AN EVALUATION ON SHAREHOLDERS WEALTH CREATION BY BESCOM AT BENGALURU

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ABSTRACT
Bangalore Electricity Supply Company Limited is responsible for Power distribution in eight districts of Karnataka state. The BESCOM ltd commence its business activity from 2002. The study tries to relate the financial concepts to the actual functioning of the company. The objective of the study is to analyse the financial performance of last five years. The study is based on secondary data and analysed using financial tools and techniques includes DuPont analysis and coefficient of correlation. The study brings out return on equity data to strengthen the shareholders wealth. The study also finds the relationship between the income and expenses.

KEYWORDS: *DuPont analysis, coefficient of correlation, shareholders value, return on equity, BESCOM.*

I. INTRODUCTION
BESCOM limited is a in charge of power distribution to the 8 districts in Karnataka state that is Bangalore Urban, Bangalore Rural, Chikkaballapura, Kolar, Davanagere, Chitradurga, Tumkur and Ramanagara. The BESCOM ltd commence its business activity from 1st June 2002. The summarised financial details organised systematically at financial statement. As these statements were used by analyst and investor to find the company's performance and its financial stability to make decision for their investments.

II. STATEMENT OF PROBLEM
Performance evaluation of financial position study conducted at BESCOM Corporate office. Evaluation of financial performance is an important aspect of financial management of any company. Financial analysis gives the clear information about the financial aspects, financial performance, growth and liquidity position and profitability of the company.

III. OBJECTIVES OF THE STUDY
- To evaluate shareholders wealth using DuPont analysis.
- To analyse the relationship between the income and expenses using coefficient of correlation of BESCOM company.

IV. SCOPE OF THE STUDY
The evaluation of economic performance of the BESCOM is to analyse the financial situation and suggest the different techniques for growth and development of the company. Using the various methods includes DuPont analysis and also the correlation method to know the financial health of the organisation and shareholders value.

V. REVIEW OF LITERATURE
1. **Bhadrappa Haralayya (2022)** study on ratio analysis of financial performance in Royal Enfield (Bhavani motors) Bidar. The study evaluates the economic performance of the Royal Enfield Company. For the period of 3 years. Using the solvency, Liquidity, profitability and efficiency ratios, Trend analysis, Comparative balance sheet, Comparative income statement these tools analyse that the companies fixed asset and current assets are increasing and also the operating revenue of the company. It interpreted that partnership is making full size income in current year.

2. **Patrick Anthony, Babak Behnoee, Malek Hananpour and Dragan Pamucar (2019).** A study on financial performance evaluation of seven Indian chemical companies. The financial analysis gives a advice on expansion and development. The

study uses the various tools like DEA, Ratio analysis for the evaluation. The study represents the efficiency of seven Indian organisation. The study indicates that the companies having good financial ratios.

3. **Mr Barot Himat Kumar V (2018)**. A study and research on ratio analysis of selected Ceramic units of India. To analyse the financial performance and also the profitability position for the period of 5 years. The tools which are used in the study is 5 different ratio analysis. The study reveals that the company overall sales is quite less so they have to focus on increasing the sales. It measures that the company gross profit and net profit is very low.

4. **Bismark Maka, Dr N. Suresh, (2018)**. The study is based on a financial performance analysis of corporate organization. The study is particularly based on the telecommunication sector. In this study, they used the different methodology to analyse the data that is financial ratio analysis, Surveyed work and employed matrix. To examine the liquidity and solvency position of the company, the study reveals that the company's overall financial performance is quite good and sector having the good financial health.

VI.   RESEARCH DESIGN
The present study is descriptive and analytical in nature. The data which is used for the study is fully secondary in nature. In this study the effort has made to study the practices and various techniques followed by the BESCOM limited for the management and controlling of the company. The present study uses the Profit and loss Account and Balance sheet to analyse the company's financial position and its year-on-year performance from 2016-17 to 2020-21.

