SUMMARY OF QUARTERLY REVIEW

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Q4

SECRETARIAT FOR
PRIVATIZATION AND CORPORATIZATION BOARD

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Secretariat for Privatization and Corporatization Board

SUMMARY OF QUARTERLY REVIEW

QUARTER 4, 2019

INTRODUCTION

The main purpose of this paper is to assist the (Privatization and Corporatization Board) PCB in making efficient decisions and taking appropriate actions regarding the performance improvement of State-Owned Enterprises (SOEs). Further, this paper will assist stakeholders in understanding their businesses more effectively.

This quarterly review is a summary of the quarterly analysis prepared after analyzing the performance of the companies through the quarterly reports. For this purpose, individual analysis is prepared for each SOE separately. The analysis is done based on the comparison of quarter four of 2019 with the quarter four of 2018.

In this paper, the revenue, gross profit and the net profit are analyzed between the quarters. The liquidity position is analyzed through current and quick ratio. The gearing level is understood through debt to equity and debt to assets ratio.

In that context, this report consists of quarterly review of 26 different SOEs operating in the Maldivian market, which contributes significantly to the GDP of Maldives.

REVENUE

	COMPANY NAME	Q4 2018 (MVR)	Q4 2019 (MVR)	%
	REVENUE GROWTH			
1	ADDU INTERNATIONAL AIRPORT PVT LTD	14,160,708	19,336,702	37%
2	BUSINESS CENTRE CORPORATION LTD	-	-	-
3	BANK OF MALDIVES LTD	632,459,000	703,943,000	11%
4	DHIVEHI RAAJJEYGE GULHUN PLC	704,746,000	754,193,000	7%
5	FAHI DHIRIULHUN CORPORATION LTD	-	-	-
6	FENAKA CORPORATION LTD	296,471,277	348,097,416	17%
7	GREATER MALE' INDUSTRIAL ZONE LTD	30,007,208	38,511,626	28%
8	HOUSING DEVELOPMENT CORPORATION	74,951,524	172,792,504	131%
9	HOUSING DEVELOPMENT FINANCING CORPORATION PLC	45,566,560	50,152,172	10%
10	ISLAND AVIATION SERVICES LIMITED	551,193,364	546,519,625	-1%
11	KAHDHOO AIRPORT COMPANY LTD	3,247,806	3,167,021	-2%
12	MALDIVES AIRPORTS COMPANY LTD	1,398,226,000	1,427,529,000	2%
13	MALDIVES CENTER FOR ISLAMIC FINANCE LTD	17,600	28,826	64%
14	MALDIVES HAJJ CORPORATION LTD	4,594,999	3,362,209	-27%
15	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	-	-	-
16	MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION	11,196,753	40,302,417	260%
17	MALDIVES SPORTS CORPORATION LTD	25,100	341,914	1262%
18	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	377,734,904	350,457,508	-7%
19	MALDIVES TOURISM DEVELOPMENT CORPORATION	17,110,202	17,301,548	1%
20	MALE' WATER AND SEWERAGE COMPANY PVT LTD	423,459,577	219,782,804	-48%
21	MALDIVES PORTS LIMITED	209,081,724	194,288,316	-7%
22	PUBLIC SERVICE MEDIA	11,907,192	49,989,078	320%
23	SME DEVELOPMENT FINANCE CORPORATION LTD	3,474,102	1,464,970	-58%
24	STATE ELECTRIC COMPANY LTD	536,400,359	450,073,758	-16%
25	STATE TRADING ORGANIZATION PLC	2,566,007,286	2,350,641,535	-8%
26	WASTE MANAGEMENT CORPORATION	64,169,066	56,999,840	-11%
	TOTAL	**7,976,208,311**	**7,799,276,789**	**-2%**

Table 1: Revenue growth

A total revenue of MVR 7.8 billion is generated by SOEs at the end of fourth quarter of the year 2019 which is 2% reduction compared to the same quarter of the previous year.

STO and MACL are the highest revenue generating among the SOEs, generating revenue over billions each quarter. While STO has seen an 8% reduction in Q4 2019 compared to Q4 2018, MACL's revenue grew by 2% compared to the same period. STELCO, PORTS, MWSC, MTCC, IASL, FENAKA, Dhiraagu and BML are the next on the list generating revenue over hundred million Quarterly. As such, STELCO's revenue of MVR 450 million is a reduction of 16% compared to Q4 2018 while Ports, and MTCC faced a revenue reduction of 7% each with regard to the comparable period. MWSC's revenue reduced by 48% while IAS faced a slight revenue reduction of 1% with regard to the comparable period. Dhiraagu, BML and Fenaka has improved their revenue compared to the same quarter of the previous year.

Other companies who's has shown outstanding performance in terms of revenue compared to Q4 2018 includes AIA, GMIZL, HDC and HDFC. PSM and MMPRC also shows a high-income growth due to capital injections. AIA's revenue improved in the quarter as a result of increase in fuel sales due to new ad-hoc aircrafts being catered for fueling purpose. Simultaneously, GMIZL has an outstanding performance in terms of revenue due to increased rental income from leased plots. HDC shows a significant growth of 131% compared to Q4 2018 attributable to sale of development rights and sales of land. HDFC also shows an improvement of revenue by 10% due to increase in interest income for the housing loans provided by the company. MMPRC and PSM has increased revenue as a result of government grant which is recognized as income. PSM has however, reduced revenue from their core business activity.

Companies like WAMCO, Hajj Corporation and KACL has a deteriorated performance in terms of revenue compared to Q4 2018. WAMCO's revenue reduction resulted from reduced revenue from their special projects as such R. Vandhoo income, industrial village gate income and CAP services from Male' area. Hajj Corporations' revenue reduction is attributable to reduction in the number of pilgrims for Umra during the quarter. KACL has a 2% reduction in revenue resulting from loss in aeronautical revenue compared to Q4 2018. SDFC and FDC are newly formed companies in the year 2019 and are expected to generate revenue in a near future.

GROSS PROFIT

	GROSS PROFIT			
	COMPANY NAME	Q4 2018 (MVR)	Q4 2019 (MVR)	%
1	ADDU INTERNATIONAL AIRPORT PVT LTD	6,379,665	10,393,402	63%
2	BUSINESS CENTRE CORPORATION LTD	-	-	-
3	BANK OF MALDIVES LTD	354,717,000	391,369,000	10%
4	DHIVEHI RAAJJEYGE GULHUN PLC	283,196,000	336,757,000	19%
5	FAHI DHIRIULHUN CORPORATION LTD	NA	-	-
6	FENAKA CORPORATION LTD	112,707,488	122,134,746	8%
7	GREATER MALE' INDUSTRIAL ZONE LTD	30,007,208	38,511,626	28%
8	HOUSING DEVELOPMENT CORPORATION	65,563,033	156,359,464	138%
9	HOUSING DEVELOPMENT FINANCING CORPORATION PLC	33,339,102	36,358,373	9%
10	ISLAND AVIATION SERVICES LIMITED	407,836,293	189,635,917	-54%
11	KAHDHOO AIRPORT COMPANY LTD	(4,234,891)	(3,979,306)	6%
12	MALDIVES AIRPORTS COMPANY LTD	818,142,000	869,786,000	6%
13	MALDIVES CENTER FOR ISLAMIC FINANCE LTD	8,112	2,765	-66%
14	MALDIVES HAJJ CORPORATION LTD	113,066	(354,397)	-413%
15	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	-	-	-
16	MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION	2,956,442	18,729,618	534%
17	MALDIVES SPORTS CORPORATION LTD	25,100	135,696	441%
18	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	69,585,950	60,741,344	-13%
19	MALDIVES TOURISM DEVELOPMENT CORPORATION	9,775,231	9,966,578	2%
20	MALE' WATER AND SEWERAGE COMPANY PVT LTD	296,188,738	134,559,504	-55%
21	MALDIVES PORTS LIMITED	167,216,668	154,534,187	-8%
22	PUBLIC SERVICE MEDIA	(21,845,263)	30,308,713	239%
23	SME DEVELOPMENT FINANCE CORPORATION LTD	NA	3,474,102	-
24	STATE ELECTRIC COMPANY LTD	176,399,602	90,239,770	-49%
25	STATE TRADING ORGANIZATION PLC	341,828,444	329,248,590	-4%
26	WASTE MANAGEMENT CORPORATION	47,317,125	14,871,737	-69%
	TOTAL	**3,197,222,113**	**2,993,784,429**	**-6%**

Table 2: Gross Profit

Gross profit margin is a ratio used to assess a company's financial health and business model by revealing the amount of money left over from sales after deducting the cost of goods sold. The gross profit margin is often expressed as a percentage of sales and may be called the gross margin ratio. Without an adequate gross margin, a company cannot pay for its operating expenses. In general, a company's gross profit margin should be stable unless there have been changes to the company's business model.

After the direct costs has been expensed, the overall gross profit of the companies reduced by 6% (MVR 203 million) to the same quarter of the previous year. Significant decrease of gross profit is shown by WAMCO, STO, STELCO, MWSC, PORTS, MTCC, and IAS.

WAMCO's gross profit has been decreased by 69% (MVR 32 million) compared to Q4 2018 due to rise in direct costs particularly vehicle and vessel oil expenses and repair and maintenance expense. When looking into financials of STO, costs of sales has increased by 6% leading gross profit to reduce. STELCO has a decreased gross profit by 49% (MVR 86 million) due to reduction in revenue. Although revenue reduced, costs has remained at the same level as the fourth quarter of 2018. Gross profit of

MWSC and Ports limited decreased by 55% (MVR 162 million) and 8% (MVR 13 million) respectively, also affected by fall in revenue. MTCC also has a reduced gross profit due to revenue reduction compared to Q4 2018.

On the other hand, financials of AIA, BML, Dhiraagu, Fenaka, GMIZL, HDC, HDFC, MACL and MMPRC has shown growth in their gross profits compared to Q4 2018, mostly contributed by increased revenue.

NET PROFIT

	COMPANY NAME	Q4 2018 (MVR)	Q4 2019 (MVR)	%
1	ADDU INTERNATIONAL AIRPORT PVT LTD	(15,896,473)	(12,597,896)	21%
2	BUSINESS CENTRE CORPORATION LTD	(231,297)	(832,710)	-260%
3	BANK OF MALDIVES LTD	276,681,000	208,839,000	-25%
4	DHIVEHI RAAJJEYGE GULHUN PLC	231,853,000	289,182,000	25%
5	FAHI DHIRIULHUN CORPORATION LTD	NA	(1,269,905)	-
6	FENAKA CORPORATION LTD	(17,874,333)	(4,255,692)	76%
7	GREATER MALE' INDUSTRIAL ZONE LTD	14,800,094	18,390,836	24%
8	HOUSING DEVELOPMENT CORPORATION	(49,269,740)	83,818,541	270%
9	HOUSING DEVELOPMENT FINANCING CORPORATION PLC	28,392,571	35,348,166	24%
10	ISLAND AVIATION SERVICES LIMITED	262,493,870	26,640,577	-90%
11	KAHDHOO AIRPORT COMPANY LTD	(5,848,575)	(5,664,154)	3%
12	MALDIVES AIRPORTS COMPANY LTD	348,232,000	433,760,000	25%
13	MALDIVES CENTER FOR ISLAMIC FINANCE LTD	(1,179,498)	(2,227,511)	-89%
14	MALDIVES HAJJ CORPORATION LTD	(489,910)	(1,218,397)	-149%
15	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	(3,384,527)	(3,107,032)	8%
16	MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION	976,164	16,059,635	1545%
17	MALDIVES SPORTS CORPORATION LTD	(1,576,607)	(1,162,513)	26%
18	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	6,022,065	10,199,550	69%
19	MALDIVES TOURISM DEVELOPMENT CORPORATION	5,402,520	5,937,363	10%
20	MALE' WATER AND SEWERAGE COMPANY PVT LTD	215,586,993	52,622,797	-76%
21	MALDIVES PORTS LIMITED	67,040,995	37,179,817	-45%
22	PUBLIC SERVICE MEDIA	(49,234,420)	16,452,223	133%
23	SME DEVELOPMENT FINANCE CORPORATION LTD	NA	(451,455)	-
24	STATE ELECTRIC COMPANY LTD	63,112,235	(23,669,352)	-138%
25	STATE TRADING ORGANIZATION PLC	65,571,212	82,376,004	26%
26	WASTE MANAGEMENT CORPORATION	1,239,626	(11,866,382)	-1057%
	TOTAL	**1,442,418,966**	**1,248,483,509**	**-13%**

Table 3: Net Profit

SOEs generated a net profit of MVR 1.25 billion in the last quarter of 2019, a reduction of 13% when compared to the same quarter of the previous year.

When looking into individual performance, WAMCO has shown a significant decline in the performance in terms of profit compared to Q4 2018. The company has a net loss of MVR 12 million compared to a profit of MVR 1 million in Q4 2018 reflected by the steep reduction in revenue, followed by increase in costs.

STELCO also has a profit deterioration of 138%, followed by revenue loss and significant increase in operational costs. Other companies who have profit deterioration includes MWSC, Ports Limited and IAS. MCIF has a net loss which further deteriorated by MVR 1 million, resulting from rising costs while the company did not generate sufficient revenue. Fenaka also has a net loss in both comparable quarters. However, the company's net loss reduced after improvement in revenue.

Net profit of Dhiraagu, GMIZL, HDC, MACL, MMPRC, MTCC and STO has shown a significant growth compared to Q4 2018.

SHORT TERM LIQUDITY RATIOS

COMPANY NAME	Q4 2018 (MVR) Current Ratio (Times)	Q4 2018 (MVR) Quick Ratio (times)	Q4 2019 (MVR) Current Ratio (times)	Q4 2019 (MVR) Quick Ratio (times)
ADDU INTERNATIONAL AIRPORT PVT LTD	0.19	0.14	0.11 ↓	0.09 ↓
BUSINESS CENTRE CORPORATION LTD	0.67	0.67	3.14 ↑	3.14 ↑
DHIVEHI RAAJJEYGE GULHUN PLC	1.51	1.42	1.65 ↑	1.57 ↑
FAHI DHIRIULHUN CORPORATION LTD	NA	NA	73.00	73.00
FENAKA CORPORATION LTD	0.66	0.42	0.61 ↓	0.32 ↓
GREATER MALE' INDUSTRIAL ZONE LTD	7.66	1.74	4.25 ↓	3.25 ↑
HOUSING DEVELOPMENT CORPORATION	3.57	1.66	3.11 ↓	0.8 ↓
ISLAND AVIATION SERVICES LIMITED	0.90	0.75	0.98 ↑	0.85 ↑
KAHDHOO AIRPORT COMPANY LTD	28.15	27.09	25.39 ↓	24.47 ↓
MALDIVES AIRPORTS COMPANY LTD	2.78	2.46	1.97 ↓	1.76 ↓
MALDIVES CENTER FOR ISLAMIC FINANCE LTD	1.69	1.67	0.46 ↓	0.45 ↓
MALDIVES HAJJ CORPORATION LTD	2.55	2.51	25.9 ↑	25.17 ↑
MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	0.53	N/A	0.52 ↓	N/A
MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION	0.05	0.99	0.1 ↑	1.02 ↑
MALDIVES SPORTS CORPORATION LTD	6.54	6.54	1.9 ↓	1.9 ↓
MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	1.20	0.97	1.3 ↑	1.01 ↑
MALDIVES TOURISM DEVELOPMENT CORPORATION	0.18	0.18	0.32 ↑	0.32 ↑
MALE' WATER AND SEWERAGE COMPANY PVT LTD	1.42	0.99	1.28 ↓	0.89 ↓
MALDIVES PORTS LIMITED	3.42	3.03	2.46 ↓	1.11 ↓
PUBLIC SERVICE MEDIA	0.12	0.12	0.19 ↑	0.19 ↑
STATE ELECTRIC COMPANY LTD	0.75	0.58	0.83 ↑	0.71 ↑
STATE TRADING ORGANIZATION PLC	1.08	0.89	1.08	0.84 ↓
WASTE MANAGEMENT CORPORATION	1.85	1.85	1.8 ↓	1.81 ↓

Table 4: Short term liquidity ratios

Although the ideal standard of current ratio is 2:1, indicating that, for every MVR 1 worth of short-term liability, there should be MVR 2 worth of current assets, different industries has different optimal levels of liquidity ratios. As such, depending on how the company's assets are allocated, a high current ratio may suggest that that company is not using its current assets efficiently, or is not securing financing well, or perhaps is not managing its working capital effectively.

FDC, MHCL and KACL has high liquidity ratios due to government capital injections. Hajju Corporation also has high liquidity ratios due to the advance payments for Hajju paid by potential pilgrims.

The short-term liquidity position of companies such as AIA, Fenaka, MCIF and PSM are below the ideal level sue to high level of current liabilities compared to their current assets. Further, results of MWSC, STO, WAMCO, MACL and HDC has declined compared to Q4 2018.

FINANCIAL LEVERAGE RATIOS

COMPANY NAME	Q4 2018		Q4 2019	
	Debt to Equity (times)	Debt to Assets (times)	Debt to Equity (times)	Debt to Assets (times)
ADDU INTERNATIONAL AIRPORT PVT LTD	15.57	0.59	(7.01)	0.7
FENAKA CORPORATION LTD	0.82	0.12	0.64	0.09
HOUSING DEVELOPMENT CORPORATION	0.46	0.27	0.59	0.32
ISLAND AVIATION SERVICES LIMITED	0.50	0.24	0.54	0.24
MALDIVES AIRPORTS COMPANY LTD	0.50	1.00	0.04	1.00
MALDIVES HAJJ CORPORATION LTD	(5.45)	0.96	(5.76)	1.2
MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	0.69	0.30	0.62	0.28
MALE' WATER AND SEWERAGE COMPANY PVT LTD	0.06	0.04	0.13	0.08
MALDIVES PORTS LIMITED	0.16	0.12	0.18	0.12
PUBLIC SERVICE MEDIA	1.67	0.60	0.18	0.13
STATE ELECTRIC COMPANY LTD	3.89	0.63	3.34	0.61
STATE TRADING ORGANIZATION PLC	0.80	0.28	1.03	0.37

Table 5: Financial leverage ratios

The above listed companies are the companies who owes debts as means of financing for investments. Based on the ratios, AIA has the highest gearing ratio. The rise in borrowing is not healthy for a company like AIA where they do not have the potential to repay the debts and has to depend on the capital injections from the shareholders. The long-term sustainability of the airport depends on the growth of bed capacity in the region, thus increasing debts while bed capacity is not increasing will not be healthy for the company.

Apart from AIA, companies like STELCO also has a high leverage due to significant debts. Although this increases the financial risk associated with the company, developmental projects will increase room for further revenue. Although STO's debt to equity seems higher, this is mainly due to short term loans and overdrafts which are revolving in nature.

The companies with low financial leverage include IASL, MWSC, PORTS. With a low financial risk these companies will be able to attract additional finances if required. Hajj corporation has a negative equity resulting from accumulated losses over the consecutive quarters.

CONCLUSION

The last quarter of 2019 generated MVR 7.8 billion revenue for SOEs. Fourth quarter of 2019 was a successful quarter in terms of profitability to companies such as GMIZL, HDFC, MACL, MTCC and STO. These companies have achieved a growth in net profit compared to Q4 2018. In terms of profit STO is highest on the list in Q4 2019 generating a revenue of MVR 2.4 billion, followed by MACL and Dhiraagu.

Since SDFC and FDC began its operations in 2019, it is expected that these companies will expand its operations and become self-sufficient in the upcoming quarters as such the company will not have to depend on shareholder assistance for its operation.

SOEs such as AIA, KACL, MSCL, BCC and MCIFL are poor performing companies. With significant accumulated losses, these companies are facing serious going concern issues. Therefore, Government of the Maldives has to finance company's operations in terms of capital injections. The overheads of the SOE's keep rising each year, hence it is important that companies take measures to control their expenditure and reduce costs. This can be done through cutting down the irrelevant and avoidable expenses.

Quarterly review; Quarter 4, 2019

AASANDHA COMPANY LTD

AASANDHA COMPANY LTD
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/ACL/Q4

Q4 2019 with Q3 2019

Aasandha Company is a 100% state-owned company, tasked with managing the national health insurance scheme 'Husnuvaa Aasandha'. Established in 2011, Aasandha administers and manages the national health insurance scheme, facilitating the provision of quality and assured health care for Maldivians.

Provisional accounts of company for the year 2018 was prepared after consolidating Aasandha company and Hulhumale' hospital. However, as per the auditor's opinion company now (in 2019) prepares its accounts excluding transactions of Hulhumale' hospital. Therefore, for a better understanding and comparison purpose this report will only compare Q4 2019 with Q3 2019.

INCOME AND EXPENSES

Income

Q4 2019
12.6
Million in MVR

Q3 2019
11.9
Million in MVR

Income received from NSPA for scheme expenditures are presented separately below. Income stated are of two types. Budget contribution from Government and other income which are spent for the company's administrative and other operating expenses. Budget contribution by Finance ministry was MVR 9 million in Q4 2019. The total revenue including budget income increased by 6% compared to Q3 2019.

Operating Expenses

Q4 2019
12.6
Million in MVR

Q3 2019
11.8
Million in MVR

Compared to previous quarter of Q4 2019, total operating expenses have increased by MVR 1 million, mainly due to increase in other operating expenses.

Other operating expenses	Q4 2019	Q3 2019	Var %
travelling expenses	570,013	249,471	128.49
professional services	126,810	106,810	18.72
Scholarship and training	1,000	129,343	-99.23
repairs and maintenance	148,020	73,166	102.31
General expenses	554,500	195,520	183.60
Office cleaning	16,968	-	
Sundry expenses	42,634	29,107	46.47
Total	1,459,945	783,417	86.36

Travelling expenses increased by 128% while professional services increased by 19%. Repairs and maintenance increased by 102% while general expenses also increased by 184%. In addition to this an additional expense of office cleaning has been incurred in the quarter. Additionally, sundry expenses have also risen by 46%. This has led to overall increase in operational expenses while we see administrative costs taking a slight increment compared to the previous quarter. The breakdowns of administrative expenses are summarized by the following table.

Expenses for administration	Q4 2019	Q3 2019	Var %
salary and benefits	7,775,677	7,869,263	-1.19
Utility costs	350,087	355,823	-1.61
Communication expenses	386,915	412,849	-6.28
Rents	1,140,946	1,140,946	0.00
Directors Expenses	149,280	135,026	10.56
Printing and Stationary	94,457	71,532	32.05
Depreciation and amortization	1,205,155	1,085,684	11.00
Total	11,102,517	11,071,123	0.28

The main administrative expense of the company i.e. salaries and benefits reduced by slightly by 1.19%. Administrative expenses as such printing and stationary and directors' remuneration also increased slightly compared to Q3 2019.

Scheme and Welfare Payments

Q4 2019
289
Million in MVR

Q3 2019
62
Million in MVR

Scheme and welfare expenses increased by 70% compared to the previous quarter. The expenses increased from scheme related to Air, scheme related to 'others' and scheme related to sea transport. These amounts depend on medical consumption by the people as the services are required and they are not predicted before. Also, during the time of school holidays these services are demanded more as people tend to travel for medical purposes during school holidays.

Scheme expenditure	Q4 2019	Q3 2019	Var %
Aasandha scheme - Air	19,171,154	15,055,302	27.34
Aasandha scheme - Others	394,725,680	169,038,743	133.51
Aasandha scheme - Overseas	54,945,908	76,792,514	-28.45
Aasandha scheme - Sea	5,745,869	5,323,467	7.93
NSPA (Not covered by scheme)	16,766,134	22,512,315	-25.52
Merana Scheme	110,639	232,462	-52.41
Total	**491,465,384**	**288,954,803**	**70.08**

LIQUIDITY

Current Ratio

Q4 2019
1.06
TIMES

Q3 2019
1.07
TIMES

Current ratio shows company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets. Current ratio is seen constant over two quarters, which indicates company have enough current assets to cover its current liabilities in short term.

Current Assets	Q4 2019	Q3 2019	Var %
Inventory	448,751	448,751	0
Trade and other receivables	112,098,258	33,610,506	233.52
Advance and prepayments	18,985,035	18,934,569	0.27
Cash and cash equivalents	27,701,994	26,819,802	3.29
Total Current Assets	**159,234,038**	**79,813,628**	**99.51**
Current liabilities			
Trade and other payables	149,927,740	74,615,798	100.93
Total current liabilities	**149,927,740**	**74,615,798**	**100.93**

Cash Ratio

Q4 2019	Q3 2019
0.18 TIMES	0.36 TIMES

The cash ratio calculates a company's ability to repay its short-term debt with cash and cash equivalents. The cash ratio of Aasandha company shows that company does not have enough cash to cover its current liabilities with cash only. In Q4 2019, when total current liabilities stated over MVR 149.9 million, company-maintained cash in hand by over MVR 27.7 million.

It has to be noted that Aasandha plays an agency role in operating its business processes by receiving income from National Social Protection Agency (NSPA) and making payments to relevant healthcare service providers such as hospitals and pharmacies. Therefore, maintaining company's liquidity position is not entirely within their control as funds received from NSPA (through government budget) are used to do payments for healthcare providers under healthcare scheme and company's receivable and payables represent those funds related to scheme.

CONCLUSION

The operational expenses of the company have increased compared to Q3 2019 which includes administrative expenses and other operating expenses. In order to maximize returns, it is important for the company to maintain the expenses low. However, Aasandha is not a profit-making company, rather a service-based welfare company established fulfil the medical needs of the citizens. Going forward converting company business model to an insurance company is important.

Company maintains current assets above its current liabilities. As noted above, maintaining company's liquidity position is not entirely within Company's control as funds received from NSPA (through government budget) are used to do payments for healthcare providers under healthcare scheme and Company's major portion of receivable and payables consist those funds related to scheme.

RECOMMENDATION

It is important that Aasandha manages its operational expenses efficiently to help become a self-sufficient company for its long-term stability. More importantly, it is vital that company re-engineer its current process of managing scheme, preferably to a insurance model as this can be a total solution for company to operate in a self-sufficient model.

To improve liquidity position of the company, Aasandha should improve its trade receivable collections along with reducing its payables to an optimum level. As mentioned earlier re-engineering process might aid to achieve this goal.

Quarterly review; Quarter 4, 2019

ADDU INTERNATIONAL AIRPORT PVT LTD

ADDU INTERNATIONAL AIRPORT PVT LTD
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/AIA/Q4

Q4 2019 with Q4 2018 and Q4 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
14.2	19.3	13.9
Million in MVR	Million in MVR	Million in MVR

Revenue for the Quarter 4, 2019 was 37% higher than Q4 2018 and 39% higher than Q4 2019. The main revenue component for the company is Jet Fuel Revenue which rose by 25% and 43% respectively compared to Q4 2018 Q3 2019. New ad-hoc aircrafts were catered for fuelling purpose during Q4 2019 which improved Jet Fuel revenue compared to other quarters. Overall revenue from all components improved in Q4 2019 which is explained by the following table.

Ground handling charges and landing fees depends on flight operations. The number of aircraft movements from Villa reduced as villa Air stopped their operations after June 2019. However, the statistics show an increased number of IASL flights, which makes the total flight operations more, than the previous quarter. Moreover, there is an increase in the number of ad-hoc flights which increased revenue.

