcharge on sale of passenger transportation ex-India.

(ii) Indian Airlines

The Corporation earned a net profit of Rs. 20.74 crores during 1976-77 as against a net profit of Rs. 7.79 crores in the previous year.

While there has been an increase of Rs. 19.37 crores in the total revenue as compared to the previous year, the increase in total expenses amounted to Rs. 8.73 crores only. The increase in revenue was mainly on account of higher utilization of capacity.

The accumulated loss as on 31st March 1977 amounted to Rs. 0.97 crore and represented 3.7 per cent of equity capital or 1.85 per cent of equity and loan capital.

(iii) Central Warehousing Corporation

The Corporation earned a net profit of Rs. 2.92 crores during 1976-77 as against a net profit of Rs. 1.71 crores during 1975-76.

In the case of this Corporation, dividend has been guaranteed by Union Government at 3½ per cent. Dividend up to 1967-68 was paid by the Corporation by obtaining subvention from the Central Government. The total amount of subvention obtained by the Corporation on this account amounted to Rs. 1.56 crores. It was decided by the Corporation that beginning from 1974-75, 50 per cent of the net retained profit will be utilised for repayment of the subvention. Accordingly, a sum of Rs. 0.12 crore was provided during 1974-75 and that of Rs. 0.36 crore during 1975-76 and paid to Government. A provision of Rs. 0.85 crore has been made in the accounts for the year 1976-77 for this purpose.

(iv) Oil and Natural Gas Commission

The Commission earned a net profit of Rs. 37.39 crores (before tax) in 1976-77 as against a net profit of Rs. 37.73 crores in 1975-76.

The sale proceeds of the Commission increased from Rs. 168.03 crores in 1975-76 to Rs. 197.40 crores during 1976-77. Despite increase in the sale proceeds to the extent of Rs. 29.37 crores during the year 1976-77, the profits of the year remained more or less at the same level as that of the last year. This is due to increase in royalty, interest, depletion of producing properties, amortisation, etc.

In August 1968 Government had decided that the Commission would pay a return of 5 per cent on Government capital from the year in which the Commission had surplus *i.e.* when the Commission did not receive funds from Government either as capital or as loan. During 1973-74 it was for the first time that the Commission did not receive any funds from Government and made a net profit but Government decided that no payment would be due from the Commission for that year as it had no surplus available for distribution. During 1974-75 though the net profit was adequate to pay a return of 5 per cent on the Government capital, no provision was made by the Commission for the payment of the return on the ground that it had drawn a loan of Rs. 10 crores from the Oil Industry Development Board and, therefore, had no cash surplus. Though there was a net

surplus in 1975-76 also, no provision was made for payment of return (Rs. 8.36 crores) on the ground that the Commission was not liable in the absence of cash surplus and had received Rs. 32.10 crores from the Government as capital.

During the year 1976-77, although the Commission received from Government both capital and loan, it provided for a sum of Rs. 12.07 crores towards payment of return @ 5 per cent on the Government capital.

(v) International Airports Authority of India

The Authority earned a net profit of Rs. 3.32 crores (before tax) during 1976-77 as against the net profit of Rs. 4.10 crores (before tax) during 1975-76. This was due to increase in total expenditure being proportionately more than the increase in total revenue. While total revenue increased from Rs. 11.56 crores in 1975-76 to Rs. 13.96 crores in 1976-77 mainly on account of increase under traffic revenue, the total expenditure rose from Rs. 7.46 crores in 1975-76 to Rs. 10.64 crores in 1976-77 mainly on account of increase in non-traffic expenses.

Government is yet to issue orders under Section 12(1)(c) of the International Airports Authority Act regarding capital of the Authority (December 1977). Pending this, the provisional figure of capital (Rs. 18 crores) under Section 12(1)(c) and the further capital (Rs. 8.45 crores) received up to 31st March, 1977 under Section 18 have been allocated equally to equity and debt.

