FOR RESTRICTED CIRCULATION

RBI STAFF STUDIES

TAMIL NADU STATE ROAD TRANSPORT CORPORATIONS — AN EVALUATION OF FINANCIAL PERFORMANCE (1984-85 TO 1993-94)

K.U.B. RAO

DECEMBER 1997



DEPARTMENT OF ECONOMIC ANALYSIS AND POLICY MUMBAI

SPL COLL RBI

GR1957

RBI LIBRARY

TAMIL NADU STATE ROAD TRANSPORT CORPORATIONS — AN EVALUATION OF FINANCIAL PERFORMANCE (1984-85 TO 1993-94)

K.U.B. Rao*

Introduction

The fact that the Tamil Nadu State Transport Corporations (TNTCs) are financially crippled is too well known. Various factors responsible for the bleak show put up by these corporations and the fiscal impact of establishing and subsidising their operations, if any, needs to be studied threadbare periodically. The purpose of the rather comprehensive financial analysis made in this note, is two-fold. Firstly, this study seeks to assess the reasons for very indigent financial performance of Tamil Nadu State Road Transport Corporations during the period between 1984-85 and 1993-94 and secondly, it intends to suggest a possible framework aimed at turning them round towards the path of financial recovery. This study covers all the Tamil Nadu State Transport Corporations (19 in number) on which the State Bureau of Public Enterprises brings out audited data periodically. The scope of the Study is restricted to the years 1984-85 to 1993-94 with specific emphasis on the performance during 1993-94.

Methodology

The methodology adopted to identify the factors responsible for the present financial state is through very basic and simple exploration of the pattern in the sources and uses of funds and thereby bringing out the transformation took place and financial swat of such shifts. A close scrutiny of the working capital management, overall income and expenditure, trends in income and expenditure per bus and per KM operated as also the study of trends in major financial ratios during the period under review divulged the malaise associated with the financial management of these Corporations. Section I of this note presents the major observations of the study. Section II briefly explains the present status of the Corporations, while Section III concentrates on the financial performance, Section IV deals with the major financial ratios pertaining to these Corporations. Finally, Section V offers suggestions to turn them round as also the concluding observations.

SECTION I Major Observations

1. General

Despite acceptable growth record between 1984-85 and 1993-94 in total number of Corporations, employment generated, operating income, fleet strength, the aver-

^{*} The author is a Director in the Department of Economic Analysis and Policy, Reserve Bank of India, Mumbai. The study was prepared when the author was the Director, Department of Economic Analysis and Policy, Chennai regional office during 1995.

age fleet utilisation percentage, KM efficiency percentage, occupancy percentage and number of passengers carried, the financial standing and profitability record of the Tamil Nadu Transport Corporations enterprises leaves much to be desired.

2. Employment

The total number of persons employed in these Transport Corporations continue to provide maximum employment, with more than 72 per cent of the total employment, provided by Tamil Nadu public enterprises during 1993-94. The annual emoluments drawn by the work force employed by these Corporations increased very sharply by almost six-fold during the period under review, without corresponding increase in their earning contribution to these Corporations.

3. Summary of Financial Performance

For synthesing the major findings of the analysis of Tamil Nadu Transport Corporations finance, the following observations may be highlighted. Among various sources of funds like the paid-up capital, long term borrowings, short term borrowings and total capital employed, paid up capital on which interest need not be paid recorded the lowest annual average growth during the period under review. The capital structure of Transport Corporations in Tamil Nadu is unbalanced and composed mainly of interest-bearing borrowings. Their capital structure was highly leveraged and operating with around 5.0 per cent capital and relied heavily on borrowed funds which resulted in a heavy burden of interest on these enterprises. These Transport Corporations did not follow the generally accepted practice of approximately 50:50 equity and debt. As a sequel, the interest cover slipped from 0.77 times to a negative 0.22 during the period under study bringing out the deleterious effect of accumulation of debt on overall financial performance of the TNTCs. Due to the highly leveraged capital structure and the consequent outgo of interest in large amounts, the rate of return on total investment of these Corporations was negative. Although the aggregate gross block, depreciation provided on fixed assets and the net fixed assets had also increased in respect of these Transport Corporations during the period under review, the increase in net fixed assets was feeble. While the current assets increased at an average growth rate of 12.7 per cent, the current liabilities grew at 20.0 per cent between 1984-85 and 1993-94. While in the year 1984-85 the current assets were in excess of current liabilities by Rs. 13.5 crore, slowly but steadily the current liabilities surpassed the current assets and were in excess by Rs. 81.34 crore by 1993-94. The internal resources in which the depreciation was a major constituent went up from 47.67 per cent in 1985-86 to 69.74 during 1993-94. Although, internal generation of resources as a source of funds of these Transport Corporations increased its share in sources, substantial portion of these funds were under depreciation head which is only a deferred expenditure item. The use of funds towards absorbing losses resulted from operations of these enterprises rose very sharply bringing out vividly the horrific dimensions of the financial performance of these Corporations. The major shift in sources

of funds from equity capital to borrowed funds at high interest burden and in uses of funds from acquisition of fixed assets to meet working capital requirements led to increase in the interest burden on these enterprises which multiplied several times over the period under review. As a sequel, the gross profit, the profit after depreciation, interest and tax and net profit level of these Corporations was of high negative order during the period under review. Due to heavy interest burden these enterprises were forced to borrow for working capital requirements. The faulty working capital management further worsened the already strained financial position of these enterprises. The return on average investment of these enterprises in the last ten years was negative in as many as nine years. The important profitability ratios confirmed the decay in the financial performance of these Corporations as the entire net worth had wiped out and of high negative order. The liquidity ratios confirmed the precarious liquidity situation and the domination of current liabilities over current assets of these Corporations. The gearing ratios confirmed the rapid increase in the outstanding debt of these Corporations. The important employee related ratios confirmed the increasing burden of over employment on the financial performance of these Corporations. The present expenditure pattern is also a major reason for the dismal performance of these Corporations. Substantial portion of the Expenditure of these Corporations is incurred on salaries and wages to staff which increased rapidly during the period under review and commanded a share of over 40.0 per cent of the total expenditure during 1993-94. Any attempt to lead these Corporations to financial recovery should invariably be, by undertaking a major restructuring through amalgamation or absorption of all loss making Corporations by the relatively economically stronger Corporation. It is essential to invite participation of private sector or general public to infuse fresh capital into the new single entity. This step has a two-fold impact as it reduces the need to resort to further borrowings and moderate the interest burden and make the management accountable to the new ownership for results. Besides partprivatisation, drastic pruning in establishment expenditure, ban on further recruitment and re-deployment of excess staff should form the core of any concrete reconstruction plan.

SECTION II Present Status of Transport Corporation in Tamil Nadu

Tamil Nadu has a unique distinction of having as many as 19 State-owned Transport Corporations today. A number of Transport Corporations under public sector have been established by the Government of Tamil Nadu from time to time assigning various routes and different districts as distinct areas of operation. The data analysed in this study pertains to all the 19 Corporations presently functioning namely, Anna Transport Corporation (ATC), Cheran Transport Corporation (CTC), Cholan Roadways Corporation (CRC), Dheeran Chinnamalai TPT Corpn. (DCTC), Jeva TPT Corpn. (JTC), Kattabomman TPT Corpn (KTC), Marudhupandiyar TPT Corpn, (MTC), Nesamany TPT Corpn. (NTC), Pandiyan Roadways Corpn, (PRC), Pallavan TPT Corpn (PTC), Pattukkottai Azhagiri TPT

Corpn, (PATC), Thanthai Periyar TPT Corpn (TPTC), Tiruvalluvar TPT Corpn, (TTC) Ranimangammal TPT Corpn (RTC), Annai Sathya TPT Corpn, (ATC) and P.T. MGR TPT Corpn (PMTC). A review of the present financial status and the operating performance of these Transport Corporations between 1984-85 and 1993-94 is attempted in the following paragraphs.

