SUMMARY OF QUARTERLY REVIEW

Q3 | 19

Q3

SECRETARIAT FOR
PRIVATIZATION AND CORPORATIZATION BOARD

TABLE OF CONTENTS

SUMMARY OF QUARTERLY REVIEW 2

AASANDHA COMPANY LTD 9

ADDU INTERNATIONAL AIRPORT PVT LTD 13

BUSINESS CENTRE CORPORATION LTD 18

BANK OF MALDIVES LTD 21

DHIVEHI RAAJJEYGE GULHUN PLC 26

FAHI DHIRIULHUN CORPORATION LTD 30

FENAKA CORPORATION LTD 33

GREATER MALE' INDUSTRIAL ZONE LTD 38

HOUSING DEVELOPMENT CORPORATION 42

HOUSING DEVELOPMENT FINANCING CORPORATION PLC 48

ISLAND AVIATION SERVICES LIMITED 53

KAHDHOO AIRPORT COMPANY LTD 59

MALDIVES AIRPORTS COMPANY LTD 65

MALDIVES CENTER FOR ISLAMIC FINANCE LTD 73

MALDIVES HAJJ CORPORATION LTD 77

MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION 83

MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION 87

MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC 91

MALDIVES TOURISM DEVELOPMENT CORPORATION 97

MALDIVES SPORTS CORPORATION LTD 101

MALE' WATER AND SEWERAGE COMPANY PVT LTD 105

MALDIVES PORTS LIMITED 112

PUBLIC SERVICE MEDIA 118

SME DEVELOPMENT FINANCE CORPORATION LTD 123

STATE ELECTRIC COMPANY LTD 127

STATE TRADING ORGANIZATION PLC 133

WASTE MANAGEMENT CORPORATION 139

Secretariat for Privatization and Corporatization Board

SUMMARY OF QUARTERLY REVIEW

QUARTER 3, 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 three of 2019 with the quarter three 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 27 different SOEs operating in the Maldivian market, which contributes significantly to the GDP of Maldives.

REVENUE

	COMPANY NAME	Q3 2018 (MVR)	Q3 2019 (MVR)	%
	REVENUE GROWTH			
1	ADDU INTERNATIONAL AIRPORT (AIA)	11,399,616	13,921,348	22%
2	BUSINESS CENTER CORPORATION LTD (BCC)	-	-	-
3	BANK OF MALDIVES	609,665,000	639,051,000	5%
4	DHIVEHI RAAJJEYGE GULHUN PLC	658,464,000	685,313,000	4%
5	FAHI DHIRIULHUN CORPORATION LTD (FDC)*	-	-	-
6	FENAKA CORPORATION (FENAKA)	310,909,727	369,199,375	19%
7	GREATER MALE INDUSTRIAL ZONE LIMITED (GMIZL)	27,655,449	35,227,831	27%
8	HOUSING DEVELOMENT CORPORATION (HDC)	85,299,669	51,997,729	-39%
9	HOUSING DEVELOPMENT FINANCING CORPORATION PLC	44,388,410	49,947,276	13%
10	ISLAND AVIATION SERVICES LTD (IASL)	603,183,774	514,068,329	-15%
11	KAHDHOO AIRPORTS COMPANY LTD (KACL)	3,554,654	3,527,626	-1%
12	MALDIVES AIRPORTS COMPANY LTD (MACL)	1,109,771,000	1,178,047,000	6%
13	MALDIVES CENTER FOR ISLAMIC FINANCE (MCIF)	37,200	329	-99%
14	MALDIVES HAJJ CORPORATION LTD (MHCL)	64,152,826	72,152,315	12%
15	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION (MITDC)	1,029,657	-	-100%
16	MALDIVES MARKETING AND PUBLIC RELATIONS CORPORATION (MMPRC)	16,361,343	43,959,104	169%
17	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	308,219,436	282,822,332	-8%
18	MALDIVES TOURISM DEVELOPMENT CORPORATION	19,351,653	17,301,548	-11%
19	MALE WATER AND SEWERAGE COMPANY (MWSC)	256,749,007	253,119,372	-1%
20	MALDIVES PORTS LIMITED (MPL)	205,799,512	196,948,001	-4%
21	MALDIVES SPORTS CORPORATION (MSCL)	3,577	-	-100%
22	PUBLIC SERVICE MEDIA (PSM)	8,039,870	45,055,207	460%
23	STATE ELCTRIC COMPANY LTD (STELCO)	445,857,536	482,463,639	8%
24	STATE TRADING ORGANIZATION PLC	2,398,303,260	2,246,912,106	-6%
25	SME DEVELOPMENT FINANCE CORPORATION LIMITED (SDFC)*	-	1,464,970	-
26	WASTE MANAGEMENT CORPORATION (WAMCO)	67,880,212	55,949,297	-18%
TOTAL		**7,256,076,388**	**7,238,448,734**	**-0.24%**

* established in 2019

Table 1: Revenue Growth

SOEs generated a total revenue of over MVR 7.2 billion at the end of the third quarter of 2019, which is a reduction of 0.24% compared to the same period of the previous year.

STO and MACL are the highest revenue generating among the SOEs. Followed by, IASL, STELCO, Fenaka Corporation, MWSC and MPL. IASL generated a revenue of MVR 514 million in Q3 2019, a deterioration of 15% (MVR 89 million) resulting from reduction in domestic PAX and decrease in charter flights and discount on charters. STELCO has its revenue increased by 8% mainly due to the overall increase in revenue from electricity due to the peak months to electricity consumption. Fenaka Corporation also generates comparably significant revenue through the operations compared to other SOEs. MWSC marks a reduction of revenue by 4.1% (MVR 3.6million) compared to Q3 2018 due to an overall reduction in water consumption and sales. Maldives Ports Limited also generates a high revenue to the government which reduced by 4% (196 million) compared to the same quarter of the previous year after reduction in operational and non-operational revenue. Revenue from almost all the segments has been reduced which negatively affected the performance of the company.

Other companies who have showed outstanding performance in terms of revenue compared to Q3 2018 includes, AIA, GMIZL, MHCL, MMPRC, PSM and SDFC. While AIA improved its revenue through selling fuel to jets landed into the airport, GMIZL improved their revenue by 27% through increased leased plots from Thilafushi. MHCL increased their revenue through increase in number of pilgrims. MMPRC shows a high revenue mainly resulting from government grant which has been treated as revenue. In addition to this, PSM shows a peak in revenue, also due to government grant in 2019. SDFC has shown a remarkable performance in terms of revenue when referring to a newly formed company.

GROSS PROFIT

	COMPANY NAME	Q3 2018 MVR	Q3 2019 MVR	%
	GROSS PROFIT GROWTH			
1	ADDU INTERNATIONAL AIRPORT (AIA)	6,823,319	7,894,421	16%
2	BUSINESS CENTER CORPORATION LTD (BCC)	-	-	-
3	FAHI DHIRIULHUN CORPORATION LTD (FDC)	-	-	-
4	BANK OF MALDIVES	513,525,000	539,683,000	5%
5	DHIVEHI RAAJJEYGE GULHUN PLC	248,480,000	251,050,000	1%
6	FENAKA CORPORATION	128,207,729	117,984,476	-8%
7	GREATER MALE INDUSTRIAL ZONE LIMITED (GMIZL)	27,655,449	35,227,831	27%
8	HOUSING DEVELOMENT CORPORATION (HDC)	80,644,165	51,997,729	-36%
9	ISLAND AVIATION SERVICES LTD(IASL)	224,533,481	194,910,929	-13%
10	HOUSING DEVELOPMENT FINANCING CORPORATION PLC	32,266,782	36,501,510	13%
11	KAHDHOO AIRPORTS COMPANY LTD (KACL)	3,554,654	3,527,626	-1%
12	MALDIVES AIRPORTS COMPANY LTD (MACL)	642,617,000	721,240,000	12%
13	MALDIVES CENTER FOR ISLAMIC FINANCE (MCIF)	28,428	329	-99%
14	MALDIVES HAJJ CORPORATION LTD (MHCL)	(10,296,077)	(9,098,703)	12%
15	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION (MITDC)	1,029,657	-	-100%
16	MALDIVES MARKETING AND PUBLIC RELATIONS CORPORATION (MMPRC)	9,404,451	27,477,777	192%
17	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	47,603,002	48,237,430	1%
18	MALDIVES TOURISM DEVELOPMENT CORPORATION	9,966,578	9,966,578	-
19	MALE WATER AND SEWERAGE COMPANY (MWSC)	123,346,898	161,261,028	31%
20	MALDIVES PORTS LIMITED (MPL)	171,982,343	148,454,123	-14%
21	MALDIVES SPORTS CORPORATION (MSCL)	3,577	-	-100%
22	PUBLIC SERVICE MEDIA (PSM)	(21,835,615)	27,987,285	228%
23	STATE ELECTRIC COMPANY LTD (STELCO)	79,599,588	83,880,203	5%
24	STATE TRADING ORGANIZATION PLC	292,936,970	340,701,888	16%
25	SME DEVELOPMENT FINANCE CORPORATION LIMITED (SDFC)	-	1,464,970	-
26	WASTE MANAGEMENT CORPORATION (WAMCO)	59,081,628	17,220,740	-71%
TOTAL		**2,671,159,007**	**2,817,571,170**	**5%**

Table 2: Gross Profit

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

Overall gross profit of SOEs has increased by 5% (by MVR 146 million) compared to the same quarter of the previous year. Companies such as STO, MACL, MMPRC, MWSC and STELCO have earned a higher gross profit compared to same quarter of previous year.

Fenaka, HDC, IASL, MPL and WAMCO had high direct costs compared to Q3 2018, as a result gross profit has seen a drastic fall over the comparable period.

NET PROFIT

	COMPANY NAME	Q3 2018 MVR	Q3 2019 MVR	%
	NET PROFIT GROWTH			
1	ADDU INTERNATIONAL AIRPORT (AIA)	(13,777,039)	(15,303,581)	-11%
2	BUSINESS CENTER CORPORATION LTD (BCC)	(244,297)	(322,078)	-32%
3	FAHI DHIRIULHUN CORPORATION LTD(FDC)	-	(422,817)	-
4	BANK OF MALDIVES	269,338,000	224,449,000	-17%
5	DHIVEHI RAAJJEYGE GULHUN PLC	203,412,000	203,053,000	-0.2%
6	FENAKA CORPORATION	(2,275,603)	975,420	143%
7	GREATER MALE INDUSTRIAL ZONE LIMITED (GMIZL)	3,140,496	16,428,813	423%
8	HOUSING DEVELOMENT CORPORATION(HDC)	(7,223,386)	(86,357,913)	-1096%
9	ISLAND AVIATION SERVICES LTD(IASL)	72,647,804	64,213,875	-12%
10	HOUSING DEVELOPMENT FINANCING CORPORATION PLC	22,230,890	25,400,614	14%
11	KAHDHOO AIRPORTS COMPANY LTD (KACL)	(10,033,233)	(4,793,788)	52%
12	MALDIVES AIRPORTS COMPANY LTD (MACL)	277,795,000	350,316,000	26%
13	MALDIVES CENTER FOR ISLAMIC FINANCE (MCIF)	(1,484,382)	(1,066,169)	28%
14	MALDIVES HAJJ CORPORATION LTD (MHCL)	(10,980,769)	(10,250,944)	7%
15	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION (MITDC)	(3,638,339)	(1,377,283)	62%
16	MALDIVES MARKETING AND PUBLIC RELATIONS CORPORATION (MMPRC)	6,223,693	21,476,582	245%
17	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	327,963	15,947,715	4763%
18	MALDIVES TOURISM DEVELOPMENT CORPORATION	6,303,418	5,810,210	-8%
19	MALE WATER AND SEWERAGE COMPANY (MWSC)	58,380,744	85,738,529	47%
20	MALDIVES PORTS LIMITED (MPL)	72,331,225	36,840,076	-49%
21	MALDIVES SPORTS CORPORATION (MSCL)	(1,350,131)	(1,240,190)	8%
22	PUBLIC SERVICE MEDIA (PSM)	(45,029,444)	14,331,359	132%
23	STATE ELECTRIC COMPANY LTD (STELCO)	20,337,712	18,618,106	-8%
24	STATE TRADING ORGANIZATION PLC	47,064,992	94,910,276	102%
25	SME DEVELOPMENT FINANCE CORPORATION LIMITED (SDFC)	-	(451,455)	-
26	WASTE MANAGEMENT CORPORATION (WAMCO)	(1,834,827)	(3,944,117)	-115%
TOTAL		**961,662,487**	**1,052,979,240**	**9%**

Table 3: Net Profit

SOEs generated net profit totaling MVR 1,053 million which is 10% increment compared to Q3 2018. GMIZL has achieved an outstanding growth in net profit as they have increased rates for leased plots followed by better management of overheads compared to Q3 2018. STO also achieved an outstanding performance by increasing their net profit by 102% over the comparable period.

AIA, HDC, KACL, MCIF, MHCL, MITDC, FDC, MSCL and WAMCO are marked as loss-making companies out of which AIA, HDC and WAMCO have increased their net losses compared to Q3 2018. HDC also has further worsened their losses by MVR 79 million compared to Q3 2018, regardless of the improvement in revenue due to increased maintenance expenses relating to Q3 2019. The net loss of WAMCO has also seen a significant increase by 115% (by MVR 2.1 million).

KACL, MCIF, MHCL, MITDC, PSM, Fenaka and MSCL has reduced their losses over the comparable period. BCC, MITDC, MCIF and MSCL are the companies facing losses due to inability to generate sufficient revenue to cover their operational expenses. As such, these companies depend on shareholder assistance. FDC and SDFC are newly formed companies during 2019 and are expected to generate revenue to cover costs in a near future. Though MHCL and KACL are able to generate revenue, they are not able to generate a profit out of after managing its direct expenses and overheads.

SHORT TERM LIQUIDITY RATIOS

	COMPANY NAME	Q3 2018 Current Ratio (times)	Q3 2018 Quick Ratio (times)	Q3 2019 Current Ratio (times)	Q3 2019 Quick Ratio (times)
1	ADDU INTERNATIONAL AIRPORT (AIA)	0.21	0.17	0.11 ↓	0.09 ↓
2	BUSINESS CENTER CORPORATION LTD	1.38	1.38	5.06 ↑	5.06 ↑
3	FAHI DHIRIULHUN CORPORATION LTD	-	-	9	9
4	FENAKA CORPORATION	0.69	0.5	0.61 ↓	0.35 ↓
5	GREATER MALE INDUSTRIAL ZONE LIMITED	6.09	6.09	10.84 ↑	10.84 ↑
6	HOUSING DEVELOMENT CORPORATION	8.29	5.19	3.08 ↓	0.88 ↓
7	ISLAND AVIATION SERVICES LTD(IASL)	1.04	0.9	0.94 ↓	0.8 ↓
8	KAHDHOO AIRPORTS COMPANY LTD (KACL)	60	57.95	31 ↓	30.33 ↓
9	MALDIVES AIRPORTS COMPANY LTD (MACL)	1.99	1.77	2.3 ↑	2.08 ↑
10	MALDIVES CENTER FOR ISLAMIC FINANCE (MCIF)	0.63	0.62	0.45 ↓	0.45 ↓
11	MALDIVES HAJJ CORPORATION LTD (MHCL)	5.7	5.6	10.6 ↑	10.3 ↑
12	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION (MITDC)	0.61	0.61	0.58 ↓	0.58 ↓
13	MALDIVES MARKETING AND PUBLIC RELATIONS CORPORATION (MMPRC)	0.99	0.99	1.04 ↑	1.04 ↑
14	MALE WATER AND SEWERAGE COMPANY (MWSC)	1.02	0.62	1.31 ↑	0.94 ↑
15	MALDIVES PORTS LIMITED (MPL)	13.07	11.63	2.39 ↓	1.32 ↓
16	MALDIVES SPORTS CORPORATION (MSCL)	4.91	4.91	1.29 ↓	1.29 ↓
17	PUBLIC SERVICE MEDIA (PSM)	0.33	0.33	0.24 ↓	0.24 ↓
18	STATE ELCTRIC COMPANY LTD (STELCO)	0.86	0.68	0.81 ↓	0.69 ↑
19	WASTE MANAGEMENT CORPORATION (WAMCO)	1.64	1.64	2.73 ↑	2.73 ↑

Table 4: Short term liquidity Ratios

Although the ideal standard of current ratio is 2:1 indicating that for every MVR 1 worth of short-term liability, there should by MVR 2 worth of current assets, this could defer from industry to industry and the perfect liquidity ratio depends on the company's nature and their industry. Likewise, in theory however, a high ratio (over 3) does not necessarily indicate that a company is in a state of financial well-being. As such, depending on how the company's assets are allocated, a high current ratio may suggest that that company is not using its current assets efficiently, or is not securing financing well, or perhaps is not managing its working capital effectively.

BCC, GMIZL and KACL has significantly high liquidity ratios resulting from high cash levels these companies hold as capital injected by the government. These idle cash sit in the business covering up the operational expenses of the company. BCC and KACL are originally loss making SOEs and tends to depend on shareholder assistance.

On the other hand, AIA, Fenaka, MCIF, MITDC, MWSC, PSM and STELCO have unsatisfactory level of liquidity as they do not have sufficient current assets to settle the short-term obligations.

Among public listed companies MTCC, Dhiraagu and STO have a satisfactory liquidity position. On the other hand, liquidity ratios of MTDC has seen a drastic fall mainly due to a change in a classification of an asset.

FINANCIAL LEVERAGE RATIOS

	COMPANY NAME	Q3 2018		Q3 2019	
		Debt to Equity (%)	Debt to Assets (%)	Debt to Equity (%)	Debt to Assets (%)
1	ADDU INTERNATIONAL AIRPORT (AIA)	858	58	(854) ↓	69 ↑
2	FENAKA CORPORATION	80	13	70 ↓	10 ↓
3	HOUSING DEVELOMENT CORPORATION	50	33	77 ↑	39 ↑
4	ISLAND AVIATION SERVICES LTD(IASL)	52	24	39 ↓	19 ↓
5	MALDIVES AIRPORTS COMPANY LTD (MACL)	86	40	107 ↑	46 ↑
7	MALE WATER AND SEWERAGE COMPANY (MWSC)	9	6	10 ↑	6.2 ↑
8	MALDIVES PORTS LIMITED (MPL)	17	14	15 ↓	11 ↓
9	PUBLIC SERVICE MEDIA (PSM)	253	69	19 ↓	13 ↓
10	STATE ELCTRIC COMPANY LTD (STELCO)	413	63	385 ↓	64 ↑

Table 5: Financial Leverage Ratios

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

Apart from AIA, companies like STELCO and MACL also has a high leverage due to significant debts. Although this increases the financial risk associated with the company, developmental projects will increase room for further revenue. Although STO's debt to equity seems higher, this is mainly due to short term loans and overdrafts which are revolving in nature and do not require to be settled within one year, even though they are classified under current liabilities.

Compared to Q3 2018 HDC's loans and borrowings has increased significantly by over MVR 2 billion due to disbursement of the existing loans such as loans for 7000 housings units, electricity network and other loans, thus increasing financial leverage.

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

CONCLUSION

In the third quarter of 2019, SOEs have contributed a total revenue of MVR 7.2 billion to the economy.

Third quarter of 2019 was a successful quarter in terms of profitability for the SOEs such as MTCC, MACL, HDFC, STO, MWSC, GMIZL, MMPRC and PSM. These companies have achieved a positive net profit growth compared to 2018 Q2. It must be noted that the profit made by MMPRC and PSM are mainly due to the grant income by the government, not from their operations. The highest net profit was achieved by MACL i.e. a net profit of MVR 350 million.

On the other hand, the profits of BML, Dhiraagu, MTDC, IASL, MPL and STELCO was declined in Q3 2019 against Q3 2018. The revenue of IASL, MTDC and MPL were reduced while STELCO, BML, Dhiraagu had a positive revenue growth. High direct cost as well as operating costs resulted in an operational loss for the company.

Since SDFC and FDC began its operations in 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.

SOEs such as AIA, KACL, MCIFL, MSCL, WAMCO 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. For instance, the salary structure of PSM needs to be revised considering the high pay system and personnel costs of the companies.

Quarterly review; Quarter 3, 2019

AASANDHA COMPANY LTD

AASANDHA COMPANY LTD
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/ACL/Q3

Q3 2019 with Q2 2019

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

Provisional accounts of company for the year 2018 was prepared after consolidating Aasandha company and Hulhumale' hospital. However, as per the auditor's opinion company now (in 2019) prepares its accounts excluding transactions of Hulhumale' hospital. Therefore, for a better understanding and comparison purpose this report will only compare Q3 2019 with Q2 2019.

INCOME AND EXPENSES

Income

Income received from NSPA for scheme expenditures are presented separately below. Income stated are of two types. Budget contribution from Government and other income which are spent for the company's administrative and other operating expenses and has decreased by 8% from Q2 2019 to Q3 2019.

Operating Expenses

Compared to previous quarter of Q2 2019, total operating expenses have decreased by MVR 1 million, mainly due to decrease in overall administrative expenses.

Administrative expenses	Q3 2019	Q2 2019	Var %
Salary and benefits	7,869,263	8,825,355	-10.83%
Utility costs	355,823	361,516	-1.57%
Communication expenses	412,849	435,421	-5.18%
Rents	1,140,946	1,140,946	0.00%
License & Registartion fees	-	348	-100.00%
Directors Expenses	135,026	124,794	8.20%
Printing and Satìonary	71,532	144,925	-50.64%
Depreciation and ammortization	1,085,684	1,186,579	-8.50%
Total	**11,071,123**	**12,219,884**	**-9.40%**

Table 1: Administrative expenses

Administrative expenses have decreased mainly due to reduction in salary and printing expenses from Q2 to Q3. Salary decreased as number of staffs reduced in Q3 2019 and Ramadan allowances were paid in Q2 2019. Communication expenses has decreased by 5% over the two quarters. It is noticed that depreciation and amortization expense is significant compared to total non-current assets stated in both quarters (MVR 7,115,273 and MVR 8,184,443 in Q3 2019 and Q2 2019), thus we find it unreasonable.

Other operating expenses	Q3 2019	Q2 2019	Var %
Travelling expenses	249,470	174,807	43%
Professional services	106,810	126,810	-16%
Audit fee	-	263,682	-100%
Scholarship and training	129,343	-	N/A
Repairs and maintenance	73,166	94,329	-22%
Security service	-	-	N/A
General expenses	195,520	31,031	530%
Office cleaning	-	-	N/A
Sundry expenses	29,107	33,119	-12%
Total	**783,416**	**723,778**	**8%**

Table 2: Other Operating expenses

Overall, other operating expenses have increased by 8% compared to previous quarter as some of the expenses such as travelling and general expenses have increased by 42% and 530% respectively over the two periods. Travelling was increased due to increase in trips to atoll islands for implementation of 'Vinavi

Portal' and training programs. General expenses include CISCO annual subscription of MVR 175,568 in Q3 2019.

Scheme and Welfare Payments

Scheme and welfare payments has increased by 365% compared to Q2 2019. It cannot be said that the huge increase in scheme expenditure is due to the increase in medical consumption by patients in particular quarter, as transactions are not settled by Aasandha at the time of service being rendered to customers. Rather, they are recorded on the date payments are processed by Aasandha to service providers which are processed in block payments. Nevertheless, scheme expenditure slightly varies due to seasonal demand for instance, demand for healthcare service during school holidays are compared to other periods.

Scheme expenditure	Q3 2019	Q2 2019	Var %
Aasandha scheme - Air	15,055,302	12,842,914	17%
Aasandha scheme - Others	169,038,743	18,278,248	825%
Aasandha scheme - Overseas	76,792,514	21,975,669	249%
Aasandha scheme - Sea	5,323,467	850,464	526%
NSPA (Not covered by scheme)	22,512,315	8,177,638	175%
Merana Scheme	232,462	66,562	249%
Total	**288,954,803**	**62,191,495**	**365%**

Table 3: Scheme and Welfare Payments

LIQUIDITY

Current Ratio

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

Current Assets	Q3 2019	Q2 2019	Var %
Inventory	448,751	448,751	0%
Trade and other receivables	37,424,842	114,434,170	-67%
Advance and prepayments	18,934,569	18,861,498	0%
Cash and cash equivalents	23,005,466	16,744,148	37%
Total Current Assets	**79,813,628**	**150,488,567**	**-47%**
Current liabilities	**Q3 2019**	**Q2 2019**	**Var %**
Trade and other payables	74,615,798	139,684,563	-47%
Total current liabilities	**74,615,798**	**139,684,563**	-47%

Table 4: Current Assets and Liabilities

Cash Ratio

The cash ratio calculates a company's ability to repay its short-term debt with cash and cash equivalents. The cash ratio of Aasandha company shows that company does not have enough cash to cover its current liabilities. In Q3 2019, when total current liabilities stated over MVR 74 million company-maintained cash in hand by over MVR 23 million.

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

CONCLUSION

Aasandha has reduced overall operating expense by MVR 1 million through reducing salary expense mainly as number of staffs were lower in Q3 2019 and Ramadan period fell under Q2 2019. Operating expenses are covered by incentive provided by the shareholder (Government).

Although scheme expenditure doesn't truly reflect the period of medical consumption by the public as payments are run later than service consumed date, this expense has seen a rise by 350% from Q2 2019 to Q3 2019. In order to reduce this expense, it is important that Asandha and other stakeholders collectively work to overall develop and enhance awareness and other healthy lifestyle programs as this would impact overall government spending on healthcare in long term. It must be highlighted that the company has been able to clear a higher amount of payments compared to Q2 2019.

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

RECOMMENDATION

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

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

Quarterly review; Quarter 3, 2019

ADDU INTERNATIONAL AIRPORT PVT LTD

ADDU INTERNATIONAL AIRPORT PVT LTD
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/AIA/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

AIA marked a higher revenue in Q3 2019 compared to the comparable quarters Q3 2018 and Q2 2019. The main revenue source for AIA is through selling the fuel to Jets landed into the airport which rose by 45% compared to Q3 2018 and 32% compared to Q2 2019. However, overall revenue from other sources fell referred to the comparable quarters. The breakdowns of the revenue received by AIA is summarized by the following table.

Revenue	Q3 2018	Q2 2019	Q3 2019
Jet Fuel Revenue	6,331,863	6,946,236	9,198,393
Ground Handling Charge	2,873,990	3,035,668	2,563,327
Landing Fees	1,141,053	1,108,396	937,615
Parking Fees	412,369	542,839	505,368
GPU charge	314,567	470,541	525,591
Cargo Terminal Warehouse	155,115	163,228	41,230
DCS Income	170,659	-973,210	18,450
Other	0	59,210	131,374
Total	**11,399,616**	**11,352,908**	**13,921,348**

The company explains that ground handling charges and landing fees depends on flight operations. The number of aircraft movements reduced as villa Air stopped their operations after June 2019. Moreover, Sri Lankan airline is given based on the load factor and the average load is less during 2019, Q3.

"Revenue relating to Cargo Terminal Warehouse reduced due to reduced number of imports," explains the company.

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

Table 1: Revenue

Gross Profit

The direct costs rose proportionately to the changes in revenue. The direct expense of AIA comprises of the costs in relation to the jets fuel sold. The cost price increased, thus duty and royalty also increased. Direct costs increased proportionately greater than the increase in revenue, having a negative growth in the gross profit margins. Compare to Q2 2019 Gross profit margin moved from 58% to 57%.

Net Profit

The company was not able to generate sufficient revenue to cover all their direct cost and overhead expenditure. The loss for the company in Q3 2019 further worsened by 11% compared to Q3 2018. However, there is a reduction of the loss compared to Q2 2019 due to revenue increment while overheads are managed at a similar level.

Compared to Q3 2018, operational expenses rose by 20% while administrative costs increased by 8%. Particularly, uniform expenses, supplies and requisites, repair and maintenance and subscription expenses has increased significantly compared to Q3 2018. Moreover, travelling expenses also has increased by 235% compared to Q3 2018.

The main reason for the significant increase is due to expenses incurred on travelling regarding the inspection of ground handling equipment and fire vehicles. The company also incurred costs replacing the damaged tiles which was said to be a long pending work. Moreover, hire charges increased due to the equipment hired from MACL.

The company must restrain from making any unreasonable expense particularly on a state where the company makes continuous losses.

LIQUIDITY

Current Ratio

The current ratio in Q3 2019 was lower than that of Q3 2018. However, current ratio improved compared to Q2 2019. Total current assets reduced by 17% (MVR 8.4 million) while current liabilities increased by 61%, compared to Q3 2018. The main reason for the increase in current liability is due to significant increment in the short-term loans and borrowings compared to Q3 2018 and Q2 2019. The overall liquidity position of the company is weak based on the current ratio. Total receivables reduced by 15% compared to Q3 2018 and receivables increased by 65% compared to Q2 2019. The main reason for the significant increment explained by the company is such that prepayments increased by MVR 14 million as fire truck and ground handling equipment has been prepaid from Q3 funds until the equipment received. It is important to note that during Q3 the company paid MVR 1.45 million to the contractor as the balance payment. However, trade payables kept high as a new fuel shipment has been purchased on credit during June 2019. The lower liquidity ratios signify the liquidity risk as the company do not have short term assets to back up the increasing current liability. Current ratio excluding short term borrowings is 0.23 in Q3 2019, which still signifies high risk.

Quick Ratio

Q3 2018	Q3 2019	Q2 2019
0.17 Times	0.09 Times	0.06 Times

Inventories of the company include mainly jet fuel which reduced in Q3 2019 compared to both quarters, Q2 2019 and Q3 2018. Hence Quick ratio appears to be comparatively lower. The company is not in a position to repay the short-term obligations as they do not have sufficient current assets to support. Compared to Q3 2018 payables grew by 5% (MVR 10.7 million) while cost of goods sold increased by 32% (MVR 1.4 million). The company has a high payables turnover ratio as they have significant level of trade payables. Trade receivables to sales ratio stands at 1 in Q3 2019. Compared to Q2 2019 receivables increased significantly while compared to Q3 2018 receivables show a reduced figure of MVR 6 million.

Cash Ratio

Q3 2018	Q3 2019	Q2 2019
-0.003 Times	0.003 Times	-0.002 Times

AIA has an insignificant cash ratio compared to the liabilities owed by the business. However, AIA has a positive cash balance in Q3 2019 compared to the bank balance overdrawn in Q3 2018 and Q2 2019. This is mainly due to a shareholder loan of MVR 29 million recognized in the quarter which added to their cash flow. However, operating cash flow of the company is negative meaning that AIA was not able to generate enough cash flow from their operations.

