

Performance of Financial and Investment Companies, 1995-96

The present study analyses the performance of non-government financial and investment companies (other than banking, insurance and chit fund companies) for the year 1995-96. The study is based on the audited annual accounts of 625 companies which closed their accounts during the period April 1995 to March 1996[@]. The companies covered in this study accounted for 29.4 per cent of the total paid-up capital of all non-government financial and investment companies as at the end of March 1996[§].

The segment of financial and investment companies in the private corporate sector includes three giant companies, viz., Industrial Credit and Investment Corporation of India (ICICI), Housing Development Finance Corporation (HDFC) and Shipping Credit and Investment Company of India (SCICI), which claimed 21.9 per cent of the total paid-up capital of the 625 selected financial and investment companies in 1995-96. These big companies also accounted for a sizeable share of 49.4 per cent of 'Main income' and 54.4 per cent of 'Total net assets' of the selected 625 companies in 1995-96. Moreover, these are mainly engaged in loan finance activities. Inclusion of these large-sized companies would unduly influence various quantitative measures of performance of the remaining smaller companies. In view of such marked skewness in the size structure, the analysis that follows is confined to only the remaining 622 companies. However, in annexures 1 to 3, the data on ICICI, HDFC and SCICI are separately presented.

In the case of companies which either extended or shortened their accounting year, 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 with the result that the data reported in balance sheets in such cases refer to varying periods. The analysis of the financial performance over the year is, therefore, subject to these limitations.

Composition of Companies

The selected 622 financial and investment companies were classified into major groups, viz., (1) share trading and investment holding, (2) loan finance, (3) hire purchase finance, and (4) leasing companies. A company was classified in one of these major activity groups if it derived more than half of its annual income from that activity consistent with the income yielding assets. In case no single activity was predominant, the company was classified under 'Diversified' group. Remaining companies were classified under 'Miscellaneous' group. The distribution of total number of companies, their paid-up capital, main income and net assets in these activities is presented in [table 1](#).

The activity-wise composition of total paid-up capital, main-income and net assets in 1995-96 showed minor variations when compared to those in 1994-95. However, share trading and investment holding companies accounted for a slightly smaller proportion of the total main income, from 8.6 per cent in 1994-95 to 7.6 per cent in 1995-96. On the other hand, in the case of leasing companies, their share in total main income went up from 16.0 per cent in 1994-95 to 18.9 per cent in 1995-96.

Diversified group (91 companies) emerged as the most dominant segment during all the three years from 1993-94 to 1995-96. These companies accounted for 21-24 per cent of the total

paid-up capital, 30-37 per cent of the total main income and 34-35 per cent of the total net assets of all the selected 622 companies during 1993-94 to 1995-96 (Statement 4). On the other hand, 254 companies (40.8 per cent of all the 622 companies) involved in share trading and investment holding activities having 29.6 per cent of total paid-up capital in 1995-96 contributed towards only 7.6 per cent in the total main income and 11.0 per cent in the total net assets. Another 128 companies (20.6 per cent) belonging to hire purchase finance and leasing groups taken together formed 24.8 per cent of the total paid-up capital. These two groups together had a share of 45.1 per cent in the total main-income and 37.0 per cent in the total net assets in 1995-96.