VII.   DATA TYPE
Secondary Data: The data which is used for the study is fully secondary in nature. The secondary data for this study obtained from the company's annual reports and various accounts. The period of study is five years from 2016-17 to 2020-21.

VIII.   STATISTICAL TOOLS AND TECHNIQUES:
1. **DuPont Analysis**
DuPont analysis is used to measure the financial performance of the company. The analysis is used to analyses the company's strengths and weaknesses. It measures the return on equity of the firm. It involves the operating efficiency, financial leverage, assets use efficiency.
2. **Coefficient of Correlation**
It is a number between -1 and 1 that tells the strength and direction of a relation between 2 variables.

IX.   DATA ANALYSIS
❖ **DU PONT ANALYSIS**
   DU PONT EQUATION

Return on Equity = Net profit margin × Total assets turnover ratio × Leverage multiplier
$$= \frac{Net\ profit}{Revenue} \times \frac{Revenue}{Average\ total\ Assets} \times \frac{Average\ total\ assets}{Average\ Equity}$$

2016-17 = (84.77 / 15861.17) × (15861.17 / 19387.79) × (19387.79 / 720.94)
       = 0.53 × 0.81 × 26.89
       = 11.54%
2017-18 = (178.80/18042.05) × (18042.05/20030.98) × (20030.98/969.21)
       = 0.99 × 0.90 × 20.67
       = 18.41%
2018-19 = (315.18/19538.74) × (19538.74/22871.41) × (22871.41/1195.87)
       = 1.61 × 0.85 × 19.12
       = 26.16%
2019-20 = (152.34/21170.69) × (21170.69/25419.31) × (25419.31/1615.82)
          = 0.71 × 0.83 × 15.73
          = 9.27%
2020-21 = (328.42/19680.84) × (19680.84/28307.60) × (28307.60/1979.65)
      = 1.66 × 0.69 × 14.29
      = 16.36%

The table showing the calculation of Return on Equity for the F.Y 2016-17 to 2020-21.

Years	Return on Equity (%)
2016-17	11.54
2017-18	18.41
2018-19	26.16
2019-20	9.27
2020-21	16.36

Analysis

From the above table analyse using the Return on Equity for the year 2016-17 to 2020-21. The values found using return on equity has been fluctuating year on year. Return on equity for the year 2016-17 is 11.54% in the year 2017-18, 2018-19, 2019-20 and 2020-21 is 18.41%, 26.16%, 9.27% and 16.36% respectively.

Graph no 4.13: The graph showing the DuPont analysis for the F.Y 2016-17 to 2020-21.
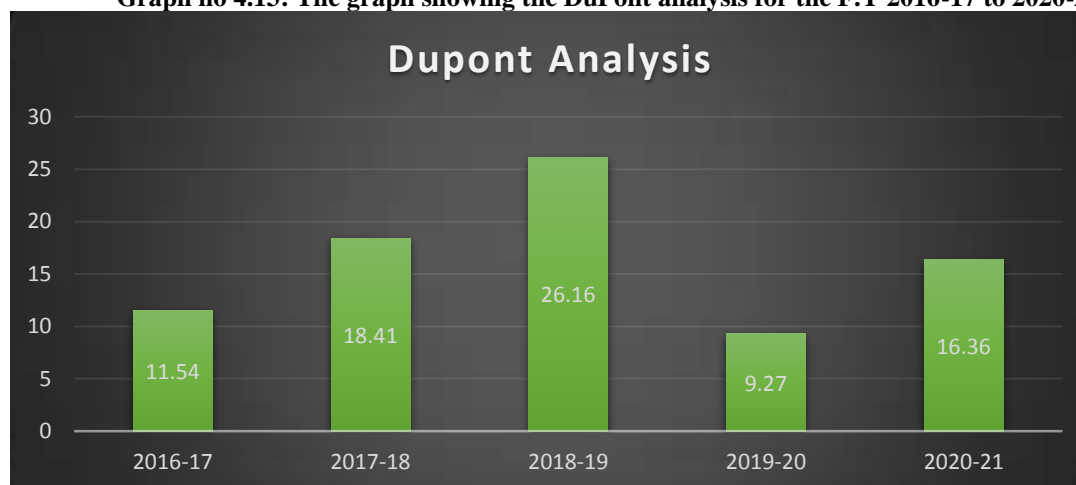
Interpretation

