

CHAPTER 5

FINANCIAL MANAGEMENT PERFORMANCE OF TNSTC (MADURAI) LTD.

5.1 Introduction

Performance of business as well as industry is usually judged on the basis of profit earning or surplus generated. In the case of public sector service oriented enterprises, profit or surplus can only be one of the several other criteria for measuring the performance. The guiding purpose and the operation for which the organizations have been created will have to be the points of reference while evaluating the performance. According to Kenneth Robinson¹, “For a private firm, profits, loosely defined, are the overriding objectives, wherever they clearly provide an inadequate measure of performance for a nationalized industry. In order that the full potential of public ownership and control is realized, public enterprises require an objective which embraces the wider interest of the community”.

The overriding social objectives and other environmental constraints are more emphasized in the evaluation of the performance of public sector service-oriented organization like Road Transport Corporations². There are certain decisions which have been made outside the enterprise such as the decision made by the government, directives received from the ministry, social responsibility imposed

¹ Kenneth Robinson, “Paying for Public Transport”, The External Triangle, JTM. Vol.IV Aug 1978,p.6.

² Hanson. A.H. Managerial Problems in Public Enterprise, Asia Publishing House, Bombay, 1962.

upon an enterprise in respect of, labour welfare, and the general economic policies.

One of the main reasons of the public sector for not coming up to the expectations is the absence of clear-cut performance standards to judge efficiency against the desired objectives. It is necessary to eliminate the contribution of the external factors to the non-performance. And the internal factors should be clearly identified to assess the efficiency of the given enterprise.

The efficiency of the TNSTCs can, among other things, be measured in terms of financial losses and profits. It is a well known fact that throughout the country the STUs are in the red. One of the major reasons responsible for the financial losses, is the unfavorable relationship between costs and fares. However, in Tamil Nadu, it is interesting to note that the difference between the earnings per passenger Km. and the cost per passenger Km. is very minimal. Further, it is only during the last 15 years the TNSTCs have started incurring the losses. Prior to this, the TNSTCs had earned profits. A study of the movement of cost structure revealed that the cost per Km. of operations has been increased on account of inflationary increase in prices of inputs such as high speed diesel and tyres. Though, there is increase in the revenue due to upward revision of fare and increase in operational efficiency, was able to absorb only a part of this increase in the cost. Therefore, the managerial effectiveness and efficiency of TNSTCs can also be assessed through the evaluation of financial performance of TNSTCs.

Accounting ratios are relationships expressed in mathematical terms between figures which are connected with each other in some manner. Absolute figures are also unfit for comparison of the analysis of financial efficiency of TNSTC.

Comparison of return with capital, profit or loss with kilometres operated, cost with revenue, current liabilities with current assets, quick liabilities with quick assets, debt with equity, assets with proprietor's fund becomes necessary. This purpose is served by the accounting ratio. An accounting ratio is expressed in percentage or in fraction. In this chapter, financial performance of TNSTC (Madurai) Ltd. is measured by using the following parameters:

5.2 Parameters used in Analysing Financial Performance of TNSTC (Madurai) LTD.

A. Parameters to Measure Cost Effectiveness

Cost per effective Km., Cost per passenger Km. and Cost per year per day per bus on Road.

B. Parameters to Measure Revenue Effectiveness

Total Revenue per Effective Km., Earning per passenger Km. and Earning per year per day per bus on Road.

C. Parameters to Evaluate Profitability

Return on investment, Return on capital employed, Profit/Loss per Km., Operating Ratio, Total cost and Total Revenue, Profit /Loss per Bus, Profit / Loss per Employee, Revenue to Equity and Profit to Equity.

D. Other Parameters to Measure Financial Performance

Current Ratio, Liquid Ratio, Debt- equity Ratio, Income to Equity and Proprietary Ratio.

5.2.1 Cost Effectiveness

The total cost per day per bus, helps to find out whether the selected corporation is economical or uneconomical. Further it also helps to find out whether the corporation is able to keep its cost at low level and maintain the same level over the period or not. The formula for calculating the cost per bus per day is presented below:

$$\text{Total Cost per bus/per day} = \frac{\text{Total cost during the period (per day)}}{\text{Average number of buses on road during the period (per day)}}$$

The average expenses incurred by TNSTC (Madurai) Ltd. per day per bus on road during the study period is given in the Table 5.1. And the graphical diagram of total cost per day per bus follows the Table 5.1

TABLE 5.1**Total Cost Per Day Per Bus on Road**

Year	Total cost (Rs. in Lakhs)	Total cost per day (Rs.in Lakhs)	No of Buses Per day	Total Cost Per Day Per Bus (in Rupees)
1997-98	47427.95	129.9396	3549	3661.30
1998-99	52966.14	145.1127	3551	4086.53
1999-00	60396.60	165.4701	3536	4679.58
2000-01	65399.11	179.1756	3520	5090.22
2001-02	65263.98	178.8054	3484	5132.19
2002-03	69919.47	191.5602	3504	5466.90
2003-04	72050.35	197.3982	3482	5669.10
2004-05	75618.68	207.1745	3539	5854.04
2005-06	87234.56	238.9988	3538	6755.20
2006-07	91031.76	249.4021	3708	6726.05
2007-08	99405.05	272.3426	3955	6886.03

Source: Annual Reports of TNSTC (Madurai) Ltd.

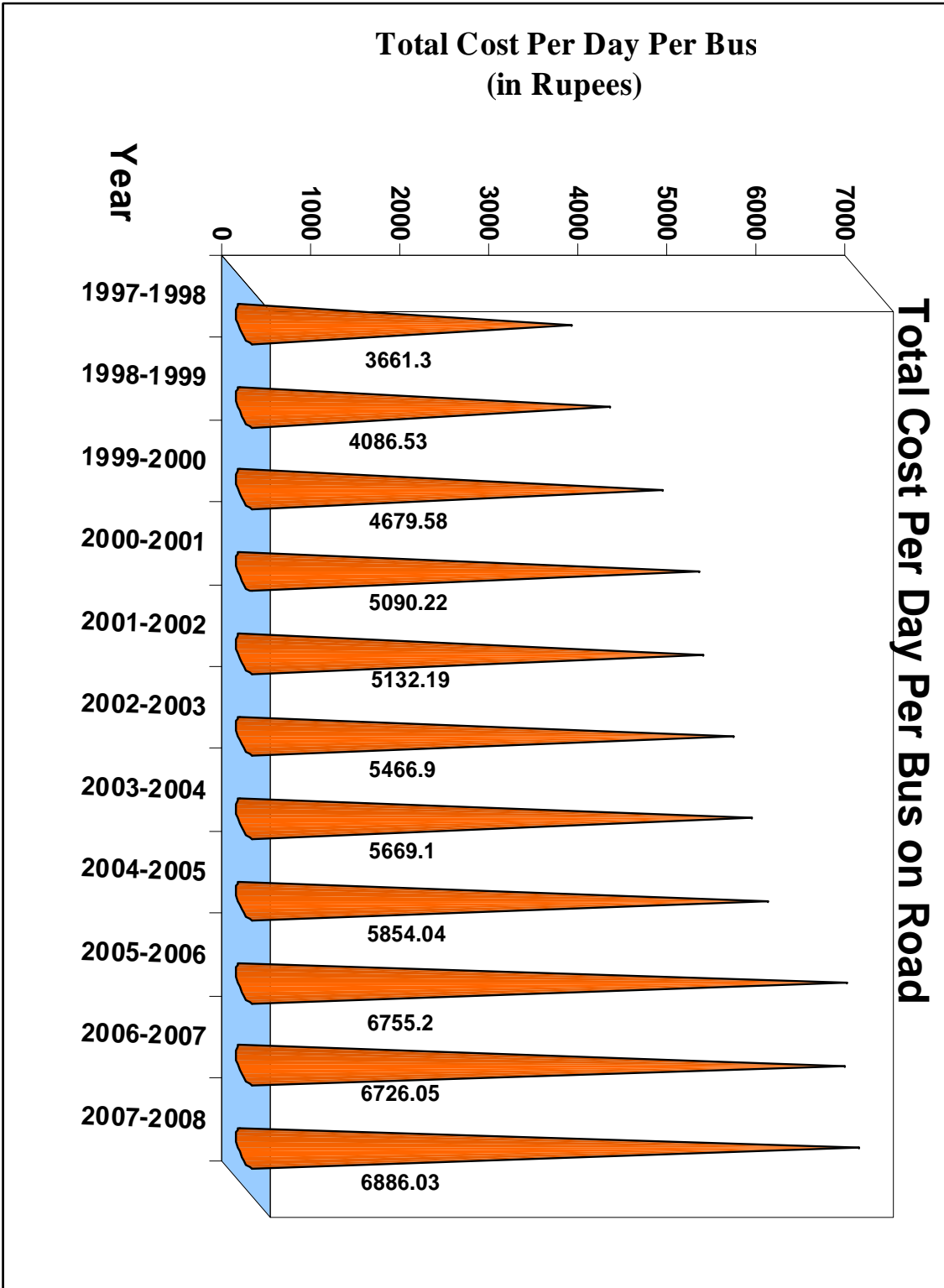


Figure 5.1

The total cost per day per bus in TNSTC (Madurai) Ltd. has been increased marginally throughout the study period. The total cost incurred in connection with the business of transportation of passengers is termed as the cost of operation. The total cost or operating cost includes material cost, personnel cost, motor vehicle tax, interest, depreciation cost and other miscellaneous cost.

