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LIQUIDITY, LEVERAGE, PROFITABILITY AND OPERATING EFFICIENCY OF ENERGY SECTOR THROUGH 'F' SCORE – A SPECIAL FOCUS ON ANDHRA PRADESH SOUTHERN POWER DISTRIBUTION COMPANY LIMITED

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Abstract: Liquidity is the ability of an organization to meet its financial obligations during the short-term and to maintain long-term debt paying ability. The long-term survival depends on satisfactory income earned by it. A sound liquidity leads to better profitability and in turn reduces the profitability of default risk in future. Further, the risk and return are very important aspects to be considered while making any decisions regarding company's finance. Therefore, a study of liquidity, profitability and operating effiency and assessing the financial position is very much requisite to each and every firm and it is also mandatory of evaluating financial strength of the firm for future prospects. In this direction the study has been underken so as to get fruitful results for future prospects of APSPDCL, Tirupati.

Keywords: Liquidity, Leverage, Profitability, operating efficiency and risk etc.,

JEL: M41, Q49

THE ENERGY SECTOR – A REVIEW

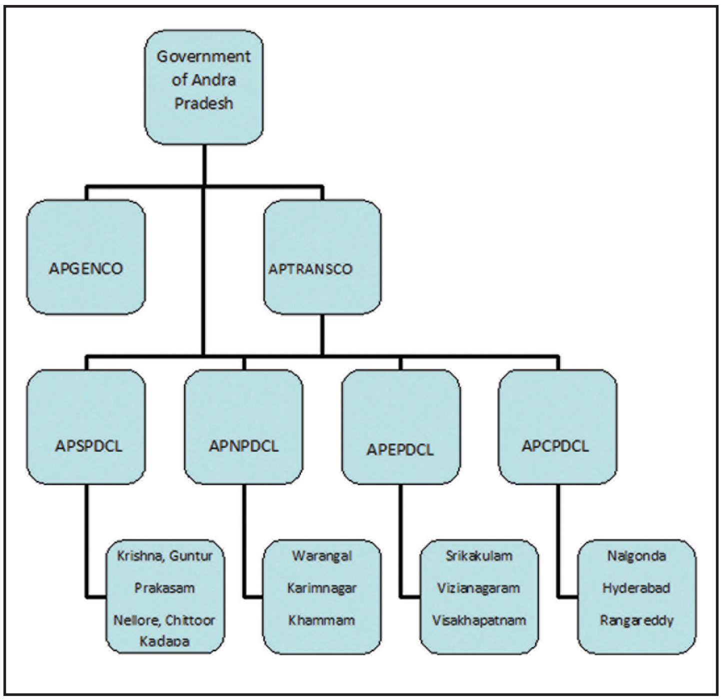
Power is one of the most critical components of infrastructure and crucial for the economic growth and welfare of the Nation. The existence and development of adequate infrastructure is essential for sustained growth of the Indian Economy. India's Power Sector is one of the most diversified sectors in the world. Sources of power generation range from conventional sources such as Coal, Lignite, Natural Gas, Oil, Hydro and Nuclear Power to viable non-conventional sources such as wind, solar and agricultural and domestic waste. Electricity demand in the country has increased rapidly and is expected to rise further in the years to come. In order to meet the increasing demand for electricity in the country, massive adddition to the installed generating capacity is required.

ANDHRA PRADESH POWER SECTOR – A BRIEF PROFLE

Andhra Pradesh Power Sector Reforms envisage creation of distribution Companies as Government Undertakings for the first few years and privatization later on. The Andhra Pradesh Gazette No.37 published by the Government of Andhra Pradesh on 31st of March 2000 declared formally formation of distribution companies. In this process, Andhra Pradesh Southern Power Distribution Company Ltd., was formed for six districts of Andhra Pradesh. The Corporate Office and Headquarters of APSPDCL is at Tirupati City of Andhra Pradesh.

Quality power at economic rates acts as catalyst in transforming the State by fostering growth in agricultural, industrial and commercial areas while meeting the increasing domestic demand. On Feb 1, 1999, Government of Andhra Pradesh initiated the first phase of reforms and restructuring in AP's power sector by unbundling APSEB into APGENCO and APTRANSCO to cater to generation and transmission and distribution respectively. APTRANSCO was further reorganized into four distribution companies to cater to the needs to the different districts of Andhra Pradesh. APSPDCL was formed in April 1, 2000 to serve Krishna, Guntur, Prakasam, Nellore, Chittoor and Kadapa districts with a vision to "Become an efficient utility supplying reliable and quality power, promoting economic development and being self-reliant commercially". Figure - 1 distribes district wise power generation, transmission and distribution companies.

