CHAPTER - IV

FINANCIAL EVALUATION OF MSRTC

CHAPTER -4

FINANCIAL EVALUATION OF MSRTC.

In the previous chapter efforts have been made to analyse physical performance of the corporation. This chapter deals with the financial evaluation of the corporation. From the economic point of view, it is essential to make better use of resources. Every business needs finance to acquire various types of assets. Proper use of capital and the resources lead business towards ultimate success. Thus finance function is the core of the business. Hence it is necessary to evaluate financial performance of the corporation. Various types of parametres such as cost per km on personnel, stores, fuel & lubricants, depreciation and taxes earnings per passenger, per vehicle per day, per km, profit/Loss per km. etc. are used for the evaluation purpose. Further management accounting teachniques like comparative financial statements, ratio analysis, etc. have been used to study financial position & profitability of the corporation. This chapter is again divided into following parts :

1. Cost performance.
2. Revenue performance.
3. Profitability.
4. Financial position.
5. Regionwise financial evaluation.

4.1) Cost Performance :

"Cost is the amount of expenditure incurred on, or attributable to a given thing".[1]

In simple words it is amount expended for producing any product or for providing any service. Earning profit is the main objective of the business and profitablity depends upon cost performance. And hence it is necessary to evaluate cost performance of any business for ascertaining the profitability of that business. The present study uses cost performance as an important technique or part of financial evaluation of M.S.R.T.C.

Elimination of wastages and reduction costs should be a continuous exercise otherwise such wastages are likely to be passed on the passengers as costs of operation. Transport service provided by the corporation is measured in terms of kilometeres operated. As kilometres operated is the perfect indicator of productivity, costs should be divided on the basis of major heads of expenditure and calculated per km. operated seperately for each head of expenditure. The present study has used following indicators for this purpose.

Cost per km. on personnel.

Cost per km. on Fuel and lubricants.

Cost per km. on Stores Repairs etc.

Cost per km. on Depreciation etc.

Cost per km. on Taxes.

The following table indicates cost performance of MSRTC. for the decade.

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1. M.L. Agarwall. Theory and Practice of Cost accounting Sahitya Bhavan, Agra 1989. P-24.

Table-4.1

In case of cost per Km. on personnel there is increasing trend over the decade. Personnel cost is the amount expended on selection, recruitment, training, remunerating the staff of the corporation. The cost per km. on personnel increased from 105.80 paise in 1980-81 to 233.57 paise in 1989-90 showing total increase of 120.76% & annual increase of 12.07% over the decade, while proportion of cost per km. on personnel to total cost per km is increased from 31.85% to 37.05% during the same period. Further no. of kms. operated is increased by 74%. Thus 120% increase in personnel cost has brought 74% increase in kms. operated. Which is not remarkable. Thus increase in No. of employees is not fruitful. The only reason behind this increasing cost on personnel is the inflationery conditions in the country which force corporation to increase salary of the staff.

As far as cost per km. on fuel and lubricants is concerned it has registered sizeable increase over the decade. This cost includes amount of expenditure spend on diesel, petrol, grease etc. This cost is increased from 60.13 paise to 96.91 paise showing total increase of 61.16% and annual increase of 6.11% over the decade. Further proportion of this cost to total cost per km. is decreased from 18.10% to 15.37% over the decade. It is observed that 61.16% increase in cost per km. on fuel has brought 74% increase in number of km. operated. Thus it shows more

Table-4.1

Cost Performance of M.S.R.T.C. for the decade from 1980-81 to 1989-1990.

(Figure in paise)

No. Particulars	1980-81	Proportion to table cost(%)	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	Proportion to table cost (%)	Total INC/DEC (%)	Annual INC/DEC (%)
1. Cost per km.on personnel.	105.60	31.85	117.94	129.04	141.47	156.22	173.99	182.07	186.08	196.97	233.57	37.05	120.76	12.07
2. Cost per km on fuel & lubricants.	60.13	18.10	79.51	81.84	80.43	81.86	92.78	95.44	95.88	96.37	96.91	15.37	61.16	6.11
3. C.P.K. cn Stores,Repaire etc.	60.36	18.17	71.02	76.29	69.48	65.44	67.06	67.09	64.15	71.34	75.74	12.01	25.48	2.54
4. C.P.K. on Depreciation, etc.														
1.Depreciation on Vehicles.	34.59	10.41	42.90	37.81	42.31	48.17	47.29	50.61	52.82	71.82	75.33	11.95	117.17	11.77
2. Insurance of Vehicles.	1.81	0.54	1.74	3.27	3.53	3.48	3.89	3.22	4.30	4.65	4.45	0.70	145.85	14.58
3. Interest on loan, deposits etc.	7.30	2.99	10.65	11.20	12.85	12.15	12.19	15.95	16.86	19.14	24.22	3.84	231.78	23.17
	43.70	13.15	55.29	52.36	58.69	63.78	63.25	69.78	78.98	95.61	104.00	16.50	137.98	13.79
5. C.P.K.cn Taxes	52.23	15.72	64.63	74.40	78.30	80.84	82.30	85.34	91.65	91.04	99.84	15.84	91.15	9.11
6. Other expenses	9.63	2.89	10.35	12.31	13.11	13.41	13.67	13.02	17.85	19.35	20.20	3.20	109.76	10.97
Total cost per km...	332.09	100	398.74	421.24	499.48	467.55	493.15	512.74	529.59	570.68	630.26	100	89.78	8.97

(Source- Annual Administration Reports of MSRTC from 1980-81 to 89-90.)

efficient use of fuel by the corporation. It is important that even in a critical situation of inflationery conditions, prices of pertolium products are increasing rapidly but the corporation has succeded in controlling these costs.

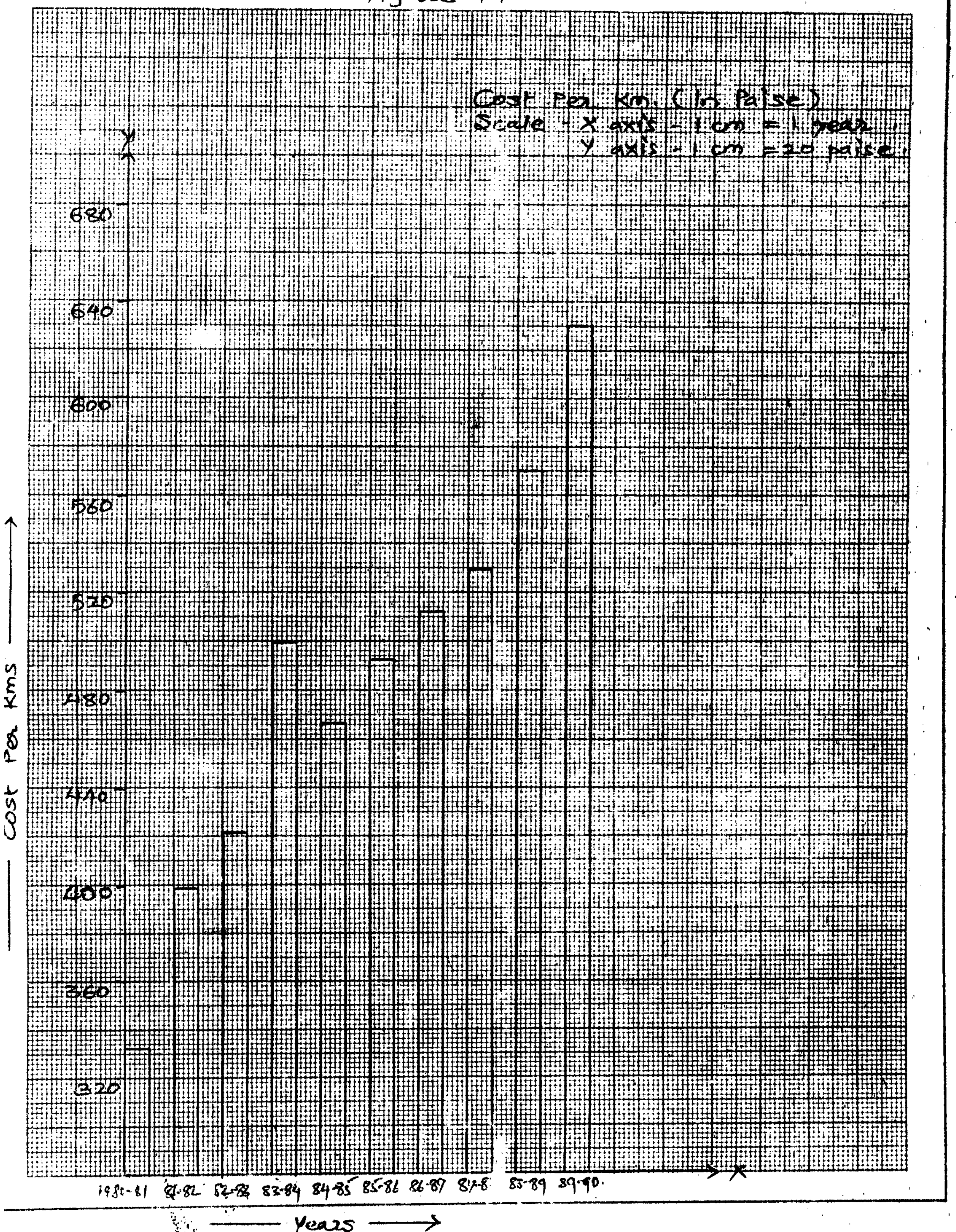
In case of cost per km. on stores, repairs etc. it includes amount of expenditure spend on purchase of material, for bus building, tyres, tubes etc. This cost varies between 60.36 paise to 75.74 paise over the decade. This cost increased from 60.36 paise in 1980-81 to 75.74 paise in 1989-90 showing total increase of 25.48% and annual increase of 2.54% over the decade. It is observed that proportion of this cost to total cost per km. is decreased from 18.17% to 12.01% over the decade. Further cost per km. on stores is increased by 25.48% which has brought 74% increase in kms operated. This again shows optimum use of materials purchased by the corporation.

Another indicator that is cost per km. on depreciation on vehicles, insurance of vehicles and interest paid on loans and deposits shows a sizeable increase from 43.70 paise per km. in 1980-81 to 104.00 paise in 1989-90. This cost is increased by 137% during the decade. The major cost from this category is cost of depreciation which is increased by 137% during the said period. The supporting reason behind this may be the liberal depreciation policy of the Corporation.

