Financial ratio analysis

Finance

Ratio analysis (Qatar Navigation and Gulf warehousing Co Task Introduction The paper will present ratio analysis on two companies in the same industry. The Companies to be analyzed are Qatar Navigation Q. S. C. and Gulf warehousing Co. Both the companies operate in the transportation industry. The companies are publicly traded and have there shares listed on Qatar Stock Market. The following ratios will aid the analysis: leverage, liquidity, profitability, efficiency, and market value ratios. The analysis will cover one financial period (the year 2013). Based on the ratios, an inference will be made regarding a better performing company. The ratio calculations will be found in Appendix 1.

Leverage ratio - Debt/Equity ratio

The ratio shows the extent of altered charge capital in the capital structure of a firm. Concerning Qatar Navigation and Gulf warehousing, the 2013 proportions are 10. 03% and 48. 88% separately. In light of the proportions, 10. 03% of Qatar Navigations capital structure is obligation while the staying 89. 97% is value. Then again, 48. 88 % of Gulf warehousings capital structure is obligation while the staying 51. 12 % is value. Nearly, the influence level of Gulf distribution center is higher than that of Qatar Navigation. The level of designing for both organizations is safe (Leach, 2010).

Liquidity ratio - current ratio

The proportion measures the capacity of the business to meet its present commitments utilizing the present resources. As a rule, it is fitting for the proportion of current advantages for current obligation to be over one. Concerning Qatar Navigation and Gulf warehousing, the 2013 proportions are 2. 099 times and 1. 436 times. Qatar Navigation could meet the present commitments 2. 099 times utilizing the present resources. Then again, Gulf warehousing Co. could meet the present commitments 1. 436 times before depleting the present resources. Nearly, Qatar Navigation had a higher liquidity level than its rival (Gulf warehousing Co.) in 2013 (Leach, 2010).

Profitability ratio - Net profit margin

The ratio shows how well a company manages its administrative expenses such as the operating costs and the cost of capital. The higher the ratio, the lower the administrative expenses of the company. Concerning Qatar Navigation and Gulf warehousing, the 2013 ratios are, 42. 38% and 18. 69% respectively. Based on the ratios, 57. 62% of Qatar Navigation's revenue were consumed by the operating expenses while, 81. 31% of Gulf ware housing's revenue were consumed by the operating expenses. Comparatively, Qatar Navigation is more capable of generating profits since its operating expenses are lower compared to that of Gulf warehousing (Leach, 2010).

Efficiency ratio - total asset turnover

The ratio shows the productivity with which the aggregate resources are used to produce income. The proportion demonstrates that Gulf warehousing used its aggregate resources more proficiently than Qatar Navigation since Gulf warehousing produced QR 0. 2805 towards income by using each QR 1 of the aggregate resources. On the hand, Qatar Navigation produced QR 0. 1429 towards income by using each QR 1 of the aggregate resources (Leach, 2010).

Market value ratio – Earnings Per Share

The ratio indicates the measure of earning to each share held. Earnings per share are among the pointers of an organizations profitability level. That is, the point at which the proportion is high, the organizations productivity is regarded to be high. Concerning Qatar Navigation and Gulf warehousing, the EPS in 2013 is QR 8. 33 every offer and QR 2. 14 every offer individually. In light of the investigation, the EPS of Qatar Navigation is higher than that of Gulf warehousing (Leach, 2010).

Conclusion

Based on the financial statement of the two companies, it can be deduced that Gulf warehousing is a mature company owing to the substantial amount of its assets. Therefore, it is almost reaching its maturity level where it will experience no growth. On the other hand, Qatar Navigation seeming is in its growth stage. Therefore, it is the best investment vehicle for young investors. Based on the ratios, Qatar Navigation is less leveraged, has a higher liquidity position, has a higher EPS and has a higher profit generating ability as compared to Gulf warehousing.

References

Leach, R. (2010). Ratios made simple: A beginners guide to the key financial ratios. Petersfield, Hampshire: Harriman House.

Qatar Stock Exchange (2015). Retrieved from http://www. qe. com. qa/pps/qe/qe%20english%20portal/Pages/Listed%20Companies/Listed %20Companies? CompanyCode=

Appendix 1: Ratio calculations

Company

Qatar Navi

Gulf W/H

Debt/equity (Longterm debt/equity + longterm det

10%

48. 88%

Current ratio (curren assets/current liabilities)

2. 099

1. 436

Net profit margin (Net profit/Sales)

42. 38%

18. 69%

Total assets turnover (Sales/Total assets)

QR 0. 1429

QR 0. 2805

EPS (Net profit/weighted number of shares

QR 8. 33

QR 2. 14

Appendix 2: figures used in the calculations

Figures used in the calculations

Qatar Navi

Gulf W/H

Long-term debt

1, 408, 491

771, 567, 746

Equity

12, 642, 199

803, 209, 804

Current assets

2, 787, 929

418, 544, 617

Current liabilities

1, 327, 992

291, 438, 822

Net profit

948, 793

98, 551, 353

Sales

2, 236, 841

527, 259, 368

Total assets

15, 650, 044

1, 879, 474, 400