

AN INSIGHT INTO THE FINANCIAL SPECTRUM OF ELECTRICITY COMPANIES IN RAJASTHAN WITH SPECIAL REFERENCE TO RAJASTHAN RAJYA VIDHYUT PRASARAN NIGAM LIMITED

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ABSTRACT

Every world level organisation irrespective to fact whether it is public or private sector, make review of its performance and do measurement on time to time to gain an insight view of the entity so that it could reach to a conclusion about its performance and could assess its financial performance, efficiency and effectiveness. It helps in measuring the level up to which it has achieved its set goals and objectives of its business. The organisation selects the data for measurement to make the components of evaluation criteria, and implement them into action. Strategies followed by the company also get impacted with the financial and operational performance of the organisation. This need to be improved according to the general trend of the performance of the industry, in which it operates. Having improvement in the financial spectrum of the entity is the result of the operational and financial efficiency and effectiveness. Improvements and increase in financial efficiency must be at the cost of the effectiveness of the services provided to it. The financial health specially the Assets and Profitability efficiency (which is responsible for the overall performance of the entity) is measured as the difference between the actual or observed ratio of the combined value of the Resources input and Profit Output and this is achieved through the best practices of the business. For every service provider, production of the optimum output with the minimum input against the technically possible figure, is a crucial forward step to achieve their objectives. Making of the measurement of the financial performance along with Operational efficiency of a service provider or any similar industry has always been a crucial phenomenon for all financial experts and theorist and the policy makers. If the theoretical arguments on the concerned Financial Efficiency of the different economic system are tested for empirical testing then it is quite necessary to make test of some actual measurements of financial efficiency levels. In the same way if economic planning is to relate with any particular industry specific, it becomes important to relate that how far that particular industry is expected to increase its output by having an increase in the efficiency only and not by using any further resources. In this context it is special to note that government has developed a variety nature of programmes of energy development to cater the growing need of the energy throughout the country. The energy or electricity is the major contributor for making the diversification of the economic activities as it runs the wheels of the all industrial sectors. In the rural areas a better living can be imagined only even with basic supply of electricity. Hence the studies connected to this field are quite helpful for the government and that is why the planning people must have knowledge of the existing problem. Hence the researcher has chosen to made a review of the economical impact of the financial spectrum of the Rajasthan Rajya Vidhyut Prasaran Nigam limited.

Keywords: Economic, Industry, Government, Efficiency, Operational, Consumption, Regulatory, Energy.

Introduction

With the establishments of the 25 different state electricity Regulatory Commissions in different states has put tariff optimization because of industrial Rates of Electricity has been increasingly reduced. The rates have increased for various categories including Agriculture, to the

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levels near to value of supply. Apart from that almost all State Electricity Regulation commission have also approved the final regulations of the rates on the different standards of the performance for making the licensee for distribution. This is very important for the Electricity distribution companies like RRVPNL. This also helps in guaranteeing the handling of the complaints, providing the better and consistent supply of the power, reliability of the power supply system, restoration of backed power supply, making available new connections, resolving the meter issues and some other things. They all depends upon the strong financial position of the electricity supply companies. With the strong financial position, a capitalist economical structure can be developed, which could help in energizing power trading, and maximum consumer footfall. Other category of consumers can be attracted in the phase manner. The financial spectrum will help to positive development which in result, sale of electricity and state revenue will going to increase year to year. However, a turnaround system of distribution of electricity is essential or critical to develop the ability of the power sector so that it can be commercially viable for it to make power supply reliability and a lowest cost. This need strong financial background and consistency. The efforts of the government on reforms and implementation of the various policies through statutory mechanism has helped to increase in the specialization in financial strongness of the electricity transmission and supply companies. However stable and long term efforts are required for the permanent change. However, the structural changes at institutional level taken long back at very early stages of reforms need substantially revision, but still they are considerable.

