

Finances of Public Limited Companies, 2001-02*

The financial performance of 2,024 selected non-Government non-financial public limited companies during 2001-02 is assessed in this article based on their audited annual accounts closed during the period April 2001 to March 2002¹. The selected companies accounted for 23.0 per cent of the total paid-up capital (PUC) of all non-Government non-financial public limited companies as at the end of March 2002². The data are presented at an aggregate level, industry level and according to size-classes of PUC and sales of the selected companies. In the case of companies, which either extended or shortened their accounting year, their income, expenditure and appropriation account figures have been annualised. The balance sheet data, however, have been retained as presented in the annual accounts of the companies.

The financial performance of 2,024 selected companies in private corporate business sector revealed decelerated growth rates in respect of important items (Table 1) during the year 2001-02. The growth in sales, value of production, manufacturing expenses, Interest, Profit after tax, Gross savings, Net worth and Gross fixed assets were lower in 2001-02 than those in 2000-01. Internal funds played an important role in financing the asset formation in the year 2001-02. The share of gross capital formation to total uses of funds recorded a decline in the year 2001-02, which is mainly due to fall in inventory formation during the year under review.

Income and expenditure

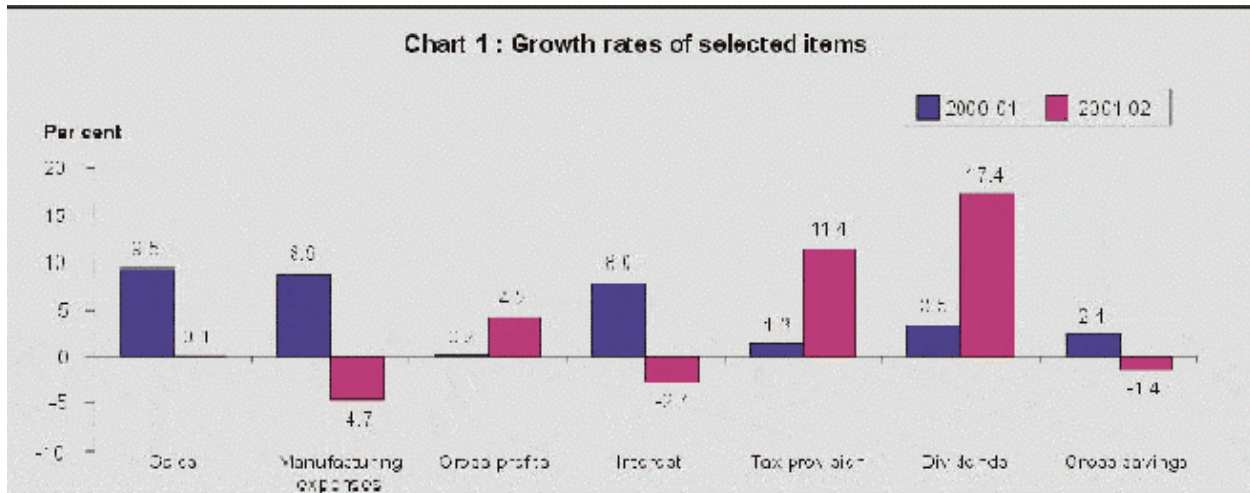
The total sales of the 2,024 selected companies amounting to Rs.3,49,059 crore registered a growth of 0.1 per cent in 2001-02 (Table 1, also Statement 3). The value of production decreased by 0.8 per cent in 2001-02 to Rs.3,47,871 crore. Other income of the selected companies declined by 15.9 per cent in 2001-02 to Rs. 9,257 crore, as against a growth of 6.6 per cent witnessed in 2000-01.

