

A Financial Analysis of Sintex Industries Ltd.

**Course: PGCHRM_20
Subject: Financial Management**

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1. Company Introduction

Sintex Industries Limited formerly The Bharay Vijay Mills Ltd has two divisions - Textiles and Plastics. In the area of textiles, they have been pioneers in high value fabrics. Their plastic division was started in the year 1975 and today they have most diversified manufacturing capabilities in plastic processing in the world.

They have 10 plants spread across the country, more than 12 manufacturing processes under one roof, having more than 500,000 sq. mtr area and a more than 10000 strong workforce. They created an extensive finishing, assembling, metal fabrication and concrete products facilities. Combination of such varied capabilities along with their state-of-art design and till room facilities which enable them to give vast array of products and solution.

Sintex has an effective network of 10 manufacturing plants, 12 branch offices, over 500 distributors and around 10,000 retailers spread across India

1.1 Board of directors:



Leaders of innovation

Led by a highly motivated and experienced management, the Sintex group's leadership team represents the company's strategy and expertise.

Dinesh Patel : Chairman
• B.Sc From Bombay University

Arun P.Patel : Vice-Chairman
• B.Sc From Bombay University

Rahul A Patel : Managing Director
• Bachelors degree in Communications and MBA from USA.

Amit D Patel : Managing Director
• Bachelors degree in commerce and MT from USA

S B Dangayach : Managing Director
• B.Sc (Hons) and P.G.D.B.A from IIM Ahmedabad

L.M. Rathod : Group CFO & CS
• Graduate in commerce and law, MBA and FCS

Samir Joshipura : Group CEO
• Graduate in Engineering and MBA from SPJIMR

2. Milestones

- 1975 Moulded Polyethylene Industrial Containers and Tanks of sizes up to 10,000 liters
- 1977 Material Handling Containers for Industries and Institutions
- 1978 Water Tank
- 1985 Plastic Sections for Conversion into Partitions, False Ceilings, Wall Panellings, Cabins, Cabinets, Furniture etc.
- 1988 Plastic Doors, Windows and Frames
- 1989 Insulated Containers, Sandwich Panels, Agri Containers and Biogas Holders
- 1990 SMC and SMC Moulded Products, Pultruded Products, Resin Transfer Moulded (RTM) Products, Blow Moulded Products, Injection Moulded Products etc.
- 1995 Water Filters cum Purifiers
- 2000 Solar Water Heaters
- 2001 Prefabs
- 2002 Turnkey Blow Moulding & Profile Extrusion Plants
- 2004 FRP Underground Storage Tanks
- 2005 ISO 9001 Certification, Monolithic Concrete Construction Technology
- 2006 UL Listed for FRP Underground Petroleum Tanks
- 2008 Sandwich Panels
- 2010 Package Sewage Treatment Plants (PSTP) & Manholes
- 2011 Prefab Homes, Gloria Siding Panels

3. Group Companies

With a view to strengthen their position, Sintex aimed to offer themselves as a global solutions provider to their clients both in India and abroad. To achieve this they adopted an aggressive strategy of inorganic growth. Under this strategy they acquired companies that are specialists in their respective areas.

- Sintex - Wausaukee Innovative Composite Solutions. - USA
- Nief Plastic SAS
- Bright AutoPlast Pvt.Ltd
- Zep infratech Ltd
- Sintex International limited

CSR Solutions

As corporate, they believe in share of responsibility towards the progress of the nation. After careful study for years, they have evolved an innovative range of products (mentioned below) and solutions for sanitation to meet needs of society at large. Not only do they have established products portfolio, but also have proven implementation record across the country through numerous projects. They can be a complete solution provider and an ideal implementing partner to help you set up the infrastructure for better hygiene for your CSR initiatives and programs like Swachh Bharat Abhiyan.

- Individual Toilets
- School Toilets
- Septic Tanks
- Biogas Plants
- Hand Wash Stations
- Package Sewage
- Treatment Plants (PSTP)

4. Financial Indicators of the Organization:

Here are some of the Financial Indicators of the organization:

- The company's share price in BSE & NSE.
- Sales Turnover
- Net Profit
- Earnings Per Share

The company's share price in NSE:

(As on Aug 06, 2015)		
Current Share price	52 week high	52 week low
114.35	136.6	66.5

By Simple Moving Average, share price movement of Sintex Industries Ltd:

(Amount in Rs.)		
Days	BSE	NSE
30	107.68	107.77
50	105.55	105.63
150	109.41	109.49
200	105.41	105.48

Price to Book Value Ratio:

Particulars	Amount in Rs.
Market Value per share (MV) Aug 2015	114.35
Book Value Per share (BV) Aug 2015	112.28
Earnings Per share (EPS) Aug 2015	10.70
P/E ratio (MV/EPS)	10.69
P/BV ratio (MV/BV)	1.02

(Data captured from Moneycontrol as on date)

Observations:

The P/BV ratio is higher than 1 which reflects that share price of Sintex Industries Ltd is traded higher than its potential. This can potentially be the right time for investors to sell their shares and realize the investment.

