

GROUP 1_FRM2

Khang Dien House Trading and Investment JSC

Assignment 2

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Points to discuss:

1. Industry and company overview
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01

Industry & Company Overview



Firm's Business Activities



About Foundation

Khang Dien Housing Investment and Trading Joint Stock Company (Khang Dien Group) was established on December 20, 2001, operating in the field of real estate investment and business. More than 22 years of investment and business Real estate products business, Khang Dien Group continuously expands land, attracts foreign investment capital, provides quality real estate products with more than 20,000 diverse products, creating new areas





About Mission

Creating civilized urban areas, humane communities and bringing the most practical value to shareholders, partners and customers, Khang Dien Group promotes sustainable development and business principles. Based on a foundation of legal perfection, quality products, and dedicated service.

Firm's Related Management Information



ORGANISATIONAL CHART



KHANG DIEN GROUP (KDH)

Organizational Chart

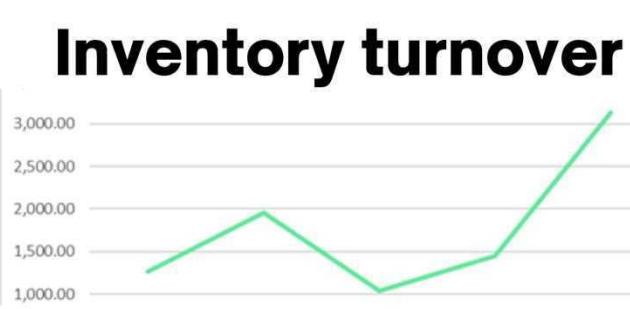
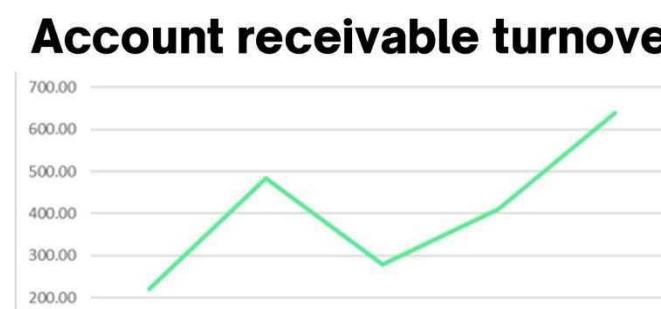
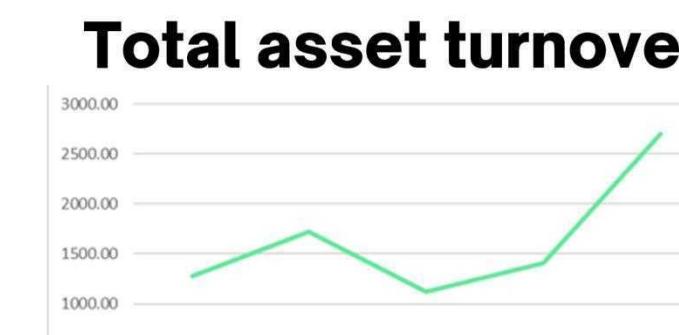
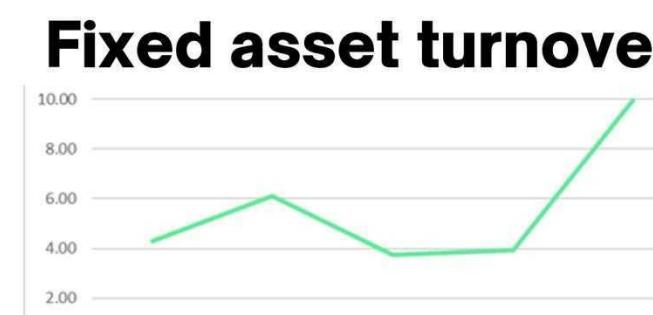
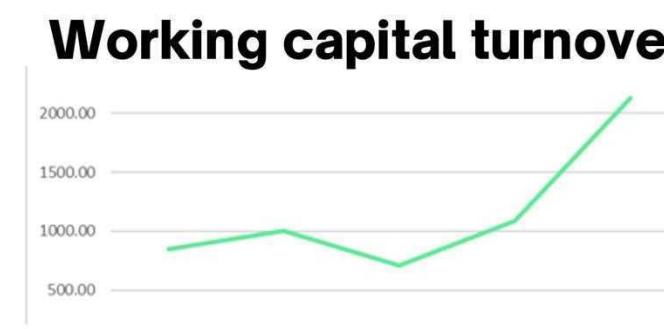
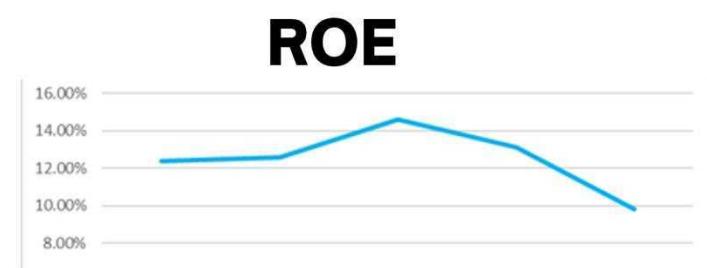
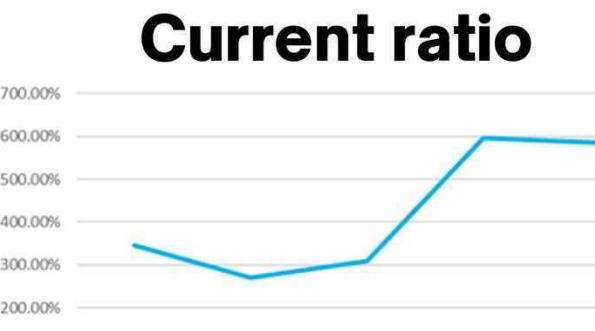
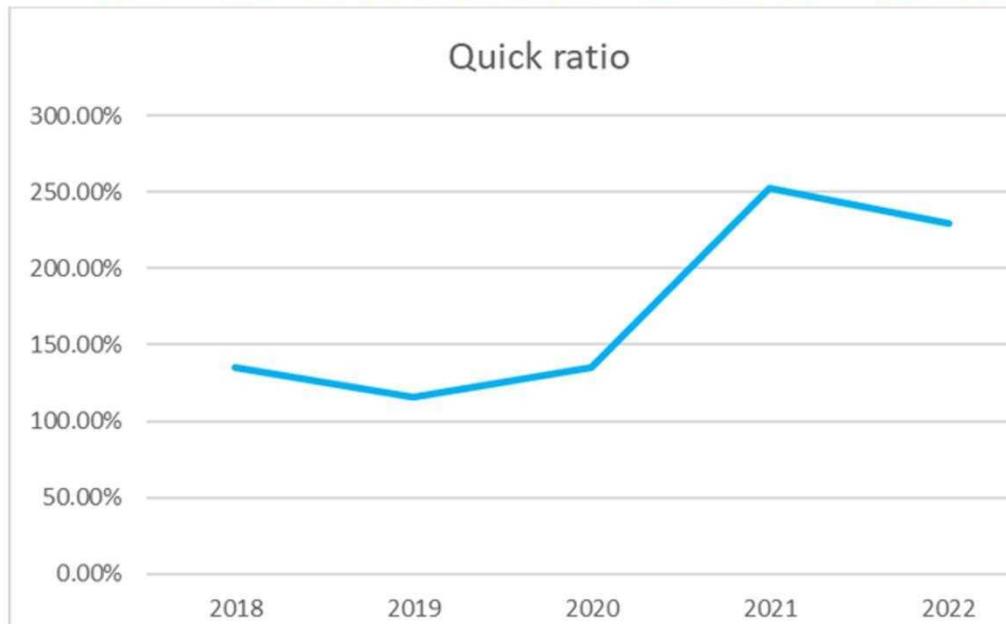


