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RESEARCH ARTICLE

ANDHRA PRADESH EASTERN POWER DISTRIBUTION COMPANY LTD - A FINANCIAL ANALYTICAL INSIGHT

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ABSTRACT

This paper unleashes the idea that financial ratio analysis is the one of the powerful tool to analysis the financial Statements. It provides meaningful understanding and interpretation which absolute accounting data cannot provide. Financial ratio analysis is important to the management, owners, customers, suppliers, competitors, regulatory agencies, tax payers and lenders each having their views in applying financial statement analysis in their evaluations and making judgments about the financial health of organization, while some authors found that financial ratios analysis is an adequate method by which to evaluate the overall performance of an organization.

INTRODUCTION

Financial ratios are used for all kinds of purposes. These include the assessment of the ability of a firm to pay its debts, the evolution of business and managerial success and even the statutory regulation of a firm's performance. A ratio can be used as a yardstick for the evaluating the financial position and performance of the concern. It is the relationship between two related and interdependent accounting variables expressed mathematically but they assume significant if these variables have cause and effect relationship. In brief, accounting ratios provide a quantitative relationship which the analyst may use to make a quantitative judgment about various aspects of financial position and performance of an enterprise. According to Myers "Ratio analysis is a study of relationship among various financial factors in a business"

Objectives of ratio analysis: Ratios are regarded as a test of earning capacity, financial soundness and operating efficiency of a business organization. the use of ratios in accounting and financial management analysis helps the management to know the profitability, financial position (liquidity and solvency) and operating efficiency of an enterprise. The objectives can be better understood from the following advantages of ratio analysis.

Reforms in Power Sector: India is one of the fastest growing economies and the second largest populated country, and

represents an attractive destination for the power industry. The power sector reforms initiated almost all the countries around the world since mid 1990s with a view to increasing efficiency and thus reducing prices. Reforms that have been undertaken typically involve power sector restructuring to separate potentially competitive activities (generation and supply) from natural monopolies (transmission and distribution), setting up of an independent regulator, privatization and market liberalization. In order to revitalize the sector and to improve its techno-economic performances, with a view to transforming the State Electricity Boards (SEBs) from bankruptcy to bank ability, and that fuel choices should be made on the basis of long-term viability and national energy security, indigenous resources and costs, are not short-term considerations of bridging the energy gap, Government of India has initiated restructuring process in 1991. The reform process started with the October 1991 amendment of the Electricity (Supply) Act to allow the private sector entry into generation. As per the advice of the World Bank, Orissa was the first state under taken comprehensive power sector reform in 1995, involving (a) an independent regulatory commission, (b) unbundling of the State Electricity Board into separate generation, transmission and distribution entities, and (c) eventual privatization particularly of distribution. This World Bank pattern of power sector reform has been followed by Andhra Pradesh, Haryana, Rajasthan, Uttar Pradesh and Karnataka. The power sector restructuring process in Andhra Pradesh initiated in the year 1999. Until it was split in to Andhra Pradesh Power Generation Corporation Limited (APGENCO)

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and Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) in February 1999 under a Government Order (GO) issued in consonance with the new reform Act, APSEB was responsible for electricity generation, and distribution in the state. Andhra Pradesh State Electricity Board (APSEB) was formed on 1st April 1959 and it is similar to other SEBs in the country, it had a monopoly in the power sector and functioned under the overall guidance of the state government, interacting with the central power agencies for planning and co-ordination. Apart from its own generation capacity, APSEB drew power from the central sector generating station like National Thermal Power Corporation (NTPC), Independent Power Producers (IPPs) and other private sector plants.

At the time of unbundling APSEB controlled 100 per cent power distribution and around 70 per cent of the generation capacity in the state. Since its formation and up to its unbundling in to corporatized entities in the year 1999 APSEB contributed greatly to the economic development of the state. As a result of restructuring the APSEB, the Andhra Pradesh Power Generation Corporation Limited (APGENCO) & Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) are come into existence on 01.02.1999. Further the Transmission Corporation (APTRANSCO) restructured on Friday 31st March 2000 by establishing Four Distribution Companies (DISCOMS) to operate in all 23 districts of the state viz., AP Southern Power Distribution Company Limited (APSPDCL) and it covers 6 districts, AP Northern Power Distribution Company Limited (APNPDCL), it covers 5 districts, AP Eastern Power Distribution Company Limited (APEPDCL) covers 5 districts, and AP Central Power Distribution Company Limited (APCPDCL), it covers 7 districts.

Objectives of the Research

- The following are the specific objectives of this paper.
- To present the status of current assets and current liabilities position in APEPDCL
- To analyze the financial performance in terms of turnover.

Study Area in the Research: The present study aims to investigate financial performance of (APEPDCL) Power Distribution Companies in Andhra Pradesh. Census method of study is adopted to evaluate the financial analysis of power distribution companies. In the state of Andhra Pradesh there are two power distribution companies exists viz., APSPDCL, APEPDCL, all the two companies considered as the units of study.

