

Managerial Accounting
Prof. Dr. Varadraj Bapat
Department of School of Management
Indian Institute of Technology, Bombay

Lecture - 39
Financial Statement - Forecasting and Valuation - Dabur case

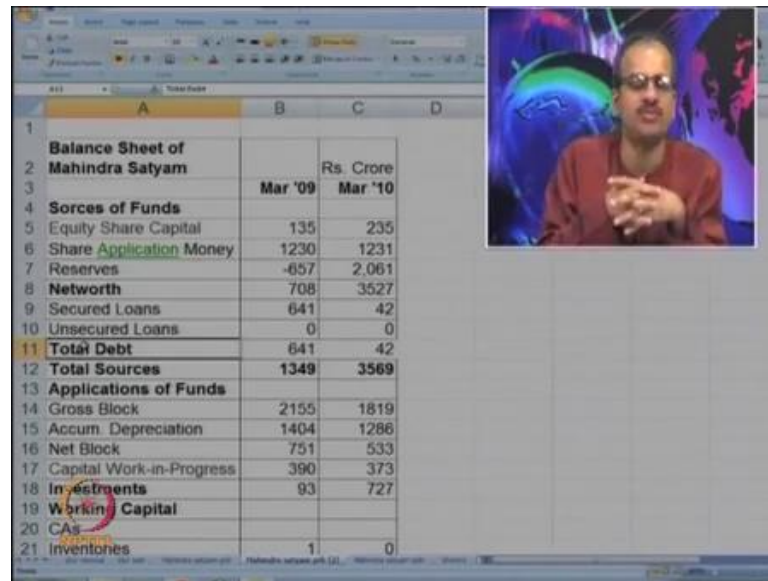
Dear students, in the last session, we were discussing and revising various techniques of analyzing the financial statements. So, we have seen that financial statements give us raw data. That data we need to study further, we need to look it from the view point of the various stakeholders. And get more meaningful information from the same. Important techniques for doing it is vertical analysis, where we do a common size statement, take the total as 100 and try to find every item as a percentage to total.

Another important technique is horizontal analysis. In horizontal analysis we compare with the last year. Find the difference and the percentage difference. And the most important technique is ratio analysis. In ratio analysis we link one item with the another. And those ratios help us to give comment, on liquidity, profitability, return, turnover and so on. So, let us continue with the case, which we were discussing today.

In the last session, we had started with the case on Mahindra Satyam. And we had taken comparison of years March 3 and March 10. If you remember, that was a turbulent year for the company. They were lot of frauds in the company, under the management of Ramalingam Raju. Then, the company was total sale it was taken over by Mahindra's.

So, this is in a way a first year of recovery, we are comparing March 9 with March 10. Even, if you have not attended last session no problem, we are going to start it a fresh from the given balance sheet and other information. We will start and calculate the important ratios.

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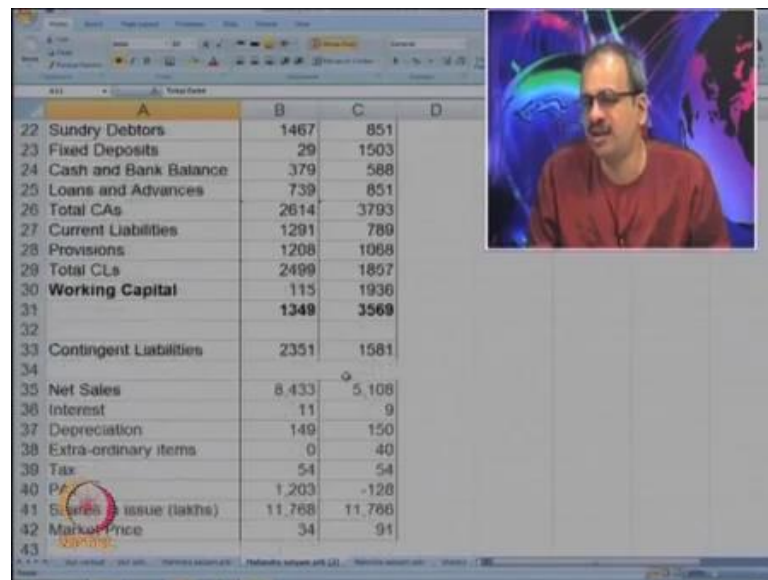


	Mar '09	Mar '10
Balance Sheet of Mahindra Satyam		
Sources of Funds		
Equity Share Capital	135	235
Share Application Money	1230	1231
Reserves	-657	2,061
Networth	708	3527
Secured Loans	641	42
Unsecured Loans	0	0
Total Debt	641	42
Total Sources	1349	3569
Applications of Funds		
Gross Block	2155	1819
Accum. Depreciation	1404	1286
Net Block	751	533
Capital Work-in-Progress	390	373
Investments	93	727
Working Capital		
Cash	0	0
Inventories	1	0

Have a look at the given balance sheet. In the last problem, we have rearranged the same. But, now the data is ready with us, now this data is to be used for further analysis. So, what are the different ratios which we calculate, what are the types of the ratios do you remember; starting from the sources of funds. We have got equity capital, net worth, total debt and so on.

So, which ratios are relevant here, you are right we go for ratios related to long term solvency of the company or leverage. So, important ratio is debt equity. We can also find interest coverage in this case. Then, we can go for liquidity, calculating current ratio and other important ratios, profitability and so on.

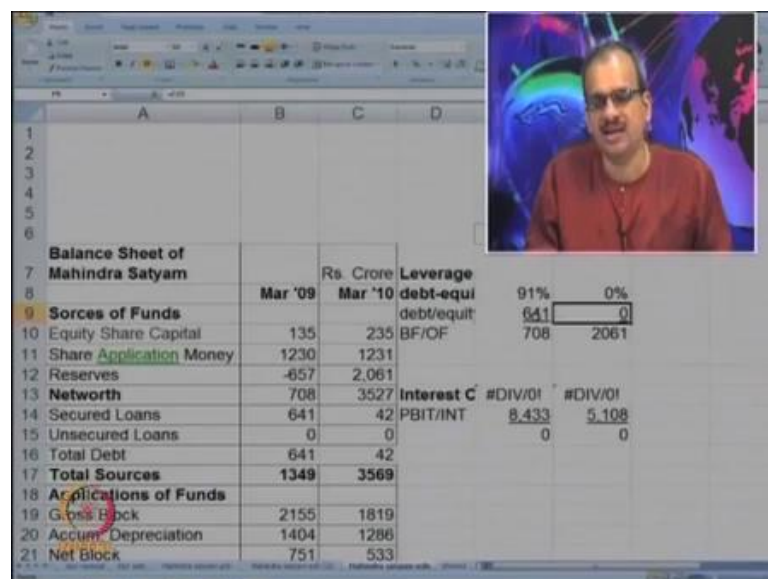
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	A	B	C	D
22 Sundry Debtors		1467	851	
23 Fixed Deposits		29	1503	
24 Cash and Bank Balance		379	588	
25 Loans and Advances		739	851	
26 Total CAs		2614	3793	
27 Current Liabilities		1291	789	
28 Provisions		1208	1068	
29 Total CLs		2499	1857	
30 Working Capital		115	1936	
31		1349	3569	
32				
33 Contingent Liabilities		2351	1581	
34				
35 Net Sales		8,433	5,108	
36 Interest		11	9	
37 Depreciation		149	150	
38 Extra-ordinary items		0	40	
39 Tax		54	54	
40 P.A.		1,203	-128	
41 Share Issue (lakhs)		11,768	11,768	
42 Market Price		34	91	
43				

So, have a look at the whole data carefully, please take a printout. Because, this problem is downloadable, you can download and take printout. Or start following it on your own laptop.

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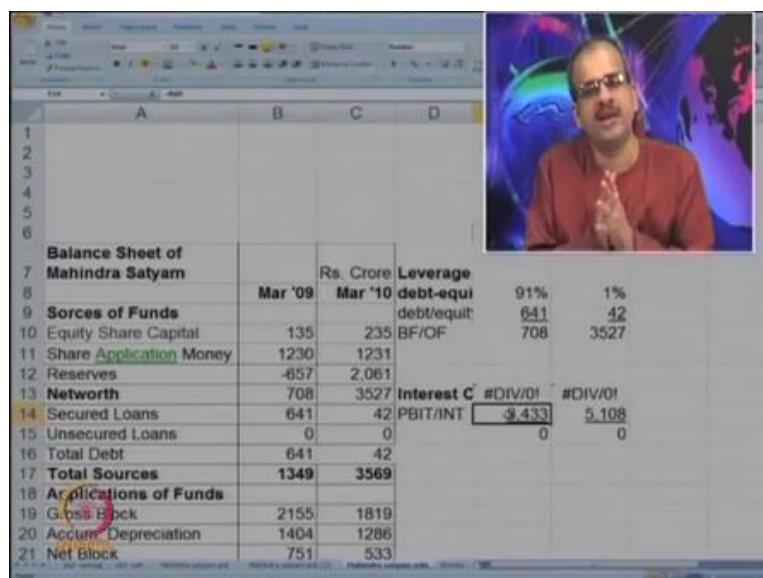
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7 Balance Sheet of Mahindra Satyam				
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12 Reserves		-657	2,061	
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15 Unsecured Loans		0	0	
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18 Applications of Funds				
19 Gross Block		2155	1819	
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21 Net Block		751	533	

	Rs. Crore	Mar '09	Mar '10
Leverage			
debt/equity		91%	0%
BF/OF		641	0
		708	2061
Interest C			
#DIV/0!		8,433	5,108
PBIT/INT		0	0

Let us start now with the given information. So, this is the balance sheet as was provided. The first ratio which we would like to calculate is leverage type of ratios, in that important ratio is debt upon equity ratio, it is visible now. So, now we already have the data, the debt is equal to the total of debt. And equity is nothing but the owners fund. So,

you can see it is 641 upon 708, I hope it is visible to all I will just make it uniform into a real.

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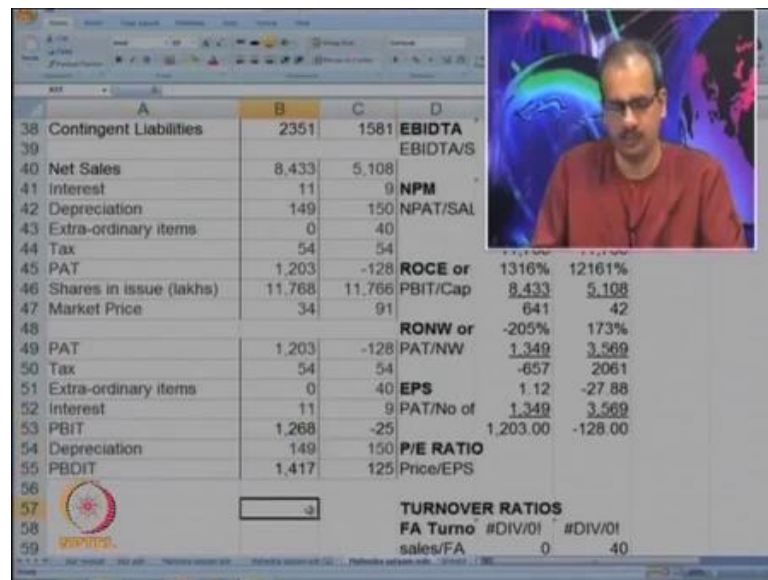
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Total Sources		1349	3569
Applications of Funds			
Gross Block		2155	1819
Accum. Depreciation		1404	1286
Net Block		751	533

	Mar '09	Mar '10
Leverage		
debt/equity	91%	1%
debt/equit	641	42
BF/OF	708	3527
Interest C		
#DIV/0!		
PBIT/INT	-3.433	5.108
#DIV/0!	0	0

Now, this is for March 9, let us see the position on March 10. The March 10 the date was substantially reduced. So, you can see the date equity ratio completely a change from 91 percent, it has been brought down to just 1 percent. So, why this change has happened. You can see that the date which was 641 secured that has been brought down to 42. Results were negative company was in losses, now the results have a substantial positive figure 2061.

So, the equity or the owners fund has substantially increased, where as the date has fallen. So, ratio has come down from 91 percent to just 1 percent. Let us look at interest coverage position it is PBIT upon interest.

