

	2007	2006	2005	
Sales	451722612	444171693	436537614	
growth in sales	0.017488	1.70%		
	2007	2006	2005	Intercept (Fixed cost part)
Variable Cost				
Material consumed		237333372	312326281	
Power and Fuel		35903630	38542416	
Employee Remuneration		11447026	10975558	-15984277.73
Excise Duty		39892365	25354424	
(Increase) /Decrease in Stocks		27544559	-23840533	
[Manufacturing Expenses]				
Repairs and Maintenance		6712254	5416380	-68685256.1
Labour Charges		809024	576944	
Husk Feeding Charges		1864882	1526642	
Ash Removing Expenses		1505341	1158123	
Stores and Spares		4122289	2839021	
[General and Administrative Expenses]				
Bank Charges		1495783	733923	
Restructuring Fee		1455045	0	
Travelling and Conveyance		2009399	925696	
Office Maintenance		942579	726036	-11656487.75
Books and Periodicals		45251	27913	-963521.481
Printing and Stationery		232591	178128	
Sundry Expenses		312451	162343	
Communication				
Cost		928009	721115	
Safety and Security		1054613	757645	-16223801.24
Supervision				
Charges		796334	626348	

Sales Promotion Expenses	500746	9332279	
Directors' Remuneration	2760000	645000	-120296511.6
Directors' Sitting Fee	107000	8000	-5653092.03
Auditors' Remuneration:	25000	27550	173366.0068
Tax audit	15000	16530	104019.6041
Expenses reimbursed	12629	1500	
Meeting Expenses	619067	379636	
Charity and Donations	258923	404832	
Rates and Taxes	2609942	676924	-109858356.8
Advertisement	200536	149748	-2754449.394
Vehicle Maintenance	508892	582629	4799113.273
Total Variable cost	390552949	384024532	

	2007	2006	2005
Fixed Charges			
Depreciation		21103398	18360339
Rent		564700	533300
Insurance		1134219	1151324
Hire Charges		696832	759726
Legal and Professional		867645	897426
Total fixed cost	24366794	24366794	

EBIT	36802869	35780367
Tax	1432348.2	1392553
Interest	18610046	18610046
PAT	16760475	15777768

$$\text{DOL} = \frac{0.028577}{0.017} = 1.6810102$$

$$\text{DFL} = \frac{0.062284}{0.028577} = 2.1795107$$

$$\text{DTL} = 3.66378$$

BALAJI LTD			
	2007	2006	2005
Sales	12986616531	10,968,426,124	9,262,370,082
Growth in sales	0.18419	18.40%	
Variable Cost			Intercept (Fixed cost part)
Materials	1,976,639,717	1,679,485,983	
Personnel	67,461,596	63,099,321	
Finance Charges	387,897,284	281,451,435	
FACTORY			
Power and Fuel	42,439,015	36,760,933	
Consumables	5,215,337	3,685,100	
Royalties	109,288,051	1,600,000	
Excise Duty - on opening and closing stock (Net)	6,004,020	15,207,862	
ADMINISTRATION			
Printing and Stationery	1,496,832	1,549,750	
Travelling and Conveyance	1,825,935	1,633,142	586447.1252
Communication Expenses	1,839,587	1,877,297	
Excise Duty	3,853,239,633	3,458,610,746	
Sitting Fees	72,500	62,500	8208.875594
Audit Fees and Expenses	1,979,709	1,614,058	-371102.393
Professional Charges	3,501,674	2,527,009	-2764556.877
Donations	3,058	10,259	
Excise Establishment	3,925,685	3,569,509	
Advances writtenoff	0	8,388,800	
General Expenses	1,432,257	1,614,146	
Sales Tax	3,858,338,546	3,266,973,436	
Turnover Tax	210,637,079	178,333,766	
Cash Discount	76,230,226	62,426,744	
Other Selling Expenses	361,457,784	305,122,448	
Freight and Handling	98,379,677	88,450,725	
Provision for Bad debts	0	81,166,932	
Rates and Taxes	9819801	4,066,537	-27168580.16
Total Variable cost	13117684004	11,079,125,003	
	2007	2006	2005
Fixed Cost			
Depreciation		92,172,631	92,005,943

Insurance		5,354,711	5,253,715	
Rent		3,394,800	3,513,600	
REPAIRS AND MAINTENANCE				
Building		2,188,002	1,210,523	
Machinery		22,725,792	30,726,902	
Others		2,881,841	3,722,323	
Vehicle Maintenance		4,623,617	3,937,550	
Remuneration to Directors		1,930,948	1,795,000	1056923.022
Total fixed cost	135,272,342	135,272,342		

EBIT	266,339,815	-	-245,971,221
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Tax	0	0	0
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Interest	184,796,557	184,796,557	
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PAT	451,136,372	-	430,767,778.000
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DOL	=	0.082809	=	0.450048093
		0.184		

DFL	=	0.047284	=	0.571006546
		0.082809		

DTL	=	0.25698
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Conclusion

- 1) Pioneer is having very high DOL & DFL. The very high debt structure of pioneer i.e. they have around 70% of their financing as debt, is the main reason for such a high DFL(2.17)
- 2) Both DOL & DFL for pioneer is more than that of Balaji.
- 3) Pioneer's DOL, DFL and DTL are higher than one. They all give indication of a company on a aggressive growth path i.e., pointing towards a high risk high return

scenario. They are also figures indicative of a company which is spending money on capex (either expansion or modernization). Not only does the firm goes for expansion but it does so using loans. It either conveys the optimism of the owner-managers or it could be over-confidence (given our number crunching in the past – we would side with the optimism of owner-managers).

- 4) Balaji Distilleries in all probability has expenses (i.e., operating, interest, and tax expenses) that seem to be more one time in nature leading to the company having a DOL and DFL which are less than one. They might also indicate computational errors.