SUMMARY OF QUARTERLY REVIEW

Q2 | 19

Q2

SECRETARIAT FOR
PRIVATIZATION AND CORPORATIZATION BOARD

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Secretariat for Privatization and Corporatization Board

SUMMARY OF QUARTERLY REVIEW
Quarter 2, 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 two of 2019 with the quarter two 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. Additionally, fixed assets and the important investments made by the companies are highlighted.

In that context, this report consists of quarterly review of 24 different SOEs operating in the Maldivian market, which contributes significantly to the GDP of Maldives.

REVENUE

Revenue Growth				
#	COMPANY NAME	2018 Q2	2019 Q2	%
1	STATE TRADING ORGANIZATION (STO)	2,215,151,304	2,381,905,934	8%
3	MALDIVES AIRPORTS COMPANY LTD (MACL)	963,297,965	1,242,335,000	29%
4	DHIVEHI RAAJJEYGE GULHUN PLC (DHIRAAGU)	694,395,000	710,824,000	2%
5	BANK OF MALDIVES LTD (BML)	600,988,000	639,974,000	6%
6	STATE ELCTRIC COMPANY LTD (STELCO)	446,276,446	530,509,800	19%
7	ISLAND AVIATION SERVICES LTD(IASL)	511,111,673	457,935,936	-10%
8	FENAKA CORPORATION	303,543,595	378,666,322	25%
9	MALDIVES TRANSPORT AND CONSTRUCTION COMPANY LTD (MTCC)	301,498,307	266,010,142	-12%
10	MALE WATER AND SEWERAGE COMPANY (MWSC)	284,378,516	262,676,738	-8%
11	MALDIVES PORTS LIMITED (MPL)	185,545,646	199,197,257	7%
12	WASTE MANAGEMENT CORPORATION (WAMCO)	40,532,168	58,377,101	44%
13	HOUSING DEVELOMENT CORPORATION	140,781,595	49,975,334	-65%
14	HOUSING DEVELOPEMNT FINANCE CORPORATION (HDFC)	42,232,804	47,932,657	13%
16	GREATER MALE INDUSTRIAL ZONE LIMITED	22,874,094	32,548,373	42%
17	MALDIVES TOURISM DEVELOPMENT CORPORATION (MTDC)	17,071,590	17,301,548	1%
18	ADDU INTERNATIONAL AIRPORT (AIA)	12,954,247	11,352,908	-12%
19	MALDIVES HAJJ CORPORATION LTD (MHCL)	6,835,883	3,286,028	-52%
20	KAHDHOO AIRPORTS COMPANY LTD (KACL)	3,130,376	3,064,889	-2%
21	MALDIVES SPORTS CORPORATION (MSCL)	-	29,415	-
22	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	5,660	396	-93%
23	MALDIVES CENTER FOR ISLAMIC FINANCE (MCIF)	70,515	-	-100%
	TOTAL	**6,792,675,384**	**7,293,903,778**	**7%**

Figure 1: Revenue Growth

SOEs generated a total revenue of over MVR 7.29 billion at the end of the second quarter of 2019, which is an increment of 7% compared to the same period of the previous year.

STO contributed the highest income to the total income generated by SOEs. The revenue generated by STO in the second quarter of 2019 is an increment of MVR 166 million compared to the same quarter of 2018, improving the segmental performance over the quarters. MACL is the second highest in the list generating revenue of over MVR 1.2 billion in the second quarter of 2019, where majority of the revenue is generated from the sale of fuel for jets.

Dhiraagu, STELCO, IASL, Fenaka, BML, MTCC, and MWSC are among the companies generating a revenue of over MVR 200 million in the quarter. Most of the companies have recorded a healthy revenue growth from 2018 Q2 to 2019 Q2 (Detailed reviews are included in annual review report of individual companies.

HDC's revenue has recorded a substantial fall in the second quarter of 2019 compared to the second quarter of 2018. In addition, revenue generated by MHCL has also dropped by MVR 3.5 million due to reduction in number of customers. Other companies whose revenue had a downward trend within the comparable period includes IASL, MTCC, MWSC, AIA and KACL. While MITDC recorded discount received of MVR 396 as income, MCIF on the other hand was unable to generate any income during the second quarter of 2019.

GROSS PROFIT

Gross Profit				
#	COMPANY NAME	2018 Q2	2019 Q2	%
1	GREATER MALE INDUSTRIAL ZONE LIMITED	3,703,331	19,930,053	438%
3	STATE ELCTRIC COMPANY LTD (STELCO)	99,000,320	131,405,590	33%
4	MALDIVES AIRPORTS COMPANY LTD (MACL)	575,954,372	742,873,000	29%
5	STATE TRADING ORGANIZATION (STO)	295,163,816	330,376,242	12%
6	HOUSING DEVELOPEMNT FINANCE CORPORATION (HDFC)	31,209,383	34,407,788	10%
7	MALDIVES PORTS LIMITED	185,545,646	199,197,257	7%
8	BANK OF MALDIVES LTD (BML)	503,169,000	526,932,000	5%
9	ADDU INTERNATIONAL AIRPORT (AIA)	8,293,042	8,605,061	4%
10	MALDIVES TOURISM DEVELOPMENT CORPORATION (MTDC)	9,736,620	9,966,578	2%
11	MALE WATER AND SEWERAGE COMPANY (MWSC)	151,642,869	154,682,829	2%
12	KAHDHOO AIRPORTS COMPANY LTD (KACL)	3,018,596	3,064,889	2%
13	DHIVEHI RAAJJEYGE GULHUN PLC (DHIRAAGU)	264,097,000	265,127,000	0%
14	FENAKA CORPORATION	131,946,136	120,086,530	-9%
16	ISLAND AVIATION SERVICES LTD(IASL)	225,593,764	137,951,929	-39%
17	HOUSING DEVELOMENT CORPORATION	86,223,008	49,975,334	-42%
18	WASTE MANAGEMENT CORPORATION (WAMCO)	28,810,335	15,081,706	-48%
19	MALDIVES TRANSPORT AND CONSTRUCTION COMPANY LTD (MTCC)	62,756,818	25,815,992	-59%
20	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	5,660	396	-93%
21	MALDIVES CENTER FOR ISLAMIC FINANCE (MCIF)	(469,838)	-	100%
22	MALDIVES HAJJ CORPORATION LTD (MHCL)	211,326	(206,852)	-198%
23	MALDIVES SPORTS CORPORATION (SPORTS CORPORATION)	-	29,415	
TOTAL		**2,665,611,203**	**2,775,302,737**	**4%**

Figure 2: Gross Profit

**Operating profit is used for service-based companies*

In terms of gross profit, the highest growth was achieved by GMIZL as shown in the above table. The company was able to increase their revenue as well as reduce its administrative expenses.

Gross profit made by MACL increased by MVR 166.9 million, a growth of 29% compared to 2018Q2. Thus, MACL has performed well in this quarter.

In addition, a positive growth in gross profit was also achieved by BML, STO, PORTS, MWSC, STELCO, HDFC, MTDC, AIA and KACL.

On the other hand, gross profit made by IASL, HDC, MTCC, WAMCO, MCIF, MHCL and MITDC has reduced.

NET PROFIT

Net Profit					
#	COMPANY NAME	2018 Q2	2019 Q2	Difference	%
1	GREATER MALE INDUSTRIAL ZONE LIMITED	3,703,331	16,791,708	13,088,377	353%
2	STATE TRADING ORGANIZATION (STO)	47,279,293	80,687,001	33,407,708	71%
3	MALDIVES HAJJ CORPORATION LTD (MHCL)	(581,600)	(976,814)	(395,214)	-68%
4	MALDIVES AIRPORTS COMPANY LTD (MACL)	221,606,177	346,096,000	124,489,823	56%
5	STATE ELCTRIC COMPANY LTD (STELCO)	45,705,747	67,876,232	22,170,485	49%
6	MALE WATER AND SEWERAGE COMPANY (MWSC)	66,712,671	75,225,988	8,513,317	13%
7	MALDIVES TOURISM DEVELOPMENT CORPORATION (MTDC)	5,672,201	6,303,418	631,218	11%
8	ADDU INTERNATIONAL AIRPORT (AIA)	(13,348,270)	(14,586,483)	(1,238,213)	-9%
9	BANK OF MALDIVES LTD (BML)	239,109,000	252,153,000	13,044,000	5%
10	DHIVEHI RAAJJEYGE GULHUN PLC (DHIRAAGU)	215,652,000	210,583,000	(5,069,000)	-2%
11	HOUSING DEVELOPEMNT FINANCE CORPORATION (HDFC)	28,326,015	23,443,095	(4,882,920)	-17%
12	WASTE MANAGEMENT CORPORATION (WAMCO)	(9,834,496)	(7,970,908)	1,863,588	19%
13	MALDIVES CENTER FOR ISLAMIC FINANCE (MCIF)	(1,999,465)	(1,560,245)	439,220	22%
14	MALDIVES PORTS LIMITED	42,922,042	31,062,685	(11,859,357)	-28%
15	MALDIVES SPORTS CORPORATION (SPORTS CORPORATION)	(1,653,502)	(979,052)	674,450	41%
16	KAHDHOO AIRPORTS COMPANY LTD (KACL)	(11,796,568)	(5,460,444)	6,336,124	54%
17	FENAKA CORPORATION	3,494,290	1,374,148	(2,120,141)	-61%
18	HOUSING DEVELOMENT CORPORATION	10,691,423	2,540,596	(8,150,827)	-76%
19	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	(5,010,339)	(1,126,462)	3,883,877	78%
20	ISLAND AVIATION SERVICES LTD(IASL)	68,051,443	(10,745,027)	(78,796,470)	-116%
21	MALDIVES TRANSPORT AND CONSTRUCTION COMPANY LTD	13,015,981	(14,214,114)	(27,230,095)	-209%
TOTAL		**967,717,374**	**1,056,517,323**	**88,799,949**	**9%**

Figure 3: Net Profit

GIMZL has achieved an outstanding net profit growth in this quarter. Followed by STO, where the company has achieved a net profit growth of 71%. This was achieved through reduction of its operating expense by MVR 1 million.

In addition, net profits made by MHCL, MACL, STELCO, MWSC, MTDC, AIA and BML has also improved. On the other hand, gross profits of Dhiraagu, HDFC, PORTS, Fenaka and HDC has reduced mainly due to inefficiency in managing the overheads of the company.

There are loss making SOE's whose operations are funded solely by the capital injunctions from the GoM namely PSM, MMPRC, MCIF, MSCL and AIA. Further, the overheads of these companies continue to rise although they are unable to produce enough revenue to cover them.

SHORT TERM LIQUIDITY RATIOS

Liquidity ratios					
#	COMPANY NAME	Current ratio		Quick ratio	
		2018 Q2	2019 Q2	2018 Q2	2019 Q2
1	KAHDHOO AIRPORTS COMPANY LTD (KACL)	37.00	33.00	36.20	31.90
2	MALDIVES HAJJ CORPORATION LTD (MHCL)	2.90	12.40	2.80	12.20
3	GREATER MALE INDUSTRIAL ZONE LIMITED	14.27	7.11	14.27	7.11
4	MALDIVES SPORTS CORPORATION (SPORTS CORPORATION)	5.67	5.64	5.67	5.64
5	MALDIVES AIRPORTS COMPANY LTD (MACL)	3.33	4.95	2.98	4.46
6	MALDIVES PORTS LIMITED	9.30	5.00	8.30	2.90
7	WASTE MANAGEMENT CORPORATION (WAMCO)	0.35	0.22	1.09	2.11
8	DHIVEHI RAAJJEYGE GULHUN PLC (DHIRAAGU)	1.62	1.54	1.48	1.45
9	HOUSING DEVELOMENT CORPORATION	10.30	3.43	6.78	1.02
10	MALDIVES TRANSPORT AND CONSTRUCTION COMPANY LTD (MTCC)	1.40	1.18	1.08	0.90
11	STATE TRADING ORGANIZATION (STO)	1.10	1.10	0.90	0.90
12	MALE WATER AND SEWERAGE COMPANY (MWSC)	1.00	1.18	0.62	0.88
13	ISLAND AVIATION SERVICES LTD(IASL)	1.00	0.90	0.80	0.70
14	STATE ELCTRIC COMPANY LTD (STELCO)	0.89	0.82	0.72	0.70
15	MALDIVES CENTER FOR ISLAMIC FINANCE (MCIF)	1.12	0.57	1.12	0.57
16	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	0.72	0.53	0.72	0.53
17	FENAKA CORPORATION	0.75	0.64	0.50	0.40
18	MALDIVES TOURISM DEVELOPMENT CORPORATION (MTDC)	1.70	0.30	1.70	0.30
19	ADDU INTERNATIONAL AIRPORT (AIA)	0.24	0.09	0.18	0.06

Figure 4: Liquidity Ratios

The ideal level of current ratio is 2:1 indicating that, for every MVR 1 worth of short-term liability (current liability) there should be MVR 2 worth of current asset although it could defer based on the nature of business and industry. The higher the current ratio, the more capable the company is of paying its obligations. However, a high ratio (over 3) does not necessarily indicate that a company is in a state of financial well-being either. 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, is not securing financing well, or is not managing its working capital effectively.

KACL, Hajj Corporation, GMZL and Sports Corporation has relatively higher liquidity ratios resulting from the capital injection by the government as cash recognized in short term assets. However, these companies are operationally loss making and depends on the government capital injections.

On contrary, AIA, MTDC, Fenaka, MITDC, MCIF, STELCO, IASL, MWSC, STO and MTCC's ability to service its short-term obligations is not satisfactory as the current liabilities exceed its current assets. Further, the largest component of current assets are receivables from related parties as such it is unlikely that these amounts will be received in one year.

FINANCIAL LEVERAGE

Financial Leverage ratios					
#	COMPANY NAME	Debt to Equity		Debt to Assets	
		2018 Q2	2019 Q2	2018 Q2	2019 Q2
1	STATE ELCTRIC COMPANY LTD (STELCO)	348.03	304.79	53.50	56.20
3	ADDU INTERNATIONAL AIRPORT (AIA)	616.33	(1,258.24)	65.71	55.83
4	MALDIVES TRANSPORT AND CONSTRUCTION COMPANY LTD (MTCC)	69.28	69.95	31.69	32.81
5	MALDIVES AIRPORTS COMPANY LTD (MACL)	65.93	98.82	47.10	32.48
6	FENAKA CORPORATION	83.95	71.41	10.61	13.84
7	MALE WATER AND SEWERAGE COMPANY (MWSC)	3.10	8.61	5.20	1.97
8	MALDIVES HAJJ CORPORATION LTD (MHCL)	(11.02)	(7.86)	1.10	0.92
9	STATE TRADING ORGANIZATION (STO)	0.85	1.02	0.36	0.30
10	ISLAND AVIATION SERVICES LTD(IASL)	0.54	0.43	0.21	0.26
11	HOUSING DEVELOMENT CORPORATION	0.34	0.46	0.26	0.23
12	MALDIVES PORTS LIMITED	0.15	0.14	0.11	0.13
13	DHIVEHI RAAJJEYGE GULHUN PLC (DHIRAAGU)	No loans and borrowing			
14	GREATER MALE INDUSTRIAL ZONE LIMITED	No loans and borrowing			
15	KAHDHOO AIRPORTS COMPANY LTD (KACL)	No loans and borrowing			
16	MALDIVES CENTER FOR ISLAMIC FINANCE (MCIF)	No loans and borrowing			
17	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	No loans and borrowing			
18	MALDIVES MARKETING AND PUBLIC RELATIONS CORPORATION	No loans and borrowing			
19	MALDIVES TOURISM DEVELOPMENT CORPORATION (MTDC)	No loans and borrowing			
20	WASTE MANAGEMENT CORPORATION (WAMCO)	No loans and borrowing			
21	MALDIVES SPORTS CORPORATION (SPORTS CORPORATION)	No loans and borrowing			

Figure 5: Financial leverage

AIA has the highest amount of debts among SOE's and government-controlled companies. Debt to Equity has changed to negative due to a negative equity figure in the quarter. 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 government for the daily operations. The long-term sustainability of the airport depends on the growth of bed capacity in the region.

When analyzing Debt to Equity, STELCO, MACL, Fenaka and MTCC are more debt based than other SOEs. STELCO has borrowings totaling 2.1 billion which is an increment of 13.54% compared to Q2 2018. The company has high level of debts, making it unattractive for investors when making investment decisions. MACL has taken additional loans and borrowings of MVR 2.2 billion in the quarter compared to Q2 2018. Although this increases the financial risk associated with the company, developmental projects will increase room for further revenue. Fenaka also has a high financial leverage, however it has reduced in 2019 Q2, due to heavy repayments.

The companies with low financial leverage include HDC, IASL, MWSC, PORTS and STO. With a low financial risk these companies will be able to attract additional finances if required.

IMPORTANT PROJECTS

Being the largest banking service provider, BML Opened the doors to a modern new branch premises and Self-Service Banking Centre in Ungoofaaru, Raa Atoll, in April 2018. During May, BML Islamic introduced the complete range of Shari'ah compliant business financing product as part of the Bank's ongoing support for business. This included Retailers' Financing, Business Development Financing, Letter of Credit and Bank Guarantee services as well as amendments to General Financing.

During the second quarter Dhiraagu launched an exclusive offer for mobile customers to purchase premium Viber sticker package and DhiraaguTV introduced a new package and two add-ons; “Fun” and “Excitement”. In addition, Dhiraagu launched Huawei’s flagship brands, Huawei P30 and Huawei P30 Pro, with free 5GB data.

Fenaka carried out a total of 10 projects in 10 different islands of the Maldives including power house relocations and pre-fabricated power houses. It is important to note that certain projects of Fenaka were terminated after commencement which would cause losses to the company.

HDC has 18 different on-going projects which cost over MVR 12 billion. The biggest investments include development of housing units, Electricity and ICT ducting for Hulhumale’ phase 2, Hiya-vehi housing project, Airport link road project, constriction of bridges in Hulhumale’, etc. Most of the projects are expected to be completed during the year 2019.

The biggest projects on-going by the end of the quarter by MACL are Runway & Apron and Passenger Terminal building each valued over MVR 5 million and it is expected to complete these projects by September 2019 and January 2020 respectively.

During the 2nd Quarter 2019, MTCC carried out a total of 33 construction projects (22 construction projects in Q1 2019) out of which 2 projects were successfully completed. Four new projects were started during the quarter while 13 new projects were awarded. MTCC also carried out a total of 04 dredging, reclamation and other projects, including; Land Reclamation of Maavaru Lagoon, Land Reclamation and Shore Protection of K. Thilafushi Project, Gdh. Faresmaathoda Land Reclamation and Shore Protection, Land Reclamation and Shore Protection of Ha. Hoarafushi, K.Hura Land Reclamation & Shore Protection, and Sawmill Relocation Project.

CONCLUSION

Second quarter of 2019 was a successful quarter for some of the SOEs such as GMIZL, STO, MACL, STELCO, MWSC, MTDC and BML. These companies have achieved a positive net profit growth compared to 2018 Q2. The highest net profit was achieved by MACL i.e. a net profit of MVR 346 million.

The largest telecommunication provider in the country, Dhiraagu, was able to improve their revenue by only 2 percent, net profits on the other hand reduced by MVR 5 million due to high operating costs. Likewise, although net interest income generated by HDFC increased by 3%, net profits were reduced by 17%. This is mainly because of recognizing MVR 2.4 million for provision for impairment loss on loans and advance in Q2 2019. In the second quarter WAMCO reported a revenue of MVR 58 million, a growth of 44% compared to 2018 Q2, however the net profits were reduced by MVR 1.8 million.

The performance of MTCC was severely affected due to significant decline in revenue and resulted in a loss for the second quarter of 2019. The main reason for revenue losses were due to loss of contracting projects which is a major part of MTCC's growth portfolio. The loss of revenue from transport is due to reduction of customers as a result of commencement of Sinamale' bridge.

Second quarter of 2019 was a financially poor quarter for IAS since revenue has declined significantly compared to 2018 Q2. High direct cost as well as operating costs resulted in an operational loss for the company.

Since SDFC began its operations in Q1 2019, it is expected that the company 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.

AIA has recorded a steep reduction in their revenue due to lower number of flights landed to the Airport, it reflected on the profits of the company and the company faces gross loss and net losses over the quarters due to higher cost of sales and higher operating expenses. It is important to highlight the financial risk of the company with significant borrowings and due to failure in repayment by itself, the shareholders of the company are bearing these costs.

SOEs such as AIA, KACL, MCIFL, MSCL, MMPRC and PSM 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. As such, during the second quarter capital was injected to KACL, MSCL, MCIFL, MHCL and WAMCO.

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. Further, the salary structure of the companies needs to be revised considering the high pay system and personnel costs of the companies.

Quarterly review; Quarter 2, 2019

ADDU INTERNATIONAL AIRPORT PVT LTD

Q2 of 2018 AND Q2 of 2019

PROFITABILITY	Q2 2018	Q2 2019	Change	%
Revenue	12,954,247	11,352,908	(1,601,339)	(12.36)
Cost of Sales	(4,661,205)	(2,747,847)	1,913,358	(41.05)
Gross Profit	8,293,042	8,605,061	312,019	3.76
Operating Profit	(5,725,561)	(7,614,796)	(1,889,235)	33.00
Profit Before Tax	(13,348,270)	(14,586,483)	(1,238,213)	9.28
Profit After Tax	(13,348,270)	(14,586,483)	(1,238,213)	9.28

Figure 6: Profitability

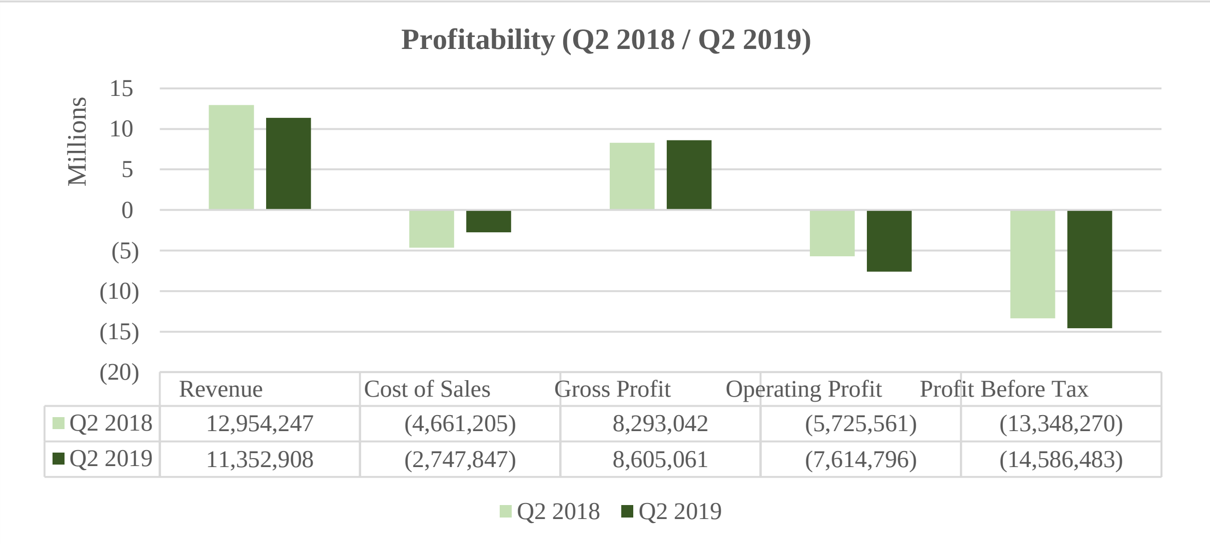


Figure 7: Profitability ratio

AIA has seen steep decline in revenue in Q2 2019 compared to the same quarter of the previous year. Direct costs also reduced by MVR 1.9 million which is a 3.76% improvement compared to Q2 2018. The revenue breakdowns in comparison with Q2 2018 is shown by the following table;

Revenue	Q2 2018	Q2 2019	Difference	Change
Jet fuel revenue	8,542,096	6,946,236	(1,595,860)	-18.68
Ground Handling charge	2,430,453	3,035,668	605,215	24.90
landing fees	866,429	1,108,396	241,967	27.93
Parking fees	413,230	542,839	129,609	31.36
GPU charge	360,443	470,541	110,098	30.55
Cargo Terminal warehouse	182,934	163,228	(19,706)	-10.77
DCS income	148,362	(973,210)	(1,121,572)	-755.97
Other	-	59,210	59,210	-
Total	**12,943,947**	**11,352,908**	**(1,591,039)**	**-12.29**

Figure 8: Revenue

Jet Fuel Margin	Q2 2018	Q2 2019	Difference	%
Revenue from Jet Fuel	8,542,096	6,946,236	(1,595,860)	-18.682
Cost of Jet fuel	(4,661,205)	(2,747,847)	1,913,358	-41.049
Gross profit	3,880,891	4,198,389	(9,004,912)	-68.202
Gross profit Margin	45%	60%	15	15%

Figure 9: jet Fuel Margin

The greatest portion of revenue comes through Jet fuel which declined significantly over the quarters. Besides, the direct costs related to fuel declined by MVR 1.9 million, due to decline in fuel usage in Q2 2019. Thus, gross profit margin increased from 45% to 60% despite the reduction in revenue. There has not been any change in the fuel sales rates during the period. Additionally, DCS income also reduced by MVR 1.1 million.

Operating Expenses	Q2 2018	Q2 2019	Difference	Change
Depreciation	4,370,104	6,039,433	1,669,329	38.20
Amortization	42,759	155,360	112,601	263.34
Employee benefit expense	8,298,507	8,915,691	617,184	7.44
Electricity charges	859,925	944,842	84,917	9.87
Uniform expenses	38,625	14,178	(24,447)	-63.29
Supplies and requisites	141,976	201,521	59,545	41.94
Fuel expenses	77,448	89,477	12,029	15.53
Repair and maintenance	73,318	48,784	(24,534)	-33.46
Subscription expenses	298,097	380,502	82,405	27.64
freight and duty charges	252,703	436,995	184,292	72.93
telephone expenses	97,039	94,585	(2,454)	-2.53
others	131,760	39,920	(91,840)	-69.70
Total	**14,682,261**	**17,361,288**	**2,679,027**	**18.25**

Figure 10: Operating Expenses

Depreciation charges increased by 38% compared to the previous quarter. Subsequently audit of 2018 financials, the company started to amortize the land commencing from 2019. Employee benefit expenses increased by 7% due to Ramadan allowances and overtime allowances during Ramadan. The company incurs additional costs related to the departure control system and fuel consultancy. They currently have an agreement with Erinc, where they have to pay monthly recurring expenses and license payments to the party for the departure control system. Additionally, the electricity expense is also increasing each quarter adding to the total operating expenses. Total operating expenses increased by 18.25% compared to Q2 2018.

LIQUIDITY	Q2 2018	Q2 2019
Non-Current Assets	587,889,454	564,663,373
Current Ratio	0.24	0.09
Quick Ratio	0.18	0.06
Current Assets	56,356,368	34,206,328
Current Liabilities	231,183,453	366,579,319
Working Capital	(174,827,085)	(332,372,991)

Cash Ratio	0.0050	(0.002)
Inventory	15,743,275	13,535,781

Figure 11: Working Capital

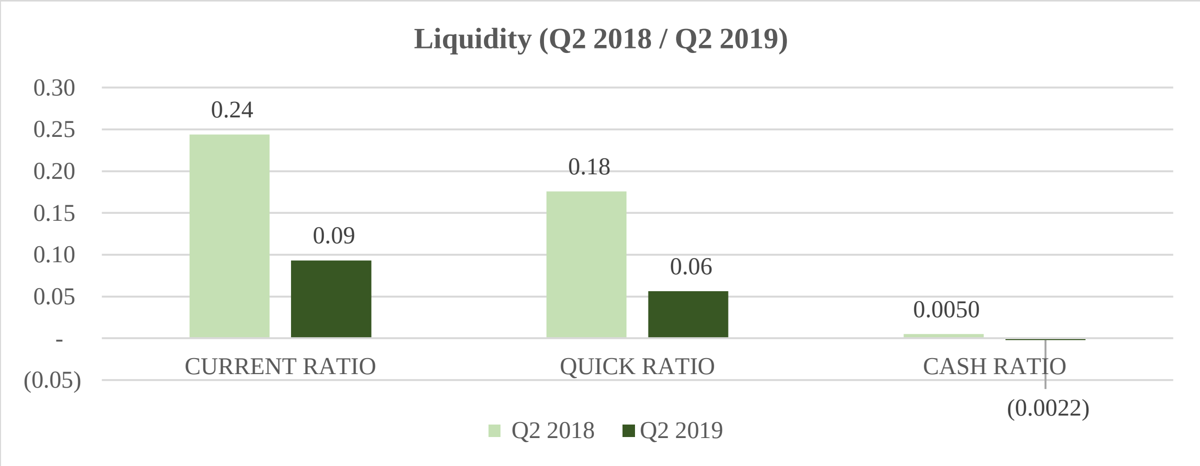


Figure 12: Liquidity Ratios

Non-current assets decreased by 4% (MVR 23.2 million) after depreciation. Current assets decreased by MVR 22 million, mainly as result of reduction in receivables and inventories. Moreover, a cash balance of MVR 1.15 million in Q2 2018 has turned into a bank overdraft in Q2 2019 which further reduced the total current assets. The main reason for the negative cash balance is due to high operational expenditure. A total of MVR 13 million has been used in operating activities in the quarter. However, AIA received MVR 18.3 million as loan from shareholder during the quarter which was MVR 13 million more than the amount they received as loan in Q2 2018.

Current liabilities increased by 58% mainly due to higher short term borrowings. Short term borrowings increased by MVR 130 million which is very significant when AIA is concerned. They are not in a position to repay the loan and is currently they obtain assistance from shareholder to repay the debts. AIA needs to implement strategies to overcome from the current situation.

LEVERAGE	**Q2 2018**	**Q2 2019**
DEBT-EQUITY	616.33	(1,258.24)
DEBT TO ASSETS	55.83	65.71
LONG TERM DEBT TO CAPITALIZATION	86.04	108.63

Figure 13: Leverage

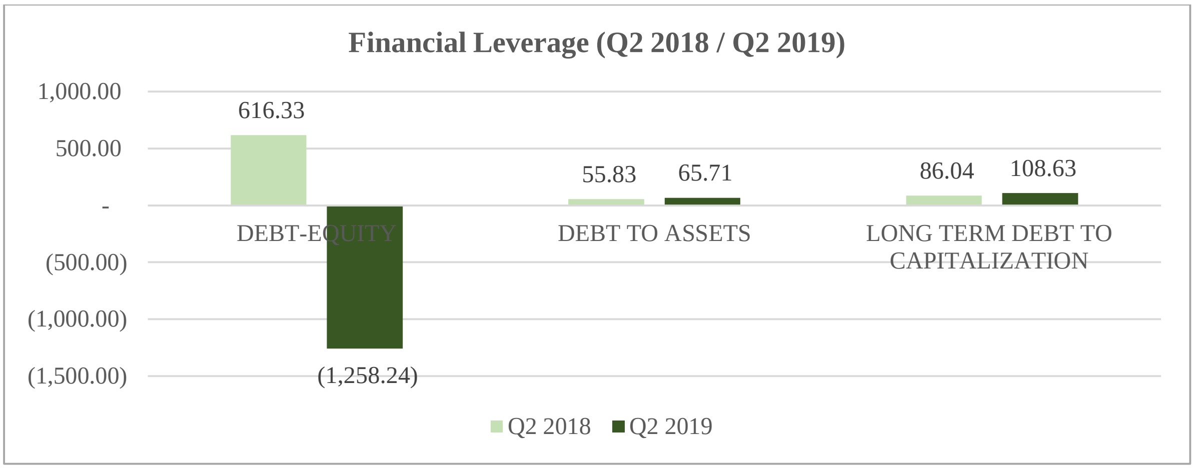


Figure 14: Leverage ratios

Retained losses over the quarters has caused negative equity in Q2 2019. The accumulated loss totaled MVR 329.3 million which is MVR 89.6 million more than the second quarter of the previous year. In addition to this, total borrowings of the company increased when the quarters are concerned, worsening the leverage position of the company. AIA is neither in a position to pay for the debts nor to finance further debts and depends on shareholder assistance for the operations.

Q1 of 2019 and Q2 of 2019

PROFITABILITY	Q1/2019	Q2/2019	Change	%
Revenue	20,469,577	11,352,908	(9,116,669)	-44.54%
Cost of Sales	(7,819,964)	(2,747,847)	5,072,117	-64.86%
Gross Profit	12,649,613	8,605,061	(4,044,552)	-31.97%
Operating Profit	(4,732,738)	(7,614,796)	(2,882,058)	60.90%
Profit Before Tax	(11,797,772)	(14,586,483)	(2,788,711)	23.64%
Profit After Tax	(11,797,772)	(14,586,483)	(2,788,711)	23.64%

Figure 15: Profitability

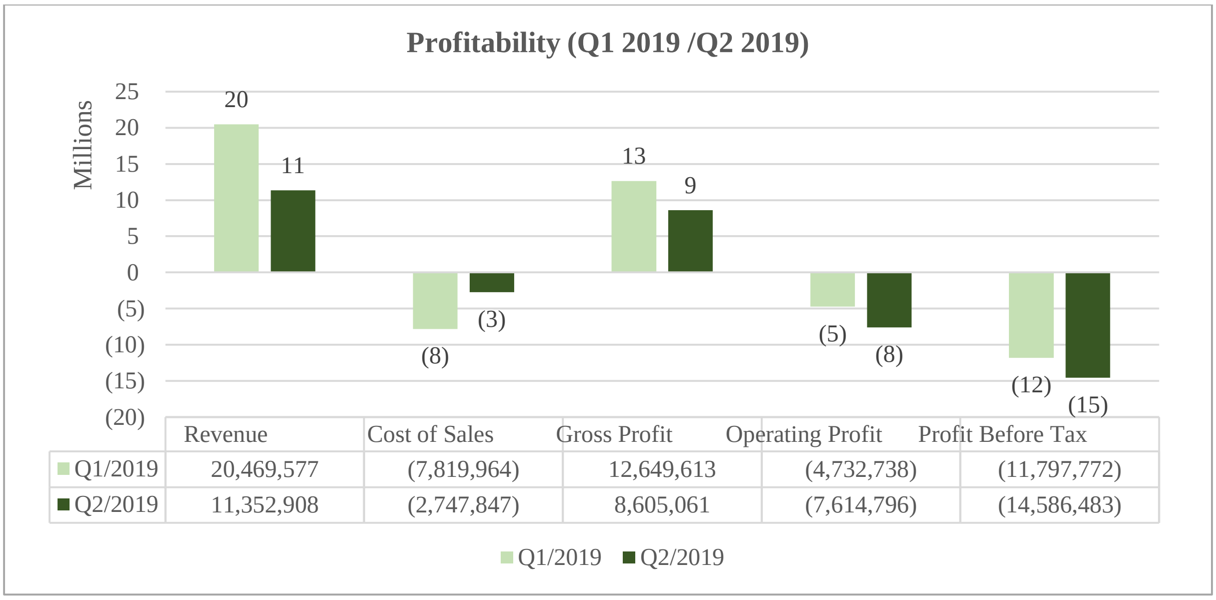


Figure 16: Profitability chart

AIA's revenue decreased significantly during the quarter. A total of MVR 9 million has been reduced compared to the previous quarter.

Revenue	Q1 2019	Q2 2019	Difference	% change
Jet fuel revenue	11,315,609	6,946,236	(4,369,373)	-38.61
Ground Handling charge	4,046,150	3,035,668	(1,010,482)	-24.97
landing fees	1,317,857	1,108,396	(209,461)	-15.89
Parking fees	1,751,282	542,839	(1,208,443)	-69.00
GPU charge	513,794	470,541	(43,253)	-8.42
Cargo Terminal warehouse	162,758	163,228	470	0.29
DCS income	1,281,060	(973,210)	(2,254,270)	-175.97
Other	47,852	59,210	11,358	23.74
Total	**20,436,362**	**11,352,908**	**(9,083,454)**	**-44.45**

Figure 17: Revenue

As seen from the above table, revenue generated from jet fuel decreased by 38.6% due to fewer number of flights. In addition, revenue generated from ground handling charges, parking fees and DCS income has dropped significantly due to a smaller number of flights been operated. Cost of Jet fuel sold reduced by MVR 5.1 million (65%) compared to the previous quarter. The jet fuel margin increased since the reduction in cost is much steeper than that of revenue.

Jet Fuel Margin	Q1 2019	Q2 2019	Difference	%
Revenue from Jet Fuel	11,315,609	6,946,236	(4,369,373)	-38.61
Cost of Jet fuel	(7,819,964)	(2,747,847)	5,072,117	-64.86
Gross profit	3,495,645	4,198,389	702,744	20.10
Gross profit Margin	31%	60%	0.29	29%

Figure 18: jet Fuel margin

The total administrative expenses excluding other operating expenses reduced by 6% which are summarized in the table below.

Administrative expenses	Q1 2019	Q2 2019	Difference	Change
Insurance expenses	651,295	637,233	(14,062)	(2.16)
Bank charges	28,962	13,816	(15,146)	(52.30)
Travelling Expenses	36,129	28,048	(8,081)	(22.37)
Directors fee	83,444	90,000	6,556	7.86
Printing & Stationary	40,918	25,639	(15,279)	(37.34)
Fines and Penalty	8,969	5,859	(3,110)	(34.67)
Total	**849,717**	**800,595**	**(49,122)**	**(5.78)**

Figure 19: Administrative Expenses

Operating Expenses	Q1 2019	Q2 2019	Difference	%
Depreciation	6,042,090	6,039,433	(2,657)	(0.04)
Amortization	155,360	155,360	-	-
Employee benefit expense	7,583,640	8,915,691	1,332,051	17.56
Electricity charges	579,508	944,842	365,334	63.04
Uniform expenses	298,317	14,178	(284,139)	(95.25)
Supplies and requisites	592,035	201,521	(390,514)	(65.96)
Fuel expenses	136,648	89,477	(47,171)	(34.52)
Repair and maintenance	130,538	48,784	(81,754)	(62.63)
Subscription expenses	1,463,544	380,502	(1,083,042)	(74.00)
freight and duty charges	562,646	436,995	(125,651)	(22.33)
telephone expenses	98,359	94,585	(3,774)	(3.84)
Others	85,677	39,920	(45,757)	(53.41)
Total	**17,728,362**	**17,361,288**	**(367,074)**	**(2.07)**

Figure 20: Operating Expenses

Other operating expenses reduced by 2%. However, employee benefit expense remains high at the end of Q2 2019 due to Ramadan expenses.

Finance costs also reduced by 1.3% (MVR 93,347) during the quarter compared to Q1 2019. The loss for the quarter further deteriorated by MVR 2.8 million compared to the previous quarter resulting from revenue loss.

LIQUIDITY	Q1/2019	Q2/2019
Non-Current Assets	570,836,703	564,663,373
Current Ratio	0.08	0.09
Quick Ratio	0.06	0.06
Current Assets	26,142,730	34,206,328
Current Liabilities	342,039,754	366,579,319
Working Capital	(315,897,024)	(332,372,991)
Cash Ratio	0.007	(0.002)
Inventory	5,021,057	13,535,781

Figure 21: Working capital

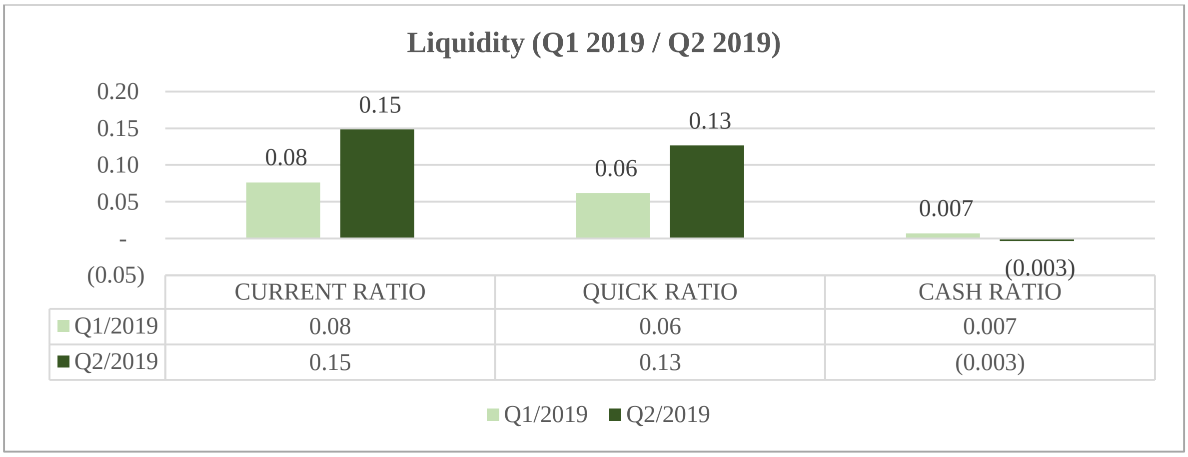


Figure 22: Liquidity Ratios

Non-current assets reduced by MVR 6.2 million after deprecation. In this quarter MVR 6 million has been incurred as depreciation in Q2 2019.

Current assets increased by MVR 8 million mainly due to increase in inventories and trade receivables. Their inventory mainly consists of jet fuel which has not been utilized due to less flight operations. Non-settlement of dues from the Island Aviation Services increased their receivables alongside creating cash flow problems in AIA. Due to this, the company is facing issues in meeting operational expenses and timely payment of salary.

AIA has high value of current liabilities which increased significantly by MVR 24.5 million compared to the previous quarter. The increase of current assets caused slight improvement in current ratio. However, they are still not in a position to fund all their needs.

AIA has high borrowings which are currently being repaid with the assistance from shareholder. The accumulated loss of this quarter's further upsurge negative equity. Thus, they do not have any asset to strengthen their ability to acquire any loans.

LEVERAGE	**Q1/2019**	**Q2/2019**
DEBT-EQUITY	(2,297.18)	(1,258.24)
DEBT TO ASSETS	64.22	65.71
CAPITALIZATION RATIO	104.55	108.63

Figure 23: Leverage

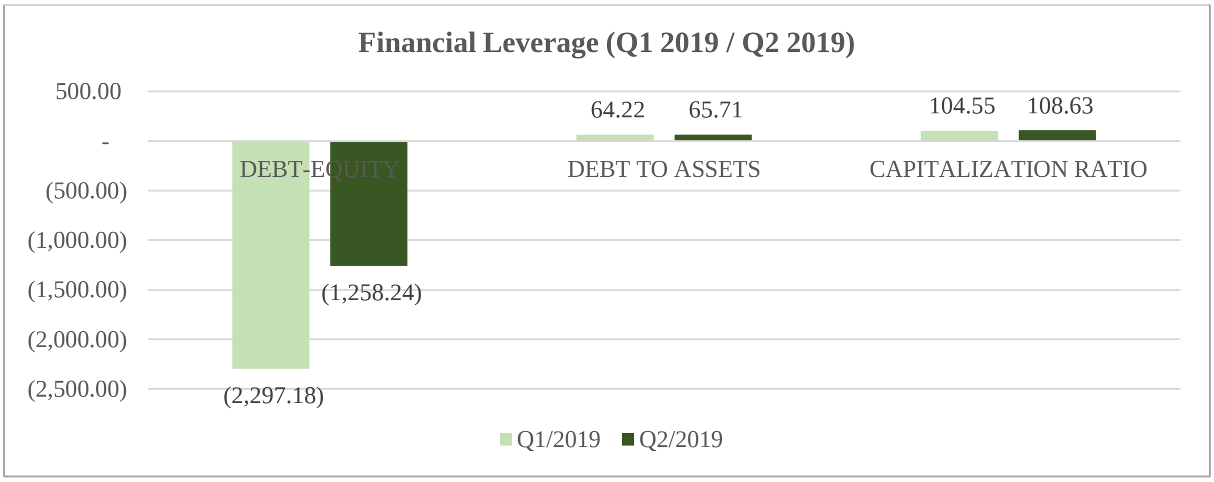


Figure 24: Leverage Ratios

Retained losses over the quarters has caused negative equity in Q2 2019. The accumulated loss totaled MVR 329.3 million. In addition to this, total borrowings of the company increased when the quarters are concerned, worsening the leverage position of the company. AIA is neither in a position to pay for the debts nor to finance further debts and depends on shareholder assistance for the operations.

Conclusion

AIA has a steep reduction in their revenue due to lower number of flights landed to the Airport, it reflected on the profits of the company and the company faces gross loss and net losses over the quarters due to higher cost of sales and higher operating expenses.

The company is not in a position to settle the current liabilities with their current assets and seeks shareholder assistance. The company is currently struggling to meet monthly operational expenses as well as other financial commitments due to operational cash flow shortages. Moreover, being unable to collect due from Island Aviation adds to the cash flow problems.

In terms of gearing, the company has a high gearing ratio, thus there is a huge financial risk associated with the operation of AIA and they are most likely to depend on shareholders funding for future operations and expansion. Accumulated losses over the quarters resulted in negative equity, as an outcome AIA will face major difficulties in acquiring finances.

Recommendation

- Implement strategies for revenue improvement / diversify
  Revenue should be improved each quarter for sustainable development of the company. The revenue generated from Jet fuel is the greatest source of revenue for AIA and this revenue could be improved by increasing the number of jets flying into the airport, by increasing the bed capacity in the region, through this, other revenue including landing fees, parking, ground handling charges etc. can be improved
- Implement ways to improve cash flow;
  This includes proper forecasting of cash flows. Receivable collection will also improve cash flow as such, AIA should improve their receivable collection mechanisms to

improve cash flows of the company. AIA should formulate a proper procedure and take necessary actions to improve cash flow position of the company.

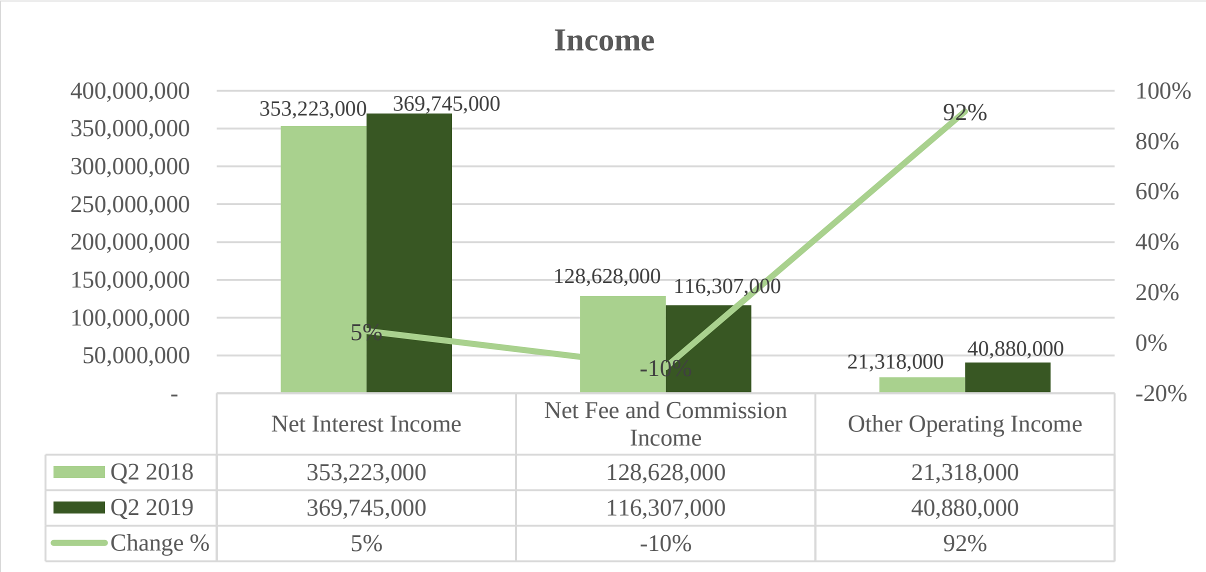
- Reduce Costs/ efficiency
  Costs should be minimized from all areas wherever possible. Without further developments to business, the operating expenses should not be increased. AIA can cut down staff expenses by reducing number of staffs and find ways to improve productivity. Also, expenses like repair and maintenance, telephone expenses, etc. can be minimized through better utilization to enhance profit levels.
- Revise the existing unfavorable agreements:
  AIA should make the agreements with business partners favorable in such a way that it is more profitable for the company. AIA should make commercially sensible agreements with those and revise the existing agreements in favor of the company.

Quarterly review; Quarter 2, 2019

BANK OF MALDIVES PLC

Q2 of 2018 AND Q2 of 2019

Income



	Net Interest Income	Net Fee and Commission Income	Other Operating Income
Q2 2018	353,223,000	128,628,000	21,318,000
Q2 2019	369,745,000	116,307,000	40,880,000
Change %	5%	-10%	92%

Figure 25: Income

Bank's income comprises of interest income, fees and commission income and other operating income. In comparison to the same quarter of previous year net interest income has recorded a growth of 5% which represents 58% of bank's gross income. While the other operating income has achieved a remarkable growth of 92%, net fee and commission income has reduced by 10%.

Net Interest Margin

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.

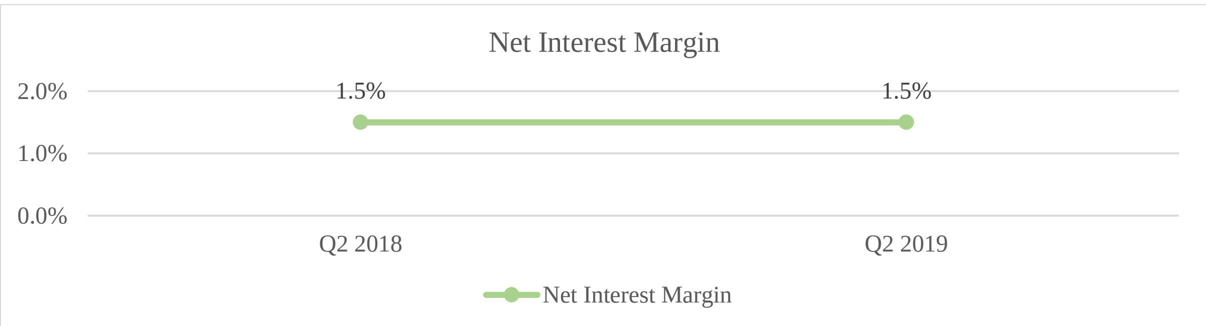
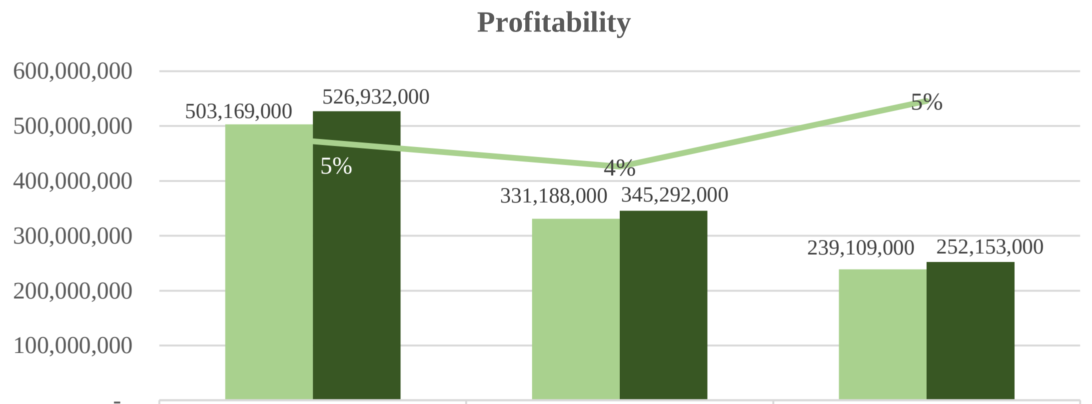


Figure 26: Net Interest Margin

Net interest margin has remained unchanged for Q2 2018 and Q2 2019 at 1.5%. Interest rates charged by the bank and the source of the bank's assets will significantly impact this ratio. The bank's total earning assets has increased from MVR 22.8 billion to MVR 24.5 billion, which is an increase of 7%. In addition, net interest income has also increased by 5%, although the ratio has not increased.

Profitability



	Total Operating Income	Profit Before Tax	Profit After Tax
Q1/2018	503,169,000	331,188,000	239,109,000
Q1/2019	526,932,000	345,292,000	252,153,000
%	5%	4%	5%

Figure 27: Profitability

Overall profitability of the bank has increased by 5% when compared to 2018 Q2 from MVR 239 million to MVR 252 million. Total operating income of the bank has also seen a growth of 5%. It was also observed that operating expenses of the bank has increased by 6% between the quarters in review.

As a result of increased profitability, the earning per share of the company has increased from MVR 178 to MVR 187 per share when compared to 2018 Q1.

Capital Management

The bank is maintaining a strong capital position well above regulatory requirement of MVR 22 million which summarized below;

Total Assets	Q2/2018	Q2/2019	% change
Cash, Short Term Funds & Balances with MMA	5,573,203,000	7,025,082,000	**26.1%**
Loans and Advances	12,753,413,000	12,534,981,000	**-1.7%**
Financial Investments- FVOCI	123,483,000	144,526,000	**17.0%**
Financial Investments- Amortized Cost	4,424,676,000	4,829,787,000	**9.2%**
Property, Plant and Equipment	413,931,000	423,767,000	**2.4%**
Other Assets	202,320,000	241,206,000	**19.2%**
Total Assets	**23,491,026,000**	**25,199,349,000**	**7.3%**

Figure 28: Total Assets

The assets of the bank have increased from MVR 23.5 billion to MVR 25.2 billion, with all the lines showing satisfactory growth except the loans and advances. Loans advances are the main component of bank’s assets as it represents 50% of total assets. However, it has shown a reduction of 1.7% from Q2 2018 to Q2 2019.

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	Q2/2018	Q2/2019	% change
Deposits	15,480,072,000	16,893,840,000	9%
Borrowings	1,024,950,000	753,891,000	-26%
Other Liabilities	1,057,220,000	1,175,990,000	11%
Total	**17,562,242,000**	**18,823,721,000**	**7%**

Figure 29: Total Liabilities

The liabilities of the bank have also increased by the same rate as assets. Although total liabilities have increased by 7%, the borrowings of the bank have decreased by 26%. 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. The deposits represent 90% of its liabilities.

Return on Equity & Return on Assets

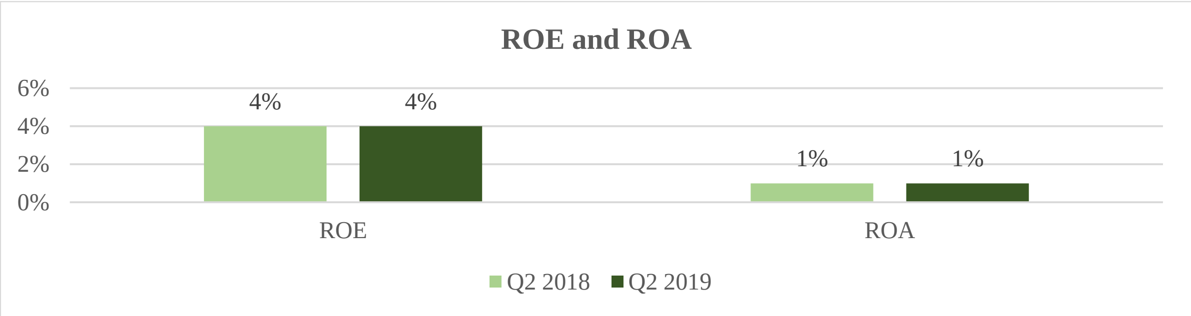


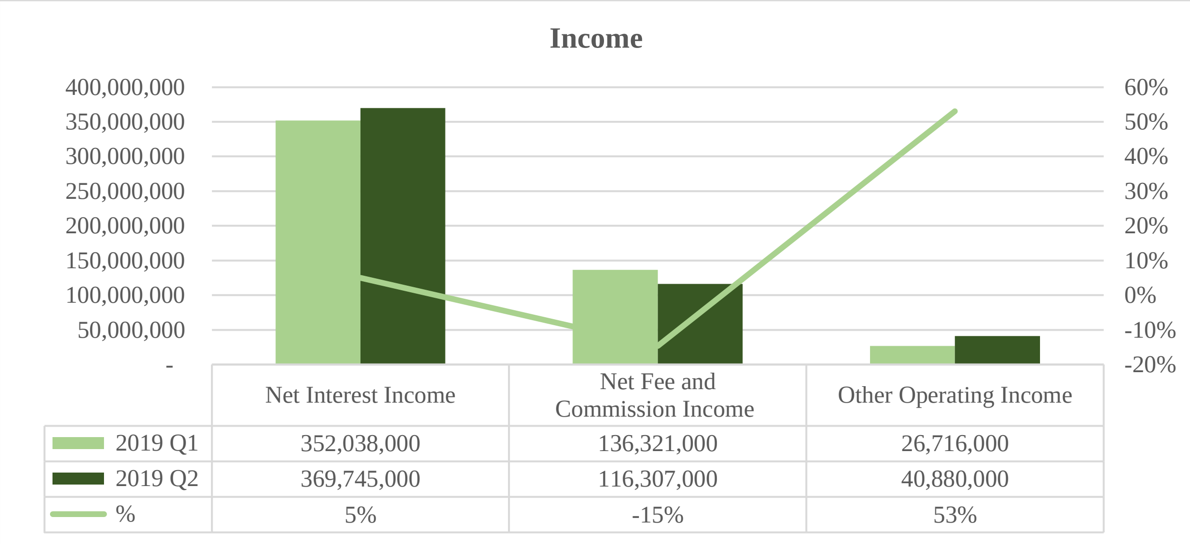
Figure 30: ROE and ROA

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.

As shown in the above chart, both the ratios have remained unchanged for the two quarters. Positive results illustrate that bank is generating profits with the money shareholders have invested.

Q1 of 2019 AND Q2 of 2019

Income



	Net Interest Income	Net Fee and Commission Income	Other Operating Income
2019 Q1	352,038,000	136,321,000	26,716,000
2019 Q2	369,745,000	116,307,000	40,880,000
%	5%	-15%	53%

Figure 31: Income

Total net income of the bank has increased from MVR 515 million to MVR 526 million, as a result of 5% increase of net interest income and 53% increase of other operating income. Net fee and commission income on the other hand has reduced by 15% when compared to the previous quarter. The same trend was observed in the financial industry.

Net Interest Margin

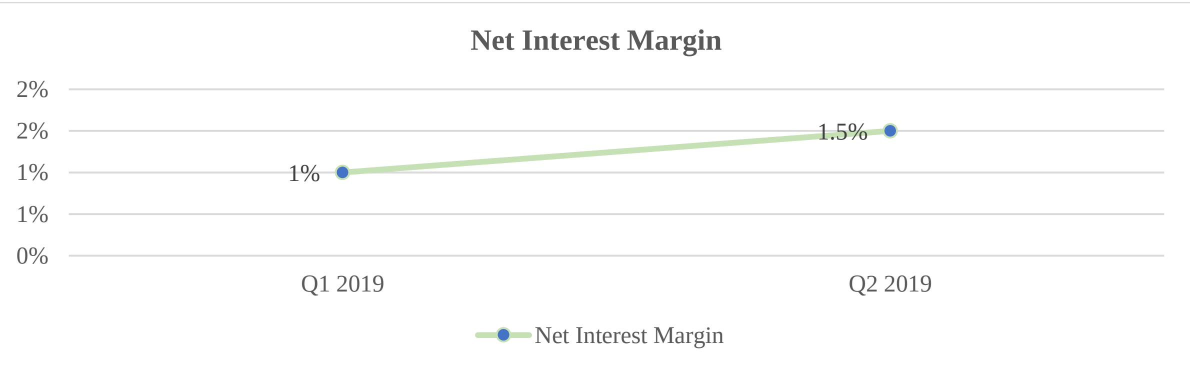
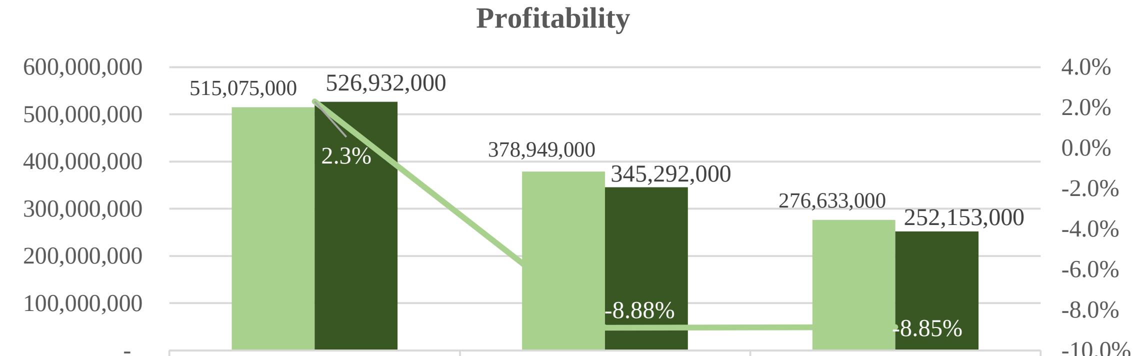


Figure 32: Net Interest Margin

Net Interest Margin has recorded a marginal increase in Q2 2019. This is because net interest income has increased greater than the interest earning assets. Net interest income grew by 5% when interest earning assets increased by one percent.