Source of Data: The major part of the present study depends on the secondary data. The audited and published annual reports of APEPDCL were collected to study the status and progress of financial performance in power distribution companies. The relevant theoretical and statistical information was collected from various books, journals, State Government, Ministry of Power, Planning Commission, all India statistical reports etc.

Tools of analysis: To assess the liquidity position and financial performance current ratio and turnover ratios used in the study. In addition the statistical tools like Averages, standard deviation, and growth rate used to interpret the data meaningfully in the present research paper.

Liquidity & Turnover Status

(i) Current Ratio: $\text{Current ratio: Current assets/ Current liabilities}$

Table 1. Current Ratio Analysis of APEPDCL (Rupees in Crores)

YEARS	Current Ratio of A.P.E.P.D.C.L		
	Current Assets	Current Liability	Current Ratio
2006-2007	1002.30	896.22	1.11
2007-2008	997.87	951.29	1.04
2008-2009	2161.62	1177.85	1.83
2009-2010	2722.55	1511.91	1.80
2010-2011	4119.11	1639.70	2.51
2011-2012	4588.77	4363.99	1.05
2012-2013	4109.83	5532.50	0.74
2013-2014	3678.50	2115.61	1.73
2014-2015	3651.17	2848.93	1.28
2015-2016	5174.26	4628.45	1.11
Average			1.42
CAGR	17.84	17.84	

Source: Annual Reports of APEPDCL

The Table 1 Presents the current ratio of APEPDCL during 2006-07 to 2015-16, As evident from the table the current ratio of the APEPDCL which was 1.11 in 2006-07 increased to 2.51 during 2010-11 but came down to 1.73 in 2013-14 and 1.11 during the year 2015-16. The Analysis clearly shows that the current liquidity position of the APEPDCL thus improved in the middle of the decade under study (i.e 2010-11) experienced fluctuations afterwards and finally stood at 1.11 and current ratio over the period study stands at 1.42. This indicates that the current liquidity position of APEPDCL is satisfaction but not impressive. The annual compound growth rate for current assets and current liabilities stood at 17.84.

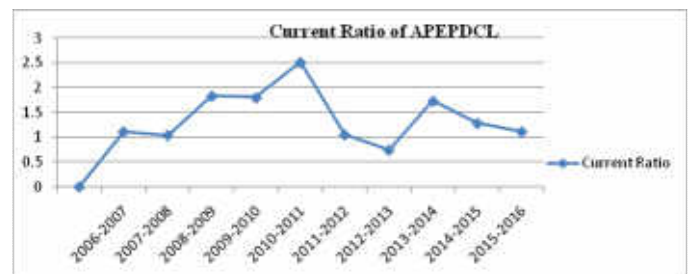


Table 2. Quick Ratio Analysis of APEPDCL

YEARS	(Rupees in Crores)		
	Quick Ratio Analysis of APEPDCL		
	Quick Assets	Current Liability	Quick Ratio
2006-2007	935.71	896.22	1.04
2007-2008	932.50	951.29	0.98
2008-2009	2108.09	1177.85	1.78
2009-2010	2688.25	1511.91	1.77
2010-2011	4073.26	1639.70	2.48
2011-2012	4527.06	4363.99	1.03
2012-2013	4008.66	5532.50	0.72
2013-2014	3569.9	2115.61	1.68
2014-2015	3494.44	2848.93	1.22
2015-2016	4989.99	4628.45	1.07
Average			1.37
CAGR	18.22	17.84	

Source: Annual Reports of APEPDCL

Table: 2 reveal the quick ratios of APEPDCL for the period from 2006-07 to 2015-16 financial years. According to the data the quick assets of APEPDCL have decreased to 932.5crores in 2007-08 from 935.71 2006-07 the quick assets have increased continuously in the years of 2008-09, 2009-10, 2010-11 and stood at Rs 4,610.84crore in 2011-12. After that the quick assets have declined at 4009.06 in the next year i.e., 2012-13

and stood at Rs 3569.9crore in 2014-15, again the quick assets increased to 4990.01 in 2015-16. In the other hand the current liabilities of the company have increased from Rs 649.83crore in 2004-05 to Rs 4628.46crore in 2015-16 during this period the current liabilities showed a tremendous increase during 2012-13 year and drastic decrease during 2013-14 year. The quick ratio of the company moved between a lowest at 0.72 times in the year 2012-13 and a highest at 2.48 times in the year 2010-11. The annual compound growth rate for Quick assets has 18.22 and current liabilities stood at 17.84.

