Hayleys
Since 1878

Ratio Analysis
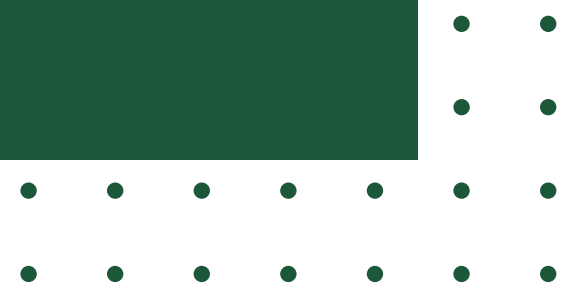
Index number

- Mohamed Sabath(007)
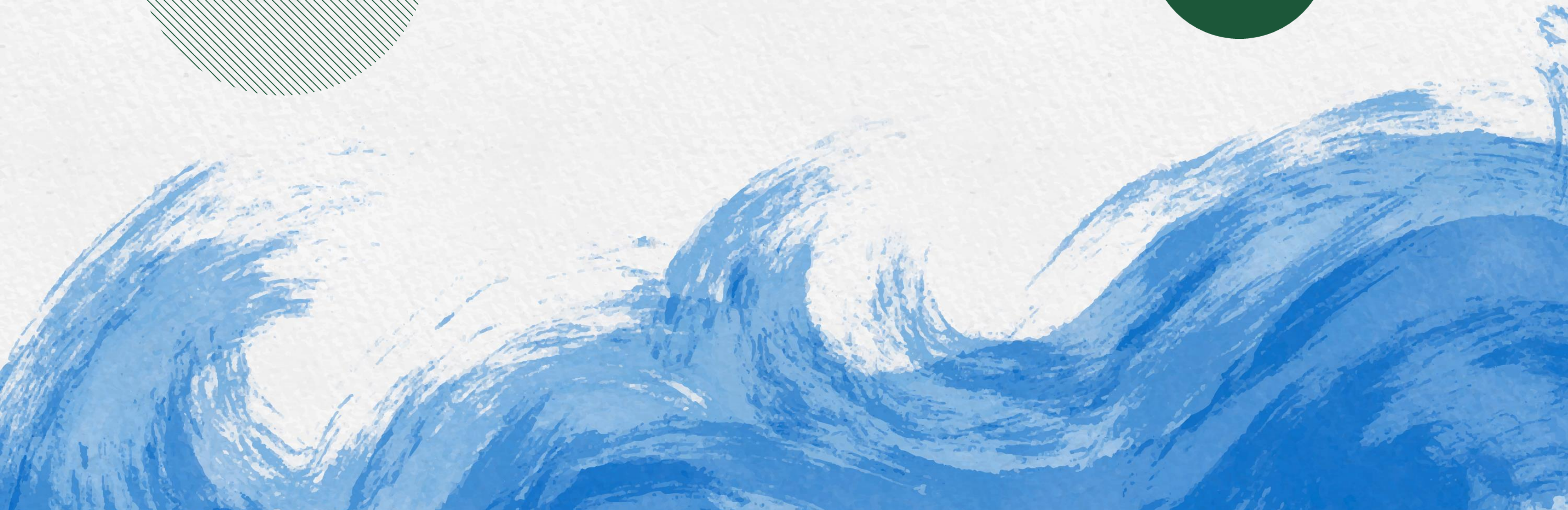
Content

Overview

The following report has been composed to give insights about the process of analyzing ratios which are essential to secure future investments and to further proceed with the company's operations.

About Hayleys PLC....

Sri Lankan conglomerate Founded in 1878.

Diversified business with interests in agriculture, manufacturing, Consumer product, transportation and services.

Significant player in the local and global market with a strong presence in over 30 countries.

Overview of the datasets used.

All datasets were extracted from Hayleys PLC annual report 2023

1. Statement of Profit or Loss

	2023(Rs.'000)	2022(Rs.'000)
For the year ended 31st March		
Property, plant & equipment	202883.0	100095.0
Right-of-use assets	127664.0	191497.0
Investment properties	94750.0	88850.0
Intangible assets	65245.0	74310.0
Investments in subsidiaries	39630538.0	38903712.0

2. Statement of Financial Position

	2023(Rs.'000)	2022(Rs.'000)
For the year ended 31st March		
Revenue	608270.0	497642.0
Cost of sales	-467357.0	-379217.0
Gross profit	140913.0	118425.0
Group dividend	5897496.0	5145509.0
Other income	NaN	13111.0

3. Statement of Cash Flows

	2023(Rs.'000)	2022(Rs.'000)
For the year ended 31st March		
Cash generated from operations	6563911.0	5147092.0
Employee benefit paid	-36172.0	-34924.0
Income tax paid	-62132.0	-667.0
Purchase and construction of property, plant & equipment	-151959.0	-19908.0
Investments in other current financial assets	-1450168.0	-7278000.0

What is ratio analysis?

- Tool used to gain an understanding about the company's financial position.

- Analyses the relationship between financial variables such as liquidity, profitability and debt.

- Can be used to compare the company's performance compared to its competitors.

Types of ratio analysis
- Profitability ratios
- Lender ratios
- Investor ratios

Performance ratios

Conveys how well the company generates profits from its operations.