02

Financial Analysis

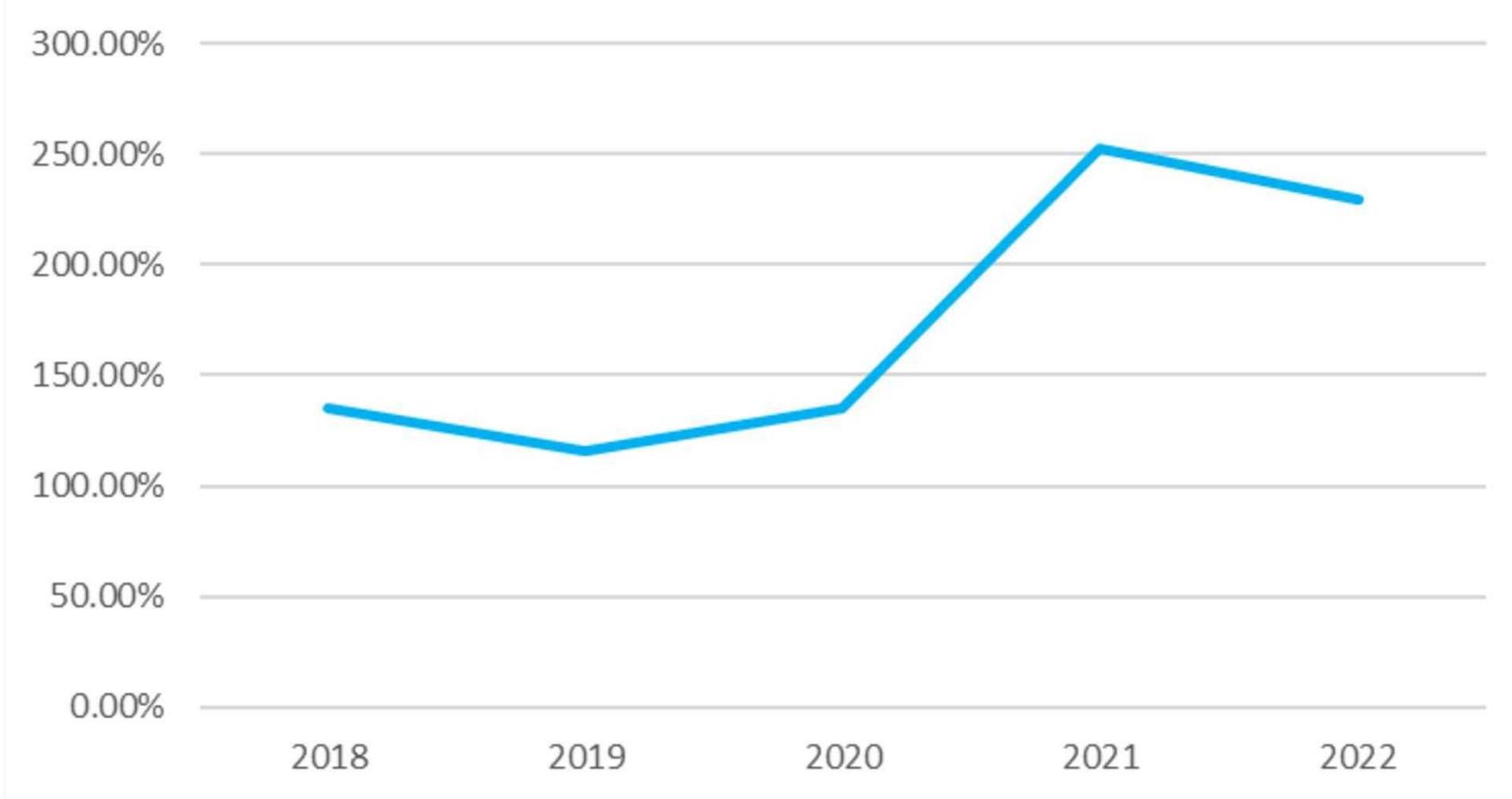


Common financial ratio analysis (Dupont)

