SUMMARY OF QUARTERLY REVIEW

Q3 | 18

Q3

SECRETARIAT FOR
PRIVATIZATION AND CORPORATIZATION BOARD

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Secretariat for Privatization and Corporatization Board

SUMMARY OF QUARTERLY REVIEW
Quarter 3, 2018

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). Also, 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 2018 with the quarter three of 2017.

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 21 different SOEs operating in the Maldivian market, impacting a large portion to the economy.

REVENUE

COMPANY NAME	Q3 2017	Q3 2018	Growth (%)
Aasandha Company Ltd	399,559,725	395,525,161	-1.01
Addu International Airport (AIA)	10,853,078	11,411,217	5.14
Bank of Maldives (BML)	547,736,000	609,665,000	11.31
Dhivehi Raajjeyge Gulhun plc (Dhiraagu)	651,841,000	658,464,000	1.02
Hazana Maldives	80,184	123,560	54.10
Island Aviation Services Limited (IASL)	495,184,217	591,558,221	19.46
Housing Development Finance Corporation (HDFC)	53,800,018	55,018,288	2.26
Kadhdhoo Airport Company Limited (KACL)	3,594,869	3,554,654	-1.12
Maldives Airports Company Limited (MACL)	925,890,642	1,109,771,000	19.86
Maldives Centre for Islamic Finance Limited (MCIF)	0	37,200	-
Maldives Transport and Construction Company Plc. (MTCC)	264,650,687	308,219,436	16.46
Maldives Tourism Development Corporation (MTDC)	16,881,585	19,351,653	14.63
Male' Water and Sewerage Company Pvt Ltd (MWSC)	229,690,000	213,042,000	-7.25
Maldives Sports Corporation Limited (MSCL)	18,905	3,577	-81.08
State Electric Company Limited (STELCO)	424,519,667	445,730,180	5.00
State Trading Organization (STO)	1,693,376,943	2,398,303,260	41.63
Maldives Integrated Tourism Development Corporation (MITDC)	31,132	8,491	-72.73
Waste Management Corporation (WAMCO)	21,360,682	60,640,923	183.89
TOTAL	**5,739,069,333**	**6,880,427,820**	**19.89**

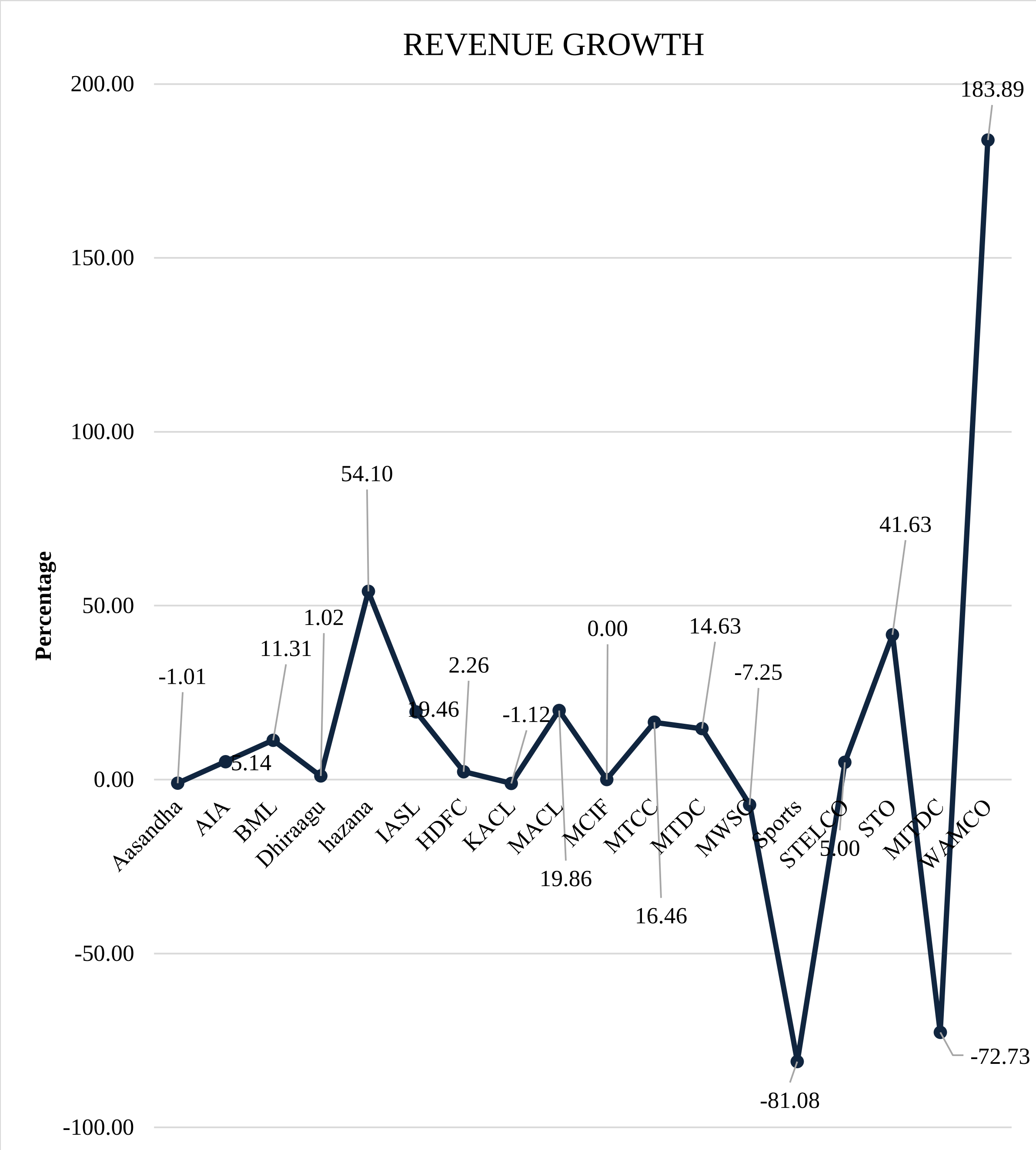
SOE's generated a sum of over MVR 6.8 billion in the third quarter ended 2018. This is an increase of revenue by 19% compared to the same quarter of the previous year.

STO generated the highest income increasing the revenue by MVR 704 million compared to the same quarter of 2017, improving the segmental performance over the quarters. MACL is second highest in the list generating revenue of over MVR 1.1 billion in the third quarter 2018, majority of the revenue is generated from the sale of fuel.

Dhiraagu, BML, IASL, MTCC, MWSC and STELCO are among the companies generating high revenue. Revenue of Dhiraagu improved by 1% compared to Q3 2017 driven by the growth in adjacent business revenue. BML's revenue increased by 11% due to improvement in interest income during the quarter. IASL revenue increased by 19% due to rising number of flights operated. MTCC's revenue increased by 16% due to improved segmental revenue from most of the business segments. STELCO revenue increased by 5% mainly due to rising revenue from electricity and water sales. Aasandha and MWSC also recorded high level of revenue; however, the revenue of both companies fell compared to the same quarter of the previous year. HDFC also generated revenue of 55 million which is an increase from 53 million in Q3

2018 due to growth interest received from housing loans. Revenue of WAMCO also improved by 184% after the increased operations.

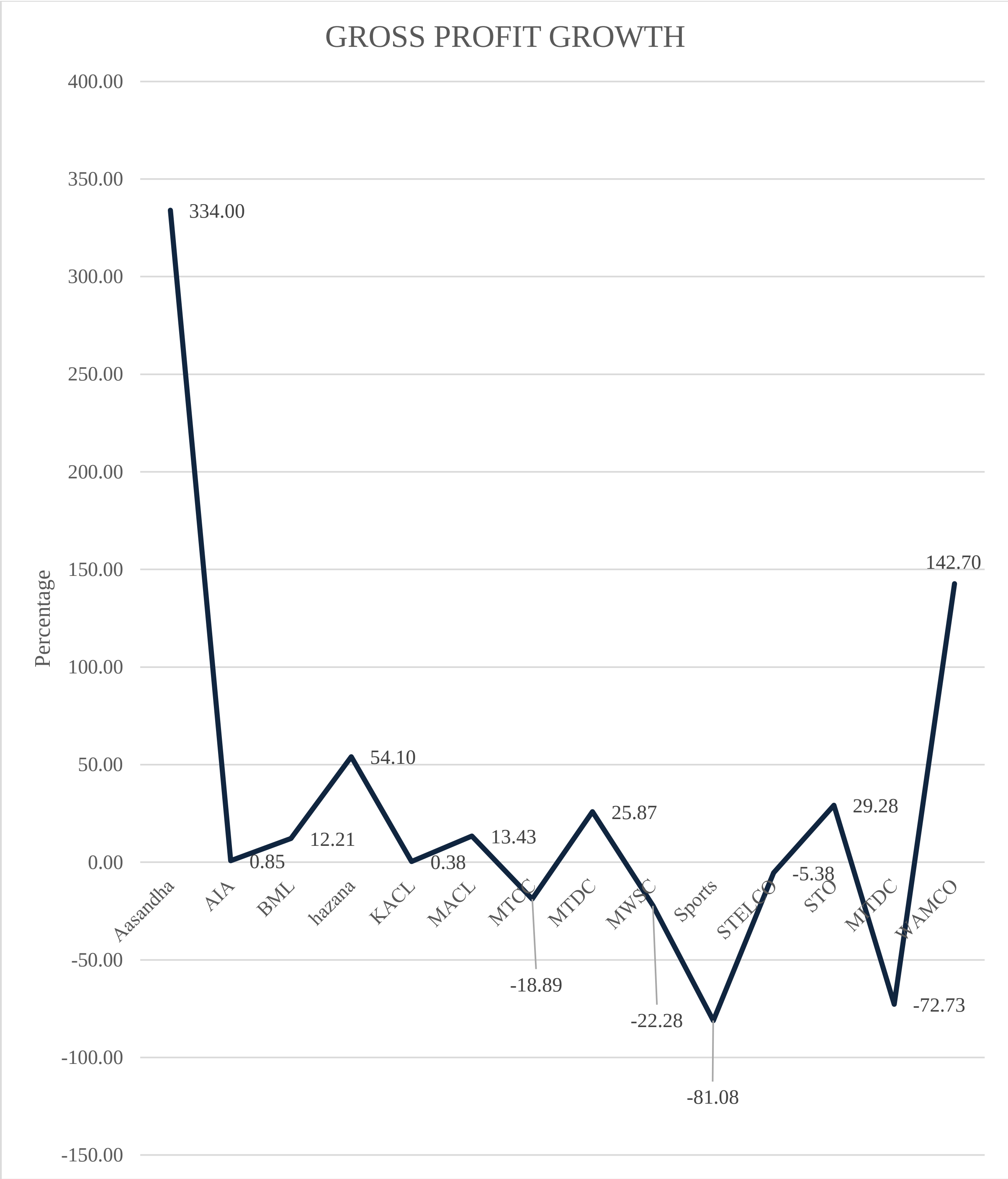
Hazana Maldives, Sports Corporation and MITDC generated minimal levels of revenue in both the quarters.



GROSS PROFIT

COMPANY NAME	Q3 2017	Q3 2018	Growth
Aasandha Company Ltd	(50,157,740)	117,658,857	-334.58
Addu International Airport (AIA)	(9,320,572)	(9,399,784)	0.85
Bank of Maldives (BML)	321,594,000.00	360,862,000.00	12.21
Hazana Maldives	80,184	123,560	54.10
Island Aviation Services Limited (IASL)	181,817,175	231,762,400	27.47
Housing Development Finance Corporation (HDFC)	28,730,446.00	30,161,861.00	4.98
Kadhdhoo Airport Company Limited (KACL)	3,383,960	3,396,878	0.38
Maldives Airports Company Limited (MACL)	566,552,776	642,617,000	13.43
Maldives Centre for Islamic Finance Limited (MCIF)	0	23,328	
Maldives Transport and Construction Company Plc. (MTCC)	58,687,512	47,603,002	-18.89
Maldives Tourism Development Corporation (MTDC)	9,546,615	12,016,683	25.87
Male' Water and Sewerage Company Pvt Ltd (MWSC)	177,234,000	137,753,000	-22.28
Maldives Sports Corporation Limited (MSCL)	18,905	3,577	-81.08
State Electric Company Limited (STELCO)	95,097,789	89,980,821	-5.38
State Trading Organization (STO)	226,594,543	292,936,970	29.28
Maldives Integrated Tourism Development Corporation (MITDC)	31,132	8,491	-72.73
Waste Management Corporation (WAMCO)	21,360,682	51,842,239	142.70
TOTAL	**1,631,251,406**	**2,009,350,883**	**23.18**

MTCC, MWSC, STELCO has drastic reductions in gross profit due to inability to manage direct costs. On the other hand Aasandha managed its direct costs so well that Aasandha has 38% reduction in the cost of sales and a GP margin of 30%.


GROSS PROFIT GROWTH
Percentage
400.00
350.00
300.00
250.00
200.00
150.00
100.00
50.00
0.00
-50.00
-100.00
-150.00
334.00
0.85
12.21
54.10
0.38
13.43
-18.89
25.87
-22.28
-81.08
-5.38
29.28
-72.73
142.70
Aasandha
AIA
BML
hazana
KACL
MACL
MTCC
MTDC
MWSC
Sports
STELCO
STO
MTDC
WAMCO

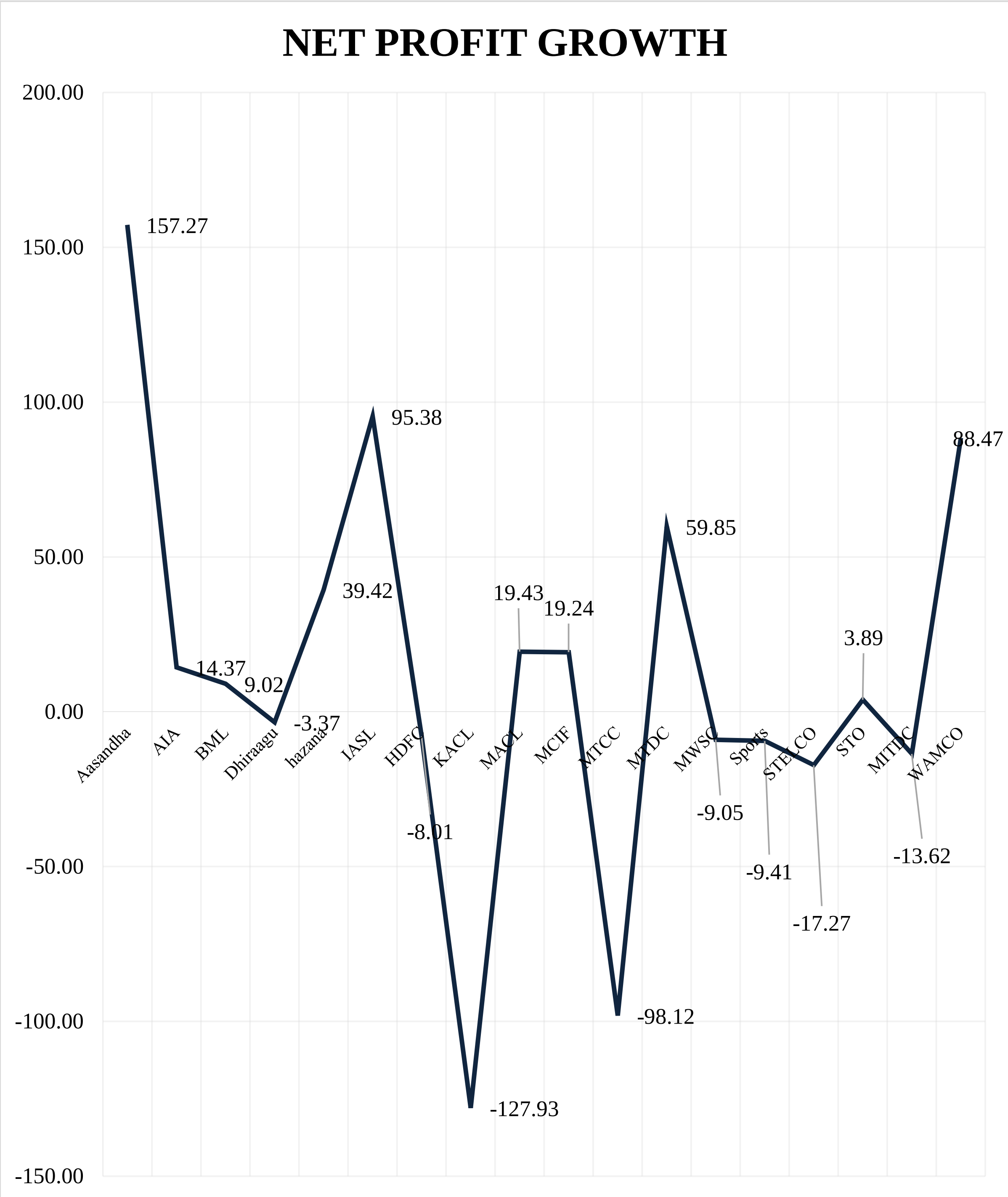
NET PROFIT

NET PROFIT			
COMPANY NAME	Q3 2017	Q3 2018	Growth (%)
Aasandha Company Ltd	(107,511,399)	61,573,010	157.27
Addu International Airport (AIA)	(18,190,795)	(15,575,874)	14.37
Bank of Maldives (BML)	247,044,000	269,338,000	9.02
Dhivehi Raajjeyge Gulhun Plc (Dhiraagu)	210,514,000	203,412,000	-3.37
Hazana Maldives	(831,297)	(503,617)	39.42
Island Aviation Services Limited (IASL)	43,839,010	85,652,376	95.38
Housing Development Finance Corporation (HDFC)	30,110,913	27,698,672	-8.01
Kadhdhoo Airport Company Limited (KACL)	(4,771,898)	(10,876,793)	-127.93
Maldives Airports Company Limited (MACL)	232,608,671	277,794,000	19.43
Maldives Centre for Islamic Finance Limited (MCIF)	(1,795,928)	(1,450,355)	19.24
Maldives Transport and Construction Company Plc. (MTCC)	17,424,697	327,963	-98.12
Maldives Tourism Development Corporation (MTDC)	4,651,258	7,434,815	59.85
Male' Water and Sewerage Company Pvt Ltd (MWSC)	65,924,000	59,959,000	-9.05
Maldives Sports Corporation Limited (MSCL)	(1,231,543)	(1,347,378)	-9.41
State Electric Company Limited (STELCO)	37,579,036	31,089,360	-17.27
State Trading Organization (STO)	45,302,484	47,064,992	3.89
Maldives Integrated Tourism Development Corporation (MITDC)	(2,467,694)	(2,803,826)	-13.62
Waste Management Corporation (WAMCO)	(15,911,185)	(1,834,824)	88.47
TOTAL	**782,286,330**	**1,036,951,521**	**157.27**

Aasandha managed their cost efficiently thus net profit of the company improved 61.5 million. BML, Dhiraagu and MACL have a higher net profit compared to other SOEs. BML's net profit grew by 9% since operating profit has improved over the period. However growth in profit for the quarter is lower than operating profit growth since provision for bad and doubtful debts affected profit. The profits increased as a result of solid business volumes in all segments together with low levels of non-performing loans.

In Dhiraagu, profit for the quarter weakened by 3% as a result of higher cost and operating expenses. Further, financing expenses increased in Q3 2018 compared to Q3 2017. MACL's net profit also increased by 19% following a reduction in finance costs by 24%. However, MWSC's profit fell by 9% compared to Q3 2017. Marketing, administration & establishment expenses rose along with depreciation costs led to the deteriorated profit. In STELCO, profit for the year reduced by 17% since operating profit is reduced in Q3 2018 and finance costs increased by 5%. MTCC has recorded a fall in revenue by 98% due to increasing expenses and finance cost. Profit of STO increased due to increased revenue despite the rise in expenses and finance costs.

Companies such as AIA, Hazana, KACL, MCIF, Sports and MITDC are the loss making companies when Q3 2017 and Q3 2018 are concerned due to higher indirect and operational expenses. High indirect costs including administrative expenses and selling and marketing costs lead to WAMCO experiencing a loss of 15.9 million in the Q3 2017. However, the loss was low in Q3 2018 due to the greater portion of expenses being covered by the revenue.



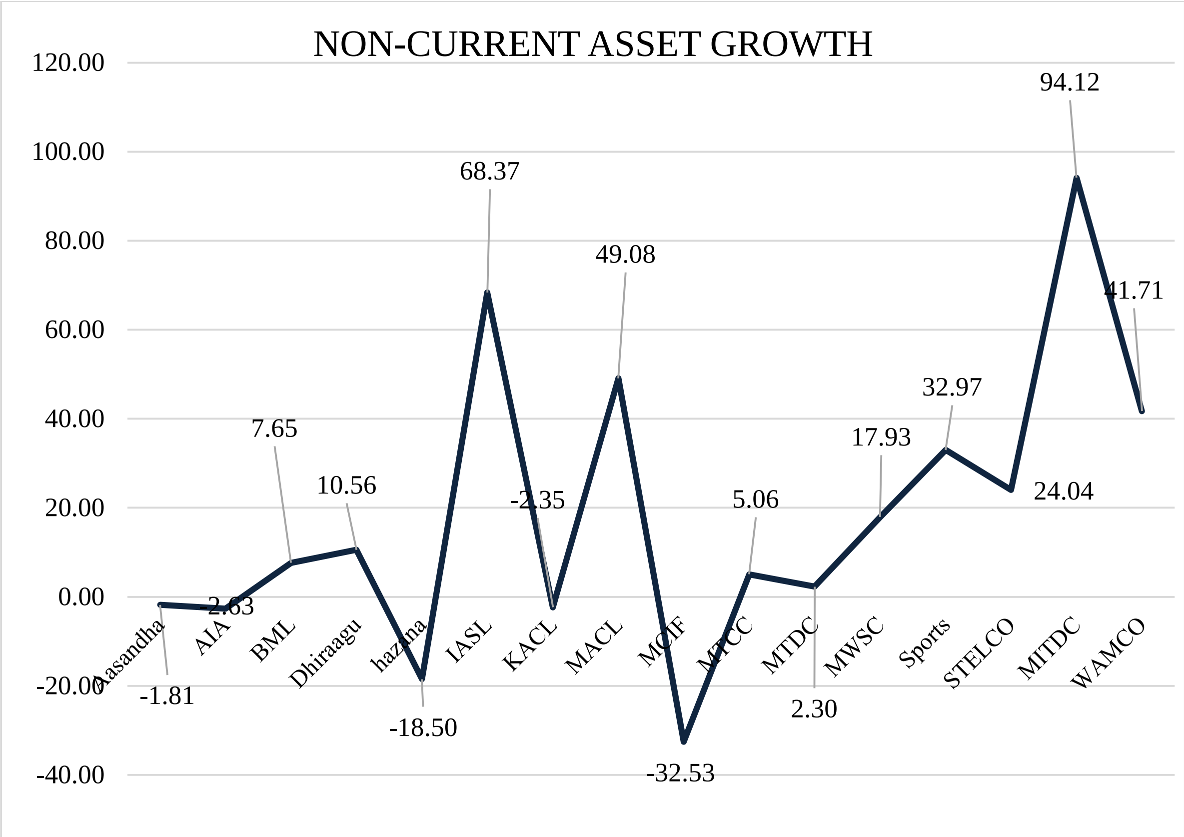
NON-CURRENT ASSETS

NON-CURRENT ASSETS			
COMPANY NAME	**Q3 2017**	**Q3 2018**	**Growth**
Aasandha Company Ltd	328,364,428	322,433,619	-1.81
Addu International Airport (AIA)	599,258,505	583,505,135	-2.63
Bank of Maldives (BML)	16,824,254,000	18,111,181,000	7.65
Dhivehi Raajjeyge Gulhun Plc (Dhiraagu)	1,914,956,000	2,117,133,000	10.56
Hazana Maldives	659,006	537,088	-18.50
Island Aviation Services Limited (IASL)	1,371,592,041	1,552,867,939	13.22
Housing Development Finance Corporation (HDFC)	850,778,155	1,432,479,577	68.37
Kadhdhoo Airport Company Limited (KACL)	57,102,680	55,763,439	-2.35
Maldives Airports Company Limited (MACL)	6,223,518,556	9,277,777,000	49.08
Maldives Centre for Islamic Finance Limited (MCIF)	814,081	549,241	-32.53
Maldives Transport and Construction Company Plc. (MTCC)	1,012,952,626	1,064,218,769	5.06
Maldives Tourism Development Corporation (MTDC)	368,121,074	376,596,985	2.30
Male' Water and Sewerage Company Pvt Ltd (MWSC)	1,054,521,000	1,243,570,000	17.93
Maldives Sports Corporation Limited (MSCL)	1,148,814	1,527,585	32.97
State Electric Company Limited (STELCO)	1,947,875,869	2,416,155,696	24.04
State Trading Organization (STO)	2,076,796,573	2,455,916,192	18.26
Maldives Integrated Tourism Development Corporation (MITDC)	29,512,230	57,290,224	94.12
Waste Management Corporation (WAMCO)	103,091,433	146,088,061	41.71
TOTAL	**34,765,317,071**	**41,215,590,550**	**18.55**

By the end of third quarter of 2018, SOEs have a total of Non-current assets worth 41 billion which is an increase of 18% compared to the same quarter of the previous year.

BML has recorded the highest value of Non-current assets, worth 18 billion by the end of the third quarter. The non-current assets includes loans and advances, financial investments and property, plant and equipment (PPE). HDFC has a net assets of 1.4 billion, as in general financial institutions has high level of net assets.

Dhiraagu, MACL, MTCC, MWSC, STELCO and STO shows a high value of non-current assets compared to other SOEs mainly due to increase in property plant and equipment and capital work in progress. However, Aasandha, AIA, hazana and MCIF shows a negative growth in non-current assets.



CURRENT RATIO & QUICK RATIO

COMPANY NAME	Current ratio Q3 2017	Current ratio Q3 2018	Quick Ratio Q3 2017	Quick Ratio Q3 2018
Aasandha Company Ltd	0.7	0.12	0.7	0.12
Addu International Airport (AIA)	0.36	0.21	0.32	0.17
Dhivehi Raajjeyge Gulhun Plc (Dhiraagu)	1.49	1.22	1.37	1.11
Hazana Maldives	1.72	1.16	1.59	0.99
Island Aviation Services Limited (IASL)	3.42	1.99	3.06	1.77
Kadhdhoo Airport Company Limited (KACL)	1.1	0.79	1.1	0.78
Maldives Airports Company Limited (MACL)	1.3	1.32	1	0.95
Maldives Centre for Islamic Finance Limited (MCIF)	1.77	1.68	1.77	1.68
Maldives Transport and Construction Company Plc. (MTCC)	1.11	0.9	0.12	0.15
Maldives Tourism Development Corporation (MTDC)	7.53	5	7.53	5
Male’ Water and Sewerage Company Pvt Ltd (MWSC)	0.8	0.84	0.66	0.66
Maldives Sports Corporation Limited (MSCL)	1.13	1.06	0.97	0.87
State Electric Company Limited (STELCO)	4.69	0.72	4.69	0.72
Waste Management Corporation (WAMCO)	3.08	1.64	3.08	1.64

Hazana Maldives has a very high level of current ratio in both quarters due to high value of cash which is mainly capital injection from the government. KACL also has a very high level of current ratio representing the idle resources in KACL which can be used for operations.

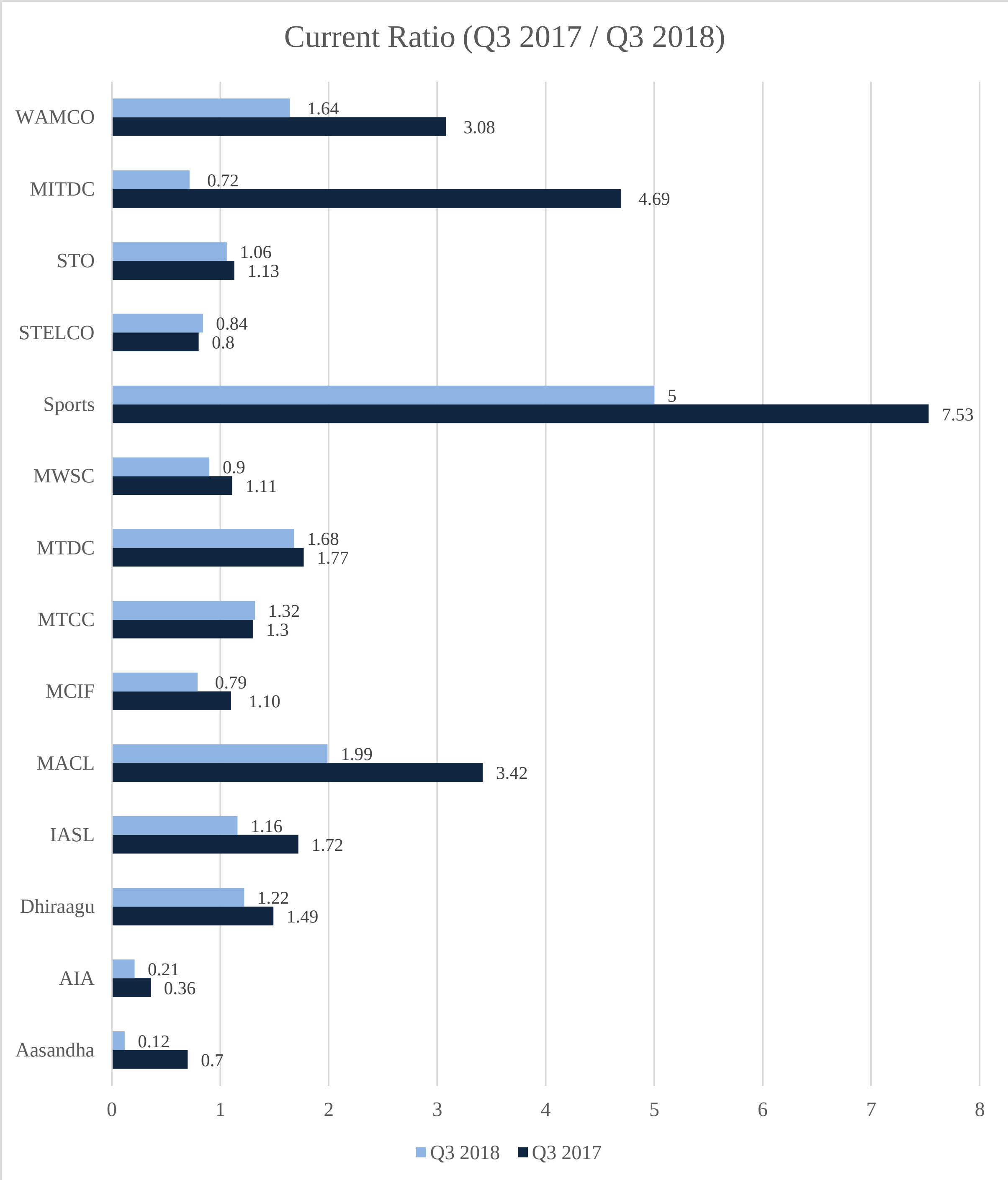
The liquidity ratios are below the ideal level in Aasandha. This is because the current liabilities exceed the company's current assets. In Q3 2018 the ratio has further worsened since current asset of the company decreased.

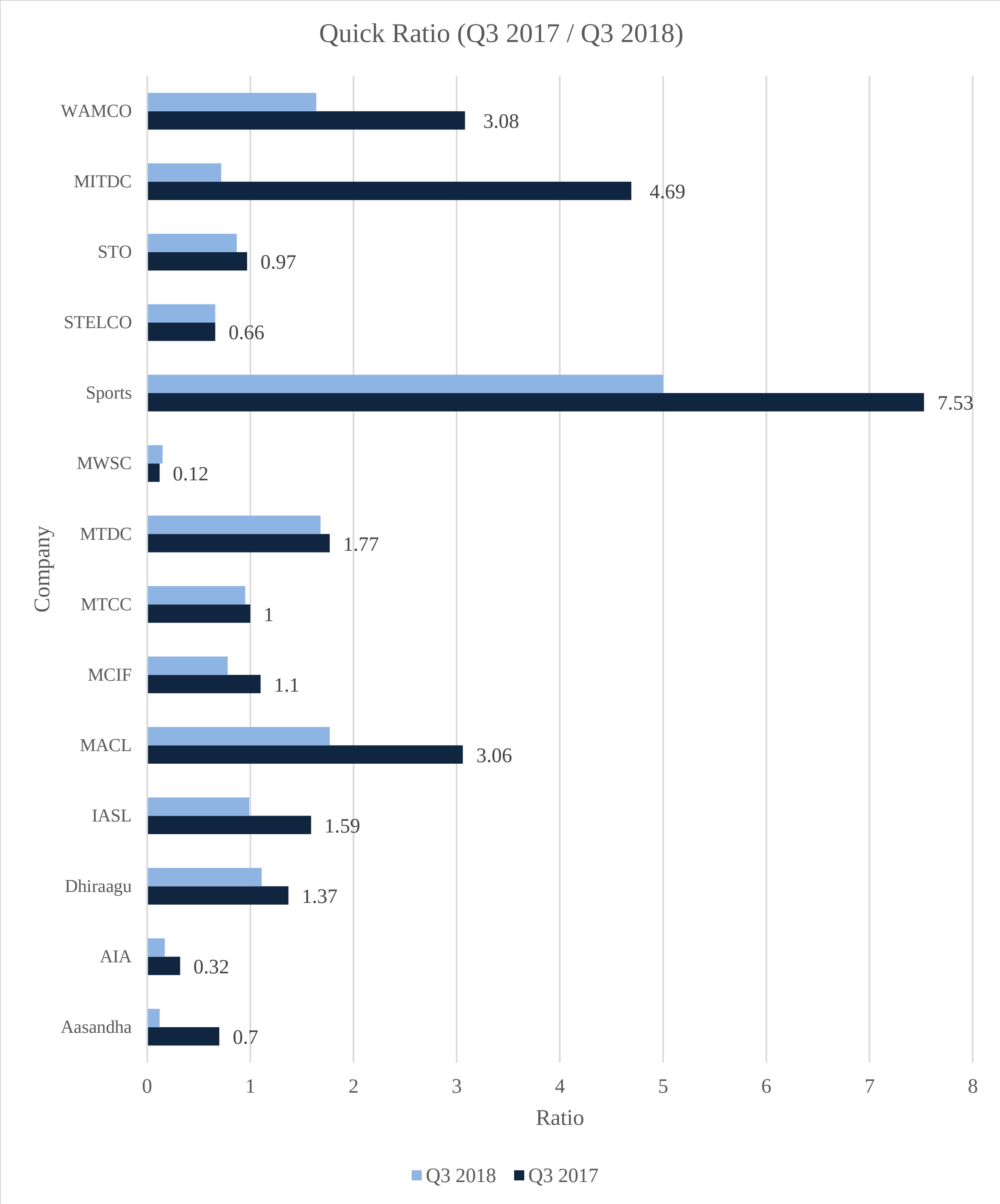
Liquidity position of AIA is weak and current ratio of the company declined from 0.36 to 0.21 in Q3 2018 due to higher increase in current liabilities over current assets. Quick ratio is also reduced from 0.32 to 0.17 due to lower working capital and higher inventory. Based on current position, AIA is not in a position to repay the short term obligation with the current assets.

Current ratio of MWSC is 1.11 in Q3 2017 and declined to 0.90 in Q3 2018 due to lower current assets along with higher current liabilities. Quick ratio increased as a result of falling inventory compared to Q3 2017. However due to high inventory MWSC quick ratio is still very low. Thus, inventory should be managed well to improve the liquidity position of the company.

STELCO liquidity ratios are below the ideal level. It further declined as a result of rising inventory in Q3 2018. The inventory contains a huge sum of obsolete inventory which has not been expensed.

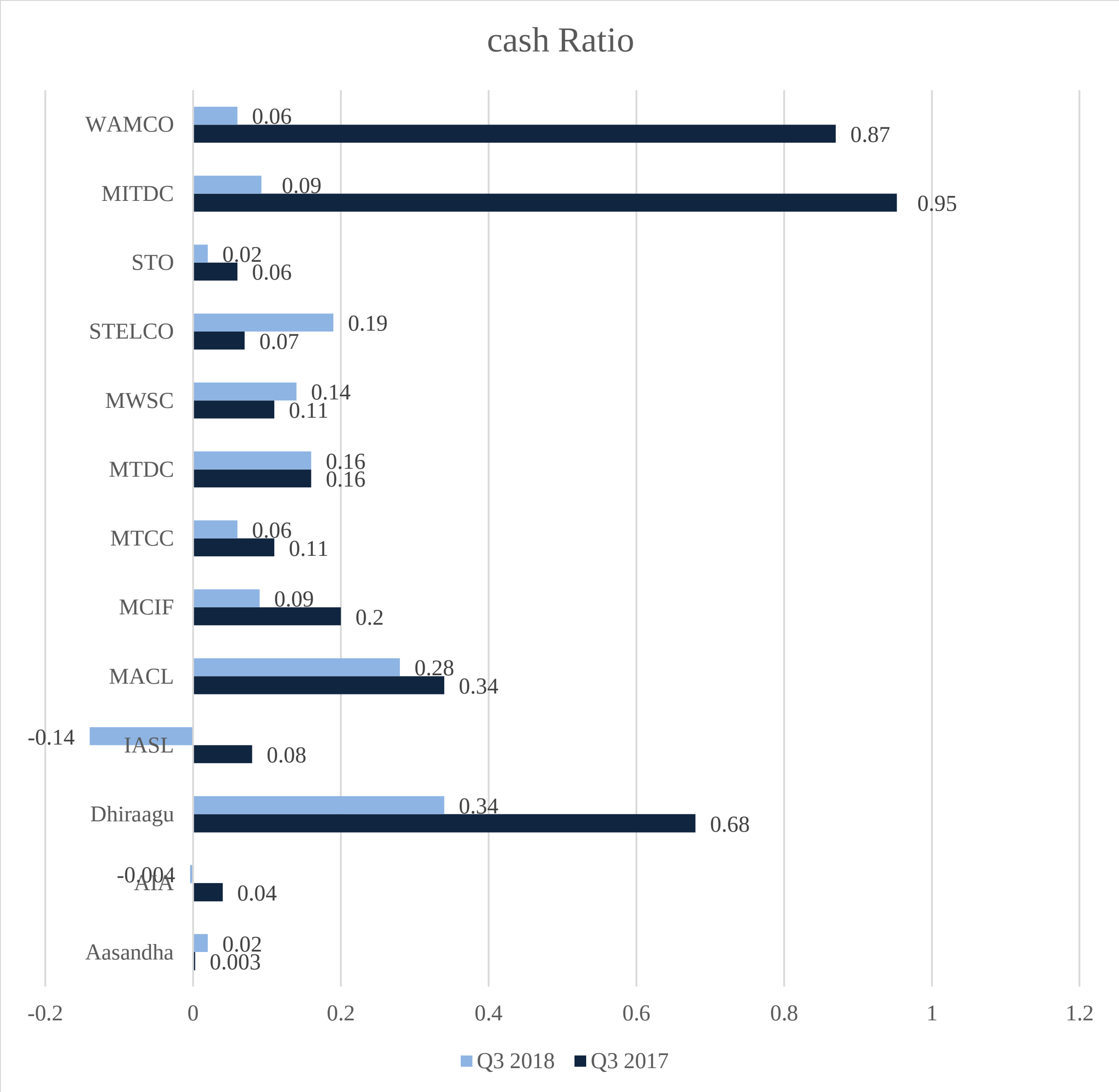
Current and quick ratio of WAMCO reduced from 3:1 to 1.64:1 in Q3 2018 due to increased payables greater than the increased receivables. Though ratio shows a favorable liquidity position, overall liquidity position is unsatisfactory where receivables hold a greater portion of short term assets and there is a huge impairment of receivables.


Current Ratio (Q3 2017 / Q3 2018)
WAMCO
1.64
3.08
MITDC
0.72
4.69
STO
1.06
1.13
STELCO
0.84
0.8
Sports
5
7.53
MWSC
0.9
1.11
MTDC
1.68
1.77
MTCC
1.32
1.3
MCIF
0.79
1.10
MACL
1.99
3.42
IASL
1.16
1.72
Dhiraagu
1.22
1.49
AIA
0.21
0.36
Aasandha
0.12
0.7
0
1
2
3
4
5
6
7
8
Q3 2018
Q3 2017


Quick Ratio (Q3 2017 / Q3 2018)
Company
WAMCO
MITDC
STO
STELCO
Sports
MWSC
MTDC
MTCC
MCIF
MACL
IASL
Dhiraagu
AIA
Aasandha
3.08
4.69
0.97
0.66
7.53
0.12
1.77
1
1.1
3.06
1.59
1.37
0.32
0.7
0
1
2
3
4
5
6
7
8
Ratio
Q3 2018
Q3 2017

CASH RATIO

CASH RATIO		
COMPANY NAME	**Q3 2017**	**Q3 2018**
Aasandha Company Ltd	0.003	0.02
Addu International Airport (AIA)	0.04	-0.004
Dhivehi Raajjeyge Gulhun Plc (Dhiraagu)	0.68	0.34
Hazana Maldives	48.04	46.77
Island Aviation Services Limited (IASL)	0.08	-0.14
Kadhdhoo Airport Company Limited (KACL)	44	17
Maldives Airports Company Limited (MACL)	0.34	0.28
Maldives Centre for Islamic Finance Limited (MCIF)	0.2	0.09
Maldives Transport and Construction Company Plc. (MTCC)	0.11	0.06
Maldives Tourism Development Corporation (MTDC)	0.16	0.16
Male' Water and Sewerage Company Pvt Ltd (MWSC)	0.11	0.14
Maldives Sports Corporation Limited (MSCL)	7.53	5.12
State Electric Company Limited (STELCO)	0.07	0.19
State Trading Organization (STO)	0.06	0.02
Maldives Integrated Tourism Development Corporation (MITDC)	0.95	0.09

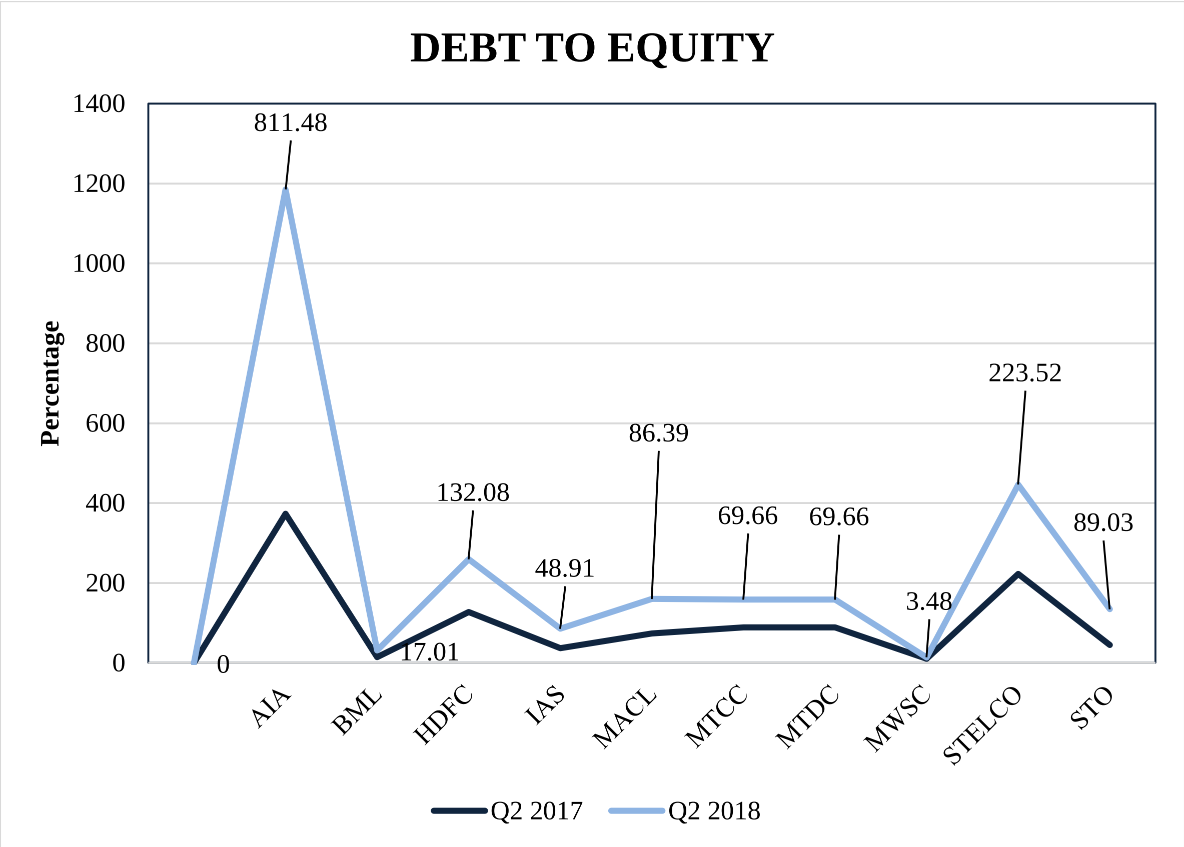


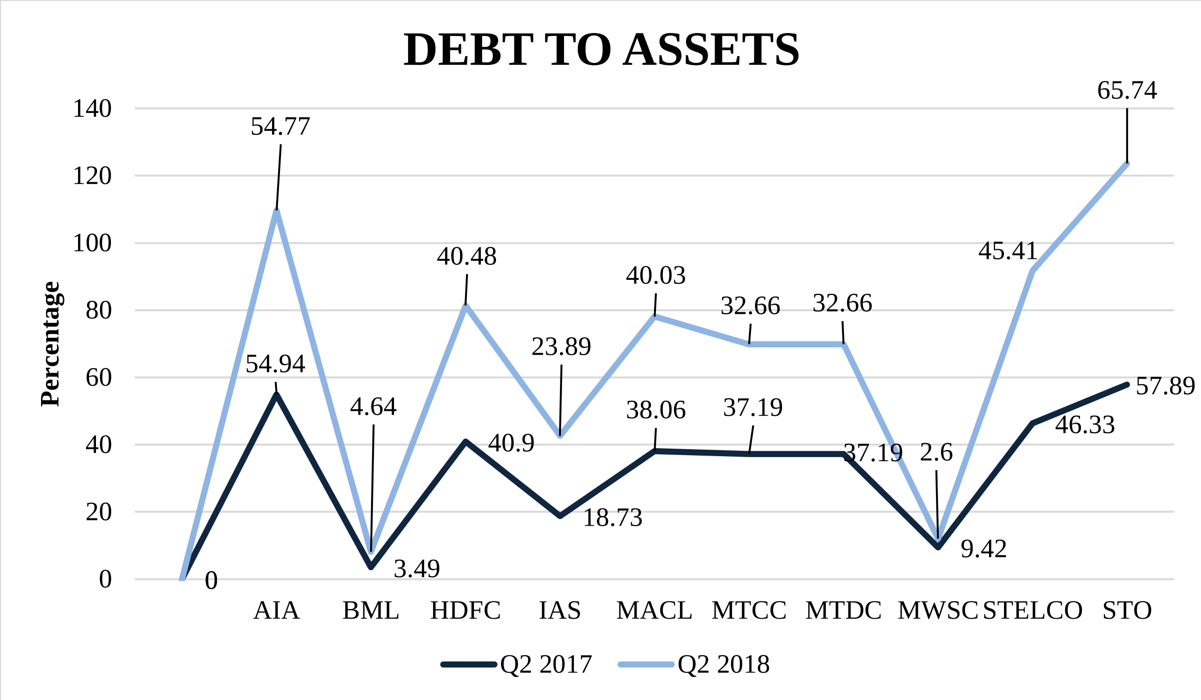
When looking into the cash ratio, Hazana Maldives has a too high cash ratio resulting from the capital injection by the government. KACL also has a high cash ratio representing the cash tied up in the business. Their cash was sufficient to settle the obligations and could finance the operations. However, the cash balance of KACL also contains a greater portion of capital injected by government. Sports Corporation also shows a favorable cash ratio due to the capital injection.

It is important to highlight that at the end of the quarter 3, all the other companies had insufficient cash balances to settle the obligations. Thus strategies need to be formulated to improve cash position of the companies.

FINANCIAL LEVERAGE

COMPANY NAME	Q3 2017 Debt to Equity	Q3 2018 Debt to Equity	Q3 2017 Debt to Assets	Q3 2018 Debt to Assets
Addu International Airport (AIA)	373.52	811.48	54.94	54.77
Bank of Maldives Plc (BML)	14.01	17.01	3.49	4.64
Housing Development Finance Corporation (HDFC)	127.19	132.08	40.9	40.48
Island Aviation Services Limited (IASL)	36.78	48.91	18.73	23.89
Maldives Airports Company Limited (MACL)	73.68	86.39	38.06	40.03
Maldives Transport and Construction Company Plc. (MTCC)	88.89	69.66	37.19	32.66
Maldives Tourism Development Corporation (MTDC)	88.89	69.66	37.19	32.66
Male' Water and Sewerage Company Pvt Ltd (MWSC)	10.4	3.48	9.42	2.6
State Electric Company Limited (STELCO)	222.84	223.52	46.33	45.41
State Trading Organization (STO)	45.19	89.03	57.89	65.74





When looking into leverage, AIA debt to equity increase from 373.52 to 811.48 in Q3 2018, as company has incurred loss from the date of incorporation. Thus as a result of accumulated loss the overall equity and reserve of the company deteriorated. Further, debt to assets remained at 55% as total assets also reduced proportionately at the same level as borrowings.

Debt to equity of BML increased from 14% to 17% due to rise in borrowings. The gearing ratio is low indicating lower financial risks. However the borrowings are only considered as the debt when the ratio is calculated. BML has a high value of customer deposits as long-tern liability, which increased by 2.7% compared to Q3 2017. Debt to assets also increased from 3.5% to 4% as a result of increase in borrowings.

Debt to Equity of HDFC increased from 127% to 132% due to increase in borrowings. The total equity and reserve increased by 63 million which is an increase of 12% compared to the same quarter of the previous year merely as a result of upsurge in retained earnings. In addition, the equity of Amna the Islamic wing of HDFC also increased by 25.8 million which is an increase of 71% compared to Q3 2017. Debt to Assets reduced slightly from 40.9% to 40% due to rise in total assets greater than the borrowings. Cash and short term funds increased by 30 million while the mortgaged facilities increased by 66.7 million.

IASL's debt to equity increase from 37% to 49% as a result of rise in borrowings by 167 million when compared to Q3 2017. Debt to assets also increased to 24% as result of rise in borrowings more than the total assets.

MACL's Debt to equity of 73.68% increased to 86.39% in Q3 2018 due to higher borrowings in Q3 2018. The total borrowings in Q3 2018 include Maldives Monetary Authority (MMA) Corporate bond, borrowings from government of Maldives and Borrowings from commercial banks. The increasing gearing will definitely increase financial risk of the company. Debt to assets also increased from 38.06% to 40% in Q3 2018 since borrowing of the company has increased by 45%.

MTCC’s debt to equity of 89% reduced to 70% in Q3 2018 due to reduction in borrowings. The total borrowing decline by 61.7 million, where short term borrowings increased by 7.8 million and long-term borrowings reduced by 69.5 million. The reduction in the total borrowings with regard to the equity reduces the financial risk. Debt to assets reduced from 37.2% to 32.7%, due to lower borrowings compare with total assets of the company.

MTDC’s debt to equity ratio of 58.66 reduced to 55.79. The main reason was due to lower lease rent equalization and sub-lease advances. Debt to assets reduced from 26.55 to 25.59 in Q3 2018 as a result of lower rent equalizations and sub-lease advances.

Debt to equity ratio in MWSC reduced due to declining borrowings at a faster speed than the reduction in equity. Further debt to assets also decline as a result of increasing assets while borrowings decline.

Debt to equity ratio in STELCO remained quite similar throughout the period as the borrowings and equity increased by 21%. The gearing ratio is high since STELCO has borrowed a huge sum for different expansion and upgrading projects which includes borrowing from foreign banks and subsidiary loans from government. Debt to assets fell slightly as a result of increased total assets greater than the increment in borrowings.

STO Debt to equity increased from 45% to 89% due to higher dependence on borrowings in financing business. As a result of this change, gearing level of the company increased and in addition to that financial risk associated in the company increased.

IMPORTANT PROJECTS

BML being the largest banking service provider in the Maldives, have launched an innovative online International money transfer systems that allows to conveniently make overseas transfers of up to USD 3,000 per day using smartphones. They also opened new self-service banking centers and implemented additional CSR to support educational, sports and environmental causes.

Dhiraagu extended their Fibre Broadband service to 70% of households and expanded Dhiraagu TV to new islands. A new Prepaid Plan was launched which offered the option to customize voice and data add-ons. Dhiraagu delivered a key ICT project for the Ministry of Education "Digital Schools" and provided connectivity to all government schools in the country.

Important projects undertaken by HDFC in this quarter includes Apollo Towers and Batch Production end user financing project and Damas one avenue towers project. These are the housing projects which will contribute to further growth of the company.

KACL also undertook numerous projects including Harbor repair, runway repair, runway fencing, upgrading of power generation and distribution system, water desalination system and distribution network and Halaveli development.

MACL also undertook 16 different projects in the 3rd quarter. The biggest projects on-going by the end of the third quarter are Runway & Apron and Passenger Terminal building both valued over MVR 5 billion expected to be completed in September 2019 and January 2020 respectively.

A total of 29 construction projects were managed by MTCC, which includes two new projects and three projects that were awarded. 9 projects were completed successfully during the period. Six dredging and reclamation projects were carried out which includes.

- Sawmill Relocation project,
- Land reclamation and Shore protection at K. Thilafushi project,
- Gdh. Faresmaathoda Land Reclamation and Shore Protection,
- Ha. Maafinolhu Land Reclamation and shore protection;
- K. Hura Reclamation project.

MTCC has started new bus routes interconnecting with the Bridge bus route as well as the bus routes within Hulhumale'. The company has expanded their Private Hire operations to Male' via Sinamale Bridge, along with changes to the Hulhumale' Ferry Link schedule.

MTDC is undertaking three resort development projects at the end of the quarter including Kihavah Huravalhi, Magudhuvaa – Ayada Maldives and Naagoshi which is under operation.

MWSC has undertaken number of projects in providing different water and sewerage related projects including installation of water meters, portable emergency generators, shrink film machines in Hulhumale', upgrade systems, fire detecting machines and utility solutions to L.Baresdhoo.

Maldives Ports Limited has carried out the following projects in the 3rd quarter of 2018.

- Hiyaa Housing Project- the total value of the project is MVR 621,044,070. As at the end of the quarter 18.65% of the project was completed.
- Hulhumale Paving Project- the project was commenced on 29 April 2018 with a value of MVR 2,597,677. As at the end of the quarter 44.33% of the project was completed.
- Bridge Bus Project- the project was commenced on 08 January 2018. The total value of the project is MVR 85,000,000 and 85% was completed.

During the quarter, STO embarked on number of projects as part of their developmental projects which include;

- STO Hulhumale' batching Plant
- Introduction of 2 landing crafts to STO fleet
- STO Hiya housing scheme launched.
- STO express opened.

The on-going projects by GMIZL includes:

- Access road project commenced on November 2016 valuing 48 million estimated to be completed by November 2018.
- Carpentry and Workshop project valuing MVR 200,000/- commenced on March 2018 estimated to be completed by November 2018

Moreover, MITDC also undertakes projects including L.Baresdhoo, Project palm, Addu intergrated tourism project, Galufalhu project, Kaashidhoo project, Fuvamulah project and Kela project for which MVR 1,042,998 was added during the quarter.

In addition to this, AIA is on a small project of repair and maintenance going on to cater a new Airline to Gan International Airport during the quarter.

Companies like Aasandha, Hajj Corporation, Hazana Maldives, MCIF and Sports Corporation has no major on-going projects during the quarter.

CONCLUSION

Asandha Company has increased its revenue in this quarter and has managed to reduce its cost of sales by MVR 115.9 million. The company was able to make a net profit in 2018 Q3 and as a result profit margin improved. The liquidity position of the company is very poor where company's current liabilities exceed its current assets by MVR 519 million. The company does not have any external borrowings; the only liability is the trade and other payables. However, the payables are very significant considering the operational level of the company. It represents 149% of revenue in 2018 Q3.

Though AIA has improved revenue compared to Q3 2017, the company faces gross loss and net losses over the quarters due to higher cost of sales and higher operating expenses. The current assets are falling and current liabilities increased since there is a huge increase in shareholders loans. This result illustrates a lower current and quick ratios indicating the liquidity problems associated with it. When referring to gearing, the company is highly geared thus there is a huge financial risk associated with in the operation of AIA.

BML is highly profitable when comparing the quarters Q3 2017 and Q3 2018. Gross income, net interest income and profit for the year along with earnings per share have increased. BML is not highly geared when the debt ratios are concerned. Both borrowing and equity of the company increases thus overall financial risk of the company remains at relatively same level. BML have a strong capital position well above regulatory requirement.

With regard to the same quarter of the previous year, Dhiraagu has not shown remarkable improvements in their profitability merely due to loss of revenue in certain segments of the business. Liquidity position has also weakened due to reduction in cash and bank balances. Dhiraagu is in a position to settle the current liabilities with the current assets available; however, they are not in a position to settle the obligations with cash only. Additionally, Dhiraagu does not have any borrowings and hence, they will not have any securities associated with the borrowings. Thus more capital can be used for business activities since operations are fully funded within their own capital.

Hazana Maldives has improved revenue compared to the same quarter of the previous year. The net loss also has reduced due to declining expenditure. However, the administrative expenses and operating expenses are comparatively higher than the revenue generated thus company is making losses. Based on the ratios, Hazana is at a position to settle the current liabilities with the current assets. However, the largest portion of the current assets consists of capital injected by the government. Hazana is not generating sufficient revenue; hence company is operating with the support from shareholders.

HDFC has gained its space in the market in terms of the profitability. Revenue has increased compared to Q3 2017. Interest income and operating income has also increased due increase in financial facilities provided to customers. Profit also has increased compared to Q3 2017 due to reduction in provision for impairment loss on loans and other costs. HDFC has a high gearing ratio indicating high financial risk associated with the company. They have the ability to repay the debts and improved equity and reserve as a result of higher retained earnings. HDFC is financially stable and less dependent on shareholders.

Profitability of IASL has increased resulting from improvement in revenue due to increased number of flight over the period. Expenses like marketing, administrative expenses and finance costs reduced impacting profits favorably. Liquidity ratios are kept at a satisfactory level where current assets are sufficient to settle the obligations. However, they have a greater amount of receivables which has to be taken into account and proper actions need to be taken to reduce receivables. Further borrowing has increased compared to the previous year.

Revenue and cost of sales reduced in KACL causing very insignificant growth in gross profit compared to the same quarter of the previous year. Administrative costs and staff costs are higher in both quarters resulting an operating loss and net loss for the period. However, the losses for the period is low compared to previous quarters since there is little improvement in overall costs. Continuous loss is unhealthy for sustainable development. KACL is in a high liquidity position where they have enough current assets to settle their obligations. Moreover, the cash is also sufficient to settle the obligations. However as per liquidity ratios there are idle resources tied up in the business which can be utilized for further expansion and generate additional return. The company has no borrowings as at the end of the third quarter 2018.

