Basics of How to Read Quarterly Financials

Quarterly results statements provide a snapshot of a company's financial performance over a three-month period. Understanding these reports are crucial for making informed investment decisions or simply staying informed about a company's health.

According to SEBI Regulations, a listed company has to submit its **quarterly financial results** (only Profit & Loss Account) to Stock Exchanges, **within 45 days of the end of each quarter**. For June & December quarter, Balance Sheet and Cash Flow Statement are also required to be submitted along with Profit & Loss Account. Companies listed on SME Exchanges have to submit these financial statements only for half-year periods i.e. September and March end.

Here's a sample filing of **December 2024 quarter** done by **Aeroflex Industries Limited**. Our intention here is to have a quick guide on how to read these quarterly statements.

Always see Consolidated results

Last Financial Year 2024 results

9 months ending Dec 2024 & Dec 2023

AEROFLEX INDUSTRIES LIMITED

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Statement of unaudited consolidated financial results for the quarter and nine months ended on 31st December, 2024 *(INR in lakhs)*

Yellow highlighted period is what we're interested in

Particulars		Quarter ended			Nine months ended		Year ended
		3 months ended 31.12.2024 (Unaudited) Dec 2024 Quarter	Preceding 3 months ended 30.09.2024 (Unaudited) # Sep 2024 Quarter	Corresponding 3 months ended in the previous year 31.12.2023 (Unaudited) Dec 2023 Quarter	Year to date figures for the current period ended 31.12.2024 (Unaudited)	Year to date for the previous year ended 31.12.2023 (Unaudited)	Twelve months ended 31.03.2024 (Audited)
Revenue from operations	1	9,979.54	9,499.36	7,312.90	28,453.62	24,013.52	31,790.73
Other income	2	57.25	80.93	119.17	241.24	253.77	384.32
Total Income (1+2)	3	10,036.78	9,580.29	7,432.07	28,694.87	24,267.29	32,175.05
Expenses :							
Cost of Materials consumed		5,809.47	6,095.78	4,941.05	16,868.32	15,870.83	20,723.88
Changes in inventories of finished goods, work-in-progress and stock-in-trade		193.19	(517.53)	(382.84)	142.52	(633.92)	(583.59)
Employee benefits expense		921.04	884.99	673.81	2,603.21	1,943.35	2,620.18
Finance costs		8.62	7.83	7.30	22.55	207.86	213.86
Depreciation and amortization expense		251.29	243.00	158.68	731.77	452.48	626.19
Other expenses		886.52	999.55	699.37	2,824.02	2,096.56	2,849.51
Total expenses	4	8,070.12	7,713.62	6,097.35	23,192.39	19,937.16	26,450.02
Profit before exceptional items and tax (3-4)	5	1,966.67	1,866.67	1,334.72	5,502.48	4,330.13	5,725.03
Exceptional items	6	-	-	-	-	-	-
Profit/(loss) before tax (5+6)	7	1,966.67	1,866.67	1,334.72	5,502.48	4,330.13	5,725.03
Less : Tax expense:-	8						
Current Tax		490.00	475.00	330.00	1,395.00	1,058.00	1,415.70
Deferred Tax		1.15	(6.09)	6.37	(6.60)	10.01	43.93
Taxation of Earlier Year		(45.40)	31.91	94.73	(13.49)	92.00	92.00
Profit/(loss) for the period from continuing operation (7-8)	9	1,520.92	1,365.84	903.62	4,127.57	3,170.11	4,173.40
Paid up Equity Share Capital		2,586.41	2,586.41	2,586.41			
Face value per share of Rs 2/- each							
Other Equity							
Earnings per equity share: (for continued Operation - not annualised):							
(1) Basic		1.18	1.06	0.70			
(2) Diluted		1.18	1.06	0.70			

Revenue from operations: Sales of products & services of core business

Other income: Income from other than core business

Cost of Materials consumed + Changes in inventories: Cost of Goods Sold (COGS)

Employee benefits expense: Salaries etc.

Finance costs: Interest on loans taken

Depreciation and amortization expense: Non-cash expense allocated on Fixed Assets

Other expenses: Admin, Marketing, other misc. expenses

Exceptional items: Always remove Exceptional items such as fire in factory etc. from the Results

Current Tax, Deferred Tax, Taxation of Earlier Year: Tax

Profit/(loss) for the period from continuing operation: Net Profit

Always use Diluted EPS for your calculations. Diluted EPS takes into account potential ESOP & Warrants conversion.

Key Components to focus on:
- Revenue
- Operating Profit
- Net Profit

Revenue
- COGS
Gross Profit
- Employee benefit & other exp.
EBITDA (Operating profit)
- Depreciation
EBIT
- Interest
PBT
- Taxes
PAT

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Management Commentary

Also keep an eye on the company's commentary regarding their results. These often provide helpful context and insights into future expectations, making it easier to interpret the numbers. While not mandatory, many companies share an **Investor Presentation** summarizing their performance and future plans, or they issue a press release for the same purpose. Additionally, some companies host **earnings calls** open to everyone, where they address questions from investors. As investors, it's essential to review the transcripts of these earnings calls for valuable insights.

What do we make out of Aeroflex December quarter results?

The company reported Revenue of ₹99.80 cr. in Dec 2024, compared to ₹73.13 cr. in Dec 2023, an increase of 36% year-on-year (YoY). On this revenue of ₹99.80 cr., it earned Operating Profit (EBITDA) of ₹21.70 cr. i.e. Operating Profit Margin (OPM%) of 21.7% in Dec 2024, compared to 18.9% OPM% in Dec 2023. The Net Profit increased to ₹15.21 cr. in Dec 2024, compared to ₹9.04 cr., thus an increase of 68% YoY.

