Conclusions

1. The financial data published by MTR co-relates to the major events of the business in the past.
2. As reflected from a number of liquidity ratios, MTR maintains a good level of cashflow & current assets to meet its current liabilities & interest payment without much difficulty.
3. MTR has a healthy situation of borrowings which is evidenced by the dropping debt ratio in the balance sheet according our analysis.
4. MTR’s profit is rising steadily over the past to $15,459 million in 2014 with an increase trend in costs from HK transport operations observed.
5. Amongst its different major business operations, the major profit contributors are HK transport operations, HK station commercial business, HK property rental & management businesses, and property development. Improvements are required from other businesses & Mainland of China and international subsidiaries.
6. With a stable level of profit, the retained earnings of MTR in 2014 accumulated to $114,863 million which was a positive trend.
7. The 5-year average return on total assets and return on equity of MTR are 6.1% and 10.0% respectively. Considering the risk of MTR business, this level of return is considered as reasonable when compared with the performance of other major businesses listed in the Heng Seng Index 50.
8. In our comparison with other overseas railway operators, MTR is able to maintain more stable & higher returns. It is probably due to their business strategy of developing property business along the railway network to guarantee a fixed amount of passenger flow.

Recommendations

1. MTR may consider for fare rise to cover for the rising operating expenses or tighter management control over costs.
2. MTR may also consider for further borrowing for expansion of business due to the low debt ratio