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A COMPARATIVE ANALYSIS OF FINANCIAL PERFORMANCE OF POWER SECTOR COMPANIES IN PAKISTAN

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ABSTRACT
The present study examined and analyzed the financial performance of selected Government owned and public limited companies in the power sector in Pakistan using annual data for a period ranging from 2009 to 2019. The study was based on secondary data from secondary sources such as annual reports, The State Bank of Pakistan and Pakistan Stock Exchange. Ratio analysis, ANOVA techniques have been be used to measure the financial performance and comparison between these companies. The financial statements of these companies have been analyzed to evaluate the financial health of these companies. The study has been conducted by using key financial performance indicators such as ROA, ROE, Gross Profit Ratio, Net Profit Ratio, Current Ratio etc. of each company individually and then take ten years average data for comparison purpose. The study highlight the best performing companies in the power sector during the last ten years. The study concluded that out of ten Government owned power sector companies the companies having less recovery from receivables, abnormal high losses and theft of electricity are worst performing during the last decade. On the other hand the companies particularly having better recovery position, acceptable losses and theft of electricity at minimum level have performed well. There are many reasons for decline of power sector. The companies which are located in Sindh, KPK and Balochistan provinces have problems in recovering their outstanding amount from consumers. The public limited companies on the other hand are comparatively better as they are not facing severe problems of theft of electricity, less recovery from receivables or losses. Future research should be improved by widening the scope by taking other power sector companies.

Keywords: *Financial performance, Power Companies, Ratio Analysis, ANOVA.*

INTRODUCTION

The importance of energy in the economic, social and political development of every nation cannot be over emphasized. Transport, industry, communications, health and education are some of the sectors in which energy cannot be replaced. Improved living standards are reflected in increased food production, increased industrial production, the provision of efficient transport and telecommunications, decent housing, better provision of health care and other human services; each of them requires higher energy consumption. Hence, it is expected that future energy demand will increase with rising living standards, industrialization and other socio-economic factors. Inadequate energy supply, however, restricts socio- economic activities, inhibits economic growth and affects the quality of life. Electricity, in particular, is an important source of energy. It is required in all aspects of human life. The need for basic development services includes, but is not limited to, food supply, industrial activities, tap water supply, health care, adequate housing, telecommunications and quality education. It serves industry as a source of energy for the use of its machines; It plays an important role in lighting, heating and other household activities and is also an indispensable tool for the telecommunications industry. (Oseni, 2011).

The production of electricity is a fundamental indicator of the size and level of development of a country in all areas. Some countries export electricity on a large scale, while others import it on a large scale. Expanding food to meet the growing needs of an increasingly urbanized economy without incurring unacceptable costs is a great challenge for them. The standard of living of people depends on energy consumption in general and on access to electricity in particular. This is an essential factor to which decision makers must pay serious attention and to which to direct their efforts. (Fatima, 2011).

The financial sustainability of the electricity sector is one of the key performance drivers for universal access to electricity. Countries that have moved from low to medium universal access to high universal access have been more successful in ensuring the financial sustainability of utilities by introducing rational electricity tariffs complemented by adequate subsidy policies. A vicious circle of poor financial results has long gripped many national energy and utility sectors.

The cycle continues from structural financial weakness to underinvestment and poor maintenance practices; poor quality of service; Power outages, poor payment discipline (non-payment), theft, and inadequate remittances from the state; low net income and internal cash generation, financial losses, low self-financing and growing debt due to structural financial weakness. From the point of view of businesses and their owners, profit is the ultimate goal and the main engine of business. Profit can be seen as the result of all the efforts made and as the necessary 2 incentive to keep the business. Financial performance highlights the efficiency with which companies convert their income into income which can then be distributed to shareholders. This mainly makes the difference between companies that are winning and those that are beaten in the competitive market. Companies that aren't profitable are usually taken over by more profitable ones or go bankrupt. But for the company as a whole, very high profitability can indicate a lack of competition in the market. Financial performance has many positive effects. In addition to generous incentive shareholders, profitable companies attract investment from foreign and domestic investors, which facilitates the development of the sector in which they operate and of the economy as a whole. Profitability allows businesses to hire employees, pay wages, and pay for products and services.

A profitable business is one that pays high taxes, pays part of its profits to the government, and supports the residents of the country. Financial performance is both the result of a variety of factors (Gruian, 2010) including: corporate productivity, efficiency, effectiveness, effective management, good corporate governance, innovation and the development of "other external factors such as: macroeconomic, monetary, fiscal" and sectoral. Conditions. In the current scenario of an exponentially increasing energy demand, this was a litmus test for energy suppliers to operate and manage their energy industry efficiently and economically. As the IEA (2015) points out, the key element that is vital to a sustainable future is energy distribution (Kishor and Kumar).

Better financial performance is the way to keep investors happy. This indicates the trend of the business, which is improving or weakening. Financial performance is assessed based on profitability, company size and market value maximization, as well as several other factors. The company's financial situation is checked using various parameters. The financial performance of an industry is linked to the performance of its financial activities.

In other words, financial performance refers to the degree to which financial goals have been or have been achieved. It is the process by which the results of a company's policies and operations are measured in money. It is used to measure a company's overall financial health over a period of time and can be used to compare similar companies in the same industry, industries, or aggregated industries. (Khatter and Mathur, 2018) Financial performance decisions are very important to any business organization.

It includes the selection of debt, equity securities and the use of company assets in a balanced manner, taking into account the different costs and benefits associated with these securities and assets. An improper 3 decision in the selection process on the proportions of debt and equity can lead the business to financial difficulties and ultimately bankruptcy, and an improper decision regarding the use of resources can lead to higher costs and loss. declining income. Financial performance is generally defined as the use of results-based financial indicators that are supposed to reflect the achievement of the business objectives of the company. Financial performance is a tool to evaluate the performance of the company against its capital structure and can be measured using accounting parameters calculated from company accounts such as ROE, ROA (Ebaid, 2009).

The Electricity industry in pakistan is plagued by operational and financial issues which are affecting the economic efficiency and growth of the industry. The distribution companies and transmission company rely on large and recurrent public subsidy have been transferred as subsidies to DISCOs from 2007 to 2012. The regulator decides the electricity price for each utility after taking in to account the consumer mix, transmission losses and operational cost of the DISCOs in accordance with the tariff standards and procedure rules. The government determines the final electricity price, which is lower than the price determined by regulators for most utilities. (Amir Jahan, 2013).

Problem Statement

This study has highlighted various significant factors with regard to the performance of the power sector of Pakistan. As the financial performance evaluation of power sector companies of Pakistan has not been studied in detail so far. This study evaluates the financial performance of government owned power sector companies and a sample of Public limited companies in Pakistan during a decade 2009 - 2019. The financial performance of these companies has been examined individually as well as collectively for comparative analysis among these companies to assess the financial health of these companies. Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business. Various Ratios have been used to evaluate the financial performance of companies. The study helps to determine the financial health of power sector companies of Pakistan and best performing companies among the government owned and other public limited companies during a decade of 2009-2019. Some researchers have investigated the financial performance of power sector utilities in other countries but as far as Pakistan is concerned this study will help to determine how the power sector is performing and what action should be taken to improve the financial performance of power sector companies. The problem is reported as "How the financial performance of various state owned and other public limited companies of power sector of Pakistan could be assessed, examined and analyzed and which areas required further improvement to achieve better performance.

The objectives of the research

- To evaluate the financial performance of various governments owned power sector companies in Pakistan
- To evaluate the performance of public limited companies operating in power sector of Pakistan
- To make comparative analysis of financial performance of the selected power sector companies

Significance of study

The financial performance aspect of service companies is important because it reflects management efficiency. The financial success of a company often determines the tangible benefits of leadership. Bonuses, promotion opportunities and other benefits depend on the company's profits. This fact once again underlines the importance of ensuring the profitability of companies. Thus, a number of factors related to various indicators of financial performance were examined. Several methods and theories have been proposed for measuring the profitability of a company. Financial Performance in broader sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management.

Literature Review

A literature review is generally conducted to review the present status of a particular research topic. From the survey of literature, a researcher is able to know the quantum of work already done on his/her new research topic so far not touched, or yet to be undertaken. The overview of literature at the national or an international level is researched with the help of research reports, articles, books and other materials. The major benefits of literature reviews are: (i) it helps the researcher in avoiding duplication of efforts on the same research topic, (ii) helps the researcher in adopting methodologies used successfully by other researchers; (iii) suggests new approaches in planning/the organization investigating research; (iv) helps to narrow down the research problem more clearly; (v) assists investigators to develop firmer understandings of theoretical implications of proposed inquiries. Many studies that related to measurement of financial performance are discussed below:

Rameshwar et al.,(2010) unstable government, improper commercial execution and politicization of the sector were the reasons for the inefficiencies of the SEBs and blocks many other desirable developments. Restoration of the financial health and improvement in the operational efficiency of the SEBs is most crucial issue in the Indian power sector.

Oseni (2011) found in his study that significant increases in the quantity, quality and access to adequate and reliable energy infrastructure services are essential for rapid and sustainable economic growth, job creation, poverty reduction and welfare be general of an economy. The analysis of the performance of the Nigerian energy sector carried out in study provides a basis for studying and understanding the performance of this sector in performing its tasks.

Kafait Ullah (2013) briefly explains the overall value chain of electricity infrastructure of Pakistan from production to consumption. Sector wise, existing potential in each segment of the value chain is explained. It highlights the existing problems and need for future investments to overcome the system’s incapacity. The study concludes that the system faces problems such as investment shortage, governance issues, policy failure, incomplete implementation of reforms and others and concluded that outlook of the electricity sector and main problems being faced by the sector that all the governmental efforts to bring efficiency and reliability in the electricity infrastructure through restructuring have not proved successful.

Basha (2014) examined the effects of rising crude oil prices on the financial performance of pharmaceutical companies operating in Jordan from 2002 to 2011 on return on capital employed (ROA), return on equity (ROE) and net profit margin as a measure of financial strength. He concluded that ROA and ROE being a key measure of financial performance used as KPIs .

Dar and Thaku (2015) in their study analyzed and evaluate the financial performance of selected public and private non- life insurers by employing ratio analysis along with statistical tools. They concluded that private insurers have lower mean ratio and higher variability compared with public insurers which reflects their underwriting efficiency. The analysis with regard to ROE revealed that compared to public insurers, private insurers have registered lower mean ratios for their returns on equity.

Eyuboglu and Celik (2016) in their study evaluates the financial performance of thirteen Energy sector companies by identifying multi criteria for measuring performance and determine weights on the basis of values derived from liquidity, activity,, financial leverage, profitability and growth ratios for the period 2008-2013. Resultantly all the companies were ranked as best performing in terms of financial position.

Mafumbate et al.,2017) studied the impact of firm specific determinants on financial performance of power sector and use capital structure, firm size and liquidity as independent variables and Return on Assets, Return on Equity and profitability were used as proxies of financial performance and established relationship among these variables. They found positive and significant relationship exist between Liquidity and financial performance and concluded that firm specific factors have significant impact on financial performance.

Rajkumari and Gayithri. (2018) in their recent study concluded that performance of the entire energy sector improved after the reform. and the year following the reform and that the share of all indicators in the global dimension index increased in the period following the reform in Karnataka as compared to other major countries, the Energy Sector Performance Index (PPI) is calculated over two years: 1998-99 (before the reform) and 2012-13 (after the reform). The value of the Karnataka index increased in 2012-13, which means better performance in the post- reform period.

Tomcezak (2019) assessed and compared the financial standing of companies that generate energy from fossil fuel with those that generate renewable energy by using Ratio Analysis along with other hybrid approaches (Altman model and cluster analysis) to assess the company as a whole. The analysis of the liquidity ratios shows that Fossil Fuel companies are characterized by higher values of the current ratio (CR) and the size of working capital (SWC) than are Renewable energy source (RES) companies and found that companies that produce fossil fuel energy were characterized by higher profitability but lower turnover ratios than companies that use renewable energy sources thus investing in renewable energy sources is not a money-making business

Methodology

Research methodology refers to the various sequential steps (along with the rationale of each step) to be adopted by a researcher in studying a problem with certain objective in view. It is a way to systematic solve the research problem it may be understood as a science of studying how search is done scientifically. Includes the various steps that are generally adopted by a researcher studying his/ her research problem along with the logic behind them, it would be appropriate to mention here that research project are not meaningful to any one unless they are in sequential order which will be determined by the particular problem at hand therefore, this study aims at analyzing and interpreting the financial performance or appraisal of power sector companies of Pakistan.

Research design

A research design is the arrangement of conditions, for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, the research design is the conceptual structure within which the research is conduct. General objective; of this research study is to examine and evaluate the financial performance of various companies of power sector.

Population and sample

The population for this study comprises power sector companies in Pakistan. Currently there are ten Government owned power distribution companies operating in Pakistan. The name of the companies are as follows:

Government Owned Power Sector Companies

- Faisalabad Electric Supply Company (FESCO)
- Lahore Electric Supply Company (LESCO)
- Gujranwala Electric Power Company (GEPCO)
- Islamabad Electric Supply Company (IESCO)
- Multan Electric Power Company (MEPCO)
- Peshawar Electric Supply Company (PESCO)
- Tribal Area Electric Supply Company (TESCO)
- Quetta Electric Supply Company (QESCO)
- Hyderabad Faisalabad Electric Supply Company (HESCO)
- Sukkur Faisalabad Electric

- Power Company (SEPCO) 22 In addition to this other public limited companies have been taken.
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Public Limited Companies of Power Sector

- ▪ Altern Energy Ltd
- ▪ Southern Electric Power Co. Ltd
- ▪ Japan Power Generation
- ▪ K-Electric
- ▪ Kohinoor Power
- ▪ Kot Adhu Power
- ▪ Nishat Chunnian Power
- ▪ Nishat Power
- ▪ Sitara Energy
- ▪ Hub Power Co. Ltd

Nature and sources of data

The research is based on secondary data. The financial statements and annual reports has been used as the major sources of data. In order to evaluate the financial performance of power sector companies various components of financial statements have been assessed and analyzed. Various types of financial and statistical tools have been used for the analysis of data. In order to analyze the financial performance various financial performance indicators like Gross Profit Ratio, Net profit ratio, Return on Assets, Return on Equity, Current ratio, Acid Test ratio, Debt to Equity ratio Interest coverage ratio, Assets turnover ratio, Fixed assets turnover ratio and Receivable turnover ratio have been calculated. As far as statistical tool is concerned Analysis of variance (ANOVA) has been calculated based on last ten years data. These tools have provided accurate and simple results. Financial ratios are used as financial tools in order to evaluate the financial performance of companies and to make comparative analysis between these companies.

RESULTS AND DISCUSSION

4.1 Comparative Analysis of Government Owned Power Sector Companies

4.1.1 Faisalabad Electric Supply Company

FESCO was founded in 1998. It distributes and supplies electricity to about 4.62 million customers under a Distribution License granted by National Electric Power Regulatory Authority (NEPRA) .Geographical service area of FESCO comprises Faisalabad, Sargodha, Mianwali, Khushab, Jhang, Bhakkar, T.T Singh and Chiniot districts.

Table 4.1 Financial performance analysis of Faisalabad Electric Supply Company

Ratio	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg
Gross Profit	8.6	6.26	-9.08	20.87	16.29	13.71	-1.59	0.15	13.56	6.57	7.53
Net Profit	3	-0.07	-17.34	19.91	20.99	4.27	-13.46	-14.47	-25.97	-4.71	-2.79
ROA	2.49	-0.070	-17.31	10.99	21.76	3.65	-8.47	-10.88	-23.02	-4.65	-2.47
ROE	79.17	-2.37	116.29	94.10	40.92	7.12	-27.97	-54.79	134.65	18.93	40.60
Current Ratio	1.14	1.2	0.82	1.13	6.2	4.62	2.73	2.51	1	0.95	2.24
Acid Test Ratio	0.77	0.6	0.32	0.24	1.68	1.04	0.46	1.13	0.6	0.51	0.74
cash Ratio	0.18	0.15	0.09	0.11	0.6	0.39	0.11	0.54	0.29	0.26	0.27
Debt to Equity	6.30	5.78	-53.35	5.64	1.58	1.75	5.28	17.8	-17.32	-10.33	0.56
Int Cov/R	10.91	2.04	-1026.9	68.39	114.28	27.56	-70	-91.42	-234.83	-100.34	-133.69
Assets T/over	1.79	1.71	2.54	0.86	1.04	0.81	0.92	1.15	1.23	1.24	1.00
Fixed Assets T/Over	1.43	1.47	1.51	1.55	1.74	1.77	1.78	1.81	1.83	1.86	1.68
Rec. T/O	10.16	17.22	20.21	16.07	14.35	12.48	15.75	16.34	13.46	14.05	15.01

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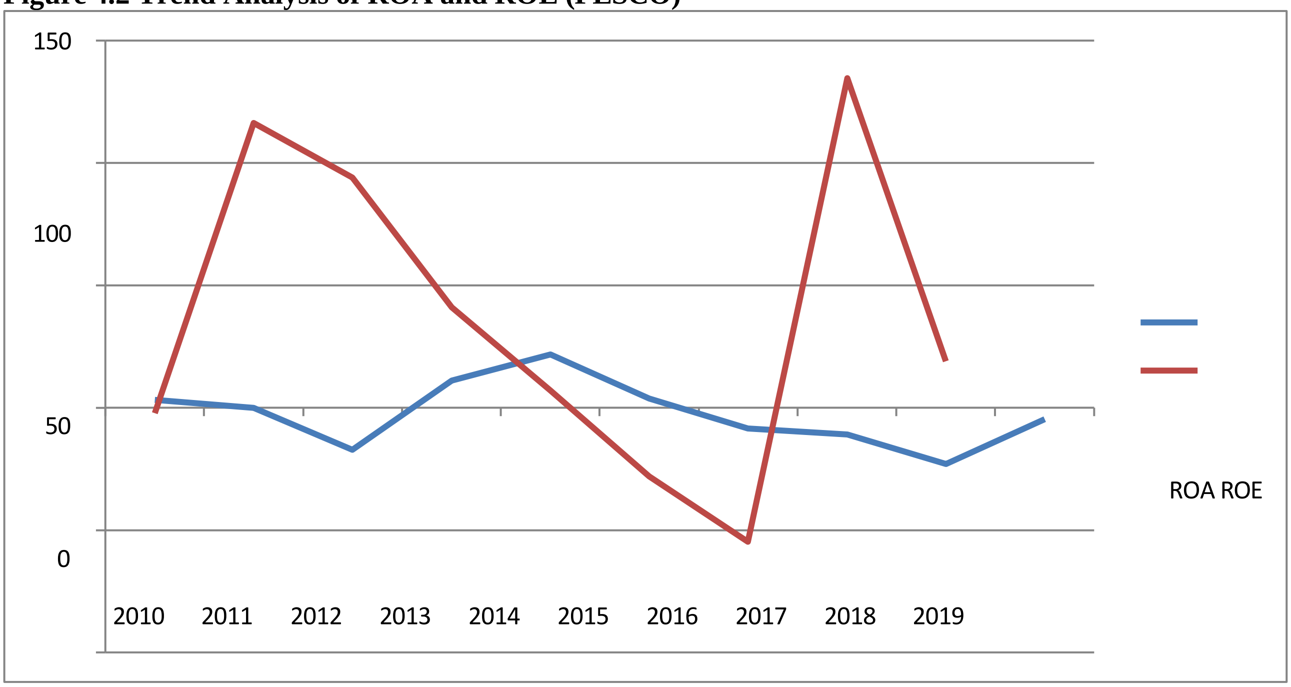
Figure 4.1 Trend Analysis of Gross Profit and Net Profit (FESCO)

Figure 4.2 Trend Analysis of ROA and ROE (FESCO)



Profitability ratios of the company showed the worst position ever in terms of gross profit and net profit, both ratios became negative due to huge loss in the year. During the financial year 2011-12, electricity sales of the company increased to Rs.87,358.10 million i.e. increase of Rs.10,492.94 million, 14% (Rs.76,865.16 million: 2010-11). On the other hand, cost of electricity increased by 32% (Rs.95,291.61 million during the year 2011-12 (Rs.72,054.67 million: 2010-11). The proportionate increase in cost of electricity was higher than the increase in the sales of electricity due to which the Company suffered a gross loss of Rs.7,933.51 million. The line losses of 76 sub divisions of the Company ranged from 10% to 24.16%, resulting in high cost of electricity. In view of the forgoing, the gross profit ratio declined significantly i.e. (9.08%) gross loss as compared to gross profit of 6.26 for the financial year 2010-11. The Company suffered accumulated loss of Rs.22,876.47 million, out of which Rs. 15,149.15 million was incurred during the present financial year.. The operational loss was mainly due to increase in operating expenses by 27% over the previous year which could mainly be attributed to enhancement in pay and allowances and repairs & maintenance expenses. In view of the forgoing, the Net Profit ratio declined significantly i.e. (17.34%) net loss as compared to net loss of (0.07%) for the financial year 2010-11. The Company could not manage its expenses including line losses due to which the cost of electricity and indirect expenses increased significantly. The expenses increased to such a huge amount that the relative revenue generated from sales and other income could not mitigate the impact. Profitability ratios of the Company showed the improvement as the Company earned net profit during current financial year. Gross profit and net profit ratios went to positive as compared to negative during the previous years. During the financial year 2012-13, electricity sales of the Company was o Rs.120,788 million i.e. increased by 38% during 2012-13. On the other hand, cost of electricity increased by 0.31% (Rs.95,584.21 million during the year 2012-13, Rs.95,291.61 million: 2011-12).

The proportionate increase in cost of electricity was less than the increase in the sales of electricity due to which the Company earned gross Profit of Rs.25,204.16 million. In view of the forgoing, the Gross Profit ratio increased significantly i.e. gross Profit 20.87 % as compared to gross loss of (9.08%) for the financial year 2011-12. The Company accumulated losses were Rs.8,545.07 million, however, during the present financial year the Company earned net profit of Rs.14,328.37 million.. In 2014-15 the sales of the Company increased to Rs 140,450 million (16%) including the subsidy from Government of Pakistan Rs 34,588.71 million over the previous year. Further, cost of sales of Company was Rs 117,570.56 million. It means that the Company earned a gross profit of Rs 22,879.44 million. The Company earned a net profit of Rs 29,688.67 million during the current year. During current year, Company charged share of GoP subsidy for the financial year 2004 to 2009 Rs 15,278 million which enhanced the net profit of the Company to Rs 29,688.67 million. Total accumulated losses Rs 7,201.77 million in 2012-13 converted into accumulated profit Rs 20,083.99 million in 2013-14 due to huge net profit earned during the current year.In 2017-18 the sales of the Company increased to Rs. 11,348 million (11%) including the subsidy from Government of Pakistan Rs. 3,095 million over the previous year. Further, cost of sales of Company was Rs. 110,041 million. It means that the Company earned a gross profit of Rs. 162,470 million.

The Company invested Rs. 5,694.62 million on the non-current assets during the financial year. The investment was financed through the consumer security deposits and Government Grants realized during the present financial year. In addition to the above, the Company held cash reserves of Rs.4,770.23 million. The debt to total asset ratio and gearing ratio was 1.92 and 52.50 respectively which showed that company is relying heavily on debt to finance its operations. It is suggested that the Company may review its capital structure and policy of getting loan because it badly affected the liquidity position of the company and have direct impact on the profitability of the company. The huge investment on non-current assets could not improve the profitability position of the Company as the return on total assets declined significantly .The current ratio declined to 0.82 from 1.20 indicating short term financial difficulties in repayment of current liabilities. In 2013 the current ratio improved to 1.13 from 0.82 indicating short term financial simplicity in repayment of current liabilities.

The Company held adequate liquid assets required to settle its short term liabilities The Company did not hold adequate liquid assets required to settle its short term liabilities. The trade receivables increased significantly i.e. by Rs.3,082.07 million (34%) over the previous year. In addition to that, the debtors' turnover period increased to 51 days

(43 days in 2010-11 and 39 days in 2009-10). Moreover, the Company has written off an amount of Rs.567.29 million as bad debts during the present financial year. An increase in accounts receivable, debtor's turnover period and writing off a significant amount of debtors as bad debts reflected inefficient collection procedures and poor administration of trade debts, resulting loss of revenue to the Company and ultimately worsening liquidity position. Delays in collection from debtors have trickledown effect on the creditor's turnover period which increased to 201 days from 139 days. The increase in accounts receivable and accounts payable indicated continuing cash flow shortage resulted in persistent working capital financing problems for the Company. The non-current liabilities of the Company increased by 11% over the previous year. The trade and other payables increased by 92% (i.e. by Rs. 25,126.18 million) and the creditors' turnover period increased to 201 days. Significant increase in the non- current and current liabilities reflects that the Company encountered the liquidity problems and the management has not taken adequate remedial action to address the issue.

