

**VPM's**  
**DR VN BRIMS, Thane**  
**Programme: MMS (2022-24)**  
**Second Semester Regular Examination September 2023**

<b>Course Name:</b>	Analysis of Financial Statements	<b>Course Code</b>	C211		
<b>Roll No.</b>		<b>Marks</b>	<b>60</b>		
<b>Total No. of Questions</b>	6	<b>Duration</b>	<b>3 Hours</b>		
<b>Total No. of printed pages</b>		<b>Date</b>	15.09.2023		
<b>Course Outcome Statements:</b>					
<b>CO1:</b> DEFINE basic terminologies in relation to Analysis of Financial Statements.					
<b>CO2:</b> EXPLAIN the concepts & formulas required for Analysis of Financial Statements.					
<b>CO3:</b> MAKE USE OF various formulas and frameworks pertaining to Common Size, Comparative, Trend Analysis, CAGR, Ratio Analysis, EVA, MVA, Cash Flows, Time Value of Money, Financial Modelling and Equity Valuation.					
<b>CO4:</b> EXAMINE the various types of financial statements and data for making relevant inferences.					
<b>CO5:</b> INTERPRET financial information to take appropriate managerial decisions.					
<b>Instructions:</b> - Time Value Factors should be rounded off to 4 decimals.			<b>Marks</b>	<b>BL</b>	<b>CO</b>
<b>Q. No 1</b> (All Questions are Compulsory)					
<b>Q. No.</b>	<b>Questions</b>				
<b>Q. 1</b>	Adani Transmission Ltd is an electric power transmission company owned by the Adani Group, headquartered in Ahmedabad. Currently, it is one of the largest private-sector power transmission companies operating in India. It is currently present in 10 states with a transmission network of 15,487 circuit km (ckm), i.e., 1/10th of the Power Grid's set-up. The consolidated financial statements and Financial Ratios of Adani Transmission Ltd. are provided as <b>Exhibits</b> . As a financial analyst you are expected to				
	<b>a.</b>	Analyse the business based on Profitability, Turnover and Solvency Ratios.	<b>6</b>	<b>Level 4</b>	<b>CO4</b>
	<b>b.</b>	Assess the critical financial concerns based on the case and suggest strategies for improvement	<b>6</b>	<b>Level 5</b>	<b>CO5</b>
<b>Q. 2</b>	Answer <b>Any one</b> from the following.				
	<b>a.</b>	Analyze a mid-cap pharma company that is manufacturing and exporting various kinds of drugs. Evaluate the impact of the following happenings (each case individually) on their business performance and decide which financial ratios of the company <b>most likely</b> will be affected (positively or negatively). <b>You may write your assumptions in order to justify your answers.</b> i) Labours from their manufacturing plants decided to go on strike for increasing the wages and the management is going to accept their demands. ii) A critical raw material which is being imported from China has been stuck in transit and the delivery is expected to be delayed by a month due to Zero Covid Policy at Chinese Ports. iii) US FDA (United State's Food and Drug Administration) has given approval to one of your largest plants and you will be able to manufacture a top-notch cancer drug having demand across USA and European Union.	<b>6</b>	<b>Level 5</b>	<b>CO5</b>
	<b>b.</b>	Critically evaluate the following statement by giving suitable examples 1. A particular item in Balance Sheet has a Negative 5-year CAGR 2. CAGR of EBITDA is higher than the CAGR of Revenue for a 5-year period	<b>6</b>	<b>Level 5</b>	<b>CO5</b>