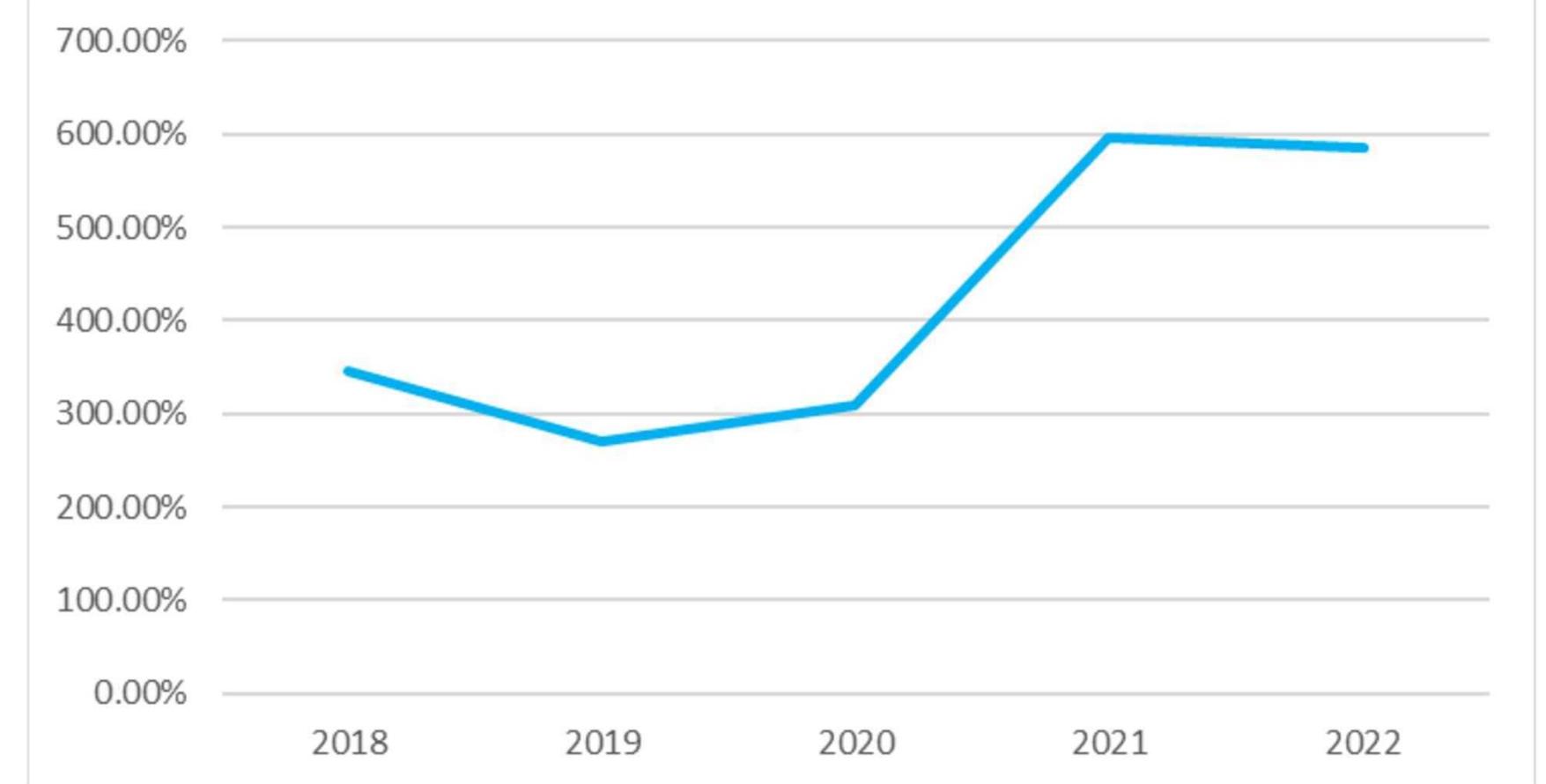


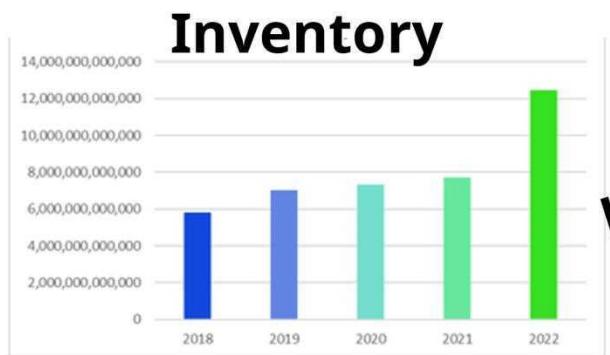
Positive sign for a company's financial health and performance

Quick ratio

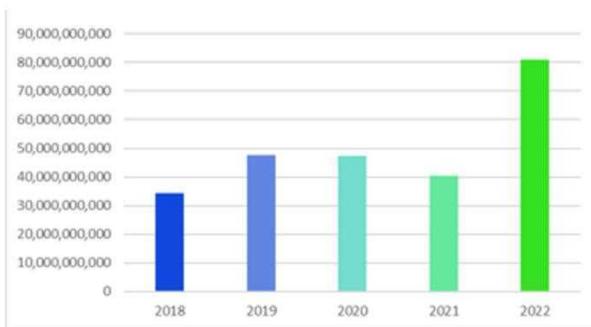


Current ratio

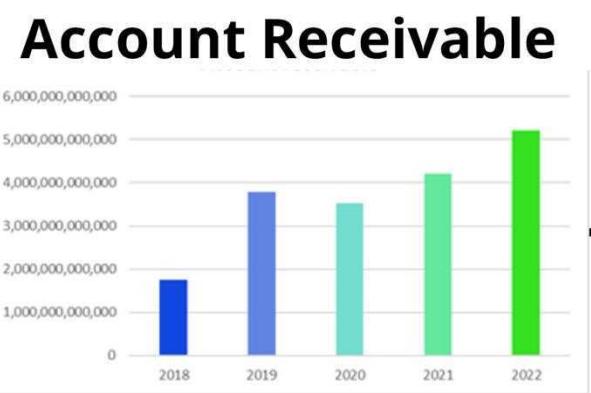
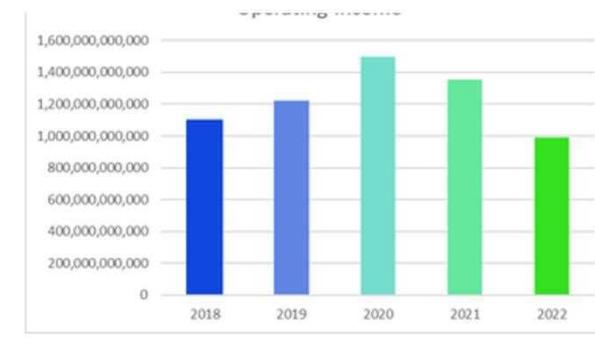