LEVERAGE

Debt to Equity

Q3 2018	Q3 2019	Q2 2019
858%	-854%	-1182%

AIA has a significant level of debt compared to the Equity, resulting from high level of debts acquired by the company. AIA acquired significant loan from KASA holdings in Q3 2019 for critically required equipment. In addition, they have borrowed loan from BML for Gan upgrading project which is currently being repaid by shareholder funds. The company's equity has deteriorated due to accumulated losses over the quarters. It is notable that AIA has huge borrowings which the company is unable to repay through their operations. They are also not in a position to acquire more debts as they depend merely on shareholder assistance.

Debt to Assets

Q3 2018	Q3 2019	Q2 2019
58%	69%	66%

Debt to Assets ratio also increased compared to Q2 2019 and Q3 2018 due to high level of debts which increased each quarter. As AIA borrowed further funds from KASA holdings for critically required equipment. Further existing BML loan is paying with the assistance from shareholders, however, the company is unable to finance debts through the operations. The increase in debt to assets ratios indicate the financial risks associated with the increase in debt level which the company do not have the capacity to repay.

CONCLUSION

AIA has an improvement in their revenue compared to Q2 2019 and Q3 2018, however, high operational costs resulted and net losses over the quarters.

The company is not in a position to settle the current liabilities with their current assets and seeks shareholder assistance to repay loan obligations. 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. Accumulated losses over the quarters resulted a negative equity and reserve thus net asset per share of the company is negative.

In addition to this, it is notable that the face of the financial statements does not tally with corresponding notes to the financial statement. This misalignment does not give a true and fair view to end user of financial statement.

RECOMMENDATION

For a stable development of the company, AIA should improve its revenue. Jet fuel revenue is the greatest source of revenue for AIA and it could be improved by increasing the bed capacity in the region, thus increasing the number of jets flying into the airport. This will increase revenue streams such as landing fees, parking, ground handling charges etc.

In addition, AIA should find ways to improve cash flow such as proper forecasting of cash flows. Proper credit management will also improve cash flow of the company. Further, company should formulate proper procedure and taking necessary actions to improve cash flow position of the company.

Without further developments to business, the operating expenses should not be increased and should cut down or minimize costs in areas where possible. For instance, 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 can be minimized through better utilization to enhance profit levels.

AIA should make the agreements with business partners in such a way that it favors the bottom line of the company. AIA should make commercially sensible agreements with those and revise the existing agreements in favor of the company.

It is also recommended to prepare the financial statements in accordance with International Financial Reporting Standards to avoid any misleading information to the users. Also, it is recommended to be cautious in book keeping and preparing financial statements.

Quarterly review; Quarter 3, 2019

BUSINESS CENTRE CORPORATION LTD

BUSINESS CENTRE CORPORATION LTD
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/BCC/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

Company has not generated any income over three comparable quarters and are struggling to create revenue generating units since its inception. As a result, retained operating loss of the company accumulates negatively effecting its financial position. In order, to operate its mandatory business operations in a corporate model, it is vital that company must create revenue generating units in near future.

Gross Profit

Since, there were no direct costs incurred over three quarters it is evident that company has no revenue generating unit now. This instance creates risk of going-concern in near future.

Operating Loss

Although there were no business activities carried out over the comparable period, company has incurred administrative expenses mainly for salaries and remuneration of Managing director and board members. It must be noted that these board remuneration and allowances were resumed to pay after the re-appointment of new board with the new administration.

Administrative costs	Q3 2018	Q3 2019	Q2 2019
fines	-	228	1,390
board director allowance	90,000	45,000	-
company secretary allowance	-	4,920	-
Chairman salary	15,000	-	-
MD salary	55,800	126,732	-
Staff salary	-	48,665	-
Pension	8,400	12,850	-
Cleaning expense	-	5,556	-
Bank charges	-	30	-
Training expense	-	3,000	-
Land lease	75,097	75,097	75,097
Total	**244,297**	**322,078**	**76,487**

Table 1: Administrative costs

LIQUIDITY

Current Ratio

Current asset represent cash and cash equivalent and current liabilities include trade and other payables. From Q2 2019 to Q3 2019, cash and cash equivalent has increased from MVR 193,510 to MVR 2,996,450 from proceeds of share capital by shareholder (Governement). Although this resulted to imrpove liquidity position of the company, BCC is not able to settle their current liabilities from cashflows generated from its operation.

Cash Ratio

As mentioned above, with the increase in cash in hand company is able to improve its cash ratio in Q3 2019. However, it must be noted that cash received are proceeds fom share capital and therefore must be properly managed to finance for investments in order to start generating revenue in near future. As at Q3 2019 no business activity was carried out by BCC. Since BCC is incorporated to operate in a coporate model, it is important that company minimise its dependance on shareholder's equity to settle day to day operations but rather invest on business models to create revenue inflow to the company.

CONCLUSION

Although Business Centre Corporation (BCC) was incorporated in 10th May 2017, the company has not generated enough revenue through its operations and consistently depends on shareholder assistance for the daily expenses. Their asset base is nil except the cash assistance by the government as capital injection.

RECOMMENDATION

BCC must formulate a strategic and a business plan which could assist them to achieve corporate objective. Although corporate objective is not entirely to work on maximizing profits, company must ensure their operating expenses are covered from the revenue centers of their own. Therefore, revenue generation and cost controlling should be essential in their strategic and business plan.

Increase revenue and managing cost is vital for sustainable development of BCC. Thus, appropriate measures should be taken to commence generating revenue. Further, cost reduction and elimination of waste will support them to utilize resources efficiently. Reliance on shareholders fund should be minimized by forming revenue generating units as per the company's mandate.

Quarterly review; Quarter 3, 2019

BANK OF MALDIVES LTD

BANK OF MALDIVES LTD
2019 Q3 PERFORMANCE ANALYSIS

Report No: PEM/2019/BML/Q3

Q3 2019 with Q3 2018 and Q2 2019

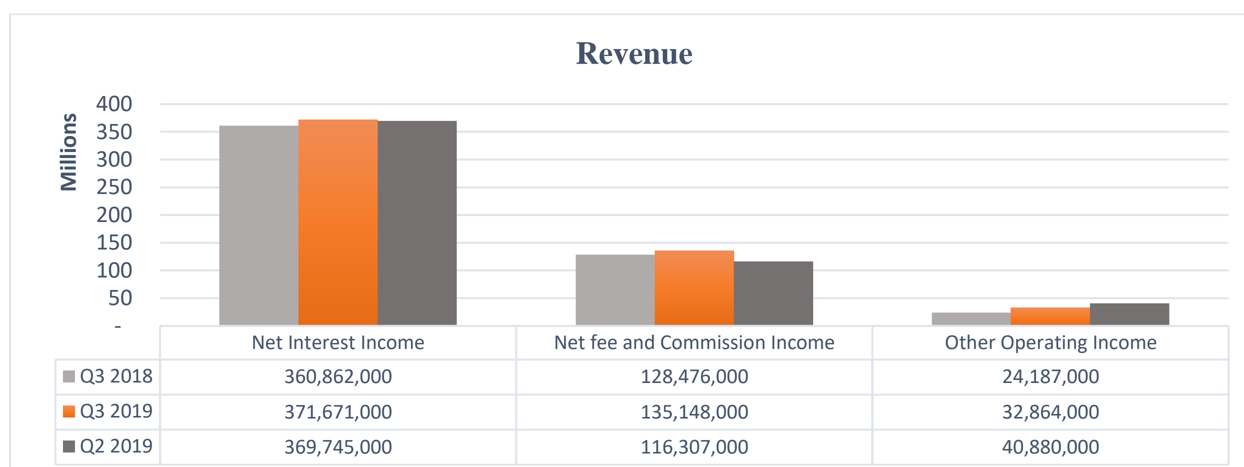
PROFITABILITY

Revenue

Q3 2018	Q3 2019	Q2 2019
610	639	640
Million in MVR	Million in MVR	Million in MVR

BML has finished the third quarter of 2019 with a revenue of MVR 639 million, 5% up compared to same period of last year and 0.1% fall compared to previous quarter.

Revenue breakdown



	Net Interest Income	Net fee and Commission Income	Other Operating Income
Q3 2018	360,862,000	128,476,000	24,187,000
Q3 2019	371,671,000	135,148,000	32,864,000
Q2 2019	369,745,000	116,307,000	40,880,000

Figure 1: Revenue

The main revenue segment of the bank is interest income which represent 69% of total operating income and it is at highest in Q3 2019 compared to other two quarters in review. In addition, net fee and commission is income has also improved in Q3 2019. Other operating income on the other hand has reduced by 19%.

Net Interest Margin

Q3 2018	Q3 2019	Q2 2019
1.64%	1.50%	1.51%

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.

Although the interest earning assets and net interest income has increased by MVR 2 billion and MVR 10.8 million respectively in comparison to Q 2018, the interest margin has reduced. This is because the growth of interest earning assets were much higher than that of net interest income.

When compared to previous quarter there was a marginal reduction in the margin mainly because of lower growth in net interest income compared to the growth of interest earning assets.

Profitability

The bank has made a net profit of MVR 224 million in Q3 2019, which is a reduction of profit compared to other two quarters. The operating profit for Q3 2019 was higher than the other two quarters, but due to the significant provision for bad and doubtful debts, the net profit has dropped. The provision for doubtful debts is equal to 20% of the bank's total operating income. On the other hand, the operating expenses has reduced by MVR 7.5 million compared to previous quarter.

As a result of reduced profitability, earnings per share of the bank has also reduced in Q3 2019 to MVR 167 from MVR 187 in the previous quarter.

Capital Management

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

Total Assets	Q3 2018	Q3 2019	Q2 2019
Cash, Short term Funds & Balances with MMA	4,340,445,000	6,807,568,000	7,025,082,000
Loans and Advances	12,995,669,000	12,949,497,000	12,534,981,000
financial Investments- FVOCI	123,483,000	144,526,000	144,526,000
Financial Investments- Amortized Cost	4,576,819,000	4,838,164,000	4,829,787,000
Property, Plant and Equipment	415,210,000	448,126,000	423,767,000
Other Assets	261,142,000	304,697,000	241,206,000
Total Assets	**22,712,768,000**	**25,492,578,000**	**25,199,349,000**

Table 1: Total Assets

Total assets of the bank have increased by MVR 2.8 billion, with all lines showing reasonable growth except loans and advances. Loans advances are the main component of bank's assets as it represents 51% of total assets. Compared to previous quarter there is only 1% growth in Banks's assets.

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	Q3 2018	Q3 2019	Q2 2019
Deposits	14,389,466,000	16,969,972,000	16,893,840,000
Borrowings	1,054,555,000	1,018,898,000	753,891,000
Other Liabilities	1,070,625,000	1,032,797,000	1,175,990,000
Total Liabilities	**16,514,646,000**	**19,021,667,000**	**18,823,721,000**

Table 2: Total Liabilities

In comparison to Q3 2018, the liabilities of the bank have increased significantly, mostly from deposits of the bank. 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 89% of its liabilities.

Compared to previous quarter, the liabilities also increased by only one percent similar to the bank's assets.

Loans to Deposits

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

In the case of BML, the ratio is below 1, and it has reduced from 0.90 to 0.76 compared to Q3 2018, which is favorable for the bank.

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

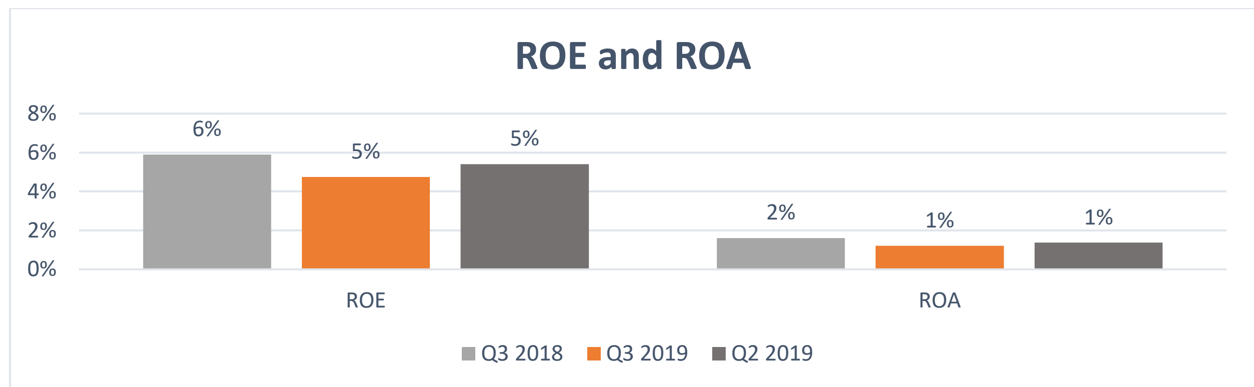


Figure 2: ROE and ROA

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 reduced compared to Q3 2018 because of reduction in bank's profitability. ROE and ROA remained unchanged for Q2 and Q3 2019. Positive results illustrate that bank is generating profits with the money shareholders have invested.

Important Projects undertaken in the quarter

- Established Self Service Banking Centers in Thulhaadhoo, Maavah, Alifushi, Kelaa and Baarah.
- During September, BML also opened a dedicate US Dollar ATM at the premises of Renaatus Ithaa Mui building in Hulhumalé.

Conclusion and Recommendation

Net interest income has increased compared to other two quarters in review. The operating expense of the bank has also reduced in Q3 2019. However, BML has recognized a significant provision for bad and doubtful debts which has reduced the profitability of the quarter.

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

BML has a solid financial platform with a deposit base of MVR 17 million and assets of MVR 25 billion. In addition, bank has a strong capital position well above the regulatory requirement. BML has the leading market share in retail, Corporate and SME segment. The bank is also the Market leader in Self Service banking with largest number of online and ATM users.

It can be seen from the financials of BML that the provision for doubtful debts has been increasing significantly, therefore the bank should try to reduce such provisions. In addition, non-performing loans should be kept as low as possible. It should be highlighted that BML keeps a low non-performing loan ratio.

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

Quarterly review; Quarter 3, 2019

DHIVEHI RAAJJEYGE GULHUN PLC

DHIVEHI RAAJJEYGE GULHUN PLC
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/DHIRAAGU/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

During quarter 3 2019, Dhiraagu marked a major milestone as the first operator to launch 5G in the Maldives and the first to launch in South Asia. Q3 2019 reported a revenue of MVR 685 million, an increase of 4% compared to Q3 2018 mainly due to the growth in all business segments. Compared with Q2 2019, revenue declined by 4% mainly contributed by lower seasonal roaming revenues and enterprise revenue which also resulted in reduction of 4% in net profit.

Operating Profit

Although revenue recorded a growth of 4% up against Q3 2018, the operating profit was increased by only 1%. Thus, the operating profit margin has reduced from 38% to 37%. The operating profit was hindered by high operating costs mainly from depreciation. There is an increase of MVR 164 million in company's non-current assets which lead to high depreciation. However, depreciation grew at much higher rate of 26% compared to the growth of 8% in non-current assets.

In comparison to previous quarter, the operating profit has reduced by MVR 14 million due to fall in revenue and growth in depreciation. Since revenue and net profits were reduced by the same rate, operating profit margins remained constant. On the other hand, the operating costs excluding depreciation has reduced.

Net Profit

A marginal reduction in net profit was recorded in comparison to same period of last year. This is because of the growth in net finance costs by over MVR 3 million regardless of revenue growth. As a result, met profit margin has reduced from 31% to 30%.

In comparison to previous quarter, the net profit was deteriorated due to fall in revenue.

LIQUIDITY

Current Ratio

Q3 2018	Q3 2019	Q2 2019
1.22 TIMES	1.49 TIMES	1.54 TIMES

There is an improvement in Current ratio compared to same quarter of last year as a result of increase in company's current assets in terms of trade and other receivables. Current liabilities on the other hand have reduced.

The reduction in current ratio against previous quarter is mainly due to reduction in company's cash balance over MVR 225 million. This was reflected in the payables and amounts due to related party as those balances have reduced against Q2 2019.

A current ratio of below 1 is not satisfactory since current assets are just marginally above its current liabilities, however based on the industry the current liquidity position seems endurable.

It is also important to note that the most significant component of current assets is trade and other receivables and it has increased by 30% while revenue increased by only 4% compared to Q3 2018. Total receivables at the end of the Q3 2019 is almost equal to revenue for the quarter. Receivables has increased by 8% while revenue reduced by 3.6%. An increasing receivable is a major concerning issue for a business as it represents a drain on cash for the company.

Quick Ratio

Q3 2018	Q3 2019	Q2 2019
1.11 TIMES	1.39 TIMES	1.45 TIMES

The quick ratio shows company's short-term liquidity position and ability to meet its short-term obligations with its most liquid assets i.e. excluding inventories. Quick ratio of Dhiraagu is above 1, showing that Dhiraagu have enough assets to be instantly liquidated to pay off its current liabilities. Dhiraagu is maintaining an inventory of MVR 63 million at the end Q3 2019.

Cash Ratio

Q3 2018	Q3 2019	Q2 2019
0.34 TIMES	0.33 TIMES	0.59 TIMES

The substantial drop in cash balance of the company has affected the cash ratio. The operational cash flow of the company has reduced by MVR 56.8 million compared to 2019 Q2, indicating Dhiraagu generated lesser cash through operational activities. The cash balance of the company could only cover 33% of company's current liabilities. The reduction in cash balance was reflected in company's current liabilities as it has reduced by MVR 93 million.

During the third quarter, company has recorded MVR 427 million as net outflow from financing activities. Since Dhiraagu does not have any long term borrowing or loans, the financing activity includes dividend payments. The company declared an interim dividend of MVR 314.6m (MVR 4.14 per share) for the financial year 2019.

LEVARAGE

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

KEY COMMERCIAL HIGLLIGHTS DURING THE QUARTER

- ✓ On 31 July, Dhiraagu achieved a key milestone by being the first company in the Maldives and South Asia to commercially launch 5G service, the latest generation in mobile technology.
- ✓ Dhiraagu Mobile Postpaid portfolio was enhanced during the quarter with the introduction of a new postpaid plan with data allowance up to 50GB.
- ✓ An attractive double allowance promo was also launched for mobile broadband customers for a period of 3 months offering a better mobile internet experience.
- ✓ For the first time in Maldives, Dhiraagu introduced the Disney bouquet of channels on DhiraaguTV with the opportunity for a lucky DhiraaguTV customer to win a family trip to Disneyland in Shanghai, China.

CONCLUSION AND RECOMMENDATION

Compared to Q3 2018, revenue has improved however, increasing depreciation and net finance costs has hindered the net profits of the company. Conversely, the revenue has decreased compared to previous quarter which has led to a reduced net profit for the quarter.

The company has maintained current ratio of 1.5 and quick ratio of 1.4. Liquidity of the company does not look weak as the company has satisfactory quick ratio and ability to convert receivables to cash as the receivables usually consist of large number of small customers. The cash ratio of the company was severely affected by the substantial drop in cash balance. This was reflected in company's current liabilities as it has decreased by MVR 93 million. Nevertheless, it is crucial to highlight the rising trade receivables of the company. Even though revenue has reduced by 4%, trade and other receivables has increased by 8% in comparison to previous quarter. 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.

Efficient costs management is also 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 3, 2019

FAHI DHIRIULHUN CORPORATION LTD

FAHI DHIRIULHUN CORPORATION LTD
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/FDC/Q3

INTRODUCTION

Fahi Dhiriulhun Corporation Limited (FDC) is 100% state owned company established on 25th March 2019 by the government with the primary objective of providing housing to the citizens of Maldives. The first capital injection was given during the second quarter. Therefore, this analysis is based on the Quarterly Report of Q2 2019 and Q3 2019.

Q3 2019 with Q2 2019

PROFITABILITY

Operating Profit

Since the company began its operations in the second quarter of the year, they did not generate any revenue in Q2 and Q3 2019 hence gross profit is nil. The operational loss of MVR 1.16 million and MVR 423 thousand has resulted from the overheads incurred in both quarters. The following table shows the total staff counts in both quarters.

Figure 1: Staff Count

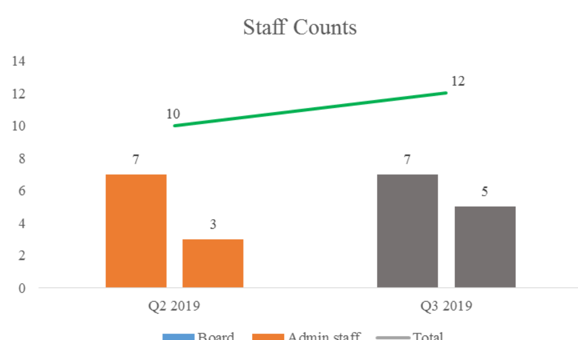


Figure 1: Staff Count

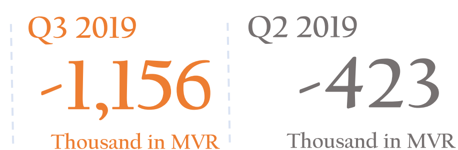
The board consists of 7 members and administrative support staff increased by 2 in Q3 2019. The company is expected to increase the number of staffs in the coming quarters to accommodate for the operations. The company incurred MVR 682,435 in Q3 2019 which is 117% more than salary and wages incurred in Q2 2019. The company is expected to start its operations to provide housing in difference parts of the Maldives. The company's main source of income would be lease on the sale of these housing units. In addition to this, in Q3 2018 the company incurred utilities and office rent as they acquired an area for office works during the third quarter. FDC also incurred other administrative expenses which is summarized in the below table.

Expenses	Q2 2019	Q3 2019
Bank Charges	688	175
Finance Consultancy	37,903	31,360
Training	5,000	3,000
Office repair and maintenance	64,967	2,756
Advertising	-	7,984
Printing & Office Supplies	-	28,316
Small Tools & Equipment	-	930
Telephone & Internet	-	11,292
Travelling	-	103,434
Total	**108,559**	**189,248**

Table 1: Expenses

The significant overhead includes office repair and maintenance of MVR 64,967 incurred in Q2 2019 as charges incurred for repair and maintenance of the area rented as office. Apart from that, FDC incurred costs such as advertising, printing and office supplies, telephone, internet and travelling expenses in Q3 2019.

Net Profit



Since administrative expenses are the only expenses incurred by the company since inception, the operational loss equals to the net loss for the quarters. This gives the company earnings per share of MVR (1.37) and MVR (3.76) in Q2 2019 and Q3 2019 respectively. The company is expected to generate revenue and profits through their operations.

LIQUIDITY

Current Ratio

Since the company began its operations in the second quarter of the year, they have the capital injected by the government (MVR 2.7 million once operational expense are considered) only as their asset base and a trade payable of MVR 58,075. Hence, the books show a high current ratio of 47. In Q3 2019 the cash balance reduced by 55% and MVR 200,000 also has been recognized as current asset i.e. the office rent paid in advance. The short-term liabilities increased by 125% thus current ratio stand at 9 in Q3 2019.

Cash Ratio

As the short-term assets of the company consist of cash in the form of capital injected by the government, the current ratio and cash ratio stands at a similar level. In Q3 2019 current assets contain advance rent, apart from the cash.

CONCLUSION

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

During the quarter, the management engaged in collecting data on housing needs of the citizens and works were carried out in developing designs for their final product. As such FDC signed framework agreement with three parties to develop 11,200 housing units the company is expected to generate revenue through sale of these housing units in the long-term.

RECOMMENDATION

It is recommended for FDC to aim a sustainable business model at an early stage of business development to reduce dependency on shareholders. Do proper planning and estimations before commencing any projects. In addition to that, when introducing new products, the company should perform market research and product feasibility prior to the launch of new products. Also, the company should try to eliminate unnecessary costs and improve efficiency.

Quarterly review; Quarter 3, 2019

FENAKA CORPORATION LTD

FENAKA CORPORATION LTD
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/FENAKA/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

Following the seasonal changes, Fenaka experienced a hike in revenue in Q2 2019, which has reduced by 2% in Q3 2019 driven by the fluctuations in the electricity usage. Generally, electricity usage was high in 2nd quarter of the year. Revenue breakdowns of Q3 2019 compared with Q2 2019 is explained by the following table.

Revenue	Q2 2019	Q3 2019	Difference
Business	37,529,997	38,087,792	557,795
Business Special	22,752,839	22,768,877	16,038
Domestic	111,426,233	103,135,059	(8,291,174)
Government	66,113,779	65,018,417	(1,095,361)
Water	4,934,591	4,734,239	(200,353)
Others	14,756,716	16,539,404	1,782,689
Tariff Rate Difference	121,152,168	118,915,587	(2,236,580)
Total	**378,666,322**	**369,199,375**	**(9,466,947)**

Table 1: Revenue

Gross profit

Gross profit was recorded at its lowest in Q3 2019, compared to the previous quarter and the same quarter of the previous year. Compared to Q3 2018, direct costs are 38% greater in Q3 2019 due to additional use of spares and cables to improve the condition of the generators and to improve the distribution of networks. As a result, gross profit dropped by 8%. When compared to Q2 2019 direct costs fell by 2% and at the same time revenue fell by 2.5%. As such, gross profit margin was lower in Q3 2019 compared to Q3 2019. However, the company has a slightly higher gross profit margin when compared to Q2 2019.

Operating Profit

Operational profit shows an upward trend of 34% and 33% compared to Q3 2018 and Q2 2019 respectively as a result of better management of overheads. Over all administrative expenses fell considerably by 10% (MVR 10 million). However, certain administrative costs increased compared to Q2 2019 and below show details of the expense.

Administrative costs	Q2 2019	Q3 2019	Var (%)
Food and accommodation	1,606,807	2,916,239	81.49
Charity and Contributions	7,000	1,016,550	14422.14
Sponsorship	29,520	247,330	737.84
Transport expenses	2,235,990	2,935,278	31.27
Indirect Labour cost	31,800	475,400	1394.97

Table 2: Administrative expenses

Food and accommodation increased by 81% (MVR 1.3million) due to staffs travelling to islands during Q3 for the valuation of non-current assets. As a result, transport expenses also increased. Charity and contributions also increased by a million since the company contributed MVR 1 million as an aid for the fire victims. Moreover, the company co-sponsored tourism day and national Qur'an competition and some TV programs. Apart from that, indirect labor costs increased as temporary labors were hired to accomplish various works.

Net profit

Apart from reduction of overheads, finance costs also reduced compared to Q2 2019. Though finance costs increased compared to Q3 2018, Fenaka has done a remarkable improvement in managing their overheads as such the company managed to have a profit of nearly MVR one million. Hence the company has a positive net profit margin of 0.26%.

LIQUIDITY

Current Ratio

Current ratio is maintained at a similar level when the quarters are concerned. Overall short-term assets of the company reduced compared to Q3 2018 and Q2 2019. However, inventories increased by MVR 58 million (46%) and MVR 13 million (8%) in Q3 2018 and Q2 2019 respectively due to increase in spares, cables, sewerage, printing and stationary and vehicle and vessels.

It is important to note that Fenaka has reduced their receivables significantly by 8% (MVR 19 million) compared to Q2 2019 and by 17% (MVR 48million) compared to Q3 2018.

While the company reduced short term assets trade payables increased by MVR 40 million compared to Q3 2018 and MVR 8million compared to Q2 2019. The overall changes in current assets and liabilities led to a slight reduction in the liquidity position of the company. However, the significant reduction in receivables is a favorable sign to the company. They should emphasis on improving cash levels and pay the creditors more promptly to improve the liquidity position of the company.

Quick Ratio

Inventory level of the company fluctuates each quarter. The company has high level of inventory resulting from increased spares of Engine, electrical spares, cables, printing and stationary, vehicles and vessels and inventory related to sewerage. Due to that reason the Quick ratio shows a very low result in each quarter.

Cash Ratio

Q3 2018	Q3 2019	Q2 2019
0.08	0.02	0.04
Times	Times	Times

The company has a very insignificant level of cash related to their operations. Though the company reduced receivables compared to the comparable quarters, cash levels fell significantly due to increased cash used in inventory and other operations. In addition to this, the company spent MVR 35 million on acquisition of property, plant and equipment, further reducing cash flow.

Leverage Ratios

Debt to Equity

Q3 2018	Q3 2019	Q2 2019
80%	70%	76%

The debt to Equity ratio reduced to 70% compared to Q3 2018 and Q2 2019 due to reduced borrowings as the company repays their long-term loan which reduced their financial risk.

Debt to Assets

Q3 2018	Q3 2019	Q2 2019
12.7%	10.02%	10.61%

The total debt to Assets ratio also reduced compared to the stated quarters as Fenaka is repaying their loan obligation. Total Assets also increased each quarter since the company invests on the purchase of property plant and Equipment. In addition, based on the nature, Fenaka is a capital-intensive company accordingly borrowing level seems reasonable in view of financial risk.

Conclusion

In terms of profitability, fenaka is in a better off situation in Q3 2019 compared to Q3 2018 and Q2 2019. The company managed their overheads at satisfactory level and it illustrates a positive result in the bottom-line. This is noteworthy for a company making losses in the previous quarters.

In terms of liquidity, the ratios have deteriorated showing an unsatisfactory liquidity position. Cash level held by the business is also insignificant compared to the level of operations. Though the company has been able to convert revenue into cash which supported their cash flow, the company is still in liquidity risk having high levels of payables as well as receivables.

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

RECOMMENDATION

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

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

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

Quarterly review; Quarter 3, 2019

GREATER MALE' INDUSTRIAL ZONE LTD

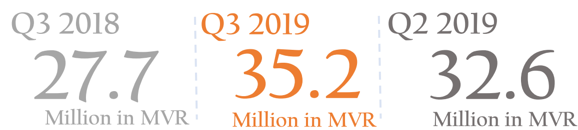
GREATER MALE' INDUSTRIAL ZONE LTD
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/GMIZL/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue



During quarter 3 2019, GMIZL recorded a revenue of MVR 35.2 million which is 27% greater than the revenue generated in Q3 2018 mainly due to increased rental income from Thilafushi industrial leased plots. This is mainly as a result of increasing lease rates and lease of new plots during this period. Rental income from Gulhifalhu industrial plots and Gulhifalhu Apartment lease also increased compared to Q3 2018.

Operating Profit

During quarter 3 2019, operating profit was at MVR 19.4 million (MVR 15.6 million greater than Q3 2018) as a result of high revenue. Administrative overheads also reduced significantly by 32% (MVR 8 million) which contributes to the improvement in operational profit compared to Q3 2018. The performance of the company will likely improve in the long run due to the merger of Thilafushi Corporation and Gulhifalhu Investment Ltd.

Compared to Q2 2019 a slight reduction is seen in operational profit. Though total administrative expenses reduced slightly, other income reduced significantly by 77% (a reduction of MVR 3 million) compared to the previous quarter. Other income during Q3 2018 comprises the acquisition fees for newly leased plots leased during that period. During Q3 2019 only one plot was leased, and the acquisition fee was paid accordingly. It should be noted that currently the business recognizes the acquisition as an income for that period instead of treating as revenue in accordance with IFRS.