Q. 3	Answer <b>Any one</b> from the following.																																																			
	<p><b>a.</b> Many investors consider only the company’s ROE when making a stock investment decision. But does the ROE accurately reflect financial health? Consider the following two companies: Exide Batteries and High Energy Batteries. Both of them are in the same industry and have an improvement in their ROE from 30% to 45%. According to the DuPont analysis, the company’s actual financial position is as follows.</p> <table border="1" data-bbox="296 443 992 862"> <thead> <tr> <th rowspan="2">Particulars</th> <th colspan="2">Exide Batteries</th> <th colspan="2">High Energy Batteries</th> </tr> <tr> <th>Year 1</th> <th>Year 2</th> <th>Year 1</th> <th>Year 2</th> </tr> </thead> <tbody> <tr> <td>Profit margin</td> <td>10%</td> <td>15%</td> <td>10%</td> <td>10%</td> </tr> <tr> <td>Asset turnover ratio</td> <td>1.5</td> <td>2</td> <td>2</td> <td>2</td> </tr> <tr> <td>Financial leverage</td> <td>2</td> <td>1.5</td> <td>1.5</td> <td>2.25</td> </tr> <tr> <td>ROE</td> <td>30%</td> <td>45%</td> <td>30%</td> <td>45%</td> </tr> </tbody> </table> <p>Analyze the above information. If you are an investor, which company will you choose and why?</p>	Particulars	Exide Batteries		High Energy Batteries		Year 1	Year 2	Year 1	Year 2	Profit margin	10%	15%	10%	10%	Asset turnover ratio	1.5	2	2	2	Financial leverage	2	1.5	1.5	2.25	ROE	30%	45%	30%	45%	6	Level 4	CO4																			
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		Examine the Cash Flows Statement of Bergers Paints Ltd, and comment on the following i) Cash Flow Position and ii) Life Cycle Stage of the company																					
<b>Q. 4</b>		Answer <b>Any two</b> from the following.																					
	<b>a.</b>	i) Ms. Eva is planning to invest Rs.20,000 every year in a scheme which is going to mature after 6 years and will be providing a 8% p.a. rate of return. What would the value of her total investment in today's terms? ii) A bank is offering 6% p.a. rate of return on an investment scheme but the interest would be quarterly compounded. How much effective rate of interest per annum are they offering?	<b>6</b>	<b>Level 3</b>	<b>CO3</b>																		
	<b>b.</b>	Company Elecon Engineering is listed at ₹80 per share. Furthermore, it requires a rate of return of 20%. Currently, Company Elecon Engineering pays dividends of ₹4 per share which investors expect would grow by 10% p.a. in the next 2 years and then will become stable at 6% p.a. till perpetuity. Calculate the intrinsic value of the share. Also, share your views on the valuation of Elecon Engineering Ltd.	<b>6</b>	<b>Level 3</b>	<b>CO3</b>																		
	<b>c.</b>	Calculate FCFF and FCFE based on the following data	<b>6</b>	<b>Level 3</b>	<b>CO3</b>																		
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<b>Q. 5</b>		Answer <b>Any two</b> from the following.																					
	<b>a.</b>	Explain what is Financial Modelling? and how it is useful for companies.	<b>6</b>	<b>Level 2</b>	<b>CO2</b>																		
	<b>b.</b>	Explain how the CAMELS model is useful in evaluating the performance of the bank.	<b>6</b>	<b>Level 2</b>	<b>CO2</b>																		
	<b>c.</b>	Summarize different aspects that one should consider while valuing start-up businesses.	<b>6</b>	<b>Level 2</b>	<b>CO2</b>																		
<b>Q. 6</b>		Answer <b>Any two</b> from the following.																					
	<b>a.</b>	Define the two terms Consolidated financial statements and Standalone financial statements.	<b>6</b>	<b>Level 1</b>	<b>CO1</b>																		
	<b>b.</b>	Recall what is WACC, EVA and MVA	<b>6</b>	<b>Level 1</b>	<b>CO1</b>																		
	<b>c.</b>	What is the top-down & Bottom-Up approaches to investing?	<b>6</b>	<b>Level 1</b>	<b>CO1</b>																		

Source: Moneycontrol.com

Profit & Loss for the year ended 31<sup>st</sup> March

(Rs. in Crore)