Gross Profit Margin

$$Gross\ Profit\ Margin = \frac{Gross\ Profit}{Revenue} \times 100$$

Gross Profit Margin(GPM) relates to the difference in the sales revenue and the cost related to the products sold.

```
The GPM of 2023 is =  23.17
The GPM of 2022 is =  23.8
```

Using the extracted data the GPMs were calculated.
The GPM of 2022 is higher than of 2023 with a difference of 0.63.

Gross Profit Margin (GPM) for 2023 and 2022

```
The GP of 2023 is = Rs 140913000.0
The GP of 2022 is = Rs 118425000.0
The TR of 2023 is = Rs 608270000.0
The TR of 2022 is = Rs 497642000.0
```

The following data were extracted from the statement of profit or loss. Here, 'GP' denotes the Gross profit while 'TR' is the Revenue.

The declining of the GPM is most probably due to the increase in the cost of goods sold. It could also be due to lowering of prices(routine discounts and promotions) leading to a decrease in the gross profit.

Such declines could be reduced by finding alternative suppliers or negotiating with the existing suppliers, thereby reducing the cost of goods sold.

Operating Profit Margin

$$Operating\ Profit\ Margin = \frac{Operating\ Profit}{Revenue} \times 100$$

Operating Profit Margin(OPM) relates to the difference in the sales revenue and the cost related to operations. Gives insights how efficiently operations are carried out within the business

```
The OPM of 2023 is =    344.9399115524356
The OPM of 2022 is =    704.6744446811161
```

Using the extracted data the OPMs were calculated.
The OPM of 2022 is higher than of 2023.

Operating profit Margin (OPM) for 2023 and 2022
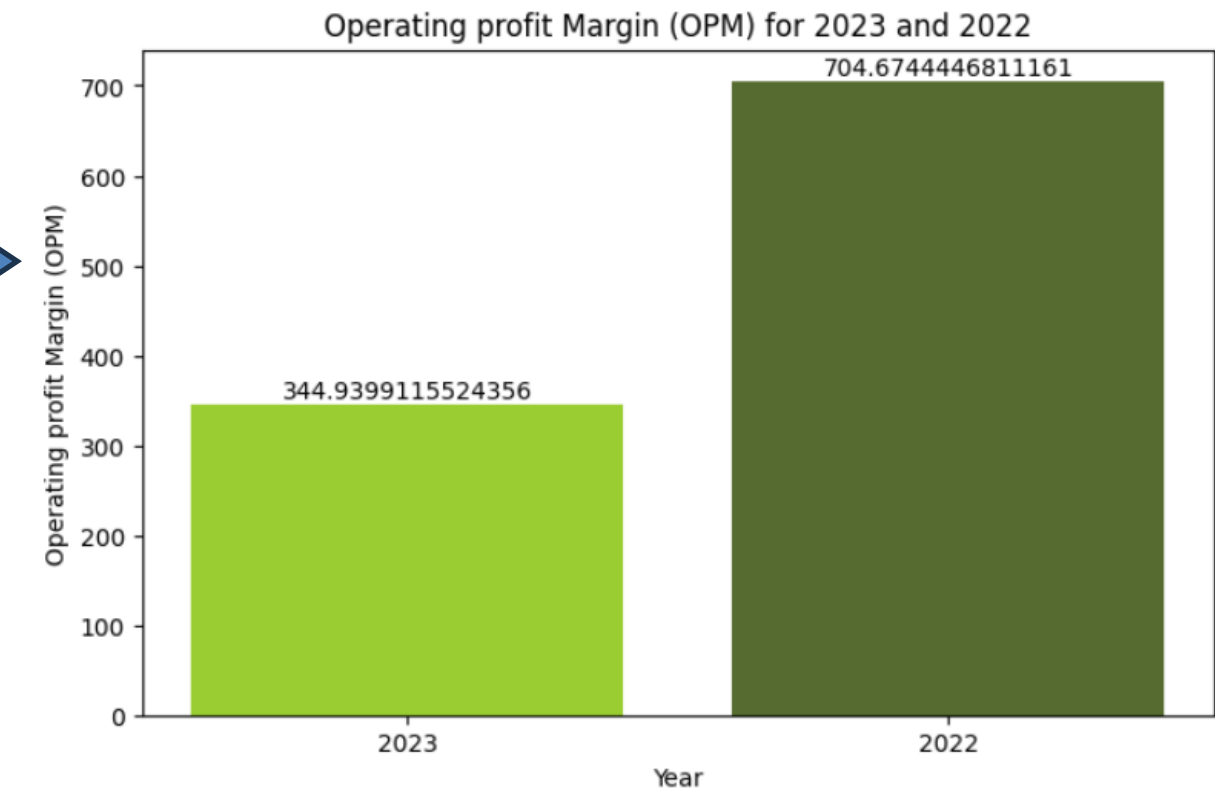

```
The OP of 2023 is =    2098166000.0
The OP of 2022 is =    3506756000.0
```

The following data were extracted from the statement of profit or loss. Here, 'OP' refers to Operating cost.

The declining of the OPM can be due to the increase in overhead expenses. It could also be due declining sales revenue .

