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सत्यमेव जयते

**REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL  
OF INDIA**

**UNION GOVERNMENT (COMMERCIAL)**

**1981**

**PART I**

**INTRODUCTION**



94

ERRATA

Page No.	Reference	For	Read
(1)	(2)	(3)	(4)
(xiv)	B-General Insurance Companies—Sl. No. 1	Number of General Insurance Com Companies	Number of General Insurance Compa-nies
2	Sl. No. 14	Indian medicines Pharmaceuticals Corporation Limited	Indian Medicines Pharmaceuticals Corporation Limited
	Sl. No. 17	Orissa Drugs and Pharmaceuticals Limited	Orissa Drugs and Chemicals Limited
	Sl. No. 19	Gujarat Drugs and Pharmaceuticals Limited	Gujarat Drugs and Chemicals Limited
3	(1) Bolani Ores Limited— has Remarks—14th line		was
	(2) Burmah-Shell Pro- vident Trust (Private) Limited	}	Delete 'and'
	(3) Burmah-Shell Pen- sions Trust (Private) Limited—Remarks— 2nd line		
8	Table-Heading—Column 4	State Government	State Governments
12	Table (Top)—Heading Table below Para 6.02— Heading—Column 5	(R pees in crores) Percentage of divi- dend paid-up capital	(Rupees in crores) Percentage of divi- dend to paid-up capital
23	Table-Item (ii)—Column 5	1,147,01	1,147.01
42	Para 14-Table-(ii) Fertilizer- Column 5—Remarks	in 1-9-1979)	on 1-9-1979)
46	Table-Column 2-7th line	(—) 1.31	( + ) 1.31
62	Para 3-Table-Sl. No. (ii)- Column 3 Sl. No. (iii) Column 3	31.00 19.01	31.0 19.1



(1)	(2)	(3)	(4)
85	Column 2-Heading— A. Industrial Engineering <i>Sl. No. 2—</i> <i>Column 14—</i> Para A. (b) (i)- Sub-para- 12th line Para A. (b) (iii)-4th line- Last word Para B(2)-third line	of boiler compo- nents, further, even during the wer Outstanding contin- gent liability in this regard has	of boiler com- ponents. Further, even during the were Outstanding—Contin- gent liability in this regard has
86	<i>Sl. No. 8—Column 14—</i> <i>Para A(a)—1st line</i>		For the indistinct figure read 21.92
88	Column 2—Below <i>Sl.</i> <i>No. 33</i>	(30 compadies)	(30 companies)
90	<i>Sl. No. 54—Column 12</i>	( + ) 4.10	( + ) 4.17
91	<i>Sl. No. 61—Column 14—</i> Heading	Schedule 4	Schedule H
	<i>Sl. No. 63—Column 8</i>	51466	514.66
	<i>Sl. No. 65—Column 14—</i> Heading	Loss or the year	Loss for the year
92	<i>Sl. No. 73—Column 4</i>	30.8.1959	30.6.1959
95	<i>Sl. No. 130—Column 14</i>	related	relate
96	<i>Sl. No. 138—Column 4</i>	21.10.1954	20.10.1954
97	Heading of Annexure 'D'	Corporation	Corporations



# REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL  
OF INDIA

UNION GOVERNMENT (COMMERCIAL)

1981

PART I

INTRODUCTION

REPORT

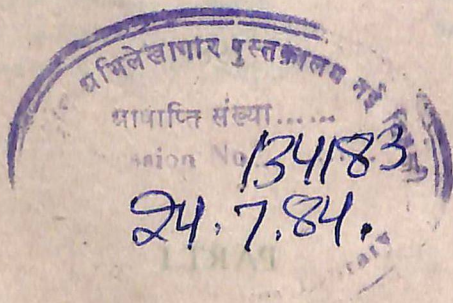
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UNION GOVERNMENT (COMMERCIAL)



INTRODUCTION



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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) Deemed Government companies *vide* Section 619-B of the Companies Act [These came within the purview of the Comptroller and Auditor General's audit consequent upon passing of the Companies (Amendment) Act, 1974].
- (iii) Statutory corporations.
- (iv) Departmentally managed commercial undertakings.

The observations of Audit on categories (i), (iii) and (iv) 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 the Government. The Report relating to Departmentally managed commercial undertakings forms part of the Report of the Comptroller and Auditor General of India—Union Government (Civil) and the Report of the



Comptroller and Auditor General of India—Union Government (Commercial) deals with other three categories [viz., (i) to (iii)].

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 or Government owned/controlled Companies/Corporations holding less than 51 per cent shares and the company, therefore, not falling within the scope of Section 617 or 619-B of the 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, Industrial Development Bank of India, Nationalised Banks, Life Insurance Corporation of India, etc.).

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, etc.).

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 of India but the Comptroller and Auditor General of India is authorised under Section 619(3)(b) of the Companies Act, 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 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 selected undertakings, the Audit Board meets in groups. Each group consists of the Chairman, two whole-time Members and two part-time Members. The Chairman and two whole-time 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 with and the concurrence of the Comptroller and Auditor General of India.

During 1980-81, meetings of the Audit Board were held with the representatives of the Management/Ministry to consider the



draft reports of the companies/corporation, as per details given below :—

Sl. No.	Name of the Company/ Corporation	Names of the Part-time Members	Dates of the meetings	Remarks
1	2	3	4	5
1.	Air-India	Shri P. N. Bhandari, Retired Deputy Comptroller and Auditor General of India. Shri Ramamritham, Retired Director General, Civil Aviation.	12th November 1980 to 14th November 1980	Meeting with the Management
2.	The Cotton Corporation of India Limited.	Dr. S. B. P. Rao, Director (Retired), Directorate of Cotton Development, Bombay. *Dr T. V. Ratnam, Deputy Director, South India Textile Research Association, Coimbatore.	11th February 1981 to 13th February 1981	Meeting with the Ministry
3.	Steel Authority of India Limited (Draft reports relating to Bhilai and Rourkela Steel Plants).	Shri B. R. Sule, Managing Director, Mahindra & Mahindra, Bombay. *Prof. N. S. Ramaswamy, Director, Indian Institute of Management, Bangalore.	18th February 1981 to 21st February 1981	Meeting with the Ministry
4.	Tungabhadra Steel Products Limited.	Shri R. S. Gahlot, Consultant, Ex-Chairman and Managing Director, Hindustan Steel-Works Construction Limited, New Delhi. *Shri R. J. Shahaney, Managing Director, Ashoka Leyland, Egmore, Madras.	19th March 1981 to 20th March 1981	Meeting with the Ministry

\*Did not attend the meeting.

1	2	3	4	5
5.	Madras Refineries Limited.	*Shri T. K. Sinha, Managing Director, Indian Oil Corporation Limited (Refineries and Pipelines Division), New Delhi.	25th March 1981 to 27th March 1981	Meeting with the Management.
		Shri C. R. Das Gupta, Chairman, Indian Oil Corporation Limited, New Delhi.		

\*Did not attend the meeting.

While the reports on the Cotton Corporation of India Limited, Steel Authority of India Limited (Bhilai and Rourkela Steel Plants) and Tungabhadra Steel Products Limited are under finalisation in the light of discussions held with the representatives of the Ministry, those in respect of Air-India and Madras Refineries Limited are being revised in the light of discussions held with the respective Managements for issuance to the administrative Ministry concerned.

6. As in the previous years, for facility of consideration, the Report of the Comptroller and Auditor General of India—Union Government (Commercial)—1981 will be presented in several parts consisting of the following :—

- (a) Introduction—a general review of the working results of Government Companies, deemed Government Companies and Corporations.
- (b) Results of the comprehensive appraisal of the selected undertakings conducted by the Audit Board.
- (c) Resume of the Company Auditors' Reports submitted by them under the directives issued by the Comptroller and Auditor General of India and that of comments on the accounts of the Government Companies under section 619(4) of the Companies Act.



- (d) Miscellaneous Topics of interest noticed in audit of the undertakings not taken up for appraisal by the Audit Board.

7. In the beginning of Part I of the Report, the "Highlights of the working of the Union Government companies for 1979-80" have been indicated for convenience. These indicate an overall picture of different types of industries but should not be viewed in isolation. The details are given in the Report (*vide* Sections I & II). Sections III & IV of the Report deal with the overall working results of companies coming within the provisions of Section 619-B of the Companies Act and Statutory Corporations.

## HIGHLIGHTS OF THE WORKING OF THE UNION GOVERNMENT COMPANIES DURING 1979-80

As on 31st March 1980, there were 197 Government Companies (including 59 subsidiaries). Out of these, audited accounts of 166 companies (including 46 subsidiaries) were available for 1979-80. While Section 'A' below indicates the highlights of the overall working results of 161 companies, the highlights in respect of 5 General Insurance Companies are given in Section 'B'.

### A—Government companies other than General Insurance Companies

- |  |   |
|--|---|
| 1. No. of Government companies (other than General Insurance companies) as on 31st March 1980. | 137 and 55 subsidiaries (for details see pages 3—5 and Annexure 'C').   |
| 2. Number of companies which prepared accounts   | 119 and 42 subsidiaries (vide Annexure 'C').  |
| 3. Paid-up capital of 161 companies as on 31st March 1980                                      | Rs. 8,178.41 crores. Increase of Rs. 1,670.38 crores over paid-up capital of 151 companies as on 31st March 1979. |
| 4. Long-term loan capital of 161 companies as on 31st March 1980                               | Rs. 8,714.90 crores. Increase of Rs. 2,518.82 crores over 31st March 1979.  |
| 5. Reserves and Surplus of 161 companies as on 31st March 1980                                 | Rs. 1,793.09 crores. Increase of Rs. 308.31 crores over 31st March 1979.  |
| 6. *Capital invested in 161 companies as on 31st March 1980                                    | Rs. 18,041.30 crores. Increase of Rs. 4,225.79 crores over 31st March 1979.                                       |

\*Capital invested represents paid-up capital, long-term loans and free reserves and excludes share capital of subsidiaries to the extent held by holding companies and loans received by holding companies but lent in turn to subsidiaries.



## 7. Sectoral distribution of capital invested as on 31st March 1980 :

(Rupees in crores)

## I. Running Concerns :

A. Industrial	15,161.32
(i) Engineering	1,992.74
(ii) Chemicals	3,196.68
(iii) Mining and Minerals	1,280.19
(iv) Shipping and Transport	911.62
(v) Ship-building and repairing	291.24
(vi) Steel	3,434.17
(vii) Petroleum and Oil	814.22
(viii) Construction Undertakings	54.40
(ix) Coal	2,410.96
(x) Textile	680.31
(xi) Miscellaneous	94.79
B. Trading and Services	231.56
C. Consultancy	34.35
D. Financial	1,047.21

---

 TOTAL . . . . . 16,474.44

II. Promotional and Developmental Undertakings. . . . . 169.31

III. Companies in the stage of construction . . . . . 1,397.55

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 GRAND TOTAL . . . . . 18,041.30

8. \*Capital employed in 150 companies (excluding 11 companies in the stage of construction) Rs. 13,127.13 crores. Increase of Rs. 3,806.17 crores over 31st March 1979.
9. Gross assets of 161 companies as on 31st March 1980. Rs. 29,173.24 crores. Increase of Rs. 7,120.33 crores over 31st March 1979.
10. Value of production/business of 143 companies. Rs. 18,994.91 crores. Increase of Rs. 4,420.42 crores over 31st March 1979.
11. Net sales of 143 companies. Rs. 18,095.91 crores. Increase of Rs. 3,809.30 crores over 31st March 1979.

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\*Capital employed represents working capital (i.e. Current assets, loans and advances minus current liabilities and provisions excluding provision for gratuity) plus net fixed assets (excluding capital work in progress).

12. Sundry debtors of 143 companies	Rs. 1,777.89 crores.	Increase of Rs. 534.18 crores.
13. Inventories as on 31st March 1980 for 129 companies.	Rs. 6,176.38 crores.	Increase of Rs. 1,673.26 crores.
14. Subsidy paid by Government to 52 companies during 1979-80	Rs. 268.61 crores as against Rs. 123.71 crores to 45 companies in 1978-79.	
15. Profit analysis in respect of 161 *companies for the year 1979-80.		
		(Rupees in crores)
(i) Profit earned by 92 companies :		
(a) Profit before tax and prior period adjustments		599.04
(b) Prior period adjustments (credit)	14.94	
(c) Tax provision	236.28	
(d) Dividend	54.41	
(e) Retained profit	323.29	
(ii) Loss suffered by 57 companies		
(a) Loss before prior period adjustments		350.03
(b) Prior period adjustments (credit)	4.14	
(iii) Overall profit (i)(a)—(ii)(a) (before tax and prior period adjustments).		249.01
16. Return on capital invested	5.0 per cent as against 5.4 per cent in 1978-79.	
17. Return on capital employed of 150 companies (excluding 11 companies in the stage of construction).	7.3 per cent as against 8.0 per cent in 1978-79.	
18. Percentage of value of production/ business to capital employed for 143 companies.	148.7 per cent as against 160.6 per cent in 1978-79.	
19. Percentage of sales to capital emp- loyed during 1979-80 for 143 com- panies.	141.7 per cent as against 157.5 per cent in 1978-79.	
20. Percentage of sundry debtors to sales for 143 companies	9.8 per cent as against 8.7 per cent in 1978-79.	
21. Percentage of inventories to sales for 129 companies.	34.3 per cent as against 31.6 per cent in 1978-79.	
22. Cash and Bank balances :		
(a) Cash and Bank balances of 161 companies as on 31st March 1980	Rs. 708.28 crores	

\*Includes 1 company which has no profit /loss and 11 companies in the stage of construction.



- (b) Outstanding balances of cash credit resorted to by 78 companies as on 31st March 1980. Rs. 1,098.99 crores.
23. Customer composition of 117 companies in respect of which information was available with total sales of Rs. 11,649.02 crores :
- |                                     | Percentage of total sales |
|-------------------------------------|---------------------------|
| Sales to Government Departments     | 19.5                      |
| Sales to Public Sector Undertakings | 17.2                      |
| Exports                             | 11.3                      |
| Sales to Other parties              | 52.0                      |
24. Employment statistics :
- (a) Total number of employees in 150 companies (in respect of which information was available) as on 31st March 1980. 8,67,410
- (b) Salaries, wages, etc. charged in the accounts as on 31st March 1980. Rs. 1,068.72 crores
- (c) Average earnings per employee per annum on the above basis. Rs. 12,321
25. Ratio of employees to capital invested as on 31st March 1980 (the position has to be viewed in the light of the fact that most of the public sector undertakings are capital intensive and highly mechanised). 70 per every Rs. 1 crore of capital invested.
26. Net revenue expenditure on providing township facilities after deducting rent receipts, etc. in 74 companies, in respect of which information was available for 1979-80. Rs. 50.53 crores.
27. Housing provided upto 1979-80. 2,07,379 employees out of 6,86,783 employees in 85 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 1979-80. Rs. 101.18 crores for 141 companies for which information was available.

29. Contribution to Central Revenue in the form of Central excise duty during 1979-80.	Rs. 1,791.88 crores for 66 companies representing 29.8 per cent of the total collection of @ Rs. 6,011.09 crores (provisional) for the country. The value of production of these companies was Rs. 14,562.49 crores.
30. Exports by 75 companies for which information was available.	Rs. 1,524.45 crores representing 23.7 per cent of the total exports* of the country during 1979-80.
31. Net foreign exchange earned by 16 companies (in respect of which information was available) engaged in rendering services like shipping, ship-repairing, consultancy, etc. during 1979-80.	Rs. 500.25 crores.
32. Expenditure incurred during 1979-80 on import of raw materials, stores and spare parts for production by 73 companies out of 99 companies engaged in manufacture/production.	Rs. 2663.43 crores (their value of production was Rs. 13,521.97 crores).
33. (a) Value of production of 99 companies engaged in manufacture/production of goods during 1979-80.	Rs. 14,362.54 crores.
(b) Contributed value of the above companies during 1979-80.	Rs. 3,624.79 crores.
(c) Results of working of the above companies during 1979-80.	Profit of Rs. 133.52 crores.
(d) Composition of the major items of expenditures of these companies expressed as percentage of value of production	
Consumption of raw materials, stores and spares, purchase of finished goods, etc.	62.3
Central excise duty	12.5
Wages, salaries, bonus, allowances, etc.	9.9
Depreciation	3.4
Interest	3.9
Repairs and maintenance	1.2
Power and fuel	3.2
(e) Percentage of contributed value to capital employed for 99 companies	35.2

@Based on the data contained in the Report of the Comptroller and Auditor General of India for the year 1979-80 — Union Government (Civil)—Revenue Receipts—Volume I—Indirect Taxes.

\*Rs. 6,421 crores—provisional—as per Reserve Bank of India Bulletin of September 1980.



## 34. Sectoral analysis of working results of 99 companies engaged in manufacture/production :

	(Rupees in crores)	
	1979-80	1978-79
Steel	(+) 32.00	(+) 65.91
Machine Tools, Engineering and Allied Industries	(+) 26.61	(+) 35.91
Fertilizers, Chemicals and Pharmaceuticals	(-) 83.03	(-) 32.25
Minerals	(+) 7.55	(+) 5.89
Petroleum	(+)175.18	(+)163.12
Electronics	(+) 8.19	(+) 10.62
Coal	(-) 9.62	(-) 19.90
Textile	(-) 17.17	(+) 1.22
Others	(-) 6.19	(-) 5.94
	(+)133.52	(+)224.58

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

	1979-80	1978-79
(i) Steel		
(a) Ingots	74.8%	74.9%
(b) Saleable steel	71.8%	80.1%
(ii) Fertilizer	48.6%	61.0%
(iii) Oil Refining	92.4%	84.3%

## 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 1979-80. 1 and 4\* subsidiaries.
3. Net premium (including portfolio premium) earned by the companies referred to in 2 above. Rs. 397.42 crores.
4. Net claims of the above companies. Rs. 253.58 crores.

@Excludes Export Credit and Guarantee Corporation Limited which is not registered under the Insurance Act, 1938 and whose working results have been included in Section I of this Report.