TABLE 1 : DISTRIBUTION OF NUMBER OF COMPANIES, THEIR PAID-UP CAPITAL, MAIN INCOME AND NET ASSETS, 1993-94 TO 1995-96

Sr. NO.	ACTIVITY	NUMBER OF COMPANIES	PAID-UP CAPITAL		MAIN INCOME		NET ASSETS	
			1994-95	1995-96	1994-95	1995-96	1994-95	1995-96
								(Rs. Lakh)
1.	Share trading and investment holding	254 (40.8)	693,46 (30.9)	811,61 (29.6)	269,82 (8.6)	338,54 (7.6)	2,590,29 (11.8)	3,283,79 (11.0)
2.	Loan finance	92 (14.8)	236,84 (10.6)	324,70 (11.9)	133,55 (4.3)	191,64 (4.3)	1,375,02 (6.3)	1,773,22 (6.0)
3.	Hire purchase Finance	50 (8.0)	181,91 (8.1)	229,14 (8.4)	826,66 (26.5)	1,162,94 (26.2)	4,840,14 (22.1)	6,520,94 (21.9)
4.	Leasing	78 (12.5)	374,93 (16.7)	451,34 (16.5)	497,70 (16.0)	841,44 (18.9)	3,069,29 (14.0)	4,480,60 (15.1)
5.	Diversified	91 (14.6)	516,94 (23.1)	654,03 (23.9)	1,099,51 (35.2)	1,654,31 (37.2)	7,539,33 (34.5)	10,235,71 (34.4)
6.	Miscellaneous	57 (9.2)	237,28 (10.6)	269,04 (9.8)	292,87 (9.4)	252,82 (5.7)	2,451,72 (11.2)	3,446,91 (11.6)
7.	All activities	622 (100.0)	2,241,36 (100.0)	2,739,86 (100.0)	3,120,11 (100.0)	4,441,69 (100.0)	21,865,79 (100.0)	29,741,17 (100.0)

Note : Figures in parantheses represent percentage to all activities.

Overall performance

Main income of selected 622 companies recorded substantial growth of 42.4 per cent in 1995-96 over and above the 38.9 per cent growth recorded in 1994-95. The total expenditure of these companies also rose by 50.7 per cent on account of substantial increase in interest payments, depreciation provision and employees' remuneration. Accordingly, operating profits increased by only 7.0 per cent in 1995-96. Pre-tax and post-tax profits registered only marginal rise, while retained profits declined by 7.3 per cent.

Total net assets (or liabilities) of these companies increased by 36.0 per cent in 1995-96 as against 63.0 per cent in 1994-95. Amongst the assets, 'Receivables' and amongst the liabilities, 'Borrowings' were the major components.

External sources continued to be a major source of financing the assets formation of the financial and investment companies in 1995-96 also. While borrowings remained the single major external source of funds, fresh paid-up capital raised with the high share premium collected on new issues accounted a significant portion. Funds garnered by the companies were mostly used in the form of loans and advances and creation of fixed assets.

The important profitability ratios in 1995-96 reveal that the performance of these companies has been good, though slightly on a lower key compared to the previous year. Profit margin (operating profits as percentage of main income) of all the selected companies was lower at 27.5 per cent in 1995-96 as compared with 36.5 per cent in 1994-95. The return on net assets (operating profits to total net assets) as well as return on net worth (profits after tax to net worth) were lower at 4.1 per cent and 12.9 per cent in 1995-96 (5.2 per cent and 16.5 per cent respectively in 1994-95).

Activity-wise, all groups of companies recorded substantial growth rates in their main income and total as well as each of the components of expenditure in 1995-96. Effective tax-rate (tax provision as percentage of pre-tax profits) in 1995-96 was lower than that in the previous year for all the activity groups except companies engaged in loan finance. Borrowings constituted the largest share in total liabilities in each of the three years in all the activity groups. Dependence on external sources of funds for asset formation was quite heavy. Except the group of share trading and investment holding companies, all the other groups reported 'Receivables' as a major segment of total assets. For share trading and investment holding companies, the main asset was investments in shares and debentures of Indian companies.

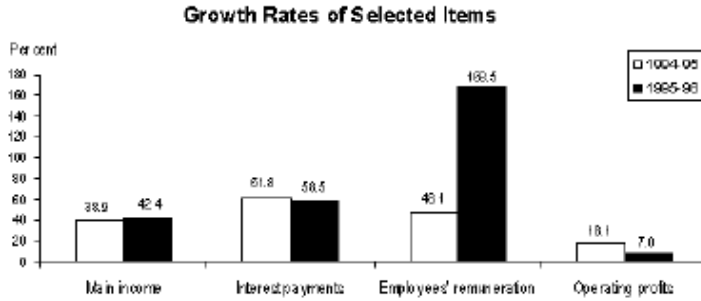
Income and Expenditure

The main income of the selected 622 companies increased by 42.4 per cent to Rs.4,442 crore in 1995-96 from Rs. 3,120 crore in 1994-95 ([Statement 3](#)). 'Earnings from hire purchase financing' and 'Lease rentals' accounted for 36.0 per cent and 34.5 per cent respectively of total main income. 'Interest' and 'Dividends' contributed 12.5 per cent and 9.0 per cent respectively. The share of 'Other income' in total income declined to 20.6 per cent in 1995-96 from 22.4 per cent in 1994-95.

