

ged behind schedule and, even when completed, they have been unable to work at full capacity, for one reason or the other.

The Ministry of Finance has been publishing since 1962 a review of the performance of Central Government undertakings. The latest, for the year 1962-63, has just been released. Inevitably, in a composite of review of widely different enterprises the focus of attention is very much on financial performance. The review covers 49 enterprises but does not include departmental undertakings like Chittaranjan Locomotives, the ordnance factories and the post and telegraph workshops. Commercial undertakings are distinguished from promotional and developmental undertakings like the National Industrial Development Corporation and, among the former, undertakings still under construction are separated from running concerns. Obviously, financial indices like profitability are meaningful only in the case of the latter.

The total investment in the 49 enterprises covered by the report at the end of 1962-63 was Rs 1,372 crores, of which the Central Government had provided 97 per cent. Investment in the running concerns was Rs 1,038 crores, of which Hindustan Steel, with an investment of Rs 724 crores, accounted for 70 per cent. Because of its very size and its large investments in expansion programmes, it is best to consider Hindustan Steel separately from the other running concerns.

Hindustan Steel's turn-over in 1962-63 was Rs 124 crores compared with Rs 71 crores in the previous year. The gross surplus, before providing for depreciation (Rs 30.6 crores) and interest due to Government on capital loans (Rs 17.5 crores) was Rs 24.2 crores. After providing interest and depreciation, there was a loss of Rs 23.2 crores compared with a loss of Rs 19.5 crores in the previous year when, however, no interest had to be paid as the company enjoyed an interest holiday till the end of 1961-62. This brought Hindustan Steel's cumulative loss up to the end of 1962-63 to Rs 61.6 crores.

It is true, as the report points out, that the steel retention prices were based on a standard capital block

of Rs 1,176 per tonne whereas the average capital cost of Hindustan Steel was about Rs 2,600 per tonne. At the same time, it also needs to be pointed out that even in 1962-63 the combined output of the three plants was only 83 per cent of capacity which, though an improvement over the 53 per cent achieved in the previous year, was a material factor standing in the way of better working results.

The total investment in the 29 running concerns other than Hindustan Steel was Rs 314 crores (equity Rs 198 crores and loans Rs 116 crores) at the end of 1962-63 as compared with Rs 281 crores at the end of the previous year. During the year the total operating income of the companies rose by 25 per cent to Rs 264 crores. The Indian Oil Company showed the largest increase, from Rs 5.8 crores to Rs 19.8 crores. After providing for working expenses and depreciation, the gross profit increased from Rs 15 crores to Rs 25 crores. The overall net profit after making provision for taxation and interest and after setting off the loss of Rs 37 lakhs suffered by two undertakings was Rs 14.8 crores as against Rs 8.4 crores in the previous year. National Building Construction Corporation and Nahan Foundry made losses of Rs 32 lakhs and Rs 5 lakhs respectively. Nine concerns showed a decline in profit while the remaining 18 earned higher profit. The four companies which registered substantial increase in profit were: Fertiliser Corporation, from Rs 4 lakhs to Rs 151 lakhs; Air-India, from Rs 39 lakhs to Rs 135 lakhs; Hindustan Machine Tools, from Rs 128 lakhs to Rs 216 lakhs; and the National Coal Development Corporation, from Rs 12 lakhs to Rs 126 lakhs.

In terms of the ratios used for judging profitability, the working of the running concerns showed an improvement in 1962-63. For instance, the percentage of gross profit to capital employed increased from 5.2 to 7.8. Similarly, the percentage of net profit to net worth rose from 4.1 to 6.7 and that of net profit to paid-up capital from 1.5 to 7.6.

#### ***Paying for Expansion***

THE surplus from public enterprises for which the Plan takes credit is the balance of resources

available after providing for working expenses, normal replacements, interest and dividend. In other words, it does not represent merely net profits, but also net accretions to depreciation reserve and other funds of these enterprises, the assumption being that these funds will be used to finance expansion programmes. The concept of surplus is meaningful only after the undertakings have paid interest on borrowed capital and, to quote the Finance Minister, "a good dividend to the Exchequer" on the Government's investment in equity. In 1961 the interest rates charged from public undertakings on capital loans were standardised. Loans for 2 to 4 years are now charged at 5 per cent, for 5 to 9 years at 5½ per cent and for 10 to 15 years at 6 per cent. These are very favourable rates, compared to those charged by term-lending institutions like the IFC and the ICICI. Some of the public undertakings have also enjoyed interest holidays and among the running concerns, two — Air-India and IAC — will pay no interest till October 1966. As for dividend to the exchequer, of the 29 running concerns, only 11 declared any dividend in 1962-63. The rate varied from 10 per cent to 2 per cent, the average working out to 6 per cent of the paid-up capital of the companies paying dividend.

It is against these facts that the figures of internal resources of public undertakings have to be judged. The total internal resources generated by the running concerns other than Hindustan Steel in 1962-63 was Rs 29.3 crores as against Rs 22 crores in the previous year. Taking all the 49 undertakings covered in the report, internal resources generated in 1962-63 was Rs 36 crores as against Rs 29 crores in the previous year. Thus in the first two years of the Plan these undertakings had a surplus of Rs 65 crores. This, it must be pointed out, is not fully comparable with the Plan estimate of Rs 300 crores for the five years since the latter figure includes the surplus of certain departmental undertakings which are not covered by the report. Even so, the figures amply justify the Finance Minister's plaint that the contribution of the public undertakings "is nowhere near the Plan estimates",