Financial Accounting
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Lecture – 34
Interpretation and Analysis of Financial Statements: Shipping Corp. of India case 3

Namaste. In last few sessions, we are discussing the case of Shipping Corporation of India we have seen how to do horizontal analysis by preparing a comparative statement where we compare the current figures with last year. Then we have also seen how to prepare a common size statement to go for vertical analysis where we convert all figures into percentages of 100 and then we can compare either with the same company in earlier years or we can compare across different players in the pair group.

So, within the same industry, who are the competitors and how their balance sheet or P and L looks like. It can also be compared with industry average or with the particular segment in case of a broader companies ok. So, I am requesting you to study your own company once again and compare it with their other pairs. You can go to websites like money control where they will give you all the data in the balance sheet in the excel format ok. Now, let us go to one more analysis in today session.

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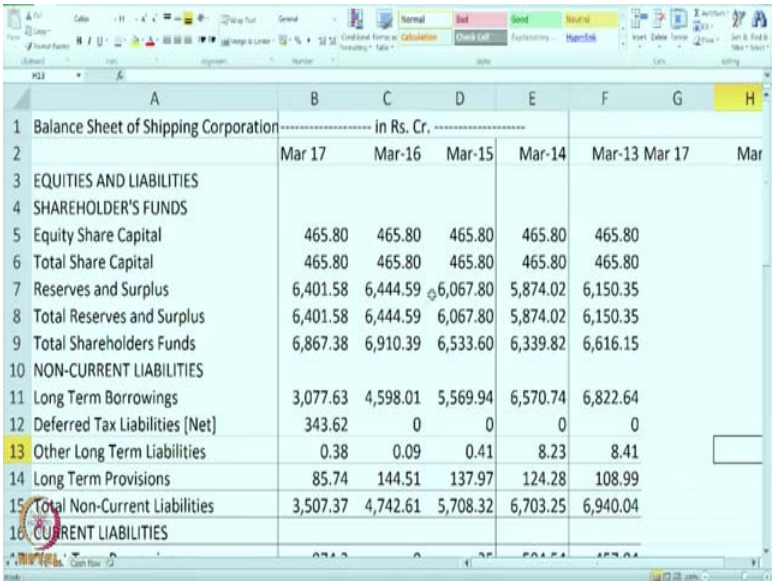

	A	B	C	D	E	F	G	H
1	Balance Sheet of Shipping Corporation	---------- in Rs. Cr. ----------						
2		Mar 17	Mar-16	Mar-15	Mar-14	Mar-13	Mar 17	Mar
3	EQUITIES AND LIABILITIES							
4	SHAREHOLDER'S FUNDS							
5	Equity Share Capital	465.80	465.80	465.80	465.80	465.80		
6	Total Share Capital	465.80	465.80	465.80	465.80	465.80		
7	Reserves and Surplus	6,401.58	6,444.59	6,067.80	5,874.02	6,150.35		
8	Total Reserves and Surplus	6,401.58	6,444.59	6,067.80	5,874.02	6,150.35		
9	Total Shareholders Funds	6,867.38	6,910.39	6,533.60	6,339.82	6,616.15		
10	NON-CURRENT LIABILITIES							
11	Long Term Borrowings	3,077.63	4,598.01	5,569.94	6,570.74	6,822.64		
12	Deferred Tax Liabilities [Net]	343.62	0	0	0	0		
13	Other Long Term Liabilities	0.38	0.09	0.41	8.23	8.41		
14	Long Term Provisions	85.74	144.51	137.97	124.28	108.99		
15	Total Non-Current Liabilities	3,507.37	4,742.61	5,708.32	6,703.25	6,940.04		
16	CURRENT LIABILITIES							

So, here again we have got the data for shipping corporation, but now it is a long term data, it is a 5 year data. In earlier sessions, we only compare 16 and 17. Today we will compare 5 years figures. So, what we are going to calculate is known as trend analysis.

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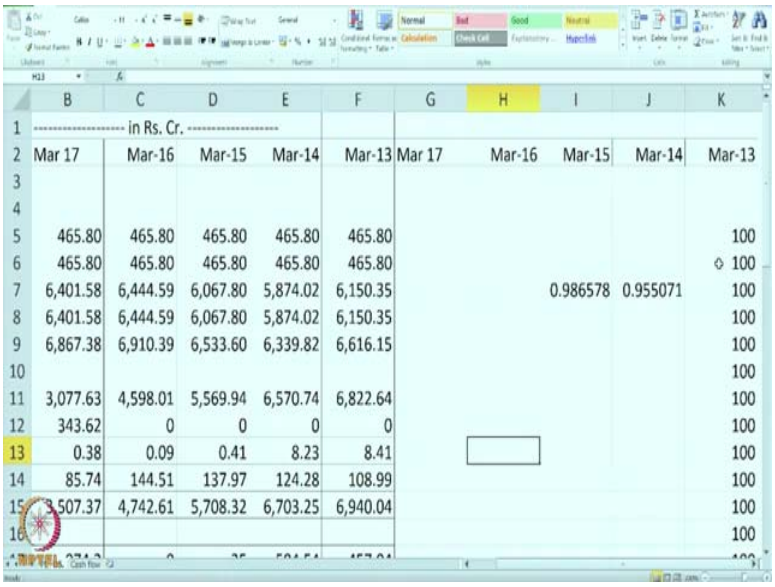

	B	C	D	E	F	G	H	I	J	K
1	---------- in Rs. Cr. ----------									
2	Mar 17	Mar-16	Mar-15	Mar-14	Mar-13	Mar 17	Mar-16	Mar-15	Mar-14	Mar-13
3										
4										
5	465.80	465.80	465.80	465.80	465.80					100
6	465.80	465.80	465.80	465.80	465.80					100
7	6,401.58	6,444.59	6,067.80	5,874.02	6,150.35			0.986578	0.955071	100
8	6,401.58	6,444.59	6,067.80	5,874.02	6,150.35					100
9	6,867.38	6,910.39	6,533.60	6,339.82	6,616.15					100
10										100
11	3,077.63	4,598.01	5,569.94	6,570.74	6,822.64					100
12	343.62	0	0	0	0					100
13	0.38	0.09	0.41	8.23	8.41					100
14	85.74	144.51	137.97	124.28	108.99					100
15	3,507.37	4,742.61	5,708.32	6,703.25	6,940.04					100
16										100

So, we will take March 13 figure as 100 and compare other figures as a percentage that to that base. So, we will know over the period how is the movement? This is known as trend analysis we can also calculate CAGR cumulative growth rates, but right now we will just do the trend. So, we have just seen how to calculate it we have taken the base as 100. So, that is a figure for March 17, so for sorry March 13. So, March 14 figure is calculated as E7 upon F7. Now for March 15 it is D7 upon F7. Are you getting me?

So, March 16 C7 upon F7 and for the March 17, we will compare the current figure that is March 17 figure with March 13 figure. So, if you look at the revenue trends you will realize that March 17 what was 100 is more or less up and down and it is at the same position. It slightly went down and now it has slightly increased the sorry this is for reserves and surplus.

Now, I will just hide this ok. So, we can also do it for share capital although it would not make much sense because share capital is unchanged converting into percentage.

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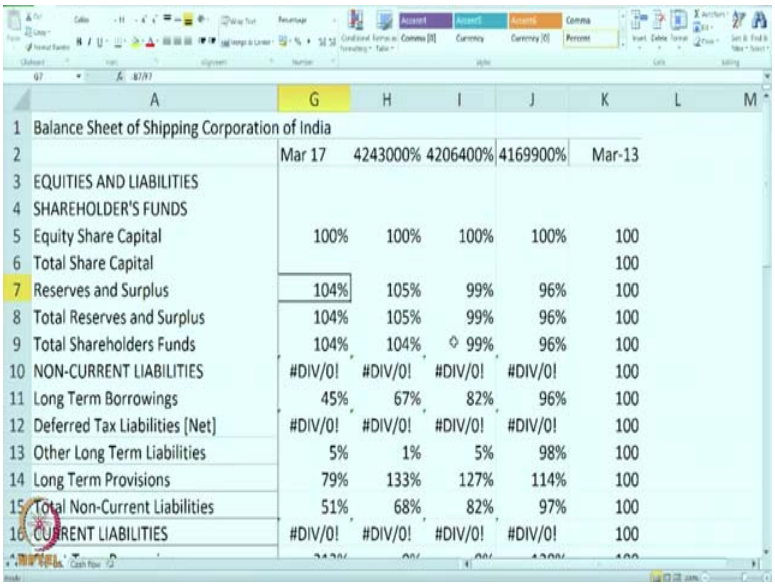

	A	G	H	I	J	K	L	M
1	Balance Sheet of Shipping Corporation of India							
2		Mar 17	4243000%	4206400%	4169900%	Mar-13		
3	EQUITIES AND LIABILITIES							
4	SHAREHOLDER'S FUNDS							
5	Equity Share Capital	100%	100%	100%	100%	100		
6	Total Share Capital					100		
7	Reserves and Surplus	104%	105%	99%	96%	100		
8	Total Reserves and Surplus	104%	105%	99%	96%	100		
9	Total Shareholders Funds	104%	104%	99%	96%	100		
10	NON-CURRENT LIABILITIES	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100		
11	Long Term Borrowings	45%	67%	82%	96%	100		
12	Deferred Tax Liabilities [Net]	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100		
13	Other Long Term Liabilities	5%	1%	5%	98%	100		
14	Long Term Provisions	79%	133%	127%	114%	100		
15	Total Non-Current Liabilities	51%	68%	82%	97%	100		
16	CURRENT LIABILITIES	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100		

So, share capital is same 100 percent in each year for other figures like reserves have also not changed much. In the first 2 years, the company that is in earlier years the company was in loss. I think this also got converted into percentage; it is not changing, but we leave it.

