PROJECT

on

COMPARATIVE ANALYSIS OF OMAXE PVT LTD WITH DLF AND GODREJ PROPERTIES

Submitted By:

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CERTIFICATE

This is to certify that the Project titled **Comparitive Analysis of Omaxe Pvt Ltd with DLF and Goodrej Properties**, is a bonafide work carried out by **Ms. Akanksha Kapoor** of MBA 2013-15 and submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 in partial fulfillment of the requirement for the award of the Degree of Masters of Business Administration.

Signature of Guide   Signature of Head (DSM)

Signature of Mentor   Seal of Head

Place:

Date:

DECLARATION

I **Akanksha Kapoor**, student of MBA 2013-2015 of Delhi School of Management, Delhi Technological University, Bawana road, Delhi-110042 declare that project report on **Comparitive Analysis of Omaxe Pvt Ltd with DLF and Goodrej Properties** submitted in partial fulfillment of Degree of Masters of Business Administration is the original work conducted by me.

The information and data given in the report is authentic to the best of my knowledge.

This Report is not being submitted to any other University for award of any other Degree, Award and Fellowship.

Akanksha Kapoor

Place:

Date:

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EXECUTIVE SUMMARY

Ratio analysis is a financial technique which is commonly used for analyzing the firm's financial performance with respect to its competitors and industry standards. The project is based upon the analysis of the Annual Financial Statements of Omaxe Pvt Limited over the FY 2011-12 to 2013-14 with DLF and Godrej properties, the companies that are operating in real estate sector. It includes analyzing the financial statements by employing financial ratio analysis. The present study extends its benefits to the investors and creditors to provide them insights about the financial performance of the company so as to help them in making an informed decisions while investing in companies in real estate sector. Also, as real estate is booming and is expected to attract huge domestic as well as foreign investments in near future, so it is the right time to provide insights about the industry with such a research. The research can be useful for the creditors for analyzing various ratios calculated so as to establish credit worthiness of the company and also to determine the appropriate interest rates for the same. The ratios used in project are liquidity ratio, leverage ratio, profitability ratio and turnover ratios. In liquidity aspect, Omaxe has shown low performance as compared to both DLF and Godrej properties. The efficiency level of paying their short term obligation is not good. Omaxe holds low current asset in form of cash due to which company is able to utilize its all current assets and has kept less of cash in company. In solvency aspect, Omaxe has low usage of debt, which lead to fall in earnings per share for the company. Company debt usage need to be increased as debt is cheapest source of finance. Company has very low ability to pay its interest with in the amount of profits generated from the operations. In profitability aspect, Omaxe has generated very low profitability from its operating and non operating activities. But, it has high return on investment as compared to both DLF and Godrej which shows that they are earning from their investment. In turnover aspect, Omaxe has generated very low sales from total asset and fixed asset. But Omaxe has generated high sales from net worth as compared to both DLF and Godrej. After analyzing the results it is recommended that company needs to achieve more efficiency from the investments that they have done in projects.

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1. INTRODUCTION

1.1 Introduction of the Project

The project is based upon the analysis of the Annual Financial Statements of Omaxe Pvt Ltd over the FY 2011-12 to 2013-14 with DLF and Godrej properties. It includes analyzing the financial statements by employing financial ratio analysis as a tool. Ratio analysis is not just comparing different numbers from the financial statements, but it shows the inter-relationship among key components in company's financial statements and demonstrates the company's current year performance with respect to previous year's performance. The ratios which are used in the present study during analyzing are liquidity ratio, leverage ratio, profitability ratio and turnover ratio.

1.1.1 Industry overview

The companies under the present study entails to Real Estate Industry which is the globally recognized sector. Indian real estate sector is a booming sector and is accountable for the strong economic growth in India since the year 2000 and is expected to further grow at 33% in a decade. The sector employs a major part of Indian population and is ranked second after agriculture as an employment rich sector. The sectors further bifurcates into housing, commercial, hospitality and retail.

The reasons for real estate industry growth is primarily due to the launch of various reforms and policies by the government that had contributed to the increase in residential and commercial segment of the real estate along with the improvements in country's infrastructure at physical and social level. Other reasons for the growth in the sector is due to high demands for space for the new and existing organization's infrastructure development and also with the increase in corporate culture, the demands for accommodations has also increased in urban and semi urban areas, the rising young population, increase in disposable incomes resulting to increase number of middle class families, increasing nuclear families and service sector. This has resulted due to the growth in IT, IT enables services, BFSI and manufacturing sectors attracting population by offering huge working opportunities.

The Indian GDP is expected to worth USD 6.6 trillion by 2028, making India as the third largest economy in the world as stated in the report issued by KPMG. The expectations from Indian economy is due to its excellent performance over the last decade as compared to other emerging economies.

According to the report published by ICRA, the real estate industry has been ranked at third position among the fourteen major sectors in terms of their contribution to the economic development. It is claimed that the sector will attract huge investments from non-resident Indian (NRI) in upcoming years as there is an 35% increase in the number of enquiries with the property dealers. Bangalore, the boosting hub for corporate has been stamped as a most chosen destination for property investment by the NRIs. Mumbai is at second place in this list which will be a financial hub in near future. Ahmedabad, Chennai, Delhi, Pune, Dehradun and Goa are few other favored property investment locations.

There are notable central and state infrastructure initiatives taken over the last decade that has cause intense growth in the sector and in the economic development. There is an increase in number of cities as about 88 million people has shifted to cities in last 10 years causing development of about 3000 new cities. The trend for urbanization among the population has resulted in construction of 51 million new houses in urban areas. Also, eighteen new cities has been added to the list of cities with population > 1 million.

The Indian real estate stock is about 100 million square feet, out of which 70 million square feet is in Bangalore, Delhi, Hyderabad, Chennai, Kolkata, Pune and Mumbai. Many retail malls and stores have been established in last ten years in India contributing to the success of the sector. Metro rail projects, development of world class international airports and many road projects have also contributed largely to the growth of the sector.

With the liberalization of government policies, the foreign investment was poured into the sector in the year 2005 with the inflow of USD 10.5 billion (5% of the total FDI inflow since 2005). Whereas. the contribution of real estate sector in Indian economy is 6% at present which is expected to reach to the double digits at 13% by 2028, which implies that in absolute terms the sector's worth will increase 7 times resulting to USD

853 billion in 2028 from USD 121 billion at present. High quality commercial properties that are either complete or nearing completion are seeking attention by the foreign investors for the generation of immediate returns. Blackstone was amongst the largest foreign investor in India in the year 2013 with USD 367 million for the acquisition of business park in Bangalore alongwith the Embassy group. With the expenditures of USD 900 million for buying prime assets after three acquisition drive, Blackstone Group Lp will become the largest owner of commercial office real estate in India.

The sector is connected with the economic growth is going to be a major beneficiary contributing to the success factors of Indian economic development. The main drivers for the further growth in the sector identified are: (1) economic growth due to stable government, rising service and manufacturing sector posing economic growth and adding to the demands of commercial real estate. (2) The rise in income levels as per capita income in urban areas is expected to increase three times to USD 8300 by 2028 from USD 2800 at present which will inturn result into growth of retail and residential properties. (3) urbanization as huge chunks of population is moving to Indian cities every year and about 2 million new houses are constructed each year. (4) Increase in younger and smaller families causing joint families to disintegrate to form smaller nuclear families which will indirectly raise demands for new house or housing property.

The government of India has taken many initiatives for boosting the growth of the sector as they have realized that the sector's growth is directly linked to whole economy's growth. Under Sardar Patel Housing Mission, 30 million houses for economically weaker sections and low income groups of the society are proposed to be built by 2022 and maintained through public private partnership schemes. The Union Minister of Urban Development Housing and Urban Poverty Alleviation and Parlimentary Affairs, Government of India is Mr. M Venkaiah Naidu, states that the Indian central government alonwith the help of state government has taken many initiatives through structuring new and restructuring existing reforms to further improve the sector. These reforms throws light on issues such as ensuring transparency and convenience in carrying out business in the sector, liberalizing laws pertaining to FDI in the sector which will render affordable housing projects with the emergence of smart cities in the country. The bodies like Maharashtra government, Indian government, the Telangana real estate developers' association, state government of Kerala has formed many reforms and policies to strengthen the sector. The Securities Exchange Board of India (SEBI) has formed and passed the regulations governing real estate investment trusts (REITs) and infrastructure investment trust (InvITs) which will open the sector for cash trapped developers as this will be considered as an new investment platform for the investors on the one side and cash availability to property developers on the other side. The real estate business has seen a major change from family owned business to a professionally managed corporate firms.

The sectors also faces many challenges that poses threat to the development of the sector and restriction to the dream of prosperous Indian economy as a developed one. These challenges are : (1) Lack of suitable land that can be developed or to be used as an infrastructure construction site in the country posing increase in land prices which becomes unaffordable to the developers. To overcome this challenge, government has introduced "land pooling" policies which are proved to be successful till now. (2) Delays in obtaining approvals like construction permits due to highly strict and long process has posed difficulty to the stakeholders and is considered as one of the main reasons for slow and stagnant growth in the sector. It has been found that a developer has to follow at least 34 regulatory processes for obtaining construction permits which continues for an average of about 33 weeks and thus, increasing the project cost and resucing the developers margin. (3) Land related issues are increasing day by day in India with the increase in number of disintegrating joint families to nuclear families which has resulted into lack of clear land titles posing another difficulty to the developers as they cannot acquire such lands until and unless the issue has been resolved. (4) Lack of single policy related to land, its fees, charges and its issues as each state has its own policy that makes the sector a complex one. (5) Lack of funding channels as RBI has set a threshold for relocating funds through loans and other sources to real estate sector. (6) Lack of technological developments due to which sector is highly dependent on manual labor taking huge time to complete a project. Thus, technologically equipped machines and equipments needs to be made and faster methods are required to be adopted.

1.1.2 Company profile

A. <u>Omaxe Pvt Ltd</u>

Omaxe Pvt Ltd is amongst the top real estate development players that currently has 46 ongoing real estate projects with an additional 15 group housing and 20 townships projects. The township projects that are in execution phase at Omaxe includes 2 Hi-tech townships projects and 11 commercial mall/ hotels/ SCO/ Office space projects. The list of projects with Omaxe includes The Forest Spa, Omaxe Twin Towers, Grand Omaxe, The Forest, Omaxe Royal Residency, Orchid Avenue, Omaxe Hills II, Omaxe Hills, Omaxe New Heights etc. The company has successfully marked its footprints over the map of India in nine states across thirty cities. The company carries out its core operations that has been differentiated into different segments namely Real estate segment which focuses on promotion, construction, development and sale of townships, residential, commercial properties, developed plots etc. and another segment named Construction. The company has successfully executed 120 different types of projects like industrial projects, institutional building, commercial development projects, residential and hospital construction projects pan India and has built its unique reputation over the years while serving quality and exceptional service.

