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Nisarg A Joshi and Narayan Baser

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Review Article

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*Nisarg A Joshi and Narayan Baser

Gujarat University

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ABSTRACT

Major objective of the paper is to study the impact of financial restructuring on corporate performance. The data was collected from secondary sources. Financial statements of energy sector firms both large and medium scale firms were analyzed and comparison of parameters such as sales, gross profits, net profits, gross assets, taxes paid by them to the government and current ratio, before and after restructuring was undertaken. Paired t-test was used to compare the performance of these firms before restructuring and after restructuring. The empirical result sindicate that financial restructuring has a significant impact on the financial performance of large and medium sized firms in the long run.

INTRODUCTION

Indian Economy went amajortrans form after 1991 when the economy was opened up. Globalization; Liberalization and privatization terms were coined and successfully marketed. Indian manufacturing firms began facing competition from global giants. In the decade of nineties, many firms went through are structuring process whereby business models were personalized to suit the competitive environment. This ultimately helped the firms to not only survive competition but also come out as globally competitive firms. On the other side, some organizations could not survive competition and turned sick. One of the major concerns for the lenders and the government was to manage then on performing assets (NPA) level of the banks and financial Institutions and also to revive the potential sick units. The Government of India along with RBI came out with various mechanisms for rehabilitation and revival of sick industries. A question always arises whether the present mechanisms followed by the banks and institutions are satisfactory or not. After restructuring, the impact on the performance of the company is required to be looked into.

Following successful experience of developed countries, energy reforms in India followed suit. Restructuring of Energy manufacturing companies has been a major goal of the reforms in Indian energy sector to make them financially and physically viable entity. The need for having companies of such stature was very critical not only to increase or sustain public sector investments, but also to encourage private investments in the energy sector. The restructuring of energy companies is one of the important change management exercises and regarded as transformation without chaos. The study attempts to analyze an impact of restructuring on the financial performance of organization.

Upto1990, Indian economy and industries per se were not affected by the global market due to the closed economy policy followed by the government. As soon as the reforms in the form of liberalization and globalization policy were adopted, the industries have started feeling sudden jerks from the outside world. Lot of uneconomic and unviable companies had to close down their shutters as they could not face global competition.

Post liberalization scenario has witnessed reforms in various sectors. The financial sector has taken the lead. After liberalization, the rate of interest in the Indian economy started hardening. Partial capital conversion suddenly increased in flow of foreign currency. The currency now is governed on demand-supply bas is instead of administered rates which was in vogue prior to1991.Withthe change in the government policies; the privatization and globalization have become buzz word in the Indian economy.

In Post liberalization era, Indian economy witnessed sea changes and industry at large had to pass through rough weather during the last two decades External competition, large

*Corresponding author: Nisarg A Joshi
Gujarat University

size firms competing with small and medium industries in the country and factors like changes in the economic and political environment in the developed countries directly affected Indian industry. In spite of having inherent strength, some of the industries could not sustain this outside economic forces which led to industrial sickness. Considering this problem, lot of industries has started making full-fledged efforts for financial and technical restructuring, there is a continuous increase in the level of sickness in number of units due to variety of factors such as technology obsolescence, managerial in capability, change in the pattern of the market, size of the unit, lack of adequate funds, international competition, over capacity in the field, etc. However, the major problem lies in the failure of any industry seems to be lack of capacity to rise funds and in spite of technical capability of the promoters, the unit tends to become sick. Lots of efforts have been made for restructuring sick units. Finance plays a pivotal role in such restructuring.

Financial Restructuring is a process to avoid the liquidation and dissolution of the Company. It involves agreement by third parties to satisfy creditor's claim sunder certain terms and conditions. Financial restructuring may also be carried out by concluding an agreement with all creditors of the company under which creditors will be paid on somewhat different terms than those initially accepted by the company when credit and loans were extended. This form of financial restructuring enables the Company to continue its operations and minimize creditor's losses and getting more time for repayment of debt.
Companies use debt restructuring to avoid default on existing debt or to take advantage of a lower interest rate. A company will often issue call bonds to allow them to readily restructure debt in the future. The existing debt I scalled and then replaced with new debt at a lower interest rate. Companies can also restructure their debt by altering the terms and provisions of the existing debt.

Financial Restructuring is also termed as the act or process of changing the terms on the assets and/or liabilities of a company. That is, a company may consolidate its debts, significantly change the size and scope of its operations, and take other measures to reduce the strain of continuing operation. Most companies restructure either as part of a bankruptcy or as an effort to avoid it. If the company is restructuring as part of a corporate bankruptcy, it is said to be in receivership.

