On the basis of the foregoing study into the financial operations of the private corporate sector in Punjab, the summary of major findings is appended below.

**Capitalisation Pattern**

(i) On an average, the proportion of the ordinary share capital to the total paid-up capital was higher (92%) than that of the preference share capital (7.93%) and the deferred share capital (0.07%). The preference share capital increased at a higher compound growth rate (17.80% p.a.) than that of the ordinary share capital (11.84% p.a.) during the period of study. The analysis of variance showed a non-significant difference in the amounts of share capital outstanding from year to year, while the different components of share capital (ordinary, preference and deferred) indicated a significant difference. However, the difference between the two components viz. preference and deferred share capital was non-significant ($t = 2.00, p < 0.05$) at 0.05 probability level. The decomposition analysis in respect of the paid-up share capital showed that the highest structural changes (0.0071) occurred during the year 1969-70. For the lowest changes (0.0001) the years 1971-72, 1974-75 and 1975-76 were bracketed.

(ii) Although 6 out of 21 sample companies viz. Malwa Sugar (sugar industry), Vardhman Spinning (textiles industry), Jagatjit Industries (breweries and distilleries industry), Industrial Cables (iron and steel industry), Ranbaxy Lab. (chemical and pharmaceutical industry) and Knit (leather and leather products industry) had issued preference shares, ordinary share capital contributed the major share
(74.64 to 100%) in the total paid-up capital of the sample companies and the selected industries in 1976-77. It indicated that no serious attempt was made by the private corporate sector in Punjab to utilise the savings of all classes of potential investors.

(iii) More than 95% of the total value of ordinary shares issued were of small denomination (Rs.10 or less). Five out of six sample companies issued preference shares of the denomination of Rs.100 each.

(iv) Between reserves and surplus and paid-up capital, the former's contribution to net worth had increased (from 70.02 to 71.40%) during the decade under study. The compound growth rate was more significant in respect of reserves and surplus (14.39% p.a.) than those of net worth (13.67% p.a.) and paid-up capital (12.21% p.a.).

(v) The share of reserves and surplus to net worth increased in food, sugar, iron and steel, and leather and leather products, while it declined in textiles, breweries and distilleries, chemical and pharmaceutical, hardboard and printing industries. The reserves and surplus as a percentage of net worth were higher than the overall average (71.40) in Jagatjit Sugar (97.02), Oswal Woollen (91.52), Oswal Spinning (87.45), Sutlej Cotton (77.96), Sukhjit Starch (77.42), Industrial Cables (77.36), Straw Board (73.79) and Bhagat Industrial (71.50) and lower in the remaining 13 companies.

(vi) The proportions of debentures to total borrowings and debentures to total capital raised declined from 1.66 to 0.14% and 2.22 to 0.24% respectively in 1976-77 over those in 1967-68. Debentures were not popular as none of the sample companies issued them during the decade under study.

(vii) The share of long-term loans to total borrowings came down
from 31.18\% in 1967-68 to 27.22\% in 1976-77. The compound growth rate of total borrowings (16.94\% p.a.) was higher than that of the long-term loans (16.08\% p.a.). This showed that there was faster growth in short-term borrowings as compared to long-term loans.

(viii) The annual compound growth rate in respect of long-term loans was higher in chemical and pharmaceutical (20.03\%), breweries and distilleries (17.67\%) and iron and steel (16.70\%) and lower in other five industries than the overall average (16.08\%). The annual compound growth rate was higher than the overall average (16.08\%) in respect of the long-term loans in Hindustan Wire (18.49\%), O.C.M. (53.69\%), Vardhaman Spinning (23.24\%), Sukhjit Starch (22.41\%), Jagatjit Industries (21.57\%), Knit Foulds (19.22\%), Ranbaxy Lab. (17.78\%) and Jagatjit Sugar (17.34\%). H.M.M., East India, Straw Board and Vijoy Steel did not raise any long-term loans during the period under study.

(ix) On an average the share of fixed deposits in the total long-term loans was higher (49.6\%) than those of other sources' (18.2\%), IFCI (16.9\%), PFC (9.2\%), IDBI (3.8\%), ICICI (1.2\%) and State Government (1.1\%). Loans from IDBI recorded the highest annual compound growth rate (220.63\%), followed by other sources (26.87\%), IFCI (20.52\%), fixed deposits (16.19\%) and State Government (9.33\%), while the ICICI and PFC registered decline of 18.67\% p.a. and 0.67\% respectively. The decomposition analysis in respect of the long-term loans showed that the highest structural changes (.3397) occurred in 1971-72, followed by 1972-73 (.0332) and the lowest (.0058) in 1974-75.

(x) The proportion of loans from financial corporations to total borrowings declined from 13.37\% in 1967-68 to 5.76\% in 1976-77 and
their share in the long-term loans came down from 42.9 to 21.2% during the same period. Even the PIC could not fully meet the credit requirements of the sample companies.

(xi) Although, debt as a percentage of equity increased from 22.28 in 1967-68 to 25.81 in 1976-77, the size of equity was about 4 times than that of the debt in the private corporate sector in Punjab. This shows that the debt-equity ratio was higher than the standard norm (2:1) prescribed by the Controller of Capital Issues, India under Capital Issues (Exemption) Order, 1969. As regards the individual industries, the proportion of debt to equity increased from 29.83% in 1967-68 to 49.72% in 1976-77 in breweries and distilleries, 14.75 to 19.88% in textiles, 53.71 to 60.15% in chemical and pharmaceutical and 1.74 to 5% in hardboard and printing, while it declined in the other four industries. Although, debt as a percentage to equity increased in Jagatjit Industries, Malwa Sugar, Sutlej Cotton, O.C.M., Hindustan Wire, Sukhjit Starch, Knit Foulds and Sikh Newspapers in 1976-77 over that in 1967-68, debt was lower than the equity in all the sample companies. This showed that the sample companies were low geared and trading on a thick equity relying upon shareholders' funds rather than long-term loans from the market.

