



## A Study on Sales Performance of Public Sector Enterprises in Kerala

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### ABSTRACT

This paper is an attempt to see whether there has been any significant change in the sales performance of the selected State Level Public Enterprises subsequent to the implementation of the revival and restructuring package. The analysis mainly involves the comparison of the performance prior to and post revival with the help of Sales Performance Analysis and Break Even Analysis. Three public sector enterprises located in the state of Kerala were selected and their financial soundness is assessed with the help of Sales Performance Analysis. The conclusions drawn could provide effective guidelines to the management of selected public sector enterprises in Kerala and their stakeholders.

### KEYWORDS

Public Sector Enterprises, Sales Performance Analysis, Break Even Analysis, Margin of Safety

### Introduction

The Public Sector Enterprises have played a significant role in the economic and social development of our country since independence. In pursuit of these objectives, massive investment has been made over the past five decades to build a strong Public Sector. Besides acting as a wheel of economic development, Public Enterprises are entrusted with the task of contributing to ensure social justice, poverty eradication, employment generation, achieving balanced regional development and accelerating the growth of agriculture and industry.

The performance of Public Sector Enterprises during the past decades reveals a wide gap between the aims and achievements. The poor performance of the Public Sector Enterprises has been a great concern to the society in general and for planners and policy makers in particular.

The aim of industrial and economic development cannot be achieved by merely having an ideological bias. It has to be supplemented with concrete and positive performance. Unfortunately most of the Public Sector Undertakings have failed in developing positive image in terms of financial performance. Some of them have even turned 'sick'. The sick firms are either closed down or rehabilitated. Many Public sector enterprises have been restructured or revived pumping in large sums of public money. Such rehabilitation programmes have often been made on non-economic grounds. Since tax payers' and state financial institution's money is spent on such revival programmes, it merits a bit of research to analyse the objectives of such revival and restructuring programmes and how much these have actually been met.

### Statement of the Problem

From the performance data of State Level Public Enterprises (SLPEs) over a period, it can be observed that, only a few of the State Level Public Enterprises were making profits and the rest were causing huge losses to the State. Sector wise breakup of the State Level Public Enterprises indicates that most of the units in industries like textile, engineering, public utilities, electronics and traditional industries incur large losses.

The Government of Kerala has spent large amounts of money year after year on rehabilitating or restructuring state public sector enterprises. Such programmes have been implemented at the cost of new enterprises or welfare spending. It is in public interest to evaluate the outcomes of such large spending from the state's exchequer, often justified on saving hundreds of jobs.

It is required to look into the objectives of such state spending and how much of it has helped in reviving the enterprises involved. If it has not served the purpose, why the effort and money went waste? Whether such revival or restructuring programmes need any monitoring in the future?

The study will attempt to find answers to a few important questions like: whether such state spending could have been saved? Does the revival or restructuring meet the objectives set for such revival or restructuring?

### Objectives of study

The study centers on the following objectives.

1. To assess the Sales Performance of the selected public sector enterprises.
2. To compare the Sales Performance before and after implementation of revival and restructuring package.
3. To suggest appropriate measures for improving the performance of the selected public sector enterprises and restore them to sound health.

### Methodology

The study is designed as a descriptive one based on secondary data. It primarily covers state enterprises engaged in the manufacturing and marketing activities. There are 104 state enterprises in Kerala of which nine are statutory corporations. Of the remaining, 63 are working under Industries Department out of which 17 are closed down for long periods. The study identified the list of state public sector enterprises which were restructured in the past ten years to evaluate the effectiveness of such interventions. For the purpose of the study, three companies were selected about which data were available.

The secondary data required for the study were collected from the rehabilitated or restructured state public sector enterprises in Kerala and from the Industries Department of the state and also from various journals, magazines and related websites etc. To understand the veracity of data, Sales Performance Analysis and Break Even Analysis were used.

### Sales Performance Analysis and Break Even Analysis

The Sales Performance Analysis measures performance from different perspectives in order to give sales managers an overall picture of what is happening in sales. Here the main objective of analysis of the sales performance is to identify the improvement in sales after the implementation of revival and restructuring package.

Break Even Analysis refers to the study of relationship between costs, volume and profit at different levels of sales or production. It is a technique of determining that level of operations where total revenues equal total expenses, i.e., the point of no profit, no loss.

The following table presents sales, break even sales and margin of safety of First Enterprise for the period 2000-01 to 2009-10

**Table 1**  
**Sales Performance, Break Even Sales and Margin of Safety of First Enterprise**

(Rs. Lakh)

Year	Sales	Change from previous year	BES	MS
2000-01	1727.56	-125.13	1603.57	-90.99
2001-02	990.83	-736.73	2023.59	-1162.39
2002-03	1734.05	743.22	1801.01	-301.28
2003-04	730.49	-1003.56	1296.18	-665.47
2004-05	491.19	-239.3	1767.82	-1338.56
2005-06	435.25	-55.94	2237.19	-1871.02
2006-07	835.05	399.8	1230.86	-1062.69
2007-08	2061.09	1226.04	2451.17	-670.15
2008-09	3165.00	1103.91	-	-
2009-10	3150.91	-14.09	4306.34	-1155.43

Source: Annual Reports of First Enterprise.