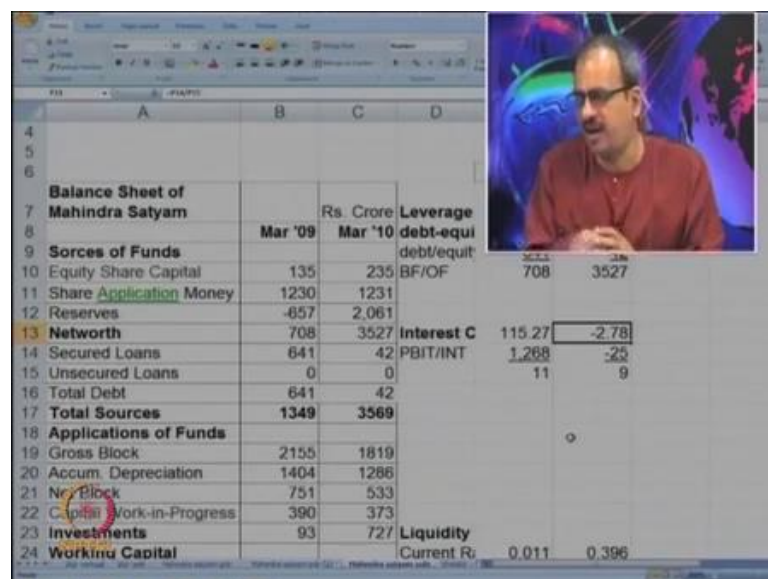
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	A	B	C	D
38 Contingent Liabilities	2351	1581	EBIDTA	
39			EBIDTA/S	
40 Net Sales	8,433	5,108	NPM	
41 Interest	11	9	NPAT/SAL	
42 Depreciation	149	150	ROCE or	1316% 12161%
43 Extra-ordinary items	0	40	PBIT/Cap	8,433 5,108
44 Tax	54	54		641 42
45 PAT	1,203	-128	RONW or	-205% 173%
46 Shares in issue (lakhs)	11,768	11,766	PAT/NW	1,349 3,569
47 Market Price	34	91	EPS	1.12 -27.88
48			PAT/No of	1,349 3,569
49 PAT	1,203	-128	P/E RATIO	1,203.00 -128.00
50 Tax	54	54	Price/EPS	
51 Extra-ordinary items	0	40		
52 Interest	11	9		
53 PBIT	1,268	-25		
54 Depreciation	149	150		
55 PBDIT	1,417	125		
56				
57				
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59				

So, we have we do not have the PBIT figure, first we need to calculate it, how to calculate it? We have been given PAT. So, using PAT we will have to calculate PBIT and other ratios. So, if you add tax and extraordinary items, as well as interest you will get PBIT in which we are interested. So, you will observe that PAT was very good in 09 in 10 company went into a loss. So, PBIT also shows a similar picture, because tax and interest are that negligible amounts, we also try to add depreciation. So, that we get a beta or PBDIT.

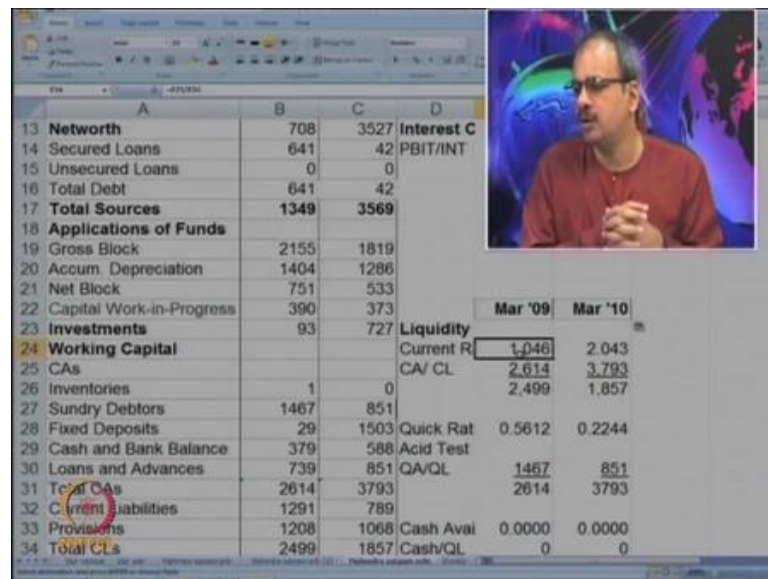
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	A	B	C	D
4				
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7 Balance Sheet of Mahindra Satyam				
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So, now we were doing interest coverage ratio, it was PBIT divided by interest. So, now you can see the interest burden is that way very negligible. It was 9 now it has become 11. But, the PBIT it is other way around in March 09 PBIT was 1268. Now, the company has gone into losses in March 10. So, the ratio has become very odd, earlier it was 115 a very healthy position now it is minus 2. But, that is mainly because of reduction in the profitability.

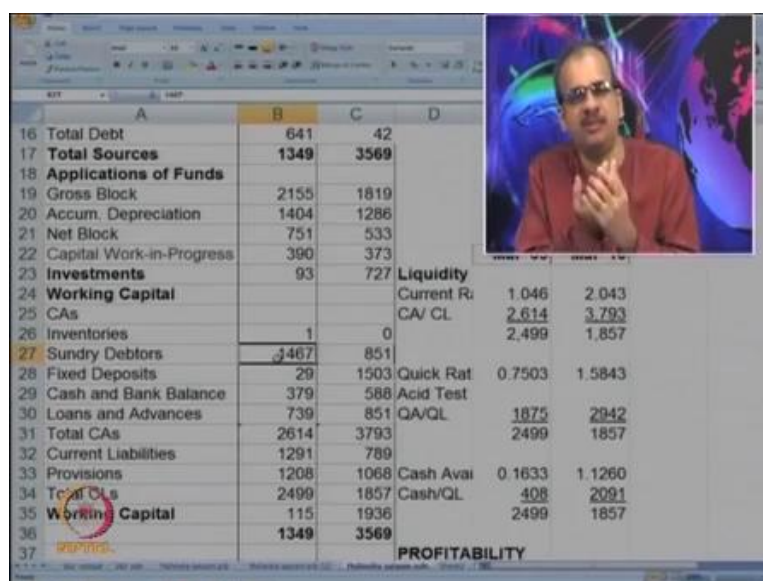
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	Mar '09	Mar '10
Networth	708	3527
Secured Loans	641	42
Unsecured Loans	0	0
Total Debt	641	42
Total Sources	1349	3569
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Capital Work-in-Progress	390	373
Investments	93	727
Working Capital		
CAs		
Inventories	1	0
Sundry Debtors	1467	851
Fixed Deposits	29	1503
Cash and Bank Balance	379	588
Loans and Advances	739	851
Total CAs	2614	3793
Current Liabilities	1291	789
Provisions	1208	1068
Total CLs	2499	1857
Liquidity		
Current R	1.046	2.043
CA/ CL	2.614	3.793
	2.499	1.857
Quick Rat	0.5612	0.2244
Acid Test		
QA/QL	1467	851
	2614	3793
Cash Avail	0.0000	0.0000
Cash/QL	0	0

Now, let us try to go for liquidity. In liquidity the important ratio is current ratio. The formula I think you all know it is current assets upon current liabilities. So, now let us see how much are the current assets of the company, they are 2614 divided by 2499. So, you will get the ratio, which in March 09, it was 1.46 I will just copy this figures for more clarity. So, in March 09 it was one point around one. Now, it has become around 2. So, current ratio has become healthier now, because current assets have increased while the current liabilities have slightly fallen.

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	B	C		
16 Total Debt	641	42		
17 Total Sources	1349	3569		
18 Applications of Funds				
19 Gross Block	2155	1819		
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	Current R	Quick Rat
Current R	1.046	2.043
CA/CL	2.614	3.793
	2.499	1.857
Quick Rat	0.7503	1.5843
Acid Test		
QA/QL	1875	2942
	2499	1857
Cash Avail	0.1633	1.1260
Cash/QL	408	2091
	2499	1857

	Current R	Quick Rat
Current R	1.046	2.043
CA/CL	2.614	3.793
	2.499	1.857
Quick Rat	0.7503	1.5843
Acid Test		
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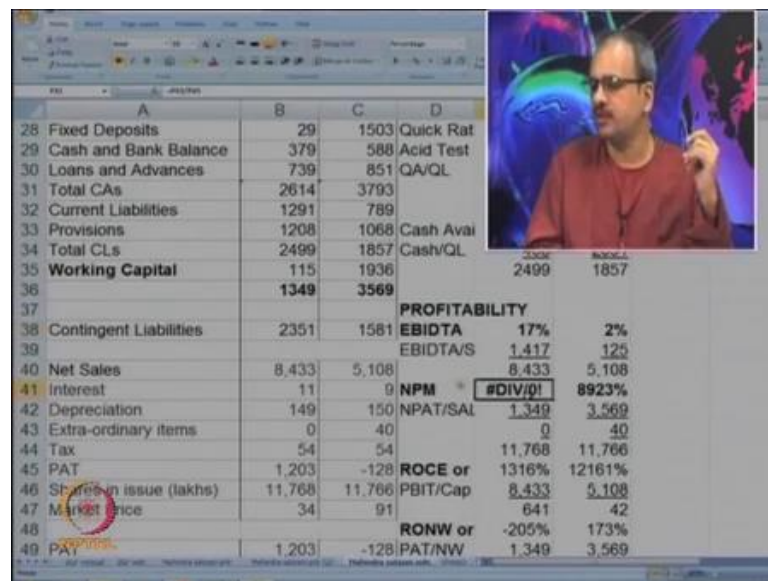
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|--|

liquidity position, than in the earlier year. Now, let us look at profitability. So, what are the two types of profitability, either we can look it from the sales angle.

So, we have ratios like NPM or EBIDTA margin, where in EBIDTA margin it is EBIDTA up on sales and NPM it is net profit, upon sales. The other way of looking at profitability is from the returns angle. So, we will calculate ROI or ROCE.

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	B	C	D
28 Fixed Deposits	29	1503	Quick Rat
29 Cash and Bank Balance	379	588	Acid Test
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47 Market Price	34	91	
48			
49 PAY	1,203	-128	

	2008	2009
EBIDTA	17%	2%
EBIDTA/S	1.417	125
NPM	8923%	8923%
NPAT/SAL	1.349	3.569
ROCE or PBIT/Cap	1316%	12161%
PBIT/Cap	8.433	5.108
RONW or PAT/NW	205%	173%
PAT/NW	1.349	3.569

So, first let us try to find EBIDTA, we have already calculated the PBIT, which is same as EBIDTA for the company divided by sales. So, EBIDTA in March 9 was 17 percent quiet a little dip here. It went down to very low figure only 2 percent, because EBIDTA came down substantially.

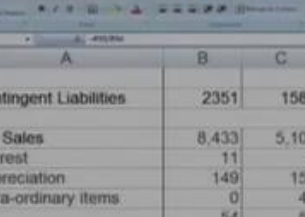
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	8,433	5,108	
NPM	14%	-3%	
NPAT/SAL	<u>1,203</u>	<u>-128</u>	
	8,433	5,108	
	11,768	11,766	
ROCE or	1316%	12161%	
PBIT/Cap	<u>8,433</u>	<u>5,108</u>	
	641	42	
RONW or	-205%	173%	
PAT/NW	<u>1,349</u>	<u>3,569</u>	
	-657	2061	
EPS	1.12	-27.88	
PAT/No of	1,349	3,569	

Same way you can see net profit, also fell down significantly. So, in March 9 it was 14 percent NP margin, it came down to just 3 percent in March 10. That was, because net profit went down from 12, 1200 crores to a loss of 128 crore. This is we are trying to relate to sales, we will observe that percent fall in net profit from 14 percent to minus 3 percent.

(Refer Slide Time: 13:11)



	A	B	C	D
37				PROFITAB
38	Contingent Liabilities	2351	1581	EBIDTA
39				EBIDTA/S
40	Net Sales	8,433	5,108	
41	Interest	11	9	NPM
42	Depreciation	149	150	NPAT/SAL
43	Extra-ordinary items	0	40	
44	Tax	54	54	
45	PAT	1,203	-128	ROCE or
46	Shares in issue (lakhs)	11,768	11,766	PBIT/Cap
47	Market Price	34	91	
48				RONW or
49	PAT	1,203	-128	PAT/NW
50	Tax	54	54	
51	Extra-ordinary items	0	40	EPS
52	Interest	11	9	PAT/No of
53	PBIT	1,268	-25	
54	Depreciation	149	150	P/E RATIO
55	PPAT	1,417	125	Price/EPS
56				
57				
58				



Let us try to look from the returns angle ROCE. The formula is PBIT upon capital employed. So, PBIT is 1268 capital employed means the total of sources. So, it was 94

percent in March 09, it came down to minus 1 percent. Because, there was a substantial fall in PBIT. Next is r o... So, ROCE is useful from the point of view from a long term investor.

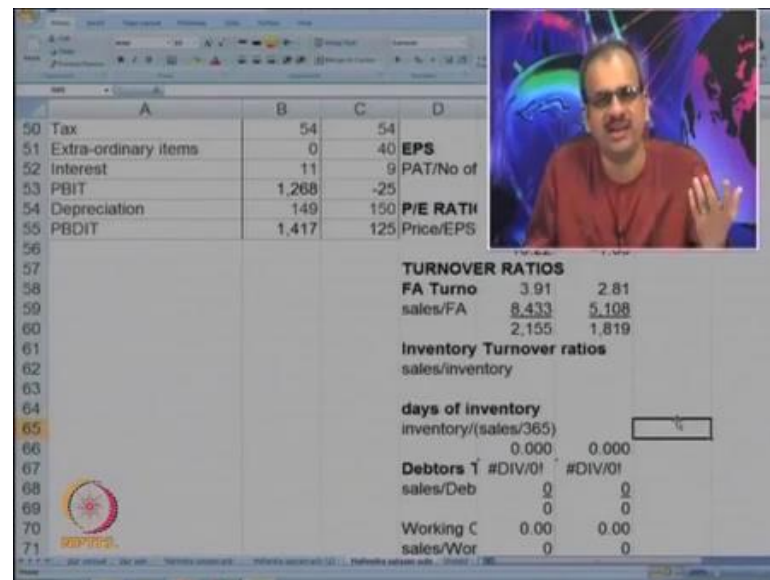
So, you will see a major fall of course, this was only, because that was year of turnaround. But, we are just seeing the movement from March 9 to March 10. RONW is from the owners perspective. So, PAT divide by net worth. So, net worth was as such negative in that particular year. So, anyway company was in earlier year, the net worth was negative in March 10 the profit has become negative.