Table 1 – Growth rates of selected items

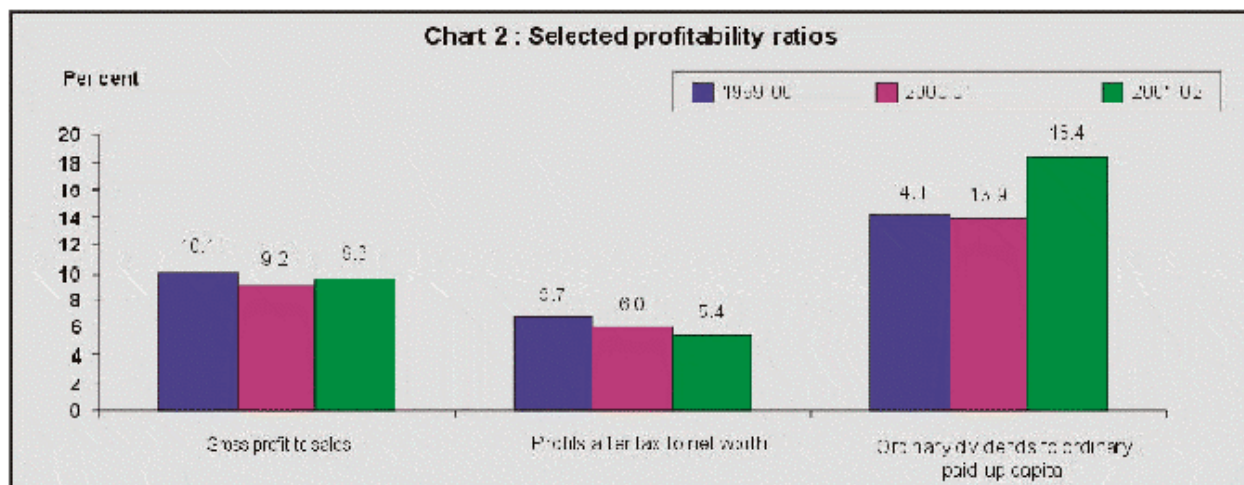
Item	(Per cent)	
	2000-01	2001-02
Sales **	9.5	0.1
Value of Production	8.7	-0.8
Manufacturing Expenses	8.9	-4.7
Gross profits	0.2	4.2
Interest	8.0	-2.7
Profits before Tax	-4.3	-2.7
Tax provision	1.3	11.4
Profits after tax	-6.7	-9.0
Dividends	3.5	17.4
Profits retained	-16.6	-41.0
Gross savings	2.4	-1.4
Net worth @	4.5	-1.9
Gross fixed assets @	5.8	5.1

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

@ Adjusted for revaluation, etc.



On the expenditure side, manufacturing expense declined by 4.7 per cent in 2001-02 as against an increase of 8.9 per cent observed in the previous year. Employees' remuneration increased by 7.7 per cent in 2001-02 as compared to the increase of 9.7 per cent in the previous year. Provision for depreciation rose by 9.3 per cent in 2001-02 as compared to an increase of 9.0 per cent in 2000-01. The interest costs declined by 2.7 per cent to Rs.19,782 crore in 2001-02 as compared to an increase of 8.0 per cent in the previous year. Pre-tax, post-tax and retained profits of the selected companies declined by 2.7 per cent, 9.0 per cent and 41.0 per cent in 2001-02 over and above a fall of 4.3 per cent, 6.7 per cent and 16.6 per cent, respectively, in 2000-01. Tax provision recorded an increase of 11.4 per cent in 2001-02 as against the increase of 1.3 per cent in 2000-01. The effective tax rate (Tax provision as percentage to Profits before tax) worked out to 35.6 per cent in 2001-02 indicating an increase of 4.5 percentage points over the preceding year.



The profit margin of the selected companies (Gross profits as percentage of Sales) increased from 9.2 per cent in 2000-01 to 9.6 per cent in 2001-02 (Statement 2). Dividend payments at Rs.6,250 crore, rose by 17.4 per cent in 2001-02 after an increase of 3.5 per cent in 2000-01. The ordinary dividend rate was higher at 18.4 per cent in 2001-02 as compared with 13.9 per cent in the preceding year. The retention ratio, *viz.*, profits retained as percentage of profits after tax was

low at 29.3 per cent in 2001-02 in contrast to 45.2 per cent in 2000-01. The return on equity viz., post tax profits as percentage of net worth increased to 5.4 per cent in 2001-02 (6.0 per cent in 2000-01).

