CHAPTER III
THE SAMPLE

The sample undertakings for the purposes of this investigation have been listed on page no. 4 of this thesis, along with their administrative ministries, in Table 4. Classification of the sample as per their type of organisation is shown in Table 2, and classification as per their nature of operation is shown in Table 3. Both these tables appear on page 3 of this thesis.

These sample undertakings are discussed more elaborately as under:

1. ASSAM STATE TEXT BOOK PRODUCTION & PUBLICATION CORPORATION LTD.

The Assam State Textbook Production and Publication Corporation Ltd. is a Government Company, registered on 10th March, 1972 under the Companies Act, 1956. It started functioning from 1st July, 1972.¹

The main objectives of this Corporation are to prepare, print, publish, sell, supply or otherwise deal in text-books, supplementary books and literature on all subjects and in all languages for primary, secondary and teacher’s education in the State of Assam and elsewhere.² Moreover the Corporation

is to conduct research work and to promote studies in connection with preparing, printing, and publishing textbooks, reference books and other instructional literature. It is also to deal with any magazine, periodicals, pamphlet, leaflets, posters, journals, reviews, pictorials, picture atlases, maps, and to carry on the business of press, to manufacture and deal in pictures, charts, etc.

The entire equity capital of the Corporation is contributed by the State Government, and the long term loans taken from the State Government are not repayable, and hence not taken into account as long term liabilities. The Corporation has resorted to utilising cash credit/short term loans and trade creditors to meet its working capital requirements partially. The balance is invested from equity capital.

The Corporation is headed by a Chairman, a Managing Director, eight official and six non-official directors, taking the total membership of the Board of Directors to sixteen. There were 105 other employees in the Corporation consisting of 19 Officers, 46 Staff members, and 40 IVth grade staff. The Corporation has its registered offices at Guwahati.
The Assam Tea Corporation Ltd., referred to as ATC hereinafter, was registered on 9th February, 1972 under the Companies Act, 1956 as a public limited company. It commenced its business activities from the 17th September, 1983.¹

The main objectives of ATC are to acquire, purchase, and takeover tea estates in Assam that are offered for sale from time to time and which the ATC considers profitable and also to promote lease, take control of management of Tea Estates in Assam, after being fully satisfied about their economic viability on a voluntary basis through negotiations, with a view to safeguarding the future of tea industry in the State, to protect the interest of the workers and to avoid possible speculative trends in the industry and management of tea estates and to avoid concentration of ownership of tea estates in Assam within a few hands.

The Corporation has its Capital subscribed by the State Government by way of equity shares and loans. However, a major portion of the long term funds have been raised by way of term loan from financial institutions.

The ATC altogether has under its control 17 tea gardens, with a total employment of 16,153 persons in the year 1979-80.1

Category-wise, these personnel can be divided as under:

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>18</td>
</tr>
<tr>
<td>Asstt. Managers</td>
<td>32</td>
</tr>
<tr>
<td>Medical Officers</td>
<td>20</td>
</tr>
<tr>
<td>Staff</td>
<td>677</td>
</tr>
<tr>
<td>Labour</td>
<td>15,406</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,153</strong></td>
</tr>
</tbody>
</table>

The ATC is headed by a Board of Directors consisting of ten members, of which one is Chairman, one Managing Director, six official and two non-official Directors. It has been noticed that quite contrary to the professed objectives of ATC to acquire only those tea gardens which are economically viable, nearly all the gardens under the management of ATC are running at a loss to such an extent that the net-worth has become negative since 1978-79. Hence it would not be wrong to assume that the ATC has been functioning totally on borrowed funds, resulting in a heavy interest burden. Another quite remarkable factor is the huge amount of inventory which the ATC has been carrying. We shall dwell upon this later.

3. ASSAM CONDUCTORS AND TUBES LTD.

The Assam Conductors and Tubes Ltd. was first established in the private sector under the name of Pheros & Co. Pvt. Ltd. It started functioning from September, 1964. The unit became sick, and was taken over by the Assam Small Industries Development Corporation Ltd. The unit however continued to be sick and then in October, 1972, the management of the unit was taken over by the Assam Industrial Development Corporation Ltd. The Assam Conductors & Tubes Ltd., herein after referred to as ASCON, is a private limited company registered under the Companies Act, 1956. The objective of ASCON is to manufacture All Aluminium Conductors and Aluminium Conductors Steel Reinforced, and such other similar products.

