CHAPTER V
FINANCIAL MANAGEMENT IN HPY AND HTL
Financial Management is the area of business management devoted to judicious use of capital and a careful selection of sources of capital, in order to enable the organization to move in the direction of achieving its goals. The goals of PU may be summarized as increasing financial welfare of owners, assuming social responsibility for becoming model employer and engaging itself in other non-financial activities.¹

The earlier view restricted financial management to the procurement of funds and to the financing instruments, institutions and practices through which funds are obtained with the accounting and legal relationships between a firm and its sources of funds.² But financial management came to be considered an integral part of general management rather than a staff speciality concerned only with administering sources of funds. Financial management deals with the efficient use of capital by operating units. Financial management decisions can be grouped into three broad categories: (1) financing ongoing operations and management of working capital; (2) investment in long-lived assets; and (3) alternative methods of financing assets. Financial decisions are inter-dependent and must be co-ordinated over time as part of the process of financial planning.³


The place of finance in PUs is transplantation of the governmental system. When PUs were set-up and large amounts were being syphoned off the Consolidated Fund of India, it resulted in grafting of the governmental system of checks and control. This also led to the dichotomy between finance and administration. There are two aspects involved in financing the PUs - First, is the estimation of finance requirement and second, the method of financing. Each of the PUs evolved principles to review and control financial implications in production process.

The financial management ensures a fair return on investment to the shareholders; generating and building up surpluses and reserves for the growth and expansion. It also helps in planning, directing and controlling the utilisation of finances so as to ensure maximum efficiency of operations and proper relations. It also co-ordinates the operations of the various departments through appropriate measures to ensure discipline in the use of financial resources.

HPF and HTL, similar to other PUs, incorporated financial functions into one independent body called finance division along with the financial adviser. The finance division of both PUs has the following objectives: (1) To maintain debt equity

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4 Ibid., p. 7.

ratio at 1:1. (2) To maintain sundry creditors and debtors at an average level of two months' purchase and total turnover respectively. (3) To maintain inventory levels for one-and-a-half, two and three months for finished, work-in-process and raw materials stages respectively. (4) To maintain a profit of 15 percent and 20 percent on investment and turnover respectively.

This chapter analyses the organizational development of finance divisions in HPF and HTL to ascertain their trends. It also examines sources and growth of finance from 1962 to 1982; it does financial analysis to analyse their efficiencies over the time and between the two PUs. As the financial analysis does not correlate and assess the actual performance of both PUs, the weighted percentage rate of change of capital stock (net block value of fixed assets) is computed for real analysis i.e., in terms of total factor productivity.

ORGANIZATIONAL DEVELOPMENT IN HPF

HPF, in 1967, organized a finance division headed by a manager (finance), flanked with five departments, namely, cost and budgeting, internal audit, financial accounts, bills payable section and data processing as revealed by figure 5.1.1. The finance division also has a financial adviser, the functions of which are discussed later in the chapter. The cost and budgeting department was headed by controller and assisted by accounts officers, independently responsible for costing and finance.
functions. The data processing section has an assistant manager as its authority, and was responsible to process the data furnished by the departments of finance division for preparing financial statements. The finance division was reconstituted in 1977 as shown in figure 5.1.2.

The modifications in the organizational structure are as follows: (1) The post of manager (finance) was upgraded to chief finance manager; (2) Major posts were upgraded thus increasing one more level in the management cadre; (3) The manager (finance) was now entrusted with EDP, general accounts and cash; and (4) The innovated organization structure classified functions into four departments - data processing, internal audit, finance, cost and budget.

The innovated organization structure of finance division incorporated important financial functions into separate departments. Each department further segregated functions to deputy manager and assistant managers to deal with the related aspects of a particular function. This organization structure of finance division of EPF limited the span of control at higher levels, prescribed job specification and aided in career development of the officers. The present organization structure is a combination of line and staff functions for higher efficiency.