Though overall administrative expenses reduced compared to Q3 2018 and Q2 2019, legal and professional fees have been increased considerably. This variance is mainly attributed to the payment of MVR 1.02 million made for special constabulary service for periods Jan 2019 to July 2019. The agreement with the Maldives Police Service expired during December 2018 and was renewed in July 2019. Hence, the amount includes the outstanding from January. Hence, it is notable that the expenses are not recorded on an accrual basis. The company pays MVR 46,000 for the 12 employees from Maldives Police Service. In addition, it includes MVR 474,000 in respect of management audit has also been paid during the quarter which adds to the overheads.

Net Profit

Compared to Q3 2018, net profit moved favorably by MVR 13 million resulting from increased leased land plots and the changes in the rates. Moreover, overheads reduced significantly contributing to rise in profits.

When compared to Q2 2019, profits slightly reduced mainly due to the significant reduction in other income. The net profit margin hits at 47% in Q3 2019 compared to 11% in Q3 2018. This is a reduction of net profit margin when compared to Q2 2019 (52%) due to reduced profits during that period.

LIQUIDITY

Current Ratio

The improvement in Current ratio in Q3 2019 compared to last year is because of increase in company's current assets in terms of trade and other receivables and cash and cash equivalents. Cash balance of the company increased by 44% (MVR 51 million) compared to Q3 2018 as the company earned decent cash flow from operations in Q3 2019 and spent MVR 10 million in the acquisition of Property Plant and Equipment in Q3 2018. Trade and receivables increased by 6% compared to Q3 2018 merely due to the accounting treatment for the provision of bad debts which is not calculated as per IFRS 9. While trade payables reduction of 57% compared to Q3 2018 reflects the payables to suppliers during the period, the most significant amount is MVR 1.39 million paid to MTCC in respect of Gulhifalhu Harbor project.

Compared to Q2 2019, current assets increased by 9.6% (MVR 16 million) in Q3 2019 while trade payables reduced by 8% (MVR 1.4 million). The growing current assets over the current liabilities indicate the idle assets being tied up in the business in the form of trade receivables and cash and cash equivalents. The average receivable collection days stand at 241 which shows that GMIZL has a difficult collection process where an invoice takes over half a year to collect. However, revenue grows at a faster rate than the growth in receivables which is a favorable sign.

Cash Ratio

Cash ratio also shows improvement in Q3 2019 compared to Q3 2018 and Q2 2019, due to high cash inflow from operations. This excess cash can be utilized for additional business operations. It is also important to note that payables of the company also decreased compared to Q3 2018 and Q2 2019.

CONCLUSION

The company reported a satisfactory growth in revenue as rental income from Thilafushi and Gulhifalhu industrial leased plots increased. This is mainly due to increase in the number of land leased plots and increase in the rate of leased plots that were effective during this period.

GMIZL has significantly reduced the overheads compared to Q3 2018 and has thus kept the margins relatively higher in the period. Further it is expecting that GMIZL to attain synergies through merger. There has been significant decrease in the other income as the company recorded lease acquisitions as a part of other income as a result profit has decreased compared to Q2 2019.

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

To improve the revenue, the company could diversify their operation by adding means to earn revenue like mooring rental, lorry rental other than from leasing plots.

GMIZL has been managing its administrative expense quarter by quarter. The reduction in administrative expenses could be further improved for better profit margins.

To run the business smoothly, GMZIL needs to develop strategic action plan and take proactive measures to implement the plan achieving targeted objectives.

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

The cash balance of the company has been increasing, thus it can be invested in revenue generating assets. GMIZL can use the idle cash to finance capital investments which could yield a higher return. It is also advisable that the company should prepare their accounts in accordance with the accounting standards and present true and fair information in the financial statement. Moreover, company should increase governance oversight to reduce contingent liabilities that may arise due law suits.

Quarterly review; Quarter 3, 2019

HOUSING DEVELOPMENT CORPORATION

HOUSING DEVELOPMENT CORPORATION
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/HDC/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

Q3 2018	Q3 2019	Q2 2019
85.3	52.0	50.1
Million in MVR	Million in MVR	Million in MVR

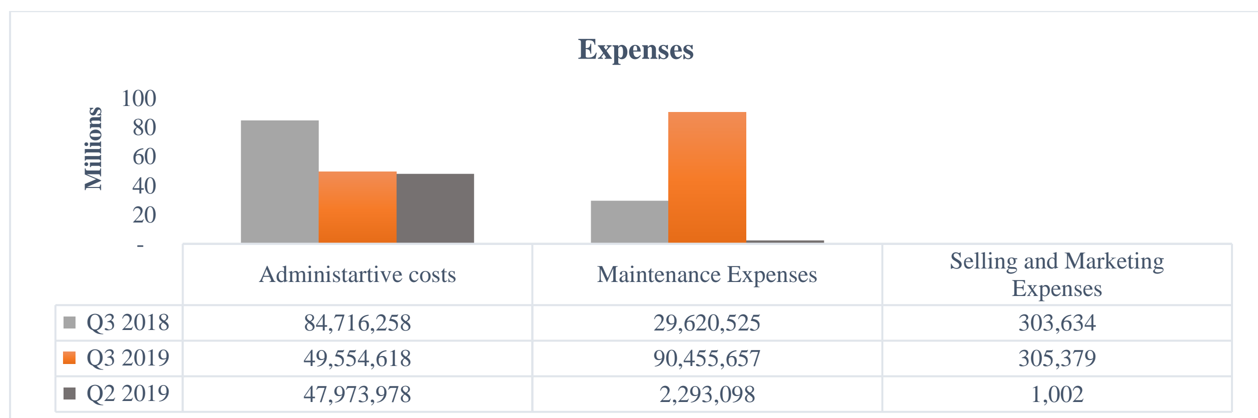
The Corporation had earned a net revenue of MVR 51,997,729 during the third quarter of 2019 (Q2 2019: MVR 49,975,334 | Q3 2018: MVR 85,299,669) and had reported the same as the gross profit for the period as the revenue recognized was only from the rental income. The revenue has increased compared to Q2 2019, by MVR 2,022,395. However, compared to Q3 of 2018 revenue has decreased significantly in Q2 2019 and Q3 2019 by 71% and 64% respectively. The major reason for this was the recognition of revenue from sales and development rights during Q3 2018 as per IFRS. Excluding this recognition, the revenue of Q3 2018 compared to Q3 2019 is MVR 54,468,297. Furthermore, revenue for the Q2 2019 and Q3 2019 was only comprised of rental income.

Operating Profit/Loss

Q3 2018	Q3 2019	Q2 2019
-15.3	-84.6	3.07
Million in MVR	Million in MVR	Million in MVR

Despite the high revenue, HDC was unable to generate an operating profit for Q3 2018 and Q3 2019 due to high operating costs. In Q2 2019, HDC has made an operating profit as the operating costs were comparatively lower in that quarter.

Expenses



	Administartive costs	Maintenance Expenses	Selling and Marketing Expenses
Q3 2018	84,716,258	29,620,525	303,634
Q3 2019	49,554,618	90,455,657	305,379
Q2 2019	47,973,978	2,293,098	1,002

Figure 1: Expenses

A significant increase in maintenance expenses has occurred in Q3 2019. Thus, total expenses have recorded a growth of 179% compared to previous quarter, while revenue growth is only 4%. This is mainly because of cost of link road written off amounting to MVR 87,789,368 included in the maintenance expenses. The growth of expenses excluding the written off is 4%.

In addition, an expense growth of 22% was recorded compare to Q3 2018 while revenue has reduced by 39%. The operating expenses represent 270% of company's revenue in quarter three of 2019.

Net Profit/Loss

HDC made a significant net loss in Q3 2019 regardless of the revenue growth.

Profit Margins

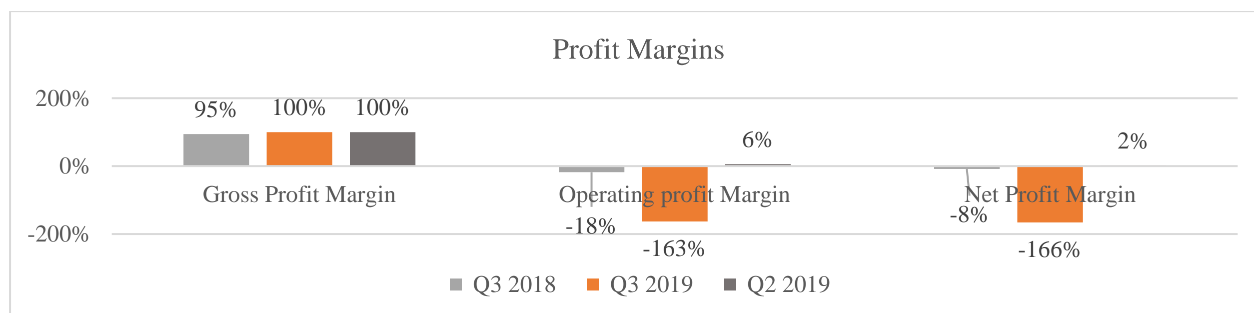


Figure 2: Profit Margins

In Q3 2019, both operating and net profit margins are negative due to the significant loss made by the company. While there is no doubt that a negative profit margin signals trouble, the reality is that the company can often overcome this issue if it identifies the source of the problem and act quickly to correct it. In this case, the main reason for the loss for HDC is the high maintenance costs.

LIQUIDITY

Current Ratio

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

Quick Ratio

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

Cash Ratio

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. HDC's cash ratio is very critical as only 0.01 percent of current liabilities can only be covered by the cash balance. The decrease in cash and cash equivalents in the recent years is attributed to the huge investment by the Corporation for the ongoing housing and infrastructure projects in Hulhumale' Phase I and Phase II. Furthermore, major projects are currently in the construction stage and the Corporation can only expect the revenue once the physical completion and process of selling or allocation are being done. However, it has to be noted that cash and cash equivalents has increased by 34% compared to the previous quarter.

The current liabilities have recorded a growth of 19% up against previous quarter. HDC has significant receivables and the nature of receivables will be relatively different in HDC. If the company is able to collect these receivables on time, trade and other payables could be paid out without any difficulty.

LEVARAGE

Debt to Equity

Debt to equity ratio illustrates the degree to which the company is financing its operations through debt. Compared to Q3 2018 HDC's loans and borrowings has increased significantly by over MVR 2 billion. In addition, the ratio has also increased compared to previous quarter due to additional borrowings in Q3 2019. The increase in debt could be because of disbursement of the existing loans such as loans for 7000 housings units, electricity network and other loans.

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

Debt to Assets

Debt to Assets ratio defines the total amount of debts relative to its assets. Debt to Assets ratio of HDC is relatively low, which illustrates the company has enough asset to cover existing debt obligations. However, the ratio is having an upward trend due to high borrowings in each quarter. The increase in percentage illustrate that asset creation is marginally low compare to borrowing level of the company.

Debt Capitalization

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

Interest Cover

The interest cover ratio measures how many times HDC can cover its current interest payment with its available earnings. Since the company is making operating losses, the results are negative for Q3 2018 and Q3 2019. Although HDC does not have enough profit, HDC makes relatively decent interest income to cover its interest expenses. If the cost of link road written off is excluded from the calculation, the interest cover would be 0.12 times and 0.11 times in Q3 2019 and Q2 2019 respectively.

IMPORTANT PROJECTS UNDERTAKEN IN THE QUARTER

HDC has 13 different on-going projects which cost over MVR 12 billion. The biggest investments include development of 7000 and 1530 housing units, Electricity and ICT ducting for Hulhumale' phase 2, Design & Construction of Hiyaavehi Project. Most of the projects are expected to be completed during the year 2019.

CONCLUSION

The revenue of the company has increased in third quarter of 2019. However, due to a substantial growth in maintenance expense mainly due to cost of link road written off, HDC ended up with an operating loss for the quarter. Although the borrowings have increased in the quarter, interest expenses have recorded a reduction compared to previous quarter. The company has made a huge loss in Q3 2019.

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 and payables of the company has increased when compared to last quarter. HDC have huge receivables and housing units which is deemed to be enough to cater for the loan obligations and on-going projects financed by the company's cash flow. Such receivables include sale and development rights and sale of 7000 housing, 1530 housing units thereon.

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

RECOMMENDATION

The aggregating loss of the company can be reduced by improving revenue of the company. Currently the operating costs are greater than company's revenue. In order to overcome the loss of the company, HDC must reduce its costs and expenses including staff costs.

Since finance costs has been increasing, improving capacity of loan repayment is an important aspect for the company. Therefore, HDC must improve efficiency and fast track project completion to meet debt repayments.

Operational inefficiencies are evident from the Cash flow statements, therefore, HDC must consider this issue and try to improve its cash flow status. This could be achieved through proper credit management and generating sufficient revenue from operation.

HDC should also give consideration on improving the receivable collection in order to maintain a healthy liquidity position. At the end of 2019 Q3 the total receivables stand at 28% of total current assets as at the end of Q3 2019.

Building a strong relationship with the suppliers and contractors will benefit the company. 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 2,773 million at the end of 2019 Q3.

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 3, 2019

HOUSING DEVELOPMENT FINANCING CORPORATION PLC

HOUSING DEVELOPMENT FINANCING CORPORATION PLC
2019 Q3 PERFORMANCE ANALYSIS

Report No: PEM/2019/HDFC/Q3

Q3 2019 with Q3 2018 and Q2 2019

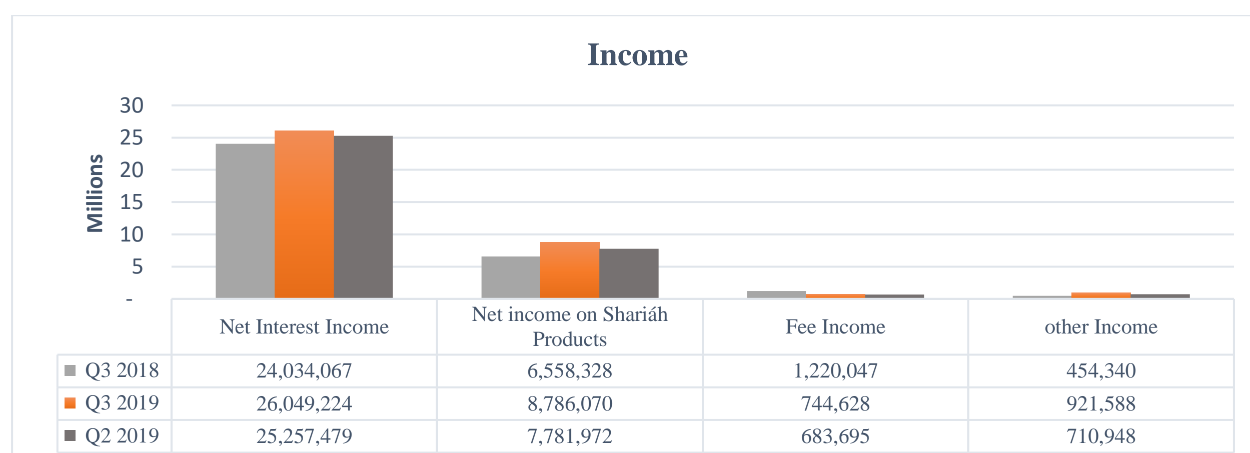
PROFITABILITY

Income

Q3 2018	Q3 2019	Q2 2019
44.4	49.9	47.9
Million in MVR	Million in MVR	Million in MVR

During Q3 2019 HDFC has generated gross income of MVR 49.9 million, which is an increment of 13% compared to Q3 2018 and 4% increase compared to previous quarter.

HDFC's revenue is mainly derived from interest income and income from Shari'ah products. The below chart shows the breakdown of the net income for three quarters in review.



	Net Interest Income	Net income on Shariáh Products	Fee Income	other Income
Q3 2018	24,034,067	6,558,328	1,220,047	454,340
Q3 2019	26,049,224	8,786,070	744,628	921,588
Q2 2019	25,257,479	7,781,972	683,695	710,948

Figure 1: Income

All revenue segments except fee income have performed well in Q3 2019 resulting improvements, the highest growth was recorded by the Shari'ah products with a growth of 12.9% compared to previous quarter.

Net Interest and Investment Margin

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

Net Interest Margin

Q3 2018	Q3 2019	Q2 2019
1.4%	1.3%	1.3%

Investment Margin

Q3 2018	Q3 2019	Q2 2019
1.9%	1.9%	1.8%

Net interest/investment margin is a ratio that measures how successful a financial institution is at investing its funds in comparison to relative assets. A positive net interest/investment margin indicates that an entity

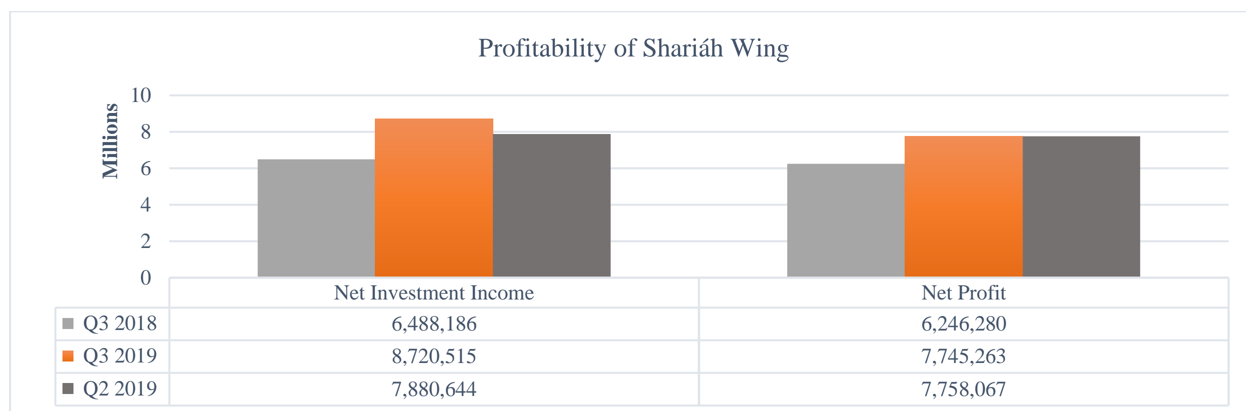
has invested its funds efficiently. Since the interest earned on assets is a primary source of revenue for a financial institution, this metric is a good indicator of a company's overall profitability, and higher margins generally indicate a more profitable institution. As per the above ratio, the Shari'ah Products are making higher profit margins than conventional loans. Both interest income and earning assets has increased in Q3 2019 compared to previous quarter. Likewise, both investment income and total investments has also increased resulting in a higher profit margin.

Profitability

While operating income has increased by 6% and 13% compared to Q2 2019 and Q3 2018 respectively, the net profit has seen a much higher growth of 8% and 14%. Although total expenses have increased compared to Q3 2018, the profitability has increased due to improvement in income. Further, the net profit growth against previous quarter is because of both revenue growth and cost reduction. Provision for impairment loss on loans and advances has reduced by 45% and personal expense by 15%.

Amna Wing profit

The below chart shows the profitability of HDFC's Amna wing. HDFC Amna was commenced in 2012, and at the end of Q3 2019 its total loan portfolio stands over MVR 467 million.



	Net Investment Income	Net Profit
Q3 2018	6,488,186	6,246,280
Q3 2019	8,720,515	7,745,263
Q2 2019	7,880,644	7,758,067

Figure 2: Profitability of Shariáh Wing

Total mortgage facilities of Islamic Window have increased from MVR 436 million to MVR 467 million against previous quarter. This reflects an increase of 7%. As a result, net investment income and net profit of shari'ah products has increased over the period.

Capital Management

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

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

Details	Q3 2018	Q3 2019	Q2 2019
Deposits	80,237,234	89,301,497	91,272,097
Borrowings	851,879,906	974,569,614	956,259,671
Other Liabilities	189,224,019	292,569,480	282,928,629
Total Liabilities	**1,121,341,159**	**1,356,440,591**	**1,330,460,397**
Cash, Short term Funds	72,896,926	81,665,862	69,956,393
Financial assets held to maturity	74,886,325	111,821,644	99,892,918
Loans and advances to customers	1,540,191,021	1,745,125,095	1,716,891,129
Property, Plant and Equipment	1,330,790	1,116,853	1,159,091
Intangible assets	675,920	549,015	609,473
Deferred tax asset	3,505,239	3,125,228	3,125,228
Other Assets	7,455,190	5,970,306	6,358,964
Total Assets	**1,700,941,411**	**1,949,374,003**	**1,897,993,196**
NET (Assets-Liabilities)	**579,600,252**	**592,933,412**	**567,532,799**

Table 1: Net Assets

Total liabilities of the company have increased in Q3 2019, mostly from deposits. Although deposits fall under liabilities, they are critical to the financial institution 's ability to lend. If the entity doesn't have enough deposits, slower loan growth might result, or the financial institution might have to take on debt to meet loan demand which would be far costlier to service than the interest paid on deposits. The deposits represent 72% of its liabilities.

Similarly, the assets of the company have also recorded a growth, where all the lines showing increment in this quarter. Loans advances are the main component of HDFC's assets as it represents 90% of total assets.

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

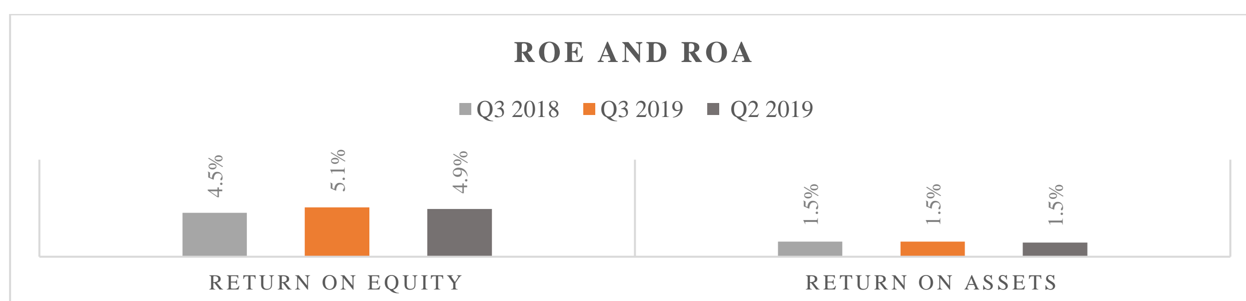


Figure 3: ROE and ROA

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. A marginal improvement in return on equity can been seen in Q3 2019 due to increase in operating profit. On the other hand, return on assets remained at the same level.

Important Projects undertaken in the quarter

- Apollo Towers, 100% of the structural works are completed and overall 59% of the project is 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 30 September 2019. At the end of Sep 2019, 97% of all handover of the apartments has been 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. 39.46 % of the overall project is completed.
- Hulhumale Residence, overall 34.59% is completed and expected to be completed by the end of May 2020.
- 100% of the Damas Hulhumale’ project has been completed as of 30 Sep 2019 and project will be handed over on December 2019.
- Oceanfront Residence Hulhumale’ (of Rainbow Construction Pvt. Ltd) is delayed by 173 days as of 30 Sep 2019, over all 78.95% 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 68% completed and expected to be completed December 2019.
- FW Constructions Hulhumale which is 69% completed as at 30 Sep 2019, expected to be completed by November 2019.

Conclusion

Total operating income has increased in Q3 2019 compared to other two quarters. Further the net profit was also increased with lower operating costs against previous quarter.

The deposits of the company are lower than its loans to customers. However, total assets of the company exceed its liabilities by MVR 593 million. Thus, HDFC is borrowing to lend their customers. If a financial institution is using debt to finance its lending operations instead of deposits, the institution will have debt servicing costs since it will need to pay interest on the debt.

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

Recommendation

Since profitability is the main motive of a company, HDFC should try to improve its profitability. In addition, non-performing loans should be kept as low as possible.

HDFC should further expand Amna wing as they earned a good return for their investment and the demand for Islamic finance has been rapidly increasing.

Since HDFC has been borrowing funds from banks and other sources for the purpose of providing mortgage housing loans, the institution should try to get these funds at a lower interest rates to minimize the finance costs.

Quarterly review; Quarter 3, 2019

ISLAND AVIATION SERVICES LIMITED

ISLAND AVIATION SERVICES LIMITED
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/IASL/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

Revenue has recorded an improvement of 12% compared to previous quarter. On the other hand, revenue significantly deteriorated by MVR 89 million compared to Q3 2018.

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

Revenue	*Q3 2018*	*Q3 2019*	*Q2 2019*
Passenger Income - Domestic Services	292,203,606	261,524,194	233,783,855
Passenger Income - Regional Services	201,876,676	170,652,582	138,864,840
Commercially Important Passengers Revenue	27,225,630	13,004,767	11,549,052
Ground Handling Revenue	14,384,833	15,919,178	16,392,794
Cargo Handling Income	2,747,504	2,867,969	3,124,681
Seaplane Operation	64,745,525	50,099,639	54,220,715
Total Revenue	**603,183,774**	**514,068,329**	**457,935,936**

Table 1: Revenue

The domestic and regional passenger income has significantly reduced in comparison to Q3 2018, mainly because of reduction in domestic Pax and decreased in charter flights and discount on charters. In addition, seaplane revenue has also decreased as a result of decrease in revenue due to loss of resort contracts to competitors by MVR12.8 million, decrease in Charter flights by MVR 1.47 million (45.17%) and decrease in revenue of local Pax by MVR 380,000 (64.50%).

In comparison to previous quarter, total revenue has increased in terms of passenger income, however the performance of seaplane has scaled down due to above mentioned reasons.

Gross Profit

Due to decline in revenue gross profit has also reduced against Q3 2018. Similarly, cost of sale has also reduced by MVR 59 million.

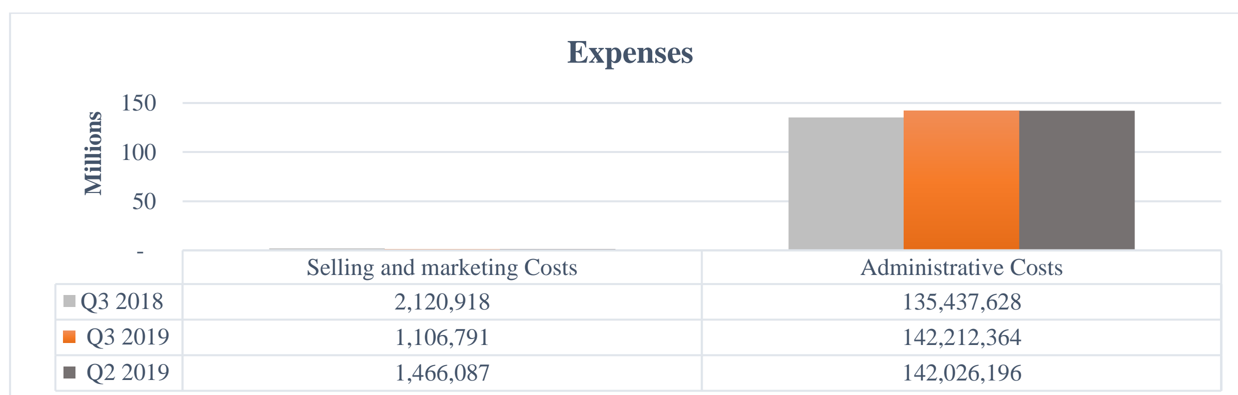
On the other hand, gross profit against previous quarter has increased due to growth in revenue. While revenue grew by 12%, cost of sales has reduced by 0.3%, indicating IAS did not incur any additional costs for the increased revenue. The gross profit margin has improved to 38% in Q3 2019 compared to 37% in Q3 2018 and 30% in the previous quarter.

Net Profit

While IAS made a loss of MVR 11 million in the previous quarter, a net profit of MVR 64 million was achieved in Q3 2019. The main factors contributing to the net profit are revenue growth and significant increase in other income. Other income consists of government subsidy and concession by MACL, an incentive given to reduce ticket price. Negative net profit margin of 2% in previous quarter is changed to a positive margin of 12% in Q3 2019.

With respect to Q3 2018, although revenue declined the operating costs has recorded a growth of 4%, thus reducing the net profit for the quarter by MVR 9 million. Regardless of reduction in profits, a marginal improvement in net profits were achieved. This is because the profits reduced at a lower rate than the revenue.

Expenses



	Selling and marketing Costs	Administrative Costs
Q3 2018	2,120,918	135,437,628
Q3 2019	1,106,791	142,212,364
Q2 2019	1,466,087	142,026,196

Figure 1: Expenses

Selling and marketing costs are lower in Q3 2019 compared to other two quarters, however, administrative costs were higher in this period. The significant increments were seen in office rent due to a new office building, and maintenance costs related to relocation of head office.

Staff salaries and allowances is the major administrative expense of the company. The below table shows the movement in salaries over the three quarters of 2019.

ADMINISTRATIVE EXPENSES	2019 Q1	2019 Q2*	2019 Q3
Staff Salaries and Allowances	91,599,595	96,275,612	99,810,474
% increase		5%	4%

Table 2: Administrative Expenses

*excluding Ramadan allowance

Staff salaries is increasing at a 4% growth each quarter; thus, the expense is now almost MVR 100 million. The main reason for the increment increases in number of staffs by 2.5% with some technical recruitment compared to previous quarter.

In addition, the company is using an overdraft facility to finance its day to day operations, which has led to an interest on overdraft of MVR 1.6 million in Q3 2019.

LIQUIDITY

Current Ratio

As per the current ratio, the short-term liquidity position of the company is not satisfactory as the ratio is below 1. The current liabilities of the company exceed its current assets. Further, the current assets consist of trade receivables and inventory and the cash balance of the company is negative due to a bank overdraft. Trade receivables has grown at 9% while the revenue increased at 12% compare to previous quarter. Compared to previous quarter receivables had a growth of 5% while revenue declined by 15%, showing an unreasonable movement. An increasing receivable is a major concerning issue for a business as it represents a drain on cash for the company and it also shows issues in credit control and credit management. Hence, the short-term liquidity position of the company is critical.

Quick Ratio

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

Cash Ratio

Since the cash and cash equivalents of the company is negative, cash ratio is also negative indicating that IAS does not have any cash to cover their short-term obligations. Cash and cash equivalents include a bank overdraft of MVR 70 million in Q3 2019. It important to highlight that operating cash flow of the company is negative at the end of Q3 2019, this indicates IAS could not continue to pay its bills without external financing arrangement. A positive cash flow from operations is essential for a company to run the business smoothly and to make new investments. During Q3 2019, IAS has spent MVR 60.4 million for purchase of PPE and MVR 20.5 for repayment of loans.

LEVARAGE

Debt to Equity

Debt to equity ratio illustrates the degree to which the company is financing its operations through debt. The financial leverage of the company has reduced in Q3 2019, due to reduction in loans and borrowings by 16% and 5% compared to Q3 2018 and Q2 2019 respectively. Increasing equity has also contributed to the reduction in financial risk.

