

Growth and Profitability of State Public Sector Undertakings in Tamil Nadu

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ABSTRACT

Financial management of resources in terms of profitability constitutes, by far, the most important aspect of operational efficiency of an enterprise. The public sector has been performing an important role in Tamil Nadu economy. Public sector undertakings can discharge its social obligations better if it operates in a profitable manner. The present study is a serious attempt to measure the overall financial performance growth and profitability of 51 public sector undertakings in Tamil Nadu. Relevant statistical tools and techniques have been used for data analysis. While the secondary data relate to PSUs for a period of 6 years, from 2009-10 to 2014-15. The study found that the overall position of PSUs Tamil Nadu has been satisfactory on the profitability front. A few sectors have been suffering huge losses causing an undue pressure on the economy. Out of the 10 sectors except Passenger Transport sector and Agri and Allied sector all other sectors have earned profit. A better performance in two sectors such as Development (Industries & Finance) and Development – Others sector have earn more profit than other sector. In fact, in order to survive in today's hi-tech competitive environment, public sector Undertakings have to reorient their policies. Keywords: Growth and Profitability.

1. INTRODUCTION

Public sector Undertakings have played a pivotal role in the economic and industrial development of Tamil Nadu by providing capital, strong infrastructure, modern technology, economies of scale and employment generation. It have been set up to serve the broad macro-economic objectives of higher economic growth, self-sufficiency in production of goods and services, long term equilibrium in balance of payments and low and stable prices. The PSUs play a critical role in the Tamil Nadu economy. They influence the growth in the economy and are affected by the overall growth in the economy. It has attempted to implement the objectives of planning through reducing the regional disparities by checking the concentration of economic power. This note attempts to analyze the overall financial performance of PSUs in Tamil Nadu.

PRODUCT PROFILE OF PSU

The State Public Sector Undertakings in the State are commanding heights of economy. They provide an indispensable service to the public in the form of basic services like water supply, transport, electricity, housing, public distribution system, industrial infrastructure, financial services, and agriculture and manufacturing activities including construction activities. They are grouped under 10 major groups as per the functions provided by them.

2. SOURCES OF DATA &METHODOLOGY

This study is based on secondary data obtained from Annual Review Reports of Public Enterprises in Tamil Nadu published by The Bureau of Public Enterprises for the period from 2009-10 to 2014-15. The other data were collected from websites further data supplemented with relevant information from various journals and books. In order to examine the various objectives of the study several statistical techniques such as percentages and growth rates have been used in this study.

GROWTH OF PUBLIC SECTOR IN TAMIL NADU

At the time of Independence, India was basically an agricultural economy with weak industrial base, low levels of savings and investment and lacks infrastructure a vast majority of population was extremely poor. There were considerable inequalities in Income employment opportunities were low, serious regional imbalances were noticeable in economic attainments. It was felt obvious that if the was to speed up its economic growth and maintain it In the long run at steady level, a big push with State initiative as an essential pre-requisite. As such state intervention in all the sectors of the economy was inevitable because private sector had neither the necessary resources in terms of funds, managerial and scientific skill, nor the will to undertake risks involved in large long-gestation investments. Among the imperatives were removal of poverty, better distribution of income, expansion of employment opportunities, removal of regional imbalances, accelerated growth of agricultural and industrial production and a wider ownership of economic power to prevent its concentration in a few hands. Given the type and range of problems faced by the country on its economic, social and strategic fronts and the imperatives just mentioned, it became a pragmatic compulsion to deploy the public sector as an instrument of self-reliant economic growth so as to develop a sound agricultural and industrial base, diversify the public economy and overcome the economic and social backwardness. The predominant considerations for continued large investments in public sector enterprises were to accelerate the growth of core sectors of economy; to serve the equipment needs of strategically important sectors like railways, telecommunications, nuclear power, defence, etc., to enable the government to exert countervailing power on the operations of private monopolies and multinationals in selected areas and to provide a springboard for the economy to achieve a significant degree of self-sufficiency in the critical sectors .