Fifthe indicator is the cost per km. on taxes. The Corporation has to pay various taxes including taxes payable to both Union Government and State Government. Cost per km. on taxes increased from 52.23 paise in 1980-81 to 99.84 paise in 1989-90. Thus it is increased by 91% during the said period. Thus cost per km. on taxes has increased steadily over the decade. This indicates Governments intension to get back its own money from this business. Here, it is important that this cost do not give scope for reduction as they are imposed by the Governement. However, there could be scope for avoiding unnecessary payment of taxes on buses not employed for operation. Here again it would better to refer fleet performance of the Corporation which is near about 87% during the decade. It means that corporation is paying an extra amount of tax on 13% of its total vehicles. It will better for the corporation to improve its fleet utilisation that would help to reduce the amount of tax.

Other expenses has increased from 9.63 paise in 1980-81 to 20.20 paise in 1989-90. The total cost per km. has steadily increased from 332.09 paise per km. in 1980-81 to 630.26 paise per km. in 1989-90. Total cost is increased by 89.78% during the decade. Thus 89% increase in total cost per km. has brought up 74% increase in number of kms. operated. The figure 4.1 remarkably indicates how the total cost per km. has increased over the decade.

Figure 4.1


Cost Per Km. (In Paise)
Scale - X axis - 1 cm = 1 year
Y axis - 1 cm = 20 paise
Y
X
680
640
600
560
520
480
440
400
360
320
Cost Per Kms
1980-81
81-82
82-83
83-84
84-85
85-86
86-87
87-88
88-89
89-90.
Years

The inflationery atmosphere in the country has remarkably affected the corporation. The costs are constantly going up. The only way to neutralise this increase, atleast to some extent is to aliminate wastage and to make fuller use of the materials purchased.

4.2) REVENUE/FINANCIAL PERFORMANCE :

It has been said that 'a danger which companies occassionally and regularly experience is that they may minimise themselves to death in the process of cost reduction if revenue considerations are ignored. While emphasis should be placed on reducing costs, such emphasis should not affect maximisation of revenue by operating more kilometers ensuring that buses go full and fares are collected. As already stuied in the earlier part of this chapter it is necessary to consider the revenue side of the corporation. The present study uses following indicators for the evaluation of revenue performance of the corporation.

Earnings per Passenger.
Earnings per Vehicle per day.
Earnings per km.
Profit/Loss per km.
Percentage of internal sources to total capital.

The following table indicates revenue performance of the Corporation for the decade.

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2. J.T. Kneatssey- The Economics of the Transportation Firm. D.C. Health and Co, Massachusetts 1974 P.106.

Table 4.2 gives information about various indicators showing earning capacity of the corporation and the changes therein during the decade.

The first indicator that is Earnings per passenger means average earnings received per passenger. Passenger is the customer of the transport business and hence increase in number of passengers should be generally treated as growth of transport business. But sometimes increased number of passengers result into increase in total earnings but donot result into increase in earnings per passenger. In this case the growth will not be reasonable one. Hence in order to find out the fact it is necessary to consider this indicator.

The present study has used following formula to calculate earnings per passenger.

$$\text{E.P.P.} = \frac{\text{Earnings.}}{\text{Total Number of Passengers.}}$$

It is observed that earnings per passenger have gone up from 172 ~~in~~ paise in 1980-81 to 310 paise in 1989-90.

Table-4.2

Revenue & financial performance of M. S. R. T. C. for the decade 1980.81 to 1989-90.

No.	Particulars	1880-81	81-82	82-83	83-84	84-85	85-86	86-87	87-88	88-89	89-90	Total INC/ DEC.	Annual INC/DEC
1.	Earnings per passenger (in paise)	172	220	250	253	256	260	265	281	285	310	80.23	8.02
2.	Earnings per vehicle per day (in rupees).	700.30	886.60	1012.70	1098.50	1161.00	1241.80	1315.40	1439.40	1580.40	1447.30	106.66	10.66
3.	Earning per km. (In paise).	285.67	350.24	407.74	433.06	450.71	463.61	480.97	518.18	564.20	514.80	80.20	8.02
4.	Profit/Loss per km. (In paise).	-46.35	-39.09	-7.44	-10.45	-4.88	-34.13	-18.36	1.36	-38.24	-70.16	51.37	5.13
5.	Internal Resources to total capital (%).	N.A.	6.51	42.71	39.36	45.87	13.23	33.34	50.27	30.19	4.36	-	-

(Source-Annual Administration Reports of MSRTC from 1980-81 to 89-90.)

Thus it is totally increased by 80% over the decade. The number of passengers increased by 74% during the period which resulted into 80% increase in earnings per passenger. The figure 4.2 remarkably indicates position of earnings per passenger during the decade.

In the second indicator that is earnings per bus per day is a comprehensive indicator conbining itself both the aspects of vehicle utilisation and load factor. It in-dicates corporations abiliti to make better use of its vehicles and thus maximise earnings per bus. The present study has considered following formula for getting earnings per bus per day.

The table showing a steady increase in earnings per bus per day but a slight decrease during 1989-90. Earnings per bus per day increased from Rs.700.30 in 1980-81 to Rs. 1580.40 over the decade. Thus it is increased by 106% over the period. This is mainly because of the frequent fare increases and the increasing productivity of the buses in terms of kms. operated. But earnings per bus per day decreased by Rs. 133.10 in 1989-90 as compared to previous year. The reason behind this is the decreased load factor which was 79.72% in 1989-90 and was 80.22% in 1988-89. The figure 4.3 remarkably indicates earnings per bus per day for the decade.

The third indicator that is Earnings per Kilometer is an important indicator. Kilometer is the unit of measurement of transport service provided by the corporation. Increase in number of Kilometres operated is the sign of growth of the transport business. Which may result into increase in total earnings but may not necessarily result into increase in earnings per kilometre. So in order to find out fact it is necessary to study whether increased number of kms. operated have increased earnings per km. or not.

It is observed that earnings per kilometre have gone up from 285.67 paise in 1980-81 to 514.80 paise in 1989-90. Thus it is increased by 80.20% over the decade. The table shows a continuous and steady increasing trend in this case. The year 1988-89 shows highest mark of 564.20 paise and again it is decreased by 49.40 paise in 1989-90. Figure 4.4 indicates earnings per km. during the period of ten years.

The fourth indicator that is profit/Loss per km. shows a varying trend during the decade. In fact all the years shows that corporation is sinking in loss except the year 1987-88 in which it has got a nominal profit of 1.36 paise per kilometre. The loss per km. was 46.35 p.39.09, 7.44, 10.45, 4.88, 34.13, 18.36 paise for the year 1980-81, 1981-82, 1982-83, 1983-84, 1984-85, 1985-86, and 1986-87 respective. While it was 38.24 paise and 70.16 paise per km. for 88-89 and 89-90. The main credit for the reversal position in the year 1987-88 should be to the Government for giving timely increases in the fare structures. Another reason behind very wide fluctuations in profit and loss is that the corporation is unable to match cost hikes with timely increases in the fares.

The fifth indicator that is percentage of internal resources to total capital is useful to judge financial health of the corporation. Here total capital includes capital contribution made by both Union and State Government while internal resource is the source of raising the capital throughout the corporation itself which is also called as internal financing. Internal financing is the most economical safe and reliable source of financing the business. This method or source can be followed if there is sufficient amount of fund kept for this purpose. And hence this indicator indicates earning capacity of the business as well as its ability to raise capital on its own responsibility.

The table gives verying trend of percentage of internal resources to total capital. It is observed that the percentage of internal resources to total capital is 6.51, 42.74, 39.36, 45.37, 13.23,33.34, 50.27, 30.19, and 4.36 for the years 1981-82 to 1989-90 respectively. The timely fare increase by the corporation has brought highest percentage

Figure 4·2

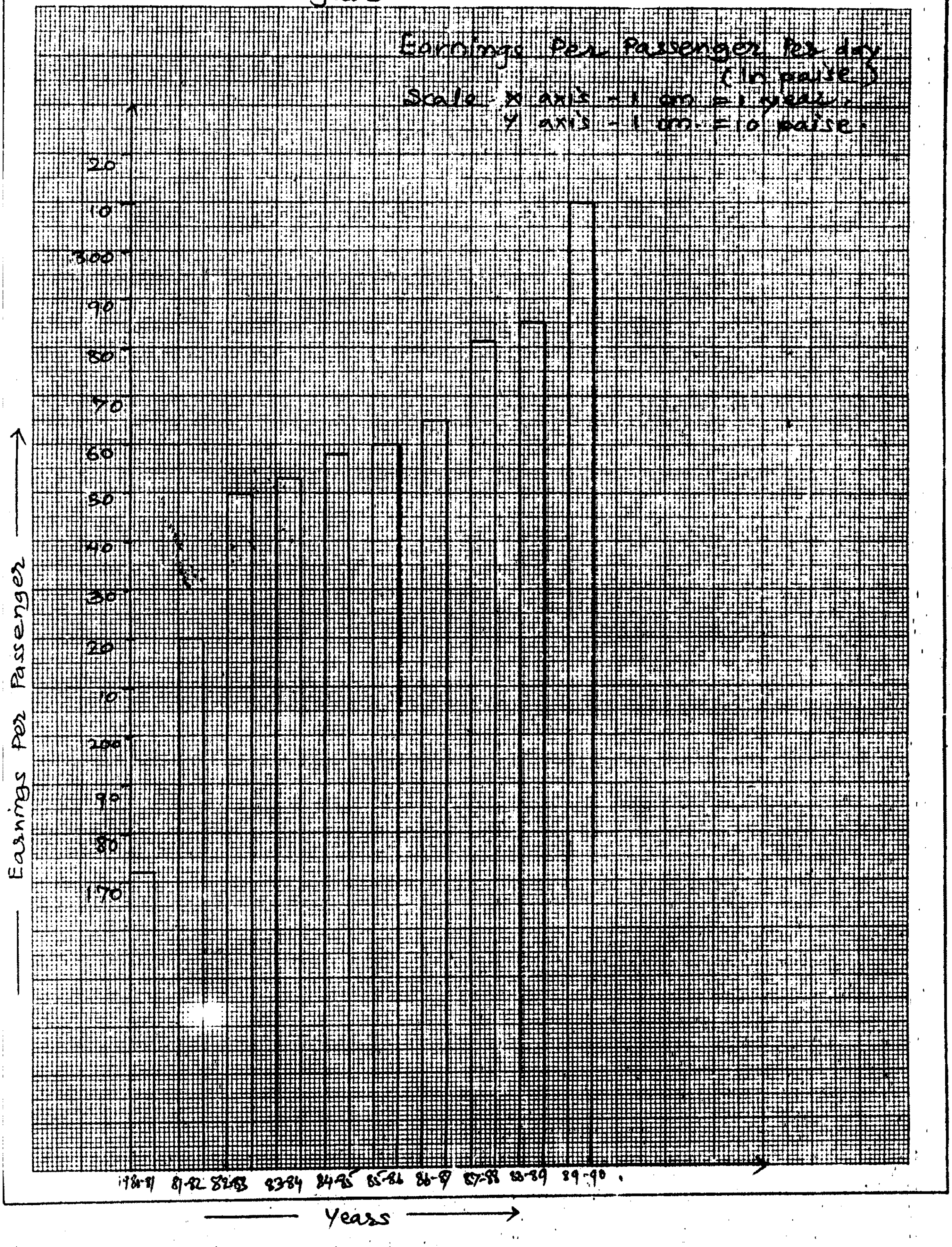

Earnings Per Passenger Per day
(In paise)
Scale X axis - 1 cm = 1 year.
Y axis - 1 cm = 10 paise.
20
10
300
90
80
70
60
50
40
30
20
10
200
90
80
170
1980-81 81-82 82-83 83-84 84-85 85-86 86-87 87-88 88-89 89-90.
Earnings Per Passenger
Years

