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Ex Post Facto Analysis of Performance of Privatized Enterprise: A Case of Harisiddhi Brick and Tile Factory Ltd.

Tara Devi Chitrakar

Abstract : This paper attempts to make an ex post facto analysis, that is the pre-and post- privatization analysis, of a privatized state-owned enterprise, viz. Harisiddhi Brick and Tile Factory Ltd. with the help of some key variables and indicators so that privatization efforts can be properly assessed. The analysis has revealed that its production capacity, production, sales, number of employees and production ranks have increased, while its capacity utilization and profitability substantially decreased.

I. Introduction

The policy of privatization was effectively initiated in Nepal only after the restoration of democracy in 1992 when three public enterprises namely Bansbari Leather and Shoe Factory, Harisiddhi Brick and Tile Factory and Bhrikuti Paper Mill were first privatized. Before this effort, two small enterprises namely Chandeswari Textile Factory and Nepal Cheuri Ghee Plant were also privatized during the Sixth Five Year Plan (1980/1985). Now all together twenty six state owned enterprises have been privatized. The mode of privation was sale of shares, sale of assets and business, management contract, liquidation, cooperative and lease.

Due to the increasing burden ailing SOEs and in consonance with economic reforms policies pursued in totality since early 1990's, Nepal also engaged in the privatization programme. It is taken as an internal necessity and external compulsion for the country. Therefore, Nepal started a phase wise privatization and completed three phases of the privatization programme. Many difficulties and obstacles were experienced during the privatization process.

Different sections of people and political parties levelled criticisms against various aspects of privatization. Criticisms were mainly centred on the valuation of assets and

Dr. Chitrakar is Associate Professor at Public Youth Campus, Tribhuvan University.
She can be reached at chitrakar@gmail.com

land, sales proceeds

and its utilization, audit of book of accounts and misleading report of an impact study published by MOF (1999). The country could not privatize as envisaged or planned. Therefore, it is essential to enquire about what has been the real impact of the privatization? This present paper is directed towards answering that important issue.

II. Review of Literature

The impact studies are needed in order to safeguard the interest of all stakeholders. This needs periodical examination of methods of privatization as well as a greater discussion on the ways in which adverse consequences are to be handed with. For this too, public consensus on methods of privatization is equally important which would ensure not only the success of privatization, but also the equitable distribution of the benefits from privatization. The equitable distribution is possible only when privatization takes into consideration the adverse social effects and proceeds along with the social consensus and benefits. But the impact study itself suffers from the methodological constraints or variances. Different writers use different variables for their impact studies. For example, Fare *et al*. (1985) conducted a comparative analysis of the performance between publicly owned and privatized utilities in the United States in 1970 in which the applied method for efficiency measurement was the linear programming. In the same way, Boardman and Vining (1989) made a study on mining and manufacturing companies using the sales per employee and per employee assets by controlling regularity/ competitive environment in which each firm operates. But, Galal, Jones, Tandon and Vogelsang (1994) conducted an *ex post facto* study by presenting factors in a hypothetical model indicating what would have happened if not privatized. The gains and losses were differentiated as attributable and not attributable to privatization.

Another methodology used for the study by United Nations (1995) entitled 'Comparative Experience with privatization' was based on the lessons learned and insights gained from a wide diversity of country background and privatization experiences. Next type of methodology is that adopted by Pohl, Anderson and Djankov (1997) where an economic analysis and restructuring was also measured in terms of total factor productivity increase. The study of 'Czech Republic's Mass Privatization Scheme' conducted by Claessens, Djankov and Pohl (1997) again was different from the above methodologies where they took various indicators of ownership concentration to the valuation and profitability of a cross section of 706 firms using the ratio of market value to the replacement value of the firms. But, Pierre Guislan (1997) made a study based not on any review or comparison of the privatization related laws, but on the actual experiences of many countries, the problems encountered and the solution applied the good ones as well as the not so good ones.

ILO (1999) made a study of five countries Sri-Lanka, Pakistan, Bangladesh, India and Nepal organizing a tripartite meeting organized in Kathmandu discussing the results of each country's privatization. The methodology adopted was the 'case-by-case study'.

