"Forecasting financial distress using Altman Z score and Evaluation of Financial Performance using financial Parameters (Pre and Post Promoter's Equity Shareholding Pledge) with special reference to the case of Coffee Day Enterprises Limited. (CDEL)"

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Abstract

Financial distress is a condition in which a company or individual cannot generate sufficient revenues or income, making it unable to meet or pay its financial obligations. Promoters' Equity Shareholding pledging is quiet common nowadays. The main aim of the research undertaken is to find out whether company is in Financial Distress using TEN years data for the company Coffee Day Enterprises Ltd. Data collected on various financial parameters from the financial year 2010 to Financial year 2019. The Research paper is an endeavor to assess the financial distress using ***distress using Altman Z score (Pre and Post Promoter's Equity Shareholding Pledge).*** *The Research paper is an endeavor to* ***Evaluate the Financial Performance using financial Parameters Pre and Post Promoter's Equity Shareholding Pledge)*** *The method used is a case study method with specific company only. The current study used financial performance indicators viz., Asset Turnover Ratio, Long-term debt equity ratio, Fixed Asset Turnover Ratio, Total debt to owner's fund, Total Asset Turnover Ratio, Debt Equity Ratio, Debtors Turnover Ratio, Dividend Payout Ratio, Inventory Turnover Ratio, Dividend Per Share, Gross Profit Margin, Earnings Retention Ratio, Net Profit Margin, Earnings yield, EBIT Margin, Enterprise Value, Cash Profit Margin, Market Capitalization, Operating Profit Margin, Market Price, Return on long term funds, Retained earnings/Total Assets, Return on capital employed, Market value of equity/ Total Liabilities, Return on net worth, Working capital/Total Assets, Current Ratio, Sales/Total Assets, Quick Ratio, Earnings before interest and taxes/Total Assets, Net Sales, Total Assets, Retained Earnings, Working Capital etc. The Altman Z score is used for analyzing the data and interpret the financial distress of the company. Statistical Tools used for Data analysis* ***Descriptive Statistics, Independent Sample T Test, Correlation***

Financial statement analysis and various financial ratios are used for analysis. The research is based on secondary data and data is mainly collected from Bombay Stock Exchange website and annual reports published.
The purpose for considering Coffee Day Enterprises Limited for this research is due to its lot much news related to its high debt. The findings suggest that the financial distress can be predicted from financial performance as well leads to pledging of shares by promoter.

Key Words: *Altman Z Score, Financial Performance, Promoters Equity Share pledging, Financial Ratios, Independent Sample T Test, Pre and post Promoters Equity Share pledging Financial Performance*

INTRODUCTION:

It Is Quite Common For Insiders Across Countries To Pledge Their Shares As A Collateral For Loans, And Yet The Effects Of Such Share Pledges Are Relatively Unexplored
Corporate Insiders Frequently Borrow From Lending Institutions And Pledge Their Personal Equity As Collateral For The Loan. This Borrowing, Or Pledging, Potentially Affects Shareholder Risk Through Changing Managerial Incentives Or Ill - Timed Margin Calls.

Financial distress is a term in financial management which indicates a condition where company is unable to pay its creditors and lenders. The condition of financial distress is more likely when business is highly leveraged. Financial distress is more common just before a business declares bankruptcy. If the level of distress if high, the firm may be forced into immediate liquidation.

Financial distress usually refers to situation where the cash inflows of the firm are not sufficient to meet daily operational expenses. Often the financial distress comes with its own costs such as fees paid to lawyers and costs of extra interest paid for late payments. Financial distress is often a long term process and has an impact on capital structure, investment policies and performance of many firms even after the emergence of debt restructuring. Firms diversify their priority structure relative to its pre distress composition.

Financial distress is an individual, business or company's inability to generate enough revenue when there is too much debt. Predicting financial distress remains a significant area of focus for researchers due to its vital importance for the firms and stakeholders including investors, lenders and others. Financial Distress is a situation where, if any company is unable to pay off its short-term and long-term Liabilities.

About Coffee Day Enterprises Ltd.:

Coffee Day Enterprises Limited owns and operated coffee cafes in India. Coffee Day Global Limited's flagship café chain brand Café Coffee Day (CCD) owns 1722 cafes in 245 cities and 532 CCD Value Fresh kiosks. The coffee beans and powder are marketed through 403 Fresh and Ground Coffee retail stores

While the coffee business is the main business of Coffee Day Enterprises Limited, it also has presence in logistics, financial services, leasing, commercial space and hospitality business. There are 47747 vending machines that dispense coffee in corporate workplaces and hotels under the brand.

