CHAPTER II

AN APPROACH TO MANAGERIAL ATTAINMENT OF PUBLIC ENTERPRISES WITH REFERENCE TO NAMRUP UNIT OF H.F.C.

2.1 -It has been noticed that the performance of public enterprises both owned by central and State Governments are not satisfactory. The dismal performance of public enterprises has been a matter of considerable discussion, criticism and controversy as they caused imposition of heavy burden of taxation on the people and also have failed to fulfil the role for which they were created. “The rise in the contribution of public enterprises has been all too often matched by rise in the contribution of Govt. deficit.”

“The critics of Govt. involvement interpret this as an inevitable consequence of inefficiency of public operation.” But a country with search human as material resources cannot however allow this situation to continue as such.

2.2 Ibid-P.98
The objective which is most relevant and important for the country is the best use of invested resources on one hand and generation of additional resources by the public enterprises on the other hand. Such an objective can be met only by effectively increasing the economic and managerial efficiency of public enterprises, by increasing its production and productivity and reducing expenditure.

It is true that the criteria of profitability as an yardstick of efficiency in case of public enterprises is against the social objectives of public enterprises but time has come to review the working of individual public enterprise beyond the smoke screen of alleged servicing of the social objectives and to determine the real cause of unprofitable workings. A seminar organised by Bureau of Public Enterprises in 1980 recommended that keeping in view the need for achievement of the objectives of an individual public enterprises specific performance criteria can be developed and defined and an effectiveness standard can be set only within the frame work of a corporate plan at the level of individual public enterprises. It is in this context that an attempt is made in this chapter to make a critical analysis of the appraisal of managerial efficiency of public enterprises in general and Namrup Unit of H.F.C. in particular.
2.2 Concept of Appraisal of Managerial Attainment:

Webster new world dictionary defines the word appraisal to include an appraising or an appraised value. The word appraisal is also used to mean to set a price for, to decide the value and to estimate the quantity or quality of any given thing.  

Some times the word appraisal is used interchangeably with the word evaluation. The word evaluation is defined as - to find the value of to determined the worth or quality of and to appraise. In simple language both the words appraisal and evaluation are used to refer to knowing about what is not known and also what is worth knowing. In this context appraisal is concerned with the progress of an organisation in meeting its principal objectives. Thus the primary purpose of appraisal is to make a test on the degree to which an enterprise achieves its intended objectives plus the degree to which it produces other undesirable consequences.

2.3 - Webster’s New World dictionary.
2.4 - Ibid.
Every organisation is framed to fulfil one or more objectives and managerial actions of the organisation are directed towards the achievement of such objectives. The success of management lies how efficiently and effectively such managerial activities are carried out for the fulfillment of such objectives. Therefore the appraisal of managerial attainment of any organisation refers to the determination of efficiency or effectiveness of an organisation in achieving such objectives. Degree of efficiency is the major test by which an organisation can be judged.

2.3 - **Concept of Efficiency:**

Efficiency can be defined as the effectiveness or competence with which the organisation performs its designed objectives. Barnard had defined effectiveness as the condition of an organisation in which specific desired ends are attained. Although efficiency and effectiveness can be interchangeably used, Barnard had made an important distinction between the two. According to him when unsought consequences are trivial the effective action is efficient and when the unsought consequences are not trivial the efficient action is inefficient.\(^2\)\(^5\)

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\(^2\)\(^5\) E. Dalton McFald Management in principle and practice, P-246
2.4- **Efficiency in Public Enterprises:**

The main problem that is associated with efficiency determination of public enterprises is that there is either no or little agreement as to what is to be judged. The word efficiency is subject to multiplicity of uses with reference to expenditure and income satisfaction of socio objectives, products etc. As a result the evaluation of efficiency becomes a complex problem in public enterprises. The precise meaning of the term efficiency is the proportion of results achieved to the means used. Efficiency is the ability to produce the desired result with minimum of effort, expense and waste. In this sense the term efficiency is basically an input output analysis.\(^2^6\) In private sector, a business unit may be termed as efficient if it yields reasonable rate of returns on earns sufficient profits but to judge the efficiency of public sector some other factors apart from these are also to be considered. According to A.K. Srivastava, the efficiency of public sector enterprises has to be judged in terms of the role it plays in its collectivity, the strategy of development a country has adopted and the nature and character of development it seeks to foster.\(^2^7\) The concept of efficiency in case of public enterprise has to be viewed from two aspects.:

\(^{2.6}\) Srivastava A.K. Efficiency of public enterprise, p-27  
\(^{2.7}\) Ibid p.28.
1. Objectives

2. Sub-objectives.

The objectives aspect of efficiency is fairly measurable by using several criteria. The most important of these are physical productivity, targets of outputs, quantum of employment, cost per unit of output and return on capital employed etc.