The total number of Transport Corporations in Tamil Nadu increased from 14 in 1986-87 to 19 as at the end of 1995-96. The fleet strength was augmented from 9,242 in 1984-85 to 14,952 buses in 1993-94 to meet the ever increasing demands of the travelling public. PRC topped the list of Corporations with 1,175 buses, while the JJTC held the smallest fleet of 181 buses during 1993-94. The average fleet utilisation percentage was highly satisfactory at 92.5 per cent as on March 31, 1994 as against 86.5 on the same day in 1986 implying improved standards of fleet maintenance. This fleet had logged an effective run of 19281 lakh KMs. during 1993-94, with the average of 410 KM. per bus per day which was a perceptible marking against 11,098 lakh KM. during 1985-86 with an average of 370 KM. The Km efficiency percentage was put at 96.5 and the occupancy percentage was 77.51 per cent during 1993-94, whereas the respective percentage in 1985-86 were 93.3 and 66.2. The total number of passengers carried was recorded higher to be around 55,000 lakh during 1993-94 as compared to 34,245 lakh in 1985-86. As could be inferred from these figures the fleet is put to the maximum possible use and hence there is no possibility of the fleet idling factor leading to financial loss.

The total number of persons employed in these Transport Corporations as on 31st March, 1994 was 1,14,936, which is about 54.0 per cent more than those employed on the same date in 1986 at 74,561. A close look at the pattern of employment reveals the fact that Transport Corporations numbering 19 continue to provide maximum employment, with more than 72 per cent of total employment provided by Tamil Nadu Public Sector Enterprises (TNPSEs) during 1993-94. Between 1985-86 and 1993-94 the Transport Group increased its share in total employment provided by all the TNPSEs from 58.3 per cent to 72.6 per cent largely due to proliferation of transport corporations and excessive deployment of staff. The rate of growth in employment opportunities, however, has been declining steadily from 15.7 per cent in 1986-87 to just 3.1 per cent in 1993-94. The annual emoluments drawn by the work force employed by these Corporations increased very sharply by almost six-fold from Rs. 89.43 crore in 1984-85 to Rs. 530.60 crore in 1993-94 which amounts to 22.1 per cent average growth between 1984-85 and 1993-94. The rate of growth in average annual emoluments registered 12.0 per cent increase during 1993-94 as against 22.4 per cent in 1992-93. Rapid increase in the total number of employees and the emoluments paid to them is an important factor which led to significant growth in the overall expenditure of these corporations.

SECTION III Financial Performance

- A. Trends in various Sources of Funds and their Application
- (i) Sources of Resources
- (a) Average Capital Employed

The paid-up capital contribution by the Government of Tamil Nadu to these 19 Transport Corporations increased from Rs. 27.67 crore in 1984-85 to Rs. 34.41 crore in 1993-94. The long term borrowings from various sources like the Government, banks and others, increased from Rs. 98.87 crore in 1984-85 to Rs. 340.23 crore in 1993-94. The short term borrowings from various sources like cash credit, ways and means advances and other current liabilities increased from Rs. 53.82 crore in 1984-85 to Rs. 268.24 crore in 1993-94. During this period while the paid-up capital recorded an average annual growth rate of just 2.5 per cent, the long-term and short-term liabilities registered 15.1 and 19.9 per cent growth respectively. While the rate of growth of long term liabilities during 1993-94 as compared to 1992-93 declined, the growth of short term liabilities increased considerably. Accordingly, the total capital employed (defined as paid-up Capital plus long term borrowings plus reserves) also increased from Rs. 133.05 crore in 1984-85 to Rs. 378.69 crore in 1993-94. Although the total capital employed recorded an average aggregate growth rate of 12.5 per cent between 1984-85 and 1993-94, the rate of growth in total capital employed slowed down to 8.5 per cent during 1993-94 when compared to a higher growth rate of 16.5 per cent in the previous year. Between 1984-85 and 1993-94 the share of total capital employed by the Tamil Nadu Transport Corporations (TNTCs) in the total capital employed by all the Tamil Nadu Public Sector Enterprises (TNPSEs) remained stagnant at around 7.1 per cent.

(b) Internal Resources

The internal Resources reflecting various reserves declined in respect of these Transport Corporations from Rs. 6.51 crore in 1984-85 to Rs. 4.05 crore in 1993-94 which recorded a nagative 3.7 per cent average annual growth rate. The share of Passenger Transport Group in aggregate internal Resources for all the PSUs together maintained at just 1.26 per cent in 1993-94 as against 11.7 per cent in 1985-86 (Table). The rate of growth in Internal Resources during 1993-94 deteriorated to 2.5 per cent in 1993-94 from 11.3 per cent in 1992-93.

(c) Capital Structure and long-term financing

The capital structure of Transport Corporations in Tamil Nadu is composed mainly of borrowed resources. These enterprises were having a mere 5.3 per cent share as paid-up capital in the total capital structure in 1993-94 which has slid

from 14.8 per cent in 1984-85. During this period the combined share of borrowings (both term loans and current liabilities) increased from 81.6 per cent to 94.0 per cent. So the capital structure of Tamil Nadu Transport Corporations taken together was highly leveraged. Although the public enterprises usually require a large portion of debt, operating with just 5.3 per cent capital (on which interest need not to be paid), thereby relying heavily on borrowed capital resulted in a heavy burden of interest on these enterprises. In absolute terms both term loans and working capital increased steeply from Rs. 152.69 crore in 1984-85 to Rs. 608.47 crore in 1993-94, almost four-fold increase. Accumulation of debt at such a pace is against sound principles of financing and have adverse repercussions on the profitability of these enterprises. The analysis of total interest liability, gross profit (EBIT) and the ratio of net surplus to total interest liability of the Tamil Nadu Transport Corporations between 1984-85 and 1993-94 paints a very poor picture. Prudential financial practices stipulate that EBIT should be not less than two times of the annual interest liability. In the case of Tamil Nadu Transport Corporations this cover has transformed from 0.77 times to a negative 0.22 during the period under study. This explains to us the deleterious effect of accumulation of debt on overall financial performance of the public sector in Tamil Nadu. Due to the highly leveraged capital structure and the consequent outgo of interest in large amounts the rate of return on the total investment of the Transport Corporations was negative. This chronic negative rate of return on investment could be due to a variety of factors including very low operational efficiency. However, this is also a prima facie indication of the over capitalisation of these Transport Corporations. As is evident, the interest outgo is increasing unabated and eating deep into the paltry gross profits leading to erosion in the already thin bottom line. The share of internal reserves decreased from 3.5 per cent of total resources to 0.63 per cent during the period under review. As could be seen, the capital structure of the passenger transport sector is highly leveraged. Operating with such heavy reliance on funds borrowed coupled with uneconomic fare structure did put strain on the finance of these corporations.

