

## A STUDY INTO PERFORMANCE ANALYSIS OF RAJASTHAN RAJYA VIDHYUT UTPADAN NIGAM LIMITED

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### ABSTRACT

*In India, mainly the State Electricity Boards have been entrusted with the vast task of generation, transmission and distribution of electricity within the states in the most efficient and economical manner. Although it is intended that the state electric board (SEBs) should work as a viable commercial undertakings earning a small profit after completing its expenses, for various reasons in real practice, SEBs is not able to work like this. Different acts made for electricity regulation in India, on electric boards, throwing social obligations to absorb the economic operation of the rural and tribal areas. Along with this, they are expected that not only enough, reliable and good quality power supply but also run the boards in the most effective and economic way. The respected responsibilities of the above responsibilities are done by state electric boards, seeing that the related board walks on the sound commercial principles and commercially viable units. However, except for some exceptions, most of the boards are running in a very technical and commercial deficit. Consequently, the financial performance of various SEB is very bad. An analysis of any SEB can be done under two factors such as operating performance and financial performance; Mainly evaluation of financial performance can be done under consideration of consumers, patterns of power consumption, revenue receipts and expenditures, work results and financial status, money flow analysis, tariff structure and subsidy etc. Apart from some, the boards have been made significant improvement in the operational performance. However, financial performance shows negative returns or unsatisfactory. In a period, SEB's financial work results in India make a depressive reading. Therefore, research was taken to analyze the mainly responsible factors for poor financial performance of Rajasthan Rajya Vidhyut Utpadan Nigam limited (RRVUNL). This study is mainly designed to analyze the factors responsible for poor financial performance of Rajasthan Rajya Vidhyut Utpadan Nigam limited and to provide consumers affordable and reliable power supply, whether state electricity boards have taken social obligations that the power supply in rural areas is financially weak section of society other than financial obligations. Ultimately, an attempt has been made to suggest suitable policy decisions to improve the RRVUNL's financial performance in India.*

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**Keywords:** Performance, Operating, Responsible, Liquidity, Profitability, Sustained, Domestic, Financial.

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### Introduction

Electricity is one of the most important inputs that contribute to the continuous growth of the financial system. At present no industrial or commercial or domestic activity is possible without electricity. Any Country's economic growth mostly depends on the supply of electricity. Accordingly, the economic process in India is critically dependent on the occurrence of the power sector in India. In India different Acts made for electricity regulation throw social obligations on electricity boards to absorb the non-economic operation of electrification of rural and tribal areas. There has been tariff rationalization of different state electricity regulatory commissions (SERCs) in different states because industrial charges are being lightened progressively. Tariff for agriculture and other categories are being extended to the level close to the value of supply. Apart from this, most SERCs has passed the last rule on display

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standards for distribution licensees. Which specifies and guaranteed standards in respect of complaint handling, power supply quality and system reliability, safety, restoration of power supply, existing and new connections, metering and billing issues, open access, the catalyst to aid the captive segment and activate electricity business, the stake has started for bulk consumers in some states. Other consumer categories will be able to reach a very rapid way. Another positive development is that the power sales and state utility revenue are showing slight increase in both per year. Changes in the distribution section to provide the potential viable commercially viable and provide reliable power supply at reasonable cost. Governments are pushing on reforms and through implemented efforts have begun to increase expertise in profitability and efficiency. However, continuous long-term efforts are needed for guidance for permanent changes. With a good thing about the previous vision, we are able to see how the improvement in the electric field for the resurrection of an industry on the verge of collapse was important. It has already reversed the landscape of the deficit of the losses and if the world can be able to show the corner. But the agenda of the improvement has not yet been completed. The world still suffers from the inevitable engagement of political compulsions with economic properties. However, the institutional structure installed in the early stages of improvement should stand in good condition during this method.

#### Objective of Study

- Compare different items of financial statements as disclosed.
- Recognition of key factors contributing to the poor financial performance of Rajasthan Rajya Vidhyut Utpadan Nigam Limited.
- To recommend policy measures which are supported by the plan's findings, the ideal policy for the economic performance's growth of the Rajasthan Rajya Utpadan Nigam limited.

