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CHAPTER - VI

SUMMARY OF FINDINGS

Key findings of the study has been recapitulated in this chapter. The study aimed at analysing the Financial performance of companies, identifying the determinants of Earnings Before Interest and Taxation and Market Price Per Shares of Companies. Finally an attempt was made to construct a Composite Index, which could discriminate the efficiently performing companies from others in the selected industries.

The following is the summary of the major findings of the study.

6.1 Financial Performance of Companies

The Financial Performance was analysed under three heads. They were Financial Ratio Analysis, Equity Related Performance Analysis and Other Financial Related measures analysis. These were done for different companies under nine selected industries. The results obtained were reported below.

6.1.1. Financial Performance of Aluminium Companies

India has 90 million tonnes reserves of Bauxite. Hindalco is the largest Aluminium producer in India and also one of the least cost producers in the world. Indalco is the largest Aluminium sheets producer in India.
Hindalco has a greater Stability and Liquidity and significant difference exists among the Aluminium Companies in terms of stability and liquidity. Indalco's Turnover ability was better and there was a significant difference among Aluminium Companies in terms of turn over. Mixed performance results were noticed in terms of Profitability. Homogeneity among them were observed in terms of Return on Total Capital Employed. Capitalisation performance of Aluminium Companies were lower than the industry. Homogeneity was noticed among them in terms of Debentures to Net Worth and Debentures ratio. Indalco had done well in terms of Appropriation performance.

Hindalco had done better in terms of Per Share Related Performance. In Capital Market Related Performance and in the Other Equity Related Performance Measures, Indalco had done better. Homogeneity was noticed in the most of the vital equity related variables.

Hindalco had the least Weighted Average Cost of Capital but a significant difference was noticed among Aluminium Companies in terms of different costs of capital. Indalco had the highest EPS magnifying power than all the others and no significant difference was noticed among Aluminium Companies in terms of different leverages. Indalco had used its full potential in terms of assets and sales growth. Both the Aluminium Companies have exceeded their dividend growth potential. Both the Aluminium Companies were not as much aggressive as that of the capital market.

6.1.2 Financial Performance of Cement Companies

Cement is a basic infrastructure industry. India's share of world production was a mere 4.36 per cent.
Associated Cement Companies and Madras Cements were the companies chosen for analysis. Stability performance of the cement companies was mixed. A.C.C. had managed its Liquidity effectively than all the others. Cement Industry's turnover ability was far better than cement companies. Profitability Performance of Madras Cements was better than others. A.C.C.'s Appropriation and Coverage performances were better than other cement companies. Cement Industry had been using much of owners' resources. In the case of turnover and capitalisation, dissimilarities among cement companies were noticed, in other cases these ratios were similar among cement companies.

On Per Share basis performance measures, Madras cements had done well. In the capital markets, A.C.C.'s performance was higher than others. Homogeneity was noticed among the vital equity related variables of cement companies except in the case of Net Sales to Equity and Net Sales Per Share.

Weighted Average Cost of Capital of the Cement Industry was the least of all and there was no homogeneity among the companies in terms of different costs of capital. Combined Leverage of the cement industry was the highest and homogeneity was noticed among all the companies in terms of all types of leverages, Operating Cycle of A.C.C. was the least and greater homogeneity was noticed among all the companies and the industry. A.C.C. could not exceed its potential in asset and sales growth but could exceed its potential in dividend growth. Madras Cements had exceeded its potential in assets and sales growth. A.C.C.'s shares were aggressive than others.
6.1.3 Financial Performance of Chemical Companies

Chemical Industry accounts for 12 per cent of manufacturing output. Hindustan Lever, Tata Chemicals and Reckitt & Colman are the leading companies analysed. In terms of Stability, Reckitt & Colman had maintained a better stability than others. Significant differences were found to exist among the chemical companies in terms of Net worth to Total Assets Ratio. None of the chemical companies could maintain the Liquidity performance of the Chemical Industry and there was significant difference among them in terms of the liquidity. Turnover performance of Hindustan Lever was far better than others and significant difference was noticed among the chemical companies in terms of Total Assets Turnover Ratio. Reckitt & Colman scored over other chemical companies in terms of Profitability and significant difference among chemical companies was noticed in terms of Return on Total Capital Employed. In terms of Capitalisation performance Tata Chemicals had been using outsiders' capital more efficiently than others and significant difference was noticed among chemical companies in terms of Debentures to Debentures and Net Worth ratio. Heterogeneous results were found in Appropriation performance.