REVIEW OF LITERATURE:

In the opinion of Baldwin and Mason (1983) "When a firms business deteriorates to the point where it cannot meet its financial obligations, the firm is said to have entered the state of financial distress" [1]

As per H.Platt and M.Platt (2006) "Financial distress and bankruptcy are different. Financial distress is something that happens to companies as a consequence of operating decisions or external forces while bankruptcy is something that companies choose to do to protect their assets from creditors" [2]

In the opinion of Zaki ,Bah and Rao "Financial distress differs from bankruptcy as it refers to a period when a borrower is unable to meet a payment obligation to lenders whereas , bankruptcy is an official

declaration of a firm's financial state in which it may cease business activities or reorganize. When financial distress remains unresolved, it may lead to bankruptcy, but the at outcome is not a certainty"[3]

According to Platt H. and Platt M "Financial distress is defined as the late stage of organizational decline that precedes bankruptcy"[4]

As per research by Almwajeh "Bankruptcy prediction models or financial distress prediction models even though are widely popular their use in hospitals is limited" [5]

Oyerogba Ezekiel Oluwagbemiga, Olaleye Olugbenga Michael and Solomon Adeoluwa Zaccheaus, took up a study to find the relationship between ownership concentration and market value of listed companies. The Research was done on 21 banks. They were listed on the Nigeria Stock Exchange. The period of study was of 2008 to 2012. [6]

Dr. Hanuman Prasad, Kapil Shrimal (2015) took up a research work to explore the factors which influence the Market capitalization. Twenty three infrastructural Sector companies which were listed on CNX Infrastructure Index were considered for the study. Financial Year 2009-10 to Financial Year 2013-1 was considered. It was evident from the study that there is positive relationship between market capitalization and selected independent Variables (profitability ratios) of selected infrastructural companies during the period. Further, ROCE, ROE and EPS had significant relationship between with Market Capitalization. [7]

V.Anojan (2016), Explored the possible financial variables which determine the profitability of the company. Further, the researcher explored its impact on the Financial Performance of the company. The research discovered that Independent financial variables like firms' growth, liquidity position and capital structure was able to explain (R-Square = 0.754) 75.4%) the variance in the Dependent Financial Variable profitability of the sample companies. The Studied even showed that there was significant correlation between these independent dependent Variables. [8]

Marimuthu, K.N (2012), in his research work tried to find whether there was significant change in the financial performance of the company. The Researcher selected to evaluate the performance of listed Tamilnadu Textile Industry. The Financial variables chosen were Quick Ratio, Current Ratio, Debt Equity Ratio, Financial Coverage Ratio, Debtors Turnover ratio and Creditors Turnover ratio. The period of study was from 2001-02 to 2010-11. [9]

B S R MRTHY, MADHAVI NARA, RAJANI N & MADDILA GURUKAMAL(2018), Carried out a research work to find out the financial distress position of Unitech Limited which was listed on Indian Stock Exchange using the famous Altman Z score Model. The Duration of the study was for TEN years from 2008 to 2017 and found the company was in grey zone 8 out of 10 ten times. [10]

Dr. Azeem Ahmad khan (2016), the researcher tried to explore the impact of Merger in the Banking Sector on shareholders wealth maximization. Five Indian Banks which were listed on Bombay Stock Exchange were selected as samples for the study. The Banks which were subjected to Merger during 20, Nov 2002 to 19 May 2010 were selected. They used Regression and Paired Sample T Test for Data analysis. [11]

Anastasia Nwakaego Duru, Michael Chidiebere Ekwe, Grace Chinyere Eje(2014), The research tried explore impact of Liquidity Position of the sample Nigerian Companies on the Firm Performance. The Research study Included Debt Equity ratio (Solvency Ratio), Short term Liquidity Position and rate of Growth of sales as financial variables for firm performance. The study reached a conclusion that Liquidity position had a negative relationship with profitability; Sales and debt equity ratio had a non-significant positive and negative relationship with profitability of the company respectively.

NEED/IMPORTANCE OF THE STUDY:

The term financial distress or failure of companies is becoming a growing problem all over world. Financial distress is a situation when companies are unable to pay the debt and not able to pay their liabilities. So the question arises is predication of the companies likely to go bankrupt or in distress possible? Financial Distress is a situation where, if any company is unable to pay off its short-term and long-term Liabilities. Financial distress is a term in corporate finance used to indicate a condition when promises to creditors of a company are broken or honored with difficulty. If financial distress cannot be relieved, it can lead to bankruptcy. Financial distress is associated with costs to the company.

The financial distress of company has multifold impact. Many stakeholders stake at stake. Employees, Investors, Vendors all get affected by such situation. Financial distress prediction is very important from the point of risk management perspectives. If this prediction is possible it will be really good help even for the banks. Many banks are loaded with huge NPAs due to bankruptcy of the companies. Can this likelihood of the company getting bankrupt be predicted? The researcher has undertaken the research to know this possibility of prediction.