Profitability



	Total Operating Income	Profit Before Tax	Profit After Tax
Q1 2019	515,075,000	378,949,000	276,633,000
Q2 2019	526,932,000	345,292,000	252,153,000
% change	2.3%	-8.88%	-8.85%

Figure 33: Profitability

Although operating income of the bank has increased by 2.3%, the net profits has reduced by over 8%. This is mainly due to 21% increase of operating expenses and 86% increase of provision for bad and doubtful debts. When compared to the operating income growth, the operating expenses has increased much higher.

As a result of reduced profitability, earnings per share of the bank has reduced from MVR 206 to MVR 187 in Q2 2019.

Capital Management

The total assets of the bank for the first two quarters of 2019 are summarized below;

Total Assets	Q1/2019	Q2/2019	% change
Cash, Short Term Funds & Balances with MMA	6,876,822,000	7,025,082,000	2%
Loans and Advances	12,404,535,000	12,534,981,000	1%
Financial Investments- FVOCI	144,526,000	144,526,000	-
Financial Investments- Amortized Cost	4,808,902,000	4,829,787,000	0.4%
Property, Plant and Equipment	425,180,000	423,767,000	-0.3%
Other Assets	274,113,000	241,206,000	-12%
Total Assets	**24,934,078,000**	**25,199,349,000**	**1%**

Figure 34: Total Assets

Total assets of the bank have increased by only one percent from Q1 to Q2 of 2019. The bank is maintaining a strong capital position well above regulatory requirement of MVR 22 million.

The table below summarizes the liabilities of the bank;

Total Liabilities	Q1/2019	Q2/2019	% change
Deposits	16,903,491,000	16,893,840,000	-0.1%
Borrowings	797,453,000	753,891,000	-5%
Other Liabilities	1,109,325,000	1,175,990,000	6%
Total	**18,810,269,000**	**18,823,721,000**	0.1%

Figure 35: Total Liabilities

Total liabilities of the bank have increased by MVR 13 million, which is an increase of just 0.1% in comparison to previous quarter. However, it is important to note that banks assets are much higher than its liabilities and further, the most significant component of liability is the deposits. Although deposits fall under liabilities, banks need to have enough deposits to sustain their lending ability.

Return on Equity & Return on Assets

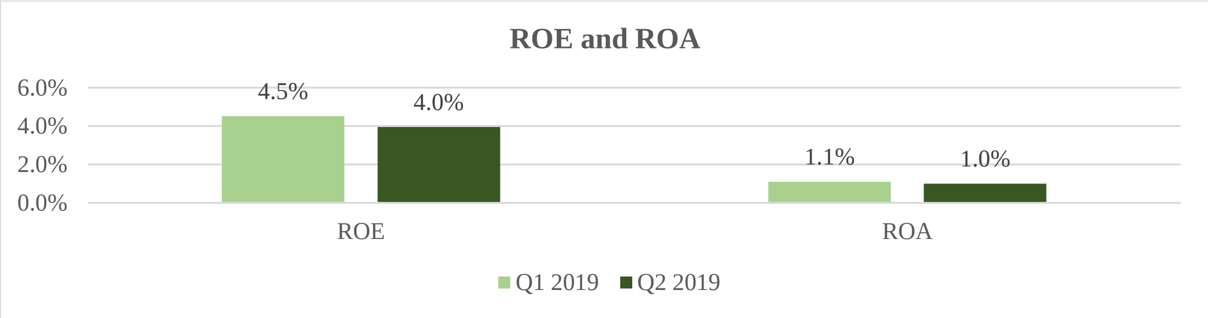


Figure 36: ROE and ROA

As per the above table both the ratios have recorded a marginal fall from Q1 to Q2 of 2019. The fall is mainly due to reduced profits of the bank while the assets and equity have a positive growth.

Important Projects undertaken in the quarter

The main business developments in this quarter includes:

- BML completed the first year of Graduate Internship Program in April and announced plans to continue the program for the second year.
- Opened the doors to a modern new branch premises and Self-Service Banking Centre in Ungoofaaru, Raa Atoll, in April 2018.
- During May, BML Islamic introduced the complete range of Shari'ah compliant business financing product as part of the Bank's ongoing support for business. This included Retailers' Financing, Business Development Financing, Letter of Credit and Bank Guarantee services as well as amendments to General Financing.

Conclusion

Net interest income of the bank has increased; however, the operating costs grew at a much higher rate than income. In terms of profitability, the profitability of the bank has improved by 5%, in comparison to the same quarter of last year however, in comparison to Q1 2019 net profits of the bank has deteriorated.

Capital and liquidity ratios are maintained above the regulatory requirements and has a positive cash flow position.

Quarterly review; Quarter 2, 2019

DHIVEHI RAAJJEYGE GULHUN PLC

Report No: PEM/2019/DHIRAAGU/Q2

Q2 of 2018 and Q2 of 2019

PROFITABILITY

PROFITABILITY	Q2 2018	Q2 2019	Change	%
Revenue	694,395,000	710,824,000	16,429,000	2%
Operating Profit	264,097,000	265,127,000	1,030,000	0.4%
Profit After Tax	215,652,000	210,583,000	(5,069,000)	-2%

Figure 37: Profitability

Revenue of Dhiraagu has increased by MVR 16 million, this is an increment of 2% when compared to the same quarter of previous year. However, the operating profit growth was slowed down mainly due to increased depreciation and amortization by 18%. The operating expenses has increased by only 0.3% when the revenue growth was 2%. This shows that Dhiraagu is managing operating costs efficiently.

There is no significant change in net financing costs of the company as it has increased by only MVR 77,000, which is only 1% increment.

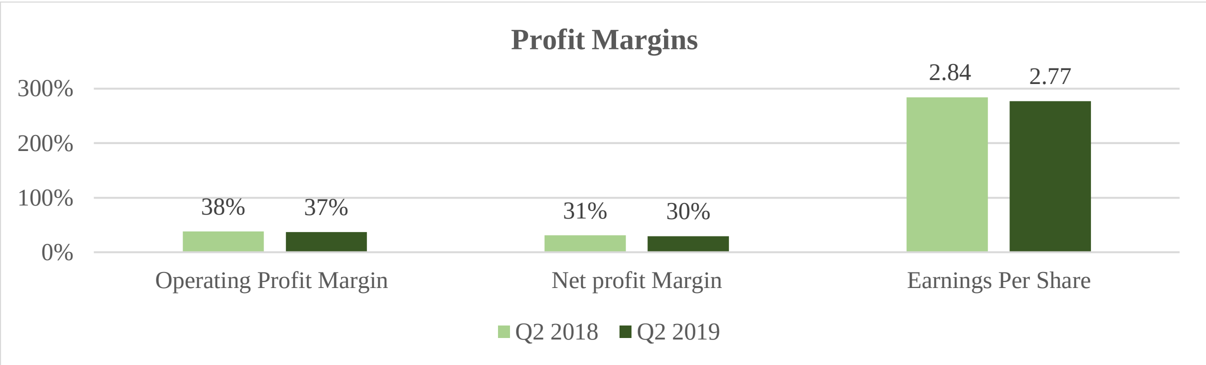


Figure 38: Profit Margins

Marginal fall in profit margins were experienced due to the aforementioned reasons. As a result, earnings per share declined compare to Q2 2018.

LIQUIDITY

WORKING CAPITAL	Q2 2018	Q2 2019
Non-Current Assets	2,108,520,000	2,306,271,000
Current Assets	1,052,302,000	1,124,146,000
Current Liabilities	649,001,000	730,703,000
Working Capital	403,301,000	393,443,000
INVENTORY	88,956,000	66,995,000

Figure 39: Working Capital

Telecommunication is a capital-intensive industry, thus non-current assets of Dhiraagu stands at MVR 2 billion at the end of Q2 2019. Similarly, the current assets has also increased by MVR 71 million, this is mainly as a result of growth in trade and other receivables. Trade and other receivables has increased by MVR 102 million in Q2 2019 compared to Q2 2018. The growth of receivables is 3% when the revenue has only increased by 0.3%. This is a concerning area for the company as a significant amount is tied up as receivables affecting the cash flow of the company. Cash and bank balance of Dhiraagu has fell by MVR 8 million.

Short term liabilities of the company has also increased by MVR 81 million, this is an increase of 13%. The increase in liabilities is partly caused by the growing receivables. More cash tied up as receivables will impact company's ability to pay their short-term liabilities, thus increasing its current liabilities.

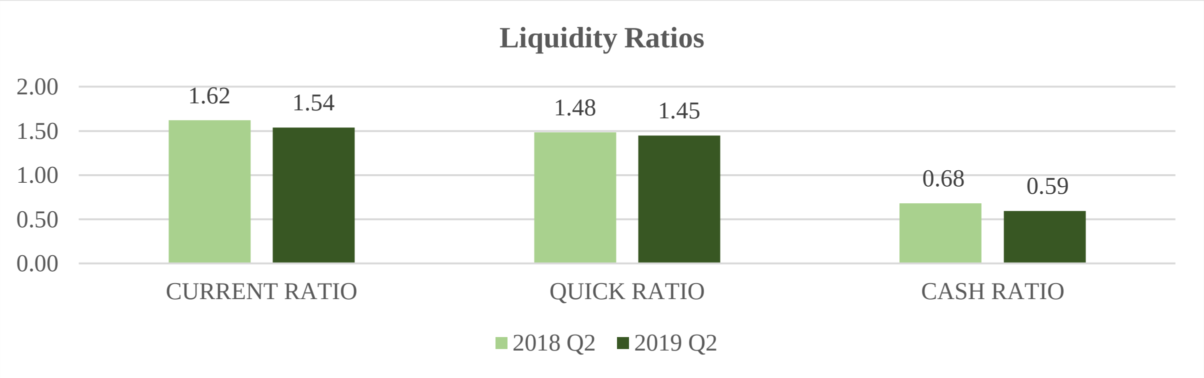


Figure 40: Liquidity Ratios

Current ratio of above 2 shows that short term liquidity position of the company is satisfactory. However, it is important to highlight that the most significant component of current asset is trade receivable, which keeps increasing. Customer bills will be due within 30 days from the month of service, however since Dhiraagu is unable to collect this within this period, the receivables of the company keep rising. Total current assets comprise of 55% trade receivables, 39% of cash and bank balance and 6% of inventories.

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. Quick ratio of Dhiraagu is also above 1, showing that Dhiraagu have enough assets to be instantly liquidated to pay off its current liabilities.

Though cash balances drops, the cash ratio of the company is at a satisfactory position. The operational cash flow of the company has improved by MVR 34 million compared to 2018 Q2, indicating Dhiraagu generated more cash through operational activities. Net cash outflow from investing activities shows that Dhiraagu is investing in long term fixed assets. Dhiraagu finished the quarter with MVR 434 million cash and bank balances, thus cash flow difficulties are unlikely to happen.

Dhiraagu does not have any borrowings or loans as such the financial risk of the company is very low. The only non-current liabilities of the company are provisions and right of use liability.

Q1 of 2019 and Q2 of 2019

PROFITABILITY

PROFITABILITY	Q1 2019	Q2 2019	Change	%
Revenue	708,675,000	710,824,000	2,149,000	0.30%
Operating Profit	292,987,000	265,127,000	(27,860,000)	-9.51%
Profit After Tax	238,941,000	210,583,000	(28,358,000)	-11.87%

Figure 41: Profitability

When compared to the last quarter, the revenue has increased by MVR 2 million, this shows only 0.3% progress. Despite the improvement in revenue, Operating profit of Dhiraagu has dropped significantly by MVR 27 million in 2019 Q2. This was due to substantial increase in operating expenses by MVR 26 million. In addition, depreciation and amortization has also increased by MVR 3 million. When compared to the revenue growth of 0.3%, operating expenses of the company has rose by 8%. An increase of MVR 1 million was seen in the net financing expenses as well.

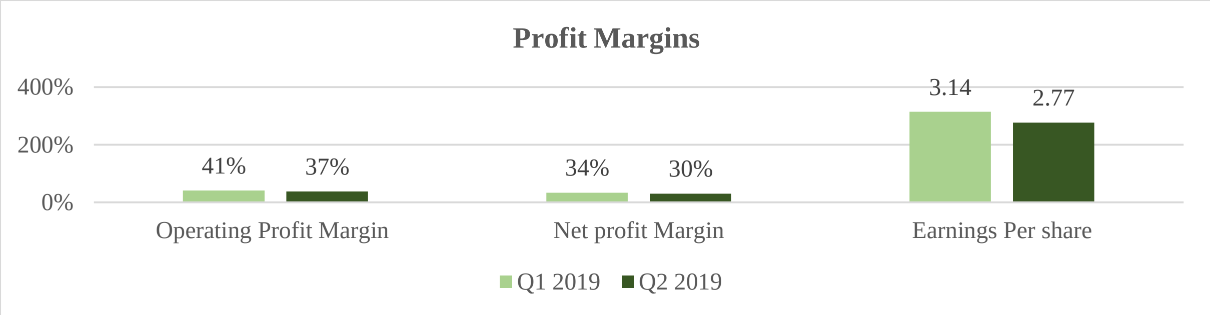


Figure 42: Profit Margins

Due to increased costs and expenses a reduction of profit margins and earnings per share could be seen compared to the last quarter.

LIQUIDITY

LIQUIDITY	Q1 2019	Q2 2019
Non-Current Assets	2,335,938,000	2,306,271,000
Current Assets	1,206,079,000	1,124,146,000
Current Liabilities	607,993,000	730,703,000
Working Capital	598,086,000	393,443,000
Inventory	65,070,000	66,995,000

Figure 43: Working Capital

Non-current assets of the company have reduced compared to previous quarter by MVR 29 million, however, the investing activities had a net cash outflow of MVR 54 million for the quarter. Current assets of Dhiraagu has also recorded a major fall of MVR 81 million. This is purely due to decline in the cash and bank balance by MVR 102 million. The other two components of current assets has increased. In this regard, the trade and other receivables has recorded an increase of MVR 18 million. On the other hand current liabilities of Dhiraagu has increased by MVR 122 million, which is an increase of 20% compared to previous quarter.

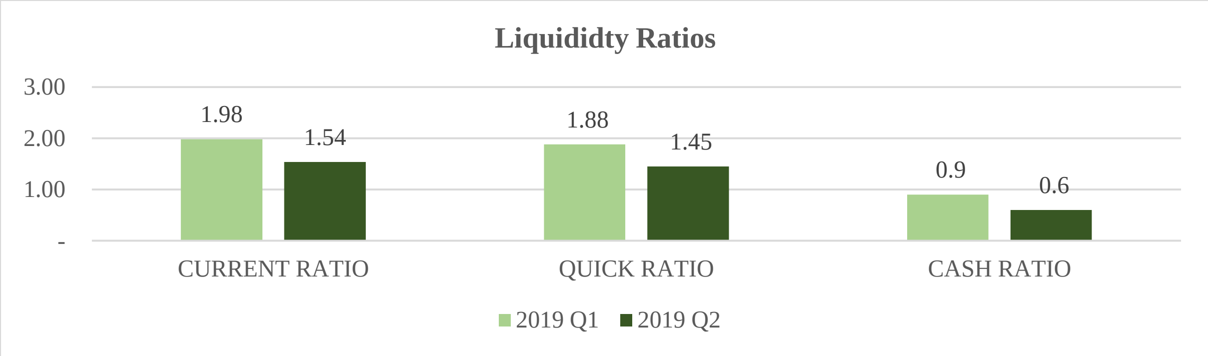


Figure 44: Liquidity Ratios

The current ratio of Dhiraagu remained unchanged for both the quarters in review. Current ratio of 2 shows that for every MVR 1 of current liability, Dhiraagu has MVR 2 of current assets. Quick ratio has dropped marginally from 1.88 to 1.45 times in 2019 Q2.

The significant reduction in cash balance was reflected in cash ratio. Nevertheless, the company finished the quarter with cash and bank balance of MVR 434 million. Cash flow from operating activities has improved in this quarter from MVR 259 million to MVR 334 million.

KEY COMMERCIAL HIGLLIGHTS DURING THE QUARTER

- Dhiraagu launched an exclusive offer for mobile customers to purchase premium Viber sticker package.
- DhiraaguTV introduced a new package and two add-ons; “Fun” and “Excitement”.
- Dhiraagu launched Huawei’s flagship brands, Huawei P30 and Huawei P30 Pro, with free 5GB data.

CONCLUSION AND RECOMMENDATION

Dhiraagu is the leading digital and telecommunications service provider in the Maldives aiming to provide future-proof digital and telecommunications connectivity that enable customers to get ahead in the digital future. With that aim, Dhiraagu puts forward their strategies to bring the latest innovations and technology expanding their scope of services provided.

For 2019 Q2, Dhiraagu has reported a revenue of MVR 710 million, which is a growth of 0.3% compared to the last quarter. However, due to high operating costs, the profitability and earning per share of the company was affected. In comparison to the same quarter of the last year, revenue of Dhiraagu has grown by 2% and operating profit by MVR 1 million. This is because the operating costs increased relatively lower than the revenue growth.

The liquidity position of the company is satisfactory with a current ratio of 2 and a quick ratio of over 1. Dhiraagu have enough liquid assets to settle its short term obligations. In addition, the cash balance of the company looks healthy. Nevertheless, it is crucial to highlight the rising trade receivables of the company. When the revenue has only grown by 0.3%, trade and other receivables has increased by 3%. As an integral element of a company's cash flow, accounts receivable can impact several other areas of accounting, including accounts payable, thus current liabilities of Dhiraagu has also increased as a result of rising receivables. Revenue looks good on paper but turning accounts receivable into cash is essential for a business to continue functioning. Thus, Dhiraagu should consider its growing receivables.

Along with revenue improvement, efficient costs management is equally important to improve profitability of the company. Thus, the operating costs of the company should be maintained at a reasonable level. For a mature company like Dhiraagu, growth comes from innovative services and improved efficiency.

Quarterly review; Quarter 2, 2019

FENAKA CORPORATION LTD

Q2 of 2018 AND Q2 of 2019

PROFITABILITY

PROFITABILITY	Q2 2018	Q2 2019	Change	%
Revenue	303,543,595	378,666,322	75,122,727	25
Cost of Sales	(171,597,459)	(258,579,792)	(86,982,233)	51
Gross Profit	131,946,136	120,086,530	(11,859,606)	(9)
Operating Profit	27,990,713	29,796,515	1,805,802	6
Profit Before Tax	3,494,290	1,374,148	(2,120,141)	(61)
Profit After Tax	3,494,290	1,374,148	(2,120,141)	(61)

Figure 45: Profitability

	Q2 2018	Q2 2019
Gross Profit Margin	43.47	31.71
Operating Profit Margin	9.22	7.87
Net profit Margin	1.15	0.36

Figure 46: Profit Margins

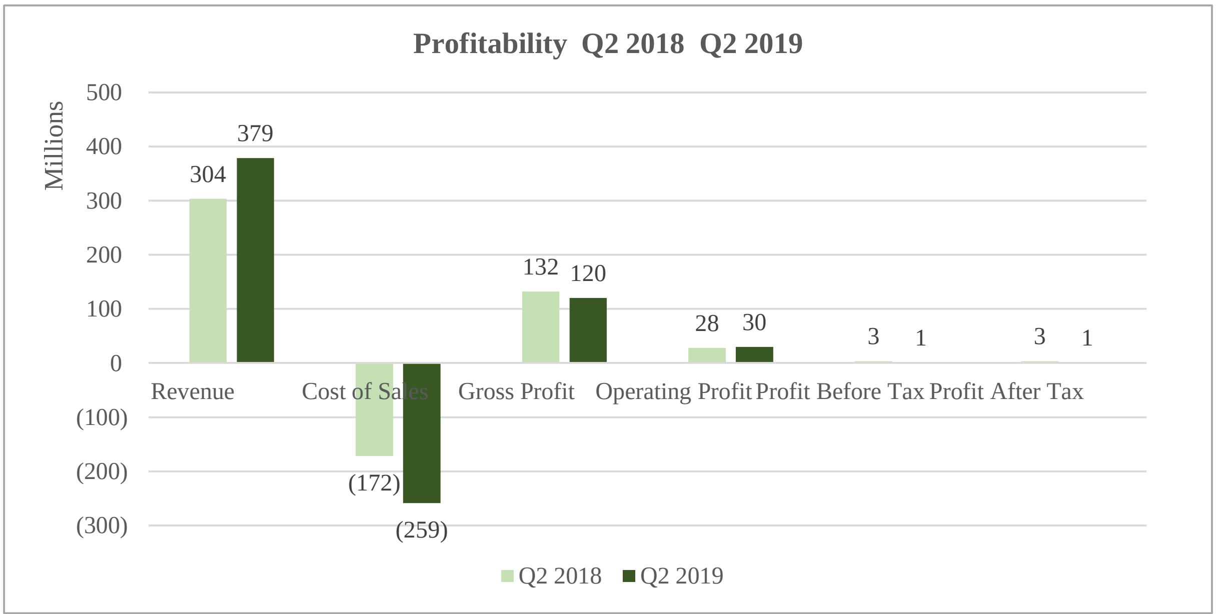


Figure 47: Profitability chart

The main source of income for Fenaka is through supplying electricity to domestic islands in the Maldives. As such, the company generated a revenue of MVR 379 million in Q2 2019 which is an increment of 25% compared to the same quarter of the previous year. Direct costs increased by greater than the revenue generated, hence, gross profit shows a decline of 9%. Thus, gross profit margin also reduced to 31.71% in the quarter.

However, Fenaka managed its overheads well in the quarter resulting administrative expenses and other operating expenses to decline by MVR 12 million (12%) and MVR 1.5 million (79%)

respectively. On the other hand, net profit reduced by 61% mainly due to high depreciation costs charged for current period of Q1. Fenaka spent MVR 22.6 million on acquisition of Property, plant and Equipment in this quarter. The spending pattern of the company on the acquisition of PPE is illustrated in the flowing diagram.

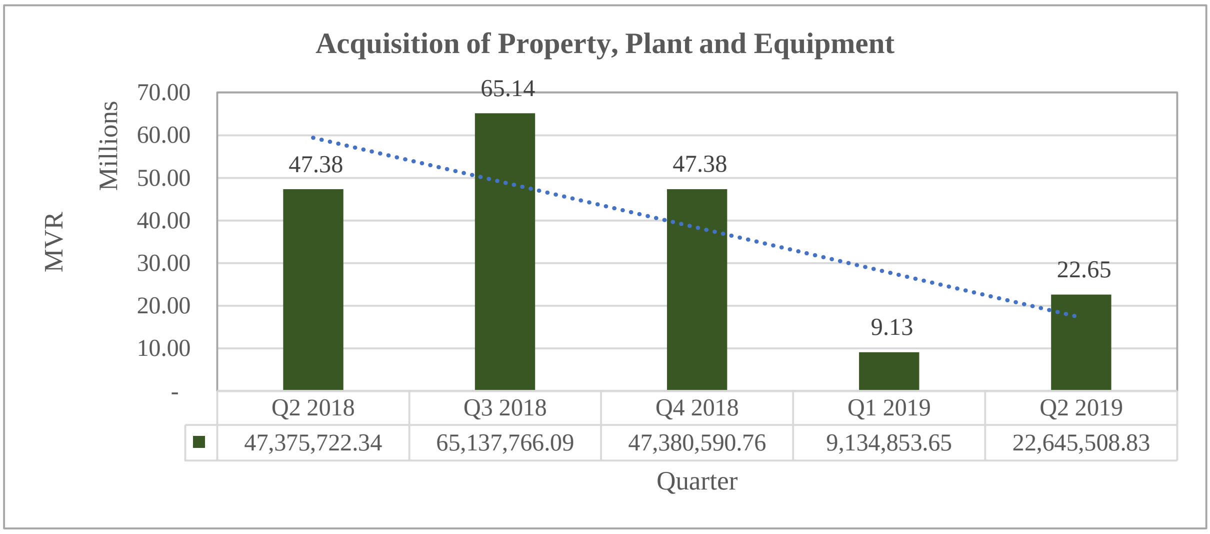


Figure 48: Property plant and Equipment

LIQUIDITY

LIQUIDITY	Q2 2018	Q2 2019
Non-Current Assets	877,325,755	916,247,938
Current Ratio	0.75	0.64
Quick Ratio	0.50	0.40
Current Assets	463,132,405	454,717,523
Current Liabilities	620,036,078	707,767,581
Working Capital	(156,903,673)	(253,050,058)
Cash Ratio	0.08	0.04
Inventory	155,666,854	171,055,612

Figure 49: Working Capital

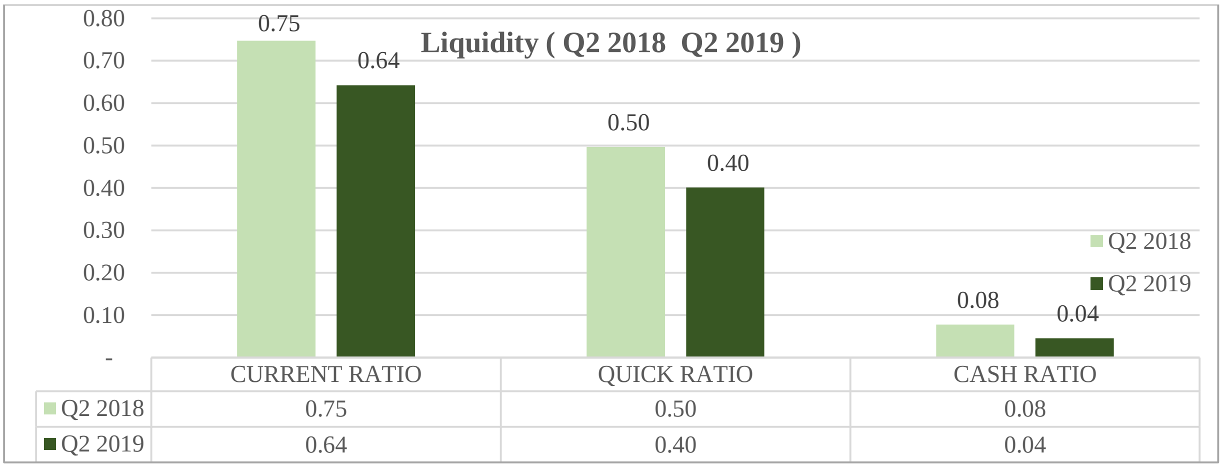


Figure 50:Liquidity ratios

- The total non-current assets increase each quarter as the company acquires equipment required for electricity generation.
- Short term assets reduced by 1.8% compared to the last quarter mainly due to reduction in cash and cash equivalents. Trade and other receivables also reduced by MVR 7.6 million compared to Q2 2018. Thus, current ratio reduced to 0.64 from 0.75 over the comparable period.
- Cash ratio also reduced following reduction in cash and cash equivalents. Cash balance reduced significantly resulting from acquisition of property plant and equipment and repayment of loan.

LEVERAGE

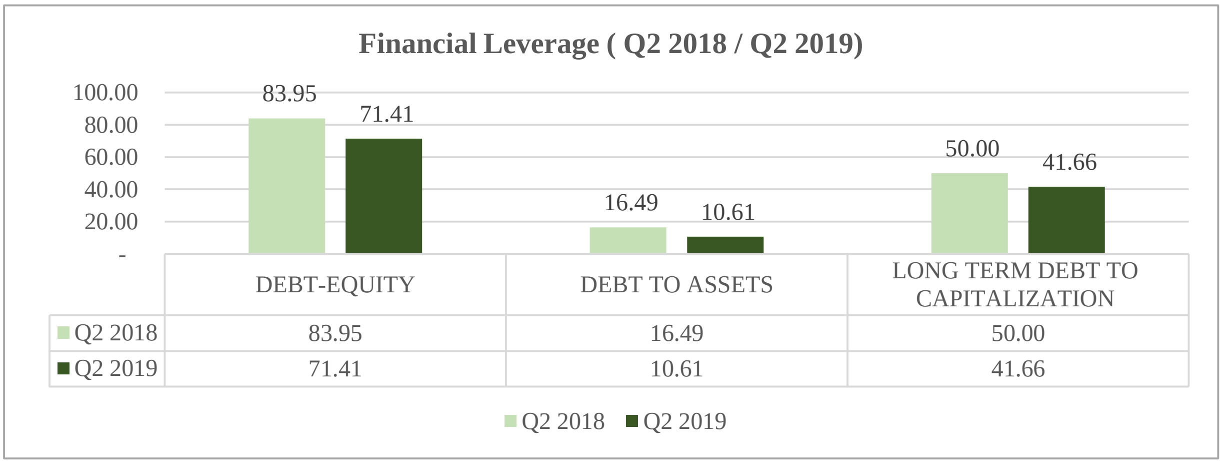


Figure 51: Financial Leverage

The total leverage of the company reduced as the total borrowings reduced by MVR 40 million while equity reduced by MVR 17 million. As the company is repaying its debts, the financial risk associated with the company reduced.

Q1 of 2019 AND Q2 of 2019

PROFITABILITY	Q1 2019	Q2 2019	Change	%
Revenue	316,718,845	378,666,322	61,947,477	19.56%
Cost of Sales	(205,012,521)	(258,579,792)	(53,567,271)	26.13%

Gross Profit	111,706,323	120,086,530	8,380,207	7.50%
Operating Profit	28,104,861	29,796,515	1,691,654	6.02%
Profit Before Tax	1,734,254	1,374,148	(360,106)	-20.76%
Profit After Tax	1,734,254	1,374,148	(360,106)	-20.76%

Figure 52: Profitability

	Q1 2019	Q2 2019
Gross Profit Margin	35.27	31.71
Operating Profit Margin	8.87	7.87
Net profit Margin	0.55	0.36

Figure 53: Profit Margins

Revenue	Q1 2019	Q2 2019	Difference	%
Business	40,048,142	37,529,997	(2,518,145)	-6.29
Business Special	31,050,167	22,752,838	(8,297,329)	-26.72
Domestic	94,427,941	111,426,232	16,998,291	18.00
Government	59,580,681	66,113,778	6,533,098	10.97
Water	3,893,350	4,934,591	1,041,241	26.74
Others	1,393,799	14,756,715	13,362,917	958.74
Tariff Rate Difference	86,324,761	121,152,167	34,827,406	40.34
Total	**316,718,844**	**378,666,321**	**61,947,477**	**19.56**

Figure 54: Revenue

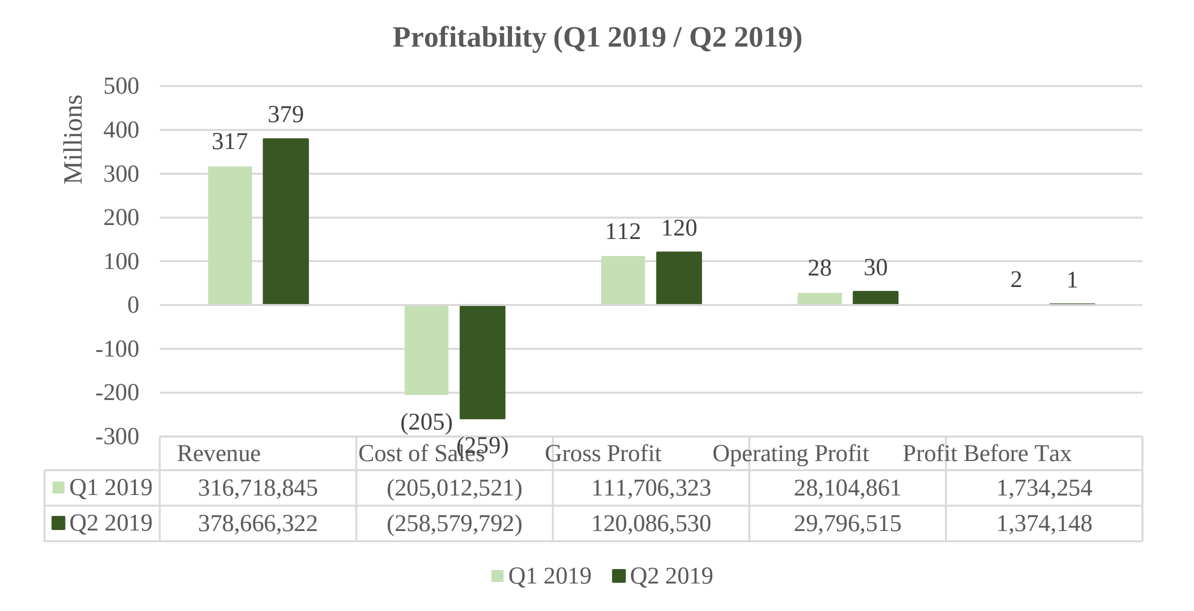


Figure 55: Profitability

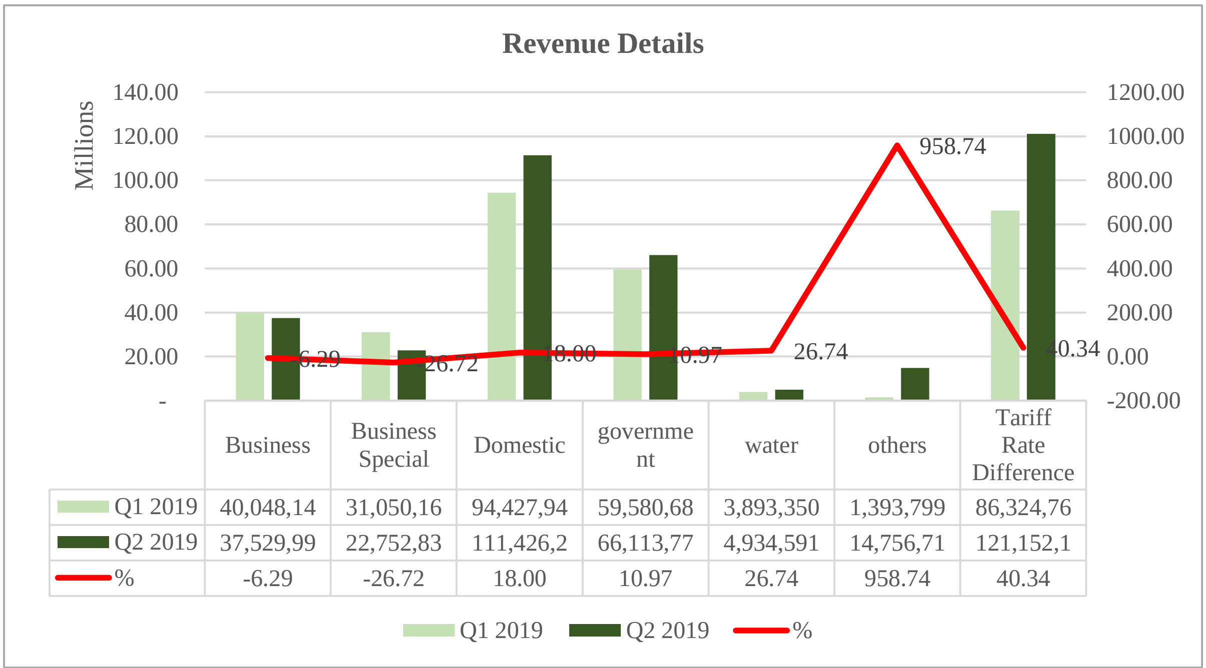


Figure 56: revenue chart

Revenue generated by supplying electricity to domestic and government authorities in islands is their core activity. Revenue from the business segment reduced by over MVR 10 million in just a quarter.

While the revenue increased direct costs particularly cost of diesel increased by MVR 42 million in the quarter compared to the previous quarter. Fenaka incurred remarkably greater costs on spares and cables in the quarter compared to the previous quarter. Thus, gross profit increased only by 7% compared to the last quarter. However, gross profit margin fell as the company incurred relatively higher direct costs compared to the revenue.

Total administrative expenses incurred increased by MVR 7.3 million which is an increment of 9% compared to the previous quarter. Salary and allowances hold 84% of the total administrative costs which increased by MVR 15 million in just the quarter, due to the Ramadhan allowances being paid in the quarter. Other administrative expense which increased significantly includes transport expense which increased by MVR 1.4 million in the quarter. It is important to note that electricity charges reduced significantly by MVR 7.8 million in the quarter which is a remarkable change. Fine expenses and repairs and maintenance also reduced by MVR 1.3 million and MVR 1 million respectively.

Therefore, operational profit increased by MVR 1.6 million reflecting the increased revenue. However, higher administrative costs led to operating profit margin to fall over the comparable period.

Depreciation costs of the non-current assets increased by MVR 2 million due to acquisition of non-current assets which resulted in declining the overall profits of the company.

LIQUIDITY	Q1 2019	Q2 2019
Non-Current Assets	921,964,441	916,247,938
Current Ratio	0.68	0.64
Quick Ratio	0.40	0.40
Current Assets	522,030,773	454,717,523
Current Liabilities	772,171,483	707,767,581
Working Capital	(250,140,710)	(253,050,058)
Cash Ratio	0.03	0.04
Inventory	211,194,679	171,055,612

Figure 57: Working capital

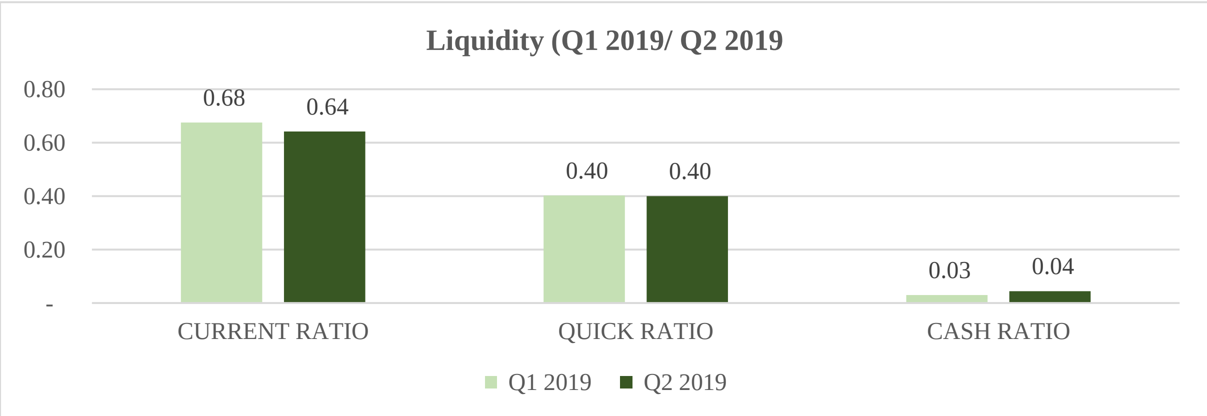


Figure 58: Liquidity ratios

Non-current assets decreased by MVR 5.7 million in a quarters' time due to reduced net book value after depreciation although acquisitions have increased.

Current assets reduced by MVR 67 million while current liabilities reduced by MVR 64 million resulting liquidity ratio to fall. However, current ratio in both quarters are below the generally accepted standard ratio of 2:1. The negative working capital in both the quarters show the inability to meet its short-term obligations which needs to be mitigated.

It is a favorable indication for a company like Fenaka to reduce receivables by MVR 35 million and payable by MVR 64 million in just a quarter's time. Moreover, their cash and cash equivalents also increased by MVR 8 million, further strengthening the ability to meet the obligations.

Cash balance of the company improved mainly due to increase in cash flow from operating activities. This is mainly due to reduction in the cash tied up in the inventory and collection of receivables during the period.

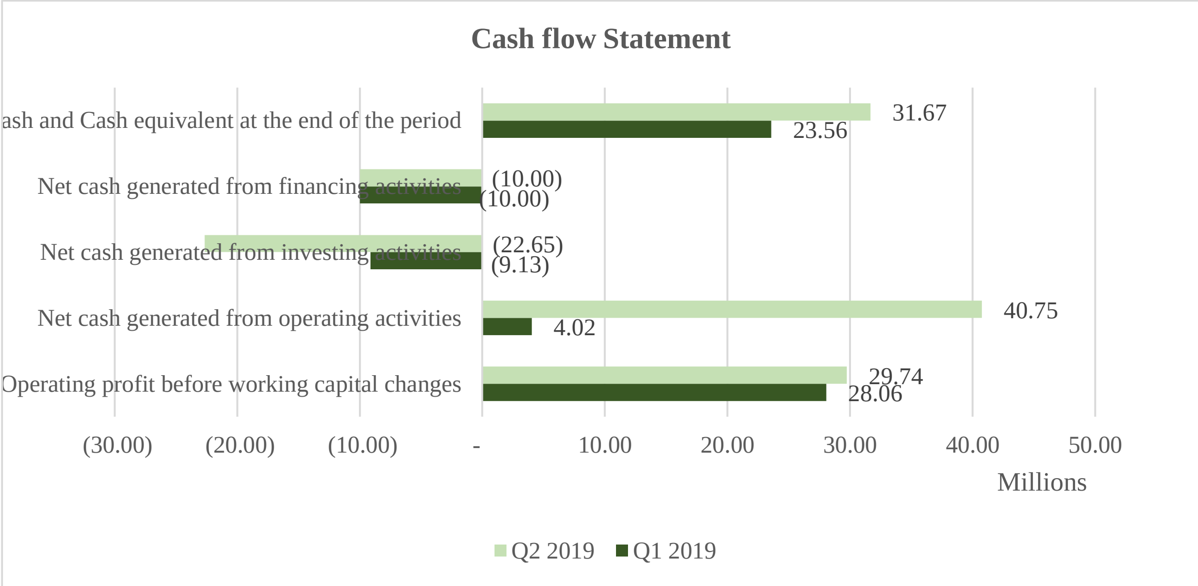


Figure 59: Cashflow

LEVERAGE	Q1 2019	Q2 2019
DEBT-EQUITY	76.84	71.41
DEBT TO ASSETS	10.77	10.61
CAPITALIZATION RATIO	43.45	41.66

Figure 60: Leverage

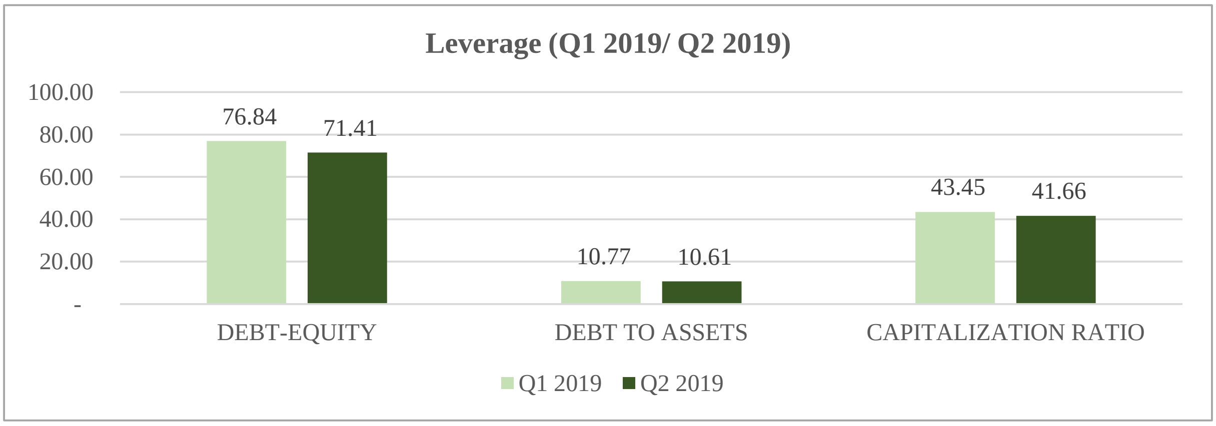


Figure 61: Leverage Ratios

Total gearing of the company reduced compared to the last quarter as the company is repaying its loans which gradually reduces the financial risk.

Important Projects undertaken in the quarter

#	Project Name	Start date	Completion date	Value	Completed value	% complete
1	Th.Omadhoo New Powerhouse (unfinished works)	6-May-19	30-Jul-19	3,201,577.89		15.00%
2	Hdh. Kulhudhuffushi powerhouse extension	29-Apr-19	10-Jul-19	2,082,282.97		20.00%
3	N.Maalhendhoo Chimney	1-May-18	30-May-19	65,000.00	65,000.00	100.00%
4	N.Holhudhoo Boundary wall extension	20-Aug-19	26-Sep-19	365,476.94		2.00%
5	N. Maalhendhoo powerhouse extension works	26-Jun-19	24-Dec-19	4,317,628.88		0.00%
6	GDH.Vaadhoo Ph office block and fuel storage tank	27-Jun-19	25-Oct-19	3,043,924.78		10.00%
7	Providing Utility service to 264 housing Units - S. Hithadhoo	26-Aug-18	31-Jul-18	15,544,310.39		50.00%
8	Providing Utility service to 48 housing Units - S.Hulhumeedhoo	26-Aug-18	31-Jul-18	6,711,000.42		50.00%
9	Providing Utility service to 40 housing Units - GDH.Hoadedhoo	26-Aug-18	31-Jul-18	5,263,781.77		15.00%
10	Providing Utility service to 200 housing Units - GN.Fuvamulah	26-Aug-18	31-Jul-18	8,803,505.10		50.00%

Conclusion

In terms of revenue Fenaka generated a high revenue in the quarter compared to Q2 2018 and Q1 2019 due to increased revenue from providing electricity. However, direct costs and other overheads increased in the quarter. Moreover, high depreciation costs resulting from higher acquisition of property, plant and equipment led to reduced profits during the quarters.

The company has improved collection of receivables and clearing payables. Therefore they have improved their performance in the area of converting revenue into cash. This improvement supported them in improving their cash flow position and assisted in making payments to suppliers promptly. Although statistics show some improvements, the current balances are not in an adequate level since the company has high receivables compared to the revenue and thus is in liquidity risk.

The gearing level declined, which reduces the financial risk of the company.

Recommendation

- It is vital that company seek to expand its existing operation to boost its revenue, and finding new revenue streams could benefit out from a healthy diversification.
- Although Fenaka has reduced costs in the quarter having a positive impact in the profitability, it is very important that business is operated in a cost efficient manner, to improve its stability. 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. The company should reduce repair and maintenance costs by keeping inventory of mostly needed spares and thereby reducing procurement costs of emergency purchases.

- The company should formulate strategies to reduce receivables and enhance cash levels of the company. The cash could be increased by maintaining the inventories by systemizing the rolling of inventories. This would further reduce the level of inventories being obsolete.

Quarterly review; Quarter 2, 2019

GREATER MALE' INDUSTRIAL ZONE LTD

GREATER MALE' INDUSTRIAL ZONE LTD
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/GMIZL/Q2

Q2 2018 AND Q2 of 2019

PROFITABILITY	Q2 2018	Q2 2019	Change	%
Revenue	22,874,094	32,548,373	9,674,279	42%
Operating Profit	3,703,331	19,930,053	16,226,722	438%
Profit After Tax	3,703,331	16,791,708	13,088,377	353%

Figure 62: Profitability

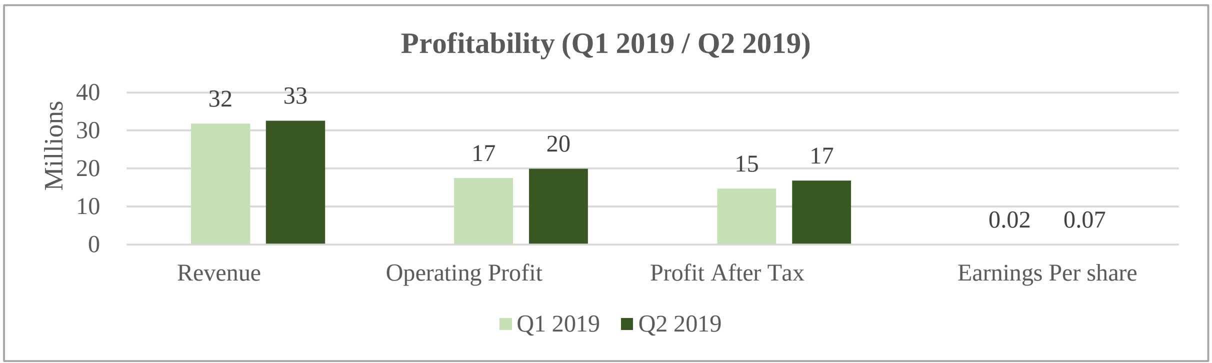


Figure 63: Profitability Chart

Revenue increased by 42% (MVR 9.7 million) compared to the same period of the previous year. The highest revenue is generated from rent from Thilafushi industrial leased plots. This is mainly due to increase in the rate of leased plots from MVR 0.10 to MVR 4 commencing from April 2019 due to renewal of the agreement with Yacht Tours.

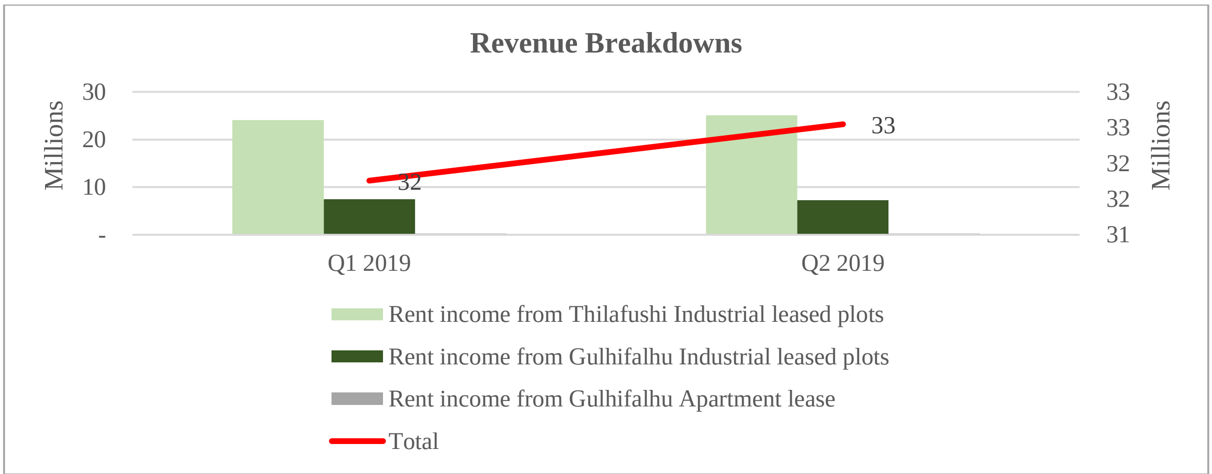


Figure 64: Revenue Breakdown

Operating profit increased significantly by 438% compared to Q2 2018. Revenue of the company increased, on the other hand administrative expenses fell by MVR 3.8 million mainly from advertising and cleaning and maintenance. Thus, net profit increased by 353% (MVR 13 million). The gross profit and net profit margin stand at 61.23% and 51.59% respectively.

LIQUIDITY	Q2 2018	Q2 2019
Non-Current Assets	4,258,666,488	4,265,305,357
Current Ratio	14.27	7.11

Quick Ratio	14.27	7.11
Current Assets	140,231,330	181,213,963
Current Liabilities	9,826,609	25,504,085
Working Capital	130,404,721	155,709,878
Cash Ratio	3.12	2.37

Figure 65: Working Capital

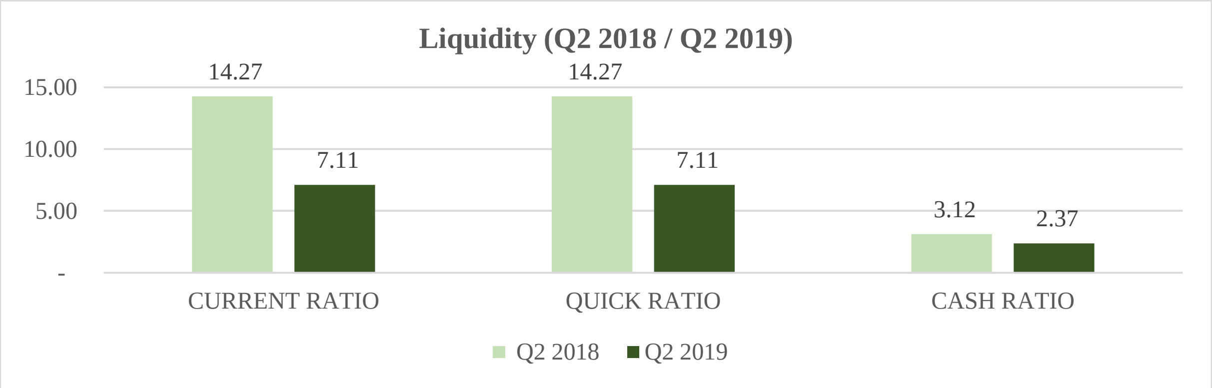


Figure 66: Liquidity ratios

Non-current assets increase by MVR 6.6 million more assets than Q2 2018 mainly due to the property investments by the company.

The receivables increased by MVR 11 million, which increases the overall current assets. The receivables include Rent receivables and receivables from MoFT and other receivables. Additionally, total current assets increased by MVR 41 million following increase in cash and cash equivalents by MVR 29.8 million.

Current liabilities consists of trade payables which increased by 10% (MVR 251,370). Accrued expenses and other payables hold 61% of the total current liabilities which rose by MVR 1.8 million compared to Q2 2018. Thus, the company has become weaker in terms of liquidity compared to Q2 2018.

Q1 2019 AND Q2 of 2019

PROFITABILITY	Q1 2019	Q2 2019	Change	%
Revenue	31,755,626	32,548,373	792,747	2.50%
Operating Profit	17,485,033	19,930,053	2,445,020	13.98%
Profit After Tax	14,711,743	16,791,708	2,079,965	14.14%
Earnings Per share	0.15	0.17	0.02	13.33%

Figure 67: Profitability

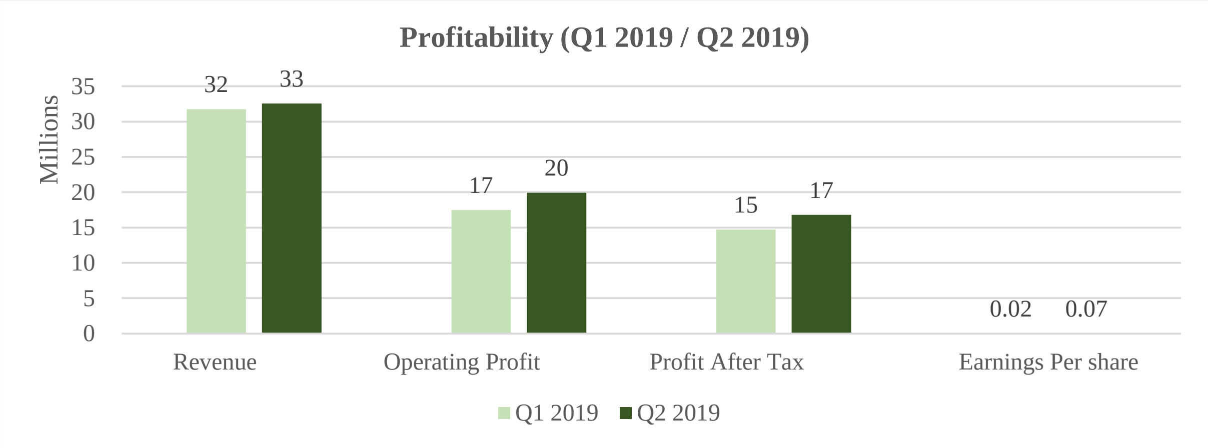


Figure 68: Profitability Chart

Revenue from rental income increased by 2.50% compared to the previous quarter.

Operating profit increased by 14% compared to the previous quarter. Though administrative expenses increased by 1 million, other income increased by MVR 3 million (299%) which lead to improve operating profit.

Earnings per share also increased from 0.15 to 0.17 which is a positive change of 13%.

LIQUIDITY	Q1 2019	Q2 2019
Non-Current Assets	4,266,043,344	4,265,305,357
Current Ratio	7.10	7.11
Quick Ratio	7.10	7.11
Current Assets	160,822,517	181,213,963
Current Liabilities	22,642,334	25,504,085
Working Capital	138,180,183	155,709,878
Cash Ratio	1.90	2.37

Figure 69: Working Capital

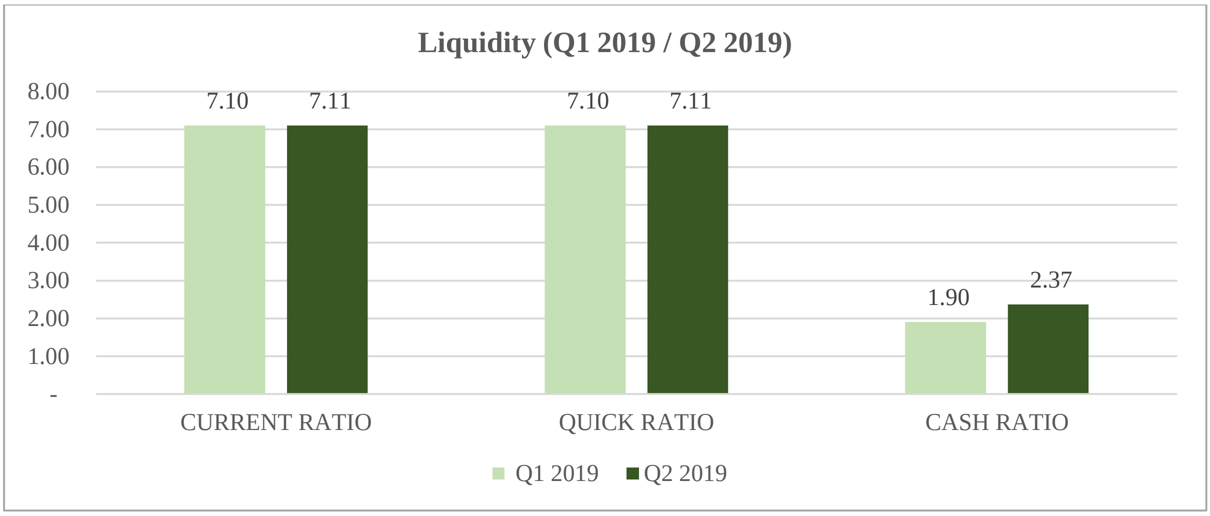


Figure 70: Liquidity Ratios

Value of total non-current assets reduced slightly due to wear and tear. There were no acquisition or disposal of non-current assets during the quarter.

Current assets increased mainly as a result of increasing receivables by MVR 3 million and cash and cash equivalents by MVR 17 million. This makes the liquidity position of the company stronger. Trade and other payables also increase by 12%.

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 rate of leased plots from MVR 0.10 to MVR 4 commencing from April 2019 due to renewal of the agreement with Yacht Tours.

Moreover, the company is able to generate higher profits due to reduction in administrative costs particularly staff costs and cleaning and maintenance costs compared to Q2 2018. When compared to previous quarter administrative expenses of the company is higher, however overall profitability increase as result of increased other incomes.

The current ratio is high as the company has high current assets in comparison with the current liabilities. Current assets further increased compared to the previous quarter as a result of increased receivables and cash and cash equivalents. The company is in a good 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. Conversely, they have no financial risk since they have not taken any borrowings to finance operation.

Recommendation

- Increase Revenue:
  GMIZL should look for ways to improve revenue other than revenue from leasing plots. This could diversify their operation by adding means to earn revenue like mooring rental, lorry rental etc.

