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 is fairly important. During FY 2013-14, the total operating revenue of all existing SOEs increased by 20.35 percent but factoring into the production cost, the amount of value addition increased to Tk.11,344 crore during FY 2013-14 which was Tk.5,765 crore in FY 2012-13. In FY 2013-14, the SOEs earned a net profit of Tk. 3,534.00 crore and contributed Tk.1, 053.09 crore to the national exchequer. Up to FY 2013-14, the total receipts on account of DSL from non-financial SOEs stood at Tk.30,801.39 crore. Up to June, 2015, outstanding state owned commercial bank loan against 30 SOEs stood at Tk.33, 152.92 crore. Out of this, the classified loan stood at Tk.165.82 crore. Though the operating profit on total assets of SOEs was 1.89 percent in FY 2009-10, in FY 2013-14, this profit declined to 1.32 percent. The net profit on operating revenue was 2.59 percent in FY 2013-14. The rate of dividend on equity increased to 3.10 percent in FY 2013-14 compared to 0.80 percent in FY 2009-10. Considering the turnover of assets, the efficiency of resource utilisation during FY 2013-14 increased compared to the level of efficiency in the previous fiscal years.]

Despite the ever increasing private sector investment, public sector investment in Bangladesh is rather considerable. 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 as well as 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

During FY 2009-10, the total operating revenue of all existing SOEs stood at Tk.64,958 crore which increased to Tk.1,36,282.60 crore in FY 2013-14 with an annual growth rate of 20.35 percent. During this period, the value of purchase of goods and services went up by 22.42 percent. According to the production cost, the amount of value addition in FY 2009-10 stood at Tk. 9,336 crore which increased to Tk.11,344 crore during FY 2013-14 resulting in an incremental growth rate of value addition by 4.99 percent. During FY 2009-10, the operating surplus of the SOEs stood at Tk. 3,657 crore which again reached at around Tk. 3,523.76 crore in FY 2013-14 after facing a consecutive 3 years' deficit. Table 9.1 shows the growth rate of revenue, value addition and production income of non-financial SOEs during FY 2009-10 to FY 2013-14.

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

(In Crore Taka)

	2009-10	2010-11	2011-12	2012-13	2013-14*	Compound Growth Rate
Operating revenue	64958	78369.25	106993.02	121816.60	136282.60	20.35
Purchased goods and services	55622	80149.71	108635.55	116031.39	124938.32	22.42
Value addition by production cost	9336	-1780	-1643	5785	11344	4.99
Pay and allowances	3116	3456	3493	4031	4335	8.61
Depreciation	2563	2,859.85	3206.65	3186.42	3485.06	7.99
Operating surplus	3657	-8,096.40	-8342.38	-1432.49	3523.76	(0.92)

Source: Monitoring Cell, Finance Division.
*indicates provisional

Net Profit/Loss

The net loss of SOEs was Tk.2, 604.73 crore in FY 2012-13 although the net profit of SOEs stood at Tk.3, 534.14 crore in FY 2013-14. According to a revised estimation, net profit stood at Tk. 4,454.09 crore in FY 2014-15. From the historical data, it is apparent that BTRC is the highest profit earning enterprises and Bangladesh Oil, Gas and Mineral Resources Corporation (BOGMC) is the second highest profit owner. On the other hand, BPDB and BPC are top two looser among the SOEs. In FY 2013-14 BPDB's net loss was Tk. 6,557.58 crore and in FY 2014-15 its net loss increased at Tk. 8,449.81crore. Even though In FY 2013-14 net loss of TCB was Tk.20.33 crore, in FY 2014-15 the net profit of this institution stood at Tk. 16.68 crore. On the other hand, as per a revised estimation made in FY 2014-15, the institutions among SOEs whose net profit/loss are expected to significantly increase/decrease in FY 2014-15 compared to the previous fiscal year include: **Chittagong Port Authority** net profit increased to Tk.509.83 crore from Tk.375.32 crore, **Bangladesh Oil, Gas and Mineral Resources Corporation** net profit decreased to Tk.811.54 crore from Tk.883.92 crore, **Bangladesh Power Development Board** net loss increased to Tk.8,448.81 crore from Tk.6,557.58 crore, **Bangladesh Jute Mills Corporation** net loss increased to Tk.639.56 crore from Tk.496.75 crore, **Bangladesh Chemical Industries Corporation** net loss increased to Tk.56.21 crore from net profit of Tk.93.69 crore and **Rajshahi Development Authority** net profit increased to Tk.20.22 crore from the net loss of Tk.37.09 crore. 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 FY 2012-13 which increased to Tk.1,053.09 crore in FY 2013-14. According to a revised estimation, the contribution of SOEs to the public exchequer was Tk. 1,985.87 coroe. The enterprises that may have a significant contribution in terms of dividend during FY 2014-15 are: **Bangladesh Oil, Gas and Mineral Resources Corporation** -Tk.800 crore, **Bangladesh Petroleum Corporation**- Tk.862.99 crore, Civil Aviation Authority Tk.55 crore, **Bangladesh Chemical Industries Corporation**- Tk.100 crore, The dividend contribution of non-financial state-owned enterprises to national exchequer is shown in **Appendix 36.**

