

## CHAPTER SIX

### PERFORMANCE OF ENTERPRISES PRODUCING GOODS

The production enterprises cover a number of categories such as Metals, Coal, Petroleum, Chemical and Pharmaceuticals, Heavy Engineering, Medium and Light Engineering, Transportation Equipment, Consumer Goods and Agrobased Industries. As the product differs from group to group, the inter group comparisons or judging the performance of entire production sector may not be appropriate. Hence an attempt is made to make an appraisal of Group-wise performance.

#### 6.1 PERFORMANCE OF ENTERPRISES PRODUCING METALS :

This group consists of the following enterprises in the sample selected in 1975-76.

1. Bharat Aluminium Company Limited. ,
2. Bharat Gold Mines Limited.
3. Bharat Refractories Limited.
4. Bolani Ores Limited.
5. Hindustan Copper Limited.
6. Hindustan Zink Limited.
7. Indian Rare Earths Limited.
8. Indian Fire Bricks and Insulation Company limited.
9. National Mineral Development Corporation.
10. Pyrites Phosphates and Chemicals Limited.
11. Uranium Corporation of India Limited.

The enterprises in this group are engaged in the production of different minerals. The general performance of this group gives mixed picture. Six enterprises out of 11 running concerns have shown negative returns during the period under consideration. The data presented in Table VI.1 are summarised below. The enterprises showing negative returns are, Bharat Aluminium Company Limited (-2.32), Bharat Gold Mines Limited (-44.91), Indian Fire Bricks and Insulation Company Limited (-89.36), Bharat Refractories Limited (-9.54), National Mineral Development Corporation (-5.21) and Bolani Ores Limited (-9.54).<sup>1</sup> Other enterprises showing positive returns are, Indian Rare Earths Limited (16.89), Pyrites Phosphates Chemicals Limited (2.29) and Uranium Corporation of India Limited (1.52), Hindustan Zinc Limited (7.96), and Hindustan Copper Limited (3.13). The returns are fluctuating in some enterprises like National Mineral Development Corporation, Pyrites Phosphates and Chemicals Limited, Uranium Corporation of India Limited and Hindustan Copper Limited. In all these enterprises the Co-efficient of Variation was above 200 P.C. The following

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1 The figures in the parantheses are the average ROCE during the period, i.e., percentage return on capital employed per year.

Table VI.1  
Return on Capital Employed

	<u>Metal Group</u>		<u>Percentages</u>	
Year	Bharat Aluminium Company Limited.	Bharat Gold Mines Limited.	Indian Fire Bricks and Insulation Company Limited.	Bharat Refractories Limited.
1970-71	-	-	-	-
1971-72	-	-	-	-
1972-73	-	-80.00	-	-
1973-74	-3.71	-99.17	-	-
1974-75	-7.78	-10.87	-	-3.05
1975-76	-1.20	-69.70	-172.13	-8.94
1976-77	+0.60	- 3.71	- 31.25	-9.26
1977-78	0.51	- 6.03	=	-16.89
Mean	-2.32	-44.91	-89.36	-9.54
SD	3.15	39.06	80.09	4.91
CV	74	115	67	51

Source : BPE = Annual repots.

SD = Standard deviation

CV = Co-efficient of variation percentage.

(-) = indicates negative values, of both gross profits and capital employed.

TABLE - VI.1  
Return on Capital Employed

	<u>Metal Group</u>		<u>Percentages</u>				
YEAR.	Indian Rare Earths Limited	National Mineral Develop- ment Cor- poration.	Pyrites phospha- tes and Chemicals Limited.	Uranium Corpora- tion of India Limited.	Hindus- tan Zink Limi- ted.	Hindu- stan Copper Limi- ted.	Bolani Ores Limi- ted.
1960-61	5.62	-	-	-	-	-	-
1961-62	4.47	-	-	-	-	-	-
1962-63	11.20	-	-	-	-	-	-
1963-64	18.44	-	-	-	-	-	-
1964-65	16.68	-34.54	-	-	-	-	-
1965-66	10.48	- 2.41	-	-	-	-	-
1966-67	23.65	3.42	-	-	3.75	-	-
1967-68	21.66	- 2.26	-	-	2.37	-	-
1968-69	11.94	- 2.23	-2.19	-3.30	1.22	-	-
1969-70	14.05	2.33	-3.21	3.92	-4.95	-	-
1970-71	11.99	- 5.49	0.12	6.93	-4.79	-	-
1971-72	14.70	- 6.82	-4.8	7.70	1.97	-	-
1972-73	10.77	- 1.21	2.44	2.84	3.05	6.93	-
1973-74	19.24	5.27	0	1.60	22.80	8.88	-
1974-75	36.84	4.53	16.40	1.77	32.35	5.72	-3.05
1975-76	29.34	3.18	3.68	-5.04	26.48	4.11	-9.94
1976-77	27.92	0.16	4.98	-4.67	6.87	7.00	-9.26
1977-78	15.08	-36.82	5.51	-3.44	4.35	-13.84	-16.89
Mean	16.89	-5.21	2.29	1.52	7.96	3.13	-9.54
SD	8.19	12.93	5.74	4.28	11.75	7.73	4.91
CV.	48.49 PC	248 PC	250	282	148	247	52

Source : BPE - Annual reports.

SD = Standard deviation.

CV = Co-efficient of variation.  
percentages.

enterprises showed consistently negative returns throughout the period.

1. Bharat Gold Mines Limited.
2. Indian Fire Bricks and Insulation Company Limited.
3. Bharat Refractories Limited.
4. Bolani Ores Limited.

The general performance of this Group in terms of ROCE is not satisfactory. As the large number of enterprises (76) have to be covered in manufacturing group, it is difficult to examine in detail the performance of individual undertakings and the use of other efficiency measures like, productivity, and other financial ratios is not attempted. As already discussed the changes in ROCE over a period of time indicates changing levels of efficiency.

## 6.2 PERFORMANCE OF ENTERPRISES PRODUCING GOAL

This group consists of two running concerns in the sample selected in 1975-76. They are Coal India Limited and Neyveli Lignite Corporation.

