Finances of Public Limited Companies, 2000-01*

This article presents the financial performance of selected 1,927 non-Government, non-financial public limited companies during 2000-01, based on their audited annual accounts, closed during April 2000 to March 2001#. The selected companies pertain to all size classes, small and big, classified by size of paid-up capital. These companies accounted for 23.0 per cent of all non-Government, non-financial public limited companies in terms of their paid-up capital as at the end of March 2001@

Overview

The consolidated results of the selected public limited companies revealed decelerated performance viewed from the growth rates in important items (Table 1) during the year 2000-01, compared to the performance in general during 1999-2000. Gross value added of the selected companies grew only by 8.3 per cent during 2000-01 compared with 9.3 per cent recorded in the preceding year. Gross saving grew only by 8.0 per cent during the year as against 15.2 per cent during 1999-2000. On the other hand, gross capital formation of the selected companies declined by about 27.0 per cent during the year under review. The net worth of the selected companies grew only by 4.3 per cent in 2000-01 which is almost half of the growth rate witnessed in the preceding year. The internal sources of funds recorded an increased share in total sources of funds (59.6 per cent) mainly due to increase in dividend provisions. The external funds accounted for a lower share of 40.4 per cent in total sources of funds for the year 2000-01 as against 59.7 per cent in the previous year. The decline was mainly due to the fall in the quantum of paid-up capital raised and also the borrowings from various credit agencies during the year. The capital raised by the selected companies accounted for about 10.3 per cent of the total sources of funds in 2000-01 (21.9 per cent in 1999-2000) and total borrowings at 10.7 per cent during the year (20.1 per cent in 1999-2000). The share of gross fixed assets formation in total uses of funds also declined to 48.9 per cent in 2000-01 from 53.4 per cent in the previous year.

Table - 1: Growth Rates of Selected Items

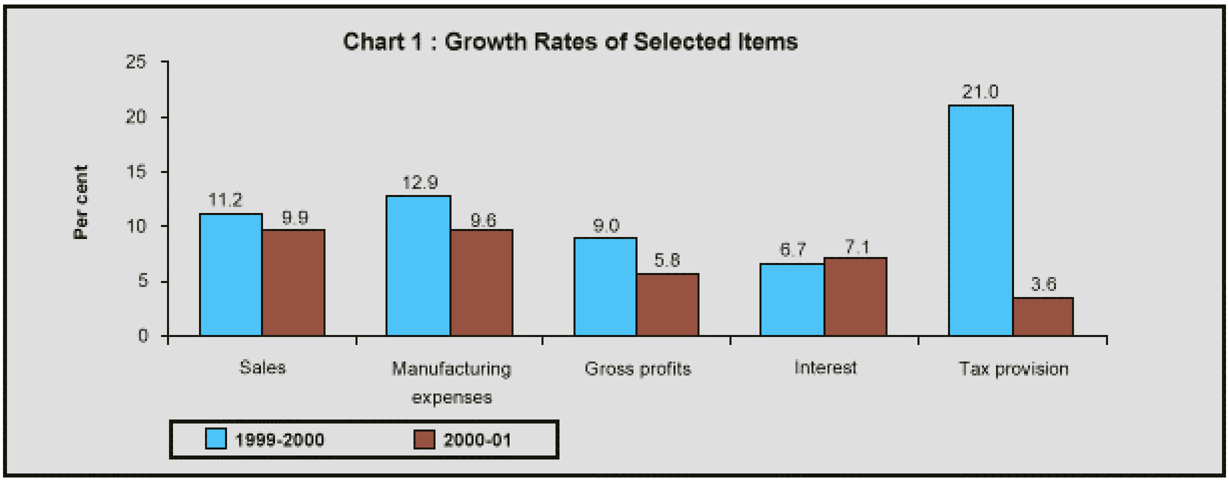
(Per cent)

Item	1999-00	2000-01
Sales *	11.2	9.9
Value of production	12.0	9.7
Manufacturing expenses	12.9	9.6
Gross profits	9.0	5.8
Interest	6.7	7.1
Profits before tax	16.7	6.7
Tax provision	21.0	3.6
Profits after tax	14.7	8.3
Dividends	15.9	5.9
Profits retained	13.4	10.9
Gross value added	9.3	8.3
Gross saving	15.2	8.0

