Savings and Financial Flows in the Corporate Sector, 1959-63

by

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INTRODUCTION

In common with most developing countries, the statistical information about savings in Pakistan is weak and incomplete. Some studies were made in the recent past [1(a), pp.1-50; 1(b), pp.163-208] but these relate to specific sectors of the economy, or they are based on one statistical source and may, therefore, be inconsistent with data from other sources.

The only comprehensive estimate is produced annually by the Planning Commission as a corollary of its work on national accounts and investment expenditures. Recent evaluation reports [2(a), pp.5-9; 2(b), pp.21-25] have contained estimates of national gross savings calculated as the difference between the investment expenditures on one side, and external financing on the other. As the investment estimates are derived from data on key inputs [2(a), pp.173-181; 2(b), pp.137-144]—machinery, transport equipment, steel and cement—combined with a more detailed estimate for one year used as the benchmark, there probably is a significant standard error of estimate here. With regard to external finance, the balance of payments data used are probably more accurate than the investment figures, but are also inadequate, notably with regard to foreign private investment and technical assistance.

When gross savings are calculated as the residual of two rather unreliable statistical magnitudes, it will be clear that the reliability of the savings estimate is even smaller than any of the two sets of basic data. The best that can be said is that the estimate will be around the actual level of savings if the average of some years is taken, and that large changes in the level of savings over time will probably be reflected properly.

The estimate of savings should properly be based on careful sectoral estimates, using all available information. Attempts to make such detailed estimates are now being made for the public sector, the corporate and non-corporate

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sectors of the economy and for households. The present study is part of these efforts and is designed to be a first step towards a measurement of corporate savings.

This study has sought to analyse the balance-sheets and income accounts of all public limited companies quoted on the Karachi Stock Exchange except financial institutions, such as banking, insurance, and investment companies. The behaviour of the financial companies will be analysed separately in another study. Also at a later stage, a comparative study of a sample of the balance-sheets and income account of the private limited companies will be undertaken. In the meantime the analysis of the public limited companies based on their published balance-sheets and profit-and-loss accounts is taken as a representative sample of the corporate sector. While the number of companies in the sample is small compared to total number of limited companies in the country, the average size of the companies in the sample is relatively large. In respect of the paid-up capital and volume of profits, therefore, the sample represents a large proportion of the universe[1].

Though the primary object of the study is to estimate corporate savings, the analysis of the balance-sheet and profit-and-loss accounts has yielded information on several interesting aspects of corporate behaviour. The study was, therefore, extended to cover the trends in the profitability of various industries and the disposal of profits among claims of taxation, depreciation, dividends, and retained earnings. Some analysis is also presented of the growth of corporate sector within the industrial sector as well as various individual industries.

In December 1963, 109 industrial and commercial companies were quoted on the Karachi Stock Exchange. All these companies, except 5 companies which have been rejected on grounds of insufficient data, have been included in the study. Since all the big companies are listed on the Stock Exchange, the study covers a large part of the saving-generating sector of the economy. The study makes no distinction between companies on the basis of majority ownership of shares and/or control of management so that all the semi-government companies like PIDC projects; corporations like Karachi Road Transport Corporation and Pakistan International Airlines Corporation; and foreign-owned or controlled Pakistani firms like Attock Oil Company, Burmah Oil Company have been included.

The study covers the period from 1959—1963 which marks a period of rapid development of the corporate sector. The number of industrial and commercial

[1] *See* the discussion on growth of corporate sector in the next section for a further reference to the size of this sample.

companies listed on the Stock Exchange has increased from 59 in 1959 to 104 in 1963[2]. A part of the increase in number of companies took place as a result of the conversion of the private limited companies into public limited companies and only a part is the result of entry of new joint stock companies . This factor has limited the use of the present study for making a judgement regarding increase in the volume of savings over time. The study does, however, indicate ratios which can be used to deduce volume of corporate savings—with the help of further study regarding total size of the corporate sector.

Corporate saving is measured by the amount of earnings retained in the business at the end of the company's fiscal year. The amount of retained earnings which represents net profits from operation after taking into account all distributions, including taxes and dividends, is identical with the increment in earned net worth. The saving can, therefore, be calculated either from the company's balance-sheet as the change in net assets or from its income accounts as the excess of current income over current expenditure including dividend distribution.

As the depreciation allowances given in these accounts do not represent the actual depreciation cost of their assets, it was decided to estimate gross savings rather than net savings. Conceptually, gross saving is the only meaningful indicator of the company's contribution to national saving effort. This also compares with the gross investment concept being used for planning in Pakistan.

II. GROWTH OF THE CORPORATE SECTOR

The number of companies listed on the Karachi Stock Exchange was 61 at the end of 1959. This increased to 109 by the end of 1963. Of these, the number of industrial companies was 59 at the end of December 1959 and 104 at the end of 1963. The study relates only to industrial companies. The paid-up capital of these industrial companies, representing shareholders' original equity interest, increased over the same period from Rs. 780.6 million to Rs. 1,502.7 million. The average size of the company, therefore, increased from Rs. 13.2 million in 1959 to Rs. 14.4 million in 1963. The net worth of these companies increased from Rs. 982.2 million to Rs. 2,111.9 million. The average net worth per company increased from Rs. 16.7 million in 1959 to Rs. 20.3 million—a rise of 21.6 per cent. The growth in net worth in excess of the rate of growth in paid-up capital represents the accumulation of savings in the company even over and above capitalised reserve. It shows that the rate of capitalisation of reserves has lagged considerably behind the accumulation of savings in the corporate sector.

The gross capital employed by the companies included in this study was Rs. 1,839 million in 1959. The figure had gone up to Rs. 3,893 million by 1963.

[2] *See* Appendix Table A-1 for industry-wise distribution of companies.

The average size of gross capital employed by the companies included in this study thus went up from Rs. 31.2 million to Rs. 37.4 million, *i.e.*, by 19.9 per cent. The slightly lower rate of growth of gross capital employed than that of net worth indicates that the ratio of borrowed funds has declined to a certain extent in the financial structure of companies. This is obviously to be expected with the accumulation of the savings of the companies themselves. It is an interesting fact that while bank credit increased at an accelerated pace during this period, the corporate sector placed greater reliance for its growth on equity and own-savings.

The companies listed in the Stock Exchange—a group to which this study is confined—fulfil certain conditions which are in addition to those required for incorporation as a limited liability joint stock company. A company can be formed by a group of promoters by signing the articles of association and by obtaining the permission of the Registrar of Joint Stock Companies [3, p. 35]. However, to be listed on the Stock Exchange, it is necessary to make an offer of at least 30 per cent of the share capital to the general public under the rules of the Stock Exchange [4, p.70]. The tax law requires that for purposes of company taxation, a company would be entitled to differential lower rate of taxation only if it offers and succeeds in placing at least 50 per cent of the share capital (raised to 60 per cent) in the hands of general public [5, p.117]. There is thus a disparity in the definition of public limited company for tax purposes and its definition for being enlisted on the Stock Exchange. We have taken for this study all the industrial companies listed on the Stock Exchange irrespective of whether or not they are treated as public limited companies for tax purposes.

