

**CHAPTER I**  
**FINANCIAL PERFORMANCE OF CENTRAL PUBLIC SECTOR UNDERTAKINGS**

## **1.1 Introduction**

This Report presents the financial performance of the Central Public Sector Undertakings (CPSUs). The term CPSU, encompasses the government owned companies/deemed government companies set up under Company's Act, 1956 as also other undertakings of the government set up under the statutes of the Parliament, where the audit is entrusted to Comptroller and Auditor General of India (CAG). This Report is important because CPSUs contributed approximately to one-third of the Gross Domestic Product in India in 2009-10.

### **1.1.1 Mandate**

Audit of government companies (including deemed government companies) is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. The CAG is empowered to audit certain corporations established under individual statutes. Under the Companies Act, 1956, the CAG appoints the Chartered Accountants (Statutory Auditors) as Auditors for companies and gives directions on the manner in which the accounts are to be audited, besides undertaking supplementary audit.

### **1.1.2 What does this Report contain**

This Report brings out the overall picture of the quality of financial reporting by the CPSUs and appraisal of the performance of companies and corporations as revealed in their accounts that are under CAG's audit mandate. It is brought out in three chapters viz. Chapter 1 dealing with financial analysis of the CPSUs, Chapter 2 on CAG's oversight role on audit of the CPSUs and Chapter 3 on Corporate Governance in listed government companies.

### **1.1.3 Definition of PSUs**

The terms used in describing the organization whose financial performance is covered in this Report, are given in the **Appendix I**.

### **1.1.4 Coverage in this Report**

Category wise companies at the beginning of 1 April 2009, companies added and closed during the year, number of companies as at the end of 31 March 2010 are given in the table below.

**Table 1**

<b>Description</b>	<b>Government Company</b>	<b>Deemed Government. Company</b>	<b>Statutory Corporation</b>	<b>Total</b>
No. of PSUs at the beginning of 1 April 2009	324	108	6	438
Addition during the year	11	10	--	21
Deletions/Ceased during the year	6	2	--	8
No. of PSUs at the end of 31 March 2010	329	116	6	451

Up to September 2010, 352 CPSUs, including five statutory corporations and 89 deemed government companies, rendered their accounts for the year 2009-10 to CAG as per respective statute provisions. Additionally, latest available audited figures were considered for analysis wherever deemed necessary in respect of 52 CPSUs, including one statutory corporation and seven deemed government companies. Thus, the report contains analysis of data in respect of 302 government companies, 96 deemed government companies and 6 statutory corporations. The details of new/ceased government companies/deemed government companies are given in **Appendix II**. However, this Report does not include 47 companies (including 20 deemed government companies) for various reasons<sup>□</sup>. These 47 companies are identified by two asterisks(\*\*) in **Appendix III**.

## **1.2 Investment in government companies and corporations**

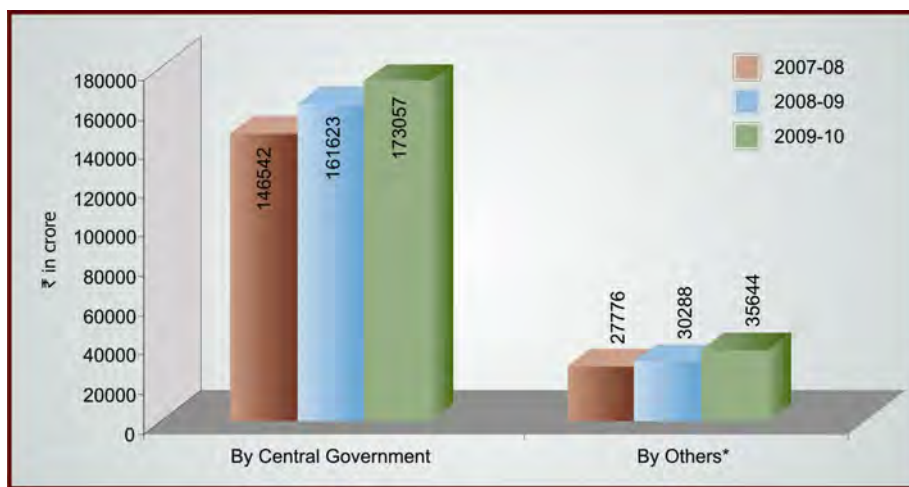
The equity investment of the Government of India in 308 government companies and corporations at the end of 2009-10 and loans given to them amounted to ₹ 1,73,057 crore and ₹ 60,174 crore respectively. Some government companies and corporations have also contributed to the investment in these PSUs. Ministry/Department wise details of equity held and loans extended by the Government of India, state governments and central/state government companies and corporations and others to central government companies are given at **Appendix IV**.

### **1.2.1 Equity Investment**

During 2009-10, the investment in equity of these government companies and corporations registered a net increase of ₹ 16,790 crore [Graph 1(a)]. This included ₹ 11,434 crore equity invested by the Government of India.

<sup>□</sup> *Accounts of seven PSUs are in arrears for three years or more, 35 PSUs were defunct/under liquidation and accounts of three PSUs had not become due and two PSUs had not submitted their first accounts.*

Graph 1 (a) – Equity investment in Government Companies and Corporations



1.2.1.1 Significant investments made in government companies and corporations, included investments under Ministries of Road Transport and Highways (₹ 7605 crore), Atomic Energy (₹ 1266 crore) and Urban Development (₹ 781 crore), as detailed below:

Table 2

Name of the PSUs	Amount (₹ in crore)
<b>Statutory Corporations</b>	
National Highways Authority of India	7,605
Damodar Valley Corporation	220
<b>Unlisted Government Companies</b>	
Bharatiya Nabhikiya Vidyut Nigam Limited	996
Delhi Metro Rail Corporation	781
India Infrastructure Finance Company Limited	500
Dedicated Freight Corridor Corporation Limited	301
Konkan Railway Corporation Limited	297
Indian Railway Finance Corporation Limited	291
Uranium Corporation of India Limited	270
National Minorities Development and Finance Corporation Limited	124

1.2.1.2. During the year 2009-10, two companies issued fully paid bonus shares amounting to ₹ 1,354 crore, i.e. Indian Oil Corporation Limited (₹ 1,214 crore) and Manganese Ore India Limited (₹ 140 crore).

