APPRAISAL NOTE

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# About the Company

Percept Limited is a public, unlisted company that is currently active. The company operates in the internet-based services sector, specifically providing event management, tour operator services, public relation, and consultant fee and distribution services. It was incorporated on May 8, 2002, and is based in Mumbai, Maharashtra.  
  
The company has a total of 4 directors. One of them is a promoter director. The managing director is HARINDRA PAL SINGH. HARINDRA PAL SINGH also holds the largest share of the company, with a stake of 9.62%. The top two director shareholders collectively hold a stake of 9.65%.  
  
The company's shares are held by promoters to the extent of 84.50% and by non-promoters to the extent of 15.50%.  
  
Percept Limited has one associate company, Bollywood Merchandise Private Limited. The company has four subsidiary companies, namely Allied Media Network Private Limited, Percept Live Private Limited, and Percept H Private Limited. Additionally, Percept Limited has one holding company, Percept Finserve Private Limited.  
  
For 2022-2023, the company's revenue from operations has increased by a significant 226.60% compared to the previous year, reaching 5,079.62 lakhs. This growth is reflected in the profit after tax (PAT), which has seen a massive 529.61% increase, standing at 560.64 lakhs. EBITDA has also seen a substantial 142.85% increase, reaching 215.29 lakhs. The company's return on capital employed stands at 3.58%. The debt levels have decreased, with long-term borrowings decreasing by 11.30% and short-term borrowings by 6.97%. The total debt to equity ratio has improved from 1.17 in the previous year to 0.95 in 2022-2023, indicating a healthier financial position. Networth has increased to 4,780.52 lakhs.  
  
Yes Bank Ltd has the highest charge amount, and IDBI Bank Ltd is among the top bankers with open charges.  
  
Percept Limited's most recent rating was withdrawn by ICRA on 27-Oct-2014. Prior to that, ICRA downgraded the company's rating to D on 14-May-2013. In a previous development, ICRA upgraded the company's rating to B on 20-Mar-2012.  
  
PATKAR AND PENDSE were the recent auditors for the year 2022-2023.  
  
The company has a total of 75 High Court cases, with 17 pending and 58 disposed. In the District Court, there are 66 cases, with 29 pending and 37 disposed. Additionally, the company has 8 NCLT cases, with 5 pending and 3 disposed.  
  
Percept Limited has one EPF establishment in the state of Maharashtra, with one delayed establishment in the financial year 2024-2025, specifically in April 2024, with a maximum delay of 1 day.

# Analysis Of Financial Statement

## **Ratios Analysis**

## **Ratios**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Financial Term** | **2018-2019** | **2019-2020** | **2020-2021** | **2021-2022** | **2022-2023** |
| Revenue Growth (%) | -41.35 | -8.15 | -83.45 | 78.92 | 226.6 |
| EBITDA Margins (%) | 0 | 0 | 0 | 0 | 4.24 |
| EBT Margins (%) | 0 | 0 | 0 | 0 | 11.04 |
| PAT Margins (%) | 0 | 0 | 0 | 0 | 11.04 |
| Return on Equity (%) | 0 | 0 | 0 | 0 | 11.73 |
| Return on Fixed Assets (%) | 0 | 0 | 0 | 0 | 0 |
| Return on Capital Employed (%) | 0 | 0 | 0 | 0 | 3.58 |
| Current Ratio | 0.48 | 0.46 | 0.39 | 0.35 | 0.35 |
| Quick Ratio | 0.48 | 0.46 | 0.39 | 0.35 | 0.35 |
| Interest Coverage Ratio | 0 | 0 | 0 | 0 | 140.38 |
| Long-term Debt/Equity | 0 | 0 | 0 | 0.28 | 0.22 |
| Total Assets/Equity | 3.5 | 3.73 | 3.93 | 3.57 | 3.13 |
| Total Debt/Equity | 0.92 | 1.05 | 1.22 | 1.17 | 0.95 |
| Total Debt/Total Assets | 0.26 | 0.28 | 0.31 | 0.33 | 0.3 |
| Total Debt/EBITDA | 0 | 0 | 0 | 0 | 21.08 |
| Fixed Assets Turnover | 201.28 | 204.76 | 12.08 | 62.97 | 339.77 |
| Total Asset Turnover | 0.34 | 0.3 | 0.06 | 0.14 | 0.36 |
| Working Capital Turnover | -3 | -2 | 0 | -1 | -2 |
| Inventory Days | 0 | 0 | 0 | 0 | 0 |
| Receivables Days | 0 | 0 | 0 | 0 | 0 |
| Payable Days | 0 | 0 | 0 | 0 | 0 |
| Cash Conversion Cycle | 0 | 0 | 0 | 0 | 0 |
| Raw Material Consumption (% of Sales) | 0 | 0 | 0 | 0 | 0 |
| Total Employee Cost (% of Sales) | 27.04 | 24.94 | 66.58 | 29.47 | 14.18 |
| Finance Cost (% of Sales) | 3.38 | 2.65 | 14.94 | 7.63 | 0.03 |
| Total Other Expenses (% of Sales) | 95.33 | 87.21 | 106.55 | 102.83 | 81.59 |

### **Analysis of Revenue Growth (%):**

• The significant drop of 41.35% in Revenue Growth from 2018-2019 may have been caused by a decrease in sales or a loss of a major client, which negatively impacts the company's profitability and financial stability.

• The further decrease of 8.15% in Revenue Growth from 2019-2020 suggests a continued downward trend, possibly due to market conditions or internal issues, which could affect investor confidence and the company's ability to secure future funding.

• The drastic decline of 83.45% in Revenue Growth from 2020-2021 indicates a severe contraction in the company's business, potentially due to the impact of the COVID-19 pandemic, which significantly affects the company's financial health and its ability to meet its financial obligations.

• **Financial Risk:** The projected sharp increase in Revenue Growth of 78.92% in 2021-2022 and 226.6% in 2022-2023, after consecutive years of negative growth, may be overly optimistic. This presents a risk if these projections are not met, as it could lead to financial instability, potential default on loans, and loss of investor confidence.

### **Analysis of EBITDA Margins (%):**

• The increase in EBITDA Margin from 0% in 2021-2022 to 4.24% in 2022-2023 may be caused by improved operational efficiency or increased revenue, and it positively affects the company's profitability.

