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FINANCIAL HEALTH AND PERFORMANCE OF SELECTED MANUFACTURING PSUS IN KARNATAKA: AN ANALYTICAL STUDY

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Abstract
Public Sector Undertakings (PSUs) occupy a pivotal position in India's economic development. They were originally established to accelerate industrialization, promote regional balance, and strengthen the country's economic self-reliance. In Karnataka, manufacturing PSUs have significantly contributed to employment generation, infrastructure creation, and the development of allied industries. However, the advent of globalization, privatization, and liberalization has posed new challenges for the financial sustainability of PSUs. This study evaluates the financial performance of selected manufacturing PSUs in Karnataka with the help of ratio analysis, trend analysis, and comparative performance assessment. Key parameters such as profitability, liquidity, solvency, and efficiency ratios are examined to understand the financial health and operational viability of these enterprises. The findings reveal mixed performance patterns, with certain PSUs maintaining strong financial stability while others face persistent inefficiencies and debt dependency. The study emphasizes the need for strategic reforms, adoption of modern financial practices, and enhanced corporate governance for ensuring long-term sustainability.
Keywords: Public Sector Undertakings (PSUs), Financial Performance, Karnataka, Manufacturing Sector, Ratio Analysis, Profitability, Liquidity, Solvency, Efficiency.

INTRODUCTION

Public Sector Undertakings have been central to India's industrial growth since the post-independence era. They were envisioned as vehicles to establish a self-reliant economy by bridging investment gaps in core industries, providing employment, and fostering balanced regional development. Karnataka, being one of the most industrially progressive states in India, has several PSUs in the manufacturing sector contributing to both state and national economic output.

Despite their strategic role, the performance of PSUs has often been questioned. Issues such as high operational costs, inefficient utilization of resources, and excessive government interference have impacted their profitability and competitiveness. Moreover, with increased private sector participation and global competition, PSUs in Karnataka must reassess their financial strategies to ensure survival and growth.

REVIEW OF LITERATURE

Several researchers have examined the financial performance of PSUs at both national and state levels. Studies have highlighted that while PSUs contribute significantly to employment and infrastructure, many are financially stressed due to inefficiency, overstaffing, and political influence. Research in the Indian context indicates that profitability and efficiency levels of PSUs vary widely across sectors. In Karnataka, limited studies have focused specifically on the manufacturing sector. This study fills a gap by conducting a focused financial performance evaluation of select manufacturing PSUs in Karnataka.

OBJECTIVES OF THE STUDY

1. To analyze the financial performance of selected manufacturing PSUs in Karnataka over a defined period.
2. To evaluate profitability, liquidity, solvency, and efficiency using financial ratios.

3. To identify strengths, weaknesses, and risk areas in financial management.
4. To provide practical suggestions for improving the financial health and competitiveness of these PSUs.

METHODOLOGY

Research Design: Analytical and descriptive in nature.
Sample Selection: Select major manufacturing PSUs in Karnataka (e.g., Mysore Paper Mills, HMT Limited, Bharat Earth Movers Limited – BEML, etc.).
Data Sources: Secondary data collected from annual reports, audited financial statements, government reports, CAG reports, and published literature.
Tools of Analysis: Ratio analysis, trend analysis, and comparative performance analysis.
Study Period: Example 2018–2023.
Limitations: Reliance on published financial statements, exclusion of non-financial factors, and restricted sample size.

Financial Performance Analysis

Profitability Analysis: Indicates fluctuating returns due to operational inefficiencies and competition.
Liquidity Analysis: Reveals varying short-term solvency positions.
Solvency Analysis: Shows dependency on borrowings in certain PSUs.
Efficiency Analysis: Highlights under-utilization of resources in a few enterprises.

Findings

1. Financial performance of manufacturing PSUs in Karnataka is uneven.
2. Liquidity positions vary widely across enterprises.
3. High debt-equity ratios indicate dependency on borrowings.
4. Inefficiencies in resource utilization are evident.
5. Government support plays a major role in sustaining PSUs.