Earnings and expenditure in foreign currencies

The total earnings in foreign currencies of the selected companies amounting to Rs.59,753 crore in 2001-02 improved by 7.3 per cent as against 33.6 per cent rise recorded in 2000-01 (Statements 1& 6). The growth rate in merchandise exports was 4.0 per cent in 2001-02 as compared to 31.1 per cent in the previous year. The total expenditure in foreign currencies of the selected companies amounting to Rs.74,592 crore in 2001-02 registered a fall of 4.2 per cent as against a rise of 9.5 per cent recorded in 2000-01. Merchandise imports decreased by 4.3 per cent during the year under review in contrast to an increase of 5.8 per cent in the previous year. The imports of raw materials decreased by 2.8 per cent in 2001-02 after an increase of 10.4 per cent in the previous year. The imports of capital goods further decreased by 22.5 per cent in 2001-02 after a fall of 27.7 per cent in the previous year. The imports of these two categories of goods accounted for 85.0 per cent and 4.4 per cent, respectively, of the total merchandise imports in 2001-02. The net outflow in foreign currencies was Rs.14,838 crore in 2001-02 compared to an outflow of Rs. 22,226 crore in the preceding year.

Pattern of assets and liabilities

Total net assets (adjusted for revaluation) of the selected companies increased by 3.4 per cent in 2001-02 as against 4.6 per cent in 2000-01 (Statement 1). Gross fixed assets (adjusted for revaluation) grew by 5.1 per cent while inventories declined by 2.1 per cent during the period under review. The composition of assets and liabilities remained broadly the same as in the previous year. Among the liabilities, reserves and surplus accounted for 28.2 per cent of total liabilities in 2001-02 (28.4 per cent in the previous year) while total outstanding borrowings accounted for major share at 38.9 per cent in 2001-02. The borrowings from banks accounted for 37.3 per cent of total borrowings in 2001-02 (35.4 per cent in 2000-01). Borrowings together with reserves and surplus accounted for 67.1 per cent of the total liabilities in 2001-02 (68.0 per cent in the previous year). Debt to Equity ratio increased from 68.9 per cent in 2000-01 to 71.2 per cent in 2001-02. The share of Trade dues and other current liabilities in total liabilities increased from 20.6 per cent in 2000-01 to 20.9 per cent in 2001-02. Of these current liabilities, the share of sundry creditors decreased marginally, from 61.2 per cent in 2000-01 to 59.5 per cent in 2001-02. The current ratio (current assets to current liabilities) decreased from 1.2 to 1.1 during the years 2000-01 and 2001-02.

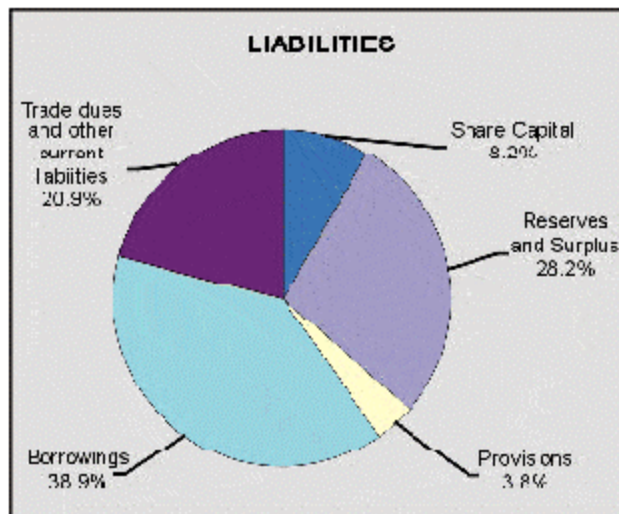
The share of net fixed assets in total assets decreased marginally from 48.6 per cent in 2000-01 to 48.4 per cent in 2001-02. The share of inventories in total assets decreased from 14.5 per cent in 2000-01 to 13.6 per cent in 2001-02. The loans and advances and other debtor balances improved their share from 23.0 per cent in 2000-01 to 23.2 per cent in 2001-02. Of these, the sundry debtors accounted for a higher share at 55.6 per cent in 2001-02 as compared with 55.1 per cent in 2000-01. The share of investments in total assets moved up from 9.1 per cent in 2000-01 to 9.3 per cent in 2001-02. Of these investments, the quoted investments accounted for 25.2 per cent in the year under review as against 25.9 per cent in 2000-01. The selected companies

