# Choosey CEOs

**TEAM WARHAWKS**

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# Comparison

| | Company A | Company B | Company C |
|---|---|---|---|
| Industry | Manufacturing | Manufacturing | Manufacturing |
| Sector | OEM | Pharmaceutical | Electronics |
| Market Capitalisation | 477cr | 248 cr | 330 cr |
| Net Profit | 58.83 cr | 28.77 cr | 18.33 |
| Revenue | 483 | 122.46 | 77.53 |
| Promoters Share | 42.73 | 55.88 | 40.97 |
| Public Share | 57.18 | 44.12 | 51.94 |
| DII | 0.09 | - | 7.09 |
| Sector PE | 24.65 | 33.54 | 14.25 |
| TTM PE | 6.68 | 8.96 | 17.1 |

# Revenue Growth

| Sales | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Company A (Net Revenue) | 483 | 387.26 | 330.13 | 232.77 | 210.18 |
| Rev Growth | 24.72% | 17.30% | 41.82% | 10.74% | |
| Company B (Net Revenue) | 122.46 | 69.48 | 58.24 | 55.53 | 52.41 |
| Rev Growth | 76.25% | 19.29% | 4.88% | 5.9% | |
| Company C (Net Revenue) | 77.53 | 61.17 | 45.85 | 58.74 | 46.83 |
| Rev Growth | 26.74% | 33.41% | **-21.94%** | 25.43% | |

# Revenue Growth Analysis

### Company A

From 2017 to 2021, we can see a steady growth in revenue for company A. However, the rate of growth has been a bit consistent with the rate of change in growth reaching to 41.82% in 2019 from past year's 10.74% and then lowering back to 17.3 % the following year which might be due to the lockdown and restrictions from Covid 19. We can also see the rate again increasing to 24.72% this year which shows a positive sign that the company is on the course to recover from the pandemic effect.

### Company B

In case of company B however, the revenue growth as well as rate of revenue growth, both has increased steadily over the past years from 5.9% in 2018 to incredible 76.25% in 2021 probably due its part in battling Covid pandemic through its performance in pharmaceutical sector.

### Company C

In case of company C, we see a drop in revenue growth in 2019. Among all the companies, company C seems to take the largest hit from the pandemic as the revenue falls down in 2019 to 45.85 Cr from **58.74Cr** in the past year due to lockdown restrictions hampering its export business and with China cut off from the rest of the world, their business of batteries took a hit. In 2020 we can still see the company's revenue bounce back with a rate of change of growth in revenue at 33.41% the following year, and 26.74% in 2021, the performance of Company C is pretty average.

# Profit Growth

| Profit | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Company A (Profit) | 58.83 | 19.16 | 8.24 | 9.16 | -10.33 |
| | 207.04% | 132.52% | **-10.04%** | 188.67% | |
| Company B (Profit) | 28.77 | 6.20 | 3.08 | 2.40 | 2.34 |
| | 364.03% | 101.29% | 28.33% | 2.56% | |
| Company C (Profit) | 18.33 | 5.6 | 0.44 | 3.28 | -0.86 |
| | 227.32% | 1172.72% | **-86.58%** | 481.39% | |

# PROFIT GROWTH ANALYSIS

### Company A

In case of company A, there is a slight drop in rate of change in growth in profit in 2019 which is possibly again due to Covid pandemic, but since then the growth is profit looks promising showing that the company is on course to bounce back from the pandemic.

### Company B

Company B has performed well even though the rate of change in growth seemed slow in 2018 at 2.56% but it has since then grown steadily with the change in rate of growth reaching 101.29% in 2020 and 364.03% in 2021 most probably due to the company being in pharmaceutical sector.