\* Others include state government, central/state government companies/corporations, financial institutions, etc.

1.2.1.3 During the year 2009-10, the Government of India realised ₹ 4,260 crore on disinvestment of its shares in respect of following PSUs.

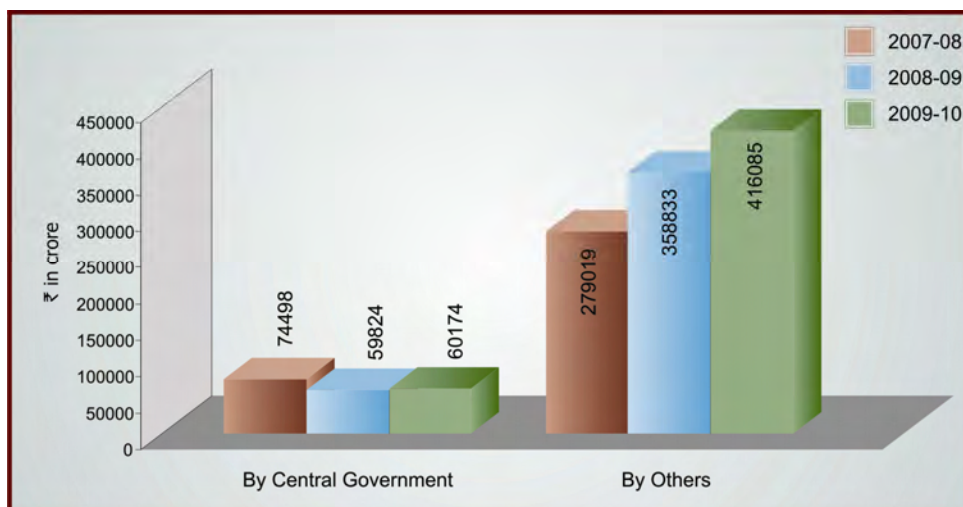
**Table 3**

Name of the PSUs	No. of shares disinvested (in crore)	Percentage of shares disinvested	Face value per share	Premium per share	Amount realised by Government (₹ in crore)
Oil India Limited	2.14	10 percent	₹ 10	₹ 1,040	2,247
NHPC Limited	55.91	5 percent	₹ 10	₹ 26	2,013
Total					4,260

### 1.2.2 Loans given to government companies and corporations

During 2009-10, the loans to the government companies and corporations registered a net increase of ₹ 57,602 crore [Graph 1(b)]. Loans given by the Government of India were to government companies and corporations mainly under the Ministries of Urban Development (₹ 3,105 crore), and Chemicals and Fertilizers (₹ 1,252 crore).

Graph 1 (b) – Loans given to Government Companies and Corporations



1.2.2.1 The total loans outstanding in 169 companies/corporations from all sources as on 31 March 2010 was ₹ 4,76,259 crore. The total assets (fixed assets as well as current assets) of these 169 government companies and corporations was ₹ 13,02,270 crore as on 31 March 2010 which represented 273.44 per cent of the outstanding loans. As on 31 March 2009, the assets of these companies/corporations were ₹ 11,59,876 crore, being 277.04 per cent of the outstanding loans amounting to ₹ 4,18,657 crore. The overall asset cover reduced during the year.

1.2.2.2 The analysis of positive and negative coverage of total assets to their long term loans of 169 companies during 2009-10, was as in Table 4. It was observed that 51 PSUs, including four listed companies, out of 169 PSUs, were having more loans than their total assets.

Table 4

	Positive coverage				Negative coverage			
	No. of PSU	Long term loan	Assets	% of assets to loans	No. of PSU	Long term loan	Assets	Ratio
		₹ in crore				₹ in crore		
Statutory Corporations	4	25295	77994	308.34	--	--	--	--
Listed Companies	28	248783	742627	298.50	4	3177	1325	41.70
Unlisted Companies	86	110267	453251	411.05	47	88737	27073	30.51
		384345	1273872			91914	28398	

1.2.2.3 The details of positive and negative interest coverage ratio for the period 2007-08 to 2009-10, were as in Table 5. It was observed that the overall interest coverage ratio of PSUs had decreased in respect of statutory corporations during 2009-10 compared to the previous year while it improved in respect of government companies.

Table 5

Year	Interest	Gross Profit	No. of PSUs*	Overall Interest coverage ratio	No. of PSUs having interest cover ratio more than 1	No. of PSUs having interest cover ratio less than 1
	₹ in crore					
<b>Statutory Corporations</b>						
2007-08	3,833	7,741	4	2.02	3	1
2008-09	3,481	6,218	4	1.79	3	1
2009-10	3,557	5,936	4	1.67	3	1
<b>Listed Government Companies</b>						
2007-08	12,546	1,07,286	31	8.55	24	7
2008-09	21,012	1,03,655	31	4.93	22	9
2009-10	15,479	1,15,976	30	7.49	23	7
<b>Unlisted Government Companies</b>						
2007-08	13,844	41,629	101	3.00	59	42
2008-09	13,105	36,048	98	2.75	59	39
2009-10	12,573	36,514	96	2.90	55	41

(\*) excluding PSUs which have no interest liability

1.2.2.4 Assuming a prudent debt equity ratio of 2, the PSUs that had more than and less than the optimum capital mix are as follows:

**Table 6**

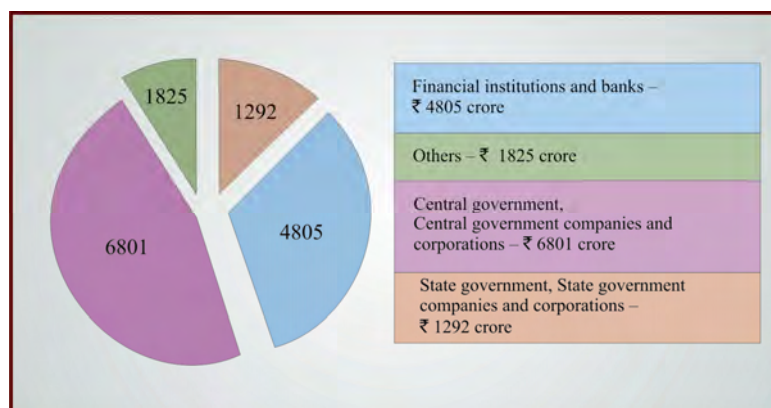
Year	Debt equity ratio less than 2		Debt equity ratio more than 2	
	No. of PSUs	Ratio	No. of PSUs	Ratio
<b>Statutory Corporations</b>				
2007-08	3	0.26	1	3.45
2008-09	3	0.29	1	3.41
2009-10	2	0.12	2	2.80
<b>Listed Government Companies</b>				
2007-08	21	0.80	12	8.10
2008-09	18	0.80	16	9.75
2009-10	17	1.00	15	10.86
<b>Unlisted Government Companies</b>				
2007-08	67	0.72	55	10.69
2008-09	79	0.76	51	15.30
2009-10	77	0.72	56	12.47

1.2.2.5 The number of PSUs having the debt equity ratio of more than 2, increased from 68 PSUs during 2007-08 to 73 PSUs during 2009-10, indicating increase in borrowings by the PSUs.

### 1.2.3 Investment in deemed government companies

The capital invested by the central government, state governments and by companies and corporations controlled by them in 96 deemed government companies were as follows.

Graph 2 – Composition of Share Capital in deemed government companies



As of 31 March 2010, equity of ₹ 14,723 crore in 96 deemed government companies (Graph 2) was contributed by the Government of India (₹ 143 crore in four companies), state governments (₹ 475 crore in six companies), central government companies and corporations (₹ 6,658 crore in 34 companies), state government companies and corporations (₹ 817 crore in 14 companies), financial institutions and banks (₹ 4,805 crore in 65 companies) and others (₹ 1,825 crore in 39 companies). The equity in these companies increased by ₹ 3,647 crore, i.e. from ₹ 11,076 crore in 2008-09 to ₹ 14,723 crore in 2009-10. The details are available in **Appendix V**.

#### 1.2.4 Market capitalisation of equity investment in government companies

Market capitalisation is measurement of size of a business enterprise equal to the market value of the shares outstanding of a publicly traded company. It is the share price multiplied by the number of shares in issue, providing a total value for the company's shares and for the company as whole. Shares of 52 government companies were listed on the various stock exchanges in India consisting of 42 government companies, five subsidiaries of government companies and five deemed government companies.

1.2.4.1 In respect of 37 listed government companies, the shares of which were traded<sup>α</sup> during 2009-10, the total market value of their equity shares as on 31 March 2010 stood at ₹14,10,977 crore, out of which, the market value of shares held by the Government of India amounted to ₹ 11,55,267 crore as on 31 March 2010.

1.2.4.2. The total market value of shares in 35<sup>□</sup> companies had increased by ₹ 5,39,686 crore (66.95 per cent) as on 31 March 2010 as compared to 31 March 2009. The details are indicated in **Appendix VI-A**. During this period, BSE Sensex increased from 9708.50 (as on 31.03.2009) to 17527.77 (as on 31.03.2010), an increase of 80.54 per cent.

1.2.4.3. The total market value of shares of five subsidiary government companies, the shares of which were traded during 2009-10, stood at ₹ 20,158 crore as on 31 March 2010. The total market value of shares held by government companies in four subsidiary government\* companies had increased by ₹ 10,623 crore as on 31 March 2010 as compared to 31 March 2009. The details are indicated in **Appendix VI-B**. Further analysis revealed following :

**Oil sector:** There were eight government companies, including two subsidiaries (Chennai Petroleum Corporation Limited and Mangalore Refineries and Petrochemicals Limited), in oil sector and 34 companies, including three subsidiaries (Hindustan Fluoro Carbons, Balmer Lawrie Company Limited, Maharashtra Elektros melt Limited) in non-oil sector whose shares were listed. In respect of the eight oil sector government

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<sup>α</sup> Shares of Hindustan Cables Limited, Hindustan Photofilms (Manufacturing) Company Limited, IRCON International Limited, India Tourism Development Corporation Limited and KIOCL Limited were not traded during 2009-10.

<sup>□</sup> Shares of Oil India Limited and NHPC Limited were listed during September 2009. Hence, comparison not done.

\* Shares of Hindustan Fluorocarbons Limited (subsidiary of Hindustan Organic Chemicals Limited) was listed during September 2009. Hence, comparison not done.

companies, which were traded during 2009-10, the total market value of their equity shares as on 31 March 2010 stood at ₹ 4,33,856 crore as compared to their book value of ₹ 1,98,229 crore. Out of ₹ 4,33,856 crore, the market value of shares held by the government/government companies amounted ₹ 3,12,374 crore as on 31 March 2010. The total market value of shares in seven oil sector companies (excluding Oil India Limited) had increased by ₹ 1,30,921 crore (47.56 per cent), i.e from ₹ 2,75,269 crore as on 31 March 2009 to ₹ 4,06,191 crore as on 31 March 2010. The market value of shares held by Government/government companies in these seven companies had increased by ₹ 92,952 crore, i.e. from ₹ 1,97,723 crore as on 31 March 2009 to ₹ 2,90,675 crore as on 31 March 2010 (47.01 per cent).