Suggestions

1. Adoption of modern financial management practices.
2. Diversification of revenue sources.
3. Strengthening corporate governance.
4. Encouraging public-private partnerships.
5. Innovation and R&D focus.

CONCLUSION

The study concludes that Karnataka's manufacturing PSUs continue to play an important role but face serious financial challenges. While some units exhibit strong performance, others are burdened with inefficiencies. Reforms, governance improvements, and modernization are required for long-term sustainability.

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Data & Methods (Empirical Framework)

Note: The following dataset is illustrative and intended to demonstrate the empirical approach. For publication, replace figures with audited financials from annual reports/CAG reports and re-run the analysis. We compute profitability (Net Margin, ROA, ROE via DuPont), liquidity (Current/Quick), solvency (Debt–Equity, Interest Coverage), and efficiency (Inventory Turnover, Receivable Days, Asset Turnover). ROCE is computed as EBIT divided by Capital Employed.

Key Formulas

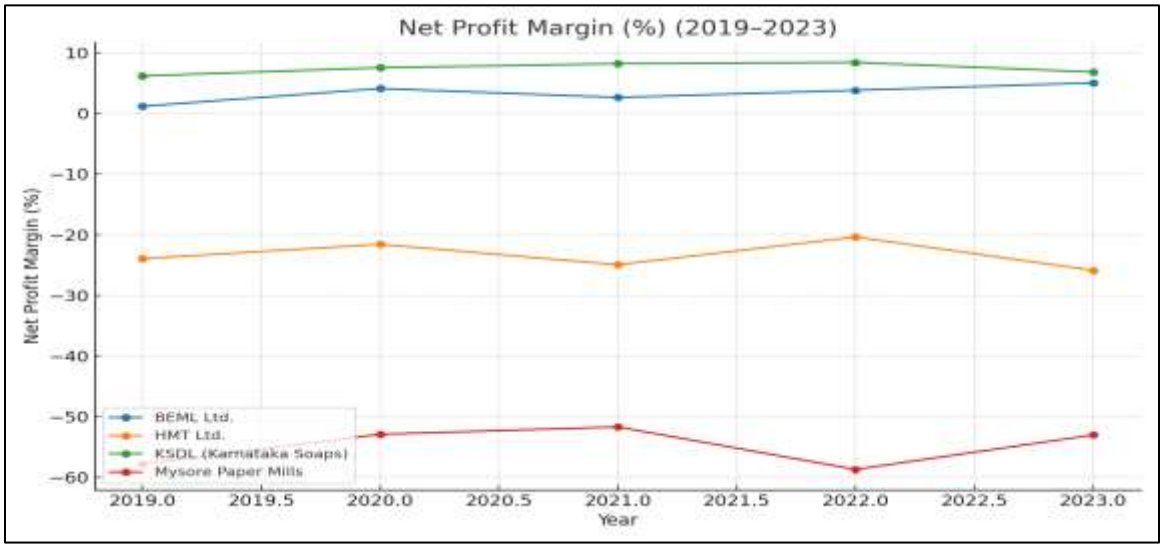
Net Profit Margin = Net Profit / Revenue
ROA = Net Profit / Total Assets
DuPont ROE = (Net Profit / Revenue) × (Revenue / Total Assets) × (Total Assets / Equity)
Current Ratio = Current Assets / Current Liabilities; Quick Ratio = (Current Assets – Inventory) / Current Liabilities