Debt to Assets

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 Q3 where only 19% of assets are financed by debts and the remaining with equity. Generally, companies in airline industries are asset based, thus IAS has a huge asset base of MVR 2,187 million.

Debt Capitalization

Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. This ratio has measured total amount of outstanding debt as a percentage of the IAS's total capitalization. IAS has only long-term loans and borrowings and Debt capitalization ratio has reduced to 28% as a result of repayments of loans and borrowings.

Interest Cover

The interest cover ratio measures how many times IAS can cover its current interest payment with its available earnings. The negative results in Q2 2019 is due to the operating loss. However, the operating profits in Q3 2019 could cover the interest payments.

CONCLUSION

Revenue grew at 12% which helped to overcome the loss made in the previous quarter and achieved a profit of MVR 64 million in Q3 2019 against previous quarter. On the other hand, the performance of the company in Q3 2019 was poor against the same period of the last year as both revenue and profitability declined.

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. As a result of weak liquidity position a huge amount is accumulated as payables.

In addition, IAS has long term loans and borrowings amounting to MVR 422 million at the end of 2019 Q3. The leverage ratios have reduced due to repayment of loans and borrowings showing a reduction in leverage. However, the reduction in these ratios is not sufficient to state that financial risk has reduced considering the negative cash flow from operations and poor liquidity position.

RECOMMENDATION

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

Credit terms and agreements with the customers can be revised to a commercially beneficial way to the company. Since 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.

IAS has reduced its bank overdraft by MVR 12.5 million compared to previous quarter. However, it is still significant at MVR 70 million and has resulted in an interest payment of MVR 1.7 million. Therefore, IAS must try to reduce its dependence on bank OD facilities. Further, IAS must improve its operating cash flow for a smooth running of business.

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

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

Quarterly review; Quarter 3, 2019

KAHDHOO AIRPORT COMPANY LTD

KAHDHOO AIRPORT COMPANY LTD
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/KACL/Q3

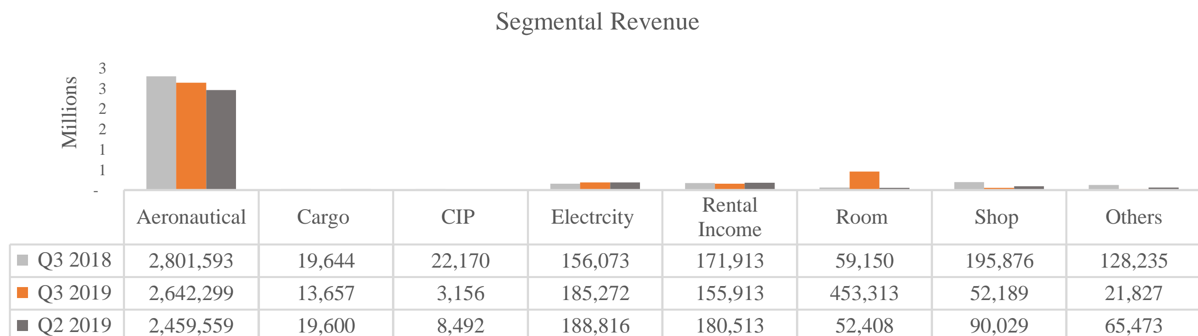
Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

The performance of quarter three of 2019 is relatively same as the same period of last year in terms of revenue. In comparison to previous quarter revenue has substantially increased mainly from room revenue as shown in the below table. The main revenue segment of the company is aeronautical which represent 75% of total revenue.

Revenue Segments



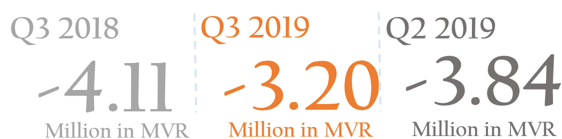
	Aeronautical	Cargo	CIP	Electrcity	Rental Income	Room	Shop	Others
Q3 2018	2,801,593	19,644	22,170	156,073	171,913	59,150	195,876	128,235
Q3 2019	2,642,299	13,657	3,156	185,272	155,913	453,313	52,189	21,827
Q2 2019	2,459,559	19,600	8,492	188,816	180,513	52,408	90,029	65,473

Figure 1: Segmental Revenue

Electricity and room revenue were the only components behind the improvement in total revenue of Q3 2019 in comparison to 2018 Q3. Cargo revenue was decreased due to reduced cargo movements to the Airport and number of passengers using the lounge also declined reducing the CIP revenue. Flight are scheduled at specified time thus delaying shop opening affected revenue of this segment

The improvement in aeronautical revenue in Q3 2019 compared to last quarter is due to improvement in flight movements which was less in last quarter due to Ramadan season. It must be noted that revenue from all other segments are falling.

Operating Profit/(Loss)



The operating loss of KACL was lower in 2019 Q3 compared to other two quarters. Although revenue has increased total operating expenses has reduced compared to Q3 2018. However, compared to the previous quarter the operating expenses has increased while revenue also increased. However, it must be noted that revenue grew at a higher rate than operating costs. The operating loss margin has reduced in Q3 2019 (-91%) compared to Q3 2018 (-116%) and Q2 2019 (-125%) along with the loss.

Segmental Profit

Aeronautical

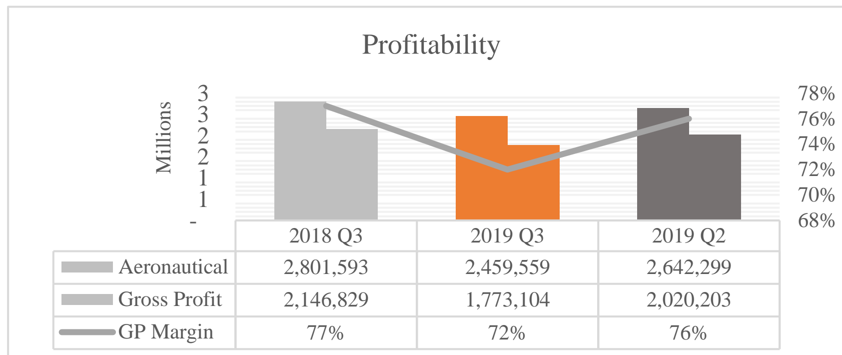


Figure 2: Profitability

KACL has been maintaining a good profit margin from aeronautical segment. However, the profit margin for Q3 2019 is lower than the other two quarters in review. This is because the cost of fuel in Q3 2019 is comparatively higher.

Shop

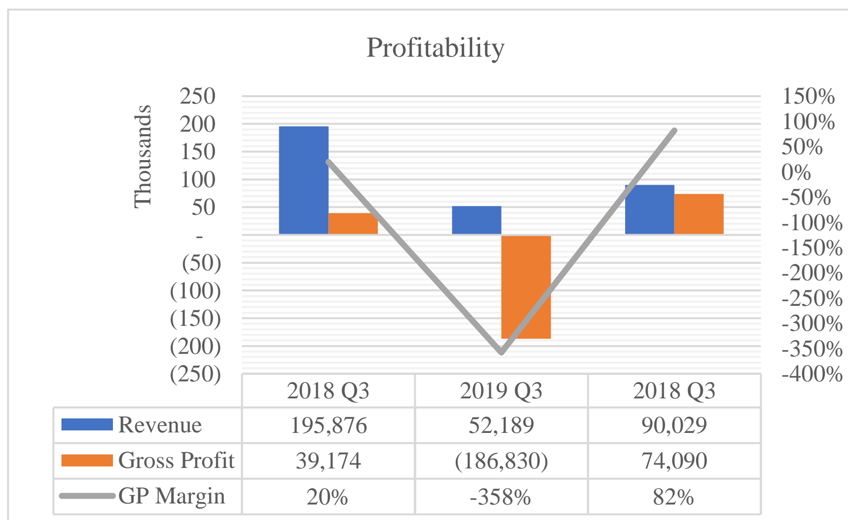
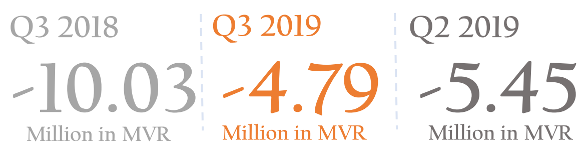


Figure 3: Shop

The shop has made a gross loss in Q3 2019. However, these figures do not show a true picture as the company has recorded the total cost of goods purchased as costs of sales instead of the costs related to the items sold during this period.

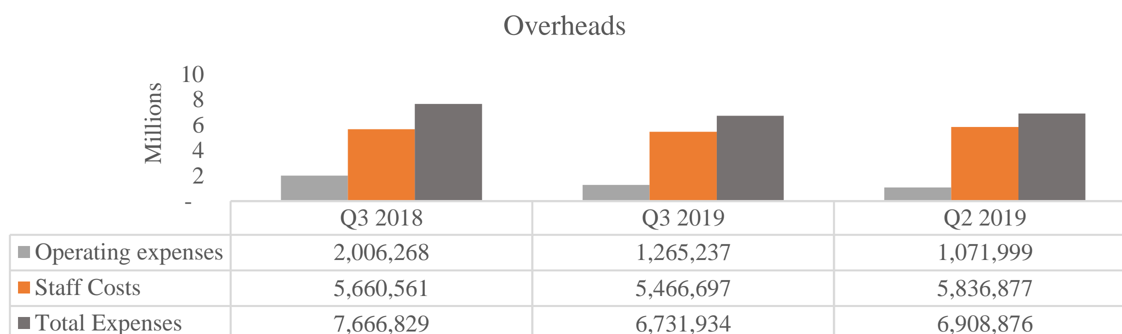
Net Profit



KACL has made a net loss of MVR 4.79 in 2019 Q3. The significant loss in 2018 Q3 is due to higher depreciation than the other two quarters in review. The net loss margin for Q3 2019 is -136%, while it was -282% in Q3 2018 and -178% in Q2 2019.

Operating Expenses

The overheads of the company are;



	Q3 2018	Q3 2019	Q2 2019
Operating expenses	2,006,268	1,265,237	1,071,999
Staff Costs	5,660,561	5,466,697	5,836,877
Total Expenses	7,666,829	6,731,934	6,908,876

Figure 4: Overheads

Staff costs are the most significant expense of the company; however, it has reduced compared to 2018 Q3 and 2019 Q2. The reduction in comparison to last quarter is due to Ramadan allowance in 2019 Q2. It must be highlighted that the operating expenses of quarter 3 is over 190% of company's revenue for the quarter. The cost of goods sold of the shop increase even though for the shop revenue dropped during this period. This is because KACL has recorded the total costs of goods purchased for resale as cost of sales for the period. In addition, repair and maintenance and other operating has also recorded a notable growth compared Q2 2019.

LIQUIDITY

Current Ratio

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 and it represents 91% of total current asset and receivable has further increased by MVR 11.2 million in 2019 Q3 compared to the same quarter of last year and MVR 2.6 million compared to last quarter. Further, receivables represent 1053% of revenue for Q3 2019 and 282% of estimated total revenue for 2019. Growth of receivables shows company's inefficiency and major concerning issue for the company. It has to be noted that majority of the receivable is from a single customer. And also, the ratio is high, they are not able to meet obligation on time.

The reduction in current ratio in 2019 Q3 is due to reduction in current assets in terms of cash and inventory while the liabilities of the company has increased.

Quick Ratio

Quick ratio shows company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets. i.e. excluding inventories. Since KACL's inventories are not relatively significant compared to total current assets, there is no major difference between current and quick ratio.

Cash Ratio

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. KACL is unable to turn revenue into cash, thus operational expenses are managed through the capital injected by shareholder.

In terms of short-term liquidity, the results are lower in 2019 Q3 compared to other two quarters. The 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.

KACL do not have any long-term loans or borrowing and the only liability of the company is trade and other payables, which keeps increasing in every quarter. If the company collects its receivable in time, they could payout trade payables without any difficulty.

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

CONCLUSION

Revenue for the third quarter is relatively same as Q3 2018 and compared to previous quarter revenue has increased mainly due to improvement in room revenue. However, the high operational costs relative to the income, has led to an operational and net loss for the company. For a sustainable development of the company they need to minimize costs and find ways to increase revenue. The company should try to at least operate with a breakeven level.

The short-term liquidity position of the company is favorable with sufficient 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 third quarter 2019.

RECOMMENDATION

The loss of the company could be improved through increasing 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.

Performing a cost benefit analysis and streamlining or eliminating all other non-value-adding activities will help the company to cut down its cots. It can be seen that the revenue of most of the segments are reducing.

We recommend assessing total numbers of staff required for operation to ensure staffs are maintained at an optimum level as this is the most significant operating expense of the company.

By partnering with airlines and tourist establishments which may lead to increase number of flights will eventually increase the flight movements and thus revenue of the company. To increase the flight operation, KACL can obtain necessary approval from authorities to operate other airlines.

In addition, revenue could be increased 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, biggest challenge is difficulty in obtaining finance for the stated projects. We recommend making a feasibility studies of expansion projects and negotiate with the financial institutions to arrange finance at better terms.

We recommend agreeing on new terms to settle existing receivables who owes significant amounts to the company. Proper credit control mechanisms and verifying the credit worthiness is important. Furthermore, reminder notice should be given to customers who are due and further actions must be taken if they fail to make payments. KACL should not allow to grow receivables any further. It is important to highlight that majority of KACL's receivables is from Island Aviation Services Limited.

Quarterly review; Quarter 3, 2019

MALDIVES AIRPORTS COMPANY LTD

MALDIVES AIRPORTS COMPANY LTD
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MACL/Q3

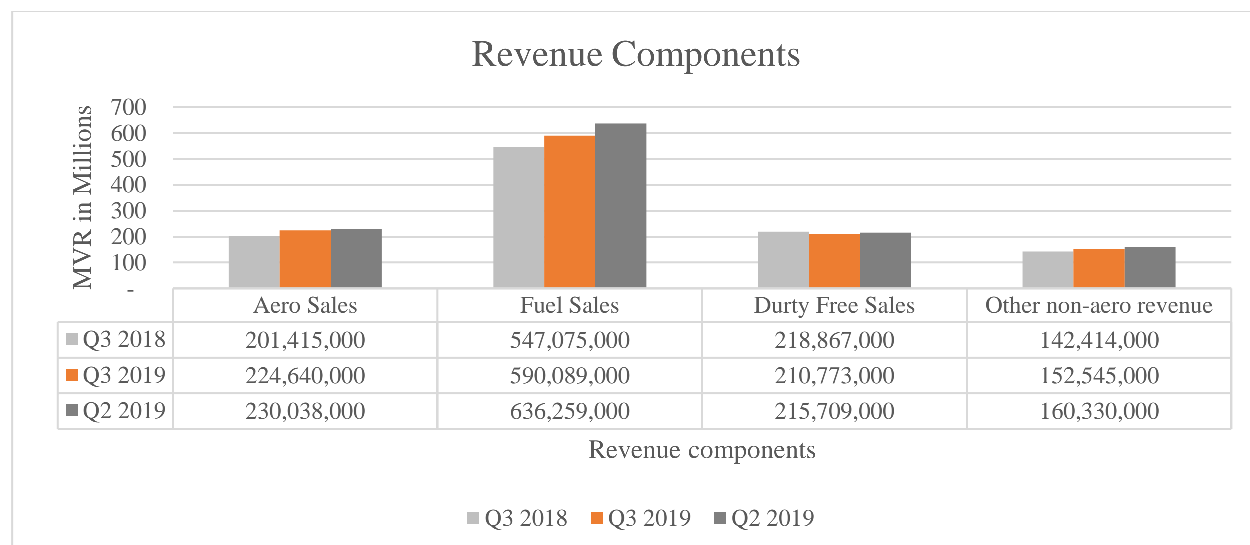
Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

Q3 2018	Q3 2019	Q2 2019
1,110	1,178	1,242
Million in MVR	Million in MVR	Million in MVR

Compared to Q3 2018, a 6% growth in revenue is recorded by the company due to increased air traffic resulting from aero, fuel sales and other non-aero revenue. As Q3 2019 is the off-season for tourism industry, the revenue recorded in Q3 2019 was 5% less than Q2 2019. As a result, parking fee has decreased due to a smaller number of private aircraft parked.



	Aero Sales	Fuel Sales	Durty Free Sales	Other non-aero revenue
Q3 2018	201,415,000	547,075,000	218,867,000	142,414,000
Q3 2019	224,640,000	590,089,000	210,773,000	152,545,000
Q2 2019	230,038,000	636,259,000	215,709,000	160,330,000

Figure 1: Revenue Components

Aero sales show a reduced figure in Q3 2019 compared to Q3 2018. However, compared to Q2 2019, aero sales in Q3 2019 increased by 2.6%. Aero sales include landing, parking, navigation and ground handling. Parking fees reduced by MVR7 million due to decreased number of private aircraft parking. This trend is regarded as normal by the company as Q3 is off peak season for Maldives Tourism Industry. Other Aero sales also reduced compared to Q2 2019.

Fuel Sales has been reduced in Q3 2019 compared to Q2 2019 due to 5% decrease in quantity sold while average fuel prices have been reduced by 0.2%,

Duty free sales decreased by MVR 4.9 million. This mainly reflects from reduction in the sale of liquor and souvenirs by MVR 6 million while sales of tobacco and P&C has increased by MVR 3 million.

Additionally, other non-aero revenue, particularly lounge income reduced by MVR 8 million in a quarter's time as the quarter belongs to an off-peak season.

Gross Profit

A significant increment has been seen in the direct costs of duty free as royalties relating to Q2 2019 has been posted in Q3 as it has not been accrued in Q2 accounts. Other costs also have been increased compared to Q2 2019 due to increase in lounge expenses and purchases. Direct costs have been reduced by 2% compared to Q3 2018 causing gross profit to rise compared to that period. As direct costs reduced marginally greater than the reduction in revenue, Q3 2019 experienced an increased gross profit margin compared to the previous quarter. Similarly, when compared to Q3 2018, MACL has a growth in gross profit margin in Q3 2019. G/P margin of from fuel sales increased in the quarter compared to Q3 2018 and Q2 2019 as shown in the following graph.

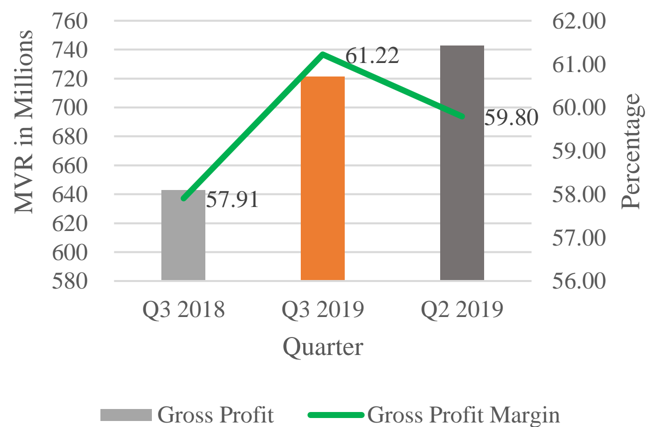
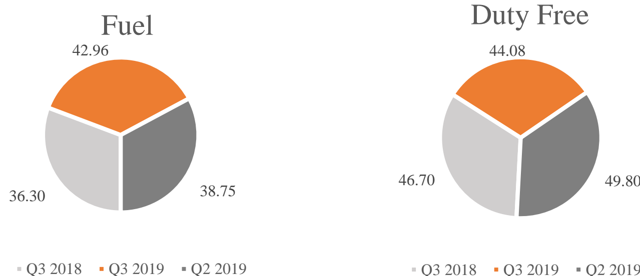


Figure 2: GP Margin



Gross profit margin of Duty-free sales reduced by 2% when compared to Q3 2018, and fell to 44% from 49.8% in Q2 201, resulting from loss of sale in liquor and souvenir.

Figure 3: GP Margin of Fuel and Duty Free

Operating Profit

Administrative expenses have been increased by 8% compared to Q3 2018, however, increase in operating profit reflects results from increased revenue.

Administrative costs increased in Q3 2019 compared to Q3 2018 while it has been reduced in the quarter compared to the previous quarter. The main component of administrative expense is employee benefits which has been increased by 2% (MVR 3 million). The increase was due to a 4% rise in the number of employees compared to Q3 2018. However, when compared to Q2 2019, employee benefits reduced by 8% (MVR 14.7 million) as Ramadan fell into the second quarter of the year.

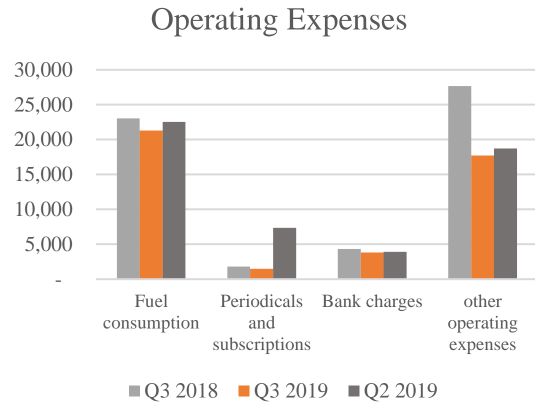


Figure 4: Operating Expenses

Depreciation expenses has increased by 8% (MVR 4 million) compared to Q3 2018 due to capitalization of new projects and asset acquisition. The company invested additional MVR 142 million in PPE and MVR 2.7 billion on ongoing capital projects.

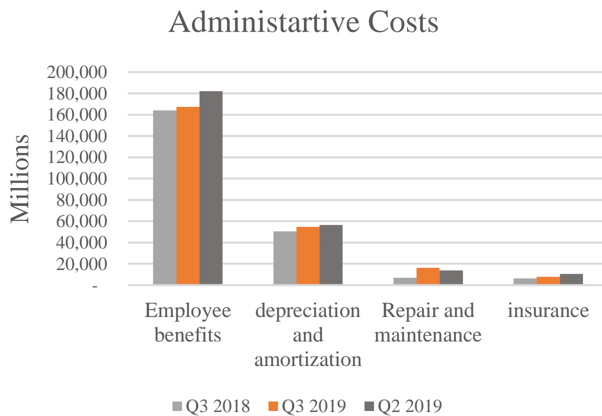


Figure 5: Administrative Expenses

Repair and maintenance costs has also grown significantly compared to Q3 2018. As per the explanation provided by the company, an Enterprise Asset Management Module was introduced for repairs in 2018. Due to the new implementation and testing period, major part of spare parts used for repairs were changed to Repairs and maintenance on December 2018. Due to the timings of repairs and maintenance Q3 2019 shows an increased figure of R&M compared to Q2 2019.

The newly capitalized assets including runway has been insured therefore it incurred additional coverage for insurance leading higher insurance expense compare to Q2 2019.

Net Profit

Finance costs reduced by 13% (MVR 2.8 million) and 1.8% (MVR 336 thousand) compared to Q3 2018 and Q2 2019 respectively. The lowering of costs compared to Q2 2019 led to improved profits in Q3 2019 compared to Q2 2019. When compared to Q3 2018, sales and marketing expenses and operating expenses decreased. Moreover, rise in revenue led to increased profits. Net profit margin also improved compared to Q3 2018 and Q2 2019.

Interest expense has been reduced as borrowings reduced compared to Q2 2019 as loans are being repaid by the company through their own funds. However, borrowings have increased compared to Q3 2018. MACL has obtained additional MVR 3.2 billion since Q3 2018. The company has repaid MVR 1.3 billion from Q3 2018 till Q3 2019.

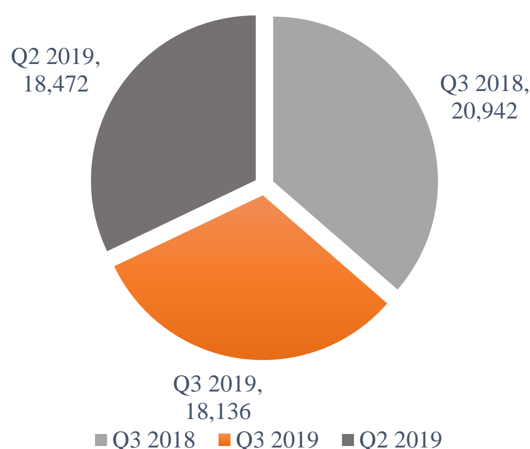


Figure 6: Interest expense

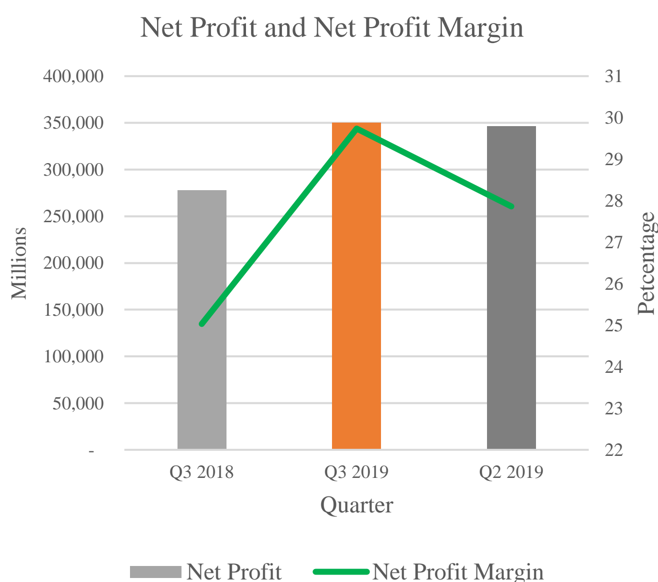


Figure 7: Net Profit Margin

Compared to Q3 2018, MACL achieved a net profit growth of 26% (MVR 72.5 million) emerging from a 6% hike in revenue while the company was able to reduce its direct costs by 2% (MVR 10 million). Thus, the profit margins show positive movements.

Net profit margin is at peak in Q3 2019 compared to Q3 2018(due to improved revenue) and Q2 2019 (due to cost reduction). Through cost reduction, MACL was able to attain a decent profit margin compared to other two quarters. Percentage decrease in revenue is lower compared to percentage decrease in cost of goods sold, resulting positive movement in margins.

LIQUIDITY

Cash Ratio

Cash ratio is at its peak in Q3 2019 compared to Q3 2018 and Q2 2019. The company generated a cash flow of 623 million from the operating activities resulting mainly from collection of receivables. In addition to that, change in payables by MVR 68.7 million and change in GST receivables of MVR 21 million added to the cash flow of the company. This resulted in MVR 623 million as cash flow from operations. Despite investing MVR 307 million in capital investment projects in the quarter and investing MVR 7.4 million in purchase of assets, the company managed to have a cash balance equivalent to MVR 1.2 billion in the quarter. This includes MVR 719 million received as proceeds from borrowing.

By looking into the cash ratio, it can be implied that MACL is healthy in terms of liquidity. However, excessive represents idle cash in the business. It is advisable for the company to distribute the cash to shareholder as dividend, reducing dividend payable.

Current Ratio

Current ratio stands at 2.3:1 in Q3 2019, a slight reduction from Q2 2019. However, the company is in a satisfactory level of liquidity position where technically the company is able to settle the liabilities with the current assets. Compare to Q3 2019 current assets increased by MVR 224 million while current liabilities reduced by MVR 115 million. The trade receivables, which is the most significant current asset and it decreased compared to Q3 2018, this positively impacted the cash flow and the net flow for the period includes proceeds from borrowings added to cash flow. However, the company has MVR 685 million as dividend payable to government at the end of Q3 2019.

Quick Ratio

After excluding inventory, the liquidity position stands at 2.08:1, well above the ideal ratio of 1:1. Inventories reduced by MVR 22 million (a reduction of 6.2%) compared to Q3 2018. The inventories as such fuel, duty free inventories and spares and consumables reduced compared to Q3 2018. The table below summarizes the breakdowns of inventories in Q3 2019 in comparison with Q3 2018 and Q2 2019.

INVENTORIES	Q3 2018	Q3 2019	Q2 2019
Fuel inventory	94,591	88,901	80,442
Duty free inventories	152,098	148,981	147,401
Spares and consumables	106,529	93,438	93,153
Total	**353,218**	**331,320**	**320,996**

Table 1: Inventory

LEVERAGE RATIOS

Debt to Assets

Debt to Assets ratio shows an upward movement when the mentioned period is concerned resulting from increased borrowings., on the other hand majority of this fund has been used to invest of assets thus total assets increased. Compared to Q3 2018 assets increased by 20% (MVR 2.6 billion) and 2.5% (MVR 363 million) when compared to Q2 2019, mainly due to development of projects undertaken by the company. Compared to Q3 2018, borrowings increased by MVR 1.9 billion (37.4%), while compared to Q2 2019 total borrowings show a reduced figure by MVR 115 million (1.65%). The borrowings from the government increased by MVR 82.6 million compared to Q2 2019. The increasing borrowing will ultimately increase financial risk of the company. The borrowings by MACL in the three quarters is summarized in the below table.

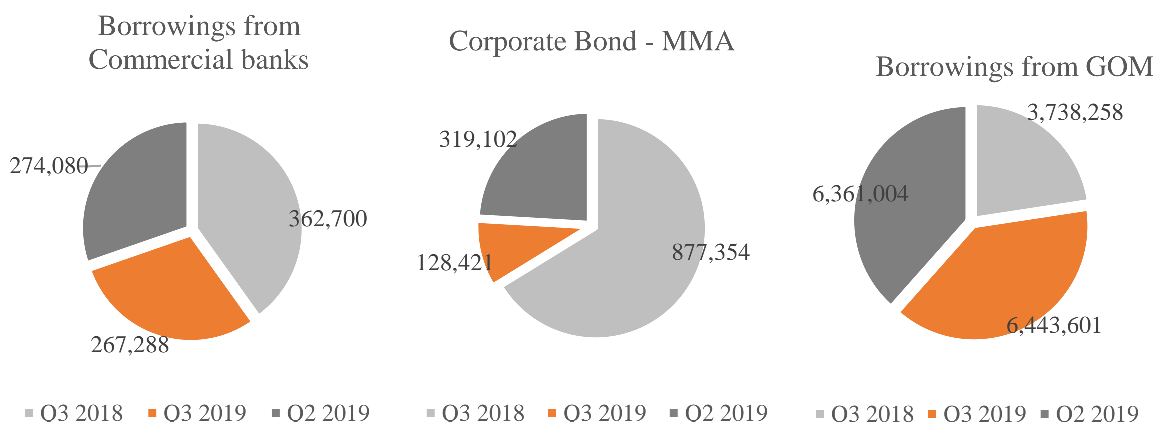


Figure 8: Borrowings

Debt to Equity

Q3 2018	Q3 2019	Q2 2019
86%	107%	115%

While equity increased as a result of increase in retained earnings, the borrowings increased marginally greater than equity leading to increased debt to equity ratio compared to Q3 2018. When compared to Q2 2019 debt to equity ratio reduced as borrowings decreased and total equity and reserve increase in Q3 2019. The company is investing in capital projects which is likely to increase revenue, hence they do not face increased financial risk.