Figure 4.3

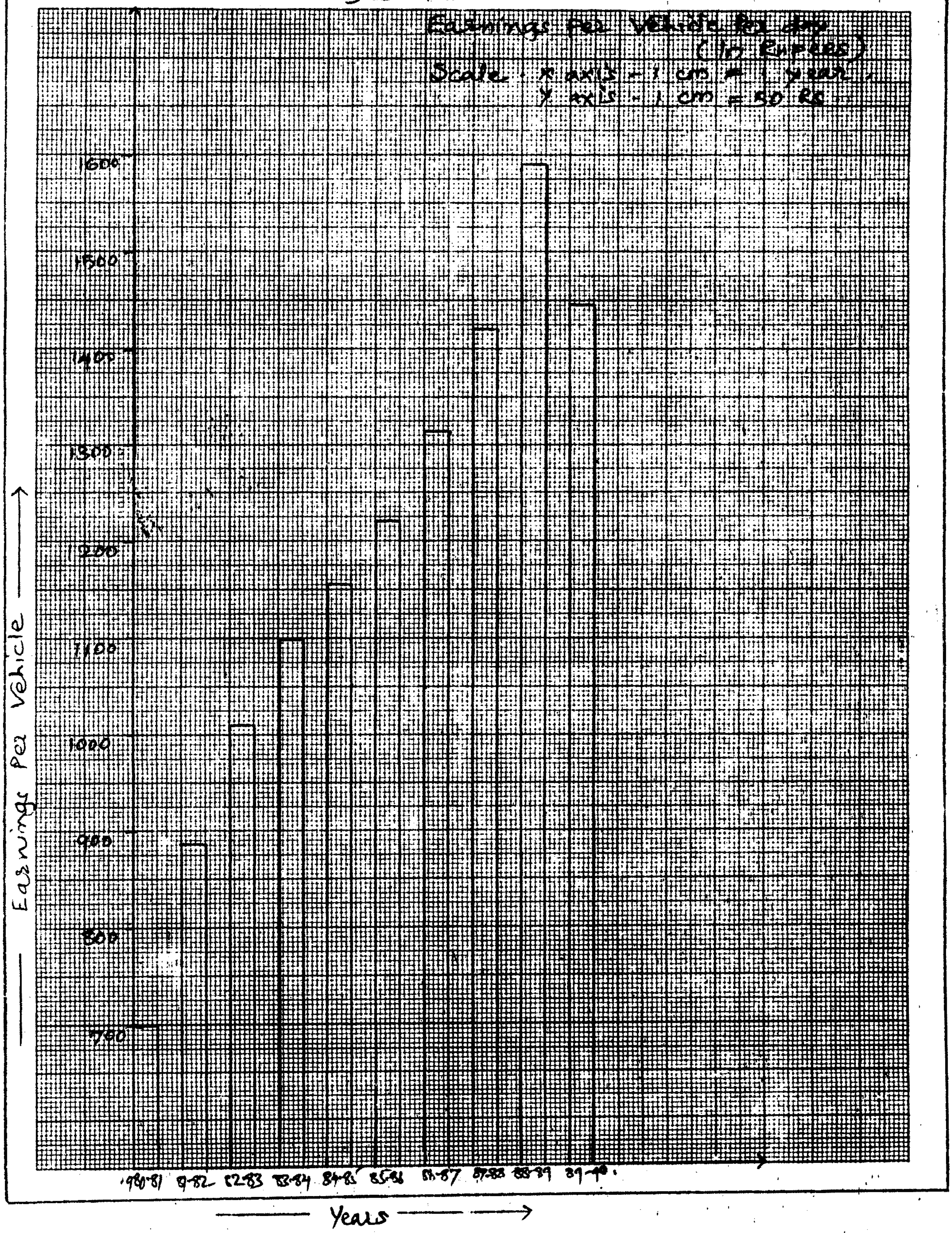

Earnings Per Vehicle Per day
(in Rupees)
Scale x axis - 1 cm = 1 year.
Y axis - 1 cm = 50 Rs.
1600
1500
1400
1300
1200
1100
1000
900
800
700
1980-81
81-82
82-83
83-84
84-85
85-86
86-87
87-88
88-89
89-90.
Earnings Per Vehicle
Years

Figure 4.4

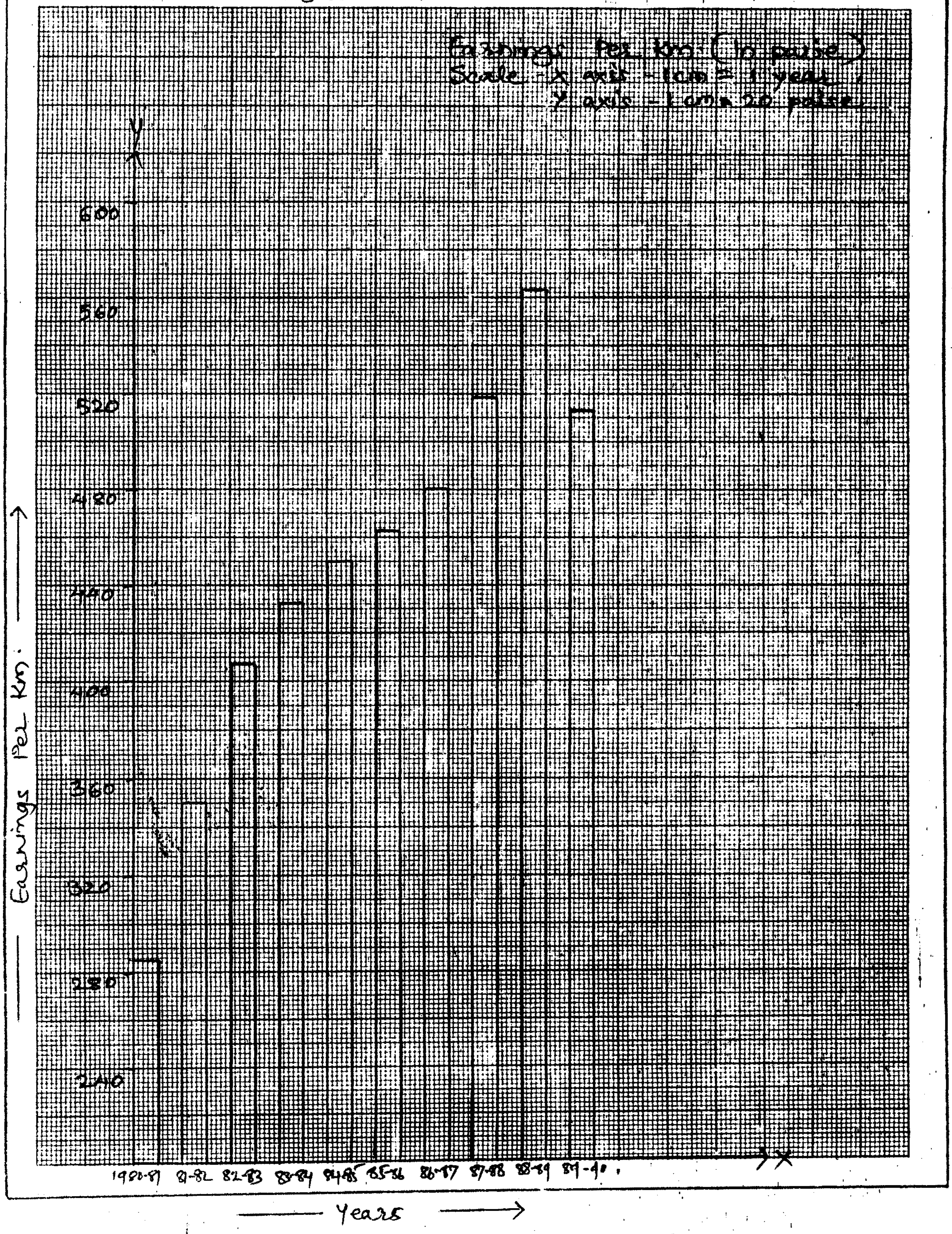
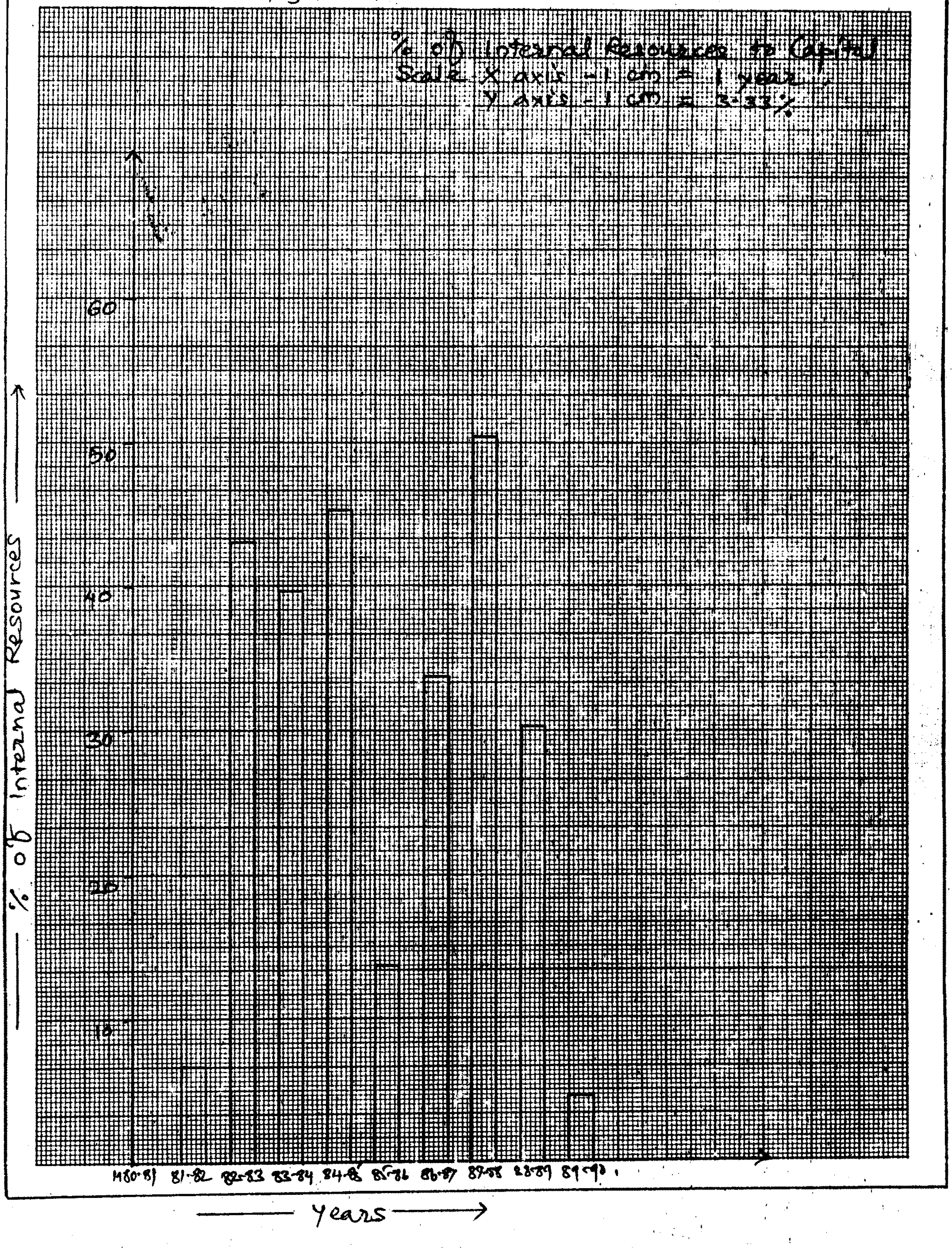