On all the Equity Related Performance measures Hindustan Lever had done much better than all the other companies. Only in the case of Market Price Per Share homogeneity had been noticed among the chemical companies. In terms of Growth and Beta performance Hindustan Lever had done better than all the others.

Weighted Average Cost of Capital of the Chemical Industry was the least and there was no homogeneity among chemical companies and the industry.
Combined Leverage of the Chemical Industry was the highest. This proves the industry’s ability to magnify its EPS much better than that of other companies in the industry. There was no homogeneity among Chemical Companies in terms of various leverages. Operating Cycle of the Reckitt & Colman was the least. This proves its quick cash generating power. There was no homogeneity among Chemical Companies in terms of operating cycle. All the Chemical Companies had exceeded their assets and sales growth potential. Hindustan Lever alone had exceed its dividend potential. Among Chemical Companies Hindustan Lever’s shares were highly sensitive to the capital market movements.

6.1.4 Financial Performance of Cotton Textile Companies

Cotton Textile Industry is the largest industry in India, contributing 20 per cent of industrial output and providing employment for 20 million people. Arvind Mills, Bombay Dyeing and Century Textiles were selected for analysis. Stability of Century Textiles was better than others. The stability of all the Companies were significantly different from each other. The Liquidity of Cotton Textile Industry was higher than the Companies. The liquidity judged in terms of Current ratio was different among Cotton Textile Companies. Cotton Textile Industry had done better in terms of Turnover ability and there was significant difference among Cotton Textile Companies in terms of the Total Assets Turnover ratio. Profitability of Bombay Dyeing was better than all the others and there was no significant difference among Cotton Textile Companies in terms of Profitability. Appropriation performance of Century Textiles was better than others. Cotton Textile Industry was better capitalised than others, at the same time there was no significant difference among the Cotton Textile Companies in terms of Capitalisation.
Per Share and Capital Market related performances of Century Textiles were better than others. Cotton Textile Industry had done better than others in terms of Other Equity Related Performance Measures. No significant difference was noticed in terms of Price Earnings Ratio and Market Value to Book Value ratio. Among all the Cotton Textile Companies Century Textiles had the least cost of capital. There was no significant difference in terms of over all cost of capital of all the Companies. Arvind Mills had the greatest EPS magnifying power than all the others. Financial and combined leverages were homogeneous among the Cotton Textile Companies.

Bombay Dying had the highest sustainable growth rate. Actual growth rate of Assets was the highest for Arvind Mills and actual growth rate of sales of Bombay Dyeing was the highest. Bombay Dyeing shares were the most aggressive among all.

6.1.5 Financial Performance of General Engineering Companies

General Engineering Industry is diverse. Capital goods form 44 per cent of the production of the industry. Its growth rate was 9 per cent in 94-95. Bajaj Auto, Ingersol Rand, Kirloskar, Larsen and Toubro, MICO, Mahindra and Mahindra and TELCO are the companies included in the analysis.

Stability performance of these companies were mixed. MICO and Larsen and Toubro had been maintaining higher liquidity. Turnover and profitability performances were mixed. Mahindra & Mahindra had planned its tax well. Telco and Mahindra & Mahindra had been using their borrowing power much better than all the others.
On Per Share basis Bajaj Auto had done better than all the others. Capital market performance was mixed. Ingersol Rand had done better on other equity related performance measures. Equity related variables were significantly different among the Engineering Companies.