The company was founded on 8th March 1989 by Rohtas Goel, the first generation entrepreneur and a civil engineer as Omaxe Builders Pvt Ltd with an objective of carrying out construction and contracting business. The company's name was replaced to Omaxe Construction Pvt Ltd in the year 1997 and after two years, the company became Omaxe Construction Limited. Omaxe was consistently stepping the success ladder and has received many awards such as the "Acheiver of the Millennium Award", "Pride of the Company Award" during its early years. Omaxe was the first nothern India construction company that has received an ISO 9001:2000 certification.

In 2001, the company explored the real estate sector and started establishing its operations in real estate development business and currently it is ranked amongst the largest Real Estate companies in India. In 2003, the company launched its first integrated township named as NRI City in Greater Noida. Then an year after, the company took the project for development of first theme mall in India and forest luxury apartments. With respect to its major achievements in the sector, it was awarded an ISO 9001:2000 rating by Det Norske Veritas in 2006 and became the first ISO 9001:2000 certified company in nothern India which was a major achievement for the company that boosted its values and motivated the company's officials to take over more real estate projects and the name of the company was finally reframed to its current name as Omaxe Limited w.e.f 6th June 2006.

Then company received many awards and good rating in the passing years and was partnered in many joint ventures contracts and agreements with other players such as Azorim International Holdings Ltd, etc for taking up projects for the construction of various housing development projects, malls, residential projects etc. The company was involved into the commercial development of Chawri Bazar metro station which was authorized through a 12 year contract by Delhi Metro Rail Corporation (DMRC) that worth around INR 18.5 crores in August 2007. In 2007 itself the company got listed on Indian stock exchanges namely, Bombay Stock Exchange and National Stock Exchange.

Within a short span of few years, the company was able to grow efficiently and emerge as one of the largest real estate player, well recognized and an established brand marked by many renowned and highly appreciated successfully executed projects, awards and accolades and more importantly the trust of the people that helped company to distinguish itself from its competitors and stand out from the crowd.

Over the years, Omaxe has developed its winning position by executing some landmark projects and engineering marvels in metros. Seeing an opportunity in tier II and III cities, the company made a conscious well informed strategic and a wise decision to tap upon the opportunity and has taken initiative to venture into states like Uttar Pradesh, Madhya Pradesh, Punjab, Haryana, Uttarakhand, Rajasthan etc.

The company had marked its presence abroad by promoting a wholly owned subsidiary named Rohital Holdings (Gulf) at Dubai, U.A.E. in June 2008. It was one of the strategic moves that the company took during 2008 as it was involved into acquisition/ joint venture through a Special Purpose Vehicle named Golden Crescent RED and

General Trading Ltd and got engaged into the development of the residential project in Dubai. After three months, purchased the entire stock of M/s Golden Peak Township Pvt. Ltd and it is now considered as its wholly owned subsidiary.

True to its motto, “Turning Dreams into Reality”, the company has successfully completed and delivered approximately 90 million square feet since inception which includes almost 31.8 million sqare feet of construction projects and 58.3 million square feet in real estate across India.

The company also, operates Omaxe Foundation with a vision of creating a society that is equitable and empowered and creates an amicable environment by addressing the issues of the society like education, health etc alongwith promoting art and culture focussing on innovation and creating awareness among the society regarding disaster preparedness and response and peace.

Today, Omaxe ensures foundation values that has a focus on delivering quality and excellent real estate spaces, ensuring customer satisfaction, and redefining lifestyle of people. Environment protection and innovative architecture are the key standards that the company takes care of while engaging itself in real estate development. The company keeps pace with the progress in construction technology and is working with finest architects to ensure on time delivery along with high quality.

The company employs over 2500 individuals with varied skill sets and expertise. Omaxe is a profit-making company and has been engaged in CSR activities effectively by operating Omaxe Foundation since many years.

B. <u>DLF Limited</u>

The DLF Limited (Delhi Land and Finance) is one of the largest commercial real estate developers in India which dates back its foundation in year 1946 in New Delhi by Chaudhary Raghvendra Singh with primary objective of carrying out development of residential, commercial and retail properties. Since its inception, DLF has 68 years of record of sustained growth, development, innovation and high customer satisfaction while currently working over 47 million square feet of projects under construction and other 294 million square feet of planned projects. The company has successfully developed some of the first residential colonies in New Delhi in the areas such as Krishna Nagar in East Delhi, which was completed in the year 1949. After its great achievement of development of its first residential society DLF has engaged itself in the development of many of the Delhi’s other well known urban colonies, including South Ex, Greater Kailash, Kailash Colony and HauzKhas.

The company deploys an unique business model while driving its revenues from development projects of homes and commercial complexes and rentals businesses of offices and retails spaces that attracts huge receipts. The company holds a wide portfolio of businesses that varies across different segments and geographies which helps company to stay at a stable and a strong position even when markets show bearish signals. The uniqueness of DLF is that it is recognized by the development of commercial complexes in the vicinity of residential areas. It is pioneered the global standards in India by introducing new generation workspaces and promoting lifestyle changes with retail revolution in the country alongwith creating innovative IT parks that are marked as the best in the world.

While in year 1957, the Delhi Development Act (DDA) was introduced, through which the Delhi state governments assumed to have a complete control of real estate development activities resulting in the imposition of many restrictions onto the private real estate colonies development. At this point of time, when real estate companies were bounded by stress, DLF overcame the situation by acquiring land at relatively low cost outside the area presently known as Nation Capital Region (NCR) Delhi controlled by the Delhi Development Authority, particularly in the districts of Gurgaon in the adjacent state of Haryana which became their first landmark real estate development project DLF Qutab Enclave, which has now evolved into DLF City. DLF City is spread over 3,000 acres in Gurgaon and is an integrated township, which includes residential, commercial and retail properties in a modern city infrastructure with schools, hospitals, hotels and shopping malls. It also boasts of the prestigious DLF Golf and Country Club with night golfing facilities.

The Company holds 100% accountability for shaping the experiences of shopping, recreation and leisure that people enjoy today with the launch of City Centre in Gurgaon in the year 2000. It has been aggressively engaged in development of various shopping malls and recreation centres across the country.

The company holds an effective and strong management team positioning highly intellect individuals who are involved in crafting innovative strategies deployed by the company and ensuring its mission to build a world class real estate development company with highest standards of professionalism, ethics and customer service and thereby contribute to the growth of Indian economy and in turn be benefitted from it too as well.

C. Godrej Properties Ltd

Godrej Properties Limited deals in real estate sector headquartered at Mumbai, Maharashtra, India while spanning its brand presence across 40 countries and dealing with more than 60 countries across the world for the exports of products manufactured by its parent company. It is one of the subsidiary of Godrej Industries Ltd that deals in manufacture of oleochemicals, edible oils, vanaspati and bakery fats that are used by various other industries in India. Godrej Properties Ltd was established in 1990 by Adi Godrej and it takes over the Godrej Group philosophy of innovation and excellence to the real estate industry. The company is currently engaged into the execution of projects in 12 cities across India that are estimated to cover more than 90 million square feet of the area in the cities of Chandigarh, Ahmedabad, Gurgaon, Nagpur, Kolkata, Mumbai, Hyderabad, Chennai, Pune, Bangalore, Kochi, Managalore.

The company was originally formed as Sea Breeze Constructions and Investments Pvt Ltd in starting of Feb 1985 and was successfully registered under the Companies Act, 1986 with the registrar of companies in Mumbai. Later with the consent of majority of shareholders, the company's name was reframed to Goodrej Properties and Investments Limited and finally was changed to the current name Goodrej Properties Ltd in late Novemeber 2004.

Godrej Properties Ltd had collaborated with some of the renowned names and outperforming corporate that holds operations in domestic and international markets so as to create landmark structures across the country so as to maintain its brand value and improve its market share. The company envisions and promises to deliver superior value to all its stakeholders through extraordinary and imaginative spaces that are created out of deep customer centric and customer focused insights. Godrej Properties Ltd aspires to be amongst the India's top three real estate companies, while continuing to foster its deepening relationships with its stakeholders and delivering its values and being the most trusted name in the industry. Godrej Properties Ltd (GPL) is presently listed on the BSE and NSE.

1.1.3 Financial Statements

The Financial information extracted out of company's financial statements forms the basis for financial planning, strategic investment and making financial decision necessary for driving the growth of the company. This Financial information which is a very essential and highly useful peice of knowledge for any corporation and its stakeholders at various levels is wrapped inside the company's annual reports that contains these financial statements of the current year alongwith the previous one year so as to compare the performance of the company in the last one year with respect to previous year. These annual financial statements are disclosed at the end of the financial year, whereas quarterly reports are also generated regularly at the end of each quarter according to the financial calendar. The financial statements include three basic statements that structures the company's revenues and expenditures, assets and its liabilities and calculation of net profit and cash generated by its operations, investments for the convenience of the reader's to understand the company's financials to make a sound decision about the company's health. These statements follow a set pattern of guidelines framed known as International Financial Reporting Standards that ensures the reporting of these financials in a common language globally. The financial statements includes balance sheet, profit and loss account, and the cash flow statements.

A. Balance Sheet:

Balance Sheet is considered as the most significant financial statement as it demonstrates the financial health of any business at a particular point of time. It contains the information about the resources which are the company's assets and the obligation that are considered as company's liabilities of a business entity. It communicates information about the following: (1) assets which are considered to have economic value and are owned by the company and is classified as tangible and intangible assets and current and non-current assets, (2) liabilities are the sacrifices of present or future benefir that company is obliged to present it to other entity due to its past transaction but these are very vital to the company as they will finance the operation of the company for its growth and further expansion. (3) and owner's equity for a business firm that is employed at the inception of any business and is increased over the time at later stages.

Assets are valuable economic resources that represents the future benefits and are measured in monetary terms. These include cash, tangible items like land, building, machinery, and some intangibles like patents, goodwill and copyrights. The obligations of the firm are called as liabilities that represents the debts payable in the future to its lenders or creditors. They indicates the economic obligations to pay cash or provide goods and services in some future period in return of the transaction that has occured in the past. Liability is created when company engages itself in borrowing money or purchasing goods on credit. Owner's equity is the financial interest of the owners who are likely to invest in the company. It arises on account of the funds invested by them in the hope of earning higher return in the future due to the goodwill of the company. But it changes with the earnings of the firm and its distributions. Owner's equity will increase when the firm makes profits and retains whole or a part of it. If the firm incurs losses, the owner's claims will be reduced.

B. Profit and Loss Account:

The capacity of a firm to earn and its potential to generate either profit or loss are reflected by its profit and loss account, commonly known as P&L A/C. It presents the summary of revenue that is the income generated by the company in lieu of its goods and services to the market, expenses that is outflow of cash during the company's economic activities, and net income which is the net profit or the loss of a firm which is calculated by deducting the expenses from the revenues. It serves as a measure to estimate the firm’s profitability from its operations. Revenues are the amount that the customers pay the firm for providing them with goods and services. The tax, interest and depriciation which is a non cash expense is deducted from profit to arrive at the final profit of the company known as profit after tax.