Revenue	Q4 2018	Q4 2019	Q3 2019
Jet Fuel Revenue	10,463,160	13,119,187	9,198,393
Ground Handling Charge	1,202,156	3,419,478	2,563,327
Landing Fees	803,592	1,174,992	937,615
Parking Fees	884,994	837,842	505,368
GPU charge	364,375	524,743	525,591
Cargo Terminal Warehouse	146,062	131,798	41,230
DCS Income	235,785	71,252	18,450
Other	60,584	57,410	131,374
Total	**14,160,708**	**19,336,702**	**13,921,348**

The company explains the difference in the variation due to the reason that IASL does not agree on the rates for DCS and the offers are rejected by IASL.

Gross Profit

Q4 2018	Q4 2019	Q3 2019
6.38	10.4	7.89
Million in MVR	Million in MVR	Million in MVR

The direct costs rose proportionately to the changes in revenue. The direct expense of AIA comprises of the costs in relation to the jets fuel sold, including Jet fuel expenses, jet fuel duty, Jet fuel royalty and Jet fuel Analysis. Direct costs increased proportionately greater than the increase in revenue compared to Q3 2019 having a negative growth in the gross profit margins. Compare to Q3 2019 Gross profit margin moved from 57% to 54%.

However, when compared to Q4 2018 the performance of the company is better in Q4 2019 in terms of gross profit margin. Total Cost of Jet Fuel sold increased proportionately with the increase in revenue. Compared to Q4 2018, revenue improved by 37% while costs increased by 15% causing gross profit to rise by 63%.

Net Profit/loss

Q4 2018	Q4 2019	Q3 2019
-15.9	-12.6	-15.3
Million in MVR	Million in MVR	Million in MVR

The company has high level of overheads to cover with the revenue generated. Though revenue improved, the company is yet running under losses being unable to settle the overheads with the operational inflow. Compared to Q4 2018 total loss for the company decreased by 21% due to increase in revenue. The operating expenses grew by 16% (MVR 2.4 million) which includes significant value of depreciation which includes land amortization which has not been amortized by the company in Q4 2018. Apart from amortization expense, employee benefit expense also has increased by 11% compared to Q4 2018. After Q4 2018, the company has hired additional 15 staffs during the year 2019 which adds to the operating expenses of the company. The company hired additional staffs for Passenger service, Cargo handling and other service areas, as the company experiences staff shortage since 2018. In addition to this, there has been a salary increment of 1% in all employees since April 2019 which added to the staff costs.

Compared to Q3 2019, operational loss decreased by 31% due to revenue improvement. While revenue increased, the company was not able to minimize the operational expenses contributing to increase in operating loss. Overall, the company has lowered their losses for the quarters compared to Q3 2019 and Q4 2018 with the improved revenue.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
0.19	0.11	0.11
Times	Times	Times

The low current ratio of the company signifies the liquidity issues in the company. The current ratio further reduced to 0.11:1 in Q4 2019.

Compared to Q4 2018, total current assets reduced by 12% (MVR 6.4 million) while current liabilities grew by 9% (MV 56.1 million). Inventories reduced by 32% while trade and other receivables reduced by 13% (MVR 4.78 million). Cash and Cash equivalents increased by 129% after proceeds of MVR 22 million from shareholder loan. In addition to this, AIA generated positive cash flow from their operations which improved the total cash balance. However current liabilities increased significantly by 54% (MVR 149 million) after payables and short-term portion of the borrowings has been increased compared to Q4 2018. Although increase in operational cash flow and reduction in receivables prove favorable to the company, payables of AIA have put them into high liquidity risk.

Compared to Q3 2019, current assets and liabilities increased by 8%, maintaining the same level of liquidity in both quarters. While inventories increased due to the addition of new fuel shipment for which the cost price was higher than that of the previous quarter. Cash and cash equivalents also improved due to addition of the borrowings from shareholders.

Overall, the company has a poor liquidity position with high level of short-term payables.

Quick Ratio

Q4 2018	Q4 2019	Q3 2019
0.14 Times	0.09 Times	0.09 Times

Inventories of the company include mainly jet fuel which reduced in Q4 2019 compared to Q4 2018 and increased when compared to Q3 2019. Hence the quick ratio is lower than Q4 2018 and remains constant with Q3 2019. Compared to Q3 2019, inventories increased as a new shipment brought in November 2019.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
0.006 Times	0.01 Times	0.003 Times

AIA has an insignificant cash ratio compared to the liabilities owed by the business. AIA has a positive cash balance in Q4 2019 from their operations which has been negative in the previous quarters. However, the greater portion of the cash and cash equivalents holds the proceeds from the borrowings of the company. The company is currently in significant debt which they are not in a position to settle through the operational cash flow.

LEVERAGE

Debt to Equity

Q4 2018	Q4 2019	Q3 2019
15.6 Times	-7.01 Times	-8.54 Times

AIA has a significant level of debt compared to the Equity, resulting from high level of debts acquired by the company. The company's equity has deteriorated due to accumulated losses over the quarters. The equity has moved to negative territory in 2019, questioning the going concern of the company without shareholder support. It is notable that AIA has huge borrowings which the company is unable to repay through their operations. They are also not in a position to acquire more debts as they depend merely on shareholder assistance.

Debt to Assets

Q4 2018	Q4 2019	Q3 2019
0.59 Times	0.70 Times	0.69 Times

Debt to Assets ratio also increased compared to Q3 2019 and Q4 2018 due to high level of debts which increased each quarter. The existing BML loan is paid with the assistance from shareholders, however, the company is unable to finance debts through the operations. The increase in debt to assets ratios indicate the financial risks associated with the increase in debt level which the company do not have the capacity to repay.

CONCLUSION

AIA has an improvement in their revenue compared to Q3 2019 and Q4 2018, however, high operational costs resulted in net losses over the quarters. Hiring of additional 15 staffs during 2019 added to the operational expenses.

The company is in a poor liquidity position where payables keeps on increasing with the borrowings of the company. The company is not in a position to meet the operational expenses and seeks shareholder assistance for loan repayment. Cash flow problem is further deteriorated by the fact that company is unable to collect the dues from Island Aviation.

In terms of leverage, the company has high leverage resulting from huge debts taken by the company which they do not have the capacity to repay. In addition to that, net losses accumulated results in negative equity.

RECOMMENDATION

AIA should formulate proper mechanisms to improve the operational inflow of the company. The cash flow from operations improved compared to the previous quarters. However, it could further be improved by proper forecasting of cash flows.

Costs should be minimized from all areas wherever possible. Without further developments to business, the operating expenses should not be increased. AIA should be more cautious when hiring employees, especially in a situation where company depends verily on shareholder assistance to repay the huge debts. Also, expenses like repair and maintenance, telephone expenses, etc. can be minimized through better utilization to enhance profit levels.

Quarterly review; Quarter 4, 2019

BUSINESS CENTRE CORPORATION LTD

BUSINESS CENTER CORPORATION LTD
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/BCC/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
0	0	0

The company has generated zero revenue over the three comparable quarters. The company is not being able to generate sufficient revenue since inception. Accumulated losses over the quarters adds up to the retained loss making the company financially unstable. Government injects capital on a quarterly basis, without which the company could not even run the operations. Due to no operations, the company do not have any direct expenses.

Net Profit

Q4 2018	Q4 2019	Q3 2019
(231,297)	(832,710)	(322,077)

The net loss equals to the operational loss of the business. The operational costs have been rising each quarter though they could not generate any income. The administrative costs increased after resumption of payment of remuneration of board members since appointment of new board of directors. The company is working towards establishing a sustainable business model with the new board of directors.

Administrative costs	Q4 2018	Q4 2019	Q3 2019
Registration fees	-	600	-
fines	77,000	-	228
board director allowance	15,000	103,500	45,000
company secretary allowance		15,334	4,920
Chairman salary	55,800	-	-
MD salary	8,400	155,566	126,732
Staff salary	-	284,014	48,665
Pension	-	35,048	12,850
Utilities		11,408	
Rent		135,000	
Office Supplies		16,368	
Cleaning expense		-	5,556
Bank charges		205	30
Meals and Entertainment		420	
Training expense		150	3,000
Land lease	75,097	75,097	75,097
Total	**231,297**	**832,710**	**322,077**

The table summarizes the operational expenses of the company in the three quarters. It can be observed that board remuneration and salaries increased compared to Q4 2018 and Q3 2019. Apart from that, the company started to pay rent as they rented an office space during the quarter, Additional costs include utilities, office supplies and meals and entertainment. Company has started operating at some level during the quarter.

With these additional expenses, it is expected that company could generate a revenue and start operating as a commercial business and reduce dependency on shareholder.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
0.67 Times	3.14 Times	5.06 Times

The current assets of the company represent the cash and cash equivalents which is the capital injected by the government. Though technically, the company has a high current ratio, they are not in a better operational liquidity position and they are highly dependent on shareholder assistance for daily expenses. Thus the company is not in a position to settle the liabilities through their assets.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
0.67 Times	2.99 Times	5.06 Times

As mentioned above, the company's cash represents the amount injected as capital injection, the company is not in a position to operate through their own funds. Since inception BCC did not carry out any business activity which generated revenue and enhanced cash flow. To run as a corporate model, it is vital for the business to reduce dependence on shareholder and generate revenue through own operations. Otherwise, the going-concern of the business is questionable.

CONCLUSION

Though the company started as a commercial business in 2017, the company has not generated sufficient revenue through the operations. Though business models were being made, the models have not been implemented. The company do not have any assets of their own except the cash injected as capital by the government. In the last quarter company started to implement its business activities although the company has not generated revenue yet.

RECOMMENDATION

Proper business plan must be made and strategies must be implemented to work on generating revenue into the business to reduce dependency on shareholders.

Quarterly review; Quarter 4, 2019

BANK OF MALDIVES LTD

BANK OF MALDIVES LTD
2019 Q4 PERFORMANCE ANALYSIS

Report No: PEM/2019/BML/Q4

Q4 2019 with Q4 2018 and Q3 2019

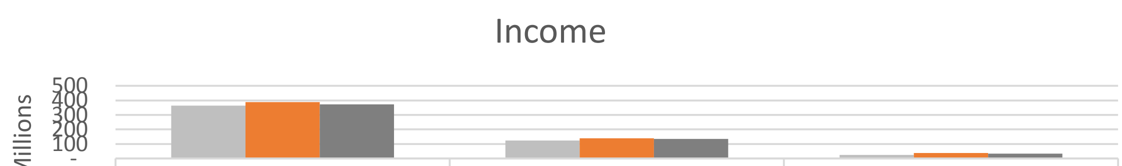
PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
632	704	639
Million in MVR	Million in MVR	Million in MVR

The bank has continued its growth in the fourth quarter of 2019, with a revenue growth of over MVR 64 million against previous quarter. Compared to the same period of last year, the revenue growth stands at 11%.

The below chart shows the revenue segments of the bank for the three quarters in review.



	Net Interest Income	Net fee and Commission Income	Other Operating Income
Q4 2018	363,276,000	124,304,000	24,423,000
Q4 2019	388,356,000	139,590,000	36,434,000
Q3 2019	371,671,000	135,148,000	32,864,000

The major revenue segment of the bank is interest income and it is highest in Q4 2019. A growth of 4% was recorded by net interest income compared to previous quarter. In addition, net fee and commission is income has also improved in Q4 2019.

Net Interest Margin

Q4 2018	Q4 2019	Q3 2019
1.58%	1.55%	1.50%

Net interest margin is an especially important indicator in evaluating BML because it reveals a bank's net profit on interest-earning assets, such as loans or investment securities. Since the interest earned on such assets is a primary source of revenue for a bank, this metric is a good indicator of a bank's overall profitability, and higher margins generally indicate a more profitable bank.

The interest earning assets of the bank has increased by 2% and net interest income by 4% compared to previous quarter, as a result the net interest margin has seen a growth. However, the margin has reduced compared to the same period of last year because the earning assets grew much higher than interest income.

Profitability

Q4 2018	Q4 2019	Q3 2019
276	209	224
Million in MVR	Million in MVR	Million in MVR

The bank ended the last quarter of 2019 with a net profit of MVR 209 million, however it is a reduction of MVR 15 million compared to previous quarter. Total operating income of Q4 2019 was higher than Q3 2019, however due to high operating expenses the net profit was reduced. Operating expenses grew by 38% in the fourth quarter 2019, compared with the third quarter 2019. As a result the earnings per share has reduced from MVR 167 to MVR 155 in Q4 2019.

CAPITAL MANAGEMENT

Total assets of the bank grew by MVR 3 billion compared to 2018 and compared to previous quarter the growth is MVR 490 million.

Total Assets	Q4 2018	Q4 2019	Q3 2019
Cash, Short term Funds & Balances with MMA	5,075,787,000	6,553,149,000	6,807,568,000
Loans and Advances	12,934,941,000	13,294,622,000	12,949,497,000
financial Investments- FVOCI	123,483,000	144,526,000	144,526,000
Financial Investments- Amortized Cost	4,797,296,000	5,140,285,000	4,838,164,000
Property, Plant and Equipment	409,976,000	528,165,000	448,126,000
Other Assets	333,111,000	322,725,000	304,697,000
Total Assets	**23,674,594,000**	**25,983,472,000**	**25,492,578,000**

Except cash and short term funds all other components has seen a growth in Q4 2019. Loans and advances are the main component of bank's assets and it has recorded a growth of 3% compared to previous quarter.

Maintaining adequate liquidity is essential to manage the expected and unexpected fluctuations in the assets and liabilities to provide funds for growth. The table below summarizes the liabilities of the bank;

Total Liabilities	Q4 2018	Q4 2019	Q3 2019
Deposits	15,280,223,000	17,302,473,000	16,969,972,000
Borrowings	921,761,000	975,349,000	1,018,898,000
Other Liabilities	997,808,000	1,025,900,000	1,032,797,000
Total Liabilities	**17,199,792,000**	**19,303,722,000**	**19,021,667,000**

While total assets grew by 2%, total liabilities has increased by only 1%. Borrowings and other laibilities has reduced in Q4 2019, while deposits increased. Deposits are the largest liability for the bank and include money-market accounts, savings, and checking accounts. Both interest bearing and non-interest-bearing accounts are included. Although deposits fall under liabilities, they are critical to the bank's ability to lend. If a bank doesn't have enough deposits, slower loan growth might result, or the bank might have to take on debt to meet loan demand which would be far costlier to service than the interest paid on deposits.

Loans to Deposits

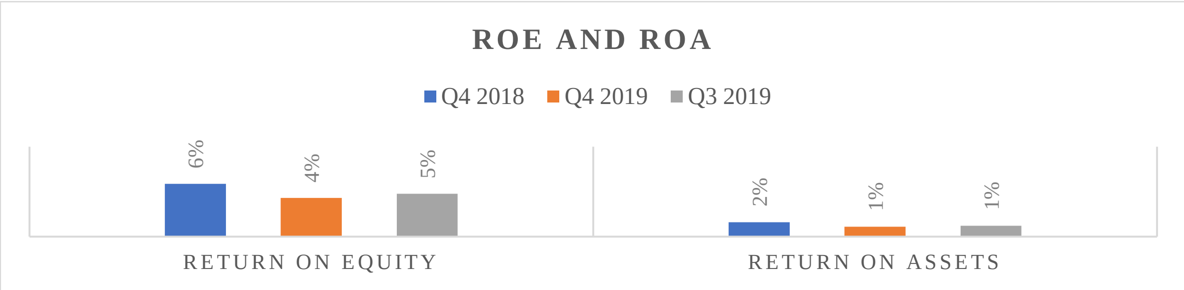
Q3 2018	Q3 2019	Q2 2019
0.85	0.77	0.76
TIMES	TIMES	TIMES

Loans to deposits is a solvency ratio which shows whether the bank is a healthy long-term business or not. The higher the ratio, the more risky the bank. The Loans to Assets ratio should be as close to 1 as possible, but anything bigger than 1.1 can mean that the bank gives more loans than it has in deposits, borrowing from other banks to cover the shortfall. That is considered risky behavior.

The bank has maintained the ratio at below 1 for three quarters in review.

Return on Equity (ROE) and Return on Assets (ROA)

ROE measures the ability of the bank to generate profit with the money shareholders have invested. ROA measures how efficiently a bank can manage its assets to produce profits during a period.



Both the ratios has seen a reduction in Q4 2019 due to reduction of bank's net profit. Nevertheless, positive results illustrate that bank is generating profits with the money shareholders have invested.

CONCLUSION

Total operating income of the bank has improved in Q4 2019, however due to increase in operating costs the net profit has reduced compared to other two quarters in review.

Capital and liquidity ratios are maintained above the regulatory requirements and has a positive cash flow position. Total balance sheet of the bank has seen a remarkable growth with increase from loans as well as customer deposits. Hence the bank has achieved satisfactory financial results in Q4 2019.

RECOMMENDATION

The net profit of the bank was affected by high funding cost, investment and provision charge; therefore the bank should be cautious about these expenses and try to keep them at a minimum level.

As the demand for Islamic finance has been rapidly increasing, expanding Islamic finance segment would help to increase the profitability of the bank.

Quarterly review; Quarter 4, 2019

DHIVEHI RAAJJEYGE GULHUN PLC

Report No: PEM/2019/DHIRAAGU/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
705	754	685
Million in MVR	Million in MVR	Million in MVR

Dhiraagu has achieved a revenue growth of 10% against previous quarter and 7% against the same period of last year. This remarkable result was driven by the growth on mobile and seasonal roaming revenues. During the quarter, DhiraaguTV was rolled out in partnership with a private network provider to expand the services and also introduced the first pay-per-view content on DhiraaguTV VOD library.

Operating Profit

Q4 2018	Q4 2019	Q3 2019
283	337	251
Million in MVR	Million in MVR	Million in MVR

The operating profit of the company also recorded a significant growth of 34% and 19% compared to Q3 2019 and Q4 2018 respectively. Although there was an increment in the operating costs, the depreciation and amortization has reduced, thus total costs reduced improving the operating profit. As a result, the operating profit margin has improved from 40% (Q4 2018) and 37% (Q3 2019) to 45% in Q4 2019.

Net Profit

Q4 2018	Q4 2019	Q3 2019
232	289	203
Million in MVR	Million in MVR	Million in MVR

Net profit of the company has increased by MVR 57 million (25%) compared to the same period of last year. This was mainly from reduced operating costs and net financing costs of the company. At the end of Q4 2019, Dhiraagu had a positive net financing costs as their financing income exceeded the financing costs.

In comparison to previous quarter, net profit has increased by MVR 86 million (42%), driven by increased revenue and reduced costs. The most drastic change was seen in the net financing costs as it has changed from a negative MVR 12 million to a positive 4 million in Q4 2019. Thus, net profit margin has improved from 30% to 38%.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
1.5	1.6	1.5
TIMES	TIMES	TIMES

A minor improvement in the current ratio was seen in Q4 2019 compared other two quarters in review. Total current assets of the company has increased by 26% and 30% against Q4 2018 and Q3 2019 respectively. In addition, the current liabilities has also increased by 16% and 17% compared to Q4

2018 and Q3 2019. Among the current assets, cash and cash equivalents has recorded the highest growth (132%) compared to previous quarter. On the other hand, the trade and other payables and amounts due to related party has increased.

It is also important to note that the most significant component of current assets is trade receivable and although its growth has reduced it still stands at 92% of company's revenue at Q4 2019. Receivables has increased by 2% compared to previous quarter.

Quick Ratio

Q4 2018	Q4 2019	Q3 2019
1.4 TIMES	1.6 TIMES	1.4 TIMES

The quick ratio shows company's short-term liquidity position and ability to meet its short-term obligations with its most liquid assets i.e. excluding inventories. Dhiraagu has an inventory of MVR 58 million at the end of Q4 2019, which is a reduction of 8% compared to previous quarter. As a result, the quick ratio has improved.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
0.5 TIMES	0.6 TIMES	0.3 TIMES

As a result of increasing company's cash and cash equivalents by MVR 276 million compared to previous quarter, the cash ratio has improved. Regardless of the increase in cash, it covers 60% of company's current liabilities. Moreover, the cash balance has increased at the cost of company's current liabilities i.e. the current liabilities has increased by 17%.

The operating cash flow of the company has improved against previous quarter, indicating Dhiraagu generated more cash through operational activities. During the third quarter, company has recorded MVR 24 million as net outflow from financing activities, which is a reduction of over MVR 400 million compared to previous quarter.

LEVARAGE

The company does not have any borrowings or loans; accordingly, the company's operations and investments are financed through internal sources. Thus, the company does not have to keep up with costs of serving bank loans or debt finance, allowing to use the capital for business activities.

CONCLUSION AND RECOMMENDATION

Quarter 4 of 2019 was a successful quarter for Dhiraagu in terms of revenue and profitability. The revenue of the company has recorded a growth of 10% and 7% against Q3 2019 and Q4 2018 respectively. Consequently, the net profit has also improved by 42% and 25% compared to Q3 2019 and Q4 2018.

The company has maintained current and quick ratio at 1.6. Liquidity of the company does not look weak as the company has satisfactory quick ratio and ability to convert receivables to cash as the receivables usually consist of large number of small customers. Further, the cash and cash equivalents has seen a significant growth in this quarter.

The profitability of the company could be further improved through efficient cost management. The operating costs of the company has a growing trend over the past quarters, thus company should try to maintain these costs at a reasonable level.

Since innovative services are an essential part of telecommunication industry, Dhiraagu should focus on innovation and improving the quality of service.

Quarterly review; Quarter 4, 2019

FAHI DHIRIULHUN CORPORATION LTD

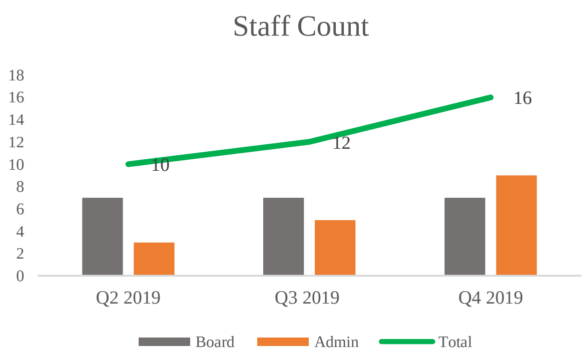
Q4 2019 with Q3 2019

PROFITABILITY

Operating Profit

Q4 2019	Q3 2019
-1.27	-1.14
Million in MVR	Million in MVR

Since the beginning of its operations in the second quarter of the year, they did not generate any revenue in Q3 and Q4 of 2019. The operational loss of MVR 1.21 million and MVR 1.27 million in Q3 2019 and Q4 2019 respectively, has resulted from the higher overheads incurred in both quarters. Since the company planned to commence their housing projects in 2020, it is expected that there will be future cash inflows from the operations. The operational loss is increased by 12% compared to the previous quarter due to administrative expenses. The main component of administrative expenses is salary and wages which increased by 21% compared to Q3 2019. The total staff counts at the end of each quarter in 2019 is shown by the following graph.



The board consists of 7 members and administrative support staff increased by 4 in Q4 2019. The company incurred MVR 823,907 in Q4 2019 which is 21% more than salary and wages incurred in Q3 2019. The company is expected to start its operations to provide housing in difference parts of the Maldives. The company's main source of income would be lease on the sale of these housing units. In Q4 2018 the company incurred office rent as they acquired an area for office works during the third quarter. The remaining administrative expenses which is summarized in the below table.

Administrative costs	Q3 2019	Q4 2019
Consultancy	81,360	126,764
Repair and maintenance	2,756	135
Depreciation	7,606	22,691
Travelling	95,539	-
Utilities	15,169	54,467
General Advisement	7,984	3,180
Printing and office Supplies	28,316	26,806
Small Tools & Equipment's	930	20,048
Postage and Stationary	-	876
Bank Charges	175	525
Office Refreshments	-	9,137
Transpiration	-	750
Training	3,000	-
Total	242,835	265,379

Utilities increased by 259% (MVR 39,298) in a quarters' time mainly due to office cleaning service contracted in September, Microsoft office subscription paid in October, Payment Voucher system purchased on November and Accounting Software system subscription being paid in December. Apart from this, consultancy charges increased by 56% (MVR 45,404) mainly due to IT consultant being hired in November and Office electrical network works carried in December being expenses as consultancy.

Net Profit

Q4 2019	Q3 2019
-1.27	-1.14
Million in MVR	Million in MVR

Since administrative expenses are the only expenses incurred by the company since inception, the operational loss equals to the net loss for the quarters since no revenue is generated. The company is expected to generate revenue and profits through their operations.

LIQUIDITY

Current Ratio

Q4 2019	Q3 2019
73	7
Times	Times

The capital injected by the government holds the greatest portion of the current assets of the business. Apart from that current liabilities reduced significantly as the company paid outstanding bills of Q3 2019 in Q4 2019. and on the other hand, current asset elevated to 73% in a quarters' time.

Cash Ratio

Q4 2019	Q3 2019
64	5
Times	Times

Cash Ratio in both quarters represent the cash injected by the government. This cash has to be used .to generate future cash inflows.

CONCLUSION

As a startup, FDC established office set up and recruited necessary staff to commence the initial administrative tasks. FDC set up their scope and developed organizational structure. They are in the process of finalizing the business plan for the upcoming 3 years.

During the quarter, the management engaged in collecting data on housing needs of the citizens all over the country and works were carried out in developing designs for their final product. As such FDC signed framework agreement with eight different parties to develop housing units; the company is expected to generate revenue through sale of these housing units in the long-term.

RECOMMENDATION

Being in an early stage, FDC must aim to have a sustainable business model of business development to reduce dependency on shareholders. Thereby, doing proper planning and estimations before commencing any projects. In addition, market research and product feasibility must be performed when introducing new products. Also, the company should try to eliminate unnecessary costs and improve efficiency.

Quarterly review; Quarter 4, 2019

FENAKA CORPORATION LTD

FENAKA CORPORATION LTD
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/FENAKA/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
296	348	369
Million in MVR	Million in MVR	Million in MVR

Revenue increased by 17% (MVR 52 million) compared to Q4 2018 while it shows a reduction of 6% (MVR 21 million) compared to the previous quarter. Compared to the same quarter of the previous year, though revenue improved, their core business areas showed decline in revenue which is an area of concern, Compared to Q3 2019 the company has a decline in revenue from most of the business areas. The revenue breakdowns of Fenaka for the comparable three quarters are summarized by the following table.

Revenue	Q4 2018	Q4 2019	Q3 2019
Business	38,696,807	35,165,509	38,087,792
Business Spec	31,685,749	21,437,844	22,768,877
Domestic	87,085,111	88,231,887	103,135,059
Government	53,484,725	59,282,803	65,018,417
Water	3,663,614	5,417,005	4,734,239
Others	8,222,923	30,317,212	16,539,404
Tariff Rate Di:	73,632,348	108,245,157	118,915,587
Total	**296,471,277**	**348,097,416**	**369,199,375**

Gross Profit

Q4 2018	Q4 2019	Q3 2019
113	122	118
Million in MVR	Million in MVR	Million in MVR

Gross profit shows an upturn compared to the comparable quarters Q4 2018 (8.4%, MVR 9.4 million) and Q3 2019 (3.5%, MVR 4.2 million). Compared to Q4 2018, though direct costs increased, gross profit increased resulting from increase in sales. However, due to rise in costs relatively higher than the rise in revenue resulted in reducing gross profit margin from 38% to 35% in Q4 2019. The main direct costs which increased includes diesel, lubricant oil, spares and cables used in power production.

