



Financial Performance Evaluation of Karnataka Electricity Supply Companies- A Comparative Study of Gulbarga Electricity Supply Company Limited and Hubli Electriscity Supply Company Limited

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Abstract—

The ratio analysis is one of the powerful tool of financial management. Financial ratios are most important for financial evaluation and management decision. In this financial ratio the current ratio measures a company's ability to pay short-term obligations using current assets. hence, in this paper researcher evaluated current ratio of companies. This study aims to evaluate the current ratio and to compare liquidity position of GESCOM and HESCOM. Data were obtained from secondary data in the form of financial statements of two companies for the five years 2019-2020 to 2023-2024. It includes data analysis and interpretation.

Keywords— Evaluation, Liquidity, Financial Ratio, Descriptive, Analytical.



I. INTRODUCTION

A financial ratios or accounting ratios are relative significance of two selected numerical figure taken from a company's financial statements. Financial statement shows images of the company and financial ratios are an important tool for financial statement analysis. There are many financial ratios used to evaluate financial condition of companies. Financial ratios may be used by investor, creditors, borrowers, shareholders, financial advisor etc. All interested parties are analysed and evaluated strengths and weaknesses of various companies. It requires understanding of the way and the rules used for preparing financial statements. The importance of ratio evaluation lies in the fact that presents facts on a comparative basis and enables the drawing inference regarding the performance of a company. Ratio evaluation is relevant in assessing the performance of a company in respect to the liquidity position.

II. LITERATURE REVIEW

Kosana Vani Yadav, Dr. S. Deepthi has analysed following objectives in their article i.e. The growth and development of the transformer manufacturing industry in general and to study the profile of the LG electrical ltd., To evaluate the financial performance of the LG electrical ltd., by calculating liquidity ratio, leverage ratios, turnover ratios & profitability ratios.,To evaluate the performance of the company by using ratios as a yardstick to measure the efficiency of the company. To understand the liquidity, profitability and efficiency positions of the company during the study period., To evaluate and analyse various facts of the financial performance of the company. To make comparisons between the ratios during different periods. And To study the investment pattern and it's related to risk and return, rates of return for efficient portfolios

Gagandeep singhsalooja has explained importance of ratio analysis,types of ratio analysis advantages of ratio analysis limitations of ratio analysis

Wikan Budi Utami has determine the effect of the partially and simultaneously of the Current Ratio (CR), Debt Asset Ratio (DAR), Total Asset Turnover (TATO), Return on Assets (ROA), and Price Earnings Ratio (PER) in predicting profit growth by considering firm size at company incorporated in LQ45 index year 2013 -2016 with company size as control a variable. The technique of determining the sample in this research is by using purposive sampling

Kurbanhusain A. Kadiwala in his article researcher explained the critical concept of financial ratio analyse and the main objective of the study improvement of ratio analysis. The second objective of see relationship between ratio analysis and researchthe researcher has briefly explained Solvency Ratio, Liquidity Ratio, Capital Turnover Ratio, Return on Investment and Profit Margin Ratio

III. OBJECTIVES OF STUDY

- To evaluate liquidity position of GESCOM (Gulbarga Electricity Supply Company Limited)
- To evaluate liquidity position of HESCOM (Hubli Electricity Supply Company limited)
- To compare the current ratio of selected electricity supply companies of the Karnataka State.



IV. METHODOLOGY

This study is purely based on secondary data. Secondary data collected from the published annual reports of the Gulbarga Electricity Supply Company and Hubli Electricity Supply Company, websites, journals and articles. This study is in descriptive and analytical in nature.

V. RESULTS AND DISCUSSION

Date analysis is the process of evaluating clearing, transforming, and modelling data with the goal of discovering useful information, suggesting conclusions and decision making. The steps involved in data analysis typically include collecting and importing data, identifying patterns and trend performing statistical analysis, and visualizing results.

1) To evaluate liquidity position of GESCOM (Gulbarga Electricity Supply Company Limited)

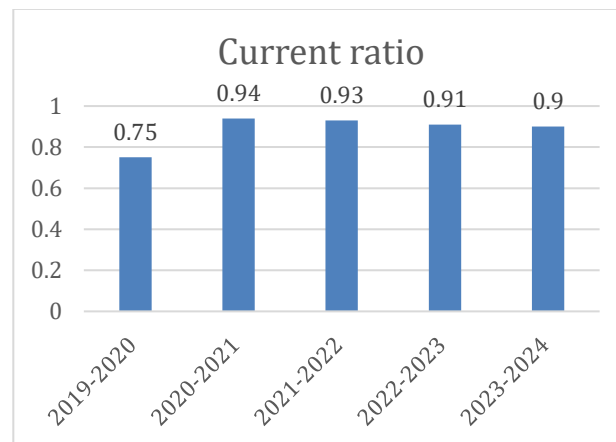
Current Ratio: current ratio is widely used ratio to judge short term financial position or solvency of a company. It can be defined as relationship between current assets and current liabilities. Current ratio of 2: 1 is considered as satisfactory. formula for calculating current ratios given below,

$$\text{Current assts} = \text{Current assets} / \text{Current liabilities.}$$

Table number 1.1

Years	Current assets	Current liabilities	Current ratio
2019-2020	413476.4	548088.24	0.75
2020-2021	468278.88	496796.03	0.94
2021-2022	450045.41	481524.02	0.93
2022-2023	549495.4	603263.34	0.91
2023-2024	692604.39	766488.09	0.9
Mean	514780.096	579231.944	0.886

SD	111177.801	115059.572 4	0.07765307
CV	0.21597144	0.19864162	0.08764455



INTERPRETAION

The above table shows GESCOM company’s current ratio. The current ratio measures the company’s ability to pay short- term obligations using short term assets. The ideal ratio is 2:1 but company’s ratios in the year 2019-2020 is 0.75, in 2020-2021 is 0.94, in 2021-2022 is 0.93, 2022-2023 is 0.91, and in 2023-2024 is 0.90. The mean ratio is 0.886 which is far below the ideal level. This indicates that the company does not have sufficient current assts to cover its current liabilities. Although there was a slight improvement in 2020-2021, the ratios show a decline trend afterward, indicating weakening liquidity.