Earnings per km. (in paise)
Scale - x axis - 1cm = 1 year
y axis - 1cm = 20 paise
600
560
520
480
440
400
360
320
280
240
1980-81
81-82
82-83
83-84
84-85
85-86
86-87
87-88
88-89
89-90
Earnings per km.
Years

Figure 4.5


% of Internal Resources to Capital
Scale X axis - 1 cm = 1 year
Y axis - 1 cm = 3.33%
60
50
40
30
20
10
1980-81 81-82 82-83 83-84 84-85 85-86 86-87 87-88 88-89 89-90
% of Internal Resources
Years

of internal resources to total capital that is 42.74 in 1982-83, 45.87 in 1984-85 and 50.27 in 1987-88. The year 1989-90 has registered lowest mark of only 4.36% over the decade. Although the corporation has been succeeded in keeping good percentage of internal resources to total capital it has not been able to maintain steady improvement in this case. And hence financial position of the corporation is not steady, healthy and realiable. This indicates that corporation is not getting sufficient profit to reinvest it into business. Lack of internal resource forces corporation to raise the capital with the help of external sources which again increases burden of interest etc. This maximises business expenditure and minimises profits of the business. The financial position becomes more worst day by day.

4.3) PROFITABILITY :

The main objective of the business is to earn profit atleast in the long run. The justification for any business activities lie in creating a surplus. Performance of any business is usually judged on the basis of profits earned. And hence the concept of 'Profitability' gets much more importance in the financial analysis of the business.

Meaning of the term 'Profitability' is capability to generate surplus from the business. It is an ability to earn profit. Profitability indicates running the business in such a manner that would lead minimisation of costs and maximisation of profits. Although., the business has to make proper adjustment between the private objective of earning profits and the social objectives, no busines can be justified without making a profit. And hence, being a public enterprise, still we have to judge the profitability of the M.S.R.T. Corporation. The present study uses different accounting techniques like comparative income statement, Ratio analysis etc. to as certain the profitability of the corporation.

A) COMPARATIVE INCOME STATEMENT :

The profit and Loss Account prepared in a specific manner indicates financial transactions during the period. It gives information about the operating results and income received and payments made in the business. But it is of no use for the management of judge the profitability of the business. It is not useful to judge operating trend of the business for two different periods. And hence comparative income statement is prepared.

A comparative Income Statement shows operating results of the business for two or more periods, it indicates the absolute change from one period to another. The change may be expressed in terms of figures or percentages. The present study uses this accounting technique to evaluate the operating results and their trends for the corporation.

Table 4.3

The table showing comparative income statement of the corporation for the decade. It indicates operating revenue, Operating expenses, Non operating Revenue Non Operating expenses and resulting figure of Net Profit or Net Loss during the year,. It also shows increase or decrease in the above items during the year.

The operating revenue for the Corporation includes revenue from Sale of tickets, causal contracts and other traffic revenue from luggage, postal mail, etc. The operating revenue shows a steady increasing trend over the decade. It increased from Rs. 204.24 crores in 1980-81 to Rs. 722.77 Crores in 1989-90 and thus showing an increase of 253.88% over decade. Thus operating revenue showing a favourable position with the highest marks . of 37.09% increase in 1981-82.

Operating expenses includes expenses incurred for traffic operations, repairs and maintenance of Tyres and Tubes, fuel, taxes, administrative expenses, depreciation etc. The table shows a continuous increasing trend of operating expenses. These expenses increased from Rs. 228.66 in 1980-81 to Rs.776.11 crores in 1989-90 showing an increase of 239.41% over the decade. Thus rate of increase in operating income is more than the rate of increase in operating expenses. Although the rate of increase in operating income is more than rate of increase in operating expenses. The amount of operating

Table-4.3

COMPARATIVE INCOME STATEMENT OF M. S. R. T. C.

(For the year 1980-81 to 89-90)

INC = Increase.
DEC = Decrease
(Rs. in Crores)

