ROE

How to Calculate?

Return on Equity (ROE)= Annual Net Profit of March 2020 divided by (Share holder's Fund 2019 + Share holder's Fund 2020 of)/2.

Importance:

- It creates an understanding that how efficiently the company is handling investors money.
- Companies with higher return on equity generate better income with new investments.
- A declining ROE mean that management is making poor decisions on reinvesting capital in unproductive asset.

ROCE

How to Calculate?

Return on Capital Emplyed (ROCE) = Profit before tax + interest divided by 2 Years Avg of (Shareholder's Fund + Long term Borrowing + Short term Borrowing).

Importance:

- ROCE is especially useful for study in capital-intensive sectors companies such as Metal, Construction, Power and Telecoms etc.
- A higher ROCE indicates more efficient use of capital. ROCE should be higher than the company's capital cost; otherwise it indicates that the company is not employing its capital effectively and is not generating shareholder value and will face difficulties in paying off debt in future. For a company, the ROCE trend over the years is also an important indicator of performance.

TOTAL SHARE HOLDERS FUND VALUE (IN CRS)

How to Calculate?

Total Share Holders Fund Value (in Crs): Equity Share Capital+ Reserves and Surplus.

Importance:

It signifies the Company's financial health.

CASH FLOW FROM OPERATION

Importance:

Cash flow from operations is a barometer of cash profits of a company. It makes adjustments for noncash expenses(Depreciation and amortization) and non cash profits.

CAPEX

How to Calculate?

Capex (Capital Expenditure): Purchase Of Fixed asset (Part of investing activity in Cash Flow Statement).

Importance:

- Capex spending is important for companies to maintain existing property, plant & equipment, and invest in new technology and other assets for growth.
- If an item has a useful life of less than one year, it cannot be considered capital expenditure.

FREE CASH FLOW FROM OPERATION

How to Calculate?

Free Cash Flow (FCF)= Operating Cash Flow – Capital Expenditures.

Importance:

- The company's free cash flow enables management to decide on future ventures that would improve the shareholder value.
- Having an abundant FCF indicates that a company is capable of paying their monthly dues in case of any external or internal crisis.
- Companies can also use their FCF to expand business operations or pursue other short-term investments.
- It serves as an important basis for stock pricing 5)Compared to earnings per se, free cash flow is more transparent in showing the company's potential to produce cash and profits. NOTE: For banking and financial services companies Free Cash Flow is annual net profit.