So, both the years the RONW convey a negative figure. EPS, you know the ratio it is PAT divided by number of shares. Here, mind well the number of shares are given are in lakhs. So, you will have to first convert it into crores. So, EPS went down from 10 to minus 1. So, because of the company was in loss, the EPS has turned negative.

Now, let us look at PE ratio, what does the PE ratio tell you? This is price upon EPS, it tells you the strength of the company in terms of how much respect the company carries. Now, the market price of the company was 34 divided by EPS which we have just calculated. So, PE ratio is price upon EPS. So, it has moved up substantially. So, though you see that the profit has fallen, the market price has actually more than tripled from 34 to 91.

Why it has happened? Because, the market prices reflect the future in March 9, there was tremendous uncertainty about Satyam. The Satyam shares went down like anything. Now, Mahindra has taken over it is a turnaround time. So, the market prices of shares have gone up. So, PE ratio has moved from 3 to minus 83. Actually I am just trying to show you that PE ratio alone does not convey much. Since, it is a turnaround company, mere use of this ratios maybe misleading. So, you have to watch it.

(Refer Slide Time: 16:51)

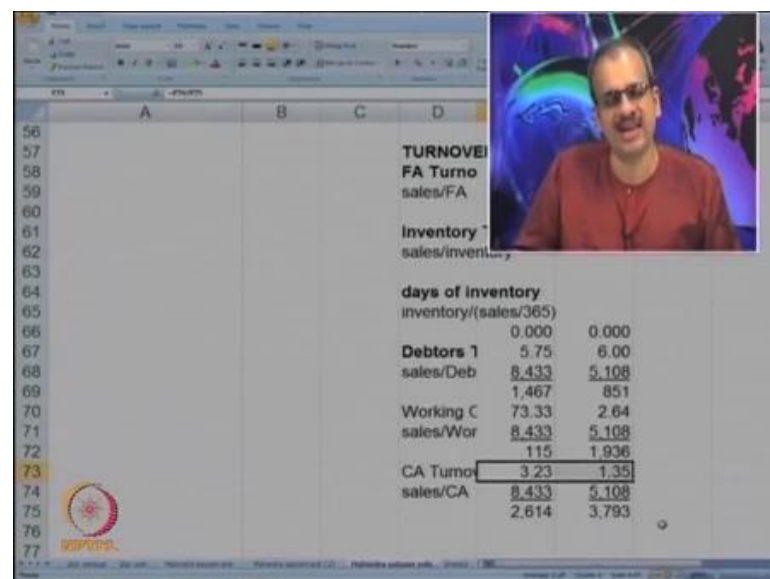


The screenshot shows a financial analysis spreadsheet. The presenter, a man with glasses and a red shirt, is visible in a video overlay on the right. The spreadsheet displays various financial metrics and turnover ratios.

	A	B	C	D
50	Tax	54	54	
51	Extra-ordinary items	0	40	EPS
52	Interest	11	9	PAT/No of
53	PBIT	1,268	-25	P/E RATIO
54	Depreciation	149	150	Price/EPS
55	PBDIT	1,417	125	
56				
57				
58				TURNOVER RATIOS
59				FA Turno 3.91 2.81
60				sales/FA 8,433 5,108
61				2,155 1,819
62				Inventory Turnover ratios
63				sales/inventory
64				
65				days of inventory
66				inventory/(sales/365)
67				0.000 0.000
68				Debtors T #DIV/0! #DIV/0!
69				sales/Deb 0 0
70				Working C 0.00 0.00
71				sales/Wor 0 0

Now, let us look at turnover ratios, first ratio we are trying to find is fixed asset turnover. So, sales upon fixed assets. So, in fixed assets we are taking gross block. So, it was 3.91 and in March 10 it became 2.81, not very important. Because, fix asset turnover ratio is more useful in manufacturing company Satyam being an IT company, fix assets as not a very important asset for them. Next is inventory turnover ratio again not relevant. So, we will not find you can observe that, inventory of the company is just 1 and 0 debtors turnover ratio maybe important.

(Refer Slide Time: 17:45)



The screenshot shows a financial analysis spreadsheet. The presenter, a man with glasses and a red shirt, is visible in a video overlay on the right. The spreadsheet displays various financial metrics and turnover ratios.

	A	B	C	D
56				
57				TURNOVER
58				FA Turno
59				sales/FA
60				
61				Inventory
62				sales/inventory
63				
64				days of inventory
65				inventory/(sales/365)
66				0.000 0.000
67				Debtors T 5.75 6.00
68				sales/Deb 8,433 5,108
69				1,467 851
70				Working C 73.33 2.64
71				sales/Wor 8,433 5,108
72				115 1,936
73				CA Turno 3.23 1.35
74				sales/CA 8,433 5,108
75				2,614 3,793
76				
77				

So, in debtors turnover ratio. So, inventory turnover and days of inventory I have removed, debtors turnover is sales upon debtors, net sales divided by debtors. So, you would see it is 5.75 in March 9 it became 6. So, you will observe that both debtors and sales have fallen. Same way let us try to do working capital turnover, you will observe again very odd movement here, working capital turnover which was 73.

This happened, because working capital of the company have fallen down like anything. It became only 115, now working capital has become little healthier. So, working capital turnover is 2.64. I am just trying to show you, that this ratios per say are not comparable. In case of Satyam, this is a turnaround case. So, these ratios this odd movement from 73 to 2, just tell you that this is not a normal life of the company.

This is something abnormal happening we have to go deeper into it. We cannot just use these ratios and make the normal observations. Next is current asset turnover. So, current asset turnover has also one down. Because, both turnover has gone down, but the current assets are increased. So, ratio has slightly fallen. So, this was the analysis of Satyam, more than ratio analysis of a normal type.

This shows you that, something very abnormally is happening in the company. In such case we investigate we should look at March 7, 8, 9, 10, 11 a long term position. If you look at the financial position up to 12, you will realize that company has substantially turned over now. So, using while doing ratio analysis, you have to be cautious though ratios give you very important input. You cannot just blindly use it as and compare with other companies.

So, I hope this would have given you a good understanding of analyzing the financial statement. Now, we will try to do revision of some other important topic, having understood various concepts of ratio analysis. Now, let us try to use it for making the projections. Now, one of the very interesting and important use of accounting data is whether we can use it for projecting the financial statements.

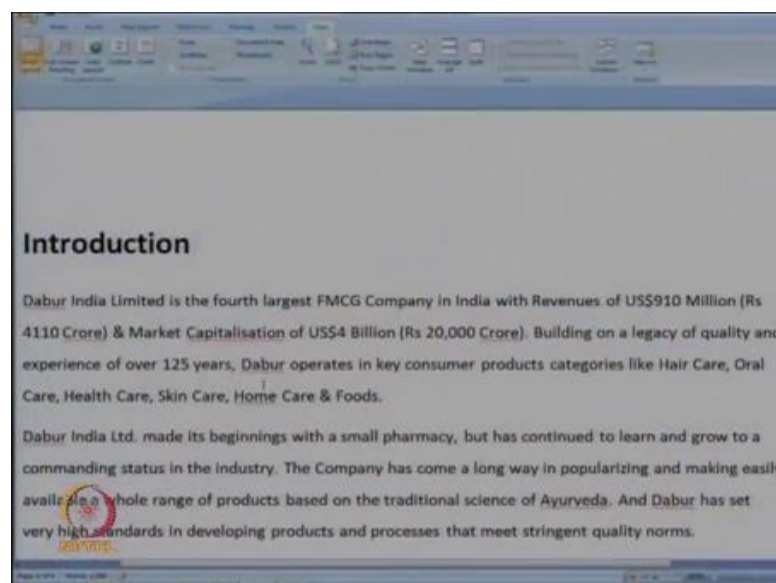
Assume that we have historical data for last 5 to 10 years of profit and loss in balance sheet. It will be very interesting, if we can tell what will be the income in next 2, 3, 4 years, what will be the balance sheet for next 2, 3 years. Who will be the stakeholders would like to know the projections? One is of course, the owners, because owners want

to know what they are likely to earn in future. Prospective share holders, because for them it is very important, they are buying shares of company for future earnings.

Then, those who are looking at the company to take over, they also know want to know the possible earnings of the business, lenders. Because, lenders want to ensure that interest and installment is returned in time. Like that, a number of stakeholders are keenly looking at projected figures. It is very difficult to project, actually only lord or ((Refer Time: 22:10)) knows, what will happen in future. We mortals cannot really project what will happen.

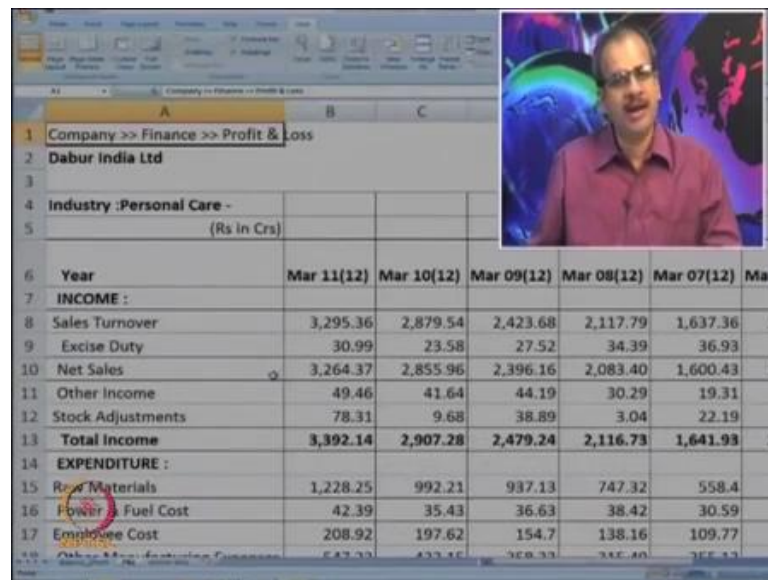
But, based on the assumption, we try to make reasonable estimates. So, today we take up a case, we look at the data and calculate the ratios. But, do not stop at ratios, we will see how this ratios can be used to project the financial statements of the future. And we will also try to do, valuation of the company based on the projections, I hope you will find this very interesting.

(Refer Slide Time: 22:48)



Now, let us look at the case. This is a company called dabur India limited, I hope you have heard about the company. This is a introductory data of the company, we are given some information of the company and also the financial statements for last 4 years.

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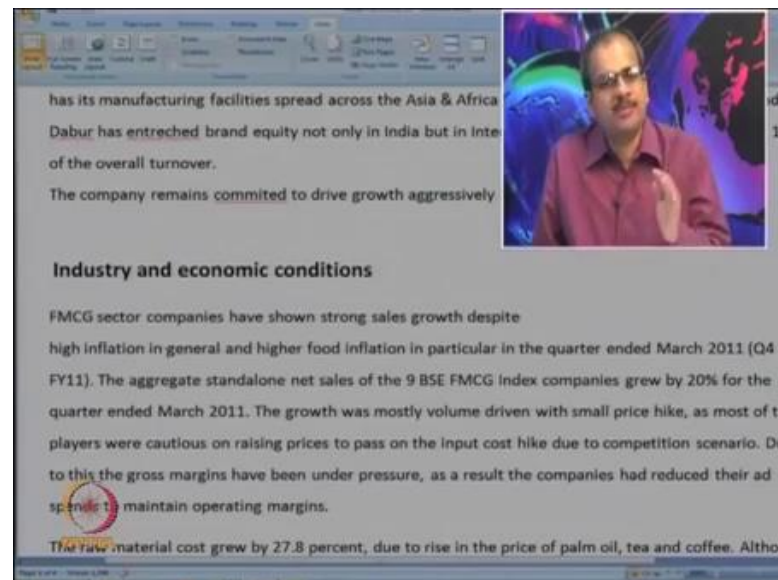


Year	Mar 11(12)	Mar 10(12)	Mar 09(12)	Mar 08(12)	Mar 07(12)	Mar 06(12)
INCOME :						
Sales Turnover	3,295.36	2,879.54	2,423.68	2,117.79	1,637.36	1,411.12
Excise Duty	30.99	23.58	27.52	34.39	36.93	36.93
Net Sales	3,264.37	2,855.96	2,396.16	2,083.40	1,600.43	1,374.19
Other Income	49.46	41.64	44.19	30.29	19.31	19.31
Stock Adjustments	78.31	9.68	38.89	3.04	22.19	22.19
Total Income	3,392.14	2,907.28	2,479.24	2,116.73	1,641.93	1,435.81
EXPENDITURE :						
Raw Materials	1,228.25	992.21	937.13	747.32	558.4	558.4
Power & Fuel Cost	42.39	35.43	36.63	38.42	30.59	30.59
Employee Cost	208.92	197.62	154.7	138.16	109.77	109.77
Depreciation & Amortisation	687.33	633.46	568.33	588.40	515.13	515.13
Finance Costs	10.11	10.11	10.11	10.11	10.11	10.11
Other Expenses	115.55	115.55	115.55	115.55	115.55	115.55
Total Expenditure	2,082.44	1,973.28	1,712.54	1,529.86	1,324.44	1,324.44
Profit Before Tax	1,309.70	934.00	766.70	586.87	317.49	111.37
Profit After Tax	982.28	700.50	575.03	440.15	238.12	84.03

These are the financial statements, as are made available. Now, first try to read the story in brief, I will request you to take printout of the case. And solve it along with me, it is slightly complicated. Because, projections are involved at the same time, you have to look at various sheets. I will be waiting going little fast, please bare with me try to take the printout. So, that you can cope up.