Looking at the trend of the share performance in the last 1 year, it is traded at little above mid point of 52 Week's High and low. The table of simple moving average shows the share price was almost stable at an avg price of 107.

Considering the trend shown above, the company is doing better as the current price of 114.35.

4.1 Financial Indicators

(Amt. in Rs. Crore)				
Fiancial Indicators	Mar '14	Mar '13	Mar '12	Mar '11
Sales Turnover	3,233.12	3064.85	2562.59	2615.97
% Change over last year	105.49	119.60	97.96	
Net Profit	335.06	269.19	229.7	357.56
% Change over last year	124.47	117.19	64.24	
Earnings per share (Rs)	10.77	9.46	8.48	13.19
% Change over last year	113.85	111.56	64.29	

Observations:

Sintex Industries Ltd (SIL) has shown consistent growth over the past 3 year with Net profit increasing Year on Year. EPS has also grown since Ye 2012.

On the flip side it is also struggling to catch up with the financial numbers it had in the financial year 2011. Back then, it had a very strong position with EPS at a 4 year high of 13.19 and Net Profit at INR 357.56 Crores.

With time, though the sales has grown in 2014, however, the expenditure has grown manifolds leading to dip in Net profits and low EPS.

5. Standalone Balance Sheet

----- in Rs. Cr. -----				
	Mar '14	Mar '13	Mar '12	Mar '11
Sources Of Funds				
Total Share Capital	31.12	31.12	27.11	27.11
Equity Share Capital	31.12	31.12	27.11	27.11
Share Application Money	28.31	28.31	0	0
Preference Share Capital	0	0	0	0
Reserves	2982.7	2739.91	2306.76	2145.31
Networth (a)	3042.13	2799.34	2333.87	2172.42
Secured Loans				
Secured Loans	2373.84	1612.21	1415.42	1311.22
Unsecured Loans				
Unsecured Loans	1032.17	972.69	1251.02	1104.63
Total Debt (b)	3406.01	2584.9	2666.44	2415.85
Total Liabilities (a+b)	6448.14	5384.24	5000.31	4588.27
Application Of Funds				
Gross Block	3474.21	2800.71	2584.09	2307.83
Less: Revaluation Reserves	0	0	0	0
Less: Accum. Depreciation	808.72	693.67	574.02	519.28
Net Block (c)	2665.49	2107.04	2010.07	1788.55
Capital Work in Progress (d)	84.5	207.13	75.81	56.21
Investments (e)	1029.24	966.55	874.23	1123.63
Inventories	168.28	200.97	175.77	174.69
Sundry Debtors	1299.64	1236.63	1146.07	838.12
Cash and Bank Balance	102.7	355.19	605.63	900.44
Total Current Assets	1570.62	1792.79	1927.47	1913.25
Loans and Advances	2031.73	1085.21	1022.11	588.74
Fixed Deposits	0	0	0	0
Total CA, Loans & Advances	3602.35	2878	2949.58	2501.99
Deferred Credit	0	0	0	0
Current Liabilities	890.18	732.44	612.35	584.56
Provisions	43.26	42.04	297.03	297.55
Total CL & Provisions	933.44	774.48	909.38	882.11
Net Current Assets (f)	2668.91	2103.52	2040.2	1619.88
Miscellaneous Expenses	0	0	0	0
Total Assets (c+d+e+f)	6448.14	5384.24	5000.31	4588.27
Contingent Liabilities	1606.71	173.59	88.99	78.63
Book Value (Rs)	96.25	88.5	85.49	79.58

6. Profit and Loss Accounts

----- in Rs. Cr. -----				
Particulars	Mar '14	Mar '13	Mar '12	Mar '11
Income				
Sales Turnover	3,233.12	3,064.85	2,562.59	2,615.97
Excise Duty	0	95.59	0	0
Net Sales	3,233.12	2,969.26	2,562.59	2,615.97
Other Income	97.81	-34.54	14.91	60.01
Stock Adjustments	-23.37	28.85	4.32	-5.36
Total Income	3,307.56	2,963.57	2,581.82	2,670.62
Cost of goods sold (Expenditure)				
Raw Materials	2188.14	2096.1	1763.35	1764.22
Power & Fuel Cost	74.96	93.82	87.27	68.18
Employee Cost	112.99	106.4	94.46	93.15
Other Manufacturing Expenses	0	0	0	0
Selling and Admin Expenses	0	0	0	0
Miscellaneous Expenses	117.76	113.53	104.71	90.31
Preoperative Exp Capitalised	0	0	0	0
Total Expenses	2493.85	2,409.85	2,049.79	2015.86
Operating Profit	715.9	588.26	517.12	594.75
PBDIT	813.71	553.72	532.03	654.76
Interest	237.38	118.09	110.49	86.82
PBDT	576.33	435.63	421.54	567.94
Depreciation	138.33	123.18	98.05	89.25
Other Written Off	0	0	0	0
Profit Before Tax	438	312.45	323.49	478.69
Extra-ordinary items	0	0	0	0
PBT (Post Extra-ord Items)	438	312.45	323.49	478.69
Tax	102.94	43.26	93.79	121.13
Reported Net Profit	335.06	269.19	229.7	357.56
Total Value Addition	305.71	313.75	286.44	251.64
Preference Dividend	0	0	0	0
Equity Dividend	21.92	21.92	17.74	17.74
Corporate Dividend Tax	3.72	3.56	2.88	2.84
Per share data (annualised)				
Shares in issue (lakhs)	3,131.10	3,131.10	2,729.91	2,729.91
Earning Per Share (Rs)	10.7	8.6	8.41	13.1
Equity Dividend (%)	70	70	65	65
Book Value (Rs)	96.25	88.5	85.49	79.58