After making provision of Rs. 2.40 crores for taxes and Rs. 0.72 crore for development rebate, the balance of Rs. 0.20 crore has been appropriated to the General Reserve. No amount was available for payment to the Central Government under Section 20(2) of the Act. In terms of Section 20(1) of the Act, the sums set apart annually in respect of each or any of the specific and general reserves and the aggregate at any time of such sums is not to exceed such limit as may from time to time be fixed by the Central Government. No such limit has been prescribed so far (December 1977) and the net surplus is being transferred to the General Reserve every year; a sum of Rs. 5.80 crores had accumulated under this head as on 31st March, 1977.

(vi) Food Corporation of India

The accounts of the Corporation for the year 1976-77, as certified by the Statutory Auditors, show a net profit of Rs. 1.96 crores as against a net profit of Rs. 2.31 crores during the previous year.

The accounts certified by the Auditors in July 1977 were test checked by Director of Audit (Food) in terms of Section 34(6)(d) of the Food Corporation Act and draft audit comments issued to the Corporation in September/October 1977. As a result of these comments and also other adjustments made by the Corporation of its own, the accounts were revised and approved by the Board and certified by the Chartered Accountants on 29th November, 1977.

Adjustments made by the Corporation as a result of draft audit comments amounted to Rs. 3,498.08 lakhs affecting all the major heads of accounts. Initially, the Corporation had stated that the details of adjustments carried out by the Corporation of its own were not readily available. Subsequently in February 1978, it was, however, stated that the details of these adjustments were fully available in the trial balances of the respective accounting units and could be scrutinised by the audit.

As substantial adjustments had been made by the Corporation of its own; as for instance, there was upward revaluation of closing stock by Rs. 946.24 lakhs and as there were changes in the accounting policies followed in preparation of revised (November 1977) accounts as compared to those followed for July 1977 accounts and these had a substantial bearing on the accounts, a re-audit of the revised accounts became necessary. Accordingly, the revised accounts were audited and the comments of the Comptroller and Auditor General of India on the accounts of the Corporation for 1976-77 were forwarded to the Corporation on 10th May 1978 for being submitted by it to Central Government for laying before the Parliament in terms of Section 35(2) of the Food Corporations Act, 1964.

10. In addition to the eight Corporations referred to in para 1, the Damodar Valley Corporation is also under the audit of the Comptroller and Auditor General. The Corporation was consti-

tuted under the Damodar Valley Corporation Act, 1948 with the main object of flood control, irrigation, power generation and distribution. The capital of the Corporation is contributed by the Union Government and the Governments of West Bengal and Bihar under Section 30 of the Damodar Valley Corporation Act. With effect from 1st April, 1966 the Corporation has switched over to commercial system of accounting. The table below indicates the capital contribution of the participating Governments as on 31st March 1977 (object-wise) and the divisible surplus/deficit under the three main objects for the last three years:—

(Rupees in crores)

Name of Government	Flood Control	Irrigation	Power	Total contribution up to 31st March, 1977
1. Union Government	7.00	—	49.09	56.09
2. West Bengal Government	8.06	33.32	67.89	109.27
3. Bihar Government	—	0.14	49.22	49.36
TOTAL	15.06	33.46	166.20	214.72

Divisible surplus/deficit

(Rupees in lakhs)

	1974-75	1975-76	1976-77
(i) Power	(—)48.18	(+)273.14	(+)792.14
(ii) Irrigation	(—)167.45	(—)117.01	(—)138.74
(iii) Flood Control	(—)138.74	(—)122.89	(—)119.60
TOTAL	(—)354.37	(+)33.24	(+)533.80

NOTE:—The results under 'Power' include the net surplus of Rs. 25.23 lakhs, Rs. 73.46 lakhs and Rs. 100.64 lakhs during 1974-75, 1975-76 and 1976-77 respectively on sale of power imported on barter basis from the adjoining power systems.

