

6.1 Non-achievement of targets

The revival schemes were sanctioned with the basic objective of making the sick CPSEs turnaround in a time bound manner. Achievement of targets set out in the revival schemes is, therefore, a pre requisite for success of the revival schemes. Audit, therefore, analysed as to how far the targets set in the revival schemes were achieved by these nine CPSEs selected for Audit.

The table below indicates the targets of turnover and profitability set in the schemes and the actual achievements by these selected CPSEs:

Table 6.1 – Targets vs. Achievements

(₹ in crore)

PSU	Year	Sales			Net Profit (Loss)		
		Target	Actual	Deviation (%)	Target	Actual	Deviation(%)
NTC	2007-08	616.69	483.99	(21.52)	(182.36)	(510.19)	(179.77)
	2008-09	1126.29	416.67	(63.00)	42.33	4179.43	977.34
	2009-10	1454.69	486.53	(66.55)	176.41	103.13	(41.54)
	2010-11	1454.69	636.92	(56.22)	209.20	1429.45	583.29
NPCC	2007-08	912.60	729.43	(20.07)	31.87	(36.62)	(214.90)
	2008-09	1186.38	841.04	(29.11)	53.11	(28.69)	(154.02)
	2009-10	1542.29	1005.62	(34.80)	85.83	31.29	(63.54)
	2010-11	-*	1077.69	-	-*	28.53	-
HOCL	2007-08	699.79	571.43	(18.34)	28.48	15.29	(46.31)
	2008-09	719.08	546.54	(23.99)	20.13	(26.13)	(229.81)
	2009-10	719.08	478.63	(33.44)	30.72	(84.32)	(374.48)
	2010-11	738.07	667.35	(9.58)	(15.88)	25.71	261.90
BCL	2007-08	103.72	51.20	(50.64)	18.41	0.61	(96.69)
	2008-09	106.37	67.88	(36.19)	19.10	1.71	(91.05)
	2009-10	109.02	127.61	17.05	19.88	2.07	(89.59)
	2010-11	-*	169.71	-	-*	7.65	-
CCI	2007-08	223.57	342.63	34.75	314.25	40.89	(86.99)
	2008-09	312.01	363.89	16.63	61.19	52.55	(14.12)
	2009-10	351.92	361.73	2.79	71.39	52.75	(26.11)
	2010-11	351.92	302.03	(14.18)	71.02	27.13	(61.80)
ECL	2007-08	3116.73	3188	2.29	239.08	(1030)	(530.82)
	2008-09	3285.64	3837	16.78	329.17	(2109)	(740.70)
	2009-10	3550.76	5228	47.24	435.27	333	(23.50)
	2010-11	3693.93	5883	59.26	366.39	106.57	(70.91)
HMT	2007-08	320	232.67	(27.29)	(10.25)	(40.49)	(295.02)
	2008-09	375	180.82	(51.78)	10.53	(37.16)	(452.90)
	2009-10	450	193.86	(56.92)	34.38	(45.80)	(233.22)
	2010-11	475	190.90	(59.81)	33.39	(93.06)	(378.71)
HEC	2007-08	360	412.92	14.7	1.26	4.17	230.95
	2008-09	465	453.87	(2.39)	6.16	18.37	198.21
	2009-10	550	528.53	(3.9)	21.55	44.27	105.43
	2010-11	700	681.21	(2.68)	36.80	38.14	3.64
FACT	2007-08	1617.55	898.51	(44.45)	14.27	8.97	(37.14)
	2008-09	1617.55	2174.02	34.40	13.94	(42.95)	(408.11)
	2009-10	1617.55	2159.53	33.51	14.35	(103.83)	(823.55)
	2010-11	1617.55	2521.13	55.86	16.18	(49.32)	(404.82)

* No targets were provided for the year 2010-11

Brackets indicate negative figures

As is evident from the table above that:

- (a) Achievement of sales and net profit targets in respect of four CPSEs (BCL, CCI, ECL and HEC) has improved over the years. The shortfall in net profit was seen only in ECL and CCI. The profitability in BCL and HEC has substantially improved.
- (b) In the remaining 5 CPSEs, the targets could not be achieved as discussed below:
- HMT Machine Tools failed to achieve the target of sales and net profit set for the years 2007-08 to 2010-11. The shortfall in sales ranged between 27.29 to 59.81 per cent and in Net Profit the shortfall ranged between 233.22 to 452.90 per cent.
 - Similarly, NPCC whose revival scheme was implemented in 2008-09 also failed to achieve the targets fixed for 2008-09 and 2009-10. The shortfall in sales and net profit varied from 29.11 to 34.80 per cent and 63.54 to 154.02 per cent respectively.
 - NTC could not achieve sales targets in any of the years from 2007-08 to 2010-11 and the shortfall ranged between 21.52 per cent to 66.55 per cent. The increase in the profit of the company in the years 2008-09 and 2010-11 was not due to improvements in operational efficiencies but was due to sale of land and other assets and waiver of outstanding interest, etc.
 - HOCL could not achieve the sales and net profit targets in any of the years from 2007-08 to 2009-10. The company, however, achieved net profit target during 2010-11 which was mainly due to imposition of anti-dumping duty by GOI on Phenol and Acetone (products being manufactured by HOCL) in April 2010.
 - Despite achieving the target of sales during 2008-09 to 2010-11, FACT had incurred losses against targeted net profit which varied between 37.14 per cent and 823.55 per cent.

In brief, out of the nine CPSEs, targets of sales and net profit as envisaged in the revival schemes could be achieved only by four CPSEs (BCL, CCI, ECL and HEC). The remaining five CPSEs (HOCL, NTC, FACT, NPCC and HMT Machine Tools), could not achieve the targeted net profit from ordinary course of business indicating only a limited success of revival schemes in these cases. The revival schemes for nine CPSEs reviewed in audit could only achieve ₹ 332.56 crore of profit as against the projected profit of ₹ 889.78 crore.

6.2 Sustainability of the Operations

An exercise was made in Audit to evaluate the sustainability of the 9 CPSEs on three parameters namely net worth²⁴, operating profit and turnover. The degree of revival for the nine CPSEs and the extent to which these companies have behaved in their financials is detailed below.

Table 6.2 – Financial performance of the CPSEs

(₹ in crore)

PSU	Parameter	2006-07	2007-08	2008-09	2009-10	2010-11	Remarks
NTC	Net worth	(6916.36)	(7426.54)	155.50	258.74	1855.43	Implementati on was started in 2006-07.
	Turnover	502.04	483.99	416.67	486.53	636.92	
	Operating Profit	(117.51)	(50.15)	(70.46)	(108.35)	(75.71)	
NPCC	Net worth	(731.61)	(768.23)	(796.94)	(118.74)	(90.23)	Scheme was implemented in 2008-09.
	Turnover	721.94	711.53	825.56	991.11	1077.69	
	Operating Profit	(29.46)	14.12	9.03	34.96	29.71	
HOCL	Net worth	158.65	172.25	146.77	63.56	90.27	Implementati on was started in 2006-07
	Turnover	591.25	666.59	620.90	520.71	738.03	
	Operating Profit	70.59	60.66	23.16	(34.57)	72.35	
BCL	Net worth	6.16	6.72	10.10	10.66	16.79	Scheme was implemented in 2006-07
	Turnover	54.71	51.20	67.88	127.61	169.71	
	Operating Profit	6.37	9.28	8.68	7.80	12.39	
CCI	Net worth	(363.43)	(319.04)	(266.93)	(213.61)	(185.36)	Implementati on was started in 2006-07
	Turnover	325.72	342.63	363.89	361.73	302.03	
	Operating Profit	214.36	86.37	100.83	99.15	71.61	
ECL	Net worth	(2926)	(4240)	(6349)	(6016)	(5908.97)	Implementati on was started in 2004-05
	Turnover	3518	3188	3837	5228	5882.60	
	Operating Profit	20	(1088)	(2182)	125	107.58	
HMT	Net worth	80.56	57.73	26.91	(18.87)	(111.91)	Implementati on was started in 2007-08
	Turnover	225.01	232.67	180.82	193.86	190.90	
	Operating Profit	(31.22)	(1.17)	(19.40)	(38.40)	(85.37)	
HEC	Net worth	(636.76)	(636.33)	(463.18)	(339.18)	(300.17)	Implementati on was started in 2005-06
	Turnover	303.90	412.92	453.87	528.53	681.21	
	Operating Profit	(11.48)	(0.17)	19.58	30.10	39.06	
FACT	Net worth	251.57	251.80	294.85	191.89	141.69	Scheme was implemented in 2006-07
	Turnover	1469.39	873.96	2128.66	2105.92	2521.13	
	Operating Profit	(127.74)	(190.81)	(178.04)	(103.70)	(41.12)	