7. Understanding of Financial Statements (Connectivity between BS and P&L)

Sales Turnover	5979.05		
Excise Duty	136.43		
Net Sales	5842.62		
Other income	83.22		
Stock Adjustments	-9.84		
Total Income	5916		
Expenditure			
Raw Materials	3733.69		
Power & Fuel Cost	136.18		
Employee Cost	633.05		
Other Manufacturing Expenses	0		
Selling and Admin Expenses	0		
Miscellaneous Expenses	387.51		
Preoperative Exp Capitalised	0		
Total Expenses	4890.43		
Operating Profit	942.35		
PBDIT (Op. profit + other income)	1025.57		
Interest	289.38		
PBDT	736.19		
Depreciation	254.76		
Other Written Off	0		
Profit Before Tax	481.43		
Extra Ordinary Items	0		
PBT (Post Extra-odd Items)	481.43		
Tax	118.03		
Reported Net Profit	363.4		
Minority Interest	0		
Share of P/L of Associates	-1.29		
Net P/L after Minority Interest	380.75		
Total Value Addition	1156.74		
Equity Dividend	21.92		
Corporate Dividend Tax	3.72		
		Total Share Capital	31.12
		Reserves	3484.43
		Share application money	28.31
		Networth (a)	3543.86
		Secured Loans	2685.53
		Unsecured Loans	1133.83
		Total Debt (b)	3819.36
		Minority Interest (C)	0
		Total Liabilities (a + b+ c)	7363.22
		Application of Funds	
		Gross Block	5303.39
		Less: Accum. Depreciation	1502.06
		Net Block (A)	3801.33
		Capital Work in Progress (B)	125.5
		Investments (C)	305.79
		Inventories	451.1
		Sundry Debtors	2078.46
		Cash and Bank Balance	271.98
		Total Current Assests	2801.54
		Loans and Advances	2061.37
		Fixed Deposits	0.0
		Total CA, Loans & Advances	4862.91
		Current Liabilities	1609.34
		Provisions	122.97
		Total CL & Provisions	1732.31

8. Financial performance and employee perspective:

Sintex Industries Ltd posted a gross turnover of Rs.3233.12 Crores in 2013-14 - a growth of 5.49% over Rs.3064.85 crores in 2012-13. The growth was primarily due to the robust performance of the prefabricated business supported by good business volumes from other business verticals.

The Company's flagship business segment - monolithic construction reported a subdued performance due to the prevailing external factors that impacted business profitability - namely delays in site clearances and a stretched receivables cycle.

The company had high loans and Advances Rs. 2013.73 Cr. in 2014 which was almost double of 2013 (Rs. 1085.21 Cr.) bringing down Cash in Hand further leading to lower current assets. 2014 also saw an increase in cost of Raw Material.

EBIDTA grew to Rs.813.71 crores against Rs.553.72 crore in the previous year, while Net Profit climbed to Rs.335.06 crore against Rs.269.19 crore over the same period. The earning per share stood at Rs.10.7 in 2013-14 against 8.6 in the previous year

The company also recommended Dividend of Rs 0.70 per share on the face value of Rs.1.00 each.