(xii) The percentage of total borrowings to equity increased from 71.44 in 1967-68 to 94.34 in 1976-77. On the basis of ten-yearly average, equity was more than the total borrowings, which indicated that the creditors' interests were safe in the private corporate sector in Punjab. During the year 1976-77, the percentage of total borrowings to equity rose in six industries. However, the borrowings were higher than the equity in breweries and distilleries, iron and
In the year 1976-77, the total borrowings were higher than equity in Hindustan Wire, Hind Samachar, Ranbaxy Lab., Industrial Cables, O.C.M., Knit, Oswal Spinning, Sukhjit Starch, East India, Oswal Woollen, Jagatjit Industries and Sikh Newspapers and lower in the remaining nine companies.

The overall capitalisation pattern in the private corporate sector in Punjab showed that the share of ownership securities to total capitalisation declined from 81% in 1967-68 to 79.40% in 1976-77, while that of creditorship securities increased from 19.0 to 20.60% during the same period.

Among the individual industries, the share of creditorship securities in total capitalisation increased in breweries and distilleries, textiles, chemical and pharmaceutical, and hardboard and printing industries, while that of ownership securities in food, sugar, iron and steel, and leather and leather products.

The proportion of creditorship securities in total capitalisation went up in Jagatjit Industries, Sutlej Cotton, O.C.M., Hindustan Wire, Sukhjit Starch, Knit Foulds and Sikh Newspapers and that of ownership securities in the remaining 14 sample companies.

**Internal And External Financing**

(i) There was an overall increase in both the internal and external sources of funds. The proportion of external funds to total funds was higher (55.27%) than that of internal funds (44.73%) during the decade under study.

(ii) Among the internal sources, the share of reserves and surplus in total funds was higher (21.32%) than those of the...
provisions (18.67%) and capitalised reserves (4.75%), while in external sources, borrowings share (31.50%) (especially bank borrowings 23.34%) exceeded those of the 'trade dues and current liabilities' (20.26%) and paid-up capital (3.51%).

(iii) The proportion of internal funds to the total funds was higher in food (75.0%), sugar (61.7%), and leather and leather products (50.8%), while that of external funds in chemical and pharmaceutical (71.2%), hardboard and printing (68.8%), iron and steel (66.4%), breweries and distilleries (60.7%) and textiles (56.3%).

(iv) The internal sources of funds dominated the external sources of funds in Straw Board (79.5%), Sutlej Cotton (76.0%), H.M.M. (75%), Malwa Sugar (68.2%), Knit Foulds (66.4%), Jagatjit Sugar (60.2%), Bhagat Industrial (59.3%), Sukhjit Starch (54.5%) and Oswal Spinning (54.3%), while in the remaining 12 companies the external sources of funds were higher than those generated from within. This showed that in majority of the cases the external sources of funds played a more important role than the internal sources.

(v) Among different constituents of internal sources of funds, reserves and surplus contributed higher percentage (47.7%) than those of provisions (41.7%) and capitalised reserves (10.6%).

(vi) The proportion of reserves and surplus to internal funds was higher in sugar (83.8%), iron and steel (56.4%), leather and leather products (51.9%) and chemical and pharmaceutical (47.6%), while the provisions dominated the internal funds in the other four industries viz. hardboard and printing (96.8%), food (48.5%), textiles (44.5%) and breweries and distilleries (43.9%).

(vii) The share of provisions to internal funds was greater in Straw Board (113%), Sikh Newspapers (92.1%), Bhagat Industrial (78.3%),
Hind Samaehar (73.3%), Oswal Spinning (70%), Oswal Woollen (57.6%), Hindustan Wire (52%), Malwa Sugar (50.8%), H.M.M. (48.5%), Sukhjit Starch (46.7%) and Jagatjit Industries (36.9%), while that of capitalised reserves in Sutlej Cotton (40.4%) and of reserves and surplus in the remaining 10 sample companies during the decade under study.

(viii) The overall proportion of borrowings to external funds (57%) was higher than those of trade credit and other current liabilities (36.6%) and paid-up capital (6.4%).

(ix) The share of trade credit to external funds was higher in hardboard and printing (80.4%), food (67.7%), leather and leather products (53.4%) and sugar (48.7%), while the proportion of trade borrowings other current liabilities to external funds was greater in iron and steel (74.3%), chemical and pharmaceutical (72.4%), textiles (54.5%) and breweries and distilleries (51.6%).

(x) The share of trade credit and other current liabilities to external funds was higher in Malwa Sugar (152.7%), Straw Board (95.9%), Hind Samaehar (80.2%), Sutlej Cotton (73.8%), Bhagat Industrial (72%), Sikh Newspapers (72%), H.M.M. (67.7%), Knit (60.7%) and Oswal Spinning (53.4%), while the remaining 12 companies recorded higher proportion of borrowings to external funds.

Total Gross Asset And Fixed Asset Formation

(1) There was a statistically significant growth (16.20% p.a.) in the total gross assets. The rate of growth was higher (18.67% p.a.) in current assets than in gross fixed assets (13.60% p.a.). The analysis of variance showed that there were significant inter-year differences in the amounts invested in the constituents of total gross assets.
The highest compound growth rate in total gross assets was observed in chemical and pharmaceutical industry (20.63%), followed by food (20.45%), textiles (16.99%) and breweries and distilleries (16.93%). In the remaining four industries, the rate of growth in total gross assets was lower than the overall average (16.20%). The compound growth rates in all the selected industries were found to be significant at 0.01 probability level. The year to year and industry to industry variations in the amount invested in total gross assets were found significant at 0.05 probability level.