Note: The ratio percentages surpass 100 as the business is consolidated, And the following are the data collected from the statements of the parent company only
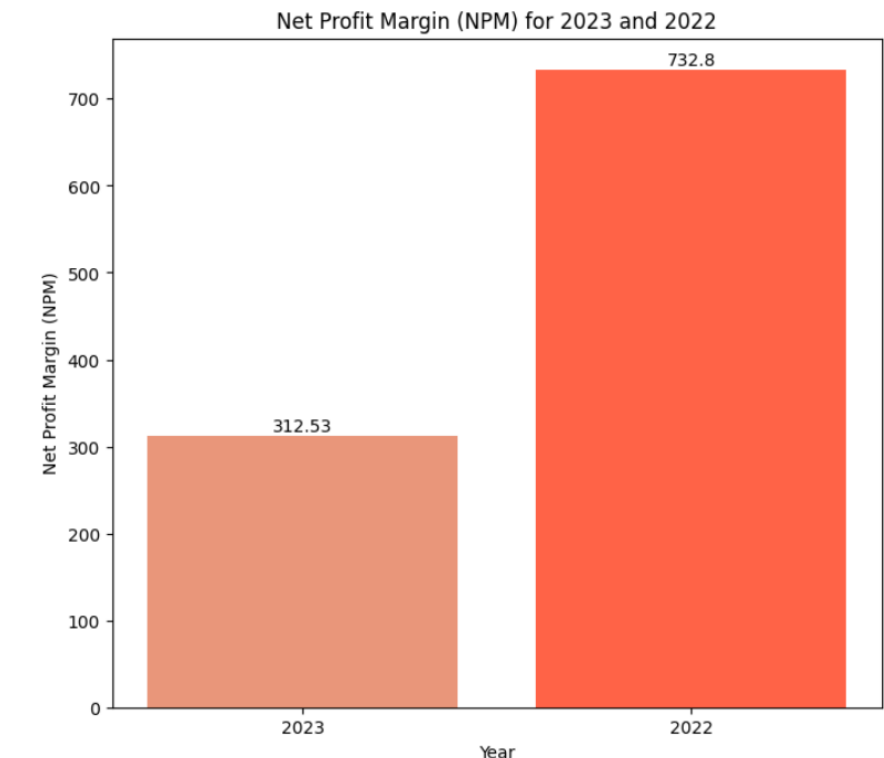
Net Profit Margin

$$Net\ Profit\ Margin = \frac{Net\ Profit}{Revenue} \times 100$$

Net Profit Margin(NPM) measures the net profits made as per the sales revenue.

```
The NPM of 2023 is =   312.53
The NPM of 2022 is =   732.8
```

Using the extracted data the NPMs were calculated.
The NPM of 2022 is significantly higher than of 2023.

Net Profit Margin (NPM) for 2023 and 2022

```
The NP of 2023 is =   1901020
The NP of 2022 is =   3646735
```

The following data were extracted from the statement of profit or loss. Here, 'NP' refers to Net Profit.

The declining of the NPM is most probably due to the increase in the cost of goods sold and declining sales revenue.
To avoid such declines the company can revise its pricing strategy and inefficient cost structure.

Note: The ratio percentages surpass 100 as the business is consolidated, And the following are the data collected from the statements of the parent company only
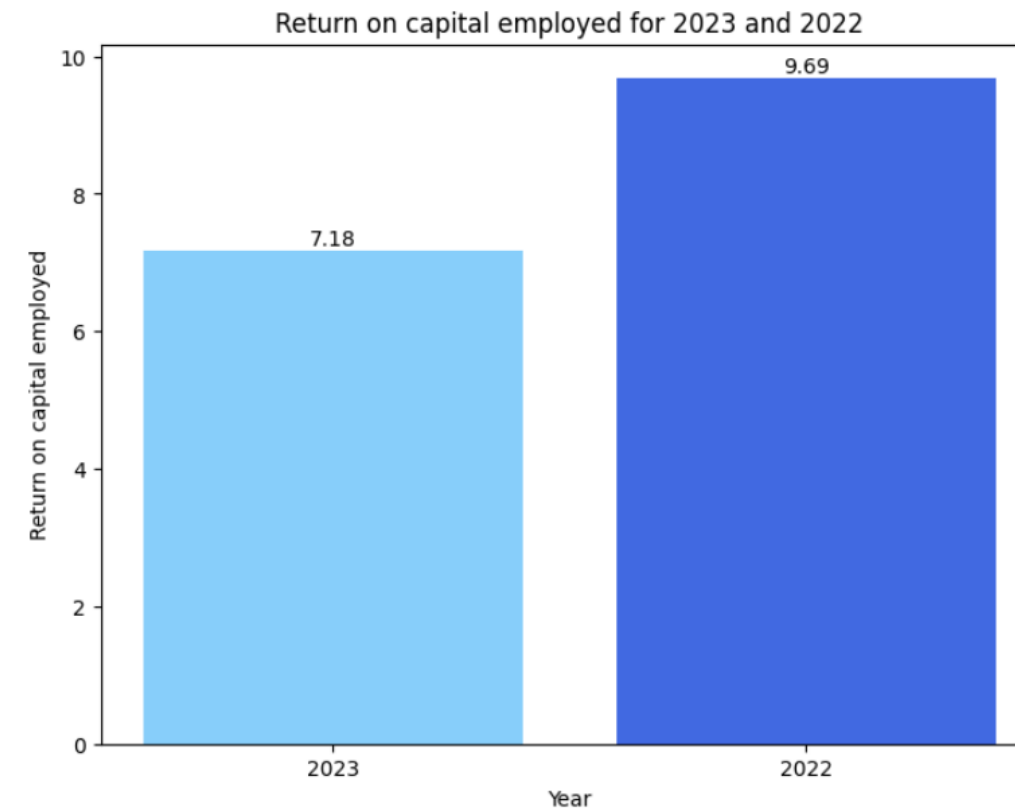
Return on Capital ratios

Conveys how well the company generates profits and its efficiency employing its capital.

