



GOLDEN INVESTMENT RESEARCH PRIVATE LIMITED

NSE : (Intraday Nifty Future / Cash / Stock Future / Banknifty / Nifty Option / Stock Option)

MCX : (Mcx Aluminium / Copper / Crude Oil / Gold / Lead / Natural Gas / Nickel / Silver / Zinc)

FOR SIMPLE WAYS TO READ COMPANY EARNINGS



In Every quarterly results season we get emails from traders and investors looking for clarification about the quarter results announced by companies. The quarter earnings of a company shows how the company has performed in last quarter, its next revenue guidance will tell us how it is going to perform in coming quarter and this all impacts its share prices.

The following sections will help you to understand the companies' quarterly results Quarterly results schedule.

- *Q1 - Result in April/May - for duration Jan to March*
- *Q2 - Result in July/Aug - for duration April to June*

- *Q3 - Result in Oct/Nov - for duration July to Sept*
- *Q4 - Result in Jan/Feb - for duration Oct to Dec*

1) REVENUES

Check the operating and net revenues and profits. Compare the current quarter numbers with those of the previous one for sequential or quarter-on-quarter growth, i.e. compare October-December with July-September quarter. Or, compare the figures with the same quarter a year ago for a year-on-year perspective, i.e. October-December 2011 with the October-December 2010 quarter.

A sequential comparison is not applicable for seasonal sectors like aviation, retail, gems and jewellery, consumer durables, infrastructure, cement, power and steel. Reason: You might see a sudden spike in the earnings during their business months. Aviation sees more demand in the holiday season, whereas consumer durables see it in the third quarter. Sequential numbers won't give a complete picture. Year-on-year results will give a more accurate growth figure. Experts advise caution on cyclical businesses as aviation, gems and jewellery and hospitality.

In the manufacturing sector - automobiles, fast moving consumer goods and gems and jewellery - look at the volume growth as well. Other income/extraordinary items refer to the income of a company that doesn't derive from its operations and doesn't always occur, but can lift profit figures substantially (example: Sale of land, foreign exchange gains or losses, etc).

2) COSTS

To see how rising input costs have impacted the earnings, consider the cost of raw materials as a percentage of sales over the sequential quarters.

A steady/lower figure means the company has factored input costs through lower consumption, acquisition of cheaper inventory or has pricing power. Calculate operating margins by dividing operating profits by net sales. The higher the margin, the better.

If the company operates on high debt or if the interest outgo is high, profits are likely to reduce sharply. Debt figures are usually available at year-ends in the balance sheet.

Calculate interest cost as a percentage of sales to know how much revenues go towards debt. Again, do not go overboard on companies with high debt burden.

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3) PROFITS

Higher the net profit margins, the better. It indicates how much you, as a shareholder, have earned from the company's operations. Companies also mention earnings per share or EPS. It is the portion of the firm's profit allocated to each outstanding share of the total shares. It indicates profitability.

4)REVENUE GUIDANCE

Most of the companies announce how the companies revenues will be in coming months and some time it affects its share price for that particular day. Generally, Intraday Traders looks for this guidance and take necessary intraday trading position.