CHAPTER II
PUBLIC SECTOR AT A GLANCE

A citizen comes into contact with government organisations practically at every turn in his or her daily life. The scale of such activities is vast and it has an enormous impact on the life of the community. The activities include from those of providing essential service to infrastructural services, from ultra-modern to modern services. The public attitude to government varies from those at one extreme --- who advocate increasingly more interference in the citizens affairs to the other extreme --- who regard every manifestation of public administration, however helpful, as the biggest impedient to progress.

Very often it is said that 'government is not the solution, it is the problem'. It is a version of the time honoured aphorism that government is best when it governs least. Many writers feel and think that public sector is inherently unmanageable and incapable of performance, further that public sector is run for the convenience of its employees rather than for contribution and performance. Whatever be the case may be, the public sector is inevitable and there is no evidence to show that nations will perform better if there is no public sector.

Public Sector and Public Enterprises (PEs), thereof, have become a world-wide phenomenon today. A country might be following a capitalistic, communistic or socialistic or a mixed ideology, the public sector is invariably there in a lesser or greater degree. Though the public sector is vital for both the developed and the developing countries, it is primarily needed for the developing countries because of poor economic-matrix there. It is considered as a pace setter and catalyst in promoting the economic growth and uplifting the economy from the morass of existing dismal state of affairs. The public sector has become so much instrumental in the growth of economic development that A.H. Hanson has gone to the extent of saying this: "Public enterprise without a plan can achieve something, a plan without public enterprise is likely to remain on paper". 1

The gospel of laissez-faire, the product of capitalism, which dominated the economic and political scene of the world during 17th and 18th centuries is now dead. The common belief that the development of human personality and economic growth was best assured when individual was left to himself and state intervention in economic matters was considered disastrous, has undergone complete change and lost its meaning and significance. The state today, far from being merely a passive observer of the economic progress, has emerged as an active participant in the economic and industrial fields. Infact, there is at present hardly any sphere of human activity which is not in someway or the other controlled and regulated by the state.2

CONCEPT OF PUBLIC ENTERPRISE

Although the term 'Public enterprise' is quite popular at the global level yet no universally accepted definition of public enterprise exists. Ordinarily, the term stands for a concern owned and managed by the state or any other public authority. It also broadly refers to the nationalised or socialised industries and institutions engaged either in production of goods or in supply of services. The term public enterprise is a combination of two words:

(a) public, and
(b) enterprise.

The essential characteristics in relation to the concept of 'public' are:
(i) public purpose,
(ii) public ownership, and
(iii) public control.

The public purpose is the very core of public enterprises and the very rationale of a public enterprise is the desire to attain some broader developmental goals and a range of socio-economic activities. The public ownership implies the financial support by the government. It shows the dominance of state. The public control refers to the exercise of top management functions of public enterprises. The decisions on

investment, pricing and wage policies, corporate plan, top management appointment, etc. are exercised or closely regulated and controlled by the government. All this lead to public accountability and so the public enterprises are open to question for the propriety of managerial actions.

Two inter-related ideas arise in the connection of the 'concept of enterprise', viz.:

(i) business character, and
(ii) the cost equation.

The business character implies a conscious effort on the part of the enterprises towards raising a net revenue. This business character is more likely to be found in areas of economic activity, such as agriculture, mining, manufacturing, utilities, construction, commerce, communication, finance and services. The cost equation signifies that these enterprises make the goods and services available for a price which may be adjusted from time to time to cover the cost of inputs. The relationship that prices bear to costs is important, here, in character. These two elements underlying the concept of enterprise only help in distinguishing a public enterprise from a public activity in such fields as education, public health and environment protection.

A public enterprise may be, thus, defined as an enterprise which may be (a) owned by the State, or (b) managed by the State, or (c) owned and managed by the State. Public enterprises combine in them public accountability and business management for public ends.

Some of the authoritative definitions are as follows:

According to Prof. A.H. Hanson, "Public enterprise means state ownership and operation of industrial, agricultural, financial and commercial undertakings". ³

³ A.H. Hanson, op.cit., 1959, p.115.
N.N. Mallya has defined public enterprise, "Autonomous or semi-autonomous corporations and companies established, owned and controlled by the state and engaged in industrial and commercial activities".  

Prof. S.S. Khera opines, "Public enterprises refer to industrial, commercial and economic activities carried on by the central Government or by a State Government or jointly by the Central Government and a State Government, and in each case either solely or in association with private enterprise, so long as it is managed by a self contained management".