• The consistent EBITDA Margin of 0% from 2018-2019 to 2021-2022 may be due to stagnant revenue or high operational costs, and it indicates a lack of operational profitability during this period.

• The sudden rise in EBITDA Margin in 2022-2023 after four years of no profitability may be due to a significant change in business strategy or market conditions, and it suggests a potential turnaround in the company's financial performance.

• **Financial Risk:** The historical lack of profitability and sudden increase in EBITDA Margin in 2022-2023 presents a risk of financial instability. The bank should scrutinize the reasons behind this sudden change and assess the sustainability of the company's profitability before granting a loan.

### **Analysis of EBT Margins (%):**

• The change from '0%' in EBT Margin from 2018-2021 to '11.04%' in 2022-2023 may be caused by an increase in operational efficiency or a decrease in depreciation, depletion, and amortization expenses, and it affects the company's pre-tax profitability positively.

• The consistent '0%' EBT Margin from 2018-2021 may be caused by the company's inability to generate profit before tax during these years, which indicates a lack of operational efficiency and financial health.

• The sudden increase in EBT Margin in 2022-2023 may be due to a significant increase in total revenue or a substantial decrease in operational expenses, which positively impacts the company's financial performance before tax liabilities.

• **Financial Risk:** The sudden increase in EBT Margin in 2022-2023 after a consistent '0%' in previous years raises concerns about the sustainability of this profitability. It's crucial to investigate the factors contributing to this sudden increase to assess the potential risk of financial instability or manipulation.

### **Analysis of PAT Margins (%):**

• The change from '0%' in PAT Margin from 2018-2021 to '11.04%' in 2022-2023 may be caused by an increase in net profitability after tax deductions. This indicates that the company has become more efficient in managing its expenses and taxes, leading to higher profits.

• The consistent '0%' PAT Margin from 2018-2021 suggests that the company was not generating any net profit after tax deductions during this period. This could be due to high operational costs, inefficient tax management, or low revenue generation.

• The sudden increase in PAT Margin to '11.04%' in 2022-2023 may be due to a significant increase in total revenue or a substantial decrease in expenses and taxes. This change affects the company's financial health positively, indicating improved profitability.

• **Financial Risk:** The sudden jump in PAT Margin in 2022-2023 after a prolonged period of zero profitability raises concerns about the sustainability of this profitability. It's crucial to investigate the factors contributing to this sudden increase to assess if they are sustainable in the long term or if they represent a temporary anomaly.

### **Analysis of Return on Equity (%):**

• The change from '0%' to '11.73%' in Return on Equity (ROE) from 2021-2022 to 2022-2023 may be caused by an increase in net profit or a decrease in shareholders' equity, and it affects the company's efficiency in generating profit from shareholders' equity.

• The consistent '0%' Return on Equity (ROE) from 2018-2019 to 2021-2022 may be caused by the company not generating any net profit or having negative shareholders' equity during these years, and it affects the company's inability to generate profit from shareholders' equity.

• The sudden increase in Return on Equity (ROE) in 2022-2023 may be caused by a significant improvement in the company's profitability or a reduction in shareholders' equity, and it affects the company's improved financial performance.

• **Financial Risk:** The sudden increase in ROE in 2022-2023 after four years of zero ROE presents a risk of financial instability. This could indicate a potential volatility in the company's earnings or equity, which may affect the company's ability to sustain this performance in the long term.

### **Analysis of Return on Fixed Assets (%):**

• The consistent '0%' in ROFA from 2018-2019 to 2022-2023 may be caused by a lack of earnings before interest and taxes (EBIT) or a lack of investment in fixed assets, and this affects the company's ability to generate profits from its fixed assets.

• The unchanged '0%' ROFA over the five-year period may be due to the company's inability to effectively utilize its fixed assets to generate profits, which impacts the company's overall profitability and financial health.

• The persistent '0%' ROFA could be a result of the company's strategy to not invest in fixed assets or its inability to generate EBIT, which affects the company's potential for growth and expansion.

• **Financial Risk:** The continuous '0%' ROFA presents a significant financial risk as it indicates the company's inability to generate profits from its fixed assets, which could lead to liquidity issues and potential insolvency if not addressed.

### **Analysis of Return on Capital Employed (%):**

• The change from '0%' in ROCE from 2018-2021 to '3.58%' in 2022-2023 may be caused by an increase in EBIT or a decrease in capital employed, and affects the company's efficiency in generating profits from its total capital.

• The consistent '0%' ROCE from 2018-2021 may be caused by a lack of profitability (EBIT) or excessive capital employed, and affects the company's ability to generate returns from its capital, indicating poor financial performance during these years.

• The sudden increase in ROCE to '3.58%' in 2022-2023 may be caused by a significant improvement in EBIT or a reduction in capital employed, and affects the company's financial health positively, indicating a potential turnaround in its financial performance.

• **Financial Risk:** The historical trend of '0%' ROCE from 2018-2021 indicates a significant financial risk. The company's ability to generate profits from its capital has been poor, which could impact its ability to service any potential loans. The sudden increase to '3.58%' in 2022-2023, while positive, needs to be viewed with caution as it may not be sustainable or indicative of a long-term improvement in financial performance.

### **Analysis of Current Ratio:**

• The decrease in the Current Ratio from 0.48 in 2018-2019 to 0.46 in 2019-2020 may be caused by an increase in short-term liabilities or a decrease in short-term assets, and it affects the company's ability to cover its short-term obligations.

• The further decrease in the Current Ratio from 0.46 in 2019-2020 to 0.39 in 2020-2021 suggests a continued increase in short-term liabilities or decrease in short-term assets, which further weakens the company's liquidity position.

• The stagnation of the Current Ratio at 0.35 from 2021-2022 to 2022-2023 may be caused by a balance in the growth of short-term assets and liabilities, but it still indicates a weak liquidity position as the ratio is below 1.

• **Financial Risk:** The consistently low Current Ratio, below 1, over the years indicates a significant financial risk. The company may face liquidity problems and struggle to meet its short-term obligations, which could lead to solvency issues in the long run.

### **Analysis of Quick Ratio:**

• The decrease in Quick Ratio from 0.48 in 2018-2019 to 0.46 in 2019-2020 may be caused by an increase in current liabilities or a decrease in liquid assets, and it affects the company's short-term liquidity, indicating a slightly reduced ability to cover immediate obligations.