So, are you getting me? So, company was reducing its reserves. Now its reserves have slightly increased and again they are slightly decreasing look at trends in borrowings.

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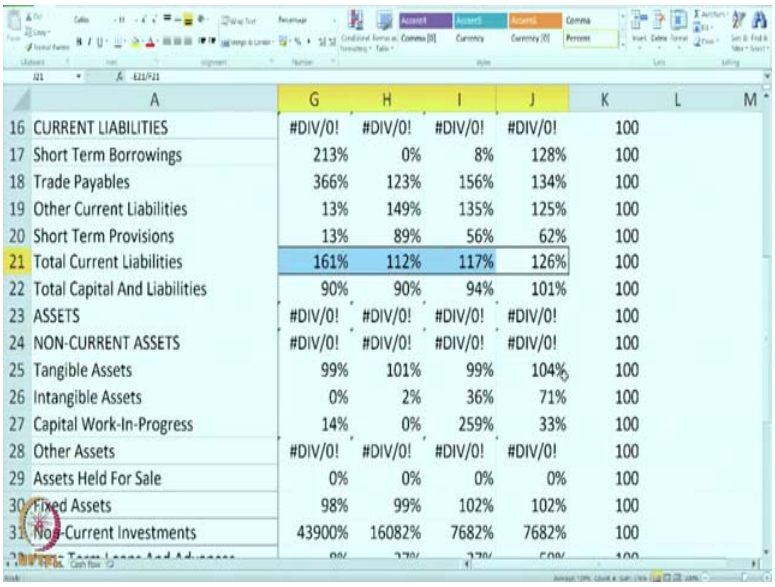

	A	G	H	I	J	K	L	M
16	CURRENT LIABILITIES	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100		
17	Short Term Borrowings	213%	0%	8%	128%	100		
18	Trade Payables	366%	123%	156%	134%	100		
19	Other Current Liabilities	13%	149%	135%	125%	100		
20	Short Term Provisions	13%	89%	56%	62%	100		
21	Total Current Liabilities	161%	112%	117%	126%	100		
22	Total Capital And Liabilities	90%	90%	94%	101%	100		
23	ASSETS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100		
24	NON-CURRENT ASSETS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100		
25	Tangible Assets	99%	101%	99%	104%	100		
26	Intangible Assets	0%	2%	36%	71%	100		
27	Capital Work-In-Progress	14%	0%	259%	33%	100		
28	Other Assets	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100		
29	Assets Held For Sale	0%	0%	0%	0%	100		
30	Fixed Assets	98%	99%	102%	102%	100		
31	Non-Current Investments	43900%	16082%	7682%	7682%	100		

You will realize that borrowings are slowly going down from 100, company is systematically repaying its long term borrowings and becoming relatively debt free. Short term borrowings earlier it went up, then it went down. Now they have again gone up.

Trade payables where slowly going up down again they have increased substantially. If you look at the trends of total current liabilities it shows slightly rising trend which is very some because their revenue is more or less constant. So, no reason for that to go up, tangible assets are again more or less constant.

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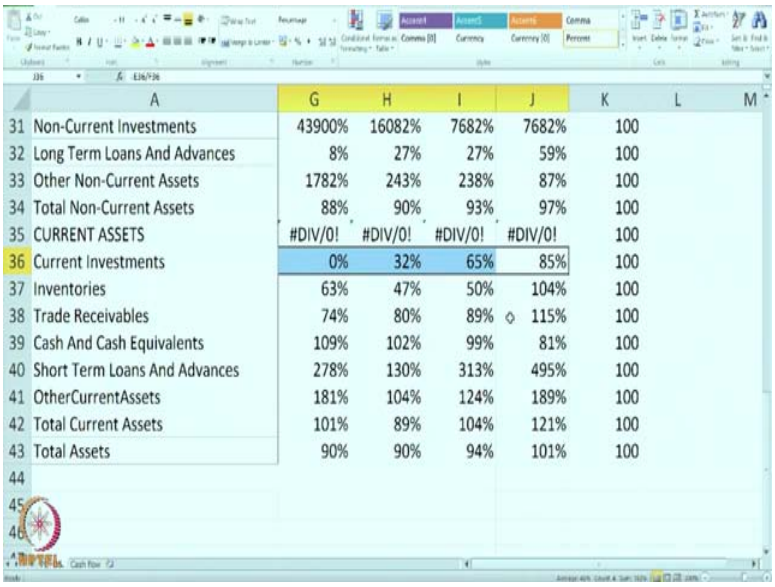

	A	G	H	I	J	K	L	M
31	Non-Current Investments	43900%	16082%	7682%	7682%	100		
32	Long Term Loans And Advances	8%	27%	27%	59%	100		
33	Other Non-Current Assets	1782%	243%	238%	87%	100		
34	Total Non-Current Assets	88%	90%	93%	97%	100		
35	CURRENT ASSETS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100		
36	Current Investments	0%	32%	65%	85%	100		
37	Inventories	63%	47%	50%	104%	100		
38	Trade Receivables	74%	80%	89%	115%	100		
39	Cash And Cash Equivalents	109%	102%	99%	81%	100		
40	Short Term Loans And Advances	278%	130%	313%	495%	100		
41	OtherCurrentAssets	181%	104%	124%	189%	100		
42	Total Current Assets	101%	89%	104%	121%	100		
43	Total Assets	90%	90%	94%	101%	100		
44								
45								
46								

Capital WIPs you can see in one of the years the capital WIP was high maybe they were in the process of building new ship now again it has gone down. Total noncurrent assets have shown a significant rise in the current year. If you look at current assets, you will realize that current investments are slowly going down perhaps they are disposing of their investments. Inventory is anyway have very small amount, but the trade receivables are slowly going down because their business is also shrinking. Cash and cash equivalent is more or less constant, it had gone down in one of the years, short term loans and advances had shot up in between, they went down that again they have bit increased.

So, this needs to be investigated and if you look at total assets there is somewhat stinking of total assets over the period of time. So, like this in trend what is done is for the earliest year we take as 100 and over the years we go for the comparison. Now let us do it for P

and L items, it might make more sense for P and L items to you. So, we have already seen the P and L earlier.

So, let us hide the figures or maybe I will keep 1 year figures. Now if you look at the revenue, you will realize that first 3 years it was constant, but in last 2 years; there is a fall. Other income anyway it is a small amount, but it is slowly going down because their investments are also getting disposed of perhaps.

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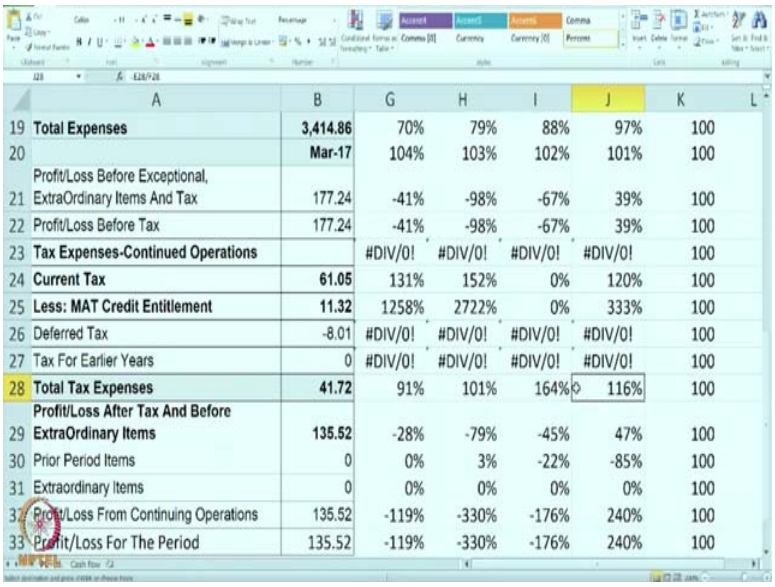

	A	B	G	H	I	J	K	L
19	**Total Expenses**	**3,414.86**	70%	79%	88%	97%	100	
20		**Mar-17**	104%	103%	102%	101%	100	
21	Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax	177.24	-41%	-98%	-67%	39%	100	
22	Profit/Loss Before Tax	177.24	-41%	-98%	-67%	39%	100	
23	**Tax Expenses-Continued Operations**		#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100	
24	**Current Tax**	**61.05**	131%	152%	0%	120%	100	
25	**Less: MAT Credit Entitlement**	**11.32**	1258%	2722%	0%	333%	100	
26	Deferred Tax	-8.01	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100	
27	Tax For Earlier Years	0	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100	
28	**Total Tax Expenses**	**41.72**	91%	101%	164%	116%	100	
29	**Profit/Loss After Tax And Before ExtraOrdinary Items**	**135.52**	-28%	-79%	-45%	47%	100	
30	Prior Period Items	0	0%	3%	-22%	-85%	100	
31	Extraordinary Items	0	0%	0%	0%	0%	100	
32	Profit/Loss From Continuing Operations	135.52	-119%	-330%	-176%	240%	100	
33	Profit/Loss For The Period	135.52	-119%	-330%	-176%	240%	100	

Operating and direct expenses they are going down because the revenue itself is going down. There is a fall in the operating and other expenses; it is a positive sign because you can see more fall than the fall in the revenue.

