STATE OF BUSINESS

XYZ Company Private Limited
2019

MS CONSULTING

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FINANCIAL ANALYSIS OF STATEMENTS FROM SUBSEQUENT FINANCIAL YEARS 2017 THROUGH 2019

Following report contains operating, strategic and financial review with forward looking information on business performance of XYZ Company Private Limited which has been enumerated & assured by financial statements specifying certain degree of risks through some key performance drivers and critical success factors of the corporate.

HOME

FINANCIAL HIGHLIGHTS	SUMMARY	FINANCIAL & OPERATIONAL REVIEW	STRATEGIC PERFORMANCE INSIGHTS	LIQUIDITY
SUSTAINABILITY & SOLVENCY	LEVERAGE & RISK	CONTRIBUTION & MARGIN OF SAFETY	PROFITABILITY & PERFORMANCE	CONTROL & SCALABILITY
DUPONT & WEALTH	ASSET EARNING GROWTH	ALTMAN Z-SCORE	Z-SCORE - ANALYTICS & STRATEGY	BUSINESS FINANCIAL SCORECARD

FINANCIAL HIGHLIGHTS ENDING MARCH 2019

XYZ Company Private Limited

- **Liquidity**: Working capital crunch endorses difficulty in financial obligations
- **Sustainability**: Eventual losses, declining operating cash flows and higher finance costs; all leading to threat to sustainable development
- **Leverage**: Dynamism of declining Asset Turnover and lower Operating Leverage entraps perspective scenarios to financial risk
- **Safety Circle**: Higher break-even sales conjures riskier margin of safety with higher operating costs
- **Profitability**: Negative growth in operating margins induces weaker capital employed to negative Net Worth & Retained Earnings
- **Defensive Interval**: Operating expenses amounted to more than 12x of defensive assets, signifying speeding and hidden probability to default in working capital resulting exposure of solvency to credit risk
- **Optimal Growth**: Scalability on stake for probable losses underline asset inefficiency making weaker Balance Sheet
- **DuPont**: Company's returns’ strength goes weaker to earning per share, net worth & asset adequacy
- **Asset Earning Growth**: Lower revenue growth reduces assets efficiency, evaluating investment through decline in net present
- **Altman Z-Score**: Very high distress mark undervaluing asset, contribution and leverage, projecting Unsafe business

SUMMARY

Company has failed in financial distress test of significance and business critical factors of performance.

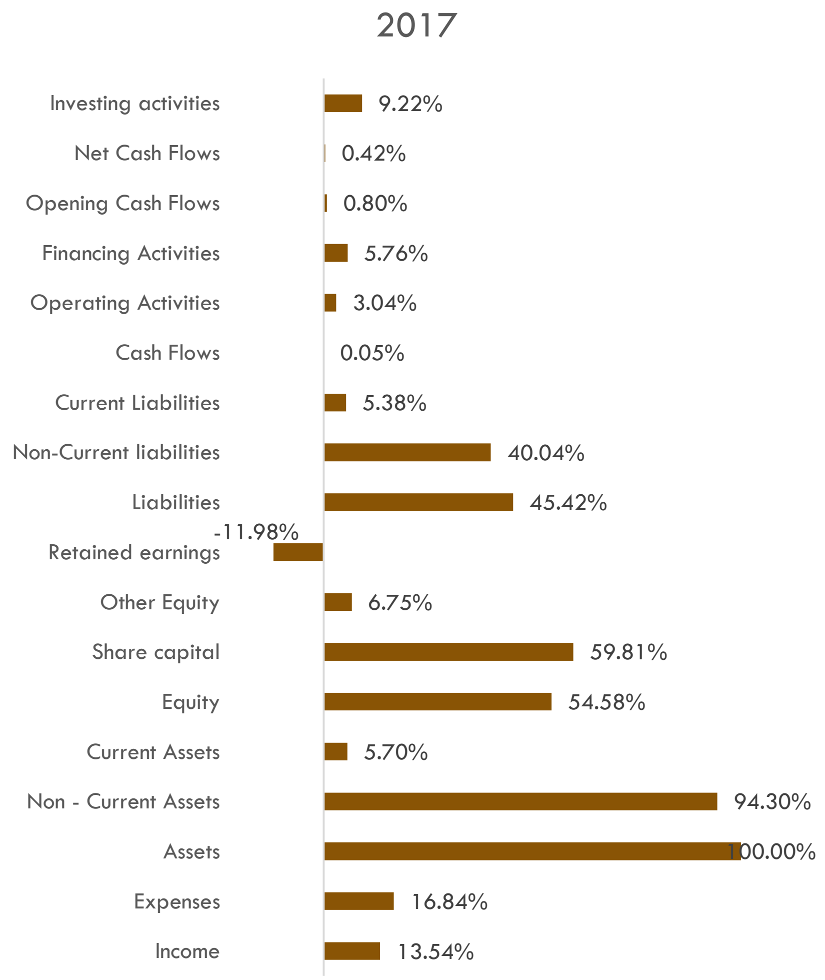
Eventual losses, low assets turnover, higher liabilities to cash flows and declining operating leverage, all devalued net worth, earning per share and higher cost of capital to perspective present value of the company.