(ii) Application of Resources

(a) Gross Block (Gross Fixed Assets)

The aggregate gross block reflecting the value of fixed assets increased manifold in respect of these Transport Corporations from Rs. 226.27 crore in 1984-85 to Rs. 729.88 crore in 1993-94 which recorded 14.0 per cent average annual growth rate. The share of Passenger Transport Group in aggregate gross block for all the PSUs together was placed at 42.8 per cent in 1993-94 as against to 42.4 per cent in 1985-86 (Table). The rate of growth in gross block during 1993-94 was higher at 3.8 per cent in 1993-94 as against 10.5 per cent in 1992-93. Similarly, the depreciation provided on fixed assets increased manifold in respect of these Transport Corporations from Rs. 155.13 crore in 1984-85 to Rs. 526.75 crore in 1993-94 which recorded 14.8 per cent average annual growth rate during the period under re-

view. Consequently, the net fixed assets increased in respect of these Transport Corporations from Rs. 71.14 crore in 1984-85 to Rs. 203.13 crore in 1993-94 which recorded 13.1 per cent average annual growth rate during the period under review. The rate of growth in the fixed assets declined from 20.0 per cent in 1991-92 to 10.4 per cent in 1993-94. The share of net fixed assets in the overall application of funds slipped from 43.3 per cent in 1984-85 to 34.7 per cent in 1993-94.

(b) Short-Term Financing

The efficiency with which the current productive operations are undertaken by the enterprises will have profound influence on the financial performance and profitability of undertakings. We have analysed the quantum of working capital maintained by the Tamil Nadu Transport Corporations from the point of view of their adequacy, composition, utilisation and the sources to meet the current expenditure.

The current assets of these Corporations increased at an average growth rate of 12.7 per cent whereas current liabilities at 20.0 per cent between 1984-85 and 1993-94. During the year 1984-85 the current assets were in excess of current liabilities by Rs. 13.5 crore. However, slowly but steadily the current liabilities exceeded the current assets and were in excess by Rs. 81.34 crore by 1993-94. The aggregate current assets reflecting the value of inventories, sundry debtors, loans and advances, and cash and bank balance increased from Rs. 46.59 crore in 1984-85 to Rs. 132.37 crore in 1993-94 which recorded 12.7 per cent average annual growth rate. The rate of average growth of sundry debtors was the highest at 18.3 per cent among various current assets between 1984-85 and 1993-94 followed by cash and loans and advances. As the absolute size of working capital does not provide a reliable measure of adequacy or otherwise of working capital. It should be viewed in relation to the volume of sales. The trend percentages worked out shows that during the period between 1984-85 and 1992-93 the overall aggregate increase in operating income was 16.0 per cent while the increase in current liabilities was 20.0 per cent. The increase in current liabilities has been more than proportionate to the increase in sales. This can be inferred that as these Transport Corporations are not able to follow a policy of relatively small working capital and these enterprises had increasingly depended upon external sources to meet their working capital requirements during the period under review. As inventories, receivables, cash and bank balances constitute main items of current assets, we will analyse these items with reference to Tamil Nadu Transport Corporations.

1. Inventory Management

Inventories occupied a prominent position in the total current assets of the Tamil Nadu Transport Corporations followed by receivables and cash in that order. Prudential financial practices indicate that excessive investment in inventories is unproductive. The inventory (spares etc.) turnover ratio spoils out that how many times inventory is turned over into receivables, through sales during the year. The

higher the inventory turnover the more efficient the inventory management of the firms. The inventory turnover ratio related to Tamil Nadu public enterprises was satisfactory during the period under study. The ratio improved from 22.2 to 42.9 between 1984-85 and 1993-94, indicating a satisfactory inventory management.

2. Receivables Management

Credit Sales and advance payments for goods and services to be received in future represent the receivables which should be properly regulated. Receivables have carrying costs like inventory and hence the enterprises should economise on funds tied up in receivables. There is a trend of accumulation of funds in receivables and loans and advances by these Corporations which increased when combined from Rs. 22.73 crore in 1984-85 to Rs. 70.31 crore and their combined share of receivables and loans and advances increased from 48.8 per cent to 53.1 per cent in total working capital between 1984-85 to 1993-94. This could be seen from Table the share of sundry debtors of Transport Corporations as a per cent total receivable which was at 36.0 per cent in 1984-85 increased marginally to 37.9 per cent in 1993-94, which trend shows that credit extended on various transactions increased marginally in these enterprises. The share of loans and advances given in Transport Corporations as a per cent of total receivables which was 64.0 per cent in 1984-85 increased to 62.1 per cent in 1993-94. It shows that advances by these Corporations increased marginally in these enterprises. As most of these Corporations were not running profitably and generally short of working capital funds for both operations, increase in receivables to such extent may not be prudent. An examination of the relationship of receivables with sales in Tamil Nadu Transport Corporation indicate to us that the position of receivables as a per cent of sales climbed up from 40.2 per cent in 1984-85 to 46.5 per cent in 1993-94 which shows that the collection policy of these enterprises needs to be improved.

3. Cash Management

Adequate amount of liquidity is essential to operate a business smoothly. However, maintenance of cash beyond the operational and liquidity requirements of a business is detrimental. We have examined the experience of Tamil Nadu Transport Corporations in efficiency managing cash and bank balances. The total cash resources of Tamil Nadu public enterprises shown a steadily increasing trend which is in tune with the increase in sales volume. The percentage of cash and bank balances declined slightly from 16.2 per cent of total working capital in 1984-85 to 15.9 per cent in 1994-95, which need not be construed as high considering the nature of the activity of these corporations. As can be seen from the analysis, while the rate of growth in value of rates increased faster at an average growth rate of 15.9 per cent during the period under review the average growth in volume of cash was marginally lower at 14.7 per cent.

Broad Shift in Sources and uses of Funds

The details of shift in the pattern of various sources and use of funds in Tamil Nadu Transport Corporations and reveals the broad transformation that had taken place between 1985-86 and 1993-94 in various sources of funds and their application are worth studying. The trends in the Sources and Uses of Funds Statement of these Transport Corporations vividly brings out the negative financial development that have taken place. Between 1985-86 and 1993-94 the position of share capital as a source of funds to these enterprises lost its significance further, as the share of equity capital contributed by the State Government in total sources of funds crashed down from 3.0 per cent in 1985-86 to just 1.36 per cent during 1993-94. Simultaneously the share of borrowings from various non-Government and Government sources recorded decline from 52.3 per cent in 1985-86 to just 28.9 per cent in 1993-94. The internal resources in which the depreciation is a major constituent went up from 47.67 per cent in 1985-86 to 69.74 during 1993-94.

A look at the uses side offers perturbing features of the finances of these Transport Corporations. The share of gross block including capital work in progress reflecting expansion by acquisition of fixed assets declined from 80.34 per cent in 1985-86 to 37.72 per cent. The uses of funds towards absorbing losses brought from the operations of these enterprises in 1985-86 which was about 20.0 per cent rose to as high as 61.55 per cent in 1993-94. It indicates the determinating financial performance of these Corporations.

C. Trends in Operating Performance

This section highlights the major developments in operating performance of the Transport Corporations. In order to analyse the trends in operating efficiency of Tamil Nadu public enterprises, the broad changes in various profitability ratios and the associated ratios are presented.

(a) Income from Operations

Substantial portion of the income of these Corporations is derived from the operations which is over 94.0 per cent in 1993-94, and the rest is derived from other sources and in the form of subsidy. The income from operations (turnover) of these Corporations had increased in absolute terms from Rs. 329.05 crore in 1984-85 to Rs. 1,238.59 crore in 1993-94 which is an average annual growth of 16.0 per cent. It is noteworthy to point out that the subsidy income of these Corporations grew significantly by an average annual growth rate of 78.0 per cent. The total income of these Corporations had increased in absolute terms from Rs. 339.25 crore in 1984-85 to Rs. 1,308.38 crore in 1993-94 which is an average annual growth of 16.0 per cent. The share of TNTCs in the total turnover of TNPSEs' remained stagnant at about 26.0 per cent in most of the years between 1985-86 and 1993-94. The turnover in respect of the TNTCs slid during 1993-94 to 10.1 per

cent from 19.8 per cent in the previous year which trend is similar to the trend in total turnover of all TNPSEs together. The deceleration in rate of growth of turnover during 1993-94 at 10.13 per cent was rather sharp as against 19.86 per cent growth during 1992-93, indicating the decline in expansion of new routes.