When the company is unable to meet with its financial commitments or paying the debts when they are due, the company is considered to lead to a debt trap situation which leads to industrial sickness and in turn the company will be heading towards in solvency. Thus, to avoid insolvency problems the financial restructuring is required. There are few main reasons leading the company to debt trap situation such as financial, market driven, wrong service product, managerial, technological, external factors such as opening of an economy or cut-throat competition, overexpansion, over trading, strikes or lockouts and effects of international market. Financial restructuring is used as a strategy to prevent industrial sickness and to make the company viable through revival or rehabilitation. When the company is facing debt trap situation due to one or more of the above mentioned causes, they lead to financial restructuring in order to bring the company out of the situation and make it functioning again.

LITERATURE REVIEW

Pradeep Khandwala (1988) confirmed that the major cause of sickness is in efficient management. External causes such as labour and competitions are essentially secondary factors although they are primary in particular instances. As per the said study, the prime responsibility for preventing sickness obviously rest with the units and their management.

M.S. Narayanan (1994) examined the performance of BIFR by analysing 472 cases disposed of by BIFR during 1987-1991. The study attributed the prolonged decision making process of BIFR, its nature of power which are more of a persuasive than of directive and to the approach of respective state governments as the prominent stakeholder. The study opined that BIFR may be viewed as successful institution by evaluating and apprehending its performance in terms of disposal of cases that have been successfully survived. Reena Aggarwal (1999) analyzed the market performance of 131 sample firms emerging from bankruptcy during 1980 to 1993. The study was mainly based on the controlled firm approach indicated that firms emerging from bankruptcy generated abnormal returns varying from 24.6% to 138.8% depending on various expected returns models.

Rahel Falk (2005) studied the sickness in the Indian manufacturing industry and tested the theoretical model which has addressed the political economy of industrial sickness in India. According to this study Financial Restructuring and Its Impact on Corporate Performance in India; politicians benefit from, and accordingly pay for sickness. Moresohe has concluded that sickness law certainly provides several ways for the firm/stakeholders to find advantages in sickness and thereby to get rid of their financial responsibility.

The study by Rosemary and Omkarnath (2006) documented the trends and patterns of industrial sickness during pre and post reform period and critically evaluated the performance of BIFR, in line with changed policy frame work. The study revealed that the massive sickness in SSI sector during pre-reform period but it has shown significant reduction during the poster form period except a spurt during 1997 duetorecession. The study also found out that there has been a significant rise in the sickness of non SSI units after recession in 1997. The study further observed that introduction of SARFAESIAct2002 gives exclusive rights to the banks regardless of reference to BIFR and has undermined the role of BIFR in reorganizing the viable industrial units which in turn, has exposed that a structural change in BIFR function is needed.

Komera and Lukose (2009) undertook an empirical analysis of post-bankruptcy performance. They have examined stock returns and operating performance of 101firms that emerged as “no longer sick” from the BIFR proceedings during the period 1992 to 2006. As per the short term and long term analysis of market performance using various expected return models and estimates, shows no sign of significant abnormal returns in comparison to the results from the US market. The US market analysis indicates that the market for stocks of four quarters earning of the similar kind of company is informationary efficient. On the other hand, the analysis of operating performance of the Indian sample firms is evident that they are neither making superior operating margin nor utilizing the assets efficiently after emerging from BIFR proceedings. They had also raised doubts about the efficiency of BIFR proceedings and it may be possible that the proceedings may allow inefficient firm to reorganize and survive.

In a study undertaken by Useem (1990), restructuring should be viewed as part of abroader transformation in the organization of ownership and managerial control of the corporation. A conclusion is drawn that considerable managerial discretion remains in shaping company response to the restructuring pressure. Christopher and Neill Marshal (1992) conducted a study on Corporate Restructuring in the Financial Services Industry and contended that large firms transmit the dynamics of contemporary restructuring and in turn, establish a symbolic relationship with places. The paper concludes that closer market integration results in divergent organizational forms, with district geographical expressions. In a study conducted by John, Lang and Netter (1992) found that in1980s, the market for corporate control had an enormous impact on management decision making and the restructuring of firms in response to changing economic conditions. They foundthat37% of a sample of large firms with poor performance underwent a change incorporate control in the 1980s. However, for various reasons, it is unlikely that in the foreseeable future the market for corporate control will be amajor force in disciplining management.