ORGANIZATIONAL DEVELOPMENT IN HTL

The organizational set-up of the finance division in HTL in 1982 adopted line and staff functions and was headed by a
manager (finance). The division separated internal audit and system analysis from other functions and is entrusted to assistant accounts officers. The deputy manager (finance) undertakes the jurisdiction of civil accounts, bills, costing, books and establishment as shown in figure 5.2. The organization structure of finance division in HFL has merged cost and budget along with other finance functions. The department is headed by the manager (finance), and assistant accounts officers are entrusted with civil, accounts, bills, costing, books and establishment.

From the above analysis of the organizational development of finance divisions of HPF and HFL, it is evident that HPF decentralised the finance functions, whereas, HFL centralised into two broad functions i.e., internal audit and other financial functions. The organization structure of finance division in HPF provides more of span of control at higher levels than that in HFL. There is a scope for career development in HPF rather than in HFL. The reason attributed towards the decentralisation of finance function into separate departments in HPF is involvement of higher frequency of finance in the production process and its products are marketed in competition with other products in the home-market, which requires effective control in regulation of limited finance. The non-involvement of any sort of competition in marketing its products and the control of regulating the indigenous raw materials has limited the scope of expansion of finance
functions in HTL. The monopolistic environment has aided HTL in evolving surpluses and reserves which is utilised in transforming input into required output efficiently.

Apart from this, the finance adviser in both PUs, occupies a place of prominence in dealing with the finance functions. The government practice of financial concurrence by the officers of the finance ministry was carried over to PUs in the form of appointing financial adviser (FA), who is a nominee of the ministry of finance. He is recognised as the principal adviser to the chief executive on all financial matters and all proposals having financial implications which are placed before the board of directors should have his concurrence. The main functions and responsibilities of the FAs are: (1) to determine the extent of financial resources needed, and the ways these needs are to be met; (2) to formulate programmes to provide effective profit-volume-cost (PVC) analysis; (3) to analyse financial results of all operations, report the fact to top management and make recommendations concerning the future operations; (4) to carry out special studies with a view to reducing costs and improving efficiency and profitability; (5) to examine feasibility studies and detailed project reports mainly from the point of view of overall economic viability of the project; (6) to be the principal co-ordinating officer for preparing and

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operating long-term, annual and capital budgets; (7) to advise the chief executive on pricing policies, inter-departmental issues, charging of material to jobs, etc. (8) to advise on all service matters; (9) to act as principal officer in charge of accounts, including cost and stores accounts, and internal audit, (10) to ensure that annual accounts are prepared to time according to the provisions of law, and to attend to external audit; (11) to furnish prospective cost of products, to enable the management to determine the optimum product mix; and (12) to prepare a quarterly report for the government for giving the assessment of the working of the enterprise, which would be submitted to the board through the chief executive.

The finance division of both PUs along with their financial advisers does financial planning and administers the ways to achieve them. Financial Planning is described as the coordination of a series of interdependent decisions over an extended period. A financial plan generally describes the PUs operating or commercial activities, the investments required, and the sources of funds to be used — all in a time-phased schedule. The quantitative aspects of a financial plan are determined in the form of projected income statements, balance sheets, capital expenditure budgets and financing schedules.

The major sources of finance is PU are\(^7\): (1) equity and loans from the government, (2) internal resources, (3) capital

\(^7\) Ibid., p. 56.
market (both for loans and equity), (4) loans from public financial institutions, (5) government grants and subsidies, (6) arrangements for working capital, (7) foreign investments, and (8) public deposits.

Initially, GOI provided resources to both PUs in the form of equity or loans. The equity represents the interest-free perpetual capital. The analysis of the sources and growth pattern of finance in both PUs can enable us to assess their efficiency to some extent, as it does not cover other related factors which inhibit them to profit maximisation.

**SOURCES OF FINANCE**

In HPF, capital stock comprised equity shares of Rs. 100 each and loans issued by GOI. The equity shares remained constant throughout the period under study, whereas paid-up capital showed variations. HPF started its operations in 1967 with paid-up capital of Rs. 535.00 lakhs and borrowing from GOI, scheduled banks in India and deferred credits forwarded by collaborators to a tune of Rs. 637.84, 155.54 and 116.57 lakhs respectively. The paid-up capital increased by 8.79 percent in 1969, remained stable for next four years as there was insignificant increase in the total demand of products. It increased by 8.59 percent and 158.23 percent in 1972 and 1975 respectively. The sudden increase in capital in 1975 was due to the introduction of conversion of colour films. In later years, it increased

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marginally. This is because of the fact that HPF underwent some modifications in the production process and evolved the process of extracting the silver from the slag.

