

Finances of Large Public Limited Companies, 1999-2000*

The financial performance of selected 855 non-Government non-financial large public limited companies (each with a paid-up capital of Rs.1 crore and above) during 1999-2000 is assessed in this article based on their audited annual accounts closed during April 1999 to March 2000[#]. These companies accounted for 18.7 per cent of all non-Government non-financial public limited companies in terms of their paid-up capital as at the end of March 2000.[@]

Overview

The consolidated results of the financial performance of 855 selected large public limited companies reveal an improvement in the performance in the year 1999-2000. The growth rates of sales, value of production and profits were higher in 1999-2000 than those in the preceding year.

The sales of the selected companies rose by 12.5 per cent to Rs.2,00,649 crore in 1999-2000 as against a rise of 7.5 per cent observed in the preceding year. Value of production also recorded a growth of 13.2 per cent in the year under review (6.5 per cent in 1998-99).

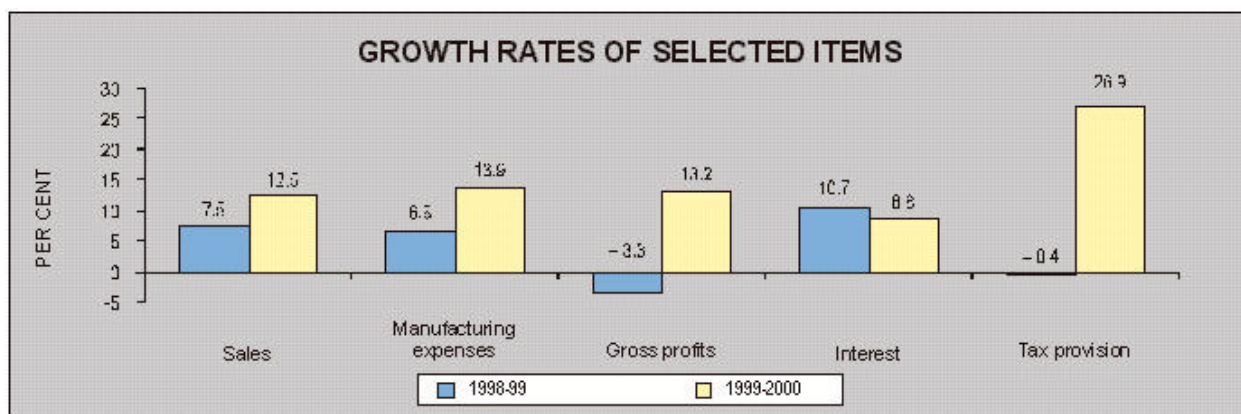
Expenses incurred towards manufacturing increased by 13.9 per cent in 1999-2000 as against a rise of 6.8 per cent in 1998-99. Gross profits rose by 13.2 per cent in 1999-2000 after a fall of 3.3 per cent in the preceding year. Outgo by way of interest payments rose by 8.8 per cent while tax provisions increased by 26.9 per cent in 1999-2000. Pre-tax and post-tax profits rose by 21.8 and 19.9 per cent respectively. Retained profits increased by 18.7 per cent in 1999-2000 after a fall of 23.7 per cent witnessed in the preceding year. The gross savings of the selected companies (sum of retained profits and depreciation) increased by 17.8 per cent in 1999-2000.

The profitability ratios reflected a moderate rise in the corporate sector as outlined above. Profit margin on sales (gross profits as percentage of sales) marginally went up by 0.1 percentage point from 11.7 per cent in 1998-99 to 11.8 per cent in 1999-2000, the return on equity (post-tax profits as percentage of net worth) increased from 6.9 per cent in 1998-99 to 7.6 per cent in 1999-2000. The effective tax rate (tax provision as percentage of pre-tax profits) rose by 1.1 percentage point to 29.2 per cent in the year under review. The ordinary dividend rate was higher at 19.3 per cent in 1999-2000 as compared to 17.0 per cent in the preceding year.

The total net assets (adjusted for revaluation) of the selected companies increased by 5.7 per cent in 1999-2000 as compared with an increase of 9.4 per cent in 1998-99. The growth of inventories was higher at 7.6 per cent in 1999-2000 as compared to the growth of 2.6 per cent in the preceding year.