Revenue of MACL increased from all the areas of operation while the cost of sales also increased. Operating profit and net profits have also increased in Q3 2018 compared to Q3 2017. However operating and net profit margins decline compared to Q3 2017. It is important to note that along the growth in revenue MACL has managed to bring a good improvement in minimizing their administrative expenses. MACL is in a good liquidity position where they are able to settle the short term liabilities with the current assets. However, rising levels of payables is a matter of concern. Compared to Q3 2017 borrowings has increased therefore it increased financial risk of the company.

Revenue has been reduced in MCIF compared to the last quarter. On the other hand operational and administrative costs increased resulting in a loss for the quarter. There are no major operational activities to generate high revenue, yet the operational costs are significantly higher. Along with increased receivables, MCIF has high amount as accounts payable and accrued expenses compare to the operation of the company. Though liquidity ratios are favorable, MCIF should take necessary measures to reduce payables along with receivables. Capital has been injected by the government and current operational cost is much higher than budgeted costs. Hence, a proper budget need to be forecasted and followed strictly.

Though there is an increment in growth of revenue of MTCC compared to Q3 2017, profit has been dropped drastically due to higher costs. Increase of administrative expenses and other expenses has resulted in deterioration of profitability of the company. In addition finance cost of the company increased. MTCC seems to be in a satisfactory liquidity position where they are able to settle short term obligations with current assets. However, they have a high level of trade and other receivables which need to be reduced. Moreover, their cash balance is also quite low to settle the current obligations. Gearing level remains relatively same thus it seems that financial risk of the company remain relatively same as previous quarter. In addition with long term finance MTCC has obtained a huge bank overdraft compared with other quarters. Thus MTCC has some cash flow difficulty in financing their operation and expansions projects.

Although profitability of MTDC improved liquidity ratios has fallen due to reduced current assets over the current liabilities. Cash level is also low to settle the current obligations. The long-term liabilities include MVR 167 million as sublease advances and hence gearing is calculated based on lease equalization and sublease advances. MTDC does not have any borrowings from government or any other financial institution.

MWSC's profitability has been adversely affected by the decrease in revenue and increase of expenses compared to Q3 2017. Cost of sales increased with the revenue increment, which led to deterioration of profits. When liquidity is concerned, current ratio is at a satisfactory level where they can settle a greater portion of liabilities with the assets available. However, quick ratio is low as they have high amount of inventory. Borrowings of the company declined compared to Q3 2017.

Sports Corporation does not generate enough revenue to cover all their expenses. Current assets increased due to capital injected from government. At present sports corporation has no borrowings and they depend heavily on government assistance to fund daily operations.

STELCO has maintained a satisfactory level of revenue. However profitability of the company gets affected as a result of higher cost and expenses. Further liquidity position of the company is not favorable, since current assets are insufficient to settle the short term obligations. The total payables has increased significantly due to accrued interest expenses incurred on borrowings. STELCO has created a huge provision for obsolete inventory and receivables although the effect of this provision has not been reflected in income statement. Therefore accounting of this provision may result further deterioration of profitability. As mentioned before, borrowings of the company are quite high thus financial risk associated in the company is relatively high. However, borrowings have been declined compared to the previous quarter since they have paid some of the obligations. In reality STELCO is a highly geared company, since they have financed almost all expansion and upgrading projects through borrowing. Based on current financial status, they are not in a position to repay all their loans, thus they may face difficulty in financing additional projects without any help from government or shareholders.

Revenue of STO has increased compared to Q3 2017. Operating expenses and administrative expenses have increased and thus it has affected profitability of the company. STO is in a position to settle short term obligations with the available current assets. However, STO should formulate ways to reduce the receivables and payables along with strategies to improve cash and bank balances in order to improve liquidity position. Rising gearing level shows the level of financial risk associated with it. However, most of the borrowings of STO are short term which the company is obliged to repay within a year.

Recommendation

- It is vital for the businesses to improve revenue in order to achieve ultimate corporate objectives. For a sustainable growth, it is important to implement strategies to increase revenue quarterly and annually. Higher revenue will act as an advantage for companies to qualify for loans at favorable interest rates. Diversification is also a strategy companies can use to grow their revenue streams.
- In addition with revenue improvement it is important to reduce cost and operational expenses. Cost reduction could create a competitive advantage for companies over the competitors.
- Businesses should make the best use of the available resources. When the resources are utilized efficiently, businesses can attain efficiency.
- Businesses should conduct a feasibility analysis, in order to invest in financially feasible projects. A proper detail review of costs associated with the project and estimating the cash inflow will help them to manage projects more efficiently. In appraising projects, companies could use net present value and payback period.
- In order to carry day to day operations smoothly, all SOE's has to improve their working capital and liquid position. Businesses should understand their Working capital management & liquidity through a routine scrutiny of current assets and short term obligations. The businesses should manage their cash, inventories and accounts receivable/payable effectively to order to maintain ideal liquidity position.
- A proper plan and forecasted cash flows should be prepared on an annual and quarterly basis. This could assist SOEs to improve their cash position. Further a proper receivable collection techniques could help them manage cash position efficiently.
- Receivables have to be collected within the preferred period without further delay. Proper credit control mechanisms and verifying the credit worthiness is important to minimize provision. Furthermore, if the payments are not received within the desired time, relevant authorities must be informed and actions should be taken without further delay.
- Proper utilization of all available resources is essential to improve company performance. Utilizing resources such as machinery and labor in the most economical way could reduce costs and improve labor efficiency.
- At present there are several SOEs heavily dependent on shareholders' funds. thus they have to formulate a self-sustaining business in order to minimize dependence on shareholders' funds.
- Implementing a good inventory management technique is important for companies in order to minimize obsolete inventory and maintain an adequate level of inventory. Companies hold high level of inventory meaning that it ties up a lot of cash. Companies have to avoid dead stock and save on storage costs. They can do accurate forecasting and set par levels for each item on inventory. Companies can use first in first out method or either methods which is appropriate for the kind of business. Physical checking and accurate forecasting is also equally important.
- Internal control should be in place with the SOEs for a better performance. Sound internal controls could be implemented by reviewing control regularly and identify if deficiencies are identified. Proper internal audit function is essential to identifying the

problems and ensure proper governance. If a separate risk department is not there, internal audit should perform this duty as well to mitigate risk. This function could assist company to make informed decisions. Risk management and internal audit functions are essential to minimize avoidable losses.

- Planning is the most vital part for any business. In order to keep business on track, a proper plan and implementation of action plan is important.
- Reliance on shareholders' funds should be minimized to a satisfactory level and should find ways to run independently.
- It is essential for companies operating in Islamic finance industry to outline ways to improve operations through their Islamic Wing, which will act an added advantage in a market where Islamic operations are likely to conquer the market in the future.
- Over staffing is a major issue in certain SOEs. Hence, staff levels and staffing costs need to be minimized to an adequate level. Companies need to review their pay structure and formulate a performance based pay in order to improve performance of the companies. Further keeping right number of employees will help organization to improve labor efficiency and reduce waste. Further employee appraisal and proper monitoring is necessary to improve employee performance. At the same time employee productivity can be improved though proper training and guidance, therefore it is important to focus on staff development to make best use of them.

Quarterly review; Quarter 3, 2018

AASANDHA COMPANY LIMITED

AASANDHA COMPANY LIMITED

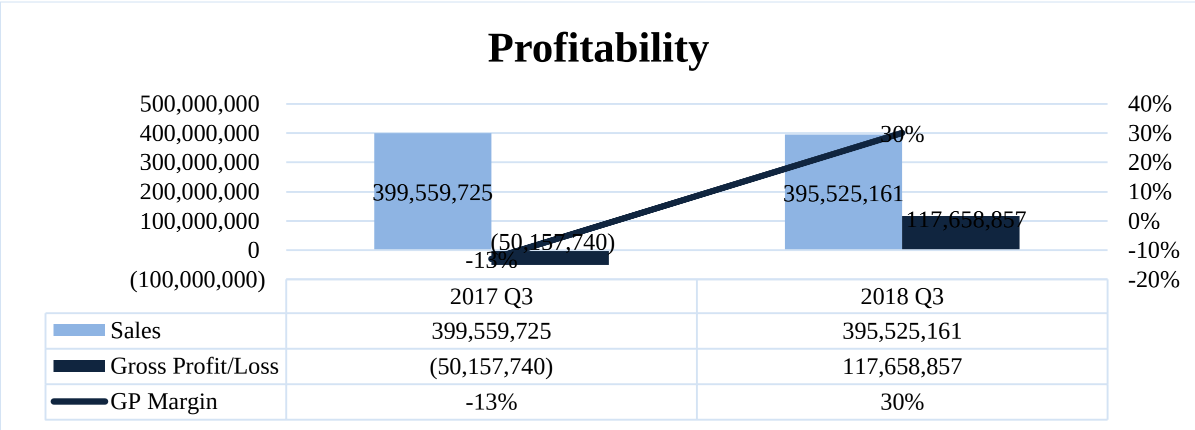
Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/AASANDHA/Q3

Q3 of 2017 AND Q3 of 2018

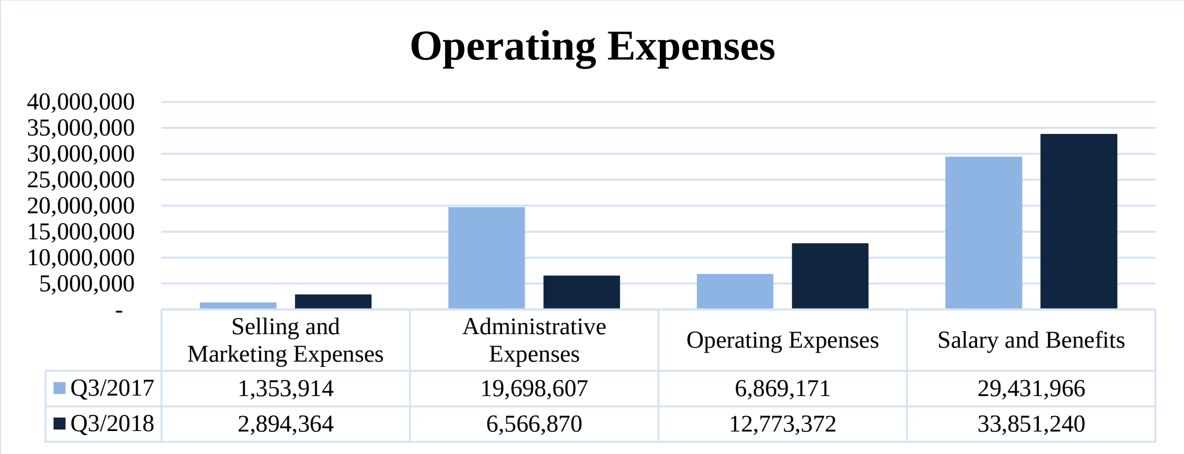
Profitability

PROFITABILITY	Q3/2017	Q3/2018	Change	%
REVENUE	399,559,725	396,525,161	(3,034,564)	-0.75%
COST OF SALES	449,717,465	278,866,303	(170,851,162)	-38%
GROSS PROFIT	(50,157,740)	117,658,857	167,816,598	-335%
OPERATING PROFIT	(107,511,399)	61,573,010	169,084,409	-157%



- The revenue of the company has recorded a reduction of MVR 4 million in Q3 2018 compared to the same quarter of 2017.
- On the other hand, the company has managed its direct costs very well, thus a reduction of 38% was achieved in 2018 Q3.
- As a result of cost reduction, the company has achieved a GP margin of 30%.

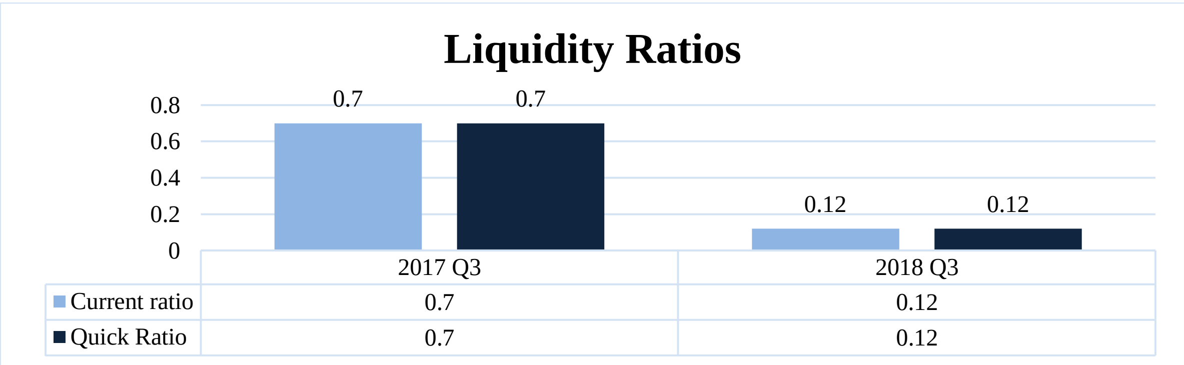
Expenses



- Total expenditure of Asandha reduced by 2% in comparison to the same quarter of 2017. In terms of individual expenses, selling and marketing expenses increased significantly by 114%, operating expense increased by 86% and salary and benefits increased by 15% when compared to 2017 Q3.
- On the other hand administrative expense has reduced by MVR 13 million, a reduction of 67% in comparison to 2017 Q3.

Liquidity and Working Capital

Working Capital	Q3/2017	Q3/2018	Change	%
Non-Current Assets	328,364,428	322,433,619	(5,930,808)	-2%
Current Assets	1,542,416,209	71,249,889	(1,471,166,320)	-95%
Current Liabilities	2,188,313,476	590,378,504	(1,597,934,971)	-73%
Working Capital	(645,897,266)	(519,128,616)	126,768,650	-20%
Cash and cash equivalents	6,660,846	12,567,162	5,906,315	89%
Cash Ratio	0.003	0.02	0.018	59934%



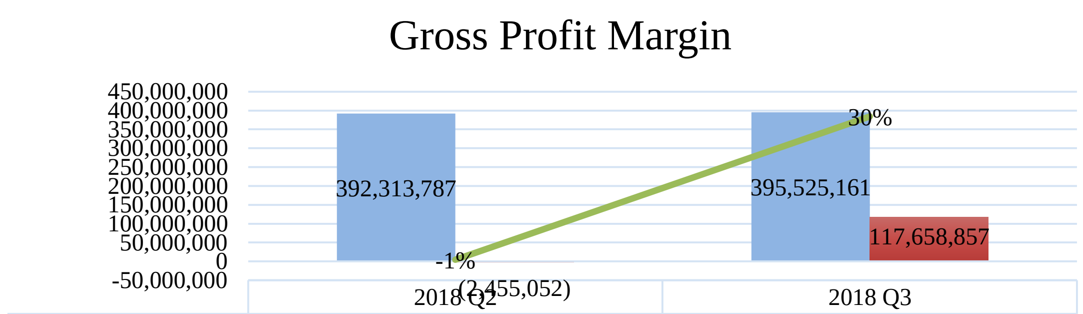
- The liquidity ratios are below the ideal level for both the quarters in review. This is because the current liabilities exceed the company's current assets. In Q3 2018 the ratio has further declined with decrease in current assets.

- The current liabilities has also reduced from MVR 2,188 million to MVR 590 million in Q3 2018.
- Current assets of the company consists of trade and other receivables, advance and prepayments and cash & cash equivalents. Out of three components receivables holds the largest value, as such the liquid assets are far below than the total current assets.

Q2 of 2018 AND Q3 of 2018

Profitability

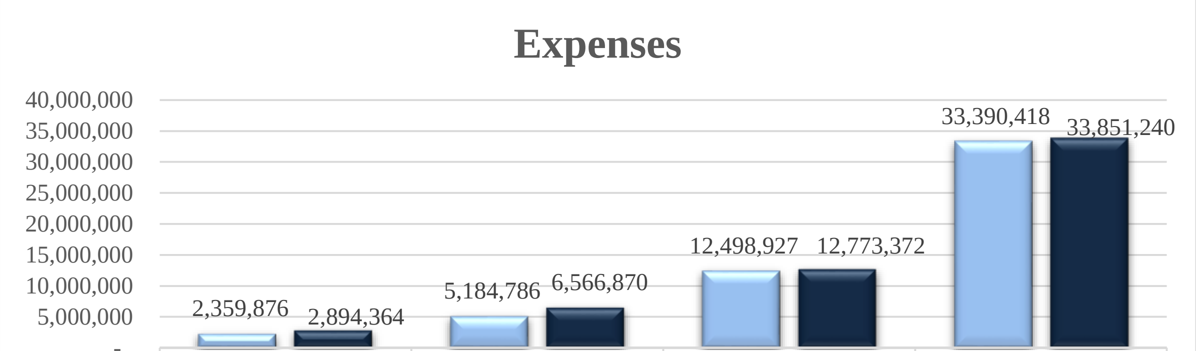
PROFITABILITY	Q2/2018	Q3/2018	Change	%
Revenue	392,313,787	395,525,161	3,211,373	1%
Cost of Sales	394,768,840	278,866,303	(115,902,536)	-29%
Gross Profit	(2,455,052)	117,658,857	117,462,069	210%
Operating Profit	(55,889,059)	61,573,010	8,139,003	15%



	2018 Q2	2018 Q3
Sales	392,313,787	395,525,161
Gross Profit/Loss	(2,455,052)	117,658,857
GP Margin	-1%	30%

- The revenue has increased by MVR 3 million when compared to Q2 2018 and the cost of sales has reduced by MVR 115.9 million. Asandha has managed its direct costs very well, thus negative gross profit margin was changed into a positive 30% in just one quarter. The direct costs may not have been updated yet as the company is set-up whereby the Ministry injects just enough to cover the operational costs of the company.

Expenses



	Selling and Marketing Expenses	Administrative Expenses	Operating Expenses	Salary and Benefits
2018 Q2	2,359,876	5,184,786	12,498,927	33,390,418
2018 Q3	2,894,364	6,566,870	12,773,372	33,851,240

- Total expenditure of the company has increased by MVR 2.6 million in comparison to Q2 2018. The highest increase was recorded in administrative expenses, it has increased by 27%. Sales and marketing expenses has recorded a growth of 23%.
- It is important to highlight that Asandha has made a net profit of MVR 61,573,010 in this quarter. This figure may be distorting given the fact that the company may not have updated costs associated with the quarter.

Important Projects undertaken in the quarter

No important projects were undertaken in this quarter.

Conclusion

Asandha Company has increased its revenue in this quarter and has managed to reduce its cost of sales by MVR 115.9 million. As result the profit margins have improved in this quarter. The company was able to make a net profit in 2018 Q3.

The liquidity position of the company is very poor where company's current liabilities exceeds its current assets by MVR 519 million. The company does not have any external borrowings, the only liability is the trade and other payables. However, the payables are very significant considering the operational level of the company. It represents 149% of revenue in 2018 Q3.

Recommendation

- To improve the liquidity position of the company, Asandha should improve its trade receivable collections. At the same time Asandha should try to reduce its payables to a desired level.
- In addition, Asandha Company should try to manage its operating expenses in order to maintain the profitability of the company.

Quarterly review; Quarter 3, 2018

ADDU INTERNATIONAL AIRPORT PVT LTD

ADDU INTERNATIONAL AIRPORT PVT LTD

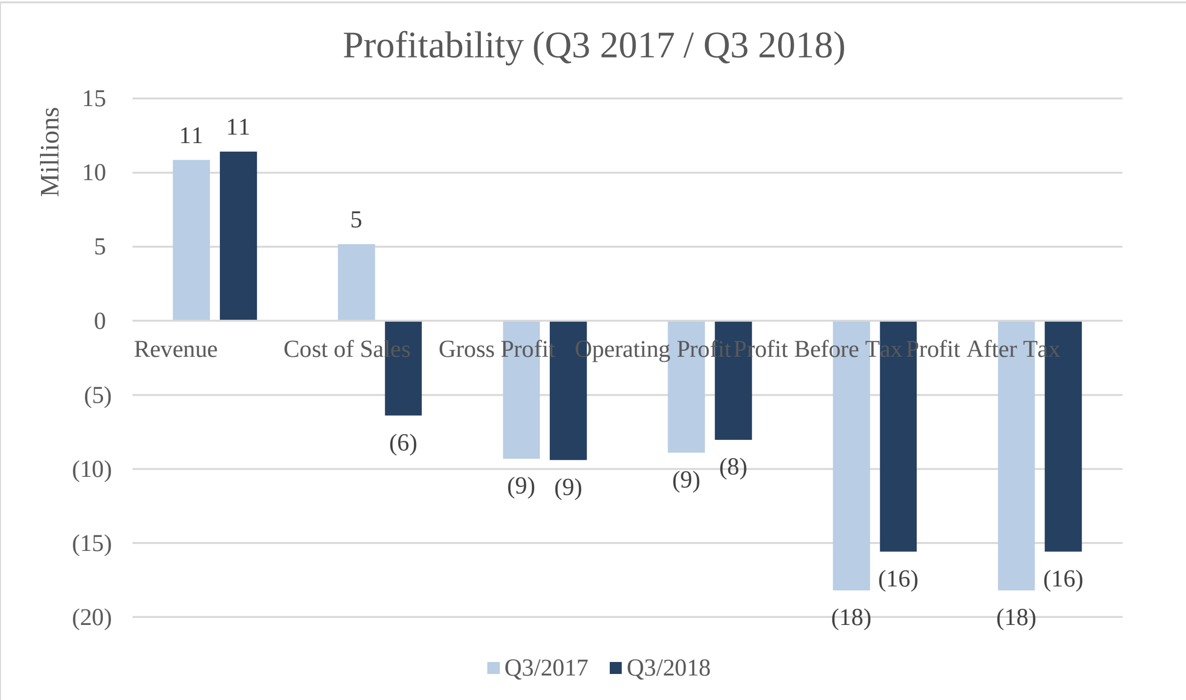
Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/AIA/Q3

Q3 of 2017 AND Q3 of 2018

PROFITABILITY	Q3/2017	Q3/2018	Change	%
REVENUE	10,853,078	11,411,217	558,139	5
COST OF SALES	(5,182,881)	(6,386,732)	(1,203,851)	(23)
GROSS LOSS	(9,320,572)	(9,399,784)	(79,212)	1
OPERATING LOSS	(8,905,366)	(8,027,085)	878,281	(10)
LOSS BEFORE TAX	(18,190,795)	(15,575,874)	2,614,921	(14)
LOSS AFTER TAX	(18,190,795)	(15,575,874)	2,614,921	(14)

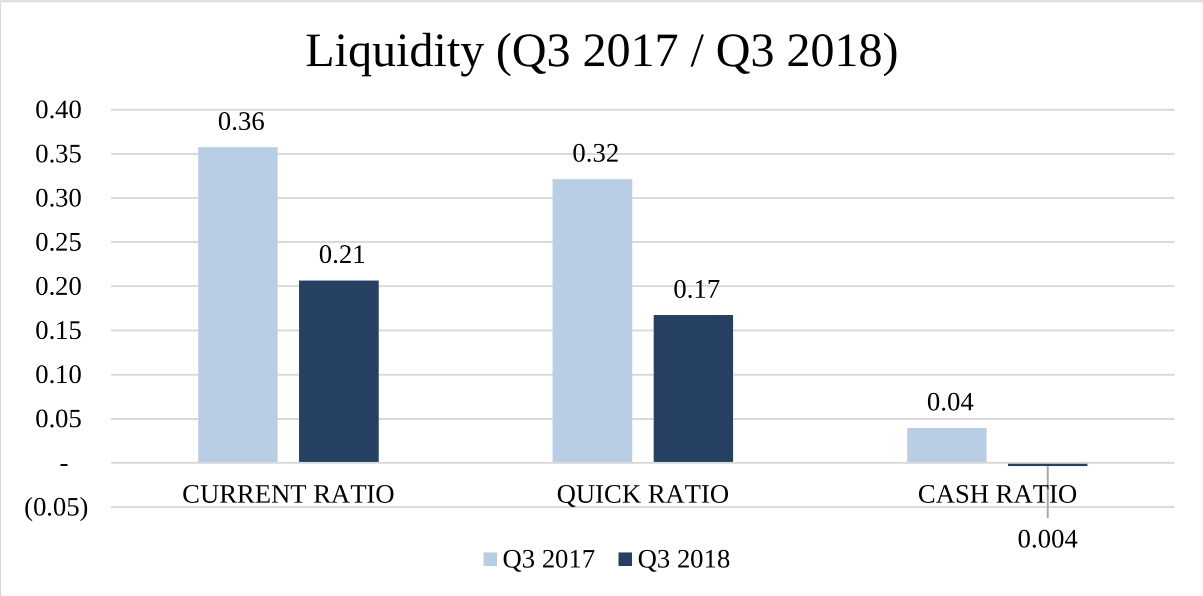
	Q3/2017	Q3/2018
GROSS PROFIT MARGIN	(85.88)	-82.37
OPERATING PROFIT MARGIN	82.05	-70.34
NET PROFIT MARGIN	(167.61)	-136.50
EARNINGS PER SHARE	(65.67)	(52.27)



- Revenue increased by 5% compared to the same quarter of the previous year mainly from increased jet fuel revenue. AIA earns revenue mainly from Jet fuel, ground handling, landing and parking fees.
- Cost of sales reduced by MVR 1.2 million. High cost of sales and operating expenses led to a gross loss in both quarters.
- Operating loss declined by 10%. However in both quarters, AIA makes an operating loss due to high operating expenses and cost of sales.

- Loss for the year reduced by 14% due to lower finance costs compared to the same quarter of the previous year.

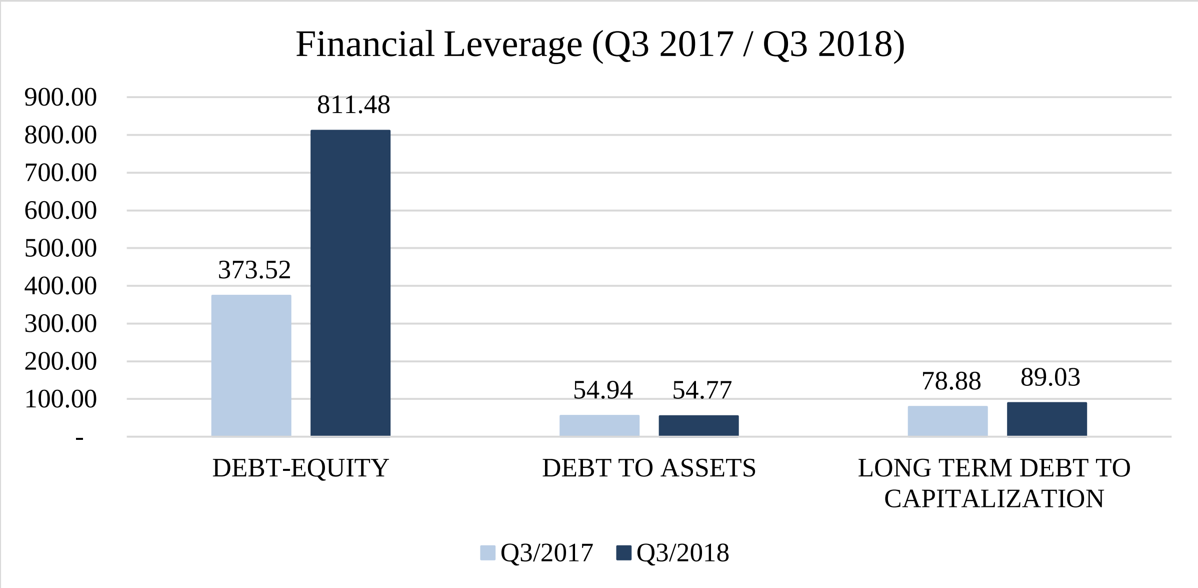
LIQUIDITY	Q3/2017	Q3/2018
NON CURRENT ASSETS	599,258,505	583,505,135
CURRENT RATIO	0.36	0.21
QUICK RATIO	0.32	0.17
CURRENT ASSETS	72,921,046	50,417,518
CURRENT LIABILITIES	204,041,538	243,921,870
WORKING CAPITAL	(131,120,492)	(193,504,352)
CASH RATIO	0.04	(0.004)
INVENTORY	7,343,690	9,602,215



- Non-current assets reduced by 2% due to lower figures for depreciation and amortization.
- Current assets reduced by MVR 22.5 million which is a reduction of 31% compared to the same quarter of the previous year. Though inventories increased by MVR 2 million, receivables and cash and cash equivalents reduced by MVR 15.8 million and MVR 9 million respectively.
- Current liabilities increased by MVR 39 million which is an increase of 19.5% compared to Q3 2017. Payables increased by MVR 19 million and there was a shareholder loan worth MVR 20 million in Q3 2018 which the amount given by shareholders to repay existing bank loan.
- The company has a negative working capital in both quarters due to excess current liabilities over the current assets.
- Liquidity position of the company is not satisfactory as the current ratio of the company reduce from 0.36 to 0.21 in Q3 2018 due to an increase in current liabilities over the current assets.

- Quick ratio is also reduced from 0.32 to 0.17 due to lower working capital along with increased in inventories. The liquidity position is weak in AIA where they are not in a position to repay the short term obligation with the current assets.
- Cash ratio is 0.04 in Q3 2017 which is reducing to an insignificant value of negative 0.004 in Q3 2018 due to negative cash balances.

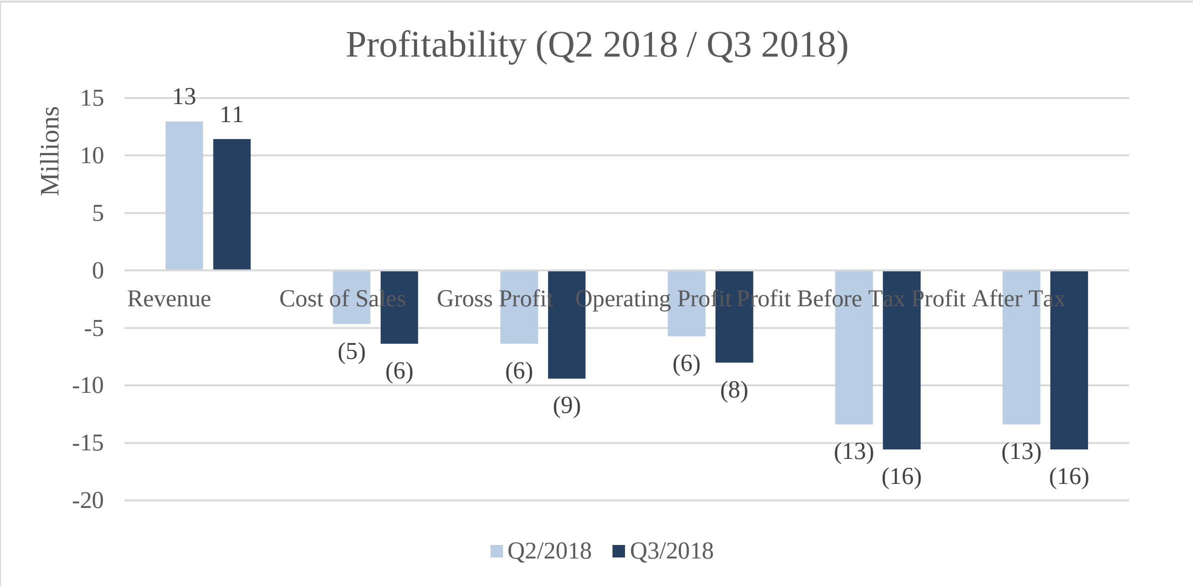
LEVERAGE	**Q3/2017**	**Q3/2018**
DEBT-EQUITY	373.52	811.48
DEBT TO ASSETS	54.94	54.77
LONG TERM DEBT TO CAPITALIZATION	78.88	89.03



- Debt to equity of 373.52 increased to 811.48 in Q3 2018. As company has incurred loss from incorporation date. Thus as a result of accumulated loss the overall equity and reserve of the company falls. Therefore gearing ratio of the company increase.
- Debt to assets have been reduced to 54.77 from 55%. The percentage remained almost
- Debt to assets remained at 54% as total assets also reduced proportionately as the borrowings compared to the Q3 2017.
- Capitalization ratio increased from 79% to 89%, as the total equity and reserve of the company decreased significantly compared with the fall in debt.

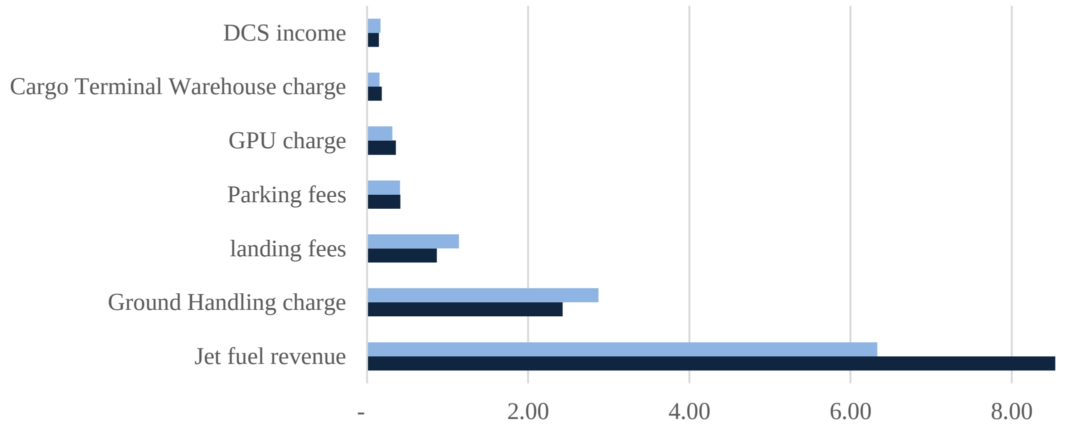
Q2 of 2018 AND Q3 of 2018

PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	12,954,247	11,411,217	(1,543,030)	(11.91)
COST OF SALES	(4,661,205)	(6,386,732)	(1,725,527)	37.02
GROSS PROFIT	(6,389,221)	(9,399,784)	(3,010,563)	47.12
OPERATING PROFIT	(5,725,561)	(8,027,085)	(2,301,524)	40.20
PROFIT BEFORE TAX	(13,384,270)	(15,575,874)	(2,191,604)	16.37
PROFIT AFTER TAX	(13,384,270)	(15,575,874)	(2,191,604)	16.37



- Revenue reduced by 12% compared to the previous quarter.
- Cost of sales increased by 37% including the cost of jet fuel sold. The company faced gross loss in both quarters since cost of goods sold and operating expenses increased more than revenue.
- Operating loss increased due to rise in gross loss and administrative expenses. However, other income increased due to increased rental income and lounge income.
- Loss for the year also has increased by 2 million due to higher cost and expenses. However finance costs reduced due to fall in total borrowings compared to the previous quarter.

Revnue Breakdowns (Q2 2018 /Q3 2018)

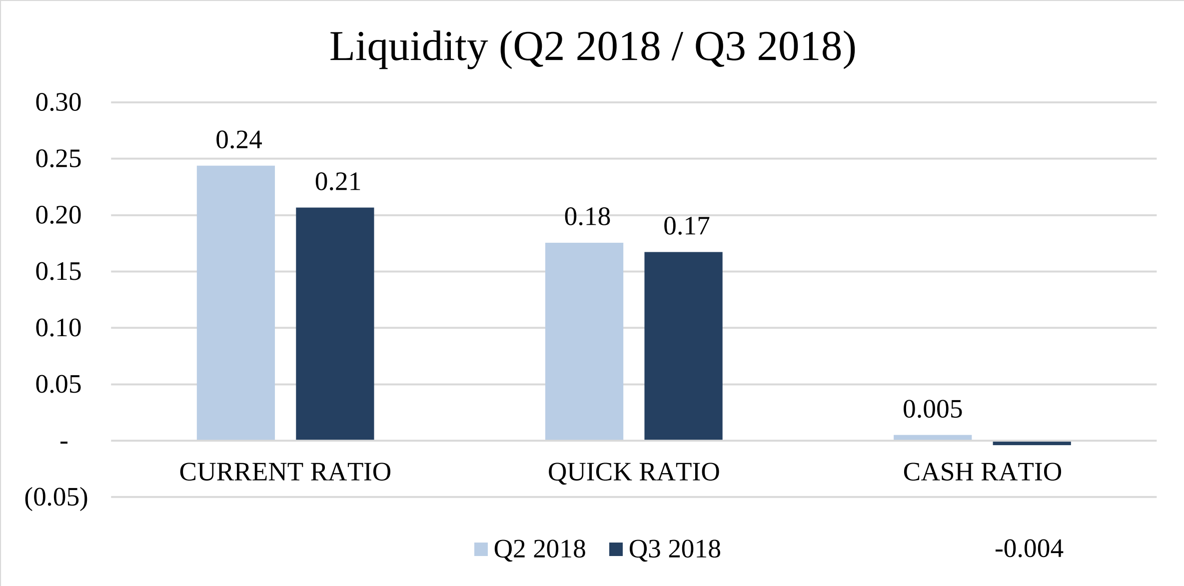


	Jet fuel revenue	Ground Handling charge	landing fees	Parking fees	GPU charge	Cargo Terminal Warehouse charge	DCS income
Q3 2018	6,331,863.00	2,873,990.00	1,141,053.00	412,369.00	314,567.00	155,115.00	170,699.00
Q2 2018	8,542,096.00	2,430,453.00	866,429.00	413,230.00	360,443.00	182,934.00	148,362.00

Q3 2018 Q2 2018

- More than half of the revenue is generated from sale of jet fuel. However revenue generated from sale of jet fuel has reduced by 25% in Q3 2018.

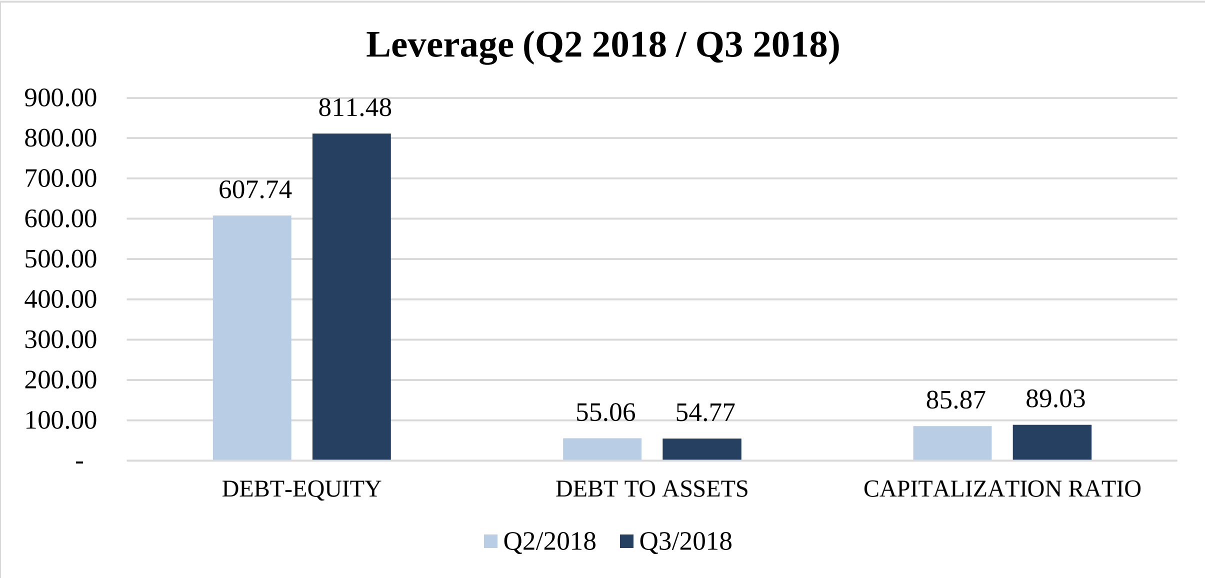
LIQUIDITY	**Q2/2018**	**Q3/2018**
NON CURRENT ASSETS	587,889,454.00	583,505,135.00
CURRENT RATIO	0.24	0.21
QUICK RATIO	0.18	0.17
CURRENT ASSETS	56,356,368.00	50,417,518.00
CURRENT LIABILITIES	231,183,453.00	243,921,870.00
WORKING CAPITAL	(174,827,085.00)	(193,504,352.00)
CASH RATIO	0.005	(0.004)
INVENTORY	15,743,275.00	9,602,215.00



- Non-current assets reduced as a result of decreased value of property plant and equipment and intangible assets.
- Current assets reduced by 10.5% compared to Q2 2018 since inventory level reduced by 39% and cash and cash equivalents reduced by 176%.
- Current liabilities increased by 5.5% compared to the preceding quarter due to increased borrowings through shareholder loan. Shareholder loan increased by 15 million while trade and other payables reduced by 1%.
- Current ratio reduced from 0.24 to 0.21 due to increased current liabilities over current assets.
- Quick ratio also decreased from 0.18 to 0.17 due to lower current assets and higher current liabilities.
- Cash ratio is very insignificant and thus the ability to pay the liabilities with the cash is very limited in AIA. Cash flow statement is summarized as follows:

Cash Flow Analysis	**Q2 2018**	**Q3 2018**
Cash flow from operating activities	2,961,595	(9,546,932)
Cash flow from investing activities	(7,896)	(28,545)
Cash flows from financing activities	(2,398,131)	7,548,790
Net cash flow	**555,568**	**(2,026,687)**
Cash balance at the beginning of the period	599,200	1,154,768
Cash Balance at the end of the period	**(1,154,768)**	**(871,919)**

LEVERAGE	Q2/2018	Q3/2018
DEBT-EQUITY	607.74	811.48
DEBT TO ASSETS	55.06	54.77
CAPITALIZATION RATIO	85.87	89.03



- Debt to equity of 607.74 increased to 811.48 mainly due to decreased equity. Thus as a result of accumulated loss the overall equity and reserve of the company fell. Therefore gearing ratio of the company increased.
- Debt to assets reduced from 55 to 54. The percentage remained almost same as Q2 2018 as total assets also reduced at the same level as borrowings.
- Capitalization ratio increased from 86% to 89% as shareholders equity reduced more than the reduction in the borrowings.
- The high gearing indicates that they are not financially stable and need shareholder support for further finance.

Important Projects undertaken in the quarter

Currently, there is a small project of repair and maintenance going on to cater a new Airline to Gan International Airport.

Conclusion

Though AIA has improved revenue compared to Q3 2017, the company faces gross loss and net losses over the quarters due to higher cost of sales and higher operating expenses. Revenue also deteriorated compared to the previous quarter of 2018. Therefore gross loss, operating loss and net loss has been increasing over the quarters resulting from higher expenses.

The current assets are falling and current liabilities increased since there is a huge increase in shareholders loan. This results in lowering the current and quick ratios indicating the liquidity problems associated with it. Cash and cash equivalents show an overdraft in Q3 2018 resulting mainly from cash out flow from operating activities and financing activities totaling 9.6 million.

A look at gearing shows, the company is highly geared thus there is a huge financial risk associated with in the operation of AIA.

<u>Recommendation</u>

- Implement strategies for revenue improvement / diversify
  Revenue should be improved each quarter for sustainable development of the company. The revenue generated from Jet fuel is the greatest source of revenue for AIA and this revenue could be improved by increasing the number of jets flying into the airport. Through this, other revenue including landing fees, parking, ground handling charges etc. can be improved. AIA also can diversify their operations into investments in building more tourist hotels in the area. Dhoogas project is a part of the diversification.
- Implement ways to improve cash flow;
  This includes proper forecasting of cash flows. Receivable collection will also improve cash flow as such, AIA should improve their receivable collection mechanisms to improve cash flows of the company.
- Reduce Costs/ efficiency
  Costs should be minimized from all areas where possible. Costs like employee benefit expenses are the highest operational costs in AIA. Without further developments to business, the operating expenses should not be increased. AIA can cut down staff expenses by reducing number of staffs find ways to improve productivity.
- Revise the existing unfavorable agreements:
  AIA should make the agreements with subsidiaries and joint ventures favorable in such a way that it is more profitable. AIA should make commercially sensible agreements with those and revise the existing agreements in favor of the company like the agreement with the driving school in Addu.

Quarterly review; Quarter 3, 2018

BANK OF MALDIVES PLC

BANK OF MALDIVES PLC

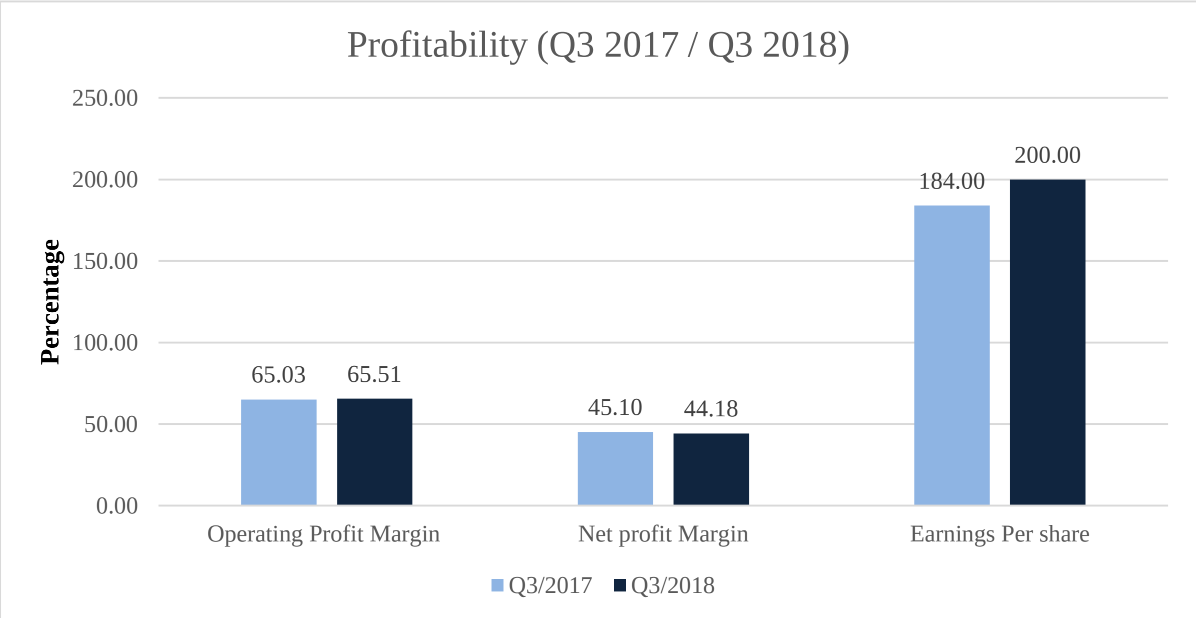
Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/BML/Q3

<u>Q3 of 2017 AND Q3 of 2018</u>

PROFITABILITY	Q3/2017	Q3/2018	Change	%
GROSS INCOME	547,736,000	609,665,000	61,929,000	11.31
NET INTEREST INCOME	321,594,000	360,862,000	39,268,000	12.21
OPERATING PROFIT	356,217,000	399,374,000	43,157,000	12.12
PROFIT BEFORE TAX	327,880,000	365,257,000	37,377,000	11.40
PROFIT AFTER TAX	247,044,000	269,338,000	22,294,000	9.02

	Q3/2017	Q3/2018
OPERATING PROFIT MARGIN	65.03	65.51
NET PROFIT MARGIN	45.10	44.18
EARNINGS PER SHARE	184	200

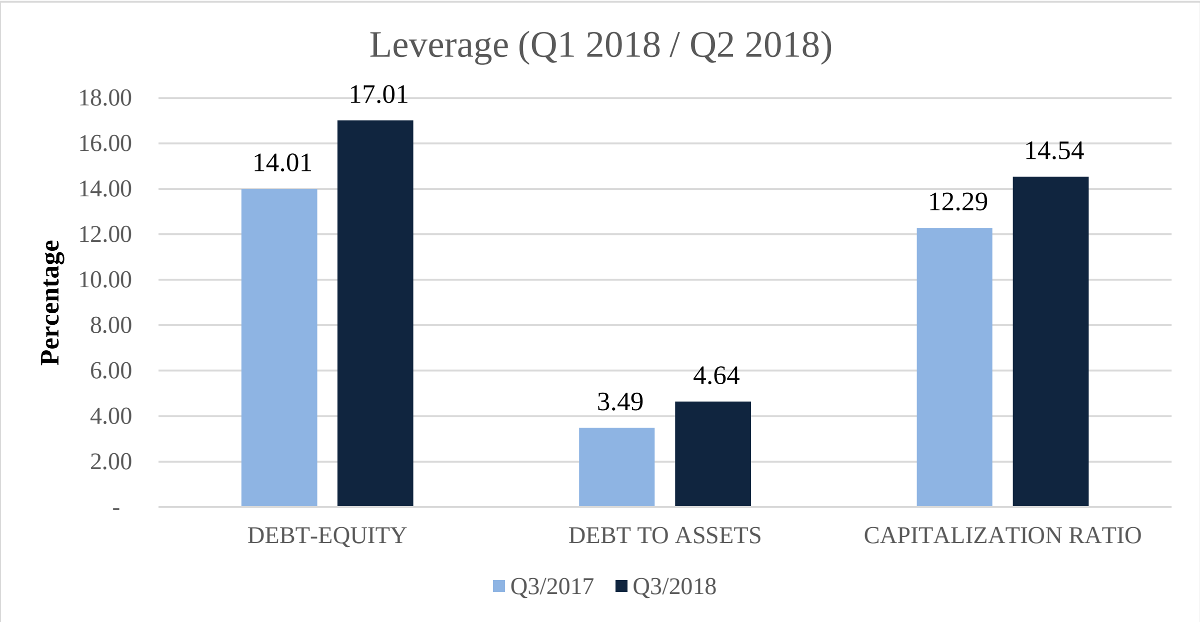


- Gross income for the quarter increased by 11.31% compared to Q3 2017.
- Net interest income increased by 12.21% compared to the same quarter of the previous year due to high loan advancement. The interest income is the main source of income for the bank.
- Operating profit increased by 12% compared to the same quarter of the previous year, mainly due to increase in other operating income by 3 million along with the increase in net interest income and fee and commission incomes. Thus, as result of this operating profit margin has improved marginally.
- Profit for the quarter increased by 9% since operating profit has increased over the period. However growth in profit for the quarter is lower than operating profit growth since provision for bad and doubtful debts affected profit. The profits increased as a

result of solid business volumes in all segments together with low levels of non-performing loans.

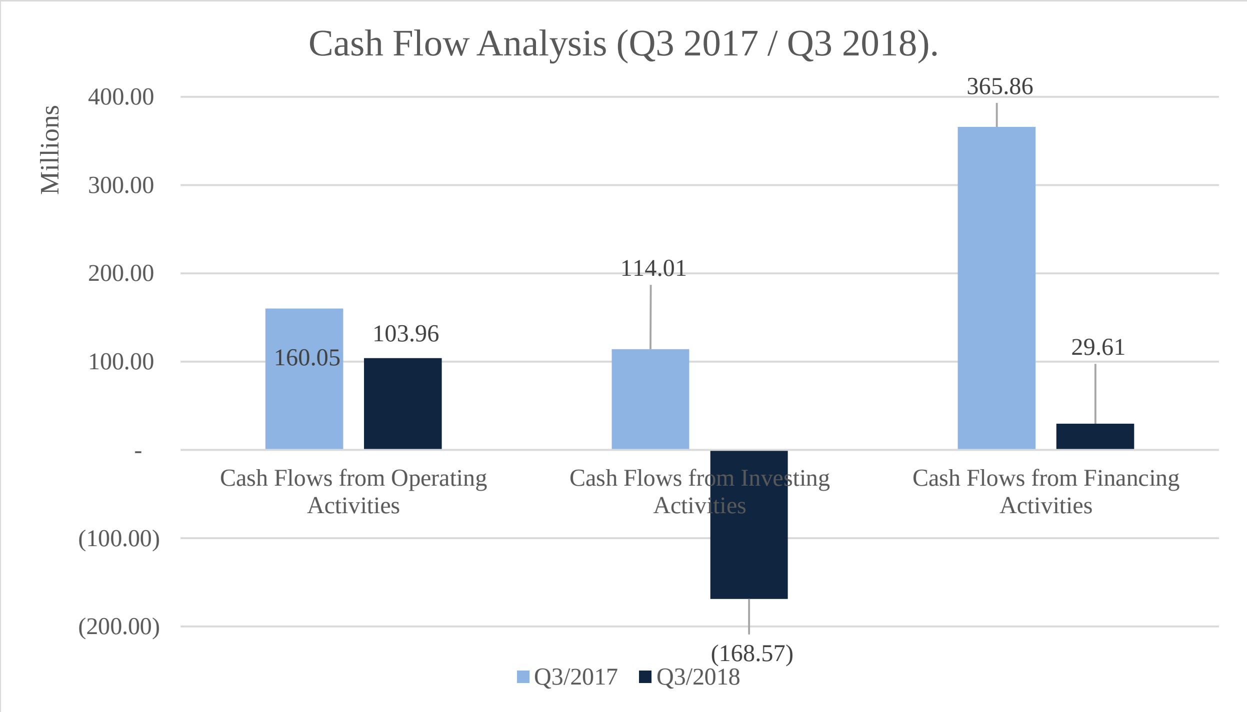
- Earnings per share also grew from 184 to 200 per share due to increased profits.

LEVERAGE	Q3/2017	Q3/2018
DEBT-EQUITY	14.01	17.01
DEBT TO ASSETS	3.49	4.64
CAPITALIZATION RATIO	12.29	14.54



- Debt to equity of 14% increased to 17% due to increase in borrowings. The gearing ratio is low indicating lower financial risks for investors. However the borrowings are only considered as the debt when the ratio is calculated. BML has high value of customer deposits as long-tern liability which increased by 2.7% compared to Q3 2017.
- Debt to assets also increased from 3.5% to 4% as borrowings increased. At the same time the assets of the company also rose by MVR 2 billion.
- Capitalization ratio increased from 12% to 14.54% due to increased borrowings by MVR 336 million. Based on the nature of the business operations BML has a satisfactory leverage level where equity is greater than the debts and shows their financial stability.

Cash Flow Analysis

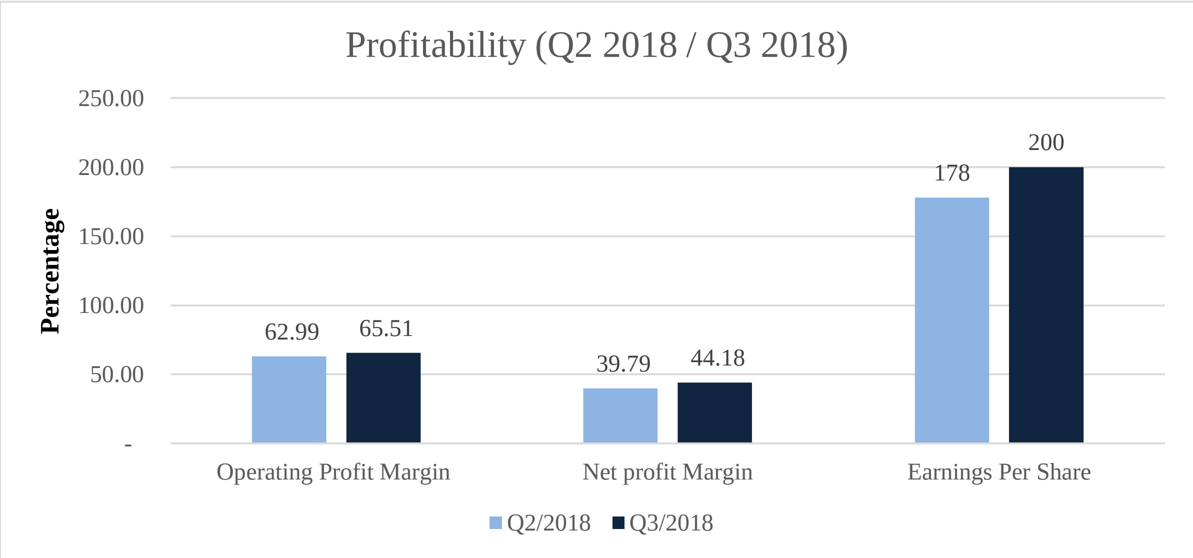


- Cash flow from operating activities reduced to MVR 104 million indicating that capability to generate a reasonable amount of cash from their operational activities reduced compared to Q3 2017.
- Cash flow from investing activities also reduced greatly due to the increasing number of investments being made in the quarter which is likely to generate high cash inflows in the future.
- Cash flows from financing activities also reduced by MVR 336 million. However, the cash flow from financing activities is positive indicating the money received from third parties.

