SUMMARY OF QUARTERLY REVIEW

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SECRETARIAT FOR
PRIVATIZATION AND CORPORATIZATION BOARD

Contents

Secretariat for Privatization and Corporatization Board

SUMMARY OF QUARTERLY REVIEW

QUARTER 1, 2020

INTRODUCTION

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

This quarterly review is a summary of the quarterly analysis prepared after analyzing the performance of the companies through the quarterly reports. For this purpose, individual analysis is prepared for each SOE separately. The analysis is done based on the comparison of quarter one of 2020 with the quarter one of 2019.

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

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

REVENUE

#	REVENUE GROWTH COMPANY NAME	Q1 2019 (MVR)	Q1 2020 (MVR)	%
1	AASANDHA COMPANY LTD	11,989,620	12,778,673	7%
2	BUSINESS CENTRE CORPORATION LTD	-	1,935,081	-
3	FAHI DHIRIULHUN CORPORATION LTD	NA	-	-
4	KAHDHOO AIRPORT COMPANY LTD	3,281,132	2,918,063	-11%
5	MALDIVES CENTER FOR ISLAMIC FINANCE LTD	2,160	-	-100%
6	MALDIVES HAJJ CORPORATION LTD	1,724,740	5,125	-100%
7	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	-	-	-
8	MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION	7,338,960	40,816,503	456%
9	MALDIVES SPORTS CORPORATION LTD	-	4,479,480	-
10	SME DEVELOPMENT FINANCE CORPORATION LTD	NA	3,737,416	-
11	PUBLIC SERVICE MEDIA	36,168,384	25,697,872	-29%
12	WASTE MANAGEMENT CORPORATION	58,073,049	76,382,767	32%
	TOTAL	118,578,045	168,750,980	42%
13	ADDU INTERNATIONAL AIRPORT PVT LTD	20,436,362	19,011,968	-7%
14	BANK OF MALDIVES LTD	642,944,000	685,483,000	7%
15	FENAKA CORPORATION LTD	316,718,845	420,128,052	33%
16	GREATER MALE' INDUSTRIAL ZONE LTD	31,755,626	37,201,444	17%
17	HOUSING DEVELOPMENT CORPORATION	48,750,938	564,317,333	1058%
18	HOUSING DEVELOPMENT FINANCING CORPORATION PLC	46,429,859	50,444,231	9%
19	ISLAND AVIATION SERVICES LIMITED	552,570,200	414,005,040	-25%
20	MALDIVES AIRPORTS COMPANY LTD	1,597,360,000	1,350,765,000	-15%
21	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	210,994,512	353,539,987	68%
22	MALE' WATER AND SEWERAGE COMPANY PVT LTD	253,327,698	261,482,282	3%
23	MALDIVES PORTS LIMITED	204,693,201	188,232,311	-8%
24	ROAD DEVELOPMENT CORPORATION	NA	436,099	-
25	STATE ELECTRIC COMPANY LTD	461,935,877	504,496,312	9%
26	STATE TRADING ORGANIZATION PLC	2,343,842,940	2,491,597,055	6%
	TOTAL	6,731,760,058	7,341,140,114	9%
	GRAND TOTAL	6,850,338,103	7,509,891,093	10%

A total revenue of MVR 7.5 billion is generated by SOEs at the end quarter of the year 2019 which is 10% improvement compared to the same quarter of the previous year.

MACL and STO are the highest revenue generating among the SOEs, generating revenue of more than 1 billion each quarter. While STO has seen a 6% increment in Q1 2020 compared to Q1 2019, MACL's revenue dropped by 15% compared to the same period. STELCO, PORTS, MWSC, MTCC, IASL, FENAKA, Dhiraagu and BML are the next on the list generating revenue over hundred million quarterly. As such, STELCO's revenue of MVR 504 million is an improvement of 9% compared to Q1 2019 while Ports faced a revenue reduction of 8% with regard to the comparable period.

MWSC's revenue increased by 3% while IAS recorded 25% fall in revenue compared to the same quarter of the previous year.

Other companies who has shown outstanding performance in terms of revenue compared to Q1 2019 include, BML, Fenaka, GMIZL, HDC, HDFC, MTCC, MWSC, STELCO, STO and WAMCO. GMIZL has improved revenue through the rent from leased plots. HDC's revenue increased mainly as a result of sale of land in the quarter. While MTCC has shown a remarkable growth in the revenue of 68% compared to Q1 2019, MWSC also showed improvement in revenue of 3% attributable to revenue generated from utilities and manufacturing sector. STELCO also showed improvement compared to Q1 2019 due to increase n electricity sales while non-electricity sales also increased simultaneously. STO achieved a growth in revenue of 6% mainly through fuel sales. WAMCO's revenue also improved by 31% through waste management.

Companies like Hajj Corporation and KACL has a deteriorated performance in terms of revenue compared to Q1 2019. Hajj Corporations' revenue reduction is attributable to reduction in the number of pilgrims for Umra during the quarter. This has reduced drastically due to on-going Covid-19 pandemic. KACL has a 11% reduction in revenue resulting from loss in aeronautical revenue compared to Q1 2020. SDFC, RDC and FDC are newly formed companies in the year 2019 and are expected to generate increasing revenue in a near future.

It is important to note that MCIF did not carry out any revenue generating activities which could improve its performance.

GROSS PROFIT

GROSS POFIT GROWTH

#	COMPANY NAME	Q1 2019 (MVR)	Q1 2020 (MVR)	%
1	AASANDHA COMPANY LTD	11,989,620	12,778,673	7%
2	BUSINESS CENTRE CORPORATION LTD	-	1,666,201.73	
3	FAHI DHIRIULHUN CORPORATION LTD	0	0	
4	KAHDHOO AIRPORT COMPANY LTD	(3,496,450)	(4,152,635)	19%
5	MALDIVES CENTER FOR ISLAMIC FINANCE LTD	100	-	-100%
6	MALDIVES HAJJ CORPORATION LTD	(128,770)	(101,002)	-22%
7	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	0	-	
8	MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION	-12,171,264	7,049,839	-158%
9	MALDIVES SPORTS CORPORATION LTD	-	624,480	
10	PUBLIC SERVICE MEDIA	(15,126,922)	8,034,986	-153%
11	SME DEVELOPMENT FINANCE CORPORATION LTD	NA	(3,622,517)	
12	WASTE MANAGEMENT CORPORATION	16,698,573	31,587,152	89%
	TOTAL	(2,235,113)	53,865,178	-2510%
13	ADDU INTERNATIONAL AIRPORT PVT LTD	12,616,398	10,456,879	-17%
14	BANK OF MALDIVES LTD	515,075,000	564,109,000	10%
15	FENAKA CORPORATION LTD	111,706,323	154,413,855	38%
16	GREATER MALE' INDUSTRIAL ZONE LTD	31,755,626	37,201,444	17%
17	HOUSING DEVELOPMENT CORPORATION	48,750,938	448,456,490	820%
18	HOUSING DEVELOPMENT FINANCING CORPORATION PLC	32,812,203	36,358,866	11%
19	ISLAND AVIATION SERVICES LIMITED	219,363,965	98,985,596	-55%
20	MALDIVES AIRPORTS COMPANY LTD	972,656,000	824,674,000	-15%
21	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	(3,558,923)	79,619,434	-2337%
22	MALE' WATER AND SEWERAGE COMPANY PVT LTD	159,036,422	163,714,622	3%
23	MALDIVES PORTS LIMITED	168,268,897	152,033,657	-10%
24	ROAD DEVELOPMENT CORPORATION	NA	(3,636,230)	
25	STATE ELECTRIC COMPANY LTD	92,206,293	98,894,092	7%
26	STATE TRADING ORGANIZATION PLC	353,362,489	357,560,008	1%
	TOTAL	2,714,051,631	3,022,841,713	11%
	GRAND TOTAL	2,711,816,519	3,076,706,891	13%

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

After the direct costs has been expensed, the overall gross profit of the companies increased by 14%, an improvement of MVR 368 million compared to the same quarter of the previous year. Significant increment of gross profit is shown by BML, Fenaka, GMIZL, HDC, HDFC, MWSC, STELCO, STO and WAMCO.

On the other hand, financials of AIA, IAS, KACL, MACL, Ports, PSM and MMPRC has shown reduction in their gross profits compared to Q1 2019, mostly contributed by increased direct costs and revenue reduction.

NET PROFIT

NETPROFIT GROWTH				
#	COMPANY NAME	Q1 2019 (MVR)	Q1 2020 (MVR)	%
1	AASANDHA COMPANY LTD	360,000	-	
2	BUSINESS CENTRE CORPORATION LTD	(77,097)	(1,345,057)	-1645%
3	FAHI DHIRIULHUN CORPORATION LTD		-1,533,103	
4	KAHDHOO AIRPORT COMPANY LTD	(5,118,202)	(5,940,956)	-16%
5	MALDIVES CENTER FOR ISLAMIC FINANCE LTD	(1,318,880)	(1,501,707)	-14%
6	MALDIVES HAJJ CORPORATION LTD	(323,024)	(645,800)	-100%
7	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATI	(1,245,185)	(1,470,471)	-18%
8	MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION	-14,340,713	954,411	107%
9	PUBLIC SERVICE MEDIA	(30,622,262)	(4,498,868)	85%
10	MALDIVES SPORTS CORPORATION LTD	(944,953)	(977,537)	-3%
11	SME DEVELOPMENT FINANCE CORPORATION LTD		(3,622,517)	
12	WASTE MANAGEMENT CORPORATION	(1,061,073)	9,600,863	1005%
	TOTAL	**(54,691,389)**	**(10,980,742)**	80%
12	ADDU INTERNATIONAL AIRPORT PVT LTD	(12,374,547)	(10,824,752)	13%
13	BANK OF MALDIVES LTD	276,633,000	291,164,000	5%
14	FENAKA CORPORATION LTD	1,734,255	7,635,352	340%
15	GREATER MALE' INDUSTRIAL ZONE LTD	14,642,424	18,698,015	28%
16	HOUSING DEVELOPMENT CORPORATION	6,566,978	343,069,373	5124%
17	HOUSING DEVELOPMENT FINANCING CORPORATION PLC	28,326,015	23,697,090	-16%
18	ISLAND AVIATION SERVICES LIMITED	71,099,985	(21,670,721)	-130%
19	MALDIVES AIRPORTS COMPANY LTD	572,056,800	433,023,150	24%
20	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATI	(1,245,185)	(1,470,471)	-18%
21	MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION	-14,340,713	954,411	107%
22	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	(30,382,400)	52,986,424	274%
23	MALE' WATER AND SEWERAGE COMPANY PVT LTD	90,505,426	80,995,243	-11%
24	MALDIVES PORTS LIMITED	53,447,481	31,953,150	-40%
25	STATE ELECTRIC COMPANY LTD	34,327,887	32,901,410	-4%
26	STATE TRADING ORGANIZATION PLC	103,984,328	114,192,472	10%
	TOTAL	**1,194,981,734**	**1,397,304,146**	17%
	GRAND TOTAL	**1,140,290,345**	**1,386,323,404**	22%

SOEs generated a net profit of MVR 1.38 billion in the first quarter of 2020, an increment of 22% (MVR 246 million) compared to the same quarter of the previous year.

When looking into individual performance, BML, Fenaka, GMIZL, HDC, STO and WAMCO has shown outstanding performances in maintaining costs leading to improvement in net profits. WAMCO and MTCC has shown remarkable performances as such their net loss in Q1 2019 turned into profits in the first quarter of 2020.

On the other hand, companies like IAS, MACL, MWSC, Ports and STELCO has reduced performance in terms of net profit compared to Q1 2020. It is also important to note that the net losses of KACL, Hajj Corporation, MITDC, Sports Corporation and MCIF has further deteriorated mainly after increased costs compared to Q1 2020.

SHORT TERM LIQUDITY RATIOS

SHORT TERM LIQUIDITY RATIOS

#	COMPANY NAME	Q1 2019 (MVR)		Q1 2020 (MVR)	
		Current Ratio (Times)	Quick Ratio (times)	Current Ratio (Times)	Quick Ratio (times)
1	AASANDHA COMPANY LTD	1.07	1.07	1.02	1.02
2	ADDU INTERNATIONAL AIRPORT PVT LTD	0.08	0.06	0.15	0.12
3	BUSINESS CENTRE CORPORATION LTD	0.51	0.51	5.48	5.48
4	FAHI DHIRIULHUN CORPORATION LTD	72.76	72.76	61.83	61.83
5	FENAKA CORPORATION LTD	0.68	0.40	0.97	0.45
6	GREATER MALE' INDUSTRIAL ZONE LTD	2.79	2.09	4.49	3.41
7	HOUSING DEVELOPMENT CORPORATION	3.31	1.22	3.20	0.87
8	ISLAND AVIATION SERVICES LIMITED	1.04	0.88	1.02	0.93
9	KAHDHOO AIRPORT COMPANY LTD	34.00	33.00	25.00	24.00
10	MALDIVES AIRPORTS COMPANY LTD	1.80	1.70	3.30	2.90
11	MALDIVES CENTER FOR ISLAMIC FINANCE LTD	1.05	1.04	0.41	0.41
12	MALDIVES HAJJ CORPORATION LTD	54.09	53.46	1.08	1.06
13	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	0.53	NA	0.52	NA
14	MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION	1.01	1.01	1.04	1.04
15	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	1.25	0.87	1.45	1.08
16	MALDIVES SPORTS CORPORATION LTD	3.04	3.04	13.71	13.71
17	MALE' WATER AND SEWERAGE COMPANY PVT LTD	1.54	1.11	1.55	1.08
18	MALDIVES PORTS LIMITED	4.87	3.05	2.60	1.05
19	PUBLIC SERVICE MEDIA	0.15	0.15	0.19	0.19
20	STATE ELECTRIC COMPANY LTD	0.76	0.66	0.74	0.65
21	STATE TRADING ORGANIZATION	1.06	0.89	1.12	0.89
22	WASTE MANAGEMENT CORPORATION LTD	2.40	2.40	1.91	1.91

Although the ideal standard of current ratio is 2:1, indicating that, for every MVR 1 worth of short-term liability, there should be MVR 2 worth of current assets. However, this might differ from industry to industry and the perfect ratio depends on company's nature. As such, depending on how the company's assets are allocated, a high current ratio may suggest that that company is not using its current assets efficiently, or is not securing financing well, or perhaps is not managing its working capital effectively.

On the other hand, AIA, Fenaka, MITDC and PSM have unsatisfactory level of liquidity as they do not have sufficient current assets to settle the short-term obligations. Among public listed companies MTCC, Dhiraagu and STO have a satisfactory liquidity position.

FINANCIAL LEVERAGE RATIOS

#	COMPANY NAME	Q1 2019 (MVR) Debt to Equity (%)	Q1 2019 (MVR) Debt to Assets (%)	Q1 2020 (MVR) Debt to Equity (%)	Q1 2020 (MVR) Debt to Assets (%)
1	ADDU INTERNATIONAL AIRPORT PVT LTD	-22.97	0.64	-6.09	0.71
2	FENAKA CORPORATION LTD	76.84	10.77	8.76	6.29
3	HOUSING DEVELOPMENT CORPORATION	0.47	0.27	0.58	0.32
4	ISLAND AVIATION SERVICES LIMITED	0.48	0.22	0.49	0.2
5	MALDIVES AIRPORTS COMPANY LTD	0.40	1.1	0.40	0.9
6	MALDIVES HAJJ CORPORATION LTD	(8.27)	1.13	(5.17)	0.90
7	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	0.69	0.32	0.52	0.24
8	MALE' WATER AND SEWERAGE COMPANY PVT LTD	0.05	0.07	0.09	0.13
9	MALDIVES PORTS LIMITED	0.15	0.12	0.36	0.22
10	PUBLIC SERVICE MEDIA	0.18	0.13	0.18	0.13
11	STATE ELECTRIC COMPANY LTD	3.89	0.62	3.05	0.59
12	STATE TRADING ORGANIZATION PLC	1.08	0.37	0.96	0.38

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

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

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

CONCLUSION

The first quarter of 2020 contributed the economy MVR 1.38 billion through the SOEs. However, in terms of profitability some SOEs did well while other SOEs do not do too well in the quarter.

Q1 2020 was however, a successful quarter in terms of profitability to companies such as BML, Fenaka, GMIZL, HDC, STO and WAMCO. These companies have achieved a growth in net profit compared to Q1 2020. However, profit made by MMPRC is the effect of government grant being classified as income. The company do not generate sufficient revenue through their own operations. In terms of profit MACL is highest on the list in Q1 2020, generating a revenue profit of MVR 413 million, followed by HDC and STO.

Since SDFC, RDC and FDC began its operations in 2019, it is expected that the company will expand its operations and become self-sufficient in the upcoming quarters as such the company will not have to depend on shareholder assistance for its operation. However, SDFC's significantly high Non-Performing loan portfolio is of concern and needs immediate strengthening of risk assessment within the loan granting process.

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

Quarterly review; Quarter 1, 2020

AASANDHA COMPANY LTD

AASANDHA COMPANY LTD
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/ACL/Q1

Q1 2020 with Q1 2019 and Q1 2019

INCOME AND EXPENSES

Income

Q1 2019	Q1 2020	Q4 2019
11.99	12.78	14.17
Million in MVR	Million in MVR	Million in MVR

Income of Aasandha Company mainly consists of Budget contribution by the ministry of finance since the company is running as a scheme aid provider rather than running on a corporate model. The budget contributed by the ministry are MVR 12.06 million, MVR 10 million and MVR 9 million in Q1 2019, Q1 2020 and Q4 2019 respectively. Apart from that the company received income as pharmacy commission of MVR 2 million in Q4 2019 and Q1 2020.

Operating Expenses

Q1 2019	Q1 2020	Q4 2019
11.6	12.8	12.5
Million in MVR	Million in MVR	Million in MVR

Compared to previous quarter and compared to Q1 2019, total operating expenses have increased by 10% (MVR 1 million), mainly due to increase in other operating expenses and administrative expenses.

Compared to Q1 2019 and Q4 2019, professional services, Scholarship and training, repairs and maintenance and general expenses increased leading overall operational expenses to rise in the quarter. The breakdowns of administrative expenses are summarized by the following table.

OTHER OPERATING EXPENSES	Q1 2019	Q1 2020	Q4 2019
Travelling Expenses	32,016	28,193	559,952
Professional Services	30,000	188,110	126,810
Audit Fee	24,518	-	278,917
Scholarship and Training	23,253	52,862	1,000
Repairs and Maintenance	55,747	156,080	144,695
Security service	0	-	-
General Expenses	836,417	1,442,820	557,552
Office Cleaning	500	5,628	16,968
Sundry Expenses	32,252	30,377	28,207
Medical Consumables		-	-
Total	**1,034,703**	**1,904,070**	**1,714,102**

EXPENSESS FOR ADMINISTRATION	Q1 2019	Q1-2020	Q4-2019
Salary and Benefits	7,685,552	7,519,909	7,702,234
Utility Costs	356,491	382,036	342,677
Communication Expenses	425,833	434,260	492,010
Rents	1,140,946	1,200,946	1,200,946
License & Registration Fees	2,648	2,000	-
Directors Expenses	84,000	140,280	149,280
Printing and Stationery	72,394	38,116	-297,458
Depreciation and Amortisation	1,187,054	1,157,056	1,205,665
Total	**10,954,918**	**10,874,603**	**10,795,355**

Total administrative expenses remained almost same through the comparable quarters, i.e. approximately MVR 11 million.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
1.07	1.02	1.03
Times	Times	Times

Current ratio shows company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets. Current ratio is seen constant over the comparable quarters, which indicates company have enough current assets to cover its current liabilities in short term. However, the current ratio has a decreasing pattern which is alarming as the total receivables of the company keep rising each quarter. The liquidity position will deteriorate if the company has too high receivables which might be difficult to collect. The current ratio is approximately equal to quick ratio as the company holds a very insignificant value of inventory.

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.23	0.10	0.14
Times	Times	Times

The cash ratio calculates a company's ability to repay its short-term debt with cash and cash equivalents. The cash ratio of Aasandha company shows that company does not have enough cash to cover its current liabilities with cash only. In Q1 2020, when total current liabilities stated over MVR 277 million, company-maintained cash in hand by over MVR 28.9 million.

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

CONCLUSION

The operational expenses of the company have increased compared to Q4 2019 which includes administrative expenses and other operating expenses. In order to maximize returns, it is important for the company to maintain the expenses low. However, Aasandha is not a profit-making company, rather a service-based welfare company established fulfil the medical needs of the citizens. Going forward converting company business model to an insurance company or claims processing agent based on an agreement with the government is important.

