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**Analysis of Financial Performance of Chennai Petroleum Corporation
Limited, Chennai, India.**

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ABSTRACT

Financial analysis of mining projects can be known by studying the financial statements. Financial statements are official records of the financial actions of a company, firm or other unit over a period of time which provide a general idea of a company's financial situation in mutually short and long term. They give a precise representation of a company's condition and working results. Financial statements are sometimes used as supervision tool mainly by company executives and investor's in assessing the overall situation and working results of the company. An effort has been made in this study to analyze the financial conditions of Chennai Petroleum Ltd. This study report on ratio analysis assesses the financial strengths and weakness of Chennai Petroleum Ltd. through Financial Ratio Analysis; to evaluate the performance of the company by using ratios as a yardstick to measure the efficiency of the company, to understand the liquidity, profitability and efficiency positions of the company during the study period by using comparative balance sheet analysis, to evaluate and analyze various facts of the financial performance of the company using multi discriminant working capital analysis such as Y-Score analysis, Z-Score analysis, trend analysis, to make comparisons between the ratios during different periods by using statement of changes in working capital and making projection of the financial performance of the company using trend analysis.

Keywords: *Financial Performance, Petroleum Corporation, Ratio Analysis, Y-Score and Z-Score analysis and trend analysis*

Introduction

Financial statements are official records of the financial actions of a company, firm or other unit over a period of time which provide a general idea of a company or person's financial situation in mutually short and long term. Financial statements are used for supervision tool mainly by company executives and investors in assessing the overall status and financial condition of the company. Financial statements are required for owner, shareholder, employee, future investor, income tax department. An investor who is interested to invest his money in a mining company will be keen to know about the economic performance and financial conditions of the company to ensure profitability and better return on investment. Analysis of financial statements helps in formative the liquidity situation, long term solvency, financial feasibility and prosperity of a firm. Financial ratio analysis show whether the firm is performing well or not in past years. Furthermore, comparison of unlike aspect of the entire firms can be done efficiently with this. It helps the traders to make a decision on whether the threat is less or maximum benefit can be earned. Mining industry is capital demanding. For this reason, a lot of capital is needed to invest in it. Before taking decisions on investing in such company, one has to cautiously study its financial status and worth. Limited studies have been carried out by investigators on financial analysis of mining companies. This study envisages to carry out detailed financial analysis of various financial activities in Chennai Petroleum Ltd. and determination of different financial ratios to provide tools for judicious decision making by the investors and management of the mining company. In short, the firms

itself as well as various interested groups such as managers, shareholders, creditors, tax authorities, and others seek answers to the Following important questions:

1. What is the financial position of the firm at a given point of time?
2. How is the financial performance of the firm over a given period of time?

These questions can be answered with the help of financial analysis of a firm. Financial analysis involves the use of financial statements.

However, financial statements do not reveal all the information related to the financial operations of a firm, but they furnish some extremely useful information, which highlights two important factors profitability and financial soundness. Thus, analysis of financial statements is an important aid to financial performance analysis. Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes full diagnosis of the profitability and financial soundness of the business.

Results and Discussions

Financial statement analysis is one of the important tools for analyzing the performance of every business (Bernstein, Leopold A. 1984 and Foster, G. 1978). The comparative balance sheet was used to analyze the performance of the business.

Table 1: Analysis of Financial Statement from 2008 to 2009

PARTICULARS	2008	2009	ABSOLUTE CHANGES	CHANGE %
Sources of Funds				
1. Shareholders' Funds				
(a) Capital	14900.46	14900.46	0	0
(b) Reserves and Surplus	331551.84	291823.41	-39728.43	-11.98
Total	346452.3	306723.87	-39728.43	-11.46
2. Loan Funds				
(a) Secured Loans	51548.26	41961.64	-9586.62	-18.59
(b) Unsecured Loans	193497.36	112828.86	-80668.5	-41.68
Total	245045.62	154790.5	-90255.12	-36.83
3. Deferred Tax Liability (net)	60736.14	41400.2	-19335.94	-31.83
Total	652234.06	502914.57	-149319.49	-22.89
Application of Funds				
1. Fixed Assets				
(a) Gross Block	506589.82	516390.1	9800.28	1.93
(b) Less: Depreciation and Amortization	205410.45	230557.02	25146.57	12.24