• The further decrease in Quick Ratio from 0.46 in 2019-2020 to 0.39 in 2020-2021 suggests a continued increase in current liabilities or a continued decrease in liquid assets, which further affects the company's ability to meet its short-term obligations without selling inventory.

• The stagnation of Quick Ratio at 0.35 from 2021-2022 to 2022-2023 may be caused by a balance between the company's liquid assets and current liabilities, but it still affects the company's short-term liquidity, indicating a sustained difficulty in covering immediate obligations.

• **Financial Risk:** The consistent decrease and low Quick Ratio over the years indicates a potential liquidity risk. The company may struggle to meet its short-term obligations without relying on the sale of inventory, which could lead to operational difficulties and financial instability.

### **Analysis of Interest Coverage Ratio:**

• The change from '0' to '140.38' in the Interest Coverage Ratio from 2021-2022 to 2022-2023 may be caused by a significant increase in the company's EBIT or a substantial decrease in its interest expense. This affects the company's ability to service its debt, indicating a strong financial position.

• The consistent '0' Interest Coverage Ratio from 2018-2019 to 2021-2022 may be caused by the company's inability to generate sufficient earnings (EBIT) to cover its interest expenses. This affects the company's financial stability, indicating potential financial distress during these years.

• The sudden increase in the Interest Coverage Ratio in 2022-2023 may be caused by a one-time event or anomaly, such as a large profit from the sale of an asset or a significant reduction in debt. This affects the reliability of the ratio as a measure of the company's ongoing ability to service its debt.

• **Financial Risk:** The dramatic increase in the Interest Coverage Ratio in 2022-2023, following four years of a '0' ratio, presents a risk of volatility in the company's financial performance. This inconsistency may indicate underlying issues with the company's business model or financial management, potentially affecting its ability to maintain this improved performance in the future.

### **Analysis of Long-term Debt/Equity:**

• The change from '0' to '0.28' in the Long-term Debt/Equity ratio between 2020-2021 and 2021-2022 may have been caused by the company taking on more long-term debt or a decrease in shareholders' equity, and this affects the company's financial leverage, indicating a higher financial risk.

• The subsequent decrease from '0.28' to '0.22' in the Long-term Debt/Equity ratio between 2021-2022 and 2022-2023 may have been caused by the company reducing its long-term debt or an increase in shareholders' equity, and this affects the company's financial leverage, indicating a lower financial risk.

• The overall increase from '0' to '0.22' in the Long-term Debt/Equity ratio from 2018-2019 to 2022-2023 suggests that the company has increased its reliance on long-term debt for financing its operations over the years, which could be due to a variety of factors such as expansion plans, acquisitions, or capital investments.

• **Financial Risk:** The company's increasing reliance on long-term debt, as indicated by the rise in the Long-term Debt/Equity ratio, presents a financial risk. While the ratio has decreased slightly in the most recent year, it is still significantly higher than in previous years, suggesting that the company may be more vulnerable to changes in interest rates and economic downturns.

### **Analysis of Total Assets/Equity:**

• The increase in the Total Assets/Equity ratio from 3.5 in 2018-2019 to 3.93 in 2020-2021 may be caused by an increase in total assets or a decrease in shareholders' equity, indicating a higher financial leverage.

• The decrease in the Total Assets/Equity ratio from 3.93 in 2020-2021 to 3.13 in 2022-2023 may be due to a decrease in total assets or an increase in shareholders' equity, suggesting a reduction in financial leverage.

• The fluctuation in the Total Assets/Equity ratio from 3.5 in 2018-2019 to 3.93 in 2020-2021, and then down to 3.13 in 2022-2023, may be caused by inconsistent financial management, affecting the company's financial stability.

• **Financial Risk:** The fluctuating Total Assets/Equity ratio over the years indicates inconsistent financial leverage, which could pose a risk to the bank in terms of the borrower's ability to manage their assets and equity effectively. This inconsistency may lead to potential instability in the borrower's financial health, increasing the risk of loan default.

### **Analysis of Total Debt/Equity:**

• The increase in Total Debt/Equity from 0.92 in 2018-2019 to 1.22 in 2020-2021 may have been caused by an increase in total debt or a decrease in shareholders' equity, indicating a higher financial risk as the company is relying more on debt for its operations.

• The decrease in Total Debt/Equity from 1.22 in 2020-2021 to 0.95 in 2022-2023 may be due to a reduction in total debt or an increase in shareholders' equity, suggesting that the company is reducing its financial risk by relying less on debt.

• The fluctuation in Total Debt/Equity from 0.92 in 2018-2019 to 1.22 in 2020-2021, then down to 0.95 in 2022-2023, may indicate inconsistent financial management, which could affect the company's ability to secure future loans.

• **Financial Risk:** The increasing trend in the Total Debt/Equity ratio up to 2020-2021 indicates a growing reliance on debt, which increases the financial risk. If the company's earnings are not sufficient to service the debt, it could lead to financial distress or bankruptcy. The subsequent decrease in the ratio in 2022-2023, if accurate, suggests a reduction in this risk, but the overall inconsistency in the ratio over the years indicates potential instability in the company's financial management.

### **Analysis of Total Debt/Total Assets:**

• The increase in the Total Debt/Total Assets ratio from 0.26 in 2018-2019 to 0.33 in 2021-2022 may be caused by an increase in the company's borrowing or a decrease in total assets, and this affects the company's financial risk as it indicates a higher proportion of assets financed by debt.

• The decrease in the Total Debt/Total Assets ratio from 0.33 in 2021-2022 to 0.3 in 2022-2023 may be due to a reduction in total debt or an increase in total assets, and this affects the company's financial stability as it indicates a lower proportion of assets financed by debt.

• The overall upward trend in the Total Debt/Total Assets ratio from 0.26 in 2018-2019 to 0.3 in 2022-2023 may be due to the company's increasing reliance on debt for financing its assets, and this affects the company's financial leverage and risk profile.

• **Financial Risk:** The increasing trend in the Total Debt/Total Assets ratio over the years indicates a growing financial risk for the company. This is because a higher ratio suggests that a larger proportion of the company's assets are financed by debt, which could lead to higher interest expenses and potential difficulties in meeting its debt obligations.

### **Analysis of Total Debt/EBITDA:**

• The sudden increase in the Total Debt/EBITDA ratio from 0 to 21.08 in 2022-2023 may be caused by a significant increase in total debt or a decrease in EBITDA, and this affects the company's ability to repay its debt.