***** Net of 'Rebates and discounts' and 'Excise duty and cess'.

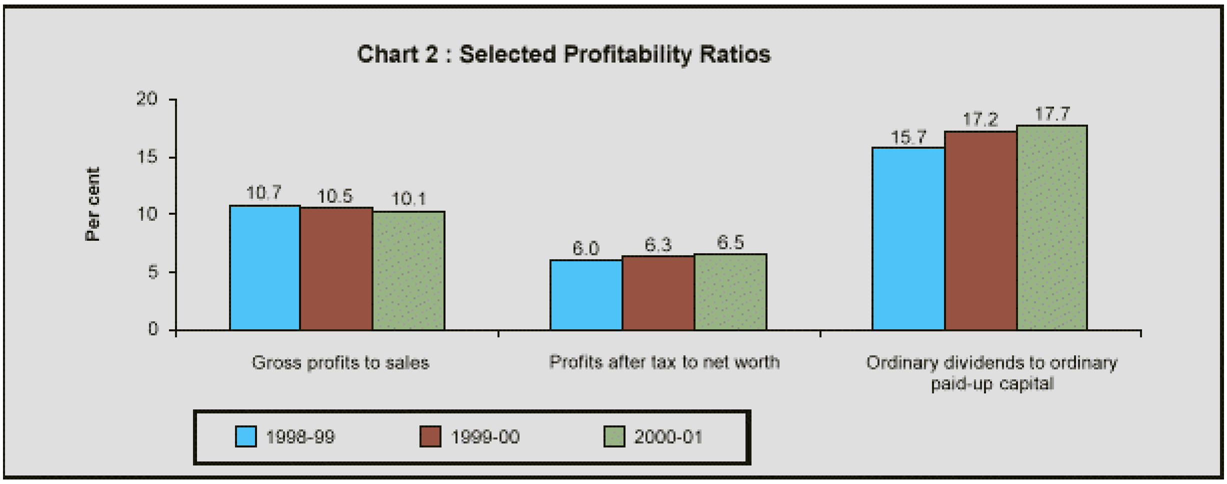
Income and Expenditure

The total sales of the 1,927 selected companies amounting to Rs.3,12,961 crore, registered a growth of 9.9 per cent in 2000-01 as against 11.2 per cent in the previous year (Table 1, also Statement 3). The value of production increased by 9.7 per cent in 2000-01 at Rs.3,15,313 crore compared with 12.0 per cent in 1999-2000.



On the expenditure side, manufacturing expenses increased by 9.6 per cent in 2000-01 as against an increase of 12.9 per cent recorded in the previous year. Employees' remuneration at Rs.25,558 crore in 2000-01 increased by 9.0 per cent as compared to 7.9 per cent in the previous year. Provision for depreciation rose only by 7.1 per cent in 2000-01 as compared to an increase of 15.8 per cent in 1999-2000. The cost of funds, *viz.*, interest payments, was up by 7.1 per cent at Rs.19,044 crore in 2000-01 as compared to an increase of 6.7 per cent in the previous year. While the pre-tax profits increased by 6.7 per cent during 2000-01, the post-tax profits increased at a higher rate of 8.3 per cent primarily because of the lower growth of 3.6 per cent in tax provision during the year. The tax provision increased substantially by 21.0 per cent during 1999-2000. The effective tax rate (tax provision as percentage of profits before tax) worked out to 32.3 per cent in 2000-01 indicating a decline of 0.9 percentage point over the effective tax rate witnessed in the preceding year. Dividend payments at Rs.5,448 crore, rose by 5.9 per cent in 2000-01 after an increase of 15.9 per cent in 1999-2000. The profits retained by the selected companies, recorded an increase of 10.9 per cent during 2000-01 as against the growth of 13.4 per cent in the preceding year.