Coal India Ltd., a holding company, having five subsidiaries such as Bharat Coking Coal Limited, Central Mine Planning and Design Institute, Eastern Coal Fields, Central Coal Fields and Western Coal fields. The management of non-coking Coal mines was taken over on 31-1-1973 and nationalised with effect from 1-5-1973.

Table VI.2  
Return on Capital Employed  
Coal Group      Percentages

Year	Coal India Limited.	Neyveli lignite Corporation Limited
1964-65	-	0.01
1965-66	-	0.96
1966-67	-	-3.97
1967-68	-	-1.28
1968-69	-	1.65
1969-70	-	0.62
1970-71	-	-1.23
1971-72	-	-0.18
1972-73	-	-2.97
1973-74	-	-4.17
1974-75	-	-4.99
1975-76	-0.65	0.95
1976-77	-6.71	15.34
1977-78	=	10.08
Mean	-3.42	0.77
SD	2.50	5.37
CV	73	697

Source : BPE - annual reports

SD = Standard deviation.

CV = Co-efficient of variation. -  
 percengaes.

(=) = Indicates negative values capital employed and gross profits.

During three years under review i.e., 1975-76 to 1977-78 Coal India Limited showed only negative returns. In 1977-78, it showed negative values for both capital employed and gross profits. The average returns was only -3.42 p.c. per annum. Its performance during this short period is not satisfactory in terms of returns.

Neyveli Lignite Corporation Limited showed continuous losses during most of the years under study. The average return was only 0.77 P.C. per year. During the last two years i.e., 1976-77 and 1977-78 it showed improved results, and return was 15.34 P.C. per year in 1976-77 and 10.08 p.c. in 1977-78. The fortunes of the Company fluctuated during the period 1964-65 to 1977-78 and co-efficient of Variation of ROCE was 697 P.C.

### 6.3 PERFORMANCE OF ENTERPRISES PRODUCING PETROLEUM.

All the nine Units in the sample showed positive returns during the period. The group as a whole registered much higher returns than efficiency norm i.e. 10 p.c. return per year. The results of the Table VI.3 and VI.3 are summarized below :

	<u>Average return.</u>
1. Cochin Refineries Limited	11.88 P.C.
2. Hindustan Petroleum Corporation Limited	16.66
3. Hydrocarbons India Private Limited	227.37
4. Indian Oil Blending Limited	29.29

5.	Indian Oil Corporation Limited.	18.96
6.	Indo Burma Petroleum Company Limited.	37.19
7.	Lubrizol India Limited	35.82
8.	Madras Refineries Limited	12.97
9.	Oil and Natural Gas Limited	13.34

It is apparent from the statement that Hydrocarbons India Limited has shown exceptionally high returns.<sup>1</sup> It showed 227.37 P.C. average return during the period under study.

The Indian Oil Corporation Limited has shown consistently good returns throughout the period i.e., 1964-65 to 1977-1978. Table VI.3 indicates upward trend in returns, in 1977-78 the ROCE was 60.55 P.C. During the period of general recession in the economy 1966-67 to 1967-68 the IOC showed

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1 During Year 1976-77 (BPE-annual report 1976-77, Vol.III-P.73) and (BPE-annual report 1977-78 Vol.III-P.67), the Company showed Rs.2126 Lakhs Gross Profits, Rs.86 Lakhs Capital employed and Gross Profit to capital Employed 193.1 P.C. This is an inconsistency. This has been rectified by arriving at capital employed Rs.1101 Lakhs as per definition given in the glossary i.e., capital employed is defined as gross block less depreciation and plus working capital. Such instances of inconsistency are many to be noted. In 1977-78, (BPE annual report 1977-78 Vol.III - P.67), the company showed Rs.2485 Lakhs Gross profits, and capital employed employed Rs. 586 lakhs, and ROCE is 424 PC and not 142.3 P.C. as given (on page 68).



Table VI.3

Retrun on Capital Employed.Petroleum Group. ( Percentages

Year	Cochin Refine- ries Limited.	Hindustan Petroleum Corpora- tion.	Hydro- carbons India Private Limited.	Indian Oil Blending Limited.	Indian Oil Corpo- ration Limited.	Indo Burma Petro- leum Comp- any Ltd.	Lubri- zol India Ltd.
1964-65	-	-	-	-	7.87	-	-
1965-66	-	-	-	-	4.54	-	-
1966-67	-	-	-	-	7.98	-	-
1967-68	8.41	-	-	-	9.80	-	-
1968-69	17.30	-	-	-	14.17	-	6.71
1969-70	13.34	-	-	-	15.75	-	15.67
1970-71	12.90	-	-	-	14.77	23.30	24.13
1971-72	10.61	-	-	-	22.60	34.35	34.99
1972-73	5.06	-	-	-	33.50	45.74	32.84
1973-74	2.70	-	-	-	18.95	62.55	28.99
1974-75	-17.58	11.07	143.42	20.00	24.34	63.71	66.60
1975-76	20.97	9.20	148.90	15.00	29.36	37.09	45.58
1976-77	7.25	16.39	193.10	40.95	55.20	15.89	49.35
1977-78	49.67	29.96	424.06	41.22	60.55	15.88	55.31
Mean.	11.88	16.66	227.37	29.29	18.96	37.19	36.82
SD	15.31	8.12	115.18	11.92	13.13	17.88	17.56
CV.	129	49	51	41	69	48	49

Source - BPE - annual reports

SD = Standard deviation

CV = Co-efficient of Variation.

Percentages.

Table VI.3  
Return on Capital Employed

	<u>Petroleum Group</u>	<u>Percentages</u>
Year	Madras Refineries Limited	ONGC
1966-67	-	8.98
1967-68	-	9.30
1968-69	-	8.65
1969-70	- 5.22	7.29
1970-71	14.96	7.84
1971-72	17.01	8.56
1972-73	18.68	6.33
1973-74	18.51	16.51
1974-75	7.86	39.41
1975-76	10.26	18.59
1976-77	16.89	11.60
1977-78	11.82	17.01
Mean	12.97	13.34
SD.	7.21	8.80
CV.	56	66

Source - BPE - Annual reports.