The loan forwarded by GOI was Rs. 637.84 lakhs in 1967, increased to Rs. 1858.10 lakhs as highest in 1974. This signifies that HPF was not able to establish reserves and surpluses to undertake the conversion of colour films in 1975. It decreased by 48.8 percent in 1975 as Rs. 908.22 lakhs was repaid. It again increased but steadily to Rs. 1134.14 lakhs in 1978-79 and maintained thereafter. The loans secured from scheduled banks were Rs. 155.54 lakhs in 1967, increased gradually to Rs. 745.97 lakhs in 1974. To have finance for the new project, HPF secured more loans from scheduled banks and the total loan secured reached Rs. 1118.08 lakhs in 1976, which again increased gradually to Rs. 1825.36 lakhs in 1981. The deferred credits are the loans forwarded by the collaborators to HPF for undertaking projects formulated earlier. The deferred credit was Rs. 116.57 lakhs in 1967, decreased to Rs. 28.67 lakhs in 1968 as HPF managed to repay Rs. 87.90 lakhs through generation of internal finances. It acquired more of deferred credit and the total reached to Rs. 52.77 lakhs in 1970 after which it showed a decreasing pattern. In 1979, HPF was able to reduce the deferred credits to Rs. 2.04 lakhs which was cleared totally in 1980 with regular payment through the income generated internally as shown in Table 5.1.

9 Ibid., p. 5.
The sources of procuring loans for undertaking projects formulated earlier were GOI, scheduled banks and deferred credits. The growth of finance indicates to some extent the performance of HPF, as it does not picturise the whole situation and the factor affecting. HPF secured loans from all the three agencies, and was only successful in repayment of deferred payment liabilities. This indicates that the process involved higher level of finance and there was low generation of finance through internal resources.

In HTL, the sources of finance are loans forwarded by GOI and deferred payments. Table 5.2. depicts the variations in trend of sources of finance in HTL. GOI offered loan of Rs. 15.00 lakhs in 1962, which increased to Rs. 110.00 lakhs in 1964. HTL reduced the loans forwarded by GOI to Rs. 42.14 lakhs in 1967 and fully repaid it in 1969. It is a distinct feature that HTL did not avail loan from scheduled banks but received loan to the tune of Rs. 69.09 lakhs from the collaborators in 1964-65, increased to Rs. 203.80 lakhs in 1967-68 due to devaluation of the rupee in 1964 which inflated the amount considerably. HTL fully repaid the deferred payment liabilities by 1979-80 through steady generation of finance owing to annual marginal profits.\(^\text{11}\) HTL again accepted loan from GOI in 1979-80 for taking up new projects of electronic teleprinters. It increased from Rs. 0.06 lakhs in 1979-80 to Rs. 0.10 lakhs in 1980-81, and marginally in the

The repayment of deferred credit liabilities by HPF and HTL shows that there was a generation of finance in the latter half of the period 1962 to 1982. HTL is considered to be more efficient than HPF on the analysis of sources of finance and growth rate in the past.

FINANCIAL ANALYSIS

The financial analysis involves the use of the financial statements. These statements first portray the assets and liabilities of a business firm at a moment of time, usually at the end of a year or a quarter; and secondly, an income statement which portrays the revenues, expenses, taxes and profits of firm for a particular period of time, again usually a year of a quarter. While the balance sheet represents the firm's financial position at a particular time, the income statement depicts its profitability over time. The assets are all items owned by a business firm which have a money value and are equal to the sum of total liabilities and net worth. The value of fixed assets is based on their actual costs on capital expenditure, and not on what they would cost today.