Employee expenses are more or less constant, finance cost is also not changed much actually it should have substantially reduced because they are repaying their loans compared to earlier years. Depreciation figures are going down perhaps because their assets are becoming older; other expenses anyway negligible about. If you look at the profit; now there is a significant fall in the profit over the period of time. Tax total taxes earlier went up, now they have gone down and the final figure reported net profit is also showing reduction which is not a very positive sign.

So this is how the trend is calculated the purpose of trend is having a long term perspective instead of just looking at 2 or 3 years, we little bit take a long term

perspective, but we have to keep in mind that industry should be reasonably stable for a long term perspective and that for that company also there should not be major changes. So, for a company like shipping corporation, it is good because there has not been major changes either in their assets or in their revenue model. Getting it? Now with this, we will go to major form of analysis that is known as ratio analysis.

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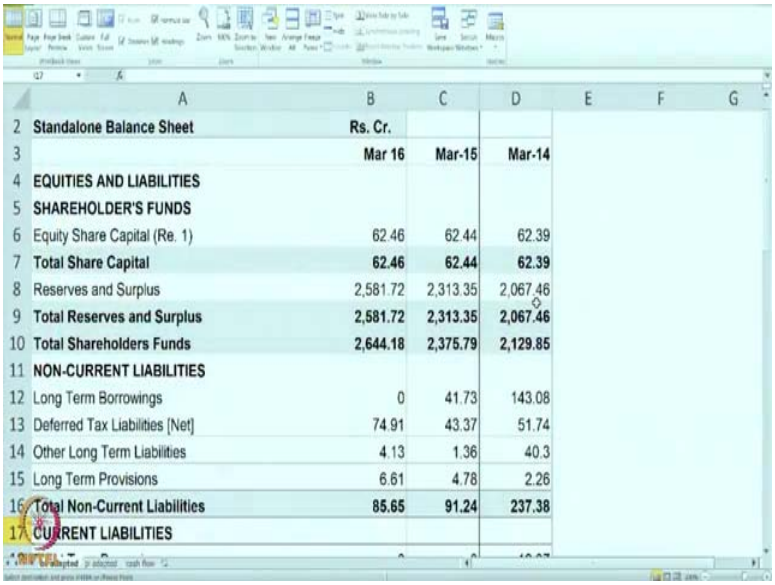

	A	B	C	D	E	F	G
2	**Standalone Balance Sheet**	**Rs. Cr.**					
3		**Mar 16**	**Mar-15**	**Mar-14**			
4	**EQUITIES AND LIABILITIES**						
5	**SHAREHOLDER'S FUNDS**						
6	Equity Share Capital (Re. 1)	62.46	62.44	62.39			
7	**Total Share Capital**	**62.46**	**62.44**	**62.39**			
8	Reserves and Surplus	2,581.72	2,313.35	2,067.46			
9	**Total Reserves and Surplus**	**2,581.72**	**2,313.35**	**2,067.46**			
10	**Total Shareholders Funds**	**2,644.18**	**2,375.79**	**2,129.85**			
11	**NON-CURRENT LIABILITIES**						
12	Long Term Borrowings	0	41.73	143.08			
13	Deferred Tax Liabilities [Net]	74.91	43.37	51.74			
14	Other Long Term Liabilities	4.13	1.36	40.3			
15	Long Term Provisions	6.61	4.78	2.26			
16	**Total Non-Current Liabilities**	**85.65**	**91.24**	**237.38**			
17	**CURRENT LIABILITIES**						

Now, this is the data for Havells Limited. This is the consumer goods manufacturing company. I will request you to keep your ratio sheet ready because we will be calculating various ratios. I will just show you the sheet which has been shared with you.

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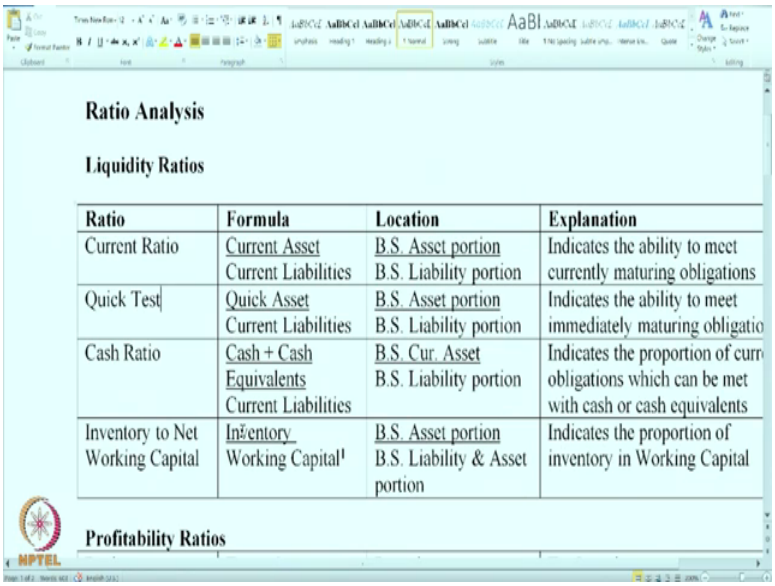

Ratio Analysis

Liquidity Ratios

Ratio	Formula	Location	Explanation
Current Ratio	Current Asset / Current Liabilities	B.S. Asset portion / B.S. Liability portion	Indicates the ability to meet currently maturing obligations
Quick Test	Quick Asset / Current Liabilities	B.S. Asset portion / B.S. Liability portion	Indicates the ability to meet immediately maturing obligatio
Cash Ratio	Cash + Cash Equivalents / Current Liabilities	B.S. Cur. Asset / B.S. Liability portion	Indicates the proportion of curr obligations which can be met with cash or cash equivalents
Inventory to Net Working Capital	Inventory / Working Capital	B.S. Asset portion / B.S. Liability & Asset portion	Indicates the proportion of inventory in Working Capital

Profitability Ratios

But if you are not having it we will just have a look kind of revision for you. Please keep that sheet ready because we can readily calculate the ratios. Now for liquidity ratio, we have discussed earlier cash, current and quick ratio that is current assets by current liabilities and quick assets by quick liabilities. This ratio, in this sheet has been slightly tweaked. Here we have gone for quick ratio upon current liabilities which is a more conservative measure. There can also be a ratio called as cash ratio where we are calculating cash plus cash equivalent as a percentage of current liabilities.

Now, this is even more conservative, we want to know how much cash we have for repayment of current liabilities. One more ratio related to liquidity is inventory to net working capital, inventory upon working capital; working capital is CA minus CL. Now is it good to have higher ratio or lower ratio for inventory to net working capital? Higher ratio will mean that their working capital is relatively illiquid because inventory is not so liquid asset.

For other as ratios like current and quick ratio higher ratio is normally good from liquidity viewpoint although it will have a negative impact on profitability if you have two higher ratio. Next ratios are profitability ratios very simple to understand.

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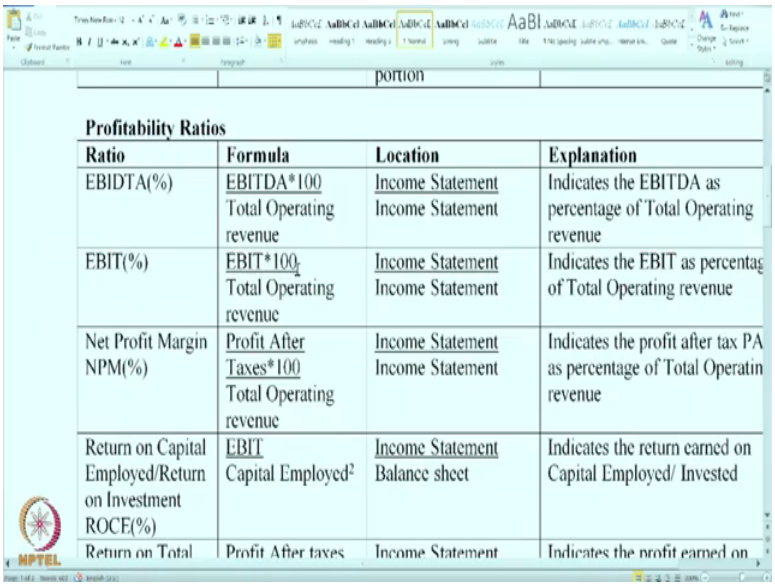

portion

Profitability Ratios

Ratio	Formula	Location	Explanation
EBIDTA(%)	EBITDA*100 / Total Operating revenue	Income Statement / Income Statement	Indicates the EBITDA as percentage of Total Operating revenue
EBIT(%)	EBIT*100 / Total Operating revenue	Income Statement / Income Statement	Indicates the EBIT as percentag of Total Operating revenue
Net Profit Margin NPM(%)	Profit After Taxes*100 / Total Operating revenue	Income Statement / Income Statement	Indicates the profit after tax PA as percentage of Total Operatin revenue
Return on Capital Employed/Return on Investment ROCE(%)	EBIT / Capital Employed[2]	Income Statement / Balance sheet	Indicates the return earned on Capital Employed/ Invested
Return on Total	Profit After taxes	Income Statement	Indicates the profit earned on

Because denominator is always total operating revenue and we take the respective profit in the numerator. Right now EBIDTA has been taken. I hope you have heard about this term EBIDTA, this is Earning Before Interest Depreciation and Amortization. This term is very much popular in US and often used by analysis to know the cash profit generated by the business.

