# Strategic Evaluation & Restructuring Report

## Feasibility Study and Evaluation Pipeline

🔹 Data Sources Used

- Multi-year internal Excel financial statements

- IMF macro indicators: FX, CPI, GDP

- KPI extraction from uploaded sheets

## Forensic & Strategic Findings

### Financial Forensic and Strategic Findings Analysis  
  
#### \*\*Overview\*\*  
The financial data provided spans from 2020 to 2024, covering key performance indicators (KPIs) such as profitability, liquidity, solvency, and cash flow. Below is a detailed analysis of the findings, including red flags and strategic insights.  
  
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### \*\*1. Profitability Analysis\*\*  
- \*\*Gross Profit\*\*: Fluctuated significantly, with a peak of \*\*3,037,743\*\* in 2023 and a decline to \*\*2,136,338\*\* in 2024. This volatility suggests inconsistent cost management or pricing strategies.  
- \*\*EBITDA\*\*: Improved from \*\*-450,414\*\* in 2020 to \*\*2,282,053\*\* in 2023 but dropped to \*\*975,452\*\* in 2024. The decline in 2024 is a red flag, indicating potential operational inefficiencies or increased costs.  
- \*\*Net Income\*\*: Swung from a loss of \*\*-1,350,100\*\* in 2020 to a profit of \*\*3,175,995\*\* in 2024. However, the 2024 profit is significantly lower than the 2023 profit of \*\*2,132,619\*\*, which warrants further investigation.  
  
\*\*Red Flags\*\*:  
- \*\*2024 EBITDA Decline\*\*: A 57% drop in EBITDA from 2023 to 2024 suggests rising operational costs or declining revenues.  
- \*\*Volatile Gross Profit\*\*: Inconsistent gross profit margins indicate instability in cost control or pricing strategies.  
  
\*\*Strategic Insights\*\*:  
- Focus on cost optimization to stabilize gross profit margins.  
- Investigate the causes of the 2024 EBITDA decline to address operational inefficiencies.  
  
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### \*\*2. Liquidity Analysis\*\*  
- \*\*Total Current Assets\*\*: Increased from \*\*1,257,525\*\* in 2020 to \*\*5,577,226\*\* in 2024, indicating improved liquidity.  
- \*\*Total Current Liabilities\*\*: Rose from \*\*1,964,437\*\* in 2020 to \*\*2,373,208\*\* in 2024, but the current ratio improved from \*\*0.64\*\* to \*\*2.35\*\* in 2024, suggesting better short-term liquidity.  
- \*\*Cash Position\*\*: Operating cash increased from \*\*130,695\*\* in 2020 to \*\*3,103,366\*\* in 2024, reflecting strong cash management.  
  
\*\*Red Flags\*\*:  
- \*\*Accounts Payable\*\*: Increased from \*\*868,608\*\* in 2020 to \*\*1,587,001\*\* in 2024, which could strain cash flow if not managed properly.  
  
\*\*Strategic Insights\*\*:  
- Maintain tight control over accounts payable to avoid liquidity issues.  
- Leverage excess cash to invest in growth opportunities or reduce debt.  
  
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### \*\*3. Solvency Analysis\*\*  
- \*\*Total Debt\*\*: Long-term debt increased from \*\*6,401,456\*\* in 2020 to \*\*11,226,246\*\* in 2024, a \*\*75% increase\*\*. This is a significant red flag, as it indicates rising leverage.  
- \*\*Debt-to-Equity Ratio\*\*: Increased from \*\*1.88\*\* in 2020 to \*\*0.80\*\* in 2024, but the absolute debt levels remain high.  
- \*\*Total Shareholders’ Equity\*\*: Grew from \*\*3,922,129\*\* in 2020 to \*\*14,560,104\*\* in 2024, reflecting strong equity growth.  
  
\*\*Red Flags\*\*:  
- \*\*Rising Long-Term Debt\*\*: A 75% increase in long-term debt over four years is concerning and may impact financial stability.  
- \*\*Interest Expenses\*\*: Surged from \*\*133,611\*\* in 2020 to \*\*1,207,200\*\* in 2024, indicating higher debt servicing costs.  
  
