

CHAPTER – IV

PROFILE OF SELECTED STATE OWNED ENTERPRISES IN GUJARAT

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CHAPTER – IV

4.0 INTRODUCTION

Indian economy is passing through a process of crucial change. For the first four decades after independence, we have been pursuing a path in which the public sector was expected to be the engine of growth. However, towards the middle of the seventies, disenchantment with the public sector had started, but the voice of protest was feeble and was sporadic and inarticulate. The failure of the state owned enterprises to fulfill the role assigned to them resulted in the protest becoming louder and more articulate. Although even in the beginning of eighties, the opening of certain areas hitherto reserved for the state owned enterprises was undertaken, but the Government was still hesitant to make a clear statement. The first clear pronouncement on the state owned enterprises outlining the change in policy was made by Prime Minister Rajiv Gandhi in his first broadcast to the Nation in 1984 when he said: The state owned enterprises has spread into “too many areas where it should not be. We will be developing our state owned enterprises to undertake jobs that the private sector cannot do. But we will be opening up more to the private sector so that it can expand and the economy can grow more freely.” The culmination of all these developments led to the announcement of new Industrial Policy 1991. The debate about state owned enterprises and privatisation has assumed great importance thereafter.

Over a period of time the outcomes of State owned enterprises have been disappointing. It is discussed in public that corruption and mismanagement are leading to low productivity, secondly, over-dependence on continued funding from government revenue, and thirdly poor services and insensitivity to the customers. Because of these reasons, State owned enterprises became unpopular over a period of time. They have been mismanaging public money and their financial performance was far down to the line, hence it is needed to analyse the financial performance of the selected State owned enterprises.

Unfortunately the rate of return on the investment is either very low or negative; several times it is less than the rate of interest on saving deposits. One positive aspect was observed that the State owned enterprises provided higher employment to the people of Gujarat but as the financial results are negative, further increase in employment has been stopped in State owned enterprises. Conversely, these State owned enterprises are

retrenching the employees, which they had employed. So, this second positive aspect has also become negative. Therefore one needs to study the performance of State owned enterprises with respect to generating the employment for people of Gujarat.

Several State Owned Enterprises established by Govt. of Gujarat are service oriented like Gujarat Electricity Board, Gujarat State Road Transport Corporation etc. It was well thought if these services are allowed to be rendered by private institutions they might exploit the people by charging higher charges, secondly for a private institution it is difficult to invest huge capital. On both these fronts, the State owned enterprises' services were considered to be very poor and they have become loss making enterprises even after huge capital investment and the quality of services provided by these enterprises are also considered to be poor. Hence it is necessary to study the reasons for this in depth and find remedies for it.

4.1 MOTIVES OF ANALYSIS OF FINANCIAL PERFORMANCE OF STATE OWNED ENTERPRISES:

Across the globe, there is heavy discussion on privatization of economy and the State owned enterprises. There is an argument that State owned enterprises have contributed to economy of Gujarat, the stagnation and poor State image. Is this true? This is to be tested by the study. Normally, following arguments are put forth while thinking about financial performance of State owned enterprises:

01. Creating economic inefficiency
02. Consistently incurring financial losses
03. Absorbed disproportionate share of credit
04. Contributed to fiscal deficit and imbalances etc.

Whether privatization is an end itself? Or is it a key tool for improving the efficient allocation of resources for mobilizing investment and is it stimulating private sector development? These issues require a detailed study.

Out of 84 State owned enterprises, 5 State owned enterprises are selected for analysis of financial performance for last 10 years viz. i) Gujarat Narmada Valley Fertilizer Company Limited, ii) Gujarat State Fertilizers & Chemicals Limited, iii) Gujarat State Financial Corporation, iv) Gujarat Alkalies and Chemicals Limited., and v) Gujarat Minerals Development Corporation Limited.

4.2 GUJARAT NARMADA VALLEY FERTILIZERS COMPANY LIMITED:

Gujarat Narmada Valley Fertilizers Co. Ltd. (GNFC) was launched on the 10th May 1976 as a commercial enterprise at Narmada Nagar, Bharuch. The Government of Gujarat and Gujarat State Fertilizer & Chemicals Ltd. (GSFC) promoted GNFC with combined efforts. The Gujarat government and GSFC jointly hold about 48 percent of GNFC's equity.

GNFC primarily manufactures nitrogenous fertilizers such as calcium ammonium nitrate and urea. It produces phosphates fertilizers such as ammonium nitro phosphate. GNFC also installed a plant to manufacture chemicals like methanol and formic acid in 1985. Company has commenced manufacturing of electronic items like EPABX system and allied equipment in 1987.

In the year 1992, GNFC started its joint venture Narmada Chematur Petrochemical Ltd as its subsidiary project with financial and technical assistance from Chematur Engineering, Sweden. This Aniline and Toluene Di-Isocyanate (TDI) project uses nitric acid and hydrogen of GNFC. The GNFC owns 56 percent equity of Narmada Chematur whereas Chematur holds around 6 percent equity. The aniline plant was commissioned in 1995.

GNFC had also a fully owned subsidiary project - Gujarat Narmada Auto Limited for two and three wheelers but because of its system failure, the company could not succeed and was liquidated in 1997.

Table 4.1: Production of different fertilizers of GNFC from the year 1991-92 to 2003-04

In MT

Products	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Ammonia	510007	505429	473207	496572	520810	476665	469463	495019	NA	8 million	521589	497119	487455
Urea	717454	660818	653731	687427	691461	651425	631279	660894	615781	NA	644080	636935	636750
Methanol-I	106577	NA	106242	125955	119857	132798	24592	32656	167047	37028	32148	38889	54430
Methanol-II							122811	107103		145585	139610	139460	152365
Formic Acid	6803	6823	8317	8241	8822	8067	9314	9055	7854	10079	10415	11104	11701
Acetic Acid	NA	NA	NA	NA	NA	50550	62186	65098	59694	69886	71079	97016	140221
WNA	125613	160339	186099	188070	215934	205272	232095	228100	242166	262034	NA	288362	220979
CNA	9574	7327	6866	12529	22212	28785	32054	NA	48134	56198	56404	65239	60518
ANP	123654	141451	132974	149304	150522	137461	155704	150812	155889	159030	166010	175551	121614
CAN	62526	93807	160547	143679	156161	144060	NA	152689	128143	NA	138814	118604	77310
AN Melt	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	26872	9780

(Source: Annual Reports)

Above table reflects the fertilizers production by GNFC since 1991-92 to 2003-04. In all, GNFC produces 10 to 12 products every year. It can be observed from the table that the production of Ammonia, Urea has reduced during these 13 years by 4 percent and 11 percent respectively with exception of year 2000-01 when it was 8 million metric tonne but there is a continuous decline in the production of urea. For the production of Methanol there was only one plant till 1996-97. Late a second plant was also made operational. Hence the production has been doubled during the span of 13 years whereas Formic Acid production has gone up by nearly 80 percent. GNDC started the production of Acetic Acid from 1996-97 and its production shot up from 50550 metric tonne to 140221 metric tonne, which is nearly three times, between 1996-97 to 2003-04. Such an abnormal increase is observed in Concentrated Nitric Acid whose production increased by nearly five times. There was an Electronic Division of GNFC producing Printed Circuit Board (PCB) and DSS, this plant was set up during period 1988-90 and its capacity was gradually increased during these 14 years for meeting the global competition. But from 1st August 2003 the production of PCB was discontinued as there was a cut throat competition, technology trends and high cost of production. GNFC has received ISO-14001 certificate for maintaining environmental standards.

4.2.1 Social Responsibility

Quite a large number of farmers are shareholders of the company right from the inception of the company and these farmers are using the fertilizers in the rural market. Company carried out different programmes to fulfill its social obligations like – (i) Narmada Kisan Monthly Magazine (1994), nearly 98000 farmers are member, (ii) Demonstration Farm (50 Acres of demonstration farms were developed to use the modern technology in farming), (iii) Soil Testing Laboratory (To help the farmers for using right fertilizers in right quantity. Company has equipped soil testing laboratory having capacity of analyzing 14000 soil samples), and (iv) Young Farmers Training Programmes.

4.2.2 Board of GNFC

The Board of Directors of GNFC consists of 10 members including Chairman, Managing Director and five nominated Executive Directors. Govt. of Gujarat appoints any distinguished personality or an IAS officer working in the Government as the Chairman.

4.2.3 Listing of GNFC

In pursuance of clause 49 of the Listing Agreement entered into the Stock Exchange relating to Corporate Governance, company gives utmost importance in the observance. The GNFC Limited is listed at Indian Stock Exchanges viz. i) Ahmedabad Stock Exchange, ii) Bombay Stock Exchange, iii) Kolkatta Stock Exchange, iv) Delhi Stock Exchange, and v) National Stock Exchange and one International Stock Exchange of Luxembourg,

4.3 GUJARAT STATE FERTILIZERS AND CHEMICALS LIMITED

Fertilizer is the utmost necessity for agriculture sector and to develop the agriculture sector, Gujarat State Fertilizers & Chemicals Limited was incorporated on 15th February 1962 as a commercial enterprise. The agricultural sector is the backbone of Indian economy because nearly 22 percent of India's GDP and 48 percent of country's population is dependent upon agricultural sector. The production and productivity of agriculture sector can be increased only when best quality of fertilizers and chemicals are used in the farms to make the country self sufficient and self reliant in food grain.

In India, during First Five Year Plan, the productivity and production was very low, for example the yield of food grain in the year 1951-52 was 52 million tonne, which rose to 206 million tonne in 1999-2000. Success story of Indian economy is not only to mitigate the in-house requirement but also to export the surplus food grain. Chemicals and fertilizers have played a vital and crucial role in the success of India's Green Revolution and in achieving self-reliance in food grain production.

GSFC was established with an initial investment of Rs.40 crore and today it has achieved a turnover of more than Rs.2000 crore. GSFC has also expanded by installing new three units at Sikka (Jamnagar)- DAP Unit, Kosamba (Surat) - Fiber Unit, Nandesari (Vadodara) - Polymer Unit.

To meet the requirement of fertilizers for farmers in the country, GSFC established a coastal - DAP (Dominium Phosphate Plant) at Sikka (Jamnagar) based on imported Ammonia and Phosphoric Acid.

The Government of Gujarat established a Polymer Unit - Polymer Corporation of Gujarat Limited (PCGL), at Nandesari Dist. Vadodara with a total cost of Rs.16 Crore in 1979 and this plant was merged with GSFC in 1983. In the year 1989, the Company started

Fiber Unit at Kosamba in Surat district to produce nylon filament yarn and plastic grade chips.

4.3.1 Products and Services of GSFC

With a market presence of 43 years GSFC has carved out an irreplaceable image for itself on the Indian market scene. Gujarat State Fertilizer & Chemicals Limited's incessant strive for product diversification and value addition has created a product mix ranging from more than 24 brands of fertilizers to petrochemical, chemicals, industrial gases, plastics, fibre and other products, the details can be verified from the table given in table 4.2.

**Table 4.2 Production of Gujarat State Fertilizer & Chemicals Limited
In MT**

Products	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Fertilizers (Loose)	1294483	135260	1285884	1388499	1489239	1493460	1325643	1289755	1409520	1292283	1360661	1146668	1275794
Caprolactum	20124	23141	51022	54037	65651	63901	59501	65987	64647	65051	59546	60004	68489
Nylon-6	6302	6200	6844	7023	7524	4607	-@	-@	-@	6698	5487	5424	7264
Melamine	5053	5567	5344	5390	5120	5440	6315	10193	10797	10527	11521	6643	15237
Argon (000) NM ³	2324	2359	2207	2256	2202	1980	1752	2815	2620	2218	2785	2756	3029
Monomer	4054	4346	3923	3813	3288	3995	3096	3241	1965	4012	2665	3586	4472
Sheets	1741	1736	1782	1671	1148	1413	1116	1073	650	745	358	469	498
Pellets	1371	1338	1299	1478	1747	1910	950	1667	1563	2119	2010	2114	2159
Nylon Filament Yarn	4688	5078	5271	5552	6824	6231	5931	5746	5647	5850	4084	5311	5159
Nylon chips	1290	922	1370	1976	2172	2987	3504	3692	4077	3025	2073	2283	3553

Source: Annual Reports of the company @ Plant was under renovation

The production of loose fertilizers in the first five years from 1991-92 to 1995-96 has shown the increase of 15 percent but during last 10 years it is continuously declining, in the last five years decrease has remained nearly at 10 percent but overall decrease within 13 years of the study is just 1.5 percent. On an average, the loose fertilizers produced by GSFC amounts to 1245165 metric tonne.