Weighted Average Cost of Capital was the least in case of Larsen and Toubro and homogeneity was noticed among these companies in terms of cost of debt and weighted average cost of capital. MICO had the highest earnings power magnifying potential than all the others. It had utilised outsiders’ capital more for short term use.

Most of the engineering companies have exceeded their assets and sales growth potential. Bajaj Auto had the highest dividends growth and Larsen and Toubro was the most aggressive in the Capital market.

6.1.6 Financial Performance of Hotel Companies

India had 44,405 hotel rooms in 94-95. Five star segment had a growth potential of 35 per cent. East India Hotels had 2500 rooms and Indian Hotels had 5165 rooms. East India Hotels had a greater stability than others. In terms of stability there was significant difference among the hotel companies and the industry. Credit performance was mixed among hotel companies and there was no significant difference among them in case of credit performance. Profitability of Indian Hotels was better than others and there was no significant difference among hotel companies in terms of profitability. Turnover performance of Indian Hotels was better. Both the hotel companies were using more of outsiders’ funds and they were similar in Capitalisation structure also. Appropriation performance of East India Hotels was better.
Per Share Related Performance was better for Indian Hotels and at the same time Capital Market related performance of East India Hotels was better. In the case of other equity related variables East India Hotels had done better. In the case of most of the equity related variables there was homogeneity among the hotel companies.

Weighted Average Cost of Capital of the East India hotels was the least, whereby proving its capital mobilising effort. Hotel Industry could magnify its Earnings Per Share much better than the hotel companies. Indian Hotels had a negative Operating Cycle whereby proving its ability to make use of outsiders' funds more effectively. On most of the other financial performance measures heterogeneousness was noticed.

Both the hotel companies have exceeded their potential in terms of assets, and sales growth. Indian Hotels could not exceed its dividend growth. East India hotels had been more aggressive in the capital market.

6.1.7 Financial Performance of Paper Companies

India accounts for merely one per cent of the world's Paper consumption, producing about 22.9 million tonnes in 94-95. Ballarpur Industries and ITC-Bhadrajalam are the two companies analysed in this industry. In terms of stability, Ballarpur was more stable than others in the industry. There was no significant difference among them in terms of Net Worth to Total Assets. Paper Companies' liquidity performance was lower than that of the industry and there was significant difference among them in terms of liquidity. Turnover performance of Paper Industry was also
better than that of the companies and there was no homogeneity among these companies. In terms of Profitability, ITC-Bhadrachalam had done better than the industry and in terms of return, none of the companies could match the industry and there was significant difference among them in terms of profitability. On Appropriation Performance also the industry was doing better than the companies. On Capitalisation performance, Paper Companies were using much of their own funds and there was significant difference among them in terms of usage.

On Per Share performance measure Ballarpur was doing better in most of the variables. Paper Industry as such was doing better than the companies in the capital market. On Other Equity Related Performances ITC-Bhadrachalam had done far better than others. Homogeneity was noticed among paper companies in case of Market Price Per Share and Price Earnings Ratio.

Weighted Average Cost of Capital was the least in case of Ballarpur and there was no homogeneity among them in case of different costs of capital. Combined Leverage was the highest in case of Ballarpur. Homogeneity among paper companies was noticed only in the case of Operational Leverage. Ballarpur had the power to generate quicker cash than all the others and there was no homogeneity among them. ITC-Bhadrachalam had exceeded its potential in terms of assets and sales growth rates. Ballarpur had exceeded assets, sales and dividend growth potential. ITC-Bhadrachalam had a higher sensitivity to the capital market but not as much as that of the market.
6.1.8 Financial Performance of Pharmaceutical Companies

Pharmaceutical Industry’s market size was Rs. 65 billion. Glaxco and Ranbaxy were the companies taken up for analysis.

Glaxco and Ranbaxy were not borrowing as much as that of the industry. Net Worth to Total Assets ratio was not homogeneous. Ranbaxy and Glaxco had not maintained the liquidity as good as that of the industry and they were heterogeneous on this. Turnover ability of the companies were also not homogeneous. Profitability of the industry was also better than the companies and there was no homogeneity. Glaxco had been appropriating more than others. Ranbaxy had been using more outsiders’ funds than others.