- Reduce Expenditure / Improve Efficiency
  GMZIL has reported a lower administrative expense compared to the last quarter. The reduction in administrative expenses could be further improved in order to earn higher profits.
- Have Proper business plans:
  Planning is the most vital part of any business. In order to run the business smoothly, GMZIL needs to have proper planning and a visionary picture of where to take the business in time. Proper planning and effective implementation of strategic plan is essential to run the operations efficiently.
- Improve receivable collection and cash flow position:
  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.
- Invest the idle cash in the business into revenue generating segments:
  The company can invest cash in an appreciating asset. GMIZL can use the idle cash to finance capital investments which could yield a higher return.
  .

Quarterly review; Quarter 2, 2019

HOUSING DEVELOPMENT CORPORATION

HOUSING DEVELOPMENT CORPORATION
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/HDC/Q2

Q2 of 2018 AND Q2 of 2019

PROFITABILITY

PROFITABILITY	Q2 2018	Q2 2019	Change	%
Revenue	140,781,595	49,975,334	(90,806,261)	-65%
Cost of Sales	54,558,587	-	(54,558,587)	-100%
Gross Profit	86,223,008	49,975,334	(36,247,674)	-42%
Operating Profit/loss	(4,865,764)	3,067,685	7,933,449	-163%
Net Profit/loss	10,691,423	2,540,596	(8,150,827)	-76%

Table 1: Profitability

Revenue of the company has recorded a substantial fall of MVR 90 million in comparison to the same quarter of last year. The revenue of HDC comprises of sale of properties and rental income. The cost of sales is nil in Q2 2019. Low revenue in Q2 2019 resulted in lower gross profit for the quarter. However, HDC has made an operating profit in 2019 Q2, while an operating loss was made in 2018 Q2. This is because of the notable reduction of administrative, maintenance and selling and marketing expenses. Conversely, due to the lower finance income and finance cost, the net profit of 2019 Q2 is MVR 8 million lower than that of 2018 Q2.

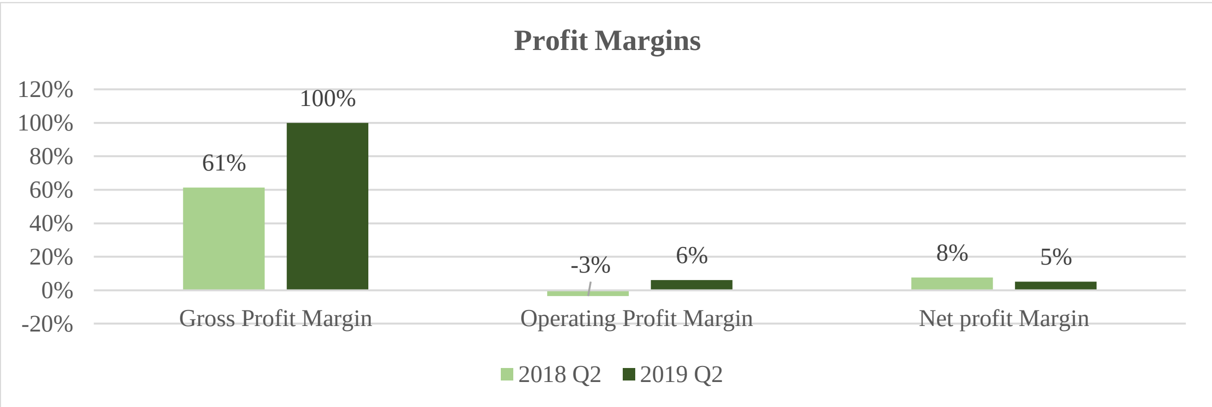


Table 2: Profit Margin

Gross profit margin of 100% in 2019 Q2 is due to nil cost of sales. Net profit margin has reduced due to aforementioned reasons.

The expenses for the two quarter in review are as follows;

Expenses	Q2 2018	Q2 2019	Change	%
Administrative expenses	69,319,060	47,973,978	(21,345,082)	-31%
Maintenance Expenses	23,490,020	2,293,098	(21,196,922)	-90%
Selling and Marketing Expenses	1,414,752	1,002	(1,413,750)	-100%

Table 3: Expenses

Due to reduced revenue, all the operating expenses of HDC has been reduced in 2019 Q2. A total of MVR 43.9 million was reduced from expenses. On another note, it is important to highlight that the current operating expenses of the company represents 101% of HDC's revenue.

LIQUIDITY

LIQUIDITY	Q2 2018	Q2 2019	Change	%
Non-Current Assets	21,248,705,841	21,662,351,464	413,645,623	195%
Current Assets	7,107,325,340	11,175,745,022	4,068,419,682	5724%
Current Liabilities	690,188,655	3,254,769,160	2,564,580,505	37158%
Working Capital	6,417,136,685	7,920,975,862	1,503,839,177	2343%
Inventory	2,427,354,293	7,871,194,323	5,443,840,030	22427%

Table 4: Working Capital

HDC is a high capital-intensive company with non-current assets worth over MVR 21 billion. The current assets of the company are also significant at MVR 11 billion, which is an increase of MVR 4 billion in comparison to 2018 Q2.

Similarly, current liabilities have also had a jump from MVR 690 million to MVR 3,254 million in 2019 Q2 compared to the same quarter of last year. The growth rate of current liabilities is much higher than the rate of growth of current assets.

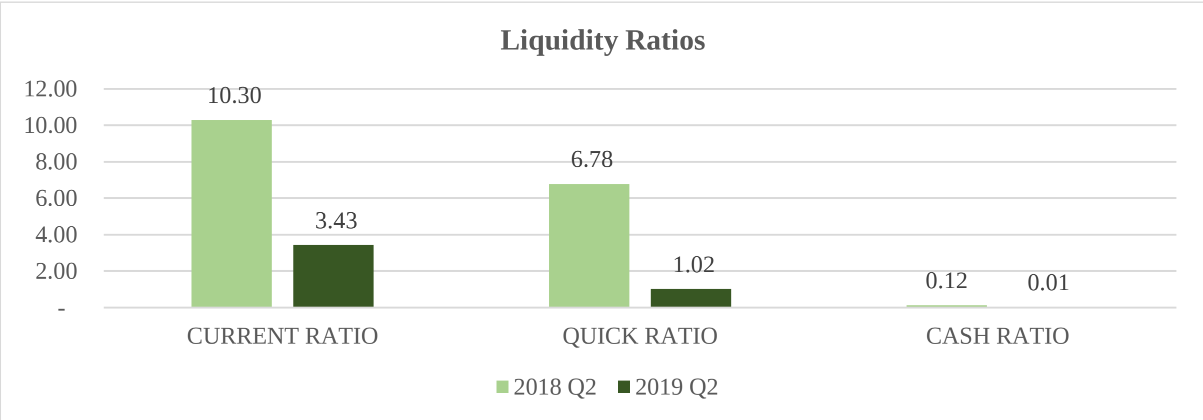


Table 5: Liquidity Ratios

Current ratio for 2018 Q2 is very high as the current assets were much higher than HDC's current liabilities. Although this ratio has reduced due to increased current liabilities, it is still maintained above the ideal level of 2. Amounts due to related parties and loans and borrowings have seen a significant growth over this quarters.

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. Quick ratio of HDC is also above 1, showing that the company have enough assets to be instantly liquidated to pay off its current liabilities. As shown in the above graph, in 2019 Q2, quick ratio has dropped to 1, which is the minimum acceptable level. 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 not to reduce this ratio any further.

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The cash ratio of HDC shows that company has very minimal amount of cash in comparison to the amount of current liabilities, and the results have further deteriorated in 2019 Q2. 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. However, these conditions do not exist for the case of HDC.

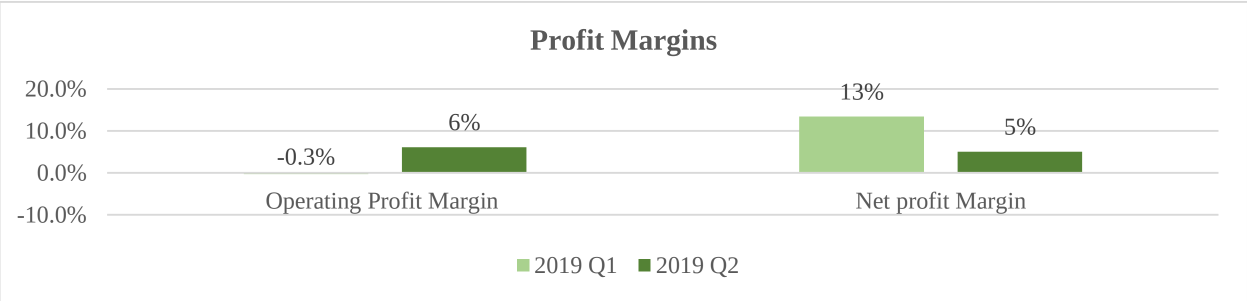
Q1 of 2019 and Q2 of 2019

PROFITABILITY

PROFITABILITY	Q1 2019	Q2 2019	Change	%
Revenue	48,750,938	49,975,334	1,224,396	3%
Cost of Sales	-	-	-	
Gross Profit	48,750,938	49,975,334	1,224,396	3%
Operating Profit/loss	(149,008)	3,067,685	3,216,693	-2159%
Net Profit/loss	6,566,978	2,540,596	(4,026,382)	-61%

Table 6: Profitability

Revenue of HDC has recorded a growth of 3% from Q1 to Q2 of 2019. In addition, the company has made an operating profit of MVR 3 million, while an operating loss was made in the last quarter. However, due to high finance costs in Q2, the net profit has declined by 61%. As a result of this net profit margin of HDC has declined in 2019 Q2.



The expenses of these two quarters are shown below;

Table 7: Profit Margins

Expenses	Q1 2019	Q2 2019	Change	%
Administrative expenses	50,187,230	47,973,978	(2,213,252)	-4%
Maintenance Expenses	2,154,559	2,293,098	138,539	6%
Selling and Marketing Expenses	224,443	1,002	(223,441)	-100%

Table 8: Expenses

Although revenue has recorded a growth of 3%, total operating expenses has reduced by 4%. The highest reduction was recorded by selling and marketing expenses, although the growth rate is significant it is not material in number as the expense increased by only MVR 223,441. However, the operating expenses of the company is higher than HDC's revenue for 2019 Q2.

LIQUIDITY

LIQUIDITY	Q1/2018	Q1/2019	Change	%
Non-Current Assets	22,538,895,119	21,662,351,464	(876,543,655)	-389%
Current Assets	9,107,339,968	11,175,745,022	2,068,405,054	23%
Current Liabilities	2,759,453,646	3,254,769,160	495,315,514	18%
Working Capital	6,347,886,322	7,920,975,862	1,573,089,540	25%

Table 9: Working Capital

Non-current assets of the company have reduced by MVR 876 million mainly because of significant reduction in trade and other receivables. On the other hand, current assets of the company have increased mainly in terms of inventories. The inventories of the company have recorded a substantial growth of MVR 2 billion and it consists of Land, Buildings and Raw materials. Current Liabilities has also increased in terms of loans and borrowings and trade and other payables. Increase in payables may be favorable for the cash flow of the company, as it a method working capital management.

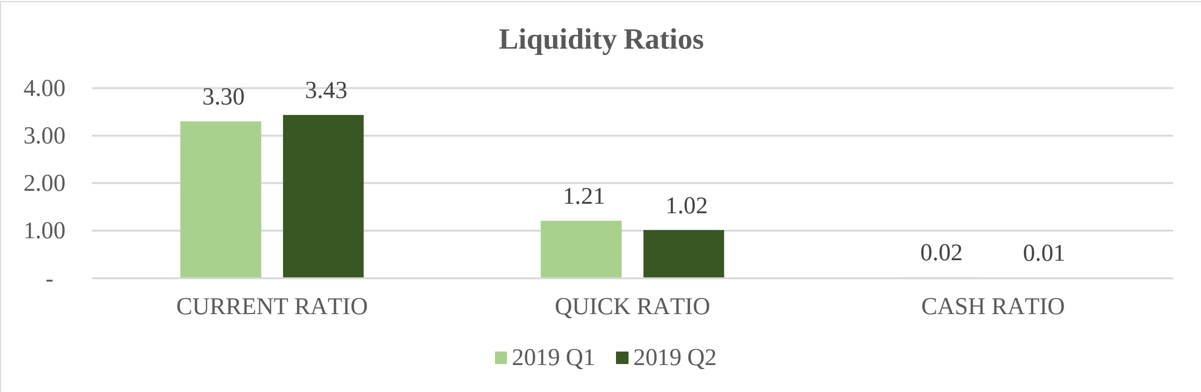


Table 10: Liquidity Ratios

Current and Quick ratio is above the ideal level showing satisfactory short-term liquidity position for both the quarters. However, due to significant increase in inventories, quick ratio has reduced to the minimum accepted level of 1.

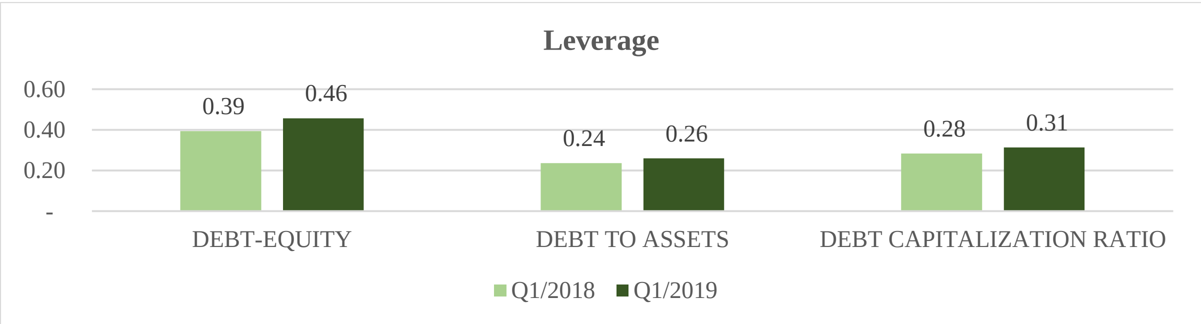


Table 11: Financial Leverage

There was a marginal increase in financial leverage of the company in 2019 Q2 compared to the last quarter as HDC has borrowed over MVR 1 billion additional loans and borrowings. Debt to equity ratio illustrates the degree to which HDC is financing its operations through debts. 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.

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 funds to meet its current debt obligations. By looking at this ratio the company will be able to attract additional loans since a low ratio is an indicator that HDC has ability to repay its existing debts.

Debt Capitalization ratio has measured total amount of outstanding debt as a percentage of the HDC's total capitalization. Debt capitalization ratio of HDC is fairly low.

IMPORTANT PROJECTS UNDERTAKEN IN THE QUARTER

HDC has 18 different on-going projects which cost over MVR 12 billion. The biggest investments include development of housing units, Electricity and ICT ducting for Hulhumale' phase 2, Hiya-vehi housing project, Airport link road project, constriction of bridges in Hulhumale', etc. Most of the projects are expected to be completed during the year 2019.

CONCLUSION

Net Profit of the company has deteriorated in 2019 Q2 in comparison to 2018 Q2 and 2019 Q1. However, due to reduced operating costs, the operating profit was improved. As result of higher borrowings, finance costs of the company increased.

Liquidity ratios are at a favorable position where current assets exceed the liabilities. However, receivables and inventories are the significant components of current assets, therefore the company does not have real funds to settle its liabilities. Receivables of the company has reduced when compared to last quarter, payables on the other hand has increased significantly. Due to the nature of the business, it is normal to have high receivables.

In terms of gearing, the ratios increased because of higher borrowings compared to the previous quarter. This indicates the higher financial risks. Since the finance costs of the company is higher than its operating profits, HDC's ability to meet interest expenses are questionable.

RECOMMENDATION

HDC must improve its revenue to improve the profitability. Currently the administrative costs are greater than company's revenue. In order to maintain the profitability of the company, HDC must reduce its costs and expenses including staff costs.

HDC must improve its capacity of loan repayment, as finance cost is more than 50% of revenue. Otherwise, defaults in loans repayments affect your credit rating and may even jeopardize the existence of the company.

Cash flow from operating activities is negative, which illustrate operational inefficiency. Therefore, HDC must consider this issue and try to improve its cash flow status. This could be achieved through collecting their receivables.

HDC should also give consideration on improving the receivable collection in order to maintain a healthy liquidity position. At the end of 2019 Q2 the total receivables stand at 58% of total revenue for the quarter.

It is important to build a strong relation with the suppliers for better terms. Further proper receivable collection will ultimately help in enhancing cash and thus reducing payables. HDC's payables (short and long term) has increased significantly in this quarter and it stands at MVR 247 million at the end of 2019 Q2.

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.

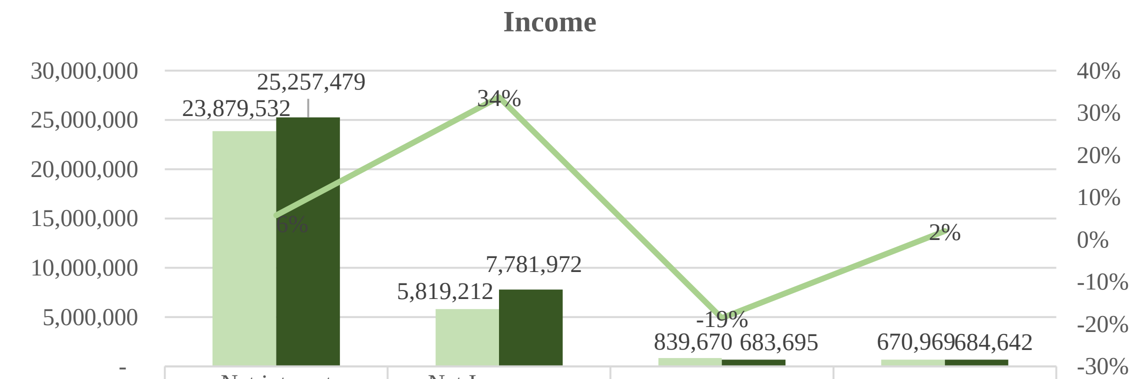
Quarterly review; Quarter 2, 2019

HOUSING DEVELOPMENT FINANCING CORPORATION PLC

Report No: PEM/2019/HDFC/Q2

Q2 of 2018 AND Q2 of 2019

Income

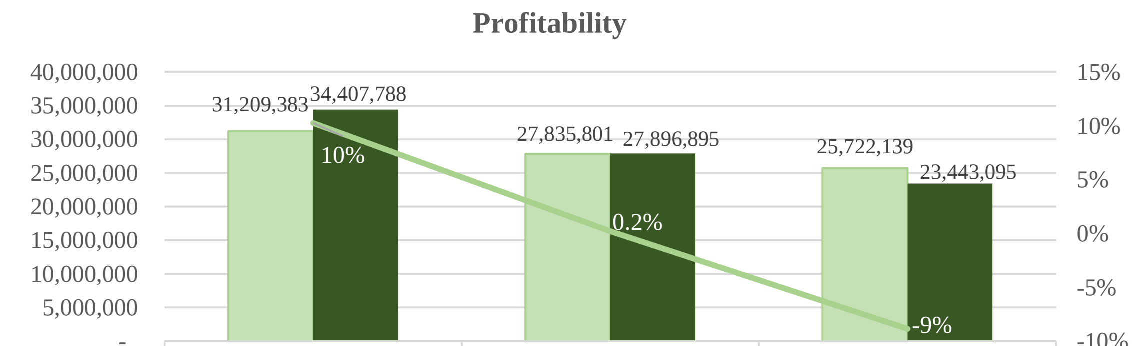


	Net interest Income	Net Income on Shar'ah Products	Fees income	Other Income
Q2 2018	23,879,532	5,819,212	839,670	670,969
Q2 2019	25,257,479	7,781,972	683,695	684,642
% change	6%	34%	-19%	2%

Figure 71: Income

HDFC's revenue is mainly derived from interest income and income from Shari'ah products. As per the above table income from all revenue sources has recorded a growth except the fee income from Q2 2018 to Q2 2019. As such, income from Shari'ah products has seen the most significant growth, by 34%.

Profitability



	Total Operating Income	Profit before tax	Profit after tax
Q2 2018	31,209,383	27,835,801	25,722,139
Q2 2019	34,407,788	27,896,895	23,443,095
% change	10%	0.2%	-9%

Figure 72: Profitability

Although total operating income has increased by 10% compared to Q2 2018, profit before tax has increased by only 0.2%. This is mainly because of recognizing MVR 2.4 million for Provision for impairment loss on loans and advance in Q2 2019.

The comparison of expenses for the both quarters in review are as follows;

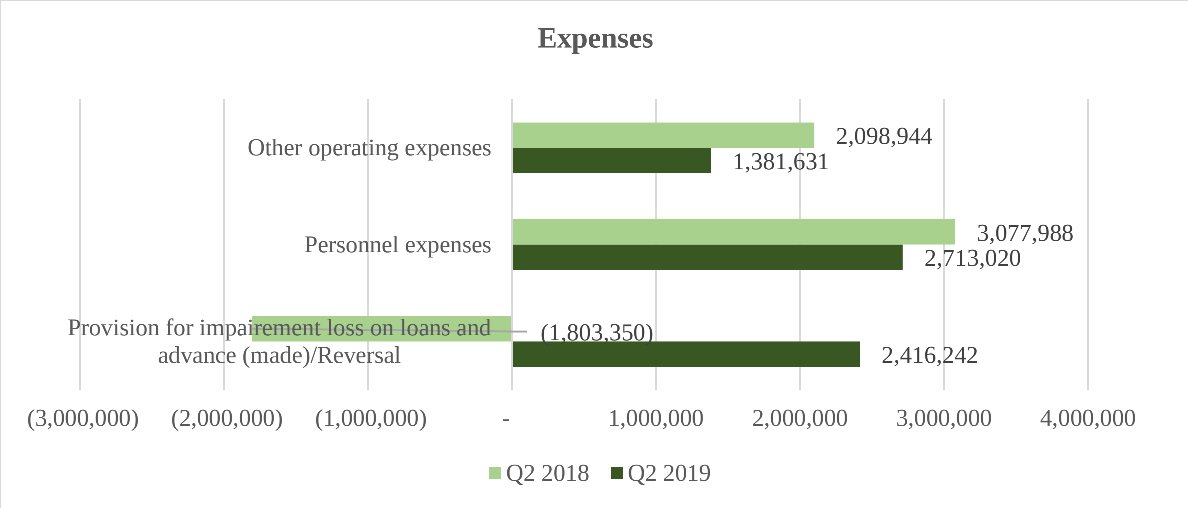
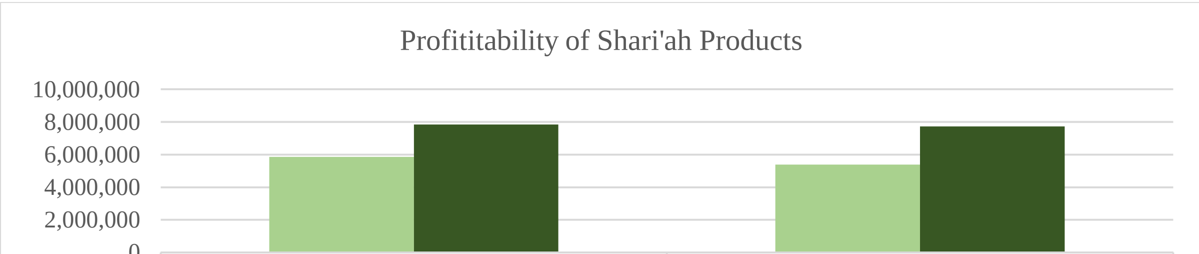


Figure 73: Expenses

Personnel expenses of the company has reduced by 12% in Q2 2019 when compared to the same quarter of previous year. However, number of staffs employed in Q2 2019 were less by only one staff. Other operating expenses has also reduced from MVR 2 million to MVR 1.3 million from Q2 2018 to Q2 2019. The reduction of expenses shows that the company has been managing its overheads efficiently. However, HDFC has recognized MVR 2.4 million as provision for impairment loss on loans and advance in Q2 2019, while a reversal of provision was made in Q2 2018. As a result, the total expenses of Q2 2019 is greater than Q2 2018.

Shari'ah Profit

The below chart shows the profitability of HDFC's Amna wing. HDFC Amna was commenced in 2012, and at the end of Q2 2019 its total loan portfolio stands over MVR 435 million.



	Net Investment Income	Net Profit
Q2 2018	5,854,664	5,380,837
Q2 2019	7,854,339	7,736,061

Figure 74: profitability of Sharia products

Total mortgage facilities of Islamic Window have increased from MVR 326 million to MVR 435 million for the period in review. This reflects an increase of 34%. As a result, net investment income and net profit of shari'ah products has increased over the comparable period.

Net Interest/Investment Margin

Net interest margin is a ratio that measures how successful a bank is at investing its funds in comparison to its expenses on the same investments. A positive net interest margin indicates that an entity has invested its funds efficiently.

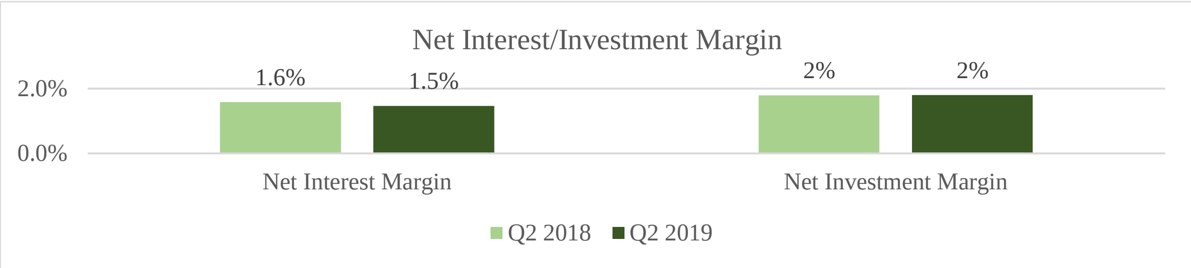


Figure 75: Net Interest/Investment Margin

A marginal fall was recorded by net interest margin, this is because the earning assets increased greater than the net interest income. Net investment margin, on the other hand remained constant at 2%. It is apparent from this ratio, that Shari'ah Products are making higher profit margins than conventional loans.

Capital Management

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

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

Details	Q2 2018	Q2 2019	change
Liabilities			
Deposits	73,565,635	91,272,097	**17,706,462**
Borrowings	894,314,227	956,259,671	**61,945,444**
Other liabilities	172,221,415	282,902,127	**110,680,712**
Total liabilities	**1,140,101,277**	**1,330,433,895**	**190,332,618**
Assets			
cash and balances with banks	89,472,013	69,930,139	**(19,541,874)**
Financial assets held to maturity	94,936,882	99,892,918	**4,956,036**
Loans and advances	1,505,019,800	1,716,891,129	**211,871,329**
Other assets	7,254,137	6,466,053	**(788,084)**
Total assets	**1,696,682,832**	**1,893,180,239**	**196,497,407**
NET (Assets-Liabilities)	**556,581,555**	**1,893,180,239**	**1,336,598,684**

Figure 76: Assets and Liabilities

Assets available to meet all the liabilities and to cover outstanding loan commitments include cash, deposits with banks, financial asset held to maturity and housing loan repayment from customers.

Return on Equity and return on Assets

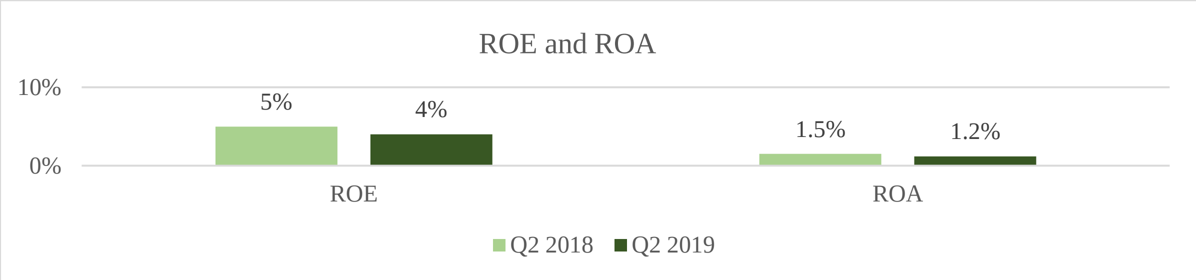
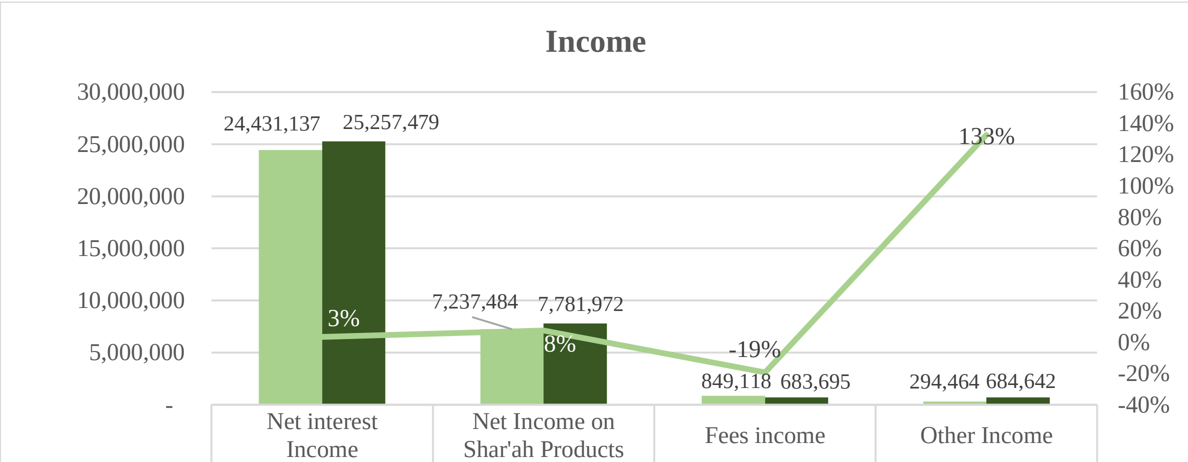


Figure 77: ROE and ROA

Both the ratios have recorded a marginal fall in Q2 2019 when compared to the same quarter of previous year. Despite the growth in profit, the ratios have reduced, due to percentage of increase in profit is less than the percentage of increase in assets and equity.

Q1 of 2019 AND Q2 of 2019

Income



	Net interest Income	Net Income on Shar'ah Products	Fees income	Other Income
Q1 2019	24,431,137	7,237,484	849,118	294,464
Q2 2019	25,257,479	7,781,972	683,695	684,642
% change	3%	8%	-19%	133%

Figure 78: Income

All the revenue segments have performed well in Q2 2019 except fee income in comparison to previous quarter. Other income has recorded the highest growth of 133%, followed by net income on Shari'ah products by 8%. Although the main segment of revenue is interest income, it has increased by only 3%.

Profitability

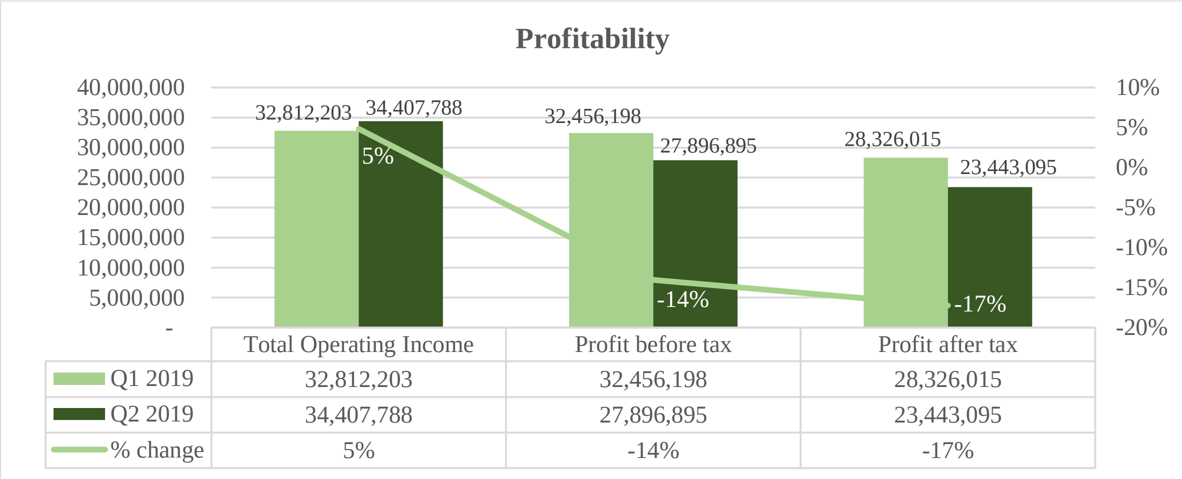


Figure 79: Profitability

While operating income has recorded a growth of 5%, Net Profit of HDFC has reduced by 17%. This is mainly because of the provision for impairment loss on loans of MVR 2.4 million.

The expenses of HDFC for quarter 1 and 2 of 2019 are as follows;

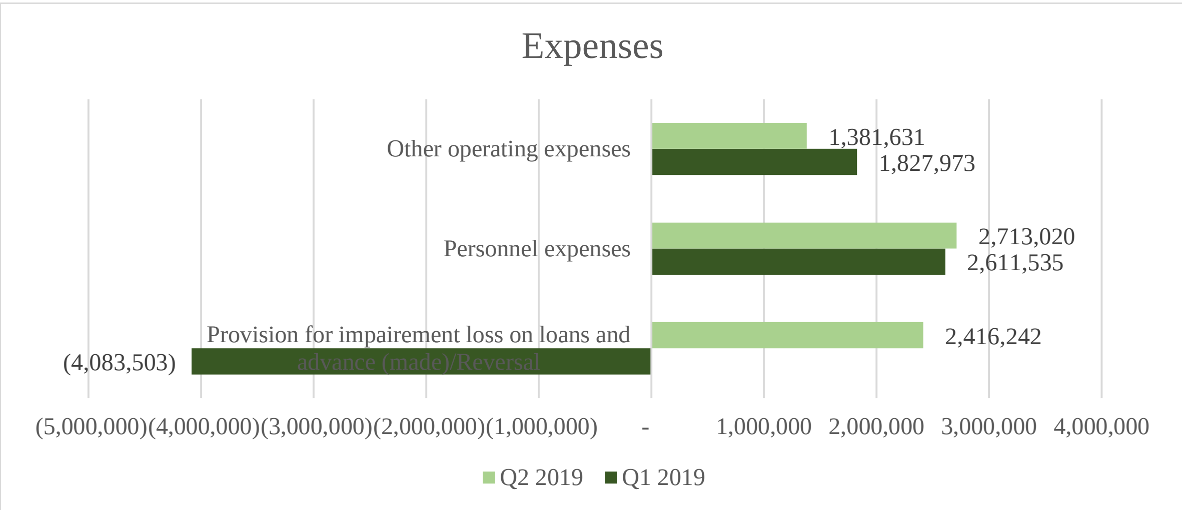


Figure 80: Expenses

Personnel expenses has recorded a 3.9% increased in this quarter, while other operating expenses has reduced by 24%. In addition, MVR 2.4 million was recognized as provision for impairment loss on loan and advance. As a result, the total expenses has increased. If the provision entry is not considered, operating expenses of HDFC has reduced in Q2 when compared to Q1 of 2019.

Net Interest/Investment Margin

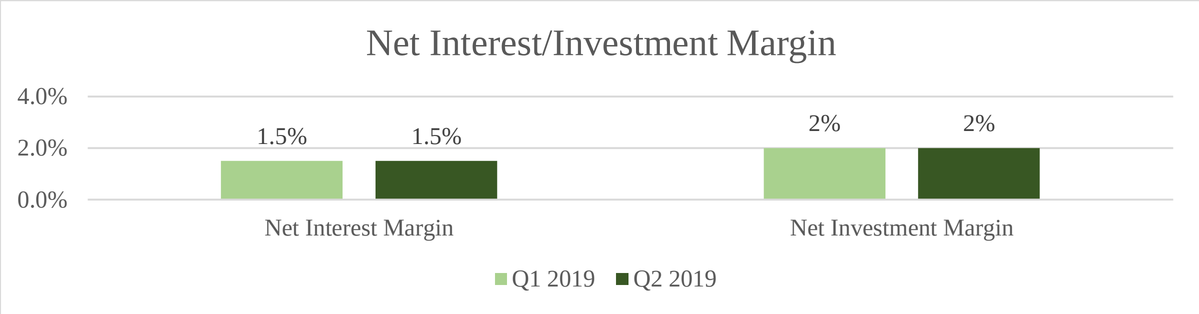


Figure 81: Net Interest/Investment Margin

Both ratios have remained unchanged from Q1 to Q2. Total Shari'ah products have increased by 8%, while interest earning assets has increased by only 2%. In addition, net investment income from Shari'ah products has increased by 12%, net interest income on the other hand increased by only 3%.

Capital Management

Assets that are available to cover their obligations and liabilities of HDFC for Q1 and Q2 of 2019 are below;

Details	Q1 2019	Q2 2019	change
Liabilities			
Deposits	90,045,773	91,272,097	**1,226,324**
Borrowings	981,184,030	956,259,671	**(24,924,359)**
Other liabilities	266,121,069	282,902,127	**16,781,058**
Total liabilities	**1,337,350,872**	**1,330,433,895**	**(6,916,977)**
Assets			
cash and balances with banks	115,509,620	69,930,139	**(45,579,481)**
Financial assets held to maturity	77,969,223	99,892,918	**21,923,695**
Loans and advances	1,676,085,530	1,716,891,129	**40,805,599**
Other assets	6,937,071	6,466,053	**(471,018)**
Total assets	**1,876,501,444**	**1,893,180,239**	**16,678,795**
NET (Assets-Liabilities)	**539,150,572**	**562,746,344**	**23,595,772**

Figure 82: Assets and Liabilities

Net Assets of HFDC has increased by MVR 23.5 million from Q1 to Q2 of 2019. Although cash and bank balance has reduced, financial assets and loans and advances has increased by MVR 62 million, thus total assets of the company have increased. In addition, total liabilities of HDFC has reduced mainly in terms of borrowings.

Return on Equity and return on Assets

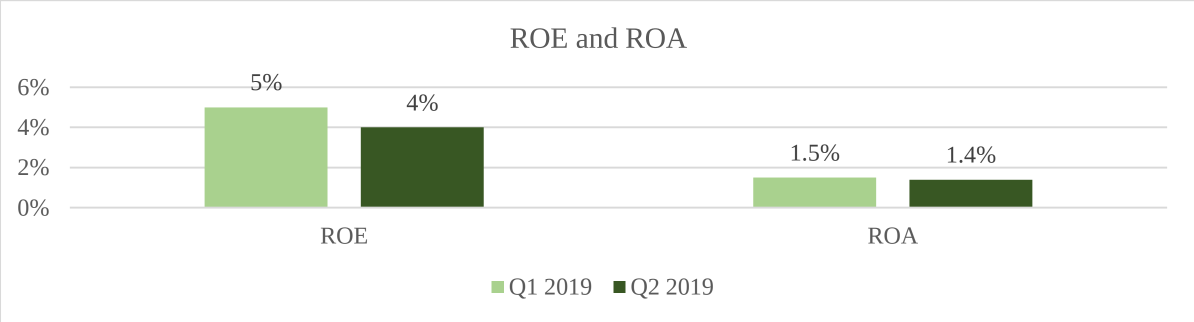


Figure 83: ROE and ROA

Since the profit of the quarter 2 has declined, both return on assets and return on equity has reduced.

Important Projects undertaken in the quarter

- Apollo Towers, 95% of the structural works are completed. The total project cost is MVR 361 million and is expected to be completed by June 2020.
- Marina View Apartments (Batch Construction) is scheduled to be completed in 31 July 2019. At the end of June 2019, 95% of all works are completed.
- Hulhumale' AIRA Apartments- more that 95% of the formworks in the first floor is completed. Work in progress includes formworks, reinforcement works and concreting works, masonry and plastering works. 32.2 % of the overall project is completed.
- Hulhumale Residence, overall 30.6% is completed and expected to be completed by the end of May 2020.
- 97.57% of the Damas Hulhumale' project has been completed as of 30 June 2019 and project will be handed over on July 2019.
- Oceanfront Residence Hulhumale' (of Rainbow Construction Pvt. Ltd) is delayed by 149 days as of 30 June 2019, over all 70% is completed and estimated date of completion is 17th November 2019.
- The Gardens project (of Jaah Investment Pvt.Ltd) carried out in Hulhumale which is 46% completed and expected to be completed December 2019.
- FW Constructions Hulhumale which is 40% completed as at 30 June 2019, expected to be completed by November 2019.

Conclusion

Income from all revenue sources has recorded a growth except the fee income from Q2 2018 to Q2 2019, thus total operating income has increased by 10%. However, due to high expenses, mainly because of the provision on loans the net profit of HDFC has reduced.

When compared to Q1 of 2019, all the revenue segments have performed well in Q2 2019 except fee income. As a result, total operating income has recorded a growth of 5%. Further, the operating expenses has reduced, however the company has recognized a significant amount of MVR 2.4 million as provision for impairment loss on loans. Due to this adjustment, the profitability of the company was deteriorated.

The net assets of the company have improved in the second quarter by MVR 23.5 million mainly due to increase in assets and reduction in company's borrowings.

HDFC is currently financing several housing projects and most of them are expected to be completed in 2019.

Quarterly review; Quarter 2, 2019

ISLAND AVIATION SERVICES LIMITED

ISLAND AVIATION SERVICES LIMITED
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/IASL/Q2

Q2 of 2018 AND Q2 of 2019

PROFITABILITY

PROFITABILITY	2018 Q2	2019 Q2	Change	%
Revenue	511,111,673	457,935,936	(53,175,737)	-10%
Cost of Sales	285,517,909	319,984,007	34,466,098	12%
Gross Profit	225,593,764	137,951,929	(87,641,835)	-39%
Operating Profit	86,782,639	(4,345,092)	(91,127,731)	-105%
Profit After Tax	68,051,443	(10,745,027)	(78,796,470)	-116%

Figure 84: Profitability

Revenue of the company has declined by MVR 53 million when compared to the same quarter of last year, a reduction of 10 percent. Even though revenue fell, cost of sales has recorded a growth of 12%, this is an increase of MVR 34 million. This resulted in MVR 87 million reduction in gross profit of IAS. Despite the reduction in revenue total operating expense has grown by MVR 4.6 million, thus IAS made an operating loss for quarter 2 of 2019. The finance costs had deteriorated the loss further, and the company a net loss of MVR 10 million.

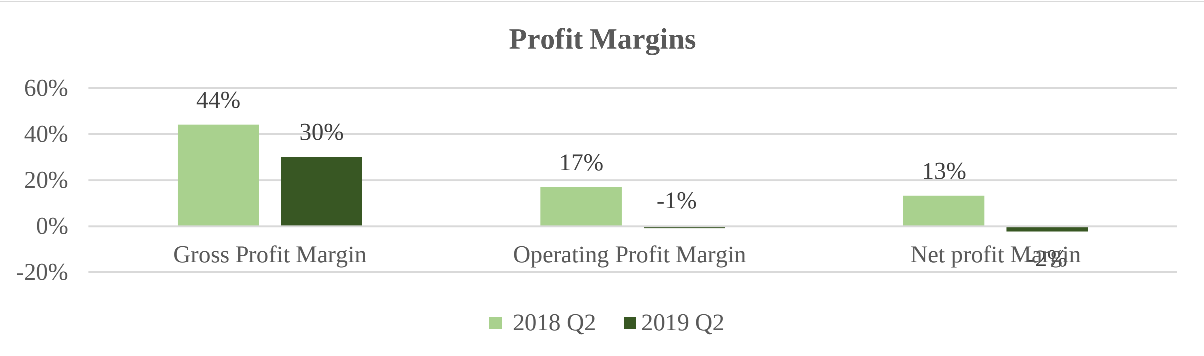


Figure 85: Profit Margins

Quarter 2 of 2019 was financially poor quarter for IAS with falling revenue and costs and expenses increasing. Consequently, profit margins of the company were affected.

LIQUIDITY

LIQUIDITY	2018 Q2	2019 Q2
Non-Current Assets	1,438,945,021	1,533,035,919
Current Assets	572,857,633	576,055,756
Current Liabilities	548,567,420	647,745,803
Working Capital	24,290,213	(71,690,047)
Inventory	112,088,476	97,394,586

Figure 86: Working Capital

With additional property plant and equipment, non-current assets have increased by MVR 94 million compared second quarter of 2018. Total current assets have also expanded in 2019 Q2. All the components of current asset had decreased except trade and other receivables. It has significantly increased by MVR 57.9 million compared to the same quarter of last year. In 2019 Q2, IAS has provision for impairment loss on receivables of MVR 58 million, which is equal to 10% of total receivables and 13% of company's revenue of 2019 Q2.

Similarly, the current liabilities of IAS have also increased by MVR 99 million, in terms of trade and other payables. It also includes dividend payable of MVR 20 million. Since the current liabilities has grown greater than current assets of the company, the working capital status is negative for the second quarter of 2019.

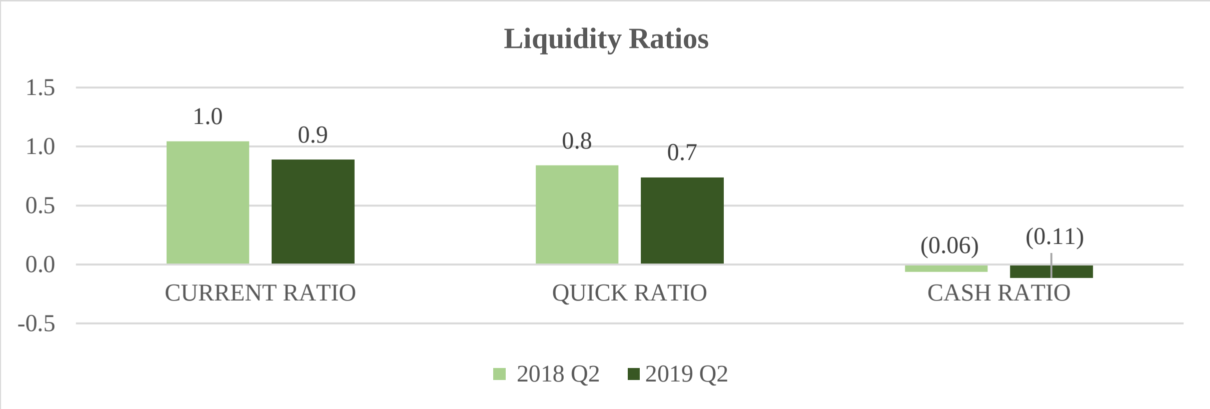


Figure 87: Liquidity Ratios

The liquidity ratios of IAS indicate that company's short-term liquidity position is very critical since the company does not have short term funds to settle current liabilities.

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 is below 1 indicating inability to meet its short-term liabilities with its most liquid assets.

Since the cash and cash equivalents of the company is negative, cash ratio appears to be negative indicating that IAS does not have any cash to cover their short-term obligations.

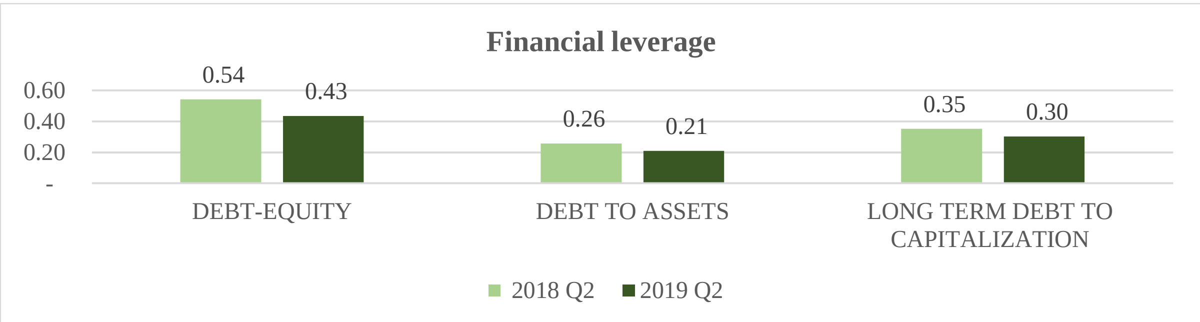


Figure 5: Financial Leverage

Debt to equity ratio illustrates the degree to which IAS is financing its operations through debts. IAS has long term loans amounting to MVR 442 million in 2019 Q2. There was a reduction in total loans worth of MVR 72 million therefore, the debt to equity ratio shows a marginal fall as shown in the above chart. A high debt/equity ratio is often associated with high risk; it means that IAS has been aggressive in financing its growth with debt.

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 and has further reduced in 2019 Q2 where only 21% of assets are financed by debts and the remaining with equity.

Debt Capitalization ratio has measured total amount of outstanding debt as a percentage of the company's total capitalization. IAS has only long-term loans and borrowings and Debt capitalization ratio has reduced to 30% as a result of significant repayments of loans and borrowings. The loans and borrowings reduced by MVR 72 million, however the change in finance cost is just only MVR 440,629.

Q1 of 2019 and Q2 of 2019

REVENUE

Revenue	2019 Q1	2019 Q2	Change	%
Passenger Income - Domestic Services	310,981,986	233,783,855	(77,198,131)	-25%
Passenger Income - Regional Services	127,469,914	138,864,840	11,394,926	9%
Commercially Important Passengers Revenue	14,970,662	11,549,052	(3,421,610)	-23%
Ground Handling Revenue	18,900,774	16,392,794	(2,507,980)	-13%
Cargo Handling Income	3,539,257	3,124,681	(414,576)	-12%
Seaplane Operation	65,654,421	54,220,715	(11,433,706)	-17%
Total Revenue	**541,517,014**	**457,935,936**	**(83,581,078)**	**-15%**

Figure 6: Revenue

Revenue of the company has significantly reduced by MVR 83 million in second quarter of 2019 when compared to the last quarter. The highest fall was recorded by domestic passenger income, this could be because of introduction of new airline, Manta Air. Revenue from seaplane operations has also reduced by 15%.

PROFITABILITY

PROFITABILITY	2019 Q1	2019 Q2	Change	%
Revenue	541,517,014	457,935,936	(83,581,078)	-15%
Cost of Sales	300,615,691	319,984,007	19,368,316	6%
Gross Profit	240,901,323	137,951,929	(102,949,394)	-43%
Operating Profit	130,419,830	(4,345,092)	(134,764,922)	-103%
Profit After Tax	104,979,392	(10,745,027)	(115,724,419)	-110%

Figure 7: Profitability

Although revenue reduced by 15%, cost of sales has increased mainly from depreciation, maintenance reserve, delay diversion and domestic costs. This has reduced the gross profit of IAS. Further, the administrative expenses have also increased by 31 million, resulting in a net loss for the company for 2019 Q2.

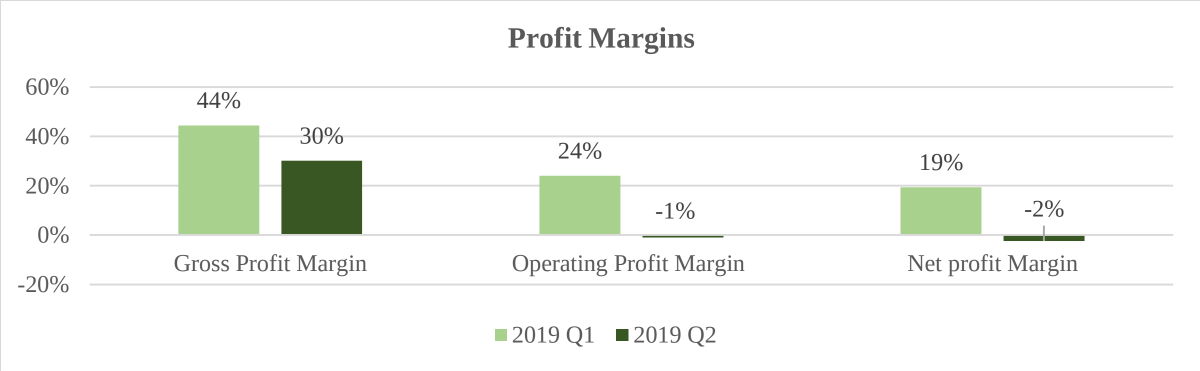


Figure 88: Profit Margins

The profit margins were affected due to reduced revenue and increased costs and expenses.

The below table shows the variances in administrative expenses for the first two quarters of 2019.

ADMINISTRATIVE EXPENSES	2019 Q1	2019 Q2	Change	%
Staff Salaries and Allowances	91,599,595	100,286,012	8,686,417	9%
Office Rent	7,357,277	6,706,331	-650,947	-8.8%
Electricity and Amenities	3,677,203	4,676,903	999,700	27%
Telephone Charges	902,239	799,614	-102,625	-11%
Transport Expenses	3,097,767	3,268,400	170,634	6%
Printing	614,271	544,248	-70,023	-11%
Maintenance Expenses	1,665,725	1,129,936	-535,789	-32%
Insurance	15,124,829	10,833,360	-4,291,470	-28%
Directors/Auditors Remuneration	88,308	130,833	42,525	48%
Other expenses	17,659,734	13,650,561	-4,009,173	-23%
Total	**141,786,949**	**142,026,196**	**239,247**	**0.17%**

Figure 89: Expenses

The most significant expense is staff salaries and allowances and it has increased by MVR 8.6 million in quarter 2 of 2019. In addition, electricity and amenities has increased by 29% and insurance by 45%.

LIQUIDITY

LIQUIDITY	2019 Q1	2019 Q2
Non-Current Assets	1,526,036,161	1,533,035,919
Current Assets	597,466,534	576,055,756
Current Liabilities	573,900,979	647,745,803
Working Capital	23,565,555	(71,690,047)
Inventory	92,616,154	97,394,586

Figure 90: Working Capital

Non-current assets have increased but on the other hand current assets has reduced. Current assets were reduced because of showing the bank overdraft figure in the cash balance, thus the cash and cash equivalents are showing a negative figure under current assets. Actually, the cash balance of IAS has improved by MVR 3.8 million compared to last quarter. However, trade and other receivables have increased by MVR 17 million.

Current liabilities of the company have increased by MVR 73 million, consisted by trade and other payables, accrued expenses and dividend payable. Dividend payable of IAS is MVR 20 million.

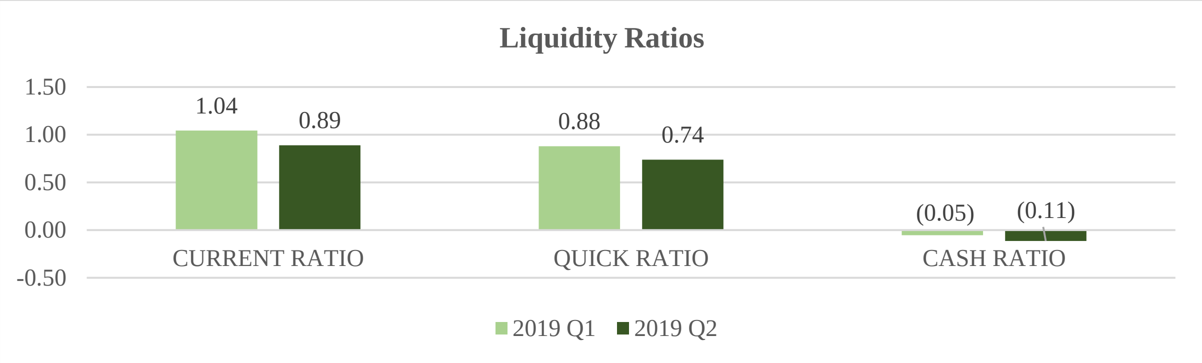


Figure 91: Liquidity Ratios

Short term liquidity status of the company is unsatisfactory since current and quick ratio stands at below 1. These results indicate that inability of IAS to meet its short-term obligations. This makes it even worse with a negative cash and cash equivalents. The other two components of current assets are trade receivables and inventories which is unlikely to be cashed out soon.

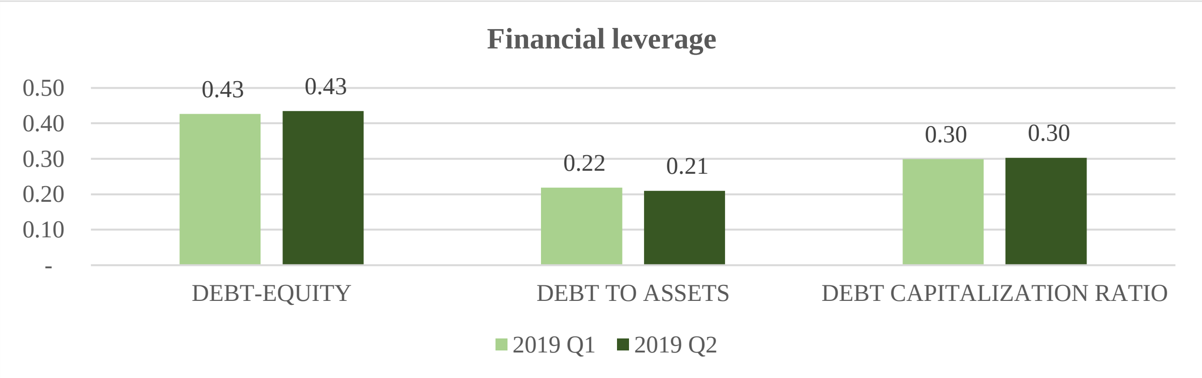


Figure 92: Financial Leverage

Although long-term loans and borrowings has reduced, debt to equity ratio has remained constant as total equity has also reduced due to the loss made in 2019 Q2. Similarly, debt to assets ratio has also declined, and debt capitalization ratio remained unchanged. The interest expenses of IAS remained almost same while the loans and borrowings has reduced by MVR 20.5 million in the second quarter.

CONCLUSION

Second quarter of 2019 was a financially a poor quarter for IAS since revenue has declined significantly compared to 2018 Q2 and 2019 Q1. On the other hand, the direct cost as well as operating costs has increased resulting in an operational loss for the company. Decline in profit from MVR 68 million to a loss of MVR 10.7 million is unreasonable, indicating possible mismanagement.

The short-term liquidity position is unsatisfactory as current liabilities exceed current assets of the company. The liquidity problems in IAS has deteriorated 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. In addition to lower revenue, liquidity problems will create difficulties in the daily operations and ultimately affect overall profitability.

In addition, IAS has borrowed long term loans amounting to MVR 442 million as at 2019 Q2.

RECOMMENDATION

Proper methods need to be implemented to collect the receivables as they are increasing quarter by quarter. Flexible terms can be agreed on the existing receivables which could help to collect receivables more swiftly. Also, relevant authorities must be informed, and actions need to be taken accordingly for long outstanding payments. In addition, IAS must try to reduce the provision on receivables.

IAS can revise the credit terms and agreements with the customers in such a way that is commercially beneficial to the company. Because company has a significant receivable from the government, a mechanism to settle the bills within a certain period has to be established with the ministry of finance.

At the same time payables need to be minimized in order to improve the relation with the suppliers. The supplier relation should be improved to receive better payment terms and long credit periods which will improve the liquidity of the company.

In addition, the reasons for fall in revenues must be identified and should necessary actions to improve the performance of the company.

The bank overdraft has increased from MVR 35million to 83 million in just one quarter, increasing the interest on OD. Therefore, IAS must try to reduce its dependence on bank OD facilities.

It was observed that staff costs are 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. Cost and expenses must be managed, since it shows huge increments in the latest quarters.

Inventory has grown significantly over the recent quarters, tying up the assets of the business. 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.

At present, the quarterly reports do not fully comply with the reporting standards of PCB, therefore IAS must improve its reporting.