\*In addition, accounts of 2 subsidiaries (Industrial Credit Company Limited and Zenith Assurance Company Limited) were received. As mentioned in Section II, these companies have not been registered under the Insurance Act, 1938, and therefore, their working results have been included in section I of this Report.

- |  |                    |
|--|--------------------|
| 5. Net commission, expenses of management and other charges of the above companies.              | Rs. 106.64 crores. |
| 6. Net increase in the reserve for unexpired risks of the above companies.                       | Rs. 19.12 crores   |
| 7. Underwriting profits of the above companies.  | Rs. 18.05 crores.  |
| 8. (a) Profits of the above companies prior to tax.  | Rs. 72.62 crores.  |
| (b) Tax provision  | Rs. 33.00 crores.  |
| (c) Profit retained for appropriation to General Reserve, Reserve for doubtful debts, etc.       | Rs. 39.62 crores.  |
| 9. Commission earned by the above companies on re-insurance ceded.                               | R. 72. 85 crores.  |
| 10. Commission paid by the above companies on re-insurance accepted.                             | Rs. 74.22 crores   |
| 11. Premium derived from business out of India by the above companies.                           | Rs. 74.71 crores.  |
| 12. Claims paid to claimants out of India by the above companies.                                | Rs. 46.83 crores.  |
| 13. Estimated liabilities in respect of claims whether due or intimated, of the above companies. | Rs. 320.59 crores. |
| 14. Reserve for unexpired risk of the above companies.   | Rs. 251.49 crores. |



## INTRODUCTION

### I. GOVERNMENT COMPANIES

#### 1. Number of Companies

There were 138 companies with 59\* subsidiaries of the Union Government as on 31st March 1980 as against 130 companies with 50 subsidiaries as on 31st March 1979. The number of companies increased during 1979-80 due to additions of the following companies :—

1. Andrew Yule and Company Limited. The company was a Section 619-B company till 9th May 1979. By virtue of additional 2% equity shares acquired by the President of India, the Company and its subsidiaries (mentioned at Sl. Nos. 2 to 8) became Government companies within the meaning of Section 617 of the Companies Act, 1956 with effect from 10th May 1979.
2. Clive Row Investment Holding Company Limited (subsidiary to Andrew Yule and Company Limited).
3. The Murphulani (Assam) Tea Company Limited (subsidiary to Clive Row Investment Holding Company Limited).
4. Basmatia Tea Company Limited (subsidiary to Clive Row Investment Holding Company Limited).
5. Rajgarh Tea Company Limited (subsidiary to Clive Row Investment Holding Company Limited).
6. Chitpore Golabari Company Limited (subsidiary to Clive Row Investment Holding Company Limited).
7. Hooghly Printing Company Limited (subsidiary to Clive Row Investment Holding Company Limited).

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\*Include 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.

8. \*Steam and Mining (Switchgear) Limited (subsidiary to Andrew Yule and Company Limited).
9. Lagan Jute Machinery Company Limited. Became a Government company with effect from 28th July 1978.
10. Bharat Brakes and Valves Limited. Registered on 21st July 1978.
11. Rajasthan Drugs and Pharmaceuticals Limited (subsidiary to Indian Drugs and Pharmaceuticals Limited). Registered on 2nd November 1978 as a joint project with Rajasthan State Industrial and Mineral Development Corporation Limited.
12. Ferro Scrap Nigam Limited (subsidiary to Metal Scrap Trade Corporation Limited). Registered on 28th March 1979.
13. Sponge Iron India Limited. Registered on 18th March 1975. The company was a State Government Company upto 16th September 1978. With effect from 17th September 1978, the company became a Union Government company.
14. Indian medicines Pharmaceuticals Corporation Limited. Registered on 12th July 1978.
15. Bharat Wagons and Engineering Company Limited. Registered on 4th December 1978.
16. The Southern Pesticides Corporation Limited (subsidiary to Hindustan Insecticides Limited). Registered on 3rd March 1980.
17. Orissa Drugs and Pharmaceuticals Limited (subsidiary to Indian Drugs and Pharmaceuticals Limited). Registered on 1st May 1979.
18. Maharashtra Antibiotics and Pharmaceuticals Limited (subsidiary to Hindustan Antibiotics Limited). Registered on 16th November 1979.
19. Gujarat Drugs and Pharmaceuticals Limited (subsidiary to Indian Drugs and Pharmaceuticals Limited). Registered on 17th January 1980.
20. Chandigarh Scheduled Castes Financial and Development Corporation Limited. Registered on 2nd July 1979.

\*The Company has not yet obtained any manufacturing Licence and had no trading or any other activities. Application has been made by the Holding company to the Registrar of Companies to get the name of the company struck off the register pursuant to Section 560 of the Companies Act, 1956.



The following companies ceased to be Government companies during 1979-80 :—

- |  |   |
|--|---|
| (1) Bolani Ores Limited (subsidiary to Steel Authority of India Limited).                                | By virtue of the 'Bolani Ores Limited (Acquisition of shares) and Miscellaneous Provisions Act, 1978' all the shares of the company held by the Orissa Minerals Development Company Limited had been vested in the Central Government and immediately after they had been so vested, these stood transferred to and vested in steel Authority of India Limited with effect from 1st January 1979. The Company has dissolved on that date and became a constituent unit of Steel Authority of India Ltd. |
| (2) Burmah-Shell Provident Trust (Private) Limited (subsidiary to Bharat Petroleum Corporation Limited). | } The names of these two subsidiaries and were struck off by the Registrar of Companies on 31st March 1980 under sub-section (5) of Section 560 of the Companies Act, 1956.   |
| (3) Burmah-Shell Pensions Trust (Private) Limited (subsidiary to Bharat Petroleum Corporation Limited).  |   |

**Biecco Lawrie Limited** (earlier subsidiary to **Balmer Lawrie and Company Limited**) ceased to be a subsidiary company consequent upon 51 per cent or more of its shares being held by **Government**.

The working results of the following companies have not been included as the accounts of these companies for 1979-80 have not been received (February 1981) :—

- (1) Andaman and Nicobar Islands Forest and Plantation Development Corporation Limited.
- (2) Braithwaite and Company Limited.
- (3) Bridge and Roof Company (India) Limited (subsidiary to Balmer Lawrie and Company Limited).
- (4) Bongaigaon Refinery and Petro-Chemicals Limited.
- (5) Bharat Wagons and Engineering Company Limited.
- (6) Bharat Brakes and Valves Limited.

- (7) Coburn Properties Limited in liquidation (subsidiary to Burn Standard Company Limited).
- (8) Central Fisheries Corporation Limited (has gone out of operation from September 1977).
- (9) Central Mine, Planning and Design Institute Limited (subsidiary to Coal India Limited).
- (10) Central Road Transport Corporation Limited (in liquidation with effect from 12th April 1979).
- (11) Central Cottage Industries Corporation of India Limited (subsidiary to Handicrafts and Handlooms Export Corporation of India Limited).
- (12) Chandigarh Scheduled Castes Financial and Development Corporation Limited.
- (13) Delhi State Industrial Development Corporation Limited.
- (14) Delhi Tourism Development Corporation Limited.
- (15) Eastern Coalfields Limited (subsidiary to Coal India Limited).
- (16) Electronics Trade and Technology Development Corporation Limited.
- (17) Indian Iron and Steel Company Limited (subsidiary to Steel Authority of India Limited).
- (18) Indian Medicines and Pharmaceuticals Limited.
- (19) Jute Corporation of India Limited.
- (20) Karnataka Cashew Development Corporation Limited.
- (21) National Textile Corporation (Andhra Pradesh, Karnataka, Kerala and Mahe) Limited (subsidiary to National Textile Corporation Limited).
- (22) North Eastern Handicrafts and Handlooms Development Corporation Limited.
- (23) Punjab Maize Products Limited (subsidiary to Indian Drugs and Pharmaceuticals Limited).



- (24) Smith Stanistreet Pharmaceuticals Limited.
- (25) State Farms Corporation of India Limited.
- (26) Tea Trading Corporation of India Limited.
- (27) Western Coalfields Limited (subsidiary to Coal India Limited).

Out of the above, the accounts of Bharat Brakes and Valves Limited (Sl. No. 6) and Delhi State Industrial Development Corporation Limited (Sl. No. 13) have not been received for the year 1978-79 also.

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 1979-80 :—

- (1) Maharashtra Antibiotics and Pharmaceuticals Limited (subsidiary to Hindustan Antibiotics Limited).
- (2) Orissa Drugs and Chemicals Limited (subsidiary to Indian Drugs and Pharmaceuticals Limited).
- (3) The Southern Pesticides Corporation Limited (subsidiary to Hindustan Insecticides Limited).
- (4) Gujarat Drugs and Chemicals Limited (subsidiary to Indian Drugs and Pharmaceuticals Limited).

However, the audited accounts of the following 12 companies for the year ending March 1980 were received for the first time in 1979-80 and have been included in this Report :—

- (i) Andrew Yule and Company Limited.
- (ii) Basmatia Tea Company Limited.
- (iii) Clive Row Investment Holding Company Limited.
- (iv) Chitpore Golabari Company Limited.
- (v) Ferro Scrap Nigam Limited.
- (vi) Hooghly Printing Company Limited.
- (vii) Lagan Jute Machinery Company Limited.
- (viii) Rajgarh Tea Company Limited.



- (ix) Rajasthan Drugs and Pharmaceuticals Limited.
- (x) Steam and Mining (Switchgear) Limited.
- (xi) Sponge Iron India Limited.
- (xii) The Murphulani (Assam) Tea Company Limited.

As mentioned in Section I of the Report of the Comptroller and Auditor General of India—Union Government (Commercial)—1980—Part I, the working results of Coal India Limited and its 4 subsidiaries (*i.e.* Bharat Coking Coal Limited, Central Mine, Planning and Design Institute Limited, Eastern Coalfields Limited and Western Coalfields Limited) as well as 5 subsidiaries of the National Textile Corporation Limited [*i.e.* National Textile Corporation (Delhi, Punjab and Rajasthan) Limited, National Textile Corporation (Maharashtra North) Limited, National Textile Corporation (South Maharashtra) Limited, National Textile Corporation (Andhra Pradesh, Karnataka, Kerala and Mahe) Limited and National Textile Corporation (West Bengal, Assam, Bihar and Orissa) Limited] had not been included, as their accounts were in arrears. This year, the audited accounts for 1979-80 of Coal India Limited and its 2, out of 5, subsidiaries, (*i.e.* Central Coalfields Limited and Bharat Coking Coal Limited) as well as National Textile Corporation Limited and its 8 subsidiaries other than National Textile Corporation (Andhra Pradesh, Karnataka, Kerala and Mahe) Limited have been received and considered in this Report. Out of 8 subsidiaries of National Textile Corporation Limited, 6 incurred a loss of Rs. 32.27 crores during 1979-80; their cumulative loss stood at Rs. 211.65 crores as on 31st March 1980. The remaining 2 subsidiaries [*viz.* National Textile Corporation (Gujarat) Limited and National Textile Corporation (Tamil Nadu and Pondicherry) Limited] earned profit during 1979-80. While in the case of former no loss of the previous year was awaiting adjustments, in the case of latter cumulative loss as on 31st March 1980 stood at Rs. 2.77 crores. The accounts of 9th subsidiary [*viz.* National Textile Corporation (Andhra Pradesh, Karnataka, Kerala and Mahe) Limited], not dealt with in this Report, had disclosed a cumulative loss of Rs. 12.75 crores as on 31st March 1979.



In respect of Coal India Limited and its five subsidiaries, the cumulative loss amounted to \*Rs. 704.13 crores (provisional) including \*Rs. 99.33 crores (provisional for 1979-80).

## 2. Paid-up capital

The total paid-up capital of 161 companies of the Union Government (including subsidiaries) included in this Section of the Report was Rs. 8,178.41 crores at the end of 1979-80, representing an increase of Rs. 1,670.38 crores over the total paid-up capital of Rs. 6,508.03 crores of 151 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

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\*Based on the audited accounts of 2 subsidiaries and provisional figures for the remaining 3 subsidiaries.

parties as on 31st March 1980 is as follows :—

	Paid-up Capital				(Rupees in lakhs)
	No.	Union Government/ Union Government companies	State Government	Private Parties	Total
	1	2	3	4	5
(i) Companies fully owned by the Union Government/Union Government companies	120	7,74,769.27	..	..	7,74,769.27
(ii) Companies jointly owned by the Union Government/Union Government companies and State Governments	13	17,275.67	2,263.17	..	19,538.84
(iii) Companies jointly owned by the Union Government/Union Government companies and private parties	19	3,977.28	..	2,073.34	6,050.62
(iv) Companies jointly owned by the Union Government/Union Government companies, State Governments and private parties	9	16,300.36	538.41	643.01	17,481.78
TOTAL	161	*8,12,322.58 99.4%	2,801.58 0.3%	2,716.35 0.3%	8,17,840.51 100%
Figures for the year 1978-79	151	*6,46,746.86 99.4%	1,572.69 0.2%	2,483.85 0.4%	6,50,803.40 100%

\*Includes Rs. 45,591.31 lakhs in 1979-80 and Rs. 21,131.00 lakhs in 1978-79 invested in the equity capital of subsidiary companies by the holding companies.



3. The long-term loans obtained by the companies under review stood at Rs. 8,714.90 crores. This represented an increase of Rs. 2,518.82 crores over the long-term loans amounting to Rs. 6,196.08 crores of 151 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 1980 is as follows :—

	1978-79	Percent- age of total loans	1979-80	Percent- age of total loans	Increase (+) Decrease (-)
1	2	3	4	5	6
	(Rs. in lakhs)		(Rs. in lakhs)		(Rs. in lakhs)
(i) Union Government/Union Government companies	4,58,164.87	73.9	6,21,132.73	71.3	(+)1,62,967.86
(ii) State Governments	700.36	0.1	749.25	0.1	(+)48.89
(iii) Foreign Credits	51,829.41	8.4	28,238.07	3.2	(-)23,591.34
(iv) Others	1,08,913.03	17.6	2,21,370.32	25.4	(+)1,12,457.29
<b>TOTAL</b>	<b>6,19,607.67</b>	<b>100.0</b>	<b>8,71,490.37</b>	<b>100.0</b>	<b>(+)2,51,882.70</b>

@Includes Rs. 6,132.45 lakhs in 1978-79 and Rs. 1,877.06 lakhs in 1979-80 given as loans by the holding companies to the subsidiaries.

Government had granted moratorium for periods ranging from 1 to 10 years in the case of 70 companies for repayment of loans aggregating Rs. 905.98 crores provided to these companies during 1979-80.

4. Government guaranteed cash credit arrangements made by 27 companies with the State Bank of India and Nationalised Banks upto the total maximum limit of Rs. 179.00 crores. Against this limit, the amount outstanding as on 31st March 1980 aggregated Rs. 165.62 crores. Loans raised by 15 companies from other sources were also guaranteed by Government, the amount outstanding as on 31st March 1980 being Rs. 248.87 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 (9 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 (16 companies).

The maximum amount thus guaranteed as on 31st March 1980 in the case of these companies was Rs 461.77 crores against which the actual amount outstanding as on that date was Rs. 260.69 crores.

#### 5. *Subsidy*

Apart from the concessions mentioned in paragraphs 3 and 4 above, subsidies have also been granted to some companies for industrial housing scheme (as admissible to private sector companies), exports, etc. During 1979-80, 52 companies (in respect of which information was available) received such



subsidies aggregating Rs. 268.61 crores. The cumulative total of subsidies paid by Government to 78 companies upto 31st March 1980 was Rs. 737.22 crores.

## 6. Profit and Dividend

6.01 According to the annual accounts of 161\* companies, there was an overall profit (before tax and prior period adjustments) of Rs. 249.01 crores as against the overall profit (before tax and prior period adjustments) of Rs. 287.16 crores of 151 companies during the previous year. After taking into account the prior period adjustments of Rs. 19.08 crores (credit), the profit would work out to Rs. 268.09 crores during 1979-80 as against the profit of Rs. 286.10 crores during the previous year. These include 142 companies which were common to both the years. The comparative position of the overall profit (before tax and prior period adjustments) earned by these companies was Rs. 286.70 crores in 1978-79 and Rs. 320.86 crores in 1979-80.

A comparative position of profit (+)/loss (—) earned/incurred (before tax and prior period adjustments) by the various groups was as follows:—

Group	(Rupees in crores)	
	1979-80	1978-79
I. Running concerns		
A. Industrial		
(i) Engineering	(+)115.56	(+)177.11
(ii) Chemicals	(+) 42.07	(+) 49.19
(iii) Mining and Minerals	(—) 83.03	(—) 32.25
(iv) Shipping and Transport	(+) 7.55	(+) 5.89
(v) Shipbuilding and Repairing	(—) 16.61	(—) 52.81
(vi) Steel	(—) 4.63	(+) 2.33
(vii) Petroleum and Oil	(+) 32.00	(+) 65.91
(viii) Construction Undertakings	(+)175.33	(+)163.66
(ix) Coal	(—) 7.02	(—) 3.55
(x) Textile	(—) 9.62	(—) 19.90
(xi) Miscellaneous	(—) 17.17	(+) 1.22
	(—) 3.31	(—) 2.58

\*Includes 1 company which has no profit/loss and 11 companies in the stage of construction.

(Rupees in crores)

	1979-80	1978-79
B. Trading and Services . . . . .	(+)106.54	(+) 86.57
C. Consultancy . . . . .	(+) 2.07	(+) 5.52
D. Financial . . . . .	(+) 17.68	(+) 14.51
<b>TOTAL</b>	<b>(+)241.85</b>	<b>(+)283.71</b>
<b>II. Promotional and Developmental Undertakings</b>	<b>(+) 7.16</b>	<b>(+) 3.45</b>
<b>GRAND TOTAL</b>	<b>(+)249.01</b>	<b>(+)287.16</b>

6.02 92 companies earned a profit (before tax and prior period adjustments) of Rs. 599.04 crores which represented 13.4 per cent of their paid-up capital of Rs. 4,482.02 crores invested in these companies after excluding the equity investment made by the holding companies in their subsidiaries. After taking into account prior period adjustments (Rs. 14.94 crores—credit) and providing for taxation (Rs. 236.28 crores) and dividend (Rs. 54.41 crores), the balance retained by these companies amounted to Rs. 323.29 crores. On an overall basis, the retained surplus of Rs. 323.29 crores would, however, stand completely wiped off if loss of Rs. 345.89 crores (after prior period adjustments) incurred by 57 companies as referred to in paragraph 6.03 is taken into account.