Surplus/deficit of 'Power' is distributed equally among the three participating Governments, while deficit under 'Flood Control' is allocated to the Government of West Bengal only,

and that under 'Irrigation' shared by the Governments of West Bengal and Bihar in proportion to their respective shares in the total capital cost attributed to the object 'Irrigation'.

According to this formula, the share of net deficit upto 31st March 1977 of the participating Governments was as follows :

(Rupees in lakhs)

	Central Government	Government of West Bengal	Government of Bihar
(i) Power	135.14	135.14	135.14
(ii) Irrigation	—	2241.62	14.71
(iii) Flood Control	—	1620.55	—
TOTAL	135.14	3997.31	149.85

Out of the total net deficit of Rs. 3,997.31 lakhs allocated to the Government of West Bengal, adjustments were carried out till the end of 1976-77 to the extent of Rs. 3,377.20 lakhs (Rs. 2,313.09 lakhs representing interest on capital, Rs. 185.75 lakhs being share of revenue surplus under 'Power' and Rs. 878.36 lakhs being expenditure by the Government of West Bengal for operation and maintenance of the Damodar Valley Corporation Barrage and Irrigation system on agency basis), thereby leaving a balance of Rs. 620.11 lakhs to be paid by the Government of West Bengal.

Out of the net deficit of Rs. 149.85 lakhs allocated to the Government of Bihar, adjustments were carried out till the end of 1976-77 to the extent of Rs. 14.24 lakhs being the share of revenue surplus under 'Power' thereby leaving a balance of Rs. 135.61 lakhs to be paid by the Government of Bihar.

In terms of Section 30 of the Damodar Valley Corporation Act, 1948 the three participating Governments viz. Union Government, the Governments of West Bengal and Bihar are to provide the entire capital required by the Corporation for the

completion of any project undertaken by it. Capital contributed by the participating Governments to the end of 1976-77 fell short of the outlay by Rs. 145.56 crores as indicated below :

(Rupees in crores)

Union Government	48.71
Government of West Bengal	48.14
Government of Bihar	48.71
TOTAL	<u>145.56</u>

The excess of Rs. 145.56 crores of the outlay over actual contribution was met by the Corporation from the following sources :

(Rupees in crores)

(a) Unsecured loans from the Government of India	3.63
(b) Unsecured loan raised from open market and guaranteed by the Government of India	31.07
(c) Debentures	6.50
(d) Internal resources	104.36
TOTAL	<u>145.56</u>

11. Rate of Growth

(a) Paid up Capital and Reserves and Surplus

The rate of growth of paid up capital and reserves and surplus of six corporations during 1976-77 as compared with that of 1975-76 is indicated below :

(Rupees in lakhs)

Rate of Growth

Paid up Capital and Reserves & Surplus			Rate of Growth	
1974-75	1975-76	1976-77	1975-76	1976-77
46,911.13	62,800.15	78,705.1	33.9	25.3

(b) *Gross Assets*

The rate of growth of total gross assets of these corporations decreased in 1976-77 as compared with that of 1975-76 as indicated below :

			(Rupees in lakhs)	
Total Gross Assets			Rate of Growth	
1974-75	1975-76	1976-77	1975-76	1976-77
2,03,095.44	3,39,752.56	4,60,494.94	67.3	35.5

(c) *Value of Production*

The rate of growth of value of production/business decreased in 1976-77 as compared with that of 1975-76 as indicated below :

			(Rupees in lakhs)	
Value of Production/Business			Rate of Growth	
1974-75	1975-76	1976-77	1975-76	1976-77
1,99,919.35	3,16,308.74	3,10,685.76	58.2	Negative

(d) *Profit*

The rate of growth of profit before tax of these corporations increased in 1976-77 as compared with that in 1975-76 as indicated below :

			(Rupees in lakhs)	
Profit before tax			Rate of Growth	
1974-75	1975-76	1976-77	1975-76	1976-77
4,932.67	5,999.86	8,391.93	21.6	39.9