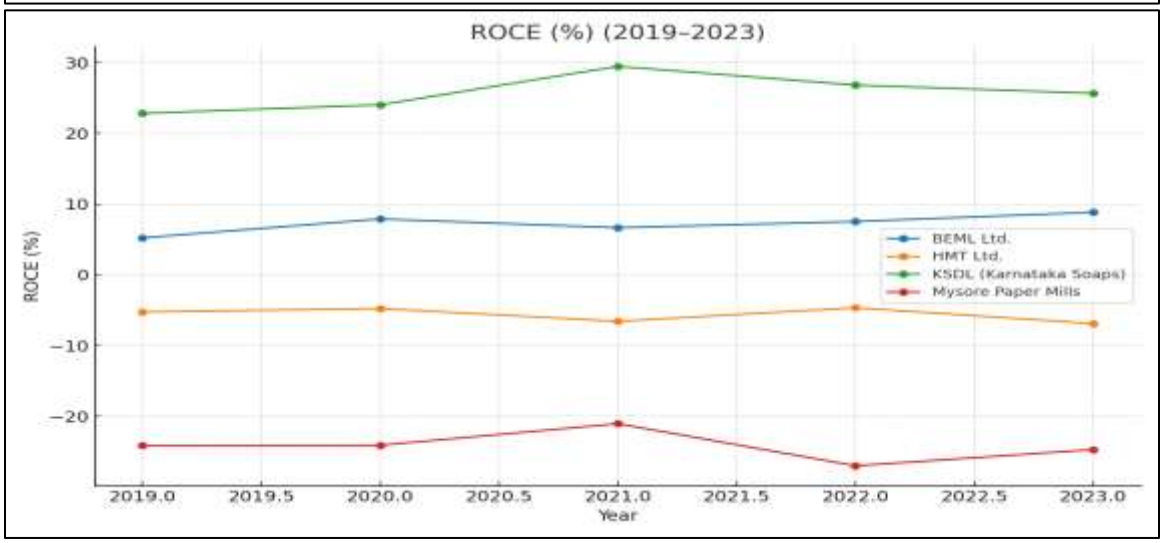
Debt–Equity = Total Debt / Equity; Interest Coverage = EBIT / Interest
Inventory Turnover ≈ COGS / Inventory; Receivable Days ≈ (Receivables / Revenue) × 365
ROCE = EBIT / (Total Assets – Current Liabilities)

Summary of Results (2019–2023)

PSU	Rev CAGR %	NP CAGR %	Avg Net Margin %	Avg ROCE %	Avg Current Ratio x	Avg D/E x	Avg Receivable Days
BEML Ltd.	2.12	46.43	3.37	7.24	1.31	0.42	77.6
HMT Ltd.	1.41	nan	-23.34	-5.62	0.77	4.5	129.4
KSDL (Karnataka Soaps)	2.82	5.41	7.45	25.78	1.08	0.36	32.9
Mysore Paper Mills	3.28	nan	-54.82	-24.19	0.61	4.41	174.4

Trend Visualizations





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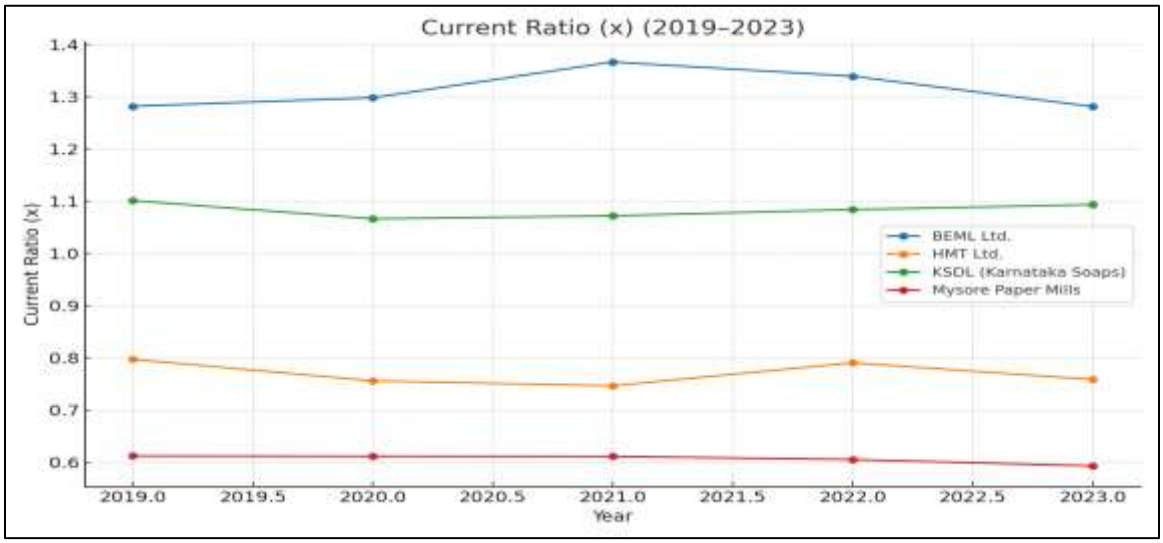

