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# A Study on "Financial Performance of BESCOM"

**Dr. K. Jayalakshmamma**

Asst Professor, Govt. R.C. College of Com & Mgt, BANGALORE-01

**ABSTRACT**

*The power sector in the country has been witnessing far-reaching changes in the last few years. Most of the monolithic state electricity boards have been unbundled generation, transmission and distribution activities separated by creating separate companies. Regulatory commissions have been set up to ensure efficiency and economy in activities of electricity industry besides fixing the electricity tariffs in a transparent manner. All these measure were initiated to improve the poor finical health of state owned power utilities to overcome the power shortage (particularly during peak hours) and ensure reliability and quality of power to the consumers. Karnataka is one of the few states in the country which are in the forefront of power sector reforms. It passed the Karnataka Electricity reforms Act in 1999.*

**KEYWORDS: Power sector, efficiency, finical health & electricity tariffs**

## INTRODUCTION

Aims to achieve continuous performance, enhancement in the areas of operation and management of the infrastructure, implementation of new projects/schemes and to require and sustain best practices in these areas with good business ethics and values. The Mysore state had the enviable and glorious position of establishing the first major hydroelectric generating station for commercial operations at Sivanasamudram as early as 1902. The art at that time was still in its infancy, even in the advanced countries. The longest transmission line, at the highest voltage in the world, was constructed to meet the power needs of mining operations at kolar gold fields. The generating capacity of the shivanasamudram power house gradually increased to 42 MW in stages. To meet the increasing demand for power, the shimsha generating station, with an installed capacity of 17.2 MW, was commissioned in the year 1940. The power demand was ever on the increase, for industries and rural electrification, and additions to generating capacity became imperative. The 1st stage of 48 MW and 2nd stage of 72 MW of the Mahatma Gandhi Hydroelectric Station were commissioned during 1948 and 1965, respectively. The state of Karnataka, with availability of cheap electric power, and other infrastructure facilities, was conducive for increased tempo of industrial activity. It became necessary to augment the power-generating capacity by harnessing the entire potential of the Sharavathi valley. The first unit of 89.1 MW was commissioned in 1964 and completed in 1977.

To improve the performance of the power sector and in tune with the reforms initiated by Government of India, the Government of Karnataka came out with a general policy proposing fundamental and radical reforms in the power sector. Accordingly an Act, namely the Karnataka Electricity Reforms Act was passed by the Karnataka Legislature. The Reforms has mandated major restructuring of the Karnataka Electricity Board and its Corporation. As part of corporation, Karnataka Electricity Board ceased to exist and Karnataka Power Transmission Corporation Limited was constituted from 1st August 1999.

As a part of the reforms, the distribution sector was further divided into 4 companies viz.

**BESCOM**-Bangalore Electricity Supply Company Limited.

**HESCOM**-Hubli Electricity Supply Company Limited.

**MESCOM**-Mangalore Electricity Supply Company Limited.

**GESCOM**-Gulbarga Electricity Supply Company Limited.

These companies came into existence from 1st June 2002.

### Statement of the problem:

Power is highly required for any economic sectors of the world as well as for all the human beings this power is mainly supplied by BESCOM and more over there are no competitors for the supply of power for BESCOM this study is mainly conducted to know the performance of BESCOM in supplying power to all the sectors of the economy as well as its achievements in satisfying the needs of the society.

### Objectives of study:

a) To know the growth & development of BESCOM.
b) To know the different services rendered by the BESCOM to the customers.
c) To identify the performance of BESCOM.

### Scope of the study:

The area of study is limited to the functioning of BESCOM at Chickballapur for 3 years.

### Methodology : Primary Data

The data has been collected from the primary sources by formal interviews & discussions with the employees of the BESCOM.

### Secondary Data

Secondary data relating to the study has been collected from the journals, newspapers & internet.

### Tools for data collection:

Data required for the study is collected through published statements of annual accounts of BESCOM, Such as profit and loss account and balance sheet. This is further supplemented by information gathered during the discussion with their branch manager.