Government Grant/Subsidy

In FY 2013-14, the Government provided grant/subsidy amounting to Tk.1,298.56 crore to 11 public entities which stood at Tk.1,338.81 crore in FY 2014-15. BWDB was given subsidy amounting to Tk.751.40 crore in FY 2014-15 which was Tk.705.95 crore in the previous fiscal year. Besides, the Government provided an amount of Tk.230.13 crore in the form of subsidy to BADC, Tk.143.19 crore to BIWTA, Tk.84.35 crore to BJMC, and Tk.70.89 crore to BSCIC. Table 9.2 shows the grant/subsidy provided to public entities during FY2009-10 to FY 2014-15.

Table 9.2: Government Grant/Subsidy

(In Crore Taka)

Organisation	2009-10	2010-11	2011-12	2012-13	2013-14 (Provisional)	2014-15 (Revised)
BJMC	65.12	94.24	106.12	138.31	61.97	84.35
BIWTC	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
BIWTA	98.24	140.56	120.16	161.22	180.43	143.19
BSCIC	47.74	62.21	64.43	64.00	79.66	70.89
BSB	10.4	13.85	15.36	11.75	13.82	14.51
EPB	13.81	16.00	16.50	16.00	19.51	22.30
BADC	204.27	239.19	279.30	292.94	216.06	230.13
BWDB	645.74	531.66	640.29	677.73	705.95	751.40
NHA	-	-	0.15	15.50	17.30	17.60
BSRTI	1.42	2.84	2.88	2.46	3.03	3.54
Total	**1087.44**	**1101.25**	**1245.90**	**1380.69**	**1298.56**	**1338.81**

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 FY 2014-15, the total DSL against 112 SOEs stood at Tk.30801.39 crore. The total DSL liabilities and recovery against 110 SOEs is shown in **Appendix-37.**

Bank Loan

At the end of June 2015, the outstanding bank loan against 30 state-owned enterprises (SOEs) stood at Taka 33152.92 crore. Out of this amount, the classified loan accounted to Taka 165.82 crore (0.50 percent). The SOEs which own substantial amount of debt to State-owned Commercial Banks (SCBs) are: BPDB (Tk. 12972.99 crore), BPC (Tk. 7658.21 crore), BCIC (Tk. 3703.08 crore), BSFIC (Tk. 3500.92 crore), BADC (Tk. 1623.36 crore), BJMC (Tk. 1,227.81 crore), BWDB (Tk. 628.70 crore), BOGMC (Tk. 595.90 crore), BBC (Tk. 380.28 crore), BSEC (Tk. 321.46 crore), Dhaka WASA (Tk. 242.72 crore) and BTB (Tk. 66.05 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), TCB (Tk.11.03 crore), BTB (Tk. 10.52 crore), and BSFIC (Tk. 5.99 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 FY 2009-10 to FY 2013-14.

Table 9.3: Profit Earned by the SOEs

(In Crore Taka)

Items	2009-10	2010-11	2011-12	2012-13	2013-14*	Rate of Growth from FY 2009-10 to FY 2013-14
1. Operating revenue	64958	78369	106993	121817	136283	20.35
2. Operating surplus	3657	-	-8342.38	-1432.49	3523.76	-0.92
3. Non-operating revenue	1609	1573	2356	2638	3129	18.09
4. Employee participatory fund	120	37.95	72.56	89.48	77.78	-10.27
5. Subsidy (direct)	7	8.50	78.09	0.50	0.50	-48.30
6. Interest	1654	1861.27	2488.52	2587.39	2039.16	5.37
7. Net profit/loss(after tax) (2+3+5)-(4+6)	3499	-8628	-8582	-1471	4588	7.01
8. Tax	1010	563.15	833.18	1133.60	1053.83	1.07
9. Net profit after tax (7-8)	2489	-9191.47	-9,415	-2605	3534	9.16
10. Dividend	513	605.14	459.66	1040.22	1053.09	19.70
11. Retained earnings (9-10)	1976	-	-9,875	-3645	2481	5.86
12. Total investment/fund	193774	189966	218890	242096	267675	8.41
13. Equity	63982	37421	30847	29660	33928	-14.67
14. % of operating profit on total assets.(2/12)	1.89	-4.26	-3.81	-0.59	1.32	-8.61
15. % of net profit on operating revenue(9/1)	3.83	-11.73	-8.80	-2.14	2.59	-9.30
16. % of dividend on equity (10÷13)	0.80	1.62	1.49	3.51	3.10	40.27
17. Turnover on total assets (1÷12)	0.34	0.41	0.49	0.50	0.51	11.01