STATEMENT OF THE PROBLEM:

Financial distress prediction has become significant due to its importance to the firms and all the stakeholders including investors, lenders etc. The persistence of financial distress for long term may lead to closure of firm. Early prediction of distress can prove to be warning for long term effects. Prediction of early financial can help avoid bankruptcy. The following few research Problems are identified:

Research Problem
- 1. Does promoters' equity share holding pledge destroy the value of the firm?
- 2. Does promoters' equity share holding pledge impact the shareholders wealth?
- 3. Does promoters' equity share holding pledge impair the ability of the company pay dividend or maintain dividend payout?
- 4. Is there a change in the financial position/financial performance of the company, pre and post promoters' equity share holding pledge?
- 5. Is there a change in the market price of the equity share on the stock exchange, pre and post promoters' equity share holding pledge?
- 6. Is there a change in the revenue, profits, EPS and other financial variables of the company, pre and post promoters' equity share holding pledge?
- 7. Is there a change in the market capitalisation, enterprise value of the company, pre and post promoters' equity share holding pledge?
- 8. Is the company in financial distress where the promoters' equity share holding has been pledged?

RESEARCH OBJECTIVES:

The researcher has undertaken the research with following objectives:
1. To predict the Financial Distress of CDEL using Altman's Z Score
2. To Assess the Financial Performance of CDEL Pre and Post Promoters' Pledge of Equity Shares.
3. To determine the Degree and Magnitude of Relations between Promoters' Pledge of Equity Shares and Financial Performance under Consideration.

RESEARCH HYPOTHESES:

(1) Hypothesis One:
  Null Hypothesis: There is No Financial Distress in the Company.
  Alternative Hypothesis: There is Financial Distress in the Company.

(2) Hypothesis Two:
  Null Hypothesis: There is No Change in the Financial Performance of CDEL Pre and Post Promoters' Pledge of Equity Shares.
  Alternative Hypothesis: There is Change in the Financial Performance of CDEL Pre and Post promoters' Pledge of Equity Shares.

(3) Hypothesis Three:
  Null Hypothesis: There is No Relations between Promoters' Pledge of Equity Shares of CDEL and Financial Performance.
  Alternative Hypothesis: There is No Relations between Promoters' Pledge of Equity Shares of CDEL and Financial Performance.

RESEARCH VARIABLES FOR STUDY: (TABLE NO:1)

1	Asset Turnover Ratio	16	Long-term debt equity ratio
2	Fixed Asset Turnover Ratio	17	Total debt to owners fund
3	Total Asset Turnover Ratio	18	Debt Equity Ratio
4	Debtors Turnover Ratio	19	Dividend Payout Ratio
5	Inventory Turnover Ratio	20	Dividend Per Share
6	Gross Profit Margin	21	Earnings Retention Ratio
7	Net Profit Margin	22	Earnings yield
8	EBIT Margin	23	Enterprise Value
9	Cash Profit Margin	24	Market Capitalization
10	Operating Profit Margin	25	Market Price
11	Return on long term funds	26	Retained earnings / Total Assets

12	Return on capital employed	27	Market value of equity / Total Liabilities
13	Return on net worth	28	Working capital / Total Assets
14	Current Ratio	29	Sales /Total Assets
15	Quick Ratio	30	Earnings before interest and taxes / Total Assets

Period of Study:
- The study covers ten years annual data to compare the pre and post promoters' equity share holding pledge. Financial year 2009-10 to financial year 2018-2019.

Scope of study:
- Financial ratios are included in the study for determining the Financial performance of the companies.
- The financial position (solvency) of the selected companies is tested and assessed by using Altman's Z-Score Model.
- Only promoters' equity share holding pledge is the variable under consideration
- Market price of the equity share is closing price at the end of day the financial year.

RESEARCH METHODOLOGY:

The research carried out is based on secondary data collected from various sources as research papers, news articles. The yearly annual reports and website of the company are the main sources of data. The method used is a case study method with specific company viz Coffee Day Enterprises Ltd. For the undertaken research the Altman's Z score model was used for knowing if the company is in distress or not and the Statistical Tools used for Data analysis are:

- A. **Descriptive Statistics**
- B. **Independent Sample T Test**
- C. **Correlation**

Altman Z Score model for predicting bankruptcy:

$Z = 1.2X_1 + 1.4X_2 + 3.X_3 + 0_4 + 0.999X_5$
$X_1, X_2, X_3, X_4,$ are in percentage points.
X_1 = working capital / total assets
X_2 = retained earnings / total assets
X_3 = earnings before interest and taxes / total assets
X_4 = market value of equity / total liabilities
X_5 = sales / total assets

Interpretation of Z Value:
1. **2.99 ……… Safe Zone**;
2. **1.81 < Z < 2.99 …….Grey Zone**;
3. **Z < 1.81 ………"Distress" Zone**

