



ISSN 2278 – 0211 (Online)

Finance & Other Expenses as Important Cost Component: An Analysis with Special Reference to Individual Units of ITI Ltd, India

Dr. S. John Manohar

Professor, BMS College of Engineering, Bangalore, India

Abstract:

The public sector undertakings (PSUs) in India are playing a very vital role in the growth of the Indian economy. Indian Telephone Industries Limited (ITI Limited), as India's first public sector enterprise, operated in the Telecommunication industry and its main business is in the area of manufacturing, installation and commissioning of Telecom Equipment. The change in technology from wire line to wireless along with increased emphasis on software driven to hardware has made it difficult for ITI to increase its value addition on the in-house manufactured products. This coupled with the drastic reduction in prices on the orders available from BSNL/MTNL has added to the miseries of ITI. The present study is under taken to analyze the finance and other expenses as important cost component in ITI Company especially with reference to the individual units and data for a period of 11 years have been used for this study because the company has started incurring losses for the last eleven years continuously. Correlation Analysis and Multiple Regression Analysis are the analytical tools used for the data analysis. ITI, with its already sunk cost, should be price competitive as compared to any other telecom equipment manufacturing company, which creates large infrastructure at today's prices. Hence, suggestions have been made which would increase the profitability of the company. Thus, ITI Limited can turnaround in near future and is expected to go back to the old glorious days of ITI as a joint public sector Telecommunication company in India.

Keywords: *The public sector undertakings (PSUs), Indian economy, Telecom industry, Telecommunication industry, Telecom Equipment, PSU revival.*

1. Introduction

The public sector undertakings (PSUs) in India are playing a very vital role in the growth of the Indian economy. The prosperity of any country depends on the performance of its corporate sector. The corporate sector has been assigned a major role as the driver of growth and development process on the country's economy. Corporate sector is the lifeline of a nation's economic development. Many PSUs are strengthened by the Government in order to provide more employment opportunities to the youth and upliftment of villages and rural area of our country ITI is one of the pioneer companies among them.

Indian Telephone Industries Limited (ITI Limited) is India's first enterprise under public sector and was started in the year 1948. Subsequently, on 25th January 1950, under the Mysore Companies Act, 1938, ITI was incorporated as a company. ITI operated in the Telecommunication industry and its main business is in the area of manufacturing, installation and commissioning of Telecom Equipment(<http://www.itilt-d-india.com/>), [online] [accessed on 15-10-2015].

ITI like almost all the other Public Sector Enterprises in India came up during the times when Government of the day wanted to widen the Industrial base of the country and also provide employment opportunities to the millions of Indians who resided in the hinterland of the country. ITI met these objectives of Government of India by setting up its manufacturing plants in various locations around the country, namely, Rae-Barelli, Naini, Mankapur, Palakkad, Bangalore and Srinagar. ITI also recruited people locally from these locations for its manufacturing operations. Its manpower strength in the early part of its history was around 30,000 personnel which has come down approximately around, 6177 personnel as on 31.03.2015 (<http://www.itilt-d-india.com/>), [online] [accessed on 15-10-2015].

2. Statement of the Problem

The change in technology from wire line to wireless along with increased emphasis on software driven hardware has made it difficult for ITI to increase its value addition on the in-house manufactured products. This coupled with the drastic reduction in prices on the orders available from BSNL/MTNL has added to the miseries if ITI. The tough tender conditions of BSNL/MTNL along with harsh payment terms make the cash conversion cycle of ITI very long leading to poor working capital situation. ITI has had to resort to large

scale borrowings at the market rates to fund its operational expenditure which have led to the high finance related expenses compounding the already high losses. The present scale of operation cannot support the high level of debt on its books.

The most of the manpower available with ITI at the operational level is more attuned to the wire line technology and has just begun to understand the intricacy of the mobile technology. In addition to this, most of the manpower [75%] of ITI is in the higher age bracket of [50-55] (<http://www.itilt-d-india.com/>), [online] [accessed on 15-10-2015]. The social cost (Excess Manpower and Welfare related infrastructure) adds to the difficulties of ITI and has been a big cause of financial losses for ITI. To counter the effect of these financial and operational problems, ITI embarked upon a series of measures to reduce the employee cost, finance cost, and overhead expenses and the improvement of its working capital. The reasons for sickness or sub-optimal performance are strategic and management issues such as manpower, working capital, finance issues, social infrastructure, skill gap, technological and marketing access issues.