The profit margin of the selected companies (gross profits as percentage of sales) decreased marginally from 10.5 per cent in 1999-2000 to 10.1 per cent in 2000-01 (Statement 2). The ordinary dividend rate (ordinary dividends as percentage of ordinary paid-up capital) was slightly higher at 17.7 per cent in 2000-01 compared with 17.2 per cent in the preceding year. The retention ratio, *viz.*, profits retained as percentage of profits after tax, marginally increased to 48.8 per cent in 2000-01 from 47.6 per cent in 1999-2000. The return on equity (post tax profits as percentage of net worth) increased to 6.5 per cent in 2000-01 from 6.3 per cent in 1999-2000.



Earnings and Expenditure in Foreign Currencies

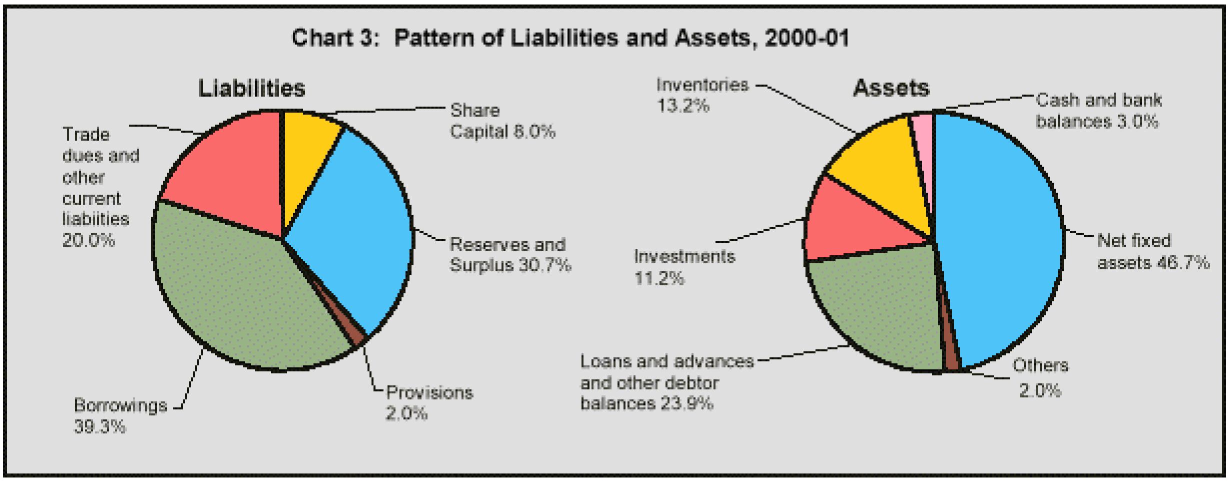
The total earnings in foreign currencies of the selected companies grew by 25.8 per cent in 2000-01 over the growth of 14.1 per cent recorded in 1999-2000 (Statement 6). The merchandise exports, valued at Rs.39,361 crore, grew by 22.0 per cent in 2000-01 compared to 14.5 per cent recorded in the previous year. The total expenditure in foreign currencies in 2000-01, grew by 11.1 per cent compared with 8.5 per cent in 1999-2000. The value of merchandise imports amounted to Rs.41,791 crore, registered an increase of 9.9 per cent in 2000-01 compared with the increase of 7.5 per cent in 1999-2000. The imports of raw materials increased by 19.9 per cent in 2000-01 over and above an increase of 25.0 per cent in the previous year. The imports of capital goods decreased further by 23.8 per cent in 2000-01 after a steep fall of 41.0 per cent recorded in the previous year.

The imports of these two categories, respectively, accounted for 78.0 per cent and 6.9 per cent of the total merchandise imports in 2000-01. The net outflow in foreign currencies for the selected companies recorded a steep fall to Rs.2,148 crore in 2000-01 from Rs.7,296 crore in the preceding year, which was also lower than the net outflow of Rs.8,579 crore in 1998-99. The decline in the net outflow, is mainly due to the low growth in imports during these two years.

Liabilities and Assets

Total liabilities / assets (unadjusted) of the selected companies increased by 4.5 per cent to Rs.4,23,449 crore in 2000-01 (Statement 4). After adjustment for revaluation, the growth in total net assets worked out to 4.4 per cent in 2000-01 (7.2 per cent in 1999-2000) (Statement 1). Gross fixed assets and inventories (adjusted for revaluation) grew by 5.3 per cent and 6.8 per cent, respectively, in 2000-01 compared to 8.1 per cent and 8.5 per cent, respectively, in 1999-2000.