Quarterly review; Quarter 2, 2019

KAHDHOO AIRPORT COMPANY LTD

KAHDHOO AIRPORT COMPANY LTD
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/KACL/Q2

Q2 of 2018 AND Q2 of 2019

REVENUE

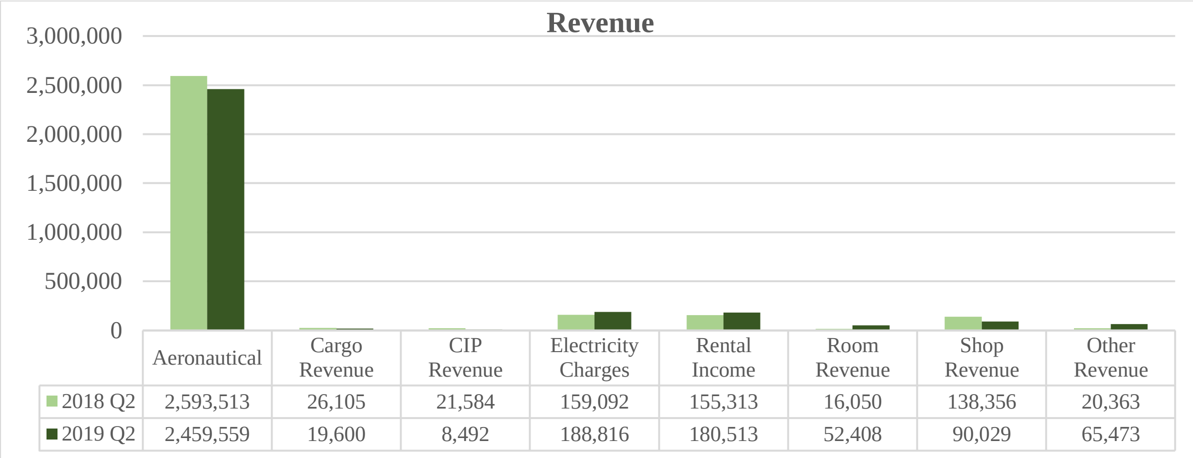


Figure 93: Revenue

Aeronautical is the main business of the company representing 80% of the company's revenue and it has recorded a reduction of 5% compared to the same quarter of last year. While revenue from cargo, CIP and shop reduced revenue from electricity, rental, room and other revenue has increased.

PROFITABILITY

PROFITABILITY	2018 Q2	2019 Q2	Change	%
Revenue	3,130,376	3,064,889	(65,487)	-2%
Cost of Sales	111,780	-	(111,780)	-100%
Gross Profit	3,018,596	3,064,889	46,293	2%
Operating Profit	(4,951,854)	(3,854,909)	1,096,945	-22%
Profit After Tax	(11,796,568)	(5,460,444)	6,336,124	-54%

Figure 94: Profitability

KACL has recorded goods bought for shop, and others as cost of sales in 2018 Q2, however in 2019 Q2 it was recorded under operating expenses. Total operating expenses has reduced by MVR 1 million compared to quarter 2 of 2018. However, high overheads of the company have led to an operational and net loss.

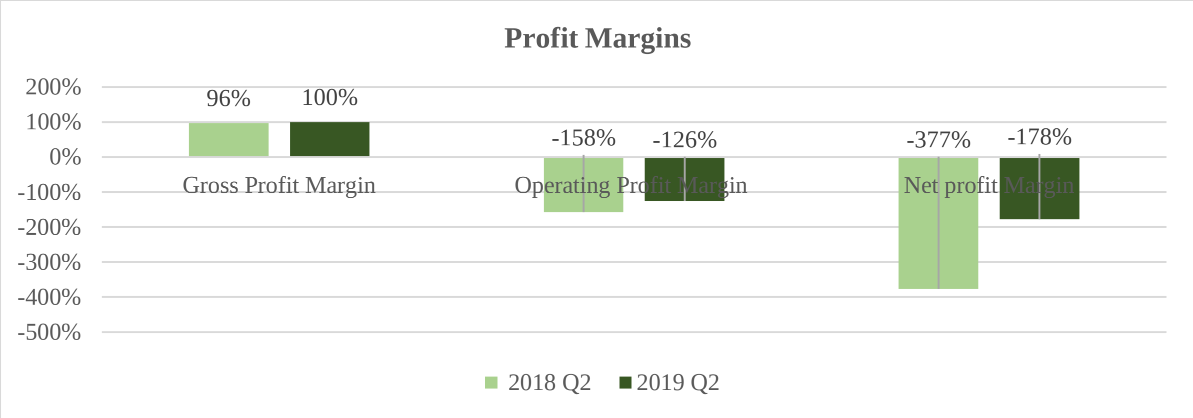


Figure 95: Profit Margins

It is important to highlight that operational expenses of KACL is over 200% of its revenue. The most significant operational expenses are as follows;

Operating Expenses	2018 Q2	2019 Q2	Change	%
Fuel Expenses	638,128	686,455	48,327	8%
Spare parts Expenses	291,973	122,579	(169,394)	-58%
Repair and Maintenance	299,139	23,926	(275,213)	-92%
Government Fees and Services	129,342	66,055	(63,287)	-49%
Travelling Expenses	86,457	11,400	(75,057)	-87%

Figure 96: Operating Expenses

Although revenue from flight operations (aeronautical) has reduced, the fuel expenses has increased by 8%. However, all the other significant expenses have reduced compared to 2018 Q2.

LIQUIDITY

LIQUIDITY	2018 Q2	2019 Q2
Non-Current Assets	55,503,690	48,575,281
Current Assets	47,437,368	41,394,457
Current Liabilities	1,283,804	1,255,927
Working Capital	46,153,564	40,138,530
Inventory	969,417	1,346,012

Figure 97: Working Capital

Non-current assets of the company have reduced due to wear and tear. Total current assets of the company have reduced because of the significant fall in the cash balance of the company. However, it is important to highlight that government has injected MVR 6 million as capital in the second quarter of 2019. The only liability of the company is trade and other payables and it has recorded a marginal fall of 2% compared to 2018 Q2. On the other hand, the inventory of the company has significantly increased by 39%.

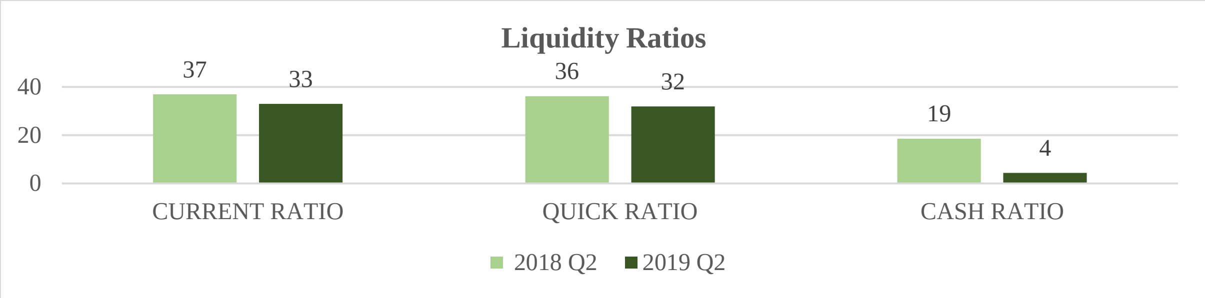


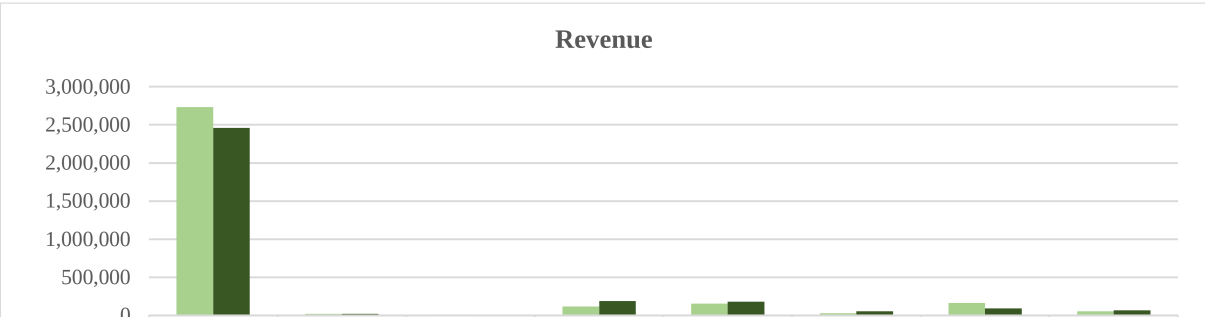
Figure 98: Liquidity Ratios

The short-term liquidity ratios show favorable results as company's current assets are greater than its liabilities. Although the ratios are favorable it is important to highlight that company is operating with the help of financial help from government as capital injections. Further, the most significant component of current asset is trade and other receivables as it represents 84% of total current asset and receivable has further increased by MVR 11.9 million in 2019 Q2 compared to the same quarter of last year.

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The cash ratio of KACL shows that company has enough cash to cover its current liabilities. However, it has to be noted that the cash balance is the capital injection by the government.

Q1 of 2019 AND Q2 of 2019

REVENUE



	Aeronautical	Cargo Revenue	CIP Revenue	Electricity Charges	Rental Income	Room Revenue	Shop Revenue	Other Revenue
2019 Q1	2,733,736	20,256	10,324	116,229	155,313	30,124	162,261	52,889
2019 Q2	2,459,559	19,600	8,492	188,816	180,513	52,408	90,029	65,473

Figure 99: Revenue

Total revenue for the quarter stood at MVR 2.4 million, which is a 10% reduction compared to last quarter, mainly due to decrease of flight movements and reduced shop sales in the month of Ramadan. On the other hand, Electricity and rental income had a favorable movement.

PROFITABILITY

PROFITABILITY	2019 Q1	2019 Q2	Change	%
Revenue	3,281,131	3,064,889	(216,242)	-7%
Cost of Sales	-	-	-	-
Gross Profit	3,281,131	3,064,889	(216,242)	-7%
Operating Profit	(3,524,129)	(3,854,909)	(330,780)	9%
Profit After Tax	(5,145,881)	(5,460,444)	(314,563)	6%

Figure 100: Profitability

The total operating costs of KACL has increased. The below table shows the movement in most significant operating costs of KACL in terms of variance between the two quarters.

Operating Expenses	2019 Q1	2019 Q2	change	%
Cost of Revenue Shop	133,340	72,923	(60,417)	-45%
Fuel Expenses	713,794	686,455	(27,339)	-4%
Spare parts Expenses	5,144	122,579	117,435	2283%
Electrical items Expenses	49,935	28,931	(21,004)	-42%
Printing & Stationary Expenses	17,120	23,114	5,994	35%
IT Related Materials expenses	472	21,355	20,883	4424%
Supplies for Cleaning	12,871	17,760	4,889	38%
Repair and Maintenance	210,444	23,926	(186,518)	-89%
Government Fees and Services	72,120	66,055	(6,065)	-8%

Figure 101: Operating Expenses

The staff costs have increased by MVR 575,830 compared to last quarter mainly because of Ramadan allowance. In addition, the overtime expenses have also increased by 29%, and the director's remuneration by 16% as most of the board members were appointed in June. As a result of higher expenses, the operating loss for the period has increased.

LIQUIDITY

LIQUIDITY	2019 Q1	2019 Q2
Non-Current Assets	49,228,142	48,575,281
Current Assets	40,125,409	41,394,457
Current Liabilities	1,210,189	1,255,927
Working Capital	38,915,220	40,138,530
Inventory	1,769,905	1,346,012

Figure 102: Working capital

While a marginal fall in non-current assets were seen due to wear and tear, current assets of KACL has recorded a marginal growth. The growth in current assets is solely due to increase in trade and other receivables by MVR 2.7 million. The current liabilities have also increased by MVR 45,738.

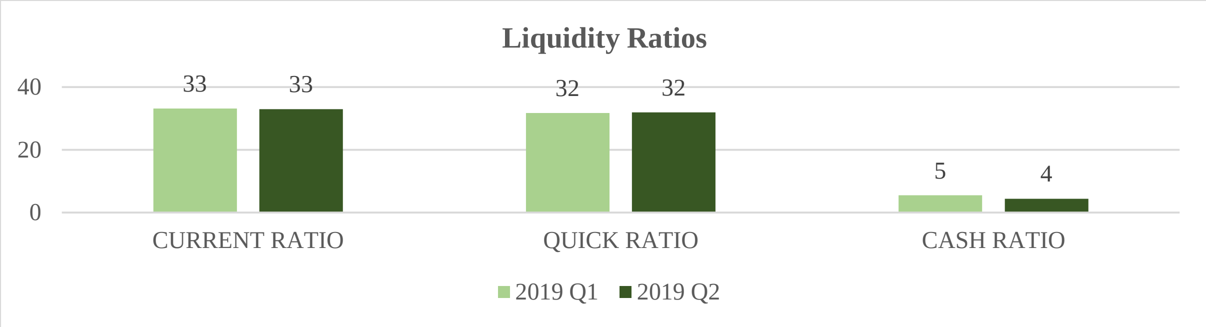


Figure 103: Liquidity ratios

Short term liquidity position of KACL shows that company has ability to meet its short-term obligations with its most liquid assets. The cash ratio also proves that company has enough cash to settle its current liabilities. However, it should be noted that majority of the cash balance is the capital injection by the government in the second quarter of 2019. In addition, the revenue generated by the company is not sufficient to cover its operating costs, thus capital injections are also used up to fund its day to day operations as well. On top of that company is also undergoing a guest house development project and in the 2019 Q2, KACL has spent MVR 923,001 for the project.

CONCLUSION

Revenue for the company declined in comparison to the both the quarters in review, mainly due to reduction in flight operations. Operational expenses and staff costs remained comparatively higher than the revenue generated resulting in operational and net losses for the quarters. For a sustainable development of the company they need to minimize costs and finding ways to increase revenue.

The short-term liquidity position of the company is favorable where they have enough current assets to settle their obligations. However, it should be noted that the most significant component of current asset is trade and other receivables and the cash balance which includes capital injected by the government.

The company has no borrowings as at the end of the second quarter 2019.

RECOMMENDATION

- Formation and implementation of Strategic plan to improve revenue and profitability.

It is important to improve profit through improving revenue and reducing expenditure. Proper utilization of resources and cost reduction mechanism should be implemented. Utilizing resources such as machinery and labor in the most economical way will reduce costs and improve labor efficiency which is needed for growth.

- KACL should perform a cost benefit analysis and streamline or eliminate all other non-value-adding activities, this will help the company to cut down its cots.

- Salaries and wages are one of he main cots of KACL, therefore we recommend assessing numbers of staff required for operation and formulate policy to decrease number of staffs to optimum level

- Strategies to improve revenue

Revenue can be increased by partnering with airlines and tourist establishments which may lead to increase number of flights. In order to increase the flight operation, KACL can obtain necessary approval from authorities to operate other airlines. .

- In addition, KACL could increase revenue by operating the restaurant at Kahdhdhoo Airport on their own or opening a new restaurant on their own. The company could also build an oil farm at the airport. However, for these KACL need additional finance which is the biggest challenge. We recommend making a feasibility studies of expansion projects and to negotiate with the financial institutions to arrange finance at better terms.

- Proper receivable collection mechanisms.

KACL should deal with the customers who owes significant amounts to the company rigorously and agree on new terms to settle existing receivables and collection of revenue for the period. Receivables must be collected within the preferred period without further delay. Proper credit control mechanisms and verifying the credit worthiness is important. Furthermore, if the payments are not received within the desired time, relevant authorities must be informed, and actions need to be taken accordingly. KACL should not allow to grow receivables any further.

Quarterly review; Quarter 2, 2019

MALDIVES AIRPORTS COMPANY LTD

MALDIVES AIRPORTS COMPANY LTD
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MACL/Q2

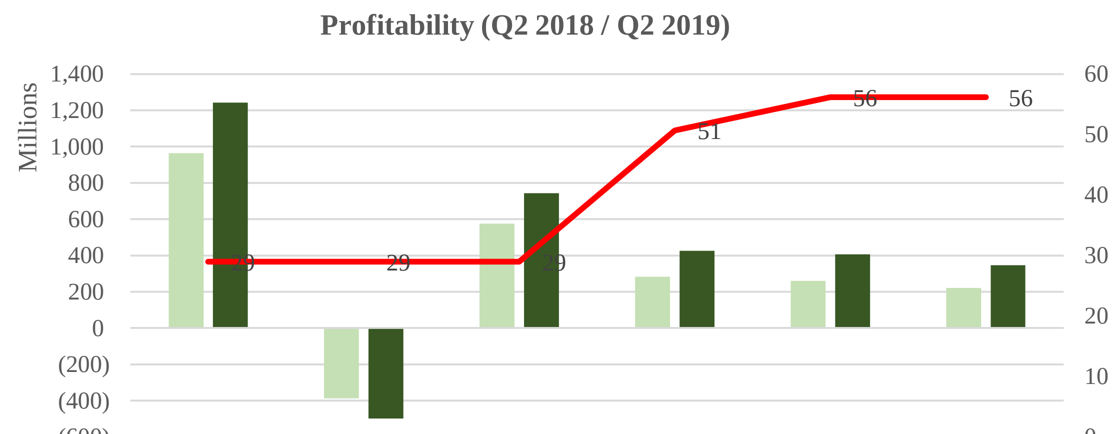
Q2 of 2018 AND Q2 of 2019

PROFITABILITY	Q2 2018	Q2 2019	Change	%
Revenue	963,297,965	1,242,335,000	279,037,035	29
Cost of Sales	(387,343,593)	(499,462,000)	(112,118,407)	29
Gross Profit	575,954,372	742,873,000	166,918,628	29
Operating Profit	282,487,657	425,643,000	143,155,343	51
Profit Before Tax	260,713,150	407,172,000	146,458,850	56
Profit After Tax	221,606,177	346,096,000	124,489,823	56

Figure 104: Profitability

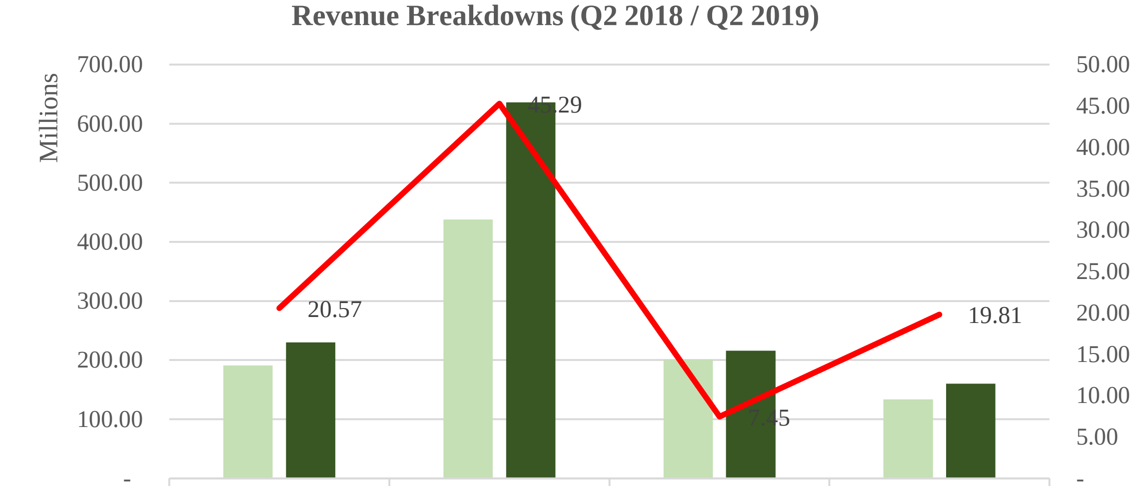
	Q2 2018	Q2 2019
Gross Profit Margin	59.79	59.80
Operating Profit Margin	29.33	34.26
Net profit Margin	23.00	27.86

Figure 105: profit Margin



	Revenue	Cost of Sales	Gross Profit	Operating Profit	Profit Before Tax	Profit After Tax
Q2 2018	963,297,965	(387,343,593	575,954,372	282,487,657	260,713,150	221,606,177
Q2 2019	1,242,335,000	(499,462,000	742,873,000	425,643,000	407,172,000	346,096,000
% change	29	29	29	51	56	56

Figure 106: Profitability chart



	Aero	Fuel	Duty free	Other non-aero
Q2 2018	190,791,781.00	437,935,638.00	200,752,303.00	133,818,243.00
Q2/2019	230,038,000.00	636,259,000.00	215,709,000.00	160,330,000.00
% change	20.57	45.29	7.45	19.81

Figure 107: Revenue Breakdowns

Revenue increased by 29% compared to the same quarter of the previous year due to increased number of flights. The increase in sales is mainly contributed by improvements in the sale of fuel.

With the rise in revenue, costs also increased. Gross profit increased by MVR 167 million while a slight improvement can be seen in the gross profit margin. The revenue of the company is relatively higher than cost, thus overall profitability of the company has improved compared to Q2 2018.

LIQUIDITY	Q2 2018	Q2 2019
Non-Current Assets	8,319,835,441	11,487,907,000
Current Ratio	3.33	4.95
Quick Ratio	2.98	4.46
Current Assets	2,972,789,835	3,275,530,000
Current Liabilities	891,844,068	662,185,000
Working Capital	2,080,945,767	2,613,345,000
Cash Ratio	0.50	1.49
Inventory	318,302,321	320,996,000

Figure 108: Working Capital

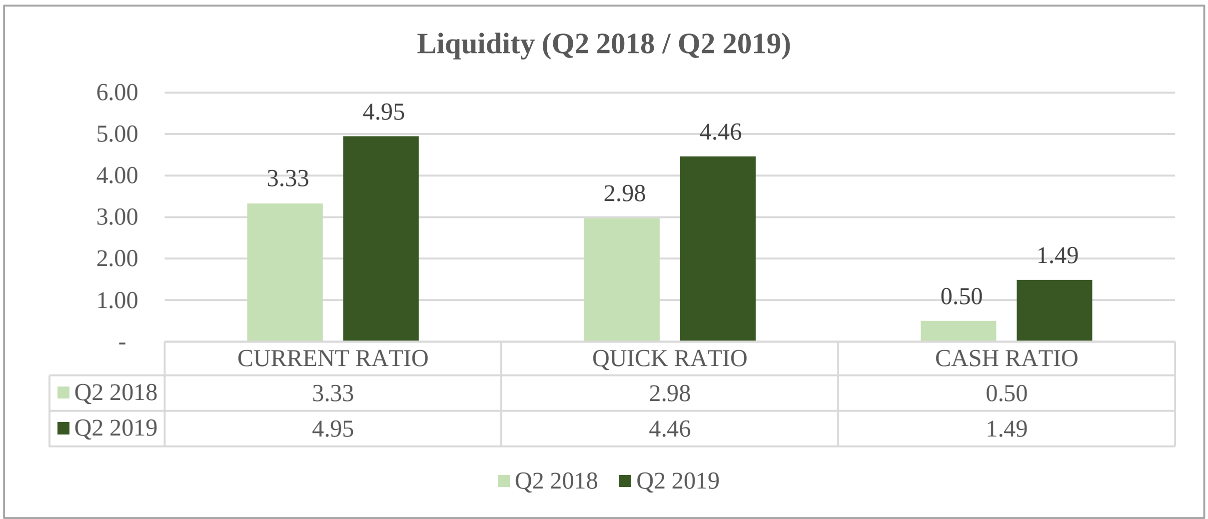


Figure 109: Liquidity ratios

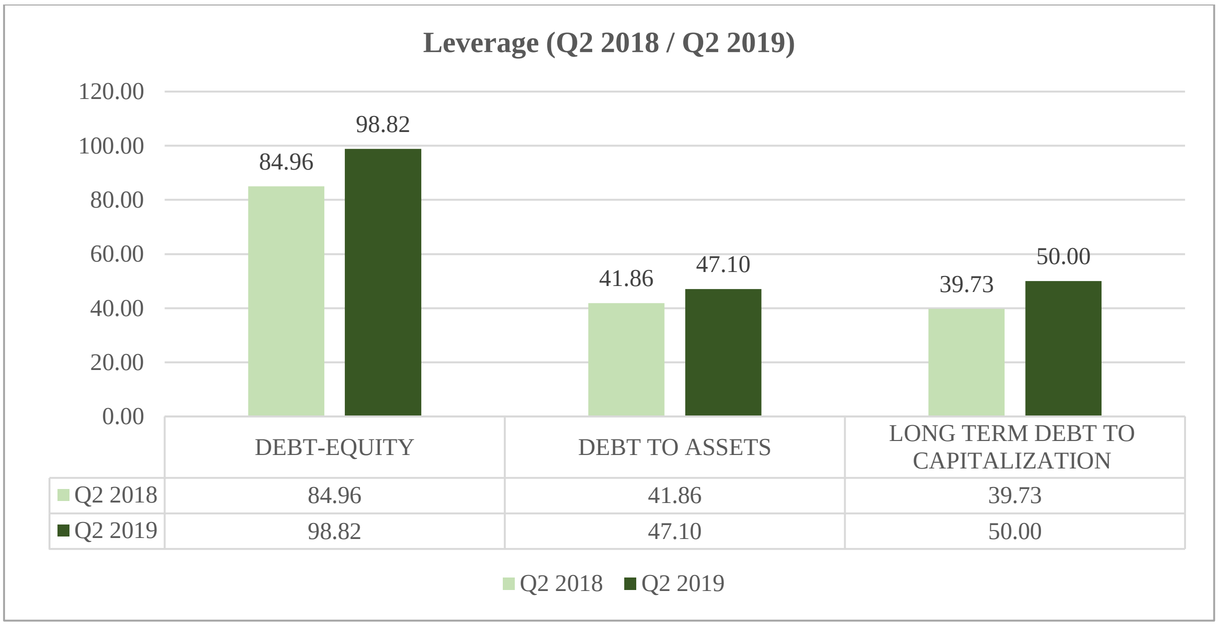
The total non-current assets increased by 38% compared to the same quarter of the previous year. They invested MVR 702 million in capital work in progress in the quarter.

Current assets increased by MVR 303 million which is an increase of 10% Q2 2018. It is important to note that the company has succeeded in recovering its receivables and it has reduced by 11% (MVR 213 million) compared to Q2 2018. Cash and cash equivalents increased mainly due to proceeds from borrowings and disposal of property plant and equipment. The improvement in cash flow has resulted a positive impact on liquidity position of the company. Working capital need to be managed well by making the efficient use of resources.

The improvement in liquidity position is supported by reduction in current liabilities. Trade payables has been reduced by MVR 415 million compared to the same quarter of the previous year.

LEVERAGE	Q2 2018	Q2 2019
DEBT-EQUITY	65.93	98.82
DEBT TO ASSETS	32.48	47.10
LONG TERM DEBT TO CAPITALIZATION	45.93	50.00

Figure 110: Leverage



	DEBT-EQUITY	DEBT TO ASSETS	LONG TERM DEBT TO CAPITALIZATION
Q2 2018	84.96	41.86	39.73
Q2 2019	98.82	47.10	50.00

Figure 111: Leverage ratios

Gearing level of the company has increased as result of higher borrowing. The debt to equity ratio of the company has increased from 84.96 to 98.82. The borrowing increase much higher compare with equity and reserve. The increase in leverage ratios increase the financial risk compared to Q2 2018. The increased borrowings for the developmental projects will increase room for further revenue enhancement in the future.

Q1 of 2019 AND Q2 of 2019

PROFITABILITY	Q1/2019	Q2/2019	Change	%
Revenue	1,597,360,000	1,242,335,000	-355,025,000	-22.23%
Cost of Sales	(624,704,000)	(499,462,000)	125,242,000	-20.05%
Gross Profit	972,656,000	742,873,000	-229,783,000	-23.62%
Operating Profit	685,182,000	425,643,000	-259,539,000	-37.88%
Profit Before Tax	673,607,000	407,172,000	-266,435,000	-39.55%
Profit After Tax	572,566,000	346,096,000	-226,470,000	-39.55%

Figure 112: Profitability

	Q1/2019	Q2/2019
Gross Profit Margin	60.89	59.80
Operating Profit Margin	42.89	34.26
Net profit Margin	35.84	27.86
Earnings Per share	381.71	230.73

Figure 113: Profit Margin

Revenue reduced by 22% compared to the previous quarter. The change in revenue in both quarters is illustrated by the following graph.

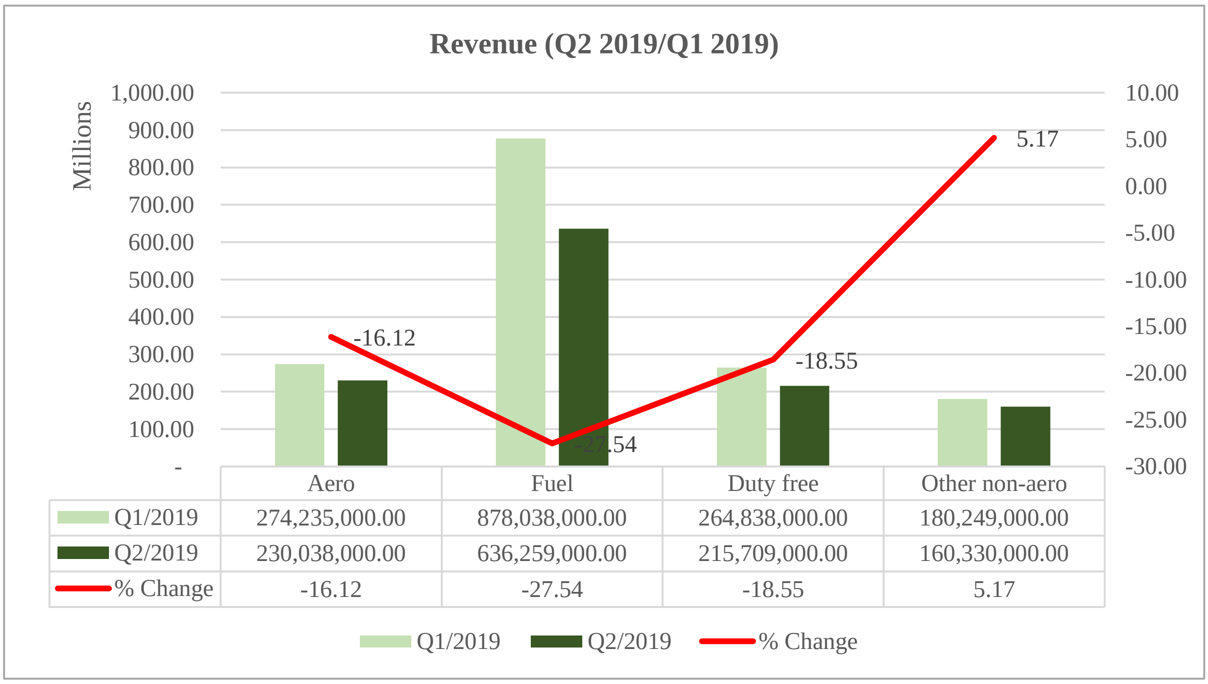


Figure 114: Revenue

Segmental performance	Duty free		Aero		Fuel		Other	
Quarter	Q1 2019	Q2 2019	Q1 2019	Q2 2019	Q1 2019	Q2 2019	Q1 2019	Q2 2019
Revenue	264,838	215,709	274,235	230,038	878,038	636,259	180,249	160,330
Operating profit	70,442	52,283	224,832	171,225	244,461	83,889	145,447	118,247
Finance costs	-	-	-	-	-	-	11,575	18,472

Profit/loss before tax	70,442	52,283	224,832	171,225	244,461	83,889	133,873	99,775
Business profit tax	16,752	10,605	17,347	11,309	55,540	31,280	11,402	7,882
Profit/loss after tax	**53,690**	**41,678**	**207,485**	**159,916**	**188,921**	**52,609**	**122,471**	**91,893**
Profit margin	20.27	19.32	75.66	69.52	21.52	8.27	67.95	57.31

Figure 115: Segmental Performance

As seen from the above graph, revenue generated from all segments has decreased as a result of less traffic flow through the airport. This caused revenue generated from sale of fuel to decline by 27.5%. The seasonal nature of the airport traffic is mainly dictated by the tourist visits to the Maldives. While direct expenses increased, fall in revenue led to decrease in gross profit by 23.6%.

Expenses on advertising and promotions increased by MVR 1 million while administrative expenses also increased by MVR 29 million compared to the previous quarter.

When looking into the segmental performance, profit from all segments has fallen and thus profit margin.

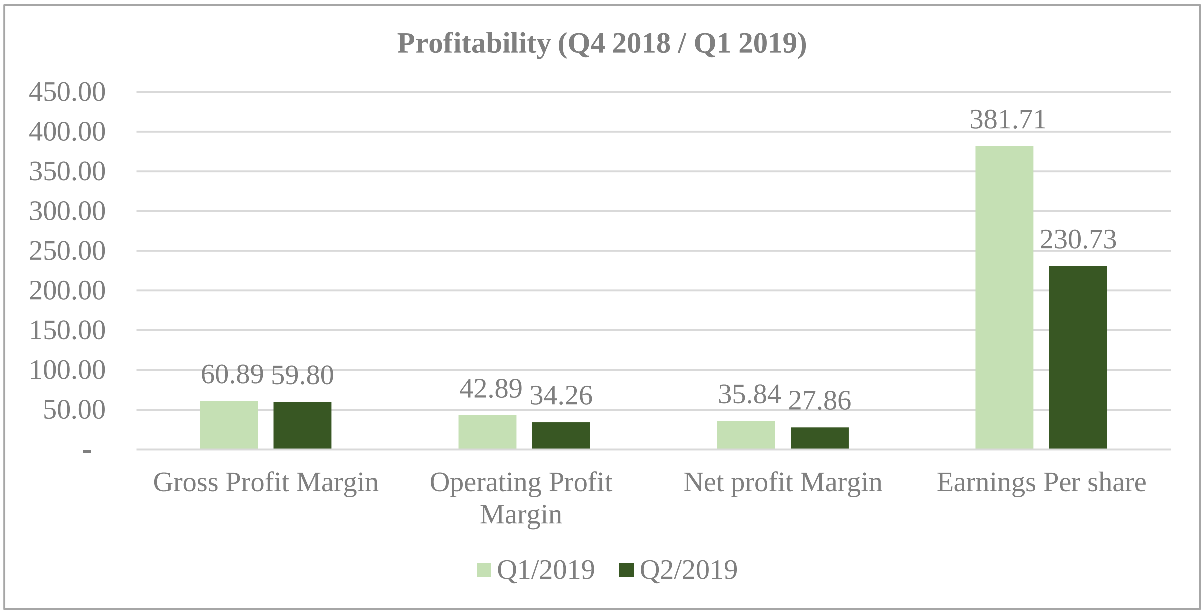


Figure 116: Profitability chart

While administrative costs increased by MVR 29 million, rise in employee benefits contributed MVR 17.9 million to the rise in total administrative expenses mainly due to Ramadan allowances in Q2 2019. In addition, finance costs also increased by MVR 6.9 million due increased borrowings. Hence, operating profit and net profit reduced by 38% and 40% respectively.

LIQUIDITY	Q1/2019	Q2/2019
Non-Current Assets	10,842,872,000	11,487,907,000
Current Ratio	2.83	4.95
Quick Ratio	2.56	4.46
Current Assets	3,536,518,000	3,275,530,000
Current Liabilities	1,250,840,000	662,185,000
Working Capital	2,285,678,000	2,613,345,000

Cash Ratio	0.87	1.49
Inventory	334,926,000	320,996,000

Figure 117: Working Capital

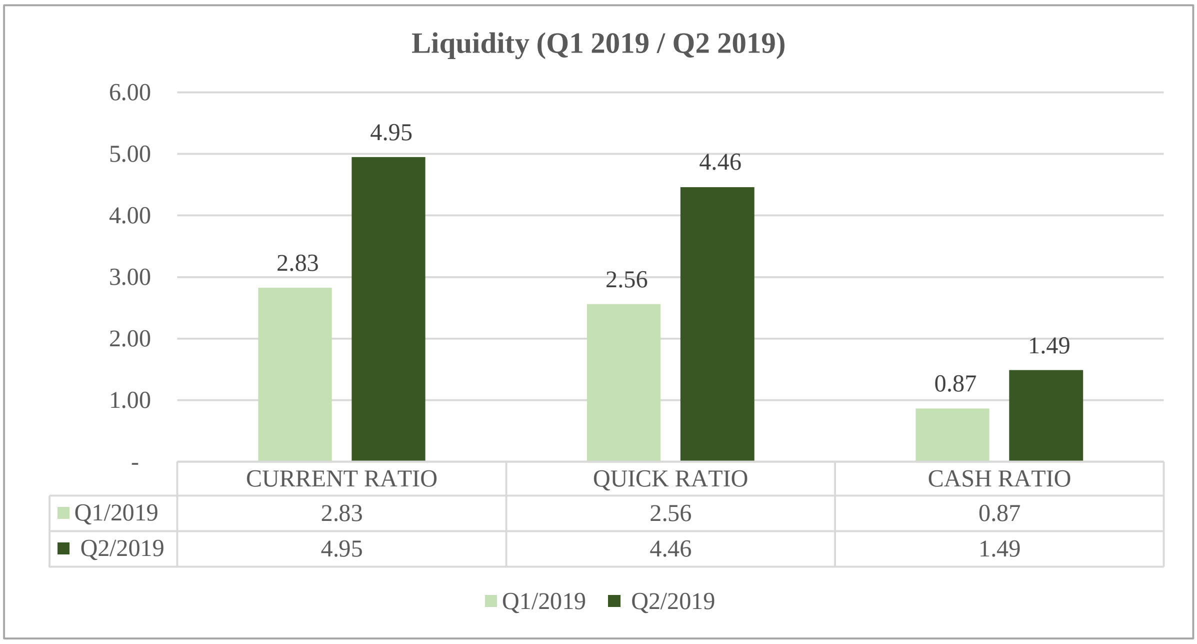


Figure 118: Liquidity ratios

Total non-current assets increased by 6% compared to the previous quarter due to investments on capital investment projects. The company invested MVR 702 million in capital investment projects in Q2 2019.

The largest component of short-term assets is trade receivables which reduced by 8% and cash and cash equivalents fell by 9%. This led to a fall in total short-term assets by 7%. Cash and cash equivalents fell mainly due to fall in cash flow generated from operating activities resulting from paying off a greater portion of trade payables. Hence, total current liabilities fell by 47%. The net effect of the changes in current assets and current liabilities resulted in the growth of current and quick ratio. The great fall in current liabilities resulted an improvement in the cash ratio.

LEVERAGE	Q1/2019	Q2/2019
DEBT-EQUITY	95.32	98.82
DEBT TO ASSETS	44.18	47.10
CAPITALIZATION RATIO	48.80	49.70

Figure 119: Leverage

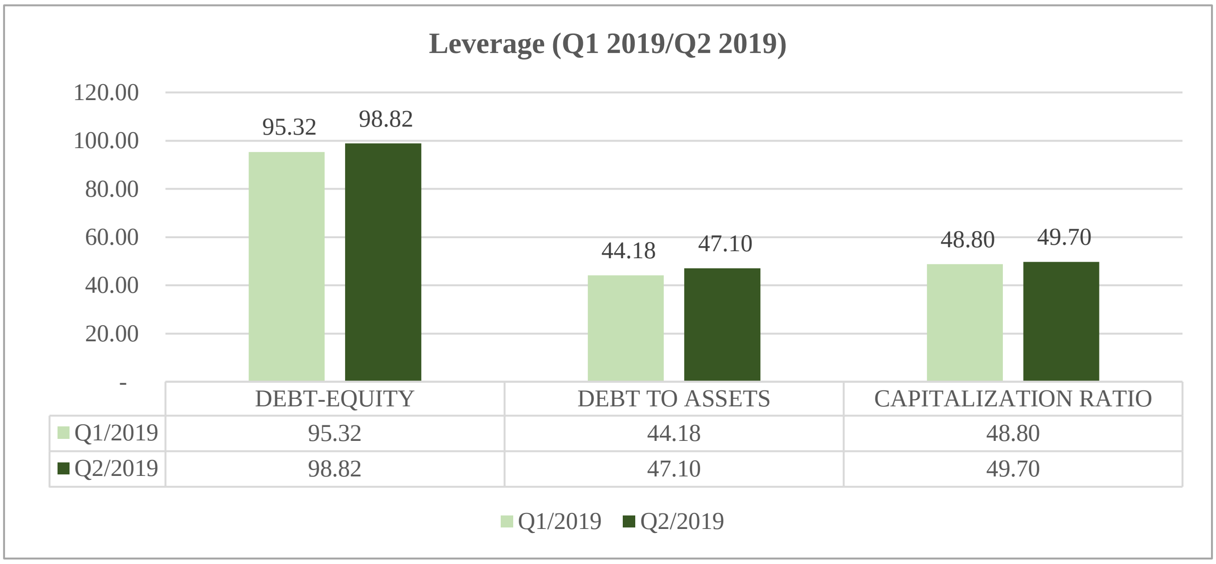


Figure 120: Leverage ratios

Borrowings of the company increased by 9% compare to previous quarter. In order to develop airport, MACL has embarked on a development plan which includes new runway, new terminal and other facilities. Thus, loan book value of the company has increase over the period. This development projects may help MACL to generate higher revenue in near future.

Important Projects undertaken in the quarter

There are numerous on-going large projects by MACL. The project details are given in the following table.

(All amounts in MVR 000's)

#	Project Name	Start date	End date	Value	Completed value	completion %
1	Oracle HCM,EAM,BI and Hyperion	15-Dec	19-Dec	11,334	6,239	55%
2	Radar Installation	17-Mar	19-Aug	60,000	52,200	87%
3	Runway & Apron	16-Sep	21-Mar	5,552,628	4,601,083	83%
4	Fuel Farm	17-Sep	21-Mar	734,567	235,061	32%
5	Cargo Terminal	18-Sep	20-Jun	494,675	19,787	4%
6	Passenger Terminal Building	16-Jul	22-May	5,508,982	588,225	10%
7	Development of New Seaplane Facilities	17-Oct	20-May	855,856	590,540	69%
8	VIP/CIP Terminal	18-Jan	21-May	215,337	21,910	10%
9	MNDF Building	17-Dec	19-Sep	161,919	155,442	96%
10	Residential Apartment Project (HIYAA Project)	18-Feb	21-May	408,281	66,325	16%
11	Passenger Jetties - Waterfront Building Area	18-Mar	19-Aug	17,023	11,065	65%
12	Shore Protection at Southwest lagoon area	18-Aug	19-Aug	41,322	37,189	90%
13	Power upgrading turnkey project	18-May	19-Oct	275,865	179,312	65%
14	Fire Station	18-Mar	20-Apr	140,316	56126	40%

Figure 121: Projects taken

The biggest projects on-going by the end of the second quarter are Runway & Apron and Passenger Terminal building both valued over MVR 5 billion and it is expected to complete this projects by March 2021 and May 2022 respectively.

Conclusion

Profitability of the company has improved compared to the same period of the previous year. However, when compared to the previous quarter, revenue and profitability of the company declined in Q2 2019

The liquidity position of the company is at a satisfactory level where they are in a position to settle the short-term liabilities with the short-term assets available. The borrowings of the company has also increased following the huge developmental projects undertaken by the company. The company also incurs high interest expenses on the loans taken.

Recommendation

- Improve Revenue and reduce cost:

Revenue can be improved by concentrating in areas where margins are higher and by expanding the duty-free shops of the company. Also, the company should try to improve revenue quarter by quarter.
At the same time costs should be kept at minimum level to improve profitability without affecting the revenue and quality of the services provided. Fuel cost is a major influencer to the costs and it is important to manage fuel costs through most effective financial instruments and better arrangement with State Trading Organization.

- Employee Productivity Improvement:

Though it is difficult to reduce employee related expenses, it is very important for MACL to improve employee efficiency by making best use of the resources. MACL can monitor over-time working hours and allocate staffs in accordance with the maintenance schedule to enable tasks to be accomplished within a reasonable time frame by avoiding excessive overtime pay. Further they can always encourage employees to provide cost control strategies.

- Manage receivables & reduce provision:

MACL has created a huge provision for doubtful debts, thus showing a lower receivable. This will result in lower net profit figures and thus taxable profits will be reduced. Proper credit controls should be managed to improve recoverability.

- Complete development as per plan:

MACL has to formulate a strategic developmental plan and try to complete the projects as planned and arrange finance for the projects. There are numerous projects to be completed in 2019. The completion date of the enormous projects such as Runway& Apron and Passenger Terminal Building has delayed from September 2019 and January 2020 to March 2021 and May 2022 respectively. Delay of projects might end up in cash flow problems.

- MACL must make proper strategic planning to make the best use of the resources.

Quarterly review; Quarter 2, 2019

MALDIVES CENTER FOR ISLAMIC FINANCE LTD

MALDIVES CENTER FOR ISLAMIC FINANCE LTD
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MCIF/Q2

Q2 of 2018 AND Q2 of 2019

PROFITABILITY	Q2 2018	Q2 2019	Change	%
Revenue	70,515	-	(70,515)	(100)
Cost of Sales	(540,353)	-	540,353	(100)
Gross Profit	(469,838)	-	469,838	(100)
Operating Profit	(1,999,465)	(1,560,245)	439,220	(22)
Profit Before Tax	(1,999,465)	(1,560,245)	439,220	(22)
Profit After Tax	(1,999,465)	(1,560,245)	439,220	(22)

Figure 122: Profitability

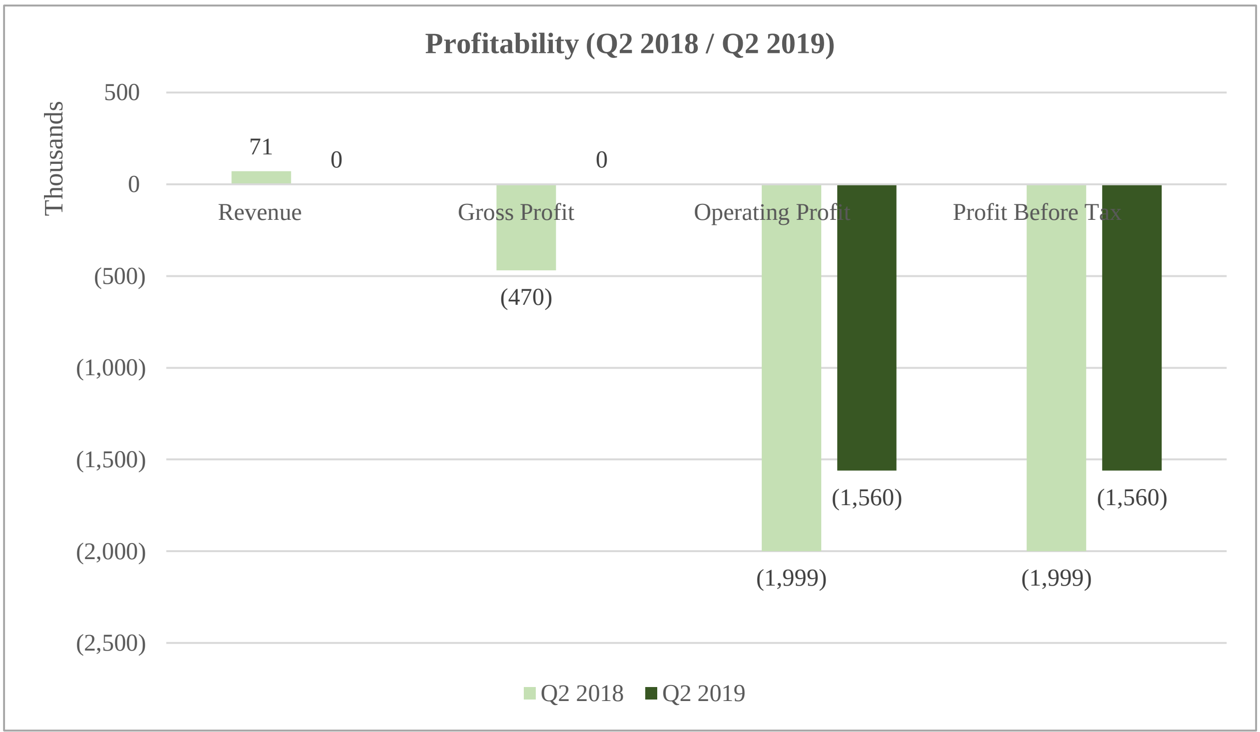


Figure 123: profitability chart

MCIF recorded revenue of MVR 70,515 in Q2 2018. However, the company generated no revenue in Q2 2019.

Though the company does not generate revenue in the quarter, they incurred high administrative costs than the same quarter of the previous year. The overheads such as repairs & maintenance, IT expenses and printing and stationaries increased significantly compared to Q2 2018, creating losses for the quarters. The administrative expenses incurred in both quarters are summarized in the following table.

Administrative costs	Q2 2018	Q2 2019	Difference	%
Personnel expenses	936,808	827,804	(109,004)	(11.64)
board meeting expenses	-	148	148	-
Sharia committee allowance	48,000	36,000	(12,000)	(25.00)

rent or lease expense	356,400	461,112	104,712	29.38
legal and other fees expenses	59,000	8,000	(51,000)	(86.44)
maintenance & repairs expense	-	69,310	69,310	-
utilities	13,190	13,951	761	5.77
communication expense	15,573	17,397	1,824	11.71
IT expenses	4,395	30,513	26,118	594.27
Printing and stationaries	1,979	17,854	15,875	802.17
Total	**1,435,345**	**1,482,089**	**46,744**	**3.26**

Figure 124: Administrative Expenses

LIQUIDITY	Q2 2018	Q2 2019
Non-Current Assets	594,774	425,100
Current Ratio	1.12	0.57
Quick Ratio	1.12	0.57
Current Assets	1,086,198	999,349
Current Liabilities	966,384	1,756,217
Working Capital	119,814	(756,868)
Cash Ratio	0.20	0.50
Inventory	8,240	6,180

Figure 125: Working Capital

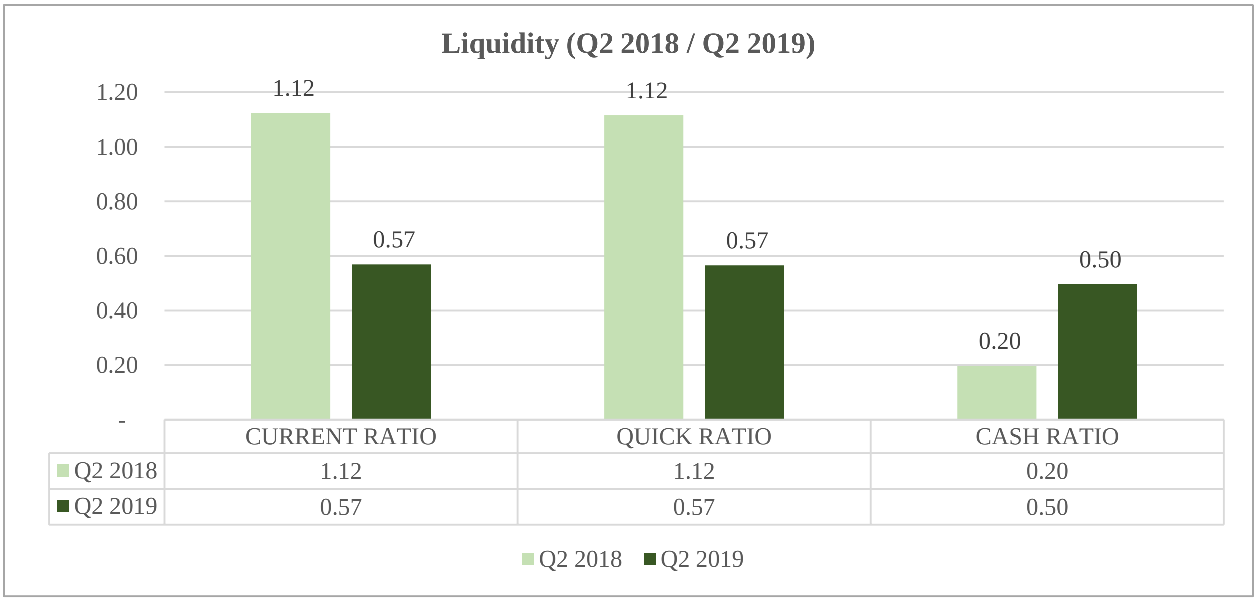


Figure 126: Liquidity Ratios

Non-current assets reduced after being depreciated.

Short term assets reduced by 8% compared to Q2 2018 mainly due to reduction in the receivables. Though the company has been able to collect 86% of its receivables in the quarter compared to Q2 2018, cash and cash equivalents of the company increased due to the capital injection from the government. The company do not generate enough cash flow from their operations to settle their daily expenses and hence continue to depend on shareholder assistance which puts the company in a situation where their sustainability is questionable.

Q1 of 2019 and Q2 of 2019

PROFITABILITY	Q1/2019	Q2 2019	Change	%
Revenue	2,160	0	(2,160)	-100.00%
Cost of Sales	(2,060)	0	2,060	-100.00%
Gross Profit	100	0	(100)	-100.00%
Operating Profit	(1,312,014)	(1,560,245)	(248,231)	-18.92%
Profit Before Tax	(1,312,014)	(1,560,245)	(248,231)	-18.92%
Profit After Tax	(1,312,014)	(1,560,245)	(248,231)	-18.92%

Figure 127: Profitability

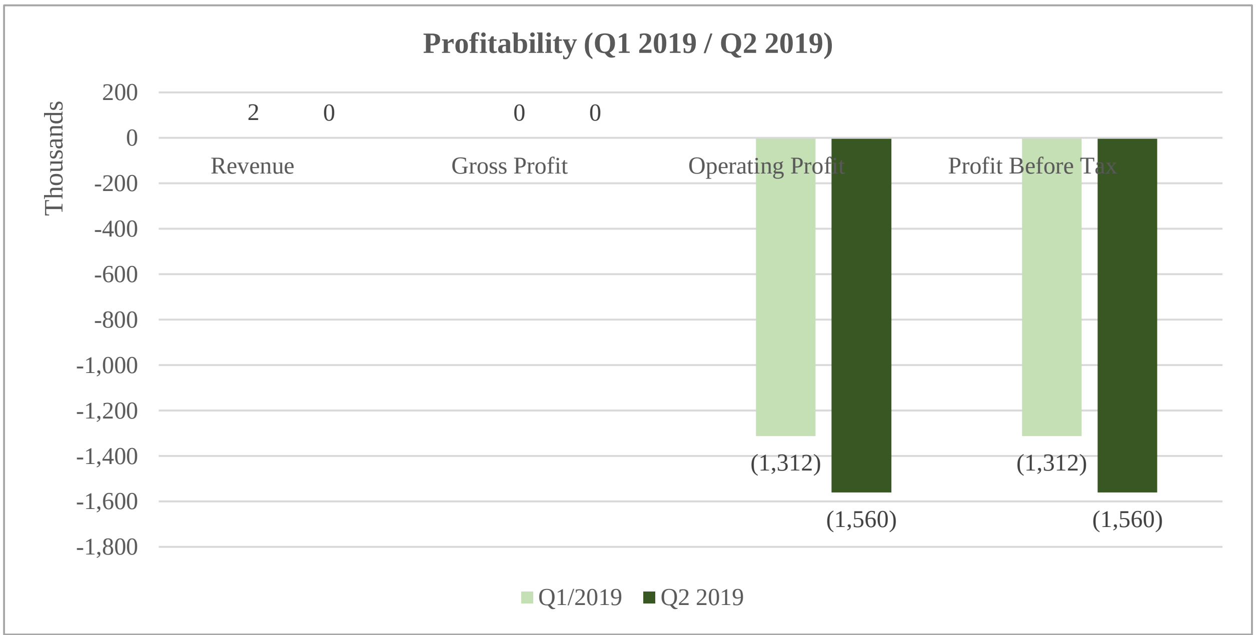


Figure 128: Profitability Chart

Since MCIF did not generate revenue in Q2 2019, the gross profit was also nil during the quarter. The loss in the quarter further deteriorated compared to the previous quarter as overheads increased such as personnel expenses, repairs and maintenance etc. increased significantly compared to the previous quarter. The administrative expenses in comparison with Q2 2018 are summarized in the following table.

Administrative costs	Q1 2019	Q2 2019	Difference	%
Personnel expenses	764,765	827,804	63,039	8.24
board meeting expenses	160	148	(12)	(7.50)
Sharia committee allowance	36,000	36,000	-	-
rent or lease expense	399,168	461,112	61,944	15.52
legal and other fees expenses	26,650	8,000	(18,650)	(69.98)
maintenance & repairs expense	120	69,310	69,190	57,658.33
utilities	12,698	13,951	1,253	9.87

communication expense	13,976	17,397	3,421	24.48
IT expenses	6,416	30,513	24,097	375.58
Printing and stationaries	165	17,854	17,68	10,720.61
Total	**1,260,118**	**1,482,089**	**221,971**	**17.62**

Figure 129: Administrative Expenses

LIQUIDITY	Q1 2019	Q2 2019
Non-Current Assets	458,173	425,100
Current Ratio	0.73	0.57
Quick Ratio	0.72	0.57
Current Assets	615,579	999,349
Current Liabilities	845,274	1,756,217
Working Capital	(229,695)	(756,868)
Cash Ratio	0.23	0.50
Inventory	6,180	6,180

Figure 130: Working Capital

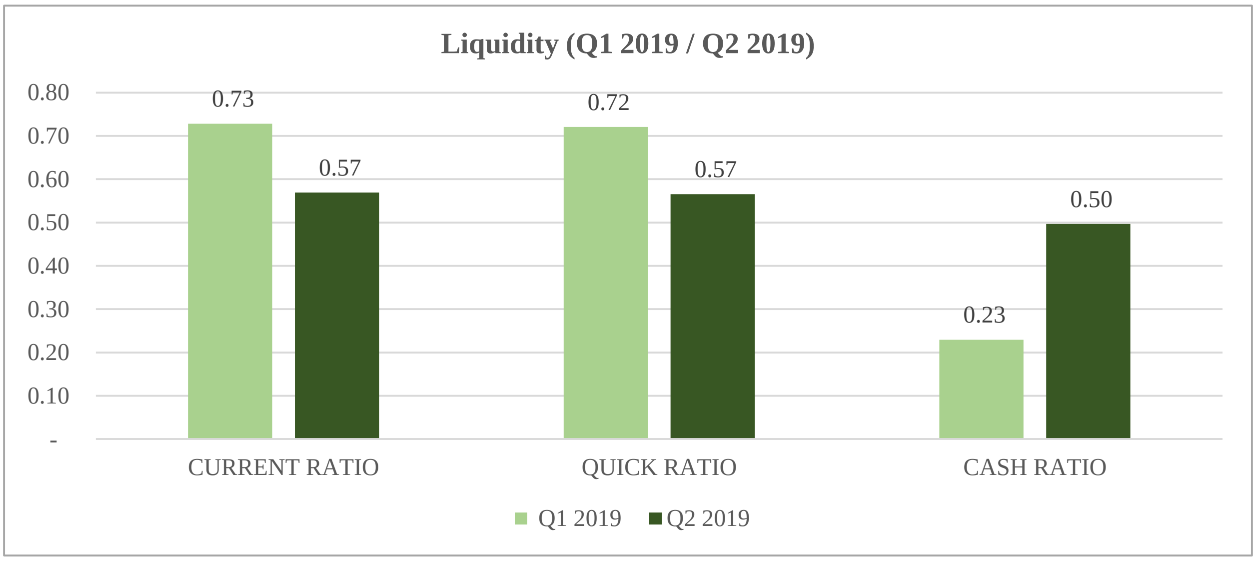


Figure 131: Liquidity ratios

After depreciation has been expensed, the value of total non-current assets reduced by 28% compared to the previous quarter. There were no disposal of non-current asset during the quarter.

In terms of current assets, the biggest portion of current assets are held by trade receivables of which 86% has been recovered during the period. However, cash and cash equivalents represent the funds provided by the government as capital injection. The company operates through the funds provided by the government without being able to generate revenue to fund for day to day operations.

Conclusion

MCIF currently has no revenue generating unit even 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 resulting from weak management of resources.

Based on the current status of the business operations, it can be concluded that they are not operating in a self-sufficient model. Government has to contribute capital more than the budgeted, as they have not taken proper measure to achieve budget targets. Being the shareholder contributing capital for the operations, government needs to take necessary measures to overcome from going concern issues.

Recommendation

- Improve revenue.

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. The existing model is not sustaining its business as the company is not operationally efficient and is not generating revenue from its core business. As the government's objective is to operate the company self-sufficiently, government should decide on the sustainability of the business.

- Reduce costs:

Other operational costs such as staff expenses including the pay for the employees are too high compared to the operations. More worryingly when there is no corresponding revenue generated from those.