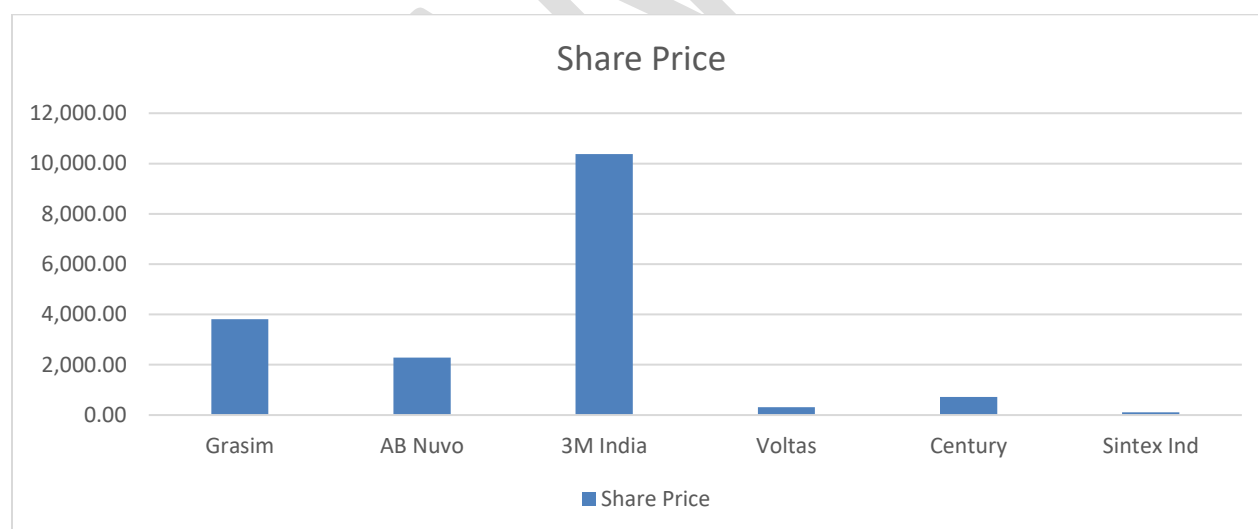
Employee Perspective : The company also invested in Employee cost (salary increase and bonuses) over the last 2 to 3 years.

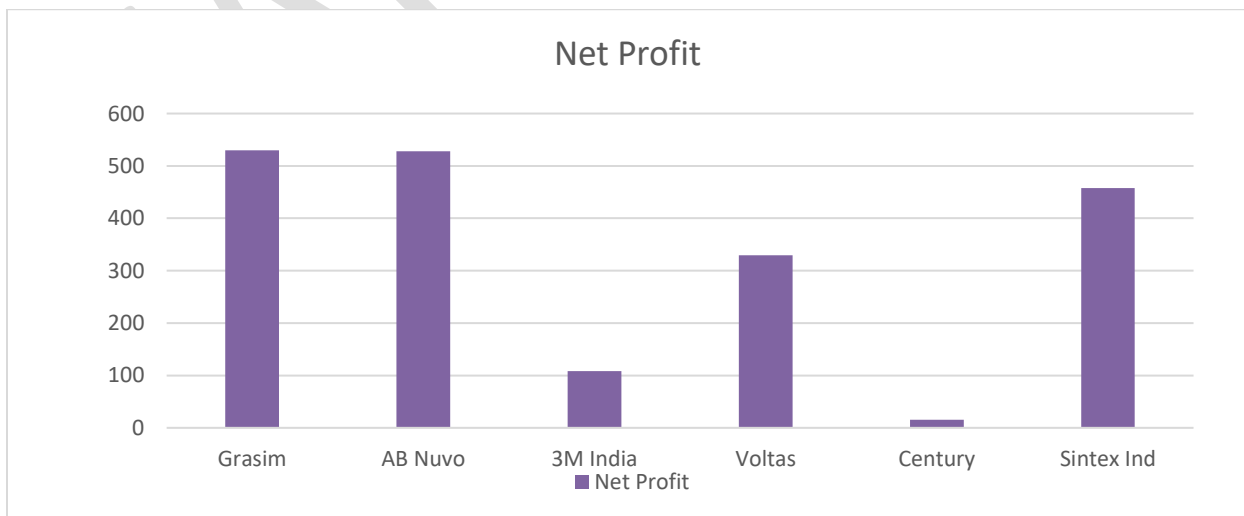
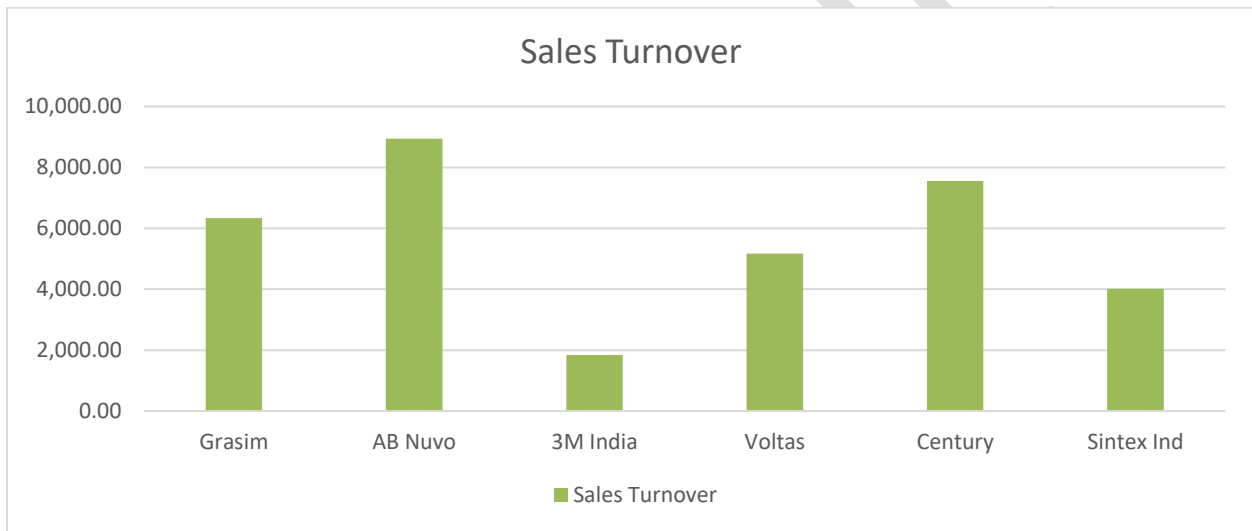
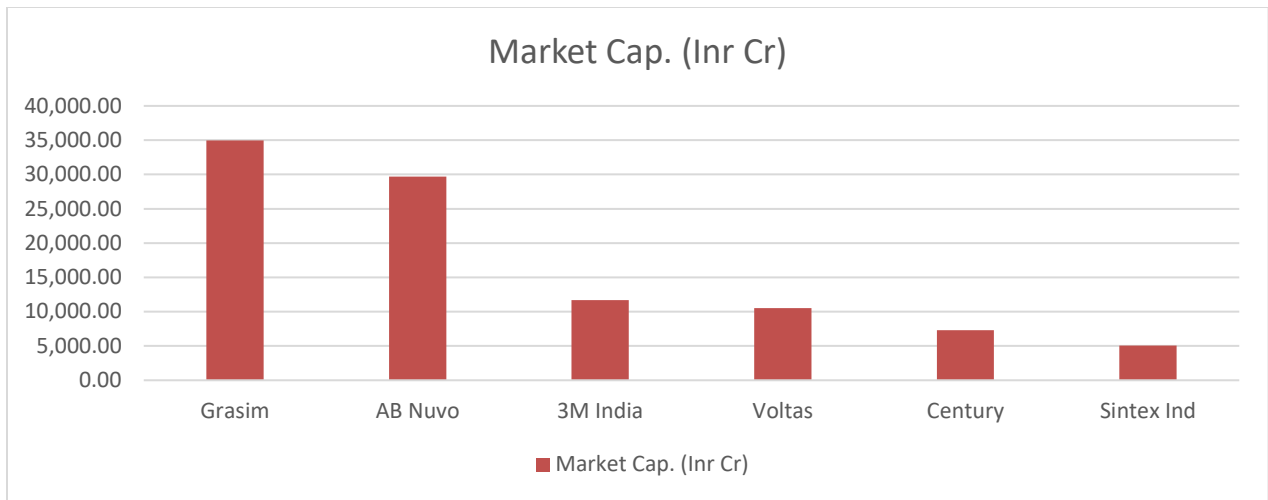
The shareholders of the Company had approved of its employee stock option plan (Sintex Industries Limited Employees Stock Option Scheme 2006) in February 2006. These ESOPS are administered by the Sintex Employee Welfare Trust on the basis of recommendations of the Compensation Committee of the Board. In terms of the plan, the Company periodically granted stock options to eligible employees. The Company will conform to the accounting policies specified in the guidelines as amended periodically.