Table 1 indicates a rising trend in sales after the implementation of revival package in the year 2007-08. In the year 2007-08, the Government gave unsecured loans of Rs.1594.19 lakh. The ROI for the year was 21%. The sales for 2007-08 were increased by Rs.1226.04 lakh. From this, it can be inferred that there has been a substantial improvement in sales of the company after implementation of revival package.

The margin of safety is negative as the sale of the company does not reach even the break even sales till the year 2009-10. In the year 2008-09 the variable cost is more than sales, hence the break even sales is negative.

The following table presents sales, break even sales and margin of safety of Second Enterprise for the period 1990-91 to 1999-2000

**Table 2**  
**Sales Performance, Break Even Sales and Margin of Second Enterprise**

(Rs. Lakh)

Year	Sales	Change from previous year	BES	MS
1990-91	776.52	165.82	766.04	10.48
1991-92	955.29	178.77	955.93	-0.65
1992-93	820.94	-134.35	762.66	58.29
1993-94	948.85	127.91	962.24	-13.39
1994-95	1438.39	489.54	1116.72	321.67
1995-96	1734.18	295.79	1266.95	467.23
1996-97	1564.98	-169.2	1198.01	366.97
1997-98	1528.91	-36.07	1203.22	325.71
1998-99	1557.12	28.21	1535.47	21.65
1999-00	1522.46	-34.66	1418.89	103.56

Source: Annual Reports of Second Enterprise

From Table 2, it can be observed that during the years prior to implementation of revival and restructuring package, the sales turnover was fluctuating. In 1994 sales turnover was Rs. 948.85 lakh which increased to Rs. 1522.46 lakh by 2010. In 1994-95, the Government gave unsecured loans of Rs.590.06 lakh. Due to this the EBIT increased by Rs. 55.01 lakh and PAT by Rs.89.78 lakh. The ROI for the year was 51%. From this, it can be observed that there has been a record improvement in sales of the company after implementation of revival package (1994-95).

The margin of safety shows a very good improvement after the implementation of the revival and restructuring package in 1994-95. Hence, the company's position is stronger than before.

The following table gives sales, break even sales and margin of safety of Third Enterprise for the period 1999-00 to 2008-09.

**Table 3**  
**Sales Performance, Break Even Sales and Margin of Third Enterprise**

(Rs. Lakh)

Year	Sales	Change from previous year	BES	MS
1999-00	4510.14	179.77	4325.25	-233.47
2000-01	5130.67	620.53	5397.79	736.34
2001-02	4302.62	-828.05	2082.84	1824.62
2002-03	4314.85	12.23	5134.07	1199.76
2003-04	3630.80	-684.05	4326.74	971.52
2004-05	3623.57	-7.23	3783.03	235.93
2005-06	3545.55	-78.02	4055.87	510.32
2006-07	3694.92	149.37	3547.99	146.96
2007-08	3723.07	28.15	4008.52	285.45
2008-09	3161.68	-561.39	3935.61	773.94

Source: Annual reports of Third Enterprise

From Table 3, it can be observed that, the sales have decreased from Rs.4510.14 lakh in 1999-2000 to Rs.3161.68 lakh in 2008-09. In 2007-08, the Government gave share capital of Rs.3482.45 lakh. But, the EBIT decreased by Rs.509.69 lakh and PAT by Rs.453.57 lakh. The ROI for the year was negative. From this, it can be inferred that, the implementation of the revival package in 2007-08 has had no major effect on sales of the company.

The margin of safety shows a good improvement after the implementation of the revival and restructuring package in 2007-08. Hence, the company has improved its performance.

### Suggestions

To increase the effectiveness of the revival package a few suggestions are made on the bases of forgoing study.

- The state has to review its policy on revival or restructuring of public enterprises.
- A detailed study is required to set the state's policy on revival or restructuring.
- The analysis of sales performance shows improvement in sales health of the companies under the study except Third Enterprise. How much of that is due to fresh capital infusion, how much due to debt write off etc.

have not been analysed due to non-availability of data. Along with finance, appropriate management talent must also be made available to these companies so that the revival is long-standing in nature.

### Conclusion

The sales analysis of the selected firms reveals a mixed result after the implementation of the revival and restructuring programme. In First Enterprise, all the above analyse shows that there is improvement in the performance of the company after the implementation of revival package in 2007-08. In Second Enterprise, it has been able to write off its losses with the help of the revival package. In 2010 it started a new unit of the company. Now the company is earning profits and it is hoped that it can stand on its own in future. In Third Enterprise, It has not been able to control its losses through the implementation of revival and restructuring package.

In short most of the units have improved their performance after implementation of the revival package. The sales analysis of the selected public sector enterprises shows a creeping improvement after the implementation of the revival programme.

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