Quarterly review; Quarter 2, 2019

MALDIVES HAJJ CORPORATION LTD

MALDIVES HAJJ CORPORATION LTD
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MHCL/Q2

Q2 of 2018 AND Q2 of 2019

REVENUE

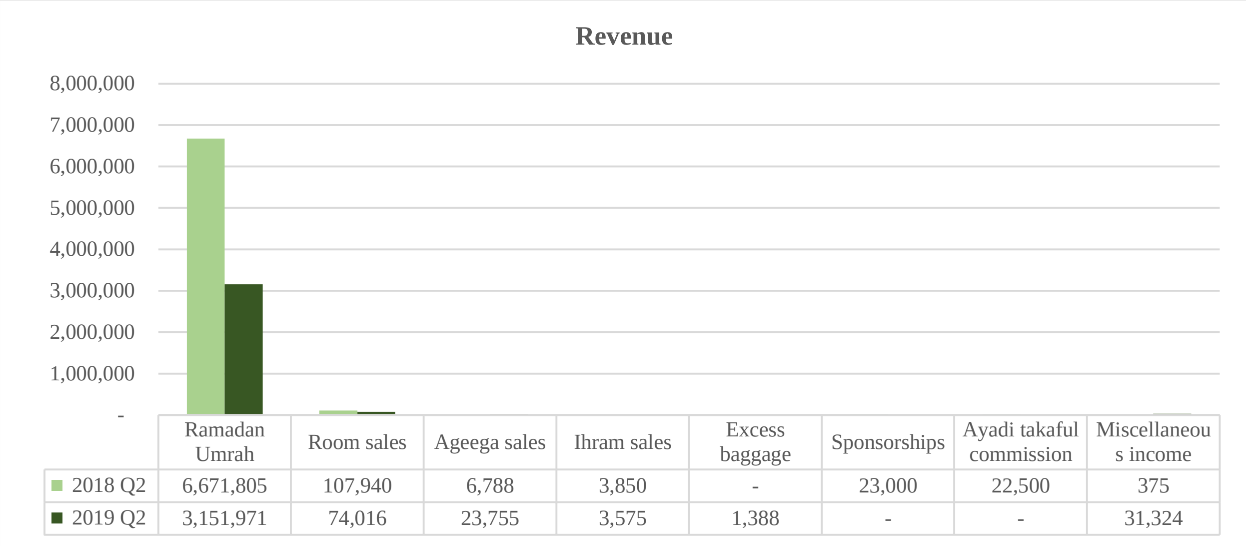


Figure 132: Revenue

As the company is providing Hajj and Umra services to the citizens, the revenue is generated from these two activities. As only Roadha Umra falls in to the second quarter of each year during which price offered by company is higher compared to the other Umra trips throughout the year, it is important to compare the same quarter of both years so that seasonal variances can be correlatedly analyzed.

Total revenue for second quarter of 2019 has recorded a significant drop of MVR 3.5 million compared to the same quarter of last year mainly because of reduction in demand due to high competition in the market. Further, the rate of Roada Umrah was reduced to MVR 36,965 a reduction of 1000 in 2019 to cater for high competition. However, there was a significant fall in the number of customers from 177 to 84, a fall of over 50%.

PROFITABILITY

PROFITABILITY	2018 Q2	2019 Q2	Change	%
Revenue	6,835,883	3,286,028	(3,549,855)	-52%
Cost of Sales	6,624,557	3,492,880	(3,131,677)	-47%
Gross Profit	211,326	(206,852)	(418,177)	-198%
Operating Profit	(1,303,894)	(1,979,627)	(675,734)	52%
Profit After Tax	(581,600)	(976,814)	(395,214)	68%

Figure 133: Profitability

Along with the revenue the direct cost of service has also reduced. However, MHCL made a gross loss in 2019 Q2 as the cost of providing services is higher than the rate charged. The following table consists of the most significant direct costs of the company.

Cost of Sales	2018 Q2	2019 Q2	Variance	%
Airline Tickets	2,699,194	1,292,305	(1,406,889)	-52%
Allowances to Helpers & Staff	43,176	43,207	31	0.1%
Food Expenses	212,537	187,459	(25,077)	-12%
Hotel & Other Accommodations	2,839,222	1,650,930	(1,188,292)	-42%
Luggage & Other Bags	174,724		(174,724)	-100%
Vaccine	42,800	22,625	(20,175)	-47%
Transportation costs	42,500	23,118	(19,382)	-46%
Visa fee	434,303	212,063	(222,240)	-51%

Figure 134: Cost of Sales

Accommodation and Airline ticket is the most significant costs of providing Hajj and Umrah service and reduction in number of customers lead to a reduction in these costs. Conversely, although the number of customers reduced the allowance to helpers and staff has not reduced, this indicates inefficiency of helpers. A fixed amount is paid to staffs and outside helpers and in 2018 Q2, 11 helpers including staffs accompanied the trip and 9 helpers including staffs in 2019 Q2. Although number decreased the expenditure have not reflected as the rate of cook was increased.

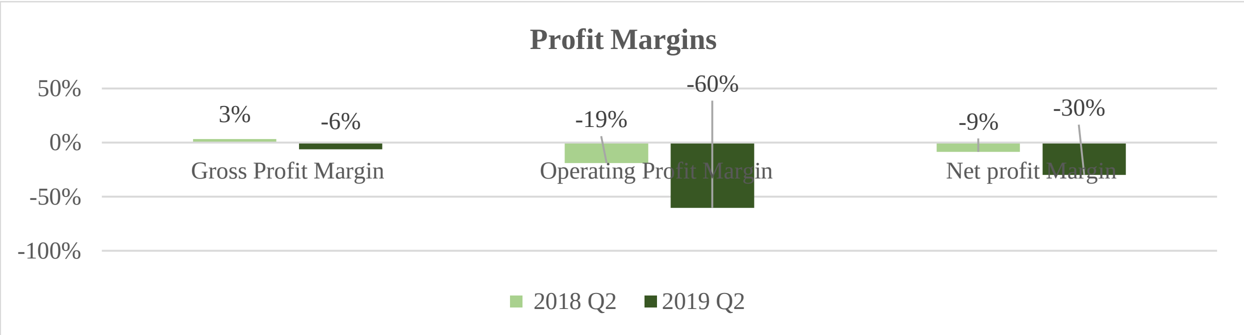


Figure 135: Profit Margins

Profit margin of MHCL was affected by the loss made in the second quarter of 2019.

Despite the fall in revenue the administrative costs of the company increased since more than 84% and 63% comprise of staff salary and allowances for 2018 Q2 and 2019 Q2 respectively. Selling and marketing and other operating costs on the other hand has reduced compared to 2018 Q2. The increase in investment income has reduced the net profit of the company.

The comparisons of expenses for both the quarters in review are as follows;

Expenses	2018 Q2	2019 Q2	Change	%
Selling and marketing Costs	39,920.00	38,642.27	(1,278)	-3%
Administrative Costs	1,134,122.68	1,641,692.22	507,570	45%
Other Operating Costs	341,176.74	92,441.32	(248,735)	-73%
Total	**1,515,219**	**1,772,776**	**257,556**	**17%**

Figure 136: Expenses

Although the revenue shows that company's operations has reduced, the operating cots of the company has shown the opposite, as it has increased significantly. It is important that company ensure operations are carried out effectively and efficiently to maintain its expenses in an optimum level.

LIQUIDITY

LIQUIDITY	2018 Q2	2019 Q2
Non-Current Assets	92,146,721	81,931,857
Current Assets	80,189,778	84,114,901
Current Liabilities	27,663,035	6,792,340
Working Capital	52,526,742	77,322,561
Inventory	1,606,967	964,600

Figure 137: Working Capital

Non-current assets have shown a reduction of MVR 10 million, mainly because of reduction in investments in Sharia products. Current assets have increased by MVR 4 million, mainly because of increase in cash balance. The increase in cash balance is from the capital injection by the government in the second quarter of 2019 and advance received from customers. Trade and other receivables and prepayments have reduced by MVR 5 million. Prepayments include advance payments already made for the accommodation & mutawwif of 2019 Hajj.

The significant reduction in current liabilities is because in 2018 Q2 MHCL has recorded a part of advance received from customers as current liability. However, in 2019 Q2, the total advance received is recognized as a long-term liability. Another component of current liability is trade and other receivables and it has increased by 5.6 MVR million. The working capital of the company shows a favorable position, as the current assets of the company exceed its current liabilities.

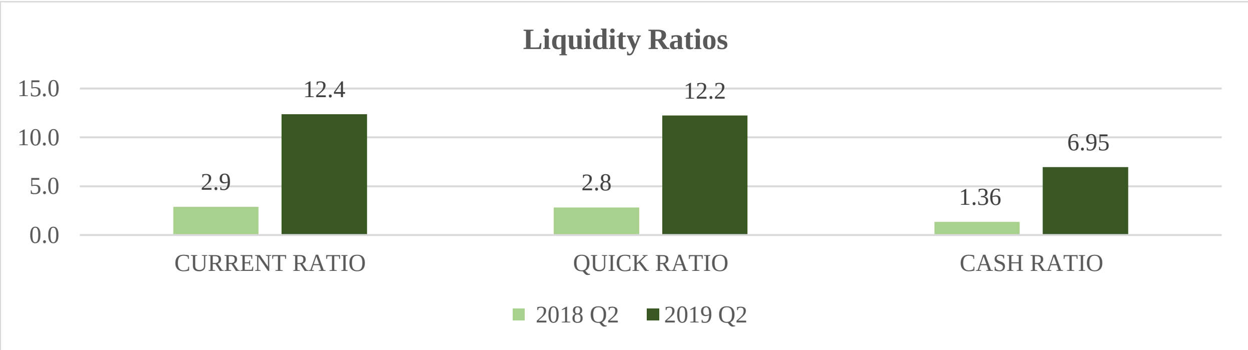


Figure 138: Liquidity Ratios

The short-term liquidity ratios indicate that MHCL have the ability to meet its short-term liabilities with available current assets. The significant increase is due to a change in classification of advance received from customers. In addition, the cash and cash equivalents of the company has improved from capital injection and advance from customers. Share capital of MVR 2 million was injected by the government in second quarter of 2019.

Too high current ratios are not favorable as it shows that the company has idle assets in the business tied up in the form of cash as advance received from customers which is not properly used for investments.

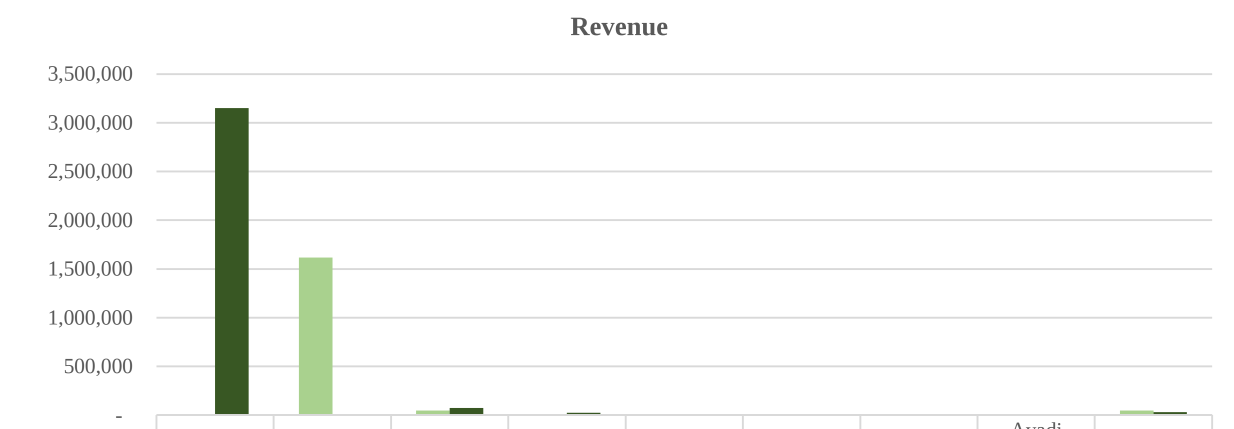
Further, it must be noted that capital injections are being used to finance day to day operations of the company. The company must consider the important of fund management and must maximize returns to the investors rather than utilizing it for business operations.

INVESTMENT

Hajj Corporation offers two types of service where the customer can pay for hajj and umrah in installments as well as total price in one time. Thus, the company receives huge amounts as advance payments from customers, this money is then invested in shari'ah compliant products. At the end of 2019 Q2, MHCL has received advance worth of MVR 182,478,777 (2018 Q2: MVR 185,607,989) and have invested MVR 81 million, which represents 31% of total advance received.

Q1 of 2019 AND Q2 of 2019

REVENUE



	Ramadan Umrah	March Umrah	Room sales	Ageega sales	Ihram sales	Excess baggage	Sponsorships	Ayadi takaful commission	Miscellaneous income
2019 Q1	-	1,617,965	48,573	10,190	-	694	-	-	47,318
2019 Q2	3,151,971	-	74,016	23,755	3,575	1,388	-	-	31,324

Figure 139: Revenue

Revenue of second quarter has recorded a notable growth compared to the last quarter as the rate of Ramdan Umrah is higher than March Umra and number of customers has also increased because more customers prefer Ramadan Umrah.

PROFITABILITY

PROFITABILITY	2019 Q1	2019 Q2	Change	%
Revenue	1,724,740	3,286,028	1,561,288	91%
Cost of Sales	1,853,510	3,492,880	1,639,370	88%
Gross Profit/loss	(128,770)	(206,852)	(78,082)	61%
Operating Profit/loss	(1,379,021)	(1,979,627)	(600,606)	44%
Profit/loss After Tax	(323,024)	(976,814)	(653,791)	202%

Figure 140: Profitability

The cost of sales increased along with revenue growth therefore, the company was unable to make a gross profit. The most significant direct costs of MHCL are as follows;

Cost of Sales	2019 Q1	2019 Q2	Variance	%
Airline Tickets	935,978	1,292,305	356,327	38%
Allowances to Helpers & Staff	67,757	43,207	(24,550)	-36%
Food Expenses	115,871	187,459	71,588	62%
Hotel & Other Accommodations	338,098	1,650,930	1,312,832	388%
Luggage & Other Bags	58,818	-	(58,818)	100%
Vaccine	23,705	22,625	(1,080)	-5%
Miscellaneous	19,982	44,086	24,104	121%
Transportation costs	34,092	23,118	(10,974)	-32%
Visa fee	221,469	212,063	(9,406)	-4%

Figure 141: Cost of Sales

Airline ticket cost and accommodation cost has increased since the number of customers increased, Allowance for helpers in the first quarter is high due to MVR 27,665 incurred for food and accommodation of trip to Saudi Arabiya by MD, Head Finance and Hajj Operations officer to finalize Hajj 1440 hotel and Mutawwif arrangements.

In addition, increase in operating costs of the company has increased the operating loss, which is over 200% more than the last quarter.

The expenses of first and second quarter of 2019 are as follows;

Expenses	2019 Q1	2019 Q2	Change	%
Selling and marketing Costs	17,973	38,642	20,669	115%
Administrative Costs	1,225,299	1,641,692	416,393	34%
Other Operating Costs	6,980	92,441	85,462	1224%
Total	**1,250,251**	**1,772,776**	**522,524**	**42%**

Figure 142: Expenses

Total operating costs of MHCL had increased by 42% while the revenue has increased by 91%. However, all the operating costs are not linked to revenue.

LIQUIDITY

LIQUIDITY	2019 Q1	2019 Q2
Non-Current Assets	61,888,615	81,931,857
Current Assets	86,852,003	84,114,901
Current Liabilities	1,605,656	6,792,340
Working Capital	85,246,347	77,322,561
Inventory	1,015,368	964,600

Figure 143: Working Capital

MHCL has increased its investments by MVR 20 million, thus the non-current assets have increased. While all the components of the current assets have reduced, trade and other receivables and prepayments has increased significantly by MVR 15 million compared to last quarter. Trade and other receivables represent 43% of total current assets and 1094% of second quarter's revenue. Prepayments include advance payments already made for the accommodation & mutawwif of 2019 Hajj. In addition, current liabilities have also increased by MVR 5 million, reducing the working capital of the company.

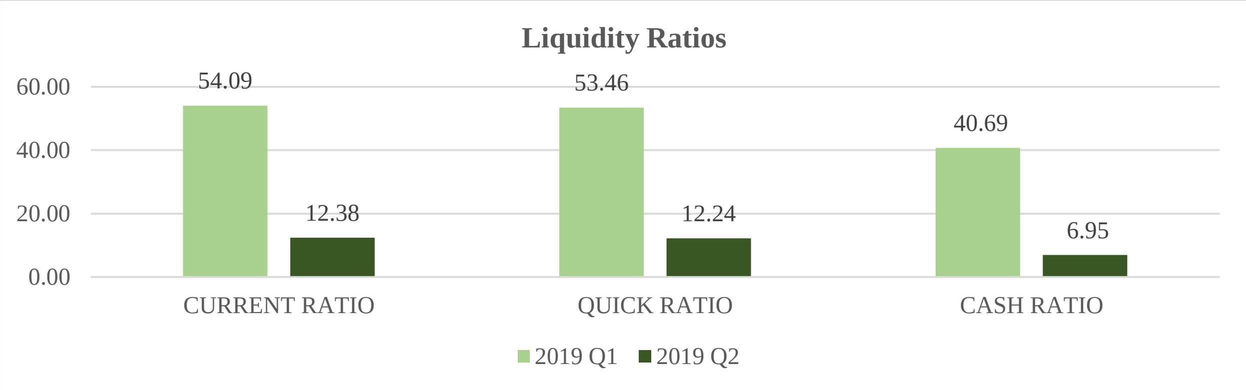


Figure 144: Liquidity Ratios

The short-term liquidity ratios show a significant reduction although still the ratios are above the ideal level. The significant reduction is due to increased in company's current liabilities while the current assets has reduced. It is important to note that government has injected capital of MVR 2 million in the second quarter of 2019. The favorable results in working capital of the company is mainly due to advance from customers and capital injection.

A company may have a very high current ratio, but its accounts receivable may be very aged, perhaps because its customers pay very slowly, which may be hidden in the current ratio. In the case of MHCL 43% of current assets consists of trade and other receivables and prepayments and it is far greater than company's revenue.

The higher the current ratio the more capable a company is of paying its obligations because it has a larger proportion of short-term asset value relative to the value of its short-term liabilities. However, while a high ratio could also indicate that the company is not using its current assets efficiently, is not securing financing very well, or is not managing its working capital. While the cash balance of the company includes advance from customers, MHCL could increased its investments further.

INVESTMENTS

In the second quarter of 2019, MHCL has invested additional MVR 20 million, therefore the total investments of the company as at the end of quarter is MVR 81 million, 31% of advance received from customers. In addition, MHCL has received MVR 10.9 million as advance from customers and earned investment income of MVR 1 million.

CONCLUSION

The revenue of the company has significantly reduced in comparison to the same quarter of the last year due to fall in number of customers. Conversely, compared to quarter one of 2019, second quarter revenue has increased by over 90 percent. However, since the company is providing these services below the cost price, revenue earned is not sufficient to cover its direct costs leading to a gross loss. Nevertheless, the operating costs of the company keeps increasing quarter by quarter.

The liquidity position of the company looks favorable as the current assets of the company is greater than its current liabilities i.e. trade and other payables. However, current assets are high due to advances paid by pilgrims for Hajj and Umrah. Thus, the company fails to fund the operations through its own revenue.

RECOMMENDATION

- As the market is highly competitive with new private parties providing this service, MHCL must try to improve their demand. This could be done through introducing new packages and improving the quality of their service. Further, effective marketing strategies could also help to attract wider customer base.

- Reduce costs: To maintain the sustainability of the company, MHCL must reduce its costs and expenses. Currently the price charged from pilgrim are lower than the direct costs of the service. Therefore, the company must manage its costs and try to find area where it can save costs. As the company is regulated in pricing Hajj, the company should claim the price difference between market price and the subsidized price from the government.

- Reduce receivables: MHCL should also give consideration on improving the receivable collection in order to maintain a healthy liquidity position. At the end of 2019 Q2, receivable balance stands at MVR 35.9 million.

- Though Hajj Corporation aims to enable citizens to perform Hajj at affordable prices, the rates charged should enable the company to cover the direct and indirect costs of the company. Thus, negotiations could be made with the government to revise the rates since the current rates are not ideal to cover the costs of the company.

- Operational expenses can be reduced by cutting down the avoidable expenses such as refreshments and events and ceremonies. Also, MHCL should be cautious about the employment expense as it has recorded an upsurge.

- To sustain in the market Hajj Corporation has to reduce costs and increase efficiency. They should also utilize the funds collected from public efficiently for the growth of the company. If they do not have the capability to do so, they can hire the expertise who can increase the efficiency. This might be costly in the short run, however, if the funds could be well utilized the company has the chance to reduce pilgrimage prices in the future.

- Consequently, improving public image is also equally important to Hajj Corporation any business which depends on customer's savings must build trust. By raising the awareness among the customers as to where and how the funds are being utilized and the expected return, Hajj Corporation can maintain its public image.

Quarterly review; Quarter 2, 2019

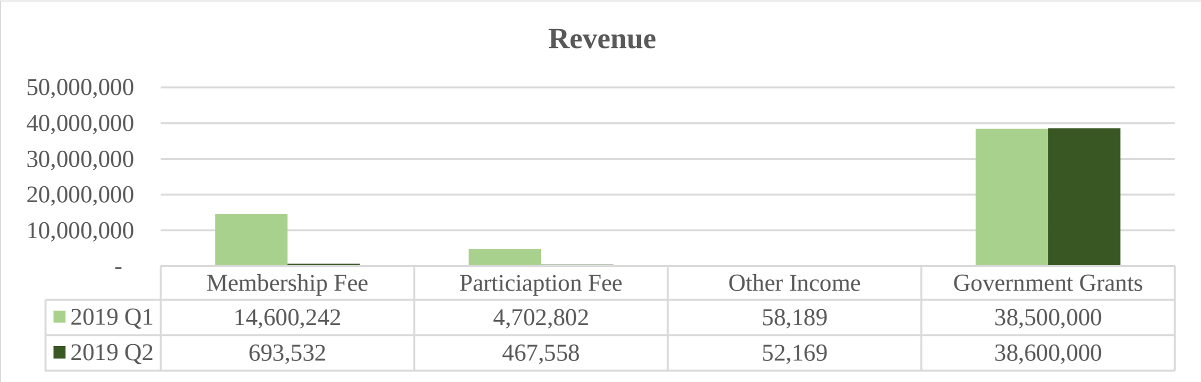
MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION

MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MMPRC/Q2

Q1 of 2019 AND Q2 of 2019

REVENUE



All the components of revenue were affected in the second quarter, recording a reduction of 31% compared to last quarter. MMPRC's main revenue is through advertising and marketing tourism to the outside World. In addition, the budget released from government is treated as a grant income, therefore the total revenue of the company is high, as such the total revenue stood at MVR 39 million in 2019 Q2.

PROFITABILITY

PROFITABILITY	2019 Q1	2019 Q2	Change	%
Revenue	57,861,233	39,813,259	(18,047,974)	-31%
Cost of Sales	20,160,451	17,331,529	(2,828,921)	-14%
Gross Profit	37,700,782	22,481,730	(15,219,053)	-40%
Operating Profit	35,738,826	19,701,220	(16,037,607)	-45%
Profit After Tax	34,326,485	19,701,220	(14,625,266)	-43%

In line with the revenue, the cost of sales has also reduced, however there are additional costs incurred as shown below.

Cost of Sales	2019 Q1	2019 Q2
Fair Participation Cost	18,918,381	10,146,373
Event Cost	139,320	80,075
Tourism PR Cost	1,102,749	837,601
Roadshow Participation Cost	-	1,829,650
Fam Tours	-	307,045
Advertising	-	1,554,923
Promotional Materials	-	2,575,862
Total	**20,160,450**	**17,331,529**

In the second quarter, MMPRC has conducted a total of 21 promotional activities, including 5 fairs, 3 road shows and 6 familiarization trips as well as other activities. The additional costs incurred are with related to these promotional activities.

In addition, the overheads and salaries and wages of the second quarter has recorded a significant growth compared to last quarter.

Detail	2019 Q1	2019 Q2	Change	%
Selling and marketing Costs	202,144	4,228	(197,916)	-98%
Salaries and Wages	1,344,267	1,580,353	236,086	18%
Overheads	415,545	1,195,929	780,384	188%

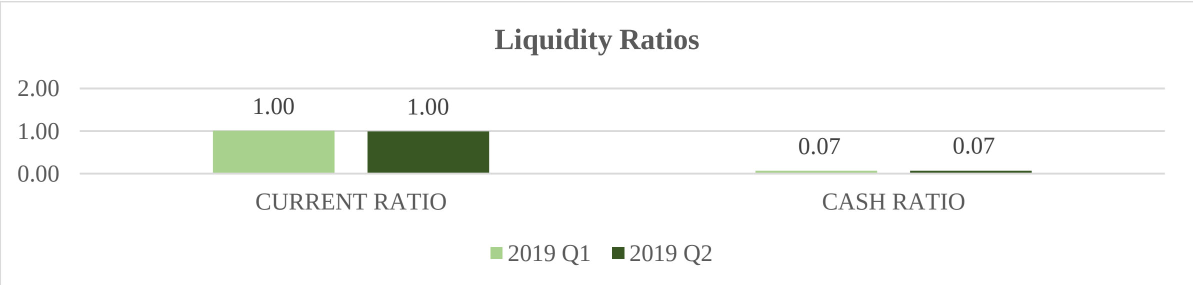
The total operating costs increased by MVR 818,554, a growth of 42%, leading to 45% reduction in operating profit of quarter.

Since most of the board members were appointed in late February 2019, board salaries are lower in first quarter compared to second quarter. Due to this salaries and wages are high in second quarter of 2019. Furthermore, MMPRC has moved to a new office building from May 2019 onwards, paying two months security deposit of MVR 339,240 and monthly rent of MVR 169,260, this has increased total overheads of the company.

LIQUIDITY

LIQUIDITY	2019 Q1	2019 Q2
Non-Current Assets	797,762	775,646
Current Assets	1,547,819,959	1,553,244,223
Current Liabilities	1,540,157,437	1,560,347,722
Working Capital	7,662,522	(7,103,498)

MMPRC has relatively low non-current assets and a marginal fall of MVR 22,116 recorded in the second quarter. The current assets consist of receivables and cash balance. Receivables has reduced by MVR 1 million, cash and cash equivalents on the other hand increased by MVR 6 million. Current liabilities of MMPRC grew significantly by MVR 20 million in just one quarter. As a result, the working capital position is negative.



Short-term liquidity position of MMPRC is not satisfactory as the current ratio is below one. Current ratio measures the ability of MMPRC to pay short-term obligations or those due within one year, and the ideal ratio is 2. A ratio of below 1 indicate that the company does not have enough assets to meet its short-term obligations if they were all due at once, therefore a higher risk of distress or default.

Cash ratio calculates ability to repay its short-term debt with cash or near-cash resources. MMPRC's cash balance is very low compared to its short-term liabilities, thus cash ratio is very low.

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

CONCLUSION

Revenue and profits of the quarter have deteriorated compared to last quarter, due to fall in revenue in all segments plus increase in operational costs. Nevertheless, a total of 21 operational activities were conducted during the second quarter of 2019, including 5 fairs, 3 road shows and 6 familiarization trips as well as other activities.

The short-term liquidity position of MMPRC is not satisfactory where the current ratio is lower than the ideal level, indicating short term liquidity problems and higher risk of default. In addition, MMPRC has considerable amount of trade receivables and payables, which will create cash flow problems.

RECOMMENDATION

- Reduce Payables:

It is important to build a strong relation with the suppliers for better terms. Further proper receivable collection will ultimately help in enhancing cash and thus reducing payables.

- Reduce receivables

MMPRC should also give consideration on improving the receivable collection in order to maintain a healthy liquidity position.

- Maintain revenue generation

The revenue of the quarter has reduced compared to last quarter, therefore MMPRC should formulate Strategic plans and regularly evaluate to improve and maintain the results.

Quarterly review; Quarter 2, 2019

MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION

MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MITDC/Q2

Q2 of 2018 and Q2 of 2019

PROFITABILITY

PROFITABILITY	Q2 2018	Q2 2019	Change	%
Revenue	5,660	396	(5,264)	(93.00)
Gross Profit	5,660	396	(5,264)	(93.00)
Administrative Expenses	(1,657,556)	(1,300,412)	357,144	(21.55)
Sales and Marketing Expenses	(386,336)	(90,000)	296,336	(76.70)
Operating Profit	(2,038,232)	(1,390,016)	648,216	(31.80)
Net loss	(2,038,232)	(1,390,016)	648,216	(31.80)

Figure 145: profitability

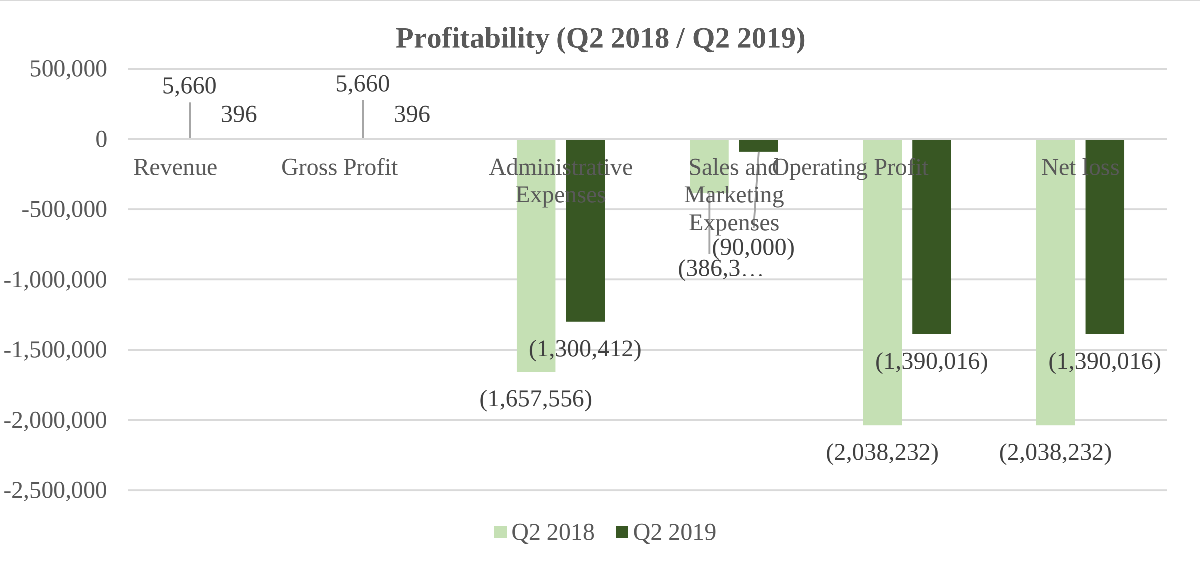


Figure 146: Profitability chart

In the second quarter of the previous year, MITDC recorded revenue of only MVR 5660 received as bid income. Comparatively, the revenue earned in Q2 2019 was only MVR 396 recorded as a discount. The company did not generate enough revenue in the year as the projects undertaken by the company are on hold.

Administrative Expenses	Q2 2018	Q2 2019	Difference	Var (%)
Bank service charges	68,255	510	(67,745)	-99.25
Cleaning expenses	12,000	12,713	713	5.94
Depreciation	170,743	104,363	(66,380)	-38.88
Amortization	16,219	7,983	(8,236)	-50.78
legal and professional fees	163,165	700	(162,465)	-99.57
Insurance Expense	2,750	-	(2,750)	-100.00
License and permits	19,195	-	(19,195)	-100.00
meals and entertainment	12,231	1,266	(10,965)	-89.65
office supplies	12,233	27,168	14,935	122.09
repair and maintenance	220	-	(220)	-100.00

directors' remuneration	274,500	151,921	(122,579)	-44.66
payroll expenses	696,359	643,317	(53,042)	-7.62
pension	27,337	24,822	(2,515)	-9.20
stationaries	5,080	740	(4,340)	-85.43
Staff Ramadan allowance	49,900	48,000	(1,900)	-3.81
staff training expenses	60,909	-	(60,909)	-100.00
telephone	22,789	21,829	(960)	-4.21
travelling expenses	32,960	19,088	(13,872)	-42.09
internet expense	8,670	8,670	-	0.00
Withholding tax	1,999	-	(1,999)	-100.00
Other expenses	40	-	(40)	-100.00
Fine Expense	-	227,321	227,321	-
Total	**1,657,554**	**1,300,411**	**(357,143)**	**-21.55**

Figure 147: Administrative Expenses

Administrative expenses reduced by 21% (MVR 357,143) compared to Q2 2018. Sales and marketing expenses also reduced by 77% (MVR 296,336) therefore net loss of the company decreased by 32%.

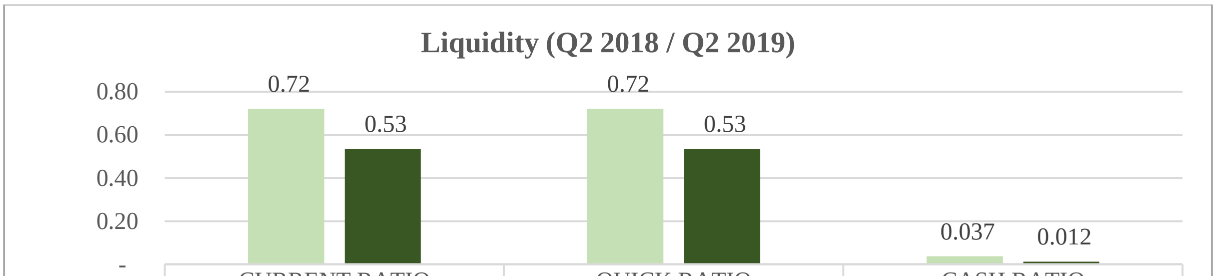
Sales and Marketing	Q2 2018	Q2 2019	Difference	Var (%)
Accommodation	5,945	-	-	-
Marketing Consultancy	59,700	-	-	-
Fare Participation	310,691	90,000	(220,691)	(71.03)
Sponsor	10,000	-	(10,000)	-
Total	**386,336**	**90,000**	**(296,336)**	**(76.70)**

Figure 148: Sales and Marketing

LIQUIDITY

LIQUIDITY	Q2 2018	Q2 2019
Non-Current Assets	57,084,766	53,538,949
Current Ratio	0.72	0.53
Quick Ratio	0.72	0.53
Current Assets	45,809,322	28,238,516
Current Liabilities	63,458,441	52,788,750
Working Capital	(17,649,119)	(24,550,234)
Cash Ratio	0.037	0.012

Figure 149: Working Capital



	CURRENT RATIO	QUICK RATIO	CASH RATIO
Q2 2018	0.72	0.72	0.037
Q2 2019	0.53	0.53	0.012

Figure 150: Liquidity ratios

Non-current assets reduced by MVR 3.5 million due to reduction in capital work in progress as the current projects are on hold.

The value of total current assets reduced by MVR 17.6 million (a net of reduction in receivables by MVR 15.84 million and reduction of cash by MVR 1.73 million.) Accounts receivables reduced by MVR 2.5 million while Advance payment for Rent reduced by MVR 14.5 million which reduced overall receivables.

In Q2 2018, government injected MVR 1 million as capital contribution while in Q2 2019 government injected MVR 1 million as capital contribution. However, they has been utilized this fund for operational expenses.

As a result of holding the projects, the company does not generate revenue at present. The negative working capital represents the weak liquidity position of the company. This they MITDC may face serious liquidity issues in upcoming quarters.

Q1 of 2019 and Q2 of 2019

PROFITABILITY	Q1 2019	Q2 2019	Change	%
Revenue	0	396	396	-
Gross Profit	0	396	396	-
Administrative expenses	(1,127,570)	(1,300,412)	(172,842)	15.33%
Sales and Marketing expenses	(48,445)	(90,000)	(41,555)	85.78%
Operating Profit	(1,176,016)	(1,390,016)	(214,000)	18.20%
Net loss	(1,176,016)	(1,390,016)	(214,000)	18.20%

Figure 151: profitability

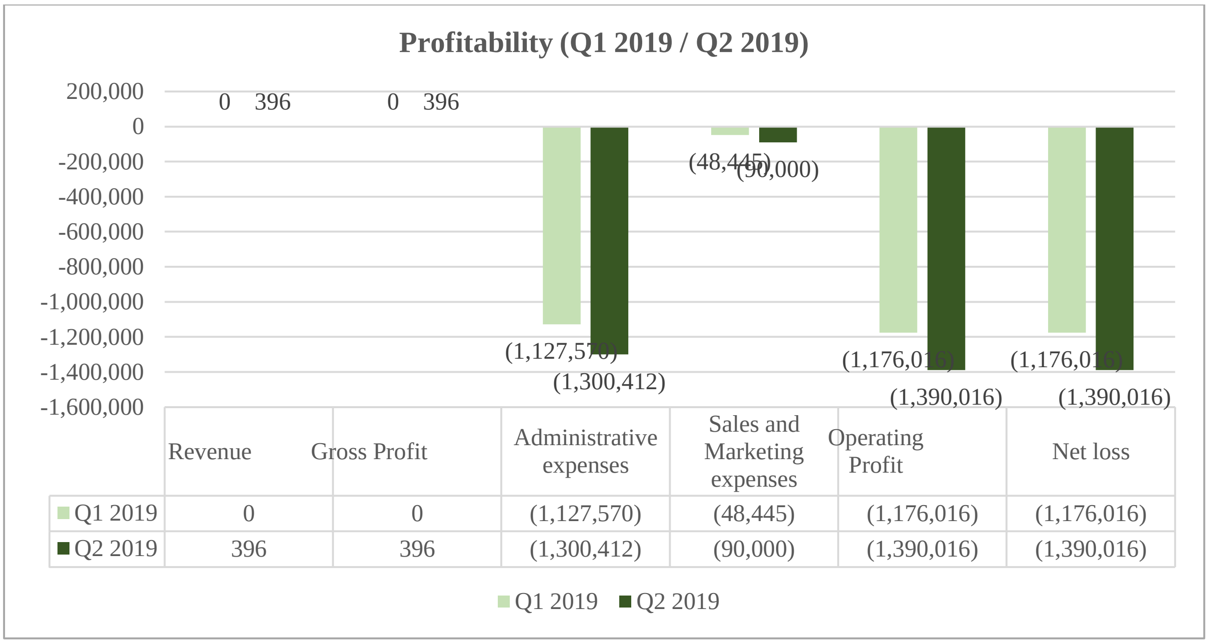


Figure 152: Profitability Chart

From the beginning of the year MITDC has not reported any revenue other than MVR 396 recorded in the second quarter as discount income. While administrative costs rose by 15%, and further sales and marketing costs also rose by 86% which resulted deterioration of net loss by a further 18.2%.

Administrative Expenses	Q1 2019	Q2 2019	Difference	Var (%)
Bank service charges	2,242	510	(1,732)	-77.25
Cleaning expenses	12,660	12,713	53	0.42
Depreciation	78,089	104,363	26,274	33.65
Amortization	8,159	7,983	(176)	-2.16
legal and professional fees	91,445	700	(90,745)	-99.23
meals and entertainment	927	1,266	339	36.57
office supplies	15,112	27,168	12,056	79.78
repair and maintenance	750	-	(750)	-100.00
directors' remuneration	138,894	151,921	13,027	9.38
payroll expenses	664,424	643,317	(21,107)	-3.18
pension	24,723	24,822	99	0.40
stationaries	2,468	740	(1,728)	-70.02
Staff Ramadan allowance	-	48,000	48,000	-
staff training expense	1,000	-	(1,000)	-100.00
telephone	21,967	21,829	(138)	-0.63
travelling expense	16,071	19,088	3,017	18.77
internet expense	8,670	8,670	-	0.00
Fine Expense	39,969	227,321	187,352	468.74
Total	**1,127,570**	**1,300,411**	**172,841**	**15.33**

Figure 153: Administrative Expenses

Fine expense increased materially by 469%. Since the company is not generating revenue through their operations and depends on shareholder's fund for survival, they should control over all expenses and minimize dependence on shareholders.

Even though any revenue has not been generated by the company additional MVR 90,000 has been incurred on marketing consultancy compared to the previous quarter.

Sales and Marketing	Q1 2019	Q2 2019	Difference	Var (%)
Marketing Consultancy	61,129	90,000	28,871	47.23
Fare Participation	(12,684)	-	12,684	-
Total	**48,445**	**90,000**	**41,555**	**85.78**

Figure 154: Sales and Marketing

LIQUIDITY	Q1 2019	Q2 2019
Non-Current Assets	53,640,946	53,538,949
Current Ratio	0.54	0.53
Quick Ratio	0.54	0.53
Current Assets	28,369,358	28,238,516
Current Liabilities	52,631,573	52,788,750
Working Capital	(24,262,215)	(24,550,234)
Cash Ratio	0.014	0.012

Figure 155: Working capital

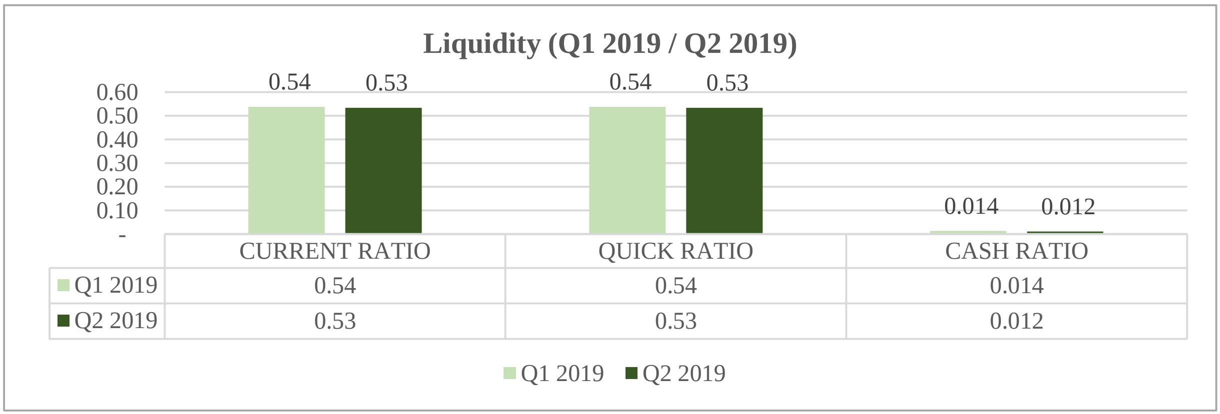


Figure 156: Liquidity ratios

During the year MITDC acquire MVR 15,850 worth of assets. However, because of depreciation total value non-current asset decreased.

Current assets reduced by 0.28% mainly due to reduction of cash and cash equivalent. Payables increased slightly as a result of increase in accrued expenses. The net effect of Short-term assets and liabilities resulted in further deterioration of liquidity ratios compared to the previous quarter.

Conclusion

The only source of revenue earned in the quarter is a discount received of MVR 396 which is very low when compared to the operations of the corporation. However, in Q1 2019, the company did not generate any revenue. Once the ongoing projects are completed, revenue is expected to flow, however, the projects are on hold and does not generate any revenue till date.

Though there is no revenue, the operational expenses and administrative expenses are fairly high resulting in a loss for the quarter. Further, the liquidity position of the company is very poor as current liabilities are much more compare to current liabilities. Furthermore, the company's high operational costs led to deterioration of cash flow. It is important to note that MITDC cannot generate enough revenue for their sustainable development and depends on the shareholder assistance for the operations.

Recommendation

- Revenue generation
  For sustainable development of the company the corporation must generate revenue. Currently the company there is no revenue generating unit. Therefore, MITDC has to find stable revenue generating option in order to make operation worthwhile.
- Self-sustainable operation
  Currently the company is sustaining from the capital injections from the government. The corporation must formulate a business plan and strategic plans to improve business operation and become self-sufficient. Further, cost management is also an important factor to reduce the loss of the corporation and to improve sustainability.
- Short term plans:
  MITDC should focus on some short-term objectives as well in order satisfy short term cash flow requirement without depending on shareholders.
- Reasonable finance arrangement to complete the on-going projects:
  MITDC should find reasonable financing arrangements to complete the projects smoothly and without any intermission.
- Receivable collection:
  MITDC 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 including maintaining a good relationship with the suppliers to increase the credit limits and obtain goods or services at better terms.

Quarterly review; Quarter 2, 2019

MALE' WATER AND SEWERAGE COMPANY PVT LTD

Q2 of 2018 AND Q2 of 2019

PROFITABILITY	Q2 2018	Q2 2019	Change	%
Revenue	284,378,516	262,676,738	(21,701,778)	(8)
Cost of Sales	132,735,646	107,993,910	(24,741,736)	(19)
Gross Profit	151,642,869	154,682,829	3,039,960	2
Operating Profit	83,938,549	93,264,248	9,325,699	11
Profit Before Tax	78,485,496	88,501,163	10,015,667	13
Profit After Tax	66,712,671	75,225,988	8,513,317	13

Figure 157: Profitability

Profit Margins	Q2 2018	Q2 2019
Gross Profit Margin	53.32	58.89
Operating Profit Margin	29.52	35.51
Net profit Margin	23.46	28.64
Earnings Per Share	250	282

Figure 158: profit margins

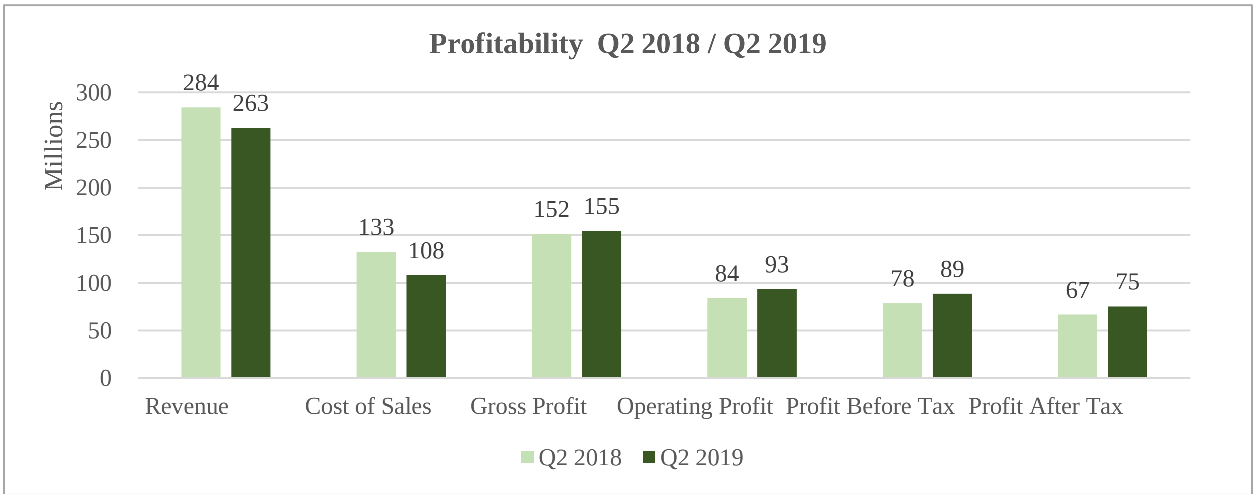


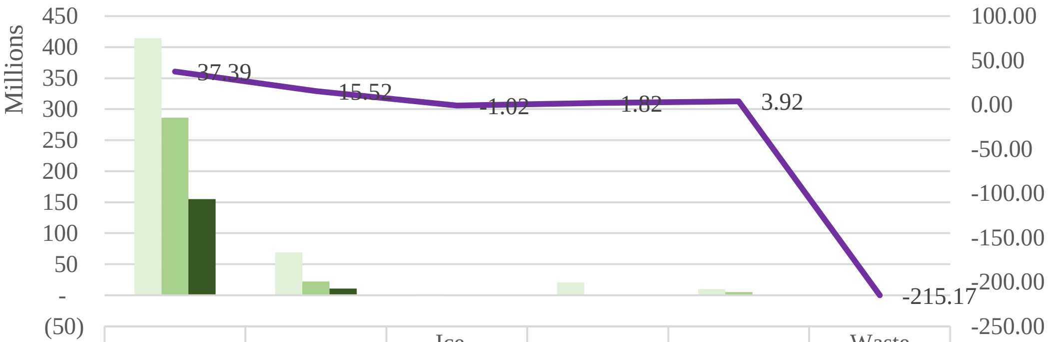
Figure 159: profitability chart

MWSC earns revenue mainly from the utilities. However, manufacturing (water), Ice manufacturing, projects, trading and waste management also contributes to their revenue. Compared to Q2 2018 revenue has fallen by 8% (by MVR 21.7 million)

While revenue reduced by 8% (MVR 21 million), direct costs reduced by 19% (MVR 24.7 million) which is greater than the level of decrease in revenue. Thus, the gross profit margin positively improved from 53.32% to 58.89% in Q2 2019.

Though administrative expenses increased by 16%, operating profit increased by 11% (a change of MVR 9 million) compared to the same quarter of the previous year.

Segmental Performance



	Utilities	Manufacturing	Ice - Manufacturing	External projects	Trading	Waste management
Revenue	414,487,322	69,285,391	1,604,093	20,500,823	9,782,609	344,200
Gross Profit	286,329,227	22,095,875	465,882	438,443	4,897,897	(508,071)
Net profit	154,976,106	10,755,753	(16,350)	372,677	383,850	(740,619)
Net profit Margin	37.39	15.52	-1.02	1.82	3.92	-215.17

Revenue Gross Profit Net profit Net profit Margin

Figure 160: Segmental Performance

When looking into the segmental performance, the core-activity of the company yields the highest revenue and net profit margin. During the quarter, Ice-manufacturing and waste management has net losses for the quarter. While Ice-manufacturing generates a revenue of MVR 1.6 million.

LIQUIDITY	Q2 2018	Q2 2019
Non-Current Assets	1,204,709,542	1,321,008,612
Current Ratio	1.00	1.18
Quick Ratio	0.62	0.88
Current Assets	630,647,982	934,461,567
Current Liabilities	631,038,008	792,469,221
Working Capital	(390,026)	141,992,346
Cash Ratio	0.21	0.40
Inventory	240,144,511	241,031,021

Figure 161: Working Capital

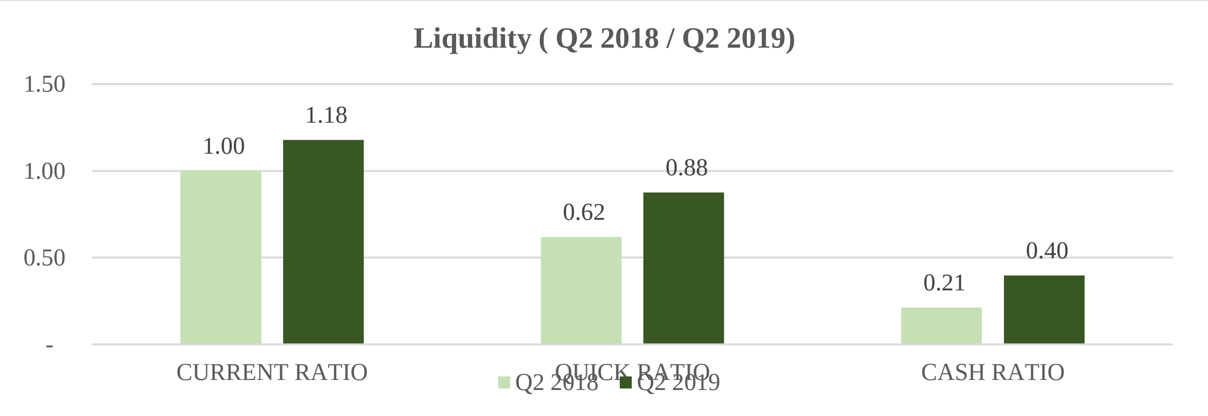


Figure 162: Liquidity Ratios

9.6% growth can be seen in the non-current assets compared to Q2 2018 due to increased operating assets.

When looking into the short term assets of inventories, receivables and cash holds the greatest potion holding 38%, 23% and 21% of the total current assets in Q2 2018. Total current assets increased by MVR 303.8 million due to the increased receivables and total cash position of the company. Cash level increased mainly due to inflow of proceeds of the borrowings (MVR 29.3 million)

Current liabilities increased less than the growth in the current assets. The payables mainly increased because of the dividend payable.

Thus, working capital of the company increased and company is in a position to settle the liabilities in the short term. However, as the inventory is not considered in quick ratio, the company is performing below the standard ratio of 1. The company holds a huge level of inventory.

Cash ratio of the company also improved during the quarter due to increased cash available after proceeds from borrowings. The company needs to generate more cash through the operations for a sustainable development.

LEVERAGE	Q2 2018	Q2 2019
DEBT-EQUITY	3.10	8.61
DEBT TO ASSETS	1.97	5.20
LONG TERM DEBT TO CAPITALIZATION	3.01	7.93

Figure 163: Leverage

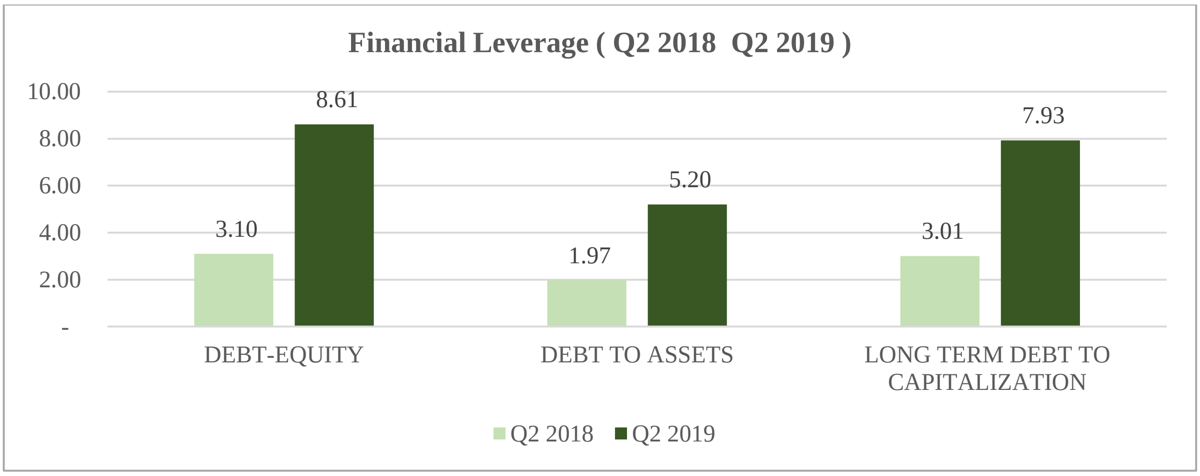


Figure 164: leverage Ratios

The company has high equity in the form of general reserves. They have the room to acquire higher debts which can be repaid through the operational funds. They also have capacity to acquire finances through their reserves.

Q1 of 2019 AND Q2 of 2019

PROFITABILITY	Q1/2019	Q2/2019	Change	%
Revenue	253,327,700	262,676,738	9,349,038	3.69%
Cost of Sales	94,291,276	107,993,910	13,702,634	14.53%
Gross Profit	159,036,424	154,682,829	(4,353,595)	-2.74%
Operating Profit	110,150,675	93,264,248	(16,886,427)	-15.33%
Profit Before Tax	106,476,976	88,501,163	(17,975,813)	-16.88%
Profit After Tax	90,505,429	75,225,988	(15,279,441)	-16.88%

Figure 165: profitability

Revenue increased by 3.69% compared to the previous quarter which is detailed below;

Revenue	Q1 2019	Q2 2019	Difference	% Change
Utilities	198,364,585	216,122,737	17,758,152	8.95
Manufacturing	33,852,557	35,432,834	1,580,277	4.67
Ice manufacturing	1,231,053	373,040	(858,013)	-69.70
Projects	14,536,547	5,964,275	(8,572,272)	-58.97
Trading	5,227,356	4,555,253	(672,103)	-12.86
Waste management	115,600	228,600	113,000	97.75
Total	253,327,698	262,676,739	9,349,041	3.69

Figure 166: Revenue

The main source of revenue is through utilities which increased by MVR 17.8 million compared to the last quarter. The segmental gross profit is illustrated by the following graph:

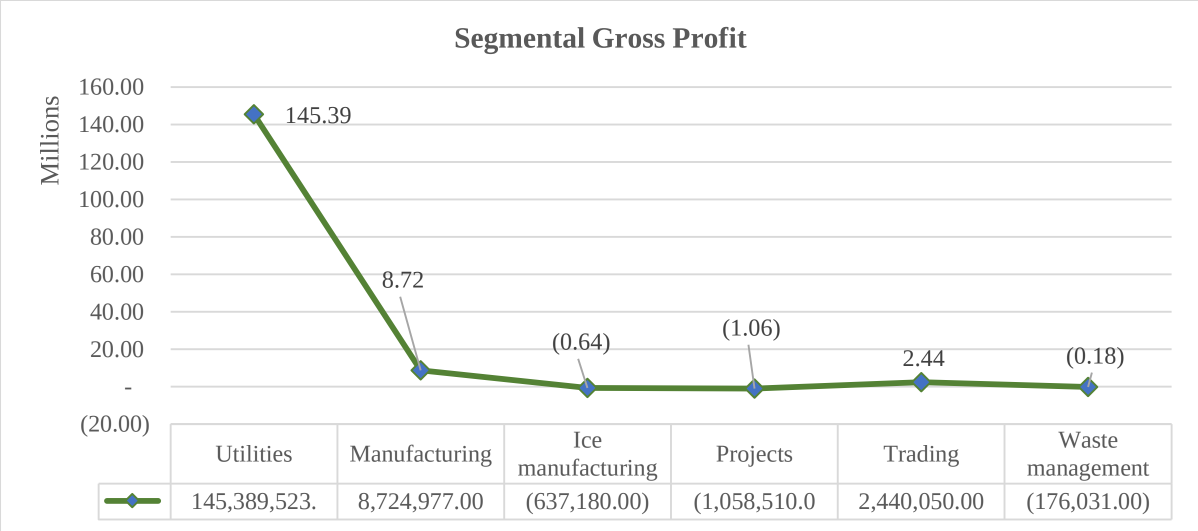


Figure 167: Segmental gross profit

MWSC earns highest gross profit from their core activity, utilities, which rose by MVR 4.4 million compared to the previous quarter. It is also important to note that the company has a loss from waste management due to high direct expenses in the segment.

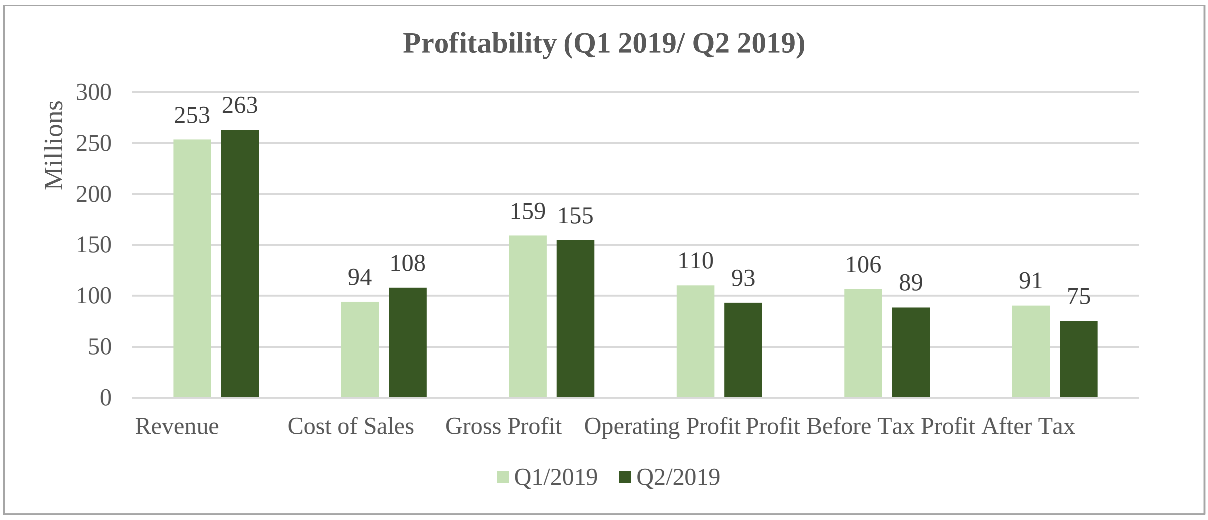


Figure 168: Profitability Chart

Operating profit and net profit reduced by 15% and 16% respectively. Administrative expenses increased by 60% compared to the last quarter mainly due to increase in Salary and bonuses and GST expenses also rose by MVR 10.9 million in the quarter.