(b) Expenditure

Substantial portion of the Expenditure of these Corporations is incurred on salaries and wages to staff which commanded a share of over 40.0 per cent of the total expenditure during 1993-94 which increased rapidly from 27.0 per cent during 1984-85. The rest of the expenditure is incurred to operate the fleet like the expenditure on diesel oil with 25.3 per cent share, tyres with 6.8 per cent, batteries and spares with 7.7 per cent, motor vehicles tax with 8.7 per cent and depreciation with 6.2 per cent. One important feature of the pattern of expenditure is that except salaries and wages the share of all other items of expenditure in total expenditure of these Corporations declined between 1984-85 and 1993-94. The total Expenditure of these Corporations has increased in absolute terms from Rs. 329.72 crore in 1984-85 to Rs. 1,318.94 crore in 1993-94 indicating an average annual growth of 16.8 per cent. The expenditure on salaries and wages increased by an average annual growth rate of a 22.0 per cent during the period under review, whereas expenditure on diesel oil, tyres, batteries and spares, M.V. Tax, depreciation and other expenses recorded 16.0 per cent, 16.3 per cent, 14.4 per cent, 15.9 per cent, 12.3 per cent and 12.7 per cent respectively.

(c) Income and Expenditure per Bus and per km operated

During 1985-86, the income per bus of these Corporations was at Rs. 4,25,291 and expenditure for bus recorded at Rs. 4,07,511, thereby each bus contributing a surplus income of Rs. 17,779 over expenditure incurred per bus. However, this position was consistently reversed and by 1993-94 the income per bus of these Corporations was at Rs. 8,75,054 and expenditure per bus recorded at Rs. 8,82,116 and each bus was running at a deficit/loss of Rs. 7,063 over expenditure incurred per bus. While the income per bus recorded an average annual growth of 9.5 per cent between 1985-86 and 1993-94, the expenditure per bus during the same period grew at an average annual growth of 10.2 per cent. Similarly, during 1985-86, while the income per km operated by these Corporations was at Rs. 3.99 and corresponding expenditure for km operated recorded at Rs. 3.82 each km of operation was contributing a surplus of income of Paise 17 over expenditure incurred per km. However, this position also deteriorated and by 1993-94 the income per km operated by these Corporations was at Rs. 6.79 and expenditure for km recorded at Rs. 6.84 and each km operated was at a deficit/loss of Paise 5 over expenditure incurred per km. While the income per km operated recorded an average annual growth of 6.9 per cent between 1985-86 and 1993-94, the expenditure per km operated during the same period grew at an average annual growth of 7.6 per cent. This trends clearly shows the domination of expenditure over the revenue of these Corporations.

(d) Profitability

The usual measures to judge the operating performance of these Corporations during the period under review reflected clearly the decay in their financial performance. In absolute terms, the gross profit of the Tamil Nadu Transport Corporations had fluctuated from a gross profit of Rs. 9.53 crore in 1984-85 to gross loss of Rs. 10.55 crore in 1993-94. From a peak gross profit of Rs. 18.51 crore in 1985-86 the gross profit started diminishing consistently to reach loss levels. The need to provide mandatory depreciation has exacerbated the deterioration in the already low margin levels. So, the profit after depreciation but before interest and tax had diminished to a negative figure of Rs. 59.61 crore in 1993-94. From 1986-87 onwards these Transport Corporations incurred heavy losses. Substantial chunk of the gross margin is eaten up by depreciation provision, which was as high as Rs. 82.12 crore during 1993-94 as against the gross margin of Rs. 71.57 crore in 1993-94. Then comes the interest burden which was at Rs. 49.06 crore in 1993-94. Tax payment accounted for only a negligible sum of Rs. 0.25 crore in 1993-94. So, after these appropriations, the margin left was negative, hence, cannot sustain these enterprises to continue on commercially viable basis. Throughout the period under review, the net worth of these Corporations was negative and eroding continuously from a nagative net worth of Rs. 22.95 crore in 1984-85 to Rs. 254.64 crore in 1993-94. The return on average investment of these enterprises in the last ten years was negative in as many as nine years. Only two Corporations namely Anna Transport Corporation (ATC) and Pandiyan Roadways Corpn (PRC) could earn very negligible net profits during 1993-94. Whatever measure one apply to judge the operating efficiency of these Transport Corporations, their performance is pathetic to say the least. Between 1985-86 and 1993-94 the share of the Tamil Nadu Transport Corporations (TNTCs) in the total net profit earned by all the Tamil Nadu Public Sector Enterprises (TNPSEs) deteriorated to such an extent from a negative 8.5 per cent share to a negative 153.5 per cent or a loss of Rs. 86.37 crore as against a profit of Rs. 56.25 crore for all the TNPSEs together.

SECTION IV

Ratio Analysis

In order to assess the financial health of these Corporation a brief exercise of analysing important financial ratios is undertaken. The important ratios analysed are classified as profitability, liquidity, turnover, gearing, employee and efficiency related.

(a) Profitability Ratios

1. The Gross Profit to Sales Ratio which indicates the average mark-up or margin on products sold or services rendered declined steadily from 2.9 in 1984-85 to a negative -0.83 implying the sustained increase in the cost of operations.

- 2. The Net Profit to Sales Ratio which brings out the impact of overhead expenses and depreciation on the profitability of services rendered was negative throughout the ten year period under review except one year. This ratio which was positive during 1985-86 at 0.35 deteriorated to -5.2 implying the steep increase in the overheads and depreciation.
- 3. The Return on Investment which is an indicator of the productivity of the investment declined from as high as 11.4 in 1985-86 to a negative -2.8 indicating the deteriorating financial performance of the TNTCs.

(b) Liquidity Ratios

- 1. The Current Ratio of these Corporations which is an indicator of their ability to repay the current obligations consistently weakened to stand at just 0.62 in 1993-94 as against 1.41 per cent in 1984-85, signaling the growth of current liabilities.
- 2. The Acid-test Ratio which should be ideally around 1.0, and which was in fact at 1.01 in 1985-86 declined considerably to weaken at 0.48 during 1993-94. This means for every Rupee of current liabilities these Corporations have a cover of just 48 paise which is meager.
- 3. The Working Capital Turnover Ratio which is an indicator of the efficiency with which the net working capital is used had demonstrated mixed trends ranging from a high ratio of 51.98 in 1990-91 to a negative 272.0 in 1988-89. The implication of such diverse trend is that these Corporations worked with very low working capital in some years and very large working Capital in some other years is harmful either way.
- 4. The Working Capital to Fixed Assets Ratio helps to examine the relationship between working capital and fixed assets, as judicious amount of working capital is necessary to put the fixed assets to effective use and thereby adding to the earning capacity of an enterprise. The working capital as a proportion to fixed capital had been low in these enterprises during the period under study. Current assets as proportion of fixed assets increased from 4.86 times to 5.52 times during the period under study which appears to be satisfactory. While the fixed capital increased at an average growth rate of 14.0 per cent, the working capital grew at an average growth rate of 12.7 per cent.
- 5. The Turnover of Current Assets Ratio is an effective way to examine whether the current assets of a business have been effectively utilised. A higher ratio means greater the efficiency and larger rate of return and *vice versa*. As is evident the turnover of current assets in the Tamil Nadu Transport Corporations declined from 24.4 per cent in 1984-85 to a negative 15.7 per cent in 1993-94.

