SICKNESS UNABATED

CPSEs go deeper into the red

21 firms had been in the red in decade to FY16, made losses of ₹70,000 cr; 43 companies posted ₹53,000 cr losses in FY14-FY16

PRASANTA SAHU
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WHILE A CLEAR-CUT policy for closure of perennially loss-making public sector units and redeployment of their assets/privatisation is yet to be spelt out by the government, these units continue to be an inexorable drain on the exchequer. According to data reviewed by *FE*, 21 central public sector enterprises (CPSEs) had been in the red in all years in the decade to FY16 and made a total loss of ₹70,000 crore in the period. Nearly 70% of these losses were that of Air India.

The situation worsened in FY14-FY16 with 43 CPSEs reporting combined losses of ₹53,000 crore during the three-year period, with a large chunk of these contributed by BSNL (₹19,132 crore), Air India (₹15,975 crore) and Hindustan Photo Films (₹6,512 crore).

Such huge losses meant the government had to write off loans and give fresh loans to these firms to meet their statutory liabilities and pay wages. The Centre's short-term loans to CPSEs, primarily ailing ones, doubled to ₹17,500 crore in FY16 compared to a year ago.

The NDA government could revive its plans, announced last year, to shut down unviable sick units and privatise some loss-making ones such as Air India and Bharat Pumps & Compressors. Following the recommendations made by the Niti Aayog last year, the government is currently in the process of shutting down nearly 20 of the 43 loss-making units while many others, including Air India and its subsidiaries, are in the process of strategic disinvestment. However, these plans are not comprehensive enough to address the mounting problem let alone their rather slow-paced implementation.

The units under liquidation include Hindustan Photo Films which has incurred losses of over ₹13,000 crore in the past decade. In FY14-FY16, BSNL has emerged as the worst performer with losses of ₹19,132 crore. The Centre would have to take a call soon on what to do with BSNL, even as its merger with MTNL has been on the table for quite some time as a solution.

Besides Air India and Hindustan Photo Films, other units which made losses continuously during the last decade include Airline Allied Services, Andaman & Nicobar Forest Plant Development Corporation, Bengal Chemicals & Pharmaceuticals, Bharat Wagon & Engineering, Birds Jute & Exports, British India Corporation, Hindustan Antibiotics, HMT Bearings, HMT Chinar Watches, HMT Machine Tools, HMT Watches, Hotel Corpn Of India, Indian Drugs & Pharmaceuticals, J&K Mineral Development Corporation, North Eastern Handicrafts & Handloom, Richardson & Cruddas and Tungabhadra Steel.

According to the department of public enterprises' (DPE) guidelines issued last year, the sick units would be closed within one year from the date of issue of minutes of the Cabinet approval. However, the process practically drags on for years.

In order to facilitate the process, the settlement of statutory dues and payment to secured creditors are now being completed within two months. The voluntary retirement scheme (VRS) at PSUs too has gathered some extra momentum after the Modi government sweetened the package in September last year.

Among the 6,600 employees of the 21 sick PSUs who have opted/have been asked to take VRS, most belonged to Hindustan Cables, HMT Watches, Hindustan Organic Chemicals and the Kota unit of Instrumentation.

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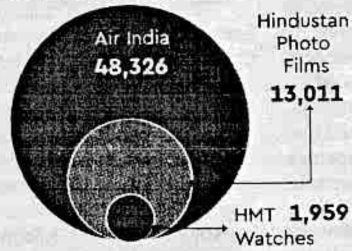
Bleeding units

₹69,727 crore
Losses reported by 21 CPSEs in the ten years to FY16; these have been in the red all through the decade

₹52,912 crore
Losses incurred by 43 CPSEs in FY14-FY16. During this period, all of them were consistently making losses

CPSEs with highest cumulative losses
(FY07-FY16, ₹ crore)



- About 20 of the 43 loss-making units are being shut down
- Many others, including Air India and its subsidiaries, are up for sale

CPSEs go deeper into the red

The government has set timelines for the disposal of movable assets, sale of land and retrenchment of employees not opting for VRS to fast-track the closure of sick PSUs.

Currently, the government is in the process of monetising nearly 1,675 acres of land with Hindustan Cable, Instrumentation, HMT Bearings, HMT watches and Tungabhadra Steel, which are being shut down.