Out of 92 companies, 51 companies declared dividends amounting to Rs. 54.41 crores, representing 6.4 per cent of their paid-up capital of Rs. 856.50 crores. This works out to 0.7 per cent of the total paid-up capital of Rs. 8,178.41 crores of 161 companies.

The companies which declared dividends, the amount of dividends declared, etc. are indicated below :—

Sl. No.	Name of the Company	Paid-up capital	Amount of dividend declared proposed	Percent- age of dividend paid-up capital
1	2	3	4	5
(Rupees in lakhs)				
1.	Balmer Lawrie and Company Limited.	188.84	30.21	16.0
2.	Basmatia Tea Company Limited	9.18	2.75	30.0



1	2	3	4	5
3.	Bharat Heavy Electricals Limited . . . . .	13,000.00	780.00	6.0
4.	Bharat Earth Movers Limited . . . . .	1,200.00	72.00	6.0
5.	Bharat Petroleum Corporation Limited . . . . .	1,453.83	174.46	12.0
6.	Bharat Electronics Limited . . . . .	1,150.00	124.52	10.8
7.	Clive Row Investment Holding Company Limited . . . . .	138.80	6.94	5.0
8.	Cochin Refineries Limited . . . . .	700.00	239.75	34.3
9.	Dredging Corporation of India Limited . . . . .	2,800.00	112.00	4.0
10.	Engineers India Limited . . . . .	25.00	3.75	15.0
11.	Export Credit and Guarantee Corporation Limited . . . . .	100.00	10.00	10.0
12.	Goa Shipyard Limited . . . . .	192.44	11.55	6.0
13.	Hindustan Machine Tools Limited . . . . .	3,731.50	223.04	6.0
14.	Hindustan Aeronautics Limited . . . . .	6,000.00	120.00	2.0
15.	Hindustan Teleprinters Limited . . . . .	123.00	14.76	12.0
16.	Hindustan Insecticides Limited . . . . .	1,243.57	15.32	1.2
17.	Hindustan Organic Chemicals Limited . . . . .	968.19	77.46	8.0
18.	Hindustan Shipyard Limited . . . . .	2,066.20	138.74	6.7
19.	Hindustan Petroleum Corporation Limited . . . . .	1,520.00	182.40	12.0
20.	Hotel Corporation of India Limited . . . . .	500.00	30.00	6.0
21.	H.M.T. (International) Limited . . . . .	6.00	1.20	20.0
22.	Instrumentation Limited . . . . .	582.53	29.13	5.0
23.	Indian Telephone Industries Limited . . . . .	1,500.00	90.00	6.0
24.	IISCO Stanton Pipe and Foundry Company Limited . . . . .	300.00	4.50	1.5
25.	Indian Rare Earths Limited . . . . .	1,601.50	10.10	0.6
26.	Indian Oil Corporation Limited . . . . .	8,217.72	986.12	12.0
27.	Indian Oil Blending Limited . . . . .	40.00	4.00	10.0
28.	India Tourism Development Corporation Limited . . . . .	2,148.00	63.57	3.0
29.	Lubrizol India Limited . . . . .	60.00	52.80	88.0
30.	Madras Fertilizers Limited . . . . .	1,364.68	229.27	16.8
31.	Manganese Ore (India) Limited . . . . .	215.45	19.75	9.2
32.	Mazagon Dock Limited . . . . .	850.00	80.16	9.4
33.	Madras Refineries Limited . . . . .	1,287.49	193.12	15.0
34.	Metal Scrap Trade Corporation Limited . . . . .	38.91	8.00	20.6
35.	Modern Bakeries (India) Limited . . . . .	213.00	12.78	6.0

1	2	3	4	5
36.	Metallurgical and Engineering Consultants (India) Limited	201.53	24.18	12.0
37.	Rail India Technical and Economic Services Limited	10.00	2.50	25.0
38.	Rural Electrification Corporation Limited	8,700.00	87.00	1.0
39.	Rashtriya Chemicals and Fertilizers Limited	16,747.81	334.96	2.0
40.	Rajgarh Tea Company Limited	12.00	3.60	30.0
41.	State Chemicals and Pharmaceuticals Limited	100.00	20.00	20.0
42.	The State Trading Corporation of India Limited	1,500.00	300.00	20.0
43.	The Minerals and Metals Trading Corporation of India Limited	2,100.00	420.00	20.0
44.	The Cashew Corporation of India Limited	150.00	30.00	20.0
45.	The Projects and Equipment Corporation of India Limited	150.00	16.50	11.0
46.	The Indo-Burma Petroleum Company Limited	210.00	28.42	13.5
47.	Tungabhadra Steel Products Limited	173.00	3.65	2.1
48.	Telecommunications Consultants India Limited	10.00	0.70	7.0
49.	The Murphulani (Assam) Tea Company Limited	10.00	2.11	21.1
50.	Water and Power Development Consultancy Services (India) Limited	30.00	12.00	40.0
51.	Zenith Assurance Company Limited	10.00	0.80	8.0
		85,650.17	5,440.57	6.4

6.03 57 companies having paid-up capital of Rs. 2,442.40 crores (excluding the equity investments made by the holding companies in their subsidiaries), sustained losses totalling Rs. 350.03 crores (before prior period adjustments).



After taking into account the prior period adjustments amounting to Rs. 4.14 Crores (credit), the loss stood at Rs. 345.89 crores. Out of the loss of Rs. 350.03 crores (before prior period adjustments), Rs. 343.49 crores (details given below) pertained to the following 40 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	Before prior period adjustments		Cumulative loss upto 31st March 1980
			Less incurred in 1979-80	Less (—) incurred/ Profit (+) earned in 1978-79	
1	2	3	4	5	6
1.	Biecco Lawrie Limited	110.57	142.32	(—) 158.74	541.85
2.	Bharat Aluminium Company Limited	14,862.40	1,268.95	(—) 365.63	4,416.85
3.	Bharat Ophthalmic Glass Limited	556.00	134.16	(—) 98.25	1,049.51
4.	Bharat Pumps and Compressors Limited	1,029.29	102.49	(—) 66.50	575.54
5.	Burn Standard Company Limited	904.46	960.94	(—) 967.80	3,111.45
6.	Bharat Coking Coal Limited	6,569.29	4,283.57	(—) 7,917.60	24,580.96
7.	Coal India Limited	*80,316.48	184.84	(—) 329.33	11,317.22
8.	Central Inland water Transport Corporation Limited	1,144.36	852.17	(—) 647.84	4,322.35
9.	Cochin Shipyard Limited	5,410.50	705.51	(—) 278.90	1,600.48
10.	Engineering Projects (India) Limited	88.00	708.34	(—) 253.01	874.37
11.	Garden Reach Shipbuilders and Engineers Limited	2,300.00	638.62	(—) 572.23	1,365.87
12.	Hindustan Antibiotics Limited	*1,585.26	432.76	(—) 202.92	1,169.14
13.	Hindustan Fertilizers Corporation Limited	22,993.70	3,466.92	(—) 2,292.48	5,875.11

(Rupees in lakhs)

1	2	3	4	5	6
14. Hindustan Steelworks Construction Limited . . . . .		1,250.00	704.28	(-) 474.60	674.47
15. Heavy Engineering Corporation Limited . . . . .		*16,179.45	3,379.80	(-)2,308.53	20,481.59
16. Indian Drugs and Pharmaceuticals Limited . . . . .		*7,444.33	799.19	(+) 28.23	2,945.77
17. Jessop and Company Limited . . . . .		2,598.94	930.71	(-) 822.73	3,594.59
18. Mining and Allied Machinery Corporation Limited . . . . .		4,380.00	953.77	(-) 993.63	7,930.66
19. National Instruments Limited . . . . .		213.31	267.55	(-) 152.85	798.99
20. National Fertilizers Limited . . . . .		26,927.84	1,426.09	(-) 228.66	1,336.71
21. National Mineral Development Corporation Limited . . . . .		7,426.72	627.37	(-) 230.18	1,988.99
22. National Building Construction Corporation Limited . . . . .		745.00	101.93	(+) 175.78	..
23. National Textile Corporation (Delhi, Punjab and Rajasthan) Limited . . . . .		972.12	208.56	(-) 418.97	1,838.28
24. National Textile Corporation (Uttar Pradesh) Limited . . . . .		836.47	409.66	(-) 74.71	1,546.59
25. National Textile Corporation (Madhya Pradesh) Limited . . . . .		1,708.53	797.44	(-) 907.29	4,282.15
26. National Textile Corporation (Maharashtra North) Limited . . . . .		2,523.43	493.32	(-) 267.37	4,499.26
27. National Textile Corporation (South Maharashtra) Limited . . . . .		2,152.38	247.26	(-) 145.72	3,523.83
28. National Textile Corporation (West Bengal, Assam, Bihar and Orissa) Limited . . . . .		2,266.03	1,070.66	(-) 1,066.04	5,475.15
29. Rehabilitation Industries Corporation Limited . . . . .		353.20	279.62	(-) 221.96	1,729.77
30. Radio and Electricals Manufacturing Company Limited . . . . .		212.57	107.95	(-) 51.93	898.91
31. Scooters India Limited . . . . .		513.71	420.06	(-) 419.00	1,917.34
32. The Fertilizer Corporation of India Limited . . . . .		38,480.99	4,862.86	(-) 2,183.05	18,121.46



33. The Fertilizer (Planning and Development) India Limited	482.85	128.99	(—)	171.55	309.86
34. The Mandya National Paper Mills Limited	590.44	103.11	(—)	30.23	254.21
35. The National Newsprint and Paper Mills Limited	561.87	114.76	(—)	180.51	251.10
36. The Shipping Corporation of India Limited	2,794.94	720.43	(—)	3,902.75	2,381.71
37. The Cotton Corporation of India Limited	400.00	695.60	(—)	535.27	889.57
38. Tannery and Footwear Corporation of India Limited	436.92	351.50	(—)	282.99	1,584.34
39. The Handicrafts and Handlooms Exports Corporation of India Limited	*440.00	146.72	(+)	7.41	..
40. Trade Fair Authority of India	25.00	117.72	(—)	350.02	600.51
	2,60,787.35	34,348.50	(—)	30,360.35	1,50,656.51

\*Includes Rs. 21,235.36 lakhs being equity investments made by the holding companies in their subsidiaries.

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

(Rupees in lakhs)

Sl. No.	Name of the Company	Paid-up Capital as on 31st March 1980	Cumulative loss as on 31st March 1980
1	2	3	4
1.	Artificial Limbs Manufacturing Corporation of India	52.50	281.46
2.	Biecco Lawrie Limited	110.57	541.85
3.	Burn Standard Company Limited	904.46	3,111.45
4.	Bharat Ophthalmic Glass Limited	556.00	1,049.51
5.	Banana and Fruit Development Corporation Limited	49.19	115.89
6.	Bharat Coking Coal Limited	6,569.29	24,580.96
7.	Central Inland Water Transport Corporation Limited	1,144.36	4,322.35
8.	Engineering Projects (India) Limited	88.00	874.37
9.	Heavy Engineering Corporation Limited	16,179.45	20,481.59
10.	Hindustan Prefab Limited	81.99	208.43
11.	Hooghly Printing Company Limited	2.45	2.98
12.	India Firebricks and Insulation Company Limited	149.67	574.98
13.	Jessop and Company Limited	2,598.94	3,594.59
14.	Mining and Allied Machinery Corporation Limited	4,380.00	7,930.66
15.	Mysore Porcelains Limited	100.00	145.89
16.	National Instruments Limited	213.31	798.99
17.	National Textile Corporation (Delhi, Punjab and Rajasthan) Limited	972.12	1,838.28
18.	National Textile Corporation (Uttar Pradesh) Limited	836.47	1,546.59
19.	National Textile Corporation (Madhya Pradesh) Limited	1,708.53	4,282.15
20.	National Textile Corporation (Maharashtra North) Limited	2,523.43	4,499.26
21.	National Textile Corporation (South Maharashtra) Limited	2,152.38	3,523.83



(Rupees in lakhs)

1	2	3	4
22. National Textile Corporation (West Bengal, Assam, Bihar and Orissa) Limited . . . . .		2,266.03	5,475.15
23. Radio and Electricals Manufacturing Company Limited . . . . .		212.57	898.91
24. Rehabilitation Industries Corporation Limited . . . . .		353.20	1,729.77
25. Scooters India Limited . . . . .		513.71	1,917.34
26. Sambhar Salts Limited . . . . .		100.00	114.37
27. The Mogul Line Limited . . . . .		101.19	2,304.96
28. Tannery and Footwear Corporation of India Limited . . . . .		436.92	1,584.34
29. The Industrial Credit Company Limited . . . . .		1.00	3.06
30. The National Industrial Development Corporation Limited . . . . .		40.00	48.56
31. The Cotton Corporation of India Limited . . . . .		400.00	889.57
32. Trade Fair Authority of India . . . . .		25.00	600.51
		<u>45,822.73</u>	<u>99,872.60</u>

6.05 The paid-up capital and profit/loss for three categories of Running Concerns, Promotional and Developmental Undertakings and companies in the stage of construction for 1978-79 and 1979-80 are given below :—

(Rupees in lakhs)

	1978-79			1979-80		
	No.	*Paid-up capital	Profit/Lcss (+)/(-)	No.	*Paid-up capital	Profit/Loss (+)/(-)
	1	2	3	4@	5	6
(i) Running Concerns	124	5,69,777.12	(+)28,371.41	135	6,87,319.82	(+)24,185.29
Companies which earned profit	72	3,50,564.73	(+)53,258.89	83	4,43,964.10	(+)58,600.26
Companies which incurred loss	52	2,19,212.39	(-)24,887.48	52	2,43,355.72	(-)34,414.97
A. Industrial	98	5,55,197.22	(+)17,712.19	109	6,71,568.82	(+)11,556.38
Companies which earned profit	52	3,36,833.02	(+)41,675.91	63	4,28,903.54	(+)44,551.05
Companies which incurred loss	46	2,18,364.20	(-)23,963.72	46	2,42,665.28	(-)32,994.67
B. Trading and Services	14	4,304.37	(+) 8,656.72	12	3,816.35	(+)10,653.47
Companies which earned profit	11	3,555.18	(+) 9,323.16	9	3,364.91	(+)11,357.91
Companies which incurred loss	3	749.19	(-) 666.44	3	451.44	(-) 704.44
C. Consultancy	6	364.53	(+) 551.64	6	364.53	(+) 207.10
Companies which earned profit	4	266.53	(+) 808.81	5	276.53	(+) 915.44
Companies which incurred loss	2	98.00	(-) 257.17	1	88.00	(-) 708.34
D. Financial	6	9,911.00	(+) 1,450.86	8	11,570.12	(+) 1,768.34
Companies which earned profit	5	9,910.00	(+) 1,451.01	6	11,419.12	(+) 1,775.86
Companies which incurred loss	1	1.00	(-) 0.15	2	151.00	(-) 7.52



(ii) Promotional and Developmental Undertakings . . . . .	15	5,204.20	(+) 344.93	14	5,122.42	(+) 716.18
Companies which earned profit . . . . .	9	3,394.28	(+)1,048.02	9	4,237.82	(+)1,303.89
Companies which incurred loss . . . . .	6	1,809.92	(-) 703.09	5	884.60	(-) 587.71
(iii) Companies in the stage of construction . . . . .	9	54,691.07		11	79,806.96	..
(iv) Companies which have either not prepared profit and loss account or there is no profit/loss . . . . .	3	0.01		1	0.002	..
	151	6,29,672.40	(+)28,716.34	161	7,72,249.20	(+)24,901.47

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

@Figures are before tax and prior period adjustments.

### 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 merely 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 or loss (before tax and prior period adjustments) disclosed in the accounts but also the interest paid on long-term loans. On this basis, the return in 1979-80 on a total investment of Rs. 18,041.30 crores made in 161 companies amounted to Rs. 904.72 crores (before tax and prior period adjustments), being 5.0 per cent of the investment as against 5.4 per cent in 1978-79.

After taking into account the prior period adjustments of Rs. 19.08 crores (credit), the return on capital invested would work out to Rs. 923.80 crores, being 5.1 per cent of the investment during the year as against 5.4 per cent in the previous year.



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

	Capital Invested	Profit (before tax and prior period adjustments)	Interest	Total return	Percentage of return on capital invested
1	2	3	4	5	6
	(Rupees in lakhs)		(Rupees in lakhs)		
(i) Running Concerns :					
A. Industrial . . . . .	15,16,131.86	11,556.38	56,931.68	68,488.06	4.5
B. Trading and Services . . . . .	23,155.78	10,653.47	180.58	10,834.05	46.8
C. Consultancy . . . . .	3,434.83	207.10	22.86	229.96	6.7
D. Financial . . . . .	1,04,720.86	1,768.34	4,245.60	6,013.94	5.7
TOTAL . . . . .	16,47,443.33	24,185.29	61,380.72	85,566.01	5.2
(ii) Promotional and Developmental Undertakings . . . . .	16,931.11	716.18	430.83	1,147.01	6.8
(iii) Companies in the stage of construction . . . . .	1,39,755.15	..	3,759.02	3,759.02	2.7

### 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 assets (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 1979-80 on a total capital employed of Rs. 13,127.13 crores in 136 Running Concerns and 14 Promotional and Developmental Undertakings amounted to Rs. 954.07 crores (before tax and prior period adjustments) representing 7.3 per cent of capital employed as against 8.0 per cent in 1978-79.

After taking into account the prior period adjustments of Rs. 19.08 crores (credit), the return on capital employed during 1979-80 would work out to Rs. 973.15 crores, representing 7.4 per cent of capital employed as against 8.0 per cent in 1978-79.