Independent Variable	Measurement	Dependent Variable	Measurement
Financial Distress	Altman Z Score	Financial Performance	Financial Ratios

Data analysis

Data Analysis			
A. Descriptive Statistics(Determine average/Mean of The Observed variables Pre and Post Promoters' Equity Share Pledging and Amount of Change	B. Altman Z Score for Assessing the Solvency position of the company	C. Correlation of Promoters Equity Share Holding With Financial Variables	D. Independent Sample T test to check whether the Financial Position/Performance has changed Pre and Post Promoters' Equity Share Pledging

RESULTS & DISCUSSION:
(TABLE NO: 2)

A. Data Analysis (Descriptive Statistics to Determine Average/Mean of The Observed variables Pre and Post Promoters' Equity Share Pledging and Amount of Change)

S.NO.	Particulars	Mean	Particulars	Mean	Change
1	PostPledgeAssetTurnoverRatio	3.57	PrepledgeAssetTurnoverRatio	1.20	2.37
2	PostPledgeBasicEPSinRs	13.70	PrepledgeBasicEPSinRs	-5.40	19.11
3	PostPledgeBookValueExclReval ReservePerShareinRs	103.11	PrepledgeBookValueExclRevalRes ervePerShareinRs	300.58	-197.47
4	PostPledgeBookValueInclReval ReservePerShareinRs	103.11	PrepledgeBookValueInclRevalRes ervePerShareinRs	300.58	-197.47
5	PostPledgeCashEPSinRs	13.71	PrepledgeCashEPSinRs	-34.46	48.17
6	PostPledgeCurrentRatio	5.51	PrepledgeCurrentRatio	0.37	5.14
7	PostPledgeDilutedEPSinRs	13.70	PrepledgeDilutedEPSinRs	-5.41	19.11
8	PostPledgeNetProfitMargin	1747.44	PrepledgeNetProfitMargin	-291.65	2039.09
9	PostPledgeNetProfitPerShareinRs	13.69	PrepledgeNetProfitPerShareinRs	-34.80	48.49
10	PostPledgePBDITMargin	35.52	PrepledgePBDITMargin	56.33	-20.80

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11	PostPledgePBDITPerShareinRs	1.79	PrepledgePBDITPerShareinRs	7.22	-5.44
12	PostPledgePBITMargin	34.43	PrepledgePBITMargin	53.24	-18.81
13	PostPledgePBITPerShareinRs	1.76	PrepledgePBITPerShareinRs	6.88	-5.12
14	PostPledgePBTMargin	1801.48	PrepledgePBTMargin	-290.49	2091.97
15	PostPledgePBTPerShareinRs	14.18	PrepledgePBTPerShareinRs	-34.69	48.86
16	PostPledgeQuickRatio	5.51	PrepledgeQuickRatio	0.37	5.14
17	PostPledgeReturnonAssets	7.22	PrepledgeReturnonAssets	-3.18	10.40
18	PostPledgeReturnonCapitalEmployed	1.52	PrepledgeReturnonCapitalEmployed	-3.85	5.37
19	PostPledgeReturnonNetworthEquity	7.92	PrepledgeReturnonNetworthEquity	-12.08	20.00
20	PostPledgeRevenuefromOperationsPerShareinRs	4.50	PrepledgeRevenuefromOperationsPerShareinRs	11.97	-7.47
21	PostPledgeTotalDebtbyEquity	0.25	PrepledgeTotalDebtbyEquity	1.90	-1.65

(TABLE NO:3)

B. Data analysis (Altman Z Score for Assessing the Solvency position of the company) (in Rs. Crores.)

	Financial Data OF COFFEE DAY ENTERPRISES (in Rs. Cr.)	20-Mar	19-Mar	18-Mar	17-Mar	16-Mar	15-Mar	14-Mar	13-Mar
Extracted data from Annual Reports	Net Current Assets(Working Capital)	1652.5	192.8	296.7	521.9	400.2	36.7	218.7	-334.2
	Total Assets	3525.4	2134.8	2433.3	2657.9	2405.4	1632.3	1814.8	1271.0
	Reported Net Profit	1367.5	-67.7	-61.5	-79.6	-110.5	-127.5	-79.7	-73.8
	EBIT	1507.6	37.4	64.3	42.9	15.1	4.8	21.3	-5.2
	Market Value of the Company(in rs crores)	550.3	851.3	5849.5	5639.3	4085.0	461.3	DNA	DNA
	Secured Loans	351.7	326.5	557.3	720.4	523.0	1241.6	1368.2	731.0
	Total Income	1527.1	124.1	142.0	98.4	58.9	30.7	46.8	10.6

