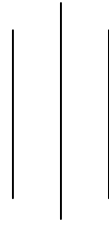


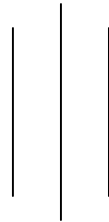
# An Analysis of Financial Performance of Nepal Telecom



*Submitted By:*

**Dipa Mainali**

Shanker Dev Campus  
Putalisadak, Kathmandu  
Campus Roll No. 1937/061  
T.U. Reg.No. 6559-95



## **A THESIS**

*Submitted to:*

**Office of The Dean  
Faculty of Management  
Tribhuvan University  
Kathmandu**

*In partial fulfillment of the requirements of the degree of*  
**Masters of Business Studies (M.B.S.)**

March, 2010

# RECOMMENDATION

This is to certify that the thesis

*Submitted by:*

**Dipa Mainali**

*Entitled*

**“An Analysis of Financial Performance of Nepal Telecom ”**

Has been prepared as approved by this Department in the prescribed format of faculty of management. This thesis is forwarded for examination.

.....  
**Kishor Maharjan**  
(Thesis Supervisor)

.....  
**Prof. Bisheshwor Man Shrestha**  
Head, Research Department

.....  
**Prof. Dr. Kamal Deep Dhakal**  
(Campus Chief)

.....  
**Laxman Raj Kandel**  
(Thesis Supervisor)

# VIVA VOCE SHEET

*We have conducted the viva-voce examination of the thesis presented by*

**Dipa Mainali**

*Entitled*

**"An Analysis of Financial Performance of Nepal Telecom "**

*and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the*

*requirement for*

***Masters of Business Studies (M.B.S.)***

## **Viva-Voce Committee**

Head of Research Department : .....

Member (Thesis Supervisor) : .....

Member (Thesis Supervisor) : .....

Member (External Expert) : .....

Date:-

## ***DECLARATION***

I here by declare that this thesis entitled “*An Analysis of Financial Performance of Nepal Telecom* ” submitted to Shankder Dev Campus, Faculty of Management, Tribhuvan University is my original work done for the partial fulfillment of requirement of the degree of Masters of Business Studies (MBS), which is prepared under the supervision of Kishor Maharjan and Laxman Raj Kandel of Shanker Dev Campus.

-----  
**Dipa Mainali**

Shanker Dev Campus

Date:

## **ACKNOWLEDGEMENTS**

The research work “An Analysis of financial Performance of Nepal Telecom” is a master degree thesis prepared to fulfill the partial requirement of the master of business studies (MBS). The main objective of this study is to examine the revenue collection, asset and liabilities management, utilization of revenue. Any accomplishment requires the synergetic effort of many people and this work is not also an exceptional. I would take pleasure to extend my sincere gratitude to Mr. Kishor Maharjan and Mr. Laxman Raj Kandel, lecturer of Shanker Dev Campus for their consistent readiness and guidance to go through in-depth vision and analysis of each topic. The ways he induced and motivated me always keep me in good compliance to my academic discipline.

My thanks go to account Officer of Nepal Telecom for his assistance in collection of secondary data. Similarly, I express sincere gratitude to Senior Officers of Nepal Telecom for their valuable in formations.

I am thankful to my family for their great support in each and every step of my life. Whose untiring support and inspiration excelled my work to achieve desirable objectives and complete the job in time.

Many theories, statement and analysis are the results of a collection from various sources, such as newspapers, magazines, speakers and writers over the past time. Regardless of the source, I wish to express my gratitude to those who may have contributed to this work, even though anonymously.

**Dipa Mainali**

# **CONTENTS**

	<b><u>Page No</u></b>
<b>Viva-Voce Sheet</b>	
<b>Recommendation</b>	
<b>Declaration</b>	
<b>Acknowledgement</b>	
<b>Table of Contents</b>	
<b>List of Tables</b>	
<b>Abbreviations</b>	

## **CHAPTER I**

<b>1. Introduction</b>	<b>1-9</b>
1.1 Background of the Study	1
1.2 Statement of the Problem	5
1.3 Objective of the Study	7
1.4 Significance of the Study	7
1.5 Limitation of the Study	8
1.6 Organization of the Study	9

## **CHAPTER – II**

<b>2. Review of Literature</b>	<b>10-34</b>
2.1. Theoretical review	10
2.1.1 Financial Statements	10
2.1.2 Financial Analysis	12
2.1.3. Objective of the Financial Analysis	15
2.1.4. Need of The Financial Analysis	15
2.1.5 Significance of Financial Analysis	16
2.1.6 Process of Financial Analysis	17
2.1.7 Types of Financial Analysis	18
2.1.8 Techniques of Financial Analysis	19

2.1.9	Limitations of the Financial Analysis	26
2.2	Review from Articles Journals or Booklets	27
2.3	Thesis Review	29

### **CHAPTER – III**

<b>3. Research Methodology</b>		<b>35-52</b>
3.1	Research Design	35
3.2	Population and Sample	36
3.3	Types and Sources of Data	36
3.4	Data Collection Procedure	37
3.5	Data Processing	37
3.6	Analytical Tools Used in the Study	37
3.6.1	Ratio Analysis	37
3.6.1.2.	Types of Ratios	38
3.6.1.3	Comparison Standards	47
3.6.2	Statistical Analysis	47
3.6.2.1	Arithmetic Mean	48
3.6.2.2	correlation Analysis	48
3.6.2.2	Regression Analysis	50
3.6.2.3	Lines of the Regression	50
3.7	Methods of Presentation and Analysis	52

