COST OF CAPITAL AND PROFITABILITY ANALYSIS (A CASE STUDY OF TELECOMMUNICATION INDUSTRY)

Asha Sharma*

Abstract *Finance is the supply of funds, which regulates the activities and operations of the industry. Adequate finance is required besides the requirement of fixed and working capital for undertaking the program of extension, reorganization or expansion. Finance regulates the activities and operations of the industry. Adequate finance is required besides the requirement of fixed and working capital for undertaking the program of extension, reorganization or expansion. There are various source of raising funds. Since, now-a-days market is open, so both domestic and international market are available for procuring the funds. Finance is being raised through issue of shares, debenture, bond and retained earnings (internal source) from domestic as well as international capital market in the form of Global Deposit Receipts, American Deposit Receipts and Foreign Currency Convertible Bonds and from the wide range of financial institutions. However, the finance is not free of cost. The charge on each source capital is known as cost of capital. The cost of capital of any investment is the rate of return the suppliers of capital would expect to receive if the capital were invested elsewhere in an investment of comparable risk.*

The present study focuses on whether cost of capital has any relationship with financial performance of companies like capital structure. To know about the relationship between cost of capital and income generation capacity of a company, gross profit ratio is not sufficient. If cost of capital is not taken care properly, if it is more than returns, company can reach to crucial financial situation. So an effort has been made to measure impact of cost of capital on various financial factors i. e., profitability, growth rate, liquidity and dividend policy. The statistical like correlation and regression method have been applied. The study found that change of cost of capital affects the company's profitability position. The higher cost of capital adversely affects the profitability position of the companies.

Keyword: *Cost of Capital, Return, Growth Rate, Liquidity, Performance, Profitability*

The Indian economy has witnessed robust growth in the last few years and is expected to be one of the fastest growing economies in the coming years. Demand for commercial property is being driven by India's economic growth. Real estate in India contributes about 5 per cent to India's gross domestic product (GDP). The total revenue generated in 2010-11 stood at US$ 66.8 billion. India's Information Technology (IT) and Information Technology enabled Services (ITeS) segments are aligned in a way that the growth in one avenue has ripple effects on another. The IT & ITeS industry, as a whole, is the mainstay of Indian Technology sector as it has driven growth of the economy in terms of employment, revenue generation, standards of living etc and has played a major part in placing the country on the global canvas.

The project's cost of capital is the minimum required rate of return on funds committed to the project, which depends on the risk of its cash flows. The firm's cost of capital will be the overall, or average, required rate of return on the aggregate of investment projects. It is a concept of vital importance in the financial decision-making. It is useful as a standard for:

1. Evaluating investment decisions
2. Designing a firm's debt policy
3. Appraising the financial performance of top management

The firm's cost of capital is the rate of return required by them for supplying capital for financing the firm's investment projects by purchasing various securities. It may be emphasized that the rate of return required by all investors will be an overall rate of return – a weighted rate of return. Thus, the firm's cost of capital is the 'average' of the opportunity costs (or required rates of return) of various securities, which have claims on the firm's assets. This rate reflects both the business (operating) risk and the financial risk resulting from debt capital.

REVIEW OF LITERATURE

A comprehensive review of literature in respect of the parameters pertaining to financial performance, determinants of capital structure and interrelationship between cost of capital and companies' performance both in the domestic and

*Assistant Professor, Department of Commerce, Mahila Mahavidhalaya, J. N. V. University, Jodhpur