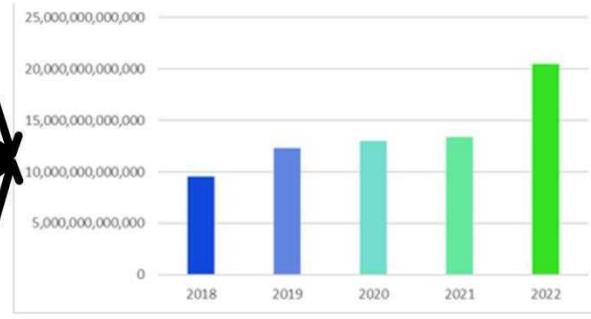
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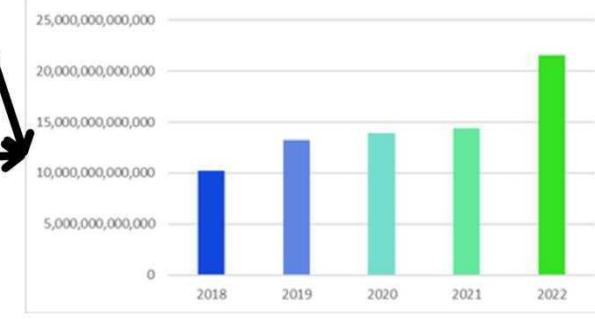
Operating income



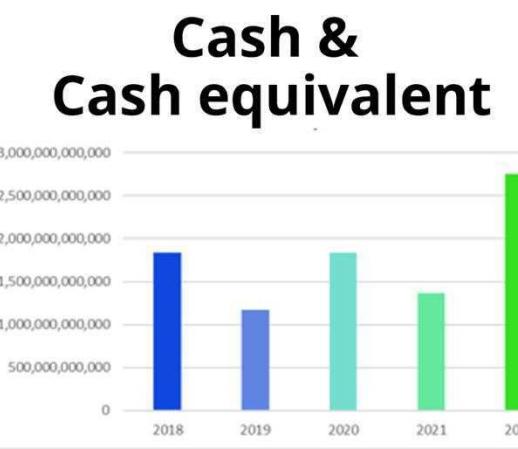
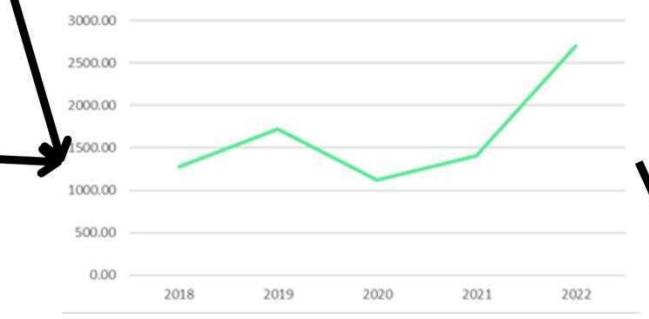
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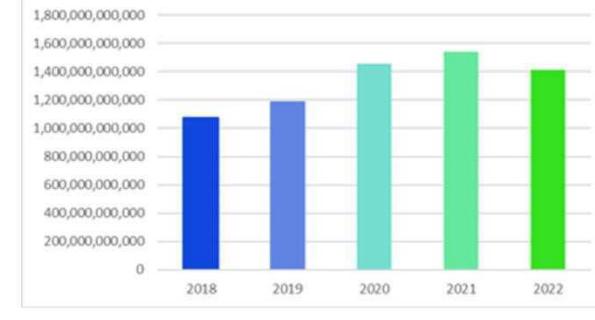
Total asset