Return on Capital Employed

$$ROCE = \frac{Operating\ Profit}{Capital\ Employed} \times 100$$

Return on Capital Employed(ROCE) measures the profitability of the company in terms of its capital.

The ROCE of 2022 is higher than of 2023 as per the results calculated and the visualisation.

```
The ROCE of 2023 is =   7.18
The ROCE of 2022 is =   9.69
```

The data for the calculations were extracted from the statement of profit or loss and the statement of financial position. Here, 'ROCE' refers to Return on Capital Employed.

The declining of the ROCE is most probably due to the decrease in the profit margins or factors such as increase in capital investments which are yet to generate profit or prevalence of an economic recession.

To avoid such declines the company optimize its capital allocation, reduce debt or revise operational strategies .

Return on Equity

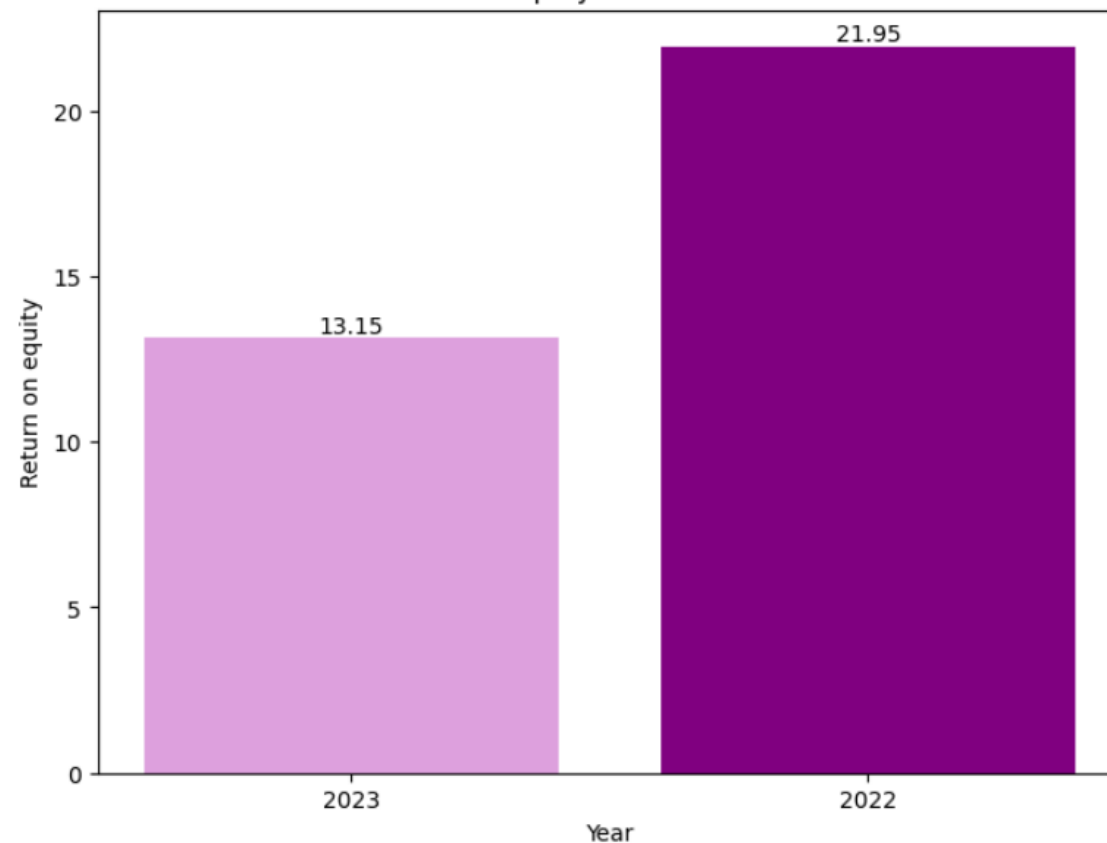$$ROE = \frac{Net\ Profit}{Equity} \times 100$$

Return on Equity(ROE) measures the profitability of the company relating to its shareholders.

```
Return on Equity for 2023: 13.15
Return on Equity for 2022: 21.95
```

The data for the calculations were extracted from the statement of profit or loss and the statement of financial position.

The ROE of 2022 is significantly higher than of 2023 as per the results calculated and the visualisation.

The declining of the ROE is due to factors such as declining profitability, increase in shareholder equity without corresponding increase in profitability or increased debt.