On Per Share and Other Equity Related Performance measures Ranbaxy had performed well. In case of capital market performance, Glaxco had scored over. In case of Earnings Per Share, Net sales to Equity and Net Sales Per Share, there was no homogeneity.

Cost of Capital of Glaxco and Ranbaxy were higher than the industry and homogeneity was not there in case of cost of debt alone. Ranbaxy had the greatest magnifying power of its EPS and homogeneity was noticed among all. Glaxco could generate quicker cash from its operations. Both the companies have exceeded their assets, sales and dividend growth potential. Glaxco had been more aggressive in the market.

6.1.9 Financial Performance of Synthetic Textile Companies

Textile Industry is the largest in the country. Synthetic Textile Industry’s growth rate was 29 per cent.
Reliance, Indian Rayon and Grasim are the Companies taken up for analysis. The stability of the Reliance was better than other companies. No significant difference was noticed among the Companies and the industry in terms of Net Worth to Total Assets ratio. Liquidity performance was mixed and there was significant difference among the companies. Industry had turned over its assets better than the companies and there was significant difference between companies in terms of Net sales to Total Assets ratio. Grasim's Profitability and Appropriation performances were better than others and homogeneity was noticed in terms of Return on Total Capital Employed. Capitalisation performance was mixed, but homogeneity was noticed among them. Reliance’s Coverage performance was better than the industry.

Per Share Performance was higher for Grasim and Capital Market Performance was better for Reliance. In other cases, industry was doing better than the companies. In the case of Vital Equity Variables homogeneity was noticed in most of the variables among all the companies and the industry.

Grasim had the least Weighted Cost of Capital and homogeneity was noticed among the Companies in the case of Equity Cost and Weighted Average Cost of Capital. Indian Rayon had the highest magnifying power of its EPS but heterogeneousness of this variable was noticed among other Companies. Synthetic Textile Industry had the least conversion cycle. There was no homogeneity on this count. Grasim had exceeded its potential in terms of assets and sales growth. Indian Rayon had exceeded its assets and sales growth potential, Reliance had exceeded its assets, and dividend potential. Reliance shares were the most aggressive of all.
6.2 Determinants of Earnings Before Interest and Taxation (EBIT)

Eight independent variables identified from the financial statements were taken as dependent variables and Multiple Regression and best subset Regression models were used to find out the most influencing variables which could determine the Earnings Before Interest and Taxation and the summary of the results were listed below according to the industries and companies.

6.2.1 Determinants of EBIT of Aluminium Companies

Fixed Assets and Net Worth influenced the Hindalco’s EBIT significantly. Cost of Sales and Profits Retained influenced Indalco’s EBIT significantly. No significant difference was noticed among the EBIT and its determinants of Aluminium Companies.

6.2.2 Determinants of EBIT of Cement Companies

Cost of Sales and Net Worth seem to influence the A.C.C.’s EBIT most. Current Assets and Current Liabilities had influenced Madras Cements’ EBIT more. Homogeneity among cement companies was noticed in the case of EBIT, Operating Expenses and Profits Retained among the determinants of the EBIT.

6.2.3 Determinants of EBIT of Chemical Companies

In the case of Hindustan Lever, Fixed Assets and Profits Retained were the two most influencing variables of its EBIT. Profits Retained and the Cost of Sales were the two most influencing variables in the case of Reckitt & Colman’s EBIT. Net Worth and Profits Retained were the two most influencing variables of Tata Chemicals’
EBIT. Homogeneity was noticed only in the case of Profits Retained among the Chemical Companies.

6.2.4 Determinants of EBIT of Cotton Textile Companies

Arvind Mill’s EBIT was very much influenced by Current Liabilities and Net Worth. Deferred Liabilities and Profits Retained influenced the Bombay Dyeing’s EBIT more. Century Textile’s EBIT was mostly influenced by its Current Liabilities and Profits Retained.