In gross fixed assets, the highest compound growth rate of 21.92% was recorded in food, followed by chemical and pharmaceutical (19.38%), breweries and distilleries (15.36%), iron and steel (15.13%) and hardboard and printing (14.19%). In the other three industries the rate of growth in gross fixed assets was lower than the overall average (13.60%). The growth rates in all the selected industries were found significant at 0.01 probability level. The inter-year and inter-industry variations in investment in the gross fixed assets were found to be significant at 0.05 probability level.

In total current assets, the compound growth rates were higher in textiles (22.81%) and chemical and pharmaceutical (21.34%) and lower in the other six selected industries than the overall average (18.67%). The growth rates in all the industries were found significant at 0.01 probability level. The year to year and inter-industry variations in the amounts invested in total current assets were found significant at 0.01 probability level.

The average compound growth rate per annum in total gross...
assets was the highest in Vardhman Spinning (28.02\%), followed by Hind Samachar (27.40\%), Oswal Woollen (26.76\%), East India (22.16\%), H.M.M. (20.45\%), Jagatjit Industries (18.43\%), O.C.M. (18.02\%) and Industrial Cables (16.60\%). In the remaining 12 companies the rates of growth of total gross assets were below the overall average (16.20\%).

(vi) In the gross fixed assets, the highest compound growth rate (33.97\%) was recorded in East India, followed by Vardhman Spinning (27.78\%), Ranbaxy Lab. (25.13\%), H.M.M. (21.92\%), Hind Samachar (21.76\%), Jagatjit Sugar (18.28\%), Jagatjit Industries (17.69\%), Hindustan Wire (16.73\%), Oswal Woollen (16.09\%), and Industrial Cables (15.09\%). These growth rates were significant at 0.01 probability level. In the remaining twelve companies the rates of growth per annum were below the overall average rate (13.60\%).

(vii) The highest compound growth rate (35.02\%) in total current assets was registered in Oswal Woollen, followed by Hind Samachar (29.99\%), Ranbaxy Lab. (28.45\%), Vardhman Spinning (28.30\%), O.C.M. (24.07\%), Knit Foulds (20.65\%), East India (19.91\%) and Jagatjit Industries (19.10\%). These growth rates were found significant at 0.01 probability level. In the remaining 13 companies the growth rates were below the overall average (18.67\%). A comparative study of the compound growth rates showed that the East India recorded the highest growth in the gross fixed assets, Oswal Woollen accounted for higher growth in total current assets, while the Vardhman Spinning ranked first in the growth of the total gross assets.

(viii) On an average, the share of plant and machinery in gross fixed assets dominated (58.03\%) over that of land and buildings' (20.94\%) and other fixed assets (21.03\%). 'Land and buildings'
registered a higher compound growth rate (15.83% p.a.) than those of plant and machinery (14.78% p.a.) and other fixed assets (8.40% p.a.). The year to year variations in the amounts invested in the constituents of gross fixed assets were found to be significant at 0.01 probability level.

(ix) The decomposition analysis in respect of gross fixed assets indicated the highest structural changes (.0019) in 1970-71. For the lowest structural changes (.0001), the years 1972-73 and 1975-76 were bracketed.

(x) Among the individual industries, the highest compound growth rate in land and buildings was recorded in sugar (23.59% p.a.), followed by food (17.75%), iron and steel (16.32%), chemical and pharmaceutical (15.37%), textiles (14.06%), breweries and distilleries (13.30%), leather and leather products (6.29%), and hardboard and printing (5.24%). These growth rates were found to be significant at 0.05 probability level. The share of land and buildings to gross fixed assets ranged from 13.6% in hardboard and printing to 54.1% in sugar in 1976-77. The year to year and industry to industry variations in the amount invested in land and buildings were found to be significant at 0.01 probability level.

(xi) In plant and machinery, the highest compound growth rate (22.06%) was recorded in hardboard and printing, followed by chemical and pharmaceutical (21.92%), food (17.75%), breweries and distilleries (16.66%), textiles (14.45%), iron and steel (13.94%), leather and leather products (8.18%) and sugar (4.09%). These growth rates were significant at 0.01 probability level in all industries, except sugar. The share of plant and machinery to gross fixed assets varied between
38.7% in sugar and 67.4% in hardboard and printing in 1976-77.
The inter-year and inter-industry variations in the investments
of plant and machinery were found significant at 0.01 probability
level.

(xii) The investment in other fixed assets rose at the highest
compound growth rate of 22.63% p.a. in food, followed by iron and
steel (20.44%), chemical and pharmaceutical (17.85%), breweries
and distilleries (14.60%), leather and leather products (13.23%),
hardboard and printing (7.54%), sugar (5.93%) and textiles (3.78%).
All these growth rates were found to be significant at 0.01
probability level. The percentage share of other fixed assets in
the gross fixed assets ranged from 7.2% in sugar to 24.5% in food
in 1976-77. The year to year and industry to industry, variations
in the amounts invested in other fixed assets came out to be
significant at 0.01 probability level.