• The consistent Total Debt/EBITDA ratio of 0 from 2018-2019 to 2021-2022 may be caused by the absence of debt or high EBITDA, indicating a strong financial health during these years.

• The drastic change in the Total Debt/EBITDA ratio in 2022-2023 compared to previous years may be due to a change in the company's financial strategy or unexpected financial events, impacting the company's financial stability.

• **Financial Risk:** The Total Debt/EBITDA ratio of 21.08 in 2022-2023 indicates a high financial risk. This suggests that the company would take over 21 years of EBITDA to repay its total debt, which is significantly above the threshold of 3, indicating potential financial stress.

### **Analysis of Fixed Assets Turnover:**

• The significant drop in Fixed Assets Turnover from 204.76 in 2019-2020 to 12.08 in 2020-2021 may have been caused by a decrease in revenue or an increase in fixed assets, indicating less efficient use of fixed assets.

• The subsequent increase in Fixed Assets Turnover from 12.08 in 2020-2021 to 62.97 in 2021-2022 suggests an improvement in the company's ability to generate revenue from its fixed assets, possibly due to an increase in revenue or a decrease in fixed assets.

• The sharp rise in Fixed Assets Turnover to 339.77 in 2022-2023 indicates a significant improvement in the company's efficiency in generating revenue from its fixed assets, which could be due to a substantial increase in revenue or a significant decrease in fixed assets.

• **Financial Risk:** The drastic fluctuations in the Fixed Assets Turnover ratio over the years indicate instability in the company's ability to efficiently utilize its fixed assets to generate revenue. This could pose a financial risk as it may impact the company's ability to service its debt, especially if the company is heavily reliant on fixed assets for revenue generation.

### **Analysis of Total Asset Turnover:**

• The decrease in Total Asset Turnover from 0.34 in 2018-2019 to 0.06 in 2020-2021 may have been caused by a decrease in revenue or an increase in total assets, indicating less efficient use of assets to generate revenue.

• The increase in Total Asset Turnover from 0.06 in 2020-2021 to 0.36 in 2022-2023 may be due to an increase in revenue or a decrease in total assets, suggesting improved efficiency in using assets to generate revenue.

• The fluctuation in Total Asset Turnover from 0.34 in 2018-2019 to 0.3 in 2019-2020, then down to 0.06 in 2020-2021, and back up to 0.36 in 2022-2023 indicates instability in the company's ability to efficiently generate revenue from its assets.

• **Financial Risk:** The significant fluctuation in the Total Asset Turnover ratio over the years indicates a potential risk in the company's ability to consistently generate revenue from its assets. This inconsistency could lead to financial instability and potential difficulties in repaying a loan.

### **Analysis of Working Capital Turnover:**

• The increase from -3 to 0 in the Working Capital Turnover from 2018-2019 to 2020-2021 may have been caused by an increase in revenue or a decrease in working capital, and it indicates an improvement in the company's efficiency in using its working capital to generate revenue.

• The decrease from 0 to -1 in the Working Capital Turnover from 2020-2021 to 2021-2022 may have been caused by a decrease in revenue or an increase in working capital, and it suggests a decline in the company's efficiency in using its working capital to generate revenue.

• The constant negative Working Capital Turnover from 2019-2020 to 2022-2023 may be due to the company's consistent inability to generate revenue from its working capital, which could be a result of poor management of current assets and liabilities.

• **Financial Risk:** The persistent negative Working Capital Turnover Ratio poses a significant financial risk as it indicates the company's inefficiency in using its working capital to generate revenue. This could lead to liquidity issues and potential difficulties in meeting short-term obligations, which may affect the bank's decision to provide a loan.

### **Analysis of Inventory Days:**

• The constant '0' in parameter 'Inventory Days' from 2018 to 2023 may be caused by the company not holding any inventory, and this affects the company's ability to meet sudden increases in demand.

• The unchanged '0' in parameter 'Inventory Days' over the years could also be due to the company's business model, possibly indicating a drop-shipping or just-in-time inventory system, which affects the company's need for storage space and inventory management.

• The persistent '0' in parameter 'Inventory Days' might be a result of the company's high sales volume or efficient inventory turnover, which affects the company's liquidity and working capital management.

• **Financial Risk:** The constant '0' Inventory Days over the years could pose a risk in terms of the company's ability to adapt to market changes or disruptions in the supply chain, as they do not have any inventory buffer.

### **Analysis of Receivables Days:**

• The constant '0' in Receivables Days from 2018-2023 may be caused by immediate payments from customers and affects the company's cash flow positively.

• The absence of change in Receivables Days over the years may be due to a consistent credit policy or customer base, which maintains the company's liquidity.

• The '0' value in Receivables Days throughout the years could be due to the company's business model, which might not involve credit sales, thus affecting the company's risk profile positively.

• **Financial Risk:** The constant '0' in Receivables Days, while positive, may indicate a lack of diversity in the company's revenue streams, which could pose a risk if the current payment model is disrupted.

### **Analysis of Payable Days:**

• The constant '0' in parameter 'Payable Days' from 2018 to 2023 may be caused by the company paying its suppliers immediately upon receiving goods or services, and this affects the company's cash flow as it does not take advantage of credit terms offered by suppliers.

• The unchanged '0' in parameter 'Payable Days' over the years may be caused by the company's policy or financial strategy to avoid any debts, and this affects the company's relationship with suppliers as it may be seen as a reliable and prompt payer.

• The persistent '0' in parameter 'Payable Days' could be caused by the company's low or non-existent Cost of Goods Sold (COGS), and this affects the company's operational efficiency as it may indicate a lack of production or sales activity.

• **Financial Risk:** The constant '0' Payable Days over the years may indicate a risk of inefficient cash flow management. The company might be missing out on opportunities to use supplier credit to improve its liquidity position. Additionally, if the '0' is due to low or non-existent COGS, it could indicate operational inefficiencies or a lack of sales activity, which are significant business risks.

### **Analysis of Cash Conversion Cycle:**

• The constant '0' in the Cash Conversion Cycle (CCC) from 2018 to 2023 may be caused by the company's efficient management of inventory, receivables, and payables, which results in immediate conversion of investments into cash.

• The lack of change in the CCC over the years may be due to the company's consistent operational efficiency, which ensures that the time taken to convert investments into cash remains constant.

• The constant '0' in the CCC could also indicate that the company is able to pay its suppliers immediately after receiving payment from its customers, which could be a result of strong cash flow management.

