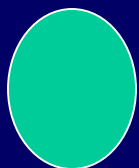


Financial Statement Analysis



Ram Kumar Kakani

Financial Analysis

- Why is it needed?
 - As a Lender/Banker
 - As a Customer
 - As a Supplier
 - As a Equity Holder or Potential Investor
 - As a Government/Regulator or any other Stakeholder
- Comparison of a firm with what?
 - With its Past
 - With its Peers

Different Methods

- What are the different Methods?
- Common Size Analysis
- Index Based Analysis
- Ratio Analysis

Vinyl Chemicals Limited

	All figures in Rs. Crores	
BALANCE SHEET		
Assets Side	Year 2001	Year 2000
Cash & Bank Balances	1.01	1.00
Accounts Receivable	16.75	13.01
Loans and Advances	3.76	3.44
Inventories	11.53	11.98
Current Assets	33.05	29.43
Fixed Assets	37.22	32.43
Other Assets (includes inv	3.42	4.41
Total Assets	73.69	66.27

Vinyl Chemicals Limited

Liabilities Side	Year 2001	Year 2000
Current Liabilites & Provis	8.18	8.63
Long-term Liabilities	12.32	8.08
Net Worth	53.18	49.55
No. of Shares of Rs.10	1.83	1.83
Total Liabilities	73.68	66.26
Average Share Price	10.00	18.00

Vinyl Chemicals Limited

INCOME STATEMENT	Year 2001	Year 2000
Total Sales	92.46	88.18
Other Income	3.18	1.11
Operational Expenditure	84.64	87.62
Gross Profit	10.62	1.03
Interest	0.82	0.58
Depreciation	2.53	2.42
Profit Before Tax	7.27	-1.97
Tax	1.62	0.00
Profit After Tax	5.65	-1.97
Dividend to Shareholders	1.83	0.00

Common Size Analysis

BALANCE SHEET			
Assets Side	Ind. Average	Year 2001	Year 2000
Cash & Bank Balances	2.0	1.4	1.5
Accounts Receivable	21.0	22.7	19.6
Loans and Advances	7.0	5.1	5.2
Inventories	25.0	15.6	18.1
Current Assets	55.0	44.9	44.4
Fixed Assets	41.6	50.5	48.9
Other Assets (includes	3.4	4.6	6.7
Total Assets	100.0	100.0	100.0

Common Size Analysis

Liabilities Side	Ind. Average	Year 2001	Year 2000
Current Liabilites & Pro	12.0	11.1	13.0
Long-term Liabilities	22.0	16.7	12.2
Net Worth	66.0	72.2	74.8
Total Liabilities	100.0	100.0	100.0

Common Size Analysis

INCOME STATEMENT	Ind. Average	Year 2001	Year 2000
Total Sales	100.0	100.0	100.0
Other Income	0.5	3.4	1.3
Operational Expenditur	82.0	91.5	99.4
Gross Profit	17.5	11.5	1.2
Interest	1.5	0.9	0.7
Depreciation	1.0	2.7	2.7
Profit Before Tax	15.0	7.9	-2.2
Tax	5.0	1.8	0.0
Profit After Tax	10.0	6.1	-2.2
Dividend to Shareholde	5.0	2.0	0.0