Conversely caprolactum production shows rising trend by nearly 240 percent during the study period of 13 years with the exception of decline of 1.5 percent during the year 1995-96 to 1999-00. The average production has remained at 55469 metric tonne during 13 years of study.

Melamine is an exceptional case where the production has gone up for first five years by 132 percent, subsequent five years by 110 percent and in the last five

years of our study by 41 percent. Overall increase stood at 200 percent. The average production has remained 7934 metric tonne during the 13 years of study. The production of Monomer has continuously declined in first ten years at the rate of 30 to 40 percent but suddenly from the year 2000-01, it was double then the previous year that is 4012 metric tonne. So, overall increase is 10 percent during last 13 years and average production is 3573 metric tonne. The other product showing continuous decline in our study period is Sheets. In the first five years it has declined by 34 percent subsequently by 43 percent and during 2000 to 2004 it was 23 percent. Overall decrease in last 13 years placed at 71 percent which is incomparable decline in total range of products of GSFC. Surprisingly for the year 2001-02 it was just 358 metric tonne. The average production of 13 years is, 1107 metric tonne.

The Nylon Chips production is continuously rising during the period of study except in the year 1992-93. The total production of Nylon Chips during 13 years is 32924 metric tonne with the average of 2532 metric tonne per annum.

So, there are the products, which are consistently showing decline in the production that is sheets and continuous rise in the production of Melamine. Other than these products, it is observed that there is inconsistency in the production, may be due to demand in the market or discontinuing the production of the Nylon-6 for 3 years 1997-98 to 1999-00. Obviously, this inconsistency will reflect on the financial performance of the GSFC.

4.3.2 Achievements

Confirming to the strict international standards, GSFC continuously achieved and maintained best quality, superior packaging, prompt deliveries and services of high standard for every product. GSFC has obtained several national and international awards. Today ISO 900 certifies GSFC. GSFC has customers' Service Centers both in agriculture field and industrial field.

GSFC is a respectable player in the emerging scenario of the competitive and globalize industry. GSFC has Customer Service Centers both in Agriculture Field (AD&AS) and Industrial Field (ADC) to disseminate the latest technical knowledge for efficient use of the products.

4.3.3 Social Responsibility

GSFC regularly educates the farmers through customer relationship programme on proper usage of fertilizers through meeting individuals, group meetings, technical demonstrations, field meetings, trade exhibitions and magazine “Krishi Jeevan”. The Krishi Jeevan magazine is published regularly to keep the farmers in touch.

4.3.4 Research and Development

GSFC carries research and development in specific areas. These areas are polymers and fibers, environment control and waste management, value added products or derivatives from existing products, support to plant and marketing for quality and process efficiency improvement, catalysis performance evaluation and failure investigation etc. On research and development activities, the recurring expenses incurred by GSFC are Rs.825 lakh, which amounts to nearly 0.4 percent of the sales.

4.3.5 Exports

GSFC exports caprolactum and MEK Oxime, Melamine, Nylon-6 and ammonium sulphate, the export turn over for the year 2003-04 amounted to Rs.87 crore.

4.3.6 Board of GSFC

The Board of Directors of GSFC constitutes of eight Directors inclusive of Chairman and Managing Directors. The Govt. of Gujarat appoints any distinguished person as the Chairman.

4.3.7 Listing

GSFC Limited is a listed company under SEBI at Mumbai, Kolkatta and National Stock Exchanges.

4.4 GUJARAT STATE FINANCIAL CORPORATION LIMITED

The financial institutions play key role in the development of the industrial sector as they mobilize resources by way of increase in capitalization and employment. Among the financial institutions - State owned Financial Institutions are prominent in the development of small-scale sector.

The State Financial Corporation Act was passed in 1951 in order to enable the State to set up State Financial Corporations for giving long-term financial assistance to small and medium scale industries. The minimum share capital of these corporations is Rs.50 lakh and the maximum is Rs.5 crore. The respective State Governments, Reserve Bank of India, Insurance Companies, and Commercial Banks etc subscribes its share capital.

The GSFC was incorporated with the aim to develop the industries in backward areas, tribal pockets and undeveloped districts of Gujarat. GSFC is a statutory body of Government of Gujarat incorporated in 1960 to help entrepreneurs who wants to start industries in the Gujarat State.

GSFC is a channeling agency of National Handicapped Finance and Development Corporation (NHFD) for the State of Gujarat. It is a statutory body of Government of Gujarat working for industrial growth and development. At the time of establishment of GSFC in 1960, it was a key and prime financial institution of Gujarat. The success, beside the entrepreneurial spirit of Gujaratis had an inevitable element in the form of pragmatic, proactive and consistent policy initiative by government of Gujarat through a trendsetter institution "GSFC". In order to equip an entrepreneur to be able to unlock his hidden potential, GSFC has made continuous efforts in the direction of strengthening and establishing the parameters of industrial development.

4.4.1 Functions

The State Financial Corporations perform the following functions:

- ❖ Granting loans to small and medium scale industries for a period not exceeding 21 years at a time.
- ❖ Granting loans to eligible concerns for a period not exceeding 20 years at a time.
- ❖ Underwriting the issue of shares and bonds of small and medium industrial concerns.
- ❖ Guaranteeing the loans to the small and medium scale industrial concerns. However, the loan granted to any single firm cannot exceed 10% of the paid up capital of the corporations or Rs.10 lakh, whichever is less, and loans should always be secured by pledge or mortgage or hypothecation

4.4.2 Performance of Gujarat State Financial Corporation

The performance of GSFC in the initial two decades from 1960 to 1980 was slow and challenging but in the next 13 years from 1981 to 1993 it showed excellent performance.

During the span of 45 years of operations, the corporation has sanctioned gross cumulative assistance of Rs 4315.02 crore for promotion and development of 47174 units in small and medium scale sector.

It is very important to note that in the period of three decades from 1960 to 1990, GSFC performed very successfully because of which Gujarat has earned a pride of being a front-runner in industrialization in the country. During these 30 years of period, GSFC contributed a larger share of industrial development by sanctioning financial loans of Rs.1698.05 crore to 10103 units of small-scale industries and medium scale industries.

There was investment in GSFC to the tune of Rs.49.09 Crore for the year 2004-05. On 31st March 2005 GSFC had accumulated losses amounting to Rs.872.42 crore which is nearly 17 times of the investment.

4.4.3 Investment in the State

With the implementation of new industrial policy and the initiative taken up by the State government on several front, Gujarat had attracted substantial investment in industrial sector. As per the report of Industries Department of Government of Gujarat, total 758 big projects, each of them with more than Rs.5 crore of initial capital, were implemented with aggregate amount of Rs.46,872 crore during the eighth plan. During 1992-93 only, total 12,629 SSI Units were registered in the State showing a rise of 6.99 percent over the previous year.

The efforts of the GSFC and package of incentives offered for the development of backward district and rural areas had been instrumental in promotion of 526 units in 1995-96 by sanctioning Rs.119.19 crore of financial assistance. At the end of year 2001-02, the GSFC sanctioned total Rs.1934.32 crore loans to the industries of 9314 talukas of Gujarat.

Table 4.3: Break-up of investment in different areas of the society**Rs. in crore**

Years	Small Scale Units -SSI		Backward District		Backward Talukas		Rural Areas		Tribal Area / Talukas	
	No.	Rs.	No.	Rs.	No.	Rs.	No.	Rs.	No.	Rs.
1983-84	2141	48.27	1057	26.09	321	7.48	641	17.98	NA	NA
1984-85	1680	51.71	683	33.89	315	7.93	572	22.45	NA	NA
1985-86	1449	61.69	647	39.2	199	10.79	474	30.66	NA	NA
1986-87	1459	59.31	718	43.08	847	47.92	620	41.95	NA	NA
1987-88	1461	66.46	740	46.02	831	55.61	652	45.15	NA	NA
1988-89	1513	119.29	627	68.34	841	94.87	635	86.07	NA	NA
1989-90	1825	148.4	649	59.09	894	89.21	757	84.69	NA	NA
1990-91	2142	184.57	718	82.41	1027	152.53	926	125.02	NA	NA
1991-92	2835	269.37	895	94.35	1081	134.66	1235	177.66	NA	NA
1992-93	1929	204.09	566	72.52	836	112.28	776	134.83	NA	NA
1993-94	1544	207.23	509	66.47	878	145.79	859	169.58	417	81.97
1994-95	1318	204.91	487	88.98	785	162.66	626	135.07	153	37.91
1995-96	1221	250.85	526	119.19	826	198.63	595	158.75	59	18.54
1996-97	584	154.94	201	73.56	353	136.56	284	110.05	66	23.75
1997-98	403	118.99	170	83.58	115	49.67	281	149.17	65	33.9
1998-99	368	128.77	152	61.29	148	48.49	201	91.25	59	29.28
1999-00	427	189.96	202	136.73	141	102.11	144	144.59	52	32.63
2000-01	442	175.99	155	72.93	137	42.17	207	95.81	27	10.55
2001-02	525	64.48	313	29.17	19	1.31	282	47.92	8	1.44
2002-03	21	3.18	0	0	0	0	6	116	0	0
2003-04	0	0	0	0	0	0	0	0	0	0
Average	1179.39	129.16	476.90	61.76	504.48	76.22	500.99	94.51	82.36	24.54
SD	810.99	78.98	297.37	34.58	387.44	62.22	343.08	54.17	119.04	23.71

(Source: Annual Reports)

The GSFC, since its inception, continued to give financial assistance with the trends of increasing demand of loans to start small industries and business. It can be observed from the table that this trend was consistent upto 1991-92 for small-scale industries, backward districts, backward talukas, tribal pockets and rural areas. In the year 1991-92, 2835 SSI units were given finance of Rs.269.37 crore but afterwards that number constantly decreased as in 1992-93, 1929 units of Rs.204.09 crore, in 1993-94 1544 units of Rs.207.23 crore, 2001-02 only 525 units of Rs.64.48 crore and in 2002-03 only 21 units of Rs.3.18 crore were sanctioned the financial assistance. The same performance was measured in geographical scale i.e. for backward districts, 895 units were of sanctioned assistance Rs.94.35 crore in 1991-92, this reduced 313 units and Rs.29.17 crore in year 2001-02. In the backward talukas, 1081 units were given assistance of

Rs.134.66 crore in 1991-92, this reduced upto only 19 units of Rs.1.31 crore in the year 2001-02. The tribal pockets and rural areas were sanctioned 548 units of Rs.98.9 crore and 1235 units of 177.66 crore respectively in the year 1991-92 which has reduced extremely in 2002-03. It was the year in which the corporation showed poorest performance by assisting only six units with amount of Rs.116 crore in tribal pockets and not a single unit sanctioned the loan to rural areas. From the table it reflects that upto 1991-92 the financial transaction were increasing in numbers as well as in amount. But after 1991-92, a large number of financial institutions came to operate their business as under liberalization policy of 1991, the GSFC became weak day-by-day and stopped its financial transactions after 2001-02.

4.4.4 Impact of Reforms

In view of economic liberalization in the country in 1991, the GSFC had enlarged its area of operation. The cut-throat competition between financial institutions, forced the Corporation to enter into new activities like Hire Purchase, Leasing, Bills Discounting and Lien of Credit, over and above the Merchant Banking activity, Working Capital Term Loan (WCTL) and merchandise activity.

