SUMMARY OF QUARTERLY REVIEW

Q2 | 20

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SECRETARIAT FOR
PRIVATIZATION AND CORPORATIZATION BOARD

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Secretariat for Privatization and Corporatization Board

SUMMARY OF QUARTERLY REVIEW

QUARTER 2, 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 two of 2020 with the quarter two 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 28 different SOEs operating in the Maldivian market, which contributes significantly to the GDP of Maldives.

	REVENUE GROWTH			
	COMPANY NAME	Q2 2019 (MVR)	Q2 2020 (MVR)	%
1	BUSINESS CENTRE CORPORATION LTD	-	-	-
2	FAHI DHIRIULHUN CORPORATION LTD	-	-	-
3	KAHDHOO AIRPORT COMPANY LTD	3,070,890	679,682	-78%
4	MALDIVES CENTER FOR ISLAMIC FINANCE LTD	-	-	
5	MALDIVES HAJJ CORPORATION LTD	3,286,028	-	-100%
6	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	-	-	
7	MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION	6,117,535	448,896	-93%
8	MALDIVES SPORTS CORPORATION LTD	29,415	-	-100%
9	SME DEVELOPMENT FINANCE CORPORATION LTD	642,731	-	
10	PUBLIC SERVICE MEDIA	31,168,386	23,279,472	-25%
11	WASTE MANAGEMENT CORPORATION	58,377,101	41,564,331	-29%
12	TRADE NET MALDIVES CORPORATION LTD	NA	-	
	TOTAL	**102,692,086**	**65,972,381**	-36%
13	ADDU INTERNATIONAL AIRPORT PVT LTD	11,352,908	2,519,697	-78%
14	BANK OF MALDIVES LTD	639,974,000	551,105,000	-14%
15	DHIVEHI RAAJJEYGE GULHUN PLC	710,824,000	546,772,000	-23%
16	FENAKA CORPORATION LTD	378,666,322	424,165,479	12%
17	GREATER MALE' INDUSTRIAL ZONE LTD	32,549,943	38,068,677	17%
18	HOUSING DEVELOPMENT CORPORATION	49,975,334	56,494,329	13%
19	HOUSING DEVELOPMENT FINANCING CORPORATION PLC	47,958,963	48,650,245	1%
20	ISLAND AVIATION SERVICES LIMITED	457,935,937	109,567,171	-76%
21	MALDIVES AIRPORTS COMPANY LTD	1,242,336,000	110,647,000	-91%
22	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	266,010,142	248,070,432	-7%
23	MALDIVES TOURISM DEVELOPMENT CORPORATION	17,301,548	13,733,360	-21%
24	MALE' WATER AND SEWERAGE COMPANY PVT LTD	262,676,739	204,402,239	-22%
25	MALDIVES PORTS LIMITED	197,347,874	121,347,871	-39%
26	STATE ELECTRIC COMPANY LTD	532,188,578	451,794,998	-15%
27	STATE TRADING ORGANIZATION PLC	2,377,856,060	1,299,195,133	-45%
28	MALDIVES POST LIMITED		480,250	
	TOTAL	**7,224,954,348**	**4,227,013,882**	**-41%**
	GRAND TOTAL	**7,327,646,434**	**4,292,986,263**	**-41%**

Q2 2020 report from SDFC not received

Q2 2019 report from Post Ltd not included as Post was operating under IASL during that period

Total revenue generated by the SOEs in Q2 2020, is MVR 4.3 billion, which is 41% (MVR 3 billion) lower than Q2 2019. The COVID-19 pandemic has affected all the economies around the world, and Maldives is no exception. The virus has pushed our economy into a lockdown which has led to an economic fall. However, the impact of this crisis is different for each company. While some of the companies were severely affected, the impact is less for others.

STO is the largest revenue generating among the SOEs, however the company has also experienced a loss of revenue by 45% compared to the same period of last year, mainly from loss of revenue from fuel due to increased market share offsetting the overall market drop in quantity from key market segments, especially tourism sector. On the other hand, revenue from pharmaceutical items and medicals equipment's has increased in the quarter.

The performance of MACL has severely affected in Q2 2020, as with the lockdown the flight movements has dropped resulting in loss of revenue from all revenue generating segments. Similarly, revenue of IAS and KACL has dropped due to reduced flight movements.

Due to the pandemic this year's pilgrimage was cancelled, hence Hajj corporation has not generated any revenue during the quarter. Further, revenue of MMPRC has also recorded a drop of 93%, as most of fairs got cancelled.

Income of BML and Dhiraagu has dropped during the quarter in comparison to the same period of last year.

Companies who have recorded increment in revenue includes Fenaka, GMIZL, HDC and HDFC. The performance of these companies were not limited due to lockdown other than restriction on front line services.

It is important to note that companies such as MCIF, BCC, FDC and MITDC have not carried out any revenue generating activities as such which could improve their performance. These are the low performing companies who constantly depend on shareholder assistance.

GROSS PROFIT

	COMPANY NAME	Q2 2019 (MVR)	Q2 2020 (MVR)	%
1	BUSINESS CENTRE CORPORATION LTD	-	-	
2	FAHI DHIRIULHUN CORPORATION LTD	-	-	-
3	KAHDHOO AIRPORT COMPANY LTD	(3,905,016)	(5,533,577)	-42%
4	MALDIVES CENTER FOR ISLAMIC FINANCE LTD	-	-	
5	MALDIVES HAJJ CORPORATION LTD	(206,852)	-	100%
6	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	-	-	
7	MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION	(16,492,432)	(9,173,542)	-44%
8	MALDIVES SPORTS CORPORATION LTD	29,415	-	100%
9	PUBLIC SERVICE MEDIA	(464,425)	7,737,969	1766%
10	SME DEVELOPMENT FINANCE CORPORATION LTD	642,731		-
11	WASTE MANAGEMENT CORPORATION	15,081,706	3,345,467	-78%
12	TRADE NET MALDIVES CORPORATION LTD	NA	-	
	TOTAL	**(5,314,873)**	**(3,623,683)**	**-32%**
12	ADDU INTERNATIONAL AIRPORT PVT LTD	6,577,148	1,484,817	-77%
13	BANK OF MALDIVES LTD	394,299,000	359,894,000	-9%
14	DHIVEHI RAAJJEYGE GULHUN PLC	265,127,000	157,801,000	-40%
15	FENAKA CORPORATION LTD	122,455,484	180,269,158	47%
16	GREATER MALE' INDUSTRIAL ZONE LTD	32,549,943	38,068,677	17%
17	HOUSING DEVELOPMENT CORPORATION	-	56,494,329	
18	HOUSING DEVELOPMENT FINANCING CORPORATION PLC	34,434,094	35,552,862	3%
19	ISLAND AVIATION SERVICES LIMITED	137,951,931	(21,080,564)	-115%
20	MALDIVES AIRPORTS COMPANY LTD	814,156,000	76,139,000	-91%
21	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	25,450,583	24,654,042	-3%
22	MALDIVES TOURISM DEVELOPMENT CORPORATION	9,966,578	9,059,867	-9%
23	MALE' WATER AND SEWERAGE COMPANY PVT LTD	154,682,829	134,702,319	-13%
24	MALDIVES PORTS LIMITED	162,215,290	97,009,861	-40%
25	STATE ELECTRIC COMPANY LTD	134,284,565	75,355,944	-44%
26	STATE TRADING ORGANIZATION PLC	326,326,368	345,393,732	6%
27	MALDIVES POST LIMITED	NA	455,179	
	TOTAL	**2,620,476,813**	**1,571,254,223**	**-40%**
	GRAND TOTAL	**2,615,161,940**	**1,567,630,539**	**-40%**

With significant loss of revenue, the overall gross profit of SOEs has dropped by 40% (by MVR 1 billion) compared to the same quarter of the previous year. Nevertheless, companies such as GMIZL, HDC, STO, HDFC, FENAKA and PSM have recorded a growth in gross profit compared to same quarter of previous year.

On the other hand, companies such as IAS have made a gross loss for the quarter attributing to the significant loss of revenue. In addition, MACL, Dhiraagu, MWSC, STELCO have experience a reduction in their gross profit.

	COMPANY NAME	Q2 2019 (MVR)	Q2 2020 (MVR)	%
	NET PROFIT			
1	BUSINESS CENTRE CORPORATION LTD	(76,487)	(2,240,167)	-2829%
2	FAHI DHIRIULHUN CORPORATION LTD	(427,905)	(1,749,567)	-309%
3	KAHDHOO AIRPORT COMPANY LTD	(5,518,700)	(7,359,841)	-33%
4	MALDIVES CENTER FOR ISLAMIC FINANCE LTD	(1,603,329)	(1,364,140)	15%
5	MALDIVES HAJJ CORPORATION LTD	(976,814)	(212,156)	78%
6	MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	(2,598,962)	(2,761,354)	-6%
7	MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION	(14,340,713)	(12,670,699)	12%
8	MALDIVES SPORTS CORPORATION LTD	(979,052)	(1,357,195)	-39%
9	PUBLIC SERVICE MEDIA	(30,623,760)	(3,109,226)	90%
10	SME DEVELOPMENT FINANCE CORPORATION LTD	(746,543)		-
11	WASTE MANAGEMENT CORPORATION	(7,970,908)	(18,324,872)	-130%
12	TRADE NET MALDIVES CORPORATION LTD	NA	(1,288,017)	
	TOTAL	**(65,863,173)**	**(52,437,233)**	**-20%**
13	ADDU INTERNATIONAL AIRPORT PVT LTD	(9,642,711)	(15,320,955)	-59%
14	BANK OF MALDIVES LTD	251,819,000	106,282,000	-58%
15	DHIVEHI RAAJJEYGE GULHUN PLC	210,583,000	129,576,000	-38%
16	FENAKA CORPORATION LTD	29,804,123	21,954,795	-26%
17	GREATER MALE' INDUSTRIAL ZONE LTD	15,936,366	11,089,374	-30%
18	HOUSING DEVELOPMENT CORPORATION	(48,407,782)	(3,632,071)	92%
19	HOUSING DEVELOPMENT FINANCING CORPORATION PLC	23,432,934	23,308,503	-1%
20	ISLAND AVIATION SERVICES LIMITED	(12,514,996)	(110,165,694)	-780%
21	MALDIVES AIRPORTS COMPANY LTD	346,097,900	(166,109,000)	-148%
22	MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	14,382,726	15,053,431	5%
23	MALDIVES TOURISM DEVELOPMENT CORPORATION	6,303,418	5,170,218	-18%
24	MALE' WATER AND SEWERAGE COMPANY PVT LTD	75,225,989	74,051,843	-2%
25	MALDIVES PORTS LIMITED	31,257,054	(8,131,011)	-126%
26	STATE ELECTRIC COMPANY LTD	68,685,463	2,929,390	-96%
27	STATE TRADING ORGANIZATION PLC	76,637,127	104,924,225	37%
28	MALDIVES POST LIMITED		(8,263,647)	
	TOTAL	**1,079,599,611**	**190,981,049**	**-82%**
	GRAND TOTAL	**1,013,736,438**	**138,543,816**	**-86%**

SOE's generated a net profit of MVR 138 million in the second quarter of 2020, a reduction of 86% (MVR 875 million) compared to the same quarter of the previous year.

When looking into individual performance, except for the net profits of STO and MTCC the net profits of all the SOEs have deteriorated. MACL and PORTS were profit generating companies, however it has ended up with a net loss in Q2 2020 due to significant loss of revenue. In addition, the loss of IAS has increased in Q2 2020 to MVR 110 million.

On the other hand, companies like MCIF, HAJJ, MMPRC and HDC has reduced their net loss in Q2 2020.

SHORT TERM LIQUIDITY RATIOS				
	Q2 2019 (MVR)		Q2 2020 (MVR)	
COMPANY NAME	Current Ratio (Times)	Quick Ratio (times)	Current Ratio (times)	Quick Ratio (times)
BUSINESS CENTRE CORPORATION LTD	0.41	N/A	1817 ↑	N/A
FAHI DHIRIULHUN CORPORATION LTD	138.50	N/A	61.9 ↓	N/A
KAHDHOO AIRPORT COMPANY LTD	33.00	31.90	21 ↓	21↓
MALDIVES HAJJ CORPORATION LTD	12.40	12.20	0.88 ↓	0.86 ↓
MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION	0.53	N/A	0.51 ↓	N/A
MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION	1.02	N/A	1.03 ↑	N/A
MALDIVES SPORTS CORPORATION LTD	5.64	5.64	8.73 ↑	8.73 ↑
MALDIVES CENTER FOR ISLAMIC FINANCE LTD	0.57	N/A	0.33↓	N/A
PUBLIC SERVICE MEDIA			0.19 ↑	0.19 ↑
WASTE MANAGEMENT CORPORATION	2.11	N/A	1.54 ↓	N/A
TRADE NET MALDIVES CORPORATION LTD	N/A	N/A	4.09	N/A
ADDU INTERNATIONAL AIRPORT PVT LTD	0.09	0.06	0.13 ↑	0.11 ↑
DHIVEHI RAAJJEYGE GULHUN PLC	1.54	1.45	1.31 ↓	1.25 ↓
FENAKA CORPORATION LTD	0.64	0.40	0.74 ↑	0.36 ↓
GREATER MALE' INDUSTRIAL ZONE LTD			4.25 ↓	3.25 ↑
HOUSING DEVELOPMENT CORPORATION	3.43	1.02	4.17 ↑	0.79 ↓
ISLAND AVIATION SERVICES LIMITED	0.89	0.74	0.91 ↑	0.84 ↑
MALDIVES AIRPORTS COMPANY LTD	2.45	2.21	1.63 ↓	1.43 ↓
MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	1.28	0.91	1.47 ↑	1.09 ↑
MALDIVES TOURISM DEVELOPMENT CORPORATION	0.25	N/A	2.37 ↑	N/A
MALE' WATER AND SEWERAGE COMPANY PVT LTD	1.18	0.88	1.6 ↑	1.16 ↑
MALDIVES PORTS LIMITED	5.00	2.90	1.05 ↓	0.41 ↓
STATE ELECTRIC COMPANY LTD	0.82	0.70	0.77 ↓	0.65 ↓
STATE TRADING ORGANIZATION PLC	1.06	0.86	1.13 ↑	0.89 ↑
MALDIVES POST LIMITED	N/A	N/A	1.4	1.39

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. 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.

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, the ideality might differ from industry to industry and the perfect ratio depends on company's nature. Likewise, in theory however, a high ratio (over 3) does not necessarily indicate that a company is in a state of financial well-being. As such, depending on how the company's assets are allocated, a high current ratio may suggest that that company is not using its current assets efficiently, or is not securing financing well, or perhaps is not managing its working capital effectively.

The companies with favorable current ratio include STO, MPL, MWSC, MTDC, MTCC, MACL, HDC, GMIZL, Dhiraagu and WAMCO. These companies have enough current assets to cover their current liabilities.

As per the above table BCC, FDC and KACL has the highest current ratio, however this represent the cash balance of the company which is capital injected by the government. These idle cash sit in the business covering up the operational expenses of the company.

Most of the SOE's liquidity position is unsatisfactory with high amounts of current liabilities relative to their current assets. For instance, STELCO, Fenaka, AIA, and IAS have fewer current assets compared to their current liabilities. the liquidity problems of SOEs are getting worse with growing receivables.

FINANCIAL LEVERAGE RATIOS				
COMPANY NAME	Q2 2019		Q2 2020	
	Debt to Equity (times)	Debt to Assets (times)	Debt to Equity (times)	Debt to Assets (times)
ADDU INTERNATIONAL AIRPORT PVT LTD	(11.82)	0.66	(5.02) ↓	0.72 ↑
FENAKA CORPORATION LTD	126	12.60	8.63 ↑	5.5 ↑
HOUSING DEVELOPMENT CORPORATION	0.55	0.29	0.64 ↑	0.35 ↑
ISLAND AVIATION SERVICES LIMITED	0.43	0.21	0.49 ↑	0.18 ↓
MALDIVES AIRPORTS COMPANY LTD	1.01	0.44	1.03 ↑	0.45 ↑
MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC	0.67	0.31	0.51 ↓	0.24 ↓
MALE' WATER AND SEWERAGE COMPANY PVT LTD	0.09	0.05	0.12 ↑	0.08 ↑
MALDIVES PORTS LIMITED	0.14	1.13	0.18 ↑	0.11 ↓
PUBLIC SERVICE MEDIA	0.19	0.133	0.18 ↓	0.13 ↓
STATE ELECTRIC COMPANY LTD	3.04	0.52	2.49 ↓	0.47 ↓
STATE TRADING ORGANIZATION PLC	0.16	0.06	0.76 ↑	0.29 ↑

The above listed companies are the companies who owes debts as means of financing for investments. Based on the ratios, Fenaka has the highest gearing ratio in Q2 2020, however compared to the same quarter of last year the gearing has significantly reduced due to reduction in borrowings.

AIA holds second highest ratio of gearing. The rise in borrowing is not healthy for a company like AIA where they do not have the potential to repay the debts and has to depend on the capital injections from the shareholders.

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. In addition, STO and HDC also have significant amount of borrowing increasing the financial risk.

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. AIA has a negative equity resulting from accumulated losses over the consecutive quarters.

CONCLUSION

Owing to the COVID-19 pandemic and lockdown of the country, the second quarter of 2020 was a poor performing quarter for all the SOEs. As a result, the overall revenue of the companies has dropped by over MVR 3 billion compared to Q2 2019. Likewise, the profitability has also reduced by over MVR 875 million.

Only STO and MTCC were able to increase their net profits during the quarter. This is because of the nature of the company. The sale of pharmaceutical and medicals equipment's has increased during the quarter. However, the overall performance of MTCC was affected due to the impact of pandemic, the growth is due to lower profits in Q2 2019. (high finance cost)

Companies such as MACL, IASL, PORTS, STELCO 's performance has dropped during the quarter with significant loss of revenue. Public companies like BML, Dhiraagu and MTDC has also faced declined profitability.

