

**FINANCIAL ANALYSIS OF PUBLIC COMPANY AND ITS CONTRIBUTION
TO NEPALESE ECONOMY: A CASE STUDY OF NEPAL TELECOM**

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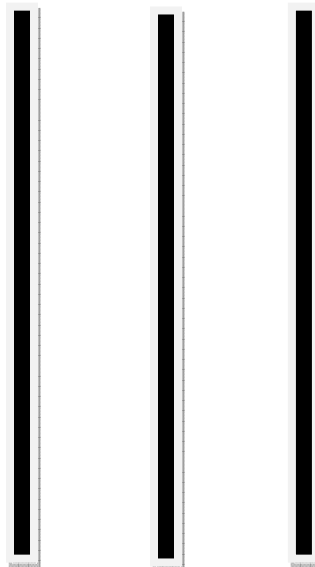
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RECOMMENDATION

This is to certify that the Thesis

Submitted by:

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Entitled

**FINANCIAL ANALYSIS OF PUBLIC COMPANY AND ITS CONTRIBUTION TO
NEPALESE ECONOMY: A CASE STUDY OF NEPAL TELECOM**

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DECLARATION

I, hereby, declare that the work done in this Thesis entitled **FINANCIAL ANALYSIS OF PUBLIC COMPANY AND ITS CONTRIBUTION TO NEPALESE ECONOMY: A CASE STUDY OF NEPAL TELECOM** submitted to office the Dean, Faculty of Management, Tribhuvan University, is my original work done for the partial fulfillment of the requirement for the Master's in Business Studies (M.B.S.) under the supervision of **Rajan Bilas Bajracharya** of Tribhuvan University, Kathmandu.

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ABBREVIATIONS

CR	:	Current Ratio
ROCE	:	Return on Capital Employed
ROE	:	Returns on Shareholders Equity
BVPS	:	Book Value Per share
EPS	:	Earning Per Share
FY	:	Fiscal Year
PE RATIO	:	Price Earning Ratio
Ltd.	:	Limited
ROA	:	Return on Total Assets
NEA	:	Nepal Electrical Authority
NTC	:	Nepal Telecommunication
VAT	:	Value Added Tax
TDS	:	Tax Deducted at Source

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Financial Analysis is the process of reviewing and analyzing a company's financial statements to make better economic decision .In other words it's the process of determining actual position of the entity by establishing the strategic relationship between the items of the balance sheet, profit and loss account, and other financial statements.

Financial Analysis of the Nepal telecom means evaluation of financial statements of the company to understand its strength and weakness and its actual position in the competitive environment. Financial analysis includes liquidity ratio analysis, debt management ratio analysis of financial statements and comparison with past data .This analysis will provide the accurate view of company's condition and operating results in condensed form. Analysis and interpretation of financial statements help in determining the liquidity position, long term solvency, financial viability and profitability of a firm. Ratio analysis shows whether the company is improving or deteriorating in past years. Moreover, Comparison of different aspects of all the firms can be done effectively with this.

The review of the company's financial situation is declared by the system of financial indicators, which have to be in order and designed to reflect all the important aspects of the financial situation. Therefore, for a description of the financial situation the ratio indicators are used. The ratio indicators enable a comparative analysis of the company with other companies or with indicators for the relevant area. The sum of ratio indicators we'll present, can be considered as the sum of representative indicators. Specifically, these will be the most commonly used indicators of the financial situation characteristics. However, along with the practical application, dozens of indicators are used, and it is not possible to mention all of them (Baran, 2015).

The financial situation of the business subject is considered to be a complex output of their whole performance. This output is presented through the ratio indicators of activity, profitability, liquidity, indebtedness and market value. These indicators are based on the synthetic indicators

of financial accounting and they demonstrate the complexity of the business subject's performance interpretation (Baran&Pastýr, 2014).

The company's financial situation is diverse and a multifaceted complex phenomenon; consequently this diversity is transferred also into the financial analysis process. The user of the financial analysis results decides which indicator's to select and the priority of utilization of individual parts of the financial analysis according to demand and intention (Baran et. al, 2011).

The main purpose of financial analysis is to express assets and the financial position of the company and to prepare the inputs for internal management decision making. The complexity and continuous execution are the essential requirements of financial analysis (Hrdý, 2009).

1.1.1 Profile of Nepal Doorsanchar Company Limited (Nepal Telecom)

Nepal Telecom has always put its endeavors in providing its valued customers a quality service since its inception. To achieve this goal, technologies best meeting the interest of its customers have always been selected. The nationwide reach of the organization, from urban areas to the economically nonviable most remote locations, is the result of all these efforts that makes this organization different from others.

In Nepal, operating any form of telecommunication service dates back to B.S. 1973. But formally telecom service was provided mainly after the establishment of MOHAN AKASHWANI in B.S. 2005. Later as per the plan formulated in First National Five year plan (2012-2017), Telecommunication Department was established in B.S. 2016. To modernize the telecommunications services and to expand the services, during third five-year plan (2023-2028), Telecommunication Department was converted into Telecommunications Development Board in B.S. 2026. After the enactment of Communications Corporation Act 2028, it was formally established as a fully owned Government Corporation called Nepal Telecommunications Corporation in B.S. 2032 for the purpose of providing telecommunications services. After serving the nation for 29 years with great pride and a sense of accomplishment, Nepal Telecommunication Corporation was transformed into Nepal Doorsanchar Company Limited (NDCL) from Baisakh 1, 2061. Nepal DoorsancharCompany Limited is a company registered under the Company Act 2053. However, the company is known to the general public by the brand name "Nepal Telecom" as its registered trademark.

Nepal Telecom has always put its endeavors in providing its valued customers a quality service since its inception. To achieve this goal, technologies best meeting the interest of its customers has always been selected. The nationwide reach of the organization, from urban areas to the economically non- viable most remote locations, is the result of all these efforts that makes this organization different from others.

Definitely Nepal Telecom's widespread reach will assist in the socio-economic development of the urban as well as rural areas, as telecommunications is one of the most important infrastructures required for development. Accordingly, in the era of globalization, it is felt that milestones and achievements of the past are not adequate enough to catch up with the global trend in the development of telecommunication sector and the growth of telecommunication services in the country will be guided by technology, declining equipment prices, market growth due to increase in standard of life and finally by healthy competition.

Converting Nepal Telecom from a government owned monopoly to a business oriented, customer focused company in the competitive environment, and Nepal Telecom invites all the shareholders in the sacred work of nation building.

1.2 Statement of the Problem

Nepal Telecom is one of the leading service undertakings in Nepali economy. It serves as one of the largest public sector tax payers to the Government. Further it offers huge number of employment that substantially helps government to downsize the unemployment rate. Therefore better profitability of this company is not the matter of company itself but it is associated with national economies and societies at large. Even then there is no practice of clear segregation of fixed, variable and unit variable cost for different products in the company. Also there is no practice of using Cost volume profit analysis tools for major decision making. However, profitability is not the abstract thing lots of variables are associated with the profitability.

Nepal telecom in one of the major public enterprises in Nepal. It has an immense role in the infrastructure development of overall country. But currently the company is mired in fee burden and loss of revenue. it is also facing the brunt of soaring cost and changes in the tax regimen.

Nepal Telecom saw its net profit tumble 42 percent year-on-year for the fiscal year 2018-19 ended July 16, which it attributed to a steep license fee, foreign exchange losses, and falling

revenues caused by changing consumer tastes and preferences. Despite a growth in subscriptions, there has been less use of call service due to popularity of mobile applications like WhatsApp and Facebook Messenger over long distance and domestic voice calls, and slow growth of labor migration in key employment destinations. Earlier, long distance voice calls contributed a major chunk of its revenue. But times have changed. In recent years, due to the popularity of over-the-top services, the interconnection business was negatively affected, and the result of which is seen in the company's revenue from that service.

This study seeks to measure these mainstream problems in light of significance. This study however seeks to answer the following question

1. What if the actual financial condition of the Nepal Telecom?
2. What is the contribution of Nepal Telecom in economic development of Nepal?

1.3 Objectives of the Study

This study mainly concentrates on the financial performance of Nepal Telecom. Therefore, the study has been carried out keeping in view the following objectives.

1. To analyze the financial performance of the company for the past ten years
2. To analyze the contribution of Nepal Telecom in economic development of Nepal.

1.4 Significance of the Study

The results from this project will allow a clear view on the financial position of Nepal telecom .This study will show where this company stands in the total industry of the country and will also provide information about its contribution on the economic development of the country. Thus, being an essential organization very limited studies have been conducted. Even in university education, scholars are quite confused while doing this analysis. Therefore, this study will be one of the guiding tasks to fulfill such lacks in telecommunication service sectors.

1.5. Limitations of the Study

The limitation of the study is depicted as under.

- This study is based on case; findings may not be applicable for other organizations.

- Since the study is completely based on historical cost accounting, accuracy of the findings largely based on the accuracy of the accounting records. The accuracy of the results is dependent also on the data provided in the audited annual report.
- The study has considered only quantitative factors in order to get the result of the study.
- This study is based by on past ten year's data ranging from fiscal year 2010/11 to 2020/21.

1.6 Organization of the Study

This study is organized into five chapters. The first chapter is the introduction. This chapter includes background of the study, profile of Nepal Doorsanchar Company Limited (Nepal Telecom), statement of the problem, objective of the study, significant of the study, limitation of the study and organization of the study. Similarly second chapter deals with introduction, literature survey, theoretical framework and concluding remarks. Third chapter depicts research methodology of the study. It includes the research design, nature and source of data, population and sample, defining the variables, and methods of analysis. Fourth chapter deals with the presentation and analysis of data. Likewise, the last chapter consist the summary, conclusion and recommendations of the study. Finally, bibliography has been included at the end of the study.

CHAPTER-II

REVIEW OF THE LITERATURE

This chapter deals with review of literature of Financial Analysis of Public Company and its contribution to Nepalese Economy: A Case Study of Nepal Telecom

It helps to review of past studies and related literature concerned matters, which will advise to generate clear idea, opinion, and conceptual framework in research topic. It gives guidance to answer about what other has said, what other has done, and what other has written on financial analysis. A literature review is secondary source of information and does not report new or original experiment work. Major sources of literature review are academic oriented literature, academic journals and articles and books. A basis for research is literature review. This chapter gives emphasis on conceptual framework, review of related empirical studies, and concluding remarks on research work.

2.1 Introduction

Financial Analysis is the process of identifying the financial strength and weaknesses of the firm by properly establishing relationship between items of financial statements. A financial statement is an organized collection of data according to logical and conceptual framework. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment of time as time, as in the case of an income statement.

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectivities being or has been accomplished. It is the process of measuring the results of firm's policies and operations in monetary terms. It is used to measure firms over all financial health over a given period of time.

The financial statements are prepared on the basis of recorded facts. The recorded facts are these that can be expressed in monitory terms. The accounting records and financial statements are from those records are based on historical costs. The financial statements are prepared periodically for the accounting period.

1. Financial statements as composed of data, which are the results.

2. Recorded facts concerning business transaction.
3. Convention adopted to facilitate the accounting technique.
4. Postulates or assumptions made to personal judgment.
5. Application of correction and postulates

The major objectives of financial statement analysis are to provide decision makers information about a business enterprise for use in decision making. Uses of financial statement information are management for evaluating the operational and financial efficiency of the enterprise as a whole or of sub units; investors for making investment decisions and portfolio decisions, lenders and creditors for determining the credit worthiness and solvency position; employee and labor unions for deciding economic status of the enterprise and making sound decisions in wage and salaries negotiations. However, the following are generally considered to be the objectives of financial Analysis:

- To find out the financial stability and soundness of the business enterprise
- To assess and evaluate the earning capacity of the business.
- To estimate and evaluate the fixed assets, stock, etc. of the concern.
- To estimate and determine the possibilities of future growth of business.
- To assess and evaluate the firm's capacity and ability to repay short-term and long-term loans.
- To evaluate the administrative efficiency of the business enterprise

Table no 2.1

Common types of financial analysis

Vertical	Efficiency
Horizontal	Cash flow
Leverage	Rate of Return
Growth	Valuation
Profitability	Scenario & Sensitivity
Liquidity	Variance

Vertical Analysis

This type of financial analysis involves looking at various components of the income statement and dividing them by revenue to express them as a percentage. For this exercise to be most effective, the results should be benchmarked against other companies in the same industry to see how well the company is performing.

Horizontal Analysis

Horizontal analysis involves taking several years of financial data and comparing it to each other to determine a growth rate. This will help an analyst determine if a company is growing or declining and identify important trends. When building financial models, there will typically be at least three years of historical financial information and five years of forecasted information.

Leverage Analysis

Leverage ratios are one of the most common methods analysts use to evaluate company performance. A single financial metric, like total debt, may not be that insightful on its own, so it's helpful to compare it to a company's total equity to get a full picture of the capital structure. The result is the debt/equity ratio.