To avoid such declines the company should employ new strategies to increase profitability, planning out share buybacks and dividend payments strategically and revising debt management.
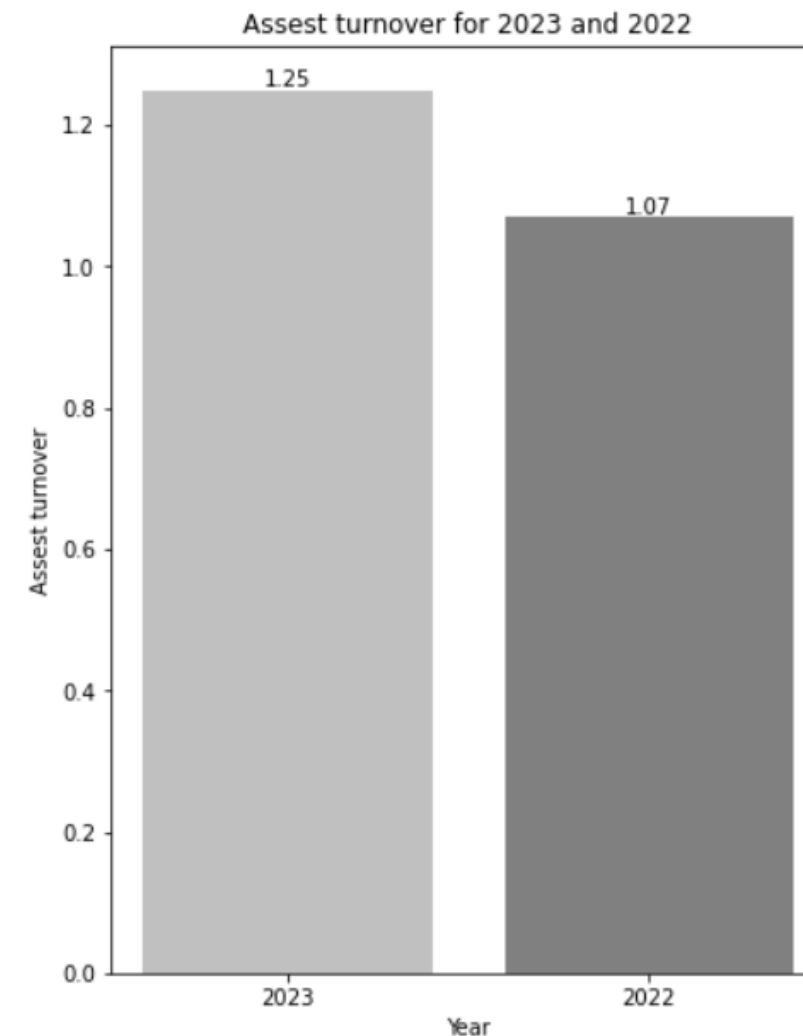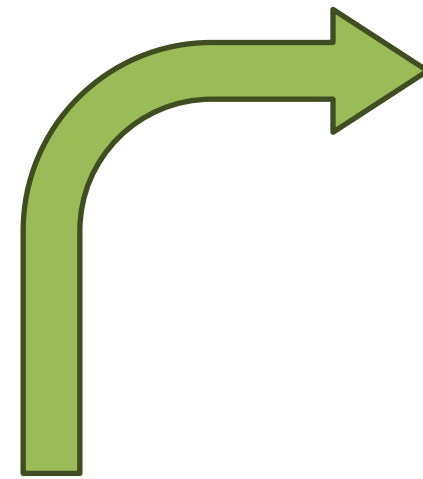

Return on equity for 2023 and 2022

Activity ratios

Conveys how well the employs assets to generate revenues and cash.

Asset Turnover

$$Asset\ turnover = \frac{Revenue}{Total\ Assets}$$

Asset Turnover measures the how effectively the company uses its assets to generate profits.