#### Review of Literature

**PC Mankodi (2000)** has suggested in his seminar letter "Tariff and Financial Policies" adopted in the power supply industry in India, in the construction of the tariff schedule, it should be kept in mind that the customer is not charged more than the values of service from the customers. The upper price limit can be.

**Kali (2014)** presented a seminar paper on "Tariff and financial Policies to be Followed in the Electricity Supply Industry in India", urging that the Charge Board meet. He has type of customers in the region supplied the same power systems. He has also said that each consumer should bear the cost of supply and not be expected to be subsidized by others. He has mentioned in this context the fact that in some cases the rates quoted for industrial consumption are lower than the cost price with a view to attracting industries to their area. He is of the view that effective measures should be taken to deal with this practice. He also suggested that industries which adjust their working hours to reduce the cost of power supply deserve consideration.

**Shegal and Gupta (2012)** in their paper on Pricing Policy of Public Sector Supply Undertakings and Tariffs have observed that SEBs are passing on proposed rates of supply which can pay all the mandatory expenses including depreciation, operation and maintenance tax etc.

**Bhimsena, (2008)** in his paper on "Simplification of Tariff Structure", suggested that when the electricity rates are formulated, the idea would be to simplify it so that it is simply understood by the consumers and without delay and difficulty in the energy bill, make it easy to prepare. Discussing the basis for framing tariffs for different categories of consumers, Bhimasena suggested that for all domestic and commercial lighting installations there should be uniform minimum service charges in addition to energy charge both as a source of revenue to the supplier and as a convenient way of billing of these installations which form the majority of service duration.

**Kumar Surendra (2011)** in his Ph.D. The "Animal Financial Display and Pricing Police „Haryana and Punjab Enterprises" has commented that analyzes of Haryana and Punjab SEB discover that financial performance has been spoiled due to the high rate of heavy and indigenous subsidy and electricity fees of the agricultural sector (imposed by the state government) Pricing policy is arbitrary because there is no connection to the cost of supply of tariff.

**Mr. B.B. Vora (2011)** the then President of the Energy/Advisory Board indicated that there is no savings to keep the electricity area commercial level and to increase the tariff to do this. Experiment like free electricity in Tamil Nadu should end. There are also some states like electricity charging for electricity, or elsewhere the farmer will run continuous pump set.

According to **Mr. Pachauri's (2009)** head of the Tata Energy Research Institute have shown that a large part of agricultural power goes to the rich farmers, which are being given subsidy without any justification.

**Mr. Shishoo**, the then President of National Heating Electricity Corporation has said that when the major industry such as coal and steel are hungry of power, the agricultural sector is being pampered.

### **Rational of Study**

A study of RRVUNL was selected to review financial performance on national basis. This study gives details of mixed components of financial statements etc. in RRVUNL. It is expected that research is practical use for all those or any person who have the responsibility of the production and distribution of electricity with cost consciousness. It will also work for policy fixation and informational research studies for economic commentators. Research Scholar's et al, who is also curious about the scientific study of SEBs financial performance in the country. This study spreads an unlimited series of topics such as income and expenditure revenue sources, and uses the cost of production costs, property and liabilities, tariff structure of mixed consumers.

### **Research Methodology**

Research methodology can be a logical way of answering the current problem which is formulated with the aim of finding answers to certain questions and selecting a sample using some systematic techniques.

### **Research Objective**

The objective of the research is to collect and find out the explanation, if any, for the shortfall in the financial performance of Rajasthan Rajya Vidhyut Utpadan Nigam Limited, likewise to know how various measures can be taken, or its optimum level and utilization so as to achieve operational efficiency and increase profitability.

### **Scope of the Study**

This research study is to test the financial performance of Rajasthan Rajya Vidhyut Utpadan Nigam Limited.