Compared to Q3 2019, direct costs reduced by 10% (MVR 25 million), resulting in increased gross profit despite a revenue reduction of 6%. Thus, gross profit margin relating to Q4 2019 increased to 35% from 32% in Q3 2019.

Operating Profit

Q4 2018	Q4 2019	Q3 2019
7.90	28.0	31.1
Million in MVR	Million in MVR	Million in MVR

Compared to Q4 2018 a significant improvement can be seen in the operational profit which increased by 255% (MVR 20 million). Fenaka has managed its indirect costs well in the quarter compared to the same quarter of the previous year. As such administrative costs reduced by 9% (MVR 9.4 million) and other operating expenses by 43% (MVR 1.3 million).

When looking into administrative expenses, Fenaka has spent MVR 15 million as sponsorship in Q4 2018 which is a reduced cost when the current quarter is concerned. Internet hosting charges has been reduced by 100% while customs duty ad clearing charges has been reduced by 98%. Significant reduction has been observed in printing and stationary (96%). While rental charges have been reduced by MVR 2.1 million, Air freight charges has been reduced by MVR 1.2 million. It is also notable that food and accommodation charges has been reduced by MVR 2.8 million in the quarter compared to Q4 2018. However, administrative costs such as salaries and transportation expenses have increased significantly which can be minimized to further enhance profits. Other operating expenses reduced which includes repair and maintenance charges.

Compared to Q3 2019, operating profit reduced by 10% resulting from increased overheads. As such, administrative costs increased by 7% (MVR 6.1 million) while other operating expenses increased by 141% (MVR 1 million). The main administrative expenses which grew includes Salary and allowances, rent charges and food and accommodation.

Net Profit

Q4 2018	Q4 2019	Q3 2019
-17.9	-4.26	0.98
Million in MVR	Million in MVR	Million in MVR

The company had net losses in Q4 2018 and Q4 2019. However, compared to Q4 2018 the loss reduced by 76% in Q4 2019 after indirect costs has been managed well. During that period revenue of the company also improved.

The company has earned a profit of nearly a million in Q3 2019. However, revenue reduction and increased indirect expenses led the company to have a net loss of 4 million in Q4 2019.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
0.66	0.61	0.61
TIMES	TIMES	TIMES

When looking into the liquidity, current ratio reduced to 0.61:1 compared to Q4 2018 and has remained constant in Q3 2019 compared to Q4 2019.

Compared to Q4 2018 current assets reduced by 12% (MVR 61 million) while current liabilities reduced by just 5% (MVR 38 million). Receivables reduced by 23% (MVR 65 million) while cash and cash equivalents reduced by 57% (MVR 22 million) which reduced over-all short-term assets to settle the obligations. It is notable that trade payables also reduced by MVR 38 million.

Compared to Q3 2019, the current ratio stood at the same level as current assets and current liabilities changed very insignificantly. It is very important to note that large percentage of payables of the company consist of payable to STO for fuel.

Quick Ratio

Q4 2018	Q4 2019	Q3 2019
0.42	0.32	0.35
TIMES	TIMES	TIMES

Quick ratio reduced compared to Q4 2018 and Q3 2019 as inventory increased compared to both comparable quarters. Diesel, lubrication oil, Engine spares, distribution spares, cables and water plant increased as part of inventory compared to Q4 2018 and Q3 2019. Depending on the nature of the company Fenaka holds a significant value of inventory to cater the utility needs of the islands in the Maldives.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
0.05 TIMES	0.02 TIMES	0.02 TIMES

Compared to the level of operations, Fenaka has a very insignificant cash ratio representing the inability to meet the short-term obligations with the cash balance. In Q4 2019 Fenaka has spent MVR 34 million in purchase of property, plant and equipment and MVR 8 million in loan repayment which reduces the cash flow. However, in this quarter the company received MVR 16 million as collection of receivables which is a favorable indication to the liquidity.

LEVERAGE

Debt to Equity

Q4 2018	Q4 2019	Q3 2019
0.82 TIMES	0.64 TIMES	0.70 TIMES

Debt to Equity ratio reduced compared to Q4 2018 and Q3 2019. This is mainly because borrowings have reduced compared to Q4 2018. Compared to Q3 2019, borrowings remained at constant levels while increased equity led to improvement in equity led to fall in gearing ratio reducing financial risk and boosting investor confidence.

Debt to Assets

Q4 2018	Q4 2019	Q3 2019
0.12 TIMES	0.09 TIMES	0.10 TIMES

Compared to the comparable quarters debt to Asset ratio has been reduced in Q4 2019. In Q4 2019 though total assets fell in value, borrowings reduced significantly resulting a lower debt to Assets ratio. Compared to Q3 2019, debt to assets fell slightly as a result of increase in total assets by MVR 3.9 million while borrowings remained constant.

CONCLUSION

In terms of profitability, the company is better off compared to Q4 2018 reducing the loss for the company through proper management of overheads. However, compared to the previous quarter, company has profit deterioration as overheads has increased significantly. Compared to Q3 2019 the company has moved from profit to a net loss which signifies the importance of managing costs more effectively.

In terms of liquidity, the current ratio has reduced resulting from lower current assets. However, the company has managed to collect a greater portion of receivables as well as has reduced their payables which is a good sign when the liquidity is concerned. Yet, the company is in need for proper mechanisms, as receivables a high.

The gearing level of the company declined, which reduced the financial risk of the company since the company is paying off their long-term debts

RECOMMENDATION

It is important that the company extend its current business and find new revenue streams to improve its sales.

In addition, business must be operated in a cost-efficient manner. As such direct costs as well as operating expenses need to be minimized to improve the profitability. The operating expenses like repair and maintenance can be minimized by taking precautionary measures to minimize wear and tear of assets as well as spares. In addition to that, costs such as transportation and food and accommodation should be minimized as much as possible.

Fenaka should also improve its credit management by formulating strategies to reduce receivables and enhance cash levels of the company. The cash could be increased by maintaining inventories at an optimum level by systematizing inventory rolling. This would further reduce the level of inventories being obsolete. Fenaka can consider process re-engineering and find efficient and effective ways throughout all business processes.

Quarterly review; Quarter 4, 2019

GREATER MALE' INDUSTRIAL ZONE LTD

GREATER MALE' INDUSTRIAL ZONE LTD
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/GMIZL/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
30.0	38.5	35.2
Million in MVR	Million in MVR	Million in MVR

During the quarter 4 2019, GMIZL recorded a high revenue of MVR 38.5 million, which is an increase of 28% and 9% compared to Q4 2018 and Q3 2019 respectively. This increase is mainly attributable to increased rental income from Thilafushi industrial leased plots driven by the renewal of expired rental agreements, new plots allocated and awarded during 2017 brought into effect during the year and the rent increment exercise.

Operating Profit

Q4 2018	Q4 2019	Q3 2019
17.5	21.8	19.2
Million in MVR	Million in MVR	Million in MVR

During the quarter, GMIZL recorded an operating profit of MVR 21.8 million which is an increase of 25% compared to Q4 2018. Compared to Q4 2018, administrative expenses increase slightly by 1% and other income reduced significantly by 85% (MVR 4.3 million). This is mainly due to fine charges arising from changes made to fine policy to align the policy of GIL with TCL. However, increase in operating profit reflects the improved revenue compared to Q4 2018.

As result of improvement in revenue, operating profit of the company increase by 13%. However, the administrative expenses has increased by 3% and other income dropped by 22% due to reduced fine charges as a result of change in fine policy.

Overall, the company has managed their overheads well in the quarter with regard to the comparable quarters. However, when compared to Q3 2019, salaries and wages increased by MVR 1 million which is an increase of 9% compared to the previous quarter. This is because the company hired additional 22 staffs during the quarter to provide security 24/7 for the chemical warehousing units established to cater the government's decision to relocate the chemical warehouses in Male', following the tragic fire incident. 34 chemical warehousing units costing MVR 10.5 million were established to accommodate the warehouses requiring immediate relocation.

Net Profit

Q4 2018	Q4 2019	Q3 2019
14.8	18.3	16.3
Million in MVR	Million in MVR	Million in MVR

Net profit also increased compared to Q4 2018 and Q3 2019 mainly as a result of increased revenue. This results in elevated EPS in the quarter compared to other comparable quarters. Net profit margin records at 47% in Q4 2019, while the company recorded 49% of net profit margin in Q4 2018 and 46% in Q3 2019. This explains that the company has marginally lower profits in relation to the revenue in Q4 2019 compared to Q4 2018. However, their performance has improved in terms of profit margin compared to Q3 2019.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
7.66 TIMES	4.25 TIMES	4.38 TIMES

Compared to Q4 2018, trade and other receivables reduced by 76% (MVR 76 million), resulting from decrease in rent receivables due to high provision created for impairment on trade receivables. In addition to this, the company has created a provision for impairment on other receivables (MVR 91 million) in Q4 2019 which includes the concession fee of MVR 87 million receivable from GPD. Trade payables also reduced significantly by 25% compare to Q3 2018. This resulted in a fall in current ratio. However, cash and cash equivalents for the quarter increased by 167% (MVR 49 million) compared to Q4 2018, resulting from cash generated from the operations each quarter since Q4 2018.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
1.74 TIMES	3.25 TIMES	3.37 TIMES

Cash ratio increased from 1.74 times in Q4 2018 to 3.25 times in Q42019 showing the increased cash inflow into the business. This inflow is mainly due to the increased cash flow from their operations. The company has planned to build warehouses and other infrastructure in 2020.

CONCLUSION

The company reported a satisfactory growth in revenue as rental income from Thilafushi and Gulhifalhu industrial leased plots increased. This is mainly due to increase in the number of land leased plots and implement uniformity to the rates of leased plots that were effective during this period and land plots awarded during 2017 brought into effect during the year.

Although GMIZL has managed to maintain the overheads low compared to Q4 2018, the profit margins has reduced. There has been significant decrease in the other income due to reduction in fine charges as part of change in fine policy during the period.

The current ratio is high as the company has high current assets in comparison with the current liabilities. Current assets increased compared to the previous quarter as a result of higher receivables and cash and cash equivalents. The company is in a reasonable liquidity position where they can settle the short-term obligations with the current assets. However, they have a high level of receivables compared to revenue therefore, necessary measures need to be taken to collect receivable on timely manner.

The company has a strong cash position and plans to utilize these funds to finance the projects planned for 2020. In addition, the company does not currently has any borrowings.

RECOMMENDATION

In order to increase company's revenue, GMIZL could diversify their operation by adding means to earn revenue like mooring rental, lorry rental etc.

GMIZL should take necessary actions to minimize receivables. The company need to put an effort for the receivables which are long due and necessary and immediate action need to be taken. Efficient receivable collection mechanisms will reduce the receivables and enhance the cash position of the company. Cash flow enhancement will enable GMZIL to undertake more investing activities which could yield higher income in the future.

The company can invest cash in revenue generating assets. GMIZL can use cash flow to finance capital investments which could yield a higher return.

Quarterly review; Quarter 4, 2019

HOUSING DEVELOPMENT CORPORATION

HOUSING DEVELOPMENT CORPORATION
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/HDC/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
75.0	172.8	52.0
Million in MVR	Million in MVR	Million in MVR

Housing Development Corporation (HDC) earned a revenue of MVR 172.8 million in fourth quarter of 2019, compared to MVR 75 million in fourth quarter of 2018. This significant increase of 131% is mainly contributed by the sale of development rights as well as sale of land during fourth quarter of 2019. HDC's sales in fourth quarter increased by 232% compared to the third quarter of 2019. The gross profit during fourth quarter of 2019 has also increased significantly with the increase in sales. Gross profit increased by 138% compared with the same quarter of last year and by 201% compared with the third quarter of 2019. Even though revenue and gross profit increased the rental income, which is the source of sustained income for the company remained at a stable trajectory.

Operating Profit/Loss

Q4 2018	Q4 2019	Q3 2019
-36.4	105.7	-84.5
Million in MVR	Million in MVR	Million in MVR

HDC was able to significantly increase the operating profit during fourth quarter of 2019 compared to both fourth quarter of 2018 which saw an operating loss of MVR 36 million and third quarter of 2019 which saw an operating loss of MVR 84 million. With the increased revenue in fourth quarter HDC was able to reduce the administrative costs by MVR 40 million compared to fourth quarter of 2018. Compared to third quarter of 2019 HDC reduced its administrative expenditure by another 6% contributing to the operating profit.

Expenses

	Administartive costs	Maintenance Expenses	Selling and Marketing Expenses
Q4 2018	86,861,587	24,010,701	2,294,833
Q4 2019	46,765,583	7,536,195	265,137
Q3 2019	49,554,619	90,455,657	305,378

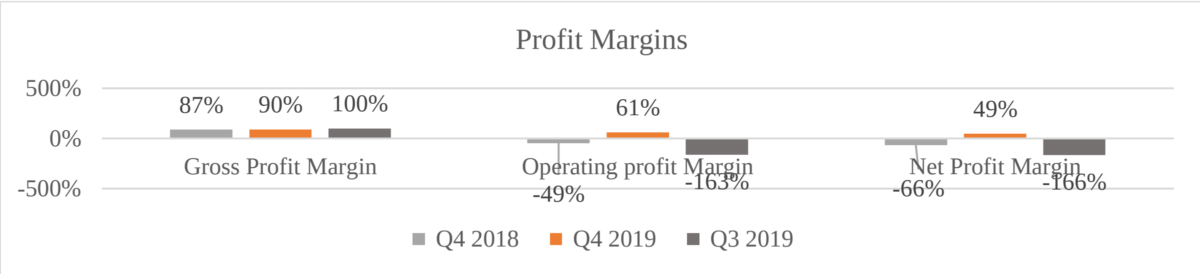
Fourth Quarter of 2019 has shown company moving into the right direction in terms of managing expenditure. The company has significantly reduced the administrative costs from fourth quarter of last year and compared to third quarter of 2019 as well. Compared to third quarter of 2019 company has reduced the staff related costs by 8% and consultancy expenses by 43% in fourth quarter of 2019. In terms of maintenance expenses as well, HDC was able to reduce the total maintenance expenses by MVR 16 million compared to the same period of 2018. Third quarter of 2019 includes airport link road costs written off which is a one-time item. This reduced operational expenditure while significantly increasing the revenue shows that the company has utilized its resources more efficiently during fourth quarter of 2019 compared with the same quarter of 2018.

Net Profit/Loss

Q4 2018	Q4 2019	Q3 2019
-49.3	83.8	-86.4
Million in MVR	Million in MVR	Million in MVR

HDC's net profit has increased significantly compared to the same period of last year and third quarter of 2019. This increase is supported by both increase in revenue from land sale and reduced operational expenditure.

Profit Margins



In Q4 2019, both operating and net profit margins have increased almost by 50% mainly supported through sustainable business activities such as reduced operational costs. The company would have to concentrate more on generating revenue through lease payments in the future as sale of land is a one-time resource.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
3.57	3.11	3.11
TIMES	TIMES	TIMES

As per the current ratio, the short-term liquidity position of the company is satisfactory with greater level of current assets compared to its current liabilities. Although the ratio has reduced in 2019, it is still maintained above the general ideal level. The major component of current asset is inventory which comprise 71% of total current assets. Since the greater part of inventory is still in work-in-progress stage it will take time concerting inventory into cash.

Quick Ratio

Q4 2018	Q4 2019	Q3 2019
1.66	0.80	0.90
TIMES	TIMES	TIMES

The quick ratio shows company's short-term liquidity position and ability to meet its short-term obligations with its most liquid assets i.e. excluding inventories. HDC's inventory is the most significant component of its current assets. Thus, quick ratio of HDC has dropped below 1, showing that the company does not have enough readily available assets to settle short-term liabilities. More concerning is the company's downward trend in quick ratio and other liquidity ratios. A company that has a quick ratio of less than 1 may not be able to fully pay off its current liabilities in the short term, therefore, HDC should try to improve this ratio.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
0.02 TIMES	0.03 TIMES	0.01 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. HDC's cash ratio is very critical as only 0.03 percent of current liabilities can only be covered by the cash balance. The decrease in cash and cash equivalents in the recent years is attributed to the huge investment by the Corporation for the ongoing housing and infrastructure projects in Hulhumale' Phase I and Phase II. Furthermore, major projects are currently in the construction stage and the Corporation can only expect the revenue once the physical completion and process of selling or allocation are being done. This shows that company's cash position requires quick turn around in order improve its ability to borrow in the future.

The current liabilities have recorded a growth of 35% up against same quarter of the last year. However compared to 2019 third quarter company has reduced the current liabilities by 1%.

LEVARAGE

Debt to Equity

Q4 2018	Q4 2019	Q3 2019
0.46 TIMES	0.59 TIMES	0.58 TIMES

Debt to equity ratio illustrates the degree to which the company is financing its operations through debt. Compared to Q4 2018 HDC's loans and borrowings has increased significantly by over MVR 2 billion. In addition, the ratio has also increased compared to previous quarter due to additional borrowings in Q4 2019. The increase in debt could be because of disbursement of the existing loans such as loans for 7000 housings units, electricity network and other loans.

A high debt/equity ratio is often associated with high risk; it means that a company has been aggressive in financing its growth with debt. However, when using the debt/equity ratio, it is very important to consider the industry within which the company exists. In the case of HDC the main business of the company is to establish infrastructure and to provide residential, commercial and industrial developments for sale or lease, which naturally needs a lot of finance. Thus, it is normal for such a company to have relatively high debts. However when analyzed together with the liquidity ratios, it is important for the company to manage the liabilities prudently and increase core business activities to further generate cash.

Debt to Assets

Q4 2018	Q4 2019	Q3 2019
0.27 TIMES	0.32 TIMES	0.31 TIMES

Debt to Assets ratio defines the total amount of debts relative to its assets. Debt to Assets ratio of HDC is relatively low, which illustrates the company has enough asset to cover existing debt obligations. However, the ratio is having an upward trend due to high borrowings in each quarter. As significant portion of the loans taken by HDC is for asset creation either as a investment property or inventory. The reason asset is marginally low compared to borrowings level is mainly due to the following:

- Decrease trade and other receivable as there no new interest bearing asset recorded during the year 2019, monthly installment posted reduced the total amount for the period.
- Decrease in PPE and IA due to depreciation

➢ Due to disbursements of Airport Link road loan, which is treated as expense.

The company's asset base which is mainly concentrated in Phase 2 of Hulhumale needs to be developed, especially commercial components of the land has to be developed to generate sustainable cash flows for the company.

Debt Capitalization

Q4 2018	Q4 2019	Q3 2019
32%	32%	37%

Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. This ratio has measured total amount of outstanding debt as a percentage of the HDC's total capitalization. Debt capitalization ratio of HDC is increasing due to high borrowings. However, it will not be risky for HDC as long as they maintain the same level of sales in order to meet their debt servicing obligations. The relatively lower debt capitalization percentage is due to injection of Farukolhufushi land by the Government amounting to MVR 3.4 Billion in the year 2017.

Interest Cover

Q4 2018	Q4 2019	Q3 2019
-1.00 TIMES	3.27 TIMES	-3.2 TIMES

The interest cover ratio measures how many times HDC can cover its current interest payment with its available earnings. Since the company is making operating losses, the results are negative for Q4 2018 and Q3 2019. However, the company has seen a turnaround in fourth quarter of 2019, with the increased sales and reduced operational costs. This has contributed in significantly improving company's interest cover ratio. However as the revenue increase is due to sale of land and developmental rights, this increment has to be considered with care.

IMPORTANT PROJECTS UNDERTAKEN IN THE QUARTER

HDC has 14 different on-going projects which cost over MVR 12 billion. The biggest investments include development of 7000 and 1530 housing units, Electricity and ICT ducting for Hulhumale' phase 2, Design & Construction of Hiyaavehi Project. Most of the projects are expected to be completed during the year 2019 and in 2020.

CONCLUSION

The company has increased its revenue in the fourth quarter of 2019 compared with 2018 and third quarter of 2019. This increase is led by land sale and sale of developmental rights. Revenue growth combined with the significant reductions in operational costs has improved the profitability of the company

Liquidity ratios are at critical levels even though the current ratio is high. The significantly lower levels of quick ratio and cash ratio needs sustainable remedies going forward. As receivables and inventories are the significant components of current assets, the company should find ways in maintaining adequate levels of liquidity. HDC have huge receivables and housing units which is deemed to be enough to cater for the loan obligations and on-going projects financed by the company's cash flow. Such receivables include sale and development rights and sale of 7000 housing, 1530 housing units thereon.

In terms of gearing, the ratios increased because of higher borrowings compared to the previous quarter. This indicates the higher financial risks. However, it is also important to note that HDC earns decent interest income to settle the interest payments.

RECOMMENDATION

HDC has improved its revenue significantly and the company needs to sustain this revenue growth through development of commercial components in Hulhumale Phase 2. The current concentration on generating revenue through land sale and development rights sale may not be sustainable over long-term as the debt portfolio keeps growing.

The company's operational cashflow has turned positive in the fourth quarter of 2019 although further improvements are needed to service debt obligations of the company and expand business. HDC should also give consideration on improving the receivable collection in order to maintain a healthy liquidity position.

It is important to build a strong relation with the suppliers and contractors for better terms. Further proper receivable collection will ultimately help in enhancing cash and thus reducing payables. Although trade receivables have reduced in fourth quarter 2019 compared to last year, company should take steps to improve the collection further.

As the company currently holds large inventory of housing units, a way forward on the sale of these units is needed urgently in order to improve profitability of the company.

Quarterly review; Quarter 4, 2019

HOUSING DEVELOPMENT FINANCE CORPORATION PLC

HOUSING DEVELOPMENT FINANCING CORPORATION PLC
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/HDFC/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

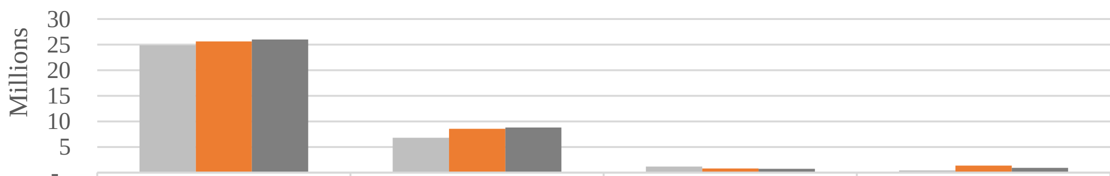
Revenue

Q4 2018	Q4 2019	Q3 2019
45.5	50.2	49.99
Million in MVR	Million in MVR	Million in MVR

During the last quarter of 2019, HDFC has generated gross income of MVR 50.2 million. This is an increment of 10% against the same period of last year and 0.4% increase compared to previous quarter.

The below chart shows the revenue segments of HDFC, which are interest income, Income from Shari'ah products, fee income and other income.

Income



	Net Interest Income	Net income on Shariáh Products	Fee Income	other Income
Q4 2018	24,903,911	6,800,170	1,181,968	453,053
Q4 2019	25,653,288	8,533,093	825,946	1,346,046
Q3 2019	25,998,319	8,786,070	744,628	921,513

The main revenue segment of the company, net interest income has recorded a reduction compared to previous quarter. In addition, income from shari'ah products has also reduced. On the other hand, fee income and other income has seen a growth from Q3 to Q4 2019.

Net Interest and Investment Margin

Net interest margin is an indicator in evaluating financial institutions because it reveals an entity's net profit on interest-earning assets, such as loans and investment securities. Investment margin illustrates the net profit on shar'ah products.

Net Interest Margin

Q4 2018	Q4 2019	Q3 2019
1.4%	1.2%	1.3%

Net Investment Margin

Q4 2018	Q4 2019	Q3 2019
1.8%	1.7%	1.9%

These ratios measures how successful a financial institution is at investing its funds in comparison to relative funds. A positive net interest/investment margin indicates efficient fund investment. Since the interest earned on assets is a primary source of revenue for a financial institution, this metric is a good indicator of a company's overall profitability, and higher margins generally indicate a more profitable use of funds.

As per the above ratio, the Shari'ah Products are making higher profit margins than conventional loans. Interest income has reduced in Q4 2019 while earning assets has increased compared to previous quarter. Likewise, investment income also recorded a reduction while total investments has increased. As a result both ratios have reduced against previous quarter.

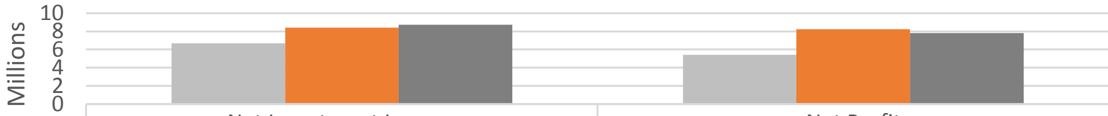
Profitability

Q4 2018	Q4 2019	Q3 2019
28.3	35.3	22.9
Million in MVR	Million in MVR	Million in MVR

The net profit of the company has recorded a remarkable growth of 54% against previous quarter and 24% against Q4 2018. This is mainly because of the positive figure of provision for impairment loss on loans and advances. In addition, other operating expense has also reduced favoring the profitability of the company. The introduction of IFRS 9, has had positive impact on the provisions of financial institutions which have good quality collateral to support its portfolio.

Amna Wing Profit

Profitability Shar'ah Wing



	Net Investment Income	Net Profit
Q4 2018	6,670,950	5,423,699
Q4 2019	8,393,508	8,218,897
Q3 2019	8,720,515	7,807,291

Total mortgage facilities of Islamic Window has increased from MVR 466 million to MVR 490 million from Q3 to Q4 2019. Regardless of this increase, the investment income has recorded a reduction. However, the net profit of the company has improved by 5% against previous quarter.

CAPITAL MANAGEMENT

Financial institutions are a highly-leveraged business requiring regulators to dictate minimal capital levels to help ensure the solvency of each institution. Maldives Monetary Authority (MMA) is the regulator of financial sector, who ensure compliance to uphold the soundness and integrity of the financial sector.

