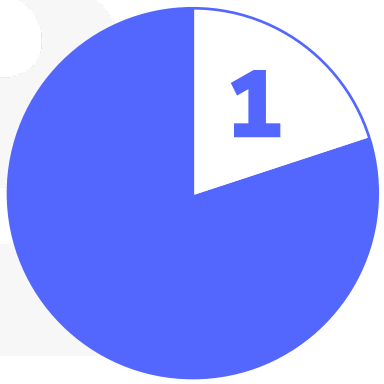


DEEP DIVE 

How to read **profit & loss** statements?

Let's learn from a hypothetical example
of a company that sells cars.



Revenue

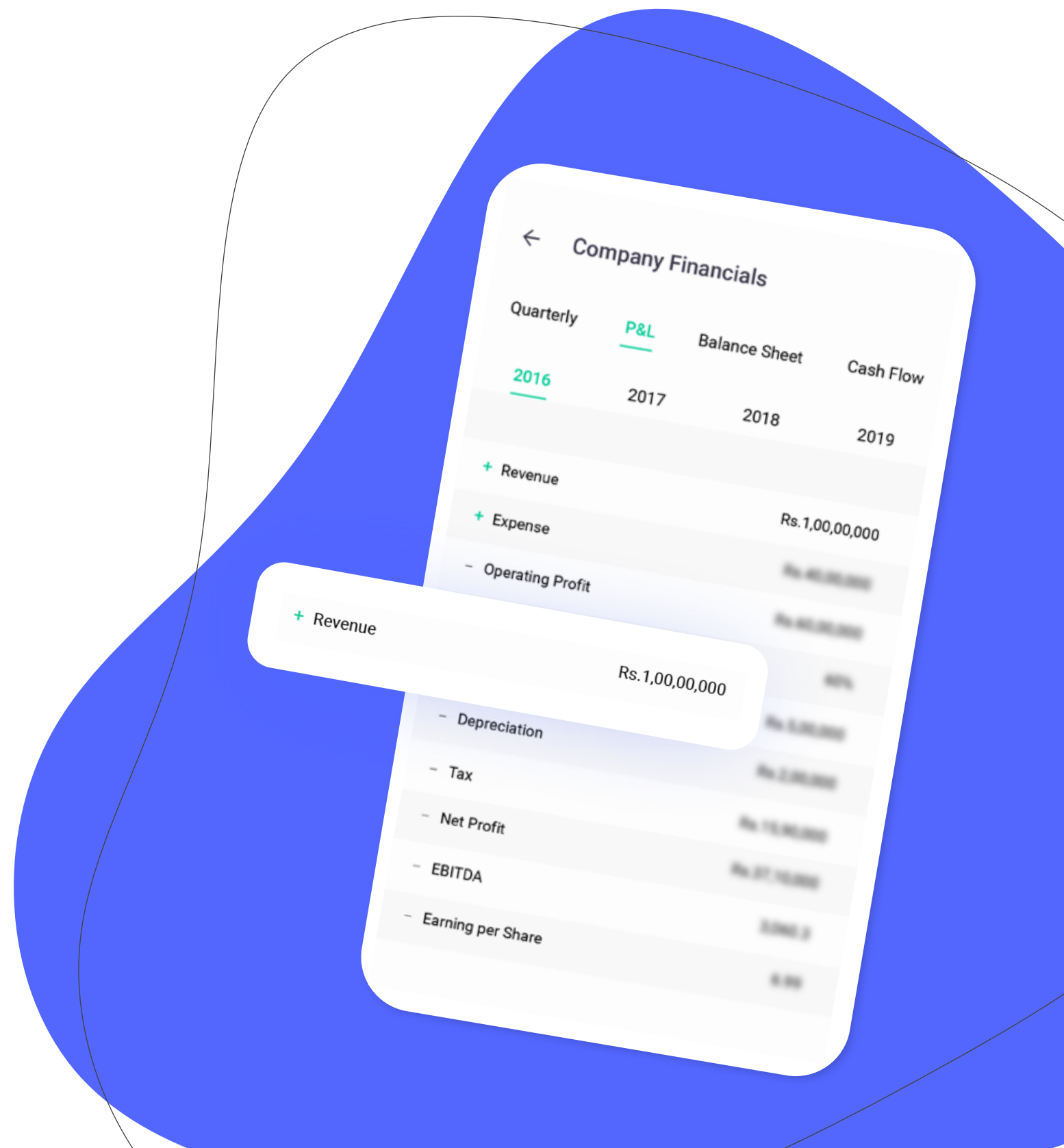
The total amount of sales made by a company during a given quarter/year.