C. Cash Flow Statements:

A cash flow statement shows how a company is generating cash from its operations, paying for its growth and managing various sources of funds. Cash flow statement provides valuable information to shareholders and executives whether the company will generate enough cash to fund their expansion strategy. Cash flow statement shows the utilization of cash generated from principle operations of the company. Cash generated from operations is used for reinvestment for growth purposes, paying out dividends, and for debt services. Cash flow statement is classified into cash flows from operating activities, investing activities, which involve acquisition and disposal of long term assets and other investments, and cash flows from financing activities which result in changes in size and composition of owner’s capital.

1.2 Objective of the study

The purpose of the present study is to discover the following about Omaxe Pvt Ltd which deals in construction and development of real estate and is a prominent player in the industry:

- To find out whether Omaxe is profitable in comparison to its competitors in terms of profit margin ratio, Return on Investment, Return on Equity, Return on Total asset.

- To analyze the financial position and strength of Omaxe Pvt Ltd in terms of different leverage ratios and comparing it with the industry standards.

- To analyze the ability of the firm to meet its short term obligation in terms of liquidity ratios while comparing with the competitors.

2. LITERATURE REVIEW

Published as Timo Salmi and Teppo Martikainen (1994), "A Review of the Theoretical and Empirical Basis of Financial Ratio Analysis. The paper explains the theoretical aspect along with the empirical basis of the financial ratios considering four central aspects of ratio analysis to demonstrate the criticality of the study. These four central areas that are of core importance to the research conducted by the present researcher are: (1) functional form of the financial ratio, (2) distributional characteristics of the financial ratios, (3) their classification and (4) the estimation of the internal rate of return calculated from the financial statements under the study. During the research, it was observed by the researchers that many distinct lines pertaining with research relating to financial ratio analysis exists due to the methodologies used and interpreting the results in researcher's own traditional method. It was also noted and reported in the study that financial ratio analysis results and interpretations varies with different ratios used, among different industries and varying time periods considered for the study. Although, significant regularities exists while considering these factors as stable like time periods, industry etc. Thus, a scope for more detailed theoretical and empirical research in the same area focusing on financial ratio analysis exists providing opportunity for further study.

Another research was carried out by Harry Zvi Davis and Yoram C. Peles' and a research paper was developed highlighting the objective of the study which is "Measuring Equilibrating Forces of Financial Ratio". The paper explains that a financial ratio which is also known as an accounting ratio can be used as a target by the management for taking strategic decisions. This can be achieved by considering a financial ratio to have an equilibrium value which is the set target by the management and any deviations from this value will give rise to matter of concern to the management and will probe for an appropriate action for the same. Even if the management does not targets a particular value of the ratio concerned, the market forces, the industry expectations and the other external environmental factors forces a ratio to have an equilibrium value and management's efficiency is recognized by maintaining this equilibrium effectively so as to survive in a highly competitive and growing scenario. The present study undertaken by the researchers used a statistical technique which demonstrates the effect of deviation from a target equilibrium value that counterbalances to maintain the equilibrium on its own. For example, the study concluded with a result that if the firm experiences a situation of liquidity shock, then these equilibrating forces that were explained above counterbalances a little more than a third of the shock in the next period. The findings from the research suggests that firm's liquidity ratios and earnings per share (EPS) value have a fast adjustment to the equilibrium value which is about 1/3 to 1/2 of the shock is adjusted within one period time.

A study on Ratio variables was conducted by Bollen in 1999 explaining the uses of ratio variables in an aggregate data analysis study. He derived that the variables in ratio analysis can be used in three different ways while carrying out aggregate data analysis. The first, it can be used as a measures to explain the theoretical concepts for better understanding. Second, they can be used as a means to control extraneous factors which are not related to the core operations in a company or are considered as external factors but somehow influence the internal operations within a firm, but these factors can be controlled under some exceptional conditions. Third, they can be used as a correction for activity. During the application of concepts related to ratio indices, a general problem occurs when these ratio indices are to be regressed on other indices or variables containing a common component. For example, the regression analysis between two per capita measure to derive relationship between them may result into false conclusions due to presence of common population component in each variable. It has also been observed that the use of ratios for correcting hetero activities is often misused and only under special conditions it is performed in a correct way. Alternatives to the use of ratios for each of these cases are also discussed and evaluated in the case.

A study on Financial statements and ratio analysis was conducted by Cooper in 2000 in which he observed the quantitative behavior of business cycle models and explains that tin these models the intermediation process acts either as a source of fluctuations or as a propagator of real shocks that occurs during the business cycle. The research was concluded with lack of convincing evidence so as to arrive at the conclusion that the intermediation process is an important element of aggregate fluctuations during business cycle. He also explains that for an economy that is driven by intermediation shocks, it is seen that (1) consumption is not smoother than output, (2) investments are negatively correlated with the output, (3) variations in the capital stock are quite large and (4) the interest rates are procyclical in nature. The model economy thus fails to match the unconditional moments for the U.S. economy. During the research, structural estimation of the parameters of a model economy was also performed in which intermediation and productivity shocks were present, allowing for the intermediation process to propagate the real shock and it was observed that the unconditional correlations were closer to the ones that were observed only when the intermediation shock was relatively unimportant.

Many studies in this field has been reviewed by Dr. Pramod Kumar and has been published in a book in 1991 as "Analysis of financial statements of Indian Industries". The book explores around seventeen private sector, five state owned public sector and one central public sector companies and study of activities pertaining to a particular sector alongwith its analysis, assessment of profitability and return on capital invested, analysis of financial structure and analysis of the fixed assets and working capital has been explained. The author has pointed out various problems in the industry and has recommended remedies for the same alonwith the methods to improve profitability and cost control.

An article titled "Evaluation of cash management performance of the selected textile mills in Rajasthan" was prepared by Miss Nandini Jamini and was published in an Indian journal of public enterprise in 1988-99 in which an analysis of various selected textiles units was conducted using various liquidity ratios and conclusion was that there was an inadequate cash balance in the company under study and will face difficulty to meet their currently maturing obligations.

In Journal of management, Vol-III, 2006, "A comparitive analysis of financial performance of IOC and BPCL" is published which was carried out by Dr.D.C.Gohil with an attempt to study the financial performance of the two petroleum firms and analyze their financial position by deducing results from various financial ratios used such as liquidity and profitability ratios using various other financial and statistical tools.

According to Brigham and Houston (2009), financial analysis involves comparing the firm's performance to that of other firms in the same industry and evaluating trends in the firm's financial position over time. He stresses on the fact that one of the richest source of such information for financial statement analysis is the audited financial statements. The financial statements are usually part of the annual report that listed companies submit to regulatory agencies such as Securities and Exchange Commission and Stock Exchange entities.

3. METHODOLOGY

3.1 Research Design and Methods:

It is very essential to lay down the scientific techniques used during carrying out a research and research design helps in understanding the same. The technique applied in this study is descriptive research method. The descriptive research is marked by the prior formulation of specific research questions pertaining to some problem statement which is unlikely of exploratory research. In this, the investigator or researcher already knows a substantial amount of information about the research problem. Descriptive research is also characterized by a preplanned and structured design as it will solve the problem and arrive at the desired result in a systematic way.

3.2 Data Collection Source:

The sources used in the present study are secondary sources. These sources contains data, which have already been gathered earlier for some other purpose, and are generally the secondary data in the hands of researcher for further use of this data in studies and carrying out research. Whereas the data which is collected first hand that means collected directly either by the researcher or by someone else with a prime objective to use it for the purpose of the study is known as primary data.

Sources of secondary data which are used in the present study are:

- Annual Reports of Omaxe Pvt Ltd, DLF Ltd and Goodrej Properties Ltd.
- Internet sources.

4. ANALYSIS

4.1 Introduction to the Case

The analysis of the annual financial statements of Omaxe Pvt Ltd over the FY 2011-12 to 2013-14 with DLF and Godrej properties has been performed so as to determine the competitive position of Omaxe with respect to its competitors. It includes analyzing the financial statements by employing financial ratio analysis. Ratio analysis does not imply only to make comparisons between different variables from the financial statements, but it shows the relationship among different values in the financial statements and relates them to the company's performance in the past with the performance in the near future as we compare these ratios between the company and with the industry standard. Financial ratios express relationship between two financial variables. They are used to analyze the trends and to compare the firm's financials to those of other firms. The ratios which are used in analyzing are liquidity ratio, leverage ratio, profitability ratio and turnover ratio.

4.2 Data Analysis

4.2.1 Liquidity ratios:

Liquidity Ratios measure the ability of the firm to meet its current obligation (liabilities) also known as short term solvency. A firm must ensure that it does not suffer from lack of liquidity, and also that it does not have excess liquidity. It is the result of dividing the total cash by short-term borrowings. It shows the number of times short-term liabilities are covered by cash. If the value is greater than 1.00, it means fully covered.

a) Current ratio: It is a measure of the firm’s short-term solvency. A ratio of greater than one means that the firm has more current assets than current claims against them.

Current Ratio = Current Assets/Current Liabilities

Current assets are either cash and cash equivalents or those which can be converted into cash in the short run, say one year. Current liabilities are those which are payable in short run.

OMAXE

Year	Current asset	Current liabilities	Current ratio
2011-12	36356.60	21011.65	**1.73**
2012-13	35467.26	20694.81	**1.71**
2013-14	36052.74	21716.02	**1.66**

DLF

Year	Current asset	Current liabilities	Current ratio
2011-12	1767789.71	8180827.20	**0.21**
2012-13	1960969.31	1063067.56	**1.44**
2013-14	2296533.26	1291857.84	**1.77**

GODREJ

Year	Current asset	Current liabilities	Current ratio
2011-12	1857.71	1023.13	**1.81**
2012-13	2675.39	1317.43	**2.03**
2013-14	2447.93	1053.79	**2.32**

Table No 1: Calculation of current ratio of Omaxe, DLF and Goodrej Properties.

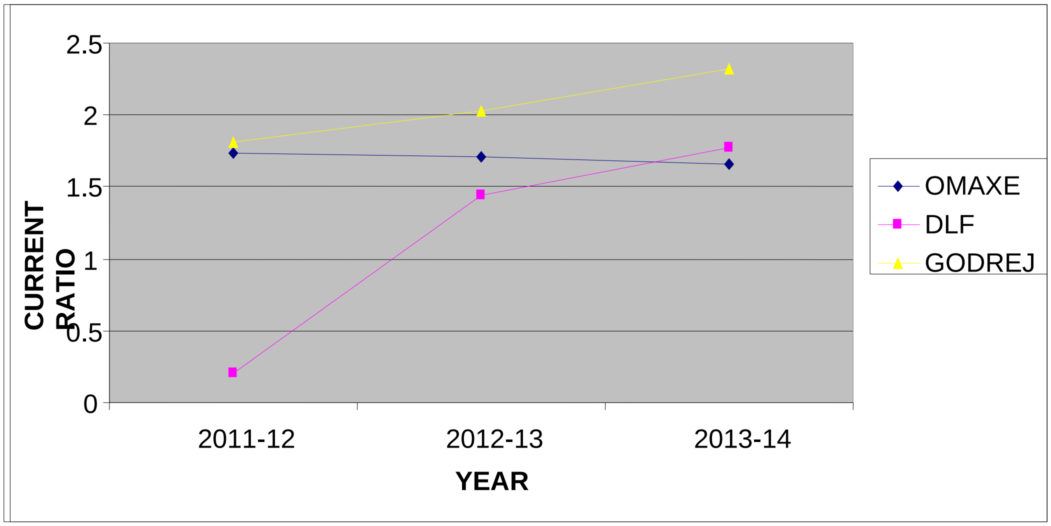

Figure No 1: Analysis of current ratio of Omaxe, DLF and Goodrej Properties

The industry bench mark for current ratio can be 1.33 times which states that the company can pay 1.33 times of the amount due as its current liabilities. In 2013-14 all the three companies has maintained its current ratio more than 1. Omaxe has low current ratio i.e., 1.66 times as compared to DLF and Godrej properties which has 1.77 times and 2.32 times respectively.

b) Quick ratio: It establishes a relationship between quick, or liquid, assets and current liabilities. An asset is liquid if it can be converted into cash immediately or reasonably soon without a loss of value. It is also known as acid test ratio because the ratio is calculated to eliminate all possible illiquid elements from current assets as their conversion into cash in the short run is not decisive. Similarly, it excludes all current liabilities which need not be paid in short run by financial arrangement. It is considered to be a true indicator of liquidity.