(xii) In absolute terms, the investment in land and buildings
increased in all the sample companies, except Malwa Sugar. The share
of land and buildings to gross fixed assets declined from 24.16%
in 1967-68 to 13.61% in 1976-77 in H.M., 22.31% to 18.72% in Malwa
Sugar, 31.40 to 20.52% in Bhagat Industrial, 16.54 to 15.60% in
Vardhaman Spinning, 23.32 to 15.79% in O.C.M., 21.54 to 19.09% in
Sukhjit Starch, 35.20 to 23.52% in Ranbaxy Lab., 43.91 to 36.26% in
Knit, from 27.66 to 22.95% in Knit Foulds, 33.52 to 19.72% in Straw
Board and 29.85 to 9.04% in Sikh Newspapers. In the remaining 10
companies, this percentage went up with increased investment in land
and buildings. The share of land and buildings to gross fixed assets
ranged from zero in Hind Samachar to 63.90% in Jagatjit Sugar.

(xiv) Although the investment in plant and machinery increased
in most of the selected companies, the share of plant and machinery to gross fixed assets declined from 64.82% in 1967-68 to 30.49% in 1976-77 in Jagatjit Sugar, 80.07 to 69.59% in Vardhman Spinning, 85.52 to 83.50% in Oswal Spinning, 89.49 to 77.70% in Oswal Woollen, from 72.70 to 64.76% in Hindustan Wire, from 72.85 to 66.13% in Industrial Cables and 69.79 to 58.41% in Sukhjit Starch. In the remaining 14 companies this share increased during the corresponding period. The share of plant and machinery to gross fixed assets ranged from 30.49% in Jagatjit Sugar to 83.50% in Oswal Spinning in 1976-77.

(xv) The investment in other fixed assets increased in absolute terms in all companies, except Sutlej Cotton and Vijoy Steel. Consequently, the share of other fixed assets to gross fixed assets rose from 9.40% in 1967-68 to 12.78% in Malwa Sugar, 3.39 to 14.81% in Vardhman Spinning, 0.98 to 2.30% in Oswal Spinning, 0.11 to 10.33% in Oswal Woollen, 8.51 to 14.26% in O.C.M., 9.54 to 9.57% in Hindustan Wire, 6.50 to 11.44% in Industrial Cables, from 8.67 to 22.50% in Sukhjit Starch and 7.04 to 10.34% in Knit Foulds. In the remaining 12 companies this proportion declined during the decade under consideration. The share of other fixed assets to gross fixed assets varied between 5.61% in Jagatjit Sugar and 42.37% in Sutlej Cotton in 1976-77.

Current Asset Formation

(1) On an average, the share of inventories in total current assets was higher (59.83%) than those of accounts receivable (26.19%), cash (7.16%) and other liquid assets (6.82%). This showed that the sample companies had invested a greater proportion of their
working capital in inventories. The accounts receivable registered a higher compound growth rate (22.12% p.a.) than those of inventories (19.25% p.a.), other liquid assets (12.34% p.a.) and cash (8.56% p.a.).

(ii) The decomposition analysis in respect of current assets showed that the highest structural changes (0.0114) were recorded in 1973-74 and the lowest (0.0001) in 1976-77.

(iii) The share of inventories to current assets increased from 49.91% in 1967-68 to 69.18% in 1976-77 in food, from 49.44 to 57.29% in iron and steel and from 12.94 to 24.82% in hardboard and printing. It declined from 91.30 to 81.97% in sugar, 62.17 to 42.94% in breweries and distilleries, 57.16 to 55.77% in textiles, 68.92 to 62.55% in chemical and pharmaceutical and from 64.44 to 62.64% in leather and leather products industry during the same period. This showed that in majority of the industries, the proportion of inventories to current assets declined, reflecting efforts towards better management of inventories.

(iv) The annual compound growth rates in respect of the accounts receivable were higher in textiles (27.54%), breweries and distilleries (27.48%) and sugar (23.16%) than the overall average (22.12%). The share of accounts receivable in current assets increased in all industries, except iron and steel. This indicated that in majority of the industries the amount of accounts receivable increased with the increase in the volume of business.

(v) The cash balances showed annual compound growth rates of 39.26% in chemical and pharmaceutical, 31.16% in sugar, 26.70% in iron and steel, 20.47% in textiles, 10.86% in breweries and
distilleries and 2.18% in leather and leather products. The growth rates however showed a decline of 15.32% in food and 1.15% in hardboard and printing industries. Thus, six out of the eight selected industries recorded an increase in the amount of cash as the volume/business expanded.

(vi) The other liquid assets showed an annual compound growth rate of 68.43% in breweries and distilleries, 66.06% in iron and steel, 10.70% in chemical and pharmaceutical and 10.01% in textiles, while it declined by 0.57% in food, 47.56% in sugar and 13.95% in hardboard and printing. The analysis of variance showed significant differences in the amounts of other liquid assets in the selected industries.

(vii) Although the value of inventories increased in all companies, except in Vijoy Steel, the share of inventories in current assets declined from 94.10% in 1967-68 to 79.40% in 1976-77 in Jagatjit Sugar, 86.74 to 86.64% in Malwa Sugar, 46.87 to 38.68% in Bhagat Industrial, 65.16 to 43.44% in Jagatjit Industries, 76.37 to 57.03% in Vardhaman Spinning, 77.08 to 61.34% in Oswal Spinning, 62.39 to 52.48% in Oswal Woollen, 75.91 to 66.38% in O.C.M., 86.79 to 79.13% in East India, 56.23 to 54.31 in Industrial Cables, 60.54 to 48.89% in Vijoy Steel, 79.79 to 67.61 in Sukhjit Starch and 69.67 to 45.78% in Knit Foulds. In the remaining 8 companies the share increased with the increase in the volume of business.