SOEs such as AIA, KACL, MCIFL, MSCL, 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 2, 2020

AASANDHA COMPANY LTD

Report No: PEM/2020/ACL/Q2

Q2 2020 with Q2 2019 and Q1 2020

INCOME AND EXPENSES

Income

Q2 2019	Q2 2020	Q1 2020
9.08	11.4	12.8
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 9 million, MVR 8.4 million and MVR 10 million in Q2 2019, Q2 2020 and Q1 2020 respectively. Apart from that the company received income as pharmacy commission of MVR 2 million in Q2 2020 and Q1 2020.

Operating Expenses

Q2 2019	Q2 2020	Q1 2020
12.9	11.4	10.9
Million in MVR	Million in MVR	Million in MVR

Compared to previous quarter and Q2 2019, total operating expenses have reduced mainly due to reduction in other operating expenses and administrative expenses.

The details of other operating expenses and administrative expenses are summarized in the following tables.

EXPENSESS FOR ADMINISTRATION	Q2 2019	Q2 2020	Q1-2020
Salary and Benefits	8,825,355	8,192,894	7,519,909
Utility Costs	361,516	299,384	376,910
Communication Expenses	450,979	507,402	432,913
Rents	1,140,946	1,125,724	1,200,946
License & Registration Fees	348		2,000
Directors Expenses	124,794	132,780	140,280
Printing and Stationery	161,620	678	38,116
Depreciation and Amortisation	1,183,883	953,387	1,162,203
Total	**12,249,441**	**11,212,249**	**10,873,277**

OTHER OPERATING EXPENSES	Q2 2019	Q2 2020	Q1 2020
Travelling Expenses	174,807	-	28,193
Professional Services	126,810	30,000	188,110
Audit Fee	263,682	-	-
Scholarship and Training	-	-	52,862
Repairs and Maintenance	97,498	82,697	156,080
Security service	-	-	-
General Expenses	30,676	10,807	1,442,820
Office Cleaning	0	5,544	5,460
Sundry Expenses	33,119	14,933	30,377

Medical Consumables	-	-	-
Total	726,592	143,981	1,903,902

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
1.02 Times	1.04 Times	1.02 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. 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

Q2 2019	Q2 2020	Q1 2020
0.16 Times	0.07 Times	0.11 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.

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 reduced compared to Q1 2020 and Q2 2019 which includes administrative expenses and other operating expenses. In order to maximize returns, it is important for the company to maintain the expenses low. However, Aasandha is not a profit-making company, rather a service-based welfare company established fulfil the medical needs of the citizens. Going forward converting company business model to an insurance company is important.

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

RECOMMENDATION

It is important that Aasandha manages its operational expenses efficiently to help become a self-sufficient company for its long-term stability. More importantly, it is vital that company re-engineer its current process of managing scheme, preferably to 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 2, 2020

ADDU INTERNATIONAL AIRPORT PVT LTD

Report No: PEM/2020/AIA/Q2

Q2 2020 with Q1 2020 and Q2 2019

PROFITABILITY

Revenue

Q2 2019 **11.35** Million in MVR | Q2 2020 **2.52** Million in MVR | Q1 2020 **19.0** Million in MVR

Revenue of the quarter had a sharp decline of 78% compared to the same quarter of the previous year. It is also 87% less than the revenue generated in the first quarter of the year. Revenue reduced from all the revenue components contributed by the less number of jets operated in the airport. The number of aircraft movements reduced amid covid-19 pandemic in Q2, 2020 which is summarized in the following table.

Number of Aircraft Movements	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Domestic Operators						
Island Aviation Services Limited	98	473	491	451	455	476
Villa Air Pvt Ltd	2	2	0	0	64	86
Manta Air	7	0	2	0	1	2
Scheduled International Flights	0	33	39	39	35	40
Passenger Charters	0	0	5	1	1	2
Intl Adhoc Aircraft	3	25	24	15	13	50
Total	**110**	**533**	**561**	**506**	**569**	**656**

The number of flights operating into the airport reduced drastically and currently the company is catering daily one to two domestic flight and scheduled international flights are on halt since the borders were closed during the period.

Gross Profit

Q2 2019 **6.58** Million in MVR | Q2 2020 **1.48** Million in MVR | Q1 2020 **10.5** Million in MVR

Compared to the same quarter of the previous year and the previous quarter, Gross profit fell significantly by 77% and 86% respectively, following a fall in revenue compared to both quarters due to less airline movements. The direct costs of the company mainly include the cost of jet fuel expenses which reduced by 78% and 88% compared to Q2 2019 and Q1 2020, following less number of jets being operated. Therefore, gross profit margin improved slightly compared to Q2 2019 and Q1 2020.

Net Profit/loss

Q2 2019 **-16.6** Million in MVR | Q2 2020 **-15.3** Million in MVR | Q1 2020 **-10.8** Million in MVR

Net loss for the quarter further deteriorated to MVR 15.3 million following the loss of revenue, In addition to this, operating expenses increased by 2.75% compared to Q2 2019. However, operating expenses of the company reduced compared to Q1 2020. The operating expenses and administrative expenses of the company are summarized by the following table.

Operating Expenses	Q1 2020	Q2 2020	Q2 2019
Depreciation	6,322,999	6,322,308	6,039,433
Amortization	155,360	155,360	155,360
Employee benefit expense	8,291,847	8,459,083	8,915,691
Electricity	1,014,065	655,743	944,842
Uniform Expenses		3,500	14,178
Supplies and Requisites	207,011	257,617	201,521
Fuel Expenses	140,655	57,207	89,477
Repair and maintenance	302,176	78,785	48,784
Subscription expenses	517,741	468,799	420,502
Hire charges	162,050	237,016	376,744
Freight and duty charges	158,185	565,992	60,251
Consultancy expense	1,220,700	483,900	
Telephone Expenses	104,167	92,948	94,585
Total	**18,596,956**	**17,838,258**	**17,361,368**

Administrative expenses	Q1 2020	Q2 2020	Q2 2019
Insurance Expenses	645,358	586,518	637,233
Bank charges	15,287	10,518	19,675
Travelling expenses	121,176	10,898	28,048
Directors fee	96,000	80,000	90,000
Printing and Stationary	30,603	13,619	25,639
fines and penalties	513	3,648	
Others	232,183	149,602	39,920
Total	**1,141,120**	**854,803**	**840,515**

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
0.09 Times	0.13 Times	0.15 Times

The low current ratio of the company signifies the liquidity issues in the company.

Compared to Q2 2019, current assets increased by MVR 21 million while current liabilities increased by MVR 42 million, resulting a slight improvement in the current ratio.

However, compared to the previous quarter, total current assets reduced by MVR 12 million while current liabilities increased by MVR 2.5 million. Thus Current ratio reduced to 0.13:1.

The greatest portion of the current assets are held by receivables while the current liabilities hold a greatest share of trade payables. Total trade payables and receivables in the three comparable quarters are shown in the following table.

Trade and other receivables	Q2 2019	Q2 2020	Q1 2020
Receivables	32,875,014	46,390,961	48,886,321
Less: Provision for impairment	(19,296,132)	(21,674,914)	(21,674,914)
	13,578,882	24,716,047	27,211,407
Prepayments	2,797,477	10,130,186	10,183,428
Staff loan		50,000	
Other Receivables	18,359,185	16,684,018	16,444,495
less: Provision for impairment	(13,266,774)	(13,266,774)	(13,266,774)
Total	**21,468,770**	**38,313,477**	**40,572,556**

Trade and other payables	Q2 2019	Q2 2020	Q1 2020
Trade payables	222,198,959	244,354,450	241,529,796
Contractor Payments	63,605	63,605	63,605
Accrued expenses	596,379	1,837,179	859,383
Other Payables	13,764,708	10,362,906	11,660,648
Total	**236,623,651**	**256,618,140**	**254,113,432**

Quick Ratio

Q2 2019
0.06
Times

Q2 2020
0.11
Times

Q1 2020
0.12
Times

Inventories of the company reduced by MVR 0.98 million (10%) compared to Q1 2020, hence quick ratio of the company has reduced. Inventories of the company include mainly jet fuel which reduced due to less jet operations. Details of the inventory of the company is summarized by the following table.

Inventories	Q2 2019	Q2 2020	Q1 2020
Jet Fuel	10,379,534	7,147,606	8,130,250
Spares and others	1,128,334	1,666,903	1,666,903
Total	**11,507,868**	**8,814,509**	**9,797,153**

Cash Ratio

Q2 2019
-0.002
Times

Q2 2020
0.015
Times

Q1 2020
0.023
Times

AIA has an insignificant cash ratio compared to the liabilities owed by the business. AIA has a negative cash balance in Q2 2019 from their operations which is positive in the current 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

Q2 2019
-11.8
Times

Q2 2020
-5.02
Times

Q1 2020
-6.09
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

Q2 2019
0.66
Times

Q2 2020
0.72
Times

Q1 2020
0.71
Times

Debt to Assets ratio also increased slightly compared to Q2 2019 and Q1 2020 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 Q1 2020 and Q2 2019 due to less operations. High operational costs along with the loss in revenue resulted in net losses over the quarters.

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, rather the company needs to formulate mechanisms to further control operational expenditure.

Quarterly review; Quarter 2, 2020

BANK OF MALDIVES LTD

BANK OF MALDIVES LTD
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/BML/Q2

Q2 2020 with Q2 2019 and Q1 2020

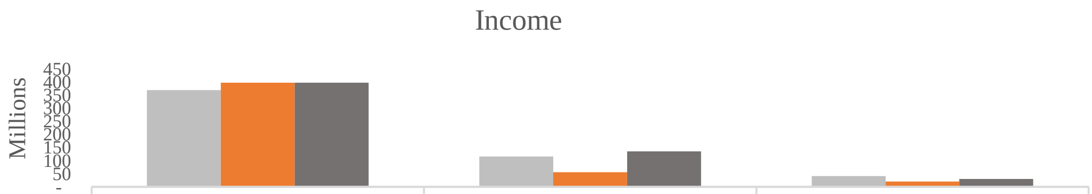
PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
640	551	685
Million in MVR	Million in MVR	Million in MVR

Due to the Covid-19 pandemic the global banking sector was affected in terms of liquidity, profitability and on credit losses. Thus, BML has also experienced weaker results, hence total income of the company has significantly declined in Q2 2020. During the quarter, the Bank supported customers with a 6-month loan and financing moratorium, working capital financing as well as short-term financing for businesses including those in the heavily impacted tourism sector.

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
Q2 2019	369,745,000	116,307,000	40,880,000
Q2 2020	397,980,000	55,570,000	19,885,000
Q1 2020	398,727,000	135,534,000	29,848,000

Net interest income of the company shows a small reduction against other quarters. Fee and other income on the other hand, shows a reduction of MVR 79.9 million against previous quarter as a result of moratorium. Other operating income has also reduced by 33% compared to previous quarter.

Compared to Q2 2019, the total income shows a reduction of MVR 53 million (10%). As per annual report of BML, Cards and other fee income lines however have shown some recovery in the month of June and are expected to show further improvement as the economy re-opens.

Net Interest Margin

Q2 2019	Q2 2020	Q1 2020
1.51%	1.42%	1.48%

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 in Q2 2020, the net interest margin has also reduced compared to other two quarters. However, the total interest earning assets has increased by MVR 1.05 billion mainly from Cash, Short term Funds & Balances with MMA.

Profitability

Q2 2019	Q2 2020	Q1 2020
251	106	291
Million in MVR	Million in MVR	Million in MVR

The profitability of the bank has significantly declined in Q2 2020. This attributes to the fall in income and high Provision for Bad and Doubtful debts. While gross income has recorded a drop of 20%, net profit has reduced by 63% against previous quarter. Further, provision have recorded an increase of MVR 185 million compared to previous quarter.

The bank has cut down their personnel expenses by MVR 13.5 million and marketing and CSR expense by MVR 2.8 million and operational and administrative expenses by 6.5 million compared to previous quarter.

CAPITAL MANAGEMENT

The bank has solid financial platform consisting of deposit base of MVR 20 billion and assets of MVR 29 billion. Further, total assets of the bank grew by MVR 1.2 billion compared to Q2 2020.

Total Assets	Q2 2019	Q2 2020	Q1 2020
Cash, Short term Funds & Balances with MMA	7,025,082,000	7,773,747,000	7,237,085,000
Loans and Advances	12,534,981,000	13,798,014,000	13,716,863,000
financial Investments- FVOCI	144,526,000	209,688,000	209,688,000
Financial Investments- Amortized Cost	4,829,787,000	6,224,631,000	5,787,487,000
Property, Plant and Equipment	423,767,000	551,754,000	551,428,000
Right-of-use Assets		176,321,000	176,321,000
Other Assets	241,206,000	547,344,000	315,117,000
Total Assets	**25,199,349,000**	**29,281,499,000**	**27,993,989,000**

Cash, Short term Funds & Balances with MMA shows the highest increment among assets of MVR 536 million against Q1 2020. In addition, financial investments and other assets also shows healthy growth.

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

Total Liabilities	Q2 2019	Q2 2020	Q1 2020
Deposits	16,893,840,000	19,916,426,000	18,656,291,000
Borrowings	753,891,000	746,356,000	948,264,000
Lease Liabilities	-	155,143,000	155,143,000
Other Liabilities	1,175,990,000	1,259,435,000	1,136,434,000
Total Liabilities	**18,823,721,000**	**22,077,360,000**	**20,896,132,000**

Total liabilities of the bank also grew in Q2 2020, by MVR 1.18 billion compared to previous quarter mainly from deposits and other liabilities. 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

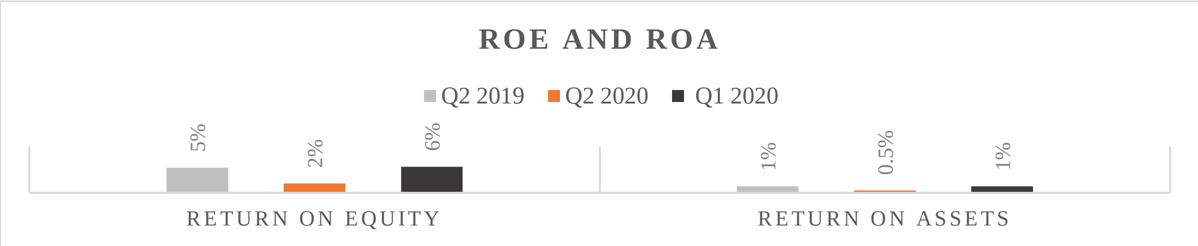
Q2 2019	Q2 2020	Q1 2020
0.74 TIMES	0.69 TIMES	0.74 TIMES

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 riskier the bank. The Loans to Assets ratio should be as close to 1 as possible, but anything bigger than 1.1 can mean that the bank gives more loans than it has in deposits, borrowing from other banks to cover the shortfall. That is considered risky behavior.

The bank has maintained the ratio at below 1 for three quarters in review and it has further reduced in Q2 2020 as a result of growth in deposits.

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

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



Both ratios have declined in Q2 2020, as a result of reduction in bank’s profitability. 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. With fall in income and high provisions, bank’s net profit has significantly reduced in Q2 2020.

Capital and liquidity ratios are maintained above the regulatory requirements and has a positive cash flow position. As per the company, the Bank has adequate levels of liquidity, and has also secured a significant USD funding line from International Finance Corporation which will provide further support.

RECOMMENDATION

Due to the global pandemic, the bank has given leniency to customers on interest payments, hence 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.

Quarterly review; Quarter 2, 2020
DHIVEHI RAAJEYGE GULHUN PLC LTD

DHIVEHI RAAJJEYGE GULHUN PLC
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/DHIRAAGU/Q2

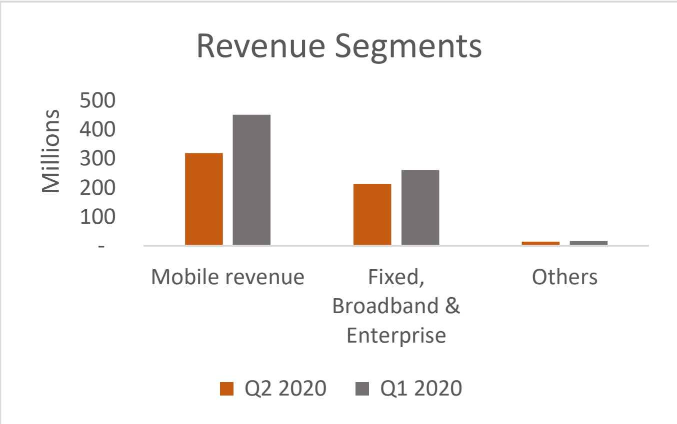
Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
710	546	728
Million in MVR	Million in MVR	Million in MVR

Dhiraagu reported a 25% decrease in revenue compared to Q1 2020 and 23% reduction compared to Q2 2019, primarily due to the economic impact of the pandemic. As per the company, the reduction in revenue was seen from all key areas of the business, but the most significant impact was recorded in roaming revenues and revenue from the tourism sector which has been severely impacted due to the closure of borders and cessation of tourism throughout Q2.



Mobile revenue has seen a reduction of MVR 132.8 million (29%) compared to previous quarter. Further, fixed and broad band revenue reduced by MVR 46.7 million. This significant reduction is mainly due to the special discounts and extra data allowances offered to customer from March through to June.

During the quarter, company has also offered bill payment extensions up to two months to customers from bill creation date

Operating Profit

Q2 2019	Q2 2020	Q1 2020
265	157	313
Million in MVR	Million in MVR	Million in MVR

The company has reduced its Operating costs to partly mitigate the revenue impact. However, this has been offset by an increase in bad debt due to a higher payment default rate as customers face challenges settling bills due to the wider economic challenges posed by the COVID-19. As a result, the operating profit has declined over MVR 156 million against previous quarter. Likewise, the operating profit margin reduced from 43% to 29% in Q2 2020.