Quick Ratio = (Current Assets-Inventories)/Current Liabilities

OMAXE

Year	Current asset	Inventory	Current liabilities	Quick ratio
2011-12	36356.60	18698.20	21011.65	**0.84**
2012-13	35467.26	18137.55	20694.81	**0.83**
2013-14	36052.74	18196.97	21716.02	**0.82**

DLF

Year	Current asset	Inventory	Current liabilities	Quick ratio
2011-12	1767789.71	838940.94	8180827.20	**1.13**
2012-13	1960969.31	811107.48	1063067.56	**1.81**
2013-14	2296533.26	887560.21	1291857.84	**1.08**

GODREJ

Year	Current asset	Inventory	Current liabilities	Quick ratio
2011-12	1857.71	192.4	1023.13	**1.62**
2012-13	2675.39	257.3	1317.43	**1.83**
2013-14	2447.93	650.6	1053.79	**1.70**

Table No 2: Calculation of quick ratio of Omaxe, DLF and Goodrej Properties.

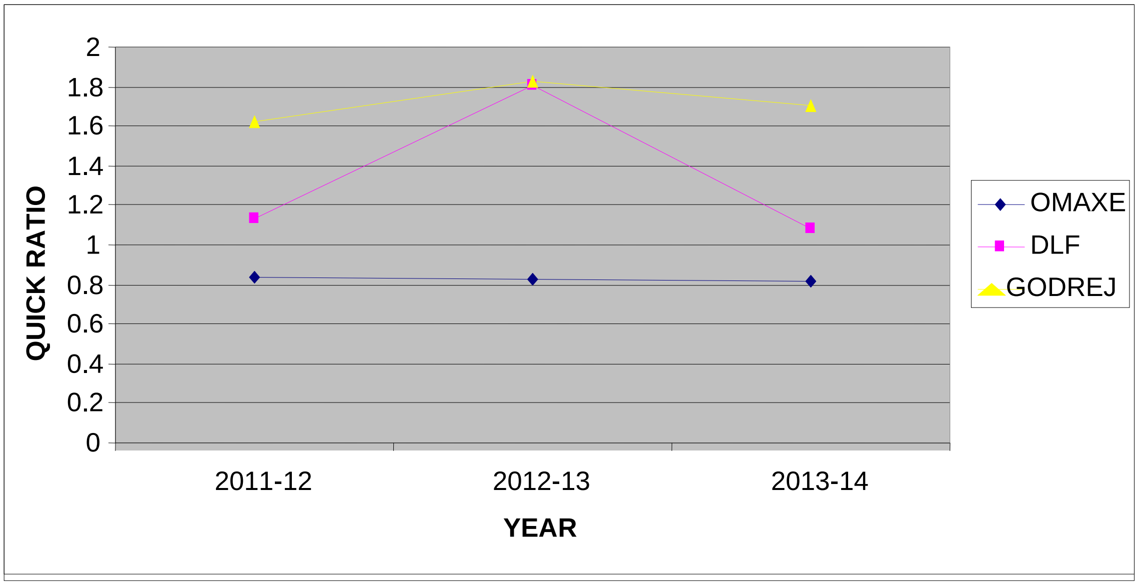

Figure No 2: Analysis of quick ratio of Omaxe, DLF and Goodrej Properties

When the time comes the company can pay its current liabilities only through the most liquid current assets which are easily convertible into cash hence providing a better test for assessing liquidity position of the company. The industry bench mark is 1:1 which imply that company can pay its current liabilities through the same amount of liquid current assets. In 2013-14 Omaxe has quick ratio of 0.82 times which shows that the company does not have enough liquid asset which can be convertible to cash. Whereas both its competitors has maintained quick ratio more than 1. In 2013-14 DLF and Godrej prop has quick ratio 1.08 times 1.70 respectively.

(c) Cash ratio: It is one of the most commonly used measure to understand company's liquidity state. It determines the ease of company to pay its short-term debt. Thus, it is useful for the creditors to decide about the credit limit that they are willing to propose to the company asking for debt. It is considered as more reliable among other liquidity ratios because it elicits the effect of inventory and accounts receivables as they may be present in large amount in a company. This ratio alone is not useful for determining the company value, but simply as one factor in determining liquidity.

Cash ratio= cash equivalents / current liabilities

OMAXE

Year	Cash and cash equivalents	Current liabilities	Cash ratio
2011-12	1113.61	21011.65	**0.05**
2012-13	1380.68	20694.81	**0.06**
2013-14	1976.29	21716.02	**0.09**

DLF

Year	Cash and cash equivalents	Current liabilities	Cash ratio
2011-12	158047.9	8180827.20	**0.09**
2012-13	366574.9	1063067.56	**0.03**
2013-14	389390	1291857.84	**0.03**

GODREJ

Year	Cash and cash equivalents	Current liabilities	Cash ratio
2011-12	1063	1023.13	**1.38**
2012-13	63.15	1317.43	**0.04**
2013-14	441.4	1053.79	**0.41**

Table No 3: Calculation of cash ratio of Omaxe, DLF and Goodrej Properties.

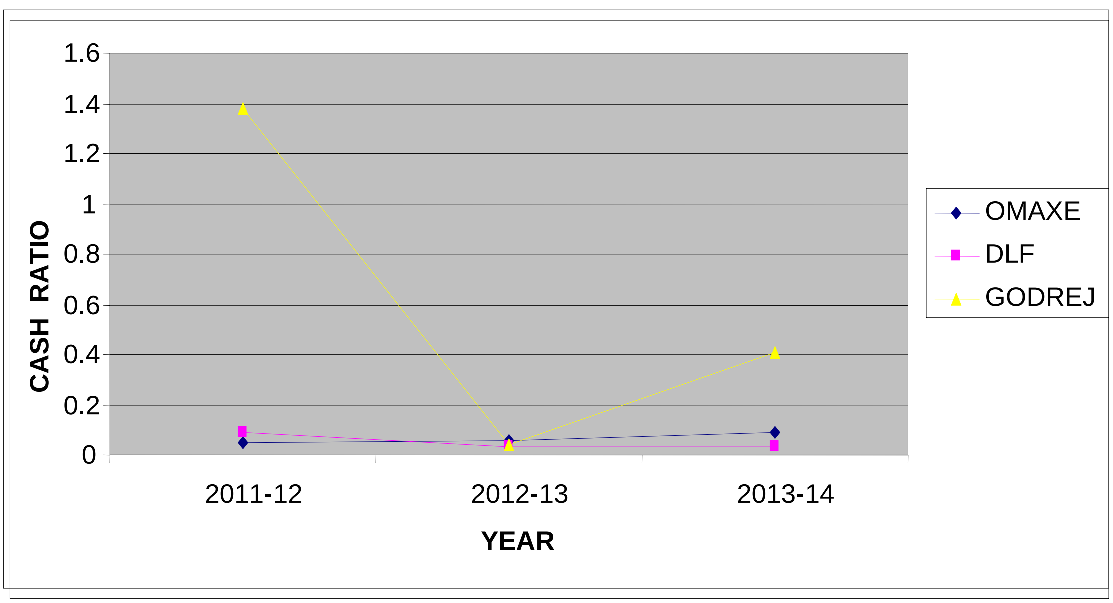

Figure No 3: Analysis of cash ratio of Omaxe, DLF and Goodrej Properties.

All the three companies are maintaining very low amount of cash to repay its current liabilities. In 2013-14 Omaxe has low cash ratio of 0.09 times compared to Godrej which has 0.41 times but high as compared to DLF which has 0.03 times.

4.2.2 <u>Leverage ratio:</u>

These ratios are also known as the solvency ratios which means long term solvency. Thus, these ratios are used to judge the long term financial position of the firm. It indicates the ability of an entity to pay off its liabilities in the longer run. These ratios indicate mix of funds provided by owners and lenders as companies rely on mixture of owners equity and debt to finance their operations. High levels of debt can be dangerous for the company and its investors and may hamper company's credit worthiness. While, lower levels can pose questions on company's ability to generate higher rate of return than rate of interest on its loans and may signal tight operating margins by the company.

(a) Debt Ratio: It indicates the proportion of debt in a company relative to its assets. It measures the extent of company's leverage. The measure gives an idea about the leverage in the company alongwith the potential risks it faces in terms of its debt-load. The higher ratio means that company is highly leveraged and has greater financial risk. These ratios vary widely across industries, with capital-intensive businesses such as utilities and pipelines have higher debt ratios than other industries like technology.

Debt Ratio = Total Debt/(Total Debt + Net Worth)

OMAXE

Year	Debt	Equity	Debt ratio
2011-12	7197.29	14402.37	**0.49**
2012-13	7693.55	15054.79	**0.51**
2013-14	7122.57	15787.75	**0.45**

DLF

Year	Debt	Equity	Debt ratio
2011-12	34318.19	13810.49	**0.24**
2012-13	11975.11	14496.55	**0.86**
2013-14	11101.03	14614.20	**0.75**

GODREJ

Year	Debt	Equity	Debt ratio
2011-12	8123.78	885.04	**0.92**
2012-13	11183.74	1399.58	**0.79**
2013-14	7717.06	1364.29	**0.56**

Table No 4: Calculation of debt ratio of Omaxe, DLF and Goodrej Properties.