In the Cotton Textile Industry the Current Assets, Current Liabilities, Deferred Liabilities, Net Worth and Profits Retained were all found to be homogeneous determinants of EBIT.

6.2.5 Determinants of EBIT of General Engineering Companies

Profits Retained seem to influence the EBIT more than any other variable. Cost of Sales and Profits Retained influenced Bajaj Auto’s EBIT more. Ingersol Rand’s EBIT was more influenced by Current Assets and Operating Expenses. Kirloskar’s EBIT was influenced more by Deferred Liabilities and Profits Retained. Fixed Assets and Profits Retained influenced Larsen and Toubro’s EBIT more than any other variables. Current Liabilities and Cost of Sales influenced MICO’s EBIT more. Mahindra and Mahindra’s EBIT was influenced more by Operating Expense and Profits Retained. Current Assets and Current Liabilities influenced TELCO’s EBIT more than any thing else. There was no homogeneity among EBIT and its determinants in this industry.

6.2.6 Determinants of EBIT of Hotel Companies

Fixed Assets and Operating Expenses were the most influencing variables of the EBIT of East India.
Hotels. Operating Expenses and Profits Retained were the highly influencing variables in the case of Indian Hotels. Deferred Liabilities, Operating Expenses and Fixed Assets were significantly different among hotel companies in case of the determinants of EBIT.

6.2.7 Determinants of EBIT of Paper Companies

Deferred Liabilities and Profits Retained were the two variables which influenced the Ballarpur’s EBIT. Cost of Sales and Net Worth were the two variables which influenced the EBIT of the ITC-Bhadrachalam. Homogeneity was noticed only in case of Operating Expenses and Profits Retained among the determinants of EBIT of paper companies.

6.2.8 Determinants of EBIT of Pharmaceutical Companies

Deferred Liabilities and Net Worth were able to explain 97 per cent of EBIT’s variations of Glaxco. On the other hand Operating Expenses and Profits Retained were explaining the changes in the EBIT of Ranbaxy. All variables but for Profits Retained had shown greater homogeneity.

6.2.9 Determinants of EBIT of Synthetic Textile Companies

Net Worth and Profits Retained were the most influencing variables of the EBIT of Grasim. Current Assets and Operating Expenses were influencing the EBIT most in case of Indian Rayon. Fixed Assets and Operating Expenses were the most influencing variables of the EBIT of Reliance. Profits Retained alone was homogeneous among Synthetic Textile Companies.

6.2.10 Summary Analysis of Determinants of EBIT

All the companies put together, Profits Retained had significantly influenced the EBIT of the
maximum number of companies. It had significantly influenced 14 companies’ EBIT out of 26 companies forming 53.84 per cent of companies analysed. Deferred Liabilities had significantly influenced the EBIT of the least number of companies. It had influenced the EBIT of only 4 out of 26 companies forming 15.38 percentage of the companies analysed.

6.3 Determinants of Market Price Per Share (MPS)

Four independent variables identified from the financial statements were taken as independent variables and Multiple Regression and Best Subset Regressions were run to find out the most influencing internal variables which would determine the Market Price Per Share of the companies. The summarised results were listed below according to the industries and companies.

6.3.1 Determinants of MPS of Aluminium Companies

Earnings Per Share and Net Sales Per Share of the Hindalco had influenced significantly its share price. Book Value Per Share and Net Sales Per Share influenced Indalco’s share price significantly. Homogeneity was noticed in the case of Dividend Per Share and Market Price Per Share among Aluminium Companies.

6.3.2 Determinants of MPS of Cement Companies

Book value Per Share and Net Sales Per Share influenced A.C.C.’s share prices more. Dividend Per Share and Earnings Per Share influenced Madras Cements share price more than other variables. But the best subset regression models of both the cement companies were not significant.
6.3.3 Determinants of MPS of Chemical Companies

Hindustan Lever's share price was mainly influenced by Book Value Per Share and Earnings Per Share. In the case of Reckitt & Colman, Book Value Per Share and Dividend Per Share had influenced its Market Price per share very much. Tata Chemicals' market price per share was very much influenced by Dividend Per Share and Net Sales Per Share. Homogeneity was noticed among Market Price Per Share, Dividends Per Share and Earnings Per Share in case of Chemical Companies.