Category-wise details of return on capital employed for 1979-80 are indicated below :—

	Capital employed	Profit (before tax and prior period adjustments)	Interest	Total return	Percentage of return on capital employed
1	2	3	4	5	6
	(Rupees in lakhs)		(Rupees in lakhs)		
<b>(i) Running Concerns :</b>					
A. Industrial . . . . .	11,18,692.19	11,556.38	61,188.86	72,745.24	6.5
B. Trading and Services . . . . .	59,257.32	10,653.47	4,102.66	14,756.13	24.9
C. Consultancy . . . . .	8,705.18	207.10	428.32	635.42	7.3
D. Financial . . . . .	1,04,255.46	1,768.34	4,249.22	6,017.56	5.8
<b>TOTAL . . . . .</b>	<b>12,90,910.15</b>	<b>24,185.29</b>	<b>69,969.06</b>	<b>94,154.35</b>	<b>7.3</b>
<b>(ii) Promotional and Developmental Undertakings . . . . .</b>					
	21,802.42	716.18	536.42	1,252.60	5.8

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 for 1979-80 has been made :—

*Rate of growth*

(a) *Paid-up capital and reserves and surplus*

The rate of growth of paid-up capital and reserves and surplus during 1979-80 increased in the case of Running Concerns and Companies in the stage of construction but decreased in the case of Promotional and Developmental Undertakings as compared to 1978-79, as indicated below :—

1	Paid-up capital and reserves and surplus*			Rate of growth (Percentage)	
	2	3	4	5	6
	1977-78	1978-79	1979-80	1978-79	1979-80
	(Rupees in lakhs)				
(i) Running Concerns :					
A. Industrial . . . . .	5,98,171.25	6,63,746.44	8,03,465.51	11.0	21.1
B. Trading and Services . . . . .	16,453.11	18,653.88	20,722.20	13.4	11.1
C. Consultancy . . . . .	1,303.25	2,058.19	2,931.03	57.9	42.4
D. Financial . . . . .	22,340.10	24,847.96	27,932.81	11.2	12.4
<b>TOTAL</b> . . . . .	<b>6,38,267.71</b>	<b>7,09,306.47</b>	<b>8,55,051.55</b>	<b>11.1</b>	<b>20.6</b>
(ii) Promotional and Developmental Undertakings . . . . .	6,578.81	14,153.30	16,700.06	115.1	18.0
(iii) Companies in the stage of construction . . . . .	62,186.64	54,691.07	79,806.96	Negative	45.9
<b>Total of all the three groups</b> . . . . .	<b>7,07,033.16</b>	<b>7,78,150.84</b>	<b>9,51,558.57</b>	<b>10.1</b>	<b>22.3</b>
Number of companies . . . . .	144	151	161		

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



(b) *Gross Assets*

The rate of growth of total gross assets increased in 1979-80 as compared to 1978-79 in the case of Running Concerns as well as companies in the stage of construction. However, it decreased in the case of Promotional and Developmental Undertakings, as indicated below :—

1	Total gross assets*			Rate of growth (Percentage)	
	1977-78	1978-79	1979-80	1978-79	1979-80
	2	3	4	5	6
(Rupees in lakhs)					
(i) Running Concerns :					
A. Industrial . . . . .	15,91,820.55	18,65,233.43	24,50,152.27	17.2	31.4
B. Trading and Services . . . . .	76,608.79	78,920.18	1,14,503.52	3.0	45.1
C. Consultancy . . . . .	24,689.56	39,089.28	56,263.17	58.3	43.9
D. Financial . . . . .	68,679.70	87,780.45	1,09,959.60	27.8	25.3
TOTAL . . . . .	17,61,798.60	20,71,023.34	27,30,878.56	17.6	31.9
(ii) Promotional and Developmental Undertakings . . . . .	22,514.84	29,115.60	34,114.77	29.3	17.2
(iii) Companies in the stage of construction . . . . .	1,02,563.13	1,05,152.26	1,52,330.50	2.5	44.9
Total of all the 3 groups . . . . .	18,86,876.57	22,05,291.20	29,17,323.83	16.9	32.3
Number of companies . . . . .	144	151	161		

\*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 increased in 1979-80 as compared to 1978-79 in respect of Running Concerns, as indicated below :—

	Value of production/business			Rate of growth (Percentage)	
	1977-78	1978-79	1979-80	1978-79	1979-80
1	2	3	4	5	6
(Rupees in lakhs)					
(i) Running Concerns :					
A. Industrial . . . . .	9,43,113.99	11,49,858.62	15,04,238.22	21.9	30.8
B. Trading and Services . . . . .	2,81,153.10	2,78,708.86	3,63,093.27	Negative	30.3
C. Consultancy . . . . .	10,708.22	14,255.75	17,828.40	33.1	25.1
D. Financial . . . . .	2,572.38	4,101.60	5,068.62	59.5	23.6
TOTAL . . . . .	12,37,547.69	14,46,924.83	18,90,228.51	16.9	30.6
(ii) Promotional and Developmental Undergtakings . . . . .	11,669.75	10,524.59	9,262.42	Negative	Negative
Total of all the groups . . . . .	12,49,217.44	14,57,449.42	18,99,490.93	16.7	30.3
Number of companies . . . . .	117	129	143		



(ii) The percentage of value of production/business to capital employed decreased in 1979-80 as compared to 1978-79 in the case of Running Concerns as well as in the case of Promotional and Developmental Undertakings, as indicated below :—

	1978-79			1979-80		
	Value of production/business	Capital employed	Percentage of value of production to capital employed	Value of production/business	Capital employed	Percentage of value of production to capital employed
1	2	3	4	5	6	7
	(Rupees in lakhs)			(Rupees in lakhs)		
<b>(i) Running Concerns :</b>						
A. Industrial . . . . .	11,49,858.62	7,84,571.03	146.5	15,04,238.22	11,18,692.19	134.5
B. Trading and Services . . . . .	2,78,708.86	41,750.87	667.6	3,63,093.27	59,256.94	612.7
C. Consultancy . . . . .	14,255.75	5,386.61	264.7	17,828.40	8,705.18	204.8
D. Financial . . . . .	4,101.60	66,513.49	6.2	5,068.62	82,014.64	6.2
<b>TOTAL . . . . .</b>	<b>14,46,924.83</b>	<b>8,98,222.00</b>	<b>161.0</b>	<b>18,90,228.51</b>	<b>12,68,668.95</b>	<b>149.0</b>
<b>(ii) Promotional and Developmental Undertakings</b>						
	10,524.59	9,033.53	116.5	9,262.42	8,757.83	105.8
<b>GRAND TOTAL . . . . .</b>	<b>14,57,449.42</b>	<b>9,07,255.53</b>	<b>160.6</b>	<b>18,99,490.93</b>	<b>12,77,426.78</b>	<b>148.7</b>
Number of companies	129			143		

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29.7.8

(d) Profit

There was decrease in the rate of growth of profit during 1979-80 as compared to 1978-79 in respect of Running Concerns. However, it increased in the case of Promotional and Developmental Undertakings, as indicated below :—

1	Profit before tax and after prior period adjustments			Rate of growth (Percentage)	
	1977-78	1978-79	1979-80	1978-79	1979-80
	2	3	4	5	6
(Rupees in lakhs)					
(i) Running Concerns :					
A. Industrial . . . . .	13,426.55	17,692.55	13,492.42	31.8	Negative
B. Trading and Services . . . . .	10,132.65	8,646.84	10,640.48	Negative	23.1
C. Consultancy . . . . .	593.69	501.44	211.86	Negative	Negative
D. Financial . . . . .	1,511.41	1,449.62	1,764.00	Negative	21.7
TOTAL . . . . .	25,664.30	28,290.45	26,108.76	10.2	Negative
(ii) Promotional and Developmental Undertakings . . . . .	298.58	319.79	700.51	7.1	119.1
Total of all the groups . . . . .	25,962.88	28,610.24	26,809.27	10.2	Negative



(e) *Contributed value and cost trends of companies engaged in manufacture/production of goods*

A. *Contributed value*

The accounts of 99 companies (as against 86 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 1978-79 and 1979-80 :—

	1978-79	1979-80
I	2	3
	(Rupees in crores)	
Value of production	10,962.52	14,362.54
Less : Central Excise Duty included in the above.	1,588.85	*1,791.72
Value of production exclusive of central excise duty	9,373.67	12,570.82
Less : Consumption of raw-materials, stores and spares, etc.	6,667.42	8,946.03
Contributed value	2,706.25	3,624.79
Expenses (other than consumption of raw-materials, stores and spares, etc.)	2,481.67	3,491.27
Percentage of expenses to contributed value	91.7	96.3
Profit/Loss (Net)	(+)224.58	(+)133.52

\*Represents the central excise duty in respect of 63 companies having value of production of Rs. 12851.35 crores, whose products were subject to central excise duty.

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

Classification of Industry	Profit (+)/Loss (-)	
	1978-79	1979-80
1	2	3
	(Rupees in crores)	
Steel	(+) 65.91	(+) 32.00
Machine Tools, Engineering and Allied Industries	(+) 35.91	(+) 26.61
Fertilizers, Chemicals and Pharmaceuticals	(-) 32.25	(-) 83.03
Minerals	(+) 5.89	(+) 7.55
Petroleum	(+) 163.12	(+) 175.18
Electronics	(+) 10.62	(+) 8.19
Coal	(-) 15.90	(-) 9.62
Textile	(+) 1.22	(-) 17.17
Others	(-) 5.94	(-) 6.19
Net	(+) 224.58	(+) 133.52

NOTE—Figures for the previous year have been recast to make the same comparable.

### B. Cost Trends

The percentage of major items of expenditure to value of production in 1978-79 and 1979-80 in respect of the above companies is also indicated below :—

	Percentage of major items of cost to value of production			
	1978-79	1979-80	1978-79	1979-80
Value of production . . . . .	10,962.52	14,362.54		
Major items of expenditure :				
Consumption of raw-materials, stores and spares, purchase of finished goods, etc. . . . .	6,667.42	8,946.03	60.8	62.3
Wages, salaries, bonus, allowances, etc. . . . .	987.03	1,415.37	9.0	9.9
Depreciation . . . . .	361.90	482.05	3.3	3.4
Repairs and maintenance	139.83	169.19	1.3	1.2
Central excise duty . . . . .	1,588.85	1,791.72	14.5	12.5
Interest . . . . .	333.09	553.52	3.0	3.9
Power and fuel . . . . .	342.14	464.81	3.1	3.2



## 10. Sources of funds

### (a) Internal sources

Funds received from internal sources in 1978-79 and 1979-80 are indicated below :—

	1978-79		1979-80	
	Internal sources (i.e. Reserves and surplus, provisions and depreciation)	Percentage to total funds (i.e. internal and external)	Internal sources (i.e. Reserves and surplus, provisions and depreciation)	Percentage to total funds (i.e. internal and external)
1	2	3	4	5
	(Rupees in lakhs)		(Rupees in lakhs)	
(i) <i>Running Concerns</i>				
A. Industrial . . . . .	1,51,007.52	36.8	56,122.05	13.6
B. Trading and Services . . . . .	349.42	10.7	2,355.49	5.6
C. Consultancy . . . . .	1,123.31	7.8	1,095.58	6.4
D. Financial . . . . .	1,485.93	7.8	1,554.58	7.0
TOTAL . . . . .	1,53,966.18	34.4	61,127.70	12.4
(ii) Promotional and Developmental Undertakings	2,944.14	61.1	2,762.91	39.4
(iii) Companies in the stage of construction	141.20	0.3	195.07	0.4
Total of all the 3 groups . . . . .	1,57,051.52	31.4	64,085.68	11.7

(b) External sources

Funds received from external sources in 1978-79 and 1979-80 are indicated below :—

	1978-79		1979-80	
	External sources (i.e. additional capital borro- wings, etc.)	Percentage to total funds (i.e. internal and external)	External sources (i.e. additional capital borro- wings, etc.)	Percentage to total funds (i.e. internal and external)
	1	2	4	5
	(Rupees in lakhs)		(Rupees in lakhs)	
(i) Running Concerns				
A. Industrial . . . . .	2,59,499.79	63.2	3,55,181.15	86.4
B. Trading and Services . . . . .	2,907.71	89.3	39,891.32	94.4
C. Consultancy . . . . .	13,275.92	92.2	16,078.38	93.6
D. Financial . . . . .	17,572.20	92.2	20,681.24	93.0
TOTAL . . . . .	2,93,255.62	65.6	4,31,832.09	87.6
(ii) Promotional and Developmental Undertakings	1,875.89	38.9	4,241.69	60.6
(iii) Companies in the stage of construction	48,382.57	99.7	47,357.64	99.6
Total of all the 3 groups . . . . .	3,43,514.08	68.6	4,83,431.42	88.3



(c) *Cash and bank balances*

The cash and bank balances held by 161 companies as on 31st March 1980 amounted to Rs. 708.28 crores.

The outstanding balance in the cash credit account which had been operated by 78 companies amounted to Rs. 1098.99 crores as on 31st March 1980.

11. *Inventories*

(i) Inventories of 119 Running Concerns and 10 Promotional and Developmental Undertakings as on 31st March 1980 are indicated below. As on 31st March 1980, the total inventory amounted to Rs. 6,176.38 crores as against Rs. 4,503.12 crores of 120 companies as on 31st March 1979 and represented 34.3 per cent of the net sales in 1979-80 as compared to 31.6 per cent in 1978-79. In compiling these figures, the data relating to certain companies carrying on servicing, financing and consultancy business and also companies in the stage of construction have been excluded (32 companies) :—

	1978-79						1979-80						
	No. of companies	Raw materials, stores and spares (including in-transit), loose tools, jigs and fixtures, etc.	Stock (finished and semi-finished goods)	Total	Net sales	Percentage of 5 to 6	No. of companies	Raw materials, stores and spares (including in-transit), loose tools, jigs and fixtures, etc.	Stock (finished and semi-finished goods)	Total	Net sales	Percentage of 11 to 12	
	1	2	3	4	5	6	7	8	9	10	11	12	13
		(Rupees in lakhs)						(Rupees in lakhs)					
(i) <i>Running Concerns</i>													
A. Industrial . . . . .	95	1,94,214.50	1,85,747.19	3,79,961.69	11,29,607.99	33.6	107	2,60,154.69	2,49,202.88	5,09,357.57	14,48,017.37	35.2	
B. Trading and Services . . . . .	11	1,005.89	45,609.66	46,615.55	2,70,171.20	17.3	8	19.40	75,292.68	75,312.08	3,29,569.12	22.9	
C. Consultancy . . . . .	4	2,458.71	18,327.38	20,786.09	13,567.28	153.2	4	2,669.77	28,015.20	30,684.97	15,633.39	196.3	
TOTAL . . . . .	110	1,97,679.10	2,49,684.23	4,47,363.33	14,13,346.47	31.7	119	2,62,843.86	3,52,510.76	6,15,354.62	17,93,219.88	34.3	
(ii) <i>Promotional and Developmental Undertakings</i> . . . . .	10	647.18	2,301.59	2,948.77	10,220.06	28.9	10	552.60	1,731.27	2,283.87	9,134.93	25.0	
GRAND TOTAL . . . . .	120	1,98,326.28	2,51,985.82	4,50,312.10	14,23,566.53	31.6	129	2,63,396.46	3,54,242.03	6,17,638.49	18,02,354.81	34.3	



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

During 1979-80, out of 99 companies engaged in the manufacture/production of goods, 73 companies spent foreign exchange of Rs. 2,663.43 crores on import of raw-materials, stores and spares, etc. The value of production of 99 and 73 companies was Rs. 14,362.54 crores and Rs. 13,521.97 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 104 companies with a total sale of Rs. 6,903.79 crores in 1978-79 and 117 companies with a total sale of Rs. 11,649.02 crores in 1979-80. The analysis indicates the following position :—

	(Percentage of total sales)	
	1978-79	1979-80
(i) Sales to Government Departments . . . . .	20.7	19.5
(ii) Sales to Public Sector Undertakings . . . . .	23.3	17.2
(iii) Exports . . . . .	17.8	11.3
(iv) Sales to Other parties . . . . .	38.2	52.0



(ii) *Ratio of sales to capital employed*

The figures of sales and capital employed for 1978-79 (129 companies) and 1979-80 (143 companies) are indicated below :—

	1978-79			1979-80		
	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
	(Rupees in lakhs)			(Rupees in lakhs)		
<i>(i) Running Concerns</i>						
A. Industrial . . .	11,29,832.32	7,84,571.03	144.0	14,48,698.79	11,18,692.19	129.5
B. Trading and Services	2,70,616.01	41,750.87	648.2	3,30,093.32	59,256.94	557.1
C. Consultancy . . .	13,828.52	5,386.61	256.7	16,526.11	8,705.18	189.8
D. Financial . . .	4,097.17	66,513.49	6.2	5,064.36	82,014.64	6.2
TOTAL . . .	14,18,374.02	8,98,222.00	157.9	18,00,382.58	12,68,668.95	141.9
<i>(ii) Promotional and Developmental Undertakings</i>						
	10,286.68	9,033.53	113.9	9,208.79	8,757.83	105.2
GRAND TOTAL	14,28,660.70	9,07,255.53	157.5	18,09,591.37	12,77,426.78	141.7

It will be seen that the percentage of sales to capital employed during 1979-80 decreased in the Running Concerns as well as in the Promotional and Developmental Undertakings.

(iii) Ratio of sundry debtors to sales

The figures of sundry debtors and sales for the last two years are given below :—

	1978-79			1979-80		
	Sundry debtors	Sales	Percentage of 2 to 3	Sundry debtors	Sales	Percentage of 5 to 6
1	2	3	4	5	6	7
	(Rupees in lakhs)			(Rupees in lakhs)		
(i) <i>Running Concerns</i>						
A. Industrial . . . . .	1,02,357.91	11,29,832.32	9.1	1,52,279.72	14,48,698.79	10.5
B. Trading and Services	15,361.24	2,70,616.01	5.7	18,247.76	3,30,093.32	5.5
C. Consultancy . . . . .	2,854.56	13,828.52	20.6	3,660.45	16,526.11	22.2
D. Financial . . . . .	405.35	4,097.17	10.0	22.86	5,064.36	0.5
TOTAL . . . . .	1,20,979.06	14,18,374.02	8.5	1,74,210.79	18,00,382.58	9.7
(ii) Promotional and Developmental Undertakings	3,392.15	10,286.68	33.0	3,578.30	9,208.79	38.9
GRAND TOTAL	1,24,371.21	14,28,660.70	8.7	1,77,789.09	18,09,591.37	9.8
Number of companies		129			143	

It will be seen that the percentage of sundry debtors to sales increased during 1979-80.



