

Annexure

Explanatory Notes

- Subsequent to revision in Schedule VI to the Companies' Act 1956, major changes have taken place in the presentation of the balance sheet and profit and loss statements of the companies with effect from financial year 2011-12. With the availability of data in revised format for three years (*viz.*, 2010-11, 2011-12 and 2012-13), the presentation of results in different Statements has been appropriately modified in line with revision in Schedule VI and availability of data items.
- Accordingly, many variables *viz.* debt, current assets, current liabilities, short term bank borrowings, etc., have undergone computational change from the earlier ones¹ and the rates and ratios presented in these Statements for earlier years (2010-11 and 2011-12) may be at variance from those published in the studies for earlier years.
- Sales are net of 'rebates and discounts' and 'excise duty and cess'.
- 'Raw materials, components, etc., consumed' includes purchase of traded goods in the case of trading companies and consumption of stores and provisions for accommodation and food service activities.
- Remuneration to employees comprises (a) salaries, wages and bonus, (b) contribution to provident fund and (c) employees' welfare expenses.
- 'Other manufacturing expenses' include expenses like construction expenses of construction companies, operating expenses of shipping companies, etc.
- Operating expenses includes all expenses other than (i) depreciation provision, and (ii) interest expenses.
- EBITDA is the difference between value of production and operating expenses. EBIT is calculated as EBITDA plus 'other income' less 'depreciation provision'.
- Non-operating surplus / deficit comprises (a) profit / loss on account of (i) sale of fixed assets, investments, etc., (ii) revaluation / devaluation of foreign currencies, (b) provisions no longer required written back, (c) insurance claims realised (d) income or expenditure relating to the previous years and such other items of non-current nature, (e) exceptional items, (f) extraordinary items and (g) income from discontinuing operations.
- Gross saving is measured as the sum of retained profits and depreciation provision.
- Gross value added comprises (a) net value added and (b) depreciation provision.
- Net value added comprises (a) salaries, wages and bonus, (b) contribution to provident fund, (c) employees' welfare expenses, (d) managerial remuneration, (e) rent paid net of rent received, (f) interest paid net of interest received, (g) tax provision, (h) dividends paid net of dividends received and (i) retained profits net of non-operating surplus/deficit.

¹ Reference may please be made to the Annexure published with earlier studies for the earlier definitions of respective variables

- Equity or Net worth comprises (a) paid-up capital, (b) forfeited shares and (c) reserves and surplus, (d) money received against share warrants and (e) share application money pending allotment
- Capital reserves include profits on sale of investments and fixed assets.
- Other reserves include profits retained in the form of various specific reserves and profit/loss carried to balance sheet.
- Debentures include privately placed debentures with financial institutions.
- Debt comprises long-term borrowings (both secured and unsecured) from all sources including debenture / bonds, deferred payment liabilities and deposits. Prior to revision in Schedule VI, debt comprised (i) borrowings from Govt. and semi-Govt. bodies, financial institutions other than banks, and foreign institutional agencies, (ii) borrowings against mortgages and other long term securities from banks, companies and others and (iii) debentures, deferred payment liabilities and public deposits.
- Current assets and current liabilities are as defined in the Revised Schedule VI. For calculation of current ratio (current assets to current liabilities) unquoted portion of the current investment is excluded from the current assets. Prior to revision in Schedule VI, current assets included non-current portion of (i) loans and advances and other debtor balances, (ii) investments, (iii) advance of income-tax in excess of tax provision, if any, due to non-availability of separate disclosure. Similarly, current liabilities included non-current portion of (i) trade dues, (ii) tax provision in excess of advance of income-tax, if any, and (iii) other provisions.
- Quick assets comprise (a) trade receivables under current assets, (b) book value of quoted current investments and (c) cash and bank balances.
- Internal Sources: These are companies' own sources comprising paid-up capital raised from existing shareholders (e.g. issue of bonus shares), various reserves, retained profits, depreciation provision and other provisions.
- External Sources: These are other than companies' own sources comprising funds raised from capital markets, borrowed funds, trade dues and other non-current and current liabilities.
- The growth rates of all the items and data on sources and uses of funds are adjusted for revaluation, etc., wherever necessary.
- Due to rounding off of figures, the constituent items may not add up to the totals.

Industry Clarification

- Construction: Construction activity as per the International Standard Industrial Classification (ISIC) adopted in the System of National Accounts (SNA) covers contract construction by general builders, civil engineering contractors and special trade contractors. In addition to these contractual activities, in India, own account construction is also included for the purpose of estimating domestic product, due to the problem of availability of data separately. Thus construction industry includes companies engaged in all activities connected with site

preparation, alteration, addition, repair and maintenance, construction and maintenance of infrastructure (*viz.*, roads, bridges, rail beds etc.) and infrastructure projects, industrial plants and building installations and such other activities.

- Real estate: Real estate activity means (i) developing real estate and (ii) other services in relation to real estate. This includes companies engaged in buying, selling, renting and operating of self-owned or leased real estate (*viz.*, apartment building and dwellings, non-residential buildings etc.), developing and subdividing real estate, developing and sale of land and cemetery lots, operating of apartment hotels and residential mobile home sites etc.