So, here we have calculated it as a percentage of sales then EBIT or PBIT. This is the operating revenue or profit as a percentage of sales before interest and taxes the net profit margin. We have also discussed about return ratios of them ROI is perhaps the most important that is EBIT upon capital employed, it can be done at a company level or at a project level also.

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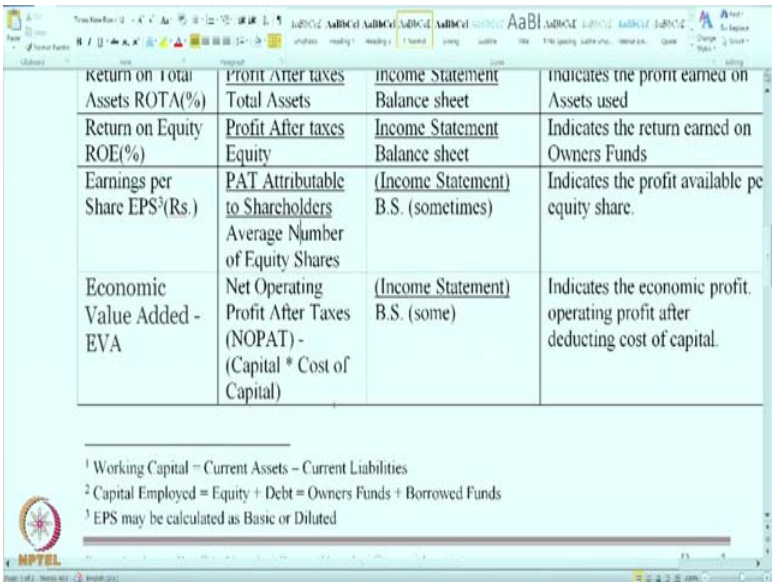

Then ROTA that is Return On Total Assets ROE EPS which is very important for shareholders. This particular ratio, we had not discussed earlier that is known as EVA Economic Value Added. In EVA, we take no PAT or net profit net operating profit, but we reduce taxes. So, net operating after tax and we reduce the charge for the capital. So, capital into cost of capital because you will have to compensate the capital in the form of interest or dividend we calculate a weighted average rate of cost of cal capital and apply it on all the capital.

Here the capital does not refer only to equity, but the total capital employed. So, no pat minus capital into cost of capital gives you another major of profitability known as EVA ok. So, we will not necessarily go for all the ratios, but keep the sheet ready.

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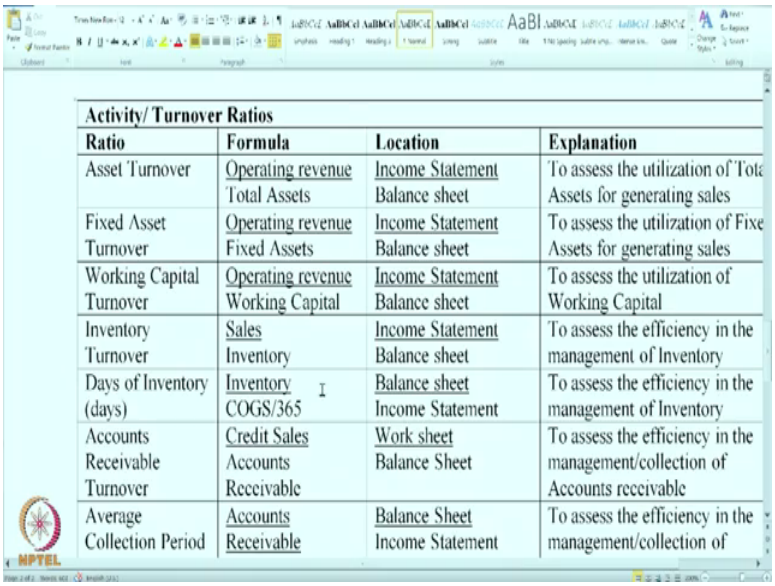

Activity/ Turnover Ratios			
Ratio	**Formula**	**Location**	**Explanation**
Asset Turnover	Operating revenue / Total Assets	Income Statement / Balance sheet	To assess the utilization of Tota Assets for generating sales
Fixed Asset Turnover	Operating revenue / Fixed Assets	Income Statement / Balance sheet	To assess the utilization of Fixe Assets for generating sales
Working Capital Turnover	Operating revenue / Working Capital	Income Statement / Balance sheet	To assess the utilization of Working Capital
Inventory Turnover	Sales / Inventory	Income Statement / Balance sheet	To assess the efficiency in the management of Inventory
Days of Inventory (days)	Inventory / COGS/365	Balance sheet / Income Statement	To assess the efficiency in the management of Inventory
Accounts Receivable Turnover	Credit Sales / Accounts Receivable	Work sheet / Balance Sheet	To assess the efficiency in the management/collection of Accounts receivable
Average Collection Period	Accounts Receivable	Balance Sheet / Income Statement	To assess the efficiency in the management/collection of

Now, the next type of ratios are activity ratios. We have discussed them extensively. So, I will not repeat, but these are the formulas in short, it is also given where to find these items. You remember return ratios and turnover ratios are composite; one figure is from P and L other figure is from balance sheet.

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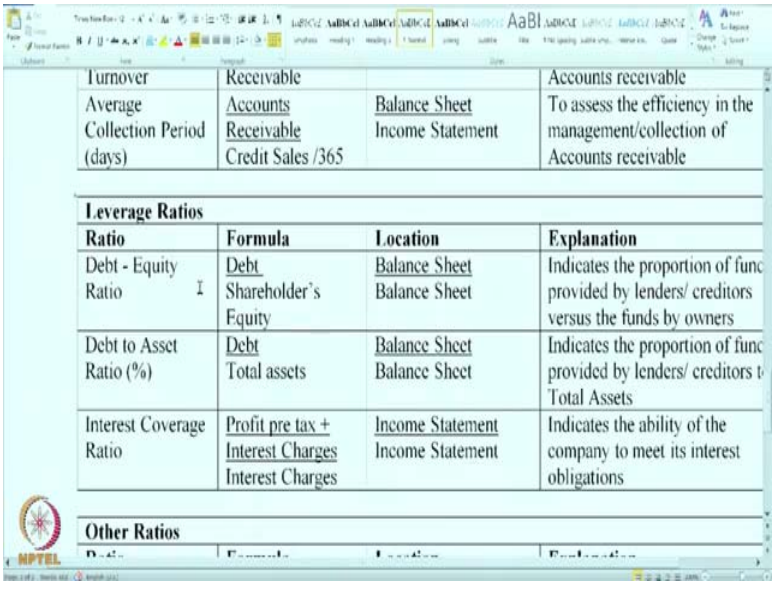

Turnover	Receivable		Accounts receivable
Average Collection Period (days)	Accounts Receivable / Credit Sales /365	Balance Sheet / Income Statement	To assess the efficiency in the management/collection of Accounts receivable

Leverage Ratios			
Ratio	**Formula**	**Location**	**Explanation**
Debt - Equity Ratio	Debt / Shareholder's Equity	Balance Sheet / Balance Sheet	Indicates the proportion of func provided by lenders/ creditors versus the funds by owners
Debt to Asset Ratio (%)	Debt / Total assets	Balance Sheet / Balance Sheet	Indicates the proportion of func provided by lenders/ creditors t Total Assets
Interest Coverage Ratio	Profit pre tax + Interest Charges / Interest Charges	Income Statement / Income Statement	Indicates the ability of the company to meet its interest obligations

Other Ratios			

Next are leverage ratios the most popular being debt to equity or debt equity ratio. You can also go for debt to asset ratio, interest coverage ratio.