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 criteria 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 66\* companies (in respect of which information was available) during 1979-80 was Rs. 1,791.88\* crores and the value of production of these companies was Rs. 14,562.49 crores.

(b) Export and Foreign Exchange earnings :—

- (1) The total exports made by 75 companies in 1979-80 amounted to Rs. 1,524.45 crores. The net profit earned by 34 companies (for which information was available) on their exports of Rs. 1,282.02 crores amounted to Rs. 12.39 crores.

Exports by 7 Trading companies (i.e. State Chemicals and Pharmaceuticals Limited, The State Trading Corporation of India Limited, The Minerals and Metals Trading Corporation of India Limited, The Mica Trading Corporation of India Limited, The Cashew Corporation of India Limited, The Projects and Equipment Corporation of India Limited and the Cotton Corporation of India Limited) accounted for 61.3 per cent of total exports.

- (2) Total foreign exchange earned in rendering services (e.g. Shipping, Ship repairs, Consultancy, etc.) in 1979-80 was Rs. 500.25 crores (16 companies) as against Rs. 209.99 crores (19 companies) in 1978-79.

\*Includes data relating to 3 companies not engaged in manufacture/production of goods and hence excluded from Paragraph 9(e) A.

## (c) Employment Statistics.--

The total number of persons employed in 150 companies (in respect of which information was available) as on 31st March 1980 was 8,67,410.

(d) Total amount of salaries, wages and other benefits charged in the accounts in 1979-80 in respect of 150 companies was Rs. 1,068.72 crores.

(e) Incidence of salaries, wages and other benefits per employee on the basis of the data mentioned in (c) and (d) above works out to Rs. 12,321 per annum.

(f) Number of employees for every Rs. 1 crore of capital invested in respect of 150 companies works out to 70 (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 67 companies for 1978-79 and 74 companies for 1979-80 has been analysed below :—

	1978-79	1979-80
1	2	3
	(Rupees in lakhs)	
(i) Maintenance and Administrative expenses . . . . .	3,363.90	5,333.34
(ii) Depreciation on township . . . . .	729.46	983.22
(iii) Interest on capital outlay . . . . .	411.98	421.72
<b>TOTAL . . . . .</b>	<b>4,505.34</b>	<b>6,738.28</b>
(iv) Rent receipts and other miscellaneous collections . . . . .	961.43	1,684.81
(v) Net expenditure on township . . . . .	3,543.91	5,053.47

The net profit earned by these companies in 1979-80 was Rs. 294.18 crores as against the net profit of Rs. 196.07 crores of 67 companies in 1978-79.

Out of 6,86,783 employees in 85 companies (in respect of which information was available), housing was provided to 2,07,379 employees upto 1979-80.



(b) Total cost of other social overheads like educational facilities, medical facilities, social and cultural activities, transport facilities, canteen subsidy, etc. amounted to Rs. 101.18 crores in 1979-80 (141 companies) as against Rs. 57.91 crores in 1978-79 (130 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 been actually installed and commissioned on account of longer gestation period than indicated in the detailed project reports has not been taken into account:—

	1978-79			1979-80			
	Installed capacity	Actual production	Percentage utilisation	Installed capacity	Actual production	Percentage utilisation	
	1	2	3	4	5	6	7
(i) Steel							
(a) Steel ingots	7058*	5283*	74.9	7700	5761	74.8	
(b) Saleable steel	5357*	4289*	80.1	5844	4196	71.8	
(ii) Fertilizer	5019 (including 330 thousand tonnes added from 1-11-1978).	3062	61.0	6371 (including 841 thousand tonnes added on 1-10-1979 and 511 thousand tonnes in 1-9-1979)	3097	48.6	
(iii) Oil Refining	29150 (including 1600 thousand tonnes added in May 1978 and 3000 thousand tonnes added in October 1978).	24569	84.3	29050 (the total installed capacity of Visakh and Bombay Refinery was approved by Govt. as 5000 thousand tonnes instead of 5,100 thousand tonnes).	26844	92.4	

\*Represents proportionate capacity for 11 months.

15. Figures for 1977-78 and 1978-79 appearing in the preceding paragraphs have been adjusted, wherever necessary, to make them comparable with those of 1979-80.

## II. GENERAL INSURANCE COMPANIES

On 31st March 1980 there were 2 Government companies and 6 subsidiaries, as detailed below :—

### Government Companies

(1) Export Credit and Guarantee Corporation Limited, Bombay.

(2) General Insurance Corporation of India and its Subsidiaries :

(i) The New India Assurance Company Limited, Bombay.

(ii) United India Insurance Company Limited, Madras and its subsidiary Zenith Assurance Company Limited, Bombay.

(iii) National Insurance Company Limited, Calcutta.

(iv) The Oriental Fire and General Insurance Company Limited, Delhi and its subsidiary Industrial Credit Company Limited.

2. 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 3 companies have not, therefore, been included in this section; instead these stand included in Section I of this Report along with other Government companies.

This section thus includes the analysis of the working of the remaining 5 companies viz., General Insurance Corporation of India, The New India Assurance Company Limited, United India Insurance Company Limited, National Insurance Company



Limited and The Oriental Fire and General Insurance Company Limited based on their certified accounts for the year ending 31st December 1979.

3. During 1979, the General Insurance Corporation of India and 4 of its subsidiaries wrote a total net premium (including portfolio premium) of Rs. 397.42 crores as against Rs. 370.28 crores during the previous year. The net claims of these companies for the year 1979 amounted to Rs. 253.58 crores as against Rs. 203.46 crores during the previous year. The underwriting profits (*i.e.* profits from fire, marine and miscellaneous insurance business) of these companies decreased from Rs. 46.54 crores in 1978 to Rs. 18.05 crores in 1979; this was due to rise in the net claims from Rs. 203.46 crores in 1978 to Rs. 253.58 crores in 1979. The steep decline in underwriting profit mainly occurred under marine and miscellaneous insurance business which incurred a total loss of Rs. 13.66 crores in 1979 as against a total profit of Rs. 6.86 crores in 1978. The profit under fire insurance declined from Rs. 39.68 crores in 1978 to Rs. 31.71 crores in 1979. A company-wise analysis indicates that—

- (a) under fire insurance, profits declined sharply in 1979 in the case of the New India Assurance Company Limited, followed by National Insurance Company Limited.
- (b) under marine insurance, performance of United India Insurance Company Limited was the worst (it incurred a loss of Rs. 3.84 crores in 1979 as against profit of Rs. 2.53 crores in 1978), followed by National Insurance Company Limited.
- (c) under miscellaneous business, the holding company as well as the 3 subsidiaries (United India Insurance Company Limited, National Insurance Company Limited and The Oriental Fire and General Insurance Company Limited) fared badly; either profit was converted into loss or losses increased substantially.



After taking credit for interest, dividend and rent and providing for other income and outgoes, profit of all the 5 companies before tax amounted to Rs. 72.62 crores as compared with Rs. 95.20 crores during 1978. The profit after tax amounted to Rs. 39.62 crores during 1979 as against Rs. 47.27 crores during 1978.

The company-wise details are given in the table below :—

Operating Results	(Rupees in crores)											
	General Insurance Corporation of India		The New India Assurance Company Limited		United India Insurance Company Limited		National Insurance Company Limited		The Oriental Fire & General Insurance Company Limited		Total	
	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979
1	2	3	4	5	6	7	8	9	10	11	12	13
<i>Fire Business :</i>												
Net Premium including portfolio Premium . . . . .	20.63	21.96	32.07	32.91	28.98	28.07	21.61	23.37	26.49	23.29	129.78	129.60
Commission on re-insurance ceded . . . . .	10.27	10.34	10.73	11.64	7.65	9.16	6.96	7.37	7.68	7.71	43.29	46.22
Net Claims . . . . .	5.53	7.92	13.15	17.58	8.83	10.77	7.38	10.58	8.68	8.13	43.57	54.98
Commission on re-insurance accepted . . . . .	18.21	18.35	11.13	12.10	6.21	7.70	6.39	6.43	6.22	5.71	48.16	50.29
Net commission, expenses of management and other charges . . . . .	8.37	8.44	10.59	12.67	6.99	7.80	7.06	7.40	7.01	6.68	40.02	42.99
Increase (+)/Decrease (—) of un-expired risk reserves . . . . .	(+)1.24	(+)0.66	(+)0.48	(+)0.42	(+)2.83	(—)0.45	(+)0.39	(+)0.88	(+)1.57	(—)1.60	(+)6.51	(—)0.09
Profit (+)/Loss (—) . . . . .	(+)5.49	(+)4.93	(+)7.85	(+)2.24	(+)10.33	(+)9.95	(+)6.78	(+)4.51	(+)9.23	(+)10.08	(+)39.68	(+)31.71
<i>Marine Business :</i>												
Net Premium including portfolio Premium . . . . .	20.23	22.43	23.11	23.62	17.56	20.22	14.08	16.94	16.78	19.63	91.76	102.84
Commission on re-insurance ceded . . . . .	2.13	1.77	2.43	2.63	3.51	2.64	1.91	2.60	2.56	3.72	12.54	13.36
Net Claims . . . . .	10.98	12.61	15.38	15.06	12.21	17.91	13.34	15.40	13.01	14.34	64.92	75.32
Commission on re-insurance accepted . . . . .	5.60	5.79	2.60	2.50	0.90	1.11	0.96	0.86	1.24	1.26	11.30	11.52
Net commission, expenses of management and other charges . . . . .	3.69	4.24	4.57	5.35	1.82	3.49	2.90	2.87	3.35	3.36	16.33	19.31
Increase (+)/Decrease (—) of un-expired risk reserve . . . . .	(+)2.14	(+)2.21	(+)1.57	(+)0.50	(+)1.00	(+)2.66	(+)0.95	(+)2.86	(+)1.33	(+)2.85	(+)5.99	(+)11.08
Profit (+)/Loss (—) . . . . .	(+)3.41	(+)3.37	(+)1.59	(+)2.71	(+)2.53	(—)3.84	(—)3.11	(—)4.20	(—)0.91	(—)0.92	(+)3.51	(—)2.88



(Rupees in crores)

Operating Results	General Insurance Corporation of India		The New India Assurance Company Limited		United India Insurance Company Limited		National Insurance Company Limited		The Oriental Fire & General Insurance Company Limited		Total	
	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979
1	2	3	4	5	6	7	8	9	10	11	12	13
<i>Miscellaneous Business :</i>												
Net Premium including portfolio Premium . . . . .	24.65	31.03	44.35	48.95	28.48	31.07	20.92	25.68	30.34	28.25	148.74	164.98
Commission on re-insurance ceded . . . . .	0.53	0.49	3.34	3.99	2.59	2.92	1.95	2.46	3.32	3.41	11.73	13.27
Net Claims . . . . .	15.02	23.57	29.24	32.51	18.21	25.67	12.68	19.33	19.82	22.20	94.97	123.28
Commission on re-insurance accepted . . . . .	6.85	8.67	1.83	1.95	0.74	0.65	0.51	0.54	0.72	0.60	10.65	12.41
Net commission, expenses of management and other charges . . . . .	6.65	8.45	10.49	12.94	7.01	7.33	5.18	6.71	8.95	8.91	38.28	44.34
Increase (+)/Decrease (-) of un-expired risk reserves . . . . .	(+)1.75	(+)3.19	(+)3.86	(+)2.30	(+)2.99	(+)1.30	(+)2.02	(+)2.38	(+)1.61	(-)1.04	(+)12.23	(+)8.13
Profit (+)/Loss (-) . . . . .	(-)1.31	(-)4.18	(+)0.76	(+)1.20	(+)0.28	(-)3.24	(+)1.04	(-)2.74	(-)0.04	(-)1.82	(+)3.35	(-)10.78
Profit from various underwriting accounts . . . . .	10.21	4.12	10.20	6.15	13.14	2.87	4.71	(-)2.43	8.28	7.34	46.54	18.05
Interest, dividends and rents credited to Profit & Loss Account less income tax deducted at source . . . . .	14.84	19.59	12.48	13.96	8.67	9.80	7.67	8.52	10.72	11.46	54.38	63.33
Profit prior to tax after providing for other income and outgo . . . . .	21.63	19.80	22.71	16.10	20.56	12.22	12.62	6.63	17.68	17.87	95.20	72.62
Tax provision . . . . .	10.30	6.50	10.83	9.00	11.25	6.10	5.80	2.10	9.75	9.30	47.93	33.00
Profit after tax for appropriation . . . . .	11.33	13.30	11.88	7.10	9.31	6.12	6.82	4.53	7.93	8.57	47.27	39.62



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 :--

1	(Percentage of Net Premium)							
	Fire Business		Marine Business		Miscellaneous Business		Total	
	1978	1979	1978	1979	1978	1979	1978	1979
2	3	4	5	6	7	8	9	
<i>Claims Paid/ Payable :</i>								
General Insurance Corporation of India	26.8	36.1	54.3	56.2	60.9	76.0	48.1	58.5
The New India Assurance Company Limited	41.0	53.4	66.6	63.8	65.9	66.4	58.0	61.8
United India Insurance Company Limited	30.4	38.4	69.5	88.6	63.9	82.6	52.3	68.5
National Insurance Company Limited	34.2	45.3	94.7	90.9	60.6	75.3	59.0	68.7
The Oriental Fire and General Insurance Company Limited	32.8	34.9	77.5	73.1	65.3	78.6	56.4	62.8
<i>Management &amp; other expenses including Net Commission :</i>								
General Insurance Corporation of India	40.6	38.4	18.2	18.9	27.0	27.2	28.6	28.0



1	2	3	4	5	6	7	8	9
The New India Assurance Company Limited	33.0	38.5	19.8	22.7	23.7	26.4	25.8	29.4
United India Insurance Company Limited	24.1	27.8	10.4	17.3	24.6	23.6	21.1	23.5
National Insurance Company Limited	32.7	31.7	20.6	16.9	24.8	26.1	26.7	25.7
The Oriental Fire and General Insurance Company Limited	26.5	28.7	20.0	17.1	29.5	31.5	26.2	26.6
<i>Underwriting Profits :</i>								
General Insurance Corporation of India	26.6	22.5	16.9	15.0	5.3 (—)	13.5	15.6	5.5
The New India Assurance Company Limited	24.5	6.8	6.9	11.5	1.7	2.5	10.3	5.8
United India Insurance Company Limited	35.7	35.5	14.4 (—)	19.0	1.0 (—)	10.4	17.5	3.6
National Insurance Company Limited	31.4	19.3 (—)	22.1 (—)	24.8	5.0 (—)	10.7	8.3 (—)	3.7
The Oriental Fire and General Insurance Company Limited	34.8	43.3 (—)	5.4 (—)	4.7 (—)	0.1 (—)	6.4	11.3	10.3

5. Some other aspects of the working of the General Insurance Corporation of India and its 4 subsidiaries are mentioned below :—

(a) Premium less re-insurance derived from business effected in India and out of India amounted to Rs. 322.71 crores and Rs. 74.71 crores during 1979

as against Rs. 287.65 crores and Rs. 82.63 crores respectively during 1978.

- (b) Claims paid to claimants out of India during 1979 amounted to Rs. 46.83 crores as against Rs. 146.61 crores paid to claimants in India ; the corresponding figures for 1978 being Rs. 46.21 crores and Rs. 117.33 crores respectively.
- (c) The estimated liability in respect of claims, whether due or intimated at the end of 1979 was Rs. 320.59 crores as against Rs. 260.45 crores as at the end of 1978.
- (d) The reserves for unexpired risks for the various classes of insurance business stood at Rs. 251.49 crores as on 31st December 1979 as against Rs. 232.37 crores as on 31st December 1978. There was, therefore, a net increase of Rs. 19.12 crores.

6. *Investment in foreign countries :*

The following table indicates the participation of General Insurance Corporation of India and its subsidiaries and Life Insurance Corporation of India in the paid-up capital as on 31st December 1979, of subsidiaries and associated companies floated in foreign countries for undertaking insurance business :—

(Rupees in lakhs)

Sl. No.	Name of the foreign Companies	Status of the Company	Total paid-up capital	Share holding of General Insurance Corporation of India and its subsidiaries	Share holding of Life Insurance Corporation of India
1	2	3	4	5	6
1.	Kenindia Assurance Company Limited (Nairobi).	Associated	93.08	49.28	10.95
2.	United Oriental Assurance SDN. BHD. Kuala Lumpur (Malaysia).	Associated	183.30	54.99	18.33



1	2	3	4	5	6
3.	The New India Assurance Company (Ghana) Limited.	Associated	7.37	2.95	..
4.	The New India Assurance Company (Nigeria) Limited.	Associated	42.09	16.84	..
5.	Zenith Assurance Company Limited (Ghana).	Associated	7.37	2.95	..
6.	The New India Assurance (Trinidad & Tobago) Limited.	Subsidiary of New India Assurance Company Limited	16.74	8.54	..
7.	The New India Assurance Company (Sierra Leone) Limited	Subsidiary of New India Assurance Company Limited	15.35	15.35	..

### III. 619-B Companies

#### 1. Number of 619-B Companies

As on 31st March 1980 there were 52 companies (details given in Annexure 'B') coming within the purview of Section 619-B of the Companies Act in which Union Government and companies and corporations owned or controlled by the Union Government had predominant shares. Out of these, the accounts of 32 companies for 1979-80 have been received so far (February 1981).