Gupta's (1999) study concerned mainly with theoretical aspects of concepts, techniques, causes and consequences, pros and cons, retrospect and prospects, implicit and explicit aspect of privatization and method applied was the detailed survey and scrutiny of the varied literature on privatization as well as the case studies.

In the Nepalese Context, a study by MOF (1999) entitled 'Monitoring Privatized Enterprises' ascertained the current states of the privatized enterprises in terms of major indicators like total expenditure, production, sales, capacity utilization, price, employment, export, borrowings, tax, profit or loss, etc.

Pro-Public (2000) conducted a study entitled 'Privatization: Expectation and Realities' by using an extensive literature review and survey.

K.C. (1999) conducted a study basically using survey of different stakeholders reviewing the overall performance of public enterprises in Nepal. The impact study was also carried out comparing the performance in totality. The variables used for the study were capital investment, production, sales, profit, productivity, capacity utilization, market expansion etc. which were taken as the micro-level indicators but in the macro-level indicators, financial subsidy, ownership distribution, price effect and employment effects were taken into consideration.

Business Age (2000) used an opinion poll of the country's business executives as a methodology for the study on privatization, the findings of which did not agree with the claim of success made by the Ministry of Finance.

Shrestha (2004) used production, employment and productivity as indicators emphasizing more on capacity utilization showing the relationship among the various measures of liquidity, leverage, turnover and profitability position of privatized enterprises before and after privatization.

From the above, it is obvious that different methodologies were used by different analysts for their impact studies. The present paper has been prepared on the basis of the methodologies suggested as above. It is, however, worthwhile here to mention about the study carried out by the United Nations (1995). In the UN study, it is explained that despite widespread adoption of privatization measures in recent years, the knowledge on the impact of privatization is rather limited to some extent. There are also methodological constraints which are common to all forms of impact assessments. Therefore, the most important point is - whether the economy has been better off as a result of privatization. For this, too, the subsidiary questions about variables to assess the impact of privatization, true changes brought about by privatization, ranking and valuation of these changes have themselves become methodological issues.

In this paper, the overall performance achievement is analyzed through *ex post facto* comparison by selecting different variables like capacity utilization, assets turnover ratio, sales production ratio, profitability ratio, productivity, etc. This method is expected to provide useful result in the assessment of privatization process.

Methodology

Data

For the purpose of study, secondary data were used and were collected from Annual Reports of the Auditor's General Office from FY 2049/050 to onward. But data for the FY 2059 was based on a provisional balance sheet of the company. The data of employees were obtained from the data presented in the book of Dr. Manandhar (1998) and the factory's official report for FY 2058/059.

Variables

The following variables and indicators were studied.

- Production
- Sales
- Net worth values
- Net profit
- Total investment
- Total assets

Indicators

After computation of the mentioned variables, different performance criteria were developed which can be termed as performance indicators. The following indicators were used for the ex-post facto analysis as well as the impact study by segmenting these variables for before and after privatization. The different indicators used for the impact assessment were specified below.

- Capacity utilization
- Sales production ratio
- Assets turnover ratio
- Profitability Ratio
  a. Profitability in relation to sales
  b. Profitability in relation to net worth
  c. Profitability in relation to investment
- Productivity in terms of unit
- Productivity in terms of sales or income

Productivity in terms of sales or income and in terms of units was calculated in index term for a comparative analysis.

iii. Results and Discussion

Harisiddhi Brick and Tile Factory Ltd. (HBTF) is the first and the largest mechanized brick factory established in B.S.2026 (1969) as a public enterprise with Chinese technical and financial assistance. Bricks and tiles are the major products of the factory. Before privatization, the factory was called Brick and Tile Factory which had a capacity to produce 20 million bricks and 1 million tiles. It had an authorized capital of Rs.20 million. It had enjoyed almost a monopoly market till the establishment of private mechanized brick factory in 1985. It was privatized in 30th October, 1992 with a sale proceed of Rs.214.83 million under a competitive bidding system. The modality adopted was to sell 'business and assets' of the company. Previously the sale proceeds amounted to Rs.228.8 million, but due to the difference in land holding before and after privatization only Rs 214.83 million was received. The factory occupied a total of 522 ropanies of land but after privatization, 136 ropanies of land was captured by the local community. It left only 386 ropanies of land to be handed over. The terms of payment were 5% down payment, 53% within nine months and the remaining 42% within 18 months from the day of signing the contract. 42% deferred amount was converted into debenture carrying 17% interest. The condition kept for capital structure after privatization was 72% to be owned by the private party, 23% to be allocated to the general people and the remaining 5% to the employees. In the same way a condition of no retrenchment of employees and no reduction in their salaries and other facilities were included in the privatization agreement for a period of 2 years. The company had to issue 5% shares to the employees at 25% discount price. The capacity increase after privatization required additional capital investment of Rs.125 million.