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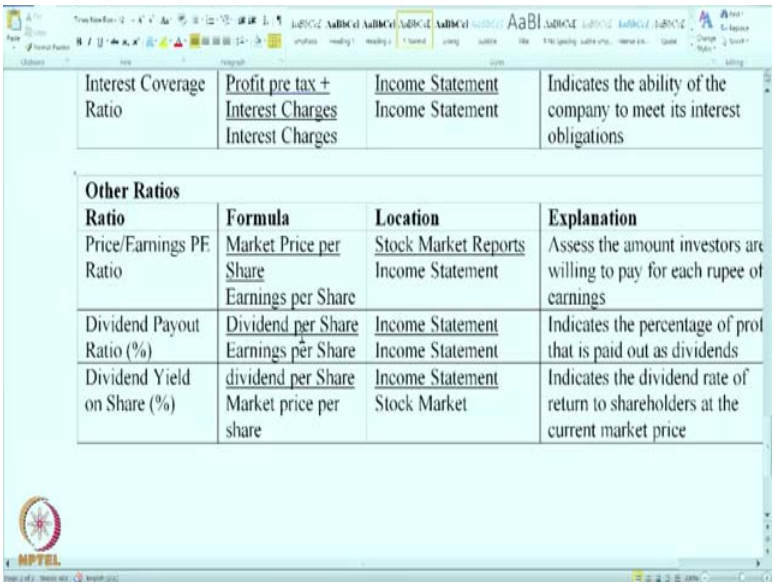

Interest Coverage Ratio	Profit pre tax + Interest Charges / Interest Charges	Income Statement / Income Statement	Indicates the ability of the company to meet its interest obligations

Other Ratios

Ratio	Formula	Location	Explanation
Price/Earnings PE Ratio	Market Price per Share / Earnings per Share	Stock Market Reports / Income Statement	Assess the amount investors are willing to pay for each rupee of earnings
Dividend Payout Ratio (%)	Dividend per Share / Earnings per Share	Income Statement / Income Statement	Indicates the percentage of prof that is paid out as dividends
Dividend Yield on Share (%)	dividend per Share / Market price per share	Income Statement / Stock Market	Indicates the dividend rate of return to shareholders at the current market price

And the last three ratios are particularly useful for shareholders which are in the form of PE ratio dividend yield and so on. I think dividend yield we have not discussed. So, dividend yield refers to DPS or Dividend Per Share divided by market price. Now from investor angle, it seeks to find out what percentage of return does the dividend give that is why it is called as Dividend Yield.

Dividend Payout Ratio is DPS upon EPS. So, we will come to know what percentage of their earning is being distributed by way of dividend. Higher is good or lower is good? Not necessarily higher will mean that companies share holders are getting more cash dividend; lower we will mean that company is investing that amount and is more of a growth oriented company. So, according to stage of comp industry and company, companies have to decide the payout ratio many times companies try to keep it constant ok.

So, this was a summary sheet for various ratios, now let us go to actual figures for Havells and try to calculate the important ratios.

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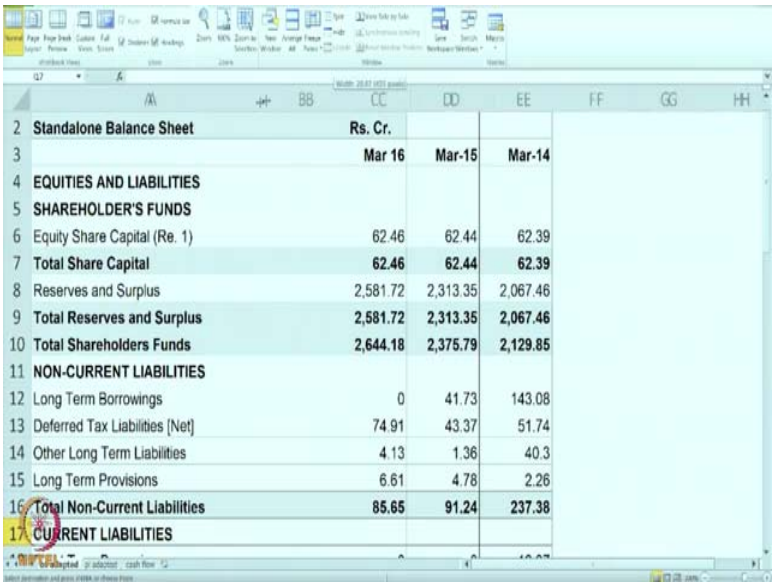

	Standalone Balance Sheet	Rs. Cr.		
		Mar 16	Mar-15	Mar-14
	EQUITIES AND LIABILITIES			
	SHAREHOLDER'S FUNDS			
	Equity Share Capital (Re. 1)	62.46	62.44	62.39
	Total Share Capital	**62.46**	**62.44**	**62.39**
	Reserves and Surplus	2,581.72	2,313.35	2,067.46
	Total Reserves and Surplus	**2,581.72**	**2,313.35**	**2,067.46**
	Total Shareholders Funds	**2,644.18**	**2,375.79**	**2,129.85**
	NON-CURRENT LIABILITIES			
	Long Term Borrowings	0	41.73	143.08
	Deferred Tax Liabilities [Net]	74.91	43.37	51.74
	Other Long Term Liabilities	4.13	1.36	40.3
	Long Term Provisions	6.61	4.78	2.26
	Total Non-Current Liabilities	**85.65**	**91.24**	**237.38**
	CURRENT LIABILITIES			

Now, we have got balance sheet and P and L both so, that we can calculate the composite ratios as well first try to have a view in the balance sheet.

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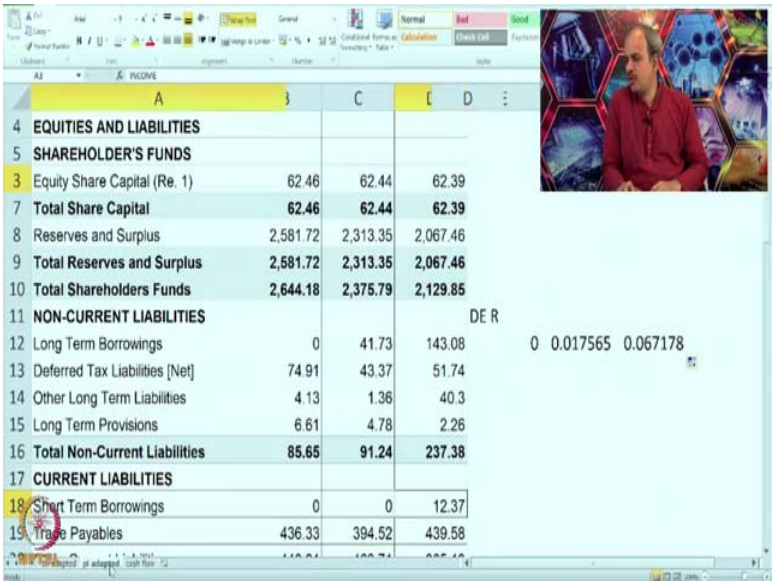

	A		C		D
	EQUITIES AND LIABILITIES				
	SHAREHOLDER'S FUNDS				
	Equity Share Capital (Re. 1)	62.46	62.44	62.39	
	Total Share Capital	**62.46**	**62.44**	**62.39**	
	Reserves and Surplus	2,581.72	2,313.35	2,067.46	
	Total Reserves and Surplus	**2,581.72**	**2,313.35**	**2,067.46**	
	Total Shareholders Funds	**2,644.18**	**2,375.79**	**2,129.85**	
	NON-CURRENT LIABILITIES				DE R
	Long Term Borrowings	0	41.73	143.08	0 0.017565 0.067178
	Deferred Tax Liabilities [Net]	74.91	43.37	51.74	
	Other Long Term Liabilities	4.13	1.36	40.3	
	Long Term Provisions	6.61	4.78	2.26	
	Total Non-Current Liabilities	**85.65**	**91.24**	**237.38**	
	CURRENT LIABILITIES				
	Short Term Borrowings	0	0	12.37	
	Trade Payables	436.33	394.52	439.58	

So, you can see the capital is constant; there is a gradual rise in reserves. So, company was be a profit making company. Their long term borrowings they have repaid and have become a zero debt company now.

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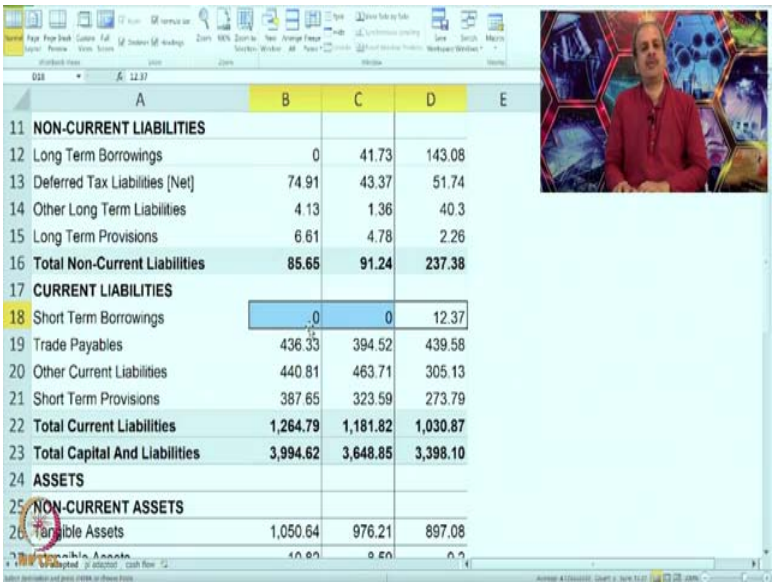

	A	B	C	D	E
11	**NON-CURRENT LIABILITIES**				
12	Long Term Borrowings	0	41.73	143.08	
13	Deferred Tax Liabilities [Net]	74.91	43.37	51.74	
14	Other Long Term Liabilities	4.13	1.36	40.3	
15	Long Term Provisions	6.61	4.78	2.26	
16	**Total Non-Current Liabilities**	**85.65**	**91.24**	**237.38**	
17	**CURRENT LIABILITIES**				
18	Short Term Borrowings	0	0	12.37	
19	Trade Payables	436.33	394.52	439.58	
20	Other Current Liabilities	440.81	463.71	305.13	
21	Short Term Provisions	387.65	323.59	273.79	
22	**Total Current Liabilities**	**1,264.79**	**1,181.82**	**1,030.87**	
23	**Total Capital And Liabilities**	**3,994.62**	**3,648.85**	**3,398.10**	
24	**ASSETS**				
25	**NON-CURRENT ASSETS**				
26	Tangible Assets	1,050.64	976.21	897.08	

Short term borrowings are also repaid completely, trade payables are nearly constant, current liabilities other current liabilities are somewhat increasing.