(viii) With the expansion of business activity, the sales as well as the accounts receivable increased in all the sample companies, except in Vijoy Steel. The share of accounts receivable in current assets declined from 47.27% in 1967-68 to 46.81% in 1976-77 in Bhagat
Industrial, 15.22 to 8.64% in Sutlej Cotton, 62.34 to 31.12% in Hindustan Wire, 38.49 to 28.62% in Ranbaxy Lab., 34.94 to 27.57% in Knit and 84.42 to 65.31% in Hind Samachar. In the remaining 15 companies, the share of accounts receivable rose on account of liberal credit policies followed by them.

(ix) The cash balances increased in absolute terms in all the companies, except H.M.M., Vijoy Steel, Straw Board and Sikh Newspapers. However, the proportion of cash to current assets declined from 24.52% in 1967-68 to 4.17% in 1976-77 in H.M.M., 4.87 to 1.97% in Malwa Sugar, 3.66 to 1.92% in Sutlej Cotton, 5.63 to 3.03% in Oswal Woollen, 0.40 to 0.36% in O.C.M., 3.66 to 1.51% in East India, 2.27 to 2.22% in Vijoy Steel, 65 to 53.21% in Straw Board and from 23.63 to 3.60% in Sikh Newspapers. In the remaining 12 companies, the proportion of cash to current assets increased on account of transactions, contingency and opportunity needs.

(x) The share of other liquid assets in current assets was the highest (50.99%) in Sutlej Cotton, followed by Jagatjit Industries (10.37%), East India (9.15%), Hind Samachar (5.26%), Bhagat Industrial (3.27%) and Hindustan Wire (2.62%) in 1976-77. The other liquid assets share in current assets was less than one per cent each in the remaining 9 companies viz. H.M.M., Vardhman Spinning, Oswal Spinning, Oswal Woollen, O.C.M., Industrial Cables, Sukhjit Starch, Ranbaxy Lab. and Knit. There was no investment in other liquid assets in Malwa Sugar, Vijoy Steel, Knit Foulds, Hind Samachar and Sikh Newspapers during the decade under study.

(xi) The current ratio declined from 1.41:1 in 1967-68 to 1.33:1 in 1976-77 with a ten-yearly average of 1.36:1 in the private corporate sector in Punjab. The ten-yearly average ratio was below
the standard norm 2:1 in all the selected industries. The current ratio was higher than the standard norm (2:1) in three companies viz. H.M.M., Sutlej Cotton and Straw Board in 1967-68 and in two companies viz. Sutlej Cotton and Straw Board in 1976-77. In the remaining companies, these ratios were below the norm.

(xii) The quick ratio also came down from 0.58:1 in 1967-68 to 0.56:1 in 1976-77 with an average of 0.54:1 in the private corporate sector in Punjab. The ten-yearly average ratio was the highest (1.15:1) in hardboard and printing industry while in the other industries the ratio was below the standard norm (1:1). Among companies, on an average, the ratio was the higher in Sutlej Cotton (2.26:1), Straw Board (2.02:1) and lower than the standard norm (1:1) in the remaining 19 companies.

(xiii) The average rates of gross and net capital formation in the private corporate sector in Punjab worked out to 27.81 and 28.47% p.a. respectively. The gross capital formation was the highest (50.96% p.a.) in food, followed by chemical and pharmaceutical (36.96% p.a.), iron and steel (28.81% p.a.), breweries and distilleries (26.21% p.a.), hardboard and printing (25.81% p.a.), textiles (25.70% p.a.), sugar (22.31% p.a.) and leather and leather products (12.56% p.a.). The rate of net capital formation was the highest in food (49.60% p.a.), followed by chemical and pharmaceutical (39.01% p.a.) and iron and steel (30.38% p.a.). In the remaining industries namely sugar (28.29% p.a.), breweries and distilleries (25.61% p.a.), textiles (25.43% p.a.), hardboard and printing (14.62% p.a.) and leather and leather products (11.88% p.a.), the rates of net capital formation were lower than the overall average (28.47% p.a.).
(xiv) The percentage of gross capital formation to gross asset formation was the highest (88.82) in sugar, followed by food (85.18), iron and steel (75.06), chemical and pharmaceutical (74.26). In leather and leather products (72.45), hardboard and printing (71.88), textiles (69.76) and breweries and distilleries (66.19) this percentage was lower than the overall average (73.64%).

(xv) The highest rate of gross capital formation (119.70%) was recorded in Hind Samachar, followed by Vardhman Spinning (70.27%), Ranbaxy Lab. (64.29%), Oswal Woollen (60.34%), H.M.M. (50.96%), Sikh Newspapers (49.06%), Hindustan Wire (34.59%), Jagatjit Sugar (34.14%), Jagatjit Industries (29.91%) and Industrial Cables (28.06%). In the remaining 11 companies, the rate was lower than the overall average rate (27.81%). The rate of net capital formation was the highest (109.02%) in Hind Samachar, followed by Oswal Woollen (74.62%), Vardhman Spinning (70.0%), Ranbaxy Lab. (69.08%), Sikh Newspapers (57.83%), H.M.M. (49.60%), Jagatjit Sugar (41.47%), Hindustan Wire (38.28%), East India (38.05%), O.M. (32.49%), Jagatjit Industries (30.22%) and Industrial Cables (28.98%). In the remaining 9 companies, the rate of net capital formation was below the overall average rate (28.47%).

(xvi) The percentage of gross capital formation to gross asset formation was the highest (175.72%) in Straw Board followed by Hindustan Wire (89.15%), Jagatjit Sugar (88.98%), Malwa Sugar (88.13%), H.M.M. (85.41%), Knit (83.01%), Vardhman Spinning (82.78%), East India (80.73%), Ranbaxy Lab. (74.80%), and Oswal Spinning (74.13%). In the remaining 11 companies, the proportion was below the overall average (73.64%).