international level was carried out. The major observations are summarized as under: Cost of capital declines with leverage due to the tax deductibility of interest charges, (Modigliani and Miller, 1962). The cost of capital is affected by debt apart from its tax advantages (Sarma and Rao, 1968). Age, retained earnings, and profitability were negatively correlated while total assets and capital intensity was positively related to debt- equity ratio (Chakroborty, 1977). Cost of capital of Indian firms increased from 7.36 percent to 12.36 percent over years. The average cost of capital for all consumer goods industry firms taken together was the highest while; it was lowest for the firms of intermediate goods (Chakroborty, 1977). There is an impact of size, growth, business risk, dividend policy, profitability, debt service capacity and the degree of operating leverage on the leverage ratio of the firm (Bhat, 1980). The weighted average cost of capital of a company will fall with the increased borrowing until a point is reached where the higher cost of share and loan capital force the average up. The optimum-earning ratio is achieved only when the weighted average cost of capital is at the lowest point (Knott, 1991). The cost of capital is playing significant role for determining the capital structure of multi National Corporation also. The multinational corporation is assumed to finance its foreign subsidiaries in such a way as to minimize its incremental weighted cost of capital (Bhalla, 2000). The firms are mainly concerned about financial flexibility and credit ratings when issuing debt and per share dilution and recent stock appreciation when issuing equity. The most firms have target debt-equity and issue-equity to maintain a target-debt ratio (Graham and Harvey, 2001). A project that requires highly specific assets would initially be financed by equity. However, as the debt to equity ratio decreases in line with agency theory, the demand for debt falls and equity rises (Vialasuso and Minkler, 2001). Cost of capital is a central concept in financial management linking both investment and financing decision. The Indian companies faced a high relative cost of capital as compared to their international counterparts (Chadha, 2003). The foregoing studies attempted to examine the relationship between cost of capital and companies performance. In most of the studies it is been seen, emphasis is given on effects of capital structure on cost of capital and on determinant of capital structure. However, no serious and systematic efforts have been made by the researcher in regard to relationship between cost of capital and companies financial performance.

COMPANY PROFILE

Bharti Airtel Limited is a leading integrated telecommunications company with operations in 20 countries across Asia and Africa. Headquartered in New Delhi, India, the company ranks amongst the top 5 mobile service providers globally in terms of subscribers. In India, the company's product offerings include 2G, 3G and 4G services, fixed line, high speed broadband through DSL, IPTV, DTH, enterprise services including national & international long distance services to carriers. In the rest of the geographies, it offers 2G, 3G mobile services. Bharti Airtel had over 246 million customers across its operations at the end of February 2012.

METHODOLOGY

The purpose of the research is to study the relationship between various ratios to know the impact of cost of capital on profit, growth, investment decision and dividend decision in Indian industries. Further, this paper is an effort to know about how to frame an optimum capital structure.

OBJECTIVES OF THE STUDY

The objective of the study is to examine the relationship between the working capital management efficiency and profitability of the Telecommunication industry in India.

The following are the specific objectives:

- To analyze interrelationship and impact of Cost of capital on various variables determining companies performance
- To analyze the relationship between cost of capital efficiency and profitability of selected industries in India.

DATA SET & SAMPLE

The data used in this study was acquired from companies' website for a period of six years from 2005 to 2010. The study is based on secondary data. The data mainly collected from Capitalline, website entitled to www.indiainfoline.com and annual reports of companies has also been used. To analyze the data financial as well as statistical tools has been used. The financial tools like ratio analysis and statistical tools such as average, correlation coefficient and regressions were used. The statistical results were verified by applying t-test, F-test, Z-test in appropriate cases

HYPOTHESIS TESTING

Since the objective of this study is to examine co-relevancy between gross working capital to other variables like fixed assets, total assets and sales. For this a set of testable hypotheses (the null hypothesis H0 versus the Alternatives ones H1) is decided and proved by correlation analysis

RESEARCH HYPOTHESES

Hypothesis 1

H01: There is significant relationship between the cost of capital and profitability

H11: There is negative relationship between the cost of capital and profitability