Source: Monitoring Cell, Finance Division * Indicated provisional

Table 9.1: Financial Performance of the SoEs

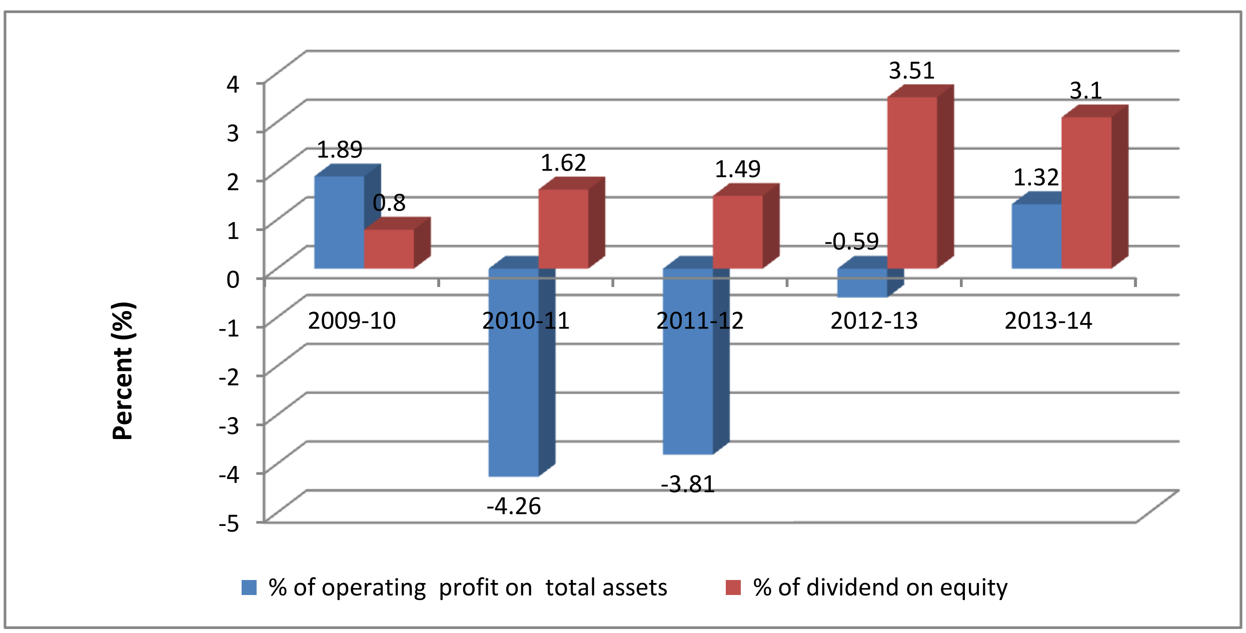

Table 9.3 shows that in FY 2009-10 the operating profit on total assets of SOEs were 1.89 percent which dropped at 1.32 percent in FY 2013-14. But in FY 2010-11, FY 2011-12 and FY 2012-13 this profit turned into a loss by 4.26 percent, 3.81 percent and 0.59 percent respectively. The net profit on operating revenue was 3.83 percent in FY 2009-10. But in FY 2010-11 and FY 2011-12 this profit turned into a loss by 11.45 percent, 8.69 percent. However, in FY 2012-13 and FY 2013-14 such losses turned into a profit at 2.14 and 2.59 percent respectively percent. The rate of dividend on equity increased to 3.10 percent in FY 2013-14 from 0.80 percent of FY 2009-10. It appears from the turnover of assets that the efficiency of resource utilisation during FY 2013-14 increased slightly to 0.51 percent in FY 2013-14 from that of 0.50 percent in the previous fiscal year.