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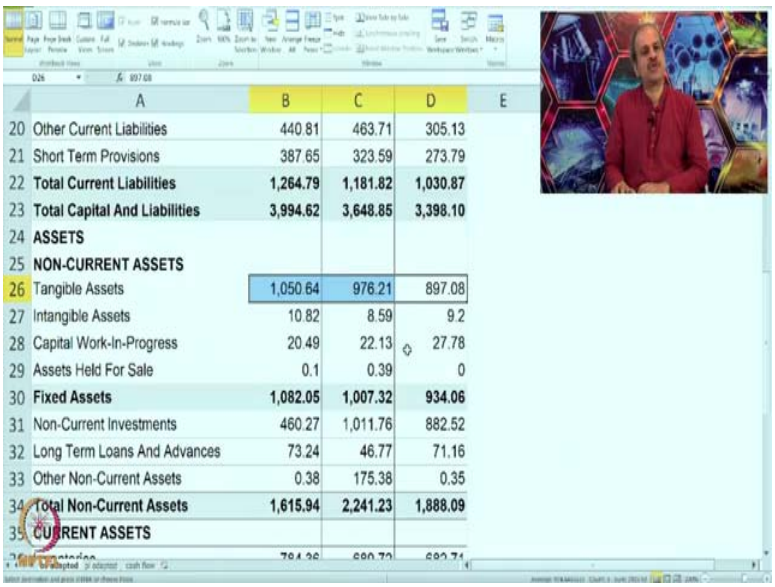

	A	B	C	D	E
20	Other Current Liabilities	440.81	463.71	305.13	
21	Short Term Provisions	387.65	323.59	273.79	
22	**Total Current Liabilities**	**1,264.79**	**1,181.82**	**1,030.87**	
23	**Total Capital And Liabilities**	**3,994.62**	**3,648.85**	**3,398.10**	
24	**ASSETS**				
25	**NON-CURRENT ASSETS**				
26	Tangible Assets	1,050.64	976.21	897.08	
27	Intangible Assets	10.82	8.59	9.2	
28	Capital Work-In-Progress	20.49	22.13	27.78	
29	Assets Held For Sale	0.1	0.39	0	
30	**Fixed Assets**	**1,082.05**	**1,007.32**	**934.06**	
31	Non-Current Investments	460.27	1,011.76	882.52	
32	Long Term Loans And Advances	73.24	46.77	71.16	
33	Other Non-Current Assets	0.38	175.38	0.35	
34	**Total Non-Current Assets**	**1,615.94**	**2,241.23**	**1,888.09**	
35	**CURRENT ASSETS**				

Tangible assets have slightly gone up. So, company is investing something; their noncurrent investments had doubled earlier it has gone down.

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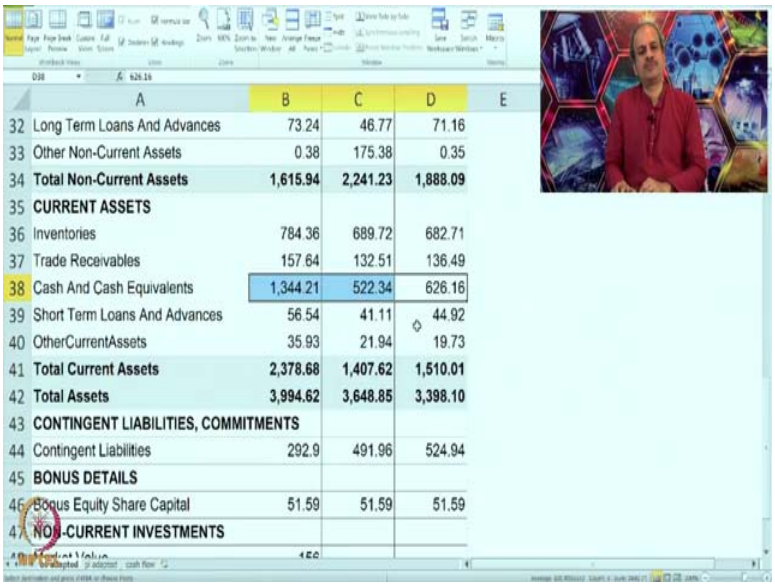

	A	B	C	D	E
32	Long Term Loans And Advances	73.24	46.77	71.16	
33	Other Non-Current Assets	0.38	175.38	0.35	
34	**Total Non-Current Assets**	**1,615.94**	**2,241.23**	**1,888.09**	
35	**CURRENT ASSETS**				
36	Inventories	784.36	689.72	682.71	
37	Trade Receivables	157.64	132.51	136.49	
38	Cash And Cash Equivalents	1,344.21	522.34	626.16	
39	Short Term Loans And Advances	56.54	41.11	44.92	
40	OtherCurrentAssets	35.93	21.94	19.73	
41	**Total Current Assets**	**2,378.68**	**1,407.62**	**1,510.01**	
42	**Total Assets**	**3,994.62**	**3,648.85**	**3,398.10**	
43	**CONTINGENT LIABILITIES, COMMITMENTS**				
44	Contingent Liabilities	292.9	491.96	524.94	
45	**BONUS DETAILS**				
46	Bonus Equity Share Capital	51.59	51.59	51.59	
47	**NON-CURRENT INVESTMENTS**				

Now, cash and cash equivalents has gone up. Now you do not have to look at every figure, but we just had a overall look at the balance sheet.

Now, let us try to calculate a few important ratios. So, if we start with liquidity in liquidity, what ratio you would like to calculate? Can somebody suggest what is a important ratio in liquidity? I think most of you know current ratio is the most important ratio and the formula is CA that is total current assets upon current liabilities.

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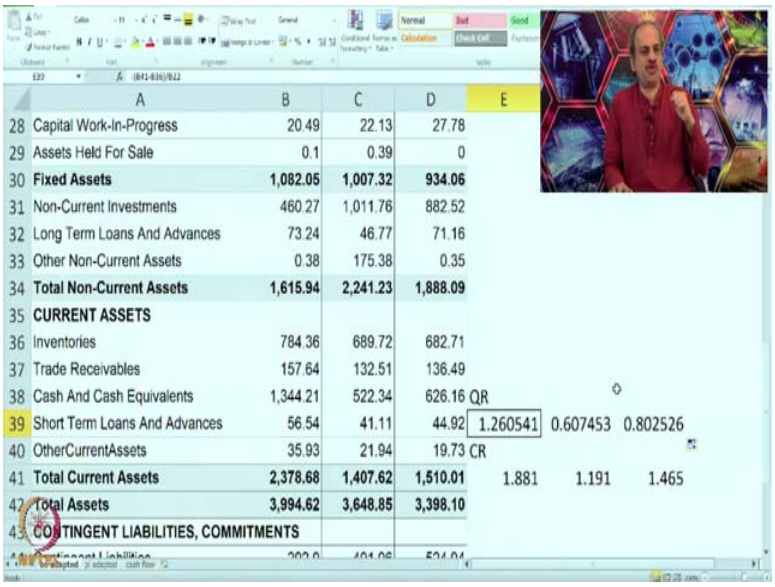

	A	B	C	D	E			
28	Capital Work-In-Progress	20.49	22.13	27.78				
29	Assets Held For Sale	0.1	0.39	0				
30	**Fixed Assets**	**1,082.05**	**1,007.32**	**934.06**				
31	Non-Current Investments	460.27	1,011.76	882.52				
32	Long Term Loans And Advances	73.24	46.77	71.16				
33	Other Non-Current Assets	0.38	175.38	0.35				
34	**Total Non-Current Assets**	**1,615.94**	**2,241.23**	**1,888.09**				
35	**CURRENT ASSETS**							
36	Inventories	784.36	689.72	682.71				
37	Trade Receivables	157.64	132.51	136.49				
38	Cash And Cash Equivalents	1,344.21	522.34	626.16	QR			
39	Short Term Loans And Advances	56.54	41.11	44.92	1.260541	0.607453	0.802526	
40	OtherCurrentAssets	35.93	21.94	19.73	CR			
41	**Total Current Assets**	**2,378.68**	**1,407.62**	**1,510.01**	1.881	1.191	1.465	
42	**Total Assets**	**3,994.62**	**3,648.85**	**3,398.10**				
43	**CONTINGENT LIABILITIES, COMMITMENTS**							

So, let us try to calculate the current ratio this is CA divided. So, we are taking total current assets divided by total current liabilities.