After the year 2000 when DOT was corporatized and with advent of mobile telephony in India the market facing ITI became even more competitive. There was a rapid technology change which resulted in increased usage of mobile technology over Wire line technology. Consequent to these changes in policies and telecom scenario, the cost plus equipment pricing structure on the basis of BICP agreement with the Government ceased to exist and ITI had to supply equipment with quoted price of the competitor [who is the lowest bidder in the Tenders], which did not cover all the costs that were getting factored into the equipment pricing. ITI has been referred to BIFRu/s. 31(o) with effect from 31.03.2004(<http://www.itilt-d-india.com/>), [online] [accessed on 15-10-2015].

Based on above statements the study is undertaken to analyze the use of Working Capital as a growth strategy of ITI Company as a whole in India and to study, on this line, the objectives framed hereunder.

3. Objectives of the Study

The study has been undertaken with the following objectives:

1. To study the Background and Profile of the ITI Ltd company as a whole in India
2. to study the finance & other expenses as cost component of individual units of *ITI Ltd.*, in India
3. To give suitable suggestions and recommendations for the formulations of policies and framing suitable strength for its revival.

4. Scope of the Study

The study aims to make an analysis of the finance and other expenses as cost component of individual units of *ITI Ltd.*, in India. The study aims at studying the background and profile of ITI Ltd., as a whole and will bring out certain factors that influence the financial performances in terms of finance and other cost components. Suggestions are provided to the less efficiency areas of the company of ITI Ltd to improve their operational efficiency. The finding of the study would help the company to improve their business activities towards enhancing financial performance.

5. Research Methodology

5.1. Sampling Design

The study is confined to ITI Limited Company as a whole in India. The data for the study has been collected mainly from published annual accounts of the company and magazines. The required data for a continuous period of 11 years (2002-03 to 2012-13) was collected from various published records pertaining to individual units of the company as a whole. The study period with regard to the data was for 11 years from 1st April 2002 to 31st March 2013 for the analysis because the company has started incurring losses for the last eleven years continuously.

5.2. Sources of Data

Since, only secondary data was required for this study, the same was obtained from published records of the individual units of the ITI Ltd Company. It refers to the data collected by various sources like, profiles of the company. Published source of the company like annual reports, monthly magazines "Dooravanis" released by all units of the company, induction handbook, books of accounts, web sites etc.

5.3. Statistical Tools

The statistical tools used for the data analysis are Correlation Analysis and Multiple Regression Analysis.

5.4. Significance of the Study

The ITI has played an important role in the Telecommunication field of the country and ultimately this will be helpful to the growth of the Indian Economy. It also helps the policy makers to decide on revisiting the policy and implementing the same. The study will benefit the investors in making better investment decisions. The result of the analysis will be useful to all the stock holders, namely, Government, Bankers, financial institutions, employees, customers and public in knowing the financial condition of the units in particular and ITI Ltd as a company in general.

5.5. Limitations of the Study

The study has the following limitations

- 1) This study was restricted only the other units of ITI limited company in India.
- 2) Some of the findings of this study may not directly reflect the management's financial policy as policies are influenced by so many factors.
- 3) Secondary data, extracted from published financial statements of the company, has been used for this study. Hence, the study incorporates all the limitations that are inherent in the condensed published financial statement.

6. Review of Literature

In order to obtain conceptual knowledge about the subject matter, the relevant literature consisting of text books, research articles and research studies were reviewed. Any study on a new subject always throws light on some exiting new information. But it can be appreciated only when studies in consonance with the past knowledge is related with the contemporary new thinking in the subject. So the existing studies provided the foundation for the study. The literature of the studies was vast and varied. Some of the important case studies have been presented below which h are relevant to this thesis.

- Sahu R.K. (2000) in his research on corporate profitability of 100 non-financial and non-government public limited companies in the eastern India with financial data for a period of ten years from 1984 onwards using multivariate approach, arrived at the conclusion that a single index would not be sufficient to measure the comparative performance of profitability of the companies.
- Sur, D. (2012) in his attempt to study the relationship between two variables, namely the liquidity and profitability, of Indian Private sector enterprises in the case of Aluminium producing industry, had concluded that there exists a very high degree of positive correlation.

He also found that liquidity variables, put together, would jointly influence the profitability of the selected companies. He had finally concluded that low liquidity and poor profitability would also become the cause for sickness for any company.