The process of liberalization initiated from 1991 gained momentum during the year 1992-93 whereby several restrictions on capital market were removed and office of the Controller of Capital Issues were abolished. The Foreign Exchange Regulations Act was entirely replaced by Foreign Exchange Management Act. The investment restrictions by FERA (FEMA) on companies were considerably relaxed. Consequently the investment activity received boost-up in acquiring investment proposal from both domestic as well as foreign investors.

4.4.5 Board of GSFC

The Board of Directors consists of nine members with Chairman and Managing Director and others being appointed from IDBI, LIC, RBI, Scheduled Banks and Co-Operative Banks. The Managing Director is the Chief Executive and is appointed by State Government. The Corporation has seven Regional Offices at Ahmedabad, Mehsana, Bhavnagar, Rajkot, Surat, Vadodara and Vapi each headed by the Regional Manager.

4.4.6 Procedure for Financial Assistance and Recovery

The Corporation provided financial assistance to the beneficiaries on receipt of applications accompanied by a detailed project report of the venture for which the assistance was sought. The Appraisal Wing scrutinizes the proposal giving stress on promoter's background, the product and its marketability and the viability of the project.

The Corporation made the disbursement after verification of the initial investment made by the loanee and further installments were released after watching the progress of the project. The installments of repayment were fixed on quarterly basis, which becomes due on 1st day of May, August, November and February after 12/24 months of moratorium from the first date of disbursement.

Recovery was initially monitored in all cases by the field offices. For loans above Rs.15 lakh, generally an officer from Head Office visits the loanees locally and submits Recovery Visit Reports (RVR) to Head Quarters. If the Corporation was not satisfied with these reports and the recoveries were still not forthcoming, action under Section 29 of State Financial Corporation's Act was taken to take over and sell the assets. Similar action under Gujarat Public money (Recovery of Dues) Act, 1979 (GPM Act) was also taken through Officer on Special Duty appointed by the State Government. After taking over the defaulting units by the Corporation, the same were sold by open tender and realization adjusted against the dues. In cases where full amount was not received, they were pursued further for recovery.

4.4.7 Listing of GSFC

The shares of the company are listed on Mumbai, Ahmedabad and National Stock Exchanges.

4.5 GUJARAT ALKALIES AND CHEMICALS LIMITED:

Gujarat Alkalies and Chemicals Limited is a commercial enterprises of Government of Gujarat, established in March 1973 with the objects of manufacturing chemical products like caustic soda, liquid chlorine and hydrochloric acid. Initially, the company started caustic soda plant with a capacity of 37,425 tonne in October 1976 at Vadodara with German technology. GACL was the only company in the country, which started

production of sodium cyanide 2000t plant in December 1982. It was also the first company to set up a demercurisation plant in 1982 and to reduce power consumption; the company introduced a new structure covered system called as membrane cell technology. The GACL also added salt washer project in 1989, electronic grade super dense soda ash project in 1991 and manufacturing of caustic potash through membrane cell process in 1993-94.

4.5.1 Progress of Gujarat Alkalies and Chemicals Limited

The phosphoric Acid plant was also promoted at Dahej during the year 1995 and a production of 4910 metric tonne was achieved in the very first year. GACL also started a 90 MW Captive Co-generation Power Plant based on combined cycle, using Natural gas / Naphtha as fuel.

The company as a part of strategic planning had joined as one of the promoters of Gujarat Chemical Port Terminal Company Ltd. (GCPTCL) with a share of 10 percent equity capital in the year 1995-96. The company had acquired a strong position in international market by maintaining a high standard quality and achieved a distinction of being awarded the certificate of ISO 9002 by Bureau of Indian Standards. GACL has also received the prestigious GREENTECH SAFETY AWARDS (Silver) for the year 2003-04 from Greentech Foundation, New Delhi.

4.5.1.1 The Major products of GACL with average production

❖	Caustic Soda Lye	196614 metric tonne
❖	Caustic Soda Flakes / prills	56444 metric tonne
❖	Hydraulic Acid 30%	159710 metric tonne
❖	Chloromethane	22317 metric tonne
❖	Phosphoric acid 85%	11059 metric tonne
❖	Hydrogen Peroxide 100% -	5966 metric tonne

4.5.1.2 Projects

The Company has also started the production of new product hydrogen peroxide from 1996-97 and aluminium chloride from the year 2000-2001 at its Vadodara Complex.

The new project was established by GACL in the year 1995 at Dahej, Dist. Bharuch and started its production in the year 1998-99. The above fact is reflected in the annual reports of the company and the date of production of about 9 chemical products during the period of six years from 1998-99 to 2003-04. It can be observed from the table that the production of caustic soda lye has shown a good performance by rise nearly three times from 1998-99 that is 52,675 metric tonne to 2003-04 that is 1,42,205 metric tonne except in the year 2001-02. In the same way the production of chlorine gas has shown an increasing trend from 1998-99 of 46670 metric tonne to 2003-04 of 1,25,994 metric tonne which shows the increase of production by more than two times.

4.5.1.3 Production

Table 4.4 covers the production of chemicals by GACL since 1991-92 to 2003-04 for a period of 13 years. After addition of some new chemical products every year, it is producing about 15 to 16 chemical products. It can be viewed from the table that the production trends of caustic soda lye, caustic flakes, chlorine gas, liquid chlorine, hydrochloric acid, hydrogen gas, cyanide salt and sodium hypochlorite have been continuously increasing upto the year 1996-97.

Looking to the table, the production of liquid chlorine has increased consistently upto 2002-03 but reduced slightly in the very next year 2003-04. The production of hydrochloric acid (100%) has also shown a down falling trend after 2000-01.

In the year 1998-99 production of Hydrogen gas (compressed) was 16872 metric tonne which is also continuously increases by more than 4 times in the year 2003-04 and sodium hydrochloride is also showing increasing trend by more than three times from 1998-99 to 2003-04 without any exception. These are being reflected in the annual reports of the company for which entries in the above table are not mentioned.

Overall observation of the production process consistently shows an upward rising trend including caustic soda flakes, caustic prills and phosphoric acid (85 %).

Table 4.4: Production of GACL**In MT**

Products	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Caustic soda lye	137900	141330	128115	145180	164940	165080	146900	194325	248385	263518	261474	277984	280850
Caustic soda flakes / prills	16060	20085	16000	23710	37100	48703	43520	59340	70970	81660	97858	103507	115270
Caustic soda prills	-	-	-	5	1614	372	-	5383	21541	27507	11745	9541	9927
Hydrochloric acid (30%)	-	-	-	131706	144465	157320	139650	212169	256488	264273	246429	256280	267457
Caustic Potash lye	-	-	-	2863	3700	5970	8215	10430	14175	14230	16500	16210	18475
Potassium carbonate	-	-	-	1128	2450	4265	8195	10580	14400	11825	11079	11547	14285
Caustic potash flakes	-	-	19	1201	-	-	-	-	-	1699	4450	4800	4525
Chloromethane	13900	21265	19355	22565	23665	23515	19620	21021	23490	25914	24605	25481	25734
Sodium cyanide	2005	1869	1872	1914	1780	2045	1526	1617	1060	2080	1277	2190	2340
Phosphoric acid (85%)	-	-	-	-	4910	9930	11050	16600	19630	18910	19120	20590	23030
Hydrogen Peroxide (100%)	-	-	-	-	-	1362	4085	8094	11567	11778	13621	13421	13631
Aluminium chloride	-	-	-	-	-	-	-	-	-	-	-	-	1739

(Source: Annual Reports)

During 1991-92 and 1995-96, the production of caustic soda has gone up by 20 percent in subsequent 5 years the rise is 50 percent whereas in the last 5 years of our study it is 103 percent. But there is a rise in the production of caustic soda for all these 13 years. In case of caustic soda flake again there is an increase in first five years at 131 percent, subsequently 91 percent and lastly during 1999-00 to 2003-04, it was 62 percent.

During the 13 years from 1991-92 to 2003-04 the production of caustic soda lye and caustic soda flakes has shown the increase of 103 percent and 615 percent respectively. GACL introduced the productions of caustic soda prills from the year 1994-95 and it is continued till 2003-04. The production of caustic soda prills stood at 9927 metric tonne for the year 2003-04. 30 percent hydro chloric acid production started in 1994-95 which has shown the increase of 100 percent till the year 2003-04. Caustic potash lye production begun in 1994-95, till 2003-04 it has reached to 18475 metric tonne from 2863 metric tonne for the year 1994-95, with

the remarkable increase of five times. But caustic potash flakes production was discontinued from the year 1995-96 till the year 1999-00.

Caustic soda prills was not produced till 1993-94 and was stopped even in 1997-98, and then onwards the inconsistency in the production can be observed like it stands 5383 metric tonne in 1998-99 and shoots up in 2001 for 27507 metric tonne. This is a surprise rise, but again it declines to 9927 metric tonne in the year 2003-04.

GACL commenced the production of the major product Hydraulic acid 30% from 1994-95. The rise between the year 1995-96 and 1999-00, stood at 77 percent, for the year 2003-04, it was at the peak at 267457 metric tonne.

The production of chloromethane has continuously increased from the year 1991-92 to 1995-96 uninterruptedly but then during 1995-96 it showed inconsistency in production but from 1999-00, again it showed a rising trend. GACL started the production of phosphoric acid in the year 1995-96 with 4910 metric tonne which stood at 19630 metric tonne in the year 1999-00 and lastly in the year 2003-04 it was 23030 metric tonne.

Overall production of GACL showed consistent rise, we can interpret that the demand for GACL products are high in the market and the productions could not meet the demand for supply.

4.5.2 Safety and Environment

The company's commitment to safety and preservation of environment has been enriched in its safety, health and environment policy by making a new record of, for Accident Free Days, both at Dahej and Baroda Complexes during the year 2003-04.

4.5.3 Social Responsibility

As a part of its role of fulfilling social responsibility towards a burning problem of society - "The water", the company has shared the cost with Government of Gujarat for construction of Check Dams, Boribundhs, Khettalavadies for rainwater storage. It has also contributed towards social obligation for promotion

of primary school education among girls in undeveloped areas of Gujarat in “Vidya Laxmi Scheme” of Government of Gujarat.