Particulars	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	CAGR
Total Operating Revenues	3944.48	7305.45	11416	9926.33	11257.5	29.98%
y-o-y Growth		85.21%	56.27%	-13.05%	13.41%	
Total Operating Expenses	1118.47	4543.22	6929.33	5975.97	7051.35	58.46%
y-o-y Growth		306.20%	52.52%	-13.76%	18.00%	
<b>EBITDA</b>	<b>2826.01</b>	<b>2762.23</b>	<b>4486.63</b>	<b>3950.36</b>	<b>4206.17</b>	10.45%
y-o-y Growth		-2.26%	62.43%	-11.95%	6.48%	
(-) Depreciation And Amortisation Expenses	579.41	882.15	1174.02	1328.88	1427.15	25.28%
<b>EBIT</b>	<b>2246.6</b>	<b>1880.08</b>	<b>3312.61</b>	<b>2621.48</b>	<b>2779.02</b>	5.46%
y-o-y Growth		-16.31%	76.20%	-20.86%	6.01%	
Other Income	110.71	255.35	265.33	532.6	603.95	52.83%
Exceptional Items	0	95.84	-232.77	582.81	682.47	
(-) Finance Costs	885.63	1391.03	2238.49	2116.99	2364.95	27.83%
<b>EBT</b>	<b>1471.68</b>	<b>840.24</b>	<b>1106.68</b>	<b>1619.9</b>	<b>1700.49</b>	3.68%
y-o-y Growth		-42.91%	31.71%	46.37%	4.97%	
(-)Total Tax Expenses	328.74	281.04	400.19	330.33	436.06	7.32%
<b>PAT</b>	<b>1142.94</b>	<b>559.2</b>	<b>706.49</b>	<b>1289.57</b>	<b>1264.43</b>	2.56%
y-o-y Growth		-51.07%	26.34%	82.53%	-1.95%	
(+) Minority Interest	0	0	35.33	-65.53	-31.14	
<b>Consolidated Profit/Loss After MI And Associates</b>	<b>1142.94</b>	<b>559.2</b>	<b>741.82</b>	<b>1224.04</b>	<b>1233.29</b>	1.92%

Common Size Profit & Loss Statement for the year ended

Particulars	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Revenue From Operations [Net]	99.99%	98.10%	97.21%	98.02%	97.36%
(+) Other Operating Revenues	0.01%	1.90%	2.79%	1.98%	2.64%
<b>Total Operating Revenues</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Total Operating Expenses</b>	<b>28.36%</b>	<b>62.19%</b>	<b>60.70%</b>	<b>60.20%</b>	<b>62.64%</b>
<b>EBITDA</b>	<b>71.64%</b>	<b>37.81%</b>	<b>39.30%</b>	<b>39.80%</b>	<b>37.36%</b>
(-) Depreciation And Amortisation Expenses	14.69%	12.08%	10.28%	13.39%	12.68%
<b>EBIT</b>	<b>56.96%</b>	<b>25.74%</b>	<b>29.02%</b>	<b>26.41%</b>	<b>24.69%</b>
Other Income	2.81%	3.50%	2.32%	5.37%	5.36%

Exceptional Items	0.00%	1.31%	-2.04%	5.87%	6.06%
(-) Finance Costs	22.45%	19.04%	19.61%	21.33%	21.01%
<b>EBT</b>	<b>37.31%</b>	<b>11.50%</b>	<b>9.69%</b>	<b>16.32%</b>	<b>15.11%</b>
(-) Total Tax Expenses	8.33%	3.85%	3.51%	3.33%	3.87%
<b>PAT</b>	<b>28.98%</b>	<b>7.65%</b>	<b>6.19%</b>	<b>12.99%</b>	<b>11.23%</b>
(+) Minority Interest	0.00%	0.00%	0.31%	-0.66%	-0.28%
<b>Consolidated Profit/Loss After MI And Associates</b>	<b>28.98%</b>	<b>7.65%</b>	<b>6.50%</b>	<b>12.33%</b>	<b>10.96%</b>