The share of external funds in total funds generated by the selected companies was reduced from 58.9 per cent in 1998-99 to 45.0 per cent in 1999-2000. Share of bank borrowings in total external funds decreased from 21.4 per cent in 1998-99 to 14.1 per cent in 1999-2000. Gross capital formation as percentage of total uses of funds increased to 86.8 per cent during 1999-2000 (59.1 per cent in the preceding year).

The debt to equity came down from 66.5 per cent in 1998-99 to 64.0 per cent in 1999-2000. Inventories to sales also have moved down from 18.6 per cent in 1998-99 to 17.8 per cent in 1999-2000. The liquidity ratio (ratio of current assets to current liabilities) remained the same at 1.3 in the years 1998-99 and 1999-2000.



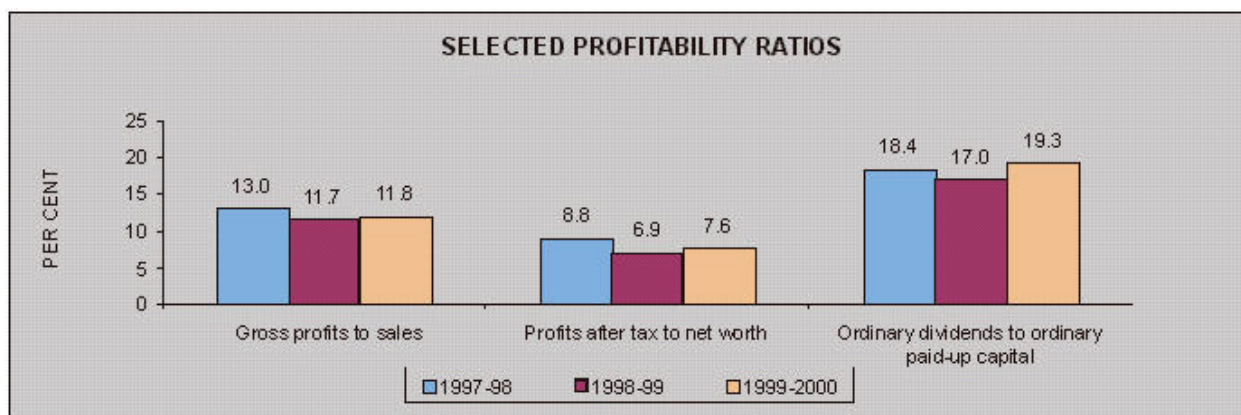
The total foreign exchange earnings of the selected companies showed substantial improvement by 14.5 per cent in 1999-2000 as against an increase of 1.3 per cent observed in the preceding year. As against this, total foreign exchange expenditure increased by 4.5 per cent in 1999-2000 as compared to a growth of 2.4 per cent in 1998-99. The share of exports in sales remained unchanged at 10.4 per cent in 1998-99 and 1999-2000.

Income and Expenditure

The total sales of the 855 selected companies amounting to Rs.2,00,649 crore registered a growth of 12.5 per cent in 1999-2000. The value of production also increased by 13.2 per cent to Rs.2,02,252 crore. 'Other income' of the selected companies grew by 10.2 per cent in 1999-2000 at Rs. 7,399 crore. In comparison, the corresponding growth rates were 7.5 per cent, 6.5 per cent and 8.0 per cent respectively in the preceding year.

On the expenditure side, manufacturing expenses increased by 13.9 per cent in 1999-2000 as against an increase of 6.8 per cent observed in the previous year.

Employees' remuneration at Rs.15,572 crore in 1999-2000 increased by 7.5 per cent in 1999-2000 as compared to 9.3 per cent in the previous year. Provision for depreciation rose by 17.5 per cent in 1999-2000 as compared to an increase of 15.3 per cent in 1998-99. The interest costs were up by 8.8 per cent at Rs. 12,671 crore in 1999-2000 as compared to an increase of 10.7 per cent in the previous year. Pre-tax, post-tax and retained profits of the selected companies increased by 21.8 per cent, 19.9 per cent and 18.7 per cent after a decline of 11.6 per cent, 15.4 per cent and 23.7 per cent respectively in 1998-99. Tax provision increased by 26.9 per cent in 1999-2000 as against a marginal decline of 0.4 per cent in 1998-99. The effective tax rate worked out to 29.2 per cent in 1999-2000.