**Non- oil sector:** The market value of equity shares of 34 non-oil sector companies as on 31 March 2010 stood at ₹ 9,97,280 crore as compared to their book value of ₹ 2,29,645 crore. The market value of shares in 32 companies (excluding NHPC Limited and Hindustan Fluorocarbons Limited whose shares traded during September 2009), had increased by ₹ 4,19,387 crore as on 31 March 2010 as compared to 31 March 2009. The market value of shares of 32 non-oil sector companies, held by government/government companies, had increased by ₹ 3,53,707 crore (74.81 per cent) over the previous year.

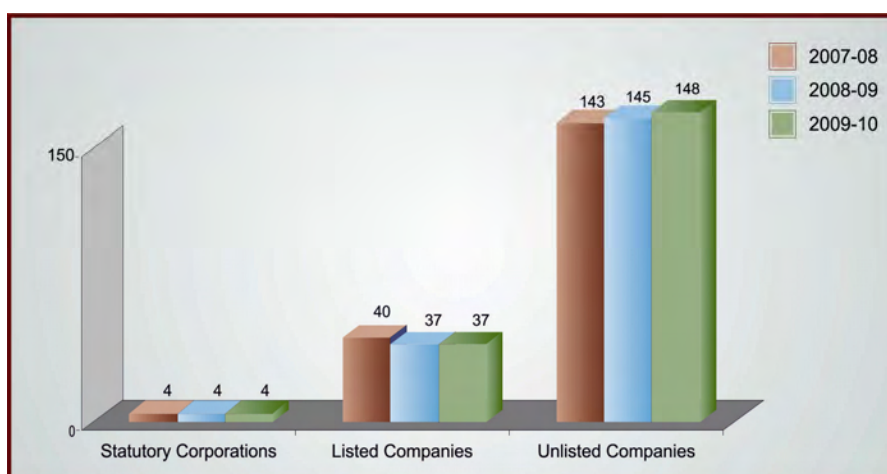
**Price earning ratio:** Price earning (PE) ratio is a valuation of a company's current share price compared to its per-share earnings. Higher PE would indicate the investors expectation in higher growth in future compared to companies with a lower PE. The price earning ratio of GAIL (India) Limited (16.56) in oil sector was highest. The ratio in three companies (Indian Oil Corporation Limited-7.05, Hindustan Petroleum Corporation Limited-8.29, Chennai Petroleum Corporation Limited-7.29) in oil sector was less than the average PE ratio (11.63) of the sector during the year 2009-10, though there was increase in their market capitalisation compared to 2008-09.

### **1.3. Return on investment in government companies and corporations**

Details of return on net worth and capital employed during 2007-08 to 2009-10 in 308 government companies and corporations are given in **Appendix VII**. As can be seen in Graph 3, during the period of three years, the number of government companies and corporations that earned profit marginally increased from 187 in 2007-08 (₹ 97,582 crore) to 189 in 2009-10 (₹ 1,05,906 crore).



Graph 3 – No. of Profit earning statutory corporations, listed and unlisted Government companies



Out of the total profit earned by 189 CPSUs, as much as 66 per cent (₹ 69,445 crore) was contributed by 36 government companies and corporations in three sectors, viz., Petroleum and Natural Gas, Power and Coal and Lignite. The Petroleum sector contributed about 37 per cent, while Power and Coal sectors contributed 16 per cent and 14 per cent respectively.

Table 7

Sector	No. of Profit earning PSUs	Net Profit earned (₹ in crore)	Percentage of profit to total PSU profit
<b>1. Petroleum</b>			
Listed government companies	8	37,293	35.21
Unlisted government companies	3	1,404	1.33
Total	11	38,697	36.54
<b>2. Power</b>			
Statutory corporations	1	300	0.28
Listed government companies	3	13,067	12.34
Unlisted government companies	12	3,080	2.91
Total	16	16,447	15.53
<b>3. Coal and Lignite</b>			
Listed government companies	1	1,247	1.18
Unlisted government companies	8	13,054	12.33
Total	9	14,301	13.50
<b>Total (1) to (3)</b>	<b>36</b>	<b>69,445</b>	<b>65.57</b>
<b>Total</b>	<b>189</b>	<b>1,05,906</b>	<b>100.00</b>

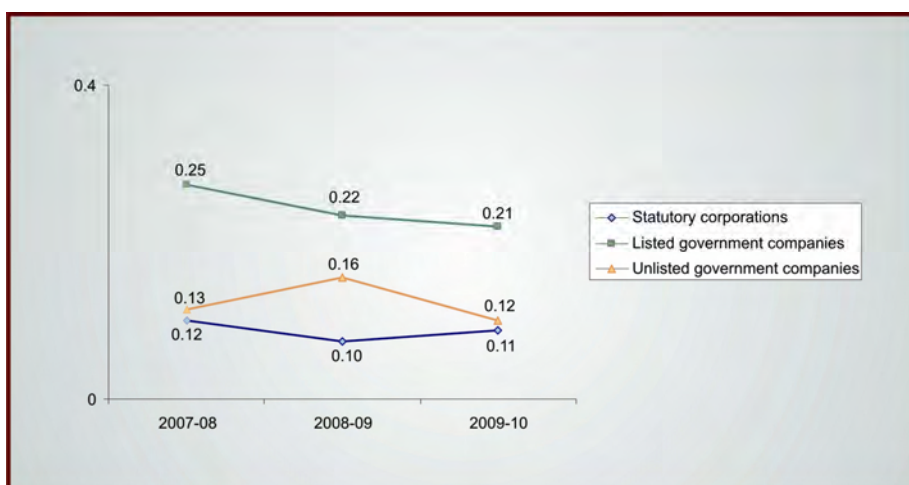
### 1.3.1 Profitability analysis of government companies and corporations

Profitability analysis of 308 government companies and corporations indicating profit before interest and tax, capital employed, profit after tax, dividend, net worth, ratio of

profit after tax to net worth, ratio of profit before interest and tax to capital employed and dividend to equity, are given in **Appendix VII**.