EXAMPLE

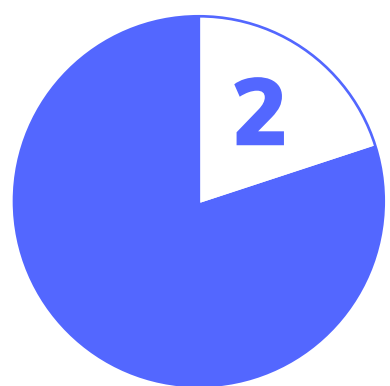
No. of cars sold = 100

Price of each car = Rs.1,00,000

Revenue = Rs.1,00,00,000



expenses



Expenses

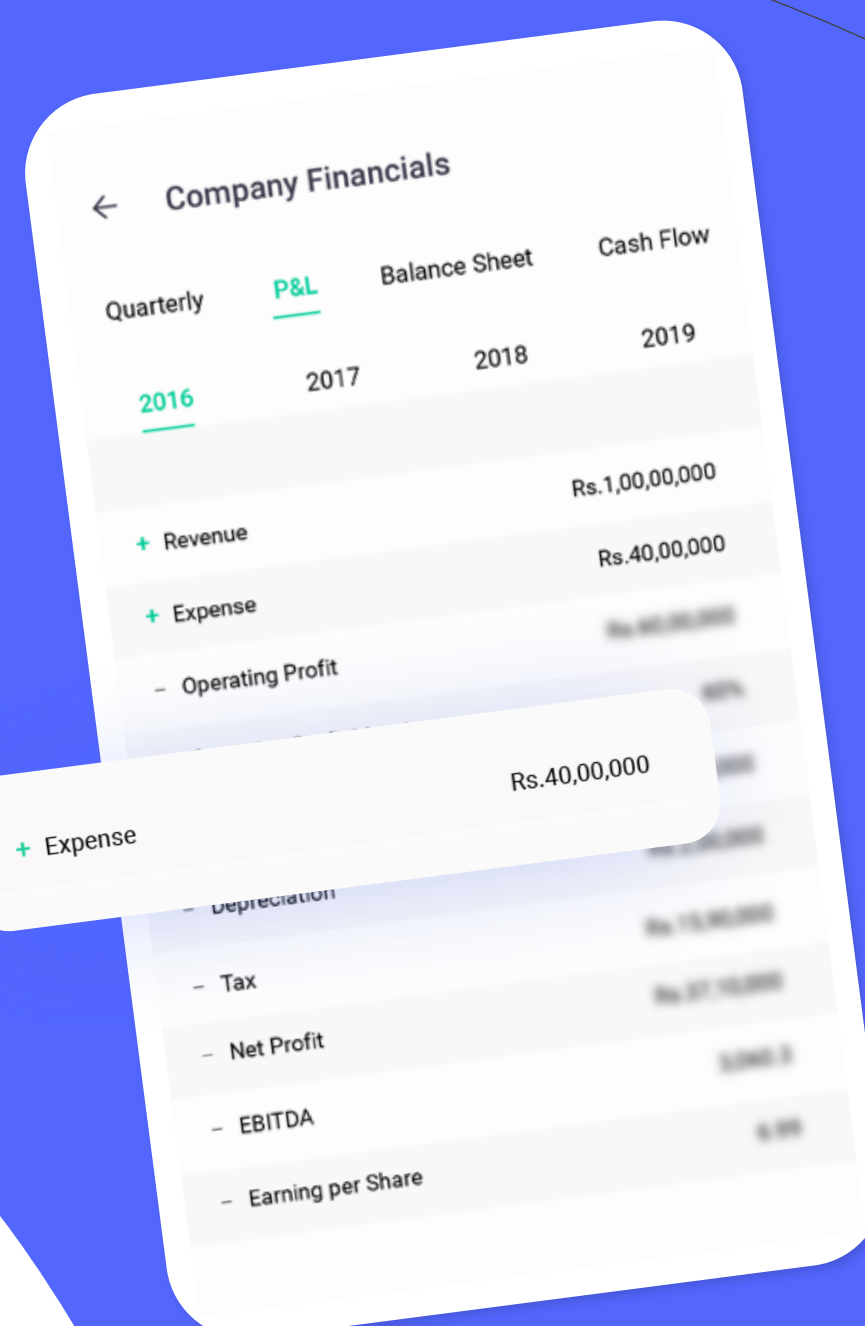
How much the company spent for producing the goods (manufacturing, transport, human resources, rent) that were sold in that quarter/year.