The Asset Turnover of 2023 is greater than of 2022 as per the results calculated and the visualisation.

```
The Assest turnover of 2023 is =  1.25
The Assest turnover of 2022 is =  1.07
```
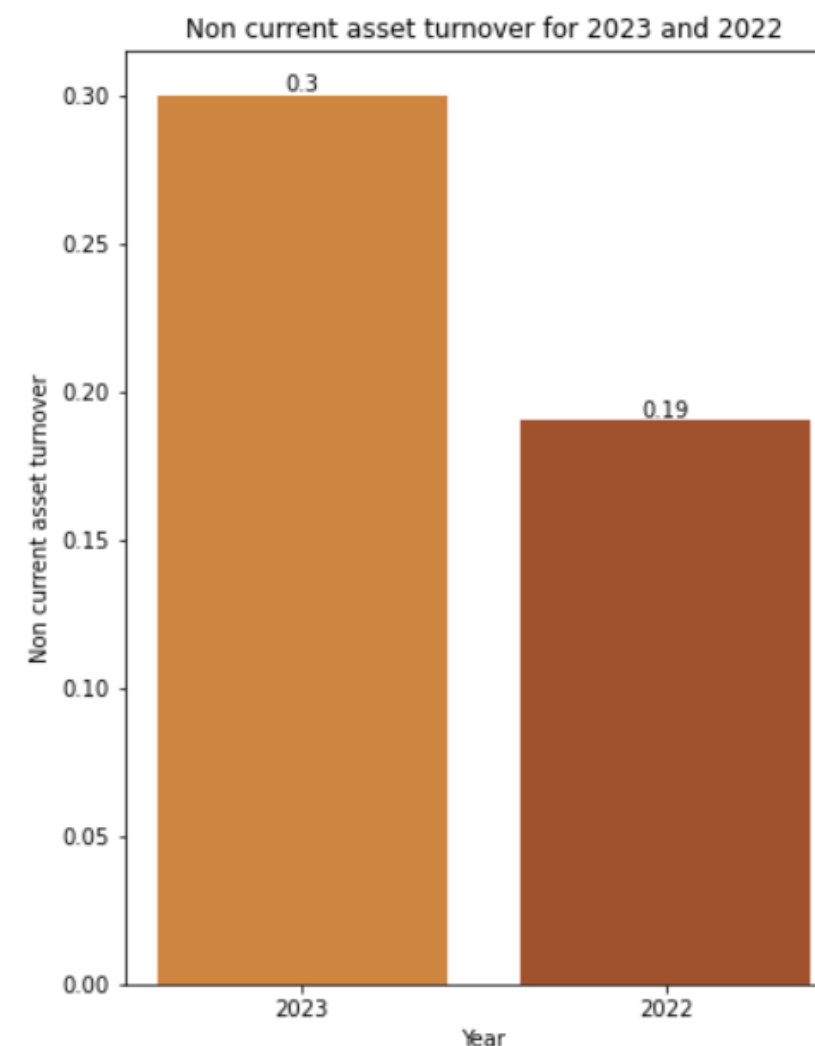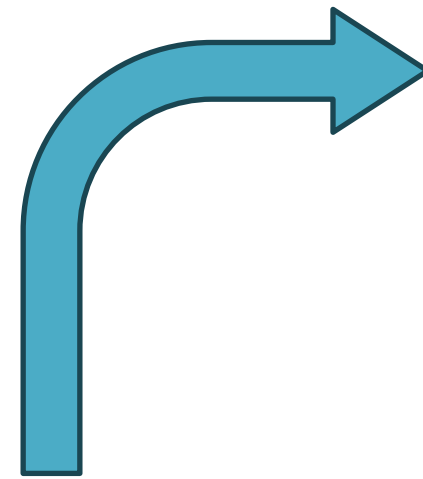
The data for the calculations were extracted from the statement of profit or loss and the statement of financial position.

The growth of the Asset turnover could be due to factors such as sales growth and efficient allocation of assets.

Non Current Asset Turnover

$$\text{Non-Current } Asset\ turnover = \frac{Revenue}{Total\ Non-Current\ Assets}$$

Non-Current Asset Turnover measures the how effectively the company uses its non-current assets to generate profits.

Non current asset turnover for 2023 and 2022

The Asset Turnover of 2023 is greater than of 2022 as per the results calculated and the visualisation.

```
The Non current asset turnover of 2023 is =  0.3
The Non current asset turnover of 2022 is =  0.19
```

The data for the calculations were extracted from the statement of profit or loss and the statement of financial position.

The growth of the Non-Current Asset turnover could be due to factors such as sales growth and efficient allocation of non-current assets.

Inventory Turnover

$$\text{Inventory } turnover = \frac{Cost \; of \; Sales}{Average \; Inventory}$$

Inventory Turnover measures the liquidity of the inventories.

Inventory turnover for 2023 and 2022

```
The Inventory turnover of 2023 is =  0.23
The Inventory turnover of 2022 is =  0.15
```
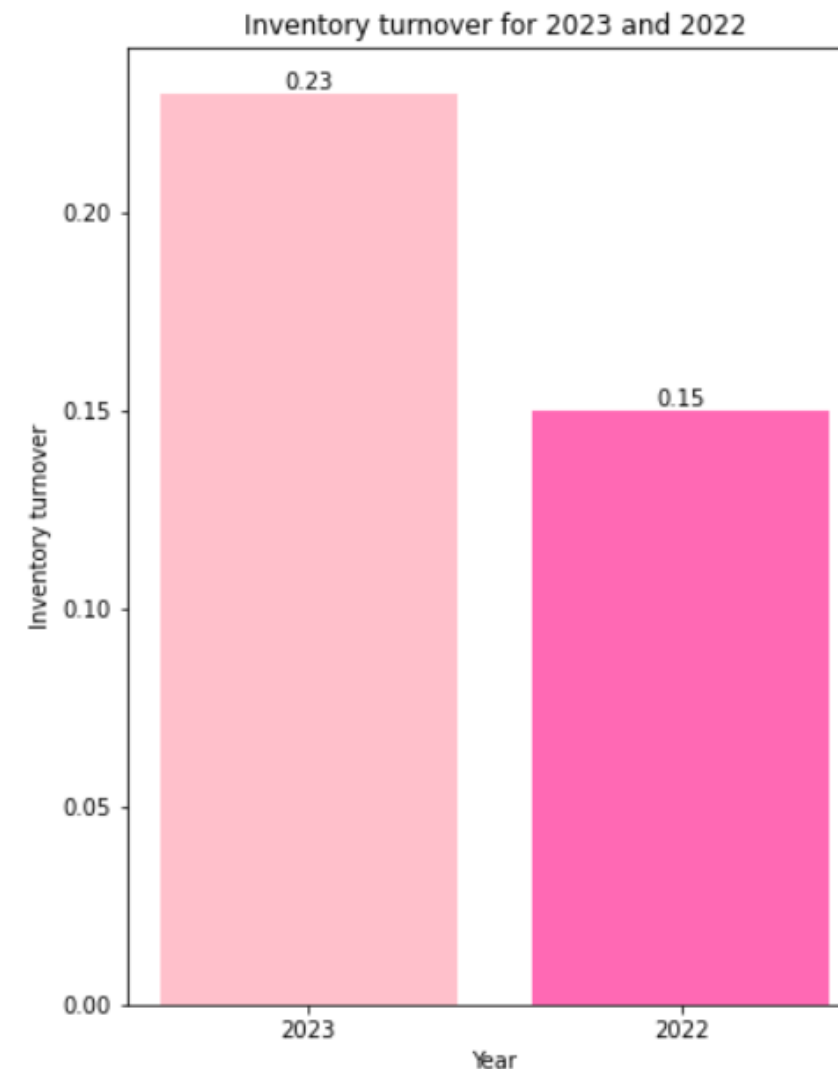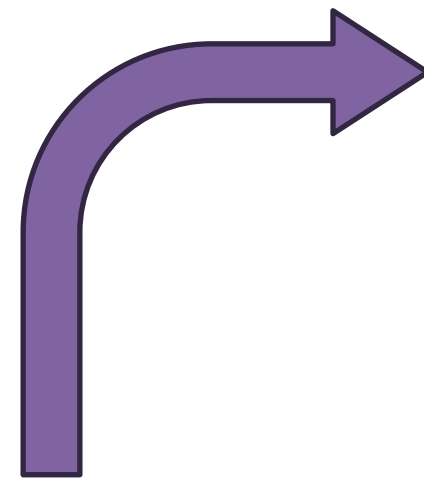
The Asset Turnover of 2023 is significantly greater than of 2022 as per the results calculated and the visualisation.