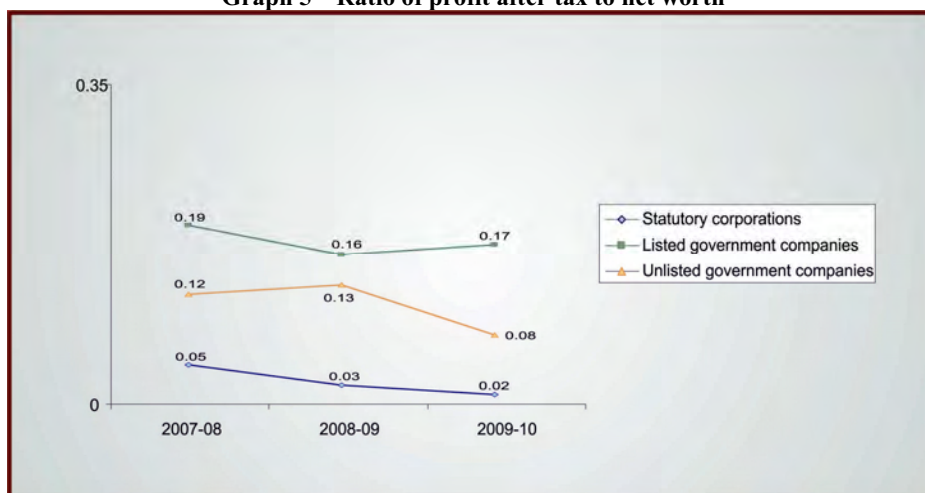
1.3.1.1 Ratio of profit before interest and tax to capital employed and profit after tax to net worth over a period of three years ending 31 March 2010 in respect of all statutory corporations, listed government companies and unlisted government companies are given in the Graphs 4 and 5.

**Graph 4 – Ratio of profit before interest and tax to capital employed**



There was a minor decrease for listed companies which were in any case having a healthy ratio, while unlisted government companies declined significantly. There was a minor increase for statutory corporations.

**Graph 5 – Ratio of profit after tax to net worth**

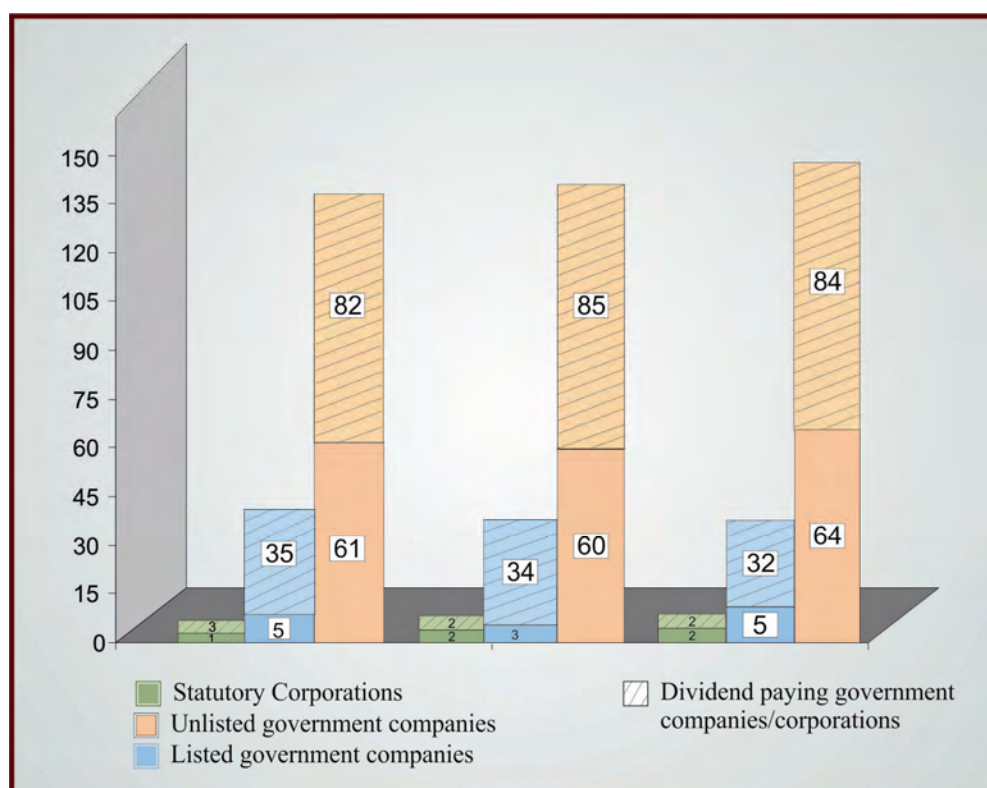


1.3.1.2 There was a significant decline in respect of unlisted government companies while the statutory corporations and listed companies showed minor gains and losses respectively.

