

Performance Evaluation of Southern Power Distribution Company of A.P Limited, Tirupati

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Abstract

The study reveals that APSPDCL has improved its financial performance through digital billing systems, online payment facilities, infrastructure development, and modernization programs. Measures such as smart metering, energy audits, and reduction of transmission and distribution losses have helped improve operational efficiency and revenue realization. Government subsidies and reforms have also supported the company in maintaining uninterrupted power supply and expanding services to rural and agricultural sectors. However, the company continues to face financial challenges including high power purchase costs, subsidy burdens, power theft, delayed bill collections, and increasing operational expenses. These issues affect profitability and financial stability. The study suggests that further reduction of losses, strengthening of collection mechanisms, adoption of smart technologies, and efficient financial management are necessary for improving the long-term financial sustainability of APSPDCL. The study concludes that APSPDCL has shown satisfactory progress in financial management and modernization, but continuous reforms and strategic planning are essential to achieve stronger financial performance and sustainable growth in the future.

Keywords: APSPDCL, financial, Performance and Power

I. Introduction:

Southern power Distribution Company of A.P Limited is one of the Main Power Distribution Government undertaking Company in India. AP Power Sector reforms aimed to establish Power Distribution Companies as government undertakings. The Government of Andhra Pradesh formally declared the creation of these companies in Andhra Pradesh Gazette No. 37, published on Friday, 31 March 2000. As part of this restructuring, the Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) was constituted with its Corporate Office and Headquarters in Tirupati.

Reliable and affordable power supply is a key driver of a state's economic and social development, supporting growth in the agricultural, industrial, and commercial sectors while meeting the increasing demand from domestic consumers. With this objective, the Government of Andhra Pradesh initiated the first phase of power sector reforms on 1 February 1999 by unbundling the Andhra Pradesh State Electricity Board (APSEB) into Andhra Pradesh Power Generation Corporation (APGENCO) for generation and Andhra Pradesh Transmission Corporation (APTRANSCO) for transmission and distribution. Subsequently, distribution activity of APTRANSCO was further reorganized into four distribution companies to cater to different regions of the state.

Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL) commenced its operations on 1 April 2000 to cater to the power distribution needs of the districts of Krishna, Guntur, Prakasam, Nellore, Chittoor, and Kadapa. The company was established with the vision of becoming an efficient and commercially self-sustainable utility, committed to providing reliable and quality power supply while contributing to the overall economic development of the state.

Following the bifurcation of the erstwhile State of Andhra Pradesh on 2 June 2014, the districts of Anantapur and Kurnool were brought under the jurisdiction of APSPDCL. Subsequently, on 1 April 2020, APSPDCL was reorganized into two separate distribution companies APSPDCL and Andhra Pradesh Central Power Distribution Corporation Limited (APCPDCL). The newly formed APCPDCL, headquartered at Vijayawada, assumed responsibility for the Krishna, Guntur, and Prakasam Operation circles.

II. Objectives of the Study

1. To evaluate the financial performance of APSPDCL during the period.
2. To analyze the operational efficiency of APSPDCL with reference to collection efficiency and AT&C loss reduction.
3. To examine the financial position, debt burden, and liquidity status of the company.
4. To suggest suitable measures for improving the financial stability and operational performance of APSPDCL.

III. Company Overview:

Over the past five years, APSPDCL has experienced extreme financial volatility, marked by a massive loss of ₹2,054.24 crore in FY 2021–22 followed by only marginal profitability in the remaining years, yet it has simultaneously achieved significant operational and balance-sheet improvements: the company expanded its total balance sheet from ₹31,363.72 crore to ₹52,419.54 crore—an increase of 67%—and delivered a major operational turnaround that was formally recognized in national assessments, with its DISCOM rating upgraded from 'C' to 'B' grade in the 14th Annual Integrated Rating of DISCOMs (2026). This operational progress is reflected in key performance indicators, as collection efficiency improved from 94.91% to 99.26% and Aggregate Technical & Commercial (AT&C) losses were reduced from 12% to 7.9%, demonstrating stronger billing, collection, and loss-reduction mechanisms.