SD = Standard deviation.

CV = Co-efficient of variation.

Percentages.

good returns i.e., 7.98 P.C. and 9.80 P.C. respectively. It implies that recession had no effect on the working results of the company.

The ONGC was able to show good returns during the period under study. The ROCE rose to 39.41 P.C. in 1974-75 from 8.98 P.C. in 1966-67. After 1974-75, the return on capital employed has shown a decline.

Other companies like, Hindustan Petroleum Corporation, Indian Oil blending Limited, Indo Burma Petroleum Company, Lubrizol India Limited, did earn Good returns. The average return in Cochin Refineries Limited was only 11.88 P.C. and fluctuations were many, the C.V. was 129 P.C., the maximum in the Group, the fall in return on capital employed was very steep in 1975-76, the Roce was -17.58, and it improved in subsequent years.

On the whole the performance of Petroleum Group has been good during the period under consideration.

#### 6.4 PERFORMANCE OF ENTERPRISES PRODUCING CHEMICALS AND PHARMACEUTICALS :

This group consists of 11 running concerns in the sample. The enterprises facing poor returns during the period under study are Cement Corporation of India Limited, Fertilisers and Chemicals (T) Limited, Fertiliser Corporation of India Limited, Hindustan Salts Limited and Indian Drugs and

Pharmaceuticals Limited and Sambhar Salts Limited, The average returns in these enterprises ranged from -1.64 to 3.5 P.C. Tables VI.4 and VI.4 signify that the following enterprises were able to turnout better performance than others. The average returns in these enterprises are noted below.

	<u>Average ROCE</u> <u>Percentage</u>
1. Hindustan antibiotics Limited	9.00
2. Hindustan Insecticides Limited.	14.54
3. Hindustan Organic Chemicals Limited.	9.83
4. Indian Petrochemicals Corporation Limited.	10.81
5. Madras Fertilisers Limited.	9.72

Five companies out of 11 in the sample were able to show better results, than the rest. The average ROCE in Hindustan Insecticides Limited was 14.54 P.C. the highest in this Group.

Among the losers, the Fertilisers and Chemicals (T) Limited experienced negative returns during most of the period under consideration. The average ROCE of FACT was only -1.64, the lowest in this group. The FACT had violent fluctuations in ROCE and C.V. was 315 P.C. Surprisingly the Company showed positive returns i.e., 4.81 P.C. and 4.97 P.C. during the period of recession, i.e. 1966-67 and 1967-68 respectively.

Another loser is Indian Drugs and Pharmaceuticals Limited. This company continuously showed negative returns during 1966-67 to 1972-73 and was able to show better results during the subsequent five years and ROCE gradually rose to 15.62 P.C. in 1977-78 from 2.05 P.C. in 1973-74.

The performance of Sambhar Salts Limited was not all bad during the entire period, the company showed negative returns during three years i.e., 1970-71 and 1976-77, 1977-78. In the initial 4 years of its working the company showed better returns and ROCE ranged from 10.39 P.C. to 27.01 P.C. The fall in ROCE was very steep in 1977-78 i.e. -121.95 P.C.

The Group performance was not satisfactory during the period under study. Four firms in this group are found to be the oldest and the working period was more than 18 years. Two firms namely, Hindustan Antibiotics Limited and Hindustan Insecticide Limited in this age group were able to earn good returns. These are consistently good performers. Other two firms experienced poor returns.

The enterprises in this Group are engaged in the production of diverse goods from fertilisers to antibiotics. The enterprises producing fertilisers and Salt were not able to turn out good performance during the period under study.

Table VI.4  
Return on Capital Employed  
Chemical and Pharmaceuticals Group

Percentages.

Year	Cement Corporat- ion of India Limited.	Fertiliser and Chemi- cals (T) Limited.	Fertiliser Corpora- tion of India Limited.	Hindu- stan antibio- tics Limited.	Hindu- stan Insec- ticide Limited	Hindus- tan Salts Limited
1960-61	-	-	3.25	30.98	15.94	-44.34
1961-62	-	-	1.21	27.82	15.68	9.90
1962-63	-	-1.60	3.69	22.46	23.20	9.90
1963-64	-	3.73	4.54	22.23	17.42	13.75
1964-65	-	-2.44	5.17	11.96	20.42	9.82
1965-66	-	-7.82	1.86	21.27	16.33	- 1.42
1966-67	-	4.81	1.41	26.71	17.83	- 4.35
1967-68	-	4.97	5.03	16.15	11.47	- 7.10
1968-69	-	4.38	4.74	12.54	10.18	-12.35
1969-70	-	-2.42	4.89	13.87	2.07	- 5.67
1970-71	-2.76	-4.17	3.03	2.35	5.45	- 3.32
1971-72	2.59	-4.92	3.08	3.45	12.25	- 0.17
1972-73	-1.39	-2.97	3.28	2.93	4.96	4.96
1973-74	-1.58	0.03	1.22	-15.18	14.21	1.96
1974-75	1.01	0.35	1.28	-32.32	19.75	5.04
1975-76	2.69	-6.83	-11.04	-26.16	29.50	11.46
1976-77	2.62	-14.45	-6.70	30.73	15.23	4.83
1977-78	0.37	-3.18	-16.59	- 9.75	9.54	- 8.12
Mean	0.44	-1.64	0.74	9.00	14.54	0.25
S.D.	2.01	5.18	5.85	18.59	6.58	13.85
C.V.	456.82	315.85	790.54	206.56	52.25	5540

Source - BPE - annual reports

S.D. = Standard deviation.

C.V. = Co-efficient of variation.

Percentages.