Generally, companies with relatively large share capital seek public subscription to shares and thus try to obtain the status of being included on the list of Karachi Stock Exchange. This enables the promotors who have major interest in the undertaking to obtain tax concessions and also to borrow against their shares from banks, in addition to the advantage of releasing a part of their original investment. The smaller companies remain closely held companies *a*) because they do not have the same financial urge for seeking new injection of funds in the company, *b*) find their tax burden not too large, particularly after allowing substantial salaries to directors, *etc.*, appointed from among family members.

Our sample in this study is quite representative of the corporate sector, in the matter of capital employed, despite the fact that the number is rather small. There were 6,510 companies incorporated in the country in 1963 [6].

However, almost all the companies not listed on the Stock Exchange were relatively small. While data regarding average size of all the joint stock companies incorporated in Pakistan are not available, the information regarding new registrations since 1956 computed by the Central Statistical Office indicates that most of the companies have paid-up capital of less than Rs. 5,00,000.

TABLE I

NEW REGISTRATIONS OF JOINT STOCK COMPANIES, CLASSIFIED ACCORDING TO THE SIZE OF SUBSCRIBED CAPITAL*

Year	Below 1,000	1,000 to 50,000	50,000 to 1,00,000	1,00,000 to 5,00,000	Above 5,00,000	Total
(a)	(b)	(c)	(d)	(e)	(f)	(g)
1956	114	181	39	4	4	342
1957	126	165	63	4	2	360
1958	142	117	58	6	2	325
1959	123	141	50	6	6	326
1960	170	176	47	50	5	448
1961	160	193	84	42	5	484
1962	199	304	76	100	5	684
1963	191	268	70	105	35	669
1964	185	246	51	55	1	538
1965	181	222	48	78	3	532

* The information regarding paid-up capital is not complete. Generally, the differences between paid-up capital and subscribed capital are small.

Except for 1963, the number of companies with subscribed capital exceeding Rs. 5,00,000 has not exceeded 6 in any single year. On an average over the period, only1 per cent of the companies registered between 1956 and 1965, had subscribed capital of Rs. 5,00,000 or above. In our sample, which forms roughly 1.7 per cent of the total joint stock companies, are included all the companies with a paid-up capital exceeding Rs. 5,00,000. In fact the average paid-up capital per unit in our sample is Rs. 14.4 million against less than Rs. 5,00,000 for companies excluded from the present study. The present study thus covers the more important segment of corporate sector.

Another consideration which supports the contention that the present study may be considered representative of the corporate sector is the fact that a large number of joint stock companies excluded from the study are incorporated in the country merely to protect the legal and patent rights of certain foreign companies and are not engaged in any profitable business enterprise. There is, however, need to quantify these factors by a more elaborate study of data relating to non-listed joint stock companies.

For the present, the above data indicate the importance of joint stock companies listed on the Stock Exchange without enabling us to form a quantitative judgement regarding its relationship to the total corporate sector.

The importance of these companies can also be demonstrated by accompanying data for major sectors with those from the Census of Manufacturing Industries. Although there is no strict similarity between the two, they nevertheless provide an indication of the importance of the corporate sector in the industrial structure of the country.

TABLE II

(CMI)	Sales in the corporate sector (*in million rupees*)	Total sales (CMI) (*in million rupees*)	Coverage in %
Textiles excluding jute ...	573	1,850	32
Jute industry	365	530	69
Cement industry ...	43	195	22
Chemical industry ...	56	525	11
Fuels, power	210	210	100
Sugar industry	63	490	13
	1,310	3,800	34

The data of the CMI are for 1962/63, and an average of the year 1962 and 1963 was taken from the corporate sector data. The sectors listed above represent about 50 per cent of total industrial sales in this year, and out of those the corporate sector accounts for one third. Because of definitional limitations it is not possible to make a similar comparison for the other sectors, but a cursory glance indicated roughly the same coverage of one third for those as well.

The following table summarises the growth in the number, capital and income in the corporate sector.

TABLE III

GROWTH IN THE NUMBER AND SIZE OF INDUSTRIAL COMPANIES

(Percentage increase 1963 over 1959)

	Number of companies	Gross captial employed	Net worth	Total income	Gross profits
Textiles and allied industry		164	154	143	77
Jute industry		114	124	142	121
Cement		145	307	114	111
Pharmaceutical and chemical Industry		147	116	98	117
Engineering, construction and allied industry ...		114	33	27	48
Fuel and power ...		78	159	243	140
Transport and communications		204	255	188	321
Sugar and allied ...		107	164	179	904
Miscellaneous		63	36	51	32
All non-financial companies	76	109	115	206	99

It may be observed from Table III that while the number of industrial companies increased by 76 per cent over the period 1959—1963, gross capital employed more than doubled largely as a result of increase in net worth. The net worth of the companies under study went up by 115 per cent compared to an increase of 109 per cent in gross capital employed. The increase in profits was, however, less than 100 per cent though the total income went up by 206 per cent over the same period. The growth analysed in the above table was both due to increase in the number of companies operating as well as the internal growth through ploughing back of profits. The magnitude and the source of internal growth are analysed separately in subsequent sections.

Among the subsectors, an impressive increase in net worth of 307 per cent was recorded in cement industry, mainly due to the sanctioning of a number of new units towards the end of the period under review. Since the gross capital employed increased only 145per cent, it is apparent that in the new units, borrowed funds were of marginal significance as they had not gone into full production. This non-functioning of the new units also explains the substantial lower rate of increase in the total income and gross profits in cement industry.

In transport and communications companies, the net worth increased by 255 per cent while gross capital employed went up by 204 per cent. This indicates

the rapid growth of both air and ocean transport during the period. The gross profits increased by 321 per cent against an increase of 188 per cent in total income and 204 per cent in total capital employed reflecting the improved efficiency of the transport system, particularly air transport.

In the sugar and allied industry, net worth increased by 164 per cent, largely reflecting the entry of new units. While the increase in total income was in line with the increase in net worth of 179 per cent, the gross profits went up by 904 per cent. The increase in profitability of sugar industry was largely attributed to the relaxation of controls over the distribution of the finished product and the supply of raw material.

Sugar was followed closely by textile and allied industries where net worth increased by 154 per cent and gross capital employed by 164 per cent. Textile has generally been regarded as the leading growth sector in Pakistan's industrial development. During the period under review, however, it appears that textiles had already yielded ground to sugar, cement and transport sectors which, in terms of relative growth, appeared to be leading the way.

While jute industry's overall growth was less impressive (increase in net worth 124 per cent and in gross capital 114 per cent), the rate of internal growth in this industry was among the highest as is brought out in the later discussions.

III. CORPORATE PROFITS

The trends in profits earned by the corporate sector are of interest in several ways, and for these diverse analytical uses profitability may be determined in relation to different variables. The profitability of industrial enterprises in general provides a clue to the overall economic climate reflecting the state of aggregate demand, degree of competition and other such factors. For this purpose, the relevant ratio is one which relates gross profits to gross sales, as it indicates the average margin of profits in the sale price or the mark-up factor. On the other hand, from the point of view of investment decisions, the crucial element is the ratio of gross profits to the original equity of the investors or net worth of their interest in the company, assuming that the market price of the share correctly reflects the equity interest represented by each share.