CONCLUSION

Based on the profitability, Q3 2019 outperformed Q3 2018 and Q2 2019. As such, Q3 2019 shows a higher profit margins than Q3 2018 and Q2 2019, driven by decent revenue and better cost management.

The company has high liquidity ratios which indicates the solid asset base to back up the short-term obligations driven mainly through the core business activities. As such the company has a huge cash base. Moreover, receivables have been reduced which further enhances the cash level.

The borrowings increased which makes the company highly geared, and thus increases the financial risk. Huge developmental projects are undertaken by the company and majority of these projects are financed through borrowings. The company can obtain funds as they have a great asset base and has the ability to payback these loan with their own funds. As result of higher borrowing financial risk of the company increase. Once the developmental projects are completed, MACL could further improve their performance.

RECOMMENDATION

Even though it is difficult to reduce employee related expenses, MACL could improve efficiency of employee by making best use of the resources. For instance, they 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 implement cost control strategies.

Since there are many ongoing projects of the company, formulating strategic developmental plan and trying to complete the projects as planned will enable a proper management of projects. 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, and company may lose possible revenue streams.

Meanwhile, MACL has to make proper strategic planning to make the best use of the resources Resource planning and asset utilization are fundamental for this level companies. Further, a budget for contingency will be an added benefit for this scale operations.

Quarterly review; Quarter 3, 2019

MALDIVES CENTER FOR ISLAMIC FINANCE LTD

MALDIVES CENTER FOR ISLAMIC FINANCE LTD
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MCIF/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

Q3 2018	Q3 2019	Q2 2019
37,200 In MVR	329 In MVR	Nil

Since the commencement of its operations, MCIF has not generated sufficient revenue to fulfil the purpose to link Islamic finance industry in Maldives to international markets. As such the company generated only MVR 329 in Q3 2019, a very insignificant revenue generated from SAIIF. The company does not have any decent source of revenue generation to enhance the operations.

Gross Profit

Q3 2018	Q3 2019	Q2 2019
28,428 In MVR	329 In MVR	Nil

Gross profit stand at the same level as revenue as the company did not incur any direct costs in Q3 2019. The direct costs in Q3 2018 includes direct costs relating to education programs and magazine production.

Net Profit

Q3 2018	Q3 2019	Q2 2019
-1.48 Million in MVR	-1.06 Million in MVR	-1.56 Million in MVR

The company has a net loss of MVR 1.06 million in Q3 2019, less than the net loss in Q3 2018 and Q2 2019Negative net profit margin of 4000% in Q3 2018 further deteriorated to 324,064% in Q3 2019. The company has no revenue generating unit, but incurs huge costs as operational expenses resulting in lower margins. . The expenses for the three quarters are summarized in the following table.

Overheads	Q3 2018	Q3 2019	Q2 2019
Selling and Marketing costs	53,970	1,219	-
Administrative costs	1,407,860	996,469	1,482,089
Other Operating expenses	50,980	68,810	78,156
Total	1,512,810	1,066,498	1,560,245

Table 1: Overheads

LIQUIDITY

Current Ratio

Current ratio of 0.45:1 is well below the ideal ratio of 2:1 indicating the liquidity issues within the company. While current assets increased mainly as a result of increase in trade receivables, trade payables increased significantly by 86% (MVR 1.5 million) resulting a lower current ratio. Current liabilities increased as a result of the merger with Hazana Maldives Pvt ltd and the transfer of Hazana expenses which are to be settled by MCIF.

Quick Ratio

The company has a very insignificant level of inventory which is constant since the beginning of the year. The inventory holds books for sale.

Cash Ratio

Since the company does not generate sufficient revenue to accommodate the operational expenses, the company depends on shareholder assistance for the day to day expenses. Hence, the government funds for the operating expenses through capital injection on a quarterly basis. As such government had provided MVR 2 million as capital for MCIF in the first two quarters of 2019.

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. As the company does not have any major activities during the period, they are far behind the mandates and do not achieve the mandated objectives.

Based on the current status of the business operations, it can be concluded that they are not operating in a self-sufficient business model. Being the shareholder contributing capital for the operations, government needs to take necessary measures to overcome the going concern issues. As a shareholder, government needs a return for the investment, however, at the existing business model there is no anticipation of any financial or non-financial return in near future.

MCIF has been in the business for over three years, however, until today there is no reasonable revenue generating source. Therefore, there exists slackness at all level of business dealings. Based on the current performance, there is no commercial reason to continue operation on current model.

RECOMMENDATION

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

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. Board of directors and management need to proactively work and must ensure shareholder get some of return for their investment.

Quarterly review; Quarter 3, 2019

MALDIVES HAJJ CORPORATION LTD

MALDIVES HAJJ CORPORATION LTD
Q3 2019 PERFORMANCE ANALYSIS

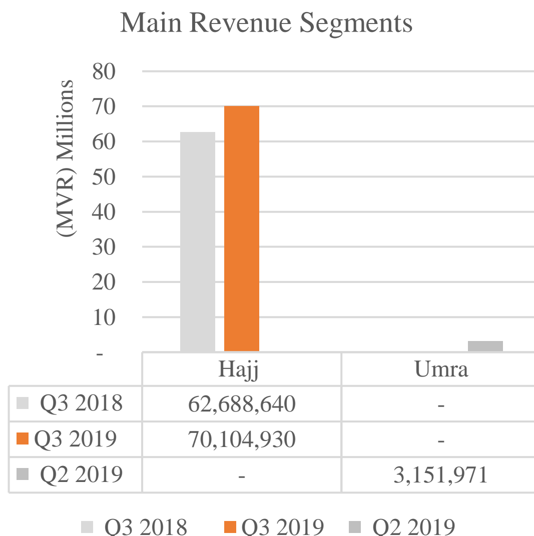
Report No: PEM/2019/MHCL/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

MHCL generates revenue mainly from two activities which are Hajj and Umra services. Third-quarter of both 2018 and 2019 is hajj season, as such most of the income is driven from hajj related activities. Compared to Q3 of 2018, the company has increased revenue by 12%, mainly due to an increase number of pilgrims travelled to hajj in Q3 2019, resulting to increase overall revenue from the hajj segment.

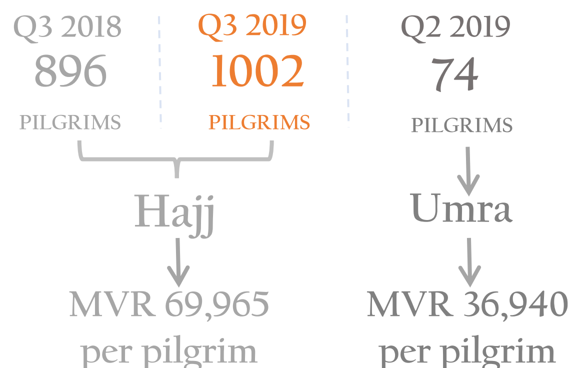


	Hajj	Umra
Q3 2018	62,688,640	-
Q3 2019	70,104,930	-
Q2 2019	-	3,151,971

Figure 1: Revenue

Revenue generated in Q2 2019 is mainly from Umra trip, and other revenue streams related to Umra. Since main revenue sources are flown on a seasonal basis it is important to compare performance on a seasonal basis. Compared to Q2 2019, revenue shows an increase of 2096% in Q3 2019, due to the revenue generated from hajj activities.

During Q3 2018, a total number of 896 pilgrims went to hajj with the company at the rate of MVR 69,965 per pilgrim. In Q3 2019, the number of pilgrims increased to 1,002 at the same rate as previous year. During Q2 2019, 74 pilgrims went to Umra trip with the company at an average rate of MVR 36,940 per pilgrim. Consequently, revenue has improved with the increase in number of pilgrims over the comparable period.



As seen in the table, revenue from Ageega sales has significantly increased, as number of slaughtering was higher in Q3 2019 (compared to Q3 2018). Overall, revenue from hajj activities has increased from Q3 2018 to Q3 2019, with the increase in number pilgrims.

Total Revenue - All Segments	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
Hajj	62,688,640	70,104,930	-
December Umra	-	-	3,151,971
Room	616,800	655,350	-
Ageega	631,300	1,201,438	74,016
Ihram	11,706	69,300	23,755
Excess baggage	61,050	-	3,575
Sponsorships	100,000	50,000	1,388
Ayadi takaful	20,650	-	-
Misc income	21,980	71,298	-
Other income	700	-	-
HDFC Sukuk	-	-	31,324
Total	**64,152,826**	**72,152,315**	**3,286,028**

Table 1: Segmental Revenue

Gross Loss

Gross loss margin remained at -16% in Q3 2018 and reduced to -13% in Q3 2019 mainly due to reduction in cost per pilgrim in Q3 2019. While selling price per pilgrim was MVR 69,965 in both years, it is important to highlight that the cost of sales per pilgrim remained at MVR 83,090 and MVR 81,089 for the hajj trips of both Q3 2018 and Q3 2019 respectively. 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.

Similarly, while average Umra rate per pilgrim was MVR 36,940 in Q2 2019, cost of sales remained at MVR 47,201 per pilgrim for the Umra trip in this period. Although selling price per pilgrim tends to be similar with that of competitors, the high cost of sales incurred by the company indicates that the company is facing difficulties in managing the direct costs. It has to be noted that MHCL set prices for Umra trips based on the costs and market condition as this price is not regulated by the Government.

Operating Loss

Operating loss margin was consistent at -19% in Q3 2018 and improved to -16% in Q3 2019. Total operating expenses however showed 31% increase over this comparable period (MVR 1.6 to MVR 2.2) from Q3 2018 to Q3 2019. Therefore, it is understood that the operating loss of the company slightly improved in Q3 2019 due to the increase in revenue, compared to Q3 2018.

Comparing Q3 2019 with Q2 2019, a significant change is seen in the operating loss as the scale of operation was higher and high cost was incurred for hajj activities during Q3 2019 for hajj activities.

It is important to highlight that rent expense accounted under ‘Other operating costs’ in Q3 2018 is now accounted under ‘Administrative costs’ in Q3 2019 causing variance in both class of accounts when compared.

Total operating expenses has increased in Q3 2019 compared to Q3 2018 (by 31%) and Q2 2019 (by 24%). This increase is caused mainly due to increase in salary and office relocation expenses in Q3 2019.

Operating Expenses	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
Selling and marketing Costs	7,476	11,876	38,642
Administrative Costs	1,032,707	1,601,064	1,641,692
Other Operating Costs	646,607	592,254	92,441
Total	**1,686,790**	**2,205,195**	**1,772,776**

Table 2: Operating expenses

Staff expense has increased from MVR 847,324 to MVR 1,013,533 during this comparable period, mainly due to the salary increments to all the staffs in 2019, new recruitments of senior posts, and new allowances introduced to the salary package. In addition to that, office relocation was incurred for partition works and other preparation cost on new office of the company.

It is vital that the company work on reducing its operating expenses since the revenue earned is not sufficient to cover its direct costs leading to substantial amount of loss being incurred over number of periods.

LIQUIDITY

Current Ratio

Current ratio has remained above the generally accepted level of 2:1, over three quarters. This ratio has shown an increase by 5 times compared with Q3 2018, indicating that the level of short-term assets to meet its short-term liabilities have improved. It is important to note that cash and cash equivalent is the collection from pilgrims as advance hajj or Umra payment, thus it is not ideal to utilize these funds to settle short liabilities of the company.

Quick Ratio

Quick ratio shows company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets. i.e. excluding inventories. Since MHCL's inventories are not relatively significant compared to total current assets, there was a minimal reduction in the quick ratio, as compared with current ratio. Inventory remained at 2%, 3% and 1% of total current assets during Q3 2018, Q3 2019, and Q2 2018 respectively.

Cash Ratio

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The cash ratio of MHCL shows that company has enough cash to cover its current liabilities. However, it must be noted that the cash balance reflects the capital injection by the government and the advance payments received from customers.

When Q3 2019 is compared to Q3 2018, the short-term liquidity ratios show improvement and are above the ideal level of 2:1. The significant reduction in current liabilities (from MVR 11 million to MVR 2

million) as compared with the level of decrease in current assets (MVR 68 million to MVR 27 million) has caused to improve both current and quick ratio. It is important to note that government has injected capital of MVR 1 million in the second quarter of 2019.

However, 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 can be invested wisely and generate good returns out of it.

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

	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
Current Assets			
Inventories	1,221,376	781,887	964,600
Trade and other receivables	4,313,707	4,000,244	35,942,466
Cash and cash equivalents	62,718,300	22,611,914	47,207,836
Total current assets	**68,253,383**	**27,394,045**	**84,114,901**
Current Liabilities			
Trade and other Pyables	9,218,974	2,584,472	6,792,340
Adv. Rec. from customers for Hajj	2,768,995	-	-
Total current labiliities	**11,987,969**	**2,584,472**	**6,792,340**

Table 3: Current Assets and Liabilities

INVESTMENT

Hajj Corporation offers two types of service where customer can pay for hajj and umra in installments as well as in full payments. Thus, the company receives huge amounts as advance payments from customers, which are then invested in shari'ah compliant products. As at Q3 2019, MHCL has collected advance worth of MVR 134,321,510 (Q3 2018: MVR 143,649,754) and have invested MVR 76 million, which represents 57% of total advance received. Company has earned finance income from investments of MVR 1.05 million in Q3 2019 giving a return of 1.39% (MVR 1 million in Q3 2018 and MVR 1 million in Q2 2019 with a return of 1.64% and 1.24% respectively).

INVESTMENT	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
Advanced received from customers for Hajj	143,649,754	134,321,510	182,478,777
Held to maturity investments	61,000,000	76,000,000	81,000,000
Finance Income	1,002,097	1,052,954	1,002,813
Return on Investment	**1.64%**	**1.39%**	**1.24%**

Table 4: Investments

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

CONCLUSION

The revenue of the company has increased in comparison to the same quarter of the last year due to increase in number of customers. 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. The operating cost of the company keeps increasing quarter by quarter.

The liquidity position of the company looks favorable as the current liabilities of the company is greater than its current assets. However, current assets are high due to advances paid by pilgrims for Hajj and Umrah which is used to fund for its operational expenses. Thus, the company fails to fund the operations through its own revenue, which would affect long-term stability of the company.

RECOMMENDATION

As the market is highly competitive with new private parties providing this service, MHCL must try to improve their market share. This could be achieved through introducing new packages and improving quality of their service. Further, having more competitive advantages than other competitors in the market, MHCL can use effective marketing strategies to attract wider customer base.

To maintain the sustainability of the company, MHCL must reduce its costs and expenses and increase efficiency. Currently the price charged from pilgrims are lower than the direct costs of the service. Therefore, the company must manage its costs more efficiently. It has been noted that MHCL set prices for Umra trips based on the costs and market condition as this price is not regulated by the Government. As far as rate of Hajj is concerned, from November 2019 onwards Government has de-regulated the pricing as well, enabling MHCL to adjust rates to ensure costs are being covered in future. Though Hajj Corporation aims to enable citizens to perform Hajj and Umra at affordable prices, the rates charged should enable the company to cover both direct and indirect costs of the company.

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

By creating ways to boost revenue along with efficient cost management MHCL must find ways to operate its business without depending on the capital contribution by shareholder which is now utilized to cover day to day operations.

It is also important that MHCL consider an assessment of their public image and establish some plans to enhance public confidence over the business, as large sum of public fund is being managed and invested by the company.

Quarterly review; Quarter 3, 2019

MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION

MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MITDC/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

No revenue was generated in the first 3 quarters of 2019 as the projects are on hold. Conversely, in Q3 2018, a small revenue of MVR 18 thousand was generated from sales of bid documents. In other MITDC earned other income outside its scope of normal activities, of over MVR 1 million through CSR commission. Hence, until today MITDC has not generated any revenue through their own operation.

MITDC is trying to solve the legal issues with LAC model to smoothly run the projects, hence Baresdhoo project is on hold. Kaashidhoo Project is on hold as the land plot is currently not a property of MITDC. It is important to note that Kaashidhoo Project is not feasible if MITDC needs to pay significant amount towards the Land Acquisition cost. Management with the help of Ministry of Tourism is working on finding a solution and kick start these two projects at the earliest. Management is also trying to identify a suitable party to develop these two projects and relevant works are being carried out.

Net Profit/(Loss)

The net profit has seen a marginal reduction compared to the previous quarter because of reduction in operational costs. The loss in Q3 2018 is comparatively high due to high administrative costs in that period. The accumulated loss of the company as at the end of Q3 2019 stands at MVR 30.8 million.

Expenses

Operating Costs	*Q3 2018*	*Q3 2019*	*Q2 2019*
Administrative costs	4,483,491	1,377,283	1,360,885
Sales and marketing expenses	184,505	-	30,000
Total	**4,667,996**	**1,377,283**	**1,390,885**

Table 1: Operating Expenses

The operating costs are lower in 2019 compared to 2018 since the projects are on hold in 2019. However, some individual expenses such as director's remuneration, travelling expenses and fines has increased in Q3 2019 compared to other two quarters. High operating costs in Q3 2018 is mainly due to refunds of land acquisition cost related to Baresdhoo project.

Company's overhead expenses are financed through the capital injections by the government as no Revenue is generated from operations. During Q3 2019, government has injected MVR 3,666,530 as share capital.

Current Ratio

Current ratio of the company has been maintained below 1 for three quarters in review, indicating unsatisfactory short-term liquidity position. The current asset of the company consists of trade and other receivables and cash and cash equivalents, where receivables comprise of 91% of current assets.

In terms of trade and other receivables, advance payments to suppliers and land acquisition cost receivable are the major components. It is very unlikely to collect stated balances.

Trade and othe receivables	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
Acounts Receivable	2,887	44,552	44,552
LAC Receivable	10,485,600	10,485,600	10,485,600
Rent Receivable	2,827,000	2,056,000	2,056,000
Advance payments to Suplpliers	15,034,500	15,034,500	15,034,500
Repayment	-	24,672	24,672
Other Receivable	76,012	-	-
Total	**28,425,999**	**27,645,324**	**27,645,324**

Table 2: Trade and Other Receivables

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

Cash Ratio

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. MITDC's cash ratio is very critical as only 0.05 percent of current liabilities can only be covered by the cash balance. The cash balance reflects the capital injection by the government as there is no other form of cash inflows into the company.

The current liabilities of the company are trade and other payables as show in the table.

Trade and other Payables	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
Trade Payables	19,840,658	14,174,894	14,178,609
Accrued Expenses	87,869	38,299	30,894
GST Payable/ Refundable	(961,650)	(546,458)	(542,395)
Advance rent	12,596,646	9,976,531	9,976,531
Refund Payable	5,859,600	9,749,295	10,227,315
Loan from Government	15,420,000	15,420,000	15,420,000
Accrued Interest	664,773	1,730,709	1,500,890
Other Payables	(1,058)	(1,243)	(1,244)
CSR Funds	3,564,158	2,074,137	2,074,137
Total	**57,070,996**	**52,616,164**	**52,864,737**

Table 3: Trade and Other Payables

Loan from government is the loan taken from MOF for integrated tourism development projects on the island of Kaashidhoo in Male', Atoll. The loan shall be repaid in 1 (One) year time from the date of agreement. (agreement date: 26 April 2018) As per the agreement between MITDC and Jausa Construction Pvt Ltd dated, April 2017 20% of the labour component shall be settled in 3 (Three) installments to Jausa Construction pvt Ltd.

CONCLUSION

The tourism development projects undertaken by the company are currently on hold, therefore MITDC is unable to generate any income in 2019. As a result, the administrative costs are financed through the capital injections from the government. During Q3 2019, the company ha made a net loss of MVR 1.4 million, which is a reduction of 62% and 1% compared to Q3 2018 and Q2 2019 respectively.

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

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

RECOMMENDATION

In absence of generating revenue, the sustainability of a company will be in question. Currently the company does not have any revenue generating unit. Therefore, MITDC must find stable revenue generating option in order to make operation worthwhile.

At present, the operational expenses are financed through capital injections from the government. Hence, the corporation must formulate a business plan and strategic plans to improve business operation and become self-sufficient. Finding a feasible model and making corporate objectives are one of the key objectives in setting targets. Further, cost management is also an important factor to reduce the loss of the corporation and to improve sustainability.

In order to reduce the dependence on the shareholder, MITDC should focus on some short-term objectives as well. In addition, they should find reasonable financing arrangements to complete the projects smoothly and without any intermission.

The company should improve its credit management 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. On the other hand, maintaining a good relationship with the suppliers to increase the credit limits and obtain goods or services at better terms.

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Quarterly review; Quarter 3, 2019

MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION

MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MMPRC/Q3

Q3 2019 with Q3 2018 and Q2 2019

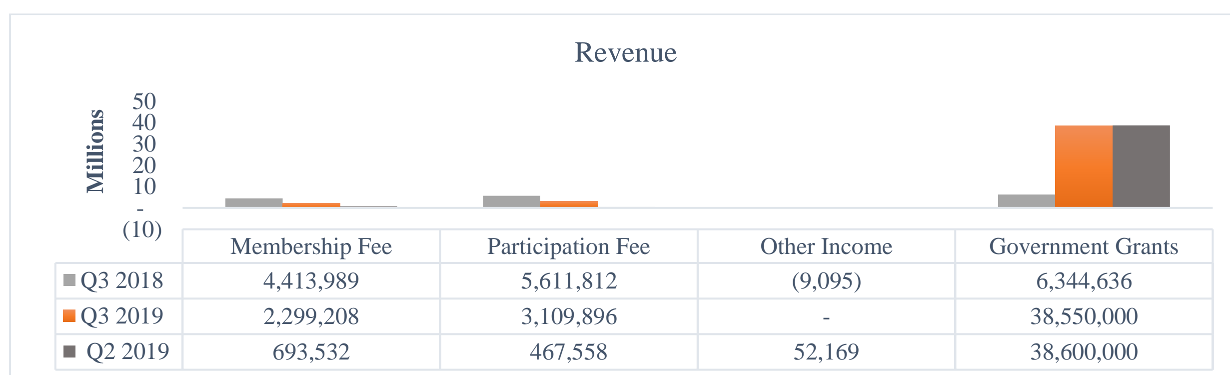
PROFITABILITY

Revenue

Q3 2018	Q3 2019	Q2 2019
16.4	44.1	39.8
Million in MVR	Million in MVR	Million in MVR

Total revenue compared Q3 2018 has seen a significant growth as a result of increase in government grant. However, in comparison to previous quarter membership fee and participation fee has increased resulting a revenue growth of 10%.

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



	Membership Fee	Participation Fee	Other Income	Government Grants
Q3 2018	4,413,989	5,611,812	(9,095)	6,344,636
Q3 2019	2,299,208	3,109,896	-	38,550,000
Q2 2019	693,532	467,558	52,169	38,600,000

Figure 1: Revenue

As per the above table, MMPRC has performed well in Q3 2018 compared to other two quarters as they have earned more revenue in terms of membership fee and participation fee. However, the total revenue of the company is high subsequently government grant has treated as revenue.

Gross Profit

Q3 2018	Q3 2019	Q2 2019
9.40	27.5	22.5
Million in MVR	Million in MVR	Million in MVR

Although revenue from membership fee and participation fee has reduced compared to Q3 2018, cost of sales has increased significantly by 137%. However, the grant income is enabling the company to make a gross profit. In comparison to previous quarter, cost of sales has recorded a fall of 5% while revenue has increased by 10%.

Net Profit

Q3 2018	Q3 2019	Q2 2019
6.22	21.5	19.7
Million in MVR	Million in MVR	Million in MVR

In comparison to Q3 2018, the net profit of the company has also increased regardless of increasing direct cost as well as operational expenses. This is mainly as a result of higher revenue. The administrative expenses have increased against previous quarter by over 80%, however, net profit was not affected by this since the level of increase in revenue is much higher than that.

EXPENSES	*Q3 2018*	*Q3 2019*	*Q2 2019*
Selling and marketing Costs	40,734	285,647	4,228
Salaries and Wages	1,530,239	1,643,804	1,580,353
Overheads	1,609,785	3,145,820	1,195,929
Total	**3,180,758**	**5,075,271**	**2,780,510**

Table 1: Expenses

As shown in the above breakdown of total expenses, the overheads reports the most significant increase. This is due to the moving costs, purchase of new office furniture's and other set up costs of the new office building. The total operating costs constitute 94% of total revenue excluding government grant.

Profit Margins

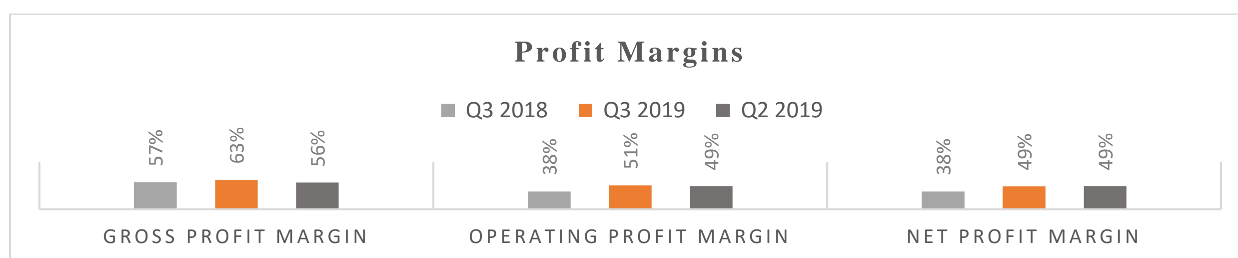


Figure 2: Profit Margins

The profit margins have improved in Q3 2019 compared to other two quarters in review with the improvement in revenue.

LIQUIDITY

Current

Current ratio measures the ability of MMPRC to pay short-term obligations or those due within one year. A ratio of above 1 indicate that the company have more assets than its liabilities. Although, the greater portion of current asset of the company is other receivables which represent 87% of total current assets. The receivables and related payables constitute lease payments related to resort rentals.

Cash Ratio

Cash ratio calculates ability to repay its short-term debt with cash or near-cash resources. MMPRC has a cash balance of MVR 166 million, which is an increase of 46% compared to previous quarter. Total cash and cash equivalents cover 11% of total liabilities. Most of the payables are related to the corruption case being investigated. Therefore, it is unlikely that these amounts would be payable unless these cases are resolved.

Government has injected cash worth over MVR 38.5 million in the third quarter and MVR 38.6 million in the second quarter of 2019. The company was unable to generate enough revenue to meet its daily obligations and hence depends purely on shareholder assistance.

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

CONCLUSION

Revenue has improved in Q3 2019 compared to other two quarters in review. During the third quarter, a total of 21 operational activities were conducted, including 5 fairs, 3 road shows and 6 familiarization trips as well as other activities.

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

In addition, MMPRC has significant cash balance of MVR 166 million at the end of Q3 2019. Which is important to note that majority of the cash balance represents grants given by government.

RECOMMENDATION

Revenue from other sources besides government does not cover the company's operating costs. Therefore, the company should focus on cost reduction and effectiveness to improve the profitability. Revenue generated from another segment can be improve. Therefore, MMPRC has to consider on revenue generation and self-sufficiency in future plans.

The company must formulate a business model to improve business operation and become self-sufficient. In formulating business plan MMPRC must find a feasible model and make corporate objectives as one of the key objectives in setting targets. In addition, the company must improve image of the company and obtain public trust.

The receivable of the company is substantially high which will create cashflow problems. Therefore, MMPRC should try to recover these receivables in order to improve their liquidity position. Proper receivable collection will ultimately help in enhancing cash and thus reducing payables. Further it is important to take all necessary action to recover all receivables.

Quarterly review; Quarter 3, 2019

MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC

MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MTCC/Q3

<u>Q3 2019 with Q3 2018 and Q2 2019</u>

PROFITABILITY

Revenue

In Q3 2019, Maldives Transport and Contracting Company Plc (MTCC) has generated 6% more revenue than of Q2 2019 showing improvements in all the revenue centres except for trading segement. However, Q3 2019 shows a deterioration when compared to Q3 2018, by 8%, mainly due to decrease in revenue from dredging and transport segement.

Being the core business of the company, revenue from contracting comprised 56% of total revenue in Q3 2019 (51% and 54% in Q3 2018 and Q2 2019 respectively). Company has improved its contracting revenue by 2% compared to Q3 2018, and by 9% compared to Q2 2019 mainly due to an increase in number of construction projects awarded to the company, along with revenue being recognized in the books upon completion of those projects.

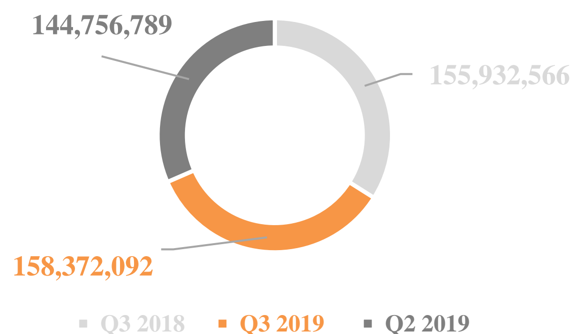
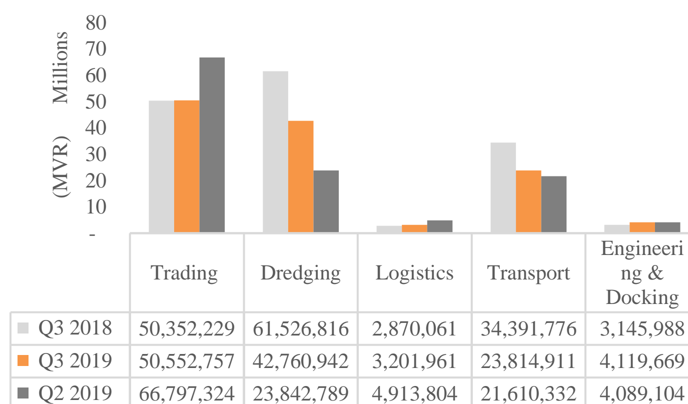


Figure 1: Contracting Revenue



	Trading	Dredging	Logistics	Transport	Engineering & Docking
Q3 2018	50,352,229	61,526,816	2,870,061	34,391,776	3,145,988
Q3 2019	50,552,757	42,760,942	3,201,961	23,814,911	4,119,669
Q2 2019	66,797,324	23,842,789	4,913,804	21,610,332	4,089,104

Figure 2: Other Segments Revenue

While trading segment remained almost constant compared to Q3 2018, current quarter has seen a deterioration when compared with Q2 2019 (reduced by 24%), mainly due to seasonal drop in sales immediately after Ramadan and due to holidays in the month of August, where a smaller number of outboard engines were sold. Although dredging has seen a significant decrease from Q3 2018 to Q3 2019, it has shown improvement compared to Q2 2019. Company has carried out total of five dredging and reclamation projects in current quarter. Revenue from logistics has decreased by 35% from Q2 2019 to Q3 2019 although Q3 2019 has shown a growth of 12% when compared to Q3 2018. Logistic external sales depend on number of foreign vessels served in each quarter based on the arrivals. Transport segment has decreased significantly when compared to Q2 2018 due to fall in demand for Hulhumale' ferry services though it has improved by 10% compared to Q2 2019 after diverting speed boat services towards private businesses. Engineering and Docking segment

have shown growth over the three comparable periods by effectively utilizing land spaces and enhancing its services.