The subjective aspect of efficiency is relatively difficult one to define as it includes the concept of 'public interest'. The evaluation of this aspect is a difficult task which may refer to large questions like full employment, equitable distribution of allocation, reduction of regional imbalance etc. The absence of scientific and reliable criteria for quantification of these social factors the appraisal of managerial efficiency in public enterprise becomes a complex issue.

2.5 - Criteria of Appraisal:-

It has been mentioned above that an assessment of the objective aspect of efficiency of public enterprise can be fairly measurable. But since all the public enterprises are not alike in their objectives, it is not possible to lay down a uniform set of criteria applicable for all enterprises.
However, considering the legitimate right of an investor (The Govt.) to determine the objectives that the public enterprise must fulfil and the inherent characteristics of the enterprises, it is possible to lay down priorities in regard to these criteria. The identification of priorities would eliminate the goal conflicts which is in fact the creek of the whole problem of the state enterprise management.2.8

2.5.1 Criteria Suggested by Administrative Reform Commission 1967:-

The study team of Administrative Reforms Commission suggested the following criteria in order of priorities for measuring public enterprises efficiency.

1) Furthering the non-commercial objectives of the enterprise as specified by the Government.

2) Furthering commercial objectives of the enterprise for maximisation of profit subject to criterion (1) Within the constrains of Government directions.

3) Improvement of quality of product and service;

4) Economy and efficient use of resources (e.g. man, machine and material).

2.8– Ibid- P-30
The Administrative Reform Commission very rightly put the economic criterion in the second place of priorities because public enterprises are public in nature and are to operate in the socio political environment. Their first liability is to serve the objectives for which they are created. Again quality product is an important aspect of overall efficient performance. In fact maintenance of quality and realisation of profit are both interrelated in the sense that the success achieved by the management in maximising its profit depends to a great extent on its ability to maintain and improve the quality of the product of the enterprise. The forth criteria put forward by the Administrative Reform Commission emphasises the managerial efficiency in cost reduction which is also related to profit criterion.

2.5.2- Criteria Forwarded Bureau of Public Enterprises

The Bureau of public enterprises which made an analysis of the performances of public enterprises highlighted the following aspects of performance of public enterprises.

(1)Whether the public enterprises have given an adequate return to the nation on the investment;
(2) Whether the public enterprises have been successful in capturing the commanding height of economy and sharing the burden of the country’s industrialisation programmes;

(3) Whether the public enterprises have guaranteed additional employment and also helped in protecting employment in the case of seek industrial units in the private sectors.;

(4) Whether the public enterprises have promoted balanced regional development of the country;

(5) Whether the public enterprises have helped in the development of ancillary industries, small scale units etc..

While summarising the aspect of efficiency advocated by Bureau of public Enterprise it appears that the first aspect is quantifiable and it refers to the economic efficiency while the rest are mainly qualitative in nature signifying social efficiency of public enterprises.

The appropriateness of the criteria for examining the performance of public sector enterprise depends upon the approach adopted for assessing the performance itself.

Dr. Om Prakash suggested the following approaches keeping the in view the wider social and commercial angles.
(1) **Profit and Loss Accounts Approach**: It is a conventional approach which takes into consideration profits and dividends.

(2) **Balance Sheet Approach**: It is the comparative study of Balance sheet of a corporation at two dates to determine the progress of that corporation during the intervening period.

(3) **Fiscal Approach**: It includes aggregation of contribution made by each unit to the state exchequer in the form of dividend on shares, interest on loans, takes etc.

(4) **Employment Approach**: It studies the employment provision by an enterprise enforcing reasonable standard of wages, providing better working and living conditions and arranging for higher standard of welfare facilities.

(5) **Productivity Approach**: It signifies increase in output which are not accountable by increase in quantity of inputs.