Common examples of ratios include:

- Debt/equity
- Debt/EBITDA
- EBIT/interest (interest coverage)
- DuPont analysis – a combination of ratios, often referred to as the pyramid of ratios, including leverage and liquidity analysis

Growth Rates

Analyzing historical growth rates and projecting future ones are a big part of any financial analyst's job. Common examples of analyzing growth include:

- Year-over-year
- Regression analysis
- Bottom-up analysis (starting with individual drivers of revenue in the business)
- Top-down analysis (starting with market size and market share)
- Other forecasting methods

Profitability Analysis

Profitability is a type of income statement analysis where an analyst assesses how attractive the economics of a business are. Common examples of profitability measures include:

- Gross margin
- EBITDA margin
- EBIT margin
- Net profit margin

Liquidity Analysis

This is a type of financial analysis that focuses on the balance sheet, particularly, a company's ability to meet short-term obligations (those due in less than a year). Common examples of liquidity analysis include:

- Current ratio
- Acid test
- Cash ratio
- Net working capital

Efficiency Analysis

Efficiency ratios are an essential part of any robust financial analysis. These ratios look at how well a company manages its assets and uses them to generate revenue and cash flow.

Common efficiency ratios include:

- Asset turnover ratio
- Fixed asset turnover ratio
- Cash conversion ratio
- Inventory turnover ratio

Cash Flow

As they say in finance, cash is king, and, thus, a big emphasis is placed on a company's ability to generate cash flow. Analysts across a wide range of finance careers spend a great deal of time looking at companies' cash flow profiles. The Statement of Cash Flows is a great place to get started, including looking at each of the three main sections: operating activities, investing activities, and financing activities. Common examples of cash flow analysis include:

- Operating Cash Flow (OCF)
- Free Cash Flow (FCF)
- Free Cash Flow to the Firm (FCFF)
- Free Cash Flow to Equity (FCFE)

Rates of Return

At the end of the day, investors, lenders, and finance professionals, in general, are focused on what type of risk-adjusted rate of return they can earn on their money. As such, assessing rates of return on investment (ROI) is critical in the industry.

Common examples of rates of return measures include:

- Return on Equity (ROE)
- Return on Assets (ROA)
- Return on invested capital (ROIC)
- Dividend Yield
- Capital Gain
- Accounting rate of return (ARR)
- Internal Rate of Return (IRR)

Valuation Analysis

The process of estimating what a business is worth is a major component of financial analysis, and professionals in the industry spend a great deal of time building financial models in Excel. The value of a business can be assessed in many different ways, and analysts need to use a combination of methods to arrive at a reasonable estimation.

Approaches to valuation include:

- Cost Approach
- The cost to build/replace
- Relative Value (market approach)
- Comparable company analysis
- Precedent transactions
- Intrinsic Value
- Discounted cash flow analysis

Financial statements analysis is an attempt to determine the significance and meaning of the financial statements data, which measure the enterprise's liquidity profitability, forecast may be made of the future earnings, solvency and other indicators to assess its operating efficiency, financial position and performance. Financial analysis serves the following purpose:

- To know the operational efficiency of the business.
 - This will enable the management to locate weak spots of the business and take necessary remedial action.
 - Helpful in measuring the solvency of the firm in taking appropriate decisions for strengthening the short-term as well as long-term solvency of the firm.
 - Comparison of past and present results.
 - Financial analysis helps the managers in taking certain decisions for improving the profitability or reducing the losses of the firm.
 - Helps in judging the solvency i.e. the capacity of the business to repay their loans. 7.
- Financial statement analysis is a significance tool in predicting the bankruptcy and failure of the business enterprises.
- The financial analysis will help in assessing future development by making forecasts and preparing budgets.

Financial analysis is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm's position and performance (Metcalf &Titard, 2006).

Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set-of statements and a study of the trend of these factors as shown in a series of statements (Myers, 2007).

Among primary users of the financial analysis we might include various subjects mainly as owners, managers, employees, lenders (suppliers, banks), debtors (customers), institutions of state and public administration, external analytics, media and etc. (Baran, 2008).

Financial statement analysis is information processing system design to provide data for decision making models, such as the portfolio selection model, bank lending decision models and corporate financial models (Lev, 2009).

The main purpose of financial analysis is to express assets and the financial position of the company and to prepare the inputs for internal management decision making. The complexity and continuous execution are the essential requirements of financial analysis (Hrdý, 2009).

A financial situation analysis is the foundation of the company's economic performance analysis and usually proceeds down to primary fields and results as effectivity, efficiency, production capacity utilization, supplement management and the like. Financial analysis detects weaknesses and strengths of the company, is the tool of "health" diagnostics and provides essential information to business management and to owners (Vlachynský, 2010).

The company's financial situation is diverse and a multifaceted complex phenomenon; consequently this diversity is transferred also into the financial analysis process. The user of the financial analysis results decides which indicator's to select and the priority of utilization of individual parts of the financial analysis according to demand and intention (Baran et. al, 2011).

Financial Analysis is the process of identifying the financial strength and weaknesses of the firm by properly establishing relationship between items of financial statements. A financial statement is an organized collection of data according to logical and conceptual framework. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment of time as time, as in the case of an income statement. Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectivities being or has been accomplished. It is the process of measuring the results of firm's policies and operations in monetary terms. It is used to measure firms over all financial health over a given period of time (Donthi, 2013).

In practice, the use of several basic indicators has been proven relevant which can be categorized into groups according to individual areas of management evaluation and the financial health of the company. Mostly these are groups of indicators such as debt, liquidity, profitability, activity, capital market indicators, as well as other indicators (Knapková, 2013).

The end product of financial accounting is a set of financial statements prepared by the accountant of a business enterprise that purport to reveal the financial position of the enterprise

the result of its recent activities, and an analysis of what has been done with earnings (Smith & Ashburn 2014).

2.2 Literature Survey

2.2.1 Review of Research Articles

The aim of the research is a selection of minimum indicators of financial analysis required to certain analysts are able to draw conclusions on the operation and future of the reporting company, and decide to go with him to enter into business relations. Depending on the interest of analysts are defined the objectives of the analysis. From a comprehensive analysis of the owners and shareholders are more interested in an analysis of assets and their sources, analysis of profit and its distribution, and business partners (creditors and customers) and financiers (banks) interested in the creditworthiness of the company and its short-term and long-term liquidity, as security to settle liabilities arising from operations. Tax authorities want to establish the right base for taxation, and the state to assess which economic policy measures could accelerate a certain production and thus increase budget revenues in the future. Managers at all decision-making levels use financial statements to plan, organize and control the production process to cover all operating costs, including salaries of all employees, and to generate profits for owners and shareholders. (Singh & Cabrilo, 2007).

The indicators of profitability, sometimes referred to as indicators of profit, return, profitability ratio, are designed as a ratio of the final effect achieved by business activity (output) to some comparative base (input) that can be on the side of assets as well as on the side of liabilities, or to another base. These indicators display the positive or also negative influence on asset management, the business subject's financing and liquidity on profitability (Kislingerová, 2007).

The essence of the definition of the term analysis of financial reports in the function of business decision-making is in the understanding that the analysis should undergo observation, examination, assessment and formulation of diagnosis those processes that took place in the company and that, as such, are summarized and recorded within the financial statements. The research topic is related to the consideration of financial, investment and business activities of enterprises that represent business events accounting records and disclosed at the end of each fiscal year the financial statements. The aim of the research is that the analysis of financial statements prevent potential problems that may occur in the enterprise deviation from the

prescribed relationship and assume further work guidance of observed company (Besley& Brigham, 2009).

Sedláček understands the financial analysis of the company as a method of the company's financial management evaluation, during which the data obtained is graded, aggregated and compared to each other. Furthermore, the relationships between them are quantified, looking for the causal connection between the data and their development is determined. This increases the explanatory power of data processing and its informative value. Thus it focuses on identifying problems, strengths, weaknesses and foremost the company's value processes. Information obtained through financial analysis enables us to reach some conclusions about general management and the financial situation of the company and represents a background for management decision making (Sedláček, 2009).

The main sources of information on the basis of which key business decisions are made are the financial statements of a given company. The main purpose of the financial statements is to help in analyzing and evaluating the business results of the company's management. The main reason is that these modern organizations have grown to very complex levels and information plays a vital role in the smooth functioning and management of organizations even at the global level (Omolaja, Marković, Vučeković, 2012).

Financial statement analysis embraces the methods used in assessing and interpreting the result of past performance and current financial position as they relate to particular factors of interest in investment decisions. It is an important means of assessing past performance and in forecasting and planning future performance. (Donthi, 2013).

The financial situation of the business subject is considered to be a complex output of their whole performance. This output is presented through the ratio indicators of activity, profitability, liquidity, indebtedness and market value. These indicators are based on the synthetic indicators of financial accounting and they demonstrate the complexity of the business subject's performance interpretation (Pastýr, 2014)

Expected future results will influence the adoption of business management decisions, related to whether to lend money to a business partner or to invest in a given company. The main analytical

technique of investment business-financial microanalysis used in the consideration of different sectors and the field of economy, should indicate how the management, respectively, the owners of the company should work and achieve results in different domains of economic activity. The types of decisions that are included are whether to grant money on a loan to a given enterprise, whether to invest in company shares, to buy and take over the enterprise? In order to make such decisions in the right way, it is necessary to understand what the available forms of financial statements are, what information we provide from the content of various financial statements, and the method of analyzing financial information in order to arrive at a rational business and financial decision (Osburn, Schneeberger&Ljutić, 2015).

In the present turbulent competitive environment the financial analysis is an essential part of monitoring the business subject and is an important tool to support the decision making of various stakeholder groups. Also it provides a picture or feedback about the whole condition of business subject and their development and about a condition of individual operation areas. This analysis is able to identify factors that with the largest stake have caused undesirable results within the business subject. Through prediction models of financial-economic analysis the business subject is able to predict their future development and possible option for bankruptcy. (Dušan, 2016)

The business subject, in order to be able to maintain a stable and competitive position on the market, to provide inputs for the management, to make important strategic decisions and to achieve their economic goals, is forced to constantly analyze and monitor their financial situation with which appears towards financial subjects and the surrounding's situation. For this purpose the financial analysis is used. With it the business subject will be capable to prevent the crisis, which would lead to remediation or even to bankruptcy. (Andrej&Daniela, 2016).

Analysis as the process of testing and evaluating in terms of methodology, which is biased and overlap, based on the assumption: that the assessment (synthesis) is the completion of the analysis, which is preceded by testing methodology developed which provides a basis of the individual elements which are combined into a single synthesis of a logical statement. In other words, the method of which is in the process of analyzing the induction, is coming to that knowledge by processing the deduction. The process of testing and assessment in the analysis of

business has its own specific test methods that are based on known theoretical and scientific scheme. Financial analysis is used to assess relationships between items within the financial statements. This scientific work points to the role and significance of the results provided by the financial analysis for business decision making (Vesic, 2017).

Financial Analysis we will get to the company's evaluation process, compare its position on the market to other competitors and give a proper quotes concerning its current situation, probability of growth. This part requires from investigator to connect the evident information about company's activity on the market with its actual revenues, intrinsic value and market estimations that becomes the key purpose of investigation (Olha 2019).

2.2.2 Review of Thesis

"Financial performance of Nepal Telecom". The main objectives of the study are, to highlight the NTC in different aspects, to analyze, examine & interpret the financial position of NTC by using various tools & technique, to give workable recommendation, if there are weakness inherent in the corporation and the main findings were .there is no serious liquidity problem in NTC. The current assets of NTC are greater than current liabilities in each fiscal year. It shows the better liquidity position of NTC But it does mean that there is not any liquidity problem in NTC. The corporation has been following a uniform policy to finance current assets & current liabilities. (Nepal, 2010).

"An evaluation Study of Telecommunication Development in Nepal." The main objectives of the research were concerning the evaluation of telecommunication development in Nepal to examine the present & expected future utilization of telecommunication facilities and to analyze the pattern of telecommunication development in Nepal with reference to its part trend, present performance & future prospects. The conclusions are the government of Nepal has also stressed the development of telecommunication by giving high priority in each & every development plans. But the telecommunication facilities in Nepal are very low in comparison with the development countries. The main problems of telecommunication development of Nepal are lack of financial resources, lack of technical knowledge & problem of management & administration etc. In the process of development of Nepal Telecommunication sector, foreign aid has played a

signification role. International telecommunication union has contributed to the establishment of a training institute to train the telecommunication technicians of Nepal (Bajracharya, 2010).

"Traffic Structure of Nepal Telecommunication in Nepal." The main objectives of the study were to examine the present traffic structure of telecommunication in Nepal with reference to its target population current efficiency & future development of services. To recommend valuable measure to upgrade the services with reference to restructure of tariff system. The major findings of his research were the tariff rates for local telephone STD, ISD & other service are reasonable, time constraint is necessary but three minutes allotted at the presented time is not sufficient, The interest rates provided by NTC for the amount of deposit by its subscriber is relatively low in comparison to the rate of interest provided by the banks, NTC takes differential tariff for the use of telecommunication facilities during the day, evening & night time. It helps for the proper distribution of traffic load with respect to time, improves the grade of service & encourages the low income group to get benefit from the services (Pokharel, 2010).

"Cash management Practices in Nepal" the major findings were, Company's liquidity is satisfactory. However, it is important for the company to estimate how much fund is necessary to maintain liquidity position and to invest the surplus cash funds in marketable securities or profitable opportunities to generate some income. NTC should have proper cash planning to estimate the cash receipts and payments which helps to control the efficient management of cash. Similarly, Nepal Telecom should analyze various cash management techniques and models so that it can predict the optimal cash balance. Appropriate investment policy for surplus cash: On the basis of study, there seems enough cash surplus than it was required. So there must be appropriate policy and strategies to use that surplus cash in profitable sector. Preparation of realistic budget: while preparing budget company should analyze the actual past data and present needs of the 101 programs applying systematic and scientific method of data analysis. Actual total uses of budget amount were not matching with budgeted target for expenses purpose. There must not be such vast deviation between actual and budgeted figure. Use internal source in full capacity: Internal source is sufficient to finance whole budgeted expenses of the company. It should not borrow loan from foreign institution because it involves cost. Cash turnover ratio of NTC is too high it indicates that there is more idle cash. The cash should be utilize properly to provide quality services to its customers to generate revenue (Bhattarai 2011).