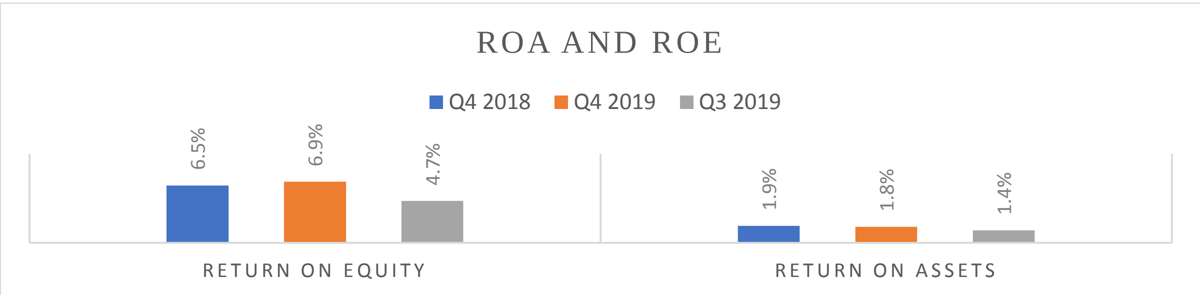
Assets that are available to cover their obligations and liabilities of HDFC for the two quarters in review are below;

Details	Q4 2018	Q4 2019	Q3 2019
Total Liabilities			
Deposits	82,423,307	88,684,185	88,921,497
Borrowings	856,844,985	1,161,549,610	974,951,169
Other Liabilities	296,392,131	369,194,497	301,222,904
Total Liabilities	**1,235,660,423**	**1,619,428,292**	**1,365,095,570**
Total Assets			
Cash, Short term Funds	76,653,573	127,995,493	81,665,862
Financial assets held to maturity	44,976,096	294,806,343	111,821,644
Loans and advances to customers	1,617,378,698	1,755,337,416	1,739,205,158
Property, Plant and Equipment	1,324,051	1,043,804	1,116,778
Intangible assets	621,847	488,557	549,015
Deferred tax asset	3,125,228	3,605,940	3,605,940
Other Assets	7,356,305	7,193,895	6,654,286
Total Assets	**1,751,435,798**	**2,190,471,448**	**1,944,618,683**
NET (Assets-Liabilities)	**515,775,375**	**571,043,156**	**579,523,113**

As shown in the above table, the liabilities of the company has jumped from MVR 1.3 billion to MVR 1.6 billion against previous quarter. The increments were seen from borrowings and other liabilities. On the other hand, the deposits have reduced. Although deposits fell below liabilities, they are critical to the financial institution's ability to lend. If the entity doesn't have enough deposits, slower loan growth might result, or the financial institution might have to take on debt to meet loan demand which would be far costlier to service than the interest paid on deposits.

The assets of the company has also increased in Q4 2019 in terms of cash, financial assets, loans and advances and other assets. Loans and advances are the main component of its assets and it represents 80% of total assets. The net assets has reduced as the liabilities grew higher than the assets of the company.

Return on Equity (ROE) and Return on Assets (ROA)



ROE measures the ability of the company to generate profit with the money shareholders have invested. ROA measures how efficiently a company can manage its assets to produce profits during a period.

ROE has improved compared to other two quarters as the profitability has increased in Q4 2019. Similarly, ROA has also improved due to increased operating profit.

Debt Service Coverage Ratio (DSCR) and Interest Service Coverage Ratio

The debt-service coverage ratio (DSCR) is a measurement of the cash flow available to pay current debt obligations. The interest coverage ratio is a debt ratio and profitability ratio used to determine how easily a company can pay interest on its outstanding debt.

A DSCR of less than 1 means negative cash flow, which means that HDFC will be unable to cover or pay current debt obligations without drawing on outside sources – without, in essence, borrowing more. Hence HDFC looks vulnerable, and a minor decline in cash flow could make it unable to service its debt.

The interest coverage ratio of the company has improved in Q4 2019 as a result of improvement in EBIT. The higher the ratio of EBIT to interest payments, the more financially stable the company. However, it should be noted that this ratio only takes into account interest payments and not payments made on principal debt balances that may be required by lenders. Hence, the debt-service coverage ratio is slightly more comprehensive.

CONCLUSION

Company has improved its income in Q4 2019 compared to other two quarters in review. Further, HDFC has reported a net profit of MVR 35 million in Q4 2019 representing 54% against previous quarter.

Total assets of the company has reached MVR 2.1 billion and housing/loan facility portfolio has reached to MVR 1.75 billion. On the other hand, the deposits of the company has seen a reduction in this quarter, and the loans exceed the deposits. Thus, HDFC has been borrowing to cater for the loans. If a financial institution is using debt to finance its lending operations instead of deposits, the institution will have debt servicing costs since it will need to pay interest on the debt. In addition, the net assets of the company has also reduced as there were additional borrowings in this quarter.

HDFC is currently financing several housing projects and most of them are expected to be completed in mid-2020.

RECOMMENDATION

Since the major revenue segment of the company has reduced in this quarter, HDFC must ensure to improve this segment in order to improve the profitability. Although there was an increment in the loans, the interest income has reduced, this might indicate that HDFC is having non-performing loans. Thus, company has to keep its non-performing loans as low as possible.

The net investment margin of shari'ah products are higher than that of conventional products. Therefore, HDFC should further expand Amna wing to maximize their returns.
The company should try to improve its DSCR ratio, as this will build trust among lenders of HDFC.

The borrowings of the company has been increasing over the quarters for the purpose of providing mortgage housing loans. Therefore, HDFC should try to get these funds at a lower interest rates to minimize the finance costs. Nevertheless, it is important to note that HDFC needs to borrow to cater for onward lending to borrowers for their housing loans. In addition, being a non-financial institution and not a bank, HDFC do not have alternate sources and cannot exercise deposits taking.

Quarterly review; Quarter 4, 2019

ISLAND AVIATION SERVICES LIMITED

ISLAND AVIATION SERVICES LIMITED
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/IASL/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
551	546	514
Million in MVR	Million in MVR	Million in MVR

Island Aviation Services Limited (IAS) revenue in fourth quarter of 2019 has reduced compared with the same period of last year. However, compared with third quarter of 2019, revenue has improved by 6%.

The below table shows the movements in revenue segment over the three quarters in review.

Revenue	***Q4 2018***	***Q4 2019***	***Q3 2019***
Passenger Income - Domestic Services	309,967,149	276,338,970	261,524,194
Passenger Income - Regional Services	138,052,772	184,067,276	170,652,582
Commercially Important Passengers Revenue	12,859,238	12,339,411	13,004,767
Ground Handling Revenue	17,110,015	18,735,543	15,919,178
Cargo Handling Income	2,877,166	2,713,531	2,867,969
Seaplane Operation	70,327,024	52,324,894	50,099,639
Total Revenue	**551,193,364**	**546,519,625**	**514,068,329**

Table 1: Revenue

Domestic passenger income has reduced significantly in fourth quarter of 2019 compared to the same period of last year. However regional services income has grown significantly during the fourth quarter. The domestic passenger saw a reduction due to the impact of the government mandated subsidized pricing of the domestic flights. In addition, seaplane revenue has also decreased as a result of decrease in revenue due to loss of resort contracts to competitors.

In comparison to previous quarter, total revenue has increased in terms of passenger income, and seaplane revenue also has picked up compared to third quarter even though it still remains below the amounts of the same period last year.

Gross Profit

Q4 2018	Q4 2019	Q3 2019
152	190	195
Million in MVR	Million in MVR	Million in MVR

IAS has restated the cost of sales for the period fourth quarter of 2018 significantly upward leading to lower gross profit margin in 2018 fourth quarter. Compared to this restated figure of 2018 fourth quarter the gross profit has increased by 25% in 2019 fourth quarter. However, the gross profit has seen a decline of 3% compared to the third quarter of 2019. Compared to the other quarter the restated figure is within the range. However with this restatement it is important to note that fourth quarter of 2018 company's performance was significantly lower than what is published earlier.

Net Profit

Q4 2018	Q4 2019	Q3 2019
4.5	33.2	61.6
Million in MVR	Million in MVR	Million in MVR

The net profit of the company declined significantly by 46% compared to the third quarter of 2019. The significant negative impact on the net profit is caused by the increase in cost of sales by a larger percentage than the increment in revenue and a 52% decline in other income compared to third quarter of 2019. The high other income figure in third quarter is due to the subsidy provided to the company due to government requested reduction in air fares by IAS. Although IAS has shown a significant growth in net profit compared to the fourth quarter of 2018, it should be noted that the cost of sales in fourth quarter 2018 was restated upward by MR 256 million due to an error in the calculation of quarterly results in 2018.

Expenses

	Selling and marketing Costs	Administrative Costs
Q4 2018	1,079,628	140,644,271
Q4 2019	1,258,390	154,977,307
Q3 2019	1,106,791	142,212,364

Figure 1: Expenses

Selling and marketing costs has remained relatively same during the three quarters analyzed. However, administrative costs have seen a jump of 10% and 9% compared with fourth quarter of 2018 and third quarter of 2019 respectively. The significant increase is mainly due to the significant increase in staff costs by 9% compared with the same period of 2018 is caused by increase in number of staff and increased level of operation of the company.

Staff salaries is increasing at a 4% growth prior to third quarter of 2019 has grown by 7.8% in fourth quarter of 2019. Significant increase in payroll was due pilot's salaries and allowances increased in compliance to current aviation pay scheme.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
0.90	0.97	0.94
TIMES	TIMES	TIMES

As per the current ratio, the short-term liquidity position of the company is not satisfactory as the ratio is below 1. The current liabilities of the company exceed its current assets. Further, the current assets consist of trade receivables and inventory and the cash balance of the company is negative due to a bank overdraft. Trade receivables has grown significantly by 21% compared to the most recent quarter while the revenue increased at 6% compare to previous quarter. An increasing receivable is a major concerning issue for a business as it represents a drain on cash for the company and leads to other finance costs to service the bank overdraft. Hence, the short-term liquidity position of the company is weak.

Quick Ratio

Q4 2018	Q4 2019	Q3 2019
0.75 TIMES	0.85 TIMES	0.80 TIMES

The quick ratio shows company's short-term liquidity position and ability to meet its short-term obligations with its most liquid assets i.e. excluding inventories. IAS's quick ratio indicates inability to meet its short-term liabilities with its most liquid assets although there is an incremental improvement in quick ratio.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
-0.03 TIMES	-0.07 TIMES	-0.07 TIMES

Since the cash and cash equivalents of the company is negative, cash ratio is also negative indicating that IAS does not have any cash to cover their short-term obligations. Cash and cash equivalents include a bank overdraft of MVR 70 million in Q4 2019. It important to highlight that operating cash flow of the company is negative at the end of Q4 2019, this indicates IAS could not continue to pay its bills without external financing arrangement. A positive cash flow from operations is essential for a company to run the business smoothly and to make new investments.

LEVARAGE

Debt to Equity

Q4 2018	Q4 2019	Q3 2019
0.50 TIMES	0.54 TIMES	0.39 TIMES

Debt to equity ratio illustrates the degree to which the company is financing its operations through debt. The financial leverage of the company has increased to 54% compared to 39% last quarter, due to increase in loans and borrowings by 23% and 42% compared to Q4 2018 and Q3 2019 respectively. The increase in borrowing is due to a loan of MVR 197 million raised to finance acquisition of Seaplanes.

Debt to Assets

Q4 2018	Q4 2019	Q3 2019
0.24 TIMES	0.24 TIMES	0.19 TIMES

Debt to Assets ratio defines the total amount of debts relative to its assets. As shown in the above chart, Debt to Assets ratio of IAS is at satisfactory level although there was a small increment in fourth quarter compared with third quarter of 2019. Generally, companies in airline industries are asset based, thus IAS has a huge asset base of MVR 2 billion.

Debt Capitalization

Q4 2018	Q4 2019	Q3 2019
34%	35%	28%

Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. This ratio has measured total amount of outstanding debt as a percentage of the IAS's total capitalization. IAS has only long-term loans and borrowings and Debt capitalization ratio has increased to 35% compared to third quarter of 2019.

Interest Cover

Q4 2018	Q4 2019	Q3 2019
3.16 TIMES	7.10 TIMES	11.88 TIMES

The interest cover ratio measures how many times IAS can cover its current interest payment with its available earnings. The interest cover has declined significantly in fourth quarter of 2019 compared with third quarter of 2019. The decline in interest cover is caused by decline in operating profit of the fourth quarter of 2019.

CONCLUSION

Revenue of the company has improved by 6% compared with the third quarter of 2019. However due to increase in staff costs and other operating costs and a 52% decline in other income has caused the net income of the company to decline to MVR 33 million compared to MVR 61 million for third quarter of 2019. This decrease in other income in quarter 4 compared with quarter 3 of 2019 is due to government subsidy received in Q3 2019.

The short-term liquidity position is unsatisfactory as current liabilities exceed current assets of the company. The liquidity position of IAS has remained weak as they have their bank balance overdrawn in the quarter. They also have a greater number of receivables which must be considered, and proper actions need to be taken to reduce receivables. As a result of weak liquidity position a huge amount is accumulated as payables.

In addition, IAS has long term loans and borrowings amounting to MVR 598 million at the end of 2019 Q4. The leverage ratios have increased due to growth of loan portfolio. With the increasing liabilities and weak liquidity position of the company, the company should change its operating costs management and focus on cost reduction and improvement of top line.

RECOMMENDATION

Improving efficiency of credit control department and Proper control mechanisms should be implemented shortly. Flexible terms can be agreed on the existing receivables which could help to collect receivables more swiftly. In addition, assessing credit worthiness of customer before granting any services on credit and setting maximum caps for each customer based on credit worthiness and capacity of repayment will act as a control mechanism.

Staff costs are one of the most significant cost of the company and it has been rising quarter by quarter. Therefore, IAS must take this into account and find proper ways to manage this expense.

IAS should give more importance on the revenue segments with high profit margins to improve the overall profitability of the company such as seaplane operation.

Quarterly review; Quarter 4, 2019

KAHDHOO AIRPORT COMPANY LTD

Report No: PEM/2019/KACL/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
3.2	3.1	3.5
Million in MVR	Million in MVR	Million in MVR

The revenue of the quarter has reduced in comparison to both Q4 2018 and Q3 2019. Aeronautical revenue is the main revenue segment of the company and it represents 81% of total revenue of the company. However, revenue from this segment has declined along with some of the other revenue segments as shown in the below table.

Revenue	Q4 2018	Q4 2019	Q3 2019
Aeronautical	2,611,260	2,572,370	2,642,299
Cargo revenue	15,213	11,672	13,657
CIP revenue	10,691	6,949	4,026
Electrcity Charges	231,383	170,445	185,272
Rental Income	173,913	191,913	155,913
Room revenue	33,509	18,700	453,313
Shop Revenue	157,257	170,956	52,189
Other Revenue	14,580	24,016	21,827

Rental income, shop revenue and other revenue has recorded an improvement against the same period of last year. However, all other revenue segments were significantly declined, as a result the total revenue has recorded a reduction. In comparison to previous quarter, shop revenue has recorded an improvement, however total revenue of the company declined by 10% mainly because of reduction in room and aeronautical revenue.

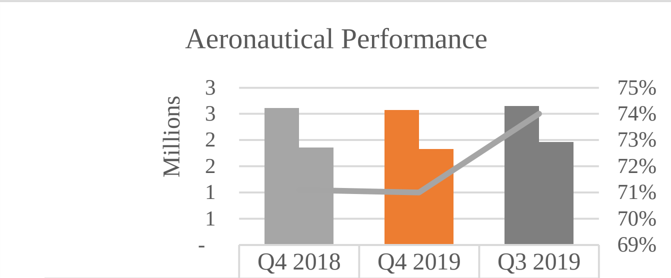
Operating Profit/(Loss)

Q4 2018	Q4 2019	Q3 2019
(4.2)	(3.9)	(3.1)
Million in MVR	Million in MVR	Million in MVR

Although total revenue reduced, the operating loss of the company has also reduced compared to the same period of last year. This is because KACL has managed to reduce its operating expenses mainly from repair and maintenance. On the other hand, staff cost has increased mostly because of changes in director’s remuneration. Compared to previous quarter, operating expenses had a growth of 37% and staff costs by 1%. The highest increments were seen by spare parts expenses, government fees and services and repair and maintenance.

Segmental Profit

Aeronautical

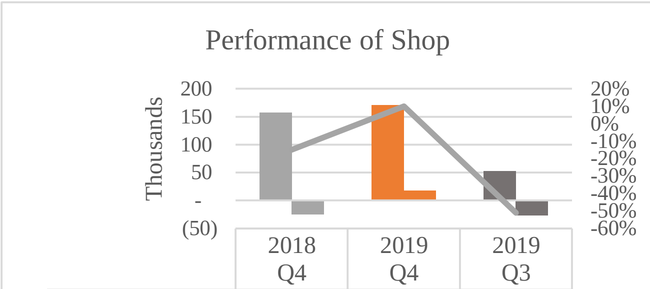


	Q4 2018	Q4 2019	Q3 2019
Revenue	2,611,260	2,572,370	2,642,299
Gros s Profit	1,856,672	1,827,386	1,958,323
GP Margin	71%	71%	74%

KACL has been maintaining a good profit margin from aeronautical segment. While the GP margin for Q4 2019 is same as Q4 2018, the results are lower against previous quarter. This is because in Q4 2019, cost of fuel has increased while revenue has reduced by 3%. has been maintaining a goo

Shop

The shop has made a gross profit in Q4 2019 while a loss was made in both Q4 2018 and 2019 Q3. Compared to previous quarter shop revenue has recorded an incremet of MVR 118,767 resulting a positibe gross profit margin of 10%.



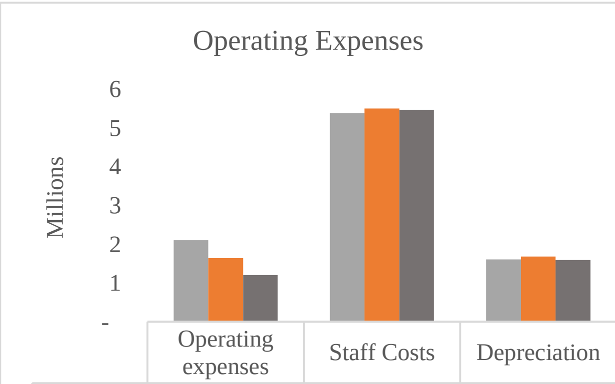
	2018 Q4	2019 Q4	2019 Q3
Revenue	157,257	170,956	52,189
Gross Profit	(24,247)	17,227	(26,592)
GP Margin	-15%	10%	-51%

Net Profit

Q4 2018	Q4 2019	Q3 2019
(5.8)	(5.6)	(4.7)
Million in MVR	Million in MVR	Million in MVR

The net loss made by KACL for Q4 2019 stands at MVR 5.6 million, which is a redution of 3% compared to the same period of last year. On the other hand, compared to preious quarter the net loss has increased significanlty from MVR 4.7 to MVR 5.6 million. The loss has increased beacause of reduction in reveneue together with increased operating expenes of the company.

Operating Expenses



	Operating expenses	Staff Costs	Depreciation
Q4 2018	2,103,057	5,379,640	1,613,684
Q4 2019	1,646,379	5,499,948	1,684,848
Q3 2019	1,205,854	5,466,697	1,589,480

The overheads of the company are;

Staff costs are the most significant expense of the company and it has been in Q4 2019, although the movements between quarters are not significant. It must be highlighted that the total operating expenses of quarter 4 excluding depreciation is over 278% of company's revenue for the quarter. Total overheads has declined against the same period of last year. Howveer, compared to previous quarter expenses such as spare parts expenses, repair and manitenance and govrnment fees and expenses has increased. Salaries and wages has also recorded an increment of MVR 82,046 due to increase in number of staffs.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
28 TIMES	25 TIMES	28 TIMES

A current ratio of above 2 is considered to be a satisfactory liquidity position. However, it is important to highlight that the most significant component of current asset is trade receivable, and it represents 92% of total current asset. Receivable has increased by MVR 7.7 million in Q4 2019 compared to the same quarter of last year and recorded a reduction of one percent compared to last quarter. Further, receivables represent 1158% of revenue for Q4 2019 and 281% of total revenue for 2019. The significant receivables is an indicator of company's inefficiency in managing its receivables and this is a major concerning issue for the company. It has to be noted that majority of the receivable is from Island Aviation Services Ltd.

The reduction in current ratio in Q4 2019 is due to reduction in current assets in terms of cash and receivables while the liabilities of the company has increased.

Quick Ratio

Q4 2018	Q4 2019	Q3 2019
27 TIMES	24 TIMES	27 TIMES

As per the quick ratio of KACL, company has the ability of meeting its short-term obligations with its most liquid assets. i.e. excluding inventories. Since KACL's inventories are not relatively significant compared to total current assets, there is no major difference between current and quick ratio.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
9 TIMES	1 TIMES	2 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The results of cash ratio indicate that KACL have enough cash to cover its current liabilities, although it has reduced compared to the two quarters in review. However, it is important to note that this cash balance represent the capital injections by the shareholder (government) and its not from their operations. Further, most of the revenue generated by the company is tied up as trade receivables.

The results of liquidity ratios are favorable for the company; however, it has slightly reduced compared to previous quarter. Although the results are favorable in theory, company is operating with financial help from government as capital injections.

Although KACL do not have any long-term loans or borrowing, trade and other payables of the company keep rising quarter by quarter. If the company collects its receivable in time, they could payout trade payables without any difficulty.

The revenue generated by the company is not sufficient to cover its operating costs, thus capital injections are also used up to finance day to day operation.

CONCLUSION

The performance of the company in terms of revenue has reduced in the last quarter of 2019 compared to the same period of last year and previous quarter. Regardless of fall in revenue the operating and staff costs has increased compared to previous quarter. Further, total loss of the company recorded a growth of 20% compared to previous quarter. KACL must reduce its overall costs and find new revenue generating units in order to survive since the accumulated losses of the company are a major concerns.

The short-term liquidity position of the company shows a favorable situation as per the ratios. However, it must be noted that these results are mainly because of the high receivables and capital injections by the government. The receivables are mainly from a single customer.

RECOMMENDATION

As the accumulated loss of the company has been increasing, KACL must find ways to reduce its costs. This could be achieved through utilizing resources such as machinery and labor in the most economical way and improving labor efficiency.

Eliminating non-value adding activities will also aid in cutting down costs. The revenue from most of the segments are declining so the company could perform a cost benefit analysis and streamline its business segments.

Further, performing a review to understand number of staffs required for the operation and reducing any excess staffs will reduce the major expense of the company. In order to reduce staff to an optimum level company could introduce severance packages to encourage the idle and unproductive staffs to leave voluntarily.

In terms of increasing revenue, KACL could partner with airlines and tourist establishments which may lead to increase number of flights. To increase the flight operation, KACL can obtain necessary approval from authorities to operate other airlines.

Another option to increase revenue would be operating the restaurant at Kahdhdhoo Airport on their own or opening a new restaurant on their own.

For a new revenue generating project the company could invest in an oil farm at the airport. However, biggest challenge is difficulty in obtaining finance for the stated projects. We recommend making a feasibility studies of expansion projects and negotiate with the financial institutions to arrange finance at better terms.

Receivables collection should also be given important consideration. KACL should not allow to grow receivables any further as it already significant. It is important to highlight that majority of KACL's receivables is from Island Aviation Services Limited and it can be reduced through negotiating with the party to come into a fixed credit level.

Quarterly review; Quarter 4, 2019

MALDIVES AIRPORTS COMPANY LTD

MALDIVES AIRPORTS COMPANY LIMITED
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MACL/Q4

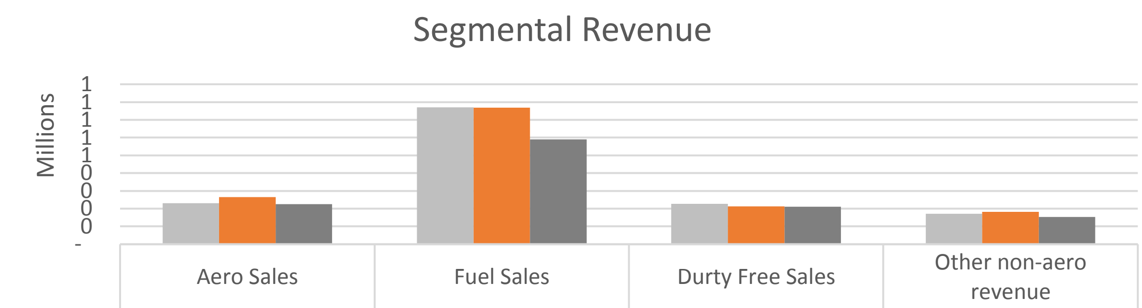
Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
1,398	1,427	1,178
Million in MVR	Million in MVR	Million in MVR

MACL has reported a revenue of MVR 1,427 million in the last quarter of 2019, which is 2% increment compared to Q4 2018 and 21% increment against previous quarter. All segments of revenue has improved in Q4 2019, especially from fuel and aero sales.



	Aero Sales	Fuel Sales	Durty Free Sales	Other non-aero revenue
Q4 2018	230,531	769,815	226,493	171,387
Q4 2019	265,034	768,387	212,986	181,122
Q3 2019	224,640	590,089	210,773	152,545

All revenue segments has seen improvement in Q4 2019 compared to previous quarter, and the highest growth was by fuel sales followed by other non-aero revenue. Compared to the same period of last year fuel and duty free sales has seen a reduction in Q4 2019.

Gross Profit

Q4 2018	Q4 2019	Q3 2019
818	869	721
Million in MVR	Million in MVR	Million in MVR

Similar to revenue, gross profit has also increased by 21% compared to previous quarter. However, the direct costs has also seen a growth of 21%, mainly from fuel and other costs.

Compared to Q4 2018, direct costs have reduced by 4%, resulting an increment of 6% in gross profit of the company.

The below charts illustrate the segmental gross profit for Q4 2019.

Segmental Performance	Duty Free	Aero	Fuel	Other
Revenue	212,986	265,034	768,387	181,122
Operating profit	50,260	200,520	138,519	133,491
Operating Profit Margin	24%	76%	18%	74%

The highest gross profit is made by aero segment followed by other segment. Fuel on the other hand, has the lowest gross profit margin. However, fuel is the largest revenue segment of the company.

Operating Profit

Q4 2018	Q4 2019	Q3 2019
428	522	430
Million in MVR	Million in MVR	Million in MVR

Regardless of increase in overheads of the company the operating profit has increased due to high revenue. The overheads consists of administrative, sales and marketing and operating expenses. Administrative expenses itself has recorded an increment of 24% compared to previous quarter due to increased employee benefits, depreciation and repair and maintenance expenses. Sales and marketing has also increased by 46%, operating expenses on the other hand has reduced by 9%. Among administrative expenses, employee benefits has recorded a drastic increment of 33% which is over MVR 54 million compared to previous quarter.

Overheads	Q4 2018	Q4 2019	Q3 2019
Sales and Marketing Costs	1,313,000	1,700,000	1,165,000
Administrative costs	286,462,000	305,375,000	245,749,000
Operating expenses	99,525,000	40,414,000	44,380,000
Total	**387,300,000**	**347,489,000**	**291,294,000**

Compared to the same period of last year, the expenses has increased in terms of sales and marketing and administrative expenses. The main component of administrative expenses is the employee benefits which has increased by 19%. (MVR 36 million). On the other hand, MACL has reduced its repair and maintenance by 42% (MVR 12.9 million).

