The Cardbox Company Case study

1. Business Analysis
    a. The company is located near an industrial suburb in Barcelona. This is good since it is near its industrial customers.
    b. It maintains a high inventory of its products making it available to the customers in a very short notice, giving it a competitive edge.
    c. Sales are reducing, which isn't a good sign of the company's future prospects, as the products' prices go up. The net income is also headed south.
    d. The customers asking for more credit days means the business will take longer to receive money from the debtors forcing the company to seek credit more credit, which will in turn hurt its bottom line further.
2. P & L Analysis
    a. Sales are going down, as well as the cost of goods sold. However, the gross & operating profits are also heading south fast.
    b. Due to the economic slowdown, the interest expense is increasing as the company seeks more credit to fund its operations.
3. Balance sheet Analysis
    a. Payables are reducing, meaning more payments are being made, and therefore could lead to increased need of credit since debtors days have not reduced at the same time.
    b. Equity & reserves have started to reduce past year 2010. This will affect leverage, which may not be a good sign when seeking additional finance.
    c. Return on equity will deteriorate if net income start heading south.
4. Diagnosis
    a. The need of funds for operations increases to support sales increase in year 2010.
5. Action Plan
    a. The company should seek to reduce the days for the receivables, & seek to increase sales further.

The credit line of €15M is slightly less that the credit gap in year 2009, but with manageable NFO, the company can manage with it.