Q2 of 2018 AND Q3 of 2018

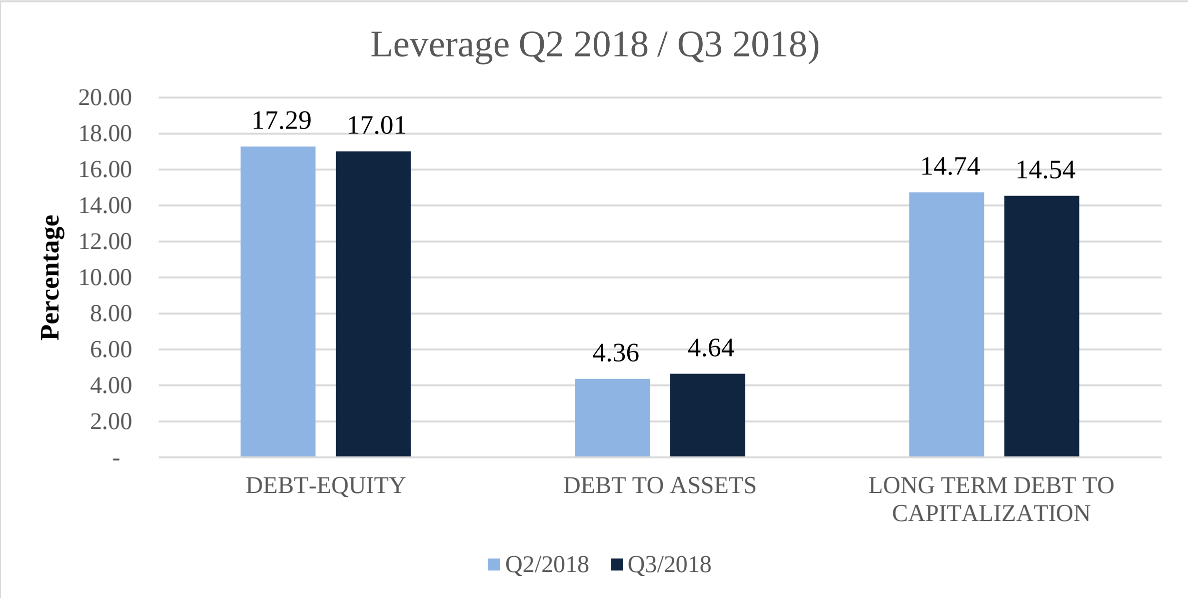
PROFITABILITY	Q2/2018	Q3/2018	Change	%
GROSS INCOME	600,988,000	609,665,000	8,677,000	1.44
NET INTEREST INCOME	353,223,000	360,862,000	7,639,000	2.16
TOTAL OPERATING INCOME	378,559,000	399,374,000	20,815,000	5.50
PROFIT BEFORE TAX	331,187,000	365,257,000	34,070,000	10.29
PROFIT AFTER TAX	239,108,000	269,338,000	30,230,000	12.64

	Q2/2018	Q3/2018
Operating Profit Margin	66.45	65.51
Net profit Margin	39.79	44.18
Earnings Per Share	178	200



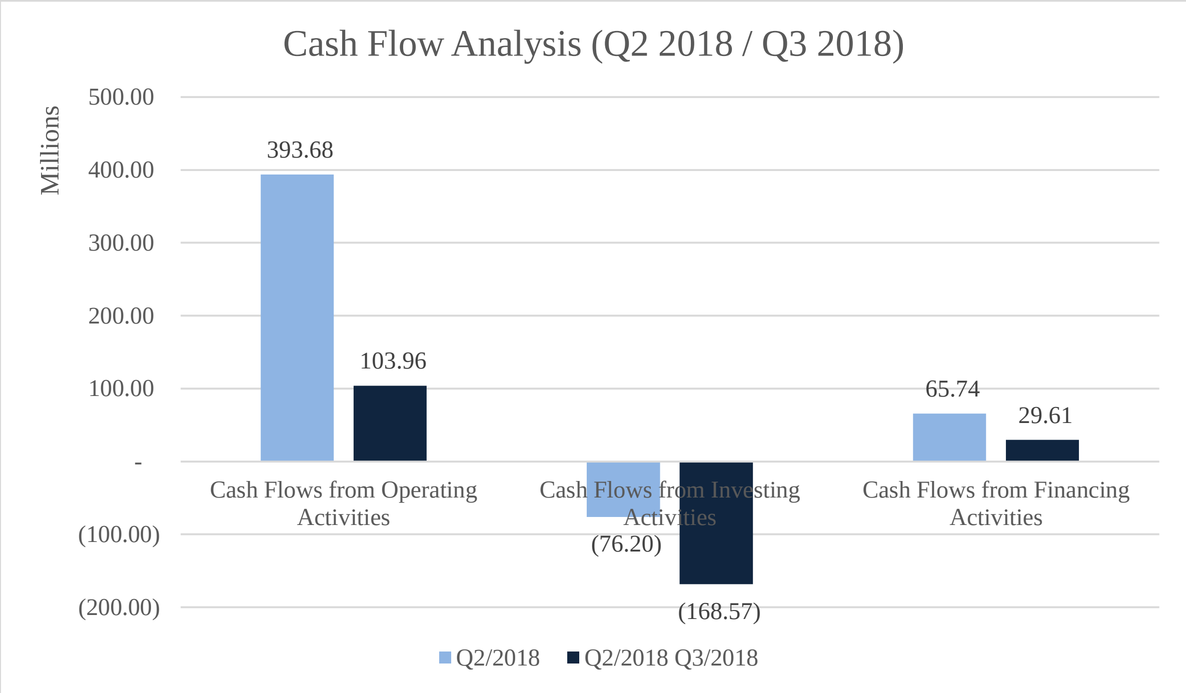
- Gross Income increased by 1% compared to the previous quarter and net interest income increased by 2% as result of growth in interest income and fall in interest expenses.
- Operating profit increased by 5.5%. This is mainly due to increased net interest income along with increased operating income and further lower operating expenses.
- This resulted in improvement in profit by 12.6% compared to the last quarter. Moreover, expansion of business activities from all segments and reduced levels of non-performing loans contributed to the increased profits.

LEVERAGE	Q2/2018	Q3/2018
DEBT-EQUITY	17.29	17.01
DEBT TO ASSETS	4.36	4.64
LONG TERM DEBT TO CAPITALIZATION	14.74	14.54



- Debt to equity ratio reduced marginally as a result of increased total equity of the company by MVR 269 million compared to the previous quarter.
- Debt to assets ratio increased marginally as result of increased borrowings along with fall in total assets.
- Capitalization ratio marginally declined, thus borrowing level of the company remains at a satisfactory level.

Cash Flow Analysis



- Cash flow from operating activities reduced indicating that BML is not able to generate as much cash as they generated in the previous quarter through operating activities. However, they are able to generate MVR 103.96 million in Q3 2018.
- Cash flow from investing activities resulted a negative MVR 168 million due to higher investments during the quarter.
- Cash flow from financing activities has been reduced by MVR 36 million in Q3 2018 compared to the previous quarter.

Important Projects undertaken in the quarter

The main business developments in this quarter includes:

- Launching an innovative online International money transfer system that allows to conveniently make overseas transfers of up to USD 3,000 per day using smartphones.
- Opening of new self-service banking centers.
- Implemented additional CSR initiatives to support educational, sports and environmental causes.

The flowing table shows major developments over the quarters.

	Q3 2017	Q2 2018	Q3 2018
Customers	260,000	260,000	260,000
Branches	34	34	34
ATMs	90	95	97
Cash Agents	205	277	277
POS Merchants	4,000	5,000	5,000
Self Service Banking Centers	30	35	37
Dhoni Banking Trips	2,000	2000	2,000
Loans	11 billion	13 billion	13 billion
Customer Deposits	14 billion	15 billion	14 billion
Government loan schemes	1 billion	1 billion	1 billion
Jobs	950	950	950

Conclusion

BML is highly profitable when compared to the quarters Q3 2017, Q2 2018 and Q3 2018. Gross income, net interest income and profit for the year along with earnings per share has increased.

BML is not highly geared when debt ratios are concerned. Both borrowing and equity of the company increased thus overall financial risk of the company remains at relatively same level. BML has a dividend yield of 7.3% and they have a strong capital position well above regulatory requirement.

Recommendation

- BML should implement strategies to reduce the provision for doubtful debts and should focus on credit control. BML can review their existing internal control mechanisms and take proper measures to improve the mechanisms. Also, they can implement strategies to assess the customer's credit worthiness and set appropriate credit limits in order to reduce number of non-performing loans. They can also make clear terms and conditions and make customers more aware of them.
- Internal control and risk management:
  Proper risk management and internal control will assist BML in making informed decisions about the level of risk that they want to take and implementing the necessary controls to effectively pursue their objectives. Risk management and internal control should always be considered when setting and achieving the organizational objectives.
- Internal audit and Governance:
  Proper internal control includes conducting proper internal audit programs and monitoring activities to identify and report the control weaknesses associated with the bank. These audits should be rigorous enough to identify the problems and when the auditors identify the problems, mechanisms should be in place to ensure that the management corrected the deficiencies through proper governance.

Quarterly review; Quarter 3, 2018

DHIVEHI RAAJJEYGE GULHUN (DHIRAAGU) PLC

DHIVEHI RAAJJEYGE GULHUN (DHIRAAGU) PLC

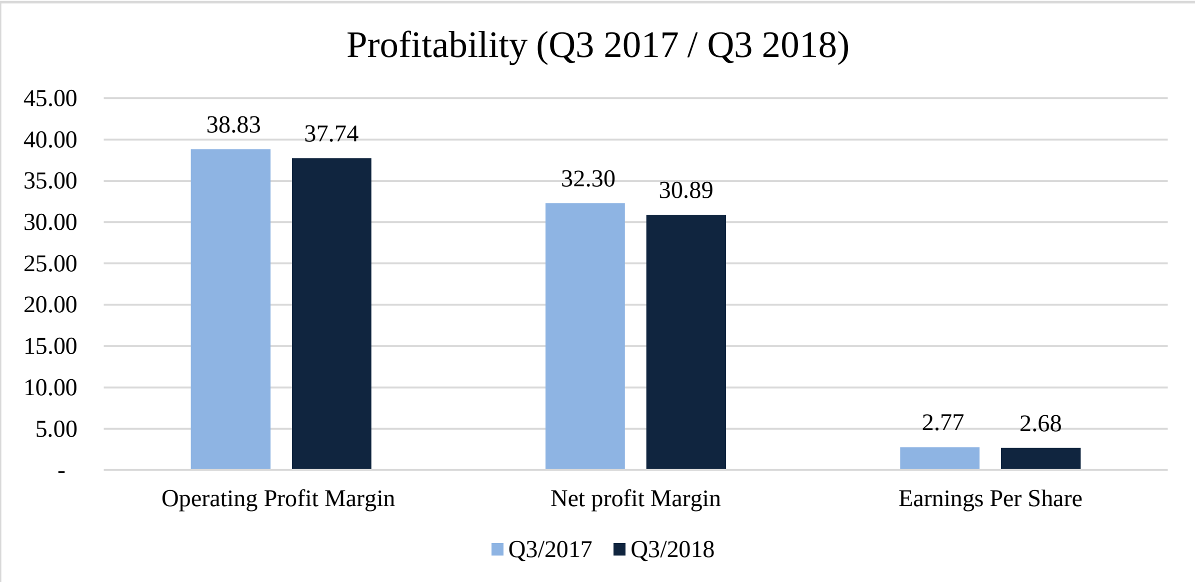
Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/DHIRAAGU/Q3

Q3 of 2017 AND Q3 of 2018

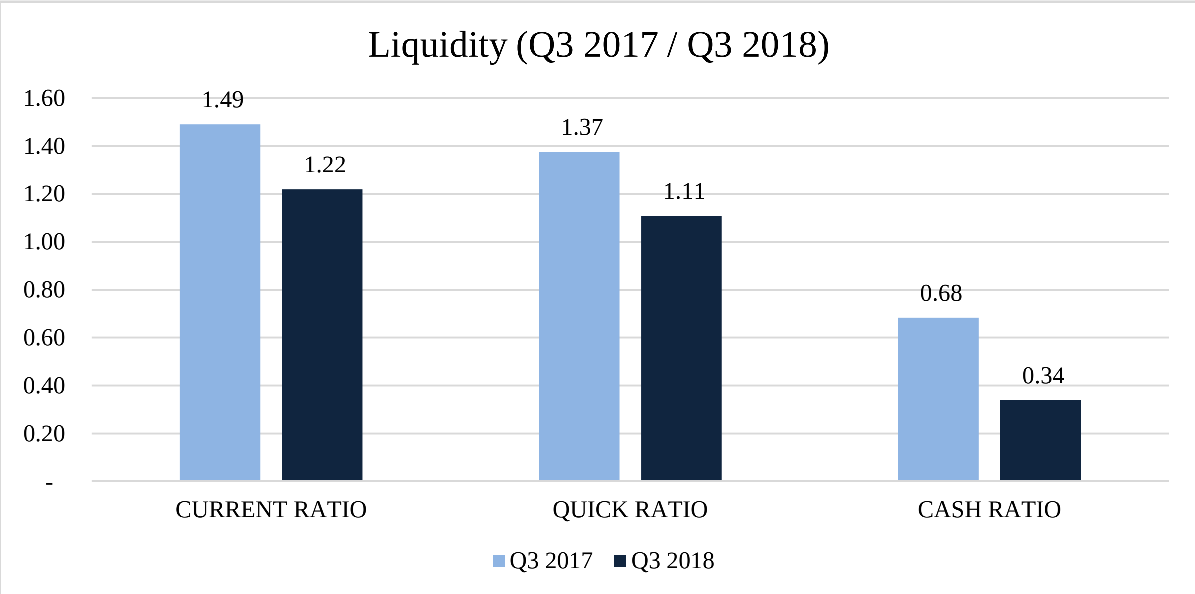
PROFITABILITY	Q3/2017	Q3/2018	Change	%
Revenue	651,841,000	658,464,000	6,623,000	1.02
Operating Profit	253,098,000	248,480,000	-4,618,000	-1.82
Profit Before Tax	247,674,000	239,288,000	-8,386,000	-3.39
Profit After Tax	210,514,000	203,412,000	-7,102,000	-3.37

	Q3/2017	Q3/2018
Operating Profit Margin	38.83	37.74
Net profit Margin	32.30	30.89
Earnings Per Share	2.77	2.68



- During the third quarter of 2018, Dhiraagu reported a 1.02% increase in revenue compared with the same quarter of 2017 which was driven by growth in adjacent business revenue.
- Operating profit reduced by 1.82% as a result from increased operating costs. Moreover, other income reduction also contributed to this deterioration.
- Profit for the quarter weakened by 3% as a result of higher cost and operating expenses. Further financing expenses increased in Q3 2018 compared to Q3 2017.
- Dhiraagu has a satisfactory profit margin of 32% and 31% in Q3 2017 and Q3 2018 respectively. However, Operating profit margin and net profit margin reduced due to lower profits.
- Earnings per share also drop marginally as a result of lower profits.

LIQUIDITY	Q3/2017	Q3/2018
NON CURRENT ASSETS	1,914,956,000	2,117,133,000
CURRENT RATIO	1.49	1.22
QUICK RATIO	1.37	1.11
CURRENT ASSETS	996,572,000	825,035,000
CURRENT LIABILITIES	668,740,000	676,934,000
WORKING CAPITAL	327,832,000	148,101,000
CASH RATIO	0.68	0.34
INVENTORY	77,307,000	75,513,000

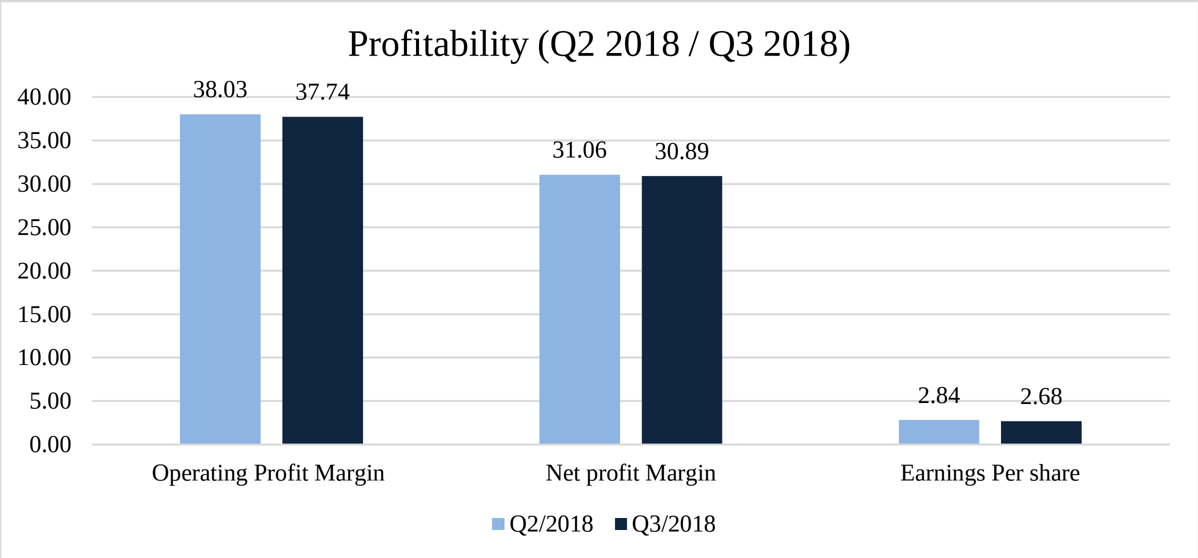


- Non-current assets increased by 10.6% compared to the same quarter of 2017. This was mainly as a result of increasing intangible assets and property, plant and equipment.
- Current assets reported MVR 996 million in Q3 2017 dropped by 17% in Q3 2018 mainly due to reduction in cash and bank balances by 50%.
- Compared to Q3 2017 current liabilities of the company increased by 1%. Trade and other payables increased by 2.5% and current tax liabilities fell by 14%. Trade and other payables represent 98% of total current liabilities thus any change in payable will have a great impact on current liabilities.
- Current ratio of 1.49 reduced to 1.22 due to declining current assets as a result of falling cash and bank balances. However, Dhiraagu is able to set off the liabilities against the current assets in Q3 2018.
- Quick ratio also reduced from 1.37 to 1.11. Based on the results reported in Q3 Dhiraagu is in a position to settle the current obligations with the current assets.
- Cash ratio of 0.68 reduced to 0.34 in Q3 2018 due to the reduction in cash and bank balances. Thus Dhiraagu has lost their capacity of settling short term obligations immediately with the available cash.

Q3 of 2018 AND Q3 of 2018

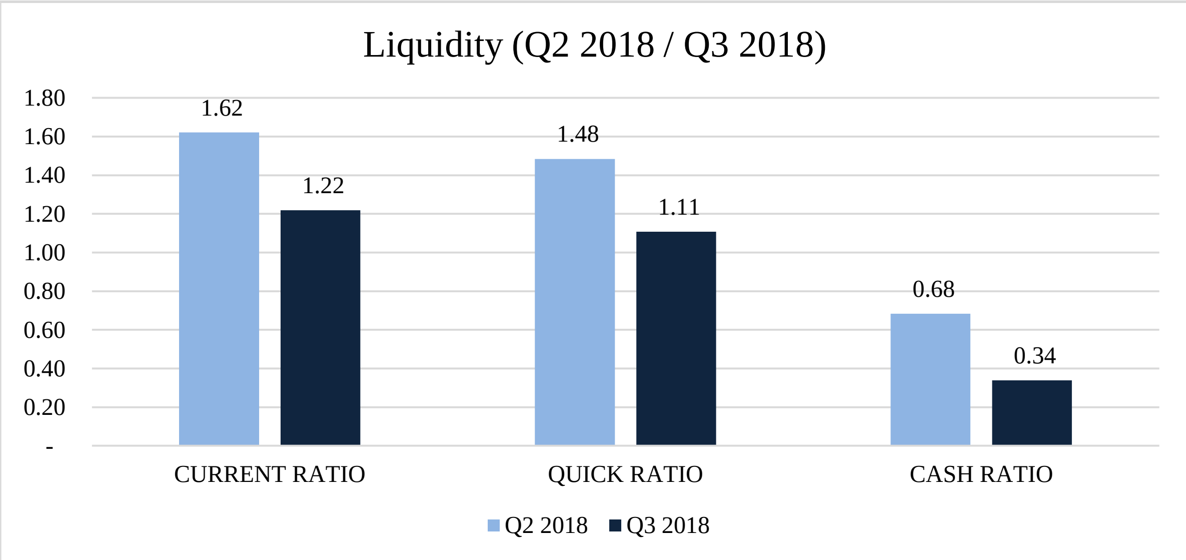
PROFITABILITY	Q2/2018	Q3/2018	Change	%
Revenue	694,395,000	658,464,000	-35,931,000	-5.17%
Operating Profit	264,097,000	248,480,000	-15,617,000	-5.91%
Profit Before Tax	250,777,000	239,288,000	-11,489,000	-4.58%
Profit After Tax	215,652,000	203,412,000	-12,240,000	-5.68%

	Q2/2018	Q3/2018
OPERATING PROFIT MARGIN	38.03	37.74
NET PROFIT MARGIN	31.06	30.89
EARNINGS PER SHARE	2.84	2.68



- Compared with previous quarter revenue of the company has declined by 5% as a result of falling seasonal roaming revenues and enterprises revenue.
- Operating profit fell by 5.9% as a result of decreasing revenue more than operating costs and increased depreciation and amortization and reduced revenue.
- The reduction in revenue led to a deteriorated net profit by 5.7%.
- Operating Profit Margin and Net profit margin fell as a result of revenue reduction.
- Earnings per share of 2.84 in Q2 2018 dropped to 2.68 in Q3 2018 due to profit deterioration.

LIQUIDITY	Q2/2018	Q3/2018
NON CURRENT ASSETS	2,108,520,000	2,117,133,000
CURRENT RATIO	1.62	1.22
QUICK RATIO	1.48	1.11
CURRENT ASSETS	1,052,302,000	825,035,000
CURRENT LIABILITIES	649,001,000	676,934,000
WORKING CAPITAL	403,301,000	148,101,000
CASH RATIO	0.68	0.34
INVENTORY	88,858,000	75,513,000



- Non-current assets increased by MVR 8 million compared to the previous quarter. This is an increase of 0.41%. Intangible assets increased by MVR 13 million while Property Plant and Equipment fells by MVR 5.8 million.
- Current assets reduced by 21.6% compared to the last quarter mainly due to reduction in cash and bank balances by MVR 214 million.
- Cash and bank balances include MVR 158 million as short term deposits in Q2 2018. In Q3 2018 this amount reduced to MVR19.6 million, leading total cash and bank balance to fall by 48%.
- Current Liabilities rose by 4% due to rising trade payables.
- Current ratio of 1.62 reduced to 1.22 in Q3 2018 due to reduced current assets along with increased current liabilities.
- Quick ratio also reduced from 1.48 to 1.11 due falling current assets.
- Cash ratio of 0.68 reduced to 0.34 in Q3 2018 due to the reduction in cash and bank balances. Thus Dhiraagu has lost their capacity of settling short term obligations immediately with the available cash.

Important Projects undertaken in the quarter

Dhiraagu extended their Fibre Broadband service to 70% of households and expanded Dhiraagu TV to new islands. A new Prepaid Plan was launched which offered the option to customize voice and data add-ons. Dhiraagu delivered a key ICT project for the Ministry of Education "Digital Schools" and provided connectivity to all government schools in the country.

Conclusion

With regard to the same quarter of the previous year and the preceding quarter, Dhiraagu has not shown remarkable improvements in their profitability merely due to loss of revenue in certain segments of the business.

Liquidity position has also been weakened due to reduction in cash and bank balances. Dhiraagu is in a position to settle the current liabilities with the current assets available, however, they are not in a position to settle the obligations with cash only.

Additionally, Dhiraagu does not have any borrowings and hence, they will not have any securities associated with the borrowings. Thus more capital can be used for business activities since operations are fully funded within their own capital.

Recommendation

- Increase revenue and reduce costs;
  It is important for Dhiraagu to improve revenue in all areas of the business for a sustainable development. Revenue from seasonal roaming and enterprises revenue has fell which led to drop in profits. Thus, Dhiraagu can formulate ways to improve revenue from the weak areas of the business.
  Along with revenue improvement, cost reduction is also important to achieve decent profits. For company like Dhiraagu, cost reduction through economies of scale will give a competitive advantage over its competitor.

- Reduce receivables and Payables:
  Dhiraagu has a high value of receivables in comparison with the total short term assets. Thus, strategies need to be formulated to collect receivables at the earliest. Proper actions need to be taken against the overdue customers.
  At the same time payables need to be reduced by reducing the credit payments and paying the due suppliers.

Quarterly review; Quarter 3, 2018

GREATER MALE' INDUSTRIAL ZONE LTD

GREATER MALE' INDUSTRIAL ZONE LTD

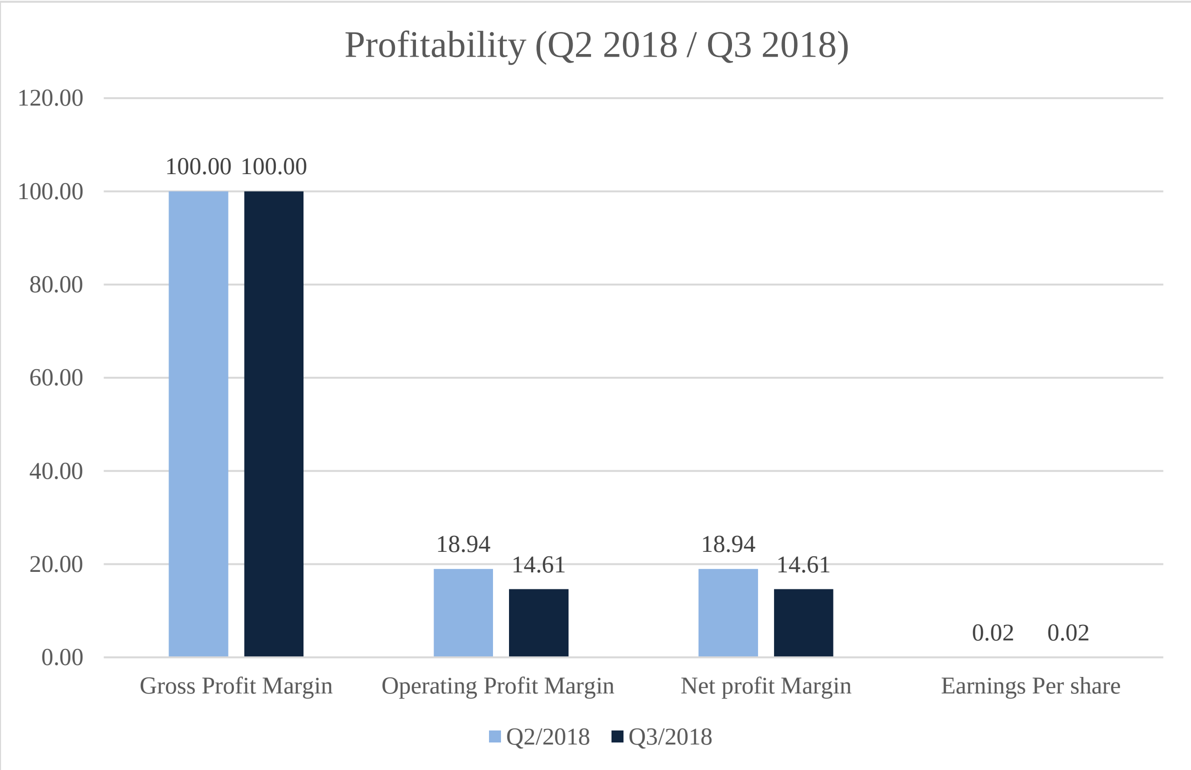
Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/GMIZL/Q3

Q2 of 2018 AND Q3 of 2018

PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	22,879,100	27,479,763	4,600,663	20.11%
GROSS PROFIT	22,879,100	27,479,763	4,600,663	20.11%
OPERATING PROFIT	4,332,208	4,014,758	(317,450)	-7.33%
PROFIT BEFORE TAX	4,332,208	4,014,758	(317,450)	-7.33%
PROFIT AFTER TAX	4,332,208	4,014,758	(317,450)	-7.33%

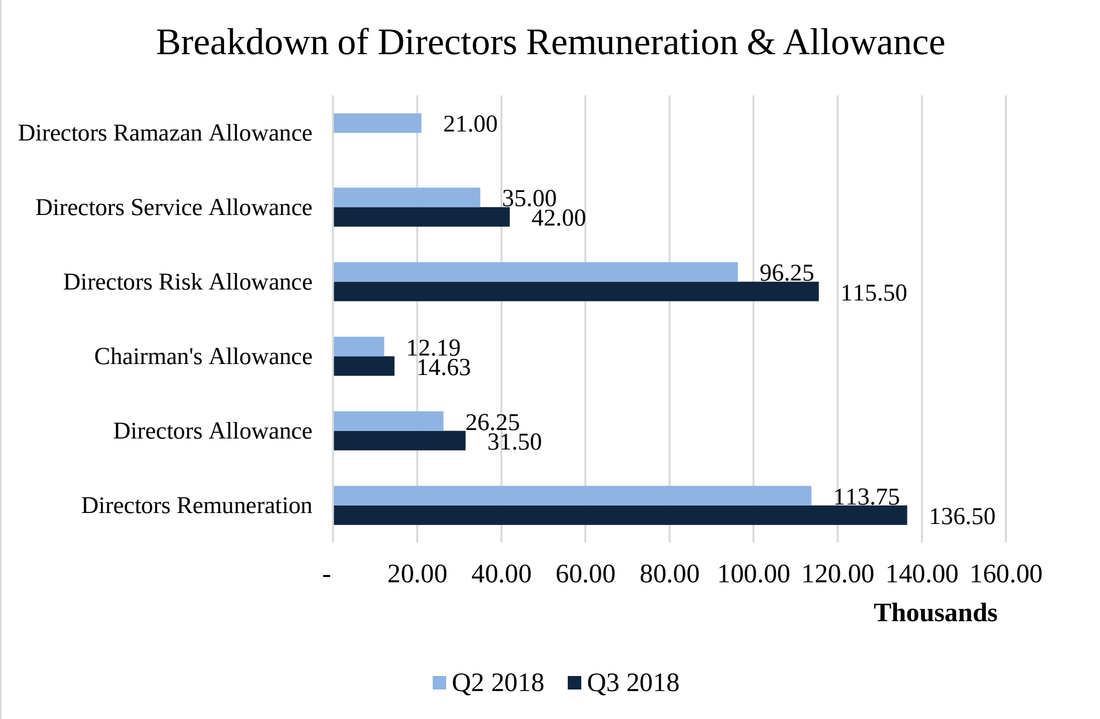
	Q2/2018	Q3/2018
GROSS PROFIT MARGIN	100	100
OPERATING PROFIT MARGIN	18.94	14.61
NET PROFIT MARGIN	18.94	14.61
EARNINGS PER SHARE	0.02	0.02

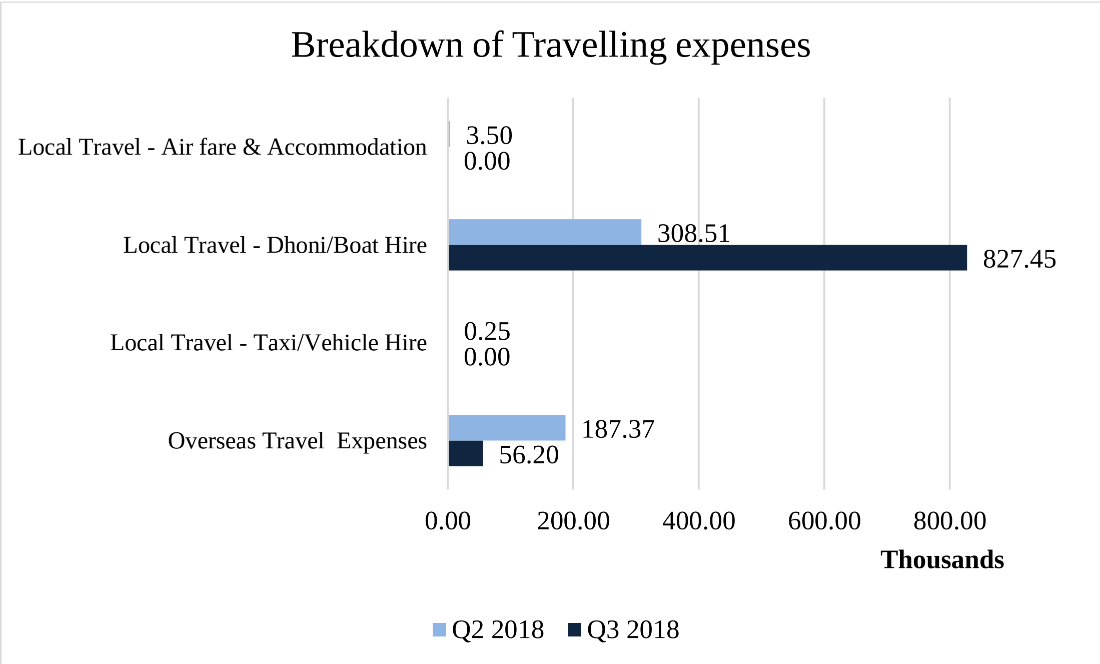


- Revenue increased by 20% compared to the last quarter mainly due to greater rental income from Thilafushi leased plots and Gulhifalhu leased plots.
- Revenue and gross profit is equal since there were no cost of sales.
- Operating profit fell by 7% due to higher administrative expenses and lower other incomes. Major expenses like salaries and wages increased by 28% and cleaning and

maintenance increased by 73%. In addition to this, travelling and legal expenses increased by 76% and 70% respectively.

The breakdowns of some of the increased operating expenses are summarized below;

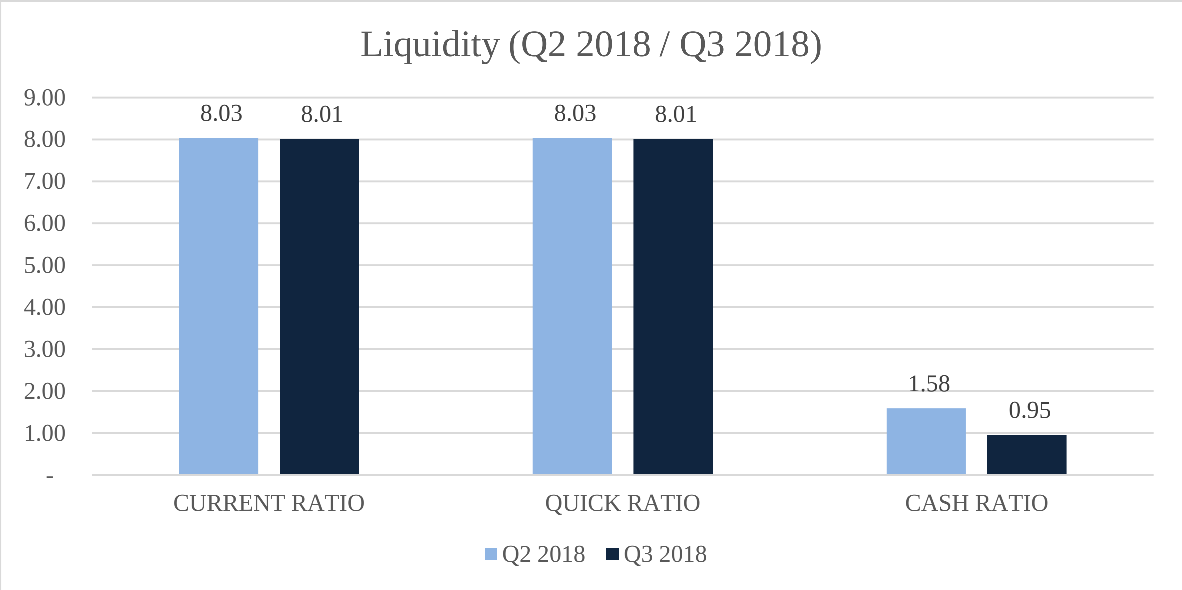




Salaries and wages	**14,104,048.52**	**11,034,917.73**
Wages and salaries	8,728,707.65	7,186,858.45
Staff allowances	4,859,079.91	3,415,683.48
Contribution to Maldives Retirement Pension	516,260.96	432,375.80
Description	**Total**	**Total**
Gross Salaries - Local Staff	3,699,893.02	3,755,361.16
Overtime - Local Staff	445,793.02	376,290.79
Salaries-Contract Staff	3,406,103.76	2,095,479.07
Gross Salaries-Expatriate Staff	821,684.10	699,410.66
Overtime-Expatriate Staff	355,233.75	260,316.77
Total:	**8,728,707.65**	**7,186,858.45**
Description	**Total**	**Total**
Food Allowance - Local Staff	449,541.67	294,390.10
Ramazan Allowance - Local Staff	0.00	237,219.94
Acting Allowance - Local Staff	62,641.46	52,428.28
Attendance Allowance-Local Staff	1,535,105.35	1,044,185.42
Service Allowance	1,645,068.54	960,356.67
Other Allowances - Local Staff	154,532.89	127,324.00
Food Allowance-Expatriate Staff	534,600.00	273,887.74
Attendance Allowance - Expatriate Staff	328,920.00	203,866.33
Ramazan Allowance - Expatriate Staff	0.00	141,000.00
Service Allowance - Expatriate Staff	89,720.00	39,900.00
Medical Allowance - Expatriate Staff	29,700.00	16,750.00
Company Secretary Allowance	29,250.00	24,375.00
Total:	**859,079.91**	**3,415,683.48**

- Other incomes including jetty fees and income from sale of documents decreased in the quarter compared to the last quarter.
- Operating profit is equal to profit for the year since there were no finance costs in both quarters.
- Earnings per share is comparatively low as company earned lower profits compared to the ordinary shares in issue.

LIQUIDITY	**Q2/2018**	**Q3/2018**
NON CURRENT ASSETS	4,259,278,874	4,268,597,670
CURRENT RATIO	8.03	8.01
QUICK RATIO	8.03	8.01
CURRENT ASSETS	146,701,484	140,698,039
CURRENT LIABILITIES	18,262,472	17,563,064
WORKING CAPITAL	128,439,012	123,134,975



- Non-current assets increased marginally by 0.2% compared to the last quarter as a result of increased property plant and equipment.
- Current assets reduced by 4% mainly due to decline in cash and cash equivalents compared to the last quarter. Trade and other receivables and business profit tax asset increased compared to the previous quarter.
- Current liabilities also reduced by 4% due to reduction in the trade and other payables. The payables include rent received in advance, trade payables and accrued expenses.
- Cash ratio fell from 1.58 to 0.95 in Q3 2018 as a result of cash and cash equivalents being reduced by 42% mainly due to increased cash used in investing activities.
- Current ratio equaled to quick ratio as the company does not maintain inventories.

Important Projects undertaken in the quarter

The on-going projects by GMIZL includes:

- Access road project commenced on November 2016 valued at MVR 48 million estimated to be completed by November 2018.
- Carpentry and Workshop project valued at MVR 200,000/- commenced on March 2018 estimated to be completed by November 2018.

Conclusion

GIZML reported a satisfactory growth in revenue since rental income from Thilafushi and Gulhifalhu industrial leased plots increased. However, the company is unable to generate profit due to unusual increment in administrative costs mainly due to increased staff related costs.

The current ratio is high as the company has high current assets in comparison with the current liabilities. Current assets fell compared to the previous quarter as a result of decline in cash and cash equivalents. The company is having a good liquidity position where they can settle the short term obligation with the current assets. However they have a high level of receivables compared to revenue which increased by 4% compared to the previous quarter. Conversely, they have low financial risk due to absence of borrowings.

Recommendation

- Increase Revenue:
  GMIZL should look for ways to improve revenue other than revenue from leasing plots. This will create a more diversified environment for GMZIL by adding means to earn revenue like mooring rental, lorry rental etc.
- Reduce Expenditure / Improve Efficiency
  GMZIL has reported high administrative expenses. Their administrative expenses has to be reduced in order to earn higher profits. The staff costs can be minimized by cutting down the excess number of staffs or by controlling the staff pay. The resources should be used more efficiently and in a way which could help to achieve a greater efficiency in every aspect of business operation.
- Have Proper business plans:
  Planning is the most vital part of any business. In order to run the business smoothly, GMZIL needs to have proper plan and a vision of where to take the business in future. Proper planning and effective implementation of strategic plan is essential to run the operations efficiently.
- Improve receivable collection and cash flow position:
  Efficient receivable collection mechanisms will reduce the receivables and enhance the cash position of the company. Cash flow enhancement will enable GMZIL to undertake more investing activities which could yield higher income in the future.

Quarterly review; Quarter 3, 2018

MALDIVES HAJJ CORPORATION LIMITED

MALDIVES HAJJ CORPORATION LIMITED

Q3 2018 PERFORMANCE ANALYSIS

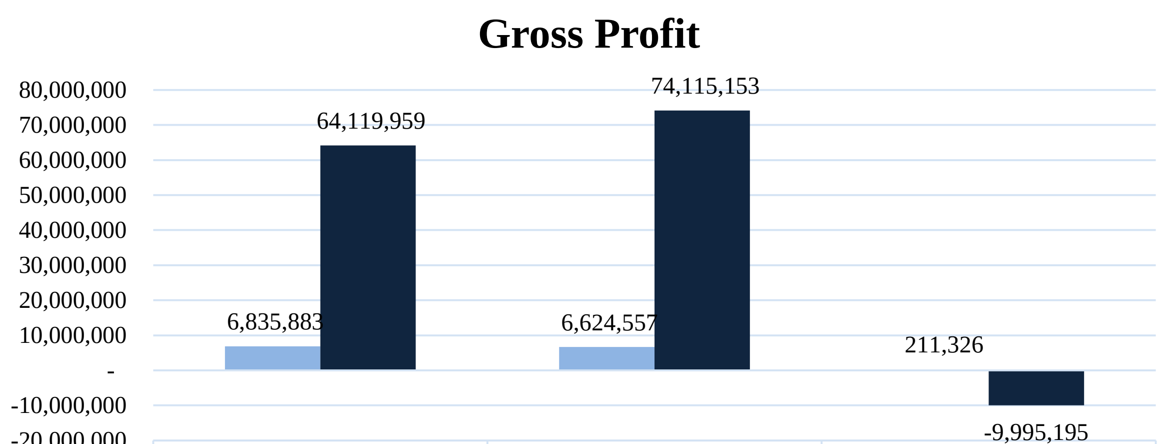
Report No: PEM/2018/HAJJ/Q3

Q2 of 2018 AND Q3 of 2018

Profitability

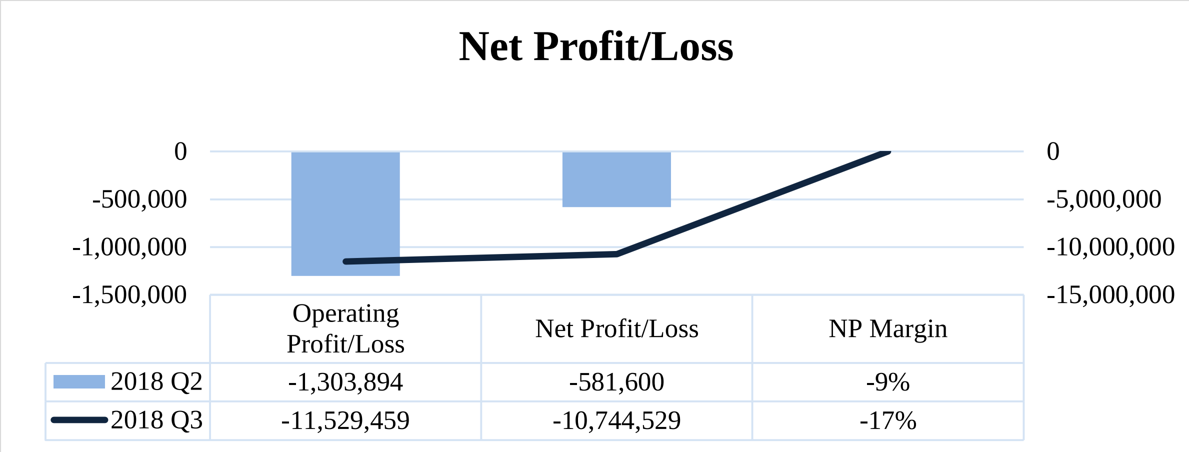
PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	6,835,883	64,119,959	57,284,076	838%
COST OF SALES	6,624,557	74,115,153	67,490,596	1019%
GROSS PROFIT	211,326	(9,995,194.62)	(10,206,520)	-4830%
EXPENSES	1,515,219	1,534,265	19,045	1%
OPERATING PROFIT	(1,303,894)	(11,529,459)	(10,225,565)	784%
FINANCE INCOME	722,294	784,930	62,636	9%
NET PROFIT/LOSS	(581,600)	(10,744,529)	(10,162,929)	1747%

	Q2/2018	Q3/2018
Gross Profit Margin	3.09	-15.59
Net profit Margin	22.17	2.39

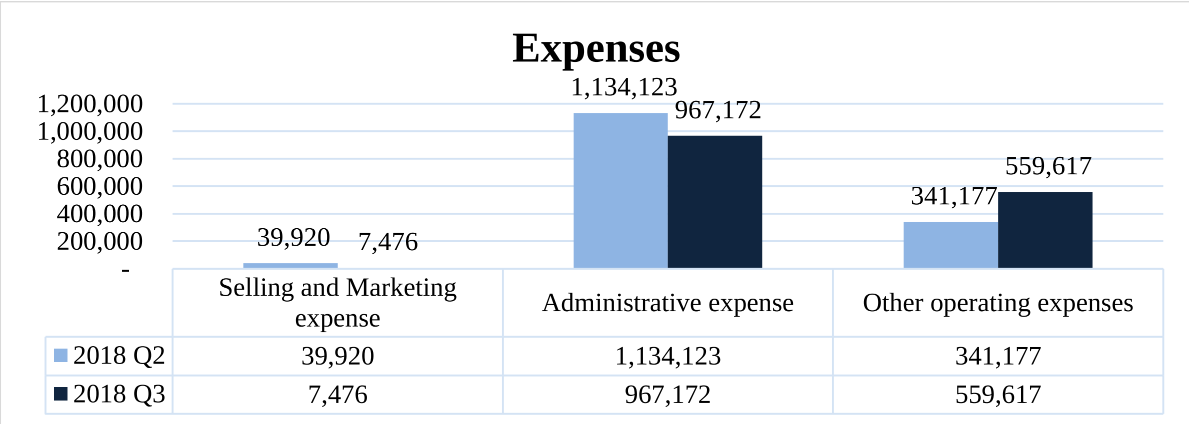


	Revenue	Cost of Sales	Gross Profit
2018 Q2	6,835,883	6,624,557	211,326
2018 Q3	64,119,959	74,115,153	-9,995,195

- The revenue has increased from MVR 6 million to MVR 64 million in quarter 3, this is because the hajj period falls in the third quarter. Likewise, cost of sales has also increased accordingly. Although the revenue increased Hajj corporation has made a gross loss due to high direct costs. It is important to highlight that the company provides hajj services at a loss.



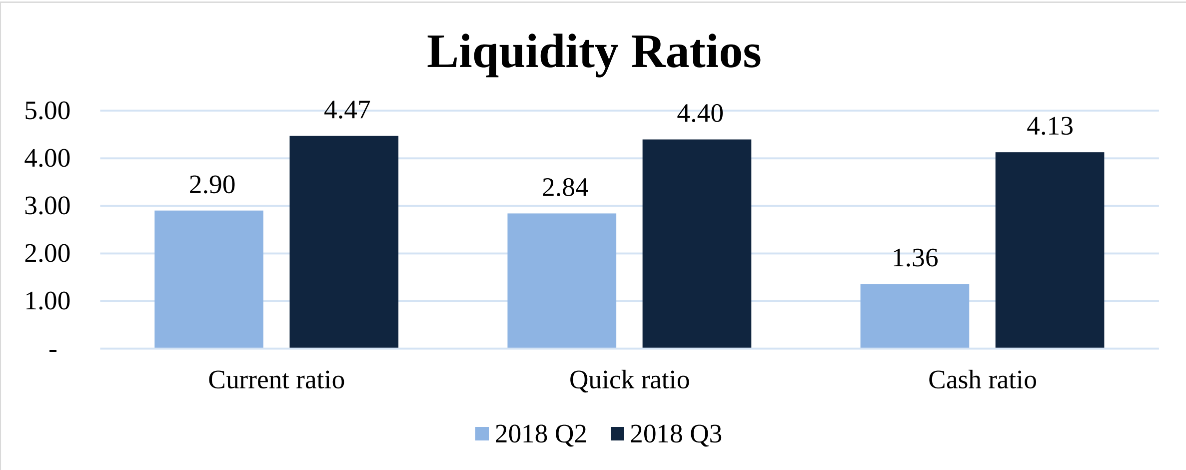
- Operating loss of the company has further increased from MVR 1 million to MVR 11.5 million in 2018 Q3. The net loss has decrease due to investment income.



- Selling and Marketing expenses and other operating expenses has recorded a growth in Q3. On the other hand, administrative expenses has reduced. The expenses increased in proportion to the increase in revenue.

Liquidity and Working Capital

LIQUIDITY	Q2/2018	Q3/2018
NON CURRENT ASSETS	92,146,721	62,193,677
CURRENT RATIO	2.9	4.47
QUICK RATIO	2.84	4.4
CURRENT ASSETS	80,189,778	73,405,654
CURRENT LIABILITIES	27,663,035	16,413,639
WORKING CAPITAL	52,526,742	56,992,016
CASH RATIO	1	4
INVENTORY	1,606,967	1,221,376



- Both current ratio and quick ratio has improved in Q3, showing that the company is in a position to meet its short term obligations. Only the cash balance itself is also enough to cover the current liabilities of the company. However, it is important to highlight that cash balance consists of the capital injections from government and money collected from trustees.
- Current assets of the company has decreased mainly due to reduction in receivables. However, it shows that the company has collected its receivable which is favorable for the company.
- Current liabilities of the company consists of trade and other payables and advance received from customers for Hajj.

Important Projects undertaken in the quarter

- No important projects were undertaken in this quarter.

Conclusion

Revenue of the company has increased significantly mainly due to Hajj revenue falling for the third quarter. Although the revenue has increased, company was unable to make a profit due to high costs and expenditure.

The liquidity position of the company is favorable, however it is due to the capital injections by the government and money collected from trustees. As such the company is unable to finance the operations by itself through the revenue.

Recommendations

- Reduce costs
  In order to maintain the sustainability of the company, MHCL must reduce its costs and expenses. Currently the [price charged from pilgrim are lower than the direct costs of the service. Therefore, the company must manage its costs and try to find areas where it can save costs.
- Reduce receivables
  MHCL should also give consideration on improving the receivable collection in order to maintain a healthy liquidity position. In quarter 3 of 2018, the receivable balance has reduced from MVR 41 million to MVR 4 million.
- Though Hajj Corporation aims to provide an affordable price for citizens to perform Hajj, the rates charged should enable the company to cover the direct and indirect costs of the company. Thus, negotiations could be made with the government to revise the rates since the current rates are not ideal to cover the costs of the company.
- Operational expenses can be reduced by cutting down the avoidable expenses such as refreshments and events and ceremonies. Also MHCL should be cautious about the employment expense as it has recorded an upsurge.
- In order to sustain in the market Hajj Corporation has to reduce costs and increase efficiency. They should also utilize the funds collected from public efficiently for the growth of the company.
- Consequently, improving public image is also equally important to Hajj Corporation as the bad image will ultimately ruin the commercial life of the company. By raising the awareness among the customers as to where and how the funds are being utilized and the expected return, Hajj Corporation can maintain its public image.

Quarterly review; Quarter 3, 2018

HAZANA MALDIVES LTD

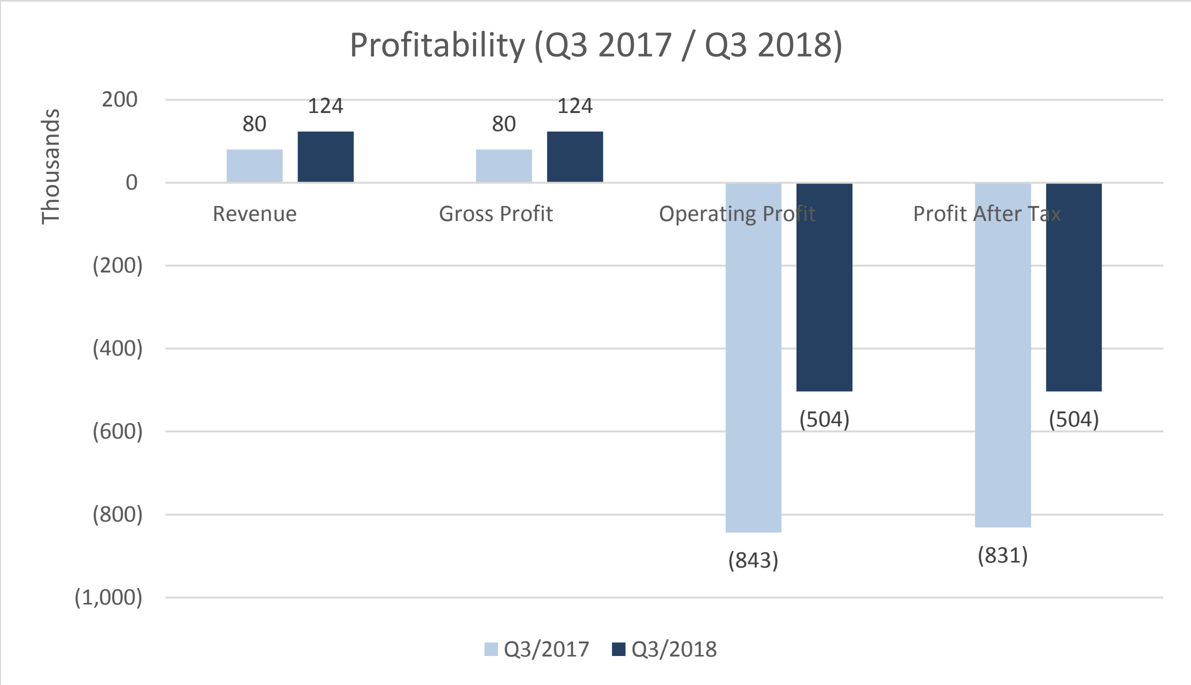
HAZANA MALDIVES LTD

Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/HAZANA/Q3

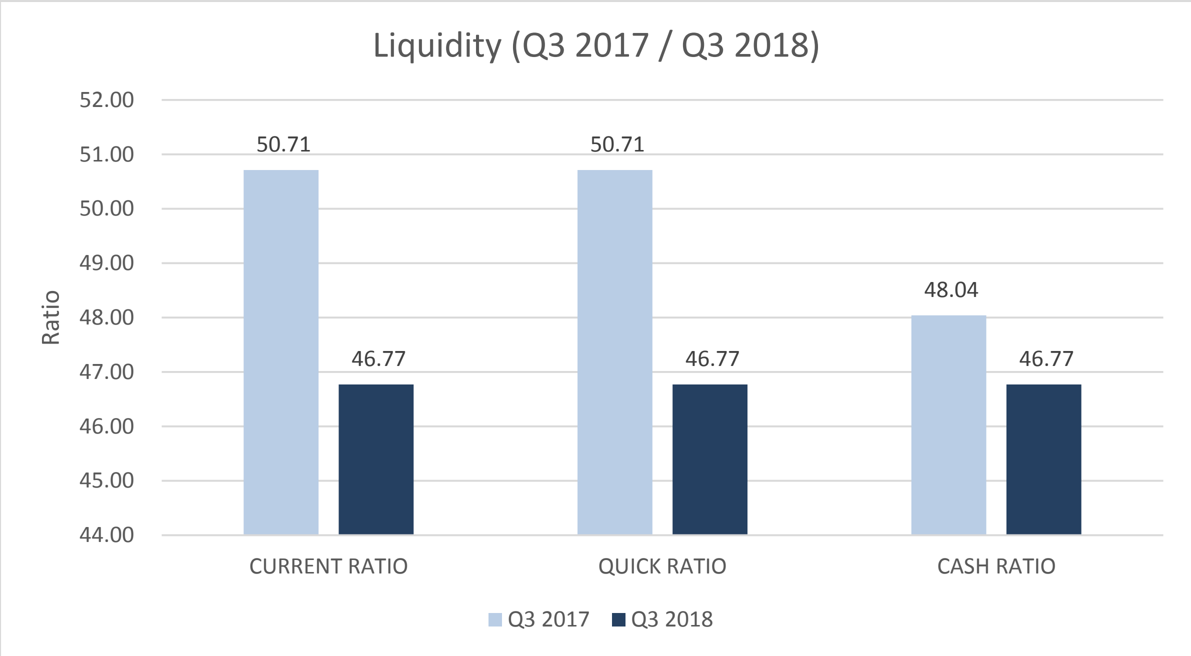
Q3 of 2017 AND Q3 of 2018

PROFITABILITY	Q3/2017	Q3/2018	Change	%
REVENUE	80,184	123,560	43,376	54
GROSS PROFIT	80,184	123,560	43,376	54
OPERATING PROFIT	-843,183	-503,617	339,566	-40
PROFIT AFTER TAX	-831,297	-503,617	327,680	-39



- Revenue increased by 54% compared to the same quarter of the previous year due to increased rental income.
- Cost of sales is nil resulting gross profit to be equal to revenue.
- Due to high administrative costs and other operating expenses resulted in operating losses in both quarters. The loss reduced in Q3 2018 due to higher revenue and lower administrative and other operating expenses. Operating loss is equal to loss for the year due to no finance costs or finance income in Q3 2018. In Q3 2017 the loss for the quarter has been reduced due to investment income being added to operating loss.

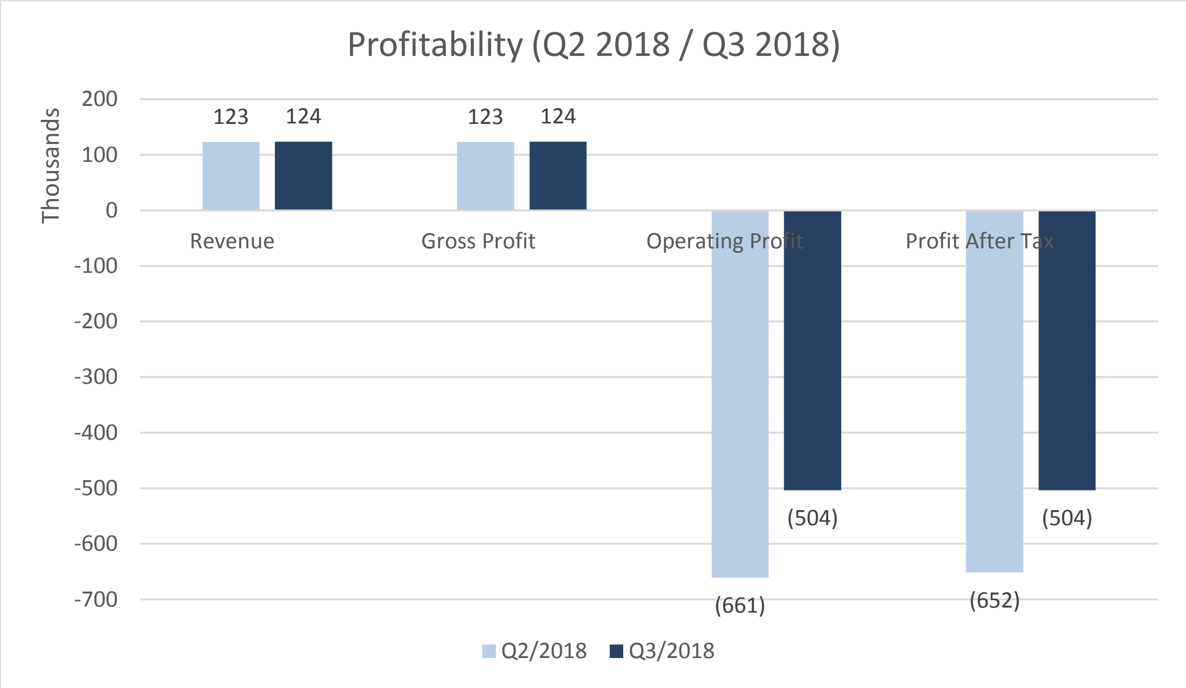
LIQUIDITY	Q3/2017	Q3/2018
NON CURRENT ASSETS	659,006	537,088
CURRENT RATIO	50.71	46.77
QUICK RATIO	50.71	46.77
CURRENT ASSETS	4,406,639	3,750,140
CURRENT LIABILITIES	86,895	80,184
WORKING CAPITAL	4,319,744	3,669,956
CASH RATIO	48.04	46.77



- Non-current assets decreased by 18.5% compared to the same quarter of the previous year due to the depreciation of the property plant and equipment.
- Current assets reduced by 15%. The biggest portion of current assets is held by cash and cash equivalents which is merely the capital injection by the government.
- Current liabilities decreased by 7.7% compare to Q3 2017.
- Current ratio of 50.71 reduced to 46.77. Though the ratios are high, this do not represent the true liquidity position of the company as the current assets has a greater portion of capital injected by government.
- Cash ratio is also high due to the capital contribution by the government.