In the words of Laxmi Narain, "Public Enterprise is an organisation which is owned by public authorities, to the extent of 50 percent or more, is under the top management control of the owning public authority, is engaged in activities of a business character (involving the basic idea of investment and returns), and it marks its output in the shape of goods and services for a price".

OBJECTIVES OF PUBLIC SECTOR

In the words of Smt. Indira Gandhi, the Prime Minister of India in 1981: "We advocate public sector for three reasons:

(a) to gain control of the commanding heights of the economy,
(b) to promote critical development in terms of social gains or strategic values rather than primarily on considerations of profit, and

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(c) to provide commercial surplus with which to finance further economic development.\textsuperscript{7}

Need for clear objectives:

However, even after nearly three decades of this statement, neither the economic objectives of public enterprises have been spelt out nor the Government has presented any white paper on the public enterprises so far. The need for clear cut economic and social objectives has long been emphasised.

There was a time when many thought that public enterprises were not expected to make profits and the word 'profit' was considered incongruous with Government activities. We have long passed that stage. Today few dispute the fact that public enterprises are expected to make surplus for further investment in growth.

The need for public enterprises is more fundamental than merely producing the goods and supplying the services needed by the people. These enterprises have to support and supplement the efforts of the Government in realising the national objectives as well. There appears to be an apparent conflict between these two objectives since they are not spelt out clearly either in respect of cognate group of enterprises or for individual enterprises. Lack of such clear objectives exposes the management to undeserved criticism founded on wrong notions and inadequate knowledge of their roles.

Objectives

According to Public Enterprises Survey \textsuperscript{8}, some of the major objectives of setting up of public enterprises as envisaged originally could be broadly summarised to include the following:

1. To help in the rapid economic growth and industrialization of the country and create the necessary infrastructure for economic development;
2. To earn return on investment and thus generate resources for development;
3. To promote redistribution of income and wealth;
4. To create employment opportunities;
5. To promote balanced regional development;
6. To assist the development of small scale and ancillary industries; and
7. To promote import substitutes, save and earn foreign exchange for the economy.

GROWTH OF PUBLIC SECTOR IN INDIA

I Pre-Independence Era

The Government ownership and management of industries is not a new phenomenon in India. In fact, the tradition of having Public Enterprises in India --- at least conceptually --- is quite old. The researchers have revealed that during the reign of the Mauryas, along with full freedom to private enterprise, a number of industries were being run directly by the state. Even as far back as 300 B.C., Kautilya in his Arthashastra, spoke of a 'Public sector'. There was a Lavanadhyaksa in charge of the manufacture of salt and fixation of its price. The State was supposed to keep as a State monopoly both mining and commerce in minerals, for mines formed the source of the treasury and from the treasury came the power of Government. Kautilya also attached much importance to State trading and irrigation projects. T. Ganapati Shastri, regarding the presence of public sector, in his famous book 'The Arthasastra of Kautilya', has also mentioned, "The Arthasastra describes a method of Government by which a king should rule for the welfare of his millions of subjects, just as a learned householder, treading the path of virtue, alert in the performance of his duties, ever cautious and dexterous in preventing the treachery of his enemies, works so ably for the well-being of his own family." 

The Mughals had state-owned Karkhanas which held monopoly for the trading of specific articles. During the British regime in this country before 1947, there was almost no Public Enterprise except in the field of utilities, like post & communications, water-works, power-plants and railways. A few provincial governments like those in Madras, Bengal and the United Provinces did start a couple of industries but they were by and large demonstration units only. The foreign government really neither followed an active industrial policy nor undertook industrial enterprises willingly for the welfare of our people.

Summing up, Dr. Jagdish Prakash has stated, "Prior to attainment of independence, the role of the public enterprises in India had been quite limited, as the economic development then was left to the efforts of private sector. The government took some interest in certain areas only and that too when it was compelled to do so." 

II Post-Independence Era

When India attained freedom on 15th August, 1947, her economy was in a very bad shape. It was being afflicted with several economic problems. The two centuries of British Raj had distorted the pattern of economic development to suit imperialistic interests. On the eve of independence, it was, therefore, unanimously accepted that State would vigorously participate in economic field to build a strong, independent and vibrant economy with a powerful industrial sector to make independence meaningful for the toiling and suffering masses of the country.

Consequently, our successive Industrial Policy Resolutions and Five Year Plans emphasised the establishment of public sector enterprises along with other enterprises either in the private sector or co-operative sector. This paved the way for mixed economy. The Industrial Policy Resolution of 1948 was the first formal official pronouncement of the government defining the role of the state in a true form. It states, "There can be no doubt that the State must play a progressively active role in the development of industries, but ability to achieve the main objective should determine the

immediate extent of State responsibility and the limits to private enterprise. It was decided that manufacturer of arms & ammunition, the production and control of atomic energy and the ownership and management of railway transport should be the exclusive monopoly of the Central Government. In addition, the State will be responsible for the establishment of new undertakings in the field of coal, iron and steel, aircraft manufacture, ship-building, manufacture of telephone, telegraph and wireless apparatus (excluding radio-receiving sets) and mineral oils.