(6) **Cost Accounting Approach**: It indicates cost per unit in various departments of an organisation.

(7) **Development and Stability Approach**: It implies fulfilment of various statutory obligations development for a particular industry or service to the best advantage of the society.
From the above discussion it is clear that the appraisal of managerial efficiency of a public enterprise is a very difficult task because numerous problems are involved in it. In fact there is no any effective system of evaluating managerial competence of public enterprises. Due to the mixture of undetermined economic and non measurable non-economic variables creates the problem more difficult to determine the efficiency of public enterprises. Public enterprises are to meet multiple objectives some of which are related to profit criteria and other to non profit criteria of performance. For example they are to meet the objectives of growth, development, high quality of consumer service, low price, and return on capital etc. All these objectives are mutually conflicting on each other, which in turn makes the assessment of efficiency extremely difficult. In addition, non availability of criteria of quantification of social objectives also leads to a gloomy picture on appraisal of public enterprise performance. However the enterprises which are commercial in character must be evaluated as such, since such enterprises can meet the social objectives only when they are commercially viable.
An commercial or industrial undertaking even if its is in the public sector, must retain its commercial character and fulfil its basic commercial obligation.\(^\text{2.9}\)

2.6-Approach to the Managerial Attainment of Namrup Unit of H.F.C.:-

From the above discussion it is clear that appraisal of managerial attainment of public enterprises is a very complex problem owing to this social commitments which are not subject to proper evaluation. The enterprises which are commercial in nature are to be evaluated on the basis of commercial significance. The Namrup unit of Hindustan Fertilizers corporation is purely commercial in nature, Thus it is regarded appropriate to make an analysis of operational efficiency of the unit in conventional terms under the present treatise. The commercial approach for the study is useful to identify the factors which work against the attainment of higher productivity at lowest possible cost which is the common yardstick of efficiency in any industry.

\(^{2.9}\) Yojana-July 16-31, 198
2.7-Approach of Appraisal: A System Overview.

All activities of management fall under four prime activities-

1. Setting organisational goals and objectives;
2. Developing plans to fulfil these objectives;
3. Combining the human and physical resources so that the objectives are met; and
4. Monitoring the results to see that desired objectives are met. 2.10

Thus the process of appraisal starts from the establishment of objectives which is measurable. The second step involves investigating the environment and determining the general nature of environment. After investigating the environment and identifying the objectives the next step will be to establish the specific criteria to be used to measure the extent to which these objectives are fulfilled. 2.11

In the following pages an attempt has been made to discuss the background of the establishment of the Namrup unit of H.F.C. with its objectives and environment in which it has been working since its inception.

2.10 E. Schellenherger, Robert, Managerial analysis, P-7
2.11 Ibid -P-8
2.8 Origin of Namrup Unit of H.FC. Limited:

The establishment of Namrup unit of the corporation is an apt illustration of the Government of India’s welcome decision to locate this public sector unit in Assam and in a very much undeveloped part thereof, where Namrup was situated. Namrup, till the beginning of the sixties, was almost unknown to the country as a whole. Namrup factory is not only first public sector of fertiliser plant to have gone into production in North East India but the first Natural Gas based fertiliser plant in the country too. 2.12 It is the first major industrial project in India that started utilising on commercial scale valuable natural gas which otherwise would have been burnt out to atmosphere unproductively, as it used to be actually wasted since oil production by Assam Oil Company Limited, began at Digboi in Upper Assam in 1899. The enormous waste of Natural Gas was overlooked since 1952-54, with new oil field finds at Naharkatia, Hugrijan and Moran areas.

Namrup Unit not only contributed to the country's fertiliser production capacity and saved valuable foreign exchange, but reduced its dependence on imports for meeting its requirements of a very scarce commodity in the international market. Namrup added new dimensions to fertiliser technology of the country. The fertiliser production and chemical complex of Namrup, being the first of its kind in Assam, indisputably a very significant step towards the desideratum of much needed industrial diversification in the state.