The profit margin of the selected companies moved up fractionally from 11.7 per cent in 1998-99 to 11.8 per cent in 1999-2000. Dividend payments at Rs.3,943 crore, rose by 21.5 per cent in 1999-2000 after a decline of 0.3 per cent in 1998-99. The ordinary dividend rate was higher at 19.3 per cent in 1999-2000 as compared with 17.0 per cent in the preceding year. Profits retained to profits after tax was at 57.6 per cent in 1999-2000 (58.1 per cent in 1998-99).

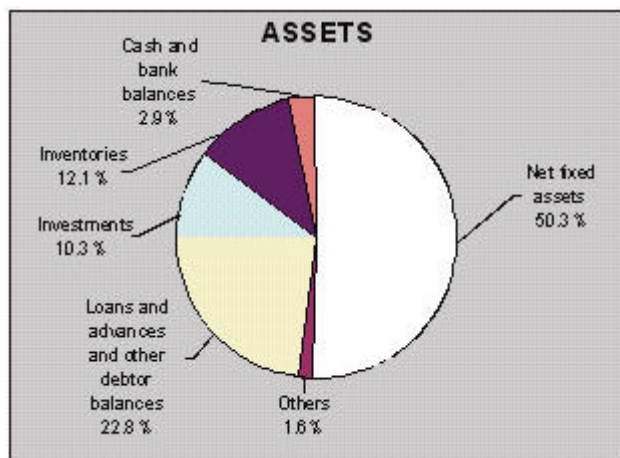
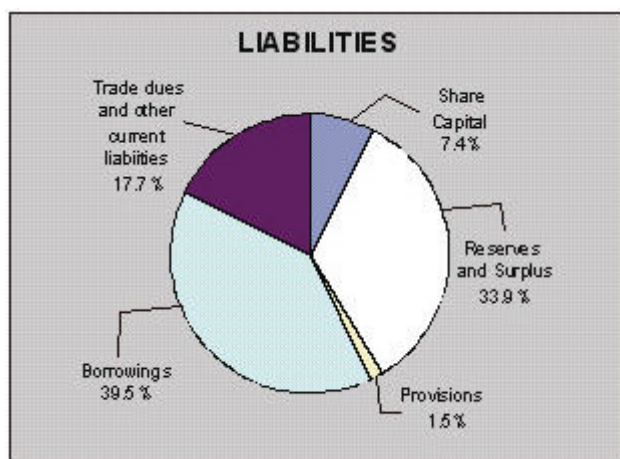
Earnings and Expenditure in Foreign Currencies

The total earnings in foreign currencies of the selected companies improved by 14.5 per cent in 1999-2000 as against 1.3 per cent rise recorded in 1998-99 ([Statement 6](#)). The growth rate in merchandise exports was 12.4 per cent in 1999-2000 as compared to 5.3 per cent in the previous year. Merchandise imports increased by 4.6 per cent in 1999-2000 in contrast to a fall of 1.3 per cent in 1998-99. The imports of raw materials increased by 19.3 per cent in 1999-2000 after experiencing a fall of 4.6 per cent in the previous year. The import of capital goods further decreased by 50.0 per cent in 1999-2000 after a fall of 14.4 per cent in the previous year. The imports in these two categories accounted for 69.9 per cent and 9.4 per cent respectively of the total merchandise imports in 1999-2000. The increase in total expenditure in foreign currencies in 1999-2000 was at 4.5 per cent as compared to 2.4 per cent in 1998-99. The net outflow in foreign currencies was Rs. 8,932 crore in 1999-2000 compared to an outflow of Rs. 10,684 crore in the preceding year.

Pattern of Assets and Liabilities

Total net assets of the selected companies increased by 5.8 per cent to Rs. 2,95,723 crore in 1999-2000 ([Statement 4](#)). After adjustment for revaluation, the growth in total net assets worked out to 9.4 per cent and 5.7 per cent respectively for 1998-99 and 1999-2000 ([Statement 1](#)). Gross fixed assets and inventories (adjusted for revaluation) grew by 10.1 per cent and 7.6 per cent respectively in 1999-2000.

