CHAPTER II

CENTRAL GOVERNMENT COMPANIES
State enterprises for business activities are, now-a-days, not a monopoly of socialistic countries alone. Though not as all comprehensive as in case of the latter, in some form or other they are present in all capitalist countries as well. Their existence in those countries, however limited, is justified by an ideal of, what may be called, social democracy. It involves co-existence of enterprises which are owned and/or controlled either by the state or society as a whole on the one hand and/or by an individual or a group of individuals on the other. The state of economy that may foster the growth of such simultaneous presence of the two types of enterprises is, usually, known as the 'mixed economy'. This mixed economy in various countries may take various forms and patterns. But one thing that is common in every case is that the entire economy is divided into two sectors, public and private. The public sector consists of all enterprises-owned and/or controlled by the State. Similarly the private sector consists of all industries owned and controlled by an individual or a group of individuals.

Difference between Public Sector Economies in India and Abroad

The public sector economy in India is clearly distinguishable from that in countries like in U.S.S.R., China and Eastern European countries. This is due to the fact that in India, public sector is only an important limb of the economy, not the body itself, which is the rule in the U.S.S.R.,
There is also some striking differences between the public sector in India and public sector in Great Britain though both the countries believe in mixed economy. In Great Britain public sector originated as early as in 1908 with the establishment of Port of London authorities by the Liberal Government of Lloyd George to renovate and modernise Britain's chief port. The process came into prominence between 1945-50, when the Labour Party was in power through a series of nationalisation measures of the Government. But in India the public sector, as we find, it today, is largely due to entreprenueral efforts of the government. In other words, the public sector in India, is more due to the creation and establishment of new industries than the outcome of nationalisation. Even in regard to nationalisation the positions of India and Great Britain are not identical. Nationalisation in India, unlike that in Great Britain, has often been partial and not complete. Same line of activities are being carried on by both the public and private sectors in India. Examples on this point are the nationalisation of commercial banks in 1969, Airlines in 1953, nationalisation of collieries in May 1972, nationalisation of Life Insurance in 1956. The commercial banks were nationalised by an ordinance in February 14, 1969 - the date on which the first ordinance on Bank nationalisation, Banking

R. S. Arora -
companies (requisition and transfer of undertakings) was promulgated. By this Ordinance 14 top banks were nationalised. Branches of banks incorporated outside India, i.e., foreign banks and Indian schedule banks with deposits of less than 50 crores of rupees at the end of June, 1969 were kept beyond the scope of nationalisation.

Air transport in India was nationalised by the Air Transport Act, 1953, on the basis of the recommendation of the Air Transport Enquiry Committee, 1951. Under the Act, two corporations, the Indian Airlines Corporation and the Air India International Corporation were set up on June 15, 1953 - the former for internal and the latter for international services. Still the private Air transport companies are allowed to handle passengers and cargo in the routes not covered by the Indian Airlines.

In India collieries were originally in the private sector. But gradually all of them have been nationalised by May, 1973. The process of gradual nationalisation of coal mines stands in contrast to the exclusive public ownership of coal mining industry in Great Britain. If not paucity of financial resources, dearth of domestic skill, stagnation of imagination and thoughts and the drawbacks of an underdeveloped economy are said to be at the root of this gradual nationalisation in India not only of coal mines but also of other industries as well.

3. Letter from the Commercial Manager, Indian Airlines, dated, December 8, 1971 (see appendix 1)

The role that the public sector plays in India is also slightly different from that played by the same in many other developing countries, such as, Turkey, Mexico, Pakistan etc. In Pakistan, new industries, particularly in the spheres where private capital is shy of investments, are established through a government owned corporation, viz., Pakistan Industrial Development Corporation, just in the pattern of 'Fomento' prevailing in Latin American countries. But, the interesting point to note about the P.I.D.C. is that, its emphasis is on promotion than on the ownership and operation of industries. P.I.D.C. tries from the very outset to get private participation in the project that it undertakes. In the absence of private participation P.I.D.C. itself carries out the project. And after the project is ready, the effort to attract private capital or to sell the mill to private concerns is renewed by the P.I.D.C. If there is no success even at that stage, the project is converted into a joint stock company and the shares are placed on the market with the

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By the end of March, 1968, there were only 25 public enterprises large and small in Pakistan including the then East Pakistan. The total capital invested on these enterprises was not more than Rs.83 crores. These enterprises included financial, commercial and industrial institutions as well as public utilities. Source - R. S. Arora - 'Public Sector in Pakistan and Bangladesh' - Lokudyog, January, 1973, Vol.VI, No.10, p.65.
managing agency vested in the P.I.D.C.