Table VI.4

Return on Capital EmployedChemical and Pharmaceuticals Group

Percentages

Year	Hindustan or anic Chemicals Limited	Indian Drugs and Pharma- Ceuticals Limited.	Indian Petro- chemicals Cor- poration Ltd. IPCC.	Madras Fertili- sers Limited.	Sambhar Salts Limited.
1960-61	-	-	-	-	-
1961-62	-	-	-	-	-
1962-63	-	-	-	-	-
1963-64	-	-	-	-	-
1964-65	-	-	-	-	-
1965-66	-	-	-	-	22.80
1966-67	-	-6.86	-	-	27.01
1967-68	-	-3.83	-	-	22.76
1968-69	-	-12.69	-	-	10.39
1969-70	0.11	-11.65	-	-	8.34
1970-71	1.65	- 7.81	-	-	- 2.50
1971-72	0.40	- 1.41	-	0.41	23.91
1972-73	4.66	- 1.87	-	5.31	23.77
1973-74	13.19	2.05	-4.27	10.34	21.13
1974-75	18.91	10.59	16.52	12.39	20.81
1975-76	13.82	11.52	22.90	9.84	12.74
1976-77	15.78	13.68	16.71	10.43	-23.68
1977-78	19.97	15.62	2.20	19.29	-121.95
Mean	9.83	0.61	10.81	9.72	3.5
S.D.	7.64	9.58	10.15	5.42	38.63
C.V.	77.72	1570.49	93.89	55.76	1103.71

Source - BPE - annual reports

S.D. = Standard deviation.

C.V. = Co-efficient of variation.

Percentages.

6.5 PERFORMANCE OF ENTERPRISES PRODUCING HEAVY  
ENGINEERING GOODS:

This group is composed of 10 running enterprises engaged in the output of heavy engineering Goods. Only two enterprises were able to show better results during the period. Table VI.5 and VI.5 indicates the following results.

	<u>Average ROCE</u>
1. Bharat Heavy Electricals Limited	5.76
2. Tungabhadra Steel Products Limited	7.88

Bharat Heavy Electricals Limited established in 1964, has four manufacturing units i.e. High pressure Boiler Plant, Tiruchirapalli, Heavy Power Equipment Plant, Hyderabad, Heavy Electricals Equipment Hardwar and Heavy Electricals(I) Limited, Bopal was merged with BHEL from 1-1-1974. It has two subsidiaries Radio Electricals Manufacturing Company, Bangalore and Mysore Procelene Limited. The BHEL is the largest undertaking in this group in terms of investment, gross block, and turnover. In 1977-78, the volume of sales turn-over was over Rs. 500 Crores. The investment in paid up capital and loans in 1977-78 was Rs.284.14 crores. In the initial four years the company experienced negative returns but from the year 1969-70, its returns steadily increased, ROCE reached 22.84 p.c. in 1976-77 and in subsequent year there was a fall in ROCE.



Tunga Bhadra Steel Products Limited established jointly by the Government of Andhra Pradesh and Karnataka, came under the management of Central Government in 1967, when it became a major share holder. The company has specialised in design and manufacture of hydraulic gates. During the years of recession 1966-67 and 1967-68, the company was able to show better returns, i.e. 13.54 P.C. and 15.90 P.C. respectively. During the rest of the period the returns fluctuated between 3.06 P.C. to 9.29 P.C. and in 1977-78 it showed 12.50 P.C. returns. The investment in paid up capital and loans in 1977-78 was Rs. 1.97 crores, but its turnover was Rs. 4.27 crores.

The data presented in the table XI.5 and VI.5 are summarized below in respect of other eight enterprises.

	<u>Average</u> <u>ROCE.</u>
1. Bharat Heavy Plate and Vessels Limited	1.33
2. Braith Waite and Company Limited	-8.46
3. Bridge and Roof and Company of India Ltd.	-3.93
4. Burn Standard and Company Limited.	-6.61
5. Heavy Engineering Corporation Limited	-2.64
6. Jessop and Company Limited	-3.33
7. Mining and Allied Machinery Corporation Ltd.	-10.79
8. Triveni Structurals Limited	1.19

Except two enterprises, others have shown average negative returns ranging from -2.64 P.C. to -10.79 P.C.

Table VI.5  
Return on Capital Employed  
Heavy Engineering Group      Percentages.

Year	Bharat Heavy Electricals Limited.	Bharat Heavy Plate and Vessels Limited.	Braithwaite and Company Limited.	Bridge and roof and Company of India Limitd.	Burn standard Company.
1964-65	-6.34	-	-	-	-
1965-66	-7.18	-	-	-	-
1966-67	-15.35	-	-	-	-
1967-68	-5.04	-	-	-	-
1968-69	1.04	-	-	-	-
1969-70	5.04	-3.60	-	-	-
1970-71	4.92	-6.34	-	-	-
1971-72	5.74	-7.38	-	-	-
1972-73	9.82	1.20	-	6.62	-
1973-74	11.95	4.30	-	6.63	-
1974-75	15.95	3.04	-	-79.43	-
1975-76	17.71	4.48	-16.97	-13.27	-5.03
1976-77	22.84	7.15	-14.37	35.06	-0.67
1977-78	19.53	9.10	+ 5.95	20.83	-14.13
Mean	5.76	1.33	-8.46	-3.93	-6.61
S.D.	10.96	5.53	10.25	36.84	5.61
C.V.	190.28	415.79	121.16	937.40	84.87

Source - BPE - annual reports.

SD = Standard Deviation.

CV = Co-efficient of variation  
Percentages.

Table VI.5

Return on Capital EmployedHeavy Engineering Group

Percentages

Year	Heavy Engineering Corporation Limited.	Jessop and Company Limited	Minin. and Allied Machinery Corporation Limited.	Triveni Structurals Limited.	Tungabhadra steel Products Limited
1966-67	-6.72	-	-	-	13.54
1967-68	-6.43	-	-13.99	-	15.90
1968-69	-6.43	-	-14.64	-3.51	7.45
1969-70	-6.78	-	-14.87	-11.12	4.39
1970-71	-4.92	-	-14.87	-6.85	3.06
1971-72	-4.32	-	-8.63	-2.63	4.37
1972-73	-4.76	-29.03	5.73	0.26	4.47
1973-74	1.28	-7.12	5.92	1.67	5.10
1974-75	4.13	13.64	5.50	1.17	6.56
1975-76	5.95	11.94	5.70	11.08	9.29
1976-77	6.71	10.98	8.33	11.62	7.98
1977-78	-9.33	-0.43	-84.92	10.17	12.50
Mean.	-2.64	-3.33	-10.79	1.19	7.88
S.D.	5.34	14.96	25.38	7.36	3.97
C.V.	202.27	449.25	235.22	618.49	50.38

Source - B.P.E. - annual reports.