12. Sources of Funds

Funds received by these Corporations during 1975-76 and 1976-77 from internal and external sources are indicated below :

	Internal Sources		External Sources	
	Amount	Percentage to total funds (internal and external)	Amount	Percentage to total funds (internal and external)
1975-76	11,964.31	8.8	1,24,692.76	91.2
1976-77	14,684.83	12.2	1,05,797.40	87.8

13. Analysis of Sales

(a) Customer composition

Information regarding customer composition *viz.* Government Departments, Public Sector Undertakings, others, etc. was available in respect of only one Corporation (Oil and Natural Gas Commission). The analysis indicated the following :—

	Percentage of total Sales	
	1975-76	1976-77
(i) Sales to Government Departments	1.0	0.9
(ii) Sales to Public Sector Undertakings	95.0	95.0
(iii) Sales to others	4.0	4.1

(b) Sundry Debtors

The comparative position of Sundry Debtors and Sales of these corporations for the last three years is given below :

(Rupees in lakhs)

	Sundry Debtors	Sales	Percentage of Sundry Debtors to Sales
1974-75	30,322.73	1,93,017.64	16.7
1975-76	31,287.33	2,02,094.40	15.5
1976-77	24,180.07	2,25,771.68	10.8

14. (i) The remarks in paragraph 13(i) of Section 1 hold good in the case of the Corporations also. Some of the aspects are indicated below :

- (a) *Foreign Exchange earnings* : Total foreign exchange earned by two of these corporations (Air India and Indian Airlines) in 1976-77 was Rs. 73.17 crores as against Rs. 54.59 crores in 1975-76.
- (b) *Employment Statistics* : The total number of persons employed in six corporations as on 31st March 1977 was 1,21,448.
- (c) Total amount of salaries, wages and other benefits charged in the accounts for 1976-77 in respect of the above six corporations was Rs. 145.87 crores.
- (d) Incidence of salaries, wages and other benefits per employee on the basis of data mentioned in (c) above, works out to Rs. 12,011 per annum.
- (e) Number of employees for every Rs. 1 crore of capital invested in respect of the above corporations works out to 88.

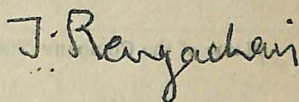
(ii) *Social Overheads* : These have been analysed under two broad categories viz. township and other social overheads :

(a) *Township maintenance* : Information in respect of the four corporations (which are having townships) for the year 1976-77 is analysed below :

	(Rupees in lakhs)
(i) Maintenance and administrative expenses	80.16
(ii) Depreciation on Township	26.52
(iii) Interest on capital outlay	41.96
TOTAL	148.64
(iv) Rent receipts and other miscellaneous collections	37.37
(v) Net expenditure on Township	111.27

The net profit earned by these corporations during 1976-77 was Rs. 79.03 crores.

- (b) Total cost of other social overheads like educational facilities, medical facilities, social and cultural activities, canteen subsidy, etc. amounted to Rs. 7.73 crores in respect of five corporations.



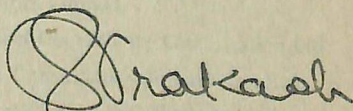
(T. RENGACHARI)

*Chairman, Audit Board and
Ex-officio Additional Deputy
Comptroller and Auditor
General (Commercial)*

New Delhi;

The 22-8-1978

Countersigned



(GIAN PRAKASH)

New Delhi;

The 23-8-1978

Comptroller and Auditor General of India

ANNEXURE 'A'

List of companies/corporations in which Government has invested Rs. 1 crore or above but which are not subject to audit by the Comptroller & Auditor General of India.