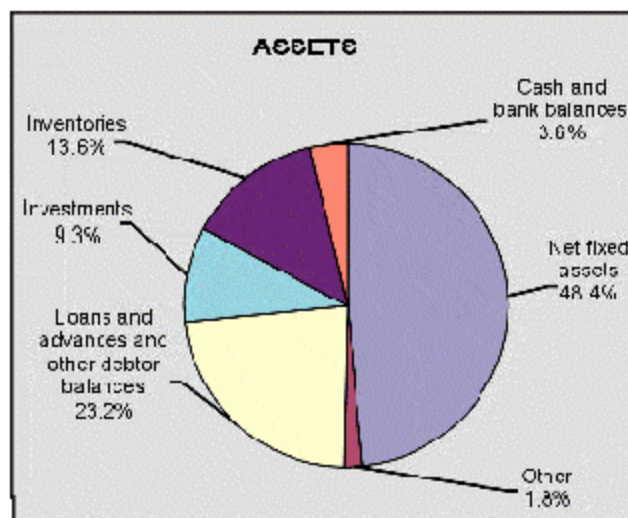
also invested in foreign securities, albeit with a small share at 2.6 per cent of their total investment during the year under review (1.6 per cent in 2000-01). The composition of liabilities and assets are depicted in Chart 3.

Sources and uses of funds

The total funds raised by the selected companies were of the order of Rs.29,888 crore in 2001-02 as against Rs.33,740 crore in the previous year. The share of external funds in total funds generated by the selected companies declined from 42.9 per cent in 2000-01 to 37.9 per cent in 2001-02 (Statement 5). The share of borrowings in total sources of funds increased from 9.3 per cent in 2000-01 to 13.8 per cent in 2001-02. Of the total equity capital raised from capital market by the selected companies, during 2001-02, which amounted to Rs.1,817 crore, as much as 49.1 per cent was by way of premium on shares. The amount raised through net issues steeply declined from Rs.1,554 crore in 2000-01 to Rs.923 crore in 2001-02. Depreciation provision, which formed the major component of internal sources of funds, contributed Rs.14,285 crore in 2001-02, higher than Rs. 14,095 crore provided in 2000-01. Its share in internal sources of funds increased to 77.0 per cent in 2001-02 from 73.2 per cent in 2000-01. Erosion to reserves and surplus was to the extent of Rs.5,474 crore in 2001-02 as against an accretion of Rs.2,244 crore during 2000-01.

Chart 3 Pattern of Liabilities and Assets, 2001-02





Gross capital formation of selected companies amounted to Rs.14,791 crore during 2001-02 which accounted for 49.5 per cent of total asset formation during the year compared with 60.3 per cent in the previous year.

The gross fixed asset formation, however, declined in terms of magnitude, to Rs. 16,155 crore in 2001-02 from Rs.17,115 crore in 2000-01. The share of investments in total uses of funds fractionally declined to 19.2 per cent in 2001-02 from the previous year's share of 19.4 per cent.

Performance of companies by size of sales

It is observed that companies with the sales range of 'Rs 500 crore-Rs.1,000 crore' recorded highest growth rates in sales and value of production at 3.5 per cent and 2.4 per cent, respectively, in 2001-02 (Statement 7). The gross profits recorded highest growth rate at 12.3 per cent in 2001-02 (1.0 per cent in the previous year) for the companies in sales range of 'Rs. 1,000 crore and above'. The operating profits, profits after tax and gross savings recorded the highest growth rate at 81.9 per cent, 81.5 per cent and 18.0 per cent in 2001-02 as against (-)38.4 per cent, (-)48.8 per cent and 4.8 per cent in 2000-01 for the companies in sales range of 'Rs.100 crore -Rs. 500 crore'. The total net asset recorded the highest growth rate at 4.2 per cent for the companies in sales range of 'Rs.1,000 crore and above' while gross fixed assets recorded the highest growth rate at 7.2 per cent for the companies in sales range of 'Rs.100 crore-Rs.500 crore' during the year under review. The growth in inventories witnessed only for the companies in sales range of 'Rs.50 crore - Rs.100 crore' while growth in net worth witnessed only for the companies in sales range of 'Rs.1,000 crore and above' in 2001-02.