(c) Net Block	301179.37	285833.08	-15346.29	-5.09
Capital goods work in progress	29598.48	71820.77	42222.29	142.65
2. Intangible Assets				
(a) Gross Block	6011.16	2563.08	-3448.08	-57.36
(b) less: Amortization	2303.35	1212.09	-1091.26	-47.37
(c) Net Block	3707.81	1350.99	-2356.82	-63.56
Total	334485.66	359004.84	24519.18	7.33
3. Investments	11046.61	2281.41	-8765.2	-79.34
4. Current Assets Loans and Advances				
(a) Inventories	443203.37	247027.72	-196175.65	-44.26
(b) Sundry Debtors	151069.45	101342.28	-49727.17	-32.91
(c) Cash and Bank Balances	1466.5	962.69	-503.81	-34.35
(d) Other Current Assets Interest Accrued on Investments/Bank Deposits	41.57	2.36	-39.21	-94.32
(e) Loans and Advances	19745.31	17561.65	-2183.66	-11.05
Total	615526.2	366896.7	-248629.5	-40.39
5. Less: Current Liabilities and Provisions				
(a) Current Liabilities	260506.08	223640.14	-36865.94	-14.15
(b) Provisions	48318.33	1628.24	-46690.09	-96.63
Total	308824.41	225268.38	-83556.03	-27.05
6. Net Current Assets (4-5)	306701.79	141628.32	-165073.47	-53.82
7. Miscellaneous Expenditure	0	0	0	0
Total	652234.06	502914.57	-149319.49	-22.89

Interpretation

1. There was a decrease in the working capital by Rs. 165073.5 lakhs and decrease in the current assets by 40 %. This clearly shows that there has been under utilization of the working capital and consequently the investments for the same year have also gone down by 79 %.
2. The years reserve and surplus were reduced by 11 % indicating that the profits have gone down compared to the previous financial year.

3. Though there was 14 % increase in sales, the total expenditure had sharply risen by 16 % and resulting in reduced profitability margin to the company.

Table 2: Analysis of Financial Statement from 2009 to 2010

PARTICULARS	2009	2010	ABSOLUTE CHANGES	CHANGE %
Sources of Funds				
1. Shareholders' Funds				
(a) Capital	14900.46	14900.46	0	0
(b) Reserves and Surplus	291823.41	331308.11	39484.7	13.53
Total	306723.87	346208.57	39484.7	12.87
2. Loan Funds				
(a) Secured Loans	41961.64	40689.66	-1271.98	-3.03
(b) Unsecured Loans	112828.86	367099.23	254270.37	225.35
Total	154790.5	407788.89	252998.39	163.44
3. Deferred Tax Liability (Net)	41400.2	57595.45	16195.25	39.11
Total	502914.57	811592.91	308678.34	61.37
Application of Funds				
1. Fixed Assets				
(a) Gross Block	516390.1	544472.92	28082.82	5.43
(b) Less: Depreciation and Amortization	230557.02	253579.43	23022.41	9.98
(c) Net Block	285833.08	290893.49	5060.41	1.77
Capital goods work in progress	71820.77	128073.93	56253.16	78.32
2. Intangible Assets				
(a) Gross Block	2563.08	3792.33	1229.25	47.95
(b) Less: Amortization	1212.09	1772.62	560.53	46.24
(c) Net Block	1350.99	2019.71	668.72	49.49
Total	359004.84	420987.13	61982.29	17.26
3. Investments	2281.41	2342.89	61.48	2.69
4. Current Assets Loans and Advances				

(a) Inventories	247027.72	437824.08	190796.36	77.23
(b) Sundry Debtors	101342.28	85431.01	-15911.27	-15.70
(c) Cash and Bank Balances	962.69	1434.18	471.49	48.97
(d) Other Current Assets Interest Accrued on Investments/Bank Deposits	2.36	1.86	-0.5	-21.18
(e) Loans and Advances	17561.65	40633.1	23071.45	131.37
Total	366896.7	565324.23	198427.53	54.08
5. Less: Current Liabilities and Provisions				
(a) Current Liabilities	223640.14	154699.17	-68940.97	-30.82
(b) Provisions	1628.24	22362.17	20733.93	1273.39
Total	225268.38	177061.34	-48207.04	-21.39
6. Net Current Assets (4-5)	141628.32	388262.89	246634.57	174.14
7. Miscellaneous Expenditure	0	0	0	0
Total	502914.57	811592.91	308678.34	61.37

Interpretation

1. With the expansion of CDU-III and increased capacity utilization of 11.5 MMTPA, the financial year had a great increase in its loans by 163 % and the also the net current assets had risen by 174%.
2. Inventories increased by 77% and the cash and bank balances increased by 49 % indicating a significant rise in the profitability of the concern.
3. The sales had decreased by 22 % and the working capital had increased by 174 % which indicates an effective utilization of the resources and the profits rose to Rs. 60321.95 lakhs.