A number of conceptual frameworks might be used in analysing both PUs, but the most appropriate method used is a ratio, 


or index, relating two pieces of financial data to each other.
The financial ratios can be divided into four types: liquidity, debt, profitability and coverage ratios. No one ratio is sufficient in itself to have real assessment of financial condition and performance of a PU.

FINANCIAL ANALYSIS OF HPF

The present study assesses the profitability and return on investment for both HPF and HTL. Table 5.3 reveals the growth pattern of gross profit/loss, capital employed, net profits/loss and net worth, to examine the performance of HPF from 1968 to 1982.

HPF started production in 1967-68 with capital employed to the tune of Rs. 1,147.67 lakhs, which remained stable at Rs. 1,203.78 lakhs up to 1973-74. It increased by 9.28 percent in 1974-75 and thereafter by higher percentages in subsequent years. The increase of 52.3 percent in 1977 was owing to the conversion of cine colour films; and the process needed improvisations and modifications to suit the Indian conditions. The attempt was to reduce costs incurred in production process and decrease rejection patterns which were considerably higher before 1975. The increase in demand of various product lines envisaged an increase in the capital employed, which increased gradually to Rs. 3,314.28 lakhs in 1981.

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15 Ibid, p. 98.
The net worth is the capital and surplus of a firm. It represents capital stock or capital surplus (paid in capital) or earned surplus (retained earnings), and sometimes refers to certain services and preferred stock. Thus it is the capital which indicates the remainder after subtracting total liabilities from the fixed assets. Table 5.3 reveals that from 1970 to 1978 the total liabilities on HPF were higher than the total fixed assets which indicate that HPF was under depression due to non-generation of finances internally, and this led to heavy losses and the securing of additional loans from GOI, scheduled banks and collaborators as shown earlier in this chapter. From 1979, HPF was able to achieve higher profit margins which increased the reserves level. The net worth which was Rs. 126.15 lakhs in 1979 increased considerably by 160.0 percent in 1980 and further by 114.3 percent in 1981.

The growth rate of gross profit/loss\(^{16}\) and net profit/loss\(^{17}\) reveals that both are same, as there is no deduction of taxes from the gross profit/loss in HPF. This is because that HPF was under the grip of heavy losses from 1968 to 1975, and achieved marginal profits of Rs. 16.06 lakhs in 1976. To restore its financial position and upgrade its efficiency, the taxes were not deducted from the gross profits. HPF incurred a loss of Rs. 150.34 lakhs in 1968 which increased to

\(^{16}\) Gross Profit is the profit before deduction of taxes.

\(^{17}\) Net profit is the profit after deduction of taxes.
Rs. 204.92 lakhs in 1969 and further to Rs. 299.15 lakhs in 1971. The improvisations and modifications in functional areas possibly, were able to decrease the loss to Rs. 264.98 lakhs in 1972 and Rs. 161.41 lakhs in 1975. HPF was able to achieve marginal profits in 1976, improved further to Rs. 143.63 lakhs in 1977. In subsequent years the profit growth rates were higher and totalled Rs. 362.66 lakhs in 1981.  

The performance of HPF is viewed by finding the relation of profit/loss to capital employed. The earning power can also be helpful to review its performance. The earning power on investment is the ratio of rate of return on common equity which is calculated as the ratio of net profit/loss to net worth.  

The percentage of gross profit/loss to capital employed has been computed in table 5.3, which reveals that the gross loss to the capital employed was 13.04 percent in 1968 and increased to 26.71 percent in 1971. There was a decrease in the percentage of gross loss to the capital employed from 22.54 percent in 1972 to 12.62 percent in 1975. The percentage of gross profit was 1.31 percent in 1976, which increased to 7.73 percent in 1977. The percentage of gross profit to capital employed varied marginally in the following years. The above analysis shows that the percentage of gross loss was higher than that of gross profit to the capital employed. It may be inter-

18 Profit and Loss Statement (Gotaacamund : HPF, 1982).

19 Ibid

preted that higher rejection patterns, low prices of the products could not generate profits and therefore the rates of return were low.

