

# A STUDY ON FINANCIAL PERFORMANCE OF MAHARASHTRA STATE ELECTRICITY DISTRIBUTION COMPANY LIMITED

UGC CARE  
APPROVED

## ABSTRACT

Power functions as a catalyst for the growth of any nation, whether developed, developing, or underdeveloped. Power generation, transmission, and distribution are the three components of the power industry. The main purpose of the study is to draw the trend of different costs in Maharashtra State Electricity Distribution Company Limited during the period from 2016-17 to 2020-21. It is concluded that the shares of cost of purchase of power, employee cost and operating costs declined, finance cost remained unchanged and the administration cost increased during the study period.

**Keywords:** Financial Performance - Electricity Distribution Company - MSEDCL - Cost structure.

## Introduction

Maharashtra State Electricity Distribution Company Limited (MSEDCL) is a wholly owned subsidiary of MSEB Holding Company Limited. It is India's largest electrical distribution utility and the world's second largest in terms of users after SGCC. Except for some sections of Mumbai city, where Brihanmumbai Electric Supply and Transport, Tata Power, and Adani Energy Mumbai Limited supply electricity, MSEDCL distributes electricity across Maharashtra. Electricity is a critical piece of infrastructure for a country's economic success. The growth of commerce and other related activities is vital to every country's economic prosperity. The continued expansion of industry is largely dependent on infrastructural facilities such as water, power, transportation, ports, telecommunications, civil aviation, railways, and so on. Power is recognised as the most important fundamental facility that must be provided without disruption to the industrial sector, as a precondition for industrial expansion and economic development. Power consumption rises at a faster rate as the economy expands. According to the World Bank, power demand will grow at almost double the rate of the economy. The Government had committed to prioritise investment in the power sector. During the 1980s and 1990s, India's industrial production growth closely paralleled changes in the composite index of infrastructure industries. This discovered relationship

between infrastructure expansion and industrial performance has important implications for maintaining higher rates of output growth. The average growth rate of Independent Power Producers and the composite index of infrastructure sectors in the 1990s was 6.5 percent and 6.3 percent, respectively. The similar growth rates in the 1980s were 7.8 percent and 8.4 percent, respectively. The fall in overall infrastructure growth in the 1990s, from 8.4 percent to 6.3 percent, was mostly due to a decline in power, coal, and petroleum production growth. The identification of infrastructure shortages in certain sectors is critical for long-term economic growth. The power industry has significant disparities among the different sub-sectors.

## Review of the Literature

In a broad sense, the power sector refers to the industry that concentrates on the generation and exchange of energy. The sector is separated into generation, transmission and distribution. This being capital in nature requires large investments.

### SHAFI C. K.,

Ph.D Research Scholar  
PG & Research Department of Commerce  
Jamal Mohamed College (Autonomous)  
Affiliated to Bharathidasan University  
Tiruchirappalli, Tamilnadu, India.

### Dr. K. VIJAYAKUMAR

Assistant Professor and Research Advisor  
PG & Research Department of Commerce  
Jamal Mohamed College (Autonomous)  
Affiliated to Bharathidasan University  
Tiruchirappalli, Tamilnadu, India.

Aditya Rai et al (2019) defined that Electricity is one of the most significant factors in the development of any nation's economy. Both the Government and the private sector own electric power firms. In order to enhance the profitability of the sector, efficient and functional infrastructure is essential. Singh (2019) reviewed that "Indian lenders have suffered significantly as a result of stressed loan accounts in the electrical business". Baiju, Sharma, and Layak (2018) stated that between 2016 and 2018, government-owned banks dramatically reduced their lending in the electrical industry. The crisis in the electrical sector has directly hit banks in the form of bad loans, hurting the whole economy. Ghosh (2018), revealed that as a result of RBI directives, numerous power production enterprises are on the edge of insolvency. The power business is responsible for 5.9 percent of all bad loans in the banking sector, amounting to INR 4.73 trillion.

### Scope of the Study

The purpose of the current study on MSEDCL is to shed light on the financial performance and its impact on the organization's profitability. The current study's findings and conclusions may be useful to the selected unit, agriculturists, industrial persons, users, creditors, workers, and the Government in policy making exercises.