2.8.1 Namrup Thermal Power Station and its Expansion:

The Namrup fertiliser project Kane committee strongly recommended the installation of the power station in the vicinity of Namrup project site. Consequently, a Thermal Power project was set up by Assam state Government under the Assam State Electricity Board in 1965 with a view to supplying electricity to Namrup project. The total cost of this power project and the township amounted to 76 crores.
This gas based thermal power plant is the first of its kind in India and second to be set up in Asia, the first being in USSR\textsuperscript{2.13}

2.8.2 - Namrup Expansion project I and II

The planning of the Namrup unit was based on availability of natural gas from Naharkatia oil fields of Oil India Limited. As the supply of this important basic raw material from this source could only be in limited quantity, initially a low-capacity plant at Namrup was decided upon.

Later with the development of new oil fields and further availability of Natural Gas, Namrup expansion project I was envisaged with a daily capacity of 600 tonnes of Ammonia to be converted into 1000 tonnes of Urea\textsuperscript{2.14}

The design and engineering of this huge project done by the planning and development division of the corporation are based on the technical know-how agreement with Technimount Fertiliser Designer of Italy.

\textsuperscript{2.13} Meghdoot (weekly), Shillong 26.1.79.
\textsuperscript{2.14} B.S. Kalia - General Manager, Namrup Unit, Chemical Engineering world, Bombay, P- 33.
A characteristic feature of this project has been saving in foreign exchange which is achieved through indigenisation. The foreign exchange component for the project being around Rs. 24 crores which is about one third of the total capital outlay of Rs 72 crores.

Another striking feature of this project is the important substitution by using corporations own catalysts. The P & D division of the corporation has successfully developed a wide range of catalysts required at various stages in the process of manufacture of fertilisers, thereby saving 32.5 crores annually by reducing imports of fertilisers, recurring expenditure of foreign exchange and thus paving the way towards self reliance by helping the growth of 1.5 million tonnes of agriculture out put. 2.15

The confirmed availability of further stock of Natural Gas from oil fields of oil and Natural Gas Commission and Oil India Limited, has led the planners to decide upon further expanding the Namrup Fertiliser factory by putting up 600 tonnes per day from Ammonia plant and 1000 tonnes per day

from Urea plant with the total outlay of Rs 200 crores, being components of Namrup Expansion project II.

Namrup fertiliser factory with the expansion and completion of project I and II assured fruitful utilisation of available natural gas in the North Eastern region of the country and it became one of the largest nitrogenous fertiliser producing plants in India.

2.9 The objectives :-

The Namrup unit of H.F.C.L. was formed with the basic objective to produce the nitrogenous fertilisers with the use of Natural Gas as the basic input of the manufacturing process. However the Namrup unit is a producing unit of H.F.C.L which was registered as a public limited company under the companies Act. 1956. The H.F.C.L was formed with the primary objective to manufacture market quality chemical fertilisers and by products by optimum utilisation of available resources to the company. To achieve this primary goal the following micro objectives have been identified.
2.9.1 - Micro objectives -

A) Productivity - To attain optimum capacity utilisation and economy in the use of input while ensuring safety and proper maintenance of equipment both preventive as well as protective. More specially:

i) To strive to raise the capacity utilisation

ii) To improve upon consumption norms consistently by speedy operation during on stream days and better management in reducing wastage and losses.

iii) To utilise the funds received from Government for replacement and renewals in the most optimum manner to reduce the frequency of break downs of aging plants.

B) Profitability :-

To manage assets, men and materials in most effective and efficient manner so as to ensure a reasonable rate of return on capital-employed by efficient use of companies resources and generate sufficient internal resources.

C) Growth :-

To ensure a steady growth in the business of the company by employing modern technology base to meet future challenges.
D) Marketing:

i) To maintain a minimum inventory level of finished goods by following aggressive marketing strategies.

ii) To promote the products of the company among farmers by educating them about judicious and balanced use of fertilisers with special emphasis in low input consuming areas through scientific and effective methods.

iii) To build a high degree of confidence among farmers by providing them increased value for their money through high standards of product quality in adequate quantity.

From the above discussion it becomes clear that the objectives of the H.F.C.L. are related with productivity, growth and marketing which are very important for the success and survival of any commercial enterprise, whether it is under private sector or private sector. As the Namrup unit is a part of the production units of the corporation, the objectives of the corporation relating to productivity growth and profitability are also the objectives of the unit.