4.5.4 Board of GACL

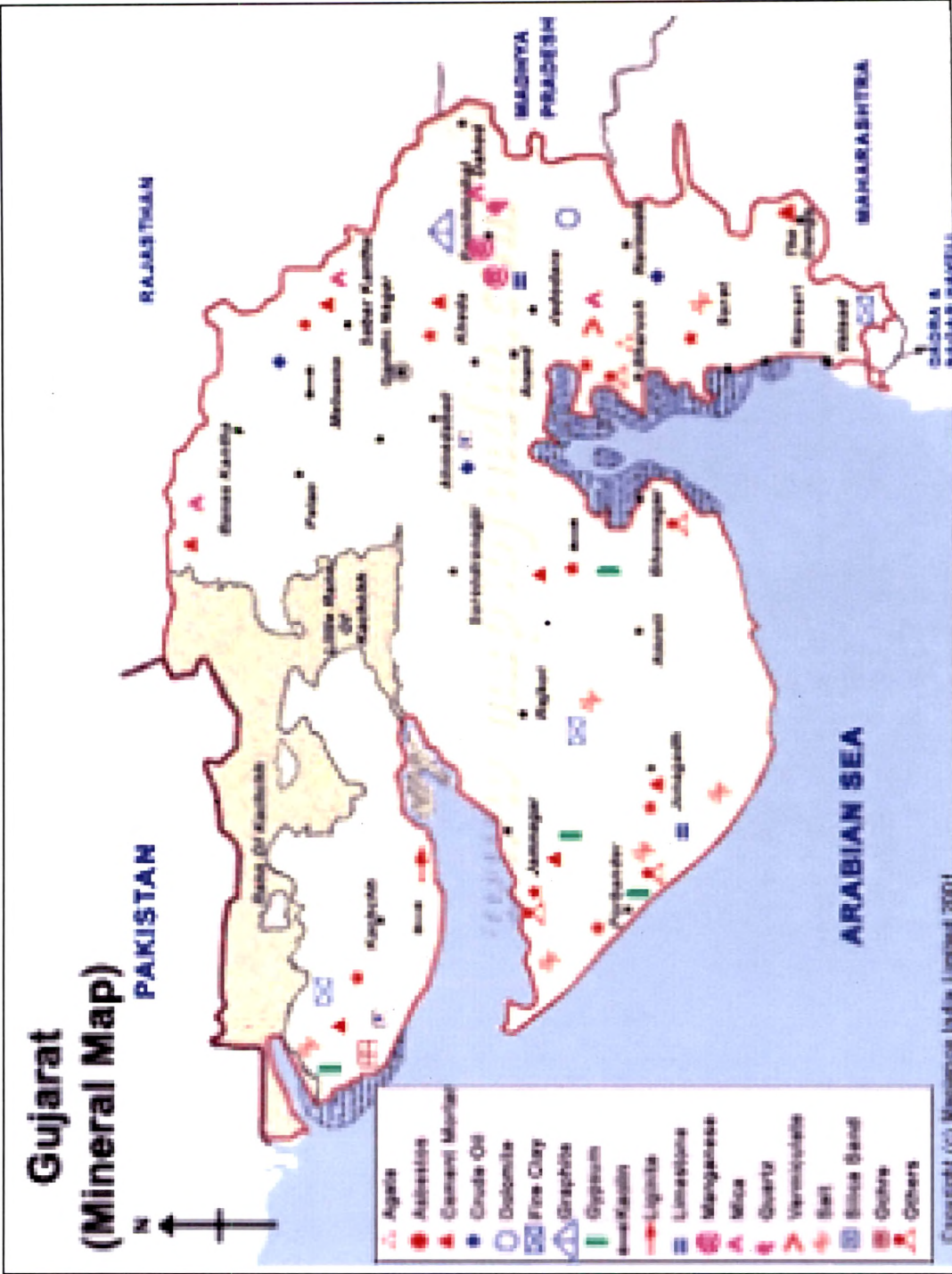
The Board of Directors of GACL consists of 12 members and carries out the administration of the company. The Government of Gujarat appoints a distinguished person or IAS officer as a Chairman and another five IAS officers as Directors including Director (Technical), Director (Marketing) and Managing Director. The Govt. also nominates three Directors from the non-governmental groups and nominates three Directors as representatives of IDBI, IFCI, LIC, UTI and ICICI.

4.5.5 Listing of GACL

The GACL for first time announced Rights Issue of Rs.86,78,591 equity shares in April 1995 and it was listed at Ahmedabad Stock Exchange, Bombay Stock Exchange, Kolkatta Stock Exchange, Delhi Stock Exchange, Vadodara Stock Exchange, and National Stock Exchange

4.6 GUJARAT MINERALS DEVELOPMENT CORPORATION LIMITED:

Government of Gujarat incorporated the Gujarat Minerals Development Corporation Limited (GMDC) in the year 1963 as a commercial enterprise. The main activity of the corporation was to extract minerals like coal, lignite, fluorspar, bauxite etc. Beside mineral production, the corporation had taken over “The Shri Ram Cement Company” to manufacture cement and installed Akrimota Power Station with the installed capacity of 125 MW to generate the electricity at Nani Chher village of Kutchh District on 31st October 1999 and commenced the generation of electricity from May 2003. GMDC has also taken mines on lease in Rajasthan State to produce granite and marbles. The Rajasthan Mineral Development Corporation Limited had sanctioned the mines on lease at nine areas of Rajasthan in 30 hectors of land for production of granite and marble in the year 1993-94.



4.6.1 Projects of Gujarat Mineral Development Corporation

The GMDC is operating following production units at different places of Gujarat State

- 1) Lignite Project, Panandhro (Kutchh)

- 2) Lignite Project, Rajparadi (Dist. Bharuch)
- 3) Lignite Project, Mata-no-Madh (Kutchh)
- 4) Tadkeshwar Lignite Project, Dist. Surat
- 5) Fluorspar Project, Kadipani (Baroda)
- 6) Bauxite Calcination Project, Gadhsisa

New projects and schemes of the Corporation

- 7) Gujarat Alumina & Bauxite Limited
- 8) Multi Metal Project, Ambaji (Dist. Banaskantha)
- 9) Power Project, Nani-Chher (Kutchh)
- 10) Lignite Project, Bhavnagar

Out of total 12 project sites of GMDC, 4 project sites are not utilized or under utilized as negligible productions are carried out.

More than half of the projects of GMDC show a trend of increase in production upto 1996-97, subsequently they are irregular or inconsistent in production.

The production of Bauxite Calcination at Gadhsisa project, Kutch surprisingly rises upto 1996-97 irregularly, suddenly declines in 1997-98 by 96 percent, in 1998-99 by 92 percent and again increases in 2003-04 by 99 percent compared to the production of 1997-98.

Production of Calcined Bauxite also shows a very irregular and non commercial trend of production by producing 20,082 metric tonne in 1991-92 and suddenly it stands at zero production in 1997-98.

The Lignite project mined ore, Panandhro unevenly increases upto 2002-03 by 39 percent and in the very next year it declines in 2003-04 by 62 percent.

The Bauxite mined ore project at Rajparadi shows a good trend of upward rising except in the year 1997-98, during the 10 years period of 1991-92 to 2000-01 it's shares rose in production approximately by 275 percent but again for 3 years upto

2003-04 it declines from 9,05,702 metric tonne to 3,16,487 metric tonne which is a benchmark reduction by 35 percent.

4.6.2 Production of Gujarat Mineral Development Corporation

Table 4.5 Production of Gujarat Mineral Development Corporation

In MT

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Fluorspar project Mine Ore, Kadipani	123768	151726	131983	173480	164958	106507	00	569	36596	40520	45422	53459	20090
Power and Filter cake	16523	16795	17754	20301	16250	15974	8585	00	122	3322	6950	4340	5586
Briquettes	6450	6862	7072	7216	6925	6005	2871	129	00	672	144	277	298
Bauxite Project Mined Ore -- Bhatiya	-	95433	101081	75363	53312	14669	12353	10303	9285	00	52396	26278	35302
Bauxite Calcination Gadhsisa project Mined ore (Kutchh)	111317	19135	17353	26163	31443	43266	4402	9235	47743	130970	274651	422720	510046
Calcined Bauxite	20082	2993	800	7494	12271	15113	00	1287	10434	33743	34258	23652	-
Multi-Metal Project Mined Ore, Ambaji			827	400	-	-	00	00	00	00	00	00	Nil
Bulk Concentrate			80	10	-	-	00	00	00	00	00	00	Nil
Granite, Zalor M ³	-	-	-	-	-	395	00	00	00	00	00	00	Nil
Lignite Project Mined Ore -- Panandhro	3100012	3035894	3527087	3579928	4451398	4761973	4481163	4505242	3833152	3656858	4341993	5003701	1901831
Rajpardi Mined Ore	330815	322583	336945	365871	493792	423526	462001	486691	513533	905702	506845	500216	316487
Mata no Madh Mined ore	-	-	-	-	-		00	00	00	00	00	00	21086

(Source: Annual Reports)

The production of Fluorspar project mine ore, during first five years of study, shows marginal increase of 33 percent and during the year 1997-98 and 1998-99 it is negligible. Once again in the year 1999-00 the production of fluorspar has significantly increased to 36596 metric tonne and for the year 2003-04 it was 20090 metric tonne but compare to year 1991-92 it shows overall decline of 83

percent. Power and filter cake production has reduced by 65 percent during the years of study and decline to 5586 metric tonne from 16523 metric tonne for the year 1991-92. There is another decline in the production of briquettes which shows 95 percent decline during 13 years of study. Similar is the case of bauxite project mine ore which reduced by 60 percent. Bauxite calcination is an exception to previous three products, it has increased 3.5 times during 13 years. Lignite project mine ore which is a major production of GMDC, also shows an overall decline of 38 percent in the 13 years. Rajparadi Mine Ore has also decline by 4 percent. All other productions are declining between the range of 4 to 9 percent.

Overall observation of the production table of GMDC reveals that there is no consistency and steadiness in the production of GMDC.

4.7 FINANCIAL PROFILE OF SELECTED STATE OWNED ENTERPRISES:

4.7.1 Gujarat Narmada Valley Fertilizer Company Limited

4.7.1.1 Sources of Funds

Table 4.6: Sources of funds of Gujarat Narmada Valley Fertilizer Company Limited

Rs. in crore

Year	Share capital	Reserves & Surplus	Secured Loans	Unsecured Loans
1982-83	88.92	8.06	318.58	3.85
1983-84	88.97	25.36	242.42	4.57
1984-85	88.98	45.06	240.77	4.55
1985-86	88.99	93.05	225.89	8.23
1986-87	88.99	95.71	248.89	26.96
1987-88	88.99	103.46	260.37	89.35
1988-89	88.99	101.19	307.87	103.24
1989-90	89.00	100.00	456.00	98.00
1990-91	89.00	117.00	504.00	115.00
1991-92	89.00	144.00	544.00	120.00
1992-93	89.00	151.00	572.00	82.00
1993-94	122.00	209.00	531.00	56.00
1994-95	146.00	443.00	544.00	57.00
1995-96	146.00	506.00	517.00	56.00
1996-97	146.00	535.00	586.00	72.00
1997-98	146.00	569.00	497.00	139.00
1998-99	146.00	611.00	538.00	137.00
1999-00	146.00	637.00	525.00	344.00
2000-01	146.00	698.00	558.00	287.00
2001-02	146.00	540.00	492.00	262.00

Year	Share capital	Reserves & Surplus	Secured Loans	Unsecured Loans
2002-03	146.00	584.00	452.00	262.00
Average	114.99	300.76	436.23	110.85
SD	28.41	246.38	130.59	99.05
% increase	64.19	7145.66	41.88	6705.19

(Source: Annual Reports)

GNFC had issued shares in the year 1993-94 and 1994-95. Presently the share capital of GNFC is Rs.146 crore. Company has Rs.584 crore of retained earnings in the year 2002-03; they were at the peak of Rs.698 crore during 21 years. During 2002-03, GNFC had its own funds of Rs.730 crore whereas borrowed funds amount to Rs.714 crore so 50 percent of sources are borrowed.

4.7.1.2 Application of funds

Table 4.7: Application of funds of Gujarat Narmada Valley Fertilizer Company Limited

Rs. in crore

Year	Gross fixed assets	Depre- ciation	Net fixed assets	Invest- ments	Current Assets	Current Liabilities	Net Current Assets
1982-83	404.15	43.65	360.5	0	84.42	25.59	58.83
1983-84	410.33	86.65	323.68	0	71.85	34.25	37.6
1984-85	427.99	129.74	298.25	0	133.8	52.69	81.11
1985-86	455.22	174.44	280.78	2.38	194.02	61.02	133.00
1986-87	508.2	220.73	287.47	2.38	263.1	92.4	170.7
1987-88	572.24	270.37	301.87	2.63	303.8	76.51	227.29
1988-89	675.94	281.88	394.06	2.63	291.61	88.22	203.39
1989-90	845.00	335.00	510.00	5.00	328.00	102.00	226.00
1990-91	956.00	375.00	581.00	6.00	351.00	115.00	236.00
1991-92	1016.00	445.00	571.00	7.00	442.00	125.00	317.00
1992-93	1069.00	522.00	547.00	17.00	443.00	117.00	326.00
1993-94	1120.00	561.00	559.00	16.00	441.00	100.00	341.00
1994-95	1242.00	592.00	650.00	168.00	489.00	126.00	363.00
1995-96	1349.00	634.00	715.00	203.00	453.00	145.00	299.00
1996-97	1374.00	681.00	693.00	234.00	574.00	169.00	405.00
1997-98	1466.00	729.00	737.00	235.00	674.00	301.00	373.00
1998-99	1561.00	785.00	776.00	232.00	733.00	313.00	420.00
1999-00	1726.00	846.00	880.00	230.00	832.00	296.00	536.00
2000-01	1865.00	910.00	955.00	227.00	851.00	347.00	504.00
2001-02	1970.00	985.00	985.00	250.00	806.00	394.00	412.00
2002-03	2102.00	1067.00	1034.00	216.00	840.00	441.00	399.00

Year	Gross fixed assets	Depre- ciation	Net fixed assets	Invest- ments	Current Assets	Current Liabilities	Net Current Assets
Average	1100.72	508.31	592.36	97.91	457.12	167.70	289.00
SD	546.43	307.12	243.24	110.95	252.99	125.43	141.11
% increase	420.10	2344.44	186.82	-	895.02	1623.33	578.23

(Source: Annual Reports)

Till 1993-94 GNFC was not concentrating on investing but suddenly 1994-95 onwards it has started investing the funds. During last ten years the investments have remained above Rs.200 crore. The working capital fluctuations are analysed by calculating standard deviation which is 141. Working capital management can be interpreted as poor. The fixed assets of GNFC have increased by 187 percent during these 21 years. Average deployment of funds of GNFC were 60 percent in fixed assets, 10 percent in investments and 30 percent in net working capital.