The composition of assets and liabilities remained broadly the same as in the previous year. Among the liabilities, reserves and surplus accounted for 30.7 per cent of total liabilities in 2000-01 (30.6 per cent in the previous year) while the total outstanding borrowings accounted for major share at 39.3 per cent in 2000-01 albeit it declined by 1.0 percentage point over its share in the previous year. Borrowings together with reserves and surplus accounted for 70.0 per cent of the total liabilities in 2000-01. Debt-equity ratio declined from 68.4 per cent in 1999-2000 to 67.0 per cent in 2000-01. The share of Trade dues and other current liabilities in total liabilities increased from 19.4 per cent in 1999-2000 to 20.0 per cent in 2000-01. Of these current liabilities, the share of sundry creditors increased marginally, from 62.7 per cent in 1999-2000 to 63.5 per cent in 2000-01. The current ratio (current assets to current liabilities) remained the same at 1.2 in the years 1999-2000 and 2000-01.



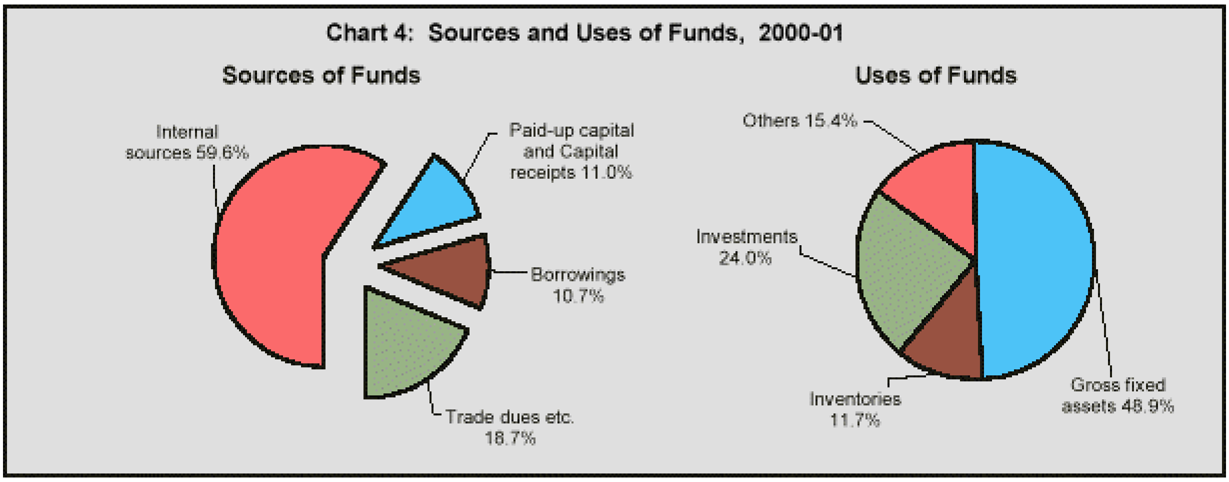
The share of net fixed assets in total assets decreased from 48.2 per cent in 1999-2000 to 46.7 per cent in 2000-01. The share of inventories in total assets increased marginally from 12.9 per cent in 1999-2000 to 13.2 per cent in 2000-01. The share of loans and advances and other debtor balances remained unchanged in the years 1999-2000 and 2000-01; and of these balances, sundry debtors accounted for a higher share at 53.8 per cent in 2000-01 compared with 52.7 per cent in 1999-2000. The share of investments in total assets moved up from 10.0 per cent in 1999-2000 to 11.2 per cent in 2000-01. Of these investments, the quoted investments accounted for 30.0 per cent in the year under review as against 23.7 per cent in 1999-2000. The selected companies also invested in foreign securities, albeit with a small share of 1.4 per cent of their total investments (5.7 per cent in 1999-2000). The composition of liabilities and assets are depicted in Chart 3.

Sources and Uses of Funds

The total funds raised by the selected companies were of the lower order at Rs.30,503 crore in 2000-01 as against Rs.39,673 crore in the previous year. The share of external funds in total funds generated by the selected companies declined from 59.7 per cent in 1999-2000 to 40.4 per cent in 2000-01 (Statement 5).