From the point of view of the efficiency in the use of capital, however, the important indicator is the ratio of gross profits to total capital employed including both equity and loan funds. From the point of view of income distribution as well as saving potential of the corporate sector, the size of the gross profits itself and its relative share in the total value added is of vital significance. Unfortunately, it was not possible to get sufficient data from annual profit-and-

loss accounts regarding value added by industrial companies studied. It may, however, be possible to get data on the total wage and salaries bill from the companies studied here at a later stage to complete the picture. For the present, trends in the profitability of the corporate industrial sector are discussed in the meaning of the first-mentioned three ratios. The position is summarised in Table IV below:

TABLE IV

RATE OF PROFITS TO SALES, GROSS CAPITAL EMPLOYED AND NET WORTH

(in million rupees)

	1959	1960	1961	1962	1963	Average 1959-63
Gross profits	262	333	368	422	522	381
Gross sales	1332.5	1745.3	2152.2	2264.2	2862.3	2071.3
Ratio of gross profits and gross sales	19.7%	19.0%	17.1%	18.6%	18.2%	18.5%
Change in mark-up ratio ...		(—)3.7%	(—)10.0%	(+)8.9%	(—)0.2	
Net worth	982.2	1202.7	1463.9	1694.0	2053.3	1479.2
Ratio of profits and net worth	27	28	25	25	25	26
Gross capital employed ...	1839	2186	2673	3166	3893	2751
Ratio of profits to gross capital employed ...	14.2%	15.2%	13.8%	13.3%	13.4%	14%
Paid-up capital ...	780.6	927.2	1119.9	1263.4	1502.7	1118.8
Ratio of profits to paid-up capital	33.6%	35.9%	32.8%	33.4%	34.7%	34.1%

The data shown in the table above can be brought together for a regression of profits on sales for the five years studied. The results are shown in Figure 1, where it is shown that the relation between profits and sales was a stable one over the period, with the exeption of the year 1961 when profits lagged behind the growth of sales. This was, however, compensated by a recovering move in the following year.

The equation which represents the correlation indicates that profits on the average declined as a percentage of sales. This is expressed by the elasticity of 0.9, indicating that for every 1 per cent increase of sales, profits only increased by 0.9 per cent, thus reducing the profit share in sales receipts.

This analysis seems to confirm the general impression that profits as a ratio of total sales or the average level of mark-up in prices showed a decline during

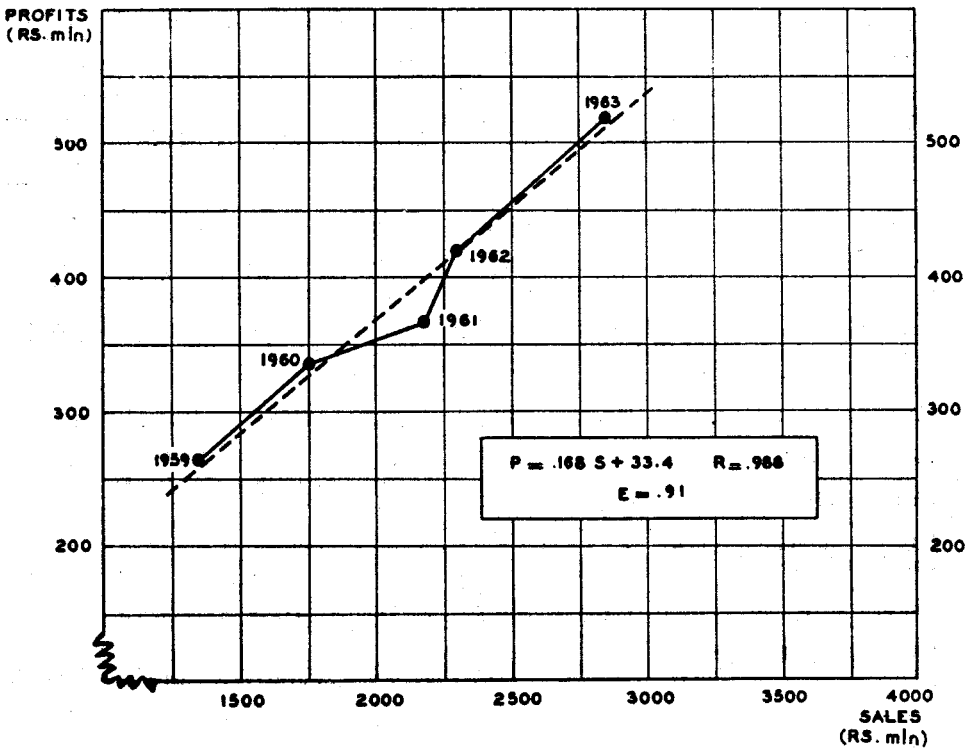
PROFITS
(RS. mln)
500
400
300
200
1963
1962
1961
1960
1959
P = .168 S + 33.4 R = .986
E = .91
1500
2000
2500
3000
3500
4000
SALES
(RS. mln)

Figure 1

the period 1959-61. During the immediate post-Revolution period of economic reforms, a number of factors combined to reduce the average level of profits. With the liberalisation of economic controls particularly in respect of import of raw materials and the introduction of a greater degree of competition in the economy, coupled with the restraint on monetary expansion through a conservative monetary and fiscal policy, the profit margins registered a decline of 3.7 per cent between 1959 and 1960 and a further decline of 10 per cent in the subsequent year. Incidentally, 1961 was also the year in which monetary expansion was virtually at a standstill and there were apprehensions regarding a possible recession developing as a result of tight monetary situation [7, Table 29, p.45]. Money supply increased from Rs. 6,159.1 million in December 1960 to Rs. 6,205.4 million in December 1961 [7, p.159].

The profit margins increased by 8.9 per cent in 1962 but declined slightly in the subsequent year. It is difficult to deduce from the information presently available, how far this increase in profit margins was due to the ability of the manufacturers to raise their prices and to what extent this improved profitability resulted from an improvement in the level of utilization of capacity and lower per unit cost of production. As a preliminary hypothesis it appears that the ratio of profits improved during this period due to a combination of both these factors. The index of wholesale prices in the manufacturing group increased from 101 in the second half of 1961 to 104 in 1962 and 106 in 1963 [8, p.87, Table 10]. The increase in the price level of manufactures was thus small and could not account for the entire increase in profit margins.

On the whole, profit margins have registered a net decline over the period of this study from 19.7 per cent of the sale price in 1959 to 18.2 per cent in 1963—a decline of 7.6 per cent in the average mark-up. This clearly reflects growing competition in the manufacturing sector both as a result of increase in domestic production and the availability of imported substitutes particularly due to the operation of bonus scheme which set a ceiling on the permissible increase in the domestic prices of imported goods.