Fig – 1: Structure of Power Sector – A Pictoral View



As on 31st March 2015, SPDCL has a robust distribution network to cater to customers spread across 118119 sq. Km representing 442 mandals. After the bifurcation of the erstwhile Andhra Pradesh into the two States of Andhra Pradesh and Telangana on 2nd June-2014, two more districts Anantapur and Kurnool were added to the Southern Power Distribution Company of Andhra Pradesh Ltd.

F SCORE - A CONCEPTUAL FRAME WORK

The nine point fundamental scoring system (F-Score) has a binary value associated with each criterion. The more points a company earns, the better the stock pick is, and there is a maximum of 9 points. The following 9 points carried out year over year, although a very keen investor may also choose to track smaller differences between quarters. This means that the bulk of the analysis will be performed after the Annual Report comes out, or one can also use 12 months of trailing data versus the 12 months of data before that to compare two annual periods at any given time. The nine points were:

i. Net Income

The net income must be positive to get a point. It is viewed as a measure of net income. This can be carried out using fiscal year over year, or trailing 12 months versus the 12 months before that.

ii. Operating Cash flow

This is another net income gauge. Many investors consider cash to be king. A company with increasing net profits but negative cash flow is not what you want. One point is given if cash flow is positive. Again, this can be carried out using fiscal year over year, or trailing 12 months versus the 12 months before that.

iii. Return On Assets

The ratio is simply net income dividend by assets. It shows how well the assets are being utilised to generate profit.

iv. Quality Of Earnings

If the net income is higher than Cash Flow, this may spell disaster for future profitability. Cash is needed to pay dividends, employee wages, and debt. Without Liquid Assets, debt is hard to pay down and the temptation to borrow is always present regardless of how much "cashless" net profit is flowing. Cash flows should exceed ROA to get the point.

v. Long Term Debt Ratio

If the average ratio falls then score one. If the long-term debt rises faster than profitability, this could harm a company.

vi. Increase in Liquidity

The Current Ratio is to be calculated to know the liquidity position of the concern. If the liquidity improved, the stocks get another point.

vii. Dilution

If the company offers more shares no point is awarded to the company. Dilution might be necessary for a small company with little cash on hand, but it devalues the share value and is a slippery slope to go down. Companies that continually dilute need to be growing at very fast rates to overcome their self-inflicted inflation. If no new shares were issued in the last year, it is given one point.

viii. Gross Margin

An improvement in gross margin could highlights that the company was able to increase prices, or that some other cost went down. If Gross Margin goes up, one more point is added.

ix. Asset Turnover

If the asset turnover increases year over year then perhaps the efficiency of operation is increasing or sales are up. If this ratio grew, then the final point is earned.

F-Score, is a summation of nine binary finanial indicators (Piotroski 2000). If the firm has a positive financial signal, such as their leverage ratio decreased from last year, the firm is rewarded one point for that variable. If the firm's financial signal is weak, the firm will receive a zero on that variable. The nine variables are summed to create the F- Score.

All these nine points classified under three majour heads such as: (i) Profitability, (ii) Leverage, Liquidity source of funds and (iii) Operating Efficiency

F-SCORE MODEL JUDGING CRITERIA

- If score is in between 8 and 9 points the company has strong and good performance.
- If score is in between 5 and 7 points the company has moderate or normal performance.
- If score is in between 0 and 4 points the company performance is weak.

REVIEW OF LITERATURE

Joseph D. Piotroski (2000) wrote an article titled "Value Investing: The Use of Historical Financial Statement Information to Separate Winners from Losers", in which a modest attempt was made to separate a pool of high book-to-market firms into potential winners and losers. In his work, he developed a score to evaluate companies to determine the overall strength of the company. High book-to-market firms are usually associated with financial distress due to consistently low profit margins, inconsistent cash flows, and increasing financial leverage ratios.

This paper is a modest attempt which focuses on various aspects, viz., liquidity, profitability and operating effiency of APSPDCL using Piotroski F-Score Test.

