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OF THE CENTRAL GOVERNMENT

VOLUME 1



GOVERNMENT OF INDIA
MINISTRY OF INDUSTRY
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II. PERFORMANCE OF CONSTRUCTION GROUP OF ENTERPRISES

Construction industry is one of the oldest industries known to man right from the time of his search for shelter against the vagaries of nature. Besides meeting one of the basic needs of the human race viz. a place to live and a place to work, construction industry is one of the biggest generators of employment per unit of investment. In pre-independence period, construction activity in India was confined to a few major towns and it was mostly in the hands of a few individuals and contractors.

2. After independence, massive programmes of industrialisation were undertaken which gave boost to the construction activities in India. The large scale industrialisation which has been one of the major objectives of our Five Year Plans, has thrown up major problems of construction not merely in the field of industrial Plants and technological structures but also in various other sophisticated fields like power houses, dams, factory buildings etc. Many of the public enterprises are also constructing full-fledged townships for their employees to meet one of their social objectives. All these have given rise to a constantly increasing construction workload in our country.

3. The Government have set up a number of construction companies in the Public Sector to cater to this increasing construction workload. The names together with the year of incorporation of these companies are given in the following table :—

Name of enterprises	Year of incorporation
1. Hindustan Prefab Ltd.	1955
2. National Projects Constn. Corpn. Ltd.	1957
3. National Buildings Constn. Corpn. Ltd.	1960
4. Hindustan Steel works Constn. Ltd.	1964
5. Mineral Exploration Corpn. Ltd.	1972
6. Indian Railway Constn. Co. Ltd.	1976
7. Indian Road Constn. Corpn. Ltd.	1976

The last decade has also seen a large scale spurt in building activities in the Middle East. With a view to earning valuable foreign exchange, and increasing their profitability in general, some of the public sector construction companies have also taken up major projects abroad in places like Kuwait, Iran, Iraq, Saudi Arabia, Libya, Malaysia etc. With their entry into the field of international construction, these companies have developed considerable expertise in project exports.

4. Government set up various construction companies in the public sector mainly with a view to :—

- (i) developing the necessary capability and capacity to undertake large and complex projects of national importance;
- (ii) developing expertise in specialised fields of construction;
- (iii) undertaking works in remote areas where private contractors are reluctant to go;
- (iv) undertaking works of classified nature; and
- (v) generally becoming pace setters in all matters relating to construction including quality, economy, efficiency and speed.

5. The construction enterprises in Public Sector have by their performance over the last several years, showed that, by and large, they have succeeded in achieving the foregoing objectives. Notwithstanding the fact that there are certain areas where the functions overlap, the fields of specialisation of each company have been broadly demarcated as described in the following paragraphs.

6. HINDUSTAN PREFAB LTD.

Hindustan Prefab Ltd. mainly deals in the areas of manufacture, supply and erection of pre-fabricated concrete structures, cellular concrete products, prestressed concrete and reinforced cement concrete products, timber products, P. C. Railway Sleepers etc.

Actual production for the last 3 years in respect of this enterprise is given below :—

	(Rs in lakhs)		
	1982-83	1983-84	1984-85
1. P. C. Products	203	182	211
2. Wood Works Products	78	82	112
3. RCC & Vayutan Products	16	16	8
4. Railway Sleeper	53	131	170
5. Site Works	—	7	248
TOTAL	350	418	749

The main clients of the company in the field of reinforced concrete and pre-stressed concrete are various State Electricity Boards for whom concrete poles are supplied and the Railways for whom concrete sleepers are manufactured and supplied. The company has not been able to achieve full capacity utilisation because of lack of orders and also due to inadequate financial resources with the State Electricity Boards.

7. HINDUSTAN STEELWORKS CONSTRUCTION LTD.

Hindustan Steelworks Construction Ltd., was originally set up to serve as a captive construction company for carrying out civil construction, structural fabrication, plant and equipment erection etc., relating to integrated steel and metallurgical plants. But they have subsequently diversified into areas like construction of bridges, dams, civil works for Thermal and Nuclear power plants etc.