The rate of return analysed by the ratios of net profit/loss to the net worth helps to indicate the efficiency of HPF in managing its affairs. It indicates that percentage of net loss to net worth was 62.07 percent in 1968, increased to 241.76 percent. The ratio decreased from 196.39 percent in 1970 to 12.88 percent in 1975. As the total liabilities were higher than the total assets from 1976 to 1978, the net worth values showed a negative sign indicating the difference. The percentage of net profit to net worth increased to 181.30 percent in 1980 and 1981.

FINANCIAL ANALYSIS OF HTL

Similar analysis has been made in HTL to study its performance from 1962 to 1982. Table 5.7 shows that the capital employed by HTL was Rs. 58.60 lakhs in 1962 and remained constant upto 1964, when it increased 84.2 percent. The capital employed increased steadily from Rs. 239.58 lakhs in 1966 to Rs. 365.57 lakhs in 1969 and further to Rs. 1048.70 lakhs in 1982, except when it decreased to Rs. 286.47 lakhs and to Rs. 361.68 lakhs in 1968 and 1970 respectively. There is an indication that the performance of HTL is quite steadier. The capital employed was in accordance with the growing production target, and varied marginally in the second half of the period 1962 to 1982.

The net worth, unlike the HPF, showed a positive growth
in HTL. The net worth was Rs. 66.36 lakhs in 1963, and varied marginally until 1965. It decreased by 57.7 percent in 1967, increased to 271.3 percent in 1968 signifying the achievement of higher profit. It increased gradually in the following years to Rs. 459.84 lakhs in 1974 and further to Rs. 760.26 lakhs in 1982. The positiveness in the net worth indicates that total assets are higher than the total liabilities.

HTL incurred a loss of Rs. 1.92, 3.80, 2.82 and 48.06 lakhs in 1962, 1964, 1965 and 1967 respectively. This was due to the fact that initially HTL was not able to achieve balance in the functioning of the functional areas and in 1965 was affected by devaluation of rupee which raised the costs involved in the production process. With indigenisation and improvisations of various aspects, HTL was able to achieve gross profit of Rs. 122.32 lakhs in 1968, increased steadily to Rs. 153.53 lakhs in 1970. The gross profits decreased to Rs. 126.24 lakhs in 1971, due to the reduction in prices of teleprinters for ensuring higher customer satisfaction. The gross profit on similar cause as mentioned in earlier statement could only achieve Rs. 59.46 lakhs in 1975, increased to Rs. 108.59 lakhs in 1976 and further to Rs. 152.19 lakhs as highest in 1977. The profit growth rate slackened in the following years.

In HTL, there is a difference in the value of net profit/loss and gross profit/loss, due to the deduction of taxes from the later. The taxes are deductible in HTL on the fact that HTL gained profits from the early part of the first phase of operation.
the period 1962 to 1982. The growth rate of net profit/loss shows variation from 1962 to 1982. The net profit increased to Rs.82.36 lakhs in 1968 after incurring loss in the initial years, decreased gradually to Rs.53.40 lakhs in 1972 and further to Rs.29.46 lakhs in 1975. From 1976, it showed variation similar to the growth of gross profits.

The percentage of gross profit/loss to the capital employed was 0.32 in 1963 and it increased gradually to 8.33 in 1966. It reached to 42.70 percent to capital employed in 1968, remained constant up to 1970. With the decrease of gross profits to Rs.59.46 lakhs it was only 11.02 percent to the capital employed Rs.539.32 lakhs. It increased to 27.92 percent in 1977 and thereafter decreased to 10.75 percent in 1979. These signify that the growth rate of gross profits declined while at the same rate the capital employed inclined.

The earning power of HIL has been analysed by dividing the net profit/loss to net worth. The percentage of net profit was 0.30 to net worth in 1963, increased to 24.23 in 1966, further to 68.41 in 1968. The net loss to net worth was 6.45 percent in 1964 which further increased to 136.88 percent in 1967. The percent of net profit to net worth showed decline from 68.41 percent in 1968 to 33.67 percent in 1969, further to 6.15 percent in 1975. It decreased from 10.42 percent in 1976 to 6.12 percent in 1979. It reduced considerably to 0.22 percent which indicates that HIL was able to accrue higher surplus during 1968 and 1982.
due to higher profit growth rate despite a reduction in prices of unit teleprinters.