After the privatization, its capacity was increased in B.S. 054/055 from 20 millions bricks to 40 million bricks and 1 million tiles to 2.5 millions tiles by installing double deaired brick plant and double deaired twin tile which helped to produce more durable and stronger bricks and tiles. Now it has about 628 employees. The increase in capacity is not matched by the increase in availability of mining areas and Kiln to bake green bricks thus creating mismatch of kiln capacity and green output. Now from the year 058/059, the company has convinced the local chimneys to consume surplus green bricks and it produced nearly one million units on B.S. 058/059 and 059/060 (Official Report). The workers of the company considered the factory as a hen laying golden eggs. They did not think it possible for the company to incur losses since its material is available inside the country, and payment for bricks and tiles is received in advance. More than 80% of the workforce is on contract basis for avoiding off season payment and the management has shed its long term liability of carrying the permanent work force. Since all the workforce is on contract, it is said that there has been a kind of 'privatization within a privatization' in the factory. There was no reason of going into losses for the company. The only one reason is the mismatch between kiln capacity and green output. This resulted additional fund requirement creating financial costs and over capitalization. It is reported from sources of some employees that the loan taken under the name of the factory was not invested inside the factory. Only a nominal amount was invested to show to the outsiders. Showing the burden of interest rate and increase in the price of the coal, the company reportedly ran like a sick company.

Production and Sales

Table 1 : Change in production of HBTF

(in terms of '000 bricks and tiles)

Before privatization					After privatization				
Year	Bricks	% change	Tile	% change	Year	Bricks	% change	Tile	% change
045/046	13300	0	710	0	049/050	17100	3.0	627	-37.3
046/047	18040	35.6	910	28.2	050/051	19600	14.6	919	46.6
047/048	15030	-16.7	960	5.5	051/052	14000	-28.6	894	-2.7
048/049	16600	10.5	1000	4.2	052/053	14079	0.6	959	7.23
					053/054	14700	4.4	1025	6.9
					054/055	15150	3.1	1061	3.5
					055/056	14240	-6.0	1103	4.0
					056/057	16192	13.7	751	-31.9
					057/058	16151	-0.3	1127	50.1
					058/059	17805	10.2	1323	17.4
Average percentage change =7.3			Average percentage change=9.5		Average percentage change = 1.5			Average percentage change = 6.4	

Note: Employee productivity has been computed by dividing the annual sales or income by the total no. of employees and the ratio is indexed with 100 for the base year 048/049.

The production of bricks was fluctuating both before and after privatization of Harisiddhi Brick and Tile Factory (HBTF). Before privatization, there was negative percentage change of 16.7% in the year 047/048, where as after privatization the negative growth occurred by 28.6% in the year 051/052. The average percentage change of bricks was 7.3% and 1.5% before and after the privatization period. In the year 056/057 there was also a significant decrease in the production of tile recording a percentage change of -31.9%. The average percentage change for tiles before and after the privatization was 9.5% and 6.4%. This showed that though production seemed to be increasing after privatization, actually it was not so in terms of percentage change. Thus privatization has not helped to increase the production in the same ratio as before privatization.

Table 2 : Change in sales after privatization of HBTF

(in terms of '000 bricks and tiles)

Year	Bricks	% change	Tile	% change
054/055	15160	0	1076	0
055/056	14246	-6.0	1357	26.1
056/057	16192	13.7	9208	578.6
057/058	16662	2.9	1683	-81.7
058/059	18737	12.5	1916	13.8
	Average percentage change = 4.6%		Average percentage change = 107.4%	

Since the data for sales quantity was available only from the year 054/055, the change in sales of bricks and tiles during the post privatization period was analyzed by presenting table 6.2 where the sale of bricks was increasing showing the average percentage change of 4.6%. Likewise in the case of tile, the average percentage change was 107.4%. This significant change may be due to a large volume of sales of tile in the year 056/057 which came at 9208 thousand of tile recording a 578.6% change in sales. But it appeared to be a one time event with a drastic reduction in the following two years. But the trend indicated an upward movement. Price increase may be the reason.