4.1.1 Lahore Electric Supply Company

LESCO was founded in 1998. It distributes and supplies electricity to under a Distribution License granted by National Electric Power Regulatory Authority (NEPRA) .Geographical service area of LESCO comprises Lahore, Kasur, Okara and Sheikhupura districts.

Table 4.2 Financial performance analysis of Lahore Electric Supply Company

Ratio	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg
Gross Profit	10.91	9.02	-11.59	-10.54	12.16	11.64	11.41	11.29	11.21	11.16	6.67
Net Profit	4.96	1.39	-20.46	-19.18	12.23	14.33	14.67	14.74	14.79	17.66	5.51
ROA	6.79	1.72	-24.34	15.01	7.3	6.87	6.44	6.29	6.18	6.05	3.83
ROE	108.33	98.3	88.34	71.23	67.34	74.21	78.44	82.41	83.05	83.66	83.53
Current Ratio	1.14	1.25	0.83	1.13	1.24	1.51	1.62	2.81	2.94	2.96	1.74
Acid Test Ratio	0.93	0.98	1.05	1.24	1.38	1.65	1.73	1.76	1.79	1.82	1.43
cash Ratio	0.74	0.82	0.88	0.93	0.96	0.98	0.96	0.98	0.99	0.93	0.92
Debt to Equity	-0.41	-0.49	-0.56	-0.72	-0.81	1.61	1.69	1.73	1.77	1.56	0.54
Int Coverage Ratio	39.64	6.2	-244.45	-202.35	-195	- 108.9	-97.21	-84.54	-75.88	-76.44	-103.93
Assets T/over	3.24	2.36	4.64	5.21	5.33	6.12	6.24	6.31	6.39	6.31	5.22
Fixed Assets T/Over	3.56	3.81	3.94	4.12	4.21	4.28	4.34	4.44	4.49	4.32	4.15
Receivable T/Over	8.45	9.24	10.02	10.56	10.81	14.51	14.84	14.86	14.92	9.44	11.77

Figure 4.3 Trend Analysis of Gross Profit and Net Profit (LESCO)

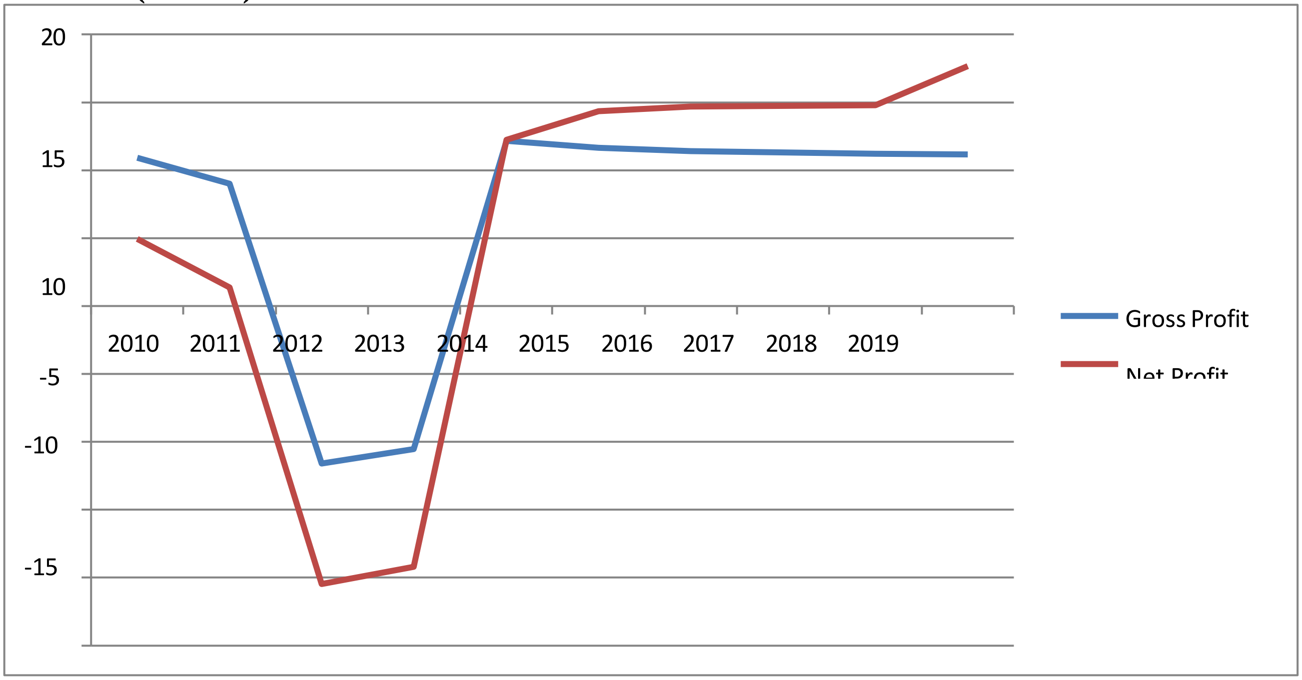
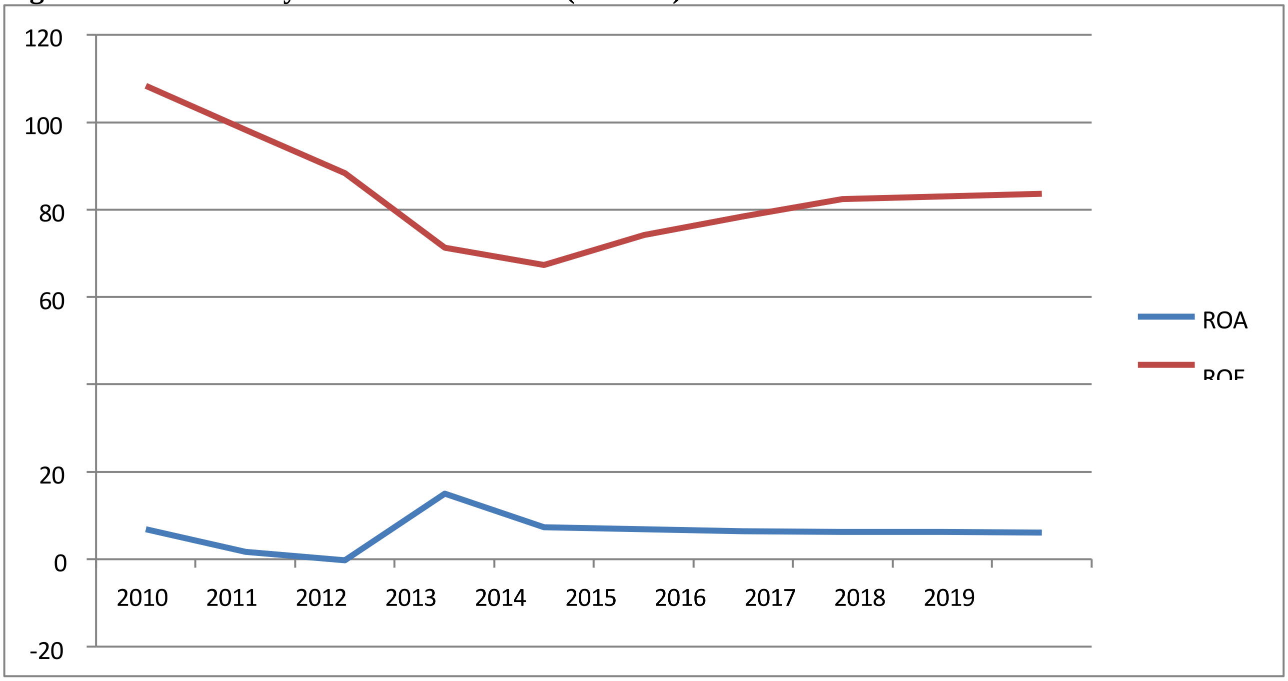


Figure 4.4 Trend Analysis of ROA and ROE (LESCO)



Profitability ratios of the company showed the worst position ever faced by the company in terms of gross profit and net profit as both the ratios went to negative due to huge loss in the year. During the financial year 2011-12, electricity sales of the company increased by 16% (Rs.132,830.38 million as against Rs. 114,722.74 million during 2010-11). On the other hand cost of electricity increased by 34% (Rs. 167,897.20 million during the year 2011-12 as against, Rs.125,218.90 million during 2010-11). The proportionate increase in cost of electricity was higher than the increase in the sales of electricity due to which the Company suffered a gross loss of Rs.15,400.81 million. The line losses of 163 sub divisions of the Company ranged from 10% to 30.95%, resulting in high cost of electricity. In view of the forgoing, the Gross Profit ratio declined significantly i.e. (11.59%) gross loss as compared to gross profit of 9.02% for the financial year 2010-11. The abnormal increase in the cost of sales, resulting in significant increase in gross loss of the company was required to be explained. The company suffered accumulated losses of Rs. 27,701.97 million, out of which Rs. 27,174.17 million was incurred during the present financial year.

Company suffered heavy loss during current financial year due to which its net profit ratio declined and turned into negative i.e. (20.46%) from 1.39 % as compared to net profit for the financial year 2010-11. On the other hand cost of electricity increased by 34% (Rs.167,897.20 million during the year 2011-12 as against Rs.125,218.90 million during 2010-11). The cost of electricity was higher than the sale value which was the reason of gross loss of Rs.15,400.81 million. Consequently, the Company suffered huge net loss of Rs.27,174.17 million during the financial year 2011-12. This indicated that the operational efficiency of the Company remained highly unsatisfactory. The operational loss was mainly due to increase in operating expenses by 27% over the previous year which mainly attributed to enhancement in pay and allowances and repairs & maintenance expenses. The Company could not manage its expenses including line losses due to which the cost of electricity and indirect expenses increased significantly. The expenses increased to such a huge amount that the relative revenue generated from sales and other income could not offset the impact.

The return on capital declined to 430.58% as compared to 6.68% profit, during financial year 2010-
11. This reflected that the Company could not utilize its resources in an efficient and effective manner.The return of total assets declined to 0.24% from 1.72% as company was not utilizing its assets efficiently to generate favorable return.The Company invested Rs.6,232.84 million on the non-current assets during the financial year. In addition to the above, the Company held cash reserves of Rs.9,483.55 million. The debt to total asset ratio and gearing ratio was 3.80 and 56.52 respectively which showed that company is relying heavily on debt to finance its operations.

It is suggested that the Company should review its capital structure and policy of getting loan because it badly affected the liquidity position of the company and had direct impact on the profitability of the company. The huge investment on non-current assets could not improve the profitability position of the Company as the return on total assets declined significantly which was required to be explained. The company current ratio declined to 0.83 from 1.25 indicating short term financial difficulties in repayment of current liabilities. The Company did not hold adequate liquid assets required to settle its short term liabilities which was required to be explained. The trade receivables increased significantly by Rs.23,281.54 million (41%) over the previous year. In addition to that, the debtors' turnover period increased to 90 days (74 days in 2010-11 and 43 days in 2009-10). Moreover, the company has created a provision for bad and doubtful debts with an amount of Rs.1,169.60 million during the present financial year. An increase in accounts receivable, debtor's turnover period and creation of provision for doubtful debts reflected inefficient collection procedures and poor administration of trade debts, resulting into loss of revenue to the Company and ultimately worsening liquidity position.

Delays in collection from debtors had trickledown effect on the creditor's turnover period which increased to 159 days from 94 days. The increase in accounts receivable and accounts payable indicated continuing cash flow shortage that resulted in persistent working capital financing problems for the Company. Poor management of debtors and creditors' turnover period and creation of provision for doubtful debts was required to be explained. The ratios reflected negative trend due to high loss during current year i.e. (1,803%) during the financial year 2011-12 as compared to the financial year 2010-11. Gearing ratio of 56.52% showed that company was relying on debt, where as it should rely on its own resources. Liquidity position of the Company deteriorated significantly due to huge losses in recent years i.e. a loss of Rs.27,174.17 million in 2011-12 as compared to a net profit of Rs.1,595.21 million in 2010-11. During that critical situation of financial crunch, Company was heavily surviving on Government guarantees and financial assistance. Long term financing increased by 40% as the Company had received a loan from Asian Development Bank amounting to Rs.2,771.94 million for power distribution and enhancement project. The Trade and other payables increased by 127% (i.e. by Rs.42,052.05 million) and the creditors' turnover period increased to 159 days. Significant increase in the amount of payables and increase in number of days to settle the liabilities reflected that the company was encountering the liquidity problems and the management had not taken adequate remedial action to address the issue.

4.1.1 Islamabad Electric Supply Company

IESCO was founded in 1998. It distributes and supplies electricity to 3.2 million consumers under a Distribution License granted by National Electric Power Regulatory Authority (NEPRA) .Geographical service area of IESCO comprises Attock to Jhelum and from river Indus to river Neelum in Kashmir.

Table 4.3 Financial performance analysis of Islamabad Electric Supply Company

Ratio	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg
Gross Profit	17.19	8.94	-11.81	27.75	32.56	19.28	3.44	8.34	17.23	10.06	17.52
Net Profit	9.94	1.16	-21.53	13.67	24.12	3.12	-4.33	-9.12	-16.98	2.32	1.63
ROA	7.42	0.84	-14.52	7.92	16.91	1.85	2.56	-5.66	-13.02	2.67	2.62
ROE	69.34	2.87	92.72	89.81	50.77	9.12	-14.23	-35.34	102.45	22.73	39.02
Current Ratio	1.06	1.00	0.72	0.95	2.82	2.59	2.88	2.91	2.34	1.98	1.93
Acid Test Ratio	0.87	0.67	0.74	0.57	1.86	1.70	1.55	1.81	1.24	1.54	1.25
cash Ratio	1.17	1.14	0.8	0.07	0.09	0.05	0.01	0.03	0.02	0.02	0.34
Debt to Equity	2.02	1.52	5.95	3.84	3.65	3.33	3.11	4.23	2.87	2.33	3.29
Int Coverage Ratio	66.65	3.86	-22.75	11.28	-50.45	19.45	-43	-105.54	-255.32	-160.54	-151.16
Assets T/over	1.11	1.18	1.43	2.34	3.23	3.67	2.78	3.58	3.67	3.99	2.62
Fixed Assets T/Over	1.50	1.18	1.34	1.61	1.83	1.94	1.94	1.97	1.98	1.99	1.73
Receivable T/Over	5.61	3.16	9.82	7.65	6.34	10.23	9.23	10.12	11.46	11.34	8.50

Figure 4.5 Trend Analysis of Gross Profit and Net Profit (IESCO)

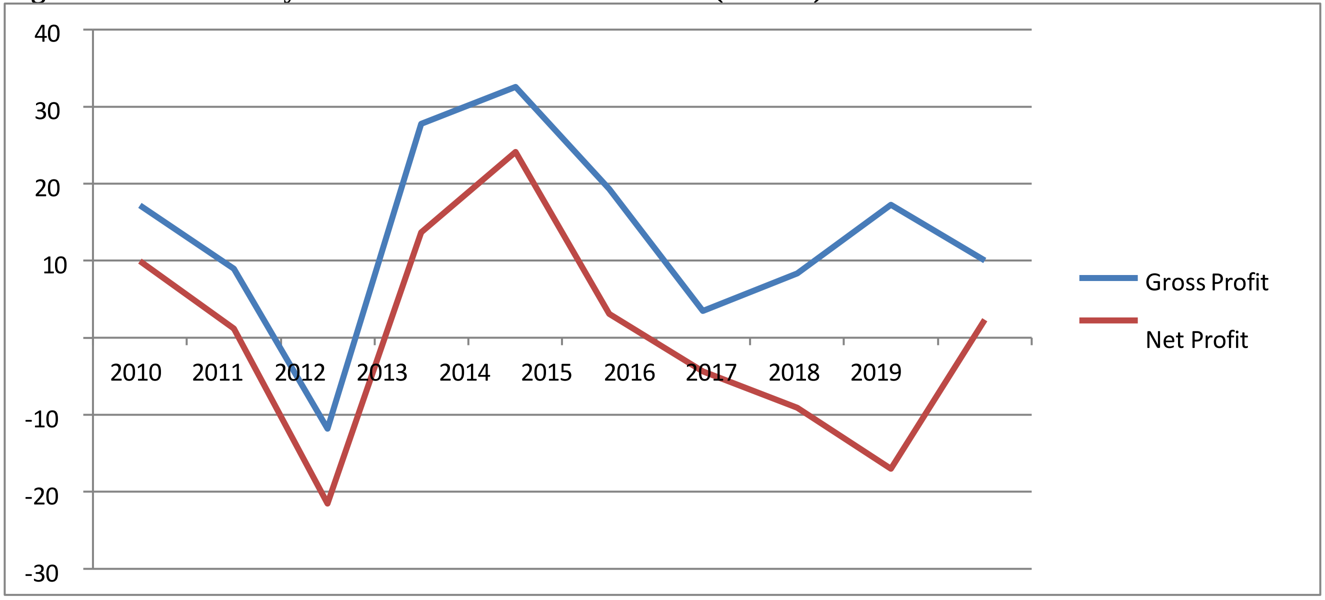
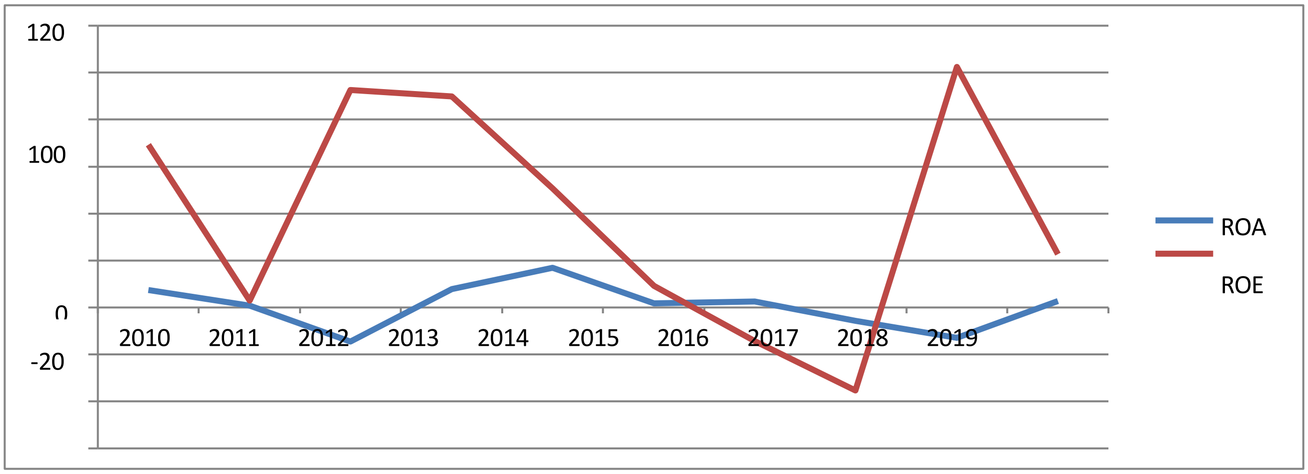


Figure 4.6 Trend Analysis of ROA and ROE (IESCO)



During the financial year 2011-12, electricity sales of the company increased to Rs.62,716.43 million i.e. increase of Rs.5,330.31 million, 9.29% (Rs.57,386.07 million: 2010-11). On the other hand cost of electricity increased by 27.42% (Rs.80,312.85 million during the year 2011-12, Rs.63,027.74 million: 2010-11). The proportionate increase in cost of electricity was higher than the increase in the sales of electricity due to which the Company suffered a gross loss of Rs.7,404.20 million. The line losses of 62 sub divisions of the Company ranged from 10% to 30.35%, resulting in high cost of electricity. In view of the forgoing, the Gross Profit ratio declined significantly i.e. (11.81%) gross loss as compared to gross profit of 8.94% for the financial year 2010-11. The abnormal increase in the cost of sales, resulting in significant increase in gross loss of the company needs to be explained. The Company sustained net loss of Rs.13,503.05 million during the financial year ended Jun' 30, 2012. Accumulated reserves amounting to Rs.6,137.79 million brought forward from previous years were absorbed to balance the impact of loss sustained during the financial year resulting in Accumulated loss amounting to Rs.7,109.73 million. This indicates that the operational inefficiency of the Company remained highly unsatisfactory.

The operational loss was mainly due to increase in operating expenses by 18% over the previous year which mainly was dut to enhancement in pay and allowances and repairs & maintenance expenses. In view of the forgoing, the Net Profit ratio declined significantly i.e. (21.53%) net loss as compared to Net Profit ratio of 1.16% for the financial year 2010-11. The Company could not manage its expenses including line losses due to which the cost of electricity and indirect expenses increased significantly. The expenses increased to such a huge amount that the relative revenue generated from sales and other income could not mitigate the impact. The Company required to justify such an abnormal increase in expenses. The return declined to (61.98%) loss from 2.65% profit, showing that the Company could not utilize its resources in an efficient and effective manner. The return declined to (14.52%) from (0.84%) as company was not utilizing its assets efficiently to generate favorable return.

The Company invested Rs.5,914.64 million on the non-current assets during the financial year. In addition to the above, the Company was holding cash reserves of Rs.1,268.62 million. The debt to total asset ratio and gearing ratio was 5.95 and 21.22 respectively which showed that company was relying heavily on debt to finance its operations. It is suggested that the Company should review its capital structure and policy of getting loan because it badly affected the liquidity position of the company and have direct impact on the profitability of the company. The huge investment on non- current assets could not improve the profitability position of the Company as the return on total assets declined significantly which needs to be explained. Despite the fact, the Company liquidated its short term investment amounting to Rs.1,500.54 million, the current ratio declined to 0.72 from 1.00 indicating short term financial difficulties in repayment of current liabilities. The Company does not hold adequate liquid assets required to settle its short term liabilities which needs to be explained. The trade receivables increased significantly i.e. by Rs.4,826.29 million (26.54%) over the previous year. In addition to that, the debtor turnover period increased to 134 days (116 days in 2010-11 and 81 days in 2009-10). Moreover, the company has written off an amount of Rs.1.44 million as bad debts during the present financial year. An increase in accounts receivable and debtor turnover period reflected inefficient collection procedures and poor administration of trade debts, resulting loss of revenue to the Company and ultimately worsening liquidity position. Delays in collection from debtors had trickle-down effect on the creditor's turnover period which increased to 211 days from 164 days.

The increase in accounts receivable and accounts payable indicated that there was a continuing cash flow shortage resulting in persistent working capital financing problems for the Company. Poor management of debtors and creditor's turnover period and writing off significant amount as bad debts needs to be explained. The non-current liabilities of the company increased by 20.23% over the previous year. The Trade and other payables increased by 65% (i.e. by Rs.18,278.77 million) and the creditors' turnover period increased to 211 days. Significant increase in the amount of payables and increase in number of days to settle the liabilities reflect that the company was encountering the liquidity problems and the management had not taken adequate remedial action to address the issue. The financial position of the Company deteriorated during the past few years as depicted in the summary of ratios mentioned above. The gearing position of the Company showed negative trend i.e. 21.22% during the financial year 2011-12 as compared to 8.70% during the financial year 2010-11. High gearing reflected liquidity problems resulting in cash flow risk for the Company. The Company was relying on the external sources to finance its operations instead of funding the operations out of resources generated from its operations.

4.1.1 Multan Electric Power Company

MEPCO was founded in 1998. It is the largest power distribution company. It distributes and supplies electricity to 34 million consumers in 13 districts of south Punjab under a Distribution License granted by National Electric Power Regulatory Authority (NEPRA).