It is interesting to compare this trend of declining profit-component in prices with the ratio of profits to gross capital employed in the industrial sector. This ratio has also declined over the period under review, and to even a slightly larger extent than is the case with profits as a per cent of sales. This is again brought out by way of a regression, shown in Figure 2. The individual years are all close to the regression line with the exception of 1960. The elasticity is slightly less than 0.9, indicating that for every per cent increase of gross capital employed, profits went up by somewhat less than 0.9 per cent. It would be interesting to carry this analysis further to 1964 and 1965 when major steps were taken in the

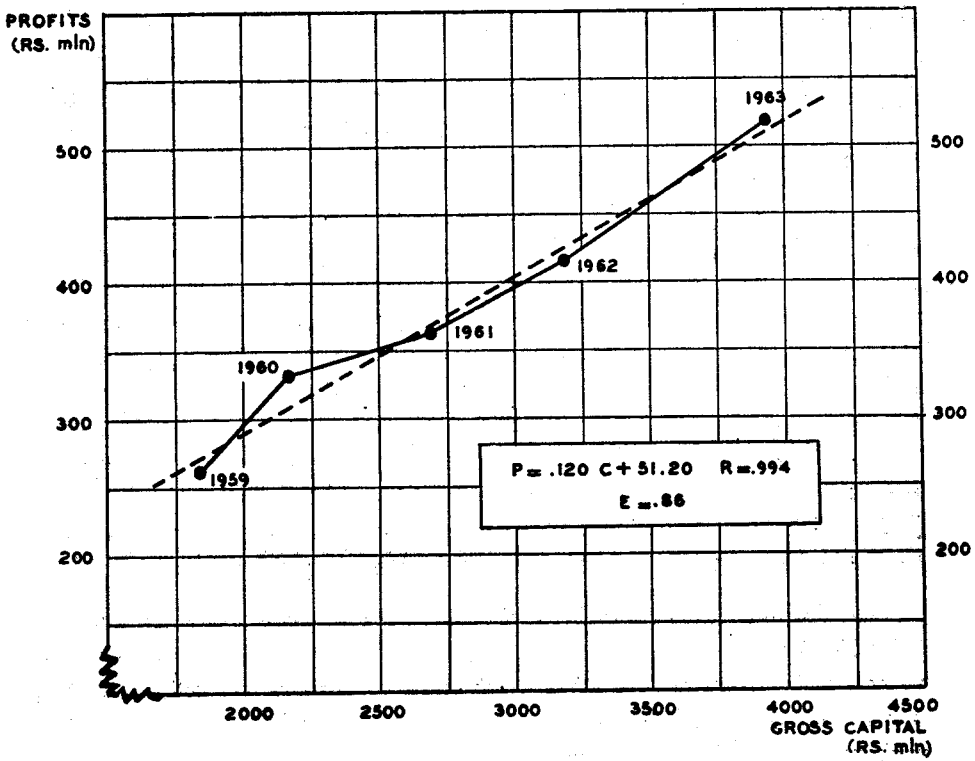
PROFITS
(RS. mln)
500
400
300
200
1963
1962
1961
1960
1959
P = .120 C + 51.20 R = .994
E = .86
2000
2500
3000
3500
4000
4500
GROSS CAPITAL
(RS. mln)

Figure 2

economy to liberalise the import of raw material, allowing industrial units to work nearer to capacity. This would reveal more clearly the impact of growing international competition on profitability.

The ratio of profits to net worth has remained much higher than the ratio of profits to gross capital employed—25 to 28 per cent compared to 13 to 15 per cent in the latter case. The difference is due to the use of borrowed funds which form slightly less than half of the total capital employed. Since during this period, the normal lending rate of banks ruled around 5 to 6 per cent [9, pp.IX-X] and the lending rates of specialized financial institutions were around 7 per cent [10, p.137] it is obvious that the profitability of gross capital employed left a substantial margin over and above the interest rate. This was largely responsible for the high rate of return on net worth and also on paid-up capital.

Secondly, it may be observed that the return on net worth declined from 27-28 per cent in 1959 and 1960 to 25 per cent in the last three years of this study. This reduction in the rate of profit in relation to net worth at a time when profits as a ratio of gross capital employed were stable indicates that the net worth as an element in gross capital employed increased and dependence of the corporate sector on borrowed funds came down.

It emerges as a corollary of the above conclusion that the rate of return on paid-up capital increased over the period of study, as net worth increased as a multiple of paid-up capital through accumulation of reserves and use of retained earnings. Changes are, however, small ranging between 33 and 36 per cent.

It is also interesting to see the changing pattern of profitability of various industries (Tables V and VI). It appears that jute has retained its position as the leading sector giving the highest rate of return on net worth throughout the period under study (roughly 35 per cent). There was a sharp increase in the rate of return to 40 per cent in 1960, followed by a steep decline to 15 per cent in 1961. These changes were related to fluctuations in jute production and raw jute prices.

Jute industry is known for its proneness to violent fluctuations in profitability from year to year. The index of the average unit value for jute (per bale) went up from Rs. 142.2 in the first quarter of 1950 to Rs. 357.0 in the January-March 1961. Since contracts for manufactures are generally made fairly in advance based on the ruling price of jute, mills which do not cover themselves immediately may lose in the process. Cotton and other textiles ranked a close second to jute in 1959 in profitability but have come down gradually particularly during the period 1962 and 1963. This was to be expected with the growth in production and regulated monetary demand in the economy.

Profitability in the fuel and power group has remained fairly stable. This sector contains mainly electricity companies and the two companies for the transmission and distribution in Karachi of natural gas from Sui wells. In this public utility group, policy has been to pass on the benefits of increasing efficiency to consumers. This was the case in the tariff schedule for the supply of gas which was brought down twice during the period under study. The most remarkable change has taken place in the profitability of sugar industry. The ratio of gross profit to net worth increased from 7 per cent in 1959 to 34 per cent in 1963 in this sector. Sugar industry had been subjected to severe controls in the initial period. Both the price to be paid to cane-growers for the raw material and the price of the finished goods to be supplied to the consumers in rationed areas were fixed by the government. In 1965, sugar industry was freed to sell a part of its produce in the open market competing with sugar imported under the Bonus Scheme which combined with the import duty provides a substantial protection to the industry. This has given a boost to the profitability of sugar industry.

Cement industry had earned profits in line with jute in the initial period (31 to 37 per cent) but shows a decline in profitability during 1962 and 1963 (22 to 25 per cent) possibly due to the inclusion of new companies which earned only a small profit in the first few years of their production.

TABLE V

RATE OF RETURN ON CAPITAL IN SELECTED INDUSTRIES
(Gross Profit as a % of Total Capital Employed)

Name of industry	Weight*	1959	1960	1961	1962	1963	Average 1959-63
Textiles and allied... ...	20	21	23	20	15	14	19
Jute	12	16	18	8	19	17	16
Cement	3	19	25	20	16	17	19
Pharmaceutical and chemical	2	20	18	15	14	17	17
Engineering and constructions	5	14	17	13	8	10	12
Fuel and power	21	11	11	10	11	16	12
Transport and communications	11	7	9	13	10	9	10
Sugar and allied	2	4	3	10	6	20	9
Miscellaneous	24	15	14	14	14	12	14
All industries	100	14	15	14	13	14	14

* Based on total capital employed during 1959-63.