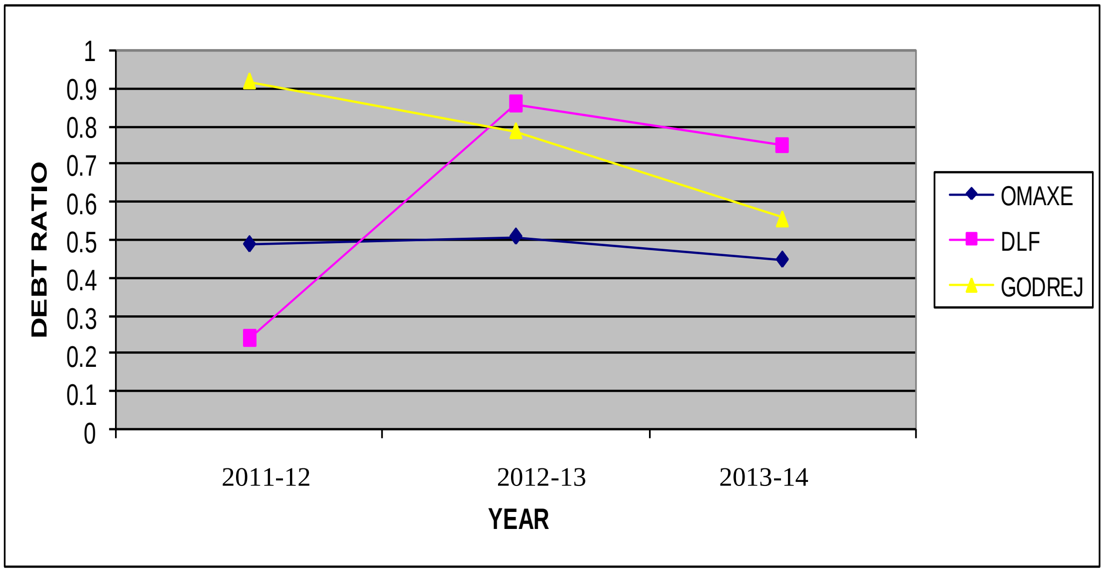

Figure No 4: Analysis of debt ratio of Omaxe, DLF and Goodrej Properties.

The debt ratio of Omaxe is 0.45 times in 2013-14 as compared to DLF and Godrej prop which has debt ratio of 0.75 times and 0.56 times respectively. The company has a policy which deals with low debt as compared to other competitors. Generally business with long gestation period has high debt equity.

(b) Debt-Equity ratio: It is a measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets. A high debt/equity ratio generally means that a company has been aggressive in financing its growth with debt. This can result in volatile earnings as a result of the additional interest expense. The debt/equity ratio also depends on the industry in which the company operates. For example, capital-intensive industries such as auto manufacturing tend to have a debt/equity ratio above 2, while personal computer companies have a debt/equity of under 0.5.

Debt-Equity Ratio = Total Debt/Net Worth

OMAXE

Year	Debt	Equity	Debt Equity ratio
2011-12	5731.88	14402.37	**0.38**
2012-13	4759.02	15054.79	**0.31**
2013-14	4761.06	15787.75	**0.30**

DLF

Year	Debt	Equity	Debt Equity ratio
2011-12	111837.28	13810.49	**0.89**
2012-13	95730.67	14496.55	**0.66**
2013-14	87201.33	14614.20	**0.56**

GODREJ

Year	Debt	Equity	Debt Equity ratio
2011-12	810.20	885.04	**0.09**
2012-13	1602.10	1399.58	**0.14**
2013-14	810.20	1364.29	**0.23**

Table No 5: Calculation of debt equity ratio of Omaxe, DLF and Goodrej Properties.

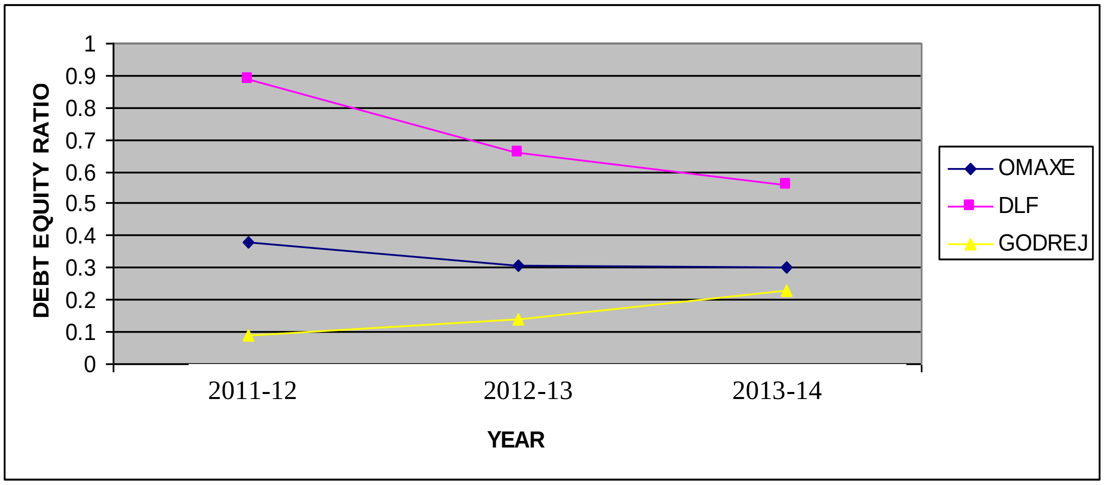

Figure No 5: Analysis of debt equity ratio of Omaxe, DLF and Goodrej Properties.

Capital structure also reflects the long-term solvency position of the firm. The existence of debt disciplines management. All the three companies has very low debt equity ratio in the last three years. This states that Omaxe has short term solvency period.

(c) Interest coverage ratio: A ratio used to determine how easily a company can pay interest on outstanding debt. The lower the ratio, the more the company is burdened by debt expense.

Interest Coverage Ratio = EBIT/Interest Paid

OMAXE

Year	EBIT	Interest	Interest coverage
2011-12	182.94	101.45	**1.83**
2012-13	205.21	128.13	**1.60**
2013-14	189.55	123.51	**1.53**

DLF

Year	EBIT	Interest	Interest coverage
2011-12	2841.91	1286.70	**2.20**
2012-13	3061.48	1553.78	**1.97**
2013-14	2402.42	1709.89	**1.40**

GODREJ

Year	EBIT	Interest	Interest coverage
2011-12	228.33	67.13	**3.40**
2012-13	205.12	46.02	**4.45**
2013-14	176.42	60.84	**2.89**

Table No 6: Calculation of interest coverage ratio of Omaxe, DLF and Goodrej.

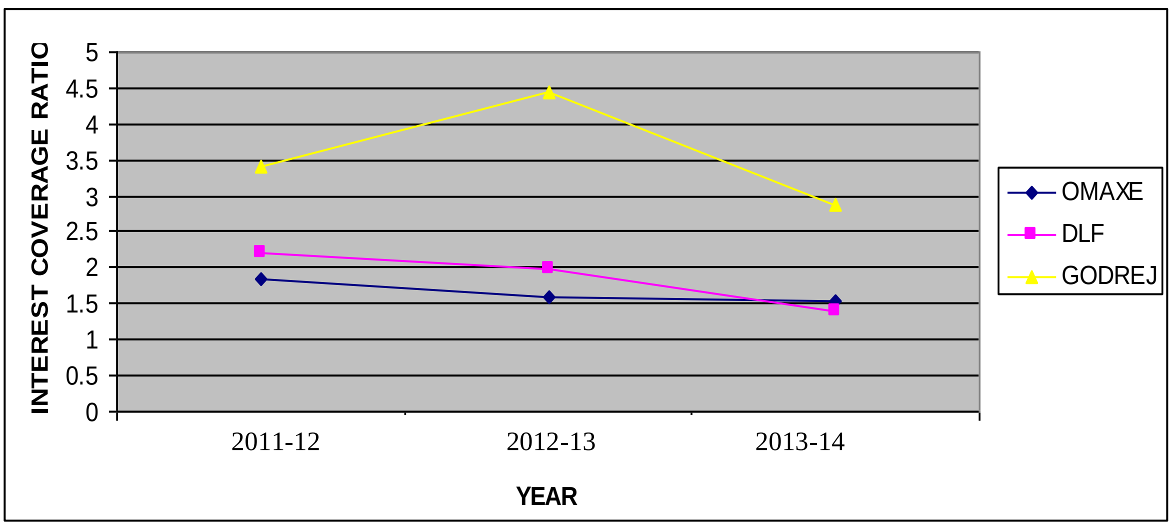

Figure No 6: Analysis of interest coverage ratio of Omaxe, DLF and Goodrej Properties.

Interest coverage ratio is considers one component of debt servicing. If interest coverage ratio is less than 1, it implies that firm has negative PAT. The company could not earn sufficient profit to service the interest on loan in full. It reflects poor solvency position. Omaxe maintain interest coverage ratio more than 1 in all the three years but has low interest coverage ratio as compare to Godrej properties which has 2.89 times whereas Omaxe has 1.53 times.

(d) Interest to sales ratio: This ratio indicates that how much interest a firm is paying out of its net revenue.

Interest to Sales Ratio = Interest Paid/Net Sales

OMAXE

Year	Sales	Interest	Interest to sales
2011-12	1139.34	101.45	**0.08**
2012-13	1323.37	128.13	**0.09**
2013-14	1333.840	123.51	**0.09**

DLF

Year	Sales	Interest	Interest to sales
2011-12	2916.08	1286.70	**0.44**
2012-13	3491.32	1553.78	**0.44**
2013-14	2150.04	1709.89	**0.79**

GODREJ

Year	Sales	Interest	Interest to sales
2011-12	337.29	67.13	**0.19**
2012-13	313.56	46.02	**0.14**
2013-14	271.18	60.84	**0.22**

Table No 7: Calculation of interest to sales ratio of Omaxe, DLF and Goodrej Properties.

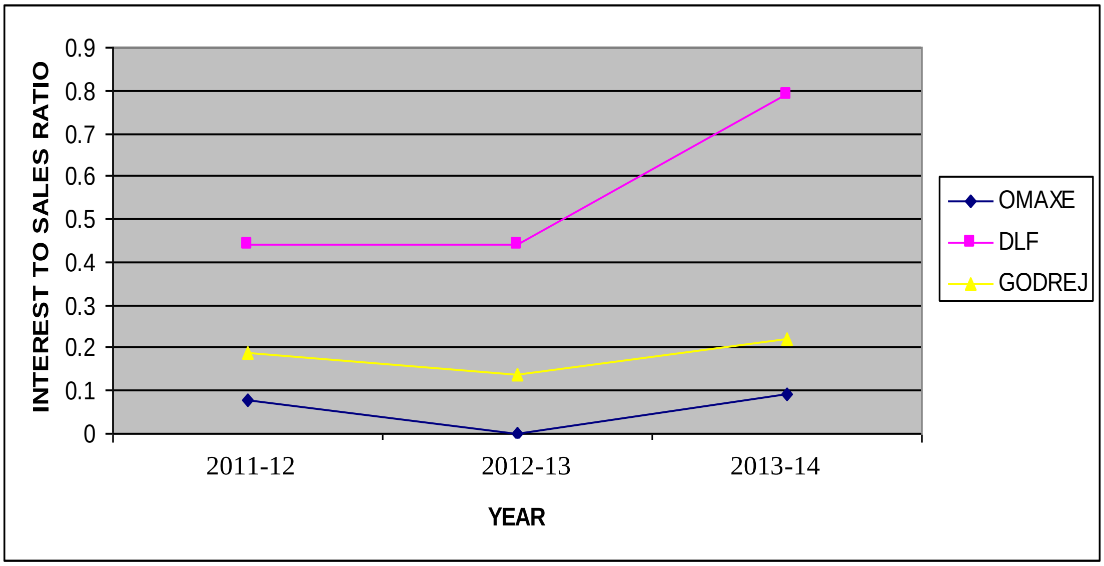

Figure No 7: Analysis of interest to sales ratio of Omaxe, DLF and Goodrej Properties.