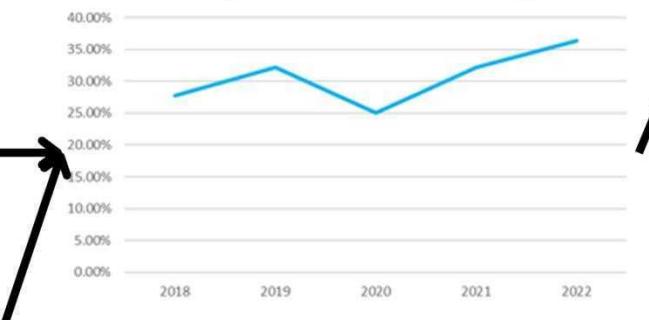
Total asset turnover



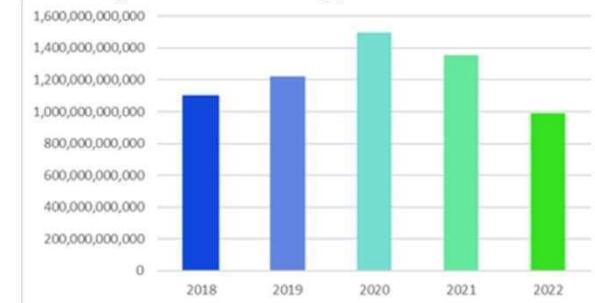
Earning before interest and tax



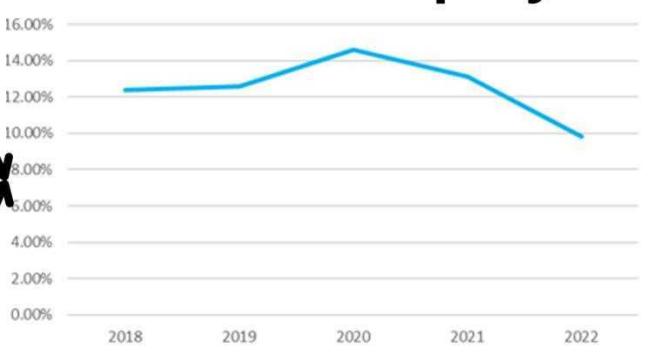
Net profit margin



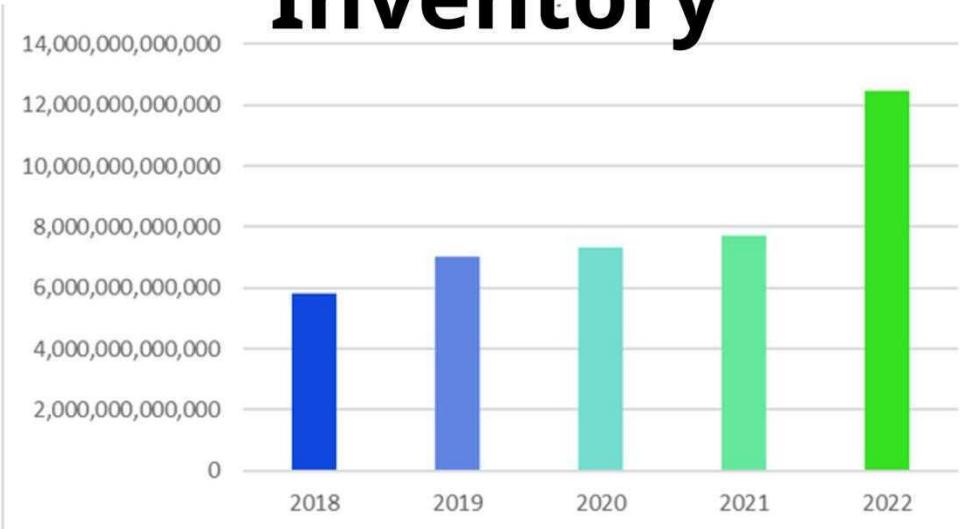