The position about the works is as follows :—

In Bokaro Steel Plant Blast Furnace No. V, Soaking Pit, Battery No. 9 and 10 of HRM and coke oven Battery No. 7 have been commissioned. The works for re-heating furnace No. 3 and 2nd Mixer of SMS-II have been completed. The following works were still in progress :—

- (i) Cold Rolling Mill, Captive Power Plant, Additional Coal Yard and Benzol Rectification Plant at Bokaro.
- (ii) Blast Furnace No. 7, Second Sintering Plant, Coke Oven Battery No. 9 including Coal Preparation Plant, Mixer No. II, Converter No. 3 and Shear Line II and balance part III of Plate Mill of Bhilai Steel Plant.
- (iii) Ash Handling Plant, Captive Power Plant, running repairs of Coke Oven Battery Nos.

3A and 5A, rebuilding of Coke Oven Battery No. 4 and some works under modernisation scheme of Durgapur Steel Plant.

- (iv) Civil works of Captive Power Plant and running repairs/rebuilding works of Coke Oven Batteries in Rourkela Steel Plant.

In power sector the works for NTPC at Singrauli, Vindhyaachal, Rihand, Korba, Farakka and Ramagundam were in progress. For U. P. State Electricity Board the works at Tanda, Unchahar and Anpara and for Bihar State Electric Power Corpn., the works at Valmikinagar and Mondal were in progress.

The other works in hand are Supa Dam, Rajgarh Dam, Icha Dam, Cement Plant at Tandur, Coal Handling Plant at Gevra, Ore Handling Plant at Bailadilla, Second Hooghly Bridge and part of Metro Railway Project at Calcutta. Certain works like construction of School Buildings, Teachers Quarters and Main Training Centre were being executed in Libya. Also construction of School Buildings, Stores, Warehouse Complex and block of Flats on behalf of M/s. Project & Equipment Corporation of India Ltd. were also being executed in Libya. The projects in Libya suffered a set-back due to financial crisis and adverse industrial relation situation developed there.

8. INDIAN RAILWAY CONSTRUCTION CO. LIMITED

The Company is mainly concerned with Planning, Designing and execution of Railway & Allied Projects. The workload of the Company which stood at Rs. 579 crores at the end of March 1984 increased to Rs. 783 crores by March, 1985. The Company earned a net foreign exchange of Rs. 24.91 crores during the year 1984-85. During the year 1984-85 the following projects have been secured :—

Sl. No.	Name of Work	Client	Cost (Rs. in crores)
1.	Track laying for MGR system for Super Thermal Power Station at Rihand	NTPC	25.00
2.	Construction of MGR Rail system for Super Thermal Power Station at Vindhyaachal	NTPC	3.64
3.	Construction of Railway Siding for National Fertilizers, Vijaipur project in Western Railway	NFL	3.31
4.	Civil works for rail track facilities for Terminal Ballistic Research Laboratory, Chandigarh	Min. of Defence, Govt. of India	0.97
5.	Electrification of KRIBHCO siding at Hazira in Western Railway	Western Railway	0.91
6.	Construction of extension to Kalwa Turbhe railway line upto Sanapada	CIDCO	4.00
7.	Electrification of Nagour-Wardha-Balharshah Section	Railways	7.13
8.	Track work for transformer movement in four switch yard stations for Ramagundam Project	NTPC	0
			45.76

During the year Indian Railway Construction Company was recipient of three prestigious awards as detailed below :—

1. In January 1985 the Company was awarded 1985 IMM-Good Year Marketing Man of the Year Gold Award by the Institution of Marketing Management. This Award has been received for the 3rd year in succession.
2. In February 1985 the Company was awarded Corporate Performance Award 1984 for the best Public Sector Undertaking for the year 1984 by the Economic Times & Harvard Business School Association of India.
3. In March 1985 Managing Director of IRCON was awarded as the best Industrial Manager of the year by the Institution of Industrial Managers, India.

In addition to the above three awards this Company has also been suggested by the Engineering Exports Promotion Council for the top exporters shield in the category of Civil Engineering Contractors for the year 1982-83 & 1983-84.

9. INDIAN ROAD CONSTRUCTION CORPORATION LIMITED

Indian Road Construction Corporation Ltd., has been set up for the construction of roads, bridges, embankments, airfields, flood protection work and connected facilities.

The turnover of the company during the year 1984-85 was approximately Rs. 65.07 crores.

