

Evaluation of Profitability Ratios of Karnataka Electricity Supply Companies: A Comparative Study of GESCOM and HESCOM

Dr. A P. Hosmani¹, Nagamma²

¹ Senior Professor (Retd), Department of Commerce, Gulbarga University Kalaburagi

² Research Scholar, Department of Commerce, Gulbarga University Kalaburagi

Abstract - Study aims to evaluate the financial performance of Karnataka electricity supply companies during the period 2015-2020 to 2023-2024 by analyzing the profitability ratio. This study applies a Descriptive Quantitative method. The study sample included two companies. Data is obtained from financial statements. Profitability ratios, play a role as the main indicator in assessing a company's financial stability and performance. Results of profitability ratio analysis to assess operational efficiency and determine profit increase strategies.

Key Words: Profitability, Revenue, Financial Performance, Ratio, Electricity.

1. INTRODUCTION

Financial evaluation is an important element in determining the stability of a company. One oft-used approach is financial ratio analysis, which includes a variety of indicators to measure profitability, liquidity, efficiency and solvency. Among these various ratios, the profitability ratio is the main focus because it shows the extent to which a company can optimize its assets, equity, and income to generate profits. Profitability ratios, such as Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin, and Net Profit Margin, play an important role in assessing the effectiveness of a company's operations and strategy. By analyzing these ratios, managers, investors, and stakeholders can assess whether companies in the electricity supply companies have stable financial performance and have the potential to grow in the long term. In addition, the profitability ratio is a valuable tool in the companies decision-making process, allowing companies to identify the factors that affect profitability and formulate strategies to improve operational efficiency. The profitability ratio is a very important tool in analyzing a company's financial performance and making strategic decisions to improve

the company's ability to generate profits.

2. REVIEW OF LITERATURE

Anggal noor ramdhan, nur afni yulianti, nurhanad dhe a paelin covered evaluation the financial performance of companies in the food and beverage sector during the period 2020–2023 by analysing the profitability ratio. Researcher use the results of profitability ratio analysis to assess operational efficiency and determine profit increase strategies.

3. OBJECTIVE OF THE STUDY

- To evaluate the profitability position of the (GESCOM) Gulbarga electricity supply company limited.
- To evaluate the profitability position of the (HESCOM) Hubli Electricity Supply Company Limited.
- To compare the both companies profitability position of selected electricity supply companies of the Karnataka state.

4. RESEARCH METHODOLOGY

This type of research uses a descriptive method that aims to provide a systematic overview of providing an in-depth picture of the content or characteristics of a variable in the research. This research focuses on the systematic presentation of data or information without involving testing of specific hypotheses. This data is purely based on secondary that data was collected from publish journals and annual reports of both GESCOM and HESCOM websites internet etc. this study contain quantities type of research.

5. Data Analysis and Interpretation

- To evaluate the profitability position of the (GESCOM) Gulbarga electricity supply company limited

Table number 1.1

Years	Net Profit/loss	Revenue from Operation	Ratio
2019-2020	-99227.72	511309.91	-19.4
2020-2021	-111668.72	517880.84	-21.56
2021-2022	-5324.79	585101.51	-0.91
2022-2023	-29621.31	734160.62	-4.03
2023-2024	-149662.39	886175.68	-16.89
Mean	-79100.986	646925.712	-12.558
SD	59866.14212	161025.5671	9.42095908
CV	-0.756831806	0.2489089	-0.7501958

Source of data: Annual reports.

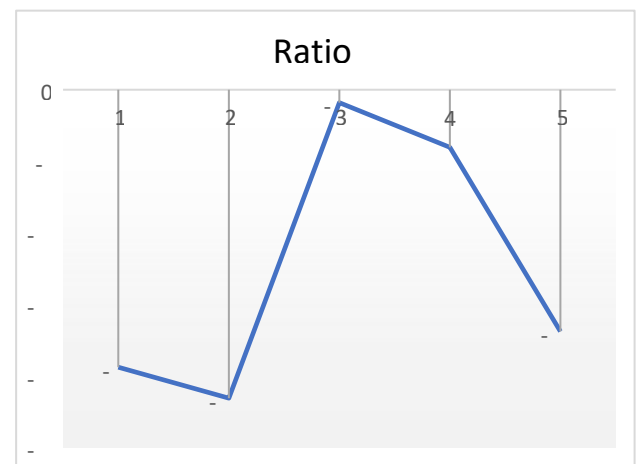
Interpretation

The company recorded negative net profit ratios in all five years, which indicates continuous net losses throughout the study period. In 2019–2020, the net profit ratio was -19.4%, showing a heavy loss compared to revenue earned. The ratio further declined to -21.56% in 2020–2021, indicating worsening financial performance. During 2021–2022, the ratio improved significantly to -0.91%, which means the company almost reached the break-even point and controlled its losses effectively. However, the ratio again deteriorated to -4.03% in 2022–2023 and sharply declined to -16.89% in 2023–2024, showing increasing operational inefficiency and rising expenses. The mean net profit ratio of -12.558% indicates that, on average, the company incurred losses during the study period. The standard deviation of 9.42 shows fluctuations in profitability performance. The coefficient of variation (CV) of -0.75 indicates instability and inconsistency in net profitability over the year.

