

A Study on Financial Performance Analysis At APSPDCL, TIRUPATI

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ABSTRACT

This study evaluates the financial performance and operational efficiency of Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL), Tirupati, over a five-year period from 2020–21 to 2024–25 using a descriptive research design and ratio analysis. Based on data from audited annual reports, the findings reveal significant financial volatility, characterized by inconsistent profitability marked by a sharp net loss in 2021–22 and a critical shortage of liquid reserves to meet immediate obligations. The analysis further highlights a heavy reliance on debt financing and a weakening equity base, with the proprietary ratio declining to 0.12 by the end of the study period. To ensure long-term sustainability, the study recommends improving billing and collection efficiency, implementing stricter cost controls, and optimizing resource utilization to mitigate high operational risks.

KEYWORDS: Financial Performance Analysis, Ratio Analysis, DISCOMs, APSPDCL, Liquidity, Profitability, Solvency, Power Sector Reforms.

INTRODUCTION

The power distribution sector is the critical final link in the energy value chain, and its fiscal health is paramount for ensuring regional energy security and industrial growth. In India, Distribution Companies (DISCOMs) like the Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) face systemic challenges, including high power purchase costs, regulated tariff structures, and significant debt burdens. This research provides a longitudinal analysis of APSPDCL's financial performance from 2020–21 to 2024–25, bridging a research gap by offering a micro-level institutional study on how regional utilities navigate post-pandemic recovery and shifting regulatory frameworks.

By employing a rigorous framework of ratio analysis targeting liquidity, profitability, and solvency this study evaluates the efficacy of APSPDCL's internal resource management and the sustainability of its capital structure. The findings reveal a volatile fiscal environment characterized by inconsistent earnings, a weakening equity base, and a critical reliance on external debt. Ultimately, this research provides

empirical insights designed to inform policy interventions and strategic reforms, such as debt restructuring and billing efficiency improvements, which are essential for the long-term operational sustainability of public utilities in the power sector.

INDUSTRY PROFILE

The Indian power sector is a complex value chain of generation, transmission, and distribution that serves as a primary driver of national socio-economic growth. While the industry has shifted from a power-deficit to a surplus capacity through significant investments in thermal and renewable energy, its financial stability remains tied to the performance of state-owned Distribution Companies (DISCOMs). These entities operate under a rigid regulatory framework characterized by high technical and commercial (AT&C) losses, cross-subsidies, and a persistent gap between supply costs and revenue realization. Current national reforms, such as the Revamped Distribution Sector Scheme (RDSS), are now pushing for digital transformation through smart grids and advanced

metering to ensure the long-term fiscal viability and operational transparency of the sector.

COMPANY PROFILE

Established on April 1, 2000, following the restructuring of the Andhra Pradesh State Electricity Board, the Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) is a premier state-owned utility headquartered in Tirupati. Operating under the governance of the Government of Andhra Pradesh and regulated by the APERC, the company manages the vital last-mile electricity distribution across the districts of Chittoor, Kadapa, Nellore, Ongole, and Guntur. APSPDCL serves a diverse consumer base including domestic, agricultural, and industrial sectors, with a strategic mission to provide reliable, high-quality power while modernizing the distribution grid and reducing AT&C losses. As a cornerstone of regional socio-economic development, the organization balances the operational challenges of rising power purchase costs with its mandate to provide affordable energy and achieve universal electrification.

REVIEW OF LITERATURE

The theoretical foundation of this study is rooted in the core principles of financial management, which identify ratio analysis as the definitive diagnostic tool for assessing organizational health. As established by Van Horne and Wachowicz (2008) and Prasanna Chandra (2019), the systematic evaluation of liquidity and solvency metrics provides a standardized framework for measuring corporate stability and operational efficiency. These scholars emphasize that a balanced capital structure is essential for long-term survival, particularly in capital-intensive industries.