4.7.1.3 Operating Results

Table 4.8: Operating results of GNFC

Rs. in crore

Year	Sales & other income	Gross Profit	Interest (Net)	Depre- ciation	Profit Before Tax	Tax	Profit After Tax	Dividend & Tax thereon	Retained Earnings
1982-83	181.73	106.13	55.32	42.95	7.86	0.00	7.86	0.00	7.86
1983-84	191.94	103.69	32.53	43.07	28.09	0.00	28.09	9.79	18.30
1984-85	231.87	102.66	27.44	43.18	32.04	0.00	32.04	13.34	18.70
1985-86	317.07	135.69	26.97	44.71	64.01	0.00	64.01	16.01	48.00
1986-87	345.90	96.72	28.25	46.30	22.17	3.50	18.67	16.01	2.66
1987-88	285.53	220.42	42.47	49.68	28.27	4.50	23.77	16.01	7.76
1988-89	241.94	45.12	25.05	12.04	8.03	1.40	6.63	8.90	-2.27
1989-90	334.00	97.00	42.00	53.00	2.00	-4.00	6.00	7.00	-1.00
1990-91	390.00	109.00	42.00	41.00	26.00	0.00	26.00	9.00	17.00
1991-92	546.00	204.00	93.00	71.00	40.00	0.00	40.00	13.00	27.00
1992-93	606.00	196.00	94.00	82.00	20.00	0.00	20.00	13.00	7.00
1993-94	657.00	174.00	79.00	40.00	55.00	0.00	55.00	17.00	38.00
1994-95	706.00	188.00	65.00	31.00	92.00	0.00	92.00	27.00	65.00
1995-96	821.00	203.00	66.00	42.00	95.00	0.00	95.00	32.00	63.00
1996-97	1256.00	514.00	77.00	50.00	87.00	22.00	65.00	35.00	30.00
1997-98	1249.00	220.00	73.00	52.00	95.00	26.00	69.00	35.00	34.00
1998-99	1192.00	234.00	73.00	56.00	105.00	26.00	79.00	36.00	43.00
1999-00	1242.00	220.00	81.00	63.00	76.00	10.00	66.00	41.00	25.00
2000-01	1479.00	268.00	86.00	69.00	113.00	7.00	106.00	44.00	62.00
2001-02	1508.00	266.00	73.00	75.00	118.00	47.00	72.00	37.00	35.00

Year	Sales & other income	Gross Profit	Interest (Net)	Depreciation	Profit Before Tax	Tax	Profit After Tax	Dividend & Tax thereon	Retained Earnings
2002-03	1487.00	276.00	57.00	83.00	136.00	52.00	85.00	41.00	43.00
Average	727.09	189.50	59.00	51.90	59.55	9.30	50.34	22.24	28.05
SD	484.18	99.88	23.11	17.20	41.62	16.02	31.76	13.52	20.92
% increase	718.25	160.06	3.04	93.25	1630.28	-	981.42	-	447.07

(Source: Annual Reports)

As observed in sources of funds 50 percent of the sources of funds are borrowed which results in high financial charges. GNFC has paid interest of Rs.25 crore to Rs.94 crore in the year 1988-89 and 1992-93, lowest and highest respectively. The average interest paid during 21 years amounts to Rs.59 crore which is 31 percent of the average gross profit Rs.0.31 paisa of a One Rupee gross profit is eaten up by the financial charges.

4.7.1.4 Earning per share

Table 4.9: Earning per share etc. of GNFC

(Rs.)

Year	Earning per share (Rs.)	Book Value per Share (Rs.)	Dividend (%)	Profit / Turn-over (%)	Debt / Equity Ratio	PBDIT /Sales (%)	PBT / Sales (%)	PAT / Net Worth (%)	PBIT/ Capital Employed (%)
1982-83	0.59	10.90	0.00	4.35	3.29	58.75	4.35	8.10	15.06
1983-84	3.16	12.85	11.00	14.70	2.06	54.25	14.70	24.57	16.78
1984-85	3.60	15.06	15.00	13.90	1.68	44.54	13.90	23.90	15.68
1985-86	7.19	20.46	18.00	21.02	1.05	44.57	21.02	35.16	21.86
1986-87	2.10	20.76	18.00	5.42	1.00	28.10	5.42	10.11	10.95
1987-88	2.67	21.58	18.00	8.50	1.19	43.04	8.50	12.35	13.29
1988-89	0.99	21.23	10.00	2.78	1.25	18.90	2.78	3.49	5.5
1989-90	0.64	20.96	8.00	1.72	1.99	29.34	1.72	3.01	5.87
1990-91	2.88	22.85	10.00	6.68	2.21	28.38	6.68	12.48	8.27
1991-92	4.50	25.87	15.00	7.42	2.09	37.79	7.42	17.21	14.8
1992-93	2.30	26.48	15.00	3.51	2.32	33.65	3.51	8.53	12.83
1993-94	4.50	26.94	15.00	8.43	1.47	26.63	8.43	16.61	14.61
1994-95	6.28	39.57	20.00	13.11	0.66	26.82	13.11	15.61	13.19
1995-96	6.51	43.94	22.00	11.84	0.79	25.14	11.84	14.62	13.14
1996-97	4.43	46.03	22.00	5.3	0.6	17.52	5.3	9.51	12.28
1997-98	4.71	48.4	22.00	5.64	0.61	17.94	5.64	9.65	12.43
1998-99	5.38	51.42	22.00	6.79	0.52	20.18	6.79	10.39	12.39
1999-00	4.51	53.08	25.00	5.45	0.51	18.1	5.45	8.45	9.46
2000-01	7.21	60.37	27.00	7.42	0.6	18.87	7.42	11.89	11.51

Year	Earning per share (Rs.)	Book Value per Share (Rs.)	Dividend (%)	Profit / Turn-over (%)	Debt / Equity Ratio	PBDIT /Sales (%)	PBT / Sales (%)	PAT / Net Worth (%)	PBIT/ Capital Employed (%)
Average	3.90	30.99	16.47	8.10	1.36	31.18	8.10	13.45	12.63
SD	2.08	15.19	6.63	4.83	0.79	12.68	4.83	7.73	3.78
% increase	1122.03	453.85	-	70.57	-81.76	-67.88	70.57	46.79	-23.57

(Source: Annual Reports)

EPS for the year 200-01 is at the peak at Rs.7.21, the average EPS is observed at Rs.3.90, the average book value of the share is Rs.31 and dividend is declared and paid at the average of 16.47 percent.

4.7.2 Gujarat State Fertilizer and Chemicals Limited

4.7.2.1 Sources of funds

Table 4.10: Sources of Funds of Gujarat State Fertilizer & Chemicals Limited

Rs. in crore

Years	Share capital	Reserves & Surplus	Loans	Deferred Tax (Liability) (Net)	Funds employed
1982	16.00	94.00	33.00	NA	143.00
1983	16.00	113.00	34.00	NA	163.00
1984	21.00	118.00	45.00	NA	184.00
1985	21.00	132.00	35.00	NA	188.00
1986	21.00	149.00	117.00	NA	287.00
1987	27.00	170.00	167.00	NA	364.00
1988-89 (15 months)	27.00	209.00	309.00	NA	545.00
1989-90	45.00	336.00	248.00	NA	629.00
1990-91	60.00	381.00	474.00	NA	915.00
1991-92	60.00	433.00	787.00	NA	1280.00
1992-93	60.00	474.00	1008.00	NA	1542.00
1993-94	66.00	613.00	1068.00	NA	1747.00
1994-95	66.00	706.00	1058.00	NA	1830.00
1995-96	66.00	885.00	1241.00	NA	2192.00
1996-97	78.00	1141.00	1371.00	NA	2590.00
1997-98	80.00	1286.00	1276.00	NA	2642.00
1998-99	113.00	1378.00	1383.00	NA	2874.00
1999-00	113.00	1394.00	1507.00	NA	3014.00
2000-01	113.00	1177.00	1519.00	NA	2809.00

Years	Share capital	Reserves & Surplus	Loans	Deferred Tax (Liability) (Net)	Funds employed
2001-02	80.00	828.00	1473.00	272.00	2653.00
2002-03	80.00	437.00	1470.00	272.00	2259.00
2003-04	80.00	671.00	1391.00	138.00	2280.00
Average	59.50	596.59	818.82	227.33	1505.91
SD	31.84	444.81	592.75	77.36	1056.83
% increase	400.00	613.83	4115.15		1494.41

(Source: Annual Reports)

GSFC has issued the shares five times from 1982 to 2003-04 that is in 1984, 1987, 1989-90, 1990-91 and 2002-03. Currently the share capital of GSFC is Rs.80 crore whereas its reserves and surpluses are more than 8 times of its share capital that is Rs.671 crore, the reserves were at the peak of Rs.1286 crore in the year 1997-98. GSFC has Rs.1391 crore of borrowed funds against Rs.750 crore of own funds which are nearly half of the borrowed funds, obviously it will attract the higher expenditure on financial charges but there is possibility of trading on equity so that tax liability can be reduced.

4.7.2.2 Application of funds

Table 4.11: Application of funds of Gujarat State Fertilizer & Chemicals Limited

Rs. in crore

Years	Gross fixed assets	Depreciation	Net fixed assets	Investments	Current Assets (Net)	Net Assets Employed	Debt / Equity Ratio
1982	163	94	69	23	51	143	0.30:1
1983	165	102	63	23	77	163	0.26:1
1984	188	112	76	23	85	184	0.32:1
1985	201	122	79	23	86	188	0.23:1
1986	260	130	130	23	134	287	0.68:1
1987	315	148	167	24	173	364	0.84:1
1988-89 (15 months)	393	173	220	29	296	545	1.31:1
1989-90	501	196	305	29	295	629	0.65:1
1990-91	870	240	630	32	253	915	1.08:1
1991-92	1221	291	930	59	291	1280	1.60:1
1992-93	1391	348	1043	66	433	1542	1.89:1
1993-94	1561	399	1162	100	485	1747	1.57:1
1994-95	1711	423	1288	100	442	1830	1.37:1

Years	Gross fixed assets	Depre-ciation	Net fixed assets	Invest-ments	Current Assets (Net)	Net Assets Employed	Debt / Equity Ratio
1995-96	2016	481	1535	106	525	2192	1.31:1
1996-97	2406	540	1866	129	569	2590	1.10:1
1997-98	2643	612	2031	140	456	2642	0.93:1
1998-99	2845.00	693.00	2152.00	147.00	571.00	2874.00	0.93:1
1999-00	2902.00	781.00	2121.00	136.00	756.00	3014.00	1:1
2000-01	3023.00	911.00	2112.00	138.00	549.00	2809.00	1.18:1
2001-02	3029.00	1023.00	2006.00	134.00	505.00	2653.00	1.92:1
2002-03	3060.00	1162.00	1898.00	127.00	226.00	2259.00	3.37:1
2003-04	3031.00	1305.00	1726.00	121.00	428.00	2280.00	2.04:1
Average	1540.68	467.55	1073.14	78.73	349.36	1505.91	1.25:1
SD	1159.75	369.27	827.76	50.12	197.94	1056.83	
% increase	1759.51	1288.30	2401.45	426.09	739.22	1494.41	

(Source: Annual Reports)

GSFC has deployed 71 percent of total fund, only five percent of the total funds are invested. The average investment amounts to Rs.58.73 crore whereas working capital deployment is 24 percent of the total funds, the average net working capital amounts to Rs.349.36 crore.