Table 3: Analysis of Financial Statement from 2010 to 2011

PARTICULARS	2010	2011	ABSOLUTE CHANGES	CHANGE %
Sources of Funds				
1. Shareholders' Funds				
(a) Capital	14900.46	14900.46	0.00	0

(b) Reserves and Surplus	331308.11	361692.10	30383.99	3.74
Total	346208.57	376592.56	30383.99	3.74
2. Loan Funds				
(a) Secured Loans	40689.66	22535.94	-18153.72	-2.23
(b) Unsecured Loans	367099.23	399717.33	32618.10	4.01
Total	407788.89	422253.27	14464.38	1.78
3. Deferred Tax Liability (Net)	57595.45	60447.22	2851.77	0.35
Total	811592.91	859293.05	47700.14	5.87
Application of Funds				
1. Fixed Assets				
(a) Gross Block	544472.92	624627.3	80154.36	9.87
(b) Less: Depreciation and Amortization	253579.43	282792.4	29212.93	3.59
(c) Net Block	290893.49	341834.9	50941.43	6.27
Capital goods work in progress	128073.93	115590.4	-12483.52	-1.53
2. Intangible Assets				
(a) Gross Block	3792.33	4215.42	423.09	0.05
(b) Less: Amortization	1772.62	2420.03	647.41	0.079
(c) Net Block	2019.71	1745.39	-274.32	-0.03
Total	420987.13	459170.7	38183.59	4.70
3. Investments	2342.89	2250.45	-92.44	-0.01
4. Current Assets Loans and Advances				
(a) Inventories	437824.08	511298.27	73474.19	9.05
(b) Sundry Debtors	85431.01	198398.12	112967.11	13.91
(c) Cash and Bank Balances	1434.18	1236.53	-197.65	-0.02
(d) Other Current Assets Interest Accrued on Investments/Bank Deposits	1.86	3.36	1.50	0.0001
(e) Loans and Advances	40633.1	53341.56	12708.46	1.56
Total	565324.23	764277.84	198953.61	24.51
5. Less: Current Liabilities and Provisions				
(a) Current Liabilities	154699.17	338834.27	184135.10	22.68

(b) Provisions	22362.17	27571.69	5209.52	0.64
Total	177061.34	366405.96	189344.62	23.32
6. Net Current Assets (4-5)	388262.89	397871.9	9608.99	1.18
7. Miscellaneous Expenditure	0	0	0.00	0
Total	811592.91	859293.1	47700.14	5.87

Interpretation

1. This year's financial status has been moderate with barely notable increase in net current assets by 1.2 % and the working capital has seen a marginal increase of 2 % compared to the previous year.
2. The net sales have increased by 32 % showing effective capital utilization and increase in inventory by 16 %.
3. The reserves and surplus has increased by 9 % compared to the previous year showing a better profitability margin.

Statement of Changes in Working Capital

Table 4: Statement of Changes in Working Capital from 2008 to 2009

PARTICULARS	2008	2009	INCREASE DECEASE	CHANGE %
Current Assets				
Inventories	443203.37	247027.72	-196175.65	-44.26
Sundry Debtors	151069.45	101342.28	-49727.17	-32.91
Cash & Bank Balance	1466.5	962.69	-503.81	-34.35
Loans & Advances	41.57	2.36	-39.21	-94.32
Others	19745.31	17561.65	-2183.66	-11.05
Total CA (A)	615526.2	366896.7	-248629.5	-40.39
Current Liabilities				
Liabilities	260506.08	223640.14	-36865.94	-14.15
Provisions	48318.33	1628.24	-46690.09	-96.63
Total CL (B)	308824.41	225268.38	-83556.03	-27.05
Working Capital (A-B)	306701.79	141628.32	-165073.47	-53.82

Interpretation

The year explains a sharp decrease in the working capital and was contributed by an all-time increase in the current liabilities which decreased by 27 %; that is Rs. 83556.03 lakhs. The working capital stood at Rs. 141628.32 lakhs which is less by Rs. 165073.5 lakhs when compared to the previous year.