The data for the calculations were extracted from the statement of profit or loss and the statement of financial position.

The growth of Inventory turnover could be due to factors such as quick sales and higher demand of goods.
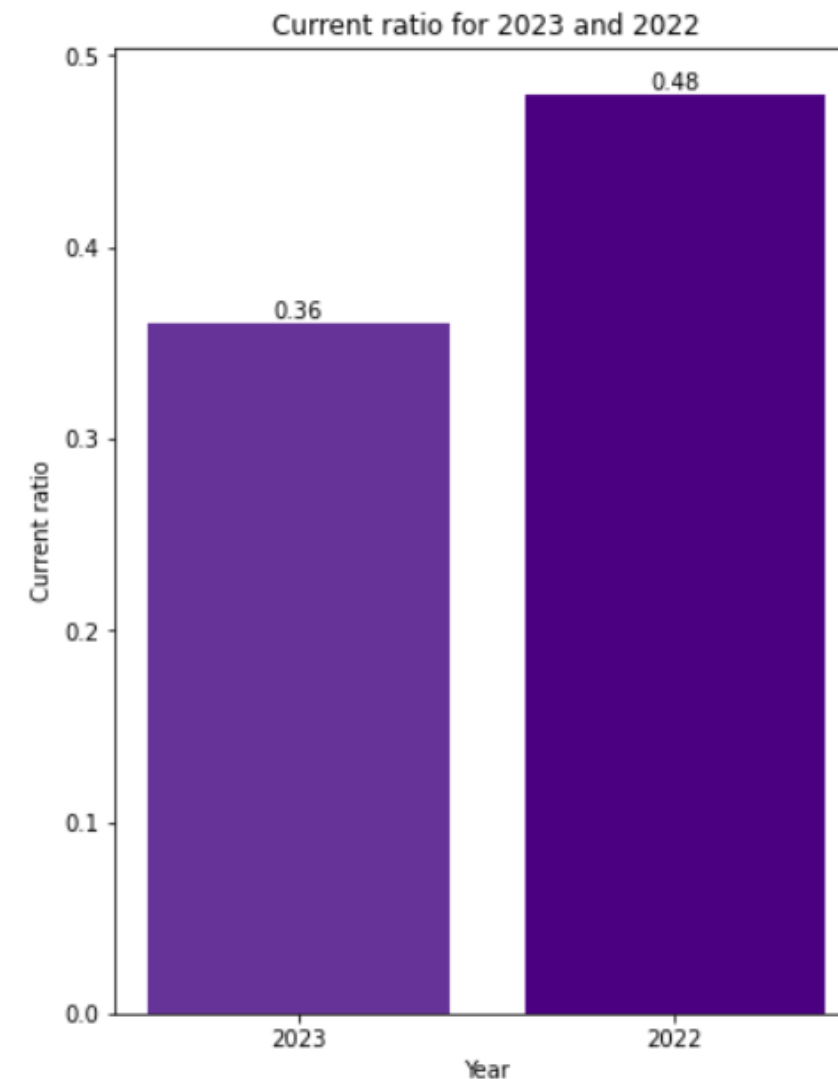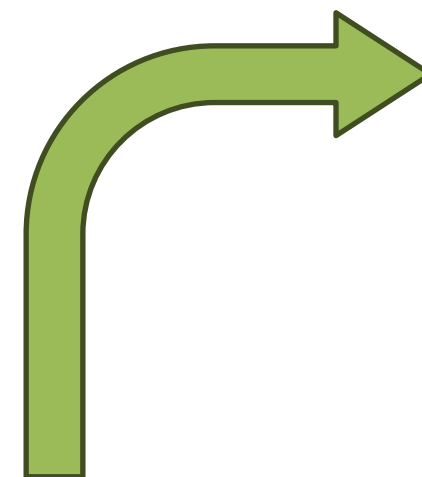
Liquidity ratios

Conveys how well the company is able to pay off short-term liabilities.