The analysis reveals that the percentage of net profit/loss to net worth was higher in HPF than in HTL, and directly shows that HTL's performance is quite steady despite reduction in prices promulgated for customer's satisfaction. HPF, on the other hand could not generate higher profits from 1967 to 1975 due to various other factors and implementation of pricing policies which was meant for keeping prices low inhibited HPF further for lesser returns on capital employed.

As the mere analysis of financial ratios does not involve the factors affecting the growth rate of various factor inputs and output, it is essential to analyse the performance on the basis of real analysis. The present study assesses the performance of both PUs by analysing the total factor productivity through Divista Index Method. The details of the method employed have been given in chapter seven.

ANALYSIS OF WEIGHTED PERCENTAGE RATE OF CHANGE OF CAPITAL STOCK IN HPF.

The weighted percentage rate of change of capital stock is computed by analysing the percentage rate of change in net block value of fixed assets and weighted by the sum of average shares of profit/loss and capital services in that year. The net block value of fixed assets is the sum of money values of capital expenditures in each year, whereas capital services is
the sum of insurance, rent, interest and depreciation. The shares of profit/loss and capital services are computed by examining their share separately in the real value of production in that year. The average share of profit/loss is calculated by dividing the sum of its shares in present and previous years by two. Similarly, the average share of capital services is also calculated. The average shares of profit/loss and capital services in that particular year are added to be multiplied with the percentage rate of change in fixed assets for drawing up values of weighted percentage rate of change of this input.

Table 5.4 shows that the share of loss was 6.1245 in 1968, the highest and decreased to 0.1367 in 1975. In 1976, with the achievement of marginal profit of Rs.0.16 lakhs its share was 0.0064, increased considerably to 0.0491 in 1977, further to 0.0584 in 1981. The average share decreased from minus 3.0623 in 1968 to minus 4.3009 in 1969 and gradually increased to 0.0726 in 1976. There is a marginal increase in profit share from 0.0288 in 1977 to 0.0605 in 1980.

The trend of capital services and its share in the real value of production has been examined in table 5.5. As HPF started production in 1967, the expenditure on capital services increased from Rs.38.62 lakhs in 1967 to 122.63 lakhs in 1968, which is 217.1 percent higher than that of 1967. In later years the growth rate declined to envisage a steady increase. The share of capital services in real value of production was 4.9958, the
highest in 1968, reduced considerably to 1.7851 in 1969. In 1972, it was 0.8039 which decreased gradually to 0.0842 in 1981. The average share of capital service calculated depicts a similar trend as that of profit share.

The capital stock input is net block value of fixed assets and is computed by adding the money values of capital expenditures in each year. Table 5.6 depicts the trend of capital stock from 1962 to 1982, but the weighted percentage rate of change has been computed from 1968 to 1982, as HPF started production in 1967-68 only. The value of fixed assets increased 1672.48 percent in 1964, and marginally in the next three years. From 1968, it showed a retrogressive pattern and the values decreased from Rs.921.36 lakhs in 1968 to Rs.471.94 lakhs in 1975 at low marginal changes. It increased marginally 0.77 percent in 1976, the growth rate varied in the remaining years and in 1981 it increased by 0.002 percent. The percentage rate of change of capital stock is weighted by the sum of average shares of profit/loss and capital services in each year. The weighted percentage rate of change was 2.67 percent in 1968, increased to 6.45 percent in 1969. It showed a gradual decline to minus 0.30 percent in 1975. It increased from 0.05 percent in 1976 to 1.35 percent and 2.27 percent 1977 and 1979 respectively. The weighted percentage rate of change of capital stock in HPF was 0.0003 percent as least.