“A study on profit planning in Nepal Telecom.” The general objective of the study were to examine the present comprehensive profit planning system applied by NTC. The other specific objectives of the study were to highlight NTC to analyze functional budgets adopted in the corporation, to analyze ratio analysis & variances of NTC etc. . .The main findings were The Corporation has no skilled planners, Budgets are prepared just for the formalities and NTC has not adequately considered controllable and non-controllable variables affecting the organization. (Nuepane 2011).

Profit planning and control: A case study of Nepal Telecom with the following objectives and major finding. First of all the main objectives were to examine the present comprehensive profit planning system applied by NTC, to evaluate the targeted variable and actual variables of NTC, to analyze the gap between budgeted and actual revenue and to examine the financial performance the NTC. Finally, the major findings were NTC had not practices of control policy considered controllable and inconsolable, NTC was lacking the proper System of Performance report, the sales plan and achievement was satisfactory to some extent, financial performance of NTC was not so good and NTC does not consider the use of flexible subjective (Thapa, 2012).

Telecom Business is one of the most prominent and vibrant sector in Nepal and there are multiple opportunities for banks to take advantage of this sector. These multiple opportunities range from ‘source of deposit in terms of both local currency as well as USD’ and ‘loan client’ to ‘commission income from other services such as Letter of Credit (LC)’. There is a regular inflow of cash (in the form of revenue from bill payments by customers) to the companies in the Telecom sector. As calculated revenue of the industry amounted to approximately NPR 47 billion during the FY 2010–2011 and is expected to increase substantially in the coming years. This cash flow can be a substantial source of deposit, albeit temporary one, for banks. However, banks need to engage directly with the telecom company and telecom’s customer, and become a conduit for the cash flow between the customer and the telecom, to get the telecom’s revenue flowing through the banking channel. While the cash flow, in the form of revenue, represents a temporary source of deposit, telecom companies also invest their excess funds for long tenors by opening Fixed Deposits and call account with banks. In the Nepali financial system,NDCL is one of the largest institutional depositors whose total deposit in the system is around NPR 20 billion (according to the latest financial statement of NDCL,it has a total investment of NPR 24.3

billion, most of which is deposited with various financial institutions. While the deposit of Ncell in the banking system is not as high as that of NDCL (Gautam, 2014).

The major objective of financial analysis is reviewing the performance of a company over the past periods, to predict the future prospects of the company, past performance is analyzed. Past performance is analyzed by reviewing the trend of past sales, profitability, cash flows, return on investment, debt-equity structure and operating expenses, etc. Examining the current profitability & operational efficiency of the enterprise so that the financial health of the company can be determined. For long-term decision making, assets & liabilities of the company are reviewed. Analysis helps in finding out the earning capacity & operating performance of the company. Financial analysis helps in Predicting growth & profitability prospects. The top management is concerned with future prospects of the company. Financial analysis helps them in reviewing the investment alternatives for judging the earning potential of the enterprise. With the help of financial statement analysis, assessment and prediction of the bankruptcy and probability of business failure can be done. Financial analysis helps the financial institutions, loan agencies & banks to decide whether a loan can be given to the company or not. It helps them in determining the credit risk, deciding the terms and conditions of a loan if sanctioned, interest rate, maturity date etc(Shah, 2014).

The telecommunication companies such as Ncell and NTC are competing in the market to become number one in the field of telecommunication industry of Nepal. They have been investing in promotional activities to a great extent in order to attract the customers. Ncell has made almost all the Medias like news publication companies, FM, TV, various regional Medias as the advertising partner in Nepal. Similarly, NTC as well use effective means of promotion that has made it the market leader. They sponsor most of the national and international sports and cultural program there is strong competition between Ncell and NTC. Nepal Telecom use to be one of the leading government telecommunications in Nepal. The rise of the private telecommunication in Nepalese market, such as Ncell is now penetrating the market (Acharya 2016)

Nepal Telecom, a leading company in the telecommunication sector working restlessly for decades has been providing world-class services in Nepal throughout the country covering all the

75 districts and covering all the VDC's. It has been providing the best services regarding telephone and internet access to willing customers. The organization is working for the social service and has been continuing the joint venture with the traffic police and working for the awareness of road accidents and helping the needy during the natural calamities. It is providing services like telephone (GSM, CDMA, PSTN, SIP PPP) and internet as (Dial-up, ADSL, EVDO, GPRS) other entertaining services as CRBT, and free ten web SMS provided. It covers about 4.5% of the national revenue and is playing a major role in infrastructure development by revenue. It has been recognizing itself as the largest taxpayer to the government and has been leading the nation by revenue. Being a service provider it is facing a lot of challenges. The monopoly market has no longer existed between the organizations. The competitors are giving a heavy challenge to them; the competitors mainly NCELL, a famous European multinational company, united telecom (UTL), Smart telecom, and Nepal Satellite Company limited are too involved in the race. Beyond these services, it has been implementing new technologies for fulfilling the desire of the customers. As a conclusion, the services provided to the customers are satisfactory till now but a lot of improvement and a regular cope-up is to be made to hold the existing customers and to attract new customers from the competitive market as well (Shah, 2017).

NTC is keeping excess cash balance which is the main cause of idle cash. Therefore, NTC should determine its optimum cash balance. Then, excess cash balance should be invested in productive sector so that idle cash balance would not occur. The company's liquidity position is satisfactory. However, it is important for the company to estimate how much fund is necessary to maintain liquidity position and to invest the surplus cash funds in marketable securities or profitable opportunities to generate revenue (Subedi, 2017).

Nepal Telecom being a service provider it is facing a lot of challenges. The monopoly market has no longer existed between the organizations. The competitors are giving a heavy challenge to them; the competitors mainly NCELL, United telecom (UTL), Smart telecom, and Nepal Satellite Company limited are too involved in the race. Beyond these services, it has been implementing new technologies for fulfilling the desire of the customers (Kumar, 2017).

Nepal Telecom is one of the major tax payer in Nepal. It contributes a major value in the GDP of Nepalese economy. Over the past ten years, Nepal Telecom has been contributing significant portion of tax revenue through income tax, value added tax, tax deduction at source, property and vehicle tax and custom duty. It has also been contributing to government of Nepal through various regulatory fees. The statistical analysis demonstrated that government revenue is highly related and dependent on with the income tax, VAT and TDS contributed from Nepal Telecom. Thus, Nepal Telecom has been identified as major contributor of tax to the government of Nepal. Complexity regarding tax assessment, improper documentation of expenses, untimely recording of transactions, mismatched balances in annexure thirteen of IRD, improper support from branches have been recognized as existing problem in the areas of tax payment system of Nepal Telecom (Ghimire, 2019).

Among these three main players in the telecommunication market, Nepal Doorsanchar Company Limited (Known as NTC) and spice Nepal Pvt Ltd. now known as Ncell Pvt. Limited are the key players in the industry. In terms of the customer base of GSM mobile phone users, NTC is ruling over the market by 19.3 million subscribers while Ncell has 16.51 million subscribers as per the 2018 report of both companies. Ncell, being one of the largest privately-owned telecommunication companies in Nepal has committed to allocating its budget in increasing the capacity for 3G services by building the required infrastructure. It has upgraded its 4G LTE network in recent years in Kathmandu and is giving the experience of the fastest internet in Nepal (Adhikari 2019).

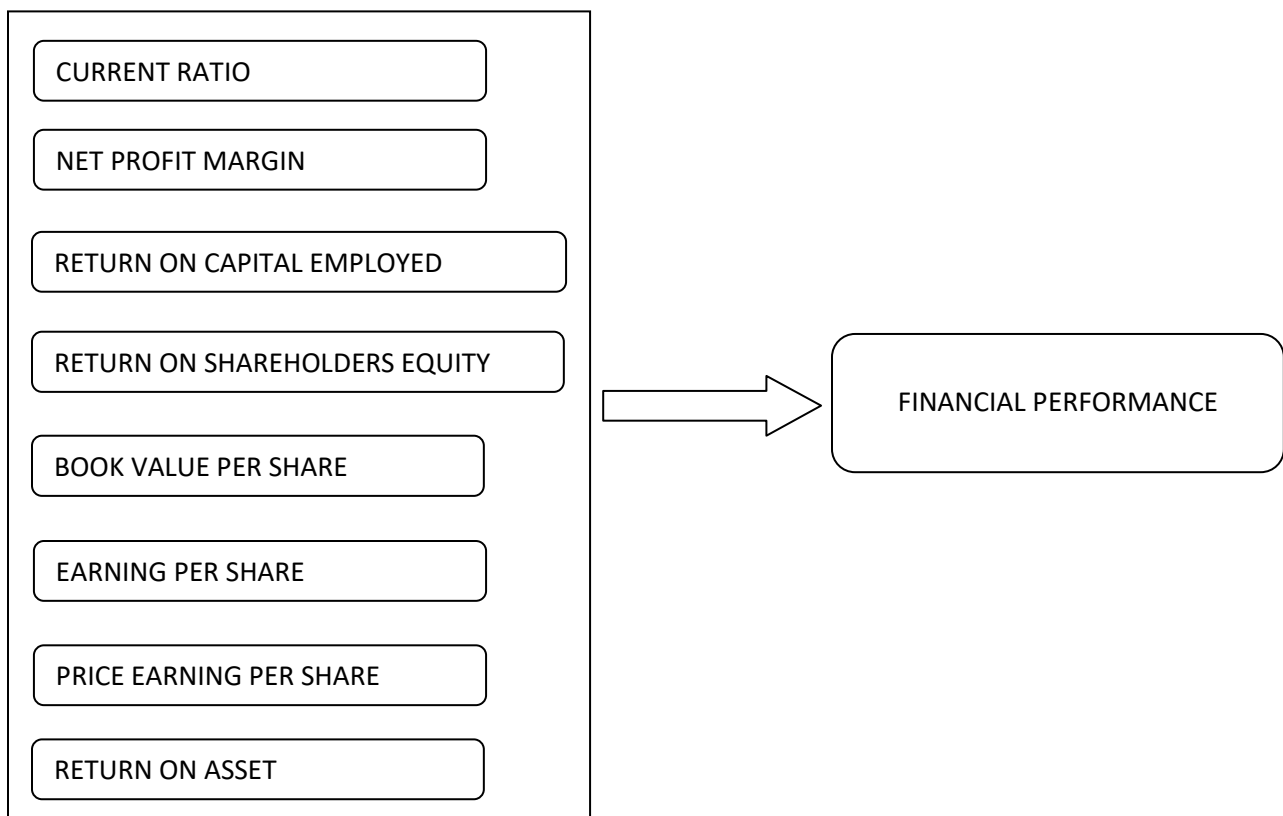
2.3 Theoretical Framework

Theories are formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge within the limits of critical bounding assumptions. The theoretical framework is the structure that can hold or support a theory of a research study. The theoretical framework introduces and describes the theory that explains why the research problem under study exists. A theoretical framework consists of concepts and, together with their definitions and reference to relevant scholarly literature, existing theory that is used for the study. The theoretical framework must demonstrate an understanding of theories and concepts that are relevant to the topic of research paper and that relate to the broader areas of knowledge being considered.

The theoretical framework is most often not something readily found within the literature. The study must review course readings and pertinent research studies for theories and analytic models that are relevant to the research problem are investigating. The selection of a theory should depend on its appropriateness, ease of application, and explanatory power. The theoretical framework strengthens the study in the following ways: An explicit statement of theoretical assumptions permits the reader to evaluate them critically. The theoretical framework connects the researcher to existing knowledge. It permits to intellectually transition from simply describing a phenomenon have observed to generalizing about various aspects of that phenomenon and having a theory helps to identify the limits to those generalizations. A theoretical framework specifies which key variables influence a phenomenon of interest and highlights the need to examine how those key variables might differ and under what circumstances. By virtue of its applicative nature, good theory in the social sciences is of value precisely because it fulfills one primary purpose: to explain the meaning, nature, and challenges associated with a phenomenon, often experienced but unexplained in the world in which we live, so that we may use that knowledge and understanding to act in more informed and effective ways (Richard, 2008).

The given is the diagrammatic representation of financial analysis of a company.

Figure 2.2



The above theoretical framework figure indicates that the financial analysis of a company can be done by comparison of the past financial statements with the present financial statement. While preparing the comparative statement of balance sheet, the particulars for the financial factors are required. The second most important for the preparation of the comparative balance sheet is past financial data extracted from the balance sheets. The next most important requirement to have an effective comparison with the past financial data is current year information extracted from the balance sheet of the firms. After having been procured the financial data pertaining to various time periods are ready for comparison to determine or identify the level of increase or decrease taken place in the financial position of the company. To determine the level of increase or decrease in financial position, the percentage analysis is carried out in between them.