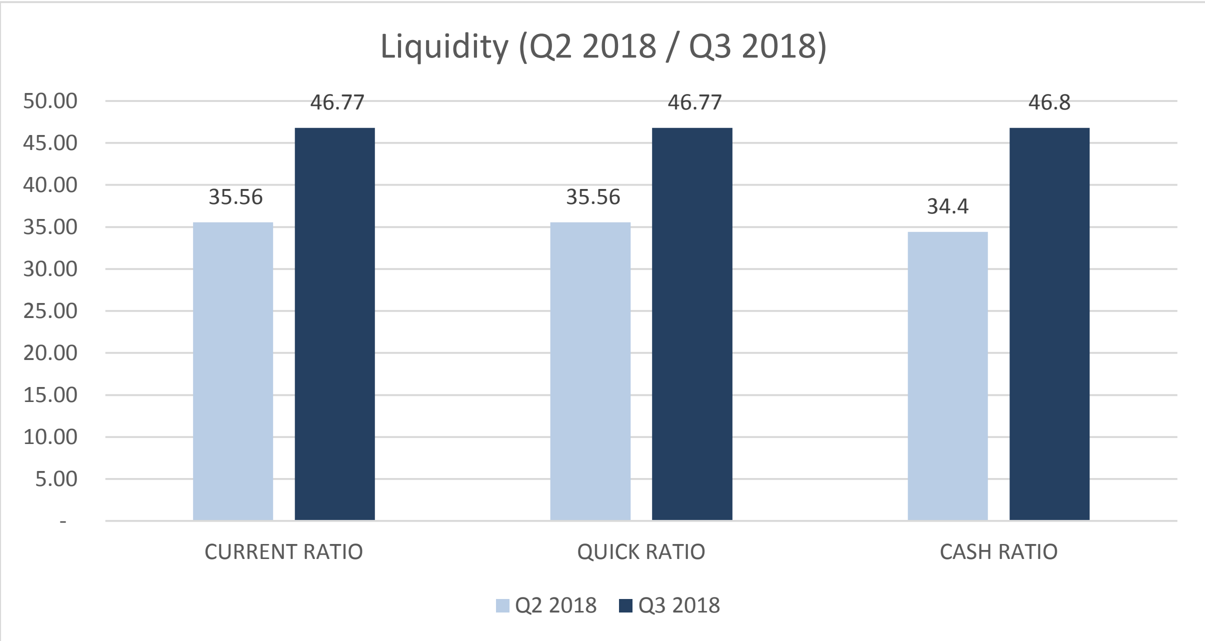
Q3 of 2018 AND Q3 of 2018

PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	122,743	123,560	817	0.67
GROSS PROFIT	122,743	123,560	817	0.67
OPERATING PROFIT	-660,500	-503,617	156,883	(23.75)
PROFIT AFTER TAX	-651,665	-503,617	148,048	(22.72)



- Revenue increased marginally by 0.67% due to higher rental income.
- Cost of sales were nil and thus gross profit is same as revenue.
- Operating loss was made due to high administrative costs and other operating expenses. However, the loss reduced due to the reduction of administrative expenses.
- In Q3 2018 Operating loss was equal to loss for the period. In Q2 2018 the loss for the quarter and operating loss is different since there is a finance income generated for the period.

LIQUIDITY	**Q2/2018**	**Q3/2018**
NON CURRENT ASSETS	537,088	537,088.00
CURRENT RATIO	35.56	46.77
QUICK RATIO	35.56	46.77
CURRENT ASSETS	4,294,339	3,750,140.00
CURRENT LIABILITIES	120,767.00	80,184.00
WORKING CAPITAL	4,173,572.00	3,669,956.00
CASH RATIO	34.39	46.76



- There is no acquisition or disposal of Non-current assets during the period.
- Current assets reduced by 13% compared to the previous quarter of 2018, mainly due to lower value of cash and cash equivalents while maintaining the same value of trade receivables.
- Current liabilities reduced by 34% compared to the preceding quarter.
- Current ratio increased as the current liabilities declined more than the current assets. However, a great potion of current assets is composed of capital contribution by the government and not the cash generated from their operations.

Conclusion

Hazana Maldives has increased revenue compared to the same quarter of the previous year. The net loss also has been reduced due to reduced expenditure. However, the administrative expenses and operating expenses are comparatively higher than the revenue generated thus company is making losses.

Based on the ratios, Hazana is at a position to settle the current liabilities with the short term assets. However, the largest portion of the current assets consist of capital injected by the government. Hazana is not generating sufficient revenue, hence company is operating with the support from shareholders.

Recommendation

- Hazana has to formulate a business plan and strategic plan which could assist them to achieve corporate objectives. Corresponding to any other business operation Hazana has to make profit motive as their main objective.
- Finding ways to increase revenue and work on earning an operating revenue is important for the company. Thus, appropriate measures should be taken to improve revenue and development of business. Further cost reduction and elimination of waste will support them to utilize resources efficiently.
- Reliance on shareholders fund should be minimized to a satisfactory level and try to finance independently.

Quarterly review; Quarter 3, 2018

HOUSING DEVELOPMENT FINANCE CORPORATION PLC

HOUSING DEVELOPMENT FINANCE CORPORATION PLC

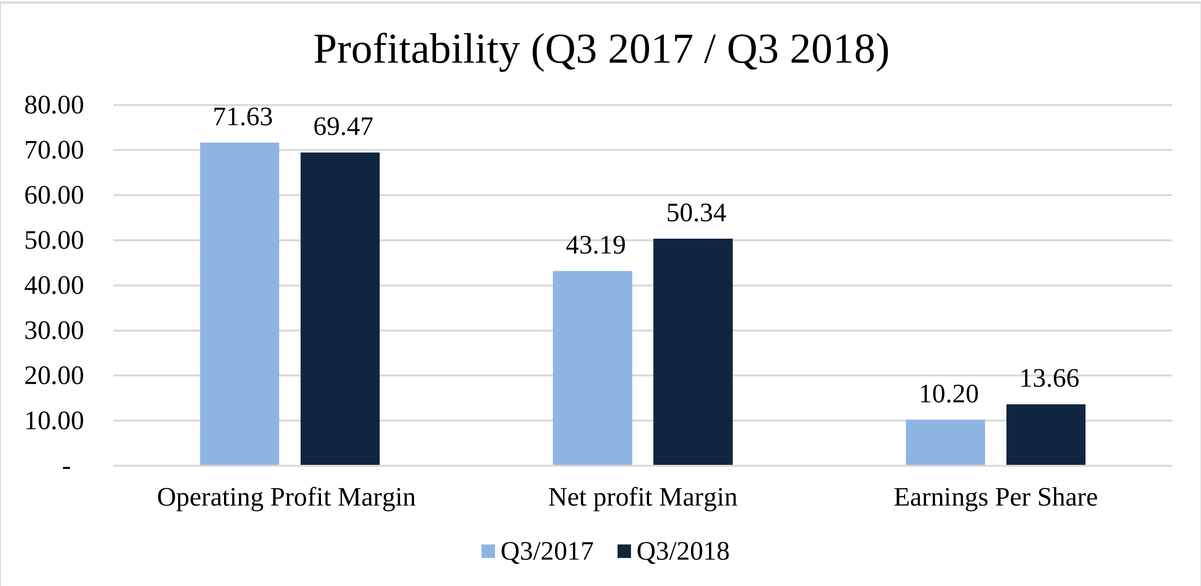
Q2 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/HDFCQ3

Q3 of 2017 AND Q3 of 2018

PROFITABILITY	Q3/2017	Q3/2018	Change	%
Gross Income	47,830,822	55,018,288	7,187,466	15.03
Net Interest Income	27,571,768	30,161,861	2,590,093	9.39
Total Operating Income	34,260,753	38,222,577	3,961,824	11.56
Profit Before Tax	19,975,281	25,832,563	5,857,282	29.32
Profit After Tax	20,659,907	27,698,672	7,038,765	34.07

	Q3/2017	Q3/2018
OPERATING PROFIT MARGIN	71.63	69.47
NET PROFIT MARGIN	43.19	50.34
EARNINGS PER SHARE	10.2	13.66

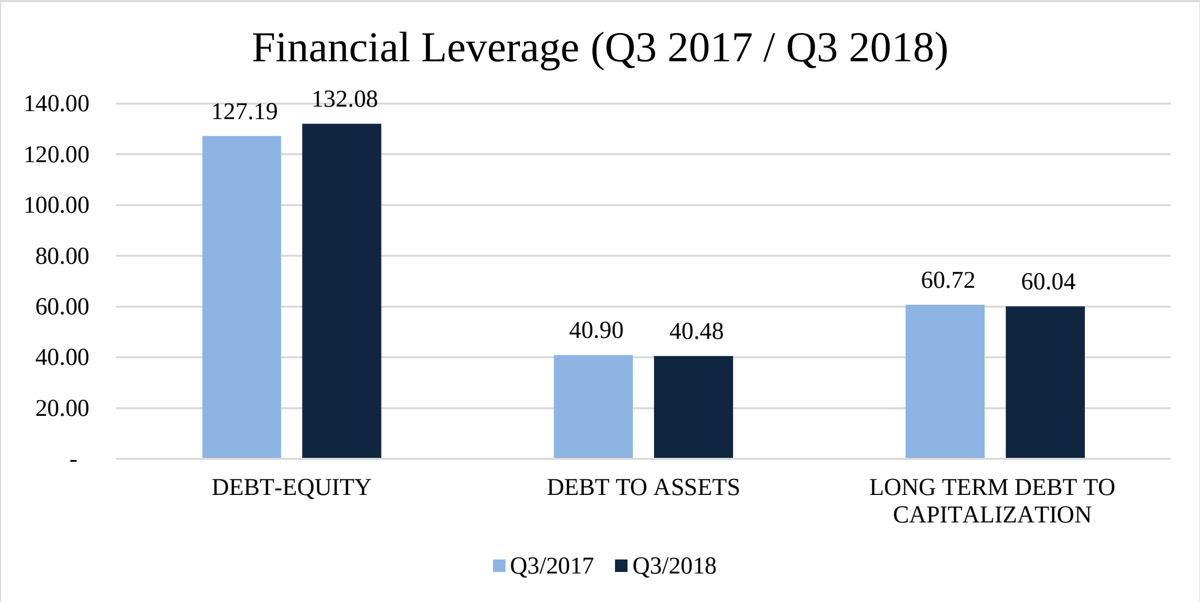


- Gross income increased by 15% compared to the same quarter of the previous year. The revenue of HDFC mainly includes interest received from the housing loans.
- Net interest income increased by 9% which combines interest income and interest expenses. For the calculation purpose, investment income from the Islamic wing Amna is added to the net interest income. Interest income includes income from housing loans and treasury bills. Interest income increased by 3.5 million while interest expense increased by 1.9 million compared to Q3 2017.
- Operating income increased by 11.6% compared to Q3 2017 mainly due to increased net income from sharia products along with increased fee income and other income

other than the increased net interest income. Fees and commission received from Amna Wing also contributes to the total operating income of the company.

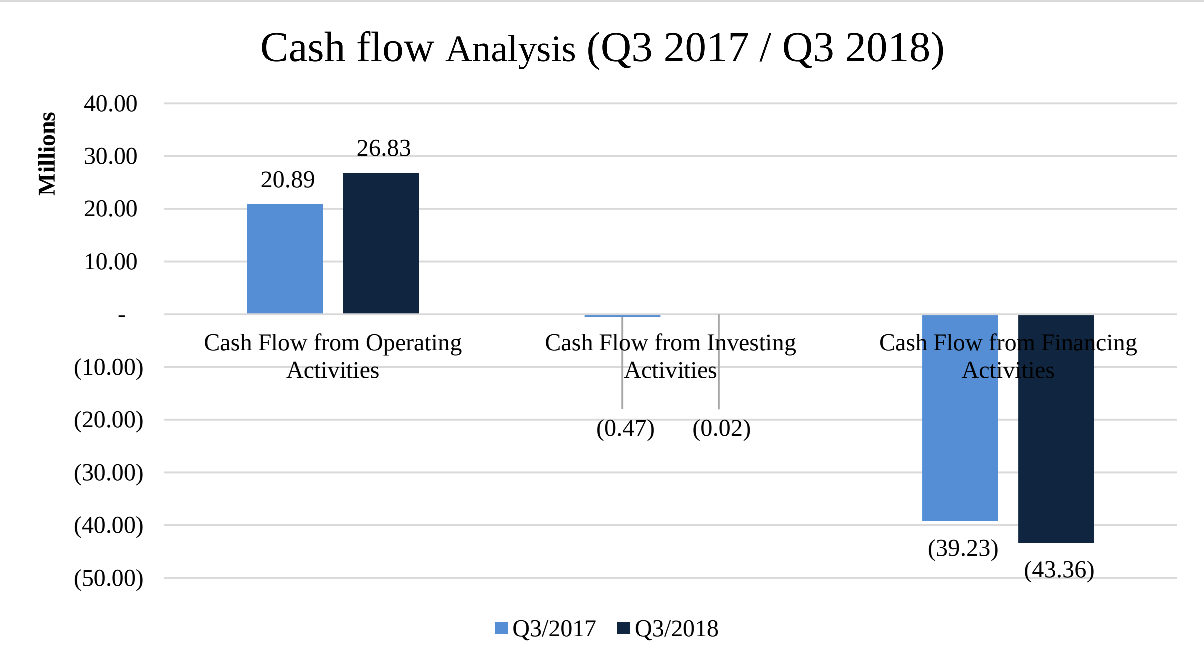
- Profit for the year increased by 34% mainly due to the reduction in the provision for impairment loss on loans and advances. Reduction in the costs such as staff costs and administrative expenses from the Amna wing contributed to the increased profit. Net profit margin is at reasonable level and have improved as a result of rise in profit.
- Earnings per share increased from 13.66 to 17.14 due to increased profits.

LEVERAGE	Q3/2017	Q3/2018
DEBT-EQUITY	127.19	132.08
DEBT TO ASSETS	40.90	40.48
LONG TERM DEBT TO CAPITALIZATION	60.72	60.04



- Debt to Equity increased from 127% to 132% compared to Q3 2017 due to increased borrowings. The total equity and reserve increased by MVR 63 million which is an increase of 12% compared to the same quarter of the last year as a result of retained earnings. In addition, the equity of Amna also increased by MVR 25.8 million which is an increase of 71% compared to Q3 2017.
- Debt to Assets reduced slightly from 40.9% to 40% due to rise in total assets greater than the borrowings. Cash and short term funds increased by MVR 30 million while the mortgaged facilities increased by MVR 66.7 million.
- Capitalization ratio remained almost same throughout the quarters as borrowings and equity increased. The gearing level of the company increased in Q3 2018 compared to Q3 2017.

Cash Flow Analysis	Q3/2017	Q3/2018
Cash Flow from Operating Activities	20,889,504.00	26,832,029.00
Cash Flow from Investing Activities	(471,037.00)	(21,160.00)
Cash Flow from Financing Activities	(39,227,057.00)	(43,364,688.00)

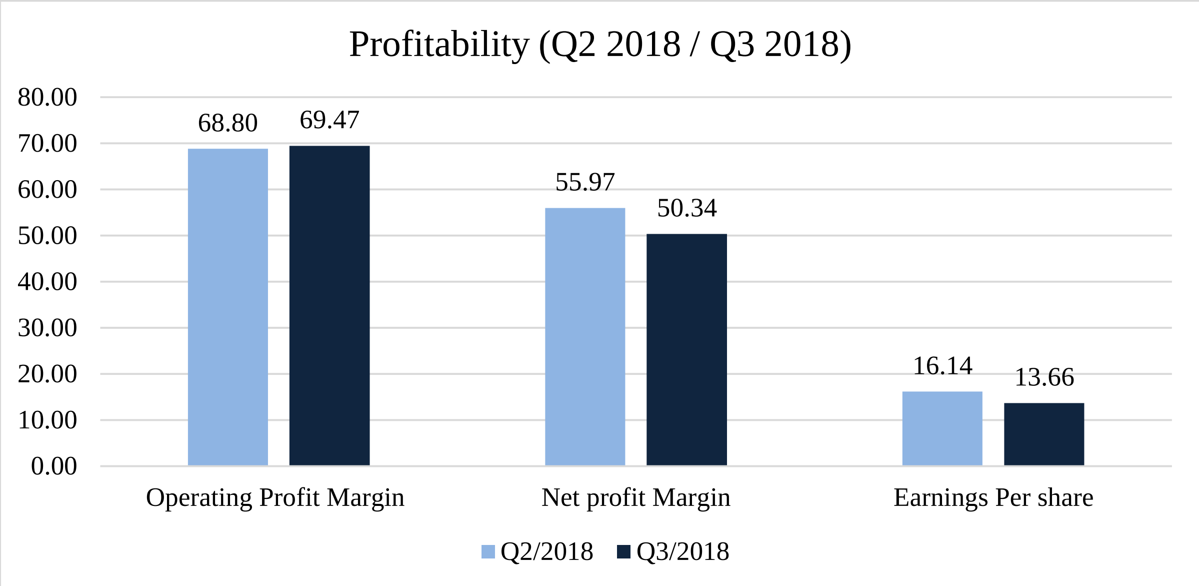


- Cash and cash equivalents increased by 32 million compared to Q3 2017 mainly due to increased cash inflow from operating activities and reduced outflow of cash in investing activities.

Q2 of 2018 AND Q3 of 2018

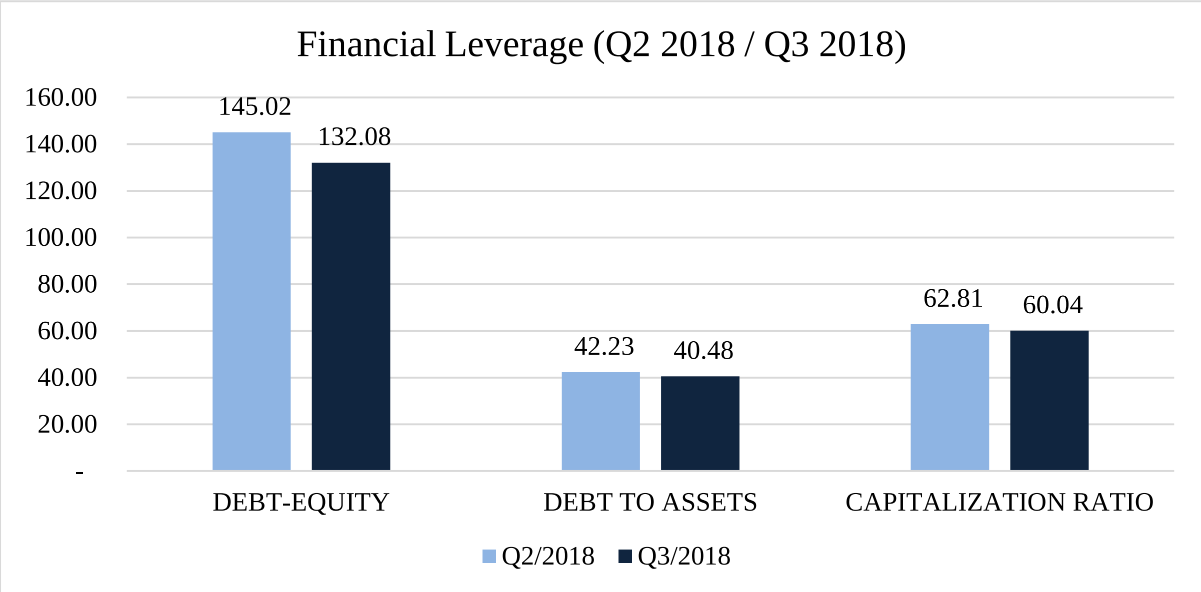
PROFITABILITY	Q2/2018	Q3/2018	Change	%
Gross Income	53,800,018	55,018,288	1,218,270	2.26
Net Interest Income	28,730,446	30,161,861	1,431,415	4.98
Total Operating Income	37,016,349	38,222,577	1,206,228	3.26
Profit Before Tax	27,258,556	25,832,563	(1,425,993)	(5.23)
Profit After Tax	30,110,913	27,698,672	(2,412,241)	(8.01)

	Q2/2018	Q3/2018
Operating Profit Margin	68.80	69.47
Net profit Margin	55.97	50.34
Earnings Per share	16.14	13.66



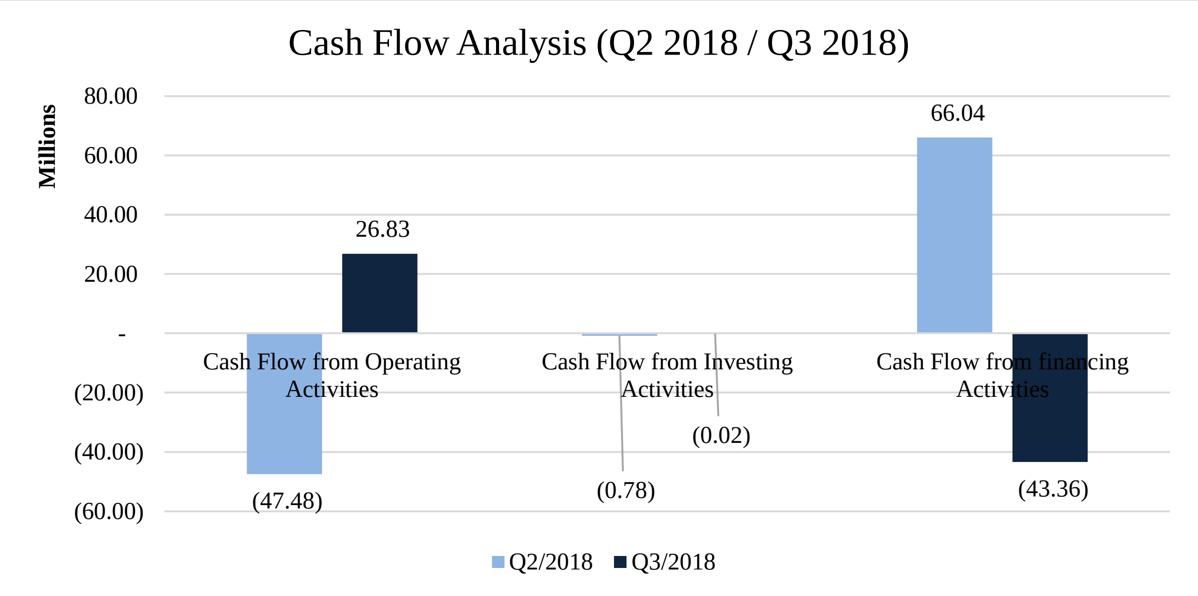
- Gross income increased by MVR 1.2 million compared to the same quarter of the previous year. Gross income includes revenue from the interest of housing loans.
- Net interest income increased by 5% compared to the previous quarter due to increased interest income by MVR 1.1 million.
- Operating income increased by 3% as a result of increased net interest income. However it is important to note that Fee income and other incomes from conventional products fell while fee and commission income from Amna products rose.
- Profit fell by 8% due to impairment loss on loans and advances. The provision for impairment loss on loans and advances was low in Q2 2018 compare with Q3 2018, however the increased expenses lead to a lower net profit. Thus, net profit margin also fell. However, HDFC has fairly reasonable margins over the quarters.
- Earnings per share increased due to high margins.

LEVERAGE	Q2/2018	Q3/2018
DEBT-EQUITY	145.02	132.08
DEBT TO ASSETS	42.23	40.48
CAPITALIZATION RATIO	62.81	60.04



- Debt to equity reduced from 145% to 132% in Q3 2018. Borrowings reduced while equity increased by MVR 21 million due to increased retained earnings. Falling level of borrowings indicate the favorable movement on financial risk for investors.
- Debt to assets reduced to 40% in Q3 2018 compared to 42% in Q2 2018. This is because the total borrowings reduced while total assets increased. Total assets increased mainly from increased loans and advances to customers, increased mortgage facilities of Islamic product customers and increased value of other assets from Islamic wing.
- Capitalization reduced slightly showing the financial stability of HDFC.

Cash Flow Analysis	Q2/2018	Q3/2018
Cash Flow from Operating Activities	(47,475,754.00)	26,832,029.00
Cash Flow from Investing Activities	(775,744.00)	(21,160.00)
Cash Flow from financing Activities	66,036,433.00	(43,364,688.00)



- Cash and cash equivalent reduced from MVR 89 million to MVR 72.9 million by Q2 2018 mainly due to outflow of MVR 43 million on financing activities as such repayment of borrowed funds and debt securities.
- However, there was cash inflow from operating activities worth MVR 26.8 million compared to an outflow of MVR 47 million in Q2 2018.
- Cash flows used in investing activities also reduced since the purchase of property plant and equipment reduced in Q3 2018.

Number of Employees

There were a total of 37 employees at the end of the third quarter and they are all local.

Important Projects undertaken in the quarter

The important project on-going by HDFC in this quarter includes;

- Apollo Towers end user financing project which is 50% completed by the end of September 2018.
- End user financing project with batch construction which is 60% completed by the third quarter and is expected to be completed by April 2019.
- Damas, one avenue towers project which is 70% completed and is expected to be completed by the end of April 2019.

Conclusion

HDFC has gained its space in the market in terms of the profitability. Revenue has been increased compared to Q3 2017 and Q2 2018. Interest income and operating income has also increased due increase in financial facilities provided to customers. Profit also increased compared to Q3 2017 due to reduction in the provision for impairment loss on loans and other costs. However, the profit reduced compared to the previous quarter of 2018 due to increased costs.

HDFC has a high gearing ratio indicating high financial risk associated with in the company. They have the ability to repay the debts and increase equity as a result of higher retained earnings. HDFC is financial stable and less dependent on shareholders.

Recommendation

- The profit of the company was significantly affected by impairment loss on loans and advances. They were recognized based on expected future losses calculated based on historical default rates in compliance with IFRS 9. Primarily HDFC determines an asset as impaired based on its over-due status. Hence, it is vital for HDFC to implement mechanisms to ensure that payments are collected within the required period. In order to reduce number of default, a proper prudential lending guideline and credit policy should be implemented. In order to reduce impairment and loan provision, further due diligence and credit worthiness tests need to be taken before approving any financing facilities.
- It is essential for HDFC to reduce personnel expenditure and other operating expenses including marketing expenses, printing and stationary expenses etc. which can be reduced further. Therefore in order to reduce personal expenditure HDFC can review their pay structure and can modify it to a more performance based approach.
- The Islamic wing of HDFC Amna is also contributing a significant portion towards the total revenue of the company. Hence, HDFC can outline ways to improve operations through their Islamic Wing (Amna), which will act as an added advantage in a market where Islamic Operations are likely to conquer the market in the future.
- HDFC can carry out more effective credit control mechanisms which can speed up the whole process of loan, starting from receiving complete loan application till disbursements. The whole screening process could be speeded up including document verification, interview and credit evaluation, Inspection of Property and BOQ verification and credit committee decision making. This can eventually result in better decision making, reducing the possible default payments. Further which will ultimately help to develop and increase customer data.

Quarterly review; Quarter 3, 2018

ISLAND AVIATION SERVICES LIMITED

ISLAND AVIATION SERVICES LIMITED

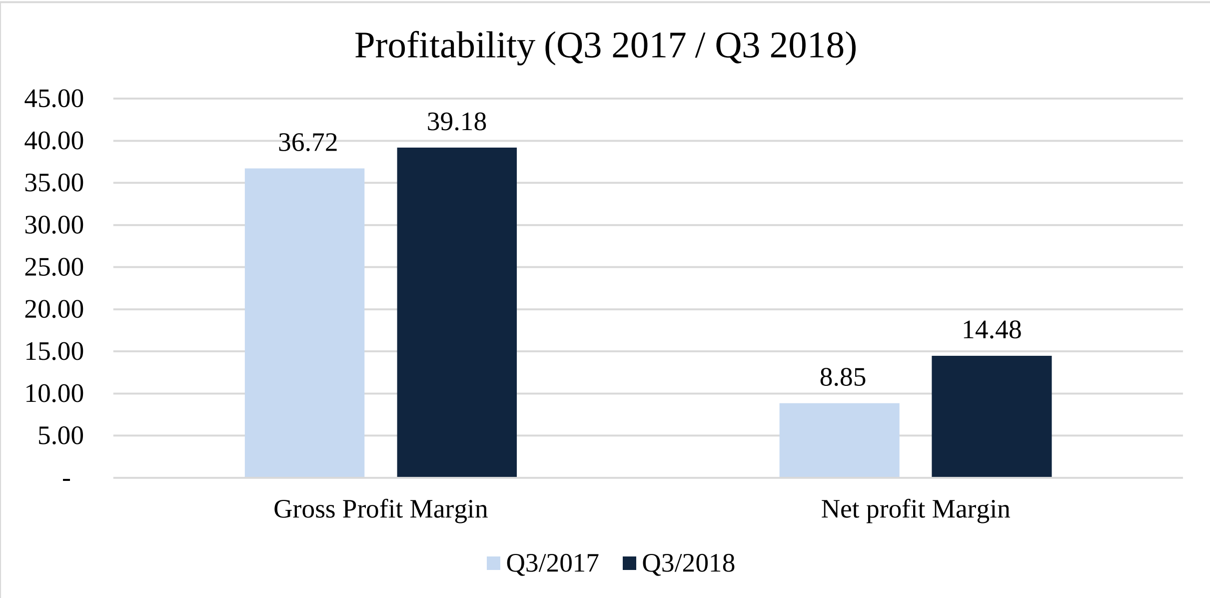
Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/IASL/Q3

<u>Q3 of 2018 AND Q3 of 2018</u>

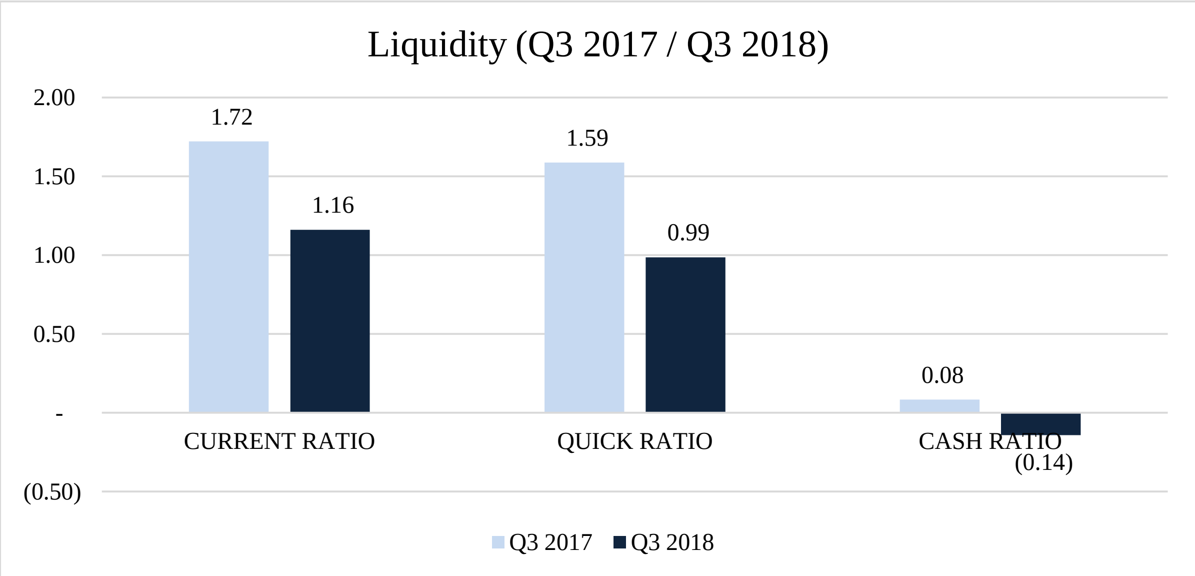
PROFITABILITY	Q3/2017	Q3/2018	Change	%
Revenue	495,184,217	591,558,221	96,374,004	19
Cost of Sales	(313,367,042)	(359,795,821)	(46,428,779)	15
Gross Profit	181,817,175	231,762,400	49,945,225	27
Profit Before Tax	55,355,305	100,767,501	45,412,196	82
Profit After Tax	43,839,010	85,652,376	41,813,366	95

	Q3/2017	Q3/2018
Gross Profit Margin	36.72	39.18
Net profit Margin	8.85	14.48



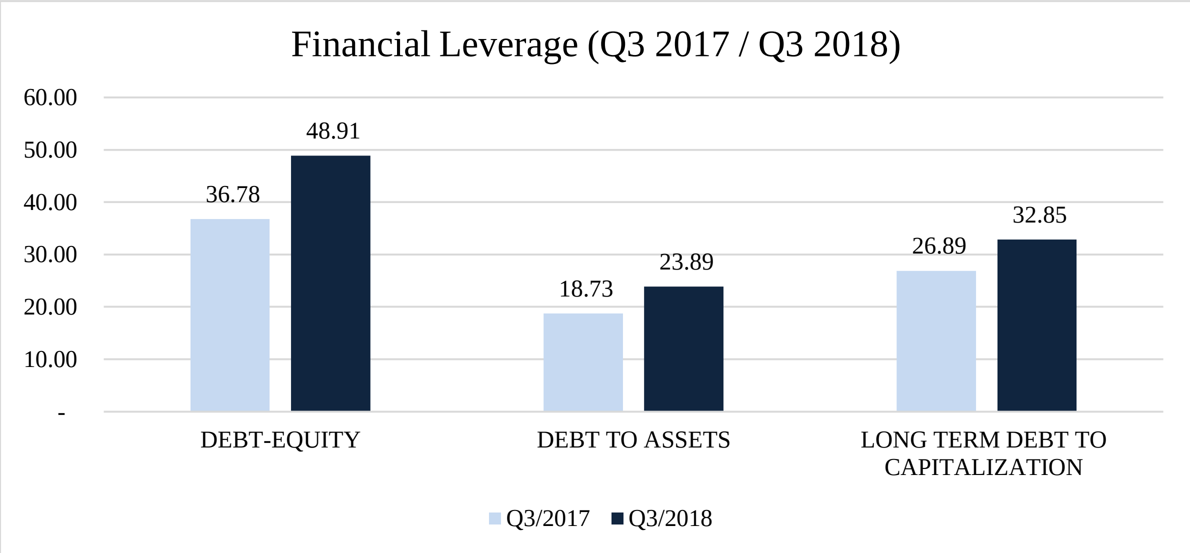
- Revenue increased by 19% compared to the same quarter of the previous year.
- Gross profit increased by 27% following the increase in revenue despite the increased cost. As a result gross profit margin also has improved.
- Profit for the quarter increased by 95% since increase in revenue is greater than increase of expenditure. Thus, net profit margin of the company for the quarter improved. However, it is important to note that salary expenses increased compared to Q3 2017 due to increase in number of staff. Thus in order to maintain and improve profitably IASL should focus on controlling cost.

LIQUIDITY	**Q3/2017**	**Q3/2018**
NON CURRENT ASSETS	850,778,155	1,432,479,577
CURRENT RATIO	1.72	1.16
QUICK RATIO	1.59	0.99
CURRENT ASSETS	930,177,128	663,504,497
CURRENT LIABILITIES	540,329,095	571,652,390
WORKING CAPITAL	389,848,033	91,852,107
CASH RATIO	0.08	(0.14)
INVENTORY	72,232,220	99,471,369



- Non-current assets increased by 581 million which is an increase of 68% compared to Q3 2017 as result of higher investment in property, plant and equipment. This increase in PPE would lead to an increase in depreciation in the future.
- Current assets reduced by 29% mainly due to the reduction in cash and cash equivalents and advance payment in the Q3 2018. IASL had their bank account overdrawn by 81 million in the quarter while trade receivables and advance payments from customers also fell. Yet, they have shown increased value of inventory and other receivables
- Current liabilities increased by 5% for that reason payables increase in Q3 2018.
- As a result of reduction of current assets and rise in current liabilities affected working capital.
- Cash ratio was negative in Q3 2018 since IASL had overdrawn by 81 million.
- Current ratio of 1.72 reduced to 1.16 in Q3 2018 due to reduction in current assets and rise in current liabilities. However, the liquidity ratio is still favorable being able to settle the liabilities with the existing current assets.
- Quick ratio also reduced due to rise in inventory. However, ideally quick ratio is also reasonable.

LEVERAGE	Q3/2017	Q3/2018
DEBT-EQUITY	36.78	48.91
DEBT TO ASSETS	18.73	23.89
LONG TERM DEBT TO CAPITALIZATION	26.89	32.85
LONG-TERM DEBT TO NET WORKING CAPITAL	0.86	5.45

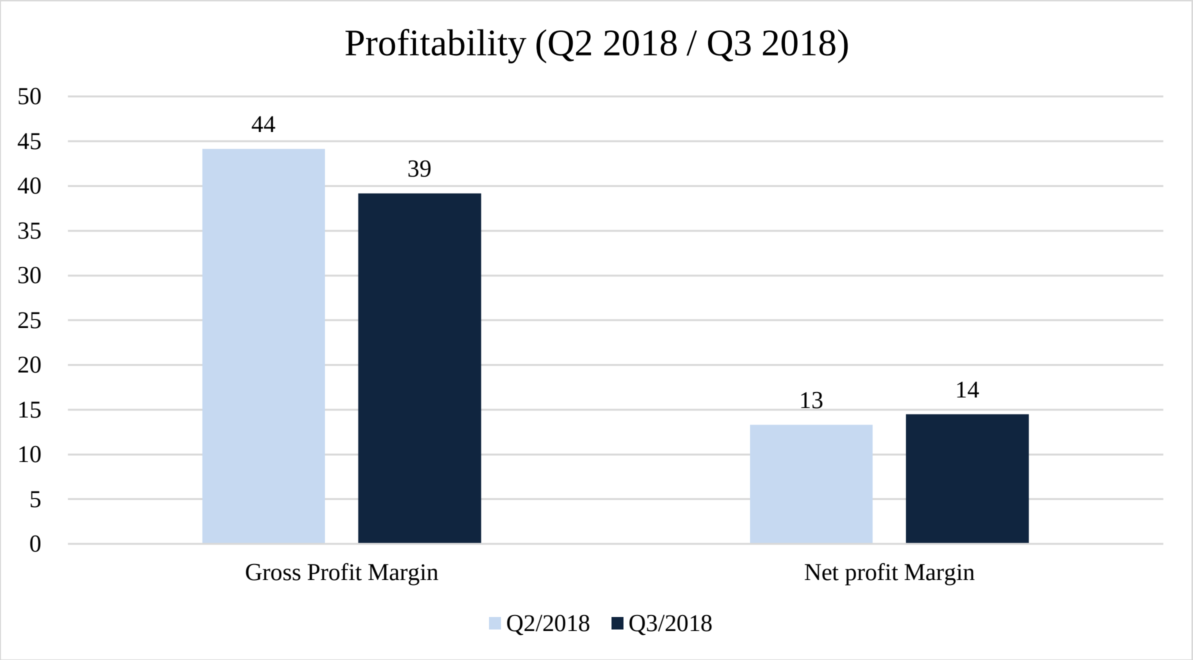


- Debt to equity of 37% increased to 49% as a result of increased in borrowings by 167 million when compared to Q3 2017.
- Debt to assets also increased to 24% as result of rise in borrowings which is more than the increase of total assets.
- Capitalization ratio also increased due to increased borrowings showings their financial stability.

Q2 of 2018 AND Q3 of 2018

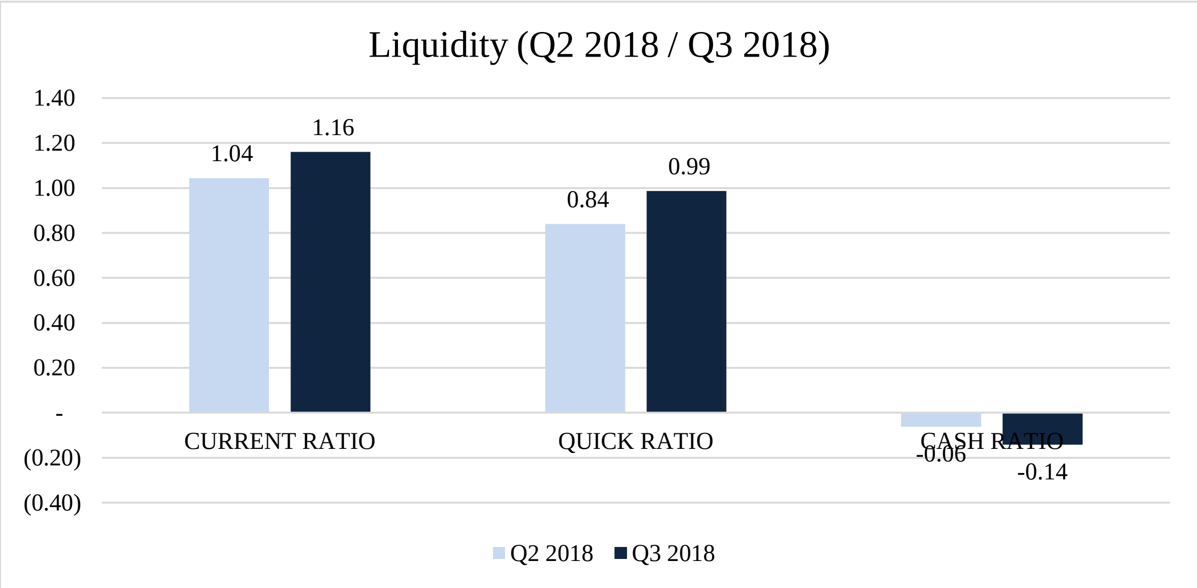
PROFITABILITY	Q2/2018	Q3/2018	Change	%
Revenue	511,111,673	591,558,221	80,446,548	15.74
Cost of Sales	-285,517,909	-359,795,821	-74,277,912	26.02
Gross Profit	225,593,764	231,762,400	6,168,636	2.73
Profit Before Tax	80,248,626	100,767,501	20,518,875	25.57
Profit After Tax	68,051,443	85,652,376	17,600,933	25.86

	Q2/2018	Q3/2018
GROSS PROFIT MARGIN	44	39
NET PROFIT MARGIN	13	14



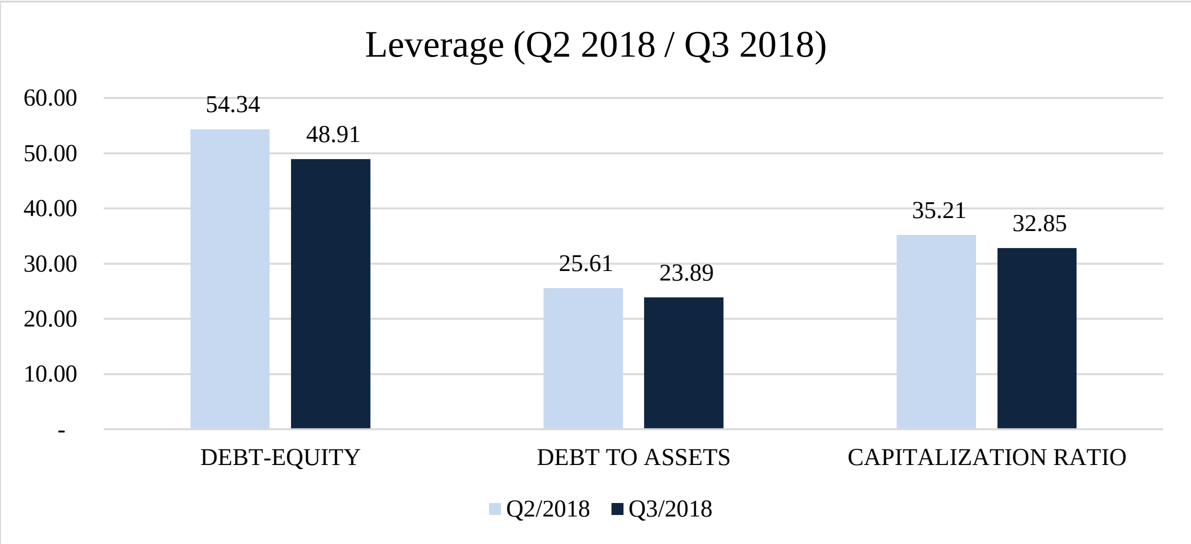
- Revenue increased by 16% compared to the previous quarter.
- Gross profit increased by 2.73% following improved revenue even though cost of sales also increased by 26%. Gross profit margin fell as a result of, greater increase in cost of sale compared with the revenue growth.
- Profit increased by 26% as result of positive growth in revenue along with low administrative expenses and lower finance costs. Therefore Net profit margin has increased from 13 to 14%.

LIQUIDITY	**Q2/2018**	**Q3/2018**
NON CURRENT ASSETS	1,438,945,021	1,432,479,577
CURRENT RATIO	1.04	1.16
QUICK RATIO	0.84	0.99
CURRENT ASSETS	572,857,632	663,504,497
CURRENT LIABILITIES	548,567,420	571,652,390
WORKING CAPITAL	24,290,212	91,852,107
CASH RATIO	-0.06	-0.14
INVENTORY	112,088,476	99,471,369



- Non-current assets reduced marginally by 0.4% due to reduction in property plant and equipment.
- Current assets increased by 16% mainly due to increased receivables and other receivables compared to the previous quarter.
- Current liabilities increased by 4% as a result of increase in other payables.
- Current ratio of the company increase from 1.04 to 1.16. This illustrates improvement in liquidity position of the company as current assets increased greater than the increased current liabilities.
- Quick ratio also improved to 0.99 as the contribution of inventory towards current assets are lower in Q3 2018.

LEVERAGE	Q2/2018	Q3/2018
DEBT-EQUITY	54.34	48.91
DEBT TO ASSETS	25.61	23.89
CAPITALIZATION RATIO	35.21	32.85



- Debt to equity of 54% reduced to 49 % as a result of reduction in borrowings.
- Debt to assets also reduced to 24%, subsequently net assets increase and borrowings reduced.
- Capitalization ratio reduced from 35% to 33% lowering the financial stability.

Conclusion

Profitability has increased resulting from growth in revenue as result of increase in number of flights operated. Expenses like marketing, administrative expenses and finance costs reduced which has impacted overall profits favorably.

Liquidity ratios are below the ideal and is unfavorable to the company. The liquidity problems in AIS can be clearly seen as they have their bank balance overdrawn in the quarter. They also have a greater amount of receivables which has to be taken into account and proper actions need to be taken to reduce receivables. Though profitability is favorable, the liquidity problems will create additional difficulties in the daily operations effecting profitability too.

Borrowings has been increased compared to the previous year. However, when compared to the previous quarter, borrowings has been reduced thus lowering the gearing ratios. This shows a promising progress in financial risk associated with in the company.

Recommendation

- Reduce receivables:
  Proper methods need to be implemented to collect the receivables as they are increasing quarter by quarter. Flexible terms can be agreed with the existing customers 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.
  They also can revise the credit terms and agreements with the customers in such a way that is commercially beneficial to the company. Undertaking projects which are creating additional burden to the liquidity of the company will further worsen the liquidity position. Therefore, necessary actions need to be taken against those agreements making them favorable to the company.
- The supplier relation should be improved in order to receive better terms of pay and long credit periods which will improve the liquidity of the company.
- Improve cash position:
  IASL needs to improve their cash position in order to minimize dependence on bank overdraft which will ultimately raise unnecessary finance cost. This will help them in paying payables on time which ultimately helping to maintain good relationship with suppliers. Therefore more work has to be done to collect receivable on time or change revenue into cash more promptly.
- Advance payment made to suppliers is quite significant. Therefore IASL can negotiate with suppliers to minimize advance payments. If they could agree on favorable terms it will be a great assistance to working capital management of the company.
- Inventory Management:
- Proper contingency planning and accurate forecasting is essential for inventory management. It is important for IAS to set par levels of inventory which will set a minimum amount of items which should be on hand. This will alert them when to order more.
  IAS should have regular inspection on their inventory which will help them in knowing the product conditions before getting obsolete thus avoiding dead stock.
- Reduce or maintain operating expenses:
  Operating expenses such as staff expenses has been increased over the quarters which need to be minimized. Though it is difficult to reduce labor costs and improve labor productivity, it is very important for IAS to improve labor efficiency by reducing costs. IAS can monitor over-time working hours, and allocate labor in accordance with the schedule to enable tasks to be accomplished within a reasonable time frame by avoiding excessive overtime pay. They can always encourage employees to provide cost control strategies.

Quarterly review; Quarter 3, 2018

KAHDHOO AIRPORTS COMPANY LIMITED

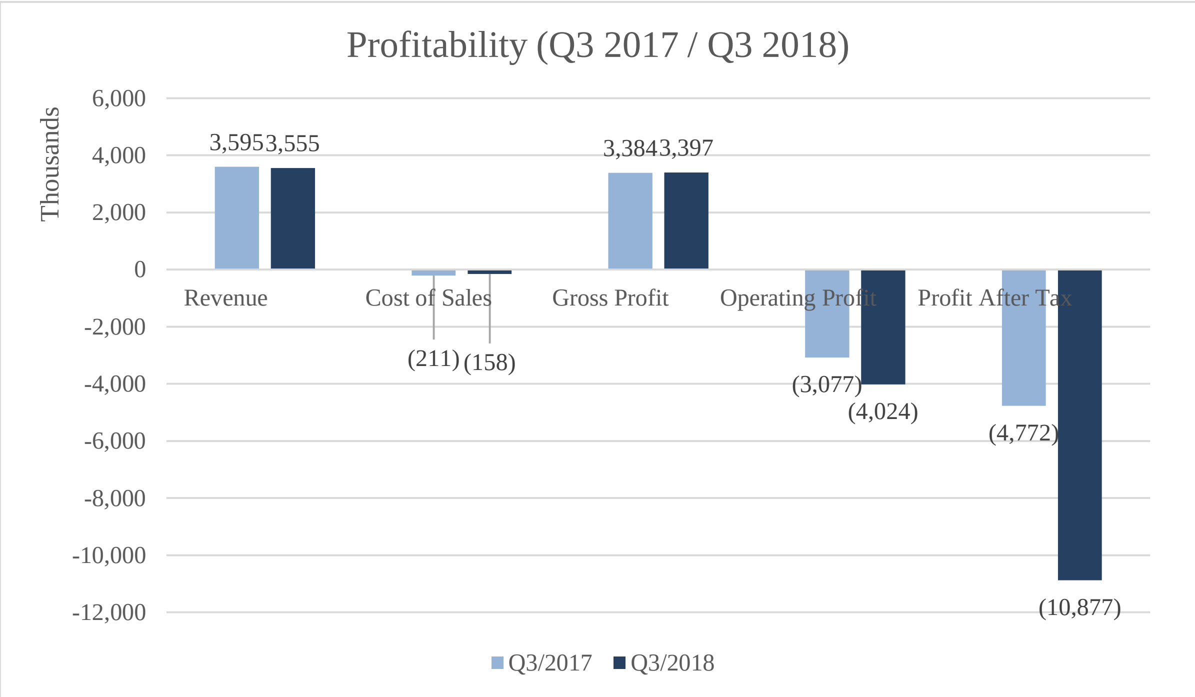
KAHDHOO AIRPORTS COMPANY LIMITED

Q3 2018 PERFORMANCE ANALYSIS

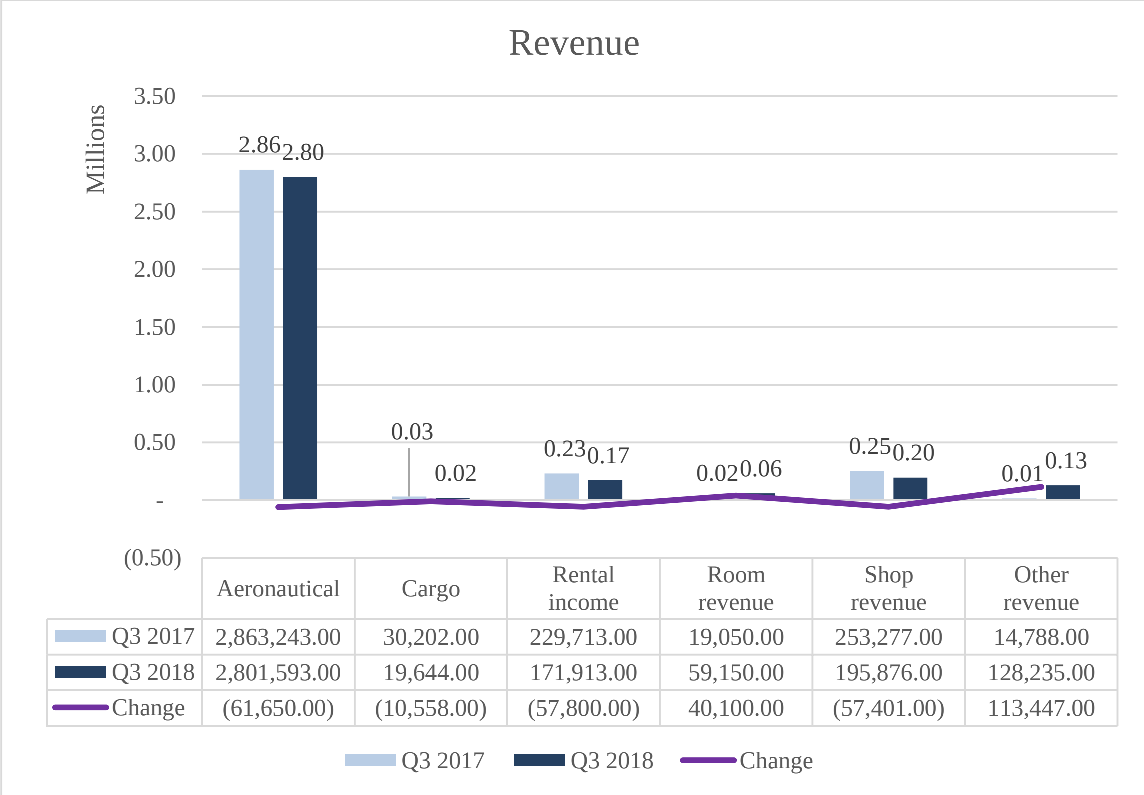
Report No: PEM/2018/KACL/Q3

Q3 of 2017 AND Q3 of 2018

PROFITABILITY	Q3/2017	Q3/2018	Change	%
REVENUE	3,594,869	3,554,654	(40,215)	(1)
COST OF SALES	(210,910)	(157,776)	53,134	(25)
GROSS PROFIT	3,383,960	3,396,878	12,918	0.3
OPERATING PROFIT	(3,076,839)	(4,024,046)	(947,207)	(31)
PROFIT AFTER TAX	(4,771,898)	(10,876,793)	(6,104,895)	(128)



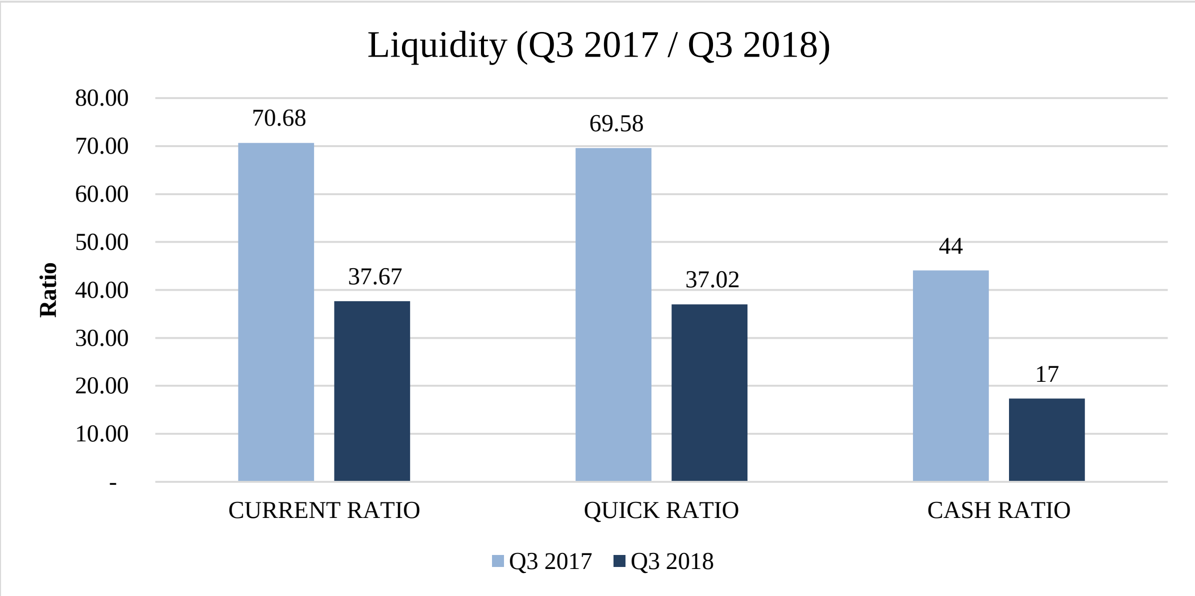
- Revenue reduced by 1% compared to Q3 2017. The changes in revenue comparing Q3 2018 and Q3 2017 is shown in the following graph:



	Aeronautical	Cargo	Rental income	Room revenue	Shop revenue	Other revenue
Q3 2017	2,863,243.00	30,202.00	229,713.00	19,050.00	253,277.00	14,788.00
Q3 2018	2,801,593.00	19,644.00	171,913.00	59,150.00	195,876.00	128,235.00
Change	(61,650.00)	(10,558.00)	(57,800.00)	40,100.00	(57,401.00)	113,447.00

- There is a very insignificant growth in gross profit as a result of marginal saving from cost of sales.
- Operating loss of MVR 3 million further reduced worsened to a loss of MVR 4 million.
- KACL faced loss of MVR 4.8 million in Q3 2017; when compared with Q3 2017 KACL loss further increased by MVR 6 million in Q3 2018.