To evaluate liquidity position of HESCOM (Hubli Electricity Supply Company limited)

Table number: 1.2

Years	Current assets	Current liabilities	Current ratio
2019-2020	79789674 402	99016897659	0.81
2020-2021	67891917 173	75727077360	0.90
2021-2022	387231.74	801371.85	0.48

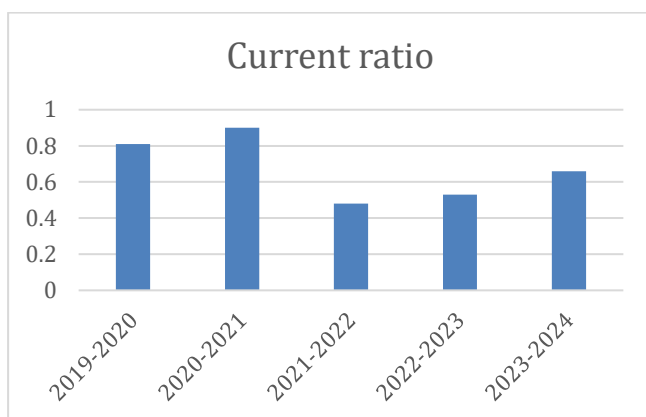


2022-2023	506320.1	954709.83	0.53
2023-2024	640384.14	963824.02	0.66
Mean	29536625102	34949338985	0.676
SD	40662155155	48558353536	0.178969271
CV	1.376668967	1.389392616	0.264747442

➤ **To compare the current ratio of selected electricity supply companies of the Karnataka State**

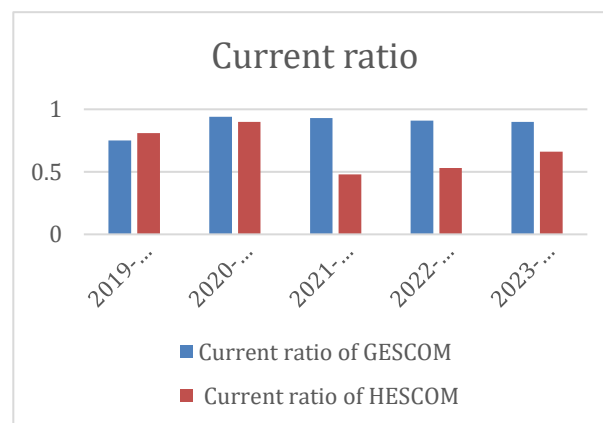
Table number: 1.3

Years	Current ratio of GESCOM	Current ratio of HESCOM
2019-2020	0.75	0.81
2020-2021	0.94	0.9
2021-2022	0.93	0.48
2022-2023	0.91	0.53
2023-2024	0.9	0.66
Mean	0.886	0.676
SD	0.07765307	0.178969271
CV	0.08764455	0.264747442



Interpretation

The above table and graph show that HESCOM Company’s current ratio. Current ratio measures a company’s ability to pay short- term obligations with its assets. The current ratio has fluctuated significantly, starting at 0.81 in 2019-2020 and dropping to a low of 0.48 in 2021-2022. There is positive trend in the two final years, moving from 0.53 to 0.66, suggesting a slight recovery. The above ratios is below the bench mark, generally, a healthy current ratio is considered to be 2.0 or minimum 1.0. the data indicates a weak liquidity position HESCOM heavily dependent on continuous cash flow or external financing to cover its short -term debts, it does not have enough liquid assets to meet current liabilities. The mean current ratio over these five years is 0.676. the coefficient of variation for the current ratio is 0.2647, indicating a moderate level of year-to-year variability in the company’s liquidity position.



Interpretation

The above table and graph show that currents ratios of GESCOM and HESCOM. Both companies consistently show ratios below 1.0. The ideal range generally, a current ratio between 1.5 and 2. Is considered healthy. GESCOMdisplay’s a relatively stable but weak liquidity position the low coefficient of variation 8.7% shows that its ratios have not changes drastically over five years.



HESCOM shows significant decline and volatility, particularly dropping from 0.81 in 2019-2020 to 0.48 2021-2022 before a slight recovery the high coefficient variation 26.4% reflects that inconsistency. GESCOM mean :0.886 and HESCOM mean :0.676.this indicates that potential liquidity challenge as they have fewer current assets than current liabilities to cover immediate obligation. GESCOM is in slightly better liquidity position than HESCOM, through both are below standard. HESCOM has much higher variability, indicating its liquidity position fluctuates more year to year. HESCOM much higher coefficient variation it suggests financial stability is less predictable compared to GESCOM

VI. CONCLUSION

The study is made on the topic evaluation of financial performance of Gulbarga Electricity Supply Company Limited and Hubli Electricity Supply Company Limited – a comparative study for 5 years. Current ratio measured two companies' ability to pay short- term obligation. HESCOM'S ratios being consistently lower than GESCOM'S indicating potential liquidity challenges for both companies, particularly HESCOM. So that HESCOM needs to concentrate on proper maintenance of liquidity position.

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