Hypothesis 2

H01: There is significant relationship between the cost of capital and liquidity

H11: There is negative relationship between the cost of capital and liquidity

Hypothesis 3

H01: There is significant relationship between the cost of capital and dividend

H11: There is negative relationship between the cost of capital and dividend

Hypothesis 4

H01: There is significant relationship between the cost of capital and growth

H11: There is negative relationship between the cost of capital and growth

Telecommunication Industry

Table 1: Calculation of cost of capital in Bharti Airtel

Bharti Airtel								
Year	**EPS**	**DPS**	**BV**	**MV**	**ROE**	**EY**	**DY**	**Payout**
	Rs. in million				%			
Mar-05	6.53	2	38.71	276	20.74	0.27	0.007	0.306
Mar-06	10.62	3	68.19	238	29.06	0.31	0.013	0.282
Mar-07	21.27	2	89.74	234	27.95	0.36	0.009	0.094
Mar-08	32.56	2	106.19	263	28.4	0.38	0.008	0.061
Mar-09	40.7	4	145.19	298	23.66	0.17	0.013	0.098
Mar-10	24.82	3.5	96.24	300	30.19	0.34	0.012	0.141
Average	10.7417	2.75	90.71	268.17	26.67	0.12	0.010	0.256
		ROE = EPSX No. Of Share/ Net Worth						
		Net worth= equity capital+ Retained Earning						
		BY= Book Value						
		MY= Market Value						
		EY= Earning yield						
		DY=Dividend Yield						
Year	**retaintion ratio**	**cost of equity**	**growth**	**cost of capital**	**Current Ratio**	**Profit after tax**		
Mar-05	0.69	18.83239	29.89673	48.7291	0.44	1,210.67		
Mar-06	0.72	14.10437	40.50094	54.6053	0.47	2,012.08		
Mar-07	0.91	6.142506	30.85088	36.9934	0.57	4033.23		
Mar-08	0.94	4.914005	30.25864	35.1726	0.69	6,940.37		
Mar-09	0.90	16.11604	26.23875	42.3548	0.7	8,134.67		
Mar-10	0.86	32.5834	35.14614	67.7295	0.7	10,703.53		
Average	0.84	15.45	32.15	47.60	0.60	5505.76		

Bharti Airtel						
Calculation of Growth Rate						
Year	**EPS**		**Growth**	**DPS**		**Growth**
Mar-05	10.62			2	1	0.50
Mar-06	21.27	10.65	1.00	3	-1	-0.33
Mar-07	32.9	11.63	0.55	2	0	0.00
Mar-08	40.7	0.52	0.02	2	2	1.00
Mar-09	24.82	-15.88	-0.39	4	-0.5	-0.13
Mar-10	32.56	7.74	0.31	3.5	7.5	2.14
Average	27.145	2.44	0.25	2.75	1.5	0.53

Cost of Equity				
Based on retaintion ratio	ROE x Retaintion ratio		Cost of equity	DPS/MP*100+G
	23.98	26.67*0.899	1.025+23.98	25.00
Based on EPS	25.00		1.025+3	26.03
Based on DPS	27.00		1.025+15	28.03
Cost of Debt				
12% Debanture	7.92	12*(1-0.34)		

Bharti Airtel Capital Structure, 2009-10				
Sources of capital	**book value**	**weight**	**market value**	**weight**
Debt	33458	0.62	33458	0.36
Equity	20276	0.38	59678	0.64
Total Capital	53734	1.00	93136	1

Weighted Average Cost of Capital					
Sources of capital	**Cost of capital**	**Weight**		**WACC**	
		Book Value	**Market Value**	**Book Value**	**Market Value**
Debt	7.92	0.62	0.36	4.91	2.85
Equity	28.03	0.38	0.64	10.65	17.94
Total	35.95	1.00	1.00	15.56	20.79

METHODOLOGY OF COMPUTATION COST OF CAPITAL

Following are the steps that are used in evaluating the Cost of capital for the companies taken for study.

Dividend Price method is applied to evaluate cost of equity.

Cost of Equity (Ke) = (DPS/ MPS)+ Growth of EPS

Where, EPS= Earning per Share, MPS= Market price per share

The Cost of Equity of both sample companies as a whole pertaining to individual year has been calculated at first and then simple average of the same has been taken.

Then, their respective proportions in the capital structure are multiplied by these costs of sources. The book value weight of each source of finance used in calculating cost of capital because in practice. The book value weight and market value both the methods are used to calculate weighted average cost of capital.

ROE = EPSX No. Of Share/ Net Worth
Net worth= equity capital+ Retained Earning
BY= Book Value
MY= Market Value
EY= EPS/MPS
DY=DPS/MPS
Payout=DPS/EPS
Retaintion ratio=1-Payout

A firm's WACC is the overall required return on the firm as a whole and, as such, it is often used internally by company directors to determine the economic feasibility of

expansionary opportunities and mergers. It is the appropriate discount rate to use for cash flows with risk that is similar to that of the overall firm

Weighted Average Cost of capital (cost of capital) =

Where, V= (equity capital+ debt capital+ retained earnings), Ke= cost of equity, Kd= Cost of debt capital, Kr= cost of retained earnings, E= equity

capital, D= debt capital R= retained earnings.

CONCEPTUAL FRAMEWORK (VARIABLES OF MEASURING COMPANIES' PERFORMANCE)

Profitability: Profitability implies profit-earning capability of business unit. Return on Equity (ROE) is considered to measure profitability of the concern.

Liquidity: Liquidity refers to the ability of a concern to meet its current obligation.

Current ratio has been included in the models. It is calculated by dividing current assets by current liabilities.