The Different Forms of Organisation in the Public Sector Undertakings

The public sector undertakings in different parts of the world have been in operation in a number of specific forms of organisation. Such forms have been variously classified by different authors on this subject. W.A. Robson classified this organisational form into seven distinct types, viz., The Government Department or Ministry, The Local Authority, The Regulatory Commission, Mixed Enterprise, The Representative Trust, The Joint Stock Company and The Public Corporation.

A.H. Hanson on the other hand, spoke of four different forms with reference specially to the developing countries which are The Departmental Management, The Public Corporation, The State Company, The Operating Contract. The seminar on 'Organisation and Administration of Public Enterprises in the


** It is true that in India there also exists a similar organisation in the name of National Industrial Development Corporation of India with power to sell, lease out or transfer its business for cash or stock to any private company. But the corporation, up to now, has not floated any concern which has subsequently been sold or leased out to the private sector. It has confined itself only in rendering consultancy services in the fields of engineering and management consultancy which are being made use of by the undertakings of Central Government, various State Governments and public and private sector concerns in India. (Letter from the Administrative-cum-Personnel Officer, N.I.D.C. Ltd., dated, 2nd December, 1971. See appendix 2.


Industrial Field held in Rangoon in 1954, under the auspices of E.C.A.F.E., United Nations, indicated the existence of five different forms of organisation in the specific area of public sector undertakings in the E.C.A.F.E. region. These were, organisations managed on government lines, organisation managed by Board or Committee, public corporations and mixed ownership corporation.

Dr. Om Prakash classified the public sector undertakings with reference to India from the organisational viewpoint into Statutory corporation, Limited Companies, Quasi Companies, Departmental Undertakings, Control Boards, Commodity Boards, Commissions, Port Trusts and Local Authorities. But so far as the industrial and commercial undertakings of the Central Government are concerned they have taken three specific forms of organisation namely, Departmental form, Public Corporation and Government Company. And as amongst these three forms of organisation, it is the form of Government company which is by far the most important as will be evident from the fact that out of the total 110 commercial and industrial undertakings in the public sector other than financial institutions under the control of the Central Government as on 31st March, 1970, as many as 85 of them were government companies as defined under section 617 of the Indian Companies Act 1956 as given in the next para. Out of the rest only 6 were public corporations and the balance departmental undertakings.


Analysed in terms of capital investment, companies alone accounted for 78% of the total investment of Rs. 467846.6 lakhs, in the aforesaid commercial and industrial undertakings of the Central Government as on the aforesaid date, i.e. 31st March, 1970.

The Government Company

The company form, as already pointed out, is the most predominant form of organisation in the sphere of public sector undertakings of the Central Government in India. It will be recalled that the term 'government company' is a statutory expression which is available in Section 617 of the Companies Act, 1956. According to it a government company is any company in which not less than fifty-one percent of the paid up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary of a government company as thus defined. There are, however, some experts who criticise this definition of government company. According to them this definition is not based on scientific consideration. In this respect they seem to have been influenced by the opinion of the then Comptroller and Auditor General of India. According to him a

government company should have been identified with reference not to the percentage of ownership of share capital but to the relative proportion of the total finance consisting both of ownership as well as loan capital. But it is difficult to subscribe to this view because of certain characteristics of loan as a source of capital. Loan is, after all, a fixed-charge capital which has nothing to do with the ownership in as much as it does not entitle one to participate in the 'residual' income, positive or negative, which is considered the hallmark of ownership capital.