So, dabur India is the fourth largest FMCG company in India. Revenues are 910 million USD or 4110 crores. Then, market capitalization is available some introductory information of the company is given industry and economic conditions are given.

(Refer Slide Time: 24:02)



has its manufacturing facilities spread across the Asia & Africa
Dabur has entrenched brand equity not only in India but in Inte
of the overall turnover.
The company remains committed to drive growth aggressively

Industry and economic conditions

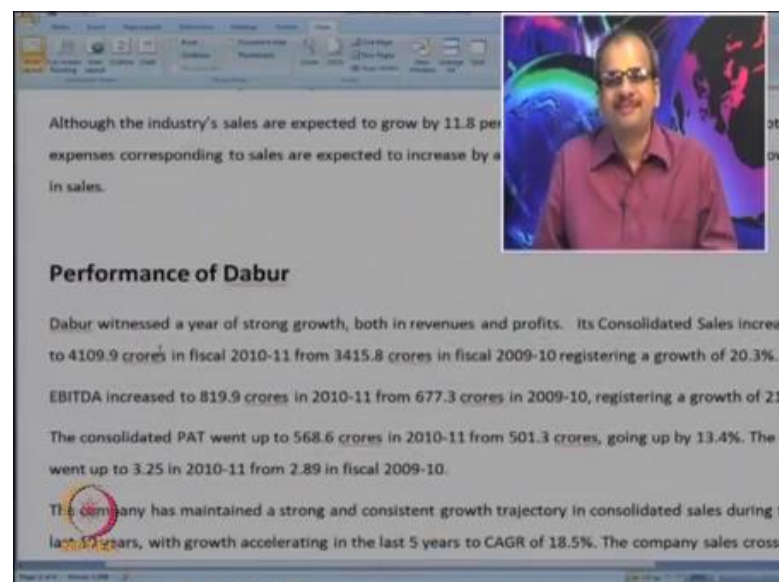
FMCG sector companies have shown strong sales growth despite
high inflation in general and higher food inflation in particular in the quarter ended March 2011 (Q4
FY11). The aggregate standalone net sales of the 9 BSE FMCG Index companies grew by 20% for the
quarter ended March 2011. The growth was mostly volume driven with small price hike, as most of the
players were cautious on raising prices to pass on the input cost hike due to competition scenario. Du
to this the gross margins have been under pressure, as a result the companies had reduced their ad
spending to maintain operating margins.

The raw material cost grew by 27.8 percent, due to rise in the price of palm oil, tea and coffee. Altho

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As you know this is a pharma company, they operate in FMCG business. So, you need to look at industry and economic condition, particularly of FMCG sector. So, that has been collected and made available.

(Refer Slide Time: 24:21)



Although the industry's sales are expected to grow by 11.8 per
expenses corresponding to sales are expected to increase by a
in sales.

Performance of Dabur

Dabur witnessed a year of strong growth, both in revenues and profits. Its Consolidated Sales increa
to 4109.9 crores in fiscal 2010-11 from 3415.8 crores in fiscal 2009-10 registering a growth of 20.3%.

EBITDA increased to 819.9 crores in 2010-11 from 677.3 crores in 2009-10, registering a growth of 21

The consolidated PAT went up to 568.6 crores in 2010-11 from 501.3 crores, going up by 13.4%. The
went up to 3.25 in 2010-11 from 2.89 in fiscal 2009-10.

The company has maintained a strong and consistent growth trajectory in consolidated sales during t
last 5 years, with growth accelerating in the last 5 years to CAGR of 18.5%. The company sales cross

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Then the most important thing the performance of Dabur. So, Dabur has been witnessing a very strong growth. Here, I have taken data up to 30st March 2011.

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Solution to Dabur Case Study

The Current Ratio of Dabur is 1.25 which is very healthy, and is higher than the industry average of 1.0. Some of its competitors like HUL and Colgate-Palmolive (1.11) assets are more than sufficient to pay off its short-term liabilities (notes payable, current portion of long-term debt, payables, accrued expenses and taxes).

Dabur has a low ROE at 42.8% compared to its competitors like HUL and Colgate. This may be due to high dividends paid by Dabur, or its increase equity levels because of its expansion mode.

Dabur is also efficient in the management of its credit, as is evident from its high debtors turnover ratio of 16.32 compared to the industry average of 5.42.

The net profit margins of Dabur has been fairly constant at around 15% with only a marginal decrease of 0.44%. This is higher than that of its competitors like HUL. The trend in high profit margins suggests that Dabur will continue to have a healthy profitability in the future as well.

So, this is the performance of Dabur.

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It also completed two successful acquisitions during 2010-11, Namaste Laboratories in USA.

During the year under review, the company sustained its long credit rating of AAA awarded by CRISIL reflects the company's strong financial position.

Mr XYZ, working as a financial analyst at Dabur needs to provide a detailed analysis about the financial position of the company and also its future outlook. The stakeholders of the company need to be able to quantify the various aspects of the business as well as diagnose the financial health of their company so that they can make decisions about investments or projects that the company is considering to take. Apart from future outlook, they are also interested in a valuation of the company for investment analysis.

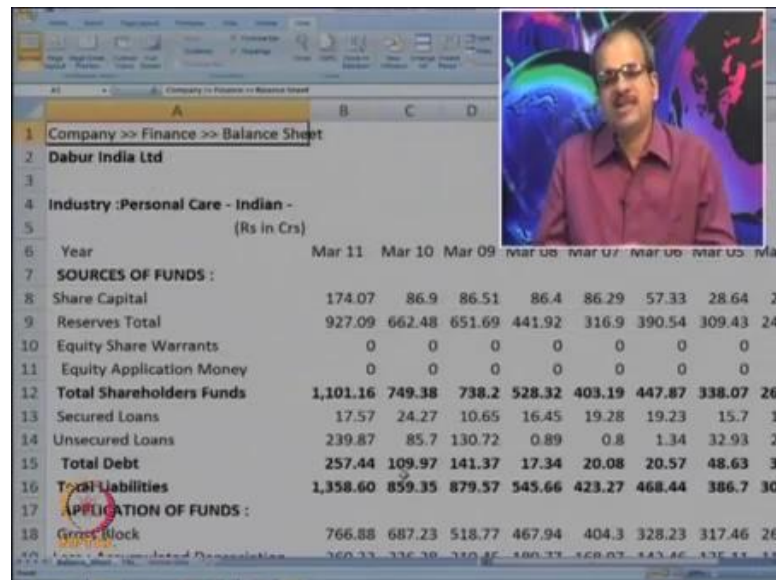
Solution to Dabur Case Study

The Current Ratio of Dabur is 1.25 which is very healthy, and is higher than the industry average of 1.0.

Now, here the solution starts, but we will go to data first ((Refer Time: 24:51)). Now, whenever you are asked to project the company I would request you to go to internet and download the required data. First the text data, which was shown to you there was some background information of the company, industry. Now, here financial statements of the company are downloaded and you can see them. So, income statement is made available, usually maximum possible data can be collected 10 years data is found useful, so from

year ended March 02 to March 0 11. The income statement you can see as the actuals are they have been downloaded from capital line data based. But, you can get it from internet from the company's website and so on.

(Refer Slide Time: 25:51)



Year	Mar 11	Mar 10	Mar 09	Mar 08	Mar 07	Mar 06	Mar 05	Mar 04
SOURCES OF FUNDS :								
Share Capital	174.07	86.9	86.51	86.4	86.29	57.33	28.64	2
Reserves Total	927.09	662.48	651.69	441.92	316.9	390.54	309.43	24
Equity Share Warrants	0	0	0	0	0	0	0	0
Equity Application Money	0	0	0	0	0	0	0	0
Total Shareholders Funds	1,101.16	749.38	738.2	528.32	403.19	447.87	338.07	26
Secured Loans	17.57	24.27	10.65	16.45	19.28	19.23	15.7	1
Unsecured Loans	239.87	85.7	130.72	0.89	0.8	1.34	32.93	2
Total Debt	257.44	109.97	141.37	17.34	20.08	20.57	48.63	3
Total Liabilities	1,358.60	859.35	879.57	545.66	423.27	468.44	386.7	30
APPLICATION OF FUNDS :								
Gross Block	766.88	687.23	518.77	467.94	404.3	328.23	317.46	26
Less: Accumulated Depreciation	360.33	336.38	310.45	280.33	258.07	243.46	235.33	13
Net Block	406.55	350.85	208.32	187.61	146.23	84.77	82.13	13

Here you can see the balance sheet of the company is also made available. Here, again I will request you to 10 years balance sheet. I am explaining the case, but assuming that you can yourself get the case of any other thing. So, here p and l balance sheet is available.