Index Based Analysis

Indexed Balance Sheet

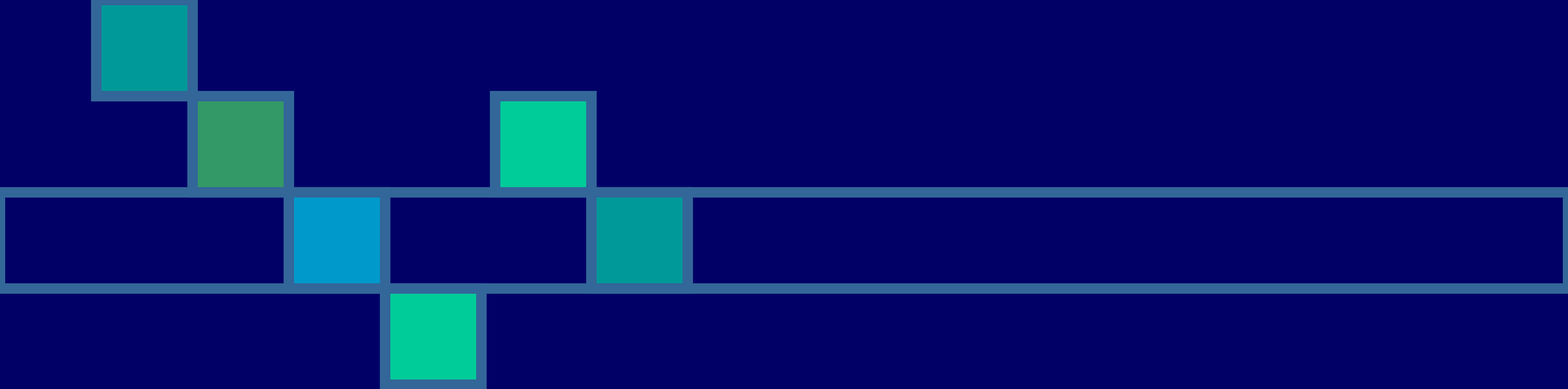
Assets Side	Year 2001	Year 2000
Cash & Bank Balances	101.0	100.0
Accounts Receivable	128.7	100.0
Loans and Advances	109.3	100.0
Inventories	96.2	100.0
Current Assets	112.3	100.0
Fixed Assets	114.8	100.0
Other Assets (includes	77.6	100.0
Total Assets	111.2	100.0

Index Based Analysis

Liabilities Side	Year 2001	Year 2000
Current Liabilites & Pro	94.8	100.0
Long-term Liabilities	152.5	100.0
Net Worth	107.3	100.0
Total Liabilities	111.2	100.0

Index Based Analysis

Indexed Income Statement		
	Year 2001	Year 2000
Total Sales	104.9	100.0
Other Income	286.5	100.0
Operational Expenditure	96.6	100.0
Gross Profit	1031.1	100.0
Interest	141.4	100.0
Depreciation	104.5	100.0
Profit Before Tax	-369.0	100.0
Profit After Tax	-286.8	100.0



Case on Linc Pen & Plastics Ltd.



BALANCE SHEET	All figures in Rs. Crores	
Assets Side	Year 2000	Year 1999
Cash & Bank Balances	0.67	0.35
Accounts Receivable	5.56	3.62
Loans and Advances	1	0.58
Inventories	6.75	4.03
Current Assets	13.98	8.58
Fixed Assets	5.14	3.63
Other Assets (includes inves	0.12	0.15
Total Assets	19.24	12.36
Liabilities Side	Year 2000	Year 1999
Current Liabilities & Provisor	5.6	2.68
Long-term Liabilities	4.58	1.73
Net Worth	9.07	7.97
No. of Shares of Rs.10	0.60	0.60
Total Liabilities	19.25	12.38
Average Share Price	17.00	25.00

INCOME STATEMENT	Year 2000	Year 1999
Total Sales	28.3	21.85
Other Income	0.36	0.1
Operational Expenditure	25.41	19.85
Gross Profit	3.25	2.01
Interest	0.27	0.16
Depreciation	0.30	0.29
Profit Before Tax	2.68	1.56
Tax	0.74	0.22
Profit After Tax	1.94	1.35
Dividend to Shareholders	0.72	0.72

Ratio Analysis

- **Short-term Solvency/Liquidity Ratios**
 - **Current Ratio**
 - **Quick Ratio**
- **Long-term Solvency/Liquidity Ratios**
 - **Debt-to-Equity Ratio**
 - **LT Debt-to-Equity Ratio**
 - **Times Interest Earned Ratio**

Financial Ratios	Year 2000	Year 1999
Current Ratio	2.50	3.20
Quick Ratio	1.29	1.70
Debt-to-Equity Ratio	1.12	0.55
L.T.Debt-to-Equity-Ratio	0.50	0.22
Times Interest Earned (con	12.04	12.56

