

FINANCIAL ANALYSIS

TreADCUshy



Financial Statements – P/L

Horizontal Analysis

- Revenue
 - *Significant growth*
 - *Capturing market share*
- CoS
 - *Increased*
 - *Growth is lesser than growth in revenue*
- Operating Exp
 - *Increase is less than growth in Sales*
 - *Tight control of Op Exp.*
- Operating Profit
 - *Increased significantly*
 - *Due to controlling CoS and Op Exp.*
- Profit
 - *Exponential growth*

Item	2020	2021	% Change
Revenue	59,120	67,740	14.6%
CoS	28,970	32,515	12.2%
GP	30,150	35,225	16.8%
Selling & Distribution	21,585	23,053	6.8%
Admin	5,440	6,100	12.1%
OP	3,125	6,072	94.3%
FC	390	390	0.0%
PBT	2,735	5,682	107.8%
Income Tax	805	1,620	101.2%
Profit	1,930	4,062	110.5%

Financial Statements – SOFP

Horizontal Analysis

- PPE
 - Decreased by 3%, despite growth in revenues
 - No revaluations
 - Purchase PPE in the future?
 - Underutilized machines at present?
 - IAS 16 PPE
- Right of use assets
 - Has increased by 16.8%
 - It appears that the company has leased delivery vehicles
- Retained earnings
 - Significant growth
 - RE is totally reinvested on the business
 - Holding onto profits for future investments?
- Cash and cash equivalents
 - Increased exponentially
 - Cash held for investments?
- Borrowings
 - No change; has not borrowed
 - Leases have increased significantly
 - Purchase of vehicles?
 - IFRS 16 Leases

Item	2020	2021	% Change
PPE	9,200	8,924	-3.0
Right of Use Assets	620	724	16.8
Inventory	8,420	8,580	1.9
Receivables	490	518	5.7
Case and cash equi:	802	4,314	437.9
Total Assets	19,532	23,060	18.1
Share Capital	100	100	0.0
Retained earnings	7,126	9,188	28.9
Borrowings	4,600	4,600	0.0
Lease liability	433	542	25.2
Payables	6,380	6,912	8.3
Tax liability	805	1,620	101.2
Lease liability	88	98	11.4
TE & Liabilities	19,532	23,060	18.1

Financial Statements – SCF

Horizontal Analysis

- PPE
 - *Has sold PPE at a profit*
- *Depreciation*
 - *Increase is higher than growth in PPE*
 - *Old machines?*
 - *Do we need to replace machines, to pursue an expansion strategy?*
- *Payables*
 - *Has increased by \$ 532*
- *Receivables and Inventory*
 - *Has increased*
- *Dividends*
 - *49% of profits paid as dividends*
 - *51% of profits retained within the business*

Ratio Analysis

Type	Ratio	2020	2021	Difference
Profitability	GP Margin	51%	52%	1%
	OP Margin	5%	9%	4%
	NP Margin	3%	6%	3%
	ROCE	25%	42%	17%
Activity	Receivable Days	3	3	(0)
	Inventory Days	29	26	(3)
	Payable Days	80	78	(2)
	Cash Conversion Cycle	(48)	(48)	-
Gearing	Gearing 1	70%	55%	-14%
	Gearing 2	41%	36%	-5%
	Interest Cover	8	16	8
Liquidity	Current Ratio	1.3	1.6	0.2
	Quick Ratio	0.2	0.6	0.4

Ratio Analysis – (Contd.)

- **GP Margin** has increased by 1% - **Marginal**
 - Sales has increased (14.6%)
 - CoS has increased (12.2%)
 - Has effectively managed CoS
 - To manage further- Variance Analysis
- **OP Margin** has increased by 4% - **Good**
 - Better management of costs
- **ROCE** has increased significantly by 17%
 - Shareholders are kept satisfied
 - Driven mainly by growth in Operating Profit
- **Inventory days** has dropped by 03 days - **Marginal**
 - Appropriate management of stocks
- **Receivable days**
 - No change
- **Payable days** has dropped by 2 days
 - Payment terms granted by suppliers range from 30 to 60 days
 - Payable days for 2021 is 78 days (18 days beyond payment days)
 - Company should stick to payment terms, in order to maintain a collaborative relationship with suppliers
- **WCC**
 - No change
 - Negative due to high payable days

Ratio Analysis – (Contd.)

- **Gearing** has decreased by 5%
 - *Gearing is at an acceptable level (36%)*
 - *The company can easily raise debt finance in the future*
- **Interest Cover** has increased
 - The company can easily meet its debt obligations
- **Current Ratio** has increased slightly
 - *Ideal is 2:1 (actual is 1.6:1)*
 - *Need to improve*
- **Acid test ratio** has increased slightly
 - *Ideal is 1:1 (actual is 0.6:1)*
 - *Need to improve*

THANK YOU!