Table 5: Statement of Changes in Working Capital from 2009 to 2010

PARTICULARS	2009	2010	INCREASE DECEASE	CHANG E %
Current Assets				
Inventories	247028	437824.08	190796.36	77.23
Sundry Debtors	1013428	85431.01	-15911.27	-15.70
Cash & Bank Balance	962.69	1434.18	471.49	48.97
Loans & Advances	2.36	1.86	-0.5	-21.18
Others	17561.7	40633.1	23071.45	131.37
Total CA (A)	366897	565324.23	198427.53	54.08
Current Liabilities				
Liabilities	223640	154699.17	-68940.97	-30.82
Provisions	1628.24	22362.17	20733.93	1273.39
Total CL (B)	225268	177061.34	-48207.04	-21.39
Working Capital (A-B)	141628	388262.89	246634.57	174.14

Interpretation

The installation of CDU-III was backed up by a sharp increase in the overall working capital by a percentage of 74 %. The current assets increased by 54 % and the increase in inventories by 77% explain why the sales and profit increased for the financial year.

Table 6: Statement of Changes in Working Capital from 2010 to 2011

PARTICULARS	2010	2011	INCREASE DECREASE	CHANGE %
Current Assets				
Inventories	437824.08	511298.27	73474.19	16.78
Sundry Debtors	85431.01	198398.12	112967.11	132.23
Cash & Bank Balance	1434.18	1236.53	-197.65	-13.78
Loans & Advances	1.86	3.36	1.5	80.64
Others	40633.1	53341.56	12708.46	31.27
Total CA (A)	565324.23	764277.84	198953.61	35.19
Current Liabilities				
Liabilities	154699.17	338834.27	184135.1	119.02
Provisions	22362.17	27571.69	5209.52	23.29
Total CL (B)	177061.34	366405.96	189344.62	106.93
Working Capital (A-B)	388262.89	397871.88	9608.99	2.47

Interpretation

The year explained a good increase in sales but a marginal increase in inventories and working capital highlighting the optimum utilization of the stocks. The working capital had a rise of 3 % when compared to the previous year with notable increase in current liabilities and sundry debtors.

Multi Discriminant Working Capital Analysis- Y Score Analysis

$$\text{Y Score} = 14.5166 V_2 + 0.0015 V_{25} + 0.8715 V_{31} + 0.7914 V_{35}$$

V_2 = Cash flow /

Total tangible assets

V_{25} = Current asset / Current Liabilities

V_{31} = Net Sales / Total tangible assets

V_{35} = Defensive assets / Total operating expenses

V_2

Year	Net Changes in Cash Flow	Intangible Assets	V_2
2008	324.36	334485.66	2008
2009	503.81	359004.84	2009
2010	471.49	420987.13	2010
2011	197.65	459170.72	2011

V_{25}

Year	CA	C 1	V_{25}
2008	615526.2	308824.41	1.99
2009	366896.7	225268.38	1.62
2010	565324.23	177061.34	3.19
2011	764277.84	366405.96	2.08

V_{31}

Year	Net Sales	Total Tangible Assets	V_{31}
2008	2801860.17	927752.18	3.02
2009	225268.38	655011.19	4.87
2010	177061.34	858560.61	2.90
2011	366405.96	1108363.21	2.98

$$\mathbf{Y\ Score} = 14.5166 V_2 + 0.0015 V_{25} + 0.8715 V_{31} + 0.7914 V_{35}$$

Year	Y-Score
2008	2.64
2009	4.27
2010	2.55
2011	2.61
AVG	2.95

Interpretation

According to Graham, Benjamin 1975, interpretation of financial statement is very useful for making managerial decision in every organization. To check the overall efficiency of working capital management, the technique of Multi discriminant analysis has been developed, which may also be termed as Y Score analysis. If Y score is above or equal to 1.7069 it is said that management of working capital is effective, otherwise it is ineffective. From the above figures it could be clearly seen that the company is able to manage its working capital effectively. The working capital figures have been pretty consistent over the past few years and also, it's visible that it is rising steadily with increase in net sales.