Objectives of Study

- Making of the review of the free supply made to the Agriculture Sector.
- Finding out the factor mostly responsible for the worst financial performance of the Rajasthan Rajya Vidhyut Prasaran Nigam limited.
- Recognising the key factors which could be helpful in making the improvements in financial performance of the Rajasthan Rajya Vidhyut Prasaran Nigam limited.
- Suggesting the various possible solutions including the policies and procedure which could make improvements in the Growth and performance of the Rajasthan Rajya Vidhyut Prasaran Nigam limited.

Review of Literature

Dr. Shankar has conducted a study on the title "Optimum Rate Structure of the public enterprises, specific study of the TNEB" has recorded the higher losses which has increased the financial burden on the Electricity Boards and also the lower amount of utilization of the installed capacity. This also impacted the supply of electricity to more areas and as a result the demand has started risen with a lower rate. This started making a serious shortage in power supply and lower tariffs. This stops the further economic process.

According to **Arthur Lewis** the charging of two different parts in tariff is basically to help in improving the financial position through a higher amount of Tariffs. This the tariff is divided into two parts one is fixed one which a consumer has to pay necessarily and the other one is variable charge which a consumer pay according to his consumption. This methodology has helped the electricity companies to make a little improvement in their financial position backdrop. This is also a universally adopted method of charging tariffs.

Dr. Hema in her thesis on topic "Optimum Tariff Structure for electricity in Tamil Nadu" has pointed out that government use to provide a higher amount on subsidy in supply of electricity to Farmers which also include various Large and Rich Farmers who can pay the Tariff easily. The Government makes such policies to provide free electricity to farmers to save their vote Bank and not having any justified reason to do so. Electricity is commercial Good and shall not be supplied free of cost like other social Goods. Hence it is suggested that at least large farmers shall pay tariffs according to their consumption and cost incidence. This will definitely reduce the burden of the loss on the government.

Indrani and Gengar in their research paper "Principles for the formulation of electricity supply tariff" has suggested that it is useless to make rural electrification as it is going to be unremunerative. The State Electricity boards has suggested that in the rural areas it becomes very difficult to even recover the interest charges on investments made in providing such rural electrification.

Shegal and Gupta in their Research analysis on “Price Policy of Public Sector supply undertaking and Tariffs” has talked about the losses which state electricity boards are incurring presently and the degrading financial position arising out of such losses from the last various years. They also suggested that Tariff shall be leveled up to meet such losses and which are sufficient to recover the expenses of depreciation, operation and maintenance and taxes.

Suri. L.R. has made an assessment of the losses incurred by the some of the state Electricity Boards. Their opinion is found to be more similar to Dr. Hema. They found that the major portion of the losses of SEB's are due to agriculture loads which is occurring due to free supply of the electricity or supplying at subsidized rate. Almost most of the SEB's are incurring a loss of 50 paisa to 60 paisa per unit. This need to be discontinued so the financial position can be improved.

Rational of Study

The Rajasthan State is one of the largest state of India with the highest electricity domestic consumption. Electricity companies in Rajasthan are not wide ranged and government enterprises are the only source of supplying the electricity. RRVPNL is the company which supplies the electricity along with other subsidiaries. The Financial insight into RRVPNL financial performance will make a breakthrough at the national level. The study is based on the whole financial statement performance including Balance sheet. Hence this will going to be an overall performance scenario. This will help to various government agencies of the Rajasthan to understand the performance and will help in improving the financial aspect. The research would also help in Policy formulation for electricity generation, Distribution and other associated areas. The study is conducted on the spectrum of various items of the Financial Statement's with their effect on the overall performance of the entity.

Research Methodology

Research Methodology is a process of selecting a question relevant to practical problem aspect and finding out the answer of question framed out of the problem selected. The answers of the question is given out of the sample selected using systematic Techniques.