STATEMENT OF THE PROBLEM

Liquidity is the ability of a organization to meet its financial obligations during the short-term and to maintain long-term debt paying ability. The long-term survival depends on satisfactory income earned by it. A sound liquidity leads to better profitability and in turn reduces the profitability of default risk in future. Further, the risk and return are very important aspects to be considered while making any decisions regarding company's finance. Therefore, a study of liquidity, profitability and operating effiency and assessing the financial position is very much requisite to each and every firm and it is also mandatory of evaluating financial strength of the firm for future prospects. It is high time to examine the financial performance through financial moderate tool like F-Score.

NEED FOR THE STUDY

The level of performance of a business over a specified period of time, expressed in terms of overall profits and losses during the same period and evaluating the financial performance of a business allows decision-makers to judge the results of business strategies and activities in objective light of terms.

There are many research studies done on financial analysis. Evaluation of financial perofrmance by using F Score kind of specific model are scanty especially in energy sector like APSPDCL. It is running in a fluctuating trend with regard to Liquidity, Profitability, Solvency and operating efficiency. Theefore the author felt that there is a need to evaluate the overall performance of the APSPDCL.

OBJECTIVES OF THE STUDY

The following specific objectives have been considered:

- to review the historical background of power sector with special focus on APSPDCL.
- to analyse the Profitability Position of APSPDCL.
- to find out the Liquidity Position of APSPDCL.
- to evaluate the operating efficiency of APSPDCL.
- to study the Financial Strengths and Weaknesses of APSPDCL.
- to suggest a package of suggestions to make the firm an efficient and effective.

RESEARCH METHODOLOGY

The study primarily is based on secondary data. The secondary data were collected from the Annual Reports of APSPDCL, Books and Magazines, provided by the finance department of APSPDCL and through internet.

Tools and Techniques

To analyse the data, appropriate statistical tools and techniques like Correlation and Chi-Square tests have been made use of.

Period of the Study

The study is limited to five year data i.e. from 2010-11 to 2014-15.

Scope of the Study and Limitations of the study

The scope of the study is confined to the analysis of nine components of F-Score model.The suggestions given in the study are limited to the financial data which were provided by the management of APSPDCL.

Scope for further research

A comparative study of other powr distribution compaies in Andhra Pradesh may also be undertaken.

DATA ANALYSIS AND INTREPRETATION

A. PROFITABILITY ANALYSIS

Profits are the measure of overall efficnency of a busness. The higher the profits, the more efficient is the business considered.

1.1. Net Income

Net Income is the difference between total revenues and total expenses i.e., excess of income over expenses.

Net Income = Total Revenues – Total Expenses

HO1: There is no positive significant difference between total revenues and total expenses.

Table – 1: Net Income of APSPDCL during the period from 2010-11 to 2014-2015

(Rs. in Crores)

Year	Total Revenues	Total Expenses	Net Income @	Growth Rate of NetIncome
2010-11	6798.64	6799.16	3.02	-
2011-12	7914.27	7906.77	3.45	-0.14
2012- 13	8227.35	12900.26	-4675.28	-1356.15
2013-14	9560.48	9961.32	-403.15	-0.91
2014-15	14611.43	16286.13	-1677.47	3.16

Source: Figures compiled from Annual Reports of APSPDCL, Tirupati.
@ After meeting tax and providing reserves.

It is noted from Table – 1 that the Net Income of the firm has increased during the first two years. During the last three years the net income is seen negative. It can be concluded that the APSPDCL is running in losses. The calculated growth rate during the year 2011-12 was -0.14 and abnormal negative growth rate was recorded during the year 2012-13 i.e., -1356.15, thereafter it increased to 3.16.

H_{01} Result Analysis

Table – 1 (a): Correlations Test

		Total Revenues	Total Expenses
Total Revenues	Pearson Correlation	1	.861
	Sig. (2-tailed)		.061
	N	5	5
Total Expenses	Pearson Correlation	.861	1
	Sig. (2-tailed)	.061	
	N	5	5

The calculated correlation value is 0.061 which is more than table 0.05. Hence, the hypothesis which was formulated is accepted. It means there is no significant positive relationship between Total Revnues and Total Expenses.

Operating Cash Flow

Operating cash flow is also known as Cash flow from operations. Table – 2 explains the operating cash flow status of APSPDCL during the study period.