- Dr. D. Raghunatha Reddy & P. Kameshwarl (2004) in their research on Cipla Limited concluded that the working capital appear to have been effectively utilized for generating funds from sales. They have studied the performance of the company elaborately and found that the company could manage the financial crises because of the realization of credit sales made periodically and fully utilization of the funds towards the production activities of the company.
- Dr. J. Gayathri (2015) has made an attempt on previous study based on financial performance of Indian Textile Industry. Most of the existing studies reveal with different measurement technique to analyse the financial performance is yet to develop.
- Ramachandra Reddy and Yumraja Reddy (2007) in their study on financial performance of the selected cement companies in Andhra Pradesh, concluded that except Earnings per share all other factors namely rate of return on Net Worth, Capital Labour productivity, Earnings per share, Economic value added, Return on Sales, Return on Total Assets and Cash profit on Market Value Added Wench, were found to have significant impact on market value added.

The reviews of literature have shown the above highlighted how the industry has become turnaround from the sickness. A cursory look at the research works and literature reviewed on financial performance revealed that many of the studies have used financial statement ratios and some of the statistical tools for analysing the company's performance. This chapter helps in understanding the significance of the study relating to financial performance. As much attention has not been given to studies relating to measurement of the financial and operational efficiency, this study has been taken up to measure the Financial and operational efficiency more effectively with special reference with the ITI LIMITED a premier Public Sector Undertaking company of our country and its different units located in all over India: Hence this chapter has been of great help in indicating the right direction towards the research work.

7. Profile of the ITI Limited Company as a Whole in India

ITI has its Registered & Corporate Office located at Doorvaninagar, Bangalore [Karnataka] (www.dot.gov.in). [online], [last accessed on 15-12-2015]. In order to meet the fast growing demand of telecommunication network and also to provide employment to local popular by developing backward areas, over a period of time, the Government of India, widened ITI Ltd., company's manufacturing bases in the states of Jammu & Kashmir [one unit at Srinagar], Uttar Pradesh [One unit each at Naini, Rae Bareli and Mankapur] and Kerala [at Palakkad]. ITI has provided livelihood to thousands of employees, directly and indirectly, all over the country (<http://www.italtd-india.com/>), [online] [accessed on 15-10-2015]. All the manufacturing Plants are accredited with ISO 9001-2000 standards. Besides well-established infrastructure in its six manufacturing plants across the four States, ITI has a geographically wide spread Marketing set up through its 8 Regional Offices with 34 Area Offices, spread across the country.

8. Analysis and Interpretation

To measure the relationship between dependent (Profit) and independent variables namely Sales, Employee Cost, Finance Cost & Other Expenses Correlation analysis has been done. And also to measure the combined influence of select independent variables over dependent variable (i.e.) Profit, Multiple regression analysis has been employed.

8.1. Bangalore Plant

➤ Correlation Analysis:

- Sales - Sales and Profit are positively correlated. The coefficient of determination (r^2) shows that sales accounts for 6.90 per cent of the variation in the level of profit.
- Employee Cost - Employee Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that employee cost accounts for 1.60 per cent of the variation in the level of profit.
- Finance Cost - Finance Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that Finance Cost accounts for 15.20 per cent of the variation in the level of profit.
- Other Expenses - Other Expenses and Profit are negatively correlated. The coefficient of determination (r^2) shows that other expenses accounts for 0.40 per cent of the variation in the level of profit

SI No.	Variables	Correlation		Multiple Regression		
		R	R ²	REGRESSION COEFFICIENT	STANDARD ERROR	t
1	Sales	0.262	0.069	0.013	0.052	0.244
2	Employee cost	0.126	0.016	-1.542	2.568	0.600
3	Finance cost	-0.390	0.152	-2.537	2.135	-1.188
4	Other expenses	0.066	0.004	-0.207	1.016	0.204

Table 1: Bangalore Plant

Constant: - 64.174 / Std. Error of Estimate: 155.479 / R^2 : -0.224 / R^2 : 0.266

➤ Multiple Regression Analysis:

- Sales - The regression coefficient indicates that Sales positively influence Profit, as the regression coefficient value 0.013 obtained indicates that increase in sales by one unit will correspondingly increase the profit by 0.013 units. Higher the sales, higher will be the Profit.
- Employee Cost - The regression coefficient indicates that employee cost negatively influences profit, as the regression coefficient value 1542 indicates that increase in employee cost by one unit will decrease profit by 1542 units. Higher employee cost will lead to lower the Profit.
- Finance Cost - The regression coefficient indicates that finance cost negatively influences profit, as the regression coefficient value - 2.537 obtained indicates that increase in finance cost by one unit will correspondingly decrease the profit by 2.537 units. Higher finance cost lead to lower Profit.
- Other Expenses - The regression coefficient indicates that Other Expenses negatively influence Profit, as the value of regression coefficient -0.207 obtained indicates that increase in other expenses by a unit will decrease profit by 0.207 units. Higher the other expenses, lower would be the Profit.