### **CHAPTER – IV**

<b>4. Presentation and Analysis of Data</b>		<b>53-94</b>
4.1	Introduction	53
4.2	Financial Analysis	53
4.2.1	Liquidity Ratios	54
4.2.1.1	Current Ratio	54
4.2.1.2	Quick Ratio	56
4.2.2	Turnover / Activity Ratios	57
4.2.2.1	Inventory Turnover Ratio	57

4.2.2.2	Average age of Inventory	59
4.2.2.3	Debtors Turnover ratio	60
4.2.2.4	Average Collection Period (ACP)	61
4.2.2.5	Total Assets Turnover Ratio	62
4.2.2.6	Fixed Assets Turnover Ratio	64
4.2.2.7	Working Capital Turnover Ratio	66
4.2.2.8	Capital Employed Turnover Ratio	67
4.2.3	Leverage Ratios	69
4.2.3.1	Total Debt Ratio (TDR)	69
4.2.3.2	Debt Equity Ratio	71
4.2.3.3	Long - Term Debt to Capital Employed Ratio	72
4.2.3.4	Interest Coverage Ratio	74
4.2.4	Profitability Ratios	75
4.2.4.1	Net Profit Margin	76
4.2.4.2	Modified Net Profit Margin	78
4.2.4.3	Operating Expenses Ratio	79
4.2.4.4	Return on Assets Ratio	80
4.2.4.5	Return on Capital Employed Ratio (ROCE)	82
4.2.4.6	Return on Equity (ROE)	83
4.3	Statistical Analysis	84
4.3.1	Correlation and Regression Analysis	84
4.3.1.2	Correlation and Regression Analysis of GDP and Sales Revenue	84
4.3.1.3	Correlation and Regression Analysis of Investments (Total Assets) and Profit	86
4.3.1.4	Correlation and Regression Analysis of Sales Revenue and Total Cost	88
4.4	Major Findings	90
4.4.1	Ratio Analysis	90
4.4.1.1	Liquidity Position	90
4.4.1.2	Turn Over Position	90
4.4.1.3	Long Term Solvency Position	91
4.4.1.4	Profitability Position	91
4.4.2	Regression and Correlation Analysis	93



## **CHAPTER – V**

<b>5.Summary, Conclusion and Recommendation</b>	<b>95-99</b>
5.1 Summary	95
5.2 Conclusions	96
5.3 Recommendations	97

### **Bibliography**

### **Appendices**

## LIST OF TABLES

<u>NO.</u>	<u>PAGE</u>
1. Current Ratio	55
2. Quick Ratio	56
3. Inventory Turnover Ratio	58
4. Average Age of Inventory	59
5. Debtors Turnover Ratio	60
6. Average Collection Period	61
7. Total Assets Turnover	63
8. Fixed Assets Turnover	65
9. Working Capital Turnover	66
10. Capital Employed Turnover	68
11. Total Debt Ratio	70
12. Debt Equity Ratio	71
13. Long Term Debt Ratio	73
14. Interest Coverage Ratio	74
15. Net Profit Margin	77
16. Modified Net Profit Margin	78
17. Operating Expenses Ratio	79
18. Return on Assets	81
19. Return on Capital Employed	82
20. Return on Equity	83
21. Correlation and Regression Between GDP and Sales	85
22. Correlation and Regression Between Investment and Profit	87
23. Correlation and Regression Between Sales and Total Cost	89

## ABBREVIATIONS

ACP	=	Average Collection Period
AT	=	After Tax
B/S	=	Balance Sheet
BS	=	Bikram Sambat
CE	=	Capital Employed
CET	=	Capital Employed Turnover
CR	=	Current Ratio
CVP	=	Cost Volume Profit
D/E	=	Debt-Equity
D-E RATIO	=	Debt Equity Ratio
DTR	=	Debtors Turnover Ratio
EBIT	=	Earning Before Interest and Tax
EPS	=	Earning Per Share
EPS	=	Earning Per Share
etc.	=	Etcetera
F/Y	=	Fiscal Year
FAT	=	Fixed Assets Turnover
GDP	=	Gross Domestic Products
GOVT.	=	Government
i.e.	=	That is
I/C	=	Interest Coverage
ISD	=	International Subscriber Dialling
JICA	=	Japan International Cooperation Agency
Kbps	=	Kilo bit Per Second
LTD	=	Long Term Debt
Ltd.	=	Limited
Mbps	=	Mega bit Per Second
MPS	=	Market Price Per Share
NFA	=	Net Fixed Assets
NO.	=	Number
NPAT	=	Net Profit After Tax

NPC	=	National Planning Commission
NPM	=	Net Profit Margin
NRs	=	Nepalese Rupees
NTC	=	Nepal Telecom
NW	=	Net Worth
NW	=	Net Worth
OE	=	Operating Expenses
P/E	=	Price Earning Ratio
P/L A/C	=	Profit and Loss Account
PE	=	Public Enterprise
Pvt.	=	Private
QR	=	Quick Ratio
ROA	=	Return on Assets
ROCE	=	Return on Capital Employed
ROCE	=	Return on Capital Employed
ROE	=	Return On Equity
ROI	=	Return on Investment
ROSE	=	Return on Shareholders Equity
SMS	=	Short Message Service
STD	=	Subscriber Trunk Dialling
TA	=	Total Assets
TAT	=	Total Assets Turnover
TC	=	Total Cost
TD	=	Total Debt
TDR	=	Total Debt Ratio
TE	=	Total Expenditure
TR	=	Total Revenue
UHF	=	Ultra High Frequency
UTL	=	United Telecom Limited
VDC	=	Village Development Committee
VHF	=	Very High Frequency
VIZ.	=	Namely
VMS	=	Voice Mail Service
WCT	=	Working Capital Turnover