Operating income



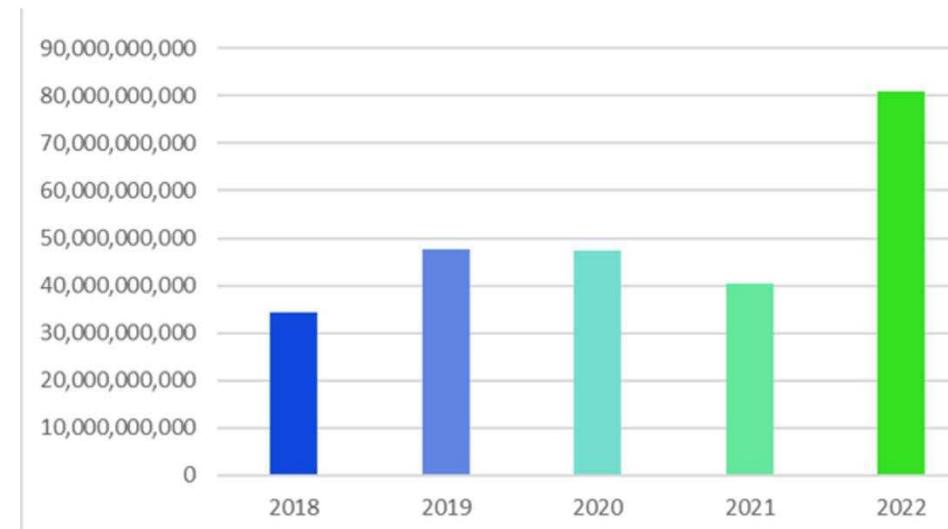
Return on equity



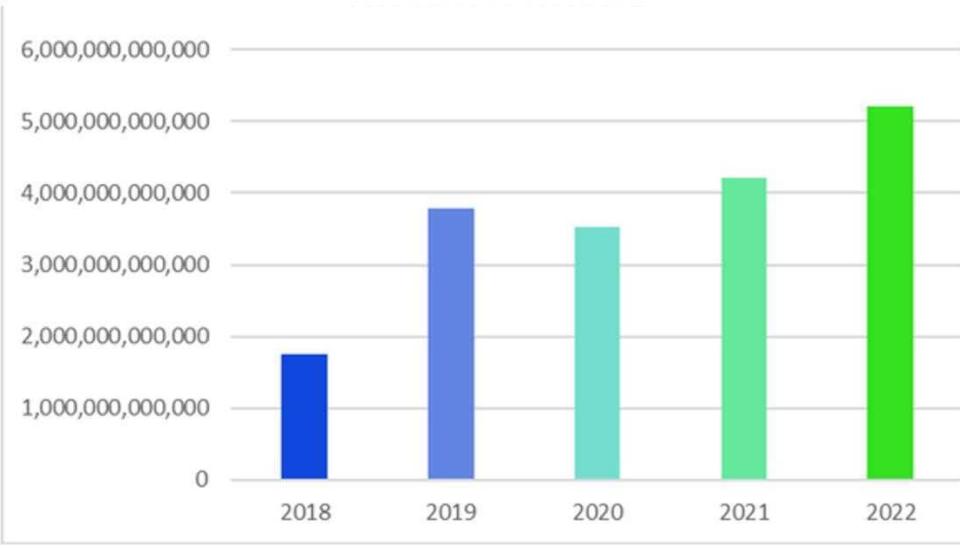
Inventory



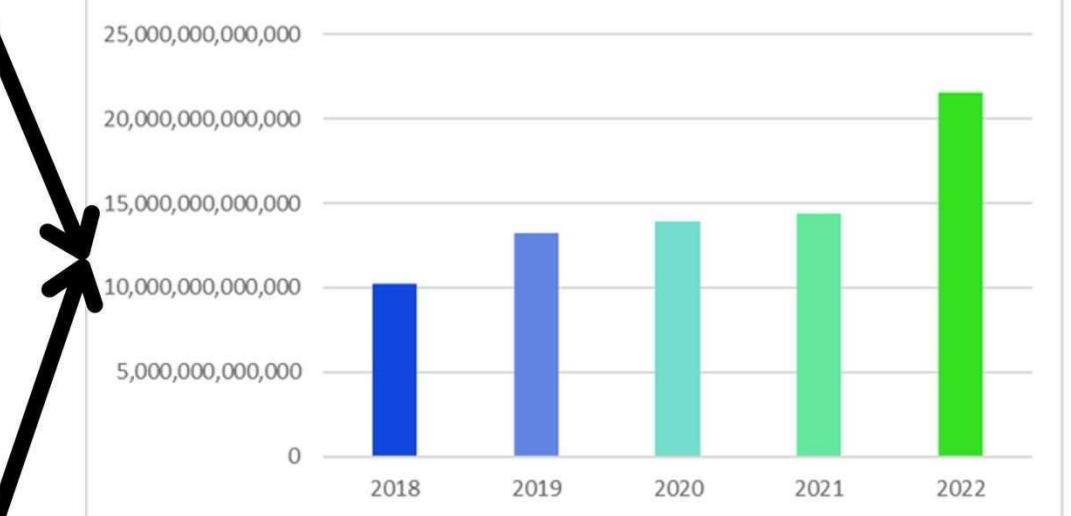
Fixed asset



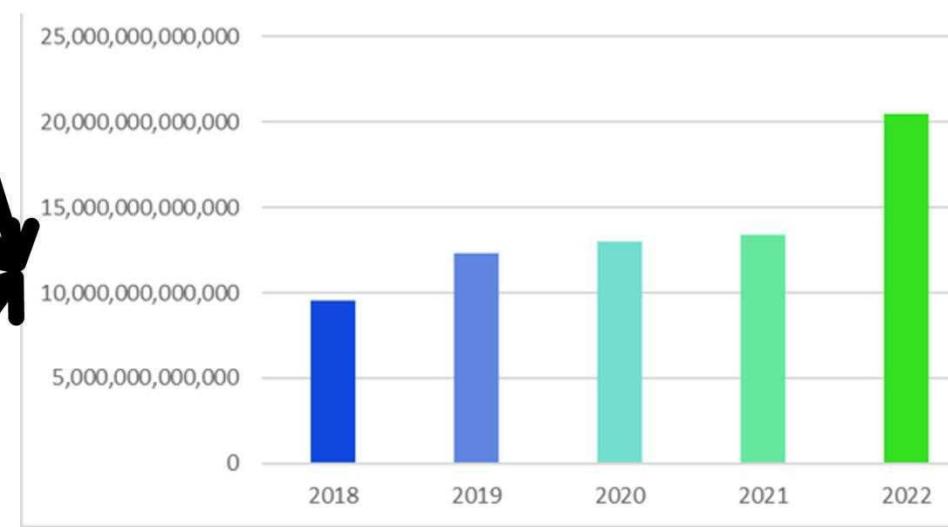
Account Receivable