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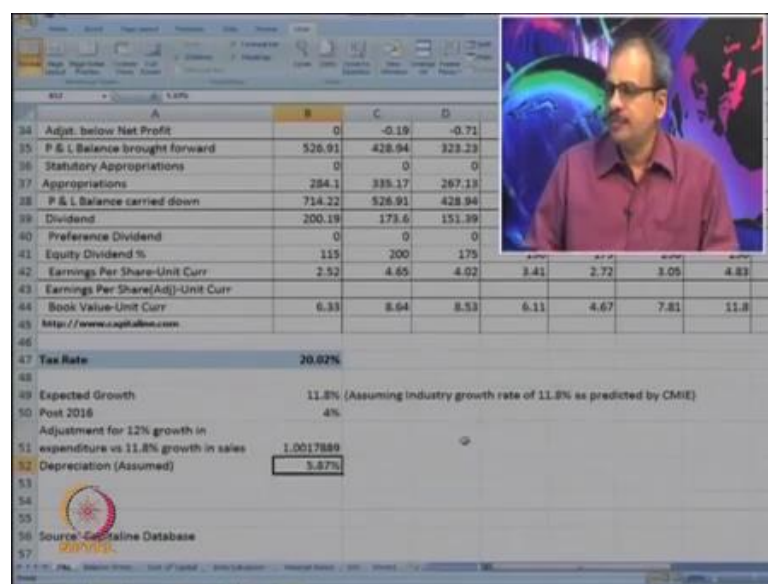
	A	B	C	D	E
1	Date	Dabur Adj Close	BSE Adj Close		
2	18-Jul-11	111.5	18502.38		
3	11-Jul-11	111.75	18561.92		
4	4-Jul-11	111.75	18858.04		
5	27-Jun-11	116.45	18762.8		
6	20-Jun-11	113.8	18240.68		
7	13-Jun-11	116.45	17870.53		
8	6-Jun-11	114	18268.54		
9	30-May-11	114.9	18376.48		
10	23-May-11	108.15	18266.1		
11	16-May-11	103	18326.09		
12	9-May-11	99.6	18531.28		
13	2-May-11	102.1	18518.81		
14	25-Apr-11	101.2	19135.96		
15	18-Apr-11	103.95	19602.23		
16	11-Apr-11	102.9	19386.82		
17	4-Apr-11	101.35	19451.45		
18	28-Mar-11	97.1	19420.39		
19	21-Mar-11	97.1	19420.39		
20	14-Mar-11	97.1	19420.39		
21	7-Mar-11	97.1	19420.39		
22	30-Feb-11	97.1	19420.39		
23	23-Feb-11	97.1	19420.39		
24	16-Feb-11	97.1	19420.39		
25	9-Feb-11	97.1	19420.39		
26	2-Sep-10	97.1	19420.39		
27	26-Aug-10	97.1	19420.39		
28	19-Aug-10	97.1	19420.39		
29	12-Aug-10	97.1	19420.39		
30	5-Aug-10	97.1	19420.39		
31	29-Jul-10	97.1	19420.39		
32	22-Jul-10	97.1	19420.39		
33	15-Jul-10	97.1	19420.39		
34	8-Jul-10	97.1	19420.39		
35	1-Jul-10	97.1	19420.39		
36	24-Jun-10	97.1	19420.39		
37	17-Jun-10	97.1	19420.39		
38	10-Jun-10	97.1	19420.39		
39	3-Jun-10	97.1	19420.39		
40	27-May-10	97.1	19420.39		
41	20-May-10	97.1	19420.39		
42	13-May-10	97.1	19420.39		
43	6-May-10	97.1	19420.39		
44	30-Apr-10	97.1	19420.39		
45	23-Apr-10	97.1	19420.39		
46	16-Apr-10	97.1	19420.39		
47	9-Apr-10	97.1	19420.39		
48	2-Apr-10	97.1	19420.39		
49	26-Mar-10	97.1	19420.39		
50	19-Mar-10	97.1	19420.39		
51	12-Mar-10	97.1	19420.39		
52	5-Mar-10	97.1	19420.39		
53	27-Feb-10	97.1	19420.39		
54	20-Feb-10	97.1	19420.39		
55	13-Feb-10	97.1	19420.39		
56	6-Feb-10	97.1	19420.39		
57	30-Jan-10	97.1	19420.39		
58	23-Jan-10	97.1	19420.39		
59	16-Jan-10	97.1	19420.39		
60	9-Jan-10	97.1	19420.39		
61	2-Dec-09	97.1	19420.39		
62	25-Nov-09	97.1	19420.39		
63	18-Nov-09	97.1	19420.39		
64	11-Nov-09	97.1	19420.39		
65	4-Nov-09	97.1	19420.39		
66	28-Oct-09	97.1	19420.39		
67	21-Oct-09	97.1	19420.39		
68	14-Oct-09	97.1	19420.39		
69	7-Oct-09	97.1	19420.39		
70	30-Sep-09	97.1	19420.39		
71	23-Sep-09	97.1	19420.39		
72	16-Sep-09	97.1	19420.39		
73	9-Sep-09	97.1	19420.39		
74	2-Sep-09	97.1	19420.39		
75	26-Aug-09	97.1	19420.39		
76	19-Aug-09	97.1	19420.39		
77	12-Aug-09	97.1	19420.39		
78	5-Aug-09	97.1	19420.39		
79	29-Jul-09	97.1	19420.39		
80	22-Jul-09	97.1	19420.39		
81	15-Jul-09	97.1	19420.39		
82	8-Jul-09	97.1	19420.39		
83	1-Jul-09	97.1	19420.39		
84	24-Jun-09	97.1	19420.39		
85	17-Jun-09	97.1	19420.39		
86	10-Jun-09	97.1	19420.39		
87	3-Jun-09	97.1	19420.39		
88	27-May-09	97.1	19420.39		
89	20-May-09	97.1	19420.39		
90	13-May-09	97.1	19420.39		
91	6-May-09	97.1	19420.39		
92	30-Apr-09	97.1	19420.39		
93	23-Apr-09	97.1	19420.39		
94	16-Apr-09	97.1	19420.39		
95	9-Apr-09	97.1	19420.39		
96	2-Apr-09	97.1	19420.39		
97	26-Mar-09	97.1	19420.39		
98	19-Mar-09	97.1	19420.39		
99	12-Mar-09	97.1	19420.39		
100	5-Mar-09	97.1	19420.39		
101	27-Feb-09	97.1	19420.39		
102	20-Feb-09	97.1	19420.39		
103	13-Feb-09	97.1	19420.39		
104	6-Feb-09	97.1	19420.39		
105	30-Jan-09	97.1	19420.39		
106	23-Jan-09	97.1	19420.39		
107	16-Jan-09	97.1	19420.39		
108	9-Jan-09	97.1	19420.39		
109	2-Dec-08	97.1	19420.39		
110	25-Nov-08	97.1	19420.39		
111	18-Nov-08	97.1	19420.39		
112	11-Nov-08	97.1	19420.39		
113	4-Nov-08	97.1	19420.39		
114	28-Oct-08	97.1	19420.39		
115	21-Oct-08	97.1	19420.39		
116	14-Oct-08	97.1	19420.39		
117	7-Oct-08	97.1	19420.39		
118	30-Sep-08	97.1	19420.39		
119	23-Sep-08	97.1	19420.39		
120	16-Sep-08	97.1	19420.39		
121	9-Sep-08	97.1	19420.39		
122	2-Sep-08	97.1	19420.39		
123	26-Aug-08	97.1	19420.39		
124	19-Aug-08	97.1	19420.39		
125	12-Aug-08	97.1	19420.39		
126	5-Aug-08	97.1	19420.39		
127	29-Jul-08	97.1	19420.39		
128	22-Jul-08	97.1	19420.39		
129	15-Jul-08	97.1	19420.39		
130	8-Jul-08	97.1	19420.39		
131	1-Jul-08	97.1	19420.39		
132	24-Jun-08	97.1	19420.39		
133	17-Jun-08	97.1	19420.39		
134	10-Jun-08	97.1	19420.39		
135	3-Jun-08	97.1	19420.39		
136	27-May-08	97.1	19420.39		
137	20-May-08	97.1	19420.39		
138	13-May-08	97.1	19420.39		
139	6-May-08	97.1	19420.39		
140	30-Apr-08	97.1	19420.39		
141	23-Apr-08	97.1	19420.39		
142	16-Apr-08	97.1	19420.39		
143	9-Apr-08	97.1	19420.39		
144	2-Apr-08	97.1	19420.39		
145	26-Mar-08	97.1	19420.39		
146	19-Mar-08	97.1	19420.39		
147	12-Mar-08	97.1	19420.39		
148	5-Mar-08	97.1	19420.39		
149	27-Feb-08	97.1	19420.39		
150	20-Feb-08	97.1	19420.39		
151	13-Feb-08	97.1	19420.39		
152	6-Feb-08	97.1	19420.39		
153	30-Jan-08	97.1	19420.39		
154	23-Jan-08	97.1	19420.39		
155	16-Jan-08	97.1	19420.39		
156	9-Jan-08	97.1	19420.39		
157	2-Dec-07	97.1	19420.39		
158	25-Nov-07	97.1	19420.39		
159	18-Nov-07	97.1	19420.39		
160	11-Nov-07	97.1	19420.39		
161	4-Nov-07	97.1	19420.39		
162	28-Oct-07	97.1	19420.39		
163	21-Oct-07	97.1	19420.39		
164	14-Oct-07	97.1	19420.39		
165	7-Oct-07	97.1	19420.39		
166	30-Sep-07	97.1	19420.39		
167	23-Sep-07	97.1	19420.39		
168	16-Sep-07	97.1	19420.39		
169	9-Sep-07	97.1	19420.39		
170	2-Sep-07	97.1	19420.39		
171	26-Aug-07	97.1	19420.39		
172	19-Aug-07	97.1	19420.39		
173	12-Aug-07	97.1	19420.39		
174	5-Aug-07	97.1	19420.39		
175	29-Jul-07	97.1	19420.39		
176	22-Jul-07	97.1	19420.39		
177	15-Jul-07	97.1	19420.39		
178	8-Jul-07	97.1	19420.39		
179	1-Jul-07	97.1	19420.39		
180	24-Jun-07	97.1	19420.39		
181	17-Jun-07	97.1	19420.39		
182	10-Jun-07	97.1	19420.39		
183	3-Jun-07	97.1	19420.39		
184	27-May-07	97.1	19420.39		
185	20-May-07	97.1	19420.39		
186	13-May-07	97.1	19420.39		
187	6-May-07	97.1	19420.39		
188	30-Apr-07	97.1	19420.39		
189	23-Apr-07	97.1	19420.39		
190	16-Apr-07	97.1	19420.39		
191	9-Apr-07	97.1	19420.39		
192	2-Apr-07	97.1	19420.39		
193	26-Mar-07	97.1	19420.39		
194	19-Mar-07	97.1	19420.39		
195	12-Mar-07	97.1	19420.39		
196	5-Mar-07	97.1	19420.39		
197	27-Feb-07	97.1	19420.39		
198	20-Feb-07	97.1	19420.39		
199	13-Feb-07	97.1	19420.39		
200	6-Feb-07	97.1	19420.39		
201	30-Jan-07	97.1	19420.39		
202	23-Jan-07	97.1	19420.39		
203	16-Jan-07	97.1	19420.39		
204	9-Jan-07	97.1	19420.39		
205	2-Dec-06	97.1	19420.39		
206	25-Nov-06	97.1	19420.39		
207	18-Nov-06	97.1	19420.39		
208	11-Nov-06	97.1	19420.39		
209	4-Nov-06	97.1	19420.39		
210	28-Oct-06	97.1	19420.39		
211	21-Oct-06	97.1	19420.39		
212	14-Oct-06	97.1	19420.39		
213	7-Oct-06	97.1	19420.39		
214	30-Sep-06	97.1	19420.39		
215	23-Sep-06	97.1	19420.39		
216	16-Sep-06	97.1	19420.39		
217	9-Sep-06	97.1	19420.39		
218	2-Sep-06	97.1	19420.39		
219	26-Aug-06	97.1	19420.39		
220	19-Aug-06	97.1	19420.39		
221	12-Aug-06	97.1	19420.39		
222	5-Aug-06	97.1	19420.39		
223	29-Jul-06	97.1	19420.39		
224	22-Jul-06	97.1	19420.39		
225	15-Jul-06	97.1	19420.39		
226	8-Jul-06	97.1	19420.39		
227	1-Jul-06	97.1	19420.39		
228					

We also look at the sensex data. So, sensex data is required, because it gives you an idea about, what is a market condition and how does this company fair vis a vis the market. Why is this data required? Because, this gives us some background as to how the company is in the minds of investor, how much risky do they treat. You will have to work out the cost of capital to calculate the cost of capital, this data is useful.

So, whenever you are trying to project for your company I would advise you to get at least 1 or 2 years sensex data. And the closing price of the company, this has been done on a weekly basis. You can get the daily data also, but it becomes too longer sheet. So, here weekly data is a collected for last 4 years. Now, with this background data. So, we have p and l we have balance sheet, we have sensex data all this data is available in public domain you can download.

Now, using this data, we have to project p and l we have project balance sheet. And give the valuation of the company, we will also have to calculate cost of capital of the same. So, now how to proceed just think over, you are I think guessing on the right line, you can start with p and l ((Refer Time: 27:46)) we have been given 10 years figures. So, you can calculate important ratios, project the sales then other p and l data can be estimated based on the projected sales. Once the p and l data is available, we will go to balance sheet. And according to the changes in the operating performance, we will also adjust the balance sheet.

(Refer Slide Time: 28:20)



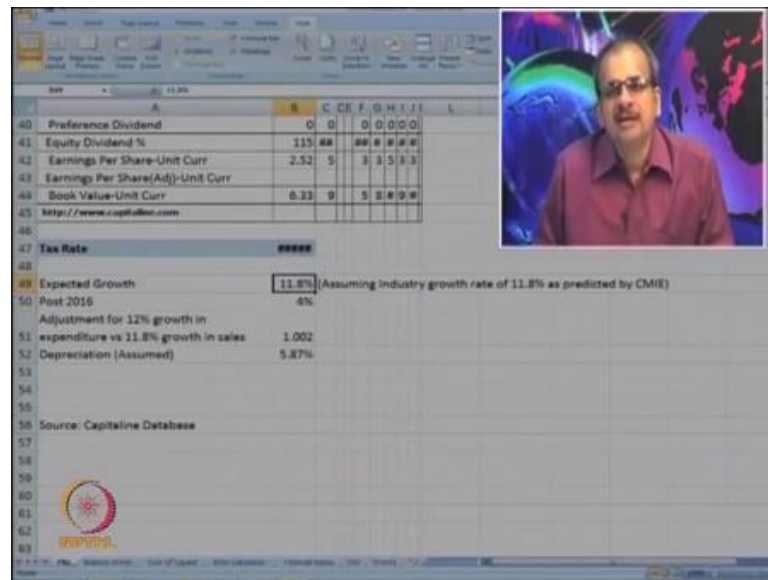
The screenshot displays a financial spreadsheet with the following data:

	A	B	C	D
34 Adjust. below Net Profit	0	-0.19	-0.71	
35 P & L Balance brought forward	526.91	428.94	323.23	
36 Statutory Appropriations	0	0	0	
37 Appropriations	284.1	335.17	267.13	
38 P & L Balance carried down	714.22	526.91	428.94	
39 Dividend	200.19	173.6	151.89	
40 Preference Dividend	0	0	0	
41 Equity Dividend %	115	200	175	
42 Earnings Per Share(Adj)-Unit Curr	2.52	4.65	4.02	3.41 2.72 3.05 4.83
43 Earnings Per Share(Adj)-Unit Curr				
44 Book Value-Unit Curr	6.33	8.64	8.53	6.11 4.67 7.81 11.8
45 http://www.capitalbase.com				
46				
47 Tax Rate	20.02%			
48				
49 Expected Growth	11.8%	(Assuming Industry growth rate of 11.8% as predicted by CMIE)		
50 Post 2016	4%			
51 Adjustment for 12% growth in expenditure vs 11.8% growth in sales	1.0017889			
52 Depreciation (Assumed)	5.87%			
53				
54				
55				
56 Source: Capitalbase Database				
57				

The video inset shows a man in a purple shirt speaking against a background of a globe and abstract patterns.

we now look at the projected figures. So, the first calculation is to start with sales. You can see here, this is B 8 that is the March 11 the last information, which is available into 1 plus dollar B dollar 49.

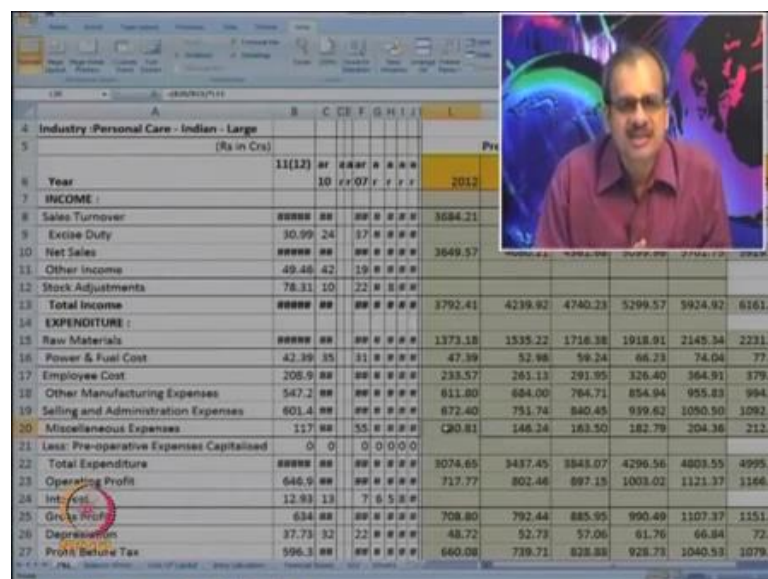
(Refer Slide Time: 30:52)



	A	B	C	D	E	F	G	H	I	J	K
40	Preference Dividend	0	0	0	0	0	0	0	0	0	0
41	Equity Dividend %	115	88	88	8	8	8	8	8	8	8
42	Earnings Per Share-Unit Curr	2.52	5	3	3	5	3	3	3	3	3
43	Earnings Per Share(Adj)-Unit Curr										
44	Book Value-Unit Curr	6.33	0	5	8	9	9	9	9	9	9
45	http://www.capitalline.com										
46											
47	Tax Rate	0000									
48											
49	Expected Growth	11.8%									
50	Post 2016	4%									
51	Adjustment for 12% growth in expenditure vs 11.8% growth in sales	1.002									
52	Depreciation (Assumed)	5.87%									
53											
54											
55											
56	Source: Capitalline Database										
57											
58											
59											
60											
61											
62											
63											

So, we will go to D 49. So, we had the expected growth projections, which was 11.08 percent.