2.4 Concluding Remarks

There is a gap between this research and previous research. As reviewing the previous research, most of the enterprises were not operating effectively. Similarly, most of the researcher conducted a study on other enterprises. However, few researchers had conducted research on Nepal telecommunication. But they had concerned mostly on profit planning and control system of Nepal telecommunication. Similarly, they found that there was not proper planning and control system of Nepal Telecommunication. Likewise, other researcher had applied the financial analysis tools on surface or aggregate. Financial analysis of Nepal Telecommunication shows the actual position of the Nepal telecom in Nepalese market and its impact on the economic development of the country.

CHAPTER III

RESEARCH METHODOLOGY

Research is a logical and systematic search for new and useful information on a particular topic. It is an investigation of finding solutions to scientific and social problems through objective and systematic analysis. It is a search for knowledge, that is, a discovery of hidden truths. Here knowledge means information about matters. The information might be collected from different sources like experience, human beings, books, journals, nature, etc. A research can lead to new contributions to the existing knowledge. Only through research is it possible to make progress in a field. Research is indeed civilization and determines the economic, social and political development of a nation. The results of scientific research very often force a change in the philosophical view of problems which extend far beyond the restricted domain of science itself. Research is not confined to science and technology only.

There are vast areas of research in other disciplines such as languages, literature, history and sociology. Whatever might be the subject, research has to be an active, diligent and systematic process of inquiry in order to discover, interpret or revise facts, events, behavior and theories. This chapter concerns with research methodology adopted for study and includes the site selection, research design, population and sample, nature and sources of data such as primary data and secondary data, method of data collection, data analysis tools, analysis model, means of preparation and presentation of the data and tools of analysis and limitation of the methodology.

3.1. Research Design

A Research Design is a methodical, well-organized procedure utilized by a researcher, or a scientist to carry out a scientific study. It is a comprehensive co-existence of already identified elements and any other information or data leading to a reasonable end result.

The research design is required to follow a pre-planned, well-thought-out methodology, in agreement with the pre-selected research type, in order to come up with an error-free, authentic conclusion. Some authors consider research design as the choice between qualitative and quantitative research methods. Others argue that research design refers to the choice of specific methods of data collection and analysis. Important elements of research design include research strategies and methods related to data collection and analysis. Research design can be divided into two groups, exploratory and conclusive. Exploratory research, according to its name merely aims to explore specific aspects of the research area. Exploratory research does not aim to provide final and conclusive answers to research questions. The researcher may even change the direction of the study to a certain extent, however not fundamentally, according to new evidences gained during the research process. Research design is the plan. Structure and strategy of investigation conceived to obtain answers to research questions and objective of this study. This study is conducted by the descriptive and analytical method of research design. The necessary job of this task is collecting important data and information from different reliable source. The data and information gathered were analyzed carefully and present them in systematic way (Dudovskiy, 2018).

3.2. Nature and Source of Data

There are mainly two source of data collection i.e.

- Primary source
- Secondary Source

. In this study, only Secondary data were collected. Secondary data is gathered from annual performance report, such as income statements, balance sheets, cash flow statements of Nepal Telecom. Official website is most reliable source of secondary data.

Secondary data is research data that has previously been gathered and can be accessed by researchers. The term contrasts with primary data, which is data collected directly from its source. Secondary data is used to increase the sampling size of research studies and is also chosen for the efficiency and speed that comes with using an already existing resource. Secondary data facilitates large research projects, in which many research groups working in tandem collect secondary data. Common sources of existing secondary data include data collected by government public services departments, libraries, internet searches and censuses,

such as the Nepal Census. Companies use market research to draw on existing information from social-media as a source of secondary data. Social media is becoming heavily favored in market research, as opinions are already available from millions of users on many topics and products. The benefit of using secondary data is that much of the preliminary work is done. The data may have already been sorted in an electronic format, published and reviewed with case studies already conducted. Secondary data can quickly become more or less public knowledge through use in the media. Due to its exposure and public examination, secondary data can carry more legitimacy than primary research data and is often used as verification of primary data. However, there are a number of potential problems in using secondary data. It can be difficult to attain secondary data that fits exact requirements of research studies. It can also be hard to verify the accuracy of secondary data, which can also become outdated over time (Whatls.Com, 2018).

3.3. Population and Sampling Technique

Sampling techniques let us extend in this chapter what we have already presented in the beginning of descriptive statistics, including now the definition of some sampling techniques and concepts in order to be able to decide which is the appropriate sampling technique for each situation. There are six telecommunication companies operating their service in Nepal namely Nepal Telecom, United Telecom, Ncell, Smart Telecom, Telecom Sanchar and Nepal Satellite Telecom. Nepal Telecom is one of the largest companies limited in Nepal. It has served more than 29 years as leading telecommunication service in Nepal. It is very complex to conduct the financial performance in this study. In this study, data has taken for last ten years from 2010 to 2020 financial data.

3.4. Defining the Variables

3.4.1 Liquidity Ratio Analysis

Liquidity is a combination of all potential liquid resources that are available for the company to meet their payment obligations. According to professional literature solvency is defined as the readiness of the business subject to undertake payment of their obligations at the time of their reimbursement and therefore is one of the basic conditions of the company's successful existence. Liquidity ratio measures the firm's ability to satisfy its short-term commitments out of current or liquid assets. These ratios focus on current assets and liabilities and are used to

ascertain the short-term solvency position of a firm. The two primary tests of liquidity are current ratio and quick ratio.

3.4.2 Profitability indicators Analysis

The indicators of profitability are designed as the business subject's economic result rate (output) to a comparative item (input). These indicators tell us at what level is the business subject able to reach profit with the help of the capital used. The major profitability indicators are Net Profit Margin, Returns on Capital Employed, Returns on Shareholders Equity, Book Value Per Share, Earning Per Share, Profit earning ratio, Return on Asset.

3.5. Methods of Data Analysis

A method of Analysis helps to process raw data into the knowledge. Mainly, there are two methods of data analysis namely qualitative technique and quantitative technique. A qualitative method includes executive opinion, reference class forecasting, sales force polling, customer survey and scenario writing. In other hand quantitative technique represents; Current Ratio, Net Profit Margin, Returns on Capital Employed, Returns on Shareholders Equity ,Book Value Per Share, Earning Per Share ,Price earning ratio, Return on asset.

3.5.1 Current Ratio

The current ratio is a financial ratio that measures whether or not a firm has enough resources to pay its debts over the next 12 months. It compares a firm's current assets to its current liabilities. The current ratio is an indication of a firm's market liquidity and ability to meet creditor's demands. Acceptable current ratios vary from industry to industry and are generally between 1.5 and 3 for healthy businesses. If a company's current ratio is in this range, then it generally indicates good short-term financial strength. If current liabilities exceed current assets (the current ratio is below 1), then the company may have problems meeting its short-term obligations. If the current ratio is too high, then the company may not be efficiently using its current assets or its short-term financing facilities. This may also indicate problems in working capital management.

It is calculated as below:

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

3.5.2 Net Profit Margin

Net profit margin is the percentage of revenue left after all expenses have been deducted from sales. The measurement reveals the amount of profit that a business can extract from its total sales. The net sales part of the equation is gross sales minus all sales deductions, such as sales allowances. The formula is:

$$\text{Net profit margin} = \frac{\text{Net profits}}{\text{Net sales}} \times 100$$

3.5.3 Returns on Capital Employed

Return on capital employed (ROCE) is a financial ratio that can be used in assessing a company's profitability and capital efficiency. In other words, the ratio can help to understand how well a company is generating profits from its capital. The ROCE ratio is one of several profitability ratios financial managers, stakeholders, and potential investors may use when analyzing a company for investment. ROCE is a metric for analyzing profitability, and potentially comparing profitability levels across companies in terms of capital. There are two components required to calculate return on capital employed: earnings before interest and tax and capital employed. The formula is:

$$\text{ROCE} = \frac{\text{EBIT}}{\text{Capital Employed}}$$

Where,

EBIT = Earning Before Interest and Tax

Capital Employed = Total Asset- Current liabilities

3.5.4 Returns on Shareholders Equity

The return on shareholders' equity ratio shows how much money had returned to the owners as a percentage of the money they have invested or retained in the company. Unlike the return on the common equity ratio, the return on shareholders' equity ratio accounts for all shares, common and preferred. It can be calculated as below

$$\text{ROE} = \frac{\text{Net Income}}{\text{Shareholders Equity}}$$

3.5.5 Book Value Per Share

Book value per common share is a method to calculate the per-share book value of a company based on common shareholders' equity in the company. The book value of a company is the difference between that company's total assets and total liabilities, and not its share price in the market.

The book value per common share (formula below) is an accounting measure based on historical transactions:

$$\text{BVPS} = \frac{\text{Total Shareholders Equity} - \text{Preferred Equity}}{\text{Total Outstanding Shares}}$$

3.5.6 Earning Per Share

Earnings per share is the portion of a company's profit that is allocated to each outstanding share of its common stock. It is calculated by taking the difference between a company's net income and dividends paid for preferred stock and then dividing that figure by the average number of shares outstanding. The earnings per share value is calculated as the net income (also known as profits or earnings) divided by the available shares. A more refined calculation adjusts the numerator and denominator for shares that could be created through options, convertible debt, or warrants. The numerator of the equation is also more relevant if it is adjusted for continuing operations.

$$\text{EPS} = \frac{\text{Net Income} - \text{Preferred Dividend}}{\text{End of period common shares outstanding}}$$

3.5.7 Price Earning ratio

The price earning ratio or P/E is one of the most widely-used stock analysis tools used by investors and analysts for determining stock valuation. In addition to showing whether a company's stock price is overvalued or undervalued, the P/E can reveal how a stock's valuation compares to its industry group.

It can be calculated as below:

$$\text{P/E} = \text{Stock Price Per Share} / \text{Earnings Per Share}$$

3.5.8 Return on Asset

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives a manager, investor, or analyst an idea as to how efficient a company's management is at using its assets to generate earnings. Return on assets is displayed as a percentage.

$$\text{Return on Assets} = \frac{\text{Net income}}{\text{Total Assets}}$$

3.5.9 Mean

Mean is an essential concept in mathematics and statistics. The mean is the average or the most common value in a collection of numbers. In statistics, it is a measure of central tendency of a probability distribution along median and mode. It is also referred to as an expected value. It is a statistical concept that carries a major significance in finance. The concept is used in various financial fields, including but not limited to portfolio management and business valuation. Mean is the total of the sum of all values in a collection of numbers divided by the number of numbers in a collection. It is calculated in the following way:

$$(\bar{x}) = (\Sigma x) / n$$

Whereas,

$$(\bar{x}) = \text{mean}$$

Σx = sum of X variables

n = number of frequency

3.5.10 Standard Deviation

The standard deviation is a statistic that measures the dispersion of a dataset relative to its mean and is calculated as the square root of the variance. The standard deviation is calculated as the square root of variance by determining each data point's deviation relative to the mean. If the data points are further from the mean, there is a higher deviation within the data set; thus, the more spread out the data, the higher the standard deviation. Standard deviation measures the dispersion of a dataset relative to its mean. Standard deviation shows how much variation or dispersion exists from the average (mean), or expected value. More precisely, it is a measure of the average distance between the values of the data in the set and the mean. A low standard deviation indicates that the data points tend to be very close to the mean; a high standard deviation indicates that the data points are spread out over a large range of values. A

useful property of standard deviation is that, unlike variance, it is expressed in the same units as the data. In statistics, the standard deviation is the most common measure of statistical dispersion. However, in addition to expressing the variability of a population, standard deviation is commonly used to measure confidence in statistical conclusions. It is calculated in the following way:

$$\sigma = \sqrt{\frac{\sum (X - \bar{x})^2}{N}}$$

Where,

σ = population standard deviation

\sum = sum of x

X = each value

\bar{x} = population mean

N = number of values in the population

3.5.11 Variance

In probability theory and statistics, variance is the expectation of the squared deviation of a random variable from its mean. Informally, it measures how far a set of (random) numbers are spread out from their average value. Variance has a central role in statistics, where some ideas that use it include descriptive statistics, statistical inference, hypothesis testing, goodness of fit. The variance is a measure of variability. It is calculated by taking the average of squared deviations from the mean. Variance tells you the degree of spread in your data set. The more spread the data, the larger the variance is in relation to the mean. It is calculated in the following way:

$$\sigma^2 = \frac{\sum (X - \bar{x})^2}{N}$$

Where,

σ^2 = population variance

\sum = sum of...

X = each value

\bar{x} = population mean

N = number of values in the population

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

This chapter stands for presenting and analysing data to achieve the formulated objectives. This is the main body of the chapter for the study. This chapter is subdividing in to different heading such as current ratio, Returns on Capital Employed, Returns on Shareholders Equity, Book Value per share, Earning per Share, Net Profit Margin Price Earning Ratio, return on Total Asset. This chapter also includes the contribution of Nepal Telecom in the economy of Nepal. It is depicted in the following way.

4.1.1 Current ratio of Nepal Telecom

Nepal Telecommunication as the government ownership enterprises operating successfully in the country in the field of service industry. Current ratio measures the company's ability to pay its short term obligation. Higher ratio represents higher ability of company to pay off its debt. Following table represents the current ratio of Nepal Telecommunication for ten years.