Dividend pay out ratio: - It measures the relationship between the earnings belonging to the ordinary shareholders and the dividend paid to them. Dividend pay out ratio is calculated by DPS/MPS*100

Growth (G) – Growth of companies measures the rate at which a firm is growing. It is one of the determinants of financial performance of the company. It is calculated by multiplying retention ratio and ROE.

ANALYSIS & FINDINGS

CORRELATION ANALYSIS

Table 2: Corelation Between Cost Of Capital and Other Variables In Bharti Airtail Ltd.

Variables	Correlation
cost of capital & profitability (rate of return)	– 0.6989937
cost of capital & liquidity	– 0.4535332
cost of capital & dividend	– 0.2110172
cost of capital & growth	0.60518738

Pearson's Correlation Coefficient Analysis

Pearson's Correlation analysis is used to find the relation among various variables i.e. cost of capital and profitability cost of capital and liquidity, cost of capital and dividend, cost of capital and growth,. One variable cause, is an independent and another variable result, will be a dependent variable. By using these ratios relationship between these data can be measured. There is a negative relationship between first, second and third but positive with forth variable.

Table 3- It is showing positive negative relation between cost of capital and liquidity, profitability and dividend in Bharti Airtel Ltd. Highly negative correlation is showing that both companies are enjoying its effectiveness. To maintain effectiveness and liquidity, dividend policy and profit earning capacity, they required to manage minimum cost of capital in a appropriate manner. It is indicating negative relationship between all three variable.

Cost of Capital and Profitability

The aggregate result suggests that there is relationship between cost of capital and profitability of the company. The relationship between the cost of capital and profitability has been found in the company. A negative relationship is observed in the company. It is because the profitable companies are expected to procure the funds with cheaper cost.

Cost of Capital and Liquidity

In the sector of telecommunication group of industries, the overall cost of capital and liquidity is negatively related with each other. This implies that highly liquid companies are procuring the funds by incurring less amount of cost. On the other hand less risky companies in terms of liquidity are spending less amount of money for mobilizing the capital for their survival and growth. It is theoretically true that the investors generally prefer to invest their funds in less risky companies.

Cost of Capital and Dividend

In the sector of telecommunication industries, dividend becomes the significant factor of the cost of capital. In this sector the dividend is negatively related with the cost of capital. The negative coefficient of the payout variable suggests that investors have preference for current dividend.

Cost of Capital and Growth

The aggregate result suggests that correlation between the costs of capital and growth is significant. The cost of capital of diversified companies is declining with the growth of the companies because of constant growth of profit of the companies has minimized their expenses and cost and

increase in their loan and fund collecting capacity is at low interest rate.

FINDING OF THE STUDY

It was found that the cost of capital of company vary with fluctuations in other factors due to variation of nature of industry. The study observed among the variables of financial performance; growth and profitability become significant factor of affecting cost of capital. The existence of negative relationship between cost of capital and profitability indicating the cost of capital have negative impact on profitability of the companies. With the increase of cost of capital, profit of the companies will automatically fall.

The cost of capital of the company is positively related with the growth of company implying cost of capital are increasing because of constant growth of company in its growing stage as more fund is used for growth.

The cost of capital is negatively related with the dividend whereas dividend is positively related with the cost of capital for Telecommunication sector. The positive relationship signifies that the investors have no preference for current dividend in general.

In this study, liquidity is taken for measuring the risk of the companies from the point of view of shareholders investment concerned. It has been observed the cost of capital is negatively related with liquidity in the company. It implies less risky companies that is keeping larger amount of funds in form of liquidity is and able to procure the funds at cheaper cost.

CONCLUSION

The study has analyzed there is significant relationship between cost of capital and the efficiency, profitability, dividend policy, growing capacity relationship of Telecommunication industry in India; some of the important ratios were used to measure the financial performance of these companies. Based on the above analysis the significant negative relationship is found between two variables other than growth and cost of capital.

The overall cost of capital is affected by the designing of capital structure of Indian industries. Therefore, maintenance of optimum level of capital structure irrespective of nature of industries is mandatory for a firm. Hence, the corporate executive should give due attention for attaining optimum level of capital structure for sustainable growth of the firm. The optimum level of capital structure depends on nature of each industry. The change of cost of capital affects the company's profitability position. Again the lower cost of capital positively affects the profitability position of the companies.

REFERENCES

Baron, D. P. (1974). Default Risk, Home-Made Leverage and M-M Theorem. American Economic Review, 64, pp. 176 - 82.