The Industrial Policy Resolution of 1965 gave further push to the public sector. It states, "The adoption of the socialistic pattern of society as the national objective, as well as the need for planned and rapid development require that all industries of basic and strategic importance, or in the nature of public utility services, should be in the public sector. Other industries which are essential and require investment on a large scale which only the State in present circumstances could provide, have also to be in the public sector."

The Industrial Licensing Policies of 1970 and 1973, the Industrial Policy Statements of 1977 and 1980 and the Industrial Policy announced on 24th July, 1991 which is being pursued at present have been in accordance with the board guidelines laid down in the Industrial Policy Resolution of 1956. The present policy of 1991 aimed at improving the portfolio and performance of public sector enterprises. It contains the following decisions:

(i) Portfolio of public sector investments will be reviewed with a view to focus the public sector on strategic, high-tech and essential infrastructure.

(ii) Public enterprises which are chronically sick and which are unlikely to be turned around will, for the formulation of revival/rehabilitation schemes, be referred to the Board for Industrial and Financial Reconstruction (BIFR), or other similar high level institutions created for the purpose.

(iii) In order to raise resources and encourage wider public participation, a part of the governments' shareholding in the public sector would be offered to mutual

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14. Ibid., para. 4.
funds, financial institutions, general public and workers.

(iv) Board of public sector companies would be made more professional and given greater powers.

(v) There will be a greater thrust on performance improvement through the Memoranda of Understanding (MOU) system through which managements would be granted greater autonomy and will be held accountable.

(vi) To facilitate a fuller discussion on performance, the MOU signed between Government and the public enterprises would be placed in Parliament.

As per the announcement in the Industrial Policy Statement and also in the Budget Speech of July 1991, in order to raise resources, encourage wider participation and promote greater accountability, the Government equity in selected public enterprises was to be offered to Mutual Funds, Financial Investment Institutions, workers and general public in pursuance of these announcement, the Government so far have disinvested its equity share-holding in 39 PSUs. A total amount of Rs. 11257 crores has been realised in these PSUs up to the end of March, 1998.

The five year plans have also been designed on the same lines. All the plans, right from the first five year plan (1951-56) to the eighth five year plan (1992-97), gave special emphasis on the growth of public sector for the economic development of the country.

The present plan, the Ninth Five Year Plan, (1997-2002) is a step further in recognising and redefining the public sector as an instrument of social change. The plan states, "Although India has always had a vibrant private sector and a functioning market economy, the role of the government has been dominant, not only as significant investor and producer of goods and services in its own right, but also an arbiter of the actions of the private sector. The former role will have to continue in the for-seeable future, since the economy is still not a stage where the most pressing needs of public goods and services have been met in adequate measure". 17

The total outlay/investment to be made by the public sector during the ninth plan would be Rs.434,500 crores indicating a considerable share of 40.14 per cent of the total investment. 18

Since the independence of the country over a period of more than five decades, the public sector has assumed giganatic proportions, widened its base and diversified its activities to enter the field of even consumer-goods industry " ...the public sector has grown exponentially and has assumed, thus, large proportions and a great variety of activities. From the early days, days of tentative, often hesitating growth sometimes against opposition from within and without, days of trial and experiment in many ways, the public sector has come to assume its rightful place ...." 19

The central public sector enterprises are perhaps the most responsible, they are the cutting edge of this development of public sector. They have really grown at a phenomenal rate since the launching of economic planning in 1951 as can be gauged from Figure 2.1. This figure amply illustrates that they have increased from a mere 5 enterprises with an investment of Rs.29 crores as on 1.4.51 to 240 enterprises with Rs.204054 crores of investment as on 1.4.98. Their coverage has extended beyond the basic and heavy industries into light manufacturing, consumer goods, electricity, high technology products, construction and diverse range of constancy services. The growth of central public sector enterprises during the last ten years is depicted in Table 2.1.