Though the H.F.C.L. and the Namrup unit was established with the lofty objective of production and marketing of fertilisers for providing the country the much
needed self dependency on this basic input of agricultural process, but it has failed in its mission and became sick.

2.10. Problem of sickness in Indian Industry:

The etymological meaning of the term sickness is 'disease' or act of 'being ill' (Oxford Dictionary). Like a human being a firm is also susceptible to sickness due to various reasons viz. negligence, ignorance and in efficiency of management or due to the poor virility to withstand an uncertain, competitive and changing external environment. The Reserve Bank of India has set two objective criteria for the determining sickness in industry. According to it a unit might be considered sick if it has incurred cash losses for one year and in the judgment of financial bank, is likely to incur cash losses in the current as well as the following year and if there is an imbalance in the individual units capita structure i.e. when current ratio is less than 1:1 and debt to equity ratio (total outside liability to net worth) is worsening. The definition of 'sickness' provided by RBI is not exhaustive.

2.16 - Financial policy and management Accounting; Banerjee, B. P-362
because it provides enough room to individual bank managers to make their own judgement on specific cases. However another definition of the term 'sickness' was provided by Industrial Credit and Investment Corporation of India (I.C.I.C.I.) . It defines it assuming different degrees or stages. It is characterised by any one of the following.

a) Non payment of Dividend.
b) Default in debt obligations.
c) Cessation of operations.

Non payment of dividends almost invariably precede the default on debt obligations and default in the later will ordinarily precede the cessation of operations. Hence these different view points may be said to re-present different degrees or stages of sickness. 2.17 The Government of India also enacted The Sick Industrial companies (special provisions) Act 1985 to deal with ‘Sick units’ effectively.

From the above discussion it becomes clear that, in case of sickness, there may or may not be the scope for revival or rehabilitation of sick units.

2.17 Financial ratios as forwarding indicators of Industrial sickness; I.C.I.C.I Ltd. Bombay.
If sickness is detected in time and appropriate speedy actions and measures can be taken for revival, and the sick units may be nursed back to good or normal health. If however, sickness is serious and detected at a later stage, the firm is not only sick but, by then virtually dying because long time has passed by the firm at the stage of sickness. Thus sickness may lead to failure or bankruptcy. 2.18

2.10.1. Causes of Industrial sickness of India :-

In our country some industrial units are born sick, in some cases sickness is thrust upon while some others get sick because of number of reasons.

Lack of planning and imperfect project formulation give birth to a sick unit. Sickness is thrust upon to some industrial units due to change in Government policy, over spending on essentials, absence of control on borrowings, dishonest practices on the part of management etc.,. There are many other internal and external causes that are responsible for industrial sickness. The causes for sickness in industrial units may vary from unit to unit.

2.18 Financial ratios as forwarding indicators of Industrial sickness; I.C.I.C.I Ltd. Bombay. P- 364.
In reality, a combination of factors would normally be responsible for sickness in industrial units and therefore attributing sickness to any particular case may not be correct. There have been a number of studies to actually ascertain the various causes of sickness in India in different Industries. A study made by the Reserve Bank of India in 1979 shows the following picture.

Table - 2.1

Reasons of Industrial Sickness in India.

<table>
<thead>
<tr>
<th>Reasons for Industrial Sickness in India</th>
<th>Percentage of Firms to Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>52</td>
</tr>
<tr>
<td>Market Recession</td>
<td>23</td>
</tr>
<tr>
<td>Faulty Planning</td>
<td>14</td>
</tr>
<tr>
<td>Operational Bottlenecks</td>
<td>9</td>
</tr>
<tr>
<td>Labour Trouble</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source - The management Accountant, December, 1993 P 523

It has also recognised the need for closing down non-viable sick industrial companies so as to salvage their productive assets to realise from them the amounts due to banks and financial institutions.

Prior to the enactment of this Act the Government of India initiated a series of institutional measures aimed at
restoring sick units in to normal health. The Industrial Reconstruction Corporation of India (I.R.C.I.) was established in 1971. In 1976 the Reserve Bank of India in an attempt to monitor the performance of industrial units through commercial banks, who are responsible for funding them, advised the banks to set up cells for rehabilitation of sick units and participate in the revival of viable units.