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

RECOMMENDATION

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

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

Quarterly review; Quarter 1, 2020

ADDU INTERNATIONAL AIRPORT PVT LTD

ADDU INTERNATIONAL AIRPORT PVT LTD
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/AIA/Q1

Q1 2020 with Q4 2019 and Q1 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
20.4	19.0	19.3
Million in MVR	Million in MVR	Million in MVR

Revenue for Q1 2020 was 7% (MVR 1.4 million) less than the same quarter of the previous year. The revenue also sums up to 2% less than Q4, 2019. The main revenue component, Jet fuel revenue fell by 3% due to less number of flights being operated into the airport in the first quarter, 2020 compared to the previous quarter. Compared to Q1 2019, though jet fuel revenue improved the revenue reduced mainly due to Cargo terminal warehouse revenue which was recorded high in Q1 2019. Additionally, other revenue components as such ground handling, landing fees, parking fees, GPU charge and DCS income also reduced compared to Q1 2019. The revenue components in the three comparable quarters is shown by the following table;

Revenue	Q1 2019	Q1 2020	Q4 2019
Jet Fuel Revenue	11,315,609	12,734,070	13,119,187
Ground Handling Charge	4,046,150	3,460,162	3,419,478
Landing Fees	1,317,857	1,148,345	1,174,992
Parking Fees	1,751,282	923,032	837,842
GPU charge	513,794	493,833	524,743
Cargo Terminal Warehouse	1,281,060	61,954	131,798
DCS Income	162,758	143,127	71,252
Other	47,852	47,445	57,410
Total	**20,436,362**	**19,011,968**	**19,336,702**

Gross Profit

Q1 2019	Q1 2020	Q4 2019
12.6	10.5	10.4
Million in MVR	Million in MVR	Million in MVR

Compared to Q1 2019, while revenue reduced as a result of high 'cargo terminal warehouse' revenue recorded in Q1 2019, direct costs increased by 9%. Thus a fall of 17% (MVR 2 million) reports in Q1 2020 compared to Q1 2019. Gross profit margin thus reduced to 57% from 61% in Q1 2020.

Compared to Q4, 2019, gross profit improved slightly by 0.61%. While revenue reduced by 2%, direct costs related to jet fuel expenses reduced by 4%. Thus gross profit recorded improvement while margin also improved by 2%.

Net Profit/loss

Q1 2019	Q1 2020	Q4 2019
-12.4	-10.8	-12.6
Million in MVR	Million in MVR	Million in MVR

AIA has high level of operational costs compared to the revenue generated resulting to operational losses. While the company recorded no improvement in sales, high operational costs leave the company to depend on shareholder assistance for the operations.

Compared to Q1 2019 and Q4 2019, the company has increased overall expenses by 6% and 4% respectively. The expenses include operating expenses and administrative expenses which is explained by the following table.

Operating Expenses	Q4 2019	Q1 2020	Q1 2019
Depreciation	6,115,724	6,322,999	6,042,090
Amortization	155,360	155,360	155,360
Employee benefit expense	8,032,662	8,291,847	7,583,640
Electricity	1,291,649	1,014,065	579,508
Uniform Expenses	59,113	-	298,317
Supplies and Requisites	227,283	207,011	599,227
Fuel Expenses	161,930	140,655	136,703
Repair and maintenance	48,356	302,176	137,039
Subscription expenses	791,625	517,741	1,626,658
Hire charges	15,563	162,050	449,780
Freight and duty charges	125,702	158,185	132,182
Consultancy expense	-	1,220,700	-
Telephone Expenses	103,361	104,167	98,358
Others	271,857	-	-

Compared to Q1, 2019 employee benefit increased by 9% while electricity increased by 75%. Repair and maintenance expense also increased by 121%. Additionally, travelling expense also increased by 235%.

Compared to Q4 2019, repair and maintenance, hire charges and travelling expense increased significantly resulting increase in operational loss for the quarter.

Administrative expenses	Q4 2019	Q1 2020	Q1 2019
Insurance Expenses	637,233	645,358	651,295
Bank charges	18,285	15,287	37,931
Travelling expenses	97,311	121,176	36,129
Directors fee	90,000	96,000	83,444
Printing and Stationary	46,451	30,603	40,918
fines and penalties	-	513	-
Others	-	232,183	85,677

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
0.08 Times	0.15 Times	0.11 Times

The low current ratio of the company signifies the liquidity issues in the company. However, current ratio improved slightly in Q1 2020 compared to Q1 2019 and Q4 2019.

Compared to Q4 2019, total current assets increased by 31% by current liabilities reduced by 5% resulting current ratio to improve to 0.15. Inventories, receivables and cash balance increased while payables and short term borrowings reduced significantly.

Compared to Q1 2019, current assets increased by 128% while current liabilities increased by just 13% resulting current ratio to increase compared to the comparable quarters. Trade payables and receivables related to Q1 2019, Q1 2020 and Q4 2019 are shown in the below table.

Trade and other payables	Q1 2019	Q1 2020	Q4 2019
Trade payables	213,292,817	241,529,796	229,985,171
Contractor Payments	1,511,697	63,605	63,605
Accrued expenses	6,095,392	859,383	1,341,683
Other Payables	9,393,480	11,660,648	13,207,458

Trade and other receivables	Q1 2019	Q1 2020	Q4 2019
Receivables	33,547,056	48,886,321	38,211,736
Less: Provision for impairment	(19,296,132)	(21,674,914)	(19,296,132)
	14,250,924	27,211,407	18,915,604
Prepayments	597,687	10,183,428	9,790,771
Other Receivables	17,134,016	16,444,495	17,279,949
less: Provision for impairment	(13,266,774)	(13,266,774)	(13,266,774)
Total	18,715,853	40,572,556	32,719,550

Quick Ratio

Q1 2019	Q1 2020	Q4 2019
0.06 Times	0.12 Times	0.09 Times

Inventories of the company include mainly jet fuel which increased in Q1 2020 compared to Q1 2020 and Q4 2019. Hence the quick ratio is higher than the comparable quarters. Details of the inventory of the company is summarized by the following table.

Inventories	Q1 2019	Q1 2020	Q4 2019
Jet Fuel	3,892,723	8,130,250	6,908,422
Spares and others	1,128,334	1,666,903	1,666,903
Total	5,021,057	9,797,153	8,575,325

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.007 Times	0.023 Times	0.010 Times

AIA has an insignificant cash ratio compared to the liabilities owed by the business. AIA has a negative cash balance in Q1 2020 from their operations which has been positive in the previous quarter. The greater portion of the cash and cash equivalents holds the proceeds from the borrowings of the company. The company is currently in significant debt which they are not in a position to settle through the operational cash flow.

LEVERAGE

Debt to Equity

Q1 2019	Q1 2020	Q4 2019
-23 Times	-6.09 Times	-7.01 Times

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

Debt to Assets

Q1 2019	Q1 2020	Q4 2019
0.64 Times	0.71 Times	0.70 Times

Debt to Assets ratio also increased compared to Q1 2019 and Q4 2019 due to high level of debts which increased each quarter. The existing BML loan is paid with the assistance from shareholders, however, the company is unable to finance debts through the operations. The increase in debt to assets ratios indicate the financial risks associated with the increase in debt level which the company do not have the capacity to repay.

CONCLUSION

AIA has a deteriorated revenue compared to Q4 2019 and Q1 2019 due to less operations. High operational costs resulted in net losses over the quarters. Hiring of additional staffs during 2019 added to the operational expenses in a situation where the company is unable to settle the daily expenses through the operational cash flow.

The company is in a poor liquidity position where payables keeps on increasing with the borrowings of the company. The company is not in a position to meet the operational expenses and seeks shareholder assistance for loan repayment.

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

RECOMMENDATION

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

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

Quarterly review; Quarter 1, 2020

BUSINESS CENTRE CORPORATION LTD

Report No: PEM/2020/BCC/Q1

Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
0	1.93	0
	In MVR millions	

The company generated a revenue of MVR 1.93 million in the first quarter of the year. This is the only significant revenue generated by the company since inception and it is expected that the company will generate significant revenue in the upcoming quarters. The main revenue for the company is through Authentic Maldives Duty Free shop at Velana International Airport, launched on 09th January 2020, and it is the first income generating activity. The operations were started with 39 suppliers who supplied their products for sale during the quarter. The monthly sales to the company are detailed as follows:

Month	Total Sales	Payable to Suppliers	BCC Revenue
January 2020	1,236,604.90	(889,597.00)	347,007.90
February 2020	1,451,042.84	(1,036,390.00)	414,662.84
March 2020	856,627.26	(604,721.00)	251,906.26
Total	3,544,285.00	(2,530,708.00)	1,013577.00

It is evident that there is a decline in sales due to Covid-19 starting from March. This decline is expected to continue until the tourism picks up.

Net Profit

Q1 2019	Q1 2020	Q4 2019
(77,097)	(1.35)	(832,710)
	In MVR millions	

The company made a net loss of MVR 1.35 million in the quarter attributable to the high administrative costs made in running the Authentic Maldives duty free shop. The main administrative costs incurred were the salaries and wages which rose significantly compared to the previous quarter. In addition to that, company incurred significant expenses on office supplies, Rent expenses, repairs etc. which is explained by the following table. It is important to note that Q1 2020 is cannot be compared to the previous quarters as the company started its operations in Q1 2020 with the operation of the shop.

The net loss equals to the operational loss of the business. The operational costs increased in Q1 2020 due to more operational activities. However, the administrative costs should be minimized as much as possible to maximize the overall profits and increase self-sufficiency. Despite the previous quarters, the company incurred significant cost on salaries and wages. Alongside, office supplies, Rent, repairs and maintenance also appear significant on the books. The company also expensed MVR 63,068 as duty free miscellaneous expense. It is important to revisit the profit-sharing ratio of the shop with the suppliers and see at what level of sales BCC would be able to cover its operational costs.

Administrative costs	**Q1 2019**	**Q1 2020**	**Q4 2019**
Salaries And Wages	-	1,604,239.83	284,014
Registration fee	2,000	-	600
fines	-	-	-
board director allowance	-	-	103,500
company secretary allowance	-	-	15,334
Chairman Salary	-	-	-
MD salary	-	-	155,566
Company Annual fee	-	-	-
Meals and entertainment	-	1,897.43	420
Office supplies	-	151,325.97	16,368
Rent Expenses	-	262,500.00	135,000
Training / Workshop Expense	-	7,300.00	150
Repairs and maintenance	-	380,258.90	-
Bank Service charges	-	65,607.12	205
Vehicle Repair and maintenance	-	8,040.99	-
Retirement pension scheme	-	131,082.84	35,048
Uniform	-	14,657.20	-
Insurance expense	-	1,000.00	-
Furniture and equipment fixes	-	72,974.03	-
Machinery and equipment	-	17,103.40	-
Airport security pass	-	848	-
miscellaneous	-	9,623.80	-
custom charges	-	3,267.00	-
duty free shop mis	-	63,068.60	-
fuel supplies	-	300	-
catering	-	19,867.05	-
cleaning	-	9,780.00	-
Garbage disposal	-	1,274.00	-
Electricity	-	22,073.13	11,408
Telephone	-	3,428	-
land lease	75,097	-	75,097
Water	-	373	-
Total	**77,097**	**2,851,890.09**	**832,710**

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
0.51 Times	5.48 Times	3.14 Times

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

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.51 Times	4.70 Times	3.14 Times

As mentioned above, the company's cash represents the amount injected as capital injection, the company is not in a position to operate through their own funds. Since inception BCC did not carry out any business activity except in Q1 2020 which generated revenue and enhanced cash flow. To run as a corporate model, it is vital for the business to reduce dependency on shareholder and generate revenue through own operations. Since the company started its operations as a business model, it is expected to generate higher cash inflows in the upcoming future.

CONCLUSION

In the previous quarter company started to implement its business activities and the beginning of revenue generation could be seen in Q1 2020 which is a favorable indication to the performance of the company. However, special consideration must be given to the increasing expenses which kept the loss of the business in its peak in Q1 2020. Based on this, it is important to analyze that level of sales the company has to achieve in order to cover the operational expenses of the company.

RECOMMENDATION

As the company started its operations, the expenses need to be minimized to increase overall profitability. Proper feasibilities need to be run before implementing the upcoming projects. The company should try to reduce costs from wherever possible.

Quarterly review; Quarter 1, 2020

BANK OF MALDIVES LTD

Report No: PEM/2020/BML/Q1

Q1 2020 with Q1 2019 and Q4 2019

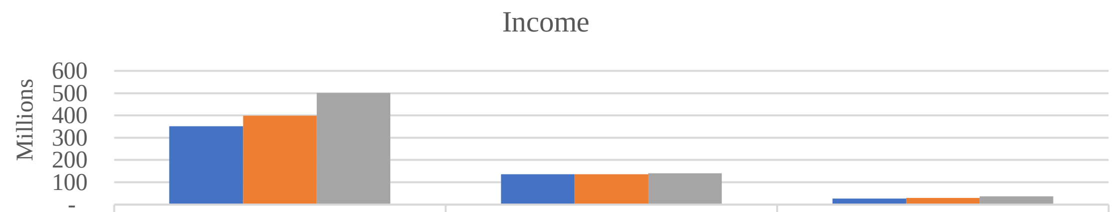
PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
643	685	836
Million in MVR	Million in MVR	Million in MVR

The revenue of the bank has dropped significantly in Q1 2020 compared to previous quarter. The highest reduction was seen by interest income. The revenue reduction rate is lower compared to Q1 2019.

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



	Net Interest Income	Net fee and Commission Income	Other Operating Income
Q1 2019	352,038,000	136,321,000	26,716,000
Q1 2020	398,727,000	135,534,000	29,848,000
Q4 2019	501,328,000	139,590,000	36,434,000

As shown in the chart, the major income segment of the bank is net interest income which has dropped by 20% compared to previous quarter. Net fee income has also reduced by 3% and other operating income by 18%.

Compared to Q1 2019, interest income has recorded a growth of 13% and other operating income by 12%. Net fee and commission income on the other hand has reduced by 1%.

Net Interest Margin

Q1 2019	Q1 2020	Q4 2019
1.45%	1.48%	1.98%

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

Since Bank's interest income has fallen Q1 2020, the net interest margin has also reduced compared to previous quarter. However, the total interest earning assets has increased by MVR 1.69 million.

Profitability

Q1 2019	Q1 2020	Q4 2019
276	291	286
Million in MVR	Million in MVR	Million in MVR

Regardless of reduction in total operating income of the bank, the net profit has improved MVR 4.9 million against previous quarter. The main reason is because operating expenses has reduced by MVR 35 million and provision for bad and doubtful debts has reduced from MVR 149 million to MVR 28 million (over 80%). The bank has cut down its operational and administrative expenses by MVR 16.3 million, personnel expenses by MVR 16.2 million and marketing and CSR expense by MVR 3 million.

The net profit growth compared to Q1 2019 is 5.3% (MVR 14.5 million). While operating income recorded a growth of 10%, operating expenses grew at 25%.

CAPITAL MANAGEMENT

Total assets of the bank grew by MVR 3 billion compared to Q1 2019 and compared to previous quarter the growth is MVR 1.7 million.

Total Assets	Q1 2019	Q1 2020	Q4 2019
Cash, Short term Funds & Balances with MMA	6,876,822,000	7,237,085,000	6,544,214,000
Loans and Advances	12,404,535,000	13,716,863,000	13,366,916,000
financial Investments- FVOCI	144,526,000	209,688,000	209,426,000
Financial Investments- Amortized Cost	4,808,902,000	5,787,487,000	5,135,871,000
Property, Plant and Equipment	425,180,000	551,428,000	528,164,000
Right-of-use of assets	-	176,321,000	176,321,000
Other Assets	274,113,000	315,117,000	316,906,000
Total Assets	**24,934,078,000**	**27,993,989,000**	**26,277,818,000**

Except other assets, all other assets has increased in Q1 2020 and the highest growth was seen by financial investments (amortized costs) and cash, short term funds & balances with MMA.

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

Total Liabilities	Q1 2019	Q1 2020	Q4 2019
Deposits	16,903,491,000	18,656,291,000	17,343,942,000
Borrowings	797,453,000	948,264,000	988,406,000
Lease liabilities	-	155,143,000	155,143,000
Other Liabilities	1,109,325,000	1,136,434,000	983,634,000
Total Liabilities	**18,810,269,000**	**20,896,132,000**	**19,471,125,000**

While total assets grew by MVR 1.7 million, total liabilities has increased by MVR 1.4 million compared to previous quarter. While borrowings reduced, deposits and other liabilities has increased. Deposits are the largest liability for the bank and include money-market accounts, savings, and checking accounts. Both interest bearing and non-interest-bearing accounts are included. Although deposits fall under liabilities, they are critical to the bank's ability to lend. If a bank doesn't have enough deposits, slower loan growth might result, or the bank might have to take on debt to meet loan demand which would be far costlier to service than the interest paid on deposits.

Loans to Deposits

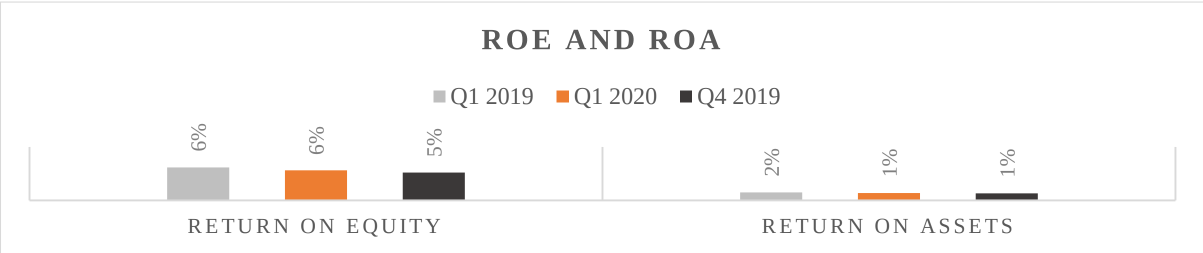
Q1 2019 0.73 TIMES | Q1 2020 0.74 TIMES | Q4 2019 0.77 TIMES

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

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

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

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



Return on Equity has improved in Q1 2020, while Return on assets has remained at the same level as previous quarter. Nevertheless, positive results illustrate that bank is generating profits with the money shareholders have invested.

CONCLUSION

The global Covid-19 pandemic has significantly impacted bank's business. However, regardless of reduction in operating income, bank has managed to improve its net profit in Q1 2020 through cutting down its operational expenses and provisions.

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

RECOMMENDATION

Due to the global pandemic, the bank has given leniency to customers on interest payments, the income of the bank is expected to reduce in the coming quarters as well. Therefore, to maintain bank's profitability it is important that operating expenses are kept at minimal.

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Quarterly review; Quarter 1, 2020

FAHI DHIRIULHUN CORPORATION LTD

FAHI DHIRIULHUN CORPORATION LTD
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/FDC/Q1

Q1 2020 with Q4 2019

PROFITABILITY

Operating Profit

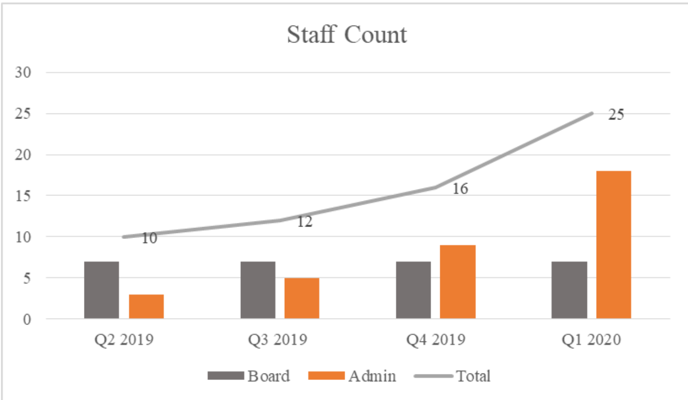
Q1 2020	Q4 2019
(1.53)	(1.27)
Million in MVR	Million in MVR

Since the beginning of its operations in the second quarter of the last year, the company did not generate any revenue as the company's revenue generating activity is to build social housing. The company expects that this process will take time as arranging financing and construction of housing units would take time. The operational loss of MVR 1.53 million and MVR 1.27 million in Q1 2020 and Q4 2019 respectively, has resulted from the higher overheads incurred in both quarters. As per the projections, the company has estimated to begin their housing projects in 2020, which will result in cash in-flows during the next 2 to 3 years. However, these projections will be altered by the covid-19 pandemic and the projects have high probability to be delayed, inversely affecting the future cash flows.

The operational loss increased by 21% compared to the previous quarter following increased administrative expenses. The main component of administrative expenses are Salaries and Wages which rose by 19%. This is mainly because the company hired additional 9 staff in Q1 2020 which is approximately equal to the total number of staff hired in 2019.

The total staff counts at the end of each quarter in 2019 is shown by the following graph.

The board consists of 7 members and administrative support staff increased by additional 9 staff in Q1 2019. The company incurred MVR 976,780 in Q1 2020 which is 19% more than salary and wages incurred in Q4 2019. The company is expected to start its operations to provide housing in different parts of the Maldives. The company's main source of income would be lease on the sale of these housing units.



In Q1 2020, the company incurred MVR 51,503 as travelling expense, which has been classified as a trip to abroad by the management to meet the project financier. They also incurred additional MVR 23,418 as training to staff.

Net Profit

Q1 2020	Q4 2019
(1.53)	(1.27)
Million in MVR	Million in MVR

Since administrative expenses are the only expenses incurred by the company since inception, the operational loss equals to the net loss for the quarters. It should be noted that the company currently does not generate any revenue and it is not forecasted that the company will start generating revenue and profits through the projects in 2020.

LIQUIDITY

Current Ratio

Q1 2020	Q4 2019
62	73
Times	Times

Major current asset is the cash which is injected by the government as capital to the company. Current liabilities increased significantly as a result of unpaid regular payments at the end of the quarter. Although the current ratios and other liquidity ratios are high this must be taken with caution as the company does not have a source of operational cash flow currently.

Cash Ratio

Q4 2019	Q3 2019
60	64
Times	Times

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

CONCLUSION

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

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

RECOMMENDATION

A sustainable business model is needed in the current stage of business development. Proper planning and future projections need to be done to reduce the risks associated with new projects. Market research and proper feasibility tests need to be done prior to commencement of any project. Company must try to become self-sufficient reducing dependency on shareholder.