4.7.2.3 Operating Results

Table 4.12: Operating Results of Gujarat State Fertilizer & Chemicals Limited

Rs. in crore

Years	Gross Income	Gross Profit	Depre-ciation	Profit Before Tax	Tax	Profit After Tax	Dividend	Retained Earnings
1982	183.00	25.00	7.00	18.00	0.00	18.00	4.00	14.00
1983	208.00	31.00	7.00	24.00	0.00	24.00	4.00	20.00
1984	240.00	36.00	9.00	27.00	13.00	14.00	5.00	9.00
1985	339.00	57.00	10.00	47.00	25.00	22.00	6.00	16.00
1986	373.00	39.00	10.00	29.00	6.00	23.00	6.00	17.00
1987	401.00	60.00	18.00	42.00	7.00	35.00	8.00	27.00
1988-89 (15 months)	702.00	84.00	26.00	58.00	9.00	49.00	10.00	39.00
1989-90	691.00	86.00	24.00	62.00	11.00	51.00	11.00	40.00
1990-91	768.00	113.00	44.00	69.00	4.00	65.00	18.00	47.00
1991-92	1032.00	137.00	51.00	86.00	14.00	72.00	20.00	52.00
1992-93	1088.00	119.00	58.00	61.00	0.00	81.00	20.00	41.00
1993-94	1202.00	94.00	54.00	40.00	0.00	40.00	22.00	18.00
1994-95	1672.00	172.00	58.00	114.00	0.00	114.00	22.00	92.00
1995-96	1851.00	271.00	65.00	206.00	0.00	206.00	27.00	179.00

Years	Gross Income	Gross Profit	Depreciation	Profit Before Tax	Tax	Profit After Tax	Dividend	Retained Earnings
1996-97	1942.00	282.00	65.00	217.00	31.00	186.00	31.00	152.00
1997-98	2068.00	261.00	73.00	189.00	19.00	170.00	36.00	130.00
1998-99	2091.00	232.00	85.00	147.00	15.00	132.00	36.00	92.00
1999-00	2151.00	111.00	88.00	23.00	3.00	20.00	4.00	16.00
2000-01	2213.00	138.00	132.00	230.00	0.00	230.00	0.00	230.00
2001-02	2002.00	49.00	137.00	-88.00	-21.00	-67.00	0.00	-48.00
2002-03	1887.00	-86.00	142.00	-228.00	0.00	-228.00	0.00	-391.00
2003-04	2182.00	187.00	145.00	42.00	-132.00	174.00	0.00	174.00
Average	1240.27	113.55	59.45	64.32	0.18	65.05	13.18	43.91
SD	770.19	91.87	46.03	101.16	31.41	99.82	11.91	118.96
% increase	1092.35	648.00	1971.43	133.33	-	866.67	-100.00	1142.86

(Source: Annual Reports)

The gross income of GSFC has increased from Rs.183 crore in the year 1982 to Rs.2182 crore for the year 2003-04, the increase is 1092 percent during 22 years. The average gross profit of 22 years amounts to Rs.114 crore with the standard deviation of Rs.91.87 crore, here the percentage increase in gross profit from 1982 to 2004 (March) is 648 percent. Average profit before tax is 64 percent with standard deviation of 101 percent. There are two years 2001-02 and 2002-03 when the company has observed heavy losses amounting to Rs.88 crore and Rs.228 crore respectively. The average dividend of 22 years is Rs.13.18 crore.

4.7.2.4 Earning per share

Table 4.13: Earning per share and Dividend of Gujarat State Fertilizer & Chemicals Limited

Rupees

Years	Earning per share	Dividend (%)	Market Price - High	Market Price - Low
1982	11	2.4	54	36
1983	15	2.4	59	42
1984	7	2.4	67	50
1985	11	2.7	91	53
1986	11	2.7	189	93
1987	13	3	184	74
1988-89 (15 months)	18	3.75	174	74
1989-90	12	3	200	134
1990-91	11	3	275	155
1991-92	12	3.3	530	180

Years	Earning per share	Dividend (%)	Market Price - High	Market Price - Low
1992-93	10	3.3	575	223
1993-94	6	3.3	313	190
1994-95	17	3.3	276	153
1995-96	31	4	180	105
1996-97	27	4.5	170	70
1997-98	21	4.5	141	60
1998-99	17.00	4.50	128.00	32.00
1999-00	2.00	0.00	66.00	32.00
2000-01	1.00	0.00	41.00	19.00
2001-02	-6.00	0.00	27.00	8.00
2002-03	-49.00	0.00	41.00	13.00
2003-04	22.00	0.00	74.00	14.00
Average	10.00	2.55	175.23	82.27
SD	15.60	1.55	147.41	63.64
% increase	100.00	-100.00	37.04	-61.11

(Source: Annual Reports)

2001-02 and the year 2002-03 are exceptional years for negative earning per share of Rs.6 and Rs.49 respectively. In the remaining 20 years out of 22, EPS has remained positive, the average EPS of 22 years is Rs.10 per share with the standard deviation of 15.60. The average dividend declared by GSFC for 22 years is 2.55 percent.

4.7.3 Gujarat State Financial Corporation

4.7.3.1 Disbursement, Recovery and Outstanding Loans

Table 4.14: Disbursement, Recovery and Loans Outstanding of Gujarat State Financial Corporation

Rs. in crore

Years	Disbursement	Recovery	Loan Outstanding	
			No. of Units	Rs.
1983-84	38.32	35.75	12330	181.43
1984-85	41.25	36.72	12084	205.3
1985-86	45.49	42.77	12491	222.58
1886-87	60.66	49.87	13137	263.52
1887-88	70.35	59.22	13524	304.38
1888-89	80.84	70.89	13682	349.69
1989-90	106.56	85.05	13797	414.84
1990-91	132.38	98.75	14539	500.91
1991-92	155.21	116.85	15437	603.09
1992-93	180.57	144.46	16168	720.18

Years	Disbursement	Recovery	Loan Outstanding	
			No. of Units	Rs.
1993-94	206.08	208.77	16375	828.25
1994-95	175.51	250.65	16577	879.4
1995-96	262.00	277.5	16418	982.37
1996-97	318.82	342.4	15569	1003.45
1997-98	314.27	420.12	13662	1002.72
1998-99	301.34	445.47	12350	1089.01
1999-00	328.32	475.86	12420	1019.09
2000-01	219.45	316.82	11848	1012.27
2001-02	90.41	208.59	10952	980.31
2002-03	22.12	161.82	7897	891.03
2003-04	3.14	130.72	7897	891.03

(Source: Annual Reports)

GSFC (Finance) loan disbursement is growing at a faster rate from 1983-84 till 1999-00. Then onwards it has dropped to Rs.3.14 crore for the year 2003-04 from Rs.328.32 crore in year 1999-00. There is a sharp decline in disbursement from 2000 onwards; GSFC (Finance) has almost stopped functioning except the function of recovery of the loans. Loans are recovered consistently from 1983-84 at Rs.36 crore to the year 1999-00 to the tune of Rs.476 crore. As it is observed, with sharp decline in the disbursement of the loans, there is decline in recovery of the loans. Only Rs.131 crore could be recovered by GSFC in the year 2003-04. Nearly outstanding loans were disbursed to more than 10000 units every year till 2001-02. Then onwards, as disbursement has stopped only recoveries were on, there were 7897 units against whom outstanding loans were Rs.891 crore. The only drawback observed is recovery of the outstanding loans. If the figures of disbursement and recovery are compared, the recoveries are less than the disbursement till the year 1999-00.

4.7.3.2 Working Results

Table 4.15: Working results of Gujarat State Financial Corporation
Rs. in crore

Years	Interest Earned	Other Income	Interest expended on Bond, Deposits and Other Borrowings	Financial Expenses and Commitment charges	Personnel Expenses	Other Expenses	Spread (Interest Earned – Interest Expended)	Depreciation	Profit (Loss) Before Tax
1983-84	179	0.64	11.73	1.2	1.44	3.64	6.17	0.05	0.48
1984-85	18.16	0.74	13.92	0.66	1.81	1.91	4.24	0.05	0.55

Years	Interest Earned	Other Income	Interest expended on Bond, Deposits and Other Borrowings	Financial Expenses and Commitment charges	Personnel Expenses	Other Expenses	Spread (Interest Earned – Interest Expended)	Depreciation	Profit (Loss) Before Tax
1985-86	20.65	1.05	16.16	0.56	1.89	2.35	4.49	0.06	0.68
1886-87	23.66	1.04	18.04	0.66	2.36	2.38	5.62	0.05	1.21
1887-88	28.67	1.53	22.3	0.67	2.91	1.91	6.37	0.15	2.26
1888-89	33.83	1.64	25.96	0.69	2.99	2.37	7.87	0.17	3.29
1989-90	42.83	1.75	30.65	0.95	3.57	8.69	12.18	0.15	0.55
1990-91	50.47	2.26	36.63	1.13	4.08	10.03	13.84	0.13	0.73
1991-92	62.44	4.56	46.22	1.76	4.76	12.16	16.22	0.13	1.97
1992-93	78.38	6.88	60.74	2.74	5.53	13.83	17.64	0.14	2.27
1993-94	108.06	7.86	77.13	2.86	6.39	25.23	30.93	0.26	4.06
1994-95	121.38	8.76	90.43	2.6	7.1	11.97	30.95	0.37	17.67
1995-96	121.2	8.95	101.43	3.5	7.2	16.39	19.77	0.8	21.2
1996-97	171.24	18.47	120.86	2.81	8.26	12.46	50.38	3.31	41.99
1997-98	165.42	32.9	140.59	2.96	10.82	12.29	24.83	5.7	25.97
1998-99	189.89	44.34	177.92	2.36	21.65	12.03	11.97	4.09	16.2
1999-00	170.75	28.6	143.00	1.98	24.83	10.73	27.75	3.31	15.5
2000-01	96.51	11.95	145.65	2.05	24.71	10.24	-49.14	2.82	-100.8
2001-02	92.73	7.41	149.65	2.45	21.69	4.32	-56.92	1.95	-126.85
2002-03	36.11	3.59	146.66	10.06	22.92	25.33	-110.55	1.6	-201.6
2003-04	41.05	7.88	120.82	11.2	21.13	2.91	-79.77	1.15	-158.47
Average	80.54	9.66	80.79	2.66	9.91	9.67	-0.25	1.26	-28.98
SD	57.32	11.88	56.46	2.81	8.72	6.98	39.83	1.65	65.92
% increase	129.33	1131.25	930.01	833.33	1367.36	-20.05	-1392.87	2200.00	-33114.58

(Source: Annual Reports)

Till 1998-99 the interest earned shows increasing trend. Interest earned in 1983-84 was Rs.17.9 crore, which increased by more than 1000 percent till 1998-99. Subsequently, it is sharply falling resulting in overall increase during 20 years at 129 percent. The other income of GSFC has no trend after 1996-97. It is fluctuating, and the overall increase during 20 years is again more than 1000 percent. From 1983-84 to 2003-04 the interest expenditure average amounts to Rs.80 crore with standard deviation of 56. If interest earned at an average of 20 years is compared with the interest expenditure at an average of 20 years, the resultants spread is negative at 0.25. Any financial institutions earn profit from this spread, if the spread itself is negative there is no scope of earning profit by the financial institutions. From the year 2000-01 the spread is negative upto 2003-04 and was at peak of Rs.110 crore in the year 2002-03. As a consequence profit after tax from the year 2000-01 is negative till 2003-04.