In 1984, Industrial Reconstruction Bank of India (I.R.B.I.), a statutory body was set up to function as a central agency for rehabilitation of sick industrial units and co-ordinate similar efforts with other institutions and to assist and promote industrial development. The main objective of IRBI’s was to inject additional funds to help in reviving ailing units. But I.R.B.I. had failed to take necessary steps for total rehabilitation of sick units and consequently sickness in Indian industries persisted necessitating effective and speedy rescue of operation and diagnosis.

In an attempt to deal with the problem of sickness in Indian industries more firmly the Government of India has enacted the sick Industrial Company Act in 1985. Formerly this act was applicable to private sector companies only but in
1991, by making an amendment in the Act it was made applicable to the Government industrial companies also.

The Act provides legal identification of sickness as follows -

a) The company should be registered under the companies Act for not less than seven years.

b) Cash losses for two consecutive years.

c) If accumulated losses exceeds or equals to net worth at the end of second financial year.

Another characteristic of the Act is that it provides for establishment of a Board, consisting of experts from different fields with powers to enquire into and determine the incidence of sickness in industrial companies and devise suitable remedial measures through appropriate schemes. The Board is named as Board for Industrial and Financial re-construction (B.I.F.R.).

Section 15(2) provides that the reference to the B.I.F.R. can be made by certain agencies like:

I) The central Government,

ii) The Reserve Bank of India, 

iii) The State Government,
iv) Public Financial Institutions,
v) Schedule Banks.

Section 15(1) of the Act fixed the responsibility on the Board of Directors to send the matter to the B.I.F.R. within sixty days of their audited accounts are prepared if the industry fulfils the conditions of sickness given under the Act. After obtaining the reference, the B.I.F.R. can appoint an operating agency to enquire and submit a report to the Board.

2.11 - Problem of sickness in Namrup Unit :-

The different producing units of H.F.C.L. had failed to perform effectively over the years and accumulated huge amount of losses. Due to the inefficiency and failure on the part of the different units of the corporation to achieve the lofty objectives setted by its Memorandum of Association, and due to the cash losses incurred by different units over the years, the Government of India has decided to refer Namrup unit I and II along with those of Barauni and Durgapur plants to B.I.F.R. for consideration in 1991. 2.19

2.19 - The economic Times, Cacutta, 1.10.91 P- 6

Meanwhile B.I.F.R appointed Industrial Credit and Investment Corporation as the operating agency to prepare a rehabilitation scheme of H.F.C.L. vide their order dated 16-03-1994. 

Subsequently a meeting took place with I.C.I.C.I. on 11-01-1995 and I.C.I.C.I. retained M/S FACT Engineering and design organisation (FEDO), Cochin as consultant for undertaking assessment of the health of the plants and technical viability of the proposed rehabilitation schemes. M/S FEDO had detailed discussions at Namrup and submitted their report to I.C.I.C.I. and Government indicating measures required for revival for Namrup I Namrup II and Namrup III plants. M/S FEDO in its report made an estimate of Rs. 21.23 crores, Rs. 213.90 crores and Rs. 78.13 crores respectively for the revival scheme of these units.
I.C.I.C.I. based on the FEDO's recommendations has submitted their report in the month of January 1997 to the Government of India. The Government has accepted it and announced a revival package for the unit on 1st Oct 1997 granting a sum of 350 crores. However, after announcement more than 3 years has elapsed but still the fund has not been allocated to the unit.

There are different factors which are responsible for such a precarious position of the unit. The main causes are -

a) Short supply of Natural Gas.

b) Non remunerative Retention Price.

c) Low technology.

d) Government policy.

e) Miss management etc.

Namrup - II plant has not been operating since June, 1994 due to non-availability of Natural Gas. Previous to the time also the unit could not run on a sustained basis due to the erratic supply of Natural Gas. Though the plant has not been operating there are certain fixed expenses like salary and wages, electricity and upkeep of plant etc. on recurring basis.
On average the fixed expenses per month are Rs. 2.00 crores approximately. This has aggravated the problem of accumulated losses of the unit.

Namrup - III plants are though functioning, its capacity utilisation is very poor because of the age of the plant. As such, for sustain and efficient operation in an energy efficient manner, some renewal and replacement of equipment’s and machineries will be essential. M/S FEDO has also recommended the same. According to M/S FEDO the major replacement needed for the plant are

i) CO₂ charge compressor,

ii) Carbonate Re-cycle pump,

iii) H.P. Decomposer (10 HE - 1),

iv) Condensate Reboiler.