Calculation OF Altman Z Score

X1	Working Capital/Total Assets	0.5	0.1	0.1	0.2	0.2	0.0	0.1	-0.3
X2	Retained Earnings/Total Assets	0.4	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1
X3	Earnings Before Interest and Taxes/Total Assets	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
X4	Market Value of Equity/Book Value of Total Liabilities	1.6	2.6	10.5	7.8	7.8	0.4		
X5	Sales /Total Assets	0.4	0.1	0.1	0.0	0.0	0.0	0.0	0.0
CALCULATIONS OF Altman Z Score									
1.2	X1(Working Capital/Total Assets)	0.562	0.108	0.146	0.236	0.200	0.027	0.145	-0.316
1.4	X2(Retained Earnings/Total Assets)	0.543	-0.044	-0.035	-0.042	-0.064	-0.109	-0.061	-0.081
3.3	X3(Earnings Before Interest and Taxes/Total Assets)	1.411	0.058	0.087	0.053	0.021	0.010	0.039	-0.014
0.6	X4(Market Value of Equity/Book Value of Total Liabilities)	0.939	1.564	6.297	4.697	4.686	0.223	0.000	0.000
0.999	X5(Sales /Total Assets)	0.433	0.058	0.058	0.037	0.024	0.019	0.026	0.008
	Altman Z Score = 0.012X1 + 0.014X2 + 0.033X3 + 0.006X4 +0.999X5	3.9	1.7	6.6	5.0	4.9	0.2		
		Non Distress Zone	Grey Zone	Non Distress Zone	Non Distress Zone	Non Distress Zone	Distress Zone		

The above table shows that the using financial ratios and Altman Z score value it is possible to predict if the company is in Financial Distress. If the Z score is monitored for regular frequency the likelihood of bankruptcy can well in advance predicted and can be avoided.

(TABLE NO: 4)
C. Data Analysis (**Independent Sample T test to check whether the Financial Position/Performance has changed Pre and Post Promoters' Equity Share Pledging)**

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Results of Independent Sample T Test

S.NO	VARIABLE NAME	t Stat	P(T<=t) one-tail	Result	Inference
1	Basic EPS	1.12	0.17	Null Hypothesis is Accepted	There is no Significant Change in Basic EPS Post and Pre Pledge of Promoters' Equity Shareholding Pledge
2	Diluted EPS	1.12	0.17	Null Hypothesis is Accepted	There is no Significant Change in Diluted EPS Post and Pre Pledge of Promoters' Equity Shareholding Pledge
3	Cash EPS	2.16	0.03	Null Hypothesis is Rejected	There is Significant Change in Cash EPS Post and Pre Pledge of Promoters' Equity Shareholding Pledge
4	Book Value Excl Reval Reserve Per Share In Rs	-4.08	0.00	Null Hypothesis is Rejected	There is Significant Change in Book Value Excluding Revaluation Reserve Per Share In Rs Post and Pre Pledge of Promoters' Equity Shareholding Pledge
5	Book Value Incl Reval Reserve Per Share In Rs	-4.08	0.00	Null Hypothesis is Rejected	There is Significant Change in Book Value Including Revaluation Reserve Per Share In Rs Post and Pre Pledge of Promoters' Equity Shareholding Pledge
6	Dividend Per Share In Rs				The company's dividend is Zero for the said period
7	Revenue from Operations Per Share In Rs.	-2.18	0.04	Null Hypothesis is Rejected	There is Significant Change in Revenue from Operations Per Share In Rs. Post and Pre Pledge of Promoters' Equity Shareholding Pledge
8	PBDIT Per Share In Rs.	-1.67	0.08	Null Hypothesis is Accepted	There is no Significant Change in PBDIT Per Share In Rs. Post and Pre Pledge of Promoters' Equity Shareholding Pledge
9	PBIT Per Share In Rs.	-1.58	0.09	Null Hypothesis is Accepted	There is no Significant Change in PBIT Per Share In Rs. Post and Pre Pledge of Promoters' Equity Shareholding Pledge
10	PBT Per Share In Rs.	2.15	0.03	Null Hypothesis is Rejected	There is Significant Change in PBT Per Share In Rs. Post and Pre Pledge of Promoters' Equity Shareholding Pledge
11	Net Profit Per Share In Rs.	2.17	0.03	Null Hypothesis is Rejected	There is Significant Change in Net Profit Per Share In Rs. Post and Pre Pledge of Promoters' Equity Shareholding Pledge