(xvii) In H.M.M., Jagatjit Sugar, Bhagat Industrial, Jagatjit...
Industries, Vardhman Spinning, Oswal Spinning, Industrial Cables, Knit Foulds, Straw Board, Hind Samachar and Sikh Newspapers, the gross fixed assets dominated while the share of inventories in the gross capital formation held this position during the period of study in Malwa Sugar, Sutlej Cotton, Oswal Woollen, O.C.M., East India, Hindustan Wire, Sukhjit Starch, Panbaxy Lab, and Knit.

Corporate Profitability

(1) The net sales expanded by six times during the decade under study. These sales contributed major share (97.7 to 99.0%) and non-operating earnings the marginal share (1.0 to 2.3%) to the total revenue. While the net sales increased in all the selected industries, the non-operating earnings recorded an increase only in hardboard and printing, sugar, textiles and breweries and distilleries industries. The index numbers of cost of goods sold fluctuated approximately in proportion to those of the net sales owing to the rise in prices of all the cost components. The gross profit did not increase in proportion to the rise in net sales on account of higher increase in cost of goods sold. On an average, percentage of cost of goods sold to total revenue was higher in sugar (89.2), textiles (82.5), iron and steel (80.9), leather and leather products (81.9) and hardboard and printing (80.0) while lower in the remaining three industries than the overall average (78.9). The average ratio of gross profit to total revenue was more in food (34.0%), chemical and pharmaceutical (28.1%) and breweries and distilleries (22.5%) while lower in the other five industries than the overall average (19.6%).

(11) The operating expenses as a percentage of the total revenue showed fluctuations in the selected industries. This percentage was
higher in chemical and pharmaceutical (17.4), food (12.6),
breweries and distilleries (12.1), hardboard and printing (11.8),
leather and leather products (11.2) and iron and steel (10.2)
and lower in the remaining two industries than the overall average
(9.8). The operating earnings as a percentage of the total revenue
fluctuated from 13.3 in 1967-68 to 8.1 in 1976-77 on account of
the variations in the operational expenses. This percentage was
higher in food (21.4), chemical and pharmaceutical (10.7) and
breweries and distilleries (10.4) and lower in the other five
industries than the overall average (9.8). The percentage of
earnings before interest and tax to the total revenue varied between
15.6 in 1967-68 and 9.2 in 1976-77, with an average of 11.2. This
percentage was higher in food (22.3%), breweries and distilleries
(12.2%) and chemical and pharmaceutical (11.4%) and lower than
the overall average (11.2%) in the remaining five industries.

(iii) The percentage of the interest to total revenue ranged
from 2.4 to 3.4% with a ten-yearly average of 2.8%. There was a
continuous rise in the amount of interest in all the selected
industries. The tax provision as a percentage of total revenue
varied between 3.2 and 5.3 in the private corporate sector in Punjab.
This percentage was higher in food (14.2%), breweries and
distilleries (4.6) and chemical and pharmaceutical (4.3%), and
lower in the other five industries than the overall average (4.2%).
Thus the interest and corporate taxes drained away the earnings in
a substantial manner. The distributable earnings to total revenue
ratio declined from 8.6% in 1967-68 to 2.7% in 1976-77 with an
average of 4.2%. This ratio was higher in food (8.0%), breweries
and distilleries (4.3%) and textiles (4.4%) while lower in the
remaining five industries than the overall average (4.2%).
(iv) The total dividends to total revenue ratio showed decline from 1.7% in 1967-68 to 1.0% in 1976-77 with an average of 1.5% in the private corporate sector in Punjab. Among industries, this ratio was lower in sugar (0.3%), breweries and distilleries (1.2%), textiles (0.9%), iron and steel (1.0%), chemical and pharmaceutical (1.0%) and leather and leather products (0.7%) and higher in food (4.9%) and hardboard and printing (3.9%) than the overall average (1.5%). The retained earnings to total revenue ratio came down from 6.9% in 1967-68 to 1.7% in 1976-77 with an average of 2.7%. This ratio was higher in three industries namely food (3.1%), breweries and distilleries (3.1%) and textiles (3.5%) and lower than the overall average (2.7%), in the remaining five industries viz. sugar (1.1%), iron and steel (1.6%), chemical and pharmaceutical (2.1%), leather and leather products (1.1%), and hardboard and printing (-0.7%).

(v) The gross profit to net sales ratio came down from 23.2% in 1967-68 to 16.6% in 1976-77 in private corporate sector in Punjab, which was on account of decrease in gross profit, resulting from rise in the cost of goods sold. This ratio was higher in food (34.0%), chemical and pharmaceutical (28.2%), breweries and distilleries (23.3%) and iron and steel (18.3%) and lower than the overall average (18.1%) in the other four industries. The ten-yearly average of this ratio was higher in Knit Poulds (36.6%), Ranbaxy Lab. (32.6%), H.M.M. (34.0%), Jagatjit Industries (27.3%) and Industrial Cables (21.0%), Sukhjit Starch (19.8%) and Vardhaun Spinning (19.2%) and lower in the remaining 14 companies than the overall average (19.1%). The earnings before tax (EBT) to total revenue ratio declined from 12.8% in 1967-68 to 6.2% in 1976-77 with
an average of 8.4%. The ratio was higher in food (22.3%) and breweries and distilleries (8.9%), while in the other six industries the ratio was lower than the overall average (8.4%). The ten-yearly average ratio was the highest (22.3%) in H.M.M., followed by Straw Board (17.6%), Knit Foulds (13.6%), Sutlej Cotton (12.2%), Sukhjit Starch (10.3%), Jagatjit Industries (10.2%) and Vardhman Spinning (8.5%). In the remaining 14 companies, these ratios were below the overall average (8.4%).