TABLE VI

RATE OF RETURN ON CAPITAL IN SELECTED INDUSTRIES
(Gross Profit as a % of Net Worth)

Industry	Weight*	1959	1960	1961	1962	1963	Average 1959-63
Textiles and allied ...	24	32	33	30	24	22	28
Jute	11	35	40	15	34	34	32
Cement	4	31	37	30	22	25	29
Pharmaceutical and chemical	3	22	27	26	21	28	25
Engineering and construction	6	19	24	22	15	21	20
Fuel and power	16	29	31	28	28	31	29
Transport and communications	10	18	14	21	20	22	19
Sugar and allied	2	7	5	16	12	34	15
Miscellaneous	24	24	22	26	26	23	24
All industries	100	27	28	25	25	25	26

* Based on net worth of each industry during 1959-63.

IV. DISPOSAL OF CORPORATE PROFITS

From the point of view of corporate savings, the crucial decision on the part of the management is the ratio of profits to be distributed to the shareholders as dividend and to be reinvested for expanding the operations of the enterprise. This decision is largely influenced by the fiscal policy. In the first place, taxation of corporate income exercises a first claim on the gross profits earned by the company. Secondly,it influences indirectly the proportion of gross profits allocated to depreciation reserves. Because of various measures allowing higher initial and accelerated depreciation allowances for providing incentive for industrial capital formation, the allocation for depreciation in Pakistan has been based more on tax considerations than on the expected life of the assets in use. Finally, the system of taxation influences the decisions regarding dividend distribution by varying the burden of taxation on large recipients of dividend income. Since the directors of companies have substantial dividend income, their personal tax liabilities may play an important part in determining policies regarding distribution of profits between retained earnings and dividends.

The position regarding the distribution of gross profits earned by the public limited companies included in this study is summarised in the table below:—

TABLE VII

DISTRIBUTION OF GROSS PROFITS OF PUBLIC LIMITED COMPANIES*

(in million rupees)

	1959	1960	1961	1962	1963
Gross profits	262	333	368	422	522
Disposal of gross profits					
a) Tax provision ...	78 (30)	101 (30)	96 (26)	111 (26)	158 (30)
b) Depreciation provision	83 (32)	86 (26)	112 (30)	124 (29)	144 (27)
c) Dividends ...	54 (20)	71 (22)	76 (21)	83 (20)	94 (18)
d) Retained earnings	47 (18)	75 (22)	84 (23)	104 (25)	126 (25)

* Figures in brackets show percentages of gross profits.

a) Taxation

It may be observed from the above table that roughly 30 per cent of the gross profits earned by the companies have been absorbed by tax payments. The ratio went down from 30 per cent in 1959 and 1960 to 26 per cent in 1961 and 1962 reflecting the reduction in the rate of tax applicable to companies in the fiscal year 1960/61. In that year a major change was brought about in the system of corporate taxation [11, p.18]. The old concept under which a part of the tax paid by the company was deemed to have been paid on behalf of the shareholders was given up and dividends were made fully taxable in the hands of shareholders (after an initial tax exempt level of Rs. 1,000). In order to avoid substantial increase in the total incidence of taxation jointly at the company and the shareholder level, the rates of tax at the level of the company were reduced, the basic rate coming down to 45 per cent on industrial companies declaring dividends in Pakistan. In 1963/64 the rate of tax on industrial companies declaring dividends in Pakistan was raised again to 50 per cent and the ratio of tax provision to gross profits went up to 30 per cent [12, p.12].

Apart from the changes for which an explanation is to be found in terms of fluctuations in the rate structure of company taxation, the ratio of tax provision to gross profit has remained stable at 30 per cent. While the stability of this ratio is largely due to the fact that in the annual profit-and-loss account only a rough provision is made for tax payments, subject to adjustment in the light of actual tax assessment later, the provision nevertheless reflects a rough initial judgement

regarding tax liability. Since the basic tax rate applicable to Pakistan industrial companies was 50 per cent when this ratio prevailed, the ratio of 30 per cent for tax provision indicates that roughly two-fifth of the profits have remained tax exempt under various tax concessions available to industries. This includes accelerated and high initial depreciation allowances and complete tax holiday for industries set up after 1960. Prior to the introduction of tax holiday in 1960, 5 per cent of return on investment enjoyed exemption from taxation. It appears from the stability of the ratio of tax provision to gross profits that by and large companies entitled to tax holiday had not gone into production by 1963 and had not earned profits which would be tax exempt and would have reduced the ratio of tax payments to gross profits. More precisely the impact of the companies enjoying tax holiday which went into production during this period was offset by the profits of companies for which tax concessions were expiring.

b) Depreciation

The provision for depreciation has declined from 32 per cent in 1959 to 27 per cent in 1963. This declining trend was interrupted in 1961 when under the impact of additional tax concessions, the depreciation provision increased to roughly 30 per cent from 26 per cent in 1960. The ratio came down to 29 per cent in 1962 and to 27 per cent in 1963 as the ratio of tax provision went up again to 30 per cent. Apparently as the period of initial tax concessions in the form of higher initial and accelerated depreciation allowances is expiring, the ratio of depreciation provision tends to decline over the years. Moreover the form of tax concessions is changing from higher depreciation allowances to complete tax holiday.

TABLE VIII

RATIO OF DEPRECIATION TO GROSS PROFITS: INDUSTRY-WISE ANALYSIS

	1959	1960	1961	1962	1963
Textiles and allied industries	19	17	21	24	23
Jute	26	21	46	17	18
Cement	33	29	33	31	26
Pharmaceutical and chemical	14	13	18	25	19
Engineering and construction	36	30	33	38	24
Fuel and power ...	33	35	34	32	29
Transport and communications	140	39	57	66	63
Sugar and allied ...	66	200	50	66	8
Miscellaneous	28	28	25	26	27

The ratio of gross profits allocated to depreciation provision has shown considerable and often erratic fluctuations over the years in various industries as may be observed from the table above. This ratio has largely been influenced by the fluctuations in profits while provision for depreciation has been relatively stable.

The significant point is that the rate of depreciation is quite high relative to gross profits in the transport and communications sector where service is provided largely on the basis of consumption of equipment with relatively low component of labour. In the case of sugar, the ratio was high because of the low profitability of this industry but has come down substantially as a result of high profits earned by sugar industry in 1963.

In other cases the ratio appeared to be between 18 to 25 per cent in 1963. Over the years, while the ratio was stable for miscellaneous group, it has tended to decline for other industries except for *a*) textiles and *b*) pharmaceutical and chemical industries. In textiles and allied industries, the decline is due to the fact that the number of companies increased from 16 in 1959 to 36 in 1963. The average profitability in this sector declined over the year and depreciation at the old ratio came to represent a higher proportion of profits.

c) Dividends

It appears that the normal allocation for purposes of dividend distribution has been around 20 per cent of gross profits. The ratio went up to 22 per cent in 1960 as the ratio of depreciation provision came down. The saving on account of depreciation provision was distributed in the ratio of one-third to dividends and two-thirds for retained earnings. The ratio of dividends declined again to 21 per cent in 1961 and 20 per cent in 1962. In 1963, the ratio dropped further to 18 per cent. This appears to be a deliberate act of policy in response to the changes in the level of taxation and the system of direct taxation of dividends in the hands of shareholders against which there were protests from the business community. The savings in the dividends distribution were used to augment the ratio of retained earnings to 25 per cent.