The share of borrowings in total sources of funds steeply declined from 20.1 per cent in 1999-2000 to 10.7 per cent in 2000-01. The share of borrowings from banks in total incremental borrowings increased from 41.7 per cent in 1999-2000 to 64.2 per cent in 2000-01. The share of bank borrowings in external funds increased from 14.0 per cent in 1999-2000 to 17.0 per cent in 2000-01. Of the total equity capital raised from capital market, by the selected companies, during 2000-01, which amounted to Rs.3,128 crore, as much as 73.4 per cent was by way of premium on shares. The amount raised through net issues steeply declined from Rs.2,149 crore in 1999-

2000 to Rs.832 crore in 2000-01. Depreciation provision which formed the major component of internal sources of funds, contributed Rs.12,534 crore in 2000-01, slightly lower than Rs.12,592 crore provided in 1999-2000. Its share in internal funds declined to 69.0 per cent in 2000-01 from 78.9 per cent in 1999-2000. Accretion to reserves and surplus was of a lower order at Rs.3,201 crore in 2000-01 as against Rs.3,607 crore during 1999-2000.



Gross capital formation of the selected companies amounted to Rs.18,477 crore during 2000-01, which accounted for 60.6 per cent of total assets formation during the year compared with 63.7 per cent in the previous year. The gross fixed assets formation, however, declined in terms of magnitude, to Rs.14,912 crore in 2000-01 from Rs.21,190 crore in 1999-2000. Inventory built-up was also lower at Rs.3,565 crore in 2000-01 as against Rs.4,101 crore in 1999-2000. The share of investments in total uses of funds declined to 24.0 per cent in 2000-01 from the previous year's share of 25.5 per cent.

Performance of Companies by Size of Sales

It is observed that companies with large sales base generally recorded higher rate of growth in sales as also in net worth during the year under review than the other class of companies (Statement 7). The growth in sales was the highest at 13.5 per cent in 2000-01 for companies in sales range 'Rs.1000 crore and above' as against less than 1.0 per cent growth for companies in the sales range of 'Rs.25 crore - Rs.50 crore'. The gross profits and profits before tax recorded high growth rates at 12.9 per cent and 16.2 per cent, respectively, in the year 2000-01 for companies with sales 'Rs.1000 crore and above'. The total net assets recorded the highest growth rate at 6.7 per cent for the companies in sales range of 'Rs.100 crore-Rs.500 crore'. The growth in inventories as well as borrowings from banks were the highest at 9.5 per cent and 10.4 per cent, respectively, for the companies in sales range of 'Rs.25 crore- Rs.50 crore'. The growth in total borrowings was, however, the highest for the companies in sales range of 'Rs.100 crore-Rs.500 crore' at 6.5 per cent.

It is of general view that sales size has a bearing on profit margin. The results indicated increasing profit margin with increase in size class of companies measured through sales (Statement 8). The profit margin on sales was at 4.3 per cent for the companies with sales range

‘Rs.25 crore-Rs.50 crore’ and stood at 12.6 per cent for companies with sales range of ‘Rs.1000 crore and above’. Exports to sales was the highest at 14.5 per cent for the companies with sales range of ‘Rs.100 crore – Rs.500 crore’ in 2000-01. Inventories to sales was the highest at 31.2 per cent for companies with sales ‘Less than Rs.25 crore’ and it gradually declined to 14.8 per cent for companies with sales range of ‘Rs.1000 crore and above’. The debt-equity ratio was the highest at 142.4 per cent for the companies with sales of ‘Less than Rs.25 crore’ and the lowest at 60.2 per cent for companies with sales of ‘Rs.500 crore - Rs.1000 crore’. The retention ratio (retained profits to profits after tax) was the highest at 63.1 per cent for companies in sales class of ‘Rs.1000 crore and above’. However, no specific pattern is observed in this ratio when the companies are viewed by the size of their paid-up capital.

Industry-wise Performance

Performance of the selected companies as reflected by their growth in sales and profits, and selected financial ratios, classified according to their industrial activity are given, for selected industries in Table 2 (Details are given in Statements 10 and 11). The industrial classification of the companies has been revised from this study onwards subsequent to the introduction of the National Industrial Classification-1998.