The Industrial Policy Resolution of 1956 has been the guiding factor which gave the public sector a strategic role in the economy. Massive investments have been made over the past four decades to build a Public Sector. Many of these enterprises successfully expanded production, opened up new areas of technology and built up a reserve of technical competence in a number of areas. The Government of India announced on 24th July 1991 as a part of the 'Statement on Industrial Policy' a statement on Public Sector Policy also. The statement aimed at improving the portfolio and performance of public sector undertaking. State Public Sector Undertakings and Statutory Boards act as extended arms of the Government and play a vital role in providing basic services like Water Supply, Transport, Electricity, Housing, Public Distribution System etc. They are also involved in providing industrial infrastructure, financial services and in manufacturing activity. In this report, the review for the year 2014-15 is presented in two sections. The first section covers the performance of 51 Public Sector Undertakings grouped into 10 categories viz., Agri & Allied, Construction, Development (Industries and Finance), Development (Others), Manufacturing, Mining, Passenger Transport, Other Transport, Trading and Miscellaneous. The second section covers 9 Statutory Boards viz., Metro Water, Maritime, Pollution Control, Electricity (i.e., TNEB

Ltd., TANGEDCO, TANTRANSOCO), Metropolitan Development, Water Supply and Drainage, Khadi and Village Industries, Slum Clearance, and Housing. The public sector undertakings have a total of 51 units with investment of 6838 Crores and turnover of around 47139 Crores in value terms. Total number of public sector undertakings in Tamil Nadu had been increased from 49 to 2009-10 to 51 in 2014-15. It is evident that total number of PSUs had increased at the 0.74 per cent, Trend rate of growth of number of PSUs in Tamil nadu had experienced the low rate of growth i.e 0.81 percent during the study period. The total fixed assets had been steadily rising in absolute term i.e from 852610.51 Crores in 2009-10 to 117955.70 Crores in 2014-15. The average annual growth was found 6.72 per cent. The trend growth of total fixed assets was found 6.28 percent in PSUs in Tamil Nadu during the reference Period.

Out of 51 Public Sector Undertakings reviewed during 2014-15, 36 PSUs [ie.,71%] have earned a total Net profit of Rs 714.31 Crore and 15 PSUs [ie., 29%] have suffered a total Net loss of Rs. 2404.90 Crore. The aggregate net profit earned by 36 PSUs during 2014-15 is Rs. 714.31 crore as against the aggregate net profit of Rs. 717.50 crore earned by 33 PSUs during 2013-14. The aggregate loss suffered by 15 PSUs during 2014-15 is Rs.2404.90 crore as against the aggregate loss of Rs.1358.78 crore suffered by 18 PSUs during 2013-14. Out of 36 PSUs which have earned profit during 2014-15, 17 PSUs have increased their profit to Rs. 346.37 crore as against the profit of Rs. 295.03 crore in the previous year and 15 PSUs have earned a less profit of Rs. 285.36 Crore as against the profit of Rs. 418.26 Crore earned during the previous year. Further, 4 PSUs which have suffered a Net loss of Rs.43.95 crore during the previous year have earned a Net profit of Rs. 82.58 crore during 2014-15. During the year under review, 11 PSUs have suffered an increased loss of Rs. 2377.66 crore as against the loss of Rs.1289.09 crore suffered by these PSUs during the previous year. The aggregate amount of investment (Share capital + loan + accrued interest) made by Government in the PSUs stood at Rs. 6838.46 crore in 2014-15 as against Rs. 6445.07 crore in 2013-2014. The investment in Share Capital by Government has increased to Rs.3295.97 crore in 2014-15 from Rs.2998.69 crore in 2013-14 (9.91%).

GROWTH AND PROFITABILITY OF STATE PUBLIC SECTOR UNDERTAKINGS IN TAMIL NADU (RS IN CRORES)