IV. Financial Performance Over Five Years

1 Revenue and Income

APSPDCL's revenue from operations exhibited significant volatility over the last five years, peaking at ₹19,048.15 crore in FY 2022–23 before declining in both FY 2023–24 (₹16,686.73 crore) and FY 2024–25 (₹14,783.86 crore), reflecting fluctuations in tariff income and consumption patterns. Subsidies and grants, which primarily represent government reimbursement for agricultural power consumption, were highly erratic: they reached a low of ₹3,649 crore in FY 2021–22, surged dramatically to ₹8,910.09 crore in FY 2023–24, and then slightly declined to ₹8,831.17 crore in FY 2024–25. Despite this volatility, total income grew overall from ₹19,882.09 crore in FY 2020–21 to ₹25,837.11 crore in FY 2024–25, though this upward trajectory was interrupted by a dip in FY 2021–22 when total income fell to ₹19,734.02 crore. The most defining characteristic of APSPDCL's income structure is its heavy dependence on government subsidies, particularly for agricultural consumption; in FY 2024–25, subsidies alone accounted for 34.2% of total income, underscoring that the company's financial viability is critically tied to continued government support rather than purely commercial revenue from power sales, and any significant variation in subsidy timing or quantum can materially impact the company's ability to cover its power purchase costs and operating expenses.

2 Cost Structure and Expenses

Power purchase cost is APSPDCL's dominant expense, ranging from ₹15,309.89 crore to ₹20,355.63 crore over the last five years, and in most years it has consistently exceeded revenue from operations, demonstrating that tariff revenues alone are insufficient to cover the cost of power without government subsidies; this is clearly reflected in the power purchase-to-revenue ratio, which stood at 116.0% in FY 2020–21, 116.3% in FY 2021–22, dipped slightly to 103.1% in FY 2022–23, then rose sharply to 122.0% in FY 2023–24 and further to 124.5% in FY 2024–25. Finance costs also rose dramatically, increasing from ₹961.56 crore in FY 2020–21 to ₹2,934.65 crore in FY 2024–25—a 205% surge—which pushed finance costs as a percentage of revenue from 7.3% to 19.9%, underscoring the company's heavy debt burden and the growing 侵蚀 of profitability by interest expenses. Employee benefits expense increased gradually over the period, with a notable spike in FY 2023–24 to ₹3,399.48 crore before declining in FY 2024–25 to ₹2,852.96 crore, reflecting variations in staffing costs and possibly one-time expenditures in that year. Together, these expense trends highlight APSPDCL's structural cost challenge: power purchase costs that exceed operational revenues, escalating finance costs due to high leverage, and variable employee expenses, all of which make the company's financial sustainability heavily dependent on subsidies and cost-control measures.

3 Profitability

APSPDCL's profitability over the last five years has been highly unstable, ranging from a breakeven profit of ₹1.60 crore in FY 2020–21 to a massive loss of ₹2,054.24 crore in FY 2021–22, which was driven by high total expenses of ₹21,788.26 crore against lower total income of ₹19,734.02 crore, compounded by reduced subsidies of only ₹3,649

APSPDCL Balance Sheet From the F.Y 2020-21 To F.Y 2024-25 Rs. In Cr						
Particulars	Note No	2020-21	2021-22	2022-23	2023-24	2024-25
I. EQUITY AND LIABILITIES						
(1) Shareholders' Funds						
(a) Share Capital	1	358.72	358.72	358.72	358.72	358.72
(b) Reserves and Surplus	2	-6768.93	-8454.11	-7125.66	-6435.76	-5805.04
(2) Non-Current Liabilities						
(a) Long-term borrowings	3	11501.31	15640.53	21947.04	21603.53	21909.06
(b) Other Long-term liabilities	4	1082.44	1896.95	2209.72	2451.07	2639.67
(c) Long-term provisions	5	1913.23	2761.40	3398.74	4239.25	4668.11
(3) Current Liabilities						
(a) Short-term borrowings	6	3889.97	4208.85	6377.99	10880.61	13778.15
(b) Trade payables	7	14814.44	15480.07	5563.23	10346.07	12860.90
(c) Other current liabilities (including current maturities of Long term debt)	8	4358.32	1150.49	1613.01	2061.67	1917.50
(d) Short-term provisions	9	214.22	144.59	76.61	95.66	92.46
TOTAL		31,363.72	33,187.49	34,419.40	45,600.82	52,419.54
II. ASSETS						
(1) Non-current assets						
(a) Property, Plant and Equipment						
(i) Tangible assets	10	6232.82	6693.83	7292.57	8429.13	9,200.23
(ii) Intangible assets	10	16.35	12.09	18.06	10.55	6.71
(iii) Capital work-in-progress	10	1851.68	2327.34	3067.26	4278.55	5,011.56
(b) Non-current Investments	11	184.55	184.55	184.55	270.81	356.05
(c) Long term loans and advances	12	240.29	245.3	427.06	486.56	380.14
	12A			2663.02	5420.09	1,855.92
(2) Current assets						
(a) Inventories	13	210.89	192.57	506.89	808.4	829.96
(b) Trade receivables	14	6768.05	8277.49	12132.57	15011.6	12,020.72
(c) Cash and cash equivalents	15	360.42	450.14	169.52	485.7	6,527.71
(d) Short-term loans and advances	16	5499.68	4962.54	914.69	2404.69	6,213.48
(e) Other current assets	17	9998.98	9841.64	7043.21	7994.74	10,017.05
TOTAL		31,363.71	33,187.49	34,419.40	45,600.82	52,419.53