		(Rupees in lakhs)	
Sl. No.	Name of the Company /Statutory Corporation	Total investment* as on 31st March 1977	
		Equity	Loan and De-bentures
1.	Oil India Limited	1400.00	5128.00
2.	Indian Explosives Limited	274.00	
3.	Life Insurance Corporation of India	500.00	—
4.	Reserve Bank of India	593.00	—

*Based on the figures published in the Annual Report of Bureau of Public Enterprises (Government of India) on the working of Industrial and Commercial Undertaking of the Central Government (1976-77).

ANNEXURE 'B'

List of Companies coming within the provision of Section 619-B of the Companies Act.

(Companies whose accounts for 1976-77 were received)

1. Shriram Pistons & Rings Limited.
2. Punjab Tractors Limited.
3. Andrew Yule & Co. Limited.
4. Uniloids Limited.
5. West India Chemicals Limited.
6. Ashoka Paper Mills Limited,
7. Hindustan Heavy Chemicals Limited.
8. Gogte Steels Limited.
9. Nagarjuna Steels Limited.
10. Hydro Carbons India Limited.
11. Madan Industries Limited.
12. Siporex India Limited.
13. Neiveli Ceremics & Refractories Limited.
14. Nalanda Ceremics & Industries Limited.
15. Kerala Industrial & Technical Consultancy Organisation Ltd.
16. A.P. Industrial & Technical Consultancy Organisation Ltd.
17. Orissa Industrial & Technical Consultancy Limited.
18. Agricultural Finance Corporation Limited.
19. Industrial Credit & Investment Corporation of India Ltd.
20. Industrial Reconstruction Corporation of India Limited.
21. Bihar Industrial & Technical Consultancy Organisation Ltd.
22. North Eastern Industrial & Technical Consultancy Orgn. Ltd.
23. Brindavan Alloys Limited.
24. U.P. Tyres & Tubes Limited.
25. U.P. Industrial Consultants Limited.

(Companies Whose accounts for 1976-77 were not received)

26. Indian Fine Blanks Limited.
27. Derco Cooling Coils Limited.
28. Protein Products of India Limited.
29. Drillco Metal Carbides Limited.
30. Orissa Fertilizers & Chemicals Limited.
31. Associated Glass Industries Limited.
32. Gayday Iron & Steel Company Limited.
33. Textile Processing Corporation Limited.
34. Gangawati Sugars Limited.
35. Allied International Products Limited.
36. Excellsior Plants Corporation Limited.
37. Shyam Properties Limited.
38. Universal Conveyor Beltings Limited.
39. Pandayan Hotels Limited.
40. Vikrant Tyres Limited.