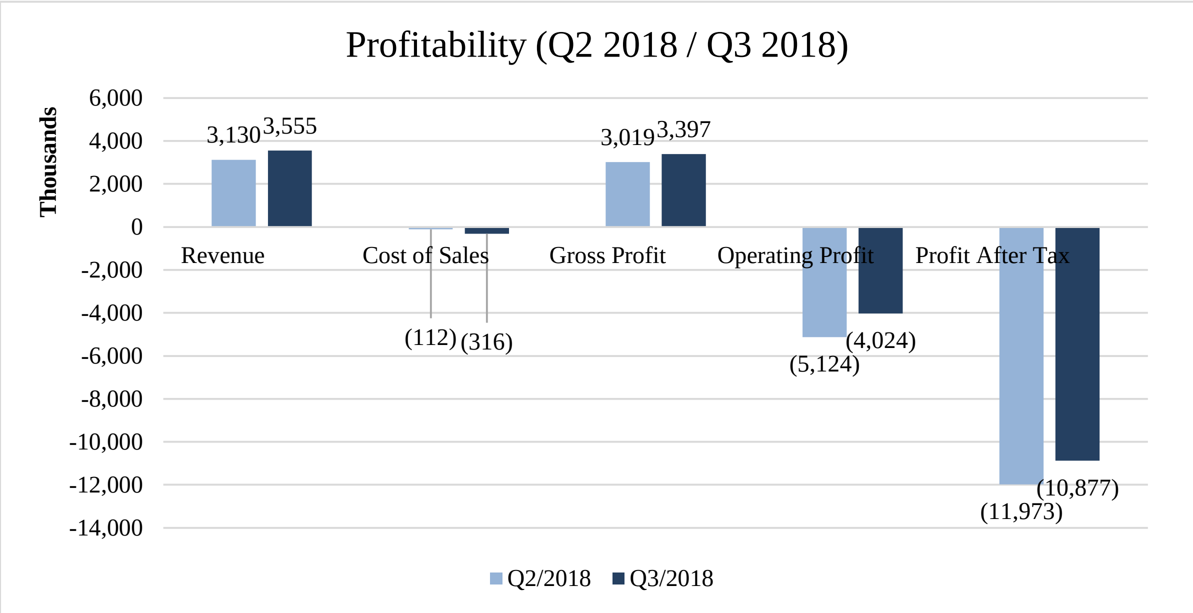
LIQUIDITY	**Q3/2017**	**Q3/2018**
NON CURRENT ASSETS	57,102,680	55,763,439
CURRENT RATIO	70.68	37.67
QUICK RATIO	69.58	37.02
CURRENT ASSETS	41,620,720	49,847,630
CURRENT LIABILITIES	588,872	1,323,269
WORKING CAPITAL	41,031,848	48,524,361
CASH RATIO	44	17
INVENTORY	645,328	860,266



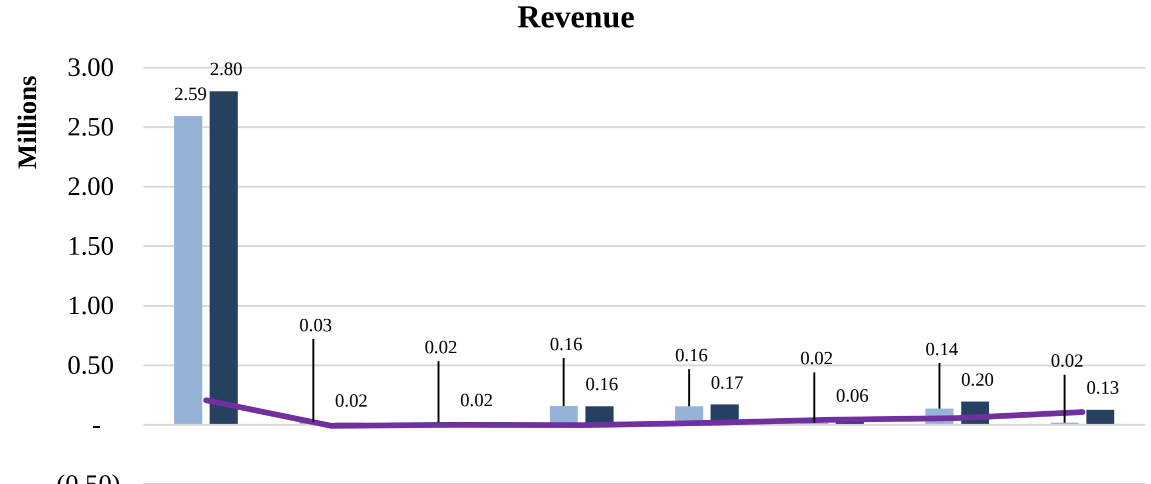
- Non-current assets reduced by 2% compared to Q3 2017 due to depreciation expenses.
- Current assets increased by MVR 8.2 million. This is a growth of 20% compared to the same quarter of the previous year mainly due to increased trade receivables and inventory. Cash and cash equivalents fell slightly compared to Q3 2017.
- Current liabilities increased by 125% compared to Q3 2017 due to increased trade and other payables.
- The payables are comparatively lower compared with the current assets and hence the working capital is positive and increased by MVR 7.3 million compared to Q3 2017.
- Current ratio of 70.68 in Q3 2017 reduced to 37.67 in Q3 2018 due to increased payables in a greater proportion than the increase in current assets. However, the ratio is too high representing the idle resources in KACL. Further quick ratio changed from 69.58 to 37.02.
- Cash ratio fell from 44% to 17% in Q3 2018 due to lower cash and bank balances. However, the cash balance is sufficient to settle the current obligations of the company.

Q2 of 2018 AND Q3 of 2018

PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	3,130,376	3,554,654	424,278	14
COST OF SALES	(111,780)	(157,776)	(45,996)	41
GROSS PROFIT	3,018,596	3,396,878	378,282	13
OPERATING PROFIT	(5,124,252)	(4,024,046)	1,100,206	(21)
PROFIT AFTER TAX	(11,972,753)	(10,876,793)	1,095,960	(9)



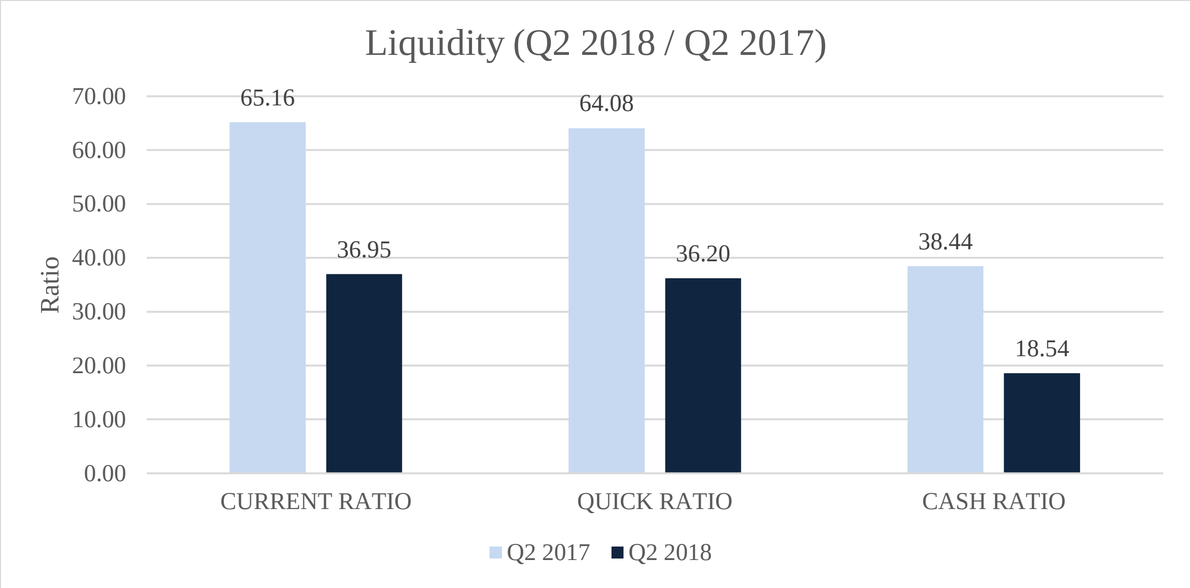
- Revenue increased by 14% compared to the previous quarter, mainly due to increased flight movements and rooms revenue in the quarter. The changes in revenue comparing Q2 2018 and Q3 2018 is summarized as follows:



	Aeronautical	Cargo	CIP	Electricity charges	Rental income	Room revenue	Shop revenue	Other revenue
Q2 2018	2,593,513.00	26,105.00	21,584.00	159,092.00	155,313.00	16,050.00	138,356.00	20,363.00
Q3 2018	2,801,593.00	19,644.00	22,170.00	156,073.00	171,913.00	59,150.00	195,876.00	128,235.00
Change	208,080.00	(6,461.00)	586.00	(3,019.00)	16,600.00	43,100.00	57,520.00	107,872.00

- Cost of sales increased by 41% compared to the last quarter mainly due to increase in goods bought for resale.
- Gross profit increased by 13% due to healthier improvement in revenue despite the increment in cost of sales.
- Higher operating expenses and staff costs lead to operating loss in both quarters. However, in Q3 2018 the loss reduced by 21% due to reduced operating expenses and staff costs compared to the previous quarter.

LIQUIDITY	Q2/2018	Q3/2018
NON CURRENT ASSETS	55,551,123	55,763,439
CURRENT RATIO	33	38
QUICK RATIO	32	37
CURRENT ASSETS	47,520,251	49,847,630
CURRENT LIABILITIES	1,444,054	1,323,269
WORKING CAPITAL	46,076,197	48,524,361
CASH RATIO	16.52	17.33
INVENTORY	987,909	860,266



- Non-current assets reduced marginally due to amortization. There were no acquisition or disposal of non-current current assets in the quarter.
- Current assets increased by 5% compared to the last quarter mainly due to increased trade receivables. However cash and bank balances and inventory fell in the quarter compared with the previous quarter.
- Current liabilities reduced by 8% compared with the previous quarter due to the reduction in trade payables.
- Working capital increased as a result of increase in current assets at the same time when current liabilities reduced.
- Current ratio increased from 33 to 38. The ratio is high indicating the ability of meeting short term obligations. However, the high ratio represents the resource being tied up in the business which can be invested for further expansion of the operations.
- There is very slight increase in cash ratio as there is similar pattern of change in cash and short term obligations.

<u>Important Projects undertaken in the quarter</u>

The details of the projects undertaken by KACL are summarized in the table below;

Project Name	**Budgeted Value**	**Agreement value**	**Cost incurred**	**Completion date**
Harbor repair	950,000	542,492	542,492	Dec-18
Runway repair	1,000,000	208,419	208,419	May-18
Runway Fencing	1,411,157	1,411,157		Dec-18
Upgrading of Power Generation and Distribution System	2,000,000	2,000,000		Dec-18
Water Desalination system and distribution network	3,277,500	3,277,500		Dec-18
Halaveli Development	14,174,398	14,174,398		Oct-19

Conclusion

Revenue and cost of sales reduced causing very insignificant growth in gross profit compared to the same quarter of the previous year. When compared to Q2 2018 both revenue and cost of sales increased. As a result of this gross profit increased by 13%. Administrative costs and staff costs are higher in both quarters resulting in an operating loss and net loss for the period. However, the losses for the period is low compared to previous quarters since there is little improvement in overall costs. Continuous operating losses may lead to doubts about the ability to function as a going concern.

KACL is in a high liquidity position where they have enough current assets to settle their obligations. Moreover, the cash is also sufficient to settle the obligations. However as per liquidity ratios there are idle resources tied up in the business which can be utilized for further expansion and generate additional return.

The company has no borrowings as at the end of the third quarter 2018.

Recommendation

- Formation and implementation of Strategic plan to improve revenue and profitability.
  It is important to improve profit through improving revenue and reducing expenditure.
  Proper utilization of resources and cost reduction:
  Utilizing resources such as machinery and labor in the most economical way will reduce costs and improve labor efficiency which is needed for growth.
- Strategies to improve revenue
  Revenue can be increased by improving the number of flights operated. Also, they can try to generate revenue from other services like fueling jets which could generate higher return like some of the other airports do. They can also diversify their business into different business areas like providing restaurants and airport lounge services.
- Utilization of resources:
  Higher current and quick ratios indicate the high level of assets being tied in the business which can be used to expand operations to generate additional return.
- Proper receivable collection mechanisms.
  Receivables have to be collected within the preferred period without further delay. Proper credit control mechanisms and verifying the credit worthiness is important. Furthermore, if the payments are not received within the desired time, relevant authorities must be informed and actions need to be taken accordingly.

Quarterly review; Quarter 3, 2018

MALDIVES AIRPORTS COMPANY LTD

MALDIVES AIRPORTS COMPANY LTD

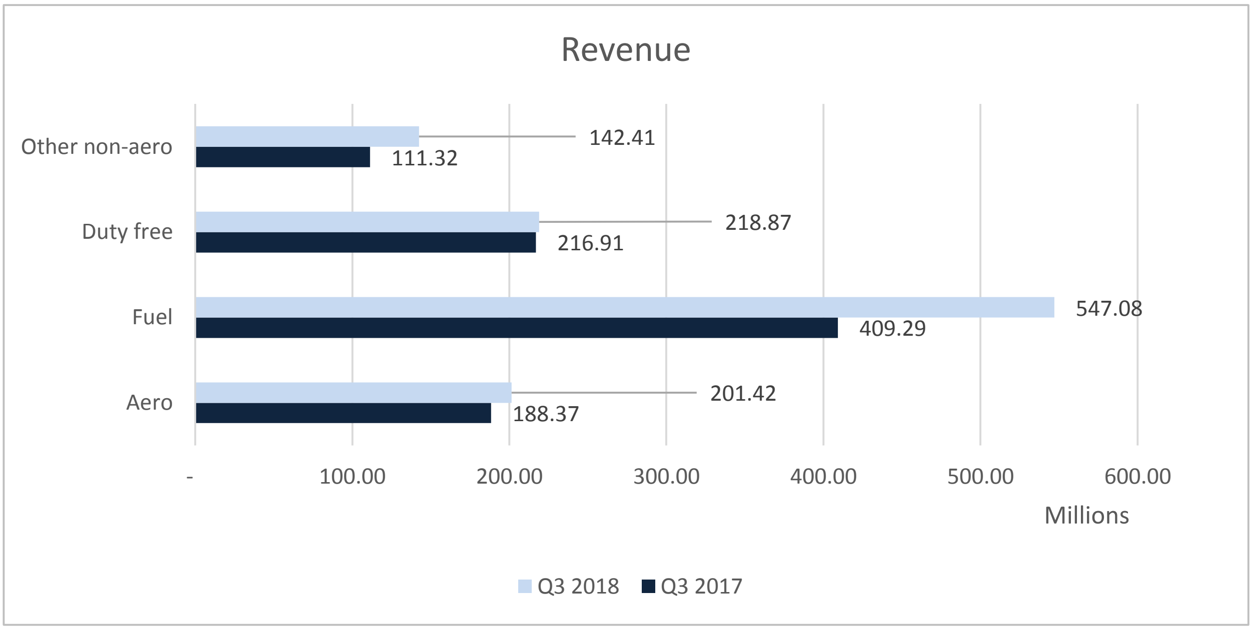
Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/MACL/Q3

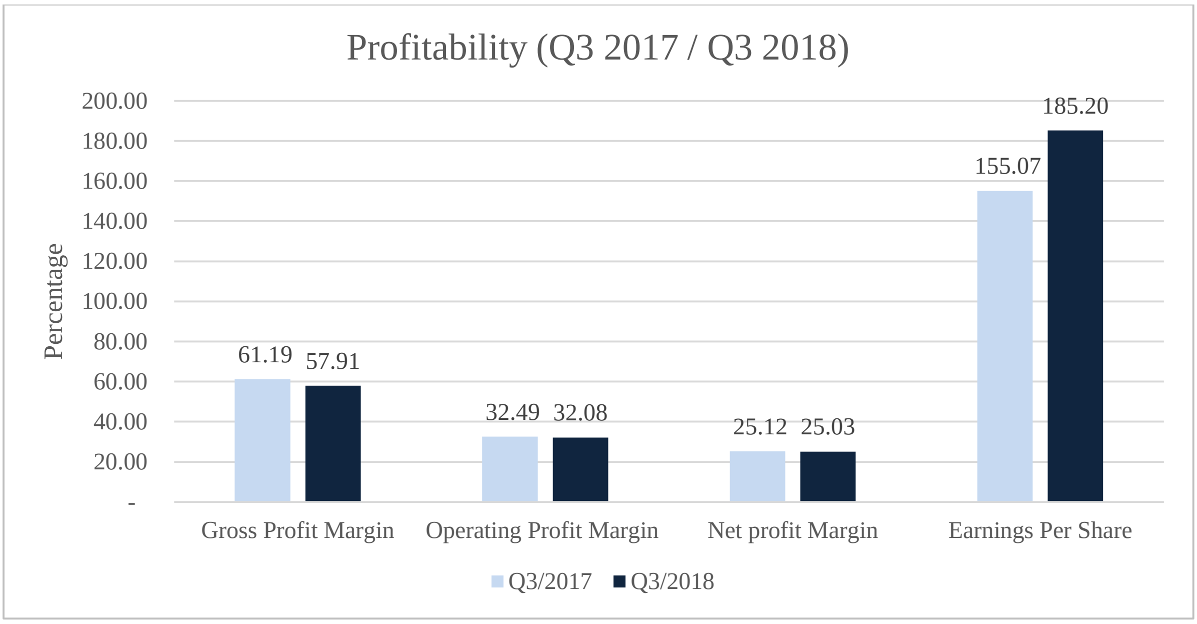
Q3 of 2017 AND Q3 of 2018

PROFITABILITY	Q3/2017	Q3/2018	Change	%
REVENUE	925,890,642	1,109,771,000	183,880,358	20
COST OF SALES	(359,337,866)	(467,154,000)	(107,816,134)	30
GROSS PROFIT	566,552,776	642,617,000	76,064,224	13
OPERATING PROFIT	300,785,128	356,066,000	55,280,872	18
PROFIT BEFORE TAX	273,657,260	335,125,000	61,467,740	22
PROFIT AFTER TAX	232,608,671	277,794,000	45,185,329	19

	Q3/2017	Q3/2018
OPERATING PROFIT MARGIN	32.49	32.08
NET PROFIT MARGIN	25.12	25.03
EARNINGS PER SHARE	155.07	185.20



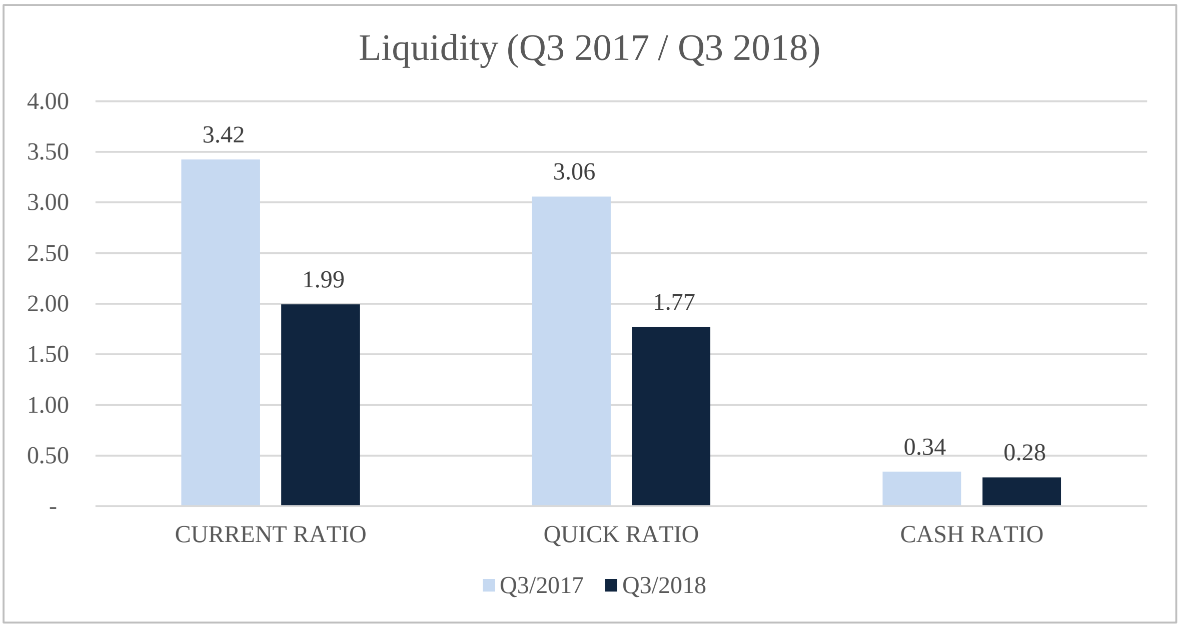
- Revenue improved by 20% compared to the same quarter of the previous year. Revenue increased from all areas, as shown in the graph. The biggest improvement can be seen from the revenue received from sales of fuel which increased by MVR 137.8 million which is a growth of 34% compared to Q3 2017.
- Revenue from duty free sales rose by MVR 2 million while aero revenue increased by MVR 13 million. Other non-aero revenue also increased by MVR 3 million.



- Gross profit increased by 13% due to the improved revenue despite the increase in cost of sales of 30%. Gross profit margin fell from 61% to 58% as profit in relation to the revenue generated fell in the quarter.
- Operating Profit also increased by 18% since operating incomes increased and operating expenses reduced by 100%.
- Net profit also increased by 19% following a reduction in finance costs of 24%. Gross profit, operating profit and net profit margin is comparatively high in MACL with regard to the other companies.

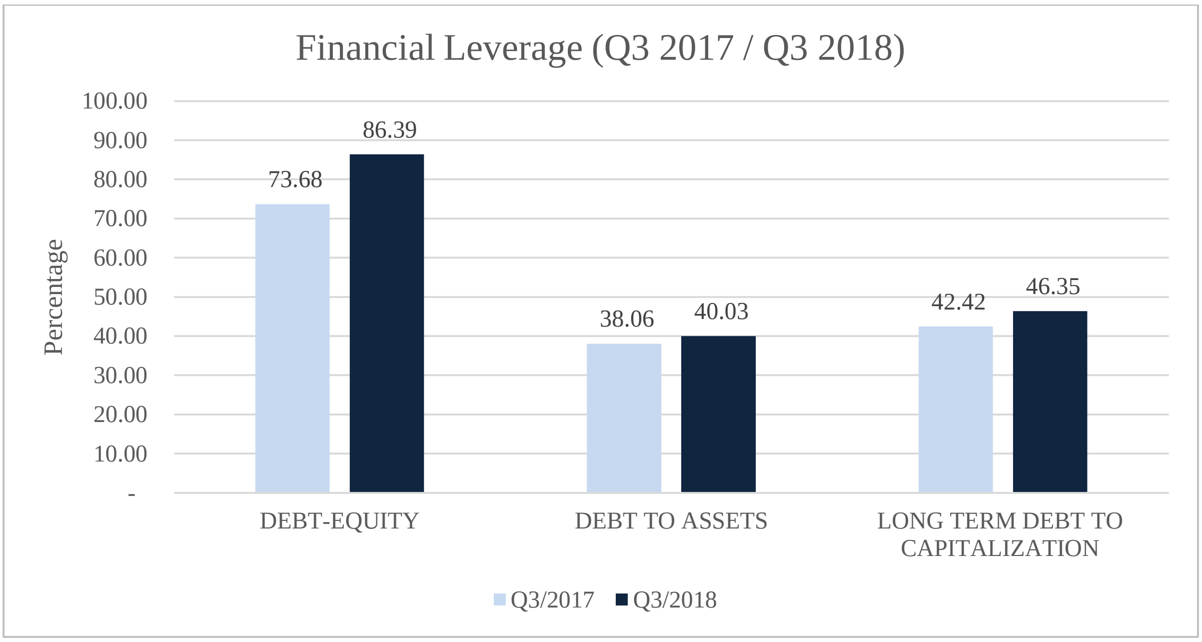
LIQUIDITY	**Q3/2017**	**Q3/2018**
NON CURRENT ASSETS	6,223,518,556	9,277,777,000
CURRENT RATIO	3.42	1.99
QUICK RATIO	3.06	1.77
CURRENT ASSETS	2,776,185,591	3,157,945,000
CURRENT LIABILITIES	811,016,713	1,584,528,000
WORKING CAPITAL	1,965,168,878	1,573,417,000
CASH RATIO	0.34	0.28
INVENTORY	295,980,852	353,217,000

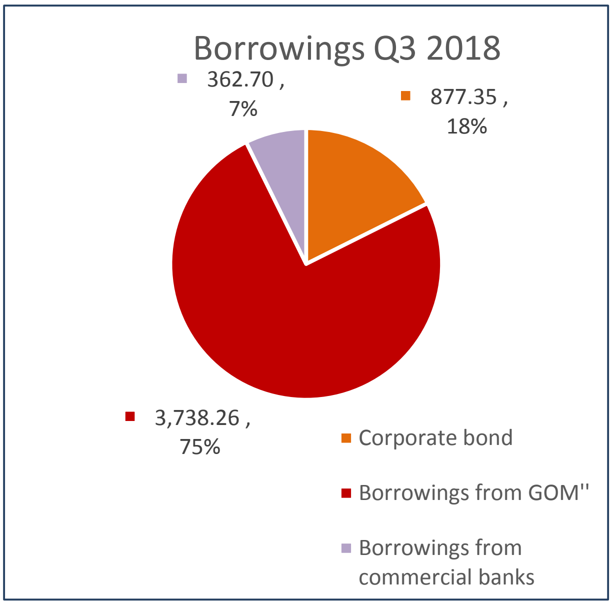
- Non-current assets increased by MVR 3 billion which is an increase of 49% compared to the same quarter of the previous year mainly due to capital work in progress of the on-going projects and building and island infrastructure. MACL has been heavily investing in capital projects.



- Current assets increased by MVR 3.8 million which is an increase of 14% compared to Q3 2017 mainly due to upturn in cash and cash equivalents. Further inventories and receivables also increased in the quarter.
- Current liabilities increased by 99% as trade and other payables have been increased.
- Current ratio of 3.42 reduced to 1.99 in Q3 2018 due to higher payables. However, they are in a satisfactory liquidity position where they can settle the obligations with the short term assets.
- Quick ratio also reduced from 3.06 to 1.77 in Q3 2018.
- Cash ratio reduced from 0.34 to 0.28 in Q3 2018 compared to Q3 2017 due to increase in payables compared with cash and bank balances.
- Cash and bank balances improved as cash flows from operating activities increased compared to Q3 2017.

LEVERAGE	Q3/2017	Q3/2018
DEBT-EQUITY	73.68	86.39
DEBT TO ASSETS	38.06	40.03
LONG TERM DEBT TO CAPITALIZATION	42.42	46.35
LONG-TERM DEBT TO NET WORKING CAPITAL	1.74	3.16



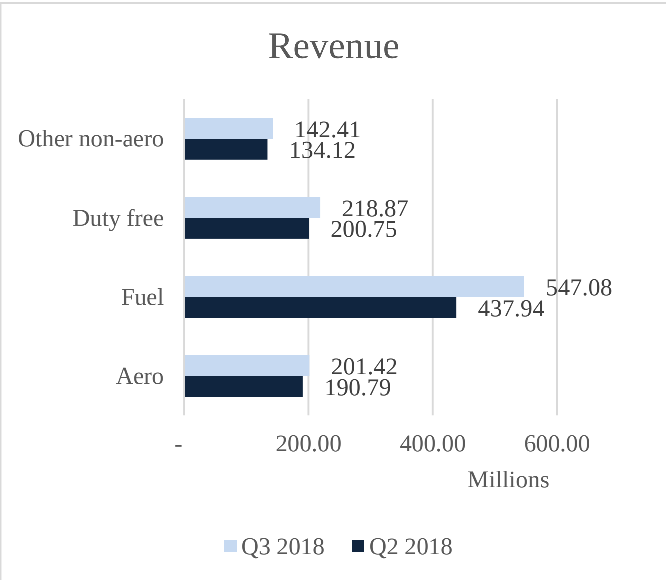


- Debt to equity of 73.68% increased to 86.39% in Q3 2018 due to higher borrowings in Q3 2018. The total borrowings in Q3 2018 includes Maldives Monetary Authority (MMA) Corporate bond, borrowings from government of Maldives and Borrowings from commercial banks. The increasing gearing will undeniably increase financial risk of the company.
- Debt to assets also increased from 38.06% to 40% in Q3 2018 since borrowing of the company has increased by 45%.
- Long-term debt to capitalization increased from 42% to 46% in Q3 2018, shows a high dependence on borrowing.

Q2 of 2018 AND Q3 of 2018

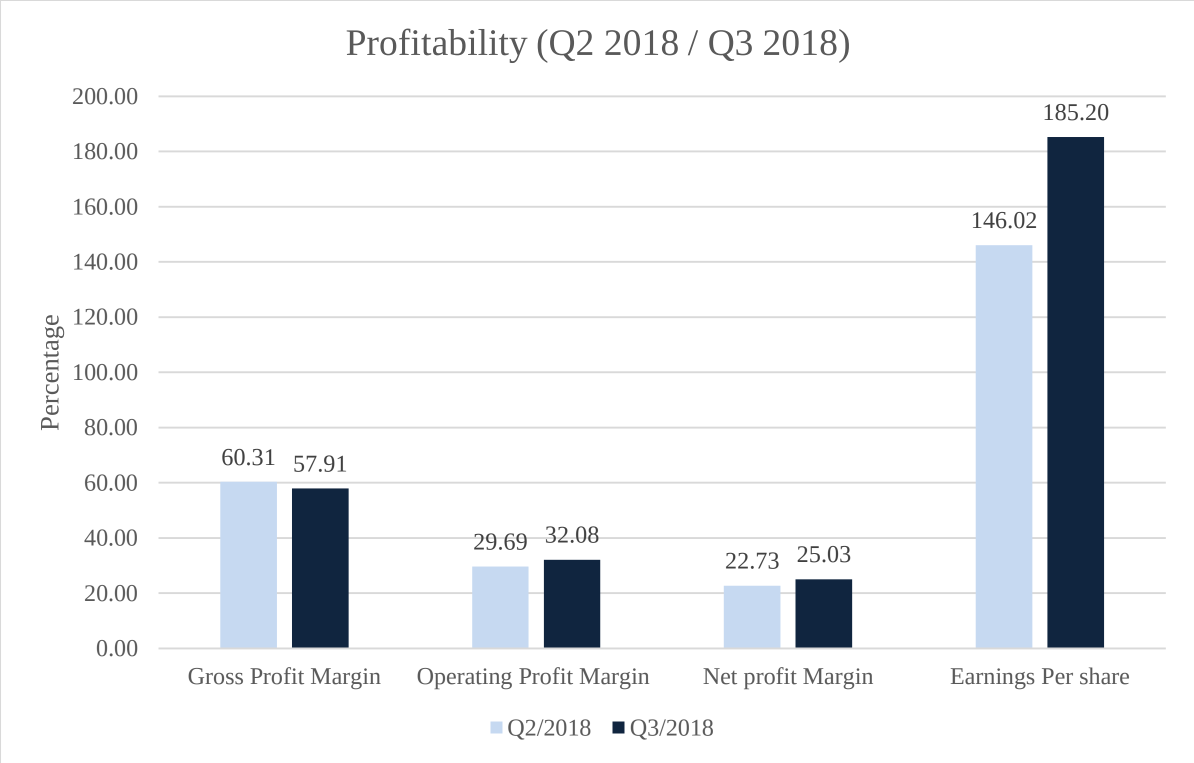
PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	963,600,000	1,109,771,000	146,171,000	15.17%
COST OF SALES	(382,440,000)	(467,154,000)	(84,714,000)	22.15%
GROSS PROFIT	581,160,000	642,617,000	61,457,000	10.57%
OPERATING PROFIT	286,090,000	356,066,000	69,976,000	24.46%
PROFIT BEFORE TAX	264,315,000	335,125,000	70,810,000	26.79%
PROFIT AFTER TAX	219,035,000	277,794,000	58,759,000	26.83%

	Q2/2018	Q3/2018
GROSS PROFIT MARGIN	60.31	57.91
OPERATING PROFIT MARGIN	29.69	32.08
NET PROFIT MARGIN	22.73	25.03
EARNINGS PER SHARE	146.02	185.20



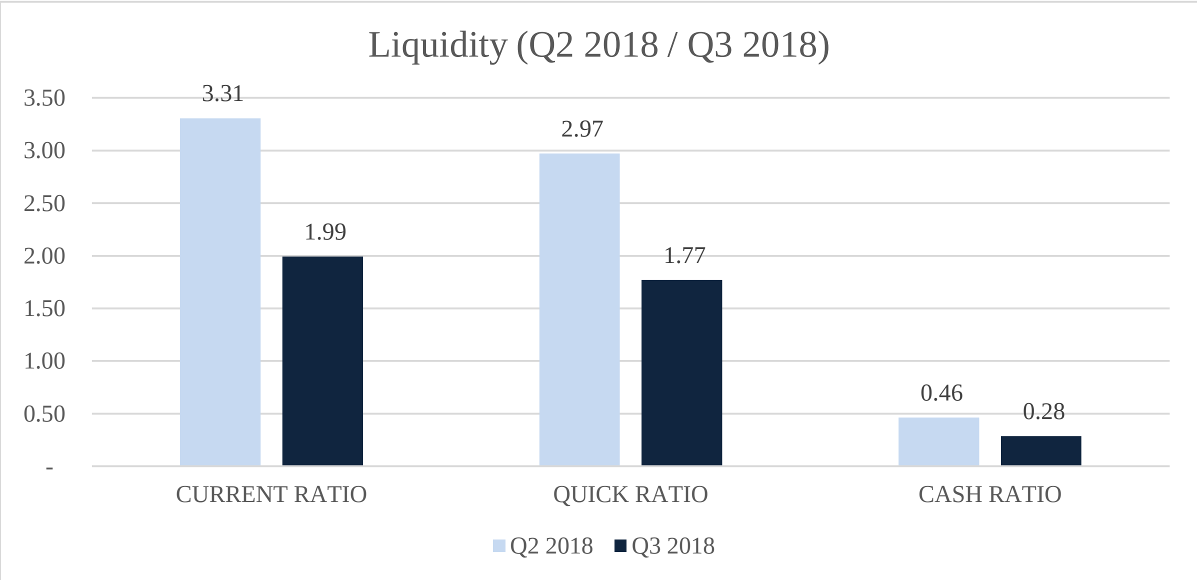
- Revenue increased by 15% compared to the previous quarter. The greatest change was noticed in the sale of fuel which rose by 24% compared to the last quarter.

- Duty free revenue rose by 9% while aero revenue increased by 5% and Non-aero revenue also rose by 6%.



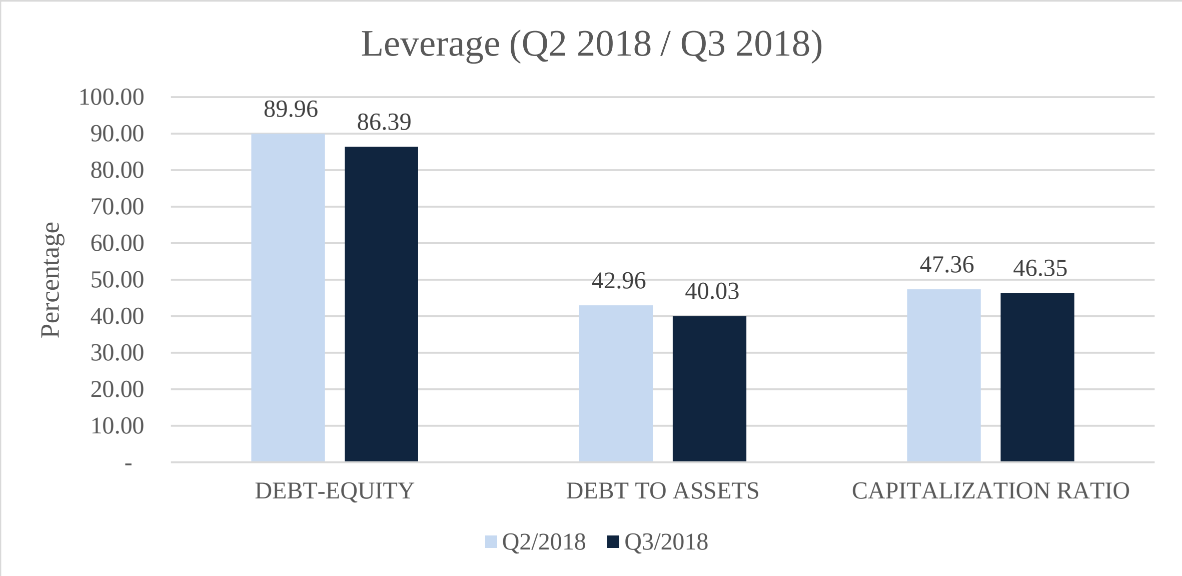
- Cost of sales increased by 22%. As revenue increased, cost of sales also increased from direct expenses relating to fuel sales, duty free shops and other costs.
- Gross profit increased by 10% due to increased revenue despite the increased cost of sales. Gross profit margin fell from 60% to 58% as profit in relation to revenue fell in the quarter.
- Increase in other operating income by 38% and reduction in administrative costs by 6% contributed to upsurge the operating profit by 24.46%. Administrative expenses fell mainly due to reduction in employee benefits. Further other operating income rose as a result of increasing exchange gain.
- Finance cost of the company reduced by 4%, which lead to 17% increase in net profit.
- Operating and net profit margins improved compared to Q2 2018 as profits in relation to sales improved mainly due to decline in operating expenses.

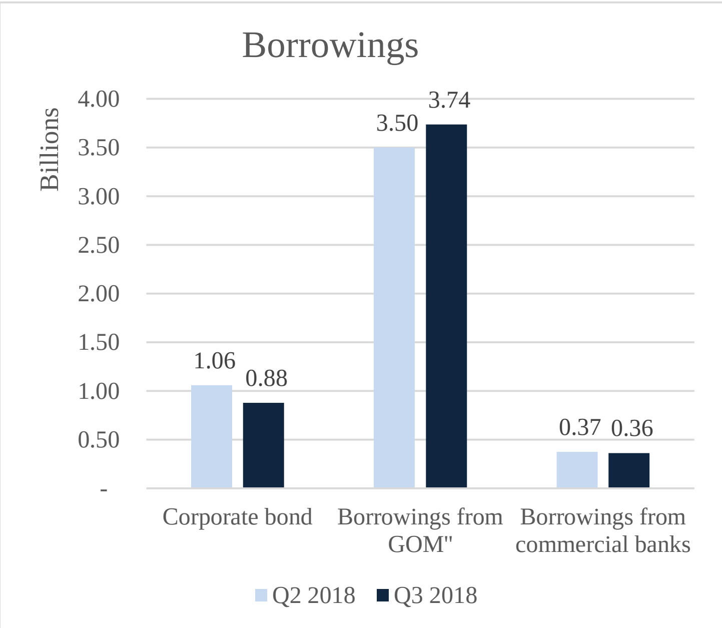
LIQUIDITY	Q2/2018	Q3/2018
NON CURRENT ASSETS	8,324,094,000	9,277,777,000
CURRENT RATIO	3.31	1.99
QUICK RATIO	2.97	1.77
CURRENT ASSETS	3,160,954,000	3,157,945,000
CURRENT LIABILITIES	955,623,000	1,584,528,000
WORKING CAPITAL	2,205,331,000	1,573,417,000
CASH RATIO	0.46	0.28
INVENTORY	319,820,000	353,217,000



- Non-current assets increased by 11% compared to the last quarter mainly due to investment in ongoing developmental projects.
- Current assets reduced marginally by 1%. Mainly due to reduction in trade and other receivables.
- Current liabilities has increased by 65% mainly due to rising trade and other Payables. However, payables to government has been reduced by 7%.
- Current ratio reduced from 3.31 to 1.99 in Q3 2018 due to higher current liabilities. However, MACL is in a position to set off the current liabilities against the current assets.
- Quick ratio is also reduced from 2.97 to 1.77 in Q3 2018 due to fall in current assets while inventory increased.
- As result of increasing trade and other payables more than cash and cash equivalent resulted cash ratio to fall from 0.46 to 0.28.

LEVERAGE	Q2/2018	Q3/2018
DEBT-EQUITY	89.96	86.39
DEBT TO ASSETS	42.96	40.03
CAPITALIZATION RATIO	47.36	46.35





- Debt to Equity reduced from 90% to 86% as equity increased greater than the increase in borrowings. This reduces the financial risk of the company.
- Debt to assets also reduced from 43% to 40% as total assets rose by 8%.
- Capitalization ratio also reduced marginally from 47% to 46% indicating that MACL is becoming financially more stable.
- The borrowings of MACL in Q2 2018 and Q3 2018 is shown in the graph. Corporate bond from MMA and borrowings from commercial banks reduced while borrowings from government of Maldives increased.

Important Projects undertaken in the quarter

There are numerous on-going projects by the largest company in the airport operation industry in the Maldives, MACL. The project details are given in the following table.

(All amounts in MVR 000's)

#	Project Name	Start date	End date	Value	Completed value	completion %
1	Oracle HCM,EAM,BI and Hyperion	15-Dec	18-Oct	11,334	6,239	55%
2	Radar Installation	17-Mar	19-Mar	60,000	493	1%
3	CARGO SOFTWARE	17-Mar	18-Dec	13,845	12,461	90%
4	Runway & Apron	16-Sep	19-Sep	5,552,628	4,164,471	75%
5	Fuel Farm	17-Sep	19-Sep	734,567	146,913	20%
6	Cargo Terminal	18-Sep	19-Sep	494,675	19,787	4%
7	Passenger Terminal Building	16-Jul	20-Jan	5,508,982	407,665	7%
8	Development of New Seaplane Facilities	17-Sep	19-Jan	855,856	231,081	27%
9	VIP/CIP Terminal	18-Jan	19-Apr	215,337	14,858	7%
11	MNDF Building	18-Jan	19-Apr	161,919	81,283	50%
12	Residential Apartment Project (HIYAA Project)	18-Feb	19-Jan	408,281	20,414	5%
13	Expansion of International Departure Terminal Check-in Area	18-Mar	18-Sep	9,148	4,117	45%
14	Passenger Jetties - Waterfront Building Area	18-Mar	18-Dec	17,023	4,766	28%
15	Shore Protection at Southwest lagoon area	18-Aug	19-Mar	41,322	2,066	5%
16	Power upgrading turnkey project	18-May	19-Oct	275,865		0%

The biggest projects on-going by the end of the third quarter are Runway & Apron and Passenger Terminal building both valued over MVR 5 billion and expected to be completed in September 2019 and January 2020 respectively.

Conclusion

Revenue increased from all the means of sales while the cost of sales also increased. Operating profit and net profits have also increased in Q3 2018 compared to Q2 2018 and Q3 2017. Operating and net profit margins has reduced compared to Q3 2017. However, when compared to the last quarter operating and net profit margins have improved as a result of rising revenue and cost controls. It is important to note that along with the growth in revenue MACL has managed to bring a good improvement in minimizing their administrative expenses.

MACL is in a good liquidity position where they are being able to settle the short term liabilities against the current assets. However, rising levels of payables is a matter of concern.

Compared to Q3 2017 borrowings has increased therefore it increase associated financial risk of the company. However, compared to Q2 2018 borrowings increased lower than the growth in equity, indicating that MACL is becoming financially more stable.

Recommendation

- Reduce Payables to a desired level:
  Payables other than the payables to government has been increased in Q3 2018 compared to the previous quarter. Payables should be minimized to improve the liquidity position of the company. In order to minimize trade payables, MACL has to take timely track of all uncollected credits. By collecting the credits and cash advances MACL can be at a better position to pay back the liabilities.

  MACL also can build a more centralized operations system by automating most of the payable and approval systems which will aid in cost saving. They can also try to build stronger relation with the suppliers who can extend the credit period and give dynamic discounts.

- Improve Revenue and reduce cost:
  Revenue is the main factor influencing the profitability of the business. Higher revenue results in growth and improves profitability. Thus, revenue is an important factor for a company like MACL undertaking mega project. Hence, revenue should be improved in all ways possible for future growth and extension.
  At the same time costs should be kept minimum to improve profitability without affecting the revenue and quality of the services provided. Fuel cost is a major influencer to the costs and it is important to reduce the fuel costs. MACL can go into a fuel hedging to maintain fuel prices at a constant level.
  Moreover, they can find ways to reduce aircraft maintenance costs. MACL can monitor the life cycle of parts of aircrafts to prevent unexpected malfunctions and breakdowns. Moreover, they can establish maintenance resources sharing networks between airlines such as hangars, maintenance materials sharing and also conduct allied material purchases for the same-type of aircrafts, thus lowering inventory and maintenance costs.

- Employee Productivity Improvement:
  Though it is difficult to reduce labor costs and improve labor productivity, it is very important for MACL to improve labor efficiency by reducing costs. MACL can monitor over-time working hours, and allocate labor in accordance with the maintenance schedule to enable tasks to be accomplished within a reasonable time frame by avoiding excessive overtime pay. They can always encourage employees to provide cost control strategies.

Quarterly review; Quarter 3, 2018

MALDIVES CENTER FOR ISLAMIC FINANCE LTD

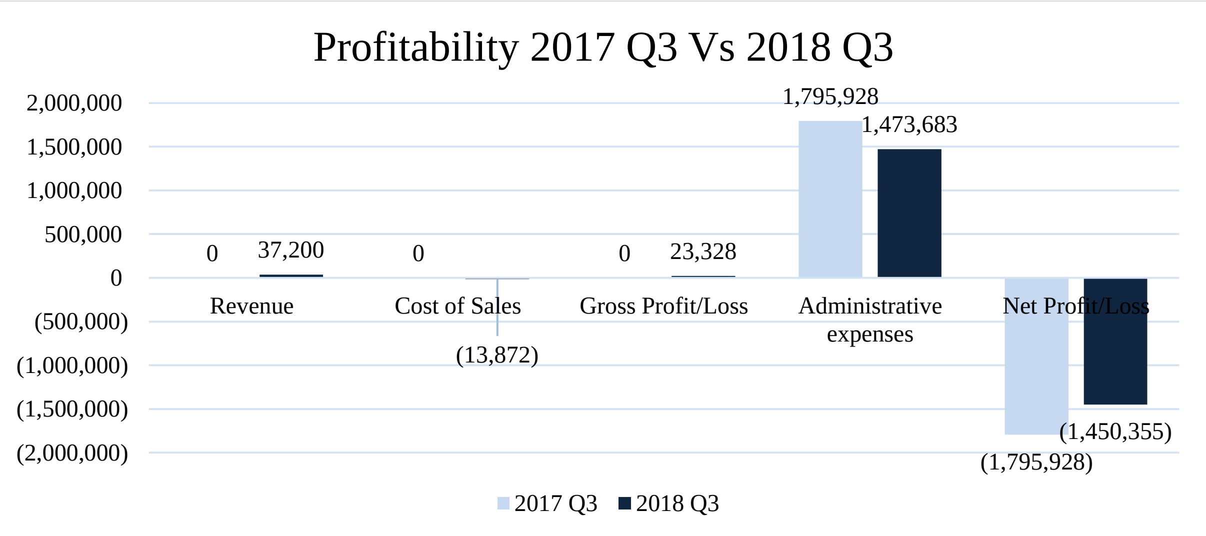
MALDIVES CENTER FOR ISLAMIC FINANCE LTD

Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/MCIF/Q3

Q3 of 2017 AND Q3 of 2018

PROFITABILITY	Q3/2017	Q3/2018	Change	%
Revenue	-	37,200	37,200	-
Cost of Sales	-	(13,872)	(13,872)	-
Gross Profit	-	23,328	23,328	-
Administrative expenses	1,795,928	1,473,683	(322,245)	-18%
Operating Profit	(1,795,928)	(1,450,355)	345,573	-19%

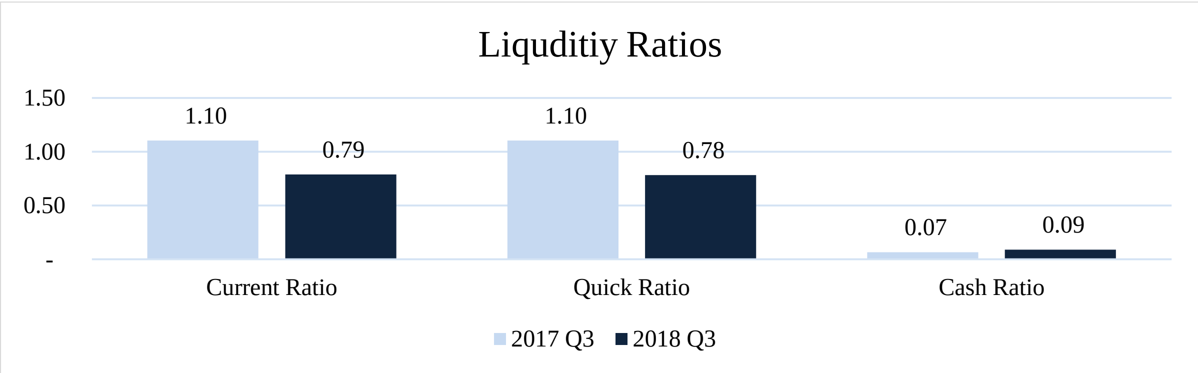


- In Q3 of 2017, MCIF did not generate any revenue, whereas 2018 Q3 they have earned income from SAIIF of MVR 37,200.
- The administrative expenses reduced in 2018 Q3 when compared to same quarter of 2017. MITDC has saved costs as shown below;

Operating Expenses	2017 Q3	2018 Q3	Change
Rent or Lease Expense	356,400	356,400	-
Personnel Expenses	973,655	858,404	(115,251)
Board Meeting Expenses	214,309	36,210	(178,099)
Event Hosting Expenses	1,861	47,197	45,336
Travel Expenses	34,396	-	(34,396)
Professional Development	1,300	400	(900)
Bank Charges	1,526	1,095	(431)
Legal & Other Fees Expenses	30,000	32,000	2,000
Maintenance & Repairs Expense	4,172	2,518	(1,654)
Utilities	17,367	11,432	(5,935)
Communication Expense	12,776	15,110	2,334
IT expenses	14,473	8,707	(5,766)
Printing & Stationaries	3,938	755	(3,183)
Marketing’s Expenses	50,000	53,970	3,970
Other Office Expense	3,209	3,951	742
Depreciation	76,546	45,534	(31,012)
Total Operational Expenses	**1,795,928**	**1,473,683**	**(322,245)**

- Personnel expenses and board meeting expenses reduced compared to Q3 of 2017.
- Since the company has managed its costs, it has resulted in a reduction of net loss by 19%.

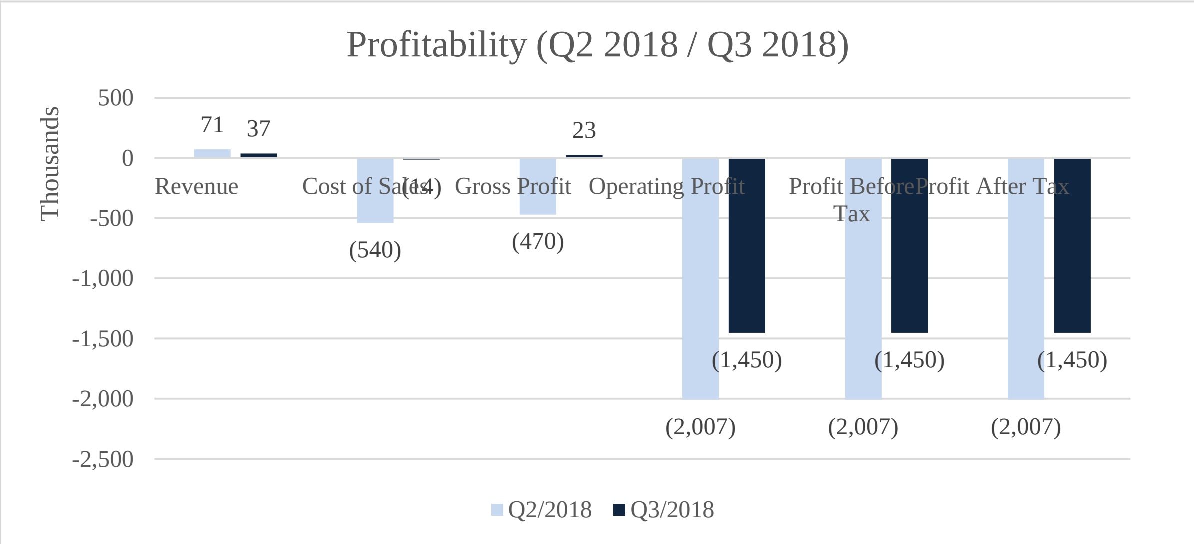
Working Capital	Q3/2017	Q3/2018	Change	%
NON CURRENT ASSETS	814,081	549,241	(264,840.00)	-33%
CURRENT ASSETS	694,114	1,034,953	340,839.00	49%
CURRENT LIABILITIES	629,657	1,311,961	682,304.00	108%
WORKING CAPITAL	64,457	(277,008)	(341,465.00)	-530%



- Both current ratio and quick ratio illustrates that the company is unable to meet its short term obligations with the available current assets. This is because the growth of current liabilities is much higher than the growth of current assets.
- The most significant component of the current asset is trade receivables and total current assets has increased by 49% when compared to 2017 Q3.
- Current liabilities consists of trade and other payables, which has increased from MVR 629,657 to MVR 1,311,961, thus current liabilities exceed current assets as of the end of 2018 Q3.

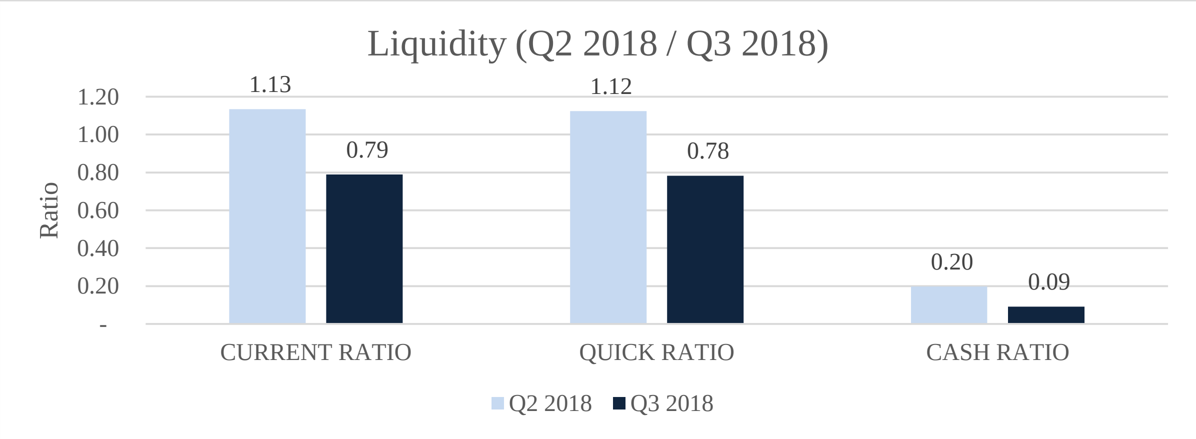
Q2 of 2018 AND Q3 of 2018

PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	70,515	37,200	(33,315)	(47)
COST OF SALES	(540,353)	(13,872)	526,481	(97)
GROSS PROFIT /LOSS	(469,838)	23,328	493,166	(105)
NET PROFIT/LOSS	(2,007,465)	(1,450,355)	557,110	(28)



- Revenue reduced by 47% compared to the last quarter. In the last quarter MCIFL received revenue from sponsorship and magazine advertisement apart from the revenue from SAIIF. In Q3 2018, no other revenue was generated except for that from SAIIF. However, the revenue from SAIIF increased in Q3 2018 compared to Q2 2018.
- Cost of sales reduced by 97%. The costs were higher in the last quarter due to high cost incurred on magazine. Direct costs of educational programs were also higher in Q2 2018.
- The gross loss in Q2 2018 improved to gross profit in Q3 2018 mainly due to reduction of cost of sales.
- The sales and marketing costs, administrative expenses and other operating expenses were higher resulting in an operating loss in the quarter. However, the loss was less than the operational loss of the previous quarter. Though sales and marketing costs increased, administrative expenses and other operating costs were lower compared to Q2 2018. The highest administrative expense is the personnel expenses resulting from high salaries and wages. Event hosting and marketing expenses were also comparatively higher in Q3 2018.
- Loss for the year was equal to operating loss as there were no business tax nor finance costs.

Working Capital	Q2/2018	Q3/2018
NON CURRENT ASSETS	594,774	549,241
CURRENT ASSETS	1,086,198	1,034,953
CURRENT LIABILITIES	958,384	1,311,961
WORKING CAPITAL	127,814	(277,008)
INVENTORY	8,240	8,240



- Non-current assets reduced as property plant and equipment and intangible assets reduced due to depreciation. There were no purchase or dispose of any asset.
- Current assets reduced by 4.7% compared to the previous quarter. Inventories remained same while cash and cash equivalents reduced by 37%. However, receivables of the company increased by 2.13%. The current assets also holds cash as capital injection of 1 million by government in each quarter Q2 2018 and Q3 2018.
- Current liabilities increased by 37% as a result of increase in trade and other payables. Accrued expenses had increased which resulted an increase in current liabilities.
- Current ratio of 1.13 reduced to 0.79 in Q3 2018 due to increased current liabilities along with reduced current assets.
- Quick ratio is almost same as current ratio since MCIFL maintained a quite low inventory.
- Cash ratio reduced from 0.20 to 0.09 by Q3 2018 since cash and cash equivalent had reduced.

<u>Operational Highlights</u>

- Launching of the first issue of Laaba magazine.
- Held the first international Halal Management Conference in Maldives.
- Commenced the second batch of CIMA diploma in Islamic finance course.

Conclusion

Revenue reduced compared to the last quarter. Operational and administrative costs increased resulting in loss for the quarter. There were no major operational activities to generate high revenue, yet the operational costs were considerably higher.

Along with increased receivables, MCIF had increased value of payables including accounts payable and accrued expenses. Though liquidity ratios were favorable, MCIFL should take necessary measures to reduce payables along with receivables.

Capital had been injected by the government as they needed additional finance as the operational costs were more than the budgeted. Hence, a budget needs to be forecasted and strictly followed.

Recommendation

- Improve revenue by increasing operations.

MCIFL currently has a good mandate. However, the management has failed to implement the strategies in the most commercially beneficial way. Fundamentally the management has been focusing on certain objectives instead of focusing on all the business objectives. Hence, more operations need to be undertaken which could yield higher returns.

- Implement strategies to increase cash operations:

Proper cash forecasting and implementing the cash flow forecast is important to improve cash levels of the business. MCIFL has to plan find ways to improve cash flow in order to reduce the level of dependency on capital injected by the government.

- Reduce costs:

Costs has been increased significantly without further operations. Costs particularly staff expenses has to be minimized since their operations are insignificant. The staff costs can be reduced by revising the pay structure. Moreover Sharia committee allowance is also a cost which can be minimized.

Quarterly review; Quarter 3, 2018

MALDIVES INTEGRATED TOURISM CORPORATION (MITDC)

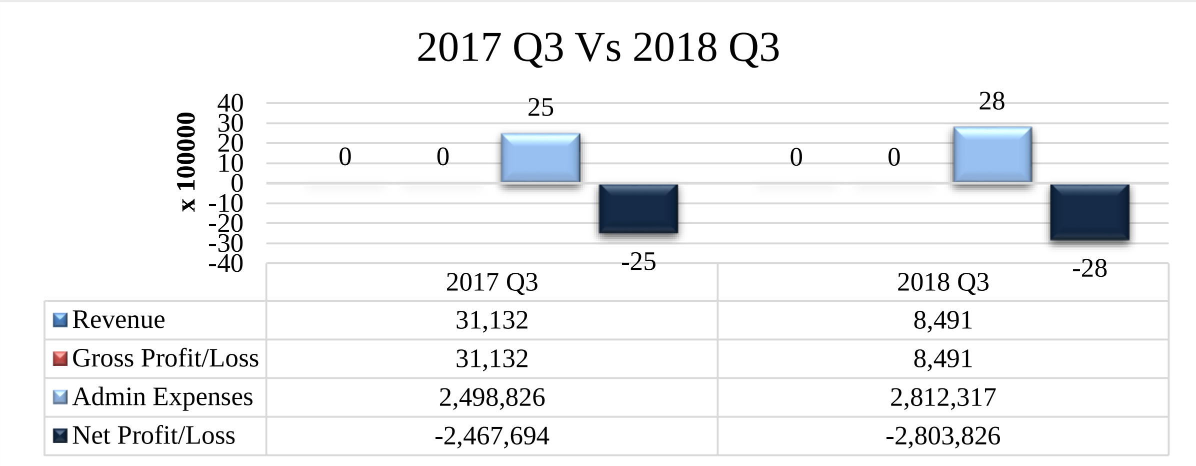
MALDIVES INTEGRATED TOURISM CORPORATION (MITDC)

Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/MITDC/Q3

Q3 of 2017 AND Q3 of 2018

PROFITABILITY	Q3/2017	Q3/2018	Change	%
REVENUE	31,132	8,491	(22,641)	-73%
COST OF SALES	-	-	-	-
GROSS PROFIT	31,132	8,491	(22,641)	-73%
EXPENSES	2,498,826	2,812,317	313,491	13%
NET PROFIT	(2,467,694)	(2,803,826)	(336,132)	-14%



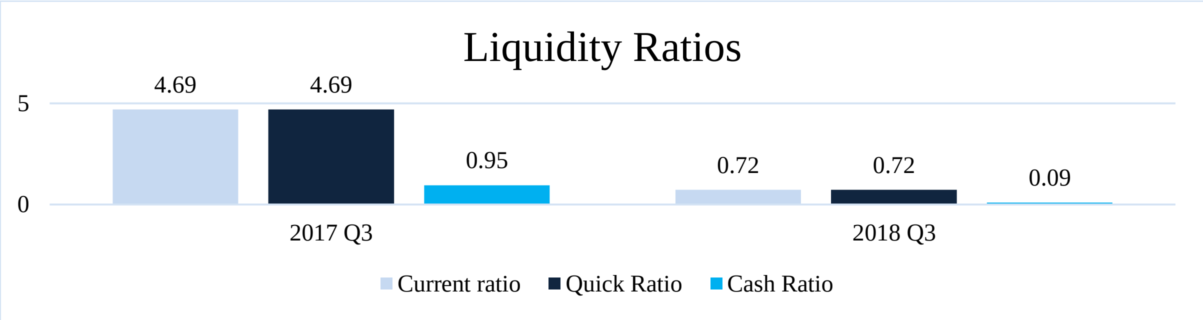
- Compared with Q2 2017 the revenue of the company has fallen by 73%. The only form of revenue was bid income for both the quarters.
- Since there were no direct expenses the gross profit of the company remained same as revenue.
- The expenses of the corporation had changed as below.