The entire share capital of ASCON is contributed by the Assam Small Industries Development Corporation Ltd. and the Assam Industrial Development Corporation Ltd. Further, it also utilised long term loans from both these Corporations, apart from short term credit from banks. The performance of the ASCON has improved after its takeover by the Assam Industrial Development Corporation Ltd., though the interest burden is quite high on account of a high debt-equity ratio.
The biggest drawback of the ASCON is that there is only one major consumer of its products, i.e. Assam State Electricity Board. ASCON has not been able to penetrate the markets of other states in North-Eastern region of India. As a result the capacity utilisation has been fluctuating widely, as shown below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Capacity Utilisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>58.92</td>
</tr>
<tr>
<td>1981-82</td>
<td>33.64</td>
</tr>
<tr>
<td>1982-83</td>
<td>7.93</td>
</tr>
<tr>
<td>1983-84</td>
<td>18.07</td>
</tr>
<tr>
<td>1984-85</td>
<td>7.93</td>
</tr>
</tbody>
</table>

As a result of this low capacity utilisation, the cost of production has been very high, rendering the prices excessively high to compete in the market. Moreover, the break-even point occurs at about 40% capacity utilisation. The reason forwarded by the management of ASCON is the non-availability of raw materials. It may be mentioned that the ASCON has not been lifting its raw material quota.

The ASCON is managed by a General Manager who works under the supervision of the Board of Directors consisting of three members, including a Chairman.
4. ASSAM PETRO-CHEMICALS LTD.

The Assam Petro-Chemicals Ltd., hereinafter referred to as APCL, was formed on 22nd April, 1971 as public limited company under the Companies Act, 1956. The registered office of the APCL is located at Guwahati and factory at Namrup in Dibrugarh District. The main objectives of APCL are to manufacture and sell the Methanol-Formalin, Urea Formaldehyde Adhesive glue and Urea Formaldehyde Moulding Powder. The project was commissioned on the 25th June, 1976 and commercial production started from that day itself.

Being a subsidiary of Assam Industrial Development Corporation Ltd., the entire equity capital has been contributed by the holding company, apart from long-term loans from the holding company, and financial institutions, apart from using short term loans / cash credit and trade credit to finance its working capital requirements.

This is another state public sector undertaking that is plagued with low capacity utilisation. The APCL has been running at loss, and it seems that these losses are financed by long term borrowings and owner's fund. As a result, there has been increasing burden of interest charges.
The APCL is managed by a Board of Directors consisting of nine members, including one Chairman, one Managing Director, two official and 5 non-official Directors.

5. CACHAR SUGAR MILLS LTD.

Cachar Sugar Mills Ltd. was registered as a public limited company under the Companies Act, 1956, on 30th March, 1972, and the Mill started commercial production from 1st January, 1978, though it was given the certificate of commencement of business in April, 1974. The main objective of the Cachar Sugar Mills is to manufacture and sell sugar.

The performance of the Cachar Sugar Mills has been not all encouraging. The Company started its operations four years after it received its certificate of commencement of business with an equity capital of Rs. 14,000/= and a loan of Rs. 7.05 crores. In this situation one can visualise the seeds of future disaster. In the first year of its operations, the Mill produced sugar worth Rs. 1.01 lakhs, resulting in a loss Rs. 199.38 lakhs. In the second year of operations, the State Government contributed Rs. 189.90 lakhs towards equity capital, which, of course, could not even cover the loss of the first year. Thus the net worth of the Mill became

negative after one year of its operations, and the situation never improved. Hence, a situation developed whereby the Mill never had sufficient working capital to run assets worth more than Rs. 7.00 crores.

The Cachar Sugar Mills Ltd. is managed by a Board of Directors consisting of eleven Directors, of which there is one Chairman, one Chief Executive Officer and nine other Directors.

Since 1986-87, the Mill has been closed down, but talks are being held to revive it. The Cachar Sugar Mills Ltd. serves an excellent case-study of the apathy of the Government and mismanagement which contributes a lot to the problems of working capital management in public sector undertakings which ultimately leads to sickness and then the undertaking has to depend on Government grants even for the payment of its salaries.