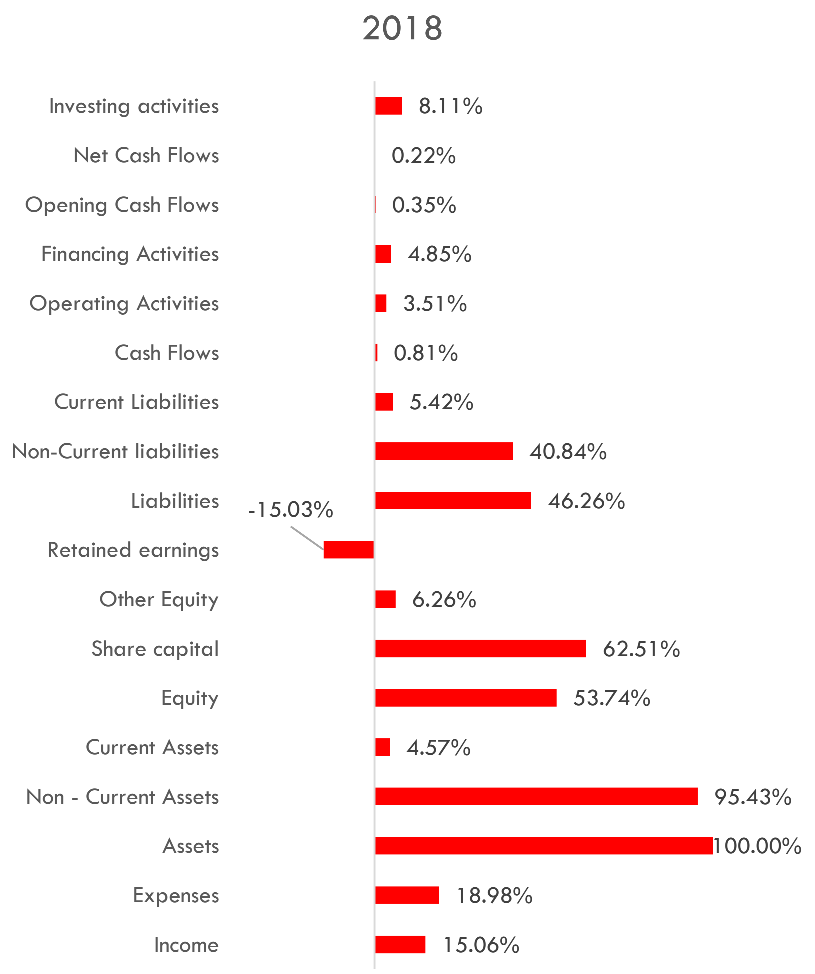
Asset & Financial Restructuring with new Business Case mandatory for review, upscale and re-organization.

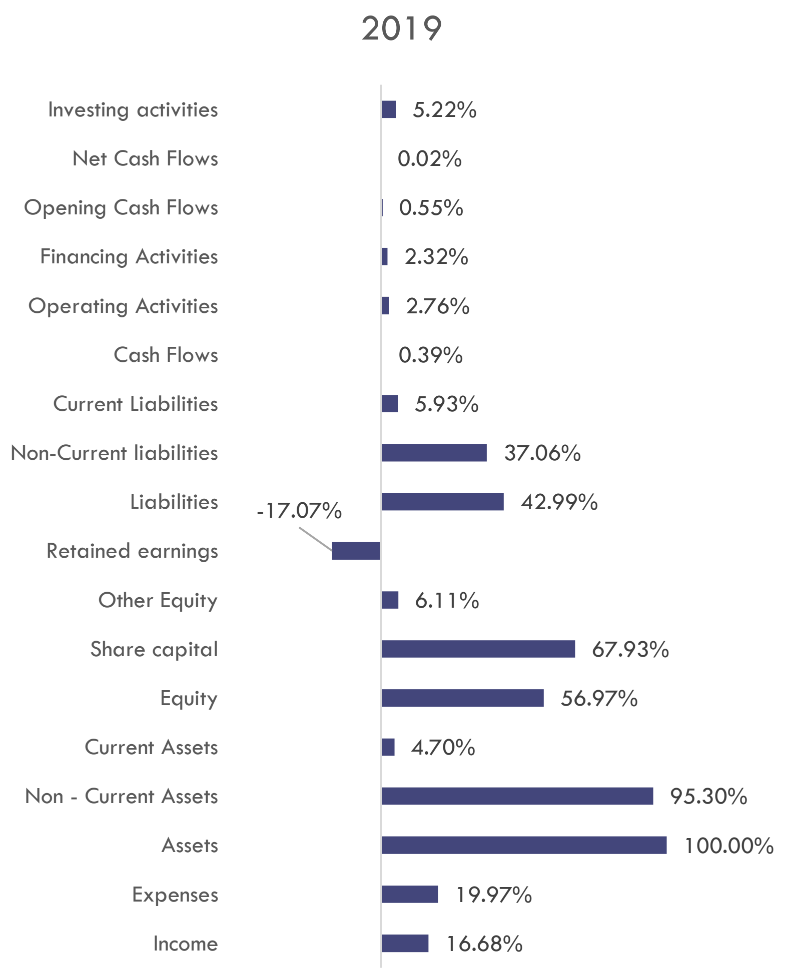
Financial Statements	2017	2018	2019
Income	13.54%	15.06%	16.68%
Expenses	16.84%	18.98%	19.97%
Assets	100.00%	100.00%	100.00%
Non - Current Assets	94.30%	95.43%	95.30%
Current Assets	5.70%	4.57%	4.70%
Equity	54.58%	53.74%	56.97%
Share capital	59.81%	62.51%	67.93%
Other Equity	6.75%	6.26%	6.11%
Retained earnings	-11.98%	-15.03%	-17.07%
Liabilities	45.42%	46.26%	42.99%
Non-Current liabilities	40.04%	40.84%	37.06%
Current Liabilities	5.38%	5.42%	5.93%
Cash Flows	0.05%	0.81%	0.39%
Operating Activities	3.04%	3.51%	2.76%
Financing Activities	5.76%	4.85%	2.32%
Opening Cash Flows	0.80%	0.35%	0.55%
Net Cash Flows	0.42%	0.22%	0.02%
Investing activities	9.22%	8.11%	5.22%
EPS	(113.95)	(136.70)	(74.09)

