

A Study on Prediction of Bankruptcy of selected Indian Power Sector Companies: An Application of Altman's Z-score Model

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ABSTRACT

India is the country, which has the fifth-largest power generation capacity in the world and stands third globally in terms of electricity production. Financial distress is a major concern in India's power sector. Prediction of the bankruptcy of Indian power companies is the need of an hour to take remedial steps which will help all its stakeholders and the concerned company. This study focuses on the prediction of bankruptcy of selected Indian power companies (within two years from the year of study) and its financial soundness by application of the Altman's Z score model. The objectives of this study are to measure and evaluate the financial health of selected power companies operating in India, to identify the degree of proximity of selected companies to fall into bankruptcy and to suggest suitable measures on the basis of analysis to overcome the risk of bankruptcy. Altman's Z score model has been adopted to analyse the financial health of selected companies under study. This study attempts to examine the financial health of the selected power generation / distribution companies including private and public. Secondary data is used for the study. It covers a sample of 8 power generation / distribution utilities listed in India using the Z score. From the study, it is observed that most of the sample companies are falling in the distress zone. Thus, there is an urgent need for the management of the company to examine and reduce the financial distress of the firms.

KEYWORDS: Bankruptcy prediction, Altman Z- score, Indian power sector.

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