Research Objective

The prime object of the Research is to find out the gaps between the shortfalls in the performance of the Rajasthan Rajya Vidhyut Prasaran Nigam Limited, so that appropriate measures can be adopted and efficiency at optimum level can be obtained. This will also help in improvement of Profitability.

Scope of the Study

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

Source of Data

Generally, there are two kinds of data which is used in the research work. These are primary and secondary. The primary sources are those sources in which information is collected from various organisations directly using the techniques of personal interview or questionnaire. On the other hand secondary data is collected from various published resources such as periodicals, Magazines, Books, previous research papers, annual reports of the selected entities etc. In the present work the researcher has used secondary data and the same is collected from various resources including:

- In house report of Rajasthan Rajya Vidhyut Prasaran Nigam Limited.
- Statistics of Rajasthan Rajya Vidhyut Prasaran Nigam Limited published on official websites.
- Annual Reports of Rajasthan Rajya Vidhyut Prasaran Nigam Limited.

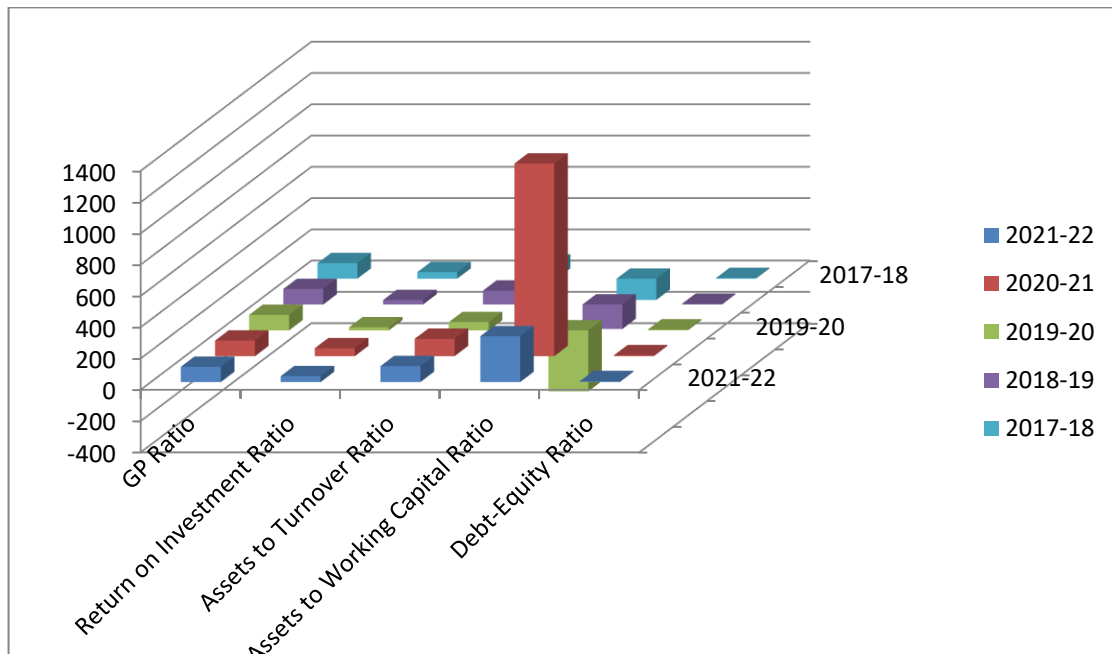
Results and Analysis

The Financial Performance analysis of the RRVPNL is showing fluctuating performance as presented by below table for the selected period. Company's GP ratio is showing a constant trend over the period of study. This is lying around 98 percent. Return on Investment is also showing a very fluctuating performance which is very unstable. In year 2017-18 to 2019-20 it was showing a decreasing trend but later it improved in 2021-21. But just after that it reduced again and landed at 37.50%. Assets to Turnover ratio however observed to be improved in year 2020-21 as compare to 2019-20 by almost double. As far as Liquidity position is concerned the Debt-Equity Ratio the performance of company is worst as company is having a continuous increase in debts as compare to equity Net Working Capital Ration is though showing an improved position and has converted from Negative to positive. However the overall position is found to be not good from financial point of view.