ANNEXURE 'C'
SUMMARISED FINANCIAL RESULTS OF GOVERNMENT COMPANIES FOR THE YEAR 1976-77

Sl. No.	Name of the Company	Name of the Ministry	Date of incorporation	Total capital invested	Profit(+) Loss(-)	Total interest charged to Profit and Loss Account	Interest on long term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed	Remarks										
1	2	3	4	5	6	7	8	9	10	11	12	13	14										
I. RUNNING CONCERNS																							
A. INDUSTRIAL																							
Engineering																							
1.	Hindustan Machine Tools Limited	Ministry of Industry	7-2-1953	7,981.40	(-)796.35	646.05	258.93	(+)1,055.28	13.2	9,887.92	(+)1,442.40	14.6											
2.	Bharat Heavy Electricals Limited	Ministry of Industry	13-11-1964	40,293.22	(-)6,294.60	3,270.41	1,661.03	(+)7,955.63	19.7	40,412.60	(+)9,565.01	23.7	<p>1. Profit & Loss Account and Balance Sheet—Consumption of Stores and Spares—Rs. 25,91,42,376—Depreciation on fixed Assets—Rs. 12,94,20,711</p> <p>By following the policy indicated in item 8 of the accounting policy of the Company, assets of the value of Rs. 4.00 crores (excluding Plant and Machinery costing less than Rs. 750 purchased and charged off during the year—Rs. 0.22 crore and fixed assets of small value charged off as prior period expenditure—Rs. 0.11 crore) and loose tools of the value of Rs. 3.47 crores have been charged against the revenue of the current year as against capitalisation of Rs. 45.85 crores on assets (other than loose tools) added during the year.</p> <p>The depreciation that would have been charged to revenue in the normal course of these fixed assets and loose tools works out to Rs. 1.33 crores. The procedure adopted had the effect of reducing the profit for the year by Rs. 6.14 crores.</p> <p>2. Current assets—(Schedule 8) Inventories—Rs. 4,61,43,73,195—Finished goods Rs. 1,20,98,71,636</p> <p>The procedure of valuing items transferred earmarked for transfer from one unit to another but lying in closing stock at the end of the year at realisable value, as mentioned in item 2 A(v) of the accounting policies, resulted in credit being taken for unrealised profit on items where the progress against the relevant contracts was less than 30 per cent [refer accounting policy No. 2 A(i)]. The quantum of such unrealised profit was not ascertainable in the absence of details.</p>										
3.	Hindustan Cables Limited	Ministry of Industry	4-8-1952	2,446.31	(+)437.60	72.56	56.86	(+)494.46	20.2	2,622.51	(+)510.16	19.4											
4.	National Instruments Limited	Ministry of Industry	26-6-1957	556.92	(-)42.81	28.63	17.93	(-)24.88	—	357.24	(-)14.18	—											
5.	Heavy Engineering Corporation Limited	Ministry of Industry	31-12-1958	30,646.09	(+)325.52	1,168.08	1,056.63	(+)1,382.15	4.5	22,273.60	(+)1,493.60	6.7	<p>Balance Sheet:</p> <p>1. Fixed Assets:</p> <p>(i) Plant and Machinery include a lathe machine damaged in fire before 1970 and not repaired so far, which had been valued at Rs. 11.15 lakhs after the damage by fire (HMBP).</p> <p>(ii) Capital work-in-progress includes certain items valued at Rs. 13.89 lakhs which have been completed (HMBP).</p> <p>2. Closing Stock:</p> <p>This includes materials worth Rs. 38.03 lakhs issued to the ancillaries during the past years as well as current year for which no confirmation regarding existence of the material as on 31st March, 1977 was available (HMBP).</p> <p>3. Profit & Loss Account:</p> <p>(i) Sales include a sum of Rs. 60.02 lakhs representing escalation claims lodged by the Company but rejected by the customer (HMBP).</p> <p>(ii) No provision has been made in respect of the following items:—</p> <table border="0"> <tr> <td></td> <td align="right">(Rupees in lakhs)</td> </tr> <tr> <td>(a) Rectification work done by a sub-contractor on the instructions of the Company (although the rectification work was jointly measured by the Company and the sub-contractor, the Company has treated it as a contingent liability) (HMBP)</td> <td align="right">10.64</td> </tr> <tr> <td>(b) Over statement of work-in-progress as a result of inclusion of conversion cost on certain work orders wherein the material processed was rejected (HMTP)</td> <td align="right">2.17</td> </tr> <tr> <td>(c) Excess credit taken in the raw material consumption account of 23,000 tonnes of scrap requiring blasting by not taking into account cost of blasting and transportation charges (FFP)</td> <td