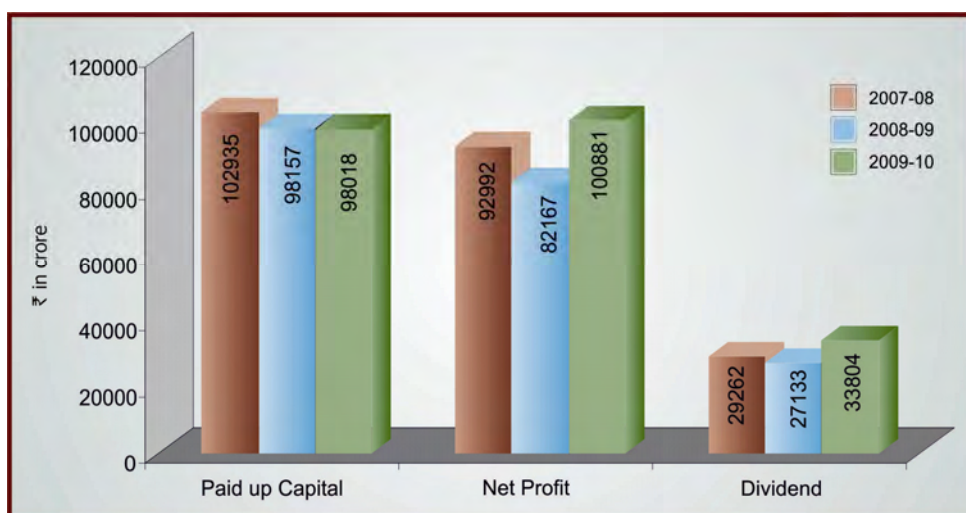
### 1.3.2 Dividend payout of government companies and corporations

The number of government companies and corporations that had declared dividend during the last three years ended 31 March 2010 has been given in **Appendix VIII**. The number of dividend declaring government companies and corporations decreased marginally to 118 (including two statutory corporations and 32 listed government companies) in 2009-10 from 120 (including three statutory corporations and 35 listed government companies) in 2007-08 (**Graph 6**). The dividend declared as a percentage of net profit earned by these companies and corporations marginally increased from 31.47 per cent in 2007-08 to 33.51 per cent in 2009-10. In absolute terms, the dividend declared by the companies and corporations in 2009-10 increased by ₹ 4,542 crore from ₹ 29,262 crore in 2007-08 to ₹ 33,804 crore in 2009-10 (**Graph 7**). However, 71 government companies and corporations (including two statutory corporations and five listed government companies) which earned an aggregate profit of ₹ 5,026 crore in the current year did not declare any dividend.

**Graph 6 - Number of profit earning/dividend declaring listed and unlisted government companies**



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



1.3.2.1 The details of PSUs, which earned profit and declared dividend and PSUs which earned profit but not declared dividend during 2009-10, were as given below:

**Table 8**

(₹ in crore)

	Total Profit PSUs (nos)	PSUs declared dividend				PSUs not declared dividend		
		No. of PSUs	Paid up capital	Net profit	Dividend declared	No. of PSUs	Paid up capital	Net profit
Statutory corporations	4	2	691	1,178	168	2	7,179	305
Listed Companies	37	32	44,891	74,420	23849	5	861	843
Unlisted Companies	148	84	52,436	25,283	9787	64 <sup>#</sup>	23,245	3,877

<sup>#</sup> Includes 27 PSUs which have accumulated loss

1.3.2.2 The dividend payout ratio range during 2009-10 was as under:

**Table 9**

Dividend Payout Percentage	Statutory Corporations		Listed Companies		Unlisted Companies	
	No. of PSUs	Dividend (₹ in crore)	No. of PSUs	Dividend (₹ in crore)	No. of PSUs	Dividend (₹ in crore)
0-15	--	--	6	1,639	38	1,461
16-50	2	168	9	5,768	25	2,990
51-100	--	--	5	1,658	11	669
Above 100	--	--	12	14,784	10	4,667

1.3.2.3 Out of total dividend of ₹ 33,804 crore declared by 118 government companies and corporations in the current year, dividend receivable by Government of India amounted to ₹ 23,169 crore\*. The return on aggregate investment of ₹ 81,405 crore made by the Government of India in equity capital of 86 government companies and corporations (including two statutory corporations, 29 listed government companies) was 28.46 *per cent*. Similarly, 34 government companies received ₹ 6,106 crore as dividend on their investment of ₹ 5,914 crore in the equity of various subsidiaries (also government companies) and thus earned a return of 103.25 *per cent*.

1.3.2.4 The 11 government companies under the Ministry of Petroleum and Natural Gas contributed 41 *per cent* (₹ 13,852 crore) of the total dividend (₹ 33,804 crore) declared by various companies in 2009-10.

1.3.2.5 The guidelines issued by the Ministry of Finance in 1995 and 1996 envisaged that all profit-making companies that were essentially commercial enterprises would declare a minimum dividend of 20 *per cent* either on equity or on post-tax profit, whichever was higher. The minimum dividend payable by companies in Oil, Petroleum, Chemical and other infrastructure sectors was 30 *per cent* of post-tax profit. However, 37 companies (including five listed companies and excluding 64 government companies and corporation, which have not declared dividend) under 16 Ministries did not comply with the government directive to pay minimum dividend of 20 *per cent* either on equity or on post-tax profit while declaring dividend, as given in **Appendix IX**. The total shortfall on this account was ₹ 1,672.25 crore in 2009-10.

1.3.2.6 The Ministry had further emphasised that the objective of the government was to achieve minimum return of five *per cent* on overall investment in all government companies and corporations across the board. The return on the total investment of ₹ 1,73,057 crore made by the Government of India in equity of all the government companies and corporations was ₹ 23,169 crore, i.e. 13.39 *per cent*.

### **1.3.3 Return on investment in deemed government companies**

Details of return on investment in deemed government companies for the years 2007-08 to 2009-10 are given in **Appendix V**. Of the 96 deemed government companies reviewed in this Report, 64 companies earned profit of ₹ 2,186 crore. Out of these 64 companies, only 26 declared dividend amounting to ₹ 250 crore<sup>†</sup> which represented 9.23 *per cent* of their total paid up capital. Twenty eight companies, including two, out of four in which the Government of India had invested, incurred losses during 2009-10. Remaining four companies had not yet started commercial operations.