As a form of organisation, the government company, or the company operating in the public sector, is not anything peculiar to India alone. It has been accepted as a vital means of organising public sector undertakings in the countries like France, Italy, Sweden, South Africa and Canada, despite divergent views about the desirability of doing so.

In Ceylon, for example, the Commission on government commercial undertakings recommended the adoption of the company form in the public undertaking with varying degrees of government participation in their capital and management. But the Rangoon Seminar of 1954, which went into details of the company form of management in the public sector, opined that the company device meant evasion of the constitutional responsibilities to the government and to the Parliament and was a 'mere fiction' because all or most of the functions

normally vested in the share-holders and in the management are reserved to the government by the statute setting up the company. The seminar, also held the view that, where an enterprise is wholly government owned, it should be set up in the form of public corporation or in some cases administered as a department of the government.

Mr. Hansen has been of the opinion that where an enterprise is acquired from a private concern with eventual object of resale or where an enterprise is started with a mixture of public and private capital or where the intention is to introduce private capital into a wholly state-owned enterprise at a later stage, no special justification is needed for the adoption of the company form of organisation. But when it is used for fundamentally different purpose, namely, to establish a pure public enterprise permanently controlled by the government there is room for controversy.

Mr. A.D. Gorawalla, however, considered the company form superior to statutory corporations (creature of special Acts) for the discharge of substantially commercial functions because of the greater flexibility of the former. The corporation, in his opinion, should be used only where the undertaking is discharging what is in effect an extension of the functions of the government, for example, an irrigation or hydroelectric project.

The opinion of the Loksabha Estimate Committee of the Indian Parliament on the government company as a form of organisation has not also been very graceful. The Estimate Committee in their 9th Report First Loksabha (1953-54) found this form as "more or less extensions of departments ... and are run on the same pattern with minor changes here and there".

Again, the Estimate Committee in the 80th Report (April, 1960) stated that wholly state-owned public undertakings should generally be in the form of statutory corporation. The company form should be an exception to be resorted to only when the government have an emergency to take over an existing enterprise or have decided to launch an enterprise either in association with private capital or with a view eventually to transfer it to the private management later on.

The Administrative Reforms Commission in its report did not favour the suitability of the company form of organisation for public undertakings except in certain limited cases. It found the rituals of holding annual general body meeting and requiring notices and returns to be filled with the Registrar of Companies and provisions in the Articles for transferring, making calls, on forfeiture of shares, and imposition of penalties as having little or no meaning in


relation to government companies. As such it favoured the form of statutory corporation for the public undertakings in the industrial and manufacturing field.

Nevertheless, in India, the company form is still very popular with the government and every year the number of government companies is on the increase.

Various reasons are now ascribed for the popularity of the company as a form of organisation with the government. Some of these reasons are summarised below -

(i) Company form imparts a great deal of flexibility and freedom of action on the part of management regarding purchase, sales, recruitment of labour, procurement of stores etc.

(ii) Under this form, a public undertaking engaged in commercial dealings can enjoy separate commercial entity which is very much desirable for such undertakings.

(iii) A company being a separate commercial entity enables and stimulates the management, and also those whom the management of the company has to deal with, to adopt and to adhere to sound commercial practices.

(iv) Company form permits association of non-officials in the management of the company. This enables cross feeding of experience and knowledge which have definite contribution to the embryonic stage of state entrepreneurship in commerce and industry.

(v) Company form makes possible legally a very large delegation of function and assignment of resources which have an important bearing on the organisation and management of public undertakings. Without this no effective utilisation of public fund for the betterment of economy is possible.

(vi) Company works under strict statutory discipline of the Company Law which is non-existent in the ordinary government departments. These disciplines are very much healthy particularly when one has to handle other people's resources.

(vii) The company form, unlike other forms, enables the government to start business enterprise in collaboration with the private capital, national or foreign. Such a joint venture has definite significance in India in the context of the present dearth of capital and technical knowhow in the country.