12	PBDIT Margin	-0.70	0.26	Null Hypothesis is Accepted	There is no Significant Change in PBDIT Margin Post and Pre Pledge of Promoters' Equity Shareholding Pledge
13	PBIT Margin	-0.62	0.28	Null Hypothesis is Accepted	There is no Significant Change in PBIT Margin Post and Pre Pledge of Promoters' Equity Shareholding Pledge
14	PBT Margin	1.12	0.17	Null Hypothesis is Accepted	There is no Significant Change in PBT Margin Post and Pre Pledge of Promoters' Equity Shareholding Pledge
15	Net Profit Margin	1.13	0.17	Null Hypothesis is Accepted	There is no Significant Change in Net Profit Margin Post and Pre Pledge of Promoters' Equity Shareholding Pledge
16	Return on Networth by Equity	1.57	0.10	Null Hypothesis is Accepted	There is no Significant Change in Return on Networth by Equity Post and Pre Pledge of Promoters' Equity Shareholding Pledge
17	Return on Capital Employed	4.08	0.00	Null Hypothesis is Rejected	There is Significant Change in Return on Capital Employed Post and Pre Pledge of Promoters' Equity Shareholding Pledge
18	Return on Assets	1.05	0.19	Null Hypothesis is Accepted	There is no Significant Change in Return on Assets Post and Pre Pledge of Promoters' Equity Shareholding Pledge
19	Total Debt by Equity	-3.65	0.01	Null Hypothesis is Rejected	There is Significant Change in Total Debt by Equity Post and Pre Pledge of Promoters' Equity Shareholding Pledge
20	Asset Turnover Ratio	2.07	0.07	Null Hypothesis is Accepted	There is no Significant Change in Asset Turnover Ratio Post and Pre Pledge of Promoters' Equity Shareholding Pledge
21	Current Ratio	2.64	0.04	Null Hypothesis is Rejected	There is Significant Change in Current Ratio Post and Pre Pledge of Promoters' Equity Shareholding Pledge
22	Quick Ratio	2.64	0.04	Null Hypothesis is Rejected	There is Significant Change in Quick Ratio Post and Pre Pledge of Promoters' Equity Shareholding Pledge

(TABLE NO: 5)

D. Data Analysis (Correlation of AVERAGE SHAREHOLDING PLEDGE BY PROMOTER with Financial Variables **with other Financial Variables)**

	MARKETCAPITALISATION	Pearson Correlation	-0.941
	BasicEPSInRupees	Pearson Correlation	0.361
	DilutedEPSInRupees	Pearson Correlation	0.361
	CashEPSInRupees	Pearson Correlation	0.361
	BookValueExclRevalReservePerShareShareInRupees	Pearson Correlation	0.322
	BookValueInclRevalReservePerShareShareInRupees	Pearson Correlation	0.322
	RevenuefromOperationsPerShareShareInRupees	Pearson Correlation	-0.265
	PBDITPerShareShareInRupees	Pearson Correlation	-0.554
	PBITPerShareShareInRupees	Pearson Correlation	-0.551
	PBTPerShareShareInRupees	Pearson Correlation	0.361
	NetProfitPerShareShareInRupees	Pearson Correlation	0.361
	PBDITMargin	Pearson Correlation	-0.802
	PBITMargin	Pearson Correlation	-0.767
	PBTMargin	Pearson Correlation	0.359
	NetProfitMargin	Pearson Correlation	0.359
	ReturnonNetworthbyEquity	Pearson Correlation	0.362
	ReturnonCapitalEmployed	Pearson Correlation	-0.415
	ReturnonAssets	Pearson Correlation	0.344
	TotalDebtbyEquity	Pearson Correlation	-0.88
	AssetTurnoverRatio	Pearson Correlation	0.025
	CurrentRatio	Pearson Correlation	0.8
	QuickRatio	Pearson Correlation	0.8
	EnterpriseValueInRsCrores	Pearson Correlation	-0.283
	EVbyNetOperatingRevenue	Pearson Correlation	-0.444

The leftmost column reads vertically: Correlation coeffient of AVERAGESHAREHOLDINGPLEDGEBYPROMOTER with Financial Variables

	EVbyEBITDA	Pearson Correlation	0.74
	MarketCapbyNetOperatingRevenue	Pearson Correlation	-0.291
	PricebyBV	Pearson Correlation	-0.217
	PriceNetOperatingRevenue	Pearson Correlation	-0.291
	EarningsYield	Pearson Correlation	0.359

FINDINGS:

Findings			
A. Descriptive Statistics(Determine average/Mean of The Observed variables Pre and Post Promoters' Equity Share Pledging and Amount of Change)	**B. Altman Z Score for Assessing the Solvency position of the company**	**C. Correlation of Promoters Equity Share Holding With Financial Variables**	**D. Independent Sample T test to check whether the Financial Position/Performance has changed Pre and Post Promoters' Equity Share Pledging**

A. Findings--Descriptive Statistics(Determine average/Mean of The Observed variables Pre and Post Promoters' Equity Share Pledging and Amount of Change)