DuPont analysis is used to measure the financial performance of the company. The analysis is used to analyses the company's strengths and weaknesses. It is used to measures the return on equity of the firm. It involves the operating efficiency, financial leverage, assets use efficiency. From the above table analyse that the company's return on equity for the year 2020-21 is having growth as 16.36 as compared to 2019-20 return on equity is 9.27.
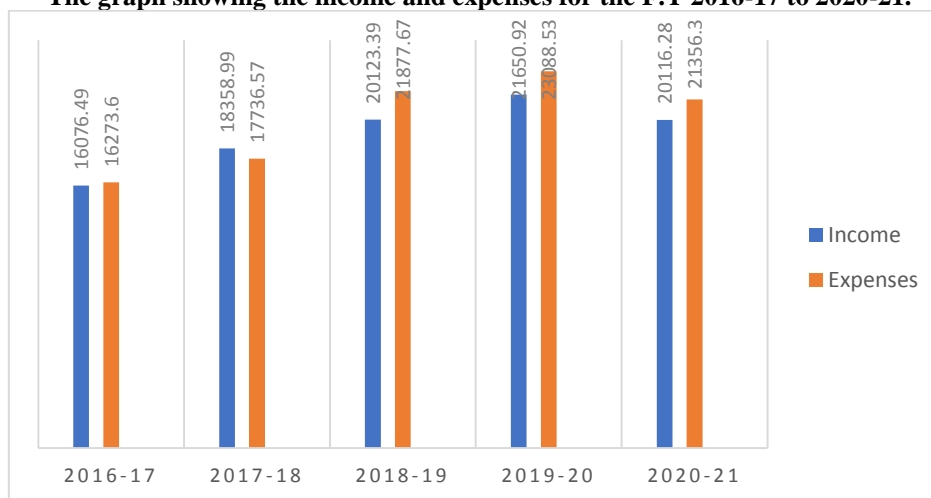
❖ **COEFFICIENT OF CORRELATION**

The table showing the calculation of Correlation co-efficient between Income and Expenses of BESCOM from 2016-17 to 2020-21

Years	Income (X)	Expenses (Y)	ΣX^2	ΣY^2	ΣXY
2016-17	16076.49	16273.60	258453530.72	264830056.96	261622367.66
2017-18	18358.99	17736.57	337052513.82	314585915.36	325625511.26
2018-19	20123.39	21877.67	404950825.09	478632444.62	440252885.70
2019-20	21650.92	23088.53	468762336.84	533080217.56	499887915.94
2020-21	20116.28	21356.30	404664721.03	456091549.69	429609310.56
Total	**96326.07**	**100332.67**	**1873883927.5**	**2047220184.19**	**1956997991.12**

Analysis: From the above table analyse that income of the company for the past 5 years. Income in the year 2016-17 is Rs 16076.49, and in the year 2017-18, 2018-19, 2019-20 and 2020-21 is Rs 18358.99, Rs 20123.39, Rs 21650.92 and Rs 20116.28 respectively. The expenses of the company for the year 2016-17 is Rs 16273.60, and in the year   2017-18, 2018-19, 2019-20 and 2020-21 is Rs 17736.57, Rs 21877.67, Rs 23088.53 and Rs 21356.30 respectively.

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The graph showing the income and expenses for the F.Y 2016-17 to 2020-21.