6.3.4 Determinants of MPS of Cotton Textile Companies

Market Price Per Share of Arvind Mills was mostly determined by Earnings Per Share and Net Sales Per share. The market price per share of the Bombay Dyeing was mostly determined by Book Value Per Share and Net Sales Per share. Century Textiles Market Price Per Share was mostly determined by Book Value Per Share and Net Sales Per Share. Homogeneity among the determinants has been noticed among the Earnings Per Share and Net Sales Per Share of the Cotton Textile Companies.

6.3.5 Determinants of MPS of General Engineering Companies

Net Sales Per Share seems to explain the changes in the Market Price Per Share in a significant manner for all the companies except in the case of Mahindra and Mahindra. Heterogeneity was noticed in MPS and its determinants in the case of General Engineering Industry.

6.3.6 Determinants of MPS of Hotel Companies

Book Value Per Share and Net Sales Per Share were the most influencing variables of the Market Price Per
Share of East India Hotels. Book Value Per Share and the Dividend Per Share were the most influencing variables in the case of Indian Hotels. Average Market Price and Book Value Per Share were homogeneous among the determinants of the Market Price Per Share.

6.3.7 Determinants of MPS of Paper Companies

Dividends Per Share and Net Sales Per Share were the most influencing variables of the Market Price Per Share of Ballarpur. Book Value Per Share and Dividend Per Share were influencing ITC-Bhadrachalam’s Market Price Per Share more. Homogeneity was noticed in case of Book Value Per Share and Net Sales Per Share of the determinants of the Market Price Per Share of the Paper Companies.

6.3.8 Determinants of MPS of Pharmaceutical Companies

Book Value Per Share and Earnings Per Share explained 86 per cent of share price variations of Glaxco. Dividend Per Share and Earnings Per Share had explained 80.87 per cent of the share price variations of Ranbaxy. In case of Market Price and Dividend Per Share alone homogeneity was noticed among the determinants of market price of the shares.

6.3.9 Determinants of MPS of Synthetic Textile Companies

Book Value Per Share and Dividends Per Share were the most influencing variables of the MPS of the Grasim. Dividend Per Share and Earnings Per Share were the most influencing variables of the Market Price Per Share of Indian Rayon. Book Value Per Share and Net Sales Per Share were the most influencing variables of the Market Price Per Share of the Reliance. Homogeneity of the determinants of Market Price Per Share was noticed in majority of the cases.
6.3.10 Summary Analysis of the Determinants of Market Price Per Share

All the companies put together, Net Sales Per Share had influenced the Market Price Per Share of the most of the companies. It had influenced the MPS of 16 out of 26 companies forming 61.53 percentage. On the other hand surprisingly Earnings Price Per Share had influenced the Market Price Per Share of the least number of companies. It had influenced the MPS of 7 out of 26 companies forming only 26.9 percentage of the companies analysed.

6.4.1 Cross Industrial Analysis

As a measure of maxima and minima analysis. The best and the worst ratios across the industries were identified and the summary of the results were reported below.

The results of stability analysis were mixed and did not point out any clear trend. Hindalco had the highest liquidity and Bombay Dyeing had the least liquidity. Hindustan Lever had the highest turnover ability and East Indian Hotels had the least turnover ability. Profitability analysis showed a mixed trend. Ingersol Rand completely depended on owners funds and General Engineering Companies depended more on owners' funds. MICO had been Appropriating more than any other company and Arvind Mills had been appropriating the least. Madras Cements had the highest Per Share Performances, Reckitt and Colman and East Indian Hotels had the least performance. Capital Market Related Performance of all the companies had been mixed. Other Equity Related Performances were also mixed. In Other Financial Related Performance Measures Ingersol Rand had the least ratios and Ballarpur Industries had the best
ratio. **Hindustan Lever** had the highest growth and **Reliance scrips** were the most sensitive among all.