Gross Profit

Gross profit and gross profit margin have improved compared to both comparable periods of Q2 2018 and Q2 2019. Effective cost management could have helped company to achieve this growth, as the company was able to reduce cost of sales by 10% when sales has decreased by only 8% from Q3 2018 to Q3 2019. Similarly, when revenue has seen a growth by 6% from Q2 2019 to Q3 2019, company was able to reduce its cost of sales by 2%, effectively helping company to earn a higher gross profit and gross profit margin. It is difficult to analyze the areas of improvements and deterioration in a segmental point of view, since cost of sales is not segmentally presented in company's quarterly report.

Cost of Sales	**Q3 2018 (MVR)**	**Q3 2019 (MVR)**	**Q2 2019 (MVR)**
Inter-Company Sales	(50,088,349)	(83,164,501)	(68,601,460)
Cost of Goods Sold	93,161,175	101,677,488	98,770,433
Subcontract	24,799,732	48,591,243	36,469,573
Cost of Service	5,503,395	1,393,579	893,736
Basic Salaries	29,484,523	24,466,261	26,131,653
Extra Day Pay	3,695,002	3,258,071	3,366,973
Other Allowances	5,605,068	5,194,980	8,865,049
Education/Technical Allowance	1,318,866	1,202,972	1,222,605
Staff Food Expenses	3,888,840	3,904,280	2,812,763
Over-time	10,154,893	8,828,669	9,291,567
Fuel	33,613,227	27,657,574	31,737,509
Inter-Company Repair & Maint	4,197,360	3,774,792	1,518,910
Food Supplies - Project sites	4,224,687	4,165,272	5,468,282
Material Transportation	1,987,044	1,638,222	665,688
Hiring	18,799,824	14,288,558	14,519,811
Inter-Company Hiring	13,559,162	9,228,548	6,952,416
Expense on Site Infrastructure	1,678,895	2,757,596	1,941,659
Depreciation	35,566,965	34,110,089	34,851,651
Other cost of sales	19,466,127	21,611,209	23,315,333
Total Cost of Sales	**260,616,434**	**234,584,902**	**240,194,150**

Certain projects are subcontracted between segments and with other third parties depending on the type of projects.

The contract employees were significantly lower compared to last year due to drop in number of projects during the year.

This variance depends on the new sites mobilized during specific periods.

Table 1: Cost of Sales

Operating Profit

Operating profit margin has increased to 9% in Q3 2019, which is a significant improvement compared to Q3 2018 (4%) and Q2 2019 (-1%). Operating profit is improved due to increase in operating income along with reduced operating expenses in Q3 2019, compared to other comparable periods. The company is seen to commence its projects, as a result recognize its related revenue in the books of accounts.

New advertisement channels were introduced in Q3 2019 which led to increase overall selling and marketing expenses. Cost savings is seen from admin costs and other expenses when compared

Operating Income and Expenses	**Q3 2018 (MVR)**	**Q3 2019 (MVR)**	**Q2 2019 (MVR)**
Selling and marketing Costs	1,887,513	2,249,638	2,160,746
Administrative Costs	35,824,042	27,765,844	27,479,753
Other Expense	5,261,749	3,568,767	1,184,771
Other Income	7,656,104	9,459,774	3,187,855
Net Operating Expenses	**35,317,200**	**24,124,475**	**27,637,415**

Table 2: Operating Income & Expenses

to Q3 2018. Other income includes subsidy income received for transport sector losses, dividend income and income from rent.

Net Profit

MTCC incurs significant finance cost as company's borrowing is over MVR 580 million in three quarters. As such, net profit of the company is decreased almost by 33% compared to operating profit in Q3 2019. Finance cost is further discussed under gearing ratios.

LIQUIDITY

Current Ratio

Company is able to maintain current assets above its current liabilities over three quarters, indicating short term liquidity position of the company is in satisfactory condition. Where major component of current assets and current liabilities comprise receivables and payables respectively, it is vital that company maintain these assets and liabilities in an optimum level, particularly when receivables per revenue stands at 3 times and paybales per cost of goods sold stands at 2 times in Q3 2019.

Quick Ratio

Quick ratio shows company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets. i.e. excluding inventories. Although quick ratio remained constant over Q3 2018 and Q3 2019, company has improved this ratio compared to Q2 2019, due to increase of receivables in Q3 2019.

Cash Ratio

Cash ratio calculates company's ability to repay its short-term debt with cash and cash equivalents. The cash ratio of MTCC shows company has not enough cash to settle its total current liabilities promptly using its cash. As noted before, it is important that company maintains its inventories and receivables at an optimum level to avoid any unfortune event of failing to pay its creditors in short term. Cash outflows from investing and financing activities stood over MVR 15 million and MVR 37 million respectively, when cash inflow from operating activity were over MVR 50 million in Q3 2019. If MTCC were able to convert receivables to cash, it would have a more positive impact on the cash ratio compared to current score of 0.06 times.

Overall, short-term liquidity ratios show improvement in Q3 2019. The significant increase in current assets compared with the level of increase in current liabilities has caused to increase both current and quick ratio. Trade and other receivables are higher than trade and other payables, indicating company is utilizing its liquid assets efficiently. However, it is important to consider both receivables and payable days at least annually to ensure effective liquidity management of company, since cash ratio of the company seems quite low compared to the level of bills which would due in short term.

Current Assets & liabilities	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
Inventories	273,928,124	210,295,918	212,795,745
Trade and other receivables	681,218,529	756,045,110	627,980,250
Cash and cash equivalents	44,171,803	49,099,551	47,243,966
Total current assets	**999,318,456**	**1,015,440,579**	**888,019,961**
Trade and other Payables	409,194,611	519,635,694	409,718,272
Borrowings	337,304,098	250,119,746	330,818,821
Bank overdrafts	13,141,848	18,300,341	13,755,590
Total current liabilities	**759,640,557**	**788,055,781**	**754,292,683**

Table 3: Current Assets & Liabilities

LEVARAGE

Debt to Equity

Debt to equity ratio illustrates the degree to which the company is financing its operations through debts. More specifically, it shows the ability of shareholder's equity to cover all outstanding debts in the event of a business downturn. MTCC has maintained total borrowings below shareholder's equity in all the comparable quarters. In fact, the company has shown improvements in reducing this ratio from Q2 2019 to Q3 2019 by 4%, which indicates financial risks are lowered. It must be noted that MTCC highly depend on short term borrowings as it comprises more than 43% of total borrowings.

Debt to Assets

Debt to assets ratio defines the total amount of debts relative to its assets or assets finance by debt. A ratio less than 100% means MTCC owns more assets than liabilities indicating that company's financial risk is adequately maintained.

Debt Capitalization

The total debt to capitalization ratio is a solvency measure that shows the proportion of debt a company uses to finance its assets, relative to the amount of equity used for the same purpose. MTCC has maintained a lower financial leverage ratio for the three quarters in review.

Interest Cover

The interest cover ratio measures how many times a company can cover its current interest payment with its available earnings. MTCC has improved this ratio from Q3 2018 to Q3 2019 by 1.92 times. Similarly, a

significant improvement is seen from Q2 2019 to Q3 2019 by 3.11 times, due to concurrently increase of operating profit and decrease in finance cost in Q3 2019. A company's ability to meet its interest obligations is an aspect of its solvency and is thus a very important factor in the return for shareholders.

Note: Total debt includes both current and long-term borrowings in all the leverage ratios.

CONCLUSION

In Q3 2019, MTCC has generated 6% more revenue than of Q2 2019 showing improvements in all the revenue centres except for trading segement. However, Q3 2019 shows a deterioration by 8% when compared to Q3 2018.

Overall profitability of the company has improved in Q3 2019, as a result of managing both direct and overhead costs effectively.

Liquidity position remained almost constant over comparable period of three quarters. Although current assets cover current liabilities, cash position of the company is low compared to sum of the short-term liabilities which are due.

Financial leverage of the company shows improvement in Q3 2019 over the comparable period, mitigating financial risk of the company.

> "During the 03rd Quarter of 2019, MTCC progressed work on 45 Construction Projects out of which 02 projects were successfully completed. Work on 05 new projects commenced during the quarter while 38 new projects were awarded to the company.
>
> MTCC also carried out a total of 05 Dredging and Reclamation Project and 01 special project during the quarter. These include;
>
> During the quarter, MTCC expanded its transport services to M. F. and Dh. Atoll, along with Ha. And Hdh. Atoll."

RECOMMENDATION

Strategic decisions need to be made to streamline and restructure the areas which could generate higher revenue, and to improve loss making segments. The company needs to carry out the projects already won by the company more efficiently and quickly, to recognize the related revenue of these projects in the books. In addition to that, projects undertaken by the company must be properly projected for its costing to ensure profit in adequately determined before proposing to new projects. This will help company to be more profitable over the long-term.

It is important to improve overall liquidity position for the stability of the business. The company's receivables have increased by 20% while payables increased by 27% (compared to Q2 2019). In long-term increasing both receivables and payables compared to revenue could be alarming. The cash ratio of MTCC also shows company has not enough cash to settle its total current liabilities promptly using its cash. Thus, company needs to set off payables and collect receivables more promptly.

Quarterly review; Quarter 3, 2019

MALDIVES TOURISM DEVELOPMENT CORPORATION

MALDIVES TOURISM DEVELOPMENT CORPORATION
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MTDC/Q3

Q3 2018, Q2 2019 AND Q3 2019

PROFITABILITY

Revenue

MTDC generates revenue through sub leasing the islands leased by government of Maldives. The revenue of 2019 Q3 is higher because in Q3 2018 MTDC has recorded revenue of incremental bed and there after revenue is recognized based on straight line basis as per IFRS 16, Leases. There is no change is revenue compared to previous quarter because there is no change in available portfolio of islands.

Gross Profit

Since the direct costs remained at MVR 7.3 million for the three quarters in review, gross profit is also same for 2019 Q2 and Q3. The high gross profit in 2018 Q3 is due to higher revenue. The company could expand its business within its mandate to increase revenue and profitability. Currently, MTDC is just earning lease income from the islands sub leased.

Net profit

Net profits made in 2019 Q3 is low compared to other two quarters. Although operating costs has reduced in 2019 Q3 compared to 2018 Q3, net profits had a reduction due to fall in revenue. In comparison to 2019 Q2, the net profit has reduced due to rise in administrative costs.

Net Profit Margin

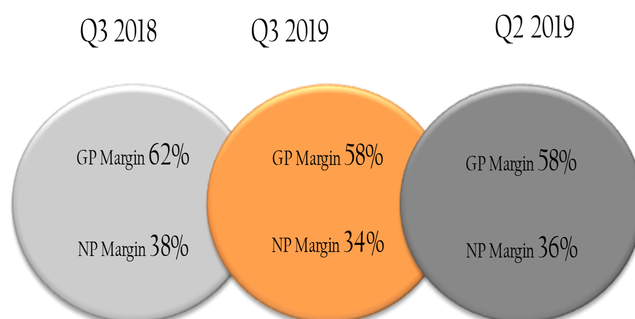


Figure 1: NP Margin

In terms of profit margins, Net profit margin is lower in Q3 2019 compared to other two quarters. This is because of increase in administrative expenses. A high net profit margins is good for the company as it will attract investors. However, considering the nature of the company MTDC can further improve its margins.

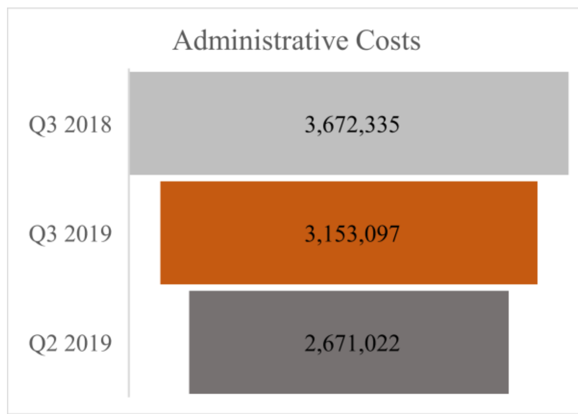


Figure 2: Administrative Expenses

Administrative costs for 2019 Q3 stands at MVR 3.1 million, which is a reduction of 14% compared to the same quarter of last year. The 18% increase in administrative expenses compared to 2019 Q2 is due to changes to MD and DMD Salary and allowances as per the new Policy and other expenses related to sourcing an investor for Naagoashi development.

LIQUIDITY

Current Ratio

The current ratio measures MTDC's ability to pay short-term obligations or those due within one year. The current ratio of MTDC has significantly reduced in 2019 compared to Q3 of previous year, indicating liquidity issues. A company with a current ratio less than one does not, in many cases, have the capacity to meet its short-term obligations if they were all due at once. MTDC's current ratio reduced mainly due to reduction in current asset because of a change in classification. Naagoshi island was classified as an asset held for sale in 2018 but changed into an investment property under non-current assets in 2019.

Quick Ratio

MTDC does not have inventory, therefore current ratio is equal to the quick ratio of the company.

Current Ratio

Cash ratio calculates company's ability to repay its short-term debt with cash or near-cash resources. MTDC's cash ratio illustrate that company does not have enough cash to settle its liabilities. As per the cash ratio only 28% of current liabilities are covered by company's cash position. Although the cash balance at the end of Q3 2019 shows an increment of MVR 7.5 million compared to previous quarter, it is insufficient to cover the liabilities. Company's liabilities are comparatively higher than the cash balance, and growth of both cash and liabilities indicates that company is not settling its liabilities with the sublease income.

CONCLUSION

The revenue generated by MTDC for 2019 Q2 and Q3 are same. Revenue recognition in Q3 2019 is low compare to Q3 2018 as a result of revenue recognition based on straight line basis as per IFRS 16, Lease. Net profits of the quarter have reduced due to increase in administrative expenses.

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

RECOMMENDATION

Evaluation of sub leased parties should be done thoroughly as the company has significant receivable due to a default by a sub leased party. The company has not materially increased revenue as company is not able to find developer for the properties.

Further, operational expenses must be reduced to a minimum level. In order to increase revenue, the company can come up with new business plans within its mandate. There by improving profitability and being able to offer a decent return to the shareholders. Increased profits can cause the stock price to rise as investors feel more confident about the company's future. Being a listed company, gaining and retaining public confidence is a critical aspect for MTDC.

To improve the liquidity position, MTDC should reduce payables by settling the creditors and reduce receivables through faster resolution of the case pending on the sub lease of the islands. The payments must be collected according to the agreement and necessary actions must be taken in times of delay.

Quarterly review; Quarter 3, 2019

MALDIVES SPORTS CORPORATION LTD

MALDIVES SPORTS CORPORATION LTD
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MSCL/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

Q3 2018	Q3 2019	Q2 2019
3,577 in MVR	0 in MVR	29,417 in MVR

Maldives Sports Corporation Limited (MSCL) has poorly performed in generating revenue from its operation over the comparable periods. As such Q3 2018, and Q2 2019 has recorded an insignificant amount of revenue as 'Miscellaneous and other income' and Q3 2019 has not generated any revenue at all. It is vital that Government and MSCL find a way forward on generating revenue to operate its business in a self-sufficient manner.

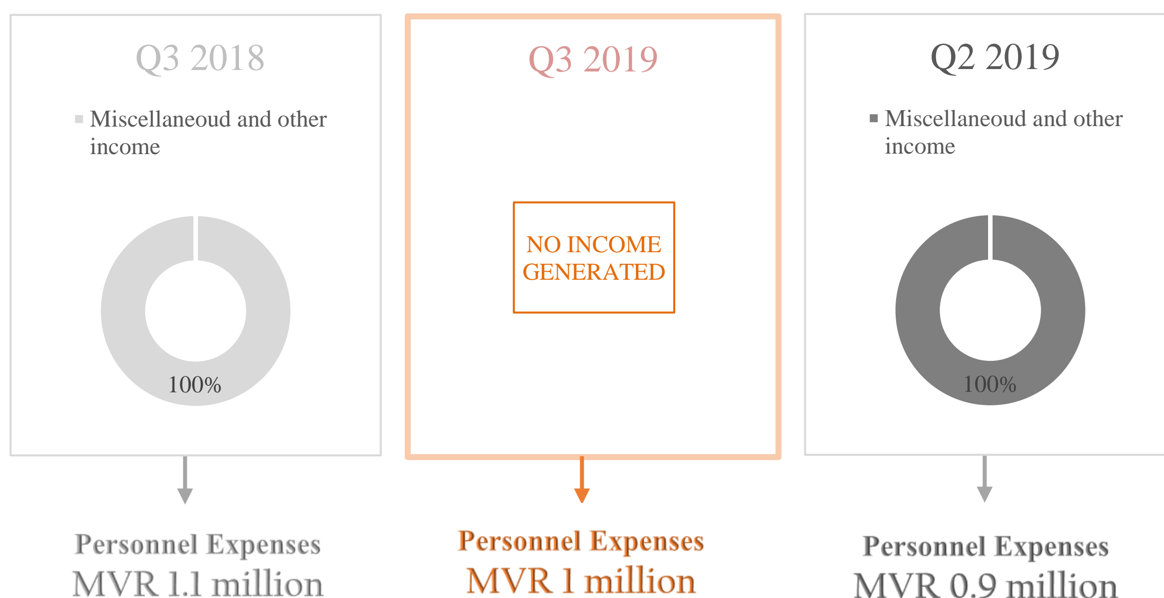


Figure 1: Personnel Expenses

Operating Loss

Q3 2018	Q3 2019	Q2 2019
(1.4) Million in MVR	(1.2) Million in MVR	(0.9) Million in MVR

Operating loss margin persisted at -37745%, nil and -3328% in Q3 2018, Q3 2019 and Q2 2019 respectively. Operating loss arises when company is unable to create revenue generating units to respond its operating expenses.

Operating Expenses	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
Selling and marketing Costs	-	26,500	2,059
Personnel expenses	1,108,537	1,040,321	951,686
Operating exp/Admin	485,171	413,369	294,722
Total	**1,593,708**	**1,480,190**	**1,248,467**

Table 1: Operating Expenses

The cost of overhead is very high compared to level of business operation being undertaken in Q3 2019. It is understandable that fixed overhead expenses such as personnel expenses will remain same as previous periods regardless of business operation. However, at this point, company must consider the self-sufficiency and sustainability of the business. Operational cost of 1.4 million in the quarter did not create corresponding revenue and the continuation of this trend is a going-concern risk for the company. It is important to note that personnel expenses comprise over 70% of total operating expenses in all the comparable periods.

LIQUIDITY

Current Ratio

Current ratio has decreased by 4.3 times from Q2 2019 to Q3 2019, indicating that the level of short-term assets to meet its short-term liabilities have deteriorated. The only current asset of the company is cash and cash equivalent, and current liabilities includes trade and other payables, along with advances and deposits received. Cash and cash equivalent include capital contribution from government and advance received from customers. Therefore, it is understood that company is unable to generate short terms assets to pay off their short-term liabilities which may in future effect over all going concern of the business.

Cash Ratio

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The cash ratio of MSCL shows that company has enough cash to cover its current liabilities. However, it must be noted that the cash balance reflects the capital injection by the government and the advance payments received from customers.

The short-term liquidity ratios show deterioration as it is below the ideal level of 2:1 in Q3 2019. The significant increase in current liabilities as compared with the level of increase in current assets has caused to decline both current and cash ratio. It is important to note that government has injected capital of MVR 1 million in the third quarter of 2019.

	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
Current Assets			
Inventories	-	-	-
Trade and other receivables	-	-	-
Cash and cash equivalents	843,187	1,936,430	882,794
Total current assets	**843,187**	**1,936,430**	**882,794**
Current Liabilities			
Trade and other Payables	171,787	178,082	156,422
Advance & deposits received	-	1,321,141	-
Total current liabiliities	**171,787**	**1,499,223**	**156,422**

Table 2: Current Assets and Liabilities

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

CONCLUSION

There are two ongoing projects undertaken by the MSCL in Q3 2019. Supply of 61 outdoor gym equipment's and K.Gaafaru school uniform project.

Even though the company is created through an Act of parliament, the commercial operations of the company have not materialized since its inception. Land allocation to the company has not been implemented and the company currently faces going-concern issue. The cost of overhead is very high compared to the level of business operation being undertaken in Q3 2019.

Short-term liquidity ratios show deterioration as it is below the ideal level of 2:1 in Q3 2019. Further, it is noticed that capital injections are being used to finance day to day operations of the company.

RECOMMENDATION

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

Increasing number of revenues generating units is also important. As seen in above, company is struggling to pay their operational expenses from their revenue. At the same time, operational expenses must be efficiently managed to achieve this.

The company and the board must consider the importance of cash flow management (efficiently, effectively and economically) and must maximize returns to the investors rather than utilizing it for business operations. At this point, this could only be achieved by creating assets using the capital injections provided by the government, rather than spending it all for re-current expenditures.

Quarterly review; Quarter 3, 2019

MALE' WATER AND SEWERAGE COMPANY PVT LTD

MALE' WATER AND SEWERAGE COMPANY PVT LTD
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MWSC/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

MWSC marks a reduction of revenue by 1.4% (MVR 3.6 million) compared to Q3 2018. When compared to Q2 2019, revenue reduced by 3.6% (MVR 9.6 million). The company explains that there has been an overall reduction in water consumption and sales in Q3 of the year compared to the other quarters.

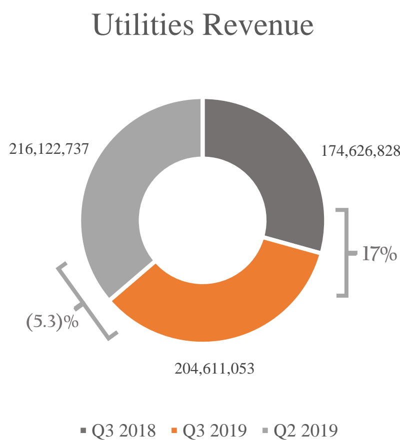
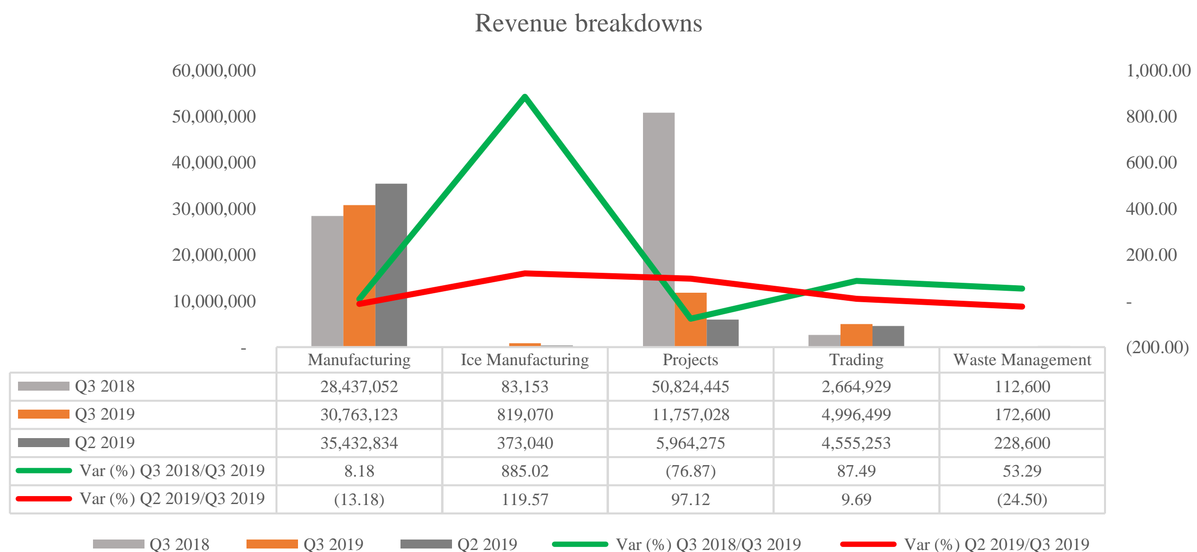


Figure 1: Utilities Revenue

The main revenue generating segment is utilities, which has increased by 17% compared to Q3 2018. However, utilities generated revenue is 5% less in Q3 2019 than the previous quarter of 2019, due to overall reduction in water consumption.

Revenue from projects marked the major variance compared to Q3 2018. However, compared to Q2 2019, MWSC generated more revenue from the projects. It is notable that revenue generate from ice manufacturing increase quarter by quarter. Thus, the company can focus on the segments which is growing significantly over the quarters while not neglecting the main revenue generating streams.



	Manufacturing	Ice Manufacturing	Projects	Trading	Waste Management
Q3 2018	28,437,052	83,153	50,824,445	2,664,929	112,600
Q3 2019	30,763,123	819,070	11,757,028	4,996,499	172,600
Q2 2019	35,432,834	373,040	5,964,275	4,555,253	228,600
Var (%) Q3 2018/Q3 2019	8.18	885.02	(76.87)	87.49	53.29
Var (%) Q2 2019/Q3 2019	(13.18)	119.57	97.12	9.69	(24.50)

Figure 2: Revenue Breakdowns

Gross Profit

Q3 2018	Q3 2019	Q2 2019
123	161	155
Million in MVR	Million in MVR	Million in MVR

While revenue reduced by 1.4% and 3.6% respectively compared to Q3 2018 and Q2 2019, on the other hand direct costs reduced by 31% and 15% respectively marking a higher gross profit margin of 64% compared to 48% in Q3 2018 and 59% in Q2 2019.

Waste management segment has a higher cost compared to revenue received from that segment, making gross losses over the quarters from this segment. Further ice manufacturing segment has reported remarkable revenue growth in Q3 2019 compared to the other quarters while they have been able to reduce the costs significantly resulting a positive margin in the quarter which has previously been running under losses due to high direct costs along with a low revenue from this particular segment. The highest margin is recorded on trading department as they have earned remarkable revenue compared to Q2 2019 and direct costs also kept at a satisfactory level. The company being able to manage direct costs well resulted in noteworthy reduction of cost of sales, positively impacting the gross profit margins.

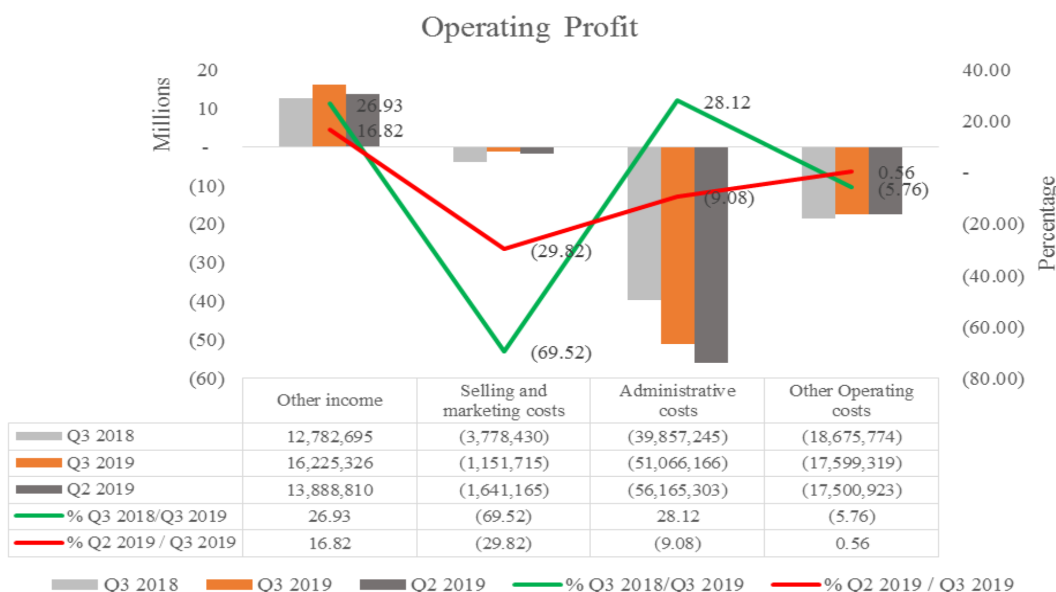
Gross Profit Margin	Q3 2018	Q3 2019	Q2 2019
	%	%	%
Utilities	56.89	70.53	67.27
Manufacturing	34.68	30.80	24.62
Ice Manufacturing	(213.54)	34.19	(170.81)
Projects	24.45	30.41	(17.75)
Trading	82.71	77.42	53.57
Waste Management	(272.13)	(150.42)	(77.00)
Total	**48.04**	**63.71**	**58.89**

Table 1: Other revenue sources

Operating Profit

Q3 2018	Q3 2019	Q2 2019
73.8	108	93.3
Million in MVR	Million in MVR	Million in MVR

Operational profit has also significantly increased in Q3 2019 compared to Q3 2018 (an increase of 46%) and Q2 2019 (an increase of 15%).



	Other income	Selling and marketing costs	Administrative costs	Other Operating costs
Q3 2018	12,782,695	(3,778,430)	(39,857,245)	(18,675,774)
Q3 2019	16,225,326	(1,151,715)	(51,066,166)	(17,599,319)
Q2 2019	13,888,810	(1,641,165)	(56,165,303)	(17,500,923)
% Q3 2018/Q3 2019	26.93	(69.52)	28.12	(5.76)
% Q2 2019 / Q3 2019	16.82	(29.82)	(9.08)	0.56

Figure 3: Operating Profit components

Other income increased by 27% compared to Q3 2018 and 17% compared to Q2 2019. Selling and marketing expenses and other operating expenses fell by 70% and 6% respectively compared to Q3 2018. Compare to Q2 2019 selling and marketing expenses and administrative costs reduced by 30% and 9% respectively, which positively contributed to operating profit. However it is important to note that administrative costs increased by 28% compare to Q2 2018, particularly salary and bonus due to annual staff increment, overseas training for staffs, and insurance cost as annual insurance was recognized in December for 2018. Moreover, Entertainment and other expenses increased by 152% due to the Independence Day float expenses incurred in the third quarter. License fees also increased by 668% due to the classification, as annual and license fees for vehicles was classified as repair and maintenance of vehicles previously which has now been changed to license fees. However, operating profit margin has increased to 43% impacting from lower cost of goods sold.