A PROFILE OF SELECTED UNITS

The units selected for the present study are:

1. Steel Authority of India Limited
2. Bharat Aluminium company Limited
3. National Thermal Power Corporation Limited

FIGURE 2.1
GROWTH OF INVESTMENT IN PUBLIC SECTOR

INVESTMENT IN CRORES OF RUPEES

<table>
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<th>S. No.</th>
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<th>90-91</th>
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<td>105.1</td>
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<td>%age of Gross Margin to Capital Employed</td>
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<td>133</td>
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<td>1962</td>
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<td>3723</td>
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<td>(No. of Enterprises)</td>
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<td>111</td>
<td>102</td>
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<td>109</td>
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<td>(c) No. of Enterprises making neither profit nor loss</td>
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<td>4</td>
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<td>900</td>
<td>911</td>
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Note : * indicates the non-availability of figures for respective years.
In order to have a detailed outlook at each and every unit, the profile of each of the eight units under study is presented below.

**Steel Authority of India Limited**

Steel Authority of India Limited (SAIL) is a company registered in 1973 under Indian Companies Act, 1956 and is an enterprise of the Government of India. It has its registered (corporate) office at New Delhi. It has four integrated steel plants in Bhilai(BSP), Bokaro(BSL), Durgapur (DSP) and Rourkela(RSP) and two special and alloy steel plants at Durgapur(ASP) and Salem (SSP). The Indian Iron & Steel Company Limited (IISCO), Maharashtra Electrosmelt Limited (MEL) and Vivesvaraya Iron & Steel Limited (VISL) are subsidiaries of SAIL. SAIL has got its units, viz. Research & Development Center for Iron & Steel, Center for Engineering & Technology and Management Training Institute all located at Ranchi, Central Coal Supply Organisation located at Dhanbad, Raw Materials Division and Environment Management Division are located at Calcutta. The Central Marketing Organisation with its headquarters at Calcutta coordinates the country wide marketing and distribution network. SAIL Consultancy Division functions from New Delhi. Then their is SAIL Safety Organisation and Growth Division at Ranchi and West Bengal respectively. Also, it has Transport & Shipping Headquarters at Calcutta and International Trade Division at New Delhi.

The authorised share capital of SAIL is Rs.5,000 crores. The paid-up share capital as on 31st March, 1998 was Rs. 4130.40 crores which is held to the extent of 85.82 percent by the Government of India, 8.86 percent by Financial Institutions, 3.10 percent by GDRs, 0.75 percent by Individuals, 0.41 percent by Mutual Funds/Banks, 0.98 percent by Foreign Institutional Investors(FIIs) and 0.8 percent by Domestic Companies etc. SAIL was setup to overcome the monopoly of private sector in steel industry. Presently, it produces almost every type of steel. It ranges from crude steel to...
alloy & stainless steel, from semifinished steel to finished steel. It also produces hot metal, pig iron and saleable steel.

During the year, the company achieved a turnover of Rs. 14624.07 crores (Previous Year Rs. 14114.01 crores). The net profit after tax is Rs. 132.99 crores (Previous Year Rs.515.17 crores). It was lower mainly due to higher interest and depreciation. A dividend at the rate of 1 percent on the paid-up equity capital as on 31st March, 1998 was recommended. It amounted to Rs.41.30 crores. The company also made a provision of Rs.4.13 crores towards dividend. A sum of Rs.331.58 crores was proposed to be carried to Bond Redemption Reserve.

1997-98 was a difficult year for the Steel Industry as it faced sluggish demand for steel in the home market, greater competition from imports due to lower international prices and enhancement in supplies in the domestic market resulting in greater stress on margins. The profits of the company were also adversely affected by escalations in input prices primarily of coking coal, petroleum products, power, transportation, etc. which could not be neutralised by increase in prices of steel products. Further, company absorbed higher depreciation and interest charges due to commissioning of modernisation of Durgapur Steel Plant (DSP) and other capital schemes and increase in working capital needs.

The company incurred a capital expenditure of Rs.1955 crores during the year on fixed assets and capital work-in-progress, which has been primarily financed through borrowings from external sources. SAIL regards the human resource as its prime resource and the contribution from the work force collective has continuously been harnessed for attainment of organisational goals. The ongoing financial and non-financial motivational schemes were utilised to motivate and energise the workforce. A conductive and congenial work environment was maintained through the support and cooperation of the trade unions and officers' association. The manpower strength as on 31st March, 1998 was 1,76,147. It comprised 18,586 executives and 1,57,561 non-executives. The company continued its effort in the implementation of Official Language Policy of the Government of India. Emphasis was given to create an environment in which employees voluntarily adopted Hindi in their office work.
Bharat Aluminium Company Limited

Bharat Aluminium Company Limited (BALCO) was incorporated on 27th November 1965. It has its registered office at New Delhi. It has set up an Aluminium Complex at Korba in the district of Bilaspur of Madhya Pradesh. This Aluminium Complex started production of Alumina in April, 1973 whereas the production of Aluminium Metal started in June, 1975. The company has another unit in West Bengal in Burdwan District near Asansol. This unit was a sick unit in private sector and was nationalised and vested in BALCO by the Government Of India on 2nd June, 1984. It has its Central Marketing Division at New Delhi itself with sales offices all over India located at Calcutta, New Delhi, Chennai and Mumbai.