Table 3 : Change in sales of HBTF

(in Rs. '000)

Before privatization			After privatization		
Year	**Sales in Rs.**	**% change**	**Year**	**Sales in Rs.**	**% change**
045/046	20621	-	049/050	38609	36.9
046/047	21954	6.5	050/051	44056	14.1
047/048	29209	33.1	051/052	48873	10.9
048/049	28210	-3.4	052/053	43167	-11.7
			053/054	46542	7.8
			054/055	43391	-6.8
			055/056	49399	13.9
Average percentage change = 9.0%			056/057	62018	25.6
			057/058	56027	-9.7
			058/059	79259	41.5
			Average percentage change = 12.3%		

In table 3, the trend of sales was shown before and after privatization. Before privatization, change in sales was the highest in the year 047/048 recording a change of 33 %. The average change in sales during this period was 9.0%. But after privatization, sales fluctuated but tended to increase. During this period, change in sales ranged from -11.7% in the year 052/053 to 41.5% in the year 058/059 showing an increase in percentage change which was recorded at 12.3%. This indicated that market performance of the factory has improved after privatization.

Resource Utilization

Table 4 : Change in capacity of HBTF

Before Privatization	After Privatization
20 millions Bricks	40 millions Bricks
1 million Tiles	2.5 millions Tiles

The factory has increased its capacity after privatization. Before privatization, its capacity was 20 millions bricks and 1 million tiles per year. But after privatization, it has increased its capacity adding new modernized double deaired brick production plant with the capacity of 20 millions bricks per year and double deaired twin press tile plant with the capacity of 1.5 millions per year. Thus, the factory has the capacity to produce 40 millions bricks and 2.5 millions tiles per year. It has diversified its production in different types of bricks, roof and floor tiles increasing its capacity by 100% in bricks and 300% in the tiles segment.

Table 5 : Capacity utilization of HBTF

Before privatization			After privatization		
	Capacity utilization			Capacity utilization	
Year	Brick	Tile	Year	Brick	Tile
045/046	66.5%	71%	049/050	85.5%	62.7%
046/047	90.2%	91%	050/051	98.1%	92.8%
047/048	75.2%	96%	051/052	70.1%	89.4%
048/049	83.0%	100%	052/053	70.4%	96.0%
			053/054	73.5%	102.5%
Average capacity utilization of brick = 78.7%			054/055	37.9%	42.4%
			055/056	35.6%	44.1%
			056/057	40.5%	30.0%
Average capacity utilization of tile = 89.5%			057/058	40.4%	45.1%
			058/059	44.5%	52.9%
			Average capacity utilization of brick = 59.7%		
			Average capacity utilization of tile = 65.8%		

In table 5, the trend of the capacity utilization of the brick and tile before privatization were increasing. The maximum capacity utilization of brick was in the year 046/047 recording 90.2% and it was in the year 048/049 in the case of tile recording 100% utilization. The average utilization of brick and tile before privatization were 78.7% and 89.5% respectively. After privatization the maximum capacity utilization of brick was 98% in the year 050/051 and in the case of tile it was 102.5% in the year 053/054. But soon after the expansion in the capacity in the year 054/055, there was a significant decrease in the capacity utilization of brick as well as that of tile.

Table 6 : Sales production ratio of HBTF

Before privatization		After privatization	
Year	Sales production ratio	Year	Sales production ratio
045/046	140.3%	049/050	179.8%
046/047	113.6%	050/051	158.9%
047/048	117.9%	051/052	124.4%
048/049	120.6%	052/053	107.8%
		053/054	112.8%
		054/055	126.2%
		055/056	114.6%
Average sales production ratio = 123.1%		056/057	133.2%
		057/058	121.2%
		058/059	166.2%
		Average sales production ratio = 134.5%	

The average capacity utilization after privatization in case of brick was 59.7% where as it was only 65.8% in the case of tile. Thus, it showed that there was a mismatch between the capacity expansion and production. The capacity expansion without proper calculation of mining areas and kiln to bake green bricks as well as without market analysis resulted in an increase in the operational expenses and financial costs which may have caused over capitalization in the factory. The company is now trying to adopt cost cutting measures like financial and manpower restructuring, utilization of idle assets, capital gained from interest and principal, office complex building construction, lease out unproductive land etc. Thus after privatization the capacity utilization has decreased not because of market factors, but because of the poor managerial decisions.