Net Profit

The BPT for the period is MVR 15 million in the quarter with regard to a profit of MVR 101 million once finance cost are considered. The profit for Q3 2019 is an improvement of 47% and 14% compared to Q3 2018 and Q2 2019 respectively. As such Earnings per share also increased to MVR 321 from MVR 219 and MVR 282 in Q3 2018 and Q2 2019 respectively.

LIQUIDITY

Current Ratio

Current assets increased by 55% compared to Q3 2018 and 6% compared to Q2 2019. Total Receivables represents more 29% of total current assets. Unrealized interest of MVR 23.6 million is classified as a current asset which consists of interest on RO plants purchased by the company. In addition to that cash and cash equivalents increased by 186% compared to Q3 2018 increased cash generated from operating and financing activities. Based on the current ratios, the company is in an adequate liquidity position where they are able to settle the liabilities with the short-term assets available. However, growing receivable is a concern for a utility company like MWSC and requires proactive measures.

Quick Ratio

Quick ratio also improved in Q3 2019 compared to Q3 2018 and Q2 2019 though inventory increased by 12% and 15% respectively. The company has does not have sufficient assets to back up their short-term obligations without considering inventory.

Cash Ratio

Q3 2018	Q3 2019	Q2 2019
0.16 TIMES	0.39 TIMES	0.40 TIMES

Cash and cash equivalents increased by 186% compared to Q3 2018 mainly as a result of higher cash generated from operating and financing activities. In Q3 2018, MVR 17 million has been repaid as loan and MVR 25million as dividend payment, while MVR 67 million has been received as proceeds from borrowing in Q3 2019.

When the quarters are concerned, Q3 2019 generated most cash from their as receivables reduced by MVR 3.5 million and total payables reduced by MVR 14million of the payables.

However, the company invested MVR 237 million for acquiring property plant and equipment in Q3 2019, as result it affected cash balance of the company. Hence Cash ratio showed a slight negative movement. The company could further improve their cash flow by prompt collection of their receivables.

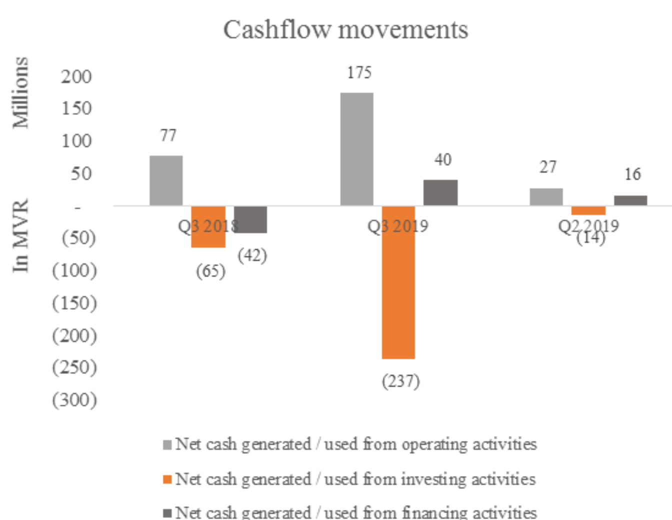


Figure 4: Cash flow

LEVERAGE

Debt to Equity

Q3 2018	Q3 2019	Q2 2019
8.5%	10.0%	8.6%

Total borrowings of the company increased by 39% compared to Q3 2018 and 24% compared to Q2 2019.

Increased borrowings led to increased debt to equity ratio. The company has high equity resulting from their reserves. As such they have capacity to acquire high debts which could be payable through operational funds. Additionally, they have room to acquire debts supported by existing reserves.

Borrowings	Q3 2018	Q3 2019	Q2 2019
	MVR	MVR	MVR
Long term loan	30,387,617	140,817,913	101,717,901
Short term loan	74,044,833	4,210,803	15,551,397
Total	**104,432,450**	**145,028,716**	**117,269,298**

Table 2: Borrowings

Debt to Assets

Q3 2018	Q3 2019	Q2 2019
5.6%	6.2%	5.2%

Debt to Assets ratio also increased as a result of increment in borrowings as shown in the above table. The asset base of the company has increased significantly as a result of acquisition of Property plant and Equipment. The company has a solid asset base to back up their liabilities and debts which makes the company financially stable.

Ongoing Projects

PROJECT NAME	START DATE	END DATE	PROJECT VALUE	COMPLETE VALUE (BILLED AMOUNT) AS AT Q2 2019	% COMPLETED AS AT Q2 2019	COMPLETE VALUE (BILLED AMOUNT) AS AT Q3 2019	% COMPLETED AS AT Q3 2019
S. HITHADHOO N&S - D&B OF SEWERAGE SYSTEM	2016	2019	102,973,136	83,558,552	81%	83,558,552	81%
GA.KOLAMAAUSHI WATER AND SEWERAGE	2016	2019	53,381,802	53,381,527	100%	53,381,527	100%
MALE' - STORM WATER UPGRADING PHASE 4	2017	2019	12,215,710	6,718,641	55%	6,718,641	55%
PROVISION OF WATER SUPPLY FACILITY - MILANDHOO	2017	2019	44,270,172	36,661,843	83%	36,661,843	83%
PROVISION OF WATER SUPPLY FACILITY - UNGOOFAARU	2017	2019	38,707,211	32,806,858	85%	32,806,858	85%
K.FUNADHOO SUPPLY & INST. OF SAND FILTERS	2017	2019	117,000	-	0%	-	0%
HANIMAADHOO - PROVISION OF WATER SUPPLY FACILITIES	2017	2019	44,249,041	36,423,192	82%	36,423,192	82%
HOARAFUSHI - PROVISION OF WATER SUPPLY FACILITIES	2017	2019	49,231,304	40,726,056	83%	40,726,056	83%
MALE' - ROAD UPGRADING - CON OF PUMP WELL	2017	2019	6,831,240	3,757,182	55%	3,757,182	55%
GURAIDHOO WATER EXTENSION WORKS	2018	2019	486,917	-	0%	-	0%
RASDHOO - WATER PROJECT - 2018	2018	2019	26,841,361	7,089,597	26%	7,089,597	26%
KURENDHOO - SEWERAGE PROJECT - 2018	2018	2019	29,401,919	-	0%	-	0%
MALE' - MIV TEMPORARY WATER CONNECTION	2018	2019	128,050	128,050	100%	128,050	100%
MALE' - FABR.OF STORMWATER PUMP CONTROL PNL	2018	2019	163,200	163,200	100%	163,200	100%
MALE' - INDUSTRIAL VILLAGE, TESTING OF WATER	2019	2019	561,718	-	-	84,258	15%
HULHUMALE' - SEWER LINE EXTENSION TO SWIMMIMMG POOL	2019	2019	134,596	-	-	-	0%
TOTAL			**409,694,377**	**301,414,698**	**73.70**	**301,498,956**	**73.59%**

Table 3: On-going project details

The ongoing projects valuing MVR 410 million at the end of Q3 2019 expected to be completed by the end of 2019. However, it is notable that the ongoing projects has been on hold since Q2 2019 except the project 'Industrial village testing of water' which has been 15% completed at the end of third quarter. It is important for MWSC to complete the on-going projects without further delay in order to avoid costs.

CONCLUSION

The overall performance of MWSC has improved in Q3 2019 compared to Q3 2018 and Q2 2019 in terms of profitability driven by well managed direct cost, overheads and increased other income. Though revenue has fallen compared to the comparable quarters, the company has done remarkably well in managing direct costs leading to improved profitability. However, the company has higher administrative costs compared to Q3 2018.

The liquidity ratios show improvements compared to Q3 2018 and Q2 2019 as a result of increase in current assets proportionately greater than the increased current liabilities. The company shows a reasonable liquidity position where they are in a position to settle the liabilities with the assets available.

The company's leverage ratios are comparatively lower in relation to the asset base. Moreover, have capacity to invest in future projects as the company has a huge reserve. It is also important for the company to focus on finishing the on-going projects.

RECOMMENDATION

MWSC has reduced their administrative costs compared to Q2 2019. However administrative costs can still be minimized by reducing costs from certain areas, such as repair and maintenance and entertainment and training for staff. However, staff training is an important expense for future

development. Company can identify and avoid non-value adding process and expenses for cost minimization. They also should improve performance of loss-making segments.

The cash flow position can be improved through an efficient receivables collection. Mechanisms must 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 advisable for the company to complete the on-going projects without further delay in order to eliminate the avoidable costs and generate revenue as early possible.

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

Quarterly review; Quarter 3, 2019

MALDIVES PORTS LIMITED

MALDIVES PORTS LIMITED
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/MPL/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Operational Revenue

Q3 2018	Q3 2019	Q2 2019
199.9	192.6	190.7
Million in MVR	Million in MVR	Million in MVR

The overall performance of the company in quarter 3 of 2019 has not kept pace with the same period of last year thus, operational revenue has recorded a fall of MVR 7.4 million. Revenue from almost all segments were reduced where revenue from empty container storage, vessel & Vehicle Hire charges and MIP was negatively affected in the third quarter. Revenue from empty container storage was reduced due to a change in policy in 2019 to set off the total amount of empty container storage with the containers cleared early. Due to less demand for vehicle hires, revenue from this segment reduced by 50% compared to last year. In addition, since no vessels arrived at MIP during the third quarter of 2019, revenue from the segment recorded a reduction of 99%.

Although Operational income in comparison to the last quarter has marginally increased by 1%, handling income, vessel and vehicle hire charges and revenue from MIP has reduced because of reduction in number of containers handled, less demand for vehicles and no vessels arrived at MIP during the third quarter of 2019.

Non-Operational Revenue

Q3 2018	Q3 2019	Q2 2019
5.80	4.36	6.60
Million in MVR	Million in MVR	Million in MVR

Non-operational income has also reduced in Q3 2019 in comparison to both the quarters in review. In comparison to the same period of last year, auction cargo sales have reduced significantly due to less auction sale in Q3 2019. Compared to previous quarter, the reduction in non-operational income was led by the reduced rent. However, high rent figure in Q2 2019 is only because of change in the accounting basis.

Gross Profit

Q3 2018	Q3 2019	Q2 2019
171.9	148.4	162.2
Million in MVR	Million in MVR	Million in MVR

Regardless of revenue reduction Q3 2019, costs of sales grew significantly, affecting the gross profit of the company. It was also seen from revenue that all business operations were declined in the quarter. As a result, profit margins were reduced to 75% compared to 84% in Q3 2018 and 82% in previous quarter.

Net Profit

Q3 2018	Q3 2019	Q2 2019
72.3	36.8	31.3
Million in MVR	Million in MVR	Million in MVR

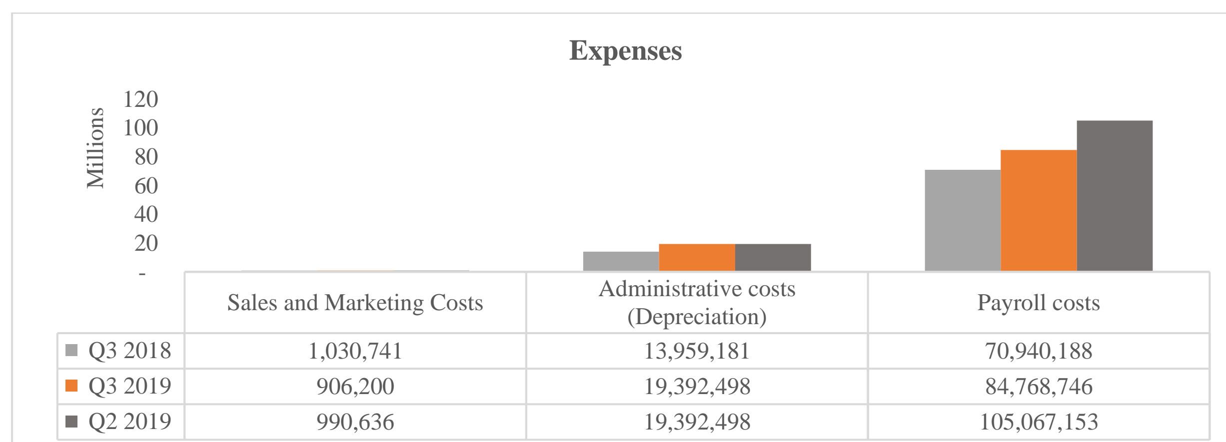
In comparison to Q3 2018, the net profits of the company have considerably declined. The profits are affected by reduced revenue and increased direct costs and operational expense. In addition, the high finance costs are also a factor affecting the net profits of PORTS. On the other hand, finance income has

recorded a substantial growth of 135% compared to Q3 2018. The profit margin is also severely affected in Q3 2019 (19%) compared to Q3 2018(35%).

It can be seen an improvement in the net profits compared to previous quarter, this is mainly because the staff costs were comparatively high in the second quarter due to Ramadan allowances. This was also reflected in net profit margin as it increased to 19% from 16% in Q2 2019.

Expenses

The expenses of the company for the three quarters are shown below.



	Sales and Marketing Costs	Administrative costs (Depreciation)	Payroll costs
Q3 2018	1,030,741	13,959,181	70,940,188
Q3 2019	906,200	19,392,498	84,768,746
Q2 2019	990,636	19,392,498	105,067,153

Figure 1: Expenses

As shown in the chart, depreciation and payroll costs has increased in Q3 2019 compared to the same period of last year. Although depreciation has increased, property plants and equipment has recorded a reduction of 4%. Intangible assets on the other hand has increased against Q3 2018.

The increment in payroll compared to 2018 Q3 is due to a salary revision made in 2019 as a result allowances has increased. For instance, the daily allowance including food allowance increased from MVR 60 to 150 per day. Further, service allowance also increased from MVR 35 to MVR 80 per day. As a result, total payroll costs increased by MVR 13.8 million compared to 2018 Q3.

In comparison to previous quarter, depreciation costs remained constant and payroll costs has reduced by MVR 14.7 million excluding the Ramadan allowance. The significant reduction was seen by daily allowance and extra day, this is because the rates will be higher in Ramadan period.

LIQUIDITY

Current Ratio

Q3 2018	Q3 2019	Q2 2019
11.71 TIMES	2.39 TIMES	4.98 TIMES

The current ratio measures a company's ability to pay short-term obligations or those due within one year. Current ratio of MPL indicates that company has enough current assets to settle the short-term obligation. However, compared to Q3 2018 the results have significantly reduced. This is because the company's current liabilities (trade and other payables) have increased relatively higher than that of its current assets. It is also important to note that the most significant component of current assets is trade and other receivables which represents 36% of current assets and 124% of company's revenue for the period Q3 2019.

An increasing receivable is a major concerning issue for a business as it represents a drain on cash for the company, thus affecting both cash flow and liquidity position. While revenue has reduced by 0.3% the receivables has recorded a growth of 1%. These two elements do not show a reasonable relationship indicating inefficiency in credit management.

Current ratio in comparison to previous quarter has also reduced, mainly due to increase in current liabilities i.e. Trade and other payables.

Quick Ratio

Q3 2018	Q3 2019	Q2 2019
10.27 TIMES	1.32 TIMES	2.92 TIMES

The quick ratio shows company's short-term liquidity position and ability to meet its short-term obligations with its most liquid assets i.e. excluding inventories. 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 quick ratio in 2019 Q3.

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

Cash Ratio

Q3 2018	Q3 2019	Q2 2019
1.64 TIMES	0.46 TIMES	1.11 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The cash ratio of MPL has significantly low compared to Q3 2018 due to a massive increase in current liabilities together with fall in cash balance. This ratio shows that company has very minimal amount of cash in comparison to the amount of current liabilities. The cash was utilized to pay out the interest payments, purchase of property plant and equipment and repayment of loans.

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

LEVARAGE

Debt to Equity

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 financial risk, because debt holders have less claims on the company's assets. MPL's total loan and borrowings has reduced in third quarter of 2019 due to repayments compared to the both the quarters in review.

Debt to Assets

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

Debt Capitalization

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

Interest Cover

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

CONCLUSION

Profitability of Q3 2019 has improved against the previous quarter. On the other hand, performance of the company compared to Q3 2018 has dropped since most of the revenue streams were affected in Q3 2019. Regardless of fall in revenue, costs of sales and overheads grew significantly, affecting the profitability of the company as compared to Q3 2018.

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

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

RECOMMENDATION

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

Receivables collection needs to be improved 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.

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.

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

Quarterly review; Quarter 3, 2019

PUBLIC SERVICE MEDIA

PUBLIC SERVICE MEDIA
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/PSM/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

Although revenue of Q3 2019 is significantly higher than the other two quarters, revenue from core business activities such as sponsorships and advertising has reduced substantially. The significant revenue is due to the recognition of government grant in 2019, and compared to previous quarter, government grant has increased by 92%.

The following table illustrates the movement in revenue between the quarters.

Airtime revenue was severely affected compared to last year, mainly due to reduction of the prices of services offered. Revenue from Advertisement and program sponsorship was also affected due to the reduced prices. Government grant is the budget released by the government for each quarter., and it has increased significantly in the third quarter. It is important to highlight that revenue generated through operation is quite low compare to the scale of operation

Revenue	2018 Q3	2019 Q3	2019 Q2
Airtime	1,032,025	314,124	133,490
Satellite Uplink	-		154,046
Advertisement	1,605,671	1,479,186	1,494,738
Announcement	386,620	501,860	614,460
Program Sponsorship	3,515,652	1,152,574	2,703,506
News Sponsorship	484,707	583,632	370,675
Video Link	-	9,000	9,000
Other Income	11,411	8,450	360,630
Archive Materials	41,003	34,625	18,714
Rentals	181,209	36,500	8,000
SMS	106,640	74,375	122,924
Production Income	104,000	198,620	61,040
Training Income	193,120	175,346	110,720
Government grant	-	23,400,000	16,600,000
Government aid		8,501,599	
Cable TV Income	277,812	83,718	83,933
Event income	100,000		-
Total	**8,039,870**	**36,553,608**	**22,845,876**

Table 1: Revenue

Gross Profit/(Loss)

The direct cost of services is substantially high compared to the revenue, thus company is making huge losses, however due to high government grant in Q3 2019, PSM was able to make a gross profit. PSM has reduced its direct costs by 43% and 27% compared to Q3 2018 and Q2 2019 respectively, which has also contributed to the gross profit. The significant gross loss in Q3 2018 is because company has not recognized any grant income in that quarter. PSM has achieved a positive gross profit margin in Q3 2019 after having negative margins for the past quarters. The below table shows the changes in the major costs of the company over the three quarters.

Cost of Sales	2018 Q3	2019 Q3	2019 Q2
Salaries	7,486,258	7,311,313	7,770,894
Service Allowance	3,150,083	2,881,833	3,035,450
Holiday Allowance	156,500	402,402	404,604
Overtime Pay	11,028	1,002,254	8,667
Retirement Pension Scheme	2,620,570	508,469	2,461,414
Awards	1,029,560	454,391	58,900
Costumes, Making & Outsourcing	33,000	64,800	71,430
Program Sets Making & Outsource	490,111	61,941	281,393
Subscription Fee	7,338,852	1,596,668	3,472,932
Trav & Accom - Foreigners	50,648	15,528	17,784
Trav & Accom - Local Air	666,877	252,650	317,090
Trav & Accom - Local Sea	300,814	97,676	119,226
Trav & Accom - Overseas	495,766	136,251	251,228

Table 2: Cost of Sales

Both Salaries and service allowance has reduced in third quarter while overtime pay has recorded a substantial increment.

The total cost of sales also reduced proportionally to the fall in revenue from operation.

Net Profit/(loss)

PSM made a net profit for Q3 2019 resulted from improved revenue and cost reduction. However, the overheads of the company have recorded a growth compared to previous quarter. The net profit margin has improved from a negative 560% in Q3 2018 to a positive 16% in Q3 2019. Although this is a good sign for the company, it must be noted that PSM would not be able to achieve this without the grant from government.

Total overheads of PSM stands at 37% of company's revenue of Q3 2019. While revenue reduced from core business segments, overheads increased by 7% compared to previous quarter.

Expenses

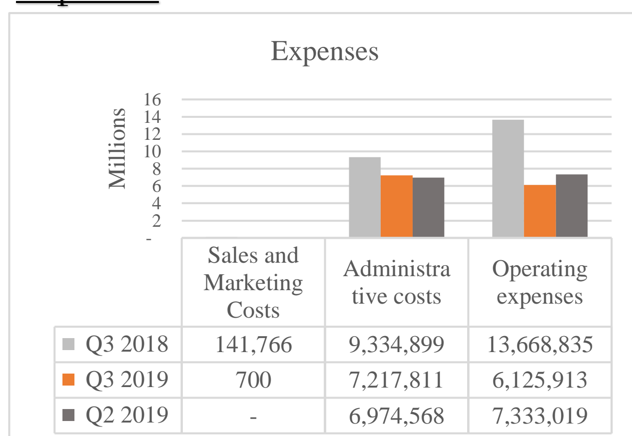


Figure 1: Expenses

A substantial reduction in company's overheads were seen in Q3 2019 against Q3 2018 mainly from repairs of building and infrastructure development.

Compared to previous quarter, 3% increase was recorded by administrative expenses. Salaries, discount allowed, retirement pension scheme has increased among administrative expenses. Other operating expenses on the other hand has reduced by 16% mainly from electricity and repairs.

Administrative Expenses	2018 Q3	2019 Q3	2019 Q2
Electricity	4,055,744	3,558,653	5,113,770
Salaries	3,097,547	3,113,891	2,982,668
Telephone, Fax Internet	1,466,862	1,414,932	1,512,022
Service Allowance	991,800	810,600	1,025,717
Overtime Pay	658,479	577,879	691,673
Support Allowance	321,417	283,620	303,550
Cleaning Services and waste Dis	246,056	240,429	240,076
Retirement Pension Scheme	201,163	313,173	187,932
Discount Allowed	64,800	328,759	169,021
Board Allowance	138,167	159,280	138,175
Electrical Items	46,191	371,121	118,707
Repairs - Buildings	4,343,853	570,690	99,074
Stationary & Office Requisite	380,903	312,386	71,318
Holiday Allowance	89,643	72,126	61,249
Water and sanitations Services	94,036	94,971	25,110
Financial Performance Allowance		81,000	10,800

Table 3: Administrative expenses

LIQUIDITY

Current Ratio

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 greater portion of current asset of the company is trade and other receivables which has increased by 125% compared to Q3 2018, and 69% compared to Q2 2019. In addition, PSM has been using bank overdraft facility to finance its business operations, which is an indication of how critical company's financial position is.

Current liability of PSM consists of trade and other payables and it has increased by 16% and 7% compared to Q3 2018 and Q2 2019 respectively. The growth of payables is unreasonable compare to level of operation. Therefore, it is vital that PSM control its payables and keep in line with operation.

Since the company does not have an inventory, the current ratio is equal to quick ratio.

Cash Ratio

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. It tells creditors and analysts what percentage of the company's current liabilities could be covered by cash and near-cash assets. 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 third quarter and MVR 16.6 million in the second quarter of 2019. The company was unable to generate enough revenue to meet its daily obligations and hence depends purely on shareholder assistance.

LEVARAGE

Debt to Equity

Debt to equity ratio illustrates the degree to which PSM is financing its operations through debt. Debt to equity ratio of PSM has reduced in Q3 2019 against Q3 2018, because equity is much greater than the debt. Low debt to equity ratio indicates low financial risk.

Debt to Assets

Debt to Assets ratio defines the total amount of debts relative to its assets. A ratio less than one means PSM owns more assets than liabilities and can meet its obligations by selling its assets if needed. The lower the debt to asset ratio, the less risky the company. However, it has to be noted that the reduction in the ratio is due to increase in company's equity. The loans and borrowing of PSM has increased from MVR 59 million to MVR 80 million compared to Q3 2018.

Debt Capitalization

Shareholders and Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. Debt capitalization of PSM has reduced compared to Q3 2018 since debts have reduced and equity has improved. On the other hand, loans and borrowings remined same for Q2 and Q3 2019, thus the ratio is unchanged.

CONCLUSION

The financial results of third quarter of 2019, in terms of revenue from operations has reduced however the total revenue shows an increment due to significant government grants. As a result, the company was able to make a profit in Q3 2019 after a loss-making period.

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 endure operation without shareholder assistance. Furthermore, they have been using a bank overdraft facility to finance its operation in addition to the budget contribution by the government.

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

RECOMMENDATION

The direct costs of services are substantially high compared to its revenue. Therefore, the company must try to reduce its costs and find new revenue sources and improve revenue from existing segment so that the company is able to at least provide the service at a breakeven.

The receivables of the company keep increasing, thus PSM receivables collection needs to be improved for a healthy liquidity position. It is also important to build a strong relation with the suppliers for better terms, however company's payables are also increasing. Proper receivable collection will ultimately help in enhancing cash and thus reducing payables.

Developing a self-sustainable business model by formulating strategies to improve revenue and minimize costs will help the company to improve its profitability. Furthermore, proper internal controls must be introduced to mitigate risks which will ultimately help them to improve their performance and reduce dependence on shareholder.

The company should analyses its staff base and try to maintain staffs an optimum level since over staffs increases the costs of the company which puts the company under pressure in managing losses.

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

To improve the operations of the company, PSM must effectively manage fund provided by government rather than using full fund on recurring expenditure. Further, eliminating all non-value adding process will help to improve the efficiency of the company.

Quarterly review; Quarter 3, 2019

SME DEVELOPMENT FINANCE CORPORATION LTD

SME DEVELOPMENT FINANCE CORPORATION LTD
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/SDFC/Q3

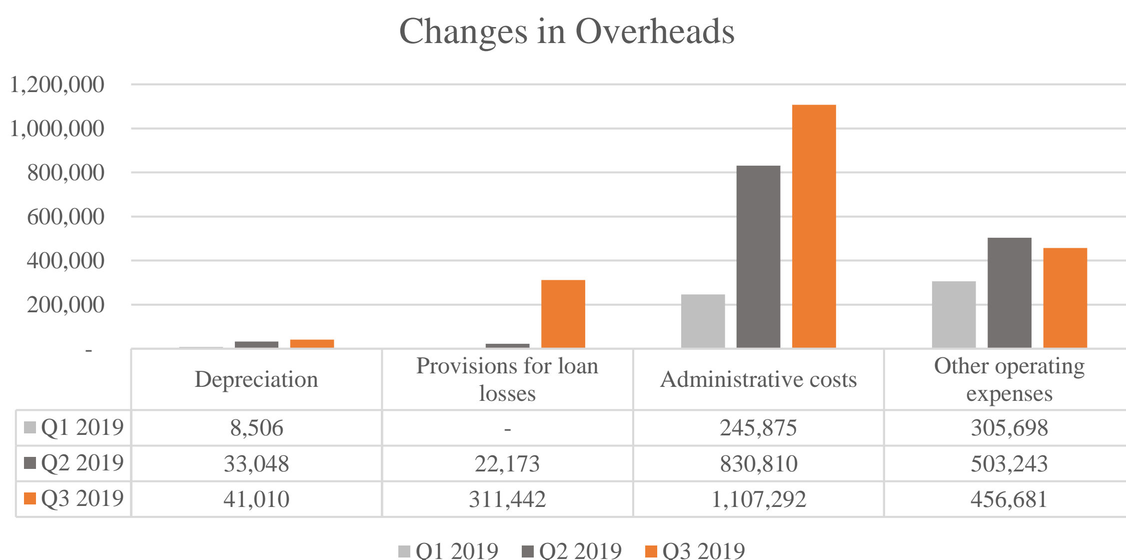
Q3 2019 with Q2 2019

PROFITABILITY

Revenue

SDFC began its operations on January 2019 as a specialized financial institution providing financial products to small and medium enterprises in the Maldives. With this primary objective, the company started issuing finances to the public during the second quarter of 2019. For the third quarter, the company earned MVR 1.5 million as revenue, 128% greater than the revenue generated in Q2 2019. Other than issuing finances, the company earns revenue through investment income and fees and commission income.

Changes in Overheads



	Depreciation	Provisions for loan losses	Administrative costs	Other operating expenses
Q1 2019	8,506	-	245,875	305,698
Q2 2019	33,048	22,173	830,810	503,243
Q3 2019	41,010	311,442	1,107,292	456,681

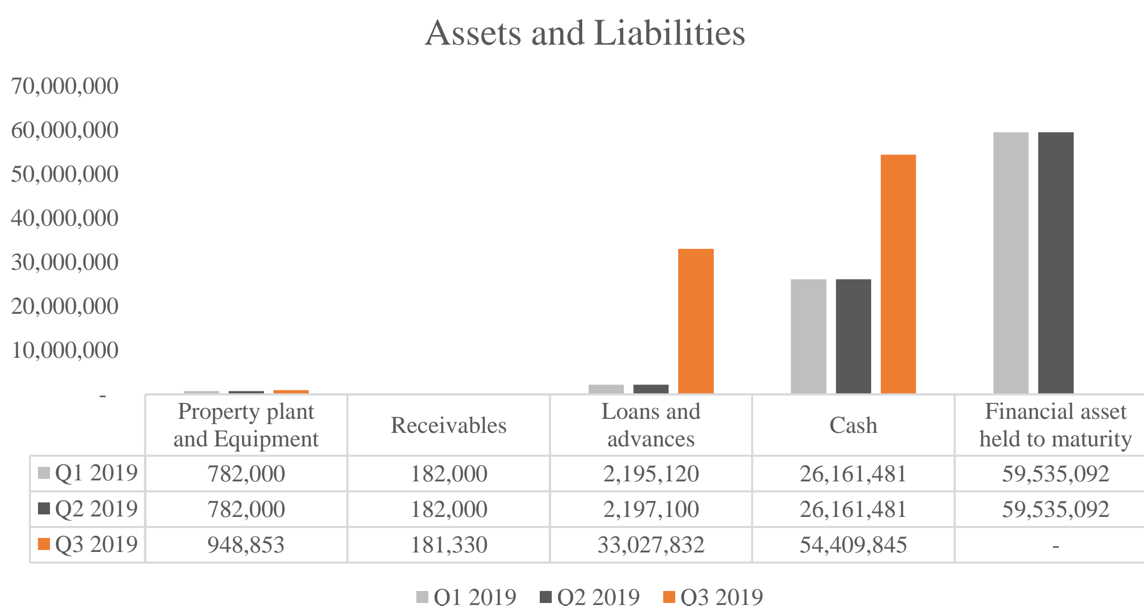
Figure 1: Overheads

SDFC kept their administrative costs high due to increasing number of staffs employed for the expanded operations. As a result, payroll expenses remain the highest administrative expense. It is also notable that the company has reduced their other operating expenses compared to Q2 2019 mainly from communication expenses and marketing and promotional expenses. The depreciation expense also increased as a result of acquisition of non-current asset. Apart from that the company creates provision for loan losses proportionately resulting from increased loans and advances in Q3 2019.