1. The Post Pledge Assets Turnover Ratio has improved In comparison with Pre pledge, Suggesting that the Efficiency of the Assets have improved.
2. The Post Pledge Earnings per Share has Improved In comparison with Pre pledge, suggesting that the Net Profit per Share has increased quiet handsomely.
3. The Post Pledge Book Value Excluding Revaluation Reserve per Share has declined In comparison with Pre pledge suggesting there is erosion in the net worth of the company.
4. The Post Pledge Book Value Including Revaluation Reserve per Share has declined In comparison with Pre pledge suggesting there is erosion in the net worth of the company.
5. The Post Pledge Cash Earnings per Share has declined In comparison with Pre Pledge.
6. The Post Pledge Current Ratio has improved In comparison with Pre pledge, suggesting that the Short term Liquidity of the company has substantially improved.
7. The Post Pledge Net Profit Margin has improved In comparison with Pre Pledge.
8. The Post Pledge Net Profit per Share has improved In comparison with Pre Pledge.
9. The Post Pledge PBDIT Margin has declined in comparison with Pre Pledge.
10. The Post Pledge PBDIT Margin per Share has declined in comparison with Pre Pledge.
11. The Post Pledge PBIT Margin has declined in comparison with Pre Pledge.
12. The Post Pledge PBIT Margin per Share has declined in comparison with Pre Pledge.

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13. The Post Pledge PBT Margin has Improved In comparison with Pre Pledge.
14. The Post Pledge PBIT Margin per Share has improved in comparison with Pre Pledge.
15. The Post Pledge Quick Ratio has improved In comparison with Pre pledge, suggesting that the Short term Liquidity of the company has substantially improved.
16. The Post Pledge Return on Assets has Improved In comparison with Pre pledge, Suggesting that the Efficiency of the Assets have improved and the Profitability too.
17. The Post Pledge Return on Capital Employed has Improved In comparison with Pre Pledge.
18. The Post Pledge Return on Net worth has Improved In comparison with Pre Pledge.
19. The Post Pledge Return on Net worth has Improved In comparison with Pre pledge, Suggesting that the Efficiency of the Assets have improved and the Profitability too.

B. Findings--Altman Z Score for Assessing the Solvency position of the company

Based on the values of Altman Z Score it's possible to predict whether the company has likelihood to go bankrupt and in turn have financial distress. Before investing or lending money to any company if this type of analysis can be done it will surely help the stakeholders to minimize their risk.

The major factors which are the reasons for the financial distress of the companies are the insufficient accounting practices, unrealistic budgeting and pricing, cash flow, poor debt management, low sales and high expenses.

(TABLE NO: 6)
The Solvency Position of Coffee Day Enterprises Limited:

Financial Year Ending	31/03/2020	31/03/2019	31/03/2018	31/03/2017	31/03/2016	31/03/2015
Altman Z Score	3.9	1.7	6.6	5	4.9	0.2
Financial Soundness	Non Distress Zone	Grey Zone	Non Distress Zone	Non Distress Zone	Non Distress Zone	Distress Zone

C.Findings--Correlation of Promoters Equity Share Holding With Financial Variables

➢ There is a HIGH NEGATIVE CORRLEATION between Market Capitalisation and AVERAGE SHAREHOLDING PLEDGE BY PROMOTER suggesting that as the quantity of Promoters' Equity Shareholding Pledge increases the Market Capitalisation of the Company Decrease. Further, with a one unit increase in Promoters' Equity Shareholding Pledge, the Market Capitalisation Falls by 0.941 Units.

➢ There is HIGH NEGATIVE CORRLEATION between PBDIT Margin and AVERAGE SHAREHOLDING PLEDGE BY PROMOTER suggesting that as the quantity of Promoters' Equity Shareholding Pledge increases the PBDIT Margin of the Company Decreases. Further, with a one unit increase in Promoters' Equity Shareholding Pledge, the PBDIT Margin Falls by 0.802 Units.

➢ There is HIGH NEGATIVE CORRLEATION between PBIT Margin and AVERAGE SHAREHOLDING PLEDGE BY PROMOTERS suggesting that as the quantity of Promoters' Equity Shareholding Pledge increases the PBIT Margin of the Company

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Decreases. Further, with a one unit increase in Promoters' Equity Shareholding Pledge, the PBIT Margin Falls by 0.767 Units.

➢ There is HIGH NEGATIVE CORRLEATION between Total Debt by Equity and AVERAGE SHAREHOLDING PLEDGE BY PROMOTER suggesting that as the quantity of Promoters' Equity Shareholding Pledge increases the Total Debt by Equity of the Company Decrease. Further, with a one unit increase in Promoters' Equity Shareholding Pledge, the Total Debt by Equity Falls by 0.88 Units.

➢ There is HIGH POSITIVE CORRLEATION between Current Ratio and AVERAGE SHAREHOLDING PLEDGE BY PROMOTER suggesting that as the quantity of Promoters' Equity Shareholding Pledge increases the Current Ratio of the Company increases. Further, with a one unit increase in Promoters' Equity Shareholding Pledge, the Current Ratio improves by 0.8 Units.