PATTERN OF LIABILITIES AND ASSETS IN 1999-2000



The composition of assets and liabilities remained broadly the same as in the previous year. The share of net fixed assets and inventories in total assets increased from 49.6 per cent and 11.9 per cent in 1998-99 to 50.3 per cent and 12.1 per cent respectively in 1999-2000. The share of investments moved up from 8.9 per cent in 1998-99 to 10.3 per cent in 1999-2000. The share of quoted investments in total investments decreased from 28.4 per cent in 1998-99 to 23.7 per cent in the year under review.

Among the liabilities, reserves and surplus accounted for 33.9 per cent of total liabilities in 1999-2000 (33.2 per cent in the previous year) while the proportion of borrowings declined by 0.9 percentage points to 39.5 per cent in 1999-2000. Borrowings together with reserves and surplus accounted for 73.4 per cent of the total liabilities in 1999-2000. Debt to equity declined from 66.5 per cent in 1998-99 to 64.0 per cent in 1999-2000. The current ratio (current assets to current liabilities) remained constant at 1.3 in the years 1998-99 and 1999-2000.

Sources and Uses of Funds

The total funds raised by selected companies was of the order of Rs.25,451 crore in 1999-2000 as against Rs. 32,737 crore in the previous year. The share of external funds in financing the asset formation accounted for 45.0 per cent of the total funds (58.9 per cent in 1998-99) ([Statement 5](#)).

The share of borrowings in the external funds, decreased from 66.4 per cent in 1998-99 to 34.8 per cent in 1999-2000. The share of bank borrowing in total incremental borrowings increased from 32.1 per cent in 1998-99 to 40.4 per cent in 1999-2000. Of the funds raised from capital market during 1999-2000 amounting to Rs.3,656 crore, as much as 59.1 per cent was by way of premium on shares. Depreciation provision which formed the major component of internal resources of finance increased to Rs. 9,945 crore in 1999-2000 from Rs. 8,987 crore. Its share in internal funds increased to 71.1 per cent in 1999-2000 from 66.8 per cent in 1998-99.

The total assets formation of the selected 855 companies was of the order of Rs. 25,451 crore in 1999-2000 which was lower by Rs. 7,286 crore (22.3 per cent) compared to the level of Rs. 32,737 crore observed in 1998-99 ([Statement 5](#)). Gross capital formation amounting to Rs. 22,080 crore accounted for 86.8 per cent of total assets formation in 1999-2000. Inventory build-up was of the order of Rs. 2,517 crore as against Rs. 841 crore in 1998-99. The share of investments in total uses of funds increased to 21.3 per cent in 1999-2000 from the earlier year's level of 8.0 per cent.

Performance of Companies by Size of Sales

It is observed that companies with large sales base generally recorded better rate of growth in sales during the year under study ([Statement 7](#)). The growth in sales, merchandise exports and imports were the highest at 18.4 per cent, 21.0 per cent and 12.1 per cent respectively in 1999-2000 for companies in sales range 'Rs. 1000 crore and above'. The growth in gross profits were higher for all sales ranges of companies in 1999-2000 as compared to those in the previous year. Growth in inventories was also the highest at 10.3 per cent for companies with sales 'Rs. 1000 crore and above'. However, the growth in net worth as well as total net assets were the highest at 10.9 per cent and 10.0 per cent respectively for the companies in sales range of 'Rs. 500 crore - Rs. 1000 crore'.

It would appear that sales size has a bearing on profit margins. The profit margin on sales was the lowest at 0.7 per cent for the class of companies with sales of 'Less than Rs. 25 crore' and peaked at 13.5 per cent for companies with sales of 'Rs. 1000 crore and above' ([Statement 8](#)). Exports to sales was the highest for the companies with sales range of 'Rs. 100 crore – Rs. 500 crore' in 1999-2000. Inventory to sales was the highest at 39.5 per cent for companies with sales 'Less than Rs. 25 crore' and it gradually declined to 15.6 per cent for companies with sales range of 'Rs. 1000 crore and above'. The debt to equity was the highest at 165.4 per cent for the companies with sales of 'Less than Rs. 25 crore' and the lowest at 58.4 per cent for companies with sales of 'Rs. 1000 crore and above'.

