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**STATISTICAL ENERGY CONSUMPTION DATA OF INDIAN FIRMS:
 WOULD THE SHARE HOLDERS AGREE?**

Introduction:

Normally financial statements issued by a company includes statutory details on energy conservation and new technology absorption required by the companies (disclosures of particulars in the report of board of directors) rules, 1988 are given in the annexure form and form part of the report. Most of the audited financial reports mention casually on the fuel, water, power imported and exported (very rarely) rates under the headings: operating and other expenses; which compare to the last year's performance. The cash flow statements do not mention anything about energy conservation and any change in the cash flows due to the induction of energy saving measures/ technology adopted in the current year. Some adopt social statements which mention social benefits and about the cost of power purchased from power company as the cost to general public (shareholders are the public!) compared to last year. The shareholder should certainly be interested to know these. Some companies mention in their director's report that as the company is not engaged in any manufacturing activities therefore the information under section 217(1) (e) (i.e. conservation of energy, technology absorption and foreign exchange earnings& outgo) is not applicable even though the company incurred a net loss of Rs.50 lakh with fuel and power cost of 180 lakhs(last year's power and fuel cost was Rs . 158 lakhs). Hence it is necessary to have a uniform energy audit detail in the statements for the annual reports of a company.

The query:

What would be the best way to report financial statements?

Answer:

Under the heading manufacturing/services performed, following information regarding energy can be given.

- No. Of energy units consumed for the year
- Specific consumption of energy (kwh/ m.t of product)
- Cost of energy consumed
- No. Of energy units produced & used internally
- No. Of energy units produced internally& exported
- Earnings from energy export
- % Fractional energy cost

a) Power and fuel consumption

Sr.no	Particulars	Standards (If any)	Current year	Previous year
1	Electricity			
	a) Purchased	Million kwh	X	Y
	Cost of power	Rs.	X	Y
	Rate / unit (average)	Rs. /kwhr	X	Y
	b) Own generation			
	Thro diesel generator	Million kwh	N	N
	Thro steam turbine/ generator units	Million kwh	N	N
	Units/litre of fuel oil/gas/ LSHS/any other	Kwh/ lit	N	N
	Fuel cost /unit	Rs./kwh	X	Y
2	Coal	Mt	N	N

3	Furnace oil	Kilo liters	X	X
3	Furnace oil Average rate	Rs. / mt	X	N
4	Others/ internal generation			
	Fuel gas	Mt	X	Y
	Light ends	Mt	X	Y
5	Specific consumption			
	Electricity	Kw/Mt of product	N	N
	Furnace oil	Mt/ mt of product	N	N
	Coal	Mt/ mt of product	N	N

In addition to the above information, the shareholder would like to know the out come of the energy audits. The following may be appreciated.

- Budgetary provision for new technology/ energy saving machineries
- % Share of energy in the cost of production/ services
- Major energy consumer unit
- Efforts taken to conserve energy/ alternate introduction of renewable energy in feasible areas

FRACTIONAL ENERGY COSTS:

FOR ANY FIRM (REGARDLESS OF PROFIT/LOSS MAKING)

THE FRACTIONAL ENERGY COST SHOULD BE TAKEN AS THE RATIO OF COST OF POWER&FUEL TO THE TOTAL EXPENDITURES.

COST OF POWER& FUEL

-----X 100

% FRACTIONAL COST OF ENERGY= TOTAL COST OF PRODUCTION

THE USE OF NET SALES AS THE BASE HAS SOME DISADVANTAGES.

- INCOME FROM SALES IS SHADOWED BY MARKET DEMANDS, ELASTICITY ETC.
- NOT ALL GOODS/ SERVICES PROVIDED ACCOUNTED IN NET SALES AS PART PRODUCTION MAY HAVE BEEN REALISED THRO' ANNUAL SALES.
- WILL DRAW OBJECTION FROM PRODUCTION AND SALES DEPARTMENTS AS A WRONG SCALE OF PROJECTION

THE USE OF PROFIT BEFORE TAX AS THE BASE IS A BETTER INDEX IN VIEW OF MARKETING OF ENERGY EFFICIENCY IN CASE A FIRM MAKES REAL PROFITS.

IN THE CASE OF HIGH PROFIT MAKING INDUSTRIES THE INDEX

ENERGY COST / PROFIT BEFORE TAX

WILL BE JUST ANOTHER INDEX TO DISPLAY. BECAUSE PROFITS MAY HAVE BEEN MADE MAINLY DUE TO SOME OTHER REASON

WHAT ABOUT THE LOSS MAKING / LESS PROFITABLE, ENERGY CONSUMERS?

THESE FIRMS ARE THE REAL TARGETS FOR ENERGY EFFICIENCY PREACHERS. THEY HAVE PLENTY OF TIME AND WILLINGNESS TO LISTEN TO IDEAS OF PROFIT MAKING. PROBABLY WITH EXTERNAL FINANCING OPTIONS ATTRACTS MOST OF THEM. BUT GOOD MANAGEMENT IS THE KEY AS IS THE CASE OF TITAN MANAGEMENT. IT IS WELL SAID THAT THE ENEERGY CONSERVATION ACT 2001 MAKES FIRMS TO MAKE MORE PROFITS. AN ENERGY AUDIT REPORT PRESENTED AS AN ANNEXTURE TO THE SHARE HOLDERS MIGHT ENLIGHTEN THEM WITH SIMPLE STATEMENT

“X% REDUCTION IN ENERGY COST HAS SAVED AND RESULTED IN Y% PROFITS”

SUPPORTING BILLS FOR THE COST OF ENERGY IN COMAPARISON WITH THE PREVIOUS YEAR CAN HELP THE ENERGY MANAGER.

HYPOTHESIS 1: WHEN THERE IS SOME EROSION IN PROFITS ENERGY CONSERVATION HELPS THE FIRMS- ----- TRUE AND HOLDS GOOD

HYPOTHESIS 2: IN LOSS MAKING FIRMS THERE IS NO SCOPE FOR FINANCING ENERGY EFFICIENCY PROJECTS -----TRUE TO THE EXTENT THAT IF EXTERNAL FINANCE IS MADE AVAILABLE WITH PERFORMANCE GUAREENTEES THEY ALSO LOOK FOR ENERGY EFFICIENCY AS A MEANS OF PROFIT MAKING.

HYPOTHESIS 3: HUGE PROFIT MAKING FIRMS DO NO LISTEN TO THE ADVICE OF ENERGY CONSERVATION.

FRACTIONAL COST OF ENERGY MAY BE LOW

----- THESE FIRMS SHOULD TAKE STOCK OF THE EROSION OF PROFITS THRO' ENERGY GUZZLERS AND IF RIGHT AND TIMELY ACTION IS NOT TAKEN THEN MACHINERIES WOULD COST DEARLY AND THE FIRM MIGHT SLIP IN TO LOSS MAKING IN THE COURSE OF TIME.