Table 4.4 Financial performance analysis of Multan Electric Power Company

Ratio	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg
Gross Profit	1.06	-1.9	-13.71	-13.56	-11.34	-15.54	-14.34	-1.24	-8.90	-5.67	-8.51
Net Profit	-6.56	-9.53	-22.42	-5.34	-4.78	-7.45	-24.23	-19.34	-15.21	-13.45	-12.83
ROA	-6.01	-9.73	-20.78	-0.62	-0.59	-0.54	-0.34	-9.99	-10.24	-8.77	-4.35
ROE	140.23	142.8	143.87	138.55	133.55	129.31	105.21	98.81	96.87	90.77	121.99
Current Ratio	0.62	0.53	0.49	0.45	0.5	0.56	0.6	0.7	0.8	0.7	0.60
Acid Test Ratio	0.46	0.55	0.59	0.67	0.71	0.74	0.69	0.9	0.95	0.97	0.72
cash Ratio	0.12	0.11	0.08	0.04	0.8	0.8	0.7	0.6	0.65	0.66	0.46
Debt to Equity	-0.69	-0.59	-0.48	-0.38	-0.27	-0.24	0.9	0.7	0.6	0.5	0.01
Int Coverage Ratio	-4.39	-481.9	-1950	-1832	-1721	-1523	-1392	-1144	-1102	-1054	-1220.39
Assets T/over	6.85	8.41	-16.04	-8.22	-6.54	-5.89	-4.44	-4.02	-3.78	-3.23	-3.69
Fixed Assets T/Over	0.33	0.44	0.45	0.48	0.59	0.64	0.68	0.71	0.76	0.81	0.59
Receivable T/Over	2.1	2.4	2.6	2.7	3.1	6.4	7.4	7.9	8.45	8.9	5.20

Figure 4.7 Trend Analysis of Gross Profit and Net Profit (MEPCO)

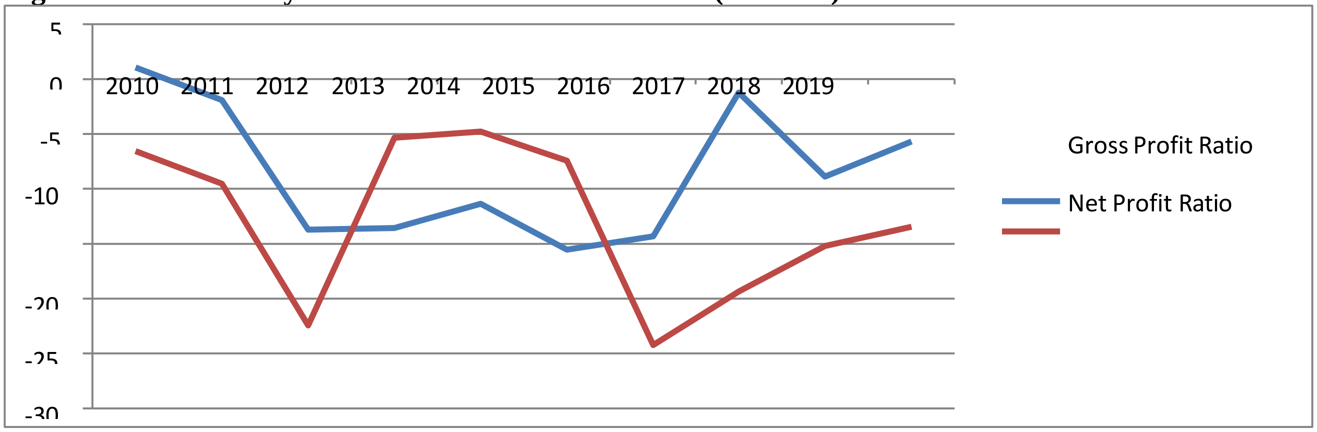
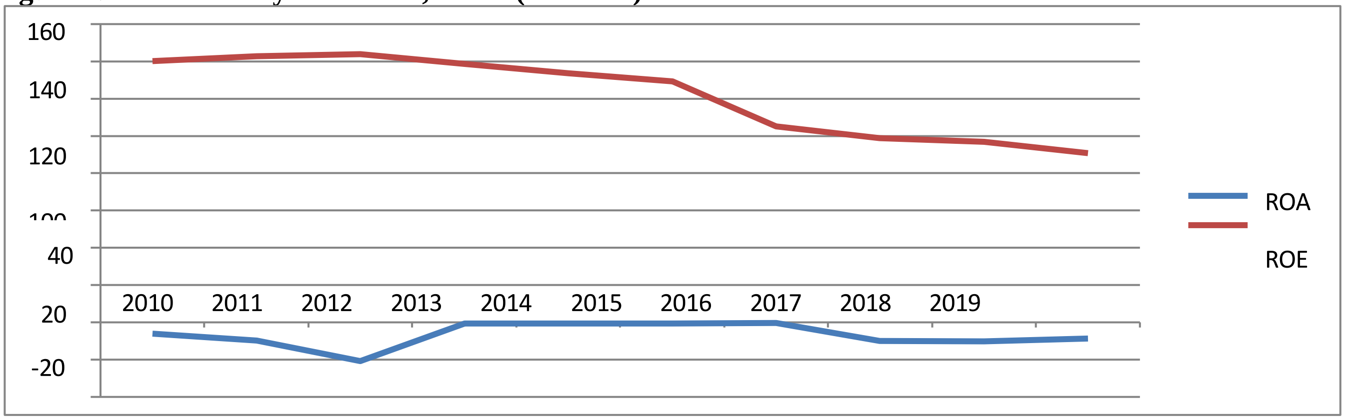


Figure 4.8 Trend Analysis of ROA, ROE (MEPCO)



During the financial year 2011-12, electricity sales of the company increased to Rs.109,403.70 million i.e. increase of Rs.14,393.39 million, 15.15% (Rs.95,010.32 million: 2010-11). On the other hand cost of electricity increased by 28.49% (Rs.124,398.33 million during the year 2011-12, Rs.96,817.59 million: 2010-11). The proportionate increase in cost of electricity was higher than the increase in the sales of electricity due to which the Company suffered a gross loss of Rs. 14,994.62 million. The line losses of 182 sub-divisions of the Company ranged from 10% to 36.50%, resulted in high cost of electricity. In view of the forgoing, the Gross Profit ratio declined significantly i.e. (13.71%) gross loss as compared to gross loss of (1.90%) for the financial year 2010-11. The abnormal increase in the cost of sales, resulting in significant increase in gross loss of the company needs to be explained. The company suffered accumulated loss of Rs.67,954.35 million, out of which loss Rs.24,525.67 million occurred during the present financial year.

This indicated that the operational efficiency of the Company remained highly unsatisfactory. The operational loss was mainly due to increase in operating expenses by 22% over the previous year which was mainly attributed to enhancement in pay and allowances and repairs & maintenance expenses. In view of the forgoing, the Net Profit ratio declined significantly i.e. (22.42%) net loss as compared to net loss of (9.53%) for the financial year 2010-11. The Company could not manage its expenses including line losses due to which the cost of electricity and indirect expenses increased significantly. The expenses increased to such a huge amount that the relative revenue generated from sales and other income could not mitigate the impact. The management is required to explain the abnormal increase in cost of sales and operating expenses resulting in net loss for the Company. The return declined to (148.86%), showing that the Company could not utilize its resources in an efficient and effective manner resulting in a negative return. The return declined to (20.78%) from (9.73) during the financial year 2010-2011 as the Company was not utilizing its assets efficiently to generate favourable return.

The Company invested Rs.8,667.19 million on the non-current assets during the financial year. The investment was financed through the consumer security deposits and Government Grants realized during the present financial year. In addition to the above, the Company held cash reserves of Rs.4,907.37 million. The debt to total asset ratio and gearing ratio was 3.42 and (24.50) respectively, which showed that company was relying heavily on debt to finance its operations. It is suggested that the Company should review its capital structure and policy of getting loan because it badly affected the liquidity position of the Company and had direct impact on the profitability of the Company. The huge investment on non-current assets could not improve the profitability position of the Company as the return on total assets declined significantly, which needs to be explained. The current ratio declined to 0.49 from 0.53 indicating short term financial difficulties in repayment of current liabilities.The Company does not hold adequate liquid assets required to settle its short term liabilities which needs to be explained. The trade receivables increased significantly
i.e. by Rs.3,439.59 million (10%) over the previous year. In addition to this, the debtors' turnover period also increased to 60 days (56 days in 2010-11 and 50 days in 2009-10). Moreover, the company had written off an amount of Rs.1,594.14 million as bad debts during the current financial year. An increase in accounts receivable, debtor's turnover period and writing off a significant amount of debtors as bad debts reflected inefficient collection procedures and poor administration of trade debts, resulting in loss of revenue to the Company and ultimately worsening liquidity position. Delays in collection from debtors have trickledown effect on the creditor's turnover period which increased to 323 days from 268 days. The increase in accounts receivable and accounts payable indicates that there was a continuing cash flow shortage resulting in persistent working capital financing problems for the Company. Poor management of debtors and creditor's turnover period and writing off significant amount as bad debts needs to be explained. The non-current liabilities of the company increased by 14% over the previous year. The trade and other payables increased by 55% (i.e. by 281 Rs.38,944.83 million) and the creditors' turnover period

increased to 323 days. Significant increase in the non-current and current liabilities reflected that the company was encountering the liquidity problems and the management had not taken adequate remedial actions to address the issue. The financial position of the Company deteriorated during the past few years as depicted in the summary of ratios mentioned above. The gearing position of the Company improved i.e. 24.50% during the financial year 2011- 12 as compared to 81.73% during the financial year 2010-11. Despite this fact, the Company heavily relied on the external sources to finance its operations instead of funding the operations out of resources generated from its operations.

4.1.1 Hyderabad Electric Supply Company

HESCO was founded in 1998. It distributes and supplies electricity to 1.17 million consumers in 12 districts of Sindh Province under a Distribution License granted by National Electric Power

Table 4.5 Financial performance analysis of HESCO

Ratio	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg
Gross Profit	7.1	2.34	-18.13	2.61	-20.17	-21.89	-24.55	-18.43	-27.43	-25.44	-15.92
Net Profit	-6.63	-14.83	-49.28	-31.84	-28.77	-27.23	-26.77	-29.55	-38.55	-29.67	-28.31
ROA	-3.90	-7.80	-28.28	-16.97	-14.56	-16.44	-17.43	-19.76	-16.32	-11.43	-13.44
ROE	65.66	69.55	71.25	72.55	65.11	63.31	45.21	58.43	59.89	61.87	63.28
Current Ratio	0.79	0.76	0.57	0.49	0.42	0.38	0.44	0.46	0.48	0.51	0.56
Acid Test Ratio	0.73	0.73	0.74	0.76	0.78	0.81	0.69	0.57	0.52	0.54	0.69
cash Ratio	0.61	0.68	0.69	0.7	0.71	0.68	0.66	0.62	0.58	0.53	0.65
Debt to Equity	-463.1	719.59	169.79	156.91	149.76	146.33	145.88	144.9	90.76	84.76	134.56
Int Coverage Ratio	-18.89	-47.58	-74.10	-10.2	-55.32	-65.11	-70.56	-80.43	-82.45	-86.45	-630.34
Assets T/over	6.95	16.8	-1.61	-1.14	-1.05	-1.03	-1.01	-1	0.89	0.88	1.85
Fixed Assets T/Over	2.79	2.45	2.32	2.24	2.18	2.33	2.39	2.43	2.49	2.53	2.42
Receivable T/Over	2.38	2.32	2.66	2.45	2.39	2.28	3.44	3.55	3.62	3.69	2.88

Figure 4.9 Trend Analysis of Gross Profit and Net Profit (HESCO)

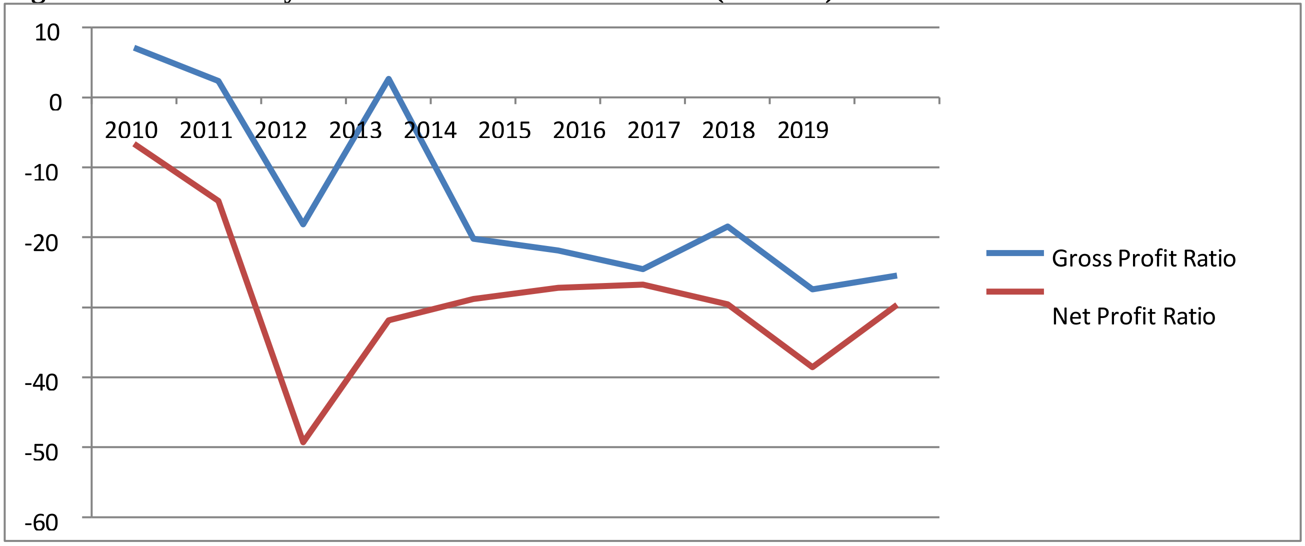


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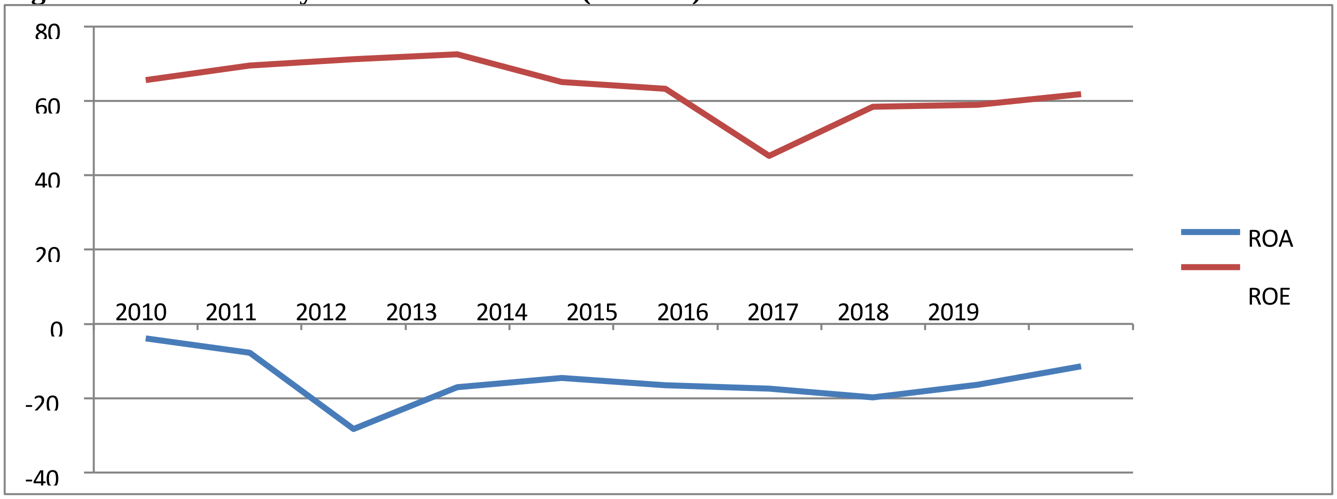
Figure 4.10 Trend Analysis of ROA and ROE (HESCO)



During the financial year 2011-12,electricity sale of the company decreased to Rs.56,473.61 million i.e. decrease of Rs.9,624.47 million, 14% (Rs.66,098.08 million: 2010-11). On the other hand cost of electricity increased by 2% (Rs.68,124.16 million during the year 2011-12, Rs.66,360.26 million: 2010-11). The proportionate increase in cost of electricity was not much higher but the sales of electricity decreased significantly due to which the Company suffered a gross loss of Rs.10,237.16 million. The line losses of 78 sub divisions of the Company ranged from 10% to 40.56%, resulting in high cost of electricity. In view of the forgoing, the Gross Profit ratio declined significantly i.e. (18.13%) gross loss as compared to gross profit of 2.34 for the financial year 2010-11. The abnormal decrease in the sale and increase in cost of sale and line losses, resulting in significant increase in gross loss of the company, which needs to be explained.

The company suffered accumulated losses of Rs.82,197.24 million, out of which Rs.27,832.28 million was incurred during the present financial year. This indicated that the operational efficiency of the Company remained highly unsatisfactory. The operational loss was mainly due to increase in operating expenses by 55% over the previous year which mainly attributed to enhancement in pay and allowances, repairs & maintenance expenses.In view of the forgoing, the Net Profit ratio declined significantly i.e. (49.28%) net loss as compared to net loss of (14.83%) for the financial year 2010-11. The Company could not manage its expenses including line losses due to which the cost of electricity and indirect expenses increased significantly. The expenses increased to such a huge amount that the relative revenue generated from sale and other income could not mitigate the impact. The return on capital employed would not be calculated due to heavy losses. The return declined to (28.28%) from (7.80%) as company was not utilizing its assets efficiently to generate favorable return. The Company invested Rs. 3,980.37 million on the non-current assets during the financial year. The investment was financed through the consumer security deposits and Government Grants realized during the present financial year. In addition to the above, the Company held cash reserve of Rs.2,208.55 million. The debt to total asset ratio and gearing ratio was (3.03%) and 20.93% respectively, which showed that company was relying on debt to finance its operations.

It is suggested that the Company should review its capital structure and policy for getting loan because it badly affected the liquidity position of the company and had direct impact on the profitability of the company. The huge investment on non-current assets could not improve the profitability position of the Company as the return on total assets declined significantly which needs to be explained. The current ratio declined to 0.57 from 0.76 indicating short term financial difficulties in repayment of current liabilities. The Company did not hold adequate liquid assets required to settle its short term liabilities which needs to be explained. The trade receivables decreased significantly i.e. by (37.64%) over the previous year. In addition to that the debtor turnover period increased to 234 days (137 days in 2010-11). Moreover, the company wrote off an amount of Rs.1.24 million as bad debts during the present financial year. An increase in accounts receivable, debtor's turnover period and writing off debtor as bad debts reflected inefficient collection procedures and poor administration of trade debts, resulting loss of revenue to the Company and ultimately worsening liquidity position. Delays in collection from debtors had trickledown effect on the creditor turnover period which increased to 711 days from 667 days. The increase in accounts receivable and accounts payable indicated continuing cash flow shortage resulted in persistent working capital financing problems for the Company. Poor management of debtors and creditor turnover period and writing-off of bad debts needs to be explained. The long term financing of the Company increased by 85.14%. The trade and other payables increased by 9.3%. Significant increase in the non-current and current liabilities reflects that the Company encountered the liquidity problems and the management has not taken adequate remedial action to address the issue.

The financial position of the Company deteriorated during the past few years as depicted in the summary of ratios mentioned above. The gearing position of the Company showed negative trend
i.e. -90.93% during the financial year 2011-12 as compared to -246.54% during the financial year 2010-11. High gearing reflect liquidity problems resulted in cash flow risk for the Company. The Company heavily relied on the external sources to finance its operations instead of funding the operations out of resources generated from its operations.

4.1.1 Sukhur Electric Power Company

The Company started its operation as a Public Limited Company during 2011 and registered under Companies Ordinance, 1984. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries.

Table 4.6 Financial performance analysis of Sukkur Electric Power Company

Ratio	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Avg**
Gross Profit	-25.7	-24.56	-18.12	-28.66	-27.46	-24.67	-23.65	-21.56	-24.29
Net Profit	-43.2	-41.66	-49.29	-43.23	-41.23	-45.86	-39.98	-34.87	-42.42
ROA	-10.1	-10.78	-10.21	-10.13	-10.07	-12.54	-13.53	-11.55	-11.12
ROE	71.2	71.88	61.25	59.2	56.8	56.21	61.54	63.58	62.71
Current Ratio	0.82	0.55	0.43	0.37	0.35	0.34	0.33	0.63	0.48
Acid Test Ratio	0.73	0.74	0.75	0.77	0.79	0.71	0.65	0.78	0.74
cash Ratio	0.68	0.69	0.7	0.72	0.74	0.69	0.59	0.69	0.69
Debt to Equity	168.7	155.43	149.8	138.66	128.46	121.76	118.32	113.67	136.84
Int Coverage Ratio	-35.8	-31.56	-26.44	-25.77	-22.37	-29.77	-38.46	-41.54	-31.46
Assets T/over	-1.67	-1.09	-1.08	-1.04	0.85	0.87	0.56	0.49	-0.26
Fixed Assets T/Over	2.31	2.19	2.12	2.07	2.09	2.14	2.67	2.02	2.20
Receivable T/Over	2.63	2.39	2.26	2.16	3.26	3.44	3.28	5.66	3.14

Figure 4.11 Trend Analysis of Gross Profit and Net Profit (SEPCO)

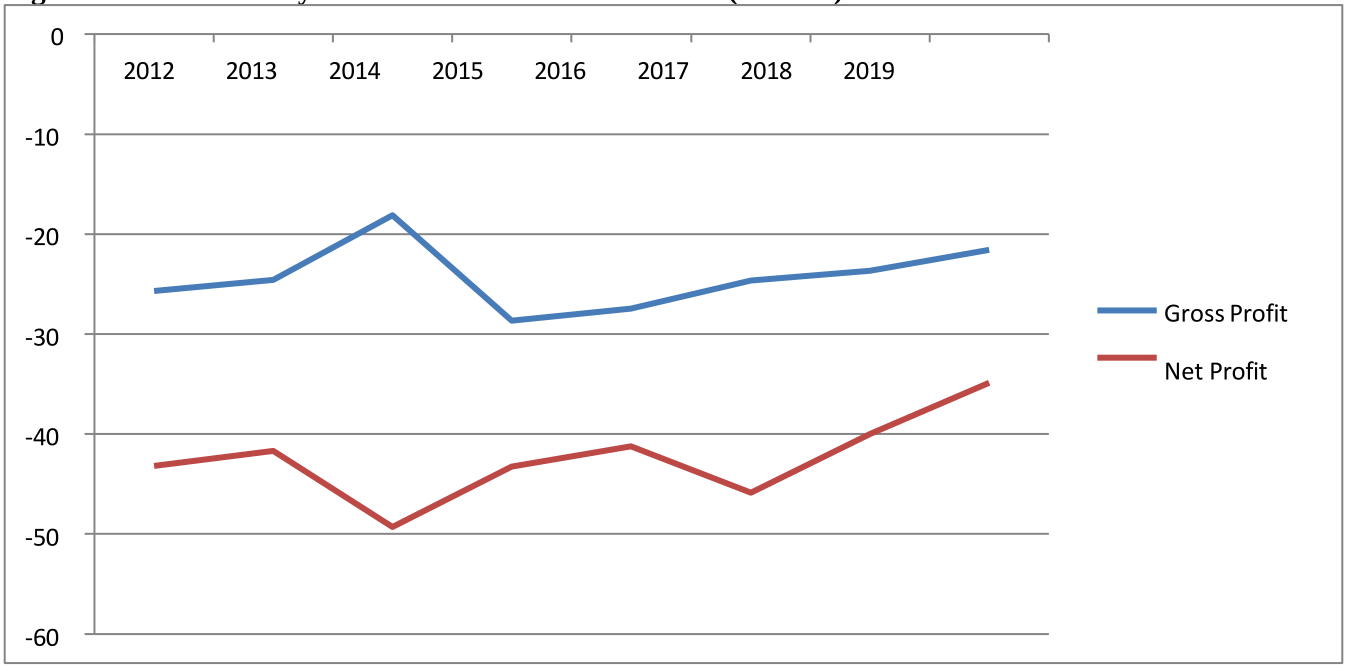
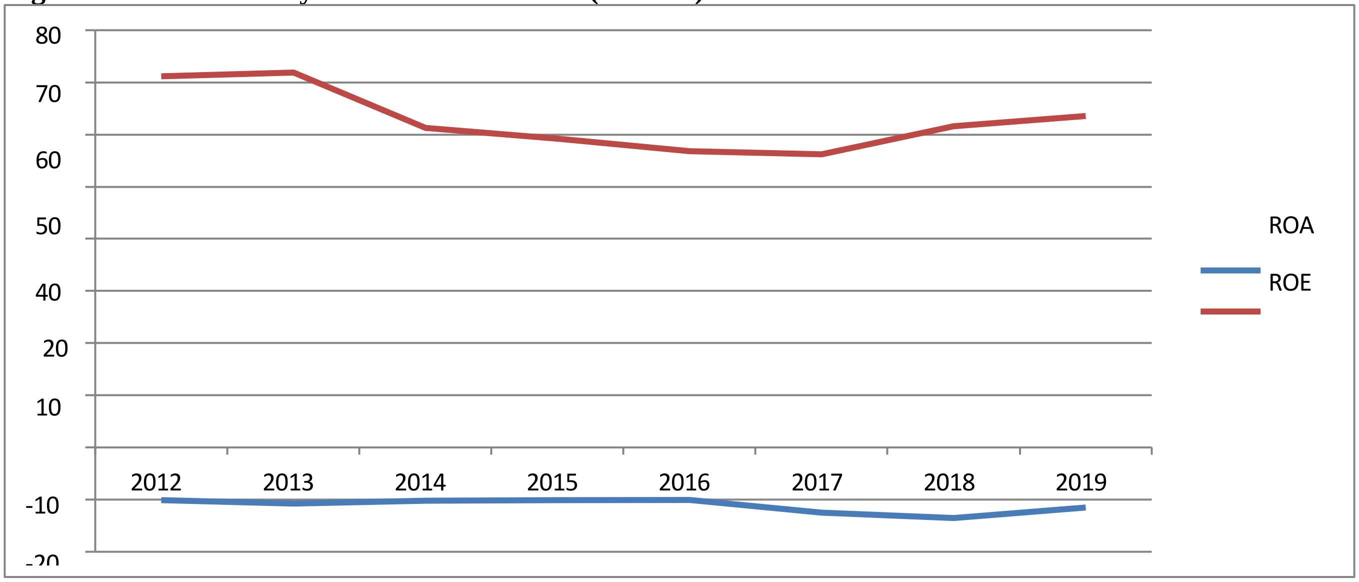


Figure 4.12 Trend Analysis of ROA and ROE (SEPCO)



During the financial year 2011-12, electricity sales of the company were Rs. 17,332.44 million. On the other hand cost of electricity was Rs. 21,639.12 million, resulting in gross loss of Rs. 4,167.85 million. The line losses of 72 sub divisions of the Company ranged from 10% to 50.82%, resulting in high cost of electricity. The abnormal increase in the cost of sales and line losses was the major cause of gross loss which was required to be explained. The company suffered net loss of Rs. 7,255.86 million during the present financial year. This indicated that the operational efficiency of the Company remained highly unsatisfactory. The operational loss was mainly due to significant operating expenses. These expenses included enhancement in pay and allowances and repairs & maintenance. In view of the forgoing, the Net Profit ratio is i.e. (43.23%) net loss. The Company could not manage its expenses including line losses due to which the cost of electricity and indirect expenses increased significantly.