(Refer Slide Time: 31:02)



	A	B	C	D	E	F	G	H	I	J	K
4	Industry: Personal Care - Indian - Large										
5	(Rs in Crs)										
6	Year	11(12)	10	11	12	13	14	15	16	17	18
7	INCOME :										
8	Sales Turnover	3684.21									
9	Excise Duty	30.99	24	17	8	8	8	8	8	8	8
10	Net Sales	3649.57									
11	Other Income	49.48	42	19	8	8	8	8	8	8	8
12	Stock Adjustments	78.11	10	22	8	8	8	8	8	8	8
13	Total Income	3792.41									
14	EXPENDITURE :										
15	Raw Materials	1373.18									
16	Power & Fuel Cost	42.39	35	31	8	8	8	8	8	8	8
17	Employee Cost	208.9	88	88	8	8	8	8	8	8	8
18	Other Manufacturing Expenses	547.2	88	88	8	8	8	8	8	8	8
19	Selling and Administration Expenses	601.4	88	88	8	8	8	8	8	8	8
20	Miscellaneous Expenses	117	88	55	8	8	8	8	8	8	8
21	Less: Pre-operative Expenses Capitalized	0	0	0	0	0	0	0	0	0	0
22	Total Expenditure	3074.65									
23	Operating Profit	717.77									
24	Int. Exp.	12.93	13	7	6	5	8	8	8	8	8
25	Gross Profit	708.80									
26	Depreciations	48.72									
27	Profit Before Tax	660.08									

Based on that we have estimated the sales of 2012, which will be the starting point. Then, again using L 8 we have projected the sales of 2013, 2014, 2015 and so on. So, in

just 5 years, we have taken CMIE estimated growth of the industry, which is 11.8 percent same is assumed as a growth rate for this company. So, based on this we get the turnover for 2012. Then, using 2012 data the projections are made for 13, 14, 15 and 16. But, 2016 onwards that is for the last year and we have projected up to 2017.

So, we have done this 6 years estimate. Now, we have also worked out the growth in excise duty, which is assumed at a same rate. So, you can see it is B 10 into 1 plus B 49, B 10 is the last year's net sales. So, just as gross sales was estimated in the same way, the net sales are also estimated in the same ratio. So, excise duty is assumed to be remain at the same rate, we do not consider any repetition of other income.

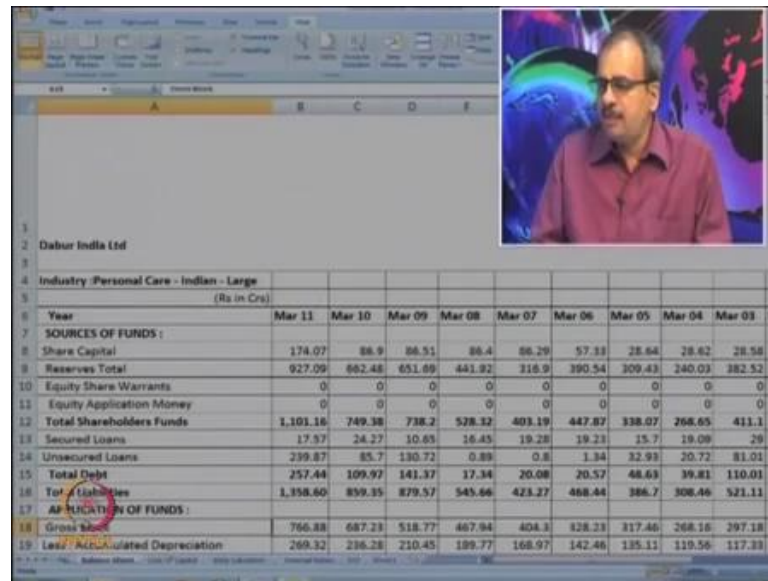
So, other income has been ignored. So, total income is nothing but the net sales. Now, next is you can see carefully. Next is raw material and look at it how it has been calculated B 15 upon B 13. So, we have taken the ratio as prevailed in March 11 and on the same basis. So, B 15 upon B 13 into l 13, l 13 is nothing but our projected net income for 2012. So, it is assumed that the same ratio as existed in March 11 will continue for March 12.

Now, you can see in the same way, the projections will be made. So, we have to take l 15 upon l 13 into m 13. So, once the total income has been projected for March 12 onwards, we use the same ratio as was 11. And continue it for the coming years. So, this is raw material figures. Then power and fuel, employee cost, other manufacturing expenses, selling admin, miscellaneous expenses.

So, all these expenses are linked to sales. So, whatever the proportion in which the sales have increased, they will also increase, because we have adopted the same ratio for March 11. Now, you have to be careful in ensuring that March 11 is a normal year. It should not be abnormal year, where in either the expenses were excessive or less then. In case of Dabur there is no information about abnormality. So, this is assumed to be a normal year and a March 11 ratios are used to project March 12 and onwards.

So, here we get the total expenditure. So, we also get the operating profit from operating profit. We can work out the gross profit, which is again assumed to continue in the same ratio. As it was there in March 11 same ratio has been used. So, you can see B 13 upon B 25, B 25 are is the gross profit and B 13 of the sales of March 11. So, same ratio our gross profit will also increase.

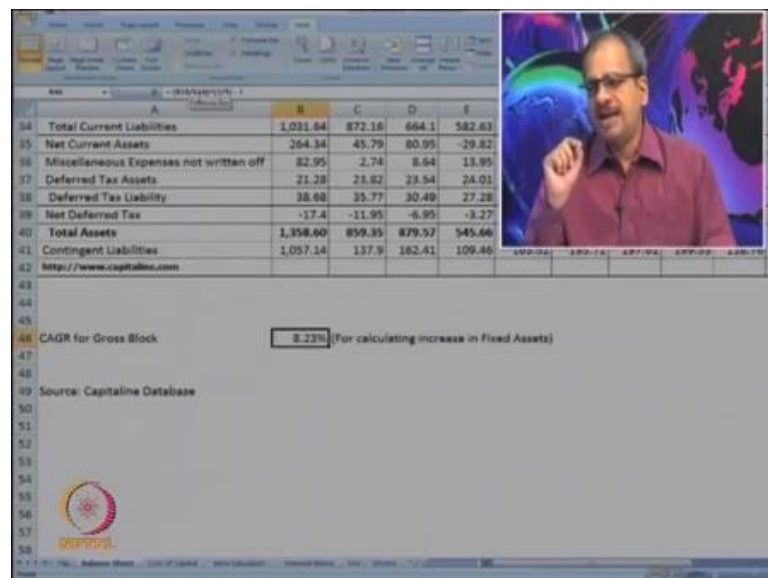
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Year	Mar 11	Mar 10	Mar 09	Mar 08	Mar 07	Mar 06	Mar 05	Mar 04	Mar 03
SOURCES OF FUNDS :									
Share Capital	174.07	88.9	86.51	86.4	86.29	57.11	28.64	28.62	28.58
Reserves Total	927.09	662.48	651.89	441.92	318.9	390.54	309.43	240.03	382.52
Equity Share Warrants	0	0	0	0	0	0	0	0	0
Equity Application Money	0	0	0	0	0	0	0	0	0
Total Shareholders Funds	1,101.16	749.38	738.2	528.32	403.19	447.87	338.07	268.65	411.1
Secured Loans	17.57	24.27	10.65	16.45	19.28	19.21	15.7	19.09	29
Unsecured Loans	239.87	85.7	130.72	0.89	0.8	1.34	32.93	20.72	81.01
Total Debt	257.44	109.97	141.37	17.34	20.08	20.57	48.63	39.81	110.01
Total Liabilities	1,358.60	859.35	879.57	545.66	423.27	468.44	386.7	308.46	521.11
APPLICATION OF FUNDS :									
Gross Block	766.88	687.23	518.77	467.94	404.3	328.23	317.46	268.16	297.18
Less: Accumulated Depreciation	269.32	236.28	210.45	189.77	168.97	142.46	135.11	119.56	117.33

Next is depreciation now this figure of depreciation, we have to go to balance sheet l 18. You can see here the balance sheet, in balance sheet we have looked at the gross block. So, as I was telling you we have to look at multiple sheets, we were in p and l up to gross profit, we can calculate it from sales. But, the next item depreciation depends on the amount of gross block. So, we will go to balance sheet for the movement, here in the balance sheet we have been given the data from March 2 to March 11.

(Refer Slide Time: 36:25)



	Mar 11	Mar 10	Mar 09	Mar 08	Mar 07	Mar 06	Mar 05	Mar 04	Mar 03
Total Current Liabilities	1,031.84	872.16	664.1	582.63					
Net Current Assets	264.34	45.79	80.95	-29.82					
Miscellaneous Expenses not written off	82.95	2.74	8.64	13.95					
Deferred Tax Assets	21.28	23.82	23.54	24.01					
Deferred Tax Liability	38.68	35.77	30.49	27.28					
Net Deferred Tax	-17.4	-11.95	-6.95	-3.27					
Total Assets	1,358.60	859.35	879.57	545.66					
Contingent Liabilities	1,057.14	137.9	182.41	109.46					

http://www.capitalline.com

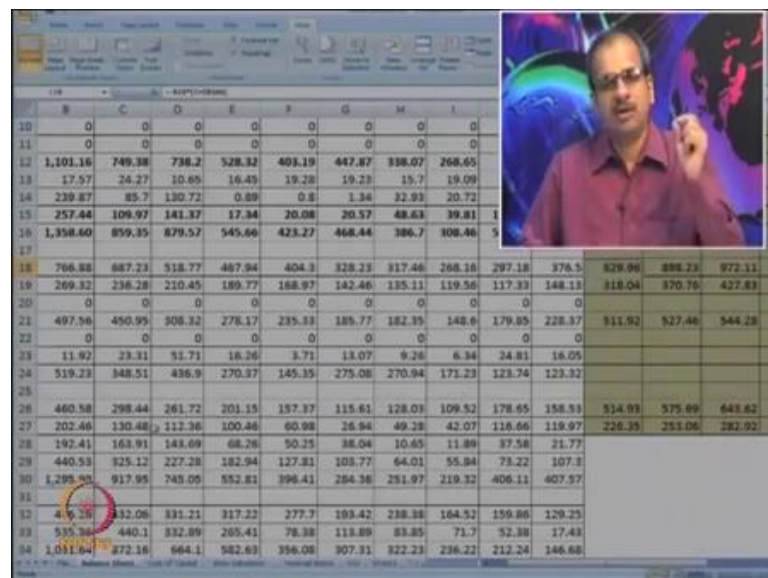
CAGR for Gross Block 8.22% (For calculating increase in Fixed Assets)

Source: Capitalline Database

We have made some calculations. Now, CAGR has been calculated, I hope you are aware about CAGR. This is a cumulative growth rate for the earlier years. So, CAGR is calculated for the gross block, we will look at the gross block figures ((Refer Time: 36:50)) I hope you know that gross block is the fixed assets that cost. We have data from 2 to 11. So, this data was used to know, what was the growth in last 10 years? So, last 10 years it has increased from 376 to 766 this is B 18.

So, now CAGR cumulative annualized growth rate is calculated, you can have a look at the formula it is B 18 upon k 18. So, from B 18 is the March 11 gross block to and k 18 is a 2002 gross block. So, B 18 upon k 18 raise to 1 by 9, because this is 10 years. So, it is a growth of 9 years minus 1. So, we get 8.23 percent as increase in the gross block.