Net Profit

Q2 2019	Q2 2020	Q1 2020
210	129	255
Million in MVR	Million in MVR	Million in MVR

For the second quarter of 2020, Dhiraagu has reported a net profit of MVR 129 million, which is 49% less than previous quarter and 38% less than the same period of last year. As per the annual report, the business will continue to be impacted by COVID-19 until tourism and the wider economy recovers from the pandemic.

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
1.54 TIMES	1.31 TIMES	2.17 TIMES

The current ratio shows a significant reduction in Q2 2020 compared to previous quarter as current liabilities has grown at much higher rate than its current assets. The highest increase was recorded by amounts due to related party, which is over MVR 321 million.

Nevertheless, company's current ratio is still favorable, since current assets exceeds current liabilities. It has to be highlighted that Dhiraagu has significant receivables which comprise of 136% of company's sales of Q2 2020. A significant and increasing receivable is a major concerning issue for a business as it represents a drain on cash for the company. However the receivable may have remained high due to company's offer to delay payment of bills.

Quick Ratio

Q2 2019	Q2 2020	Q1 2020
1.45 TIMES	1.25 TIMES	2.09 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. The reduction in ratio was attributable to increase in inventory by 23% and increase in current liabilities by 84% compared to previous quarter.

Cash Ratio

Q2 2019	Q2 2020	Q1 2020
0.59 TIMES	0.63 TIMES	0.90 TIMES

Dhiraagu has a solid cash balance and it has further improved in Q2 2020, by over MVR 175 million compared to previous quarter. Regardless of improvement in cash balance, the ratio has declined as current liabilities has grown at a much higher rate.

The operating cash flow of the company has improved against previous quarter, indicating Dhiraagu generated more cash through operational activities.

Since COVID-19 has impacted company's cash flow and financial resources mainly due to the reduction in revenues and delayed collections by customers. The impact from the loss of tourism has also caused shortage of foreign exchange in the market, which in turn affects the Company's ability to meet operating and capital investment commitments. As per the annual report, the Company has been able to renegotiate terms with its key suppliers in most instances to defer some of its foreign currency obligations. Although the Company is confident in its ability to generate cash inflow, its ability to obtain foreign currency will depend on market conditions.

LEVARAGE

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

CONCLUSION AND RECOMMENDATION

COVID-19 has had a significant impact on the Company's results during Q2 2020. Dhiraagu reported a 25% decrease in revenue compared to Q1 2020 primarily due to the economic impact of the pandemic. The reduction was seen from all the key areas of the business. To mitigate the revenue impact, Dhiraagu has reduced its operating expenses, however the profit has declined due to increase in bad debt due to a higher payment default rate as customers face challenges settling bills due to the wider economic challenges posed by the COVID-19.

The short-term liquidity position looks favorable with significant current assets compared to current liabilities. Further, the cash and cash equivalents has seen a significant growth in this quarter. Nevertheless, company should try to reduce its receivables as compared to company's sales the trade receivables are huge.

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

The company expects that the business will continue to be impacted by COVID-19 until tourism and the wider economy recovers from the pandemic. However, it is not possible to accurately predict the impact on future results considering the current uncertainty.

Quarterly review; Quarter 2, 2020

FAHI DHIRIULHUN CORPORATION LTD

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Operating Profit

Q2 2019	Q2 2020	Q1 2020
-429,904	-1.75	-1.53
In MVR	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 in the preceded quarters till the end of Q21 2020. The operational loss of MVR 1.75 million and MVR 1.53 million in Q2 2020 and Q1 2020 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, resulting future cash in-flows. 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.

Net Profit

Q2 2019	Q2 2020	Q1 2020
-429,904	-1.75	-1.53
In MVR	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

Q2 2019	Q2 2020	Q1 2020
138	54	62
TIMES	TIMES	TIMES

The capital injected by the government holds the greatest portion of the current assets of the business. Alongside, current liabilities increased significantly as a result of unpaid regular payments at the end of the quarter.

Cash Ratio

Q2 2019	Q2 2020	Q1 2020
138	51	60
TIMES	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 2, 2020

FENAKA CORPORATION LTD

FENAKA CORPORATION LTD
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/FENAKA/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
379	424	420
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 Q2 2019 revenue increased by 12% (MVR 45 million) and compared to Q1 2020, revenue improved by 1% (MVR 4 million.

Revenue	Q1 2020	Q2 2020	Q2 2019
Business	40,750,469	36,413,827	37,529,997
Business Special	23,176,753	24,043,204	22,752,839
Domestic	113,021,731	88,087,314	111,426,233
Government	70,260,939	59,164,482	66,113,779
Water	6,949,333	6,965,726	4,934,591
Others	39,150,952	2,093,016	14,756,716
Tariff Rate Difference	126,817,875	144,599,048	121,152,168
Government Subsidy (Covid 19)		62,798,863	
Total	**420,128,052**	**424,165,479**	**378,666,322**

Revenue generated by the company increased despite the pandemic is mainly due to government subsidy amid the pandemic.

Gross Profit

Q2 2019	Q2 2020	Q1 2020
122	180	154
Million in MVR	Million in MVR	Million in MVR

Gross profit shows an upturn compared to the comparable quarters Q2 2019 and Q1 2020. Compared to both quarters, direct costs redued proportionately by 5% and 8% compared to Q2 2019 and Q1 2020. The main direct costs of the company include diesel, lubricant oil, spares and cables used in power production. Due to reduction in direct costs while revenue increased shows an upward trend in gross profit margin.

Operating Profit

Q2 2019	Q2 2020	Q1 2020
29.9	71.9	28.6
Million in MVR	Million in MVR	Million in MVR

Compared to Q2 2019 and Q1 2020 operating profit also increased showing improvement in operational margin. However, compared to Q2 2019 administrative costs and other operating expenses increased in the quarter by 16% (MVR 15 million) and 171% respectively. The administrative expenses compared to Q1 2019 is explained by the following table. Administrtaive expenses as such salary and allowances, transport expenses and staff welfare expenses increased compared to Q1 2020 and Q2 2019.

Administrative Costs	Q2 2019	Q2 2020	Q1 2020
Salary and Allowances	75,855,145	94,623,163	75,874,237
Board Members Remunerations	181,115	165,215	186,151
Staff Development Expenses	50,633		9,000
Travelling expenses - Domestic	288,522	317,092	305,473
Travelling Expenses - Overseas	66,553		303,589
Air freight, Courier & Postage Charges	7,903		36,217
Rental charges	52,162	25,918	84,935
Telephone charges	2,509,468	2,119,724	2,044,568
Printing and Stationary	249,951	91,750	287,655
Rent charges	1,717,414	1,657,745	1,614,094
Water Charges	25,390	85,082	41,592
Cleaning Expenses	183,766	106,715	196,237
Meals and Refreshments	93,686	71,385	197,104
Food and accommodation	1,606,807	899,715	4,081,856
Air ticket expenses	34,206	294,331	733,352
Customs duty and clearing charges	806,959	111,402	15,000
Travel allowance	111,020		
Interior Design Expenses	-		2,170
Compensation Expenses	510,175	17,018	745,991
Internet hosting charges	43,901		10,131
Transport expenses	2,235,990	2,665,339	2,528,921
Entertainment	33,335		49,719
Miscellaneous Expenses	74,292	15,220	142,715
Sponsorship	29,520		7,500
Electricity charges	256,687	25,598	168,273
Transport expenses Speed boat hiring	297,662	342,900	597,813
Petrol expenses	198,907	346,339	506,067
Vehicle and Vessel annual fees	2,561		120,742
Insurance expense	67,966		54,400
FNK Recreation club expenses	227,751		382,480
Redundancy expenses	233,166		62,043
Staff Welfare expenses	66,236	1,376,300	6,300
Fine expenses	1,331,024		
Customs clearing & Handling charges	9,360		104,380
Indirect Labor cost	31,800		673,150
Software support charges	117,484		
Outstation allowance	51,500		241,530
Employee of the month bonus	25,000	37,500	12,500
Events, Ceremony and celebration expenses	93,901		
Charity and Contributions	7,000		272,813
Consultant's expenses - local	105,000		444,705
Website development cost			100,000
Marketing and advertising			193,000
Pension - Company contribution		939,414	2,703,668
Software license renewals and subscriptions	2,368,956		70,300
demurrage charges			16,672
Seminar and conference participation			12,336
Annual fee			60,244
Temporary staff salary		145,800	
CSR expenses		831,004	6,140
Total	**92,259,875**	**107,311,669**	**96,307,761**

Net Profit

Q2 2019	Q2 2020	Q1 2020
29.8	71.3	7.64
Million in MVR	Million in MVR	Million In MVR

The company had a net profit of MVR 71 million the quarter which is 834% greater than Q1 2020 and 139% greater than Q2 2019. All the thanks is to the government contribution as COVID relief to the revenue of the company and reduction of direct costs effectively by the company.

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
0.76	0.74	0.97
TIMES	TIMES	TIMES

When looking into the liquidity, current ratio reduced to 0.74:1 compared to Q2 2019 and Q1 2020. This is mainly because of increase in short term liabilities are greater than the increase in the short-term assets of the company compared to both Q1 2020 and Q2 2019. All components of current assets increased compared to Q1 2020 while trade payables increased significantly by 56% compared to Q1 2020. Trade payables increased compared to Q1 2020 and Q2 2019 weakening the liquidity position of the company.

Quick Ratio

Q2 2019	Q2 2020	Q1 2020
0.48	0.36	0.45
TIMES	TIMES	TIMES

Quick ratio also reduced reflecting the increased payables compared to Q2 2019 and Q2 2020. 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

Q2 2019	Q2 2020	Q1 2020
0.05	0.02	0.03
TIMES	TIMES	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 Q2 2020 this ratio further reduced weakening the liquidity of the company in terms of the cash they hold.

LEVERAGE

Debt to Equity

Q2 2019	Q2 2020	Q1 2020
126%	8.63%	8.76%

Debt to Equity ratio reduced compared to Q2 2019 and Q1 2020. This is mainly because borrowings have reduced compared to Q2 2019. Compared to Q1 2020, 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

Q2 2019	Q2 2020	Q1 2020
12.6%	5.5%	6.29%

Compared to the Q2 2019 and Q1 2020 debt to Asset ratio has been reduced in Q2 2020. Total Assets of the company increased significantly over the comparable quarters reducing the debt to assets ratio of the company.

CONCLUSION

In terms of profitability, the company is better off compared to Q2 2019 and Q1 2020 improving revenue for the company through increase in sales and reduction in direct costs. However, increase in revenue reflects the COVID relief given by the government in Q2 2020. Also, compared to the quarters, company's overheads has increased significantly.

In terms of liquidity, the current ratio and quick ratio reduced mainly after increased payables. 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 2, 2020

GREATER MALE' INDUSTRIAL ZONE LTD

GREATER MALE' INDUSTRIAL ZONE LTD
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/GMIZL/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
32.5	38.1	37.2
Million in MVR	Million in MVR	Million in MVR

Revenue increased by 17% and 2% respectively compared to the same quarter of the previous year and the previous quarter.

The main revenue stream for GMIZL is from the rental income of leased plots in Gulhifalhu and Thilafushi.

Operating Profit

Q2 2019	Q2 2020	Q1 2020
18.7	12.8	21.3
Million in MVR	Million in MVR	Million in MVR

Q2 2020 shows the lowest operating profit when the comparable quarters are concerned. This is mainly because the company incurred selling and marketing costs totaling MVR 11 million that is particularly the discount allowed for tenants due to COVID-19. In addition to this other income also reduced significantly which worsened the operating profit. However, administrative costs reduced by 15% compared to Q2 2019 and Q1 2020.

Profit Margins	Q2 2019	Q2 2020	Q1 2020
Operating profit margin	57.54	33.55	57.27
Net profit margin	48.96	29.13	49.46

Net Profit

Q2 2019	Q2 2020	Q1 2020
15.9	11.1	18.4
Million in MVR	Million in MVR	Million in MVR

Net profit also reduced as operational profit reduced. There was a finance income of MVR 68,804 in Q2 2020.

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
3.64	3.81	3.68
TIMES	TIMES	TIMES

Current ratio of the company improved compared to Q2 2019 and Q1 2020. Current assets increased mainly due to short term investments and increase in trade receivables. However, cash and cash equivalents fell significantly compared to Q2 2019 and Q2 2020 as the company mobilized cash to short term investments.

Cash Ratio

Q2 2019	Q2 2020	Q1 2020
2.79 TIMES	1.01 TIMES	1.75 TIMES

Cash ratio reduced in Q2 2020 compared to other quarters. The company does not have major investments other than acquisition of property, plant and Equipment. Cash ratio is at a satisfactory level as the company invested idle cash. Even though cash ration reduced the company mobilized cash flow in short term investments which will enable to company to earn an income on these funds.

CONCLUSION

The company reported a satisfactory growth in revenue as rental income from Thilafushi and Gulhifalhu industrial leased plots increased.

GMIZL has managed to reduce the overheads compared to Q2 2019 and has thus kept the margins higher in the period. However, there has been significant decrease in the other income due to reduction in fine charges as part of change in fine policy during the period. Huge costs were incurred as COVID discount for tenants which reduced overall profits.

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 short-term investments. The company is in a reasonably adequate 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 mobilized its cash flow in short term investments which will benefit the company.

RECOMMENDATION

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

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

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

Quarterly review; Quarter 2, 2020

HOUSING DEVELOPMENT CORPORATION

Q2 2020 with Q2 2019 and Q1 2020

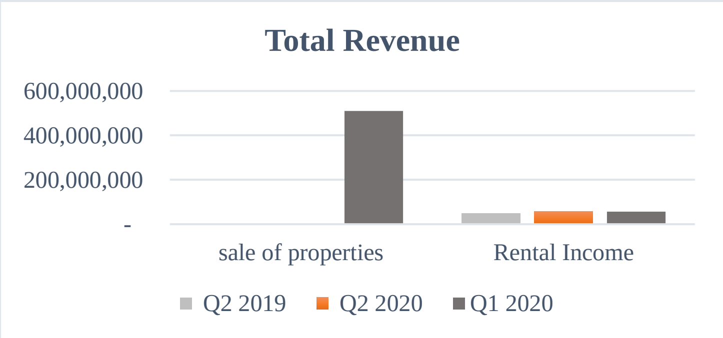
PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
49.9	56.49	566.6
Million in MVR	Million in MVR	Million in MVR

HDC has earned a revenue of MVR 56.5 million in Q2 2020, this is a reduction of 90% compared to previous quarter. The significant revenue in previous quarter was due to sale of land and flats.

The total revenue of company consists of sale of properties and rental income. During Q2 2020, HDC has only earned rental income.



An improvement in the rental income was seen in Q2 2020 compared to other two quarters. Rental income consists of building lease, land lease and other lease, of which land lease contributes the majority of rental income. The company should focus on increasing the revenue from rental and other sustainable sources.

Gross Profit

Q2 2019	Q2 2020	Q1 2020
0	56.49	451.5
Million in MVR	Million in MVR	Million in MVR

Since the only source of income was from rental, there was no cost of sale in Q2 2020 and Q2 2019. Therefore, revenue is equal to the gross profit.

Operating Profit/Loss

Q2 2019	Q2 2020	Q1 2020
-46.9	13.9	414.7
Million in MVR	Million in MVR	Million in MVR

HDC has made an operating profit of MVR 13.9 million in Q2 2020. Total expenses grew at 10% compared to previous quarter, mainly from personnel expenses. On the other hand, expenses have reduced in Q2 2020 by 10% compared to the same period of last year. The operating profit margin of Q2 2020 is 25% while it was 73% in the previous quarter and -94% in Q2 2019.

Expenses

	Administartive costs	Maintenance Expenses	Selling and Marketing Expenses
Q2 2019	47,973,978	2,293,098	1,002
Q2 2020	43,660,736	1,353,998	231,203
Q1 2020	39,131,773	1,801,414	81,304

Compared to previous quarter, the administrative costs of the company have increased by MVR 4.5 million. This increase is mainly from staff related costs of over MVR 4.9 million. In addition, other general and administrative expenses and professional & consultancy expenses has also increase in Q2 2020 against previous quarter.

Net Profit/Loss

Q2 2019	Q2 2020	Q1 2020
-48.8	-3.63	336.4
Million in MVR	Million in MVR	Million in MVR

The company has made a net loss for the quarter, as the finance cost of the company is relatively high. Finance costs comprise of 81% of company's revenue of Q2 2020. The company has taken huge borrowings which amounts to over MVR 10.9 billion as at the end of Q2 2020.

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
3.46	4.17	3.20
TIMES	TIMES	TIMES

Current ratio of HDC indicates a satisfactory level of current assets compared to its current liabilities. The movements in current assets and liabilities have further improved the ratio in Q2 2020. The major component of current asset is inventory which comprise 81% of total current assets. Since the greater part of inventory is still in work-in-progress stage it will take time converting inventory into cash.

Quick Ratio

Q2 2019	Q2 2020	Q1 2020
1.02	0.79	0.87
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. Since, HDC's inventory is the most significant component of its current assets, quick ratio is very low compared to its current ratio. The ratio indicates insufficient liquid 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

Q2 2019	Q2 2020	Q1 2020
0.01 TIMES	0.03 TIMES	0.02 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. Cash balance of the company is very low compared to its current liabilities. Hence, HDC's cash ratio is very critical as only 0.03 percent of current liabilities can be covered by the cash balance. However, the cash balance shows increment of 26.7 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.

The current liabilities of the company have recorded a fall of over MVR 500 million against previous quarter. HDC has repaid significant amount of short-term borrowings as well as trade and other payables.

LEVARAGE

Debt to Equity

Q2 2019	Q2 2020	Q1 2020
0.55 TIMES	0.64 TIMES	0.58 TIMES

Debt to equity ratio illustrates the degree to which the company is financing its operations through debt. Loans and borrowings have increased significantly in Q1 2020. The increase is over MVR 2 billion compared to Q2 2019, thus debt to equity ratio is much higher in Q2 2020 compared to Q2 2019.