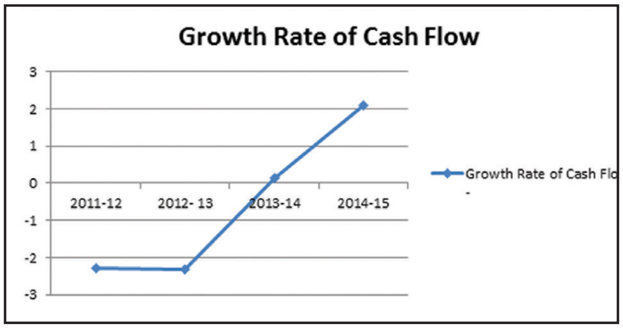
Table – 2 : Operating Cash Flow from 2010-11 to 2014-15

(Rs. in Crores)

Year	Operating Cash Flow	Growth Rate of Cash Flow
2010-11	257.73	-
2011-12	-326.88	-2.27
2012- 13	430.39	-2.32
2013-14	486.74	0.13
2014-15	1498.29	2.08

Source: Figures compiled from Annual Reports of APSPDCL, Tirupati.

Graph - 1: Showing Growth Rate of Operating Cash Flow



As seen from the table – 2 the operating cash flow of APSPDCL showed increasing trend, except in the year 2011-12. During the rest of the years cash flow recorded positive trend. The growth rate of cash flow in the year 2011-12 was -2.27 and reached to 2.08 during the year 2014-15. The low growth rate of cash flow could be observed in the year 2013-14 i.e. 0.13.

RETURN ON ASSETS

Return on assets, known as ROA is the relationship between net profits (after tax) and assets employed to earn profits.

$$\text{Return On Assets} = \frac{\text{Annual Net Income}}{\textit{Average Total Assets}}$$

Table - 3: Return on Assets of APSPDCL during the period from 2010-11 to 2014-15

(Rs. in Crores)

Year	Annual Net Income *	Average Total Assets	Return on Assets	Growth Rate of Return on Assets
2010-11	3.02	5877.88	0.0005	-
2011-12	3.45	9615.56	0.0003	-0.4
2012- 13	-4675.28	9138.80	-0.5116	-1706.33
2013-14	-403.75	7870.57	-0.0513	-0.90
2014-15	-1677.47	9965.42	-0.1683	-2.28

Source: Figures compiled from Various Annual Reports of APSPDCL, Tirupati.

*** Income after tax and Contingency Reserve**

As displayed in table - 3 that the annual Net Income showed fluctuating trend and even it showed negative trend also. During the year 2012-13 could be observed. The reason behind this is annual net income of the company has drastically changed. The same trend could be observed from 2012-13 to 2014-15. But average total assets continuously increased. The net effect of both the returns on assets recorded negative trend during the periods from 2012-13 to 2014-15. The highest negative growth rate was observed in the year 2012-13 i.e., -51 and decreased to -3.46 at the end of 2014-15.

Quality of Earnings

The quality of earnings is the relationship between cash flow from operations and net income.

$$\textit{Quality Of Earnings} = \frac{\textit{Cash Flow From Operations}}{\textit{Net Income}}$$

Table – 4: Statement showing the Quality of Earnings

(Rs. in Crores)

Year	Cash Flow from Operations	Net Income @	Quality of Earnings	Growth Rate of Quality of Earnings
2010-11	257.73	3.02	85.34	-
2011-12	-326.88	3.45	-94.75	-2.11
2012- 13	430.39	-4675.28	-0.09	-1.00
2013-14	486.74	-403.75	-1.21	12.44
2014-15	1498.29	-1677.47	-0.89	-0.26

Source: Figures compiled from Various Annual Reports of APSPDCL, Tirupati.

@ Income after adjusting contigency reserve.

The quality of earings are portrayed in table – 4. Quality of earnings except in the year 2010-11, during all the years showed negative trend. During the year 2010-11 the quality of earning was 85.34 which was the highest . In the year 2012-13, the quality of earning showed negative i.e. -0.09 which is a meager.

The growth rate of quality of earnings during the year 2013-14 recorded at 12.44. During the year 2014-15 it recorded at -0.26 which was the lowest negative growth rate.

LEVERAGE AND LIQUIDITY

Leverage ratios are calculated to test the long term financial position of a firm. Liquidity refers to the ability of a concern to meet its current obligations as and when they become due.

Debt Equity Ratio

Debt Equity Ratio expreses the relationship between long term debt and shareholders equity.

$$\textbf{Debt Equity Ratio} = \frac{\textbf{Long Term Debt}}{\textbf{Share holders Equity}}$$

HO2: There is no fluctuating trend in between Long Term Debt and Shareholders Equity.