Analysis of the post-implementation performance in audit revealed that:

- (a) In three CPSEs (NPCC, BCL and HEC), all the three parameters of net worth, turnover and operating profit were showing improvement over the years. As such, it can be concluded that the revival schemes had positive impact on the operations of these CPSEs.

²⁴ Net worth = Paid-up share capital + Reserves and Surplus – Accumulated Losses. The total accumulated losses of the nine CPSEs stood at ₹18914.57 crore upto 2009-10.

- (b) The ECL, the net worth and turnover showed improvement during 2008-09 to 2010-11. The Company also earned operating profit in 2009-10 and 2010-11.
- (c) Net worth and turnover of NTC improved during 2008-09 to 2010-11 mainly due to waiver of outstanding GOI loans of ₹ 3402.62 crore, the outstanding interest of ₹ 2727.13 crore and generation of extraordinary income from sale of land. The company has been consistently incurring operating losses which is detrimental for the long term survival of the Company. Hence, the revival scheme has contributed towards improving of net worth and not the operational efficiency of the Company.
- (d) HOCL has improved its net worth and the operating profits have also been improved though it was mainly because of imposition of anti-dumping duty by GOI as stated earlier.
- (e) CCI has improved its net worth over the years due to waiver of loans/ interest but the operational efficiency i.e. turnover and operating profit were declining during the period 2008-09 and 2010-11. Despite the fact that cement industry witnessed growth during this period due to boom in infrastructure sector, the Company's growth was still showing a declining trend.
- (f) In FACT, though the turnover was increasing during 2008-09 to 2010-11, the Company was still suffering operating losses and consequential decrease of the net worth. Hence, the revival package had little impact on the operational efficiency of the Company.

In addition, **Standing Committee of Parliament on Labour** in its 13th report of August 2010 observed that though HMT (machine tools) was given a revival package of ₹ 880.80 crore in February 2007, the company could not turnaround towards the path of profit making. The committee recommended that in order to make the company viable, it would be essential to integrate the various units of the organisation with the other establishments of the GOI like BHEL, NTPC, HAL, IAF, Railways etc. In reply Ministry stated that a proposal for merger of Company with Heavy Engineering Corporation Ranchi is being explored. However, no progress in this regard is noted by the Audit.

In conclusion, the revival schemes have positive impact on the operations of four CPSEs (NPCC, BCL, HEC, ECL) and these were on the path of revival. In case of two CPSEs (CCI, and HOCL), though revival schemes have some positive impact on their operations, their performance was not at the satisfactory level and their revival in long-term remains to be seen. In the remaining three CPSEs (NTC, HMT Machine Tools and FACT) the revival package had little impact on their operations, as these companies could not generate operating profits. Their operating profits remained negative even after implementation of revival schemes. The net worth of NTC Ltd turned positive due to substantial inflow of funds from sale of land. The net worth of HMT Machine Tools Ltd., which was positive, eroded considerably after implementation of revival scheme mainly due to delay in implementation of capex and technological upgradation programmes. The net worth of FACT was decreasing due to operating losses and it may turn negative if this trend continues.