(c) Other Turnover Ratios

- 1. The Investment Turnover Ratio of these Corporations which reveals how effectively the total operating assets are being utilised, improved marginally from 2.5 to 3.4 indicating that the increase in sales volume for every rupee of investment employed is slow. This slow increase in the ratio points out that the performance of these Corporations can be improved by generating more sales volume per every rupee employed.
- 2. The Earning Power Indicator or the rate of return on Investment is also a ratio which reveals how effectively the total operating assets are being utilised, had also slipped into a negative -0.03 in 1993-94 as compared to a positive 0.77 during 1984-85.

(d) Gearing Ratios

- 1. The Debt to Equity Ratio indicates the extent to which debt financing is used relative to equity financing by a firm. As can be seen, the Debt Equity Ratio (D/E Ratio) of these enterprises was on ascendancy during the period under review. The D/E Ratio which was 4.6 in 1984-85 rose to 10.9 by 1993-94, which means creditors are providing 10.9 rupees of financing for each rupee of funds provided by the Tamil Nadu Government. This rising trend in the D/E Ratio of Tamil Nadu Transport Corporations is matter of serious concern.
- 2. The Interest Cover Ratio is an income based measure of gearing computed by dividing profit before interest and tax with the interest outgo. This cover which was at 0.77 times in 1984-85 has slipped into a negative cover of -0.22 times by 1993-94 indicating these Corporations inability to earn at least even to service the borrowings.

(e) Employee Related Ratios

The Average Remuneration per Employee increased from Rs. 12,760 in 1984-85 to Rs. 46,165 during 1993-94 with an average annual increase of 15.5 per cent. During the same period the operating income per employee increased from Rs. 46,948 to Rs. 1,11,175 which recorded an average annual growth of only 10.2 per cent. However, Net Profit per Employee during this period is consistently zero indicating the poor performance of these Corporations.

(f) Efficiency Ratios

The Sales to Fixed Assets Ratio provides a measure of asset utilisation. This ratio pertaining to these Corporations slightly improved from 1.45 during 1984-85 to 1.75 during 1993-94 indicating the fact that for generating Rs. 1.75 operating income Rs. 1.0 is invested in fixed assets in 1993-94.

SECTION V

Rehabilitation Strategies and Conclusion

As alluded at the outset of this study, the fact that the State Transport Undertakings are financially tattered performers is indubitably established and need not be corroborated with an ornate financial analysis as above. However, such analysis flings light on the vulnerable areas where one can conceive and possibly initiate remedial action. The predicament of Tamil Nadu Transport Corporations is quaint when compared to its counterparts in neighbouring States. Perhaps there is no other State which has as many as 19 Corporations working with the same objective. The subsidy provided to these Corporations by the State Government as a per cent of the gross fiscal deficit had steadily increased from 0.91 per cent in 1985-86 to 2.26 per cent in 1992-93 and 1.93 per cent in 1993-94. Our analysis of the expenditure pattern of TNTCs has led to an inexorable conclusion that one very important reason for the poor performance of these transport corporations is very high establishment expenditure due to the functioning of as many as 19 Transport Corporations in a single State. Although the rationale for creating that many number of Transport Corporations is to secure functional efficiency, it so appears that the rationale has proved to be counter-productive. Attempts to resuscitate these Corporations should evolve a bold strategy incorporating the following elements.

- (i) A major restructuring through amalgamation of all these existing Corporations or absorption of all loss-making Corporations by a relatively economically stronger Corporation should be the central element in the proposed reconstruction plan. A close examination of the present pattern of assets and liabilities of these Corporations manifest that accumulated losses account for about 44.0 per cent of the assets structure portending the extent of abstruse erosion of capital and reserves. Assuming that the Government is willing to amalgamate these Corporations into one strong Corporation and given necessary professional freedom to operate them on cost plus basis, the accumulated losses of about 44.0 per cent (approximately Rs. 250 crore) of the present asset pattern, will have to be eliminated from the balance sheet through infusion of fresh capital into the new single entity by mobilising funds from private sector. Here lies the problem of successfull partprivatisation by persuading the prospective investors that the new entity will operate on prudential commercial lines and Government will not interfere with the professional management of the Corporation. Large shareholders may be allowed to be on the Board of the new Corporation to have an effective say in the management. This step has a two-fold impact as it reduces the need to resort to further borrowings and moderate the interest burden and also ensures that the management is fully accountable to the new ownership.
- (ii) Given the fact that passenger transport by road is a very popular mode within and out of cities, towns and villages of Tamil Nadu, there is no reason why the State Government should vacillate to hike the user charges periodically.

The thinking of the present Government is refreshingly practical and is inclined to collect at least the cost of providing various services by all the Public Sector Undertakings. So hiking the user charges periodically should not be impossible.

- (iii) The amalgamation exercise should coincide with a meticulous plan to drastically prune the expenditure on establishment. A cursory look at the expenditure side of these Corporations reveal that in the past ten years the share of expenditure incurred on operating and maintaining the fleet like expenditure on diesel, tyres, spares and batteries, motor vehicle tax and other expenditure declined nominally from 1984-85 levels by 1993-94, except the expenditure on salaries and wages which shot up from 27.0 per cent in 1984-85 to 40.0 per cent of the expenditure. With the establishment of each successive new Corporation the cost of administrative machinery rapidly increases as each Corporation needs its own administrative structure which results in massive expenditure.
- (iv) As stated, the growth of employment in these Corporations is obviously more than required. A review of manpower requirements is long overdue and should be undertaken by expert professionals. Further recruitment, till these Corporations are turned around, should be banned without compromise. Identification of excess staff and re-deployment of employees in both line and staff functions be carried out. Re-deployment of excess administrative staff in Transport Corporations can be considered in Public Sector undertakings other than the Transport Corporations also. A steep reduction in the share of expenditure on establishment is a very vital element of the restructuring programme.
- (v) The user charges should be notionally indexed to the major items of expenditure like cost of diesel, tyres, spares, etc., and revised regularly to meet the increase in cost of operations due to revision in prices of diesel, tyres, etc.

In the ultimate analysis, unless the expenditure is monitored by a high level team of managers on a day to day basis and rigorous cost cutting measures are adopted it would be difficult to nurse back the financial health of these Corporations.