The expenses increased to such a huge amount that the relative revenue generated from sales and other income could not offset the impact. The return on total asset of (9.24%) loss as company was not utilizing its assets efficiently to generate favorable return. The Company invested Rs.645.13 million on the non-current assets during the financial year. In addition to the above, the Company held cash reserves of Rs.2,749.46 million. Despite holding such a huge amount of assets, the Company could not generate desired rate of return which was required to be explained. Despite the fact that the Company's current ratio was 0.89 indicating short term financial difficulties in repayment of current liabilities, the Company did not hold adequate liquid assets required to settle its short term liabilities which was required to be explained.

The trade receivables position was worse as significant amount of trade debtors i.e. Rs.41,885.99 million appeared at the end of financial year. In addition to that, the debtors' turnover period was 911 days. Moreover, the company created provision of bad debt amounting to Rs.703.61 million during the present financial year. A huge amount of accounts receivable, debtor's turnover period and provision of significant amount of debtors as bad debts reflected inefficient collection procedures and poor administration of trade debts, resulting in loss of revenue to the Company and ultimately worsening liquidity position. Delays in collection from debtors had trickledown effect on the creditor's turnover period which was 1,147 days. The increase in accounts receivable and accounts payable indicated that there is a continuing cash flow shortage resulting in persistent working capital financing problems for the company**.**

4.1.1 Quetta Electric Supply Company

Quetta Electric Supply Company (QESCO) is a subsidiary of PEPCO. The Company started its operation as a Public Limited Company registered under Companies Ordinance, 1984 during July, 1998. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries.

Table 4.7 Financial performance analysis of Quetta Electric Supply Company

Ratio	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg
Gross Profit	12.56	12.86	-5.61	-3.62	-4.32	-11.34	-12.34	-12.45	-13.45	-13.78	-5.15
Net Profit	-6.46	-7.53	-8.28	-8.34	-9.23	-28.32	-25.67	-23.45	-24.56	-22.45	-16.43
ROA	-4.25	-4.64	-3.52	-3.32	-2.45	-7.34	-6.65	-5.85	-4.32	-4.11	-4.65
ROE	41.44	42.33	43.21	44.23	49.32	51.34	53.11	54.32	54.45	55.67	48.94
Current Ratio	0.57	0.56	0.79	0.80	0.82	0.83	0.85	0.85	0.86	0.88	0.78
Acid Test Ratio	0.47	0.49	0.55	0.58	0.59	0.61	0.63	0.64	0.65	0.65	0.59
cash Ratio	0.26	0.28	0.34	0.37	0.39	0.42	0.46	0.47	0.48	0.5	0.40
Debt to Equity	141.14	147.17	- 2569.88	148.18	155.34	157.34	158.55	159.01	159.98	160.12	- 118.31
Int Coverage Ratio	-12.92	-41.53	- 2112.18	-39.23	-37.34	-35.31	-33.78	-29.77	-27.44	-25.77	- 239.53
Assets T/over	-2.98	-2.84	13.94	5.34	7.34	8.43	8.78	8.94	9.32	9.81	6.61
Fixed Assets T/Over	1.73	1.78	1.79	1.81	1.83	1.85	1.88	1.89	1.9	1.92	1.84
Receivable T/Over	1.57	1.59	1.62	1.65	1.67	1.68	1.68	1.71	1.74	1.85	1.68

Figure 4.13 Trend Analysis of Gross Profit and Net Profit (QESCO)

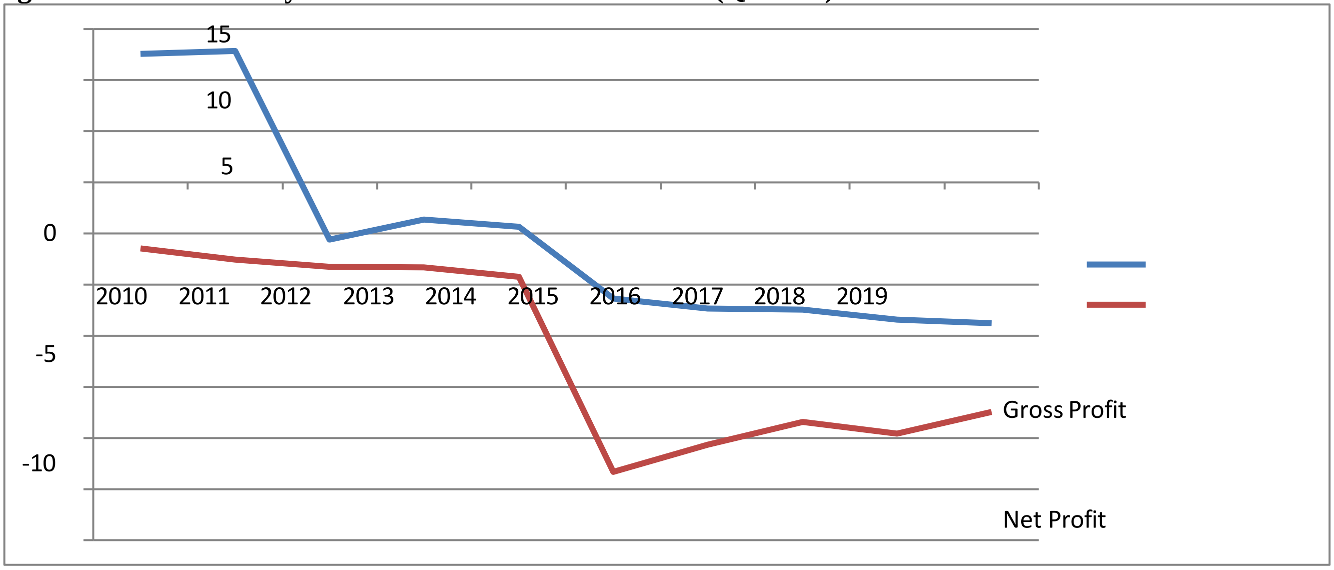
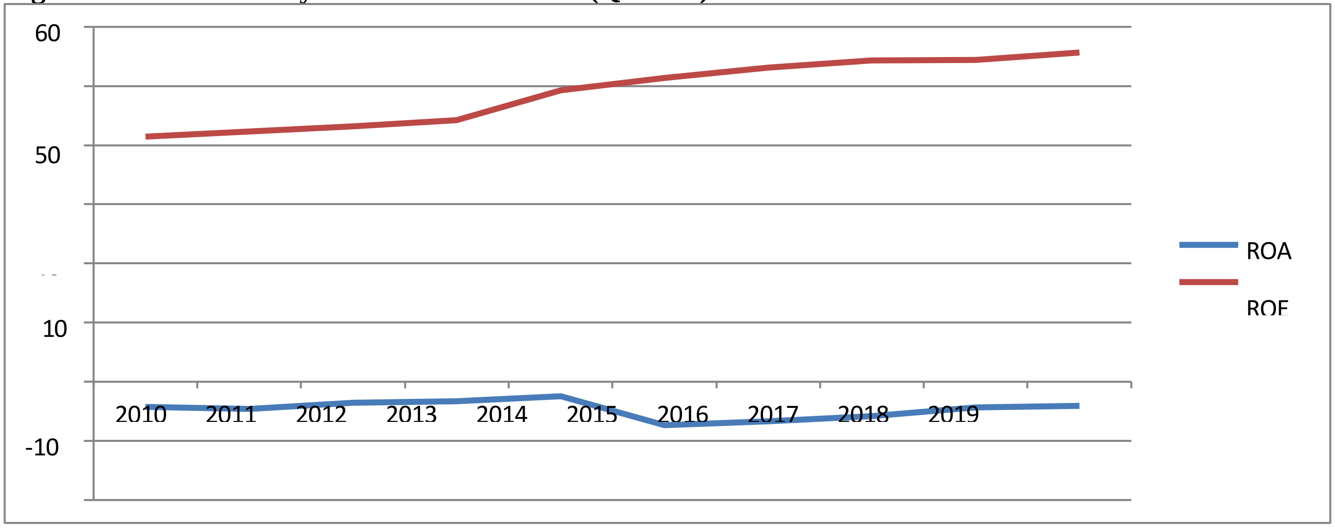


Figure 4.14 Trend Analysis of ROA and ROE (QESCO)



Ratio declined significantly i.e. (5.61%) loss as compared to 12.86% profit during the financial year 2010-2011. The Company suffered gross loss of Rs.2,645.66 million during the financial year 2011- 12, as against gross profit of Rs. 5,651.15 during the financial year 2010-2011. Financial statements reflected that the electricity sales of the company increased by 7.25%, whereas cost of electricity increased by 30%. The proportionate increase in the cost of sales was higher than the increase in sales, resulting in gross loss for the Company. The line losses of 46 sub divisions of the Company ranged from 10% to 36.74%, resulting in high cost of electricity. The abnormal increase in the cost of sales, resulting in significant increase in gross loss of the company needed to be explained. The company suffered accumulated losses of Rs.42,652.62 million, out of which Rs.3,900.96 million was incurred during the present financial year. This indicated that the operational efficiency of the Company remained highly unsatisfactory. The operational loss was mainly due to increase in the cost of sales, as referred above and operating expenses.

The Net Profit ratio declined to (8.28%) net loss as compared to net loss of (7.53%) for the financial year 2010-11. The company could not manage its expenses including line losses due to which the cost of electricity and indirect expenses increased significantly. The expenses increased to such a huge amount that the relative revenue generated from sales and other income could not offset the impact. The return on total assets remained negative i.e. (3.52%) negative return of (4.64%) during the financial year 2010-2011. This reflected that the Company was not utilizing its assets efficiently to generate desired rate of return which needs to be explained.

The company's current ratio increased to 0.79 from 0.56. The current ratio improved due to increase in trade debts. It is worth mentioning here that the trade debts increase by 102%, due to which the ratio reflected improved results. The trade receivables increased significantly i.e. by 102% over the previous year. In addition to that, the debtors' turnover period increased to 414 days (220 days in 2010-11 and 209 days in 2009-10). Moreover, the company created a provision for bad debts amounting to Rs266.54 million during the present financial year. An increase in accounts receivable, debtor's turnover period and creation of provision for doubtful debts with a significant amount reflected inefficient collection procedures and poor administration of trade debts, resulting in loss of revenue to the Company and ultimately worsening liquidity position. Delays in collection from debtors had trickled own effect on the creditor's turnover period which increased to 788 days (827 days: 2010-2011). The increase in accounts receivable and accounts payable indicated continuing cash flow shortage that resulted in persistent working capital financing problems for the Company**.**

4.1.1 Tribal Electric Supply Company

Tribal Areas Electric Supply Company (TESCO) is a subsidiary of PEPCO. The Company was incorporated on July 03, 2002 as a public limited company under the Companies Ordinance, 1984. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries.

Table 4.8 Financial performance analysis of Tribal Electric Supply Company

Ratio	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg
Gross Profit	-2.82	-19.92	-91.06	-19.67	-19.55	-19.45	-18.92	-22.45	-17.34	-15.34	-17.53
Net Profit	-16	-44.54	-136.51	-37.67	-35.66	-32.67	-29.27	-32.56	-26.45	-21.33	-31.54
ROA	-2.18	-16.87	-28.8	-24.65	-23.67	-28.44	-29.34	-39.54	-36.45	-37.23	-26.72
ROE	20.25	20.33	21.44	22.67	20.34	18.22	17.67	16.24	14.23	13.98	18.54
Current Ratio	0.9	0.62	0.57	0.54	0.51	0.45	0.43	0.39	0.34	0.29	0.50
Acid Test Ratio	0.23	0.22	0.21	0.19	0.17	0.14	0.11	0.1	0.09	0.05	0.15
cash Ratio	0.03	0.04	0.05	0.07	0.09	0.23	0.29	0.32	0.38	0.42	0.19
Debt to Equity	126.7	115.04	112.49	109.2	104.65	101.34	98.23	92.54	89.23	81.23	103.07
Int Coverage Ratio	-42.7	-117.25	-284.5	-170.4	-144.7	-139.34	-131.34	-129.34	-121.3	-118.3	-139.93
Assets T/over	-1.91	-0.93	-0.38	-0.27	-0.19	-0.11	-0.07	-0.04	-0.02	0.12	-0.38
Fixed Assets T/Over	0.33	0.39	0.44	0.47	0.52	0.56	0.61	0.65	0.71	0.74	0.54
Receivable T/Over	1.44	1.39	1.37	1.42	1.78	1.79	1.82	1.67	1.79	1.81	1.63

Figure 4.15 Trend Analysis of Gross Profit and Net Profit (TESCO)

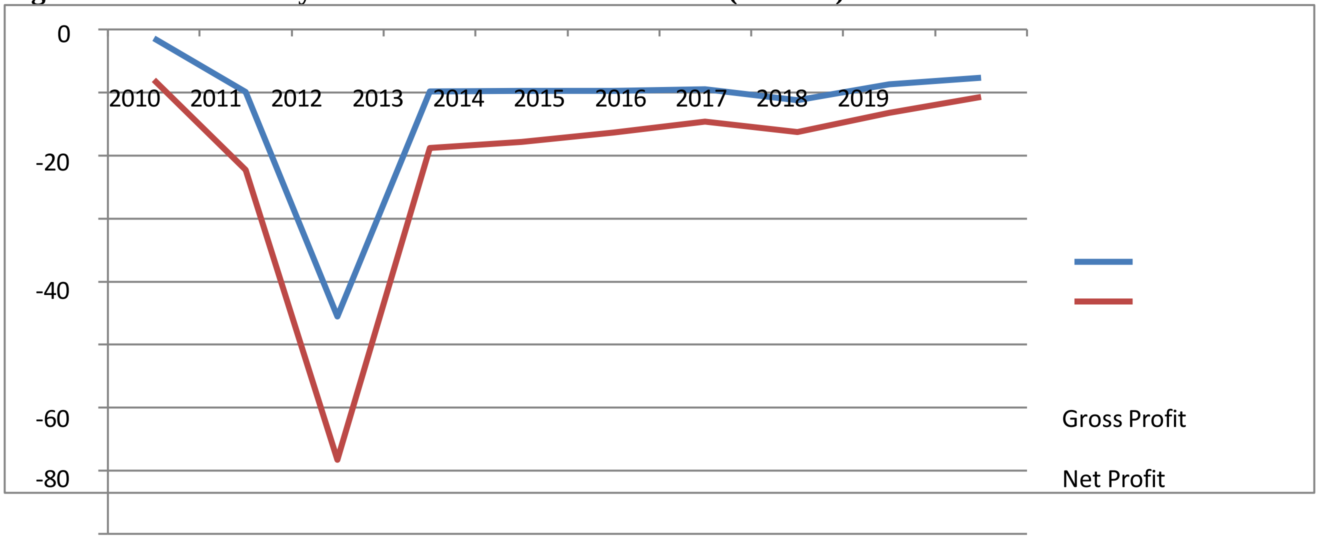
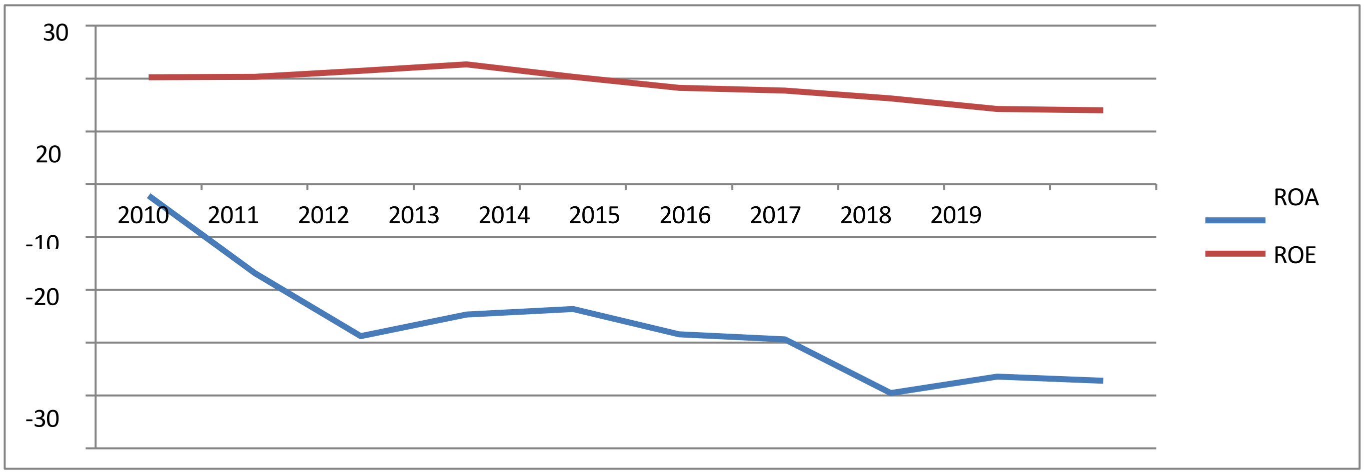


Figure 4.16 Trend Analysis of ROA and ROE (TESCO)



Gross profit ratio declined significantly i.e. (91.06%) gross loss as compared to (19.92%) gross loss for the financial year 2010-11. The sales decreased by 24.20%, whereas the cost of sales increased by 18%, resulting in gross loss for the Company. During the financial year 2011-12, electricity sales of the company decreased to Rs. 10,420.91 million i.e. 24% (Rs.13,692.20 million: 2010-11). Total units 1,735.17 million (2011: 1,756.21 million) at the average rate of Rs. 7.89 (2011: Rs. 8.60) per unit were sold which showed that rate per unit decreased by Rs. 0.71 i.e. 9 %.

The line losses of all the 16 sub divisions of the Company ranged from 14% to 43.36%, resulting in high cost of electricity. The abnormal decrease in sales and increase in the cost of sales, resulting in significant increase in gross loss of the company which needs to be explained.

The company suffered accumulated loss of Rs.31,348.35 million, out of which Rs.14,225.58 million was incurred during the present financial year. The Net Profit ratio of the Company decreased to (136%) net loss from (44.54%) net loss reported during the financial year 2010-2011. This indicated that the operational efficiency of the Company remained highly unsatisfactory. The operational loss was mainly due to increase in operating expenses by 38% over the previous year which was mainly attributed to enhancement in pay and allowances and increase in repair & maintenance expenses. The company could not manage its expenses including line losses due to which the cost of electricity and indirect expenses increased significantly. The expenses increased to such a huge amount that the relative revenue generated from sales and other income could not mitigate the impact. The return declined to (51.29%) from (41.27%), reflecting that the Company could not utilize its resources in an efficient and effective manner. The return declined to (28.80%) from (16.87%) as company was not utilizing its assets efficiently to generate favorable return.

The Company invested Rs.248.86 million on the non-current assets during the financial year. In addition to the above, the Company held cash reserves of Rs.834.12 million.

The huge investment on non-current assets could not improve the profitability position of the Company as the return on total assets declined significantly which needs to be explained.

The ratio declined to 0.57 time from 0.62 time indicating short term financial difficulties in repayment of current liabilities. The trade receivables increased significantly i.e. by Rs.9,907.24 million (40%) over the previous year. In addition to that, the debtors' turnover period increased to 1,209 days (656 days in 2010-11 and 562 days in 2009-10). Moreover, the company has written off an amount of Rs.2,754.11 million as bad debts during the present financial year. An increase in accounts receivable, debtor's turnover period and writing off a significant amount of debtors as bad debts reflect inefficient collection procedures and poor administration of trade debts, resulting in loss of revenue to the Company and ultimately worsening liquidity position.

Delays in collection from debtors had trickledown effect on the creditor's turnover period which increased to 1,345 days from 1,044 days. The increase in accounts receivable and accounts payable indicated continuing cash flow shortage resulted in persistent working capital financing problems for the Company. The non-current liabilities of the company increased by 57% over the previous year. The trade and other payables increased by 52% and the creditors' turnover period increased to 1,345 days. Significant increase in the non-current and current liabilities reflected that the Company encountered liquidity problems and the management has not taken adequate remedial action to address the issue. The financial position of the Company deteriorated during the past few years as depicted in the summary of ratios mentioned above. The gearing position of the Company remained negative i.e. (0.96%) during the financial year 2011-12 as compared to (2.06%) during the financial year 2010-11. The gearing ratio reflected abnormal results due to huge amount of accumulated losses. The Company heavily relied on the external sources to finance its operations instead of funding the operations out of resources generated from its operations.

4.1.1 Peshawar Electric Supply Company

Peshawar Electric Supply Company (PESCO) is a subsidiary of WAPDA and started its operations as a Public Limited Company, registered under Companies Ordinance-1984 in May, 1998. The Company has obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The Company purchases electricity from NTDC. The Company was selling electricity to whole area of Khyber Pakhtunkhwa (KPK). However, the business of FATA circle, which consists of tribal areas of KPK, was transferred to Tribal Areas Electric Supply Company Limited (TESCO).