• **Financial Risk:** The constant '0' in the CCC, while indicating efficiency, could also suggest a lack of growth or expansion in the company's operations. If the company is not investing in more inventory or extending credit terms to attract more customers, it may be missing out on potential growth opportunities. This could pose a risk to the company's long-term financial stability.

### **Analysis of Raw Material Consumption (% of Sales):**

• The consistent '0%' in parameter 'Raw Material Consumption (% of Sales)' from 2018 to 2023 may be caused by the company not spending on raw materials, which affects the cost efficiency of the company positively.

• The unchanged '0%' in parameter 'Raw Material Consumption (% of Sales)' over the years could be due to the company's business model, which might not involve the use of raw materials, impacting the nature of the company's expenses.

• The constant '0%' in parameter 'Raw Material Consumption (% of Sales)' could be a result of the company's potential outsourcing of production or use of digital products, affecting the company's operational structure.

• **Financial Risk:** The persistent '0%' in 'Raw Material Consumption (% of Sales)' could indicate a lack of diversification in the company's operations, which may pose a financial risk in terms of dependency on a single revenue stream or operational model.

### **Analysis of Total Employee Cost (% of Sales):**

• The increase in Total Employee Cost (% of Sales) from 24.94% in 2019-2020 to 66.58% in 2020-2021 may have been caused by a significant rise in employee costs or a decrease in sales, and this affects the company's cost efficiency negatively.

• The decrease in Total Employee Cost (% of Sales) from 66.58% in 2020-2021 to 29.47% in 2021-2022 could be due to cost-cutting measures or an increase in sales, improving the company's cost efficiency.

• The further decrease in Total Employee Cost (% of Sales) from 29.47% in 2021-2022 to 14.18% in 2022-2023 suggests a continued improvement in cost efficiency, possibly due to sustained growth in sales or further cost management efforts.

• **Financial Risk:** The significant fluctuation in Total Employee Cost (% of Sales) over the years indicates instability in the company's cost management or revenue generation, posing a financial risk. The bank should consider this volatility when assessing the borrower's creditworthiness.

### **Analysis of Finance Cost (% of Sales):**

• The decrease in Finance Cost (% of Sales) from 3.38% in 2018-2019 to 2.65% in 2019-2020 may have been caused by an increase in total revenue or a decrease in finance costs, indicating improved financial efficiency during this period.

• The significant increase in Finance Cost (% of Sales) from 2.65% in 2019-2020 to 14.94% in 2020-2021 may have been due to increased finance costs or decreased total revenue, suggesting a higher burden of financial costs on sales during this period.

• The drastic decrease in Finance Cost (% of Sales) from 7.63% in 2021-2022 to 0.03% in 2022-2023 may be due to a significant increase in total revenue or a substantial decrease in finance costs, indicating a potential improvement in financial efficiency.

• **Financial Risk:** The extreme fluctuations in the Finance Cost (% of Sales) over the years indicate a high level of financial instability, which could pose a risk to the bank in terms of the borrower's ability to manage finance costs effectively and maintain a stable revenue stream.

### **Analysis of Total Other Expenses (% of Sales):**

• The decrease in Total Other Expenses (% of Sales) from 95.33% in 2018-2019 to 87.21% in 2019-2020 may have been caused by improved cost management and affects the company's profitability positively by freeing up more revenue for other uses.

• The increase in Total Other Expenses (% of Sales) from 87.21% in 2019-2020 to 106.55% in 2020-2021 suggests a rise in operational costs, possibly due to unforeseen expenses or inefficient cost control, negatively impacting the company's profit margins.

• The subsequent decrease in Total Other Expenses (% of Sales) from 106.55% in 2020-2021 to 81.59% in 2022-2023 indicates a return to more efficient cost management, potentially due to strategic changes or cost-cutting measures, improving the company's profitability.

• **Financial Risk:** The fluctuating Total Other Expenses (% of Sales) ratio over the years indicates instability in cost management, which could pose a financial risk. If the company cannot maintain a consistent and low ratio, it may struggle to generate sufficient profits, potentially affecting its ability to repay a loan.

## **Balance Sheet Analysis**

## **Balance Sheet**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Financial Term** | **2018-2019** | **2019-2020** | **2020-2021** | **2021-2022** | **2022-2023** | **2023-24** |
| Share Capital | 441.47 | 441.47 | 441.47 | 441.47 | 441.47 | 0 |
| Reserves & Surplus | 4996.24 | 4556.94 | 3908.9 | 3778.4 | 4339.05 | 0 |
| Money Received against Warrants | 0 | 0 | 0 | 0 | 0 | 0 |
| Networth | 5437.7 | 4998.41 | 4350.36 | 4219.87 | 4780.52 | 0 |
| Share Application Money Pending Allotment | 0 | 0 | 0 | 0 | 0 | 0 |
| Deffered Government Grants | 0 | 0 | 0 | 0 | 0 | 0 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 | 0 |
| Long-term Borrowings | 6.1 | 5.15 | 3.47 | 1202.48 | 1066.64 | 0 |
| Secured Long-term Borrowings | 6.1 | 5.15 | 3.47 | 1202.48 | 1066.64 | 0 |
| Unsecured Long-term Borrowings (A)+ (B)+ (C) +(D) | 0 | 0 | 0 | 0 | 0 | 0 |
| Bonds/ Debentures (A) | 0 | 0 | 0 | 0 | 0 | 0 |
| Term Loans (B) | 0 | 0 | 0 | 0 | 0 | 0 |
| From banks | 6.1 | 5.15 | 3.47 | 1202.48 | 1066.64 | 0 |
| From other parties | 6.1 | 5.15 | 3.47 | 1202.48 | 1066.64 | 0 |
| Loans and advances from related parties (C) | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Unsecured Long-term Borrowings (D) | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred Tax Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Non Current Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Long-term Provisions | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Non Current Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Short-term Borrowings | 0 | 0 | 0 | 0 | 0 | 0 |
| Secured Short-term Borrowings | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsecured Short-term Borrowings (A)+ (B)+ (C) | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans repayable on demand (A) | 0 | 0 | 0 | 0 | 0 | 0 |
| From banks | 6.1 | 5.15 | 3.47 | 1202.48 | 1066.64 | 0 |
| From other parties | 6.1 | 5.15 | 3.47 | 1202.48 | 1066.64 | 0 |
| Loans and advances from related parties (B) | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Unsecured Short-term Borrowings (C) | 0 | 0 | 0 | 0 | 0 | 0 |
| Trade Payables | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Short-term Provisions | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Current Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Equity & Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Equity & Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| FIXED ASSET | 0 | 0 | 0 | 0 | 0 | 0 |
| Tangible Assets | 4988.63 | 5268.48 | 5291.91 | 3731.92 | 3471.97 | 0 |
| Intangible Assets | 1134.94 | 1398.76 | 1424.26 | 0.75 | 133.33 | 0 |
| Net Block of Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Work in Progress | 0 | 0 | 0 | 0 | 0 | 0 |
| Intangible Asset under Development | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Fixed Asset | 1134.94 | 1398.76 | 0 | 0 | 0 | 0 |
| Non Current Investment | 1134.94 | 1398.76 | 0 | 0 | 0 | 0 |
| Deferred Tax Assets (Net) | 0 | 0 | 0 | 0 | 0 | 0 |
| Long-term Loans & Advances | 0 | 0 | 1424.26 | 0.75 | 133.33 | 0 |
| Other Non Current Assets | 0 | 0 | 1424.26 | 0.75 | 133.33 | 0 |
| Total Non Current Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Current Investment | 0 | 0 | 0 | 0 | 0 | 0 |
| Inventories | 3850.36 | 3868.06 | 3867.65 | 3731.17 | 3338.64 | 0 |
| Trade Receivables | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash & Cash Equivalents | 0 | 0 | 0 | 0 | 0 | 0 |
| Short-term Loans & Advances | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Current Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Current Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Total Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL ASSETS | 0 | 0 | 0 | 0 | 0 | 0 |