Table – 5: Debt Equity Ratio from 2010-11 to 2014-15

(Rs. in Crores)

Years	Long term Debt	Shareholders Equity @	Debt Equity Ratio	Growth Rate of Debt Equity
2010-11	1680.24	1441.31	1.17	-
2011-12	1886.00	1596.17	1.18	8.55
2012- 13	1930.36	-2944.95	-0.65	-1.06
2013-14	6083.49	-3226.91	-1.89	1.91
2014-15	8933.41	-5718.11	-1.56	-0.17

Source: Figures compiled from Various Annual Reports of APSPDCL, Tirupati.

@ Shareholders Equity includes Equity and Reserves and Surpluses

Table - 5 explains the relationship between long-term debt and shareholders equity. Long term debt started increasing during the periods from 2010-11 to 2014-15. Shareholders equity has shown negative and it is directly reflected on debt equity ratio and recorded negative during the last three years. The debt equity ratio during the year 2010-11 was 1.17 and reached to 1.18 by the year ending 2011-12.

The growth rate of Debt Equity Ratio in the year 2011-12 was 8.55 and reached to 1.91 by the year 2013-14 and during the years 2012-13 and 2014-15 touched negative growth rate i.e., -1.06 and -0.17 respectively.

HO2: Result Analysis:

Table – 5 (a); Chi-Square Test

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	20.000[a]	16	.220
Likelihood Ratio	16.094	16	.446
Linear-by-Linear Association	2.757	1	.097
N of Valid Cases	5		
a. 25 cells (100.0%) have expected count less than 5. The minimum expected count is .20.			

The calculated Chi-Square value is 0.097. Hence, the hypothesis which was formulated has been accepted which means there is no fluctuating trend in between Long Term Debt and Shareholders Equity.

Liquidity

This ratio exhibits the relationsip between Current Assets and Current Laibailities.

$$Current\ Ratio = \frac{Current\ Assets}{Current\ \ Liabilities}$$

Table – 6: Status of Current Ratio during the period from 2010-11 to 2014-15

(Rs. in Crores)

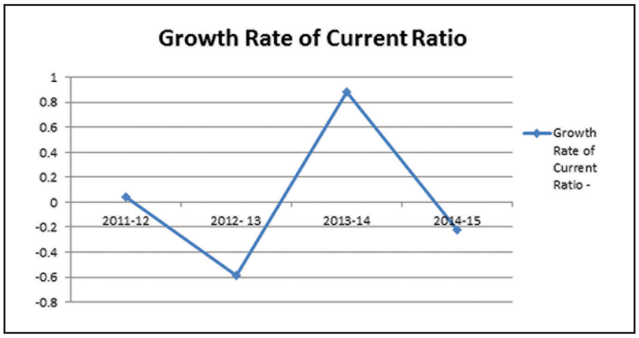
Year	Current Assets	Current Liabilities	Current Ratio	Growth Rate of Current Ratio
2010-11	5145.53	4540.83	1.13	-
2011-12	6839.91	5857.14	1.17	0.04
2012- 13	3533.40	7330.84	0.48	-0.59
2013-14	3057.12	3378.96	0.90	0.88
2014-15	4283.38	6060.13	0.70	-0.22

Source: Figures compiled from various Annual Reports of APSPDCL, Tirupati.

The status of Current Ratio is displayed in table – 6. The current Ratio showed decreasing trend. In the year 2010-11 the calculated current ratio was 1.13 and increased to 1.17 and drecreased to 0.70 per cent by the year 2014-15. The performance of current ratio during the study period is not at statisfactory level.

The growth rate of current ratio showed fluctuating trend. 0.04 in the year 2011-12 and 0.88 in the year 2013-14. The growth rate of current ratio recorded negative at -0.22 by the year ending 2014-15.