The company has operational and net losses since inception. They are expected to transform loss into profits by further expanding their operations.

Non-current assets consist of Property, plant and equipment acquired for the smooth functioning of the operations. Thus, we see a quarterly increment in PPE. The greatest portion of current assets in Q1 and Q2 hold financial assets held to maturity which is investing on government treasury bills which matured in Q3 2019. 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. At the end of the third quarter the company has a cash balance of MVR 54 million mainly as a result of treasury bills matured during the period. Also, non-cash expenses like increase in depreciation and provision for loan losses added to the cash flow of the company.

Assets and Liabilities



	Property plant and Equipment	Receivables	Loans and advances	Cash	Financial asset held to maturity
Q1 2019	782,000	182,000	2,195,120	26,161,481	59,535,092
Q2 2019	782,000	182,000	2,197,100	26,161,481	59,535,092
Q3 2019	948,853	181,330	33,027,832	54,409,845	-

Figure 2: Assets and Liabilities

Non-current assets consist of Property, plant and equipment acquired for the smooth functioning of the operations. The total PPE increases each quarter. The greatest portion of current assets in Q1 and Q2 hold financial assets held to maturity which is investing on government treasury bills matured in Q3 2019. The total share capital MVR 90 million is initial capital injected by the government in Q1 2019. Out this MVR 74.5 million has been invested in treasury bills in the first quarter.

At the end of the third quarter the company has a cash balance of MVR 54 million mainly as a result of treasury bills matured during the period. SDFC can issue further loan to their customer and could generate additional income. Cash and cash equivalents hold 15% and 31% of the total assets in Q2 2019 and Q3 2019 respectively.

The liabilities of the company include short term payables such as accounts payable and accrued expenses. Total current liabilities increased by 160% (MVR 260,462) mainly due to increased trade payables.

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. Moreover, creating relatively high provision for loans indicates the level of non-performing loans. Hence SDFC must take proactive measures to assess credit worthiness prior approving any loan.

RECOMMENDATION

By introducing new products company could increase its market share in the industry, thereby reducing the dependency on shareholder. However, it is important to perform proper market research and product feasibility prior to the launch of new products.

The company should have a proper evaluation process prior to granting loans, this will ensure the recoverability of the loans. Additionally, being a financial institution, SDFC should establish sound controls within the company.

Quarterly review; Quarter 3, 2019

STATE ELECTRIC COMPANY LTD

STATE ELECTRIC COMPANY LTD
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/STELCO/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

Total revenue has increased by 8% compared to Q3 2018, mainly due to the overall increase in revenue from electricity. However, revenue has deteriorated by 7% from Q2 2019 to Q3 2019 mainly due to a decrease usage of electricity. It is identified that May and June which falls to Q2 2019 are peak months to electricity consumption.

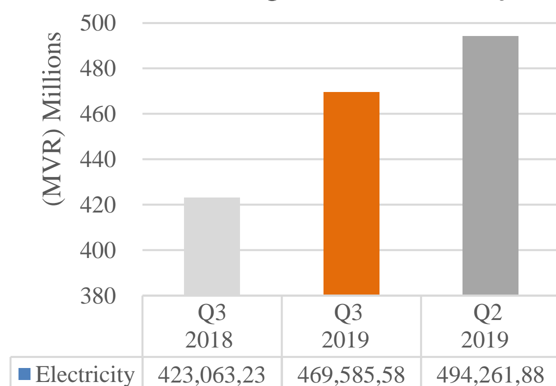


Figure 1: Electricity Revenue

Revenue segments are mainly of four activities (Electricity, Non-electricity, Water fee, and Water bottling).

Revenue from electricity comprises 97% of total income in Q3 2019 and has increased by 11% compared to Q3 2018, due to the overall increase in user consumption. However, this revenue has decreased when compared to Q2 2019 by 5%. As per the company notes, it is noticed that peak months for electricity consumption are in May and June (Q2) of each year.

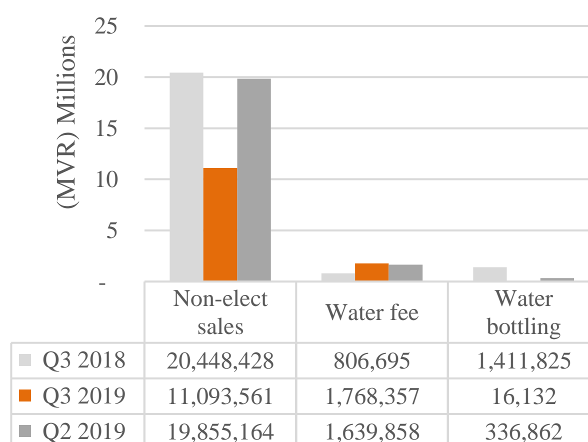


Figure 2: Other revenue segments

Non-electricity sales and water bottling has decreased in Q3 2019, compared to Q3 2018, due to a decrease in revenue in sales center/shop and reduced water production in Q3 2019. However, water fee has increased by 30% in this comparable period mainly due to diversifying the operations from 3PHs to 4 PHs and due to Guraidhoo PH operations commenced in mid of 2018.

Compared to Q3 2019 and Q2 2019, revenue from non-electricity sales and water bottling has decreased significantly (by 44% and 95% respectively). A decrease in revenue generated from sales center/shop and reduction in water production have caused this downfall on income. Comparably in this period income from water fee has increased by 8%.

Gross Profit

Although gross profit has increased from Q3 2018 to Q3 2019, the gross profit margin has fallen by 1% in this period, indicating that the level of increase in the cost of sale is slightly higher than the increase in revenue over the comparable period.

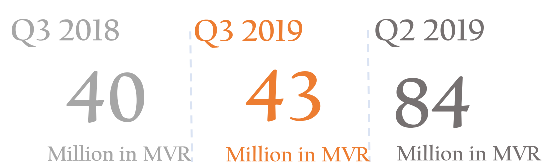
Cost of Sales	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
Cost of fuel and lub oil	279,393,065	290,385,539	293,694,836
Cost of power purchase	2,730,508	1,981,830	2,730,926
Cost of sales of goods	24,514	136,374	36,562
Cost of sales - sales centre	10,257,865	3,433,496	3,842,628
Cost of sales - Maa TV	-	-	-
Customer service expense	4,721,786	3,986,993	3,493,636
Repairs & maintenance - PP & D	12,806,674	15,792,657	14,545,770
Employee benefit expenses	35,022,026	42,791,937	46,829,908
Depreciation	20,803,281	39,695,521	20,367,987
Water supply expenses	188,217	98,170	465,321
Water bottling expenses	310,012	280,919	999,322
Total Cost of Sales	**366,257,948**	**398,583,436**	**387,006,896**

Table 1: Cost of Sales

Compared to Q2 2019, company has experienced a significant hit on gross profit. The gross profit margin was reduced from 25% to 17%. It must be noted that cost of sales during Q3 2019 is seen higher compared to Q2 2019, based on the revenue generated in both quarters.

When cost of sales as a percentage of revenue remained at 75% in Q2 2019, this was increased to 83% in Q3 2019 due to an increase in cost of sales (by 3%) when revenue was decreased by (-7%) in this period.

Operating Profit



Operating profit margin was maintained at 9% over the two comparable periods of Q3 2018 and Q3 2019. When compared between Q3 2019 and Q2 2019, it has reduced from 16% to 9%. It must be noted that total operating expenses as a percentage of revenue remained almost same in these comparable periods. The reduction of operating margin is therefore caused due to the relatively high cost of sales incurred in Q3 2019.

When comparing operating expenses, it is noticed that salary structure of the company is revised in 2018, with some additional staff being hired, causing to increase staff expenses significantly in 2019. Discrepancies between Q2 2019 and is Q3 2019 are triggered due to Ramadan fall in Q2 2019.

Operating expenses	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
Staff expenses	13,854,269	16,927,947	18,525,317
Human resources development	940,547	1,135,388	607,975
Travelling expenses	1,005,120	1,933,153	1,565,658
Transport and hiring charges	561,023	820,548	834,504
Repair and maintenance expense	3,351,921	2,889,488	3,113,579
Office expenses	15,669,061	16,157,468	15,978,301
Depreciation	4,768,232	5,029,387	4,963,286
Total	**40,150,173**	**44,893,379**	**45,588,620**
Total OE as a % of revenue	**9%**	**9%**	**9%**
Operating Income	**Q3 2018 (MVR)**	**Q3 2019 (MVR)**	**Q2 2019 (MVR)**
Other Income	157,500	4,281,237	39,332
Total Revenue	**445,857,536**	**482,463,639**	**516,093,768**
Total OI as a % of total revenue	**0.04%**	**0.89%**	**0.01%**

Table 2: Operating expenses and income

Traveling and transport & logistic expenses has increased by 92% and 46% respectively compared to Q3 2018. This is mainly due to increase in number of machinery movement from one island to other island for upgrading projects. Travelling expense has seen an increase from Q2 2019 to Q3 2019 as well (by 23%) for the same reason. The growth of travelling expenses are quite high, thus STELCO should consider controlling the expenditure.

Compared to Q3 2018, repair and maintenance expense has shown a significant cost saving by over MVR 460,000 in Q3 2019. This cost saving is seen when compared to Q3 2019 with Q2 2019 (by 7%). As per the company notes, these cost savings are achieved through stringent control mechanisms placed on items/inventories replacement within the operation.

Office expenses as a percentage of total other operating costs was maintained at 39%, 36% and 35% during Q3 2019, Q2 2019 and Q3 2019 respectively.

Other operating income of MVR 4.2 million includes, bad debts recovered from two parties through legal process Q3 2019.

LIQUIDITY

Current Ratio

Although current ratio is seen constant over three quarters, this ratio is below 1. This indicates company does not have enough current assets to cover for its current liabilities. The risk of defaulting payments to creditors increases when current assets over lower than current assets, which might affect liquidity position of the company in near future.

Quick Ratio

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

Cash Ratio

The cash ratio calculates a company's ability to repay its short-term debt with cash and cash equivalents. The cash ratio of STELCO shows that company does not have enough cash to cover its current liabilities. In Q3 2019, when total current liabilities stated were over MVR 830 million, company's cash in hand remained at only MVR 115 million. This ratio shows a reduction from Q3 2018 to Q3 2019; however, it has slightly increased from Q2 2019 to Q3 2019. Nevertheless, a very low cash ratio means there is insufficient cash on hand to pay off short-term debts.

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

Bring in additional revenue by converting receivables and inventories into cash, and or find other ways to reduce the discrepancy between available cash and its debt obligations would be challenging, though it must be dealt with before it's too late.

Current Assets and Current Liabilities	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
Inventories	137,806,235	104,646,137	109,087,966
Trade and other receivables	382,178,877	448,601,234	469,460,121
Advance tax	9,076,282	9,076,282	9,076,282
Cash and cash equivalents	133,544,557	115,733,733	111,315,790
Total current assets	**662,605,951**	**678,057,386**	**698,940,159**
Trade and other Payables	770,263,708	832,205,695	881,714,173
Other current liabilities	11,474	(193,612)	(14,609,644)
Total current liabiliities	**770,275,182**	**832,012,083**	**867,104,529**

Table 3: Current Assets and Liabilities

LEVERAGE

Debt to Equity

Q3 2018	Q3 2019	Q2 2019
413%	385%	322%

Debt to equity ratio is significantly high in STELCO with over MVR 2.3 billion accounted as total borrowing, when equity and reserves were stated at MVR 718 million as at Q3 2019. Compared to Q3 2018 this ratio has reduced by 28% due to increase in equity and reserves more than of level of increase in borrowings. However, compared to Q2 2019 this ratio has increased by 63% due to increase in borrowings (Exim bank 5th power development project). The company must negotiate with the shareholder (Government) for a possibility of transferring some of its debt to equity as current level of debt is at an alarming rate which increases overall financial risk to the company.

Borrowings	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
ADB Loan (Power Sys Dev Project	10,386,930	10,386,930	10,386,930
ADB Loan (second Power Sys Project)	33,654,427	33,654,427	33,654,427
ADB Loan (Third Power Sys Project)	52,758,719	52,758,719	52,758,719
FEC & DDB Loan (5.4 MV Generator Set)	24,595,026	24,595,026	24,595,026
NDF Loan (Third Power Sys Project)	54,759,362	54,759,362	54,759,362
UNI Bank Loan	41,964,501	41,964,501	41,964,501
UNI Bank Grant	10,379,458	10,379,458	10,379,458
Fourth Power Development Project	738,561,034	738,561,034	738,561,034
MIB - MGAF	31,325,226	21,391,519	23,945,862
Exim Bank 5th Power Development Project	861,373,380	1,235,460,720	1,019,135,357
ADB Loan - Project POISED	147,772,237	150,847,779	150,847,779
Total	**2,007,530,300**	**2,374,759,475**	**2,160,988,455**

Table 4: Borrowings

Debt to Assets

Q3 2018	Q3 2019	Q2 2019
63%	64%	60%

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

Debt to Capitalization

Q3 2018	Q3 2019	Q2 2019
81%	79%	76%

Debt to capitalization explains the capital structure of the company. STELCO appears to have invested more from debts compared to the equity contributed by the shareholder. It has to be noted that the higher the ratio, the riskier the company is. Therefore, it is vital that company re-structure its capitalization to ensure long-term financial stability of the business.

Equity and Reserves	Q3 2018 (MVR)	Q3 2019 (MVR)	Q2 2019 (MVR)
Ordinary share capital	150,000,000	150,000,000	150,000,000
Revaluation reserve	230,024,579	215,731,311	215,731,311
Retained earnings	158,113,456	246,469,915	246,469,915
Profit/loss for the year	13,033,442	105,905,167	161,668,611
Total Equity and Reserves	**551,171,477**	**718,106,393**	**773,869,837**

Table 5: Equity and Reserves

CONCLUSION

Seasonally compared, revenue has increased from 2018 to 2019 mainly due to increase in electricity consumption. May and June (Q2) being the highest electricity consumption period in every year, revenue shows reduction from Q2 2019 to Q3 2019. Although operating margin remained constant over third quarter of 2018 and 2019, company was able to efficiently manage both direct and indirect costs in Q2 2019 along with the increase in revenue, to earn a higher operating margin of 16% (9% in Q2 2018 and Q3 2019).

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

Debt to equity ratio is significantly high in STELCO with over MVR 2.3 billion accounted as total borrowing, when equity and reserves stands at MVR 718 million as at Q3 2019. This is a clear indication that company is in financial risk of insolvency.

RECOMMENDATION

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

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

Liquidity position of the business must be closely monitored as it is not reasonably maintained in a favorable position. Time taken for inventories and receivables to actually turn in to cash must be looked in to as both are valued over MVR 553 million as at Q3 2019 and to understand reason for such a poor cash ratio. As the major receivable component comprise a large outstanding from the government, it is important for the company to negotiate with the government to clear off these debts on time to improve the company's liquidity position.

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

Quarterly review; Quarter 3, 2019

STATE TRADING ORGANIZATION PLC

STATE TRADING ORGANIZATION PLC
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/STO/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

Q3 2018	Q3 2019	Q2 2019
2.40	2.25	2.38
Billion in MVR	Billion in MVR	Billion in MVR

Revenue generated in Q3 2019 shows a reduction compared to other two quarters in review. This was mainly due to fall in revenue from fuel segment as a result of reduction in average selling price compared to Q2 2019. The trading segments (non-fuel) reported an increase in revenue which is offset by the fall in fuel revenue. However, the cumulative revenue for the nine months of 2019 is MVR 6.97 billion, which is an increase of MVR 131 million compared to the same period in 2018.

Gross Profit

Q3 2018	Q3 2019	Q2 2019
293	341	326
Million in MVR	Million in MVR	Million in MVR

Despite the decrease in revenue of fuel segment, non-fuel segments performed well which led to a higher gross profit in Q3 2019 compared to other two. In addition, the direct costs were managed well in the third quarter 2019 as it stands at MVR 1.9 billion, when direct costs were MVR 2.1 billion and MVR 2.1 million in Q3 2018 and Q2 2019 respectively.

Net Profit

Q3 2018	Q3 2019	Q2 2019
47	94	77
Million in MVR	Million in MVR	Million in MVR

STO has significantly improved its results in terms of net profit in the third quarter because of increased gross profits and lower operational expenses.

The company has borrowed additional short-term loans of MVR 172 million, which resulted in a higher finance cost. Regardless of high interest costs, STO has achieved the highest net profit compared to the other two quarters in review.

Profit Margins

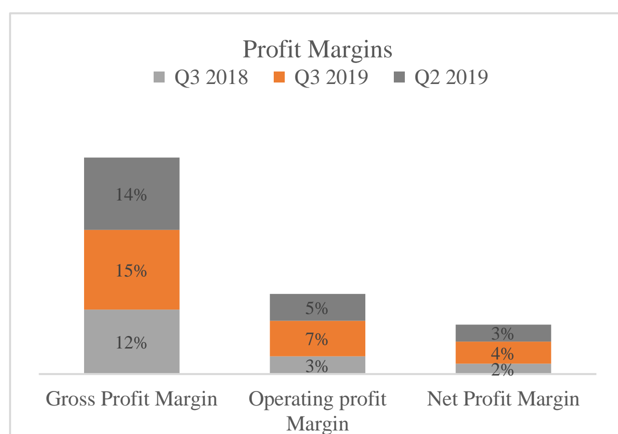
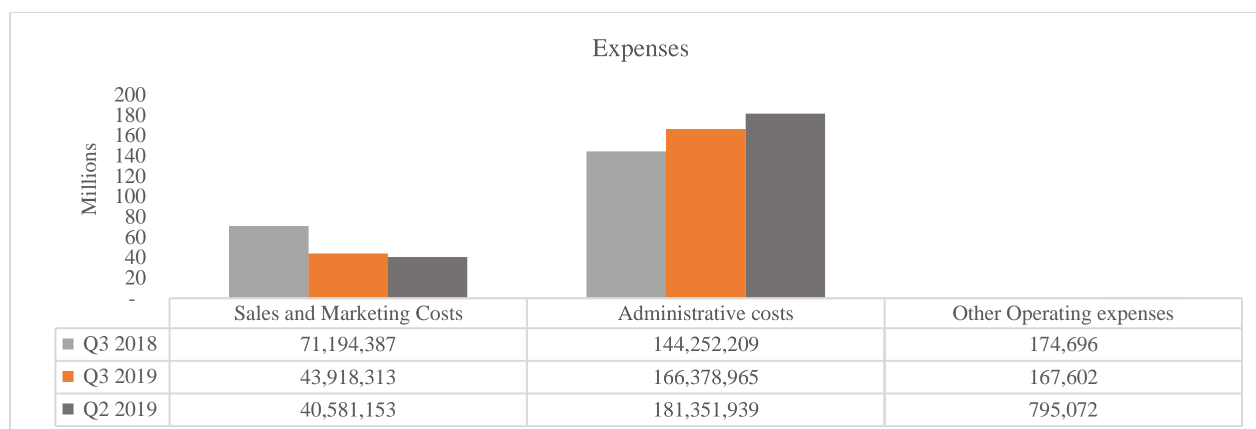


Figure 1: Profit Margins

As shown in the chart, the highest profit margins were achieved in Q3 2019. Despite the lowest revenue in the quarter, reduction in direct costs and operational costs has led to the notable profit margins.

Expenses

The expenses of the company for the three quarters are shown below.



	Sales and Marketing Costs	Administrative costs	Other Operating expenses
Q3 2018	71,194,387	144,252,209	174,696
Q3 2019	43,918,313	166,378,965	167,602
Q2 2019	40,581,153	181,351,939	795,072

Figure 2: Expenses

Administrative costs are the most significant expense of the company. Compared to the same quarter of last year administrative costs has increased while sales and marketing and other operational costs has reduced. Similarly, compared to the previous quarter STO has managed all the operational overhead well, thus total expenses have reduced by MVR 12 million.

The notable reduction of selling and marketing costs compared to Q3 2018 is mainly due to reduction in bad debt provision and write off. Administrative costs on the other hand increased mainly from other admin costs.

In Q3 2019, STO has recognized a negative inventory provision which has led to a reduced administrative cost. However, it has to be highlighted that some of the other components of admin costs has also contributed to the reduced expense.

LIQUIDITY

Current Ratio

Q3 2018	Q3 2019	Q2 2019
1.07 TIMES	1.07 TIMES	1.06 TIMES

The current ratio of the company has been below 1 for three quarters. STO's current assets are just marginally above its current liabilities. Both current assets and liabilities have reduced compared to Q3 2018 and Q2 2019 as well. It is also important to note that the most significant component of current assets is trade and other receivables which represents 81% of current assets and 134% of company's revenue as at Q3 2019. Therefore, STO could improve the ratio by collection of its receivables. It is also important to highlight that over 60% of receivables is directly or indirectly from government entities.

Although revenue has reduced by 6% compared to previous quarter, trade and other receivables has increased by one percent.

Quick Ratio

Q3 2018	Q3 2019	Q2 2019
0.88 TIMES	0.89 TIMES	0.86 TIMES

The quick ratio shows company's short-term liquidity position and ability to meet its short-term obligations with its most liquid assets i.e. excluding inventories. STO's quick ratio is below 1 for the three quarters and is maintaining an inventory of MVR 606 million at the end Q3 2019.

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

Cash Ratio

Q3 2018	Q3 2019	Q2 2019
0.05 TIMES	0.03 TIMES	0.02 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. STO's cash ratio is very critical as only 0.03 percent of current liabilities can only be covered by the cash balance. However, it has to be noted that cash and cash equivalents has increased by 23% compared to previous quarter, and this was reflected in company's trade payables as it has reduced by 15%.

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

LEVARAGE

Debt to Equity

Debt to equity ratio illustrates the degree to which STO is financing its operations through debt. Debt to equity ratio of STO is high in Q3 2019 compared to other two quarters. STO has borrowed new short-term borrowings in the quarter, thus total debt has increased in Q3 2019.

Debt to Assets

Debt to Assets ratio defines the total amount of debts relative to its assets. A ratio less than one means STO owns more assets than liabilities and can meet its obligations by selling its assets if needed. The lower the debt to asset ratio, the less risky the company. As shown in the figure the results are higher in Q3 2019, this is because of high borrowing in this quarter.

Debt Capitalization

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 short-term loans and borrowings and now stands at 51%.

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

Interest Cover

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

CONCLUSION

Although a reduction in revenue has occurred in third quarter, the net profit and profit margins have improved through cost reduction and proper management of its overheads compared to the other two quarters.

Short term liquidity position of the company the current assets of the company are just marginally above its current liabilities and the significant component of current asset is trade and other receivables. Trade and other receivables of the company has increased by one percent while revenue has reduced by 6% compared to the previous quarter. Revenue looks good on paper but turning accounts receivable into cash is essential for a business to continue functioning. Thus, STO should consider its growing receivables.

STO has borrowed additional loans in the quarter which lead to higher financial ratios for the quarter.

RECOMMENDATION

In order to maintain a stabilized profit margins, STO must take measures to manage the overheads of the company. It has to be noted that company has reduced its overheads in Q3 2019.

STO has significant amounts of short-term loans and borrowing, this has resulted in high finance costs. Less dependence on loans and borrowings could reduce the finance costs and improve profitability.

Receivables collection is an important aspect for the company as it will improve the cashflow as well as improve the ability to settle its current liabilities. Therefore, it is vital that STO improve its credit collection policies. Since STO has various kind of customers, different credit policies can be applied for different class of customers according to the goods/services provided. For instance, regular customers with good credit ratings can be given greater flexibility period for payment. Credit policies can also be made according to the customer type i.e. individual or government institute. Nevertheless, the significant portion of receivables are from government entities.

Quarterly review; Quarter 3, 2019

WASTE MANAGEMENT CORPORATION

WASTE MANAGEMENT CORPORATION
Q3 2019 PERFORMANCE ANALYSIS

Report No: PEM/2019/WAMCO/Q3

Q3 2019 with Q3 2018 and Q2 2019

PROFITABILITY

Revenue

Q3 2018	Q3 2019	Q2 2019
67.9	55.9	58.4
Million in MVR	Million in MVR	Million in MVR

Revenue and other income reduced by 17% (a reduction of MVR 12million) and 4% (a reduction of MVR 2.4 million) compared to Q3 2018 and Q2 2019 resulting from the main revenue source waste management. Revenue from Addu and Fuvahmulakh are not accounted in the revenue. The following table summarized the revenue recorded by WAMCO for the quarters, Q3 2018, Q2 2019 and Q3 2019.

Revenue	Q3 2018	Q3 2019	Q2 2019
Waste management income	60,640,923	55,528,182	57,921,097
Recycling income	118,131	37,944	25,309
interest income	222,256	415,301	472,503
other income	6,898,902	(32,130)	(41,807)
Total	**67,880,212**	**55,949,297**	**58,377,102**

Table 1: Revenue

Gross Profit

Q3 2018	Q3 2019	Q2 2019
59.1	17.2	15.1
Million in MVR	Million in MVR	Million in MVR

Direct costs increased significantly by 340% compared to Q3 2018 and reduced by 11% compared to Q2 2019. The main reason for reduction in direct expenses is the treatment of total salaries and wages for direct staff as overheads in Q3 2018. However, total number of direct staffs reduced by 65 compared to Q3 2018. Further compared to Q2 2019 number of direct staffs increased by 63. Further compare to Q3 2018, the reported direct expenses are higher in Q2 2019 as a result of higher cost incurred on rental of equipment, vessels & Vehicles for Q2 2019. As such, WAMCO gross profit decreased by 71% compared to Q3 2018. However as result improvement in direct cost the gross profit increased by 14 compared to the previous quarter.

Net Profit

Q3 2018	Q3 2019	Q2 2019
-1.83	-3.94	-7.97
Million in MVR	Million in MVR	Million in MVR

Operational profit is equal to the net profit as the company does not incur any finance costs following the company not having any borrowings. WAMCO incurred loss in the comparable quarters Q3 2019, Q3 2018 and Q2 2019. The loss for Q3 2019 is greater than the loss incurred in Q3 2018. However, when compared to Q2 2019 the loss has been decreased.

Though the company has reduced their overall overheads compared to Q3 2018 and Q2 2019, they tend to face losses for the quarters following revenue reduction and high administrative costs. It is notable that staff welfare expenses are comparatively higher in the company. Among welfare expenses staff oversees

training and club expense has seen a significant increment in Q3 2019. The company can retain such expenses till the company becomes self-sustainable. The expenses which has major variances related to the comparable quarters are summarized by the following table.

Administrative expense	Q3 2018	Q3 2019	Difference	VAR %
Staff welfare	1,411,132	2,257,932	846,800	60.01
Directors' salaries	57,000	135,913	78,913	138.44
Depreciation and amortization	9,444,688	3,685,358	(5,759,330)	-60.98
Office expenses	22,062	50,377	28,315	128.34
Sponsorship	48,000	67,000	19,000	39.58

Administrative expense	Q2 2019	Q3 2019	Difference	VAR %
Directors' salaries	71,000	135,913	64,913	91.43
Printing and stationary	192,619	326,056	133,437	69.28
Repair and maintenance	642,029	1,226,816	584,787	91.08
Office expenses	13,915	50,377	36,462	262.03

Table 2: Administrative Expenses

LIQUIDITY

Current Ratio

Compare to other two quarter Current ratio of the company improved. This is for the reason that of high current assets as low current liabilities reported for the period. Trade receivables increase by MVR 33 million compared to Q3 2018 and MVR 12.5 million compared to previous quarter. The receivables of WAMCO are increasing at an alarming rate and hence it is a concerning area which need to be improve rapidly. As per WAMCO receivables is increasing at rate of 12% per month.

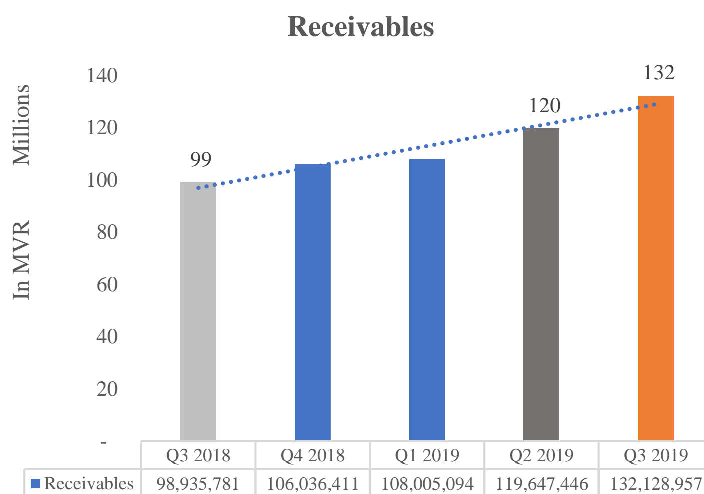


Figure 1: Receivables

Meanwhile, trade payables reduced by 20% compared to Q3 2018 and Q2 2019 due to huge payment being made for rental equipment and landing craft payments during the quarter. As a result, liquidity ratios increased. However, the liquidity position of the company is not at a healthy level as receivables hold the greatest portion of short-term assets which has been difficult to collect. The above figure shows the receivables of WAMCO in latest 5 quarters commencing from Q3 2018. In addition to that the greatest portion of cash and cash equivalents are held by the capital injection from the government. As such government has injected over MVR 16 million in each quarter of 2019.

Cash Ratio

The operational cash flow of the company is low as the company holds a huge receivable base. As such, the company faces difficulty in turning revenue into cash. In addition to that, the company requires government assistance to cover portion of operational expenses. As such, government has injected MVR 16 million each quarter for the first three quarters of 2019. The cash ratio is insignificant compared to the level of operations by the company. WAMCO needs to turn receivables into cash to accommodate the operational expenses and reduce dependency on shareholders.

CONCLUSION

The overall performance of WAMCO has declined compared to Q3 2018 due to reduction in the revenue and rising direct costs. Though the company has reduced their overheads compared to Q3 2018 and Q2 2019, the company still make a loss in Q3 2019.

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

The company does not have any financial obligations as they do not have any borrowings. However, they have made huge investments in acquiring vehicles for waste disposal which might take long time to recover the investment costs.

RECOMMENDATION

The major issue identified in WAMCO is the increasing receivables. Hence, proper credit management 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. The company can issue reminder notices/sms to customers and take actions against the unpaid customers.

Since a greater portion of receivables are from government authorities, making arrangements with ministry of finance where they can directly intervene in arranging the payments could help the company to recover these receivables.

A good relation must be maintained with the suppliers as well. Further proper receivable collection will ultimately help in enhancing cash and thus reducing payables.

The staff related costs are relatively high cost for the company, therefore we recommend minimizing such costs 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. In addition, oversees trainings and club expenses also needs to be minimized.

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 also expand through waste recycling 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 sufficient finance for their projects. 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.

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