The position about the contracts in hand of the Company as on 31-3-1985 was as follows :—

Name of country where the works being executed	No. of contracts	Value of contracts (Rs. in crores)
1. Libya	5	324
2. Iraq	1	13
3. Yeman Arab Republic	1	13
4. India	2	2
TOTAL	9	352

This enterprise suffered a (Provisional) loss of Rs. 6.88 crores during the year 1984-85 against a net profit of Rs. 1.84 crores earned during the previous year.

10. NATIONAL BUILDINGS CONSTRUCTION CORPORATION LTD.

National Buildings Construction Corporation Ltd., was set up for the construction of townships, public utilities and industrial buildings including roads, bridges, airfields, public health and marine works.

The year 1984-85 witnessed an all time high turnover of Rs. 116.63 crores as against Rs. 111.36 crores

during the year 1983-84. The Company earned a net profit of Rs. 5.45 crores in 1984-85 against net profit of Rs. 1.51 crores during the previous year.

Against the target of Rs. 60 crores set for the year 1984-85 the company procured orders for the new works worth Rs. 76.90 crores during the year in the home market. It was only in the overseas market that business could not be developed as targeted because of unabated recession in the Middle East, Gulf and North African Countries and continued hostilities between Iraq and Iran. The Company secured a work-order of construction of 774 houses GR II in Dhamar (YAR) valued at about Rs. 13.55 crores.

11. NATIONAL PROJECTS CONSTRUCTION CORPORATION LIMITED

National Projects Construction Corporation Ltd. was set up for undertaking construction work including fabrication of structures, erection and installation of equipment etc., relating to dams, tunnels, barrages, bridges, irrigation projects, hydro-electric projects and thermal power projects.

The turnover of the company increased from Rs. 96.21 crores in 1983-84 to Rs. 125.55 crores in 1984-85. The order book position of the company, which stood at Rs. 274.51 crores on 1-4-1984, stands at Rs. 321.40 crores at the end of the year 1984-85.

During the year 1984-85 the enterprise secured quite a few prestigious works of the value of Rs. 112 crores. The Corporation has been allowed to diversify its activities in the area of Heavy Power Equipment Repairs. For this purpose the construction work of the workshop at Nagpur has already been taken in hand.

Presently the work at 54 construction sites is in progress as detailed below :—

Sl. No.	Field of work	No. of projects
1.	Thermal Power Projects	16
2.	Hydro Electric Power Projects	12
3.	Irrigation & River Valley Projects	8
4.	Industrial Projects & Steel Structural Works	10
5.	Bridges & Flyovers	2
6.	Buildings Godowns & Misc. Works	6
	TOTAL	54

The enterprise earned a net profit of Rs. 4.32 crores during the year after providing for interest of Rs. 4.34 crores against the net profit of Rs. 1.39 crores earned during the previous year.

12. MINERAL EXPLORATION CORPORATION LIMITED

This company deals in the activities of planning and organising programmes for the exploration of mineral resources including drilling and conduct of geological, geo-chemical and geo-physical surveys for exploration of minerals and undertaking contract job

During the last two years the value of work done was as shown below :—

	(Rs. in crores)	
	1984-85	1983-84
1. On behalf of Govt. of India (Promotional)	10.02	7.09
2. Contractual	16.16	13.19
3. Laboratory	0.46	0.34
4. Workshop and others	0.26	0.19
	26.90	20.81

The enterprise earned a net profit of Rs. 2.56 crores after providing for Interest of Rs. 1.34 crores during the year 1984-85 against the net profit of Rs. 5.83 crores earned during the previous year.