It is interesting to note that sale 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 4.7 per cent for the companies with sales in the range of 'Rs.25 crore-Rs.50 crore' which gradually increased to 11.7 per cent for the companies with sales in range of 'Rs.1,000 crore and above' in 2001 - 02. Export to sales ratio was highest at 15.2 per cent for the companies in sales range of 'Rs.50 crore - Rs.100 crore' in 2001-02. Inventories to sales was highest at 28.0 per cent for the companies in the sales range of 'less than

Rs.25 crore' and gradually declined to 16.0 per cent for the companies in the sales range of 'Rs. 1,000 crore and above' in 2001-02. The debt equity ratio is lowest at 62.1 per cent for the companies in the sales range of 'Rs.1,000 crore and above' during the period under review. The retention ratio (retained profits to profits after tax) was 68.8 per cent for the companies in the sales range of 'Rs.500 crore - Rs.1,000 crore' in 2001-02.

Industry-wise performance

Performance of the selected public limited companies as reflected by their growth in sales and profits and selected financial ratios, classified according to their industrial activity are given in Table 2 (Details are given in Statements 10 and 11).

Table 2 A : Industry-wise performance - Growth rates of selected items, 2000-01 and 2001-02

Selected Industry/ Industry-Group	Number of Companies	Sales		Gross Profits		Profits After Tax	
		2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
1. Tea Plantation	57	-4.6	-7.6	-61.2	-85.2	—	&
2. Mining and Quarrying	19	15.4	22.3	#	38.8	&	#
3. Food Products and Beverages	116	12.5	0.4	-3.7	16.4	-50.8	#
<i>Of which,</i>							
Sugar	30	2.9	6.3	12.8	-12.9	19.6	-53.6
Edible oil and oil cakes	27	22.4	-7.9	-91.2	#	—	#
4. Cotton Textiles	116	9.7	-8.6	-23.3	-80.1	—	&
5. Man-made Textiles	102	10.0	-5.3	-50.7	72.7	&	&
6. Paper and paper Products	55	24.9	13.4	50.0	25.7	#	202.5
7. Chemical and chemical products	295	9.2	6.0	-0.3	17.3	-6.9	2.6
<i>Of which,</i>							
Basic Chemicals	47	15.9	-2.7	11.2	-16.2	&	&
Chemical fertilizers and pesticides	42	3.4	14.7	-29.9	53.1	-61.5	-63.7
Paints and Varnishes	25	12.9	2.5	6.1	12.9	15.7	8.7
Pharmaceuticals and Medicines	87	9.7	11.3	9.3	10.1	10.0	-3.9
8. Rubber and Plastic Products	82	5.8	4.2	-23.0	3.7	—	#
9. Cement and Cement Product	38	9.0	7.0	24.5	23.5	#	207.9
10. Iron and Steel	52	15.9	-0.2	6.7	-53.8	&	&
11. Fabricated Metal Products except Machinery and Equipments	75	-0.9	2.5	-24.9	-4.5	—	&
12. Machinery and Machine Tools	151	1.2	-4.7	-34.9	-1.4	-82.6	28.5
13. Electrical Machinery and Apparatus	95	-0.7	3.3	-27.7	11.6	-65.4	169.4
14. Radio, Television and Communication Equipments and Apparatus.	28	-3.3	-10.5	-16.5	-35.2	-30.1	—
15. Motor Vehicles and other transport Equipments	85	2.7	6.3	-54.0	91.4	-91.7	#
16. Diversified	9	15.4	-17.9	15.6	-0.2	30.3	-40.9
17. Electricity Generation and Supply	13	21.1	12.0	19.9	2.4	10.4	9.0
18. Construction	41	6.1	0.1	14.4	8.6	22.6	-25.1
19. Wholesale and Retail Trade	83	2.3	2.7	-4.8	-16.8	-23.2	-56.8
20. Hotels and Restaurants	38	12.2	-14.6	4.7	-56.0	11.2	-54.0
21. Transport, Storage and Communications	43	1.6	30.6	194.3	23.2	&	#
22. Computer and Related Activities	48	54.2	22.8	59.6	15.9	49.0	15.0
All Companies	2,024	9.5	0.1	0.2	4.2	-6.7	-9.0