$r = [n\varSigma XY - \varSigma X\,(\varSigma Y)] / [(\sqrt{n\varSigma X^2 - (\varSigma X)^2})\,(\sqrt{n\varSigma Y^2 - (\varSigma Y)^2})]$

$= [5 \times 1956997991.12 - 96326.07\,(100332.67)] / [(\sqrt{5 \times 1873883927.5 - (96326.07)^2})\,(\sqrt{5 \times 2047220184.19 - (100332.67)^2})]$

$= [9784989955.6 - 9664651793.7] / [(\sqrt{9369419637.5 - 9278711761.64})\,(\sqrt{10236100920.9 - 10066644669.3})]$

$= 120338161.9 / (9524.06)\,(13017.53)$

$= 120338161.9 / 123979736.77$

r = 0.97

Interpretation
From the above calculation on coefficient of correlation, shows that the relationship between income and expenses. Therefore, the study indicates 0.97 from the analysis of coefficient of correlation from 2016-17 to 2020-21. In this situation the correlation is between 0 to 1 as 0.97. The study on relationship between Income and Expenses shows positively correlated.

HYPOTHESIS TESTING ON INCOME AND EXPENSES OF BESCOM USING CORRELATION
Hypothesis:
Null hypothesis (H_0): There is no statistical relationship between income and expenses of BESCOM ltd.
Alternative hypothesis (H_1): There is a statistical relationship between income and expenses of BESCOM ltd.

Correlation test on income and expenses from 2016-17 to 2020-21

Years	Income	Expenses
2016-17	16076.49	16273.60
2017-18	18358.99	17736.57
2018-19	20123.39	21877.67
2019-20	21650.92	23088.53
2020-21	20116.28	21356.30

SPSS OUTPUT:
i.   DESCRIPTIVE STATISTICS

Descriptive Statistics			
	Mean	**Std. Deviation**	N
Income	19265.21	2129.646	5
Expenses	20066.53	2910.810	5

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ii.   PEARSON CORRELATION TEST

Correlations		Income	Expenses
Income	Pearson Correlation	1	.971[**]
	Sig. (2-tailed)		.006
	N	5	5
Expenses	Pearson Correlation	.971[**]	1
	Sig. (2-tailed)	.006	
	N	5	5

Interpretation: From above SPSS output, the study reveals that the relationship between income and expenses. From the mean value of income shows as 19265.21 and expenses as 20066.53. The standard deviation for the income shows as 2129.646 and expenses as 2910.810. It shows the p-value as 0.006 at 5% level of significance (α) (i.e., 0.05). The correlation conducted on two-tailed test the value shows as 0.971, that is positively correlated i.e., r = 0.97 which is less than one (r>1). It is between 0 to 1. Here p-value greater than level of significance i.e., 0.006 < 0.05. Therefore, alternative hypothesis is accepted and null hypothesis is rejected. Thus, there is a statistical relationship between income and expenses of BESCOM ltd.

X.   FINDINGS

- The return on equity is improved in the year 2020-21 that is 16.36 as compared to return on equity in the year 2019-20 that is 9.27.
- Coefficient of correlation between the income and expenses of the company having the positive relationship between income and expenses. Thus r = 0.97 which is less than one. It is between 0 to 1.
- There is a statistical relationship between income and expenses of BESCOM. Therefore, alternative hypothesis is accepted and null hypothesis is rejected.

XI.   CONCLUSION

The study reveals the fact that the BESCOM financial health shows volatile. The company has to involve towards the various strategies as well as better decisions on company progress. And also, the BESCOM has to adopt many advancements in Power Distribution to satisfy the customer needs. BESCOM can also uplift the R&D support.

From the study, based on DuPont analysis and correlation coefficient reveals the grey area of financials particulars. It can be concluded that the overall financial health and its performance showing financial difficulty of the company. However, the financial position of the company has been improvised since 2021 and trying to minimise their weaknesses. For their sustainability. The BESCOM has a chance of available opportunity to adopt to gain shareholder's interest and retain their investments. Consequently, the BESCOM could support shareholders wealth creation and focus on additional investment.

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