DETAILS	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	AAPV (%)
Total Number of Public Sector Undertakings (Nos)	49	50	51	51	51	51	0.81 (0.74)*
Number of Corporations that made profit	35	33	31	35	33	36	0.90 (0.74)*
Number of Corporations that incurred loss	14	17	20	16	18	15	2.98 (0.84)*
Overall Net Profit / Loss (in crore)	-285.03	-1093.47	-1354.29	-373.27	-641.28	-1690.59	94.10 (17.18)*
Overall Cash Profit / Loss (in crore)	249.30	697.64	-730.98	252.68	-16.32	-1135.11	1317.87 (-13.72)*
Total Government Investment	4974.44	6264.50	5599.46	5906.19	6445.07	6838.46	7.20 (4.94)*
Total Fixed Assets	852610.51	929208.01	974335.65	1038842.13	1101265.52	1179555.70	6.72 (6.28)*
Total Number of persons employed	159042	159236	154160	157916	163594	163691	0.61 (0.71)*
Percentage of Net profit to capital employed (%)	-2.11	-7.63	-9.73	-2.86	-3.19	-8.01	-

Sources : Annual Review - 2009-10 to 2014-15, Bureau of Public Enterprises.

* Compound Growth Rate.

TABLE NO 1 SECTORWISE GROWTH AND PROFITABILITY OF STATE PUBLIC SECTOR UNDERTAKINGS IN TAMIL NADU

The paper discusses the macro financial aggregates of the State PSUs and brings out the trends related thereto for the period 2009-10 to 2014-15. The total investment in public sector undertakings in Tamil Nadu was Rs. 1717997.09 lakhs in 2009-10 which has risen to 3127183.28 lakhs in 2014-15. Among the public sector undertakings the total investment was high in Development (Industry and Finance) sector and passenger Transport sector. The compound rate of growth and annual average percentage variation was found 12.02 and 12.79 percent respectively. Total capital employed in these State PSUs increased from Rs. 1353781.98 lakhs in 2009-10 to Rs. 2111757.72 lakhs in 2014-15 showing a CARG of 9.71 per cent during the study period. Sector wise capital employed was very high in Development (Industry and Finance) sector and low in passenger Transport sector.

The total turnover of all the public enterprises for the financial year 2009-10 was Rs. 3217126.65 lakhs which has grown to 4613882.72 lakhs in 2014-15. The average annual growth of turnover was 7.73 per cent and trend growth rate was found 7.01 percent. Out of ten sectors trading sector was found highest turnover during the study period. The total number of person employed in the state public sector undertakings was 159042 in 2009-10 to 163691 in 2014-15. It is evident from the table 1.shows that total number of person employed in all PSUs has registered 0.71 per cent and the average annual growth of total number of person employed was found 0.61 per cent during the study period. The majority of employment was in Passenger Transport trading and manufacturing sector.

Sector wise net profits/losses of public Sector Undertakings from 2009-10 to 2014-15 are given in Table 6. The overall position of PSUs Tamil Nadu has not been satisfactory on the profitability front. The net profits were in the negative throughout the period of the study. Where a few sectors have suffered cash losses for a number of years, Bureau of Public Enterprises should examine such cases for capital restructuring. The losses of two sectors are on the increase. The profitability (as percentage of post-tax profit to capital employed) of these enterprises ranged between -2.11 per cent and -9.73 per cent during these years. However the loss-making Passenger Transport sector had increased from Rs.732.66 crores in 2009-10 to Rs.2337.09 crores in 2014-15 (an increase of Rs.1605.55 crores). It is evident from the Table shows that Passenger Transport and trading sector of PSUs Tamil Nadu are continuously incurring losses. Thus the problem of poor profitability and still the more serious problem of increasing losses of loss-making sectors has been earning a serious concern. The average annual percentage rate of increase in overall net loss was found 94.10 percent during the study period. During the same period the trend growth rate of net loss was 17.17 percent.

When we study Table 6 and analyses it sector wise we see that the groups engaged in Construction, Development (Industry and Finance), Development others, Manufacturing Mining, Other transport, Miscellaneous sectors have made profit continuously during all the years under review. Still there are one sector suffering losses on a regular basis are in the Passenger transport. The remaining sectors (Agri and Allied and Trading) in public sector Undertakings in Tamil Nadu have witnessed a mixed trend relating to their profit and loss position. During the same period, 35 enterprises have

earned profits. Out of the 10 sectors except Passenger Transport sector and Agri & allied sector all other sectors have earned profit during 2014-15. During the study period, the overall performance of all State Transport Undertakings has deteriorated. All the State Transport Undertakings have suffered Losses. A better performance in two sectors such as Development (Industries & Finance) and Development – Others sector have earn more profit than other sector. We should evaluate public sector undertakings taking in view the performance of individual sectors and not the performance of the public sector undertakings on the whole. Public sector undertakings, on the whole, showing profit results have also been a victim of criticism because of the losses suffered by individual sectors.