Quarterly review; Quarter 1, 2020

FENAKA CORPORATION LTD

Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
317	420	349
Million in MVR	Million in MVR	Million in MVR

When looking into the revenue pattern of Fenaka over the comparable quarters, it can be concluded that Fenaka has an increasing trend in revenue over the quarters. Compared to Q1 2019 revenue increased by 33% (MVR 103 million) and compared to Q4 2019, revenue improved by 20% (MVR 71 million. Revenue increased from all the business areas except the 'business special' which reduced by 25% compared to Q1 2019. The breakdowns of revenue over the three comparable quarters are shown by the following table;

Revenue	Q1 2020	Q4 2019	Q1 2020
Business	40,750,469	35,165,509	40,750,469
Business Special	23,176,753	21,437,844	23,176,753
Domestic	113,021,731	88,231,887	113,021,731
Government	70,260,939	59,282,803	70,260,939
Water	6,949,333	5,417,005	6,949,333
Others	39,150,952	31,381,968	39,150,952
Tariff Rate Difference	126,817,875	108,245,157	126,817,875
Total	**420,128,052**	**349,162,172**	**420,128,052**

Gross Profit

Q1 2019	Q1 2020	Q4 2019
112	154	126
Million in MVR	Million in MVR	Million in MVR

Gross profit shows an upturn compared to the comparable quarters Q1 2019 and Q4 2019. Compared to both quarters, direct costs increased proportionately due to increased operations. However, sales turnover increased greatly having positive effect on the gross profit margins. The main direct costs of the company include diesel, lubricant oil, spares and cables used in power production.

Operating Profit

Q1 2019	Q1 2020	Q4 2019
32.2	56.7	28.6
Million in MVR	Million in MVR	Million in MVR

Compared to Q1 2019 administrative costs and other operating expenses increased in the quarter by 17% (MVR 14 million) and 35% respectively. The most significant change could be seen from salaries and allowances which rose by 25% (MVR 15 million) compared to Q1 2019. Apart from that, food and accommodation increased by 76% (MVR 1.76 million) and transport expenses rose by 211% (MVR 1.72 million). All the administrative expenses which rose compared to Q1 2019 is explained by the following table.

Administrative costs	Q1 2019	Q1 2020	Difference	Var (%)
Salary and Allowances	60,693,336	75,874,237	15,180,900	25.01
Board Members Remunerations	145,153	186,151	40,998	28.24
Travelling Expenses - Overseas	3,809	303,589	299,780	7870.85
Air freight, Courier & Postage Charges	7,316	36,217	28,900	395.01
Rental chrages	60,120	84,935	24,815	41.28
Rent charges	1,266,039	1,614,094	348,055	27.49
Water Charges	37,145	41,592	4,447	11.97
Meals and Refreshments	181,658	197,104	15,446	8.50
Food and accommodation	2,324,243	4,081,856	1,757,614	75.62
Air ticket expenses	374,142	733,352	359,210	96.01
Compensation Expenses	156,735	745,991	589,256	375.96
Transport expenses	812,036	2,528,921	1,716,885	211.43
Miscellaneous Expenses	82,619	142,715	60,096	72.74
Transport expenses	135,694	597,813	462,119	340.56
Petrol expenses	11,750	506,067	494,316	4206.86
Vehicle and Vessel annual fees	49,400	120,742	71,342	144.42
FNK Recreation club expenses	13,000	382,480	369,480	2842.15
Pension - Company contribution	2,278,239	2,703,668	425,429	18.67

The following are the expenses which are recognized for Q1 2020 not incurred in Q1 2019.

Customs clearing & Handling charges
Indirect Labour cost
Outstation allowance
Employee of the month bonus
Charity and Contributions
Consultant's expenses - local
Website development cost
Marketing and advertising
Software license renewals and subscriptions
demurrage charges
Seminar and conference participation
Annual fee
CSR expenses

The expenses listed contributes in the overall rise of administrative expenses as Q1 2019 does not incur the listed expenses. Though administrative expenses increased, the rise in revenue resulted in increase in operating profit.

Compared to Q4 2019, administrative costs increased by 4% (MVR 4 million) while other operating expenses reduced by 23% (MVR 141,097). The main increase was found in salaries and allowances as such an increment of MVR 2.4 million was recorded in just a quarters' time. The administrative expenses which increased are detailed in the following table.

Administrative costs	Q4 2019	Q1 2020	Difference	Var (%)
Salary and Allowances	73,443,306.89	75,874,237	2,430,930	3.31
Board Members Remunerations	159,169.84	186,151	26,981	16.95
Travelling expenses - Domestic	233,008.34	305,473	72,464	31.10
Air freight, Courier & Postage Charges	112.18	36,217	36,105	32184.66
Rental chrages	44,210.47	84,935	40,724	92.11
Telephone charges	1,749,299.77	2,044,568	295,268	16.88
Printing and Stationary	143,252.90	287,655	144,402	100.80
Water Charges	21,319.84	41,592	20,272	95.09
Meals and Refreshments	152,003.70	197,104	45,100	29.67
Food and accommodation	3,718,494.40	4,081,856	363,362	9.77
Air ticket expenses	312,674.22	733,352	420,678	134.54
Compensation Expenses	452,750.08	745,991	293,241	64.77
Entertainment	45,217.68	49,719	4,501	9.95
Miscellaneous Expenses	90,328.27	142,715	52,386	58.00
Transport expenses	269,523.58	597,813	328,289	121.80
Petrol expenses	172,431.61	506,067	333,635	193.49
Insurance expense	19,989.88	54,400	34,410	172.14
FNK Recreation club expenses	201,511.15	382,480	180,969	89.81
Redundancy expenses	2,296.00	62,043	59,747	2,602
Charity and Contributions	226,716.77	272,813	46,096	20.33
Consultant's expenses - local	85,000.00	444,705	359,705	423.18
Website development cost	67,220.00	100,000	32,780	48.77
Marketing and advertising	97,000.00	193,000	96,000	98.97
Pension - Company contribution	2,650,379.86	2,703,668	53,289	2.01

Net Profit

Q1 2019	Q1 2020	Q4 2019
1.73	7.64	-118,732
Million in MVR	Million in MVR	In MVR

The company had a net loss in Q4 2019. However, the performance of the company resulted in transforming a loss into the profit of MVR 7.6 million. This is a remarkable achievement resulting from increased sales which led profit to increase compared to the both comparable quarters, resulting to have a high profit margin.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
0.68	0.97	0.95
TIMES	TIMES	TIMES

When looking into the liquidity, current ratio increased to 0.97:1 compared to Q1 2019 and Q4 2019. This is mainly because reduction in short term liabilities are greater than the reduction in the short term assets of the company. Current assets reduced mainly due to reduction in trade receivables which is a favorable indication to the company. Moreover, trade payables also reduced making the liquidity position of the company stronger.

Quick Ratio

Q1 2019	Q1 2020	Q4 2019
0.40 TIMES	0.45 TIMES	0.44 TIMES

Quick ratio increased compared to Q4 2019 as inventory reduced compared Q4 2019. Diesel, Engine spares, distribution spares, cables and water plant reduced as part of inventory compared to Q4 2019. Compared to Q1 2019, quick ratio also increased. However, inventories increased including diesel, Spares and cables. The quick ratio improved as a result of lessening of current liabilities i.e. trade payables. Depending on the nature of the company Fenaka holds a significant value of inventory to cater the utility needs of the islands in the Maldives.

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.03 TIMES	0.03 TIMES	0.02 TIMES

Compared to the level of operations, Fenaka has a very insignificant cash ratio representing the inability to meet the short-term obligations with the cash balance. In Q1 2020 Fenaka has spent MVR 41.6 million in purchase of property, plant and equipment which further reduces the cash flow. However, in this quarter the company received MVR 32 million as collection of receivables which is a favorable indication to the liquidity.

LEVERAGE

Debt to Equity

Q1 2019	Q1 2020	Q4 2019
76.8%	8.76%	8.80%

Debt to Equity ratio reduced compared to Q1 2019 and Q4 2019. This is mainly because borrowings have reduced compared to Q1 2020. Compared to Q4 2019, borrowings remained at constant levels while increased equity led to improvement in equity led to fall in gearing ratio reducing financial risk and boosting investor confidence.

Debt to Assets

Q1 2019	Q1 2020	Q4 2019
10.8%	6.29%	6.09%

Compared to the Q1 2019 debt to Asset ratio has been reduced in Q1 2020 and remained almost same compared to Q4 2019. In Q1 2020 total assets increased in value, while borrowings reduced significantly resulting a lower debt to Assets ratio. Compared to Q4 2019, debt to assets increased slightly as a result of reduction in total assets by MVR 71 million while borrowings remained constant.

CONCLUSION

In terms of profitability, the company is better off compared to Q4 2019 and Q1 2020 reducing the loss for the company through increase in sales. However, compared to the quarters, company's overheads has increased significantly. Compared to Q4 2019 the company has moved from loss to a net profit due to increase in sales.

In terms of liquidity, the current ratio has reduced resulting from lower current assets. However, the company has managed to collect a greater portion of receivables as well as has reduced their payables which is a good sign when the liquidity is concerned. Yet, the company is in need for proper mechanisms, as receivables holds a great portion of total current Assets. The company holds too little cash compared to the level of operations.

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

RECOMMENDATION

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

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

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

Quarterly review; Quarter 1, 2020

GREATER MALE' INDUSTRIAL ZONE LTD

GREATER MALE' INDUSTRIAL ZONE LTD
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/GMIZL/Q1

Q1 2020 with Q1 2019 and Q4 2020

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2020
31.8	37.2	38.5
Million in MVR	Million in MVR	Million in MVR

Q1 2020 has seen growth of 17% compared with the same period of last year. As GMIZL is primarily focused on leasing land, the revenue is due to growth in this revenue segment. Rental income from Thilafushi has grown by 21% compared with the same period last year. This increase is mainly attributable to increased rental income from Thilafushi industrial leased plots driven by the renewal of expired rental agreements, new plots being allocated and the rent increment exercise. However, compared to the most recent quarter the rental income has reduced by 3%.

Operating Profit

Q1 2019	Q1 2020	Q4 2020
17.3	22.3	21.2
Million in MVR	Million in MVR	Million in MVR

During the quarter, GMIZL recorded an operating profit of MVR 22.3 million which is an increase of 29% compared to Q1 2019. Compared to Q1 2019, administrative expenses increase by 2.53% and other income reduced 5.33%. The increase in administrative costs is mainly driven by small increase in salaries and wages. Compared to Q4 2019, operating profit increase by 4%. This growth is favorable given the incremental change in administrative costs.

Overall, the company has managed their overheads well in the quarter with regard to the comparable quarters. The company managed to reduce administrative costs by 11% in Q1 compared to Q4. The company was able to reduce almost all other costs except for salaries and wages which also reduced by a small amount.

Net Profit

Q1 2019	Q1 2020	Q4 2019
14.6	18.7	18.2
Million in MVR	Million in MVR	Million in MVR

Net profit also increased compared to Q1 2019 and Q4 2019 mainly as a result of increased revenue in Q1 2019 and reduced administrative costs in Q4 2019. This results in elevated EPS in the quarter compared to other comparable quarters. Net profit margin increased to 50% in Q1 2020 compared to 46% in Q1 2019 and 47% in Q4 2019. Increasing margin is important for the company as the land size is fixed and the only way company can increase value is through higher margins.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
2.79 TIMES	4.4 TIMES	4.25 TIMES

Compared to Q1 2019, trade and other receivables increased by 106% or by MVR 15 million leading to increased current ration in Q1 2020. Although the current ratio is higher, as the increase in current ratio is due to increase in receivables the company should carefully manage the increase in receivables. Receivables also increase in Q1 2020 compared to the last quarter of 2019 by 22%. Company's cash and cash equivalents also has increased in Q1 2020 compared to Q1 2019 significantly by 117% as the company accumulated cash through rental income during the period. On the liabilities side the company reduced its trade and other payables by 4% in Q1 2019 compared to Q1 2020. However, trade and other payables increased by 8% in Q1 2020 compared to Q4 2019. The company has started mobilizing cash in more revenue generating activities such as infrastructure and warehouses.

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
2.09 TIMES	3.41 TIMES	3.25 TIMES

Cash ratio increased from 2.09 times in Q1 2019 to 3.41 times in Q1 2020 showing the increased cash inflow into the business. This inflow is mainly due to the increased cash flow from their operations. The company has started to mobilize cash in more revenue generating activities.

CONCLUSION

Company's revenue growth in Q1 2020 reduced by 3% compared to Q4 2019. However the company's revenue increased considerably in Q1 2020 compared to the same period last year due to increase in the number of land leased plots and implement uniformity to the rates of leased plots that were effective during this period.

The company managed to reduce administrative costs in Q1 2020 compared to Q4 2019 and this lead to an increase in the net profit margin of the company.

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

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RECOMMENDATION

Investment in value enhancing activities such as development of warehousing and infrastructure could lead to higher margins on the rental income of the company.

GMIZL should take necessary actions to minimize receivables. 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 1, 2020

HOUSING DEVELOPMENT CORPORATION

HOUSING DEVELOPMENT CORPORATION
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/HDC/Q1

<u>Q1 2020 with Q1 2019 and Q4 2019</u>

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
48.8	564.3	172.8
Million in MVR	Million in MVR	Million in MVR

HDC has earned a remarkable revenue in Q1 2020 compare to other two quarters in review. The significant increase of revenue is mainly from sale of land of MVR 485 million in Q1 2020 to government. The growth of revenue compared to Q1 2019 is 1058% and Q4 2019 is 227%.

Gross Profit

Q1 2019	Q1 2020	Q4 2019
48.8	448.5	156.3
Million in MVR	Million in MVR	Million in MVR

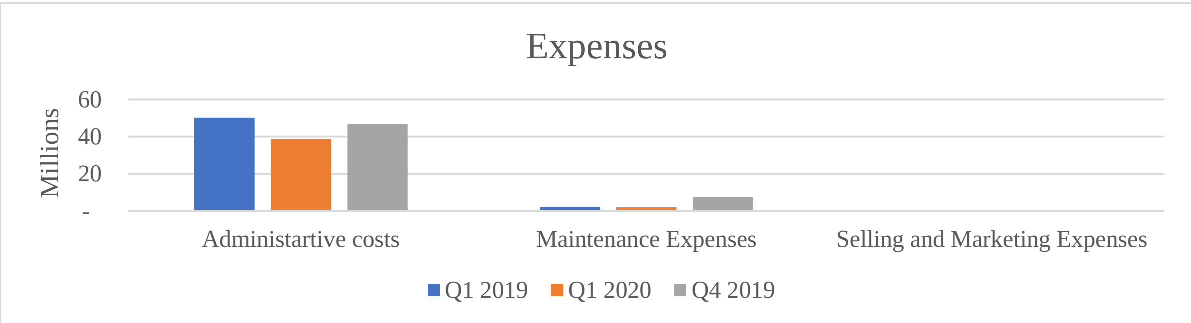
The cost of sales has grown much higher rate than that of revenue compared to previous quarter. As a result, the gross profit margin has reduced from 90% in Q4 2019 to 79% in Q1 2020. Cost of sales consists of cost of sale of buildings and land. The change in gross margin is largely due to composition of revenue in the quarters compared.

Operating Profit/Loss

Q1 2019	Q1 2020	Q4 2019
-0.15	411.9	105.7
Million in MVR	Million in MVR	Million in MVR

HDC has made a net profit of over MVR 411 million, which is 290% greater than previous quarter. With significant growth in revenue, the company has managed to reduce its operating expenses thus achieving the exceptional net profit.

Expenses



First Quarter of 2020 has shown company moving into the right direction in terms of managing expenditure. The company has significantly reduced the administrative costs from fourth quarter of last year and compared to first quarter of 2019 as well.

Compared to previous quarter, HDC has reduced staff costs by MVR 3.3 million and other general and admin costs by MVR 2.5 million. In addition, public area maintenance expense has reduced by MVR

4.5 million. As a result, operating profit margin has increased from 61% to 73%. Reduced operational expenditure while significantly increasing the revenue shows that the company has utilized its resources more efficiently during 2020.

Net Profit/Loss

Q1 2019	Q1 2020	Q4 2019
6.57	343.1	83.8
Million in MVR	Million in MVR	Million in MVR

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

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
3.31	3.20	2.99
TIMES	TIMES	TIMES

Current ratio of HDC illustrates that the short-term liquidity position of the company is satisfactory with greater level of current assets compared to its current liabilities. The movements in current assets and liabilities have further improved the ratio in Q1 2020. The major component of current asset is inventory which comprise 73% of total current assets. Since the greater part of inventory is still in work-in-progress stage it will take time concerting inventory into cash.

Quick Ratio

Q1 2019	Q1 2020	Q3 2019
1.22	0.87	0.81
TIMES	TIMES	TIMES

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

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.02	0.02	0.03
TIMES	TIMES	TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. Cash balance of the company is very low compared to its current liabilities. Hence, HDC's cash ratio is needs improvement as only 0.02 percent of current liabilities can only be covered by the cash balance. The cash balance has decreased by MVR 28.8 million compared to previous quarter.

The decrease in cash and cash equivalents in the recent years is attributed to the huge investment by the Corporation for the ongoing housing and infrastructure projects in Hulhumale' Phase I and Phase II. Furthermore, major projects are currently in the construction stage and the Corporation can only expect the revenue once the physical completion and process of selling or allocation are being done. This shows that company's cash position requires quick turnaround in order improve its ability to borrow in the future.

Among the current liabilities, trade and other payables has recorded a reduction of MVR 273.9 million in Q1 2020 compared to previous quarter. However, total current liabilities has increased by MVR 230.6 million.

LEVARAGE

Debt to Equity

Q1 2019	Q1 2020	Q4 2019
0.47 TIMES	0.58 TIMES	0.59 TIMES

Debt to equity ratio illustrates the degree to which the company is financing its operations through debt. Compared to Q1 2019 HDC's loans and borrowings has increased significantly by over MVR 2 billion, thus debt to equity ratio is much higher in Q1 2020 compared to Q1 2019.

Compared to previous quarter the ratio has recorded a reduction due to reduction in total debts. Total debts of the company have reduced by MVR 96 million compared to previous quarter.

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

Debt to Assets

Q1 2019	Q1 2020	Q4 2019
0.27 TIMES	0.32 TIMES	0.33 TIMES

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

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

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

Debt Capitalization

Q1 2019	Q1 2020	Q4 2019
32%	37%	37%

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

Interest Cover

Q1 2019	Q1 2020	Q4 2019
-0.01 TIMES	10.9 TIMES	-3.2 TIMES

The interest cover ratio measures how many times HDC can cover its current interest payment with its available earnings. Since the company has made an exceptional net profit in Q1 2020 the results have significantly increased. However, as the revenue increase is due to sale of land and developmental rights, this increment has to be considered with care.

CONCLUSION

The company has achieved remarkable results in terms of revenue growth and profitability. This increase is led by sale of land. Revenue growth combined with the significant reductions in operational costs has improved the profitability of the company

Liquidity ratios of the company are critical even though the current ratio is high. The significantly lower levels of quick ratio and cash ratio needs to be dealt with. Receivables and inventories are the significant components of current assets; therefore the company does not have real funds to settle its liabilities. HDC have huge receivables and housing units which is deemed to be enough to cater for the loan obligations and on-going projects financed by the company’s cash flow. Such receivables include sale and development rights and sale of 7000 housing, 1530 housing units thereon.

Since the total debts of the company has reduced in Q1 2020, the financial leverage ratios have recorded a marginal reduction. It is also important to note that HDC earns decent interest income to settle the interest payments.

RECOMMENDATION

The liquidity position of the company needs to be improved. The operational cashflow has turned positive from previous quarter although further improvements are needed to service huge debt obligations of the company. HDC should also give consideration on improving the receivable collection in order to maintain a healthy liquidity position.

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

Quarterly review; Quarter 1, 2020

HOUSING DEVELOPMENT FINANCE CORPORATION PLC

Q1 2020 with Q1 2019 and Q4 2019

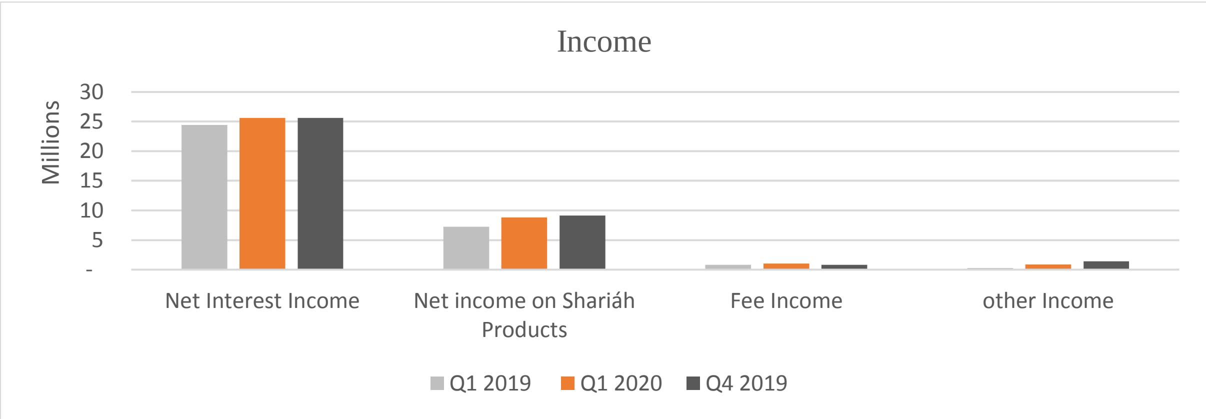
PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
46.4	50.4	50.8
Million in MVR	Million in MVR	Million in MVR

During the first quarter of 2020, HDFC has generated gross income of MVR 50.4 million. This is an increment of 9% against the same period of last year and 0.7% reduction compared to previous quarter.