EXAMPLE

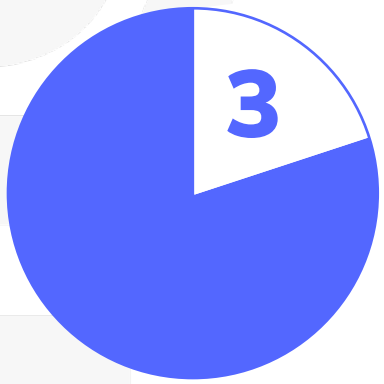
No. of cars sold = 100

Price of producing 100 cars i.e.

Expenses = Rs.40,00,000



Company Financials			
Quarterly	P&L	Balance Sheet	Cash Flow
2016	2017	2018	2019
			Rs.1,00,00,000
+ Revenue			
+ Expense			Rs.40,00,000
- Operating Profit			
			Rs.40,00,000
- Depreciation			
- Tax			
- Net Profit			
- EBITDA			
- Earning per Share			



Operating profit

The amount you get after deducting the expenses (used only for the company's operations) from the revenue in that quarter/year.

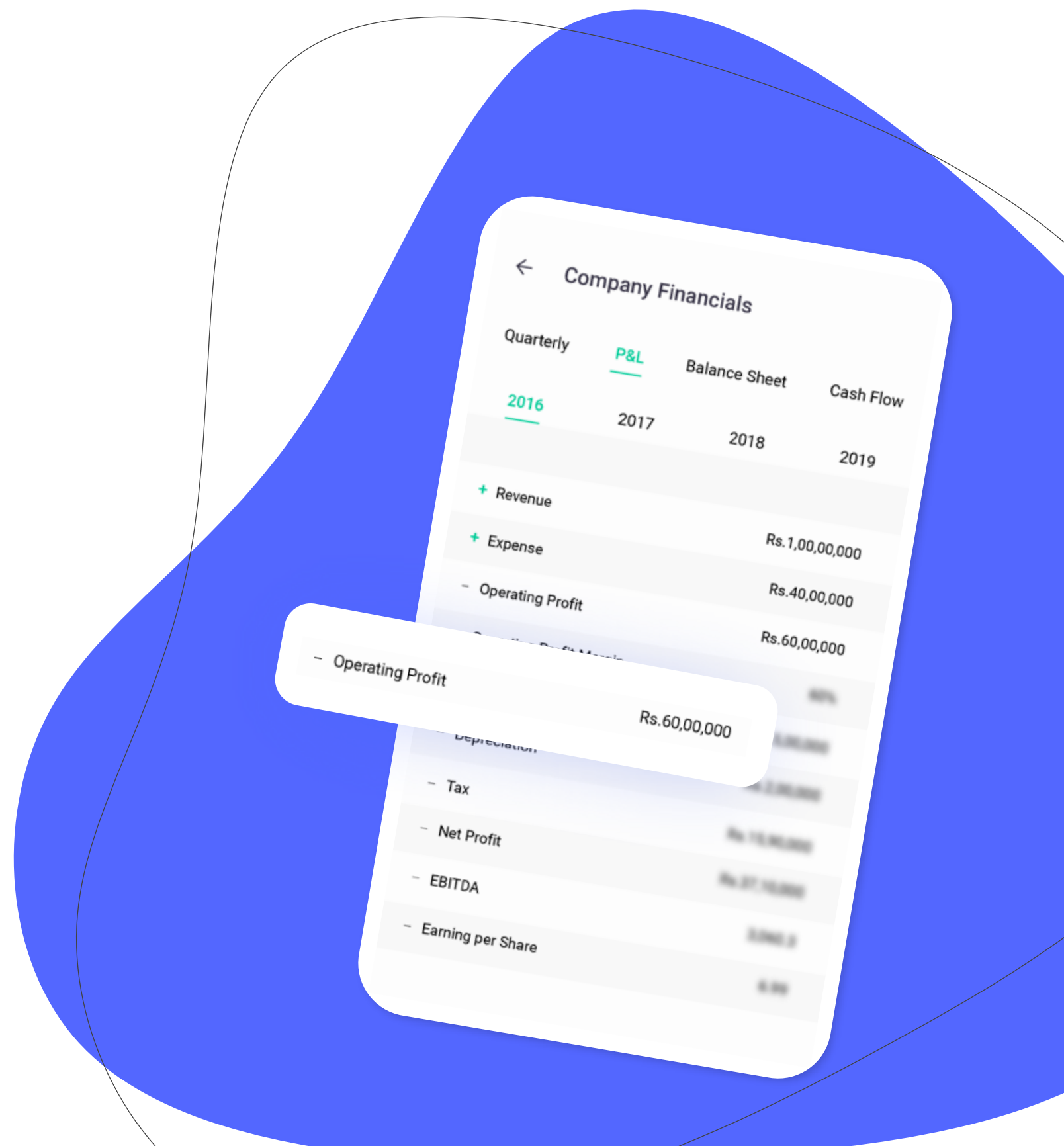
EXAMPLE

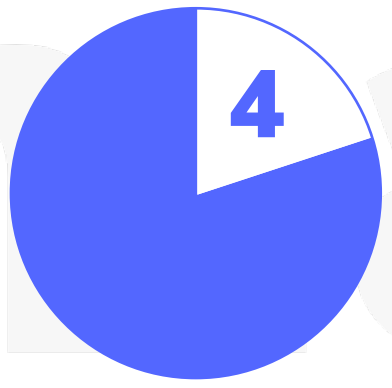
No. of cars sold = 100

Revenue = Rs.1,00,00,000

Expenses = Rs.40,00,000

Operating profit = Rs.60,00,000





Operating profit margin

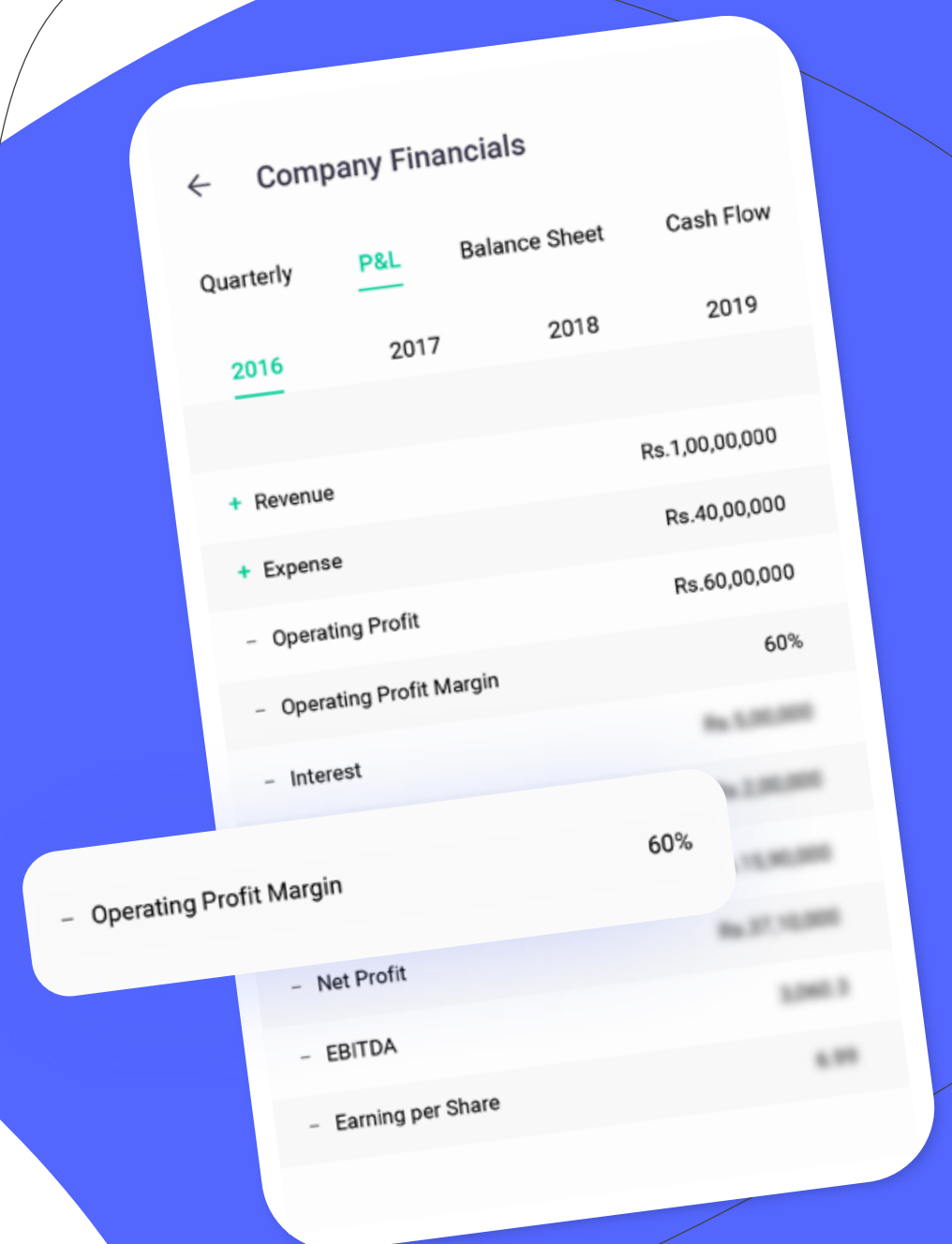
Compare this margin with its previous quarter/year to understand how well the company has been using its resources to generate profits