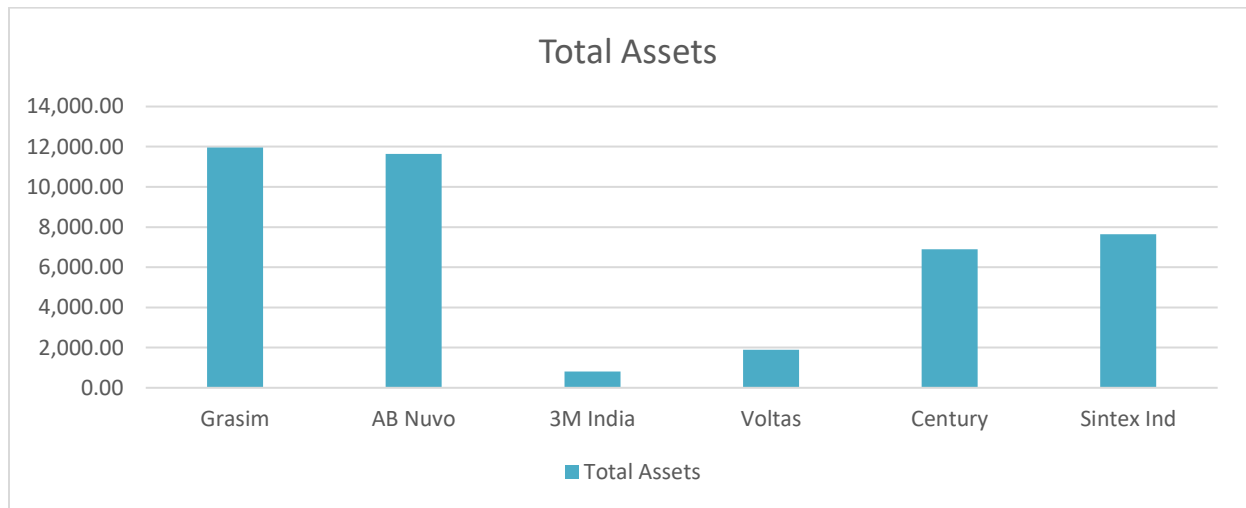
9. The Competition

Name	Share Price	Market Cap. (Inr Cr)	Sales Turnover	Net Profit	Total Assets
Grasim	3,808.70	34,984.35	6,332.58	529.9	11,959.12
AB Nuvo	2,280.70	29,681.56	8,938.26	527.69	11,633.93
3M India	10,374.95	11,687.45	1,840.30	108.34	815.26
Voltas	317.6	10,508.90	5,168.95	329.23	1,892.57
Century	717.45	7,283.24	7,559.27	15.49	6,900.17
Sintex Ind	113.3	5,059.42	4,017.82	457.52	7,647.72
NESCO	1,479.45	2,084.84	194.45	111.63	539.7
DCM Shriram	120.6	2,010.40	5,500.16	241.93	2,481.95
Bombay Dyeing	80.75	1,667.77	2,378.27	24.56	2,908.81
Nava Bharat Ven	169.65	1,514.77	1,152.94	142.47	2,626.31
Kesoram	114.7	1,259.05	5,080.91	-515.55	4,514.67
Kokuyo Camlin	121.2	1,215.68	543.88	4.92	281.59
Orient Paper	31	635.09	1,668.85	-28.65	751.88
Prakash Ind	32.45	436.42	2,836.41	9.34	2,958.12
Cimmco	86.2	173.68	32.1	-25.78	218.49

For the analysis purpose, I have considered Top 6 players in terms of Market Capitalization. The same has been done by graphical representations followed by key observations







Observations:

Since Market capitalization is one of the most important characteristics that helps the investor determine the returns and the risk in the share and since it also helps the investors choose the stock that can meet their risk and diversification criterion, Sintex stands at 6th Position if compared to the competition. 3M is leading the market by a huge margin.

While SIL has the least share price amongst its peer group, however, it has done fairly ok in terms of Net Profits and maintaining Total Assets of the organization. For both these parameters, it is at 3rd position.

10 Ratio Analysis

10.1 Short term Solvency ration

Particulars	Mar '14	Mar '13	Mar '12	Mar '11
Current Ratio				
Current Assets (CA)	1570.62	1792.79	1927.47	1913.25
Current Liabilities (CL)	890.18	732.44	612.35	584.56
Ratio = CA/ CL	1.76	2.45	3.15	3.27
Quick Ratio				
Current Assets (CA)	1570.62	1792.79	1927.47	1913.25
Current Liabilities (CL)	890.18	732.44	612.35	584.56
Inventory	168.28	200.97	175.77	174.69
Net Current Assets (Current Assets - Inventory)	1402.34	1591.82	1751.7	1738.56
Ratio = Net Current Assets / CL	1.58	2.17	2.86	2.97
Cash Ratio				
Cash & Bank balance	102.7	355.19	605.63	900.44
Current liabilities (CL)	890.18	732.44	612.35	584.56
Ratio (Cash/ CL)	0.12	0.48	0.99	1.54

Observations:

The ideal current ratio is expected to be above 1. In the case of SIL, it is true for the year ending Mar'14. Though the ratio for the above said period is 1.76, which is in good state, however, considering the past 4 years performance, it has depleted. This is because of increase in Current Liabilities and decrease in Current Assets.

The Quick ratio attempts to measure the ability of the firm to meet its obligations relying solely on its more liquid Current Asset accounts such as Cash and Accounts Receivable. Considering this fact, the company is a better shape to face any crisis.

The cash ratio is the most stringent and conservative of the three short-term liquidity ratios (current, quick and cash). It only looks at the most liquid short-term assets of the company, which are those that can be most easily used to pay off current obligations. Sintex Industries Ltd changed their strategy, after 2011 when they had a healthy Cash ratio, to look for more avenues and growth and therefore used Cash and Bank Balance to increase its portfolio coming down to 0.12 (2014) from 1.54 (2011).