All financial statement heads divided by Total Assets as common divisor (excluding EPS)

FINANCIAL & OPERATIONAL REVIEW – FY - 2017, 2018 & 2019







STRATEGIC PERFORMANCE INSIGHTS

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Interpretation

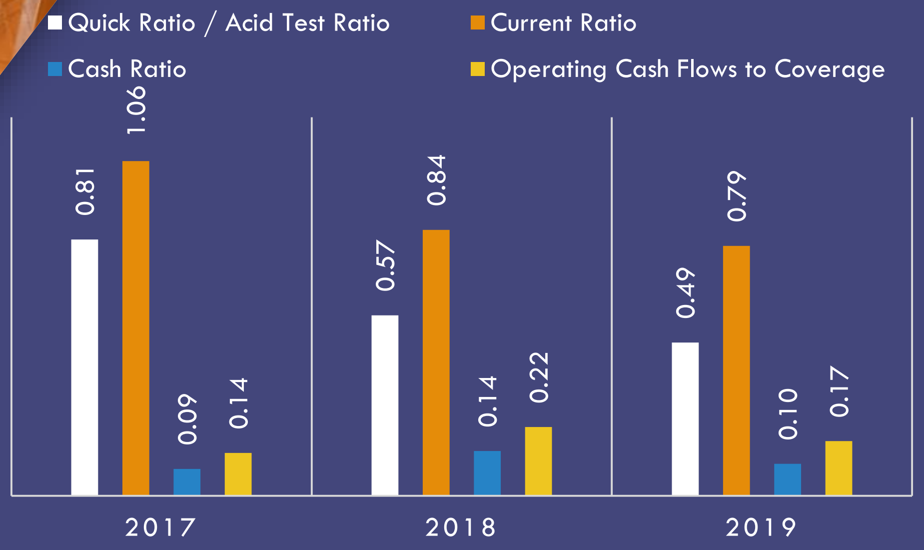
Crunchy situation; might difficult to manage aging payables over time

Meeting short term debt obligations with stress

Unable to keep enough cash for operations' funding

Most liquid assets not aligned with finance costs burden

“LIQUIDITY”



Strategy

Controlled purchase - economic cycle under controlled budgets per consumption inventory schedule