4.7.3.3 Capital and Resources

Table 4.16: Capital and Resources of Gujarat State Financial Corporation

Rs. in crore

Years	Paid up capital	Reser- ves	Borro- wings	Market Bonds	Govt. Loan	SIDBI Loan	Re- finance	Fixed Deposits	Line of Credit from Banks	Priority Sector Bonds	Total
1983-84	10.00	9.13	177.96	72.87	10.04	6.82	88.12	0.1	NA	NA	375.04
1984-85	10.00	10.75	196.7	82.5	12.04	8.32	94.04	0.1	NA	NA	414.45
1985-86	10.00	8.51	217.91	94.57	13.96	10.32	98.96	0.1	NA	NA	454.33
1886-87	17.30	9.01	242	109.43	13.23	9.47	109.77	0.1	NA	NA	510.31
1887-88	29.80	10.61	242.74	126.75	11.78	8.22	125.89	0.1	NA	NA	555.89
1888-89	40.80	12.18	310.41	147.1	11.64	16.37	135.2	0.1	NA	NA	673.80
1989-90	46.80	12.54	368.65	172.4	11.24	20.36	164.55	0.1	NA	NA	796.64
1990-91	51.80	12.97	447.11	205.95	10.89	25.34	204.93	0	NA	NA	958.99
1991-92	57.30	12.97	545.91	243.45	10.89	25.34	266.23	0	NA	NA	1162.09
1992-93	65.90	14.24	637.41	282.78	10.89	23.31	320.43	0	NA	NA	1354.96
1993-94	71.6	16.55	724.65	315.18	8.49	20.23	380.75	0	NA	NA	1537.45
1994-95	71.6	29.22	794.68	347.58	8.42	15.97	397.59	0	25.00	0	1690.06
1995-96	71.6	40.62	878.71	369.25	8.23	11.73	446.86	0.12	42.51	0	1869.63
1996-97	74.82	63.8	1094.9	288.6	8.15	26.25	419.42	0.13	132.25	120.00	2228.32
1997-98	93.53	100.27	1106.03	407.9	8.1	0	435.84	0.13	85.06	169.00	2405.86
1998-99	93.92	98.12	1083.16	386.73	7.93	0	440.35	0.13	79.02	169.00	2358.36
1999-00	93.93	100.89	1131.35	373.28	8.87	0	495.58	0.13	71.49	182.00	2457.52
2000-01	94.01	91.05	1184.29	368.32	8.82	0	515.41	0.13	70.32	218.73	2551.08
2001-02	94.01	91.05	1215.23	382.41	8.82	0	542.8	0.13	63.08	214.73	2612.26
2002-03	89.11	85.89	1203.01	380.59	8.82	0	558.28	0.13	42.63	208.93	2577.39
2003-04	89.11	85.89	1200.49	348.19	48.82	0	557.66	0.13	40.13	182.07	2552.49
Average	60.81	45.39	714.44	262.18	11.91	10.86	323.75	0.09	59.23	133.13	1621.79
SD	30.77	38.44	401.53	118.66	8.65	9.76	173.96	0.05	35.04	89.68	

(Source: Annual reports)

Any financial institution has major source of fund from deposits, any banking company accept the deposits which from nearly 60 percent of its total resources. The deposits accepted are given as a loan to the borrower, but in case of GSFC, Government of Gujarat assigns a specific task to it. It is observed that the fixed deposits accepted by GSFC are negligible throughout 20 years span from 1983–84 to 2003-04. The average fixed deposits are observed at Rs.9 lakh out of total resources averaging at Rs.16220 crore for 20 years. It seems there is no faith, trust of the public so that GSFC can get the deposits. In other words GSFC has failed to market the product of fixed deposits in public, therefore GSFC has to rely on borrowings, bonds and government sources. The above table reflects that

the share capital and the reserves or owned funds contributes to its total resources on an average 5 percent, which is also negligible. GSFC has failed to raise owned funds as well as fixed deposits. Throughout 20 years GSFC's over dependence on the government is eye catching and is the only reason of the failure of GSFC.

4.7.4 Gujarat Alkalies and Chemicals Limited

4.7.4.1 Sources of Funds

Table 4.17: Sources of Funds of Gujarat Alkalies and Chemicals Limited

Rs. in crore

Years	Share capital	Reserves & Surplus	Loans (Net)	Total Funds Employed
1983-84	595	1250	2909	4754
1984-85	893	1146	2856	4895
1985-86	893	1295	3832	6020
1886-87	893	2478	4311	7682
1887-88	1072	2259	4043	8812
1888-89	1791	3096	4849	9736
1989-90	1791	3385	8367	13543
1990-91	1791	4408	9369	15568
1991-92	1791	5535	9885	17211
1992-93	1791	7636	12651	22078
1993-94	2871	18996	17641	39508
1994-95	2883	21370	24660	48913
1995-96	3750	35389	36378	75517
1996-97	3750	39032	63795	107495
1997-98	3750	39144	91267	134161
1998-99	3750	37389	99938	141077
1999-00	4591	36689	95370	136650
2000-01	4591	32194	99486	136271
2001-02	4591	28154	102794	135539
2002-03	4591	27288	88782	126926
2003-04	7344	33671	77078	126191
Average	2845.86	18181.14	40964.81	62787.95
SD	1745.06	15460.81	40790.55	57225.99
% increase	7244	33571	76978	126091

(Source: Annual Reports)

GACL has share capital of Rs.595 crore which has increased by more than 1000 percent upto 2003-04 amounting to Rs.7344 crore. During the period of 20 years company has issued the shares six times. The reserves and surpluses are

fluctuating between Rs.1146 crore to Rs.39144 crore with the average of 18181 crore for 20 years as and when required the reserves were utilized by the company. The loan borrowed by the GACL is very high in the year 2001-02 amounting to Rs.102794 crore. The average loan borrowed during 20 years amounts to Rs.40965 crore, the loan borrowed has increased during 20 years by 2500 percent. The average of total funds employed in 20 years amounts to Rs.62787 crore, the highest funds employed were in the year 1988-89 amounting to Rs. 141077 crore. Out of total sources of funds contribution of own funds nearly amounts to 33 percent on an average during these 20 years. The remaining 67 percent are borrowed funds which ultimately attract the financial charges resulting in adverse effect on the profit.

4.7.4.2 Application of Funds

Table 4.18: Application of funds of Gujarat Alkalies and Chemicals Limited

Rs. in crore

Years	Gross fixed assets	Depre- ciation	Net fixed assets	Invest- ments	Current Assets (Net)	Misc. Exp. To be written off	Total funds applied	Debt- Equity Ratio
1983-84	5262	1515	3747	0	NA	1007	4754	1.58:1
1984-85	6146	2035	4111	3	NA	781	4895	1.40:1
1985-86	7678	2484	5194	3	NA	823	6020	1.75:1
1886-87	8470	1721	6749	7	NA	926	9403	1.28:1
1887-88	9281	2471	6810	16	NA	1986	8812	1.21:1
1888-89	12382	3219	9163	50	NA	523	9736	0.99:1
1989-90	14763	3682	11081	24	NA	2438	13543	1.62:1
1990-91	17084	5190	11894	391	NA	3283	15568	1.51:1
1991-92	21475	7008	14467	740	NA	2004	17211	1.35:1
1992-93	26318	9272	17046	901	NA	4131	22078	1.34:1
1993-94	42486	8975	33511	1618	3513	866	39508	
1994-95	52734	11090	41644	1744	5492	33	48913	
1995-96	76484	13663	62821	2592	7928	39	75517	
1996-97	113697	16607	97090	4612	3620	36	107495	
1997-98	136635	20074	116561	6137	5654	3672	134161	
1998-99	148947	26180	122767	6076	7073	3024	141077	
1999-00	148969	33471	115498	6052	9611	3352	136650	
2000-01	148909	40619	108290	6016	17333	2495	136271	
2001-02	159247	49703	109544	5988	18193	1814	135539	
2002-03	161219	58034	103185	5849	15410	2482	126926	
2003-04	161951	65788	96163	5846	1325	2857	106191	
Average	70482.71	18228.62	52254.10	2603.10	8650.18	1836.76	61917.52	
SD	64783.17	19900.57	47700.55	2688.01	5834.27	1280.40	56194.99	
% increase	2977.75	4242.44	2466.4	5%	14%	183.71	2133.72	

(Source: Annual Reports)

During 20 years the net fixed assets of GACL went up nearly by 2500 percent. The average net fixed assets for 20 years amounted to Rs.52254 crore which are nearly 84 percent of total application of fund. Company was not interested in investment till the year 1990 but then gradually it has started investing the money. In the year 2003-04, the investment amounted to Rs.5846 crore. On an average, it amounts to 4 percent of the total funds employed. The net working capital has increased from Rs.3513 crore in the year 1993-94 to Rs.15410 crore in the year 2002-03, then the net current assets have sharply reduced to Rs.1325 crore for the year 2003-04.

4.7.4.3 Operating Results

Table 4.19: Operating Results of Gujarat Alkalies and Chemicals Limited

Rs. in crore

Years	Gross Income	Gross Profit	Interest	Depreciation	Profit After Tax	Dividend & Tax thereon	Retained Earnings
1983-84	3695	776	144	265	367	149	218
1984-85	4612	1152	334	540	278	223	55
1985-86	5582	1235	365	453	417	232	185
1886-87	6938	1404	635	377	392	232	160
1887-88	8497	1778	722	753	255	279	-24
1888-89	10279	2087	518	888	573	466	107
1989-90	11354	2823	792	1130	755	466	289
1990-91	15380	4030	997	1522	1511	502	1009
1991-92	19327	4831	1226	1820	1620	502	1118
1992-93	23576	6776	1460	2280	2606	502	2104
1993-94	21873	5050	1196	1443	2411	769	1642
1994-95	28878	7436	1932	2125	3129	865	2264
1995-96	41690	13462	2377	2605	8105	1257	6848
1996-97	44019	11786	2945	1975	5096	1444	3652
1997-98	36623	6667	3070	3472	125	0	125
1998-99	57642	13066	8518	6109	-1561	0	-1561
1999-00	79039	12818	12613	7424	-7219	0	-7219
2000-01	99196	18262	14236	7336	-3310	0	-3310
2001-02	93252	16319	12418	7865	-4078	0	-4078
2002-03	103220	22702	9315	7910	2804	0	2804
2003-04	107457	24586	7913	7782	6315	480	5693
Average	39149.00	8526.00	3986.95	3146.38	980.52	398.48	575.29
SD	36081.59	7348.21	4688.89	2888.36	3392.42	409.17	3085.69
% increase	2808.17	3068.30	5395.14	2836.60	1620.71	222.15	2511.47

(Source: Annual reports)

The income of GACL during 20 years is consistently increasing upto 1994-95. There is a sharp increase in the gross income. As compared to 1983-84 with the year 2003-04 the gross income has increased by 280 percent with the 20 years

average at Rs.39149 crore. Gross profit of GACL has rising trend throughout 20 years with the exception of the year 1997-98 where it amounts to Rs.6667 crore, the average gross profit for 20 years is observed Rs.8526 crore. As seen in the sources of funds, the borrowed funds of GACL are 67 percent. Heavy interest is paid by the company on borrowed funds. If we take the case of the year 2001-02, 76 percent of gross profit is spent on financial charges only. The average interest paid for 20 years is nearly 20 percent of the average gross profit. The average depreciation amounts to Rs.3146 crore, so total of interest and depreciation do not leave any profit for the company.