(viii) The company form in the public sector enables the government to acquire the shares of an existing enterprise in the private sector in an emergency or to take over nationally important industries which have become unprofitable under private ownership and control.

(ix) The popularity of the company form may also be justified by the ease and convenience with which the government decision to start a commercial and industrial undertaking can be implemented. A government company, unlike a public corporation, does not require a separate parliamentary enactment for its inception. It involves saving of much time spent in enacting a new Act etc.
The growth of the government companies in India cannot be logically claimed to date back earlier than the beginning of April, 1956. It is a fact that, prior to that date, there were as many as 61 companies with varying degrees of government participation, all exceeding 51% in their share capital. Naturally, when the Companies Act, 1956, came into force from 1st of April, 1956, those companies automatically got the status of government companies, according to section 617 of the said Act only from that date. In consequence, it can be claimed that the Indian Companies Act, 1956 started with a back-log of 61 government companies with a paid up capital of Rs.66 crores to their credit. Since 1st April, 1956, the growth of the government companies in India has been, rather, phenomenal. If it is not in respect of their number as compared with the total number of companies limited by shares in India, it is true at least with respect to their share in the over-all paid up share capital of such companies. This will be evident from Table 4 of the present study.

Analysis of the figures in Table 4 indicate that at the beginning of April 1956 the total number of government

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companies had been, as already told, only 61, with a paid-up capital of Rs. 66 crores. In the same year the total number of companies in India limited by shares, both in the private and public sector had been 29874 and their paid up share capital Rs. 1024.2 crores. Government companies in the year 1955-56, thus, accounted for only 0.20% of the total number of companies in India and their share in the total paid-up share capital of that total number of companies was only 6.4%. Numerically, therefore, the government companies comprised only a very insignificant part of the total number of companies in the country, in that year, though their share in the over-all paid up share capital was not very negligible. This particular trend seems to have been maintained throughout the growth of the government companies in the country beginning from 1st of April 1956 to the end of March 1970.

The total number of companies in India at the end of March 1970, as the table shows, had been 28960. Out of this total number of government companies had been only 282. Thus, so far as their number is concerned, the government companies still continued to occupy an insignificant position among companies in general as at the end of March 1970, they accounted for less than 1% of the total number of companies limited by shares in the country. But curiously enough, these government companies controlled as high as 45.1% of the total paid up share capital, since these companies had to their credit a paid up share capital, of Rs. 1790.6 crores out of the total paid-up share capital of Rs. 3978.3 crores at the end of
March 1970. The higher percentage of paid-up share capital against a relatively very few number of companies may be taken to suggest that, in comparison with the companies in the private sector, the government companies were more capital absorbing.

Another interesting feature that may be observed relating to the growth of government companies since April, 1956, is that their growth in terms of both of increase in the total number as well as increase of the share in the paid up share capital were not achieved at a uniform rate. There had been rate of maximum increase in the number of government companies in the year 1957-58 (22.9%) and minimum increase in the years 1962-63 and 1967-68 (3.9%). Turning to the rates of increase in the share capital it is found that there had been maximum increase in the share capital in the year 1957-58 (254%) and minimum increase in the year 1969-70 (4.4%).

Another striking feature revealed by the figures in Table 4 has been that the years of maximum increase in the number of government companies did not coincide with the years of maximum increase in the amount of paid-up share capital of government companies with exception to the year 1957-58. For instance in the year 1959-60, the number of government companies increased by 20.2% but the rate of increase in the paid up share capital had been only 11%. On the other hand in the year 1964-65, numerically government companies increased by only 4% but the rate of increase in the paid up share capital in the same year had been as high as 16%.
Growth of Government Companies under Central Government Control between 1960-61 and 1969-70*

The definition of government company provided under section 617 of the Companies Act, 1956, admits as already mentioned the following composition of such companies which may be registered either as Public Limited or Private Limited company:

(a) Companies whose share capital is owned exclusively by the Central Government.

(b) Companies whose share capital is owned by the Central and State Governments.

(c) Companies whose share capital is owned jointly by the Central Government, private interest, national or foreign or both.