Expenses	Q3/2017	Q3/2018	Change	%
Administrative Expenses	1,593,464	2,629,054	1,035,590	65%
Sales and Marketing Expenses	905,362	183,263	(722,099)	-80%
Total	**2,498,826**	**2,812,317**	**313,491**	**-**

- Administrative expenses had recorded a growth of 65%, which is an additional MVR 1 million in comparison to Q3 of 2017. This was mainly due to increase in payroll expenses and refund of land acquisition cost.
- On the other hand, sales and marketing expenses had decreased by 80%, mainly due to reduction in Sponsor expenses.
- Since the company did not generate enough revenue to cover the expense, the corporation incurred a loss of MVR (2,803,826).

Liquidity and Working Capital

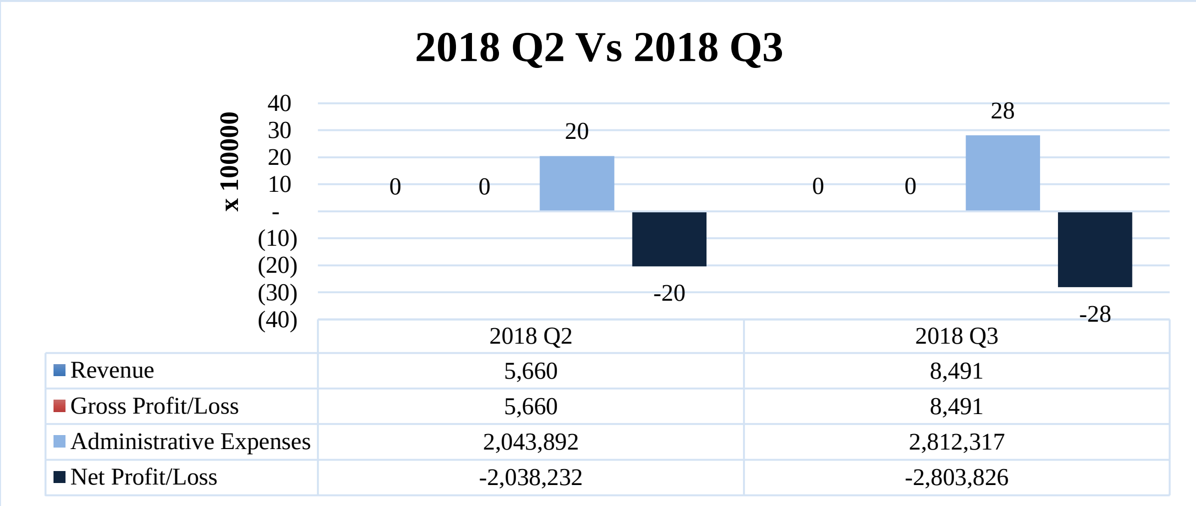
Working Capital	Q3/2017	Q3/2018	Change	%
NON CURRENT ASSETS	29,512,230	57,290,582	27,778,352	94%
CURRENT ASSETS	23,700,611	51,693,224	27,992,613	118%
CURRENT LIABILITIES	5,051,662	72,016,263	66,964,601	1326%
WORKING CAPITAL	18,648,949	(20,323,039)	(38,971,988)	-209%



- The company did not have any closing stock, thus both current and quick ratio were equal.
- The liquidity position of the company had reduced significantly in comparison to Q3 of 2017 due to increase in current liabilities. Current assets of the company consists of cash balance and receivables. Both current assets and current liabilities have increased in 2018 Q3 when compared to same quarter of 2017.
- Current liabilities of the company consists of trade and other payables, which has recorded a growth of 1,326%.
- The liquidity ratios illustrate that the company's incapability to meet its short term liabilities. Further, 87% of current assets are trade receivables and it is uncertain that this amounts will be recovered in one year.
- The overall working capital position of the company is abating.

Q3 of 2018 AND Q3 of 2018

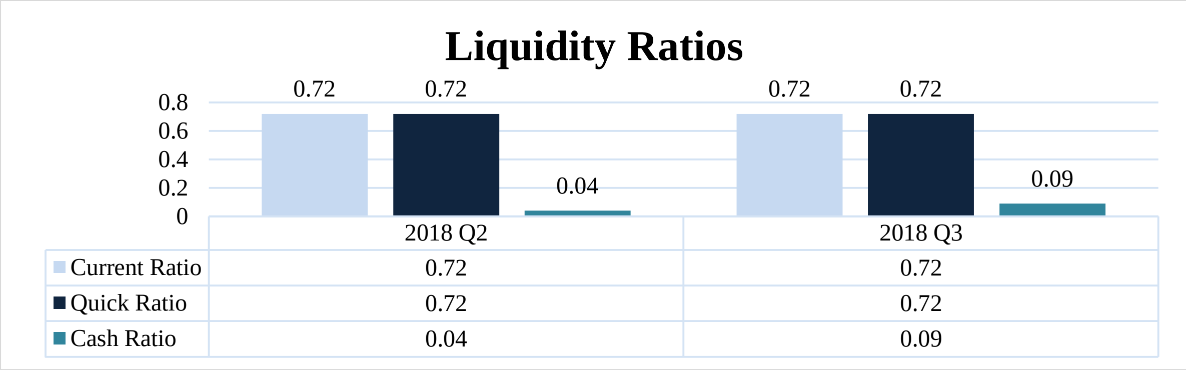
PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	5,660	8,491	2,831	50%
COST OF SALES	-	-	-	-
GROSS PROFIT	5,660	8,491	2,831	50%
EXPENSES	2,043,892	2,812,317	768,425	38%
NET PROFIT	(2,038,232)	(2,803,826)	(765,594)	38%



- The bid income had increased from MVR 5,660 to MVR 8,491 when compared with previous quarters.
- Total expenses have increased by 38% in comparison to the previous quarter. This was mainly due to increase in payroll expenses, accommodation and refund of land acquisition cost.
- As a result the net loss has also increased from MVR 2,038,232 to MVR 2,803,826.

Liquidity and Working Capital

WORKING CAPITAL	Q2/2018	Q3/2018	Change	%
NON CURRENT ASSETS	57,095,827	57,290,582	194,755	0%
CURRENT ASSETS	44,994,145	51,693,224	6,699,079	15%
CURRENT LIABILITIES	62,643,264	72,016,263	9,372,999	15%
WORKING CAPITAL	(17,649,119)	(20,323,039)	(2,673,920)	15%



- Both current assets and liabilities have increased when compared to previous quarter.
- Both current and quick ratios were below the ideal level. The current liabilities of the corporation exceeds current assets, thus the liquidity position was poor.
- The cash balance of the corporation has increased from MVR 2 million to MVR 6 million in one quarter, thus the cash ratio has improved.
- The payables of the company has also increased by MVR 9 million when compared to Q2 of 2018 mainly due to trade payable and payable CSR funds.

<u>Important Projects undertaken in the quarter</u>

The below projects are carried out in this quarter.

- L. Baresdhoo Project
- Project Palm
- Addu Integrated Tourism project
- Galufalhu
- Kaashidhoo Project
- Fuvahmulah Project
- Kelaa Project

MVR 1,042,998 was added to these projects in this quarter.

<u>Conclusion</u>

The only source of revenue earned was bid income and which is very low when compared to the operations of the corporation. However, once the ongoing projects are completed, revenue is expected to flow.

Though there is no revenue, the operational expenses has recorded a growth of 13%. Therefore, the net loss has increased to MVR (2,803,826). Further, the liquidity position of the company is very poor with current liabilities exceeding its current assets.

Recommendation

- Revenue generation
  For sustainable development of the company the corporation should start generating revenue. Currently the company only earns from bid income which is not enough to cover its costs. Therefore, MITDC has to find stable revenue generating activities. The company has been carrying out several capital projects, thus the revenue generation is expected to improve in future.
- Self-sustainable operation
  Currently the company is sustaining from the capital injunctions from the government. The corporation must formulate strategic plans to improve its business operation and be self-sufficient. Further, cost management is also important to reduce the loss of the corporation and to improve sustainability.
- Short term plans:
  MITDC should focus on some short term objectives to finance their operations and improve revenue. Some of the short term plans could include involving in some of the local businesses like guest houses, community centers, spas, restaurants, etc.
- Reasonable finance arrangement to complete the on-going projects:
  MITDC should find reasonable financing arrangements to complete the on-going projects smoothly and to complete them before the due dates.
- Receivable collection:
  MITDC should formulate strategies in receivable collection to enhance the liquidity position. Rent receivables, account receivables and advance payments from customers need to be collected and relevant authorities must be informed and actions should be taken accordingly regarding overdue customers.
- Consequently payables management is also important including maintaining a good relation with the suppliers to increase the credit limits.

Quarterly review; Quarter 3, 2018

MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC (MTCC)

MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC

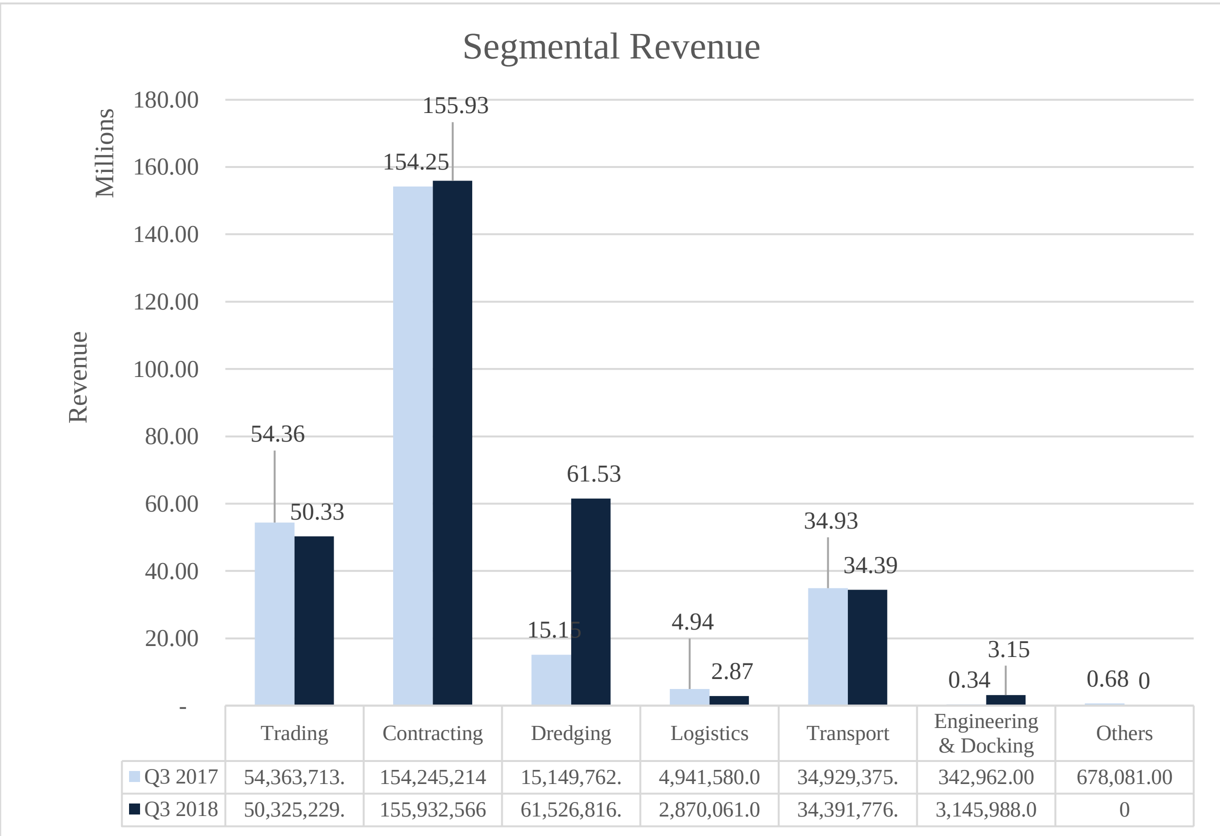
Q3 2018 PERFORMANCE ANALYSIS

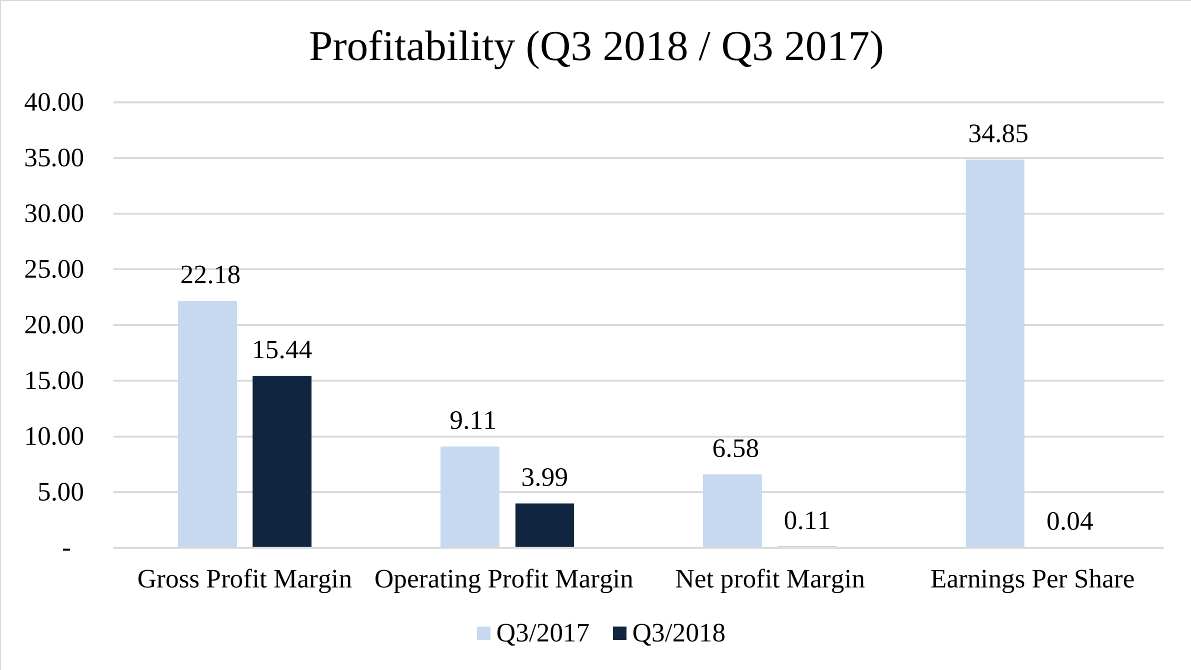
Report No: PEM/2018/MTCC/Q3

Q3 of 2017 AND Q3 of 2018

PROFITABILITY	Q3/2017	Q3/2018	Change	%
REVENUE	264,650,687	308,219,436	43,568,749	16.46
COST OF SALES	205,963,175	260,616,434	54,653,259	26.54
GROSS PROFIT	58,687,512	47,603,002	-11,084,510	-18.89
OPERATING PROFIT	24,105,245	12,285,802	-11,819,443	-49.03
PROFIT BEFORE TAX	20,499,644	385,839	-20,113,805	-98.12
PROFIT AFTER TAX	17,424,697	327,963	-17,096,734	-98.12

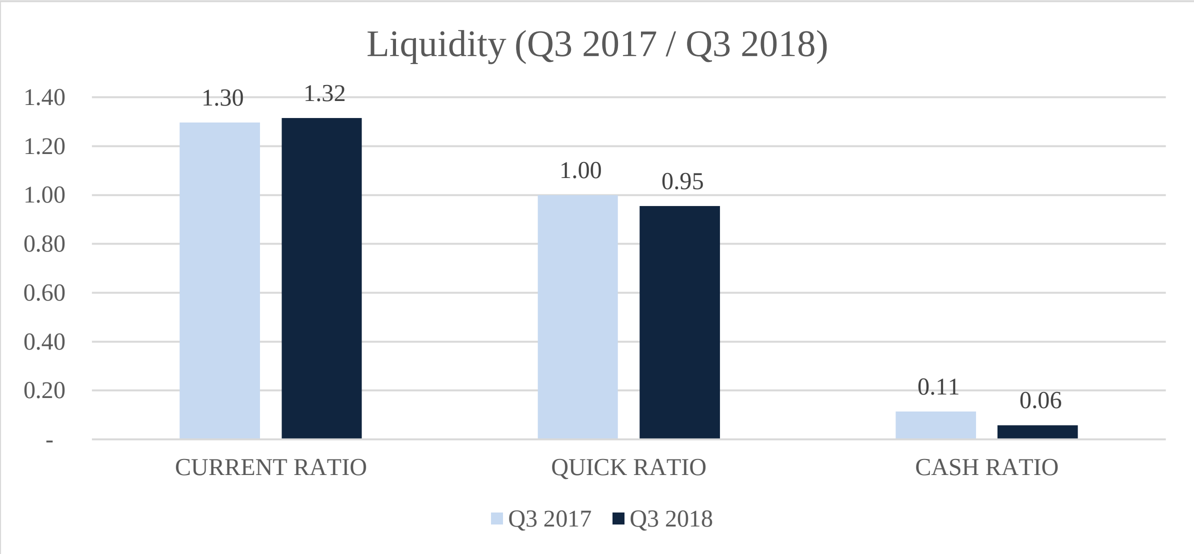
	Q3/2017	Q3/2018
GROSS PROFIT MARGIN	22.18	15.44
OPERATING PROFIT MARGIN	9.11	3.99
NET PROFIT MARGIN	6.58	0.11
EARNINGS PER SHARE	34.85	0.04





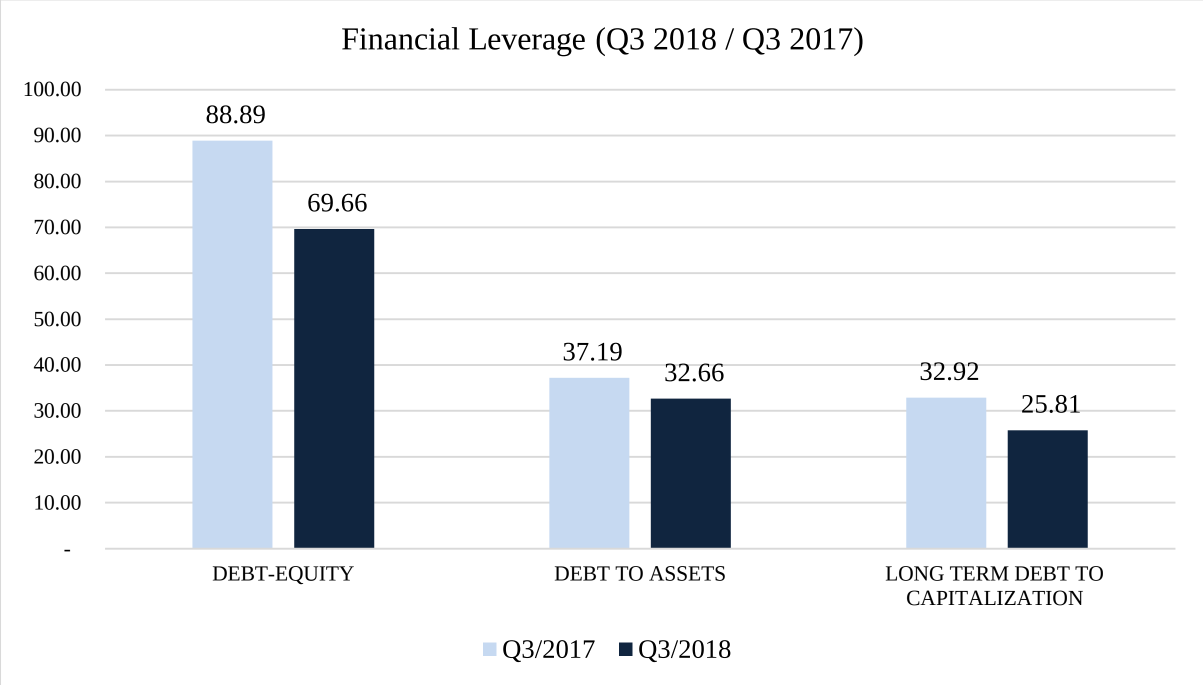
- Revenue increased by 16% compared to the same quarter of the previous year mainly due to increase in revenue from dredging and engineering and docking. Revenue of contracting segment also improved. However, MTCC faced fall in revenue from logistics, transport and trading segments.
- Cost of sales increased by 26% as a result gross profit fell by 19%. Gross profit margin also fell from 22% to 15%.
- Operating profit fell greatly by 49% mainly due to higher administrative expenses and other expenses.
- Profit for the year fell greatly by 98% compared to Q3 2017 as a result of lower operating profit and increased finance costs.
- As a result of the great fall in profit levels, earnings per share reduced from 34.85 to 0.04. The falling earning per share may affect share price of the company.

LIQUIDITY	**Q3/2017**	**Q3/2018**
NON CURRENT ASSETS	1,012,952,626	1,064,218,769
CURRENT RATIO	1.30	1.32
QUICK RATIO	1.00	0.95
CURRENT ASSETS	964,971,108	999,318,456
CURRENT LIABILITIES	744,254,887	759,640,557
WORKING CAPITAL	220,716,221	239,677,899
CASH RATIO	0.11	0.06
INVENTORY	221,406,361	273,928,124



- Non-current assets increased by 5% compared to the same quarter of the previous year mainly due to increase in financial investments and deferred tax.
- Current assets increased by 3.6% due to rising inventories and trade and other receivables. Inventories increased by 52 million while receivables rose by 22 million. However, cash and cash equivalents reduced by 40 million compared to Q2 2017.
- Current liabilities rose by 2% as a result of increased value of short term borrowings by 7.8 million and the bank balance overdrawn in Q3 2018 by 13 million. However, payables fell by 5.6 million which was a reduction of 1.3% compared to the same quarter of the previous year.
- Current ratio increased slightly as a result of increase in current assets greater than the increase in current liabilities. However quick ratio fell from 1 to 0.95 as a result of higher inventory. When inventory was eliminated from current assets, MTCC was not in a position to repay the current obligations with the current assets in Q3 2018. MTCC's liquidity position was not weak, however they need to improve the liquidity since cash and cash equivalents have been decreasing and receivables are increasing thus which is not favorable for the long term.
- Cash ratio of 0.11 reduced to 0.06 in Q3 2018. Low cash ratio represents the low level of cash balances in MTCC. It should be noted that MTCC had their bank account overdrawn by 13 million in Q3 2018.

LEVERAGE	Q3/2017	Q3/2018
DEBT-EQUITY	88.89	69.66
DEBT TO ASSETS	37.19	32.66
LONG TERM DEBT TO CAPITALIZATION	32.92	25.81

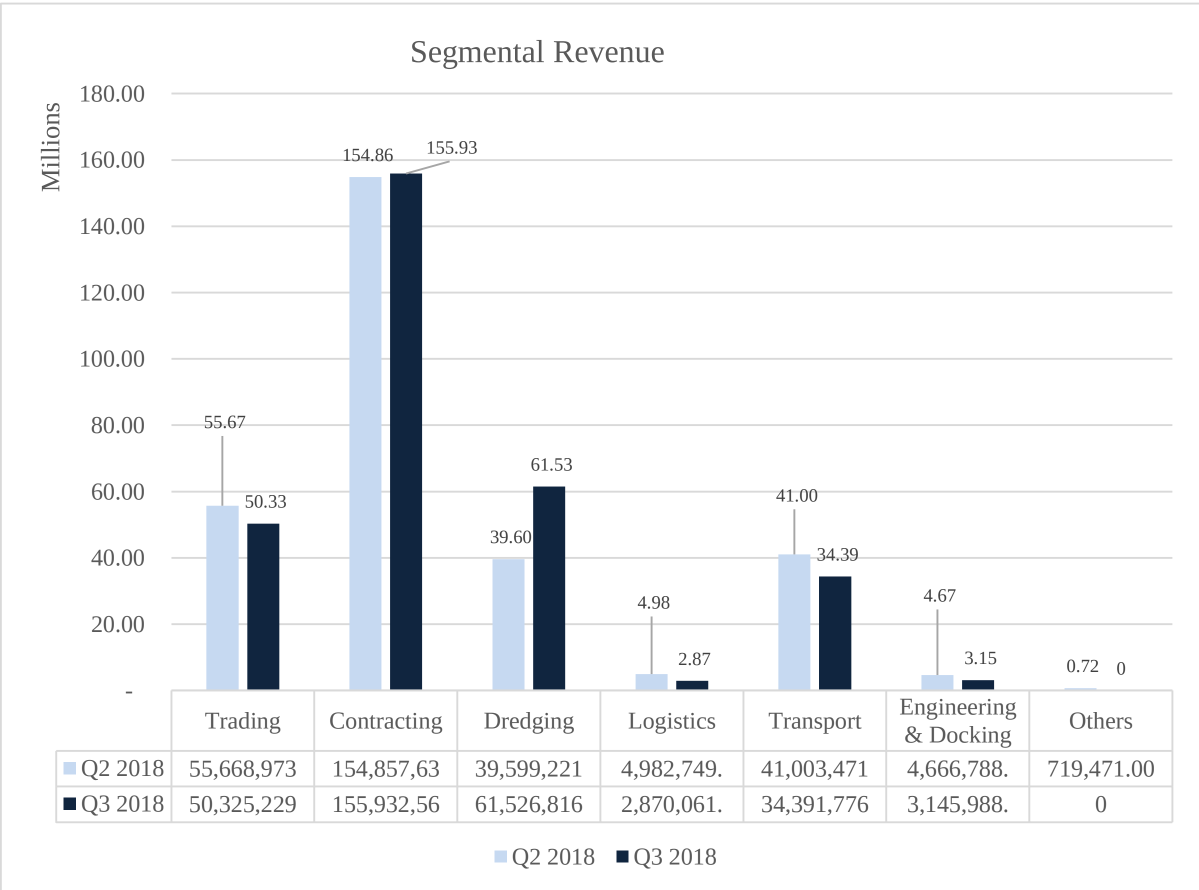


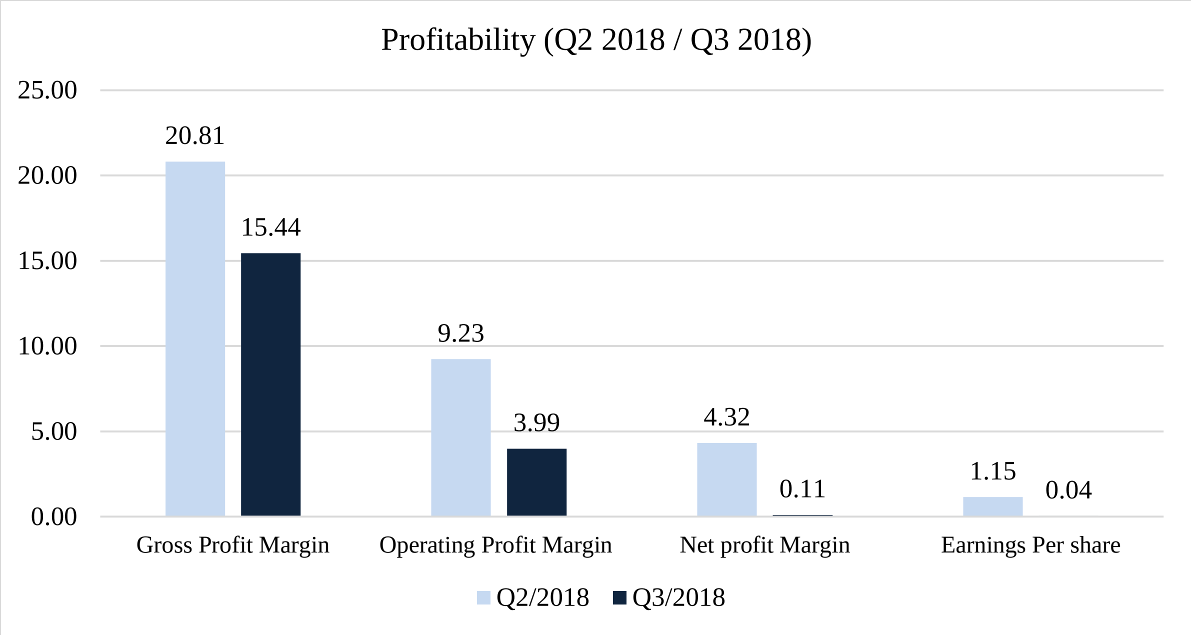
- Debt to equity of 89% reduced to 70% in Q3 2018 due to reduction in borrowings. The total borrowing reduced by 61.7 million, where short term borrowings increased by 7.8 million and long-term borrowings reduced by 69.5 million. The reduction in the total borrowings with regard to the equity reduces the financial risk.
- Debt to assets reduced from 37.2% to 32.7%, due to lower borrowings compared with total assets of the company.
- Long-term debt to capitalization reduced from 33% to 26% in Q3 2018 showing the favorable movement in financial stability.

Q2 of 2018 AND Q3 of 2018

PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	301,498,307	308,219,436	6,721,129	2.23%
COST OF SALES	238,741,489	260,616,434	21,874,945	9.16%
GROSS PROFIT	62,756,818	47,603,002	-15,153,816	-24.15%
OPERATING PROFIT	27,823,529	12,285,802	-15,537,727	-55.84%
PROFIT BEFORE TAX	15,312,919	385,839	-14,927,080	-97.48%
PROFIT AFTER TAX	13,015,981	327,963	-12,688,018	-97.48%

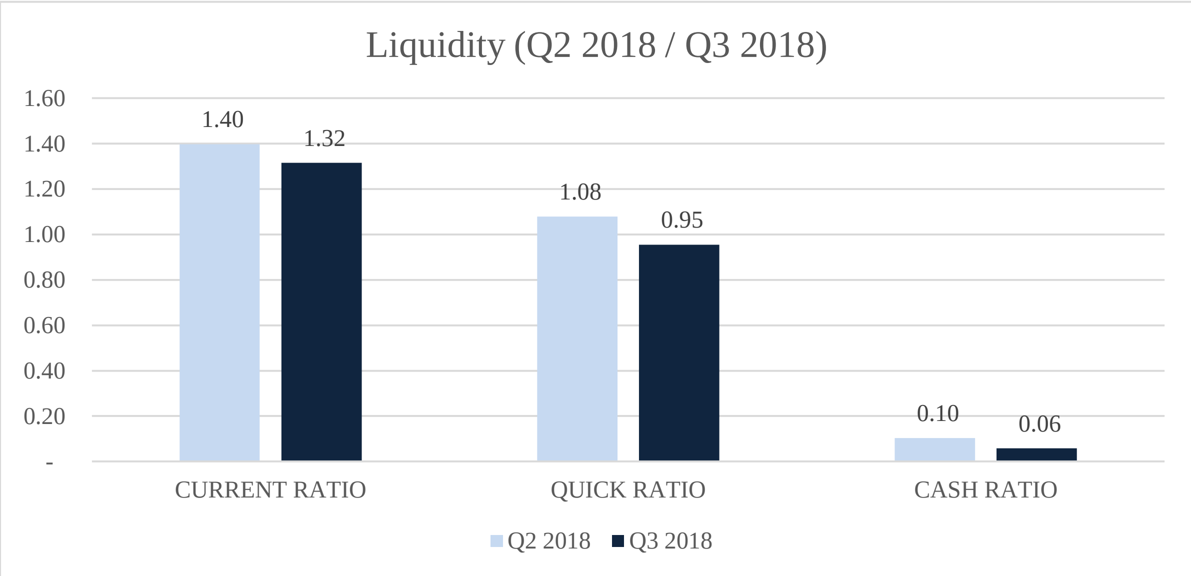
	Q2/2018	Q3/2018
GROSS PROFIT MARGIN	20.81	15.44
OPERATING PROFIT MARGIN	9.23	3.99
NET PROFIT MARGIN	4.32	0.11
EARNINGS PER SHARE	1.15	0.04





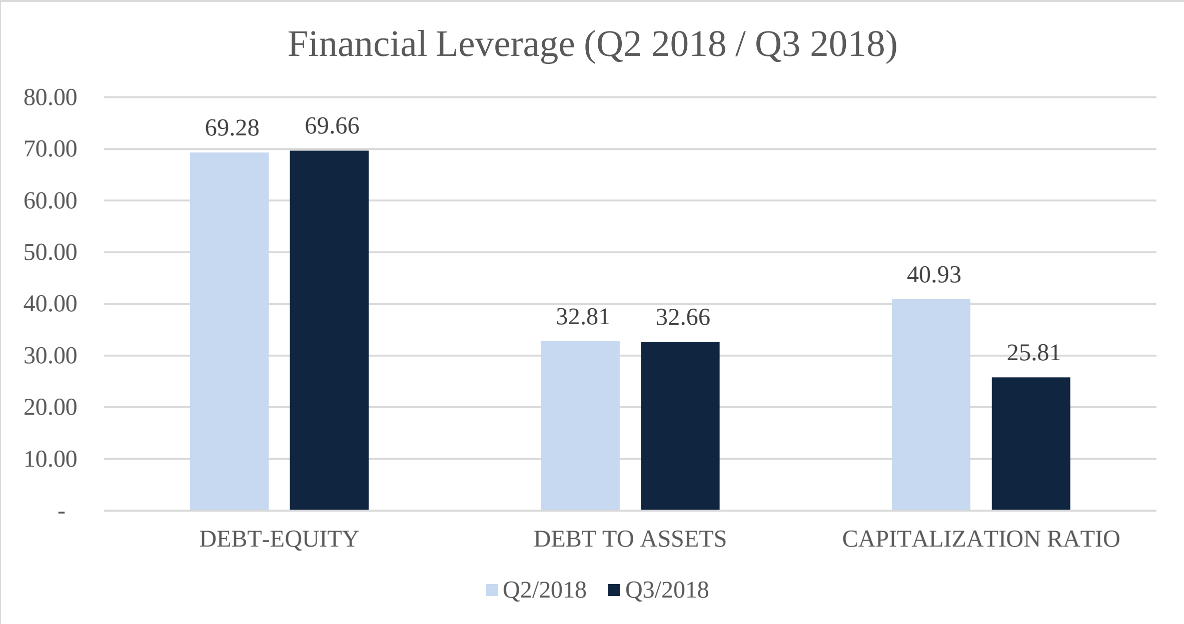
- Revenue increased by 2% compared to the preceding quarter due to increased revenue from dredging department by 21.9 million and increase of revenue from contracting department by 0.69%. However, revenue from logistics, transport and engineering & docking fell compared to the last quarter.
- Cost of sales increased by 9%, as a result gross profit deteriorated by 24%.
- Operating profit reduced by 56% compared to the last quarter due to rise in other expenses and reduction in other expenses.
- Net profit declined greatly by 97.5% as operating profit reduced and finance costs increased.
- As a result earnings per share fell from 1.15 to 0.04.

LIQUIDITY	**Q2/2018**	**Q3/2018**
NON CURRENT ASSETS	1,065,104,794	1,064,218,769
CURRENT RATIO	1.40	1.32
QUICK RATIO	1.08	0.95
CURRENT ASSETS	1,039,767,894	999,318,456
CURRENT LIABILITIES	744,288,089	759,640,557
WORKING CAPITAL	295,479,805	239,677,899
CASH RATIO	0.10	0.06
INVENTORY	237,036,730	273,928,124



- There was a slight reduction in the value of non-current assets compared to the last quarter due to reduction in the value of financial investments and intangible assets.
- Current assets reduced by 4% as a result of decline in receivables and reduction in the value of cash and cash equivalents compared to the previous quarter. Receivables reduced by 44 million which is a reduction of 6% while cash reduced by 33 million which is a reduction of 43% compared to the last quarter.
- Current liabilities increased by 2% as a result of increase in short term borrowings and bank overdraft.
- Current ratio reduced from 1.40 to 1.32 in Q3 2018 thus it showed a decline in liquidity position of the company. However, they were in a position where they can settle the liabilities against the current assets.
- Quick ratio also reduced from 1.08 to 0.95 since inventory level of the company was quite high compared with previous quarter. It is important to note that trade receivables and payables have fallen in Q3 2018 compared to the preceding quarter.
- Cash ratio of 0.10 reduced to 0.06 in Q3 2018 due to lower cash and cash equivalents. They also had an overdraft of 13 million which is an increase of 12 million compared to the last quarter.

LEVERAGE	**Q2/2018**	**Q3/2018**
DEBT-EQUITY	69.28	69.66
DEBT TO ASSETS	32.81	32.66
CAPITALIZATION RATIO	40.93	25.81



- Debt to equity of 69.28 increased marginally to 69.66 since total equity and reserve of the company fell in Q3 2018.
- The total asset of the company increased thus debt to assets reduced from 32.81 to 32.66.
- Capitalization ratio fell from 41% to 25.81 showing the financial stability of MTCC.

Important Projects undertaken in the quarter

MTCC carried out the following projects during the 3rd Quarter of 2018:

- A total of 29 construction projects were managed, which includes two new projects and three projects that were awarded. 9 projects were completed successfully during the period.
- Six dredging and reclamation projects were carried out which includes.
  - Sawmill Relocation project,
  - Land reclamation and Shore protection at K. Thilafushi project,
  - Gdh. Faresmaathoda Land Reclamation and Shore Protection,
  - Ha. Maafinolhu Land Reclamation and shore protection;
  - K. Huraa Reclamation project.
- MTCC has started new bus routes interconnecting with the Bridge bus route as well as the bus routes within Hulhumale'.
- The company has expanded their Private Hire operations to Male' via Sinamale Bridge, along with changes to the Hulhumale' Ferry Link schedule.

Conclusion

Though there is an increment in the growth of revenue compared to Q3 2017 and Q2 2018, profit has been dropped drastically due to higher costs. Increase of administrative expenses and other expenses has resulted deterioration in profitability of the company. Further finance costs also has risen.

When talking about liquidity, MTCC seems to be in a satisfactory liquidity position where they were able to set off short term obligations with current assets. However, they had a high level of trade and other receivables which need to be reduced. Moreover, their cash balance was also quite low to settle the current obligations.

Gearing level remained relatively same thus financial risk of the company also remained relatively same as previous quarter. In addition with long term finance MTCC has obtained a huge bank overdraft compared with other quarters. Thus it seems MTCC has some cash flow difficulty in financing their operation and expansions projects.

Recommendation

- Increase revenue from all segments:
  Revenue increment from all segments is important when considering improving the aggregate revenue. A healthy competition can be carried out between the departments to increase revenue with a reduced cost. Researches can be done to improve revenue and reduce costs from wherever possible.
- Reduce Administrative expenses:
  Administrative expense is an expense which can be minimized by implementing best practices in order to maximize profits. MTCC's administrative expenses are comparatively high in Q3 2018 due to increased business operations compared to Q3 2017. They need to cut on costs and reduce wastage from the possible areas to achieve a higher return.
- Improve profit and Earnings per share:
  The profit of the company has fallen drastically compared to Q3 2017 and Q2 2018. Margins were also very low compared to other similar companies in the market. MTCC should cut down certain costs such as administrative expenses and other expenses while implementing strategies to increase revenue. This will help in increasing profits at the same time earnings per share.
- Reduce receivable:
  Receivable reduction is vital for businesses in order to be in a good liquidity position. Receivables need to be collected within the desired time and proper actions need to be taken with the overdue payments from customers. Receivable collection will further enhance the cash position of the company. They also can reduce bank overdraft and borrowing levels to enhance cash growth.
- Reduce Payables:
  Payables have been reduced in Q3 2018 compared to Q3 2017 and Q2 2018. Payables can be further reduced to have higher liquidity position by reducing the liabilities. A good cash flow management needs to be applied by reviewing receivable and payables.

Quarterly review; Quarter 3, 2018

MALDIVES TOURISM DEVELOPMENT CORPORATION PLC (MTDC)

MALDIVES TOURISM DEVELOPMENT CORPORATION PLC

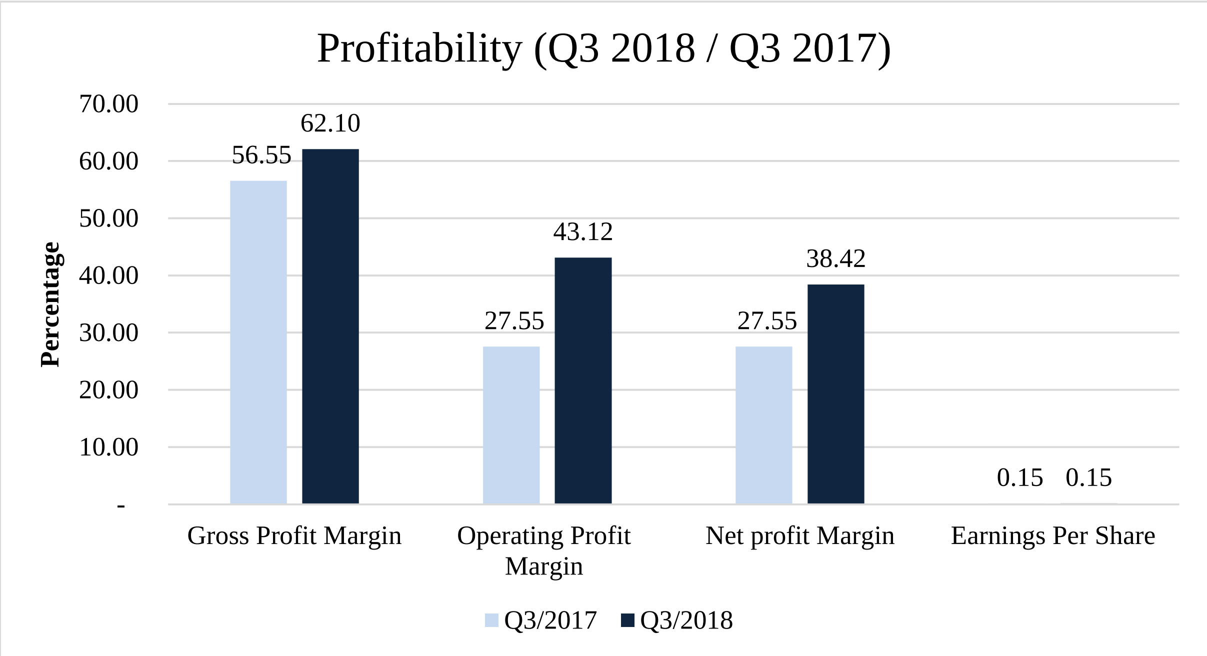
Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/MTDC/Q3

<u>Q3 of 2017 AND Q3 of 2018</u>

PROFITABILITY	Q3/2017	Q3/2018	Change	%
Revenue	16,881,585	19,351,653	2,470,068	14.63
Cost of Sales	7,334,970	7,334,970	0	0.00
Gross Profit	9,546,615	12,016,683	2,470,068	25.87
Operating Profit	4,651,258	8,344,348	3,693,090	79.40
Profit Before Tax	4,651,258	8,344,348	3,693,090	79.40
Profit After Tax	4,651,258	7,434,815	2,783,557	59.85

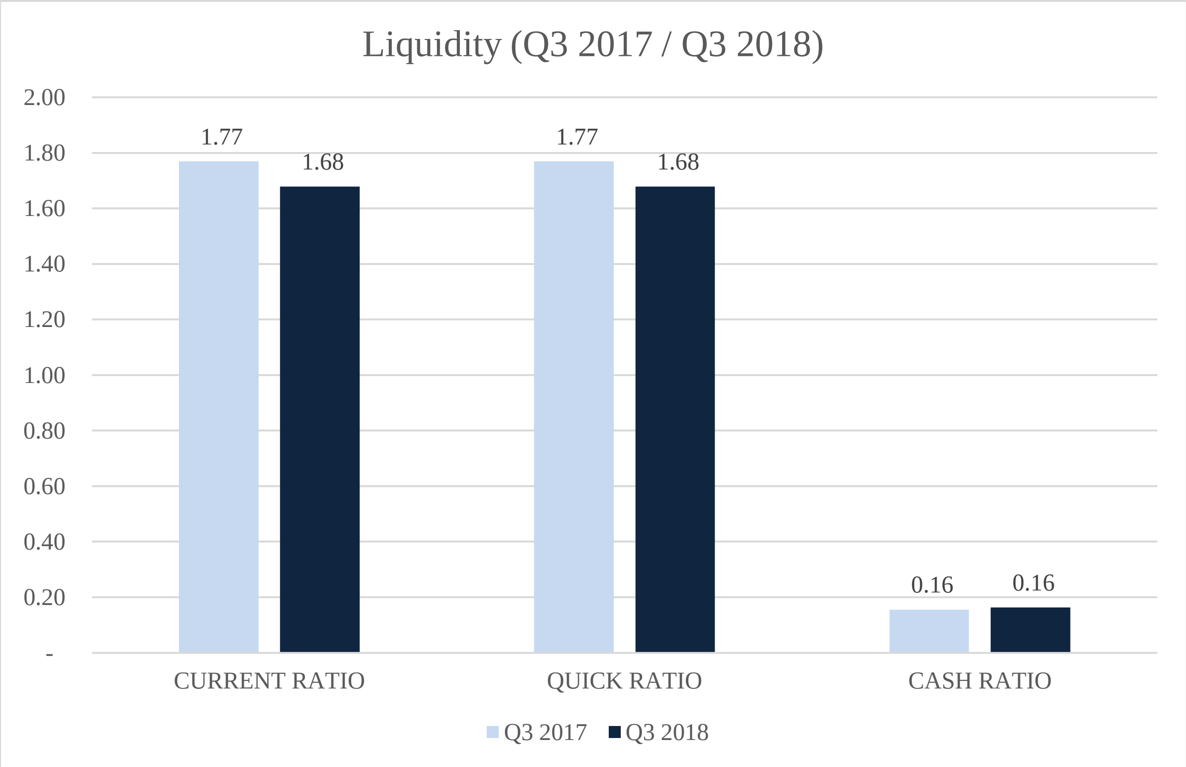
	Q3/2017	Q3/2018
GROSS PROFIT MARGIN	56.55	62.10
OPERATING PROFIT MARGIN	27.55	43.12
NET PROFIT MARGIN	27.55	38.42
EARNINGS PER SHARE	0.15	0.15



- Revenue increased by 15% compared to the same quarter of the previous year. The revenue they earn is merely from the sub lease from islands rented.
- Cost of sales were constant in both quarters since the leased payments were fixed.
- Gross profit rose by 26% as a result of increased revenue.
- Administrative expenses reduced by 1.9 million which is a reduction of 34% as a result operating profit increased by 79%.

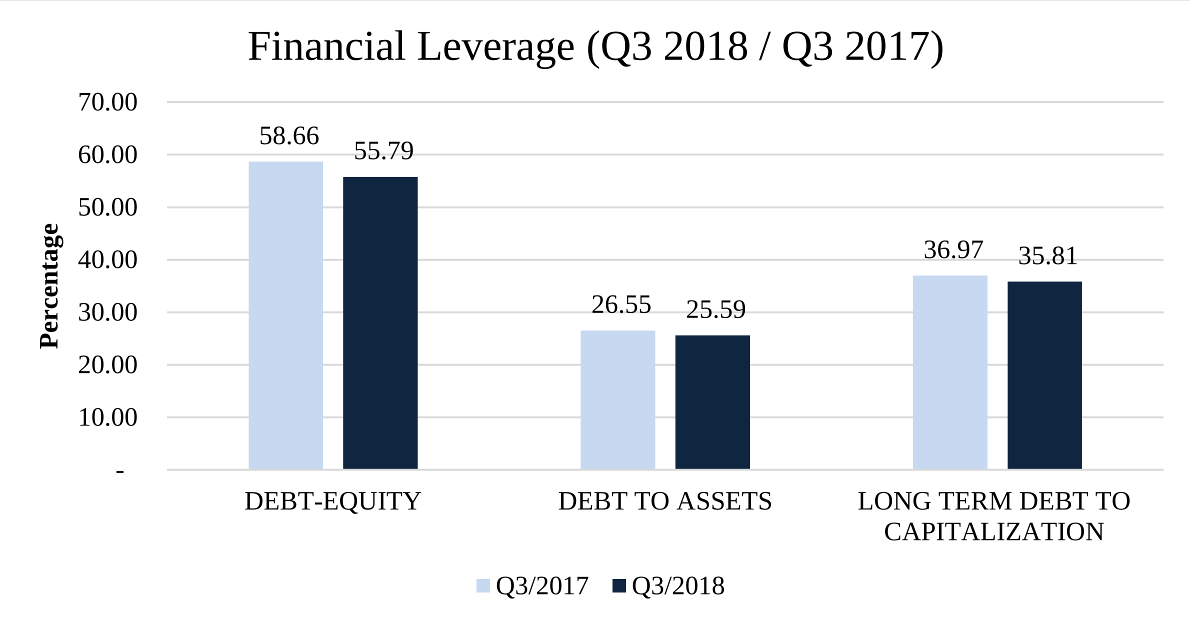
- Profit after tax has increased by 60% as a result of growth in revenue and lower administrative expenses.
- Earnings per share is very insignificant due to lower profit compared to number of issued shares.

LIQUIDITY	Q3/2017	Q3/2018
NON CURRENT ASSETS	368,121,074.04	376,596,985.44
CURRENT RATIO	1.77	1.68
QUICK RATIO	1.77	1.68
CURRENT ASSETS	366,613,476.06	346,336,962.48
CURRENT LIABILITIES	207,154,361.70	206,289,947.34
WORKING CAPITAL	159,459,114.36	140,047,015.14
CASH RATIO	0.16	0.16



- Non-current assets increased by 2% due to increased value of lease rent equalization.
- Current assets reduced by 5% due to reduction in the assets held for sale by 25.6 million.
- Current liabilities fell marginally by 0.4% as a result of reduction in trade and other payables.
- Compared with Q3 2017 current ratio fell from 1.77 to 1.68 due to reduction in current assets more than reduction in current liabilities. However, MTDC was in a position to pay back the obligations with the current assets.

LEVERAGE	Q3/2017	Q3/2018
DEBT-EQUITY	58.66	55.79
DEBT TO ASSETS	26.55	25.59
LONG TERM DEBT TO CAPITALIZATION	36.97	35.81

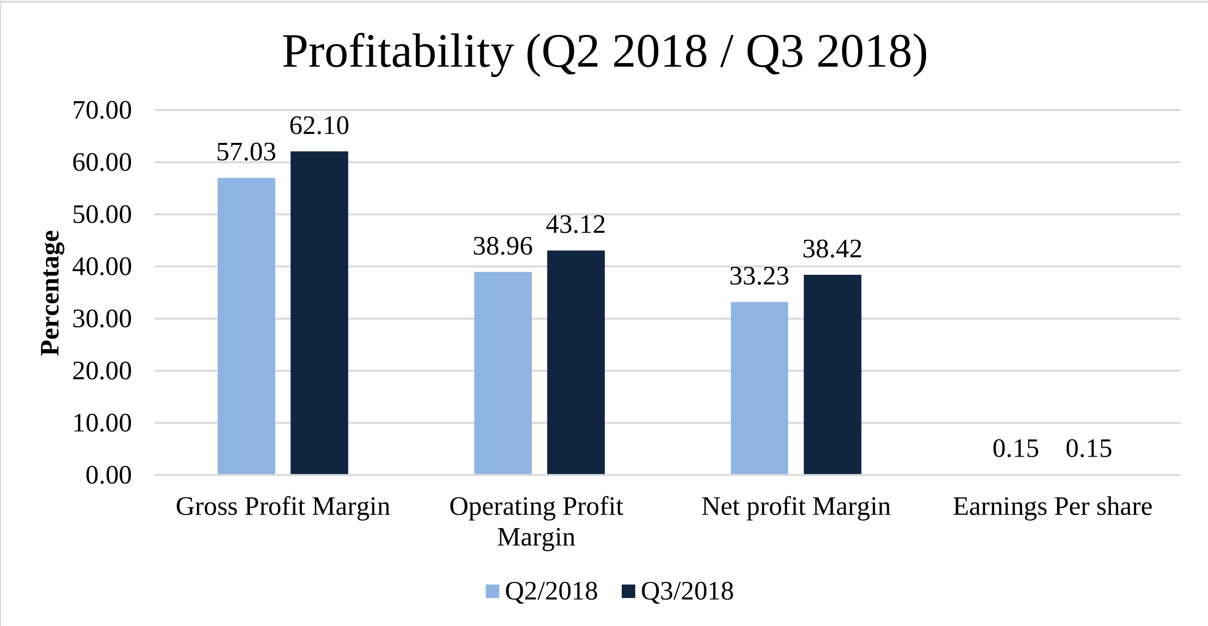


- Debt to equity ratio of 58.66 reduced to 55.79. Marginal decrease was due to lower lease rent equalization and sub-lease advances.
- Debt to assets reduced from 26.55 to 25.59 in Q3 2018 due to reduced rent equalizations and sub-lease advances greater than the reduction in assets compared to Q3 2017.
- The long-term debt to capitalization ratio also fell showing the lower financial risk associated with in the company. The Long-term debts represent rent equalizations and MTDC does not have any borrowings.

Q2 of 2018 AND Q3 of 2018

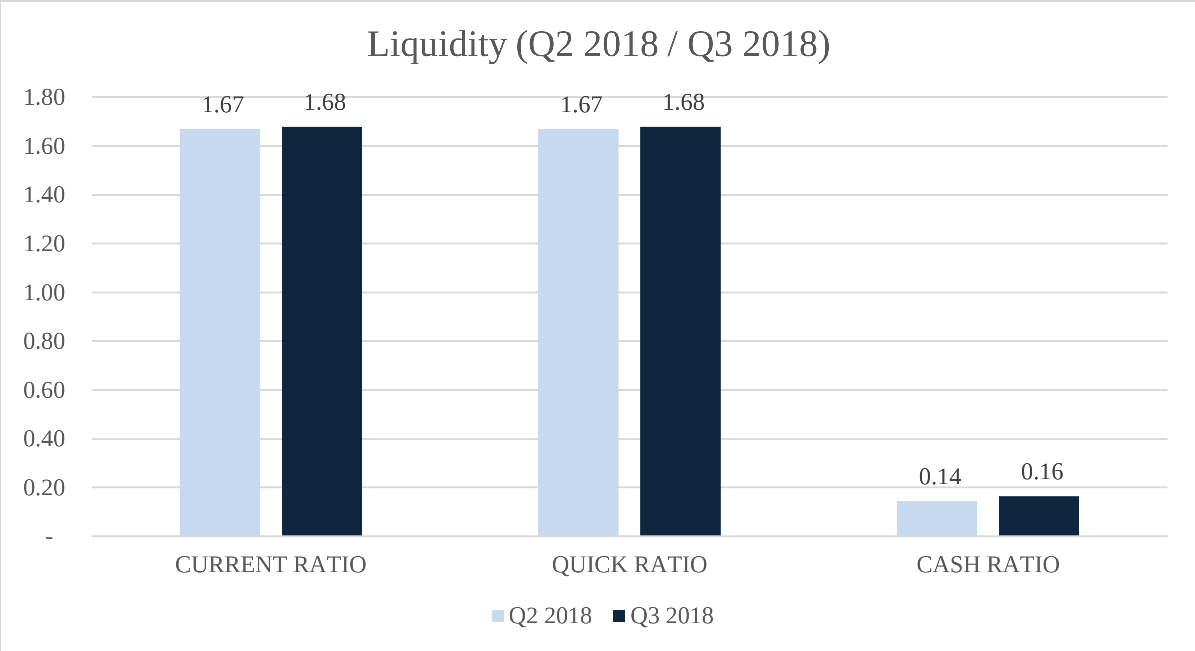
PROFITABILITY	Q2/2018	Q3/2018	Change	%
Revenue	17,071,590	19,351,653	2,280,063	13.36%
Cost of Sales	7,334,970	7,334,970	0	0.00%
Gross Profit	9,736,620	12,016,683	2,280,063	23.42%
Operating Profit	6,651,109	8,344,348	1,693,239	25.46%
Profit Before Tax	6,651,109	8,344,348	1,693,239	25.46%
Profit After Tax	5,672,201	7,434,815	1,762,614	31.07%

	Q2/2018	Q3/2018
GROSS PROFIT MARGIN	57.03	62.10
OPERATING PROFIT MARGIN	38.96	43.12
NET PROFIT MARGIN	33.23	38.42
EARNINGS PER SHARE	0.15	0.15



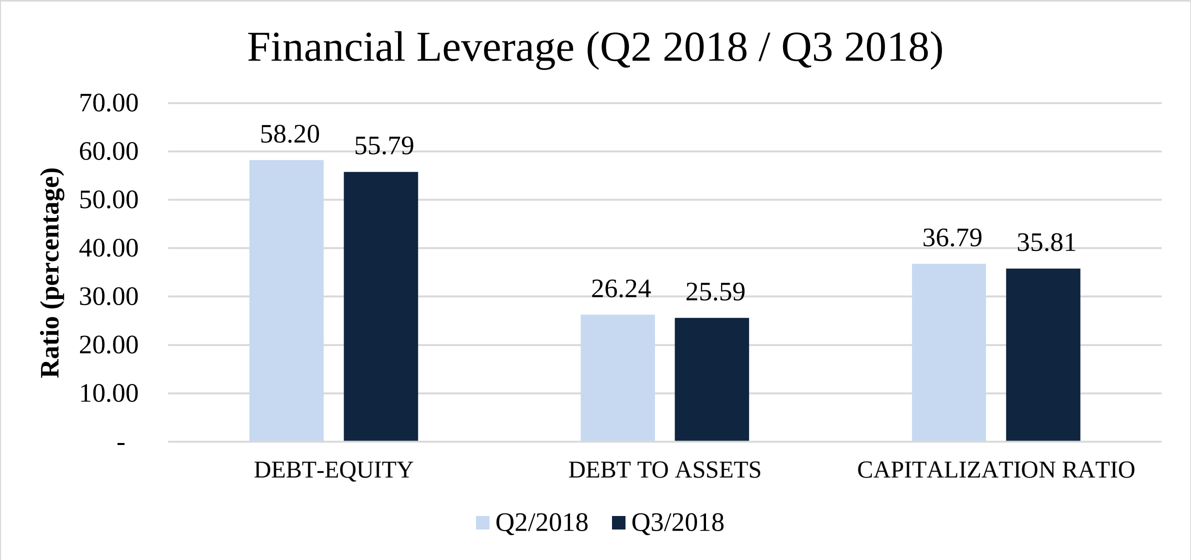
- Revenue increased by 13% due to higher rent from leased islands.
- Cost of sales remained constant through the quarters. Hence, gross profit increased by 23% as result of growth in revenue.
- Even though administrative expenses of the company increased by 19%. The revenue growth of the company assisted to improve operating profit by 25%.
- Profit after tax also improved by 31% as there were no finance costs.
- Profit margins were promising as they had higher profits in relation to the revenue.