Industry-wise Performance

Performance of the selected large public limited companies as reflected by their growth in sales and profits and selected financial ratios for selected industries/ industry groups are given in the following tables (also refer to [Statements 10](#) and [11](#)).

INDUSTRY-WISE PERFORMANCE

I. Growth Rates of Selected Items		(Per cent)					
Selected Industry/ Industry-Group	Number of Companies	Sales		Gross Profits		Profits After Tax	
		1998-99	1999-2000	1998-99	1999-2000	1998-99	1999-2000
1. Tea	11	8.2	-7.7	6.6	-48.6	7.0	-76.1
2. Sugar	10	18.8	-8.2	20.9	-43.9	128.8	#
3. Cotton/blended Textiles	42	5.9	8.7	-15.8	-1.3	-81.9	183.2
4. Silk and rayon textiles	30	3.3	13.2	-43.8	14.3	*	*
5. Engineering	268	0.8	9.8	-17.4	12.7	-51.5	22.0
Of which,							
(a) Motor vehicles	37	-0.3	20.6	-15.7	25.8	-16.8	19.7
(b) Electrical machinery, apparatus, appliances, etc.	79	7.9	4.9	18.2	-2.4	33.2	-24.5
(c) Machinery other than transport and electricals	72	-4.7	2.8	-17.6	2.4	-40.5	8.5
(d) Foundries and engineering workshops	37	-2.0	-1.1	-64.2	-25.5	#	*
(e) Ferrous/ non-ferrous metal products	38	-2.1	0.1	-29.0	48.4	#	&
6. Chemical and chemical products	157	10.4	11.3	-5.1	12.1	-13.2	16.9
Of which,							
(a) Medicines and pharmaceutical preparations	40	6.1	7.7	10.8	20.0	16.1	35.7
(b) Basic industrial chemicals	72	11.1	13.7	-12.0	1.7	-22.6	-10.1
(c) Chemical fertilizers	11	23.8	20.1	-9.5	1.1	-1.2	-24.9
7. Cement	16	-4.3	14.4	58.5	-3.7	&	#
8. Rubber and rubber Products	13	2.5	9.2	24.8	3.7	68.3	9.5
9. Paper and paper Products	27	1.5	12.0	-74.9	&	*	*
10. Construction	10	29.4	11.7	17.0	31.1	28.3	20.6
11. Information Technology	16	29.8	41.0	48.5	44.9	81.7	42.5
12. Trading	31	7.5	12.1	11.2	30.9	65.1	122.3
13. Electricity generation and supply	8	15.2	20.2	20.2	10.8	28.0	32.8
14. Diversified Companies	9	11.1	22.5	3.5	41.4	-2.3	42.5
All Companies	855	7.5	12.5	-3.3	13.2	-15.4	19.9

Numerator negative or nil or negligible.

& Denominator negative or nil or negligible.

* Numerator and denominator both negative or nil.

II. Selected Financial Ratios		(Per cent)					
Selected Industry/ Industry-Group	Number of Companies	Profit Margin		Effective Tax Rate		Debt to equity	
		1998-99	1999-2000	1998-99	1999-2000	1998-99	1999-2000
1. Tea	11	16.9	9.4	36.0	57.1	18.7	19.8
2. Sugar	10	12.6	7.7	32.2	#	65.9	94.3
3. Cotton/blended textiles	42	8.7	7.9	36.1	22.9	73.1	74.8
4. Silk and rayon textiles	30	4.8	4.8	#	#	111.5	114.9
5. Engineering	268	9.5	9.7	46.1	45.3	66.6	64.8
Of which,							
(a) Motor vehicles	37	10.5	11.0	29.0	29.9	41.4	35.6
(b) Electrical machinery,							