(vi) The HBT to capital block ratio fluctuated from 28.9% in 1967-68 to 26.0% in 1976-77 with an average of 25.4% in the private corporate sector in Punjab. The ratio in food (96.3%) was higher, while in the remaining seven industries viz. chemical and pharmaceutical (23.4%), leather and leather products (23.2%), textiles (21.4%), breweries and distilleries (21.1%), hardboard and printing (20.4%), iron and steel (11.8%) and sugar (3.7%) was lower than the overall average (25.4%). Among ten-yearly averages, H.M.M. (96.8%) got place of pride, followed by East India (72.0%), Knit Foulds (38.9%), Straw Board (34.4%), Sukhjit Starch (33.4%), Sutlej Cotton (31.2%) and Oswal Woollen (26.8%). In the other 14 companies this ratio was below the overall average (25.4%).

(vii) The B3T to net worth ratio ranged from 20.1 to 33.8% with an average of 29.0% in the private corporate sector in Punjab. The analysis of the ten-yearly average showed that food (94.6%) ranked first, followed by leather and leather products (34.9%), chemical and pharmaceutical (33.8%), and breweries and distilleries (32.1%). In the other four industries, the ratio was below the overall average (29.0%). Among the sample companies, H.M.M. (94.6%), got the first position, followed by Oswal Woollen (45.5%), Knit
Foulds (43.0%), Malwa Sugar (38.9%), Sukhjit Starch (38.4%), Jagatjit Industries (35.0%) and East India (29.5%). In the remaining 14 companies the ratio was below the overall average (29.0%).

(viii) The EBT to net worth ratio (29.0%) was higher than the EBT to capital block ratio (25.4%) in the private corporate sector in Punjab. The former was higher than the latter in breweries and distilleries, sugar, iron and steel, chemical and pharmaceutical, and leather and leather products industries which indicated that capital block was more than the shareholders' equity. In the other three industries viz. food, textiles and hardboard and printing the net worth was higher than the capital block. The EBT to net worth was more than the EBT to capital block ratio in Jagatjit Industries, Bhagat Industrial, Verdhman Spinning, Oswal Woollen, Oswal Spinning, O.C.M., Hindustan Wire, Industrial Cables, Sukhjit Starch, Ranbaxy Lab., Knit, Knit Foulds, Hind Samachar, Sikh Newspapers, Jagatjit Sugar and Malwa Sugar. In the remaining five companies the EBT to capital block ratio was higher than the EBT to net worth ratio. This showed that the capital block was higher than the net worth in majority of the sample companies and that there was a tendency to partly rely on debt financing as a permanent source of capital.

(ix) The EBIT to capital employed ratio varied between 14.9% and 24.3% with an average of 20.9% in the private corporate sector in Punjab. Among the selected industries, the ratio was the highest in food (79.8%), followed by breweries and distilleries (22.8%) and leather and leather products (22.4%). In the remaining five industries the ratio was below the overall average (20.9%). As regards individual companies, H.M.M. (79.8%) ranked first.
followed by Knit Foulds (31.1%), Jagatjit Industries (24.3%), Oswal Woollen (24.3%), and East India (21.2%). In the other 16 companies, the ratio was below the overall average (20.9%). The ratio was relatively small in Straw Board (5.6%), Jagatjit Sugar (5.3%), Sikh Newspapers (5.2%), and Vijoy Steel (-2.1%), indicating low level of operational efficiency.

The distributable earnings to net worth ratio varied between 9.1% and 20.2% with an average of 14.0% in the private corporate sector in Punjab. The ratio was higher in food (33.3%), breweries and distilleries (15.5%), chemical and pharmaceutical (15.3%), and leather and leather products (14.3%) and lower in the other four industries than the overall average (14.0%). The ratios of the distributable earnings to net worth showed that the H.M.M. (33.3%), was at the top, followed by Vardhman Spinning (19.4%), Knit Foulds (19.3%), Oswal Woollen (19.3%), Jagatjit Industries (16.9%), Ranbaxy Lab. (14.6%) and Sukhjit Starch (14.1%). These ratios in the other 14 companies were below the overall average (14.0%).

Appropriation of Earnings

The average net earnings after tax but before depreciation showed that 76.7% was retained in the business, 38.3% by way of ploughing back, 31.7% towards provision for depreciation and 6.7% as development rebate reserve. The remaining 23.3% was distributed. Of this 22.4% was distributed as equity dividends and 0.9% as preference dividends to the shareholders in the private corporate sector in Punjab. As regards individual industries, on an average, higher percentage of net earnings was kept as provision for depreciation in iron and steel (46.3%), hardboard and printing (37.1),
textiles (35.0), chemical and pharmaceutical (33.2) and leather and leather products (33.1) and lower in the other three industries than the overall average (31.7). This showed that in majority of the industries, there was growing realisation that depreciation was a compulsory charge, whether the company earned profit or suffered a loss.

(ii) There was expansion and modernisation of the plant and machinery in the private corporate sector in Punjab. The amount of development rebate reserve showed four-fold increase during the decade. Among the selected industries, the development rebate reserve to net earnings ratio was higher in iron and steel (12.5%), textiles (8.6%) and chemical and pharmaceutical (7.4%), while lower than the overall average (6.7%) in the remaining five industries. The provision for depreciation and development rebate reserve, on an average, accounted for 38.4% of the net earnings.