The company's authorised share capital is Rs. 500 crores and paid-up share capital as on 31st March, 1997 was Rs.488.85 crores. The objective was to fill the gap in the aluminium sector and be a top producer of aluminium in the country.

Aluminium complex comprising of Alumina Plant, Smelter Plant and Fabrication facilities and its captive Thermal Power Plant are at Korba. The other Unit at Bidhanbag near Asansol gets Aluminium Metal from Korba Aluminium Complex for manufacture of Rolled Products, Extruded Products, Foils, Conductors & Ignot, Bus Bar, etc. The company produced Saleable Aluminium 88,198 T for the year as compared to last year's production of 91,564 Tonnes. The company achieved highest ever Turnover of Rs.848.51 crores for the year by sale of 96,546 Tonnes of Aluminium as against last year's turnover of Rs. 760 crores on sale of 91,996 Tonnes.

The net profit of the company after tax had gone upto Rs. 79.84 crores in 1997-98, registering an increase of almost 30 percent over the previous year's net profit of Rs. 61.79 crores. A lumpsum dividend of Rs.20 crores was recommended for the year which was equivalent to 25 percent of the profit after tax earned during the year under review.

The annual hot metal production was affected due to operation of 374 pots to avoid drawal of costly power from MPEB during the period when one of the generating unit of BCPP was under breakdown condition. Inspite of short fall in metal production, the company had maintained its profitability. The overall availability of Bauxite during the
year were maintained at a consistent level to support the hot metal production. Action to close down Amarkantak and Phutkapahar mines were due to start during the year 1998-99 in view of depleting resources. The company exported back to MPEB 142.615 Million Units of AC Power and, thereby, resulting in cost saving of Rs.7.92 crores.

The employment position as on 31st March, 1998 was 7317. Also, the company continued its effort to encourage and popularise the use of Hindi in day-to-day official work.

National Thermal Power Corporation Limited

NTPC was incorporated as Electricity Generating company in November, 1975 with the objectives of Construction, Operation and Maintenance of Super Thermal Power Stations and their Associated Transmissions lines. It is a front runner in the Indian power sector with its registered office at New Delhi.

The company has an authorised share capital of Rs.8,000 crores and the paid-up share capital as on 31st March, 1998 was Rs. 7545.77 crores. The company is engaged in the construction, operation and maintenance of Super Thermal Power Projects at Singrauli, Korba, Ramagundam, Farakka, Rihand, Vindhyachal, Unchahar, Kanalgaon, NCTPP, Talcher TTPS and Simhadari and Gas / Naptha Based Projects/Stations at Auta, Auraiya, Kawas, Dadri, Gandhar, Faridabad and Kayamkulam.

With a record generation (turnover and profit), the performance during 1997-98 reflected all-round achievements in different facets of company's working. Considering excellent performance and immense potential of NTPC (to become a global player), the Government has identified it as Navratna company. In recognition of its encouraging results during 1997-98, the company achieved "Excellent" rating under MOU for 11th consecutive year since inception of MOU system. As per a survey on the basis of 1996 data conducted by Marketline International Ltd., U.K., NTPC has been ranked as the 9th Largest thermal power utility in the World in terms of generation and 3rd in terms of efficiency among these.
With a total installed capacity of 16795 MW, NTPC during the year 1997-98 generated 106290 MUs of electricity and resulted in an increase of 7.19 percent over the previous year's generation of 99158 MUs. NTPC, with 18.8 percent of total installed capacity of 89167 MW as on 31.3.98 in the country, has contributed 25.3 percent of the total power generation in the country.

By virtue of higher generation during 1997-98, NTPC crossed the Rs.10,000 crore mark in its turnover by registering a sales of Rs.12,429.20 crores as against Rs.9857.18 crores during 1996-97 --- an increase of 26.09 percent. The net profit after tax increased from Rs.1679.43 crores in 1997-98 to Rs.2153.50 crores in 1997-98, showing an upward trend by 28.23 percent. A dividend of Rs.503.83 crores was recommended for the financial year 1997-98 as against the dividend of Rs.405 crores for the financial year 1996-97.

The total strength of employees of the corporation stood at 23577 as on 31.3.98.