Compared to previous quarter, total debts have recorded a growth of MVR 1.2 billion while equity was increased by only MVR 239 million, hence debt to equity ratio has increased.

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

Q2 2019	Q2 2020	Q1 2020
0.29 TIMES	0.35 TIMES	0.32 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 not have enough asset to cover existing debt obligations. However, the ratio is having an upward trend due to high borrowings in each quarter. The main purpose 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 PPE 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

Q2 2019	Q2 2020	Q1 2020
36%	39%	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.

Interest Cover

Q2 2019	Q2 2020	Q1 2020
-1.7 TIMES	0.30 TIMES	8.51 TIMES

The interest cover ratio measures how many times HDC can cover its current interest payment with its available earnings. The interest cover ratio has dropped significantly against previous quarter due to reduction of revenue from sale of properties. Although HDC does not have enough profit, HDC makes relatively decent interest income to cover its interest expenses.

CONCLUSION

The revenue of the company has reduced in second quarter of 2020 compared to previous quarter, as there was no sale of properties. Further, there was a substantial growth in administrative expense mainly due to increase in staff costs. HDC has made a net loss for the quarter due to high expenses and finance cost while there was reduction in revenue as well.

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

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

RECOMMENDATION

HDC must improve its capacity of loan repayment, as finance cost is more than 81% of revenue. Therefore, HDC must improve efficiency and fast track project completion to meet debt repayments.

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

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

Quarterly review; Quarter 2, 2020

HOUSING DEVELOPMENT FINANCE CORPORATION PLC

HOUSING DEVELOPMENT FINANCING CORPORATION PLC
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/HDFC/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY
Revenue

Q2 2019	Q2 2020	Q1 2020
47.9	48.7	50.4
Million in MVR	Million in MVR	Million in MVR

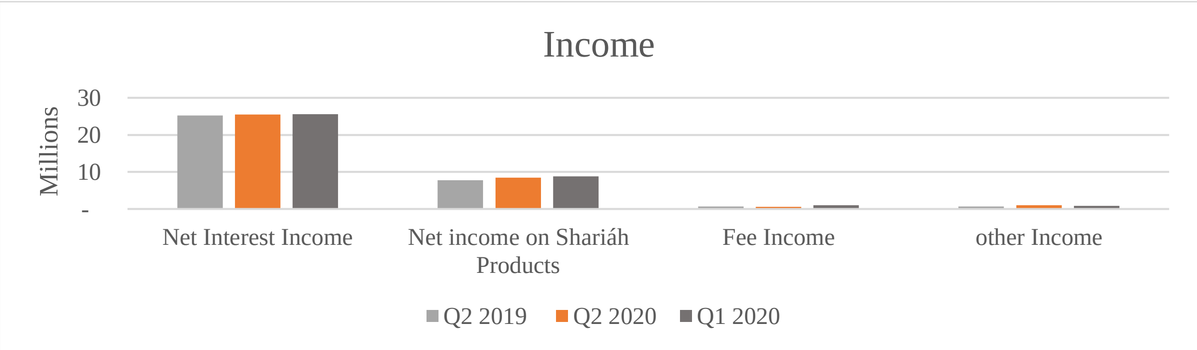
For the Q2 2020, HDFC has reported an income of MVR 48.7 million, which is 3.6% less compared to previous quarter and 1% higher compared to the same period of last year.

As part of the economic recovery plan by government to minimize the financial impact of COVID-19, HDFC has given a moratorium of 6 months on the repayment of housing loans issued by the corporation. As per the company, with the given 6 months' moratorium (March 2020- August 2020), HDFC will forego approximately MVR 18 million every month and total collection reaching over MVR 100 million. More than 64% of customers opted to take the moratorium, and only 36% did not apply for moratorium. However, some of those who chose not to apply for the moratorium are now appealing stating income loss. Those who did not apply hold small ticket loans while those who received the moratorium are mostly big-ticket loans.

The outbreak of COVID-19 is expected to affect housing industry in terms of loss of income of households, weak affordability, and subdued demand conditions.

In addition, the policy measures to control the COVID-19 has disrupted the operations of the company. Due to failing supply chains the projects are not being finished as expected which creates serious issues for the company.

The revenue segments of HDFC are interest income, Income from Shari'ah products, fee income and other income.



The major business segment, interest income has shown 0.4% reduction compared to previous quarter. Net income from Shari'ah products were reduced by 3.8% and fee income by 43%. Other income, on the other hand has increased by 11%.

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

Q2 2019	Q2 2020	Q1 2020
1.3%	1.3%	1.2%

Net Investment Margin

Q2 2019	Q2 2020	Q1 2020
1.8%	1.7%	1.8%

A positive net interest/investment margin suggests that the company operates profitably. 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. The minor improvement in net interest margin is due to reduction of interest earning assets at a higher rate than interest income. The cash and short-term funds of HDFC has shown a drop of MVR 59.7 million.

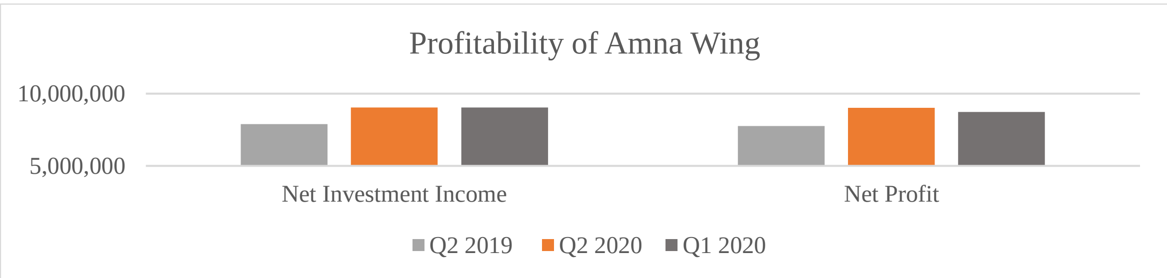
On the other hand, investment income has seen an increment of MVR 15 million against previous quarter. As a result, net investment margin ratio has reduced against previous quarter. Nevertheless, the positive ratios of HDFC indicates efficient fund investment.

Profitability

Q2 2019	Q2 2020	Q1 2020
23.4 Million in MVR	23.3 Million in MVR	23.7 Million in MVR

The net profit for Q2 2020 has seen a fall compared to other quarters. However, the reduction is very minimal. Total overheads of the company are 12% higher in comparison to the same period of last year. However, expenses has reduced by 5% compared to previous quarter mainly from other operating expenses.

Amna Wing Profit



Total mortgage facilities of Islamic Window has increased from MVR 504.7 million to MVR 520 million from Q1 2020 to Q2 2020. This has led to an increased revenue and net profit for the 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;

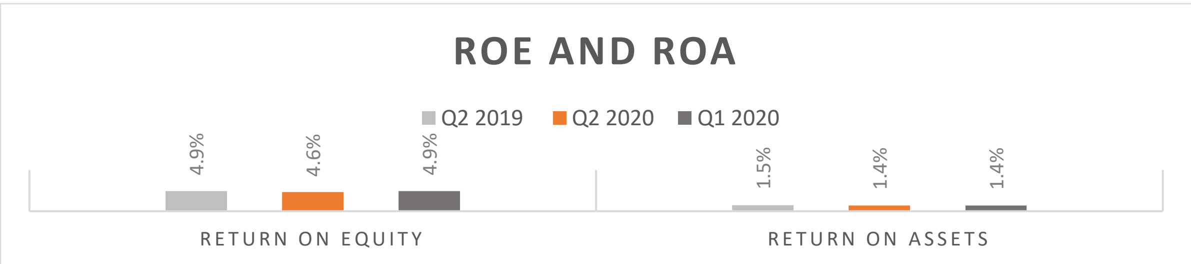
Details	Q2 2019	Q2 2020	Q1 2020
Total Liabilities			
Deposits	91,272,097	86,377,313	89,375,407
Borrowings	956,259,671	1,076,976,690	1,136,451,560
Other Liabilities	282,928,629	275,345,114	265,026,795
Total Liabilities	**1,330,460,397**	**1,438,699,117**	**1,490,853,762**
Total Assets			
Cash, Short term Funds	69,956,393	55,212,530	114,949,523
Financial assets held to maturity	99,892,918	169,990,584	182,866,787
Loans and advances to customers	1,716,891,129	1,800,260,460	1,755,898,783
Property, Plant and Equipment	1,159,091	1,159,078	1,247,035
Right of use assets	609,473	9,838,535	9,838,535
Intangible assets	3,125,228	367,640	428,099
Deferred tax asset	6,358,964	5,820,179	5,820,179
Other Assets	-	6,098,101	6,544,309
Total Assets	**1,897,993,196**	**2,048,747,107**	**2,077,593,250**
NET (Assets-Liabilities)	**567,532,799**	**610,047,990**	**586,739,488**

Total liabilities of the company has seen a reduction Q2 2020 in terms of borrowings and deposits. Although deposits fell below liabilities, they are critical to the financial institution's ability to lend. If the entity doesn't have enough deposits, slower loan growth might result, or the financial institution might have to take on debt to meet loan demand which would be far costlier to service than the interest paid on deposits. The borrowings have reduced as HDFC has repaid significant borrowings during the quarter.

Total assets of the company has reduced against previous quarter mainly from cash, short term funds and financial assets held to maturity. However, the biggest asset of the company, loans and advances has seen a growth of MVR 44 million. Thus the net assets of the company has improved in Q2 2020 in comparison to other quarters.

HDFC being a non-banking financial institution find it challenging to manage liquidity given the moratorium offered to customers. Due to the scale and urgency of the fund requirement, the company is negotiating with its shareholders (ADB and IFC) for term loans.

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

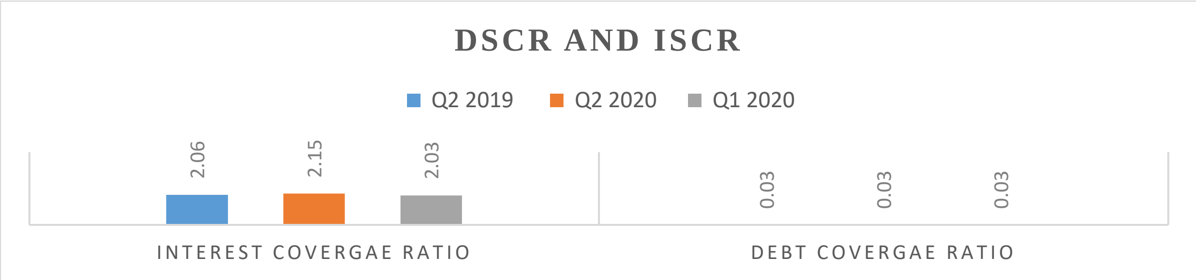


ROE measures the ability of the company to generate profit with the money shareholders have invested. ROA measures how efficiently a company can manage its assets to produce profits during a period.

Since the operating profit of the company has seen a reduction compared to previous quarter, the ROE has recorded a reduction in Q2 2020. The increase in company's equity also contributed to the downward movement in the ratio. Return on assets ratio has remained same as previous quarter as both operating profit and assets have declined in the quarter.

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 has improved in the quarter as there was a reduction in the interest expense for the quarter. The company has also repaid over MVR 79.6 million borrowed funds during the quarter and has borrowed additional MVR 20 million. 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.

Debt coverage ratio of the company is very low indicating 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. Further, with the moratorium the situation will be even worse.

The revenue lost in the quarter represents a permanent loss for the company rather than a timing difference. Majority of the customers has opted for moratorium, hence cash flow from customers are on halt for the next 6 months ending August 31, 2020.

CONCLUSION

HDFC has recorded a gross income of MVR 48.7 million in Q2 2020, which is 3.6% less compared to previous quarter. As a result, the net profit of the quarter has also declined by 1.4%.

HDFC total assets reached to MVR 2.0 billion and housing loan/facility portfolio has reached to MVR 1.8 billion. Total assets have reduced mainly in terms of cash and financial assets held to maturity. Further, the deposits of the company have also declined. Hence the liquidity position of the company is declining, making the company to borrow funds.

As the COVID-19 has brought disruption to the global economy as well the Maldivian economy. The HDFC has also faced disruptions in their operations. Further, the company has given 6 months moratorium to its customers as part of government's recovery plan. This has led to a reduction of cash inflows from customers and created unanticipated pressure on working capital and liquidity. Hence the company has been talking with its shareholders for term loans to improve the urgent liquidity problem.

RECOMMENDATION

The company should manage the moratorium carefully in order to avoid a liquidity challenge to the company.

The borrowings of the company have 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 2, 2020

ISLAND AVIATION SERVICES LIMITED

ISLAND AVIATION SERVICES LIMITED
Q2 2020 PERFORMANCE ANALYSIS

Report No:

PEM/2020/IASL/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
457.9	109.4	414.0
Million in MVR	Million in MVR	Million in MVR

The revenue of the company has dropped substantially in Q2 2020 against the other two quarters. All the revenue segments were severely affected mainly because of the COVID-19 pandemic.

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

Revenue	Q2 2019	Q2 2020	Q1 2020
Passenger Income - Domestic Services	233,783,855	37,556,186	247,663,245
Passenger Income - Regional Services	138,864,840	42,038,612	89,006,724
Commercially Important Passengers Revenue	11,549,052	57,841	9,182,799
Ground Handling Revenue	16,392,794	1,668,536	18,143,285
Cargo Handling Income	3,124,681	1,454,258	2,549,573
Seaplane Operation	54,220,715	26,591,738	47,459,414
Total Revenue	**457,935,937**	**109,367,171**	**414,005,040**

As the country was in a lockdown during Q2 2020, the flight operations were almost stopped. This led to an MVR 257 million reduction in passenger income compared to previous quarter (domestic and regional). In addition, seaplane operations were reduced by over MVR 20 million against Q1 2020. The total revenue reduction was recorded at MVR 304 million against previous quarter and MVR 348 million against Q2 2019.

Gross Profit/(loss)

Q2 2019	Q2 2020	Q1 2020
137.9	-21.08	98.9
Million in MVR	Million in MVR	Million in MVR

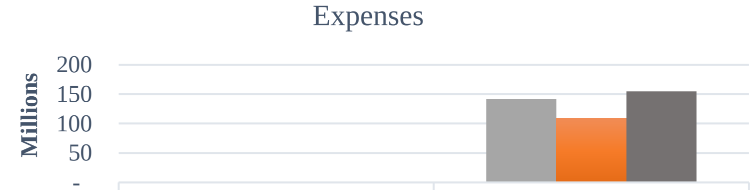
Since the company has experienced substantial revenue loss, it ended up making a gross loss for the quarter. Along with the revenue, the cost of sales has also reduced in Q2 2020. The company maintains the staff and the fleet at operating levels.

Net Profit

Q2 2019	Q2 2020	Q1 2020
-12.5	-129.5	-24.2
Million in MVR	Million in MVR	Million in MVR

The net loss made in Q2 2020, is 436% higher than previous quarter and 95% higher than Q2 2019.

The total overheads of the company have reduced in Q2 2020. Compared to other two quarters in review, mainly because of the lockdown the office expenses have reduced. Compared to previous quarter, administrative costs have reduced by MVR 45.4 million. Among administrative costs, salaries and allowances has reduced by MVR 20.9 million, insurance by MVR 9 million, other expenses by MVR 7 million and electricity expense by MVR 2.8 million.



	Selling and marketing Costs	Administrative Costs
Q2 2019	1,466,087	142,026,198
Q2 2020	325,093	109,487,095
Q1 2020	811,996	154,872,669

Compared to Q2 2019, the administrative costs were reduced mainly from salaries and allowances, electricity, transport, insurance and other expenses.

Regardless of the significant savings in expenses, the company was unable to reduce its net loss as the revenue loss was much greater than this.

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
0.89 TIMES	0.91 TIMES	0.92 TIMES

The current ratio of the company illustrates that company's current liabilities exceed its current assets. The results have further deteriorated in Q2 2020 as the current liabilities have increased greater than its current assets compared with Q1 2020. It makes it more critical that the current assets consist mainly of trade receivables and inventory and the cash balance of the company is negative due to a bank overdraft. Trade receivables has further grown MVR 45 million compared to previous quarter while the revenue reduced by MVR 304 million. The main reason for growth in receivables was due to repatriation flights for National Disaster Management Authority during COVID.

Quick Ratio

Q2 2019	Q2 2020	Q1 2020
0.74 TIMES	0.84 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. A quick ratio of below 1 indicates inability to meet its short-term liabilities with its most liquid assets.

Cash Ratio

Q2 2019	Q2 2020	Q1 2020
-0.11 TIMES	-0.09 TIMES	-0.06 TIMES

The negative cash and bank balance of the company has been increasing over the past quarters. The negative cash ratio indicates that IAS does not have any cash to cover their short-term obligations. Cash and cash equivalents include a bank overdraft of MVR 84 million at the end of Q1 2020, which is an increment of MVR 9.6 million from previous quarter. It has to be noted that the bank balance of IAS has also turned negative during the quarter. Thus, the short-term liquidity position of the company seems very critical.

LEVARAGE

Debt to Equity

Q2 2019	Q2 2020	Q1 2020
0.43 TIMES	0.49 TIMES	0.47 TIMES

Debt to equity ratio illustrates the degree to which the company is financing its operations through debt. The financial leverage of the company has increased to 49% compared to 47% last quarter. However, there was no change in loans and borrowings of the company during the quarter. The ratio increased due to reduction in equity as a result of net loss.

Debt to Assets

Q2 2019	Q2 2020	Q1 2020
0.21 TIMES	0.18 TIMES	0.18 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 relatively low. Generally, companies in airline industries are asset based, thus IAS has a huge asset base of MVR 2.9 billion, keeping the ratio low. The lower the debt to asset ratio, the less risky the company.

However, when analyzed together with the liquidity ratios, it is important for the company to manage the liabilities prudently and improve core business activities to generate cash.

