

A Study of Trend of Price/Net Operating Revenue and Earnings Yield of Selected Public Sector Companies in India

Dr. Jyoti Prasad Kalita¹, Dr. Ravi Gupta², Dr. Priti Gupta³

¹Assistant Professor, Department of Commerce & Management Assam Downtown University, Guwahati, (Assam) India

²Assistant Professor, Department of Commerce & Management, S.S Jain Subodh P.G (Autonomous) College, Jaipur (Rajasthan) India

³Assistant Professor, Department of Commerce & Management, S.S Jain Subodh P.G (Autonomous) College, Jaipur (Rajasthan) India

¹jyotiprasadk@gmail.com, ²ravi93141@gmail.com, ³priti3791@gmail.com

Article History: Received: 10 January 2021; Revised: 12 February 2021; Accepted: 27 March 2021; Published online: 28 April 2021

Abstract : The study's aim is to uncover the Trend of Price/Net Operating Revenue and Earnings Yield of Selected Public Sector Companies in India. The analysis of variance is used in the analysis to determine the trend difference in Price/Net Operating Revenue and Earnings Yield of public sector companies. The research takes into account a variety of financial ratios from firms in the Maharatna and Navratna categories. Study's findings are extremely helpful to investors in determining the financial strength of PSUs. It has a huge effect on public-sector expenditure decisions.

Keywords: Trend of Price/Net Operating Revenue, Earnings Yield, Public Sector Companies

1. Introduction

The current state of the company's financial reporting is critical to its survival and potential development. Previously, financial accounting was only concerned with the acquisition of funds; however, it has now expanded its scope to include the deployment of funds and the optimum use of funds. This adds to the company's growth. The Government of India manages Public Sector Enterprises through the Ministry of Heavy Industries and Public Enterprises' Department of Public Enterprises. The government grants Maharatna, Navratna, and Miniratna status to those Central Public Sector Enterprises (CPSE) based on their benefit, and as a result, they have more operational autonomy. The Maharatna group has been in use since 2009, while the other two have been in use since 1997. A Government business is defined as any company in which the Central Government, or any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, owns not less than fifty-one percent of the paid-up share capital, and includes a company that is a subsidiary company of such Government company, according to Section 2 (45) of the Companies Act, 2013. A government-owned enterprise in India is known as a Public Sector Undertaking (PSU). The Union Government of India, a State Government, or both own and run these businesses. The government owns the majority of the equity, and the priorities are in the public interest, hence the term Public Sector Undertakings. The thesis focuses on PSUs in order to assist clients in understanding a company's financial performance.

2. Review of literature

Iskandar Muda, Erlina, Idhar Yahya, Abdillah Arif Nasution (2018), the research paper is centered around the investigation for knowing the usage of execution review and point of view of adjusted scorecard actualized in Local Government in North Sumarta, Indonesia and think about the exhibition of government in this issue. In this examination subjective exploration has been followed and Regency regional Government of Medan, Dairi, Serdang, Bedagai and Tebing Tinggi utilized as test. The outcomes show that the presentation as ordered by the specified arrangements and instructive foundation is likewise required for monetary or review related zones.

Nagendra Kumar Maurya, Sapana Singh, Ajit Kumar Singh (2015), the research paper makes a critical analysis of the financial health of the SLPEs of U.P. and contribute policy suggestions by using methodology financial and operating ratios to analyses the financial health of financial entities. Four various types of financial ratios have been applied and study period from 2008-09 to 2011-12 have been used. The result has been released that the net income during all the four years incurred huge losses. It has been concluded with relevant empirical findings that the SLPEs are putting a serious financial burden on the state budget.

Warwick Funnell, Margatet Wade (2012), this exploration article is centered around the consequences of a longitudinal field investigation of an exhibition review in Australian National Audit Office arranged their

relationship by utilizing the focal point of Oliver's typology of vital reactions. The finish of this paper is that presentation inspecting keeps on being a challenged action and its validity by and by stays unsure.

