Non-oil PSUs may report losses for 2nd year in row

Listed state-owned firms reported losses of ₹16,279 cr in first 9 months of FY19

KRISHNA KANT
Mumbai, 9 April

The last five years have not been good for listed central public sectors undertakings (PSUs). For the first time since FY04, 38 PSUs, excluding oil marketing companies, are expected to report a combined net loss for the second consecutive year in FY19. Even in FY16, this set had made a loss.

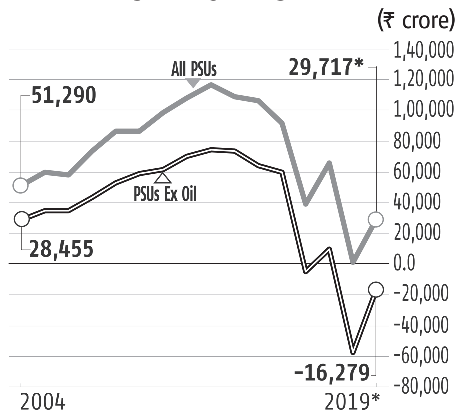
These listed PSUs together reported net losses of ₹16,279 crore during the first nine months of FY19, and analysts expect this trend to continue. For the entire PSU universe, the net profit stood at ₹29,717 crore in the April-December 2018 period.

Public sector banks (PSBs) have been the biggest losers in the last five years, as they reported losses due to the Reserve Bank of India's asset quality review, under which they had to report non-performing assets. Listed PSBs together reported a combined net loss of around ₹31,600 crore during the April-December 2018 period.

Public sector companies also continue to struggle with poor revenue growth. Combined revenues of non-oil PSUs will post a compounded annual growth rate (CAGR) of 2.7 per cent between FY14 and FY19 (nine months annualised), down from 11.6 per cent annualised growth during FY09-FY14 and 17.2 per cent annualised growth during FY04-FY09.

The combined revenue for all listed central PSUs, including energy companies, is likely to grow at a CAGR of 1.7 per cent in the last five years as against 12.2 per cent CAGR during under the United Progressive Alliance's second-term and 18.3 per cent CAGR during the UPA's first term. The analysis is based on annual financials of a constant sample of 44 listed PSUs across sectors. Some of the key PSUs in the sample include State Bank of India, Bank of Baroda, NTPC, Bharat Heavy Electricals, and Power Grid Corporation.

DIPPING PROFITS



* For nine months ended December 2018

PSU performance during last three govts

	CAGR (%)	
Period	Revenues	Net Profit
FY04-09	18.3	10.9
FY09-14	12.2	4.2
FY14-19*	1.7	-17.9

*FY19 finances based on companies' performance during 9MFY19, Source: Capitaline, compiled by *BS* Research Bureau

Experts attribute the poor show of PSUs to a combination of the industrial slowdown, lack of growth capital and companies' inflexible cost structure, some of which has come to the fore in the past five years.

"The industrial slowdown in recent years took a bigger toll on government-owned companies as they were not able to control their costs, especially salary and wage bill unlike their private-sector peers," says Madan Sabnavis, chief economist, CARE Ratings.

Oil companies such as Indian Oil, Bharat Petroleum and Oil and Natural Gas Corporation did relatively better in the last five years, thanks to lower crude oil prices in the international market.

Others point finger at the poor capacity utilisation at government-owned firms. "Many PSUs had invested large sums in capacity expansion during the boom years of 2003-08 but demand slowdown in the last few years has resulted in below par utilisation in sectors such as power, capital goods and metal and mining hitting the profitability of PSUs," says Dhananjay Sinha, head of research, Emkay Global Financial Services.

He also flags the issue of a general lack of growth capital for government-owned companies. "The central government has repeatedly tapped PSU balance sheet to fill holes in public finance by way of dividends and share buybacks, leaving little retained earning with companies. This has restricted companies' ability to invest in new growth areas and stay profitable," says Sinha.

Experts say that the lack of capital is the biggest issue for public sector banks forcing many of them to trim lending, compounding their losses. "If public sector banks had not stopped lending due to lack of capital, their losses would have been much lower and quite a few of them would have remained profitable," adds Sinha. Poor show by PSUs has a negative implication for government finances as well. "Dividend from PSUs has been an important source of non-tax revenues for the central government, which has nearly dried up and is now hitting the overall public finance," says Sabnavis.

Most experts don't see an immediate turnaround in PSU finances. "It will take at least two years of strong growth in the industrial sector and a surge in investment rate in the economy to pull government-owned companies from their current slump," says G Chokkalingam, MD and founder Equinomics Research & Advisory Services.