### **Analysis of Networth:**

• The decrease in net worth from 5437.7 in 2018-2019 to 4219.87 in 2021-2022 may be caused by increased liabilities or capital outflows, and this affects the company's financial strength and investor confidence.

• The increase in net worth from 4219.87 in 2021-2022 to 4780.52 in 2022-2023 may be due to effective reinvestment of profits or reduction in liabilities, and this indicates a potential recovery in the company's financial health.

• The drastic drop in net worth to 0 in 2023-2024 may be caused by significant losses or a complete depletion of assets, and this severely impacts the company's long-term sustainability and investor confidence.

• **Financial Risk:** The consistent decline in net worth over the years, culminating in a complete wipeout in 2023-2024, indicates a high financial risk. This trend suggests the company may be facing severe financial distress, which could lead to insolvency if not addressed promptly.

### **Analysis of Total Non Current Liabilities:**

• The consistent '0' value in 'Total Non Current Liabilities' from 2018-2024 may be caused by the absence of long-term borrowings, deferred tax liabilities, and other long-term financial commitments, which indicates no long-term financial obligations.

• The lack of change in 'Total Non Current Liabilities' over the years may be due to the company's strategy to avoid long-term debt, which affects the company's financial leverage and stability positively.

• The projected '0' value in 'Total Non Current Liabilities' for 2022-2024 may be due to the company's continued policy of not incurring long-term liabilities, which could lead to sustained financial stability.

• **Financial Risk:** The absence of Total Non Current Liabilities suggests low financial risk in terms of long-term obligations. However, it may also indicate a lack of investment for growth, which could pose a risk to the company's future competitiveness and profitability.

### **Analysis of Total Current Liabilities:**

• The constant '0' in Total Current Liabilities from 2018-2024 may be caused by the absence of short-term borrowings, trade payables, other current liabilities, and short-term provisions, and affects the company's financial stability positively.

• The lack of change in Total Current Liabilities over the years may be due to the company's ability to manage its financial obligations effectively, which positively impacts the company's creditworthiness.

• The sustained '0' in Total Current Liabilities through 2023-24 may be a result of the company's strategic financial planning, which could lead to a strong financial position and potential for growth.

• **Financial Risk:** The absence of Total Current Liabilities over multiple years, while positive, may also indicate a lack of business activity or growth, which could be a potential risk for the bank in terms of the borrower's ability to generate revenue and repay the loan.

### **Analysis of Total Equity & Liabilities:**

• The provided data does not contain any values for Total Equity & Liabilities for the years 2018-2024. Therefore, it is not possible to generate any insights or assess financial risk based on this data.

### **Analysis of FIXED ASSET:**

• The consistent '0' value in parameter 'Fixed Asset' from 2018-2019 to 2023-2024 may be caused by 'lack of investment in long-term assets' and affects the 'company's ability to generate long-term value and sustain operations'.

• The absence of change in parameter 'Fixed Asset' over multiple years may be caused by 'no capital work in progress or development of intangible assets' and affects the 'company's potential for growth and expansion'.

• The '0' value in parameter 'Fixed Asset' throughout the years may be caused by 'no tangible or intangible assets held by the company' and affects the 'company's stability and operational capacity'.

• **Financial Risk:** The absence of any fixed assets over a prolonged period indicates a significant financial risk, as it suggests the company may lack the necessary infrastructure or resources for long-term sustainability and growth. This could potentially impact the company's ability to repay a loan.

### **Analysis of Total Current Assets:**

• The consistent '0' value in 'Total Current Assets' from 2018-2024 may be caused by a lack of operational activity, and it affects the company's ability to meet short-term obligations.

• The absence of change in 'Total Current Assets' over multiple years could be due to the company not having any short-term assets, which impacts the company's liquidity and operational flexibility.

• The stagnant '0' value in 'Total Current Assets' might be a result of the company not having any current investments, inventories, trade receivables, cash & cash equivalents, short-term loans & advances, and other current assets, which affects the company's day-to-day operations and financial stability.

• **Financial Risk:** The persistent '0' value in Total Current Assets over multiple years indicates a significant financial risk, as it suggests the company has no liquidity, operational flexibility, or ability to meet short-term obligations. This could potentially lead to insolvency.

### **Analysis of TOTAL ASSETS:**

• The consistent '0' value in parameter 'Total Assets' from 2018-2024 may be caused by a lack of operations or investment in the company, and affects the company's ability to generate revenue and sustain operations.

• The absence of change in 'Total Assets' over multiple years may be caused by a lack of growth or expansion, and affects the company's financial strength and capacity for growth.

• The constant '0' in 'Total Assets' may be caused by the company's inability to balance asset growth with revenue generation, and affects the efficiency and utilization of resources.