6. ASSAM SILK MILLS LTD.

The Assam Silk Mills Ltd. was registered on 31st March, 1960 as private limited company under the Companies Act, 1956, and the Mill was commissioned on 18th December, 1961.
The main objectives of the Assam Silk Mills Ltd., referred to as ASM hereinafter, were to help the ERI, MUGA and PAT silkworm weavers, silk spinners and reelers in the State and to ensure a steady market for cocoons, wastes and other by-products of the industry, and to assist the weavers with supply pure silk and other yarn.

The ASM has been functioning mainly on equity funds, with small amounts of cash credit from banks. It was only in 1979-80 that the ASM took a loan of Rs. 25.26 lakhs. There has been a steady rise in the sales of ASM over the period, coupled with low long-term liabilities, as a result. there has been a steady rise in the net worth, with, of course, some fluctuations according to the dynamics of the market. The ASM is plagued with problems of power shortage, non-availability of the spares of machineries and absenteeism.

The ASM is managed by a Board of Directors consisting of nine members, of which there is one Chairman, one Managing Director, four official and three non-official Directors.
The Assam Co-operative Sugar Mills Ltd. was registered under the Assam Co-operative Societies Act, 1949 on 26th March, 1955, and the Mills commenced their production with effect from 17th December, 1958.

The main objectives of the Assam Co-operative Sugar Mills Ltd. are to establish sugar mills to produce sugar, install machineries to utilise the by-products, to help shareholders, more particularly the grower members, to improve their economic condition by using improved methods of sugar-cane cultivation. As a result, apart from manufacturing sugar, the Assam Co-operative Sugar Mills also manufactures Country Spirit and India Made Foreign Liquor.

One surprising fact that has been observed in the case of Assam Co-operative Sugar Mills has been that the raw material consumption has been having regular increase and decrease every alternate year, in relation to sales. In an agro-based industry, this phenomenon is rare and difficult to understand and digest.

The Assam Co-operative Sugar Mills Ltd. has its long term funds from equity and loans from the State Government.

financial institutions and other agencies. For meeting its working capital requirements, it has utilised cash credits from banks to a large extent. It has also been successful in reducing its inventories requirements.

The Assam Co-operative Sugar Mills Ltd. is managed by a Board of Directors consisting of twenty members, of which there is one non-official Chairman, one Managing Director, four official and fourteen non-official directors.

8. ASSAM CO-OPERATIVE JUTE MILLS LTD.

The Assam Co-operative Jute Mills Ltd. was registered in the year 1959-60 under the Assam Co-operative Societies Act, 1949. The Mills started functioning from January, 1971.

The main objective of the Mills is to manufacture and sell jute products in the State of Assam. This is the only jute Mill in the public sector in Assam, and it started its operations with 50 hessian looms and 100 sacking looms on double shift basis.¹

The Assam Co-operative Jute Mills have been plagued with problems of inventory management and cost control. While the

cost of raw materials has been steadily rising over the years, there have been no appreciable rise in the prices of the products. As a result, the Mills have been financing this rise in costs by way of current liabilities, leading to shortage of cash and working capital problems. The net result of this situation has been that the jute Mills have been sustaining losses over the years and the net worth has become negative.

The Assam Co-operative Jute Mills Ltd. is being managed by a team of Directors numbering seven, consisting of a Chairman, a Managing Director, one official and four non-official Directors.

9. ASSAM STATE CO-OPERATIVE MARKETING CONSUMER’S FEDERATION LTD.

The Assam State Co-operative Marketing Consumers Federation Ltd., referred to as Staffed hereinafter, was registered under the Assam Co-operative Societies Act, 1949 on 9th August, 1975. The Staffed was established by re-organising the erstwhile Assam Co-operative Apex Marketing Society Ltd.