S.D. = Standard deviation.

C.V. = Co-efficient of Variation

Percentages.

Out of six enterprises showing negative returns, three were taken over enterprises. They are; Braith Waite and Company Limited, Burn Standard Company and Jessop and Company Limited. During three years 1975-76 to 1977-78, Braith Waite and Company and Burn Standard Company, showed only negative returns except one instance of 1977-78 year in which ROCE was positive 5.95 in respect of Braith Waite and Company. Jessop & Company Limited showed fluctuating returns ranging from -29.03 the lowest in the year 1972-73 to 13.64 p.c. the highest in the year 1974-75. The average return was -3.33 P.C.

Heavy Engineering Corporation Limited, showed negative returns during the initial seven years ranging from -4.32 P.C. to -6.78 P.C. The ROCE improved in four years successively and in 1977-78, it slumped to -9.33 P.C. The investment in paid up capital and loans in 1977-78 was Rs. 304.61 crores, but return was only Rs.59.12 Crores.

The Group as a whole recorded poor performance in terms of ROCE. The situation in case of Triveni Structurals Limited and Bharat Heavy Plate and Vessels Limited is likely to improve in future years. HEC may also improve its performance in coming years.

#### 6.6 PERFORMANCE OF ENTERPRISES PRODUCING MEDIUM AND LIGHT ENGINEERING GOODS :

There are 14 enterprises in this group engaged in the output of different medium and light Engineering Goods. Six

enterprises out of 14 are above the 18 years of working period. The data pertaining to these enterprises are collected from 1960-61. The performance of 4 of these enterprises is good. The data shown in Tables VI.6 and VI.6 are given below :

	<u>Average return on Capital employed.</u> <u>Percentages.</u>
1. Bharat Electronics Limited	16.90
2. Hindustan Cables Limited	9.62
3. Hindustan Machine Tools Limited	9.97
4. Indian Telephones Industries Limited	17.47
5. National Instruments Limited	- 2.98
6. Praga Tools Limited	0.94

It is apparent from the statement that 4 enterprises showed better results during the period under consideration.

Two enterprises out of six in this age group are facing poor returns. The average return in Praga Tools during the period under consideration was only 0.94 P.C. per year. National Instruments Limited showed negative average return i.e. -2.98 P.C. Both these enterprises experienced cyclical fluctuations in ROCE, and the co-efficient of variation in returns of National Instruments Limited was 469 P.C. as against 632 P.C. of Praga Tools. During the period 1966-67 to 1972-73, both the enterprises experienced

negative returns. The cycle in ROCE takes up turn in 1973-74 for these two enterprises.

Other group consisting of relatively younger enterprises, showed unsatisfactory results. The results as presented in Table VI.6 and VI.6 are summarised below.

	<u>Average return</u> <u>On Capital</u> <u>employed.</u> <u>Percentages.</u>
1. Balmer Lawrie Limited.	14.71
2. Bharat Dynamics Limited	-67.95
3. Bharat Pumps and Compressors Limited.	- 0.51
4. Dieco Lawerie Limited.	- 2.64
5. Richardson and Cruddas Limited.	7.12

Bharat Dynamics Limited showed positive returns throughout the period except one year 1971-72 under the study.

The performance of rest of the enterprises, Electronics Corporation of India Limited, Hindustan Telephinters Limited and Instrumentation Limited is found to be better. All these three enterprises showed positive returns during the entire period under study.

Group as a whole, the performance of Medium and light Engineering is found to be better than Heavy Engineering group.

Table VI.6

Return on Capital Employed  
Medium and Light Engineering Group  
 Percentages

Year	Balmer Lawrie limited.	Bharat Electro- nics limited.	Bharat Dynamics Limited.	Bharat Pumps and compre- ssors Limited	Bieco Lawrie limi- ted.	Electro- nics Cor- poration of India Limited	Hindustan Cables limited.
1960-61	-	3.49	-	-	-	-	10.47
1961-62	-	4.73	-	-	-	-	8.86
1962-63	-	7.24	-	-	-	-	12.89
1963-64	-	8.09	-	-	-	-	11.03
1964-65	-	12.52	-	-	-	-	13.53
1965-66	-	15.93	-	-	-	-	1.67
1966-67	-	18.88	-	-	-	-	5.18
1967-68	-	23.94	-	-	-	-24.23	7.75
1968-69	-	27.07	-	-	-	-14.34	14.02
1969-70	-	24.98	-	-	-	- 3.39	4.43
1970-71	-	23.84	-	-	-	3.58	5.00
1971-72	-	23.09	-54	-	-	12.70	- 1.85
1972-73	9.72	17.81	30.56	-1.20	10.33	13.05	7.11
1973-74	7.37	18.86	11.83	-17.99	- 4.65	13.62	9.13
1974-75	9.71	12.45	3.38	11.85	- 2.65	13.46	8.62
1975-76	15.89	12.93	3.03	1.92	18.09	13.34	13.67
1976-77	17.16	16.86	3.32	0.71	3.67	13.55	18.62
1977-78	28.42	31.47	20.39	1.68	-40.65	4.72	22.94
Mean.	14.71	16.90	-67.95	-0.51	-2.64	4.19	9.62
S.D.	7.06	7.75	196.28	8.85	18.65	12.45	5.76
C.V.	47.99	45.86	288.86	735.29	703.77	297.14	59.88

Source - BPE - annual reports.

S.D. = Standard deviation.

C.V. = Co-efficient of Variation.

Percentages.

Table VI.6  
Return on Capital Employer  
Medium and Light Engineering Group  
 Percentages.