Graph 2 : Showing Growth Rate of Current Ratio



OPERATING EFFICIENCY - AN ANALYSIS

Gross Margin

It is the relationship between Gross Profit and Net Sales

$$Gross\ Margin = \frac{Gross\ Profit/Loss}{Net\ Sales} X\ 100$$

Table - 7 : Statement of Gross Margin

(Rs. in Crores)

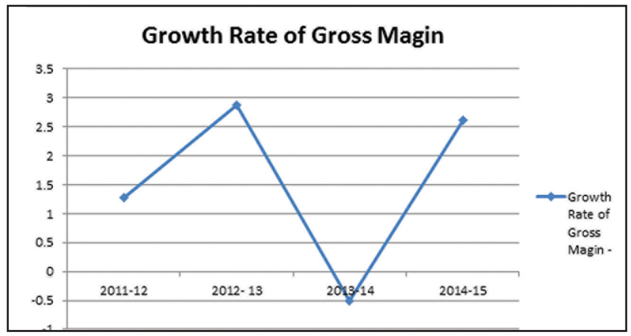
Year	Net Sales	Cost of Power Purchases	Gross Profit	Gross Margin	Growth Rate of Gross Magin
2010-11	4946.94	5061.12	-114.18	-2.30	-
2011-12	5972.36	6285.56	-313.20	-5.24	1.28
2012-13	6535.12	7866.36	-1331.24	-20.37	2.88
2013-14	7327.45	8053.63	-726.18	-09.91	-0.51
2014-15	10923.88	12995.09	-2071.21	-15.94	2.61

Source: Figures compiled from Various Annual Reports of APSPDCL, Tirupati.

Table – 7 illucidates the Gross Margin of APSPDCL. During the initial years the gross profit showed negative trend i.e. from -2.30 per cent and -5.24 per cent during the years 2010-11 and 2011-12 respectively. But during the year 2012-13 abnornal gross loss can be seen i.e. -20.37 per cent and thereafter came down to the level -09.91 per cent during the year 2013-14 and the gross loss increased to -15.94 per cent in the year 2014-15. In the entire study the firm suffered due to gross losses.

Highest growth rate of 2.88 was recorded in the year 2012-13 and lowest 1.28 registered during the year 2011-12. The negative growth rate has been observed -0.51 during the year 2013-14. Graph 3 gives the mirror to the status of the Gross Margin through growth rate.

Graph 3 - Showing Gross Margin



Assets Turnover Ratio

Table - 8: Assets Turnover Ratio

(Rs. in Crores)

Year	Net Revenues	Average Total Assets	Asset Turnover Ratio	Growth Rate of Assets Turnover Ratio
2010-11	6798.64	5877.88	1.16	-
2011-12	7914.27	9615.56	0.82	-0.29
2012-13	8227.35	9138.80	0.90	0.10
2013-14	9560.48	7870.57	1.21	0.34
2014-15	14611.43	9965.42	1.47	0.21

Source: Figures compiled from Various Annual Reports of APSPDCL, Tirupati.

As evidenced from table – 8, the assets turnover ratio has increased except during the years 2011-12 and 2012-13. During the study period, net revnues started to increase from Rs.6798.64 crores to Rs.14611.43 crores. During the year 2011-12 the growth rate of Assets Turnover Ratio was -0.29 that increased to 0.34 during the year 2013-14.

Table – 9: F Score Overall Parameters Analysis

(Rs. in Crores)

Year	Profitability Signal Analysis (A)				Leverage and Liquidity (B)		Operating Efficiency (C)	
	Net Income	Operating Cash Flow	Return on Assets	Quality of Earnings	Debt Equity Ratio	Liquidity Ratio	Gross Margin	Asset Turnover Ratio
2010-11	3.02	257.73	0.0005	85.34	1.17	1.13	-2.30	1.16
2011-12	3.45	-326.88	0.0003	-94.75	1.18	1.17	-5.24	0.82
2013- 13	-4675.28	430.39	-0.5116	-0.09	-0.65	0.48	-20.37	0.90
2013-14	-403.15	486.74	-0.0513	-1.21	-1.88	0.90	-09.91	1.21
2014-15	-1677.47	1498.29	-0.1683	-0.89	-1.56	7.07	-15.94	1.46
Average	-1349.886	469.254	-0.14608	-2.32	-0.348	2.15	-10.752	1.11
Variance	3144747.712	347860.6017	0.037199	3247.166	1.709256	6.11172	44.38974	0.05264
SD	1773.343653	589.7970852	0.19287	56.98391	1.461701	2.472189	6.662562	0.229434

Source: Figures complied and calculated from Various Annual Reports of APSPDCL, Tirupati.