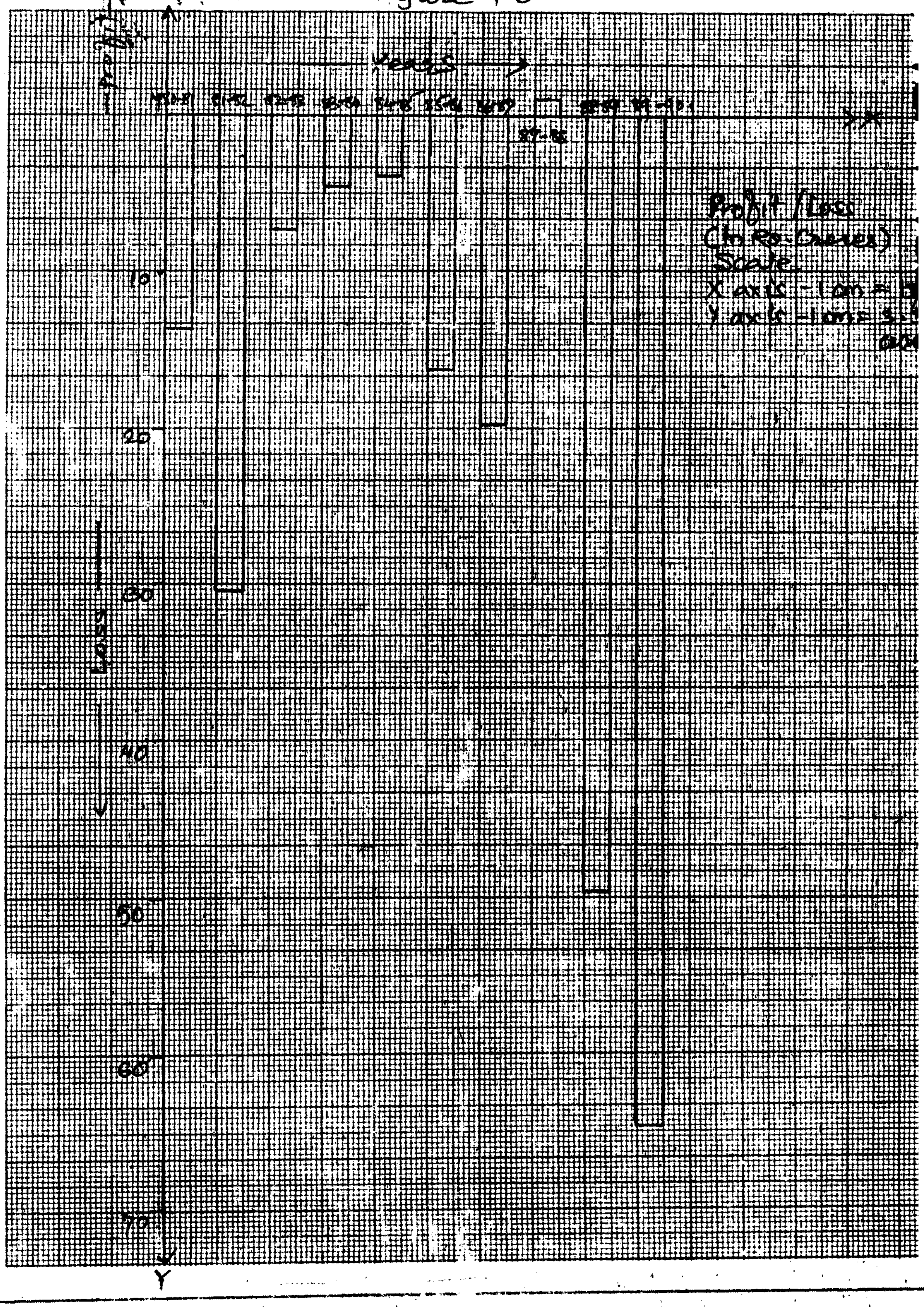
Particulars	1980-81	81-82	INC DEC%	82-83	INC DEC%	83-84	INC DEC%	84-85	INC DEC%	85-86	INC DEC%	86-87	INC DEC%	87-88	INC DEC%	88-89	INC DEC%	89-90	INC DEC %
Operating Revenue :																			
Passenger Revenue :																			
a) Sale of tickets	197.52	271.96	37.68	316.09	16.23	345.24	9.22	379.93	10.05	427.96	12.64	483.16	12.90	559.86	15.87	605.52	8.16	703.51	16.18
b) Casual Contracts	3.33	4.29	28.82	4.93	14.92	4.99	1.22	6.09	22.04	7.36	20.85	8.43	14.54	9.89	17.31	8.52	13.85	11.23	31.88
Sub-Total (I) .	200.85	276.25	37.54	321.02	16.21	350.23	9.10	386.02	10.22	455.32	12.77	491.59	12.93	569.75	15.89	614.04	7.77	714.74	16.40
Other Traffic Revenue:																			
a) Luggage & Parcel	2.97	3.41	14.81	3.53	3.52	3.76	6.52	3.97	5.59	4.28	7.81	5.04	17.76	6.71	33.13	6.70	0.15	7.23	7.91
b) Carriage & Postal mail	0.42	0.34	19.04	0.80	126.47	0.86	7.5	0.76	11.12	0.71	5.33	0.63	11.27	0.61	3.17	0.59	3.28	0.80	35.59
Sub-Total (II) ..	3.39	3.75	10.61	4.33	15.47	4.62	6.69	4.73	2.38	4.99	5.50	5.67	13.63	7.32	46.29	7.29	0.40	8.03	10.15
Total operating Rev. (I + II) (A)..	204.24	280.00	37.09	325.35	16.19	354.85	9.06	390.75	10.11	440.31	12.68	497.26	12.93	577.07	16.05	621.33	7.66	722.77	16.33
-Operating Expenses :																			
1) Traffic operations	44.48	54.84	23.29	59.96	9.34	66.50	10.91	78.34	17.60	96.14	22.72	110.28	14.71	122.73	11.28	142.56	16.17	174.34	22.28
2) Repairs, Maintenance & Reconditioning.	38.43	47.16	22.71	49.16	4.24	51.02	3.78	53.91	5.66	62.31	15.56	68.30	9.61	73.97	8.30	85.37	15.41	103.64	21.40
3) Tyres & Tubes	22.08	29.11	31.83	31.37	7.76	29.03	7.46	29.49	1.58	33.35	13.09	35.95	7.80	42.28	17.60	52.52	24.22	56.04	6.70
4) Fuel	40.42	58.94	45.81	60.77	3.10	68.05	11.98	71.96	5.75	82.67	14.88	93.49	13.09	100.56	7.56	109.73	9.12	117.07	6.69
5) Passenger Tax	33.67	46.47	38.26	53.97	16.14	58.84	9.02	64.48	9.59	72.09	11.80	81.50	13.05	94.76	16.26	102.02	7.66	118.97	16.61
6) Moter vehicle tax	4.27	4.74	11.00	4.79	1.05	4.70	1.88	4.77	1.49	5.23	9.64	5.29	1.15	5.81	9.82	6.53	12.39	7.49	14.70
7) Staff Welfare	12.86	14.80	15.08	17.23	16.42	19.00	10.27	21.23	11.74	26.44	24.54	30.95	17.06	31.63	2.19	35.32	11.67	47.21	33.66
8) Administrative exp.	7.90	9.50	20.25	10.33	8.74	11.56	11.91	13.30	15.05	16.03	20.53	17.54	9.42	19.51	11.23	21.92	12.35	30.36	38.50
9) General charges	9.23	10.41	12.78	13.36	28.34	14.41	7.86	15.58	8.12	17.62	13.17	17.99	2.10	20.83	15.78	22.87	9.79	24.48	7.03
10)a) Depreciation	19.33	24.16	24.98	25.64	6.13	25.22	1.64	26.96	6.90	29.91	10.94	37.90	23.70	47.98	26.59	60.88	26.87	71.83	17.99
b) Additional Dep.	6.09	10.14	66.50	4.59	54.73	9.45	105.88	14.81	56.72	15.00	1.28	15.32	2.13	10.84	29.24	25.81	138.10	24.68	4.38
Total Op.Exp..B) .	228.66	310.27	7.48	331.17	6.73	357.78	8.03	394.83	10.35	456.79	15.69	514.51	12.63	570.90	10.95	665.55	16.57	776.11	16.61
Operating Profit/Loss C)	24.42	30.27	23.95	5.82	80.77	2.93	49.65	4.08	39.24	15.48	303.92	17.25	4.67	6.17	64.23	44.22	616.69	53.34	20.62
+Non Operating Revenue :																			
a) Advertising	0.14	0.18	28.57	0.15	16.67	0.21	40.00	0.23	9.52	0.30	30.43	0.86	186.67	0.54	37.20	0.67	24.07	0.86	28.36
b) Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.21	-	0.22	4.76
c) Sale of scrap	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6.41	-	7.43	15.91
d) Profit from sale of veh.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.25	-	2.24	0.44
e) Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.05	-	0.48	54.29
f) Miscellaneous Recpt.	5.61	7.96	41.88	7.74	2.76	9.40	21.45	11.47	22.02	11.60	1.13	13.08	12.76	13.00	.611	6.94	29.69	8.55	23.20
Total Non Op. Rev. D)	5.75	8.14	45.09	7.89	-3.07	9.61	21.80	11.70	21.74	11.90	1.70	13.94	17.14	13.54	2.87	17.53	29.46	19.78	12.84
(C + D ((E)	18.67	22.13	18.57	2.07	90.64	6.68	222.10	7.62	14.07	4.58	39.89	3.31	27.72	19.71	495.45	26.69	35.41	33.56	25.73
-Non Op.Exps.(a) Interest	5.37	8.51	58.47	8.94	5.05	10.53	17.79	10.52	0.09	11.57	9.98	16.50	42.61	18.77	13.75	23.10	23.07	31.01	34.24
b) Provisions	-	-	-	1.52	-	0.68	55.26	0.74	8.82	0.29	60.81	0.05	82.76	0.11	120	0.19	72.72	0.24	26.32
Total Non Op.Exp.(F)	5.37	8.51	58.47	10.46	22.91	11.21	7.17	11.26	.44	11.86	5.32	16.55	39.59	18.88	14.07	23.29	23.35	31.25	34.18
Net P & L (E-F) (G)	-13.39	-30.64	130.37	-8.39	-72.61	-4.53	-46.00	-3.64	-19.65	-16.44	351.65	-19.86	20.80	0.83	95.82	-49.98	5921.65	-64.81	29.67

expenses is more than Operating income in every year except the year 1987-88. In the year 1987-88 the operating income has overpassed Operating expenses by Rs. 6.17 crores i.e. by 1.07%.

As the operating expenses of corporation are more than Operating income the result is sad for corporation. The corporation has registered a continuous operating loss of Rs. 24.42 crores, 30.27 crores 5.82 crores, 2.93 crores, 4.08 crores, 16.48 crores, 17.25 crores for the year 1980-81 to 1986-87. and loss of Rs. 44.22 crores and Rs. 53.34 crores for the year 1988-89 and 1989-90 respectively. Although there are several ups and downs in the amount of loss the Corporation has not been able to produce favourable trend in the business. It has incurred heavy losses. It is not working profitabely. The only exception to this is the nominal amount of profit of Rs. 6.17 crores that corporation has got during the year 1987-88. Further the reason behind the lower losses in certain years and prcfit in the year 1987-88 is the timely fare increase given by the government.

Non operating revenue includes the revenue received from advertising, rent, sale of scrap, interest received on deposits etc. Non operating revenue shows a varying trend over the decade. The year 1982-83 and 1987-88 showing a decrease of 3.07% aad 2.87% as compared to previous years. It is increased by 244% over the decade.

Figure 4.6


Years
Profit
Loss
10
20
30
40
50
60
70
Profit / Loss
(In Rs. Crores)
Scale

Non operating expenses includes expenses incurred for interest on loans and deposits and provisions made for various purposes. The table shows an increasing trend of non operating expenses over the period of decades. Non operating expenses increased from Rs. 5.37 crores to Rs.31.25 crores in 1989 showing an increase of 481% over the decade.

As the operating expenses as well as non operating expenses are more than the operating income and non operating income the result is dissatisfactory for the corporation. The Corporation has registered a continuous net loss of Rs. 13.30 crores. 30.64 crores, 8.39 crores 4.53 crores, 16.44 croees 19.86 crores from the year 1980-81 to 1986-87 and loss of Rs. 49.98 crores and Rs. 64.81 crores for the years 1988-89 and 1989-90 respectively. The only year where the corporation has produced satisfactory result is 1987-88, where it has got a nominal amount of profit of Rs. 0.83 crores. Figure 4.6 a indicates it remarkably. The timely fare increase by the Government has helped Corporation to lower the losses on certain occassions. Further the years 1988-89 and 1989-90 shows a towering loss of Rs. 49.98 crores and Rs. 64.81 crores which is not a good sign for the Corporation.

B) <u>Ratio Analysis</u> :

An absolute figures donot convey much meaning for the management. Hence it is necessary to study certain figure in relation to some other relevant figure. The relationship between the two figures expressed mathematically is called as ratio. Ratio analysis is a technique used by the Management to judge the profitability and solvency of the business.

The present study uses this management technique to judge profitability and solvency of the corporation. As ratios themselves are not much significant but the movements in the ratios are important. For the sake of convenience in the present study certain ratios are calculated for the years 1980-81, 1985-86 and 1989-90. The following ratios are used to judge the profitab-ility of the corporation.

Net Loss Ratio :

It is the ratio between the net loss and net sales. Here net loss is calculated after considering all costs, charges and expenses. This ratio is calculated as under :

$$\text{Net Loss Ratio} = \frac{\text{Net Loss}}{\text{Net Sales (Traffic Earnings).}} \times 100$$

This ratio is widely used to measure overall profitability of the business. In the present study Income received from traffic operations is taken as Net Sales for the purpose of calculating this ratio.