Before privatization the sales production ratio was basically increasing. It has a ratio as high as 140.3% in the year 045/046. The average ratio during this period was 123.1%. After privatization, the ratio was fluctuating from 179.9% in the year 049/050 to 107.82% in the year 052/053. There was a significant increase in the ratio during the first two years of privatization. Thereafter, it was fluctuating. However in the later parts of the years, the factory improved its ratio recording 166.2% in the year 058/059. The average sales production ratio was improved recording at 134.5. Thus, privatization has improved the performance in terms of sales production ratio.

Table 7 : Assets turnover ratio of HBTF

Before privatization		After privatization	
Year	**Assets turnover ratio**	**Year**	**Assets turnover ratio**
045/046	0.8	049/050	0.2
046/047	0.9	050/051	0.2
047/048	1.1	051/052	0.2
048/049	0.8	052/053	0.1
		053/054	0.1
		054/055	0.1
		055/056	0.1
Average assets turnover ratio = 0.9		056/057	0.1
		057/058	0.1
		058/059	0.1
		Average assets turnover ratio = 0.1	

Before privatization assets turnover ratio of the factory was recorded as the most favorable in the year 047/048, which was recorded at 1 and the lowest in the year 045/046 recording at 0.9. After privatization, the ratio was basically decreasing ranging from 0.2 to 0.1. The average ratio during this period decreased to 0.1. This showed that after privatization assets turnover ratio declined significantly and was less than one-sixth before the privatization. This sorry plight of HBTF clearly showed that the expansion strategy of HBTF at best has been a failure.

Profitability

Table 8 : Trend of profitability of HBTF

(in Rs. '000)

Before privatization			After privatization		
Year	**Profit**	**% Change**	**Year**	**Profit**	**% Change**
045/046	3137	-	049/050	8330	46177.8
046/047	-127	-104.0	050/051	2239	-73.1
047/048	37	70.9	051/052	-7946	-254.9
048/049	18	-51.4	052/053	-20275	-155.2
			053/054	-20054	+ 1.1
			054/055	-28781	- 43.5
			055/056	-47334	- 64.5
Average percentage Change = 21.1			056/057	-58245	- 23.1
			057/058	-27069	+ 53.5
			058/059	-40747	-50.5
			Average percentage change = -26.8		

Before privatization, profitability tended to decrease and the situation of the year 045/046 when it earned a profit of Rs. 3137 thousand could not be maintained. During that period the average percentage change was 21.1. After privatization, profitability remained satisfactory for the first two years. But after 050/051 the profitability changed to negative, and the factory increased losses throughout after that period. It incurred a maximum loss of 58245 thousand rupees in the year 056/057 and it improved profitability to some extent in the year 057/058. The average percentage change in profit after privatization was -26.8. The reason behind this was shown as the low earning power / low turnover as compared to the volume of investment resulting into a high financial cost because of inability to pay interest and timely settlement of loan and gap in supply and demand due to an economic recession caused by a reduction in the construction activities. This created a situation of 'over-capitalized scenario' in the factory. It was also reported, though evidences are not available, that the large portion of investment from the loan was diverted to other places out of the factory, but the loan was in the name of the factory. Thus, privatization has not helped to improve the efficiency of the factory but deteriorated the financial position only.