It was observed that total expenditure of the selected companies continued to rise recording a substantial increase of 50.7 per cent in 1995-96 (55.7 per cent in 1994-95) mainly due to the high growth in interest payments to the tune of 58.5 per cent (61.8 per cent in 1994-95). Interest payments, in fact, constituted 50.7 per cent of total expenditure. The share of 'Depreciation provision' in total expenditure remained almost unchanged; 20.8 per cent in 1994-95 and 20.3 per cent in 1995-96. Higher provision for depreciation was observed in the case of diversified, leasing and hire purchase companies. The size of the total expenditure was of the order of 78.0 per cent of the 'Total income' and 98.6 per cent of 'Main income' in 1995-96 as against 70.5 per cent and 93.2 per cent respectively in 1994-95.

Operating profits of 622 selected companies at Rs.1,219 crore in 1995-96 rose by 7.0 per cent in 1995-96 over and above a growth of 18.1 per cent in 1994-95. However, non-operating surplus was substantially lower in 1995-96 (Rs.16 crore as against Rs.79 crore in 1994-95) resulting in only marginal improvements of 1.4 per cent and 3.1 per cent in pre-tax and post-tax profits respectively in 1995-96 as against 23.3 per cent and 22.7 per cent respectively, in 1994-95. The growth rates in dividend payments continued to be high at 29.9 per cent in 1995-96 as against 67.1 per cent recorded in the previous year.

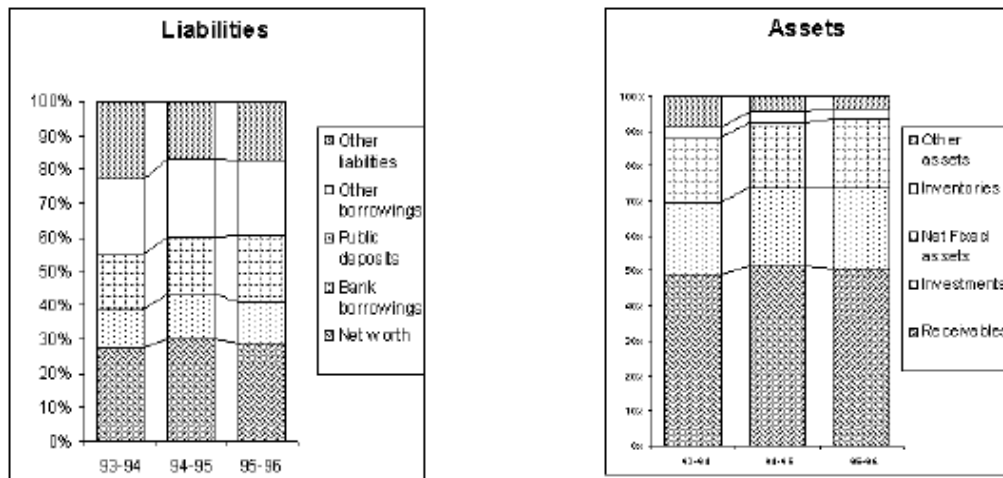
Profitability Ratios



The profitability ratios of the selected 622 companies ([Statement 2](#)) experienced setbacks during the period under study. Profit margins slipped from 42.9 per cent in 1993-94 to 36.5 per cent in 1994-95 and further down to 27.5 per cent in 1995-96. The return on total net assets decreased from 7.2 per cent in 1993-94 to 5.2 per cent in 1994-95 and then to 4.1 per cent in 1995-96. Return on net worth shrank from 23.6 per cent in 1993-94 to 12.9 per cent in 1995-96. Dividend rate (dividends as percentage of total paid-up capital), however, moved up slightly from 13.4 per cent in 1994-95 to 14.3 per cent in 1995-96.