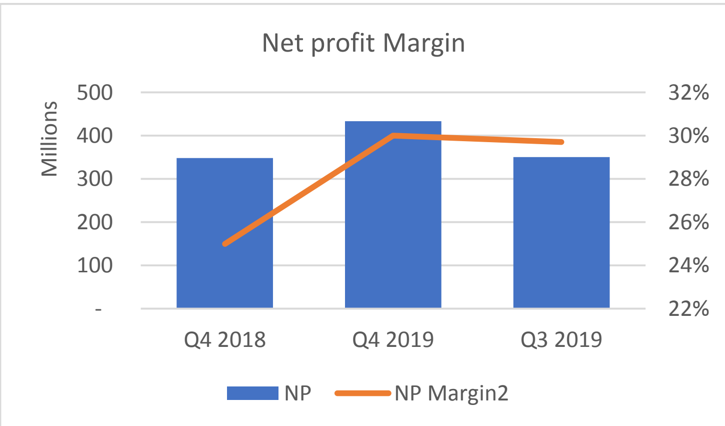
Administartive Costs	Q4 2018	Q4 2019	Q3 2019
Employee benefits	186,168,000	222,241,000	167,302,000
depreciation and amortization	62,859,000	58,367,000	54,542,000
Repair and maintenance	31,039,000	18,125,000	16,200,000
insurance	6,396,000	6,642,000	7,705,000
Total	**286,462,000**	**305,375,000**	**245,749,000**

Net Profit

Q4 2018	Q4 2019	Q3 2019
348	433	350
Million in MVR	Million in MVR	Million in MVR

Finance costs of the company reduced by 32% (MVR 5.9 m) and 31% (MVR 5.6 m) compared to Q4 2018 and Q3 2019 respectively. This has led to an improved net profits in Q4 2019 against both the quarters in review. However, compared to Q4 2018, net profits has reduced as overheads grew much higher than company's revenue.

The finance cost was reduced as borrowings of the company reduced by MVR 226 million compared to previous quarter due to repayment. However, borrowings has increased compared to Q4 2018 although the finance cost is lower in Q4 2019.



MACL has achieved a net profit growth of 25% against Q4 2018, as the revenue grew at 2% and overheads reduced by 10%. As a result net profit margin has seen a huge growth.

Compared to previous quarter, net profit has recorded a growth of 24%, however there was a minimal growth of net profit margin.

LIQUIDITY

Current ratio

Q4 2018	Q4 2019	Q3 2019
2.8 TIMES	2.0 TIMES	2.3 TIMES

Current ratio measures the ability of MACL to pay short-term obligations or those due within one year. MACL has been maintaining its current ratio above 2, therefore the liquidity position of the company is considered satisfactory. Compared to Q4 2018, current asset of the company has increased, however the current ratio has reduced as the increment in current liabilities are significantly higher than company's current assets. The trade receivables, the largest component of current assets has reduced MVR 404 million. This was reflected in company's cash flow as it has jumped by MVR 798 million.

Quick ratio

Q4 2018	Q4 2019	Q3 2019
2.5 TIMES	1.8 TIMES	2.1 TIMES

When the inventory is excluded, the liquidity position, i.e. quick ratio stands at 1.8, which is well above the ideal level of 1.1. Inventories has increased in Q4 2019 compared to other two quarters, therefore the quick ratio is lower than the other quarters.

As seen in the table, the largest component of inventory consists of duty free items, and MVR 17 million has been spent on this in Q4 2019.

Inventories	Q4 2018	Q4 2019	Q3 2019
Fuel inventory	69,222,000	86,237,000	88,901,000
Duty free inventories	163,535,000	166,040,000	148,981,000
Spares and consumables	88,600,000	94,460,000	93,438,000
Total	**321,357,000**	**346,737,000**	**331,320,000**

Cash ratio

Q4 2018	Q4 2019	Q3 2019
0.5 TIMES	0.8 TIMES	0.8 TIMES

Cash ratio calculates ability to repay its short-term debt with cash or near-cash resources. The company has generated a cash flow of MVR 719 million from the operating activities and finished the quarter with a cash balance of MVR 1,292 million. The reduction of trade receivables and increase of payables favored the cash balance of the company. However, the short term debts exceed the available cash and cash equivalents of the company.

In terms liquidity ratios, MACL is in a good liquidity position.

FINANCIAL LEVERAGE

Debt to Assets

Q4 2018	Q4 2019	Q3 2019
0.5 TIMES	0.4 TIMES	0.5 TIMES

Debt to assets ratio has reduced compared to Q4 2018, as assets grew much higher than borrowings. The ratio has also reduced in Q4 2019, compared to previous quarter as a result of reduction in borrowings. The borrowings were used to invest in capital assets. As per the cash flow statements MACL has spent MVR 359 million in capital working progress and MVR 113 million additional borrowings were taken in Q4 2019. The debt to assets ratio of MACL is quite high which will ultimately increase the financial risk of the company if a shock is observed in the tourism sector.

Debt to Equity

Q4 2018	Q4 2019	Q3 2019
1.0 TIMES	1.0 TIMES	1.1 TIMES

Debt to equity ratio has also reduced in Q4 2019, as equity has increased while borrowing reduced compared to previous quarter. The debt to equity ratio illustrates that company's debts are almost equal to company's equity. However, since these borrowings were used to finance the capital projects which is likely to increase revenue, hence they do not face increased financial risk.

CONCLUSION

The fourth quarter of 2019 was a successful quarter for MACL as company has achieved a net profit growth of 24% against previous quarter and 25% compared to Q4 2018. This was achieved through revenue growth and reducing their overheads. However increasing staff costs should be looked at carefully.

The short-term liquidity position of the company was good with satisfactory level of assets compared to their liabilities. In addition, with favorable working capital movements the company as able to increase the cash balance by over MVR 113 million compared to previous quarter.

Regardless of new borrowings the closing balance of borrowings reduced due to high repayments in the quarter. Huge developmental projects are undertaken by the company and majority of these projects are financed through borrowings. As result of higher borrowing financial risk of the company increase. Once the developmental projects are completed, MACL could further improve their performance.

RECOMMENDATION

Employee benefits is the most significant expense of the company and it has been increasing drastically over the past quarters. Hence company should be cautious about the growth in this expenditure and try to control it.

As there are many on-going developmental projects, the company must have a good plan to reduce project related costs caused by inefficiency. Through this company can ensure the projects are completed based on the agreed dates and eliminate any mismanagements. Delay of projects might end up in cash flow problems, and company may lose possible revenue streams.

Quarterly review; Quarter 4, 2019

MALDIVES CENTER FOR ISLAMIC FINANCE LTD

MALDIVES CENETR FOR ISLAMIC FINANCE CORPORATION
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MCIF/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

MCIF has not generated sufficient revenue to cover their operational expenses since inception. There is no revenue generating model which has been implemented till date. Though the purpose of the company is to link Islamic finance industry of Maldives to international markets, lack of operations does not allow the company to fulfil their main goal. MCIF generated a revenue of MVR 28,826 mainly, recorded as workshop revenue. This is a very insignificant revenue compared to the operational outflow of the company.

Gross Profit

Q4 2018	Q4 2019	Q3 2019
8,112	2,765	329

The direct costs include direct costs relating to workshop and educational programs. There are no direct costs relating to Q3 2019.

Net Profit

Q4 2018	Q4 2019	Q3 2019
-1.80	-2.27	-1.07
Million in MVR	Million in MVR	Million in MVR

The company has a net loss of MVR 2.27 million which is greater than the loss made in the comparable quarters Q4 2018 and Q3 2019. The main reason for the deterioration of profit is due to increase in overheads. The main overheads of MCIF are administrative expenses which summarized in the table below.

Expenses

Administrative expenses such as personnel expenses has increased significantly in a situation where the operations did not expand and company needs assistance in running day to day expenses. The staff numbers and personal costs may have increased due to transfer of Hazana Maldives staff to MCIF. The change in personnel expenses does not reflect in their operations. MCIF needs to minimize their expenses as much as possible to reduce the burden on the government.

Administrative costs	Q4 2018	Q4 2019	Q3 2019
Personnel Expenses	755,695	1,077,829	553,666
Board Remuneration		118,280	124,576
Board Meeting Expenses	17,887	3,992	-
Cleaning services		15,900	15,900
Conference Expenses	30,628	-	5,000
Shariah Committee Allowance	36,000	36,000	36,000
Rent or Lease Expense	769,824	-	
Legal and other fee expense	30,664	24,000	24,000
Maintenance & Repairs Expense	41,901	864	5,073
Utilities	12,594	7,528	9,385
Communication Expense	25,476	16,125	15,912
IT expense	11,722	9,334	8,041
Printing and Stationaries	2,951	35,045	2,205
Total	**1,735,342**	**1,344,897**	**799,758**

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
1.69 Times	0.46 Times	0.45 Times

Current ratio of the company reduced compared to Q4 2018 and improved marginally against Q3 2019. This signifies serious liquidity problems in the company due to significant increase in current liabilities. They also have recognized lease liability in the quarter which adds to the company's debt.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
0.71 Times	0.04 Times	0.27 Times

The cash ratio of the company is very low due to low value of operational cashflow. The cash balance represents the cash injected by the government.

CONCLUSION

MCIF currently has no revenue generating unit to finance their daily expenses. There is a need to implement proper business model to sustain their operations in the upcoming years. Based on the current operations the expenses are significantly high in MCIF. As the company does not have any major activities during the period, they are far behind the mandates and do not achieve the mandated objectives on commercially sustainable model.

Based on the current status of the business operations, it can be concluded that they are not operating in a self-sufficient business model.

RECOMMENDATION

The existing business model of the company is not sustaining its business as the company is not creating value addition to the shareholder and is not generating revenue from its core business. Therefore, a sustainable business model should be designed and implemented to create diversified revenue generating units to a minimum extent where its operational expenses are covered.

Quarterly review; Quarter 4, 2019

MALDIVES HAJJ CORPORATION LTD

MALDIVES HAJJ CORPORATION LTD
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MHCL/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
4.5	3.3	72.1
Million in MVR	Million in MVR	Million in MVR

MHCL generates revenue mainly from two activities which are Hajj (third quarter) and Umra services (fourth quarter). Compared to 2018, revenue from umra services has decreased by 27% due decrease in number of pilgrims. Third-quarter of 2019 falls in to hajj season as such most of the income is driven from hajj related activities. Revenue generated in Q4 2019 is mainly from Umra trip, and other incomes related to Umra. Since main revenue sources are distributed on a seasonal basis it is important to compare performance on a seasonal basis.

It is important to understand the reasons for a significant fall in revenue from Umra trips and work to improve it, as company's core revenue generating unit seems to be income from Umra and hajj services.

Gross Loss

Q4 2018	Q4 2019	Q3 2019
0.11	-0.35	-9.10
Million in MVR	Million in MVR	Million in MVR

Although company generated a gross profit of 2% in Q4 2018, it has deteriorated to a gross loss (-11%) in Q4 2019, mainly due to decrease in revenue.

It is essential that company manages both pricing and cost of sales of Umra trips in order to ensure that all the direct costs are covered from the price charged from each pilgrim.

It is important to note that unlike Hajj rates, Umra rates charged from pilgrims are not regulated by the government, but set based on the competition among private Umra service providers. When total revenue generated was MVR 3.3 million, company has incurred cost of sales of MVR 3.7 million in Q4 2019, resulting to a gross loss. The decrease in number of pilgrims and the high cost of sales has triggered this gross loss.

Continues gross loss from operation is a risk for company's sustainability, hence management must work on to at least breakeven its operation.

Operating Loss

Q4 2018	Q4 2019	Q3 2019
-1.1	-2.6	-11.3
Million in MVR	Million in MVR	Million in MVR

Operating loss margin has increased from -26% to -79% when compared with Q4 of both years. It is notable that administrative costs have increased by 136% in this comparable period. Although other operating costs has decreased by MVR 129,911 company has incurred some additional selling and marketing expenses o MVR 36,248 in Q4 2019 (as compared to Q4 2018)

Comparing Q4 2019 with Q3 2019, a significant change is seen in the operating loss as the scale of operation was higher and high cost was incurred for hajj activities during Q3 2019.

It is vital that the company work on reducing its operating expenses since the revenue earned is not sufficient to cover its direct costs leading to substantial amount of loss being incurred over number of periods. Management of Hajj expenses will enable the company to provide the services in a more sustainable way in the future.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
2.5 TIMES	26 TIMES	11 TIMES

Current ratio has remained above the generally accepted level of 2:1, over three quarters. This ratio has increased by 18 times compared with Q4 2018, but improved when compared with Q3 2019, indicating that the level of short-term assets to meet its short-term liabilities have deteriorated.

It is important to note that cash and cash equivalent is the collection from pilgrims as advance hajj or Umra payment (to be utilized within a longterm), thus it is not ideal to utilize these funds to settle short liabilities of the company. Hence, if the advance cash received from customers are excluded to assess current ratio, company is not able to generate MVR 0.20 worth of current assets per MVR 1 current liability, indicating operational liquidity issues.

Quick Ratio

Q4 2018	Q4 2019	Q3 2019
2.5 TIMES	25 TIMES	10 TIMES

Quick ratio shows company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets. i.e. excluding inventories. Since MHCL's inventories are not relatively significant compared to total current assets, there was a minimal reduction in the quick ratio, as compared with current ratio. Inventory remained at 1%, 3% and 3% of total current assets during Q3 2018, Q3 2019, and Q2 2018 respectively.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
2 TIMES	22 TIMES	9 TIMES

The cash balance reflects the capital injection by the government and the advance payments received from customers, those which shall not solely be utilized in day to day operation but rather be used to invest in revenue generating units.

The short term liquidity ratio has improved compared with other comparable periods. It is important to note that government has injected capital of MVR 3 million in fourth quarter of 2019. The company should be generating enough operating revenue from its investments of Hajj funds based on the model of other countries.

Further, most of the capital injections are being used to finance day to day operations of the company. The company must consider the importance of fund management in order to sustain its operation for long-term.

INVESTMENT

Investment	Q4 2018 (MVR)	**Q4 2019 (MVR)**	Q3 2019 (MVR)
Advanced received from customers	130,280,376	**153,655,313**	130,307,333
Held to maturity investments	61,000,000	**97,390,082**	76,000,000
Finance Income	684,399	**1,444,690**	1,052,954
Return on Investment	1.12%	**1.48%**	1.39%

Table 1: Investments

Hajj Corporation offers two types of service where customer can pay for hajj and umra in installments as well as in full payments. Thus, the company receives huge amounts as advance payments from customers, which are then invested in shari'ah compliant products. As at Q4 2019, company has collected advance worth of MVR 153,655,313 (Q4 2018: MVR 130,280,376) and have invested over MVR 97 million, which represents 63% of total advance received. Company has earned finance income from investments of MVR 1.4 million in Q4 2019 giving a return of 1.48%

With more than half of the asset being invested, it is important to evaluate the return being generated from it, especially at the time when company is facing cash flow constrains in its operation.

CONCLUSION

The revenue has drastically decreased as compared with the same quarter of 2018., mainly due to less number of customer opting for Umra trips through the company. At the same time, when company is offering its services below its costs price, revenue earned is not enough to cover its direct and overhead costs resulting operating loss for the quarter.

Although liquidity position seems favorable in ratios, those current assets are mainly locked up assets for future utilization in its operation (advance received from customers).This means company has fewer liquid assets to fund its operation effecting over sustainability.

Company is investing is sharia compliance products with fund received from customers, however its return on investment is not very enough worthy compared to negative cash flow generated from its operating activities.

RECOMMENDATION

As the market is highly competitive with new private parties providing this service, MHCL must try to improve their market share using creative marketing strategies, encouraging sales packages and offering other competitive advantages.

To maintain the sustainability of the company, MHCL must reduce its costs and expenses and increase efficiency. Currently the price charged from pilgrims are lower than the direct costs of the service. Therefore, the company must manage its costs more efficiently. Although company aims to enable citizens to perform Hajj and Umra at affordable prices, the rates charged must be viable in order to sustain the company for long-term.

It is important to consider possible investment options available on the investing market with higher ROIs, since current ROI of the investments remains very low.

Quarterly review; Quarter 4, 2019

MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION

MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MITDC/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
0 in MVR	0 in MVR	0 in MVR

MITDC was unable to generate any operating income during Q4 2019, nor in any comparable period.

Currently MITDC is focusing on L. Baresdhoo and K. Kaashidhoo project. Although two projects are on hold due to legal and other conflicting issues, company is trying to kick start at the earliest. It is important to note that company would take months or probably years to generate operational income from these projects. Therefore, it is vital that company plan to create revenue generating units to enable a self-sufficient business model at earliest.

Net Loss

Q4 2018	Q4 2019	Q3 2019
-3.38 Million in MVR	-3.10 Million in MVR	-1.35 Million in MVR

The net loss has seen a significant increase in Q4 2019, compared to Q3 2019 (by 129%) mainly due to increase in administrative costs. Compared to Q4 2018, net loss has reduced by 8%. The total accumulated loss of the company as at the end of Q4 2019 stands at MVR 37.6 million,

Expenses

Operating Costs	Q4 2018	Q4 2019	Q3 2019
Administrative costs	3,620,786	3,135,812	1,358,284
Sales and marketing expenses	47,107	1220	-
Total	**3,667,893**	**3,137,032**	**1,358,284**

Although operating costs has increased by 131% from Q3 2019 to Q4 2019, it has seen a 13% reduction compared to Q4 2018.

Administrative costs are significantly increased from Q3 2019 to Q4 2019 mainly due to 'Refunds of land acquisition cost' related to Baresdhoo project expensed in Q4 2019 by MVR 1.5 million. Repair and maintenance also have increased by over MVR 142 thousand in Q4 2019 due to MITDC office had to be relocated. Although overall expenses have increased, some of the expenses have reduced over this comparable period such as payroll, travelling and telephone charges.

Company's operating expenses are financed through the capital injections by the government as no revenue is generated from operations.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
0.53 TIMES	0.52 TIMES	0.57 TIMES

Current ratio of the company has been maintained below 1 for three quarters in review, indicating unsatisfactory short-term liquidity position. The current asset of the company consists of trade and other receivables and cash and cash equivalents, whereby receivables comprise of 96% of total current assets.

In terms of trade and other receivables, advance payments to suppliers and land acquisition cost receivable are the major components (98%). Based on its substance, it is important that company assess these short-term financial assets for its recoverability as per relevant IFRS.

LIQUIDITY	Q4 2018 (MVR)	Q4 2019 (MVR)	Q3 2019 (MVR)
Current Assets	**27,097,371**	**27,194,681**	**28,881,548**
Trade and other receivables	26,103,689	26,192,220	26,136,809
Cash and cash equivalents	993,682	1,002,461	2,744,739
Current Liabilities	**50,745,616**	**52,260,568**	**50,858,220**
Trade and other payables	35,325,616	36,840,568	35,438,220
Short term borrowings	15,420,000	15,420,000	15,420,000

Land acquisition cost receivable includes, receivables against sub lease land plots and advance payments made to suppliers includes advance payments settled to Jausa Construction Maldives Pvt Ltd for the construction works of L.Baresdhoo Project.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
0.02 TIMES	0.02 TIMES	0.05 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. MITDC's cash ratio is significantly low and are in a high-risk position. More alarming that the ability of repayment has reduced from 0.05 times to 0.02 time from Q3 2019 to Q4 2019 mainly driven by the increase in LAC Refund. The cash balance reflects capital injection by the government which is also currently the only source of cash flow to the company.

The short term borrowing of MVR 15.42 million is the loan taken from MOF for integrated tourism development projects on the island of Kaashidhoo in Male' Atoll. The loan is agreed to be repaid in 1 (One) year time from the date of agreement. (agreement date: 26 April 2018).

Trade and othe receivables	Q4 2018 (MVR)	Q4 2019 (MVR)	Q3 2019 (MVR)
Accounts Receivable	38,402	42,752	44,552
LAC Receivable	10,485,600	10,485,600	10,485,600
Advance payments to Suplpliers	15,034,500	15,094,500	15,034,500
Prepayment	24,672	6,168	24,672
Other Receivable	6,091	-	-
GST refundable	514,424	563,199	547,484
Total	**26,103,689**	**26,192,219**	**26,136,808**

Trade and other payables	Q4 2018 (MVR)	Q4 2019 (MVR)	Q3 2019 (MVR)
Trade Payables	14,175,616	14,131,970	14,168,220
Accrued Expenses	61,210	14,116	31,249
Advance rent	8,899,701	4,972,836	6,549,531
Refund Payable	9,402,345	13,920,310	11,120,295
Accrued Interest	980,027	1,965,524	1,735,705
Other Payables	-	2,595	3
CSR Funds	1,806,717	1,833,217	1,833,217
Total	**35,325,616**	**36,840,568**	**35,438,220**

CONCLUSION

The tourism development projects undertaken by the company are currently on hold due to several issues, therefore MITDC was unable to create and operationalize any of their planned projects. As a result, the administrative costs are financed through the capital injections from the government. During Q4 2019, the company has made a net loss of MVR 3.10 million, which is an increase of 129% compared to Q4 2019 and Q3 2019.

The short-term liquidity position of the company is very poor as current liabilities are comparatively higher than its current assets. Furthermore, the company's operational costs led to deterioration of cash flow. It is important to note that MITDC depends on the shareholder assistance to meet all their operational expenses.

Although two projects (Baresdhoo & Kaashidhoo) are on halt, MITDC have been working with interested investors for the development of the projects. Due diligence of the investors has been completed and documents sent to Ministry of Finance. MITDC is currently waiting for the approval from Ministry of Finance to begin with the initial development of both the projects.

Currently MITDC is working on solving the legal barriers that has become the main reason for the projects to be kept on hold. Additionally, MITDC is working in finding new business ventures/models in accordance with the mandate of MITDC and generate revenue in the short term.

RECOMMENDATION

Currently the company is sustaining from the capital injections from the government. The company must formulate both strategic and business plans to understand and achieve its corporate objective as per their business mandate.

Since the company is trying to kick start the projects, it is important to find financially feasible business arrangement to complete existing projects.

For a sustainable development of the company the corporation must generate revenue to ensure its entire business operation is worthwhile. Therefore, at least the company must ascertain short term cash generating unit, to finance operational expenses. Further, managing operating expenses are also an important factor to reduce the loss of the company and so to its sustainability.

The company should formulate strategies in receivable collection to enhance the liquidity position. Rent receivables, account receivables need to be collected and relevant authorities must be informed, and actions should be taken accordingly. Consequently, payables management is also important which includes maintaining a good relationship with the suppliers to increase the credit limits and obtain goods or services at better terms.

Quarterly review; Quarter 4, 2019

MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION

MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MMPRC/Q4

Q4 2019 with Q4 2018 and Q3 2019

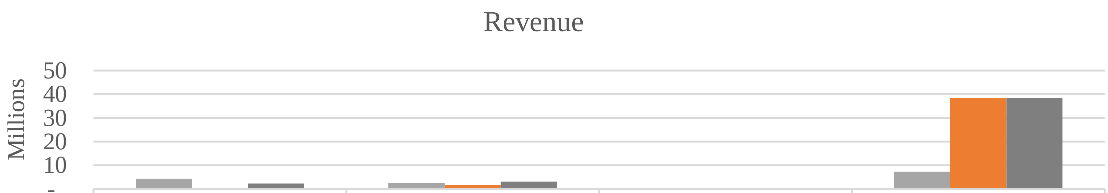
PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
14.4	40.3	43.9
Million in MVR	Million in MVR	Million in MVR

Total revenue of the company has increased significantly in Q4 2019, compared to Q4 2018 only because of increase in government grant income. Compared to previous quarter the revenue has fallen by MVR 3.6 million. Other than the grant income MMPRC earned only participation income during the quarter, which has also reduced by MVR 1.4 million against previous quarter.

The below chart shows the revenue generating segments of MMPRC for three quarters in review.



	Membership Fee	Participation Fee	Other Income	Government Grants
Q4 2018	4,346,527	2,350,614	336,305	7,322,634
Q4 2019	-	1,752,417	-	38,550,000
Q3 2019	2,299,208	3,109,896	-	38,550,000

As seen in the above table, MMPRC has performed better in 2018 than 2019. The revenue of 2019 has been reducing quarter by quarter without considering the grant income.

Gross Profit

Q4 2018	Q4 2019	Q3 2019
1.4	18.7	27.5
Million in MVR	Million in MVR	Million in MVR

The gross profit has also declined against previous quarter as revenue has reduced. Regardless of the fall in revenue the cost of sales has also increased. Most of the direct costs has increased such as event cost, roadshow participation cost, promotional material and advertising. The cost of sales has recorded a growth of 31% while revenue reduced by 8%. As a result gross profit margin fell from 63% to 46%.

The gross profit of Q4 2018 is low because government grants are lower in that quarter compared to Q4 2019. The gross profit margin in Q4 2018 was 26% and improved to 46% in Q4 2019.

Net Profit

Q4 2018	Q4 2019	Q3 2019
-4.8	16.1	21.5
Million in MVR	Million in MVR	Million in MVR

The net profit of the company has also deteriorated against previous quarter although administrative and selling and marketing costs has reduced. This is because the revenue was lower and direct costs were higher in Q4 2019 compared to previous quarter. Thus, net profit margin declined from 49% to 40% in Q4 2019.

In comparison to the same period of last year, company made a net loss in Q4 2018 due to lower income. However, it has to be noted that revenue was only increased from grant income from government and revenue from other sources has reduced.

Expenses	*Q4 2018*	*Q4 2019*	*Q3 2019*
Salaries and Wages	1,498,276	934,034	1,643,804
Overheads	4,308,755	1,631,093	3,145,820
Selling and marketing Costs	348,552	104,856	285,647
Total	**6,155,584**	**2,669,983**	**5,075,271**

As shown in the above table company has reduced its expenses in Q4 2019 compared to other two quarters. Salaries and wages has recorded a reduction of 43% compared to previous quarter, while overheads has also reduced by 48%. The significant overheads in previous quarter is due to the moving costs, purchase of new office furniture's and other set up costs of the new office building. The total expenses constitute to 152% of revenue excluding the grant income.

LIQUIDITY

Current ratio

Q4 2018	Q4 2019	Q3 2019
0.99	1.02	1.04
TIMES	TIMES	TIMES

Current ratio measures the ability of MMPRC to pay short-term obligations or those due within one year. Although, in theory a ratio of above 1 indicate that the company have more assets than its liabilities, the greater portion of MMPRC's current assets are trade and other receivables which represent 90% of total current assets. The receivables and related payables constitute lease payments related to resort rentals. Compared to previous quarter, receivables has reduced by MVR 8.7 million.

Cash ratio

Q4 2018	Q4 2019	Q3 2019
0.05	0.10	0.11
TIMES	TIMES	TIMES

Cash ratio calculates ability to repay its short-term debt with cash or near-cash resources. MMPRC's cash balance is relatively low compared its current liabilities. Hence the cash ratio of the company is very low. The cash balance of the company at the end of Q4 2019 is 157 million which is a reduction of 5% compared to last quarter. Although the cash balance reduced this was not reflected on company's payables as it has also increased in Q4 2019. Nevertheless, it has to be noted that most of the payables are related to the corruption case being investigated. Therefore, it is unlikely that these amounts would be payable unless these cases are resolved.

Government has injected cash worth over MVR 38.5 million in the third and fourth quarter of 2019. The company is unable to generate enough revenue to meet its daily obligations and hence depends purely on shareholder assistance, and the revenue seems to be declining quarter by quarter.

MMPRC does not have any long-term loans or borrowings.

CONCLUSION

The performance of the company has declined in terms of revenue in Q4 2019. The revenue reported in Q4 2019 was a reduction of 8% compared to previous quarter. Further, regardless of loss of revenue the direct costs grew higher affecting the profitability of the company. Net profit of the company declined by 25% against previous quarter.