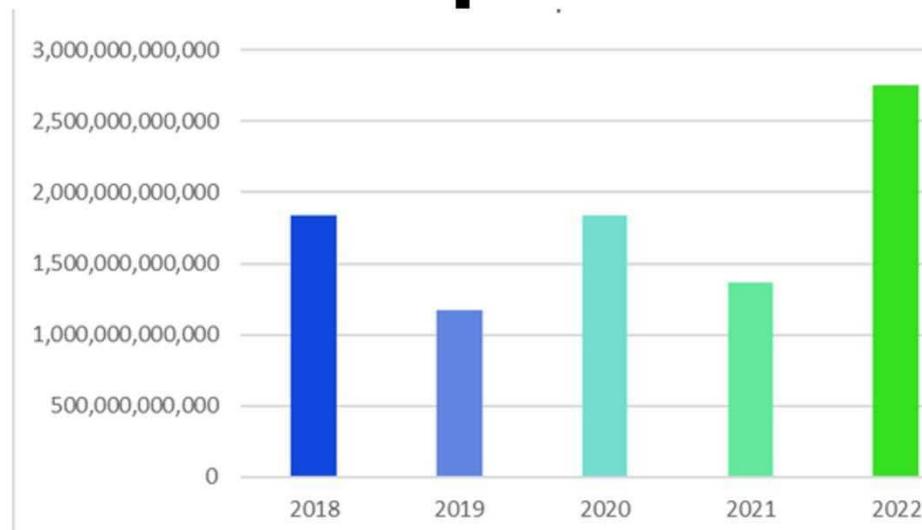
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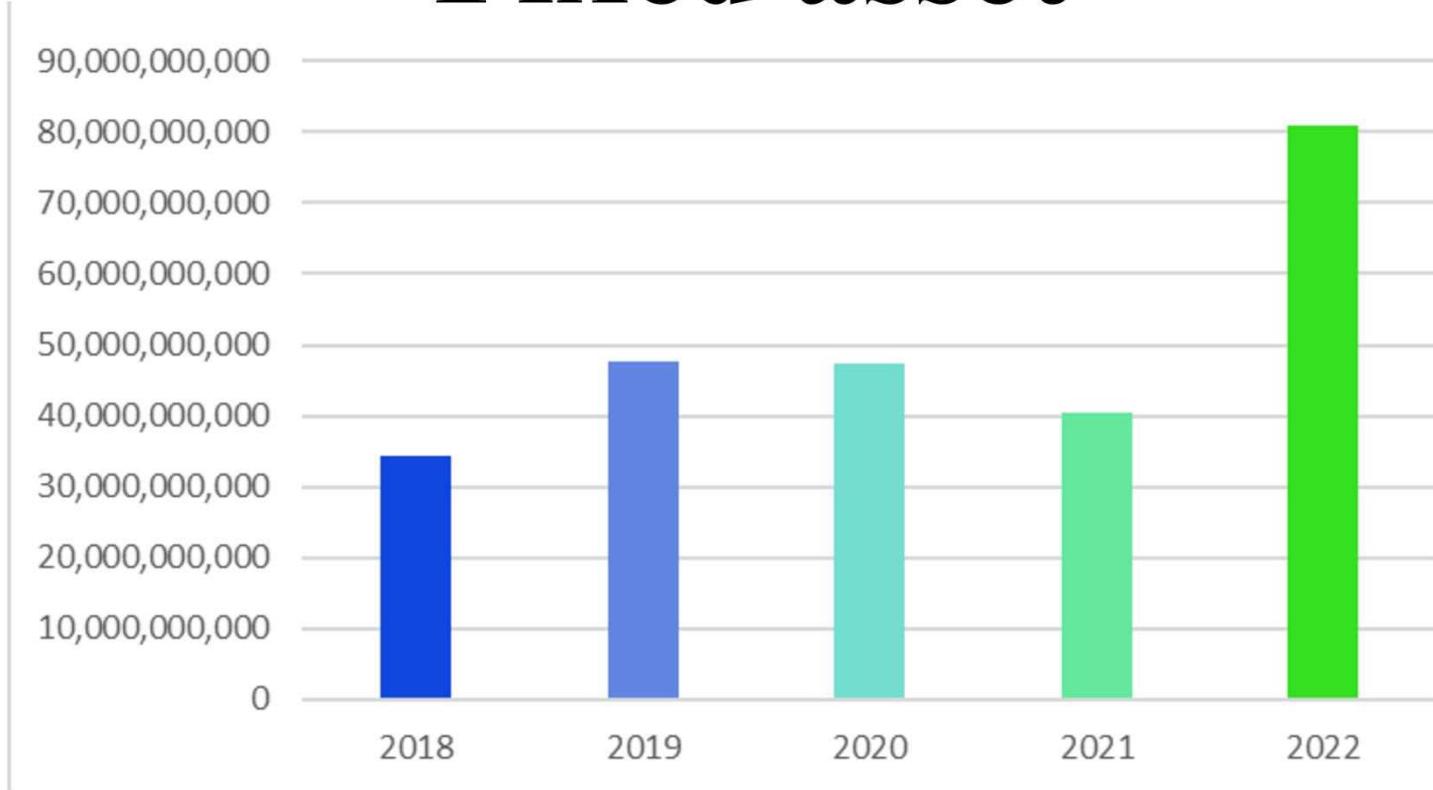
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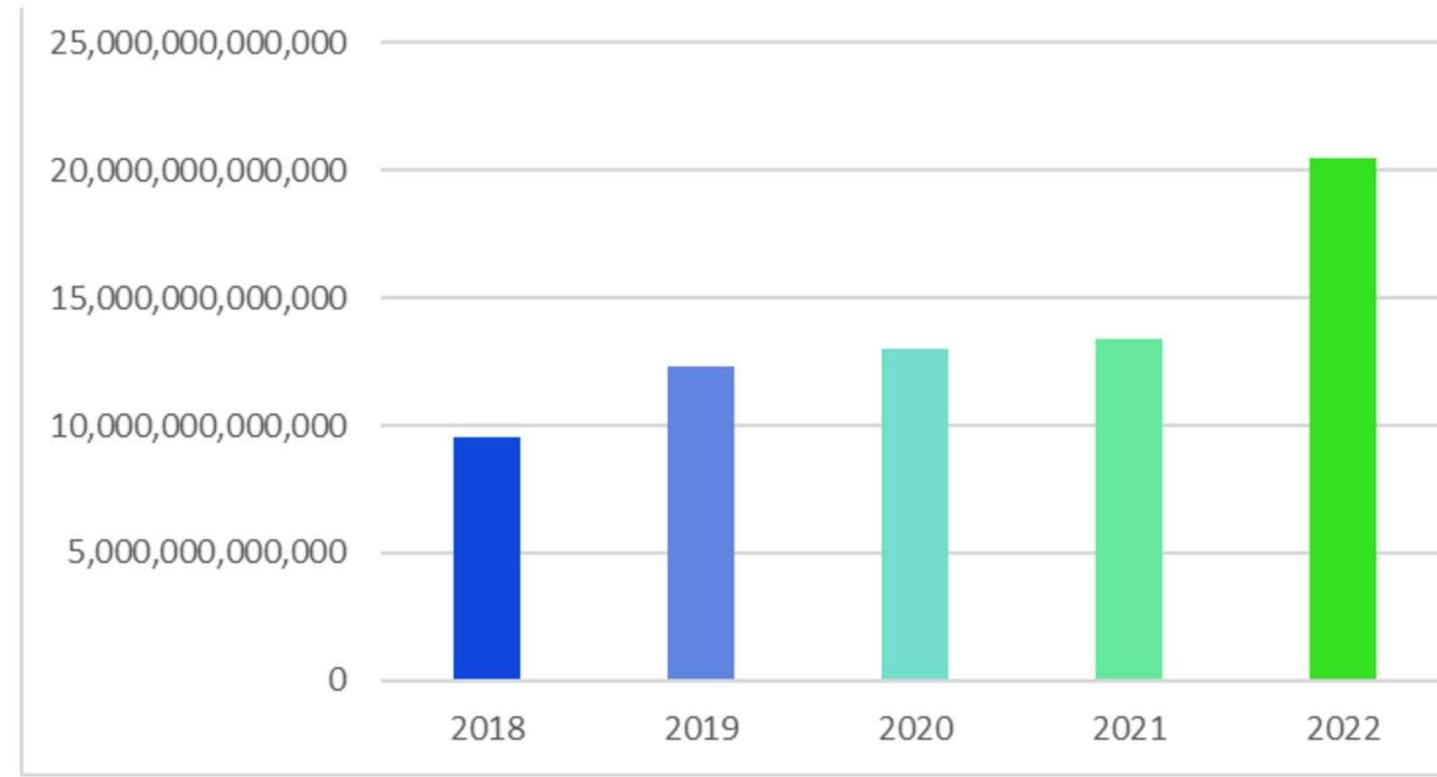
Cash & Cash equivalent