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



Net interest income has recorded a growth of 5% compared to Q1 2019 and 0.1% compared to previous quarter. Net income on shari'ah products has also increased by 22% compared to Q1 2019, however compared to previous quarter it has reduced by 3.7%. Fee income is higher in Q1 2020 compared to other two quarters while other income has significantly dropped against previous quarter.

Net Interest and Investment Margin

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

Net Interest Margin

Q1 2019	Q1 2020	Q4 2019
1.3%	1.2%	1.2%

Net Investment Margin

Q1 2019	Q1 2020	Q4 2019
1.7%	1.8%	1.9%

A positive net interest/investment margin indicates efficient fund investment. Since the interest earned on assets is a primary source of revenue for a financial institution, this metric is a good indicator of a company's overall profitability, and higher margins generally indicate a more profitable use of funds.

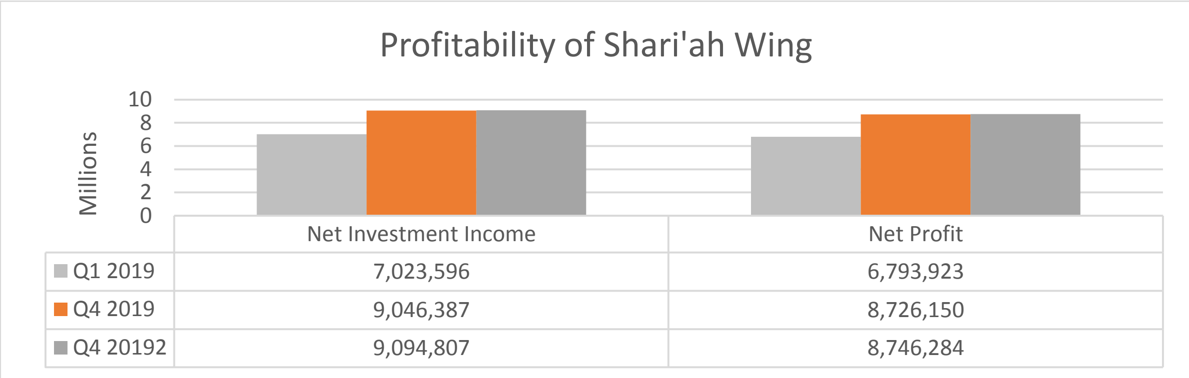
As per the above ratio, the Shari'ah Products have higher profit margins than conventional loans. Interest income reduced by 3.7% against previous quarter while earning assets has also recorded a minimal reduction compared to previous quarter. Likewise, investment income also recorded a small reduction while total investments has increased. As a result invest margin ratio have reduced against previous quarter.

Profitability

Q1 2019	Q1 2020	Q4 2019
28.3	23.7	20.2
Million in MVR	Million in MVR	Million in MVR

The net profit of the company is low in Q1 2020 compared to the same period of last year. However, profitability has improved against previous quarter regardless of reduction in income. This is mainly because of the reduction in provision for impairment loss on loans and advances over MVR 6 million. In addition, other operating expense has also reduced favoring the profitability of the company.

Amna Wing Profit



	Net Investment Income	Net Profit
Q1 2019	7,023,596	6,793,923
Q4 2019	9,046,387	8,726,150
Q4 20192	9,094,807	8,746,284

Total mortgage facilities of Islamic Window has increased from MVR 485.7 million to MVR 504.7 million from Q4 2019 to Q1 2020. Regardless of this increase, the investment income has recorded a reduction. Likewise, the net profit of Amna Wing has also redcued against previous quarter.

CAPITAL MANAGEMENT

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

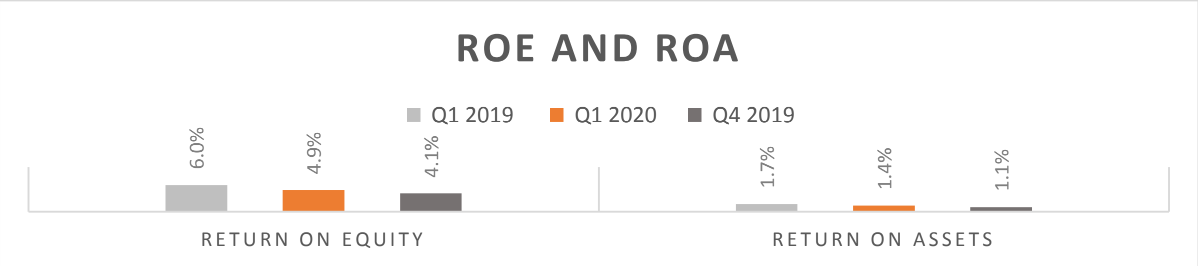
Assets that are available to cover their obligations and liabilities of HDFC for the three quarters in review are below;

Details	Q1 2019	Q1 2020	Q4 2019
Total Liabilities			
Deposits	90,045,773	89,375,407	88,684,185
Borrowings	981,184,030	1,136,451,560	1,161,280,206
Other Liabilities	266,121,069	265,026,795	372,649,653
Total Liabilities	**1,337,350,872**	**1,490,853,762**	**1,622,614,044**
Total Assets			
Cash, Short term Funds	115,509,620	114,949,523	127,995,493
Financial assets held to maturity	77,969,223	182,866,787	294,902,533
Loans and advances to customers	1,676,085,530	1,755,898,783	1,738,373,448
Property, Plant and Equipment	1,257,817	1,247,035	1,043,804
Right of use assets	567,774	9,838,535	9,838,535
Intangible assets	3,125,228	428,099	488,557
Deferred tax asset	6,937,071	5,820,179	5,820,179
Other Assets		6,544,309	7,193,895
Total Assets	**1,881,452,263**	**2,077,593,250**	**2,185,656,444**
NET (Assets-Liabilities)	**544,101,391**	**586,739,488**	**563,042,400**

Total liabilities of the company has reduced in Q1 2020 in terms of borrowings and other liabilities. On the other hand, deposits have recorded a growth. Although deposits fell below liabilities, they are critical to the financial institution's ability to lend. If the entity doesn't have enough deposits, slower loan growth might result, or the financial institution might have to take on debt to meet loan demand which would be far costlier to service than the interest paid on deposits.

Similarly, total assets of the company has also reduced in Q1 2020 in terms of cash & short term funds, financial assets held to maturity, intangible assets and other assets. However, loans and advances of the company has recorded a marginal growth.

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



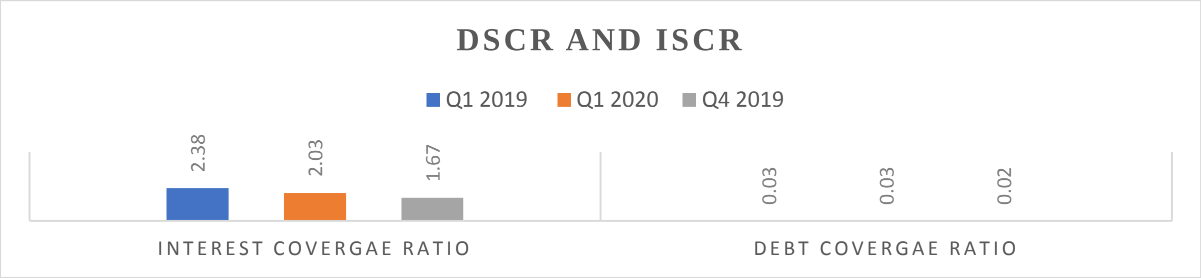
ROE measures the ability of the company to generate profit with the money shareholders have invested. ROA measures how efficiently a company can manage its assets to produce profits during a period.

ROE has improved compared to previous quarter as the profitability has increased in Q1 2020. Similarly, ROA has also improved due to increased operating profit against previous quarter.

Compared to the same period of last year, the results have reduced since profitability in Q1 2020 is low compared to Q1 2019.

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

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



The interest coverage ratio of the company has improved in Q1 2020 compared to previous quarter as a result of improvement in EBIT. However, this result is lower compared to the same period of last year. The higher the ratio of EBIT to interest payments, the more financially stable the company. However, it should be noted that this ratio only takes into account interest payments and not payments made on principal debt balances that may be required by lenders. Hence, the debt-service coverage ratio is slightly more comprehensive.

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

CONCLUSION

HDFC has ended Q1 2020 with a gross income of over 50 million, this is an increment of 9% against the same period of last year and 0.7% reduction compared to previous quarter. Likewise, net profit is lower against the same period of last year, and improvement is recorded compared to previous quarter.

Total assets of the company has reached MVR 2.07 billion and housing/loan facility portfolio has reached to MVR 1.75 billion. Total assets has reduced mainly in terms of cash and financial assets held to maturity. On the other hand, the deposits of the company has seen a marginal improvement in this quarter compared to previous quarter, and the loans exceed the deposits. Thus, HDFC has been borrowing to cater for the loans. If a financial institution is using debt to finance its lending operations instead of deposits, the institution will have debt servicing costs since it will need to pay interest on the debt. In addition, the net assets of the company has also reduced as there were additional borrowings in this quarter.

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

RECOMMENDATION

The net investment margin of shari’ah products are higher than that of conventional products. However, income from these investments have reduced in Q1 2020. Therefore, HDFC should further expand Amna wing to maximize their returns.

The company should try to improve its DSCR ratio, as this will make the lenders hesitant to provide funds to the institution.

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

Quarterly review; Quarter 1, 2020

ISLAND AVIATION SERVICES LIMITED

ISLAND AVIATION SERVICES LIMITED
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/IASL/Q1

Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
553	414	546
Million in MVR	Million in MVR	Million in MVR

IAS has generated revenue of MVR 414 million in Q1 2020, which is 24% and 25% less than Q4 2019 and Q1 2019 respectively.

Note: The analysis will exclude the impact of changes in lease related items due to accounting standard changes.

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

Revenue	*Q1 2019*	*Q1 2020*	*Q4 2019*
Passenger Income - Domestic Services	312,255,128	247,663,245	276,338,970
Passenger Income - Regional Services	127,480,430	89,006,724	184,067,276
Commercially Important Passengers Revenue	13,717,102	9,182,799	12,339,411
Ground Handling Revenue	19,263,511	18,143,285	18,735,543
Cargo Handling Income	3,459,932	2,549,573	2,713,531
Seaplane Operation	76,394,097	47,459,414	52,324,894
Total Revenue	**552,570,200**	**414,005,040**	**546,519,625**

Domestic passenger income has reduced significantly compared to the same period of last year, mainly due to the impact of the government mandated subsidized pricing of the domestic flights. Regional Passenger income has also reduced because of decrease in international flights mainly cancellation of China charter flights due to COVID-19. Further, as a result of reduction of number of PAX due to COVID-19 specifically in March 2020, all other revenue segments have also declined.

The reduction of revenue compared to previous quarter is also mainly because of reduction in passenger movements due to COVID-19.

Gross Profit

Q1 2019	Q1 2020	Q4 2019
219	99	190
Million in MVR	Million in MVR	Million in MVR

The gross profit of the company has been severely affected as a result of reduction in overall revenue of the company. While revenue reduced by 25% compared to Q1 2019, cost of sales has reduced by only 5%. Among cost of sales depreciation and engineering expenses has significantly increased. Increase in engineering expense was due to lease payments made for an Airbus Engine lease in Q1-2020.

Net Profit

Q1 2019	Q1 2020	Q4 2019
71	-21.7	33
Million in MVR	Million in MVR	Million in MVR

As a result of loss of revenue over MVR 132 million against previous quarter, company has ended up in a net loss for Q1 2020.

Compared to Q1 2019, selling and marketing expenses has reduced while administrative costs grew at 9%. The administrative costs grew mainly from staff salaries, electricity and amenities and insurance. The increment salaries is due to increase in number of staff especially engineers and pilots in Q4-2019. In addition, engineers and pilots were given automatic increments based on their time log as per the international standard. Electricity expense rose due to Increase in Powerhouse Fuel costs in Q1-2020 at IASL managed and operated airports. Further, the increase in insurance expenses reflects the increment in premium for Airbus and Dash 8 fleet for the year 2020.

	Selling and marketing Costs	Administrative Costs
Q1 2019	1,454,013	141,786,948
Q1 2020	811,996	154,872,669
Q4 2019	1,258,390	154,977,307

Compared to previous quarter both selling and marketing and administrative expenses has reduced. The most significant reduction was recorded by other expenses.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
1.04	1.02	1.14
TIMES	TIMES	TIMES

The current ratio of the company illustrates that company's current assets are just above its current liabilities. The results have further reduced in Q1 2020 as the current liabilities have increased greater than its current assets. It has to be noted that the current assets consist of trade receivables and inventory and the cash balance of the company is negative due to a bank overdraft. Trade receivables has grown significantly by 20% compared to the most recent quarter while the revenue reduced by 3.5% compare to previous quarter. An increasing receivable is a major concerning issue for a business as it represents a drain on cash for the company and leads to other finance costs to service the bank overdraft. Hence, the short-term liquidity position of the company is weak.

Quick Ratio

Q1 2019	Q1 2020	Q4 2019
0.88 TIMES	0.93 TIMES	1.01 TIMES

The results of quick ratio is an improvement compared to Q1 2019, but quick ratio has worsened compared previous quarter. As the ratio has dropped below 1, it indicates inability to meet its short-term liabilities with its most liquid assets. The results have reduced as current liabilities have increased in Q1 2020.

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
-0.05 TIMES	-0.07 TIMES	-0.07 TIMES

Since the cash and cash equivalents of the company is negative, cash ratio is also negative indicating that IAS does not have any cash to cover their short-term obligations. Cash and cash equivalents include a bank overdraft of MVR 74 million at the end of Q1 2020.

LEVARAGE

Debt to Equity

Q1 2019	Q1 2020	Q1 2019
0.48 TIMES	0.49 TIMES	0.54 TIMES

Debt to equity ratio illustrates the degree to which the company is financing its operations through debt. The financial leverage of the company has reduced to 49% compared to 54% last quarter, as the loans and borrowings has reduced. IAS has repaid MVR 55 million worth of loans in Q1 2020.

Debt to Assets

Q1 2019	Q1 2020	Q4 2019
0.22 TIMES	0.20 TIMES	0.23 TIMES

Debt to Assets ratio defines the total amount of debts relative to its assets. As shown in the above chart, Debt to Assets ratio of IAS is at satisfactory level and it has further reduced in Q1 2020 as the loans and borrowings has reduced. Generally, companies in airline industries are asset based, thus IAS has a huge asset base of MVR 2 billion.

Debt Capitalization

Q1 2019	Q1 2020	Q4 2019
32%	33%	35%

Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. This ratio has measured total amount of outstanding debt as a percentage of the IAS's total capitalization. This ratio has reduced as the loans reduced in Q1 2020.

Interest Cover

Q1 2019	Q1 2020	Q4 2019
15.1 TIMES	-3.24 TIMES	7.10 TIMES

The interest cover ratio measures how many times IAS can cover its current interest payment with its available earnings. The ratio is negative in Q1 2020 as the company has made a operating loss for the quarter.

CONCLUSION

Revenue of the company has reduced drastically in Q1 2020 compared to other quarters. Although the direct costs and overheads has reduced, the company has ended up in a net loss as the reduction of revenue is much greater than the reduction in costs. With the opening of border, the revenue of the company is expected to improve in the coming quarters. The company's staff numbers and wage bill increased in Q1 although the revenue from operations reduced during the same period.

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

At the end of quarter, IAS has long term loans and borrowings amounting to MVR 542 million. However, the leverage ratios have reduced as the closing balance of loan has reduced. With the increasing liabilities and weak liquidity position of the company, the company should change its operating costs management and focus on cost reduction and improvement of top line.

RECOMMENDATION

The receivables of the company has been increasing over the quarters. Hence, efficiency of credit control department and Proper control mechanisms should be implemented. Flexible terms can be agreed on the existing receivables which could help to collect receivables more swiftly.

IAS should give more importance on the revenue segments with high profit margins to improve the overall profitability of the company such as seaplane operation. The company should also keep a closer eye on the costs, specially personnel costs.

Quarterly review; Quarter 1, 2020

KAHDHOO AIRPORT COMPANY LTD

KAHDHOO AIRPORT COMPANY LTD
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/KACL/Q4

Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
3.3	2.9	3.2
Million in MVR	Million in MVR	Million in MVR

The revenue of the company has declined compared to the Q1 2019 and Q4 2019. Although commercial revenue has seen a growth compared to other two quarters, the reduction in the main revenue segment, aeronautical revenue has led to a total reduction of revenue. The aeronautical revenue has reduced by 23% and 18% compared to Q1 2019 and Q4 2019 respectively.

The breakdown of the revenue is shows in the below table.

Revenue	Q1 2019	Q1 2020	Q4 2019
Aeronautical	2,733,736	2,109,589	2,572,370
Cargo revenue	20,256	6,364	11,672
CIP revenue	10,324	7,676	6,949
Electrcity Charges	116,229	187,906	170,445
Rental Income	155,313	173,913	191,913
Room revenue	30,124	301,527	61,153
Shop Revenue	162,261	49,268	170,956
Other Revenue	52,889	81,820	24,016
Total Revenue	**3,281,132**	**2,918,063**	**3,209,474**

Electricity, rental, other revenue and room revenue has seen improvement against the same period of last year. On the other hand cargo, CIP and shop revenue has declined significantly.

Compared to previous quarter, shop revenue, cargo and rental income has declined apart from the aeronautical revenue. Conversely, room revenue has recorded a growth in Q1 2020.

Operating Profit/(Loss)

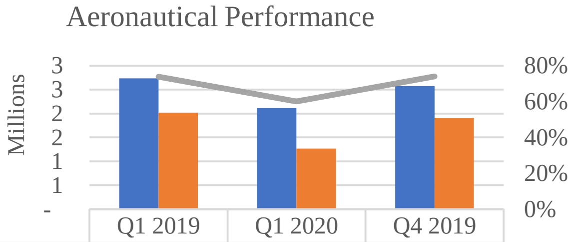
Q1 2019	Q1 2020	Q4 2019
(3.5)	(4.2)	(3.9)
Million in MVR	Million in MVR	Million in MVR

In comparison to Q1 2019, the operating loss of the company has increased by 19%. This was led by reduction in revenue and increase in staff costs. The staff cost was increased due to additional staffs and increase in director's remuneration as a result of change in policy by PCB. Operating expenses on the other hand recorded a minimal reduction in Q1 2020.

Compared to previous quarter, the operating loss increased by 5%, as a result of reduced revenue and increased staff costs.

Segmental Profit

Aeronautical

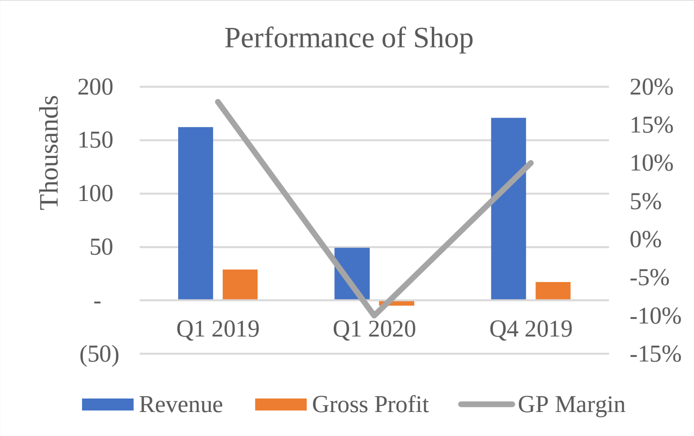


	Q1 2019	Q1 2020	Q4 2019
Revenue	2,733,736	2,109,589	2,572,370
Gross Profit	2,019,942	1,264,489	1,914,316
GP Margin	74%	60%	74%

KACL has been maintaining a good profit margin from aeronautical segment in the previous quarter. However, the performance has dropped in Q1 2020. Regardless of decline in revenue fuel cost has increased in Q1 2020, thus profit margin has dropped from 74% to 60%.

Shop

As there was a significant fall in shop revenue, it ended up having a gross loss for Q1 2020. It has to be highlighted that the costs of sales represent the total cost of items purchased in the quarter and not the cost of items sold.



Net Profit

Q1 2019	Q1 2020	Q4 2019
(5.1)	(5.9)	(5.6)
Million in MVR	Million in MVR	Million in MVR

The company has been a loss-making company since its inception and the loss has been increasing quarter by quarter. The loss made in Q1 2020, of MVR 5.9 million is an increment of 16% compare to the same period of last year and 5% increment against previous quarter. Compared to Q1 2019, total expenses has increased by 4% while the revenue has reduced by 23%.

Operating Expenses

The overheads of the company are;

	Operating expenses	Staff Costs	Depreciation
Q1 2019	1,516,535	5,261,047	1,613,684
Q1 2020	1,494,340	5,576,358	1,684,848
Q4 2019	1,619,816	5,499,948	1,589,480

Staff costs are the most significant expense of the company and it has been increasing in the past quarters. Compared to Q1 2019, the incrment in staff costs is mainly due to increase in salaries by 3% and 130% increment in directors remuneration due to the board directors remuneration policy of PCB.

The reason for increased staff costs against previous quarter is due to increase in salary and wages and Male office staff allowance.

The operating expenses, however has reduced in Q1 2020 compared to other two quaretrs. Total overheads excluding the depreciation stands at 242% of company's revenue of Q1 2020.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
34 TIMES	25 TIMES	25 TIMES

A current ratio of above 2 is considered to be a satisfactory liquidity position. However, it is important to highlight that the most significant component of current asset is trade receivable, and it represents 92% of total current asset. Receivables of the company are significant as it represent 1261% of revenue for Q1 2020. The significant receivables is an indicator of company's inefficiency in managing its receivables and this is a major concerning issue for the company. It has to be noted that majority of the receivable is from Island Aviation Services Ltd.