Z-SCORE

The Z score model is a linear analysis in that five measures are objectively weighted and summed up to arrive at an overall score that becomes the basis for classification of firms into one of the priority groupings (distressed and non-distressed). According to Auchterlonie, D.L. 1997, Z score analysis has been done in order to analyze the overall performance evaluation of the company. Z score is the overall index of corporate health and may be arrived by using the standardized formula.

Z =1.2	X	(Working Capital/Total Assets)
1.4	X	(Retained Earnings/Total Assets)
0.6	X	(Market Value of Equity/Book Value of Debt)
0.999	X	(Sales/Total Assets)
3.3	X	(EBIT/Total Assets)

Expected Outcome

Year	Probability of Failure
Less than 1.8	Very High
Greater than 1.81 but less than 2.99	Not Sure
Greater than 3.0	Unlikely

(Working Capital / Total Assets)

Year	Total Assets	Working Capital		*1.2
2008	927752.18	306701.79	0.33	0.39

2009	655011.19	141628.32	0.22	0.25
2010	858560.61	388262.89	0.45	0.54
2011	1108363.210	397871.88	0.36	0.43

(Retained Earnings/Total Assets)

Year	Retained Earnings	Total Assets		*1.4
2008	331551.84	927752.18	0.35	0.50
2009	291823.41	655011.19	0.44	0.62
2010	331308.11	858560.61	0.38	0.54
2011	361692.1	1108363.210	0.32	0.45

(Market Value of Equity/Book Value of Debt)

Year	Equity	Debt		*0.6
2008	346452.3	927752.18	0.35	0.84
2009	306723.87	655011.19	0.44	1.188
2010	346208.57	858560.61	0.38	0.50
2011	376592.56	1108363.210	0.32	0.535118499

(Sales / Total Assets)

Year	Total Assets	Net Sales		*0.999
2008	927752.18	2801860.17	3.02	3.01
2009	655011.19	3196390.63	4.87	4.87
2010	858560.61	2497262.84	2.90	2.90
2011	1108363.210	3310781.82	2.98	2.98

(EBIT / Total Assets)

Year	EBIT	Total Assets		3.3
2008	191643.7	927752.18	0.20	0.68
2009	-36944.8	655011.19	-0.05	-0.18
2010	82111.94	858560.61	0.09	0.31
2011	101797.2	1108363.210	0.09	0.30

Year	Z-Score
2008	5.44
2009	6.76
2010	4.81
2011	4.70
AVG	5.21

Interpretation

The result clearly indicates that with an overall score of 5, it is highly impossible for the company to face bankruptcy in the near future or face any sorts of failure that would have a major impact on the company's profit or performance. This explains Altman, E.I. 2000, theory of Predicting Financial Distress of Companies using Z-Score.

Trend Analysis

Trend analysis usually involves choosing one fiscal period as a base period and then expressing subsequent quantities as a percentage of the data associated with this base period. The process may involve comparing past and current financial ratios as they related to various institutions in order to project how long the current trend will continue.

Complete Balance Sheet Figures for The Past Six Years

PARTICULARS	20080-9	2009-10	201-11
Sales	3196390.63	2497262.84	3310781.82
PBIT	-36944.82	82111.94	101797.2
Interest	22366.18	13735.53	25445.5
Depreciation	25716.69	26714.19	31447.35
PBT	-59311	68376.41	76351.7
PAT	-39728.43	60321.95	51152.22
Current Assets	366896.7	565324.23	764277.84
Current Liabilities	225268.38	177061.34	366405.96
Working Capital	141628.3	388262.89	397871.88
Net Fixed Assets	285833.08	290893.49	341834.92
Capital Employed	585203.64	598371.65	857547.66
Net Worth	306723.87	346208.57	376592.56
Debt Equity	154790.50	407788.89	422253.27
EPS	-26.68	40.51	34.35
Dividend (%)	-	120	120

Trend analysis forecasting

According to Ohlson, J.A. Spring 1980, financial ratios are used to predict future performance of the business. Trend analysis can also be used to forecast the performance of the company in the near future and this is done in two ways:

1. Trend analysis forecasting, and
2. Trend analysis forecasting by extrapolation of the trend lines.

Trend analysis forecasting

Year	Net Sales	Profit	Working Capital
2008	2801860.17	112295.4	306701.79
2009	3196390.63	39728.43	141628.32
2010	2497262.84	60321.95	388262.89
2011	3310781.82	51152.22	397871.88

