

CHAPTER 9

STATE-OWNED ENTERPRISES

[State-Owned Enterprises (SOEs) play an important role in shaping the economic development of the country. Even though, the privatisation programmes of public sector are continuing for the development of private sector. The contribution of SOEs to GDP, value addition, employment generation and revenue earning are fairly important. During FY2014-15, the total operating revenue of all existing SOEs was Tk.1,40,059.76 crore which increased by 2.78 percent from Tk. 1,36,282.60 in FY2013-14. However, factoring into the production cost, the amount of value addition increased to Tk.13,046 crore during FY2014-15 which was Tk.11,344 crore in FY2013-14. In FY2015-16, the SOEs earned a net profit of Tk.11,716.05 crore and contributed Tk.6,359.29 crore to the national exchequer. According to the estimation of Finance Division, in FY2014-15, the total principal amount due against 116 SOEs stood at Tk.29,110.03 crore. Up to June, 2015, outstanding state owned commercial bank loan against 30 SOEs stood at Tk.29,142.45 crore. Out of this, the classified loan stood at Tk.175.11 crore. Though the operating profit on total assets of SOEs was – 4.26 percent in FY2010-11, in FY2014-15 this profit increased to 1.58 percent. The net profit on operating revenue was 3.06 percent in FY2014-15. The rate of dividend on equity increased to 2.40 percent in FY2014-15 compared to 1.62 percent in FY2010-11. Considering the turnover of assets, the efficiency of resource utilisation during FY2014-15 slightly decreased compared to the level of efficiency in the previous fiscal years.]

In accordance with Bangladesh Standard Industrial Classification (BSIC), the non-financial public enterprises in the country have been categorised into 7 sectors. Both the economic and financial achievements of these sectors have been analysed in this chapter.

Box 9.1: Non-Financial Public Enterprises

Sector	No. of Enterprises	Title of Enterprises (Non-financial)
Industry	6	Bangladesh Textile Mills Corporation (BTMC), Bangladesh Steel & Engineering Corporation (BSEC), Bangladesh Sugar & Food Industries Corporation (BSFIC), Bangladesh Chemical Industries Corporation (BCIC), Bangladesh Forest Industries Development Corporation (BFIDC), Bangladesh Jute Mills Corporation (BJMC).
Power, gas and water	7	Bangladesh Oil, Gas & Mineral Resources Corporation, Bangladesh Power Development Board (BPDB), Dhaka Power Distribution Company (DPDC), Dhaka Water and Sewerage Authority (WASA), Chittagong Water and Sewerage Authority, Rajshahi Water and Sewerage Authority and Khulna Water and Sewerage Authority.
Transport and communication	7	Bangladesh Shipping Corporation (BSC), Bangladesh Inland Water Transport Corporation (BIWTC), Bangladesh Road Transport Corporation (BRTC), Chittagong Port Authority, Mongla Port Authority, Bangladesh Land Port Authority and Bangladesh Bridge Authority.

Sector	No. of Enterprises	Title of Enterprises (Non-financial)
Trade	3	Bangladesh Petroleum Corporation (BPC), Bangladesh Jute Corporation (BJC), Trading Corporation of Bangladesh (TCB).
Agriculture	2	Bangladesh Fisheries Development Corporation (BFDC), Bangladesh Agriculture Development Corporation (BADC).
Construction	5	Rajdhani Unnayan Kartipaksha (RAJUK), Chittagong Development Authority (CDA), Rajshahi Development Authority (RDA), Khulna Development Authority (KDA) and National Housing Authority.
Service	16	Bangladesh Muktijoddha Kalyan Trust, Bangladesh Film Development Corporation (BFDC), Bangladesh Parjatan Corporation (BPC), Bangladesh Small and Cottage Industries Corporation (BSCIC), Bangladesh Civil Aviation Authority, Bangladesh Inland Water Transport Authority (BIWTA), Rural Electrification Board (REB), Bangladesh Export Processing Zone Authority (BEPZA), Bangladesh Handloom Board, Bangladesh Sericulture Board, Bangladesh Water Development Board (BWDB), Bangladesh Tea Board, Bangladesh Telecommunication Regulatory Commission (BTRC), Export Promotion Bureau (EPB), Bangladesh Sericulture Research Institute and Bangladesh Energy Regulatory Commission.

Source: Monitoring Cell, Finance Division

Production and Factor Income of SOE Sector

In the FY2010-11, the total operating revenue of all existing SOEs stood at Tk.78,369.25 crore which raised to Tk.1,40,059.76 crore in FY2014-15. During this period the average annual growth rate was of 15.62 percent. At the same time, the value of purchase of goods and services boosted up to 12.20 percent. According to the production cost, the amount of value addition in FY2012-13 raised at Tk.5,785.00 crore after facing two years deficit. Moreover, in FY2014-15 it raised to Tk.13,046.00 crore with an incremental growth rate of value addition by 74.77 percent. In FY2013-14, the operating surplus of the SOEs stood at Tk.3,523.76 crore after facing three consecutive years deficit. Table 9.1 shows the growth rate of revenue, value addition and production income of non-financial SOEs during FY2010-11 to FY2014-15.