Ratio Analysis

■ Activity Ratios

- Receivables Turnover Ratio
- Average Collectibles Period (a.k.a. Days Receivables)
- Inventory Turnover Ratio
- Inventory Conversion Period
- Operating Cycles = ICP + ACP
- Operating Cycles Per Year
- Average Payable Period (a.k.a. Days Payables)
- Cash Conversion Period
- Sales-to-Assets Ratio (a.k.a. Assets Utilization Ratio)

Financial Ratios	Year 2000	Year 1999
Average Collection Period	71.71	60.47
Inventory Conversion Period	96.96	74.10
No. of Operational Cycles/Y	2.16	2.71
Average Payments Period	Figures are not available	
Inventory Turnover Ratio	3.76	4.93

Ratio Analysis

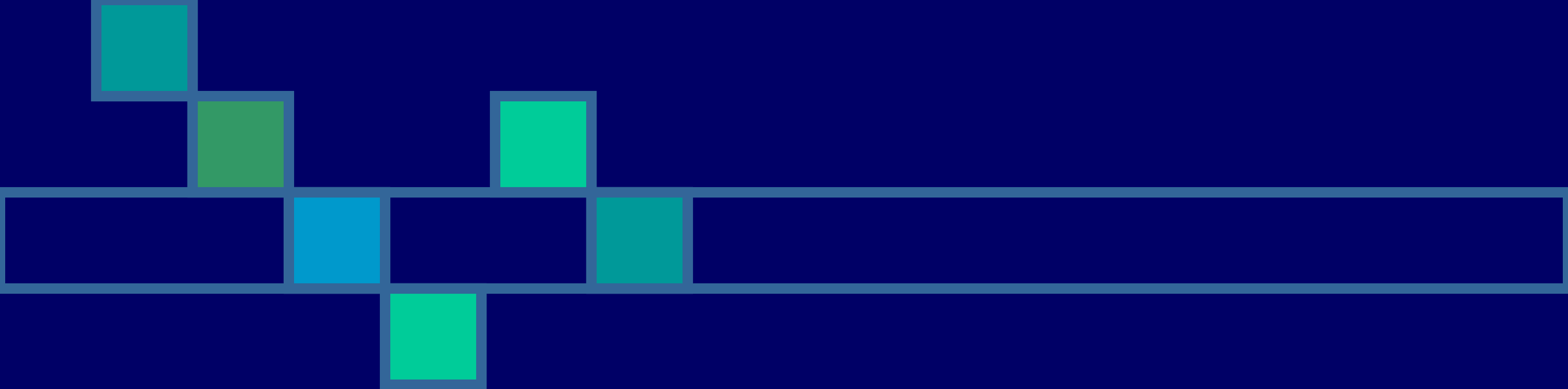
■ Profitability Ratios

- Return on Assets
- Net Profit Margin
- Gross Profit Margin
- Return on Net Worth
- Return on Capital Employed
- Dividend Payout Ratio

■ Market-based Ratios

- Price-to-Earnings Ratio
- Price-to-Book Value Ratio
- Dividend Yield Ratio

Financial Ratios	Year 2000	Year 1999
Sales Turnover Ratio	1.47	1.77
Gross Profit Margin %	11.48	9.20
Net Profit Margin %	6.86	6.18
Return on Assets	10.08	10.92
Return on Equity	21.39	16.94
Return on Capital Employed	16.19	15.57
Earnings Per Share	3.23	2.25
Book Value Per Share	15.12	13.28
Market Capitalization	10.20	15.00
Price-to-Book Value Ratio	1.12	1.88
Price-to-Earnings Ratio	5.26	11.11
Dividend Payout Ratio	37.11	53.33
Dividend Per Share	1.20	1.20
Dividend Yield	7.06	4.80



Case on Abu Dhabi Ship Building



ADSB

BALANCE SHEET

Assets Side	Year 2000	Year 1999
Cash & Bank Balances	96.42	116.34
Accounts Receivable	40.89	8.41
Loans and Advances	6.12	57.27
Inventories	48.01	70.68
Current Assets	191.44	252.71
Fixed Assets	87.52	34.72
Other Assets (includes inves	0.82	5.78
Total Assets	279.78	293.21