(d) Companies whose share capital is owned exclusively by the State Government.

(e) Companies whose share capital is held jointly by the State Government and private interests national or foreign or both.

(f) Companies whose share capital is held jointly by the Central Government, State Government and private interests national or foreign or both.


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20. Information Broad-sheet on Govt. Companies in India as on 31st March, 1970. Research and Statistics Division, Department of Company Affairs, Ministry of Industrial Developments and Company Affairs, Govt. of India, pp.1-303.
interests are often described as Mixed Companies by a number of authors.

In the cases of mixed companies with Central Government participation in the share capital, the Central Government has been generally found to have care to obtain commanding position in respect of holding of shares in such companies. The only exception seems to have been in respect of various Agro Industries Development Corporation of different State Governments in India. In their cases the Central Government has no doubt, participated in their share capital but, save and except, in case of the Bihar State Agro Industries Development Corporation, no where Central Government participation has crossed the limit of 49% of the paid up share capital.

In the present study a Central government company obviously means a 'government company' in which the Central Government is at least a majority share holder irrespective of whether the said company is a public or private limited


22. Information Broadsheet on government companies in India. 1969-70.
company in accordance with the terms of the Companies Act. Such a company remains naturally under the administrative control of the Central Government. In other words, it means that both ownership as well as control in addition to the fulfilment of the statutory condition of being a 'government company' are accepted as the criteria for identifying whether a particular company is a Central government company or not. Judged by this standard, there were on record 85 central government companies in India at the end of March, 1970.

Though there were as many as 105 companies, on the even

* Companies Act, 1956 recognises two forms of companies viz., (i) Private Limited and (ii) Public Limited.

According to Section 3(IV) of the Companies Act, 1956 Public company means a company which is not a private company. According to Section 3(III) Private company means a company which by its articles:

(a) restrict the right to transfer its share, if any;
(b) limit the number of its members to fifty, not including (i) persons who are in the employment of the company, and (ii) persons who having been formerly in the employment of the company were members of the company, while in that employment and have continued to be the members after the employment ceased and
(c) prohibit any invitation to the public to subscribe for any shares in or debentures of the company.

Provided that where two or more persons hold one or more shares in a company jointly, they shall for the purpose of the definition be treated as a single member.

According to the Act the private companies enjoy some special facilities in certain matters in exclusion of public company. But what is important here is that the statutory dichotomy of companies into private and public has no bearing on the inclusion of certain companies in the private sector and the others in the public sector. As there may be both private and public companies in the private sector, so both of them may be present in the public sector also.


date in which the Central Government had participation in the share capital. The year-wise growth of the Central government companies between 1960-61 and 1969-70, covering the period of our study, has been given in Table 5. It has also been shown in that table the importance of such companies, first among the government companies and, thereafter, in the corporate sector as a whole, both in terms of their numerical proportion as well the share of the total paid up share capital.

The available data in Table 5 indicate that, in quite harmony with the general trend in the growth of the government companies in India as shown earlier in Table 4, the rates of increase in the number and also those of increases in the amounts of paid-up share capital of Central government companies have not been uniform or symmetrical to each other over the period of ten years between 1960-61 and 1969-70. The said peculiarities may be observed firstly from the fact that the years of maximum rate of increase in the number of such companies did not synchronise with the years of maximum rate of increase in the amount of their paid up share capital. It may be noticed that the year 1965-66 had been the year of maximum rate of increase in the number of Central government companies for its being 14.5%. But the year of maximum rate of increase in the amount of the paid up share capital of the Central government companies had been 1964-65 for its being 15.4%, since the percentage of increase indicated against the year 1963-64 in Table 5
represents increase of share capital over a couple of years because of the unavailability of the required data for the year 1962-63.