crore and elevated power purchase costs; this was followed by a strong recovery in FY 2022–23 with a profit of ₹1,233.80 crore, supported by higher total income of ₹25,371.63 crore and one-time exceptional items of ₹1,232.54 crore, while FY 2023–24 and FY 2024–25 saw a return to near-breakeven profits of ₹1.35 crore and ₹2.46 crore respectively. This volatile profit pattern reveals that APSPDCL's financial performance is heavily dependent on government subsidies, exceptional one-time gains, and fluctuations in power purchase costs and tariffs, rather than on

a stable, sustainable operating margin, as the company's core operations consistently barely break even in most years without these external supports.

VI. Balance Sheet and Capital Structure

1. Equity and Liabilities

APSPDCL's balance sheet has undergone significant transformation over the last five years. The company's debt burden has escalated sharply: long-term borrowings increased by 90% from ₹11,501.31 crore to ₹21,909.06 crore, while short-term borrowings more than tripled from ₹3,889.97 crore to ₹13,778.15 crore, indicating a growing and concerning reliance on short-term debt to fund operations and capital requirements. Total liabilities expanded by 67% over the five-year period, rising from ₹31,363.72 crore to ₹52,419.54 crore, and the debt burden has become particularly severe, with total borrowings (long-term plus short-term) in FY 2024–25 amounting to ₹35,687.21 crore, which represents approximately 98% of total liabilities, demonstrating a highly leveraged capital structure where borrowings dominate the liability side and the company's financial flexibility is increasingly constrained by debt servicing obligations.

2 Asset Base and Capital Expenditure

APSPDCL's asset base has expanded significantly over the last five years, with tangible property, plant and equipment (PPE) growing by 47.6% from ₹6,232.82 crore to ₹9,200.23 crore, reflecting sustained infrastructure investment and network expansion. Capital work-in-progress (CWIP) more than doubled from ₹1,851.68 crore to ₹5,011.56 crore, indicating substantial ongoing capital projects and a robust pipeline of future asset additions. Trade receivables increased sharply until FY 2023–24, reaching ₹15,011.60 crore, then declined in FY 2024–25 to ₹12,020.72 crore, which likely reflects improved collection efficiency and better receivables management.

VII. Financial Health and Risk Assessment

1 Leverage and Debt Servicing

APSPDCL's debt burden has become critically high, with total borrowings in FY 2024–25 amounting to ₹35,687.21 crore, comprising ₹21,909.06 crore in long-term borrowings and ₹13,778.15 crore in short-term borrowings. The company's equity base is severely weakened, with share capital of only ₹358.72 crore and reserves & surplus at – ₹5,805.04 crore, resulting in net equity of – ₹5,446.32 crore (negative equity). This negative shareholders' equity indicates that the company's liabilities exceed its assets on a book value basis, meaning APSPDCL is technically insolvent on an equity foundation. However, the company continues to operate due to government ownership and support, ongoing subsidies for agricultural consumption, and the protective regulatory framework for essential power services. The debt service burden is severe: finance costs surged from ₹961.56 crore to ₹2,934.65 crore over five years (a 205% increase), and the interest coverage ratio (EBIT divided by finance cost) remains extremely low, often near or below 1, indicating a weak ability to service debt from operating profits alone.

