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CHAPTER 7

Case 1 : Three International Companies

The three companies mentioned herein are all in the same industry and largely follow similar accounting policies. Readers are suggested to compute their own financial ratios and create their own common sized financial statements and then interpret the case. The more interested should search more and find out the industry from which these companies are. Two of them are from Thailand and one of the competitors is from USA.

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Case 2: Industry Dependent Financial Structure

Another interesting case!!

One should appreciate that financial numbers of a company are largely dependent on its industry structure and a company's age. It is suggested that readers capture the issues which separate an industry from others (during that time of the economy). For example, most airline companies sell their tickets in advance and hence their liability side of the balance sheet would be having an item 'unearned revenue' or 'advance from customers' not commonly found in other sectors.

CHAPTER 7

Case 3: Common Size Statements of Bank & its Customer

This case will help you to understand how contribution of different components is different for different companies. Basically the balance sheet of a bank is very much different than consumer durables. Always remember, the loan a bank provides to any company, comes as an asset for the Bank. The company treats it as liability. Try to enter the figure in the excel sheet & do the common size analysis. I am sure; you will get interesting insights.

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Case 4: Ek Daku Ek Hasina

Please read the software company as “Infosys Technologies Limited” instead of “Hughes Software Systems Limited”.

This case will help you identify a company based on its specific industry domain (these in turn will be based on the specific drivers in that industry). Case like these usually improves our analytical skills and also knowledge of specific industries.

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Case 5: Drivers of Financial Structure

This case is very interesting both in terms of reading experiences and ability to relate with what happens in real life. While a few of you may disagree with the actual answers but you will appreciate a simple and important fact that even small and poor businessmen also have to deal with financial numbers and it is something to be experienced by everyone.

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Case 6: Ratio Analysis of Four Companies

This is a continuation of the earlier cases on these companies (in chapters 2, 3, and 4). By now, a reader should be relatively confident about these companies’ financial statements. By computing ratios and making comparisons you can capture significant differences in the finances of these companies resulting in more indepth knowledge. For example, while ‘inventory conversion period’ would be meaningless for Infosys Technologies Limited, it would very meaningful for Hindustan Lever Limited.

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Case 7: Monsanto India Limited

Readers should use their qualitative understanding of the agriculture-based industries and the economic environment during these years to interpret the trends in Monsanto India Limited. You learn a lot about the way multinational companies manage their finances by looking at the financial numbers of Monsanto India Limited.

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Case 8: Indian Paper Industry

We request the readers to revisit the last portions of chapter seven wherein we had introduced and discussed about the Indian paper industry. While doing the analysis, the readers should understand the industry drivers (and underlying factors) and the players being discussed in this industry. Financial analysis done over a longer time frame always results in rich information and clues and this case is one of the best in that segment.

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Case 9: Financial Analysis of Kilburn Chemicals

In chapter seven we had analysed Nagarjuna Fertilizers and Chemicals Limited and Chambal Fertilizers and Chemicals Limited. This case is exactly an intra-company analysis on similar lines. Go ahead and see if the company is changing in the last four years and if so is it for the better or for the worse?