Table 4.1

Current ratio of NTC (In Times)

Year	Current Ratio (Times)
2009/10	3.32
2010/11	2.54
2011/12	2.70
2012/13	2.54
2013/14	3.19
2014/15	3.94
2015/16	3.88
2016/17	4.22
2017/18	4.99
2018/19	3.04

Source: Annual Report of Nepal Telecom F/Y 2009/10 to 2018/19

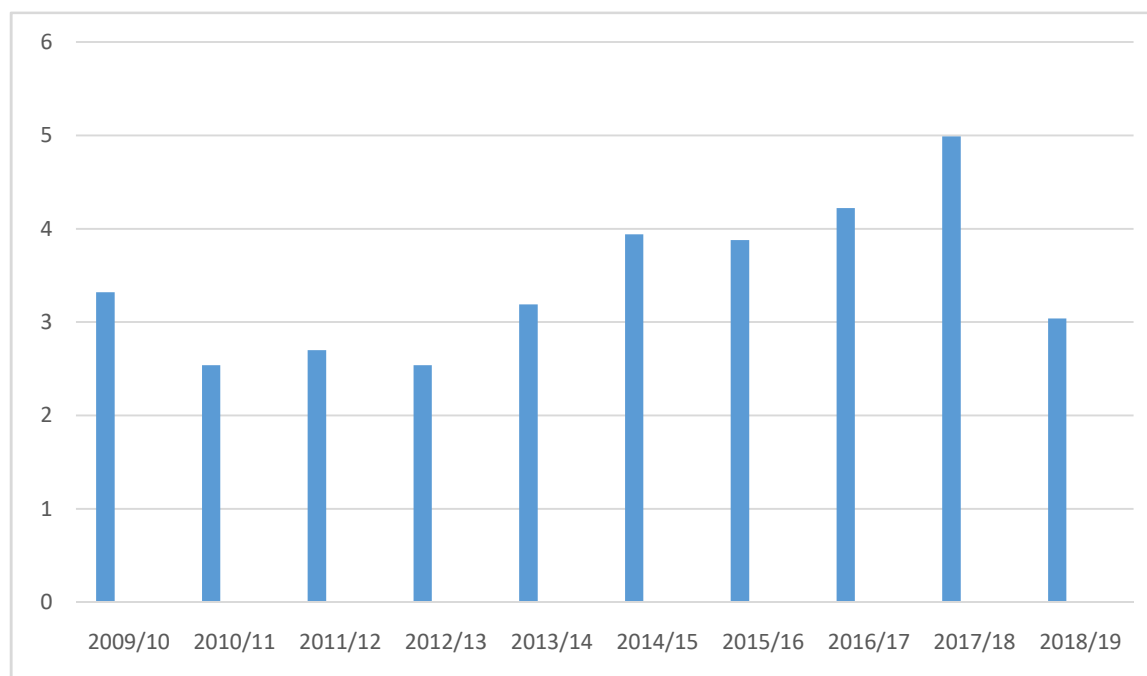


Figure: 4.1 Current ratio of NTC (In Times)

The above Figure – 4.1 represents the current ratios of financial statement of NTC for past ten years from FY 2009/10 to FY 2018/19. It is clear that current ratio was decreased from FY 2009/10 to FY2010/11 and has increased thereafter till FY 2014/15. CR decreases in FY 2015/16 then again there is continuous increase up to FY2018/19. There is fluctuation in the CR but the ratio is always greater than 2. This indicates good financial position. However range of CR crossed over 3.0 indicates the NTC is not being able to efficiently use its current assets or its short-term financial facilities. This shows there is problem with working capital management mechanism.

4.1.2 Return on Capital Employed of Nepal Telecom

Return on capital employed (ROCE) is a financial ratio that is used in assessing a company's profitability and capital efficiency. This ratio helps to understand how well a company is generating profits from its capital. The return of capital employed of Nepal telecom for the last ten years is shown as under.

Table 4.2

Return on Capital Employed of NTC (%)

Year	Return on Capital Employed (%)
2009/10	20.18
2010/11	16.77
2011/12	15.52
2012/13	14.55
2013/14	14.49
2014/15	15.21
2015/16	13.88
2016/17	14.43
2017/18	15.22
2018/19	8.54

Source: Annual Report of Nepal Telecom F/Y 2009/10 to 2018/19

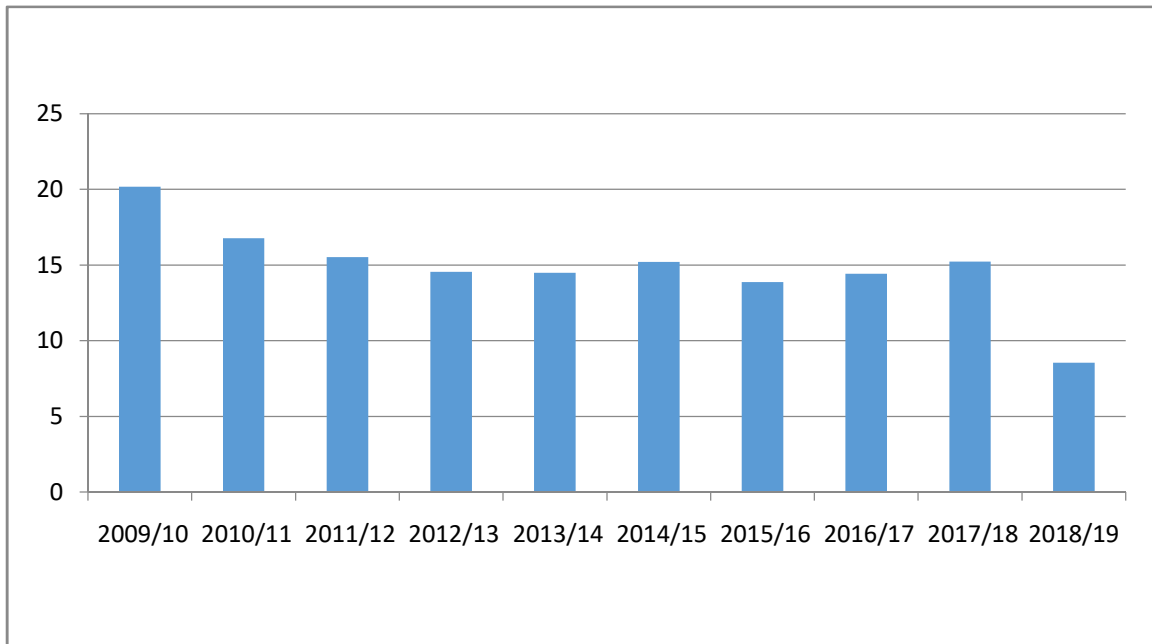


Figure: 4.2 Return on Capital Employed of NTC (%)

The figure 4.2 depicts the Return on Capital Employed of Nepal Telecommunication during the last ten years. As per the figure The ROCE of NTC has decreased from FY 2009/10 to FY 2013/14. There is slight increase in FY2014/15. Then again it decrease in FY2015/16. There is fluctuation in ROCE trend. In FY 2018/19 it has the lowest ROCE. Overall financial condition of NTC is in good condition but looking at the chart, it can be concluded that it is being unable to utilize its capital to provide more profit to its shareholders. Return on capital employed or ROCE is a profitability ratio that measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed. The decrease in this ratio indicates that NTC is unable to efficiently utilize its capital to generate more profit.

4.1.3 Returns on Shareholders Equity of Nepal Telecom

Returns on Shareholders Equity (ROE) provides a simple metric for evaluating investment returns. Comparison of company's ROE to the industry's average can pinpoint about the company's competitive advantage. ROE provides the insight into how the company management is using its finance to grow the business. The following figure shows the Return of Shareholders Equity of past ten years.

Table 4.3

Return on Shareholders Equity of NTC (%)

Year	Return on Shareholders' Equity of NTC (%)
2009/10	22.53
2010/11	26.76
2011/12	23.54
2012/13	21.07
2013/14	20.10
2014/15	17.18
2015/16	16.26
2016/17	16.83
2017/18	17.54
2018/19	10.62

Source: Annual Report of Nepal Telecom F/Y 2009/10 to 2018/19

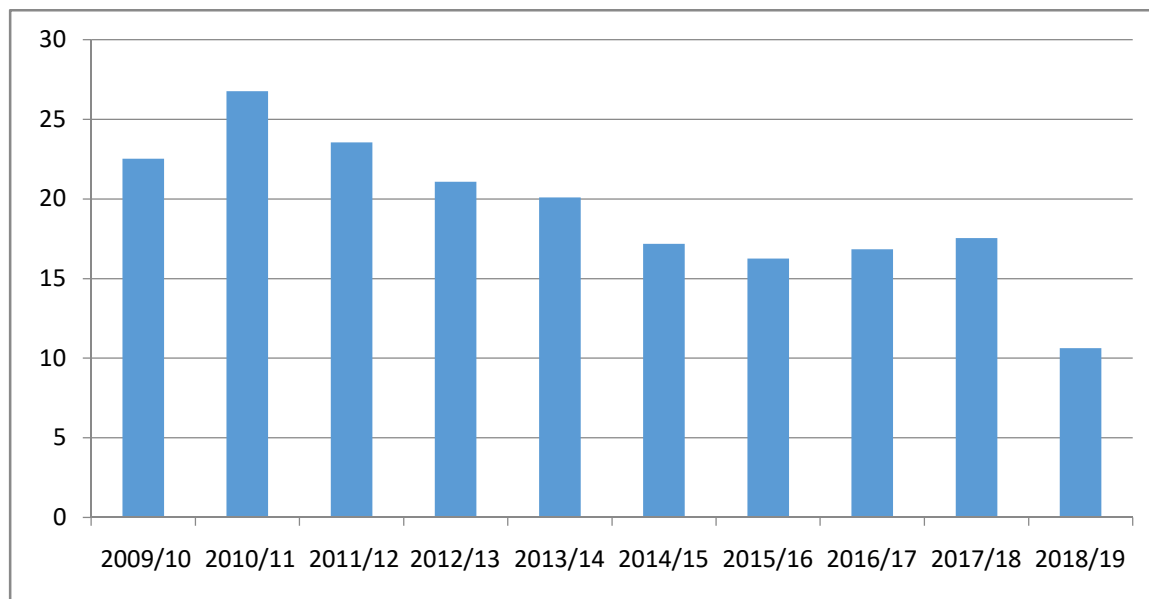


Figure 4.3 Return on Shareholders Equity of NTC (%)

The figure 4.3 depicts the Return of Shareholders Equity of NTC for the last ten years. The highest ROE is in FY 2010/11 i.e. 26.76%. After the FY 2011/12 there is continuous decrease in ROE of NTC. From FY 2016/17 to FY 2017/18 there is slight increase in ROE then again in FY 2018/19 ROE has decreased to 10.62%. This is the lowest in record. This indicates that NTC is

being unable to utilize its assets to increase its profit and provide greater return to its shareholders. Being unable to utilize its lying resources and fund can be the major reason for the decrease in its ROE.

4.1.4 Book Value Per share of Nepal Telecom

Book value per share (BVPS) takes the ratio of a firm's common equity divided by its number of shares outstanding. Book value of equity per share effectively indicates a firm's net asset value. When a stock is undervalued, it will have a higher book value per share in relation to its current stock price in the market. The measure is used mainly by stock investors to evaluate a company's stock price. Given below is the figure of BVPS over ten years.

Table 4.4

Book Value Per Share of NTC (Rs)

Year	Book Value Per Share of NTC(Rs)
2009/10	314.33
2010/11	301.97
2011/12	330.19
2012/13	357.57
2013/14	383.18
2014/15	539.99
2015/16	555.83
2016/17	608.86
2017/18	664.43
2018/19	692.74

Source: Annual Report of Nepal Telecom F/Y 2009/10 to 2018/19

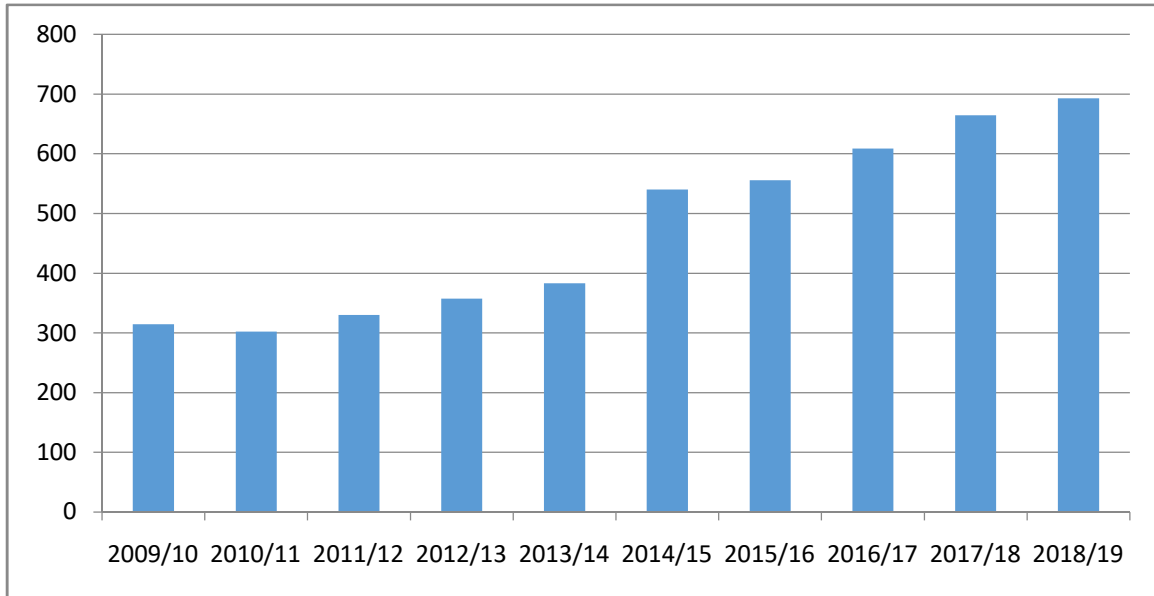


Figure 4.4 Book Value Per Share of NTC (Rs)

The figure 4 shows the Book Value Per Share (BVPS) of Nepal telecommunication for the last ten years ranging from the fiscal year FY2009/10 to FY2018/19 the BVPS of Nepal Telecommunication is in increasing trend for ten years. The highest BVPS is in FY 2018/19 i.e. Rs692.74. BVPS of NTC is in increasing trend but compared to market value it is less. Stock of NTC is overvalued. One of the ways of increasing BVPS is to buy back common stocks from shareholders. A company can also increase its book value per share by using its profit to buy more assets and reduce its liabilities.