SECTORWISE INVESTMENT

(Rs in Lakhs)

S.No	Name of the Sector	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	AAPV (%)
1	Agri and allied	2266.83	2555.90	2827.88	3275.03	3747.49	5369.71	19.38
2	Construction	16695.21	17431.09	19194.24	19701.71	26455.88	15426.19	1.95
3	Development (Industry & Finance)	842156.29	887907.45	1049052.61	1321750.13	1621584.34	1807028.55	16.74
4	Development (others)	17130.93	19676.40	21115.79	27168.83	31689.65	33663.15	14.74
5	Manufacturing	2295554.51	247072.92	255694.19	235567.94	227479.15	278177.67	-14.95
6	Mining	7453.04	7517.54	10743.34	10987.62	11929.09	11340.78	9.94
7	Passenger Transport	346816.98	448506.60	403164.56	421618.02	435108.09	491996.04	8.01
8	Other Transport	2053.00	2053.00	2053.00	2053.00	2053.00	2053.00	0.00
9	Trading	210898.53	238706.45	226443.25	228393.88	298928.97	387416.55	13.88
10	Miscellaneous	42971.77	53257.68	54195.40	71543.99	95392.14	94711.64	18.07
	Total	1717997.09	1924685.03	2044484.26	2342060.15	2754367.80	3127183.28	12.79(12.02)*

Sources :Annual Review-2009-10 to 2014-15, Bureau of Public Enterprises.

* Compound Growth Rate.

TABLE NO 2

SECTORWISE CAPITAL EMPLOYED

(Rs in Lakhs)

S.No.	Name of the Sector	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	AAPV (%)
1	Agri and allied	10952.31	13210.75	16398.43	20224.39	22377.25	22801.18	16.12
2	Construction	14598.99	16758.97	18344.54	18954.66	33732.11	23247.03	14.89
3	Development (Industry & Finance)	915614.34	976241.56	1167899.54	1477240.25	1815301.28	2023335.63	17.42
4	Development (others)	20203.72	23756.57	27270.42	36470.87	46884.16	55229.77	22.49
5	Manufacturing	233609.97	334796.26	331221.43	302307.61	343903.87	353752.09	10.03
6	Mining	9949.15	10093.87	12255.30	11689.50	18346.24	19718.26	16.54
7	Passenger Transport	-119610	-249717.29	-478291.54	-539172.06	-658648.05	-866559.80	53.35
8	Other Transport	2259.03	2353.57	2404.08	2703.72	3162.50	3407.57	8.70
9	Trading	212943.81	240166.99	227989.96	218091.09	273454.47	360317.45	12.10
10	Miscellaneous	53261.39	65255.67	66183.93	84450.24	112943.50	116508.54	17.69

Total	1353781.98	1432916.82	1391676.09	1632960.27	2011457.33	2111757.72	29.69 (9.71) *
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Sources :Annual Review-2009-10 to 2014-15, Bureau of Public Enterprises.

* Compound Growth Rate.

TABLE NO 3

SECTORWISE TURNOVER GROWTH

(Rs in Lakhs)

S.NO.	NAME OF THE SECTOR	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	AAPV (%)
1	Agri and allied	16529.72	16869.53	17950.49	18921.67	21163.94	18079.87	2.23
2	Construction	2156.30	1762.40	3084.27	3462.00	4483.61	5618.30	24.76
3	Development (Industry & Finance)	121816.44	188973.13	172952.13	202143.71	236179.19	265035.14	18.52
4	Development (others)	47227.02	57131.74	61613.12	66990.83	75184.00	93964.93	14.95
5	Manufacturing	168513.36	170901.92	197293.63	230107.71	277657.94	266886.68	10.06
6	Mining	18966.29	16642.52	18989.41	20617.97	27989.44	26500.50	8.17
7	Passenger Transport	527329.59	563176.00	602532.35	732694.02	816936.79	833992.26	9.79
8	Other Transport	46035.43	51616.44	49204.67	54369.19	66579.93	62630.92	6.89
9	Trading	2255189.67	2611755.75	2383318.06	2704655.97	2811683.51	3000347.40	6.24
10	Miscellaneous	13362.83	14111.53	22281.02	33503.29	36190.85	40826.72	26.94
	Total	3217126.65	3692940.96	3529219.15	4067466.36	4374049.20	4613882.72	7.73(7.01) *

Sources :Annual Review-2009-10 to 2014-15, Bureau of Public Enterprises.