1.3.3.1. Dividend of ₹ 250 crore declared by the deemed government companies during 2009-10 came from the companies under Financial Services, Power, Industrial development and Technical consultancy and Steel sectors as indicated below:

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\* *The dividend receivable by Government of India related to 86 companies with direct central government investment. The remaining 32 companies were subsidiaries of other government companies and had no direct investment of the Government of India.*

<sup>†</sup> *Includes ₹1.11 crore receivable by Government of India.*

Table 10

(₹ in crore)

Sector	No. of Companies	Paid up Capital	Net Profit	Dividend
1. Financial services	16	892	599	183
2. Power	2	1,169	121	32
3. Contract and Construction Services	1	200	89	20
4. Industrial development and Technical consultancy	4	1	9	0.22
5. Minerals and Metals	1	1	74	11
6. Trading and Marketing	1	40	7	4
7. Steel	1	421	37	*
<b>Total</b>	<b>26</b>	<b>2,724</b>	<b>936</b>	<b>250</b>

#### 1.4 Loss-making government companies

The number of government companies that suffered loss at the close of the last three years ending 31 March 2010 was as given in the following Table and Graphs 8 and 9. Seventeen companies which suffered losses during 2008-09 had earned profit during 2009-10. However, 18 other companies, which earned profit during 2008-09, suffered losses during 2009-10.

Table 11

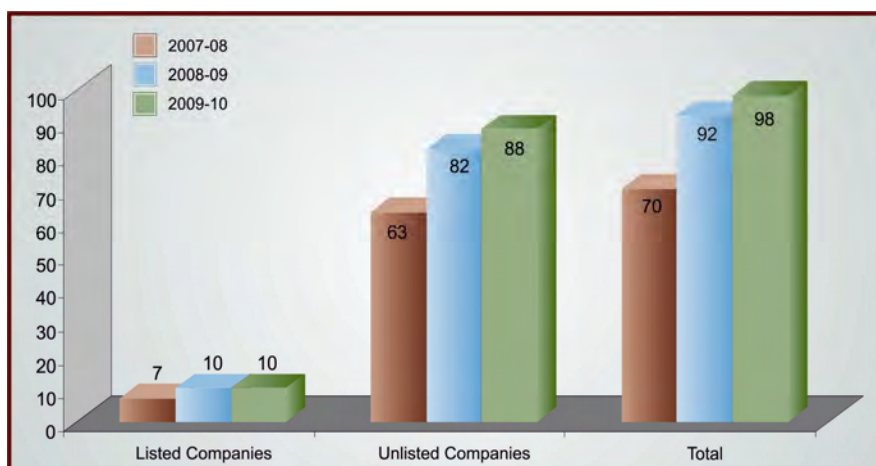
(₹ in crore)

	No of PSUs* suffering loss	Net Worth	Net loss for the year	Accumulated loss
<b>Listed government companies</b>				
2007-08	7	-8,841	1,789	11,521
2008-09	10	-7,140	2,684	14,038
2009-10	10	-1,480	4,734	18,088
<b>Unlisted government companies</b>				
2007-08	63	-60,166	13,405	75,677
2008-09	82	-32,154	12,755	48,619
2009-10	88	58,266	12,052	47,391
<b>Total</b>				
<b>2007-08</b>	<b>70</b>	<b>-69,007</b>	<b>15,194</b>	<b>87,198</b>
<b>2008-09</b>	<b>92</b>	<b>-39,294</b>	<b>15,439</b>	<b>62,657</b>
<b>2009-10</b>	<b>98</b>	<b>56,786</b>	<b>16,786</b>	<b>65,479</b>

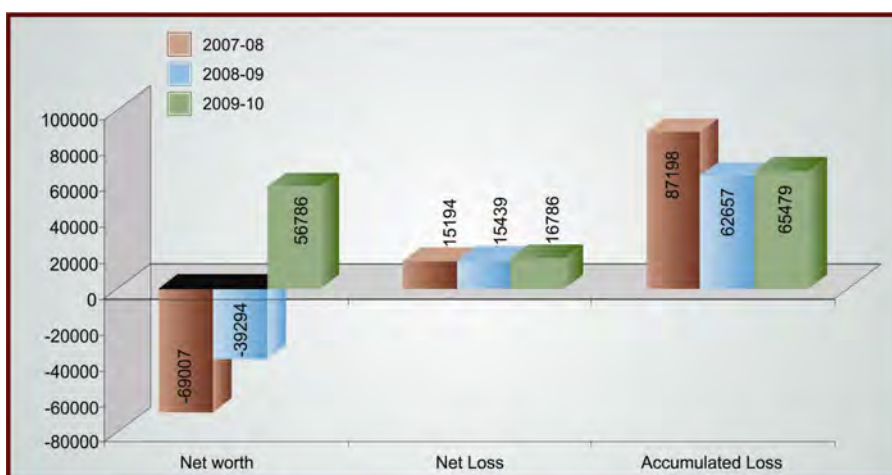
\* ₹ 21,000 only.

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

Graph 8 – Number of loss making companies



Graph 9 – Accumulated loss of companies



Accumulated losses of 98 government companies that suffered loss during 2009-10 decreased by ₹ 21,719 crore (24.90 per cent), i.e. from ₹ 87,198 crore in 2007-08 (70 companies) to ₹ 65,479 crore in 2009-10.

#### 1.4.1 Capital erosion in government companies

As on 31 March 2010, 120 government companies and corporations (including 12 listed companies) had accumulated losses of ₹ 95,777 crore. It included 27 companies (including three listed companies) and one statutory corporation, which earned profit during the current year. Equity capital of 68 government companies (out of 120) had been completely eroded. The accumulated losses in these 68 companies were ₹ 87,319 crore against equity investment of ₹ 14,521 crore as on 31 March 2010 making their combined net worth negative at ₹ 72,798 crore (Graph 10). This included seven listed companies whose accumulated losses were ₹ 15,341 crore against equity investment of ₹ 1,516 crore, making their combined net worth negative at ₹ 13,825 crore.