— Numerator negative or nil or negligible.

Denominator negative or nil or negligible.

& Numerator and denominator both negative or nil or negligible.

Table 2 B : Industry-wise performance – selected financial ratios, 2000-01 and 2001-02

Selected Industry/ Industry-Group		Number of Companies	Profit Margin		Effective Tax Rate		Debt to equity	
			2000-01	2001-02	2000-01	2001-02	2000-01	2001-02
1.	Tea Plantation	57	5.7	0.9	#	#	17.3	20.6
2.	Mining and Quarrying	19	13.5	15.4	#	54.7	69.2	71.8
3.	Food Product and Beverages	116	5.6	6.4	67.4	35.3	64.4	64.0
	<i>Of which,</i>							
	Sugar	30	13.1	10.7	24.4	49.1	89.4	92.1
	Edible oil and oil cakes	27	0.2	1.9	#	96.0	90.2	109.8
4.	Cotton Textiles	116	5.5	1.2	#	#	88.3	118.8
5.	Man-made Textiles	102	1.7	3.0	#	#	162.3	176.5
6.	Paper and Paper Products	55	7.6	8.4	81.9	62.9	110.7	162.0
7.	Chemical and chemical products	295	11.5	12.8	30.6	32.0	57.4	56.1
	<i>Of which,</i>							
	Basic Chemicals	47	6.6	5.7	#	#	119.7	130.5
	Chemical fertilizers and pesticides	42	8.9	11.8	28.6	68.7	82.0	86.7
	Paints and Varnishes	25	10.7	11.8	27.3	27.4	39.8	40.0
	Pharmaceuticals and Medicines	87	14.8	14.7	24.6	26.0	22.4	25.2
8.	Rubber and Plastic Products	82	8.3	8.3	133.5	52.7	88.5	79.2
9.	Cement and Cement Product	38	8.7	10.0	62.7	34.7	152.6	178.8
10.	Iron and Steel	52	9.7	4.5	#	#	176.7	197.8
11.	Fabricated Metal Products except Machinery and Equipments	75	7.2	6.7	#	#	95.7	106.7
12.	Machinery and Machine Tools	151	6.5	6.7	75.5	66.8	42.4	39.3
13.	Electrical Machinery and Apparatus	95	4.8	5.2	82.5	63.7	50.8	49.2
14.	Radio, Television and Communication Equipments and Apparatus.	28	8.5	6.2	18.8	#	66.8	83.3
15.	Motor Vehicles and other transport Equipments	85	4.0	7.2	72.9	31.8	35.8	41.0
16.	Diversified	9	10.1	12.3	10.2	13.3	48.5	49.0
17.	Electricity Generation and Supply	13	17.2	15.7	11.8	10.1	75.1	66.0
18.	Construction	41	11.9	12.9	22.7	36.0	80.5	70.4
19.	Wholesale and Retail Trade	83	3.7	3.0	21.0	33.1	22.2	19.3
20.	Hotels and Restaurants	38	21.6	11.1	20.5	23.7	41.7	63.1
21.	Transport, Storage and Communications	43	12.3	11.6	202.2	74.9	73.1	74.7
22.	Computer and Related Activities	48	27.8	26.2	9.1	11.2	17.4	16.9
All Companies		2,024	9.2	9.6	31.1	35.6	68.9	71.2

— Numerator negative or nil or negligible.

Denominator negative or nil or negligible.