Gas Authority of India Limited

Gas Authority of India Limited (GAIL) was formed on 16th August, 1984 as a Government company under the Indian Companies Act, 1956 with an authorised share capital of Rs.500 crores to undertake transportation of natural gas. It has its registered office at New Delhi. The company laid HBJ gas pipeline to supply natural gas to various consumers in the State of Gujarat, Madhya Pradesh, Rajasthan and Uttar Pradesh which became operational in stages starting from August 1987. It was further expanded to Delhi, Gurgaon, Sonipat and Ghaziabad (spurlines).

The authorised and paid-up share capital of the company as on 31.3.98 were Rs.1000 crores and Rs.845.65 crores respectively. The loans outstanding as on 31.3.98 were Rs. 1477.88 crores.

For optimum utilisation of each fraction of natural gas, LPG and NGL extraction projects were commissioned in 1991 and 1992 at Vijaipur and Vaghodia at a total cost of Rs.350 crores. Vijaipur is the centre of setting up of first LPG plant of GAIL in 1992. The
facilities for fractionating NGL (Natural Gas Liquids) to produce value added products, viz. Special Boiling Point Liquids (SBP) and Pentane have also been commissioned. GAIL has also set up the latest LPG Plant at Usar in Maharashtra in 1998. LPG is a major area of activity in GAIL. The company is currently setting up two LPG Plants in the country and expects to double its existing capacity (0.6 million tonnes Liquid Hydrocarbon Production) in the coming two three years. Furthermore, GAIL has also established facilities for Propane recovery at Vijaipur. GAIL has also taken over pipelines and related facilities from ONGC at various locations in Southern and North-Eastern Regions in Feb '92 and Western Regions in May '92.

The production/service profile of the enterprise involves supply of natural gas to various consumers through HBJ pipeline, ONGC taken over pipelines and spurlines without any interruption of supply. It also involves extraction/production of LPG from Natural Gas at Vijaipur and Vaghodia plants and production and marketing of SBP Solvent, pentane and propane.

Maintaining the growth during the year, the company recorded overall growth in sales at a figure of Rs. 5453.39 crores for the year 1997-98 and registered a figure of net profit after tax of Rs. 1020.30 crores as compared to Rs. 619.54 crores last year. A dividend of 20 percent excluding dividend tax was recommended by the directors for the year 1997–98. The Government of India acknowledged the company's 'Excellent' track record and potential to become a global giant by granting the Navratana status, thereby entrusting greater autonomy to the company after restructuring of the Board.

Based on the recommendations of the Disinvestment Commission, the Government of India decided to disinvest further about 25 percent of its equity through GDR/domestic route. Based on the feedback of global coordinators, the GDR issue was launched by the Government of India in October, 1997. The company was received well by international investors, however, due to the unexpected crash of international stock markets, international offer of the equity was deferred by the Government of India.

As an 31.3.98, there were 2684 employees on the rolls of the company. Also, vigorous efforts were made for the propaganda and spread of Hindi as the Official Language of the Union of India during the year.
The Fertilizer Corporation of India Limited

The Fertilizer Corporation of India Limited, which came into existence on 1st January, 1961 was reorganized w.e.f. 1.4.1978. It has its registered office at New Delhi. It has four units located at Sindri (Bihar ), Ramagundam (A.P. ), Talcher(Orrisa ), Gorakhpur (U.P. ). It has a Korba Division in U.P. where the power plants to be set up are under progress. It has also got a Jodhpur Mining Organisation at Rajasthan which is engaged in the mining of Gypsum. It is marketed to Cement Industries, Plaster of Paris Industries and for reclamation of alkaline / salinesoil. Then there is Shipping, Purchase & Liaison Office at West Bengal. The corporation has a marketing network spread over the state of U.P., Bihar, Orissa, West Bengal and A.P.

The authorised share capital of the company as on 31.3.98 was Rs.800 crores and paid-up share capital was Rs.707.74 crores. The loans outstanding as on 31.3.98 were Rs. 3835.78 crores, majority from Central Government. The corporation's primary objective is the manufacture and marketing of fertilizer and industrial chemicals. The rated capacity of FCI plants is 8.08 lakhs M.T. of Nitrogen. Three principle products of the company are Urea, Ammonium Nitrate and Gypsum.

Production of Nitrogen during the year 1997-98 was 208.6 thousand tonnes as against 233.2 thousand tonnes in the previous year. The corporation incurred a net loss of Rs.735.69 crores in 1997-98 as against Rs.538.00 crores during the last year 1996-97. The loss has been arrived at after charging interest of Rs.457.45 crores (previous year Rs.373.62 crores) including penal interest on GOI loans of Rs.186.50 crores (previous year Rs.148.95 crores) and after providing for depreciation of Rs.12.34 crores (previous year Rs. 11.86 crores).