So, we get 1.88 I am just reducing the unwanted decimals. So, over a period of 3 years, you can see there is a gradual rise in current asset is it a good sign? Normally yes because we know standard ratio is to 2 is to 1 and slight increase in the ratio in their case and we are trying to go to the standard ratio. Any other important liquidity ratio? Sometimes you know that we calculate quick ratio now how will you calculate quick ratio sorry this was CR current ratio now we will go for quick ratio what is the formula?

We take trade receivables, cash equivalent, short term loans and advances and other current assets. In other words normally we can say its total current assets minus inventories in the numerator. So, please try to calculate along with me we will put this in bracket. Current assets minus inventory people can use variety of ratios and there can be slight difference in the formulas and divided by quick liabilities; quick liabilities are more or less same as current liabilities except we deduct bank over draft. Right now, you can see there is no short term borrowing as such. So, we will take total current liabilities.

So, we are getting 1.2. So, it has improved from 0.81 then to 0.6 and now 1.26 is it a good sign? I think yes we have seen that normally the standard ratio is 1 is to 1. So, they are somewhere around it the liquidity position seems to be comfortable ok. So, these where the ratios which we have calculated only based on balance sheet. So, they are also known as balance sheet ratios.

Now, what is, what are the other balance sheet ratios? We can also comment on their capital structure or it is known as gearing or leverage. So, the most popular ratio is debt equity ratio. What is the formula of debt equity ratio do you remember? It is the long term borrowings divided by the shareholders fund debt upon equity. So, ratio was 0.06 and it has become 0 now is it good sign ?

Yes from a stability viewpoint because they are slowly repaying there debt anyway even earlier the debts were not very high they were only 6 percent, but now even with their repaid. Some people instead of long term borrowing take long term plus short term borrowing that is total borrowing in the numerator even in that case the amount is 0 ok. So, this is known as debt equity ratio. Now let us go to their profit and loss account.

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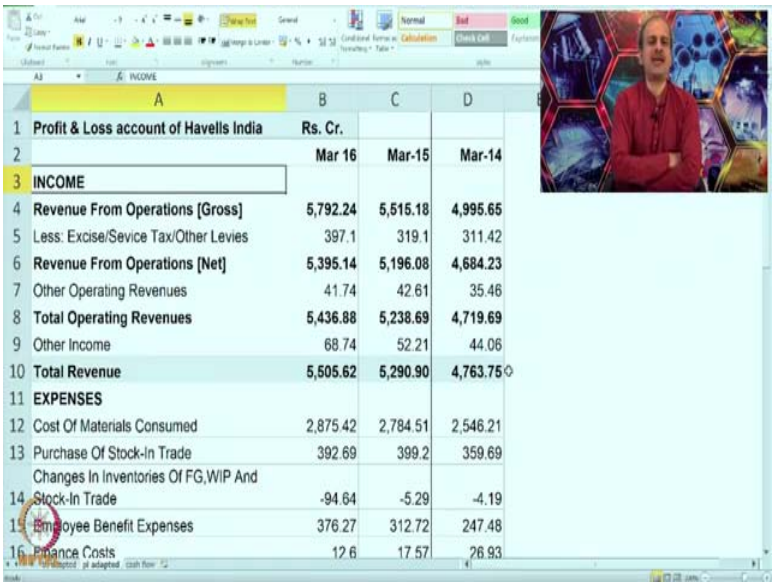

	A	B	C	D
1	Profit & Loss account of Havells India	Rs. Cr.		
2		Mar 16	Mar-15	Mar-14
3	INCOME			
4	Revenue From Operations [Gross]	5,792.24	5,515.18	4,995.65
5	Less: Excise/Sevice Tax/Other Levies	397.1	319.1	311.42
6	Revenue From Operations [Net]	5,395.14	5,196.08	4,684.23
7	Other Operating Revenues	41.74	42.61	35.46
8	Total Operating Revenues	5,436.88	5,238.69	4,719.69
9	Other Income	68.74	52.21	44.06
10	Total Revenue	5,505.62	5,290.90	4,763.75
11	EXPENSES			
12	Cost Of Materials Consumed	2,875.42	2,784.51	2,546.21
13	Purchase Of Stock-In Trade	392.69	399.2	359.69
14	Changes In Inventories Of FG,WIP And Stock-In Trade	-94.64	-5.29	-4.19
15	Employee Benefit Expenses	376.27	312.72	247.48
16	Finance Costs	12.6	17.57	26.93

So, in P and L what ratios can be calculated? One typical ratios one typical ratio which we calculate is net profit ratio or variety of profitability ratios.

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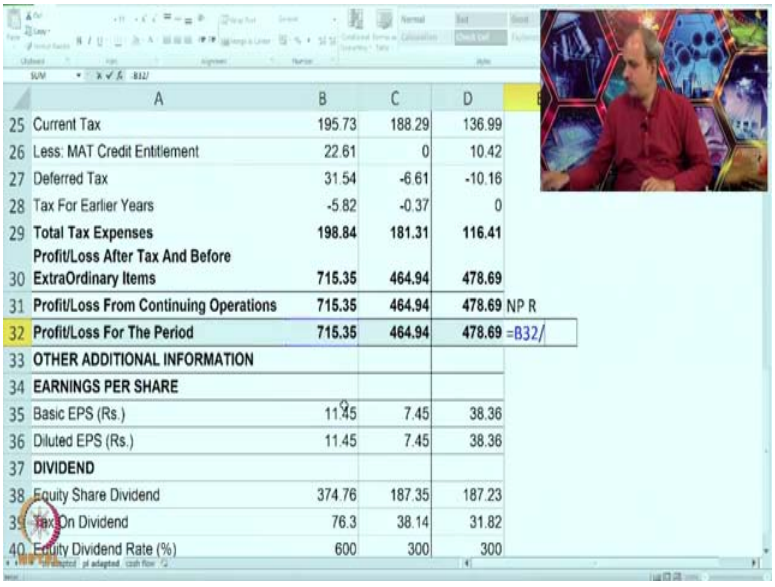

	A	B	C	D
25	Current Tax	195.73	188.29	136.99
26	Less: MAT Credit Entitlement	22.61	0	10.42
27	Deferred Tax	31.54	-6.61	-10.16
28	Tax For Earlier Years	-5.82	-0.37	0
29	Total Tax Expenses	198.84	181.31	116.41
30	Profit/Loss After Tax And Before ExtraOrdinary Items	715.35	464.94	478.69
31	Profit/Loss From Continuing Operations	715.35	464.94	478.69 NP R
32	Profit/Loss For The Period	715.35	464.94	478.69 =B32/
33	OTHER ADDITIONAL INFORMATION			
34	EARNINGS PER SHARE			
35	Basic EPS (Rs.)	11.45	7.45	38.36
36	Diluted EPS (Rs.)	11.45	7.45	38.36
37	DIVIDEND			
38	Equity Share Dividend	374.76	187.35	187.23
39	Tax On Dividend	76.3	38.14	31.82
40	Equity Dividend Rate (%)	600	300	300

So, let us go to their net profit or profit for the period which is 715. So, NP ratio profit upon sales now always the question is which figures to take. Because you have got revenue from operation less excise, revenue from operations net, other operating revenue, total operating revenue and total revenue. Normally since it is a net profit after

tax, after everything it does make sense to take either total revenue or total operating revenue any of the figures are reasonable, but total revenue makes more sense.

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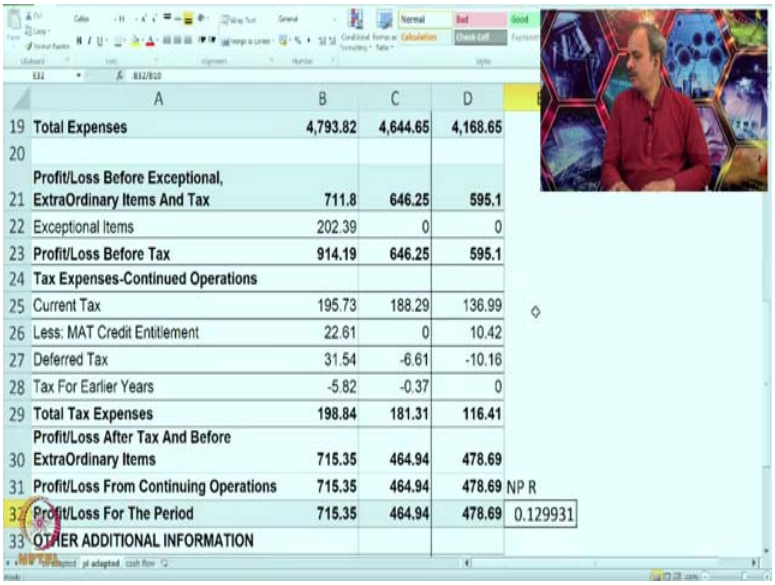

	A	B	C	D
19	Total Expenses	4,793.82	4,644.65	4,168.65
20				
21	Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax	711.8	646.25	595.1
22	Exceptional Items	202.39	0	0
23	Profit/Loss Before Tax	914.19	646.25	595.1
24	Tax Expenses-Continued Operations			
25	Current Tax	195.73	188.29	136.99
26	Less: MAT Credit Entitlement	22.61	0	10.42
27	Deferred Tax	31.54	-6.61	-10.16
28	Tax For Earlier Years	-5.82	-0.37	0
29	Total Tax Expenses	198.84	181.31	116.41
30	Profit/Loss After Tax And Before ExtraOrdinary Items	715.35	464.94	478.69
31	Profit/Loss From Continuing Operations	715.35	464.94	478.69 NP R
32	Profit/Loss For The Period	715.35	464.94	478.69 0.129931
33	OTHER ADDITIONAL INFORMATION			

So, you are getting 0.12 we will converted into percent so, around 13 percent.