Within the public utility sector, empirical research highlights a persistent "liquidity trap" where state-owned DISCOMs struggle to meet short-term liabilities due to delayed receivables from subsidized segments and high operational leakages. These systemic challenges often necessitate a heavy reliance on external funding and government bailouts. This creates a complex fiscal environment where traditional accounting performance must be constantly balanced against the social mandate of providing universal and affordable public service.

Recent academic discourse has further shifted toward the "leverage overhang," noting that excessive debt financing weakens the equity base and heightens insolvency risks for regional utilities. Scholars now position the gap between the Average Cost of Supply (ACS) and Average Revenue Realized (ARR) as the primary indicator of fiscal health. Consequently, contemporary literature identifies digital reforms—such as smart metering and automated billing—as the essential drivers for achieving a sustainable financial turnaround in the modern power distribution landscape.

NEED FOR THE STUDY

This study provides a five-year financial diagnostic of APSPDCL to identify systemic bottlenecks within the volatile power distribution sector. By analysing liquidity, solvency, and profitability trends, it offers data-driven strategies for debt restructuring and cost optimization to ensure long-term operational sustainability.

SCOPE OF THE STUDY

This study is limited to a five-year longitudinal analysis of APSPDCL's financial statements from 2020–21 to 2024–25, focusing specifically on liquidity, profitability, and solvency ratios. The scope encompasses an evaluation of operational efficiency and capital structure within the Southern Power Distribution jurisdiction to provide actionable insights for regional utility management.

OBJECTIVES OF THE STUDY

1. To evaluate APSPDCL's financial health using ratio analysis.
2. To identify trends in liquidity, profitability, efficiency, and solvency.
3. To provide strategic recommendations for sustainable growth.

RESEARCH METHODOLOGY

- **Objectives:** To analyse APSPDCL’s liquidity, measure its profitability capacity, and investigate long-term solvency and operational efficiency.
- **Data Design:** The study utilizes a descriptive and analytical design, drawing from primary qualitative interviews and secondary audited annual reports.
- **Analytical Tools:** Multi-dimensional ratio analysis, supported by comparative trend and vertical analysis.

DATA ANALYSIS

CURRENT RATIO:

The current ratio serves as a key indicator of a company's short-term financial health. Essentially, it shows how many rupees of liquid assets the business holds for every single rupee of debt it must pay back within the year.

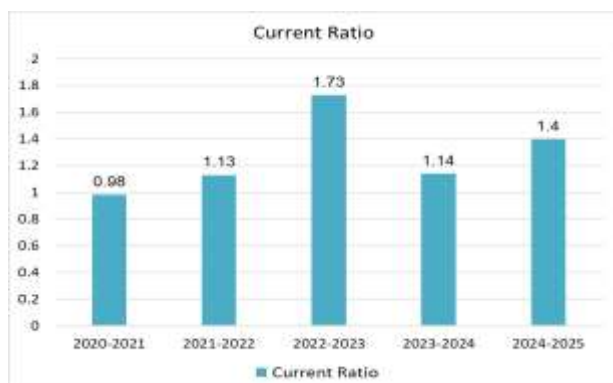
Current Ratio = Current Assets / Current Liabilities

TABLE

| Year | Total Current Assets | Total Current Liabilities | Current Ratio |
|-----------|----------------------|---------------------------|---------------|
| 2020-2021 | 22838.02 | 23276.95 | 0.98 |
| 2021-2022 | 23724.38 | 20984 | 1.13 |
| 2022-2023 | 23229.58 | 13464.47 | 1.73 |
| 2023-2024 | 26705.13 | 23384.01 | 1.14 |
| 2024-2025 | 31565.72 | 22580.16 | 1.4 |

Source: Data compiled from Annual Reports

GRAPH



INTERPRETATION:

APSPDCL’s liquidity trajectory exhibited significant volatility, transitioning from a marginal deficit of 0.98 in FY 2020–21 to a peak of 1.73 in FY 2022–23. While the ratio subsequently fluctuated, stabilizing at 1.4 by FY 2024–25, the data reflects an improved but inconsistent capacity to manage short-term obligations amidst shifting operational cycles.