Debt Capitalization

Q2 2019	Q2 2020	Q1 2019
30%	33%	32%

Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. This ratio measures total amount of outstanding debt as a percentage of the IAS's total capitalization. This ratio has been kept at a low level and it means that IAS is using less leverage and has a stronger equity position.

Interest Cover

Q2 2019	Q2 2020	Q1 2020
-0.79 TIMES	-775.2 TIMES	-3.24 TIMES

The interest cover ratio measures how many times the company can cover its current interest payment with its available earnings. The ratio is negative for three quarters in review as the company has made operating loss for the quarters. The company is not generating enough profit from its operations to meet its interest obligations.

CONCLUSION

A drastic fall in revenue was experienced by the company in Q2 2020 mainly because of the lockdown due to COVID-19. Although the direct costs and overheads has reduced, the company has ended up in a significant net loss as the reduction of revenue is much greater. With the opening of border, the revenue of the company is expected to improve in the coming quarters.

Liquidity ratios of the company are critical as current liabilities exceed their current assets. Further, it has made it worse with a huge bank overdraft. The significant growing receivables of the company has to 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.

Long term loans and borrowings remained unchanged as at the end of Q2 2020 against previous quarter. Hence most of the leverage ratios are maintained at the same level as previous quarter. 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 growing receivables of the company is a major concern for the company. Hence, efficiency of credit control department and Proper control mechanisms should be implemented shortly. Flexible terms can be agreed on the existing receivables which could help to collect receivables more swiftly.

Quarterly review; Quarter 2, 2020

KAHDHOO AIRPORT COMPANY LTD

KAHDHOO AIRPORT COMPANY LTD
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/KACL/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019
2.45
Million in MVR

Q2 2020
0.26
Million in MVR

Q1 2020
2.11
Million in MVR

The revenue of the company has drastically reduced in Q2 2020 because of decrease in flight movements due to COVID-19.

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

Revenue	Q2 2019	Q2 2020	Q1 2020
Aeronautical	2,459,559	261,785	2,109,589
Cargo revenue	19,600	3,232	11,275
CIP revenue	8,492	-	7,676
Electrcity Charges	188,816	159,503	187,906
Rental Income	186,513	135,171	173,913
Room revenue	52,408	1,415	301,527
Shop Revenue	90,029	73,075	70,733
Other Revenue	65,473	44,463	81,820
Total Revenue	**3,070,890**	**678,644**	**2,944,439**

As seen in the table, aeronautical revenue has recorded the most significant reduction as it has reduced by MVR 2.2 million against Q2 2019 and MVR 1.8 million against previous quarter. During the second of 2020 the country was in a lockdown; hence the flight movements has almost stopped. Commercial revenue such as room revenue was also severely affected due to the aforementioned reasons.

Operating Profit/(Loss)

Q2 2019
(3.9)
Million in MVR

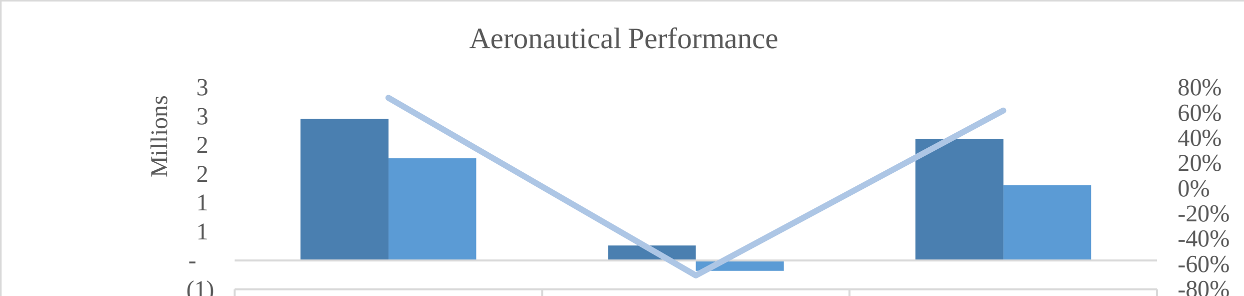
Q2 2020
(5.5)
Million in MVR

Q2 2020
(4.2)
Million in MVR

The operating loss of the company has increased to MVR 5.5 million, 30% increase compared to previous quarter. The company have also reduced its operating costs by over 58% in Q2 2020 compared to previous quarter. However, the fall in revenue was too severe that the loss has widened.

Compared to Q2 2019, the increase in operating loss in recorded at 42% while total revenue reduced by 32%. Operating costs were also lower in Q2 2020 as the main expenses like fuel expenses and spare parts expenses has reduced.

Segmental Profit

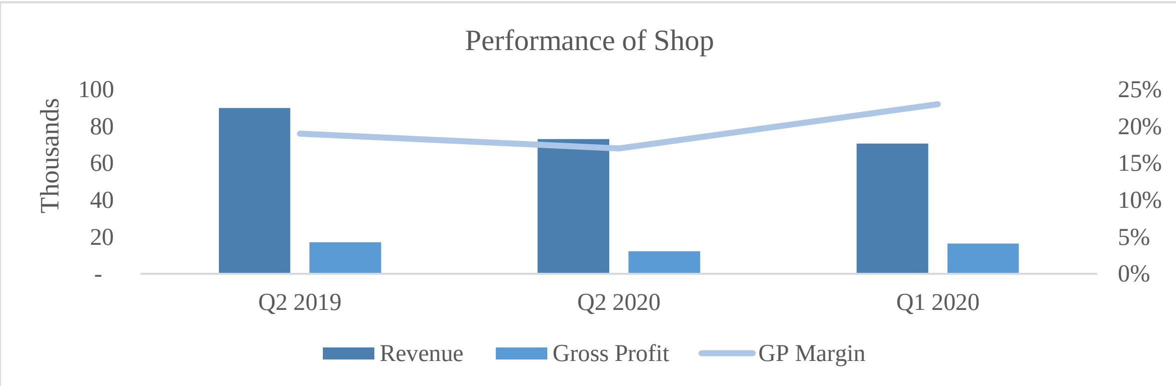


	Q2 2019	Q2 2020	Q1 2020
Revenue	2,459,559	261,785	2,109,589
Gross Profit	1,773,104	(180,275)	1,308,289
GP Margin	72%	-69%	62%

Aeronautical

Due to loss of aeronautical revenue, KACL has made a gross loss in this segment. Since this is the main business segment of the company, the reduction of revenue has been a huge loss for the company. However, in previous quarters the company has achieved high gross profit margin from this segment.

Shop



The performance of the shop has also reduced in Q2 2020 as there were very less flight movements in the quarter. However, a gross profit was made by the segment. The gross profit margin was kept at 17% while it was 23% in the previous quarter and 19% in Q2 2019. However, 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

Q2 2019
(5.5)
Million in MVR

Q2 2020
(7.3)
Million in MVR

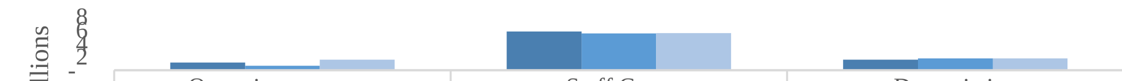
Q1 2020
(6.0)
Million in MVR

The net loss made in second quarter has been the most significant loss made by the company between the reviewing quarters. The loss made in Q21 2020, of MVR 7.3 million is an increment of 33% compare to the same period of last year and 21% increment against previous quarter.

Operating Expenses

The overheads of the company are;

Expenses



	Operating expenses	Staff Costs	Depreciation
Q2 2019	1,139,029	5,836,877	1,613,684
Q2 2020	677,171	5,535,050	1,790,103
Q1 2020	1,611,835	5,576,358	1,788,314

Staff costs of the company has recorded a reduction in Q2 2020 by 5% compared to Q2 2019 and 1% compared to previous quarter. Staff costs are the main overhead of the company and it exceeds the revenue generated by the company.

Other operating costs has significantly dropped in Q2 2020, compared to other quarters as the fuel costs has reduced as a result of reduced flight movements in the quarter.

LIQUIDITY

Current Ratio

Q2 2019 33 TIMES | Q2 2020 21 TIMES | Q1 2020 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 94% of total current asset. Receivables of the company are very significant as it represent 5113% of revenue of Q2 2020. The figure is too high since the revenue for the quarter is relatively low. 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

Q2 2019 32 TIMES | Q2 2020 21 TIMES | Q2 2020 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

Q2 2019 6 TIMES | Q2 2020 1 TIMES | Q1 2020 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 global pandemic, COVID-19 has severly affacetd the company in Q2 2020. During the second quarter, the country was in a lockdown which has led to a very less flight movements. Thus the revenue of the company was severly affetced and ended up with net loss of over MVR 7 million.

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

The accumulated loss of the company is very significant, and it has been increasing quarter by quarter. Hence, the company must come up with a small revenue generating units which can at least cover the operating expenses of the company.

As mentioned above the staff costs of the company is the main expense of the company and it exceeds the revenue generated. To reduce 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 2, 2020

MALDIVES AIRPORTS COMPANY LTD

MALDIVES AIRPORTS COMPANY LIMITED
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MACL/Q2

Q2 2020 with Q2 2019 and Q1 2020

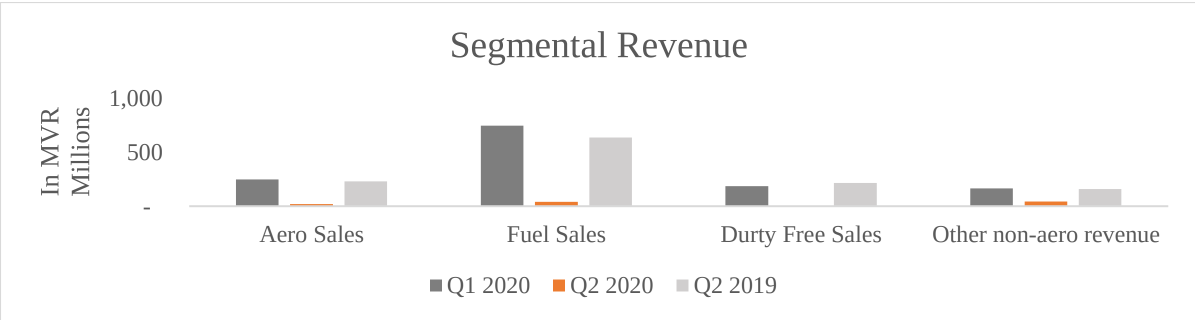
PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
1,242	111	1,342
Million in MVR	Million in MVR	Million in MVR

MACL has reported a revenue of MVR 111 million in Q2 2020, which is 91% less compared to the same period of last year and 92% reduction against previous quarter.

Due to global pandemic COVID-19, overall flight movements in Q2 2020 has decreased significantly, and due to the lockdown since March 2020, all the international flights were stopped which drastically reduced MACL's revenue. This has resulted in loss of revenue from all segments as shown in the below chart.



Due to reduced flight movements in Q2 2020, aero sales has reduced by 91% and 92% compared to Q2 2019 and Q1 2020 respectively. In addition, fuel sales also dropped over 94% compared to previous quarter. Duty free sales has also been hit by the reduced number of passenger arrivals due to COVID 19. The revenue will pick up with the re-start of the flight operations.

Gross Profit

Q2 2019	Q2 2020	Q1 2020
743	76.1	814
Million in MVR	Million in MVR	Million in MVR

As a result of reduction in overall revenue of the company, the gross profit has recorded a fall in Q2 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 60.6% to 69% against previous quarter.

Operating Profit

Q2 2019	Q2 2020	Q1 2020
426	-193	500
Million in MVR	Million in MVR	Million in MVR

The operating profit has reduced against Q2 2019, as a result of reduction in revenue significantly. Compared to Q1 2020 and Q2 2019 total overheads of the company reduced, however, the operating profit has dropped since the revenue reduction is higher than the cost reduction. And in Q2 2020 the company has an operational loss of MVR 193 million reflecting the revenue reduction.

Expenses

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

Administrative expenses has reduced by 4% and 8% respectively compared to Q1 2020 and Q2 2019 respectively. Operating expenses has reduced by 53% and 45% respectively. Also, sales and marketing costs reduced by 99% and 100% compared to Q1 2020 and Q2 2019.

Net Profit

Q2 2019	Q2 2020	Q1 2020
346	-166	423
Million in MVR	Million in MVR	Million in MVR

Finance costs (Interest expense) of the company reduced significantly by 36% (MVR 1.1 m) and 89% (MVR 16.4 m) compared to Q1 2020 and Q2 2019 respectively. Despite of this, net profits has reduced in Q2 2020 against the comparable quarters. As such the company has a net loss of MVR 166 million in Q2 2020. Net profit margin has reduced from 31.5% in Q1 2020 and 27& in Q2 2019 to negative 150% in Q2 2020.

LIQUIDITY

Current ratio

Q2 2019	Q2 2020	Q1 2020
2.4	1.6	1.9
TIMES	TIMES	TIMES

The current ratio of the company shows a reducing trend due to reduction in current assets along with increase in current liabilities compared to Q1 2020 and Q2 2019. Trade payables has increased by 6% and 37% respectively compared to Q1 2020 and Q2 2019. This is expected given the difficult market situation facing the company due to Covid-19.

Quick ratio

Q2 2019	Q2 2020	Q1 2020
2.2	1.4	1.7
TIMES	TIMES	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 1.4, which is well above the ideal level of 1.1.

Inventory has reduced mainly from fuel inventory as the fuel sales also reduced in the quarter compared to the previous quarter.

Cash ratio

Q2 2019	Q2 2020	Q1 2020
0.74	0.65	0.95
TIMES	TIMES	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 negative cash flow of MVR 88 million from the operating activities and finished the quarter with a cash balance of MVR 1 million.

In terms liquidity ratios, MACL is in a good liquidity position. However, the decreasing trend in liquidity ratios is alarming. The company is expected to require external working capital financing with the current air travel projections.

FINANCIAL LEVERAGE

Debt to Assets

Q2 2019	Q2 2020	Q1 2020
0.5 TIMES	0.45 TIMES	0.44 TIMES

Debt to assets ratio has remained constant for the comparable periods. Both assets and borrowings increased by almost the same percentage against Q2 2019. The borrowings were used to invest in capital assets. The debt to assets ratio of MACL is low as the company has strong asset base.

Debt to Equity

Q2 2019	Q2 2020	Q1 2020
1.2 TIMES	1.03 TIMES	1.01 TIMES

Debt to equity ratio has reduced in Q2 2020, as equity has increased more than borrowings compared with Q2 2019. 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 company has operational and net losses in the quarter despite the reduction in overheads.

The short-term liquidity position of the company was favorable with satisfactory level of assets compared to their liabilities. However, the reducing trend in the liquidity ratios is alarming and the company has increasing trend in current liabilities over the quarters.

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 2, 2020

MALDIVES CENTER FOR ISLAMIC FINANCE LTD

MALDIVES CENETR FOR ISLAMIC FINANCE CORPORATION
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MCIF/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue and Gross Profit

Q2 2019	Q2 2020	Q1 2020
Nil	Nil	Nil

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 the company has a high operational outflow which has to be funded by shareholder assistance.

Net Profit

Q2 2019	Q2 2020	Q1 2020
(1.60)	(1.36)	(1.50)
Million in MVR	Million in MVR	Million in MVR

The company's net loss of MVR 1.36 million is 9% less than the net loss of the previous quarter. Also, compared to the same quarter of the previous year, the net loss reduced by 15%, through reduction of overheads. Though overheads reduced, the overheads are still high compared to the level the company operates.

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
1.92	0.33	0.41
Times	Times	Times

Current ratio of the company reduced compared to the comparable quarters. This signifies serious liquidity problems in the company due to significant increase in current liabilities. They also have recognized lease liability in the (Q4 2019) which adds to the company's debt. However, lease liability has reduced compared to Q4 2019.

Cash Ratio

Q2 2019	Q2 2020	Q1 2020
1.68	0.10	0.12
Times	Times	Times

The cash ratio of the company is very low due to low value of operational cash flow. 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 2, 2020

MALDIVES HAJJ CORPORATION LTD

MALDIVES HAJJ CORPORATION LTD
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MHCL/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
3.29	0	5125
Million in MVR		in MVR

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, in Q1 2020 and in Q2 2020 the company did not generate any revenue as the corporation did not send any pilgrimages for Hajj and Umra amid covid-19 conditions in Maldives.

Gross Loss

Q2 2019	Q2 2020	Q1 2020
-207	0	-102
Thousand in MVR		Thousand in MVR

Though the direct costs were nil in 2020, the company generated a gross loss in the quarter. The loss is less compared to the comparable quarters.

Net loss

Q2 2019	Q2 2020	Q1 2020
-977	-212	-661
Thousand in MVR		Thousand in MVR

The company made a net loss resulting from high administrative costs. However, the company ensured that their overheads are minimized in the quarter. As such net loss reduced over the comparable quarters. Selling and marketing costs were nil in the quarter. Administrative expenses are at MVR 1.18 million, a reduction of 28% and 9% respectively compared to Q2 2019 and Q1 2020. Other operating expenses also reduced compared to the previous quarter.

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
12.7	0.9	1.1
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.

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 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

Q2 2019	Q2 2020	Q1 2020
7.29 TIMES	0.26 TIMES	0.47 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. The government injected capital worth MVR 769,563 in Q2 2020. 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.

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 2, 2020

MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION

MALDIVES INTERGRATED TOURISM DEVELOPMENT CORPORATION
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MITDC/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
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. The company has also started planning the implementation of other guest house projects. Therefore, it is vital that company plan to create revenue generating units to enable a self-sufficient business model at earliest.

Net Loss

Q2 2019	Q2 2020	Q1 2020
-1.35	-1.28	-1.48
Million in MVR	Million in MVR	Million in MVR

The net loss of the company is 13% less compared to previous quarter and 5% less compared to Q1 2019. This is because the operating expenses has reduced during the quarter since the office was closed from 19 March 2020 to 2 July 2020 due to the COVID_19 pandemic.