Balance Sheet as on 31<sup>st</sup> March

(Rs. in Crore)

Particulars	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	CAGR
Equity Share Capital	1,099.81	1,099.81	1,099.81	1,099.81	1,099.81	1,099.81	0.00%
Reserves and Surplus	1,846.72	3,108.05	3,535.04	4,119.73	4,989.77	5,757.36	16.66%
Hybrid/Debt/Other Securities	0	1,848.63	3,408.03	3,279.42	2,829.70	3,055.65	13.39%
Minority Interest	0	-	-	1,062.13	1,103.58	1,093.68	
<b>TOTAL SHAREHOLDERS FUNDS</b>	<b>2,946.53</b>	<b>6,056.49</b>	<b>8,042.88</b>	<b>9,561.09</b>	<b>10,022.86</b>	<b>11,006.50</b>	16.11%
<i>y-o-y growth</i>		<i>105.55%</i>	<i>32.80%</i>	<i>18.88%</i>	<i>4.83%</i>	<i>9.81%</i>	
Long Term Borrowings	7,729.08	8,594.56	16,304.11	22,289.65	23,808.81	27,774.04	34.08%
Deferred Tax Liabilities [Net]	0	1.23	747.67	971.37	1,186.35	1,414.46	482.33%
Other Long-Term Liabilities	246.65	281.64	429.58	727.23	942.41	723.40	26.60%
Long Term Provisions	4.62	3.55	447.07	275.58	584.52	617.47	263.16%
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>7,980.35</b>	<b>8,880.98</b>	<b>17,928.43</b>	<b>24,263.83</b>	<b>26,522.09</b>	<b>30,529.37</b>	36.16%
<i>y-o-y growth</i>		<i>11.29%</i>	<i>101.87%</i>	<i>35.34%</i>	<i>9.31%</i>	<i>15.11%</i>	
Short Term Borrowings	931.28	1,010.65	1,632.78	1,235.81	1,966.47	2,040.54	19.20%
Trade Payables	27.15	39.49	1,236.92	1,751.51	1,241.01	1,607.91	152.61%
Other Current Liabilities	923.42	1,276.51	3,756.48	2,836.55	3,419.30	2,208.88	14.69%
Short Term Provisions	2.33	1.34	63.55	62.40	61.85	70.91	169.71%
<b>TOTAL CURRENT LIABILITIES</b>	<b>1884.18</b>	<b>2,327.99</b>	<b>6,689.73</b>	<b>5,886.27</b>	<b>6,688.63</b>	<b>5,928.24</b>	26.32%
<i>y-o-y growth</i>		<i>23.55%</i>	<i>187.36%</i>	<i>-12.01%</i>	<i>13.63%</i>	<i>-11.37%</i>	
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>12,811.06</b>	<b>17,265.46</b>	<b>32,661.04</b>	<b>39,711.19</b>	<b>43,233.58</b>	<b>47,464.11</b>	28.76%
<i>y-o-y growth</i>		<i>34.77%</i>	<i>89.17%</i>	<i>21.59%</i>	<i>8.87%</i>	<i>9.79%</i>	