Irrespective of the number of buses, the total cost of operating the buses has been increased throughout the study period due to the inflationary condition prevailing in the overall cost structure. It is inferred from the Table 5.1 that the total cost per day per bus was Rs.3661.30 in 1997-98. And it has been increased to Rs.6886.03 at the end of the study period.

The total cost per day per bus on road may not accurately highlight the efficiency in operating the bus. Hence, the another parameter that is the cost per effective kilometre is analysed during the same period. The Table 5.2 explains the total cost per effective kilometre operated by TNSTC (Madurai) Ltd.) during the study period.

TABLE 5.2
Total Cost per Effective kilometre (in Rs)

year	CPKM
1997-98	10.54
1998-99	11.42
1999-00	12.62.
2000-01	13.50
2001-02	13.47
2002-03	13.91
2003-04	14.12
2004-05	14.71
2005-06	16.79
2006-07	16.99
2007-08	17.28

Source: Annual Reports of TNSSTC (Madurai) Ltd.

The following details have been observed from the Table 5.2 which shows the total cost per effective kilometre. From the details given in the table it is clear that the total cost per effective kilometre has been increased gradually throughout the study period. At the beginning of the study period the total cost per effective kilometre was Rs.10.54 and it has been increased to Rs.14.34 in the year 2001-02

and it has been further increased to Rs. 16.79 in the year 2005-06. And at the end of the study period it has been greatly increased to Rs. 17.28.

Further, the cost effectiveness is evaluated in terms of cost per passenger per kilometre during the same period. The total cost per passenger Km. is given in Table 5.3.

TABLE 5.3

Total Cost Per Passenger Kilometre

Year	Variable cost per Passenger k.m.	Fixed cost per passenger k.m.	Total cost per passenger k.m.
1997-98	1.24	2.08	3.32
1998-99	1.24	2.29	3.54
1999-00	1.35	2.72	4.06
2000-01	1.78	2.98	4.75
2001-02	1.99	3.16	5.15
2002-03	2.28	3.51	5.79
2003-04	2.34	3.36	5.70
2004-05	2.41	3.16	5.57
2005-06	2.69	3.63	6.32
2006-07	2.85	3.48	6.33
2007-08	2.83	3.74	6.57

Source: Annual Reports of TNSTC (Madurai) Ltd

The following details have been observed from the Table 5.3 which show the total cost per passenger kilometre. At the beginning of the study period the variable cost per passenger kilometre was Rs.1.24, whereas the fixed cost per passenger kilometre was Rs.2.08. From the details given in the table it is clear that the variable cost per passenger kilometre is increased gradually throughout the study period whereas there is a gradual decline in fixed cost per passenger kilometre in some of the years. At the end of the study period the variable cost per passenger kilometre has been increased to Rs.2.83 and the fixed cost per passenger kilometre has been increased to Rs.3.32 and the total cost at the end of the study period has been increased to Rs.6.57. It is from the analysis that, the increase in cost of operation resulted uneconomical operation of TNSTC buses. The ineffectiveness of corporation was mainly due to increase in personnel cost, Increase in prices of spares and the interest and depreciation cost.

5.2.2 Revenue Effectiveness

The details of the amount of revenue earned per effective kilometre during the study period and also the average revenue earned by the corporation is worked out and given in Table 5.4.

TABLE 5.4
Revenue Earned per Effective Kilometre (in Rs.)

year	EPKM
1997-98	8.97
1998-99	8.92.
1999-00	10.64
2000-01	11.92
2001-02	12.56
2002-03	13.43
2003-04	14.03
2004-05	14.66
2005-06	15.14
2006-07	15.46
2007-08	15.53

Source: Annual Reports of TNSTC (Madurai) Ltd

The following details have been observed from the Table 5.4 which shows the revenue earned per effective kilometre. At the beginning of the study period the revenue earned per effective kilometre was Rs. 8.97 and it has been reduced to Rs. 8.92 in the very next year. And then there is a continuous growth till the end of the study period. The revenue earned per effective kilometre was Rs.10.64 in the

year 1999-2000 and it has been increased to Rs.14.66 in the year 2004-05 and it has been further increased to Rs.15.33 at the end of the study period.

As far as the bus transport is concerned, the state government is the 'price maker' and the commuter publics are the 'price taker'. The revenue generated by the transport corporations depends upon the pricing policy adopted by the state government.

When it is analysed, the data relating to the cost per day per bus on road, it is appropriate to have an idea about the total revenue generated per day per bus on road.

The earning per bus on road can be calculated as:

$$\text{Total Earnings per bus/per day} = \frac{\text{Total Revenue during the period}}{\text{Average number of buses on road during the period (per day)}}$$

The table 5.5 gives the details of revenue earnings per day per bus of the TNSTC (Madurai) Ltd from 1997-98 to 2007-08. As the fare structure increases, the revenue generation of the TNSTC tend to increase automatically. But the revenue generation mostly depends on the capacity of the corporation in utilizing its resources to the maximum. It is interesting to observe that the earning per bus per day shows an increasing trend in TNSTC (Madurai) Ltd during the study period.

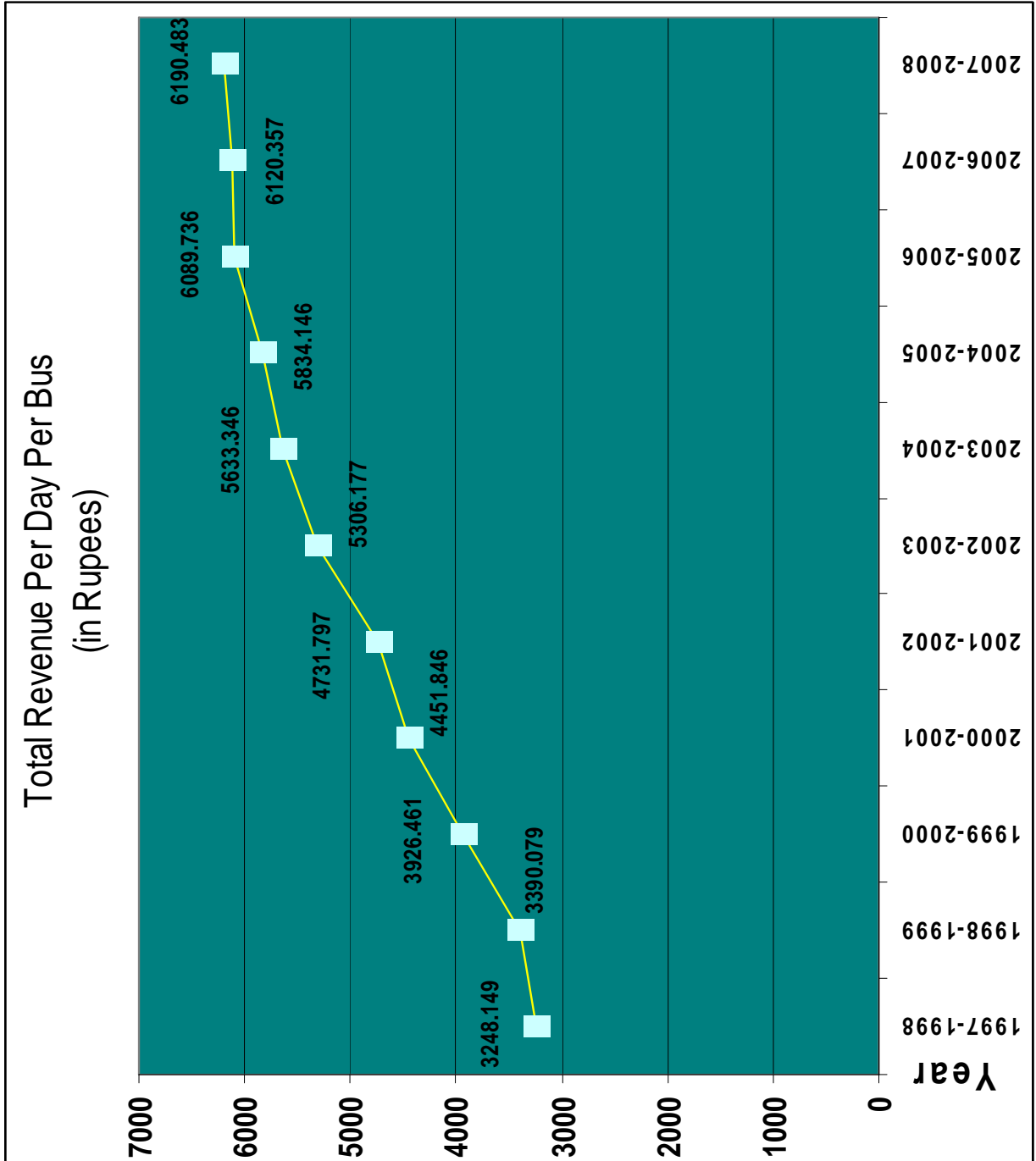
The total revenue earned by TNSTC (Madurai) Ltd. per day per bus on road during the study period is given in Table 5.5. And the graphical diagram of total revenue per day per bus follows the Table 5.5