EXAMPLE

No. of cars sold = 100
Revenue = Rs.1,00,00,000
Expenses = Rs.40,00,000
Operating profit = Rs.60,00,000

Operating profit margin

= (Operating profit/Revenue) x 100
= **60%**

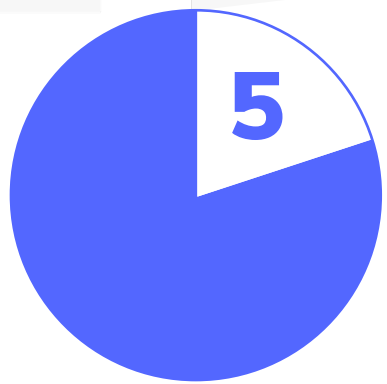


Company Financials			
Quarterly	P&L	Balance Sheet	Cash Flow
2016	2017	2018	2019
			Rs.1,00,00,000
+ Revenue			
+ Expense			Rs.40,00,000
- Operating Profit			Rs.60,00,000
- Operating Profit Margin			60%
- Interest			
- Net Profit			
- EBITDA			
- Earning per Share			

- Operating Profit Margin

60%

Interest



Interest

If a company has taken debt, assess the interest section. Compare with the previous quarter/year to check if it has increased or decreased. Higher the interest, higher the debt— impacting its profits.