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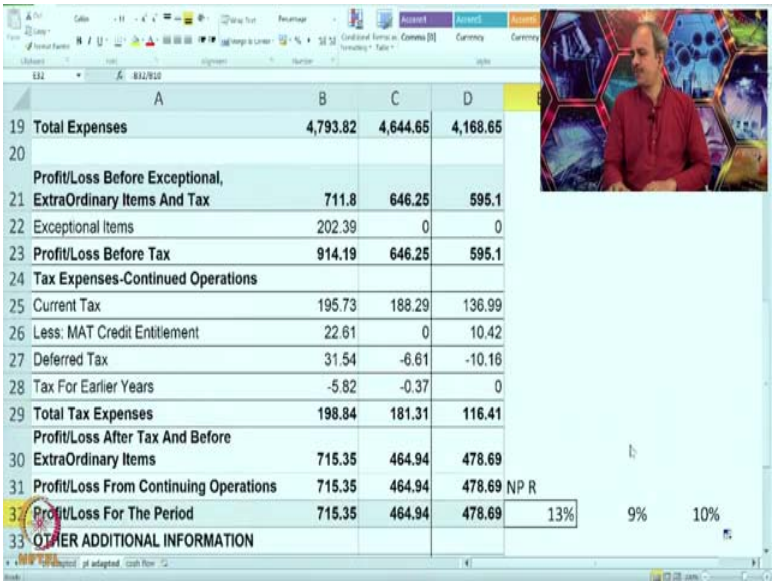

	A	B	C	D
19	Total Expenses	4,793.82	4,644.65	4,168.65
20				
21	Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax	711.8	646.25	595.1
22	Exceptional Items	202.39	0	0
23	Profit/Loss Before Tax	914.19	646.25	595.1
24	Tax Expenses-Continued Operations			
25	Current Tax	195.73	188.29	136.99
26	Less: MAT Credit Entitlement	22.61	0	10.42
27	Deferred Tax	31.54	-6.61	-10.16
28	Tax For Earlier Years	-5.82	-0.37	0
29	Total Tax Expenses	198.84	181.31	116.41
30	Profit/Loss After Tax And Before ExtraOrdinary Items	715.35	464.94	478.69
31	Profit/Loss From Continuing Operations	715.35	464.94	478.69 NP R
32	Profit/Loss For The Period	715.35	464.94	478.69 13% 9% 10%
33	OTHER ADDITIONAL INFORMATION			

So, you can see there was a rise in net profit as a percentage also it has increased from 10 percent to 13 percent is it a good sign? Definitely because higher profitability is always advantageous, we can also calculate the profitability at different level particularly profit before tax this is known as NPBT ratio.

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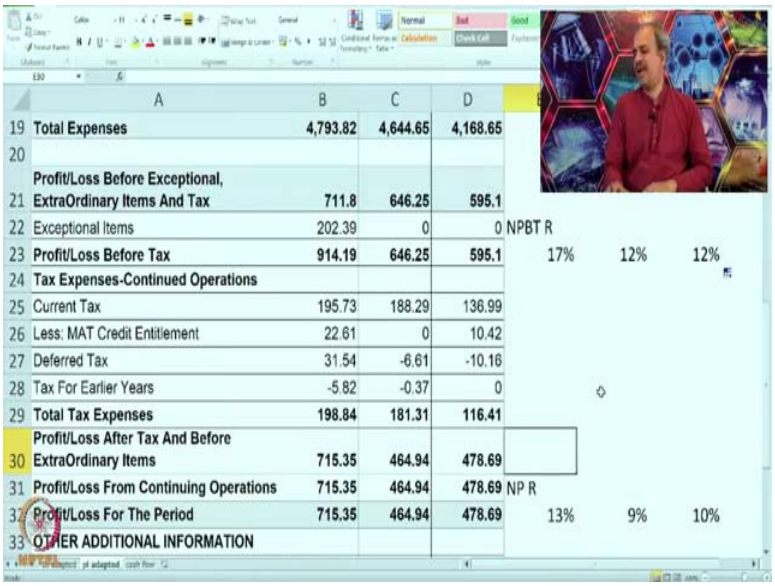

	A	B	C	D	E	F	G
19	**Total Expenses**	**4,793.82**	**4,644.65**	**4,168.65**			
20							
21	**Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax**	**711.8**	**646.25**	**595.1**			
22	Exceptional Items	202.39	0	0	NPBT R		
23	**Profit/Loss Before Tax**	**914.19**	**646.25**	**595.1**	17%	12%	12%
24	**Tax Expenses-Continued Operations**						
25	Current Tax	195.73	188.29	136.99			
26	Less: MAT Credit Entitlement	22.61	0	10.42			
27	Deferred Tax	31.54	-6.61	-10.16			
28	Tax For Earlier Years	-5.82	-0.37	0			
29	**Total Tax Expenses**	**198.84**	**181.31**	**116.41**			
30	**Profit/Loss After Tax And Before ExtraOrdinary Items**	**715.35**	**464.94**	**478.69**			
31	**Profit/Loss From Continuing Operations**	**715.35**	**464.94**	**478.69**	NP R		
32	**Profit/Loss For The Period**	**715.35**	**464.94**	**478.69**	13%	9%	10%
33	**OTHER ADDITIONAL INFORMATION**						

So, from 12 percent to 17 percent CNP 80 which is found to be less because this is before tax and we will take one more that is known as operating profit.

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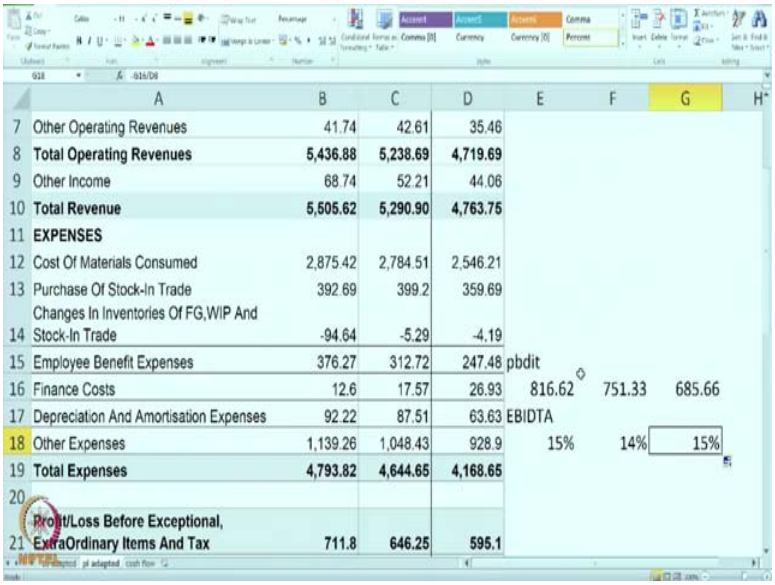

	A	B	C	D	E	F	G	H
7	Other Operating Revenues	41.74	42.61	35.46				
8	**Total Operating Revenues**	**5,436.88**	**5,238.69**	**4,719.69**				
9	Other Income	68.74	52.21	44.06				
10	**Total Revenue**	**5,505.62**	**5,290.90**	**4,763.75**				
11	**EXPENSES**							
12	Cost Of Materials Consumed	2,875.42	2,784.51	2,546.21				
13	Purchase Of Stock-In Trade	392.69	399.2	359.69				
14	Changes In Inventories Of FG,WIP And Stock-In Trade	-94.64	-5.29	-4.19				
15	Employee Benefit Expenses	376.27	312.72	247.48	pbdit			
16	Finance Costs	12.6	17.57	26.93	816.62	751.33	685.66	
17	Depreciation And Amortisation Expenses	92.22	87.51	63.63	EBIDTA			
18	Other Expenses	1,139.26	1,048.43	928.9	15%	14%	15%	
19	**Total Expenses**	**4,793.82**	**4,644.65**	**4,168.65**				
20								
21	**Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax**	**711.8**	**646.25**	**595.1**				

Now, you see your revenue and you have got total expenses. They have not calculated any operating profit, but usually if we add back depreciation and finance cost, we will get PBIT Profit Before Interest and Tax or we can also calculate PBDIT to know the cash profits.

So, what we will do here is, we will calculate this is profit before depreciation and tax; this is also the cash profit for the business this is also popularly known as EBIDTA. Now we are comparing with operating revenue. So, you can see they have a very stable EBIDTA around 15 percent because their sales have increased their profits have increased the bit, but otherwise as a percentage it remains constant. So, we have now calculated both balance sheet and profitability P and L ratios. Now, we will also go for calculation of return ratios etc., but in the next session. Namaste. Thank you.