

FOREIGN INVESTMENT

Total foreign investment in the sample companies amounted to Rs 26 crores in 1964. This comprised paid-in cash subscription of Rs 7 crores towards share capital, bonus and non-cash share capital of Rs 14 crores, unsecured loans of Rs 2 crores from overseas principals, and reserves of Rs 13 crores (Table 9).

Comparability over a period of time is vitiated by differences in coverage but it does appear that over the period 1958 to 1964, retained profits have become more significant, especially in companies with foreign control or participation. Correspondingly, dependence upon share capital and loans has been reduced. At the same time, the proportion of fixed to total assets has risen consistently. Over the entire period, net worth exceeded the amount of net fixed assets, except in wholly Indian owned profitmaking companies in 1964.

SOURCES AND USES OF FUNDS

Comparable balance sheet data are available for 31 companies in 1958 and 1964 (Table 13). Over this six-year period, these companies raised 45 per cent of their gross total funds from internal sources (32 per cent from reserves, 13 per cent from depreciation). As mentioned earlier, ploughback has been significant in this sample, more so, however, in foreign associated than in Indian controlled companies. Even then, external sources provided the major part of total funds. Share capital (as in other industries) was of relatively minor importance and even that included some non-cash subscription (other than bonus shares). Loans were of considerable importance, especially in Indian controlled companies. The foreign associated companies raised Rs 266 lakhs from banks as between the two years; in addition, they secured Rs 76 lakhs from associate companies abroad. These two sources were for them substantially less important than current liabilities (excess tax provision and trade creditors, etc).

Surprisingly, only about one-half of gross total funds were used for fixed investment (two-thirds in foreign majority and less than two-fifths in wholly foreign owned). Working capital absorbed the balance, indicating either that they turned over their fixed capital with unusual speed or that their operations were more in the nature of trade than manufacture.

Almost the whole of this expansion was in 17 manufacturing companies (Table 14). Their data correspond closely to those for all companies, and the analysis above applies equally to them.

INCOME AND EXPENDITURE

Excluding those wholly Indian owned companies which had accumulated losses, there are 47 companies for which income and expenditure data are available for 1964. Their profit before tax amounted to nearly 20 per cent of value of production, but varied from 23 per cent in wholly foreign owned companies, 20 per cent in foreign majority, 14 per cent in Indian majority to 8 per cent in wholly Indian owned companies (Table 11).

The data on cost structure are not fully comparable, mainly because the classification of items is not uniform. Materials absorb the bulk, 43 per cent of value of production, labour 13 per cent, general administration and selling expenses (neither of which is satisfactorily or uniformly classified) another 13 per cent. Royalty takes 1 per cent (half as much more in wholly foreign owned companies). Managerial remuneration takes a larger fraction of income in wholly Indian owned companies as compared with the nominal fraction in foreign associated companies.

Gross value added in 1964 was 38 per cent of value of production and net value added was about 35 per cent. The share of labour in net value added was 37 per cent, while that of capital, as measured by profit before tax, interest, managerial remuneration and royalties, was 63 per cent. These overall proportions conceal fairly wide disparities between various categories (Table 12).

Out of the profit before tax, more than one-half (56 per cent) was taken away by taxation in 1964 against a significantly smaller proportion (40 per cent) in 1962, for which year, however, the data are not fully comparable. Strangely enough, Indian controlled companies paid tax in 1964 at a much higher rate than foreign controlled companies. This appears to have resulted largely from disparity in eligibility for tax concessions on fresh investment. For all 47 companies, development rebate (the only major concession which can be quantified) was 7 per cent of profits before tax in 1964 but it was 16