QUICK RATIO

The Acid Test Ratio is a focused way to look at short-term financial health. By looking at the balance between liquid assets and current liabilities, it provides a realistic picture of a company's ability to pay back what it owes without needing to sell off any stock or inventory.

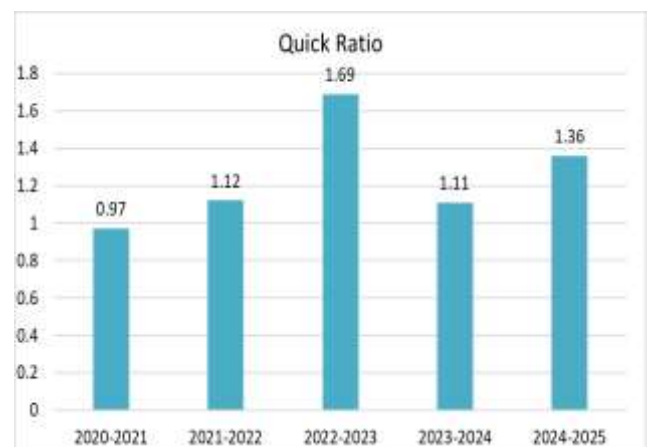
Quick Ratio = Quick Assets / Current liabilities

TABLE

| Year | Total Current Assets | Total Current Liabilities | Quick Ratio |
|-----------|----------------------|---------------------------|-------------|
| 2020-2021 | 22627.13 | 23276.95 | 0.97 |
| 2021-2022 | 23531.81 | 20984 | 1.12 |
| 2022-2023 | 22722.69 | 13464.47 | 1.69 |
| 2023-2024 | 25896.73 | 23384.01 | 1.11 |
| 2024-2025 | 30739.66 | 22580.16 | 1.36 |

Source: Data compiled from Annual Reports.

GRAPH



INTERPRETATION:

The company’s Quick Ratio—which provides a stricter look at liquidity by removing inventory mirrored the trajectory of the Current Ratio. Starting at 0.97 in 2020–21, it climbed to a high of 1.69 by 2022–23, suggesting a period where liquid assets were more than sufficient to meet immediate debts. This momentum stalled in 2023–24, with the ratio dipping to 1.11, though it managed a modest rebound to 1.36 in the final year. These fluctuations point to an inconsistent liquidity profile, characterized by alternating cycles of financial robustness and relative tightening.

CASH RATIO:

The Cash Ratio is a strict financial health check that measures how well a company can pay back what it owes in the short run using only its cash on hand.¹ Because it ignores other assets like inventory or money owed by customers, it shows the company's "worst-case scenario" ability to stay solvent

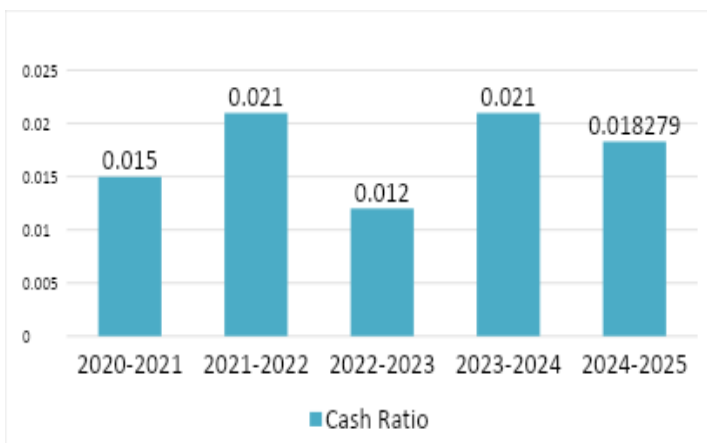
$$\text{Cash Ratio} = \frac{\text{Cash} + \text{Cash Equivalents}}{\text{Current Liabilities}}$$

TABLE

| Year | Total Current Assets | Total Current Liabilities | Cash Ratio |
|-----------|----------------------|---------------------------|------------|
| 2020-2021 | 360.42 | 23276.95 | 0.015 |
| 2021-2022 | 450.14 | 20984 | 0.021 |
| 2022-2023 | 167.29 | 13464.47 | 0.012 |
| 2023-2024 | 485.70 | 23384.01 | 0.021 |
| 2024-2025 | 531.58 | 29,080.69 | 0.018279 |

Source: Data compiled from Annual Reports.