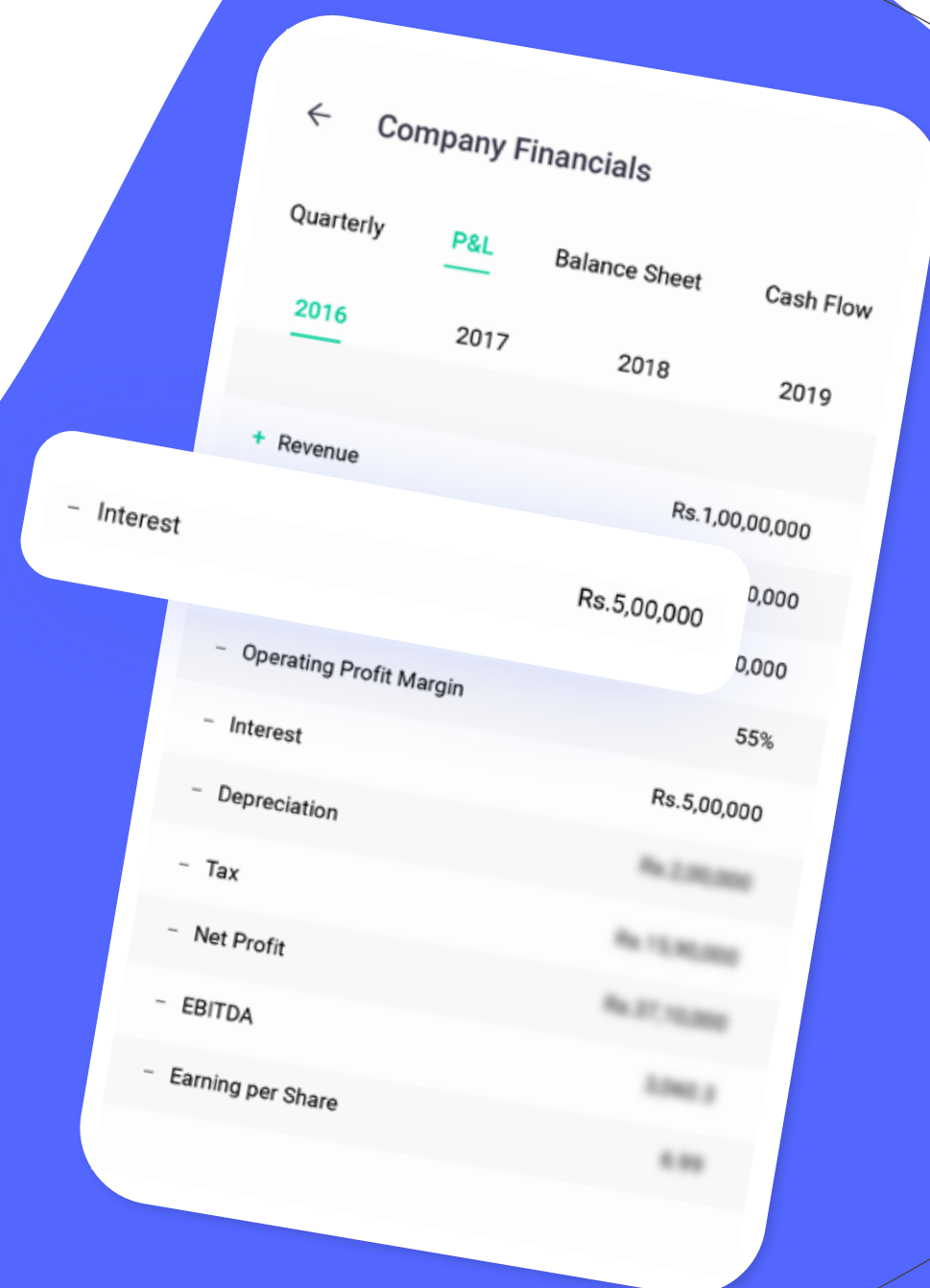
EXAMPLE

Loan taken by the company = Rs.50,00,000

Rate of interest = 10%

Interest = Rs.5,00,000

Operating profit becomes = Rs.55,00,000



Company Financials				
Quarterly	P&L	Balance Sheet	Cash Flow	
	2016	2017	2018	2019
+ Revenue				
- Interest	Rs.1,00,00,000	Rs.5,00,000	0,000	0,000
- Operating Profit Margin			55%	
- Interest		Rs.5,00,000		
- Depreciation		Rs.2,00,000		
- Tax		Rs.10,00,000		
- Net Profit		Rs.27,00,000		
- EBITDA		3,000.0		
- Earning per Share		6.00		



Depreciation

This is the non-cash expense that means reduction in the value of a company asset over time.