Table 9.1: Growth Rate of Revenue, Value Addition and Production Income of Non-financial SOEs

	2010-11	2011-12	2012-13	2013-14	2014-15*	Compound Growth Rate
Operating revenue	78369.25	106993.02	121816.60	136282.60	1,40,059.76	15.62
Purchased goods and services	80149.71	108635.55	116031.39	124938.32	1,27,013.54	12.20
Value addition by production cost	-1780	-1643	5785	11344	13,046	74.77
Pay and allowances	3456	3493	4031	4335	4,460	6.58
Depreciation	2,859.85	3206.65	3186.42	3485.06	4,004.91	8.78
Operating surplus	-8,096.40	-8342.38	-1432.49	3523.76	4,581.44	26.56

Source: Monitoring Cell, Finance Division.

*indicates provisional

Net Profit/Loss

The net loss of SOEs was Tk.2,604.73 crore in FY2012-13. However, the condition has been changed later on. The SOEs earned profit for the three consecutive years (FY2013-14 to FY2015-16). According to the revised estimation, net profit raised at Tk. 11,716.05 crore in FY2015-16. On the basis of data provided by the Monitoring Cell of Finance Division, it is founded that Bangladesh Petroleum Corporation (BPC) is the highest and Bangladesh Road Transport Corporation (BRTC) is the second highest profit earning enterprises in FY2015-16. The amounts of profit of these two agencies are Tk.12,187.66 crore and Tk.4,044.05 crore respectively. Conversely, Bangladesh Power Development Board (BPDB) and Bangladesh Jute Mills Corporation (BGMCI) are top two loser among the SOEs. In FY2015-16 BPDB's net loss was Tk. 6,233.88 crore and it is noted that the amount of loss is Tk.1,042 crore less than the FY2014-15. As per the revised estimation made in FY2015-16, the institutions among SOEs whose net profit are expected to significantly increase compared to the previous fiscal year are: Chittagong Port Authority, Bangladesh Steel and Engineering Corporation, Dhaka WASA, Bangladesh Forest Industries Development Corporation, Khulna Development Authority, Bangladesh Water Development Board and so on. On the contrary, the institutions among SOEs whose net profit are expected to decrease are: Bangladesh Chemical Industries Corporation, Bangladesh Inland Water Transport Corporation, Mongla Port Authority, Chittagong Development Authority, National Housing Authority, Rural Electrification Board, Bangladesh Export Processing Zone Authority, Bangladesh Civil Aviation Authority and so on. According to the revised estimation, it is expected that net loss would be decreased to Bangladesh Jute Mills Corporation, Bangladesh Sugar and Food Industries Corporation, Bangladesh Power Development Board and so on. On the other hand, it is expected that net loss would be increased to Bangladesh Textile Mills Corporation and Bangladesh Film Development Corporation. The net profit/loss of SOEs is shown in Appendix 35.

Contribution to Public Exchequer

The SOEs contributed Tk.1,040.22 crore to the public exchequer in FY2012-13 which increased to Tk.1,240.17 crore in FY2014-15. According to a revised estimation, the contribution of SOEs to the public exchequer was Tk.6,359.29 coroe in FY2015-16. The enterprises that may have a significant contribution in terms of dividend during FY2015-16 are: Bangladesh Oil, Gas and Mineral Resources Corporation Tk.900.00 crore, Bangladesh Petroleum Corporation Tk.5,000.00 crore, Civil Aviation Authority Tk.105.00 crore, Bangladesh Chemical Industries Corporation Tk.100.00 crore, The dividend contribution of non-financial state-owned enterprises to national exchequer is shown in Appendix 36.

Government Grant/Subsidy

In FY2014-15, the Government provided grant/subsidy amounting to Tk.1,328.78 crore to 11 public entities which reached at Tk.1,824.53 crore in FY2015-16 (revised estimation). BWDB took the highest portion of the subsidy amounting to Tk.891.45 crore in FY2015-16. BADC received the second largest amount (Tk.396.16 crore) in FY2015-16. In addition, the Government approved

Tk. 274.88 crore and Tk.126.76 as subsidy in favour of BIWTA and BSCIC respectively.