Table 1: Financial Data Analysis of Rajasthan Raja Vidhyut Prasaran Nigam Limited

	2021-22	2020-21	2019-20	2018-19	2017-18
GP Ratio	97.30%	99.76%	98.67%	99.39%	99.16%
Return on Investment Ratio	37.50%	51.13%	19.78%	28.78%	41.56%
Assets to Turnover Ratio	101.64%	111.15%	52.47%	88.70%	90.24%
Assets to Working Capital Ratio	293%	1232%	-390.32%	-156.43%	-135.58%
Debt-Equity Ratio	5.65	6.18	5.73	4.84	4.65
Net Working Capital Ratio	0.35	0.09	-0.13	-0.57	-0.67

Source: Annual Reports of RRVPNL

Chart 1: Graphical presentation of Ratios**Conclusion**

Almost in all State Electricity Boards have been allowed to set the rates of Electricity supply (Called Tariffs) for their respective jurisdiction. The tariffs are set out considering the regulations made by the state government considering the Socio Economical position of the state and financial position of the SEB's. While observing the financial spectrum, it is observed that losses are increasing day by day which because of increasing rates of subsidy. As discussed, earlier losses in supply of electricity in Agriculture is high. Other reasons of increasing losses is due to increasing cost of generation of power such as Coal, Oil, Railway or ocean freight and others. The revenue is not increasing in the same proportion. To cope up with the situation it is necessary that Central Government, State Government as well as RRVPNL has to come forward together so that joint efforts can be made to ensure that Board independently and operate economically to earn profit along with fulfillment of social obligations. Welfare is necessary undoubtedly but still this is not feasible with continuous losses. According to Researcher some of recommendations which could help SEB's to come out from the defeated financial position:

- To control the cost, within the policy and norms and cost reduction without having any compromise the Quality are two basic components which have to be implemented in RRVPNL. For this the expenses which can be controlled shall be reduced such as Maintenance, Conveyance, Transport, Training etc.
- The litigations which are pending in courts which could have huge financial outflow, shall be settled within a time bound manner as soon as possible. This will save unnecessary wastages of time and money.

- For every segment of the Electricity supply company, performance criteria shall be set out in advance, and shall be communicated to all levels of management. These criteria shall also be reviewed on periodical basis. This will undoubtedly promote the employees at all the levels to work harder towards achievement of the targets.
- If it possible for the RRVPNL, then it shall also work on captive coal mining as it is allowed to power sector companies to operate their coal blocks. This will reduce the cost of fuel and subsequently help to reduce the cost of the Power. Hence Central Government shall allocate coal blocks first to SEB's on the basis of competitive Bidding Process as a combined plan of Coal Mine cum Power Project.

Limitation of Study

Generally, every research incorporates with itself some of the inherent limitation. Like all researches this research also has some of the inherent limitation. One of the common limitations is that the study is limited for the period of 2017-18 to 2021-22. Since the latest audited financial statements are available only up to the period of 31-03-2022, hence 2021-22 has been taken as last year.

The Study conducted by the researcher has some inherent limitations. One of the limitations of this Research work is that the data used is limited only up to period of 2017-18 to 2021-22. The data analysis is made on some of the common measures used in analysis and an advances analytical measure has not been used.

Scope for Future Research

This study is related to Financial Performance analysis of Rajasthan Rajya Vidyut Prasaran Nigam Limited. To expand the financial spectrum in detail, some other analytical criteria can also be used such as comparative analysis. Such comparison can be made with financial figures of other financial years on the grounds of detailed profitability portfolio. The same comparative study can also be made with other electricity distribution companies. However this research could be useful for other research of similar portfolio to be held in future.

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