Q1. Please compute the ratios shared with you in Session # 12 for your allocated company for the last two years. … Please comment within 200 words

Ratio	Formula	2014-15	2013-14	Comments
		Short Term Solvency		
Net Working Capital	CA-CL	31540.04	23273.12	Increase in working capital is due to decrease in short term borrowings
Current Ratio	CA/CL	108.4%	105.6%	As short term borrowings have reduced, the current ratio has increased
Quick Ratio	(CA-inventory)/CL	89.9%	90.1%	No Change
Avg Daily expense	COGS+Opearating Expenses+Tax-Non Cash Expenses	2358.1	2084.9	The increase in cost of goods sold has led to this
Cash Cover for daily expense	Cash & Bank Balance/Avg. Daily Expense	91%	113%	The drop in expenses has led to this change
Quick Assets Cover for Daily Expenses (days)	Quick Assets / Avg. Daily Expense	35.68%	45.52%	The increase in average daily expenses has led to this
Current Asset Cover for daily expense	CA/Avg Daily Expense	47.06%	57.24%	Though both CA and avg daily expenses have increased the incremental change in expenses is higher leading to a drop in here
Current Liabilities Cover for daily expense	CL/Avg Daily Expense	43.39%	54.18%	The current liabilities have dropped whereas expenses have increased leading to a net decrease over here
Account Receivable Turnover	Sales/Avg receivables	2.92	2.33	Receivables have dropped and sales have increased leading to an increasing trend over here
Avg Collection Period	No.of Days/Receivable Turnover	125.04	156.87	Though the improvement is a good sign for the company, a period of 120 days roughly translates to 4 months which is still a long time to get the money.
Inventory Turnover	COGS/Avg Inventory	7.63	6.36	The COGS/avg inventory is increasing which means that raw materials are turning into finished goods faster now
Inventory Conversion Period	No.of days/Inventory Turnover	47.83	57.36	The COGS/avg inventory is increasing which means that raw materials are turning into finished goods faster now
Avg Payable Period	No.of days/Payable Turnover	27.00	28.26	The company has been paying off it's suppliers sooner than it receives money from trade which could be an alarming trend
		Long Term Solvency		
Total Debt to Total Capital	CL+LTL/Net Worth	214.14%	255.70%	The debt to total capital has been reducing due to reduction in borrowings
Long Term Debt to total Capital	LTL/Net Worth	52.85%	67.10%	The long term debt to total capital has been reducing due to reduction in long term borrowings
Long Term Debt to fixed Assets	LTL/FA	30.68%	38.74%	Though both long term liabilities and Fixed assets have dropped, the incremental change in FA is lower leading to a significant drop here
Times Interest Covered	EBIT/Interest	260.68%	178.81%	The EBIT/ interest is increasing which means interest is decreasing and is usually a good sign for the company
Times Fixed Charges Covered	(EBIT-Fixed Charges)/(Interest+ Fixed Charges)	76.73%	58.01%	An increase in figure here shows that Interest has reduced and is a good sign for the company
Net Gain from Borrowed Funds	(Operating Profit to Operating Assets)*Borrowed Funds	7237.25	7055.09	Increase here shows better utilization of loans taken
Equity Multiplier	(Total Assets)/Avg. Net Worth	395.61%	454.36%	Company has made a conscious effort to reduce debt reducing equity multiplier.
Gearing	Post-tax net benefit from borrowings/All liabilities	1.71%	2.47%	Gearing depicts the leverage, which is reasonable for Chambal Fertilizer from the perspective of industry.
		Margin on Sales		
Gross Profit Margin (%)	GP/Sales	7.67%	7.22%	Gross Profit seems to be quite stable over the past year and similar to other fertilizers companies like Gujarat State Fertilizer Corporation (GSFC). The industry average as per reports is around 4-5%
Operating Profit Margin (%)	Op. Profit/Sales	4.44%	4.34%	The cost of goods sold, employee expenses and freight charges have increased but the margin has not fallen because of exceptional item of liquidation of subsidiary.
Net Profit Margin (%)	NP/Sales	2.63%	3.80%	Net Profit has reduced because of higher taxes this year as well as deferred taxes from previous periods. But, NPM is still higher than the industry average of 0.5-1%.