• **Financial Risk:** The persistent '0' value in Total Assets over multiple years indicates a significant financial risk, as it suggests the company has no resources to generate revenue, sustain operations, or manage potential liabilities. This could lead to insolvency or bankruptcy.

• Statement Of Profitability Analysis:

## **Profit and Loss**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Financial Term** | **2018-2019** | **2019-2020** | **2020-2021** | **2021-2022** | **2022-2023** | **2023-24** |
| Share Capital | 441.47 | 441.47 | 441.47 | 441.47 | 441.47 | 0 |
| Reserves & Surplus | 4996.24 | 4556.94 | 3908.9 | 3778.4 | 4339.05 | 0 |
| Money Received against Warrants | 0 | 0 | 0 | 0 | 0 | 0 |
| Networth | 5437.7 | 4998.41 | 4350.36 | 4219.87 | 4780.52 | 0 |
| Share Application Money Pending Allotment | 0 | 0 | 0 | 0 | 0 | 0 |
| Deffered Government Grants | 0 | 0 | 0 | 0 | 0 | 0 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 | 0 |
| Long-term Borrowings | 6.1 | 5.15 | 3.47 | 1202.48 | 1066.64 | 0 |
| Secured Long-term Borrowings | 6.1 | 5.15 | 3.47 | 1202.48 | 1066.64 | 0 |
| Unsecured Long-term Borrowings (A)+ (B)+ (C) +(D) | 0 | 0 | 0 | 0 | 0 | 0 |
| Bonds/ Debentures (A) | 0 | 0 | 0 | 0 | 0 | 0 |
| Term Loans (B) | 0 | 0 | 0 | 0 | 0 | 0 |
| From banks | 6.1 | 5.15 | 3.47 | 1202.48 | 1066.64 | 0 |
| From other parties | 6.1 | 5.15 | 3.47 | 1202.48 | 1066.64 | 0 |
| Loans and advances from related parties (C) | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Unsecured Long-term Borrowings (D) | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred Tax Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Non Current Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Long-term Provisions | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Non Current Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Short-term Borrowings | 0 | 0 | 0 | 0 | 0 | 0 |
| Secured Short-term Borrowings | 0 | 0 | 0 | 0 | 0 | 0 |
| Unsecured Short-term Borrowings (A)+ (B)+ (C) | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans repayable on demand (A) | 0 | 0 | 0 | 0 | 0 | 0 |
| From banks | 6.1 | 5.15 | 3.47 | 1202.48 | 1066.64 | 0 |
| From other parties | 6.1 | 5.15 | 3.47 | 1202.48 | 1066.64 | 0 |
| Loans and advances from related parties (B) | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Unsecured Short-term Borrowings (C) | 0 | 0 | 0 | 0 | 0 | 0 |
| Trade Payables | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Short-term Provisions | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Current Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Equity & Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Equity & Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| FIXED ASSET | 0 | 0 | 0 | 0 | 0 | 0 |
| Tangible Assets | 4988.63 | 5268.48 | 5291.91 | 3731.92 | 3471.97 | 0 |
| Intangible Assets | 1134.94 | 1398.76 | 1424.26 | 0.75 | 133.33 | 0 |
| Net Block of Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Work in Progress | 0 | 0 | 0 | 0 | 0 | 0 |
| Intangible Asset under Development | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Fixed Asset | 1134.94 | 1398.76 | 0 | 0 | 0 | 0 |
| Non Current Investment | 1134.94 | 1398.76 | 0 | 0 | 0 | 0 |
| Deferred Tax Assets (Net) | 0 | 0 | 0 | 0 | 0 | 0 |
| Long-term Loans & Advances | 0 | 0 | 1424.26 | 0.75 | 133.33 | 0 |
| Other Non Current Assets | 0 | 0 | 1424.26 | 0.75 | 133.33 | 0 |
| Total Non Current Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Current Investment | 0 | 0 | 0 | 0 | 0 | 0 |
| Inventories | 3850.36 | 3868.06 | 3867.65 | 3731.17 | 3338.64 | 0 |
| Trade Receivables | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash & Cash Equivalents | 0 | 0 | 0 | 0 | 0 | 0 |
| Short-term Loans & Advances | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Current Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Current Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Total Assets | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL ASSETS | 0 | 0 | 0 | 0 | 0 | 0 |

### **Analysis of Gross Sales:**

• The gross sales decreased significantly by 84% from 5251.76 in 2019-2020 to 869.28 in 2020-2021. This drastic drop could be due to a significant reduction in operations or loss of major clients, which would have a direct impact on the company's profitability.

• There was a significant increase in gross sales by 79% from 1555.29 in 2021-2022 to 5079.62 in 2022-2023. This could be due to the expansion of operations or acquisition of new clients, which would positively affect the company's revenue.

• The gross sales show a fluctuating trend from 2018-2019 to Mar-2025, with the highest sales recorded in 2023-24 at 6782.7. This inconsistency in sales could be due to the instability in the market or changes in the company's operations, which could affect the predictability of the company's future performance.

• **Financial Risk:** The significant fluctuations in gross sales over the years indicate a high level of volatility and uncertainty in the company's operations. This could pose a financial risk as it may affect the company's ability to meet its financial obligations and could potentially impact its creditworthiness for future loans.

### **Analysis of Total Revenue from Operations:**

• The total revenue from operations decreased by 8.14% from 2018-2019 to 2019-2020. This could be due to a decrease in gross sales or an increase in duties, which would negatively impact the company's profitability.

• There was a significant drop of 83.4% in total revenue from operations from 2019-2020 to 2020-2021. This drastic decrease could be due to a significant reduction in operations or a major loss in sales, which could severely affect the company's financial health.

• The total revenue from operations increased by 79% from 2020-2021 to 2021-2022, and further increased by 226.6% from 2021-2022 to 2022-2023. This could be due to a recovery in operations or an increase in sales, which would positively impact the company's profitability.

• **Financial Risk:** The significant fluctuations in total revenue from operations over the years indicate a high level of volatility and uncertainty in the company's operations. This could pose a financial risk as it may affect the company's ability to meet its financial obligations and could potentially impact its creditworthiness for future loans.

### **Analysis of Total Revenue:**

• The total revenue decreased by 12.5% from 2018-2019 to 2019-2020. This could be due to a decrease in gross sales or an increase in duties, which would negatively impact the company's profitability.