LIQUIDITY	Q2/2018	Q3/2018
NON CURRENT ASSETS	375,030,143.82	376,596,985.44
CURRENT RATIO	1.67	1.68
QUICK RATIO	1.67	1.68
CURRENT ASSETS	343,918,304.64	346,336,962.48
CURRENT LIABILITIES	206,080,620.84	206,289,947.34
WORKING CAPITAL	137,837,683.80	140,047,015.14
CASH RATIO	0.14	0.16



- Non-current assets increased by 0.4% after increase in value of lease rent equalization & sub-lease.
- Current assets increased by MVR 2.4 million which is an increase of 0.7%, mainly due to improvement in cash and cash equivalents. Reduction in trade receivables is also a favorable indication since it shows efficiency in turning sales into cash.
- Trade payables increased marginally by 0.1%.
- Current ratio increase from 1.67 to 1.68 as a result of increasing current assets more than current liabilities.
- Cash ratio increased as a result of increased cash and cash equivalents mainly due to cash generated from operating activities.

LEVERAGE	Q2/2018	Q3/2018
DEBT-EQUITY	58.20	55.79
DEBT TO ASSETS	26.24	25.59
CAPITALIZATION RATIO	36.79	35.81



- Debt to equity reduced from 58.20 to 55.79 since long term liabilities of the company declined. Further it is important to note that MTDC does not have any borrowings in their books.
- Debt to Assets reduced from 26% to 25% in Q3 2018 since total assets increased more than long term liabilities.

Important Projects undertaken in the quarter

MTDC is carrying out three resort developments projects which is summarized in the below table.

No	Resort Name	Location	Details	Status
1	KIHAVAH HURAVALHI	Baa Atoll	5-star deluxe	Under Operation from December 2010 onwards as Anantara Kihavah Villas
2	MAGUDHUVAA – Ayada Maldives	Gaafu Dhaalu Atoll	5-star	Under Operation from November 2011 onwards as Ayada Maldives
3	NAAGOASHI	Haa Dhaalu Atoll	5-star	Under development, 40% complete

Conclusion

Revenue increased in the form of rent from the leased and sub-leased islands. The government has leased 9 islands to MTDC for resort development. 8 of the 9 islands were initially leased for development. The island of Naagoashi was subleased to Three K International under a sublease agreement to develop the island as a 5 star resort. Profitability of the company improved after reduction in the costs particularly administrative expenses. Earnings per share remained at 0.15 per share for the quarter after increased profitability.

Although profitability improved liquidity ratios has fallen due to reduced current assets over the current liabilities. Cash level was also low to settle the current obligations.

The long-term liabilities include MVR 167 million as sublease advances and hence gearing is calculated based on lease equalization and sublease advances. MTDC does not have any borrowings from government or any other financial institution.

Recommendation

- Reduction of Administrative expenses:
  Administrative expenses are very high compared to the last quarter without any further business operations. Administrative expenses need to be minimized to earn higher profits.
- Improve earnings per share:
  Earnings per share needs to be improved to attract investors.
- Increase business Operations:
  MTDC need to have diversified business areas to earn a high revenue. They should formulate strategies to increase business operations through improving business areas or diversification.

Quarterly review; Quarter 3, 2018

MALE' WATER AND SEWERAGE COMPANY LTD (MWSC)

MALE' WATER AND SEWERAGE COMPANY LTD

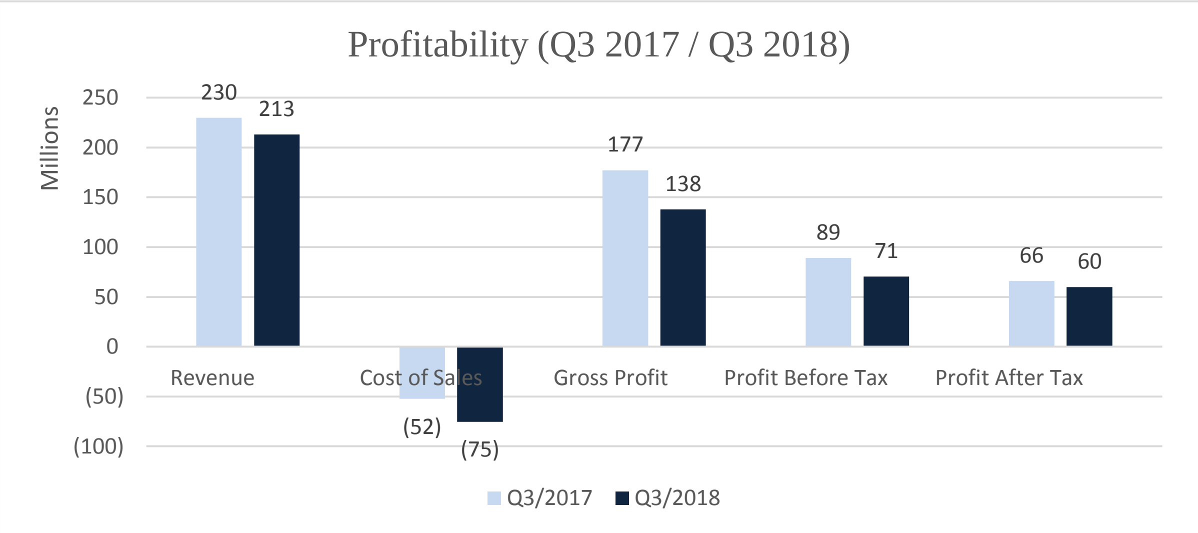
Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/MWSC/Q3

Q3 of 2017 AND Q3 of 2018

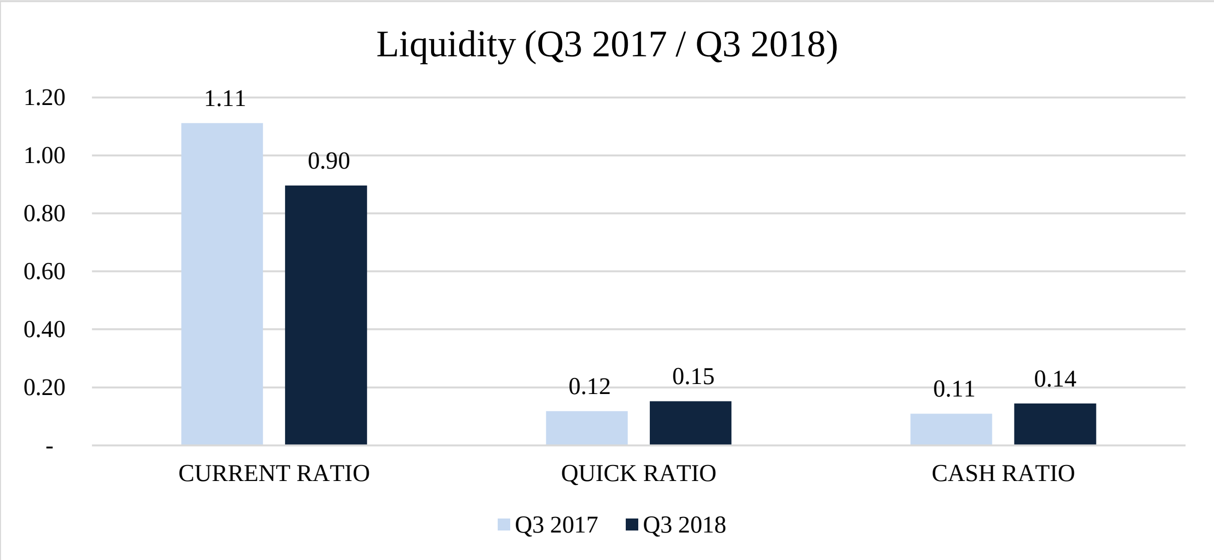
PROFITABILITY	Q3/2017	Q3/2018	Change	%
REVENUE	229,690,000	213,042,000	(16,648,000)	(7)
COST OF SALES	(52,456,000)	(75,289,000)	(22,833,000)	44
GROSS PROFIT	177,234,000	137,753,000	(39,481,000)	(22)
PROFIT BEFORE TAX	88,933,000	70,540,000	(18,393,000)	(21)
PROFIT AFTER TAX	65,924,000	59,959,000	(5,965,000)	(9)

	Q3/2017	Q3/2018
GROSS PROFIT MARGIN	77.16	64.66
NET PROFIT MARGIN	28.70	28.14



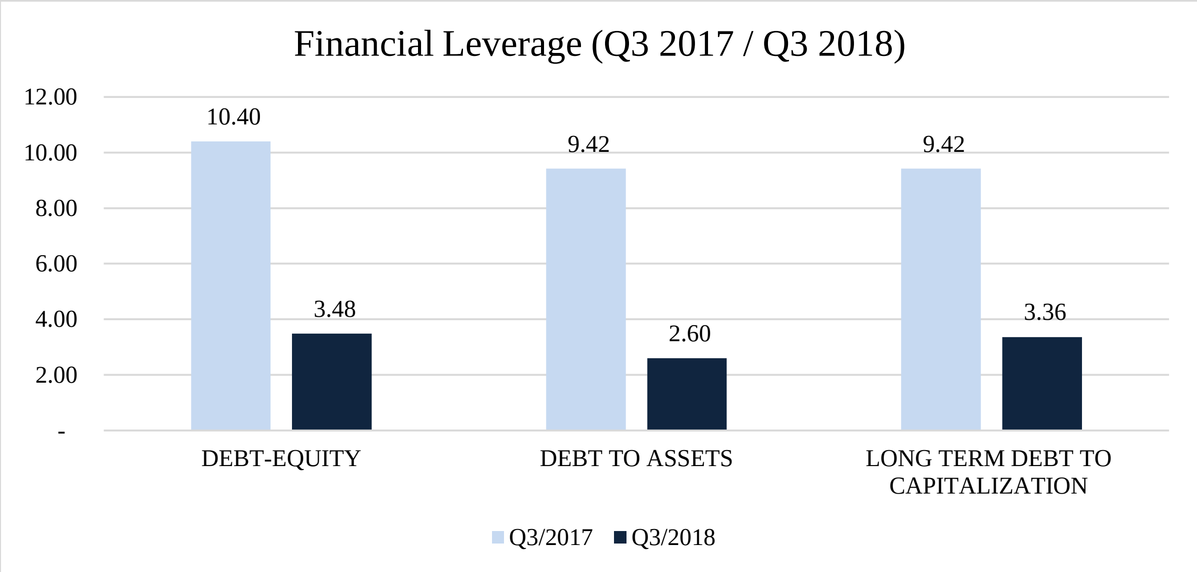
- Revenue reduced by 16.6 million which is a deterioration of 7% compared to the same quarter of the previous year mainly due to decline in revenue from other sources. However, water sales increased by 13 % compared to Q3 2017.
- Cost of sales increased by 22 million which is an increment of 44% compared to Q3 2017, mainly due to rise in direct operational expenses from water and sewerage. As a result gross profit fell by 22%. Therefore gross profit margin fell from 77% to 65%.
- Profit fell by 9% compared to Q3 2017. Both marketing and administration expenses rose along with depreciation costs, as a result profit for the period deteriorated.

LIQUIDITY	Q3/2017	Q3/2018
NON CURRENT ASSETS	1,054,521,000	1,243,570,000
CURRENT RATIO	1.11	0.90
QUICK RATIO	0.12	0.15
CURRENT ASSETS	776,410,000	637,182,000
CURRENT LIABILITIES	698,517,000	710,476,000
WORKING CAPITAL	77,893,000	-73,294,000
CASH RATIO	0.11	0.14
INVENTORY	694,525,000	529,083,000



- Non-current assets increased by 189 million as a result of rise in investment in non-current assets.
- Current assets reduced by 139 million which is a reduction of 18% compared to Q3 2017 due to reduction in inventories and others by 24%. However, short term investments and cash increased in the quarter.
- Current liabilities increased by 1.7% due to increased trade and other creditors by 12 million.
- Current ratio of 1.11 in Q3 2017 fell to 0.90 in Q3 2018 due to reduced current assets along with increased current liabilities.
- Quick ratio increased as a result of reduced inventory compared to Q3 2017. MWSC has a low quick ratio since majority of current assets represents inventories.
- Cash and bank balances increased by 26 million, hence cash ratio increased to 0.14 from 0.11 in Q3 2017.

LEVERAGE	Q3/2017	Q3/2018
DEBT-EQUITY	10.40	3.48
DEBT TO ASSETS	9.42	2.60
LONG TERM DEBT TO CAPITALIZATION	9.42	3.36

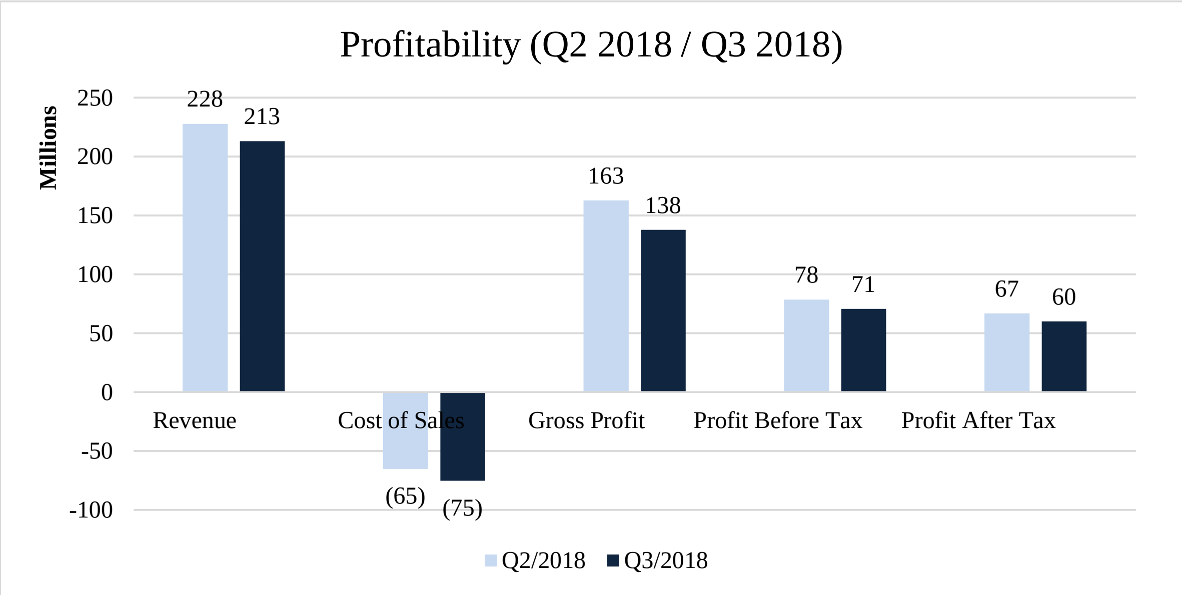


- Debt to equity ratio reduced as a result of decreasing borrowings greater than the reduction in equity.
- Debt to assets reduced as total assets increased while the borrowings reduced.
- Capitalization ratio also reduced due to reduction on composition of borrowings on long term finance.
- The borrowings of the company reduced and thus financial risk was low compared to previous quarters.

Q2 of 2018 AND Q3 of 2018

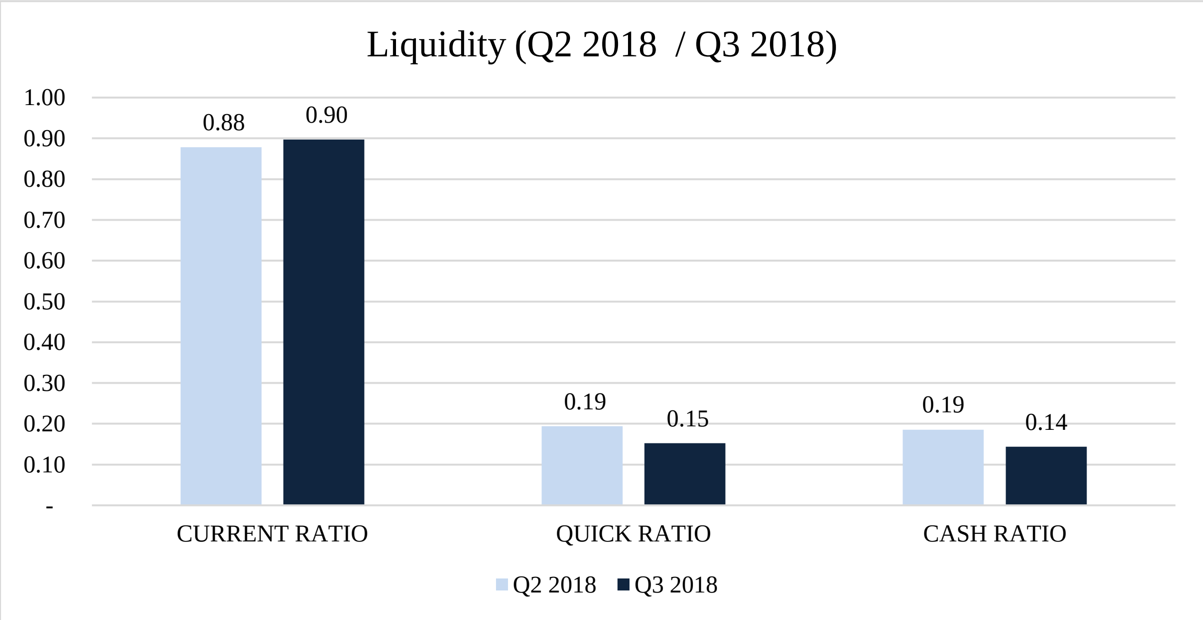
PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	227,848,000	213,042,000	(14,806,000)	(6.50)
COST OF SALES	(65,189,000)	(75,289,000)	(10,100,000)	15.49
GROSS PROFIT	162,659,000	137,753,000	(24,906,000)	(15.31)
PROFIT BEFORE TAX	78,485,000	70,540,000	(7,945,000)	(10.12)
PROFIT AFTER TAX	66,713,000	59,959,000	(6,754,000)	(10.12)

	Q2/2018	Q3/2018
GROSS PROFIT MARGIN	71	65
NET PROFIT MARGIN	29	28



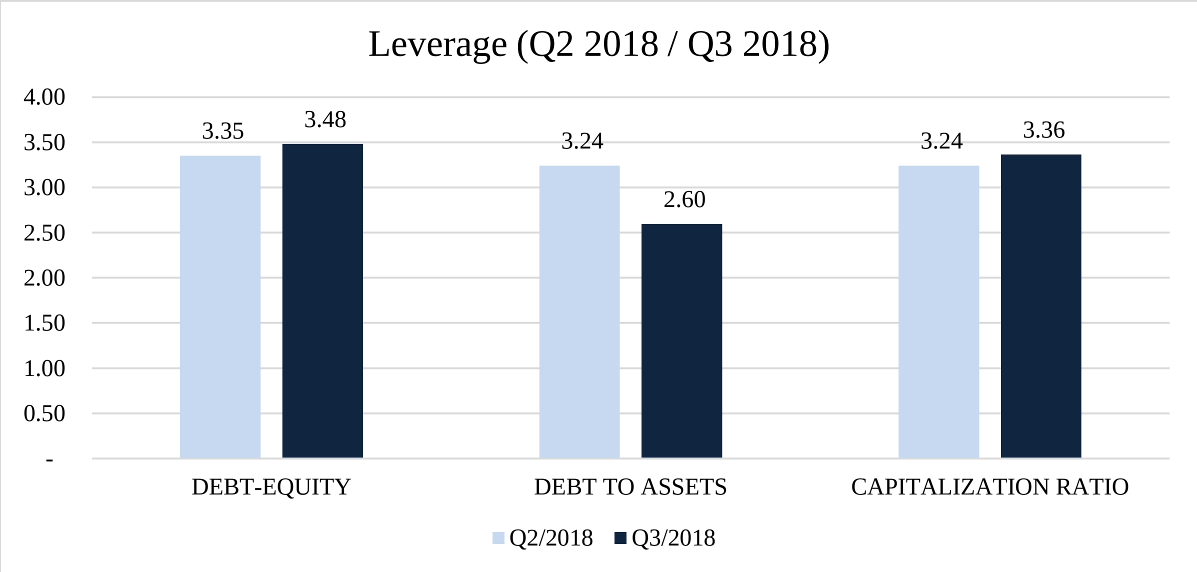
- Revenue reduced by 6.5% due to decline in revenue from water sales and other income.
- Cost of sales increased by 15.5% due to increased cost from water, gross profit of the company fell by 15%.
- Profit for the quarter fell by 10% compared to the previous quarter. However, marketing, administrative and establishment expenses fell in the quarter compared to the previous quarter. Further profit margin of the company was affected as a result of conceded impact of direct cost.

LIQUIDITY	**Q2/2018**	**Q3/2018**
NON CURRENT ASSETS	1,204,710,000	1,243,570,000
CURRENT RATIO	0.88	0.90
QUICK RATIO	0.19	0.15
CURRENT ASSETS	630,648,000	637,182,000
CURRENT LIABILITIES	718,148,000	710,476,000
WORKING CAPITAL	(87,500,000)	(73,294,000)
CASH RATIO	0.19	0.14
INVENTORY	491,434,000	529,083,000



- Non-current assets increased by 38.9 million which is an increase of 3% compared to the previous quarter. MWSC had invested heavily on non-current assets.
- Current assets increased by 6.5 million mainly due to increase in value of inventory and others. However, short term investments and cash position of the company decreased compared to the last quarter.
- Compared to last quarter current liabilities reduced by 1%, since trade creditors decline.
- Current ratio became more favorable as a result of rise in current assets along with falling short term liabilities.
- Quick ratio is low due to high inventories and ratio declined as a result of increase in inventory level of the company.
- Cash ratio also fell following reduction in cash balances.

LEVERAGE	Q2/2018	Q3/2018
DEBT-EQUITY	3.35	3.48
DEBT TO ASSETS	3.24	2.60
CAPITALIZATION RATIO	3.24	3.36



- Debt to equity increased slightly as a result of decline in equity greater than the borrowings. However, the ratio was low indicating low financial risk.
- Debt to assets also reduced as a result of decline in borrowings.
- Capitalization increased slightly due to decline in equity.

Important Projects undertaken in the quarter

MWSC has undertaken number of projects in providing different water and sewerage related projects including installation of water meters, portable emergency generators, shrink film machines in Hulhumale', upgrade systems, fire detecting machines and utility solutions to L.Baresdhoo.

Conclusion

Profitability has been adversely affected as result of fall in revenue and rise in expenses. Further cost of sales increased regardless of the revenue increment, which led to the deterioration of profits.

When liquidity is concerned, current ratio is not at a satisfactory level though they can settle a greater portion of liabilities with the assets available if needed to. Quick ratio was low as they had a high amount of inventory. Cash ratio was also low as cash holds a little portion of the total current assets.

Compared to Q3 2017 borrowings of the company had declined. On the other hand total equity and reserve decreased.

Recommendation

- Improve Revenue;
  There is room for improvement for revenue from water sales and other sources of income. The main source of income for MWSC is the income from water utility by households. MWSC can develop charges to recover costs that relate to a specific needs of households such as connection fees and system development charges. They are providing bottled water services apart from their main mission of providing water to households. They can also branch out by selling products and services such as providing ice and plumbing services.
- Reduce Expenditure:
  MWSC has high indirect expenditure over the quarters. They can reduce cost from certain grounds, such as marketing & administration.
- Inventory management techniques
  Inventory is too high compared to the assets and this will result negative effects as assets are being tied up in the form of inventory. Thus, inventory has to be managed well.
- Reduce Receivables:
  Receivables has to be collected to improve the cash position of the company. Mechanisms has to be set in such a way that MWSC can directly appeal to the Ministry of Finance which can directly intervene in the case of non-payment by government agencies. Moreover, a system of advance payments can be put in place where customers pay an estimated amount of monthly bills.
- It is also important to supervise meters of all households regularly. Mechanical meters become more inaccurate due to wear and tear. This can result in meter malfunctioning and meter can record a wrong reading.

Quarterly review; Quarter 3, 2018

MALDIVES PORTS LIMITED (MPL)

MALDIVES PORTS LIMITED

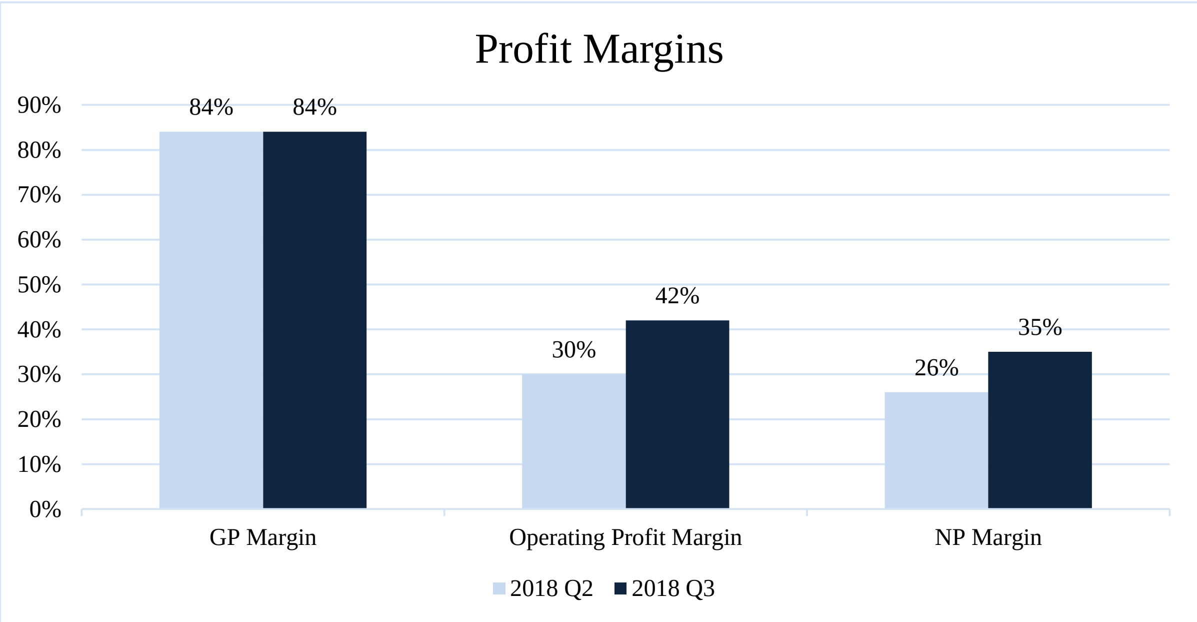
Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/MPL/Q3

Q2 of 2018 AND Q3 of 2018

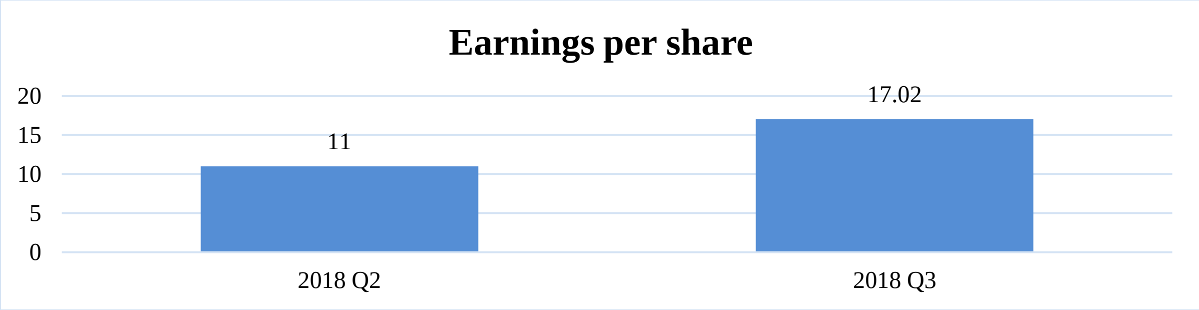
Profitability

PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	184,296,707	205,799,512	21,502,805	12%
COST OF SALES	(29,195,733)	(33,817,168)	(4,621,435)	16%
GROSS PROFIT	155,100,974	171,982,344	16,881,370	11%
EXPENSES	98,973,210	85,930,110	(13,04,100)	-13%
OPERATING PROFIT	56,127,764	86,052,234	29,924,470	53%
PROFIT BEFORE TAX	55,384,721	85,095,559	29,710,838	54%
PROFIT AFTER TAX	47,077,013	72,331,225	25,254,212	54%



- Revenue has recorded a growth of 12% when compared to previous quarter. The growth of cost of sales is greater than the growth of revenue, as such the gross profit has increased by only 11%.
- On the other hand, the company has managed to reduce its expense by MVR 13 million, which has resulted in 53% growth of operating profit.
- The net finance cost has increased as a result of decrease in finance income.
- The company has achieved good results in this quarter with profit after tax of MVR 72 million, which is 54% higher than the previous quarter.

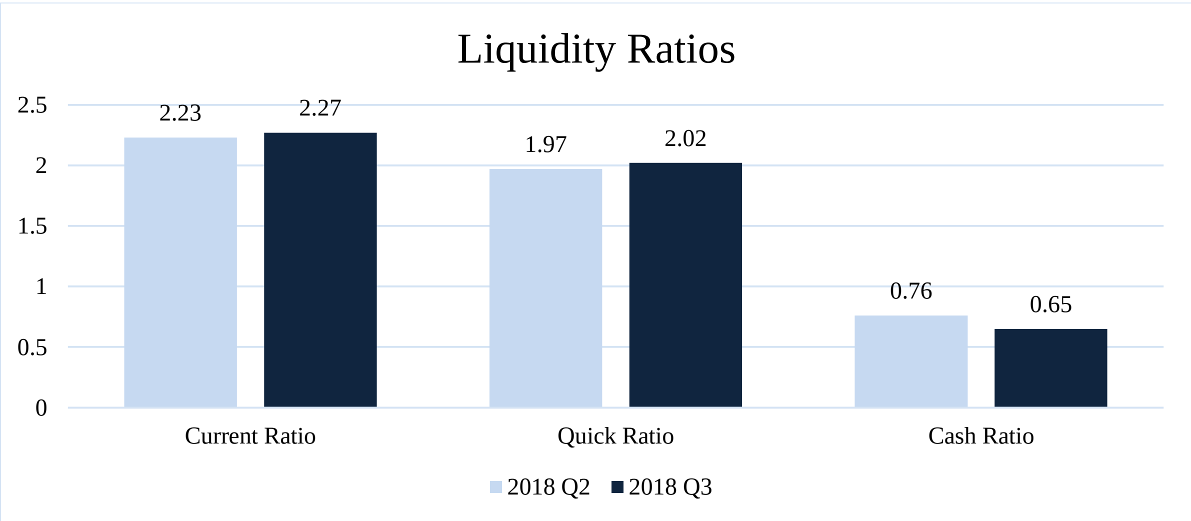
Earnings per Share



- Earnings per share has recorded a notable growth from MVR 11 per share to MVR 17.02 per share from 2018 Q2 to 2018 Q3.

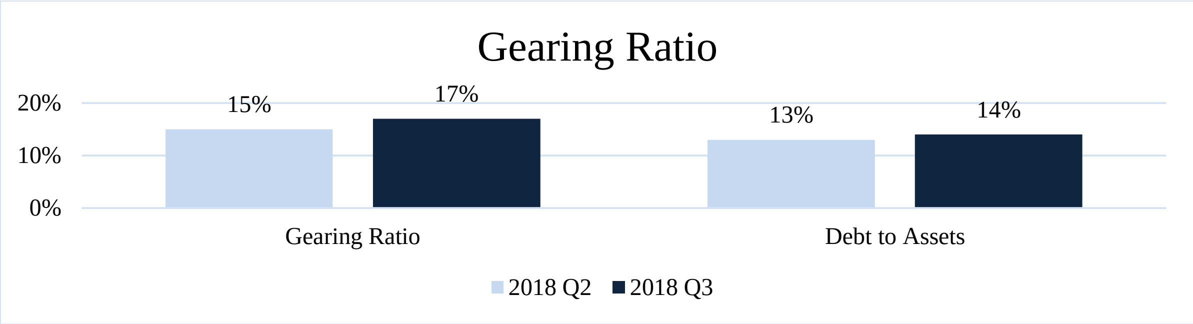
Liquidity and working capital

LIQUIDITY	Q2/2018	Q3/2018
NON CURRENT ASSETS	795,153,612	864,451,460
CURRENT RATIO	2.23	2.27
QUICK RATIO	1.97	2.02
CURRENT ASSETS	459,557,466	530,974,291
CURRENT LIABILITIES	206,213,407	234,389,107
WORKING CAPITAL	253,344,059	296,585,184
CASH RATIO	0.76	0.65
INVENTORY	52,570,581	58,396,543



- Current and quick ratio shows that the company is capable of settling its short term obligations with the available current assets. Company's current assets consists of inventories, trade receivables and cash and cash equivalents. If inventory and receivables are removed, the cash balance is not enough to cover company's current liabilities.
- Thus, in order to maintain a healthy liquidity position, company must manage its receivable collection.

Gearing



- The company's long term loans and borrowings has increased from MVR 157 million to MVR 193.7 million from 2018 Q2 to Q3. As a result gearing ratio has increased from 15% to 17%. Further, Debt to Assets ratio has also increased from 13% to 14%.
- The loans were taken to finance the on-going projects of the company.

Important Projects undertaken in the quarter

Maldives Ports Limited has carried out the following projects in the 3rd quarter of 2018.

- **Hiyaa Housing Project**- the total value of the project is MVR 621,044,070. As of the end of the quarter 18.65% of the project was completed.
- **Hulhumlae Paving Project**- the project was commenced on 29 April 2018 with a value of MVR 2,597,677. As of the end of the quarter 44.33% of the project was completed.
- **Bridge Bus Project**- the project was commenced on 08 January 2018. The total value of the project is MVR 85,000,000 and 85% was completed at the end of the quarter.

Conclusion

The company has performed well in this quarter, thus has achieved a revenue growth of 12% in comparison to previous quarter. However, the cost of sales has increased greater than the revenue growth, thus it has hindered the profit margin. While administrative expenses has maintained at the same level, further payroll expenses and selling and marketing expenses has reduced. As a result the company has achieved a net profit growth of 54%. Further, earnings per share has recorded a notable growth from MVR 11 per share to MVR 17.02 per share from 2018 Q2 to 2018 Q3. There is a significant reduction in the payroll costs. However the reduction is due to the Ramadhan allowances being given to the employees in the second quarter.

In terms of liquidity, the company is in a position to pay its short term liabilities with the available current assets. However, the most significant component of current asset is trade and other receivables.

The company has borrowed additional funds in this quarter, therefore the gearing level has increased from 15% to 17%. This ratio indicates that only 17% of company's assets are finance through loans therefore financial risk associated with company is reasonable.

Recommendation

- Reduce cost of sales
  In order to maintain the GP margin at a stable level, the company should manage its direct costs. Without an adequate gross margin, a company cannot pay for its operating expenses. The cost of sales has recorded a growth of 16% while the revenue has increased by only 12%. Therefore the company should cut down costs where ever possible.
- Minimize the receivable:
  Receivable collection is vital for businesses in order to be in a good liquidity position. Receivables need to be collected within the desired time and proper actions need to be taken with the overdue payments from customers. Receivable collection will further enhance the cash position of the company.
- Direct and indirect costs have been reduced compared to the previous quarter. However, the percentage reduction in cost is less than the percentage improvement in revenue. Thus, margins have fallen compared to the last quarter. Necessary measures need to be taken to improve revenue while keeping costs at minimum to achieve a higher margin.
- Number of employees increased each quarter regardless of the improvement in business operations. Thus, number of employees should be kept at a minimal level while improving the productivity to achieve the labor efficiency.
- MPL has the capacity to invest in new projects. Thus funds should be utilized in such a way that could yield a higher return.

Quarterly review; Quarter 3, 2018

MALDIVES SPORTS CORPORATION PLC (MSCL)

MALDIVES SPORTS CORPORATION PLC

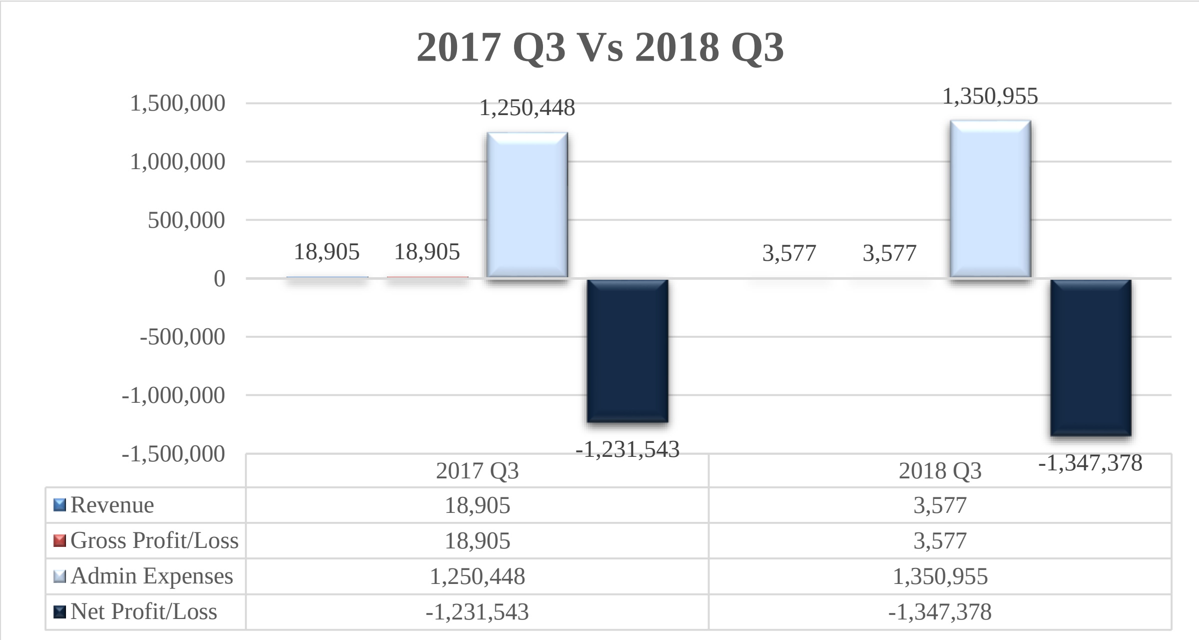
Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/MSCL/Q3

Q3 of 2017 AND Q3 of 2018

Profitability

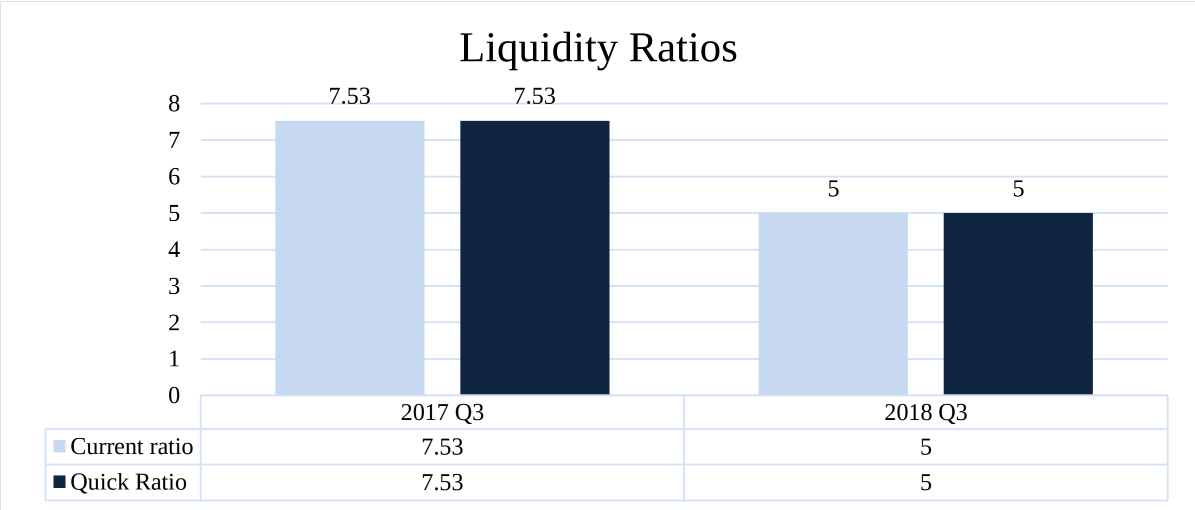
PROFITABILITY	Q3/2017	Q3/2018	Change	%
REVENUE	18,905	3,577	(15,328)	(81)
COST OF SALES	-	-	-	-
GROSS PROFIT	18,905	3,577	(15,328)	(81)
NET LOSS	(1,231,543)	(1,347,378)	(115,835)	(9)



- Compare with Q2 2017 the revenue of the company fallen by 81%.
- Since there is no direct expenses the gross profit of the company remain same as revenue.
- Administrative expenses has reached MVR 1.3 million, which is an increase of MVR 103,205 when compared to quarter 3 of 2017. As a result, loss of the company has increased to MVR 1,347,378 for Q3 of 2018.

Liquidity and Working Capital

WORKING CAPITAL	Q3/2017	Q3/2018	% change
NON-CURRENT ASSETS	1,148,814	1,527,585	33%
CURRENT ASSETS	2,773,382	847,083	-69%
CURRENT LIABILITIES	368,092	165,516	-55%
WORKING CAPITAL	2,405,290	681,567	-72%
CASH AND CASH EQUIVALENTS	2,773,382	847,083	-69%
CASH RATIO	7.53 times	5.12 times	-32%

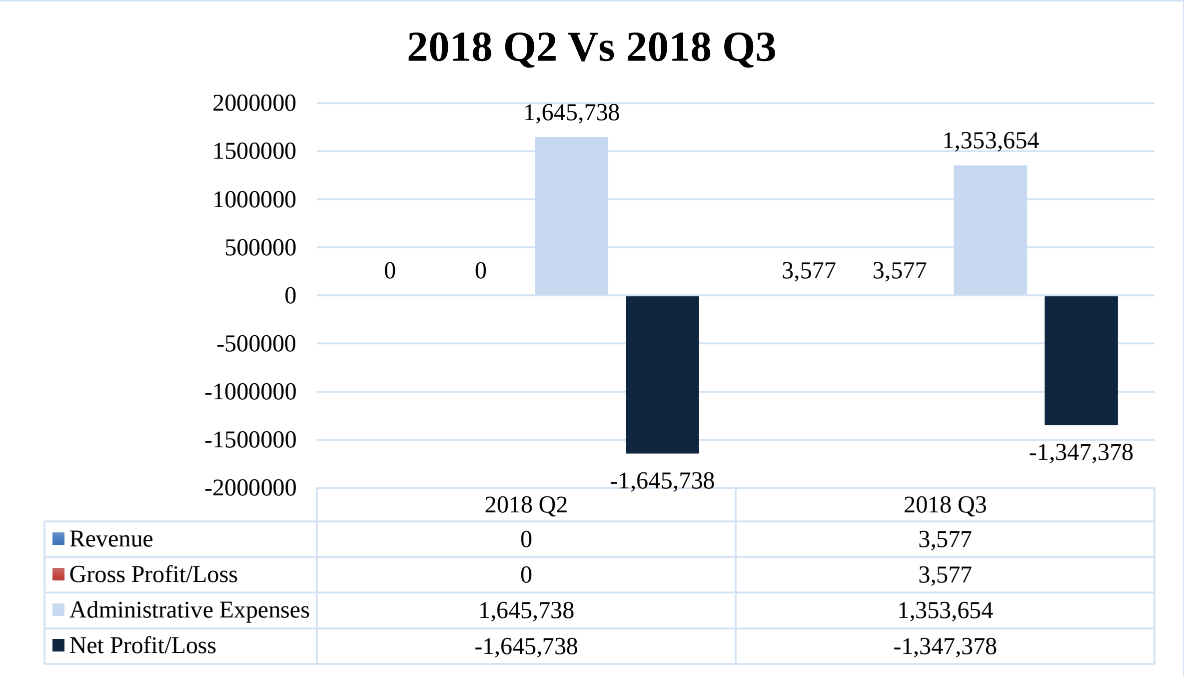


- The company does not have any closing stock, thus both current and quick ratio are equal.
- The liquidity position of the company has reduced in comparison to Q3 of 2017 due to reduction in cash balance. Current assets of the company consists of cash balance only and the balance is MVR 2,773,382 in 2017 Q3 and MVR 847,083 in 2018 Q3. However, it is important to highlight that the cash balance is capital injections given by the government.
- On the other hand, the current liabilities of the company has reduced when compared to 2017 Q3. The current liabilities of the company are trade and other payable and it has reduced from MVR 368,092 to MVR 165,516.
- Although the liquidity ratios shows a positive view, the company does not have enough funds for the operation of next year without any assistance from shareholders. The cash balance is lower than administrative expenses for one year and further at present the company does not have enough revenue streams to cover operating expense.
- The overall working capital position of the company is abating.

Q3 of 2018 AND Q3 of 2018

Profitability

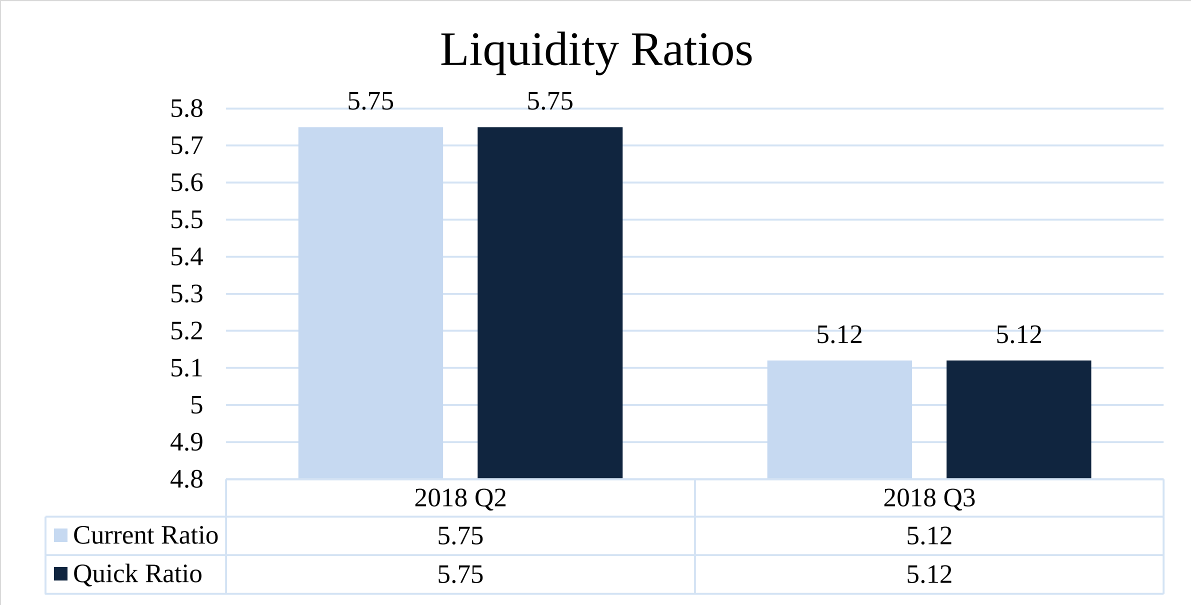
PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	-	3,577	3,577	-
COST OF SALES	-	-	-	-
GROSS PROFIT	-	3,577	3,577	-
ADMINISTRATIVE EXPENSES	1,645,738	1,353,654	(292,084)	-17.75%
NET LOSS	(1,645,738)	(1,347,378)	298,360	-18.13%



- The company did not generate any revenue in Q2 2018 where as they generated MVR 3,577 in 2018 Q3.
- Administrative expenses has reduced by MVR 292,084 which is almost 18% when compared to previous quarter.
- As a result the net loss has also declined to MVR 1, 3447,378.

Liquidity and Working Capital

LIQUIDITY	Q2/2018	Q3/2018	% change
NON-CURRENT ASSETS	1,527,585	1,527,585	0%
CURRENT ASSETS	2,501,715	847,083	-66%
CURRENT LIABILITIES	435,016	165,516	-62%
WORKING CAPITAL	2,066,699	681,567	-67%
CASH AND CASH EQUIVALENTS	2,501,715	847,083	-66%
CASH RATIO	5.75	5.12	-11%



- Both current assets and liabilities has reduced when compared to previous quarter.
- Although theoretically the ratio shows a healthy liquidity position, the company does not have enough liquid assets for the operations of next year.
- Cash balance of the company has reduced by 66% in just one quarter.

Conclusion

There were no major operational activities undertaken by the sports Corporation in the third quarter to improve revenue. Further they isn't any on-going project for the business development. However, operational costs are higher generating loss over the quarters.

Moreover, capital has to be injected by the government more than the budgeted due to high costs. Failure in managing costs and capital leads to lack of generating enough revenue to fund even day to day operations. Thus they need to forecast the budget and strictly follow the budget while minimizing cost.

Recommendation

- Increase Business Operations:
  Sports Corporation should set short term goals and try to achieve them in order to increase revenue. These goals should be realistic and achievable.
- Costs has been increased despite the operational increment. Thus avoidable costs need to be minimized.
- Create a self-sustainable business model and implement the strategies to adopt the models which could generate revenue.

Quarterly review; Quarter 3, 2018

STATE ELECTRIC COMPANY LTD (STELCO)

STATE ELECTRIC COMPANY LTD

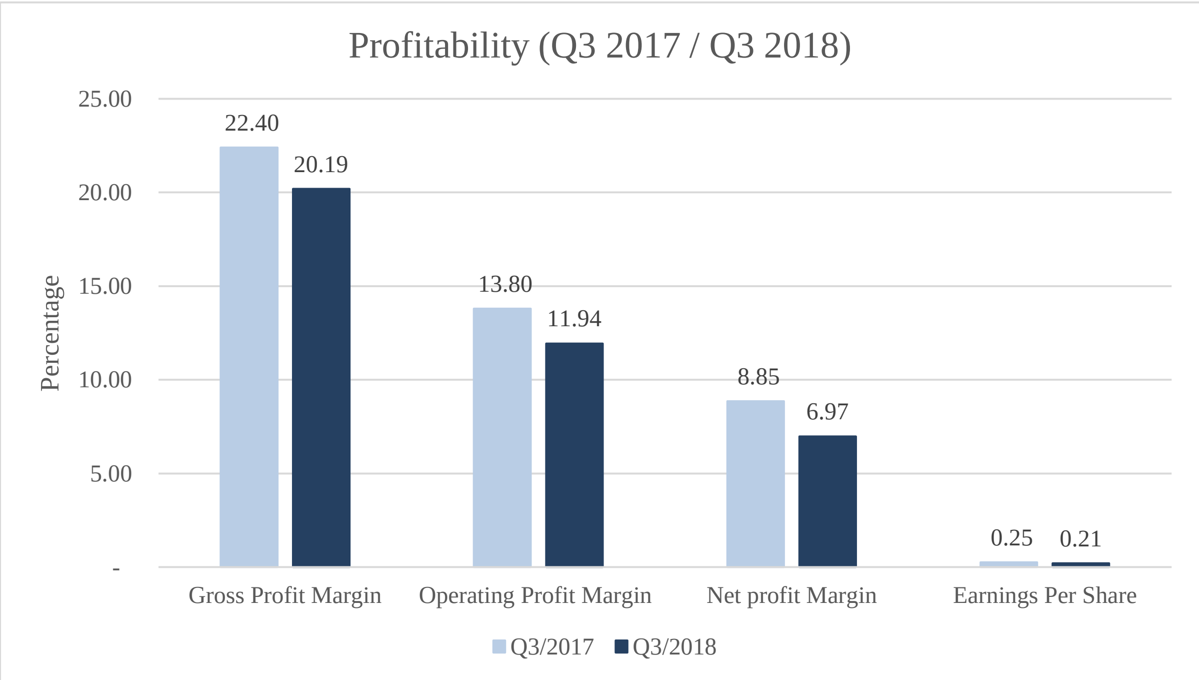
Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/STELCO/Q3

Q3 of 2017 AND Q3 of 2018

PROFITABILITY	Q3/2017	Q3/2018	Change	%
REVENUE	424,519,667	445,730,180	21,210,513	5.00
COST OF SALES	-329,421,878	-355,749,360	-26,327,482	7.99
GROSS PROFIT	95,097,789	89,980,821	-5,116,968	-5.38
OPERATING PROFIT	58,582,198	53,228,920	-5,353,278	-9.14
PROFIT BEFORE TAX	37,579,036	31,089,360	-6,489,676	-17.27
PROFIT AFTER TAX	37,579,036	31,089,360	-6,489,676	-17.27

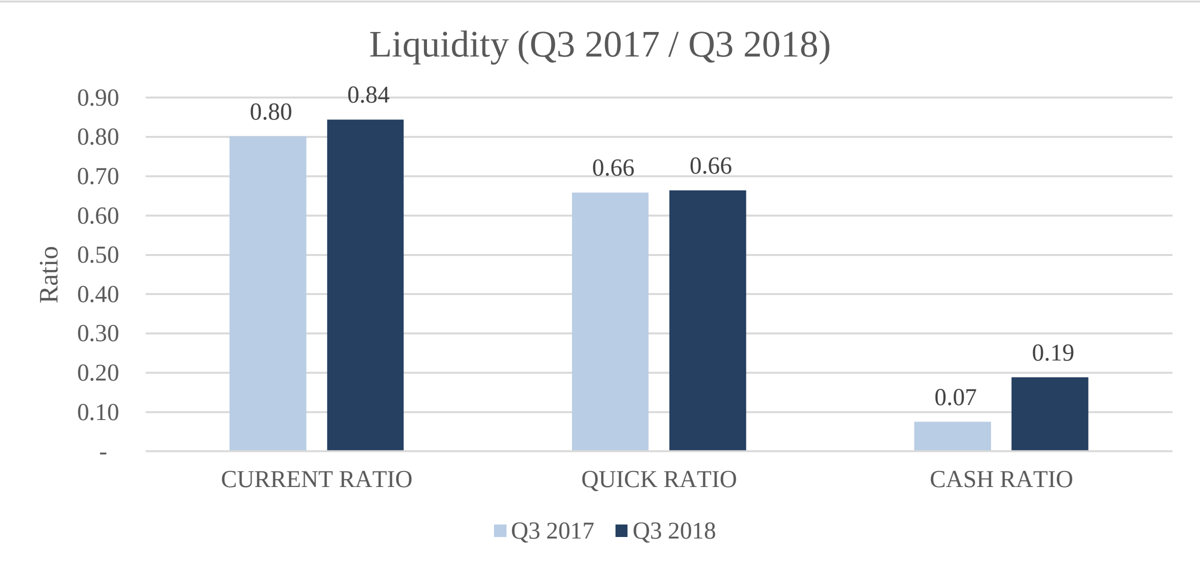
	Q3/2017	Q3/2018
GROSS PROFIT MARGIN	22.40	20.19
OPERATING PROFIT MARGIN	13.80	11.94
NET PROFIT MARGIN	8.85	6.97
EARNINGS PER SHARE	0.25	0.21



- Revenue increased by 5% compared to the same quarter of the previous year. The sales from electricity and non-electricity rose by 19 million. Moreover, in Q3 2018 STELCO gained revenue from water fee and water bottling which they started recently.
- Cost of sales rose by 8% mainly due to higher cost incurred on fuel and lube oil. Additionally, the cost of sales from sales center increased during the period.
- Gross profit declined by 5% following an increase in cost of sales. As a result gross profit margin reduced to 20% in Q3 2017.

- Operating profit also reduced by 9%. Other operating expenses like repairs and maintenance, personnel expenses travelling expenses increased while it is important to note that the major expenses like office expenses and transport and hiring charges has been reduced compared to Q3 2017.
- Profit for the year reduced by 17% since operating profit are also lower in Q3 2018 and finance costs increased. Finance costs has been risen by 5% mainly due to increased interest on foreign loan. Net profit and operating profit margins reduced due to lower profits. Therefore as result of low retained earnings per share also reduced due to reduced profits.
- Earnings per share fell from 0.25 to 0.21 due to lower profit. This is an unattractive result for shareholders.

LIQUIDITY	**Q3/2017**	**Q3/2018**
NON CURRENT ASSETS	1,947,875,869	2,416,155,696
CURRENT RATIO	0.80	0.84
QUICK RATIO	0.66	0.66
CURRENT ASSETS	541,380,772	672,630,583
CURRENT LIABILITIES	675,290,430	796,696,576
WORKING CAPITAL	(133,909,658)	(124,065,993)
CASH RATIO	0.07	0.19
INVENTORY	96,838,891	143,659,313



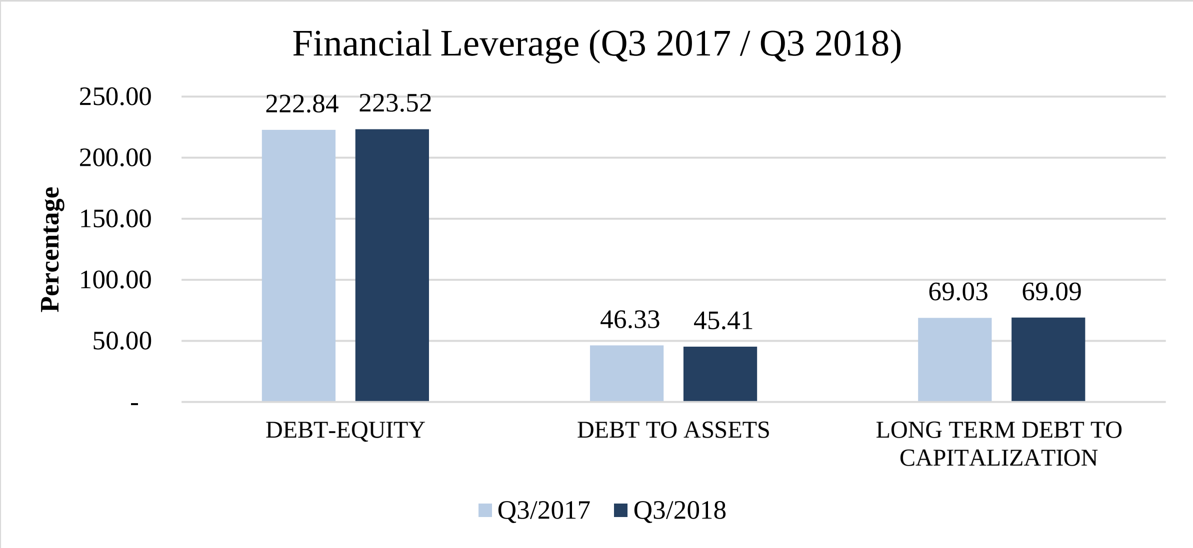
- Non-current assets increased by 24% while property plant and equipment reduced by 5.27% and work in progress increased by 556 million.
- Current assets increased by 131 million which in an increment of 24% compared to Q3 2017. This is mainly due to increased cash and cash equivalents by 99 million and increased inventories by 46 million.

- Current liabilities increased by 121 million which is an increase of 18% compared to the same quarter of the previous year. Almost all category of current liabilities has increase compare with Q3 of previous year.