		Return on Investment		
Operating Profit to Opearting Assets (%)	Op. Profit/Avg. Op. Assets	5.91%	4.81%	[Operating Assets = Total Assets - Cash & Bank Balance - Long Term Investments]. This has increased over th past year because of slightly higher operating profit and liquidation of some fixed assets due to closing of textile business.
Net Income/Total Assets (%)	Net Profit/Total Sales	3.26%	3.90%	This figure has reduced slightlydue to decrease in net profit and increase in sales compared to the last period.
Return on Equity (ROE) (%)	PAT/Avg Net Worth	10.23%	13.86%	The RoE has reduced from the previous years but is still higher compared to other companies in thefertilizer sector.
		Efficiency of Use of Assets		
Total Asset Turnover	Sales/Avg Tot. Assets	1.24	1.03	Asset utilization seems to have improved slightly after shutting down the non-performing textile division. However, the asset utilization is slightly worse off than peers with average of 1.8- 2 for National Fertilizers,etc.
Operating Asset Turnover	Sales/Avg Op. Assets	1.33	1.13	Long Term investments and cash have reduced slightly leading to a higher turnover.
Working Cap Turnover	Sales/Avg Workin Cap	28.59	34.99	Working Capital has increased this year due to reduction in short term borrowings. Hence, the turnover has reduced.
Shareholder Equity Turnover	Sales/Avg Net Worth	3.89	3.72	Shareholder's equity has not changed much. Hence, the value remains stable.
		Return per Share of Equity		
EPS	PAT/No.of Shares	5.70	7.28	Since the NPM has reduced due to taxes, so has the EPS.
Dividends per Share	Dividends/No.of Shares	1.90	1.90	Dividend per share has remained constant for the past few years. No new shares have been issued.
		Other Ratios		
Book Value per Share	Net Worth/No.of shares	55.94	52.81	The net worth has increased a little leading to a rise in book value per share as the number of shars are almost constant.
Dividend Payout Ratio	Div/PAT or DPS/EPS	0.33	0.26	DPS has not changed, however the EPS has reduced due to fall in PAT. Therefore, the Price to Book Ratio has increased.
Price to Book Ratio	Mkt Price/Book Value	1.32	0.77	Book Value = Total Assets - Intangible Assets - Liabilities
Price to Earnings	Mkt Price/EPS	21.64	7.41	Price has increased in the past year compared to the earnings. Hence, P/E has increased.
Dividend Yield	DPS/Mkt Price	2.97	4.40	The dividend yield has reduced due to increase in market price of the shares of Chambal Fertilizers.

2. *Please solve case # 7.4 ….. please rationalize your response in 200 words.*

From Balance Statements:

FIRM	OWNER	EXPLAINATION
A	Ram Gubbarewala	60% inventory indicate the raw materials for making balloons . He has only a cycle (20%) as Fixed assets, and since this is the only asset he has, there are no long term liabilities
B	Ram Bhelpuriwala	70% indicate the ingredients required to make Bhel. He only has a cart as Fixed assets (15%), and hence no long term liabilities.
C	Ram Tutionwala	Recievables are 85% since the poor students will pay their fees after the term ends. Teachers usually have very low inventory (2%), and low fixed assets since he teaches in a small room (13%)
D	Ram Vanwala	The Maruti Omni represents the significant fixed asset (75%), 20% represents fare that the school kids have yet to pay. A long term loan of 65% has been taken to fund the Omni.
E	Ram Jhulewala	The Merry-go-round is a significant investment, and takes up 95% of his funds. Hence a long term loan of 50% has been taken to fund this.
F	Ram Library-Wala	The library consists basically of books, which form the fixed asset (70%) since they will be used for many years. There is 40% of Provisions, which indicate the the advances paid by customers to borrow books.
G	Ram Cycle-Mechanic	The Cycle Repair requires 25% inventory in the form of cycle tubes, tyres and other spare parts, and 55% fixed assets for the shop
H	Ram Rasoiwala	85% advances indicate the advances given by the customers to the caterer. 70% fixed assets indicate the utensils used for cooking.