TABLE 5.5**Total Earnings Per Bus Per Day on Road.**

Year	Total Revenue (Rs in Lakhs)	Total Revenue Per day (Rs.in Lakhs)	No of Buses Per day	Total Revenue Per Day Per Bus (In Rupees)
1997-98	42076.04	115.277	3549	3248.149
1998-99	43939.32	120.382	3551	3390.079
1999-00	50676.48	138.840	3536	3926.461
2000-01	57197.32	156.705	3520	4451.846
2001-02	60172.37	164.856	3484	4731.797
2002-03	67863.88	185.928	3504	5306.177
2003-04	71595.89	196.153	3482	5633.346
2004-05	75361.7	206.470	3539	5834.146
2005-06	78641.02	215.455	3538	6089.736
2006-07	82834.14	226.943	3708	6120.357
2007-08	89364.26	244.834	3955	6190.483

Source: Annual Reports of TNSTC (Madurai) Ltd

Figure 5.2



The following details have been observed from the Table 5.5 which shows the total earnings per bus per day on road. The total revenue at the beginning of the study period was 42076.04 lakhs and the total revenue per day was 115.277 lakhs. From the details given in the table it is clear that the total revenue as well as the total revenue per day has been increased gradually throughout the study period. At the end of the study period the total revenue has been increased to 89364.26 lakhs and to the total revenue per day has been increased to 244.834 lakhs.

At the beginning of the study period there were 3549 buses per day and the total revenue per day per bus was Rs. 3278.149. There is a gradual growth as well as decline in the number of buses per day during the study period. But, the total revenue per day per bus has undergone a continuous growth throughout the study period. There were 3955 buses per day at the end of the study period and the total revenue per day per bus has been increased to Rs. 6190.483. Further, the revenue effectiveness is evaluated in terms of revenue per passenger per kilometre during the same period. The total revenue per passenger Km. is given in Table 5.6.

Further, the revenue effectiveness is evaluated in terms of revenue per passenger per kilometer during the same period. The total revenue per passenger Km. is given in Table 5.6

TABLE 5.6**Total Revenue Per Passenger K.M.**

Year	Total Revenue Per Passenger k.m.
1997-98	2.94
1998-99	2.93
1999-00	3.41
2000-01	4.16
2001-02	4.74
2002-03	5.62
2003-04	5.66
2004-05	5.55
2005-06	5.70
2006-07	5.76
2007-08	5.91

Source: Annual Reports of TNSSTC (Madurai) Ltd

The following details have been observed from the Table 5.6 which shows the total revenue per passenger kilometre. At the beginning of the study period the total revenue per passenger kilometre was Rs.2.94 and it has been reduced to Rs.2.93. Then it has been increased gradually throughout the study period except during 2004-05. The total revenue per passenger kilometre of Rs.5.66 earned in the year 2003-04 has been decreased to Rs.5.55 in the year 2004-05. But at the end of the study period the total revenue per passenger kilometre has been increased to Rs.5.91. It is concluded, from the above analysis that the TNSSTC (Madurai) Ltd. has utilized the resources effectively throughout the study period and had a continuous increase in the revenue in operation.

5.2.3 Total Cost (Variable and fixed) and Total Revenue per Passenger Kilometre

While studying about the total cost per effective kilometre and total revenue per effective kilometre, it becomes necessary to study the cost and revenue earned per passenger kilometre. So the researcher has also made an attempt to analyse the cost per passenger kilometre and total revenue per passenger kilometre. These two variables give a clear picture about the loss or profit made by the transport undertakings. This can also be said as break-even cost analysis.

The fare at which revenue generated is equal to the total operating cost, where there will be no loss or profit is said to be break-even point. By increasing operating efficiency, by increasing the volume of traffic operations, by controlling fixed and variable cost, the corporation can earn contribution, which is more than the fixed cost to be called as profit. For calculating the break-even cost, the total cost is split into fixed cost and variable cost.

The fixed cost includes labour costs, interest, depreciation and other miscellaneous expenses. The variable cost consists of all material costs, fuel, lubricants and the like. Then the fixed cost and variable cost are divided by passenger Km. to arrive variable cost per passenger Km. and fixed cost per passenger Km. This will show the break-even cost per passenger Km. In order to arrive the earnings per passenger Km, the total revenue is divided by passenger Km. The difference between the break-even cost and revenue generated by passenger kilometre will reveal the profit or loss.

The break-even cost per passenger and revenue generated per passenger Km. is presented in Table 5.7. And the graphical diagram of variable cost, fixed cost, revenue per passenger kilometre follows the Table 5.7

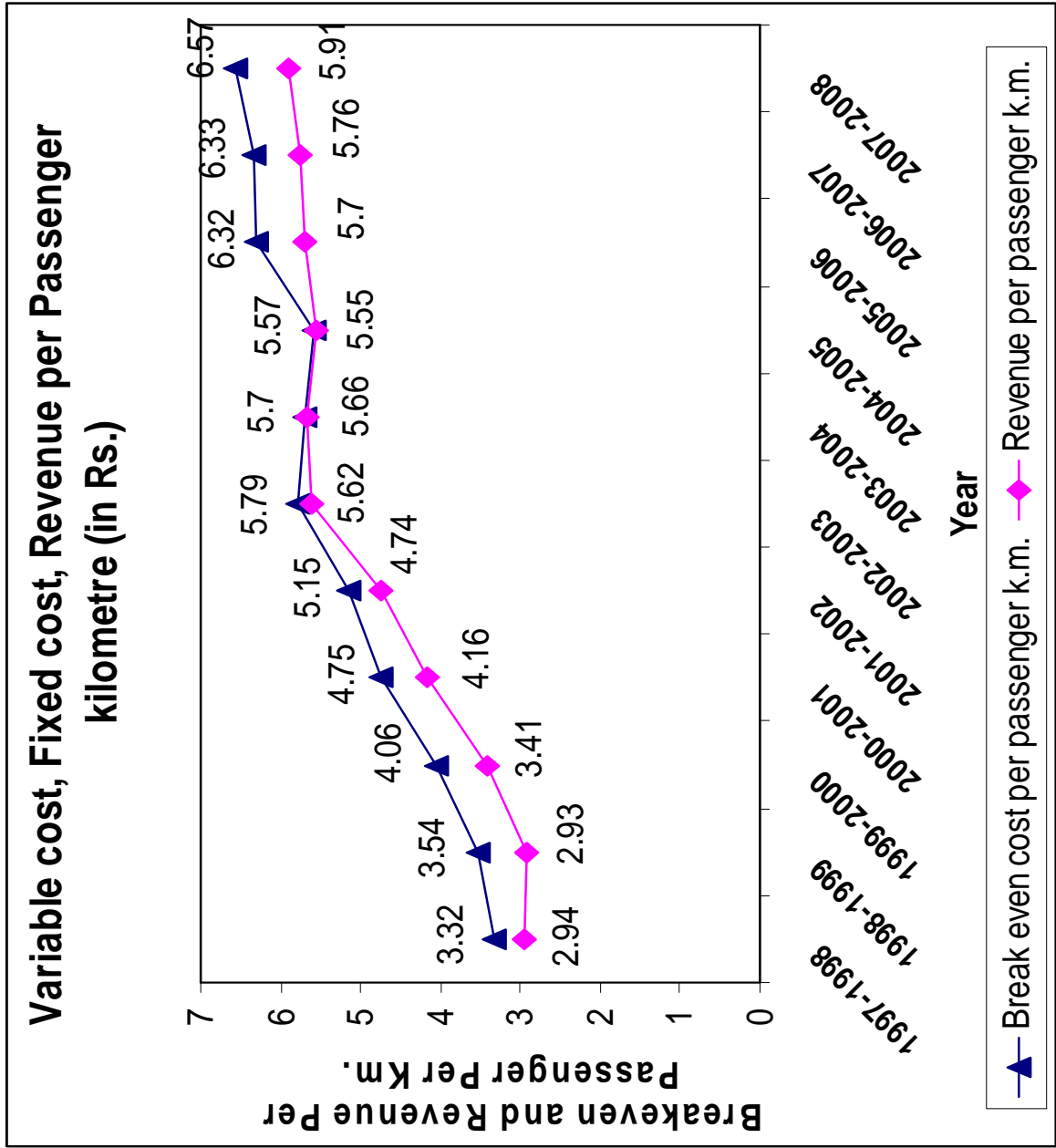
TABLE 5.7

Variable Cost, Fixed Cost, Revenue Per Passenger kilometre (in Rs.)