Table 1: Financial Statements - Tamil Nadu Transport Corporations

(Rs. Crore)

Particulars	1984-8	5 1985-80	5 1986-8	7 1987-8	8 1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
Authorised Capital	66.75		71.75			79.00	79.00	79.00		114.00
Resources from							• .			
various Sources										
a) Paid-up capital i) Govt.	27.58	29.65	30.65	32.00	32.00	32.00	32.00	32.00	33.35	34.41
ii) Others	0.00	0.00	0.00	0.00	•	0.00	0.00	0.00	0.00	0.00
iii) Share advance	0.09	0.09		0.09	0.09	0.00	0.00	0.00	0.00	0.00
b) Borrowings									,	
i) Govt.	51.11	52.93	55. 72	39.86	39.79	57.88	60.87	62.84	100.83	87.35
ii) Bank	0.01	0.12	0.08	0.96	0.79	2.00	0.00	0.00	0.04	1.07
iii) Others	47.75	74.90	97.69	113.80	123.67	145.52	184.05	200.97	210.74	251.81
c) Working Capital Loar	i .			•	•					
i) Ways & Means	13.93	18.14	14.60	7.43	7.62	18.35	24.85	16.71	17.77	15.16
ii) Cash Credit	6.78	5.82	8.79	13.45	19.55	26.39	26.39	31.19	42.79	39.36
d) Internal Resources							. •		,	
i) Free reserves	4.85	1.90	1.94	0.05	0.00	0.00	0.00	0.00	0.00	0.00
ii) Other reserves	1.66	2.15	2.54	3.44	3.74	3.76	3.40	3.55	3.95	4.05
iii) Depreciation	155.13	183.70	216.80	276.74	332:02	397.89	441.23	477.16	519.11	526.75
iv) Def. payment liabili	ty 0.11	0.11	0.11	1.22	2.06	2.72	0.04	0.00	0.99	0.00
Fotal (a+b+c+d)	309.03	369.54	429.02	489.06	561.39	686.62	772.96	824.52	929.58	959.96
Itilised on					1				• .	
. Gross block	226.27	281.61	341.24	394.31	447.12	521.07	573.46	636.06	703.12	729.88
. Expr. Dr Construction	0.48	1.26	0.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00
. Capital WIP	9.34	13.96	12.95	18.60	15.95	21.87	17.23	20.44	20.25	21.36
. Investments	2.37	1.70	1.67	1.84	2.01	2.01	2.20	2.34	3.03	4.61
. Def. Revenue				_						
expenditure	0.03	0.03	0.04	0.86	1.07	0.02	0.02	0.01	0.04	0.03
P & L A/c.	57.04	52.78	61.92	84.61	97.60	121.93	164.12	185.91	236.37	284.41
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.82	1.01
Working Capital Current Assets										
Inventories	14.84	17.90	19.76	21.60	20.18	23.65	23.86	27.7 9	26.55	29.78
Sundry Debtors	8.18	7.85	11.27	10.35	13.25	11.99	11.66	16.51	13.88	26.62
Cash & Bank	7.56	7.98	8.56	7.96	13.48	9.34	13.93	14.39	15.36	19.72
Loans & Advances	14.55	18.09	18.48	24.62	35.42	45.51	52.29	49.09	48.36	43.69
Others	1.45	6.19	1.31	1.74	2.77	3.41	3.49	4.30	4.29	12.56
etal Current Assets	46.59	58.03	59.39	66.27	85.10	93.91	105.24	112.07	108.44	132.37
tal Current Liabilities	33.11	39.83	48.63	77.44	87.49	74.21	89.34			213.72
et Current Assets	13.48	18.19		-11.17	-2.37	19.70	15.90	-20.24	-35.05	-81.34
Total (1 to 8)	309.03				•					959.96
			147.VL	707.00	-01.37	000.02	114.70	024.02	747.36	777.70

Table 2: Financial Statements (Pattern) - Tamil Nadu Transport Corporations

Particulars	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
Resources from various Sources										
a) Govt.	14.80	13.18	11.79	11.08	10.13	8.82	7.60	6.67	6.02	5.32
b) Long-term borrowings	52.88	56.71	58.84	53.37	51.84	56.61	58.18	55.01	56.25	52.59
c) Short-term liabilities	28.78	28.27	27.61	33.93	36.19	32.78	33.40	37.58	36.84	41.46
d) Def. Payment liability	0.06	0.05	0.04	0.42	0.65	0.75	0.01	0.00	0.18	0.00
e) Internal Reserves	3.48	1.79	1.72	1.20	1.20	1.04	0.81	0.74	0.71	0.63
Total (a+b+c+d+e)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Utilised on										
1. Net Fixed Assets	43.30	50.14	52.84	47.00	· 41.36	39.97	35.50	37.39	36.87	34.70
2. Investments	1.27	0.75	0.64	0.64	0.63	0.55	0.52	0.49	0.55	0.71
3. P & L A/c.	30.52	23.40	23.75	29.50	31.14	33.60	38.99	38.76	42.68	43.97
4. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.33	0.16
5. Total Current Assets	24.91	25.71	22.77	22.87	26.86	25.87	24.99	23.37	19.58	20.46
Total (1 to 5)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Table 3: Financial Statements (Growth Rates) -Tamil Nadu Transport Corporations

(Rs. Crore)

Particulars	1984-8	5 198548	6 1986-8	7 1987-8	8 1968-89	9 1989-90	0 1990-91	1991-97	1992-93	1993-94	Average Growth (1984-85- 1993-94)
a) Paid-up capital	27.67	29.74 (7.48		32.09 (4.39)		32.00 (-0.28)	32.00 (0.00)	32.00 (0.00)	33.35 (4.22)	34.41 (3.18)	2.48
b) Long-term borrowings	98.87 	127.95 (29.41		154.62 (0.74)	164.25 (6.23)	205.40 (25.05)	244.92 (19.24)	263.81 (7.71)	311.61 (18.12)	340.23 (9.18)	15.07
c) Short-term liabilities	53.82	63.79 (18.52)	72.02) (12.90)	98.32 (36.52)	114.66 (16.62)	118,95 (3.74)	140.58 (18.18)	180.21 (28.19)	204.06 (13.23)	268.24 (31.45)	19.93
d) Def. Payment liability	0.11	0.11	0.11	1.22	2.06	2.72	0.04	0.00	0.99	0.00	
e) Internal Reserves	6.51 —	4.05 (-37.79)	4.48 (10.62)	3.49 (-22.10)	3.79 (8.60)	3.76 (-0.79)	3.40 (-9.57)	3.55 (4.41)	3.95 (11.27)	4.05 (2.53)	3.65
Total (a+b+c+d+e)	186.98	225.64	260.84	289.74	316.85	362.83	420.94	479.57	553.96	646.93	
Jtilised on											
. Gross block	226.27	281.61 (24.46)	341.24 (21.17)	394.31 (15.55)	447.12 (13.39)	521.07 (16.54)	573.46 (10.05)	636.06 (10.92)	703.12 (10.54)	729.88 (3.81)	14.05
ess: Depreciation	155.13	183.70 (18.42)	216.80 (18.02)	276.7 4 (27.65)	332.02 (19.98)	397.89 (19.84)	441.23 (10.89)	477.16 (8.14)	519.11 (8.79)	526.75 (1.47)	14.80
	71.14	97.91 (37.63)	124.44 (27.10)	117.57 (-5.52)	115.10 (-2.10)	123.18 (7:02)	132.23 (7.35)	158.90 (20.17)	184.01 (15.80)	203.13 (10.39)	13.09
. Expr. Dr Construction	0.48	1.26	0.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
. Capital WIP	9.34	13.96	12.95	18.60	15.95	21.87	17.23	20.44	20.25	21.36	
Investments	2.37	1.70 (-28.27)	1.67 (-1.76)	1.84 (10.18)	2.01 (9.24)	2.01 (0.00)	2.20 (9.45)	2.34 (6.36)	3.03 (29.49)	4.61 (52.15)	9.65
Def. Revenue Expenditure	0.03	0.03	0.04	0.86	1.07	0.02	0.02	0.01	0.04	0.03	
P & L A/c.	57.04	52.78 (-7.47)	61.92 (17.32)	84.61 (36.64)	97.60 (15.35)	121.93 (24.93)	164.12 (34.60)	185.91 (13.28)	236.27 (27.14)	284.41 (20.32)	20.24
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.82	1.01	
Total current Assets	46.58	58.01 (24.54)	59.38 (2.36)	66.27 (11.60)	85.10 (28.41)	93.90 (10.34)	105.23 (12.07)	112.08 (6.51)	104.44 (-3.25)	132.37 (22.07)	12.74
Of which Investors	14.84	17.90 (20.62)	19.76 (10.39)	21.60 (9.31)	20.18 (-6.57)	23.65 (17.20)	23.86 (0.89)	27.79 (16.47)	26.55 (-4.46)	29.78 (12.17)	8.45
Sundry Debtors	8.18	7.85 (-4.03)	11.27 (43.57)	10.35 (-8.16)	13.25 (28.02)	11.99 (-9.51)	11.66 (-2.75)	16.51 (41.60)	13.88 (-15.93)	26.62 (91.79)	18.29
Cash & Bank	7.56	7.98 (5.56)	8.56 (7.27)	7.96 (-7.01)	13.48 (69.35)	9.34 (-30.71)	13.93 (49.14)	14.39 (3.30)	15.36 (6.74)	19.72 (28.39)	14.67
Loans & Advances	14.55	18.09 (24.33)	18.48 (2.16)	24.62 (33.23)	35.42 (43.87)	45.51 (28.49)	52.29 (14.90)	49.09 (-6.12)	48.36 (-1.49)	43.69 (-9.66)	14.41
Others	1.45	6.19 26.90) (-	1.31 -78.84)	1.74 (32.82)	2.77 (59.20)	3.41 23.10)	3.49 (2.35)	4.30 (23.21)	4.29 (-0.23)	12.56 (192.77)	64.59
Total (1 to 8) 18	86.98 2	25.64	240.04	289.74	316.85	362.83	420.94	479.57	553.96	646.93	