#### 2. Paid-up Capital

(i) The total paid-up capital of the 32 companies and the pattern of shareholding therein as on 31st March 1980 are indicated below:—

	(Rupees in crores)	Percentage to the total paid-up capital
(a) Central Government . . . . .	0.02	
(b) State Governments . . . . .	2.43	2.7
(c) Companies and *Corporations owned or controlled by Central Government . . . . .	68.97	75.0
(d) Companies and *Corporations owned or con- trolled by State Governments . . . . .	3.63	4.0
(e) Others . . . . .	16.86	18.3
<b>TOTAL</b> . . . . .	<b>91.91</b>	<b>100</b>

\*The Companies Act does not specify the Corporations owned or controlled by the Central/State Governments. The Government of India, Department of Company Affairs have notified the following institutions as Corporations owned or controlled by the Central Government for this purpose:—

- (i) Life Insurance Corporation of India.
- (ii) Nationalised Banks.
- (iii) General Insurance Corporation of India.
- (iv) Industrial Development Bank of India.

Industrial Finance Corporation of India and Industrial Credit and Investment Corporation of India Limited which were originally notified as institutions owned or controlled by Central Government were subsequently denotified by the Department of Company Affairs.



(ii) The sectoral distribution of the paid-up capital and Reserves and Surplus of 32 companies as on 31st March 1980 is given below :—

	No. of Companies	Paid-up Capital	Reserves and Surplus
		(Rupees in lakhs)	
Engineering . . . . .	5	336.77	479.39
Chemicals and Pharmaceuticals . . . . .	3	718.26	150.81
Petroleum and Oil . . . . .	1	2,500.00	491.41
Textile . . . . .	1	70.00	35.72
Steel . . . . .	1	167.18	77.86
Miscellaneous . . . . .	9	1,059.06	335.85
Consultancy . . . . .	9	89.75	3.80
Financial and Promotional . . . . .	3	4,250.00	3,144.46
	32	9,191.02	4,719.30

### 3. Working Results

3.01 According to the annual accounts of 32 companies, there was a total net profit (before tax and prior period adjustments) of Rs. 13.25 crores (21 companies earned a profit of Rs. 16.42 crores, 10 companies incurred a loss of Rs. 3.17 crores and 1 company was in construction stage) as against the total net profit (before tax and prior period adjustments) of Rs. 29.29 crores during the previous year. After taking into account prior period adjustments (Rs. 1.11 crores—credit) and providing for taxation (Rs. 5.24 crores) and dividend (Rs. 3.62 crores), the balance of profit retained by 21 companies earning profit amounted to Rs. 8.67 crores.

The decrease in profit during 1979-80 was mainly contributed by the concerns under 'Petroleum and Oil' and 'Chemicals and Pharmaceuticals' groups. While concerns under 'Petroleum and Oil' group suffered a loss of Rs. 1.07 crores in 1979-80 as against

a profit of Rs. 19.04 crores in 1978-79, those under 'Chemicals and Pharmaceuticals' group registered an increase in the loss from Rs. 0.42 crore in 1978-79 to Rs. 0.77 crore in 1979-80.

The concerns under 'Miscellaneous' and 'Financial and Promotional' groups improved their performance and earned a profit of Rs. 1.67 crores and Rs. 10.94 crores respectively in 1979-80 as against the profit of Rs. 1.25 crores and Rs. 8.05 crores respectively in 1978-79.

3.02 The profit of Rs. 16.42 crores (before tax and prior period adjustments) earned by 21 companies represented 45.2 per cent of the paid-up capital of Rs. 36.31 crores invested in these companies. Out of these, 8 companies declared dividend amounting to Rs. 3.62 crores representing 13.2 per cent of the paid-up capital of Rs. 27.49 crores of these companies, as indicated below :—

Sl. No.	Name of the Company	Paid-up Capital	Amount of dividend declared/ proposed	Percentage of dividend to paid-up Capital
(Rupees in lakhs)				
1.	Banarhat Tea Company Limited	73.62	14.49	19.7
2.	Hindustan Heavy Chemicals Limited . . . . .	50.12	5.73	11.4
3.	Hoolungooree Tea Company Limited . . . . .	8.70	1.48	17.0
4.	Industrial Credit and Investment Corporation of India . . . . .	2,250.00	292.50	13.0
5.	The Mim Tea Company Limited	4.77	0.60	12.6
6.	Neiveli Ceramics and Refractories Limited . . . . .	54.70	7.44	13.6
7.	Nagarjuna Steels Limited . . . . .	167.18	20.31	12.2
8.	Punjab Tractors Limited . . . . .	140.00	19.35	13.8
		2,749.09	361.90	13.2



3.03 Out of 31 companies (21 earned profits and 10 incurred losses in 1979-80), 12 companies had accumulated losses to the extent of Rs. 13.19 crores as on 31st March 1980. The cumulative loss of the following 3 companies was more than their paid-up capital :—

Sl. No.	Name of the Company	Paid-up capital as on 31st March 1980	Cumulative loss as on 31st March 1980
1	2	3	4
(Rupees in lakhs)			
1.	Ashok Paper Mills Limited	509.61	550.04
2.	The Braithwaite Burn and Jessop Construction Company Limited	71.00	370.62
3.	Derco Cooling Coils Limited	34.99	54.06
		615.60	974.72

#### 4. Return on capital invested

For the reasons stated in paragraph 7 of Section I, which also hold good in the case of companies coming within the purview of Section 619-B of the Companies Act, an attempt has been made to analyse the working results of these companies on a uniform basis. On this basis, the return in 1979-80 on a total investment of Rs. 767.48 crores in respect of these 32 companies amounted to Rs. 56.95 crores, representing 7.4 per cent of the investment as against 10.2 per cent in 1978-79. The decline in the rate of return was contributed mainly by the decline in profitability of concerns under "Petroleum and Oil" and 'Chemicals and Pharmaceutical' groups *vide* details given in paragraph 3.

The return on capital invested according to the sectoral distribution of the companies is indicated below :—

Concerns	No.	Capital invested	Profit (+)/ Loss (—) (before tax and prior period adjustments)	Interest	Total return	Percentage of return on capital invested
(Rupees in lakhs)						
(i) Engineering . . . . .	5	1,591.56	(+) 193.42	73.68	267.10	16.8
(ii) Chemicals and Pharmaceu- ticals . . . . .	3	4,181.23	(—) 76.75	273.51	196.76	4.7
(iii) Petroleum and Oil . . . . .	1	2,991.41	(—) 106.89	..	(—)106.89	..
(iv) Textile . . . . .	1	158.41	(—) 1.12	2.91	1.79	1.1
(v) Steel . . . . .	1	577.28	(+) 54.15	43.55	97.70	16.9
(vi) Miscellaneous (including one Company in construc- tion stage) . . . . .	9	3,395.06	(+) 167.15	307.01	474.16	14.0
(vii) Consultancy . . . . .	9	99.55	(+) 1.40	..	1.40	1.4
(viii) Financial and Promotional	3	63,753.48	(+)1,094.03	3,668.62	4,762.65	7.5
<b>TOTAL . . . . .</b>	<b>32</b>	<b>76,747.98</b>	<b>(+)1,325.39</b>	<b>4,369.28</b>	<b>5,694.67</b>	<b>7.4</b>



### 5. Return on capital employed

The return in 1979-80 on capital of Rs. 210.03 crores employed in 31 companies (excluding 1 company which was in construction stage) was Rs. 56.58 crores, being 26.9 per cent of the capital employed as against 34.0 per cent in 1978-79.

Sectoral distribution of return on capital employed for 1979-80 is indicated below :—

Concerns	No.	Capital employed	Profit (+) /Loss (—) (before tax and prior period adjustments)	Interest	Total return	Percentage of return on capital employed
(Rupees in lakhs)						
(i) Engineering . . . . .	5	1,550.73	(+) 193.42	147.85	341.27	22.0
(ii) Chemicals and Pharmaceu- ticals . . . . .	3	3,857.89	(—) 76.75	326.76	250.01	6.5
(iii) Petroleum and Oil . . . . .	1	1,914.53	(—) 106.89	..	(—)106.89	..
(iv) Textile . . . . .	1	192.23	(—) 1.12	4.53	3.41	1.8
(v) Steel . . . . .	1	680.74	(+) 54.15	82.47	136.62	20.1
(vi) Miscellaneous . . . . .	8	1,392.29	(+) 167.15	94.19	261.34	18.8
(vii) Consultancy . . . . .	9	98.34	(+) 1.40	..	1.40	1.4
(viii) Financial and Promotional	3	11,316.59	(+)1,094.03	3,676.60	4,770.63	42.2
<b>TOTAL</b>	<b>31</b>	<b>21,003.34</b>	<b>(+)1,325.39</b>	<b>4,332.40</b>	<b>5,657.79</b>	<b>26.9</b>



## 6. Inventories

Inventories of 18 companies (excluding 12 companies carrying financing and consultancy business, 1 company in construction stage and 1 company which did not incorporate its branch accounts abroad) amounted to Rs. 43.95 crores as on 31st March, 1980, as against Rs. 44.54 crores as on 31st March, 1979 and presented 42 per cent of net sales in 1979-80 as compared to 38.1 per cent in 1978-79, as indicated below :—

Concerns	1978-79					1979-80							
	No. of Companies	Raw materials, Stores and Spares (including in-transit), loose tools, jigs & fixtures, etc.	Stock (finished and semi-finished goods)	Total	Net	Percentage of 5 to 6	No. of Companies	Raw materials, stores and Spares (including in-transit), loose tools, jigs & fixtures, etc.	Stock (finished and semi-finished goods)	Total	Net Sales	Percentage of 11 to 12	
1	2	3	4	5		7	8	9	10	11	12	13	
		(Rupees in lakhs)						(Rupees in lakhs)					
(i) Engineering . . . . .	5	648.10	2,627.81	3,275.91	4,654	81.8	5	758.08	2,325.07	3,083.15	4,884.13	63.1	
(ii) Chemicals and Pharmaceuticals . . . . .	4	463.58	88.67	552.25	2,136	25.2	3	503.94	76.19	580.13	1,953.07	29.7	
(iii) Petroleum and Oil . . . . .	1	..	57.31	57.31	2,934	2.0	..	..	..	..	..	..	
(iv) Textile . . . . .	2	105.89	37.26	143.15	467	29.5	1	63.76	39.79	103.55	206.29	50.2	
(v) Steel . . . . .	2	158.79	17.10	175.89	705	23.5	1	54.49	21.99	76.48	1,067.82	7.2	
(vi) Miscellaneous . . . . .	5	116.65	132.95	249.60	1,369	18.9	8	175.42	375.88	551.30	2,353.76	23.4	
<b>TOTAL</b>	<b>19</b>	<b>1,493.01</b>	<b>2,961.10</b>	<b>4,454.11</b>	<b>11,665</b>	<b>38.1</b>	<b>18</b>	<b>1,555.69</b>	<b>2,838.92</b>	<b>4,394.61</b>	<b>10,465.07</b>	<b>42.0</b>	



## 7. Sources of funds

(i) Funds received from internal and external sources during 1978-79 and 1979-80 are indicated below :—

	Number of companies	Internal Sources		External Sources	
		(Amount Rupees in lakhs)	Percent- age to total funds (i.e. internal and external)	(Amount Rupees in lakhs)	Percent- age to total funds (i.e. internal and external)
1978-79	30	1,806.65	9.7	16,895.59	90.3
1979-80	32	1,715.43	13.6	10,929.51	86.4

## 8. Sundry debtors and sales

The comparative position of sundry debtors and sales for the years 1978-79 and 1979-80 was as follows :—

	No. of companies	Sundry debtors	Sales	Percentage of sundry debtors to sales
		(Rupees in lakhs)		
1978-79	19 <sup>a</sup>	861.03	11,685.65	7.4
1979-80	18*	811.83	10,465.07	7.8

<sup>a</sup> Excluding 10 companies falling in the category of consultancy and financial and promotional and 1 company under construction stage.

\* Excluding 14 companies (9 companies falling in the category of Consultancy, 3 in Financial and Promotional, 1 in Petroleum and Oil Group which did not incorporate its branch accounts and 1 under construction stage).

## 9. Value of production/business

Value of production/business of 18 companies are indicated below. As on 31st March 1980, the value of production/business amounted to Rs. 102.33 crores as against Rs. 118.94 crores as on 31st March 1979 and represented 133.4 per cent of the capital employed in 1979-80 as compared to 124.1 per cent in 1978-79. In compiling these figures, the data relating to

certain companies (13 companies) carrying on financial and consultancy business and a company in the stage of construction have been excluded :—

Concerns	1978-79			1979-80		
	Value of production	Capital employed	Percentage of value of production to capital employed	Value of production	Capital employed	Percentage of value of production to capital employed
1	2	3	4	5	6	7
	(Rupees in lakhs)			(Rupees in lakhs)		
(i) Engineering	4,126.63	1,320.24	312.6	4,611.19	1,550.73	297.4
(ii) Chemicals and Pharmaceuticals	2,209.28	4,075.61	54.2	1,945.69	3,857.89	50.4
(iii) Petroleum and Oil	2,985.01	1,759.76	169.6	..*	..	..
(iv) Textile	487.86	608.85	80.1	228.31	192.23	118.8
(v) Steel	757.86	1,033.75	73.3	1,072.71	680.74	157.6
(vi) Miscellaneous	1,327.62	790.21	168.0	2,375.19	1,392.29	170.6
TOTAL	11,894.26	9,588.42	124.1	10,233.09	7,673.88	133.4
Number of Companies		19			18	

\*The company did not incorporate the accounts of its branch abroad as the same were not received by it.



#### IV. STATUTORY CORPORATIONS

##### 1. Number of Corporations

There were eight Union Government Corporations (Air-India, Central Warehousing Corporation, Delhi Financial Corporation, Delhi Transport Corporation, The Food Corporation of India, Indian Airlines, International Airports Authority of India and Oil and Natural Gas Commission) as on 31st March 1980 under the audit of the Comptroller and Auditor General of India.

##### 2. Paid-up Capital

Out of eight Corporations, one corporation, *i.e.* Delhi Transport Corporation had no equity capital. The total paid-up capital of the remaining seven corporations as on 31st March, 1980 was Rs. 752.62 crores and represented an increase of Rs. 22.26 crores over the paid-up capital of Rs. 730.36 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, 1980 was as follows :—

(Rupees in lakhs)				
	No.	Union Government	Others	Total
(i) Corporations fully owned by the Union Government	5	71,354.46	..	71,354.46
(ii) Corporations jointly owned by the Union Government and others	2	2,592.50*	1,315.30	3,907.80
<b>TOTAL</b>	<b>7</b>	<b>73,946.96</b>	<b>1,315.30</b>	<b>75,262.26</b>
		98.3%	1.7%	100%
Figures for the year 1978-79	7	72,004.96	1,031.10	73,036.06
		98.6%	1.4%	100%

\* Includes contributions from Delhi Administration and Chandigarh Administration.

### 3. Loans

The total long-term loans obtained by the eight corporations stood at Rs. 1,117.54 crores at the end of 1979-80 and represented an increase of Rs. 203.79 crores over the long-term loans of Rs. 913.75 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, 1980 was as follows :—

	1978-79 (Rupees in lakhs)	Percen- tage	1979-80 (Rupees in lakhs)	Percen- tage	Increase (+) Decrease (—) (Rupees in lakhs)
(i) Union Government	45,634.39	49.9	52,732.13	47.2	(+) 7,097.74
(ii) Foreign Credits	28,281.68	31.00	37,207.95	33.3	(+) 8,926.27
(iii) Others	17,458.46	19.01	21,814.29	19.5	(+) 4,355.83
<b>TOTAL</b>	<b>91,374.53</b>	<b>100.0</b>	<b>1,11,754.37</b>	<b>100.0</b>	<b>(+)20,379.84</b>

The Union Government granted moratorium for periods ranging from 6 to 9 years for repayment of loans aggregating Rs. 67.31 crores provided during the year to 3 corporations (Central Warehousing Corporation, The Food Corporation of India and Oil and Natural Gas Commission).

### 4. Guarantees

Government gave guarantees in respect of the following :—

- (a) Cash credit arrangement made by the Food Corporation of India with the State Bank of India was guaranteed by Government upto 25 per cent (*i.e.* Rs. 587.50 crores) of the maximum limit of Rs. 2,350 crores. Against this limit, the amount availed of by the Corporation as on 31st March 1980 was Rs. 2,033.58 crores and accordingly Government guarantee was operative for Rs. 508.40 crores (approx.).



(b) Repayments of loans to the extent of Rs. 182.65 crores, raised by the following corporations from foreign sources, outstanding as on 31st March 1980 :—

	(Rupees in crores)
(i) Air India . . . . .	77.03
(ii) Indian Airlines . . . . .	64.31
(iii) Oil and Natural Gas Commission . . . . .	41.31

(c) Repayment of paid-up capital of the Central Warehousing Corporation which stood at Rs. 42.65 crores as on 31st March, 1980. Payment of dividend at the minimum rate of 3½ per cent has also been guaranteed *vide* details given in paragraph 9.

(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, 1980 was Rs. 19.30 crores against which the actual amount outstanding on that date was Rs. 0.19 crore.

(e) Repayment of paid-up capital (Rs. 2.25 crores) as well as payment of annual dividend at the rates ranging between 3 per cent and 5 per cent and repayment of principal amount of Bonds (Rs. 3.02 crores) and payment of interest thereon in case of Delhi Financial Corporation.

## 5. Subsidies

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

(a) *Central Warehousing Corporation.*—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. Thereafter, no subsidy for meeting working deficit was received.

(b) *Delhi Transport Corporation*.—The Corporation did not receive any subsidy during 1979-80. However, the cumulative subsidy received by it upto 31st March, 1980 for construction of Industrial Workers' Quarters under the Government of India Subsidised Housing Scheme amounted to Rs. 1.56 lakhs.

(c) *The Food Corporation of India*.—The difference between the economic cost and issue prices on operations performed by the Corporation on behalf of the Government of India as well as carrying cost of buffer stock is reimbursed by Government. During 1979-80 the corporation claimed subsidy amounting to Rs. 595.18 crores against which Rs. 435.50 crores were received on this account from Government. In addition Rs. 127.50 crores were received against the claims of earlier years. The cumulative subsidy claimed and received during the period 1968-69 to 1979-80 amounted to Rs. 3,310.36 crores and Rs. 3,151.06 crores respectively. Prior to 1968-69, the corporation was paid incidentals for depot and port operations and not the subsidy.