Finance costs also increased by MVR 1.8 million after increased interest expenses for the loans taken by the company.

Figure 169: Working Capital

LIQUIDITY	Q1/2019	Q2/2019
Non-Current Assets	1,308,707,102	1,321,008,612
Current Ratio	1.51	1.18
Quick Ratio	1.09	0.88
Current Assets	868,161,575	934,461,567
Current Liabilities	574,388,781	792,469,221
Working Capital	293,772,794	141,992,346
Cash Ratio	0.50	0.40
Inventory	240,471,758	241,031,021

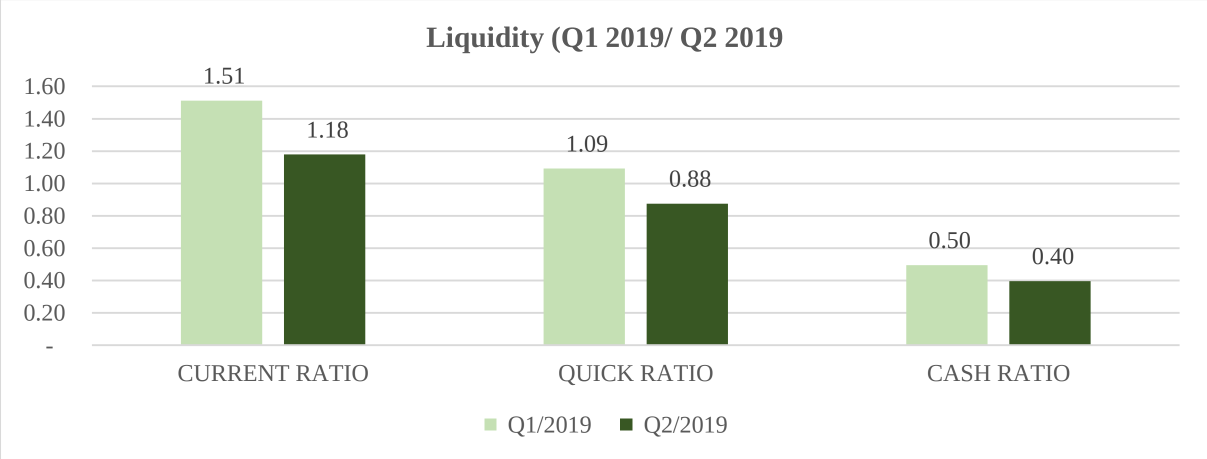


Figure 170: Liquidity ratios

Non-current assets increased by MVR 12 million.

Current assets increased by MVR 66 million compared to the previous quarter mainly after increase in trade debtors, advance payments and cash in hand at bank.

Short term liabilities also increased significantly by MVR 218 million compared to the previous quarter after increase in dividends payable by MVR 247 million.

Thus, liquidity position of the company deteriorated compared to the last quarter. Cash ratio also reduced due to greater payables in terms of dividend payable. When the liquidity ratios are below the standard, the company is likely to face liquidity problems struggling to back up the short-term debts with the available assets.

LEVERAGE	Q1 2019	Q2/2019
DEBT-EQUITY	6.50	8.61
DEBT TO ASSETS	4.57	5.20
CAPITALIZATION RATIO	6.10	7.93

Figure 171: leverage

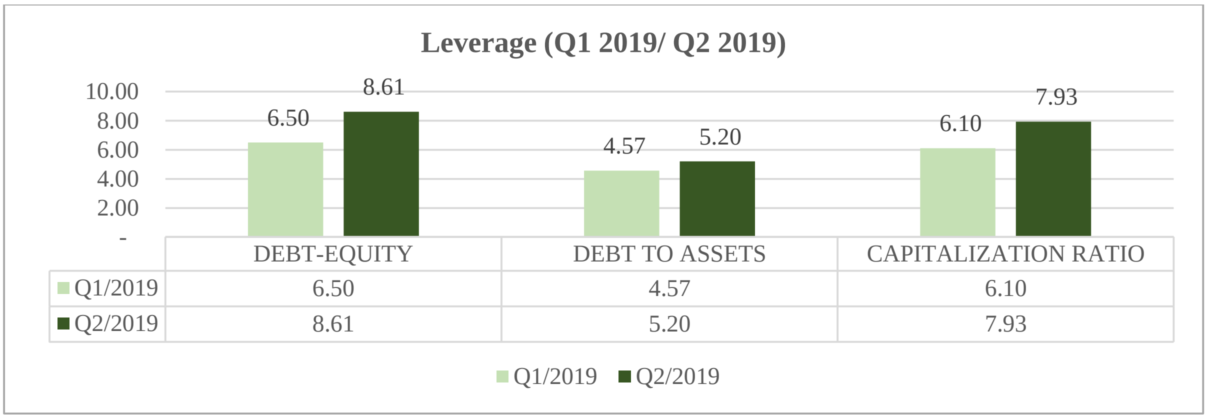


Figure 172: leverage Ratios

When referring to the gearing of the company in comparison to the previous quarter, debt to equity increased from 6.5% to 8.61%, while debt to assets also increased from 6.1% to 7.93% due to increased debts. However, the company has capacity to fund higher debt levels. The company has the capacity to repay the loans as they have high reserves.

Important Projects undertaken in the quarter (Q2 2019)

#	PROJECT NAME	START DATE	END DATE	PROJECT VALUE	COMPLETE VALUE (BILLED AMOUNT)	% COMPLETED
1	S. HITHADHOO N&S - D&B OF SEWERAGE SYSTEM	2016	2019	102,973,136	83,558,552	81%
2	GA.KOLAMAAUSHI WATER AND SEWERAGE	2016	2019	53,381,802	53,381,527	100%
3	MALE' - STORM WATER UPGRADING PHASE 4	2017	2019	12,215,710	6,718,641	55%
4	PROVISION OF WATER SUPPLY FACILITY - MILANDHOO	2017	2019	44,270,172	36,661,843	83%
5	PROVISION OF WATER SUPPLY FACILITY - UNGOOFAARU	2017	2019	38,707,211	32,806,858	85%
6	K.FUNADHOO SUPPLY & INST. OF SAND FILTERS	2017	2019	117,000	-	0%
7	HANIMAADHOO - PROVISION OF WATER SUPPLY FACILITIES	2017	2019	44,249,041	36,423,192	82%
8	HOARAFUSHI - PROVISION OF WATER SUPPLY FACILITIES	2017	2019	49,231,304	40,726,056	83%
9	MALE' - ROAD UPGRADING - CON OF PUMP WELL	2017	2019	6,831,240	3,757,182	55%
10	GURAIDHOO WATER EXTENSION WORKS	2018	2019	486,917	-	0%
11	RASDHOO - WATER PROJECT - 2018	2018	2019	26,841,361	7,089,597	26%
12	KURENDHOO - SEWERAGE PROJECT - 2018	2018	2019	29,401,919	-	0%
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%

MWSC invested in number of different projects worth MVR 409 million in the quarter of which MVR 301.4 million has been completed.

Conclusion

The overall performance of the company improved compared to Q2 2018, in terms of profitability and liquidity. However, when compared to the first quarter of the year, MWSC's performance has declined in terms of profitability. Though the revenue generated improved compared to the previous quarter, the profits have declined due to higher administrative expenses and high finance costs.

The company's leverage ratios are low compared to the asset base. They have the capacity to acquire more borrowings which the company has the capacity to repay. Also, the company has huge equity and are in a position to obtain equity financing for further operations.

Recommendation

- Reduce Expenditure:
  MWSC has reduced their expenditure such as marketing and administration. However, expenses need to be managed further and company has to work harder to win projects budgeted by the government.
- Reduce Receivables:
  Receivables has to be collected promptly within required period, to improve the cash position of the company. Mechanisms has to be set in such a way that MWSC can directly appeal to the ministry of finance which can directly intervene in the case of non-payment by government agencies.
- It is also important to supervise meters of all households regularly. Mechanical meters become more inaccurate due to wear and tear. This can result in meter malfunctioning and meter can record a wrong reading, which could reduce the revenue of the company.

Quarterly review; Quarter 2, 2019

MALDIVES PORTS LIMITED

MALDIVES PORTS LIMITED
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MPL/Q2

Q2 of 2018 AND Q2 of 2019

INCOME

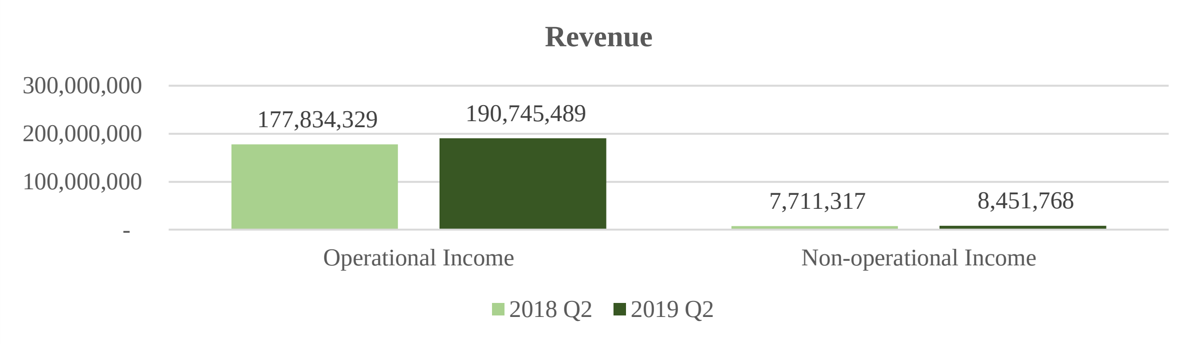


Figure 173: Revenue

Revenue for the second quarter of 2019 stood at MVR 190 million, an increase of MVR 13.6 million compared to the same quarter of last year. Both operational and non-operational income improved in 2019 Q2, compared to 2018 Q2. The remarkable increases were seen in handling, Wharfage, stovedoing, demurrage, vessel and vehicle hire charges and electricity charges.

PROFITABILITY

PROFITABILITY	2018 Q2	2019 Q2	Change	%
Revenue	185,545,646	199,197,257	13,651,611	7%
Cost of Sales	-	-	-	-
Gross Profit	185,545,646	199,197,257	13,651,611	7%
Operating Profit	52,488,502	38,614,388	(13,874,114)	-26%
Profit After Tax	42,922,042	31,062,685	(11,859,357)	-28%

Figure 174: Profitability

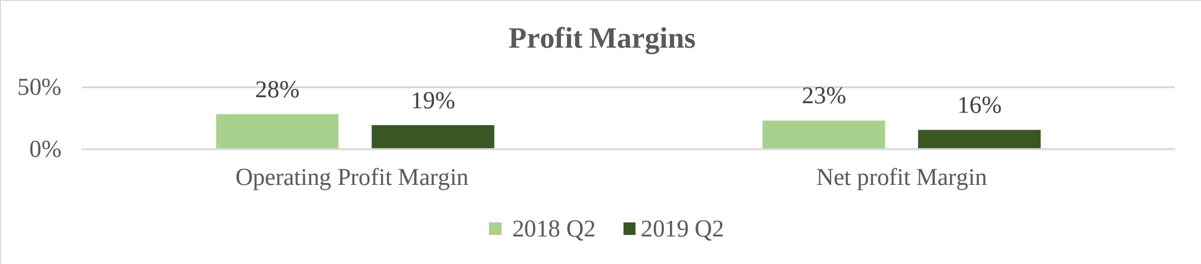
Although income has increased in 2019 Q2, operating profit of the company reduced due to higher payroll costs and depreciation. Increase in finance costs further reduced the net profit of PORTS.

The below table shows the variances in expenses in the company for the two quarters in review.

Expenses	2019 Q1	2019 Q2	Change	%
Operational costs	36,243,387	36,123,220	(120,167)	-0.3%
Payroll cost	82,854,576	105,067,151	22,212,575	26.8%
Depreciation	13,959,181	19,392,498	5,433,317	38.9%
Finance cost	1,991,982	2,070,053	78,071	3.9%
Total	**135,049,126**	**162,652,922**	**27,603,796**	**20%**

Figure 175: Expenses

As shown in the table the highest increment was recorded by payroll costs, this is due to a salary revision the allowances of the company increased in the second quarter of 2019. For instance, the daily allowance including food allowance increased from MVR 60 to 150 per day. Further, the service allowance also increased from MVR 35 to MVR 80 per day. As a result, total payroll costs increased by MVR 22 million compared to 2018 Q2.



As shown in the above table profit margins were affected by the increased operating costs in 2019 Q2.

LIQUIDITY

LIQUIDITY	2018 Q2	2019 Q2
Non-Current Assets	795,153,612	808,389,580
Current Assets	459,557,466	665,920,748
Current Liabilities	49,179,816	133,702,689
Working Capital	410,377,650	532,218,059
Inventory	52,570,581	275,670,158

Figure 176: Working Capital

Non-current assets of MPL has increased because of additions to property, plant and equipment. With short-term investments and increase in company's inventory, total current assets have also increased compared to 2018 Q2. The other two components of current assets i.e. receivables and cash balance has reduced. Conversely, the current liabilities have increased by MVR 84 million.

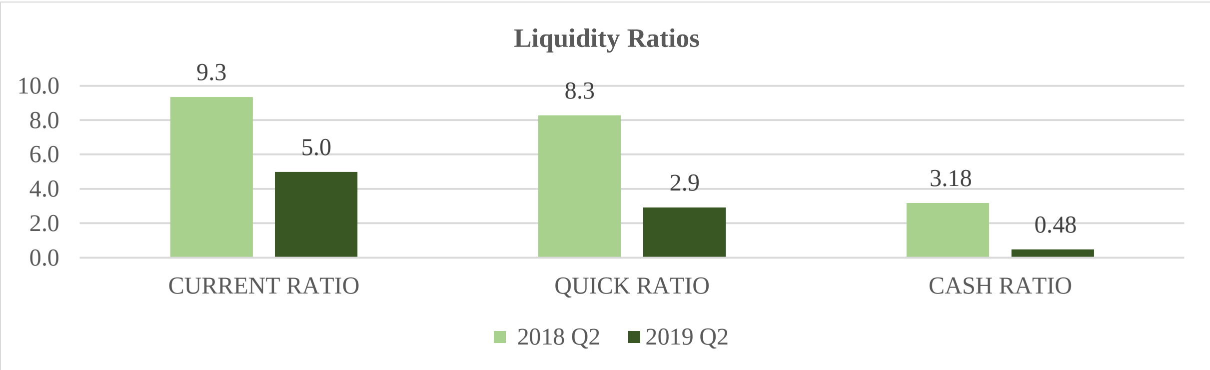


Figure 177: Liquidity Ratios

The 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 MPL indicates that company has enough current assets to settle the short-term obligation.

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. 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 growth in current liabilities were higher than that of its current assets, affecting both current and quick ratio in 2019 Q2.

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The cash ratio of MPL has significantly reduced due to the 41% fall in cash balance.

This ratio shows that company has very minimal amount of cash in comparison to the amount of current liabilities. 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.

LEVERAGE

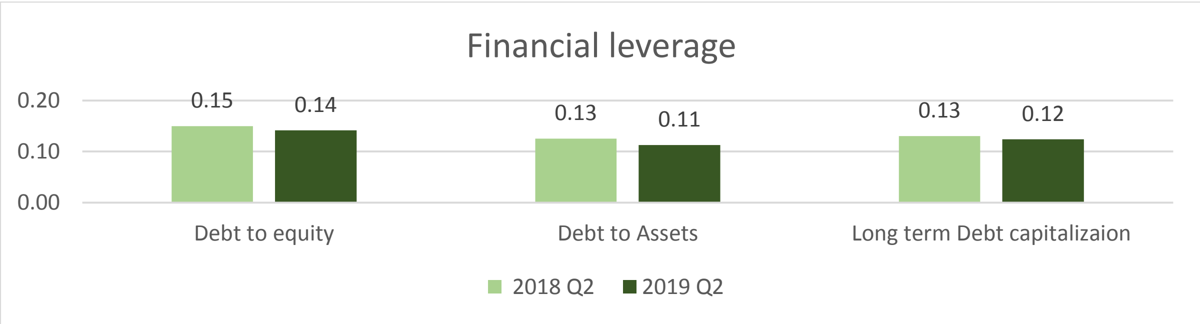


Figure 178: Financial Leverage

Debt to equity ratio illustrates the degree to which MPL is financing its operations through debts. Debt to equity ratio of MPL is relatively low, this indicates lower risk, because debt holders have less claims on the company's assets.

Debt to Assets ratio defines the total amount of debts relative to its assets. A ratio less than one means MPL owns more assets than liabilities and can meet its obligations by selling its assets if required. The lower the debt to asset ratio, the less risky the company is.

Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. PORTS have maintained a lower financial leverage ratio for the two quarters. 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.

Q1 of 2019 AND Q2 of 2019

REVENUE

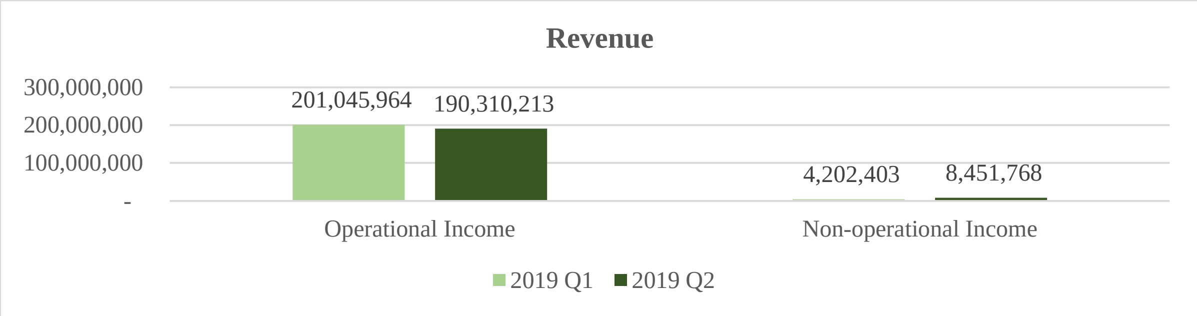


Figure 179: Revenue

Operational income of the company has significantly reduced by MVR 10 million, on the other hand non-operational income increased by over 100 percent from MVR 4 million to MVR 8 million compared to last quarter. Thus, the total revenue has recorded a reduction of 3 percent. The most notable fall was experienced by stevedoring, storage/demurrage and MRTD revenue segment. The increase in rent by MVR 3 million mainly contributed for the expansion in non-operational income.

PROFITABILITY

PROFITABILITY	2019 Q1	2019 Q2	Change	%
Revenue	205,259,868	199,197,257	(6,062,611)	-3%
Cost of Sales	-	-	-	
Gross Profit	205,259,868	199,197,257	(6,062,611)	-3%
Operating Profit	63,497,604	36,544,335	(26,953,269)	-42%
Profit After Tax	53,972,963	31,062,685	(22,910,278)	-42%

Figure 180: Profitability

A drastic fall of net profits were seen in the second quarter of 2019. This is due to reduction in revenue and increased in payroll costs of the company. The changes in the expenses of the company for the two quarters are shown in the below table.

Expenses	2019 Q1	2019 Q2	Change	%
Payroll costs	83,351,352	105,067,151	21,715,799	26%
Operational costs	36,424,305	36,123,220	(301,085)	-1%
Depreciation	19,392,498	19,392,498	-	-
Loan Interest	2,594,109	2,070,053	(524,056)	-20%
Total	**141,762,264**	**162,652,922**	**20,890,658**	**15%**

Figure 181: Expenses

As shown in the above table all the expenses except payroll costs has reduced in the second quarter. The payroll costs have increased by MVR 21 million, an increase of 26%, this is mainly due to salary revision as previously mention and due to Ramadan allowance and increase in overtime rate due to Ramadan.

The table below comprises of the most notable increased components in payroll expenses.

Payroll Costs	2019 Q1	2019 Q2	Change	%
Daily Allowance	8,081,570	29,887,361	21,805,791	270%
Ramadan Allowance		5,571,000	5,571,000	100%
Overtime	5,538,640	10,006,360	4,467,720	81%
Service Allowance	3,884,765	7,222,015	3,337,250	86%
Salaries	28,948,684	30,655,920	1,707,236	6%
Long Service & Prof Allowance	1,573,327	2,266,423	693,096	44%
Risk Allowance	4,925,770	5,606,660	680,890	14%
Staff Retrenchment	210,500	890,887	680,387	323%
Pension	1,935,486	2,071,839	136,353	7%
Fixed Allowance	1,581,197	1,659,158	77,961	5%

Figure 182: payroll Costs

As per the salary revision, the daily allowance including food allowance increased from MVR 60 to 150, resulting an increment of MVR 21.8 million in the second quarter. The increase in overtime is due to the higher OT rates in Ramadan. The service allowance was also increased from MVR 35 to MVR 38, resulting an increase of MVR 3.3 million. In addition, salaries increased mainly due to increase in number of staffs from 1906 in Q1 to 1934 in Q2 and Promotions granted to staffs.

LIQUIDITY

LIQUIDITY	2019 Q1	2019 Q2
Non-Current Assets	800,142,505	808,389,580
Current Assets	661,096,678	665,920,748
Current Liabilities	135,645,945	133,702,689
Working Capital	525,450,733	532,218,059
Inventory	246,809,427	275,670,158

Figure 183: Working Capital

Ports limited has acquired additional property, plant and equipment of MVR 8 million in the second quarter, expanding the non-current assets of the company. Although total current assets have a marginal increase there were significant changes in the components of current asset. Inventory and trade receivables were increased by MVR 28 million and 29.9 million respectively. On the other hand, cash and cash equivalents has reduced by MVR 54 million in the second quarter compared to the last quarter.
Trade and other receivables are the only component of current liability, and it has reduced by MVR 1.9 million, thus improving the working capital of the company.

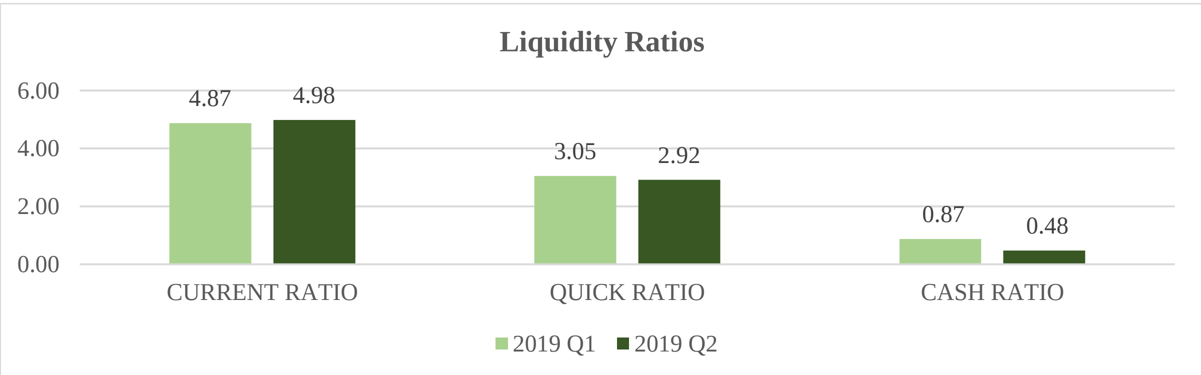


Figure 184: Liquidity Ratios

The current and quick ratio indicates that the company has the capability of settling its short-term obligations with the available current assets. However, it should be noted that the most significant component of current asset is inventory and trade and other receivables. The receivables of the company stand at 36% of total current assets and 121% of total revenue. If inventory and receivables are removed, the cash balance is not enough to cover company's current liabilities. However, the cash levels are also satisfactory for a large company like MPL with the ability to borrow in short time frame.

LEVERAGE

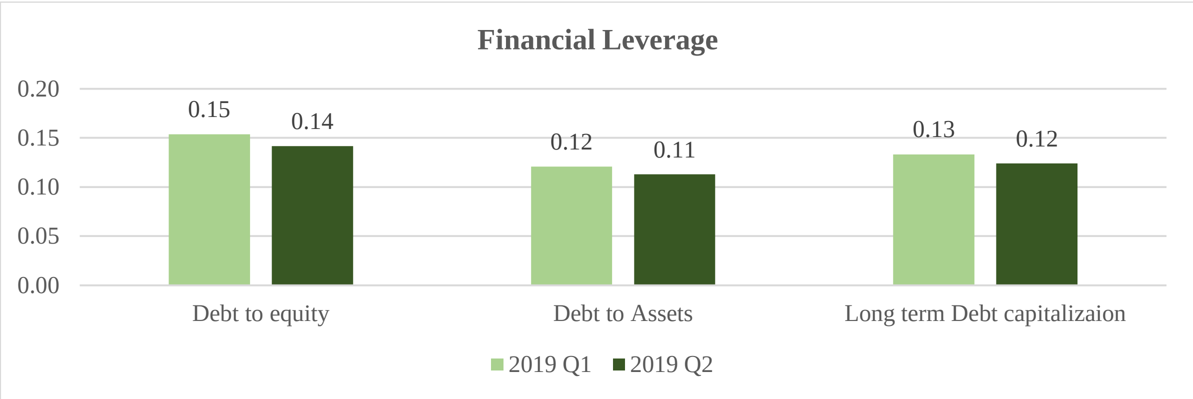


Figure 185: Financial leverage

The financial leverage of MPL is very low and it has marginally reduced in 2019 Q2 compared to the last quarter as MPL has repaid over MVR 10 million as loans and borrowings. Lenders and investors usually prefer low debt-to-equity ratios because their interests are better protected in the event of a business decline. Thus, with low debt-to-equity ratios MPL will be able to appeal additional capital if required.
Debt to Assets ratio of MPL is also relatively low, which illustrates the company has enough funds to meet its current debt obligations.

Debt Capitalization ratio has measured total amount of outstanding debt as a percentage of the MPL's total capitalization. Debt capitalization ratio is also almost same as the other two ratios.

CONCLUSION

Although revenue has increased in comparison to the same quarter of last year, the profits were deteriorated from the increased operational costs of the company. In addition, the revenue fell compared to the first quarter of 2019, and a drastic decline in profits were experienced because of high payroll expense.

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 the cashflow of the company.

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

RECOMMENDATION

- **Reduce operational expenses**
  To improve the downward trend in company's profitability, MPL should manage its overheads, specially the payroll related expenses. The revision of company's salary has resulted in a significant rise in the payroll in the costs.

- **Reduce receivable:**
  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.

- MPL has the capacity to invest in new projects. Thus, funds should be utilized in such a way that could yield a higher return.

Quarterly review; Quarter 2, 2019

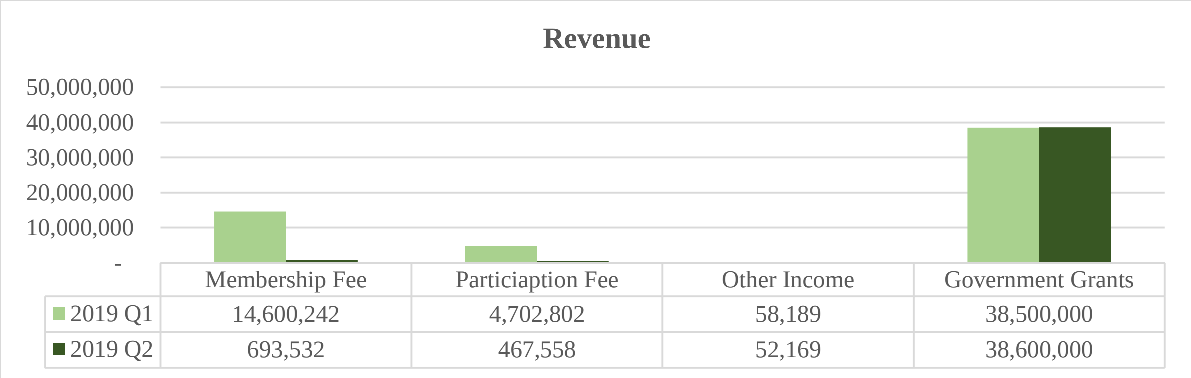
MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION

MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MMPRC/Q2

Q1 of 2019 AND Q2 of 2019

REVENUE



All the components of revenue were affected in the second quarter, recording a reduction of 31% compared to last quarter. MMPRC's main revenue is through advertising and marketing tourism to the outside World. In addition, the budget released from government is treated as a grant income, therefore the total revenue of the company is high, as such the total revenue stood at MVR 39 million in 2019 Q2.

PROFITABILITY

PROFITABILITY	2019 Q1	2019 Q2	Change	%
Revenue	57,861,233	39,813,259	(18,047,974)	-31%
Cost of Sales	20,160,451	17,331,529	(2,828,921)	-14%
Gross Profit	37,700,782	22,481,730	(15,219,053)	-40%
Operating Profit	35,738,826	19,701,220	(16,037,607)	-45%
Profit After Tax	34,326,485	19,701,220	(14,625,266)	-43%

In line with the revenue, the cost of sales has also reduced, however there are additional costs incurred as shown below.

Cost of Sales	2019 Q1	2019 Q2
Fair Participation Cost	18,918,381	10,146,373
Event Cost	139,320	80,075
Tourism PR Cost	1,102,749	837,601
Roadshow Participation Cost	-	1,829,650
Fam Tours	-	307,045
Advertising	-	1,554,923
Promotional Materials	-	2,575,862
Total	**20,160,450**	**17,331,529**

In the second quarter, MMPRC has conducted a total of 21 promotional activities, including 5 fairs, 3 road shows and 6 familiarization trips as well as other activities. The additional costs incurred are with related to these promotional activities.

In addition, the overheads and salaries and wages of the second quarter has recorded a significant growth compared to last quarter.

Detail	2019 Q1	2019 Q2	Change	%
Selling and marketing Costs	202,144	4,228	(197,916)	-98%
Salaries and Wages	1,344,267	1,580,353	236,086	18%
Overheads	415,545	1,195,929	780,384	188%

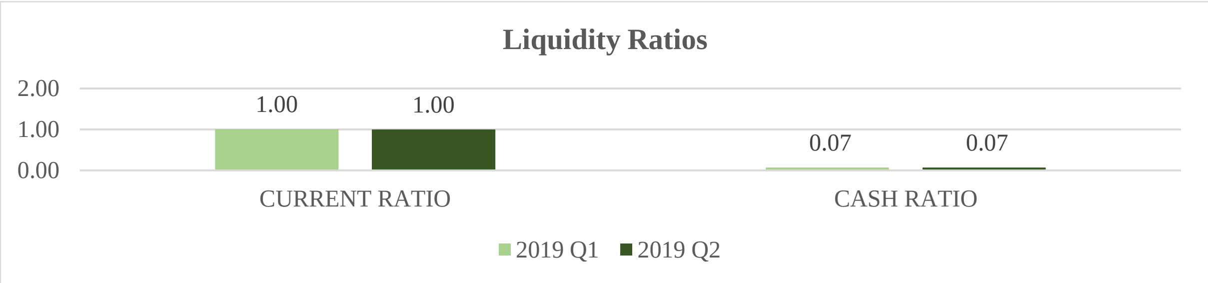
The total operating costs increased by MVR 818,554, a growth of 42%, leading to 45% reduction in operating profit of quarter.

Since most of the board members were appointed in late February 2019, board salaries are lower in first quarter compared to second quarter. Due to this salaries and wages are high in second quarter of 2019. Furthermore, MMPRC has moved to a new office building from May 2019 onwards, paying two months security deposit of MVR 339,240 and monthly rent of MVR 169,260, this has increased total overheads of the company.

LIQUIDITY

LIQUIDITY	2019 Q1	2019 Q2
Non-Current Assets	797,762	775,646
Current Assets	1,547,819,959	1,553,244,223
Current Liabilities	1,540,157,437	1,560,347,722
Working Capital	7,662,522	(7,103,498)

MMPRC has relatively low non-current assets and a marginal fall of MVR 22,116 recorded in the second quarter. The current assets consist of receivables and cash balance. Receivables has reduced by MVR 1 million, cash and cash equivalents on the other hand increased by MVR 6 million. Current liabilities of MMPRC grew significantly by MVR 20 million in just one quarter. As a result, the working capital position is negative.



Short-term liquidity position of MMPRC is not satisfactory as the current ratio is below one. Current ratio measures the ability of MMPRC to pay short-term obligations or those due within one year, and the ideal ratio is 2. A ratio of below 1 indicate that the company does not have enough assets to meet its short-term obligations if they were all due at once, therefore a higher risk of distress or default.

Cash ratio calculates ability to repay its short-term debt with cash or near-cash resources. MMPRC's cash balance is very low compared to its short-term liabilities, thus cash ratio is very low.

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

CONCLUSION

Revenue and profits of the quarter have deteriorated compared to last quarter, due to fall in revenue in all segments plus increase in operational costs. Nevertheless, a total of 21 operational activities were conducted during the second quarter of 2019, including 5 fairs, 3 road shows and 6 familiarization trips as well as other activities.

The short-term liquidity position of MMPRC is not satisfactory where the current ratio is lower than the ideal level, indicating short term liquidity problems and higher risk of default. In addition, MMPRC has considerable amount of trade receivables and payables, which will create cash flow problems.

RECOMMENDATION

- Reduce Payables:

It is important to build a strong relation with the suppliers for better terms. Further proper receivable collection will ultimately help in enhancing cash and thus reducing payables.

- Reduce receivables

MMPRC should also give consideration on improving the receivable collection in order to maintain a healthy liquidity position.

- Maintain revenue generation

The revenue of the quarter has reduced compared to last quarter, therefore MMPRC should formulate Strategic plans and regularly evaluate to improve and maintain the results.

Quarterly review; Quarter 2, 2019

MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC

MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MTCC/Q2

<u>Q2 of 2018 AND Q2 of 2019</u>

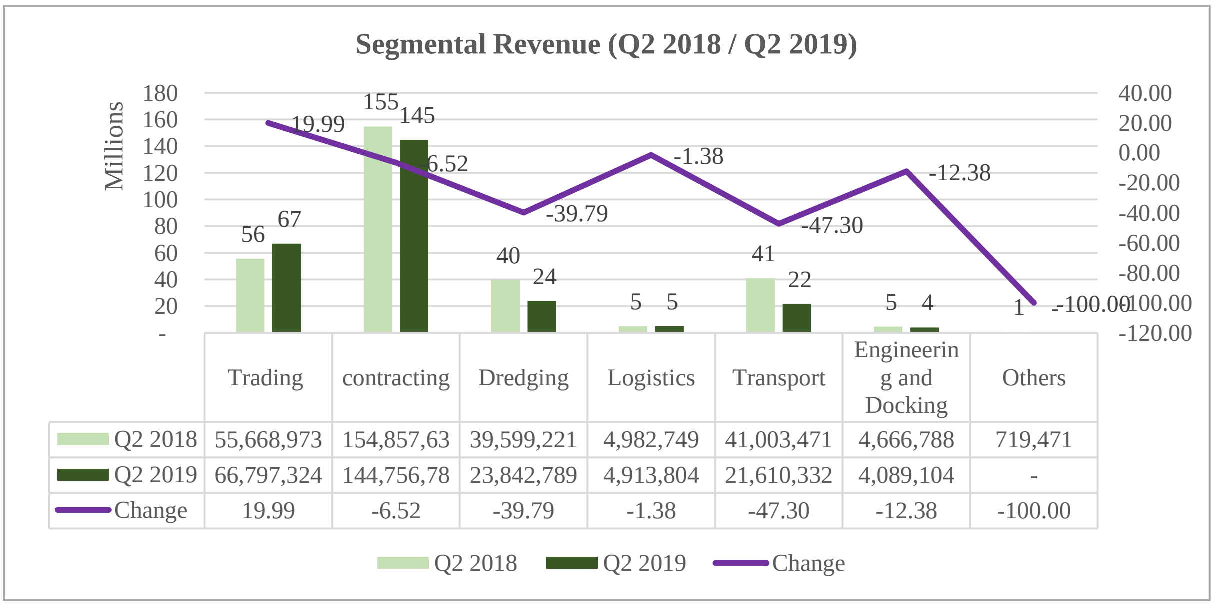
PROFITABILITY	Q2 2018	Q2 2019	Change	%
Revenue	301,498,307	266,010,142	(35,488,165)	(12)
Cost of Sales	(238,741,489)	(240,194,150)	1,452,661	1
Gross Profit	62,756,818	25,815,992	(36,940,826)	(59)
Operating Profit	27,823,529	(1,821,420)	(29,644,949)	(107)
Profit Before Tax	15,312,919	(13,466,810)	(28,779,729)	(188)
Profit After Tax	13,015,981	(14,214,114)	(27,230,095)	(209)

Figure 186: Profitability

	Q2 2018	Q2 2019
Gross Profit Margin	20.81	9.70
Operating Profit Margin	9.23	(0.68)
Net profit Margin	4.32	(5.34)
Earnings Per Share	1.62	(1.77)

Figure 187: Profit Margins

Revenue reduced by 12% compared to the same quarter of the previous year.



	Trading	contracting	Dredging	Logistics	Transport	Engineering and Docking	Others
Q2 2018	55,668,973	154,857,63	39,599,221	4,982,749	41,003,471	4,666,788	719,471
Q2 2019	66,797,324	144,756,78	23,842,789	4,913,804	21,610,332	4,089,104	-
Change	19.99	-6.52	-39.79	-1.38	-47.30	-12.38	-100.00

Figure 188: Segmental revenue

Revenue from all the departments fell except the trading. The highest revenue center recorded was generated through different contracts carried out by the company which fell by 6.52% (over MVR 10 million) compared to the same quarter of the previous year.

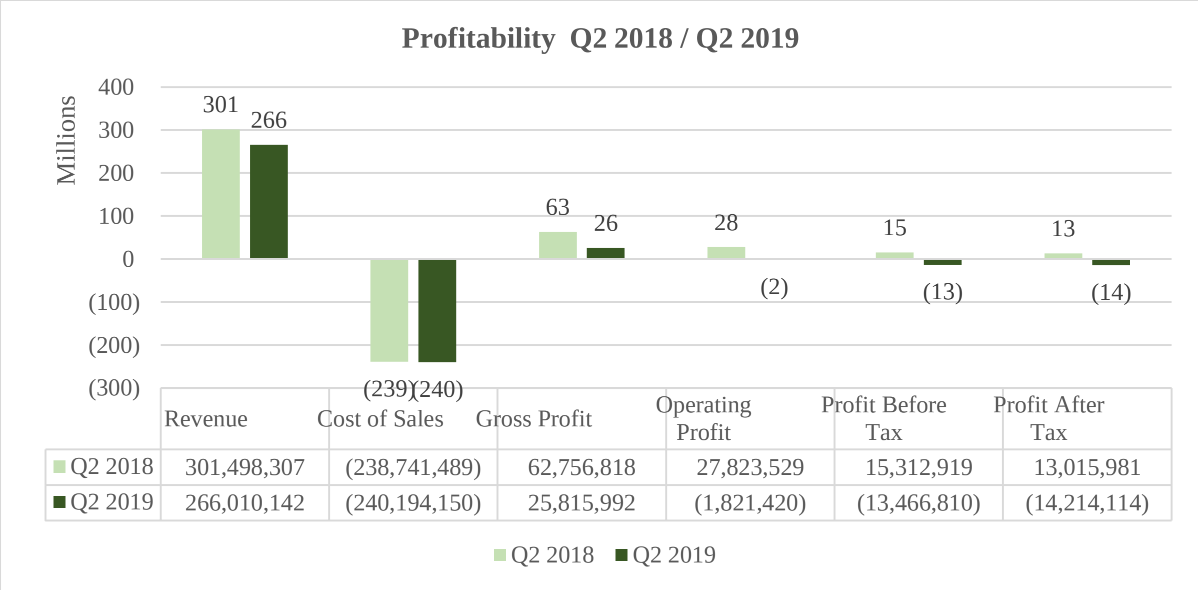


Figure 189: Profitability chart

Compared to Q2 2018 MTCC other expenses increased while other income fell by MVR 4 million other than revenue reduction which adversely affected profits. It is also important to note that MTCC has reduced its administrative expenses significantly by MVR 9.7 million (42%) compared to Q2 2018. The company has reduced expenses mainly from staff travelling expenses and training which reduced significantly compared to Q2 2018.

	Q2 2018	Q2 2019	Difference	% change
Selling and marketing costs	(2,290,446)	(2,160,743)	129,703	-5.66
Administrative expenses	(37,212,217)	(27,479,753)	9,732,464	-42.28
Other income	7,512,171	3,187,855	(4,324,316)	-57.56
Other expenses	(2,942,797)	(1,184,771)	1,758,026	-59.74
Finance costs	(12,510,610)	(11,645,390)	865,220	-6.92

Figure 190: Total Expenses

Though administrative expenses and other expenses reduced significantly over the period stated, the revenue reduction led to reduction of profitability ratios of the company. Gross profit margin reduced to 9.7% from 21% in Q2 2018 after revenue reduction along with rise in direct costs. Moreover, net profit margin also increased from 4% to negative 5% in Q2 2019.

LIQUIDITY	Q2 2018	Q2 2019
NON-CURRENT ASSETS	1,065,104,794	1,044,082,336
CURRENT RATIO	1.40	1.18
QUICK RATIO	1.08	0.90
CURRENT ASSETS	1,039,767,894	888,019,961
CURRENT LIABILITIES	744,288,089	754,292,683
WORKING CAPITAL	295,479,805	133,727,278
CASH RATIO	0.10	0.06
INVENTORY	237,036,730	212,795,745

Figure 191: Working Capital

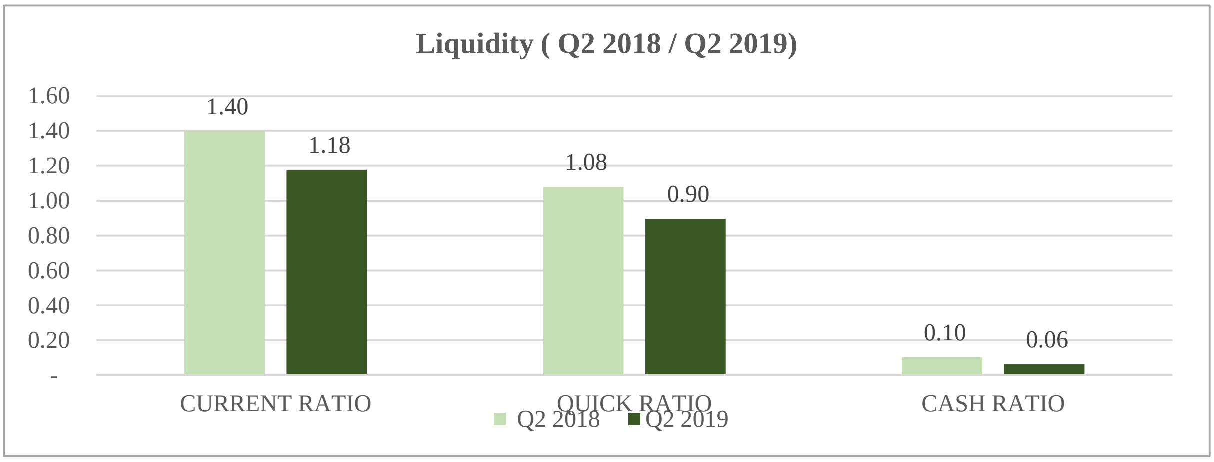


Figure 192: Liquidity ratios

Total value of Non-current assets decreased by 2% compared to Q2 2018. Intangible assets, deferred tax assets and long-term portion of trade receivables has however increased.

When looking into the current assets, the company has been able to recover 13% of its receivables (MVR 97 million) which will enhance the cash position. However, cash and cash equivalents fell by MVR 29 million because of repaying its debts and interest portion of the borrowings. Meanwhile the current liabilities increased by MVR 10 million contributing mainly from increased bank over drafts by MVR 12.8 million. This reduces the liquidity position of the company signaling them the threat of liquidity issues that might come up resulting from higher overdrafts and low liquid assets.

LEVERAGE	Q2 2018	Q2 2019
DEBT-EQUITY	69.28	69.95
DEBT TO ASSETS	32.81	31.69
LONG TERM DEBT TO CAPITALIZATION	40.93	41.16

Figure 193: leverage

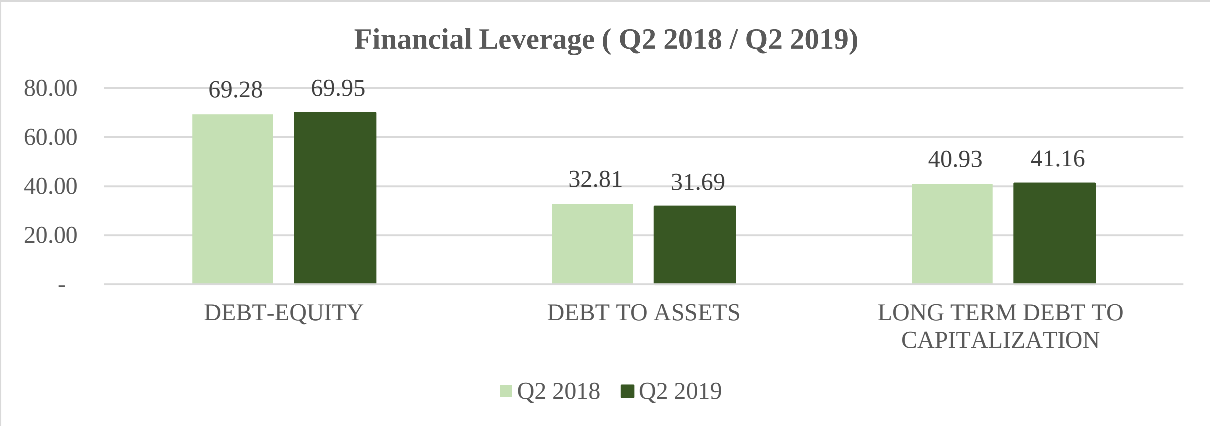


Figure 194: Leverage ratios

Total equity of the company fell compared to Q2 2018 mainly due to reduction in retained earnings. Hence the fall in leverage ratios does not boost the investor confidence, instead it reflects the deteriorating financial condition of the company, lacking the ability to pay the current debts in the future. The increasing trend in the ratios is alarming since the company is currently generating losses which would accumulate in the retained earnings. However, based on the current level of leverage, the company is in a position where assets can cover the debts.

Q1 of 2019 AND Q2 of 2019

PROFITABILITY	Q1/2019	Q2/2019	Change	%
Revenue	210,994,512	266,010,142	55,015,630	26.07%
Cost of Sales	(214,188,025)	(240,194,150)	(26,006,125)	12.14%
Gross Profit	(3,193,513)	25,815,992	29,009,505	908.39%
Operating Profit	(34,443,368)	(1,821,420)	32,621,948	94.71%
Profit Before Tax	(45,199,029)	(13,466,810)	31,732,219	70.21%
Profit After Tax	(45,199,029)	(14,214,114)	30,984,915	68.55%

Figure 195: Profitability

	Q1/2019	Q2/2019
Gross Profit Margin	-1.51	9.70
Operating Profit Margin	-16.32	-0.68
Net profit Margin	-21.42	-5.34
Earnings Per share	-5.62	-1.77

Figure 196: profit Margins

Compared to the previous quarter, MTCC has improved its revenue by MVR 55 million. Hence, the gross loss of the previous quarter has turned into a gross profit. Revenue has improved from all the business areas except dredging and transport as illustrated by the following graph.

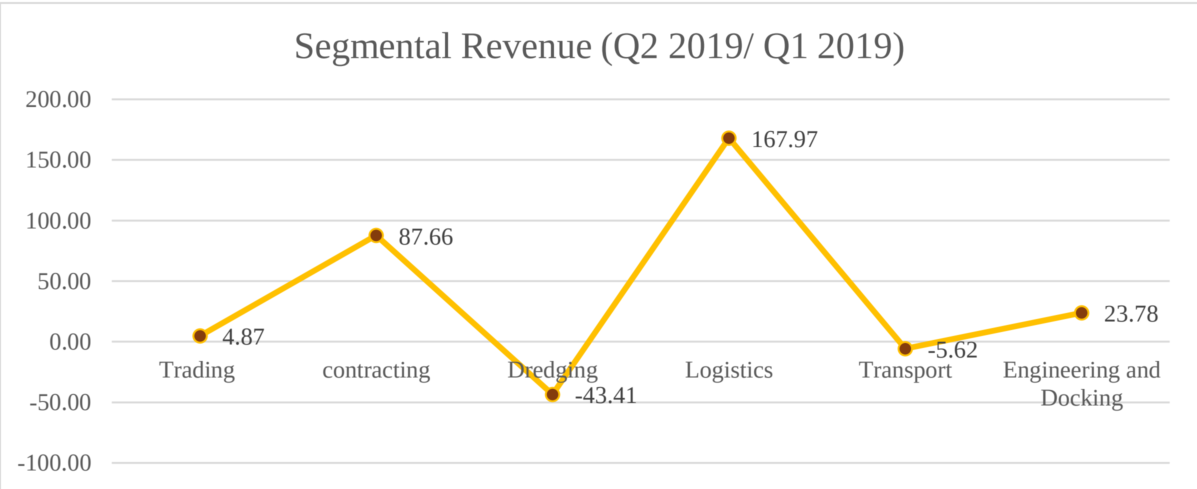


Figure 197: Segmental Revenue chart

When referring to segmental performance, revenue from transport segment fell significantly by MVR 1.2 million. While revenue fell, direct costs increased leading to additional MVR 9.8 million operational loss compared to the previous quarter. The highest profit margin is reported by the contracting department as such the loss in the previous quarter turned into a profit in Q2 2019 due to improved revenue. Furthermore, the company suffers a loss of over MVR 16 million from ‘other’ segment while they generate no revenue from that segment

Furthermore, MTCC has reduced its overheads such as selling and marketing costs and administrative expenses. The administrative expenses have been reduced significantly by MVR 2.2 million which minimized the operational loss of the company. This results in reduction of the huge loss faced by the company in the previous quarter.

LIQUIDITY

LIQUIDITY	Q1/2019	Q2/2019
Non-Current Assets	1,067,156,751	1,044,082,336
Current Ratio	1.19	1.18
Quick Ratio	0.89	0.90
Current Assets	823,333,680	888,019,961
Current Liabilities	691,993,706	754,292,683
Working Capital	131,339,974	133,727,278
Cash Ratio	0.03	0.06
Inventory	204,572,647	212,795,745

Figure 198: Working Capital

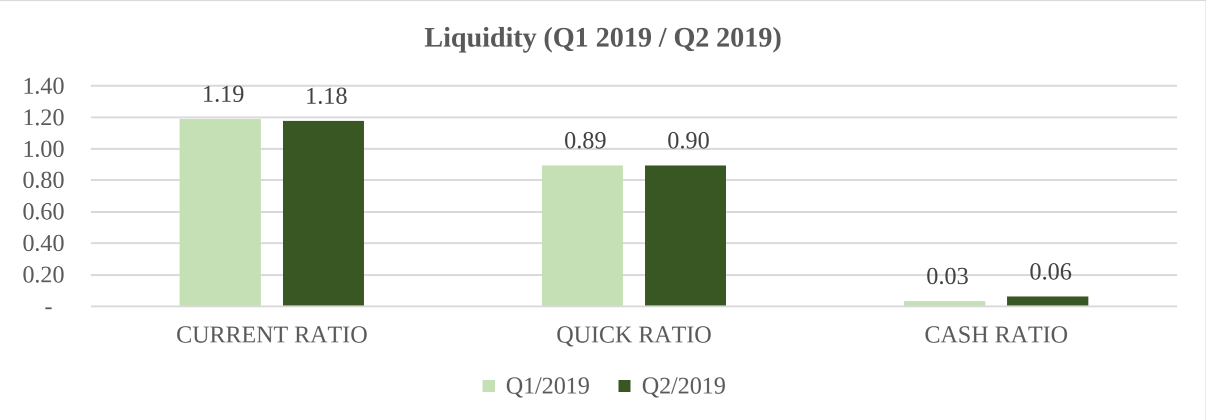


Figure 199: Liquidity ratios

Non-current assets reduced by MVR 23 million (2%), mainly due to reduction of Property, Plant and Equipment after depreciation.

Total value of current assets increased by MVR 65 million. Trade receivables increased by MVR 33 million while cash and cash equivalents also increased by MVR 23 million since the quarter began. On the contrary, current liabilities increased by MVR 62 million due to increased payables. Holding the payables also added to the cash flow of the company. However, bank overdraft increased to MVR 13 million in the quarter. The liquidity ratios stood at the similar levels as previous quarter since current assets and current liabilities increased proportionately.

LEVERAGE	Q1/2019	Q2/2019
DEBT-EQUITY	69.76	69.95
DEBT TO ASSETS	32.82	31.69
CAPITALIZATION RATIO	41.09	41.16

Figure 200: Leverage

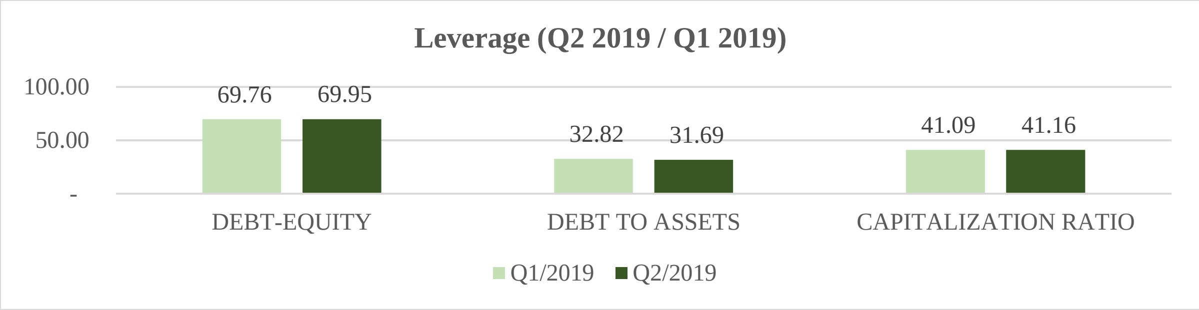


Figure 201: Leverage Ratios

The borrowings of the company are quite significant and the loss in the quarters lead to deteriorating equity. The slight increase in gearing ratio over the comparable period does not reflect the boost in investor confidence. The ability of paying back the debts reduces with the reduced profitability. MTCC paid MVR 15 million as interest on borrowings and had spent MVR 8 million in repayment of debts in Q2 2019.

Important Projects undertaken in the quarter

During the 2nd Quarter 2019, MTCC carried out a total of 33 construction projects (22 construction projects in Q1 2019) out of which 2 projects were successfully completed. Four new projects were started during the quarter while 13 new projects were awarded. MTCC also carried out a total of 04 dredging, reclamation and other projects, including; Land Reclamation of Maavaru Lagoon, Land Reclamation and Shore Protection of K. Thilafushi Project, Gdh. Faresmaathoda Land Reclamation and Shore Protection, Land Reclamation and Shore Protection of Ha. Hoarafushi, K.Hura Land Reclamation & Shore Protection, and Sawmill Relocation Project.

The public transport reach was further extended during the quarter with additional ferry routes between certain islands.

Employment

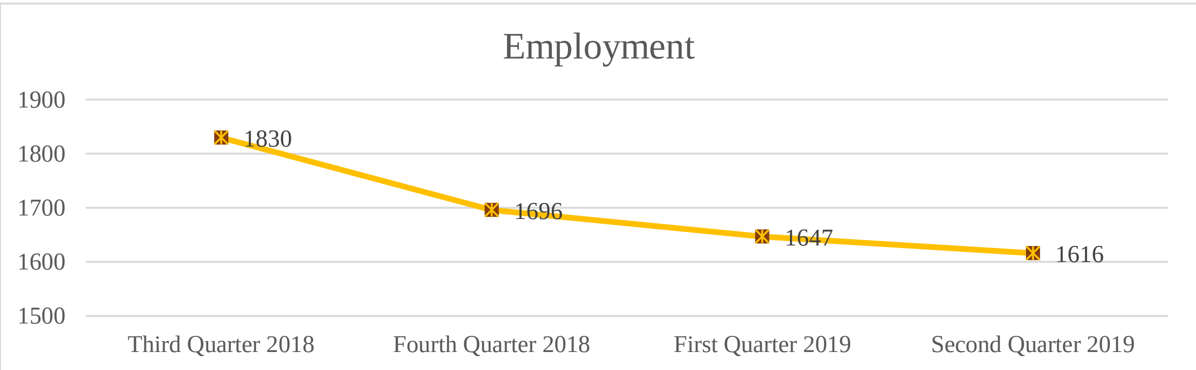


Figure 202: Employment

Number of employees reduced due to drop in number of construction projects and due to reduction of scheduled Hulhumale' ferry services with the opening of China-Maldives Friendship Bridge. The number of employees shows decreasing trend commencing from the third quarter of 2018.

Conclusion

During Q1 2019, profitability of the company declined drastically, and the company started to make losses due to significant decline in revenue. However, in Q2 2019 the company generated revenue which was higher than the previous quarter. Out of 6 loss making segments, 2 segments (Contracting and dredging) improved its business operation reaching from a loss after tax to profit after tax over the comparable period. The loss of revenue from transport is due to commencement of Sinamale' bridge. It is important to note that due to the loss in transport segment, the company is showing a loss after tax. However the company starting some of the ferry routes to the atolls through transport segment is not currently helping to its profitability.

MTCC is in a satisfactory liquidity position to set off the current liabilities. Nevertheless, their receivables have increased (by 5.6%) while payables increased by 15.7% which added to their cash flow and shows increased trend compared to the previous quarter. Payables increasing more than the level if increase in receivables might be a cash flow advantage in the short run. But in the long-term increasing both compared to revenue could be worrying.

Recommendation

- Increase revenue:
  Strategic decisions need to be made to streamline the areas which could generate higher revenue. Quick actions need to be taken regarding the revenue as loss of revenue will halt the business development which might become a threat in the near future. The management of the company needs to negotiate with the government to obtain more projects.
- Maintain margins at a desired level;
  The company is not sustainable on the revenue and cost relationship it has now. The increase in costs is far more than the increase in revenue. Therefore, the company needs to manage the costs and price the projects with an adequate margin.
- Reduce finance costs and proper planning:
  Proper mechanisms have to be set to review the interest rates on the borrowed funds and minimize the borrowings. Finance costs should be considered when pricing the projects on an aggregate basis. And projects must to be evaluated individually to ensure whether the right combination or right financial model is used.
- Improve overall liquidity position:
  The company's receivables have increased by 5.6% while payables increased by 15.7%. In long-term increasing both receivables and payables compared to revenue could be alarming. Thus, company need to set off payables and collect receivables more promptly.

Quarterly review; Quarter 2, 2019

MALDIVES TOURISM DEVELOPMENT CORPORATION

MALDIVES TOURISM DEVELOPMENT CORPORATION
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MTDC/Q2

Q2 of 2018 AND Q2 of 2019

PROFITABILITY

PROFITABILITY	2018 Q2	2019 Q2	Change	%
Revenue	17,071,590	17,301,548	229,958	1%
Cost of Sales	7,334,970	7,334,970	-	
Gross Profit	9,736,620	9,966,578	229,958	2%
Operating Profit	6,651,124	7,295,557	644,433	10%
Profit After Tax	5,672,201	6,303,418	631,218	11%

Figure 203: Profitability

The only source of revenue for the company is sub leasing the islands leased by government of Maldives and compared to the same quarter of last year revenue has recorded a marginal growth of one percent. The increase in revenue is not caused by an increase in available portfolio of islands of MTDC. Currently MTDC is undergoing three resort development projects. Direct costs of these remained same, improving the gross profit. In addition, operating profit has also seen a 10% increase due to a reduction in administrative costs.

LIQUIDITY

LIQUIDITY	2018 Q2	2019 Q2
Non-Current Assets	375,030,128	677,916,584
Current Assets	343,918,305	52,591,606
Current Liabilities	206,080,621	207,467,095
Working Capital	137,837,684	(154,875,489)

Figure 204: working Capital

Non-Current assets has seen a significant growth of over MVR 308 million. This is because Naagoshi island head lease right previously classified as non-current asset held for sale (current asset) changed its classification to investment property. Consequently, the current assets have reduced by the same. As a result, MTDC has negative working capital in 2019 Q2. However, the cash and cash equivalents has increased by MVR 21 million compared to 2018 Q2.