Quick Ratio

Q1 2019	Q1 2020	Q4 2019
33 TIMES	24 TIMES	24 TIMES

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

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
6 TIMES	1 TIMES	1 TIMES

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

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

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

CONCLUSION

The performance of the company has dropped in Q1 2020, with revenue reduction of 23% and 18% compared to Q1 2019 and Q4 2019 respectively. On the other hand, total overheads of the company increased, further worsening the net loss of the company. the staff costs keeps rising quarter by quarter.

Although the short-term liquidity position of the company shows a favorable situation as per the ratios, the results are mainly because of the high receivables and capital injections by the government and not from company's operations. In addition, the significant proportion of receivables are from Island Aviation Services.

RECOMMENDATION

As the net loss of the company has been accumulating since the company's inception, it is important to cut down its costs. This could be achieved through utilizing resources such as machinery and labor in the most economical way and improving labor efficiency.

In addition, cost can be reduced through eliminating non-value adding activities. The company could perform a cost benefit analysis and streamline its business segments.

As mentioned above the staff costs of the company has been rising. Hence in order to control this expenditure, KACL could perform a review to understand number of staffs required for the operation and reducing any excess staffs. Number of staffs can be reduced to an optimum level by introducing severance packages to encourage the idle and unproductive staffs to leave voluntarily.

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

Quarterly review; Quarter 1, 2020

MALDIVES AIRPORTS COMPANY LTD

MALDIVES AIRPORTS COMPANY LIMITED
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MACL/Q1

Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

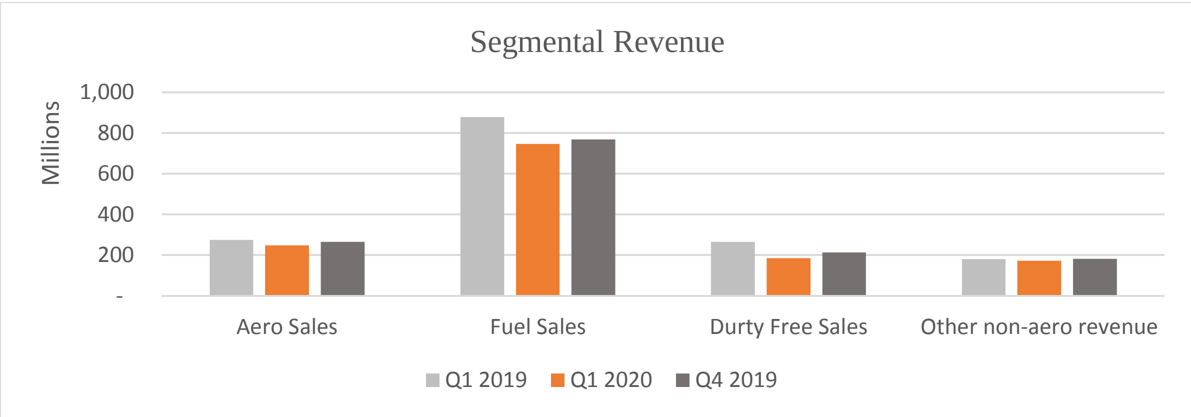
Q1 2019
1,597
Million in MVR

Q1 2020
1,351
Million in MVR

Q4 2019
1,428
Million in MVR

MACL has reported a revenue of MVR 1,357 million in Q1 2020, which is 15% less compared to the same period of last year and 5% reduction against previous quarter.

Due to global pandemic COVID-19, overall flight movements in Q1 2020 has decreased by 5%. Although the flight movement has increased in the beginning of the quarter, the movements has drastically decreased by the end to the quarter, falling by 34% in March 2020 compared to previous year. This has resulted in loss of revenue from all segments as shown in the below chart.



Due to reduced flight movements in Q1 2020, aero sales have reduced by 10% and 17% compared to Q1 2019 and Q4 2019 respectively. In addition, fuel sales also dropped by MVR 21 million compared to previous quarter. Duty free sales has also been hit by the reduced number of passenger arrivals due to COVID 19. Overall passenger arrivals have reduced by 16% in the quarter. Especially, fall in arrival of Chinese tourists has hugely impacted the duty-free sales.

Gross Profit

Q1 2019
972
Million in MVR

Q1 2020
824
Million in MVR

Q4 2019
869
Million in MVR

As a result of reduction in overall revenue of the company, the gross profit has recorded a fall in Q1 2020. It has to be noted sales reduction was reflected in company's direct costs as it has also reduced by a greater rate than sales. Thus, the gross profit margin has slightly improved from 60.9% to 61.1% against previous quarter.

The below charts illustrate the segmental gross profit for Q1 2020.

Segmental Performance	**Duty Free**	**Aero**	**Fuel**	**Other**
Revenue	184,797,000	247,489,000	746,435,000	172,044,000
Operating Profit	46,802,000	190,185,000	145,081,000	130,151,000
Operating Profit Margin	25%	77%	19%	76%

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

Operating Profit

Q1 2019	Q1 2020	Q1 2019
684	512	522
Million in MVR	Million in MVR	Million in MVR

The operating profit has reduced against Q1 2019, as a result of reduction in revenue together with increased overheads. Compared to previous quarter, total overheads has recorded a reduction of 10%, however, the operating profit has dropped since the revenue reduction is higher than the cost reduction.

Expenses

Total overheads of the company consist of administrative, sales and marketing and operating expenses.

Administrative expenses have recorded a growth of 13% against the same period of last year. The expense has mainly increased from employee benefits and repair and maintenance. Employee benefits increased due to increase in number of staffs. Compared to the end of Q1 2019, number of staffs employed by the company has increased by 14% at the end of Q1 2020.On the other hand, operating expenses and sales and marketing expense has reduced against Q1 2019.

Compared to previous quarter, administrative expenses has reduced by 14%, mainly from employee benefits. Sales and marketing costs also reduced, while other operating expenses increased.

Net Profit

Q1 2019	Q1 2020	Q4 2019
572.1	433.0	433.7
Million in MVR	Million in MVR	Million in MVR

Finance costs (Interest expense) of the company reduced significantly by 76% (MVR 8.7 m) and 78% (MVR 9.7 m) compared to Q1 2019 and Q4 2019 respectively. However, net profits have reduced in Q1 2020 against the comparable quarters. Net profit margin has reduced from 35.8% (Q1 2019) to 32.1% (Q1 2020). The net profit margin against previous quarter shows an improvement of 1.7%.

LIQUIDITY

Current ratio

Q1 2019	Q1 2020	Q4 2019
1.8	3.3	2.1
TIMES	TIMES	TIMES

The current ratio of the company shows favorable results as the company has been maintaining it above 2 for the last 2 quarters. The result have further improved in Q1 2020 regardless of reduction in company's current assets. This is because the current liabilities have reduced by a greater proportion than current assets. Among current assets of the company, trade and other receivables has reduced by 42% compared to previous quarter. This was reflected in company's cash flow as it has jumped by MVR 211 million.

Quick ratio

Q1 2019	Q1 2020	Q4 2019
1.7 TIMES	2.9 TIMES	1.9 TIMES

The quick ratio reflects company's short-term liquidity position and ability to meet its short-term obligations with its most liquid assets i.e. excluding inventories. Quick ratio stands at 2.9, which is well above the ideal level of 1.1. The ratio has improved in Q1 2020 as a result of reduction in both current liabilities and inventories.

Inventory has reduced mainly from fuel inventory as the fuel sales also reduced in the quarter. The largest component of inventory is duty free inventories which stands at MVR 167 million.

Cash ratio

Q1 2019	Q1 2020	Q4 2019
0.6 TIMES	1.7 TIMES	0.8 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The company has generated a cash flow of MVR 421 million from the operating activities and finished the quarter with a cash balance of MVR 1,503 million. The reduction of trade receivables favored the cash balance of the company. Hence, company is capable of repaying its short-term debts with the cash and cash equivalents.

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

FINANCIAL LEVERAGE

Debt to Assets

Q1 2019	Q1 2020	Q4 2019
0.4 TIMES	0.4 TIMES	0.4 TIMES

Debt to assets ratio has remained constant for the comparable periods. Both assets and borrowings increased by the same percentage against Q1 2019. The borrowings were used to invest in capital assets. As per the cash flow statements MACL has spent MVR 288 million in capital working progress and MVR 165 million additional borrowings were taken in Q1 2020. The debt to assets ratio of MACL is low as the company has strong asset base.

Debt to Equity

Q1 2019	Q1 2020	Q4 2019
1.1 TIMES	0.9 TIMES	1.0 TIMES

Debt to equity ratio has reduced in Q1 2020, as equity has increased more than borrowings. The debt to equity ratio illustrates that company's debts are almost equal to company's equity. However, since these borrowings were used to finance the capital projects which is likely to increase revenue, hence they do not face increased financial risk.

CONCLUSION

The performance of the company was affected by the global pandemic COVID-19. Since the flight movements were drastically reduced it affected all the revenue segments of the company. As a result the operating profit of the company has reduced by 25% and 2% compared to Q1 and Q4 2019 respectively.

The short-term liquidity position of the company was favorable with satisfactory level of assets compared to their liabilities. In addition, with favorable working capital movements the company as able to increase the cash balance by over MVR 211 million compared to previous quarter.

Regardless of new borrowings the leverage ratios were maintained low with high asset base and equity. Huge developmental projects are undertaken by the company and majority of these projects are financed through borrowings. Once the developmental projects are completed, MACL could further improve their performance.

RECOMMENDATION

The on-going developmental projects must be managed well since the company has huge developmental projects. With proper project management company can ensure the projects are completed based on the agreed dates and eliminate any mismanagements. Delay of projects might end up in cash flow problems, and company may lose possible revenue streams.

Quarterly review; Quarter 1, 2020

MALDIVES CENTER FOR ISLAMIC FINANCE LTD

MALDIVES CENETR FOR ISLAMIC FINANCE CORPORATION
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MCIF/Q1

Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

MCIF has not generated sufficient revenue to cover their operational expenses since inception. There is no revenue generating model which has been implemented till date. Though the purpose of the company is to link Islamic finance industry of Maldives to international markets, lack of operations does not allow the company to fulfil their main goal. MCIF generated no revenue while has a high operational outflow which has to be funded by shareholder assistance.

Gross Profit

Q1 2019	Q1 2020	Q4 2019
100	Nil	9,191

The direct costs include direct costs relating to workshop and educational programs. There are no direct costs relating to Q1 2020. The very small net profit made during Q4 is insignificant compared to the operational costs of the company.

Net Profit

Q1 2019	Q1 2020	Q4 2019
(1.32) Million in MVR	(1.50) Million in MVR	(2.27) Million in MVR

The company's net loss of MVR 1.5 million is 34% less than the net loss of the previous quarter. However, compared to the same quarter of the previous year, the net loss increased by 14%, after increase in total operational expenses compared to that quarter. Though administrative expenses reduced, the company incurred costs in selling and marketing recorded as the amount payable for catering services taken for the Islamic Finance Symposium Held in Q1 2020. The company should focus more on generating a revenue and run on a business model to reduce dependency on shareholders. However, it is important to note that compared to Q1 2020, the overall administrative costs has been reduced, though certain costs increased as a result of transfer of Hazana Ltd staff to MCIF.

The main overheads of MCIF are administrative expenses which summarized in the table below.

Expenses

Administrative Costs	Q4 2019	Q1 2020	Q1 2019
Personnel Expenses	1,077,829	1,036,979	653,132
Board remuneration	118,280	119,280	111,633
Board Meeting Expenses	3,992	679	-
cleaning services	15,900	15,900	-
Sharia Committee Allowance	36,000	12,000	36,000
Rent or Lease Expense	-	-	399,168
Legal and other fee expense	24,000	10,000	26,650
Maintenance & Repairs Expense	864	300	-

Utilities	7,528	8,584	12,678
Communication Expense	16,125	17,759	16,310
IT expense	9,334	5,939	11,052
Printing and Stationaries	35,045	3,596	-
Total	**1,344,897**	**1,231,016**	**1,266,623**

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
0.46 Times	0.41 Times	1.05 Times

Current ratio of the company reduced compared to Q4 2019 and Q1 2019. This signifies serious liquidity problems in the company due to significant increase in current liabilities. They also have recognized lease liability in the previous quarter (Q4 2019) which adds to the company's debt. However, lease liability has reduced compared to Q4 2019. The payables of Q1 2020 increased due to significant amount payable to catering service taken during the quarter. In addition to this, the company has payables for phone and internet bills and pension payables which were not catered due to fund shortages.

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.04 Times	0.03 Times	0.33 Times

The cash ratio of the company is very low due to low value of operational cash flow. The company lacks operational cash generating activities. The cash balance represents the cash injected by the government.

CONCLUSION

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

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

RECOMMENDATION

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

Quarterly review; Quarter 1, 2020

MALDIVES HAJJ CORPORATION LTD

MALDIVES HAJJ CORPORATION LTD
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MHCL/Q1

Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
1.72	0.05	3.46
In MVR millions	In MVR million	In MVR Millions

MHCL generates revenue mainly from Hajj and Umra services for the pilgrimages. The revenue of the company fell drastically over the past quarters. As such, MHCL generated a revenue of MVR 5125 only, as the corporation did not send any pilgrimages for Hajj and Umra amid covid-19 conditions in Maldives.

Gross Loss

Q1 2019	Q1 2020	Q4 2019
-0.13	-0.10	-0.14
Million in MVR	Million in MVR	Million in MVR

Though the direct costs reduced in Q1 2020, the company generated a gross loss in the quarter. The loss is less compared to the comparable quartes.

Net loss

Q1 2019	Q1 2020	Q4 2019
-323	-646	-738
Million in MVR	Million in MVR	Million in MVR

The company made a net loss resulting from high administrative costs. Moreover, selling and marketing costs increased compared to Q1 2019 and Q4 2019. Overall, overhead costs are high compared when the revenue is concerned. In a situation where the scope for revenue generation is less, the company must ensure that the overheads are minimized.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
54	1.1	1.0
TIMES	TIMES	TIMES

When looking into the current ratio, there are variations when the comparable quarters are concerned. As such, Q1 2019 has a current ratio of 54:1 while Q1 2020 has current ratio of 1.1:1. The current ratio is high in Q1 2019 due to high cash inflow into the business in the quarter, as capital injections by the government, and advance received from pilgrimages for Hajj and Umra are accounted in the quarter.

It is important to note that cash and cash equivalent is the collection from pilgrims as advance hajj or Umra payment (to be utilized within a long-term), thus it is not ideal to utilize these funds to settle short term liabilities of the company. Hence, if the advance cash received from customers are excluded to assess current ratio, company is only able to generate MVR 0.70 worth of current assets per MVR 1 current liability, indicating operational liquidity issues.

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
53 TIMES	1.1 TIMES	1.0 TIMES

Quick ratio shows company's short-term liquidity position and measures a company's ability to meet its short-term obligations with its most liquid assets. i.e., excluding inventories. Since MHCL's inventories are not relatively significant compared to total current assets, there was a minimal reduction in the quick ratio, as compared with current ratio. Inventory remained at 1%, 2% and 3% of total current assets during Q1 2019, Q1 2020, and Q4 2019 respectively

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
41 TIMES	0.47 TIMES	1.15 TIMES

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

As the advance received from pilgrimages reduced significantly over the quarters, the cash ratio reduced significantly. It is important to note that the government injected capital worth 3 million in Q4 2019. However, government did not contribute any capital in Q1 2020, resulted in further worsening of liquidity. In the forthcoming days, it is expected that liquidity will worsen if the situation persists.

CONCLUSION

The revenue has drastically decreased as compared with the same quarter of 2019, mainly due to less or no number of customers opting for Umra trips through the company. This situation is further worsened by covid-19 pandemic where countries do not get quota to perform Hajj and Umra duties.

Current assets are locked up assets for future utilization in its operation (advance received from customers). This means company has fewer liquid assets to fund its operation effecting over sustainability. Furthermore, the government did not inject capital in Q1 2020 which further worsened liquidity.

RECOMMENDATION

As the World economy is going through a recession amid Covid-19 situations, it is wise for companies to limit their expenses as much as possible. MHCL's revenue has been hit badly as no pilgrimages could opt for Hajj and Umra during this Pandemic.

To maintain the sustainability of the company, MHCL must reduce its costs and expenses and increase efficiency. Although company aims to enable citizens to perform Hajj and Umra at affordable prices, the company must opt for other revenue generating models.

Quarterly review; Quarter 1, 2020

MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION

ALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MITDC/Q1

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
0	0	0
In MVR	In MVR	In MVR

The company has not generated any revenue during the three quarters in review.

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

Net Loss

Q1 2019	Q1 2020	Q4 2019
-1.25	-1.47	-3.12
Million in MVR	Million in MVR	Million in MVR

The net loss of the company has recorded an increase of 18% compared to the same period of last year. The significant loss in Q4 2019 is due to expenses incurred for relocation of company's office. The total accumulated loss of the company as at the end of Q1 2020 stands at MVR 39.10 million.

Expenses

Operating Costs	Q1 2019 (MVR)	Q1 2020 (MVR)	Q4 2019 (MVR)
Administrative costs	1,212,868	1,506,724	3,151,144
Sales and marketing expenses	32,317	8,747	1,220
Total	**1,245,185**	**1,515,471**	**3,152,364**

Compared to the same quarter of last year, administrative expenses has increased mainly from fine expenses and rent expenses. The company has moved to a new office during the last quarter, therefore some office expenses has also increased. The administrative expenses are lower compared to previous quarter since most of the relocation costs were incurred in previous quarter.

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

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
0.53 TIMES	0.52 TIMES	0.52 TIMES

Current ratio of the company is below 1 for three quarters in review, indicating unsatisfactory short-term liquidity position. The current asset of the company consists of trade and other receivables and cash and cash equivalents, of which receivables comprise of 98% of total current assets.

In terms of trade and other receivables, advance payments to suppliers and land acquisition cost receivable are the major components (97%). Based on its substance, it is important that company assess these short-term financial assets for its recoverability as per relevant IFRS. Compared to previous quarter, company has recovered accounts receivables to some extent.

LIQUIDITY	Q1 2019 (MVR)	Q1 2020 (MVR)	Q4 2019 (MVR)
Current Assets	**26,869,113**	**26,823,810**	**27,194,888**
Trade and other receivables	26,120,551	26,153,989	26,192,307
Cash and cash equivalents	748,562	669,821	1,002,581
Current Liabilities	**50,946,708**	**51,925,111**	**52,275,606**
Trade and other payables	35,526,708	36,505,111	36,855,606
Short term borrowings	15,420,000	15,420,000	15,420,000

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.01 TIMES	0.01 TIMES	0.02 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. MITDC's cash ratio is significantly low and are in a high-risk position. The cash ratio has further reduced in Q1 2020 since cash balance has reduced by 33% against previous quarter. The cash balance reflects capital injection by the government which is also currently the only source of cash flow to the company.

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

Trade and othe receivables	Q1 2019 (MVR)	Q1 2020 (MVR)	Q4 2019 (MVR)
Accounts Receivable	44,570	2,887	44,570
LAC Receivable	10,485,600	10,485,600	10,485,600
Advance payments to Suplpliers	15,034,500	15,094,500	15,094,500
Prepayment	24,672	6,168	6,168
Other Receivable	(18)	(17)	(18)
GST refundable	531,227	564,851	561,486
Total	**26,120,551**	**26,153,989**	**26,192,306**

Trade and other payables	Q1 2019 (MVR)	Q1 2020 (MVR)	Q4 2019 (MVR)
Trade Payables	14,184,560	14,027,055	14,044,826
Accrued Expenses	60,131	40,693	27,628
Advance rent	7,920,531	4,972,836	4,972,836
Refund Payable	10,227,315	13,347,200	13,920,310
Accrued Interest	4,278,565	2,192,845	1,965,524
Other Payables	22,389	2,595	2,595
CSR Funds	1,833,217	1,921,887	1,921,887
Total	**38,526,708**	**36,505,111**	**36,855,606**

CONCLUSION

The tourism development projects undertaken by the company are currently on hold due to several issues, therefore MITDC was unable to create and operationalize any of their planned projects. As a result, the administrative costs are financed through the capital injections from the government.

The company has made a net loss of MVR 1.5 million in Q1 2020 and accumulated losses of the company stands at MVR 39.10 million.

The short-term liquidity position of the company is very poor as the current liabilities are relatively higher than its current assets and there is no means of any cash into the company. The only source of finance is from capital injection by the government. Hence MITDC depends on the shareholder assistance to meet all their operational expenses.

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

RECOMMENDATION

MITDC is trying to kick start the projects, hence it is important to find financially feasible business arrangement to complete these projects.

For a company to sustain it must produce some form of income. Therefore, at least the company must ascertain short term cash generating unit, to finance operational expenses. Further, managing operating expenses are also an important factor to reduce the loss of the company and so to its sustainability.

To overcome the poor liquidity position, the company must improve both receivables and payables collection. In terms of receivable collection, rent and account receivables need to be collected and relevant authorities must be informed, and actions should be taken accordingly.

Quarterly review; Quarter 1, 2020

MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION

MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MMPRC/Q1

Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

Q1 2019	Q4 2019	Q3 2019
7.3	40.8	8.6
Million in MVR	Million in MVR	Million in MVR

The significantly high revenue in Q1 2020 is because government contribution was classified as grant income in Q1 2020 while it was recognized as share capital in 2019 as instructed by MOF. Excluding the grant income, MMPRC has earned relatively low income Q1 2020 compared to other two quarters.