10.2 Long Term Solvency Ratio

Particulars	Mar '14	Mar '13	Mar '12	Mar '11
Total Debt Ratio				
Total Assets	6448.14	5384.24	5000.31	4588.27
Total Equity	3042.13	2799.34	2333.87	2172.42
Total Assets - Total Equity	3406.01	2584.9	2666.44	2415.85
Ratio = (total Assets - Total Equity)/ Total Assets	0.53	0.48	0.53	0.53
Debt Equity Ratio				
Total Debt	2373.84	1612.21	1415.42	1311.22
Total Equity	3042.13	2799.34	2333.87	2172.42
Ratio = Total Debt/ Total Equity	0.78	0.58	0.61	0.60
Equity Multiplier				
Total Assets	6448.14	5384.24	5000.31	4588.27
Total Equity	3042.13	2799.34	2333.87	2172.42
Ratio = Total Assets / Total Equity	2.12	1.92	2.14	2.11
Times Interest Earned Ratio				
EBIT	675.38	430.54	433.98	565.51
Interest	237.38	118.09	110.49	86.82
Ratio = EBIT/Interest	2.85	3.65	3.93	6.51
Cash coverage ratio				
PBDIT	813.71	553.72	532.03	654.76
Interest	237.38	118.09	110.49	86.82
Ratio (EBIT + Depreciation)/ Interest	3.43	4.69	4.82	7.54

Observations:

Total Debt ratio for YE Mar'14 is 53%, meaning for every one Rupee in asset, total Debt of the company is 53 paisa.

Debt Equity ratio measures the percentage of a company's assets that have been financed with debt (short-term and long-term). A higher ratio indicates a greater degree of leverage, and consequently, financial risk and therefore in the case of SIL, though it is highest in the last 4 year, however, it is still under 1:1.

The Times Interest Earned ratio (2.85) and Cash coverage ratio (3.43) for Sintex Industries Limited clearly indicates company's ability to cover its interest expenses.

10.3 Asset Utilization Ratio

Particulars	Mar '14	Mar '13	Mar '12	Mar '11
Inventory turnover ratio				
Cost of Goods Sold	2493.85	2,409.85	2,049.79	2015.86
Inventory	168.28	200.97	175.77	174.69
Ratio = COGS/ Inventory	14.82	11.99	11.66	11.54
Day's Sales in Inventory				
Total Days in Year	365	365	365	365
Inventory Turn over ratio	14.82	11.99109	11.66177	11.53964
Ratio = 365 days/ Inventory Turnover	24.63	30.44	31.30	31.63
Receivables Turnover(DSO)				
Net Sales	3,233.12	3,064.85	2,562.59	2,615.97
Accounts Receivables	1299.64	1236.63	1146.07	838.12
Ratio = Net Sales / AR	146.72	147.27	163.24	116.94
Days Sales in receivable				
Total Days in Year	365	365	365	365
DSO	146.72	147.27	163.24	116.94
Ratio In Days = 365 days / DSO	2.49	2.48	2.24	3.12
Total Asset Turnover ratio				
Net Sales	3,233.12	2,969.26	2,562.59	2,615.97
Total Assets	6448.14	5384.24	5000.31	4588.27
Ratio = Net Sales / Total Assets	0.50	0.55	0.51	0.57
Capital Intensity Ratio				
Total Assets	6448.14	5384.24	5000.31	4588.27
Total Revenue	3,233.12	2,969.26	2,562.59	2,615.97
Ratio = Total Assets / Total Revenue	1.99	1.81	1.95	1.75

Observations:

SIL has maintained a healthy Inventory Turnover Ratio of 14.82. This is a clear indication that the organization has invested in its sales team over the years to come to this stage from 11.54 in 2011.

Not only that, it did not hold inventory for a longer period of time bringing down its Days Sales in Inventory ratio to 24.63 in 2014 from 31.63 in 2011.

From the industry standards, Receivables Turnover ratio is better for SIL. This ratio was 146.72 in 2014 with just 2.49 days of payment collection cycle. The receivables are collected and re-invested in the business 146 times in a year.

The infrastructure of the company is high and Return on Assets utilization is 0.50 times. This indicates that the company is able to generate 50 paisa for every one rupee spent in manufacturing.

10.4 Profitability ratios

Particulars	Mar '14	Mar '13	Mar '12	Mar '11
Profit Margin Ratio				
Net Income	335.06	269.19	229.7	357.56
Sales Turnover	3,233.12	2,969.26	2,562.59	2,615.97
Ratio = Net income / Sales	10%	9%	9%	14%
Return on Assets				
Net Income	335.06	269.19	229.7	357.56
Total Assets	6448.14	5384.24	5000.31	4588.27
Ratio = Net income / Total Assets	5%	5%	5%	8%
Return on Equity				
Net Income	335.06	269.19	229.7	357.56
Total Equity	3042.13	2799.34	2333.87	2172.42
Ratio = Net Income / Total Equity	11%	10%	10%	16%

Return on Equity		Mar '14	Mar '13	Mar '12	Mar '11
(Net Income / Sales)	Net Income	335.06	269.19	229.7	357.56
	Sales Turnover	3,233.12	3,064.85	2,562.59	2,615.97
*	A	0.10	0.9	0.9	0.14
(Sales/ Assets)	Sales Turnover	3,233.12	3,064.85	2,562.59	2,615.97
	Total Assets	6448.14	5384.24	5000.31	4588.27
*	B	0.50	0.57	0.51	0.57
(Assets / Equity)	Total Assets	6448.14	5384.24	5000.31	4588.27
	Total Equity	3042.13	2799.34	2333.87	2172.42
	C	2.12	1.92	2.14	2.11
Ratio = (A*B*C)	In %	11%	10%	10%	16%

Observations:

There is a consistency in the profitability ratio for SIL for the last 3 years. It has moved by only 1 percentage point from 9% FY 2013 to 10% FY 2014.