Interest to sales ratio tells us the part of sales which is given out as to pay interest. The interest coverage ratio of Omaxe has been very low as compared to both DLF and Godgrej prop in all the three consecutive years. This is because of high interest rate at Omaxe.

4.2.3 Profitability ratios:

Profit is the main motive of running a business. To figure out that whether the company is earning profit or not, profitability ratio is calculated. Profitability represents the financial performance of a company. These are a class of financial metrics that are used to assess a business's ability to generate earnings as compared to its expenses and other relevant costs incurred during a specific period of time. For most of these ratios, having a higher value relative to a competitor's ratio or the same ratio from a previous period is indicative that the company is doing well.

(a) Gross profit margin: It indicates profitability of a firm from its overall activities.

Gross Profit Margin = PBDITA/Net Sales

OMAXE

Year	PBDITA	Sales	Gross Profit
2011-12	170.70	1139.34	**14.82%**
2012-13	193.84	1323.37	**14.47%**
2013-14	180.41	1333.840	**13.25%**

DLF

Year	PBDITA	Sales	Gross Profit
2011-12	2971.60	2916.08	**101.03%**
2012-13	3201.32	3491.32	**91.93%**
2013-14	2544.31	2150.04	**118.37%**

GODREJ

Year	PBDITA	Sales	Gross Profit
2011-12	205.12	337.29	**60.14%**
2012-13	176.42	313.56	**56.63%**
2013-14	202.96	271.18	**74.43%**

Table No 8: Calculation of gross profit margin of Omaxe, DLF and Goodrej Properties.

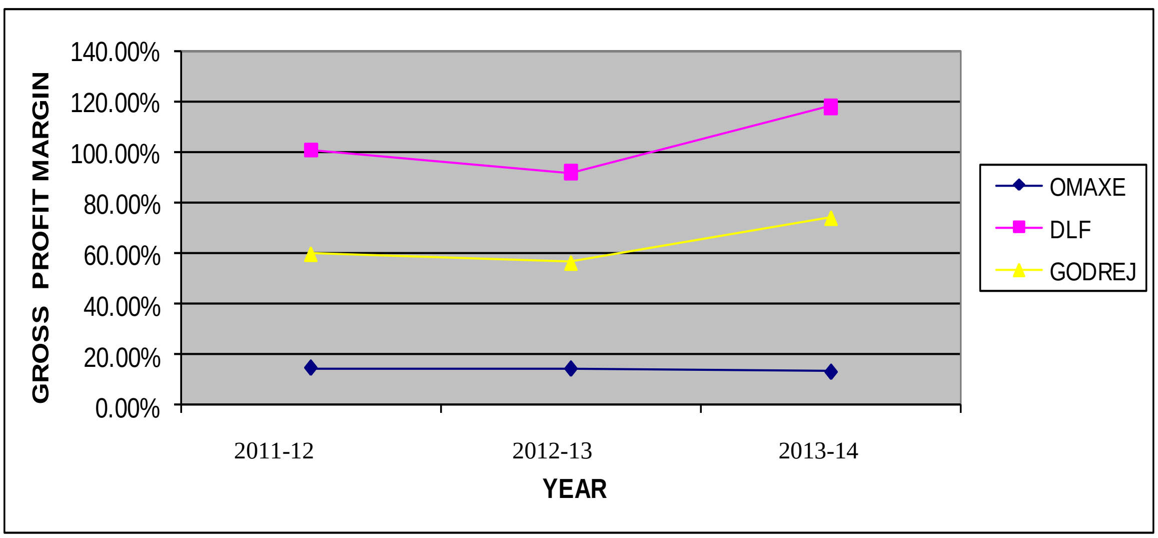

Figure No 8: Analysis of gross profit margin of Omaxe, DLF and Goodrej Properties.

Gross profit margin is very low in 2013-14 ie 13.25% as compared to DLF which has 118.37% and Godrej prop which has 74.43%. But Omaxe gross profit margin has increased in 2012-13 as compared to the previous years has increased.. The company's high margin shows high performance.

(b) Operating profit margin: It indicates profitability from a firm's main operating activities. A higher operating profit implies better sales realization and effective cost control.

Operating Profit Margin = EBIT/Net Sales

OMAXE

Year	EBIT	Sales	Operating Profit
2011-12	182.94	1139.34	**16.56%**
2012-13	205.21	1323.37	**15.06%**
2013-14	189.55	1333.840	**14.10%**

DLF

Year	EBIT	Sales	Operating Profit
2011-12	2841.91	2916.08	**97.56%**
2012-13	3061.48	3491.32	**87.88%**
2013-14	2402.42	2150.04	**111.38%**

GODREJ

Year	EBIT	Sales	Operating Profit
2011-12	228.33	337.29	**59.64%**
2012-13	205.12	313.56	**55.49%**
2013-14	176.42	271.18	**73.57%**

Table No 9: Calculation of operating profit margin of Omaxe, DLF and Goodrej.

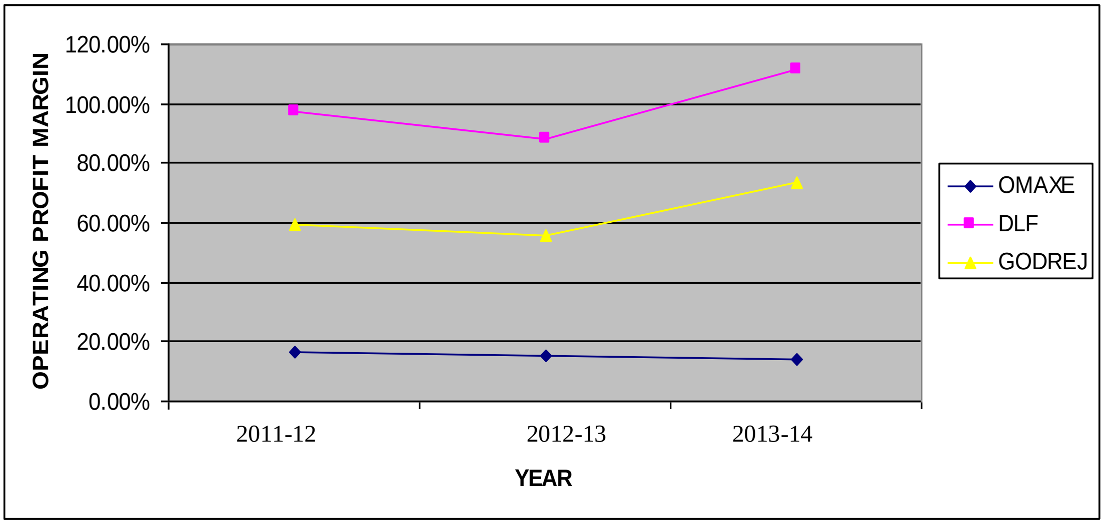

Figure No 9: Analysis of operating profit margin of Omaxe, DLF & Goodrej Properties.

Operating Profit Margin ratio indicates profitability from a firm's main operating activities. A higher operating profit margin implies better sales realization and effective cost control. Operating profit margin of Omaxe is 14.10% which is very low to DLF which has 111.38% and Godrej which has operating profit margin 73.57%. . Omaxe profit from main operating activities is very low as compared to competitors.

(c) Net profit margin: Margin denotes overall profitability i.e. profit from all operations as well as profit/loss from non-operating activities.

Net Profit Margin = PAT/Net Sales

OMAXE

Year	PAT	Sales	Net Profit
2011-12	62.50	1139.34	**5.85%**
2012-13	62.89	1323.37	**4.52%**
2013-14	85.85	1333.840	**6.36%**

DLF

Year	PAT	Sales	Net Profit
2011-12	1269.58	2916.08	**43.37%**
2012-13	1041.78	3491.32	**29.39%**
2013-14	501.56	2150.04	**23.27%**

GODREJ

Year	PAT	Sales	Net Profit
2011-12	106.15	337.29	**31.71%**
2012-13	81.36	313.56	**25.97%**
2013-14	122.67	271.18	**45.25%**

Table No 10: Calculation of net profit margin of Omaxe, DLF and Goodrej Properties.

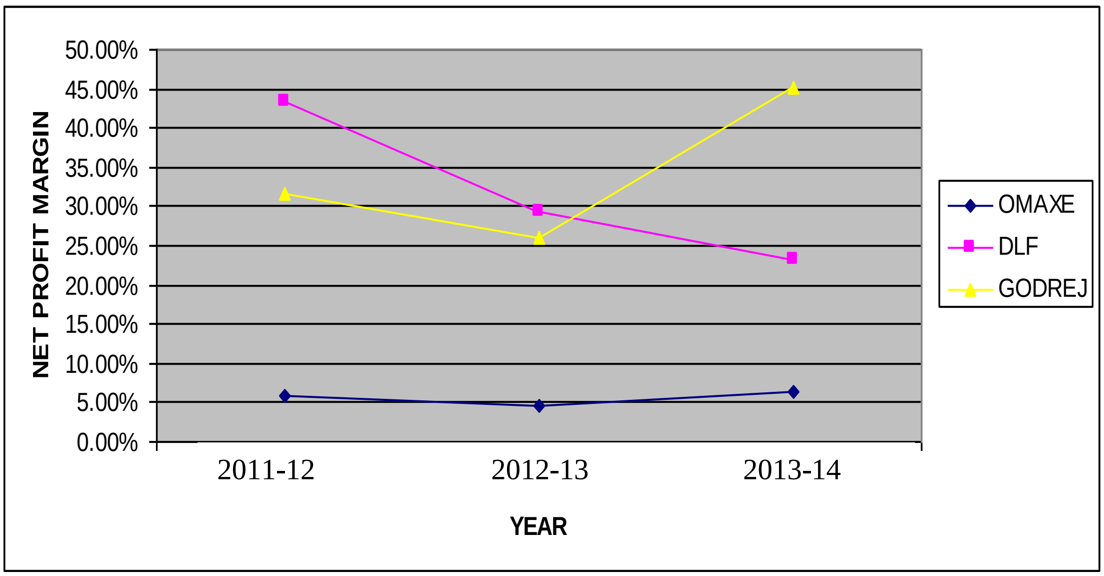

Figure No 10: Analysis of net profit margin of Omaxe, DLF and Goodrej Properties.

Net profit margin ratio states overall profitability from operations as well as profit/loss from non-operating activities. The company's overall profitable position if higher it is better for company. Omaxe net profit margin has been increased in 2013-14 to 6.36% as compared to previous two years but it low in compared to its competitors where DLF has net profit margin 23.27% and Godrej prop has 45.25%.