➢ There is HIGH POSITIVE CORRLEATION between Quick Ratio and AVERAGE SHAREHOLDING PLEDGE BY PROMOTER suggesting that as the quantity of Promoters' Equity Shareholding Pledge increases the Quick Ratio of the Company increases. Further, with a one unit increase in Promoters' Equity Shareholding Pledge, the Quick Ratio improves by 0.8 Units.

➢ There is HIGH POSITIVE CORRLEATION between EV by EBITDA and AVERAGE SHAREHOLDING PLEDGE BY PROMOTER suggesting that as the quantity of Promoters' Equity Shareholding Pledge increases the EV by EBITDA of the Company increases. Further, with a one unit increase in Promoters' Equity Shareholding Pledge, the EV by EBITDA improves by 0.74 Units.

D. Findings-- Independent Sample T test to check whether the Financial Position/Performance has changed Pre and Post Promoters' Equity Share Pledging

There is no Significant Change in Basic EPS, Diluted EPS, PBDIT per Share (In Rs.), PBIT per Share (In Rs.), PBDIT Margin, PBIT Margin, PBT Margin, Net Profit Margin, Return on Net worth by Equity, Return on Assets, Asset Turnover Ratio Post and Pre Pledge of Promoters' Equity Shareholding Pledge.

There is Significant Change in Cash EPS, Book Value Excluding Revaluation Reserve Per Share (In Rs.), Book Value Including Revaluation Reserve Per Share (In Rs.), Revenue from Operations Per Share (In Rs.), PBT Per Share (In Rs.), Net Profit Per Share (In Rs.), Return on Capital Employed, Total Debt by Equity, Current Ratio, Quick Ratio Post and Pre Pledge of Promoters' Equity Shareholding Pledge

RECOMMENDATIONS / SUGGESTIONS:

If high debt or liabilities are the cause of financial distress, the company can undergo restructuring its debt. If any operational issues are the reason for the distress, the company can negotiate a payment holiday to its creditors and improve the operations to be able to clear the debt.

CONCLUSIONS:

If financial distress cannot be relieved, it can lead to bankruptcy. Analyzing financial distress and taking adequate measures to avoid bankruptcy are crucial for the success of the organization. Financial distress

can be predicted using Altman Z score and this prediction will help all the stakeholders to minimize the risks involved.

SCOPE FOR FURTHER RESEARCH:

The undertaken research is a case study method based on data collected for specific company viz. Coffee Day Enterprises Ltd. The data considered for undertaken research is for 5 years only. Further research can be done with some other company or it can do with comparative analysis of many companies. Sector wise companies can be considered for study in future.

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Major Findings:
- • Sample Company has not declared:
- ❖ BONUS issue of Equity Shares
- ❖ SPLIT of the FACE VALUE of the of Equity Shares
- ❖ BUY BACK of Equity Shares
- ❖ SPECIAL DIVIDEND
- ❖ RIGHT ISSUES
- ❖ DIVIDEND

List of Abbreviations:

1	ATO-Asset Turnover Ratio	17	ICR-INTEREST COVERAGE RATIO
2	FATO-Fixed Asset Turnover Ratio	18	RTDER-LONGTERM DEBT EQUITY RATIO
3	TATO-Total Asset Turnover Ratio	19	TDTOOF-TOTAL DEBT TO OWNERS FUND
4	DTO-Debtors Turnover Ratio	20	DER-Debt Equity Ratio
5	ITO-Inventory Turnover Ratio	21	DPOR-Dividend Payout Ratio
6	GPM-ross Profit Margin	22	DPS-Dividend Per Share
7	NPM-Net Profit Margin	23	ERR-Earnings Retention Ratio
8	EBITM-EBIT Margin	24	PBDIT-Profit Before Depreciation, Interest and Taxation
9	CPM-Cash Profit Margin	25	PBIT-Profit Before Interest and Taxation
10	OPM-Operating Profit Margin	26	PBT-Profit Taxation
11	ROLTF-RETURN ON LONG TERM FUNDS	27	EVbyEBITDA-Enterprise Value to Earnings Before Depreciation, Interest, Taxation and Amortization
12	ROCE-ETURN ON CAPITAL EMPLOYED	28	PricebyBV-Market Price of the Equity Share to Book Value per Equity Share
13	RONW-RETURN ON NET WORTH	29	EY-Earnings yield
14	CR-Current Ratio	30	EV-Enterprise Value

15	QR-Quick Ratio	31	MC-Market Capitalization
16	FCCR-FINANCIAL CHARGES COVERAGE RATIO	32	CAGR- Compounded Annual Growth Rate