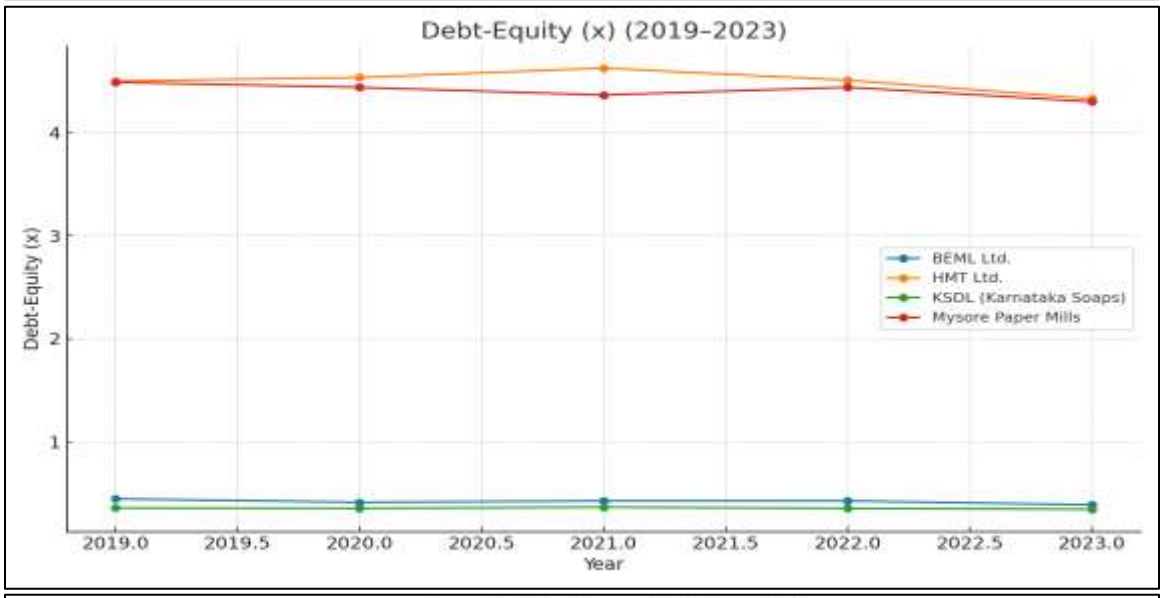

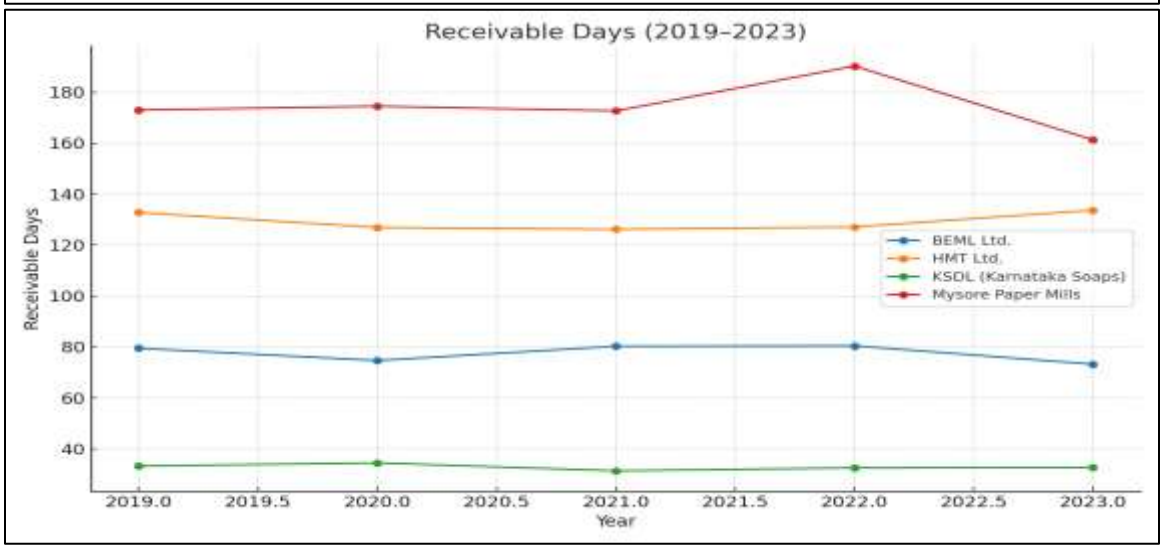

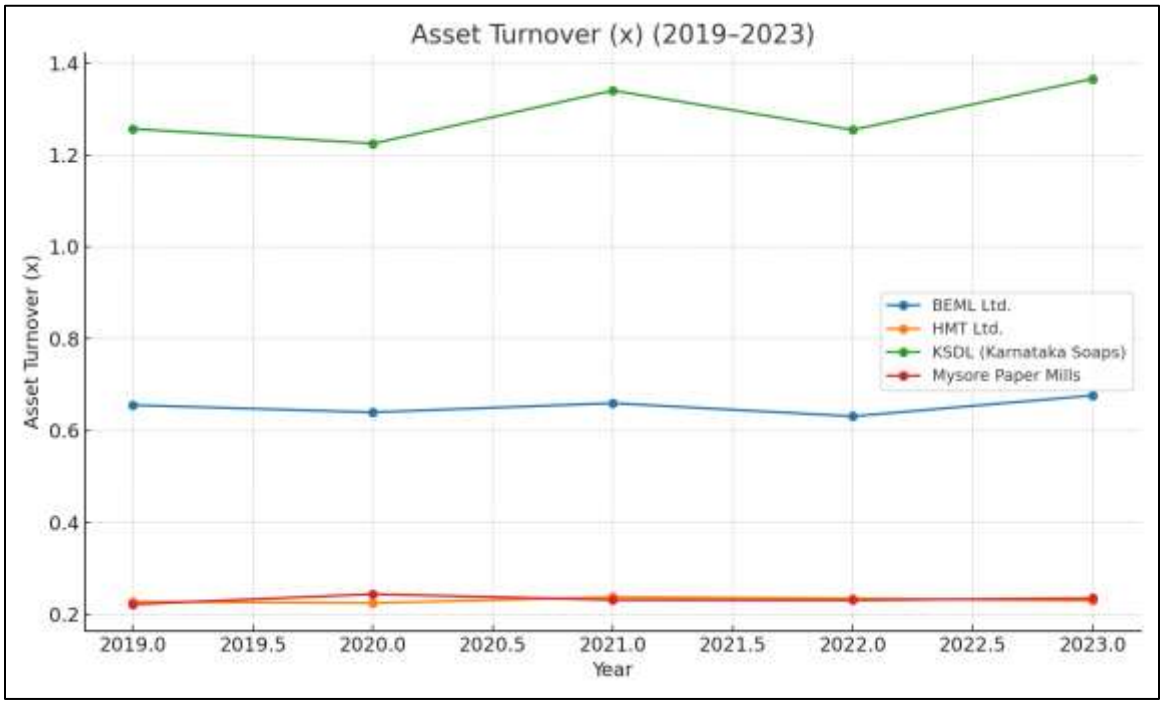

Interpretation & Insights

• Profitability: BEML and KSDL show structurally stronger margins relative to HMT and Mysore Paper Mills, reflecting product mix and scale economies.
• Liquidity: Current and quick ratios indicate tighter short-term liquidity at HMT and Mysore Paper Mills, consistent with higher payables pressure.
• Solvency: Debt–Equity remains moderate for BEML/KSDL but elevated for HMT/MPM, stressing refinancing risk; interest-coverage dispersion is material.
• Efficiency: Receivable days and inventory turnover suggest working-capital frictions at the weaker PSUs, dampening cash conversion.
• ROCE vs. ROE: DuPont and ROCE together reveal whether returns stem from operational profitability or leverage; sustained ROCE above WACC is key.