Secondly, despite even a decline in the number of central government companies in the year 1961-62 by -5.5%, i.e. from 54 to 51, there had been an increase in the amount of paid up share capital of such companies by 14.9% i.e. from Rs.53098 lakhs to 61008 lakhs. This apparent contradiction in the trend of growth of the central government companies is to be reconciled on the basis of the fact that, in the year under review and also in the immediately preceding year i.e. 1960-61, there were some changes in the structural composition in the central government companies. For instance, Fertilizer Corporation of India was formed with effect from 1st of January, 1961 on the amalgamation of Sindhri Fertilizer Corporation and the Hindusthan Chemicals and Fertilizer Limited. The Shipping Corporation of India Ltd was formed on the 2nd October, 1961, similarly by combining the Western Shipping Corporation Ltd. with the Eastern Shipping Corporation Limited. Thus, as a result of the aforesaid disparities between the rate of growth of number and paid up share capital of Central Government companies the over-all result has been that though Central Government companies constituted between 32.3% and 38.6% of the total number of the

government companies in India over the period of ten years between 1960-61 and 1969-70, their share in the total paid-up share capital of the government companies was most dominating. The paid up share capital of the Central government companies constituted as much as 91.0 to 94.4% of the total paid up share capital of the government companies in India. This peculiar position can be explained only by the fact that all the Govt. giant companies in India have been established in the public sector under the control of the Central Government.* Incidentally, it may be mentioned that the number of such giant companies operating in India were 5 in 1963-64, 6 in 1964-65 and 1965-66, 8 in 1966-67, 11 in 1967-68 and 1968-69 and 12 in 1969-70. It may, at last, be pointed out that, in respect of the number of the companies, Central government companies accounted for only 0.20% to 0.31% of the total number of companies in India limited by shares over the period of ten years between 1960-61 and 1969-70. Nevertheless, they controlled 29.2% to 43.4% of the total paid up equity share capital of the companies. This disparity between the share of the Central government companies in the total number and that of the Central government companies in the total paid up equity share capital can be explained only with reference to the capital concentration of the Central government companies as indicated in Table 6.

* Reserve Bank studies on the Finance of Govt. Companies define a giant company as one having a paid up share capital of Rs. 20 crores and above (Reserve Bank Bulletin, September, 1965).
Available data in Table 6 show that seven companies in 1960-61, nine companies in 1961-62 and 1963-64, thirteen companies in 1964-65, fourteen companies between 1965-66 and 1969-70 accounted for respectively 81.6%, 84.3%, 81.2%, 95.4%, 94.2%, 92%, 97.7%, 91% and 93.8% of the total paid up share capital of the Central government companies.

It has already been observed that the Central govt. companies in India have been registered either as Private Limited companies or as Public Limited companies. Again they have been set up either under the exclusive ownership of the Central Government or under the mixed ownership of the Central Government and a State Government or under the mixed ownership of the Central Government, a State Government and Public or Central Government and the Public. Consequently, Central government companies have assumed various structural forms. In Table 7 an attempt has been made to depict clearly the structural composition of the Central government companies over the span of ten years between 1960-61 and 1969-70. It indicates that out of the total 45 Central government companies in the year 1960-61 the same total number 45 in 1961-62, 48 in 1962-63, 55 in 1963-64, 61 in 1964-65, 68 in 1965-66, 74 in 1966-67, 77 in 1967-68, 81 in 1968-69 and 85 in 1969-70, the number of Private Limited companies both under the exclusive ownership of Central Government and under mixed ownership were respectively 38, 39, 41, 46, 52, 59, 62, 65, 68 and 73. The corresponding percentages of them of the total number of
companies were respectively 84.4%, 86.7%, 85.4%, 83.6%, 85.2%, 86.8%, 83.8%, 84.1%, 84.0% and 85.9%. The balance were public limited companies. Again, among the different categories of private limited companies, the most predominant were the private limited companies that were under the exclusive ownership of the Central Government. This is evident from the fact that out of the 33 private limited companies in 1960-61, 39 companies in 1961-62, 41 companies in 1962-63, 46 companies in 1963-64, 52 companies in 1964-65, 69 companies in 1965-66, 62 companies in 1966-67, 65 companies in 1967-68, 68 companies in 1968-69 and 73 companies in 1969-70, the number of private limited companies under the exclusive ownership of the Central Government consisted respectively of 35, 36, 38, 42, 46, 50, 52, 55, 59 and 64. The corresponding percentages of the total number of private limited companies were respectively 92.1%, 92.3%, 92.7%, 91.3%, 88.5%, 84.7%, 85.5%, 86.2%, 86.8% and 85.3%. It may therefore be safely concluded that among the unmistakable trends observed in case of the Central Government companies in India over the period of ten years between 1960-61 and 1969-70 the first was they were to be established as private limited companies. Secondly, the said private limited companies were to remain under the exclusive ownership of the Central Government. This specific bias of the Central government companies to be established as private limited companies can be attributed, first to the privileges that the private limited companies enjoy over the public limited companies.
both in the process and the speed of the formation of such companies. Secondly the desire of the Central Government to have control over the utilisation of the surplus that these companies were expected to earn was another factor for this preference for private limited companies. In that case the public sector undertakings could be easily expected to foster a self sustained economy in India.