### 6.5 Discriminant Analysis of Companies

To find out the combined effect of various ratios, Discriminant models were built up under different heads. Finally a comprehensive model was constructed by combining all the vital variables and ratios. The results are listed below according to the heads of analysis.

1. Stability

\[
Z = 1.3990 \times 10^{-4} NWTA + 9.2521 \times 10^{-5} NBNW - 1.7845 \times 10^{-4} TLNW
\]

2. Credit / Liquidity

\[
Z = 2.35161 \times 10^{-2} CACL - 7.0168 \times 10^{-3} QACL
\]

3. Turnover ability

\[
Z = 7.061 \times 10^{-4} NSTA + 8.8707 \times 10^{-3} NSND + 6.6495 \times 10^{-3} NSPC
\]

4. Profitability

\[
Z = 6.9144 \times 10^{-4} RTCE + 0.00268 NIND + 1.605 \times 10^{-3} NPTA
\]

5. Capitalisation

\[
Z = 3.858 \times 10^{-4} DND - 1.983 \times 10^{-4} ERND
\]

6. Equity Related Variables

\[
Z = 2.64 \times 10^{-5} NSPS - 7.399 \times 10^{-5} EPS + 3.204 \times 10^{-5} MPS
+ 8.9087 \times 10^{-5} PER + 2.899 \times 10^{-4} MVBV - 5.035 \times 10^{-4} NSE
\]

7. Other Financial Variables

\[
Z = 2.067 \times 10^{-4} WACC - 1.525 \times 10^{-3} CL + 1.954 \times 10^{-3} OC
- 8.394 \times 10^{-4} SG + 1.73366 \times 10^{-4} A + 5.766 \times 10^{-4} Beta
\]
8. All the Ratios

\[ Z = 1.5858 \times 10^{-3} NWTA + 3.5868 \times 10^{-4} CACL - 3.498 \times 10^{-3} RTCE \\
- 6.265 \times 10^{-3} NSTA + 5.546 \times 10^{-5} DND + 3.792 \times 10^{-3} NSPS \\
- 2.893 \times 10^{-3} PER - 1.675 \times 10^{-3} MVBV - 1.383 \times 10^{-3} NSE \\
- 1.1215 \times 10^{-3} WACC - 5.1427 \times 10^{-3} CL + 0.0166890C \\
+ 1.187 \times 10^{-2} SG - 2.0568 \times 10^{-2} AG - 2.846 \times 10^{-3} Beta \]

Discriminant Model based on Stability ratios alone could classify the highest number of efficiently performing (62.57%) companies and the 40 per cent of less efficiently performing companies correctly. None of the discriminant models arrived at were statistically significant at 0.05 level. When 15 vital variables were included that model alone came closer to statistical significance.

6.6 Further areas of Research

There is wide scope for further research in this area. Similar type of analysis can be carried out for other industries in India and Abroad. The bench mark taken up for comparison could be substituted by the industry's best or Country's best or the World best. Attempts can be made to build up different weightages for the various parameters of analysis depending on their importance. While evaluating the performance, physical, qualitative, quantitative and market related data can also be added up to provide a Complex Index. While estimating the earnings power, the dependent variable could be substituted by other measures of earning capacity, such as Profit After Tax, Residual Income etc. Different other independent variables such as qualitative or quantitative or external or non-accounting variables could be used and instead of linear regression log linear and non-linear models could be
tried. In the same way the market price of share estimation model could be allowed to include, economic, industry, capital market variables. Company related other internal and external variables such as the quantitative, physical, non-accounting variables may also be added up.

In the same way while computing the Composite Index of performance, physical, external and quantitative data can also be added up to find out an appropriate discriminant model.

Conclusion:

This piece of work is an earnest effort of the researcher to evaluate and construct an index to measure the performance of companies. This would enable the investors and other interested parties to identify the efficient companies from the less efficient counterparts. If the same is applied for the purpose for which it was evolved the researcher will be amply rewarded.