Table 4.9 Financial performance analysis of Peshawar Electric Supply Company

Ratio	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg
Gross Profit	**-26.44**	-20.26	-52.29	-79.44	-78.23	-25.33	-18.13	-28.44	-14.83	-11.98	-44.95
Net Profit	-45.62	-35.87	-87.31	-51.61	-47.31	-63.22	-38.16	-37.62	-39.34	-45.77	-48.63
ROA	-0.13	-0.14	-0.35	-21.23	-20.44	-19.81	-19.1	-18.76	-15.77	-14.55	-24.91
ROE	59.44	51.2	43.01	22.10	23.40	19.8	17.2	14.11	13.66	11.18	27.51
Current Ratio	0.61	0.55	0.46	0.49	0.96	0.9	0.84	0.85	0.88	0.85	0.70
Acid Test											

Ratio	0.22	0.20	0.12	0.14	0.15	0.16	0.13	0.12	0.15	0.16	0.16
cash Ratio	0.0006	0.001	0.003	0.003	0.02	0.002	0.004	0.006	0.008	0.009	0.01
Debt to Equity	-0.71	-0.78	-0.84	-0.99	-1.14	-1.15	-1.16	-1.18	-1.21	-1.24	-1.04
Int Coverage Ratio	-34.64	-239.65	- 14479.05	4.09	2.88	2.38	2.4	2.35	2.3	2.4	3.03
Assets T/over	-1.22	-1.17	-0.66	0.41	0.41	0.42	0.43	0.43	0.44	0.45	0.42
Fixed Assets T/Over	1.49	1.5	1.52	1.51	1.58	1.6	1.6	1.61	1.63	1.65	1.57
Receivable T/Over	2.44	2.27	2.15	2.03	1.87	1.81	1.84	1.79	1.77	1.7	1.97

Figure 4.17 Trend Analysis of Gross Profit and Net Profit (PESCO)

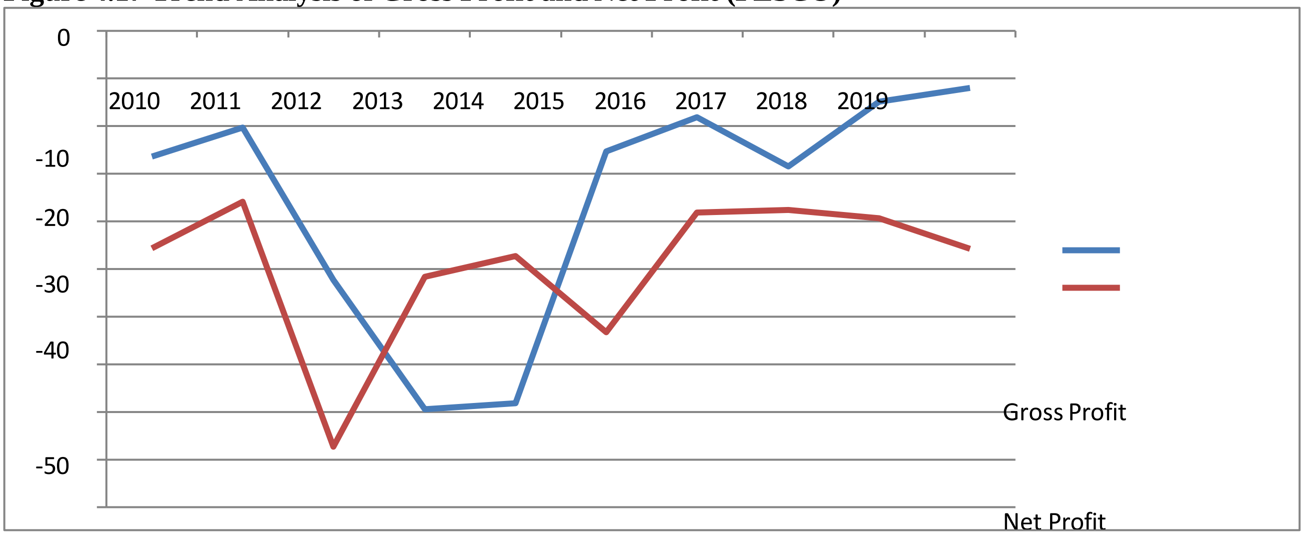
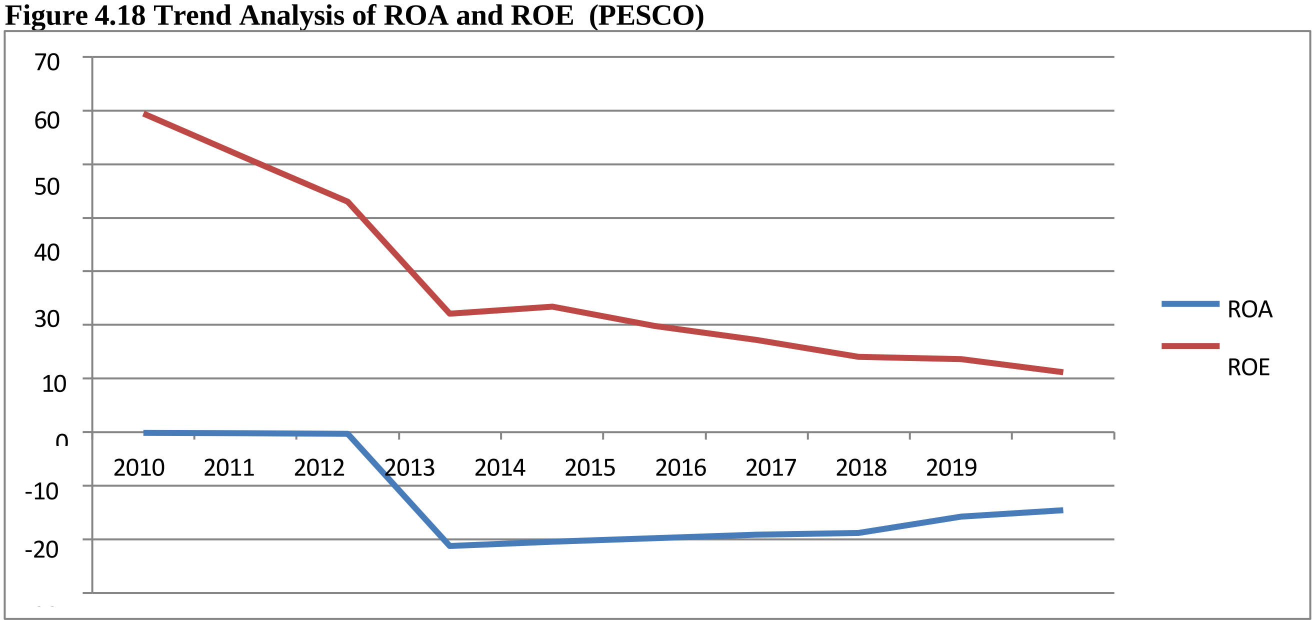


Figure 4.18 Trend Analysis of ROA and ROE (PESCO)



Gross profit ratio declined significantly i.e. 52.29% gross loss as compared to gross loss of 20.26% for the financial year 2010-11. This reflects that the cost of electricity has increased more than the percentage increase in sales. The line losses of 173 sub-divisions of the Company range from 10% to 76.03%, resulted in high cost of electricity. The abnormal increase in the cost of sales and line losses, resulting in significant increase in gross loss of the company needs to be explained. The company suffered accumulated losses of Rs.126,265.08 million, out of which an amount of Rs.46,530.31 million was incurred during the present financial year. In pursuance to the above, the net profit ratio declined significantly i.e. (87.31%) loss as compared to (35.81%) for the financial year 2010-2011. The operating expenses increased by 145% which mainly attributed to enhancement in pay and allowances and repairs & maintenance expenses. Consequently, the Company suffered huge net loss of Rs.46,530.31 million during the financial year 2011-12. This indicated that the operational efficiency of the Company remained highly unsatisfactory. The return declined to (51.16%) loss from (33.52%), showing that the Company could not utilized its resources in an efficient and effective manner.

The Company suffered a net loss of Rs 34,403.60 million during the 2014-15. Total accumulated losses have reached to the tune of Rs 208,340.60 million. The Company was suffering consistent losses over the years which reflected inefficiency and mismanagement of the affairs of the Company.The return declined to (0.35%) from (0.14%) as company was not utilizing its assets efficiently to generate favorable return. The Company invested Rs.4,321.09 million on the non-current assets during the financial year. In addition to the above, the Company held cash reserves of Rs.1,865.57 million. The debt to total asset ratio and gearing ratio was 2.07% and 2.70% respectively. The huge investment on non-current assets could not improve the profitability position of the Company as the return on total assets declined significantly which needs to be explained. The company current ratio declined to 0.46 from 0.55 indicating short term financial difficulties in repayment of current liabilities. Debtor turnover period decreased to 170 days from 230 days due to decrease in trade receivable i.e. by 12.42%. However, it continued to reflect weak administration of receivables and ultimately liquidity problems for the Company. Financial crises further created obstacles in way of repayment to creditors which increased to 733 days from 704 days. The huge duration for the collection and payment to debtors and creditors reflect poor management of debtors and creditors' turnover period which needs to be explained. These ratios showed negative trend due to high losses in recent years i.e. (189)% during the financial year 2011-12 as compared to (10.34)% during the financial year 2010-11.

Total receivable of the Company increased to Rs 117,715.04 million (2013 : Rs 101,820.52 million) with an increase of Rs 15, 894.52 million during the current year, including Rs 14,801.41 million receivable from Government of Pakistan, Rs 28,144.12 million from Tribal Electric Supply Company (TESCO) and Rs 74,769.50 million were other miscellaneous receivable. Substantial increase in the amount of receivables depicts the poor recovery efforts of the Company

The gearing and leverage ratios reflect distorted results due to huge amount of accumulated losses which turned the equity negative. Long term financing increased by 20% as the Company has advanced a loan from Asian Development Bank amounting to Rs. 10,451.45 million for power distribution and enhancement project. The financial position of the Company deteriorated during the past few years as depicted in the summary of ratios mentioned above.

4.1.1 Gujranwala Electric Power Company

The Company started its operation as a Public Limited Company registered under Companies Ordinance, 1984 during May, 1998. The Company obtained distribution license from National Electric Power Regulatory Authority (NEPRA). The principal activity of the Company is distribution and supply of electricity within its defined geographical boundaries. The Company purchases electricity from CPPA through NTDC system and sells it to various consumers within Gujranwala, Gujrat, Mandi Bahaudin, Narowal, Hafizabad and Sialkot Districts.

Table 4.10 Financial performance analysis of Gujranwala Electric Power Company

Ratio	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg
Gross Profit	12.79	5.97	-1.46	26.12	26.23	21.23	26.43	27.23	28.43	31.23	20.42
Net Profit	7.21	-2.04	-9.4	12.67	12.78	8.23	13.78	8.43	12.78	13.43	7.787
ROA	11.3	-3.38	-14.16	10	11	5.43	13.45	6.43	9.45	12.34	6.186
ROE	129.45	130.3	120.34	119.34	125.33	121.45	127.67	129.45	137.67	139.45	128.049
Current Ratio	0.75	0.66	0.6	0.8	0.79	0.78	0.85	0.88	0.89	0.92	0.792
Acid Test Ratio	0.65	0.51	0.49	0.64	0.59	0.57	0.63	0.61	0.68	0.72	0.609
cash Ratio	0.41	0.39	0.28	0.41	0.39	0.37	0.42	0.47	0.47	0.49	0.41
Debt to Equity	-30.36	-46.4	-222.1	24.01	24.67	25.56	26.71	27.56	29.71	29.86	-11.078
Int Coverage Ratio	11.81	-7.84	-31.58	44.21	44.78	45.51	46.81	47.51	48.81	49.31	29.933
Assets T/over	4.21	4.26	6.08	2.16	2.35	2.56	2.67	2.79	2.89	2.66	3.263
Fixed Assets T/Over	2.81	2.83	2.84	2.81	2.82	2.79	2.84	3.39	2.78	3.45	2.936
Receivable T/Over	2.69	2.71	2.73	2.75	2.76	2.87	3.12	4.87	3.56	5.99	3.405

Figure 4.19 Trend Analysis of Gross Profit and Net Profit (GEPCO)

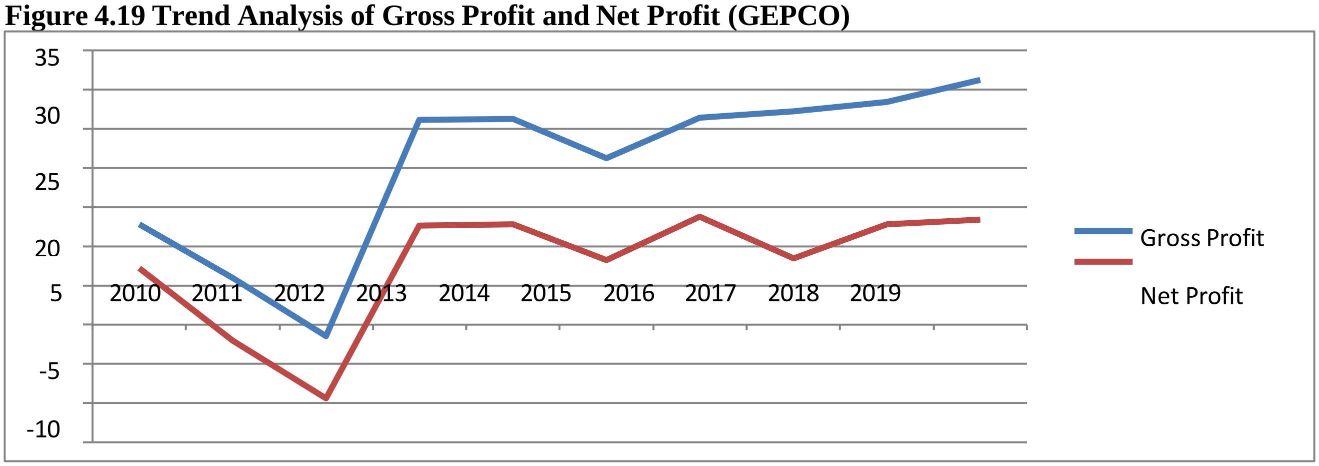
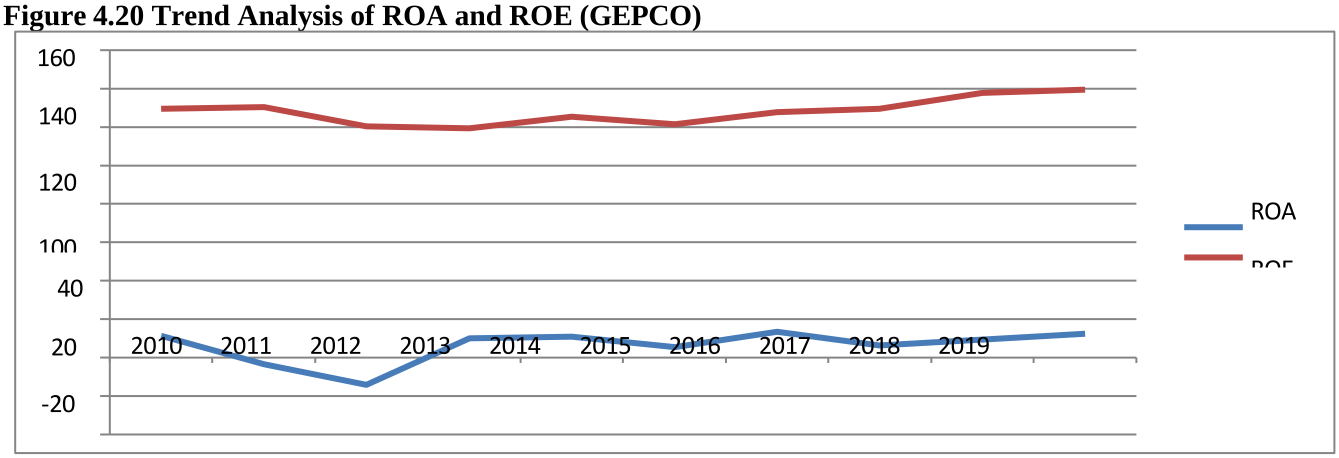


Figure 4.20 Trend Analysis of ROA and ROE (GEPCO)



During the financial year 2011-12, Electricity sales of the company increased by 14% (4.29% during the year 2010-2011). The increase was mainly due to increase in tariff by NEPRA and in number of

consumers. On the other hand, cost of electricity increased by 23% (12.45% during: 2010-11). The proportionate increase in cost of electricity was higher than the increase in the sales of electricity due to which the Company suffered a gross loss of Rs.1,000.78 million. The line losses of 76 sub divisions of the Company ranged from 10% to 24.06%, resulting in high cost of electricity. In view of the forgoing, the Gross Profit ratio declined significantly i.e. (1.46%) gross loss as compared to gross profit of 5.97 for the financial year 2010-11.The Company suffered accumulated losses of Rs.13,359.00 million, out of which Rs.6,439.15 million was incurred during the present financial year. This indicated that the operational efficiency of the Company remained highly unsatisfactory. The operational loss was mainly due to increase in operating expenses by 13% over the previous year which mainly attributed to enhancement in pay and allowances and repairs & maintenance expenses. In view of the forgoing, the Net Profit ratio declined significantly
i.e. (9.40%) net loss as compared to net loss of (2.04%) for the financial year 2010-11.

During the financial year 2012-13, electricity sales of the Company increased by 21% and was Rs.83,253.80 million (Rs.68,526.01 million: 2011-12). On the other hand cost of electricity increased by 0.28% and was Rs.69,722.92 million during the year 2012-13 (Rs.69,526.79 million: 2011-12). Due to increase in sale of electricity the Company earned a gross profit of Rs.13,530.88 million. The Gross Profit ratio increase significantly i.e. 26.12% as compared to gross loss of (1.46%) for the financial year 2011-12. The Company earned a net profit of Rs.6,563.22 million, as compared to loss of Rs.6,439.15 million during 2011-12 due to which its net profit ratio increased to 12.67 % from (9.40%) during the financial year 2011-12. In 2014-15 the Company suffered a net loss of Rs 1,572.46 million during the current year. Total accumulated losses have reached to the tune of Rs 5,646.32 million.

The Company was suffering consistent losses over the years, which reflected inefficiency and mismanagement of the affairs of the Company. Total receivable of the Company increased to Rs 41,025 million (2013: Rs 27,329 million) with an increase of Rs 13,745 million during the current year, including Rs 16,881.16 million receivable from Government of Pakistan and Rs 196.65 million were due from WAPDA & other Associated Companies. Substantial increase in the amount of receivables depicts the poor recovery efforts of the Company The Company has failed to manage its expenses including line losses due to which the indirect expenses increased significantly i.e. by 23% (Rs.1,615.74 million). The Company could not manage its expenses including line losses due to which the cost of electricity and indirect expenses increased significantly. The expenses increased to such a huge amount that the relative revenue generated from sales and other income could not offset the impact.

The return declined to (133.54%) loss from (12.91%) loss, showing that the Company could not utilize its resources in an efficient and effective manner. The return declined to (14.16%) from (3.38%) as Company was not utilizing its assets efficiently to generate favorable return. The Company invested Rs.24,802.62 million on the non-current assets during the financial year. In addition to the above, the Company held cash reserves of Rs.1,215.57 million. The debt to total asset ratio and gearing ratio was 4.24 and 37.32 respectively which showed that debt was the major component of the total capital employed.

The return increased to 10% from (14%) loss, during financial year 2011-12. This reflected that the Company was able to improve to utilize its resources in an efficient and effective manner. Despite the fact, the Company liquidated its short term investment amounting to Rs.1,700.00 million, the current ratio declined to 0.60 from 0.66 indicating short term financial difficulties in repayment of current liabilities. The trade receivables increased significantly i.e. by Rs.4,843.43 million, 55% over the previous year. In addition to that, the debtors' turnover period increased to 73 days (54 days in 2010-11 and 45 days in 2009-10). Moreover, the company had written off an amount of Rs.30.10 million as bad debts during the present financial year. An increase in accounts receivable, debtor's turnover period and writing off a significant amount of debtors as bad debts reflected inefficient collection procedures and poor administration of trade debts, resulting loss of revenue to the Company and ultimately worsening liquidity position. Delays in collection from debtors had trickledown effect on the creditor's turnover period which increased to177days from 125 days.

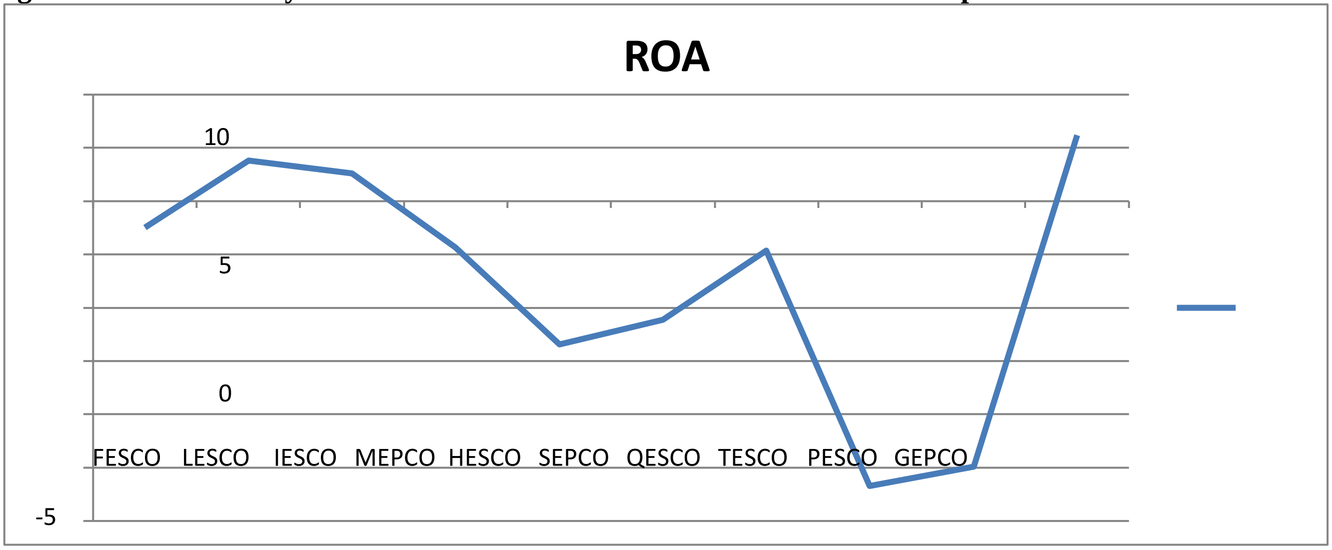
The increase in accounts receivable and accounts payable indicated that there was a continuing cash flow shortage resulting in persistent working capital financing problems for the Company. Poor management of debtors and creditor's turnover period and writing off significant amount as bad debts needs to be explained. The non-current liabilities of the company increased by 20% over the previous year. The trade and other payables increased by 75% and the creditors' turnover period increased to 177 days. Significant increase in the non-current and current liabilities reflected that the Company was encountering the liquidity problems and the management had not taken adequate remedial action to address the issue. The financial position of the Company deteriorated during the past few years as depicted in the summary of ratios mentioned above. The gearing position of the Company showed negative trend i.e. 37.32% during the financial year 2011-12 as compared to 14.70% during the financial year 2010-11. A significant portion of the capital employed was debt, which could affect the liquidity position of the Company**.**

Comparative analysis of Government owned Power Sector Companies (based on ten years average data)

Ratio	**FESCO**	**LESCO**	**IESCO**	**MEPCO**	**HESCO**	**SEPCO**	**QESCO**	**TESCO**	**PESCO**	**GEPCO**	**Ind Avg**
Gross Profit	7.53	6.67	17.52	-8.51	-15.92	-24.29	-5.15	-17.53	-44.95	20.42	-6.42
Net Profit	-2.79	5.51	1.63	-12.83	-28.31	-42.42	-16.43	-31.54	-48.63	7.787	-16.80
ROA	-2.47	3.83	2.62	-4.35	-13.44	-11.12	-4.65	-26.72	-24.91	6.186	-7.50
ROE	40.60	83.53	39.02	121.99	63.28	62.71	48.94	18.54	27.51	128.049	63.42
Current Ratio	2.24	1.74	1.93	0.60	0.56	0.48	0.78	0.50	0.70	0.792	1.03
Acid Test Ratio	0.74	1.43	1.25	0.72	0.69	0.74	0.59	0.15	0.16	0.609	0.71
cash Ratio	0.27	0.92	0.34	0.46	0.65	0.69	0.40	0.19	0.01	0.41	0.43
Debt to Equity	0.56	0.54	3.29	0.01	134.56	136.84	- 118.31	103.07	-1.04	-11.078	24.84
Int Coverage Ratio	-133.69	- 103.93	- 151.16	-1220.39	-630.34	-31.46	- 239.53	- 139.93	3.03	29.933	-261.75
Assets T/over	1.00	5.22	2.62	-3.69	1.85	-0.26	6.61	-0.38	0.42	3.263	1.67
Fixed Assets T/Over	1.68	4.15	1.73	0.59	2.42	2.20	1.84	0.54	1.57	2.936	1.97
Rec. T/O	15.01	11.77	8.50	5.20	2.88	3.14	1.68	1.63	1.97	3.405	5.52

The financial performance of Government owned power sector companies has been evaluated by taking ten years average of key financial performance indicators of each company and then industry average for comparative purpose to assess the best performing and worst performing. For instance the industry average of Gross Profit& Net Profit Ratio indicates that GEPCO has attained 20.42% being efficient in earning profit by taking in to necessary cost of production while PESCO with -44.95% indicate inefficiency in achieving industry average. Similarly in Net Profit, GEPCO has attained 7.787% while PESCO attained -48.63% against industry average -16.80%. The GEPCO has also performed well and achieve above than the industry average in other most important financial performance indicators i.e. (ROA 6.186% and ROE 128.04% . While TESCO remained below with ROA -26.72% and ROE 18.54% against the industry average.

Figure 4.21 Trend Analysis of ROA of Government Owned Power sector Companies



4.3 Comparative Analysis of Public Limited Companies

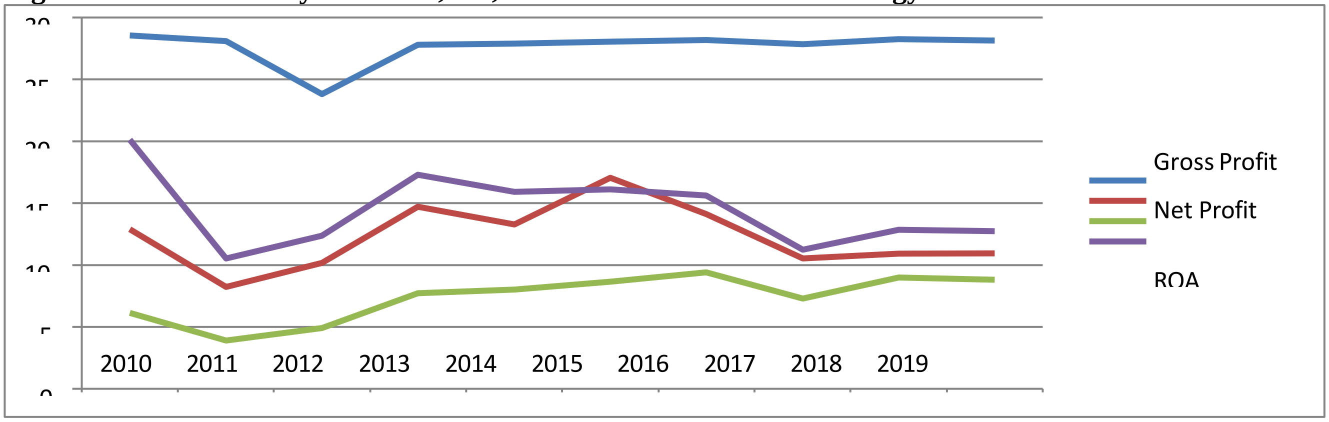
4.3.1 Altern Energy Ltd

Altern Energy Limited ("the Company") was incorporated in Pakistan on 17 January 1995 and is listed on Karachi Stock Exchange. The principal objective of the compnay is to generate and supply electric power to Water and Power Development Authority of Pakistan (WAPDA) from its thermal power plant having a capacity of 32 Megawatts (2012: 32 Megawatts). The company concerned commercial operations with effect from 06 June2001.