The short-term liquidity position of MMPRC is satisfactory if payables and receivables of past outrage are excluded. There are significant receivables and payables in the company financial position, most of these figures are related to corruption cases which is unlikely to be payable unless resolved.

In addition, MMPRC has been maintaining significant cash balances. At the end of Q4 2019 the cash balance of the company stands at MVR 157 million. However, it is important to note that majority of the cash balance represents grants given by government.

RECOMMENDATION

Revenue of the company has a declining trend over the past quarters and revenue from other sources besides government grant does not cover the company’s operating costs. Therefore, to improve profitability MMPRC must cut down its costs and increase efficiency.

Considering the current position of the company, MMPRC should come up with a new business model to improve their business operation. In addition, the company must improve image of the company and obtain public trust.

In terms of liquidity, the receivables of the company are significantly high which itself creates cash flow problems. Further, these are long standing receivables therefore it is important to take all necessary action to recover all receivables. If the company is able to recover these amounts the liquidity position will further improve.

Quarterly review; Quarter 4, 2019

MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC

MALDIVES TRANSPORT AND CONTRACTING COMPANY LTD
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MTCC/Q4

Q4 2019 with Q4 2018 and Q3 2019

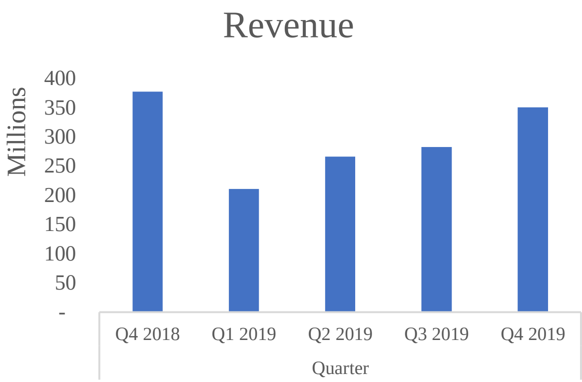
PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
377	350	283
Million in MVR	Million in MVR	Million in MVR

Compared to Q4 2018 MTCC records a fall in revenue by 7.2% (MVR 27 million). However, this revenue is 24% increment compared to Q3 2019.
The following graph shows the improving trend in the revenue starting from Q4 2018 till the end of 2019.

As the graph concludes, MTCC generated high revenue which fell dramatically in Q1 2019. After that, we can see gradual improvement in the revenue throughout the year.



Gross Profit

Q4 2018	Q4 2019	Q3 2019
69.6	60.7	48.2
Million in MVR	Million in MVR	Million in MVR

The decrease in gross profit compared to Q4 2018 reflects the decrease in sales during that period, though direct costs reduced remarkably by 6% (MVR 18 million) compared to Q4 2018. The main direct costs which reduced includes hiring charges of direct staff, direct salaries, food supplies for the project sites and spare parts.

Compared to Q3 2019, gross profit improved to 61 million. Direct costs also increased proportionately with the increase in revenue. This results in 25% increase in gross profit compared to the previous quarter.

Operating Profit

Q4 2018	Q4 2019	Q3 2019
18.1	23.8	24.1
Million in MVR	Million in MVR	Million in MVR

Operating profit has been increased compared to Q4 2018 and reduced against Q3 2019. Compared to Q4 2018, operating profit has been increased by 32%. This is because administrative costs, selling and marketing costs and other expenses has reduced compared to Q4 2018.

However, compared to Q3 2019, with the increase in revenue the indirect expenses also have grown proportionately. Selling and marketing costs increased by MVR 5 million while administrative expenses increased by MVR 6.7 million in just a quarters' time. In addition to this, other expenses also have increased by MVR 2 million which reduced the operational profit of the company.

When looking further into administrative costs, the significant changes compared to Q3 2019 includes training expenses which rose by MVR 2.8 million and bank service charges rose by MVR 1.8 million. Additionally, retirement benefit rose by MVR 1.6 million. These changes caused overall administrative costs to rise,

Other expenses increased by 59% (MVR 2 million). Customs duty has been increased significantly while inter-company miscellaneous expenses totaling to MVR 1.8 million has been recognized by the company in Q4 2019 which is a significant value. In addition to this MTCC has loss on sale of an asset totaling MVR 12 million which is also significant.

Net Profit

Q4 2018	Q4 2019	Q3 2019
6.02	10.2	15.9
Million in MVR	Million in MVR	Million in MVR

When looking into the profit for the company during the quarters, Q4 2019 shows higher profit than Q4 3018, but lower profits than Q3 2019. Though revenue improved gradually in the quarters of 2019, it is still lower than Q4 2018, while indirect costs are at its peak in Q4 2019. Finance costs also increased by MVR 64% and 67% compared to Q4 2018 and Q3 2019 respectively as part of increased borrowings and lease liability in Q4 2019.

PROFIT MARGIN	2018 Q4	2019 Q4	2019 Q3
Gross Profit Margin	18%	17.3%	17.1%
Operating Profit Margin	5%	6.8%	8.5%
Net profit Margin	1.6%	2.9%	5.6%
Earnings Per Share	6.02	10.20	15.95

When looking into the profit margins, except GP margin all profit margins has improved compared to Q4 2018. The performance of the company has been deteriorated, not been able to generate sufficient revenue through the operations to cater the increasing expenses. This also shows the lack of ability to manage indirect costs of the company.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
1.20	1.30	1.29
TIMES	TIMES	TIMES

Liquidity position of the company improved in terms of current ratio compared to Q4 2018 and Q3 2019. Though the ratio is below the ideal ratio of 2:1, the ratio suggests that the company is in a position to settle the short-term liabilities with the short-term assets available. The decrease in current liabilities is greater than the decrease in current assets resulting ratio to improve.

Trade and other receivables fell by MVR 88 million and MVR 24 million compared to Q4 2018 and Q3 2019 respectively. This shows the ability of the company in collecting the dues from the customers which puts the company into a healthy liquidity position. However, cash and cash equivalents of MVR 33 million in Q4 2019 which is a reduction of 43% compared to Q4 2018 and 33% compared to Q3 2019, signals the company towards improving cashflow.

Short term liabilities of the company consist of trade and other payables, short term portion of the borrowings, bank overdrafts, and lease liability referring to Q4 2019. Though there is a lease liability in Q4 2019, trade payables and short-term borrowings fell significantly which makes the overall trade payables reduce. As such, trade payables reduced by MVR 52million and MVR 14 million while borrowings reduced by MVR 103 million and MVR 20 million respectively compared to Q4 2018 and Q3 2019.

Quick Ratio

Q4 2018	Q4 2019	Q3 2019
0.97 TIMES	1.01 TIMES	1.02 TIMES

MTCC's quick ratio is the ideal ratio where the company can settle all its liabilities with the short-term borrowings while inventories are excluded. Inventories increased by 5% and 4% in Q4 2018 and Q3 2019. However, reduced payables significantly resulted in improvement in the ratio.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
0.06 TIMES	0.04 TIMES	0.06 TIMES

As mentioned above cash and cash equivalents fell in Q4 2019 which negatively impacted cash ratio. With regard to the operations, the cashflow of the company is tight and current levels are challenging to support the liabilities. Cash and cash equivalents fell mainly as a result of cash outflow from financing and investing activities. MTCC invested MVR 41 million in purchasing Property Plant and Equipment in the quarter. Moreover, the company has spent MVR 42 million as loan repayment while they expensed MVR 11.8 million as interest on borrowings.

LEVERAGE

Debt to Equity

Q4 2018	Q4 2019	Q3 2019
0.69 TIMES	0.62 TIMES	0.66 TIMES

Debt to Equity ratio stands at 62% which is a reduced percentage compared to Q4 2018 and Q3 2019. The reduction in the gearing ratio is mainly due to reduced borrowings compared to Q4 2018 and Q3 2019. The company is able to repay the borrowings through their own funds. The reduced debt to equity suggests the satisfactory level of financial risk which will eventually boost investor confidence.

Debt to Assets

Q4 2018	Q4 2019	Q3 2019
0.30 TIMES	0.28 TIMES	0.29 TIMES

When looking into debt to Assets ratio, the ratio also has reduced due to reduced balance of borrowings. However, total assets of the company also have been reduced compared to Q4 2018.

CONCLUSION

Performance of the company has been deteriorated in terms of profitability. Revenue has shown a downturn compared to Q4 2018 due to loss of projects. However, year 2019 has shown gradual improvement in revenue each quarter. Operational profit has been deteriorated in the quarter compared to Q4 2018 and Q3 2019. Loss in revenue is not the only factor, indirect costs along with finance costs also has been increased.

In terms of liquidity, the company is in a better position when referred to the comparable quarters. They are in a position where they will be able to set of the short-term assets against the liabilities. They have been able to reduce the receivables, however, unable to boost the cash inflow. The cash ratio is insufficient to set off the short-term obligations.

Financial leverage of the company showed improvement mitigating financial risk of the company over the comparable period.

RECOMMENDATION

The company need to make strategic decisions and implement them to improve revenue in areas where the company can maximize the outcome. Decisions also need to be taken for the loss-making segments, to minimize the losses. Focus need to be given to the profit-making segments to improve overall productivity and achieve economies of scale in such segments. It is also is important for the company to minimize the costs from wherever possible.

The company has improved its liquidity over the comparable periods. However, strategies need to be implemented for receivable collection. Receivables hold the significant portion of current assets and they need to converted into cash to boost the cash ratio of the business.

Quarterly review; Quarter 4, 2019

MALDIVES TOURISM DEVELOPMENT CORPORATION

MALDIVES TOURISM DEVELOPMENT CORPORATION
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MTDC/Q4

Q4 2018, Q3 2019 AND Q4 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
17.1	17.3	17.3
Million in MVR	Million in MVR	Million in MVR

The company is engaged in subleasing islands allotted to the company by the Government of the Maldives, hence the only source of revenue is subleasing income. There is no change in revenue compared to previous quarter because there is no change in available portfolio of islands.

Gross Profit

Q4 2018	Q4 2019	Q3 2019
9.7	9.9	9.9
Million in MVR	Million in MVR	Million in MVR

The direct costs remained same for the three quarters at MVR 7.3 million. Currently, MTDC is just earning lease income from the islands sub leased. Hence, the company could expand its business within its mandate to increase revenue and profitability.

Net profit

Q4 2018	Q4 2019	Q3 2019
5.4	5.9	5.8
Million in MVR	Million in MVR	Million in MVR

Net profits of Q4 2019 is higher than the other two quarters in review. Compared to previous quarter administrative expenses has recorded a reduction of 1.2%. On the other hand, an increment of 2% was seen in administrative expenses in Q4 2019 compared to Q4 2018.

The administrative expenses of the company consist of employee related expenses, depreciation, operating lease rentals, director's remuneration and audit fees. Out of theses expenses operating lease rentals are the most significant expense.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
0.18	0.32	0.29
TIMES	TIMES	TIMES

The current ratio measures MTDC's ability to pay short-term obligations or those due within one year. The current liabilities of the company comprise of head lease rent payable, dividend payables, sublease advance, accrued expenses and other trade payables. Since company's current ratio is below 1, which indicate that current liabilities exceed their current assets. Hence, company does not have capacity to settle its short-term obligations. The increment in the ratio compared to Q4 2018 and Q3 2019 is mainly due to increment in current assets in terms of cash.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
0.17 TIMES	0.32 TIMES	0.28 TIMES

Cash ratio calculates company's ability to repay its short-term debt with cash or near-cash resources. Although company's cash balance is increasing, it is not enough to cover their current liabilities. Company's liabilities are comparatively higher than the cash balance, and growth of both cash and liabilities indicates that company is not settling its liabilities with the sublease income. However the quality of current assets are high as inventory and receivables are low.

CONCLUSION

MTDC has been engaging in only sub leasing of the islands, thus the only income earned is from subleasing. Therefore, the gross profit and net profit of the company are maintained at a same level for the past quarters. The net profit of Q4 2019 has improved due to reduction of administrative expenses.

Short term liquidity position of MTDC is not at satisfactory level as their current liabilities exceed its current assets. Although the cash balance is increasing, it is insufficient to cover company's liabilities, since the liabilities are more significant than its cash balance.

RECOMMENDATION

MTDC must find ways to improve its revenue rather than just subleasing their islands. The company can come up with new business plans within its mandate to introduce new revenue generating units. There by improving profitability and being able to offer a decent return to the shareholders.

Being a listed company, gaining and retaining public confidence is very important for MTDC. Increased profits can cause the stock price to rise as investors feel more confident about the company's future.

In order to improve the liquidity position, MTDC must reduce its payables. However, in order to do that the company should reduce receivables and collect as per the agreement if not take necessary actions without any delay. Further, the company should fasten resolution process of the case pending on the sub lease of the islands in order to improve overall liquidity.

Quarterly review; Quarter 4, 2019

MALDIVES SPORTS CORPORATION LTD

MALDIVES SPORTS CORPORATION LTD
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MSCL/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
25,100 in MVR	341,914 in MVR	0 in MVR

Maldives Sports Corporation Limited (MSCL) has generated a notable revenue since its inception in Q4 2019. The revengue generated from its operation is note worthy when the company has initiated to create some of its short term revenue generating units.

Company incured MVR 331, 767 as perssonnel expenses in Q4 2019 which indicates that company must increase its income flows further. It is important that Government and MSCL find a way forward in creating diversified revenue generating units to operate its business in a self-sufficient manner.

Revenue	Q4 2018	Q4 2019	Q3 2019
Seminars and conventions	20,000	-	-
Activity uniform	-	-	-
3 Generation Walk	-	341,914	-
Miscellaneous and other income	5,100	-	29,415
Total	**25,100**	**341,914**	**29,415**

Operating Loss

Q4 2018	Q4 2019	Q3 2019
(1.57) Million in MVR	(1.16) Million in MVR	(1.24) Million in MVR

Although company has continued to incur operating loss, , it has improved in Q4 2019, compared to other two comparable periods, mainly due to increase in revenue. Operating loss arises when company is unable to create revenue generating units to pay for its operating expenses. Therefore it is important that company strive to earn more revenue to at least breakeven its operation.

Operating Expenses	Q4 2018 (MVR)	Q4 2019 (MVR)	Q3 2019 (MVR)
Personnel expenses	1,090,618	1,154,282	1,040,321
Administrative expense	751,089	331,767	413,369
Selling and marketing cost	-	52,305	26,500
Total	**1,841,707**	**1,538,354**	**1,480,190**

Cost of personnel expenses are high when compared to the level of business operation being undertaken over the quarters. Personnel expense has further increased by 6% compared to Q4 2018 and 11% compared to Q3 2019. Main reason for increase in this expense was due to increase in number of staffs and leave encashment for staff in Q4 2019.

Company has managed to reduce its administrative expenses in Q4 2019 compared to other two quarters whereas the selling and marketing cost has increased by 49% in Q4 2019 (compared to Q3 2019).

Over all the total overhead cost is very high compared to level of business operation being undertaken in Q4 2019. Therefore at this point, company must consider the self-sufficiency and sustainability of the business. Operational cost of 1.4 million in the quarter did not create corresponding revenue and the continuation of this trend is a going-concern risk for the company. It is important to note that personnel expenses comprise over 75% of total operating expenses in all the comparable periods.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
6.5 TIMES	1.9 TIMES	1.3 TIMES

Current ratio has decreased by 4.6 times from Q4 2018 to Q4 2019, indicating that the level of short-term assets to meet its short-term liabilities have deteriorated. It is important to note that as the company does not generate operating cash flow to cover the costs, the cash balances represent government capital injections to the company. And the fluctuations in the capital injections lead to fluctuations in the liquidity of the company. However, compared to Q3 2019 it has improved by 0.6 times. The only current asset of the company is cash and cash equivalent and trade receivables. Current liability includes trade and other payables, along with advances and deposits received. Cash and cash equivalent is the capital contributed by the government and the advance payments received from customers.

Therefore, it is understood that although company was able to generate some of short-term assets in current quarter, it is insufficient to pay off their short-term liabilities out of those assets which may in future effect over all going concern of the business.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
6.5 TIMES	1.9 TIMES	1.3 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The cash ratio status does not see any changes from the previous quarterly review of Q3 2019. As this ratio shows that company has enough cash to cover its current liabilities. However, it must be noted that the cash balance reflects the capital injection by the government and the advance payments received from customers.

The short-term liquidity ratios show deterioration compared to Q4 2018 but improves from Q3 2019 to Q4 2019 slightly. However, it is down below the ideal level of 2:1. Therefore, it is important that company progress to create more short term financial assets from the capital contribution and tackle the long term going concern issues quicker.

	Q4 2018 (MVR)	Q4 2019 (MVR)	Q3 2019 (MVR)
Current Assets			
Cash and cash equivalents	1,506,633	2,709,109	1,936,430
Inventories	-	-	-
Trade and other receivables	-	48,604	-
Total current assets	**1,506,633**	**2,757,713**	**1,936,430**
Current Liabilities			
Trade and other Payables	230,207	208,209	178,082
Advance & deposits received	-	1,246,359	1,321,141
Total current liabiliities	**230,207**	**1,454,568**	**1,499,223**

It is important to note that government has injected capital of MVR 2.06 million in the fourth quarter of 2019.

CONCLUSION

No projects were undertaken by the MSCL in Q4 2019.

Even though the company is created through an Act of parliament, the commercial operations of the company have not materialized since its inception. However, company has started to create small cash generating units in Q4 2019 which must be further progressed to be able to operate self sufficiently. Land allocation to the company has not been implemented and the company currently faces going-concern issue. The overhead costs remain very high compared to the level of business operation being undertaken in Q4 2019.

Short-term liquidity ratios show slight improvements however are below the ideal level of 2:1 in Q4 2019.

RECOMMENDATION

MSCL must formulate strategies and business plans to create a self-sustainable business model which could remedy the issue of going concern. Implementation of plan is equally important, as such company must formulate operational plans and other means to ensure objectives are being achieved in the period.

Company has generated revenue of over MVR 340,000 in Q4 2019, by creating cash generating units. It is important that company put more effort on increasing and development of these units to grow its revenue in future, and to operate the business self-sufficiently. Efficient management of operational expenses is equally important since, company is still struggling to meet its short term operational expenses.

Quarterly review; Quarter 4, 2019

MALE' WATER AND SEWERAGE COMPANY PVT LTD

MALE' WATER AND SEWERAGE COMPANY PVT LTD
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MWSC/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
423	220	253
Million in MVR	Million in MVR	Million in MVR

Revenue fell significantly compared to Q4 2018 and Q3 2019. Compared to Q4 2018 total revenue of the company fell by 48% (MVR 204 million). The main revenue streams and their variances with Q4 2018 and Q3 2019 is explained by the following table. The company explains that the average water and power consumption is less in the quarter compared to Q4 2018 and Q3 2019 which makes the overall revenue fall from utilities. Revenue loss from government being adjusted in the quarter added to the revenue fall.

Revenue	Q4 2018	Q4 2019	Q3 2019
Utilities	158,219,517	131,089,246	204,611,053
Manufacturing	29,112,812	24,881,154	30,763,123
Ice Manufacturing	954,127	577,408	819,070
Projects	233,683,714	58,871,645	11,757,028
Trading	1,266,307	4,190,951	4,996,499

Decrease in demand for bottling, Perform and stretch films

Trading Loss in Year 2018 Q4

Decrease in demand for Ice

Year 2018, 80% of major external projects were completed

Gross Profit

Q4 2018	Q4 2019	Q3 2019
296	134	161
Million in MVR	Million in MVR	Million in MVR

Gross profit reduced by 55% compared to Q4 2018 and 17% compared to Q3 2019. Though direct expenses reduced, steep reduction of revenue adversely affected the gross profit. The segmental gross profit is shown in the following table.

Gross Profit	Q4 2018	Q4 2019	Q3 2019
Utilities	89,652,890	73,075,728	144,320,964
Manufacturing	8,623,674	9,491,881	9,475,773
Ice Manufacturing	387,704	-148,050	280,004
Projects	197,522,403	49,395,721	3,575,679
Trading	206,747	2,970,824	3,868,235
Waste Management	-204,680	-226,600	-259,627
Total	**296,188,738**	**134,559,504**	**161,261,028**

Compared to Q4 2018, gross profit increased from Manufacturing and trading having growth in GP margin. The steepest reduction in Gross profit can be seen from the projects segment, having a reduction of 74% (MVR 148 million) which contributes significantly to the fall in total gross profit. The main reason for the loss of revenue from the projects is the completion of the projects. The changes in gross profit margin from each segment is shown by the table below.

Gross Profit Margin	Q4 2018	Q4 2019	Q3 2019
Utilities	56.66%	55.75%	70.53%
Manufacturing	29.62%	38.15%	30.80%
Ice Manufacturing	40.63%	-25.64%	34.19%
Projects	84.53%	83.90%	30.41%
Trading	16.33%	70.89%	77.42%
Waste Management	-91.74%	-131.44%	-150.42%
Total	**69.94%**	**61.22%**	**63.71%**

When looking into the gross profit margin, Ice manufacturing and waste management segment has a negative Gross profit margin in Q4 2019, mainly as a result of high direct costs involved in the production process. Projects and manufacturing segment have a higher margin compared to other quarters.

Operating Profit

Q4 2018	Q4 2019	Q3 2019
259	64.8	108
Million in MVR	Million in MVR	Million in MVR

Compared to Q4 2018, operating profit reduced by 75%. This is because the company experienced loss in revenue while the sales and marketing expenses and administrative costs of the company increased during the period. Other income also dropped by 99% during the period. When compared to Q3 2019, operating profit reduced by 40% due to reduction in revenue while other income also dropped. However, administrative expenses reduced by MVR 4 million which helped the operating profit from further worsening.

When looking into the administrative expenses, the costs increased compared to Q4 2018. Consultancy charges increased by 95% due to significant cost valuation of 3 landing craft in Q4 2019. Travelling expenses also increased significantly as the company incurred high staff training expenditure in the quarter. Additionally, staff training expenditure also increased due to increased number of staffs involved in local and overseas training. Moreover, repair and maintenance of building and expenditure also rose by 115% as significant amount for Hulhumale' building and repair and modification of premium water store roof water leak area. Also, the increased number of staffs in Q4 2019 compared to Q4 2018 led to increment in staff related expenses.

Net Profit

Q4 2018	Q4 2019	Q3 2019
216	52.6	85.7
Million in MVR	Million in MVR	Million in MVR

Net profit was recorded lowest in Q4 2019 compared to both the comparable quarters, Q4 2018 and Q3 2019 as a result of loss of revenue along with rise in certain expenses while other incomes fell drastically. Compared to Q4 2018 and Q3 2019, though finance costs reduced, the positive impact did not reflect in net profit of the company because the company experienced a huge revenue loss alongside significant loss in other income.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
1.42	1.28	1.31
TIMES	TIMES	TIMES

Though the ratio suggest that the company is in a position to settle the short-term obligations with the short-term assets, the ratio is below the ideal ratio of 2:1, suggesting the room for improvement. The current ratio of the company worsened in Q4 2019 compared to Q4 2018 and Q3 2019. Compared to Q4 2018 current liabilities increased proportionately greater than the increase in current assets. The current liabilities of the company comprise of dividend payable and current portion of long-term debts which increased significantly compared to Q4 2018.

Compared to Q3 2019, the company has increased accrued expenses and provisions which elevates the current liabilities.

Quick Ratio

Q4 2018	Q4 2019	Q3 2019
0.99 TIMES	0.89 TIMES	0.94 TIMES

Increase in current liabilities proportionately greater than the current assets worsened the quick ratio of the company, added by the increase in the level of inventory. Excluding inventory, the company lacks the ability to settle all the current assets from the liability.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
0.33 TIMES	0.31 TIMES	0.39 TIMES

Cash ratio also shows a reduced figure taking into account the comparable quarters. The company used MVR 97 million in projects while they used MVR 120 million in financing activities in the quarter which reduced their cash flow. It is important to note that they have increased cash from the operating activities. The company is expected to have increased cashflow from the projects completed, which will elevate the cash ratio. It is also notable that the company was able to collect MVR 8.8 million of their receivables during the quarter. Payables also increased which improved operational cashflow.

LEVERAGE

Debt to Equity

Q4 2018	Q4 2019	Q3 2019
0.06 TIMES	0.13 TIMES	0.10 TIMES

When looking into debt to equity, ratio increased to 13% in Q4 2019 compared to 6.2% in Q4 2018 and 10% in Q3 2019, mainly due to increase in level of debt taken by the company for the developmental projects. This increases the financial risk for the company though they have a healthy reserve. Total borrowing of the company increased by 117% compared to Q4 2019 and 34% compared to Q3 2019. The company has the capacity to repay their loans through their reserves. However, if the projects undertaken by the company does not generate a healthy outcome, the increasing debts might be alarming in the near future.

Debt to Assets

Q4 2018	Q4 2019	Q3 2019
0.04 TIMES	0.08 TIMES	0.06 TIMES

The company has increased financial risk from increased level of borrowings compared to the asset base. While the borrowings increased total assets of the company reduced by 31% compared to Q4 2018. However, compared to Q3 2019 total assets increased by 4%. However, increase in debts by 34% increased the risk for the company. The company has a significant level of assets as a result of acquisition of Property plant and Equipment. The company has a solid asset base to back up their liabilities and debts which makes the company financially stable. However, increasing rate of debts is alarming.

#	PROJECT NAME	START DATE	END DATE	PROJECT VALUE	COMPLETE VALUE (BILLED AMOUNT)	%
1	S. HITHADHOO N&S - D&B OF SEWERAGE SYSTEM	2016	2019	95,887,375	95,887,375	100%
2	GA.KOLAMAAUSHI WATER AND SEWERAGE	2016	2019	53,381,802	53,381,527	100%
3	MALE' - STORM WATER UPGRADING PHASE 4	2017	2020	12,215,710	6,718,641	55%
4	PROVISION OF WATER SUPPLY FACILITY - MILANDHOO	2017	2020	44,270,172	36,661,843	83%
5	PROVISION OF WATER SUPPLY FACILITY - UNGOOFAARU	2017	2020	38,707,211	32,806,858	85%
6	K.FUNADHOO SUPPLY & INST. OF SAND FILTERS	2017	2020	117,000	-	0%
7	HANIMAADHOO - PROVISION OF WATER SUPPLY FACILITIES	2017	2020	44,249,041	36,423,192	82%
8	HOARAFUSHI - PROVISION OF WATER SUPPLY FACILITIES	2017	2020	49,231,304	40,726,056	83%
9	MALE' - ROAD UPGRADING - CON OF PUMP WELL	2017	2020	6,831,240	3,757,182	55%
10	GURAIDHOO WATER EXTENSION WORKS	2018	2020	486,917	-	0%
11	RASDHOO - WATER PROJECT - 2018	2018	2020	26,841,361	11,846,826	44%
12	KURENDHOO - SEWERAGE PROJECT - 2018	2018	2020	29,401,919	10,378,101	35%
13	MALE' - MIV TEMPORARY WATER CONNECTION	2018	2019	128,050	128,050	100%
14	MALE' - FABR.OF STORMWATER PUMP CONTROL PNL	2018	2019	163,200	163,200	100%
15	MALE' - INDUSTRIAL VILLAGE, TESTING OF WATER	2019	2020	561,718	533,632	95%
16	HULHUMALE' - SEWER LINE EXTENSION TO SWIMMIMMG POOL	2019	2020	134,596	-	0%
17	GOIDHOO - DESIGN & BUILT W&S FACILITIES	2019	2021	43,683,667	6,552,550	15%
18	KINOLHUS - DESIGN AND BUILT W&S FACILITIES	2019	2021	34,007,577	5,101,137	15%
19	KUDAFARI - DESIGN AND BUILT W&S FACILITIES	2019	2021	36,081,054	5,412,158	15%
20	MAALHENDOO - DESIGN & BUILT W&S FACILITIES	2019	2021	40,542,783	6,081,417	15%
21	THINADHOO - SUPPLY & INSTALL 1000 TON*2 TANKS	2019	2021	6,824,283	1,023,642	15%
	TOTAL			**563,747,980**	**353,583,387**	**62.72**

The ongoing projects valuing MVR 563.7 million at the end of Q4 2019 expected to be completed by 2021. It is notable that 63% of the total projects has been completed by the company in 2019. 5 new projects has been awarded in Q4 2019 each of them completed 15% by the end of the year.