4.7.5 Gujarat Mineral Development Corporation

4.7.5.1 Balance Sheet

Table 4.20: Balance Sheet of Gujarat Mineral Development Corporation
Rs. in lakh

Years	Share Capital	Reserves and Surplus	Gross Fixed Assets	Net Fixed Assets	Current Assets	Current Liabilities	Capital Employed	Net Worth
1982-83	318 00	642.57	1172 38	721 57	509 41	309 28	877 77	207.89
1983-84	318.00	997 14	1216.82	658 86	836 77	402.05	1012.55	522.12
1984-85	318.00	1288.85	1495 33	829 36	1465.72	747.52	1384 06	772 39
1985-86	318.00	1590.46	1735.91	655.93	2200.86	1244.22	1835.88	1002.27
1886-87	318 00	2199 78	2420.41	1502.78	2506.99	1156 03	2676.00	1594.78
1887-88	318.00	2214 37	5986.87	3799 29	4236.46	1787 52	6184.67	1577.71
1888-89	318.00	2322 28	9594.53	6642.32	4881.10	1652.03	9802.43	1642.90
1989-90	318.00	2618.46	10410.73	5792 67	6687 17	2276 57	9412 07	1861.26
1990-91	318 00	5151.91	10751.79	4746.39	9212.27	2947 66	10287.12	4282.66
1991-92	636.00	7343.47	11699.99	4600 32	11019.22	2643 35	9421.74	6599.50
1992-93	636 00	10152 95	12298.95	4256 58	16417.46	3244.65	10602.22	6214.34
1993-94	1272.00	12685 37	15100 94	6100 87	17033 23	3191 30	10471.40	12372.66
1994-95	1272.00	19683.47	25494 73	15107.58	17821.86	3920.69	18861 48	18997.70
1995-96	1272 00	23186.03	2700 37	14280.55	23945.11	4962 63	18468.41	22744 77
1996-97	3180 00	27339.17	33167 93	17205.38	29934.58	3328 99	22921 51	28086 08
1997-98	3180 00	34335.42	33333 42	33665.05	43435.04	3978 04	26285 78	35207 46
1998-99	3180 00	4120 56	33709 47	10792.17	58396 63	3532 42	32949.60	41990 31
1999-00	3180.00	43225 36	35223 74	10473.35	63489.88	4956 74	37812.11	45300.51
2000-01	3180 00	47537.99	35008 23	8046 77	60957 07	3945 18	44134 76	49569.60
2001-02	3180.00	51730 30	36335 47	8459 20	34480 09	12184 29	63635.94	53550.24
2002-03	3180.00	58607 00	36937 07	7825.87	43164 17	21906 55	105201.00	60558 49
Average	1438 57	17093 95	16942.62	7912.52	21553 86	4015.13	21154.21	18793.13
SD	1301 93	19161.49	14159 21	7635 29	21205.33	4798 55	25248 34	20692 94
% increase	900.00	9020.72	3050.61	984 56	8373 37	6983 08	11885 03	29030.06

(Source: Annual Reports)

During 20 years of 1982-83 till 2002-03, GMDC has issued shares three times in 1991-92, 1993-94 and 1996-97, its present share capital is Rs.3180 lakh. GMDC carried heavy reserves to its credit, the average of which for 20 years amounts to Rs.170.94 crore which is nearly 5 times of its present capital but for the year 2002-03 the total reserves are ten times of share capital. The increase in reserves and surpluses during 20 years appears 9000 percent. Net average to fixed assets amounts to Rs.7912 lakh for 20 years whereas average current assets are Rs.21553 lakh. The average capital employed for 20 years amounts to Rs.21154 lakh.

4.7.5.2 Profit and Loss Account

Table 4.21: Profit and Loss Account of Gujarat Mineral Development Corporation

Rs. in lakh

Years	Total Sales	Profit Before Tax	Interest	Depreciation	Provision for tax	Profit After Tax	Dividend in %	Dividend in Rupees
1982-83	1249.8	223.34	44.24	72.5	0	223.34	12	38.16
1983-84	1693.11	496.71	28.08	92.34	29	467.71	16	50.88
1984-85	2240.31	792.29	22.47	102.93	450	342.29	16	50.88
1985-86	2759.8	879.79	49.55	102.16	527	352.79	16	50.88
1986-87	3482.34	1272.98	109	142.45	606.42	342.29	18	57.24
1987-88	4177.37	103.62	280	1271.67	25.43	78.19	20	63.6
1988-89	4369.05	221.82	712.39	763.26	43.84	177.98	22	69.96
1989-90	5895.36	532.89	988.75	1652.77	166.85	366.03	22	69.96
1990-91	8206.29	1892.04	821.05	1408.11	322.17	1569.87	30	95.4
1991-92	10585.79	5406.49	871.72	1133.36	2706.13	2700.36	30	190.8
1992-93	11724.94	6471.74	762.2	1009.43	3471.46	3000.27	30	190.8
1993-94	13633.26	6925.03	479.2	974.32	2971.36	3953.67	20	254.4
1994-95	15775.31	7848.09	254.18	1650.2	595.59	7252.5	20	254.4
1995-96	21202.34	8507.99	319.58	2414.32	4602.5	3905.48	30	381.6
1996-97	21535.75	12538.26	672.77	3320.55	5523.13	7020.76	30	954
1997-98	23914.24	13995.35	63.23	6383.53	5425	8570.35	45	1431
1998-99	23140.22	14139.15	22.21	3240.67	5705.15	8434	50	1590
1999-00	18892.05	7180.1	81.14	2860.39	3423.45	3774.71	40	1272
2000-01	27789.94	10879.88	91.54	2776.2	4891.92	5874.69	45	1431
2001-02	25856.58	10978.86	164.19	2116.62	4360.58	6618.46	40	1272
2002-03	29275.01	13052.92	113.93	1262.56	4561.87	8491.05	45	1431
Average	13209.47	5920.92	331.02	1654.78	2400.42	3500.80	28.43	533.33
SD	9652.11	5186.14	331.92	1508.49	2210.00	3195.38	11.63	601.14
% increase	2242.38	5744.42	157.53	1641.46		3701.85	275.00	3650.00

(Source: Annual Reports)

The total sales of GMDC is sharply rising during 20 years by 2242 percent from 1982-83 to 2002-03, the average sales for 20 years is Rs.12399 lakh. It has borrowed less funds therefore the average interest paid during 20 years amounts to Rs.3.31 crore. The highest interest was paid by the company in the year 1989-90 amounting to Rs. 989 lakh. As net fixed assets of the company are more the depreciation provided is observed to be comparatively high, the average depreciation provided for 20 years amounts to Rs.1654 lakh which is nearly 20 percent of the profit before tax.

4.8 STATE OWNED ENTERPRISES AND EMPLOYMENT:

The expansion of SOEs led to considerable increase in employment. The workers employed in public sector constitute only 7 percent of the total workers in the country. It is significant to note that state owned enterprises are very large players in the organized sector. In 1980, state owned enterprises accounted for 68.5 percent and private sector for 31.5 percent employment as per Economic Survey of 1981. The figures indicate continuously rising share of SOE employment in organized segment. Total number of workers employed in SOEs in 1971 was 111 lakh but by March 1991 the number grew to 190 lakh which reduced to 186 lakh by March 2003. Following table shows the employment in state owned enterprises in India. It is divided in four types by ownership. In Central Government owned enterprises the employment has increased upto 1992 and then onwards it is falling.

Table 4.22: Employment as on 31st March in all India State Owned Enterprises (Persons in Lakh)

SOEs	1981	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Central Govt	31.95	33.81	33.95	33.97	34.10	34.28	33.83	33.92	33.95	33.66	32.95	32.53	33.13
State Govt.	56.76	67.81	68.29	69.79	71.12	71.90	72.93	73.37	73.55	74.14	74.85	74.58	74.58
Quasi Govt	45.76	59.48	59.99	61.73	62.22	63.93	64.90	65.14	65.20	64.58	65.35	64.61	63.85
Local Bodies	20.37	22.11	22.24	22.23	23.13	21.98	21.60	22.02	21.97	21.92	22.44	22.46	22.59

(Source: Public Enterprise Survey, 1999-2000)

State Government owned enterprises employment shows rising trend during 1981 to 1999 whereas in quasi government owned enterprises employment has increased upto 1995 and then it has marginally reduced. In employment in local bodies, marginal fluctuation is observed.

Following is the table showing number of employees during ten years of study with selected state owned enterprises.

Table 4.23: Employment in selected SOEs during 1994-95 to 2003-04

Selected SOEs	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
GNFC	2521	2529	2513	2519	2517	2511	2505	2499	2441	2419
GSFC (Ferti)	839	972	1131	1271	1310	1327	1335	1334	1326	1321
GACL	4445	4415	4416	4329	4218	4094	3913	3545	3447	3278
GMDC	3428	3239	3163	3171	3245	3182	2912	2781	2746	2751

(Source: Annual Reports)

The overall picture of employment in state owned enterprises of Gujarat shows a downward trend. In GNFC, the number of employees for the year 1994-95 it was 2521 which marginally reduced to 2419 in the year 2003-04. The only exception in selected SOEs is Gujarat State Fertilizers and Chemicals Ltd. had 839 employees in the year 1994-95 which has increased to 1321 for the year 2003-04. GACL has retrenched nearly 1200 employees during these ten years. GMDC has also reduced number of employees from 3428 to 2751 in the years 1994-95 and 2003-04 respectively.

4.8.1 Sales per Employee of Selected State Owned Enterprises

The effect of reduction in number of employees on the revenue is worth noting. Following table reflects sales per employee of selected state owned enterprises during ten years of study.

Table 4.24: Sales per employee of selected State Owned Enterprises

Selected SOEs	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
GNFC	27.82	31.84	48.67	48.57	46.08	48.33	56.78	59.13	59.99	64.19
GSFC (Ferti)	187.41	187.16	167.38	157.30	152.77	154.75	160.17	152.57	145.95	168.01
GACL	6.36	9.03	9.82	8.18	12.72	18.88	25.02	25.59	29.08	32.69
GMDC	4.60	6.55	6.81	7.54	7.13	5.94	7.48	9.08	10.66	9.92

(Source: Annual Reports)

The obvious belief is that reduction in number of employees should reduce the sale per employee but that has not come true. In all selected SOEs the sales per employee is increasing even after reduction in number of employees. As it is observed from GSFC, the increase in numbers of employees does not positively increase the sales per employee. There is 57 percent increase in number of employees during the ten years for GSFC. Conversely the sales per employee have reduced by 10 percent. So there is a negative effect of rise in employment.

Increase in number of employees brings decrease in sales per employee with an exception in selected state owned enterprises.

4.8.2 Production per Employee of Selected State Owned Enterprises

In the above table of sales per employee is a turnover per employee in money value which is depending upon the selling price. So any rise or fall in sales per employee depends upon the selling price. The effect of increase or decrease in number of employees is studied here by comparing number of employees with the production. For this purpose, the production of all types of product of one state owned enterprises is clubbed and that total production in metric tonne is compared with the number of employees. Following table presents the production in metric tonne per employee

Table:4.25: Production per employee of Selected State Owned Enterprises

Selected SOEs	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
GNFC	718.67	745.66	730.24	690.55	755.43	567.39	295.35	712.34	858.32	815.68
GSFC (Ferti)	1754.11	1630.57	1402.23	1107.64	1056.62	1131.49	1043.09	1087.85	931.57	1048.94
GACL	74.30	87.12	94.78	88.42	127.92	166.51	184.87	199.76	215.13	237.12
GMDC	1241.61	1614.80	1703.27	1567.76	1544.98	1398.76	1638.66	1892.36	2197.61	1021.71

(Source: Annual Reports)

The figures of production per employee regarding GMDC are highly fluctuating ranging between 1021 metric tonne and 2197 metric tonne. It can be interpreted that there is no effect of change in number of employees. Reduction in number of employees by 700 has not affected the production per employee. In case of GNFC and GACL reduction in the number of employees has brought increase in production per employee, it means that total production may remain unchanged but production per employee is rising. Gujarat State Fertilizer and Chemicals Limited is once again an exceptional case where 57 percent increase in number of employees has brought 40 percent reduction in production per employee.