Further in a study conducted by Bowman and Harbir Singh (1993) on corporate restructuring, they have concluded that Financial restructuring, when accompanied with investment in key strategic activities, can be effective for the firm. In another study carried out by Bethel and Liebes kind (1993), they concluded that block holder owner ship is associated significantly with corporate restructuring, suggesting that many managers restructured their corporations during the1980s only when pressured to do so by large shareholders.

Gibbs (1993) in his study stated that the reoccurs three types of corporate restructuring transactions: 1.Financial restructuring including recapitalizations, stock repurchases, and changes in capital structure, 2. Portfolio restructuring involving divestment and acquisitions and refocusing on core business, resulting in change of the diversity of business in the corporate portfolio; and 3. Operational restructuring including retrenchment, reorganization, and changes in business level strategies. These three types of restructuring are not mutually exclusive; and in fact, frequently occur together. The findings of the study support agency conflicts as a partial explanation of corporate restructuring and confirm the importance of outside directors, stock-based management compensation, and an active, well-functioning market for corporate control in preventing and correcting agency problems

Edith S. Hotchkiss (1995) examined the post-bankruptcy operating performance of the firms that filed protection under Chapter XI from1979 to1988.The study examined the return on assets and operating margin as the measures of operating performance and stated that there is an improvement in the operating performance during the post-bankruptcy period. The study has concluded that 40.7% of the sample firms continue tore port negative operating income in 3 years following the emergence from bankruptcy and 32% of sample firms have not earned significantly after coming out of restructuring.

Hatfield, Liebeskind, Opler (1996) conducted study on the effects of Corporate Restructuring on aggregate industry specialization across abroad sample of US industries. As per their study, no evidence that change in the ownership of industry assets was detriment of change in aggregate industry specialization. More important finding suggested that restructuring through plant closure and plant addition and industry entry played a far more important role in changing competitive conditions at the industry levelduring1980s than did corporate control transactions.

Alderson (1999) analyzed the post-bankruptcy performance of 89 samples emerged from bankruptcy during1983-1993. The study applied total cash flow approach and reported that sample firms neither under- performed nor over performed the industry median performance. The study concluded that though the post-bankruptcy operating performance is poor, the sample firms were neither being overestimated nor underestimated by the market. Mckinley and Scherer (2000) carried out are search on some unanticipated consequences of organizational restructuring and concluded that an important problem top executive faced during organizational restructuring is maintaining subordinate “buy-in” to restructuring activities that the subordinates of ten perceive as chaotic.

D. Parameswara Sharma, P. S. Chandramohanan Nair and R.Balasubramanian (2006) studied Performance of Indian energy sector during a decade under restructuring: a critique. They analysed economic performance, technical performance, private sector participation and performance of reformed states. Bikash Chandra Dash (2007), examined on governance and service delivery in Orissa due to energy reforms .The objective of study are to analyze the institutional dimensions of governance in energy sector and studying the role of electricity regulatory commission in tariff setting and dispute resolution. He analyzed the effectiveness of service delivery by assessing the level of consumer's satisfaction in terms of reliability, adequacy and responsiveness of the service provider across different categories of consumers.

Murlidharan K Iyer, (2005) examined reforms and plan for restructuring GEB. The study at tempted to trace the history of reforms in India and restructuring of GEB in particular. It emphasizes on unbundling exercise and its significance, process involved. He mainly emphasis on Financial Restructuring Plan carried out by organization at the time of restructuring and proposed out comes has been drawn. The study put on record all events at one place and concluded that unbundling of GEB has been comprehensive, effective and painless. He stated that unbundling of GEB was a tough task but it was transformation without chaos. The main emphasis of study is on the issues covered during reform process and the plan and projections after reforms.

Dhiraj Sharma (2007) analyzed the state electricity boards in India from efficiency perspective and emphasized that energy has become a concurrent subject with State governments managing the Electricity Boards. The SEBs was performing well till the mid-1980s both in technical and financial aspects. From then most of the SEBs started showing losses and had no resources to add capacity. Energy sector slipped into a crisis with deteriorating performance, high losses and low credibility.

RESEARCH METHODOLOGY

The main objective of the study is to understand the impact of the financial restructuring on the financial performance of the company. Thus, it is intended to analyze the corporate financial restructuring and its resultant impact on various parameters such as sales, gross profit, net profit and taxes paid.