Table 4.12 Financial performance analysis of Altern Energy Ltd

Ratio	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Avg**
Gross Profit	28.55	28.10	23.81	27.81	27.89	28.04	28.19	27.85	28.25	28.15	27.66
Net Profit	12.90	8.23	10.18	14.70	13.27	17.05	14.12	10.54	10.92	10.94	12.29
ROA	6.14	3.90	4.92	7.73	8.02	8.66	9.41	7.28	8.99	8.8	7.39
ROE	20.13	10.53	12.37	17.30	15.92	16.12	15.62	11.23	12.84	12.73	14.48
Current Ratio	1.74	1.99	1.54	2.52	2.13	2.25	2.72	1.95	1.98	2.1	2.09
Acid Test Ratio	1.52	1.74	1.38	2.27	2.34	2.29	2.25	1.85	1.62	1.95	1.92
cash Ratio	0.08	0.34	0.07	1.09	1.12	1.1	1.1	1.34	1.05	1.07	0.84
Debt to Equity	1.97	1.49	1.53	0.99	1.99	1.86	1.66	1.54	1.43	1.72	1.62
Int Coverage Ratio	1.92	1.64	1.96	2.90	2.92	2.89	1.94	1.98	1.86	1.95	2.20
Assets T/over	0.47	0.47	0.45	0.54	0.60	0.51	0.67	0.69	0.82	0.75	0.60
Fixed Assets T/Over	0.60	0.63	0.66	0.78	0.79	0.81	0.88	0.92	0.94	0.97	0.80
Receivable T/Over	2.68	2.62	1.67	3.76	3.78	2.49	2.54	2.9	3.25	3.43	2.91

Figure 4.22 Trend Analysis of G.P ,N.P, ROA and ROE of Altern Energy Ltd.



During the financial year 2010-11 to 2018-19 Gross Profit of the Company remained constant except in 2012. The same is the case with Net Profit. The company earned reasonable Net Profit during the last ten years except decline in the year 2011. Normally an ROA of 5% or better is considered a good ratio. The company however has attained acceptable figure of
ROA except in 2011 and 2012 which declining trend has been shown. The company's return on equity is on average side during the period of last ten years. The company has however earned good current ratio which mean company has enough resources to pay its debts due over the next twelve months.

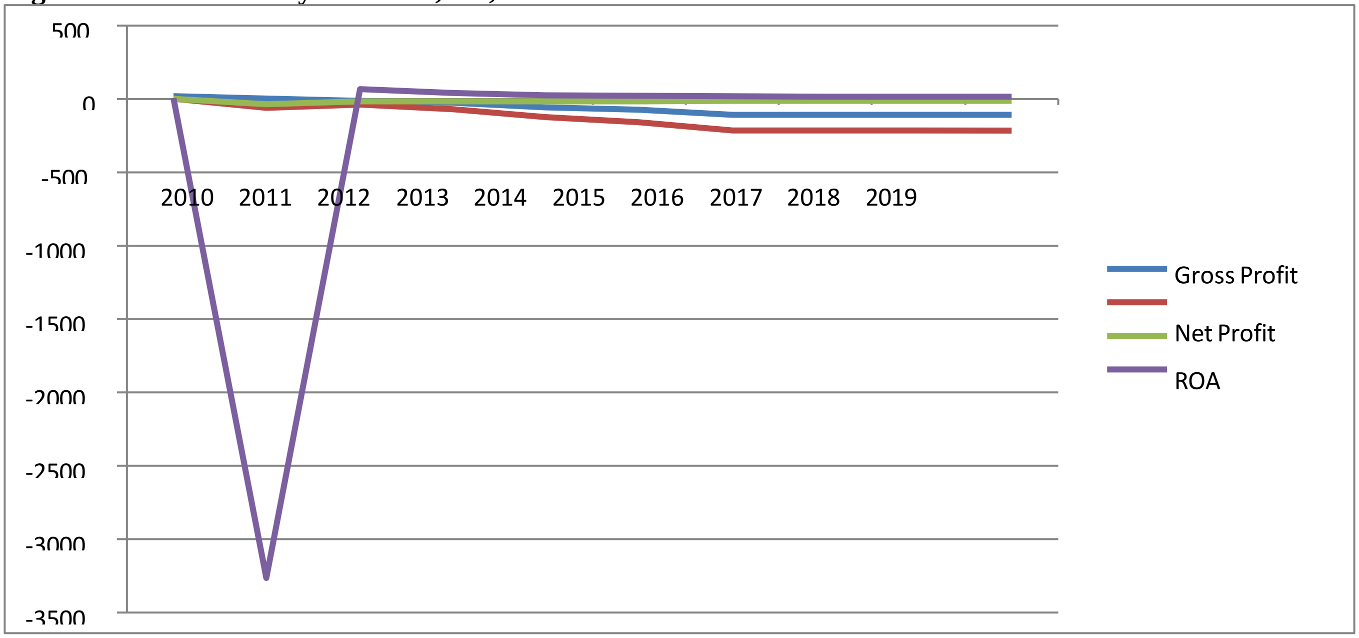
4.3.1 Southern Electric Power Co. Ltd

Southern Electric Power Company Limited is a Pakistani power generation company, based in Islamabad. It was established in 1994. It produces and supplies electricity in Pakistan. The company operates a 136MW power station in Lahore.

Table No.13 Financial performance analysis of Southern Electric Power Co.Ltd

Ratio	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Avg**
Gross Profit	19.69	2.34	-11.92	-26.45	-56.55	-71.23	-107.23	-107.23	107.32	-107.45	-35.871
Net Profit	2.08	-59.54	-38.62	-70.49	-124.84	-156.88	-214.32	-214.32	-214.32	-214.29	-130.55
ROA	1.18	-35.29	-17.15	-17.30	-14.61	-15.02	-14.14	-13.81	-13.81	-13.78	-15.373
ROE	5.92	-3,264.57	67.59	40.80	25.1	21.91	18.00	16.51	16.51	16.53	-303.57
Current Ratio	0.61	0.36	0.30	0.26	0.24	0.27	0.28	0.29	0.31	0.32	0.324
Acid Test Ratio	0.50	0.28	0.21	0.22	0.23	0.25	0.26	0.29	0.32	0.35	0.291
cash Ratio	0.03	0.05	0.04	0.07	0.1	0.2	0.27	0.3	0.38	0.39	0.183
Debt to Equity	4.51	-6.84	-3.99	-2.94	-2.89	-2.86	-2.78	-2.71	-2.69	-2.6	-2.579
Int Covera ge Ratio	1.21	1.13	-2.99	-0.83	-0.90	-0.92	-0.93	-0.96	-0.98	-0.98	-0.715
Assets T/o	0.51	0.61	0.44	0.25	0.12	0.10	0.07	0.06	0.06	0.07	0.229
F/ Assets T/O	0.25	0.27	0.28	0.31	0.33	0.38	0.41	0.45	0.47	0.51	0.366
Rec. T/O	0.55	0.45	0.47	0.51	0.6	0.65	0.71	0.76	0.8	0.91	0.641

Figure 4.23 Trend Analysis of G.P ,N.P, ROA and ROE of Southern Electric Power Co. Ltd



During the financial year 2010-11 to 2018-19 Gross Profit ratio of the Company has showed fluctuating trend. The same is the case with Net Profit. The Net Profit earned by the company is on positive side during 2010 and in the remaining years it has showed negative trend.
Normally an ROA of 5% or better is considered a good ratio. The company however has failed to achieved figure of ROA and showing declining trend during the last ten years. The company's return on equity is on better side as it has achieved acceptable return on equity during the period of last ten years except in 2010 and 2011. The company has not earned good current ratio which mean company has not enough resources to pay its debts due over the next twelve months.

4.3.1 Japan Power Generation

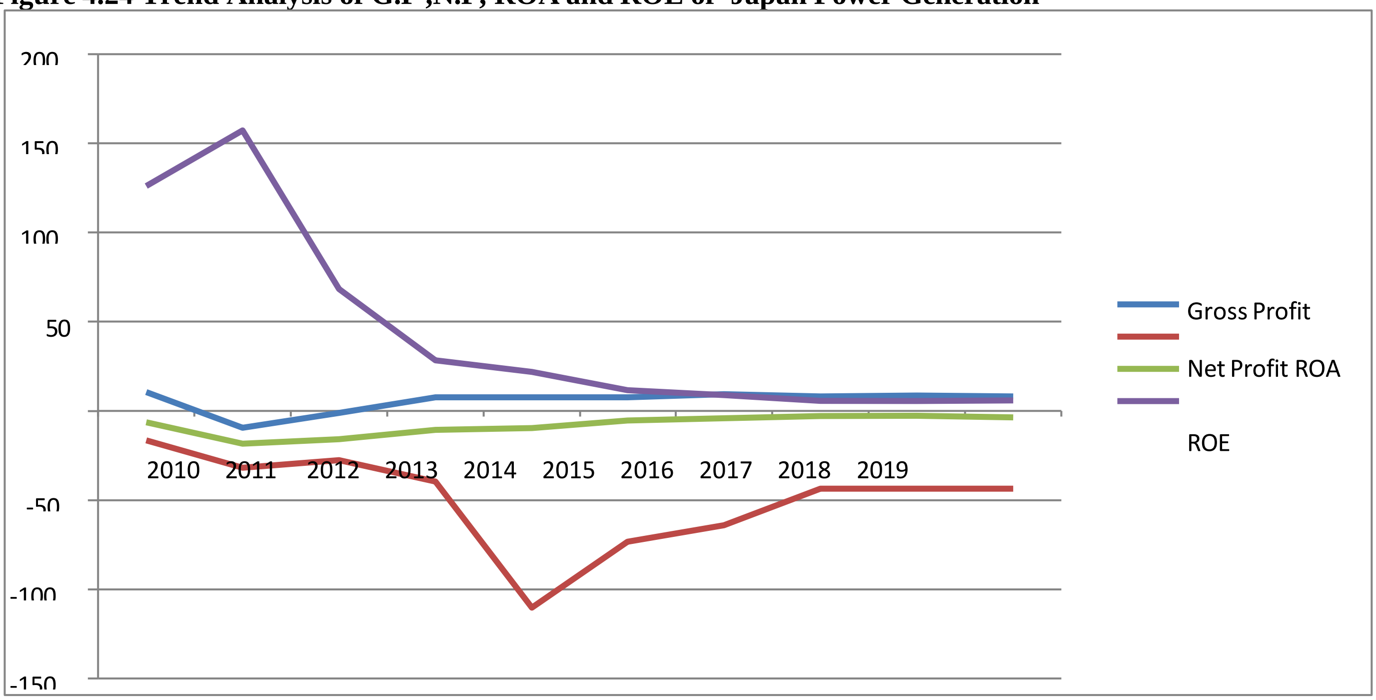
Japan Power Generation Limited's principal business of the Company is to generate and supply electric power to WAPDA. Its office is located Near Jia Bagga Railway Station, Chowk Araian, Off Raiwind Road, Lahore.

Table No.14 Financial performance analysis of Japan Power Generation

Ratio	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	Avg
Gross Profit	10.57	-9.44	-1.01	7.53	7.67	7.74	9.34	8.2	8.7	8.1	5.74
Net Profit	-16.50	-31.79	-27.56	-39.69	-110.29	-73.29	-64.04	-43.72	-43.72	-43.60	-49.42
ROA	-6.35	-18.37	-15.94	-10.57	-9.55	-5.31	-4.19	-2.80	-2.73	-3.56	-7.94
ROE	126.10	157.27	68.35	28.46	21.79	11.65	8.76	5.72	5.56	5.78	43.94
Current Ratio	0.72	0.50	0.42	0.36	0.44	0.49	0.62	0.68	0.74	0.69	0.57
Acid Test Ratio	0.54	0.35	0.29	0.26	0.23	0.28	0.32	0.45	0.49	0.51	0.37
cash Ratio	0.06	0.02	0.02	0.002	0.05	0.08	0.09	0.4	0.8	0.7	0.22
Debt to											

Equity	-14.31	-7.47	-4.21	-3.30	-2.28	-2.20	-2.09	-2.04	-2.04	-2.02	-4.20
Int Coverage Ratio	0.13	-1.40	-0.23	0.11	0.14	0.15	0.17	0.16	0.2	0.2	-0.04
Assets T/over	0.35	0.55	0.58	0.27	0.09	0.07	0.07	0.06	0.06	0.07	0.22
Fixed Assets T/Over	0.54	0.85	0.94	0.45	0.41	0.52	0.59	0.62	0.69	0.76	0.64
Receivable T/Over	1.52	2.45	2.37	1.02	1.06	1.54	1.78	2.25	2.28	2.2	1.847

Figure 4.24 Trend Analysis of G.P ,N.P, ROA and ROE of Japan Power Generation



During the financial year 2010-11 to 2018-19 Gross Profit ratio of the Company has showed positive trend except 2011 and 2012 but on a lower side .The Net Profit ratio of the company showed negative trend . This means the company has not earned considerable net profit during the span of ten years. The company however has also failed to achieved considerable figure of ROA and showing declining trend during the last ten years. The company's return on equity is also showing average trend . The company has not earned good current ratio which mean company has not enough resources to pay its debts due over the next twelve months. The Assets turnover ratio has showed positive trend during the years 2010- 2012 while rest of the years it remained on lower side. The means that the company is not much efficient in using assets to generate revenue.

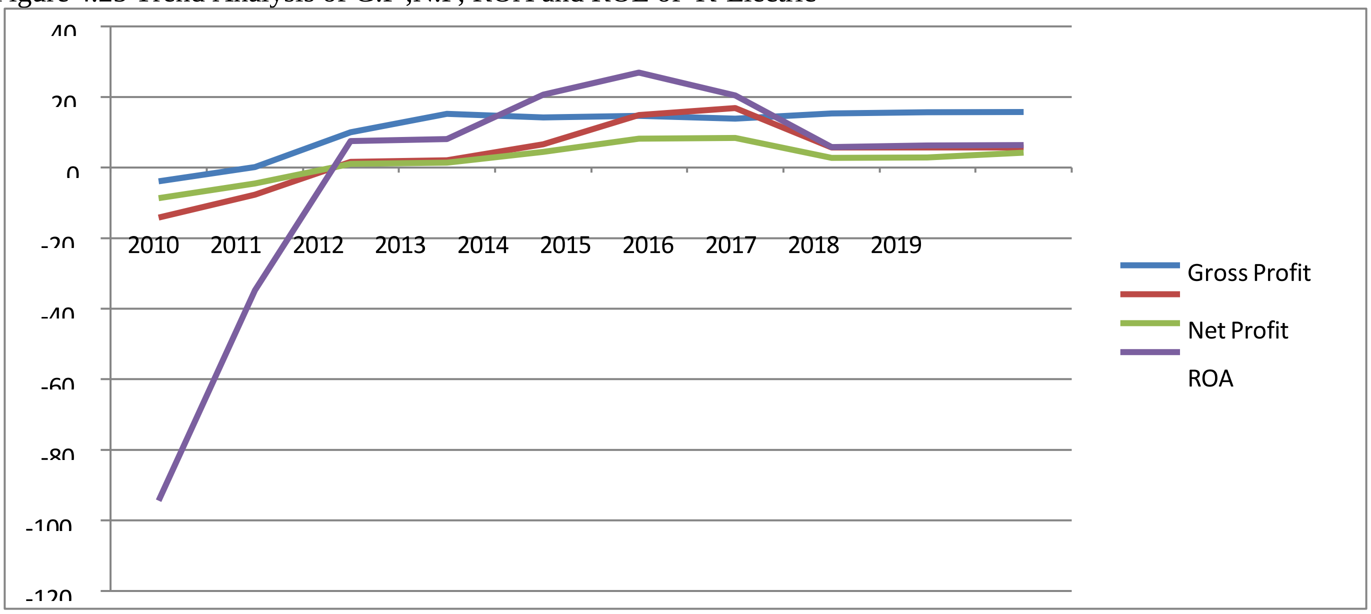
4.3.1 K-Electric

K-Electric (KE) (formerly known as Karachi Electric Supply Company / Karachi Electric Supply Corporation Limited) is a Pakistani investor owned utility managing all three key stages – generation, transmission and distribution – of producing and delivering energy to consumers. This is a Pakistani electric supply company, based in Karachi , Sindh Pakistan. K-Electric is a privately owned and vertically-integrated electricity distribution company.

Table No.15 Financial performance analysis of K-Electric

Ratios	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Avg**
Gross Profit	-3.9	0.19	9.99	15.25	14.23	14.67	13.88	15.34	15.7	15.74	11.11
Net Profit	-14.18	-7.69	1.58	2.07	6.63	14.88	16.86	5.67	5.67	5.7	3.72
ROA	-8.68	-4.53	1.01	1.42	4.4	8.24	8.39	2.69	2.83	4.23	2.00
ROE	-94.41	-34.79	7.45	8.09	20.67	26.91	20.46	5.86	6.29	6.34	-2.71
Current Ratio	0.70	0.57	0.71	0.72	1.25	1.34	1.24	0.8	0.9	0.97	0.92
Acid Test Ratio	0.32	0.34	0.35	0.40	0.42	0.38	0.37	0.31	0.45	0.49	0.38
cash Ratio	0.013	0.011	0.008	0.005	0.006	0.007	0.01	0.05	0.07	0.08	0.026
Debt to Equity	5.63	7.92	5.42	4.16	4.69	3.26	2.44	2.18	2.22	2.24	4.02
Int Coverage Ratio	-3.77	-2.18	1.65	1.64	1.53	1.49	1.6	1.59	1.72	1.74	0.70
Assets T/over	0.50	0.55	0.60	0.68	0.66	0.55	0.50	0.48	0.50	0.56	0.56
Fixed Assets T/Over	0.86	1.11	1.03	1.23	1.29	1.33	1.16	1.19	1.2	1.21	1.16
Receivable T/Over	3.58	3.32	3.3	3.01	3.02	3.05	3.2	3.23	3.34	3.36	3.24

Figure 4.25 Trend Analysis of G.P ,N.P, ROA and ROE of K-Electric



During the financial year 2010-11 to 2018-19 Gross Profit ratio of the Company has showed positive trend but on a lower side .The Net Profit ratio of the company gradually improved as compared to 2010 and 2011 . This means the company has not earned considerable net profit during the span of ten years. The company however has also failed to achieved considerable figure of ROA and showing declining trend during the last ten years. The company's return on equity is also showing below average trend . The company has not earned good current ratio which mean company has not enough resources to pay its debts due over the next twelve months. The Assets turnover ratio has showed positive trend during the years 2010- 2019. This means that company has improved its efficiency in utilization of assets in revenue generation.

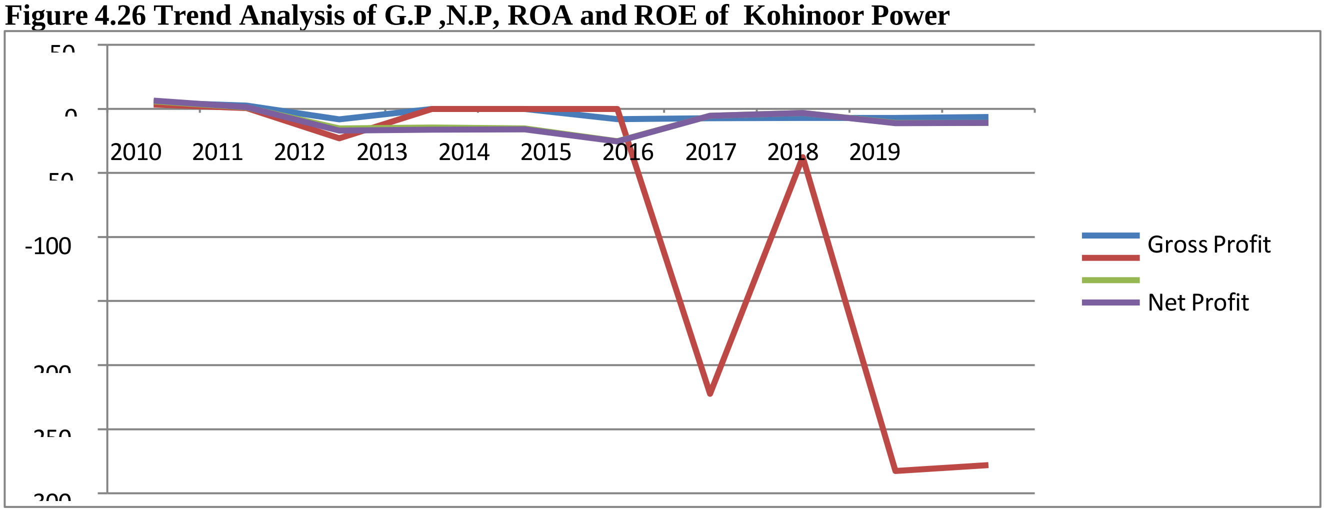
4.3.1 Kohinoor Power

KPCL was incorporated in December 1991 with the aim and objective to take part in the prosperity of the country through power generation. KPCL is situated at 51-KM Multan Road, Lahore and Kohinoor Nagar, Faisalabad. The principle activities of the Company are to own, operate and maintain a furnace oil power station with the capacity of 15 MW. WAPDA is the sole customer of KPCL.

Table No.16 Financial performance analysis of Kohinoor Power

Ratio	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg
Gross Profit	5.06	2.51	-8.18	0	0	-8.02	-7.23	-7.16	-7.09	-6.45	-3.66
Net Profit	3.39	0.64	-23.01	-	-	-	-222.51	-37.58	-282.61	-278.13	-119.97
ROA	5.88	1.16	-15.25	-14.64	-15.19	-24.25	-5.28	-3.22	-10.93	-10.96	-9.27
ROE	6.40	1.26	-17.01	-16.22	-16.08	-25.42	-5.42	-3.31	-11.19	-11.05	-9.80
Current Ratio	7.69	9.87	3.94	10.18	9.23	10.24	10.34	7.12	6.23	6.75	8.16
Acid Test Ratio	2.90	4.40	0.63	1.83	1.7	1.79	3.23	2.86	3.44	3.56	2.63
cash Ratio	0.04	0.03	0.06	0.07	0.05	0.1	0.1	0.15	0.2	0.23	0.10
Debt to Equity	0.09	0.08	0.16	0.05	0.06	0.1	0.07	0.08	0.2	0.05	0.09
Int Coverage Ratio	27.85	6.86	-12.25	-160.34	-160.23	-159.23	-145.34	-119.23	-114.56	-107.23	-94.37
Assets T/over	1.67	1.81	0.70	0.00	0	0	0.02	0.09	0.04	0.05	0.44
Fixed Assets T/Over	3.11	3.50	1.30	0.00	0	0	3.44	3.66	3.74	3.85	2.26
Receivable T/Over	11.94	8.57	73.86	0.00	0	0	67.33	68.21	69.23	50.12	34.93

Figure 4.26 Trend Analysis of G.P ,N.P, ROA and ROE of Kohinoor Power



During the financial year 2010-11 to 2018-19 Gross Profit ratio of the Company has showed negative .Similarly net Profit ratio of the company also showing negative trend during the years 2010 to 2019. This means the company has not earned considerable net profit during the span of ten years. The company however has also failed to achieved considerable figure of ROA and showing negative trend during the last ten years. The company's return on equity is also showing below average trend . The company has earned good current ratio which mean company has enough resources to pay its debts due over the next twelve months. The Assets turnover ratio has showed positive trend but on a lower side during the years 2010- 2019.