(Refer Slide Time: 37:55)



	B	C	D	E	F	G	H	I	
10	0	0	0	0	0	0	0	0	
11	0	0	0	0	0	0	0	0	
12	1,101.16	749.38	738.2	528.32	403.19	447.87	338.07	268.65	
13	17.57	24.27	10.65	16.45	19.28	19.23	15.7	19.09	
14	239.87	85.7	130.72	0.89	0.8	1.34	32.93	20.72	
15	257.44	109.97	141.37	17.34	20.08	20.57	48.63	39.81	
16	1,358.60	859.35	879.57	545.66	423.27	468.44	386.7	308.46	
17									
18	766.88	687.23	518.77	487.94	404.3	328.23	317.46	268.16	297.18
19	269.32	236.28	210.45	189.77	168.97	142.46	135.11	119.56	117.33
20	0	0	0	0	0	0	0	0	0
21	497.56	450.95	308.32	278.17	235.33	185.77	182.35	148.6	179.85
22	0	0	0	0	0	0	0	0	0
23	11.92	23.31	51.71	16.26	3.71	13.07	9.26	6.34	24.81
24	519.23	348.51	436.9	270.37	145.35	275.08	270.94	171.23	123.74
25									
26	460.58	298.44	261.72	201.15	157.37	115.81	128.03	109.52	178.65
27	202.46	130.48	112.36	100.48	60.98	26.94	49.28	42.07	116.66
28	192.41	163.91	143.69	68.28	50.25	38.04	10.65	11.89	37.58
29	440.53	525.12	227.28	182.94	127.81	108.77	64.01	55.94	73.22
30	1,295.35	917.95	745.05	552.81	396.41	284.38	251.97	219.32	406.11
31									
32	4,912.38	332.08	331.21	317.22	277.7	193.42	238.38	164.52	159.86
33	535.38	440.1	332.89	265.41	78.38	113.89	83.85	71.7	52.38
34	1,011.94	872.18	664.1	582.63	356.08	307.31	322.23	236.22	212.24

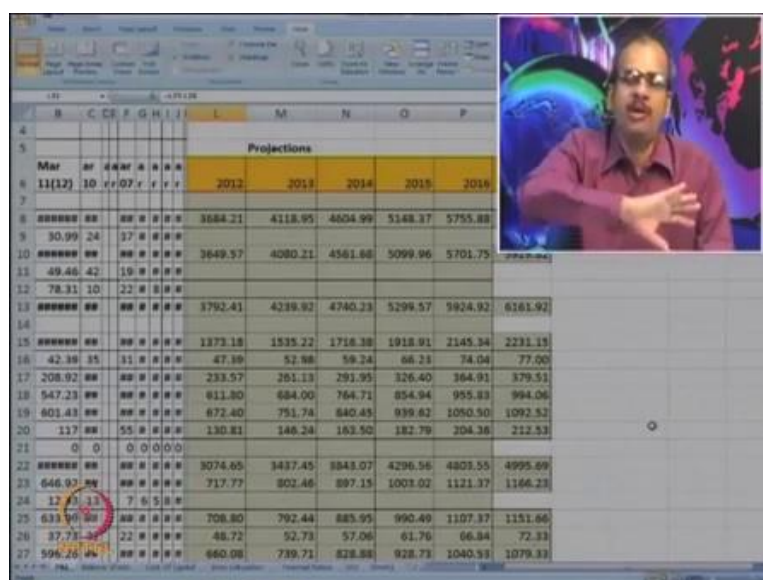
Now, we will come to balance sheet projections later, but only to understand the depreciation. So, here now based on this CAGR. Gross block for March 2012 is estimated. So, you can see the figure comes to 829 and on that basis, we are able to estimate the depreciation for the year. So, 829 is the gross block for march 12, we will go back to p and l we were in depreciation calculation.

So, we have taken the gross block as estimated in the balance sheet. And a depreciation of 0.0587 is the rate estimated. You can see the rate here based on the earlier years depreciation rate, this particular depreciation rate has been estimated. So, depreciation

for the year comes to 48.52. Now, the same has been the same formula will be copied for all the years, because the rate will be assumed to be constant.

So, whatever is a respective years, estimated gross block using that gross block we can project the depreciation. Now, gross profit minus depreciation we get PBT Profit before Tax. Now, we have to estimate the tax rate, which was estimated earlier ((Refer Time: 39:41)). You can see here the tax rate, which was taken as 2.02. This is the actual tax rate for March 11. So, we do not know whether the rates of taxes have gone up or down. So, normally in a simple analysis the same rate is continue.

(Refer Slide Time: 40:02)



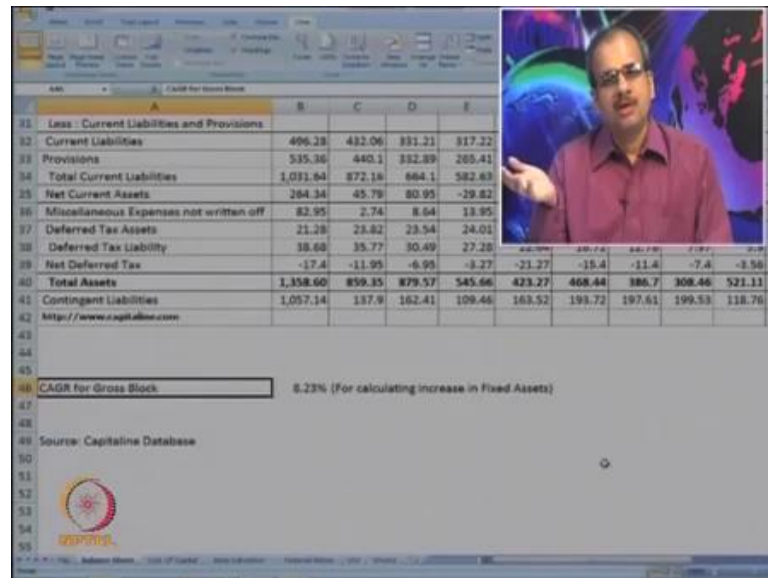
		2012	2013	2014	2015	2016
Mar	11(12)	10	10	10	10	10
11	11	11	11	11	11	11
12	12	12	12	12	12	12
13	13	13	13	13	13	13
14	14	14	14	14	14	14
15	15	15	15	15	15	15
16	16	16	16	16	16	16
17	17	17	17	17	17	17
18	18	18	18	18	18	18
19	19	19	19	19	19	19
20	20	20	20	20	20	20
21	21	21	21	21	21	21
22	22	22	22	22	22	22
23	23	23	23	23	23	23
24	24	24	24	24	24	24
25	25	25	25	25	25	25
26	26	26	26	26	26	26
27	27	27	27	27	27	27

So, this is B 47. So, for calculating the tax rate, you can see that dollar B dollar 47 into 1 27. So, 1 27 is a projected profit before tax. So, a tax rate of 20.02 percent is applied same rate will be applied for all the future years. Now, if some information is available about changes in the tax rates, you can incorporate. Otherwise, normally last year's tax, rate the available most current tax rate. That is available for March 11 same will be used for projecting.

So, we will get tax for all the years. Now, PBT minus tax we get reported net profit. So, here we get the projections for all the years are you fine with now, you will be able to project. I will request you, you have a look at this sheets. These sheets have been shared with you in the web course. So, please look at the sheet, you put the data of your own company, you can change the year also.

So, now perhaps the data up to March 11 will be available or up to September 11 will be available. You can put in the data, retain the formulas you will be able to project the p and l account for the coming 5 years. So, have a look at the sheet here the projections are made from 2 to 17. Now, let us go to balance sheet, now this is the balance sheet data as we have just now seen the data for 10 years was given.

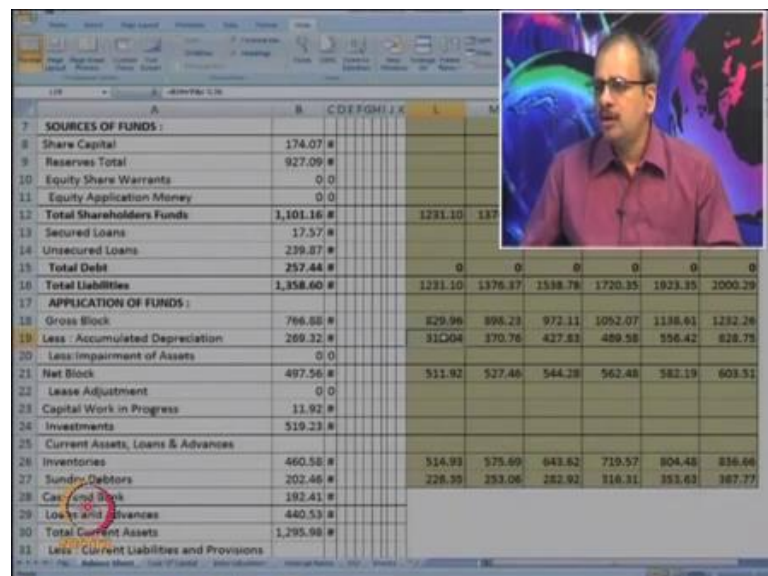
(Refer Slide Time: 41:53)



	B	C	D	E
Less: Current Liabilities and Provisions				
Current Liabilities	496.28	432.06	331.21	317.22
Provisions	535.36	440.1	332.89	265.41
Total Current Liabilities	1,031.64	872.16	664.1	582.63
Net Current Assets	284.34	45.79	80.95	-29.82
Miscellaneous Expenses not written off	82.95	2.74	8.64	13.95
Deferred Tax Assets	21.28	21.82	23.54	24.01
Deferred Tax Liability	38.68	35.77	30.49	27.28
Net Deferred Tax	-17.4	-11.95	-6.95	-3.27
Total Assets	1,358.60	859.35	879.57	545.66
Contingent Liabilities	1,057.14	137.8	162.41	109.46
				163.52
				193.72
				197.61
				199.53
				118.76
http://www.capitalbase.com				
CAGR for Gross Block	8.23% (For calculating increase in Fixed Assets)			
Source: Capitalbase Database				

We have to make estimation for CAGR. So, we look at the growth rate of last 10 years. And it is assumed that the same growth rate will continue which was 8.23.

(Refer Slide Time: 42:09)



	B	C	D	E	F	G	H	I	J	K	L	M
SOURCES OF FUNDS:												
Share Capital	174.07	#										
Reserves Total	927.09	#										
Equity Share Warrants	0.0											
Equity Application Money	0.0											
Total Shareholders Funds	1,101.16	#									1231.10	137
Secured Loans	17.57	#										
Unsecured Loans	239.87	#										
Total Debt	257.44	#									0	0
Total Liabilities	1,358.60	#									1231.10	1376.87
APPLICATION OF FUNDS:												
Gross Block	766.88	#									829.96	898.23
Less: Accumulated Depreciation	269.32	#									310.04	370.76
Less: Impairment of Assets	0.0										427.83	489.58
Net Block	497.56	#									511.92	527.48
Lease Adjustment	0.0										544.28	562.48
Capital Work in Progress	11.92	#									582.19	603.51
Investments	519.23	#										
Current Assets, Loans & Advances												
Inventories	460.58	#									514.93	575.69
Sundry Debtors	202.46	#									643.82	719.57
Cash and Bank	192.41	#									804.48	836.66
Loans and Advances	440.53	#									228.35	253.06
Total Current Assets	1,295.98	#									252.92	316.31
Less: Current Liabilities and Provisions											351.63	367.77

So, balance sheet if you start with assets. That is application of funds, the first item is gross block, I will just make these columns smaller. So, that you can concentrate on the projections part. So, this one is the data for all the 10 years. Now, when you are projecting for a steady company, which is there for a reasonably long time. This particular method is useful.

If it is a highly going company or if it is a new venture, then perhaps more estimation and little more sophisticated techniques are useful. But, I am trying to give you a basic model, which can be used for a normal company, which is there for a reasonably long time at least for about 10, 15 years. So, we have made the projections for gross block, then we are looking at depreciation.

So, gross block we know that the rate of growth will be around 8.23. So, taking the gross block of the last year, that is March 11, we have estimated the gross block of this year. And then the same estimations are continued till March 2017. Next figure is accumulated depreciation, you know that whatever is a depreciation in the earlier year to that it will be added. So, B 18 that is we know the depreciation of this year, we add B dollar 40 we add p and l 26, which we had just calculated.

But, we will go back and see exactly what l 26 was. So, l 26 is nothing but the projected depreciation. So, now when we are projecting the balance sheet, we have to take last year's accumulated depreciation add the depreciation projected for the year. And the same thing is continued in the next years. So, depreciation as on March 12 plus projected depreciation of 12 gives us the projected, accumulated depreciation for year ended March 12.

And now on that each year's depreciation is added. Net block as you know is gross block minus accumulated depreciation. Now, there are a few more items, you can see here impairment of asset which was anyway zero. So, it has been estimated as zero. Then, we have a lease adjustments, capital work in progress which was a negligible amount 11.98. So, it has been ignored investments are completely at a discretion of the company. So, right now they also have been ignored.

Next figure, we want to get is inventory, inventory as you know is based on the operating data. So, here you can see how it is projected it is B 26 upon p l B 13. Now, what is this B 13. Actually go and see here this B 13 is nothing but the net income. So, we know that

usually the stock figures or the closing stock has a proportion to net income. So, for projecting the closing stock, that is inventory we have taken B 26 upon p l B 13 in to p l l 13.