(d) Return on investment: ROI is a measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments.

Return on Investment = EBIT/(Net Worth + Borrowings)

OMAXE

Year	EBIT	Net worth	Borrowing	ROI
2011-12	182.94	1379.09	7197.29	**2.33%**
2012-13	205.21	1440.24	7693.55	**2.46%**
2013-14	189.55	1505.48	7122.57	**2.98%**

DLF

Year	EBIT	Net worth	Borrowing	ROI
2011-12	2841.91	12830,01	111837.28	**0.97%**
2012-13	3061.48	13810.49	95730.67	**2.92%**
2013-14	2402.42	14496.56	87201.33	**1.28%**

GODREJ

Year	EBIT	Net worth	Borrowing	ROI
2011-12	228.33	815.42	8123.78	**2.55%**
2012-13	205.12	885.04	11183.74	**1.43%**
2013-14	176.42	1399.59	7717.06	**2.78%**

Table No 11: Calculation of ROI of Omaxe, DLF and Goodrej Properties.

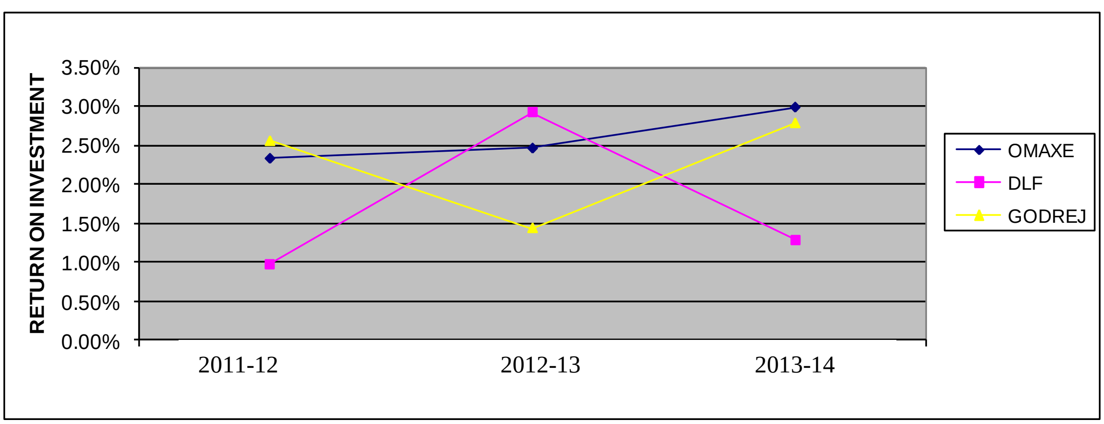

Figure No 11: Analysis of ROI of Omaxe, DLF and Goodrej Properties.

Return on investment tell what the company is getting in return of the investment. ROI helps a company to know that what percentage they are earning as return from their investments. Omaxe ROI has been increasing from the last two years because of the increase in net worth . In 2013-14 the ROI is highest ie 2.98% as compared to DLF which has ROI 1.28% and Godrej which has 2,78% ROI.

(e) Return on equity: ROE shows the residual return to shareholders. Return on equity measures a firm's profitability by revealing how much profit a company generates with the money shareholders have invested.

Return on Equity = PAT/Net Worth

OMAXE

Year	PAT	Net worth	ROE
2011-12	62.50	1379.09	**4.53%**
2012-13	62.89	1440.24	**4.36%**
2013-14	85.85	1505.48	**5.70%**

DLF

Year	PAT	Net worth	ROE
2011-12	1269.58	12830,01	**0.89%**
2012-13	1041.78	13810.49	**0.54%**
2013-14	501.56	14496.56	**3.59%**

GODREJ

Year	PAT	Net worth	ROE
2011-12	106.15	815.42	**13.07%**
2012-13	81.36	885.04	**9.92%**
2013-14	122.67	1399.59	**8.64%**

Table No 12: Calculation of ROE of Omaxe, DLF and Goodrej Properties.

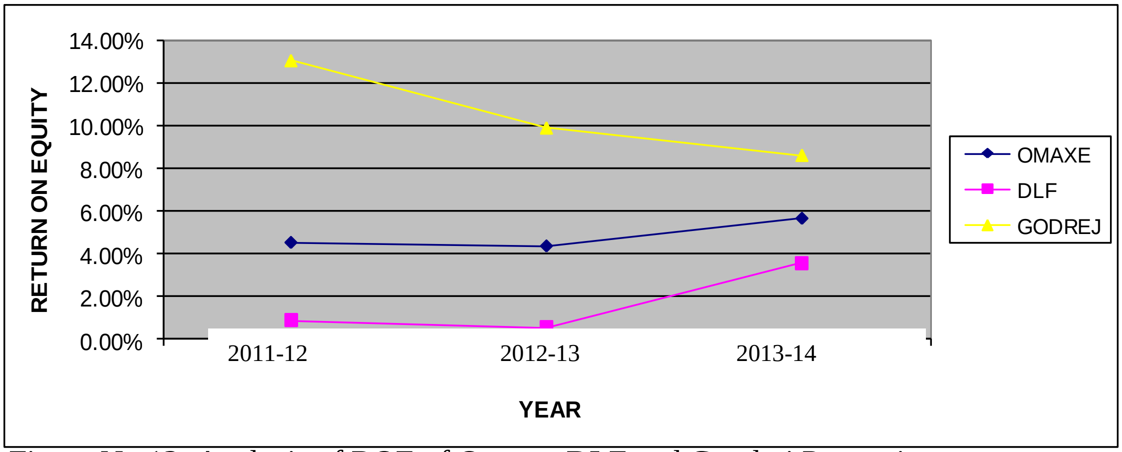

Figure No 12: Analysis of ROE of Omaxe, DLF and Goodrej Properties.

ROE indicates how well firm has used the resources of owners. It is one of the most important relationships in financial. In 2013-14 Omaxe has return on equity of 5.70% which is low as compared to Godrej which has return on equity of 8.64%.

(f) Return on total asset: ROTA shows the profitability on total assets of the firm. It is considered an indicator of how effectively a company is using its assets to generate earnings before contractual obligations must be paid.

Return on Total Assets = EBIT/Total Assets

OMAXE

Year	EBIT	TOTAL ASSET	ROTA
2011-12	182.94	2942.10	**6.18%**
2012-13	205.21	2727.45	**7.52%**
2013-14	189.55	2174.85	**8.75%**

DLF

Year	EBIT	TOTAL ASSET	ROTA
2011-12	2841.91	25467.85	**11.58%**
2012-13	3061.48	28870.03	**10.04%**
2013-14	2402.42	26471.66	**9.07%**

GODREJ

Year	EBIT	TOTAL ASSET	ROTA
2011-12	228.33	19.91	**10.14%**
2012-13	205.12	28.79	**6.01%**
2013-14	176.42	27.67	**7.20%**

Table No 13: Calculation of ROTA of Omaxe, DLF and Goodrej Properties.

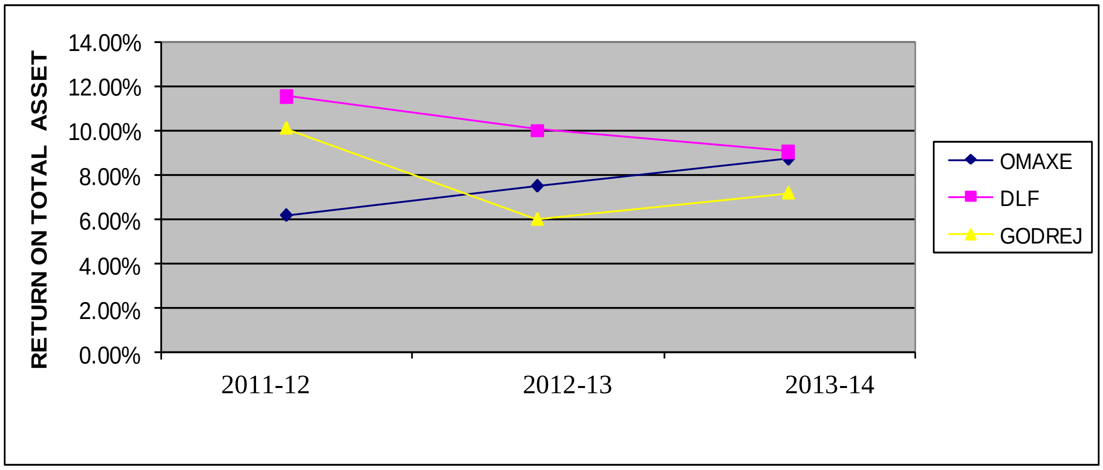

Figure No 13: Analysis of ROTA of Omaxe, DLF and Goodrej Properties.

ROTA shows the profitability on total assets of the firm. Since, assets of the company are partly financed by debt, partly by equity and partly by current liabilities so it is important for company to know that the assets they are utilizing are operations are able to satisfy the company with high returns through them. In 2013-14 Omaxe has ROTA of 8.75% , DLF has ROTA 9.07% and Godrej has 7.20% in 2012-13.

4.2.4 Turnover Ratios:

(a) Total Asset Turnover Ratio: This ratio shows the firm's ability in generating sales from all financial resources committed to total assets. Asset turnover ratios indicates how efficiently the firm utilizes its assets. They sometimes are referred to as efficiency ratios, asset utilization ratios, or asset management ratios.

TA Turnover Ratio = Net Sales/Total Assets

OMAXE

Year	Sales	Total Asset	Total Asset Turnover
2011-12	1139.34	2942.10	**0.04**
2012-13	1323.37	2727.45	**0.48**
2013-14	1333.840	2174.85	**0.63**

DLF

Year	Sales	Total Asset	Total Asset Turnover
2011-12	2916.08	25467.85	**0.11**
2012-13	3491.32	28870.03	**0.12**
2013-14	2150.04	26471.66	**0.012**

GODREJ

Year	Sales	Total Asset	Total Asset Turnover
2011-12	337.29	19.91	**16.90**
2012-13	313.56	28.79	**10.91**
2013-14	271.18	27.67	**9.80**

Table No 14: Calculation of TA turnover ratio of Omaxe, DLF and Goodrej Properties.

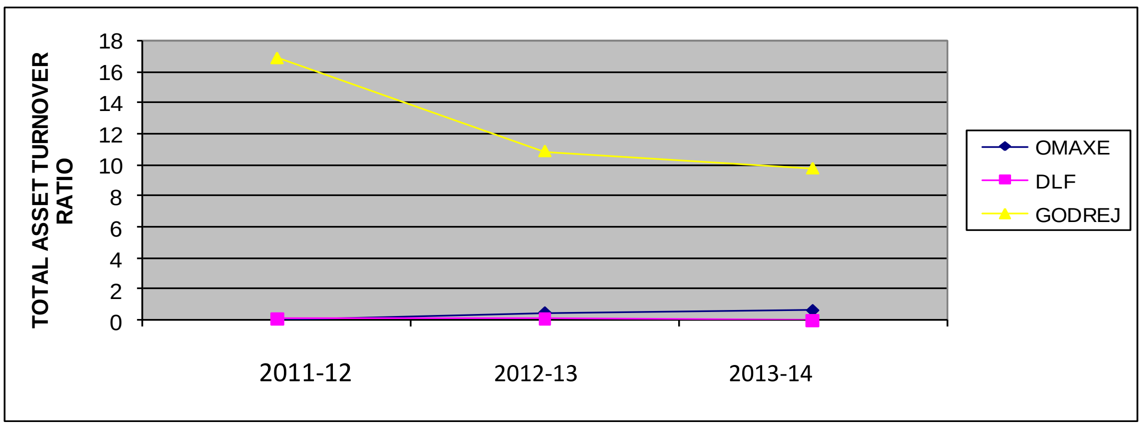

Figure No 14: Analysis of TA turnover ratio of Omaxe, DLF and Goodrej Properties.