According to its report, with the implementation as above, the plants under Namrup - III will operate in a very efficient manner, earning profit.²²³
For this replacement and renewal work a sum of Rs. 78.13 crores were estimated. However, till date, the Government of India did not take any decision on the matter.

2.12 - Scenario of overall performance of Namrup unit:-

The scenario of overall performance of Namrup unit of H.F.C.L. in terms of cash losses and net losses can be observed from the following table.

Table 2.2

Table showing Financial performance of Namrup unit
Rupees in crores.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NAMRUP I &amp; II</th>
<th>NAMRUP - III</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Profit/Cash</td>
<td>Profit/</td>
</tr>
<tr>
<td></td>
<td>losses</td>
<td>Net losses</td>
</tr>
<tr>
<td>1991-92</td>
<td>(-) 17.07</td>
<td>(-) 69.76</td>
</tr>
<tr>
<td>1992-93</td>
<td>(-) 18.11</td>
<td>(-) 70.56</td>
</tr>
<tr>
<td>1993-94</td>
<td>(-) 14.41</td>
<td>(-) 70.50</td>
</tr>
<tr>
<td>1994-95</td>
<td>(-) 21.50</td>
<td>(-) 82.04</td>
</tr>
<tr>
<td>1995-96</td>
<td>(-) 21.50</td>
<td>(-) 85.66</td>
</tr>
<tr>
<td>1996-97</td>
<td>(-) 24.69</td>
<td>(-) 95.72</td>
</tr>
<tr>
<td>1997-98</td>
<td>(-) 16.27</td>
<td>(-) 40.80</td>
</tr>
</tbody>
</table>

Source - Collected from Finance Department Namrup unit.

In view of the unsatisfactory performance and continued erosion in the financial resources of the unit, it continued to
suffer on the front of lower productivity, lower price realisation and acute shortage of fund for day to day operation.

2.13 - Problem associated with Namrup unit of H.F.C. :-

The problems faced by Namrup unit of H.F.C.L. may be broadly summarised in to two categories.

i) Financial.

ii) Managerial.

i) Financial problems - Namrup unit of H.F.C.L. is a chemical engineering industry which requires substantial amount for repair and renewals. Due to the lack of proper development measure and maintenance, the condition of the unit is very pitiable. The financial need of the Namrup unit can be subdivided as follows.

a) Need for Development Fund.

b) Need for working capital.

The requirements for development fund are generally financed partly by retain profit and partly by fund from outside sources such as loan from Banks, loan from other financial institution, Government loan etc.
However by issuing shares and debenture also this fund can be raised. As the unit is incurring losses for last several years and its debt equity ratio is negative, it neither has the retained profit nor the Banks are interested to finance for development fund for the unit.

The Namrup unit is dependent on Commercial Banks for its working capital requirements. As the Banks provide only a portion of working capital need, Namrup unit is always starve for balance working capital shortfall. This affect the normal working, and ultimately it has to end up with huge losses. And as a consequence, a very huge amount of liability has piled up over the years.

ii) Managerial problems - The Namrup unit of H.F.C.L. has also been facing managerial problems which will be discussed in the relevant places.

2.14 - Summary :-

The foregoing discussion reveal that the appraisal of managerial attainment in public enterprise is a debatable subject. In the absence of yardstick for evaluation of social factors, the assessment of financial performance is of paramount importance. To serve the social commitment the
public enterprises are required to maintain its commercial
caracter and financial status. Namrup Unit of H.F.C.L. is a
commercial enterprise and must be managed as such to
safeguard the interest of all sections. Namrup unit of H.F.C.L.
is facing different problems some of which are very chronic in
character. The present work is an attempt to evaluate the
efficiency of Namrup unit in terms of financial and physical
parameters in view of the commercial significance of the unit.
The present work for appraisal of managerial attainment of the
unit include the use of different parameters like profitability,
return of capital employed, capacity utilisation and cost of
production etc.

However the success of any organisation depends greatly
only organisatinal pattern and managerial style adopted by the
enterprise. Hence an attempt is made to discuss the
organisational pattern and managerial style adopted by the unit
before evaluating the operating efficiency.