2 Liquidity

APSPDCL faces notable liquidity pressure, though this was partially alleviated in FY 2024–25. Current assets (trade receivables plus cash) totaled ₹18,548.43 crore in FY 2024–25, with trade receivables at ₹12,020.72 crore and cash & equivalents at ₹6,527.71 crore. However, current liabilities (short-term borrowings, trade payables, and other current liabilities) amount to approximately ₹28,556.55 crore, comprising ₹13,778.15 crore in short-term borrowings, ₹12,860.90 crore in trade payables, and ₹1,917.50 crore in other current liabilities. This creates a current ratio below 1, indicating that short-term obligations exceed short-term assets. The sharp increase in cash balances to ₹6,527.71 crore in FY 2024–25 has improved liquidity relative to previous years, but the company remains vulnerable to cash flow disruptions.

Total income was ₹25,837.11 crore against total expenses of ₹25,834.65 crore, yielding a profit of ₹2.46 crore. Subsidies remained very high at ₹8,831.17 crore, and cash & equivalents jumped to ₹6,527.71 crore, significantly improving liquidity. AT&C losses and collection efficiency improvements were reflected in the national rating upgrade. The company remains marginally profitable but with a stronger liquidity position than previous years.

VIII. Strengths

APSPDCL's key strengths include a significant operational turnaround, with collection efficiency improving to 99.26% and AT&C losses reduced to 7.9%, leading to an upgrade to 'B' grade in the national DISCOM rating. The company serves a large and diversified consumer base of over 7.7 million LT consumers across significant agricultural

and industrial segments. It maintains a substantial infrastructure base with 1,460 substations, 771,828 distribution transformers, and 6,528 feeders. Government backing through ongoing subsidies and policy support ensures continued operation despite negative equity. Recent liquidity improvement is evident from cash & equivalents increasing to ₹6,527.71 crore in FY 2024–25.

IX. Weaknesses and Risks

APSPDCL faces critical weaknesses and risks, beginning with negative equity and high leverage: reserves & surplus stand at –₹5,805.04 crore (FY 2024–25), and total borrowings amount to ₹35,687.21 crore. The company is heavily dependent on subsidies, which account for a large share of total income; without them, APSPDCL would incur significant losses. Operating margins are extremely thin, with profit margins consistently near zero except for the exceptional-items year. Finance costs increased 205% over five years, eroding profitability. Revenue from operations is volatile, peaking in FY 2022–23 and then falling in subsequent years.

X. Outlook and Recommendations

APSPDCL is likely to remain marginally viable as long as government subsidies continue at current levels, AT&C loss reduction and collection efficiency improvements are sustained, and tariff adjustments keep pace with power purchase costs. However, structural financial weaknesses—negative equity, high debt, and thin margins—remain long-term risks.

Key Recommendations:

- **Tariff and cost rationalization:** Align tariffs more closely with cost of supply, especially for non-subsidized segments, and continue improving power purchase efficiency through better PPAs.
- **Debt restructuring:** Convert part of short-term debt into long-term debt to reduce liquidity pressure and explore government capital infusion to improve the equity base.
- **Sustained operational reforms:** Continue RDSS-aligned initiatives to further reduce AT&C losses and expand smart metering and digital billing to sustain high collection efficiency.
- **Diversify revenue streams:** Explore value-added services, renewable integration, and demand-side management programs.
- **Strengthen financial planning:** Build internal contingency reserves to reduce exposure to subsidy timing and power purchase cost shocks.
- **Regulatory Reforms:** The Hon'ble APERC present regulations allow true-up/down in respect of Distribution Cost only at the end of the 5 years of control period. The regulation must be changed to recover true-up/down on yearly basis so that the DISCOMs are not burdened with unnecessary delay in recovering actual cost over approved.

XI. Conclusion

Over the past five years, APSPDCL has achieved notable operational improvements, particularly in collection efficiency and reduction of Aggregate Technical & Commercial (AT&C) losses, earning national recognition with a 'B' grade rating. Despite these operational gains, the company has experienced considerable financial volatility, including a substantial loss of ₹2,054.24 crore during FY 2021–22, while the profits reported in other years remained marginal and were largely supported by government subsidies and exceptional income.

The company continues to operate with a highly leveraged balance sheet and negative net worth, although its asset base has expanded and liquidity position has shown recent improvement. While APSPDCL has made steady progress in operational performance, its financial position remains fragile. Long-term sustainability will depend on continued support from the Government, sustained reduction in losses, and implementation of structural financial reforms aimed at strengthening the capital structure and reducing debt obligations.

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