Table 9 : Return on Net worth of HBTF

Before privatization		After privatization	
Year	**Profit net worth ratio**	**Year**	**Profit net worth ratio**
045/046	25.9%	049/050	56.5%
046/047	-1.1%	050/051	1.9%
047/048	0.3%	051/052	-5%
048/049	0.2%	052/053	-12.7%
		053/054	-14.3%
		054/055	-25.9%
		055/056	-73.9%
Average net worth ratio = 6.3%		056/057	-15.9%
		057/058	-6.9%
		058/059	-9.4%
		Average net worth ratio = -10.5%	

Table 10 : Return on sales of HBTF

Before privatization		After privatization	
Year	**Profit sales ratio**	**Year**	**Profit sales ratio**
045/046	15.2%	049/050	21.6%
046/047	-0.6%	050/051	5.1%
047/048	0.1%	051/052	-16.3%
048/049	0.1%	052/053	-47.0%
		053/054	-43.1%
		054/055	-66.3%
		055/056	-95.8%
Average profit sales ratio = 3.6%		056/057	-93.9%
		057/058	-48.3%
		058/059	-51.4%
		Average profit sales ratio = -43.5%	

Table 11 : Return on investment of HBTF

Before privatization		After privatization	
Year	Profit investment ratio	Year	Profit investment ratio
045/046	25.9%	049/050	4.4%
046/047	-1.1%	050/051	1.0%
047/048	0.3%	051/052	-5.0%
048/049	0.2%	052/053	-5.9%
		053/054	-5.4%
		054/055	-8.2%
		055/056	-13.5%
Average return on investment = 6.3%		056/057	-8.5%
		057/058	-3.9%
		058/059	-5.3%
		Average return on investment = -5.0%	

Before privatization, return on net worth, return on sales and return on investment were all positive, but at a declining rate except for the nominal volume of negative return in the year 046/047 showing an average return of 6.3, 3.6 and 6.3 percent respectively. After privatization, the ratios significantly improved in the first year of privatization i.e. in the year 049/050 showing a ratio of 56.5, 21.6 and 4.4 in the case of net worth, sales and investment. These ratios could not be maintained and again decreased significantly in the year 050/051. The ratios changed into a negative return in all the subsequent years indicating an average negative ratio of 10.5, 43.5 and 5.0 in the net worth, sales and investment respectively. The reason behind this negative return was due to the substantial loan borrowed and its interest liability (Annual Report 054/055, 42 and 54), due to issue of fresh shares in the year 051/052 and 052/053. There was also an expansion of green bricks resulting in a mismatch of kiln capacity and turn over. It has reported that now the local chimneys were convinced to consume the surplus of green bricks and they moulded nearly 1 million units in 058/059 and mid of 059/060.

Employment and Productivity

Table 12 : Change in number of employees at HBTF

Before privatization			After privatization		
Year	No. of employees	% change	Year	No. of employees	% change
045/046	578	-	049/050	618	1.2
046/047	595	2.9	050/051	600	-2.9
047/048	602	1.1	051/052	593	-1.2
048/049	611	1.5	052/053	526	-11.3
			053/054	526	0.0
			054/055	545	3.6
			055/056	527	-3.3
Average of percentage change = 1.4			056/057	630	19.5
			057/058	636	1.0
			058/059	625	-1.7
			Average of percentage change = 0.5		

Before privatization, the trend of employees was seen to be increasing though the increase was a small one as indicated by an average change in percentage of 1.4%. After privatization, the number of employees fluctuated between 19.5% to -11.3% showing an average percentage change of only 0.5%. This showed that privatization did not help to increase employment opportunities. Expansion and diversification of its activities did not generate new jobs. However employment rationalization must have taken place.

Table 13 : Employee productivity ratio of HBTF

(in terms of sales or income in Rs. '000)

Before privatization			After privatization		
Year	Employee productivity ratio	Index	Year	Employee productivity ratio	Index
045/046	35.7	100	049/050	62.47	175.1
046/047	36.9	103.4	050/051	73.43	205.8
047/048	-48.5	135.9	051/052	82.42	231.0
048/049	46.2	129.4	052/053	82.07	230.0
			053/054	88.48	248.0
			054/055	79.62	223.2
			055/056	93.74	262.7
	Average index = 117.2		056/057	98.44	275.9
			057/058	88.09	246.9
			058/059	126.81	355.4
				Average index = 245.4	

Before privatization, employee productivity of HBIF was increasing slowly showing the average index of 117.2, but after privatization, the productivity of the employee increase significantly from indexed ratio 175.1 in the year 049/050 to 355.4 in the year 058/059 showing almost a double increment in the productivity ratio. But in the employee number, virtually no change was recorded. Thus, privatization helps to increase productivity.