The main objectives of Staffed are to carry on various marketing and trading activities, to act as the apex

institution of all agricultural, consumer's and processing co-operative societies of the state of Assam. The Staffed has a special role to play market intervention through procurement of foodgrains and movement of goods from surplus areas to deficit pockets and also to link up the activities of consumers co-operative with those of agricultural and processing societies with a view to balancing the interest of the producers and the consumers. Besides acting as a central purchasing and distributing agencies for the co-operative societies, the Staffed also serves as a common marketing centre and also render its constituent co-operatives services to improve and increase their operational and managerial efficiency. The Staffed is expected to make an endeavour to evolve "business mechanism" to maintain constant flow of supply to the state with stability of prices of essential commodities throughout the year.

The Staffed's major investment is receivables and inventories, which quite understandable as it is basically a trading organisation. Major sources of funds for investment have been the State Government and the financial institutions who have extended working capital loans by way of cash credits. Being a trading organisation, the cost of goods sold have been quite high.
The Statfed is managed by the Board of Directors consisting of eleven Directors, of which there is one Chairman, one Managing Director, three official and six non-official Directors.

10. ASSAM STATE TRANSPORT CORPORATION

In the year 1946, the State Transport Department established the State Transport Departmental Undertaking. This undertaking was made a corporation in 1970. The Assam State Transport Corporation is a statutory body constituted under the Road Transport Act, 1950. After that re-organisation of Assam State in 1972, it continued to serve the areas under Assam and Meghalaya under the banner Assam & Meghalaya State Road Transport Corporation. On bifurcation of the assets and liabilities between the Governments of Assam and Meghalaya, the corporation was renamed as Assam State Transport Corporation with effect from 1st August 1976.¹

The main objective of the Corporation is to develop road transport and to help the public, trade and industry; to co-ordinate road transport with other forms of transport and to expand and improve the facilities for road transport in any

area and to provide an efficient system of road transport service in the state.

There is no equity capital in the Corporation. It has been provided with loan capital from the State and Central Governments as per Section 23(I) of the Road Transport Corporation Act, 1950. Under this scheme of things the Central Government would provide one third of the initial contributed by the state and on a fifty-fifty basis on subsequent contributions by the State Government.¹

The operations of the corporation has been not at all satisfactory. The Corporation's net worth is negative, with only about 65% to 75% of the fleet being utilised. The operating income is less than the operating expenses. Thus, for every kilometre the buses run, they sustain a loss. The revenue per kilometre is outstripped by the expenditure by about Rs. 0.20. It has been seen that 60% of the cost goes into fuel, oil, lubricants, tyres and tubes.² Another 53% goes into salaries and wages.³ This itself raises the cost to exceed the revenue. The corporation is having excessively surplus manpower.


The Corporation is managed by a Board of Directors having twelve members, consisting of one Chairman, one Managing Director, six official and four non-official Directors.

11. ASSAM STATE ELECTRICITY BOARD.

The present Assam State Electricity Board is a successor body of the Assam State Electricity Board of the pre-reorganised Assam, formed as a statutory body under Section 5 of Electricity (Supply) Act, 1948, which stood dissolved with effect from 20th March, 1975. Its assets, rights and liabilities were apportioned between the newly created Assam State Electricity Board, Meghalaya State Electricity Board, and the Government of the Union Territory of Mizoram under Section 53 of the North Eastern Areas (Reorganisation) Act, 1971. The present Assam State Electricity Board was formed on 20th January, 1975, though the tenure of the composite Board was extended up to 20th March 1975.

The basic objectives of the Assam State Electricity Board are to promote and co-ordinate development of generation, transmission and distribution of electricity within the State.

The total capital investment in the Assam State Electricity Board is by way of long term borrowings and current liabilities. There is no equity capital. These long term borrowings have been acquired by way of loans from the State Government, Life Insurance Corporation of India, Rural Electrification Corporation and the issue of debentures and bonds.

The operations of Assam State Electricity Board have not been very fruitful. It has been incurring losses which is quite similar to the operations of other similar undertakings in other parts of the country.

But the position is compounded by the fact that the management has been trying to manipulate the accounts to show a less dismal picture to the general public by not charging depreciation and interest charges on loans from State Government. This has lead to lower losses in the books of accounts than what they are in reality.

The Assam State Electricity Board is managed by a Board of Directors consisting of six members, of which there is one Chairman, who also acts as the chief executive, and five other members.
With this discussion we now proceed to go into the details of the workings of these state public sector undertakings of Assam and try to identify the problems of working capital management in them.