### **Source of Data**

There are mainly two types of data in research work, viz., primary and secondary. Information can be collected through primary and secondary sources, first data are those which are collected directly from organizations through personal interviews or from employees etc. Secondary data are collected from books, records, publications, annual reports etc. In the present research work, the researcher has used the secondary data available from various reports, publications etc. This study has drawn its secondary data primarily from

- Internal report of Rajasthan Rajya Vidhyut Utpadan Nigam Limited.
- Statistics of Rajasthan Rajya Vidhyut Utpadan Nigam Limited published on official websites.
- Rajasthan Rajya Vidhyut Utpadan Nigam Limited's annual report.

### **Results and Analysis**

The Financial Performance analysis of the RRVUNL as shown in the below table indicates that performance of the company is fluctuating over the period of 5 years. Company's GP ratio is although found stable and surrounding between 37% to 43%, but net profit Ratio is showing decreasing trend throughout the period and it were negative even in 2021-22. Operating ratio is also showing an increasing trend through the period and it even crossed the company's revenue. EPS of the company is not showing good position, as company does not have good or handsome Net profits. Company's profit however found sufficient to cover interest amount.

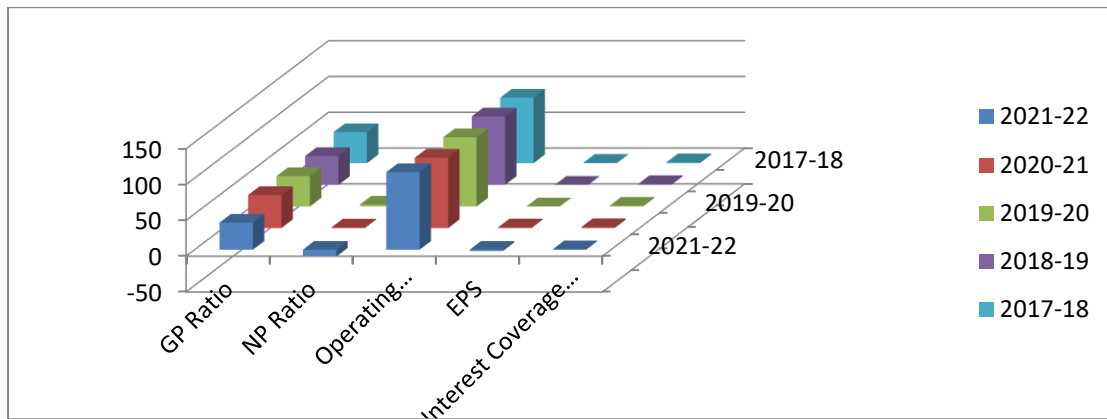
If we look into Liquidity position the Debt-Equity Ratio the performance of company is worst as company is having huge debts as compare to equity, which is not a good sign. Capital employed to net worth ratio is also quite acceptable but not impressive. The position of the company as regard to Current Ratio is worst. The ideal current ratio is 2:1 and unfortunately in any year company did not maintain the current ratio at this level. In all the years the ratio is below the standard. Assets Turnover ratio was found satisfactory in the initial years but it is continuously showing upward trend in all the years.