Inventories	**Q3 2017**	**Q3 2018**
Inventory - Male'	164,677,497	186,584,085
Inventory - Diesel	25,071,316	27,188,093
Inventory - lubricant oil - male'	2,699,785	632,967
Inventory - Spares and tools Hulhumale’	686,995	18,278,936
Inventory - cables and distribution Hulhumale’	824,801	15,975,054
Inventory - computers and network equipment Hulhumale’	-	150,850
Inventory - stationary - Hulhumale’	6,303	120,501
Inventory - control account - regional	96,341	109,568
Inventory - RO plant & spares - Ukulhas	-	113,203
Inventory - water bottling (raw materials)	-	2,053,455
GRIR A/c	-	8,731,770
Provision for inventory obsolescence - Male'	(97,455,646)	(116,485,280)
GRN clearing	231,399	206,111
Total	**96,838,791**	**143,659,313**

- The inventory contains a huge sum of obsolete inventory in both the quarters and has not been expensed.
- Current ratio increased marginally from 0.80 to 0.84 due to higher increase in current assets compare with rising current liabilities. However, the ratio is not sufficient to settle the short term obligations.
- Quick ratio remained same since level of increase in inventory is same as increase in current liabilities.
- Cash ratio increased from 0.07 to 0.19 due to growth in cash and cash equivalents during the period. However, cash is very less compared to the liabilities.

LEVERAGE	Q3/2017	Q3/2018
DEBT-EQUITY	222.84	223.52
DEBT TO ASSETS	46.33	45.41
LONG TERM DEBT TO CAPITALIZATION	69.03	69.09



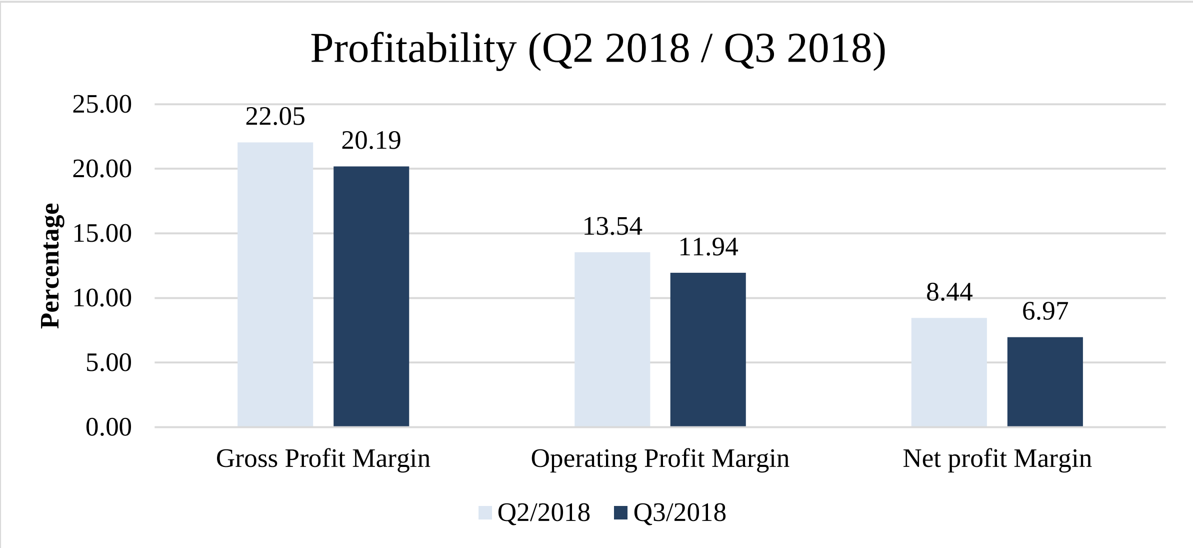
- Debt to equity ratio remained quite similar through the period as the borrowings and equity increased by 21%. The gearing ratio is high since STELCO has borrowed a huge sum for different expansion and upgrading projects which includes borrowing from foreign banks and subsidiary loans from government.
- Debt to assets fell slightly as a result of increased total assets greater than the increment in borrowings.
- The borrowings of STELCO in Q3 2017 and Q3 2018 are summarized in the following graph:

Borrowings	Q3 2017	Q3 2018
ADB loan MLD 848 (Power Sys Dev Project)	10,386,930	10,386,930
ADB loan MLD 1121 (Second Power Sys Project)	33,654,427	33,654,427
ADB loan MLD 1532 (Third Poer Sys Project)	52,758,719	52,758,719
FEC & DDB Loan (5.4 MV Generator Set)	24,595,026	24,595,026
NDF Loan (Third Power Sys Project)	54,759,362	54,759,362
UNI Bank Loan (Third Power Sys Project)	41,964,501	41,964,501
UNI Bank Grant (Third Power Sys Project)	10,379,458	10,379,458
Forth Power Development Project	738,561,034	738,561,034
MIB - MGAF	40,830,169	31,325,226
Exim Bank - 5th Power Development Project (50 MW)		256,554,418
ADB Loan - Project (POISED)	145,399,572	147,772,238
Total borrowings	**1,153,289,198**	**1,402,711,339**

Q2 of 2018 AND Q3 of 2018

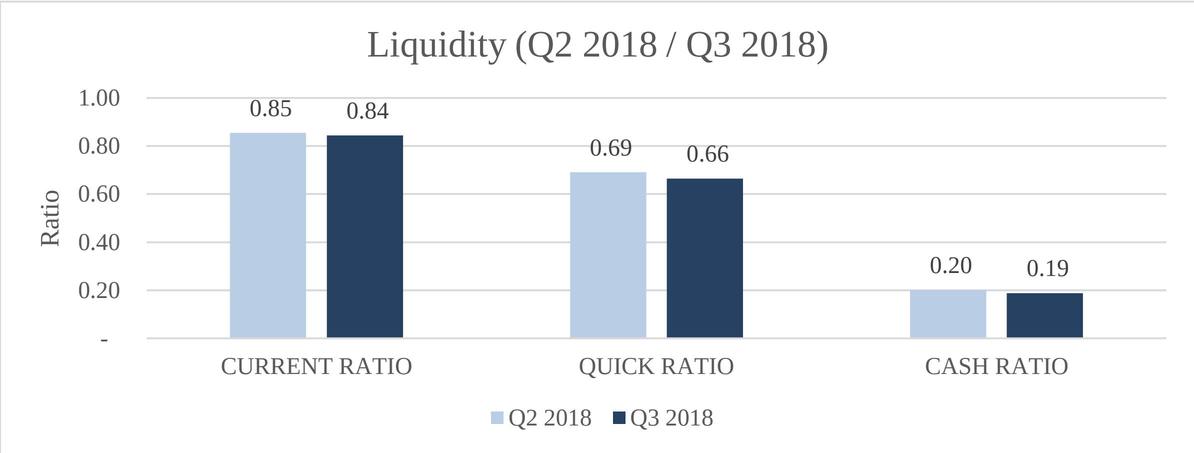
PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	445,829,149	445,730,180	-98,969	-0.02%
COST OF SALES	-347,522,468	-355,749,360	-8,226,892	2.37%
GROSS PROFIT	98,306,681	89,980,821	-8,325,860	-8.47%
OPERATING PROFIT	60,348,906	53,228,920	-7,119,986	-11.80%
PROFIT BEFORE TAX	37,643,289	31,089,360	-6,553,929	-17.41%
PROFIT AFTER TAX	37,643,289	31,089,360	-6,553,929	-17.41%

	Q2/2018	Q3/2018
GROSS PROFIT MARGIN	22.05	20.19
OPERATING PROFIT MARGIN	13.54	11.94
NET PROFIT MARGIN	8.44	6.97



- Marginally the revenue has reduced compared to the previous quarter. Sales of non-electricity and water fee dropped while the sales from electricity and water bottling increased in the quarter.
- Cost of sales increased by 2% mainly due to rising cost of fuel and lubricant oil and cost of sales of sales center. Customer service expenses also contributed to the escalation of cost of sales.
- Gross profit fell by 8% following the reduction in revenue and escalation in cost of sales compared to the last quarter. Thus gross profit margin fell from 22% to 20% by Q3 2018.
- Operating profit also fell by 12% following the decline in gross profit. Other operating expenses also increased marginally by 0.04% while other income rose by 1.2 million which comprised interest income, foreign exchange gain and miscellaneous income. Operating profit margin also fell as operating profit is low in relation to the sales.
- Net profit fell by 17% following the reduction in the gross profit and operating profit. However finance costs reduced marginally due to lower interest incurred on local loans.

LIQUIDITY	Q2/2018	Q3/2018
NON CURRENT ASSETS	2,350,988,050	2,416,155,696
CURRENT RATIO	0.85	0.84
QUICK RATIO	0.69	0.66
CURRENT ASSETS	611,347,318	672,630,583
CURRENT LIABILITIES	715,421,500	796,696,576
WORKING CAPITAL	(104,074,182)	(124,065,993)
CASH RATIO	0.20	0.19
INVENTORY	117,442,416	143,659,313

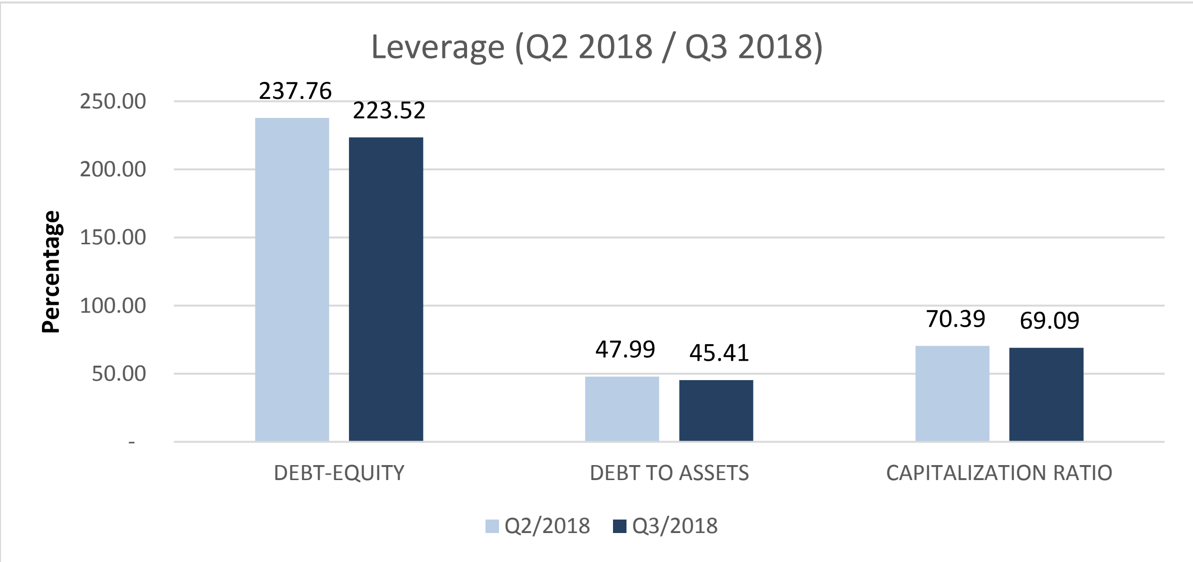


- Non-current assets increased by 2.8%. The value of Property Plant and Equipment fell by 1.5% due to depreciation and capital work in progress increased by 2.8% due to the prevailing projects carried out by STELCO.
- Current assets increased by 10% following rise in inventories, receivables and cash and cash equivalents. Inventories rose by 26 million compared to the previous quarter. The changes in inventory during Q2 2018 and Q3 2018 are shown in the following table:

Inventory	Q2 2018	Q3 2018
Inventory - Male'	163,845,262	186,584,085
Inventory - Diesel	23,182,321	27,188,093
Inventory - lubricant oil - male'	541,774	632,967
Inventory - Spares and tools Hulhumale	18,278,936	18,278,936
Inventory - cables and distribution Hulhumale	15,975,054	15,975,054
Inventory - computers and network equipment Hulhumale	150,850	150,850
Inventory - stationary - Hulhumale	120,501	120,501
Inventory - control account - regional	109,568	109,568
Inventory - RO plant & spares - Ukulhas	113,203	113,203
Inventory - water bottling (raw materials)	2,878,459	2,053,455
GRIR A/c	8,731,770	8,731,770
provision for inventory obsolescence - Male'	(116,485,280)	(116,485,280)
GRN clearing		206,111
Total	**117,442,418**	**143,659,313**

- STELCO has created a large value as a provision for inventory obsolescence which is said to be the spare parts which has gone obsolete due to wear and tear.
- Receivables increased due to huge sum of unrecovered electricity bills from different clients. Receivables also include the uncollected bills from temporary electricity supply. STELCO has created a provision for doubtful debts for uncollected receivables totaling 40 million.
- Current liabilities increased by 11% compared to the previous quarter. The major portion of payables are accrued interest for the borrowing of STELCO. They have a total accrued interest expense of 572 million in Q3 2018. Apart from this, the Tax payable and other payables also increased compared to the previous quarter.
- Current ratio of 0.85 reduced marginally to 0.84 in Q3 2018 due to increase in payables greater than the increase in short term assets.
- Due to an increased level of inventory, the quick ratio also reduced from 0.69 in Q2 2018 to 0.66 in Q3 2018.
- Cash ratio reduced from 0.20 to 0.19 in Q3 2018. Although cash increased in the quarter, the increase in short term obligation was considerably significant. Hence, the cash ratio of the company deteriorated.

LEVERAGE	**Q2/2018**	**Q3/2018**
DEBT-EQUITY	237.76	223.52
DEBT TO ASSETS	47.99	45.41
CAPITALIZATION RATIO	70.39	69.09



- Debt to Equity of 237.76 fell to 223.52. STELCO is a highly geared company since almost all capital projects are financed through borrowing. However, the borrowings reduced compared to the last quarter since the EXIM bank loan for the 5th power development has been partly paid. Also, the loan from Asian Development Bank (ADB) also has been started to pay off.

- Debt to assets reduced from 48% to 45% due to increase in total assets of the company by 126 million.
- The borrowings of STELCO in Q3 2018 in comparison with the previous quarter is summarized in the following table.

Borrowings	**Q2 2018**	**Q3 2018**
ADB loan MLD 848 (Power Sys Dev Project)	10,386,930	10,386,930
ADB loan MLD 1121 (Second Power Sys Project)	33,654,427	33,654,427
ADB loan MLD 1532 (Third Power Sys Project)	52,758,719	52,758,719
FEC & DDB Loan (5.4 MV Generator Set)	24,595,026	24,595,026
NDF Loan (Third Power Sys Project)	54,759,362	54,759,362
UNI Bank Loan (Third Power Sys Project)	41,964,501	41,964,501
UNI Bank Grant (Third Power Sys Project)	10,379,458	10,379,458
Forth Power Development Project	738,561,034	738,561,034
MIB - MGAF	33,681,925	31,325,226
Exim Bank - 5th Power Development Project (50 MW)	273,129,035	256,554,418
ADB Loan - Project (POISED)	147,772,237	147,772,238
Local loan		-
Total borrowings	**1,421,642,654**	**1,402,711,339**

Important Projects undertaken in the quarter

STELCO spends MVR 832 million in capital development projects as shown in the following table:

Work in Progress	**Q3 2018**
WIP - Buildings	11,431,873
WIP - Int Combustion Power Plant	56,093,655
WIP - Transmission & Distribution	59,490,955
WIP - Oil Storage	4,854,290
WIP - Furniture and Fittings	5,189
WIP - Vehicle & Vessels	11,544,849
WIP - Computers and Accessories	436,488
WIP - Machinery & Equipment	4,765,852
WIP - Other Tools	1,649,320
WIP - Hulhumale' 50MW Power Plant	27,300
WIP - Hulhumale' Building Extension	3,460,468
WIP - Communication Equipment	2,122,456
WIP - Water bottling Project	20,444
WIP - 5th Power Project	452,606,646
WIP - Sewerage System	2,590,501
WIP - Solar Project	5,480,633
WIP - Hulhumale' 50MW Power Plant	591,045
WIP - Gaakoshi Power House Extension Project	1,060,974
WIP - SCADA System	13,530,323
WIP - Floating Solar Project (V.Keyodhoo)	56,342
WIP - Transfer of Electric Power from MACL to STELCO	3,363,022
WIP - Gaakoshi Fuel Project	47,762
WIP - Water	21,734
WIP - Integrated Water Resource Management(IWRM)	29,065,166
WIP - 3rd Engine Project (POISED)	2,066,047
WIP - Hiyaa Housing Project	153,734,667
WIP- Greater Male' Grid Connection - Phase 1	172,884
WIP- PV PROJECT (POISED)	12,124,721
Total Work in Progress	**832,415,606**

Conclusion

The level of revenue has maintained at a satisfactory level however profitability of the company gets affected as a result of higher cost and expenses.

Liquidity position is also not in a favorable position where current assets are insufficient to settle the short term obligations. Further total payables has increased significantly due to accrued interest expenses incurred on borrowing. The rise in inventory has affected quick ratio of the company. STELCO has created a huge provision for obsolete inventory and receivables however the effect of this provision has not reflected in income statement. Therefore may result further deterioration of profitability.

As mentioned before, borrowings of the company are significantly high thus financial risk associated in the company is relatively high. However, borrowings has been declined compared to the previous quarter since they have started paying back the obligations. In reality

STELCO is a highly geared company, since they have finance almost all expansion and upgrading projects through borrowing. Based on current financial status, they are not in a position to repay all there loans, thus they may face difficulty in financing additional projects without any help from government or shareholders.

Recommendation

- Prompt collection of receivables:
  Receivable collection is one of the major issues in STELCO. They have over MVR 338 million as uncollected revenue from electricity bills at the end of the third quarter. Thus necessary steps must be taken to collect the receivables at the earliest. It is advisable to make separate policies for public institutes as receivables has a great portion from public institutes and electricity cannot be cut off from a public institute like households. Moreover, necessary measures must be taken for the unpaid customers and relevant authorities must be informed.
- Cash flow enhancement and reduction of Payables:
  Receivable collection measures will assist in improving cash flow position. Cash flow should be forecasted and planned well to make the optimal usage of cash for current operations and to pay back the debts as much as possible. Loans and other accrued expenses can be paid off by enhancing cash position which could assist to improve financial strength of the company.
- Increase Revenue:
  STELCO has already started water bottling and sales which is generating additional revenue. They can further 2enhance water bottling and sales which could generate a good return in the long run. Likewise, they can use innovative business techniques for other business projects which could yield good return. They also can diversify into engineering service garages which could improve revenue.
- Cost Reduction:
  Cost reduction the most important aspect for STELCO. Operating expenses like repairs and maintenance, personnel expenses and transport and hiring charges has grown immensely. These costs can be reduced by improving efficiency in every process of the company.
- Inventory Management:
  Proper contingency planning and accurate forecasting is essential for inventory management.
  It is important for STELCO to set par levels of inventory which will set a minimum amount of items which should be on hand. This will alert them when to order more.
  STELCO should have regular inspection on their inventory which will help them in knowing the product conditions before getting obsolete thus avoiding dead stock.

Quarterly review; Quarter 3, 2018

STATE TRADING ORGANIZATION PLC (STO)

STATE TRADING ORGANIZATION PLC

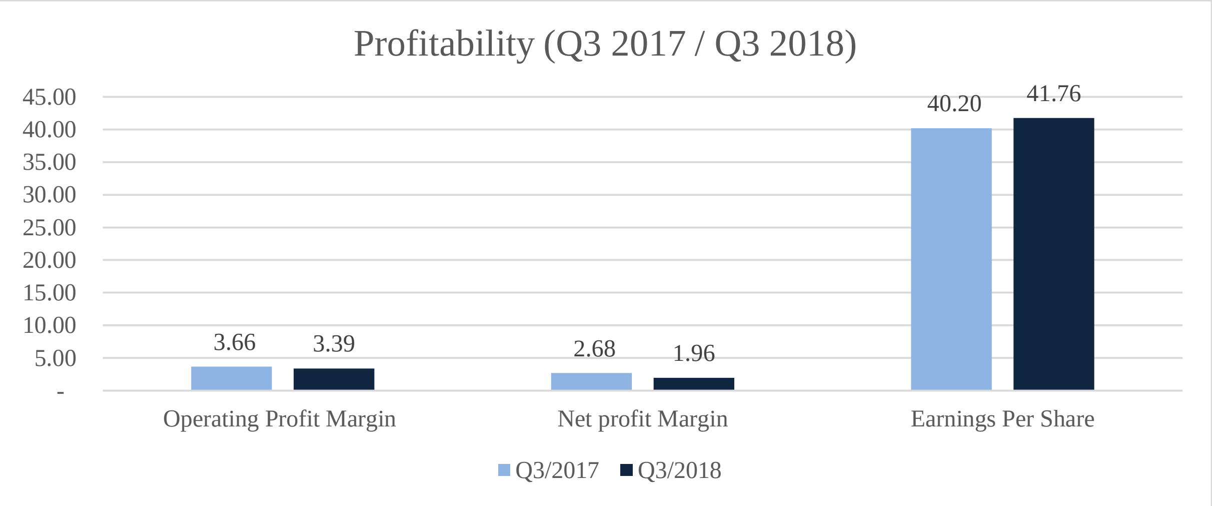
Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/STO/Q3

Q3 of 2017 AND Q3 of 2018

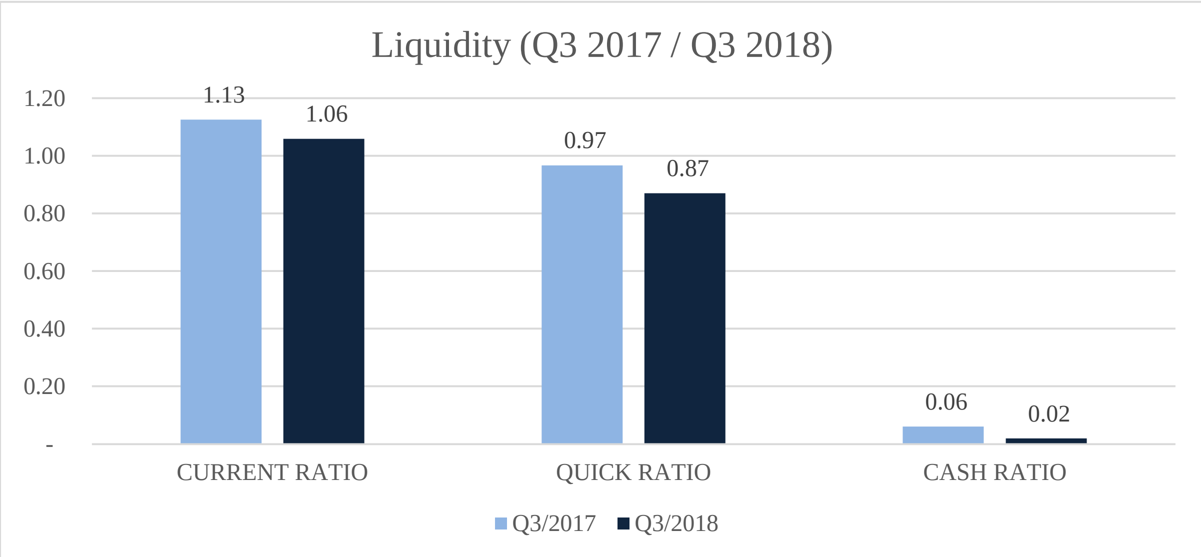
PROFITABILITY	Q3/2017	Q3/2018	Change	%
REVENUE	1,693,376,943	2,398,303,260	704,926,317	41.63
COST OF SALES	-1,466,782,400	-2,105,366,290	-638,583,890	43.54
GROSS PROFIT	226,594,543	292,936,970	66,342,427	29.28
OPERATING PROFIT	62,017,849	81,258,347	19,240,498	31.02
PROFIT BEFORE TAX	52,981,311	55,986,952	3,005,641	5.67
PROFIT AFTER TAX	45,302,484	47,064,992	1,762,508	3.89

	Q3/2017	Q3/2018
OPERATING PROFIT MARGIN	3.66	3.39
NET PROFIT MARGIN	2.68	1.96
EARNINGS PER SHARE	40.20	41.76



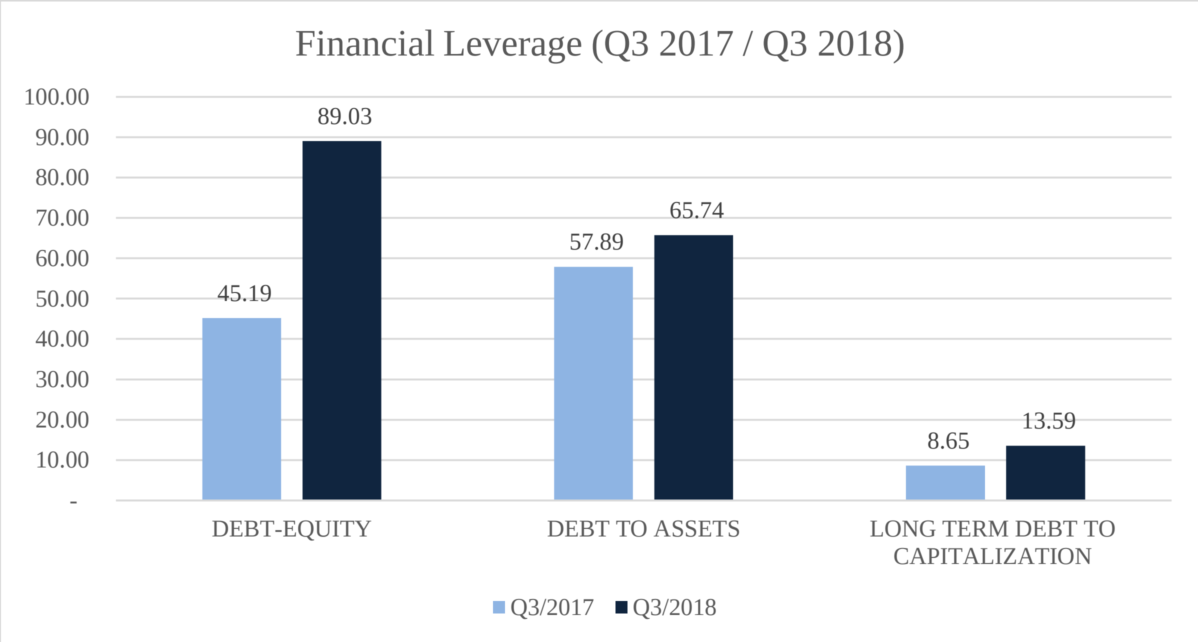
- Revenue increased by 41.63% compared to Q3 2017
- Gross profit of the company improved by 29.28%, for the reason that revenue has increased much higher than cost of sales.
- Operating profit increased by 31% compared to the same quarter of the previous year. However selling and marketing expenses as well as administrative expenses are much higher compare with Q3 2017. Further as a result of revenue growth the profit of the company increased.
- Profit increased by 3.89 % despite the rise in expenses and finance costs due to the revenue growth.

LIQUIDITY	Q3/2017	Q3/2018
NON CURRENT ASSETS	2,076,796,573	2,455,916,192
CURRENT RATIO	1.13	1.06
QUICK RATIO	0.97	0.87
CURRENT ASSETS	3,206,873,825	4,349,592,977
CURRENT LIABILITIES	2,848,330,617	4,107,175,390
WORKING CAPITAL	358,543,208	242,417,587
CASH RATIO	0.06	0.02
INVENTORY	452,227,597	775,770,774



- Non-current assets increased by 18% mainly due to investment in property, plant and equipment.
- Current assets increased by 1.1 billion which is an increase of 36%. This change mainly due to increased receivables by MVR 910 million. Also, inventories level has increased by 71% while cash and bank balances fell by 53%.
- Current liabilities rose by 44% with payables rising by 16% and short term borrowings rising by 115%, though current tax liabilities fell by 57%. Borrowings hold the largest portion of current liabilities.
- Current ratio of 1.13 in Q3 2017 fell to 1.06 in Q3 2018 due to increase in current liabilities is more than current assets.
- Quick ratio fell as inventory level of the company rose by 71% and current liabilities also rose by current liabilities.
- Cash ratio was very low and falling from 0.06 to 0.02 in Q3 2018. Cash and bank balances were insufficient to settle the short term obligations. Cash and bank balances fell by 53% mainly as a result of efficiency in receivables collections.

LEVERAGE	**Q3/2017**	**Q3/2018**
DEBT-EQUITY	45.19	89.03
DEBT TO ASSETS	57.89	65.74
LONG TERM DEBT TO CAPITALIZATION	8.65	13.59

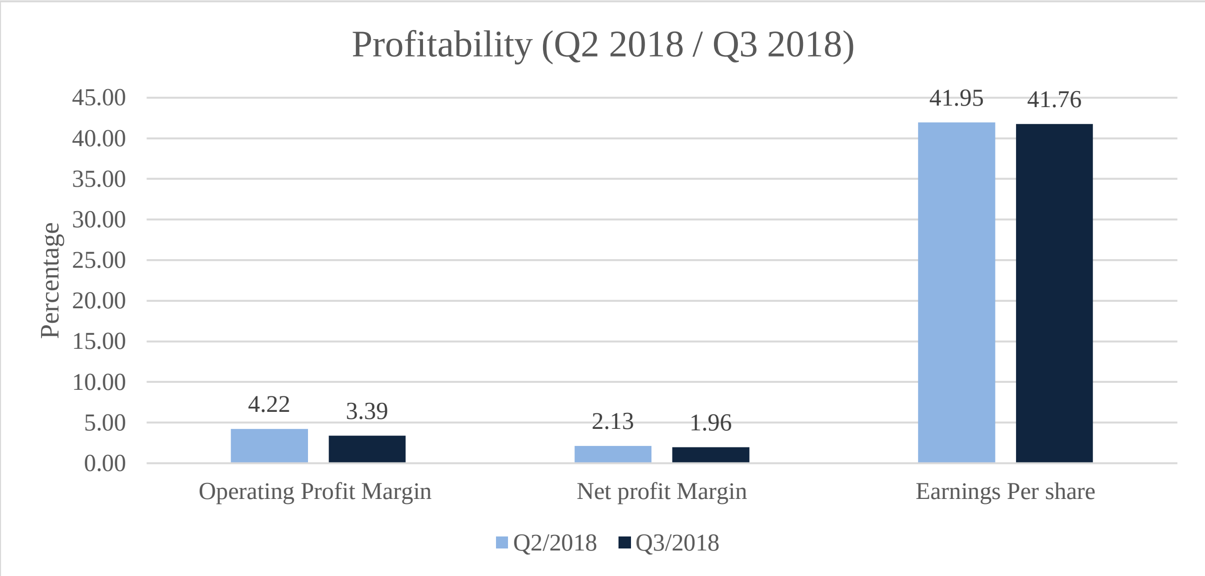


- Debt to equity increased from 45% to 89% due to higher dependence on borrowings in financing business. As a result of this change, gearing level of the company increased and in addition to that financial risk associated of the company increased.
- Compare to Q3 2017 debt to assets also rose from 58% to 66%. This was resulted for the reason that borrowings rose by 106% nevertheless total assets of the company rose by 29%.
- Long-term debt to capitalization is very low indicating their financial stability. Most of the borrowings are short term based and hence dependence on short term financial arrangement are much higher. The level of dependence on short term finance could be reduced to if STO improve their receivable collections.

Q3 of 2018 AND Q3 of 2018

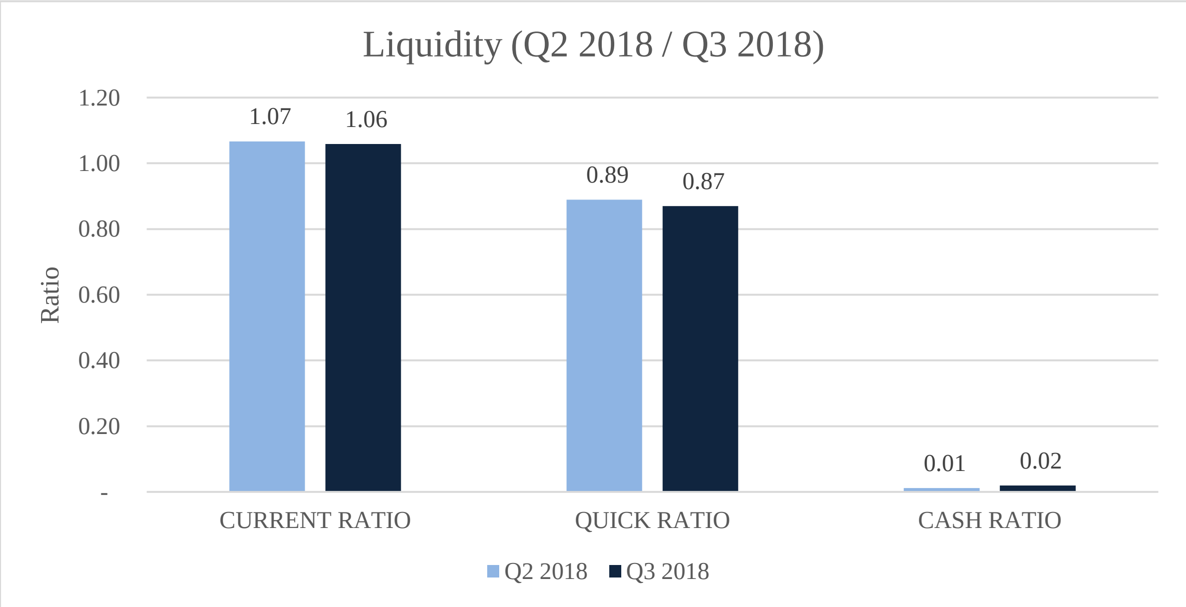
PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	2,215,151,304	2,398,303,260	183,151,956	8.27%
COST OF SALES	(1,919,987,488)	(2,105,366,290)	(185,378,802)	9.66%
GROSS PROFIT	295,163,816	292,936,970	(2,226,846)	(0.75%)
OPERATING PROFIT	93,417,874	81,258,347	(12,159,527)	(13.02%)
PROFIT BEFORE TAX	55,244,911	55,986,952	742,041	1.34%
PROFIT AFTER TAX	47,279,292	47,064,992	-214,300	(0.45%)

	Q2/2018	Q3/2018
OPERATING PROFIT MARGIN	4.22	3.39
NET PROFIT MARGIN	2.13	1.96
EARNINGS PER SHARE	41.95	41.76



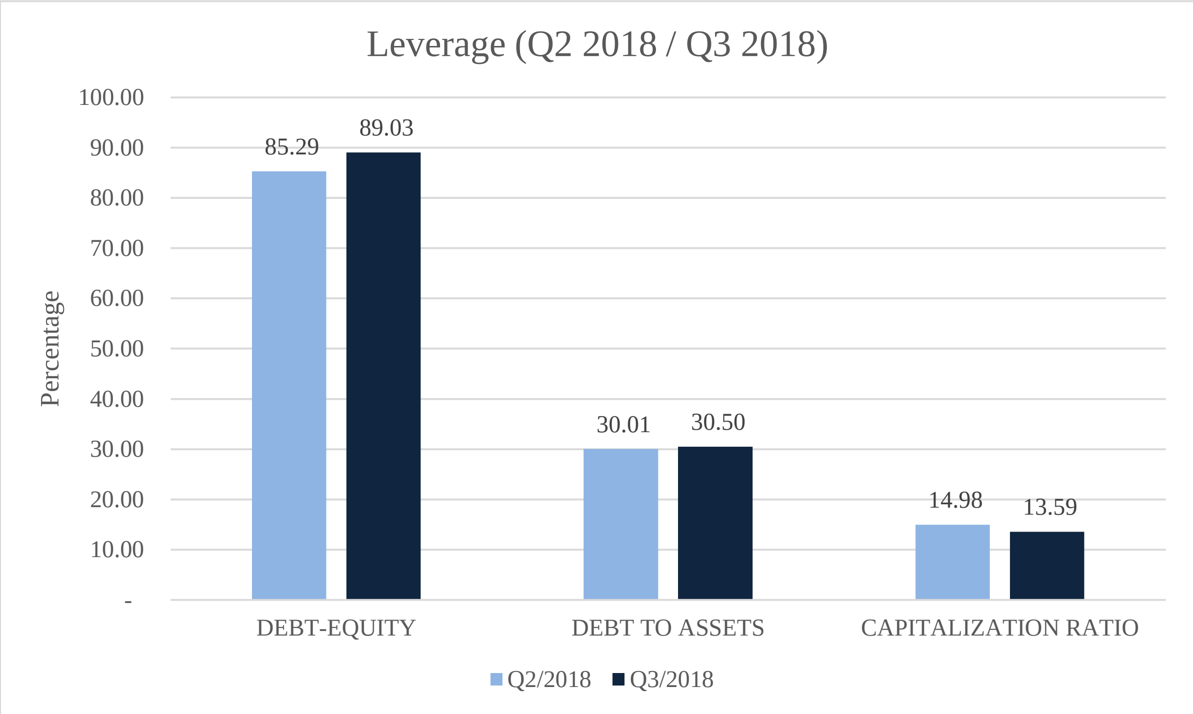
- Compare with previous quarter revenue of the company increased by 8.27%.
- Cost of sales also rose by 9.66% resulting gross profit to decline by 0.75%
- Other operating income fell by 67%. At the same time selling and marketing cost and other operating expenses raised immensely resulting operating profit to reduce by 13%.
- Finance costs were reduced by 34%. However, as a result of rising direct and indirect expenses, the company generate lower net profit after tax.
- Net profit and operating profit margins fell with a slight reduction in the earnings per share when the quarters are compared.

LIQUIDITY	**Q2/2018**	**Q3/2018**
NON CURRENT ASSETS	2,432,025,080	2,455,916,192
CURRENT RATIO	1.07	1.06
QUICK RATIO	0.89	0.87
CURRENT ASSETS	4,059,699,438	4,349,592,977
CURRENT LIABILITIES	3,804,480,932	4,107,175,390
WORKING CAPITAL	255,218,506	242,417,587
CASH RATIO	0.01	0.02
INVENTORY	676,290,028	775,770,774



- Non-current assets rose marginally by 1% due to investment in property plant and equipment.
- Current assets rose by 7% as a result of increased in receivables, inventories and cash and bank balances.
- Current liabilities also increased by 8% compared to the previous quarter mainly due to increase in short term borrowings and payables.
- Current ratio of 1.07 fell marginally to 1.06 in Q3 2017 due to higher increase in current liabilities than the current assets.
- Cash ratio is 0.01 and 0.02 in Q2 2018 and Q3 2018 respectively. Though ratio improved, the low ratio indicates that STO inability in meeting their short obligation with the available cash.

LEVERAGE	Q2/2018	Q3/2018
DEBT-EQUITY	85.29	89.03
DEBT TO ASSETS	30.01	30.50
CAPITALIZATION RATIO	14.98	13.59



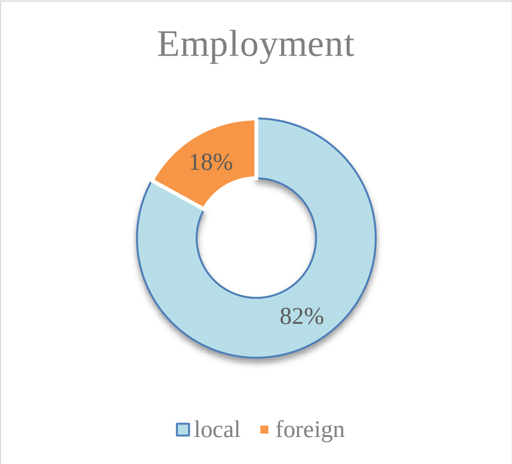
- Debt to equity ratio of 85% increased to 89% indicates higher financial risk as a result of rising borrowings. By the end of the third quarter STO has a total borrowing of 2 billion from which 1.7 billion is regarded as short term.
- Debt to assets ratio increased marginally as total assets also increased along with increased borrowings. Total assets increased by 4.8% while borrowing increased by 6.5%.
- Capitalization ratio decreased from 14.98% to 13.59% indicating the financial stability of STO. Most of the borrowings are short term based and hence dependence on short term financial arrangement are much higher. The level of dependence on short term finance could be reduced to if STO improve their receivable collections.

Important Projects undertaken in the quarter

During the quarter, STO embarked on number of projects as part of their developmental projects which include;

- STO Hulhumale' batching Plant
- Introduction of 2 landing crafts to STO fleet
- STO Hiya housing scheme launched.
- STO express opened.

Employment



At the end of the third quarter, STO employees a total of 2157 employees out of which 82% are local employees. STO has 35% female employees.

Conclusion

Revenue has increased compared to Q2 2018 and when compared to Q3 2017. However cost of sales also increased during the period which led gross profit to fall compared to Q2 2018. Operating expenses and administrative expenses have increased and resulted a low profitability.

STO is in a position to settle short term obligations with the available current assets. However, STO should formulate ways to reduce the receivables and payables along with strategies to improve cash and bank balances in order to have a strong liquidity position.

Increased gearing level shows the level of financial risk associated with it. However, most of the borrowings of STO are short term which are obliged to repay within a year.

Recommendation

- Formulate ways to reduce costs:
  Costs of sales has been increasing with the increase in sales. STO should find alternative ways to improve revenue by keeping costs at minimum level.
  - The company can substitute lower cost materials wherever possible in the business areas, without compromising quality of the products.
  - Proper Inventory management technique such as value business model can be applied. This model describes the way a company returns value to the business while delivering the best product to customers through demand and supply chain.
  - Reduce waste and eliminate unnecessary product features; STO can work on to reduce waste wherever possible whether its material or labor. Making labors more efficient will increase productivity and utilization of resources. Further, STO can carry out different researches and eliminate certain unnecessary product features.
- Improve efficiency in all business processes:
  Labor and capital efficiency will result in more efficient business processes. STO needs to increase efficiency in all grounds of their business to achieve a higher profits in the future. Since STO is one of the largest public owned enterprise, many shareholders have their eyes on STO's business activities. Hence, profit has to be maximized in order to maintain shareholder interest.
- Improve Cash and Bank balances:
  STO has a very low cash balance compared to the liabilities. They also have a high level of receivables. Mechanisms should be set in such a way that receivables are collected within the desired time frame and necessary actions should be taken for delayed payments.
- Reduce dependence on short term finance which could reduce the finance costs.
- Payable and Receivable management techniques can be applied such as:
  - Establishing credit policies: STO can apply different credit policies for different class of customers according to the goods/services provided. Regular customers with good credit ratings can be given greater flexibility period for payment. Also, credit policies can be made according to the customer type, whether it is an individual or government institute.
  - STO can shorten transaction cycles for items bought and sold. This will save money on labor dedicated to making those exchanges.
  - STO can train labors to foster more communication in building a better relationship with suppliers and customers and use the latest technology in automating the processes to track everything.

Quarterly review; Quarter 3, 2018

WASTE MANAGEMENT CORPORATION (WAMCO)

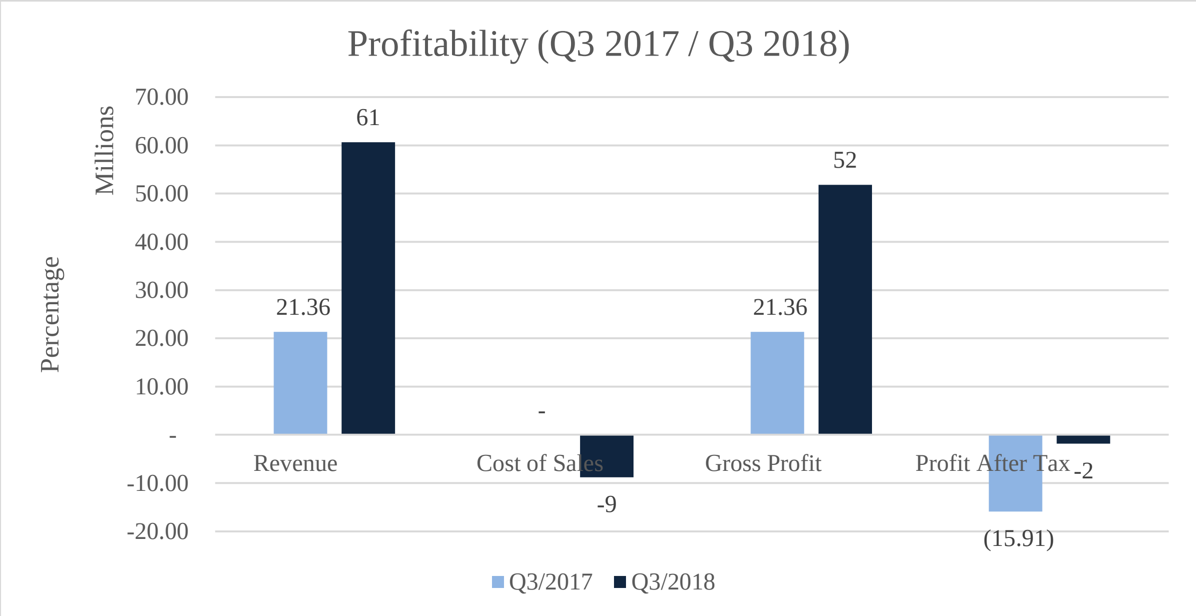
WASTE MANAGEMENT CORPORATION

Q3 2018 PERFORMANCE ANALYSIS

Report No: PEM/2018/WAMCO/Q3

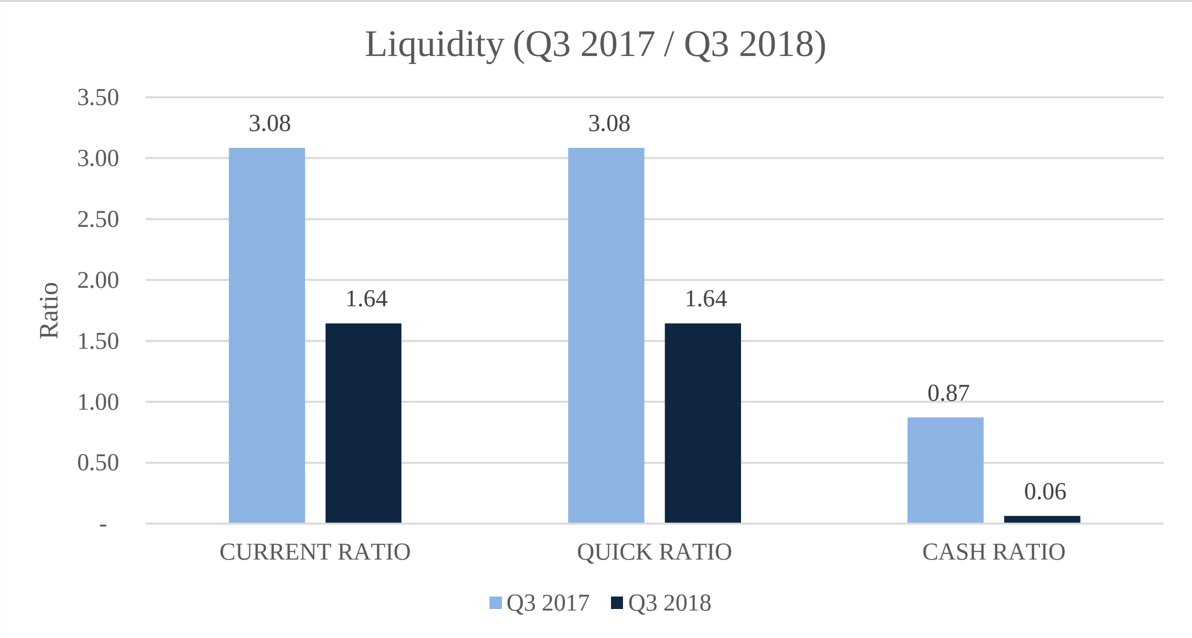
<u>Q3 of 2017 AND Q3 of 2018</u>

PROFITABILITY	Q3/2017	Q3/2018	Change	%
REVENUE	21,360,682	60,640,923	39,280,241	183.89
COST OF SALES	-	-8,798,584	(8,798,584)	
GROSS PROFIT	21,360,682	51,842,339	30,481,657	142.70
PROFIT AFTER TAX	(15,911,185)	-1,834,824	14,076,361	(88.47)
GROSS PROFIT MARGIN	100	85.49		



- Revenue from waste disposal increased by 184% compared to the same quarter of the previous year.
- There is a rise in gross profit driven by the increased revenue in the quarter despite the cost of sales of 8.8 million in Q3 2018. There were no direct expenses in Q3 2017. There was a high profit margin since the profit in relation to the revenue earned was high.
- High indirect cost including administrative expenses and selling and marketing costs lead to a loss of 15.9 million in the quarter. However, the loss was low in Q3 2018 due to the greater portion of expenses being covered by the revenue.

LIQUIDITY	Q3/2017	Q3/2018
NON CURRENT ASSETS	103,091,433	146,088,061
CURRENT RATIO	3.08	1.64
QUICK RATIO	3.08	1.64
CURRENT ASSETS	85,126,831	103,128,675
CURRENT LIABILITIES	27,593,850	62,783,959
WORKING CAPITAL	57,532,981	40,344,716
CASH RATIO	0.87	0.06

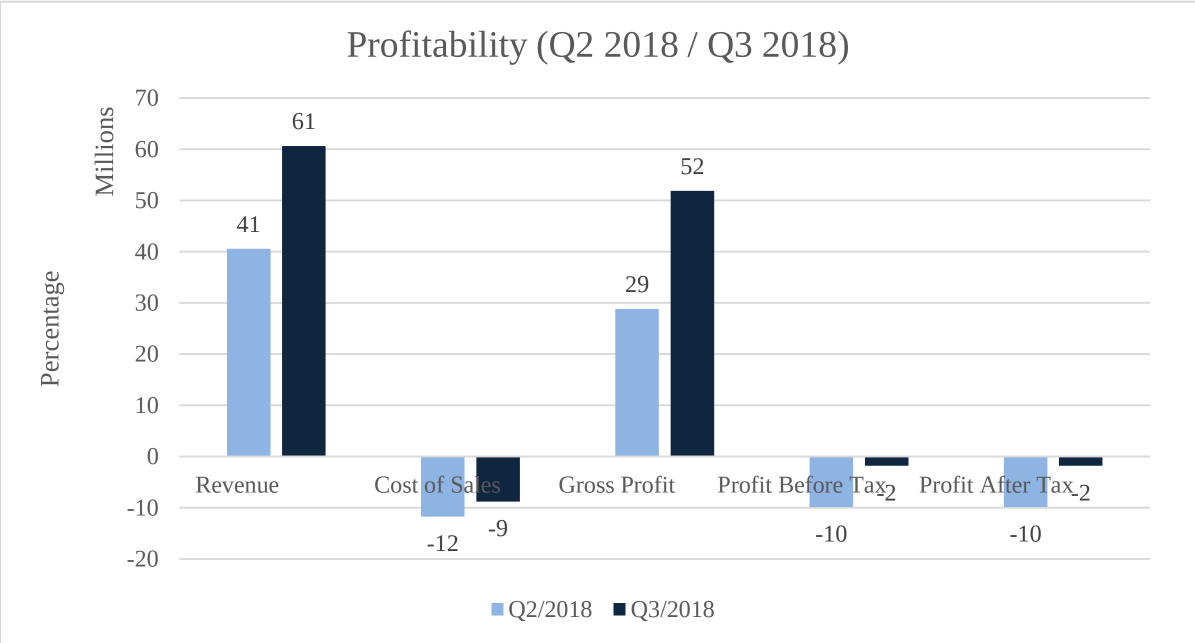


- Non-current assets increased by 42% mostly due to rising value of property plant and equipment. An additional investment made in property plant and equipment, IT equipment and for vessels to dispose waste.
- Current assets increased by 21% mainly due to trade receivables, refundable deposits and advances and prepayments. Trade receivables include a greater portion of uncollected debts from government institutes and households for the waste disposal service provided. Refundable deposits are in the form of rent which is expected to be received. Advance and prepayments are mainly due to huge advances being paid to the vessels and vehicles bought recently for waste collection.
- Current liabilities increased by 135 million which is an increase of 127% compared to the same quarter of the previous year due to higher payables. The payables mainly consists of payables for FSM and rent of other parties vehicles.
- Current and quick ratio reduced from 3:1 to 1.64:1 in Q3 2018 due to increased payables greater than the increased receivables. Though ratio shows a favorable liquidity position, overall liquidity position is unsatisfactory where receivables hold a greater portion of short term assets and there is a huge impairment of receivables.
- Cash ratio of 0.87 reduced to 0.06 in Q3 2018, cash and cash equivalents are low at the end of Q3 2018 compared to Q3 2017. The reduction of cash resulted from the out flow of cash from operation and investing activities. The operational outflow includes

working capital adjustments due to increased receivables and payables. The outflow of investing activities includes acquisition of property plant and equipment and cost incurred on construction of capital working progress, which would likely yield higher returns in future.

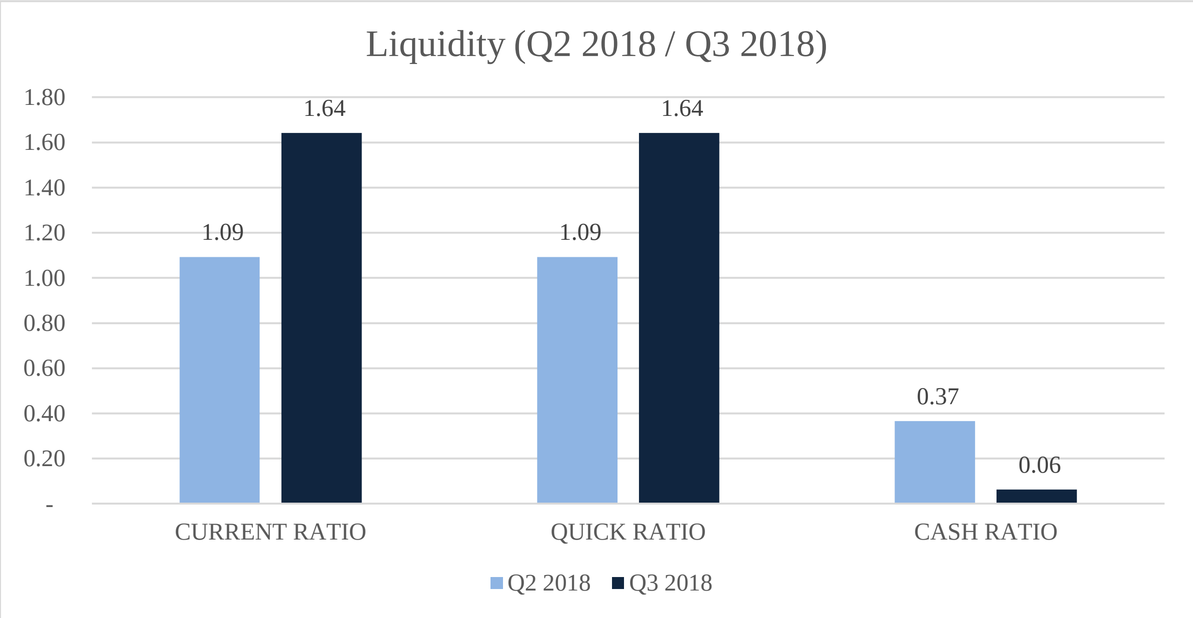
Q2 of 2018 AND Q3 of 2018

PROFITABILITY	Q2/2018	Q3/2018	Change	%
REVENUE	40,532,168	60,640,923	20,108,755	49.61
COST OF SALES	-11,721,833	-8,798,584	2,923,249.47	(24.94)
GROSS PROFIT	28,810,335	51,842,339	23,032,004	79.94
PROFIT BEFORE TAX	-9,834,496	-1,834,824	7,999,672	(81.34)
PROFIT AFTER TAX	-9,834,496	-1,834,824	7,999,672	(81.34)
GROSS PROFIT MARGIN	71.08	85.49		



- Significant improvement in providing waste disposal services in some atolls and in all households and institutions in Male' led to the improvement of revenue quarterly recording an increase of 49.6% compared to the previous quarter.
- Gross profit increased by 80% as a result of declining direct costs along with the revenue increment. Thus gross profit margin improved to 85%.
- Loss for the year also reduced by 81% following the improvement in revenue and declining direct costs. However it is important to note that due to expanding operations, expenses of the company has increased in Q3 2018.

LIQUIDITY	Q2/2018	Q3/2018
NON CURRENT ASSETS	161,122,375	146,088,061
CURRENT RATIO	1.09	1.64
QUICK RATIO	1.09	1.64
CURRENT ASSETS	135,631,928	103,128,675
CURRENT LIABILITIES	124,087,340	62,783,959
WORKING CAPITAL	11,544,588	40,344,716
CASH RATIO	0.37	0.06



- Non-current assets reduced by 15 million which is a reduction of 9% due to lower property plant and equipment compared to the last quarter.
- Current assets reduced by 24%, however, accounts receivable increased compared to the previous quarter due to inability of collecting from customer.
- Current liabilities reduced by 61 million which is a reduction of 49% compared to the previous quarter mainly due to decline in trade payables by 31 million.
- The reduction in the current liabilities greater than decline in current assets led to increased working capital. Hence liquidity ratios show an improvement compared to the previous quarter.
- Cash ratio reduced from 0.37 to 0.06 in Q2 2018 due to lower cash and cash equivalents.

Conclusion

It is observed that WAMCO has remarkably good improvement in revenue compared to the last quarter and to the same quarter of the previous year. Gross profit also improved due to lower direct costs compare to the revenue. However, high operational costs led to losses in the quarters. The operational costs consist a major portion as staff costs as salaries and wages paid to the employees and other staff expenses. WAMCO employs a huge number of staffs thus adequacy of staff numbers are tentative.

Liquidity ratios show a satisfactory figure where current assets are sufficient to settle the short term liabilities. However, a greater portion of current assets comprise of trade receivables which have been difficult to collect. Necessary measures need to be taken by the company for receivable collection.

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

Recommendation

- Receivable collection:
  Receivable collection is a major issue in WAMCO. Proper policies need to be set and implemented to collect receivables at the earliest. WAMCO has already automated their billing and payment process. Thus, necessary policies need to be made and implemented against the unrecovered receivables. Further relevant authorities must be informed and actions need to be taken accordingly. They can also remind the unpaid customers every month through a general message and make public more aware on the pending payments.
  Receivables compose a greater portion of debts from government authorities. Proper mechanisms can be made with the finance ministry where they can directly intervene to the payments made by government authorities.
- Reduce Payables:
  It is important to build a strong relation with the suppliers for better terms. Further proper receivable collection will ultimately help in enhancing cash and thus reducing payables.
- Reduction of Operational costs:
  Overall operational cost need to be minimized, mainly the staff costs need to be minimized by reviewing the pay structure and the adequacy of number of staffs. WAMCO recruited relatively high number of employees for the collection and disposal of waste. They can employ contract staffs who would require benefits instead of full time employees. This would also help them in managing staff costs.
- Revenue Improvement:
  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.

Disposable of Medical waste has certain strict regulations 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 waste should be disposed in a sanitary and efficient manner. Thus, WAMCO can play a lead role in disposing such waste where restaurants and groceries will be willing to dispose such waste in the cleanest way to build their reputation. WAMCO also can charge different prices for these niches.

- WAMCO can expand the business by recycling waste and offering environmentally friendly services. Government is seeking to reduce their environmental footprints by reducing and recycling waste perhaps. This will have a savings for the company and build up its image resulting to increase revenue and aid WAMCO in recovering costs.
- Consequently WAMCO should ensure that they are adequately financed. As a startup waste management business, WAMCO is capital intensive. Working with commercial and government clients increased their receivables. 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.