Year	Ratio
1980-81	$\frac{13.30}{204.24} \times 100$
	$= 6.51\%$

1985-86 $\frac{16.44}{440.31} \times 100$

= 3.73%

1989-90 $\frac{64.81}{722.77} \times 100$

=8.96

It is observed that the net Loss Ratio for the Corporation is 6.51%, 3.73%, and 8.96% for the year 1980-81, 1985-86 and 1989-90. respectively. It is clear that corporation is incurring heavy losses. And hence it is calculated as Net Loss Ratio instead of Net Profit Ratio. There is no question of profitability on the other hand it is used to measure how the losses are increasing for the corporation. The ratio shows an increasing trend day by day. Although the revenue from traffic operations is increasing but the rate of increase in costs is very high as compared to previous one. The corporation has no profit to cover all the operating expenses and to ensure adequate returns for the owners.

Return on Capital Employed :

It is a ratio of Net Profit / Net Loss to capital employed. Here Net Profit / Loss is considered before deduction of tax and interest on long term loans. While term capital employed means Gross Capital employed that is total assets. This ratio is used to measure percentage of returns on the total resource of the business. This ratio is calculated as under :

$$\text{R.O.C. employed} = \frac{\text{Net Profit (Before tax \& Interest)}}{\text{Gross Capital Employed.}}$$

The ratio shows following trend for the corporation.

1980-81 $\qquad \dfrac{24.80}{252.732} \times 100$

$= 9.81\%$

1985-86 $\qquad \dfrac{72.45}{499.025} \times 100$

$= 14.51\%$

1989-90 $\qquad \dfrac{93.66}{1003.856} \times 100$

$= 9.33\%$

It is observed that the corporation has registered this rate of 9.81%, 14.51%, and 9.33% for the years 1980-81 ,1985-86 and 1989-90 respectively. The ratio shows decreasing trend. It means that the corporation has not used its funds efficiently. Although the net profit is increased by 277% but it is very less as compared to increased capital which is increased by 297% during the period of decade. The corporation has employed more funds in the business but it is not getting fair returns in terms of its investments. It is clear that the management has not used its resources efficienty.

Profit Vs. Service Motive :

Section 18 of the R.T.C's Act States that 'it shall be the general duty of a Corporation to provide or secure or promote an efficient, adequate, economical and properly co-ordinated system of road transport service and in doing so carry on its activities on business principles'. And if there are any principles in business, the most important of them is to earn profit atleast in the long run. Although profit maximisations unified measure of financial performance in the long run, but in short run profit can only reflcet costs and revenues.

As observed in the study public sector transport is unable to pass on even the true cost of operations to the customers under the protected fares. The present study indicates that M.S.R.T. Corporation is also working in a continuous loss situation.

Profits in the commercial sense is difficult to assess in such type of public sector transport undertaking because of several social costs incurred by the corporation. Unless these social costs are identified and proper credit to these social costs should be given, profits revealed by the Corporation cannot be compared. These social costs include costs of higher wages, overstaffing provision of more amenities to the public as well as workers than in the private industry.

Evaluation of losses for the Corporation :

It is observed that the corporation is continuously incurring heavy losses. The corporation has registered commulative loss of Rs. 276 crores upto 1989-90. The personal talks made with responsible officers revealed various factors that are responsbile for this situation. These factors or reasons are as under .

1) Increased prices of diesel, lubricants, tyres, and tubes spare parts, chessis etc. During the last 10 years from 1980-81 to 1989-90. Diesel has gone up by 72% lubricants by 33% Chessis by 82% tyres and tubes by 97% but average increase in fares is .65% only for all types of transport services.

2) Rise in wages, allowances and improvement in service conditions due to labour settlements and labour legislation The Corporation is paying 37.1% of its total expenditure on it.

3) Increase in the interest charges due to more borrowings.

4) Increased amount of tax liability. The corporation is paying 29.8% of its total revenue on account of various

taxes imposed by the Union Government, State Government and Local bodies.

5) Various concessions given to the public like students, TB and Leprosy patients, Press Reporters, Freedom Fighters etc. Total amount of concessions in 1989-90 was Rs. 23.98 crores which is 35% of loss incurred during that year.

6) Increase in the losses of City operations. During the year 1989-90 the corporation has incurred losses of Rs. 12 crores due to city operations.

7) Operations of 'C' trips are fetching low earnings. As a public utility service corporation is keen in providing maximum services to the public. Though the traffic earnings on some routes are not satisfactory it is obligatory to operate such trips even though they are in losses. Nearly 9% of such operations are in loss. These trips are called as 'C' type operations. The losses on account of such uneconomic operations are amounted to Rs. 32 crores in the year 1989-90.

8) Increase in consumer price Index is 105% over the period of decade. The base year taken for calculation of price hikes is 1971.

Thus it is clear that corporation has been bounded by the competing claims of profit maximisation and service maximisation. All above factors operating singly or in combination, change the profits or losses from year to year. If the profits turn into losses due to the imposition of taxes, loss of revenue due to natural calamities, etc. profit is no longer a measure of efficiency of the road transport corporation. It is clear that under a system of controlled pricing and uncontrolled external costs, the losses or profits can only be deemed to be artificial. And hence, many tranaport executives argue that losses in the nationalised transport corporation are artificial. They arise out of the Governments desire to protect the passengers from the inflationery conditions in the market.

The situation in foreign countries is interesting. The countries like France, Germany, Sweden etc. where public transport is heavily subsidised, has regarded it as a facility to public, where fares are only a token payment. Not only the government and local authorities but also community is spending for transport subsidies to keep services going and fares down.

The above paragraphs indicate the difficulty in running Road Transport Corporations on business principles. However this business principle can be interpreted to mean that the corporation should use its capital and other assets with efficiency. This will help corporation in respect of fulfilling the obligation entrusted on it. As a public undertaking the profits may have to be sacrified for the greater welfare of the community. And this is what actually M. S. R. T. C. is practisizing in its business.

4.4 Financial Position :

The profit and Loss Account or Income Statement shows the net results of the business operations during the certain period. Balance sheet reveals the picture of financial position of the business. The present study recognises study of financial position as an important factor of financial analysis of M.S.R.T. Corporation.

The study of financial position of M.S.R.T.C. includes study of assets and liabilities of M.S.R.T.C., resources used by the Corporation and the funds used to acquire the resources. It indicates what corporation owes and what it owns on a particular day. It helps to understand liquidity or solvency of the business. Thus studying financial position means studying financial soundness of the corporation. The present study uses various accounting tachniques like comparative Balance Sheet and Ratio Analysis for this purpose.

A) Comperative Balance Sheet :

The Balance Sheet is a pictorial statement showing financial position of the business on a particular date. Such a Balance Sheet is not useful for the managerial decision making as it is interested in studying the changes in assets and liabilities. It requires comparable data of two or more period in a single statement. Comparative

Balance Sheet provides such a useful data and increase/ decrease therein and thus helps to study financial trends of the business. The present study uses comparative Balance Sheet of the decade from 1980-81 to 1989-90 for the purpose of studying financial position of the M.S.R.T. Corporation.

Table 4.4

The table 4.5 showing the comparative Balance Sheet of the Corporation indicates various types of assets including fixed assets, investments, current assets and various liabilities including fixed and current liabilities as well as capital of the corporation for the given period. It also indicates increases or decreases in the assets and liabilites during the period.

Analysis of comparative balance sheet reveals that there is increase in both fixed assets and current assets. The total fixed assets have increased by Rs. 422.322 Crores i.e. by 228% and total current assets by Rs. 85.472 crores. i.e. by 312%. Thus total current and fixed assets are increased by Rs. 751.124 crores during the period of decade. At the same time share capital of the corporation is increased by Rs. 109.704 crores i.e. by 260% and fixed liabilities also increased by Rs. 89.563 crores i.e. by 221%. It means that increased share capital and long term loans are used to finance fixed assets. Thus corporation is not following

Table-4.4 ('A' Side)

COMPARATIVE BALANCE SHEET OF M.S.R.T.C. FOR THE DECADE 1980-81 to 1989-90.

(INC- Increase)
(DEC-Decrease)
(Rs. in crores)

No. Particulars	80-81	INC/DEC %	81-82	INC/DEC %	82-83	INC/DEC %	83-84	INC/DEC %	84-85	INC/DEC %
1.a) Fixed Assets.	184.824	-	217.467	17.66	235.166	8.13	258.187	9.79	287.261	11.26
b) Work in Progress	1.205	-	1.887	56.59	1.266	32.90	1.259	0.55	0.625	50.35
2. Investments										
a) Securities										
i) Govt.& Semi Govt.Securities	-	-	-	-	-	-	0.005	-	0.105	20.00
ii) Other investments	-	-	-	-	-	-	0.003	-	0.003	-
b) Fixed Deposits with Bank	1.457	-	1.458	.068	1.708	17.14	1.700	0.46	1.808	6.35
c) Investments for contingencies	0.030	-	0.030	-	0.030	-	0.030	-	0.030	-
Total Investments...	1.487	-	1.484	- 0.20	1.738	17.11	1.738	-	1.838	5.75
3. Current Assets.										
a) Stores & Materials	17.303	-	18.908	9.27	16.437	13.06	15.684	4.58	20.715	32.07
Work in Progress (Revenue)	0.122	-	0.074	39.34	0.011	85.13	0.050	354.54	0.045	1.0
b) Stock Adjustment A/c.	0.234	-	0.319	36.32	0.390	22.25	0.453	16.15	0.465	2.64
c) Assets Adjustment A/c.	0.042	-	0.066	57.14	0.914	1284.84	0.092	0.065	0.108	17.39
d) Advances & Deposits.										
i) Deposits by S.T.	0.254	-	0.283	11.41	0.314	10.95	0.413	31.52	0.529	28.08
ii) Loans & Advances	2.693	-	3.437	27.62	7.508	118.44	6.756	10.07	6.703	0.78
iii) Income tax deducted at source	0.026	-	0.032	23.17	0.033	3.125	0.012	63.63	0.013	8.33
e) Sundry Debtors.										
i) Income Earned but not received	1.330	-	1.650	24.06	3.056	85.21	3.095	1.27	2.639	14.73
ii) Outstanding Recoveries on A/c. of Revenue.	0.077	-	0.078	1.29	0.087	11.53	0.094	8.04	0.105	11.70
iii) Casual contracts Revenue Recvb.	-	-	-	-	-	-	-	-	-	-
iv) Int. earned on Invts. but not Recd.	0.011	-	0.011	-	0.013	18.18	0.021	61.53	0.216	28.57
v) Dues from Trustees to MSRTC Prov.Fud.	-	-	-	-	-	-	-	-	-	-
vi) Dues from Trustees to Gratuity fund	-	-	-	-	0.508	-	-	-	-	-
vii) Dues from Trustees to EDLI Scheme	-	-	-	-	-	-	-	-	-	-
Total Debtors ...	1.498		1.739	22.63	3.664	110.69	3.210	-12.39	2.960	- 7.78
f) Expenditure on Industrial Hsg.Sch.	0.035	-	0.031	11.42	0.027	12.90	0.024	11.11	0.024	-
G) Prepaid Expenses.	0.130	-	0.161	23.84	0.164	1.86	0.150	8.53	0.163	8.66
H) Interest Impense A/c.	0.114	-	0.761	567.54	1.010	32.72	1.813	79.50	1.549	14.50
I) Bank & cash Balance	-	+	3.373	-	7.038	108.65	8.279	17.63	13.697	65.44
Total Current Assets...	27.382	-	29.184	6.58	38.010	30.24	36.936	-2.82	46.971	27.16
J) Net Deficit upto 31.3.89 Add prior period Adjust.. Add less for the year	40.159	-	71.406	77.80	77.348	8.32	85.911	11.10	90.145	4.89
GRAND TOTAL...	252.732	-	321.612	27.54	352.213	9.51	384.090	9.05	426.925	11.67