Year	Variable cost per passenger k.m	Fixed cost per passenger k.m.	Break even cost per passenger k.m.	Revenue per passenger k.m.	Difference	Total profit/loss (in lakhs)
1997-98	1.24	2.08	3.32	2.94	-0.38	-5351.91
1998-99	1.24	2.29	3.54	2.93	-0.60	-9026.82
1999-00	1.35	2.72	4.06	3.41	-0.65	-9720.12
2000-01	1.78	2.98	4.75	4.16	-0.60	-8201.79
2001-02	1.99	3.16	5.15	4.74	-0.40	-5091.61
2002-03	2.28	3.51	5.79	5.62	-0.17	-2055.59
2003-04	2.34	3.36	5.70	5.66	-0.04	-454.46
2004-05	2.41	3.16	5.57	5.55	-0.02	-256.98
2005-06	2.69	3.63	6.32	5.70	-0.62	-8593.54
2006-07	2.85	3.48	6.33	5.76	-0.57	-8197.62
2007-08	2.83	3.74	6.57	5.91	-0.66	-10040.8

Source: Annual Reports of TNSTC (Madurai) Ltd.

Figure 5.3



The break-even cost per passenger kilometre and revenue generated per passenger kilometre is computed for the TNSTC (Madurai) Ltd. and it is presented in the Table 5.7. It is also to be noted that the break-even cost per passenger kilometre of TNSTC (Madurai) Ltd. shows an increasing trend. In the year 1997-98 the break-even cost per passenger kilometre of TNSTC (Madurai) Ltd. was RS.3.32. But, except the year 2003-04 there is a gradual increase in its break-even cost per passenger kilometre throughout the study period. In 2007-08 the break even cost per passenger kilometre of TNSTC (Madurai) Ltd. was Rs.6.57.

As far as the revenue per passenger kilometre is concerned TNSTC (Madurai) Ltd. is lower than the break-even cost per passenger kilometre, which means that the corporation is running in loss.

It is observed from the Table 5.7 in TNSTC (Madurai) Ltd., the variable cost per passenger kilometre registered a continuous increase in all the years from RS.1.24 in 1997-98 to RS.2.83 in 2007-08. At the same time the fixed cost also is increasing continuously from Rs. 2.08 in 1997-98 to Rs.3.74 in 2007-08. This continuous increase in fixed and variable cost is natural in an inflationary situation.

It is concluded from the above analysis that there is an unfavorable relationships between Costs and Fares in TNSTC throughout the study period.

5.2.4 Evaluation of profitability

The overall performance of an enterprise can be measured through the capacity of generating income. A progressive profit ratio indicates the prosperity and profitability of an enterprise. A low profit ratio is a pointer to the fact that fixed assets is not profitably used in a business operation. A declining ratio due to higher taxes and interest is indicative of regression fiscal and monetary policies of the management or government. Under such conditions, each enterprise as a whole will suffer from obtaining profits.

The management of TNSTC is naturally eager to measure its operating efficiency. The operating efficiency of TNSTC and its ability to ensure adequate returns to its share holders (Government) depends ultimately on the profits earned by it. Profitability in relation to investments is measured by return on assets, return on capital employed and return on share holders' equity.

Healthy financial position of any transport corporation can be measured through capacity of generating the revenue. An indication of good financial position of any company is the ability to earn satisfactory return on investment and capital employed. Even though number of yardsticks or tools is available to measure the profitability, the researcher has used only the following ratios. They are:

- ♣ Return on Assets
- ♣ Return on capital employed
- ♣ Profit /Loss per Km.
- ♣ Operating Ratio
- ♣ Total cost and Total Revenue
- ♣ Profit /Loss per Bus
- ♣ Profit / Loss per Employee

Return on Assets

The return on assets ratio measures the overall effectiveness of management in generating profits with its available assets. The profit being the net result of an operation, the return on assets expresses efficiency or inefficiency of a business collectively. Thus it becomes the dependable measure for judging its overall efficiency or inefficiency.

The ratio of profit in relation to the assets is called return on assets invested. It is calculated with the help of the following formula:

$$\text{Return on Assets} = \frac{\text{Net profit /Loss}}{\text{Total Assets}} \times 100$$

Table 5.8 shows the Return on Total Assets in TNSTC (Madurai) Ltd. during the study period.

TABLE 5.8**Return on Total Assets in TNSC (Madurai) Ltd.**

Year	Profit/loss	Total Assets	Return on total assets (%)
1997-98	-256842000	3182703144	-8.07
1998-99	-489307000	3655068732	-13.39
1999-00	-329949000	4673009918	-7.06
2000-01	-200030000	5316040184	-3.76
2001-02	-51945000	5598480521	-0.93
2002-03	-205558000	5533883073	-3.71
2003-04	-45446000	5029737258	-0.90
2004-05	-25698000	4893995485	-0.53
2005-06	-859354000	5341098349	-16.09
2006-07	-817577000	5790501014	-14.12
2007-08	-1003135000	6011389258	-16.69

Source: Annual Reports of TNSC (Madurai) Ltd.

The following details have been observed from the Table 5.8 which shows the return on total assets in TNSC (Madurai) Ltd. From the details given in the table it is evident that TNSC has incurred loss in all the years during the study period. But, the assets of TNSC have been increased gradually throughout the study period except few years. The values of total assets of TNSC at the

beginning of the study period were Rs.3182703144 and it has been increased to Rs.6011389258 at the end of the study period. The percentage of return on total assets of all the year shows negative growth. In the year 2004-05 the TNSTC has incurred the lowest loss percentage of 0.53 in its return on total assets.

Return on capital Employed

The prime objective of making investments in any business is to obtain satisfactory return on capital invested. Hence, the return on capital employed is used as a measure for the success of a business in realizing this objective. It indicates the percentage of return on the capital employed in the business and it can be used to show the efficiency of the business as a whole.

This ratio is used to measure the overall efficiency of the TNSTC (Madurai) Ltd. Return on investment is ascertained by comparing the profit earned with the capital employed and it is usually expressed in percentage.

$$\text{Return on capital employed} = \frac{\text{Profit/loss}}{\text{Average capital employed}} \times 100$$

Here, profit means the profit/ loss earned on investment and capital employed represents fixed assets plus working capital. The return on capital employed indicates how well management has used the funds supplied by the creditors and the owners. The higher the ratio, the more efficient is the firm in using funds entrusted to it.

The rate of return on capital employed by the TNSTC (Madurai) Ltd. is given in Table 5.9

TABLE 5.9**Return on Capital Employed in TNSTC (Madurai) Ltd.**

Year	Return On Capital Employed
1997-98	-0.11
1998-99	-0.21
1999-00	-0.10
2000-01	-0.05
2001-02	-0.01
2002-03	-0.06
2003-04	-0.02
2004-05	-0.01
2005-06	-0.37
2006-07	-0.42
2007-08	-0.65

Source: Annual Reports of TNSTC (Madurai) Ltd.

The following details have been observed from the Table 5.9 which shows the return on capital employed in TNSTC (Madurai) Ltd. and it shows negative growth in all the years throughout the study period. At the beginning of the study period, the negative return on capital employed was 0.11 percentage and it has been increased to 0.37 percentage in the year 2005-06 and it has been further increased to 0.42 percentage. At the end of the study period it was 0.65 percentage. From the details given in the table it is evident that TNSTC has

earned the lowest negative return on capital employed of 0.01 percentage in 2001-02 as well as in 2004-05. It is inferred from the above analysis that there is a negative return on investment in TNSTC during the entire study period, which has shown the inefficiency of TNSTC in generating profits out of available assets.

Profit or Loss per kilometre

Profit is the reward for the organization. The private business unit continues to be operated only when there is a profit, otherwise its business will come to an end. TNSTC (Madurai) Ltd. is also a business enterprise but with some social objectives. It has the responsibility to serve the rural poor by providing transport services to them. However, atleast for its survival it must earn a reasonable rate of profit for its survival. Hence the profitability of the TNSTC (Madurai) Ltd. is measured by comparing the cost of operation per kilometre with earning per kilometre. Earning per kilometre includes operational revenue, contract carriage hire charges, profit on sale of buses, sale of scraps, other non-operational revenue, re-imburement of loss on the sale of concessional tickets. Cost per kilometre includes expenses relating to HSD oil, lubricants, new tyres, tubes, retreading materials, springs, spares and accessories, repairing materials, labour charges for outsiders and establishment expenses. The difference between the total earning per kilometre and the total cost per kilometre is called profit or loss per kilometre. The result of comparison is given below in the form of a Table 5.10.