& Numerator and denominator both negative or nil or negligible.

It may be observed that certain industries recorded better growth in sales during 2001-02 like Transport, Storage and Communications (30.6 per cent), Computer and related activities (22.8 per cent), Mining and Quarrying (22.3 per cent) while a few industries like Diversified, Hotels and Restaurants, Radio, Television and Communication equipments and apparatus, Cotton textiles, Edible oil and oil cakes, Tea plantation, *etc.*, recorded negative growth in sales during 2001-02. Turning to gross profits, significant improvement over the previous year was registered by Motor vehicles and other Transport equipments (91.4 per cent) and Chemical fertilizers and Pesticides (53.1 per cent).

On the other hand, the gross profits of industries like Tea plantations (-85.2 per cent), Cotton textiles (-80.1 per cent), Iron and Steel (-53.8 per cent), Hotels and Restaurants (-56.0 per cent) declined in the year 2001-02. The Computer and related activities industry group posted an increase of 26.2 per cent in their profit margin in the year 2001-02 while effective tax rate for this industry was one of the lowest 11.2 per cent in 2001-02. Debt to equity ratio was low for the industries like Computer and related activities (16.9 per cent), Wholesale and Retail trade (19.3 per cent), Tea plantation (20.6 per cent). The ratio was high in respect of a few industries like Iron and steel (197.8 per cent), Cement and cement products (178.8 per cent) in 2001-02.

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

1 Reference may be made to the September 2002 issue of RBI Bulletin for the previous study.

2 Based on provisional data as on March 31, 2002, supplied by the Department of Company Affairs, Government of India.

Appendix Explanatory Notes to Various Statements

- The growth rates of all the items and data on sources and uses of funds are adjusted for changes due to amalgamation of companies. These are also adjusted for revaluation, etc., wherever necessary.
- Due to rounding off of figures, the constituent items may not add up to the totals.
- **Sales** are net of `rebates and discounts' and `excise duty and cess'.
- **Manufacturing expenses** comprise (a) raw materials, components, etc. consumed, (b) stores and spares consumed, (c) power and fuel and (d) other manufacturing expenses.
- **Raw materials, components, etc., consumed** includes purchases of traded goods in the case of trading companies and consumption of stores and provisions for hotels, restaurants and eating houses.
- **Other manufacturing expenses** include expenses like construction expenses of construction companies, operating expenses of shipping companies, etc.
- **Remuneration to employees** comprises (a) salaries, wages and bonus, (b) provident fund and (c) employees' welfare expenses.
- **Non-operating surplus/deficit** comprises (a) profit/loss on account of (i) sale of fixed assets, investments, etc., and (ii) revaluation/ devaluation of foreign currencies, (b) provisions no longer required written back, (c) insurance claims realised and (d) income or expenditure relating to the previous years and such other items of non-current nature.
- **Gross profits** are net of depreciation provision but before interest.
- **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) 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.
- **Debt** comprises (a) all borrowings from Govt. and semi-Govt. bodies, financial institutions other than banks, and from foreign institutional agencies, (b) borrowings from banks against

mortgages and other long term securities, (c) borrowings from companies and others against mortgages and other long term securities, (d) debentures, deferred payment liabilities and public deposits.

- **Equity or Net worth** comprises (a) paid-up capital, (b) forfeited shares and (c) all reserves and surplus.
- **Current assets** comprise (a) inventories, (b) loans and advances and other debtor balances, (c) book value of quoted investments, (d) cash and bank balances and (e) advance of income-tax in excess of tax provision.
- **Current liabilities** comprise (a) short term borrowings from banks, (b) unsecured loans and other short term borrowings from companies and others, (c) trade dues and other current liabilities and (d) tax provision in excess of advance of in come-tax and other current provisions.
- **Quick assets** comprise (a) sundry debtors, (b) book value of quoted investments and (c) cash and bank balances.
- **Capital reserves** include profits on sale of investments and fixed assets.
- **Other reserves** includes profits retained in the form of various specific reserves and profit/ loss carried to balance sheet.
- **Debentures** include privately placed debentures with financial institutions.