The company was referred to BIFR in April, 1992 and declared sick in November 1992. The revival proposals to improve production and profitability are linked with finalisation of a revival package for the company by BIFR. However, the following two schemes are presently under implementation:
1. Revamping / Renovation of Captive Power Plant at Sindri

In October 1997, Government Of India approved proposal for renovation / revamp of Captive Power Plant (CPP) at Sindri unit at an estimated cost of Rs.13.32 crores which includes foreign exchange component of Rs.1.53 crores. The project is scheduled to be completed within a period of 12 months from the date of issue of the sanction.

2. Long-Term Pollution Control Measures at Sindri

Urea Hydrolyser Stripper and NoX abatement schemes were successfully implemented within the time schedule prescribed by Hon’ble Supreme Court. The remaining two schemes, viz. ESPs for Power House and ESPs for SGP are also expected to be implemented within time schedule prescribed by the Hon’ble Supreme Court, i.e. by 31.12.1998.

During the year, 72 employees availed the Voluntary Retirement facility under the VR Scheme involving an expenditure of Rs.2.01 crores. The total number of employees in the corporation as on 31.3.98 was 7231. Annual programme instructions and all the directives issued by the Official Language Department, Ministry of Home Affairs regarding progressive use of Hindi are also complied with in the corporation.

Bharat Heavy Electricals Limited

BHEL is India’s largest company of its kind with its registered office at New Delhi. Its operations broadly cover conversion, transmission utilisation and conservation of energy in core sector of the economy like power, industry & transportation and fulfills vital infrastructure needs of the country. It manufactures a wide range of state of the art power generation equipment and systems besides equipment for industry, transmission, transportation, defence, telecommunication and oil business. BHEL has consistently upgraded its design and manufacturing facilities to international standards by acquiring and assimilating some of the best technologies in the world together with technologies from its own R & D centres.
Setup primarily to meet the needs of the power sector in the country, the first plant came up in 1956 at Bhopal. Today, the company has 14 manufacturing divisions, 9 service centres and power sector regional centres, besides project sites spread all over India and also abroad to provide prompt and effective service to customers.

The authorised share capital of the company is Rs.325 crores and the paid-up share capital as on 31st March was Rs. 244.76 crores. The amount of total loan was Rs.389.55 crores. BHEL’s operations are organised along three business sectors, namely Power, Industry and International operations.

POWER SECTOR

Power is the core sector of BHEL, contributing a turnover of Rs.33880 million-52.5 percent of company’s total turnover for the year 1997-98 and comprises of thermal, nuclear, gas, diesel and hydro sets.

INDUSTRY SECTOR

By supplying wide ranging capital equipment and systems, BHEL has made significant contribution to this sector which covers transmission, transportation, defence and various industries like petrochemicals, refineries, fertilisers, cement, steel, metallurgical etc. This sector contributed a turnover of Rs.30620 million this year, i.e. 47.4 percent of company’s total turnover. BHEL retained its market leadership in products like motors, captive power plants & co-generation plans encompassing gas turbines, steam turbines, heat recovery boilers etc. and by introducing new products like wind electric generator, heat exchanger & pressure vessels, AC/DC, Loco & defence, etc.

INTERNATIONAL OPERATIONS

In spite of highly competitive international market, BHEL was successful in obtaining good number of export orders this year. First ever export order for Diesel Electric Locomotive to Malaysia from a Japanese firm and Solar Water Heating System for Nepal were the successful initiatives into new areas and markets. 50 MW Siddhirganj
Boiler Rehabilitation Project in Bangladesh, Power Transformers for Greece and additional works for boiler rehabilitation contract in Malaysia were among the major orders. Other orders includes Porcelain Insulators, Bushings and valves from U.K., Australia and U.S.A. well head and Christmas Tree Valves from Bangladesh.

Financial performance during 1997-98 was marked by sustained growth of turnover which was increased by 12.4 percent to Rs. 64713 million. New products turnover contributed Rs. 18670 million, i.e., 28.9 percent of the company's turnover. Export turnover, including deemed exports, was placed at Rs.17840 million, i.e.27.6 percent of overall turnover, recording a growth of 37.9 percent over 1996-97. Profit after tax in 1997-98 amounted to Rs. 7195 million and dividend of 25 percent on the paid-up capital of Rs.2447.60 million was recommended for 1997-98, an increase of 5 percent over the rate of dividend for 1996-97.