This study is mainly focused on the energy industry. The study covers only energy manufacturing firms who have emerged from either BIFR proceedings or CDR process. The period covered for analysis is mainly from 2000-01to2013-14i.e. those firms whose cases of restructuring were disposed of during 2000-01to2013-2014 by BIFR/CDR Cell. In other words those firms have emerged from sickness from 2000-01 to 2013-14 have been covered.

The study aims to analyze the impact of unbundling on the financial performance of organization. The secondary data for understanding the effect of the restructuring on the corporate performance has been collected and reviewed from the CMIE, Prowess data base. The companies selected were those which emerged from sickness after undergoing the BIFR/Corporate debt restructuring (CDR) process. These companies were identified from the BIFR website. These companies were basically divided in two groups based on data availability from the data base. One group of companies whose two years post-restructuring data is available and another group whose four years post-restructuring data is available.

The financial position before-after restructuring has been carried out using ratio analysis and their descriptive statistics, also statistical test' Paired Comparison T-test' has been used for the purpose of comparing financial performance before-after unbundling. Financial parameters/ratios such as Gross Sales, Gross Profit, Net Profit, Gross Fixed Assets, Current Ratio, Total Income to the Assets ratio, and Total Income to Compensation to Employees have been calculated.

For comparison of performance, the year in which the firm was registered/declared sick is classified as base year and they ears prior to the base year together with the base year are clubbed as pre-restructuring period and the years after restructuring (either two/four years) are clubbed as post restructuring period.

Data Analysis

Secondary data for various financial parameters such as gross sales, gross profit, net profit, current ratio, gross fixed assets, total income to average total assets and total income to total compensation to employees for the sample companies is as under:

As ample size of 15 companies was taken. These companies had undergone restructuring process after registered/declared sick/revived by BIFR or by CDR Cell and the financial data of such companies was collected from CMIE Prowess.

The data used in study consists of the yearly financial ratios of Galada Power & Telecommuncations Ltd., Starlite Lighting Ltd., Kapsales Electricals Ltd., S&S Power Switchgears Ltd., Kirloskar Electric Co. Ltd., Kerala Electricals & Allied Engineering Co. Ltd., Transformers & Elecetricals Kerala, Bharat Coking Coal Ltd., Suzlon Energy Ltd., NTPC LTD., KSK Energy Ventures Ltd., Suryachakra, Jaiprakash, Indowind Energy, NHPC Ltd.for 13 years depending upon the year in which they have referred to BIFR/CDR cell. The year in which they have made the reference is taken as the base year and denoted as Year 0. The data of Four Years before the base year are denoted as (Year -1, -2,-3, and -4) respectively. The data of Four Years after the base year are denoted as (Year 1, 2, 3, and 4) respectively.

Theparametersoffinancialratiosmentionedabovewerecomparedf orthree/fouryears prior to the sickness as well as the year of sickness clubbed under the heading pre-sickness period and two/four years after the restructuring either by CDR Cell or by BIFR clubbed under the heading “Post-restructuring period”. In case of absolute numbers it has been averaged out for the pre-structuring and post-restructuring period and comparison made. In case of ratios, an increasing/decreasing trend has been observed.

This period of 13 years witnessed two major expansion phases 2004-05 to 2007-08 and two major bear phases- 2001-2002 and 2008-09. The impact of all these would have definitely changed the situations of the market and would be more suitable to compare. With this dataset we have calculate Paired– t test as follows:

$$t = \frac{\bar{x}_d}{s_d / \sqrt{n_d}}$$

RESULTS

In this section we examine the ratios of all the companies. The test of significance has been done by using paired T statistics. Following information represents the impact on corporate performance on above mentioned financial ratios. The returns are found to be abnormal at 80%, 90%, 95% or 99% confidence interval. For detailed information please refer the Annexure.

There are seven hypo theses tested for the impact of financial restructuring on corporate performance. The results of the data are discussed below ratio wise.

Hypothesis: 1

H_0: There is no significant impact of the Gross Sales of a company on corporate performance after financial restructuring.

H_1: There is significant impact of the Gross Sales of a company on corporate performance after financial restructuring.

Table1 Pairedttest for Gross Sales

Gross Sales	Before	After	Difference								
			Mean	S.D.	S.D.E.	t Cal.	d.f. (n-1)	SIG (2 Tailed) 99% C.I.	SIG (2 Tailed) 95% C.I.	SIG (2 Tailed) 90% C.I.	SIG (2 Tailed) 80% C.I.
n	15	15									
Mean	1147.023	1653.155	506.13								
S.D.	2032.37	3858.117		2439.9							
S.D.E.					630.46	0.803	14	2.977	2.145	1.761	1.345

As in the table above, t Statistics< t table value, Ho is accepted. Therefore, the Null Hypothesis is accepted at 80%, 90%, 95% and 99% confidence interval. The results reveal that there is no significant impact of the Gross sales on corporate performance after financial restructuring.