A.A.G. (%): Annual Average Growth Rate. Figures in bracket represents annual growth rate.

Table 4: Income & Expenditure (Growth Rates) - Tamil Nadu Transport Corporation

(Rs. Crore)

				·						s. Crore)
Particulars	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
1. INCOME										
a) From Operation	329.05	418.24		571.30	644.63	729.91	816.07	937.63	1121.58	1238.59
•	_	(27.11)	(16.30)	(17.45)	(12.84)	(13.23)	(11.80)	(14.90)	(19.62)	(10.43)
b) Other Income	10.20	21.20	15.50	16.30	18.33	20.21	23.19	30.86	30.25	√30.59
•, • • • • • • • • • • • • • • • • • •		(107.84)	(-26.89)	(5.16)	(12.45)	(10.26)	(14.75)	(33.07)		
c) Subsidy	0.00	3.33	0.79	2.99	5.10	2.78	11.57	22.76	36.30	39.21
c, cassa,	.—		(-76.28	(278.48)			(316:19)			(8.02)
Total Income	339.25	442.77	502.72	590.60	668.06	752.89	850.73	991.25	1188.12	1308.38
10th means	,	(30.51)								(10.12)
1. EXPENDITURE										
a) Diesel Oil	88.60	106.96	123.50	136.78	148.78	161.50	200.46	231.21	· 290.80	334.30
		(20.72)								(14.96)
b) Tyres	23.33	27.79	32.76	39.61	46.38	51.59	52.25	65.88	75.89	89.70
·, ·, · ·	_	(19.12)					,			
c) Batteries & Spares	30.63	35.50	38.98	43.40	51.08	61.83	63.28	74.87	92.43	101.72
		(15.90)		(11.34)						1
d) Salaries & wages	89.43	113.86	142.58	196.99	235.23	285.36	335.28	386.95	473.74	530.60
u, oumiles to	_	(27.32)) (22.43	
e) M.V. Tax	35.77	63.29	53.27	64.18	68.18	74.20	84.58	90.58	111.34	114.65
o,			(-15.83)							
f) Depreciation	34.60	50.42	65.14	86.70	78.94	85.64	89.25	83.60	107.75	82.12
i, Depiceation		(45.72)) (-23.79)
g) Other Expenses	27.36	26.44	34.64	23.37	27.01	28.03	35.25	47.43	3 46.73	5 65.84
9) Other Pybenses	27 .JO	(-3.36)		23.57 (-32.53)						
Total Expenses	329.72	424.26	490.86	591.02	655.60	748.17	850.35	ORA 51	11087	2 1318.94
Total Puberties	327.12	(28.67)								5) (10.03

A.A.G. (%): Annual Average Growth Rate. Figures in bracket represent annual growth rate.

Table 5: Income & Expenditure (Pattern) - Tamil Nadu Transport Corporation (Rs. Crore)

Particulars	1964-85	1985-86	1986-87	1967-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
1. INCOME								-		
a) From Operation	96.99	94.46	96.76	96.73	96.49	96.95	95.93	94.59	94.40	94.67
b) Other Income	3.01	4.79	3.06	2.76	2.74	2.68	2.73	3.11	2.55	2.34
c) Subsidy	0.00	0.75	Ò.16	0.51	0.76	0.37	1.36	2.30	3.06	3.00
Total Income	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2. EXPENDITURE										
a) Diesel Oil	26.87	25.21	25.16	23.14	22.69	21.59	23.30	23.58	24.26	25.35
b) Tyres	7.08	6.55	6.67	6.70	7.07	6.90	6.07	6.72	6.33	6.80
c) Batteries & Spares	9.29	8.37	7.94	7.34	7.79	8.26	7.36	7.64	7.71	7. 7 1
d) Salaries & Wages	27.12	26.84	29.05	33.33	35.88	38.14	38.97	39.46	39.52	40.23
e) M.V. Tax	10.85	14.92	10.85	10.86	10.40	9.92	9.83	9.24	9.29	8.69
f) Depreciation	10.49	11.88	13.27	14.67	12.04	11.45	10.37	8.53	8.99	6.23
g) Other Expenses	8.30	6.23	7.06	3.95	4.12	3.75	4.10	4.84	3.90	4.99
otal Expenses	100.00	100,00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Table 6: Tamil Nadu Transport Corporations - Important Ratios

Particulars	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
Profitability Ratios										
a) Gross Profit to Sales	2.90	4.43	2.44	-0.07	1.93	0.64	-1.16	1.12	-0.92	-0.83
b) Net Profit to Sales	-1.15	0.35	-0.10	-3.49	-0.88	-2.90	-4.93	-2.96	-4.57	-5.19
c) Return on Investment	7.16	11.44	6.28	-0.22	6.22	1.96	-3.43	3.59	-3.05	-2.79
Liquidity Ratios										
a) Current Ratio	1.41	1.46	1.22	0.86	0.97	1.27	1.18	0.85	0.76	0.62
b) Acid-test Ratio	0.96	1.01	0.81	0.58	0.74	0.95	0.91	0.64	0.57	0.48
c) Working Capital Turnover Ratio	24.41	22.99	45.21	-51.15	-272.00	37.19	51.98	-47.45	-33.03	-15.71
Efficiency Ratios	•									
a) Sales to Fexed Assets	1.45	1.49	1.43	1.45	1.44	. 1.41	1.44	1.51	1.65	1.75
Gearing Ratios										
a) Debt-Equity Ratio	4.57	5.30	5.99	5.82	6.12	7.42	8.65	9.24	10.34	10.89
b) Interest Cover Ratio	0.77	1.23	0.59	-0.02	0.51	0.18	-0.31	0.30	-0.26	-0.22
Turnover Ratios										
a) Investment Turnover Ratio	2.47	2.59	2.58	3.00	3.22	3.04	2.95	3.21	3.32	3.37
b) Rate of Return on Investment	0.07	0.11	0.06	0.00	0.06	0.02	-0.03	0.04	-0.03	-0.03
Employee Related Ratios								,		
a) Average Remuneration per Employee (Rs.)	12760	15271	16520	21644	24595	28394	31467	35640	4251	1 46165
b) Sales per Employee (Rs.)	46948	56094	56361	62772	67401	72905	77569	8845	5 10389	6 11117