Expenses

Operating Costs	Q2 2019 (MVR)	Q2 2020 (MVR)	Q1 2020 (MVR)
Administrative costs	1,324,173	1,327,741	1,508,694
Sales and marketing expenses	30,000	-	14,921
Total	**1,354,173**	**1,327,741**	**1,523,615**

The operating costs were lower in Q2 2020 compared to other two quarters. Among the overheads, payroll expenses has reduced by 16% compared to previous due to revisions in payroll to cut down cost during Covid-19 pandemic. Since the office was closed in Q2 2020, the company has also saved from meals expenses, repairs and maintenance and cleaning expenses.

Since the company does not generate any revenue, the operational expenses are financed through the capital injections by the government.

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
0.52 TIMES	0.51 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 liabilities of the company exceed its current assets. The current asset of the company consists of trade and other receivables and cash and cash equivalents, of which receivables comprise of 99% of total current assets.

Trade and othe receivables	Q2 2019 (MVR)	Q2 2020 (MVR)	Q1 2020 (MVR)
Accounts Receivable	44,570	18,787	2,887
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)	(17)
GST refundable	543,321	563,840	564,851
Total	**26,132,645**	**26,168,878**	**26,153,989**

In terms of trade and other receivables, advance payments to suppliers and land acquisition cost receivable are the major components of receivables as both represents 98% of receivables. 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, accounts receivable has increased.

Cash Ratio

Q2 2019	Q2 2020	Q2 2020
0.01 TIMES	0.01 TIMES	0.01 TIMES

MITDC’s cash ratio is significantly low and are in a high-risk position. The cash balance of the company stands at MVR 372,310 which is 44% less compared to 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 current liabilities of the company consist of trade and other payables and short-term borrowings. 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).

The trade and other payables is shown below;

Trade and other payables	Q2 2019 (MVR)	Q2 2020 (MVR)	Q1 2020 (MVR)
Trade Payables	14,089,938	14,070,319	14,027,055
Accrued Expenses	28,255	134,398	40,693
Advance rent	7,320,531	4,972,836	4,972,836
Refund Payable	10,827,315	13,347,200	13,347,200
Accrued Interest	1,505,886	2,420,166	2,192,845
Other Payables	2	232,074	2,595
CSR Funds	1,921,887	1,921,887	1,921,887
Total	**35,693,814**	**37,098,880**	**36,505,111**

Among payables, accrued expenses and other payables has increased by 10% and 8843% compared to previous quarter. in addition, accrued expenses has also increased by MVR 93,705. These increases were driven by overdue June payroll and outstanding pension for the month of June.

CONCLUSION

The operations of the company are on halt as the projects undertaken by the company are currently on hold due to several issues. Hence MITDC was unable to create and operationalize any of their planned projects. As a result, the operational expenses are financed through the capital injections from the government.

The company has made a net loss of MVR 1.28 million in Q2 2020 and accumulated losses of the company stands at MVR 40.3 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.

RECOMMENDATION

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

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

Quarterly review; Quarter 2, 2020

MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION

MALDIVES MARKETING & PUBLIC RELATIONS CORPORATION
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MMPRC/Q2

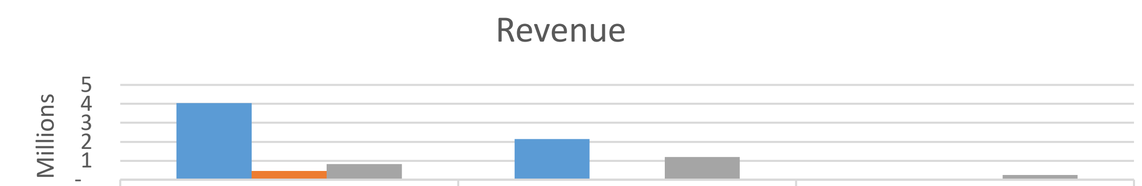
Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
6.11	0.45	2.26
Million in MVR	Million in MVR	Million in MVR

MMPRC has earned MVR 448,896 from its operations in Q2 2020. The revenue of previous quarter includes government contribution as grant income. Hence, excluding the grant income the revenue has reduced by MVR 1.8 million in Q2 2020. Compared to Q2 2019, the revenue has reduced by MVR 5.7 million. As per company's report, due to the covid-19 situation, no familiarization trips were conducted, and no fairs took place except for ATM 2020 and PATA Dream Festival on virtual platforms in Q2 2020, hence it drastically affected the revenue of the company.



	Membership Fee	Participation Fee	Advertising
Q2 2019	4,048,355	2,142,204	
Q2 2020	448,896		
Q1 2020	822,059	1,193,974	250,470

As seen in the above chart, only membership fee was received in Q2 2020. Due to covid-19 pandemic most of fairs got cancelled, hence there is no participation fee.

Gross Profit

Q2 2019	Q2 2020	Q1 2020
-16.5	-9.17	-0.31
Million in MVR	Million in MVR	Million in MVR

The gross loss of the company has significantly increased compared to previous quarter as the company experienced a drastic fall in their revenue. On the other hand, gross loss in Q2 2019 is higher than Q2 2020.

The cost of sales was kept very low in Q2 20202 as there were no promotional activities in the quarter. The advertising costs has reduced over MVR 11 million compared to previous quarter. In addition, MVR 12 million was saved from promotional fair, MVR 3 million from promotional materials.

Net Profit

Q2 2019	Q2 2020	Q1 2020
-19.4	-12.7	-6.9
Million in MVR	Million in MVR	Million in MVR

With the fall in revenue, the company ended the second quarter of 2020 with a significant net loss of MVR 12.7 million. The administrative expenses incurred in Q2 2020 was 46% (MVR 3 million) less compared to previous quarter. The highest reductions were seen from workshops and seminar cost, loan interest, internet expenses, bank charges and salaries and other benefits.

On the other hand, the expenses compared to Q2 2019 is 20% higher in Q2 2020. Salaries and other benefits and license and permits were the expenses which has seen the highest growth against Q2 2019.

LIQUIDITY

Current ratio

Q2 2019	Q2 2020	Q1 2020
1.02	1.03	1.04
TIMES	TIMES	TIMES

Current ratio measures the ability of MMPRC to pay short-term obligations or those due within one year. Although, in theory a ratio of above 1 indicate that the company have more assets than its liabilities, the greater portion of MMPRC's current assets are trade and other receivables which represent 91% of total current assets. The receivables and related payables constitute lease payments related to resort rentals. The receivables has reduced by MVR 8.3 million compared to previous quarter, leading to a reduction of total current assets and current ratio against previous quarter.

Cash ratio

Q2 2019	Q2 2020	Q1 2020
0.08	0.08	0.09
TIMES	TIMES	TIMES

Cash ratio calculates ability to repay its short-term debt with cash or near-cash resources. The cash ratio of the company is very critical as it can only cover 8% of company's current liabilities. Compared to previous quarter, the cash balance has reduced by MVR 7 million leading the cash ratio to further reduce.

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. A reduction of MVR 2.8 million was recorded by payables.

CONCLUSION

The performance of the company was severely affected by the global pandemic as it has stopped most of the promotional fair and other promotional activities. The operational revenue of the company has recorded a fall of MVR 5.7 million compared to previous quarter and experienced a gross loss of MVR 9.2 million.

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.

Considering the level of operation, the company is maintaining a strong cash balance, however 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

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 of the company will improve.

With the opening of international boarder, the company must try to get back to their normal operations and participate in the promotional activities.

Quarterly review; Quarter 2, 2020

MALDIVES TRANSPORT AND CONTRACTING COMPANY PLC

MALDIVES TRANSPORT AND CONTRACTING COMPANY LTD
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MTCC/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
266	248	353
Million in MVR	Million in MVR	Million in MVR

Compared to Q2 2019 MTCC records a reduction in revenue by 7% (MVR 17.9 million). Also, this revenue is 29.8% reduced compared to Q1 2020.

Gross Profit

Q2 2019	Q2 2020	Q1 2020
25.5	24.7	79.6
Million in MVR	Million in MVR	Million in MVR

When the gross profit is concerned, MTCC a decline in performance compared to Q1 2019 and Q2 2019. The decrease in gross profit compared to Q1 2020 and Q2 2019 reflects the reduction revenue during that period. However, it has to be noted that direct costs reduced by 7% and 18% respectively compared to Q2 2019 and Q1 2020.

Operating Profit

Q2 2019	Q2 2020	Q1 2020
26.9	27	72.4
Million in MVR	Million in MVR	Million in MVR

Operating profit reduced significantly by 72% compared to Q1 2020. However, there is a slight improvement in operating profit compared to Q2 2019. Overheads as such selling and marketing costs, administrative expenses and other expenses also reduced compared to Q2 2019 and Q1 2020. The reduction in operating profit compared to the previous quarter is due to revenue loss despite the reduction in overheads. Though company has managed their overheads well, other income also reduced by 10% and 7% compared to Q2 2019 and Q1 2020 respectively. The change in overheads in the 3 quarters is summarized in the following table.

Overheads and Other Income	Q2 2019	Q2 2020	Q1 2020
Selling and marketing Costs	2,160,743	1,237,445	2,390,653
Administrative Expenses	26,311,952	23,446,692	30,831,681
Other Income	31,114,500	28,120,431	30,085,397
Other Expense	1,184,772	1,117,310	4,034,837

Net Profit

Q2 2019	Q2 2020	Q1 2020
14.4	15.1	53
Million in MVR	Million in MVR	Million in MVR

When looking into the profit for the company during the quarters, Q2 2020 shows an increased profit compared to Q2 2019. However, profit reduced significantly compared to Q1 2020.

PROFIT MARGIN	Q2 2019	Q2 2020	Q1 2020
Gross Profit Margin	10%	9.9%	22.52%
Operating Profit Margin	10%	10.9%	20.49%
Net profit Margin	5.41%	6.1%	14.99%
Earnings Per Share	14.38	15.05	52.99

When looking into the profit margins, Operating and net profit margin improved compared to Q2 2019 due to reduced costs though revenue reduced. Earnings per share also reduced compared to Q1 2020 due to lower profit recorded due to loss in revenue.

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
1.28 TIMES	1.47 TIMES	1.45 TIMES

Current ratio of the company improved slightly compared to Q2 2019 and Q1 2020. Current liabilities increased by just 11% and 0.03% respectively while current assets increased by 28% and 2% compared to Q2 2019 and Q1 2020. Receivables hold a greater portion of current assets which increases each quarter. 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.

Quick Ratio

Q2 2019	Q2 2020	Q1 2020
0.91 TIMES	1.09 TIMES	1.08 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 14% and 4% compared to Q2 2019 and Q1 2020 respectively.

Cash Ratio

Q1 2019	Q1 2020	Q4 2019
0.06 TIMES	0.05 TIMES	0.08 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. Adding to this, compared to Q2 2019 and Q1 2020, cash and cash equivalents reduced by 6% and 38% respectively, negatively contributing to the cash ratio of the business.

LEVERAGE

Debt to Equity

Q2 2019	Q2 2020	Q1 2020
67%	51%	52%

Debt to Equity ratio stands at 51% which is a reduced figure compared to the quarters. The reduction in the gearing ratio is mainly due to reduced borrowings compared to Q2 2019 and Q1 2020. 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

Q2 2019	Q2 2020	Q1 2020
31%	24%	24%

Debt to Assets also reduced to 24% compared to Q2 2019 and Q1 2020. This is due to reduced borrowings while total assets of the company increased in the quarter.

CONCLUSION

Performance of the company has been declined 2in terms of profitability compared to Q1 2020. Revenue has shown a downturn compared to Q1 2020 and Q2 2019. Operational profit has been improved in the quarter compared to Q2 2019 due to reduced overheads. 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 referred to the comparable quarters. They are in a position where they will be able to set of the short-term assets against the liabilities. While receivables increased slightly cash inflow of the company also showed a downturn through the operational activities, negatively 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 2, 2020

MALDIVES SPORTS CORPORATION LTD

MALDIVES SPORTS CORPORATION LTD
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MSCL/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
29,415	0	4.48
in MVR		Million in MVR

The company has generated a remarkable revenue of MVR 4.48 million in Q1 2020 which is comparably higher 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. However, the company did not generate any revenue in Q2 2020.

Gross Profit

Q2 2019	Q2 2020	Q1 2020
29,415	0	624,480
In MVR	In MVR	In MVR

The gross profit is recored nil as the company did not generate any revenue and hence there were no direct costs.

Net Loss

Q2 2019	Q2 2020	Q1 2020
-979,052	-1.36	977,537
In MVR	Million In MVR	In MVR

The company experienced net losses over the quarters due to high costs. Compared to Q2 2019 and Q1 2020, the net loss has worsened by 39%.

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

Compared to Q2 2019 and Q1 2020, personnel expenses increased by 31% and 4% respectively. The detailed personnel expenses in relation to the three quarters is explained by the following table.

Personnel expense	Q2 2019	Q2 2020	Q1 2020
Salary	440,206	573,782	532,874
Living allowance	158,314	165,000	142,732
Executive responsibility allowance	44,677	60,000	46,168
attendance allowance	137,250	153,000	127,293
Board remuneration	72,000	120,900	145,900
Ramadan allowance	54,000	57,000	-
Financial performance allowance	-	63,000	81,000
Management performance allowance	-	16,200	16,200
Company secretary allowance	-	7,380	7,380
Board secretary allowance	7,339	-	-
Pension contribution	30,282	26,388	37,340
leave encashment		-	54,909
Phone allowance	7,618	8,100	6,536
Total	**951,686**	**1,250,750**	**1,198,332**

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
5.6 TIMES	8.73 TIMES	13.7 TIMES

Current ratio increased significantly compared to Q2 2019 and reduuced compared to Q1 2020. Total current assets increased by 246% compared to Q2 2019 and reduced by 23% compared to Q1 2020. Current liabilities increased by 124% and 9% compared to Q2 2019 and Q1 2020. 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

Q2 2019	Q2 2020	Q1 2020
5.6 TIMES	2.69 TIMES	3.62 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The cash ratio reduced in Q2 2020 and Q1 2020. 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.

CONCLUSION

No projects were undertaken by the MSCL in Q2 2020.

Even though the company is created through an Act of parliament, the commercial operations of the company have not materialized since its inception. However, company has started to create small cash generating units in Q4 2019 which 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. It is also notable that the company did not generate any revenue in the quarter. 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 Q2 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.

Efficient management of operational expenses is equally important since, company is still struggling to meet its short-term operational expenses.

Quarterly review; Quarter 2, 2020

MALE’ WATER AND SEWERAGE COMPANY PVT LTD

MALE' WATER AND SEWERAGE COMPANY PVT LTD
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MWSC/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
262	204	261
Million in MVR	Million in MVR	Million in MVR

MWSC has generated MVR 204 million in the second quarter of 2020, which is 22% lower compared to other two quarters in review. The core business of the company is providing utilities and revenue from this segment has seen a reduction of MVR 38 million against previous quarter mainly because of COVID-19 outbreak. In addition to that, manufacturing sector has also seen a reduction of 40% compared to previous quarter. Company's trading segment and projects also declined in Q2 2020 mainly because of the pandemic.

Revenue	Q2 2019	Q2 2020	Q1 2020
Utilities	216,122,737	171,511,747	209,785,093
Manufacturing	35,432,834	21,668,386	35,953,763
Ice Manufacturing	373,040	512,225	217,046
Projects	5,964,275	8,654,171	9,926,198
Trading	4,555,253	1,882,909	5,428,782
Waste Management	228,600	172,800	171,400
Total	**262,676,739**	**204,402,238**	**261,482,282**

Gross Profit

Q2 2019	Q2 2020	Q1 2020
154	134	163
Million in MVR	Million in MVR	Million in MVR

Due to fall in company's overall revenue, the gross profit of the company has declined. However, gross profit margin has improved to 66% from 59% in Q2 2019 and 63% in Q1 2020. The following table illustrates the segmental gross profits.

Segmental Gross Profit

	Utilities	Manufacturing	Ice Manufacturing	Projects	Trading	Waste Management
Q2 2019	145,389,523	8,724,977	(637,180)	(1,058,510)	2,440,050	(176,031)
Q2 2020	133,875,999	(4,585,660)	63,515	4,458,837	1,216,769	(327,141)
Q1 2020	131,495,667	27,637,376	(101,239)	2,167,335	2,783,597	(268,114)

Regardless of reduction in revenue, the gross profit from utilities and projects has improved in Q2 2020 owing to significant reduction in cost of sales. On the other hand, manufacturing and waste management segment made a gross loss for the quarter.

Net Profit

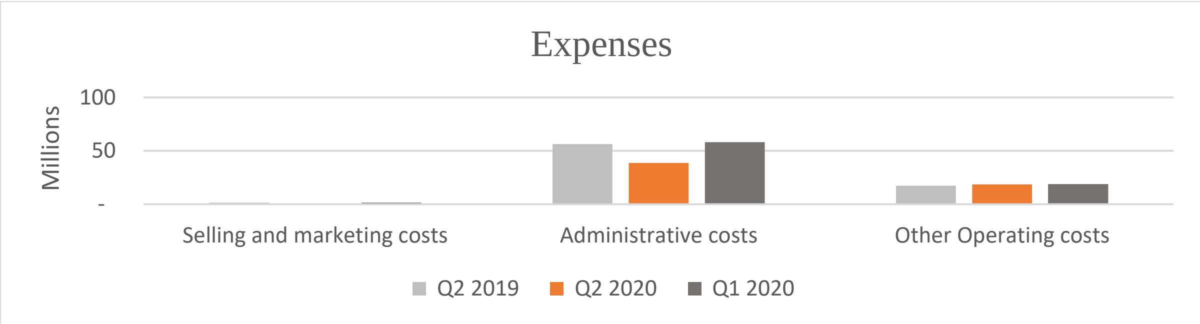
Q2 2019
75
Million in MVR

Q2 2020
74
Million in MVR

Q1 2020
81
Million in MVR

Although the revenue has reduced by 22% compared to other two quarters, the net profit was only reduced by 2% against Q1 2019 and 9% against previous quarter. This was achieved through better management of their overheads. As a result, the net profit is high in Q2 2020 compared to other two quarters and compared to the decline in revenue.