apparatus, appliances, etc.	79	11.0	10.3	23.3	30.7	55.9	56.4
(c) Machinery other than transport and electricals	72	10.6	10.6	51.6	48.5	38.4	29.1
(d) Foundries and engineering workshops	37	4.3	3.2	#	#	148.3	188.7
(e) Ferrous/ non-ferrous metal products	38	7.3	10.8	#	68.9	102.8	95.6
6. Chemicals	157	13.5	13.6	22.0	23.4	72.9	63.5
Of which,							
(a) Medicines and pharmaceutical preparations	40	14.5	16.2	27.8	26.9	37.0	33.7
(b) Basic industrial chemicals	72	14.1	12.6	15.9	19.2	83.2	72.0
(c) Chemical fertilizers	11	15.8	13.3	13.8	18.1	104.7	80.5
7. Cement	16	6.6	5.5	82.6	#	141.2	152.8
8. Rubber and rubber Products	13	10.6	10.1	33.4	28.9	58.1	56.8
9. Paper and paper Products	27	1.2	4.8	#	#	99.4	105.3
10. Construction	10	8.8	10.3	25.0	24.1	141.3	159.5
11. Information Technology	16	19.7	20.3	3.8	8.9	18.9	6.4
12. Trading	31	5.0	5.8	20.2	10.3	58.5	59.9
13. Electricity generation and supply	8	23.4	21.6	24.6	22.5	72.8	66.4
14. Diversified Companies	9	9.9	11.4	12.0	10.3	49.6	48.6
All Companies	855	11.7	11.8	28.1	29.2	66.5	64.0

Denominator negative or nil or negligible.

It may be observed that the industries like Information Technology (41.0 per cent), Electricity generation (20.2 per cent), Chemical fertilizers (20.1 per cent) and Diversified companies (22.5 per cent) recorded better growth in their sales during 1999-2000. Turning to gross profits, significant improvement over the year was registered by Information Technology (44.9 per cent), Diversified companies (41.4 per cent), construction (31.1 per cent) and trading (30.9 per cent) industries. On the other hand, gross profits of industries like Tea (-48.6 per cent), Sugar (-43.9 per cent) and Foundries (-25.5 per cent) declined sharply in 1999-2000. The selected companies belonging to Information Technology posted increase of 50.5 per cent and 42.5 per cent in their pre-tax and post-tax profits, respectively during 1999-2000 and the profit margin on sales was 20.3 per cent.

* Prepared in the Company Finances Division of the Department of Statistical Analysis and Computer Services.

Reference may be made to the March, 2000 issue of the Reserve Bank of India Bulletin for the previous study.

@ Based on data as on 31st March 2000 supplied by the Department of Company Affairs, Government of India.

[Statement 1: Growth Rates of The Selected Items of The Selected 855 Large Public Limited Companies, 1997-98 to 1999-2000](#)

[Statement 2: Selected Financial Ratios of The Selected 855 Large Public Limited Companies, 1997-98 to 1999-2000](#)

[Statement 3: Combined Income, Value of Production, Expenditure and Appropriation Account of The Selected 855 Large Public Limited Companies, 1997-98 to 1999-2000](#)

[Statement 4: Combined Balance Sheet of The Selected 855 Large Public Limited Companies, 1997-98 to 1999-2000](#)

[Statement 5: Sources and Uses of Funds of The Selected 855 Large Public Limited Companies, 1998-99 and 1999-2000](#)

[Statement 6: Earnings and Expenditure in Foreign Currencies of The Selected 855 Large Public Limited Companies, 1997-98 to 1999-2000](#)

[Statement 7 : Growth Rates of The Selected Items of The Selected 855 Large Public Limited Companies According to Size of Sales, 1998-99 and 1999-2000](#)

[Statement 8: Selected Financial Ratios of The Selected 855 Large Public Limited Companies According to Size of Sales, 1997-98 to 1999-2000](#)

[Statement 9: Selected Financial Ratios of The Selected 855 Large Public Limited Companies According to Size of Paid-up Capital, 1997-98 to 1999-2000](#)

[Statement 10: Growth Rates of The Selected Items of The Selected 855 Large Public Limited Companies, Industry-Wise, 1998-99 and 1999-2000](#)

[Statement 11: Selected Financial Ratios of The Selected 855 Large Public Limited Companies, Industry-Wise, 1997-98 to 1999-2000](#)

[Appendix](#)