



Financial performance of state level public enterprises in Andhra Pradesh

Achanta Satyanarayana,

Research Scholar, Department of Management, Rayalaseema University, Kurnool, AP

Abstract: In recent years, their financial performance of the SLPEs has touched the rock bottom. The growth of these enterprises has reached a stage where the policy-makers would like to know as to how far they have been able to fulfil their role as instruments of public policy, and in what way their role could be redefined in the present economic and political environment wherein economy in expenditure on the SLPEs has become a necessity

Key words: Reorganization, economy, expenditure, public policy

Introduction

Since independence, among all sectors that have contributed to the growth of Indian economy, PSU sector has been the most consistent and prominent given its contribution towards the country. PSU sector has not only contributed in terms of GDP's growth and development, but also assured self-reliance to the people of the country. It has been through the services of PSU sector that has laid the foundation for various other sectors to grow and prosper. It is the PSU sector that has given the framework for others sectors to manifest growth and abundance in the country. Amongst its contribution to the country, PSU sector has provided self-reliance to the people of this country as its top most contribution. In case of events like wars or famines, PSU sector has shown solidarity and demeanour in handling such events by improvising and ensuring continued support to the country. PSU establishments usually operate with a higher motive of working. Unlike private players, which are only concerned about profit maximisation, PSU establishments serve a higher purpose for its sustenance.

PSU enterprises work on issues of national importance such as elevating the poor, food for society, roads and infrastructure to ensure growth, electricity to villages, educating the poor and many social causes. Such issues of national prominence are never taken up by any other entity but PSUs.

The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations which are established to carry out activities of commercial nature keeping in view the welfare of people. The AP Reorganization Act, 2014 come into effect from 2 June 2014 vide which erstwhile composite Andhra Pradesh was bifurcated and Andhra Pradesh State was formed on the same day. In Andhra Pradesh, the State PSUs occupy an important place in the state economy.

Functioning of State Public Sector Undertakings

The AP Reorganization Act, 2014 come into effect from 2 June 2014 vides which erstwhile composite Andhra Pradesh was bifurcated and Andhra Pradesh State was formed on the same day. In Andhra



Pradesh, the State PSUs occupy an important place in the state economy. The accounts of these PSUs are subject to supplementary audit conducted by CAG as per the provisions of Section 143 of the Companies Act, 2013 and audit of Statutory Corporations is governed by

their respective legislations. As on 31 March 2015, there were 70 PSUs, falling under audit preview. Out of these, 15 working PSUs pertain exclusively to Andhra Pradesh and 33 PSUs are under demerger and remaining 22 are non-working PSUs (yet to be bifurcated).

Table 1.1: Total number of PSUs as on 31 March 2015

Type of PSUs	Working PSUs	Non-working PSUs*	Total
Government Companies (Exclusive Andhra Pradesh)	15	0	15
Government Companies under demerger	30	22	52
Statutory Corporations under demerger	3	0	3
Total	48	22	70

Financial performance

In recent years, their financial performance of the SLPEs has touched the rock bottom. The growth of these enterprises has reached a stage where the policy-makers would like to know as to how far they have been able to fulfil their role as instruments of public policy, and in what way their role could be redefined in the present economic and political environment wherein economy in expenditure on the SLPEs has become a necessity

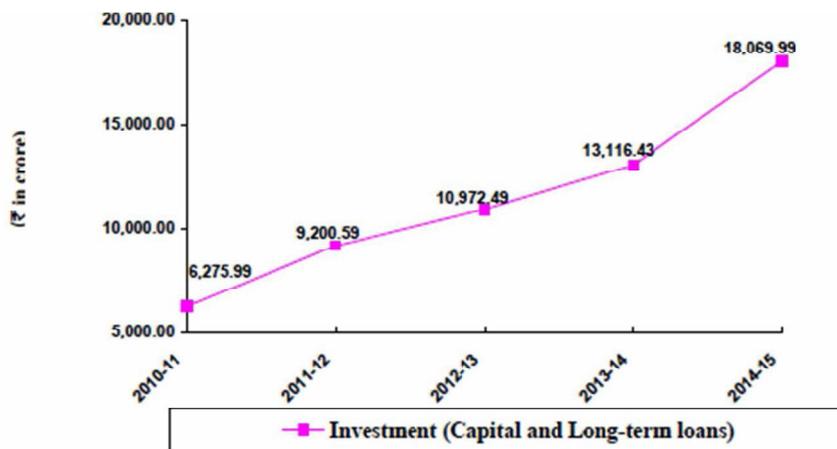
Investment (capital & long term loans)