Baron, D. P. (1975). Firm Valuation, Corporate Taxes and Default Risk. Journal of Finance, 30, pp. 125 - 164.

Brennen, M. J. & Schwartz, E. S. (1978). Corporate Income Taxes, Valuation and the Problem of Capital Structure. Journal of Business, pp. 103 - 15.

Brigham, E. F. & Gopanski, L. C. (1985). Intermediate Financial Management, 21(3), pp. 204. New York : Dryden Press.

Davenport, M. (1971). Leverage and the Cost of Capital: Some Tests Using British Data/' Economica, pp. 136 - 62.

DeAngelo, H. & Masulis, M. S. (1980). Optimal Capital Structure under Corporate and Personal Taxation. Journal of Financial Economics, 8, pp. 3 - 29.

Durand, D. (1963). The Cost of Capital in an Imperfect Market: A Reply to M-M. American Economic Review, 53.

Jensen, M. & Meckling, W. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. Journal of Financial Economics, 3, pp. 305 - 60.

Kraus, A. & Litzenberger, R. H. (1973). A State Preference Model of Optimal Financial Leverage. Journal of Finance, 28, pp. 911 - 22.

Masulis, M. S. (1980). The Effect of Capital Structure Changes on Security Prices: A Study of Exchange Offers. Journal of Financial Economics, 8, pp. 139 - 78.

Masulis, M. S. (1983). The Impact of Capital Structure on Firm Value. Journal of Finance, 38, pp. 107 - 25.

Miller, M. H. (1977). Debt and Taxes. Journal of Finance, 32, pp. 261 - 73.

Modigliani, F. & Miller, M. H. (1958). The Cost of Capital, Corporation Finance and the Theory of 36 Investment. American Economic Review, 48, pp. 261 - 97.

Pandey, I. M. (1992). Capital Structure and Cost of Capital. American Economic Review, 56, pp. 333 - 91. Vikas Publishing House.

Solomon, E. (1963). Leverage and the Cost of Capital. Journal of Finance, 18, pp. 273 - 79.

APPENDIX

Balance Sheet of Bharti Airtel

	Mar '10	Mar '09	Mar '08	Mar '07	Mar '06	Mar '05
	12 mths	12 mths	12 mths	12 mths	12 mths	12 mths
Sources Of Funds						
Total Share Capital	1,898.77	1,898.24	1,897.91	1,895.93	1,893.88	1,853.37
Equity Share Capital	1,898.77	1,898.24	1,897.91	1,895.93	1,893.88	1,853.37
Share Application Money	186.09	116.22	57.63	30	12.13	2.72
Preference Share Capital	0	0	0	0	0	0
Reserves	34,650.19	25,627.38	18,283.82	9,515.21	5,437.42	2,675.38
Revaluation Reserves	2.13	2.13	2.13	2.13	2.13	2.13
Networth	36,737.18	27,643.97	20,241.49	11,443.27	7,345.56	4,533.60
Secured Loans	39.43	51.73	52.42	266.45	2,863.37	3,959.88
Unsecured Loans	4,999.49	7,661.92	6,517.92	5,044.36	1,932.92	1,034.41
Total Debt	5,038.92	7,713.65	6,570.34	5,310.81	4,796.29	4,994.29
Total Liabilities	41,776.10	35,357.62	26,811.83	16,754.08	12,141.85	9,527.89
	Mar '10	Mar '09	Mar '08	Mar '07	Mar '06	Mar '05
	12 mths	12 mths	12 mths	12 mths	12 mths	12 mths
Application Of Funds						
Gross Block	44,212.53	37,266.70	28,115.65	26,509.93	17,951.74	13,240.63
Less: Accum. Depreciation	16,187.56	12,253.34	9,085.00	7,204.30	4,944.86	3,475.64
Net Block	28,024.97	25,013.36	19,030.65	19,305.63	13,006.88	9,764.99
Capital Work in Progress	1,594.74	2,566.67	2,751.08	2,375.82	2,341.25	994.46
Investments	15,773.32	11,777.76	10,952.85	705.82	719.7	931.9
Inventories	27.24	62.15	56.86	47.81	17.74	31.58
Sundry Debtors	2,104.98	2,550.05	2,776.46	1,418.52	1,076.17	715.74
Cash and Bank Balance	54.89	153.44	200.86	239.11	201.81	174.96
Total Current Assets	2,187.11	2,765.64	3,034.18	1,705.44	1,295.72	922.28
Loans and Advances	7,072.42	5,602.83	5,103.13	3,160.02	1,937.54	1,354.85
Fixed Deposits	761.86	2,098.16	302.08	541.35	105.61	209.17
Total CA, Loans & Advances	10,021.39	10,466.63	8,439.39	5,406.81	3,338.87	2,486.30
Deffered Credit	0	0	0	0	0	0
Current Liabilities	12,979.55	13,832.49	12,400.38	9,809.83	6,735.36	4,458.80
Provisions	658.75	634.4	1,961.95	1,232.84	537.44	249.32
Total CL & Provisions	13,638.30	14,466.89	14,362.33	11,042.67	7,272.80	4,708.12
Net Current Assets	-3,616.91	-4,000.26	-5,922.94	-5,635.86	-3,933.93	-2,221.82
Miscellaneous Expenses	0	0.09	0.2	2.66	7.94	58.35
Total Assets	41,776.12	35,357.62	26,811.84	16,754.07	12,141.84	9,527.88
Contingent Liabilities	3,921.50	4,104.25	7,140.59	7,615.04	4,740.34	3,017.26
Book Value (Rs)	96.24	145.01	106.34	60.19	38.71	24.44