BHEL had been successful in achieving the overall goals and targets set out in the MOU signed with Government of India for 1997–98 and their performance had qualified the company for placement in "Excellent" category for the ninth year in succession. During 1997-98, capital expenditure of Rs. 760 million was incurred on plan capital programmes. The thrust of investment during the year was on modernisation of ageing facilities for enhancing the competiveness of our products and services.

Overall manpower strength at the year end was 62502, showing steady decline over the years. It includes 590 casual / daily rated workers. Fresh induction was limited to professionals and skilled personnel required in critical areas.

HMT Limited

The company was incorporated on 7th February, 1953 and has its registered & corporate office at Bangalore. It is presently engaged in the manufacturers of High Precision Machine Tools, Presses, Die-Casting Machines, Tractors, Wrist Watches both Mechanical and Quartz, Precision Machinery, Printing Machinery, Food Processing Machinery. The company has got its subsidiary companies namely HMT (International)
Limited, HMT Bearings Limited, Praga Tools Limited with registered offices at Bangalore, Hyderabad and again at Bangalore respectively.

The authorised share capital of the company as on 31.3.98 was Rs. 110 crores, issued, subscribed and paid-up share capital stood at Rs. 108.64 crores as on 31.3.98. The loans outstanding on the same date were Rs.504.75 crores.

The performance of the company during the financial year 1997-98 was quite heartening despite the economic recession prevailed during the year and the intense competition faced by almost all the products of the company. Infact, there was a marginal growth in terms of the sales during the year which resulted in a higher sales turnover of Rs. 959.13 crores as compared to Rs. 956.79 crores for the previous year. The production performance was more or less stagnant at the level of Rs.981.39 crores as compared to Rs.993.40 crores achieved in the previous year.

The operations of the company during the year resulted in a net loss after tax of Rs.29.13 crores as compared to the loss of Rs. 18.78 crores incurred during 1996-97 in spite of competitive markets and other constraints. In view of the losses incurred, Directors were not in a position to recommend any dividend for the year 1997-98 on the Equity Share.

The company had initiated the process of locating Joint Venture partners in respect of some of its Business Groups as per the "In Principle" approval received from the Government of India as a part of the restructuring of the company. In respect of the Joint Venture for Tractor, the process is in progress. While the proposals for joint venture are being pursued, the alternative strategies for turnaround of the company under various scenarios is also being drawn up in consultation with the Government.

The employee strength of the company as on 31st March 1998 was 20463. Also the company continued to pursue its efforts in implementing the official language policy of the Government, i.e. Hindi.
Modern Food Industries (India) Limited

Modern Food Industries (India) Limited, formerly known as Modern Bakeries (India) Limited is the largest producer of bread in the country. It has its registered office at New Delhi. The company has 14 bread units located at different parts of the country and 5 units for manufacture and marketing of supplementary nutritionally fortified ready to eat food for the vulnerable sections of the society. Besides the above, the company has 20 franchised and 8 ancillary units for manufacturing & marketing of various varieties of bread.

The authorised share capital of the company is Rs.15 crores and the paid-up share capital as on 31st March, 1998 was Rs.11.58 crores. A sum of Rs. 1.43 crores was received from the Government of India on 31st March, 1998 towards advance against fresh Share for allotment of Equity Shares. Shares for this amount had since been allotted during the current year. The present share capital of the company is hence, Rs.13.01 crores. The long-term liability of the company on account of Government loans as on 31st March, 1998 stood at Rs.5.26 crores as against Rs.4.79 crores in the previous year.

The company achieved a turnover of Rs.181.52 crores during the year 1997-98 as compared to Rs.166.82 crores during the previous year, representing an increase of around 9 percent. The company earned a profit (before tax) of Rs.622 crores for the year under report as against Rs.167.33 crores in the previous year. The profitability of the company for the year was lower as compared with the previous year due to lower sales for Bakery operations, steep increase in salary of employees converted under Central Dearness Allowance Pattern, increase of CPF Contributed rates from 10 percent to 12 percent and increase in Gratuity payment ceilings, upward price revision by Rs.48,000 per MT and increase in costs of various inputs required for manufacture of Supplementary Nutritional Foods. The company had taken various steps to offset the effort of the above factors.

Production and marketing of Bread continued to be the major activity of the company during 1997-98. Around 56 percent of the turnover of the company came from this activity as against 62 percent in the previous year. The non-bakery activity had been
showing consistent improvement during the last five years. Also, Bread Franchising Activity had been emerging as one of the major growth area of the company.

The total number of employees on the rolls of company as an 31.3.98 was 2434. Also, the company is making sincere efforts for progressive use of Hindi in accordance with the provision of official Languages Act.