Current Ratio

$$Current\ ratio = \frac{Current\ Assets}{Current\ Liabilities}$$

Current Ratio compares all of a company's current assets to its current liabilities.

Current ratio for 2023 and 2022

The Asset Turnover of 2022 is greater than of 2023 as per the results calculated and the visualisation.

```
The Current ratio of 2023 is =  0.36
The Current ratio of 2022 is =  0.48
```

The data for the calculations were the statement of financial position.

The decline of the current ratio could be due to factors such as short-term debt and decrease in current assets.
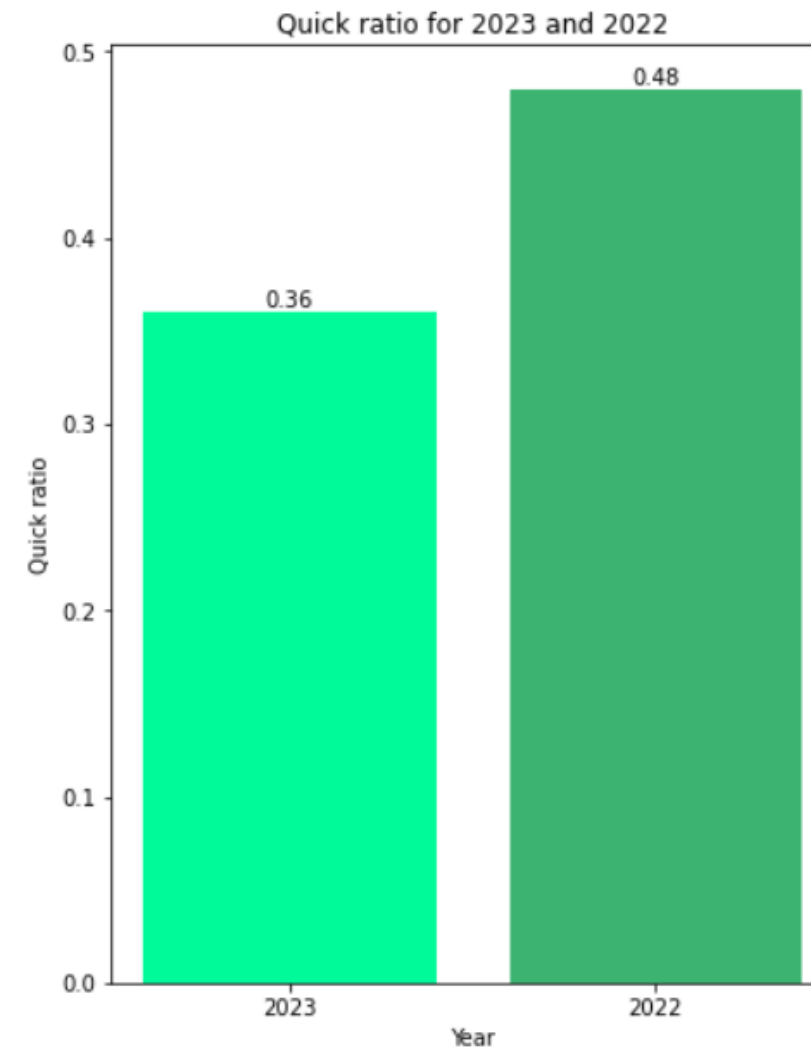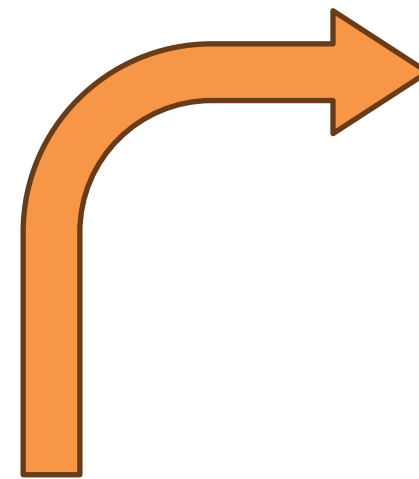
Quick Ratio

$$Quick\ ratio = \frac{(Current\ Assets) - (Inventories)}{Current\ Liabilities}$$

Quick Ratio measure the company's capacity to pay its current liabilities without needing to sell its inventory or obtain additional financing.

Quick ratio for 2023 and 2022

The Asset Turnover of 2022 is greater than of 2023 as per the results calculated and the visualisation.

```
The Quick ratio of 2023 is = 0.36
The Quick ratio of 2022 is = 0.48
```

The data for the calculations were the statement of financial position.

The decline of the quick ratio could be due to factors such as decreasing sales, taking on too much debt and bad debt.

THANK YOU