EXAMPLE

The company buys a car manufacturing machine

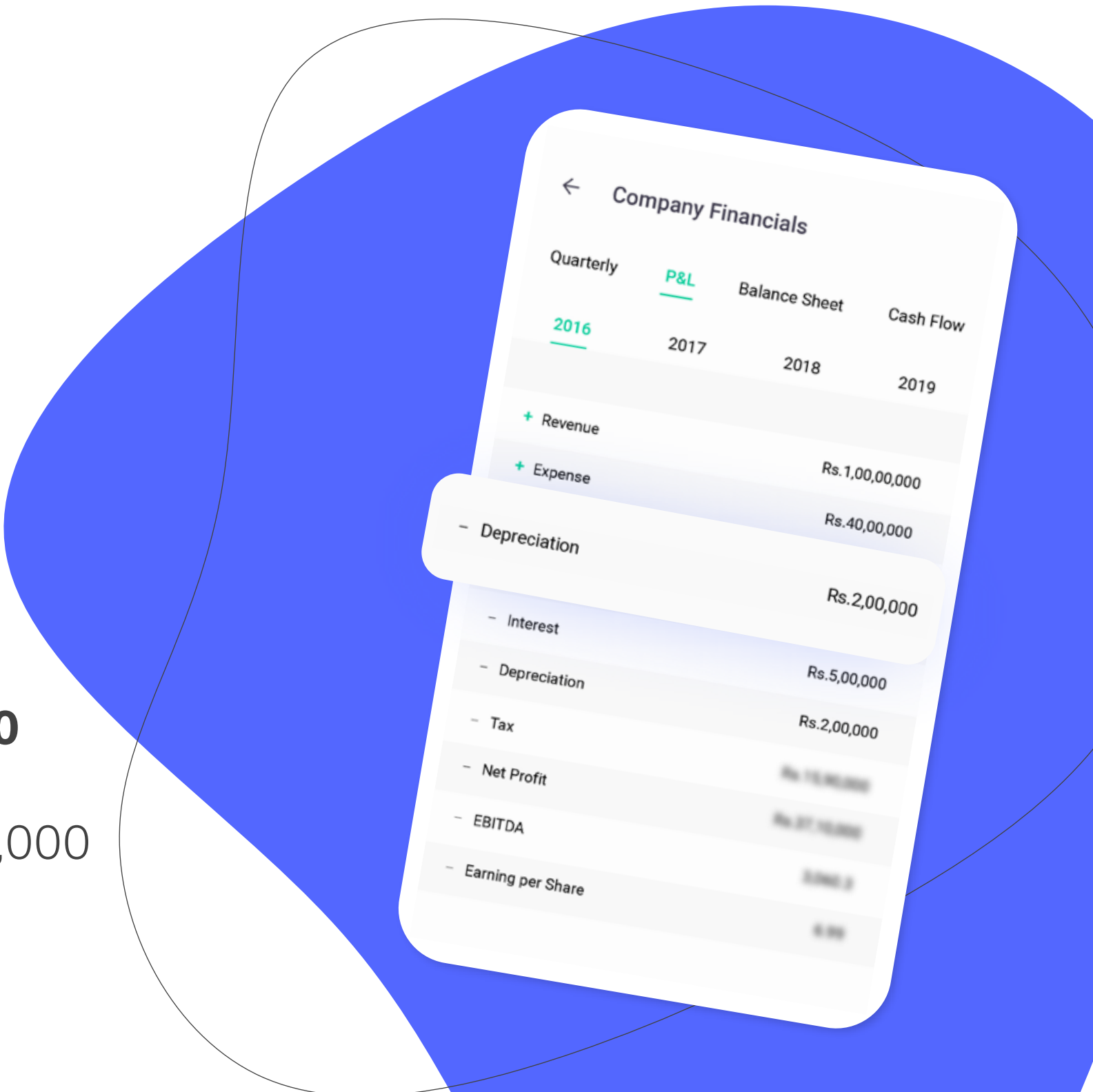
Price of the machine = 20,00,000

Lifespan = 10 years

Depreciation per year = 10%

Depreciation per year = Rs.2,00,000

Operating profit becomes = Rs.53,00,000

A smartphone screen displaying a financial application interface. The screen shows a navigation bar with 'Company Financials' and a back arrow. Below the navigation bar are four tabs: 'Quarterly', 'P&L', 'Balance Sheet', and 'Cash Flow'. The 'P&L' tab is selected. The main content area shows a table with columns for years: '2016', '2017', '2018', and '2019'. The table lists various financial items with their corresponding values in Indian Rupees (Rs.).

	2016	2017	2018	2019
+ Revenue				
+ Expense				
- Depreciation				
- Interest				
- Depreciation				
- Tax				
- Net Profit				
- EBITDA				
- Earning per Share				