4.1.5 Earning Per Share of Nepal Telecom

Earnings per share or EPS is an important financial measure, which indicates the profitability of a company. It is calculated by dividing the company's net income with its total number of outstanding shares. EPS is the portion of a company's profit that is allocated to every individual share of the stock. It is a term that is of much importance to investors and people who trade in the stock market. The higher the earnings per share of a company, the better is its profitability. Below given is the Earning Per share (EPS) of Nepal Telecom for ten years.

Table 4.5

Earning Per share of NTC (Rs)

Year	Earning Per Share of NTC(Rs)
2009/10	71.83
2010/11	80.8
2011/12	77.73
2012/13	75.33
2013/14	77.03
2014/15	97.04
2015/16	90.36
2016/17	103.49
2017/18	116.56
2018/19	65.05

Source: Annual Report of Nepal Telecom F/Y 2009/10 to 2018/19

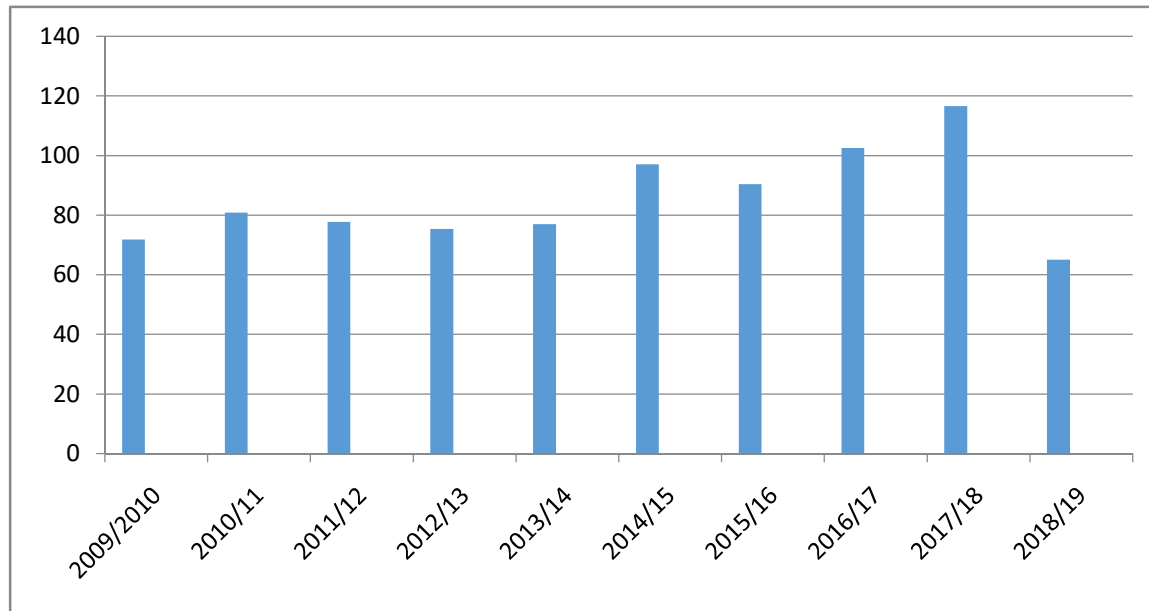


Figure 4.5 Earning Per share of NTC (Rs)

The figure 4.5 depicts the Earning Per Share (EPS) of NTC for last ten years ranging from fiscal year 2009/10 to 2018/19 respectively. As shown in the figure EPS has increased from FY 2009/10 to FY 2010/11. From FY 2011/12 to FY 2013/14 EPS has decreased. There is fluctuation in the overall trend of EPS. EPS is highest in the FY 2017/18. Then again in the FY 2018/19 EPS has decreased to Rs65.05 which is the lowest EPS among the ten years. This fluctuation in EPS of Nepal Telecom indicates its inability to generate steady profit. The lowest EPS in FY 2075/76 indicates that Nepal Telecom failed to generate better profit in the FY 2075/76 compared to other fiscal years. Lower EPS decreases the value of stock of Nepal Telecom.

4.1.6 Net Profit Margin of Nepal Telecom

The Net Profit Margin depicts the net profit position of the Nepal telecommunication. The profit is occurred only when revenue exceeds the total cost. The major motive of the company is to make the profit so as to survival for the long term and growth opportunities. Net profit margin helps investors assess if a company's management is generating enough profit from its sales and whether operating costs and overhead costs are being contained. Below is given Net Profit Margin of Nepal Telecom for ten years.

Table 4.6

Net Profit Margin Ratio of NTC (%)

Year	Net Profit Margin of NTC (%)
2009/10	39.58
2010/11	37.95
2011/12	31.27
2012/13	29.08
2013/14	29.11
2014/15	34.12
2015/16	30.64
2016/17	34.47
2017/18	38.62
2018/19	22.26

Source: Annual Report of Nepal Telecom F/Y 2009/10 to 2018/19

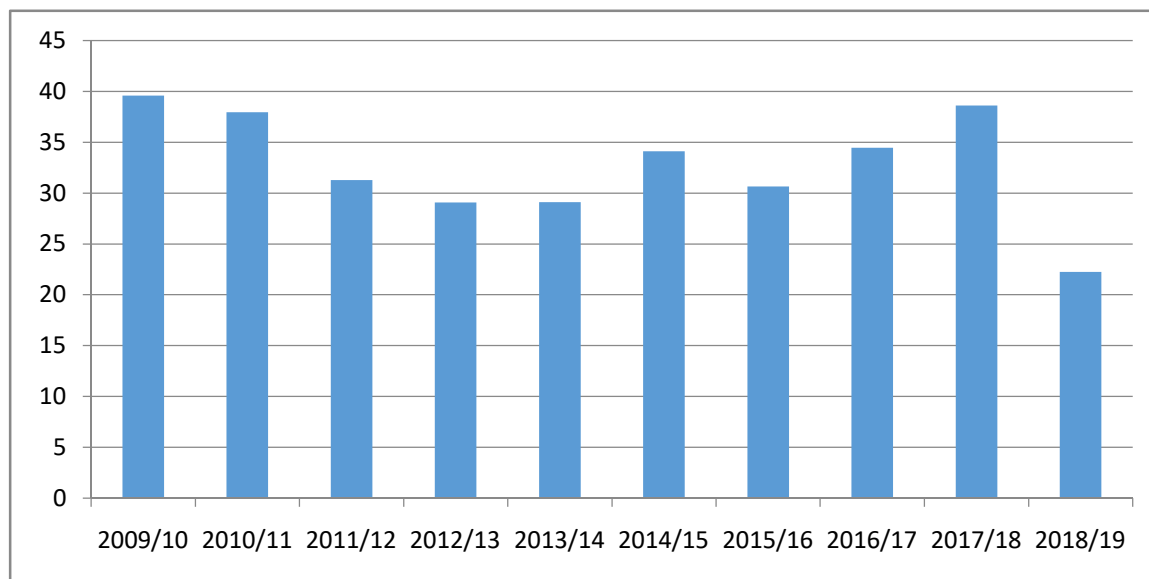


Figure 4.6 Net Profit Margin Ratio of NTC (%)

The table 4.6 depicts the net profit margin ratio of NTC for the last ten years. The net profit is decreasing till the FY 2012/13. From FY 2013/14 to FY 2017/18 Net profit Margin fluctuates. FY 2018/19 has the lowest Net profit margin. Fluctuation and decrease in Net profit Margin

indicates that the company is bearing more cost than profit from its sales. NTC is unable to cover its operating cost and obtain more profit from its sales.

4.1.7 Price Earning Ratio Of Nepal Telecom

The price-to-earnings ratio or P/E is one of the most widely-used stock analysis tools used by investors and analysts for determining stock valuation. In addition to showing whether a company's stock price is overvalued or undervalued, the P/E can reveal how a stock's valuation compares to its industry group. The P/E ratio helps investors determine the market value of a stock as compared to the company's earnings. Below is the P/E ratio of Nepal Telecom for ten years.

Table 4.7

Price Earning Ratio of NTC (%)

Year	Price Earning Ratio of NTC (%)
2009/10	5.15
2010/11	5.30
2011/12	6.47
2012/13	7.91
2013/14	8.51
2014/15	6.55
2015/16	7.62
2016/17	6.6
2017/18	6.18
2018/19	10.65

Source: Annual Report of Nepal Telecom F/Y 2009/10 to 2018/19

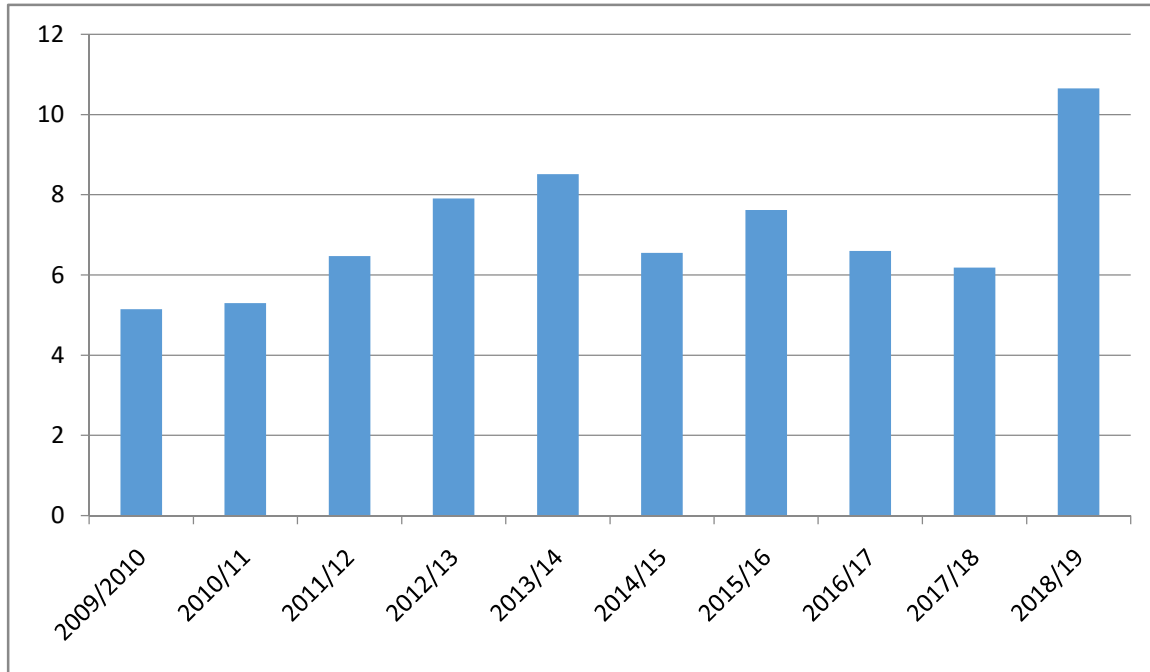


Figure 4.7 Price Earning Ratio of NTC

The table 4.7 depicts the Price Earning ratio of Nepal Telecom. As seen in the above chart P/E ratio is in increasing trend from FY2009/10 to FY 2013/14. However in FY2014/15 P/E ratio has decreased to 6.55. In FY 2015/16 P/E ratio is 7.62 then it has decreased to 6.18 in FY 2017/18. In FY2018/19 P/E ratio is 10.65 which is the highest in ten years. A high P/E could mean that a stock's price is high relative to earnings and possibly overvalued. Conversely, a low P/E might indicate that the current stock price is low relative to earnings.

4.1.8 Return on Total Assets of Nepal telecom

Return on Assets (ROA) is an indicator of how well a company utilizes its assets, by determining how profitable a company is relative to its total assets. Return on assets (ROA), in basic terms, tells you what earnings were generated from invested capital.

The following table shows the ROA of Nepal Telecom for ten years.