The profitability ratios seemed to vary widely among the company groups when viewed according to the types of activities they were engaged in. For instance, both profit margin and return on net assets were the highest at 60.5 per cent and 6.2 per cent respectively in the case of share trading and investment holding companies while they were the lowest for loan finance companies at 12.8 per cent and 1.4 per cent respectively. Likewise, return on net worth was the highest for hire purchase finance companies at 20.7 per cent and the lowest in the case of loan finance companies at 3.8 per cent.

Profit Allocation Ratios



The effective tax rate (tax provisions to pre-tax profits) for the 622 companies came down

from 11.7 per cent in 1994-95 to 10.2 per cent in 1995-96. In the year under review, it was the lowest for leasing companies at 1.7 per cent (4.4 per cent in 1994-95) and the highest for loan finance companies at 31.2 per cent (14.5 per cent in 1994-95). Pay-out ratio (dividends as percentage of profits after tax) increased from 28.0 per cent in 1994-95 to 35.3 per cent in 1995-96.

Of the 622 selected financial and investment companies, there were fewer profit making companies (reporting positive operating profits) in 1995-96 (522) than in 1994-95 (542). In the loan finance and leasing activity groups, the number of profit making companies decreased from 78 and 77 in 1994-95 to 71 and 69 respectively in 1995-96.

Pattern of Assets and Liabilities

The total liabilities (unadjusted) of the selected companies shot up by 36.0 per cent to Rs.29,741 crore in 1995-96 ([Statement 4](#)). 'Borrowings' accounted for 54.0 per cent of total liabilities (53.5 per cent in 1994-95) and recorded a growth of 37.3 per cent in the wake of a 74.7 per cent increase in 1994-95. 'Public deposits' and 'Borrowings from banks' were the major components of the total borrowings constituting 36.6 per cent and 22.5 per cent, respectively, of total borrowings. 'Reserves and surplus' increased by 37.2 per cent during the year under review forming 19.7 per cent of total liabilities. Capital reserves and other reserves were the major components of total reserves and surplus with the shares of 48.6 per cent and 48.8 per cent respectively. Premium on shares accounted for 93.7 per cent of total capital reserves. Of the total increase of Rs.907 crore in capital reserves, as much as Rs.885 crore (97.6 per cent) was due to increase in premium on shares which the companies collected on the new capital issues. 'Trade dues and other current liabilities' constituted 15.5 per cent (15.4 per cent in 1994-95) in total liabilities. 'Share capital' formed 9.2 per cent in 1995-96 as against 10.3 per cent in the previous year.

'Receivables' at Rs.15,080 crore continued to remain as the single most dominant item among the assets accounting for more than half of the total assets of the selected companies in 1995-96. Investments (23.2 per cent) and net fixed assets (19.3 per cent) together constituted the next major bulk of assets in 1995-96. From among receivables, 'Loans and advances' recorded a growth of 34.7 per cent in 1995-96 as against 78.0 per cent in 1994-95 and formed 45.5 per cent of total net assets (46.0 per cent in 1994-95). In fact, 'Loans and advances against hire purchase' alone constituted 62.0 per cent of total 'Loans and advances'. In the case of investments, shares and debentures of other Indian companies (other than subsidiaries/ holding companies and companies in the same group) claimed 78.3 per cent of the total investments in 1995-96. Inventories constituted only 2.9 per cent of the total assets.

Sources and Uses of Funds

The 622 selected companies had mobilised Rs.8,455 crore ([Statement 5](#)) in the year under review (Rs.8,872 crore in 1994-95). A major chunk of the total funds was brought in through external resources. Total external funds amounted to Rs.7,005 crore in 1995-96 and Rs.7,585 crore in 1994-95, accounting for 82.8 per cent and 85.5 per cent respectively in the total funds. 'Borrowings' remained the major external source forming 62.3 per cent of total external sources

of funds in 1995-96. Of the total incremental borrowings, 49.0 per cent was collected from the public in the form of deposits (Table 2).