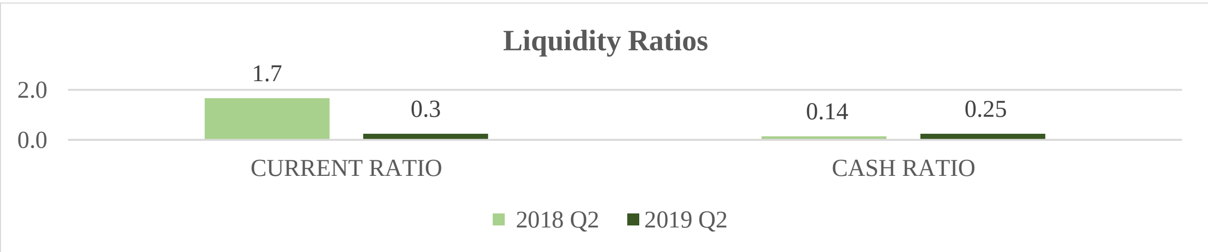


Figure 205: Liquidity Ratios

Due to reduction of current assets, current ratio of the company has deteriorated. It indicates that MTDS's short term liquidity position is very critical since the company does not have short term funds to settle its trade and other payables. In 2018 Q2, the current ratio looks high due to the asset held for sale, if it is removed, the current ratio drops to 0.17.

Cash ratio calculates company's ability to repay its short-term debt with cash and cash equivalents. As per the above chart, only 25% of current liabilities are covered by company's cash balance. At the end of 2019 Q2, MTDC has current liabilities of MVR 207 million, while the cash balance is only MVR 51 million.

Q1 of 2019 AND Q2 of 2019

PROFITABILITY

PROFITABILITY	2019 Q1	2019 Q2	Change	%
Revenue	17,301,548	17,301,548	-	-
Cost of Sales	7,334,970	7,334,970	-	-
Gross Profit	9,966,578	9,966,578	-	-
Operating Profit	6,662,766	7,295,557	632,791	9%
Profit After Tax	5,670,628	6,303,418	632,791	9%

Figure 206: Profitability

MTDC's revenue and costs of sales remained unchanged for the first two quarters of 2019. Thus, gross profit is unchanged. Nevertheless, due to reduction of administrative expenses, operating profit and net profit has improved by 9%.

LIQUIDITY

LIQUIDITY	2019 Q1	2019 Q2
Non-Current Assets	682,170,361	677,916,584
Current Assets	45,327,183	52,591,606
Current Liabilities	207,100,808	207,467,095
Working Capital	342,677,334	342,677,334

Figure 207: Working Capital

Non-current assets dropped due to reduction in sub lease rent equalization and a disposal of non-current assets. Current assets on the other hand has increased mainly in terms of cash and cash equivalents by MVR 7.8 million.

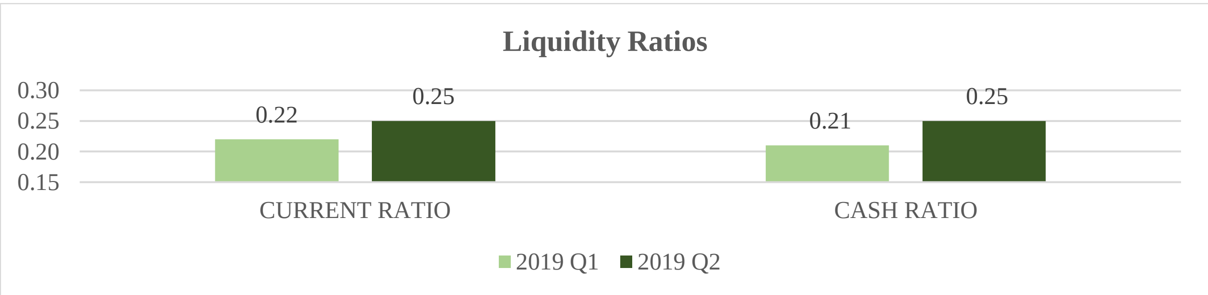


Figure 208: Liquidity Ratios

Although there is a marginal improvement in both the ratios, the liquidity ratios of MTDC indicates short term financial difficulties in the company. Trade and other payables are the only current liability; however, it exceeds the current assets of the company. In addition, the cash ratio of MTDC is also very low, indicating that cash balance is relatively low compared to short term liabilities.

CONCLUSION

The revenue of the company in 2019 Q2 is same as the previous quarter and increased by 1% compared to the same quarter of last year. The company has created savings by managing their administrative expenses compared to last quarters leading to improvement in profits during the period.

Short term liquidity position of MTDC is not at satisfactory level as their current liabilities exceed its current assets. MTDC's both receivables and payables has increased by MVR 364,822 and MVR 366,287 respectively compared to last quarter.

RECOMMENDATION

- Increase business Operations:

MTDC need to consider the current business model and evaluate the parties it chooses to sub lease the islands more carefully as the company has significant receivable due to a default by a sub leased party.

- Reduced Expenses

MTDC must find ways to improve revenue and reduce operational expenses to a minimum level. Thereby, improving returns on equity and being able to offer a decent return to the shareholders.

- Further reduce receivables and Payables:

MTDC should further reduce payables by settling the creditors and reduce receivables through faster resolution of the case pending on the sub lease of the islands in order to improve overall liquidity. The company need to collect as per the agreement if not take necessary actions without any delay.

Quarterly review; Quarter 2, 2019

PUBLIC SERVICE MEDIA

PUBLIC SERVICE MEDIA
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/PSM/Q2

Q1 of 2019 to Q2 of 2019

REVENUE

The revenue of the company has declined by MVR 13 million compared to last quarter, due to fall in revenue in almost half of the revenue segments.

Revenue	2019 Q1	2019 Q2	Change	%
Advertisement	987,558	1,494,738	507,181	51%
News Sponsorship	240,904	370,675	129,771	54%
SMS	9,824	122,924	113,100	1151%
Announcement	505,780	614,460	108,680	21%
Training Income	83,100	110,720	27,620	33%
Production Income	47,800	61,040	13,240	28%
Archive Materials	12,429	18,714	6,285	51%
Video Link	35,050	9,000	(26,050)	-74%
Other Income	425,577	360,630	(64,947)	-15%
Cable TV Income	151,677	83,933	(67,744)	-45%
Satellite Uplink	235,962	154,046	(81,916)	-35%
Rentals	129,440	8,000	(121,440)	-94%
Program Sponsorship	2,919,860	2,703,506	(216,354)	-7%
Airtime	383,425	133,490	(249,935)	-65%
Government grant	30,000,000	16,600,000	(13,400,000)	-45%
Total	**36,168,386**	**22,845,876**	**(13,322,510)**	**-37%**

Figure 209: Revenue

The most significant decline was experienced by government grant, this is the budget released by the government for each quarter. In addition, Airtime revenue and program Sponsorship revenue has also reduced by MVR 249,935 and MVR 216,354.

PROFITABILITY

PROFITABILITY	2019 Q1	2019 Q2	Change	%
Revenue	36,168,386	22,845,876	(13,322,510)	-37%
Cost of Sales	51,296,805	23,310,301	(27,986,504)	-55%
Gross Profit/(Loss)	(15,128,420)	(464,425)	14,663,995	-97%
Operating Profit/(Loss)	(30,557,463)	(14,772,012)	15,785,451	-52%
Profit/(Loss) After Tax	(30,623,760)	(14,880,010)	15,743,750	-51%

Figure 210: Profitability

PSM is unable to make a gross profit from their operation, however, the gross loss has reduced because of the fall in cost of sales. The below table consists of the main direct costs which were considerably changed from quarter one to quarter two of 2019.

Cost of Sales	2019 Q1	2019 Q2	Change	%
Retirement Pension Scheme	355,277	2,461,414	2,106,137	593%
Ramazan Allowance	-	1,127,460	1,127,460	-
Redundancy Package	210	539,147	538,937	256636%
Spokes Person Allowance	1,500	420,187	418,687	27912%
Trav & Accom - Local Air	24,229	317,090	292,861	1209%
Program Sets Making & Outsource	131,472	281,393	149,921	114%
Drama, Report and Script writ	6,300	139,300	133,000	2111%
Adu alha Allowance	2,573	102,250	99,677	3874%
Music Making and Composing	5,000	74,380	69,380	1388%
Production Payroll - Other	3,010	62,700	59,690	1983%
Awards	1,500	58,900	57,400	3827%
Costumes, Making & Outsourcing	21,000	71,430	50,430	240%
Technical and Professional Co	30,000,000	92,520	(29,907,480)	-100%

Figure 211: Cost of Sales

In addition, administrative expenses of the company have reduced by MVR 1.4 million, on the other hand operating costs increased by 5% compared to last quarter.

Overheads	2019 Q1	2019 Q2	Change	%
Administrative Costs	8,469,699	6,974,568	(1,495,131)	-18%
Other Operating Costs	6,959,344	7,333,019	373,674	5%
Total	**15,429,044**	**14,307,587**	**(1,121,457)**	**-12%**

Figure 212: Overheads

Total overheads of the company stand at 63% of PSM's revenue. While revenue declined by 37%, total overheads have reduced by 12% compared to last quarter. Thus, operating loss has reduced from MVR 30 million to MVR 14.8 million in the second quarter of 2019. Further, a marginal increase in finance costs were seen in 2019 Q2.

LIQUIDITY

LIQUIDITY	2019 Q1	2019 Q2
Non-Current Assets	594,315,154	594,785,613
Current Assets	13,561,144	5,953,748
Current Liabilities	93,285,652	101,344,690
Working Capital	(79,724,507)	(95,390,942)

Figure 213: Working Capital

PSM has acquired additional property plant and equipment worth of MVR 470,459 during the second quarter, resulting an increment in the non-current asset of the company. Conversely, the current assets have reduced significantly due to reduction in company's cash balance. It must be noted that PSM has overdrawn its bank balance by over MVR 9 million. Current liabilities have also jumped from MVR 93 million to MVR 101 million, worsening the working capital position of the company.

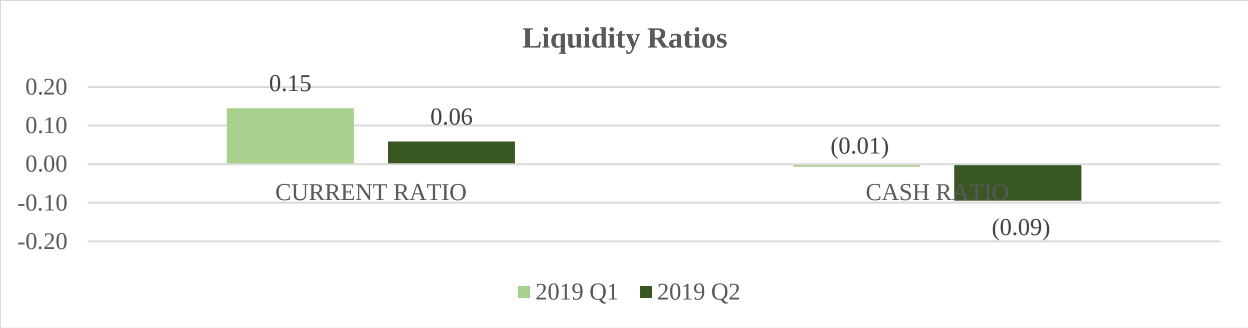


Figure 214: Liquidity Ratios

The 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 PSM indicates that company does not have enough current assets to settle the short-term obligation.

The cash ratio is almost like an indicator of a firm's value under the worst-case scenario—say, where the company is about to go out of business. It tells creditors and analysts what percentage of the company's current liabilities could be covered by cash and near-cash assets. Therefore, with a negative cash ratio PSM will not be able to attract any creditors.

Government has injected cash worth over MVR 30 million in the first quarter and MVR 16.6 million in the second quarter of 2019. The company was not able to generate enough revenue to meet its daily obligations and hence depends purely on shareholder assistance.

CONCLUSION

The financial results of second quarter of 2019 has deteriorated when compared to quarter one. Though cost of sales recorded a significant fall, the company was unable to make a gross profit. The accumulated losses are growing quarter by quarter since PSM does not make a profit.

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 which have been difficult to collect. Necessary measures need to be taken by the company for receivable collection. The company does not generate enough revenue to sustainably operate without shareholder assistance. In addition, they have overdrawn their bank account by over MVR 9 million.

The company incurred finance costs because of debts taken worth MVR 80 million which they are struggling to repay.

RECOMMENDATIONS

- Reduce Payables:

It is important to build a strong relation with the suppliers for better terms. Further proper receivable collection will ultimately help in enhancing cash and thus reducing payables.

- Reduce receivables

PSM should also give consideration on improving the receivable collection in order to maintain a healthy liquidity position.

- Build a self-sustainable business Model:

PSM should develop a self-sustainable business model where they can formulate strategies to improve revenue and minimize costs to enhance profitability. Furthermore, they can formulate strategies 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.

- Reduce number of staff and labor costs quickly.

The number of staffs need to be maintained in an optimum level since over staffs increases the costs of the company immensely in a situation where company is in under pressure of making continues operating loss and debt repayment.

Quarterly review; Quarter 2, 2019

SME DEVELOPMENT FINANCE CORPORATION

Q1 of 2019 and Q2 of 2019

PROFITABILITY	Q1 2019	Q2 2019	Difference	%
REVENUE	-	642,731	642,731	-
COST OF SALES	-	-	-	-
GROSS PROFIT	-	642,731	642,731	-
DEPRECIATION	8,506	33,048	24,542	288.53
PROVISIONS FOR LOAN LOSSES	-	22,173	22,173	-
ADMINISTRATIVE COSTS	245,875	830,810	584,935	237.90
OTHER OPERATING EXPENSES	305,698	503,243	197,545	64.62
OPERATING PROFIT	(560,079)	(746,543)	(186,464)	-33.29
NET PROFIT	(560,079)	(746,543)	(186,464)	-33.29

Figure 215: Profitability

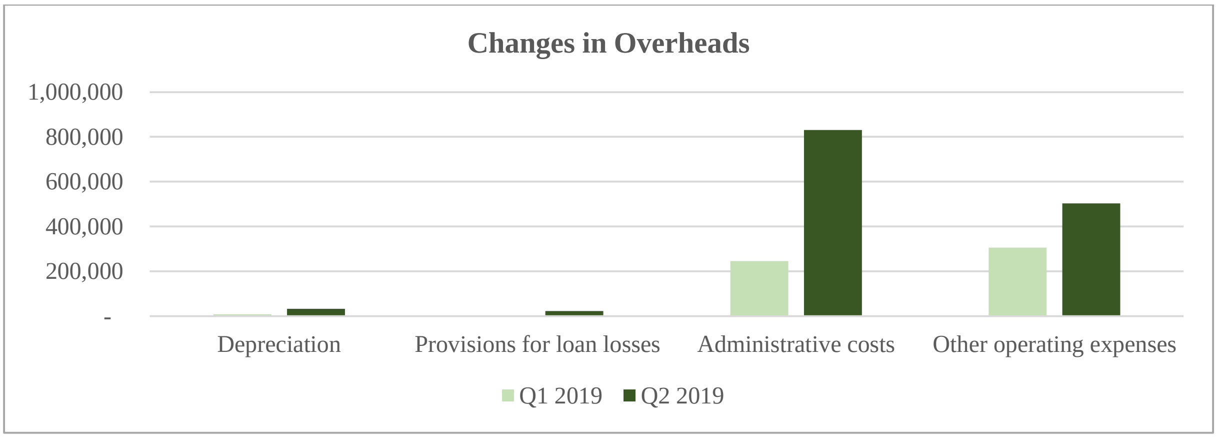


Figure 216: Overheads

SME Development Finance Corporation (SDFC) was established by the government as a specialized financial institution providing financial products and ancillary services to SMEs and entrepreneurial start-ups with the primary purpose of easing access to finance for SMEs.

SDFC started issuing finances to the public in the second quarter receiving a revenue of MVR 642,730 as interest income, investment income and fees and commission income.

When looking into the expense pattern, depreciation expenses increased as a result of more non-current assets acquired during the quarter. Administrative costs also rose as they expanded their operation. The main administrative expense is the staff salary which increased as a result of hiring more staff to lodge their operations. The company currently employees 19 employees, which is an increment of 15 staffs compared to the first quarter. SDFC currently face losses as their operations are yet to expand to cover the expenses.

ASSETS AND LIABILITIES

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

Assets and Liabilities	Q1 2019	Q2 2019
Assets		
Property plant and Equipment	592,818	782,000
Receivables	183,000	182,000
Loans and advances	-	2,195,120
Cash	14,730,829	26,161,481
Financial asset held to maturity	74,500,676	59,535,092
Total Assets	**90,007,323**	**88,855,693**
Liabilities		
Trade payables	567,402	162,315
Total Liabilities	567,402	162,315

Figure 217: Assets and Liabilities

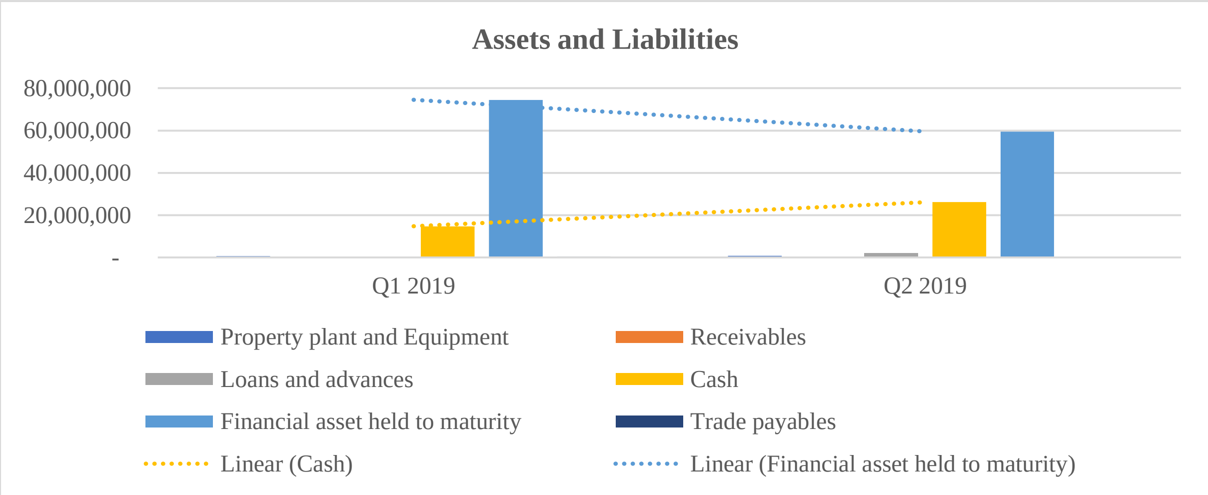


Figure 218: Assets and Liabilities chart

Non-current assets consist of Property, plant and equipment acquired for the smooth functioning of the operations. The greatest portion of current assets hold financial assets held to maturity which is investing on government treasury bills. Total capital MVR 90 million as initial capital has been injected by the government during the first quarter, of which MVR 74.5 million has been utilized in purchasing treasury bills in the first quarter and balance of MVR 26.1 million remains at the end of the second quarter.

CONCLUSION

Since SDFC began its operations in Q1 2019, it is expected that the company will expand its operations and become self-sufficient in the upcoming quarters as such the company will not have to depend on shareholder assistance.

- It is recommended for SDFC to aim a sustainable business model at an early stage of business development to reduce dependency on shareholders.
- Introduction of new products by performing market research and product feasibility prior to the launch of new products.
- The company should Emphasis on maintain non-performing loans low.

Quarterly review; Quarter 2, 2019

MALDIVES SPORTS CORPORATION LTD

MALDIVES SPORTS CORPORATION LTD
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MSCL/Q2

Q2 of 2018 and Q2 of 2019

PROFITABILITY	Q2/2018	Q2/2019	Change	%
Gross Profit	-	29,415	29,415	-
Operating Loss	(1,653,502)	(979,052)	674,450	41
Profit/Loss Before Tax	(1,653,502)	(979,052)	674,450	41
Profit/Loss After Tax	(1,653,502)	(979,052)	674,450	41

Figure 219: Profitability

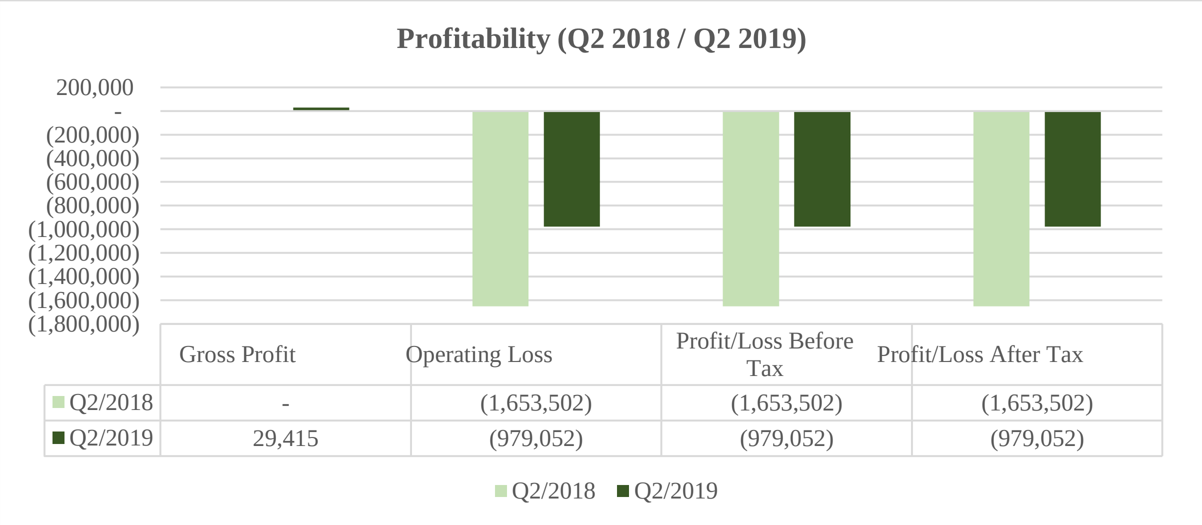


Figure 220: Profitability chart

The company received a revenue of MVR 29,415 in the second quarter of the year through the sales of activity uniform. Other than that company did not operate any revenue generating activity in the quarter as well as in the same quarter of the previous year.

Operational expense of the company is much higher compare with the revenue, thus MSCL still make a loss in Q2 2019. However total overheads for the period is less when compared to the same quarter of the previous year. Salary for the staff is the major expense of the company and which is high compare to same quarter of previous year. In order to turn out to be self-sufficient company MSCL need find revenue generating unit. At present greatest portion of capital injection is spent on employee related expenses.

LIQUIDITY	Q2/2018	Q2/2019
Non-Current Assets	1,489,831	2,068,778
Current Ratio	5.67	5.64
Quick Ratio	5.67	5.64
Current Assets	2,500,169	882,794
Current Liabilities	441,234	156,422
Working Capital	2,058,935	726,372
Cash Ratio	5.67	5.64

Figure 221: Working Capital

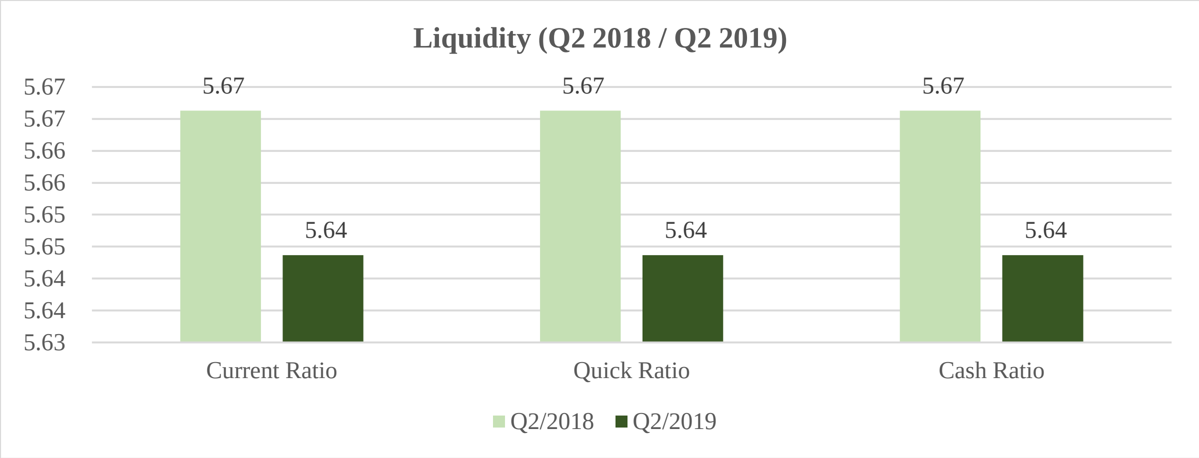


Figure 222: Liquidity Ratios

The company's non-current assets include property plant and equipment for which depreciation has not been recognized in the quarter. MSCL has not recognized depreciation expenses in this quarters, therefore loss for the period will be higher than reported loss. Current assets comprise only cash and cash equivalents which represent the capital injected by the government. Even though current ratio is high, MSCL will be in a serious liquidity position if they did not receive assistance from shareholder.

Q1 of 2019 and Q2 of 2019

PROFITABILITY	Q1/2019	Q2/2019	Change	%
Revenue	-	29,415	29,415	-
Gross Profit	-	29,415	29,415	-
Operating loss	(944,952)	(979,052)	-34,100	3.61%
Operating loss	(944,952)	(979,052)	-34,100	3.61%
Profit After Tax	(944,952)	(979,052)	-34,100	3.61%

Figure 223: Profitability

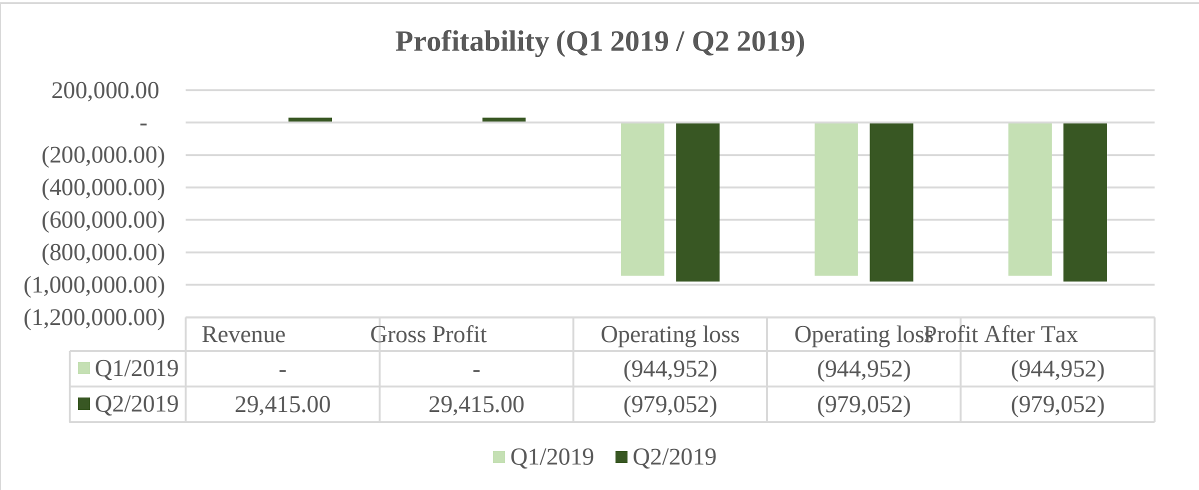


Figure 224: Profitability Chart

The company has no other revenue generating unit other than sales of activity uniform during the quarter. In previous year MSCL was not engaged in any revenue generating activity. The operating expenses of the company increased by 2% (MVR 6,793). A miscellaneous expense of MVR 10,000 (given to a third party for annual report designing), and food expense of 6,800 (Fish cans given to employees as Ramadan gift) is incurred in the quarter

LIQUIDITY	Q1/2019	Q2/2019
Non-Current Assets	2,309,778	2,068,778
Current Ratio	3.04	5.64
Quick Ratio	3.04	5.64
Current Assets	488,446	882,794
Current Liabilities	160,797	156,422
Working Capital	327,649	726,372
Cash and Cash equivalents	488,446	882,794
Cash Ratio	3.04	5.64

Figure 225: Working Capital

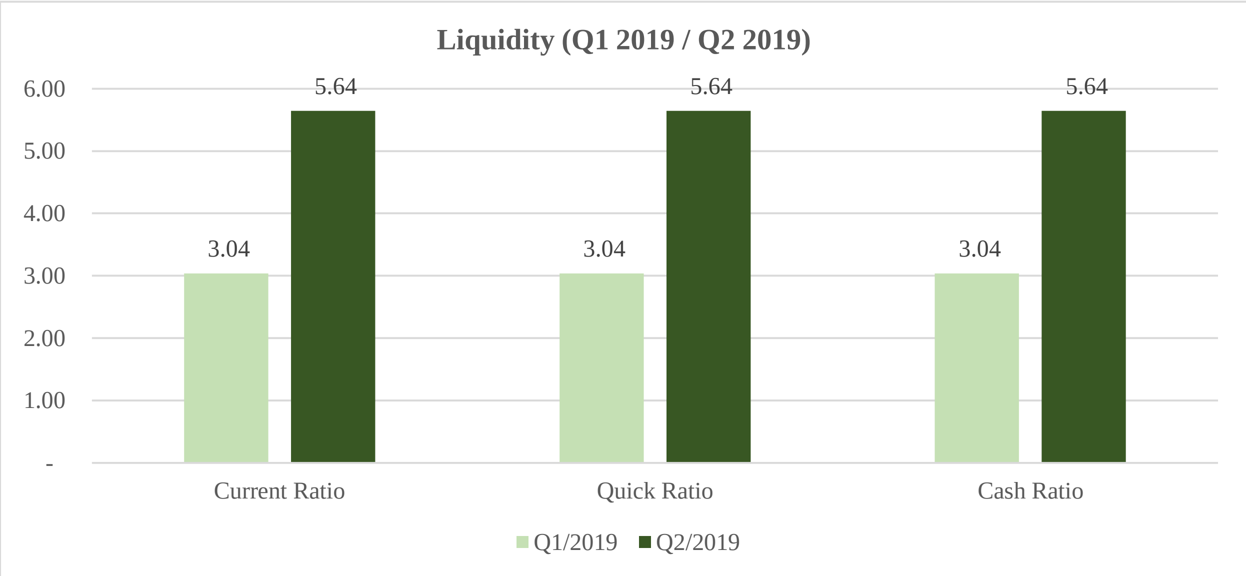


Figure 226: Liquidity ratios

Current assets increased by 81% (MVR 394,348) as cash and cash equivalent received from the government as capital injection. The payables reduced by 2%, as a result the liquidity ratio of the company improved. However, in real terms the company is not in a position to repay the day to day expenses through their operating income, deprived of depending on the shareholders. It is the aim of the PCB to make the company self-sustainable.

The company does not have any financial risk since they do not have any borrowed funds.

Conclusion

There were no major operational activities undertaken by the sports Corporation in the quarter to improve revenue. Further there aren't any on-going project for the business development. In addition, overall operational expense of the company is still high.

In efficiency in managing cost plea more fund from shareholder. As they have not found proper revenue generating units to make business move forwards. Thus, they need to forecast the budget and strictly follow the budget asses cost benefit in prioritizing their expenses.

Recommendation

- Increase Business Operations:
  In addition, with long term goals, Sports Corporation should set short term goals as well and try to achieve them in order to increase revenue and to become self-sufficient. These goals should be realistic and reachable. They should create a business plan whereby finding ways to cover their operational expenses through revenue generation.

- Costs has been increased despite the operational increment. Thus, avoidable costs need to be minimized. For example, the designing cost of annual report and Ramadan Gift given to employees (note that the company has given Ramadan allowance to employees) can be avoided in a situation where company is unable to finance its own operations.

- Create a self-sustainable business model and implement the strategies to achieve desired objectives. Through which MSCL can minimize dependency on shareholders fund.

Quarterly review; Quarter 2, 2019

STATE ELCTRIC COMPANY LTD

STATE ELCTRIC COMPANY LTD
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/STELCO/Q2

Q2 of 2018 AND Q2 of 2019

PROFITABILITY	Q2 2018	Q2 2019	Change	%
Revenue	446,276,446	530,509,800	84,233,354	19
Cost of Sales	(347,276,126)	(399,104,210)	(51,828,084)	15
Gross Profit	99,000,320	131,405,590	32,405,270	33
Operating Profit	65,516,644	92,589,959	27,073,315	41
Profit Before Tax	45,705,747	67,876,232	22,170,485	49
Profit After Tax	45,705,747	67,876,232	22,170,485	49

Figure 227: Profitability

	Q2 2018	Q2 2019
Gross Profit Margin	22.18	24.77
Operating Profit Margin	14.68	17.45
Net profit Margin	10.24	12.79

Figure 228: Profit Margin

Revenue increased by 19% (MVR 84 million) due to increase in use of electricity by the customers compared to the same quarter of the previous year.

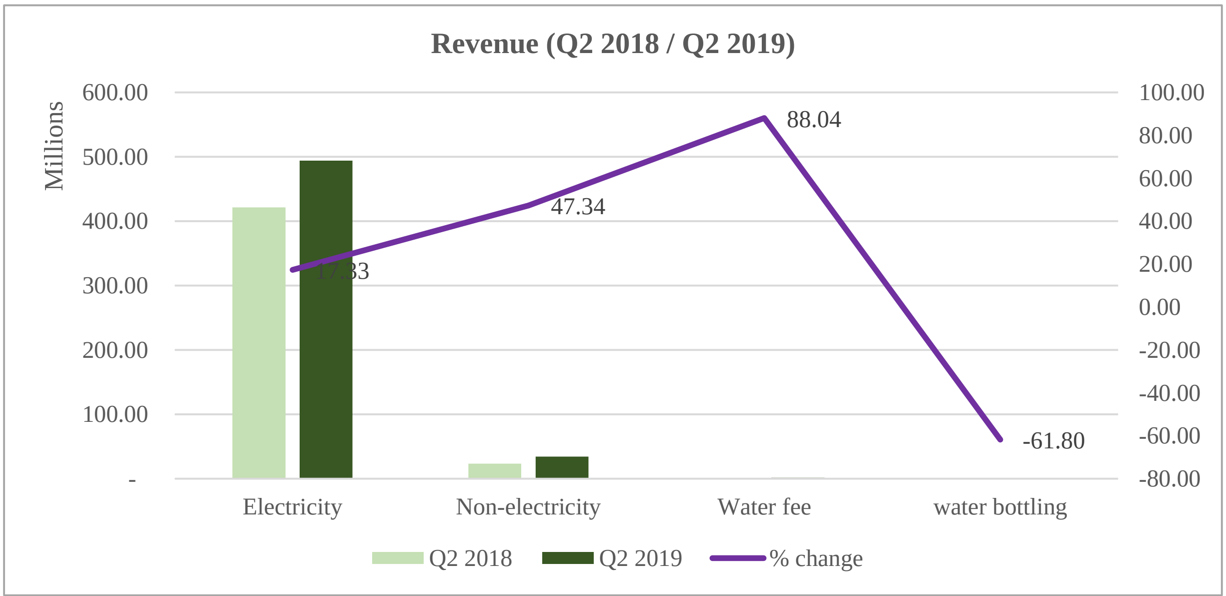


Figure 229: Revenue

Revenue from non-electric sources also increased by 47% compared to Q2 2018. Along with increase in revenue direct costs also increased by 15%. Direct costs include cost incurred for fuel and oil which rose by MVR 47 million compared to same quarter of the previous year. However, increase in gross profit by 33% reflected the increase in revenue. Alongside, gross profit margin also improved to 25% from 22% in Q2 2018.

Cost of sales	Q2 2018	Q2 2019	Difference	%
cost of fuel and lub oil	264,943,379	311,852,714	47,108,392	17.79%
cost of power purchase	2,634,046	2,730,926	96,880	3.68%
cost of sale of goods	4,523	-	(4,523)	(100%)
cost of sales - sales centre	3,866,945	3,842,628	20,611	0.54%
Customer services expenses	3,199,310	3,493,636	355,837	11.34%
Repairs and maintenance	13,385,182	10,187,448	(2,631,546)	(20.53%)
Employee benefit expense	38,038,006	45,165,537	7,217,805	19.02%
Depreciation	20,573,245	20,366,678	(176,059)	(0.86%)
Water supply expense	213,601	465,321	449,801	2,898%
water bottling expense	416,888	999,322	(1,085,171)	(52%)
Total	347,275,125	399,104,210	51,828,084	14.92%

Figure 230: Direct Costs

Employee benefit expense increased by MVR 7.2 million as the number of employees increased by over 100 compared to the same quarter of the previous year. While increase in direct costs impacts gross profit, increase in other operating expenses affects the operating profit. However, despite the rise in operating expenses, increase in revenue resulted in higher operating profit in the quarter compared to Q2 2018.

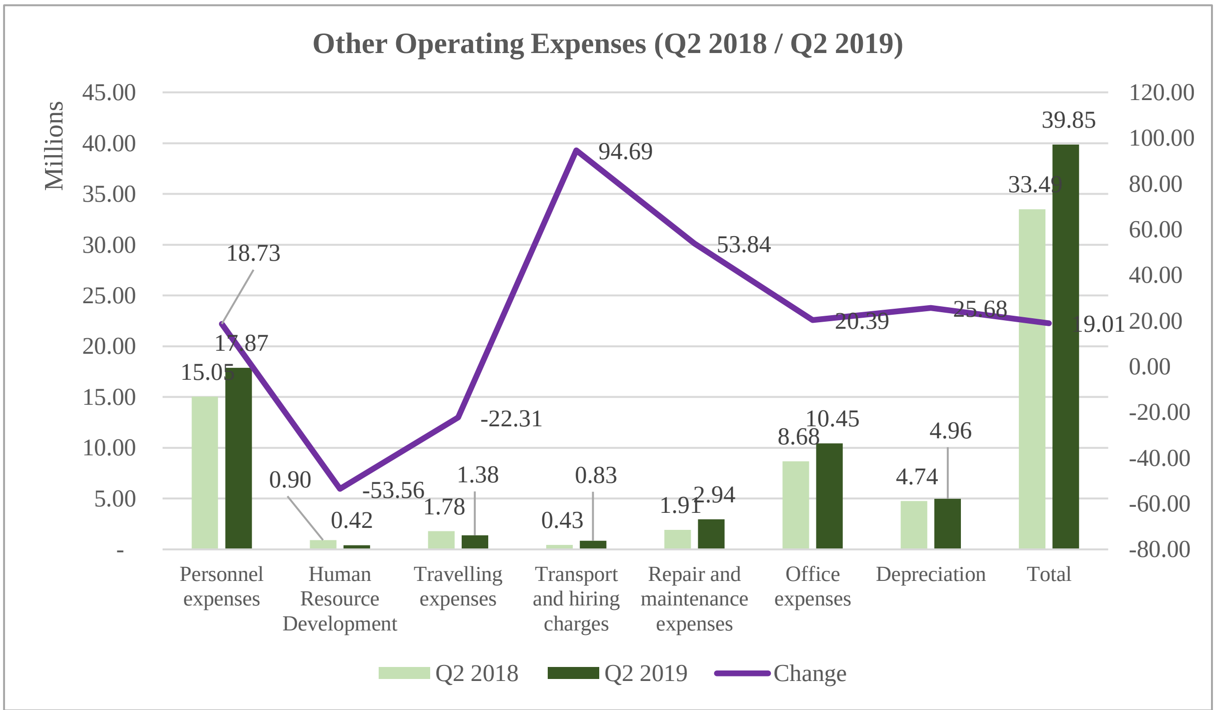


Figure 231: Other Operating Expenses

Staff expenses increased by 19% (MVR 2.8 million) while an increase of 95% can be seen in transport and hiring charges. Travelling expense records official travels by the employees while transport and hiring charges include the carriage charges on the items bought into the company. Repair and maintenance costs also increased by MVR 1 million compared to the same quarter of the previous year while office expenses have been increased by MVR 1.8 million in the quarter compared to Q2 2018. The increase in revenue led to improved operating profit.

Finance Costs	Q2 2018	Q2 2019	%
Interest on Loan - Foreign	18,672,880	24,288,779	30.08
Interest on Loan - Local	710,292	516,581	-27.27
Gain / (Loss) on Foreign Exchange	460,747	(48,614)	-110.55
Total	19,843,919	24,756,746	24.76

Figure 232: Finance Costs

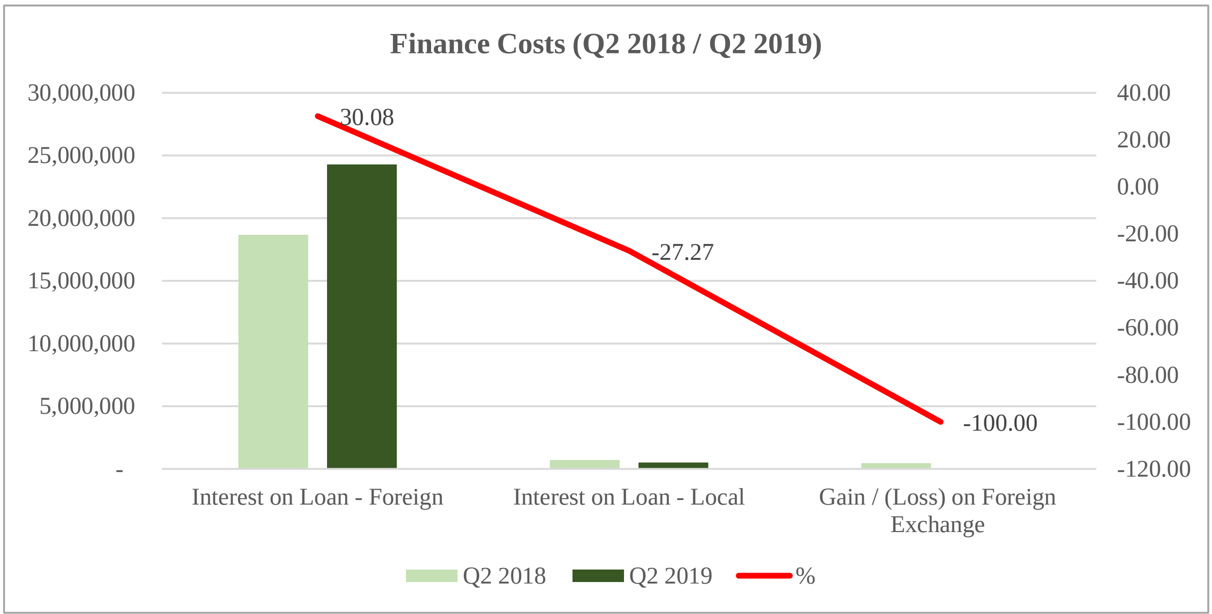


Figure 233: Finance cost Chart

STELCO paid interest of MVR 24.8 million from the borrowings which is an additional 30% compared to the same quarter of the previous year. Finance costs increased after increased borrowings.

LIQUIDITY	Q2 2018	Q2 2019
Non-Current Assets	2,752,754,759	3,341,180,399
Current Ratio	0.89	0.82
Quick Ratio	0.72	0.70
Current Assets	626,490,981	689,484,216
Current Liabilities	706,996,806	838,464,613
Working Capital	(80,505,825)	(148,980,397)
Cash Ratio	0.232	0.136
Inventory	120,640,274	103,871,098

Figure 234: Working Capital

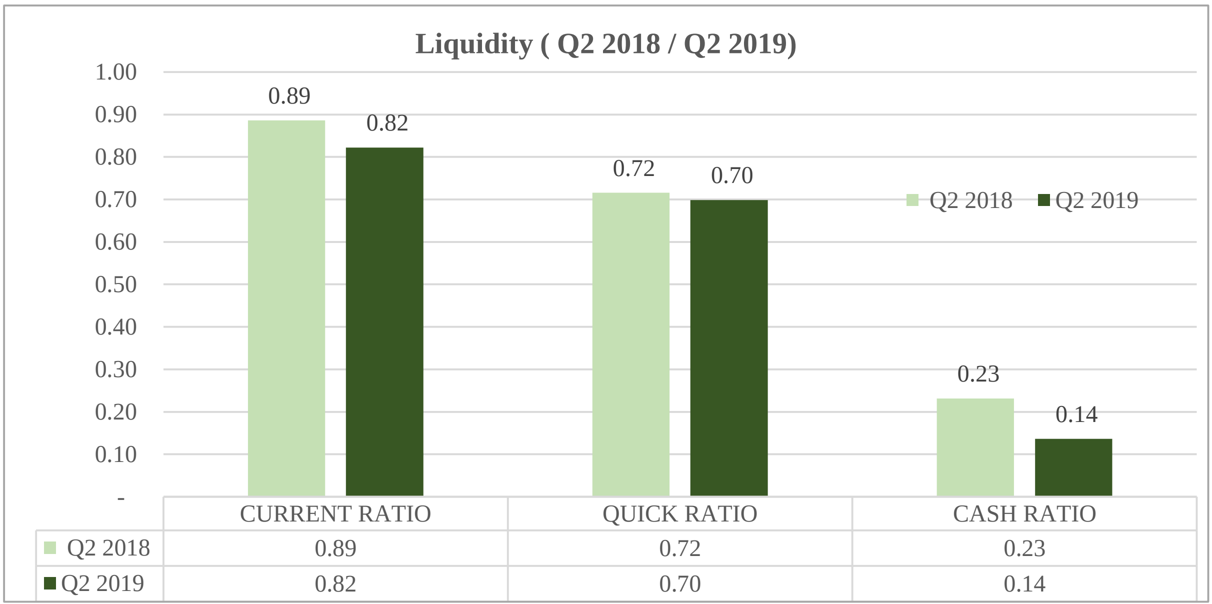


Figure 235: Liquidity

Non-current assets increased by MVR 588.43 million compared to Q2 2018 due to increase in capital projects undertaken by STELCO compared to Q2 2018. The capital work in progress valued MVR 1.8 billion in Q2 2019 which is an increase of MVR 664 million including 5th power project worth more than a billion.

Short term assets increased by 10% mainly due to increase in trade receivables. This consists mainly the pending electricity bills of households and government institutions. The receivables of the company's sales centre also increased significantly compared to Q2 2018. The breakdows of the receivables are shown in the following table.

Receivables	Q2 2018	Q2 2019	Difference	%
Electricity	213,882,726	369,667,177	155,784,451	72.84
Temp. electricity supply	4,049,395	4,049,395	-	
Works & Sale of goods	34,639,685	34,639,685	-	
Sales Centre	16,501,952	37,082,356	20,580,404	124.71
Provision for Bad & Doubtful Debts	(40,160,213)	(50,367,305)	(10,207,092)	25.42
Sub Total	**228,913,545**	**395,071,308**	**166,157,763**	**72.59**
Other Receivables				
Others	132,150	132,150	-	

Staff	232,011	264,864	32,853	14.16
Short term investments	2,162,338	2,202,486	40,148	1.86
Hiya project receivables	(18,957,968)	(26,513,841)	(7,555,873)	39.86
Sub Total	**(16,431,469)**	**(23,914,341)**	**(7,482,872)**	**45.54**
Advance Payments & Deposits				
Advance - Imports	18,997,653	22,014,271	3,016,618	15.88
Advance - Others	85,793,434	46,379,310	(39,414,124)	-45.94
LC liability	3,259,512	13,054,545	9,795,033	300.51
Bank guarantee margin	-	1,125,000	1,125,000	-
Deposits- customs	204,010	204,010	-	0.00
Deposits- MPL	100,000	100,000	-	0.00
MIFCO deposit	6,168,000	2,158,800	(4,009,200)	-65.00
GST receivable (payable)	4,029,214	5,555,443	1,526,229	37.88
Sub Total	**118,551,823**	**90,591,379**	**(27,960,444)**	**-23.58**
Prepayments				
Prepaid Insurance	1,943,634	383,598	(1,560,036)	-80.26
Other Prepayments	27,826	27,826	-	0.00
Sub Total	1,971,460	411,424	(1,560,036)	-79.13
Total Receivables	**333,005,359**	**462,159,770**	**129,154,411**	**38.78**

Figure 236: Receivables

STELCO has payables of MVR 16 million in the quarter which is an increase of MVR 13 million compared to Q2 2018. This has resulted in slight reduction of liquidity ratios. Cash and cash equivalents reduced by 30% (MVR 49 million) which represents 16% of the total short term assets. Thus the ability of cash to settle the current liabilities also reduced.

LEVERAGE	Q2 2018	Q2 2019
DEBT-EQUITY	348.03	304.79
DEBT TO ASSETS	56.20	53.50
LONG TERM DEBT TO CAPITALIZATION	77.68	75.30

Figure 237: Leverage

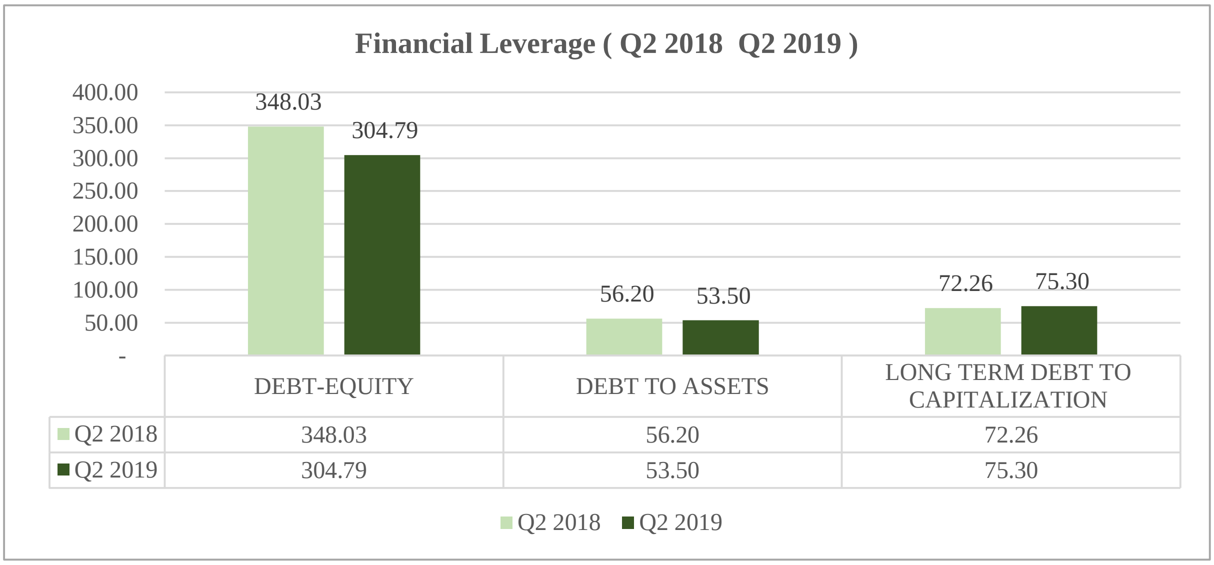


Figure 238: Leverage ratios

Debt to equity of 348% in Q2 2018 reduced to 305% in Q2 2019 as equity of the company increased greater than the increase in borrowings due to high accumulated profit in equity compared to the previous year.

Borrowings	Q2 2018	Q2 2019	Difference	%
ADB Loan (Power Sys Dev Project	10,386,930	10,386,930	-	-
ADB Loan (second Power Sys Project)	33,654,427	33,654,427	-	-
ADB Loan (Third Power Sys Project)	52,758,719	52,758,719	-	-
FEC & DDB Loan (5.4 MV Generator Set)	24,595,026	24,595,026	-	-
NDF Loan (Third Power Sys Project)	54,759,362	54,759,362	-	-
UNI Bank Loan	41,964,501	41,964,501	-	-
UNI Bank Grant	10,379,458	10,379,458	-	-
Fourth Power Development Project	738,561,034	738,561,034	-	-
MIB - MGAF	33,681,925	23,945,862	(9,736,063)	(28.91)
Exim Bank 5th Power Development Project	750,687,261	1,014,501,904	263,814,643	35.14
ADB Loan - Project POISED	147,772,237	150,847,779	3,075,542	2.08
Total	1,899,200,880	2,156,355,002	257,154,122	13.54

Figure 239: Borrowings

STELCO has borrowings totaling 2.1 billion which is an increased figure of 13.54% compared to Q2 2018. The company has high level of debts making it unattractive for investors when making investment decisions. From the table above it can be conculded that there are numeruos loans which has not been started to pay during the period. Once the loan payments commence, it would have negative impacts on the profitability.

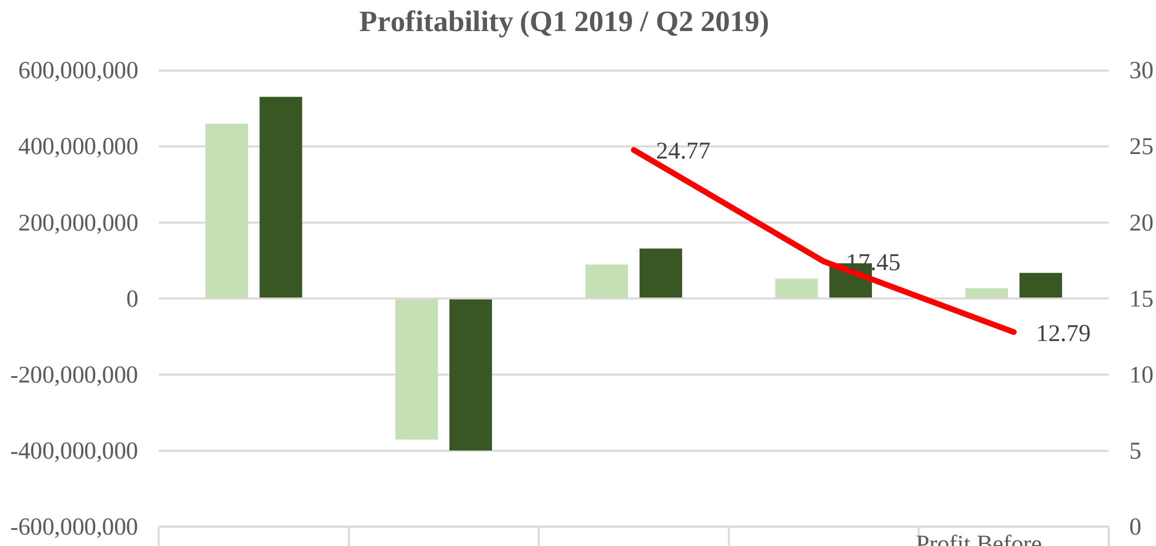
Q1 of 2019 AND Q2 of 2019

PROFITABILITY	Q1/2019	Q2/2019	Change	%
Revenue	460,108,471	530,509,800	70,401,329	15.30%
Cost of Sales	(370,614,178)	(399,104,210)	(28,490,032)	7.69%
Gross Profit	89,494,293	131,405,590	41,911,297	46.83%
Operating Profit	52,242,990	92,589,959	40,346,969	77.23%
Profit Before Tax	27,417,215	67,876,232	40,459,017	147.57%
Profit After Tax	27,417,215	67,876,232	40,459,017	147.57%

Figure 240: Profitability

	Q1/2019	Q2/2019
Gross Profit Margin	19.45	24.77
Operating Profit Margin	11.35	17.45
Net profit Margin	5.96	12.79

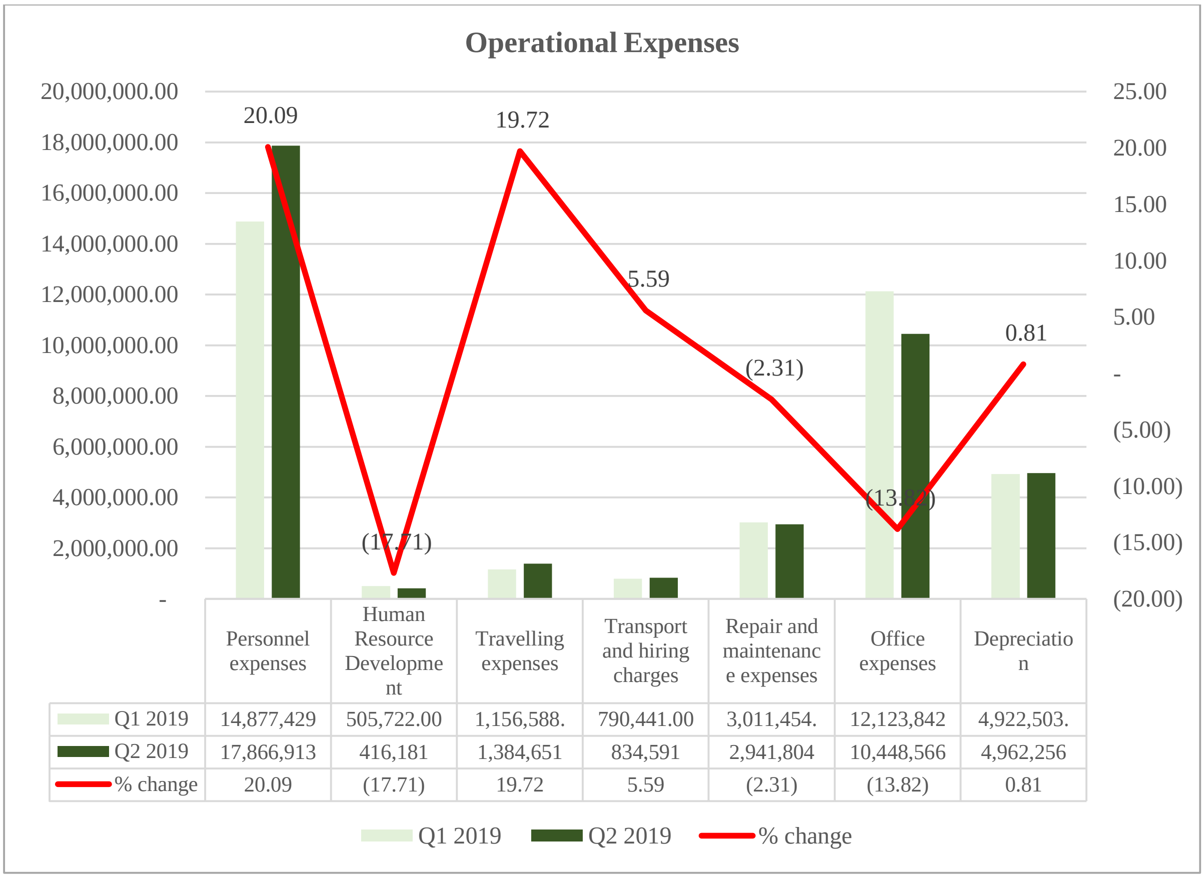
Figure 241: Profit Margin



	Revenue	Cost of Sales	Gross Profit	Operating Profit	Profit Before Tax
Q1 2019	460,108,471	(370,614,178)	89,494,293	52,242,990	27,417,215
Q2 2019	530,509,800	(399,104,210)	131,405,590	92,589,959	67,876,232
Margin			24.77	17.45	12.79

Figure 242: Profitability Chart

Revenue increased by 15% compared to the previous quarter mainly due to the increase in usage of electricity. While revenue improved by 15% direct costs increased by 7.69% (MVR 28.5 million) resulting in increase in gross profit margin to 25% from 19% in the previous quarter.