Table 4.8

Return on Total Assets of NTC (%)

Year	Return on Total Assets of NTC (%)
2009/10	16.12
2010/11	15.95
2011/12	11
2012/13	9.89
2013/14	10.97
2014/15	13.07
2015/16	11.93
2016/17	12.63
2017/18	13.25
2018/19	7.17

Source: Annual Report of Nepal Telecom F/Y 2009/10 to 2018/19

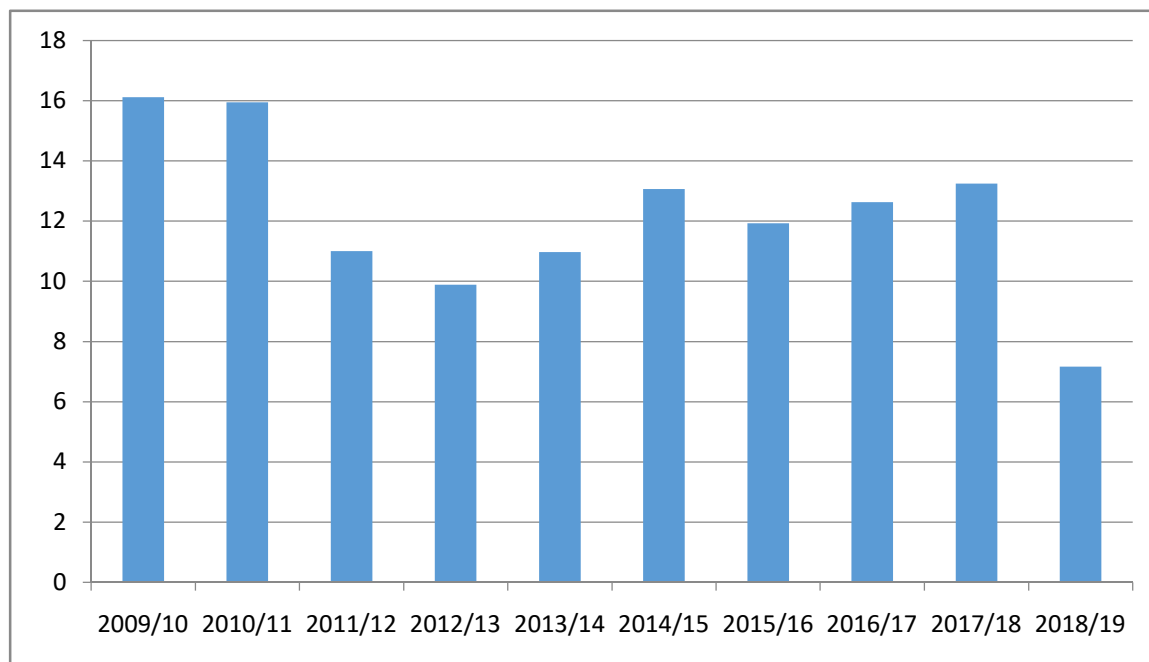


Figure 4.8 Return on Total Assets of NTC (%)

The above chart depicts the Return of assets (ROA) of Nepal Telecom for ten years. As seen in the charts the ROA of Nepal Telecom is in decreasing trend from FY 2009/10 to FY 2012/13

.From FY 2015/16 to FY 2017/18 ROA is increasing but again in FY 2018/19 ROA has decreased to 7.17 which is the lowest in the ten years analysis. Higher ROA represents that company is earning more money from less investment whereas low ROA indicates that company is making less money from its investment. As seen in above chart NTC is unable to make more money from its investment.

4.1.9 Contribution to Government fund by NTC

Nepal Telecom is one of the large tax payer in Nepal. Total tax contribution of Nepal Telecom includes property tax, vehicle tax, income tax, VAT, TDS and customs duty. Similarly, non-tax contribution of Nepal Telecom includes telecommunication service fees, ownership fees, royalty and value receipt. Over the past ten years, Nepal Telecom has been contributing significant portion of tax revenue through income tax, value added tax, tax deduction at source, property and vehicle tax and custom duty. It has also been contributing to government of Nepal through various regulatory fees. The statistical analysis demonstrated that government revenue is highly related and dependent on with the income tax, VAT and TDS contributed from Nepal Telecom. Thus, Nepal Telecom has been identified as major contributor of tax to the government of Nepal. Below given is the five years contribution to government fund by Nepal Telecom.

Table 4.9

Contribution to Government fund by NTC (billion)

2014/15	20.75
2015/16	23.10
2016/17	25.75
2017/18	30.06
2018/19	33.31

Source: Annual Report of Nepal Telecom F/Y 2014/15 to 2018/19

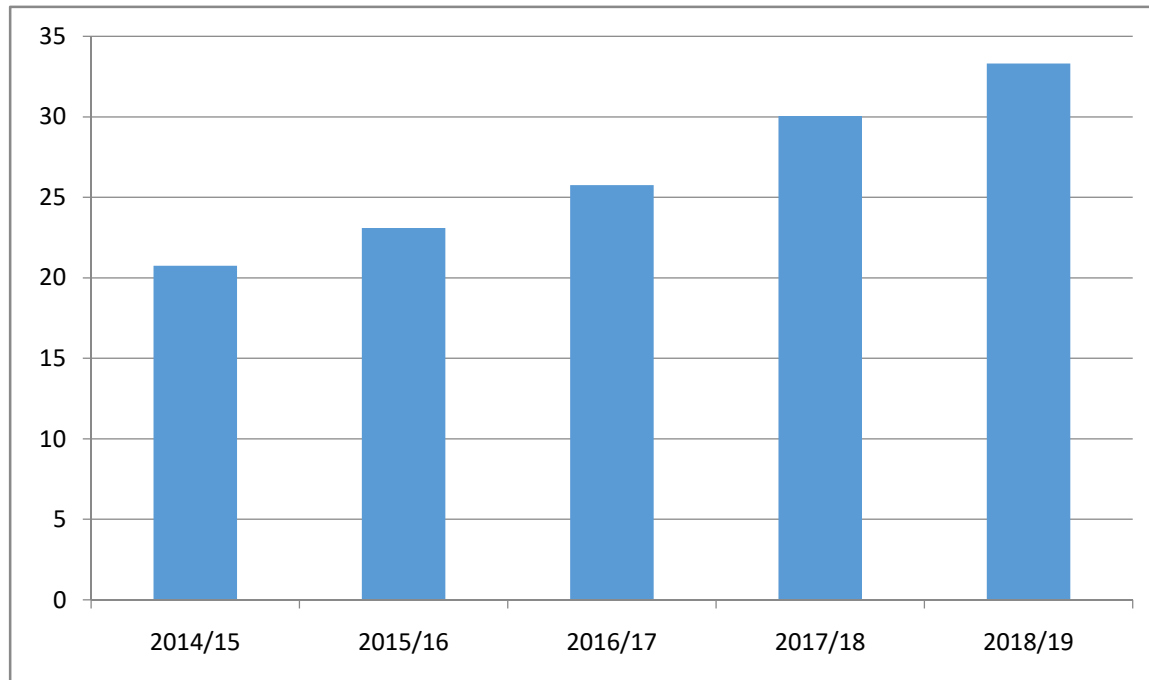


Figure 4.9 Contribution to Government fund by NTC (billion)

Above table depicts the five year contribution to government fund by Nepal Telecom. As seen in the charts the contribution is increasing yearly. Nepal Telecom plays a major role in the economy of Nepalese government. It contributes a large portion in the revenue of government. The company has made 2.48 percent contribution to GDP (Service) in review period. It shows significance of the company in the growth of national GDP. Similarly, as in previous years, company has played imperative role in the government treasury by contributing 2.9% to GDP (Service).

Nepal Telecom is continuously investing significant financial and human capital for introducing the latest technologies, services and facilities in the sector of telecommunication and information technology. The company plays a pivotal role in enhancing connectivity and bridging the digital divide. While playing a critical role in development of one of the most important aspects of national and social development, the company also provides significant contribution towards national treasury in terms of income taxes, dividends, other taxes and duties. In that way, the company makes a significant contribution towards generation of revenue for the government and prop up the economy.

4.1.10 Descriptive statistic of Current Ratio of NTC

The following explains the descriptive statistics of the current ratios of Nepal telecom of ten years.

Table 4.10

Calculation of Mean, Standard deviation and Variance of current ratio is given below:

Year	Current Ratio	X- \bar{x}	(X- \bar{x}) ²
2009/10	3.32	-0.12	0.01
2010/11	2.54	-0.90	0.80
2011/12	2.7	-0.74	0.54
2012/13	2.54	-0.90	0.80
2013/14	3.19	-0.25	0.06
2014/15	3.94	0.50	0.25
2015/16	3.88	0.44	0.20
2016/17	4.22	0.78	0.61
2017/18	4.99	1.55	2.41
2018/19	3.04	-0.40	0.16
	$\Sigma x=34.36$		$\Sigma(X- \bar{x})^2=5.86$

$$\begin{aligned}(\bar{x}) &= (\Sigma x) / n \\ &= 34.36/10\end{aligned}$$

$$= 3.4$$

$$\begin{aligned}\sigma &= \sqrt{\frac{\Sigma (X - \bar{x})^2}{N}}\end{aligned}$$

$$= \sqrt{\frac{5.86}{10}}$$

$$= 0.77$$

$$\begin{aligned}\sigma^2 &= \frac{\Sigma (X - \bar{x})^2}{N}\end{aligned}$$

$$= (0.77)^2$$

$$= 0.59$$

As per the above calculation the required mean, is 3.44, standard deviation is 0.77 and variance is 0.59. From the above calculation we can conclude that the financial condition of NTC is in good position. Utilization of current assets is properly done as per the current liabilities of the company.

4.1.11 Descriptive statistic of Capital Employed of Nepal Telecom

The following explains the descriptive statistics of the Capital Employed of Nepal telecom of ten years.

Table 4.11

Calculation of Mean, Standard deviation and Variance of Capital Employed is given below:

Year	Return on Capital Employed	X- \bar{x}	(X- \bar{x}) ²
2009/10	20.18	5.30	28.10
2010/11	16.77	1.89	3.58
2011/12	15.52	0.64	0.41
2012/13	14.55	-0.33	0.11
2013/14	14.49	-0.39	0.15
2014/15	15.21	0.33	0.11
2015/16	13.88	-1.00	1.00
2016/17	14.43	-0.45	0.20
2017/18	15.22	0.34	0.12
2018/19	8.54	-6.34	40.18
	$\Sigma x=148.79$		$\Sigma(X- \bar{x})^2=73.96$

$$(\bar{x}) = (\Sigma x) / n$$

$$= 148.79/10$$

$$= 14.88$$

$$\sigma = \sqrt{\frac{\Sigma (X - \bar{x})^2}{N}}$$

$$= \sqrt{\frac{73.96}{10}}$$

$$= 2.72$$

$$\begin{aligned}\sigma^2 &= \frac{\Sigma (X - \bar{x})^2}{N} \\ &= (2.72)^2 \\ &= 7.40\end{aligned}$$

As per the above calculation the required mean, is 14.88, standard deviation is 2.72 and variance is 7.40. From the above calculation we can conclude that the capital employed ratio of NTC on an average is 14.88. Which is comparatively good. Standard deviation and variance of from the above calculation indicates that NTC need to make more effort to generate better return from the utilization of its capital.

4.1.12 Descriptive statistic of Returns on Shareholders Equity of Nepal Telecom

The following explains the descriptive statistics of the Return of shareholders equity of Nepal telecom of ten years.

Table 4.12

Calculation of Mean, Standard deviation and Variance of Return on Shareholders Equity is given below:

Year	Return on Shareholders' Equity of NTC	X- \bar{x}	(X- \bar{x}) ²
2009/10	22.53	3.287	10.80
2010/11	26.76	7.517	56.51
2011/12	23.54	4.297	18.46
2012/13	21.07	1.827	3.34
2013/14	20.1	0.857	0.73
2014/15	17.18	-2.063	4.26
2015/16	16.26	-2.983	8.90
2016/17	16.83	-2.413	5.82
2017/18	17.54	-1.703	2.90
2018/19	10.62	-8.623	74.36
	$\Sigma x=192.43$		$\Sigma(X- \bar{x})^2=186.08$

$$\begin{aligned}
 (\bar{x}) &= (\Sigma x) / n \\
 &= 192.43/10 \\
 &= 19.24
 \end{aligned}$$

$$\begin{aligned}
 \sigma &= \sqrt{\frac{\Sigma (X - \bar{x})^2}{N}} \\
 &= \frac{186.08}{10} \\
 &= 4.31
 \end{aligned}$$

$$\begin{aligned}
 \sigma^2 &= \frac{\Sigma (X - \bar{x})^2}{N} \\
 &= (4.31)^2 \\
 &= 18.58
 \end{aligned}$$

As per the above calculation the required mean, is 19.24, standard deviation is 4.31 and variance is 18.58 From the above calculation we can conclude that the return on shareholders' equity ratio of NTC on an average is 19.24. Standard deviation and variance of from the above calculation indicates that NTC is unable to provide better return to its shareholders as per the investment provided by them.

4.1.13 Descriptive statistic of Book Value Per share of Nepal Telecom

The following explains the descriptive statistics of the Book Value per Share of Nepal telecom of ten years.