There appear to be only marginal differences in the ratio of profits allocated to dividend distribution among various industries. Main deviation is in respect of transport and communications where the ratio is as low as 10 per cent on the average of the 5-year period under review. This is mainly due to the large weight attached to PIA in this sector who have followed a system of providing travel vouchers to their shareholders in place of cash dividends and had to allocate large proportion to depreciation because of the very nature of their working.

TABLE IX

DISTRIBUTION OF DIVIDENDS IN SELECTED INDUSTRIES
(Dividends as a % of Gross Profits)

Industry	1959	1960	1961	1962	1963	Average 1959-63
Textiles and allied ...	18	19	15	25	18	19
Jute	17	16	21	6	22	16
Cement	20	19	24	24	3	18
Pharmaceutical and chemical	22	20	18	20	21	20
Engineering and construction	19	19	29	17	21	21
Fuel and power ...	30	29	27	23	22	26
Transport and communications	8	10	11	10	11	10
Sugar and allied ...	45	38	6	10	11	22
Miscellaneous ...	20	28	26	26	19	24
All industries	20	22	21	20	18	20

The highest ratio has been maintained by fuel and power group where gas companies have played an important role by paying relatively higher share of profits in the form of dividends. This is also probably dictated by the nature of the enterprise as there was little scope for usefully employing retained earnings for expansion in the companies.

The ratio was high for sugar early in the period as profits were low, but the industry has fallen in line with the general pattern since. The decline in the case of cement is explained by the inclusion of certain new companies in 1963 who have not declared dividends in the first year.

d) Retained Earnings

It is remarkable that while the ratio of dividends declined from 20 per cent in 1959 to 18 per cent in 1963, the ratio of retained earnings increased from 18 per cent to 25 per cent over the same period. There were two influences at work. Firstly, under the impact of heavy taxation of dividends, there was a tendency on the part of directors of the companies who were themselves subjected to very high marginal rates of taxation to reduce the ratio of dividend declaration and to plough back a larger proportion of gross profits. Secondly, the provision for depreciation absorbed less funds as time passed and the period of initial tax concessions expired. Thus if retained earnings and depreciation provision are taken together to reflect funds retained by the companies, the ratio

increased only slightly from 51 per cent in 1959 to 52 per cent in 1963, offsetting the decline in the ratio of dividends to gross profits. This amounts to roughly 70 to 75 per cent of the net profits earned by companies after taxation before deducting depreciation. If both depreciation and taxation are excluded, retained earnings other than depreciation reserve account for roughly 60 per cent of net profits in 1963 compared to less than half in 1961.

TABLE X

REINVESTMENT OF PROFITS IN SELECTED INDUSTRIES
(Gross Savings as a % of Gross Profits)

Industry	1959	1960	1961	1962	1963	Average 1959-63
Textiles and allied ...	43	48	56	48	53	50
Jute	74	50	60	64	43	58
Cement	12	58	52	57	73	50
Pharmaceutical and chemical	37	51	46	49	37	44
Engineering and construction	71	41	20	52	33	43
Fuel and power ...	44	44	48	51	49	47
Transport and communications	83	87	89	86	78	84
Sugar and allied ...	8	40	61	60	85	35
Miscellaneous	46	42	45	44	41	44
All industries	50	48	53	54	52	51

It may be observed that apart from transport and communications sector, which has special problems, the main source of reinvestment of funds has been the jute industry. In this industry apart from the decline in 1963 when dividend distribution was increased, roughly two-thirds of the profits have been reinvested. This is followed by textiles and cement where 50 per cent of the gross profits have been saved. The ratio was lowest in sugar for the reason that profits were low. It is, however, emerging as the leading sector in recent years. The ratio of retained funds in sugar exceeded even transport and communications in 1963.

V. CORPORATE SAVINGS

We have already studied the behaviour of corporate saving in the preceding section, in the light of overall decisions regarding the disposal of gross profits. The conclusions can be stated more explicitly in this section and can be compared with the indirect figures derived by the Planning Commission for gross savings

in the economy and information available for savings in the household and non-corporate sectors.

Savings by the public limited companies (industrial) during the period studied were as follows:

TABLE XI

SAVINGS BY PUBLIC LIMITED COMPANIES: 1959—1963

(in million rupees)

Year	Gross capital employed	Increase in gross capital employed	Corporate savings	Net worth	Increase in net worth
1959	1839	—	130.3	982.2	—
1960	2186	347	160.5	1202.7	220.5
1961	2673	487	196.4	1463.9	261.2
1962	3166	493	228.1	1694.0	230.1
1963	3893	727	269.2	2053.3	359.3

Corporate savings derived from the profit-and-loss account are less than the increase in net worth. The difference is explained by fresh calls on equity or addition of new companies to the list during the year. It may, however, be observed that the internal growth of the companies through retained earnings and employment of depreciation reserves *etc.*, has been a more important factor in the expansion of the corporate sector of the economy than injection of new equity funds. Of the increase in gr osscapital employed by the corporate sector during 1959-1963 which was Rs. 2,054 million, internal savings of the company accounted for Rs. 984 million or about 48 per cent. Of the balance, bulk was financed by borrowed funds, as is indicated by the difference in the increase in net worth and increase in gross capital employed.

We have already drawn the conclusions that the corporate sector has been retaining roughly half of its gross profits for internal growth. In fact, the leakage from corporate profits has been only to the extent of 20 per cent used for declaring dividends. If we take into account the tax paid out of gross profits and regard it as potential saving in the public sector, the corporate sector's role as a vehicle for the promotion of savings in the economy appears remarkable.

It does not, however, appear possible on the basis of information collected at this stage to form a quantitative judgement regarding the volume of corporate saving in Pakistan.

Further studies are needed either *a*) to analyse a sample of joint stock companies not listed on the Karachi Stock Exchange on the pattern of this study or *b*) generalize the conclusions based on this study after determining the size of the total corporate sector.

While the former course commends itself on scientific grounds, the difficulties regarding collection of data may lead one to settle for the latter. For the present, however, information is not available on the total paid-up capital or gross capital employed in joint stock companies. The Central Statistical Office has compiled a volume on "statistics" on joint stock companies. But the information is both inadequate and defective.

As a first step towards incorporating corporate saving estimates in a sectoral break-up of savings and bearing in mind the limitations of the present data, savings in the corporate sector have been compared to the overall (gross) savings estimates of the Planning Commission. This is shown in table below:

TABLE XII

CORPORATE GROSS SAVINGS AS PERCENTAGE OF NATIONAL GROSS SAVINGS

(in million rupees)

	1959	1959/60	1960	1960/61	1961	1961/62	1962	1962/63	1963	1963/64
Corporate gross savings	262		333		368		422		522	
National gross savings ...		2,130		3,087		4,232		4,295		4,487
Corporate as % of national gross savings ...	12.3		10.8		8.7		9.8		11.6	

Although the comparison is a bit handicapped by the fact that fiscal years must be compared with calendar years, the trend is nevertheless clear. During the first half of the period under review there was a considerable decline in the share of corporate savings compared to the national total. The last part of the period shows a partial recovery.

The reason for this peculiar trend may partly be the very rapid increase of residential construction in the earlier part of the period.