Table 2 : Pattern of Incremental Borrowings

Item	(Rs. Lakh)	
	1994-95	1995-96
1. Debentures	486,56 (9.7)	1,280,57 (29.3)
2. Banks	1,500,51 (30.0)	613,15 (14.0)
3. Other Indian financial institutions	459,41 (9.2)	231,79 (5.3)
4. Public deposits	1,544,10 (30.9)	2,139,88 (49.0)
5. Others	1,010,34 (20.2)	98,77 (2.3)
6. Total	5,000,92 (100.0)	4,364,16 (100.0)

Fresh paid-up capital constituted another 19.6 per cent of total external sources. Premium collected on shares at Rs.911 crore was almost twice the face value of the new issues. There was a sharp increase in the share of 'Trade dues and other current liabilities' in total external sources from 7.4 per cent in 1994-95 to 18.0 per cent in 1995-96.

It is interesting to note that the selected companies had shown increased reliance on internal sources in 1995-96 as compared with 1994-95. The internal funds rose from Rs.1,287 crore in the previous year to Rs.1,450 crore in 1995-96. As in the earlier years, in 1995-96 also accretion to 'Reserves and surplus' (Rs.663 crore) and provisions (Rs.753 crore) were the major components of internal funds. Paid-up capital in the form of bonus issues was of the order of Rs.35 crore as against Rs.56 crore in 1994-95.

Turning to the uses side, it is observed that as much as 41.3 per cent of the total funds raised during the year was utilised for providing loans and advances. Of the total loans and advances extended by the selected companies, hire purchase financing came in for a major share of 70.5 per cent. Fixed assets formation and investments accounted for 27.7 per cent and 24.0 per cent respectively of the total funds utilised. Gross fixed assets formation was of the order of Rs.2,341 crore during 1995-96 as against Rs.2,078 crore in 1994-95. Investments in shares and debentures of other Indian companies increased to Rs.1,762 crore (86.7 per cent of total investments) in 1995-96 from Rs.1,294 crore (62.2 per cent of total investments) in 1994-95. There was a net rise of Rs.8 crore in cash and bank balances as against a decline of Rs.294 crore in the previous year.

Activity-wise Performance

Share Trading and Investment Holding Companies

The main income of the selected 254 share trading and investment holding companies registered a rise of 25.5 per cent in 1995-96 as compared with the 22.5 per cent rise in the previous year. The major components viz., dividend income and net profit in share dealings were together accounted for 87.3 per cent of total main income in 1995-96. 'Operating profits' of these companies registered a rise of 22.2 per cent in 1995-96 at Rs.205 crore as against Rs.168 crore in 1994-95. 'Pre-tax profits' and 'Post-tax profits' recorded growth rates of 19.9 per cent and 20.6 per cent respectively in 1995-96. The corresponding growths were of the order of 10.3 per cent and 14.0 per cent respectively in 1994-95.

Total liabilities/ assets of these companies also showed positive growth of 26.8 per cent in 1995-96, although it was lower than the growth of 34.0 per cent in the previous year. 'Borrowings', 'Reserves and surplus' and 'Share capital' were the major contributing factors accounting for 45.5 per cent, 21.4 per cent and 24.7 per cent respectively of the total liabilities in 1995-96. In keeping with the nature of business of these companies, 'Investments' formed an important part of the asset portfolio of these companies, accounting for 80.4 per cent of the total net assets.

Total funds generated by these companies during 1995-96 amounted to Rs.682 crore against Rs.656 crore generated during 1994-95. External sources contributed for as much as 85.6 per cent of the total funds. Among the external sources of funds, 'Borrowings' accounted for 77.2 per cent in 1995-96. Notwithstanding some repayment of loans borrowed earlier, the amount raised by way of debentures was substantially high during the year under review. These companies applied most of their funds in investments especially in shares and debentures of other Indian companies (other than subsidiaries/holding/group companies). Fixed assets formed only 1.6 per cent of total uses of funds during 1995-96.

Loan Finance Companies

The main income of the selected 92 loan finance companies at Rs.192 crore recorded a growth of 43.5 per cent in 1995-96 against 55.6 per cent in 1994-95. Interest income on loans and advances recorded an increase of 69.2 per cent and constituted 89.9 per cent of the main income in the year under review.