8.2. Palakkad Plant

➤ Correlation Analysis:

- Sales - Sales and Profit are positively correlated. The coefficient of determination (r^2) Shows that the sales accounts for 26.20 per cent of the variation in the level of profit.
- Employee Cost - Employee Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that employee cost accounts for 5.10 per cent of the variation in the level of profit.
- Finance Cost - Finance Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that finance cost accounts for 0.30 per cent of the variation in the level of profit.
- Other Expenses - Other Expenses and Profit are negatively correlated. The coefficient of determination (r^2) shows that other expenses accounts for 15.50 per cent of the variation in the level of profit

SI No.	Variables	Correlation		Multiple Regression		
		R	R ²	REGRESSION COEFFICIENT	STANDARD ERROR	t
1	Sales	0.511	0.262	0.127	0.059	2.150
2	Employee cost	-0.225	0.051	-3.893	3.126	-1.246
3	Finance cost	-0.050	0.003	-0.490	0.594	-0.824
4	Other expenses	-0.393	0.155	-0.366	0.928	-0.395

Table 2: Palakkad Plant

Constant: 67.358 / Std. Error of Estimate: 61.566 / R^2 : 0.219 / R^2 : 0.531

➤ Multiple Regression Analysis:

- Sales - The regression coefficient indicates that Sales positively influence Profit, as the regression coefficient value 0.127 obtained indicates that increase in sales by one unit will correspondingly increase the profit by 0.127 units. Higher the sales, higher will be the Profit.
- Employee Cost - The regression coefficient indicates that employee cost negatively influences profit, as the regression coefficient value - 3.893 units indicates that increase in employee cost by one unit will decrease profit by 3.893 units. Higher employee cost will lead to lower Profit.
- Finance Cost - The regression coefficient indicates that finance cost negatively influences profit, as the regression coefficient value -0.490 obtained indicates that increase in finance cost by one unit will correspondingly decrease the profit 0.490 units. Higher finance cost will lead to lower Profit.
- Other Expenses - The regression coefficient indicates that Other Expenses negatively influence Profit, as the value of regression coefficient -0.366 obtained indicates that increase in other expenses by a unit will decrease profit by - 0.366 units. Higher the other expenses, lower would be the Profit.

8.3. Mankapur Unit

➤ Correlation Analysis:

- Sales - Sales and profit are positively correlated. The coefficient of determination (r^2) shows that sales accounts for 11.70 per cent of the variation in the level of profit.
- Employee Cost - Employee cost and profit is negatively correlated. The coefficient of determination (r^2) shows that employee cost accounts for 13.30 per cent of the variation in the level of profit.
- Finance Cost - Finance cost and profit are negatively correlated. The coefficient of determination (r^2) shows that finance cost accounts for 0.60 per cent of the variation in the level of profit.
- Other Expenses - Other Expenses and profit are negatively correlated. The coefficient of determination (r^2) shows that other expenses accounts for 43.30 per cent of the variation in the level of profit.

SI No.	Variables	Correlation		Multiple Regression		
		R	R ²	REGRESSION COEFFICIENT	STANDARD ERROR	t
1	Sales	0.342	0.117	0.046	0.060	0.767
2	Employee cost	-0.428	0.183	-1.532	0.749	-2.047
3	Finance cost	-0.077	0.006	-1.391	0.926	-1.502
4	Other expenses	-0.658*	0.433	-1.279*	0.485	-2.635

Table 3: Mankapur Plant

Constant: 45.612 / Std. Error of Estimate: 70.994 / R^2 : 0.512 / R^2 : 0.707

➤ Multiple Regression Analysis:

- Sales - The regression coefficient indicates that Sales positively influence Profit, as the regression coefficient value 0.046 obtained indicates that increase in sales by one unit will correspondingly increase the profit by 0.046 units. Higher the sales, higher will be the Profit.
- Employee Cost - The regression coefficient indicates that employee cost negatively influences profit, as the regression coefficient value -1.532 units indicates that increase in employee cost by one unit will decrease profit by 1.532 units. Higher employee cost will lead to lower Profit.
- Finance Cost - The regression coefficient indicates that finance cost negatively influences profit, as the regression coefficient value -1.391 obtained indicates that increase in finance cost by one unit will correspondingly decrease the profit 1.391 units. Higher finance cost will lead to lower Profit.
- Other Expenses - The regression coefficient indicates that Other Expenses negatively influence Profit, as the value of regression coefficient -1.279 obtained indicates that increase in other expenses by a unit will decrease profit by -1.279 units. Higher the other expenses, lower would be the Profit.

8.4. Naini Plant

➤ Correlation Analysis:

- Sales - Sales and Profit are positively correlated. The coefficient of determination (r^2) shows that sales accounts for 3.50 per cent of the variation in the level of profit.
- Employee Cost - Employee Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that employee cost accounts for 24.90 per cent of the variation in the level of profit.
- Finance Cost - Finance Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that finance cost accounts for 48.40 per cent of the variation in the level of profit
- Other Expenses - Other Expenses and Profit are negatively correlated. The coefficient of determination (r^2) shows that other expenses accounts for 27.90 per cent of the variation in the level of profit.

Sl No.	Variables	Correlation		Multiple Regression		
		R	R ²	REGRESSION COEFFICIENT	STANDARD ERROR	t
1	Sales	-0.188	0.035	0.253*	0.096	2.634
2	Employee cost	-0.499	0.249	-1.602	0.705	-2.273
3	Finance cost	-0.696*	0.484	-2.083*	0.460	-4.531
4	Other expenses	-0.528	0.279	-0.310	0.305	-1.014

Table 4: Naini Plant

Constant: 27.922 / Error of Estimate: 36.304 / R^2 :0.758 / R^2 :0.855

➤ Multiple Regression Analysis:

- Sales - The regression coefficient indicates that Sales positively influence Profit, as the regression coefficient value 0.253 obtained indicates that increase in sales by one unit will correspondingly increase the profit by 0.253units. Higher the sales, higher will be the Profit.
- Employee Cost - The regression coefficient indicates that employee cost negatively influences profit, as the regression coefficient value -1.602 units indicates that increase in employee cost by one unit will decrease profit by -1.602 units. Higher employee cost will lead to lower Profit.
- Finance Cost - The regression coefficient indicates that finance cost negatively influences profit, as the regression coefficient value -2.083obtained indicates that increase in finance cost by one unit will correspondingly decrease the profit 2.083units. Higher finance cost will lead to lower Profit.
- Other Expenses - The regression coefficient indicates that Other Expenses negatively influence Profit, as the value of regression coefficient -0.310 obtained indicates that increase in other expenses by a unit will decrease profit by -0.310 units. Higher the other expenses, lower would be the Profit.

8.5. Raeberali Plant

➤ Correlation Analysis:

- Sales - Sales and Profit are positively correlated. The coefficient of determination (r^2) shows that sales accounts for 8.70 per cent of the variation in the level of profit.

Sl No.	Variables	Correlation		Multiple Regression		
		R	R ²	REGRESSION COEFFICIENT	STANDARD ERROR	t
1	Sales	0.295	0.087	0.090	0.098	0.918
2	Employee cost	-0.447	0.200	-1.880*	0.733	-2.564
3	Finance cost	-0.252	0.064	-1.832	1.073	-1.708
4	Other expenses	0.204	0.042	-.0721	0.696	-1.035

Table 5: Raeberali Plant

Constant: 122.075 / Std. Error of Estimate: 106.688 / R^2 : 0.324 / R^2 : 0.594

- Employee Cost - Employee Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that employee cost accounts for 20.00 per cent of the variation in the level of profit.
- Finance Cost - Finance Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that finance cost accounts for 6.40 per cent of the variation in the level of profit.
- Other Expenses - Other Expenses and Profit are negatively correlated. The coefficient of determination (r^2) shows that other expenses accounts for 4.20 per cent of the variation in the level of profit

➤ Multiple Regression Analysis:

- Sales - The regression coefficient indicates that Sales positively influence Profit, as the regression coefficient value 0.090 obtained indicates that increase in sales by one unit will correspondingly increase the profit by 0.090 units. Higher the sales, higher will be the Profit.
- Employee Cost - The regression coefficient indicates that employee cost negatively influences profit, as the regression coefficient value -1.880units indicates that increase in employee cost by one unit will decrease profit by 1.880 units. Higher employee cost will lead to lower Profit.
- Finance Cost - The regression coefficient indicates that finance cost negatively influences profit, as the regression coefficient value -1.832obtained indicates that increase in finance cost by one unit will correspondingly decrease the profit -1.832 units. Higher finance cost will lead to lower Profit.
- Other Expenses - The regression coefficient indicates that Other Expenses negatively influence Profit, as the value of regression coefficient -0.0721obtained indicates that increase in other expenses by a unit will decrease profit by -0.0721units. Higher the other expenses, lower would be the Profit.

8.6. Srinagar Plant

➤ Correlation Analysis:

- Sales - Sales and Profit are positively correlated. The coefficient of determination (r^2) shows that sales accounts for 0.10 per cent of the variation in the level of profit.
- Employee Cost - Employee Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that employee cost accounts for 0.0036 per cent of the variation in (he level of profit.
- Finance Cost - Finance Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that finance cost accounts for 46.80 per cent of the variation in the level of profit.

SI No.	Variables	Correlation		Multiple Regression		
		R	R ²	REGRESSION COEFFICIENT	STANDARD ERROR	t
1	Sales	0.032	0.001	0.74	0.129	-0.572
2	Employee cost	0.006	0.000	-0.865*	0.264	-3.280
3	Finance cost	-0.684	0.468	-2.374*	0.528	-4.493
4	Other expenses	-0.295	0.087	-0.601	0.251	-2.390

Table 6: Srinagar Plant

Constant: 0.240 / Std. Error of Estimate: 1.593 / R^2 : 0.698 / R^2 : 0.819 *

- Other Expenses - Other Expenses and Profit are negatively correlated. The coefficient of determination (r^2) shows that other expenses accounts for 8.70 per cent of the variation in the level of profit.

➤ Multiple Regression Analysis:

- Sales - The regression coefficient indicates that Sales positively influence Profit, as the regression coefficient value 0.74 obtained indicates that increase in sales by one unit will correspondingly increase the profit by 0.74 units. Higher the sales, higher will be the Profit.
- Employee Cost - The regression coefficient indicates that employee cost negatively influences profit, as the regression coefficient value - 0.865 units indicates that increase in employee cost by one unit will decrease profit by 0.865 units. Higher employee cost will lead to lower Profit.
- Finance Cost - The regression coefficient indicates that finance cost negatively influences profit, as the regression coefficient value -2.374 obtained indicates that increase in finance cost by one unit will correspondingly decrease the profit -2.374 units. Higher finance cost will lead to lower Profit.
- Other Expenses - The regression coefficient indicates that Other Expenses negatively influence Profit, as the value of regression coefficient - 0.601 obtained indicates that increase in other expenses by a unit will decrease profit by - 0.601 units. Higher the other expenses, lower would be the Profit.

8.7. Net Work System Unit

➤ Correlation Analysis:

- Sales - Sales and Profit are positively correlated. The coefficient of determination (r^2) Shows that sales accounts for 2.10 per cent of the variation in the level of profit.
- Employee Cost - Employee Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that employee cost accounts for 18.30 per cent of the variation in the level of profit.
- Finance Cost - Finance Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that finance cost accounts for 1.80 per cent of the variation in the level of profit.
- Other Expenses - Other Expenses and Profit are negatively correlated. The coefficient of determination (r^2) shows that other expenses accounts for 41.20 per cent of the variation in the level of profit.

SI No.	Variables	Correlation		Multiple Regression		
		R	R ²	REGRESSION COEFFICIENT	STANDARD ERROR	t
1	Sales	0.145	0.021	0.25	0.057	0.432
2	Employee cost	-0.427	0.183	-1.292	1.622	-0.797
3	Finance cost	-0.134	0.018	-0.310	0.196	-0.338
4	Other expenses	-0.642	0.412	0.487	0.252	1.936

Table 7: Network Systems

Constant: 6.352 / Std. Error of Estimate: 14.993 / R^2 : 0.182 / R^2 : 0.509

➤ Multiple Regression Analysis:

- Sales - The regression coefficient indicates that Sales positively influence Profit, as the regression coefficient value 0.25 obtained indicates that increase in sales by one unit will correspondingly increase the profit by 0.25 units. Higher the sales, higher will be the Profit.
- Employee Cost - The regression coefficient indicates that employee cost negatively influences profit, as the regression coefficient value -1.292 units indicates that increase in employee cost by one unit will decrease profit by 1.292 units. Higher employee cost will lead to lower Profit.
- Finance Cost - The regression coefficient indicates that finance cost negatively influences profit, as the regression coefficient value -0.310 obtained indicates that increase in finance cost by one unit will correspondingly decrease the profit 0.310 units. Higher finance cost will lead to lower Profit.
- Other Expenses - The regression coefficient indicates that Other Expenses positively influence Profit, as the value of regression coefficient 0.487 obtained indicates that increase in other expenses by a unit will decrease profit by 0.487 units. Higher the other expenses, lower would be the Profit.

8.8. Research and Development Unit

➤ Correlation Analysis:

- Employee Cost - Employee Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that employee cost accounts for 14.40 per cent of the variation in the level of profit
- Finance Cost - Finance Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that finance cost accounts for 19.10 per cent of the variation in the level of profit.
- Other Expenses - Other Expenses and Profit are negatively correlated. The coefficient of determination (r^2) shows that other expenses accounts for 57.10 per cent of the variation in the level of profit.

SI No.	Variables	Correlation		Multiple Regression		
		R	R ²	REGRESSION COEFFICIENT	STANDARD ERROR	t
1	Sales	-0.379	0.144	1.510	1.167	1.294
2	Employee cost	-0.437	0.191	-1.983	0.972	-2.040
3	Finance cost	-0.755*	0.571	-1.009**	0.276	-3.649
4	Other expenses	-0.379	0.144	1.510	1.167	1.294

Table 8: R & D Unit

Constant: -12.392 / Std. Error of Estimate: 7.391/ R²: 0.645/ R²: 0751*

➤ Multiple Regression Analysis:

- Sales - The regression coefficient indicates that Sales positively influence Profit, as the regression coefficient value 1.510 obtained indicates that increase in sales by one unit will correspondingly increase the profit by 1.510 units. Higher the sales, higher will be the Profit.
- Employee Cost - The regression coefficient indicates that employee cost negatively influences profit, as the regression coefficient value -1.983 units indicates that increase in employee cost by one unit will decrease profit by 1.983 units. Higher employee cost will lead to lower Profit.
- Finance Cost - The regression coefficient indicates that finance cost negatively influences profit, as the regression coefficient value -1.009 obtained indicates that increase in finance cost by one unit will correspondingly decrease the profit 1.009 units. Higher finance cost will lead to lower Profit.
- Other Expenses - The regression coefficient indicates that Other Expenses positively influence Profit, as the value of regression coefficient 1.510 obtained indicates that increase in other expenses by a unit will decrease profit by 1.510 units. Higher the other expenses, lower would be the Profit. The value of R² is found to be significant at five per cent level. This shows that the regression equation framed is a good fit. Around 75.10 per cent of variation in level of profit is due to the selected variables.

8.9. Regional Offices

➤ Correlation Analysis:

- Sales - Sales and Profit are positively correlated. The coefficient of determination (r^2) shows that sales accounts for 59.20 per cent of the variation in the level of profit.
- Employee Cost - Employee Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that employee cost accounts for 41.50 per cent of the variation in the level of profit.
- Finance Cost - Finance Cost and Profit are negatively correlated. The coefficient of determination (r^2) shows that finance cost accounts for 19.90 per cent of the variation in are level of profit.
- Other Expenses - Other Expenses and Profit are negatively correlated. The coefficient of determination (r^2) shows that other expenses accounts for 4.10 per cent of the variation in the level of profit.

Sl No.	Variables	Correlation		Multiple Regression		
		R	R ²	REGRESSION COEFFICIENT	STANDARD ERROR	t
1	Sales	0.770**	0.592	0.344	0.170	2.027
2	Employee cost	-0.644	0.415	-2.148	7.549	-.0285
3	Finance cost	-0.446	0.199	-1.287	1.770	-0.727
4	Other expenses	-0.203	0.041	0.617	1.208	0.510

Table 9: Regional Offices

Constant: -26.659 / Std. Error of Estimate: 149.525 / R^2 : 0.479 / R^2 : 0.688

➤ Multiple Regression Analysis:

- Sales - The regression coefficient indicates that Sales positively influence Profit, as the regression coefficient value 0.344 obtained indicates that increase in sales by one unit will correspondingly increase the profit by 0.344 units. Higher the sales, higher will be the Profit.
- Employee Cost - The regression coefficient indicates that employee cost negatively influences profit, as the regression coefficient value - 2.148 units indicates that increase in employee cost by one unit will decrease profit by 2.148 units. Higher employee cost will lead to lower Profit.
- Finance Cost - The regression coefficient indicates that finance cost negatively influences profit, as the regression coefficient value -1.287 obtained indicates that increase in finance cost by one unit will correspondingly decrease the profit 1.287 units. Higher finance cost will lead to lower Profit.
- Other Expenses - The regression coefficient indicates that Other Expenses positively influence Profit, as the value of regression coefficient 0.617 obtained indicates that increase in other expenses by a unit will decrease profit by 0.617 units. Higher the other expenses, lower would be the Profit.

9. Suggestions

Future Product and Market Portfolio Based on the above analysis, the key strategy for revival in the area of working capital management of the company and in terms of product and market portfolio would comprise of: Aim for obtaining technology for manufacturing high end products in the telecom networking equipment either through strategic alliances with the Global players or investment in R&D. In the present context it is not possible to attain this goal in the near future (next 2-3 years). The necessary strategic imperatives to achieve the above would entail the following:

- The company should follow all the specified procedures and norms to maintain the positive working capital since working capital is considered as blood of the business enterprises.
- Identifying Technology Partner for high end technology products manufacturing
- Building Partnership/Alliance for Business Diversification
- Building Cost Competitiveness I Financial Restructuring
- Build up service providing capability —It could facilitate ITI's position in offering services like installation and commissioning, network and infrastructural support and end to end turnkey solutions.
- Continue the operations to execute the orders on hand. This would require financial and business Restructuring including immediate infusion of funds to ease working capital situation and paying off outstanding liabilities due to legacy burden to reduce high interest cost.

10. Conclusions

ITI has already got huge infrastructure, including land, building, plant and machinery. Its facilities can be upgraded with smaller incremental expenditure, while the cost of creating so huge infrastructure in the present scenario will envisage very high capital expenditure. Therefore, with its already sunk cost, it will be price competitive as compared to any other telecom equipment manufacturing company, which creates large infrastructure like ITI at today's prices. Manufacturing by ITI will also result in saving of foreign exchange outflow which is quite sizable. Hence the suggestions listed as above are realistic which would bid to increase the satisfactory level and profitability of the company. To increase the profitability of the company, the positive working capital is very much required and the company may have to implement all the remedial measures to maintain the good working capital position. Thus, ITI Limited can turnaround in near future and it is expected to go back to the old glorious days of ITI as a joint Telecommunication public sector industry in India.

11. References

- i. Amit. K. Mallik., Debsish Sur., & Rakshit (2005) 'Working Capital and Profitability'- A Study on their relationship with respect to selected companies in Indian Pharmaceutical Industry"- GITAM Journal of Management – Vol.3, No. 2, July – Dec 2005, Pp. 51 – 62.
- ii. Arogyaswamy, K., Barker, V.L., Yasai-Ardekani, M. (1995), "Firm turnarounds: an integrative two-stage model", Journal of Management Studies, 32, pp. 493-525

- iii. Dr. J. Gayathri (2015) 'Review on Working Capital Management' International journal of innovative Research & Development, August, 2015 Vol - 4 Issue – 9.
- iv. Prasad (2001) Work Capital management in Paper Industry – Finance India, Vol XV, No. 1, March P.p. 185 – 188.
- v. D. Raghunatha Reddy, and P. Kameswari, (2004), "A Study on working Capital management practice in Cipla Pharma industry Ltd", Journal of Management Accountant.
- vi. Sahu, R.K. 2000. Analysis of Corporate Profitability: A Multivariate Approach, The Management Accountant, August, pp.571-577.
- vii. Sur, D. (2012), "Financial Statement Analysis-A Comprehensive Approach", Excel Books, New Delhi, pp-110-138.
- viii. www.itilttd-india.com- last accessed on12th July, 2015
- ix. www.levarageratios.com- last accessed on15th July, 2015
- x. www.businessweek.com- last accessed on10th August, 2015
- xi. www.economywatch.com- last accessed on10th August, 2015
- xii. www.financialexpress.com- last accessed on12thJuly, 2015
- xiii. www.economicstimes.indiatimes.com.- last accessed on12thJuly, 2015.
- xiv. www.dot.gov.in. - last accessed on 15-12-2015.