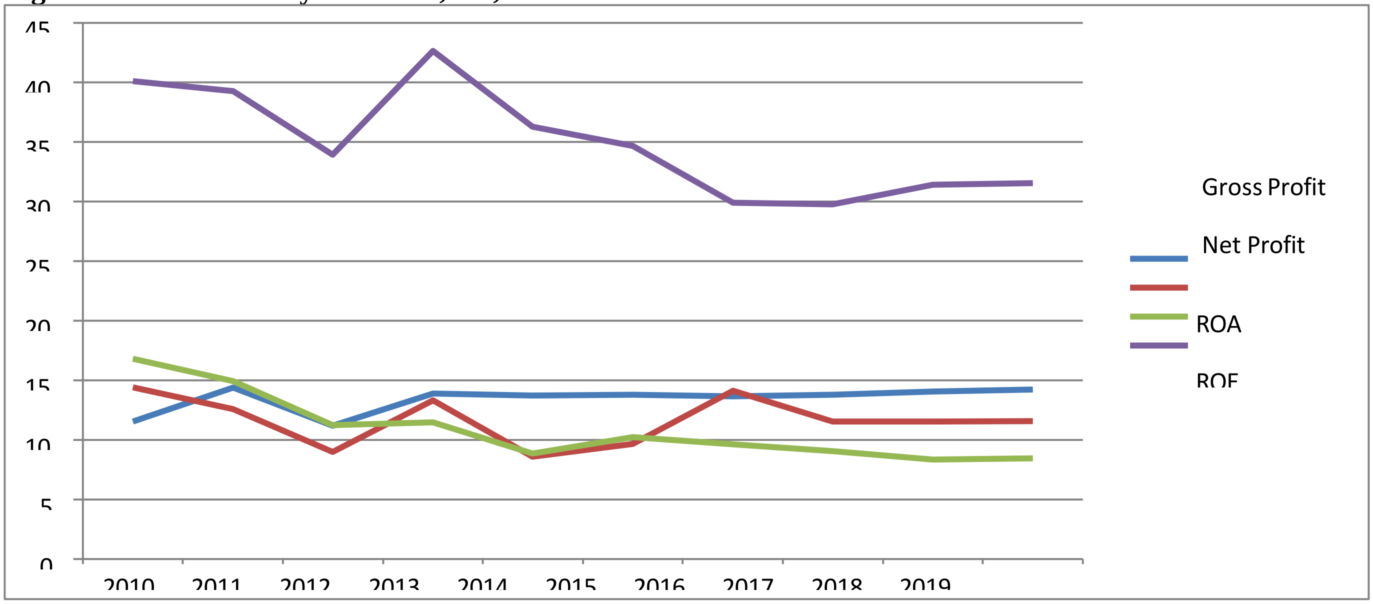
4.3.1 Kot Adhu Power

The Kot Addu Power Company is a Pakistani power company owns, operates, and maintains a multi-fuel fired power plant in Kot Addu, District Muzaffargarh, Punjab, Pakistan. It produces 1,600 MW of electricity. In, 2005, the company was formally listed on the stock exchanges of Pakistan.

Table No.17 Financial performance analysis of Kot Adhu Power

Ratio	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg
Gross Profit	11.55	14.39	11.19	13.88	13.74	13.79	13.67	13.78	14.05	14.23	13.427
Net Profit	14.41	12.58	9.00	13.32	8.59	9.66	14.13	11.54	11.55	11.59	11.64
ROA	16.81	14.92	11.24	11.46	8.87	10.23	9.63	9.07	8.35	8.46	10.904
ROE	40.11	39.28	33.92	42.65	36.28	34.68	29.90	29.77	31.41	31.56	34.96
Current Ratio	1.04	1.43	1.25	1.22	1.20	1.47	1.56	1.58	1.6	1.62	1.40
Acid Test Ratio	0.83	1.15	1.09	1.06	1.03	1.13	1.19	1.21	1.23	1.29	1.12
cash Ratio	0.05	0.06	0.08	0.06	0.09	1.01	1.02	1.04	1.07	1.08	0.556
Debt to Equity	1.67	1.60	2.45	2.98	3.20	1.43	1.49	1.52	1.53	2.23	2.01
Int Coverage Ratio	2.36	2.45	2.15	1.89	2.37	2.12	2.23	2.05	2.27	2.34	2.22
Assets T/over	1.11	0.78	1.01	1.57	1.05	1.06	0.68	0.79	0.72	0.83	0.96
Fixed Assets T/Over	0.54	0.55	0.61	0.35	0.31	0.42	0.49	0.52	0.59	0.66	0.50
Receivable T/Over	1.42	2.35	2.27	1.02	1.06	1.44	1.68	2.15	2.18	2.1	1.767

Figure 4.27 Trend Analysis of G.P ,N.P, ROA and ROE of Kot Adhu Power



During the financial year 2010-11 to 2018-19 Gross Profit ratio of the Company has showed positive trend but on a lower side .The Net Profit ratio of the company gradually improved during the last ten years except in 2012, 2014 and 2015. This means the company has earned net profit during the span of ten years. The company however has achieved considerable figure of ROA and showing positive trend during the last ten years. This means company is well in generating return from assets utilization. The company's return on equity is also showing satisfactory trend . This mean that management is efficient enough to generate revenue from equity available to it .The company has earned good current ratio which mean company has enough resources to pay its debts due over the next twelve months.

4.3.1 Nishat Chunnian Power

Nishat Chunian Power Limited (NCPL) is a public limited company established in 2007, as a power generation project commissioned under the 2002 Power Policy of GOP. It has a 25 year 'take or pay' agreement with National Transmission & Dispatch Company Limited (NTDCL). The plant started its commercial operations in July 2010.

Table No.18 Financial performance analysis of Nishat Chunnian Power

Ratio	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Avg**
Gross Profit	0	22.61	23.94	20.14	20.29	20.3	20.3	20.4	20.5	20.51	18.90
Net Profit	-	7.99	9.34	10.78	10.5	13.69	19.90	18.58	20.53	20.59	14.66
ROA	- 0.03	6.84	7.55	10.59	11.6	11.97	12.00	13.19	13.57	13.6	10.09
ROE	- 0.18	37.97	36.93	40.88	40.52	42.83	37.56	36.40	31.81	31.83	33.66
Current Ratio	1.26	1.32	1.32	2.23	2.25	1.78	1.89	2.29	2.31	2.34	1.90
Acid Test Ratio	0.90	1.14	1.21	1.73	1.75	1.71	1.59	1.62	1.67	1.68	1.5
cash Ratio	0.05	0.07	0.09	0.1	0.12	0.15	0.9	0.7	0.15	0.16	0.25
Debt to Equity	5.22	4.05	3.76	2.11	2.18	3.34	3.56	3.66	3.78	3.81	3.55
Int Coverage Ratio	-	1.56	1.66	2.12	2.18	2.22	2.29	2.35	2.4	2.42	2.13
Assets T/over	0.00	0.82	0.76	1.11	1.1	0.87	0.60	0.71	0.66	0.68	0.73
Fixed Assets T/Over	0	0.55	0.61	0.65	0.69	0.72	0.78	0.79	0.86	0.92	0.66
Receivable T/Over	0	1.23	1.31	1.39	1.42	1.44	1.49	1.52	1.61	1.72	1.31

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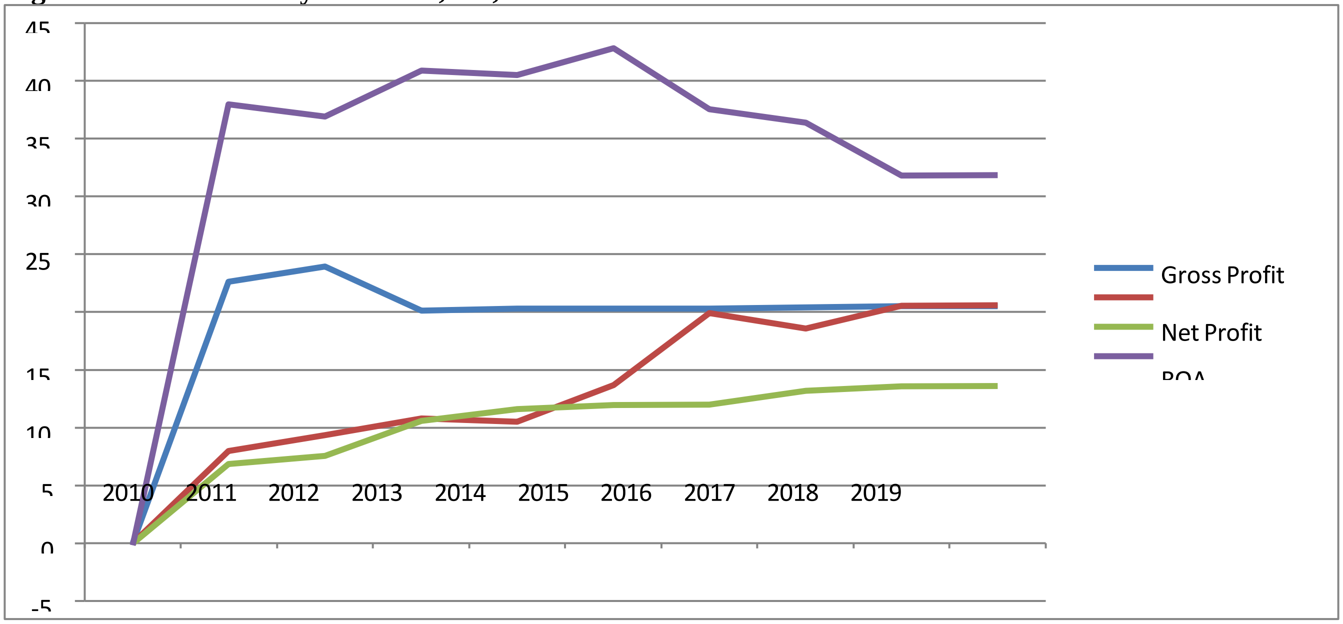
Figure 4.28 Trend Analysis of G.P ,N.P, ROA and ROE of Nishat Chunnian Power



During the financial year 2010-11 to 2018-19 Gross Profit ratio of the Company has showed positive trend .This means company has reduced its cost of sales. The Net Profit ratio of the company gradually improved during the last ten years . This means the company has earned net profit during the span of ten years. The company however has achieved considerable figure of ROA and showing positive trend during the last ten years. This means company is well in generating return from assets utilization. The company's return on equity is also showing satisfactory trend . This mean that management is efficient enough to generate revenue from equity available to it .The company has earned good current ratio which mean company has enough resources to pay its debts due over the next twelve months.

4.3.1 Nishat Power

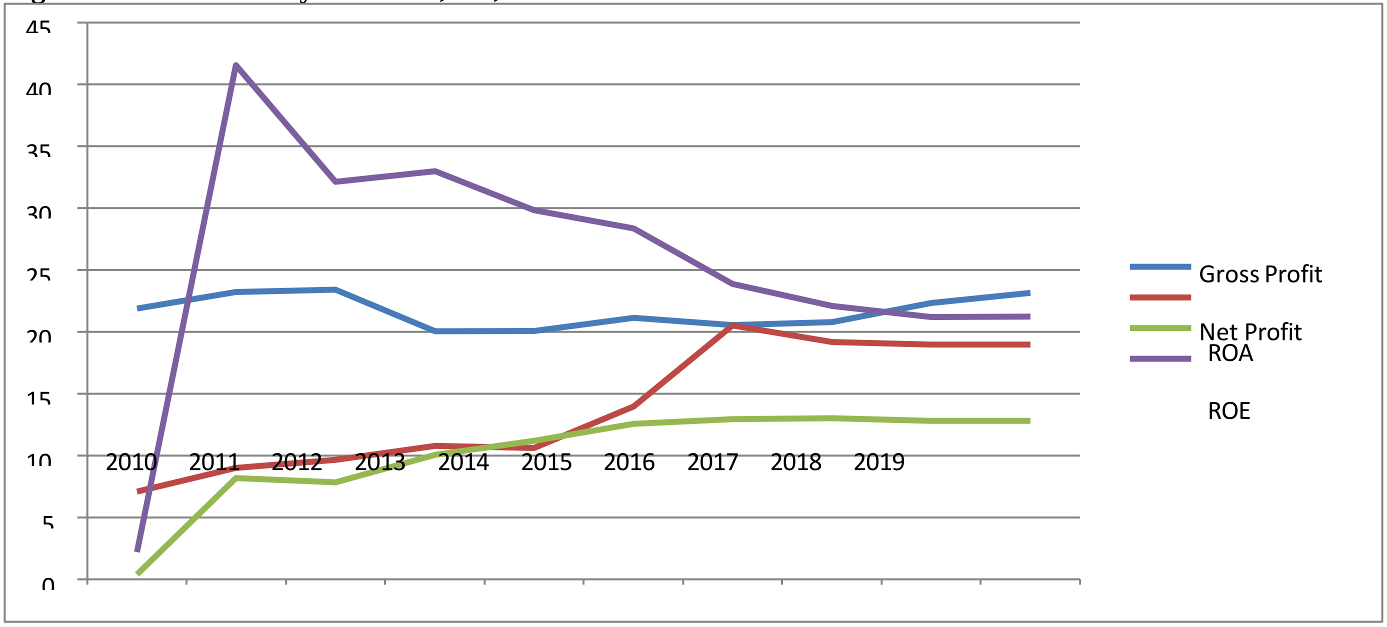
Nishat Power Limited (NPL) is a public limited company incorporated in February 2007, formed under the Power Policy 2002 as an Independent Power Producer (IPP). The company is a subsidiary of Nishat Mills Limited. It is currently listed on the Pakistan Stock Exchange Limited.The principal activity of the company is to build, own, operate and maintain a fuel fired power station having gross capacity of 200 MW in Jamber Kalan, Tehsil Pattoki, District Kasur, Punjab, Pakistan.

Table No.19 Financial performance analysis of Nishat Power

Ratio	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Avg**
Gross Profit	21.88	23.24	23.41	20.05	20.06	21.12	20.56	20.78	22.34	23.16	21.66
Net Profit	7.09	9.02	9.65	10.79	10.62	13.97	20.52	19.19	18.97	18.98	13.88
ROA	0.39	8.19	7.84	10.07	11.21	12.58	12.93	13.02	12.80	12.82	10.19
ROE	2.20	41.56	32.12	32.98	29.82	28.37	23.89	22.08	21.20	21.24	25.55
Current Ratio	1.17	1.63	1.47	2.10	2.13	2.15	1.8	1.9	1.85	1.97	1.817
Acid Test Ratio	0.90	1.32	1.20	1.77	1.78	1.68	1.61	1.56	1.77	1.89	1.548
cash Ratio	0.04	0.05	0.08	0.09	0.1	0.12	0.15	0.14	0.17	0.18	0.112
Debt to Equity	5.21	3.33	2.92	1.77	1.75	2.12	2.34	2.67	2.89	4.23	2.923
Int Coverage Ratio	1.40	1.65	1.71	2.21	2.25	2.33	2.41	2.42	2.45	2.49	2.132

Assets T/over	0.05	0.88	0.75	0.98	1.06	0.90	0.63	0.68	0.67	0.69	0.729
Fixed Assets T/Over	0.45	0.47	0.49	0.51	0.44	0.56	0.67	0.62	0.63	0.78	0.562
Receivable T/Over	1.12	1.2	1.15	1.34	1.41	1.21	1.05	1.4	1.6	1.7	1.318

Figure 4.29 Trend Analysis of G.P ,N.P, ROA and ROE of Nishat Power



During the financial year 2010-11 to 2018-19 Gross Profit ratio of the Company has showed positive trend .This means company has reduced its cost of sales. The Net Profit ratio of the company gradually improved during the last ten years . This means the company has earned net profit during the span of ten years. The company however has achieved considerable figure of ROA and showing positive trend during the last ten years. This means company is well in generating return from assets utilization. The company's return on equity is also showing satisfactory trend . This mean that management is efficient enough to generate revenue from equity available to it .The company has earned good current ratio which mean company has enough resources to pay its debts due over the next twelve months.

4.3.1 Sitara Energy

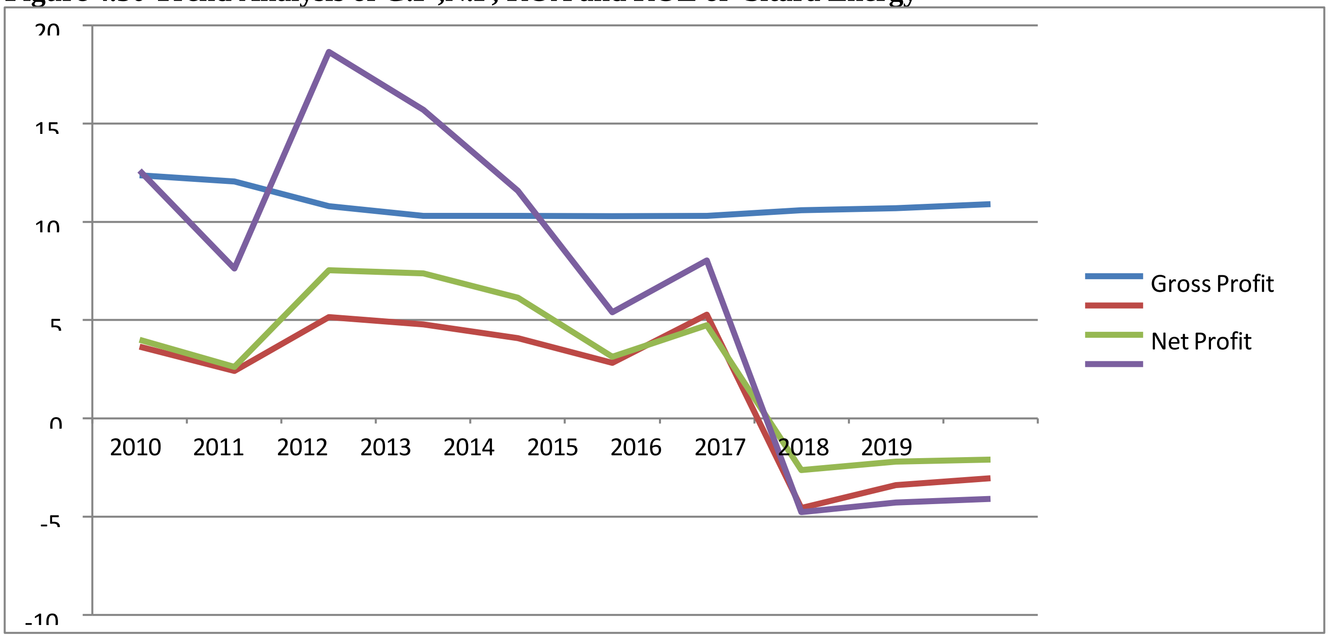
Sitara Energy Ltd. (the Company) is incorporated in Pakistan as a Public limited company under the Companies Ordinance, 1984 and is listed on all stock exchanges in Pakistan. The main object of the Company is generation and distribution of electricity. The registered office of the company is situated at 601, 602 business centre, Mumtaz Hassan Road, karachi. The project is located at Tehsil Jaranwala, District Faisalabad in the province of Punjab.

Table No.20 Financial performance analysis of Sitara Energy

Ratio	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Avg
Gross Profit	12.37	12.05	10.8	10.3	10.3	10.29	10.3	10.6	10.7	10.9	10.847
Net Profit	3.65	2.41	5.16	4.79	4.09	2.83	5.28	-4.56	-3.39	-3.05	1.721
ROA	4.00	2.63	7.54	7.38	6.14	3.14	4.74	-2.63	-2.20	-2.1	2.864
ROE	12.61	7.63	18.65	15.71	11.58	5.40	8.04	-4.77	-4.28	-4.1	6.647
Current Ratio	0.72	0.54	0.90	1.23	1.25	1.27	1.29	1.3	1.32	1.39	1.121

Acid Test Ratio	0.27	0.20	0.34	0.56	0.58	0.6	0.65	0.7	0.67	0.75	0.532
cash Ratio	0.1	0.15	0.23	0.29	0.35	0.45	0.44	0.5	0.78	0.8	0.409
Debt to Equity	2.07	1.75	1.24	1.03	1.05	1.07	1.09	1.2	1.25	1.38	1.313
Int Coverage Ratio	1.45	1.30	1.94	2.25	2.22	2.3	2.44	1.9	2.1	2.2	2.01
Assets T/over	1.08	1.13	1.48	1.50	1.50	1.11	0.90	0.58	0.65	0.67	1.06
Fixed Assets T/Over	1.1	1.18	1.28	1.34	1.41	1.49	1.76	1.87	1.88	1.91	1.522
Receivable T/Over	1.5	1.7	1.67	1.69	1.72	1.79	1.85	1.89	1.91	1.98	1.77

Figure 4.30 Trend Analysis of G.P ,N.P, ROA and ROE of Sitara Energy



During the financial year 2010-11 to 2018-19 Gross Profit ratio of the Company has showed positive trend but on lower side. This means company has reduced its cost of sales. The Net Profit ratio of the company gradually declined during the last three years . This means the company has earned lower net profit during the span of ten years. The company however has not achieved considerable figure of ROA and showing declining trend during the last ten years. This means company is not performing well in generating return from assets utilization. The company's return on equity is also showing unsatisfactory trend . This mean that management is not efficient enough to generate revenue from equity available to it .The company has earned good current ratio which mean company has enough resources to pay its debts due over the next twelve months.

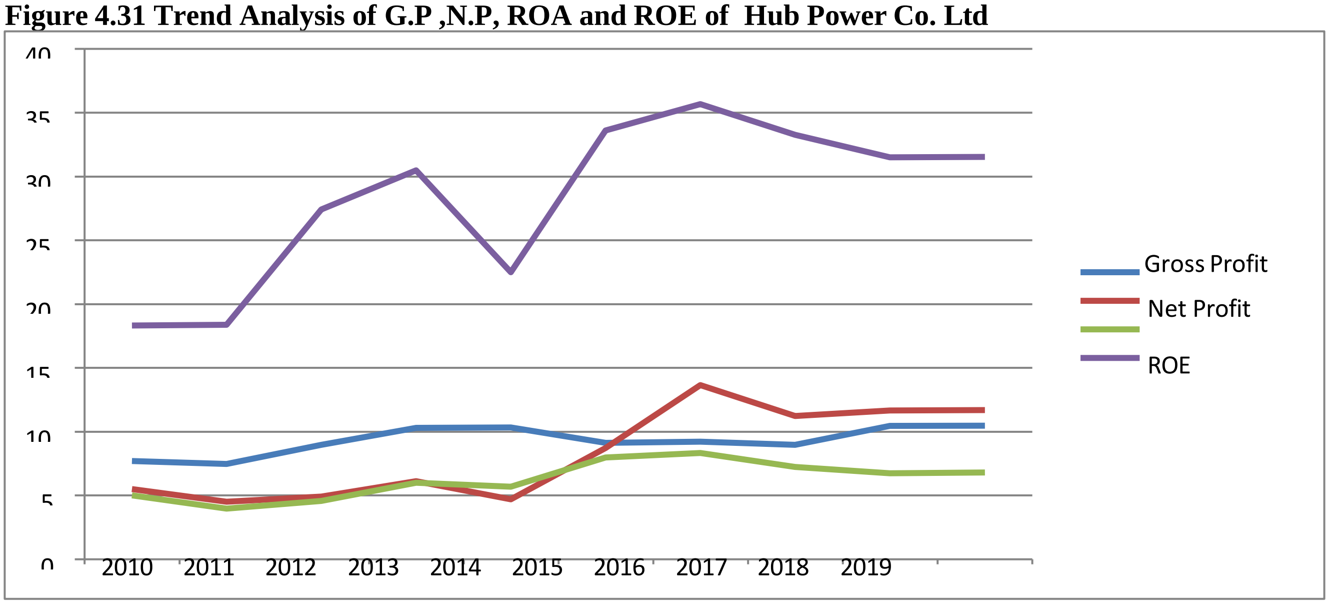
4.3.1 Hub Power Co. Ltd

Hub Power Company Limited known as HUBCO, is the first and largest Pakistani Independent Pwer Producer (IPP) with a combined installed power generation capacity of 2920 MW. HUBCO is the only power producer in Pakistan with four projects listed in the Chin aPakistan Economic Corridor (CPEC).