Year	Hindus- tan Machine Tools Limited	Hindus- tan Telepri- nters Limited	Indian Telepho- nes In- dustries Limited.	Instru- menta- tion Limited.	Nation- al In- stru- ments Ltd.	Praga Tools Limi- ted.	Richard- son & Gruddas Limited.
1960-61	12.37	-	9.04	-	5.67	7.13	-
1961-62	14.02	-	10.74	-	1.95	2.13	-
1962-63	20.84	-	13.85	-	11.12	1.87	-
1963-64	21.39	-	16.32	-	16.08	4.57	-
1964-65	16.47	2.09	15.92	-	11.55	7.84	-
1965-66	7.92	11.59	19.29	-	4.43	3.29	-
1966-67	6.19	+19.31	16.50	-	-1.99	-4.32	-
1967-68	0.59	39.26	24.18	-	-16.96	-0.92	-
1968-69	1.84	43.30	24.22	-9.51	-16.76	-0.87	-
1969-70	1.45	42.24	18.28	9.26	-23.10	-4.98	-
1970-71	3.88	31.96	20.47	21.58	-21.41	0.36	-
1971-72	6.90	30.21	22.21	14.37	-24.44	-42.96	-
1972-73	4.86	37.62	15.36	15.63	-21.47	-8.72	-
1973-74	6.00	18.86	17.26	3.07	12.19	2.45	4.36
1974-75	13.57	10.31	18.17	4.22	8.50	7.45	8.82
1975-76	15.36	16.18	16.37	7.51	7.14	9.74	10.17
1976-77	14.84	27.35	19.41	12.84	-3.08	9.66	9.26
1977-78	110.04	17.35	16.84	19.12	NA	2.34	3.00
Mean	9.97	24.83	17.47	9.81	-2.98	0.94	7.12
S.D.	6.30	12.54	3.88	8.63	13.99	5.94	2.88
C.V.	63.19	50.50	22.21	87.97	469.46	631.91	40.45

Source - BPE - Annual Reports.

S.D. = Standard Deviation

C.V. = Co-efficient of variation.

Percentages.



## 6.7 PERFORMANCE OF ENTERPRISES MANUFACTURING

### TRANSPORTATION EQUIPMENTS :

This group is composed of 8 enterprises producing transportation equipment. The working period of 3 enterprises is above 18 years. The data presented in Table VI.7 in respect of these enterprises are summarised below.

	<u>Average return on capital employed Percentages.</u>
1. Hindustan Ship Yard Limited	3.51
2. Mazgan Book Limited	9.08
3. Garden Reach Workshop Limited	7.81

Mazgon Dock Limited incorporated in 1934 but acquired by the Government of India in 1960, showed consistantly positive returns throughout the period under the study, ranging from 3.50 P.C. to 11.87 P.C. the company experienced mild fluctuations in returns.

Garden Reach workshop limited named as Garden Reach Ship builders and Engineers Limited taken over by the Government of India in 1960, showed negligible returns during the initial 2 years i.e. 1960-61 and 1962-63. The company improved its performance during subsequent years until 1971-72 during which the return was negligible. During the last three years it showed satisfactory returns (over 8 P.C.).

The Hindustan Ship Yard Limited registered in 1952, acquired Scindia Steam Navigation Company Limited and became wholly Central Government Company in 1961. The company showed poor returns during the initial 5 years, but improved its performance from 1970-71. The ROCE touched peak i.e. 13.97 P.C. in 1975-76.

The working results of the rest of the enterprises are shown below.

	<u>Average return on Capital employed.</u>
	<u>Percentages.</u>
1. Bharat Earth Movers Limited	15.03
2. Central Inland Water Transport Company	-54.43
3. Goa Ship Yard Limited	12.03
4. Hindustan Aeronautics Limited	5.50
5. Scooters India Limited	- 9.09

Six out of eight enterprises in this group showed positive returns and, the mean ROCE exceeded 10 P.C. in respect of Bharat Earth Movers Limited and Goa Ship Yard Limited the Chronic losers in the Group are Central Inland Water Transport Corporation and Scooters India Limited.

The overall performance of this Group is said to be satisfactory in terms of the returns on capital employed. The performance of Hindustan Ship Yard is likely to improve in future years. It experienced wide fluctuations in ROCE, the ~~ee-effieint~~ co-efficient of variation was the highest i.e. 115.67 P.C. in the Group.

Table VI.7

Return on Capital Employed  
Transportation Equipment Group.  
 Percentages

Year	Bharath Earth Movers Ltd.	Central Inland Water Trans- port Co.	Goaship Yard Limited	Hindus- tan Acrona- utics Ltd.	Hindus- san ship- yard Ltd.	Mazga- on Dock Limi- ted.	Scoo- ters India Ltd.	Garden Reach Work- shop Ltd.
1960-61	-	-	-	-	0.38	3.50	-	3.45
1961-62	-	-	-	-	0.48	7.87	-	3.34
1962-63	-	-	-	-	0.07	11.87	-	6.98
1963-64	-	-	-	-	0.15	11.84	-	9.12
1964-65	-	-	-	5.83	0.35	8.57	-	5.90
1965-66	-	-	-	5.27	2.23	7.99	-	12.40
1966-67	4.90	-	-	3.29	-2.23	6.74	-	10.64
1967-68	17.46	-30.24	5.70	4.35	0.57	8.65	-	12.62
1968-69	14.46	-20.87	9.11	3.73	2.19	9.78	-	13.44
1969-70	16.05	-17.87	15.34	4.13	2.65	8.96	-	11.84
1970-71	17.55	-21.50	18.31	5.02	3.57	8.96	-	9.39
1971-72	13.89	-19.26	14.26	5.15	4.58	11.71	-	8.91
1972-73	17.62	20.27	10.06	4.58	5.85	11.56	-	0.10
1973-74	12.03	-101.94	10.73	7.56	4.72	1.23	-	1.35
1974-75	16.92	-76.79	15.10	6.68	3.83	12.71	-2.87	2.83
1975-76	14.96	-142.74	15.45	7.14	13.97	10.02	-17.47	11.27
1976-77	16.50	0	15.45	7.35	9.75	16.84	-4.37	8.57
1977-78	18.04	-87.78	2.87	6.96	10.01	4.81	-11.66	8.48
Mean	15.03	-54.43	12.03	5.50	3.51	9.08	-9.09	7.81
S.D.	3.51	47.38	4.54	1.37	4.06	3.52	5.87	3.99
C.V.	23.35	87.05	37.74	24.91	115.67	38.77	64.58	51.09

Source - BPE - Annual reports.