TABLE 5.10**Cost Per K.M. and Earning Per K.M of TNSTC (Madurai) Ltd.**

Year	Earning per kilometre (in Rs)	Percentage increase over previous year	Cost per kilometre (in Rs)	Percentage increase over previous year	Profit/loss per kilometre (in paise)
1997-98	8.97	----	10.54.	---	-156.8
1998-99	8.92.	-0.56	11.42	8.38	-250.1
1999-00	10.64	16.14	12.62	10.50	-198.4
2000-01	11.92	10.74	13.50	6.94	-158.1
2001-02	12.56	5.13	13.47	-0.23	-90.5
2002-03	13.43	6.50	13.91	3.28	-47.4
2003-04	14.03	4.24	14.12	1.51	-9.0
2004-05	14.66	4.30	14.71	4.18	-5.0
2005-06	15.14	3.17	16.79	14.14	-165.0
2006-07	15.46	2.07	16.99	1.19	-153.0
2007-08	15.53	0.45	17.28	1.71	-175.0

Source: Annual Reports of TNSTC (Madurai) Ltd.

The following details have been observed from the Table 5.10 which shows the cost per kilometre and earning per kilometre of TNSTC (Madurai) Ltd.. At the beginning of the study period, TNSTC had earned Rs. 8.97 per kilometre. But, except the year 1998-99 there is a gradual increase in its earning throughout the study period. At the end of the study period, TNSTC has earned Rs.15.53 per

kilometre. The percentage of earning per kilometre shows the negative value of Rs.0.56 in the year 1998-99. But it has been raised to 16.14 per centage in the year 1999-2000. At the end of the year the increased percentage of its earning per kilometre is 0.45 percentage.

At the beginning of the study period the cost per kiloometre was Rs.10.54. The cost per kilometre has been increased throughout the study period. It may be due to the hike in petrol and diesel price. And, the TNSTC too has not revised the fare structure for a long time. At the end of the study period, the cost per kilometre has been greatly raised to Rs.17.28. The percentage of cost per kilometre was Rs 8.38 in the year 1998-99. And then there is a gradual growth as well as decline during the study period. The percentage of cost per kilometre showed negative value of 0.23 percentage in the year 2001-02. At the end of the study period, the increased percentage of the cost per kilometre is 1.71. From the details given in the table it is evident that TNSTC (Madurai) has incurred the loss in all the years during the study period. At the beginning of the study period, TNSTC (Madurai) Ltd. has incurred the loss of 156.8 paise per kilometre. At the end of the study period it has been increased to 175.0 paise per kilometre. TNSTC (Madurai) Ltd. has incurred the lowest loss of 5.0 paise in the year 2004-05. In spite of meeting the loss in all the years the TNSTC (Madurai) Ltd. has operated its buses as per the schedule. It shows that profit is not the biggest constrain for them. The sole aim of TNSTC is to serve the public whether they incur loss or profit.

Operating Ratio

The operating cost is the cost of providing service. The operating revenue is the revenue earned by the corporation by way of operating the fleets and the operating ratio is calculated by dividing the operating cost by operating revenue.

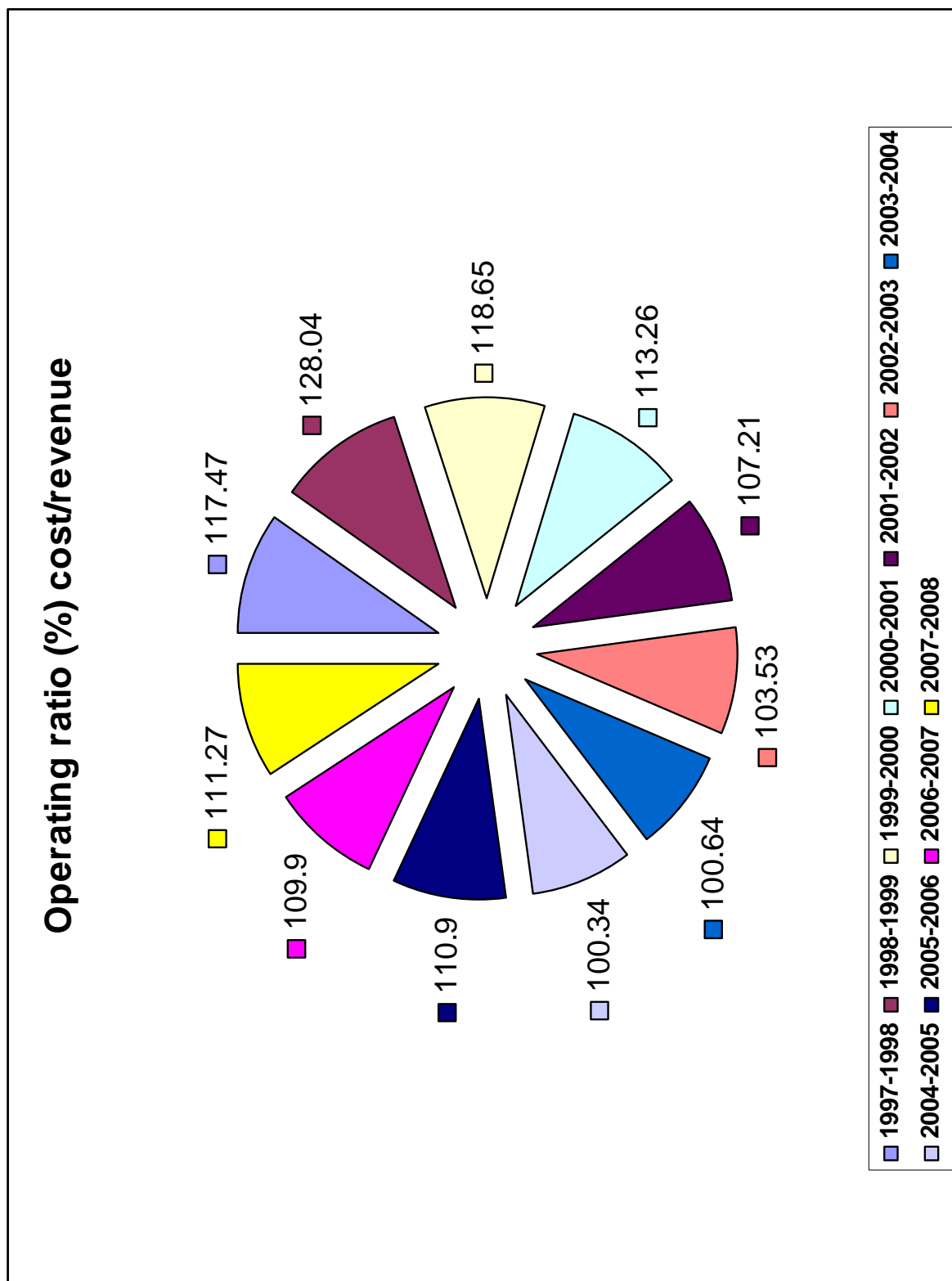
This ratio indicates the operational efficiency with which the business is being carried on. It shows the percentage of net revenue that is absorbed by the operating expenses. Hence, the lower the operating ratio, the higher will be the operating profit. While the ratio serves as an index of overall efficiency, its usefulness is limited by a number of financial and extraordinary factors. An operating ratio ranging between 90 per cent and 95 per cent is generally considered as the standard for manufacturing concerns. The Operating Ratio of TNSTC (Madurai) Ltd. during the study period is given in Table 5.11. And the pie chart of operating ratio follows the Table 5.11

TABLE 5.11**Operating Ratio of TNSTC (Madurai) Ltd.**

Year	Operating revenue (Rs./km)	Operating Cost (Rs./km)	Operating ratio (%) cost/revenue
1997-98	8.97	10.54.	117.47
1998-99	8.92.	11.42	128.04
1999-00	10.64	12.62	118.65
2000-01	11.92	13.50	113.26
2001-02	12.56	13.47	107.21
2002-03	13.43	13.91	103.53
2003-04	14.03	14.12	100.64
2004-05	14.66	14.71	100.34
2005-06	15.14	16.79	110.90
2006-07	15.46	16.99	109.90
2007-08	15.53	17.28	111.27

Source: Annual Reports of TNSTC (Madurai) Ltd.

Figure 5.4



The following details have been observed from the Table 5.11 which shows the operating ratio of TNSSTC (Madurai) Ltd. At the beginning of the study period, the operating revenue per kilometre was Rs. 8.94 whereas the operating cost per kilometre was Rs.10.54. From the details given in the table it is clear that the operating revenue as well as the operating cost has been increased throughout the study period. And the operating revenue is lower than the operating cost in all the years.

It may be due to the hike in petrol and diesel price. And, the TNSSTC too has not revised the fare structure for a long time. At the end of the study period, the operating revenue per kilometre was Rs.15.53 whereas the operating cost per kilometre was Rs.17.28. The percentage of operating ratio of cost/revenue in the year 2004-05 was 100.03 and it is the lowest ratio during the study period. From the analysis, it is inferred that the operational efficiency of TNSSTC (Madurai) Ltd. in financial terms is very poor due to the higher operating ratio during the study period.