Table 4.13

Calculation of Mean, Standard deviation and Variance of Book Value PerShareis given below:

Year	Book Value Per Share of NTC	X- \bar{X}	$(X- \bar{X})^2$
2009/10	314.33	-160.579	25785.61
2010/11	301.97	-172.939	29907.89
2011/12	330.19	-144.719	20943.58
2012/13	357.57	-117.339	13768.44
2013/14	383.18	-91.729	8414.20
2014/15	539.99	65.081	4235.53
2015/16	555.83	80.921	6548.20
2016/17	608.86	133.951	17942.87
2017/18	664.43	189.521	35918.20
2018/19	692.74	217.831	47450.34
	$\Sigma x=4749.09$		$\Sigma(X- \bar{X})^2=210914.92$

$$(\bar{x}) = (\Sigma x) / n$$

$$= 4749.09/10$$

$$= 474.90$$

$$\sigma = \sqrt{\frac{\Sigma (X - \bar{x})^2}{N}}$$

$$= \sqrt{\frac{210914.92}{10}}$$

$$= 145.23$$

$$\sigma^2 = \frac{\Sigma (X - \bar{x})^2}{N}$$

$$= (145.23)^2$$

$$= 21091.75$$

As per the above calculation the required mean, is474.90, standard deviation is 145.23 and variance is 21091.75 from the above calculation we can conclude that the Book Value Per Share

of NTC on an average is 474.90 which is good. Above calculation shows that the financial condition of NTC is in good condition.

4.1.14 Descriptive statistic of Earning Per Share of Nepal Telecom

The following explains the descriptive statistics of the Earning per Share of Nepal telecom of ten years.

Table 4.14

Calculation of Mean, Standard deviation and Variance of Earning per Share of Nepal Telecom is given below:

Year	Earning Per Share	X- \bar{x}	(X- \bar{x}) ²
2009/10	71.83	-13.69	187.41
2010/11	80.8	-4.72	22.27
2011/12	77.73	-7.79	60.68
2012/13	75.33	-10.19	103.83
2013/14	77.03	-8.49	72.08
2014/15	97.04	11.52	132.71
2015/16	90.36	4.84	23.42
2016/17	103.49	17.97	322.92
2017/18	116.56	31.04	963.48
2018/19	65.05	-20.47	419.02
	$\Sigma x=855.22$		$\Sigma(X- \bar{x})^2=2307.85$

$$\begin{aligned}(\bar{x}) &= (\Sigma x) / n \\ &= 855.22/10 \\ &= 85.52\end{aligned}$$

$$\sigma = \sqrt{\frac{\Sigma (X - \bar{x})^2}{N}}$$

$$= \sqrt{\frac{2307.85}{10}}$$

$$= 15.19$$

$$\sigma^2 = \frac{\sum (X - \bar{x})^2}{N}$$

$$= (15.19)^2$$

$$= 230.74$$

As per the above calculation the required mean, is 85.52, standard deviation is 15.19 and variance is 230.74 from the above calculation we can conclude that the Earning Per Share of NTC on an average is 85.52 which is good. Above calculation shows that the financial condition of NTC is in good condition.

4.1.15 Descriptive statistic of Net Profit Margin of Nepal Telecom

The following explains the descriptive statistics of the Net profit Margin of Nepal telecom of ten years.

Table 4.15

Calculation of Mean, Standard deviation and Variance of Net Profit Margin of Nepal Telecom is given below:

Year	Net Profit Margin of NTC	X- \bar{x}	(X- \bar{x}) ²
2009/10	39.58	6.87	47.20
2010/11	37.95	5.24	27.46
2011/12	31.27	-1.44	2.07
2012/13	29.08	-3.63	13.18
2013/14	29.11	-3.6	12.96
2014/15	34.12	1.41	1.99
2015/16	30.64	-2.07	4.28
2016/17	34.47	1.76	3.10
2017/18	38.62	5.91	34.93
2018/19	22.26	-10.45	109.20
	$\sum x=327.1$		$\sum(X- \bar{x})^2=256.37$

$$\begin{aligned}
 (\bar{x}) &= (\Sigma x) / n \\
 &= 327.1/10 \\
 &= 32.71
 \end{aligned}$$

$$\begin{aligned}
 \sigma &= \sqrt{\frac{\Sigma (X - \bar{x})^2}{N}} \\
 &= \sqrt{\frac{256.37}{10}} \\
 &= 5.06
 \end{aligned}$$

$$\begin{aligned}
 \sigma^2 &= \frac{\Sigma (X - \bar{x})^2}{N} \\
 &= (5.06)^2 \\
 &= 25.60
 \end{aligned}$$

As per the above calculation the required mean, is 32.71, standard deviation is 5.06 and variance is 25.60 from the above calculation we can conclude that NTC is generating less profit from its investment. NTC should make efficient decision to decrease its cost and generate more profit from its investment.

4.1.16 Descriptive statistic of Price Earning Ratio Of Nepal Telecom

The following explains the descriptive statistics of the Price Earning Ratio of Nepal telecom of ten years.

Table 4.16

Calculation of Mean, Standard deviation and Variance of Price Earning Ratio of Nepal Telecom is given below:

Year	Price Earning Ratio of NTC (%)	X- \bar{x}	(X- \bar{x}) ²
2009/10	5.15	-1.94	3.76
2010/11	5.3	-1.79	3.20
2011/12	6.47	-0.62	0.38
2012/13	7.91	0.82	0.67
2013/14	8.51	1.42	2.01
2014/15	6.55	-0.54	0.29
2015/16	7.62	0.53	0.28
2016/17	6.6	-0.49	0.24
2017/18	6.18	-0.91	0.82
2018/19	10.65	3.56	12.67
	$\Sigma x=70.94$		$\Sigma(X- \bar{x})^2=24.36$

$$(\bar{x}) = (\Sigma x) / n$$

$$= 70.94/10$$

$$= 7.09$$

$$\sigma = \sqrt{\frac{\Sigma (X - \bar{x})^2}{N}}$$

$$= \sqrt{\frac{24.36}{10}}$$

$$= 1.56$$

$$\sigma^2 = \frac{\Sigma (X - \bar{x})^2}{N}$$

$$= (1.56)^2$$

$$= 2.43$$

As per the above calculation the required mean, is 7.09, standard deviation is 1.56 and variance is 2.43 his indicates that Price earnings Ratio of NTC is in good state. Higher P/E ratio indicates higher stock price. Stock price higher than market price indicates that the price of share is overvalued.

4.1.17 Descriptive statistic of Return on Total Assets of Nepal telecom

The following explains the descriptive statistics of the Return on Total Assets of Nepal telecom of ten years.

Table 4.17

Calculation of Mean, Standard deviation and Variance of the Return on Total Assets of Nepal Telecom is given below:

Year	Return on Total Assets of NTC (%)	X- \bar{x}	(X- \bar{x}) ²
2009/10	16.12	3.93	15.44
2010/11	15.95	3.76	14.14
2011/12	11	-1.19	1.42
2012/13	9.89	-2.3	5.29
2013/14	10.97	-1.22	1.49
2014/15	13.07	0.88	0.77
2015/16	11.93	-0.26	0.07
2016/17	12.63	0.44	0.19
2017/18	13.25	1.06	1.12
2018/19	7.17	-5.02	25.20
	$\Sigma x=121.98$		$\Sigma(X- \bar{x})^2=65.14$

$$(\bar{x}) = (\Sigma x) / n$$

$$= 121.98/10$$

$$= 12.19$$

$$\sigma = \sqrt{\frac{\Sigma (X - \bar{x})^2}{N}}$$

$$= \sqrt{\frac{65.14}{10}}$$

$$= 2.55$$

$$\sigma^2 = \frac{\sum (X - \bar{x})^2}{N}$$

$$= (2.55)^2$$

$$= 6.50$$

As per the above calculation the required mean, is 12.19, standard deviation is 2.55 and variance is 6.50 from the above calculation we can conclude that NTC is generating less return from the utilization of its assets. NTC should make efficient decision for the proper utilization of its available assets to gain more return.

4.2 Major Findings of the Study

The major findings of the study are presented in the following manner.

- The Current Ratio of NTC has declined in the FY2018/19. This indicated that NTC lack in efficient utilization of its current assets and its finances.
- Return on Capital Employed ratio of NTC has declined in FY 2018/19. This indicates NTC is unable to generate more profit from the utilization of its assets.
- Return on shareholders' equity is lowest in FY 2018/19. This indicates disability of company to provide greater return to the shareholders.
- Book Value Per Share of NTC is highest in FY 2018/19 but compared to market price it is less which means Share price of NTC is overvalued.
- Earning price of NTC is lowest in FY2018/19. Overall trend of EPS over ten years is fluctuating .This indicates NTC being unable to generate steady profit. This is the inefficiency of the management of NTC.
- Net profit Margin is lowest in FY 2018/19, which indicates that NTC has to bare more cost than profit from its sales. NTC is unable to cover its operation cost and overheads and gain more revenue from its sales.
- Price Earning Ratio of Nepal Telecom is highest in FY2018/19 which indicated that stock price of NTC is overvalued.

- Return on total Asset ratio of Nepal telecom is lowest in FY2018/19. This indicates NTC is earning less from its investment.
- Descriptive analysis of current ratio of NTC shows that the company is appropriately using its current assets as per the available current liabilities.
- Descriptive analysis of the capital employed ratio of NTC shows that the company is not efficiently utilizing its available capital to generate better return.
- Descriptive analysis of Book value per share and Earning Per Share of NTC show that the company should make efficient strategic plans to generate more return.
- Descriptive analysis of Net profit Margin ratio and price earning ratio of NTC shows that the management of NTC should make efficient decisions to increase its profit.
- Descriptive analysis of Return on Total Assets of NTC shows that the company is failing for the optimum utilization of its available assets to generate more return.
- NTC provides larger portion of its revenue to Nepal government. It plays an immense role in economic development of the nation.
- Late adoptions of technology and delay in the completion of projects have affected revenue of NTC.
- Slow growth economy and unstable political situation have affected overall economy of the country.
- Increasing competition and competitive pricing have negatively affected revenue of the company.

CHAPTER-V

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The financial analysis of NTC through various ratios in this report suggests a conclusion that the overall financial condition of NTC is good. However in 2018/19 Profit of NTC has decreased. NTC had an annual income of 269 million in the Fiscal year 2017/18. Whereas for the FY 2018/19, the income goes down by 4% to 482 million. Out of the total income, the income from its customer's decreases by NRs 2.3 billion but there is a slight increment of income from other sources like the bank interests. Similarly, the EBITDA (Earnings before Interest, Tax, Depreciation, and Amortization) also decreases by 8.7%, from 689 million to 357 million. Which is a decrement of around NRs 2.3 billion (2.3 Arba). Regarding the profit of the company, it takes a huge decline of 41%. This should be the largest dip of the profit for the No. 1 telecom company of Nepal. The profit of the company goes down by mammoth 275 million (7.2 Arba). With the decrement in the profit, the earnings per share of the company drop to Rs 65 from Rs 116. The current price of the NTC share in the market is Rs 693 which was 721 last year. The reason for the profit decline is also due to the payment of the first installment of mobile license renewal of NRs 20 billion. Despite the dispute with the regulator NTA for the payment of GSM license renewal fee, the company had to pay the whopping 20 billion amount with rescheduling to pay in 5 installments. Other reasons include the change of corporate tax from 25% to 30%, discount in recharge card sales. Descriptive analysis of NTC by using Mean, Standard Deviation and Variance shows that the overall scenario of financial condition of NTC is in good state but the company has to make effort for the optimum utilization of its resources, capital and available assets to generate better return. NTC is lacking efficient strategic plans and managerial decision to deal with the competitive market.

Over the past ten years, Nepal Telecom has been contributing significant portion of tax revenue through income tax, value added tax, tax deduction at source, property and vehicle tax and custom duty. It has also been contributing to government of Nepal through various regulatory fees. The statistical analysis demonstrated that government revenue is highly related and dependent on with the income tax, VAT and TDS contributed from Nepal Telecom. Thus, Nepal Telecom has been identified as major contributor of tax to

the government of Nepal. Complexity regarding tax assessment, improper documentation of expenses, untimely recording of transactions, mismatched balances have been recognized as existing problem in the areas of tax payment system of Nepal Telecom.

5.2 Recommendations

The following recommendation has been forwarded on the basis of findings and conclusion.

- NTC should initiate strategies to make up for the profit decline.
- NTC should make strategies to cope up with the challenging business environment.
- NTC should adopt modern and advance methods to lower its costing and increase its profit.
- The company does not have any practice of budgeting. To improve the financial condition of NTC, it should develop tactical (short) term and long-term profit planning.
- NTC is bearing comparatively higher fixed cost basically administrative and operating expenses which is not good for the organization. Therefore, the company should initiate the cost control mechanism in order to reduce it.
- NTC has made huge investment in its fixed assets so it should make efficient strategies to derive greater return from the utilization of such assets.
- NTC should focus on strong and efficient planning to cope with the competitive environment.
- NTC should also form a reliable research team to study market.
- Globally telecommunication charges are decreasing but in Nepal it is still expensive. Nepal Telecom must reduce its charges on calls, internet, data and other sectors to compete with the other telecom service provider.
- NTC should improve its management system for the proper utilization of its resources to gain better results

Appendix-I

The list of telecommunication industries in Nepal are as follow:

S.N.	Name of Telecommunication Industries	Address
1	Nepal Doorsanchar Company Limited (NTC).	Kathmandu, Nepal.
2	Axiata Group Berhad (Ncell).	Lalitpur, Nepal.
3	Smart Telecom Pvt. Ltd. (STPL).	Patan, Nepal.
4	Nepal Satellite Telecom Pvt. Ltd. (NSTPL).	Kathmandu, Nepal.
5	United Telecom Limited (UTL).	Kathmandu, Nepal.
6	Telecom Sanchar Pvt. Ltd. (STM).	Kathmandu, Nepal.

In this study, Nepal Telecom has been taken to examine the financial performance over the last ten years.

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