

# A study on application of Altman's Z score model in predicting the bankruptcy of Reliance Communication

**Prof. Dhara Joshi**

Assistant Professor, Faculty of Management Studies,

Parul University – Gujarat (India)

Email: dhara.joshi24002@paruluniversity.ac.in

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## **ABSTRACT**

**Background:** Bankruptcy is a state of insolvency wherein the company or the person is not able to repay the creditors the debt amount. Early prediction of the company going for bankruptcy is of prime importance to the various stakeholders of the company also the society on the whole.

Prediction of Bankruptcy is critical task. Early stage of identification of likelihood of solvency may avoid evils in the near future & may shelter the firm from Bankruptcy situation. Bankruptcy of organizations can be predicted by using Altman's Z-score model. This paper tries to study about the prediction power of Altman Z score model to predict the Bankruptcy of Reliance communication, which has filed for bankruptcy in the month of February 2019.

**Methodology:** The research has analyzed the financial statement and the market data of Reliance communication and found that the company was making losses since long and was under the gray area as per the Altman Z score model of bankruptcy prediction.

**Conclusion:** The study has found that model was successful in predicting the upcoming financial distress of Reliance communication which can lead towards Bankruptcy as their Z score was in distress zone 3 years before they filed for bankruptcy.

**Key words:** Bankruptcy, Altman Z core model, Reliance communication, financial distress.