From Income Statements:

FIRM	OWNER	EXPLAINATION
A	Ram Raddiwala	There is very low profit in collecting and reselling old newspapers (5%). There is no fixed asset as such, and hence no depriciation.
B	Ram Chakkiwala	Grinding flour does not utilise any raw materials except electricity. Hence gross profits are very high at 85%. Also there is a hgh depriciation of 35% for the big grinding machine.
C	Ram Doodhwala	Doodhwala buys and sells milk without processing. Hence gross margins are 20%. Also low depriciation (2%) as he only has a bicycle under fixed assets
D	Ram Dosawala	Dosa seller will make deent gross profits (50%). He only has a wooden cart, and hence low depriciation (5%)
E	Ram Panwala	Panwala will make comparitively lower profits (40%). He has hardly any fixed assets, and hence only 1% depriciation.
F	Ram Rickshaw-wala	Rickshaws will make high gross profits, since COGS is only for fuel. Thus 80% gross profit. Since he may have taken a loan to buy the rickshaw, there is a 40% interest paid.
G	Ram Dalal	The broker will make maximum profit percentage (95%), since he provides a service, and hence has minimal COGS. Also he has very low depriciation (5%) and interest (10%) due to low fixed assets
H	Ram Saloonwala	Saloonwala provides a service. His only expenses will be for Hair gel, powder, hair oil etc. Thus he has high gross profits of 90%. He has depreciation of 15% for his saloon, chairs, mirror, etc and 30% interest on a loan for the same.

3. Please check out the ratios of the six attached cement players … and give your comments within 200 words (with the perspective of Ultra Tech Cements – what are the few things going good and a few things that possibly either need improvement/explanation) [if needed, you can ignore the numbers of Dalmia Bharat and The Ramco Cements]

Ratio	FY16	FY15	FY14	FY13	Comments
Cash Cover for Daily Expenses	43	4	6	3	As compared to other companies, For Ultra Tech Cements, there is a sudden increase in "Cash Cover for daily expenses" in FY2016 for Ultratech cement. The huge increase in Cash Cover can be due to decrease in financing expenses. 2016 witnessed a Net Issuance of debt opposed to the large Net Retirement earlier, causing increase in cash and cash equivalents
Cash Cover for Daily Expenses	3	12	20	28	For ACC LTD, the ratio has been declining over the years indicating an aggressive approach towards Working Capital Management reducing the ratio

Ratio	UltraTech	Shree Cement	ACC Ltd	Ambuja Cement	Comments
Total Debt to Liabilities Ratio	0.8	0.4	0.5	0.4	As evident from the table, the Total Debt to Total Liabilities is higher for Ultratech as compared to the other companies. This could probably be due to the fact that the company has gone for an aggressive strategy in financing its growth with debt, yet the Times Interest covered (7 days) suggests that it has maintained a decent amount of profits
Quick Ratio	0.6	1	0.6	1.8	The average Quick Ratio is 1 for the 4 companies – ACC and Ultratech are less liquid (0.6) compared to Ambuja (1.8). This indicates they are more aggressive and is possibly why Ambuja ranks 3rd in the industry. Due to inventory stocks, QR is more applicable.
Return on Equity	12.1 (^)	9.1 (^)	7.1(v)	7.9(v)	For ACC Ltd and Ambuja Cement, the Return on Equity is falling below half the value of previous year. We see for these companies the net profit margin has accordingly fallen and increased for UltraTech and Shree Cement respectively.
Times Interest Covered	7.0(^)	7.1(^)	12.7(v)	13.8(v)	We see the for the companies in which Return on equity decreased has a lower Net Margin profit, and a lower Return on equity as well indication poor conversion of revenue to profits or because of new loans taken.
Net Profit Managers	9.1(^)	8.2(^)	5.0 (v)	8.6(v)	The net profit margins of the industry are relatively low at 7.7, except for Dalmia and Ramco which are much smaller players.