	Membership Fee	Participation Fee	Other Income	Advertising
Q1 2019	3,649,097	3,534,838	96,836	58,189
Q1 2020	822,059	1,193,974		250,470
Q4 2019	4,753,168	3,854,595	(164)	-

Compared to Q1 2019, membership fee has reduced significantly due to change in membership fee structure in 2020. Due to covid-19 pandemic most of fairs got cancelled, hence participation fee also decreased in Q1 2020. On the other hand, advertising income has improved compared to Q1 2019.

Gross Profit

Q1 2019	Q1 2020	Q4 2019
-12.2	7.05	-27.1
Million in MVR	Million in MVR	Million in MVR

MMPRC shows a profit in Q1 2020 since government contribution was recorded as grant income. The cost of sales was 73% higher in Q1 2020 compared to the same period of last year, although revenue was lower. The marketing costs increased due to a new marketing plan of the company as target arrival was expected to increase.

Compared to previous quarter, cost of sales has reduced by 5.4%.

Net Profit

Q1 2019	Q1 2020	Q4 2019
-14.3	0.95	-32.3
Million in MVR	Million in MVR	Million in MVR

Administrative costs of the company have increased by MVR 3.9 million, (187%) compared to Q1 2019. The highest increment was seen in salaries and other staff benefits due to increase in staffs and change in salary structure in 2020. In addition, since the office building was changed utilities expenses and renovation and other office expenses has also increased.

In addition, an increment of 17% was recorded by administrative costs against previous quarter, mainly from interest expense, internet expense and salaries and benefits. Interest expense was high due to inclusion of website development cost and salaries and other benefits increased due to new staffs and change in salary structure.

LIQUIDITY

Current ratio

Q1 2019	Q1 2020	Q4 2019
1.01 TIMES	1.04 TIMES	1.04 TIMES

Current ratio measures the ability of MMPRC to pay short-term obligations or those due within one year. Although, in theory a ratio of above 1 indicate that the company have more assets than its liabilities, the greater portion of MMPRC's current assets are trade and other receivables which represent 90% of total current assets. The receivables and related payables constitute lease payments related to resort rentals. The receivables has reduced by MVR 6.5 million compared to previous quarter, however no changes was seen in current ratio as current liabilities has also increased.

Cash ratio

Q1 2019	Q1 2020	Q4 2019
0.06 TIMES	0.10 TIMES	0.09 TIMES

Cash ratio calculates ability to repay its short-term debt with cash or near-cash resources. MMPRC's cash balance is relatively low compared to its current liabilities. Hence the cash ratio of the company is very low. Compared to previous quarter cash balance has increased by MVR 8.6 million, thus there is an improvement in the cash ratio.

The current liabilities of the company are trade and other payables, most of them are related to the corruption case being investigated. Therefore, it is unlikely that these amounts would be payable unless these cases are resolved. An increment of MVR 1 million was recorded by payables.

CONCLUSION

The performance of the company in terms of revenue shows a better performance than the other two quarters in review. However, it is only because of government contribution being treated as grant income in Q1 2020. Excluding the grant income, MMPRC has earned relatively low income Q1 2020 compared to other two quarters.

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

The company has been maintaining a strong cash balance, although cash balance does not reflect this as trade payables includes significant corruption cases. However, it is important to note that majority of the cash balance represents grants given by government.

RECOMMENDATION

The main revenue streams of the company have been reducing over the past few quarters and it is insufficient to cover the company's operating costs. Therefore, to improve profitability MMPRC must cut down its costs and increase efficiency.

MMPRC has significant long-standing receivables therefore it is important to take all necessary action to recover all receivables. If the company is able to recover these amounts the liquidity position will further improve.

Quarterly review; Quarter 1, 2020

MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC

MALDIVES TRANSPORT AND CONTRACTING COMPANY LTD
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MTCC/Q1

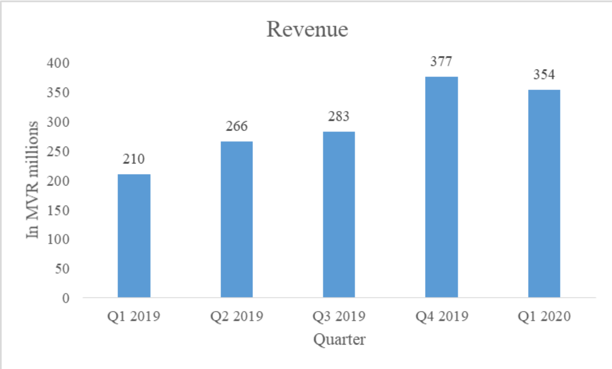
Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
211	354	377
Million in MVR	Million in MVR	Million in MVR

Compared to Q1 2019 MTCC records an incresae in revenue by 68% (MVR 143 million). However, this revenue is 6% reduced compared to Q4 2019. The following graph shows the improving trend in the revenue starting from Q1 2019 till the first quarter of 2019.



As the graph concludes, MTCC generated high revenue each quarter from Q1 2019 till Q4 2019. However, in Q1 2020 revenue had a small reduction.

Gross Profit

Q1 2019	Q1 2020	Q4 2019
-3.56	79.6	86.1
Million in MVR	Million in MVR	Million in MVR

When the gross profit is concerned, MTCC showed a remarkable improvement compared to Q1 2019. The gross loss of 3.6 million has been turned into a profit of 79 million. The decrease in gross profit compared to Q4 2019 reflects the increase in cost of sales during that period.

Operating Profit

Q1 2019	Q1 2020	Q4 2019
-18.0	72.4	52.6
Million in MVR	Million in MVR	Million in MVR

Operating profit has improved compared to Q1 2019 and Q42019. Compared to Q1 2019, operating profit has improved, turning a loss into a profit of 72 million resulting mainly from increased revenue. However, certain overheads such as administrative expenses and other expenses increased during the period compared to Q1 2019.

Compared to the previous quarter, operational profit improved by 38% due to reduction of costs. As such selling and marketing costs, administrative expenses and other expenses has been reduced compared to Q4 2019.

Net Profit

Q1 2019	Q1 2020	Q4 2019
-30.4 Million in MVR	53.0 Million in MVR	30.8 Million in MVR

When looking into the profit for the company during the quarters, Q1 2020 shows the highest net profit compared to Q1 2019 and Q4 2019. The negative revenue in Q1 2019 has been turned into profit in Q4 2019 and we could see an improved profit in Q1 2020 resulting from increased revenue and reduced costs which is a favorable indication to the profitability of the business.

PROFIT MARGIN	Q1 2019	Q1 2020	Q4 2019
Gross Profit Margin	-2%	22.5%	22.82%
Operating Profit Margin	-9%	20.5%	13.94%
Net profit Margin	-14.40%	15.0%	8.16%
Earnings Per Share	(30.38)	52.99	30.77

When looking into the profit margins, all the ratios are negative in Q1 2019. The company has higher profit margins and earnings per share compared to the previous quarter due to elevated profits. Thus the company is in a better position in terms of profitability.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
1.25 TIMES	1.45 TIMES	1.44 TIMES

Current ratio of the company improved slightly compared to Q1 2019 and Q4 2019. Current liabilities increased by 16% and 3% respectively while current liabilities increased by 17% and 4% compared to Q1 2019 and Q4 2019. The following table shows changes in current liabilities and current assets over the comparable quarters. Receivables hold a greater portion of current liabilities which increases each quarter. It is important to note that receivables reduced in Q1 2020 compared to the previous quarter. Borrowings also has been reduced compared to Q1 2019. The current ratio is below the ideal ratio of 2:1. However, the current ratio is satisfactory where the company will be able to cover short term debts without relying on shareholder assistance.

Current Assets	Q1 2019	Q1 2020	Q4 2019
Inventories	271,554,613	307,596,748	281,484,188
Trade and other receivables	588,710,289	836,149,060	840,819,581
Cash and cash equivalents	35,700,691	69,927,121	40,612,345
Total current assets	895,965,593	1,213,672,929	1,162,916,114
Current Liabilities	**Q1 2019**	**Q1 2020**	**Q4 2019**
Trade and other Payables	367,059,628	571,667,911	541,554,487
Lease liabilities	-	8,270,387	11,193,785
Borrowings	332,559,371	228,860,178	232,855,472
Bank overdrafts	17,335,811	30,815,928	21,431,729
Total current liabilities	716,954,810	839,614,404	807,035,473

Quick Ratio

Q1 2019	Q1 2020	Q4 2019
0.87 TIMES	1.08 TIMES	1.09 TIMES

Quick Ratio shows the ability to pay the short term debts by the current assets when inventory is excluded. The quick ratio of the company stands at an ideal level. Inventory increased by 13% and 9% compared to Q1 2019 and Q4 2019 respectively.

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.05 TIMES	0.08 TIMES	0.05 TIMES

According to the ratio, cash level of the business is tight with regard to the operations. Thus cash levels of the business fails to assist in settling liabilities. However, compared to Q1 2019 and Q4 2019 cash and cash equivalents increased by 96% and 72% respectively, positively contributing to the cash ratio of the business. Cash inflow from the operating activities increased as a result of increased operations.

LEVERAGE

Debt to Equity

Q1 2019	Q1 2020	Q4 2019
69%	52%	57%

Debt to Equity ratio stands at 52% which is a reduced figure compared to the quarters. The reduction in the gearing ratio is mainly due to reduced borrowings compared to Q4 2018 and Q3 2019. The company is able to repay the borrowings through their own funds. The reduced debt to equity suggests the satisfactory level of financial risk which will eventually boost investor confidence.

Debt to Assets

Q1 2019	Q1 2020	Q4 2019
32%	24%	26%

Debt to Assets also reduced to 24% compared to Q1 2019 and Q4 2019. This is due to reduced borrowings while total assets of the company increased in the quarter.

CONCLUSION

Performance of the company has improved in terms of profitability compared to Q1 2019. Revenue has shown a downturn compared to Q4 2019. However, year 2019 has shown gradual improvement in revenue each quarter. Operational profit has improved in the quarter compared to Q1 2019 and Q4 2019. The company has been successful in cost management compared to the previous quarter.

In terms of liquidity, the company is in a better position when compared to the comparable quarters. They are in a position where they will be able to set off the short-term assets against the liabilities. While receivables increased slightly cash inflow of the company boosted through the operational ativities, positively affecting the cash ratio.

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

RECOMMENDATION

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

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

Quarterly review; Quarter 1, 2020

MALDIVES SPORTS CORPORATION LTD

MALDIVES SPORTS CORPORATION LTD
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MSCL/Q1

Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
0	4.48	0.34
in MVR	In MVR million	in MVR million

Though the company has generated a remarkable revenue of MVR 4.48 million in Q1 2020 which is highiest revenue since the inception of the company. It is notable that the company has initiated to create some of its short term revenue generating units to create a long term in flow of cash into the business as revenue.

Gross Profit

Q1 2019	Q1 2020	Q4 2019
0	624,480	0.14
in MVR	In MVR million	In MVR million

With the rise in revenue direct costs also increased. However, more than 50% rise in gross profit can be obeserved due to increment in revenue compared to the other comparable quarters.

Net Loss

Q1 2019	Q1 2020	Q4 2019
944,953	977,537	1.162
in MVR	In MVR	in MVR

The company experienced net losses over the quarters due to high costs. Compared to Q1 2019, the net loss has worsened by 3%. However, compared to the previous quarter, the net loss reducedby 16%, mainly due to increased revenue.

The overheads of the company remained high in the quarter signifying major profitability problems which may arise in future.

Compared to Q1 2019 and Q4 2019, personnel expenses increased by 34% and 4% respectively. The main reason for increase in certain personnel expense is due to harmonization of salary and benefit policy by PCB during 2019. The detailed personnel expenses in relation to the three quarters is explained by the following table.

Personnel expense	Q4 2019	Q1 2020	2019 Q1
Salary	436,464	532,874	548,808
Living allowance	159,053	142,732	149,336
Executive responsibility allowance	44,839	46,168	40,667
attendance allowance	136,976	127,293	128,931
Board remuneration	81,857	145,900	147,900
Financial performance allowance	-	81,000	59,710
Management performance allowance	-	16,200	11,942
Company secretary allowance	-	7,380	7,380
Board secretary allowance	7,420	-	5,000

Pension contribution	20,722	37,340	47,393
leave encashment		54,909	
Phone allowance	7,634	6,536	7,217
Total Cost of Sales	**894,965**	**1,198,332**	**1,154,284**

Administrative costs increased by 16% and 1% compared to Q1 2019 and Q4 2019, while selling and marketing costs also increased. In order to improve performance of the company, costs should be minimized from all possible areas.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
3.0 TIMES	13.7 TIMES	1.9 TIMES

Current ratio increased significantly compared to Q1 2019 and Q4 2019, mainly attributable to trade receivables which hit at MVR 3 million in Q1 2020. Trade payables increased by 99% and 54% compared to Q1 2019 and Q4 2019. The company has high level of current assets compared to the liabilities, also due to significant level of cash as capital injection from the government.

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
3.0 TIMES	3.6 TIMES	1.9 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The cash ratio increased in Q1 2020 due to increased receivables. As this ratio shows that company has enough cash to cover its current liabilities, however, it must be noted that the cash balance reflects the capital injection by the government and the advance payments received from customers.

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

It is important to note that government has injected capital of MVR 3.75 million in Q1 2020, MVR 2.06 million in the fourth quarter of 2019.

CONCLUSION

No projects were undertaken by the MSCL in Q1 2020.

Even though the company was created through an Act of parliament, the commercial operations of the company have not materialized since its inception. However, company has started to create small cash generating units in Q4 2019 which further progressed and generated a significant revenue in Q1 2020, and it is expected that this revenue will continue to rise enabling company to operate self sufficiently. Land allocation to the company has not been implemented and the company currently faces going-concern issue. The overhead costs remain very high compared to the level of business operation being undertaken.

Short-term liquidity ratios show slight improvements and ratios are above 2:1 in Q1 2020. However, in real terms the company is financially not capable of settling short term liabilities through the operational funds. Thus the company consistently depends on shareholder assistance.

RECOMMENDATION

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

Company has generated a significant revenue in Q1 2020, by creating cash generating units. It is important that company put more effort on increasing and development of these units to grow its revenue in future, and to operate the business self-sufficiently. Efficient management of operational expenses is equally important since, company is still struggling to meet its short-term operational expenses.

Quarterly review; Quarter 1, 2020

MALE’ WATER AND SEWERAGE COMPANY PVT LTD

MALE' WATER AND SEWERAGE COMPANY PVT LTD
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MWSC/Q1

Q1 2019 with Q1 2020 and Q4 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
253	261	219
Million in MVR	Million in MVR	Million in MVR

Total revenue of the company in Q1 2020 increased significantly by Revenue fell significantly by 3% compared to same period last year and by 19% compared to Q4 2019. The main revenue streams and their variances with Q1 2019 and Q4 2019 is explained by the following table. Company's core business activity revenue such as utilities and manufacturing has increased significantly while revenue from other activities such as ice manufacturing, projects reduced. Compared to Q1 2019 revenue from projects reduced by 32% in Q1 2020.

Revenue	Q1 2019	Q1 2020	Q4 2019
Utilities	198,364,585	209,785,093	131,089,246
Manufacturing	33,852,557	35,953,763	24,881,154
Ice Manufacturing	1,231,053	217,046	577,408
Projects	14,536,547	9,926,198	58,871,645
Trading	5,227,356	5,428,782	4,190,951
Waste Management	115,600	171,400	172,400
Total	**253,327,698**	**261,482,282**	**219,782,804**

Gross Profit

Q1 2019	Q1 2020	Q4 2019
159	163	134
Million in MVR	Million in MVR	Million in MVR

Gross profit increased by 3% compared with the Q1 2019 in Q1 2020. Also revenue has grown by 22% in Q1 2020 compared with the Q4 2019. The significant increase in revenue lead to the increase in gross profit of the company.

Gross Profit	Q1 2019	Q1 2020	Q4 2019
Utilities	140,939,704	131,495,667	73,075,728
Manufacturing	13,370,898	27,637,376	9,491,881
Ice Manufacturing	1,103,061	(101,239)	(148,050)
Projects	1,496,953	2,167,335	49,395,721
Trading	2,457,846	2,783,597	2,970,824
Waste Management	(332,040)	(268,114)	(226,600)
Total	**159,036,422**	**163,714,622**	**134,559,504**

Compared to Q1 2019, gross profit increased from Manufacturing and projects having growth in GP margin. The steepest reduction in Gross profit is from Utilities compared to Q1 2019. However significant growth of 80% in utilities gross profit is earned compared to Q4 2019.

Operating Profit

Q1 2019	Q1 2020	Q4 2019
110	96	64
Million in MVR	Million in MVR	Million in MVR

The operating profit of the company declined in Q1 2020 compared with Q1 2019. It is important to note that revenue in Q1 2020 increased significantly compared to the two quarters. The decline in operating profit is caused by increase in cost of sales of 15% and increase in administrative costs of 22% compared with Q1 2020 and Q1 2019. Costs related to staff has increased in Q1 2020. Repairs and maintenance also show a significant increase in costs.

Compared to Q4 2019 the operating profit of the company increased 49% compared with Q1 2020. The increases in operating revenue is due to 19% increase in revenue and an 11% reduction in other operating costs. The company's administrative expenses increased by 22% compared to the last quarter.

Net Profit

Q1 2019	Q1 2020	Q4 2019
90	81	52
Million in MVR	Million in MVR	Million in MVR

Company's net profit increased by 54% compared Q4 2019. The increase in net profit is due to increase in revenue from utilities and also due to reduction in other operating costs.

Company's net profit for the period Q1 2020 reduced compared to the same period of last year. This reduction is mainly due to significant increase in administrative costs. Costs related to staff and insurance increased significantly in Q1 2020.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
1.54	1.55	1.30
Million in MVR	Million in MVR	Million in MVR

Company has enough current assets to cover its current liabilities. The company's current ratio improved to in Q1 2020 compared to Q1 2019 and Q4 2019. Company maintained its inventory at the same level in Q1 2020 and Q4 2020. However company's inventory increased by 14% in Q1 2020 compared to the same period of last year. Company holds significant amount of cash for the three quarters analyzed.

Quick Ratio

Q1 2019	Q1 2020	Q4 2019
1.11	1.08	0.9
Million in MVR	Million in MVR	Million in MVR

Quick ratio shows company's availability of most liquid assets to service current liabilities. Although the company show a small reduction in the quick ratio in Q1 2020 compared to Q1 2019, the ratio still remained at adequate levels and current assets also include quality assets such as cash and other advance payments.

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.51	0.38	0.32
Million in MVR	Million in MVR	Million in MVR

Cash and cash equivalents of the company is high in MWSC although the ratio reduced compared to Q1 2019. Quick ratio improved in Q1 2020 compared to Q4 2019.

LEVERAGE

Debt to Equity

Q1 2019	Q1 2020	Q4 2019
0.07	0.13	0.13
Million in MVR	Million in MVR	Million in MVR

Company's debt levels remain relatively low with adequate cash balances generated from operating activities. Therefore, the company still has ample space to raise debt from banks and expand the business if the need arises. Company's debt levels have not increased in Q1 2020 compared to the last quarter. However, company's debt levels increased compared to Q1 2019.

Debt to Assets

Q1 2019	Q1 2020	Q4 2019
0.05	0.09	0.08
Million in MVR	Million in MVR	Million in MVR

Company's debt to assets also increased incrementally in Q1 2020 compared to the last quarter and Q1 2019. The increase in debt levels still remain within healthy levels. However, it is important to note that the company has space to raise further debt to expand business.

CONCLUSION

The overall performance of MWSC has improved in Q1 2020 compared to Q4 2019. However company's overall performance has a reduction compared to the same period of last year in terms of profitability. Company's revenue increased in Q1 2020 compared to the other quarters. Although the company increased its revenue in Q1 2020, administrative costs has increased significantly in the period leading to lower profit during the period.

The company holds enough current assets and the liquidity ratios are healthy even though the liquidity ratios has reduced during Q1 2020. It is also important to note that the company's holding of cash and cash equivalents are significant.

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

RECOMMENDATION

The company should concentrate on managing the operational costs more efficiently as the company is not able to record higher profits even though the company recorded higher revenue in Q1 2020.

Receivables has to be collected promptly within required period, to improve the cash position of the company.

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

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

Quarterly review; Quarter 1, 2020

MALDIVES PORTS LTD

MALDIVES PORTS LIMITED
Q1 201920 PERFORMANCE ANALYSIS

Report No: PEM/2020/MPL/Q1

Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
204.7	188.2	194.3
Million in MVR	Million in MVR	Million in MVR

The total revenue of the company has reduced by 8% and 3% compared to Q1 2019 and Q4 2019. Revenue from almost all operational segments were reduced in Q1 2020.