With the given data for 4 years, the future sales, profit and working capital can be predicted for the next 4 years using excel spreadsheet which uses slope and intercept formulas to forecast the required values. The values are given below:

Year	Net Sales	Profit	Working Capital
Slope	184801.99	1311.54	39608.06
Intercept	368443392.4	2695596.63	79282494.65

Projected Figures

Year	Net Sales	Profit	Working Capital
2012	3378226.95	56763.21	408941.61
2013	3563028.95	55451.66	448549.68
2014	3747830.95	54140.12	488157.75
2015	3932632.95	52828.57	527765.82

Trend analysis forecasting using trend line

Trend analysis forecasting can be done by drawing a trend line with reference to the previous years of data. The data for six years are given below for which trend analysis forecasting is to be carried out.

Year	Net Sales	Profit	Working Capital
2008	2801860	112295.4	306701.79
2009	31963901	39728.43	141628.32
2010	2497263	60321.95	388262.89
2011	3310782	51152.22	397871.88

Sales vs net profit

Pat vs Sales

Working capital vs sales

Projected figures

Year	Net Sales	Profit	Working Capital
2012	3500000	56000	405000
2013	3750000	54000	450000
2014	4000000	52000	495000
2015	4250000	50000	540000

Findings

1. The two-trend analysis provides us with tentative sales, profit and working capital figures which seem to be approximately similar in both the methodologies providing us with a seemingly accurate data for the future.
2. These data are handy in determining the profitability for the firm but it's highly impossible to deduce accurate information on the profit of the firm as it is interdependent on various other parameters apart from sales, for instance operating expense, interest to be paid and the capital employed. This clearly justifies the concept by Saville, A. in 2004, "Improving the Usefulness of Accounting Data in Financial Analysis."
3. The net sales as been constantly increasing over the past few years and the trend indicates 8-9 % increase and the trend line has been drawn with this in mind and the sales figures has been estimated. It is observed that at the end of 2015 an estimated sale of above 29 % can be observed assuming the current year to be the base.
4. An annual increase of 10-11 % can be observed in the working capital and an overall increase of 38-39 % for the next 4 years with 2011 as base can be obtained.
5. The profit of the company has been fluctuating and is difficult to determine the exact trend variations; nevertheless, the analysis indicates a definite drop in the profit for about 3 %. It is to be noted that the profits of the company is interdependent on various factors and sales is one important parameter based on which the analysis has been formulated.

Conclusion

The trend analysis results show that the company will show increased sales figure with moderate increase in its profits and strengthened working capital and its effective utilization. The study on the financial performance analysis indicates that the company has been following a steady growth pattern in its profit and its expansion and adequate amount of projects in hand clearly indicates that the company is on par with any of its competitors and will seemingly go ahead to provide a better financial pattern in the years to come.

Recommendations

1. The company is effective in managing its costs like miscellaneous expenditure etc but it can further try cost effective techniques like ABC analysis to save more cost.
2. The loan amount has been increasing over a few years owing to the increasing number of projects in hand and also its expansion of capacity utilization indicating the growth of the company. The loan amount has increased by 6 % and consequently the reserves and surplus have also been risen which is a good sign for the financial health of the company and more utilization from these amounts can be encouraged to strengthen the company's stability. Profit maximization is important in financial management of a company (Gitman, L.J. 2004 and Pandey, I M 2010).
3. There has been a notable decrease in the cash and bank balances which can be checked in as it is also a valuable asset that would be handy in the future. It is a measure of safety by keeping the reserves and surplus and the cash balance of the company growing.
4. The investments have also decreased by an amount of 10 % in the past six years which can be checked.
5. Defensive assets which are low risk returns can be increased and the company can invest more on its R & D policies which can be fruitful in the long run.
6. The debt equity ratio has decreased from 1.20 to 1.12 in the past six years and this is because of rising in borrowings to fund and the rising cost of Raw Material and for the CDU-III expansion 11.5 MMTPA. This also indicates that the lenders have higher claim over net assets and needs to be concentrated. This prove the concepts in the "Return on Equity" by De Wet, J.H.v.H. & du Toit, E. 2007 which clearly explain that increasing debt affect shareholder's returns. The higher the debt, the lesser the returns.

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