Dalia Daujotaitė, Irena Mačerinskienė (2008), this article depends on development matches the advancement of legislative issues and policy management from one-dimensional spotlight on control of contributions towards more extensive regard for responsibility for yields and results. The essential ideas of this article are inputs, measures, yields, results, effect and viability for public directors and public execution examiners the same. Execution review can consolidate straightforwardly to execution and examining control frameworks can approaches with an alternate accentuation to be put on either relying upon the particular conditions.

Dr. Surinder Kand (2004), in his review of the rationality of engaging an economic activity like the establishment of a PSU, is of the opinion that when an economic agent undertakes an economic activity, decision-making has to be rational, or the activity cannot be sustained. This statement is particularly true about PEs in India as many of them are established with conflicting objectives and usually without any sanction from the parliament.

Pradeep Kumar, Baldev Suchdeva and Jagwant Singh (2003), are of the view that P&L account and Balance Sheet which are prepared according to the legal requirements are to be supplemented by a nontechnical presentation of all material or important items which would enable the average stakeholder not versed in accounting to appreciate the trading results and the financial position disclosed by annual accounts. This clearly shows that there is a certain lack of clarity and transparency in the preparation and presentation of accounts and underlines the need for a better format and a more effective method of presentation of final accounts.

S. Anderson (2003) argues that the P&L account and balance sheet of today are similar from those produced at the starting of the 20th century. They are now constructed in a very high expensive, detailed, glowing form, but their contents have not improved or altered with their outer appearance. These findings signify the need for a thorough change in the formation and presentation of the final accounts from the way they are presented today. It is worth noting here that the **Vital Committee** highlights the urgent need for new uniform guidelines for accounting and auditing of PSUs in India.

One of the serious problems faced by public sector auditing in Kerala is the delay in finalizing of accounts. C & AG (2003), of India in its Annual Report for the year 2003 clearly sketch out the present state of the accounting and the financial performance of PSUs in Kerala. The C & AG reported that only 22 out of 91 working government companies, and only one out of 5 working statutory corporations, have final their accounts for the financial year 2000-03. Accounts of 69 operating government public companies and four statutory bodies were in arrears for a period ranging from 1 year to 11 years as on Sept. 2003.

Asish K. Battacharya(2001), in his article, "Accounting Standards Must Be Simplified" states that there is a need for the simplification of accounting standards and it should be a tradeoff between elegance of accounting principles and benefits from the use of those principles.

3. Objectives of the Study

To study the difference in Price/Net Operating Revenue and Earnings Yield of selected public sector companies.

4. Hypothesis

H₀₁ Price/Net Operating Revenue of selected public sector companies has not shown different trend.

H_{a1}: Price/Net Operating Revenue of selected public sector companies has shown different trend.

H₀₂: Earnings Yield of selected public sector companies has not shown different trend.

Earnings Yield of selected public sector companies has shown different trend.

5. Methodology

This section describes a detailed analysis of monetary concert of selected public sector enterprises for time duration of year 2014 to year 2019. "SAIL" "GAIL", "CIL", Bharat Heavy Electricals Ltd. and "ONGC" were

considered for the current analysis. Various related financial ratios have been calculated and then descriptive statistics for the same has been derived and interpreted.

6. Sampling and Data Collection Method

Sampling explanation is an inspection of the relationship existing between a population and a test drawn from people. The object of sampling is to get however much data as could well enough is expected about the whole universe by looking at just a piece of it.

The list of the selected sample companies is as below:

- I. SAIL III. CIL V. ONGC
- II. GAIL IV. BHEL

7. Data Interpretation and Analysis

Collection of secondary data was done through published annual reports, journals, newspapers, other published books, websites and other office published reports. Mainly secondary details were included in the analysis. Secondary evidence contains information obtained from numerous sources, written and unpublished academic articles, journals, brochures, newsletters, science articles delivered at various events, books, web pages and more. Therefore, the Literature Survey gathers secondary data to define multiple factors, possible contemporary challenges and definition visibility.