Total Assets turnover Ratio shows the firm's ability in generating sales from all the financial resources committed to total assets. Omaxe has very low total asset turnover ratio of 0.63 times whereas DLF has very low 0.09 times and Godrej prop has very high total asset turnover of 9.80 times.

(b) Fixed Asset Turnover Ratio: :Fixed assets turnover ratio measures a company's ability to generate net sales from fixed assets investments specifically property, plant and equipment - net of depreciation.

FA Turnover Ratio = Net Sales/Net Block of Fixed Assets

OMAXE

Year	Sales	Fixed Asset	Fixed Asset Turnover
2011-12	1139.34	292.76	**3.89**
2012-13	1323.37	318.00	**4.11**
2013-14	1333.84	374.49	**3.56**

DLF

Year	Sales	Fixed Asset	Fixed Asset Turnover
2011-12	2916.08	17087.09	**0.17**
2012-13	3491.32	16458.31	**0.21**
2013-14	2150.04	13991.16	**0.15**

GODREJ

Year	Sales	Fixed Asset	Fixed Asset Turnover
2011-12	337.29	1.3768	**2,71**
2012-13	313.56	35.156	**8.92**
2013-14	271.18	5.8087	**4.66**

Table No 15: Calculation of FA turnover ratio of Omaxe, DLF and Goodrej Properties.

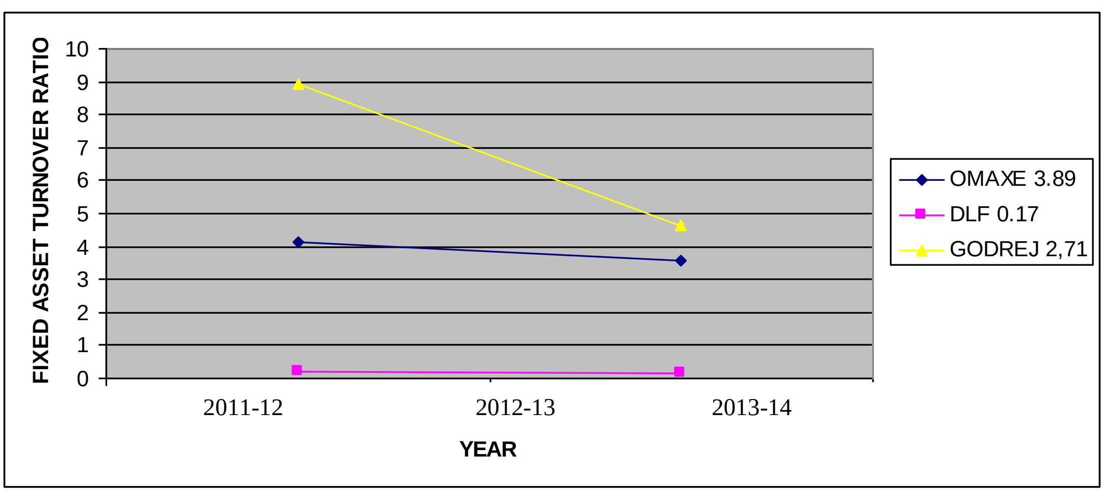

Figure No 15: Analysis of FA turnover ratio of Omaxe, DLF and Goodrej Properties.

Fixed Assets Turnover Ratio shows the firm's ability in generating sales from all the financial resources committed to only fixed assets. In 2013-14 has higher fixed asset turnover ratio in compared to DLF which has 0.15% and lower than Godrej which has 4.66%.

(c) Net Worth Turnover Ratio: Net worth turnover ratio measures a company's ability to generate net sales from net worth specifically owner's funds.

NW Turnover Ratio = Net Sales/Net Worth

OMAXE

Year	Net sales	Net worth	Net worth turnover
2011-12	1139.34	1379.09	**0.82**
2012-13	1323.37	1440.24	**0.91**
2013-14	1333.840	1505.48	**0.88**

DLF

Year	Net sales	Net worth	Net worth turnover
2011-12	2916.08	12830,01	**0.22**
2012-13	3491.32	13810.49	**0.25**
2013-14	2150.04	14496.56	**0.14**

GODREJ

Year	Net sales	Net worth	Net worth turnover
2011-12	337.29	815.42	**0.41**
2012-13	313.56	885.04	**0.35**
2013-14	271.18	1399.59	**0.19**

Table No 16: Calculation of net worth turnover ratio of Omaxe, DLF and Goodrej Properties.

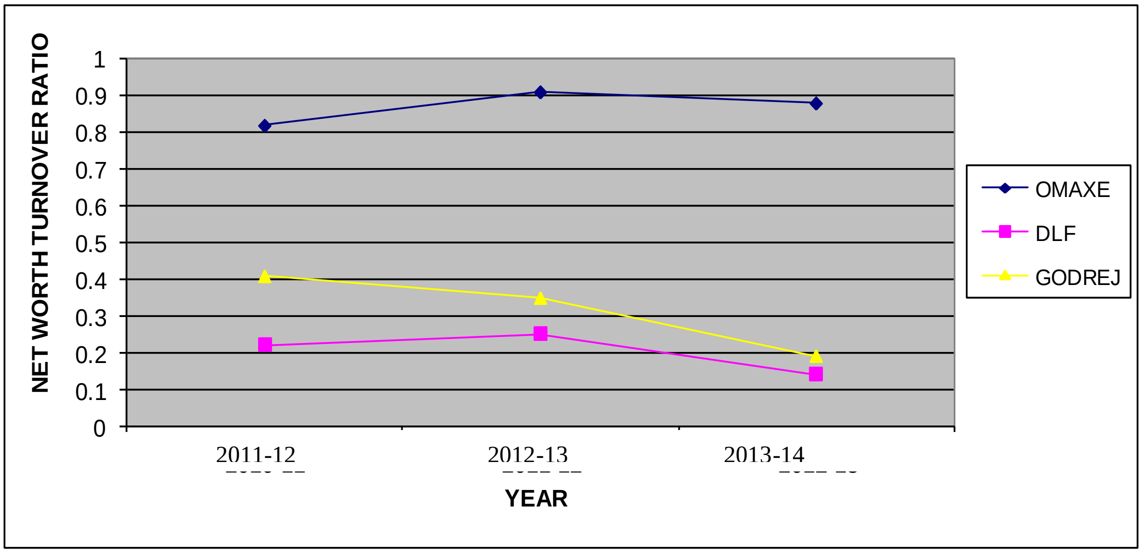

Figure No 16: Analysis of NW turnover ratio of Omaxe, DLF and Goodrej Properties.

Net worth Turnover Ratio shows a relationship between net worth and sales of the company. A firm should manage its net worth efficiently to maximize sales. In Omaxe net worth turnover ratio in 2013-14 is 0.88 which implies that Omaxe generate a sale of Rs 0.88 for one rupee investment in networth which is more than DLF who generate 0.14 for one rupee investment in net worth and Godrej generate Rs 0.19 for one rupee investment in net worth.

4.3 Findings & Recommendations

4.3.1 Conclusion

Rapid urbanization is becoming a trend with the passage of years and growth of economy and economic factors which is giving rise to high demands for the improvements and structuring of policies and reforms in the real estate sector which are need of an hour for boosting the growth of the sector and in turn growth of the overall economy. The sector faces many challenges but these can be overcome with the introduction of effective government strategic decisions that fill the gaps in the sector.

The present study was carried out for the benefits of the investors so as to help them in making an informed decisions while investing in companies in real estate as real estate is booming and is expected to attract huge investments in near future, so it is the right time to provide insights about the industry with such a research. Also, as real estate demands huge investments, this research can be useful for the creditors for analyzing various ratios calculated for this research so as to establish credit worthiness of the company and also to determine the appropriate interest rates for the same. The management of the company is also benefitted from this study as it focuses in determining the relative financial position of Omaxe Pvt Ltd with its competitors DLF and Godrej Properties and also with the industry standards so as to take appropriate actions and come up with strategies to overcome the challenges that company may face in near future.

After analyzing the companies from same sector, it has been seen that a financial ratio helps one to analyze the financial performance of a firm. The overall performance of a company is a function of liquidity, leverage , profitability and turnover. They all have a multiple impact on overall performance. It cannot be said that profitability depends on liquidity alone, a firm may be profitable yet it may face short term liquidity crises. But if the firm is efficient in its assets utilization and manages its capital structure well, it would improve profitability. Now we will analyze these four angles separately with all three companies.

As we can see in liquidity aspect Omaxe has shown low performance as compared to both DLF and Godrej properties. The efficiency level of paying their short term obligation is not good. Omaxe holds a low amount of current asset in form of cash due to which company is able to utilize its all current assets and has kept less of cash in company.

In solvency aspect, Omaxe has low usage of debt, which lead to fall in earnings per share for the company. Company debt usage need to be increased as we all know that debt is cheapest source of finance. Company has also shown very low ability to pay its interest with in the amount of profits generated from the operations.

In profitability aspect, Omaxe has generate very low profitability from its operating and non operating activities. But Omaxe has high return on investment as compared to both DLF and Godrej which shows that they are earning from their investment.

In turnover aspect, Omaxe has generated very low sales from total asse and fixed asset. But Omaxehas generated high sales from net worth as compared to both DLF and Godrej. After looking all this I would say company need to achieve more efficiency from the investments that the have done in project.

4.3.2 Suggestions

After analyzing the financial statement of Omaxe Pvt Ltd with its competitors DLF and Godrej properties , company need to focus on many areas.

- The company needs to handle the usage of assets in a way to earn more profit out of it, and the company should have more liquid asset which is easily convertible into cash when required.

- The company needs to increase the usage of debt which is quite low because it can help to increase net profit because of fall in taxes, secondly it will help the cost of capital to lower down because borrowing is the cheapest source of financing.

- Omaxe profitability is really low which is due to the high total asset in the company. Company look out for new investment projects in new areas or localities so to generate revenues.

4.4 Limitations of the study

- The research is primarily based on the secondary data available online.
- The research is limited to use of financial ratios as a tool for analyzing company's competitive position.
- The recommendations are reflective of personal understanding of the financial ratios.
- Time constraint is the biggest limitation of this project . Because of time constraint few ratios are used in analyzing the company. Thus, the reasons behind the performance of the company could not be known and in depth analysis of Omaxe could not be performed.

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