SBI acquiring retail loans worth ₹27,000 cr from NBFCs for FY19

ABHIJIT LELE
Mumbai, April 9

State Bank of India will acquire retail loans worth ₹27,000 crore, including ₹10,000 crore of micro-finance loans, from non-banking financial entities for 2018-19.

So far, loans worth ₹19,500 crore have been bought and the process is underway to acquire the rest, said P K Gupta, SBI's managing director (digital and retail banking).

India's largest lender in October 2018 had indicated that it would acquire loans worth up to ₹45,000 crore from finance companies that are facing a liquidity crunch after IL&FS group entities defaulted on repayments. The move provided much-needed funding support to these firms.

These assets, comprising mortgage loans, microfinance credit, etc, have been acquired through the direct assignment route. They would be part of the loan book, unlike securitisation where banks invest in pass through certificates for underlying loans.

SBI got the opportunity to expand its loan book by purchasing good quality portfolio assets at attractive rates.

The yield on loan portfolio ranges between 8.75 per cent and 10.5 per cent, depending on the profile of the asset pool and competition, SBI executives said. The loan purchase was for expanding the book but not at the cost of growing balance sheet organically through branch network, SBI Chairman Rajnish Kumar had said.

The credit to deposit ratio of SBI stood at around 68.67 per cent at the end of December 2018.

SBI slashes MCLR by 5 bps; home loans cheaper by 10 bps

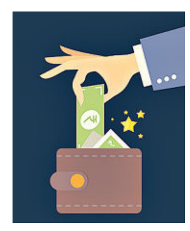
State Bank of India (SBI) has reduced its marginal cost of funds-based lending rate (MCLR) by five basis points across all tenors from April 10. It also slashed interest rates on home loans up to ₹30 lakh by 10 basis points. The one-year MCLR will now be 8.50% per annum. Also, the applicable interest rate for housing loans below ₹30 lakh will range from 8.60 per cent per annum to 8.90 per cent per annum, the bank said in a statement. ABHIJIT LELE

ALL IN A DAY

3.4% fiscal deficit target met

PRESS TRUST OF INDIA
New Delhi, 9 April

The government has managed to meet the revised fiscal deficit target of 3.4 per cent of GDP after it cut last minute expenditure and rolled over fuel subsidies to make up for the shortfall in tax collection.



The interim Budget presented in February revised upwards the fiscal deficit target to 3.4 per cent from 3.3 per cent of GDP estimated earlier for financial year 2018-19 (FY19).

According to sources, the revised target has been met with the help of expenditure savings and other measures including the rollover of the fuel subsidy. As a result, the shortfall in tax collection has been matched.

There has also been some increase in non-tax revenue collection, especially on account of disinvestment proceeds.

About ₹25,000-30,000 crore worth of subsidies due to PSU oil companies for selling LPG and kerosene oil below the cost during FY19 have been rolled over and will now be paid in the current fiscal year.

The government is estimated to have witnessed a shortfall of ₹50,000 crore in direct tax collection target of ₹12 trillion for FY19, a senior finance ministry official said. The government had revised the direct tax collection target upwards to ₹12 trillion from the original Budget Estimate of ₹11.5 trillion for FY19.

Sekar, Sankara new MDs of IOB, Canara Bank

The government on Tuesday said Karnam Sekar, MD and CEO of the erstwhile Dena Bank, will take over as MD and CEO of Indian Overseas Bank from July 1. His term will end in June next year. He will work as officer on special duty and whole-time director with IOB till the end of June this year.

Also, R A Sankara Narayanan, former MD and CEO of Vijaya Bank, will move to Canara Bank in the same position. His term will end in January 2020.

R K Yaduvanshi, executive director at Dena Bank, will move as executive director of Punjab National Bank. Nageshwara Rao, executive director at Vijaya Bank, will move to Syndicate Bank as officer on special duty and full-time director. Murali Ramaswami, another executive director at Vijay Bank, will move to Bank of Baroda. He will be OSD till the end of September 2019. BS REPORTER

Rafale review: SC order on govt's stand today

The Supreme Court will on Wednesday pronounce verdict on the preliminary objections raised by the Centre that the documents on which it was claiming "privilege" cannot be relied upon to re-examine the verdict in the Rafale fighter jet deal with France. PTI

Govt holding back May order for oil from Iran

Indian refiners are holding back from ordering Iranian oil for loading in May pending clarity on whether Washington will extend a waiver from US sanctions against the Opec-member, four sources said.

In November, US President Donald Trump re-imposed broad economic sanctions. REUTERS

EU moves WTO against Indian tech tariffs

The EU has requested dispute consultations with India over duties imposed by New Delhi on the import of certain information and communications tech products. The request was on Tuesday circulated to WTO members. It said India is imposing tariffs on nine categories of ITC items in excess of WTO-bound rates. BS REPORTER