align="right">17.25</td> </tr> <tr> <td>TOTAL</td> <td align="right">30.06</td> </tr> </table> <p>(iii) Materials valued at Rs. 114.60 lakhs were detected in the shop floor of Heavy Machine Building Plant in the course of physical verification which were stated not to have been accounted for in the closing stock as on 31st March, 1976. Similarly, steel castings valued at Rs. 19.94 lakhs had been unearthed in the course of physical verification in the Foundry Forge Plant. While the company has taken credit of the materials worth Rs. 114.60 lakhs in the accounts of the year under 'prior period adjustments', no credit has been taken in respect of steel castings valued at Rs. 19.94 lakhs.</p> <p>(iv) The Profit and Loss Account of the Company discloses a net profit of Rs. 325.52 lakhs during the year after taking credit of 'prior period adjustments (net)' amounting to Rs. 369.33 lakhs. This has to be viewed in the light of the above as well as the qualifications referred to by the statutory auditors, particularly in paragraphs 1, 2, 3, 5, 6, 9 and 10 of their report to the shareholders.</p>		(Rupees in lakhs)	(a) Rectification work done by a sub-contractor on the instructions of the Company (although the rectification work was jointly measured by the Company and the sub-contractor, the Company has treated it as a contingent liability) (HMBP)	10.64	(b) Over statement of work-in-progress as a result of inclusion of conversion cost on certain work orders wherein the material processed was rejected (HMTP)	2.17	(c) Excess credit taken in the raw material consumption account of 23,000 tonnes of scrap requiring blasting by not taking into account cost of blasting and transportation charges (FFP)	17.25	TOTAL	30.06
	(Rupees in lakhs)																						
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(c) Excess credit taken in the raw material consumption account of 23,000 tonnes of scrap requiring blasting by not taking into account cost of blasting and transportation charges (FFP)	17.25																						
TOTAL	30.06																						
6.	Mining and Allied Machinery Corporation Limited	Ministry of Industry	1-4-1965	6,514.77	(-)75.45	327.35	147.58	(+)223.03	3.4	4,364.06	(+)402.80	9.2	<p>Balance Sheet:</p> <p>1. Current Assets, Loans and Advances Current Assets—Rs. 56,48,18,974</p> <p>Schedule 'G'—Closing Stock—Work-in-progress and stock of finished products including components</p> <p>According to notes forming part of the Balance Sheet, finished products have been valued at actual or estimated sale order prices and work-in-progress at sale order prices reduced by the estimated cost and the proportionate profit on the work yet to be completed. While a provision of Rs. 52.31 lakhs made in the previous years is being carried forward to off set/cover any margin of profit/contingencies in respect of finished products, a provision of Rs. 38 lakhs has been made to cover the element of profit, efficiency factor and contingency for probable errors etc. in respect of work-in-progress.</p> <p>A test check of the items of finished products and work-in-progress indicated an over-valuation of Rs. 5,00,583 in respect of one item of finished product and that of Rs. 56,99,841 in respect of four items of work-in-progress, on account of computation of incorrect rates.</p> <p>2. General</p> <p>Sales Tax amounting to Rs. 32,44,666 claimed by the suppliers of equipment for a turn-key job undertaken by the Company for the Calcutta Port Trust and recoverable from the Trust in terms of the Memorandum of Settlement has not been brought to account. The port Trust has raised (April 1977) the objection that Sales Tax is not payable in respect of a turn-key job.</p>										
7.	Tungbhadra Steel Products Limited	Ministry of Industry	20-2-1960	262.80	(+)15.51	23.40	5.08	(+)20.59	7.8	426.08	(+)38.91	9.1											
8.	Hindustan Aeronautics Limited	Ministry of Defence	1-10-1964	22,374.72	(-)922.05	477.73	406.26	(+)1,328.31	5.9	19,006.05	(+)1,399.78	7.4											
9.	Bharat Earth Movers Limited	Ministry of Defence	11-5-1964	5,594.07	(+)811.21	433.74	179.84	(+)991.05	17.7	7,579.79	(+)1,244.95	16.4											
10.	Praga Tools Limited	Ministry of Defence	28-5-1943	1,083.94	(+)50.59	49.30	29.38	(+)79.97	7.4	713.29	(+)99.89	14.0											
11.	Bharat Electronics Limited	Ministry of Defence	21-4-1954	5,208.25	(-)689.78	460.23	175.46	(+)865.24	16.6	6,791.85	(+)1,150.01	16.9											