13. FINANCIAL OVERVIEW

(a) Investments

The investment in the seven enterprises had increased substantially during the last five years in keeping with the expansion in the volume of their activities. At the end of March, 1985 the total investment by way of equity and long-term loans was Rs. 370.49 crores compared to Rs. 124.38 crores at the end of March, 1981—an increase of about 3 times in five years. The following table shows the investment in these enterprises as it existed at the end of each year during the last 5 years :—

INVESTMENT GROWTH

Year	(Rs. in crores)			
	Paid-up Capital	Loans	Total Investment	Annual growth rate %
1980-81	52.68	71.70	124.38	31.2
1981-82	66.13	134.88	201.01	61.6

PROFITABILITY PROFILE

	(Rs. in crores)				
	1984-85	1983-84	1982-83	1981-82	1980-81
1. Gross Margin	127.65	105.31	65.56	33.46	(—)5.79
2. Depreciation and D.R.E.	50.78	51.93	43.94	22.66	19.42
3. Gross Profit (1—2)	76.87	53.38	21.62	10.80	(—)25.21
4. Interest	52.28	43.32	24.79	20.05	12.11
5. Pre-tax Profit/Loss	24.59	10.06	(—)3.17	(—)9.25	(—)37.32
6. Tax Provision	4.85	4.10	2.22	1.27	0.30
7. Net Profit/Loss	19.74	5.96	(—)5.39	(—)10.52	(—)37.62
8. Capital Employed	437.67	368.90	276.73	219.17	107.96
9. %age of Gross Margin to Capital Employed	29.2	28.5	23.7	15.3	Loss
10. %age of Gross Profit to Capital Employed	17.6	14.5	7.8	4.9	Loss
11. %age of Net Profit to Capital Employed	4.5	1.6	Loss	Loss	Loss

	1	2	3	4	5
1982-83		79.08	165.01	244.09	21.4
1983-84		84.44	181.40	265.84	8.9
1984-85		87.84	282.65	370.49	39.4

(b) TURNOVER

In line with the increase in investments in these enterprises, the volume of sales has also more than doubled during the span of last five years. The turnover had increased from Rs. 286.12 crores in 1980-81 to Rs. 709.09 crores in 1984-85. The following table depicts the growth rate in the volume of turnover during the last 5 years together with the ratio of turnover to capital employed :—

GROWTH RATE OF TURNOVER AND ITS RATIO TO CAPITAL EMPLOYED

Year	(Rs. in crores)			
	Capital employed	Turnover	Annual growth rate (%)	Percentage of turnover to capital employed
1980-81	106.97	286.12	24.7	267.5
1981-82	219.17	351.82	23.0	160.5
1982-83	276.73	506.36	43.9	183.0
1983-84	368.90	643.15	27.0	174.3
1984-85	437.67	709.08	10.3	162.0

The performance of these enterprises, viewed from profitability angle, has improved recently as would be seen from the following table :—

It would be seen that after incurring continuously losses for several years upto 1982-83 this group of enterprises collectively earned a net profit of

Rs. 5.96 crores in 1983-84 and Rs. 19.74 crores during the year 1984-85 as shown in the following table :—

NET PROFIT/LOSS OF INDIVIDUAL ENTERPRISES

(Rs. in crores)

Name of enterprise	1984-85	1983-84	1982-83	1981-82	1980-81
1. Hindustan Prefab Ltd.	(-)0.95	(-)1.43	(-)0.62	0.04	0.03
2. Hindustan Steelworks Constn. Ltd.	(-)2.94	(-)15.93	(-)11.30	(-)11.90	(-)33.41
3. Indian Railway Constn. Company Ltd.	18.18	12.75	8.16	2.25	0.25
4. Indian Road Constn. Corpn. Ltd.	(-)6.88	1.84	0.24	1.22	0.19
5. Mineral Exploration Corpn. Ltd.	2.56	5.83	(-)3.98	(-)2.68	(-)2.34
6. National Buildings Constn. Corpn. Ltd.	5.45	1.51	1.30	0.31	(-)2.39
7. National Projects Constn. Corpn. Ltd.	4.32	1.39	0.81	0.24	0.05
Net Profit/Loss	19.74	5.96	(-)5.39	(-)10.52	(-)37.62

Construction is a social instrument to change the environment to meet the needs and requirements of civilization at a given point of time. Construction is a method discovered by man to harness nature to overcome physical hazards; to create facilities to fulfill the human requirements for safety, comfort and aesthetic and to improve the quality of his life. Construction transforms man's dreams into reality. Construction creates a new society and builds a new civilization that is in consonance with the values of the modern world.

Features

Construction is a unique industry which differs from the manufacturing. Some of its distinctive features may be mentioned here for a proper understanding of its nature.

Large construction enterprises have no premises; the plant and machinery are not fixed and they are shifted from

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