* Compound Growth Rate.

TABLE NO 4

**NO. OF EMPLOYEES
(VALUE IN NUMBER)**

S.No.	Name of the Sector	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	AAPV (%)
1	Agri and allied	8995	8924	8742	7557	7865	7275	-3.96
2	Construction	753	738	654	617	637	636	-3.19
3	Development (Industry & Finance)	1710	1583	1513	1455	1375	1296	-5.39
4	Development (others)	1476	1324	1475	1420	1374	1235	-3.20
5	Manufacturing	4450	4474	4200	4000	3941	3882	-2.66
6	Mining	2079	2007	1945	1837	1740	1640	-4.63
7	Passenger Transport	128943	129375	125175	130806	136508	137788	1.38
8	Other Transport	315	315	272	271	222	222	-6.42
9	Trading	9448	9466	8978	8882	8772	8691	-1.64
10	Miscellaneous	873	1030	1206	1071	1160	1026	4.13
	Total	159042	159236	154160	157916	163594	163691	0.61(0.71) *

Sources :Annual Review-2009-10 to 2014-15, Bureau of Public Enterprises.

* Compound Growth Rate.

TABLE NO 5
SECTOR WISE PROFITABILITY
(RS IN LAKHS)

S.NO	NAME OF THE SECTOR	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	AAPV (%)
1	Agri and allied	2619.09	2183.79	2823.57	3429.68	2566.88	-282.16	-20.40
2	Construction	471.37	-484.76	-58.82	220.64	1391.60	1183.65	-50.01
3	Development (Industry & Finance)	20254.85	26134.03	27641.48	40997.28	39301.57	29774.10	10.95
4	Development (others)	502.51	831.68	2078.54	2777.00	2771.20	2317.82	46.49
5	Manufacturing	18152.20	12965.78	9104.11	7188.58	12835.69	15573.48	4.10
6	Mining	1039.81	496.39	747.87	918.47	2525.70	2965.97	42.73
7	Passenger Transport	-	-	-	-	-	-	41.25
		73266.29	153135.13	179165.67	85650.06	126598.30	233709.29	
8	Other Transport	358.98	94.54	50.51	299.64	433.83	370.97	80.66
9	Trading	201.62	-262.69	-146.99	-9936.16	-3353.74	7913.73	1196.64
10	Miscellaneous	1162.39	1829.34	1496.36	2427.59	3997.72	4832.71	37.39
	Total	-	-	-	-	-64127.85	-	94.09
		28503.47	109347.03	135429.04	37327.34		169059.02	(17.17)
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Sources :Annual Review-2009-10 to 2014-15, Bureau of Public Enterprises.

* Compound Growth Rate.

TABLE NO 6

3. CONCLUSION

It is, thus, obvious from the forgoing discussion that public Sector undertaking has played a major role in the overall economic development and growth of Tamil Nadu economy. Growth of Public Sector undertaking has reviewed and highlighted using diverse Indicators like production profile, investment, turnover, capital employed, employment, emoluments and profitability, and many other evidently highlight the achievements. Out of the 10 sectors except Passenger Transport sector and Agri & allied sector all other sectors have earned profit. A better performance in 2 sector such as Development (Industries & Finance) and Development – Others sector have earn more profit than other sector. Hence looking at the overall scenario, financial performance seems to be satisfactory. They are extended arms of the State Governments in the task of the promotion of economic and social development. The State PSUs are engaged in a variety of activities ranging from industrial development, finance, trading and marketing, construction services, consumer goods, engineering goods as also development of backward regions and weaker sections of the society. Public enterprises are a significant and well-established component of the country's system of governance and must remain so well into the future.

4. REFERENCES

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