1	2	3	4	5	6	7	8	9	10	11	12	13	14
24.	Hotel Corporation of India Limited	Ministry of Tourism and Civil Aviation	8-7-1971	400.00	(-)-7.15	67.98	..	(-)-7.15	..	659.91	(+)-60.83	9.2	Subsidiary to Air India
25.	Bharat Leather Corporation Limited	Ministry of Industry	30-3-1976	10.00	(-)-3.69	..	..	(-)-3.69	..	4.48	(-)-3.69	..	
	TOTAL			8,752.48	(+)-493.03	448.70	303.15	(+)-796.18	9.1	11,222.06	(+)-941.73	8.4	
		Figures for the year 1975-76		8,851.27	(+)-324.81	396.10	304.19	(+)-629.00	7.1	9,953.27	(+)-720.91	7.2	
III. COMPANIES IN THE STAGE OF CONSTRUCTION													
26.	Hindustan Paper Corporation Limited	Ministry of Industry	29-5-1970	2,244.71	(+)-11.80	1.63	1.35	(+)-13.15	0.3	..	..	..
27.	Cochin Shipyard Limited	Ministry of Shipping & Transport	29-3-1972	7,356.02	(-)-14.02	126.69	126.60	(+)-112.58	1.5	..	..	..	Pending final decision by the Government of India regarding the conversion of Rs. 32.10 crores, being a part of loan given to the Company, into Equity Capital, no provision has been made for the Interest of Rs. 314.58 lakhs (net of Subsidy receivable from Government of India Rs. 419.30 lakhs) on the said sum.
													Subsidy Receivable from Government of India (Rs. 78.08 lakhs) is subject to Central Government budget provision and sanction for disbursement.
28.	Salem Steel Limited	Ministry of Steel & Mines	25-10-1972	1,252.54	..	..	..	..	..	..	..	..
29.	Nagaland Pulp and Paper Company Limited	Ministry of Industry	14-9-1971	2,700.00	(-)-42.65	..	..	(-)-42.65	..	..	..	..	Subsidiary to Hindustan Paper Corporation Limited.
30.	Bongaigaon Refinery and Petrochemicals Limited	Ministry of Petroleum, Chemicals & Fertilizers.	20-2-1974	4,079.90	..	..	10.50	(+)-10.50	0.3	..	..	..
31.	Mishra Dhatu Nigam Limited	Ministry of Defence	20-11-1973	1,293.00	..	..	..	..	..	..	..	..
32.	National Fertilizers Limited	Ministry of Petroleum, Chemicals & Fertilizers	23-8-1974	25,254.01	..	..	189.48	(+)-189.48	0.8	..	..	..
33.	National Thermal Power Corporation Limited	Ministry of Energy	7-11-1975	343.01	..	..	..	..	..	..	..	..
34.	Kudremukh Iron Ore Company Limited	Ministry of Steel and Mines	2-4-1976	12,839.57	(+)-2.91	..	185.29	(+)-188.20	1.5	..	..	..
35.	North Eastern Electric Power Corporation (P) Limited	Ministry of Energy	2-4-1976	550.00	(-)-21.48	..	..	(-)-21.48	..	..	..	..
36.	National Hydro-Electric Power Corporation Limited	—do—	7-11-1975	3,684.96	..	..	39.65	(+)-39.65	1.1	..	..	..
	TOTAL			61,597.72	(-)-63.44	128.32	552.87	(+)-489.43	0.8	..	..	..
		Figures for the year 1975-76		22,769.17	(-)-61.72	73.17	68.19	(+)-6.47	..	..	..	..
	GRAND TOTAL			10,05,553.47	(+)-44,011.95	27,550.96	24,780.00	(+)-68,791.95	6.8	7,01,417.39	(+)-71,495.48	10.2	
		Figures for the year 1975-76		8,55,313.65	(+)-25,552.69	24,216.12	18,546.39	(+)-44,099.05	5.2	6,29,930.18	(+)-49,757.33	7.9	

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