On the other side, interest payments also increased by 97.1 per cent from Rs.75 crore to Rs.148 crore. Operating profits at Rs.24 crore increased by 9.4 per cent in 1995-96 as against 33.7 per cent in 1994-95. Pre-tax profits and post-tax profits were lower at Rs.25 crore and Rs.17 crore respectively as compared with Rs.53 crore and Rs.45 crore respectively, in 1994-95. Almost the entire portion of profits seems to have been distributed as dividends in 1995-96.

Total liabilities/ assets of these companies increased by 29.0 per cent from Rs.1,375 crore in 1994-95 to Rs.1,773 crore in 1995-96. This was brought about by an increase in 'Borrowings' by 37.0 per cent as well as in share capital of these companies by 37.1 per cent in 1995-96. Their share in total liabilities also increased from 60.3 per cent in 1994-95 to 64.1 per cent in 1995-96 in the case of the former and from 17.2 per cent in 1994-95 to 18.3 per cent in 1995-96 for the

latter. On the assets side, 'Loans and advances receivable' was the single major component constituting 61.5 per cent (65.9 per cent in 1994-95) of the total net assets.

The selected loan finance companies raised funds of Rs.403 crore in 1995-96 as compared to Rs.498 crore in 1994-95. External sources of funds were lower at Rs.392 crore (as against Rs.478 crore in 1994-95) mainly due to net repayments of 'Trade dues and other current liabilities' to the extent of Rs.26 crore. Borrowings continued to remain the major external source of funds for these companies. The fresh capital raised by these companies was Rs.112 crore as against Rs.124 crore in 1994-95.

Hire Purchase Finance Companies

The main income of the selected hire purchase finance companies grew by 40.7 per cent to Rs.1,163 crore in 1995-96 as against 42.2 per cent rise recorded in the previous year. 'Earnings from hire purchase financing' and 'Lease rentals' accounted respectively for 69.5 per cent and 23.0 per cent of main income in 1995-96.

Total liabilities/ assets of these companies increased by 34.7 per cent to Rs.6,521 crore in 1995-96. Amongst the liabilities, 'Borrowings' was the most important item accounting for 62.0 per cent in 1995-96. 'Trade dues and other current liabilities' and 'Reserves and surplus' were next, contributing 22.3 per cent and 10.9 per cent respectively. 'Loans and advances' dominated among the assets with 70.2 per cent share of total net assets. Of total loans and advances, 85.3 per cent was provided towards hire purchase financing.

Total funds raised by hire purchase finance companies during 1995-96 amounted to Rs.1,809 crore of which external sources of funds accounted for 83.8 per cent. A major portion of external funds came from 'Borrowings' with a share of 64.9 per cent in total external funds while 'Trade dues and other current liabilities' contributing Rs.432 crore (Rs.96 crore in 1994-95) constituted 28.5 per cent of total external funds in 1995-96. Fresh issues of paid-up capital by these companies during 1995-96 were lower at Rs.100 crore as against Rs.147 crore in the previous year. However, share premium collected on new issues during 1995-96 was substantial at Rs.67 crore while capital issues was of only Rs.33 crore (Rs.106 crore and Rs.40 crore respectively in 1994-95). On the uses side, the funds were mainly used for extending 'Loans and advances' (63.0 per cent) and towards formation of gross fixed assets (26.7 per cent) during 1995-96.

Leasing Companies

The selected leasing companies registered substantial increase of 69.1 per cent in their main income in 1995-96 over and above a similar growth of 68.5 per cent in the previous year. 'Lease rentals' contributed 66.3 per cent of main income followed by 'Interest' and 'Earning from hire purchase financing' respectively accounting for 13.4 per cent and 13.2 per cent of the main income. Operating profits continued to be high in 1995-96, recording an increase of 32.9 per cent over and above a significant increase of 80.9 per cent in 1994-95. Pre-tax profits and post-tax profits were up by 34.7 per cent and 38.5 per cent in 1995-96 following an impressive performance of respectively 82.2 per cent and 88.4 per cent rise witnessed in 1994-95. Not

surprisingly, dividend payments also showed substantial improvement of 47.8 per cent in 1995-96 as against 59.4 per cent growth recorded in the previous year. Retained profits recorded a healthy growth in both the years.