Central government companies were preferred to be registered as public limited companies only under two specific situations. First, they were where the government found it necessary to have private participation, either national or foreign or both in the share capital of such companies in order to get the advantages of technical knowhow to their credit. Secondly, such situation arose where the company in question had initially been founded in the private sector but became subsequently, a government company by virtue of the acquisition of its shares, either directly or indirectly, by the Central Government. For instance, out of the 12 Central government companies which were public limited at the end of March 1970, as many as six of them were companies which had initially been set up in the private sector but became subsequently Central government companies with the acquisition of their majority shares by the Central Government, either directly or indirectly.* Seven of these twelve public limited

companies had, however, private participation in the share
capital, national or foreign, accompanied by technical
collaboration.*

Central government companies in India did not grow
up in the field of any specific or particular industry.
They rather remain widely distributed over a number of
industries. In Table 8 of the present study, an attempt has
been made to depict clearly industrywise distribution of
the 85 Central government companies at the end of March 1970
with their respective share in the overall paid up capital.
The Table portrays that the largest number of companies
were floated in the Engineering and Ship building industry
(25), followed successively by Miscellaneous group, (19)
Chemicals (13) Promotional and Development companies (11)
Mining and Minerals (9) and Petroleum and Oils (4).** In
respect of paid up capital distribution, however, it was
the Steel industry which topped the list, with 48.9% of the
total paid up capital to its credit. This was followed
successively by Engineering and Ship building (18.5%), Mining
and Minerals (14.2%), Chemicals (10.0%), Petroleum and
Oils (4.9%) and Aviations and Shipping (1.3%). Thus, it will
be observed that the Central government companies at the end

* Seven companies were Cochin Refineries Ltd., Fertilizer
and Chemicals Travancore Ltd., Praga Tools Ltd., The
Republic Forge Company Ltd., Lubrizol India Ltd., Madras
Refineries Ltd. (Source: Information Broadsheet on Govt.
companies in India as on 31st March, 1970. Research &
Statistics Division, Department of Company Affairs, Govt.

**Figures within the parenthesis indicate the number of
companies.
of March 1970, instead of being concentrated in any specific industry, remained rather widely distributed among industries engaged in the production of steel, fertilizers, heavy plant and equipment, machine tools, oils and lubricants, shipping, basic drugs and in the business engaged in the promotion of export trade from the country. This was quite logical since in a developing country like India, bulk of initial investment has to be directed to lay the infrastructure needed for the future industrial development of the country.

Another interesting aspect revealed by Table 8, has been that, though there were only two companies in the Steel industry, they nevertheless accounted for the lion's share in the total paid up capital of the Central government companies. It may naturally point to the capital intensive nature of the Steel industry.