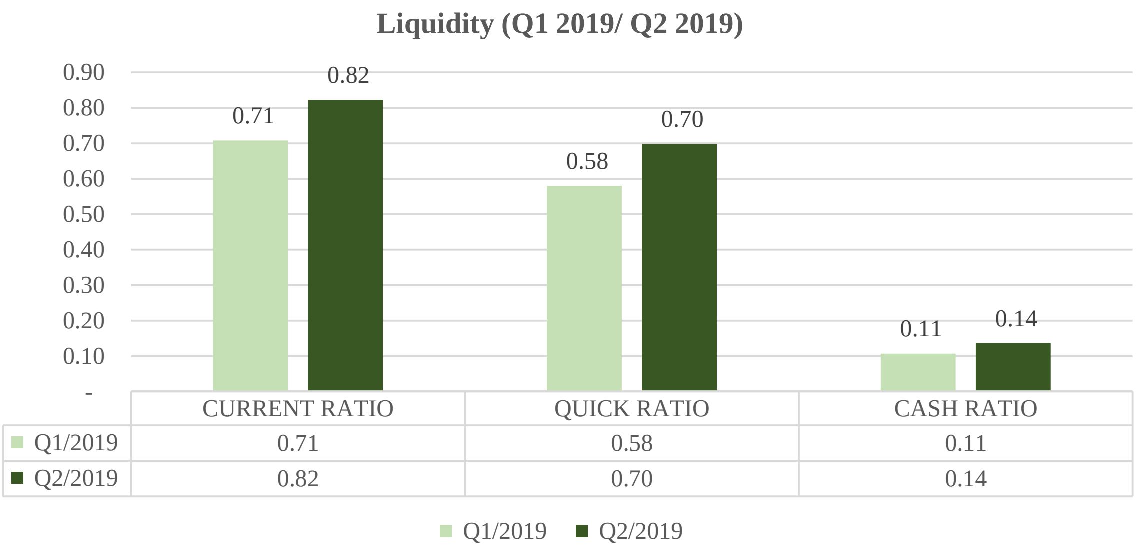
	Personnel expenses	Human Resource Development	Travelling expenses	Transport and hiring charges	Repair and maintenance expenses	Office expenses	Depreciation
Q1 2019	14,877,429	505,722.00	1,156,588.	790,441.00	3,011,454.	12,123,842	4,922,503.
Q2 2019	17,866,913	416,181	1,384,651	834,591	2,941,804	10,448,566	4,962,256
% change	20.09	(17.71)	19.72	5.59	(2.31)	(13.82)	0.81

Figure 243: Operational Expenses

Other operating expenses increased by MVR 1.5 million (3.9%) compared to the previous quarter, resulting mainly from an increase in personnel expenses by 20% mainly due to Ramadan allowances to employees. However, office expenses reduced by 14% (a reduction of MVR 1.7 million) compared to the past quarter. Finance costs however, rose by 12% (MVR 2.8 million as the company has high level of borrowings). Regardless of the changes in finance costs, the company managed to have a remarkable net profit margin of 12.8% from 6% in the previous quarter, resulting from increased revenue and being able to manage overheads effectively.

LIQUIDITY	Q1/2019	Q2/2019
Non-Current Assets	3,270,485,778	3,341,180,399
Current Ratio	0.71	0.82
Quick Ratio	0.58	0.70
Current Assets	591,723,573	689,484,216
Current Liabilities	835,860,806	838,464,613
Working Capital	(244,137,233)	(148,980,397)
Cash Ratio	0.11	0.14
Inventory	107,061,881	103,871,098

Figure 244: Working Capital



	CURRENT RATIO	QUICK RATIO	CASH RATIO
Q1/2019	0.71	0.58	0.11
Q2/2019	0.82	0.70	0.14

Figure 245: Liquidity 3

STELCO has non-current assets worth 3.3 billion which is an increase of 70.7 million compared to the previous quarter. 48% of the non-current assets are held by the property plant and Equipment equipped in the company. The rest of 52% (MVR 1.75 billion) are held by the work in progress of the capital projects currently undertaken by STELCO.

Current assets increased by 16% which mainly due to increase in receivables (by MVR 76 million) and Cash (MVR 25 million). Receivables increased mainly from electricity and from the sales center.

Receivables	Q1 2019	Q2 2019	Difference	%
Electricity	332,244,030	369,667,177	37,423,147	11.26
Temp. electricity supply	4,049,395	4,049,395	-	-
Works & Sale of goods	34,639,685	34,639,685	-	-
Sales Centre	-	37,082,356	37,082,356	
PFDD	(60,952,655)	(50,367,305)	10,585,350	-17.37
Sub Total	**309,980,455**	**395,071,308**	**85,090,853**	**27.45**
Other Receivables				
Accounts Receivable - others	132,150	132,150	-	-
Accounts Receivable - Staff	249,171	264,864	15,693	6.30
Short term investments	2,202,486	2,202,486	-	-
Hiya project receivables	(22,881,927)	(26,513,841)	(3,631,914)	15.87
Sub Total	**(20,298,120)**	**(23,914,341)**	**(3,616,221)**	**17.82**
Advance Payments & Deposits				
Advance - Imports	19,761,531	22,014,271	2,252,740	11.40
Advance - Others	55,239,648	46,379,310	(8,860,338)	-16.04
LC liability	10,826,452	13,054,545	2,228,093	20.58
Bank guarantee margin	825,000	1,125,000	300,000	36.36
Deposits- customs	204,010	204,010	-	-
Deposits- MPL	100,000	100,000	-	-
Mifco deposit	6,168,000	2,158,800	(4,009,200)	-65.00
GST receivable (payable)	2,680,514	5,555,443	2,874,929	107.25
Sub Total	**95,805,155**	**90,591,379**	**(5,213,776)**	**-5.44**
Prepayments				
Prepaid Insurance	383,598	383,598	-	-
Other Prepayments	27,826	27,826	-	-
Sub Total	**411,424**	**411,424**	**-**	**-**
Total Receivables	**385,898,914**	**462,159,770**	**76,260,856**	**19.76**

Figure 246: Receivables

Current and quick ratio improved compared to the previous quarter as increase in receivables added value to short term assets. Furthermore, the inventories of the company reduced by MVR 3 million which led to improvement quick ratio.

Inventories	Q1 2019	Q2 2019	Difference	%
Inventories – Male’	172,365,665	156,418,147	(15,947,518)	(9.25)
Diesel	27,357,261	36,062,076	8,704,815	31.82
Lube Oil	242,775	888,669	645,894	266.05
Spares & Tools (Hulhumale')	16,562,759	16,562,759	-	-
Cables & distribution - hulhumale'	15,050,411	15,050,411	-	-
Computers and network equipment	177,660	177,660	-	-
Stationary - Hulhumale'	157,176	157,176	-	-
Control Account - Regional	109,568	109,568	-	-
RO Plant and Spares - Ukulhas	259,144	259,144	-	-
Inventory - Water bottling	2,345,358	2,970,703	625,345	26.66
Provision for inventory obsolescence - Male'	(130,396,083)	(126,396,083)	4,000,000	(3.07)
GRN clearing	2,830,188	1,610,869	(1,219,319)	(43.08)
Total	**107,061,882**	**103,871,099**	**(3,190,783)**	**(2.98)**

Figure 247: Inventories

Although liquidity ratios show improvement over the comparable period, it is notable that ratios still remain below the standard ratios, indicating that level of current assets is not enough to meet its short-term liability

Nevertheless, the company does not have solid cash basis to settle the obligations. Hence cash ratio is very low compared to the level of operations which however increased slightly during the quarter.

LEVERAGE	Q1/2019	Q2/2019
DEBT-EQUITY	330.52	304.79
DEBT TO ASSETS	64.52	53.50
CAPITALIZATION RATIO	76.77	75.30

Figure 248: Leverage

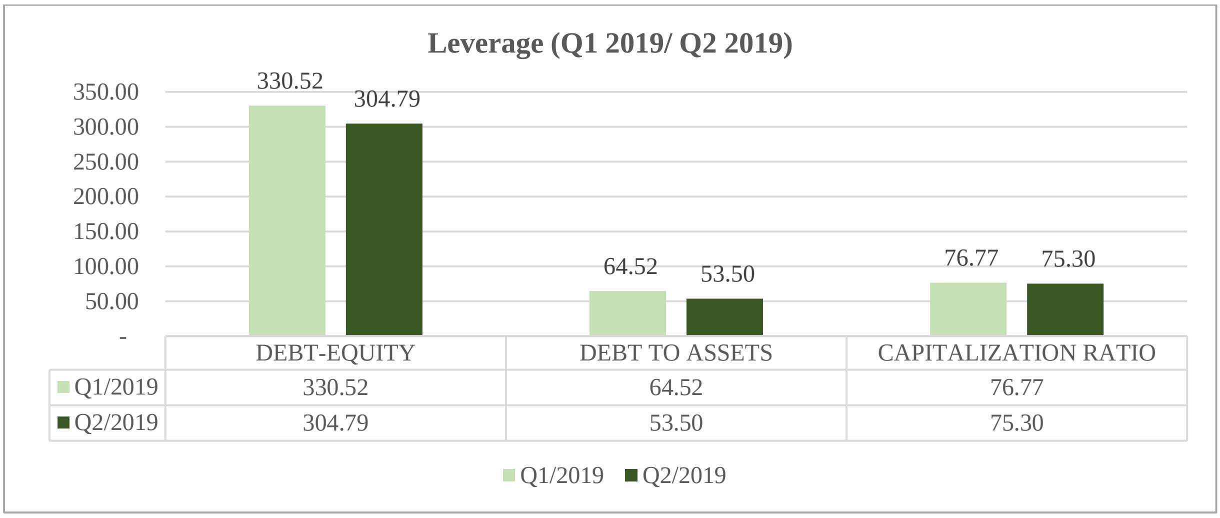


Figure 249: Leverage ratios

Debt to equity ratio stands at 304.79% which is a decline compared to the previous quarter as equity of the company has risen due to accumulated profit. However, the company has huge level of debts which has not been repaid. This will adversely signal the investors in making investment decisions in the company. The increase in total assets led to decline in debt to assets ratio indicating that there are more assets to cover the debts compared to the previous quarter.

The changes in borrowings during the first two quarters of 2019 are shown in the following table:

Borrowings	Q1 2019	Q2 2019	Difference	%
ADB Loan (Power Sys Dev Project	10,386,930	10,386,930	-	0
ADB Loan (second Power Sys Project)	33,654,427	33,654,427	-	0
ADB Loan (Third Power Sys Project)	52,758,719	52,758,719	-	0
FEC & DDB Loan (5.4 MV Generator Set)	24,595,026	24,595,026	-	0
NDF Loan (Third Power Sys Project)	54,759,362	54,759,362	-	0
UNI Bank Loan	41,964,501	41,964,501	-	0
UNI Bank Grant	10,379,458	10,379,458	-	0
Fourth Power Development Project	738,561,034	738,561,034	-	0
MIB - MGAF	26,449,166	23,945,862	(2,503,304)	-9.46
Exim Bank 5th Power Development Project	965,924,346	1,014,501,904	48,577,558	5.03
ADB Loan - Project POISED	150,847,779	150,847,779	-	0
Total	2,110,280,748	2,156,355,002	46,074,254	2.18

Figure 250: Borrowings

From the above table it can be concluded that the company has taken additional borrowings of MVR 46 million in just a quarter from the Exim Bank for the 5th power development projects. If the borrowing trend continues, the company might have leverage problems and will not be able to repay the loans. However, there is a scope that developmental projects will generate a higher return in the future, so that STELCO will be able to recover the debts enabling further growth.

Capital Development projects Undertaken by STELCO

Work in Progress	**Q2 2019**	**Q2 2018**
Buildings	6,569,528	5,300,036
Int. Combustion Power Plant	42,608,597	51,051,876
Transmission and Distribution	76,475,290	44,109,686
Oil Storage	3,717,614	3,717,614
Furniture and Fittings	-	5,189
Vehicle and Vessels	5,571,481	6,920,472
Computers and Accessories	420,543	420,302
Machinery and Equipment	2,626,194	2,522,625
Other Tools	1,687,969	1,649,320
Hulhumale' 50MW Power plant	-	27,300
Communication Equipment	2,271,904	2,076,106
Aqueva Water projects	2,201	20,444
5th Power project	1,220,662,763	913,681,417
Sewerage System	2,590,501	1,476,426
Solar Project	5,480,633	5,478,224
Desalination Project	108,888	591,045
Gaakoshi Power house extension projects	1,138,740	1,138,740
Project Misc. expenses	-	179
SCADA system	14,148,857	13,530,323
Floating Solar Project (V.Keyodhoo)	56,342	56,342
Transfer of Electric Power from MACL to STELCO	-	5,300,098
Gaakoshi Fuel Project	-	47,762
water	21,734	21,734
Integrated water resource Management	243,459	243,459
3rd Engine Project	2,066,047	2,066,047
Hiya Housing project	277,920,115	8,156,126
Greater Male' Grid connection - phase 1	63,336,329	53,876
Hulhumale' Warehouse	1,172,031	-
PV project (POISED)	15,297,172	12,124,721
Total	**1,746,194,932.00**	**1,081,787,489.00**

Figure 251: Capital Development Projects

Conclusion

STELCO has managed to improve revenue through electricity supply and sales center. They are able to improve the profit margins while managing costs. As such gross profit margin has been improved compared to both Q2 2018 and Q1 2019 with Q2 2019. Moreover, the company managed overheads well which reflected in their improved net profit margins.

STELCO has opted a better liquidity position compared to the last quarter and has maintained the ratios at a similar level when referring to Q2 2018 where current assets increased to settle the short-term obligations. However, greater portion of current assets are held by the receivables which will turn into bad debts if the company fails to collect them within the specified time. Thus, in order to have sound liquidity position STELCO needs to implement strategies for speedy collection of receivables. Further total payables have increased significantly due to accrued interest expenses incurred on borrowing. While rise in inventory has affected quick ratio of the company in the previous quarter, the current quarter sees a fall in inventory recovering the quick ratio.

As mentioned before, borrowings of the company are quite high thus financial risk associated with the company are relatively high. STELCO is a highly geared company, since they have financed almost all expansion and upgrading projects through borrowing. Based on current financial status, they are not in a position to repay all their loans, thus they may face difficulty in financing additional projects without any help from government or shareholders.

Recommendation

- Prompt collection of receivables:

Receivable collection is one of the major issues in STELCO. They have over MVR 370 million (332 million in Q1 2019) as uncollected revenue from electricity bills at the end of the 2nd quarter. Thus, necessary steps must be taken to collect the receivables at the earliest. They can make separate policies for public institutes as significant part of receivables is contributed from public institutes. Moreover, necessary measures must be taken for the unpaid customers and relevant authorities must be informed. Apart from this, receivables are growing from the sales center for which necessary measures must be taken accordingly.

- Improving cashflow and reduction of payables:

Receivable collection measures will assist in improving cash flow position. Cash flow should be forecasted and planned well to make the optimal usage of cash for current operations and to pay back the debts as much as possible. Loans and other accrued expenses can be paid off by enhancing cash position which could assist to improve financial strength of the company.

- Increase Revenue:

STELCO has already started water bottling and sales which is generating additional revenue. They can further enhance water bottling and sales which could generate a good return in the long run. Likewise, they can use innovative business techniques for other business projects which could yield good return.

- Cost Reduction:

Cost reduction is the most important aspect for STELCO. STELCO has well managed to reduce certain expenses like office expenses. They can also reduce operating expenses like repairs and maintenance, personnel expenses and transport and hiring charges. These costs can be reduced by improving efficiency in every process of the company.

- Inventory Management:

Proper contingency planning and accurate forecasting is essential for inventory management.

It is important for STELCO to set par levels of inventory which will set a minimum number of items which should be on hand. This will alert them when to order more. STELCO should have regular inspection on their inventory which will help them in understanding the product conditions before getting obsolete thus avoiding dead stock.

- Set Strategic Targets:

STELCO needs to make a strategic plan and set objectives and mechanisms to achieve the objectives rather than working on project basis. This will help in adding value to business activities and employees will have an ultimate target to achieve at the end of each year while minimizing costs.

Quarterly review; Quarter 2, 2019

STATE TRADING ORGANIZATION PLC

STATE TRADING ORGANIZATION PLC
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/STO/Q2

Q2 of 2018 AND Q2 of 2019

PROFITABILITY

PROFITABILITY	2018 Q2	2019 Q2	Change	%
Revenue	2,215,151,304	2,381,905,934	166,754,630	8%
Cost of Sales	1,919,987,488	2,051,529,692	131,542,204	7%
Gross Profit	295,163,816	330,376,242	35,212,426	12%
Operating Profit	93,417,875	124,495,431	31,077,556	33%
Profit After Tax	47,279,293	80,687,001	33,407,708	71%

Figure 252: Profitability

The year 2019 has been a remarkable year for STO in terms of revenue growth. Revenue for 2nd Quarter of 2019 has recorded an increase of MVR 166 million, which is a growth of 8% compared to the same quarter of last year. Fuel segment continues to be the most prominent contributor for revenue growth. Gross profit has seen a growth of 12%, as STO benefited from stabilizing oil prices to minimize the impacts of oil price fluctuations, regardless of increase in international oil prices.

Operating profit has shown an outstanding growth of 33% compared to 2018 Q2 regardless of increase in operational expenses. The main reason for the notable increase in operating profit is increase in revenue and other income.

Finance costs of the company has dropped by MVR 10 million, resulting an improvement in the net profit of STO.

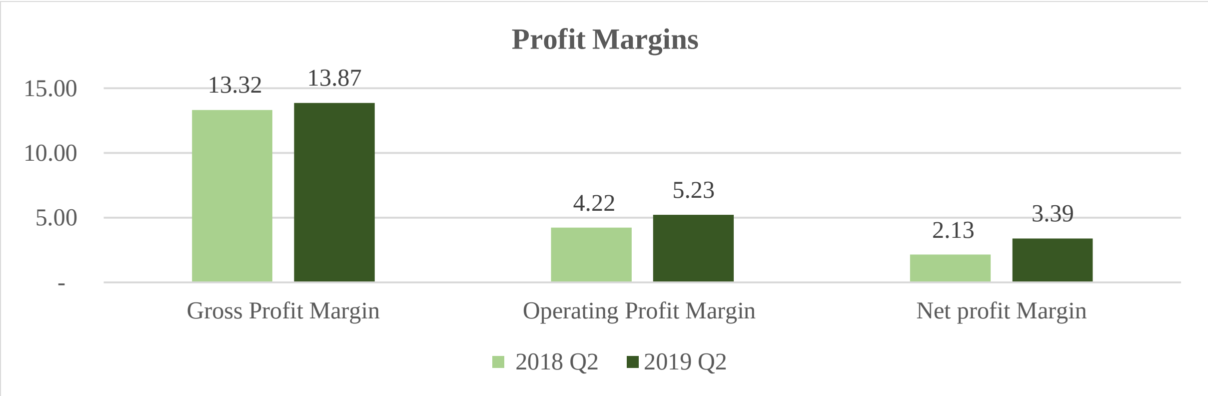


Figure 253: Profit Margins

All profit margins have improved in 2019 Q2 in comparison to the same quarter of last year.

The expenses of STO for both quarters as follows;

Expenses	2018 Q2	2019 Q2	Change	%
Selling and Marketing Costs	54,549,966	40,581,153	(13,968,813)	-26%
Administrative Costs	157,924,279	181,351,939	23,427,660	15%
Other Operating Costs	1,132,152	795,072	(337,080)	-30%
Finance Costs	38,172,963	27,681,464	(10,491,499)	-27%
Total	**251,779,360.00**	**250,409,628.00**	**(1,369,732)**	**-68%**

Figure 254: Expenses

Total expenses of STO has decreased by MVR 1 million, a reduction of 0.54% compared to 2018 Q2 mainly in terms of finance cost and selling and marketing costs.

LIQUIDITY

LIQUIDITY	2018 Q2	2019 Q2
Non-Current Assets	2,432,025,080	2,215,174,568
Current Assets	4,059,699,438	3,794,952,551
Current Liabilities	3,804,480,931	3,566,931,200
Working Capital	255,218,507	228,021,351
Inventory	676,290,028	732,447,680

Figure 255: Liquidity

Non-current assets of STO has declined as a result of reduction in property plant and equipment, investment in subsidiaries and available for sale financial assets. On the other hand, STO has new investments worth of MVR 11 million in 2019 Q2. Due to the continuous losses incurred by the subsidiaries, Maldives National Oil Company Private Limited ("MNOC") and STO Hotels and Resorts Private Limited ("STOHR"), STO has assessed the recoverable value of the investment in those subsidiary Companies and recognized an impairment of MVR 4,961,774 resulting a reduction in investment in subsidiaries.

Current assets of STO has also declined by MVR 264 million. While inventories and cash balance increased, trade and other receivables has a considerable reduction of MVR 349 million. In addition current liabilities of STO reduced.

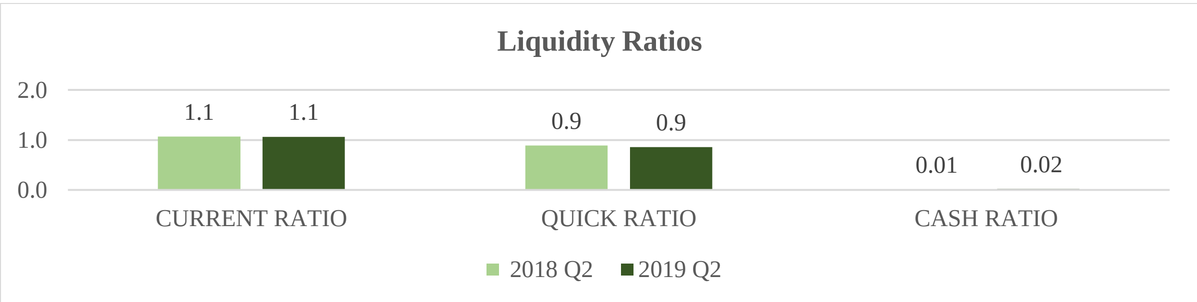


Figure 256: Liquidity Ratios

Although assets and liabilities of STO have reduced over the two quarters in review, the liquidity ratios have remained constant. The current ratio of STO is below the ideal level 2, representing that for every MVR 1 of current liability, STO has only MVR 1.1 worth of current assets. As such, the current ratio of STO is not satisfactory. Because of the ability to finance, this does not mean a company with a current ratio score under 1 is an insolvent company but it is generally considered as a poor sign of performance. Results of the Current Ratio can be misleading when considered in isolation because the ratio is subject to manipulation. One of the limitations of the Current Ratio is that it does not consider the makeup of a company's current assets and it is then insufficient in determining the relative ability of a company to pay its current liabilities. Because of the possibility the Current Ratio can present a less than accurate picture, we can use the Quick Ratio to help provide more clarity.

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 indicating inability to meet its short-term liabilities with its most liquid assets.

And finally, the cash ratio is much worse with 0.02. Cash ratio indicates the percentage of current liabilities that cash and cash equivalents will cover. In the case of STO, cash and bank balance cover only two percent of current liabilities.

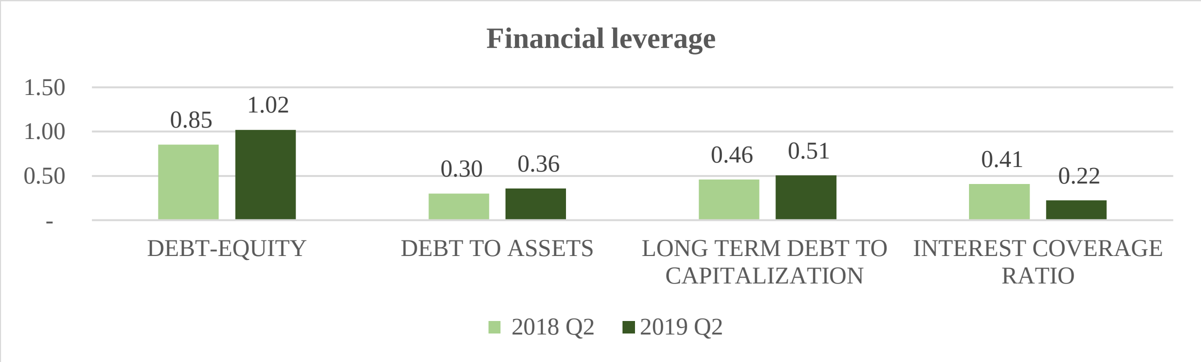


Figure 257: Financial Leverage

Debt to equity ratio illustrates the degree to which STO is financing its operations through debts. Debt to equity ratio of STO is high, this indicates higher financial risk, as total debts of the company has increased compared to 2018 Q2, total equity on the other hand decreased.

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.

Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. Debt capitalization has increased due to additional loans and borrowings and now stands at 51%. Therefore, STO must manage it carefully, ensuring enough cash flow is on hand to manage principal and interest payments on debt.

Q1 of 2019 and Q2 of 2019

PROFITABILITY

PROFITABILITY	2019 Q1	2019 Q2	Change	%
Revenue	2,343,842,940	2,381,905,934	38,062,994	2%
Cost of Sales	1,990,480,451	2,051,529,692	61,049,241	3%
Gross Profit	353,362,489	330,376,242	(22,986,247)	-7%
Operating Profit	166,911,269	124,495,431	(42,415,838)	-25%
Profit After Tax	103,984,329	80,687,001	(23,297,328)	-22%

Figure 258: Profitability

Revenue for second quarter 2019 increased by MVR 38 million compared to the previous quarter, with fuel being the most significant contributor to this growth. However, the costs of sales grew higher than revenue because STO have to maintain the oil prices regardless of high international oil prices, thus a reduction in gross profit was experienced. In addition, the operational expenses have increased, mainly due to inclusion of Ramadhan allowance and bonus, reducing operational profit of STO.

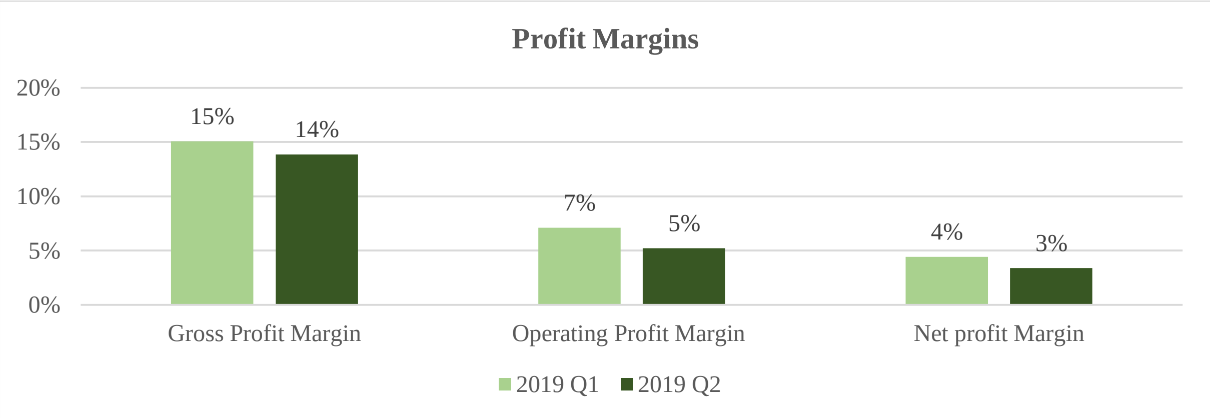


Figure 259: Profit Margins

As a result of higher costs and operational expenses, profit margins were deteriorated in 2019 Q2 in comparison to previous quarter.

The below table shows the variations in the expenses for both quarters.

Expenses	2019 Q1	2019 Q2	Change	%
Selling and marketing Costs	40,672,435	40,581,153	(91,282)	-0.2%
Administrative Costs	159,663,488	181,351,939	21,688,451	14%
Other Operating Costs	794,369	795,072	703	0.1%
Finance Costs	41,465,155	27,681,464	(13,783,691)	-33%
Total	**242,595,447**	**250,409,628**	**7,814,181.00**	**-20%**

Figure 260: Expenses

Selling and marketing costs and other operating expenses has not changed significantly, Administrative expenses on the other hand has increased by 14% due to Ramadhan allowance and bonus.

LIQUIDITY

LIQUIDITY	2019 Q1	2019 Q2
Non-Current Assets	2,232,037,172	2,215,174,568
Current Assets	3,899,900,246	3,794,952,551
Current Liabilities	3,679,792,365	3,566,931,200
Working Capital	220,107,881	228,021,351
Inventory	612,513,564	732,447,680

Figure 261: Working Capital

Because of reduction in property, plant and equipment and investment, Non-current assets of STO has decreased in quarter 2 of 2019. Likewise, current assets of the company have also reduced by MVR 105 million compared to last quarter. This was because of a significant reduction in trade and other receivables and cash and cash equivalents. The reduction in receivables was reflected in current liabilities of the company. It is no doubt that collecting receivables will increase the cash position of STO, and thus the ability to settle liabilities.

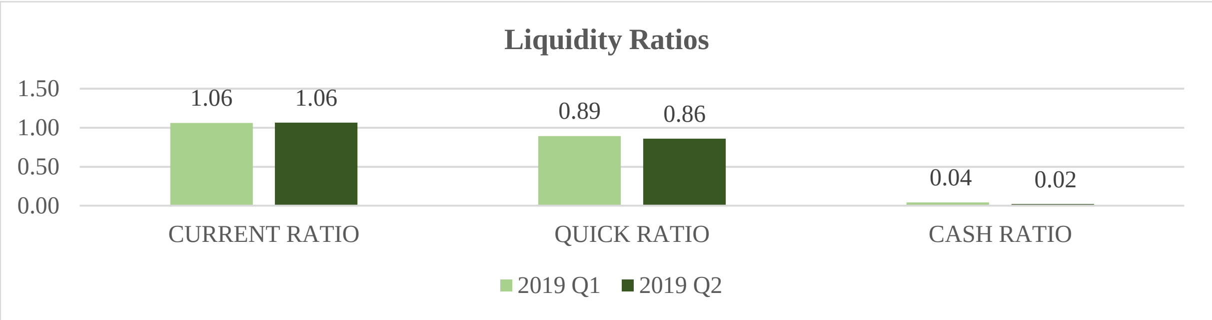


Figure 262: Liquidity Ratios

Current Ratio of STO have remained at 1.06 for the first two quarters of 2019. A current ratio of less than 1 indicates that the company may have problems meeting its short-term obligations. The current ratio is important for STO because it provides an overview of the business's short-term financial health to the shareholders as well as creditors.

Quick ratio has been kept below 1 for both the quarters. A normal quick ratio is considered to be 1, thus below this indicates that STO will face difficulty to fully pay back its current liabilities.

Cash ratio has further deteriorated in Q2 of 2019 compared to last quarter since cash and cash equivalents of STO has reduced by MVR 78 million.

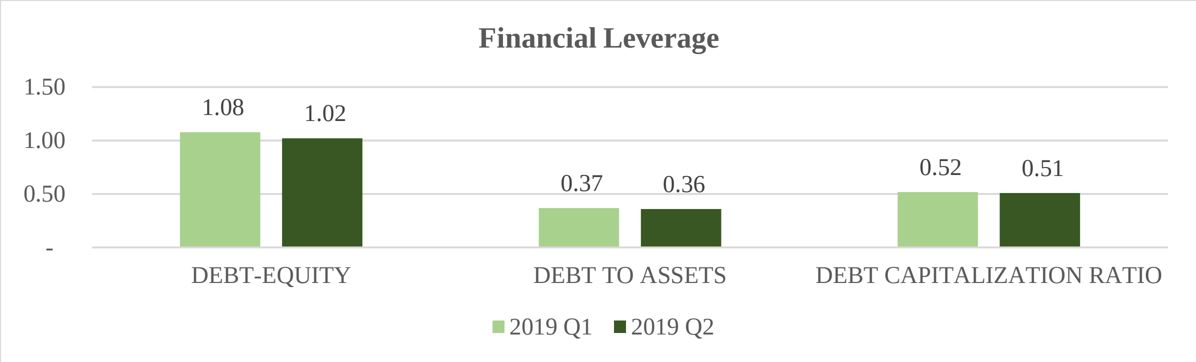


Figure 263: Financial leverage

There was a marginal reduction in debt to equity ratio in 2019 Q2 compared to the last quarter as STO has repaid over MVR 105 million loans and borrowings. However, after these huge repayments still the borrowings exceed STO's equity. Debt to equity ratio illustrates the degree to which STO is financing its operations through debts. A high debt/equity ratio is often associated with high financial risk; it means that a company has been aggressive in financing its growth with debt.

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 STO is at 36%.

Debt Capitalization ratio has measured total amount of outstanding debt as a percentage of the STO's total capitalization. Debt capitalization ratio of STO has reduced marginally as a result of repayments of loans and borrowings.

CONCLUSION

STO improved their profitability in this quarter compared to Q2 2018. Though the costs increased along with rise in revenue STO managed to improve operating profits and overall margin. However, compared to last quarter the operating profit has reduced due to high operating costs because of Ramadhan allowance and bonus.

Looking at the liquidity ratios of STO, it has not changed much over the quarters. The current assets of the company are almost equal to its current liabilities, indicating possible liquidity problems.

STO has significant loans and borrowings and due to significant repayments in quarter 2 of 2019. Financial leverage ratios have declined.

RECOMMENDATION

- The administrative costs of the company keep rising quarter by quarter and further increasing these expenses will result a lower profit margin. Therefore, STO must take measures to control the expenses.
- Less dependence on long loans and borrowings could reduce the finance costs and improve profitability. At present STO is severely dependent on short term finance than long term finance. Therefore, we recommend financing the short-term projects with short term financing arrangements which will be cheaper for the company as the interest payments will be lower.

- Improving 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.

Quarterly review; Quarter 2, 2019

WASTE MANAGEMENT CORPORATION

WASTE MANAGEMENT CORPORATION
Q2 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/WAMCO/Q2

Q2 of 2018 and Q2 of 2019

PROFITABILITY	Q2 2018	Q2 2019	Difference	%
Revenue	40,532,168	58,377,101	17,844,933	44
Direct expenses	(11,721,833)	(43,295,396)	(31,573,563)	269
Gross Profit	28,810,335	15,081,706	(13,728,629)	(48)
Administrative expenses	(48,587,850)	(22,240,801)	(26,347,049)	(54.23)
Selling and distribution expenses	(1,616,168)	(811,813)	(804,355)	(49.77)
Net Profit/Loss	(9,834,496)	(7,970,908)	1,863,588	(18.95)

Figure 264: Profitability

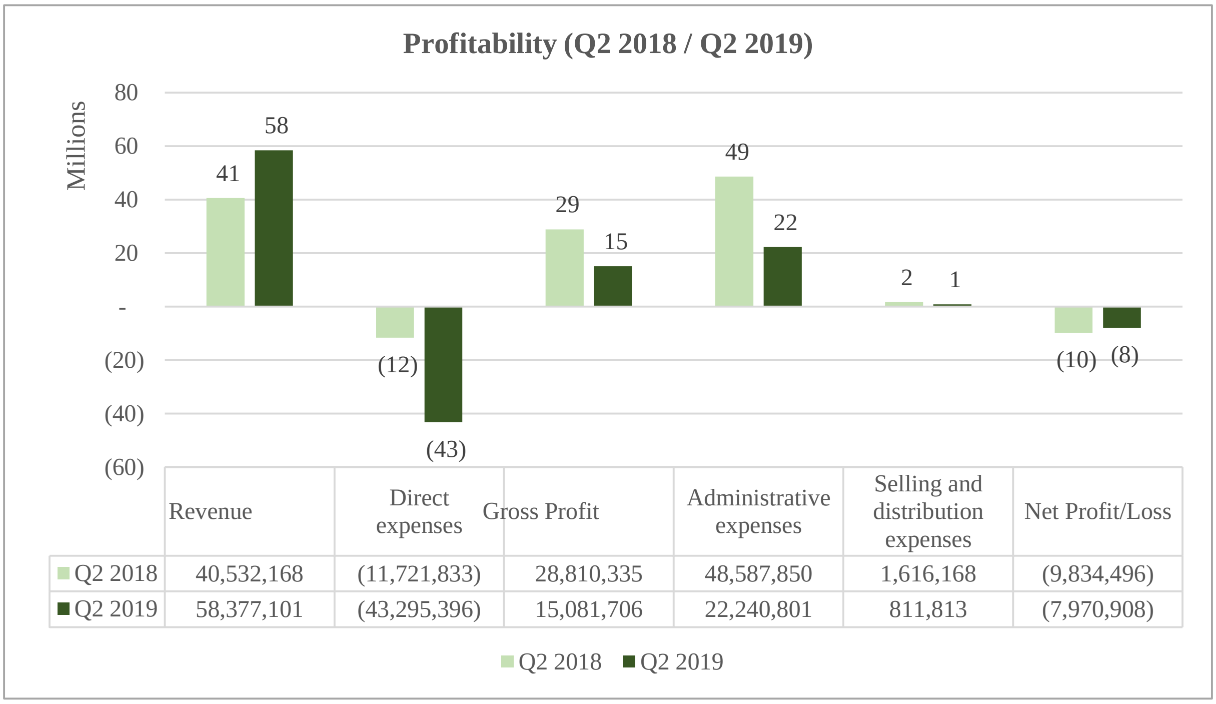


Figure 265: Profitability chart

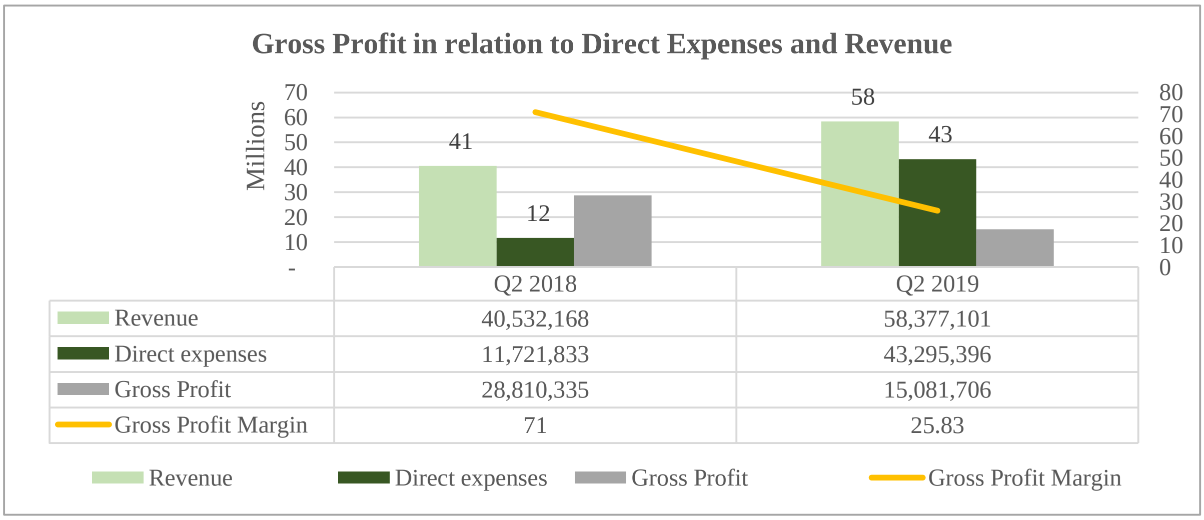


Figure 266: Gross Profit in relation to Direct Expenses and Revenue

WAMCO generates revenue mainly through waste disposal which has increased by 44% compared to the same quarter of the previous year. Their waste management income includes Call and Pick up service, waste collection and disposal. However, the increase in direct expense is not in proportion to the increase in revenue. Direct expenses increased significantly which includes salary paid to the staff who are directly involved in waste disposal sites and other operational expenses including fuel for the vehicles. As a result, gross profit shows a decreasing trend by MVR 13.7 million compared to the same quarter of the previous year.

While Administrative expenses has been reduced by MVR 26.9 million, number of inconsistencies can be seen in recording the expenses in both quarters. While Q2 2019 recorded a depreciation of MVR 3.6 million while in Q2 2018 depreciation has not been expensed though they have incurred a depreciation cost of 18 million. Total salaries and wages reduced by MVR 29.7 million while the number of employees has not been reduced. This is mainly because in Q2 2018, WAMCO has expensed over MVR 21 million as different allowances including Attendance allowance, overtime allowance, professional allowance, service allowance and special allowance as shown in the following table. In addition to this, Ramadan allowance of MVR 4.5 million has been given to the employees in Q2 2018, In Q2 2019 WAMCO included Ramadan allowance as staff welfare expenses.

Salaries & Wages	**Q2 2018 (MVR)**
Attendance Allowance	4,665,806
Basic Salary	14,417,878
Board Directors Fee	85,500
Other Allowances	1,478,076
Overtime Allowance	2,133,733
Professional Allowance	4,280,474
Ramadan Allowance	4,462,967
Service Allowance	3,049,369
Special Allowance	5,926,583
Total Salaries & Wages	**40,500,385**

Figure 267: Salaries and Wages

A reduced loss was experienced due to reduction of administrative expenses and improvement in revenue in Q2 2019 compared to Q2 2018

LIQUIDITY	**Q2 2018**	**Q2 2019**
Non-Current Assets	161,122,375	139,255,898
Current Assets	135,631,928	133,267,066
Current Liabilities	124,087,340	63,170,432
Cash and cash equivalents	42,963,917	13,619,620
Cash ratio	0.35	0.22
Current ratio	1.09	2.11
Quick ratio	1.09	2.11

Figure 268: Working Capital

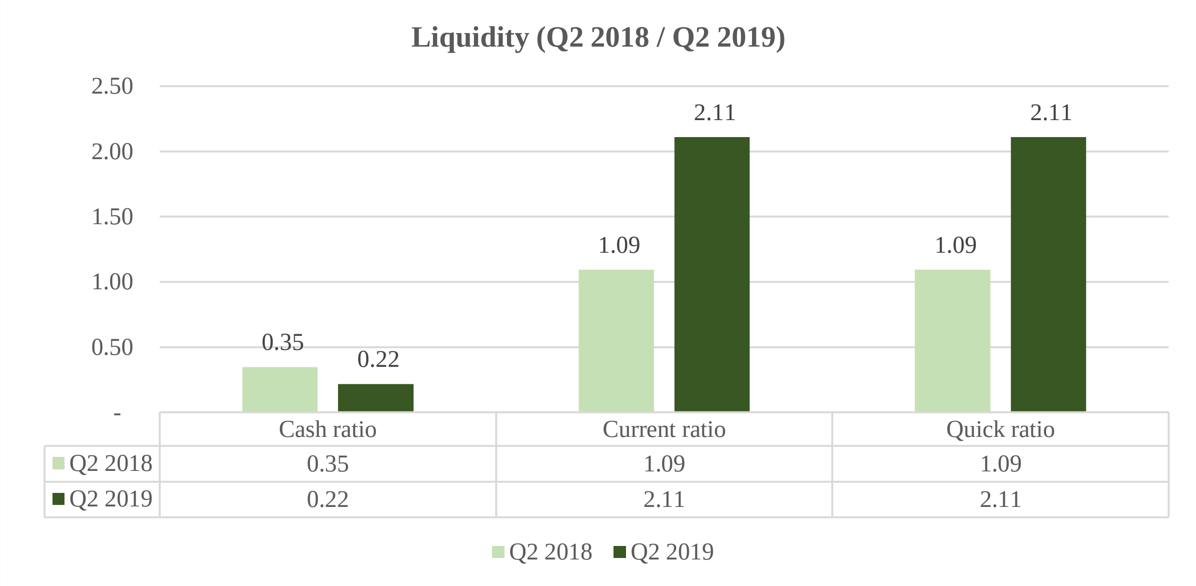


Figure 269: Liquidity

Total non-current assets value has reduced by MVR 21.9 million compared to Q2 2018. The value of buildings increased by MVR 15.7 million, IT equipment increased by MVR 1.4 million and vessels increased by MVR 35.8 million. However, the value of earth moving vehicles, furniture and fittings, motor vehicles and plant and machinery reduced after depreciation compared to Q2 2018.

Total current assets reduced by 1.74% (a reduction of MVR 2.4 million compared to the same quarter of the previous year). Other current asset of MVR 9.3 million was recorded in Q2 2018 which is explained by the following table:

Other current assets	Q2 2018
Allowance for bad debt	(1,340,690)
Input Tax	9,775,251
Prepaid expenses	909,184
Total Other current assets	**9,343,745**

Current assets of cash equivalents and receivables recorded in Q2 2019 fell by MVR 29 million (a reduction of 68% compared to Q2 2018). Thus, cash ratio reduced to 0.22 in the quarter. As far as current liabilities, Total current liabilities reduced by 49% compared to Q2 2018. Trade payables reduced by 49% while the company recorded other current liabilities totaling MVR 51.4 million in Q2 2018 which is detailed below;

Other current liabilities	Q2 2018
Accrued Audit fee	55,500
Accrued Expenses	600,235
Current liabilities - Veshifaara refunds	(1,984)
GST Payable	16,175,960
Output tax Payable	(5,789,355)
Payroll Clearing	39,793,195
Suspense Account	569,469
Total Other current liabilities	51,403,020

Figure 270: Other Current Liabilities

As current assets reduced much greater than the current liabilities, current and quick ratio of the company improved. However, the increasing trend of the receivables is alarming as receivables stand at MVR 119.6 million in Q2 2019.

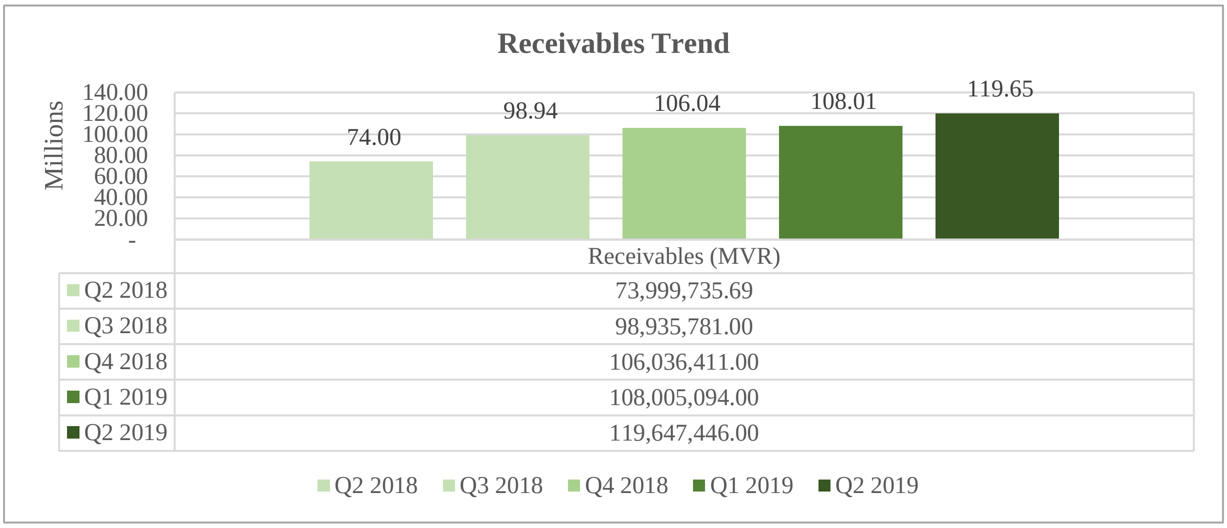


Figure 271: Receivables

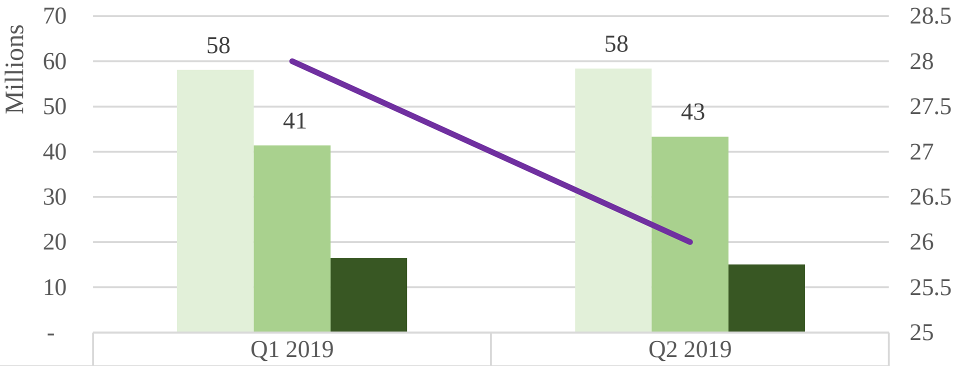
While the receivables increased each quarter starting from Q2 2018, a significant growth can be seen on receivables over the period to Q2 2019. If the company is unable to collect the receivables, it is likely to face serious liquidity problems.

Q1 of 2019 and Q2 of 2019

PROFITABILITY	Q1 2019	Q2 2019	Difference	%
Revenue	58,073,049	58,377,101	304,052	1
Direct expenses	(41,374,476)	(43,295,396)	(1,920,920)	5
Gross Profit	16,485,609	15,081,706	(1,403,903)	- 9
Administrative expenses	16,225,993	22,240,801	6,014,808	37.07
Selling and distribution expenses	1,533,653	811,813	(721,840)	(47.07)
Net Profit/Loss	(1,061,073)	(7,970,908)	(6,909,835)	651.21

Figure 272: Profitability

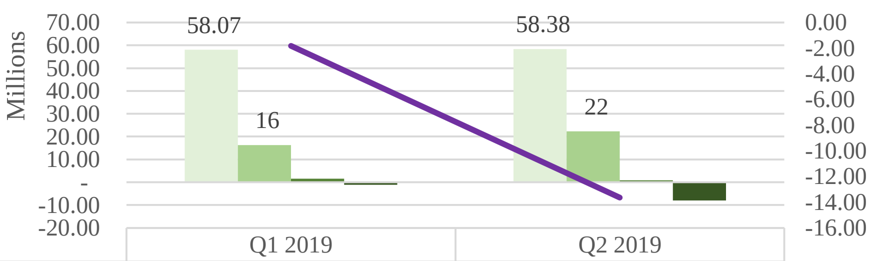
A slight improvement in revenue is recorded in the second quarter compared to the previous quarter. However, direct costs increased greatly by MVR 1.9 million reducing the gross profit margin in the quarter by 2%. The major portion of direct expenses include the salaries paid to employees in the working site which increased by 2% (MVR 33.5 million) during the quarter. The company currently employees 54 staffs alone in the Mandhoo site (which is a land used by the company for waste disposal), for whom Ramdan allowance and bonuses are paid during the second quarter 2019



	Q1 2019	Q2 2019
Revenue	58,073,149	58,377,101
Direct expenses	41,374,476	43,295,396
Gross Profit	16,485,609	15,081,706
Gross profit Margin	28	26

Figure 273: Gross Profit in relation to Direct Expenses and Revenue

Administrative expenses grew by 37% (MVR 6 million) compared to the previous quarter. The net result of reduction in gross profit and increased administrative expenses resulted in further deteriorated net loss.



	Q1 2019	Q2 2019
Revenue	58,073,149.00	58,377,101.00
Administrative expenses	16,255,993	22,240,801
Selling and distribution expenses	1,533,653	811,813
Net loss	-1,061,073.00	-7,970,908.00
Net profit Margin	-1.83	-13.65

Figure 274: Net Profit / Loss

The following table explains the increase in administrative expenses compared to the previous quarter.

Administrative expenses	Q1 2019	Q2 2019	Difference	%

Staff salaries	5,784,797	10,793,232	5,008,435	86.58
Pension	854,204	1,346,866	492,662	57.67
Staff welfare	1,660,132	2,169,679	509,547	30.69
labour contracts	7,560	-	(7,560)	(100)
Director's salaries	58,500	71,000	12,500	21.37
Rent	-	1,122,639	1,122,639	
Water and electricity	622,805	1,348,867	726,062	116.58
Communication expenses	472,895	488,311	15,416	3.26
printing and stationary	186,371	192,619	6,248	3.35
license and permits	135,300	138,080	2,780	2.05
professional fees	-	3,160	3,160	
Insurance charges	61,050	17,050	(44,000)	(72.07)
Travelling expenses	697,637	647,189	(50,448)	(7.23)
Bank charges	247,708	192,945	(54,763)	(22.11)
Depreciation and amortization	3,413,186	3,615,339	202,153	5.92
Repair and maintenance	754,635	642,029	(112,606)	(14.92)
Office expense	6,778	13,915	7,137	105.30
fines and penalties	88,719	68,665	(20,054)	(22.60)
Fire protection	2,646	9,620	6,974	263.57
Sundry expenses	1,144,088	- 900,162	(2,044,250)	(178.68)
Customer duty and clearing	11,982	19,258	7,276	60.72
Sponsorship	15,000	240,500	225,500	1,503.33
Total	**16,225,993**	**22,240,801**	**6,014,808**	**37.07**

Figure 275: Administrative Expenses

Staff salaries and wages increased by MVR 5 million as a result of Ramadan allowance as Ramadan fell in the second quarter of the year. Apart from this, WAMCO spent MVR 2.2 million in Q2 2019 as staff welfare which mainly includes catering and monthly food and accommodation given to Mandhoo staff. The change in the staff count during the first two quarters of the year is illustrated in the following graph.

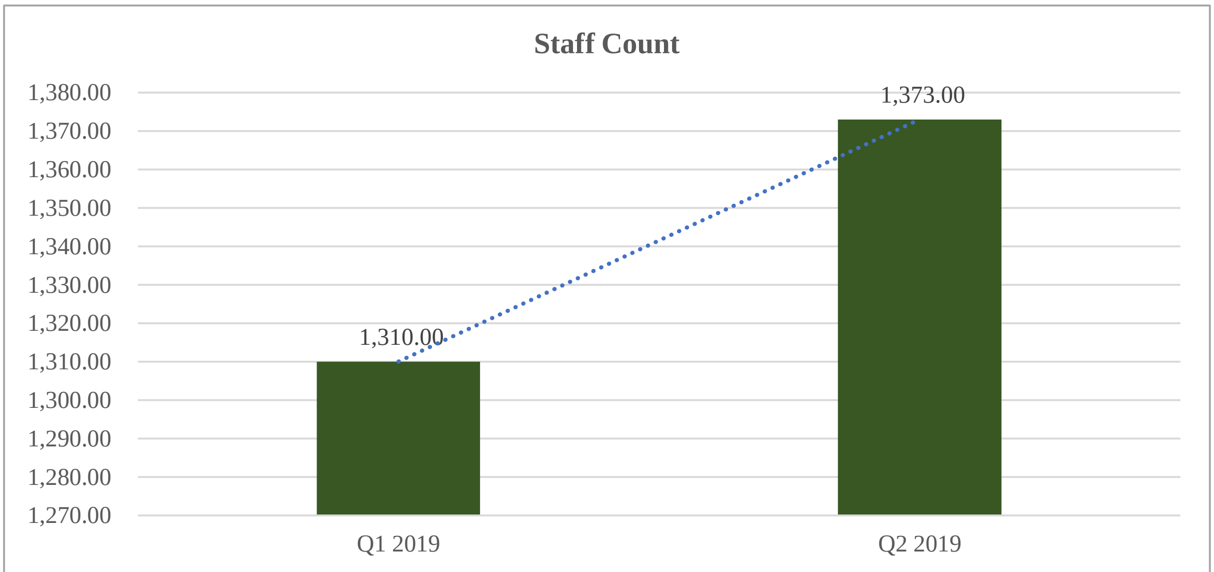


Figure 276: Staff Count

The number of employees increased by 63 in just a quarter's time which contributed to the rise in staff expenses.

LIQUIDITY	Q1 2019	Q2 2019
Non-Current Assets	140,036,564	139,255,898
Current Assets	113,325,573	133,267,066
Current Liabilities	47,272,026	63,170,432
Working Capital	66,053,547	70,096,634
Cash and cash equivalents	5,320,479	13,619,620
Cash ratio	0.11	0.22
Current ratio	2.40	2.11
Quick ratio	2.40	2.11

Figure 277: Working Capital

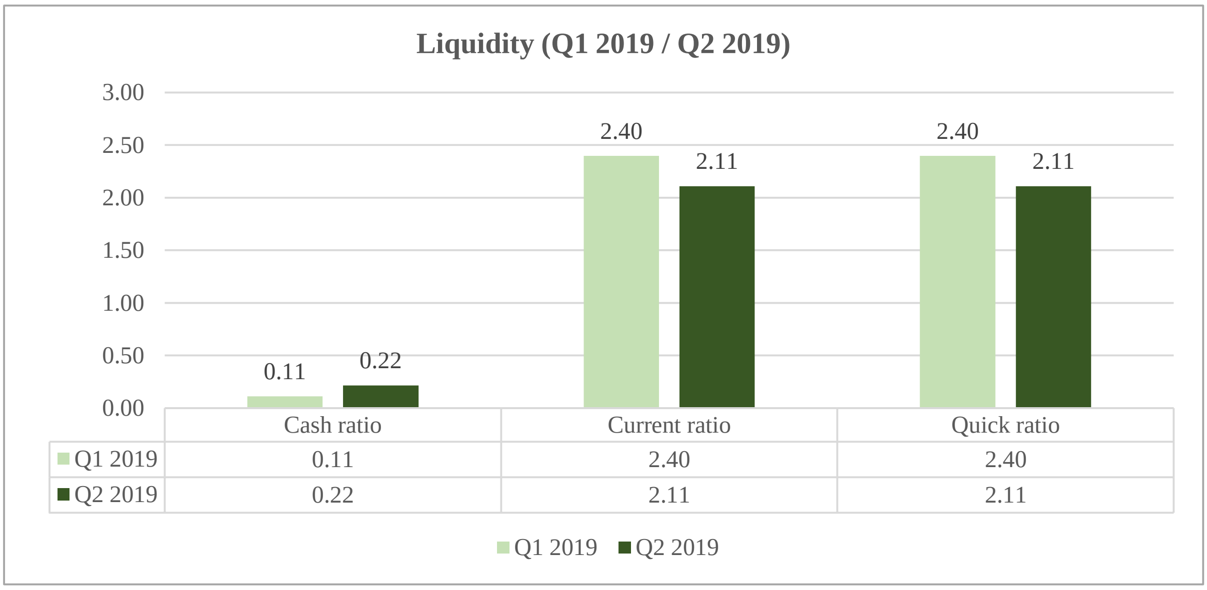


Figure 278: Liquidity

The total value of non-current assets reduced slightly by 0.56%. The assets depreciated by MVR 3.6 million during the first two quarters while MVR 96,618 has been added to capital work in progress carrying a balance of MVR 2.8 million as at 2019 Q2.

When looking into the current assets, trade and other receivables increased by MVR 11.6 million while cash and cash equivalents increased by MVR 8.3 million compared to the previous quarter. While trade receivables stand at an alarming level, cash balance increased due to the cash injected as capital by the government. The government has provided MVR 16.25 million as capital contribution for the operations of the company for the second quarter 2019.

Current liabilities increased by MVR 15.9 million during the quarter. Due to increase in payables, negative movement could be seen in the liquidity ratios. However, the liquidity issues of the company are not reflected by the ratios since the company has high receivables which are growing at an alarming rate.

Conclusion

Revenue of WAMCO has been improved by MVR 17.84 million (44%) compared to the same quarter of the previous year. When compared to Q1 2019 the revenue increased only by 1%. The reduction in overheads compared to Q2 2018 has reduced their net loss. However, WAMCO has not been consistent in managing their administrative expenses such that they recorded a loss of MVR 8 million which is a decline of MVR 6.9 million compared to the previous quarter mainly due to increase in staff expenses.

The main components of the administrative expenses are staff costs such as salaries and wages paid to the employees and other staff expenses. WAMCO has a significant number of employees working in the collection process and the company may benefit from a review of the company's staff requirement.

Liquidity ratios show a satisfactory figure where current assets are sufficient to settle the short-term liabilities. However, a greater portion of current assets comprise of trade receivables which have been difficult to collect. Though ratios show a satisfying figure, the increase in receivables is alarming, while the cash flow from operations also fell compared to Q2 2018 the stated quarters. This increase the dependency of company on shareholder assistance.

The company has not taken any long-term loan hence there is no finance cost. However, they have made huge investments in acquiring vehicles for waste disposal which might take long time to recover the investment costs.

<u>Recommendation</u>

- <u>Receivable collection:</u>
  Receivable collection is a major issue in WAMCO. Proper policies need to be set and implemented to collect receivables at the earliest. WAMCO has already automated their billing and payment process. Thus, necessary policies need to be made and implemented against the unrecovered receivables. Further relevant authorities must be informed, and actions need to be taken accordingly. They can also remind the unpaid customers every month through a general message and make public more aware on the pending payments.
  Receivables comprise of a greater portion of debts from government authorities. Proper mechanisms can be arranged with the ministry of finance where they can directly intervene in arranging the payments made by government authorities.
- <u>Reduce Payables:</u>
  It is important to build a strong relation with the suppliers for better terms. Further proper receivable collection will ultimately help in enhancing cash and thus reducing payables.
- <u>Reduction of Operational costs:</u>
  Overall operational cost needs to be minimized, mainly the staff costs need to be minimized by reviewing the pay structure and the adequacy of number of staffs. WAMCO recruited relatively high number of employees for the collection and disposal of waste. They can employ contract staffs who would require benefits instead of full-time employees. This would also help them in managing staff costs.
- <u>Revenue Improvement:</u>
  WAMCO can improve revenue in waste disposal by:
  - 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.
- Consequently, WAMCO should ensure that they are adequately financed. As a startup waste management business, WAMCO is capital intensive. Thus, careful financial planning and keeping a close eye on cash flow is essential. They have to be prepared with a backup plan to get the cash they might need urgently.