Budget - buckets required with variance ranges as weekly forecasts

Control net operating cycle through Revenue & Creditors' Aging metrices

Financial Distress schedule to be mapped with revenue & operations

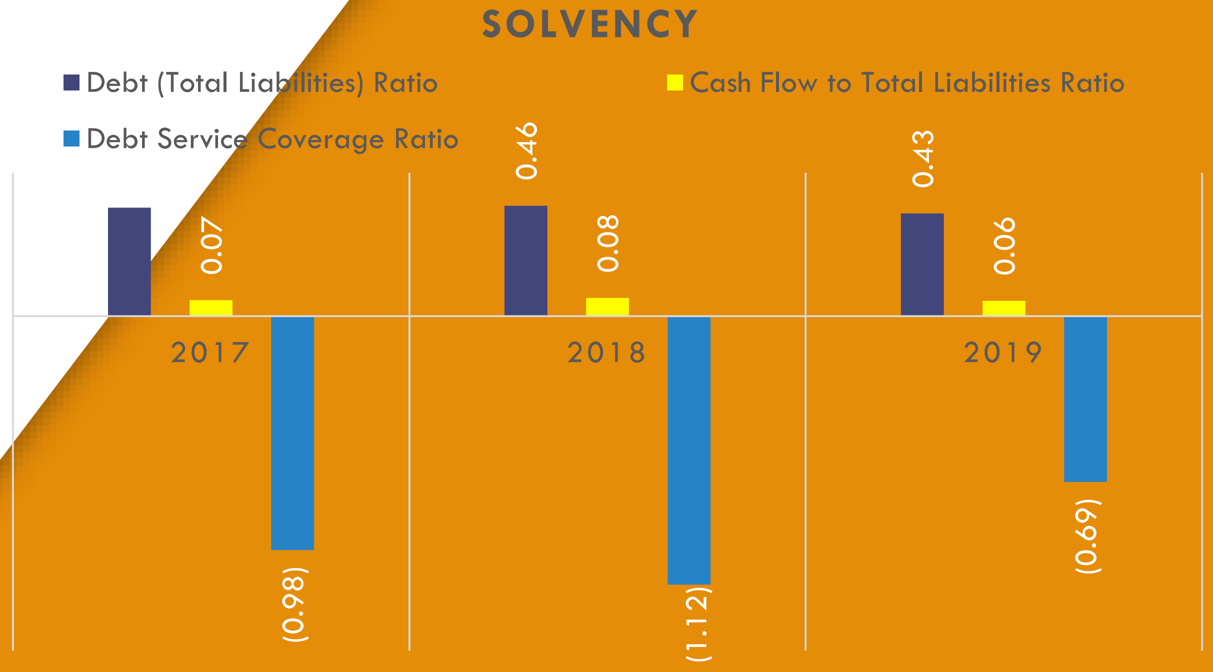
Interpretation

High debt burden with respect to operations' marginal contribution

Operating cash flows marginally declined to sustainability

Low operating leverage burdens managing apt financial leverage

SUSTAINABILITY & SOLVENCY



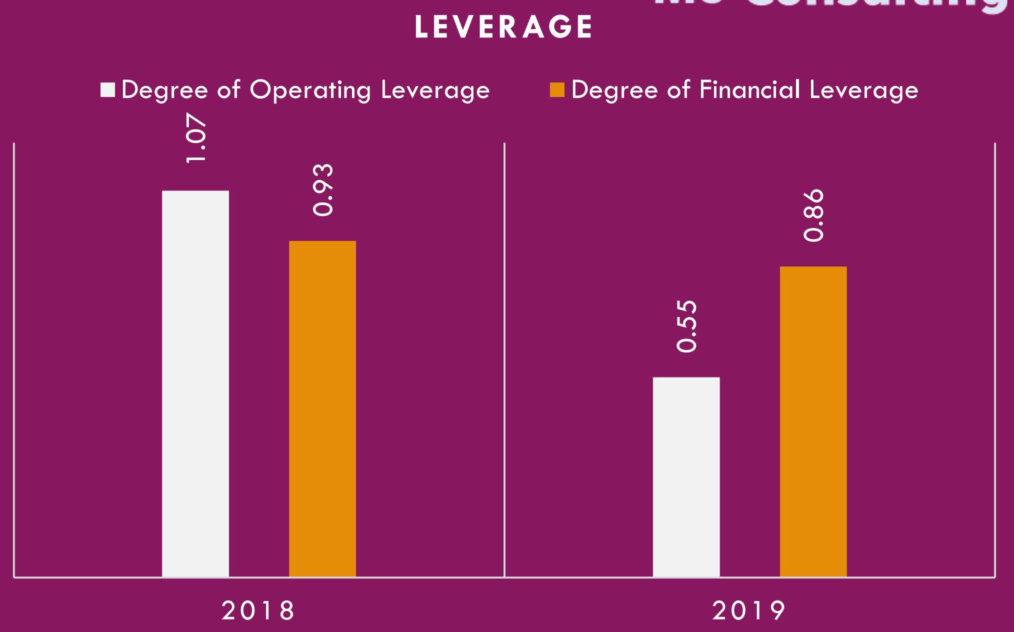
Strategy

Lower current liabilities & generation of retained earnings' funding economic cycle for finance cost

Hedging of finance costs with relative buckets of liquid investments required

Operating cash flows % age need significant inflows respect to Investment & Financial outflows