Ratios of Bharti Airtel company

Ratios					
	Mar ' 06	**Mar '0 7**	**Mar ' 08**	**Mar ' 09**	**Mar ' 10**
Per share ratios					
Adjusted EPS (Rs)	10.62	21.27	32.9	40.79	24.82
Adjusted cash EPS (Rs)	31.57	36.26	38.03	36.96	35.25
Reported EPS (Rs)	10.62	21.27	32.9	40.79	24.82
Reported cash EPS (Rs)	31.57	36.26	38.03	36.96	35.25
Dividend per share	--	--	--	2	1
Operating profit per share (Rs)	21.32	38.28	56.16	69.5	36.65
Book value (excl rev res) per share (Rs)	38.71	60.19	106.34	145.01	96.24
Book value (incl rev res) per share (Rs.)					
Net operating income per share (Rs)	59.45	94.16	135.73	179.37	93.77
Free reserves per share (Rs)	28.11	49.88	83.18	121.78	84.64
Profitability ratios					
Operating margin (%)	35.86	40.65	41.37	38.74	39.08
Gross profit margin (%)	23.14	27.47	29.08	29.33	28.15
Net profit margin (%)	17.8	22.46	23.99	22.58	26.36
Adjusted cash margin (%)	31.57	36.26	38.03	36.96	35.25
Adjusted return on net worth (%)	27.42	35.23	32.04	33.74	23.27
Reported return on net worth (%)	27.47	35.35	30.94	28.13	25.79
Return on long term funds (%)	21.28	29.83	28.52	29.01	24.36
Leverage ratios					
Long term debt / Equity	0.61	0.43	0.3	0.26	0.12
Total debt/equity	0.65	0.47	0.33	0.28	0.14
Owners fund as % of total source	0.65	0.47	0.33	0.28	0.14
Fixed assets turnover ratio	0.72	0.75	1.03	1	0.88
Liquidity ratios					
Current ratio	0.44	0.47	0.57	0.69	0.68
Current ratio (inc. st loans)	0.44	0.47	0.57	0.69	0.68
Quick ratio	0.45	0.47	0.55	0.65	0.72
Inventory turnover ratio	634.52	373.35	453.06	547.83	1,307.05
Payout ratios					
Dividend payout ratio (net profit)	--	--	--	5.73	4.71
Dividend payout ratio (cash profit)	--	--	--	3.99	3.28
Earning retention ratio	100	100	100	95.22	94.78
Cash earnings retention ratio	100	100	100	96.5	96.48
Coverage ratios					
Adjusted cash flow time total debt	1.34	0.82	0.66	0.61	0.4
Financial charges coverage ratio	17.22	26.09	27.77	30.93	49.64
Fin. charges cov.ratio (post tax)	16.08	24.13	25.6	26.63	48.73
Component ratios					

Material cost component (% earnings)	0.47	0.29	0.16	0.84	0.78
Selling cost Component	7.14	6.3	7.15	6.49	6.75
Exports as percent of total sales	0.47	0.29	0.16	0.84	0.78
Import comp. in raw mat. consumed	--	--	--	--	--
Long term assets / total Assets	0.72	0.75	1.03	1	0.88
Bonus component in equity capital (%)	82.7	82.61	82.53	82.51	82.49