**Graph 10 – Accumulated loss of companies**

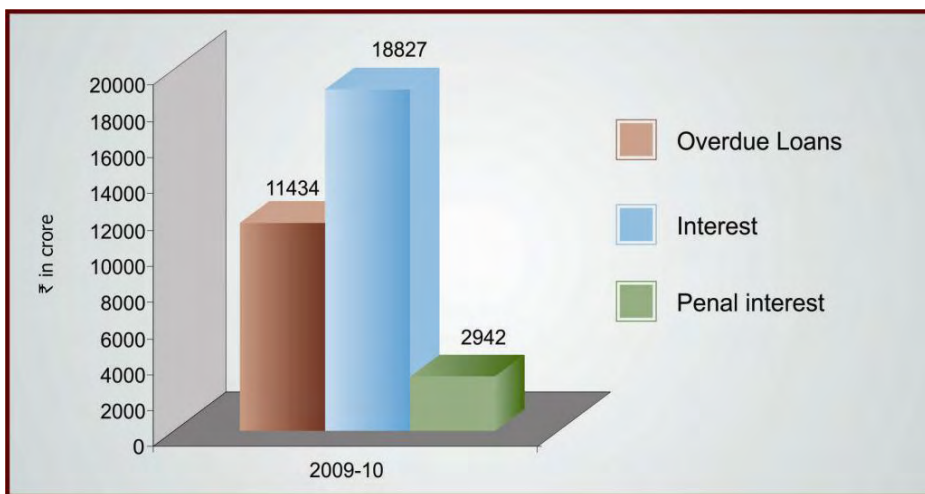


1.4.1.1 Out of 68 companies, whose capital had eroded, 14 companies earned profit during 2009-10.

**1.4.2 Government loans to capital eroded companies**

Only 34 of these 68 companies, had government loans outstanding as on 31 March 2010 which amounted to ₹ 29,904 crore, including five listed companies (₹ 2,316 crore).

**Graph 11 – Accumulated loss of companies**





1.4.2.1 The principal amount of government loan remaining unpaid on due date amounted to ₹ 11,434 crore (26 government companies out of 34 above companies) as on 31 March 2010. Interest overdue on these outstanding loans was ₹ 18,827 crore (26 government companies out of 34 above companies) and penal interest leviable for non-payment of loans on due date amounted to ₹ 2,942 crore (14 government companies out of 34 above companies).

1.4.2.2 As the capital of 34 companies was fully eroded as on 31 March 2010, the recovery of loans amounting to ₹ 29,904 crore became doubtful.

### 1.4.3 PSUs having erosion of net worth

A Company is treated as potentially sick if 50 percent of its net worth is eroded by accumulated losses. There were 120 companies and corporations with accumulated losses of ₹ 95,777 crore as at the end of March 2010. 68 companies, out of these 120 companies, registered a negative net worth with an accumulated loss of ₹ 87,319 crore (discussed in Para 1.4.1). Out of this, 52 PSUs whose net worth was positive, 20 PSUs had an accumulated loss of ₹ 5,526 crore. As net worth of these 20 PSUs was ₹ 2,526 crore at the end of 31 March 2010, the cumulative loss exceeded one-third of their net worth indicating potential sickness.

1.4.3.1 The following table lists the PSUs wherein the percentage of erosion of net worth was above 33 *per cent*.

**Table 12**

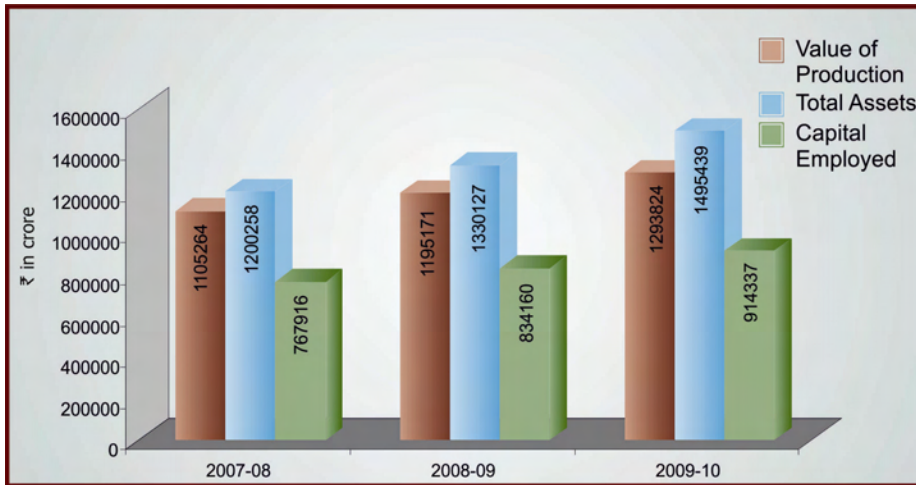
	Name of the Company	Percentage of Erosion of net worth	Profit/ Loss during 2009-10	Networth as on 31 March 2010
		(in <i>per cent</i> )	(₹ in crore)	
1	Central Electronics Limited	38.02	1.29	36.06
2	Indian Vaccines Company Limited	39.77	1.39	14.81
3	Hindustan Salts Limited	50.56	0.03	4.77
4	Sponge Iron India Limited	60.03	-31.62	40.68
5	HMT Limited	72.59	-52.81	697.24
6	Braithwaite and Company Limited	75.23	1.75	18.54

The above PSUs would become sick in a year or two if adequate measures were not taken to improve their performance.

### 1.5 Operating efficiency of government companies

The summary graph indicating the ratios of value of production to total assets and capital employed over a period of three years, as given below, indicated decrease of these ratios during 2009-10 over the previous years, though the value of production, total assets and capital employed had increased in absolute terms.

**Graph 12 – Value of Production, Assets and Capital Employed**



**Graph 13 – Ratio of Value of Production to Assets and Capital Employed**