ADSB

Liabilities Side	Year 2000	Year 1999
Current Liabilites & Provision	64.22	73.81
Long-term Liabilities	1.88	1.44
Net Worth	213.67	217.96
No. of Shares (par AED10)	17.52	17.52
Total Liabilities	279.77	293.21
Average Share Price	20.00	35.00

ADSB

INCOME STATEMENT	Year 2000	Year 1999
Total Sales	88.47	103.93
Other Income	4.09	5.6
Operational Expenditure	83.19	86.71
Gross Profit	9.37	22.82
Interest	0.00	0.00
Depreciation	4.70	7.83
Profit Before Tax	4.67	14.99
Tax	0.00	0.00
Profit After Tax	4.67	14.99
Dividend to Shareholders	0.00	0.50

Financial Ratios	Year 2000	Year 1999
Current Ratio	2.98	3.42
Quick Ratio	2.23	2.47
Debt-to-Equity Ratio	0.31	0.35
L.T.Debt-to-Equity-Ratio	0.01	0.01
Times Interest Earned (considering only interest)		
Average Collection Period	168.70	29.54
Inventory Conversion Period	210.65	297.52
No. of Operational Cycles/Yea	0.96	1.12
Average Payments Period	accounts payable (or sun	
Inventory Turnover Ratio	1.73	1.23
Sales Turnover Ratio	0.32	0.35
Gross Profit Margin %	10.59	21.96
Net Profit Margin %	5.28	14.42
Return on Assets	1.67	5.11
Return on Equity	2.19	6.88
Return on Capital Employed	2.17	6.83
Earnings Per Share	0.27	0.86
Book Value Per Share	12.20	12.44
Market Capitalization	350.40	613.20
Price-to-Book Value Ratio	1.64	2.81
Price-to-Earnings Ratio	75.03	40.91
Dividend Payout Ratio	0.00	3.34
Dividend Per Share	0.00	0.03
Dividend Yield	0.00	0.08

Common-size Analysis

BALANCE SHEET

Assets Side	Year 2000	Year 1999
Cash & Bank Balances	34.5	39.7
Accounts Receivable	14.6	2.9
Loans and Advances	2.2	19.5
Inventories	17.2	24.1
Current Assets	68.4	86.2
Fixed Assets	31.3	11.8
Other Assets (includes inv)	0.3	2.0
Total Assets	100.0	100.0
Liabilities Side	Year 2000	Year 1999
Current Liabilites & Provis	23.0	25.2
Long-term Liabilities	0.7	0.5
Net Worth	76.4	74.3
Total Liabilities	100.0	100.0

INCOME STATEMENT	Year 2000	Year 1999
Total Sales	100.0	100.0
Other Income	4.6	5.4
Operational Expenditure	94.0	83.4
Gross Profit	10.6	22.0
Interest	0.0	0.0
Depreciation	5.3	7.5
Profit Before Tax	5.3	14.4
Tax	0.0	0.0
Profit After Tax	5.3	14.4
Dividend to Shareholders	0.0	0.5

Indexed Balance Sheet

Assets Side	Year 2000	Year 1999
Cash & Bank Balances	82.9	100.0
Accounts Receivable	486.2	100.0
Loans and Advances	10.7	100.0
Inventories	67.9	100.0
Current Assets	75.8	100.0
Fixed Assets	252.1	100.0
Other Assets (includes	14.2	100.0
Total Assets	95.4	100.0
Liabilities Side	Year 2000	Year 1999
Current Liabilites & Prc	87.0	100.0
Long-term Liabilities	130.6	100.0
Net Worth	98.0	100.0
Total Liabilities	95.4	100.0

Indexed Income Statement

	Year 2000	Year 1999
Total Sales	85.1	100.0
Other Income	73.0	100.0
Operational Expenditur	95.9	100.0
Gross Profit	41.1	100.0
Interest		
Depreciation	60.0	100.0
Profit Before Tax	31.2	100.0
Profit After Tax	31.2	100.0