Descriptive Statistics Trend of Price/Net Operating Revenue during 2014-19 of selected public sector undertakings of India

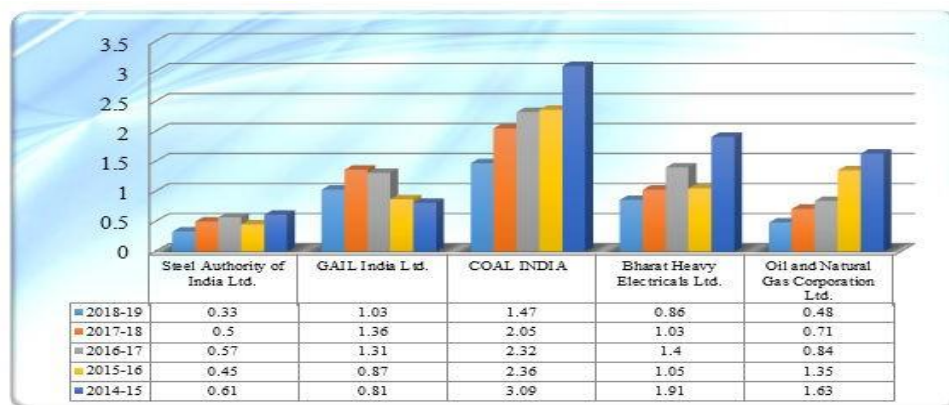
Following table presents computation of Price/Net Operating Revenue of selected PSUs for the time period of 2014 to 2019. Also Mean, G.M, S.D., C.V (%) and CAGR have been computed as below.

Figure 1

Price/Net Operating Revenue					
Year	“SAIL”.	“GAIL”	“CIL”	“BHEL”	“ONGC”.
2018-19	0.33	1.03	1.47	0.86	0.48
2017-18	0.5	1.36	2.05	1.03	0.71
2016-17	0.57	1.31	2.32	1.4	0.84
2015-16	0.45	0.87	2.36	1.05	1.35
2014-15	0.61	0.81	3.09	1.91	1.63
Mean	0.492	1.076	2.258	1.250	1.002
G.M	0.481	1.053	2.195	1.200	0.912
S.D	0.110	0.250	0.585	0.418	0.474
C.V (%)	22.284	23.268	25.925	33.433	47.326
CAGR	-14.24	6.19	-16.95	-18.08	-26.33

Source: Researcher's Compilation from Annual Reports of Selected Companies

Graph 1-Trend of Price/Net Operating Revenue during 2014-19 of selected public sector undertakings of India



"The Operating Benefit Ratio Price / Net" is a measure of the volume of profits or earnings of a business.

The price / net operating income ratio uses market capitalization of a company and decide whether the stock is adequately appreciated. Mean operating price / net profits for "SAIL" was recorded as 0.492. CAGR for this ratio was -14.24% in the case of "SAIL". For "GAIL", mean Price/Net Operating Revenue was 1.076 with a CAGR of 6.19%. For "CIL", mean Price/Net Operating Revenue was 2.258 with a CAGR of -16.95%. For Bharat Heavy Electricals Ltd, mean Price/Net Operating Revenue was 1.250 with a CAGR of -18.08%. For "ONGC", mean Price/Net Operating Revenue was 1.002 with a CAGR of -26.33%. CAGR was found highest for "GAIL" A small Price/Net Operating Revenue is good for investors, while a very high Price/Net Operating Revenue can be an admonition indication. This way "ONGC" is considered best by investors in this regard.

Trend of Earnings Yield during 2014-19 of selected public sector undertakings of India