**Table 1: Financial Data analysis of Rajasthan Raja Vidhyut Utpadan Nigam limited**

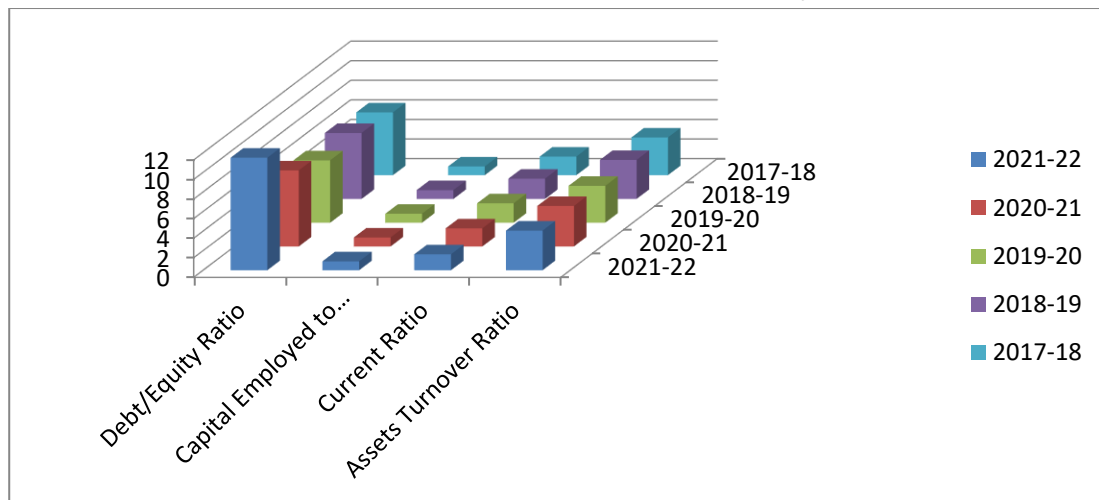
	2021-22	2020-21	2019-20	2018-19	2017-18
GP Ratio	37.81%	46.20%	42.46%	40.26%	43.33%
NP Ratio	-9.68%	0.87%	2.60%	4.09%	8.00%
Operating Expenses Ratio	108.37%	98.37%	96.80%	95.66%	91.60%
EPS	-1.89	1.00	0.14	0.14	0.64
Interest Coverage Ratio	0.67	1.30	1.10	1.19	1.38
Debt/Equity Ratio	11.50	7.77	6.37	6.74	6.42
Capital Employed to Net Worth Ratio	0.909	0.919	0.913	0.90	0.89
Current Ratio	1.63	1.85	1.98	2.07	1.90
Assets Turnover Ratio	4.05	4.14	3.77	3.99	3.85

Source: Annual Reports of RRVUNL

**Chart 1: Graphical Presentation of Various Profitable Ratios**



**Chart 2: Graphical Presentation of Various Liquidity Ratios**



**Conclusion**

SEBs has been a matter of constant concern for poor financial performance center and state governments. In various past, various committees have been formed and these bodies have made many recommendations to promote the operating and financial performance of electric boards. A coordinated group on pricing policy of state power undertakings set up by the planning commission in 1963 had recommended that the SEBs should earn a return of 12% on capital investment including electricity duty, after providing for operating expenses and depreciation. State electric boards should earn one of the return of 11% on the capital during the period of 10 years, if not immediately if at least. Apart from this,

the capital should be drawn a difference between the state's policy to charge the role of utility above and the subsidy of special categories and to be charged for others as part of broad socio. According to many researchers, the opposite recommendations are as follows:

- If the government thinks that a specific consumer group requires special subsidy, for which the state power board needs to sell less power, costs should be issued a selected instruction and the loss of the board should be given to the subsidy board and the state budget provided as a different item.
- The group that can qualify for such subsidies are small and marginal landfall and living in the slum-dwellers.
- Subsidy should be reduced gradually for electrification of less populated remote areas because the demand increases. Steps should be taken to ensure that the subsidy actually reached the desired beneficiaries.
- Inverted block tariffs should be charged from domestic and commercial consumers. The rate of rise should be increased due to the increased power.
- There is no case to give subsidy to electric intensive industries and they should be given full cost of power and fixed returns.
- Central Electricity Authority should ensure a detailed guideline and execution with them by appropriate changes in the Electricity Act.

#### **Limitation of Study**

The Study conducted by the researcher has some inherent limitations. One of the limitation of this Research work is that the data used is limited only up to period of 2017-18 to 2021-22. Another limitation of the study is analysis of the Data from financial aspect. Statistical Point of view has not been included in the thesis.

#### **Scope for Future Research**

This study is related to Financial Performance analysis of Rajasthan Rajya Vidyut Utpadan Nigam Limited. Some more study can be done on it of like nature such as Comparative analysis of financial performance of other government electricity distribution companies and private electricity distribution companies or Analysis of financial performance of generation and transmission sector of India or Comparative financial performance analysis of electricity sector with other states. For any Research in Future of like nature, this Research work could help for fundamental basis.

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