LEVERAGE & RISK



Interpretation

Operating Leakage signifies financial risk

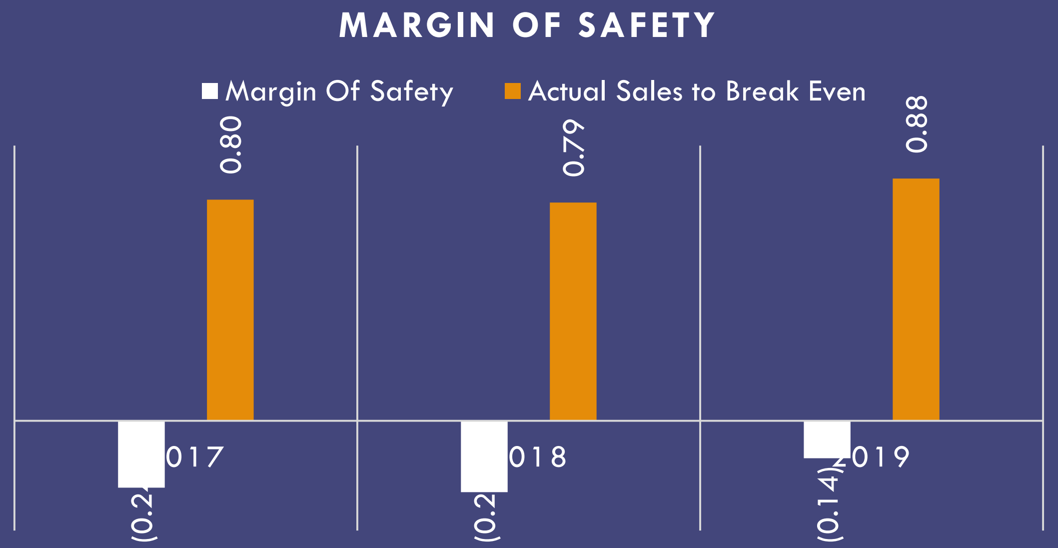
Declining profitability with higher finance cost

Operating Leverage underlines negative bubbles as employee benefits, repairs & maintenance & high asset utility cost marking low performance level

Strategy

Asset Restructuring followed with Financial one
Proportionate balance of cost with operations & revenues
Conservative Annual Operating Plan & Reviewed Business Case

CONTRIBUTION & MARGIN OF SAFETY



Interpretation

Contribution by variable & finance costs un-aligned to revenue cycle

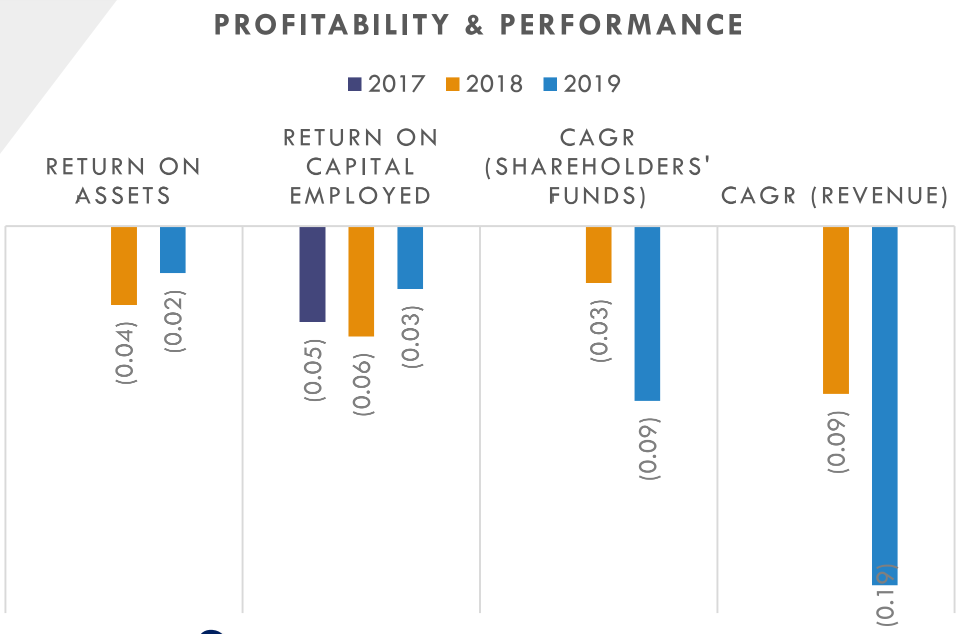
Operating costs surge higher than revenue growth

Strategy

Lower Employee, Finance & Inventory Cost

Conservative Business Case for next 3 years

PROFITABILITY & PERFORMANCE



Interpretation

Operating Margin declines backed with asset inefficiency

Weaker capital employed & long-term strategies

Lower retained earnings contribution to net worth

Growth declines in scale for last 3 years

Strategy

Nonperforming assets to be diagnosed and working capital management with debtors' aging to be scheduled

Check & trail needed for high rate of returns than borrowing funds

Scalability to net worth contribution through operating leverage

Expansion of productive segments and in-depth operational MIS for variance & growth