CONCLUSION

The overall performance of MWSC has deteriorated in Q4 2019 compared to Q4 2018 and Q3 2019 in terms of profitability driven by loss of revenue, increased overheads compared to Q4 2018 and reduction in other income.

The liquidity ratios also show deterioration compared to Q4 2018 and Q3 2019 as a result of increase in current liabilities proportionately greater than the increased current assets, mainly due to increase in short term portion of the debts. The company currently shows a reasonable liquidity position where they are in a position to settle the liabilities with the assets available. However, if the situation persists, the company will be in a threat of facing liquidity issues if the current assets are not improved in line with the increasing short-term debts.

The company's leverage ratios are comparatively lower in relation to the asset base. Moreover, they have capacity to invest in future projects as the company has a huge reserve. However, increasing debts increases the financing risk for the company. It is important to complete the projects timely and focus on generating a gain through the projects.

RECOMMENDATION

MWSC has reduced their administrative costs compared to Q3 2019. However administrative costs can still be minimized by reducing costs from certain areas, such as repair and maintenance and entertainment and training for staff. However, staff training is an important expense for future development. Company can identify and avoid non value adding process and expenses for cost minimization. They also should improve performance of loss making segments.

It is advisable for the company to complete the on-going projects without further delay in order to eliminate the avoidable costs and generate revenue as early possible.

Additionally, MWSC should pay outstanding dividend to shareholder in order to reduce dividend payables.

Quarterly review; Quarter 4, 2019

MALDIVES PORTS LTD

MALDIVES PORTS LIMITED
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MPL/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Operational Revenue

Q4 2018	Q4 2019	Q3 2019
209.1	194.3	196.9
Million in MVR	Million in MVR	Million in MVR

The company has generated a revenue of MVR 194.4 million in Q4 2019. Compared to the same period of last year, this is a reduction of MVR 14.8 million. Revenue from almost all operational segments were reduced where revenue from empty container storage, storage/demurrage and stevedoring was negatively affected in the fourth quarter.

OPERATIONAL INCOME	Q4 2018	Q4 2019	Q3 2019
Handling	29,526,360	28,889,019	27,646,114
Wharfage	18,734,854	17,768,518	17,474,528
Stevedoring	70,323,939	67,069,333	69,185,084
Storage/Demurage	13,400,251	10,051,257	13,275,638
Empty Container Storage	19,513,907	6,246,991	6,576,246
H-Pontoon Service Charges	100,191	87,335	84,675
Shifting	10,928	11,448	7,039
Sorting of Mixmark	54,799	57,538	56,705
Measuring Charges	88,010	72,213	133,808
Lashing / Unlashing	166,264	457,068	439,644
Pilotage	2,867,341	2,550,267	1,781,842
Berthing/Quaywall	2,966,220	2,496,608	2,172,662
Port Dues	350,930	344,771	336,303
Express Clearance Charges	2,239,725	2,170,352	1,987,425
Vessel & Vehicle HireCharges	2,142,769	1,556,630	1,063,182
Cargo Gear Hire Charges	5,170	113	4,151
Documents Amendment Charges	142,387	169,500	198,736
Electricity Charges	5,617,356	4,455,699	7,386,953
Water Sale	33,704	46,409	35,747
Container Movement Charges	504,944	467,539	464,380
Hulhumale Income	13,314,915	17,454,178	17,570,037
Bond Income	6,933,748	8,060,337	7,286,519
T- Jetty Income	9,231,800	8,596,074	8,569,637
STL Income	2,062,402	2,781,841	2,613,699
Salvage	0	-	-
MNH	1,168,854	1,325,582	1,228,811
MIP	94,803	-	8,423
MRTD	85,684	5,393,890	4,952,400
HTL	402,172	50,566	45,840
Total	**202,084,427**	**188,631,076**	**192,586,227**

Revenue from empty container storage was reduced due to a change in policy in 2019 to set off the total amount of empty container storage with the containers cleared early. Storage revenue declined because cargo are cleared on time due to the introduction of online clearing and payment option. As such less no of demurrage are charged.. In addition, the number of cargos handled in Q4 2019 (561,144MT) is less compared to Q4 2018 (591,611MT), thus reducing revenue from stevedoring other related revenues.

In addition, operational income in comparison to last quarter has also recorded a negative growth of 2%. Revenue from storage/demurrage, stevedoring, MIP and electricity were the most significantly affected segments in Q4 2019 compared to Q3 2019.

Non-Operational Revenue

Q4 2018	Q4 2019	Q3 2019
6.99	5.66	4.36
Million in MVR	Million in MVR	Million in MVR

Non-operational income has also reduced in Q4 2019 in comparison to Q4 2018 mainly from rental income. In comparison to the previous quarter, an increment of MVR 1.2 million was recorded in non-operational revenue.

Gross Profit

Q4 2018	Q4 2019	Q3 2019
167.2	154.5	148.4
Million in MVR	Million in MVR	Million in MVR

Regardless of revenue reduction in Q4 2019 against previous quarter, the gross profit has recorded a growth of 4%. While revenue reduced by 1.4%, cost of sales has reduced at a much higher rate of 18%, thus improving gross profit margin from 75% to 80%. Compared to same period of last year, gross profit has reduced in Q4 2019 as a result of reduced revenue, however the gross profit margin remained same for both the quarters.

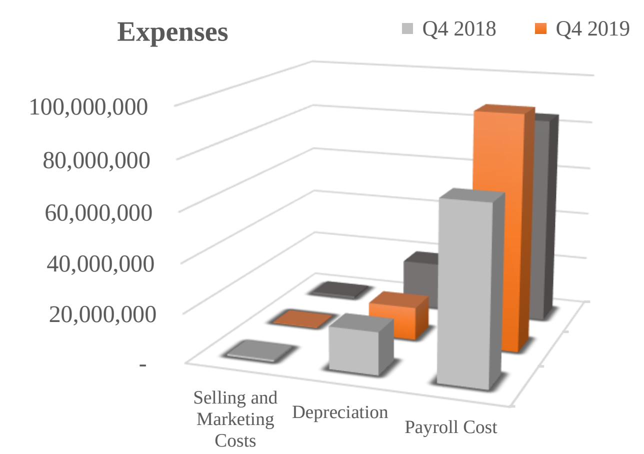
Net Profit

Q4 2018	Q4 2019	Q3 2019
67.0	37.2	36.8
Million in MVR	Million in MVR	Million in MVR

In comparison to Q4 2018, the net profits of the company have considerably declined. The profits are affected by reduced revenue and increased operational expense. In addition, finance costs increased by 24.6% affecting the net profits of MPL. As a result, the profit margin was severely affected in Q4 2019 (19%) compared to Q4 2018(32%).

It can be seen a marginal improvement in the net profits compared to previous quarter, regardless of revenue reduction. This was mainly due to reduction in cost of sales of the company in terms of hire charges, fuel, repair and maintenance compared to previous quarter. The net profit margin maintained at 19% for Q3 and Q4 2019.

Expenses



As shown in the chart, only payroll costs have increased in Q4 2019 compared to other two quarters. The increment in payroll compared to Q4 2018 is due to a salary revision made in 2019 as a result allowances has increased. For instance, the daily allowance including food allowance increased from MVR 60 to 150 per day. Further, service allowance also increased from MVR 35 to MVR 80 per day. Similarly, there was an increase of MVR 9.9 million compared to previous quarter as well due to increase in staff from 1931 staffs in Q3 2019 to 1962 staffs in Q4 2019.

The depreciation cost has reduced in Q3 2019 compared to previous although the property, plant and equipment has increased compared to previous quarter. The reduction in the cost was due to a change in recognition method. In the first three Quarters Depreciation charge was based on budgeted amount and in Q4 2019, the charge was based on Actual minus the budgeted figure.

Selling and marketing costs has also reduced significantly in Q4 2019, compared to other two quarters. However, due to high payroll costs the total overhead expenses are higher against Q4 2018 and Q3 2019.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
3.42 TIMES	2.46 TIMES	2.39 TIMES

The current ratio measures a company's ability to pay short-term obligations or those due within one year. Current ratio of MPL indicates that company has enough current assets to settle the short-term obligation. However, compared to Q4 2018 the results have reduced. This is because the company's current liabilities (trade and other payables) have increased relatively higher than that of its current assets. The most significant component of current assets is inventory due to inclusion of Social Housing (Hiya) project. Provision on inventory is also quite high which is aging of inventory of more than 5 years.

Trade and other receivables is also high which represents 26% of current assets and 95% of company's revenue for the period Q3 2019. An increasing receivable is a major concerning issue for a business as it represents a drain on cash for the company, thus affecting both cash flow and liquidity position. Compared to previous quarter, PORTS has reduced their receivables by 24% against previous quarter. As a result, the net cash generated from operations has increased from MVR 12 million in Q3 2019 to MVR 138 million in Q4 2019. Receivables are mainly from Government Institutes and the regional ports of HPL and KPL.

Current ratio in comparison to previous quarter has marginally increased, as company's current assets grew higher than its current liabilities.

Quick Ratio

Q4 2018	Q4 2019	Q3 2019
3.03 TIMES	1.11 TIMES	1.32 TIMES

The quick ratio reflects company's short-term liquidity position and ability to meet its short-term obligations with its most liquid assets i.e. excluding inventories. Quick ratio of MPL is also above 1, showing that the company have enough assets to be instantly liquidated to pay off its current liabilities. The marginal reduction in the ratio compared to previous quarter is due to increase in inventory by 6%.

Inventory has grown significantly over the recent quarters; however, the significant portion of the inventory is the working progress of Social housing project rather than spare parts.

Both the liquidity ratios being above one leads to the conclusion that MPL is in a solid short-term liquidity position.

Cash Ratio

Q3 2018	Q3 2019	Q2 2019
0.78 TIMES	0.47 TIMES	0.46 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The cash ratio of MPL is below 1 for the three quarters in review. The cash balance of the company has been growing, however the growth receivables compared to Q4 2018 is significantly higher than cash. This ratio shows that company has less amount of cash in comparison to the amount of current liabilities. The cash was utilized to pay out the interest payments, purchase of property plant and equipment and repayment of loans.

A cash ratio of less than 1 shows insufficient cash on hand exists to pay off short-term debt. This may not be bad news if the company has conditions that skew its balance sheets, such as lengthier-than-normal credit terms with its suppliers, efficiently-managed inventory, and very little credit extended to its customers.

LEVARAGE

Debt to Equity

Q3 2018	Q3 2019	Q2 2019
0.16 TIMES	0.18 TIMES	0.15 TIMES

MPLs debts has increased by 22% and 5% against Q3 2019 and Q4 2018 respectively. However, company's debts are relatively lower than its equity, thus debt to equity ratio of MPL is comparatively low, indicating lower financial risk.

MPL has obtained additional 50 million during Q4 2019, as result debt to equity ratio increase to 0.18 times. Nevertheless, MPL has maintained reasonably high equity and reserve.

Debt to Assets

Q3 2018	Q3 2019	Q2 2019
0.12 TIMES	0.12 TIMES	0.11 TIMES

Debt to Assets ratio defines the total amount of debts relative to its assets or assets finance by debt. A ratio less than one means MPL owns more assets than liabilities and can meet its obligations by selling its assets if required. The current debt to asset ratio of MPL is quite satisfactory in terms of financial risk.

Debt Capitalization

Q4 2018	Q4 2019	Q3 2019
14%	15%	13%

Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. MPL has maintained a lower financial leverage ratio for the three quarters in review. A low metric means the company raises its funds through current revenues or shareholders, therefore with a low debt capitalization ratio, MPL would be able to attract more funds into the company as it shows company is financially stable.

Interest Cover

Q4 2018	Q4 2019	Q3 2019
45.8 TIMES	17.3 TIMES	20.2 TIMES

The interest cover ratio measures how many times MPL can cover its current interest payment with its available earnings. MPL's interest coverage ratio indicate that the company have more than enough earnings to cover its interest payments. The reduction in this ratio compared to previous quarter is due to increased interest expense form the additional borrowings. A company's ability to meet its interest obligations is an aspect of its solvency and is thus a very important factor in the return for shareholders.

CONCLUSION

The company has made a revenue of MVR 194.3 million in the 4th quarter of 2019, which is a reduction compared to other two quarters. However, by managing the direct costs of the company, MPL has improved their profitability against previous quarter. However as a result of low revenue streams, overall performance of the company has dropped compared to Q4 2018.

In terms of short-term liquidity position, the company is in a satisfactory level being able to meet the short-term obligations. However, it must be noted that the largest components of current assets are inventory and receivables. Further, the receivables of the company are significant compared to the revenue generated, thus company must manage its receivable collection to improve cash flow of the company.

Although company has long term loans, the financial risk of the company is fairly low because of high equity and asset levels of MPL.

RECOMMENDATION

In order to improve company's profitability, MPL should manage its overheads and maintain the overheads at a minimum level particularly the payroll related expenses. The revision of company's salary has resulted a significant rise in the payroll expenditure. This expenditure could be controlled through restructuring payroll and using performance-based pay structure. Further identifying and eliminating any idle or avoidable positions could help in cutting the cost. It is also vital for the company to maintain a positive revenue growth since a fall in revenue segments were experienced in the quarter.

Receivable collection is vital for businesses to be in a good liquidity position. Receivables need to be collected within the desired time and proper actions need to be taken with the overdue payments from customers. Effective receivable collection will further enhance the cash position of the company. It has to be noted that company has reduced the receivables balance by MVR 58.7 million against previous quarter.

Inventory has grown significantly over the recent quarters; therefore proper inventory management techniques need to be implemented to reduce the inventory related costs and to enhance liquidity. Proper contingency planning and accurate forecasting is essential for inventory management.

Further, it is important to highlight that MPL has the capacity to invest in new projects. Thus, funds should be utilized in such a way that could yield a higher return. Investment on sophisticated machinery and equipment could improve the quality and speed of services which will ultimately improve revenue.

Quarterly review; Quarter 4, 2019

PUBLIC SERVICE MEDIA LTD

PUBLIC SERVICE MEDIA
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/PSM/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
11.9	49.9	36.5
Million in MVR	Million in MVR	Million in MVR

The total revenue for Q4 2019 has increased compared to other two quarters. However, revenue from core operation has reduced compared to the same period of last year due to reduction of prices of the services. The reason for the higher revenue is because of recognition of government grant as an income from 2019 onwards. Operational income compared to previous quarter has improved mainly from program sponsorship, other income and income from airtime.

The below table illustrates the movements in revenue between the quarters.

Table 6: Revenue

Revenue	2018 Q4	2019 Q4	2019 Q3
Airtime	1,079,700	573,880	314,124
Advertisement	2,691,929	1,940,411	1,479,186
Announcement	605,590	461,580	501,860
Program Sponsorship	4,238,574	2,256,398	1,152,574
News Sponsorship	897,409	649,779	583,632
Video Link	24,000	227,540	9,000
Other Income		227,877	-
Archive Materials	32,389	53,853	34,625
Rentals	160,448	22,300	36,500
SMS	17,286	15,469	74,375
Production Income	69,400	182,640	207,070
Training Income	270,920	292,017	175,346
Government grant		43,001,401	31,901,599
Cable TV Income	247,355	83,933	83,718
Event income	1,572,194		
Total	**11,907,192**	**49,989,078**	**36,553,608**

PSM has reduced the prices of their services, as a result the revenue from most of the segment has reduced in Q4 2019 compared to Q4 2018. Without considering the grant income, the revenue from operations has reduced by MVR 4.9 million against Q4 2018.

Compared to previous quarter program sponsorship has recorded a growth of 96%, airtime revenue by 83% and training income by 67%. As a result, total income from operation has improved by MVR 2.3 million. Nevertheless, it is important to highlight that revenue generated through operation is quite low compare to the scale of operation

Gross Profit/(Loss)

Q4 2018	Q4 2019	Q3 2019
(21.8)	30.3	19.5
Million in MVR	Million in MVR	Million in MVR

The direct costs of the operation are comparatively high compared to the revenue, thus PSM made a loss in Q4 2018. However due to high government grant in Q3 2019 and Q4 2019, PSM was able to make a gross profit in these two quarters. In terms of direct costs, a reduction of 42% was recorded against Q4 2018. The reduction was mainly from staff related costs and subscription fee. On the other hand, direct costs have increased by 15% compared to previous quarter. The increment was seen mainly from subscription fee due to payment of unpaid channel riding fee and satellite fee and first installment of MasterChef and staff games right fee. In addition, staff related costs has also recorded an increment. However, a total 32 staffs were terminated, and 7 staffs joined the company during Q4 2019. But there was an increment in the salary expenses due to annual leave cancellation of terminated staffs. In addition, the increment in overtime pay is due to increase in events, overtime hours increased.

Table 7: Cost of Sales

Cost of Sales	2018 Q4	2019 Q4	2019 Q3
Salaries	10,784,437	7,516,063	7,311,313
Service Allowance	4,264,442	2,985,777	2,881,833
Risk Allowance	61,600	64,445	36,510
Attendance Allowance	225,500	320,819	141,000
Overtime Pay	3,397,327	1,762,818	1,002,254
Contract Staff's Payroll	401,195	511,062	349,388
Program Sets Making & Outsource	267,757	88,151	61,941
Subscription Fee	8,346,349	3,326,705	1,596,668
Transportations	331,103	62,978	18,009
Trav & Accom - Foreigners	186,814	23,680	15,528
Trav & Accom - Local Air	279,891	208,814	252,650
Trav & Accom - Overseas	398,905	179,100	136,251
Music Making and Composing	27,625	21,800	79,000

Since the gross profits has increased, GP margin has also improved from 53% to 61% from Q3 to Q4 2019.

Net Profit/(loss)

Q4 2018	Q4 2019	Q3 2019
(49.2)	16.4	5.83
Million in MVR	Million in MVR	Million in MVR

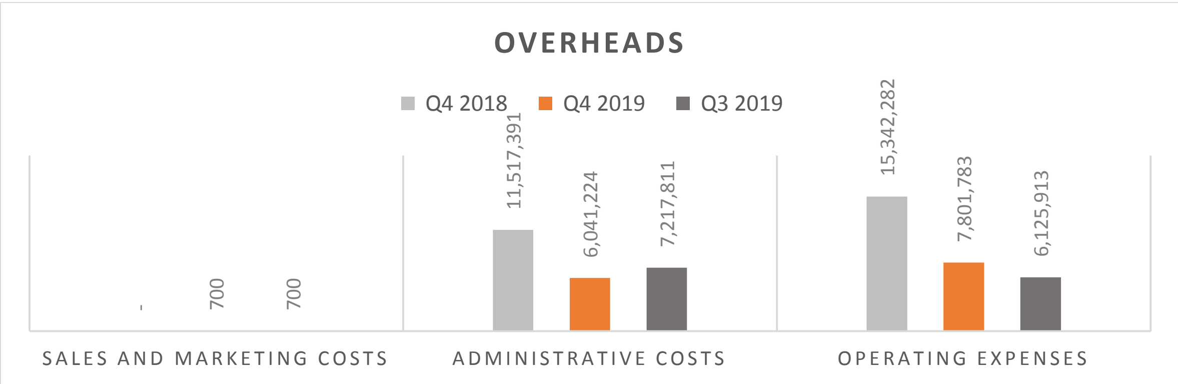
PSM has achieved net profit growth of 182% compared to previous quarter as a result of improvement in revenue. However, the total overheads increased compared to previous quarter and stands at 28% of company's revenue for Q4 2019. In terms of net profit margin, PSM had a net loss margin of 409% in Q4 2018 and it has improved to a positive 33% in Q4 2019. Although this is a good sign for the company, it must be noted that PSM would not be able to achieve this without the grant from government.

The revenue from core business had a growth of 50% while overheads recorded a lower growth of 11% against previous quarter.

Expenses

The overheads were categorized into sales and marketing, administrative and other operating expenses. The movements in these expenses are shown in the below chart.

Figure 1: Overheads



A substantial reduction in company's overheads were seen in Q4 2019 against Q4 2018 mainly from repairs of building, infrastructure development and electricity expense. Compared to previous quarter administrative expenses reduced but there was an increment in other operating expenses mainly in terms of electricity, telephone and water.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
0.12 TIMES	0.19 TIMES	0.24 TIMES

Current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. Current ratio of below 1 indicates that company has more current liabilities than its current assets, thus they are unable to settle their short-term obligations. The greater portion of current asset of the company is trade and other receivables, however the company has reduced its receivables by 3% and 43% compared to Q4 2018 and Q3 2019 respectively.

The reduction in trade receivables was reflected in trade payables as it has also reduced in Q4 2019 compared to other two quarters. In this context, a reduction of 23% was recorded in trade payable against previous quarter.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
-0.06 TIMES	0.01 TIMES	-0.002 TIMES

Cash ratio shows the company's ability to repay its short-term debt with cash or near-cash resources. It tells creditors and analysts what percentage of the company's current liabilities could be covered by cash and near-cash assets. PSM has managed to change the negative cash ratio a positive result. However, the results are very low, and it illustrates that PSM does not have cash to payout its current obligations.

Government has injected over MVR 43 million in Q4 2019 and over MVR 30 million in Q3 2019. It has to be highlighted that the company was unable to generate enough revenue to meet its daily obligations and hence depends purely on shareholder assistance.

LEVARAGE

Debt to Equity

Q4 2018	Q4 2019	Q3 2019
1.67 TIMES	0.18 TIMES	0.19 TIMES

Debt to equity ratio illustrates the degree to which PSM is financing its operations through debt. Debt to equity ratio of PSM has reduced in Q3 2019 against Q3 2018, because although debt remained unchanged the equity of the company has increased.

Debt to Assets

Q4 2018	Q4 2019	Q3 2019
0.60 TIMES	0.13 TIMES	0.13 TIMES

Debt to Assets ratio defines the total amount of debts relative to its assets. A ratio less than one means PSM owns more assets than liabilities and can meet its obligations by selling its assets if needed. Compared to Q4 2018 there is a significant reduction in the ratio because the equity has increased at a higher rate than company's assets. Assets were increased mainly in terms of property plant and equipment. However, it is not an actual increment but rather due to a change recognition. The reduction in ratio compared to previous quarter us due to reduction in assets from trade and other receivables.

Debt Capitalization

Q4 2018	Q4 2019	Q3 2019
0.63 TIMES	0.15 TIMES	0.16 TIMES

Shareholders and Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. Regardless of increase in debts compared to last year, debt capitalization ratio has reduced because of increase in company's equity at relatively higher rate. On the other hand, loans and borrowings remained unchanged compared to previous quarter.

CONCLUSION

The income from operation has improved compared to previous quarter and consequently gross profit and net profit has also improved against previous quarter. The net profit growth was recorded at 182%, which is a good performance compared to previous performance of the company.

Liquidity position of the company is not satisfactory, where company's current liabilities exceeds its current assets. And further, a greater portion of current assets comprise of trade receivables. However, it is important to highlight company has collected MVR 11.3 million worth of receivables during the fourth quarter, thus receivables balance has reduced by 43% against previous quarter. Further, the negative cash balance of PSM was converted into a positive balance at the end Q4 2019.

We also have to highlight that some of current Accounting treatments conflicts with IFRS, thus it does not reflect true picture. For example, the value of PPE, share capital and retained earnings are not reliable. In addition, there are enormous inconsistency in Quarterly report.

RECOMMENDATION

Considering the level of operation and income earned by the company, the direct costs of PSM are substantially high. The direct costs stand at 39% of revenue and had recorded a growth of 15.3% against previous quarter. Therefore, PSM should try to cut down its costs so that it can operate on their own without depending on the government.

The receivables of the company are still significant compared to the revenue generated. Highlighting that PSM has collected significant amounts during the fourth quarter, the company still needs to work on its receivable collection. Likewise, building a strong relation with the suppliers for better terms is also important.

It is important to develop a self-sustainable business model where they can formulate strategies to improve revenue and minimize costs to enhance profitability. Furthermore, strategies should be formulated to ensure that proper internal controls are in place to mitigate risks which will ultimately help them to improve their performance and reduce dependence on shareholder.

Staff related costs in direct costs as well as under operational costs are relatively high compared to the total cost of the company. Hence the company should ensure the staffs are maintained at an optimal level in order to reduce expenses.

Some of the current Accounting treatments conflicts with IFRS, thus it does not reflect true picture, therefore PSM should prepare quarterly reports as per IFRS. In order to do that PSM must improve reporting and finance team of the company.

Quarterly review; Quarter 4, 2019

SME DEVELOPMENT FINANCE CORPORATION LTD

SME DEVELOPMENT FINANCE CORPORATION
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/SDFC/Q4

Q4 2019 with Q3 2019

PROFITABILITY

Revenue

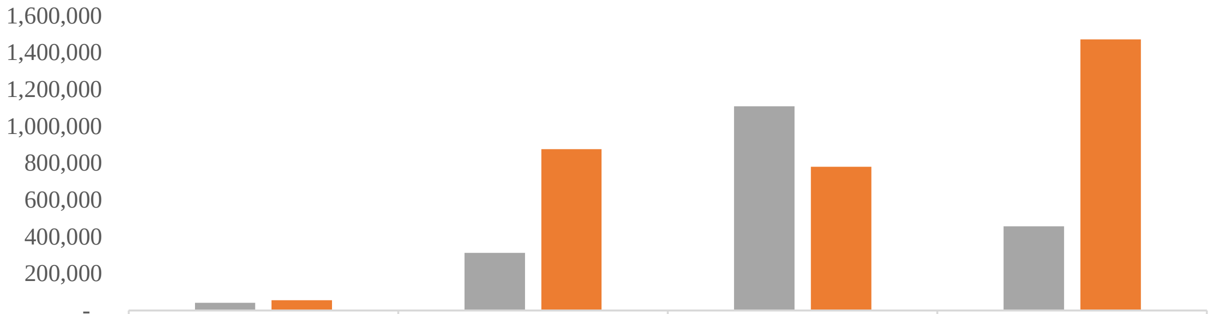
Q4 2019	Q3 2019
3.47	1.46
Million in MVR	Million in MVR

Since inception, SDFC started in providing financial assistance to small and medium enterprises in the Maldives. As such the company generated revenue of MVR 3.47 million, 110% greater than the revenue generated in the previous quarter as interest income and fees and commission income. This is a satisfactory improvement for a newly established company. The company does not have any direct costs thus resulting gross profit to be equal to revenue generated.