Similarly, for both Return of Assets and Return on Equity, the consistency has been maintained at 5% and ~11% respectively.

As a special mention, ROE FY 2011 was healthy and it has reduced indicating the increase in investment in assets and marginal increase in sales and income. Here company has to focus more on increasing the profitability of the company and thus increasing ROE.

10.5 Market Value Ratio

Particulars	Mar '14	Mar '13	Mar '12	Mar '11
Earnings Per Share				
Net Income	335.06	269.19	229.7	357.56
Shares Outstanding	31.311	31.311	27.2991	27.2991
Ratio = Net Income/ Shares outstanding	10.70	8.60	8.41	13.10
Price Earning Ratio				
Share price	45.65	47.6	73.9	151.9
EPS	10.70	8.597298	8.414197	13.09787
Ratio = Price Per Share/ EPS	4.27	5.54	8.78	11.60
Market to Book Ratio				
Market price	45.65	47.6	73.9	151.9
Book value	96.25	88.5	85.49	79.58
Ratio = Market Price / Book Value	0.47	0.54	0.86	1.91

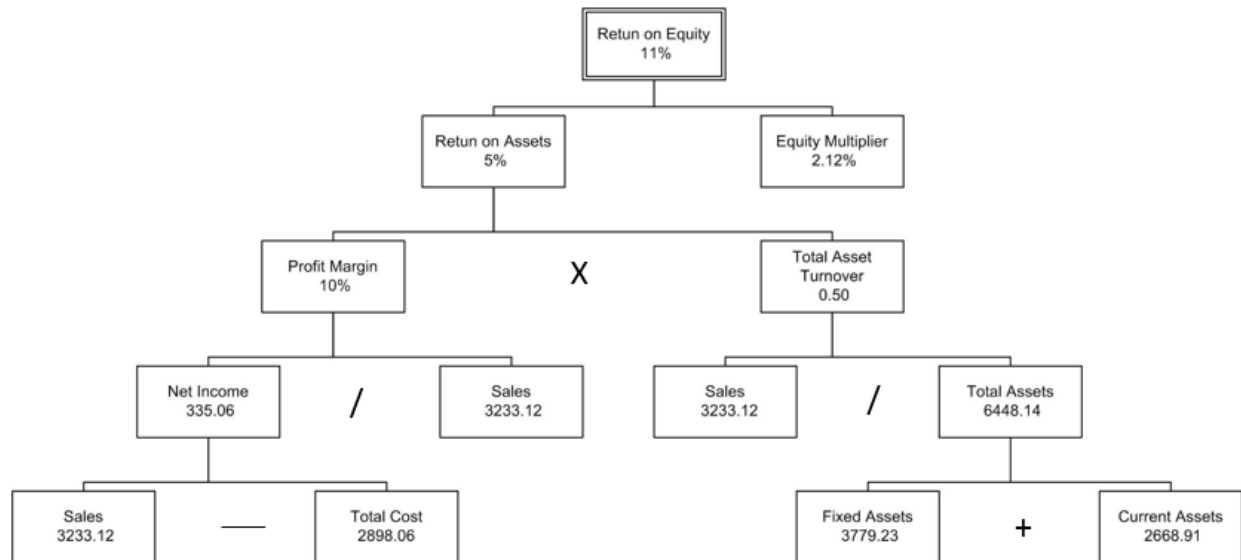
Observations:

Earnings per share is 10.70 and PE ratio is 4.27 times. This reflects market price of share is almost 4.27 times higher than what it earns. This also indicates that the market is keen to pay higher for the shares.

Because of the strategy company adopted after the financial year 2012, the dynamics of the organization changed leading to sudden dip in EPS and PE ratio. It is on a recovery trajectory right now.

However, Market to Book ratio saw a steep decrease from 1.91 in 2011 to just 0.47 in 2014

11. Du Pont Representation



Observations

The DU Pont diagram is a graphical representation of the key ratios. It mainly emphasize on cascading ROE into three components:

1. Profit margin
2. Total Asset Turnover
3. Financial Leverage

DU Pont can increase its ROE by increasing the sales or reducing the expenses. From the above chart, we can clearly understand that as compared to net income and sales total assets are very high and hence total asset turnover comes to 0.50 times. By leveraging the assets, taking out non-performing assets and increasing the utilization of assets, the company can enhance its ROE.

12. References

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