

CHAPTER 4

OPERATING EFFICIENCY

Sales and Marketing

4.1 The overall percentage of sales of PSUs to the Government Sector with reference to their total net sales was 26.49. During 2004-05, 133 PSUs made sales / rendered services worth Rs.71,033 crore to Government Departments against their net sales of Rs.3,22,574 crore. The PSUs, which had made at least 90 per cent of their sales/rendered services to the Government sector with value of more than Rs.100 crore on the basis of data furnished by these PSUs, except the PSUs in the Power and Petroleum sectors, are given below:

Rank	Name of the PSU
1	HMT Limited
2	National Projects Construction Corporation Limited
3	Garden Reach Shipbuilders and Engineers Limited
4	Bharat Dynamics Limited
5	Uranium Corporation of India Limited
6	Cement Corporation of India Limited
7	Bharat Electronics Limited

4.2 The top ten PSUs (in the order of percentage of sales) which had made at least 85 per cent of their sales/rendered services to the private sector are given below. For this purpose, PSUs which made sales of Rs.1000 crore and above both to Government and private sectors were considered.

Rank	Name of the PSU
1	National Fertilizers Limited
2	Mangalore Refinery and petrochemicals Limited
3	National Aluminium Company Limited
4	Rashtriya Chemicals and Fertilizers Limited
5	Kochi Refineries Limited
6	Gas Authority of India Limited
7	Hindustan Aeronautics Limited
8	Indian Oil Corporation Limited
9	Indian Iron and Steel Company Limited
10	I T I Limited

4.3 Eighty five PSUs exported goods or rendered services abroad worth Rs.32,060 crore against their net sales of Rs.3,53,403 crore which worked out to 9.07 per cent only. The top ten PSUs (on the basis of percentage of export to their Net sales) which exported goods/rendered services exceeding Rs.100 crore during 2004-05 are given in next page:

Rank	Name of the PSU
1	Kudremukh Iron Ore Company Limited
2	Telecommunications Consultants India Limited
3	National Aluminium Company Limited
4	National Mineral Development Corporation Limited
5	Cochin Shipyard Limited
6	Mangalore Refinery and Petrochemicals Limited
7	MMTC Limited
8	Bharat Heavy Electricals Limited
9	PEC Limited
10	IRCON International Limited

4.4 In terms of absolute value, the following are the top ten PSUs which exported their goods during 2004-05:

Rank	Name of the PSU	Export Sales (Rs.in crore)
1	Mangalore Refinery and Petrochemicals Limited	6191.32
2	Indian Oil Corporation Limited	3176.12
3	MMTC Limited	3030.87
4	National Aluminium Company Limited	2200.25
5	Bharat Heavy Electricals Limited	1607.73
6	Kudremukh Iron Ore Company Limited	1434.84
7	Steel Authority of India Limited	1335.06
8	National Mineral Development Corporation Limited	1071.43
9	Kochi Refineries Limited	960.44
10	PEC Limited	81.72

Capacity Utilisation

4.5 Capacity utilisation is an index of the efficiency of an enterprise. In order to make an enterprise economically viable as well as to increase its productivity and return on investment, it is essential that the capacities of the plant and machinery are optimally utilised. Besides, an enterprise should also concentrate its attention on effective and efficient management of other vital resources such as inventory, human resources and finance for enhancing productivity.

4.6 The percentage of capacity utilisation with reference to the installed capacity in respect of the main products produced by manufacturing PSUs of major sectors during the last three years ending 2004-05 is tabulated in Appendix - XI. It can be seen from the Appendix that capacity utilisation in the PSUs showed wide variation in all sectors. Even within the same PSU, the capacity utilisation varied substantially from product to product and from year to year. In general, barring one or two PSUs/products, capacity utilisation during 2004 - 05 was generally good in the Chemicals and Petrochemicals, Coal and Lignite, Mines and Minerals, Petroleum and Natural Gas, Power and Steel Sectors. A frequency table indicating the trend of capacity utilization achieved by manufacturing PSUs of major sectors is given in next page:

Capacity utilisation in percentage	No. of PSUs		
	2002-03	2003-04	2004-05
0-50	10	12	9
More than 50-100	29	34	30
More than 100	34	31	33
Total	73	77	72

4.7 Among other sectors, high capacity utilisation was noticed in respect of Artificial Limbs Manufacturing Corporation of India Limited, Hindustan Newsprint Limited, Rashtriya Chemicals and Fertilizers Limited and National Fertilizers Limited.

4.8 PSU wise correlation of value of production to total assets and capital employed is given at Appendix VII. The summary table indicating the trend of these ratios over a period of three years, as given below, indicates increase of the ratios during 2004-05 over the previous year. However, the ratios declined in respect of 48 PSUs.

	Details	2002-03	2003-04	2004-05
1	Value of Production (Rs. in crore)	509280.37	620971.70	744399.81
2	Total Assets (Rs. in crore)	849104.01	947593.81	1064640.78
3	Capital Employed (Rs. in crore)	435729.40	455780.14	490514.49
4	Ratio of Value of Production to Total Assets	0.60	0.66	0.70
5	Ratio of Value of Production to Capital Employed	1.17	1.36	1.52

4.9 On the basis of the data for the year 2004-05 furnished by the individual PSUs, the top ten PSUs have been ranked in terms of ratio of value of production to total assets as below. This helps to measure management's efficiency in the utilization of assets. For this purpose PSUs which have declared dividend besides having paid-up capital of Rs.100 crore and above were considered.

Rank	Name of the PSU	Ratio
1	Hindustan Petroleum Corporation Limited	2.96
2	Bharat Petroleum Corporation Limited	2.80
3	Kochi Refineries Limited	2.73
4	Bongaigaon Refinery and Petrochemicals Limited	2.52
5	Indian Oil Corporation Limited	2.15
6	Chennai Petroleum Corporation Limited	2.01
7	Mangalore Refinery and Petrochemicals Limited	2.00
8	Numligarh Refinery Limited	1.19
9	Steel Authority of India Limited	0.77
10	Western Coalfields Limited	0.77

Human Resources

4.10 The sales per employee, profit per employee and ratio of labour cost to total cost are given in Appendix XII. The appendix indicates that sales per employee was lowest in Chemicals and Petrochemicals, Coal and Lignite, Consumer Products and Textiles sectors and it was highest in Petroleum and Financial Services sectors.

Research and Development

4.11 Research and Development was conducted by 64 PSUs and the total expenditure thereon during the year 2004-05 amounted to Rs.960 crore. This is only 0.25 per cent of their total expenditure of Rs.387273 crore. In terms of absolute value, the following are the PSUs which incurred expenditure of more than Rs.10 crore on Research and Development. This works out to 0.35 per cent of their total expenditure of Rs.251538 crore.

Sl. No.	Name of the PSU	R&D Expenses (Rs. in crore)
1	Hindustan Aeronautics Limited	306.63
2	Bharat Electronics Limited	127.14
3	Oil and Natural Gas Corporation Limited	105.27
4	Bharat Heavy Electricals Limited	89.60
5	Indian Oil Corporation Limited	60.57
6	Steel Authority of India Limited	60.55
7	I T I Limited	36.79
8	Electronics Corporation of India Limited	34.86
9	Western Coalfields Limited	28.59
10	Bharat Petroleum Corporation Limited	27.45
11	Oil India Limited	11.68
	Total	889.13