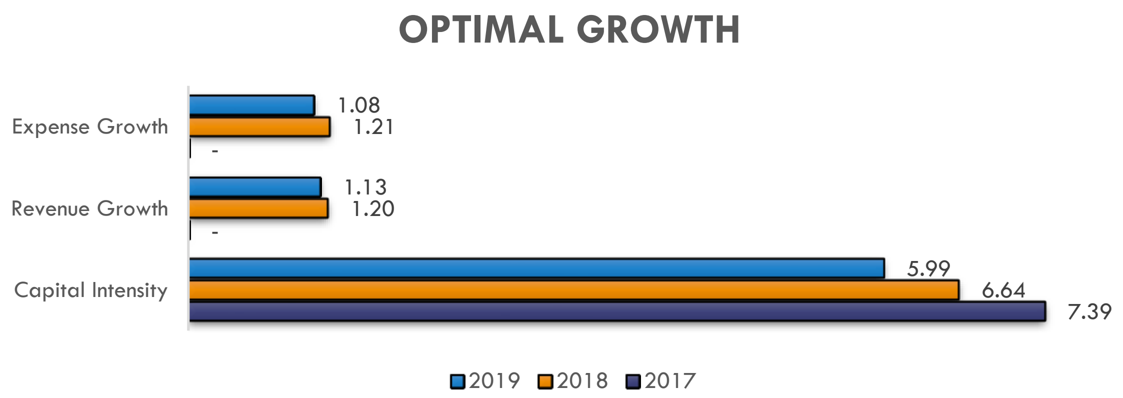
CONTROL & SCALABILITY

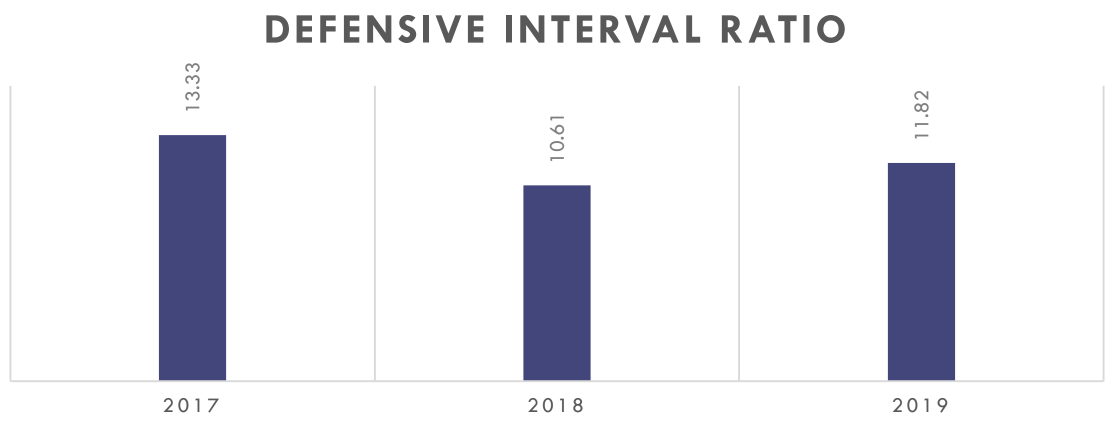
Interpretation

Very less defensive rather failed to maintain defence for costs burden
Eventually getting lower capital intensive
Lower revenue and higher costs (getting uncontrolled)
Higher salary, finance, repair & maintenance etc.

Strategy

Need AOP with variance analysis to forecasts & costs under revenue forecasts < 82%
Higher margins would accomplish higher asset turnover
High revenue budgeted to > 22% growth with 82% costs controlled to % age of income needed