OPERATIONAL INCOME	Q1 2019	Q1 2020	Q4 2019
Handling	28,984,774	28,136,437	28,889,019
Wharfage	18,295,095	18,285,370	17,768,518
Stevedoring	75,395,552	68,072,497	67,069,333
Storage/Demurage	18,225,677	7,728,533	10,051,257
Empty Container Storage	6,814,249	4,988,645	6,246,991
H-Pontoon Service Charges	91,325	68,715	87,335
Shifting	19,390	1,241	11,448
Sorting of Mixmark	58,787	52,712	57,538
Measuring Charges	60,144	119,207	72,213
Lashing / Unlashing	191,347	496,018	457,068
Pilotage	2,705,042	2,503,972	2,550,267
Berthing/Quaywall	2,496,642	2,092,298	2,496,608
Port Dues	339,947	338,800	344,771
Express Clearance Charges	2,226,264	1,807,000	2,170,352
Vessel & Vehicle HireCharges	1,335,447	1,328,886	1,556,630
Cargo Gear Hire Charges	-	2,640	113
Documents Amendment Charges	134,019	133,897	169,500
Electricity Charges	6,624,330	4,722,246	4,455,699
Water Sale	25,444	21,540	46,409
Container Movement Charges	424,775	323,241	467,539
Hulhumale Income	11,863,996	16,450,471	17,454,178
Bond Income	6,824,582	7,723,756	8,060,337
T- Jetty Income	9,222,893	7,945,692	8,596,074
STL Income	2,318,364	2,126,763	2,781,841
Salvage	11,500	-	-
MNH	1,217,845	1,477,201	1,325,582
MIP	4,487	14,908	-
MRTD	4,748,873	3,551,261	5,393,890
TLF	-	461,911	
HTL	396,674	41,642	50,566
Total	**201,057,464**	**181,017,499**	**188,631,076**

Compared to the same period of last year, the highest reduction was seen by storage/demurrage from MVR 18 million to MVR 7.7 million, over 58% fall. This is because less number of cargos were handled in Q1 2020 in comparison to Q1 2019. In addition, due to less vessels handled stevedoring, pilotage and berthing/Quay wall income has also reduced. The number of vessels handled in T-jetty also reduced in Q1 2020 compared to Q1 2019, thus T-jetty income has reduced from MVR 9 million to 7 million.

Compared to previous quarter, due to reduction of cargo and vessels handled in Q1 2020 than previous quarter, most of the revenue units have dropped. The significant reductions were recorded by storage/demurrage, empty container storage, hulhumale income and MRTD.

Non-Operational Revenue

Q1 2019	Q1 2020	Q4 2019
3.6	7.2	5.7
Million in MVR	Million in MVR	Million in MVR

Non-operational income has recorded positive growth compared to other two quarters. Revenue from auction cargo and rental income has increased.

Gross Profit

Q1 2019	Q1 2020	Q4 2019
168.3	152.0	154.5
Million in MVR	Million in MVR	Million in MVR

The gross profit of the company has declined as a result of lower revenue. Cost of sales has also declined in line with the revenue, as a result gross profit margin has shown a marginal improvement compare to previous quarter. Compared to same period of last year, gross profit has recorded a fall of 10% and thus gross profit margin reduced from 82% to 81%.

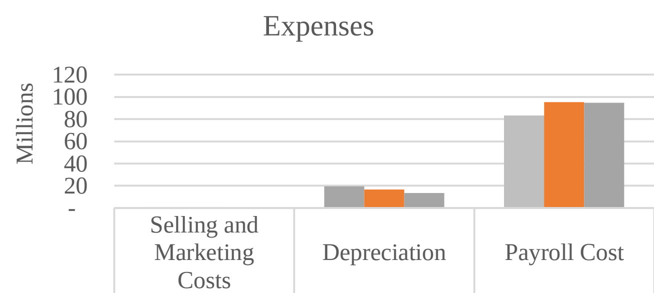
Net Profit

Q1 2019	Q1 2020	Q4 2019
53.4	31.9	37.2
Million in MVR	Million in MVR	Million in MVR

In comparison to Q1 2019, the net profits of the company have considerably declined. The profits are affected by reduced revenue and increased finance cost. Overheads on the other hand has reduced from MVR 103 million and MVR 112 million. As a result, the profit margin was severely affected in Q1 2020(17%) compared to Q1 2019(26%).

The net profits of Q1 2020 is 14% lower than that of previous quarter. With 3% reduction, operating expenses has increased by 4%, further affecting the net profit.

Expenses



	Selling and Marketing Costs	Depreciation	Payroll Cost
Q1 2019	571,100	19,392,498	83,351,352
Q1 2020	386,031	16,647,500	95,313,939
Q4 2019	248,290	13,392,498	94,753,398

Compared to Q1 2019, only payroll costs were increased in Q1 2020. The main reason for increase in payroll expense is due to salary revision in the second quarter of 2019 and increase in number of staffs from 1906 to 2023.

Compared to previous quarter total expenses has increased by 4% from all three categories. The highest increment is seen from depreciation since there was an addition to PPE of MVR 158 million.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
4.87 TIMES	2.60 TIMES	2.46 TIMES

The current ratio measures a company's ability to pay short-term obligations or those due within one year. Current ratio of MPL indicates that company has enough current assets to settle the short-term obligation.

Compared to Q1 2019, current ratio shows a steep reduction because current liabilities has (trade and other payables) have increased relatively higher than that of its current assets. The most significant component of current assets is inventory due to inclusion of Social Housing (Hiya) project. Provision on inventory is also quite high which is aging of inventory of more than 5 years.

The trade and other receivables has recorded a reduction of 10% compare to previous quarter. The receivables of PORTS is also high as it contributes to 89% of sales (Q1 2020) and 24% current assets. Since there is a reduction in receivable balance, the net cash generated from operations has improved from MVR 36 million (Q4 20190 to MVR 41 million in Q1 2020. Receivables are mainly from Government Institutes and the regional ports of HPL and KPL.

Quick Ratio

Q1 2019	Q1 2020	Q4 2019
3.05 TIMES	1.05 TIMES	1.11 TIMES

The quick ratio reflects company's short-term liquidity position and ability to meet its short-term obligations with its most liquid assets i.e. excluding inventories. Quick ratio of MPL is just above 1, showing that the company have just enough assets to be instantly liquidated to pay off its current liabilities. The current assets (less inventory) has reduced at a higher rate than the current liabilities, therefore the quick ratio has marginally reduced.

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

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

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.87 TIMES	0.42 TIMES	0.47 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The cash ratio of MPL is below 1 for the three quarters in review. Cash balance of the company has reduced compare to other two quarters, as a result there is a fall in cash ratio. The cash was utilized to pay out the interest payments, purchase of property plant and equipment and repayment of loans.

Considering the level of operation, the company has a strong cash balance, however due to significant current liabilities the cash ratio illustrates a different view.

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

LEVARAGE

Debt to Equity

Q1 2019	Q1 2020	Q4 2019
0.15 TIMES	0.36 TIMES	0.18 TIMES

Debt to equity ratio has increased significantly in Q1 2020. Compared to Q1 2019, loans and borrowings has increased while equity has reduced. On the other hand, loans and borrowings has reduced compared to previous quarter, while equity and reserves also reduced. However, company's debts are relatively lower than its equity, thus debt to equity ratio of MPL is comparatively low, indicating lower financial risk.

Debt to Assets

Q1 2019	Q1 2020	Q4 2019
0.12 TIMES	0.22 TIMES	0.12 TIMES

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

Debt Capitalization

Q1 2019	Q1 2020	Q4 2019
13%	27%	15%

Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. Debt capitalization ratio has increased in Q1 2020 due to reduction of debts and equity. A low metric means the company raises its funds through current revenues or shareholders, therefore with a low debt capitalization ratio, MPL would be able to attract more funds into the company as it shows company is financially stable.

Interest Cover

Q1 2019	Q1 2020	Q4 2019
45.8 TIMES	17.3 TIMES	20.2 TIMES

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

CONCLUSION

The company's performance has declined both in terms of revenue and profitability. In comparison to Q1 2019, revenue has reduced by 8% while net profit has reduced by 40%. Compare to previous quarter, revenue and profit has reduced by 3% and 14% respectively.

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

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

RECOMMENDATION

The payroll expenditure of the company has a rising trend over the past quarters. Restructuring payroll and conveying performance-based pay structure will help in controlling this expense. Further identifying and eliminating any idle or avoidable post could help in cutting the cost.

Receivables of the company is significant compare to its operation. Hence, to improve the liquidity position of the company, the company needs to establish effective receivable collection policies and procedures.

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

Quarterly review; Quarter 1, 2020

PUBLIC SERVICE MEDIA LTD

PUBLIC SERVICE MEDIA
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/PSM/Q1

Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
36.2	25.7	49.9
Million in MVR	Million in MVR	Million in MVR

PSM has ended the quarter Q1 2020 with revenue of MVR 25.7 million, which is 29% less compared to the same period of last year and 49% less compared to previous quarter. The significant fall in revenue is mainly due to reduction of government grant in Q1 2020 compared to other two quarters. In addition, income from advertisements, announcements, training income, rentals and other income has also declined due to Covid-19.

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

Table 1: Revenue

Revenue	Q1 2019	Q1 2020	Q4 2019
Airtime	383,425	453,195	573,880
Satellite uplink	235,962		
Advertisement	987,556	943,746	1,940,411
Announcement	505,780	335,870	461,580
Program Sponsorship	2,919,860	2,685,382	2,256,398
News Sponsorship	240,904	526,777	649,779
Video Link	35,050	25,500	227,540
Other Income	425,577	4,635	227,877
Archive Materials	12,429	15,952	53,853
Rentals	129,440	36,200	22,300
SMS	9,824	10,077	15,469
Production Income	47,800	167,030	182,640
Training Income	83,100	59,146	292,017
Government grant	30,000,000	20,348,811	43,001,401
Cable TV Income	151,677	85,551	83,933
Total	**36,168,384**	**25,697,872**	**49,989,078**

As seen in the table most of the revenue segments have been reduced in Q1 2020. This is mainly because of the Covid-19 pandemic. Compared to Q1 2019, the total revenue excluding grant income has reduced by MVR 13% (MVR 819,322). The grant income has recorded a reduction of MVR 9.6 million against Q1 2019.

In comparison to previous quarter, total revenue has reduced by MVR 24 million. This consists of reduction of grant income by MVR 22.6 million and revenue from other segments by MVR 1.6 million.

Gross Profit/(Loss)

Q1 2019	Q1 2020	Q4 2019
-15.1	8.03	30.3
Million in MVR	Million in MVR	Million in MVR

Since the direct costs were relatively high in Q1 2019 due to technical and professional expenses, PSM made a gross loss in Q1 2019. However, in Q1 2020 and Q4 2019 PSM made a gross profit. The gross profit has reduced in Q1 2020 compared to previous quarter due to reduction of revenue. The direct costs has also recorded a reduction of MVR 2 million compared to previous quarter.

Cost of Sales	Q1 2019	Q1 2020	Q4 2019
Salaries	8,219,986	7,029,496	7,516,063
Service Allowance	3,158,773	2,790,122	2,985,777
Risk Allowance	23,015	43,988	64,445
Attendance Allowance	154,000	137,000	155,309
Overtime Pay	1,505,771	1,540,369	1,762,818
Contract Staff's Payroll	273,491	623,637	511,062
Program Sets Making & Outsource	131,472	93,142	88,151
Subscription Fee	5,190,764	2,309,910	3,326,705
Transportations	201,698	56,923	62,978
Trav & Accom - Local Sea	64,477	117,788	82,562
Trav & Accom - Local Air	24,229	261,465	208,814
Trav & Accom - Overseas	165,176	326,098	179,100

The table shows some of the direct costs of the company and its movements over the three quarters. As seen in the table salaries and other staff related expenses has reduced in Q1 2020. However, due to additional technical staffs hired, payroll of contracted staffs has increased in Q1 2020. Subscription fee on the other hand has reduced by over MVR 1 million against previous quarter. Travel and accommodation fee increased due to increase in number of trips to islands for shoots. Travel expense for overseas relate to the trips made to Mumbai, India for the Master Chef Franchise training purpose.

The gross profit margin has reduced from 61% in previous quarter to 31% in Q1 2020.

Net Profit/(loss)

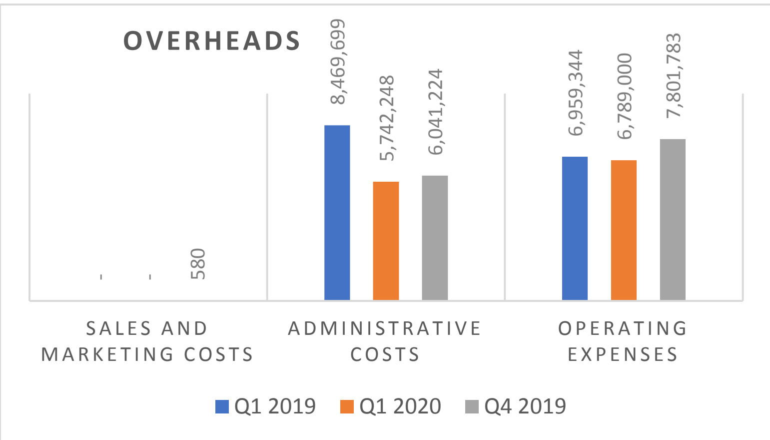
Q1 2019	Q1 2020	Q4 2019
-30.6	-4.49	16.5
Million in MVR	Million in MVR	Million in MVR

The company has made a net a loss for Q1 2020 due to significant loss of revenue. While revenue reduced by 29% compared to Q1 2019, overheads of the company has reduced by 19%. Compared to previous quarter, overheads reduced by only 9% while revenue reduced by 49%. Total overheads of the company is equal to 49% of company's revenue for Q1 2020.

In terms of net profit margin, PSM had a net loss margin of 85% in Q1 2019 and it has reduced 18% in Q1 2020. In the previous quarter, PSM had a net profit margin of 33%.

Expenses

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



A substantial reduction in administrative costs were recorded in Q1 2020 compared to Q1 2019, mainly from fees to government, IT related materials, stationary and office requisite and salaries and service allowance. Operating expense also reduced mainly from telephone, fax and internet and cleaning services.

Compared to previous quarter, total overheads has reduced.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
0.15 TIMES	0.19 TIMES	0.19 TIMES

Current ratio measures PSM's ability to pay short-term obligations or those due within one year. Current ratio of below 1 indicates that company has more current liabilities than its current assets, thus they are unable to settle their short-term obligations. The greater portion of current asset of the company is trade and other receivables, however the company has reduced its receivables by 4% compared to previous quarter.

The reduction in trade receivables was reflected in trade payables as it has also reduced in Q1 2020 compared to other two quarters.

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
-0.007 TIMES	0.016 TIMES	0.010 TIMES

Cash ratio shows the company's ability to repay its short-term debt with cash or near-cash resources. It tells creditors and analysts what percentage of the company's current liabilities could be covered by cash and near-cash assets. Cash ratio of PSM is very critical as the company does not have cash to payout its current obligations.

Government has injected over MVR 20 million in Q1 2020 and over MVR 43 million in Q4 2019. It has to be highlighted that the company was unable to generate enough revenue to meet its daily obligations and hence depends purely on shareholder assistance.

LEVARAGE

Debt to Equity

Q1 2019	Q1 2020	Q4 2019
0.18 TIMES	0.18 TIMES	0.18 TIMES

Debt to equity ratio illustrates the degree to which PSM is financing its operations through debt. Debt to equity ratio of PSM has remained constant for the three quarters since loan portfolio remained unchanged.

Debt to Assets

Q1 2019	Q1 2020	Q4 2019
0.13 TIMES	0.13 TIMES	0.13 TIMES

Debt to Assets ratio defines the total amount of debts relative to its assets. A ratio less than one means PSM owns more assets than liabilities and can meet its obligations by selling its assets if needed. While loan portfolio remained unchanged, there was a minimal change in company's assets.

Debt Capitalization

Q1 2019	Q1 2020	Q4 2019
0.16 TIMES	0.15 TIMES	0.15 TIMES

Shareholders and Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. Since the loans remained same over the three quarters there were no changes in the ratio.

CONCLUSION

The performance of the company has significantly dropped in Q1 2020 mainly because of revenue loss from core business segments due to covid-19 pandemic. Total revenue from core business has dropped by MVR 1.6 million compared to previous quarter and ended up a net loss for the quarter.

Liquidity position of the company is not satisfactory, where company's current liabilities exceeds its current assets. And further, a greater portion of current assets comprise of trade receivables. However, trade receivables have reduced in Q1 2020 compared to previous quarter.

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

RECOMMENDATION

The direct costs are relatively high compared to the operations of the company. In Q1 2020, direct costs stand at 69% of company's revenue. Hence, PSM should try to cut down its costs so that it can operate on their own without depending on the government.

The liquidity problem is one of the main issues faced by the company and cash is being tied up as receivables. Therefore, to improve the liquidity position PSM must improve its receivable collection.

As highlighted above reporting issues were identified in Quarterly reports, hence PSM must improve its record keeping and must prepare the reports as per the accounting standards.

Quarterly review; Quarter 1, 2020

ROAD DEVELOPMENT CORPORATION LTD

ROAD DEVELOPMENT CORPORATION LTD
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/RDC/Q1

Q1 2020 with Q4 2019

Road Development Corporation has been incorporated in late 2019, with the primary objective of promoting the construction of roads, repair and maintenance of bridges, building of highways and causeways, with construction materials and reinforced landscaping. Within a few months after inception, the company has increased their product portfolio taking on infrastructural projects.

PROFITABILITY

Revenue

Q1 2020
436,099
in MVR

Q4 2019
Nil

Since the beginning of its operations in the fourth quarter of the last year, the company generated their first revenue in Q1 2020. The company has started 3 major projects during the quarter. The Male street scraping and road development of 2 different islands. Other than the projects revenue, the company started blocks production and sales operation during the quarter.

Gross Profit

Q1 2020
(3.64)
Million in MVR

Q4 2019
Nil

While the company recorded a revenue of MVR 436,099 in Q1 2020, its direct costs recorded at MVR 4 million derived from the projects operated. Hence, this results in a gross loss of MVR 3.64 million in the first quarter of the year. As the company recognizes revenue based on progressive completion of the project, the revenue is recognized after the projects gets underway. Therefore, company's margin levels would be more realistic after the first year of operation.

Operating Profit

Q1 2020
(11.7)
Million in MVR

Q4 2019
(1.55)
Million in MVR

The company has an operational loss of MVR 11.7 million and MVR 1.55 million Q1 2020 and Q4 2019 respectively resulting from administrative expenses. Increased operations lead to higher operational expenses each quarter. The operational expenses of RDC in both quarters are explained in the following table. As per the administrative expenses, with the expansion of business, the company incurred new expenses as such training costs, travelling expenses, repairs and maintenance etc. Staff salaries and allowances increased by 357% leading from the increase of staff count by additional 251 staffs by the end of March 2020.

Administrative Expenses	Q1 2020	Q4 2019
Staff Salaries & Allowances	6,111,157	1,343,197
Building repair & renovations		89,144
Communication Expenses		7,124
Printing & Stationary		111,408
Salaries, Allowances & Other Incentives	661	
Staff Development Training - Local	16,272	
Staff Development Training - Overseas	12,000	
Pension Contribution	157,683	
Administrative Supplies	314,532	
Other Administrative Expenses	397,339	
Travel Expenses	251,669	
Professional Charges	4,100	
Bank charges	545	
Repairs & Maintenance	779,982	
Total	**8,045,939**	**1,550,874**

. Net Profit

Q1 2020	Q4 2019
(11.7) Million in MVR	(1.55) Million in MVR

Since the company increased administrative expenses resulting from increased operations, the loss of the company further worsened in Q1 2020. As such, the company made a loss of MVR 12 million.

LIQUIDITY

Current Ratio

Q1 2020	Q4 2019
0.80 Times	0.87 Times

Current Assets increased by MVR 37 million in a quarters' time. Cash holds the greatest portion of current assets contributing from the capital contribution of MVR 4 million in the first quarter of 2020. The company also had MVR 14 million cash generated from operating activities. However, the increased current liabilities greater than the assets led current ratio to fall in Q1 2020. Trade payables and advance payments increased the short-term liabilities while worsening the liquidity of the company.

Quick Ratio

Q1 2020	Q4 2019
0.70 Times	0.87 Times

Inventory was nil in the previous quarter. In Q1 2020, RDC holds inventory of MVR 5 million. Hence, the Quick ratio fell to 0.7:1 from 0.87:1 in Q4 2019.

Cash Ratio

Q1 2020	Q4 2019
0.36 Times	0.17 Times

Cash and cash equivalents hold the greater portion of short term assets of the company. The operational cash flow of the company also increased while the capital contribution from government is an additional factor for the increment of cash flow of the company.

CONCLUSION

As a startup, RDC started operational activities and recruited necessary staff to commence the tasks generating revenue.

RDC was able to undertake initial operations on their full capacity, despite having to bear the difficulty of the existing minimal resources. Following the example of S.M.A.R.T objectives, the company have managed to achieve the set targets and objectives. Despite the challenges faced by the pandemic (Covid - 19), company has managed to start operations by starting the groundwork of the Thimarafushi, Gahdhoo and Male' projects, thus increasing the revenue stream.

RECOMMENDATION

A sustainable business model is needed in the current stage of business development. Proper planning and future projections need to be done to reduce the risks associated with new projects. Market research and proper feasibility tests need to be done prior to commencement of any project. Company must try to become self-sufficient reducing dependency on shareholder.

Quarterly review; Quarter 1, 2020

SME DEVELOPMENT FINANCE CORPORATION LTD

SME DEVELOPMENT FINANCE CORPORATION
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/SDFC/Q1

Q1 2020 with Q4 2019

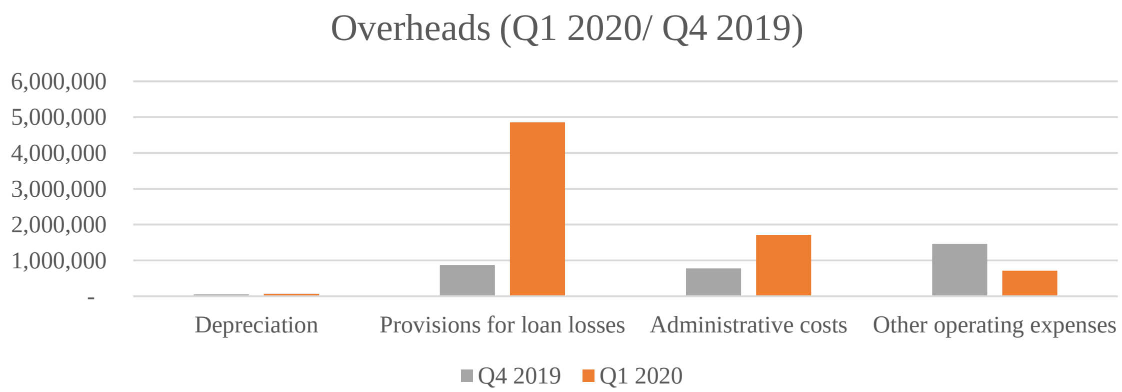
PROFITABILITY

Revenue

Since inception, SDFC started providing financial assistance to small and medium enterprises in the Maldives. As such the company generated revenue of MVR 3.74 million, 8% greater than the revenue generated in the previous quarter as interest income and fees and commission income. The company does not have any direct costs thus resulting gross profit to be equal to revenue generated.