Total Cost and Total Revenue

The term total cost refers to the total operating expenses and non-operating expenses in a year. The total revenue includes traffic revenue and non-traffic revenue in a year. The total cost and total revenue of TNSSTC (Madurai) Ltd. during the study period is given in Table 5.12. And the graphical diagram of Cost Vs Revenue follows the Table 5.12.

TABLE 5.12
Cost Vs Revenue

Year	Total Revenue Rs in Lakhs	Total cost Rs in Lakhs	Profit/Loss
1997-98	42076.04	47427.95	-5351.91
1998-99	43939.32	52966.14	-9026.82
1999-00	50676.48	60396.6	-9720.12
2000-01	57197.32	65399.11	-8201.79
2001-02	60172.37	65263.98	-5091.61
2002-03	67863.88	69919.47	-2055.59
2003-04	71595.89	72050.35	-454.46
2004-05	75361.7	75618.68	-256.98
2005-06	78641.02	87234.56	-8593.54
2006-07	82834.14	91031.76	-8197.62
2007-08	89364.26	99405.05	-10040.8

Source: Annual Reports of TNSTC (Madurai) Ltd.

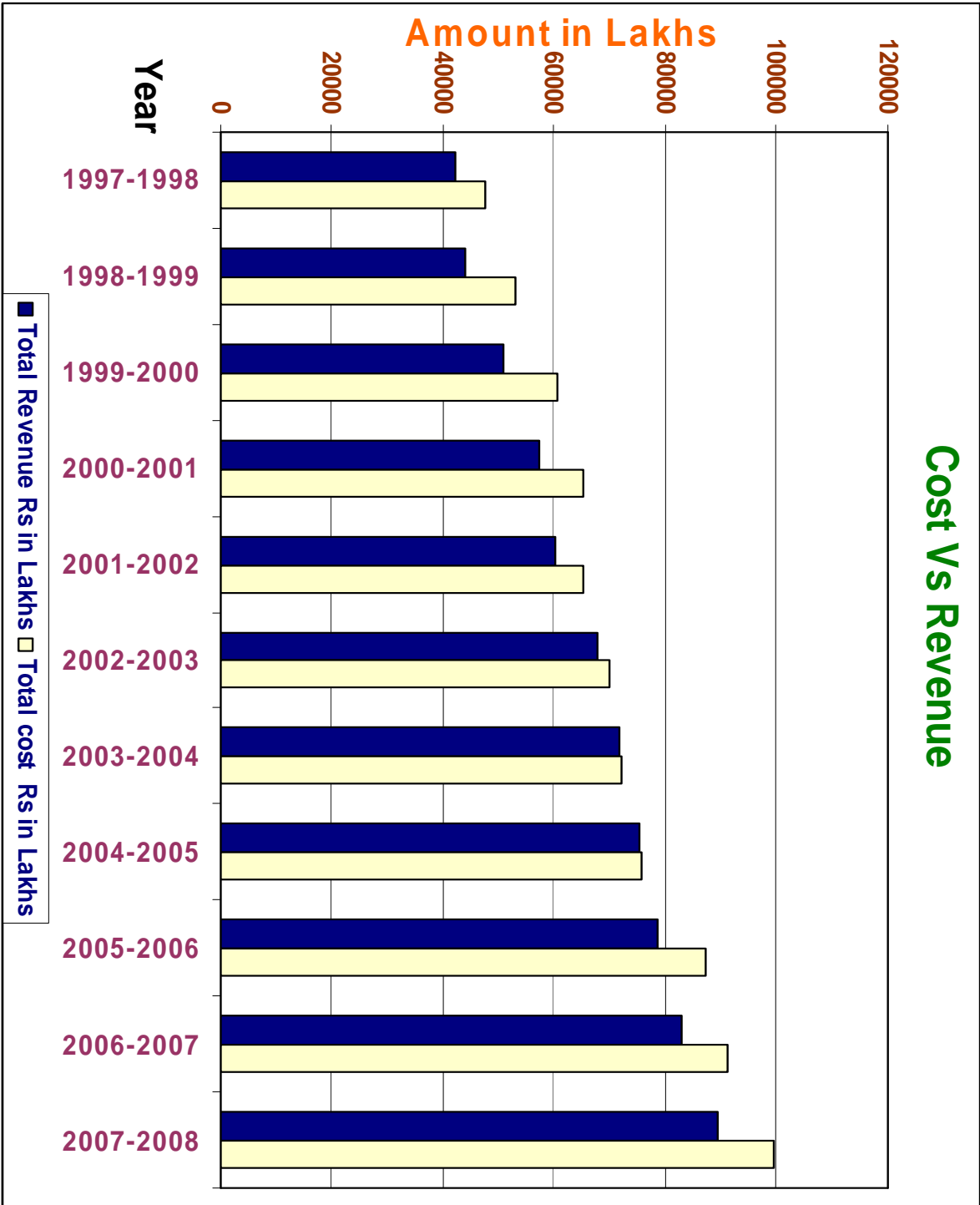


Figure 5.5

The following details have been observed from the Table 5.12 which shows the cost vs revenue. The total revenue of TNSTC at the beginning of the study period, was 42076.04 lakhs whereas the total cost was 47427.95 lakhs. Both the total revenue and the total cost have been increased throughout the study period and the total revenue is always lower than the total cost during the study period. And the TNSTC has incurred the loss in all the years during the study period. It may be due to the hike in petrol and diesel price. And, the TNSTC too has not revised the fare structure for a long time. At the beginning of the study period the loss of TNSTC (Madurai) Ltd. was Rs.5351.91 lakhs and it has been raised to Rs.10040.8 lakhs at the end of the study period. TNSTC (Madurai) Ltd. has incurred the loss of Rs.256.98 lakhs in the year 2004-05 and it is the lowest loss value during the study period. It is concluded that there is a managerial efficiency in controlling the costs and also in the earning of revenue during the study period in TNSTC (Madurai) Ltd.

Operating Profit and Net Profit Per Bus

The profit per bus is depending upon the cost incurred and revenue earned per bus. The revenue earned per bus in TNSTC is less than the cost per bus over the study period. This would affect both net profit as well as operating profit per bus. Operating profit means the profit earned directly from the operation of the buses. This does not include non-operating income and non-operating expenses. Net profit includes non-operating income and non-operating expenses also. Non operating income in TNSTC is arising from bus collection, mail subsidy, sale of concession tickets, reimbursement on student concession passes and the charges

of contract carriage and the like. Non operating expenses incurred such as fuel, lubricants, spares and repairs, tiers & tubes and the like.

Though, the TNSTC has incurred loss in almost all the years during the study period it is expected to earn operating profit. The operating loss in any year shows the inefficiency in operation. The operating profit or loss and net profit or loss per bus of TNSTC (Madurai) Ltd. is given in Table 5.13

TABLE 5.13

Operating Profit / Loss and Net Profit/ Loss Per Bus (Rs. in Lakhs)

Year	No.of buses	Operating profit/Loss	Operating profit/loss/bus	Net profit /loss	Net profit/ loss per bus
1997-98	3549	-2675.21	-0.754	-7441.82	-2.10
1998-99	3551	-6180.67	-1.741	11419.54	-3.22
1999-00	3536	-4601.4	-1.301	-6025.54	-1.70
2000-01	3520	-2072.81	-0.589	-5610.29	-1.59
2001-02	3484	532	0.153	-5048.22	-1.45
2002-03	3504	2295.51	0.655	-2065.76	-0.59
2003-04	3482	3856.39	1.108	-454.46	-0.13
2004-05	3539	3699.54	1.045	-259.98	-0.07
2005-06	3538	-4467.23	-1.262643	-8593.54	-2.43
2006-07	3708	-3571.97	-0.963314	-8197.62	-2.21
2007-08	3955	-4225.08	-1.068288	-10040.79	-2.54

Source: Annual Reports of TNSTC (Madurai) Ltd.

The following details have been observed from the Table 5.13 which shows the operating profit and loss and net profit and loss per bus. At the beginning of the study period there were 3549 buses and it has been increased to 3955 buses at the end of the study period. TNSTC (Madurai) Ltd. has incurred the operating loss of Rs.2675.21 lakhs at the beginning of the study period and it has been increased to Rs, 4225.08 lakhs at the end of the study period. And TNSTC (Madurai) Ltd. had earned operating profit during 2001-02 to 2004-05. TNSTC (Madurai) Ltd. had earned the profit of Rs.3856.39 lakhs in the year 2003-04 and it is the highest operating profit during the study period. The operating loss per bus was Rs.0.754 lakhs at the beginning of the study period but it has been raised to Rs.1.068 lakhs at the end of the study period. The operating profit per bus was Rs.0.153 lakhs in the year 2001-02 and the operating profit had been raised to Rs.1.045 lakhs in the year 2004-05. TNSTC (Madurai) Ltd. had earned the profit of Rs.1.108 lakhs in the year 2003-04 and it is the highest operating profit per bus. TNSTC (Madurai) Ltd. has incurred the net loss of Rs.7441.82 lakhs at the beginning of the study period and it has been increased to Rs.10040.79 lakhs at the end of the study period. TNSTC (Madurai) Ltd. had incurred the net loss of Rs.2.10 lakhs per bus in the year 1997-98 and it has been raised to Rs.2.54 lakhs in the year 2007-08. TNSTC (Madurai) had incurred the lowest net loss of Rs.0.07 lakhs in the year 2004-05.