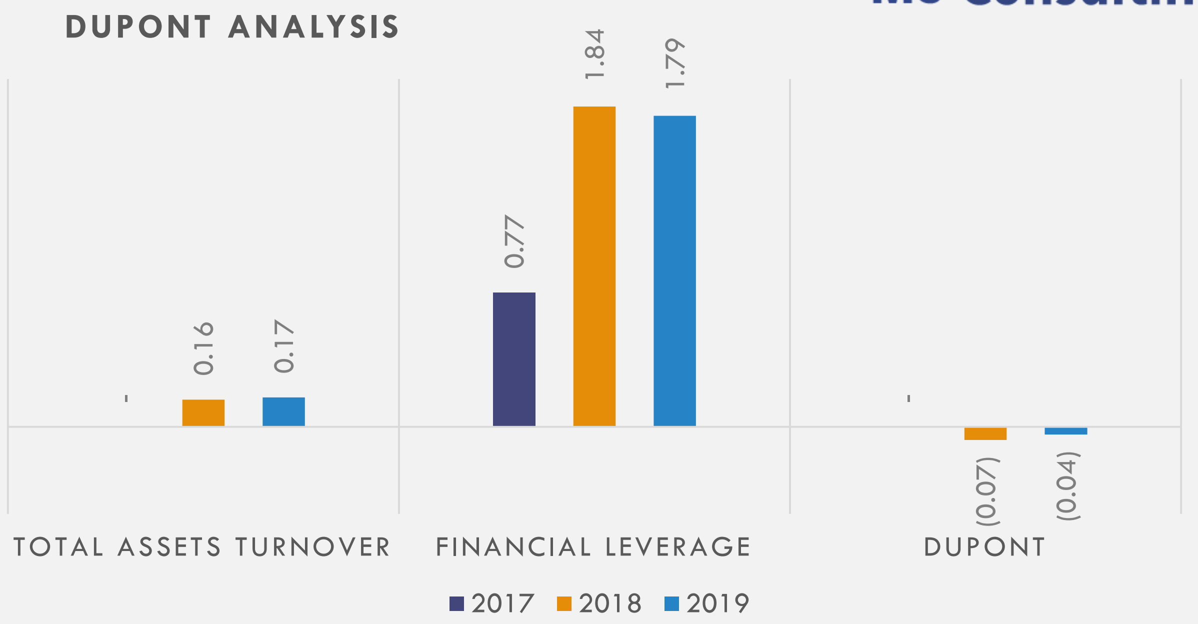
DUPONT & WEALTH

Interpretation

Assets efficiency - incapable to value sales

Asset efficiency to equity declined

Company's strength weaker to net worth & asset adequacy

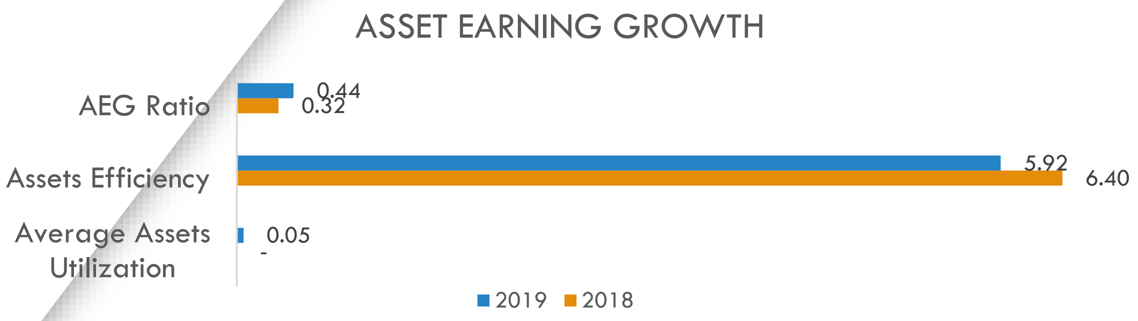


Strategy

More income to existing average asset to be marked to value

Revenue > 22% growth, Operating Costs < 82% of operating revenue & Asset Turnover > 1