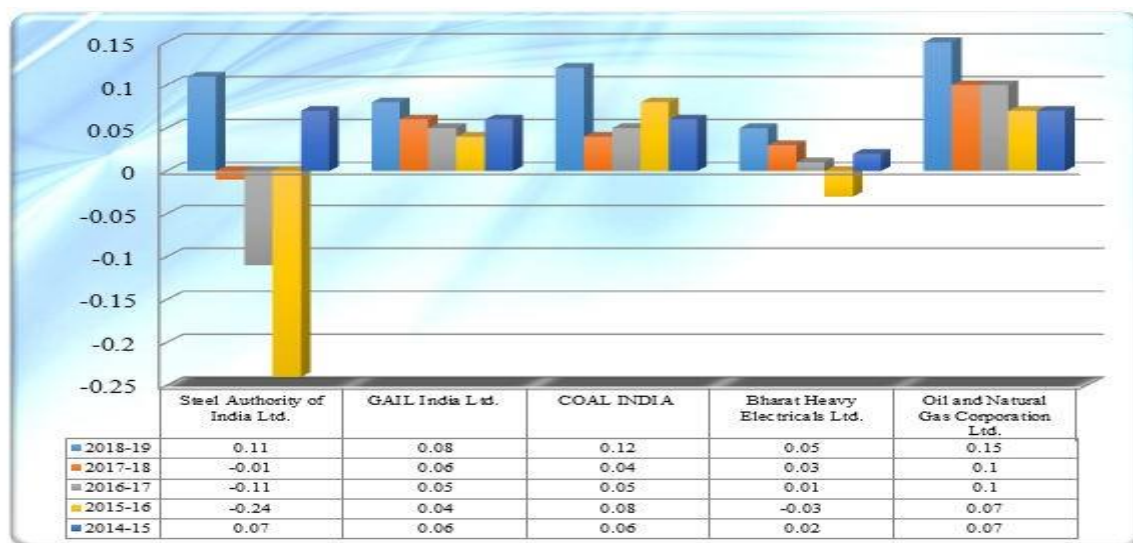
Following table presents computation of Earnings Yield of selected PSUs for the time period of 2014 to 2019. Also Mean, G.M, S.D., C.V (%) and CAGR have been computed as below.

Figure 2

Earnings Yield					
Year	"SAIL".	"GAIL"	"CIL"	"BHEL"	"ONGC".
2018-19	0.11	0.08	0.12	0.05	0.15
2017-18	-0.01	0.06	0.04	0.03	0.1
2016-17	-0.11	0.05	0.05	0.01	0.1
2015-16	-0.24	0.04	0.08	-0.03	0.07
2014-15	0.07	0.06	0.06	0.02	0.07
Mean	-0.036	0.058	0.070	0.016	0.098
G.M	-	0.057	0.065	-	0.094
S.D	0.142	0.015	0.032	0.030	0.033
C.V (%)	-393.622	25.573	45.175	185.405	33.378
CAGR	11.96	7.46	18.92	25.74	20.99

Source: Researcher's Compilation from Annual Reports of Selected Companies

Graph 2 -Trend of Earnings Yield during 2014-19 of selected public sector undertakings of India



**ANOVA:
Single Factor**

Price/Net

**Operating
Revenue**

Summary

Groups	Count	Sum	Average	Variance
“SAIL”.	5	2.46	0.492	0.01202
“GAIL”	5	5.38	1.076	0.06268
“CIL”	5	11.29	2.258	0.34267
“BHEL”	5	6.25	1.25	0.17465
“ONGC”.	5	5.01	1.002	0.22487

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	8.382456	4	2.095614	12.82678206	2.46906E-05	2.866081402
Within Groups	3.26756	20	0.163378			
Total	11.650016	24				

Total

Earnings Yield provides the entitlement of a company that has acknowledged gain out of its one share. Mean Earnings Yield for “SAIL” was found negative during the study period which was recorded as -0.036. CAGR for this ratio was 11.96% in the case of “SAIL”. For “GAIL”, mean Earnings Yield was 0.058 with a CAGR of -7.46%. For “CIL”, mean Earnings Yield was 0.070 with a CAGR of 18.92%. For Bharat Heavy Electricals Ltd, mean Earnings Yield was 0.016 with a CAGR of 25.74%. For “ONGC”, mean Earnings Yield was 0.098 with a CAGR of 20.99%. While comparing companies, companies are preferred with a higher yield assuming the companies are identical. CAGR was found highest for “BHEL” followed by “ONGC”, “CIL” and “SAIL”

Hypothesis Testing I. Hypothesis

H₀ Price/Net Operating Revenue of selected public sector companies has not shown different trend. **H₁**: Price/Net Operating Revenue of selected public sector companies has shown different trend.