Table 2: Industry-wise Performance

A. Growth Rates of Selected Items

(Per cent)

Selected Industry/ Industry-Group	Number of Companies	Sales *		Gross Profits		Profits After Tax	
		1999-00	2000-01	1999-00	2000-01	1999-00	2000-01
1. Tea Plantations	60	-0.5	-7.0	-18.7	-40.4	-21.9	-59.7
2. Mining and Quarrying	21	-8.8	6.0	-43.6	68.5	105.8	-12.1
3. Food Products and Beverages	128	2.1	11.7	-6.9	12.1	0.7	-0.4
Of which :							
Sugar	27	-8.6	8.9	-24.3	26.4	-65.5	-71.1
Edible oils and oil cakes	33	3.9	17.5	8.1	16.6	&	#
4. Cotton Textiles	115	7.9	2.7	-4.3	12.5	-2.8	42.6
5. Man-made Textiles	75	7.5	10.8	1.5	-70.6	&	&
6. Paper and Paper Products	53	13.4	21.1	134.1	68.8	&	#
7. Chemicals and chemical products	275	10.4	8.0	5.4	-6.7	27.3	-6.8
Of which :							
Basic Chemicals	45	5.5	11.1	-10.4	22.1	&	&
Chemical fertilizers and pesticides	35	11.7	-0.6	-15.5	-35.7	4.1	-64.2
Paints and Varnishes	28	11.9	13.5	8.2	7.3	-6.2	18.1
Pharmaceuticals and Medicines	84	10.4	8.9	27.9	5.3	57.2	8.1
8. Rubber and Plastic Products	75	5.8	4.1	6.5	-25.9	59.1	-69.2
Of which :							
Plastic products	45	3.8	16.4	23.6	-7.1	#	-45.1
9. Cement and Cement Products	47	5.3	7.5	-25.1	23.5	&	&
10. Iron and Steel	51	8.2	16.6	19.2	19.8	152.5	-93.3
11. Fabricated Metal Products except Machinery and Equipments	77	2.8	0.4	-31.4	72.2	&	&
12. Machinery and Machine Tools	151	7.0	4.0	19.4	-23.3	155.5	-63.5
13. Electrical Machinery and Apparatus	96	3.8	-0.1	-18.9	-17.3	-63.1	29.7
14. Radio, Television and Communication Equipments and Apparatus.	29	24.8	8.2	28.3	-4.3	#	-26.5
15. Motor Vehicles and other transport equipments	82	16.0	0.1	20.6	-49.4	20.2	-88.2

16. Diversified	15	16.7	23.9	30.8	25.0	19.4	40.9
17. Electricity Generation and Supply	8	20.1	9.3	11.3	6.0	16.7	1.3
18. Construction	34	30.0	8.9	19.7	15.8	33.1	35.7
19. Wholesale and Retail Trade	62	18.5	0.8	-5.6	-1.2	17.6	-22.0
20. Hotels and Restaurants	39	-3.4	13.7	-14.2	7.6	-25.6	11.5
21. Transport, Storage and Communications	37	9.6	15.1	-3.5	75.7	#	#
22. Computer and Related Activities	36	30.6	56.5	31.6	55.9	38.6	46.0
All Companies	**1,927**	**11.2**	**9.9**	**9.0**	**5.8**	**14.7**	**8.3**

Table 2: Industry-wise Performance *(Concld.)*

B. Selected Financial Ratios

(Per cent)