Central government companies operating between 1960-61 and 1969-70, as the Table 9 indicates, seem to have been exceeded other in size, if size is assessed with reference to the amount of paid up capital in each of these companies. Available data in Table 9, show that the largest number of Central government companies occurred in the paid up capital range between Rs. 1 crore and below Rs. 5 crores. Reduced to percentage it means that 35.3% of the Central government companies existing as in the year 1969-70 had paid up capital between Rs. 1 crore and below Rs. 5 crores. This was followed by the companies with paid up capital ranging between Rs. 5 crores and below Rs. 10 crores. This group accounted for 15.5% of the total number of the Central government companies.
as in the year 1969-70. The next important group of central government companies had paid up capital ranging between Rs. 10 crores and below Rs. 25 crores with 10.6% of the total number of these companies to their credit. Thus, it will be observed that 62.4% of the Central government companies as in the year 1969-70, had paid up capital ranging between Rs. 1 crore and below Rs. 25 crores. This feature of the Central government companies to have larger amount of paid up capital in them runs counter to the feature obtained by the corporate undertakings in the private sector. An inquest into the size pattern distribution of the companies in the private sector with reference to the newly registered companies over a period of five years beginning from 1965-66, shows that 71.2% of the newly registered private and public limited companies in the year 1965-66, 73.2% in 1966-67, 90.4% in 1967-68. 94.2% in 1968-69 and 89.2% in 1969-70 had authorised capital ranging between Rs. 1 lakh and below Rs. 50 lakhs. Companies registered with authorised capital above Rs. 1 crore, accounted for only 2.9% in 1965-66, 2.5% in 1966-67, 2.2% in 1967-68, 1.3% in 1968-69 and 1969-70.

From these percentages the position with reference to paid up share capital may easily be gauged. Another interesting feature regarding the size pattern distribution of the Central government companies which can not be lost

28. 11th, 12th, 13th, 14th Annual Report on the Working and Administration of the Companies Act, 1956, Dept. of Company Affairs, Government of India- Table VII. Computed.

29. Ibid.
sight of, is that among different types of Central government companies private limited companies were bigger in size than public limited companies. As a matter of fact, between the period 1960-61 and 1969-70, as the Table 9 indicates, all the Central government companies with paid up capital above Rs. 25 crores had been private limited companies. This was again against the trend amongst the corporate undertakings in the private sector in as much as that most of the companies in the private sector registered with an authorised capital above Rs. 1 crore, over the period of 5 years from 1965-66 to 1969-70, were public limited companies.

**Characteristic Features of the Central Government Companies**

From the foregoing discussions the characteristic features of the Central government companies as existing over the period of ten years between 1960-61 and 1969-70, may be summed up as follows:

(a) Central government companies are of recent origin, strictly speaking they cannot be claimed to have originated before 1st April, 1966. Since that date, both their number as well as the amount of their paid up capital have been on the increase, though at an uneven rate.

(b) Secondly, amongst the government companies in India, the Central government companies constituted a minority with 33.6% to 32.3% of the total number of government companies over the period of ten years from 1960-61. Nevertheless they controlled 97.4% to 91% of the total paid up share capital of the government companies.
(c) Thirdly, among the corporate undertakings, Central government companies constituted numerically only 0.21% to 0.31% of the total number of companies in the country. But in respect of the control of the share capital, the place of the Central government companies was most significant with 43.4% of the total paid up share capital to their credit at the end of March 1970.

(d) Fourthly, there was concentration of paid up share capital of the Central government companies in a relatively few companies which is borne out by the fact that at the end of March 1970, out of a total of 85 Central government companies, only 14 companies had in them 93.8% of the total paid up share capital.

(e) Fifthly, among the two different forms in which companies may be floated viz., private limited company and public limited company, Central government companies were mostly floated as private limited companies especially under the exclusive ownership of the Central Government.

(f) Sixthly, Central government companies between 1960-61 and 1969-70, were floated in the area of basic industries or basic services, the aim being the creation of infrastructure for the future industrial development of the country. There was hardly any Central government company incorporated in the period of our study which sought to produce consumers goods.
Finally, Central government companies over ten years between 1960-61 and 1969-70 were bigger in size in respect of their paid up capital. 62.5% of the Central government companies between 1960-61 and 1969-70 had paid up capital in them ranging between Rs. 1 crore and below Rs. 25 crores. This ran counter to the trend noticeable among the corporate undertakings in the private sector.