Table No.21 Financial performance analysis of Hub Power Co. Ltd

Ratio	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	Avg
Gross Profit	7.71	7.47	8.96	10.31	10.34	9.12	9.23	8.96	10.45	10.47	9.302
Net Profit	5.49	4.51	4.91	6.12	4.71	8.71	13.65	11.22	11.66	11.68	8.266
ROA	5.02	3.97	4.57	6.01	5.70	7.97	8.33	7.24	6.75	6.79	6.235
ROE	18.32	18.39	27.42	30.48	22.49	33.60	35.67	33.26	31.51	31.53	28.267
Current Ratio	0.99	1.04	1.04	1.19	1.22	1.25	1.27	1.27	1.32	1.34	1.193
Acid Test Ratio	0.95	0.94	0.96	0.98	1.00	0.98	0.97	1.02	1.03	1.05	0.988
cash Ratio	0.02	0.06	0.08	0.2	0.35	0.45	0.4	0.5	0.68	0.72	0.346
Debt to Equity	3.18	4.07	5.88	2.41	2.49	2.52	2.6	2.65	2.71	2.75	3.126
Int Coverage Ratio	4.50	2.00	2.25	2.63	2.65	2.69	2.71	2.74	3.21	3.24	2.862
Assets T/over	0.79	0.80	0.79	1.41	1.21	0.91	0.61	0.65	0.58	0.59	0.834
Fixed Assets T/Over	1.11	1.50	1.29	1.31	1.35	1.38	1.41	1.51	1.53	1.57	1.396
Receivable T/Over	2.23	2.35	3.54	4.32	4.44	4.76	5.13	5.23	5.34	5.67	4.301

Figure 4.31 Trend Analysis of G.P ,N.P, ROA and ROE of Hub Power Co. Ltd



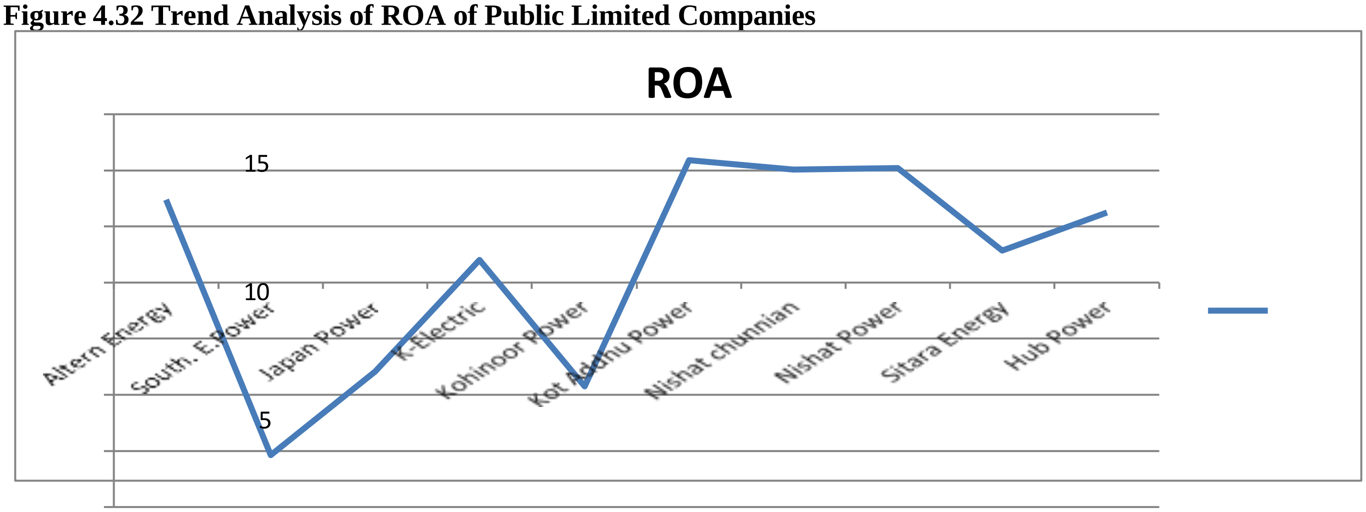
During the financial year 2010-11 to 2018-19 Gross Profit ratio of the Company has showed positive trend but on a lower side . This means company has reduced its cost of sales. The Net Profit ratio of the company gradually improved during the last ten years . This means the company has earned net profit during the span of ten years. The company however has achieved considerable figure of ROA and showing positive trend during the last ten years. This means company is well in generating return from assets utilization. The company's return on equity is also showing satisfactory trend . This mean that management is efficient enough to generate revenue from equity available to it .The company has earned good current ratio which mean company has enough resources to pay its debts due over the next twelve months.

Table No.21 Comparative analysis of Public Limited Companies (based on ten years average data)

Ratio	Altern Energy Ltd	South Electric Power	Japan Power Gen.	K-Electri c	Kohinoor Power	Kot Adhu Power	Nishat Chunian	Nishat Power	Sitara Energy	Hub Power	Ind Avg
Gross Profit	27.66	-35.871	5.74	11.11	-3.66	13.42 7	18.90	21.66	10.85	9.30	7.91
Net Profit	12.29	-130.55	-49.42	3.72	-119.97	11.64	14.66	13.88	1.72	8.27	-23.38
ROA	7.39	-15.373	-7.94	2.00	-9.27	10.90 4	10.09	10.19	2.86	6.24	1.71
ROE	14.48	-303.57	43.94	-2.71	-9.80	34.96	33.66	25.55	6.65	28.27	-12.86
Curren t Ratio	2.09	0.324	0.57	0.92	8.16	1.40	1.90	1.817	1.12	1.19	1.95
Acid Test Ratio	1.92	0.291	0.37	0.38	2.63	1.12	1.5	1.548	0.53	0.99	1.13
cash Ratio	0.84	0.183	0.22	0.026	0.10	0.556	0.25	0.112	0.41	0.35	0.30
Debt to Equity	1.62	-2.579	-4.20	4.02	0.09	2.01	3.55	2.923	1.31	3.13	1.19
Int Cover age Ratio	2.20	-0.715	-0.04	0.70	-94.37	2.22	2.13	2.132	2.01	2.86	-8.09
Assets T/over	0.60	0.229	0.22	0.56	0.44	0.96	0.73	0.729	1.06	0.83	0.64
Fixed Assets T/Over	0.80	0.366	0.64	1.16	2.26	0.50	0.66	0.562	1.52	1.40	0.99
Rec. T/O	2.91	0.641	1.847	3.24	34.93	1.767	1.31	1.318	1.77	4.30	5.40

The financial performance of Public Limited power sector companies has been evaluated by taking ten years average of key financial performance indicators of each company and then industry average for comparative purpose to assess the best performing and worst performing. For instance the industry average of Gross Profit Ratio indicates that Altern Energy has attained 27.66% being efficient in earning profit by taking in to necessary cost of production while Southern Electric Power with -35.871% indicate inefficiency in achieving industry average. Similarly in Net Profit, Nishat Chunnian has attained 14.66% while Southern Electric Power with -130.55% against industry average -23.38%. The Kot addhu Power has also performed well and achieve above than the industry average in other most important financial performance indicator with ROA 10.904% against industry average 1.71%. Similarly Japan Power Generation attained ROE 128.04% against industry average -12.86% . The Southern Electric Power remained below with ROA -15.373% ROE -303.57% against the industry average.

Figure 4.32 Trend Analysis of ROA of Public Limited Companies



4.23 Data Analysis and Interpretation

Table-1 Gross Profit Ratio

Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Average**
Name of Co.	**A**	**b**	**C**	**D**	**E**	**F**	**G**	**H**	**i**	**j**	
FESCO	8.6	6.26	-9.08	20.87	16.29	13.71	-1.59	0.15	13.56	6.57	7.53
LESCO	10.91	9.02	-11.59	-10.54	12.16	11.64	11.41	11.29	11.21	11.16	6.67
IESCO	17.33	17.45	21.78	27.70	32.56	19.28	3.44	8.34	17.23	10.06	17.52
MEPCO	1.06	-1.9	-13.71	-13.56	-11.3	-15.54	-14.34	-1.24	-8.90	-5.67	-8.51
HESCO	7.1	2.34	-18.13	-12.61	-20.2	-21.89	-24.55	-18.43	-27.43	-25.44	-15.92
SEPCO	0	0	-25.66	-24.56	-18.1	-28.66	-27.46	-24.67	-23.65	-21.56	-19.43
QESCO	12.56	12.86	-5.61	-3.62	-4.32	-11.34	-12.34	-12.45	-13.45	-13.78	-5.15
TESCO	-2.82	-19.92	-19.83	-19.67	-19.6	-19.45	-18.92	-22.45	-17.34	-15.34	-17.53
PESCO	-12.78	-80.51	-99.79	-79.44	-78.2	-25.33	-18.13	-28.44	-14.83	-11.98	-44.95
GEPCO	12.79	5.97	-1.46	26.12	26.23	21.23	26.43	27.23	28.43	31.23	20.42
Altern Energy	28.55	28.10	23.81	27.81	27.89	28.04	28.19	27.85	28.25	28.15	27.66
Southern E/P	19.69	2.34	-11.92	-26.45	-56.6	-71.23	-107.23	-107.23	107.3	-107.5	-35.871
Japan Power	10.57	-9.44	-1.01	7.53	7.67	7.74	9.34	8.2	8.7	8.1	5.74
K-Electric	-3.9	0.19	9.99	15.25	14.23	14.67	13.88	15.34	15.7	15.74	11.11
Kohinoor Power	5.06	2.51	-8.19	0	0	-8.02	-7.23	-7.16	-7.09	-6.45	-3.66
Kot Ad.P	11.55	14.39	11.19	13.88	13.74	13.79	13.67	13.78	14.05	14.23	13.427
Nishat Ch.P	0	22.61	23.94	20.14	20.29	20.3	20.3	20.4	20.5	20.51	18.899
Nishat Power	21.88	23.24	23.41	20.05	20.06	21.12	20.56	20.78	22.34	23.16	21.66
Sitara Energy	12.37	12.05	10.77	10.26	10.27	10.29	10.33	10.56	10.67	10.9	10.847
Hub Power	7.71	7.47	8.96	10.31	10.34	9.12	9.23	8.96	10.45	10.47	9.302

Hypothesis

Ho: Profit before tax to profitability ratio of all units is not same during the period of study.

H1: Profit before tax to profitability ratio of all units is same during the period of study

ANOVA

Source of Variation	***SS***	***Df***	***MS***	***F***	***P-value***	***F crit***
Between Groups	4068.9	9	452.1	0.6549	0.75	1.9294
Within Groups	131156	190	690.29			
Total	**135225**	**199**				

The above table indicates the calculated value of "F". The calculated value of "F" is 0.654 which is less than the table value. The table value of "F" at 5 % level of significance is 1.929. It indicates that

Table-2 Net Profit Ratio

Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Average**
Name of Co.	**A**	**B**	**C**	**D**	**e**	**F**	**g**	**h**	**I**	**J**	
FESCO	3	-0.07	-17.34	19.91	20.99	4.27	-13.46	-14.47	-25.97	-4.71	-2.79
LESCO	4.96	1.39	-20.46	-19.18	12.23	14.33	14.67	14.74	14.79	17.66	5.51
IESCO	6	3.33	-7.56	15.43	24.12	3.12	-4.33	-9.12	-16.98	2.32	1.63
MEPC O	-6.56	-9.53	-22.42	-5.34	-4.78	-7.45	-24.23	-19.34	-15.21	-13.45	-12.83
HESCO	-6.63	-14.83	-49.28	-31.84	-28.77	-27.23	-26.77	-29.55	-38.55	-29.67	-28.31
SEPCO	0	0	-43.23	-41.66	-49.29	-43.23	-41.23	-45.86	-39.98	-34.87	-33.94
QESCO	-6.46	-7.53	-8.28	-8.34	-9.23	-28.32	-25.67	-23.45	-24.56	-22.45	-16.43
TESCO	-16.04	-44.54	-39.22	-37.67	-35.66	-32.67	-29.27	-32.56	-26.45	-21.33	-31.54
PESCO	-40.11	-35.81	-87.31	-51.61	-47.31	-63.22	-38.16	-37.62	-39.34	-45.77	-48.63
GEPCO	7.21	-2.04	-9.4	12.67	12.78	8.23	13.78	8.43	12.78	13.43	7.787
Altern Energy	12.90	8.23	10.18	14.70	13.27	17.05	14.12	10.54	10.92	10.94	12.29
Souther n E/ Power	2.08	-59.54	-38.62	-70.49	-124.84	-156.88	-214.32	-214.32	-214.32	-214.29	-130.55
Japan Power	-16.50	-31.79	-27.56	-39.69	-110.29	-73.29	-64.04	-43.72	-43.72	-43.60	-49.42
K-Electric	-14.18	-7.69	1.58	2.07	6.63	14.88	16.86	5.67	5.67	5.7	3.72
Kohino or Power	3.39	0.64	-23.01	0	0	0	-222.51	-37.58	-282.61	-278.13	-83.98
Kot Addhu Power	14.41	12.58	9.00	13.32	8.59	9.66	14.13	11.54	11.55	11.59	11.637
Nishat Ch. Power	0	7.99	9.34	10.78	10.5	13.69	19.90	18.58	20.53	20.59	13.19
Nishat Power	7.09	9.02	9.65	10.79	10.62	13.97	20.52	19.19	18.97	18.98	13.88
Sitara Energy	3.65	2.41	5.16	4.79	4.09	2.83	5.28	-4.56	-3.39	-3.05	1.721
Hub	5.49	4.51	4.91	6.12	4.71	8.71	13.65	11.22	11.66	11.68	8.27

the null hypothesis is accepted and alternate hypothesis will rejected. It indicates that there is no significant difference of Gross Profit Ratio between the units undertaken for the study period.

Hypothesis

Ho: Profit after tax to profitability ratio of all units is not same during the period of study.

H1: Profit after tax to profitability ratio of all units is same during the period of study

ANOVA						
Source of Variation	***SS***	***Df***	***MS***	***F***	***P-value***	***F crit***
Between Groups	18758.527	9	2084.3	0.8385	0.5816	1.929
Within Groups	472311.878	190	2485.9			
Total	491070.405	199				

The above table indicates the calculated value of "F". The calculated value of "F" is 0.838 which is less than the table value. The table value of "F" at 5 % level of significance is 1.929. It indicates that the null hypothesis is accepted and alternate hypothesis will rejected. It indicates that there is no significant difference of Net Profit Ratio between the units undertaken for the study period.

Table-3 Return on Assets

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Average
Name of Co.	A	b	C	D	E	F	g	H	I	J	
FESCO	3.32	-0.070	-17.31	10.99	21.76	3.65	-8.47	-10.88	-23.02	-4.65	-2.47
LESCO	6.79	1.72	-24.34	15.01	7.3	6.87	6.44	6.29	6.18	6.05	3.83
IESCO	7.42	0.84	3.74	8.94	16.91	1.85	2.56	-5.66	-13.02	2.67	2.62
MEPCO	-7.34	-4.33	-0.78	-0.62	-0.59	-0.54	-0.34	-9.99	-10.24	-8.77	-4.35
HESCO	-7.32	-9.55	-10.22	-11.34	-14.56	-16.44	- 17.43	-19.76	-16.32	-11.43	-13.44
SEPCO			-10.13	-10.78	-10.21	-10.13	- 10.07	-12.54	-13.53	-11.55	-11.12
QESCO	-4.25	-4.64	-3.52	-3.32	-2.45	-7.34	-6.65	-5.85	-4.32	-4.11	-4.65
TESCO	-2.18	-16.87	-28.8	-24.65	-23.67	-28.44	- 29.34	-39.54	-36.45	-37.23	-26.72
PESCO	-48.11	-36.67	-34.62	-21.23	-20.44	-19.81	-19.1	-18.76	-15.77	-14.55	-24.91
GEPCO	11.3	-3.38	-14.16	10	11	5.43	13.45	6.43	9.45	12.34	6.19
Altern Energy	6.14	3.90	4.92	7.73	8.02	8.66	9.41	7.28	8.99	8.8	7.39
Southern E/ Power	1.18	-35.29	-17.15	-17.30	-14.61	-15.02	- 14.14	-13.81	-13.81	-13.78	-15.37
Japan Power	-6.35	-18.37	-15.94	-10.57	-9.55	-5.31	-4.19	-2.80	-2.73	-3.56	-7.937
K-Electric	-8.68	-4.53	1.01	1.42	4.4	8.24	8.39	2.69	2.83	4.23	2.00
Kohinoor Power	5.88	1.16	-15.25	-14.64	-15.19	-24.25	-5.28	-3.22	-10.93	-10.96	-9.27
Kot Addhu Power	16.81	14.92	11.24	11.46	8.87	10.23	9.63	9.07	8.35	8.46	10.90
Nishat Ch.Power	-0.03	6.84	7.55	10.59	11.6	11.97	12.00	13.19	13.57	13.6	10.09
Nishat Power	0.39	8.19	7.84	10.07	11.21	12.58	12.93	13.02	12.80	12.82	10.19
Sitara Energy	4.00	2.63	7.54	7.38	6.14	3.14	4.74	-2.63	-2.20	-2.1	2.86
Hub Power	5.02	3.97	4.57	6.01	5.70	7.97	8.33	7.24	6.75	6.79	6.24

Hypothesis

Ho: Return on Assets to profitability ratio of all units is not same during the period of study.

H1: Return on Assets to profitability ratio of all units is same during the period of study

ANOVA

Source of Variation	***SS***	***Df***	***MS***	***F***	***P- Value***	***F crit***
Between Groups	927.9	9	103.1	0.611	0.7868	1.93
Within Groups	31726	188	168.76			
Total	32654	197				

The above table indicates the calculated value of “F”. The calculated value of “F” is 0.611 which is less than the table value. The table value of “F” at 5 % level of significance is 1.929. It indicates that the null hypothesis is accepted and alternate hypothesis will rejected. It indicates that there is no significant difference of Return on Assets Ratio between the units undertaken for the study period.

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Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Name of the Company	**A**	**B**	**C**	**D**	**E**	**F**	**g**	**h**	**i**	**j**	**Average**
FESCO	79.17	-2.37	116.29	94.10	40.92	7.12	-27.97	-54.79	134.65	18.93	40.60
LESCO	108.33	98.3	88.34	71.23	67.34	74.21	78.44	82.41	83.05	83.66	83.53
IESCO	69.34	2.87	92.72	89.81	50.77	9.12	-14.23	-35.34	102.45	22.73	39.02
MEPCO	140.23	142.77	143.9	138.55	133.55	129.31	105.21	98.81	96.87	90.77	121.99
HESCO	65.66	69.55	71.25	72.55	65.11	63.31	45.21	58.43	59.89	61.87	63.28
SEPCO			71.2	71.88	61.25	59.2	56.8	56.21	61.54	63.58	62.71
QESCO	41.44	42.33	43.21	44.23	49.32	51.34	53.11	54.32	54.45	55.67	48.94
TESCO	20.25	20.33	21.44	22.67	20.34	18.22	17.67	16.24	14.23	13.98	18.54
PESCO	59.44	51.2	43.01	22.10	23.40	19.8	17.2	14.11	13.66	11.18	27.51
GEPCO	129.45	130.34	120.3	119.34	125.33	121.45	127.67	129.5	137.67	139.5	128.05
Altern Energy	20.13	10.53	12.37	17.30	15.92	16.12	15.62	11.23	12.84	12.73	14.48
Southern E/ Power	5.92	- 3,264.57	67.59	40.80	25.1	21.91	18.00	16.51	16.51	16.53	-303.57
Japan Power	126.10	157.27	68.35	28.46	21.79	11.65	8.76	5.72	5.56	5.78	43.94
K-Electric	-94.41	-34.79	7.45	8.09	20.67	26.91	20.46	5.86	6.29	6.34	-2.71
Kohinoor Power	6.40	1.26	-17.01	-16.22	-16.08	-25.42	-5.42	-3.31	-11.19	-11.05	-9.80
Kot Addhu Power	40.11	39.28	33.92	42.65	36.28	34.68	29.90	29.77	31.41	31.56	34.96
Nishat Ch Power	-0.18	37.97	36.93	40.88	40.52	42.83	37.56	36.40	31.81	31.83	33.66
Nishat Power	2.20	41.56	32.12	32.98	29.82	28.37	23.89	22.08	21.20	21.24	25.55
Sitara Energy	12.61	7.63	18.65	15.71	11.58	5.40	8.04	-4.77	-4.28	-4.1	6.65
Hub Power	18.32	18.39	27.42	30.48	22.49	33.60	35.67	33.26	31.51	31.53	28.27

Hypothesis

Ho: Return on Equity to profitability ratio of all units is not same during the period of study.

H1: Return on Equity to profitability ratio of all units is same during the period of study

Source of Variation	*SS*	*Df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	502050.8335	9	55783	0.9770118	0.460448195	1.92995686
Within Groups	10734040.55	188	57096			
Total	11236091.38	197				

The above table indicates the calculated value of "F". The calculated value of "F" is 0.611 which is less than the table value. The table value of "F" at 5 % level of significance is 1.929. It indicates that the null hypothesis is accepted and alternate hypothesis will rejected. It indicates that there is no significant difference of Return on Equity Ratio between the units undertaken for the study period.

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4.24 COMPARATIVE ANALYSIS OF GOVERNMENT OWNED AND PUBLIC LTD COMPANIES BASED ON LAST TEN YEARS AVERAGE DATA

Ratio	FES	LES	IESC	MEP	HESC	SEPC	QESC	TESC	PESC O	GEP	AE. Ltd	SE P	JP G	K. E	K- P	KA .P	N. C	N. P	SE	H P
Gross Profit	7.53	6.67	17.52	-8.51	- 15.92	-24.3	-5.15	-17.5	-44.95	20.42	27.66	-35.87	5.74	11.11	-3.66	13.42	18.9	21.66	10.85	9.3
Net Profit	-2.79	5.51	1.63	- 12.83	- 28.31	-42.4	- 16.43	-31.5	-48.63	7.787	12.29	- 130.55	-49.42	3.72	- 119.9	11.64	14.66	13.88	1.72	8.27
ROA	-2.47	3.83	2.62	-4.35	- 13.44	-11.1	-4.65	-26.7	-24.91	6.186	7.39	-15.37	-7.94	2	-9.27	10.904	10.09	10.19	2.86	6.24
ROE	40.6	83.53	39.02	121.99	63.28	62.71	48.94	18.54	27.51	128.05	14.48	- 303.57	43.94	-2.71	-9.8	34.96	33.66	25.55	6.65	28.27
Current Ratio	2.24	1.74	1.93	0.6	0.56	0.48	0.78	0.5	0.7	0.792	2.09	0.324	0.57	0.92	8.16	1.4	1.9	1.817	1.12	1.19
Acid Test Ratio	0.74	1.43	1.25	0.72	0.69	0.74	0.59	0.15	0.16	0.609	1.92	0.291	0.37	0.38	2.63	1.12	1.5	1.548	0.53	0.99
cash Ratio	0.27	0.92	0.34	0.46	0.65	0.69	0.4	0.19	0.01	0.41	0.84	0.183	0.22	0.026	0.1	0.556	0.25	0.112	0.41	0.35
Debt to Equity	0.56	0.54	3.29	0.01	134.6	136.8	- 118.3	103.1	-1.04	- 11.08	1.62	-2.579	-4.2	4.02	0.09	2.01	3.55	2.923	1.31	3.13
Int Coverage Ratio	-133.7	- 103.9	-151	- 1220.4	- 630.3	-31.5	- 239.5	-140	3.03	29.933	2.2	-0.715	-0.04	0.7	-94.37	2.22	2.13	2.132	2.01	2.86
Assets T/ove r	1	5.22	2.62	-3.69	1.85	-0.26	6.61	-0.38	0.42	3.263	0.6	0.229	0.22	0.56	0.44	0.96	0.73	0.729	1.06	0.83
Fixed Assets T/Ove r	1.68	4.15	1.73	0.59	2.42	2.2	1.84	0.54	1.57	2.936	0.8	0.366	0.64	1.16	2.26	0.5	0.66	0.562	1.52	1.4
Rec. T/O	15.01	11.77	8.5	5.2	2.88	3.14	1.68	1.63	1.97	3.405	2.91	0.641	1.847	3.24	34.93	1.767	1.31	1.318	1.77	4.3

Conclusion

This study examines the financial performance of selected government owned as well as public limited companies in the power sector in Pakistan using annual data for a period ranging from 2010 to 2019. The study is based on secondary data from secondary sources such as annual reports, The State Bank of Pakistan and Pakistan Stock Exchange. Ratio analysis, ANOVA and pie charts techniques has been used to assess the financial performance of selected companies of power sector of Pakistan. The study analyzes and compares the performance of these companies among selected companies to identify the best performing companies and the main drivers of the financial performance.

The study has been conducted in three steps according to the objectives which is as under:

1. Evaluation of financial performance of various governments owned power sector companies in Pakistan
2. Evaluation of financial performance of various public limited companies of power sector in Pakistan
3. Comparative analysis of financial performance of the selected power sector companies.

The study concluded that out of ten Government owned power sector companies the companies having less recovery from receivables, abnormal high losses and theft of electricity are worst performing during the last decade. On the other hand the companies particularly having better recovery position, acceptable losses and theft of electricity at minimum level have performed well. There are many reasons for decline of power sector. The companies which are located in Sindh, KPK and Balochistan provinces have problems in recovering their outstanding amount from consumers. Majority of these consumers either did not paid their bills or engaged in theft of electricity. Resultantly, sales revenue of these companies decreases and they suffered financial losses and remained unable to achieved their revenue targets. Moreover failure in collection of sales revenue made these companies unable to pay off their payments to various departments Poor infrastructure in power sector has also been considered as one of the main reasons of decline of power sector beside other factors. The public limited companies on the other hand are comparatively better as they are not facing severe problems of theft of electricity, less recovery from receivables or losses.

Limitations

The following limitations have been assessed and maintained under all aspects of research.

- Sample is limited to the selected power sector companies, hence the sampling method used in the study is a limitation.
- There are many other companies registered in power sector the performance of which has not been studied.
- The finding of study do not apply to all sectors in Pakistan. It shouldn't be generalized to all.
- The research study only takes in to consideration selected performance indicators. Hence, performance is also subject to evaluation of other factors.

Recommendations

Future research should use several methods for analysis.

Current study used selected performance indicators to evaluate the financial performance of power sector companies . Future research should use various future financial proxies.

Current study used data for ten years and Future research uses large data and sample sizes to predict the research.

Future research should be improved by widening the scope by taking other power sector companies.

Current study used selected companies for data collection and Future research should include all other sectors of Pakistan for further analysis.

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