(Source - Annual Administration Reports of MSRTC from 1980-81 to 89-90)

(Table 4.4-A Continued)

85-86	INC/DEC %	86-87	INC/DEC %	87-88	INC/DEC %	88-89	INC/DEC %	89-90	Overall INC/DEC %
322.817	12.37	371.591	15.10	446.602	20.18	514.516	15.20	607.146	18.003
1.165	86.4	1.021	12.36	2.001	95.98	2.103	5.09	3.374	60.43
0.523	30.18	15.19	190.43	0.091	94.00	0.198	117.58	0.198	-
0.001	66.66	0.003	200	0.003	-	0.003	-	0.003	-
1.700	5.77	1.700	-	1.360	20	1.360	-	1.360	-
0.030	-	0.030	-	0.030	-	0.030	-	0.030	-
2.255	22.65	3.253	44.25	1.485	-54.34	1.413	-4.84	1.413	-
19.542	5.66	24.119	23.42	27.140	12.52	28.059	3.38	38.286	36.44
0.061	35.55	0.212	247.54	0.340	60.37	0.230	32.35	.89	61.30
0.526	13.11	0.321	38.97	0.297	7.47	0.259	12.79	.350	35.13
0.079	26.85	0.076	3.79	0.0125	67.10	0.083	34.64	.037	55.42
0.545	3.02	0.692	26.97	0.549	20.66	0.747	36.06	10.076	1258.80
7.282	8.53	10.291	41.32	13.584	37.94	16.348	20.34	21.793	33.30
0.008	38.46	0.125	1462.5	0.058	53.6	0.100	72.41	.044	56
2.559	3.03	2.777	8.51	4.992	79.76	3.627	27.34	2.360	34.93
0.097	7.61	0.078	19.58	0.090	15.38	0.995	5.55	0.097	2.10
-	-	-	-	0.359	-	0.236	34.26	0.394	66.94
0.033	84.72	0.036	9.09	0.022	38.88	0.016	27.27	0.023	43.75
0.065	-	0.019	852.30	0.184	70.27	0.685	272.28	0.098	85.69
-	-	-	-	1.469	-	1.561	6.26	-	-
-	-	-	-	0.036	-	0.059	63.88	0.013	77.96
2.754	6.95	3.510	27.45	7.152	103.76	6.279	-11.87	2.985	-52.46
0.023	4.16	0.025	8.69	0.021	16	0.028	33.33	0.019	32.14
0.166	1.84	0.213	28.31	0.170	20.18	0.078	54.11	0.217	178.20
5.540	257.66	11.233	102.76	12.105	7.76	17.929	48.11	23.141	29.07
13.699	0.014	2.412	82.39	11.947	395.31	19.265	61.25	18.837	2.22
50.225	6.92	55.229	9.96	73.490	33.06	89.405	21.65	112.854	26.22
122.554	35.95	141.528	19.48	140.009	1.07	186.169	32.96	276.039	52.36
499.554	16.34	580.796	16.38	683.604	17.70	793.607	16.09	1003.856	26.49

Table-4.4 ('B' Side).

No.	Particulars	1980-81	1981-82	INC/DEC %	1982-83	INC/DE C %	1983-84	INC/DEC %	1984-85.	INC/DEC %
	Liabilities									
1.	**Fixed Liabilities.**									
	Loans	27.887	31.308	14.06	36.968	16.24	26.354	28.71	18.761	28.81
	Public Deposit Scheme	12.038	13.518	12.29	16.090	19.026	18.253	13.44	18.046	1.13
	Employees five year Saving Sch.	-	0.915	-	0.904	1.20	0.894	1.106	0.382	1.34
	Sundry Creditors-Capital liabilities .	0.583	0.709	21.61	0.560	20.45	0.811	44.12	0.984	21.33
	Total ...	40.508	46.945	15.89	54.522	16.14	46.312	-15.05	38.673	-16.49
2.	**Current Liabilities**									
	IDBI Bills Rediscounting Scheme.	2.412	2.642	9.53	4.164	57.60	7.998	92.07	7.124	10.92
	Provisions	0.963	1.257	30.52	1.283	2.06	1.177	8.26	1.097	1.79
	Securities & Earnest Money Deposits.	2.538	2.446	3.62	3.001	22.69	3.923	30.72	4.468	13.89
	Sundry Creditors-Revenue Lib.	22.985	20.308	11.64	20.394	1.42	21.306	4.47	24.426	19.64
	Accrued charges (Int.paid to Union Govt.)	2.449	2.815	14.94	0.885	59.49	0.885	-	1.060	19.77
	Passenger tax payable to state Govt.	-	28.682	-	15.874	44.65	9.000	43.30	9.000	-
	Dues to Trustees MSRTC Gratuity	E.-	1.618	-	0.296	81.70	0.126	57.43	0.670	431.74
	Total current liabilities	31.347	60.588	93.28	45.115	-25.539	54.635	21.10	47.691	-12.70
	Total Liabilities..	71.855	107.533	49.65	99.637	7.34	90.947	-8.72	86.364	-5.03
	Capital.									
	Capital Contribution	42.059	46.964	11.66	56.830	21.00	66.329	16.71	81.829	27.36
	Funds	136.531	166.115	21.66	195.746	17.83	226.714	15.82	257.732	13.68
		178.590	213.079	14.31	252.576	18.53	293.043	16.02	340.561	16.21
	GRAND TOTAL	252.532	321.612	27.35	352.213	9.51	384.090	9.05	426.925	11.15

(Source- Annual Administration Reports of MSRTC from 1980-81 to 1989-90.)

(Table 4.4-B Continued)

85-86	INC/DEC %	86-87	INC/DEC %	87-88	INC/DEC %	88-89	INC/DEC %	89-90	Overall INC/DEC %
18.145	3.28	18.452	1.69	15.645	15.21	17.045	8.94	47.171	176.74
25.578	41.73	25.241	13.17	32.626	29.25	40.438	23.94	61.385	51.80
3.863	90.77	3.820	1.11	3.798	0.57	3.711	2.29	6.285	69.36
10.79	9.65	2.276	110.93	5.204	128.64	8.047	54.63	15.230	89.26
48.665	25.83	49.789	02.75	57.273	15.03	69.241	20.89	130.075	87.85
25.116	252.55	51.908	106.67	58.795	13.16	88.879	51.16	115.860	30.35
1.237	12.76	0.790	36.13	0.702	11.13	0.558	20.51	0.609	9.13
4.839	8.30	4.631	4.29	5.372	16.00	5.593	4.11	7.374	31.84
26.372	7.99	27.885	5.73	34.426	23.45	37.536	33.67	52.878	40.87
2.160	98.11	2.015	6.71	4.267	111.76	2.846	33.30	2.510	11.80
6.687	25.7	6.870	2.73	-	-	-	-	-	-
3.138	368.35	3.162	.76	-	-	-	-	4.041	-
64.552	35.55	90.427	40.08	103.961	14.96	135.417	30.25	183.778	35.71
113.217	31.00	140.216	23.84	161.234	14.98	204.658	26.93	313.849	53.35
94.450	15.42	111.698	18.26	120.007	7.43	134.266	11.88	151.763	13.03
291.358	13.04	328.882	12.87	382.363	16.26	454.683	18.88	538.244	18.40
385.808	13.28	440.580	14.19	502.370	14.02	588.949	17.23	690.007	17.15
499.025	18.88	580.796	16.38	663.604	14.25	793.607	19.59	1003.856	26.49

the bad policy of using working capital to finance the fixed assets. Working capital remains free to meet day to day requirements of the business. This can be treated as the strength of the corporation. On the other hand if the corporation uses working capital to finance the fixed assets there will be shortage of working capital. This will create obstacle in the day to day flow of work.

It is observed that current assets have been increased by Rs. 85.472 crores i.e. by 312% and current liabilities have been increased by Rs. 152.431 crores i. e. by 486% during the decade. Though from the view points of absolute figures current liab-ilities are increased more than the total current assets, the percentage of increase in current asse-ts is less than that of current liabilities. If the total amount of current assets and current liabilities is consideres the things are not favourable for the corporation. The Balance Sheet shows that the total amount of current assets is Rs. 112.854 crores and that of current liabilities is Rs. 183.778 during the year 1989-90. Thus liabilities are excess by Rs. 70.924 crores. The Corporation has no sufficient current assets to meet its current obligations. It is suggested that in order to ensure solvency of the business current assets should be at least twice the current liabilities. But here it is observed that the excactly reverse position is in case of corporation. It is clear that there is lack of solvency in the business .

It is no doubt sign of poos financial position of the corporation.

The working capital position of the corporation is deteriorating. Although the rate of increase in current assets is less than that of rate of increase in current assets is less than that of rate of increase : in current liabilities, the amount of current liabilities is excess by Rs. 70.924 crores than current assets. As working capital is the excess of current assets over current liabilities, it is clear that there is shortage of working capital for the corporation. As there is shortage of working capital the management tries to raise it through short term loans from various sources. This has increased the amount of loans from I.D.B.I. from Rs. 2.412 crores in 1980-81 to Rs. 115.860 crores in 1989-90. Again it has increased current liabilities of the corporation. Thus financial position is not safe enough to provide for the future business contingencies.

Analysis of Balance Sheet shows that composition of current assets is also changed adversely. The amount of stores and materials is increased by Rs. 20.983 Crores and the cash and bank balance is increased by Rs. 18.837 crores during the decade. Nearly 33.19% of the working capital (C. A.) is invested in stocks and only 16.69% working capital is in the term of cash and bank balance. This shows over investments in stock which again effects adversely on the short term solvency of the corporation.