Table 9.2: Government Grant/Subsidy

(In Crore Taka)							
Organisation	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 (revised)
BJMC	65.12	94.24	106.12	138.31	61.97	80.06	70.96
BIWTC	0.50	0.50	0.50	0.50	0.50	0.50	0.50
RDA	0.20	0.20	0.21	0.28	0.33	0.40	0.40
BIWTA	98.24	140.56	120.16	161.22	180.43	143.17	274.88
BSCIC	47.74	62.21	64.43	64.00	79.66	69.40	126.76
BSB	10.4	13.85	15.36	11.75	13.82	13.94	18.99
EPB	13.81	16.00	16.50	16.00	19.51	22.29	24.00
BADC	204.27	239.19	279.30	292.94	216.06	230.13	396.16
BWDB	645.74	531.66	640.29	677.73	705.95	747.87	891.45
NHA	-	-	0.15	15.50	17.30	17.61	15.30
BSRTI	1.42	2.84	2.88	2.46	3.03	3.41	5.13
Total	1,156.60	1101.25	1245.90	1380.69	1298.56	1328.78	1824.53

Source: Monitoring Cell, Finance Division

Debt Service Liabilities (DSL)

DSL Branch of Finance Division has provisionally estimated the total debt service liabilities of 112 SOEs. According to this estimate, in FY2014-15, the total principal due against 116 SOEs stood at Tk.29,110.03 crore. The total DSL liabilities and recovery against 116 SOEs is shown in **Appendix-37**.

Bank Loan

At the end of June 2016, the outstanding bank loan against 30 state-owned enterprises (SOEs) stood at Taka 29,142.45 crore. Out of this amount, the classified loan accounted to Taka 175.11 crore (0.60%). The SOEs which own substantial amount of debt to State-owned Commercial Banks (SCBs) are: BPDB (Tk.14,348.71 crore), BSFIC (Tk.4,071.72 crore), BPC (Tk.3,460.87 crore), BCIC (Tk.1,938.08 crore), BADC (Tk.1,213.10 crore), BOGMC (Tk.1,178.55 crore), BJMC (Tk. 734.48 crore), BWDB (Tk.628.70 crore), BBC (Tk.521.88 crore), Dhaka WASA (Tk.407.58 crore) BSEC (Tk.246.05 crore), and REB (Tk.228.45 crore). On the other hand, the SOEs which have badly classified loan are- BCIC (Tk.89.52 crore), BTMC (Tk.26.34 crore), BADC (Tk.21.27), BJMC (Tk.11.67 crore), TCB (Tk.11.03 crore), BTB (Tk.10.52 crore), and BSFIC (Tk.3.62 crore). The cumulative amount of outstanding bank loans and the classified loans of SOEs is illustrated in **Appendix 38**.

Financial Performance of SOEs

Almost all assets and loans belonging to the SOEs of Bangladesh are provided either by Government or by SCBs. Therefore, the rate of profit on total assets is an important benchmark for judging the financial performances of these entities. Table 9.3 shows the profit earned by SOEs

during the period from FY2010-11 to FY2014-15.

Table 9.3: Profit Earned by the SOEs

(In Crore Taka)

Items	2010-11	2011-12	2012-13	2013-14	2014-15*	Rate of Growth from FY 2010 to FY2014-15
1. Operating revenue	78369	106993	121817	136283	140.060	15.62
2. Operating surplus	-8096.40	-8342.38	-1432.49	3523.76	4581.44	26.56
3. Non-operating revenue	1573	2356	2638	3129	2895	16.47
4. Employee participatory fund	37.95	72.56	89.48	77.78	74.23	18.26
5. Subsidy (direct)	0.50	0.50	0.50	0.50	0.50	-
6. Interest	1861.27	2488.52	2672.39	2039.16	2196.28	4.22
7. Net profit/loss(after tax) (2+3+5)-(4+6)	-8422	-8547	-1471	4588	5329	27.38
8. Tax	563.15	833.18	1133.60	1053.83	1044.50	16.70
9. Net profit after tax (7-8)	-8985	-9415	-2605	3534	4,284	25.42
10. Dividend	605.14	459.66	1040.22	1053.09	1240.17	19.65
11. Retained earnings (9-10)	-9590	-9874	-3645	2481	2752	22.97
12. Total investment/fund	189966	218890	242096	267675	289,223	11.08
13. Equity	37421	30847	29660	33928	51656	8.40
14. % of operating profit on total assets.(2/12)	-4.26	-3.81	-0.59	1.32	1.58	24.09
15. % of net profit on operating revenue(9/1)	-11.47	-8.80	-2.14	2.59	3.06	22.70
16. % of dividend on equity (10÷13)	1.62	1.49	3.51	3.10	2.40	10.38
17. Turnover on total assets (1÷12)	0.41	0.49	0.50	0.51	0.48	4.09

Source: Monitoring Cell, Finance Division * Indicated provisional

Table 9.3 shows that in FY2010-11 the operating profit on total assets of SOEs were -4.26 percent which raised at 1.58 percent in FY2014-15. The net profit on operating revenue was -11.47 percent in FY2010-11. However, in FY2013-14 and FY 2014-15 such losses turned into a profit at 2.59 and 3.06 percent respectively. The rate of dividend on equity increased to 2.40 percent in FY2014-15 from 1.62 percent of FY2010-11. It appears from the turnover of assets that the efficiency of resource utilisation during FY2014-15 decreased slightly to 0.48 percent in FY2014-15 from that of 0.51 percent in the previous fiscal year.

Figure 9.1: Financial Performance of SoEs