• There was a significant drop of 82.3% in total revenue from 2019-2020 to 2020-2021. This drastic decrease might be due to a significant reduction in operations or a substantial increase in duties. This could severely affect the company's ability to cover its expenses and maintain profitability.

• From 2020-2021 to 2023-2024, there was a consistent increase in total revenue, with the highest being in 2023-2024 at 7634. This could be due to an increase in gross sales or a decrease in duties, which would positively impact the company's profitability.

• **Financial Risk:** The significant fluctuations in total revenue over the years indicate a potential risk in the company's revenue generation capabilities. The drastic drop in 2020-2021 followed by a steady increase could suggest instability in the company's operations or market conditions. This unpredictability could pose a risk to the bank in terms of loan repayment.

### **Analysis of EBITDA:**

• The EBITDA has shown a significant improvement from a negative value of -1279.26 in 2018-2019 to a positive value of 714.63 by Mar-2025. This could be due to a reduction in total expenses or an increase in gross sales, which positively impacts the company's operating profitability.

• The EBITDA value has been consistently negative from 2018-2019 to 2021-2022, indicating that the company's operating expenses and employee benefit expenses were higher than its gross sales. This could have been caused by a decrease in revenue or an increase in expenses, which negatively affects the company's profitability.

• The EBITDA turned positive in 2022-2023 and has been increasing since then, indicating an improvement in the company's operating performance. This could be due to an increase in gross sales or a decrease in total expenses, which positively impacts the company's profitability.

• **Financial Risk:** Despite the recent improvement, the company's negative EBITDA in the past years indicates a potential financial risk. If the company is unable to maintain its current performance and falls back into negative EBITDA, it could face difficulties in meeting its financial obligations, which could affect its ability to secure loans.

### **Analysis of Total Expenses:**

• The total expenses decreased significantly by 16.1% from 2018-2019 to 2019-2020. This could be due to cost-cutting measures or increased operational efficiency, which could positively impact the profit before tax.

• There was a drastic drop in total expenses by 72.8% from 2019-2020 to 2020-2021. This could be due to a reduction in operations or a significant decrease in costs, which could lead to an increase in EBITDA.

• The total expenses have been fluctuating since 2020-2021, with a significant increase of 133.2% in 2022-2023 compared to 2021-2022. This could be due to increased operations or higher costs, which could negatively impact the profit before tax.

• **Financial Risk:** The fluctuating total expenses indicate instability in the company's operations or cost management, which could lead to unpredictable profit margins and pose a financial risk. The projected increase in total expenses in Mar-2025 could further strain the company's profitability if not managed effectively.

### **Analysis of Profit before Exceptional and Extraordinary Items and Tax:**

• The profit before exceptional and extraordinary items and tax showed a significant improvement from 2018-2019 to 2019-2020, with a decrease in loss from -799.87 to -439.29. This could be due to a reduction in total expenses or an increase in total revenue, which positively impacts the company's financial health.

• Despite the improvement in 2019-2020, the loss increased again in 2020-2021 to -648.05. This could be due to an increase in total expenses or a decrease in total revenue, which negatively impacts the company's financial health.

• From 2021-2022 onwards, the company started making profits, with a significant jump in 2022-2023 to 560.64. This could be due to a substantial increase in total revenue or a decrease in total expenses, indicating a positive trend in the company's operations.

• **Financial Risk:** Despite the recent positive trend, the company's financial history shows volatility in its profit before exceptional and extraordinary items and tax. This inconsistency could pose a risk for potential lenders as it indicates instability in the company's operations and financial management.

## Recommendations

1. Summary of Financial Health:

The borrower's financial health appears to be unstable, with significant fluctuations in key financial indicators over the years. The company experienced a significant drop in revenue growth from 2018 to 2021, which negatively impacted its profitability and financial stability. However, the company projects a sharp increase in revenue growth in 2021-2022 and 2022-2023, which may be overly optimistic given the historical trend.

The company's EBITDA, EBT, and PAT margins were consistently zero from 2018 to 2021, indicating a lack of profitability during this period. However, these margins are projected to increase significantly in 2022-2023, suggesting a potential turnaround in the company's financial performance.

The company's liquidity position, as indicated by the current and quick ratios, has been weak over the years, with both ratios consistently below 1. This suggests that the company may struggle to meet its short-term obligations, posing a significant financial risk.

The company's debt levels, as indicated by the long-term debt/equity, total debt/equity, and total debt/total assets ratios, have been increasing over the years, suggesting a growing reliance on debt for financing its operations. This increases the company's financial risk and vulnerability to changes in interest rates and economic downturns.

2. Recommendation:

The company should focus on improving its revenue growth and profitability. This could be achieved by expanding its customer base, diversifying its revenue streams, and improving its operational efficiency. The company should also consider reducing its operational costs to increase its EBITDA, EBT, and PAT margins.

The company should improve its liquidity management to increase its current and quick ratios. This could involve better management of its current assets and liabilities, such as reducing its inventory levels, speeding up its receivables collection, and extending its payables period.

The company should also consider reducing its reliance on debt for financing its operations. This could involve increasing its equity financing, such as issuing more shares or retaining more earnings. The company should also consider refinancing its debt to secure lower interest rates and more favorable terms.

3. Risk Assessment:

The company faces several financial risks, including high debt levels, revenue fluctuations, and liquidity constraints. These risks could impact the company's financial stability and capacity to meet its future obligations.

To mitigate these risks, the company should implement a robust risk management strategy. This could involve regular financial analysis to identify potential issues early, diversification to spread its risk, and hedging to protect against market fluctuations.

The company should also consider establishing a contingency fund to cover unexpected expenses or revenue shortfalls. This could be funded by setting aside a portion of its profits each period.

4. Outcome:

In conclusion, while the borrower has shown signs of potential improvement in its financial performance, there are significant risks and uncertainties that need to be addressed. The company's historical financial performance has been poor, with negative growth and profitability, and its liquidity position and debt levels are concerning.

However, the company's projected financial performance suggests a potential turnaround, with significant increases in revenue growth and profitability. If these projections are accurate and sustainable, the company could improve its financial health and reduce its financial risks.

Therefore, the bank should consider these factors carefully before making a decision on the loan. The bank could consider granting the loan with strict conditions, such as regular financial reporting, covenants to maintain certain financial ratios, and collateral to secure the loan. The bank could also consider providing financial advice and support to help the company improve its financial management.

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