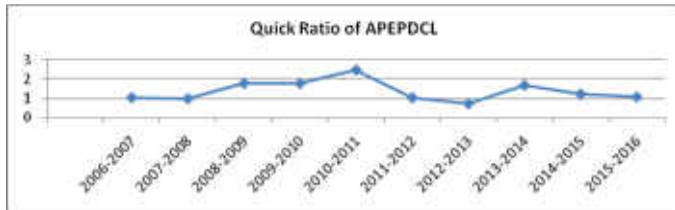


Table 3. Fixed Assets Turn Over Ratio

Year	Fixed Assets Turn Over Ratio APEPDCL (Rupees in Crores)		
	Sales	Fixed Assets	Ratio
2006-07	2244.66	1204.16	1.86
2007-08	2568.85	1426.95	1.80
2008-09	3407.30	1615.80	2.11
2009-10	3870.72	1698.68	2.28
2010-11	4329.75	1718.52	2.52
2011-12	5350.37	1826.51	2.93
2012-13	4871.13	2026.72	2.40
2013-14	6033.81	2351.22	2.57
2014-15	7617.88	2513.57	3.03
2015-16	8433.21	2914.54	2.89
Average Ratio			2.44
CAGR	14.15	9.24	

Source: Annual Reports of APEPDCL

Table-3 Indicates that the sales and fixed assets ratios of APEPDCL during the period from 2006-07 to 2015-16 financial year. The total sales of APEPDCL have increased from Rs 2244.66crore in 2006-07 to Rs 5,350.37crore in 2011-12. Though an abrupt decline has been noticed in 2012-13, the total sales have increased again and stood at 8433.21crore in 2015-16. The fixed assets of the company have increased from Rs 1204.16crore in 2006-07 to Rs 2914.54crore in 2015-16. Hence the ratios of fixed assets and sales of APEPDCL counted for lowest at 1.80 times in the year 2007-08 and highest at 3.03 times in the year 2014-15. The annual compound growth rate for sales has 14.15 and fixed assets stood at 9.24.

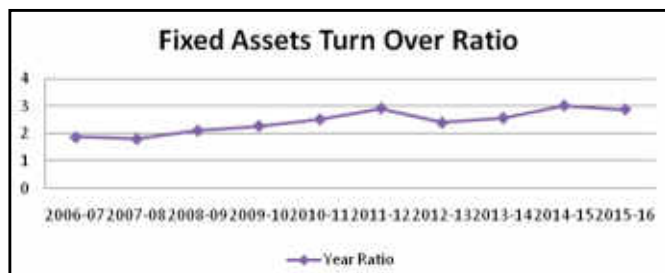


Table-4 that the sales and networking capital ratios of APEPDCL during the period 2006-07 to 2015-16 financial years. The total sales of APEPDCL have increased from Rs 2244.66crore in 2006-07 to Rs 5,350.37crores in 2011-12. Though an abrupt decline is noticed at 4871.13 in 2012-13, the total sales have increased again and stood at Rs. 8433.21 crore in 2015-16. The networking capital of the company has increased from Rs. 106.08crore in 2006-07+ to Rs 545.83crore

in 2015-16 barring the huge fluctuations during the period 2007-08,2012-13 and 2014-15 under consideration. The networking capital ratio of this company varied between a lowest at (-) 3.42 times in the year 2012-13 and a highest at 55.14 times in the year 2007-08. The annual compound growth rate for sales has 14.15 and net working capital stood at 17.79.

Table 4. Net Working Capital Turnover Ratio

Year	Net Working Capital Turnover Ratio APEPDCL (Rupees in Crores)		
	Sales	Networking Capital	Ratio
2006-07	2244.66	106.08	21.16
2007-08	2568.85	46.59	55.14
2008-09	3407.30	983.77	3.46
2009-10	3870.72	1210.64	3.20
2010-11	4329.75	2479.41	1.75
2011-12	5350.37	2491.99	2.15
2012-13	4871.13	1422.29	3.42
2013-14	6033.81	1562.89	3.86
2014-15	7617.88	802.25	9.50
2015-16	8433.21	545.83	15.45
Average Ratio			11.90
CAGR	14.15	17.79	

Source; Annual statement of APEPDCL

Findings and Suggestions

From the present research study of financial performance in APEPDCL of Andhra Pradesh, the following observations and suggestions are made.

- It is found from the study that the current assets of APEPDCL fluctuating significantly and This indicates that the current liquidity position of APEPDCL is satisfaction but not impressive.
- It is identified from the present study that The quick ratio of the company moved between a lowest at 0.72 times in the year 2012-13 and a highest at 2.48 times in the year 2010-11. The annual compound growth rate for Quick assets has 18.22 and current liabilities stood at 17.84.
- It is observed from the study that Hence the ratios of fixed assets and sales of APEPDCL counted for lowest at 1.80 times in the year 2007-08 and highest at 3.03 times in the year 2014-15. The annual compound growth rate for sales has 14.15 and fixed assets stood at 9.24.
- It is found from the study that the networking capital ratio of this company varied between a lowest at (-) 3.42 times in the year 2012-13 and a highest at 55.14 times in the year 2007-08. The annual compound growth rate for sales has 14.15 and net working capital stood at 17.79.

The power sector in any country plays a vital role in the economic development and well being of the general public. The power sector reforms initiated in India after 1990 and the same restructuring programmes initiated in the state of Andhra Pradesh also. As a result the Transmission and Generation Corporations came into existence in the place of erstwhile State Electricity Board. The transmission corporation unbundled into two distribution companies to improve the distribution power in the state. In the present research investigation the financial statement analysis of APEPDCL distribution companies examined and analyzed critically to tone up the problems of Liquidity problem. It is time to look into the above said findings and to initiate appropriate measures to overcome the financial problems and to improve

the financial health of the power distribution companies in Andhra Pradesh.

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