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Appendix

EXPLANATORY NOTE

The appendix presents the sources of data, the methodology used, and some basic tables. As has already been noted in the text, the study is essentially an analysis of company affairs and as such the main sources that one could use are the company balance-sheets and income-expenditure, profit-and-loss and appropriation accounts of all the companies that have been included in the study. So the definition of items and valuation has been those of accountants, but certain readjustments have been made in calculating gross profit, depreciation and retained earnings which make our results different from those of published accounts.

The first problem that one encounters in making any study of company accounts is the divergence of accounting years. A majority of company accounts follow either the calendar year or October-September year. Only a minority follow the fiscal year or April-March year. The year in the study refers to calendar year, and the individual balance sheets are taken to pertain to a year whose larger part they cover. In the case of an equal division (*i.e.*, where the closing date is 30th June) the latter half is taken to coincide with the calender year. For example, the balance sheet of a company for the year ending 30th June, 1961 is taken to represent earnings for 1961. While we are aware of the advantages pertaining to a study which seeks to analyse trends on a fiscal year basis, the tendency of majority of companies to issue balance sheets on a calendar year basis or for a period which would nearly represent a calendar year, proved a decisive factor in favour of analysis on a calendar year basis.

The number of companies that have been included in the study also varies over the five-year period. In 1959, out of 61 companies listed on the Karachi Stock Exchange only 59 have been included in the study. In 1963, out of 109 listed companies 104 have been included in the study. Table A-1 gives the industry-wise distribution of number of companies that have been included in the study for the five-year period. Only those companies have been rejected which, although listed on the Stock Exchange, have not yet started production. Hence their balance-sheets are available but not the income accounts.

Table A-2 presents the combined balance-sheets of all the companies in a form in which data has originally been collected. Here some explanations of a few main items would be in order.

1. Paid-up capital includes ordinary or share capital issued in the form of preference shares, full or part payments received in advance for issue of shares and par value of forfeited shares reissued.

2. Free reserves and surplus—all reserves exluding taxation reserves, depreciation reserve, reserve for employees' provident fund, compensation fund, gratuity and pension fund, leave passage, for charities, for publicity, *etc.* Special reserves under section 15B and 15BB of Income Tax Act have been included as part of free reserves and surplus to make the figure of retained earnings emanating from balance sheets to be consistent with those of income accounts. Depreciation reserve column in the balance sheet consists of normal depreciation allowances and not only special allowances. The balance of profit-and-loss account is also included in free reserves and surplus column.

3. Net worth—net worth of a company is its total assets minus borrowing, trade dues, other non-current liabilities; liability to the government represented by the taxation reserve liability to the company itself indicated by the depreciation reserve are also deducted from the total for this purpose. Net worth is thus equal to paid-up capital plus free reserves and surplus. The increment in net worth comes about as a result of the transfer of retained earnings (or net saving during that period) from the profit-and-loss account of the year to the balance sheet. The saving figure emerging from the net worth comparison for two years should, therefore, be identical with the calculation of savings derived from the income accounts of a company. In case there is any discrepancy between the increment in net worth and its retained earnings it is to be attributed to the fact that some element of private saving has crept into the balance sheet accounts due to increase in paid-up capital. This is inevitable in a study which takes into account changes in the number of companies listed on the Stock Exchange from year to year and does not keep the population constant. Paid-up capital can be increased: *i*) by floating new shares by old companies or *ii*) by companies (new and old) capitalising general reserves, by issuing bonus shares. Only in case *i*) the resultant increment in net worth contains an element of private savings. In the estimate of saving from balance sheets an attempt has been made to adjust the data for changes in the net worth due to new floatation to make the two estimates of saving consistent, but our net worth contains all increases in paid-up capital, as it should.

4. Gross fixed assets include land, building, plant, machinery, furniture and fixtures, capital works in progress, *etc.* Inventory includes raw materials, stocks of finished goods and works in process, spare parts and maintenance stores and stationery stores, *etc.* Gross fixed assets plus inventories have been taken as total capital employed for the purpose of this study.

5. Receivables include loans and advances, book debts and other debtor balances, bonus vouchers and sundry debtors.

6. Investment means financial investment of a company and includes government, semi-government and industrial securities, shares of subsidiary companies and provident fund investment.

Table A-3 presents a combined income-expenditure, profit-and-loss and appropriation accounts of all the companies in a form in which data has originally been collected for each individual company. These items are all self-explanatory. Only a few words about dividends, retained earnings, depreciation, and gross savings are necessary here.

Dividend: Only the amount of dividend actually distributed is relevant in the context of calculating retained earnings. But here very little information is available regarding the distribution of dividends. In majority of cases, accounts give only the amount of dividends proposed for distribution out of any particular year's profit. In some rare cases balance sheets give figures of unpaid dividends, but this data is not given either consistently for all the years or for all the companies. So the amount of dividends used in the study is the amount proposed not paid, on the assumption that whatever dividend is proposed is paid out. In cases where this is not so, savings are underestimated by us to the extent dividends remain undistributed. This is, however, not a serious limitation as the magnitude of undistributed dividends is generally small.

Retained earnings: the amount of retained earnings calculated here is usually higher than the one given in the company accounts as any special allowances kept aside in the account for development, depreciation or tax holiday has been included in our estimate of retained earnings.

Depreciation includes only the normal depreciation allowances. Gross saving is calculated by the addition of retained earnings and depreciation.

All the data fr m balance sheets and income accounts have been put in Table A-IV (i—ix) by each industry. Here only one clarification is needed about total income, which is value of sales plus closing stocks minus opening stocks plus other income.

TABLE A-1

NUMBER OF COMPANIES INCLUDED IN THE STUDY

Industry	1959	1960	1961	1962	1963
1. Textiles and allied	16	20	27	30	36
2. Jute	6	8	9	9	9
3. Cement	1	2	2	3	3
4. Pharmaceutical and chemical	3	4	4	4	4
5. Engineering and construction	7	7	8	8	9
6. Fuel and power	6	6	7	7	10
7. Transport and communications	4	6	7	7	7
8. Sugar and allied	3	3	3	4	5
9. Miscellaneous	13	14	19	19	21
10. All industries	59	70	86	91	104

TABLE A-2

NET WORTH OF ALL NON-FINANCIAL PUBLIC LIMITED COMPANIES

(rupees in million)

YEAR	CAPITAL AND LIABILITIES								PROPERTIES AND ASSETS						NET WORTH (1+2)
	Paid-up capital	Free reserves and surplus	Taxation reserve	Depreciation reserve	Borrowings	Trade dues and other current liabilities	Misc. non-current liabilities	Total assets and liabilities	Gross fixed assets	Inventory	Receivables	Investments	Other assets	Cash or bank balance	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1959	780.6	201.6	116.7	475.9	382.6	255.2	72.9	2285.5	1354.1	486.1	253.3	63.4	32.7	95.9	982.2
1960	927.2	275.5	150.8	571.8	412.3	298.7	83.3	2719.6	1550.8	635.6	285.3	80.7	33.4	133.8	1202.7
1961	1119.9	344.0	187.2	714.4	528.3	337.5	121.7	3353.0	1938.0	734.6	398.4	94.3	34.1	153.6	1463.9
1962	1263.4	430.6	197.9	834.4	711.5	400.5	124.5	3962.8	1239.8	822.2	468.2	108.2	34.9	189.5	1694.0
1963	1502.7	550.6	240.9	1000.3	1038.8	477.8	136.5	4947.6	2842.3	1002.3	645.6	128.3	144.6	184.5	2053.3