### Significance of the Study

Over the previous five decades, Electricity Boards usually had low-capacity utilisation owing to deficiencies in plant operation and maintenance, deficiencies in equipment and poor quality of inputs. This paper focuses on the trend in MSEDCL for the costs to measure the growth or decline during the study period. It will give an insight about the financial position of the power distribution companies.

### Statement of the Problem

Power sector companies have had tough challenge of providing a sufficient quantity of electric power in various parts of the country to meet the country's ever-increasing demand. State electricity utilities typically had low capacity utilisation due to flaws in plant operation and poor quality of inputs used. The ever-increasing need for power demands the electricity utilities' efficient operation and performance. Scholars

completed several research on the various elements of India's electricity companies but none on the financial ramifications of the aforementioned concerns. As a result, the researcher attempted to analyse the trend for the costs to measure the growth or decline during the study period.

### Objectives

Main aim of this paper is to analyse the different costs of MSEDCL during the five year period from 2016-17 to 2020-21. The following objectives are considered to measure the cost structure of the Company. The objectives are

1. To study the different cost and their share during the study period
2. To measure the growth or decline during the study period.

### Research Methodology

It is a Case Study made in MSEDCL to analyse the financial performance through its cost structure. The required secondary data were collected from annual report of the company for the period of 2016-17 to 2020-2021. The contribution of each cost is analysed with the help of percentage.

### Findings and Results

The price of the electricity is regulated by the regulatory commissions in order to avail the electricity by every section of the consumers in the country at reasonable prices. Hence, the companies are trying to control their cost to retain the profitability while providing service. In this perspective, the different costs incurred by the MSEDCL are studied in this paper to understand the contribution of each cost in the total expenditure incurred. Based on the financial statements published by the Company, costs are mainly classified into purchase of power, employee benefits expenses, operating and maintenance expenditure, administration and general expenses and miscellaneous expenditures and financial expenditures. The paper is trying to measure the share of each cost in the total expenditure and their trend during the study period.

### Contribution of different costs

As discussed, the different costs considered in the study, their amount (Rupees in Lakhs) and share (percentage) are given in the following tables. The data is taken for the five years (2016-17 to 2020-21) from the annual report and the costs are summarised based on the data given in the report.

**Table 1**  
**Contribution of different costs (Rs. in Lakhs)**

Year	Purchase of power	%	Employee benefit expenses	%	Operating & Maintenance Expenses	%
2016-17	4761864.88	75.55	412112.2	6.54	362402	5.75
2017-18	5349819.90	77.07	410727.8	5.92	374891.49	5.40
2018-19	6342583.91	75.70	462672.7	5.52	370955.35	4.43
2019-20	6885039.12	76.32	518614.3	5.75	392222.96	4.35
2020-21	6265139.70	74.75	537239.4	6.41	452219.7	5.40

(Source: The financial statements of the company given in the annual report)

The purchase of power (main expenditure of the company to procure the power from the producers), has been Rs. 47618 crores in the year 2016-17 which stood at 75.55%, increased to 77.07% in the year 2017-18 and reduced to 74.75% at the end of the period. The labour cost was Rs. 4121 crores (6.54%) in the year 2016-17 and ended with Rs. 5372 crores (6.41%) in 2020-21. The operating and maintenance cost was Rs. 3624 crores in the year 2016-17 at 5.75% and reduced to 4.35% in the year 2019-2020. But it later in 202-21, increased and the share has gone up to 5.40%.

**Table 2**  
**Contribution of different costs (Rs. in Lakhs)**

Year	Administration and general expenses & Miscellaneous expenses	%	Finance expenses	%	Total	%
2016-17	440301.08	6.99	325927.5	5.17	6302607.63	100
2017-18	209137.89	3.01	596676.7	8.6	6941253.74	100
2018-19	719380.58	8.59	483297.7	5.77	8378890.27	100
2019-20	738254.11	8.18	487116.4	5.4	9021246.93	100
2020-21	554838.08	6.62	572210.8	6.83	8381647.66	100

(Source: The financial statements of the company given in the annual report)

The administration and general expenses & miscellaneous expenses contributed 6.99%