(d) *Indian Airlines*.—Cumulative subsidy of Rs. 14.33 crores was received by it upto 31st March, 1976 to cover the shortfall of revenue over expenditure for operation of certain routes; thereafter no subsidy was received.

## 6. Profit

According to the annual accounts, the eight corporations earned an overall total net profit of Rs. 94.12 crores in 1979-80 (five corporations accounting for a profit of Rs. 127.89 crores and three corporations viz. Air India, Indian Airlines and Delhi



Transport Corporation incurring a loss of Rs. 33.77 crores) as indicated below :—

	Paid-up Capital	Profit (+)/Loss (—) before tax and prior period adjustments
	(Rupees in crores)	
1. Air-India . . . . .	66.82	(—)14.08
2. Central Warehousing Corporation . . . . .	36.58	(+)5.88
3. Delhi Financial Corporation . . . . .	2.50	(+)0.65
4. Delhi Transport Corporation . . . . .	*	(—)17.70
5. The Food Corporation of India . . . . .	237.88	(+)0.76
6. Indian Airlines . . . . .	52.78	(—)1.99
7. International Airports Authority of India . . . . .	18.71	(+)14.22
8. Oil and Natural Gas Commission . . . . .	337.35	(+)106.38
<b>TOTAL</b> . . . . .	<b>752.62</b>	<b>(+)94.12</b>

The net profit (before tax and prior period adjustments) of Rs. 127.89 crores for the year 1979-80 earned by the five corporations represented 20.2 per cent of their paid-up capital of Rs. 633.02 crores. The distribution of net profit (before tax and prior period adjustments) was as follows :—

Name	Net profit (before tax and prior period adjust- ments)	Tax Provi- sion	Prior period adjust- ments	Divi- dend	Profits retained (including transfer to reser- ves, etc.)
	(Rupees in crores)				
1. Air-India . . . . .	(—)14.08	..	(—)1.01	..	(—)15.09
2. Central Warehousing Corporation . . . . .	(+)5.88	0.40	..	1.33	(+)4.15
3. Delhi Financial Corporation . . . . .	(+)0.65	0.23	..	0.08	(+)0.34
4. Delhi Transport Corporation . . . . .	(—)17.70	..	..	..	(—)17.70
5. The Food Corporation of India . . . . .	(+)0.76	..	(+)0.02	..	(+)0.78
6. Indian Airlines . . . . .	(—)1.99	..	(—)0.35	..	(—)2.34
7. International Airports Authority of India . . . . .	(+)14.22	7.90	(+)0.28	..	(+)6.60
8. Oil and Natural Gas Commission . . . . .	(+)106.38	52.00	(+)0.86	19.95	(+)35.29

\* Funds have been provided by way of loans only.

### 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 1979-80 on a total investment of Rs. 2,291.15 crores in respect of these eight corporations amounted to Rs. 186.77 crores representing 8.2 per cent of the investment (rate of return in 1978-79 for these eight corporations worked out to 11.1 per cent).

The decline in percentage of return on investment was mainly due to Air-India and Indian Airlines incurring losses of Rs. 14.08 crores and Rs. 1.99 crores during 1979-80 as compared to the profits of Rs. 35.40 crores and Rs. 13.08 crores respectively earned in the previous year.

### 8. Return on capital employed

The return in 1979-80 on capital of Rs. 3,788.79 crores employed in eight corporations was Rs. 452.84 crores, being 12.0 per cent of the capital employed (rate of return for these eight corporations for 1978-79 worked out to 12.8 per cent).

### 9. Working results

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

#### (i) Air-India

The Corporation incurred a loss (before prior period adjustments) of Rs. 14.08 crores in 1979-80 as against the net profit of Rs. 35.40 crores in 1978-79. After taking into account the prior period adjustments, the loss during 1979-80 was Rs. 15.09 crores as against net profit of Rs. 34.08 crores in 1978-79. After providing for Rs. 23.33 crores towards Investment Allowance Reserve, loss for 1979-80 aggregated Rs. 38.42 crores and was shown as deduction from the General Reserve of Rs. 68.09 crores.

The deficit during the year 1979-80 was mainly due to steep increase in operating expenses to the extent of Rs. 92.77 crores



as against the increase in revenue of Rs. 48.70 crores only; the former was mainly contributed by increase in fuel and oil cost.

(ii) *Central Warehousing Corporation*

The Corporation earned a net profit (before tax) of Rs. 5.88 crores during 1979-80 as against a net profit (before tax) of Rs. 4.52 crores during 1978-79.

In the case of this Corporation, dividend has been guaranteed by the Central Government at 3½ per cent. Dividend upto 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 and was repaid to Government upto 1977-78. No subvention has been drawn by the Corporation after 1967-68.

The Corporation has proposed a dividend of 3.6 per cent (Rs. 1.33 crores) on its paid-up capital (Rs. 36.58 crores) during 1979-80. After making provision for dividend, Reserve Fund and Self Insurance Cover Reserve, the balance of profit carried to Balance Sheet amounted to Rs. 0.48 lakh.

(iii) *Delhi Financial Corporation*

The paid-up capital of the Corporation was raised from Rs. 2 crores to Rs. 2.50 crores during the year. With the said increase in the share capital, the position of share holdings of Delhi Administration, Chandigarh Administration, Industrial Development Bank of India and other institutions and individuals stood as under:—

	No. of shares	Amount in lakh of rupees
(i) Delhi Administration	1,00,000	100.00
(ii) Chandigarh Administration	25,000	25.00
(iii) Industrial Development Bank of India	1,02,285	102.29
(iv) Scheduled Banks	14,965	14.96
(v) Co-operative Banks	3,010	3.01
(vi) Insurance Companies and Investment Trusts	4,360	4.36
(vii) Parties referred to in Clause (d) of Sub-Section (3) of Section 4 of the State Financial Corporations Act, 1951	380	0.38
<b>TOTAL</b>		<b>250.00</b>



During 1979-80, the Corporation earned a net profit (before tax) of Rs. 0.65 crore as against the net profit (before tax) of Rs. 0.54 crore during 1978-79. After providing for taxation (Rs. 0.23 crore) and transfer to General Reserve funds and other reserve funds (Rs. 0.35 crore), the balance in the Profit and Loss Account stood at Rs. 0.07 crore. The Corporation has proposed the payment of minimum dividend ranging from 3 per cent to 5 per cent (Rs. 0.08 crore) or 1979-80 on its paid-up capital of Rs. 2.25 crores, without drawing any subvention under Section 6 read with Section 35 of the State Financial Corporations Act, 1951. The dividend is proposed to be paid by the corporation out of its own profits.

(iv) *Delhi Transport Corporation*

The Corporation incurred a loss of Rs. 17.70 crores in 1979-80 as against Rs. 17.49 crores in 1978-79 after taking into account credit of Rs. 1 crore under prior period adjustment. The cumulative loss upto 31st March 1980 was Rs. 113.61 crores against the aggregate of loans amounting to Rs. 93.28 crores received from Union Government upto 31st March 1980.

The Corporation has been incurring losses as the overall cost of operations is much higher than the revenue realised. The losses were incurred by the Corporation not only on the operation of its own buses but also on the buses hired to meet the increased traffic demand. The increase in loss in 1979-80 as compared to 1978-79 has been attributed by the Management to the low and unrealistic fare structure and increased cost of inputs and heavy burden of interest charges on the loans.

(v) *The Food Corporation of India*

The certified accounts of the Corporation for the year 1979-80 showed a net profit of Rs. 0.76 crore (before tax) and prior period



adjustments); the comparative position with that of 1978-79 is indicated below :—

	1978-79	1979-80
	(Rupees in crores)	
(a) Net profit before tax and prior period adjustments	17.83	0.76
(b) Prior period adjustments	(—)16.20	(+ )0.02
(c) Tax provision	0.65	..
(d) Net profit after tax and prior period adjustments	0.98	0.78

The accounts certified by the Statutory Auditors in December 1980 were received in January 1981 and were test checked in terms of Section 34 (6) (d) of the Food Corporations Act, 1964.

(vi) *Indian Airlines*

The Corporation incurred a loss (before prior period adjustments) of Rs. 1.99 crores in 1979-80 as against a net profit of Rs. 13.08 crores in the previous year. After taking into account the prior period adjustments, the Corporation incurred a loss of Rs. 2.34 crores during 1979-80 as against a net profit of Rs. 11.42 crores in the previous year.

There was an increase of Rs. 22.36 crores in the operating revenue but it was off-set by an increase of Rs. 35.48 crores in operating expenditure over the data for the previous year. While the disproportionate increase under operating expenses was mainly due to rise in fuel price (by 6.3 per cent in March 1979 and by 48.5 per cent in August 1979), the increased passenger fares and freight rates to cover the additional fuel and other operating costs came into effect from November 1979 only.

In addition, there was an increase of Rs. 1.77 crores in non-operating expenditure over the previous year, mainly caused by an increase in interest and financing charges mainly on account of loans raised for the Aircraft Project.

(vii) *International Airports Authority of India*

The Authority earned a net profit of Rs. 14.22 crores (before tax and prior period adjustments) during 1979-80 as against the



net profit of Rs. 9.15 crores during 1978-79. After taking into account the prior period adjustments, the Authority earned a net profit (before tax) of Rs. 14.50 crores during 1979-80 as against Rs. 8.79 crores in the previous year. The increase in profit was mainly due to increase in traffic revenue in 1979-80 which was partly due to upward revision of landing fees by 20% on international flights with effect from 1st April 1979, income from foreign projects, increase in traffic and non-traffic activities during the year.

Mention was made in Paragraph 9(vii) of Section IV of the Report of the Comptroller and Auditor General of India—Union Government (Commercial)—1980—Part I—Introduction that pending determination of initial capital of the Authority under Section 12(1)(c) of the International Airports Authority Act, 1971, the capital expenditure of Rs. 18 crores incurred by Government upto 1st April 1972 had been provisionally treated as equity and loan (bearing interest at  $6\frac{1}{2}$  per cent per annum) in equal proportion. In March/November 1980 Government confirmed the above position but rate of interest on the loan capital was raised *ab initio* from  $6\frac{1}{2}$  per cent to  $7\frac{1}{2}$  per cent per annum. No provision has been made for the higher rate of interest in the accounts for 1979-80.

In addition to the initial capital mentioned above, the Authority received from the Government under Section 18(a) of the Act a further capital of Rs. 9.71 crores and under Section 18(b) of the Act further loans of Rs. 12.50 crores upto 31st March 1980. As on 31st March 1980, the capital of the Authority thus stood at Rs. 18.71 crores and the loans (after repayments) at Rs. 19.08 crores.

After making provision of Rs. 7.90 crores for taxes and Rs. 0.72 crore for fixed assets replacement reserve, the balance of Rs. 5.88 crores 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 1980) and the net surplus is being transferred to the General Reserve every year; a sum of Rs. 17.23 crores had accumulated under this Reserve as on 31st March 1980.

(viii) *Oil and Natural Gas Commission*

The Commission earned a net profit (before tax and prior period adjustments) of Rs. 106.38 crores in 1979-80 as against a net profit of Rs. 81.90 crores in 1978-79. After taking into account the prior period adjustments, the Commission earned a net profit (before tax) of Rs. 107.24 crores during 1979-80 as against a net profit of Rs. 81.52 crores in the previous year. This has to be viewed against increase in earnings from sale of products (mainly crude oil) from Rs. 347.97 crores in 1978-79 to Rs. 388.00 crores in 1979-80.

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. In this regard, following facts were reported in the earlier Reports :—

(i) It was only in 1973-74 that the Commission had not received any funds from Government but earned a net profit. Government, however, decided that no payment would be due from the Commission for that year as it had no surplus available for distribution.

(ii) During 1974-75 and 1975-76, 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 on this account on the ground that it had no cash surplus as a loan of Rs. 10 crores had been received from the Oil Industry Development Board

in 1974-75 and capital to the extent of Rs. 32.10 crores had been contributed by Government in 1975-76.

- (iii) Notwithstanding the fact that the Commission had received funds from Government by way of capital and loan during 1976-77 to 1978-79, it provided for a sum of Rs. 12.07 crores, Rs. 12.80 crores and Rs. 18.10 crores in the accounts for 1976-77, 1977-78 and 1978-79 respectively towards payment of return to Government at the rate of 5 per cent.

In 1979-80 also, a sum of Rs. 19.95 crores has been provided as return on Government Capital although funds towards capital and loan were received from Government.

#### 10. Rate of Growth

##### (a) Paid-up Capital and Reserves and Surplus

The rate of growth of paid-up capital and reserves and surplus of eight Corporations during 1979-80 as compared with that of 1978-79 is indicated below :—

Paid-up Capital and Reserves and Surplus			Rate of growth (Percentage)	
1977-78	1978-79	1979-80	1978-79	1979-80
(Rupees in crores)				
1,021.60	1,162.91	1,209.66	13.8	4.0

##### (b) Gross Assets

The rate of growth of total gross assets of these Corporations decreased in 1979-80 as compared with that of 1978-79 as indicated below :—

Total Gross Assets			Rate of growth (Percentage)	
1977-78	1978-79	1979-80	1978-79	1979-80
(Rupees in crores)				
4,826.55	5,559.73	5,933.51	15.2	6.7



(c) *Value of Production*

The rate of growth of value of production/business of these Corporations during 1979-80 as compared with that of previous year is indicated below :—

	Value of Production/Business			Rate of growth (Percentage)	
	1977-78	1978-79	1979-80	1978-79	1979-80
	(Rupees in Crores)				
(i) Seven Corporations other than the Food Corporation of India	801.47	975.11	1,116.50	21.7	14.5
(ii) The Food Corporation of India	1,818.75	2,135.44	1,997.87	17.4	Negative
TOTAL	2,620.22	3,110.55	3,114.37	18.7	0.1

(d) *Profit*

The rate of growth of overall net profit before tax of these Corporations compared as follows with that of 1978-79 :—

	Profit before tax			Rate of growth (Percentage)	
	1977-78	1978-79	1979-80	1978-79	1979-80
	(Rupees in Crores)				
	102.38	144.03	94.12	40.7	Negative

11. *Sources of Funds*

Funds received by these Corporations during 1978-79 and 1979-80 from internal and external sources were as given below :—

	Internal Sources		External Sources	
	Amount (Rupees in crores)	Percentage to total funds (internal and external)	Amount (Rupees in crores)	Percentage to total funds (internal and external)
1978-79	262.17	35.7	471.61	64.3
1979-80	224.63	58.0	162.38	42.0

## 12. Analysis of Sales

The comparative position of sundry debtors and sales of these Corporations for the last three years was as follows :—

	Sundry debtors	Sales	Percentage of sundry debtors to sales
(Rupees in crores)			
1977-78 . . . . .	377.06	2,990.39	12.6
1978-79 . . . . .	539.13	2,963.32	18.2
1979-80 . . . . .	598.32	3,341.48	17.9

Information regarding the customerwise composition of sales was not available except in respect of the Oil and Natural Gas Commission. The break-up of the information in regard to Oil and Natural Gas Commission is given below :—

	(Percentage of total sales)	
	1978-79	1979-80
(i) Sales to Government Departments . . . . .	0.2	0.7
(ii) Sales to Public Sector Undertakings . . . . .	93.7	95.3
(iii) Sales to Others . . . . .	6.1	4.0

13. (i) The remarks in paragraph 13(i) of Section I hold good in the case of the corporations also. Some of the aspects are indicated below :—

### (a) Central excise duty

The total amount of central excise duty charged to profit and loss account of 2 corporations (Indian Airlines and Oil and Natural Gas Commission) during 1979-80 was Rs. 65.83 crores and the value of production of these corporations was Rs. 634.38 crores.

### (b) Foreign exchange earnings

Total foreign exchange earned by 2 of these corporations (Air-India and Indian Airlines) in 1979-80 was Rs. 115.57 crores as against Rs. 108.90 crores in 1978-79.



**(c) Employment statistics**

The total number of persons employed in these corporations as on 31st March, 1980 was 1,65,241.

(d) Total amount of salaries, wages and other benefits charged in the accounts for 1979-80 in respect of the above corporations was Rs. 232.47 crores.

(e) Incidence of salaries, wages and other benefits per employee on the basis of data mentioned in (d) above, works out to Rs. 14069 per annum.

(f) Number of employees for every Rs. 1 crore of capital invested in respect of the above corporations works out to 72.

**(ii) Social overheads**

These have been analysed under two broad categories viz.. township and other social overheads.

**(a) Township maintenance**

Information in respect of 4 corporations (which are having township) for 1979-80 is analysed below :—

	(Rupees in lakhs)
(i) Maintenance and administrative expenses . . . . .	95.07
(ii) Depreciation . . . . .	57.85
(iii) Interest on Capital outlay . . . . .	151.48
TOTAL . . . . .	304.40
(iv) Rent receipts and other miscellaneous collections . . . . .	41.95
(v) Net expenditure . . . . .	262.45

The net profit earned by these corporations during 1979-80 was Rs. 104.52 crores.

(b) Total cost of other social overheads like educational facilities, medical facilities, social and cultural activities, canteen subsidy, etc. amounted to Rs. 18.35 crores in respect of seven corporations.

14. Figures for 1978-79 appearing in preceding paragraphs have been recast, wherever necessary, to make them comparable with those of 1979-80.

### 15. Damodar Valley Corporation

In addition to the eight corporations referred to in paragraph 1, the Damodar Valley Corporation is also under the audit of the Comptroller and Auditor General of India. The Corporation was constituted under the Damodar Valley Corporation Act, 1948 with the main objects of flood control, irrigation and 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. The table below indicates the capital contribution of the participating Governments as on 31st March, 1980 (object-wise) :—

Name of Government	(Rupees in crores)			
	Flood control	Irrigation	Power	Total contribution upto 31st March 1980
1. Union Government	7.00	..	49.09	56.09
2. West Bengal Government.	6.98	30.02*	72.27	109.27*
3. Bihar Government	..	0.11	49.25	49.36
	13.98	30.13	170.61	214.72

\*Does not include capital expenditure amounting to Rs. 5.46 crores incurred directly by the Government of West Bengal upto 31st March 1980. The amount has been shown under "Sundry Creditors" and not yet converted into capital.