GRAPH



INTERPRETATION:

The Cash Ratio shows a consistently weak liquidity position across all five years. With values ranging only between 0.012 and 0.021, the company never maintained enough cash or cash equivalents to directly cover its short-term liabilities. These persistently low ratios highlight a strong dependence on receivables and other current assets to meet obligations, leaving very little buffer for unexpected cash needs

NET PROFIT RATIO

The Net Profit Ratio serves as a definitive gauge of an organization’s operational health and its resilience during economic downturns. By calculating the proportion of net profit after tax relative to total sales, this metric reveals the actual surplus retained for every 100 rupees of income earned. It is essentially a measure of the business's final profitability after all costs have been settled.

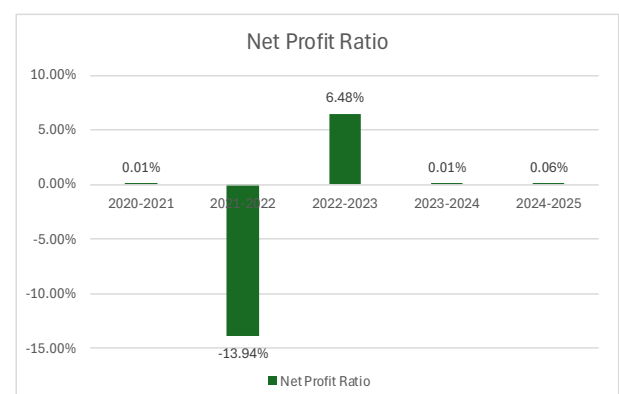
$$\text{Net Profit Ratio} = \frac{\text{Net profit}}{\text{Net sales}} \times 100$$

TABLE

| Year | Net Profit | Net Sales | Net Profit Ratio |
|-----------|------------|-----------|------------------|
| 2020-2021 | 1.59 | 13193.21 | 0.01% |
| 2021-2022 | (2054.24) | 14741.18 | (13.94%) |
| 2022-2023 | 1233.80 | 19048.15 | 6.48% |
| 2023-2024 | 1.35 | 16686.73 | 0.01% |
| 2024-2025 | 1.10 | 17476.13 | 0.06% |

Source: Data compiled from Annual Reports

GRAPH



INTERPRETATION:

The Net Profit Ratio shows considerable volatility over the period. In 2020–21, the company managed only a marginal profit of 0.01% followed by a steep decline in 2021–22 when it posted a significant loss of -13.94%. A strong rebound came in 2022–23 with the profit margin rising to 6.48% reflecting improved efficiency or better cost management. However, this recovery was short-lived as margins slipped back close to zero in the following years highlighting ongoing difficulties in sustaining profitability.

FINDING**S**

- Liquidity ratios show instability, risking short-term solvency.
- Profitability is inconsistent, with sharp declines in certain years.
- Efficiency ratios suggest moderate debt collection but delayed creditor payments.
- Heavy reliance on debt financing increases long-term financial risk.

SUGGESTIONS

- Strengthen equity base to reduce dependence on debt.
- Implement cost-control measures to stabilize profitability.
- Improve debtor management to enhance cash flow.
- Adopt strategic financial planning for long-term sustainability.

CONCLUSION

APSPDCL's financial performance over five years reflects structural challenges in liquidity, profitability, and solvency. While occasional improvements are noted, the company requires robust financial management, equity strengthening, and operational efficiency to achieve stability and growth.

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Website of APSPDCL for the excretory more details.

<https://www.apspdcl.in/>