Operating Profit and Net Profit Per Employee

The profit per employee is depending upon the cost incurred and revenue earned in TNSTC. The revenue is less than the cost over the study period. This would affect both net profit as well as operating profit per employee. Operating profit means the profit earned directly from the operation of buses. This does not include non-operating income and non-operating expenses. Net profit includes non-operating income and non-operating expenses also.

Though, the TNSTC incurs loss in all most all the years in the study period, is expected to earn operating profit. The operating loss in any year shows the inefficiency in operation. The operating profit or loss and net profit or loss per employee of TNSTC (Madurai) Ltd. is given in Table 5.14

TABLE 5.14
Operational Profit/loss and Net Profit / Loss Per Employee
(Rs. in lakhs)

Year	No. of employees	Operating profit/Loss	Operating profit per employee	Net profit /loss	net profit/ loss per employee
1997-98	25218	-2675.2	-0.106	-7441.82	-0.295
1998-99	28997	-6180.7	-0.213	-11419.5	-0.394
1999-00	25482	-4601.4	-0.181	-6025.54	-0.236
2000-01	25348	-2072.8	-0.082	-5610.29	-0.221
2001-02	24587	532	0.022	-5048.22	-0.205
2002-03	23825	2295.51	0.096	-2065.76	-0.087
2003-04	23178	3856.39	0.166	-454.46	-0.020
2004-05	22473	3699.54	0.165	-259.98	-0.012
2005-06	21845	-4467.23	-0.204	-8593.54	-0.393
2006-07	21360	-3571.97	-0.167	-8197.62	-0.384
2007-08	23553	-4225.08	-0.179	-10040.8	-0.426

Source: Annual Reports of TNSTC (Madurai) Ltd.

The following details have been observed from the Table 5.14 which shows the operational profit or loss and net profit or loss per employee. At the beginning of the study period, there were 25218 people working in TNSTC (Maurai) Ltd. and the total number of employees has been decreased to 23553 at the end of the study period. The operating loss of Rs.2675.2 lakhs in the year 1997-98 has been increased to Rs.4225.08 lakhs in the year 2007-08. TNSTC (Madurai) Ltd. had earned operating profit during 2001-02 to 2004-05. TNSTC (Madurai) Ltd had earned the operating profit of Rs.3856.39 lakhs in the year 2003-04 and it is the highest operating profit of during the study period. The operating loss per employee was Rs.0.106 lakhs at the beginning of the study period and it has been increased to Rs.0.179 lakhs at the end of the study period. TNSTC (Madurai)Ltd. had earned the operating profit per employee for four years from 2001-02 to 2004-05. The highest operating profit was Rs.0.166 lakhs which was earned in the year 2003-04. TNSTC (Madurai) Ltd. incurred the net loss in all the years during the study period. The net loss of Rs.7441.82 lakhs at the beginning of the study period has been increased to Rs.10040.8 lakhs at the end of the study period. The net loss per employee of Rs.0.295 lakhs at the beginning of the study period has been increased to Rs.0.426 lakhs at the end of the study period. TNSTC (Madurai) Ltd. had incurred the lowest loss of Rs.0.012 lakhs in the year 2004-05.

The financial strength of the TNSTC (Madurai) Ltd. has also been analysed by using the following additional parameters. They are discussed in the following pages:

5.2.5 Current Ratio

This ratio helps to analyse the liquidity and the technical solvency position of TNSTC (Madurai) Ltd. In some cases, it can be used by means of checking up the efficiency with working capital. The liquidity of the TNSTC (Madurai) Ltd. has been analysed with the help of current ratio.

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

The current assets includes cash in hand, cash at Bank, inventories, bills receivable, investments, sundry debtors and prepaid expenses.

The current liabilities includes outstanding and accrued expenses, sundry creditors, bills payable, provisions for taxation and bank over draft. For industrial and commercial organizations, the standard current ratio is 2:1.

The Current ratio is an index of the concern's financial stability since it shows the extent of the working capital. It is the amount by which the current assets exceed the current liabilities. A poor current ratio is a danger signal to the management. The current ratio of TNSTC measures its short term solvency, that is its ability to meet short term obligations. The higher the current ratio, the larger is the amount available for meeting current liabilities, the more is the firm's ability to meet current obligation and the greater is the safety of funds for short term creditors. The ratio of less than 1:1 is certainly being undesirable to any industry. The ratio of current assets and current liabilities of TNSTC (Madurai) Ltd. is given in Table 5.15.

TABLE 5.15
Ratio of Current Assets and Current Liabilities

Year	Total Current Assets	Total Current Liability	Current ratio
1997-98	356535454	814192708	0.44:1
1998-99	298859098	1301020709	0.23:1
1999-00	328644598	1261025212	0.26:1
2000-01	402369017	1400572513	0.29:1
2001-02	566615208	1623989567	0.35:1
2002-03	509109551	1953560741	0.26:1
2003-04	388322565	2139239738	0.18:1
2004-05	431929802	2398223788	0.18:1
2005-06	341847386	2994230247	0.11:1
2006-07	725486146	3839035265	0.33:1
2007-08	307441803	4469374721	0.12:1

Source: Annual Reports of TNSTC (Madurai) Ltd.

The following details have been observed from the Table 5.15 which shows the ratio of current assets and current liabilities. The current ratio was 0.44:1 at the beginning of the study period and it is the highest ratio during the study period. And it has been gradually increased as well as decreased during the study period. And it has been decreased to 0.12:1 at the end of the study period. The current ratio in TNSTC (Madurai) Ltd. is not satisfactory and it shows the financial instability.

5.2.6 Quick Ratio

The quick ratio is a mere refined measure of the firm's liquidity. This ratio establishes a relationship between quick or liquid assets and current liabilities. The quick ratio is calculated by deducting inventories from current assets and dividing the remainder by the current liabilities. This ratio is also called acid test ratio. Generally speaking, quick ratio of 1:1 is considered satisfactory, so that a firm can easily meet all its current claims without disposing fixed assets.

Quick ratio is a more rigorous test of liquidity than current ratio since it eliminates inventories and prepaid expenses as a part of current assets. A comparison of the current ratio to liquid ratio would indicate the degree of inventory which was held up. A high liquid ratio compared to current ratio may indicate under stocking whereas low liquid ratio may indicate overstocking. The quick ratio is rigorous measure of the firm's ability to service short term liabilities. This ratio is widely accepted as the best available test of the liquidity position of a firm. The quick ratio of TNSTC (Madurai) Ltd. is given in Table 5.16.

TABLE 5.16**Quick Ratio of TNSSTC (Madurai) Ltd.**

Year	Quick ratio
1997-98	0.35:1
1998-99	0.18:1
1999-00	0.22:1
2000-01	0.24:1
2001-02	0.32:1
2002-03	0.23:1
2003-04	0.14:1
2004-05	0.14:1
2005-06	0.09:1
2006-07	0.17:1
2007-08	0.05:1

Source: Annual Reports of TNSSTC (Madurai) Ltd.

The following details have been observed from the Table 5.16 which shows the quick ratio of TNSSTC (Madurai) Ltd. The quick ratio was 0.35:1 at the beginning of the study period and it is the highest quick ratio and the ratio had been raised up to 2001-02 and then there was a gradual decline in the quick ratio. At the end of the study period the quick ratio has been reduced to 0.05:1. The Quick ratio is also not satisfactory in TNSSTC (Madurai) Ltd. during the study period.

5.2.7 Debt Equity Ratio

Debt Equity Ratio measures the ratio of long term or total debt to share holders' equity. The relationship between borrowed funds and owner's capital is a popular measure of the long term financial solvency of a firm. This ratio reflects the relative claims of creditors and share holders against the assets of the firm. The relationship between outsiders' claim and owners' capital can be shown in different ways and, accordingly, there are many variants of the debt equity ratio in terms of the relative proposal of long term debt and share holders' equity.

$$\text{Debt Equity Ratio} = \frac{\text{Long term debt}}{\text{Share holders equity}}$$

Another approach to the calculation of the debt equity ratio is to relate the total debt to the share holders' equity.

$$\text{Debt Equity Ratio} = \frac{\text{Total debt}}{\text{Share holders equity}}$$

It is the ratio of the amount invested by outsiders and the amount invested by the owners. A low debt equity ratio implies a greater claim of owners than creditors.

From the point of view of creditors, a low debt-equity ratio represents a satisfactory capital structure of the business since a high proportion of equity provides a larger margin of safety for them. During the periods of low profits, the debt servicing will prove to be less burdensome for a company with low debt-equity ratio. However, from the shareholders point of view, a low debt-equity

ratio is a disadvantageous position, particularly during the periods of good economic activities. Higher the debt equity ratio, the larger is the shareholders earnings, since the cost of debt is less than the firm's over all rate of return on investments.