ANALYSIS OF WEIGHTED PERCENTAGE RATE OF CHANGE OF CAPITAL STOCK IN HFL

The share of profit/loss in real value of production was
0.0284 in 1963 increased to 0.3695 in 1968 after declining to minus 0.5167 in 1967 as shown in table 5.8. It gradually decreased from 0.3695 in 1968 to 0.0925 in 1981 with marginal variation in between when it decreased to 0.0954 in 1970 and again 0.0825 in 1980. Unlike HPF, the share of profit in real value of production is higher in HTL. This further reveals that HTL has steadier production performance which enabled it to gain higher returns inspite of reduction in prices of unit teleprinter in 1975. During 1975 the profit share came down to 0.0954, but was still higher than that achieved by HPF from 1976 to 1982.

Table 5.9 explores the shares of capital services in real value of production from 1962 to 1982. It increased by higher margins from 1963 to 1968, and it increased from Rs.0.38 lakhs to Rs.42.47 lakhs respectively. The average increase was 90.84 percent from 1963 to 1968. It reduced considerably from Rs.42.47 lakhs in 1968 to 13.60 lakhs in 1969. After reaching Rs.45.62 lakhs in 1977, it declined to Rs.19.81 lakhs in 1976 at an average of 15.88 percent. From 1980 the capital services expenses increased to 80.6 percent. The share of capital services in real value of production showed that it first increased to 0.8438 in 1968 and then decreased gradually to 0.0453 in 1977. The share of capital services in real value of production in both PUs showed similar trend.

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21 Balanced Sheet (Gottacambud : HPF, 1969-70).
Lastly, the computation of weighted percentage of capital stock in HTL from 1962 to 1982 finds the percentage rate of change and weighted by the sum of average shares of profit/loss and capital services. With the onsetting of production of teleprinters in HTL, the fixed assets increased by 211.98 percent and 137.84 percent in 1963 and 1964 respectively. The percentage rate of change declined to 2.10 percent in 1969 and for the first time it reduced by 7.02 percent in 1970, again by 9.01 and 4.10 percent in 1972 and 1973 respectively. The percentage rate of change was marginal, 4.95 percent in 1977 and thereafter increased at an average of 16.63 percent.

The weighted percentage rate of change of capital stock points out that it increased from 12.36 percent in 1963 to 70.54 percent as highest in 1965. It is notable that the weighted percentage rate of change of capital stock is higher in HTL than ascertained in HPF. The first half of the period 1962 to 1982 shows that it decreased to minus 3.08 percent in 1970 after achieving 70.54 percent in 1965, whereas in the second half there was a marginal change between 0.008 to 4.51 percent.

The hierarchal structure of finance divisions in HPF and HTL adopted a simple structure in 1962. With the onsetting of production process and need of encompassing various financial functions within the jurisdiction of finance division for undertaking cost and budgeting, internal audit and other finance functions, both PUs adopted different ways in mobilising modifi-
cations to suit their requirements. HPF adopted decentralisation and delegated more of authority by increasing the span of control on the basis of job specifications. HFL on the other hand, adopted centralisation with increased span of control and thus restricting the vertical growth of the organisation structure. It reveals that HFL efforts were to reduce the cost centres for achieving the surplus which can be utilised for increasing the production of teleprinters.

The study reveals that HPF acquired loan from all the three sources at the same time, whereas HFL did not avail loan from scheduled banks. It accepted deferred credits from the collaborators due to the devaluation of rupee which created a vacuum in regulating the finance to complete the projects formulated and approved earlier. The growth rate of finance in both PUs can to some extent reveal the performance of the two PUs, but cannot assess the factors responsible for low generation of finance internally and the other functional aspects which rendered both PUs to achieve higher profits.

The mere analysis of profitability on the rate of investment and earning power can achieve a partial success in analysing their efficiency as it does not incorporate the factors affecting the pricing policies and growth of finance as both PUs are meant to achieve social benefits and hence it is incorrect to measure comparative efficiency of both PUs only on the basis mentioned earlier. The real analysis i.e., total factor productivity can
help to assess the performance of two PUs.

The marketing of products helps in analysing the finance needed or in other words, preparation of financial plan requires market forecasts, based on market analysis. The following chapter analyses the principles and procedures of marketing functions adopted by both PUs.