### Company C

ICompany C 's rate of change in growth percentage has been excellent even though the company suffered in 2019 with the profit falling down to 44 lacs from 3.28 crores in the past year. But we can see the company bouncing back with a spectacular growth of 1172.72% in 2020 reaching 5.6 Crores and that profit grew to 18.33 crores in 2021

# Ratio Analysis

| Key Financial Ratios (Cr) | Company A | | Company B | | Company C | |
|---|---|---|---|---|---|---|
| | **Mar 21** | **Mar 20** | **Mar 21** | **Mar 20** | **Mar 21** | **Mar 20** |
| Current Ratio(X) | 1.75 | 1.49 | 3.49 | 2.31 | 1.41 | 1.1 |
| Total Debt/ equity(X) | 0.31 | 0.71 | 0.11 | 0.45 | 0.73 | 1.36 |
| Return on networth/equity (%) | 36.91 | 19.90 | 43.71 | 16.40 | 43.7 | 23.58 |
| Return on Capital Employed (%) | 43.32 | 25.13 | 56.20 | 19.55 | 57.73 | 39.75 |
| Inventory Turnover Ratio(X) | 7.10 | 6.17 | 4.56 | 2.88 | 2.7 | 2.16 |
| Basic EPS | 112.82 | 40.21 | 34.82 | 7.50 | 102.24 | 31.25 |

# Ratio Analysis

- The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables. High ratio is a good sign and it shows that the company is having sufficient cash to run its operation.
- Total debt to equity ratio is a measure of the degree to which a company is financing its operations through debt versus wholly owned funds. Ideal Debt to Equity ratio is 2:1. More the debt, more payment, and therefore more risk. In debt the company has the pay the interest despite it making a loss which is not the case in equity. Lower the ratio, the better the company for investment.
- **Return on Networth / Equity (%) or Return on equity** (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is considered the return on net assets. ROE is considered a gauge of a corporation's profitability and how efficient it is in generating profits.

# Ratio Analysis(...Contd)

- Return on capital employed (ROCE) is a financial ratio that can be used to assess a company's profitability and capital efficiency. In other words, this ratio can help to understand how well a company is generating profits from its capital as it is put to use.
- Inventory turnover ratio is the rate that inventory stock is sold, or used, and replaced. The inventory turnover ratio is calculated by dividing the cost of goods by average inventory for the same period. A higher ratio tends to point to strong sales and a lower one to weak sales.
- EPS -

1. 1. Company A- The EPS has grown approximately 2.5 times as compared to the previous year. Also, EPS is higher among all these companies.
2. Company B- Although EPS is not as high as compared to company A but the growth in EPS is highest among all three which is almost five times.
3. Company C- EPS for this company has also increased compared to previous year and it is almost 3.5 times the previous year.

# PE RATIO

The P/E Ratio helps you to know how much the market is willing to pay for a stock based on the company's past and future earnings. In other words, it tells us whether the company is undervalued or overvalued.

| | Company A | Company B | Company C |
|---|---|---|---|
| TTM PE ratio | 6.68 | 8.96 | 17.1 |
| Sector PE ratio | 24.65 | 33.54 | 14.25 |

**Company A**

The company's PE ratio is less as compared to sector PE, which means the stock is undervalued. But it will eventually go up in future when the market cover ups.

**Company B**

The company's PE ratio is less as compared to sector PE, which means the stock is undervalued.

**Company C**

The company's PE ratio is more as compared to sector PE, which means the stock is overvalued. It is not advisable to invest in an overvalued company as in most cases share prices go down.

# Z SCORE

Altman's Z-score Model is a numerical measurement that is used to predict the chances of bankruptcy. It combines five financial ratios to predict the probability of a company becoming insolvent in the next two years. A Z-score that is **lower than 1.8** means that the company is in financial distress and with a high probability of going bankrupt. On the other hand, a score of 3 and above means that the company is in a safe zone and is unlikely to file for bankruptcy. A score of between **1.8** and **3** means that the company is in a grey area and with a moderate chance of filing for bankruptcy. **The higher the score, the safer the company is for investment.**

ALTMAN Z-SCORE = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E

**Where**

- A = working capital / total assets
- B = retained earnings / total assets
- C = earnings before interest and tax / total assets
- D = market value of equity / total liabilities
- E = sales / total assets

| **Company A** | **Company B** | **Company C** |
|---|---|---|
| Z = 4.15 | Z = 8.299 | Z = 6.142 |

# THANK YOU FOR THE OPPORTUNITY!