

Comparative Evaluation of Financial Performance
of KAPCO and HUBCO through Ratio Analysis



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Abstract

Since the independence of Pakistan electricity has been a big issue as there were less resources and the demand was high. Up till now Pakistan is still facing the same problems as the demand of the electricity is increasing more than the supply. 1993 was a fruitful year as government initiated a policy related to the Independent Power Producers (IPP`s) which attracted foreign as well as domestic investment. Hubb Power Company (HUBCO) was the first private power producers in Pakistan and is considered by authors as the benchmark because of the way it performed, the contribution for the people of Pakistan and also the profitability performance for the investors. Other companies like Kott Adu Power Company (KAPCO) follow the HUBCO`s footsteps and by 2005 started operating as a private power producer. To keep all this in mind the aim of this study is the comparative evaluation of financial performance of the both companies KAPCO and HUBCO to critically investigate how both the companies are operating as the Independent Power Producers (IPP`s). To investigate the performance of the both, I used financial ratios to measure the performance in terms of their Profitability, Liquidity, Solvency and Turnovers. Three years of data was taken for this comparative evaluation which were 2012, 2013 and 2014. The result of the analysis showed that the both companies are performing well in the same industry and while having a same customer which is Water and Power Development Authority (WAPDA). KAPCO1s financial ratio showed that it was performing well than the benchmark of the industry and the result portrays that for the investors point of view, investing in this industry will be secured and sound in the future.

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