S.D. = Standard deviation.

C.V. = Co-efficient of Variation.

Percentages.

#### 6.8 PERFORMANCE OF ENTERPRISES PRODUCING CONSUMER GOODS :

This group is composed of 8 public enterprises in the sample engaged in the production of consumer goods like; footwear and Leather Goods, Films, Lens, bread, Newsprint and Contraceptives. Four out of 8 enterprises in this Group have shown positive returns. The results of Table VI.8 in respect of the enterprises showing positive returns are shown below.

	<u>Average return on capital employed. Percentages.</u>
1. Hindustan Latex Limited	8.14
2. Mandya National Paper Mills.	2.71
3. Modern Bakeries (I) Limited	9.92
4. National Newsprint Paper Mills.	7.38

Modern Bakeries (India) Limited, setup in 1965 tops the list of Good performers. The average return in Modern Bakeries (I) Limited during the period under consideration was nearly 10 P.C. The company has 12 Factories situated in different parts of the country, supplying nutritious bread to the people at competitive prices.

Hindustan Latex Limited established in 1966 for the manufacture of contraceptive condoms, has shown positive returns throughout the period except two years 1973-74, 1974-75, the average return was more than 8 P.C.

The National Newspaper Mills, the oldest unit in the Group, showed positive returns during all the years except one year 1969-70. Its overall performance has been satisfactory.

The Mandya National Paper Mills taken over in 1974, has shown positive returns for the initial three years and during the last two years, experienced negative returns. Its overall working results are not satisfactory.

The results of the poor performers showing average negative returns are given below.

	<u>Average return on capital employed. Percentages.</u>
1. Bharat Ophthalmic Glass Limited.	-22.51
2. Hindustan Photo Films Manufacturing Company.	- 1.45
3. Rehabilitation Industries Corporation Limited.	-51.66
4. Tannery and Footwear Corporation of India Limited.	-19.45

The overall working results of these four enterprises noted above are found to be unsatisfactory in terms of the returns on capital employed. Three enterprises namely: Bharat Ophthalmic Glass Limited, Rehabilitation Industries Corporation Limited and Tannery and Footwear Corporation Limited showed continuously negative returns during the entire period under consideration. Hindustan Photo films

Table VI.8  
Return on Capital Employed  
Consumer Goods Group

Percentages

Year	Bharat Opthal- mic Glass Ltd.	Hindus- tan Latex Ltd.	Hindus- tan photo films Mfg.Co.	Mendya Natio- nal Paper Mills.	Modern Bake- ries Ltd. (I)	Nati- onal News- print paper Mills	Rehab- ilia- tion Indus- tries Corpo- ration Ltd.	Tennery & foot wear Corpora- tion Ltd.
1960-61	-	-	-	-	-	7.64	-	-
1961-62	-	-	-	-	-	9.14	-	-
1962-63	-	-	-	-	-	10.00	-	-
1963-64	-	-	-	-	-	13.71	-	-
1964-65	-	-	-	-	-	12.62	-	-
1965-66	-	-	-	-	-	11.36	-	-
1966-67	-	-	-	-	-	7.19	-8.74	-
1967-68	-	-	-10.09	-	-5.15	8.18	-9.22	-
1968-69	-	-	-12.34	-	1.18	2.79	-9.55	-
1969-70	-	4.35	-10.23	-	-0.63	-7.80	-16.43	-41.00
1970-71	-	4.90	-17.29	-	4.98	2.93	-10.58	-21.10
1971-72	-	11.75	-13.82	-	16.39	3.30	-10.14	-18.68
1972-73	-19.76	13.07	-13.43	-	24.56	3.38	-0	-25.78
1973-74	-23.79	-6.25	- 9.05	6.54	19.07	14.23	-71.11	- 4.97
1974-75	-30.80	-11.36	5.87	15.31	24.00	12.23	-45.77	- 8.09
1975-76	- 14.24	17.18	18.68	5.86	4.36	10.67	-46.29	4.55
1976-77	-13.88	13.29	23.62	-9.26	9.46	9.35	-88.62	-21.10
1977-78	-32.57	8.36	21.30	-4.91	10.95	1.83	251.11	-38.87
Mean.	-22.51	8.14	-1.45	2.71	9.92	7.38	-51.66	-19.45
S.D.	7.33	8.96	14.96	8.77	9.58	5.34	66.55	14.15
C.V.	32.56	110.07	1031.72	323.62	96.57	72.36	128.82	72.75

Source - B.P.E. - Annual reports.

S.D. = Standard deviation.

C.V. = Co-efficient of Variation

Percentages.

manufacturing company showed improved working results, yeilding positive returns during the last 4 years ranging from 5.87 P.C. to 23.62 P.C.

The general performance of the enterprises in the group is not found to be satisfactory.

#### 6.9 PERFORMANCE OF AGRO BASED ENTERPRISES :

This group consists of three Agro based enterprises in the sample namely, Banana Fruit Development Corporation, National Seeds Corporation and State Farms Corporation of India.

Banana Fruit Development Corporation Limited registered in 1964, participated by the Governments of Andhra Pradesh, Karnataka and Kerala along with the Central Government in the share capital, showed only negative returns during the four years under consideration. In the initial year 1972-73, the company showed no profit margin, hence the return was zero. The return on capital employed was 5.71 p.c. in 1974-75, and the average return during the entire period was -66.08 P.C. per year.

National Seeds Corporation setup in 1963, serves as a foundation seeds stock organisation to ensure an adequate supply of high quality of seeds of supervior varieties in the country. The company showed fluctuating returns during the period and the average return was 13.39 p.c. per year. This company may be called the best performer in this group. In 1977-78, the return on capital employed was -8.86 P.C. as against 25 P.C. in the previous year. The fall in

Table VI.9  
Return on Capital Employed  
Agro Based Enterprises

Percentages

Year	Banana and Fruit Development Corporation	National Seeds Corporation	State farms Corporation of India
1966-67	-	10.74	-
1967-68	-	11.90	-
1968-69	-	3.77	-
1969-70	-	5.82	7.37
1970-71	-	6.49	0
1971-72	-	3.82	4.15
1972-73	0	21.82	2.06
1973-74	-3.13	49.81	10.11
1974-75	5.71	22.68	23.80
1975-76	-84.44	15.17	- 0.53
1976-77	-254.59	25.00	9.41
1977-78	-60.00	-8.86	- 1.04
Mean	-66.08	13.39	6.81
S.D.	90.73	14.77	7.98
C.V.	137.30	110.31	117.18

Source - BPE - Annual reports

S.D. = Standard deviation

C.V. = Co-efficient of variation

Percentages.



the ROCE<sub>e</sub> was very steep in 1977-78.