Table 14 : Employee productivity ratio of HBTF

(in terms of '000 bricks and tiles)

Year	Employee Productivity Ratio	Index Bricks	Employee Productivity Ratio	Index Tiles	Year	Employee Productivity Ratio	Index Bricks	Employee Productivity Ratio	Index Tiles
045/046	23.0	100	1.2	100	049/050	27.6	120.1	1.0	82.1
046/047	30.3	131.8	1.5	124.4	050/051	32.2	139.9	1.5	122.8
047/048	25.0	108.5	1.6	129.3	051/052	23.6	102.6	1.5	122.8
048/049	27.2	118.1	1.6	133.3	052/053	26.8	116.3	1.8	148
					053/054	28.0	121.5	2.0	158.6
					054/055	27.8	120.8	2.0	158.6
					055/056	27.0	117.4	2.1	169.9
	Average of index of brick = 144.6		Average of index of tile =121.8		056/057	25.7	111.7	1.2	96.8
					057/058	25.4	110.3	1.8	143.9
					058/059	28.5	123.8	2.1	172.4
						Average of index of brick = 118.4		Average of index of tile = 137.6	

In table 14 the year 045/046 was taken as the base year. Before privatization the productivity of the employees in terms of bricks was highest in the year 046/047 indicating the indexed ratio of 131.8. The average of index during this period was 114.6. After privatization, the maximum productivity ratio was in the year 058/059 recording at 172.4. The average productivity during this period was 118.4. It showed an increase in the brick productivity of the employees after privatization.

In the case of tile, the highest productivity ratio was in the year 148/049 before privatization period recording at the ratio of 133.3. The average of index during this period was 121.8. After privatization, the productivity increased to the ratio of 172.4 in the year 058/059, and it was the highest ratio during the post privatization period. The average indexed ratio during this period was 137.6 indicating more than that in the pre-privatization period. Thus there was an improvement also in the tile productivity of the employees after privatization.

When the productivity in terms of brick and tile before and after privatization were compared the productivity in terms of tile was increasing significantly than that of bricks. The reason for this may be of product diversification especially of tiles.

IV. Summary of Conclusion

The summary of conclusion derived from the analysis of the data is presented in Table 15.

Table 15 : Impact of privatization on HBTF Ltd.

S. N.	Performance indicator	Situation before privatization	Situation after privation
1	Change in capacity	20 million bricks and 1 million tiles	40 million bricks and 2.5 million tiles
2	Change in production unit	Fluctuating	Increased
3	Change in sales unit	Fluctuating	Improved
4	Change in number of employees	Increasing	Increased with a low average percentage change
5	Capacity utilization	Increased	Decreased due to expansion of capacity
6	Sales production ratio	Improving	Improved
7	Assets turnover ratio	Basically increasing	Deteriorated
8	Trend of profitability	Decreasing	Turned to negative at a large volume
9	Return on net worth	Fluctuating	Deteriorated with a negative return
10	Return on Sales	Fluctuating	Deteriorated with a negative return
11	Return on Investment	Fluctuating	Deteriorated with a negative return
12	Employee Productivity ratio (in terms of sales)	Increasing Trend	Increased significantly
13	Employee productivity ratio (in terms of unit)	fluctuated	Increased significantly

- Before privation, the capacity of the factory was 20 million bricks and 1 million tiles. Nearly four years after privatization, a modernized plant with double deaired technique technology was installed for brick production which had a capacity of 20 million bricks per year. In the same way, a twin press tile plant with double deaired was installed which had a capacity of 1.5 million tiles per year. Now the factory has a total capacity of 40 million bricks and 2.5 million tiles per year.
- The performance of the factory, in terms of production and sales, has improved after privatization with marginal reduction in average percentage change. Their ratio was improved after privatization.
- But the number of employees has increased at a slower pace. Their productivity in terms of sales rupees as well as in terms of unit, increased significantly after privatization.
- The capacity utilization after privatization has also decreased due to expansion of the capacity of the factory. This capacity expansion brought a negative impact to the factory.
- The profitability situation of the factory was disappointing. The profit which tended to decrease before privatization turned to negative that also at a sizable level after privatization. Therefore, return on net worth, sales and Investment have deteriorated after privatization. The assets turnover ratio which was basically increasing before privatization also deteriorated after privatization. Thus, privatization did not help to improve the performance of the factory. Unthoughtful expansion of the capacity was observed as the major problem for the factory.

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