(Rs. 4403 crores) in the year 2016-17 then reduced tremendously to 3.01% in the year 2017-18. But it was increased to 8.59% in the year 2018-19. At the end of the study period, the share of administration and general expenses & miscellaneous expenses was at 6.62% (Rs. 5548 crores). The financial expenses were Rs. 3259 crores in the beginning of the study period at 5.17%. It was higher in the year 2017-18 at 8.60% then reduced to 5.40% in 2019-20. The expense is Rs. 5722 crores (6.83%) at the end of the study period (2020-21). The overall cost incurred by the company has been increasing from Rs. 63026 crores in the year 2016-17 to Rs. 83816 crores in the year 2020-21.

### Conclusion

The power supply and distribution section of the power sector is a critical component in the energy supply chain since it offers the last mile connectivity to all users while also producing money in the power sector value chain. The researcher concluded from the findings that the shares of cost of purchasing of power, employee cost and operating and maintenance cost declined. The contribution of the finance cost has been measured unchanged. But the share of administration cost increased during the study period.

### Reference

1. "Annotated listing of new books" *Journal of Economic Literature*, Vol. 34 Issue 3, p1457, 1996.
2. Bhatt, Utkarsh; Fozdar, "Biren Indian finance" *Inter national Power Generation*, Vol. 22 Issue 10, p29, 1999.
3. Chanda, D. Kishore, N. K. Sinha, A. K. "Identification and Classification of Faults on Transmission Lines Using Wavelet Multi- resolution Analysis", *Electric Power Components & Systems*, Vol. 32 Issue 4, p391-405, 2004.
4. Chandler, A T. "EGAT to conduct IPO", *International Financial Law Review*, Vol. 24 Issue 8, p63-63, 2005.
5. Chandran, T. R. Satish "Power Sector Reforms in India: History of Reforms" *IIMB Management Review*, Vol. 16 Issue 1, p61 -67, 2004.

6. Ghosh, Sajal; Das, Anjana "Short-run electricity demand forecasts in Maharashtra" *Applied Economics*, Vol. 34, Issue 8, p 1055-1059, 2002
7. Gurtoo, Anjuia "North Electricity Board: A Case of Restructuring in the Indian Power Industry" *Asian Case Research Journal*, Vol. 6, Issue 1, p27, 2002.
8. Joshi, Piyush "What's New in India's Energy Sector?" *Journal of Structured & Project Finance*, Vol. 10, Issue 1, p28-33, 2004.
9. Kumaresan, "Analysis and control of three-phase self-excited induction generators supplying single-phase AC and DC loads. *IEE Proceedings-Electric Power Applications*, Vol. 152, Issue 3, p739-747, 2005.
10. Levitt "Regenerating the Scottish highlands: Whitehall and the fort William pulp mill, 1945-63., Ian" *Journal of Scottish Historical Studies*, Vol. 25 Issue 1, p21-39, 2005
11. Mitchell, Daniel J. B. "They want to destroy me: How California's fiscal crisis became a war on big government unions". *Working USA Spring*, Vol. 9 Issue 1, p99- 121, 2006
12. Rowen, Henry S. "Like India, Like California" *International Economy*, Vol. 15 Issue 5, p56, 2001.
13. Rufin, Carlos; Rangan, U. Srinivasa; Kumar, Rajesh "The Changing Role of the State in the Electricity Industry in Brazil, China, and India" *The American Journal of Economics & Sociology*, Vol. 62, Issue 4, p649-675, 2003
14. Sinha, Jayant "China and India: The race to growth. *McKinsey Quarterly*" Special Edition, Vol. 26, Issue 1, pp. 10-11, 2004
15. Wilkinson, Russell, Peter "The Chinese Power Sector: A Foreigner's Perspective" *Journal of Structured & Project Finance*, Vol. 10 Issue 1, p23-27, 2004.
16. Yegin, Mete "Turkish project finance set to fulfil promise" *International Financial Law Review*, Vol. 25, Issue 5, p75-75, 2006.
17. Yi-chong, Xu "Models, templates and currents: The World Bank and electricity reform" *Review of International Political Economy*, Vol. 12, Issue 4, pp.647-649, 2005.