State Farms Corporation of India, incorporated in 1969, has 14 farms under its management at various places in the country. The total agricultural production of all farms during 1977-78 was 6.28 Lakh Quintals, and turn over was Rs. 7.81 Crores. The company experienced fluctuating fortunes during the period, the average return was only 6.81 P.C. per year.

The over all performance of agro based enterprises in the sample was not bad, as only one out of three showed negative returns.

#### 6.10 REASONS FOR POOR PERFORMANCE OF ENTERPRISES

##### PRODUCING MINERALS METALS, IN THE SAMPLE - OFFICIAL EXPLANATION.<sup>1</sup>

#### 1. Bolani Ores Limited. 1957.

(a) The company needs funds for replacement of worn out machinery.

#### 2. National Mineral Development Corporation.

(a) Production affected due to reduced off take by Bokaro Steel Plant.

(b) Workers' Strike in 1977.

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<sup>1</sup> Bureau of Public Enterprises - Annual report 1977-78, Vol.II. PP. 13-24.

- (c) Frequent failure or interruption in Power supply from Bharat State Electricity Board.
- (d) Japanese Steel Mills reduced off take due to severe recession in Steel Industry.
- (e) The absence of a firm sale contract for the product.
- (f) Low production of diamonds in the Panna mines due to low incidence of diamonds.
- (g) The sanction of Government for capital cost of the Project (Meghahatuburu) has been received for Rs. 51.39 crores inclusive of railway and other facilities but without escalation in costs.

3. India Fire Bricks & Insulation Company Limited 1960.

- (a) Production started in 1964, it sustained losses year after year, hence it was closed. Under Rehabilitation Scheme it was started in 1975.
- (b) Frequent and prolonged load shedding, and load shedding costs Rs. 63 lakhs a year.
- (c) Non-availability of covered wagons. The company could despatch 22000 tons as against 25000 tons.
- (d) Cash credit from SBI in 1977 Rs. 41.478 lakhs has been swelling because of the impact of interest.

4. Bharat Aluminium Company Limited. 1965.

- (a) Delay in the commissioning of second pot line of smelter owing to non-supply of power by MPEB.

- (b) Non-commissioning of third pot line of smelter for want of power.
- (c) Power cuts and erratic power supply seriously affecting production of metal and also consumption norms.
- (d) Levy of Penal surcharge by MPE.B at 1.5 paise per unit effective from September 1977.
- (e) Down ward revision by the Government of retention price of the company's levy metal by Rs.1.196 per tonne effective December 1977.

5. Bharat Gold Mines Limited. 1972.

- (a) The entire Gold produced by the undertaking should continue to be made over to the Government of India at the International Monetary Fund Price.
- (b) The cost of production of Gold per 10 Grams in 1977-78 was Rs. 652.95. Hence a subsidy of Rs.9.11 crores was sanctioned in 1977-78.

6. Bharat Refractories Limited.

- (a) The short fall of Rs. 19.66 Lakhs in the value of despatches was mainly due to the lesser despatch on account of bad road conditions between Bhadrantinath and Phusro and despatch of low valued standard bricks.

6.11 REASONS FOR POOR PERFORMANCE OF ENTERPRISES  
PRODUCING GOODS IN GENERAL.

It is difficult to list out all conceivable reasons responsible for the poor performance of enterprises producing goods. It is also difficult to fix norms for good performance of an enterprise yet the symptoms of sickness or poor performance are easily perceived.

The reasons listed out or the official explanations given earlier for the poor performance of enterprises producing minerals and metals provide a Good basis for assuming the similar reasons for the poor performance of the enterprises in other groups. It is not appropriate to extend the list of reasons for the rest of individual enterprises termed as poor performers, and more over some common factors will be perceived.

The major deficiencies in Indian Planning like power shortages, transport difficulties, and raw material shortages etc., are reflected in the performance of enterprises producing unsatisfactory working results shown in financial returns.

Other possible reason might be administrative delays, delays in execution of a project or delays in decision making process.

In every organization human failings are bound to exist. And in public enterprises these human failings are easily magnified. Defects in design, wrong contracts, no checking of the stocks, lack of supervision, pilferages, inefficient use of man power, defective equipment and lack of skilled personnel etc., are some of visible human failings.

It is also difficult to identify all the factors responsible for the poor performance.

#### 6.12 S U M M A R Y :

The production enterprises cover important economic fields like steel, coal, and petroleum. It is difficult to examine the performance of individual enterprises in the sample.

The General performance of the enterprises producing minerals and metals is not found to be satisfactory during the period under the study.

The average return in two companies engaged in the output of Coal, is not upto the mark.

The overall performance of the Petroleum Group has been found to be better than rest of the categories.

The public enterprises producing Chemicals and Pharmaceuticals, did not produce satisfactory returns.

Poor performance in terms of ROCE was recorded for the group of enterprises producing Heavy Engineering Goods..

The general performance of enterprises producing medium and light Engineering Goods has been better than Heavy Engineering Group.

The overall performance of the enterprises producing transportation equipment has been found to be satisfactory.

The enterprises engaged in the production of consumer goods did not produce satisfactory working results.

The overall performance of agro based enterprises in the sample was not bad.

The reasons for poor performance of the enterprises are many, and they range from workers' strike to old out-dated machinery. It is difficult to list out all conceivable reasons for the poor performance. The general causes appear to be shortages in power, raw-materials, and transport facilities etc. Even if all factors responsible for the poor performance of an enterprise under the Central Government, are indentified, it is difficult to allocate the blame.