\*\*Strategic Insights\*\*:  
- Develop a debt reduction strategy to lower interest expenses and improve solvency.  
- Monitor leverage ratios closely to avoid over-indebtedness.  
  
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### \*\*4. Cash Flow Analysis\*\*  
- \*\*Operating Cash Flow\*\*: Fluctuated significantly, with a peak of \*\*630,456\*\* in 2023 and a decline to \*\*-488,199\*\* in 2024. This is a major red flag, as negative operating cash flow indicates liquidity challenges.  
- \*\*Capital Expenditures (CAPEX)\*\*: Increased from \*\*555,809\*\* in 2021 to \*\*2,843,629\*\* in 2024, outpacing operating cash flow, which is unsustainable.  
  
\*\*Red Flags\*\*:  
- \*\*Negative Operating Cash Flow in 2024\*\*: Signals potential liquidity issues and inability to fund operations.  
- \*\*High CAPEX\*\*: Excessive capital spending without matching cash inflows is unsustainable.  
  
\*\*Strategic Insights\*\*:  
- Reevaluate CAPEX priorities to align with cash flow generation.  
- Focus on improving operating efficiency to boost cash flow.  
  
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### \*\*5. Strategic Insights and Recommendations\*\*  
1. \*\*Cost Optimization\*\*: Address the decline in EBITDA and gross profit margins by optimizing operational costs.  
2. \*\*Debt Management\*\*: Develop a strategy to reduce long-term debt and lower interest expenses.  
3. \*\*Cash Flow Management\*\*: Reassess CAPEX priorities and improve operating cash flow to ensure liquidity.  
4. \*\*Revenue Growth\*\*: Investigate the decline in revenue growth rate (CAGR) from \*\*2.75%\*\* in 2022 to \*\*1.13%\*\* in 2024 and explore new revenue streams.  
5. \*\*Risk Mitigation\*\*: Monitor accounts payable and leverage ratios to avoid liquidity and solvency risks.  
  
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### \*\*Conclusion\*\*  
While the company has shown improvements in equity and liquidity, significant red flags in profitability, debt levels, and cash flow require immediate attention. Strategic interventions in cost management, debt reduction, and cash flow optimization are essential to ensure long-term financial health and sustainability.

## Explainable AI Recommendation

### Full Sheet

### Financial Analysis and Strategic Recommendations  
  
#### \*\*1. Revenue, EBITDA, EBIT, Net Income Trends\*\*   
- \*\*Revenue\*\*: Fluctuated significantly, with a peak in 2023 (6,612,226) and a slight decline in 2024 (6,532,126). The CAGR is 1.13%, indicating modest growth.   
- \*\*EBITDA\*\*: Improved from negative values in 2020 (-450,414) and 2021 (-406,210) to positive values in 2022 (1,438,545) and 2023 (2,282,053), but dropped in 2024 (975,452). This reflects operational inefficiencies in the latest year.   
- \*\*EBIT\*\*: Followed a similar trend to EBITDA, with a peak in 2023 (2,282,053) and a decline in 2024 (975,452).   
- \*\*Net Income\*\*: Swung from significant losses in 2020 (-1,350,100) and 2021 (-1,424,415) to substantial profits in 2023 (2,132,619) and 2024 (3,175,995). However, the 2024 profit includes extraordinary items (638,061), which may not be sustainable.   
  
\*\*Key Observations\*\*:   
- The company has shown resilience, recovering from losses to profitability, but 2024 results are partially driven by non-recurring items.   
- Operational efficiency

## Restructuring Plan

|  |  |
| --- | --- |
| Pillar | Action |
|  | Pillar |
|  | --- |
|  | \*\*Financial Performance Improvement\*\* |
|  |  |
|  |  |
|  | \*\*Debt Management\*\* |
|  |  |
|  | \*\*Operational Efficiency\*\* |
|  |  |
|  | \*\*Profitability and Margins\*\* |
|  |  |
|  | \*\*Cash Flow Management\*\* |
|  |  |
|  | \*\*Equity and Investment\*\* |
|  |  |
|  | \*\*Risk Management\*\* |
|  |  |
|  | \*\*Strategic Growth\*\* |
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## Final Recommendation

No financial anomalies detected. AI Recommendation Summary: ### Financial Analysis and Strategic Recommendations  
  
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