Table 7: Tamil Nadu Transport Corporations - Important Indicators

Particulars	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
Fleet strength (No.)	9242	10411	11403	12252	12591	13443	13554	13805	14716
Total Capital Employed (Rs.cr)	133.05	161.74	188.71	190.20	200.13	241.16	280.32	299.36	348.91
Net Worth (Rs. cr)	- 22 .95	-19.08	-26.80	-49.11	-68.53	-91.87	-134.25	-156.15	-206.08
Gross Margin (Rs. cr)	44.13	68.93	77.00	86.28	91.39	90.36	79.63	94.34	97.10
Depreciation (Rs. cr)	34.60	50.42	65.14	86.70	78.94	85.64	89.25	83.60	107.75
Gross profit (Rs. cr)	9.53	18.51	11.86	-0.42	12.45	4.72	-9.62	10.74	-10.65
Interest (Rs. cr)	12.38	15.00	20.05	23.15	24.65	26.89	30.62	35.79	41.01
GP to interest cover (times)	0.77	1.23	0.59	-0.02	0.51	0.18	-0.31	0.30	-0.26
Profit Before Tax (Rs. cr)	-2.85	3.51	-8.19	-23.57	-12.20	-22.17	-40.24	-25.05	-51.66
ľax (Rs. cr)	0.00	0.14	0.10	0.00	0.00	0.00	0.00	0.00	0.00
Profit After Tax (Rs. cr)	-3.00	3.37	-8.29	-23.57	-12.20	-22.17	-40.24	-25.05	-51.66
Prior period adjustment (Rs. cr)	0.80	-1.92	-7.80	-3.64	-6.51	-0.90	0.48	3.34	1.23
let Profit (Rs. cr)	-3.80	1.47	-0.49	-19.93	-5.69	-21.27 ·	-40.72	-28.39	-52.89

Table 8: Tamil Nadu Transport Corporations Analysis of Income and Expenditure per KM Run

Particulars	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
Total Income (Rs. cr)	442.77	502.72	590,60	668.06	752.89	850.73	991.25	1188.12	1308.38
Total Expenses (Rs. cr)	424.26	490.86	591.02	655.60	748.17	860.35	980.51	1198.72	1318.94
Fleet Strength (Nos.)	10411	11403	12252	12591	13443	, 13554	13805	14716	14952
Effective KMs run (Lakh KM)	11098	12720	14027	15334	16372	17234	17193	18817	19281
Income per KM. (Rs.)	3.99	3.95	4.21	4.36	4.60	4.94	5.77	6.31	6.79
Expenditure per KM (Rs.)	3.82	3.86	4.21	4.28	4.57	4.99	5.70	6.37	6.84
Income Expenditure Gap Per KM	I. 0.17	0.09	-0.00	0.08	0.03	-0.06	0.06	-0.06	-0.05
Income per Bus (Rs.)	425291	440866	482044	530585	560061	627660	718037	807366	875054
Expenditure per Bus (Rs.)	407511	430466	482387	520689	556550	634757	710257	814569	882116
ncome Expenditure Gap									
Per Bus (Rs.)	17779	10401	-343	9896	3511	-7098	7780	-7203	-7063

Table 9: Transport Corporations Vis-a-vis All PSUs Major Indicators

(Number)

Coheant	. 1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
Category				/					
1. Number of Units	***		••	4.			48		
A. Transport Corporations	14	14	14	15	15	15	15	16	19
B. All PSUs	60	61	63	63	58	58	60	62	64
A as a % of B	23.33	22.95	22.22	23.81	25.86	25.86	25.00	25.81	29.69
2. Employment									
A. Transport Corporations	74561	86306	91012	95641	100499	106550	108573	111440	114936
B. All PSUs	127819	142361	133471	138767	143959	148351	152494	156598	158256
A as a % of B	58.33	60.62	68.19	68.92	69.81	71.82	71.20	71.16	72.63
3. Turnover									
A. Transport Corporations	442.77	502.72	590.60	668,06	752. 51	849.69	991.18	1188.07	1308.39
B. All PSUs	1675.94	1884.92	1996.28	2372.03	2726.25	3322.29	4043.33	4694.12	4948.49
A as a % of B	26.42	26.67	29.59	28.16	27.60	25.58	24.51	25.31	26.44
4. Gross Block									
A. Transport Corporations	281.61	341.25	394.31	447.67	521.07	573.49·	636.07	. 703.12	729.88
B. All PSUs	664.14	828.48	937.27	1058.65	1169.91	1290.54	1430.34	1550.32	1702.33
A as a % of B	42.40	41.19	42.07	42.29	44.54	44.44	44.47	45.35	. 42.88
5. Capital Employed									
A. Transport Corporations	161.74	188.71	190.20	200.13	241.16	280.32	299.36	348.91	378.69
B. All PSUs	1142.68	1433.22	1147.36	1547.17	1635.52	1760.82	1886.27	2291.95	2724.19
A as a % of B	7.06	7.59	6.03	7.73	6.78	6.28	6.30	6.57	7.19
6. Gross Profit									
A. Transport Corporations	18.51	11.86	-0.42	12.45	4.72	-9.62	10.74	-10.65	-10.55
B. All PSUs	14.34	42.03	26.84	60.70	103.82	210.15	298,30	328.74	405.42
A as a % of B	129.08	28.22	-1.56	20.51	4.55	-4.58	3.60	-3.24	-2.60
7. Net Profit									
A. Transport Corporations	5.29	-0.49	-19.93	-5.69	-21.27	-40.72	-28.39	-52.89	-86.37
B. All PSUs	-62.37	-43.18	-67.76	-47.10	2.31	-8.22	38.71	26.91	56.25
Aasa % of B	-8.48	1.13	29.41	12.08	-920.78	495.38	-73.34	-196.54	-153.55

Table 10: Tamil Nadu Public Enterprises - Utilisation of Resources

(Rs. lakhs)

	Sor	inces		U	ses
	1985-86	1993-94		1985-86	1993-94
Increase in share capital	207.00	106.00	Gross block	5534.05	2944.00
intrase in seate capital	(3.00)	(1.36)		(80.34)	(37.72)
Increase in borrowings	3397.74	2256.00	Investments		57.00
mercuse in borrowings	(52.33)	(28.90)			(0.73)
Internal generation	3283.28	5443.00	Loss	1353.97	4804.00
mineral Decision	(47.67)	(69.74)		(19.66)	(61.55)
Total	6888.02	7805.00	Total .	6888.02	7805.00

Table 11: State Government Contributions to State Public Enterprises

Year	State Gov	vernment co	ontribution	Dividend	Dividend	GFD	Subsidy
,	Capital (Rs. Cr)	Loans (Rs. Cr)	Subsidy (Rs. Cr)	Received	as a % of contribu- tion	(Rs. Cr)	Contribu- tion as a % of GFD
1985-86	29.65	52.93	3.33	` <u>-</u>		365	0.91
1986-87	30.65	55.72	0.79	·.		454	0.17
1987-88	32.00	39.86	2.99			660	0.45
1988-89	32.00	39.79	5.10		*****	654	0.78
1989-90	32.00	57.88	2.78		47-Table	919	0.30
1990-91	32.00	60.87	11.57			1126	1.03
1991-92	32.00	62.84	22.76			1300	1.75
1992-93	33.35	100.83	36.30		· ——	1603	2.26
1993-94	34.41	87.35	39.21			2028	1.93