Source: Researcher's Compilation from Annual Reports of Selected Companies

Interpretation

Falling of H_0 in rejection zone establishes significant difference in the trend of Price/Net Operating Revenue of selected public sector companies. With mean Price/Net Operating Revenue of 2.258% "CIL" was on top followed by "BHEL" (1.250%), GAIL India Ltd (1.076%), "ONGC" (1.002%) and "SAIL" (0.492).

II. Hypothesis

H_0 : Earnings Yield of selected public sector companies has not shown different trend. H_2 : Earnings Yield of selected public sector companies has shown different trend.

ANOVA: Single

Factor

Earnings Yield

"Summary"

Groups	Count	Sum	Average	Variance
"SAIL"	5	-0.18	-0.036	0.02008
"GAIL"	5	0.29	0.058	0.00022
"CIL"	5	0.35	0.07	0.001
"BHEL"	5	0.08	0.016	0.00088
"ONGC"	5	0.49	0.098	0.00107

"ANOVA"

Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	0.054664	4	0.013666	2.938924731	0.046169826	2.866081402
Within Groups	0.093	20	0.00465			
Total	0.147664	24				

Total

Source: Researcher's Compilation from Annual Reports of Selected Companies

8. Interpretation

The trend of Earnings Yield of selected public sector companies has shown much variance and states the rejection of H_0 . With mean Earnings Yield of 0.098% "ONGC" was on top followed by "CIL" (0.070), GAIL India Ltd (0.058), "BHEL" (0.016), "SAIL" (-0.036).

9. Conclusion

CAGR for Price/Net Operating Revenue was found highest for GAIL India Ltd. A small Price/Net Operating Revenue is good for investors, while a very high Price/Net Operating Revenue can be an admonition indication. This way 'Oil & Natural Gas Corporation Ltd' is consider greatest by investors in this regard. CAGR for Earnings Yield was found highest for "Bharat

Heavy Electricals Ltd" followed by "Oil and Gas Corporation Ltd", COAL India & 'Steel Authority of India Ltd.'

References

- Chakraborty K. (2014). Linkage between Efficiency of Assets Management and Profitability during the Postliberalization Era: A Study on Select Companies of Indian Public Sector. *J. Inst. Public Enterp*, 37(3-4):1-17.
- Datt R, Sundharam KPM (2002). Indian Economy, Mittal Publications, New Delhi pp. 99-127. Fairfield PM, Yohn TL (2001). Using Asset Turnover and Profit Margin to Forecast Changes in Profitability. *Rev. Account. Stud.* 6(4):371-385.

-
- D. Gupta S, Jain PK, Yadav SS, Gupta VK (2011). Financial performance of Disinvested Central Public Sector Enterprises in India: An Empirical Study on Select Dimensions. *J. Appl. Fin. Bank.* 1(4):57-106. Khan AQ (1990).
- E. Efficiency Profile of Public Enterprises in India, *Vohra Publishers and Distributors, Allahabad pp. 30-43.*
- G. Mallik AK, Sur D (1998). Working Capital and Profitability: A Case Study in Interrelation. *The Management Accountant, ICAI, Kolkata, November, pp. 805-809.*
- H. Singh G, Paliwal D (2010). Impact of Disinvestment on the Financial and Operating Performance of Competitive and Monopoly Units of Indian Public Sector Enterprises. *Int. J. Res. Comm. Manag.* 1(2):40.
- I. Sinha G (1983). Value Added Income, Book World, and Kolkata pp. 129-136. Sur D (2012). Financial Statement Analysis –A Comprehensive Approach, *Excel Books, New Delhi pp. 53-59.*
- J. Sur D, Panja R (2014). Profitability Trends in NTPC Ltd. during the Pre and Post- liberalisation Periods: A Comparative Study. *J. Inst. Public Enterp.* 37(1&2):78-90.
- K. Sur D, Yadav SK (2014). Trends in Asset Management Efficiency in Maharatna Central Public Sector Enterprises: A Cross-Sectional Analysis. *J. Inst. Public Enterp.* 37(3 & 4):78-90.