As on 31 March 2015, of the total investment, 29.77 per cent was in Working PSUs (exclusive Andhra

Pradesh), 61.25 per cent was in PSUs under demerger, 8.55 per cent in Statutory Corporations and 0.43 per cent in nonworking PSUs. This total investment consisted of 14.86 per cent towards capital and 85.14 per cent in long-term loans in respect of Working PSUs (exclusive Andhra Pradesh). This total investment consisted of 8.47 per cent towards capital and 91.53 per cent in long-term loans in respect of PSUs under demerger.

The investment has grown by 65.27 per cent from ` 6,275.99 crore in 2010-11 to ` 18,069.99 crore in 2014-15 in respect of Working PSUs (exclusive Andhra Pradesh) as shown in the chart as follows:

Chart 1: Total investment in Working PSUs (Andhra Pradesh)



The investment in four significant sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 in respect of Working PSUs (exclusive Andhra Pradesh) are indicated below in the chart. The thrust of investment in

respect of Working PSUs (exclusive Andhra Pradesh) was mainly in power sector, which increased from 98.73 per cent to 99.38 per cent during 2010-11 to 2014-15.

Sector wise investment in PSUs

The sector wise summary of investments in the Working PSUs (exclusive Andhra Pradesh), PSUs under demerger (including Statutory Corporations) as on 31 March 2015 is given as follows:

Table-2: Sector wise investment in PSUs

Name of Sector	PSUs under de-merger				Investment
	Working PSUs (exclusive Andhra Pradesh)	Working PSUs	Statutory Corporations	Nonworking PSUs	
Power	17,957.86	16,927.03	--	--	34,884.89
Manufacturing	18.48	186.20	--	202.41	407.09
Finance	--	5,832.23	2,534.55	23.57	8,390.35
Miscellaneous	3.11	5.09	--	--	8.20
Service	0.10	5.50	2,564.41	1.13	2,571.14
Infrastructure	60.00	13,830.65	--	--	13,890.65
Agriculture & Allied	30.44	399.46	94.47	32.08	556.45
Total	18,069.99	37,186.16	5,193.43	259.19	60,708.77



Profit/loss of APSPSUs

During the year 2014-15 out of seven working PSUs (Exclusive Andhra Pradesh) which finalised accounts, one PSU (Andhra Pradesh Heavy Machinery & Engineering Limited) earned a profit of Rs.2.50 crore and five PSUs incurred loss of Rs.28.58 crore and one working PSU has not started its commercial operations. Out of 22 PSUs under demerger which finalised accounts, 14 PSUs earned a profit of Rs.510.27 crore, seven PSUs incurred a loss of Rs.1,221.54 crore and one PSU prepared its accounts on 'no profit no loss' basis.

Major contributors to profits

Major contributors to profit were Andhra Pradesh Forest Development Corporation Limited, Andhra Pradesh State Warehousing Corporation, Andhra Pradesh Industrial Infrastructure Corporation Limited and Andhra Pradesh State Irrigation Development Corporation Limited.

Conclusion

In SLPEs the greatest bottleneck is delays in implementation of projects, leading both cost and time overruns. Therefore in appraising the performance of the enterprises, these issues relating to proper execution of projects or capital expenditure, need special attention. At macro level in the financial restructuring, the capital structure is to be reviewed seriously. It is known that, government investments in public enterprises, not only comprise of equity capital but also an equal amount of interest bearing long term loans. Since interest is treated as a cost in the profit and loss account, it

affects the quantum of profit/loss. Normally in the case of sick companies, the interest burden is major cost, which contributes for the losses. If substantial reduction in the interest burden is possible, and if it would have a long term effect, in improving the overall financial performance, conversion of long term loans in to equity is considered as an important relief in the case of public enterprises.

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