Thus, there is a need to strike a proper balance between the use of debt and equity. The most appropriate debt-equity combination would involve a trade-off between return and risk³. The Debt Equity ratio of TNSTC (Madurai) Ltd. is computed in Table 5.17

³ .. Panday, I.M., "Leverage, Risk and the choice of Capital Structure", Management Account, March, 1978.

TABLE 5.17**Debt Equity Ratio of TNSTC (Madurai) Ltd.**

Year	Total Long term Debt (A)	Total Debt (B)	Share Capital	Debt equity (A)	Debt equity (B)
1997-98	2292766636	3182703144	889936508	2.58	3.58
1998-99	2317603384	3655068732	1337465348	1.73	2.73
1999-00	3007586502	4673009918	1665423416	1.81	2.81
2000-01	3429082735	5316040184	1886957449	1.82	2.82
2001-02	3684003844	5598480521	1914476677	1.92	2.92
2002-03	3376877265	5533883073	2157005808	1.57	2.57
2003-04	3476916423	5029737258	1552820835	2.24	3.24
2004-05	3022715064	4893995485	1871280421	1.62	2.62
2005-06	3463985282	5341098349	1877113067	1.85	2.85
2006-07	3613284845	5790501014	2177216169	1.66	2.66
2007-08	3423840067	6011389258	2587549191	1.32	2.32

Source: Annual Reports of TNSTC (Madurai) Ltd.

From the details given in the Table 5.17 it is evident that there is a gradual decline in the debt equity ratio (A) as well as (B) throughout the study period. At the beginning of the study period, the debt equity (A) was 2.58 and it has been decreased to 1.81 in the year 1999-2000 and then there is a growth for the next

two years. The debt equity (A) ratio of 1.92 in the year 2001-02 has been decreased to 1.57 in the year 2002-03 and it has been increased to 2.24 in the year 2003-04. Like wise, there is a gradual growth as well as decline in the debt equity (A) throughout the study period. The debt equity ratio (A) of 2.58 at the beginning of the study period has been decreased to 1.32 at the end of the study period.

The debt equity ratio (B) was 3.58 at the beginning of the study period and it has been decreased to 2.81 in the year 1999-2000. And then it has started increasing to 2.82 in the year 2000-2001. And there is a continuous gradual decline up to 2004-05. And it has been increased to 2.85 in the year 2005-06. And it has been decreased to 2.32 at the end of the study period. It is concluded from the above analysis that the TNSTC (Madurai) Ltd. has been maintaining proper balance between the use of debt and equity. TNSTC has been maintaining the long term financial solvency during the study period.

5.2.8 Proprietary Ratio

This is a variant of the debt-equity ratio. This ratio relates shareholders' funds to total assets.

The purpose of this ratio is to find out the position of assets. In other words, it helps to study whether the assets are equivalent to the shareholders fund or not. The proprietors fund includes equity capital, general reserves and surplus and profit and loss account.

$$\text{Proprietary Ratio} = \frac{\text{Proprietors' Fund}}{\text{Total Assets}}$$

Proprietary ratio throws light on the general financial strength of the company. It has come to be regarded as a test of the soundness of the capital structure. It is of greater importance to creditors since it enables them to find out the proportion of shareholders' funds in the total assets used in the business. While a high proprietary ratio indicates a relatively secure position to the creditors in the event of liquidation, a low proprietary ratio will include greater risk to the creditors. A ratio above 50 per cent is generally considered safe for the creditors.

TABLE 5.18

Proprietary Ratio of TNSSTC (Madurai) Ltd.

Year	Total Asserts	Proprietary fund	Proprietary ratio
1997-98	3182703144	889936508	0.28
1998-99	3655068732	1337465348	0.37
1999-00	4673009918	1665423416	0.36
2000-01	5316040184	1886957449	0.35
2001-02	5598480521	1914476677	0.34
2002-03	5533883073	2157005808	0.39
2003-04	5029737258	1552820835	0.31
2004-05	4893995485	1871280421	0.38
2005-06	5341098349	1877113067	0.35
2006-07	5790501014	2177216169	0.38
2007-08	6011389258	2587549191	0.43

Source: Annual Reports of TNSSTC (Madurai) Ltd.

From the details given in the Table 5.18 it is evident that the proprietary ratio has undergone a gradual growth as well as decline during the study period. The proprietary was 0.28 at the beginning of the study period and it has been increased to 3.37 in the very next year. Then it has started declining for the next three years. The proprietary ratio of 0.39 in the year 2002-03 has been decreased to 0.31 in the year 2003-04. Like wise, there is a gradual growth as well as decline in the proprietary ratio throughout the study period. The proprietary ratio of 0.28 at the beginning of the study period has been increased to 0.43 at the end of the study and it is the highest ratio during the study period. From the above analysis, it is clear that, the proprietary ratio of TNSTC (Madurai) Ltd. is not satisfactory during the study period.

5.2.9 Income to Equity

The better performance of TNSTC is not simply based on the revenue earned but rendering better social service. The revenue from operation during the study period is lower than the cost of operation. This is the clear sign of better social service, despite better financial performance. Though, the revenue is lower than the cost, it is interesting to compare total revenue with equity over the study period. Equity means the proprietary fund. The following details have been observed from the Table 5.19 which shows the revenue to equity ratio.

TABLE 5.19
Revenue to Equity

Year	Total Revenue	Share Capital	Revenue to Equity
1997-98	4117310000	652556740	6.31:1
1998-99	4332933000	1232543740	3.52:1
1999-00	5025940000	1648349740	3.05:1
2000-01	5687623000	1771412740	3.21:1
2001-02	5896881000	1869595740	3.15:1
2002-03	6542094000	1869595740	3.50:1
2003-04	7159589000	1869595740	3.83:1
2004-05	7536170000	1869595740	4.03:1
2005-06	7864101000	1869595740	4.21:1
2006-07	8283401000	2169595740	3.82:1
2007-08	8936425000	2579095740	3.46:1

Source: Annual Reports of TNSTC (Madurai) Ltd.

From the details given in the Table 5.19 it is evident there is a gradual growth as well as decline in the revenue to equity throughout the study period. The revenue to equity was 6.31:1 at the beginning of the study period and it has been decreased to 3.05:1 in the year 1999-2000. And it has been increased to 3.21:1 in the year 2000-20001 and it has been again decreased to 3.51. And then there is a continuous growth for the next 4 years. At the end of the study period, the revenue to equity has been decreased to 3.46:1.

5.2.10 Profit to Equity

The continuous loss incurred in TNSTC is only an accounting loss. Which can not be considered that the TNSTC showing worst performance. The best performance of TNSTC really depends on the extent of social service, operating buses even in the unremunerative routes and fulfillment of the other social obligations. The TNSTC (Madurai) Ltd. has sustained loss during the entire study period. The profit or loss to equity is given in Table 5.20.

TABLE 5.20
Profit to Equity

Year	Profit/loss	Share capital	Profit/loss to equity
1997-98	-256842000	652556740	-0.39
1998-99	-489307000	1232543740	-0.40
1999-00	-329949000	1648349740	-0.20
2000-01	-200030000	1771412740	-0.11
2001-02	-51945000	1869595740	-0.03
2002-03	-205558000	1869595740	-0.11
2003-04	-45446000	1869595740	-0.02
2004-05	-25698000	1869595740	-0.01
2005-06	-859354000	1869595740	-0.46
2006-07	-817577000	2169595740	-0.38
2007-08	-1003135000	2579095740	-0.39

Source: Annual Reports of TNSTC (Madurai) Ltd.

From the details given in the Table 5.20 it is evident that TNSC (Madurai) Ltd. has incurred the loss in all the years during the study period. The loss to equity was 0.39 at the beginning as well as at the end of the study period. And there is a gradual growth as well as decline in loss to equity during the study period. The loss to equity of 0.39 at the beginning of the study period has been increased to 0.40 in the very next year. But it has been decreased to 0.20 in the year 1999-2000 and it has been further decreased to 0.01 in the year 2004-05 and it is the lowest loss to equity during the study period. The highest loss to equity was 0.46 in the year 2005-06. Even though there is a growth in the operating profit of the TNSC (Madurai) Ltd. has incurred the loss in all the years. It may be due to the interest cost and the depreciation, cost of the spare parts of TNSC buses.

5.2.11 Conclusion

The parameters used to evaluate the cost effectiveness, revenue effectiveness, profitability of TNSC (Madurai) Ltd. show the unsatisfactory financial management performance during the entire study period. TNSC being the government owned transport undertaking can not have profit on its primary objective. Its primary objective is to operate buses at cheapest fares and also operating even in the unremunerative routes in order to benefit the poor people. Though, the financial management performance of TNSC is poor in terms of the profitability aspect, in terms of productivity, the TNSC (Madurai) Ltd. has got better performance record.