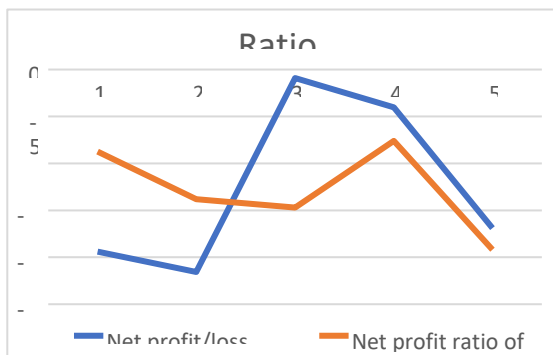
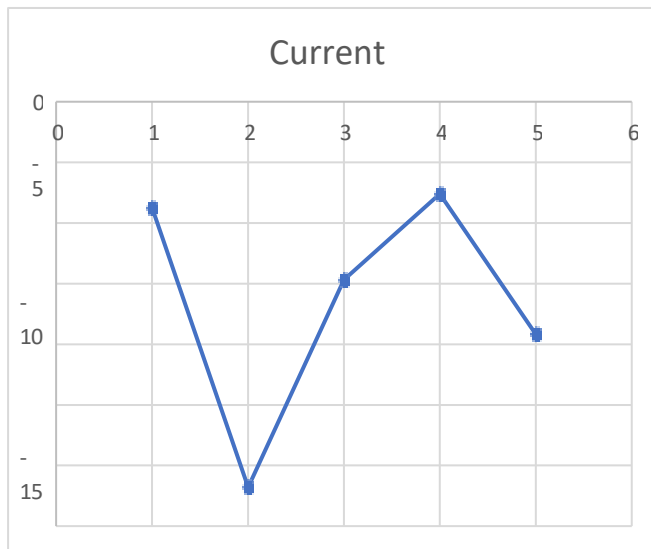
- To evaluate the profitability position of the (HESCOM) Hubli Electricity Supply Company Limited

Table number: 1.2

Years	Net profit or loss	Revenue from Operation	Ratio
2019-2020	-6822129014	77922517551	-8.75
2020-2021	-24902600214	78300162517	-31.8
2021-2022	-129362.65	880438.36	-14.69
2022-2023	-83622.56	1100023.01	-7.6
2023-2024	-264020.21	1346514.4	-19.18
Mean	-6345041247	31245201409	-16.404



SD	10786371026	42782943856	9.795087
CV	-1.699968622	1.369264461	-0.59712



Source of data: annual reports

Interpretation

The table and graph present the net profit ratio of HESCOM Hubli Electricity Supply Company Limited for the period from 2019–2020 to 2023–2024. The net profit ratio indicates the relationship between net profit or loss and revenue from operations. The company reported negative net profit ratios during all five years, showing that the company incurred net losses continuously throughout the study period. In 2019–2020, the ratio was -8.75%, indicating a moderate level of loss. The ratio further declined sharply to -31.8% in 2020–2021, which represents the worst profitability performance during the study period. In 2021–2022, the ratio improved to -14.69%, indicating partial recovery and better management of expenses. The company further improved its position in 2022–2023 with a ratio of -7.6%, which was the best performance among all years. However, in 2023–2024, the ratio again declined to -19.18%, reflecting increasing losses and reduced profitability efficiency. The mean ratio of -16.404% indicates that the company experienced an average net loss during the study period. The standard deviation of 9.79 shows fluctuations in

profitability performance, while the coefficient of variation of -0.59712 indicates inconsistency and instability in the company's net profitability position.

- To compare the both companies profitability position of selected electricity supply companies of the Karnataka state

Table number: 1.3

Years	Net profit/ loss ratio of GESCOM	Net profit ratio of HESCOM
2019-2020	-19.4	-8.75
2020-2021	-21.56	-13.8
2021-2022	-0.91	-14.69
2022-2023	-4.03	-7.6
2023-2024	-16.89	-19.18
Mean	-12.558	-12.804
SD	9.420959081	4.709536071
CV	-0.750195818	-0.367817563

Interpretation

The table and graph show the Net Profit/Loss Ratio of GESCOM and HESCOM for five years from 2019–2020 to 2023–2024. Both companies recorded negative ratios throughout the study period, indicating continuous net losses.

GESCOM showed a highly fluctuating trend. The loss ratio was very high in 2019–2020 and 2020–2021, improved significantly in 2021–2022, but again deteriorated in the later years. The mean ratio of GESCOM was -12.558, indicating an average loss position during the period.

HESCOM also experienced negative net profit/loss ratios in all years. Compared to GESCOM, HESCOM's ratios were relatively more stable. The mean ratio of HESCOM was -12.804, which is slightly lower than GESCOM.

The standard deviation of GESCOM (9.42) is higher than HESCOM (4.71), showing that GESCOM had greater fluctuations in profitability. The coefficient of variation of GESCOM is also higher, indicating lower consistency in financial performance compared to HESCOM.

6. CONCLUSION

The analysis of net profit/loss ratios reveals that both GESCOM and HESCOM faced persistent losses during the study period although both companies showed similar average loss ratios, HESCOM maintained comparatively better stability in its financial performance. GESCOM Experienced higher fluctuations indicating inconsistent profitability management. overall, both companies need effective financial and operational strategies to improve profitability and achieve long term financial sustainability.

REFERENCES

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