TABLE A-3

INCOME AND EXPENDITURE ACCOUNTS OF ALL NON-FINANCIAL PUBLIC LIMITED COMPANIES INCLUDED IN THE STUDY

(rupees in million)

EXPENDITURE	1959	1960	1961	1962	1963
1. Opening stock of finished products	215.9	305.2	330.5	316.7	389.1
2. Purchase of raw materials and manufacturing expenses	918.4	1083.1	1413.1	1487.4	1883.3
3. Wages and salaries	140.5	173.5	208.9	237.1	264.0
4. Establishment, administration, selling and finance cost	121.2	178.6	173.1	220.9	300.0
5. Gross profit	261.6	333.2	367.8	422.4	521.6
6. Total	1657.6	2073.6	2494.4	2684.5	3358.0
7. Less depreciation	82.9	86.0	112.2	124.2	143.5
8. Profit before tax	178.7	247.2	255.6	298.2	3378.1
9. Less tax provision	77.6	101.2	95.6	110.8	158.4
10. Less dividends	53.7	71.5	75.8	83.5	94.0
11. Retained earnings	47.4	74.5	84.2	103.9	125.7
12. Gross saving	130.3	160.5	196.4	228.1	269.2

INCOME	1959	1960	1961	1962	1963
1. Sales	1332.5	1745.3	2152.2	2264.2	2862.3
2. Closing stock of finished products and work in process	302.9	396.6	307.8	378.8	436.8
3. Other income	22.2	31.7	33.4	42.0	58.9
4. Total	1657.6	2073.6	2493.4	2684.5	3358.0

TABLE A-4

BASIC DATA ON THE LARGE SCALE CORPORATE SECTOR BY INDUSTRY

(i) TEXTILES AND ALLIED

(rupees in million)

	1959	1960	1961	1962	1963
1. Net worth	201	260	369	437	510
2. Gross fixed assets	220	268	397	482	586
3. Inventory	86	113	164	200	225
4. Total income	261	365	491	563	634
5. Income from sales	256	355	462	532	615
6. Gross profits	64	87	111	106	113
7. Depreciation provision	12	15	23	25	26
8. Dividends	12	16	17	26	20
9. Tax provision	25	29	32	29	33
10. Retained earnings	15	27	39	29	34
11. Gross saving	27	42	62	51	60

(ii) JUTE

(rupees in million)

	1959	1960	1961	1962	1963
1. Net worth	100	131	171	284	224
2. Gross fixed assets	154	180	226	252	309
3. Inventory	55	114	87	117	138
4. Total income	164	270	371	344	397
5. Income from sales	164	252	377	343	388
6. Gross profits	35	53	26	70	
7. Depreciation provision	9	11	12	12	
8. Dividends	6	8	5	4	
9. Tax provision	3	18	5	21	27
10. Retained earnings	17	16	4	33	20
11. Gross saving	26	27	16	45	34

(*rupees in million*)

	1959	1960	1961	1962	1963
1. Net worth	29	38	50	59	77
2. Gross fixed assets	41	46	49	65	103
3. Inventory	6	10	13	12	12
4. Total income	23	37	39	38	50
5. Income from sales	22	27	39	36	49
6. Gross profits	9	14	12	13	10
7. Depreciation provision	3	4	4	4	5
8. Dividends	2	3	3	3	0
9. Tax provision	6	3	3	3	5
10. Retained earnings	—2	4	2	3	9
11. Gross saving	1	8	6	77	14

(iv) PHARMACEUTICAL AND CHEMICAL

(*rupees in million*)

	1959	1960	1961	1962	1963
1. Net worth	31	40	42	56	59
2. Gross fixed assets	26	45	49	55	66
3. Inventory	12	19	24	25	28
4. Total income	37	47	54	54	73
5. Income from sales	36	43	48	53	70
6. Gross profits	7	11	11	12	16
7. Depreciation provision	1	2	2	3	3
8. Dividends	2	2	2	2	3
9. Tax provision	3	3	4	4	7
10. Retained earnings	1	4	3	3	3
11. Gross saving	2	6	5	6	6

(v) ENGINEERING AND CONSTRUCTION

(rupees in million)

	1959	1960	1961	1962	1963
1. Net worth	74	82	83	87	98
2. Gross fixed assets	59	65	75	90	108
3. Inventory	41	50	58	66	106
4. Total income	183	158	134	159	232
5. Income from sales	64	177	184	134	228
6. Gross profits	14	20	18	13	21
7. Depreciation provision	5	6	6	5	5
8. Dividends	3	4	5	2	4
9. Tax provision	1	8	9	4	10
10. Retained earnings	5	2	—2	2	2
11. Gross saving	10	8	4	7	7

(vi) FUEL AND POWER

(rupees in million)

	1959	1960	1961	1962	1963
1. Net worth	157	165	204	246	397
2. Gross fixed assets	364	390	458	567	658
3. Inventory	61	82	99	59	97
4. Total income	109	126	135	155	384
5. Income from sales	105	117	125	145	354
6. Gross profits	46	52	56	68	110
7. Depreciation provision	15	18	19	22	32
8. Dividends	14	15	15	16	24
9. Tax provision	12	14	14	18	32
10. Retained earnings	5	5	8	12	22
11. Gross saving	20	23	27	34	54

(vii) TRANSPORT AND COMMUNICATIONS

(rupees in million)

	1959	1960	1961	1962	1963
1. Net worth	56	127	165	188	201
2. Gross fixed assets	124	161	229	319	404
3. Inventory	30	35	44	57	64
4. Total income	97	153	206	258	281
5. Income from sales	96	151	203	251	276
6. Gross profits	10	18	35	38	44
7. Depreciation provision	14	7	20	25	28
8. Dividends	0.8	2	4	4	5
9. Tax provision	1	—	—	2	5
10. Retained earnings	—5	9	12	7	6
11. Gross saving	9	16	32	32	34

(viii) SUGAR AND ALLIED

(rupees in million)

	1959	1960	1961	1962	1963
1. Net worth	27	24	25	25	71
2. Gross fixed assets	26	30	32	34	82
3. Inventory	32	23	10	20	38
4. Total income	39	38	31	45	110
5. Income from sales	42	47	43	33	92
6. Gross profits	3	1	4	3	24
7. Depreciation provision	2	2	2	2	2
8. Dividends	1	—	—	—	3
9. Tax provision	1	1	2	1	1
10. Retained earnings	—1	—2	—	—	18
11. Gross saving	1	—	2	2	20

(xi) MISCELLANEOUS INDUSTRY

(rupees in million)

	1959	1960	1961	1962	1963
1. Net worth	307	335	364	392	416
2. Gross fixed assets	339	366	423	475	526
3. Inventory	162	189	236	265	293
4. Total income	528	574	700	754	796
5. Income from sales	547	566	669	737	791
6. Gross profits	74	75	94	100	97
7. Depreciation provision	21	21	23	26	27
8. Dividends	15	21	24	26	18
9. Tax provision	25	23	28	30	39
10. Retained earnings	13	10	19	18	13
11. Gross saving	34	31	42	44	40