Excessive stock is considered to be the grave yard of the business.

B) <u>Ratio Analysis</u> :

<u>Current Ratio</u> :

It is a ratio of current assets to current liabilities current assets means the assets which can be easily converted into Cash. Current liabilities means short term loans, debts or items of payments. This ratio indicates the solvency of the business. This ratio is also called as working capital ratio. The present study uses this ratio to find out short term solvency of the Corporation. For the sake of convenience this ratio has been calculated for the three years 1980-81, 1985-86 and 1989-90.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Year	Ratio
1980-81	$\frac{27.382}{31.347}$ = 0.87 : 1
1985-86	$\frac{50.225}{64.552}$ = 0.77:1
1989-90	$\frac{112.854}{183.778}$ = 0.61 :1

The standard current ratio suggested is 2:1. It means that in order to ensure solvency of the business the current assets should be atleast twice the current liabilities. But it is observed that the conditions are reverse for the corporation.

The current ratio for the corporation is 0.87:1, 0.77:1 and 0.61:1 for the years 1980-81, 1985-86 and 1989-90 (decreasing trend) respectively. The corporation has no sufficient current assets to meet its current liabilities. Thus the short term solvency of the corporation is not good. Further the ratio is not improving but it is becoming more and more worse day by day.

<u>Liquid Ratio</u> :

This ratio indicates the relation between liquid assets (current assets - stock and prepaid expenses) and liquid liabilities (current liabilities - overdraft and accrued charges). The current ratio and liquid ratio combinely gives better picture of the firms ability to meet its short term liabilities out of short term assets.

$$\text{Liquid Ratio} = \frac{\text{Liquid Assets.}}{\text{Liquid Liabilities.}}$$

Year		Ratio
1980-81	$\frac{9.949}{28.898}$	= 0.34 :1
1985-86	$\frac{30.517}{62.392}$	= 0.48 :1
1989-90	$\frac{74.353}{181.263}$	= 0.41 :1

The acid test ratio is also showing worst condition for the corporation. The corporation has registered acid test ratio of 0.34:1, 0.48:1, and 0.41:1 for the years 1980-81, 1985-86 and 1989-90. respectively. The corporation has no sufficient liquid assets to repay its liquid liabilities immediately. Both the current Ratio and Acid Test Ratio indicates insolvency of the corporation.

Debt. Equity Ratio :

This is the ratio between total debts and the shareholders funds. The term Debt includes all long term and short term liabilities whereas the term Equity means equity share capital, reserves and surplus which is called as properietors funds. This ratio is useful for the creditors to find out solvency of the business. This ratio is calculated as under :

Debt Equity Ratio = $\frac{\text{Total Debt.}}{\text{owners Equity.}}$

Year		Ratio
1980-81	$\frac{113.914}{136.531}$	= 0.83:1
1985-86	$\frac{207.667}{291.358}$	= 0.71:1
1989-90	$\frac{465.612}{538.244}$	= 0.86:1

For calculating this ratio the share capital provided by state and central government is included in Debt as it is provided in the form of Loan capital. It is observed that the debt. equity Ratio for the corporation is 0.83:1, 0.71:1 and 0.86:1 for the years 1980-81, 1985-86, and 1989-90 respectively. The standard accepted Ratio is 1:1 Both the total debts and proprietors funds should be equal with each other. Here it is observed that Debt. Equity Ratio is very low for the corporation. The owners interest is large as compared with that of creditors interest in the business. As the corporation has no guarantee of stables profit, rather it is working in a loss it is operating on a relatively low debt. Equity Ratio. Proprietors funds are more than that x of total debts. It is the sign of more satisfactory financial structure as management is less handicapped by interest charges and debt repayment. The other side of this thing is that the corporation is not getting merits of trading on equity. But it is clear that the situation for the creditors is very safe as they are supported by large amount of proprietors funds.

4.5 Regionwise Financial Analysis :

As is is done in earlier chapters of this study it is necessary to make regionwise financial analysis of the corporation in order to find out the fact whether corporation has made well balanced financial performance or it has failed to do so. The following table gives idea about the regionwise financial performance of the corporation for the decade.

Table 4.5

Various parameters are used for this purpose. It includes Traffic earnings during the year, earnings per vehicles per day, earning per vehicle per Km. and earnings per passenger in relation to four regions.

The first indicator that is traffic earnings during the year is concerned the table shows that Region Bombay is leading with highest mark of Rs. 238.51 crores, Region Pune stands second with Rs. 215.42 Crores, Region Nagpur third with Rs. 143.68 crores and Region Aurangabad is lagging behind all others with lowest mark of Rs. 125.96 crores in 1989-90. As far as rate of increase in traffic earnings is concerned Region Bombay is leading with 285%

Table-4.5

Regionwise Financial Analysis of M.S.R.T.C. from the year 1980-81 to 1989-90.

Year	Traffic Earnings during the year (Rs.in Crores)					Traffic Earnings per vehicle per day (Rs.)				
	A	N	P	B	Corporation	A	N	P	B	Average.
80-81	34.61	40.63	67.09	61.91	204.24	746.40	651.80	751.40	661.20	700.30
81-82	48.32	52.73	91.81	87.14	280.00	938.20	796.4	957.10	852.90	886.60
82-83	57.42	60.62	105.03	101.79	325.35	1091.10	931.0	1083.40	958.30	1012.70
83-84	63.20	66.20	114.57	110.84	354.85	1199.10	1010.5	1163.30	1042.90	1098.50
84-85	67.05	73.56	123.77	126.37	390.55	1234.50	1080.0	1205.80	1133.30	1161.00
85-86	76.44	82.95	137.28	143.66	440.31	1344.20	1166.00	1283.00	1201.40	1241.80
86-87	85.48	93.23	152.78	165.81	497.26	1415.10	1285.10	1355.10	1281.10	1315.40
87-88	99.81	109.33	174.17	193.76	577.07	1538.80	1365.90	1462.80	1426.30	1439.40
88-89	107.36	121.16	185.67	207.15	621.34	1512.30	1410.70	1472.70	1415.30	1447.30
89-90	125.96	143.68	215.42	238.51	722.77	1635.20	1577.70	1592.10	1594.40	1580.40
% to total busns.	17.42	19.87	29.80	32.99	100	-	-	-	-	-
Total INC.	263.94	253.63	221.09	285.25	253.88	119.07	142.05	118.88	133.57	125.67
Annual INO/DEC	26.39	25.36	22.10	28.52	25.38	11.90	14.20	11.88	13.35	12.56

(Source- Annual Administration Reports of MSRTC From 1980-81 to 89-90)

(Table 4·5 continued)

Traffic Earnings per vehicle per km.					Traffic Earnings per Passenger (Rs.)				
A	N	P	B	Average.	A	N	P	B	Average.
2.70	2.61	2.93	2.77	2.77	1.71	1.91	1.99	1.41	1.72
3.39	3.27	3.70	3.60	3.50	2.25	2.45	2.60	1.77	2.20
3.99	3.87	4.23	4.09	4.07	2.61	2.74	2.84	2.06	2.50
4.28	4.15	4.44	4.35	4.33	2.73	2.83	2.89	2.05	2.53
4.40	4.40	4.56	4.57	4.50	2.72	2.96	2.91	2.13	2.58
4.64	4.52	4.69	4.64	4.63	2.74	3.03	2.97	2.11	2.60
4.79	4.67	4.88	4.82	4.80	2.83	2.97	3.05	2.19	2.65
5.15	4.98	5.22	5.27	5.18	3.19	3.14	3.34	2.22	2.81
5.48	4.98	5.14	5.82	5.14	3.19	3.33	3.32	2.26	2.85
5.06	5.51	5.64	5.80	5.64	3.52	3.63	3.58	2.42	3.10
-	-	-	-	-	-	-	-	-	-
87.40	111.11	92.49	109.38	103.61	105.84	90.05	79.89	71.63	80.23
8.74	11.11	9.24	10.93	10.36	10.58	9.00	7.98	7.16	8.02

Region Aurangabad stands second with 263% Region Nagpur third with 253%, and Region Pune shows lowest rate of increase which is 221% during the period of decade. As region Bombay is leading in total traffic earnings as well as it is highest in rate of increase no doubt it is in a commanding position.

The second indicator that is earnings per vehicle per day is concerned, the Region Aurangabad is leading with highest mark of Rs. 1635.20, Region Pune stands second with Rs. 1592.10, Region Nagpur third with Rs. 1592.10 and Region Bombay is lagging behind with the lowest mark of Rs.1544.40 during the year 1989-90. Further rate of increase in earnings per bus per day is concerned, Region Nagpur is leading with highest rete of increase which is 142% Region Bombay stands second with 133% Region Aurangabad third with 119% and Region Pune is lagging behind all other regions with the lower rate of increase which is only 118% during the period of decade. As the earnings per vehicle per day is more in case of Region Aurangabad it is in a commanding position and making better use of its vehicles.

The third indicator that is earnings per vehicle per km. is concerned, Region Bombay is leading with the highest mark of Rs. 5.80, Region Pune stands second with Rs. 5.64, Region Nagpur third with Rs. 5.51 and Region Aurangabad is lagging behind all others with the lowest mark of Rs.5.06 in the year 1989-90. Further rate of increase in earnings per km. is concerned the Region Nagpur is leading with 111.11% Region Bombay stands second with 109%, Region Pune third with 92% and Region Aurangabad is lagging behind all others with the lowest rate of increase which only 87% during the decade. Thus Region Bombay is in a commanding position with the highest earnings per kilometer.

The fourth indicator that is earnings per passenger is concerned. Region Nagpur shows highest mark of Rs. 3.63, Region Pune stands second with Rs. 3.58, Region Aurangabad third with Rs. 3.52 and Region Bombay is lagging behind with the lowest mark of Rs. 2.42 in the year 1989-90. Further the rate of increase in earnings per passenger is concerned.

As there are various indicators used to make region-wise financial evaluation and table shows a varying performance of regions it x is very difficult to judge overall superiotity of a particular region. But it is observed that Region Bombay is leading in case of total traffic earnings and earnings per km. and hence it gets overall superiority in financial performance. Region Aurangabad is leading in earnings per vehicle per day while region Nagpur is in a commanding position in case of earnings per passenger. On the other hand Region Pune is not leading in any field. It is lagging behind in all cases.

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