Although there is no specific provision in the Act for re-allocation of capital in proportion to outlay on the principal objects, the Corporation has been re-allocating the capital provided upto 31st March, 1969 in the ratio of actual outlay on the three main objects. This would appear to be contrary



to the provisions of the Act, particularly provisions of Sections 35 and 36 which *inter alia* provide that :

(a) Total capital allocated to 'Power' shall be shared equally between the three participating Governments.

(b) Capital allocated to Flood Control upto Rs. 14 crores shall be shared equally between the Central Government and the Government of West Bengal and any amount in excess thereof shall be the liability of the Government of West Bengal.

The divisible surplus/deficit under the three objects for the last three years is given below :—

*Divisible Surplus/Deficit*

(Rupees in lakhs)

	1977-78	1978-79	1979-80
(i) Power . . . . .	(+)588.71	(+)676.02	(+)400.31
(ii) Irrigation . . . . .	(-)140.54	(-)227.35	(-) 12.20
(iii) Flood Control . . . . .	(-)127.01	(-)128.27	(-)122.43
	(+)321.16	(+)320.40	(+)265.68

Surplus/Deficit under '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' is 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, 1980 of the participating Governments was as follows :—

(Rupees in lakhs)

	Union Government	Government of West Bengal	Government of Bihar
(i) Power . . . . .	135.14	135.14	135.14
(ii) Irrigation . . . . .	..	2,619.62	16.80
(iii) Flood Control . . . . .	..	1,998.25	..
	135.14	4,753.01	151.94

Out of the total net deficit of Rs. 4,753.01 lakhs allocated to the Government of West Bengal, adjustments were carried



out till the end of 1979-80 to the extent of Rs. 4,686.76 lakhs (Rs. 2,692.05 lakhs representing interest on capital, Rs. 1,175.76 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 and Rs. 818.95 lakhs being share of revenue surplus under 'Power'), thereby leaving a balance of Rs. 66.25 lakhs to be paid by the Government of West Bengal.

Out of the net deficit of Rs. 151.94 lakhs allocated to the Government of Bihar, adjustments were carried out till the end of 1979-80 to the extent of Rs. 151.88 lakhs against interest on power capital withheld (Rs. 135.14 lakhs) and their share of revenue surplus under 'Power' (Rs. 16.74 lakhs), thereby leaving a balance of Rs. 0.06 lakh to be paid by the Government of Bihar.

Deficit of Rs. 135.14 lakhs on 'Power' allocated to the Union Government was adjusted by the corporation against interest withheld on their power capital.

In accordance with the instructions issued by the Government of India in June 1979 in pursuance of Section 40 of Damodar Valley Corporation Act, the Corporation is required to make a provision at the rate of half per cent for "General Reserve" and four per cent for "Development Fund" reckoned on the capital contributed by the participating Governments and allocated to Power, and the internal resources invested by the Corporation on Power. However, during 1979-80 the Corporation appropriated 40 per cent of the net surplus (Rs. 2.69 crores) under 'Power' to 'General Reserve' and did not appropriate any amount towards 'Development Fund'. In terms of the instructions issued in June 1979, the contribution towards 'General Reserve' and 'Development Fund' would have amounted to Rs. 0.99 crore and Rs. 7.96 crores respectively.

In terms of Section 30 of the Damodar Valley Corporation Act, 1948 the three participating Governments viz., the 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. The capital contributed by the participating Governments to the end of 1979-80 fell short of the outlay [Rs. 451.67 crores (including Rs. 5.46 crores incurred directly by West Bengal Government and treated as 'Sundry Creditors' pending conversion into capital)] by Rs. 231.49 crores as indicated below :—

	(Rupees in crores)
(i) Union Government . . . . .	78.21
(ii) Government of West Bengal . . . . .	75.07
(iii) Government of Bihar . . . . .	78.21
TOTAL . . . . .	231.49

The excess of Rs. 231.49 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 . . . . .	9.34
(b) Unsecured loans raised from open market and guaranteed by the Government of India . . . . .	36.58
(c) Debentures . . . . .	6.50
(d) Internal resources . . . . .	179.07
TOTAL . . . . .	231.49

*P. P. Gangadharan*

(P. P. GANGADHARAN)

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

New Delhi  
The \_\_\_\_\_ 1981

Countersigned

*Gian Prakash*

(GIAN PRAKASH)

Comptroller and Auditor  
General of India.

New Delhi  
The \_\_\_\_\_ 1981

30 JUN 1981

## 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 and Auditor General of India.

(Rupees in lakhs)

Sl. No.	Name of the Company/Statutory Corporation	*Total investment
1.	Indian Explosives Limited	290.12
2.	Industrial Development Bank of India	7,000.00
3.	Life Insurance Corporation of India	500.00
4.	Oil India Limited	1,400.00
5.	Reserve Bank of India	581.72
6.	14 Nationalised Banks	8,740.00

\*Based on the data contained in the Union Government Finance Accounts—1978-79.



## ANNEXURE 'B'

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

(Companies whose accounts for 1979-80 were received)

1. Ashok Paper Mills Limited.
2. Andhra Pradesh Industrial and Technical Consultancy Organisation Limited.
3. Agricultural Finance Corporation Limited.
4. Bihar Industrial and Technical Consultancy Organisation Limited.
5. Banarhat Tea Company Limited.
6. Coromandel Agro Products and Oils Limited.
7. Delta Paper Mills Limited.
8. Derco Cooling Coils Limited.
9. Hindustan Heavy Chemicals Limited.
10. Hydrocarbons India Limited (subsidiary to Oil and Natural Gas Commission).
11. Hoolungooree Tea Company Limited.
12. Indian Fine Blanks Limited.
13. Industrial Reconstruction Corporation of India Limited.
14. Industrial and Technical Consultancy Organisation of Tamilnadu Limited.
15. J & K Industrial and Technical Consultancy Organisation Limited.
16. Kerala Industrial and Technical Consultancy Organisation Limited.
17. Madan Industries Limited.
18. Nagarjuna Steels Limited.



## ANNEXURE 'C'

Summarised financial results of Government Companies for the year 1979-80

(Rupees in lakhs)

No.	Name of the Company	Name of the Ministry	Date of incorporation	Total Capital Invested	Profit (+) Loss (-) (before tax and prior period adjustments)	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
2	3	4	5	6	7	8	9	10	11	12	13	14	
<b>RUNNING CONCERNS</b>													
<b>A. Industrial Engineering</b>													
	Hindustan Machine Tools Limited	Ministry of Industry	7-2-1953	12,670.85	(+)2,373.01	911.03	490.27	(-)2,863.28	22.6	15,218.52	(+)3,284.04	21.6	
	Bharat Heavy Electrical Limited	Ministry of Industry	13-11-1964	49,498.54	(+)4,329.61	4,095.57	2,017.02	(+)6,346.63	12.8	63,227.71	(+)8,425.18	13.3	

**PROFIT AND LOSS ACCOUNT****A. Earnings**

- (a) Sales (including despatches made to customers Rs. 37,964.48 lakhs) — Rs. 66,592.00 lakhs
- (b) Accretion/decretion to work-in-progress and finished goods (Schedule-14) — (—)Rs. 26.34 lakhs.

(i) Boiler components are valued at a rate per tonne which is a composite rate arrived at after taking into account the value of additional items required by customers along with the main boiler. The value of these additional items fluctuates substantially from year to year due to frequent revisions in the scope of supply and/or in the prices. Thus, the composite rate adopted for boiler components undergoes frequent revisions though there is no corresponding change in the scope/price of the main boilers. Compared to the main boiler, the additional items have generally higher value per tonne. Since the additional items are generally supplied during the later part of the contract, the benefit of the higher rate (on account of inclusion of the value of the additional items) accrues to the company far in advance of the supply of the additional items.

An assessment made by Audit in the case of one additional item (*viz.* H.P./L.P., by-pass system) added on at customer's request to the scope of supply of boilers during the year, revealed that as a result of inclusion of this item under boiler scope the value of despatches and stock of finished goods of boilers was increased by Rs. 544.58 lakhs. Also, till last year, this item was treated as part of supplies made by the unit manufacturing and supplying turbines with the result that it was excluded from the valuation of boiler components, further, even during the year some of the boilers for which this system is to be supplied, were valued without taking into account the additional items.

- (ii) Reference is invited to Note No. 24 forming part of the accounts as well as the



is to be supplied, were valued without taking into account the additional items.

(ii) Reference is invited to Note No. 24 forming part of the accounts as well as qualification made in the Report of the Statutory Auditors' regarding valuation of two components manufactured and held in work-in-progress at market price. As per the Accounting policy No. 2-A, valuation of work-in-progress is to be done at the lower of factory cost and realisable value (Proportionate realisable value being worked out with reference to the realisable value of the end products). In the case of seamless tubes manufactured and used captively for the manufacture of boilers, the company has valued this intermediate product in stock at market value which is substantially lower than both factory cost and realisable value. This deviation from the accepted policy for the valuation of work-in-progress has resulted in under-valuation of stock by about Rs. 256 lakhs [reckoned with reference to the proportionate realisable value of pressure parts of boilers (based on average rates) which was lower than factory cost].

(iii) Till last year, sale value pertaining to instrumentation despatched to customers sites was reckoned at sale value only when the despatches were complete; partial despatches and stock were being accounted for at cost. However, in the accounts for the year, partial despatches and stock have been valued at estimated sale value. As this constituted a change in the method of valuation, the same should have been disclosed in the accounts with its effect on the Profit and Loss Accounts.

Further valuation has been done at a rate per Kg. derived from the total sale value and design weight. Valuation of instrumentation items, which are of a sophisticated nature, on this basis is not considered proper as the weight of an instrument has no relationship with its sale value. In the absence of particulars of instruments sold and their prices, the extent of distortion in the profits for the year could not be assessed.

#### B. Outgoings

(1) *Other expenses of manufacture, administration, selling and distribution (Schedule-16)*—Rs. 14,710.46 lakhs.

As per Accounting Policy No. 4, indirect expenses on expansion, viz. expenses on administration and Supervision, the bifurcation of which between capital and revenue expenditure is not ascertained, should be treated as revenue expenditure. However, identifiable services (valued at Rs. 35.60 lakhs) rendered by two units in 1979-80 for erection of Hot Mill in Seamless Steel Tube Project and for preparation of design for Drum Shop expansion, were treated as indirect expenses and charged off to revenue instead of being capitalised in the accounts resulting in understatement of profit by Rs. 35.60 lakhs.

(2) *Contingent Liabilities (Schedule-12)*—Rs. 24,713.26 lakhs.

As on 31-3-1980, bills to the value of Rs. 455.42 lakhs discounted with bankers by one unit were outstanding contingent liability in this regard has not been disclosed.

(3) *Explanatory Notes (Schedule-20)*

(i) Materials valued at Rs. 621.76 lakhs were held in custody on behalf of a customer pending utilisation in heat exchangers to be manufactured. This fact has not been disclosed in the notes appended to the Accounts.



(Rupees in lakhs)

1	2	3	4	5	6	7	8	9	10	11	12	13	14
3. Hindustan Cables Limited	Ministry of Industry	4-8-1952	3,219.72	(-)-64.95	368.78	57.16	(-)-7.79	—	5,295.88	(+)-303.83	5.7		
4. National Instruments Limited	Ministry of Industry	26-6-1957	923.37	(-)-267.55	110.27	91.85	(-)-175.70	—	168.80	(-)-157.28	—		
5. Heavy Engineering Corporation Limited	Ministry of Industry	31-12-1958	31,678.69	(-)-3,379.80	1,964.15	1,281.45	(-)-2,098.35	—	16,137.82	(-)-1,415.65	—		
6. Mining and Allied Machinery Corporation Limited	Ministry of Industry	1-4-1965	8,525.22	(-)-953.77	686.88	369.20	(-)-584.57	—	2,584.22	(-)-266.89	—		

(ii) Reference is invited to note No. 16 in Schedule-20 forming part of the Accounts of the Company for the year 1978-79, wherein disclosure regarding demurrage and wharfage charges amounting to Rs. 67.75 lakhs was made. During the year 1979-80, the expenditure on this account amounted to Rs. 155.29 lakhs which has not been disclosed in the Accounts.

(iii) Note No. 27

As a result of observations made by Comptroller and Auditor General of India during the course of audit under Section 619(4) of the Companies Act, adjustments of the order of Rs. 1144.23 lakhs were carried out which had the effect of reducing the net profit (before tax) by Rs. 339.96 lakhs.

#### Auditors' Report to the Members

1.1. On examination of one of the major contracts we found that the Corporation has, on completion of approximately 3.59% of the work in terms of quantity accounted for a loss of Rs. 171.11 lakhs during the year as against expected profit of approximately Rs. 68.14 lakhs as per cost estimates submitted in the previous year, in which year also on completion of 5.58% of the work, a loss of Rs. 476.97 lakhs was incurred. In this perspective, we find that the corporation had already accounted for huge profits till 31st March, 1977 though by which date only 79% of the work had been completed in terms of quantity. Thus while heavy profits were accounted for in earlier years, losses have now had to be accounted for in respect of the same contract. For the balance work pending completion, the management has informed us that the corporation would be in a position to make an overall margin of profit.

1.2. In yet another contract during the year on completion of approximately 10.71% of the work in terms of quantities, a profit of about Rs. 21 lakhs was made against expected profit of approximately Rs. 258 lakhs as per cost estimate submitted in the previous year. In previous year also on completion of 14.2% of the work, a loss of Rs. 205 lakhs was incurred though a substantial amount of profit was accounted for till 31st March, 1977 on completion of only 35.9% of work in terms of quantity. According to the estimates of cost to complete given by the Corporation, the Management expects to make an overall margin of profit.

2. The interest on capital work-in-progress amounting to Rs. 22.13 lakhs which has been transferred to deferred revenue expenditure (refer statement of Accounting Policy para-4) should, in our opinion, have been fully charged to revenue, as it is not specifically allocable and is not related to any major/substantial expansion programme.

#### 1. Profit and Loss Account

##### (I) Net Loss—Rs. 953.77 Lakhs.

The loss mentioned above has to be viewed in the light of the qualifications contained in the Auditors' Report to the Shareholders [particularly the non-provision of penal interest of Rs. 369.88 lakhs including Rs. 113.01 lakhs for the year (Para-4) and non-provision of Rs. 79 lakhs representing anticipated expenditure on one major contract (Para-5)] and the notes forming part of the Accounts (Schedule 'O'). In addition, the following would have the effect of increasing the loss for the year by Rs. 18.31 lakhs:

	(Rs. in lakhs)
(i) Overvaluation of finished products due to adoption of excess weight (118.320 tonnes instead of 2.150 tonnes erroneously in the physical verification report)	8.15
(ii) Non-provision of liabilities for:	
(a) Excise duty	5.55
(b) Transportation charges	3.00
(c) Outstanding advances	1.61
	10.16



provision of Rs. 79 lakhs representing anticipated expenditure on one major contract (Para-5)] and the notes forming part of the Accounts (Schedule 'O'). In addition, the following would have the effect of increasing the loss for the year by Rs. 18.31 lakhs :  
(Rs. in lakhs)

(i) Overvaluation of finished products due to adoption of excess weight (118,320 tonnes instead of 2,150 tonnes erroneously in the physical verification report)	8.15
(ii) Non-provision of liabilities for :	
(a) Excise duty	5.55
(b) Transportation charges	3.00
(c) Outstanding advances	1.61
<b>TOTAL</b>	<b>10.16</b>
	<b>18.31</b>

**(II) Sales of Products and Services—Rs. 2931.03 lakhs.**

While the Company has taken credit for the full amount of Rs. 16.56 lakhs (Rs. 10.29 lakhs in 1978-79 and Rs. 6.27 lakhs in 1979-80) received from a client (towards design engineering fee for civil structural work and basic engineering design for equipment) in respect of a turn key contract, only 50 per cent of the cost (Rs. 51.83 lakhs) of design documentation (for the basic engineering design for equipment paid to a foreign firm) has been charged to the Profit and Loss Account and the balance has been treated as deferred revenue expenditure. This has resulted in an overstatement of the income for the year (amount not ascertainable in the absence of the break-up of the amount recovered from the client towards basic engineering design for equipment).

**2. Current-Assets, Loans and Advances Current Assets—(Schedule—G)**

**Works-in-Progress—Rs. 827.49 lakhs.**

This includes a sum of Rs. 18 lakhs representing the value of 427.711 tonnes of fabricated material which was lying with the sub-contractors on 31st March 1979 and on which no further work had been done during 1979-80. The said material had been valued at Rs. 8.61 lakhs in the accounts for 1978-79 after taking into account the process loss at a flat rate. The valuation in the accounts for 1979-80 has, however, been done without taking into account the process loss at the itemised rates vide para 2.1.5. of Schedule 'O'. This had the effect of reducing the loss for the year by Rs. 9.39 lakhs.

**A. Balance Sheet**

**Current Liabilities and Provisions (Schedule 14)**

**(a) Provisions—Replacement and other charges—Rs. 1,71,60,370**

This includes a provision of Rs. 1.92 lakhs created in 1976-77 and another provision of Rs. 11.55 lakhs during the current year on the basis of the man hour rates prevailing in the respective years. Failure to up-date the above provisions at the rate applicable for 1980-81 has resulted in a short provision of Rs. 11.79 lakhs and a corresponding overstatement of profit. (Bangalore Complex).

7. Tungabhadra Steel Products Limited	Ministry of Industry	20-2-1960	313.24	(+)8.67	58.89	18.48	(+)17.15	5.5	636.00	(+)67.56	10.6
8. Hindustan Aeronautics Limited	Ministry of Defence	1-10-1964	33,535.65	(+)410.15	840.33	588.63	(+)998.78	3.0	26,164.97	(+)1,250.48	4.8