AEG - ASSET EARNING GROWTH



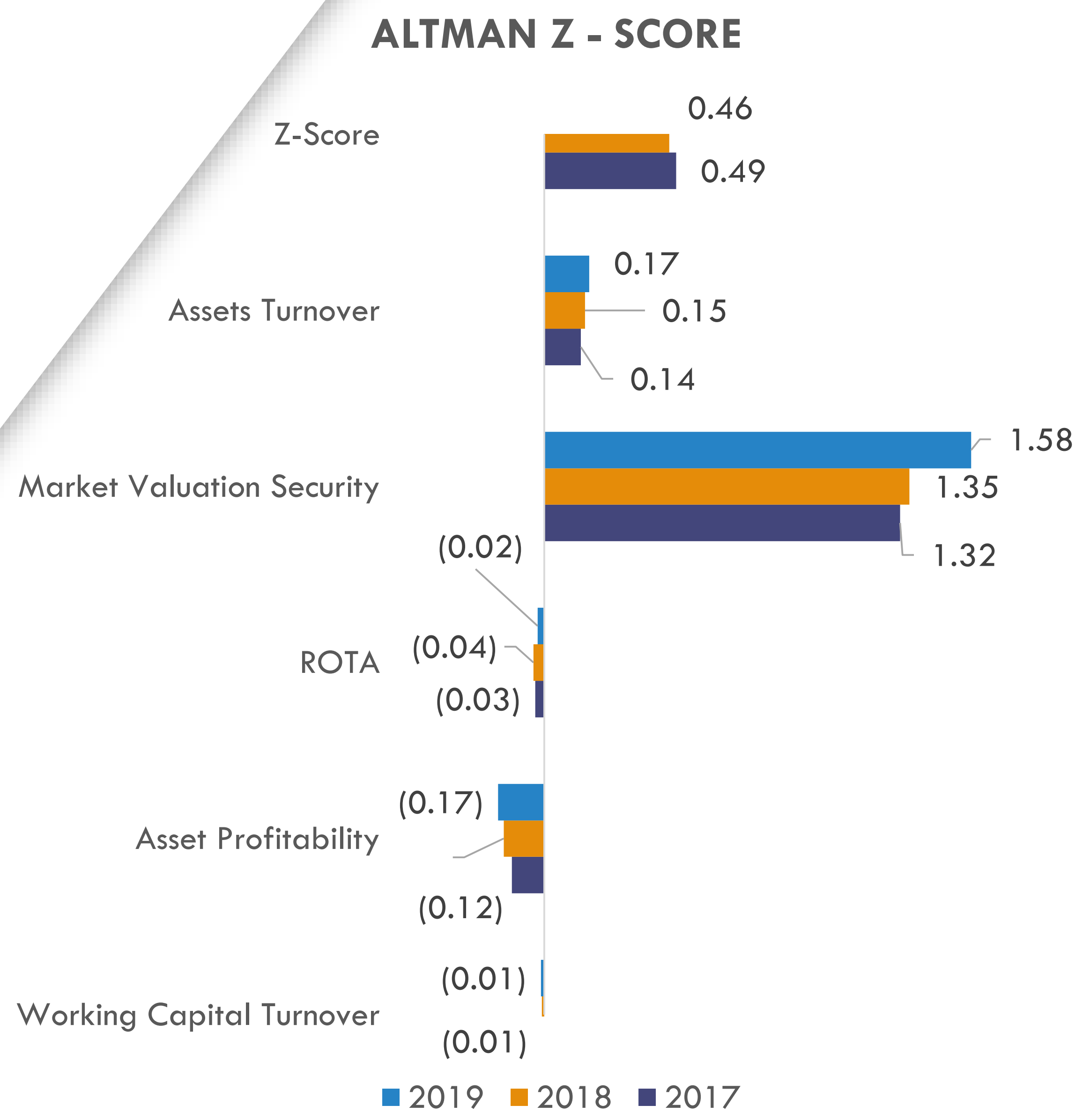
Interpretation

Lower assets performance growth unmarked to revenue growth
Lower revenue growth reduced assets efficiency
Getting better with reduction in marginal operating costs

Strategy

Greater current assets & preforming assets to be aligned to AOP under control
Need to work upon double earning of existing asset efficiency; current around 6.0

ALTMAN Z - SCORE



ALTMAN Z – SCORE – ANALYSIS & STRATEGY

Interpretation

Working capital default; operating risk to financial health
Asset efficiency declining with high pace
Declining operating contribution to asset performance
Capital better than liabilities burden – low gearing
Very slow growth in income over asset ability
Very high distress mark undervaluing asset, contribution and leverage
Failed to distress with advancing bankruptcy or high debt burden

Strategy

Working capital aging metrices mapped to revenue economic cycle

Increase in profitability would support net worth and retained earnings

Control on operating costs

Net worth increase with lower short term liabilities

High business segments' revenue generation required

Low CAPEX, low costs, high revenue & high asset adequacy

BUSINESS FINANCIAL SCORECARD

Business Scorecard				Trend	Status - Impact
Liquidity	2017	2018	2019		
Quick Ratio / Acid Test Ratio	0.81	0.57	0.49		Riskier - Failure
Current Ratio	1.06	0.84	0.79		Weaker - Challenging
Solvency	2017	2018	2019		
Debt (Total Liabilities) Ratio	0.45	0.46	0.43		Better - Challenging
Cash Flow to Total Liabilities Ratio	0.07	0.08	0.06		Weaker - Failure
Debt Service Coverage Ratio	(0.98)	(1.12)	(0.69)		Riskier - Failure
Leverage	2017	2018	2019		
Degree of Operating Leverage	-	1.07	0.55		Riskier - Recovering
Degree of Financial Leverage	-	0.93	0.86		Weaker - Distress
Safety Circle	2017	2018	2019		
Margin Of Safety	(0.24)	(0.26)	(0.14)		Better - Riskier
Actual Sales to Break Even	0.80	0.79	0.88		Growing - Weaker
Profitability	2017	2018	2019		
Return On Assets	-	(0.04)	(0.02)		Recovering - Weaker
Return On Capital Employed	(0.05)	(0.06)	(0.03)		Better - Riskier
CAGR (Shareholders' Funds)	-	(0.03)	(0.09)		Weaker - Riskier
CAGR (Revenue)	-	(0.09)	(0.19)		Weaker - Riskier
Defensive Interval	2017	2018	2019		
Defensive Interval Ratio	13.33	10.61	11.82		Better - Riskier
Optimal Growth Rate	2017	2018	2019		
Capital Intensity	7.39	6.64	5.99		Better - Stronger
Revenue Growth	-	1.20	1.13		Weaker - Riskier
Expense Growth	-	1.21	1.08		Better - Riskier
DuPont	2017	2018	2019		
Total Assets Turnover	-	0.16	0.17		Better - Weaker
Financial Leverage	0.77	1.84	1.79		Better - Weaker
DuPont	-	(0.07)	(0.04)		Better - Riskier
AEG - Asset Earning Growth	2017	2018	2019		
Average Assets Utilization	-	-	0.05		Weaker - Riskier
Assets Efficiency	-	6.40	5.92		Weaker - Better
AEG Ratio	-	0.32	0.44		Weaker - Better
Altman Z-Score	2017	2018	2019		
Working Capital Turnover	0.00	(0.01)	(0.01)		Weaker - Riskier
Asset Profitability	(0.12)	(0.15)	(0.17)		Weaker - Riskier
ROTA	(0.03)	(0.04)	(0.02)		Weaker - Better
Market Valuation Security	1.32	1.35	1.58		Better - Stronger
Assets Turnover	0.14	0.15	0.17		Better - Riskier
Z-Score	0.49	0.46	0.60		Better - Riskier
Forecast	Unsafe	Unsafe	Unsafe		Unsafe - Riskier

THANK YOU