Hypothesis:2

H_0: There is no significant impact of the Acid Test Ratio of a company on corporate performance after financial restructuring.

H_1: There is significant impact of the Acid Test Ratio of a company on corporate performance after financial restructuring.

As in the table above, t Statistics< t table value, Ho is accepted. Therefore, the Null Hypothesis is accepted at 80%, 90%, 95% and99% confidence interval. The results reveal that there is no significant impact of the Net Profit on corporate performance after financial restructuring.]

Hypothesis: 4

H_0: There is no significant impact of the Current Ratio of a company on corporate performance after financial restructuring.

H_1: There is significant impact of the Current Ratio of a company on corporate performance after financial restructuring.

Table2 Paired t test for Acid Test Ratio

Acid Test Ratio	Before	After	Difference								
			Mean	S.D.	S.D.E.	t Cal.	d.f. (n-1)	SIG (2 Tailed) 99% C.I.	SIG (2 Tailed) 95% C.I.	SIG (2 Tailed) 90% C.I.	SIG (2 Tailed) 80% C.I.
n	15	15									
Mean	2.521516	1.483816	-1.038								
S.D.	3.985563	1.457654		4.309							
S.D.E.	1.029861	0.376655			1.113	-0.932	14	2.977	2.145	1.761	1.345

As in the table above, t Statistics< t table value, Ho is accepted. Therefore, the Null Hypothesis is accepted at 80%, 90%, 95% and99% confidence interval. The results reveal that there is no significant impact of the Acid Test Ratio on corporate performance after financial restructuring.

Hypothesis:3

H_0: There is no significant impact of the Net Profit of a company on corporate performance after financial restructuring.

H_1: There is significant impact of the Net Prof it of a company on corporate performance after financial restructuring.

As in the table above, t Statistics< t table value, Ho is accepted. Therefore, the Null Hypothesisisacceptedat80%, 90%, 95% and99% confidence interval. The results reveal that there is no significant impact of the Current Ratio on corporate performance after financial restructuring.

Hypothesis:5

H_0: There is no significant impact of the Gross Fixed Assets of a company on corporate performance after financial restructuring.

H_1: There is significant impact of the Gross Fixed Assets of a company on corporate performance after financial restructuring.

Table3 Paired t test for Net Profit

Net Profit	Before	After	Difference								
			Mean	S.D.	S.D.E.	t Cal.	d.f. (n-1)	SIG (2 Tailed) 99% C.I.	SIG (2 Tailed) 95% C.I.	SIG (2 Tailed) 90% C.I.	SIG (2 Tailed) 80% C.I.
n	15	15									
Mean	184.4877	270.8228	86.34								
S.D.	362.4345	1002.135		785.59							
S.D.E.					202.99	0.425	14	2.977	2.145	1.761	1.345

Table4 Paired t test for Current Ratio

Current Ratio	Before	After	Difference								
			Mean	S.D.	S.D.E.	t Cal.	d.f. (n-1)	SIG (2 Tailed) 99% C.I.	SIG (2 Tailed) 95% C.I.	SIG (2 Tailed) 90% C.I.	SIG (2 Tailed) 80% C.I.
n	15	15									
Mean	3.071603	1.818437	-1.253								
S.D.	4.770839	1.411852		5.014							
S.D.E.	1.232775	0.36482			1.295	-0.967	14	2.977	2.145	1.761	1.345

Table5 Pairedt test for Gross Fixed Assets Ratio

Gross Fixed Assets	Before	After	Difference								
			Mean	S.D.	S.D.E.	t Cal.	d.f. (n-1)	SIG (2 Tailed) 99% C.I.	SIG (2 Tailed) 95% C.I.	SIG (2 Tailed) 90% C.I.	SIG (2 Tailed) 80% C.I.
n	15	15									
Mean	2390.635	3622.663	1232.03								
S.D.	5256.511	7909.617		2705.97							
S.D.E.	1358.272	2043.829			699.22	1.762	14	2.977	2.145	1.761	1.345

As in the table above, t Statistics< t table value, Ho is accepted. Therefore, the Null Hypothesis is accepted at 80%, 90%,95% and99% confidence interval. The results reveal that there is no significant impact of the Gross Fixed Assets on corporate performance after financial restructuring.