On the liabilities side, 'Borrowings' and 'Reserves and surplus' accounted for a major portion. However, the share of borrowings in total liabilities increased from 40.7 per cent in 1994-95 to 46.3 per cent in 1995-96 while that of reserves and surplus marginally came down from 32.4 per cent to 31.8 per cent. It was observed that for the period under study, public deposits and short-term bank borrowings formed a significant chunk of total borrowings. In the last two years, the contribution of share premium amount to total reserves was substantial. 'Loans and advances receivable' and 'Net fixed assets' were the major asset components of these companies accounting for 34.7 per cent and 36.5 per cent of total net assets in 1995-96. Of the total 'Loans and advances receivable', 51.0 per cent was on account of hire purchase financing in 1995-96.

The selected leasing companies succeeded in raising Rs.1,211 crore from external sources during 1995-96 accounting for 75.6 per cent of increase in their total funds of Rs.1,602 crore. Borrowings, at Rs.823 crore accounted for 68.0 per cent of the total external funds raised during the year. It is observed that borrowings through public deposits increased substantially during 1995-96. Of the total incremental borrowings, Rs.508 crore (61.7 per cent) were collected in the form of public deposits, which is 2.6 times of that in the previous year. Premium collected on new issues contributed to 79.3 per cent of the total fresh paid-up capital raised (Rs.340 crore) during the year. The deployment of funds by the leasing companies was mostly in fixed assets formation (48.0 per cent) and for the disbursement of 'Loans and advances' (37.4 per cent) during 1995-96.

Diversified Companies

The main income of the selected 91 diversified companies amounted to Rs.1,654 crore in 1995-96 showing a substantial increase of 50.5 per cent over and above the increase of 63.6 per cent in the previous year. There was a decline of 12.1 per cent in other income. Total expenditure in 1995-96 at Rs.1,596 crore increased by 53.1 per cent. 'Operating profits' declined by 9.7 per cent in 1995-96 as against a rise of 65.3 per cent in the previous year. Pre-tax profits, post-tax profits and retained profits also declined in 1995-96 as compared to substantial growth recorded in the previous year.

It is interesting to note that diversified companies accounted for 23.9 per cent of the total paid-up capital and 34.4 per cent of the total liabilities of all selected companies. Total liabilities of diversified companies grew by 35.8 per cent to Rs.10,236 crore in 1995-96. 'Borrowings' constituted 58.8 per cent while 'Reserves and surplus' and 'Trade dues and other current liabilities' accounted for 14.8 per cent and 18.7 per cent respectively, of total liabilities. Of total borrowings, 'Public deposits' were 45.2 per cent while 'Bank borrowings' and 'Borrowings from financial institutions' were 22.4 per cent and 9.9 per cent respectively. 'Receivables' and 'Net fixed assets' were the major assets comprising 59.6 per cent and 23.5 per cent of total assets.

Diversified companies raised Rs.2,941 crore during 1995-96 (Rs.3,207 crore in 1994-95)

which was 34.8 per cent of the total funds raised by all selected companies. Of the total funds raised by diversified companies, 83.9 per cent came from external sources. Share of borrowings in total external funds decreased from 79.0 per cent to 62.7 per cent in 1995-96. 'Public deposits' and 'Borrowings from banks' were the important sources of borrowings during the year. Share of 'Trade dues and other current liabilities' in total external funds increased substantially from 2.8 per cent in 1994-95 to 24.8 per cent in 1995-96. Paid-up capital raised from the market contributed for 12.3 per cent in total external funds in 1995-96 (18.2 per cent in 1994-95). Of total paid-up capital raised from the market, 56.3 per cent (Rs.171 crore) was in the form of share premium collected on new issues. Depreciation provisions followed by total reserves and surplus were the major components of internal funds.

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

@ **Reference may be made to the November 1997 issue of the Reserve Bank of India Bulletin for the study which covered the financial performance of 475 non-government financial and investment companies during 1994-95.**

\$ **Based on provisional data relating to year ended March 1996 supplied by Department of Company Affairs, Ministry of Law, Justice and Company Affairs, Government of India.**