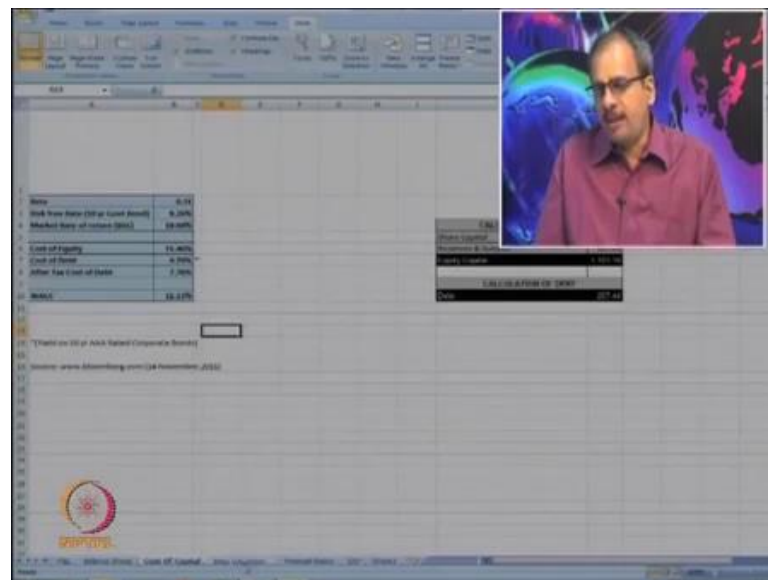
So, this B 13 and l 13 are nothing but our total income or our net sales. So, here it is estimated it is assumed that, inventory will increase in the same proportion, as the sales have increased. So, same rate of growth will be applicable, whatever was the projected growth in the sales. In the same rate the inventory has been estimated. Same thing is true for sundry debtors. Because, debtors or the customer balances also are likely to grow in the same proportion.

Again unless we have any specific information, that now the company is entering into new business or the company changing its credit policy or stock policy. We will usually assume the repeat of the earlier years information. So, we have projected the inventories and the sundry debtors in the same ratio. So, you can see here the operating assets are now projected. We ignore the items like cash and bank, loans and advances, etcetera we will take up it in the next sheets.

So, here the inventory and debtors are projected and gross block is projected. Now, let us look at the funding, which is required for this. So, you look at the source side here in again we have ignored the loan funding. So, it is estimated that all the total of this, which is 1121, you can see this 1231 is a sum of l 12 to l 15. And the total shareholder equity has been first estimated, this is estimated as B 12 upon p l B 13 p l l 13. So, estimate equity of March 11 is given.

And we have assumed that equity will also grow as the business size grows, in the same proportion it need not always be true. But, here as I told you, these projections have been made on the projections of some simple estimates. So, now the equity also has been projected to grow in the same ratio. And we have estimated some of the important assets.

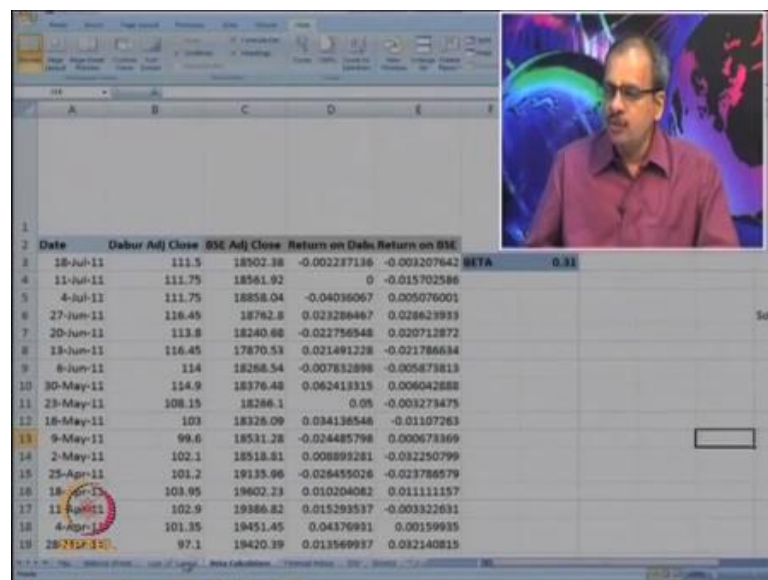
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Item	Value
Net	6.14
Stock Price (1000000000)	6.14
Market Value of Equity (MVE)	38.40%
Cost of Equity	15.40%
Cost of Debt	8.75%
Weighted Avg Cost of Capital	10.75%

Now, let us go to calculation of cost of capital, which will be a interesting calculation for you before estimating cost of capital we need to do calculation of BETA.

(Refer Slide Time: 48:35)

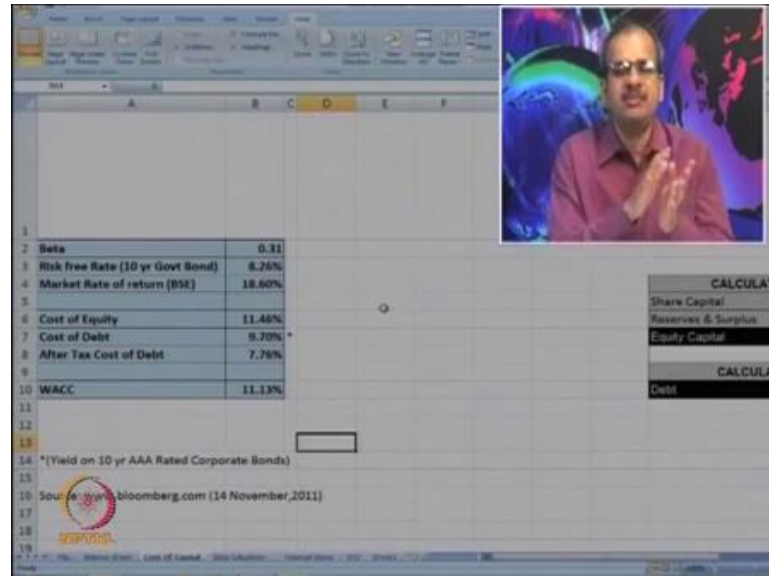


Date	Dabur Adj Close	BSE Adj Close	Return on Dabur	Return on BSE	BETA
18-Jul-11	111.5	18502.38	-0.002237136	-0.003207642	0.31
11-Jul-11	111.75	18561.92	0	-0.015702586	
4-Jul-11	111.75	18858.04	-0.04036067	0.005076001	
27-Jun-11	116.45	18762.8	0.023286467	0.028623993	
20-Jun-11	113.8	18240.68	-0.022756548	0.020712872	
13-Jun-11	116.45	17870.53	0.021491228	-0.021786634	
8-Jun-11	114	18268.54	-0.007832898	-0.005873813	
30-May-11	114.9	18376.48	0.062413315	0.006042888	
23-May-11	108.15	18266.1	0.05	-0.003273475	
16-May-11	103	18328.09	0.034136546	-0.01107263	
9-May-11	99.6	18531.28	-0.024485798	0.000673369	
2-May-11	102.1	18518.81	0.008899281	-0.032250799	
25-Apr-11	101.2	19135.96	-0.026455026	-0.023786579	
18-Apr-11	103.95	19602.23	0.010204082	0.011111157	
11-Apr-11	102.9	19386.82	0.015293537	-0.003322631	
4-Apr-11	101.35	19451.45	0.04376931	0.00159935	
28-Mar-11	97.1	19420.39	0.013569937	0.032140815	

Now, are you aware of what is meant by BETA, we this is a coverage of when you do corporate finance ratio perhaps you will know more about it. But, right now I will just say that, it is a measure of the performance of company stock, versus the performance of capital market. Now, here this BETA figure is very much useful in portfolio management.

We are not interested in portfolio management things related things now, why we are using it, because we want to estimate their cost of capital.

(Refer Slide Time: 49:16)



1		
2	Beta	0.31
3	Risk free Rate (10 yr Govt Bond)	8.26%
4	Market Rate of return (BSE)	18.60%
5		
6	Cost of Equity	11.46%
7	Cost of Debt	9.70%
8	After Tax Cost of Debt	7.78%
9		
10	WACC	11.13%
11		
12		
13		
14	* (Yield on 10 yr AAA Rated Corporate Bonds)	
15	Source: www.bloomberg.com (14 November, 2011)	
16		
17		
18		
19		

To estimate the cost of capital, here you can see the sheet of cost of capital. We need to know, what is the perception of the company about the riskiness? Because, if the company is perceived as risky they will the investors will demand more return. Here in again these things are detail discussed in detail in finance subjects, right now we are just using the concepts to make the projections ((Refer Time: 49:49)).

So, first we have estimated the BETA calculation, we have taken the cost, the prices of Dabur for last 3, 4 years. We have also taken the BSE data, we have calculated the return on Dabur and return on BSE with this we can calculate the BETA. You can see the formula BETA is nothing but the slope. So, we use the slope formula, you can see this and you can download the sheet, so that you understand more clearly.

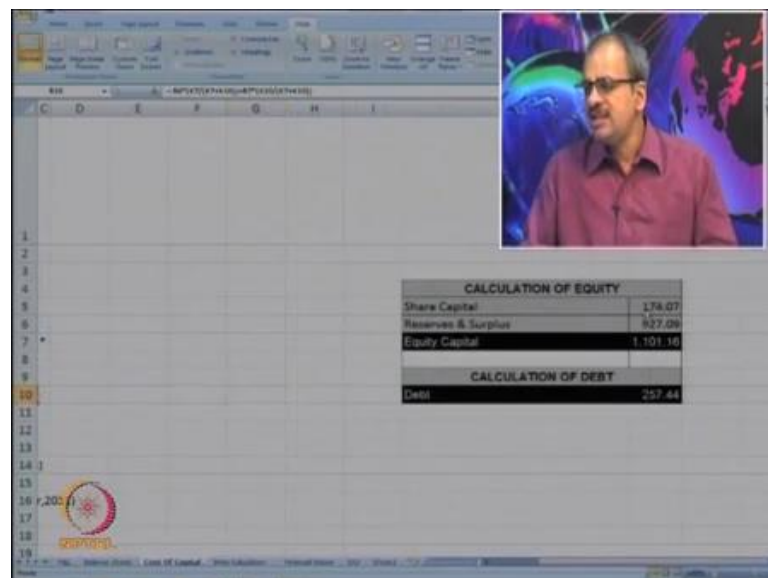
So, BETA has now been calculated as 0.31. Now, let us go to cost of capital, in cost of capital the BETA is estimated at 0.21. The risk free rate comes to risk free rate is again taken from outside, it is taken as it is 8.28 percent. And market rate of return on BSE which you can get from the BSE is 18.16.

Now, the cost of capital is estimated as 11.46, you can look at the formula again it is B 3 which is the risk free rate of return plus B 2, which is BETA of the company into bracket

B 4 minus B 3. So, this is nothing but calculation using the CAPM or Capital Asset Pricing Model. I will not explain the whole model again. But, you can look at the formula, I hope you can understand that we are looking at the premium, which this company charges, which investors are likely to charge on the company.

So, we know that company should at least earn 8.26, because it is a risk free rate plus the premium. So, the estimated cost of equity comes to 11.46. The cost of debt is taken from 10 years yield on corporate bonds, you can download this data. So, it comes to 9.7, average cost of debt after tax is come will come to 7.76, we have taken the tax rate. And then we have worked out the weighted average cost of capital, which is 11.13. You can get this WACC and use the weight ages from the balance sheet.

(Refer Slide Time: 52:21)



CALCULATION OF EQUITY	
Share Capital	174.07
Reserves & Surplus	927.09
Equity Capital	1,101.16

CALCULATION OF DEBT	
Debt	257.44

Now, using this data equity has been calculated. So, we have taken the share capital, reserves and surplus, the total is the equity. And the debt also has been calculated again from the balance sheet data.

(Refer Slide Time: 52:37)

The screenshot displays a Microsoft Excel spreadsheet titled "Financial Ratios". The spreadsheet contains data for five years: 2011, 2012, 2013, 2014, and 2015. The rows list various financial ratios and metrics. A small video inset in the top right corner shows a man with glasses and a mustache, wearing a maroon shirt, speaking. The video background features a colorful, abstract design with a globe and a face.

Financial Ratios	2011	2012	2013	2014	2015
Current Ratio	1.00	1.00	1.00	1.00	1.00
Debt Ratio	0.50	0.50	0.50	0.50	0.50
Operating Turnover	1.00	1.00	1.00	1.00	1.00
Operating Leverage	1.00	1.00	1.00	1.00	1.00
Fixed Assets Turnover	1.00	1.00	1.00	1.00	1.00
Days Receivables	1.00	1.00	1.00	1.00	1.00
Days Payables	1.00	1.00	1.00	1.00	1.00
Days Inventory	1.00	1.00	1.00	1.00	1.00
Days Cash	1.00	1.00	1.00	1.00	1.00
Operating Profit Margin	1.00	1.00	1.00	1.00	1.00
Net Profit Margin	1.00	1.00	1.00	1.00	1.00
EPS	1.00	1.00	1.00	1.00	1.00
Operating Profit Margin	1.00	1.00	1.00	1.00	1.00

Now, all the projections are done with these projections, you can calculate the projected ratios. I will now repeat I hope now you know the calculation of ratios.

(Refer Slide Time: 52:47)

	2000	2001	2002	2003	2004
Assets					
Current Assets	100.00	100.00	100.00	100.00	100.00
Fixed Assets	100.00	100.00	100.00	100.00	100.00
Liabilities					
Current Liabilities	100.00	100.00	100.00	100.00	100.00
Long-Term Liabilities	100.00	100.00	100.00	100.00	100.00
Equity					
Common Stock	100.00	100.00	100.00	100.00	100.00
Retained Earnings	100.00	100.00	100.00	100.00	100.00
Total	200.00	200.00	200.00	200.00	200.00

And after that we can calculate the DCF value or discounted cash value of the company. We will stop here, we will look at DCF in the next session. So, in the current session, first we have done some revision of our ratios. And then we are doing a case on Dabur, wherein we have projected the financial statements. And using the projections, we are trying to calculate the equity value of the company.

Thank you so much.