YoY comparisons neutralize the impact of seasonal fluctuations in business performance. Many businesses experience predictable seasonal cycles, such as retailers seeing peak demand during the holiday season. By comparing the same time periods across different years (e.g., Dec 2024 vs. Dec 2023), we can assess true growth without the distortions caused by seasonal extremes.

Aeroflex also provided an Investor Presentation after announcing its results where it outlined its strategic growth initiatives, market expansion strategy, updates on capacity expansion and operational improvements. Aeroflex also held its earnings call, transcript of which is also available.

All in all, Aeroflex's growth appeared good, margins improved, management seemed confident about its future plans.

Our stock market is heavily obsessed with good results, often reacting strongly to any signs of growth or profitability in a company's performance. Next day after results, Aeroflex got locked in 20% Upper Circuit! Probably, it met with the EXPECTATIONS that investors must have set for it.

Stock prices typically rise when a company reports good earnings and fall when it reports poor earnings. However, delivering positive Revenue & Profit growth is not enough for a stock to rise. The growth numbers must meet expectations of large investors who have invested or track these companies closely. Sometimes, seemingly bad results can be rewarded by the stock market, while seemingly good results can be punished if they don't meet expectations.

Let's say a Company had earned ₹1,000 cr. profit last quarter and earned ₹1,400 cr. profit this quarter, an increase of 40%! Good isn't it? But what if the market was expecting ₹1,600 cr. Profit? The stock price will most likely be beaten next day!

SYNGENE INTERNATIONAL (Rs. cr.)	Dec 2023	Dec 2024	Change
Revenue	854	944	10.5%
OPM %	27.2%	30.1%	2.9%
Net Profit	112	131	17.0%

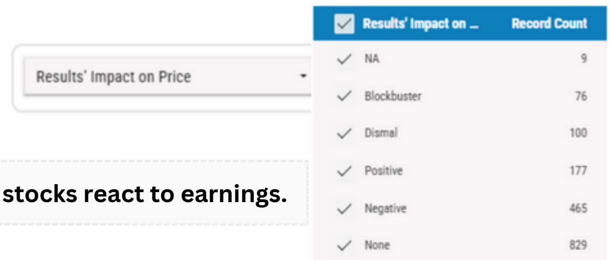
L&T TECHNOLOGY SERVICES (Rs. cr.)	Dec 2023	Dec 2024	Change
Revenue	2,422	2,653	9.5%
OPM %	20.1%	18.7%	-1.5%
Net Profit	337	320	-5.0%

Consider the case of **Syngene International**, which reported double digit growth in Revenue and Net Profit, improvement in margins, yet the stock price fell over 6% the next day of declaring results.

Or **L&T Technology Services**, which reported fall in margin and profitability, but still the stock gained 8% next day after declaring results. Even TradingView has a negative E earning sign on the date LTTS declared its results.

This is precisely the reason why we have categorised Earnings Results into **'Blockbuster'**, **'Positive'**, **'Dismal'**, **'Negative'** and **'No impact'** in our Dashboard.

With so many results getting announced during the earnings season, it makes life of a trader really hard to concentrate on winning stocks.



Pro-Setups makes your life easier by classifying earnings impact based on how stocks react to earnings.

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Quick revision of each line item:

Revenue from operations	This is the total amount of money a company earned from its primary business activities during the quarter. Also known as ***Top Line***.
Other Income	Other income is the money earned by a company from sources outside its core business activities, such as interest income, rental income, dividend on investment.
Cost of Goods Sold (COGS)	COGS includes all direct costs associated with producing or purchasing the goods or services sold. This includes Cost of Materials consumed, Changes in Inventory and Direct Wages paid to factory workers.
Gross Profit	Gross Profit = Revenue - COGS. It reflects how efficiently a business manages its production costs and pricing strategies. You should exclude Other Income while calculating Gross Profit.
Employee Benefit Expenses	Includes salaries (other than wages to factory workers) & expenses related for employees benefits.
Other Expenses	Other expenses include expenses related to administration, selling & marketing, transportation, legal and other misc. expenses incurred by company.
EBITDA ***(or Operating Profit)***	EBITDA = Gross Profit - Employee Benefit expenses - Other expenses. EBITDA allows for more accurate comparisons between companies by excluding the effects of financing decisions, tax environments, and accounting practices for non-cash expenses.
Finance Expenses	Expenses paid on debt taken by company.
Depreciation & Amortization	These are non-cash expenses that allocate the cost of assets over their useful life. Depreciation is charged on fixed physical assets, while intangible assets are amortized.
PBT	Profit before the company pays Income Tax.
Exceptional Items	Exceptional items are unusual transactions and are not recurring in nature. While they do impact the business, they are excluded for comparing one quarter with another.
PAT (or Net Profit)	Profit after the company has paid Income Tax. Also known as ***Bottom Line***. This is the profit after all expenses have been taken care of.
EPS	EPS is calculated by dividing the net income by the number of outstanding shares. It tells you how much profit is left for each share.
Year over Year (YoY) Comparison	Compare the current quarter's results with the same quarter from the previous year. So December 2024 quarter is compared with December 2023 quarter. This helps in understanding the company's growth trajectory and seasonal patterns.
Sequential Comparison	Looks at how the company performed compared to the previous quarter. Here December 2024 quarter is compared with September 2024 quarter. This can reveal short-term trends or improvements.
Trailing Twelve Months (TTM)	Measures company's performance over the most recent 12 consecutive months. So Dec 2024 TTM Revenue will be sum of revenue in March 2024, June 2024, Sept 2024 and Dec 2024 quarter.