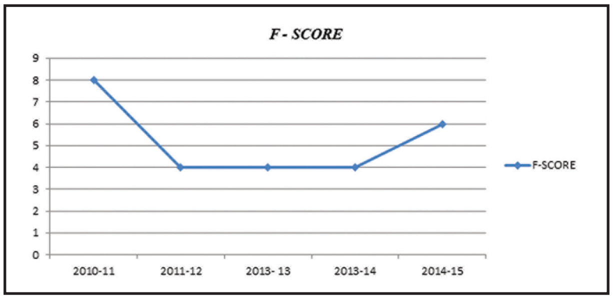
As portrayed in Table – 9 the overall performance of F Score, net income showed positive trend in the beginning and sarted to show negative. But operating cashflows except in 2011-12 should positive signal. It is clear that the profitability parametres are not quite satisfactory. Leverage and liquity also not upto the mark but liquidity shown fluctuating trend. During the year 2014-15 it reached to 7.07 as against 0.48 during the year 2012-13 which was low.

Table – 10: F-SCORE RESULT ANALYSIS

PARAMETERS	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Net Income	1	1	-	-	-
Operating Cashflow	1	-	1	1	1
Return On Assets	1	1	-	-	1
Quality Of Earnings	1	-	-	-	-
Long Term Debt Ratio	1	-	1	-	1
Current Ratio	1	1	-	1	1
Absence of Dilution	1	1	1	1	1
Gross Margin	-	-	-	-	-
Assets Turnover Ratio	1	-	1	1	1
Total	8	4	4	4	6

Source: Figures compiled are calcuslated from Annual Reports of APSPDCL, Tirupati.

Graph – 4: Showing F Score Analysis



Intrepretation of F Score Performance

1. The company had scored eight points in the year 2010-11 that means the financial position i.e., the finnancial strength was strong and good performance.
2. In the year 2011-12, the company got four points that means the financial performance was weak.
3. In the year 2012-13 the company got four points which means that the company's performance is weak.
4. In the year 2013-14 the company got four points only. It means that the company's performance was weak.
5. In the year 2014-15 the company got six points which represents the finacial performance is normal.

FINDINGS

- The net income during the years 2010-11 and 2011-12 showed positive, but during the years 2012-13 and 2014-15 negative net income could be observed.
- The calculated correlation value is 0.061 which means there is no positive correlation between total revenues and total expenses.
- The operating cash flows increased but during the year 2011-12 recorded negative cash flows also.
- During the year 2014-15 the positive growth rate of cash flow was recorded at 2.08 as against negative growth rate of -2.32 in the year 2012-13.
- During the years 2010-11 to 2011-12, return on assets ratio has shown decreasing trend and later three years, negative trend could be observed.
- The highest negative growth rate of ROA is -1706.33 in the year 2012-13.
- In the year 2010-11, the quality of earnings has shown negative in all most all years except in the year 2010-11 i.e., 85.34 positive.
- The debt equity ratio recorded at 1.17 during the year 2010-11 and rose to 1.18 in the year 2011-12 as against the standard norm of 2:1. During the rest of th years it recorded a negatie trend.
- The calculated Chi-square P value for debt equity ratio was 0.097 which indicates that the hypothesis is accepted.
- The current ratio during the study period is not upto the mark.
- The gross margin during the entire study period starting from 2010-11 to 2014-15 was negative i.e. gross loss.

SUGGESTIONS

- The liability of the company has been increasing from year to year. Hence, the liquidity position of the company was not up to the mark. It is suggested that the company has to control its liabilities and try to increase the current assets positions and it is better to eliminate unnecessary blocking of current assets during manufacturing period.
- There were fluctuations in the net income of the company. It is suggested that the company should take proper care to reduce the operating expenses and increase income levels.
- The company has incurred heavy expenses which kills the profitability. Hence, it is

suggested to the management that controlling the expenses is the better way.

- It is also recommended that the company has to decrease debt combination by increasing equity so as to improve Debt Equity Ratio due to this cause also profitability will decrease.
- The company has to improve the operating income levels by maintianing the optimimum level of expenses.
- To improve the operating efficiency APSPDCL has to improve the profitability position by maintining some consultancies with regarding to electrification of private houeses and other interelated such works etc.,
- APSPDCL has to maintain workshop like guarage on its own for manufacturing of transformers and other related things.
- Overall liqidity, leverage, profitability and operating efficiency should improve immediately otherwise the company's survival problem may difficult.

CONCLUSION

It is clear that, the company has shown dis-satisfactory financial performance during the study period except in the year 2011-12. The company should try to decrease the borrowings from the financial institutions, so that the liquidity performance may be increased. The study of F-Score in APSPDCL, reveals that the company's financial performance is not satisfactory.

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