<b>ASSETS</b>							
Tangible Assets	9,532.61	8,970.46	22,836.64	23,337.24	25,384.41	28,578.02	33.60%
Intangible Assets	0.28	0.22	985.22	994.87	1,009.31	1,095.46	740.03%
Goodwill	320.34	320.56	590.14	595.37	608.29	598.29	16.88%
Capital Work-In-Progress	1,342.64	2,352.79	694.06	2,208.96	5,239.73	5,060.16	21.10%
<b>FIXED ASSETS</b>	<b>11,195.87</b>	<b>11,644.03</b>	<b>25,106.06</b>	<b>27,136.44</b>	<b>32,241.74</b>	<b>35,331.93</b>	31.98%
<i>y-o-y growth</i>		<i>4.00%</i>	<i>115.61%</i>	<i>8.09%</i>	<i>18.81%</i>	<i>9.58%</i>	
Non-Current Investments	0	-	120.92	-	267.24	264.17	
Deferred Tax Assets [Net]	0	-	102.58	-	-	-	
Long Term Loans and Advances	0	-	41.16	38.91	1,073.82	1,128.54	
Other Non-Current Assets	238.21	3,871.76	2,355.05	3,850.41	4,651.34	5,096.85	7.11%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>238.21</b>	<b>3,871.76</b>	<b>2,619.71</b>	<b>3,889.32</b>	<b>5,992.40</b>	<b>6,489.56</b>	13.78%
<i>y-o-y growth</i>		<i>1525.36%</i>	<i>-32.34%</i>	<i>48.46%</i>	<i>54.07%</i>	<i>8.30%</i>	
Current Investments	105	-	214.86	312.67	174.79	296.35	29.61%
Inventories	38.66	35.34	366.18	541.17	233.71	250.11	63.10%
Trade Receivables	189.56	257.83	722.05	1,000.26	1,013.54	1,070.84	42.76%
Cash And Cash Equivalents	393.18	665.49	701.56	2,296.84	1,289.91	1,492.57	22.38%
Short Term Loans and Advances	0.17	0.11	8.75	2,409.28	24.43	7.81	190.28%
Other Current Assets	650.41	790.90	2,921.87	2,125.21	2,263.06	2,524.94	33.67%
<b>TOTAL CURRENT ASSETS</b>	<b>1376.98</b>	<b>1,749.67</b>	<b>4,935.27</b>	<b>8,685.43</b>	<b>4,999.44</b>	<b>5,642.62</b>	34.01%
<i>y-o-y growth</i>		<i>27.07%</i>	<i>182.07%</i>	<i>75.99%</i>	<i>-42.44%</i>	<i>12.87%</i>	
<b>TOTAL ASSETS</b>	<b>12,811.06</b>	<b>17,265.46</b>	<b>32,661.04</b>	<b>39,711.19</b>	<b>43,233.58</b>	<b>47,464.11</b>	28.76%
<i>y-o-y growth</i>		<i>34.77%</i>	<i>89.17%</i>	<i>21.59%</i>	<i>8.87%</i>	<i>9.79%</i>	

## Ratio Analysis

Particulars	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Net Profit Margin	x	28.98%	7.65%	6.19%	12.99%	11.23%
EBIDTA Margin	x	71.64%	37.81%	39.30%	39.80%	37.36%
Operating Profit Margin	x	56.96%	25.74%	29.02%	26.41%	24.69%
ROE	x	25.39%	7.93%	8.03%	13.17%	12.03%
ROCE (ROI)	x	8.84%	2.73%	2.36%	3.67%	3.24%
ROA	x	7.60%	2.24%	1.95%	3.11%	2.79%
Asset Turnover Ratio	x	0.26	0.29	0.32	0.24	0.25
Fixed Asset Turnover Ratio	x	0.35	0.40	0.44	0.33	0.33
NWC Turnover Ratio	x	-7.27	-6.26	21.86	17.89	-11.40
Capital Employed Turnover Ratios	x	0.31	0.36	0.38	0.28	0.29
Long Term Debt Equity Ratio	x	2.71	1.47	2.08	2.41	2.47
Total Debt Equity Ratio	x	3.02	1.63	2.28	2.54	2.67
Proprietary Ratio	x	23.00%	35.08%	24.63%	24.08%	23.18%
Interest Coverage Ratio	x	2.54	1.35	1.48	1.24	1.18
Current Ratio	x	0.73	0.75	0.74	1.48	0.75
Quick Ratio	x	1.40	1.30	0.90	1.23	1.00