### Plan of Analysis:

The analysis as been done with the help of financial statements comparison of past years tables and statements of the company.

### Limitations of the study

1. Limitation of time: The time provided for the study was limited.
2. Limitation of data collection: Due to shortage of time only important information has been collected.
3. Some information cannot be collected as it is confidential.

## PLAN OF ANALYSIS

### Unmetered Energy

| SLNO | CATEGORY | IN CRORE |
|---|---|---|
| 1 | Irrigation Pump Sets | 2694 |
| 2 | Public | 3045 |
| 3 | BJ / KJ | 81.9 |
| | Total | 5820.9 |

Total Energy Sold : 14115 Mus

%energy loss : 25.07% (without EHT)

### Power supply

Power supply to rural areas was ensured to be per the direction of the state government.

**EFFICIENCY IMPROVEMENT**

As a consequence are objective approaches. The revenue demand and collections have shown as increased trend has continued in FY-2008.

**Table shows the Revenue Demand**

| | | |
|---|---|---|
| Demand FY | 04 | Rs.2769 |
| Demand FY | 05 | Rs.3195 |
| Demand FY | 06 | Rs.3675 |
| Demand FY | 07 | Rs.3915 |
| Demand FY | 08 | Rs.4347 |

**INTERPRETATION:**

Form the above table we can observe that the revenue demand of BESCOM is increasing year by year when compare to previous year like 2006 &b 2007. i.e., it is increase in increasing rate.

**Table shows Revenue Collections**

| Particular | Years | Amount (Crores) |
|---|---|---|
| Collection FY | 2006 | Rs.3675 |
| Collection FY | 2007 | Rs.3815 |
| Collection FY | 2008 | Rs.4347 |

**INTERPRETATION:**

The revenue collection has increased. The percentage of revenue is 14.37% Revenue Gap is down by 42.8% from Rs.421 Crores to Rs. 237 Crores.

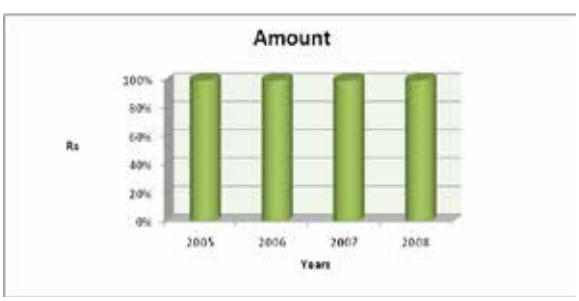



**Table shows Collection Efficiency**

| Collection Efficiency | Without BJ/KJ | overall |
|---|---|---|
| FY-06 | 95.60% | 84.28% |
| FY-07 | 96.07% | 86.84% |
| FY-08 | 96.15% | 87.73% |

**INTERPRETATION:**

Form the above table we can observe that the collection efficiency of BESCOM in increased every year when compared to previous year i.e., for 2007-86.84% & 2008-87.73% it shows that the company has to increase its collection efficiency.

**Table shows Showing Meter Consumption**

| Year | Input Energy (MU) | Meter Consumption (MU) | % percentage |
|---|---|---|---|
| FY – 2007-08 | 18539.2 | 14115.43 | 76.13 |

The metered consumption has increased.

**Table Showing Reserves & Surplus**

| Particulars | 2007-08 | 2006-07 | 2005-06 |
|---|---|---|---|
| Reserves & Surplus | 280.71 | 75.2 | 275.36 |
| Total | 280.71 | 75.2 | 275.36 |

**INTERPRETATION:**

From the above table we can observe that the reserves & surplus of BESCOM is 275.36 in the year 2005-06 & It has been decreased by 75.2 in the year 2006-07 & it has been increased to 280.71 in the year 2007-08.

**Table Showing the Share Deposit**

| Particulars | 2007-08 | 2006-07 | 2005-06 |
|---|---|---|---|
| Share Deposit | 42.86 | 42.86 | 22.62 |
| Total | 42.86 | 42.86 | 22.62 |

**INTERPRETATION:**

From the above table we can observe that the share deposits of BESCOM is 22.62% in the year 2005-06, it has been increased by 42.86% in the year 2006-07 & it has maintain same in the year 2007-08.

