**Return on Assets:** The ratio decreased over four years from 2006 to 2010. The operating income for Company A increased for the same period but total assets also increased and in a much greater proportion, hence the ration decreased. For Company B, the ROA ratio decreased, then increased and finally became almost constant. For Company C, ROA has been increasing over last four years. The reason for this is the increasing operating income for Company C over past four years. However, Company A has highest ROA, meaning that if Company A wants to start a new project; it should be able to earn a minimum 18.75% which is too high for any industry.

**Return on Equity:** Return on equity measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested. The ROE for Company A decreased over four years. The decrease is due to an insignificant increase in net income and shareholder's equity.

For Company B, the ratio from a high of 16.59% became negative due to net loss in 2007, gained strength in 2008, but fell again in 2009.

For Company C, the ratio increased over the four year period mainly due to increase in the net income. The ratio is highest for Company A, meaning that Company A provides the highest return on shareholder's equity.

**Return on Capital:** It is a measure of how effectively a company uses the money (borrowed or owned) invested in its operations. For Company A, the ratio decreased in 2009 from 2006. For Company B too the ratio decreased significantly from the 2006 number, implying the effectiveness of Company A and B have reduced. Company C had gradual increase in the ROCE over the past four years. The main reason behind this performance has been an increasing growth in the net income.

**Gross Margin:** Company A has a constant gross margin ratio for the four year period. This has been due to a proportional increase in the cost of goods sold in the sales. For company B, the gross margin ratio increased slightly in 2009 from the 2006 number. The gross margin for Company C has been constant at 9.8%. Company A has strong gross margin ratio at 70.38% at the end of 2009 followed by Company B at 52.12% and then Company C at 9.8%.

**EBIDTA Margin:** For Company A, the ratio decreased slightly from the 2006 number, though it had been constant during 2007 and 2008. Company B's EBIDTA Margin decreased slightly from the 2006 number, but overall there has been an increase from 2007 to 2009. The ratio has been constant for Company C at 2.72 over past four years due to increase in both EBIDTA and sales.

**Levered cash flow Margin:** Company A had a decreased leveraged cash flow margin in 2009 as compared to 2006. It was lowest in the year 2007. For Company B, the ratio decreased from 2006 to 2009 while for Company C it remained constant at an average of 2.4.

**SG&A Margin:** This ratio relates SG%A expense to net sales. The SG&A expense for Company A hovered between 32-33.5% of net sales. For Company B it increased from 23.89% to 28.22% where it remained constant for 2009. Company C managed to bring down the SG&A expense from 7.28% of sales in 2006 to 7.04% of sales in 2009.

**Total Assets Turnover:** This ratio is more useful for growth companies to check if in fact they are growing revenue in proportion to sales. Company A maintained a high asset turnover of 0.75 from 2006 to 2008.However in 2009, this ratio dropped to 0.65. The asset turnover increased for Company B from 0.59 to 0.62 over last four years and for Company C, it has been increasing. This implies that Company C, amongst all three companies is generating greatest revenue from its assets. However it also implies that Company C has the least profit margins among all three companies.

**Fixed Assets Turnover:** The fixed-asset turnover ratio measures a company's ability to generate net sales from fixed-asset investments - specifically property, plant and equipment (PP&E),net of depreciation. The fixed assets turnover for Company A has been fairly constant over last four years with an average of 4.25. For Company B, the ratio increased from 2006 to 2008 and then remained constant at 4.01. Company C has the highest fixed asset turnover ratio which increased from 2006 to 2009 to reach 94.5 implying that Company C is most effectively utilizing its fixed assets for generating revenue.

**Accounts Receivable Turnover:** This is the ratio of the number of times that accounts receivable amount is collected throughout the year. Company A has a fairly constant ratio at 6.4 implying that there have been no changes in the accounts receivable policy. Company B's ratio reduced drastically from 5.51 in 2006 to 2.80 in 2007 mainly due to net loss that the company suffered. However, it stabilized to 5.68 in 2009. Company C's A/R turnover increased over the past four years. Among all three companies, Company C has the most strict credit policy.

**Inventory Turnover:** This ratio indicates the inventory levels. For company A, the inventory turnover increased from 10.91 in 2006 to 11.95 in 2009 indicating less optimal utilization of inventory. For Company B there has been slight increase in the ratio from 7.81 to 8.00. For Company C, the inventory turnover ratio increased from 8.16 to 11.65.

**Current Ratio:** It is a liquidity ratio that measures a company's ability to pay short-term obligations. Company A's current ratio increased from 1.20 in 2006 to 1.82 in 2009, which means that company's ability to pay short term obligations from short term assets increased. Company B's current ratio decreased in 2007, but increased again to reach 2.44 in 2009. Company C's current ratio has been almost constant over the past four years at 1.90. Among all three companies, Company B is in best position to clear off its short term debts.

**Quick Ratio:** The quick ratio or acid-test ratio is the same as current ratio except that it does not include inventory and prepaid as assets that can be liquidated. There has been an improvement in the quick ratio of Company A from 0.94 to 1.58 in 2009. Company B's quick ratio decreased over the four year period mainly due to increasing inventory. Company C has a quick ratio that is fairly constant at 0.90. This is an area of caution for Company C since a ratio of less than 1 implies that the company cannot pay its current obligations from quick assets.

**Total debt/total equity:**  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. The ratio increased from 0.79 to 0.87 from 2006 to 2009. The low ratio indicates that Company A had been financing its growth through equity and relied less on debt. Company B, from more equity financing moved towards debt financing towards the end of 2009. Company C on the contrary moved from debt financing to equity financing from 2006 to 2009.

**Debt/Asset Ratio:** The debt/asset ratio shows the proportion of a company's assets which are financed through debt. The average ratio for Company A is 0.47 which means that majority of company's assets are financed through equity. Company B's debt/assets ratio increased to 0.53 from 0.39, implying that company was utilizing more debt for financing new assets. Company C has highest debt/assets ratio among all three companies.

**Conclusion:**

Company A has strong financials as compared to Company B and Company C. From the financial data, it can be reasoned out that the company has been in operations for a long time. Company C has a smaller financial portfolio as compared to Company A or Company B. However, the fundamentals for Company C are strongest among all three companies. There has been no spike in the financial performance as can be inferred from the data, and this is reflected in the ratios as well which show either an increasing trend or a constant trend. Following is the summary of financials of Company A:

* ROA: Company A has a higher ratio; thus more efficient operations
* Company A is more capable of generating cash internally; as is evident from its ROE ratio
* Company A would deliver more wealth to its shareholder’s over a long term
* Company A has lot of money to spend on other business operations, such as Research & Development or marketing.
* A high SG&A ratio indicates that Company A has a lot of scope to improve its operating profitability
* A high total asset ratio indicates that Company A has tied excess assets relative to the need of the firm and its competitors. Assets may be obsolete, fully depreciated and outdated assets which does not generate high sales volume.
* With an average of one dollar invested in the stock, almost ten times the sale is achieved. This is a positive factor for Company A.
* The current ratio is sufficient for Company A
* Most of the financing in the company is through equity