(iii) The percentage of preference dividend to net earnings ranged from 0.3 to 1.0 with an average of 0.9% in the private corporate sector in Punjab. The ten-yearly average was higher in iron and steel (2.8%), breweries and distilleries (2.5%), leather and leather products (2.0%) and chemical and pharmaceutical (1.6%) and lower than the overall average (0.9%) in the other four industries.

(iv) The residual earnings to net earnings ratio varied between 44.5% and 67.7% with an average of 60.7% in the private corporate sector in Punjab. It was observed that only food, breweries and distilleries and textiles industries had consistent amounts of residual earnings to be apportioned between the equity
dividends and the ploughing back of profits. In the other five industries, the amounts of residual earnings fluctuated from year to year. The equity dividend to net earnings ratio varied from 14.8 to 30.0% in the private corporate sector in Punjab. On an average, the ratio was the highest in hardboard and printing (66.7%) followed by food (51.8%) and leather and leather products (22.6%). In the other five industries, the ratio was lower than the overall average (22.4%).

(v) During the decade under study, all the companies taken together declared dividends 116 times. Out of this the dividends were paid out of current earnings 106 times (91.4%), while they were paid from the past accumulated earnings 10 times (8.6%). Thus, there was a tendency to pay dividends out of current earnings. Pay-out frequency showed that four companies viz. Malwa Sugar, Oswal Spinning, Hind Samachar and Sikh Newspapers did not pay equity dividends even for a single year, while six companies namely H.M.M., Jagatjit Industries, Sutlej Cotton, O.C.M., Industrial Cables and Straw Board were prompt in paying equity dividends every year. The other 11 companies paid equity dividend varying from one to nine years.

(vi) The retained earnings to net earnings ratio varied between 16.0% and 52.9% with an average of 38.3% in the private corporate sector in Punjab. This showed that more than one-third of net earnings were retained in the business for expansion and modernisation purposes. The retained earnings to net earnings ratio was higher in sugar (62.5%), breweries and distilleries (45.2%), textiles (42.6%), chemical and pharmaceutical (38.4%), leather and leather products (38.4%) and lower than the overall
The overall plough-back by way of depreciation provision, development rebate reserve and retained earnings doubled during the period of study. The overall plough-back to net earnings ratio ranged from 69.0 to 84.9% with an average of 76.8% in private corporate sector in Punjab. As regards individual industries, more than 75% of the net earnings were ploughed-back by sugar, textiles, iron and steel, breweries and distilleries, chemical and pharmaceutical and leather and leather products. In the remaining two industries viz. food and hardboard and printing less than 50% of net earnings were ploughed back.

The proportion of preference dividend to net earnings was relatively small as the sample companies did not pay dividends regularly. The rate of preference dividend varied between 6% (Malwa Sugar) and 11% (Ranbaxy Lab.). The ratio of equity dividend to paid-up capital showed that the rate of equity dividend fluctuated from 13.9 to 18.8% in the private corporate sector in Punjab. Among the sample companies, the rate of equity dividend was higher in H.M.M. (47.0%) and O.C.M. (15.3%), and lower than the overall average (14.7%) in the remaining 19 companies. This showed that in the majority of the selected companies, the rate of equity dividend was lower than the overall average (14.7%).

The ratio of equity dividend to net worth ranged from 4.0 to 5.7% with an average of 4.7 in the private corporate sector in Punjab. As regards the individual industries, the ten-yearly average of this ratio was higher in food (20.8%) and leather and leather products (4.9%) and lower than the overall average (4.7%) in the other six industries. Among the sample companies, this
ratio was more in H.M.M. (20.8%), Knit Foulds (7.5%) and lower than the overall average (4.7%) in the remaining 19 sample companies.

(x) The equity dividend to divisible profit ratio varied between 19.7 and 53.0% with an average of 33.3% in the private corporate sector in Punjab. The ten-yearly average was higher in hardboard and printing (106.7%), food (62.6%), leather and leather products (34.0%) and lower in the remaining five industries than the overall average (33.3%). In this average, Straw Board (119.9%), ranked first, followed by H.M.M. (62.6%), Jagajjit Sugar (47.2%), O.C.M. (39.7%), Knit Foulds (38.9%), Hindustan Wire (38.4%) and Sutlej Cotton (36.4%). In the remaining 14 companies the ratio was lower than the overall average (33.3%). Thus the majority of the companies was following a policy of retaining a large portion of their divisible profits for expansion and modernisation of their plants.

(xi) The comparative study of the average rates of return showed that the equity dividend to paid-up capital ratio was the highest (15.7%), followed by rate of interest (12.1%), preference dividend to paid-up capital ratio (8.7%), rate of interest on debentures (6.1%) and equity dividend to net worth ratio (4.8%) in the private corporate sector in Punjab. Industry-wise the equity dividend to paid-up capital ratio was more than two times the equity dividend to net worth ratio in all industries, except leather and leather products (13.5% against 7.0%). The former was more than double the latter in all companies, except East India, Ranbaxy Lab. and Knit Foulds. The preference dividend to paid-up capital ratio was higher than the interest on debentures.
In textiles industry (9.5% against 4.6%) and lower in sugar industry (6.0% against 7.7%). The equity dividend to paid-up capital ratio was higher than the rate of interest on borrowings in H.M.M. (46.5% against 6.8%), Sutlej Cotton (20.1% against 11.9%), O.C.M. (16.4% against 15.4%), Sukhjit Starch (15.6% against 8.0%) and Straw Board (13.4% against 13.3%). In the remaining 16 companies the rate of interest was more than the rate of equity dividend. Thus the sample companies had a tendency to give preference to ploughing-back of profits over the payment of dividends.