Changes in Overheads

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



With the increase in operations, deprecation expenses increased by 33% while provision for loan losses increased by 455% compared to the previous quarter. The provision for loan losses during the quarter stands at MVR 4.9 million. NPL should be given special attention as this component of the cost shows the company's ability to assess risk and grant loans based on risk and probability of repayment. Administrative costs increased by 17% following the increased operations. The following table explains the changes in administrative expenses and other operating expenses compared to Q4 2019.

Administrative expenses include mainly salaries and wages of the employees which rose during the quarter leading overall costs of the company to increase. The most significant cost is the provision created for loan losses which rose by 455% causing overall costs to rise.

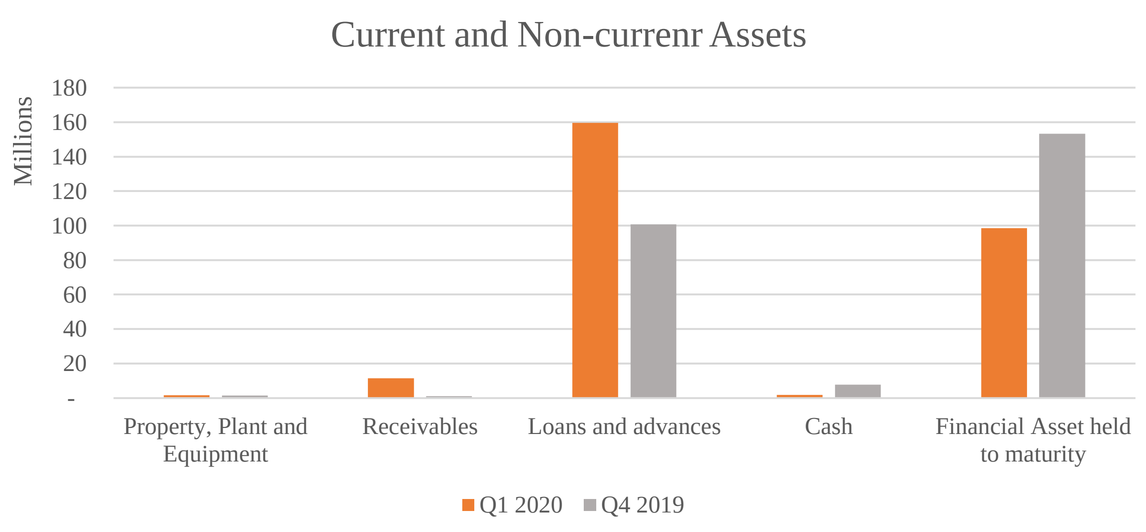
Administrative costs	Q1 2020	Q4 2019	Difference	Var %
Staff Salaries Wages and other related	1,452,259	1,229,323	222,936	0.18
Board Remunerations and Fees	138,404	137,388	1,016	0.01
Pension contribution	123,350	104,332	19,018	0.18
total	**1,714,013**	**1,471,043**	242,970	0.17

Other operating expenses reduced by 8% as explained by the below table.

Other operating expenses	Q1 2020	Q4 2019	Difference	Var %
Cleaning expenses	14,832	14,672	160	1%
Marketing and Promotion expense	-	11,565	(11,565)	-100%
Repairs and maintenance expense	54,621	142,982	(88,361)	-62%
Printing and stationary	74,786	82,448	(7,662)	-9%
Rent expense	270,000	270,000	-	0%
professional fees	2,385	-	2,385	
Annual license & Reg.fees	21,017	14,718	6,299	43%
Training and staff development	23,700	15,000	8,700	58%
electricity expenses	48,677	48,005	672	1%
water expenses	1,722	1,993	(271)	-14%
communication expenses	12,887	17,689	(4,802)	-27%
Sundry expenses	25,050	20,986	4,064	19%
Bank charges and fines	5,220	2,152	3,068	143%
Management consultancy fees	45,000	90,000	(45,000)	
Credit Information Report Fees	93,900	47,550	46,350	
Staff recreation	20,415			
Total	**714,212**	**779,760**	**(65,548)**	**-8%**

Overall, SDFC has been proactive in managing the overheads compared to other newly established companies. However, high administrative expenses resulting from increased salaries result company to transform the previously made operational gain into an operational loss during Q1, 2020.

Assets and Liabilities



After acquisition of property plant and equipment for the increased operations, SDFC's PPE balance increased by 5% compared to the previous quarter. As such the company invested over MVR 143,243 in the quarter in purchase of PPE.

The cash balance of the company reduced as the company issued loans and advances worth MVR 64 million during the quarter. Additionally, the company invested in government treasury bills of which MVR 55 million has been matured during the period.

When looking into the liabilities of the business, includes short term payables, accrued expenses and other liabilities which rose significantly compared to Q4 2019.

CONCLUSION

SDFC has an operational loss in Q1 2020 after operational profit in the previous quarter, indicates the company needs better handle on the Non-performing loan portfolio. The company needs to reassess the loan risk assessment methodology and manage the non-performing loan portfolio better. If the costs are maintained and managed well, the company is likely to have bright future in terms of the profitability.

The company investing in government treasury bills enhances the cash flow of the business. It is expected that SDFC will become self-sufficient through their operations, reducing the dependency on shareholders.

RECOMMENDATION

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

Quarterly review; Quarter 1, 2020

STATE ELECTRIC COMPANY LTD

STATE ELECTRIC COMPANY LTD
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/STELCO/Q1

Q4 2019 with Q4 2018 and Q3 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
462	504	450
Million in MVR	Million in MVR	Million in MVR

Total revenue of the company has recorded a growth of 9% and 12% compared to Q1 2019 and Q4 2019 respectively. The highest growth was contributed by the core business segment of WAMCO, i.e. electricity sales. Non-electricity sales has also achieved a decent growth of MVR 6.7 million compared to Q1 2019 and MVR 2.3 million against previous quarter.

Gross Profit

Q1 2019	Q1 2020	Q4 2019
92.2	98.9	90.3
Million in MVR	Million in MVR	Million in MVR

The gross profit of the company has also increased in Q1 2020 as a result of increase in revenue. However, there is a marginal fall in gross profit margin since the growth of cost sales is higher than that of sales.

Cost of fuel and lube oil has recorded the highest growth among cost of sales. Cost of sales of sales centers and depreciation has also increased significantly compare to other two quarters in review. The depreciation cost increased due to the additional PPE acquired in Q1 2020. During Q1 2020 WAMCO has built a new water plant in Hulhumale' and additional generation equipment's were also purchased.

Operating Profit

Q1 2019	Q1 2020	Q4 2019
53.5	60.7	30.8
Million in MVR	Million in MVR	Million in MVR

Regardless of revenue growth, the company has managed to reduce its operating expenses by MVR 20 million compared to previous quarter. The highest reduction was recorded by office expenses. Moreover, other operating expenses such as personnel expenses, HR development, travelling expenses has also reduced in Q1 2020 against previous quarter. Nevertheless, other income has increased. As a result operating profit has improved by 97% and operating profit margin has increased from 7% to 12%.

In comparison to the same period of last year, operating expenses has recorded a growth of MVR 1.8 million. However, the operating profit has increased since the revenue growth was much higher and other income has also significantly increased. There was a minor improvement in operating profit margin as well.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
0.76 TIMES	0.74 TIMES	0.83 TIMES

The current ratio of the company has declined in Q1 2020 compared to other two quarters. This is because the current liabilities of the company has increased greater than its current assets. WAMCO's current assets illustrates that current liabilities of the company exceeds its current assets. In other words, the company does not have enough current assets to cover for its current liabilities. The risk of defaulting payments to creditors increases when current assets over lower than current assets, which might affect liquidity position of the company in near future.

In addition, the main components of current assets are inventory and receivables. Due to nature of business company may find it difficult to collect the receivables as ther service provided by the company is an essential service and company may find it difficutl to disconnet the service.

Quick Ratio

Q1 2019	Q1 2020	Q4 2019
0.66 TIMES	0.65 TIMES	0.71 TIMES

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

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.16 TIMES	0.13 TIMES	0.18 TIMES

The cash ratio of the company is more alarming as the cash balance of the company only covers 13% of trade liabilities. It has further redcued in Q1 2020 because cash balance of the company has reduced while the liabilities increased.

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

LEVERAGE

Debt to Equity

Q1 2019	Q1 2020	Q4 2019
3.89 TIMES	3.05 TIMES	3.34 TIMES

Debt to equity ratio of the company is significantly high with over MVR 2.6 billion accounted as total borrowing. The equity and reserves were stated at MVR 863 million as at Q1 2020. Debt to equity ratio has reduced compared to other two quarters. The reduction in ratio compared to previous quarter is because of reduction in total debts of the company while equity and reserves increased. Company's borrowings to finance the fifth power project and the bridge interconnection project will increase until the projects are finished as these are on-going projects and the disbursements will add to the current outstanding debt of the company.

Debt to Assets

Q1 2019	Q1 2020	Q4 2019
0.62 TIMES	0.59 TIMES	0.61 TIMES

The level of the debts in relation to company's total assets has reduced over the comparable period, however the ratio is still maintained at a high level. As the financial institution would ensure the ability of STELCO in repaying existing loans, before additional loans are extended, it is important that company keep this ratio to a minimum level.

Debt to Capitalization

Q1 2019	Q1 2020	Q4 2019
80%	75%	77%

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

CONCLUSION

The performance of the company in terms of revenue and profitability has improved in Q1 2020. The company has also managed its overheads well during the quarter thereby improving the operating profit margin.

Short term liquidity position of the company is not satisfactory with lower current and quick ratios. Further, the cash ratio of the company is very critical. As a result, company may face liquidity risk in the short-term, affecting sustainability.

Financial leverage ratios of STELCO are significantly high with over MVR 2.6 billion accounted as total borrowing, when equity and reserves stands at MVR 8630 million as at Q1 2020. This is a clear indication that company is facing financial risk. Since most of the loan arrangements are repaid by government, the loan portfolios impact on the company's cash flow is less significant.

RECOMMENDATION

To maintain the sustainability of the company, STELCO must ensure both direct and indirect costs are efficiently managed without compromising its quality of service. During Q1 2020, the cost of sales has increased at a higher rate than its revenue.

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

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

Quarterly review; Quarter 1, 2020

STATE TRADING ORGANIZATION PLC

STATE TRADING ORGANIZATION PLC
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/STO/Q1

Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
2.34 Billion in MVR	2.49 Billion in MVR	2.35 Billion in MVR

STO has generated MVR 2.49 billion in Q1 2020, which is 6% higher than the revenue generated in both Q1 2019 and Q4 2019. The main revenue segment of STO is fuel sales, which contributes 69% of total revenue. Compare to previous quarter, fuel sales has increased by 3% and non-fuel sales by 12%.

Gross Profit

Q1 2019	Q1 2020	Q4 2019
353 Million in MVR	357 Million in MVR	329 Million in MVR

While revenue recorded a growth of 6%, cost of sales has also increased by 6% compared to Q4 2019 and 7% compared to Q1 2019. The gross profit of the company has also recorded growth of 9% against previous quarter and 1% against Q1 2019. The gross profit margin remained at 14%, same as previous quarter. This is because the cost of sales also increased at the same rate as the revenue.

Net Profit

Q1 2019	Q1 2020	Q4 2019
104 Million in MVR	114 Million in MVR	82 Million in MVR

The net profit of the company has significantly increased against the comparable periods. The net profit growth is 10% and 39% compared to Q1 2019 and Q4 2019 respectively. Net profit margin has also improved to 5% from 4% in other two quarters in review.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
1.06 TIMES	1.12 TIMES	1.08 TIMES

The current ratio of the company has been close to 1 for three quarters. STO's current assets are just marginally above its current liabilities. At the end of Q1 2020, current ratio has improved regardless of reduction in current assets. This is because company's current liabilities has reduced greater than that of assets.

It is also important to note that the most significant component of current assets is trade and other receivables which represents 78% of current assets and 115% of company's revenue as at Q1 2020. Although receivables has reduced compared to the past quarters, the company's receivable is still significantly high. Therefore, STO could improve the ratio by collection of its receivables.

Quick Ratio

Q1 2019	Q1 2020	Q4 2019
0.89 TIMES	0.89 TIMES	0.84 TIMES

The quick ratio shows company's short-term liquidity position and ability to meet its short-term obligations with its most liquid assets i.e. excluding inventories. STO's quick ratio is below 1 for the three quarters. Inventory of the company has reduced by MVR 145 million compared to previous quarter and current liabilities by MVR 488 million, thus there is a minimal improvement in the quick ratio.

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

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.04 TIMES	0.02 TIMES	0.03 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. STO's cash ratio is very critical as only 0.02 percent of current liabilities can only be covered by the cash balance. The cash balance of the company has reduced by MVR 63.8 million compared to previous quarter. This was also reflected in company's trade payables and short-term borrowings as it has also reduced by MVR 649 million.

LEVARAGE

Debt to Equity

Q1 2019	Q1 2020	Q4 2019
1.08 TIMES	0.96 TIMES	1.03 TIMES

Debt to equity ratio illustrates the degree to which STO is financing its operations through debt. Debt to equity ratio of STO reduced in Q1 2020 compared to other two quarters. This is because the total debts of the company has reduced from MVR 2.3 billion to MVR 2.2 billion in Q1 2020.

Debt to Assets

Q1 2019	Q1 2020	Q4 2019
0.37 TIMES	0.38 TIMES	0.37 TIMES

Debt to Assets ratio defines the total amount of debts relative to its assets. A ratio less than one means STO owns more assets than liabilities and can meet its obligations by selling its assets if needed. The lower the debt to asset ratio, the less risky the company. As shown in the figure the results have recorded a minimal increase in Q1 2020, compared to other two quarters due to reduction in total assets of the company.

Debt Capitalization

Q1 2019	Q1 2020	Q4 2019
0.52 TIMES	0.49 TIMES	0.51 TIMES

Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. Total debts of the company have reduced in Q1 2020, thus the ratio has reduced.

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

Interest Cover

Q1 2019	Q1 2020	Q4 2019
4.03 TIMES	7.41 TIMES	14.1 TIMES

The interest cover ratio measures how many times STO can cover its current interest payment with its available earnings. STO's interest coverage ratio indicate that STO have more than enough earnings to cover its interest payments. A company's ability to meet its interest obligations is an aspect of its solvency and is thus a very important factor in the return for shareholders. Regardless of increase in operating profit in Q1 2020 against previous quarter, the interest cover has significantly dropped since interest expenses has significantly increased from MVR 6.9 million to MVR 21.5 million.

CONCLUSION

The performance of STO has improved in Q1 2020 in terms of profitability. With a revenue growth of 6%, company has achieved a net profit growth of 38% compare to previous quarter. This was achieved through reducing its overheads.

Short term liquidity position of the company shows that the current assets of the company are just marginally above its current liabilities and the significant component of current asset is trade and other receivables. The cash ratio of the company is very critical and it has further reduced in Q1 2020.

In addition, total debts of the company has reduced in 2020, improving the financial leverage ratios.

RECOMMENDATION

Considering the significant amounts of trade receivables and the low cash balance, it is vital that STO improve its credit collection policies. STO can apply different credit policies for different class of customers according to the goods/services provided. Regular customers with good credit ratings can be given greater flexibility period for payment. Also, credit policies can be made according to the customer type, whether it is an individual or government institute. Nevertheless, the significant portion of receivables are from government entities.

The finance cost of the company has significantly increased in Q1 2020. Less dependence on long term loans and borrowings could reduce the finance costs and improve profitability. Due to nature of business and as fuel contributes large percentage of STO's revenue, short-term financing facilities plays an important role in managing cash flow of STO. But this dependence on short-term financing should be well balanced with receivable collections.

Quarterly review; Quarter 1, 2020

WASTE MANAGEMENT CORPORATION LTD

WASTE MANAGEMENT CORPORATION
Q1 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/WAMCO/Q1

Q1 2020 with Q1 2019 and Q4 2019

PROFITABILITY

Revenue

Q1 2019	Q1 2020	Q4 2019
58.1	76.4	56.9
Million in MVR	Million in MVR	Million in MVR

WAMCO has recorded a revenue of MVR 76.4 million, an increment of 34% compared to previous quarter. The highest revenue growth was achieved from interest income (MVR 17.9 million) and 3% (MVR 1.5 million) increment by waste management income.

Compared to the same period of last year, the revenue growth is 32%, which is mainly from interest income.

Gross Profit

Q1 2019	Q1 2020	Q4 2019
16.7	31.6	14.9
Million in MVR	Million in MVR	Million in MVR

As a result of high revenue growth, the gross profit of the company has seen a significant growth compared to other two quarters. While revenue has seen a growth of 32% and 34% against Q1 2019 and Q4 2019, cost of sales has only increased by 8% and 6%, thus gross profit margin has improved to 41% from 29% in Q1 2019 and 26% in Q4 2019.

The main direct cost of WAMCO is direct salaries and it has reduced by 12% against Q1 2019 and 3% against previous quarter. On the other hand, other direct costs has increased in Q1 2020 to MVR 16 million from MVR 8 million in Q1 2019 and MVR 12 million in Q4 2019.

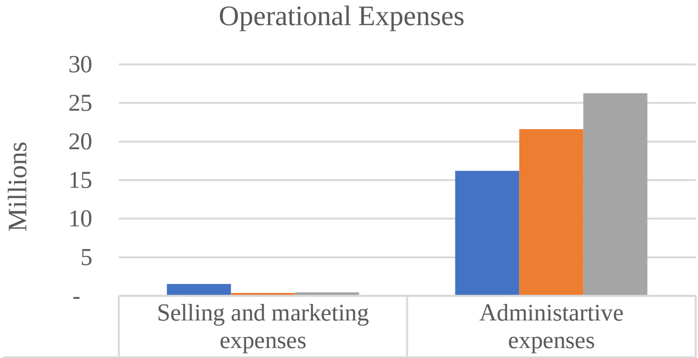
Net Profit

Q1 2019	Q1 2020	Q4 2019
-1.06	9.60	-11.9
Million in MVR	Million in MVR	Million in MVR

With revenue increment, WAMCO has also managed to reduce its operational costs in Q1 2020 against previous quarter. As a result, company has reported a net profit for Q1 2020 and net profit margin of 13%.

Compared to the same quarter of last year, operational expenses are higher in Q1 2020, however the profitability has improved as a result of revenue growth. Although net profit increased, the increase in top line is due to interest income which is not an increase of income from core business. However, the company has seen an increase in staff costs on Q1 which is likely to remain signaling that in Q2 the company's profitability may deteriorate again.

The operational expenses for the three quarters in review are shown below.



	Selling and marketing expenses	Administartive expenses
Q1 2019	1,533,653	16,225,993
Q1 2020	371,673	21,614,616
Q4 2019	474,760	26,263,359

Advertising and promotional expenses are relatively higher in Q1 2019 compared to Q1 2020.

Compared to Q1 2019, staff salaries has increased by MVR 3.8 million and water and electricity by 128%. In addition, rent expenses were incurred in Q1 2020, which was not incurred in Q1 2019.

Compared to Q4 2019, staff salaries has reduced by 3% and water and electricity by 30%.

LIQUIDITY

Current Ratio

Q1 2019	Q1 2020	Q4 2019
2.40	1.91	1.81
Times	Times	Times

WAMCO's current assets are maintained above its current liabilities. The current ratio has improved in Q1 2020 compared to previous quarter. This is because the growth of current assets is higher than the growth of payables. The growth in current assets are from the trade receivables.

Compared to the same period of last year the short-term liquidity position shows a poor position as current ratio has reduced from 2.4 to 1.91 times.

Trade and other receivables are the main component of the current and it has been increasing over the past quarters. However, compared to the growth of revenue (34%), the growth of receivables (13%) are lower in Q1 2020.

Trade and other payables has recorded a growth of 4% compared to previous quarter, which consists of 2% increment by trade payables and 7% increment by accrued expenses.

Overall liquidity position of the company is not satisfactory since the company has bulk value of cash tied up in the form of receivables which has been difficult to collect, while company has significant payables.

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.11	0.25	0.28
Times	Times	Times

Cash ratio calculates ability to repay its short-term debt with cash or near-cash resources. The cash balance of the company is relatively low compared to its current liabilities. The cash balance has reduced by 8% compared to last quarter. The operational cash flow of the company for Q1 2020 stands at MVR 1.4 million. The company is dependent on capital injected by the government for the day to day operations as WAMCO does not have the ability to be self-sufficient.

CONCLUSION

The performance of the company has improved in Q1 2020 compared to the other two quarters in review. The revenue has recorded a growth of 34% against previous quarter. Further the overheads of the company were well managed and WAMCO has made a net profit of MVR 9.6 million.

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

RECOMMENDATION

Receivables collection has been a major issue for WAMCO. A huge sum of cash has been tied up in the business in the form of receivables. Proper policies need to be set and implemented to collect the receivables and necessary policies need to be made against unrecovered receivables.