Hypothesis: 6

H_0: There is no significant impact of the Net Profit to Fixed Assets of a company on corporate performance after financial restructuring.

H_1: There is significant impact of the Net Profit to Fixed Assets of a company on corporate performance after financial restructuring.

The results reveal that there is no significant impact of Net Profit to Fixed Assets Ratio on corporate performance after financial restructuring.

Hypothesis:7

H_0: There is no significant impact of the Net Profit to Total Assets of a company on corporate performance after financial restructuring.

H1: There is significant impact of the Net Profits to Total Assets of a company on corporate performance after financial restructuring.

Table6 Paired t test for Net Profit to Fixed Assets Ratio

Net Profit to Fixed Assets	Before	After	Difference								
			Mean	S.D.	S.D.E.	t Cal.	d.f. (n-1)	SIG (2 Tailed) 99% C.I.	SIG (2 Tailed) 95% C.I.	SIG (2 Tailed) 90% C.I.	SIG (2 Tailed) 80% C.I.
n	15	15									
Mean	0.311511	-0.00219	-0.314								
S.D.	0.955645	0.312443		0.816							
S.D.E.	0.246937	0.080735			0.211	-1.488	14	2.977	2.145	1.761	1.345

Table7 Paired t test for Net Profit to Total Assets Ratio

Net Profit to Total Assets	Before	After	Difference								
			Mean	S.D.	S.D.E.	t Cal.	d.f. (n-1)	SIG (2 Tailed) 99% C.I.	SIG (2 Tailed) 95% C.I.	SIG (2 Tailed) 90% C.I.	SIG (2 Tailed) 80% C.I.
n	15	15									
Mean	0.023196	-0.04136	-0.065								
S.D.	0.111178	0.150113		0.227							
S.D.E.	0.028728	0.038789			0.0587	-1.1	14	2.977	2.145	1.761	1.345

As in the table above, t Statistics< t table value, Ho is accepted. Therefore, the Null Hypothesis is accepted at 80%, 90%,95% and99% confidence interval.

As in the table above, t Statistics< t table value, Ho is accepted. Therefore, the Null Hypothesisisacceptedat80%,90%,95% and99% confidence interval. The results reveal that there is no significant impact of Net Profit to Total Assets ratio on corporate performance after financial restructuring.

CONCLUSION

Due to global competition faced by the Indian Companies in the post liberalization era, many of the large and medium sized firms, which underwent a restructuring process of financial restructuring, not only survive in this intense competition but also emerged as successful global firms. But on the other hand, a large number of units were registered as sick firms with BIFR and number of cases registered with the CDR cell also increased. The study highlights many revival mechanism available which help in turning around a sick firm into profitable firm.

It is perceived by the companies that the financial restructuring helps the unit for its revival/rehabilitation. This shows that the unit should be given proper financial restructuring on a case to case basis with proper monitoring mechanism. The secondary data analysis shows that there is not much significant impact of the sales, profitability, gross fixed assets and current ratio of the unit in the short term after rehabilitation of the unit. Thus, he study reveals that there is no major improvement or changes in the parameters within the two to four years' timeframe from the implementation of the rehabilitation package.

From the analysis of the data pertaining to15companies for a period of about five years before restructuring and eight years after the date of rehabilitation of the unit, it is revealed that there is an improvement in gross profit upon implementation of rehabilitation package. This confirms that once the unit becomes sick and nursing package is offered, the results of the financial restructuring can be witnessed only in the long run.

The maximum number of firms vulnerable to erosion of net worth or leading to sickness is because of the insufficient amount of funds. This clearly suggests that well financially managed firms have lower/insignificant changes of sickness. A separate set of professionals are to be trained for the purpose of close monitoring as well as having expertise for winding up/liquidation process of the company. Lack of timely help further deteriorates the financial condition of the firm as the firm is not in a position to fulfil the expectation so fits stake holders which leads to tarnishing of its business image and reputation.

There are many researchers who believe that financial restructuring is one of the best strategies to improve the liquidity of a company and to move the company from sickness to financially viable position. But there are certain limitations and draw backs of the strategy. What I would suggest is the prevention strategy. There is an opportunity to develop a new mathematical model to predict the industrial sickness on the basis of certain financial indicators so that the companies can take pro active steps to avoid the sickness or proper remedy measures can also be taken.

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