Expenses



MWSC has reduced its overheads by MVR 17.5 million compared to the same period of last year and MVR 20.7 million against previous quarter. The highest reductions were seen from other allowances, insurance, IT & IS licensing & Maintenance and water and electricity.

LIQUIDITY

Current Ratio

Q2 2019
1.18
Million in MVR

Q2 2020
1.60
Million in MVR

Q1 2020
1.66
Million in MVR

MWSC's current assets are greater than its current liabilities. The reduction in the current ratio against previous quarter is because the growth of current liabilities is higher than growth of current assets. It has to be noted that the majority of current assets and comprise of inventory and trade debtors and these two components has been increasing. In addition to that current assets includes advance payments, other receivables, short term investment, unrealized interest and cash balance.

The most significant liability of the company is dividend payable which represents 80% of current liabilities. the current ratio of the company illustrates that company has adequate levels of current assets to set off its short-term liabilities.

Quick Ratio

Q2 2019
0.88
Million in MVR

Q2 2020
1.16
Million in MVR

Q1 2020
1.19
Million in MVR

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

Cash Ratio

Q2 2019	Q2 2020	Q2 2020
0.40	0.33	0.38
Million in MVR	Million in MVR	Million in MVR

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. Cash balance of the company shows a reduction of MVR 1.8 million against previous quarter, hence there is decline in the cash ratio. Considering the level of operation, the company is maintaining a strong cash balance, however cash balance does not reflect this as there is significant payables. The company has been making investments, in this regard, MWSC has invested MVR 39.8 million in T-bills.

LEVERAGE

Debt to Equity

Q2 2019	Q2 2020	Q1 2020
0.09	0.12	0.12
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. Total debts of the company have reduced in Q2 2020, while equity has reduced. Hence there is no change in the ratio. MWSC is using a relatively low debts to finance its operations, hence financial risk of the company is very low.

Debt to Assets

Q2 2019	Q2 2020	Q1 2020
0.05	0.08	0.08
Million in MVR	Million in MVR	Million in MVR

Company's debt to assets also remained same as previous quarter. There were no additional borrowings in the quarter, and MWSC has repaid MVR 6.7 million in Q2 2020. The company has space to raise further debt to expand business.

CONCLUSION

The revenue of the company has declined in Q2 2020 due to COVID-19 pandemic. However due to reduction of direct costs and overheads, the profit margins of the company have improved. MWSC has made a net profit of MVR 72.8 million for Q2 2020.

The company holds enough current assets and the liquidity ratios are healthy even though the liquidity ratios has recorded a reduction in Q2 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, MWSC 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

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.

The largest payable of MWSC is dividend, hence company should settle these payables in order to have a material impact on payables.

Quarterly review; Quarter 2, 2020

MALDIVES PORTS LTD

MALDIVES PORTS LIMITED

Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/MPL/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
197.3	121.3	188.2
Million in MVR	Million in MVR	Million in MVR

The impact of covid-19 pandemic on the company was huge, as total operational revenue has dropped by over MVR 64 million against previous quarter and MVR 73.7 million against Q2 2019.

Operational Income	Q2 2019	Q2 2020	Q1 2020
Handling	28,776,642	17,509,887	28,136,437
Wharfage	18,265,493	10,709,482	18,285,370
Stevedoring	68,638,936	45,049,895	68,072,497
Storage/Demurage	12,080,434	9,121,798	7,728,533
Empty Container Storage	4,436,716	1,719,057	4,988,645
H-Pontoon Service Charges	87,778	86,892	68,715
Shifting	19,566	17,959	1,241
Sorting of Mixmark	62,210	51,585	52,712
Measuring Charges	163,487	54,508	119,207
Lashing / Unlashing	461,656	428,674	496,018
Pilotage	2,526,660	1,291,909	2,503,972
Berthing/Quaywall	2,367,449	1,724,431	2,092,298
Port Dues	360,264	196,679	338,800
Express Clearance Charges	2,061,311	912,584	1,807,000
Vessel & Vehicle HireCharges	3,088,549	1,387,885	1,328,886
Cargo Gear Hire Charges	2,664	291	2,640
Documents Amendment Charges	128,482	59,434	133,897
Electricity Charges	7,432,555	6,216,692	4,722,246
Water Sale	50,971	2,547	21,540
Container Movement Charges	375,050	432,275	323,241
Hulhumale Income	13,688,460	9,222,815	16,450,471
Bond Income	7,678,993	5,500,316	7,723,756
T- Jetty Income	9,357,927	3,189,624	7,945,692
STL Income	2,487,004	558,644	2,126,763
Salvage	435,276	-	-
MNH	1,201,831	744,519	1,477,201
MIP	216,135	3,355	14,908
MRTD	4,253,603	709,317	3,551,261
TLF	-	75,867	461,911
HTL	39,387	1,363	41,642
Total	**190,745,489**	**116,980,284**	**181,017,499**

A fall of MVR 23 million was seen in stevedoring because due to lockdown very less containers handled in the quarter. Handling income has also dropped by over MVR 10 million compared to previous quarter. Almost all the operational activities were declined in Q2 2020.

Compared to the same period of last year, the highest reductions were seen in stevedoring, handling, wharfage, T-jetty income and hulhumale income.

Non-Operational Revenue

Q2 2019	Q2 2020	Q1 2020
6.6	4.4	7.2
Million in MVR	Million in MVR	Million in MVR

Non-operational income of the company has also decline in Q2 2020 compared to other two quarters. Non-operational revenue consists of rent, staff fines, auction cargo and miscellaneous income. Rental income has dropped by MVR 1.5 million against previous quarter.

Gross Profit

Q2 2019 **162** Million in MVR | Q2 2020 **97** Million in MVR | Q1 2020 **152** Million in MVR

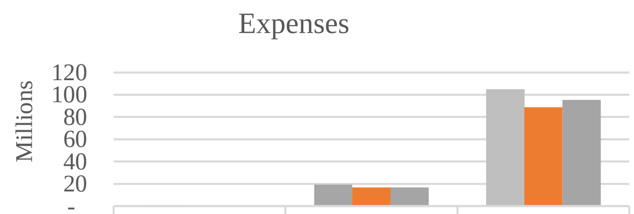
While revenue has reduced by 36% compared to previous quarter, the gross profit has also reduced by the same. Cost of sales has also declined in line with the revenue, as a result gross profit margin has shown a minimal reduction compare to previous quarter. Compared to same period of last year, gross profit has recorded a fall of 40% and thus gross profit margin reduced from 82% to 80%.

Net Profit

Q2 2019 **31.2** Million in MVR | Q2 2020 **-8.13** Million in MVR | Q1 2020 **31.9** Million in MVR

The company has ended quarter 2 of 2020 with a net loss of MVR 8 million, as a result of decline in the revenue of the company. The overall business of the company shows a slow down due to the impact of COVID-19 and lockdown of the country during the second quarter of 2020.

Expenses



	Selling and Marketing Costs	Depreciation	Payroll Cost
Q2 2019	990,636	19,392,498	105,067,153
Q2 2020	386	16,647,500	88,869,446
Q1 2020	386,031	16,647,500	95,313,940

The expenses of the company have reduced in the quarter, mainly attributable to the close down of the offices. The payroll expenses have recorded a reduction of MVR 6 million against previous quarter mainly from staff allowances.

LIQUIDITY

Current Ratio

Q2 2019 **4.98** TIMES | Q2 2020 **2.54** TIMES | Q1 2020 **2.60** TIMES

The current ratio measures a company's ability to pay short-term obligations or those due within one year. The results of MPL is favorable with a high current ratio. The higher the current ratio, the more capable a company is of paying its obligations because it has a larger proportion of short-term asset value relative to the value of its short-term liabilities.

Compared to Q2 2019, current ratio shows a steep reduction because current liabilities have (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 show a minimal reduction compare to previous quarter mainly due to provisions. The receivables of PORTS are also high as it contributes to 138% of sales (Q2 2020) and

24% current assets. Receivables are mainly from Government Institutes and the regional ports of HPL and KPL.

Quick Ratio

Q2 2019 2.92 TIMES | Q2 2020 0.99 TIMES | Q1 2020 1.05 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 has dropped below 1 in Q2 2020 as company's inventory and current liabilities increased. This represents that current assets (less inventory) is not sufficient to cover its current liabilities.

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

Cash Ratio

Q2 2019 1.11 TIMES | Q2 2020 0.38 TIMES | Q1 2020 0.42 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. The cash ratio of MPL has been below 1 in 2020. Cash balance of the company has reduced compare to other two quarters, mainly because of less cash generated from its operation. 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

Q2 2019 0.14 TIMES | Q2 2020 0.36 TIMES | Q1 2020 0.36 TIMES

Debt to equity ratio has remained same as previous quarter as there were no additional borrowings or repayments during the quarter. 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

Q2 2019 0.11 TIMES | Q2 2020 0.22 TIMES | Q1 2020 0.22 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

Q2 2019	Q2 2020	Q1 2020
12%	27%	27%

Investors use the debt-to-capital metric to gauge the risk of a company based on its financial structure. A low metric indicates that MPL 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

Q2 2019	Q2 2020	Q1 2020
17.8 TIMES	-5.7 TIMES	10.5 TIMES

The interest cover ratio measures how many times MPL can cover its current interest payment with its available earnings. The ratio is negative for Q2 2020, as a result of operating loss. Interest expense of the company has significantly reduced in Q2 2020 compared to previous quarter. 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 been severely affected by the Covid -19 pandemic and the lockdown of the country. The total revenue of the company has dropped by over MVR 64 million against previous quarter and MVR 73.7 million against Q2 2019. And, thus ended the quarter with a net loss of MVR 8 million.

In terms of short-term liquidity position, the company's liquidity position 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. The cash ratio of the company has declined mainly because of less revenue generated through operations. However, Considering the level of operation, cash balance is strong.

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.

Quarterly review; Quarter 2, 2020

PUBLIC SERVICE MEDIA LTD

PUBLIC SERVICE MEDIA
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/PSM/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
22.8	23.3	25.7
Million in MVR	Million in MVR	Million in MVR

As at the end of Q2 2020, PSM generated a revenue of MVR 23.3 million which is a reduction of 9% (MVR 2.4 million) compared to Q1 2020. Revenue fell significantly from most of the segments. A fall in government grant compared to Q1 2020 also added to the revenue reduction compared to that period.

Compared to Q2 2019 revenue has shown a slight improvement of 2%. However revenue has fallen from all the revenue segments except the government grant MVR 20 million in Q2 2020 which is an increase of 21% compared to Q2 2019. Thus, increase in revenue compared to Q2 2019 is merely due to government grant. Without the government grant revenue would have fallen by 48% and 39% respectively compared to Q2 2019 and Q1 2020 respectively.

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

Table 1: Revenue

Revenue	Q2 2019	Q2 2020	Q1 2020
Airtime	133,490	157,496	453,195
Satellite uplink	154,046	-	-
Advertisement	1,494,738	826,736	943,746
Announcement	614,460	47,020	335,870
Program Sponsorship	2,703,506	1,689,003	2,685,382
News Sponsorship	370,675	411,668	526,777
Video Link	9,000	-	25,500
Other Income	360,630	-	4,635
Archive Materials	18,714	2,020	15,952
Rentals	8,000	-	36,200
SMS	122,924	17,699	10,077
Production Income	61,040	-	167,030
Training Income	110,720	7,042	59,146
Government grant	16,600,000	20,033,333	20,348,811
Cable TV Income	83,933	87,455	85,551
Total	**22,845,876**	**23,279,472**	**25,697,872**

As seen in the table most of the revenue segments have been reduced in Q2 2020. This is mainly because of the Covid-19 pandemic. Compared to Q2 2019 and Q1 2020 the total revenue excluding grant income has reduced.

Gross Profit/ (Loss)

Q2 2019	Q2 2020	Q1 2020
-464	7.74	8.03
Thousand in MVR	Million in MVR	Million in MVR

Since the direct costs were relatively high in Q2 2019 due to technical and professional expenses, PSM made a gross loss in Q2 2019. However, in Q2 2020 and Q1 2020, PSM made a gross profit. The gross profit has reduced in Q2 2020 compared to previous quarter due to reduction of revenue. The direct costs has also recorded a reduction of 12% compared to previous quarter.

The table shows some of the direct costs of the company and its movements over the three quarters.

Cost of Sales	Q2 2019	Q2 2020	Q1 2020
Salaries	7,770,894	7,039,907	7,029,496
Service Allowance	3,035,450	2,764,800	2,790,122
Support Allowance	603,333	582,500	589,084
Risk Allowance	27,475	20,880	43,988
Shift Duty Allowance	439,062	159,457	347,577
Phone Allowance	211,423	180,745	196,690
Food Allowance	660	897,000	-
Attendance Allowance	162,500	83,500	137,000
Holiday Allowance	404,604	132,752	270,538
Overtime Pay	2,461,414	206,466	1,540,369
Retirement Pension Scheme	539,147	482,437	484,993
Contract Staff's Payroll	349,666	354,468	623,637
Subscription Fee	3,472,932	2,255,727	2,309,910

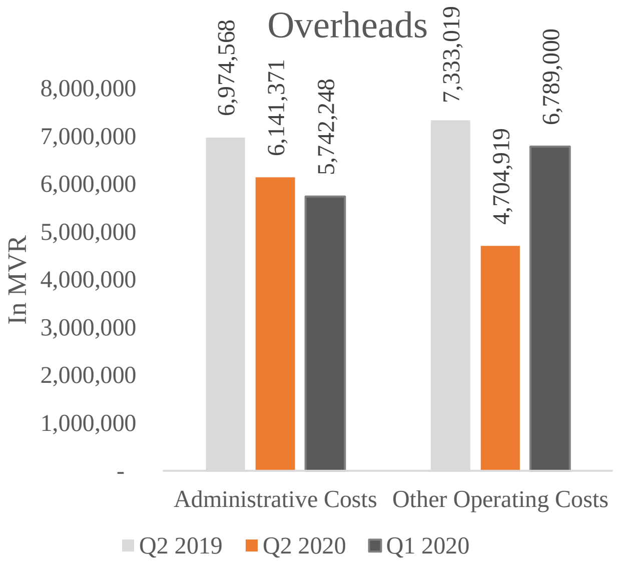
As seen in the table direct costs reduced significantly compared to Q2 2019, except food allowance of MVR 897,000 incurred in Q2 2020.

Compared to Q1 2020, almost all the direct costs reduced, however, gross profit reduced following revenue reduction.

Net Profit/(loss)

Q2 2019	Q2 2020	Q1 2020
-14.9	-3.11	-4.50
Million in MVR	Million in MVR	Million in MVR

The company makes net losses over millions each quarter in Q2 2019, Q1 2020 and Q2 2020. The overheads and finance costs were reduced compared to Q2 2019 and Q1 2020. Hence, net loss is lessened compared to Q2 2019 and Q1 2020.



Expenses

The overheads were categorized into sales and marketing, administrative and other operating expenses. However, the company did not incur selling and marketing costs in the quarters. The movements in administrative expenses and other operating costs is shown in the following graph.

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
0.06	0.17	0.19
TIMES	TIMES	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 Q2 2019.

The reduction in trade receivables was reflected in trade payables as it has also reduced in Q2 2020 compared to Q2 2019. Trade payables however increased by 8% compared t0 Q1 2020.

Cash Ratio

Q2 2019	Q2 2020	Q1 2020
-0.095	0.015	0.016
TIMES	TIMES	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.

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

Q2 2019	Q2 2020	Q1 2020
0.19	0.18	0.18
TIMES	TIMES	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 almost constant for the three quarters since loan portfolio remained unchanged.

Debt to Assets

Q2 2019	Q2 2020	Q1 2020
0.13	0.13	0.13
TIMES	TIMES	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.

CONCLUSION

The performance of the company has significantly dropped in Q2 2020 mainly because of revenue loss from core business segments due to covid-19 pandemic. However net loss of the company lessened due to reduction in overheads.

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.

RECOMMENDATION

The liquidity problem is one of the main issue 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 reporting issues were identified in Quarterly reports, PSM must improve its record keeping and must prepare the reports as per the accounting standards.

Quarterly review; Quarter 2, 2020

STATE ELECTRIC COMPANY LTD

STATE ELECTRIC COMPANY LTD
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/STELCO/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
532	452	512
Million in MVR	Million in MVR	Million in MVR

Revenue reduced by 15% and 12% compared to Q2 2019 and Q1 2020 respectively mainly due to reduction in sales of electricity. Apart from this non-electricity sales also dropped by 75% and 60% respectively compared to Q2 2019 and Q1 2020. The details of the revenue generated in Q2 2020 in comparison with Q2 2019 and Q1 2020 is detailed in the following table.

Revenue	Q2 2019	Q2 2020	Q1 2020
Electricity	493,627,954	440,509,962	486,021,507
Non-electricity sales	36,583,903	9,048,456	22,628,362
Water fee	1,639,858	2,173,903	3,016,456
Water bottling	336,862	62,677	114,983
Total	**532,188,577**	**451,794,998**	**511,781,308**

Gross Profit

Q2 2019	Q2 2020	Q1 2020
134	75.4	123
Million in MVR	Million in MVR	Million in MVR

While the revenue reduced significantly compared to the comparable quarters, gross profit also reduced respectively. Compared to Q2 2019 and Q1 2020 Gross profit reduced by 44% and 39% respectively. As such gross profit margin also fell from 25% and 24% in Q2 2019 and Q1 2020 to 16.7% in Q2 2020. With regard to the fall in revenue direct costs reduced by much smaller percentage, resulting in fall in GP margin. The breakdown of direct costs compared to Q2 2020 and compared to Q2 2019 and Q1 2020 is summarized in the table below.