Selected Industry/ Industry-Group	Number of Companies	Profit Margin		Effective Tax Rate		Debt to equity	
		1999-00	2000-01	1999-00	2000-01	1999-00	2000-01
1. Tea Plantations	60	17.7	11.4	33.7	40.8	18.6	20.3
2. Mining and Quarrying	21	8.2	13.1	61.1	58.9	158.6	195.4
3. Food Products and Beverages	128	5.9	5.9	42.9	47.0	52.7	48.3
Of which :							
Sugar	27	9.0	10.5	52.2	79.0	65.7	62.5
Edible oils and oil cakes	33	2.8	2.8	116.3	33.8	60.2	60.1
4. Cotton Textiles	115	6.2	6.8	38.9	24.9	66.7	74.0
5. Man-made Textiles	75	2.8	0.8	#	#	156.8	229.2
6. Paper and Paper products	53	6.8	9.5	#	23.9	81.6	73.5
7. Chemicals and chemical products	275	11.3	9.8	27.9	30.0	62.8	62.3
Of which :							
Basic Chemicals	45	4.6	5.1	#	#	116.2	148.2
Chemical fertilizers and pesticides	35	10.1	6.5	17.0	29.5	79.3	79.0
Paints and Varnishes	28	11.5	10.9	27.0	27.3	37.8	41.8
Pharmaceuticals and Medicines	84	15.5	15.0	23.0	25.8	21.7	19.8
8. Rubber and Plastic products	75	11.6	8.2	29.3	50.0	75.1	77.1
Of which :							
Plastic products	45	12.6	10.0	36.2	50.7	94.7	96.4
9. Cement and Cement Products	47	6.1	7.1	#	209.5	142.4	142.3
10. Iron and Steel	51	11.5	11.8	32.7	87.1	148.1	163.6
11. Fabricated Metal Products except Machinery and Equipments	77	3.7	6.4	#	#	148.9	187.5
12. Machinery and Machine Tools	151	9.0	6.7	40.6	64.8	40.5	37.2
13. Electrical Machinery and Apparatus	96	7.4	6.1	55.9	51.2	47.3	41.8
14. Radio, Television and Communication Equipments and Apparatus.	29	8.1	7.2	29.4	31.8	75.6	77.6
15. Motor Vehicles and other transport equipments.	82	9.6	4.8	29.5	62.0	37.2	40.4
16. Diversified	15	11.7	11.8	20.4	20.0	43.6	36.2
17. Electricity Generation and Supply	8	19.9	19.3	15.7	10.6	77.9	59.7
18. Construction	34	10.0	10.6	31.7	22.0	83.5	89.6
19. Wholesale and Retail Trade	62	3.6	3.6	17.8	22.2	22.1	25.2
20. Hotels and Restaurants	39	22.6	21.4	20.6	20.4	44.4	42.6
21. Transport, Storage and Communications	37	9.6	14.7	56.0	20.2	99.0	79.5
22. Computer and Related Activities	36	27.9	27.8	9.4	9.3	21.2	18.8
All Companies	**1,927**	**10.5**	**10.1**	**33.2**	**32.3**	**68.4**	**67.0**

* Net of 'rebates and discounts' and 'excise duty and cess'.

\# Denominator is negative or nil or negligible.

& Both numerator and denominator are negative or nil or negligible.

It may be observed that the industries like Computer and related activities (56.5 per cent), Diversified (23.9 per cent) and Paper and paper products (21.1 per cent) recorded high growth rates in their sales while a few industries like Tea plantations, Chemical fertilizers and pesticides, Electrical machinery and apparatus recorded negative growth in their sales during

2000-01. Turning to gross profits, significant improvement over the year was registered by Transport, storage and communications (75.7 per cent), Fabricated metal products except machinery and equipments (72.2 per cent) and Paper and paper products (68.8 per cent) industries. On the other hand, gross profits of industries like Man-made textiles ((-)70.6 per cent), Motor vehicles and other transport equipments ((-) 49.4 per cent), Tea ((-)40.4 per cent) and Chemical fertilizers and pesticides ((-)35.7 per cent) declined sharply in 2000-01. The selected companies belonging to Computer and related activities posted an increase of 46.0 per cent in their post-tax profits in 2000-01 and the profit margin on sales was high at

27.8 per cent. Debt to equity was low around 20.0 per cent in the year 2000-01 in respect of industries like Tea plantations, Pharmaceuticals and medicines, and Computer and related activities. In respect of a few industries like Iron and Steel, Cement and cement products, etc., the debt to equity was more than 100 per cent.

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

 # Reference may be made to the June, 2001 issue of the Reserve Bank of India Bulletin for the previous study.

@ Based on provisional data as on March 31, 2001 supplied by the Department of Company Affairs, Government of India.