Changes in Overheads

The following graph shows the changes in overheads of SDFC in relation to the comparable quarter.

Overheads (Q4 2019 / Q3 2019)



	Depreciation	Provisions for loan losses	Administrative costs	Other operating expenses
Q3 2019	41,010	311,442	1,107,292	456,681
Q4 2019	55,133	874,963	779,760	1,471,044

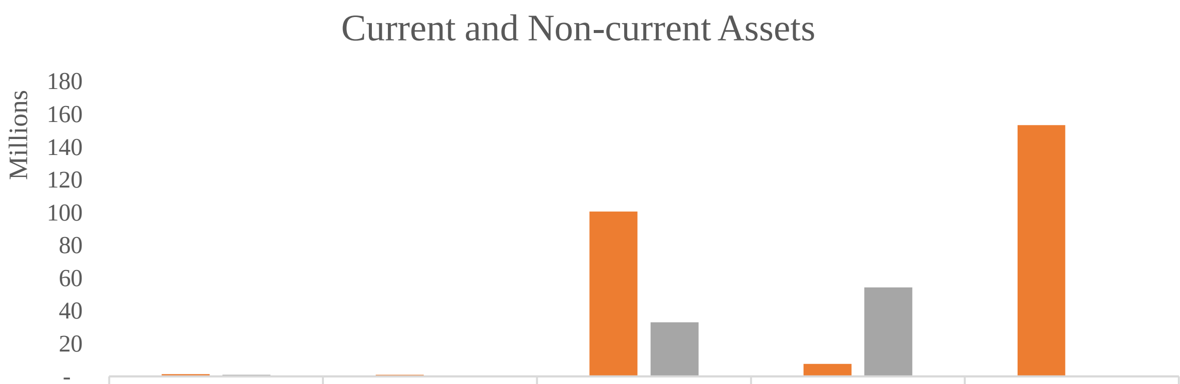
Q3 2019 Q4 2019

With the increase in operations, deprecation expenses increased by 34% while provision for loan losses increased by 181% compared to the previous quarter. The provision for loan losses during the quarter stands at MVR 685,642. Other operating expense also increased by 222% (an increase by MVR 1 million), due to increased operations. As such, repairs and maintenance expenses rose significantly while printing and stationary also increased. Management consultancy fees and credit information report fees are recognized as new operating expenses in the quarter. The following table explains the changes in other operating expenses compared to the previous quarter.

Other operating expenses	Q4 2019	Q3 2019	Difference	Var %
Cleaning expenses	14,672	14,768	(96)	-1%
Marketing and Promotion expense	11,565	13,100	(1,535)	-12%
Repairs and maintenance expense	142,982	424	142,558	33622%
Printing and stationary	82,448	55,687	26,761	48%
Rent expense	270,000	270,000	-	0%
Annual license & registration fees	14,718	21,995	(7,277)	-33%
Training and staff development	15,000	9,947	5,053	51%
electricity expenses	48,005	32,180	15,825	49%
water expenses	1,993	1,499	494	33%
communication expenses	17,689	19,886	(2,197)	-11%
Sundry expenses	20,986	16,015	4,971	31%
Bank charges and fines	2,152	1,180	972	82%
Management consultancy fees	90,000		90,000	
Credit Information Report Fees	47,550		47,550	
Total	**779,760**	**456,681**	**323,079**	**71%**

Administrative expenses of the company moved positively as a result of reduction in board remuneration and fees in the quarter. Overall, SDFC has been proactive in managing the overheads compared to other newly established company. It is also important to note that at the end of the 4th quarter, SDFC has managed to transform operational loss into an operational gain which is remarkable.

Assets and Liabilities



	Property plant and Equipment	Receivables	Loans and advances	Cash	Financial asset held to maturity
Q4 2019	1,466,488	939,802	100,717,055	7,664,073	153,334,554
Q3 2019	948,853	278,170	33,027,832	54,409,845	-

After acquisition of property plant and equipment for the increased operations, SDFC's PPE balance increased by 55% compared to the previous quarter. As such the company invested over MVR 0.5 million in the quarter in purchase of PPE.

The cash balance of the company reduced as the company issued loans and advances worth MVR 68.6 million during the quarter. Additionally, the company invested in government treasury bills of which MVR 153 million has been matured during the period. During the quarter, SDFC received MVR 175 million from the government as proceeds from share issuance.

When looking into the liabilities of the business, includes short term payables which rose by 39% compared to Q3 2019, which includes accounts payable and accrued expenses.

CONCLUSION

SDFC has an operational profit in Q4 2019 after operational losses since inception, indicates the company is in a better profitability position. If the costs are maintained as of now, the company is likely to have bright future in terms of the profitability. However, the company needs to carefully manage the loan defaults and credit assessments for loans.

The company investing in government treasury bills enhances the cashflow of the business. We expect SDFC to become self-sufficient through their operations, reducing the dependency on shareholders.

RECOMMENDATION

The company should conduct proper feasibility and research before launching any new product. In addition to this, the company has to be cautious when granting loans, thus must have proper credit evaluation mechanisms to evaluate credit worthiness of the customers before granting the loans. Also, the company must make sure that the customers are reliable and has the ability to repay the loans granted. Being a financial institution, the company must ensure that proper controls are in place within the company.

Quarterly review; Quarter 4, 2019

STATE ELECTRIC COMPANY LTD

STATE ELECTRIC COMPANY LTD
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/STELCO/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
536	450	483
Million in MVR	Million in MVR	Million in MVR

Compared to the fourth quarter of 2018 revenue has reduced by 16% while compared to the third quarter revenue has reduced by 7%. The reduction in sales is mainly contributed by the core business segment of electricity generation.

Gross Profit

Q4 2018	Q4 2019	Q3 2019
176	90	104
Million in MVR	Million in MVR	Million in MVR

The gross profit of the company has declined compared to the fourth quarter of 2018 as well as third quarter of 2019. The decrease in topline contributed to this decline. Although revenue declined by 16% compared to the fourth quarter of 2018, the cost of sales has remained at the same level as the fourth quarter of 2018.

The cost of fuel and lub oil has not reduced proportionately to sales. Employee benefits has also increased by MVR 3.8 million compared to the third quarter of 2019 and by MVR 7 million compared to the fourth quarter of 2018.

Cost of Sales	Q4 2018	Q4 2019	Q3 2019
Cost of fuel and lub oil	254,186,333	253,671,202	282,301,248
Cost of power purchase	2,639,340	2,378,004	2,550,545
Cost of sales of goods	55,042	118,089	136,374
Cost of sales - sales centre	2,394,731	5,262,388	3,433,496
Cost of sales - Maa TV	-	0	-
Customer service expense	7,246,289	3,615,804	4,003,136
Repairs & maintenance - PP & distribution	30,599,077	16,581,426	12,196,879
Employee benefit expenses	38,723,572	46,658,853	42,776,046
Depreciation	21,000,307	30,454,354	30,364,861
Water supply expenses	263,415	781,811	692,412
Water bottling expenses	2,892,651	312,057	280,919
Total Cost of Sales	**360,000,757**	**359,833,988**	**378,735,916**

Company's gross profit margin is in decline within the three quarters analyzed. Compared to the four quarter 2018 which has a gross profit margin of 33%, the gross profit margin in the fourth quarter of 2019 has reduced to 20%.

Operating Profit

Q4 2018	Q4 2019	Q3 2019
91	31	60
Million in MVR	Million in MVR	Million in MVR

Company's operating profit has also reduced significantly compared with the fourth quarter of 2018 and third quarter of 2019. Compared to the third operating profit has declined by almost 50%.

This is mainly due to the 7% decline in sales and the significant increase in operational costs. Compared to the third quarter operational costs has increased by 27%.

Other operating expenses	Q4 2018	Q4 2019	Q3 2019
Personnel expenses	15,318,553	18,457,650	16,921,661
Human resources development	1,679,587	1,881,554	1,171,504
Travelling expenses	2,699,142	2,262,806	1,875,251
Transport and hiring charges	551,338	952,676	926,168
Repair and maintenance expense	2,354,627	2,666,316	3,038,551
Office expenses	59,816,544	29,802,828	19,021,593
Depreciation	4,820,661	5,108,563	5,099,596
Total	**87,240,452**	**61,132,393**	**48,054,324**

A major jump in operational expenses is contributed by the significant increase in office expenses of MVR 10 million compared with the third quarter of 2019. Personal expenses have also increased by MVR 1.5 million compared with the third quarter of 2019. However, compared with the fourth quarter of 2018, the operational expenses has reduced by 30%. It is important to note that fourth quarter 2018, also has earned comparatively higher revenue for the company.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
0.75 TIMES	0.83 TIMES	0.81 TIMES

The current ratio of the company has improved in fourth quarter of 2019 compared with the third wuarter of 2019 as well as fourth quarter of 2018. Although current ratio is seen constant over three quarters, this ratio is below 1. This indicates company does not have enough current assets to cover for its current liabilities. The risk of defaulting payments to creditors increases when current assets over lower than current assets, which might affect liquidity position of the company in near future. Moreoever the current ration is largely conributed by inventory and receivables. Due to nature of business company may find it difficult to collect the receivables as ther service provided by the company is an essential service and company may find it difficutl to disconnet the service.

Quick Ratio

Q4 2018	Q4 2019	Q3 2019
0.58 TIMES	0.71 TIMES	0.72 TIMES

Quick ratio shows company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets. i.e. excluding inventories. The quick ratio also remained almost constant over the comparable periods. However, ratio is below its standard level of 1, which means company has fewer liquid assets to settle its short-term liabilities. To ensure a good liquidity position company must keep both current assets and current liabilities at an optimum level, where current assets are kept higher than of its current liabilities.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
0.03 TIMES	0.18 TIMES	0.19 TIMES

The cash ratio calculates a company's ability to repay its short-term debt with cash and cash equivalents. The cash ratio of STELCO shows that company does not have enough cash to cover its current liabilities.

The short-term liquidity ratios are not reasonably well maintained at an ideal level. As a result, company may face liquidity risk in the short-term, affecting sustainability. Company has to find a way to strengthen company's collection process.

LEVERAGE

Debt to Equity

Q4 2018	Q4 2019	Q3 2019
3.89 TIMES	3.34 TIMES	3.47 TIMES

Debt to equity ratio is significantly high in STELCO with over MVR 2.3 billion accounted as total borrowing, when equity and reserves were stated at MVR 810 million as at Q4 2019. Compared to Q3 2019 this ratio has reduced due to increase in equity and reserves more than of level of increase in borrowings. Company's borrowings to finance the fifth power project and the bridge interconnection project will increase until the projects are finished as these are on-going projects and the disbursements will add to the current outstanding debt of the company.

Debt to Assets

Q4 2018	Q4 2019	Q3 2019
0.63 TIMES	0.61 TIMES	0.62 TIMES

The level of the debts in relation to company's total assets has increased over the comparable period, last year indicating a higher degree of leverage and thus increasing risk of insolvency. As the financial institution would ensure the ability of STELCO in repaying existing loans, before additional loans are extended, it is important that company keep this ratio to a minimum level.

Debt to Capitalization

Q3 2018	Q3 2019	Q2 2019
80%	77%	78%

Debt to capitalization explains the capital structure of the company. STELCO appears to have invested more from debts compared to the equity contributed by the shareholder. It has to be noted that the higher the ratio, the riskier the company is. Therefore, it is vital that company re-structure its capitalization to ensure long-term financial stability of the business. The company's currently loan portfolio consists of on-lending arrangement by the government for various infrastructure related projects. As the company does not currently pay to the government, the loan portfolios impact on the company's cash flow is less significant.

CONCLUSION

Company's revenue has reduced substantially compared with the same period last year (by 16%) and compared to the third quarter of this year (by 7%). This reduction has not seen comparable reduction in cost of sales or the operational costs. Compared to the third quarter 2019, operational costs have increased in the fourth quarter. As this trend is not sustainable for the company, the company needs to manage operational costs and fuel efficiency has to be a priority for the company.

The short-term liquidity ratios are not maintained at an ideal level. As a result, company may face liquidity risk in the short-term, affecting sustainability.

Debt to equity ratio is significantly high in STELCO with over MVR 2.3 billion accounted as total borrowing, when equity and reserves stands at MVR 810 million as at Q4 2019. This is a clear indication that company is facing financial risk.

RECOMMENDATION

Company has to increase revenue through diversification in to sustainable businesses, including non-electricity revenue generating business, and perhaps to a more environmentally friendly business such as green energy business of solar power.

To maintain the sustainability of the company, STELCO must ensure both direct and indirect costs are efficiently managed without compromising its quality of service. Some of the overheads such as staff costs has been increasing, therefore it is important to control and maintain such expenses at an optimum level. Other expenses such as office expenses has seen significant rise in the fourth quarter of 2019 compared with the other quarters. In addition to recurrent costs, STELCO must also focus on effectively spending on their developmental projects (capital expenditures) by minimizing non-value adding expenses and increasing process efficiency through economies of scale.

Liquidity position of the business must be closely monitored as it is not reasonably maintained in a favorable position. Time taken for inventories and receivables to actually turn in to cash must be looked in to and corporate customers with lower credit quality must be assessed and monitored more carefully.

As noted above, it is important that company negotiate with shareholder (Government) to transfer debts for some portion of equity in order to re-structure its total capitalization. It is also important to carryout expansion projects based on the result of feasibility studies, as non-value adding projects effect company's stability in future.

Quarterly review; Quarter 4, 2019

STATE TRADING ORGANIZATION PLC

STATE TRADING ORGANIZATION PLC
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/STO/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
2.56	2.35	2.25
Billion in MVR	Billion in MVR	Billion in MVR

Revenue generated in Q4 2019 shows a reduction compared to the same period last year. However, revenue has grown by 5% compared with third quarter of 2019.

Gross Profit

Q4 2018	Q4 2019	Q3 2019
342	329	341
Million in MVR	Million in MVR	Million in MVR

Despite the 5% increase in revenue in the fourth quarter of 2019, compared to third quarter of 2019, the gross profit has deteriorated by 3%. This is mainly caused by a 6% jump in the cost of sales of the company.

Net Profit

Q4 2018	Q4 2019	Q3 2019
66	82	95
Million in MVR	Million in MVR	Million in MVR

STO's net profit has increased significantly compared to the same period from 2018. However compared to 2019 third quarter net profit has declined by 13%. This decline is caused by a 56% increase in sales and marketing costs. Moreover, administrative costs of STO has also increased during fourth quarter of 2019 compared with the third quarter.

LIQUIDITY

Current Ratio

Q4 2018	Q4 2019	Q3 2019
1.08	1.08	1.07
TIMES	TIMES	TIMES

The current ratio of the company has been close to 1 for three quarters. STO's current assets are just marginally above its current liabilities. It is also important to note that the most significant component of current assets is trade and other receivables which represents 75% of current assets and 130% of company's revenue as at Q4 2019. Although this is an incremental improvement compared to the past quarters, the company's receivable is still significantly high. Therefore, STO could improve the ratio by collection of its receivables. It is also important to highlight that over 60% of receivables is directly or indirectly from government entities and other state-owned companies.

Quick Ratio

Q4 2018	Q4 2019	Q3 2019
0.89 TIMES	0.84 TIMES	0.89 TIMES

The quick ratio shows company's short-term liquidity position and ability to meet its short-term obligations with its most liquid assets i.e. excluding inventories. STO's quick ratio is below 1 for the three quarters and is maintaining an inventory of MVR 911 million at the end Q4 2019 which is a jump from MVR 606 million in third quarter of 2019.

It is worth noting that some of the short-term loans / overdrafts with shorter maturity are revolving in nature and do not require to be settled within one year, even though they are classified under current liabilities.

Cash Ratio

Q4 2018	Q4 2019	Q3 2019
0.04 TIMES	0.03 TIMES	0.03 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. STO's cash ratio is very critical as only 0.03 percent of current liabilities can only be covered by the cash balance. However, it has to be noted that cash and cash equivalents has increased by 27% compared to previous quarter, and trade payables has also grown significantly by 15% compared to the third quarter of the year.

Since company's current liabilities consists of trade and other payables, delay in settling supplier payments could be critical for the company as it will risk jeopardizing its relations with the suppliers and creditors who may refuse to offer the trade credit in the future or may offer it on terms that may be less favorable to the company. If the company is able to collect the receivables on time, trade and other payables could be paid out without any difficulty.

LEVARAGE

Debt to Equity

Q4 2018	Q4 2019	Q3 2019
0.80 TIMES	1.03 TIMES	1.04 TIMES

Debt to equity ratio illustrates the degree to which STO is financing its operations through debt. Debt to equity ratio of STO is high in Q4 2019 compared to the same period last year. But STO has managed to maintain same level of debt to equity compared to the third quarter of 2019.

Debt to Assets

Q4 2018	Q4 2019	Q3 2019
0.28 TIMES	0.37 TIMES	0.38 TIMES

Debt to Assets ratio defines the total amount of debts relative to its assets. A ratio less than one means STO owns more assets than liabilities and can meet its obligations by selling its assets if needed. The lower the debt to asset ratio, the less risky the company. As shown in the figure the results are higher in Q4 2019, compared to the same period last year. The impact is mainly due to reduction in total assets of the company.

Debt Capitalization

Q4 2018	Q4 2019	Q3 2019
0.44 TIMES	0.51 TIMES	0.51 TIMES

Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. Debt capitalization has been maintained at the same level in the third quarter 2019 and fourth quarter 2019.

It is worth noting that some of the short-term loans / overdrafts with shorter maturity are revolving in nature and do not require to be settled within one year, even though they are classified under current liabilities.

Interest Cover

Q4 2018	Q4 2019	Q3 2019
3.87 TIMES	14.13 TIMES	3.89 TIMES

The interest cover ratio measures how many times STO can cover its current interest payment with its available earnings. STO's interest coverage ratio indicate that STO have more than enough earnings to cover its interest payments. A company's ability to meet its interest obligations is an aspect of its solvency and is thus a very important factor in the return for shareholders. Company has significantly improved interest cover by reducing borrowings in the fourth quarter 2019.

CONCLUSION

Although STO was able to increase revenue in the fourth quarter of 2019, compared with the third quarter, the company was not able to transform this into gross profit. Gross profit has seen a 3% decline mainly due to increase in cost of sales.

Analysis of the short-term liquidity position of the company shows that the current assets of the company are just marginally above its current liabilities and the significant component of current asset is trade and other receivables. Trade and other receivables of the company has reduced as a percentage of current assets while the company was to able to increase sales. This shows that the company has taken some steps to improve collections. However large exposure to government and other SOEs has to be managed carefully to further reduce the receivables.

RECOMMENDATION

STO's sales and marketing expenses and operating costs has seen a significant increase during fourth quarter of 2019. Although there is an incremental improvement in sales of 5% the sales and marketing expenses has grown by 56%.

STO has significant amounts of loans and borrowing. Less dependence on long term loans and borrowings could reduce the finance costs and improve profitability. Due to nature of business and as fuel contributes large percentage of STO's revenue, short-term financing facilities plays an important role in managing cash flow of STO. But this dependence on short-term financing should be well balanced with receivable collections.

Receivables collection is an important aspect for the company as it will improve the cashflow as well as improve the ability to settle its current liabilities. Therefore, it is vital that STO improve its credit collection policies. STO can apply different credit policies for different class of customers according to the goods/services provided. Regular customers with good credit ratings can be given greater flexibility period for payment. Also, credit policies can be made according to the customer type, whether it is an individual or government institute. Nevertheless, the significant portion of receivables are from government entities.

Quarterly review; Quarter 4, 2019

WASTE MANAGEMENT CORPORATION LTD

WASTE MANAGEMENT CORPORATION
Q4 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/WAMCO/Q4

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q4 2018	Q4 2019	Q3 2019
64.2	57.0	55.9
Million in MVR	Million in MVR	Million in MVR

Though revenue increased slightly by 2% compared to the previous quarter, the overall revenue shows a decreasing trend compared to the same quarter of the previous year. The core activity of WAMCO, waste management shows reduction due reduction in revenue from special projects, R.Vandhoo Income, Industrial village gate income and CAPS (collection and Pickup Service) income from Male' area.

Gross Profit

Q4 2018	Q4 2019	Q3 2019
47.3	14.9	17.2
Million in MVR	Million in MVR	Million in MVR

A steep reduction can be seen in Gross profit as direct costs has marked a hike in the quarter. Other direct expenses increased significantly by MVR 4.72 million (61%) compared to Q3 2019, due to increase in vehicle repair and maintenance expense, Vehicle and vessel oil expense and rent of vehicle vessel and equipment. This leads to reduction in gross profit. Thus gross profit margin also reduced to 26% from 74% in Q4 2018 and 31% in Q3 2019.

Net Profit

Q4 2018	Q4 2019	Q3 2019
1.24	-11.9	-3.94
Million in MVR	Million in MVR	Million in MVR

The company does not incur any financial costs. Thus, net loss of the company represents the revenue less operational costs. Compared to Q4 2018, selling and marketing costs and administrative costs reduced by 73% and 41% respectively. However, worsening of net losses reflects the steep revenue reduction.

Compared to Q3 2019, License and permits increased by 14% due to increase in annual fee expense. Moreover, insurance charges increased by 177% due to increase in insurance of foreign staffs. While office expenses increased by 11%, pension expenses increased significantly by 141% being 5 months pension recorded in 4th Quarter.

Compared to Q4 2018, expenses relating to directors' salaries increased by 48%, due to increase in number of directors from 4 to 5 directors. Apart from that staff welfare expenses increased by 92% resulting from increase in uniform expenses, staff medical, staff catering expenses and staff training expenses. Other administrative costs which increased compared to Q4 2018 and Q3 2019 are explained by the following table.

Increase in IV and Thilafushi Water and electricity charges

Increase in Overseas Travel expenses

Increase in number of transactions of online Veshifaara payments

Administrative expense	Q3 2019	Q4 2019	Q4 2018
Water and electricity	1,182,083	2,020,546	1,023,629
travelling expenses	762,681	993,806	770,167
Bank charges	225,092	419,588	165,407
Repair and maintenance	1,226,816	2,052,277	1,074,720
Fines and penalties	35,804	120,409	39,984
Customer duty and clearing	17,383	26,671	559

Increase in building repairs

Increase in custom processing and Lorry charges

Increase in late payments fine for MIRA,
Increase in surcharge for MWSC

LIQUIDITY

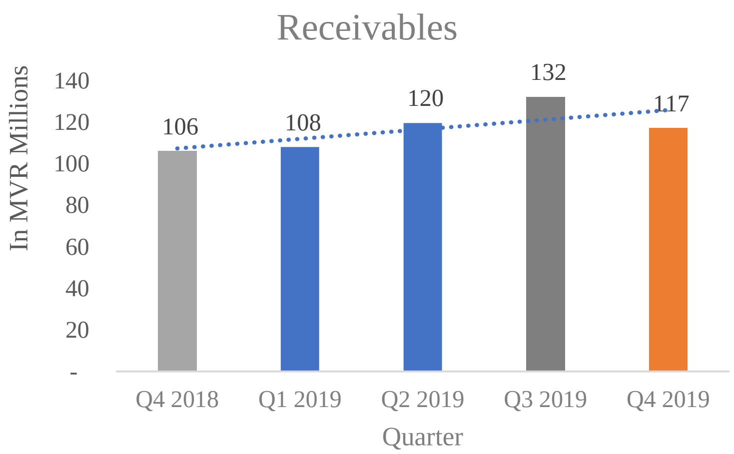
Current Ratio

Q4 2018
1.85
Times

Q4 2019
1.81
Times

Q3 2019
2.73
Times

Compare to other two quarter Current ratio of the company reduced indicating the liquidity issues. The payables of the company increased significantly compared to Q4 2018 and Q3 2019.



WAMCO's receivables showed increasing trend till Q3 2019. In Q4 2019 receivables fell by MVR 15 million. This is a positive sign for the company as receivable collection has always been a serious issue.

Payables of the company increased significantly compared to both quarters due to the capitalization of landing craft received as a grant from ministry of finance.

Overall liquidity position of the company is weak since the company has bulk value of cash tied up in the form of receivables which has been difficult to collect, while significant increase in payables makes the liquidity position of the company worse.

Cash Ratio

Q4 2018
-0.01
Times

Q4 2019
0.28
Times

Q3 2019
0.08
Times

WAMCO has a very insignificant level of cash compared to the level of operations. The operational cash flow of the company has been negative throughout the year 2019. However, in Q4 2019, the operational cash flow resulted in MVR 1.2 million resulting from reduction of receivables and increase in payables.

The company is dependent on capital injected by the government for the day to day operations. The company lacks the ability to be self-sufficient till today since inception. Government injected MVR 16 million in each quarter of the year 2019.

CONCLUSION

The overall performance of WAMCO has declined compared to Q4 2018 and Q3 2019 due to reduction in the revenue and rising direct costs. Though the company has been able to reduce the overheads, the steep revenue reduction negatively affected the profits further worsening their net losses. While the revenue reduced significantly the company hired additional 133 employees in 2019 which increased the expenses.

The liquidity position of the company is weak. This is because they hold a huge portion of current assets as receivables which has not been collected. Moreover, based on the cash ratio, the liquidity position is low as the company does not generate cash through their operations to meet the operational expenses. Hence, the company depend on shareholder assistance.

The company does not have any financial obligations as they do not have any borrowings. However, they have financial risk after capitalization of landing crafts which they are obliged to repay. Company have made huge investments in acquiring vehicles for waste disposal which might take long time to recover the investment costs.

RECOMMENDATION

Though receivables have been reduced compared to the previous quarter, the receivables of the company hold a greater portion of the current assets. A huge sum of cash has been tied up in the business in the form of receivables. Proper policies need to be set and implemented to collect the receivables and necessary policies need to be made against unrecovered receivables.

WAMCO has reduced overall operational costs. However, the indirect costs has increased on certain areas which can be minimized. For instance, the company hired additional employees in 2019 which added the expenses of the company.

WAMCO can improve revenue in waste disposal by bringing Vandhoo into operation.

Specializing on a specific niche like disposal of medical waste management, food waste management, commercial/industrial waste management, disposal of electronic devices, green waste, construction waste and hazardous waste management.

Medical waste has certain strict regulations in regard to disposal. Hence, WAMCO has an opportunity to get into medical waste disposal where they can charge higher prices for such disposals which could ultimately increase revenue.

Food waste management also can be done separately from restaurants and grocers. These wastes should be disposed in a sanitary and efficient manner. Thus, WAMCO can play a leading role in disposing such waste where restaurants and groceries will also have the motivation to dispose such waste in the cleanest way to build their reputation. WAMCO also can charge different prices for these niches.

WAMCO can grow by recycling waste and offering environmentally friendly services. Government is seeking to reduce their environmental footprint by reducing and recycling waste they produce. Implementing ways to recycle waste can help WAMCO to save costs, benefit the planet and boost their image. This will ultimately increase revenue and aid WAMCO in recovering costs.

Furthermore, WAMCO must consider on investing some of the assets instead of renting or leasing from others. However, before doing so, the company should do a proper feasibility and decide best option for the company bottom line.