Cost of Sales	Q2 2019	Q2 2020	Q1 2020
Cost of fuel and lub oil	298,770,860	287,222,002	288,067,395
Cost of power purchase	2,730,926	2,701,971	2,610,092
Cost of sales of goods	36,562	-	234,729
Cost of sales - sales centre	3,842,628	4,913,217	7,236,011
Customer service expense	3,493,636	780,080	3,074,092
Repairs & maintenance - PP & distribution	10,676,379	6,851,159	13,247,419
Employee benefit expenses	46,818,515	42,152,998	41,356,940
Depreciation	30,069,863	31,442,311	31,771,101
Water supply expenses	465,321	137,404	498,410
Water bottling expenses	999,322	237,912	234,004
Total Cost of Sales	**397,904,012**	**376,439,054**	**388,330,193**

Operating Profit

Q2 2019	Q2 2020	Q1 2020
87.8	37.4	76.6
Million in MVR	Million in MVR	Million in MVR

With the significant drop in revenue, operating expenses fell by 13% and 18% respectively compared to Q2 2019 and Q1 2020. Personnel expenses reduced by 10% compared to Q2 2019, however personnel expenses increased slightly compared to the previous quarter. Human resource Development expenses, travelling expenses, repair and maintenance and office expenses reduced significantly compared to Q2 2019 and Q1 2020.

Other operating expenses	Q2 2019	Q2 2020	Q1 2020
Personnel expenses	18,520,810	16,675,191	16,360,280
Human resources development	607,975	69,238	577,830
Travelling expenses	1,570,558	137,880	929,177
Transport and hiring charges	834,504	1,015,252	713,689
Repair and maintenance expense	2,643,464	988,171	2,852,513
Office expenses	17,355,851	12,685,593	19,014,069
Depreciation	5,013,829	8,835,578	8,874,595
Total	**46,546,991**	**40,406,903**	**49,322,153**

However, operating profit reduced significantly compared to Q2 2019 and Q1 2020 due to revenue reduction. Thus, operating profit margin also fell compared to the same period.

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
0.76	0.77	0.74
TIMES	TIMES	TIMES

The current ratio of the company imrpoved slightly compared to Q2 2019 and Q1 2020. This is because the current assets of the company increased greater than current liabilities. STELCO's current assets comprises of inventories, trade receivables, advance tax and cash and cash equivalents. Trade receivables have an increasing trend which has been difficult to collect due to the business nature. Cash and cash equivalents fell consecutively over the quarters.

Trade and Other receivables	Q2 2019	Q2 2020	Q1 2020
Trade receivables			
Accounts receivable- electricity	368,650,130	573,372,234	480,326,695
Accounts receivable- temp, electricity supply	4,049,395	4,066,262	4,066,262
Accounts receivable- Works & sale of goods	34,639,685	34,639,685	34,639,685
Accounts receivable- sales centre	37,082,356	39,498,018	39,498,018
Provision for Bad & doubtful debt	-40,160,213	-40,160,213	-40,160,213
Provision for impairment of trade receivables		2,408,694	2,408,694
Provision for impairment of related party receivables		-28,433,690	-28,433,690
	404,261,353	**585,390,990**	**492,345,451**
Other Receivables			
Accounts receivable- Others	132,150	132,150	132,150
Accounts Receivable- Staff	264,864	275,027	264,864
Short term Investments	2,202,486	2,169,389	2,169,389
Hiya Project Receivable	-29,489,045	-45,339,424	-43,624,971
	-26,889,545	**-42,762,858**	**-41,058,568**

Current liabilities consist mainly of trade payables which rose by 12% and 4% respectively compared to Q2 2019 and Q1 2020.

Quick Ratio

Q2 2019	Q2 2020	Q1 2020
0.67 TIMES	0.65 TIMES	0.61 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 its current liabilities.

Cash Ratio

Q2 2019	Q2 2020	Q1 2020
0.14 TIMES	0.02 TIMES	0.06 TIMES

The cash ratio of the company is more alarming as the cash balance of the company only covers 2% of trade liabilities, while the liabilities of the company 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

Q2 2019	Q2 2020	Q1 2020
3.52 TIMES	3.12 TIMES	3.04 TIMES

Debt to equity ratio of the company is significantly high with over MVR 2.7 billion accounted as total borrowing. The equity and reserves were stated at MVR 872 million as at Q2 2020. Debt to equity ratio has reduced compared to Q2 2019. The reduction in ratio compared to Q2 2019 is because of slower rate of increase in total debts compared with equity and reserves. 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

Q2 2019	Q2 2020	Q1 2020
0.61 TIMES	0.59 TIMES	0.59 TIMES

The level of the debts in relation to company's total assets has reduced compared to Q2 2019 and remained almost same as Q1 2020, 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.

CONCLUSION

The performance of the company in terms of revenue and profitability has declined in Q2 2020. However, the company has also managed its overheads well during the quarter though it did not reflect in their operating profit due to significant revenue reduction.

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 2.7 billion accounted as total borrowing, when equity and reserves stands at MVR 8724 million as at Q2 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.

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 2, 2020

STATE TRADING ORGANIZATION PLC

STATE TRADING ORGANIZATION PLC
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/STO/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
2.37	1.30	2.49
Billion in MVR	Billion in MVR	Billion in MVR

STO has reported a total revenue of MVR 1.3 billion in Q2 2020, which is 48% lower than previous quarter and 45% lower than Q2 2019. STO's revenue is divided into fuel revenue and non-fuel revenue. As per the company, they expected fuel revenue to be lower than year 2019 due to reduced price and quantity. However, the actual quantity of fuel is below the budgeted due overall market drop in quantity from key market segments, especially tourism sector. The fuel revenue shows a reduction of MVR 1.09 billion compared to previous quarter.

The significant components of Non-fuel revenue are pharmaceutical items and medicals equipment's. As per Quarterly report of STO, STO entered into an agreement with the Government of Maldives to supply medical items for the Covid-19 relief effort. This has increased the sales of the medical segment. In addition to this, STO also agreed with the government to procure medical equipment for establishing 4 regional tertiary hospitals. The revenue increase from Covid-19 related sales combined with billing of equipment delivered under 4 hospital project is expected to increase the Medical segment's revenue compare to 2019. Other segments of non-fuel revenue includes revenue from essential foods, construction, home improvement and super mart. While revenue from essential foods has increased due to lockdown, construction and home improvement segment contributes lower revenue. Revenue of non-fuel segment shows a reduction MVR 104 million against previous quarter.

Gross Profit

Q2 2019	Q2 2020	Q1 2020
326	345	357
Million in MVR	Million in MVR	Million in MVR

Although revenue has significantly reduced compared to Q2 2019, the gross profit has improved because cost of sales has reduced at much higher rate. Compared to Q2 2019, gross profit margin has improved from 14% to 27%. This is mainly due to increased revenue from medical segment and increased GP margin from fuel segment.

In comparison to previous quarter, gross profit shows a reduction of MVR 12 million. However, cost of sales has reduced at a higher rate than revenue. Although gross profit is lower in Q2 2020, the profit margin is higher (27%) compared to 14% previous quarter.

Net Profit

Q2 2019	Q2 2020	Q1 2020
76.6	104	114
Million in MVR	Million in MVR	Million in MVR

The net profit of the company has significantly increased against the same period of last year. This is mainly because STO has managed to reduce its administrative expenses and other operating expenses in Q2 2020. Thus improving the net profit margin from 3% to 8% in the quarter.

In comparison to previous quarter, total overheads has recorded a reduction of 5%, however the net profit has reduced owing to fall in revenue and other operating income. However, there was an improvement in net profit margin.

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
1.06 TIMES	1.13 TIMES	1.12 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 Q2 2020, current ratio has improved since company's current assets has increased mostly from cash and cash equivalents and inventories. Current liabilities of the company has also shown increment mainly from trade and other payables and current tax liabilities. Inventories mostly comprise of essential medicine, fuel and staple foods. To safeguard the country from potential supply disruptions STO is responsible for managing these reserves hence the company has invested significant amount of cash flow into the inventory.

It is also important to note that the most significant component of current assets is trade and other receivables which represents 75% of current assets and 241% of company's revenue as at Q2 2020. As per the company about 65% of receivables is directly or indirectly exposed to public sector. Health sector supplies and fuel sales account to almost 76% of the receivables. As part of COVID-19 economic recovery plan, STO has extended approximately MVR 85 million credit to private sector.

Current ratio of the company is relatively low hence, STO could improve the ratio by collection of its receivables.

Quick Ratio

Q2 2019	Q2 2020	Q1 2020
0.86 TIMES	0.89 TIMES	0.89 TIMES

The quick ratio shows company's short-term liquidity position and ability to meet its short-term obligations with its most liquid assets i.e. excluding inventories. STO's quick ratio is below 1 for the three quarters. Inventory of the company has increased by MVR 100 million compared to previous quarter and current liabilities by MVR 443 million. The increase in inventory may be intentional as the company built up a stock of necessities for the unforeseen disruptions in supply routes due to Covid.

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

Q2 2019	Q2 2020	Q1 2020
0.02 TIMES	0.05 TIMES	0.02 TIMES

Cash ratio calculates a company's ability to repay its short-term debt with cash or near-cash resources. STO's cash ratio is very critical as only 0.05 percent of current liabilities can only be covered by the cash balance. The cash balance of the company shows increment of MVR 151 million compared to previous quarter, hence there was an improvement in the ratio. The payables of the company shows an increment of MVR 766 million against previous quarter mainly because the company opted to take open credit from oil supplier instead of working capital loan from banks which was the case in previous quarter. A large portion of current liability is exposed to oil suppliers and financing facilities taken to refinance the oil supplier payments.

LEVARAGE

Debt to Equity

Q2 2019	Q2 2020	Q1 2020
1.02 TIMES	0.76 TIMES	0.96 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 Q2 2020 compared to other two quarters as the total debts reduced as a result of significant repayments during the quarter. Total debts of the company stand at MVR 1.85 billion and equity stands at MVR 2.4 billion as at the end of Q2 2020.

Debt to Assets

Q2 2019	Q2 2020	Q1 2020
0.36 TIMES	0.29 TIMES	0.38 TIMES

Debt to Assets ratio defines the total amount of debts relative to its assets. A ratio less than one means STO owns more assets than liabilities and can meet its obligations by selling its assets if needed. The lower the debt to asset ratio, the less risky the company. Total assets of the company has seen a reduction against previous quarter mainly from investment and deferred tax asset. In addition, the debts has also reduced resulting a decline in the debt to assets ratio.

Debt Capitalization

Q2 2019	Q2 2020	Q1 2020
0.51 TIMES	0.43 TIMES	0.49 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 has reduced in Q2 2020, thus the ratio has reduced against previous quarter.

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

Q2 2019	Q2 2020	Q1 2020
3.12 TIMES	4.05 TIMES	4.14 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 indicates that STO has 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. The drop in the interest cover against previous quarter is due to reduction in operating profit compared to previous quarter together with increase in finance cost from MVR 21.5 million to MVR 29.6 million.

CONCLUSION

The performance of STO has dropped in terms of revenue in Q2 2020 against the comparable periods. However, the impact of COVID-19 is minimal to STO's business as the company is engaged in supply of essential products. The net profit of the company has recorded a growth of 37% compared to the same period of last year, however compared to previous quarter net profit is 8% less in Q2 2020.

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. Further, the cash balance of the company is relatively lower than its current liabilities, as such cash ratio of the company is very low.

In addition, total debts of the company has reduced in Q2 2020, improving the financial leverage ratios. However, the company has taken new borrowings as a temporary short term working capital facility as there was reduction in collection from business outlets. Further, STO has also borrowed USD 15m from ITFC to facilitate the import of medical and essentials.

RECOMMENDATION

The finance cost of the company has significantly increased in Q2 2020 against previous quarter. 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.

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

Quarterly review; Quarter 2, 2020

TRADE NET MALDIVES CORPORATION LTD

TRADENET MALDIVES CORPORATION LIMITED
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/TMCL/Q2

Q2 2020 with Q1 2020

INTRODUCTION

TradeNet Maldives Corporation Limited is a 100% government owned SOE the company is working with the Project Management Unit (PMU) of ministry of economic Development in establishing "National Single Window", a trade portal providing an efficient one-stop paperless system to lodge standardized declaration and various clearance applications electronically for trade facilitation and for the benefit of all stake holders engaged in international supply chain.

At present the company is engaged in its office Administrative and physical setup works which are ongoing and expected to be completed by end of Q3, 2020. Capacity building training activities have been conducted to all staff of TradeNet Maldives with the support of ADB and Project Management Unit of Ministry of Economic Development.

PROFITABILITY

Operating Profit

Q2 2020
(1.29)
In MVR millions

Q1 2020
(1.43)
In MVR millions

Since the company began its operations in the last quarter of 2019, company will be open for business after the completion of the Trade Portal and full roll-out. As such, the company did not generate any revenue in Q1 and Q2 of 2020 respectively, hence gross profit is nil. The operational loss of MVR 1.43 million and MVR 1.29 million in Q1 2020 and Q2 2020 has resulted from the overheads incurred in both quarters.

Other Operating Expenses	Q1	Q2
salaries and Wages	713,272	847,278
Pension	25,582	37,689
other Administrative Expenses	42,976	28,050
Lease rentals	375,000	375,000
Total	**1,156,830**	**1,288,017**

Salaries and wages increased by 19% compared to the previous quarter as the company hired 2 staffs. The company needs to control the increase in salaries until the system is implemented and operational after 2 to 3 years.

Net Profit

Q2 2020
(1.29)
In MVR millions

Q1 2020
(1.43)
In MVR millions

Since administrative expenses are the only expenses incurred by the company since inception, the operational loss equals to the net loss for the quarters. This gives the company earnings per share of MVR (3.80) and MVR (2.74) in Q1 2020 and Q2 2020 respectively. The company is expected to generate revenue and profits through their operations.

LIQUIDITY

Current Ratio

Q2 2020	Q1 2020
4.089	4.086
Times	Times

The liquidity ratio of TradeNet Maldives remained almost same for Q2 2020 and Q1 2020. Current assets have only cash component which is the capital injected by the government.

CONCLUSION

As a start-up, TradeNet Maldives is working on establishing office set up to commence the initial administrative tasks.

TradeNet Maldives at its inception stage is working closely with ADB and PMU towards system development and capacity building. Furthermore, to formulate a revenue model, which need to be approved and endorsed by the Economic Council of the President's Office.

Hence, TradeNet Maldives at present is not in a position to project any profit for the preceding first 2 years or until its Trade Portal is fully developed, up and running. The Company expects the portal to be rolled out in the year 3 after which it will be able to generate Revenues as per limitations set and instructed by the Economic Council and the government. However, it is important to note that the COVID-19 impact would adversely affect our project timelines as much uncertainty looms till the economy bounces back.

RECOMMENDATION

It is recommended for TradeNet Maldives to aim a sustainable business model at an early stage of business development to reduce dependency on shareholders. Do proper planning and estimations before commencing any projects. In addition to that, when introducing new products, the company should perform market research and product feasibility prior to the launch of new products. Also, the company should try to eliminate unnecessary costs and improve efficiency. The increase in costs should be controlled and the company and government should look into whether the operation can be transferred to PMU until the system is ready for implementation and then transfer the staff to the company.

Quarterly review; Quarter 2, 2020

WASTE MANAGEMENT CORPORATION LTD

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WASTE MANAGEMENT CORPORATION
Q2 2020 PERFORMANCE ANALYSIS

Report No: PEM/2020/WAMCO/Q2

Q2 2020 with Q2 2019 and Q1 2020

PROFITABILITY

Revenue

Q2 2019	Q2 2020	Q1 2020
58.4	41.6	76.4
Million in MVR	Million in MVR	Million in MVR

WAMCO has recorded a revenue of MVR 41.6 million, a reduction of revenue by 29% and 46% respectively compared to Q2 2019 and Q1 2020.

Gross Profit

Q2 2019	Q2 2020	Q1 2020
15.1	3.35	31.6
Million in MVR	Million in MVR	Million in MVR

Along with revenue reduction, direct costs reduced by 12% and 15% compared to Q2 2019 and Q1 2020 respectively. Direct costs reduced by a smaller percentage than the change in sales resulting a lower gross profit margin. The following table shows the change in gross profit margin over the three comparable quarters.

	Q2 2019	Q2 2020	Q1 2020
Gross Profit Margin	26%	8%	41%

Net Profit

Q2 2019	Q2 2020	Q1 2020
-7.97	-18.6	9.6
Million in MVR	Million in MVR	Million in MVR

The company made a net loss of MVR 18.6 million which has been a profit of MVR 9.6 million in the previous quarter. Compared to Q2 2019 net loss further deteriorated by Q2 2020. Overheads of the company reduced in the quarter compared to comparable quarters. However, net profit deteriorated due to loss of revenue. The operational expenses for the three quarters in review are shown below.

Operational Expenses	Q2 2019	Q2 2020	Q1 2020
Selling and marketing expenses	811,813	267,700	371,673
Administrative expenses	22,240,801	21,702,641	21,614,616

LIQUIDITY

Current Ratio

Q2 2019	Q2 2020	Q1 2020
2.11 Times	1.54 Times	1.91 Times

WAMCO's current assets are maintained above its current liabilities. However, current assets comprise mainly of trade receivables which increase each quarter. Collection of receivable is a major problem faced by WAMCO. Payables also increased by 48% and 17% respectively compared to Q2 2019 and Q1 2020.

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

Q2 2019	Q2 2020	Q1 2020
0.22 Times	0.12 Times	0.25 Times

Cash ratio calculates company's 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 18% and 43% compared to Q2 2019 and Q1 2020. 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 declined in Q2 2020 compared to the other two quarters in review. The revenue has recorded a reduction of 46% against previous quarter. Though overheads of the company reduced revenue reduction led to a net loss of MVR 18 million in the quarter.

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. Inclusion of the waste management fee in a utility bill would enable the company to streamline registration and collection of the fee.