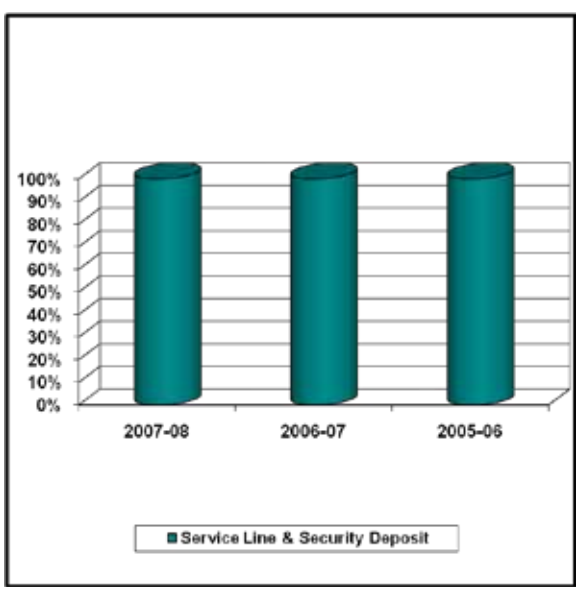
**Table Showing Service Line & Security Deposit**

| Particulars | 2007-08 | 2006-07 | 2005-06 |
|---|---|---|---|
| Service Line & Security Deposit | 30.23 | 14.52 | 40.95 |
| Total | 30.23 | 14.52 | 40.95 |

**INTERPRETATION:**

From the above table we can observe that the securing deposits of BESCOM in the year 2005-06 is 40.95 & it has been decreased to 14.52 in the year 2006-07 & it the year 2007-08 it has been increased to 30.23.

**Chart Showing Service Line & Security Deposit**




**FINDINGS:**

- ✓ Year by year the revenue demanded has been increased as per the increase in revenue demand, revenue collection also increased.
- ✓ Reserve & surplus of the company as increased to (280.71) Rs in crores in 2007-08 when compare to 2005-06 (175.36) crores.
- ✓ Secured loans of the company also increased in 2007-08 when compare to 2005-06.
- ✓ Unsecured loans of the company have been decreased by 3196.63%.
- ✓ The gross & net block assets of the company have been increased year by year & working capital also increased.
- ✓ Current assets of the company has been decreased by 1000 crores it shows credit sales of the company has been decreased.
- ✓ Current liabilities of the company have been increased by 1000 crores which show credit purchase has increased.

**SUGGESTIONS:**

- ➢ The company has increases its reserve demand & revenue collection increased year by year by this it should be maintain the same or increase in future also.
- ➢ In collection efficiency of the company is increased only 5% by this it has increased its collection capacity.
- ➢ The reserve & surplus of the company is increased it shows the company is in good position it should maintain same.

- The same deposits of the company has been increased it shows the healthy position of the company.
- The secured loans of the company is increased it shows the increase in liabilities the company has to reduce the secured loans of the company.
- Unsecured loans of the company is decreased it is good to company.
- The gross & net block of the company is increases it shows the company in good position.
- The current assets of the company have been decreased so that should maintain the same.
- The current liabilities of the company have been increased. It is not good to the company it is better to decrease the current liabilities of the company.

**CONCLUSION:**

From the study conducted by me A STUDY ON PERFOFMANCE OF BESCOM AT CHICKBALLAPUR. I came to know the performance of BESCOM .Then way of classification of costs. I came to know the risk taken by BESCOM both financially & technically by calculating the financial performance of BESCOM from Last 3 years.

So, I have concluded my study with classification & comparison of various item From last 3 years .I have identified various reasons for the decline & improvement in the performance of BESCOM in last 3 financial years. I have also come out with certain suggestions to overcome the reasons for declining in the performance which may help the BESCOM to improve upon functions.

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