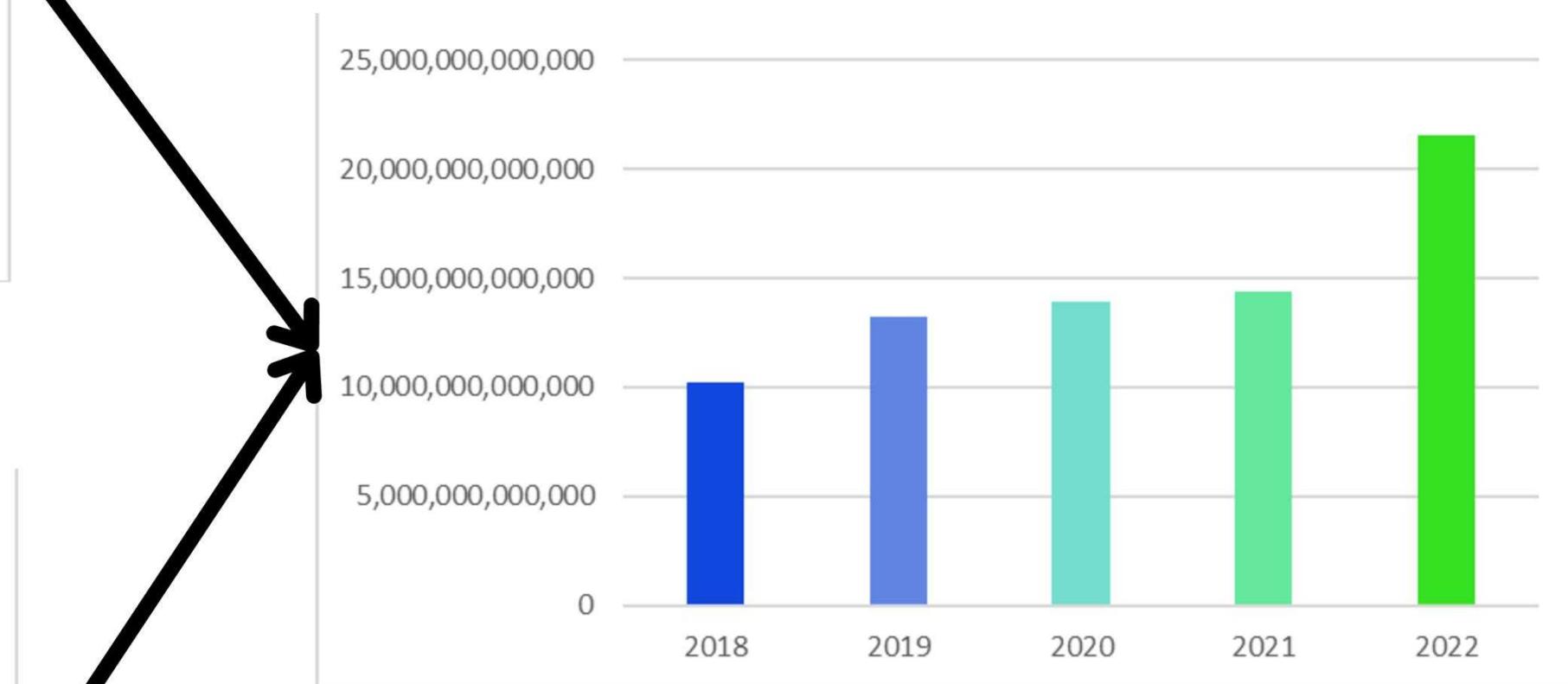
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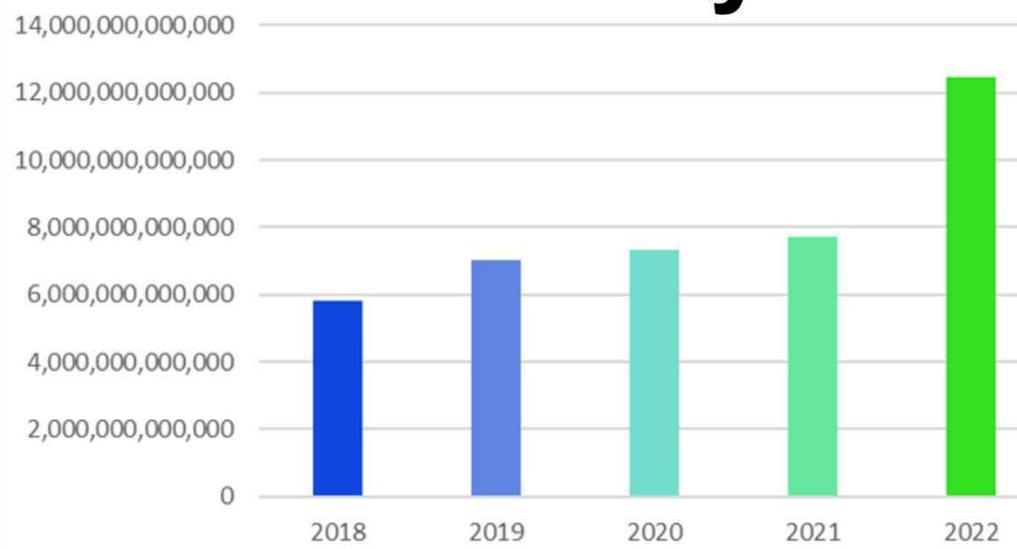
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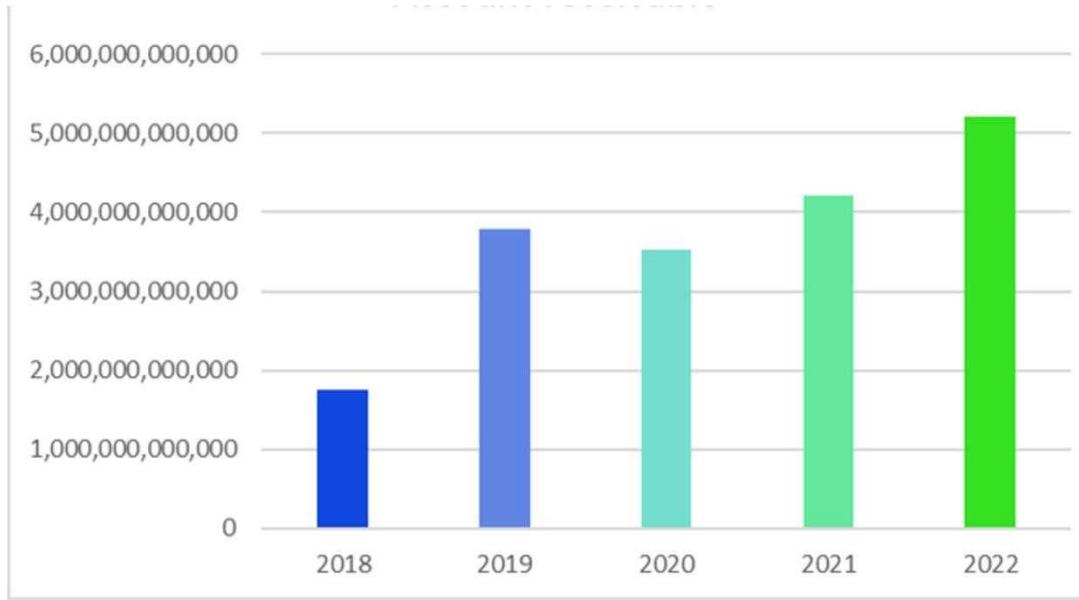
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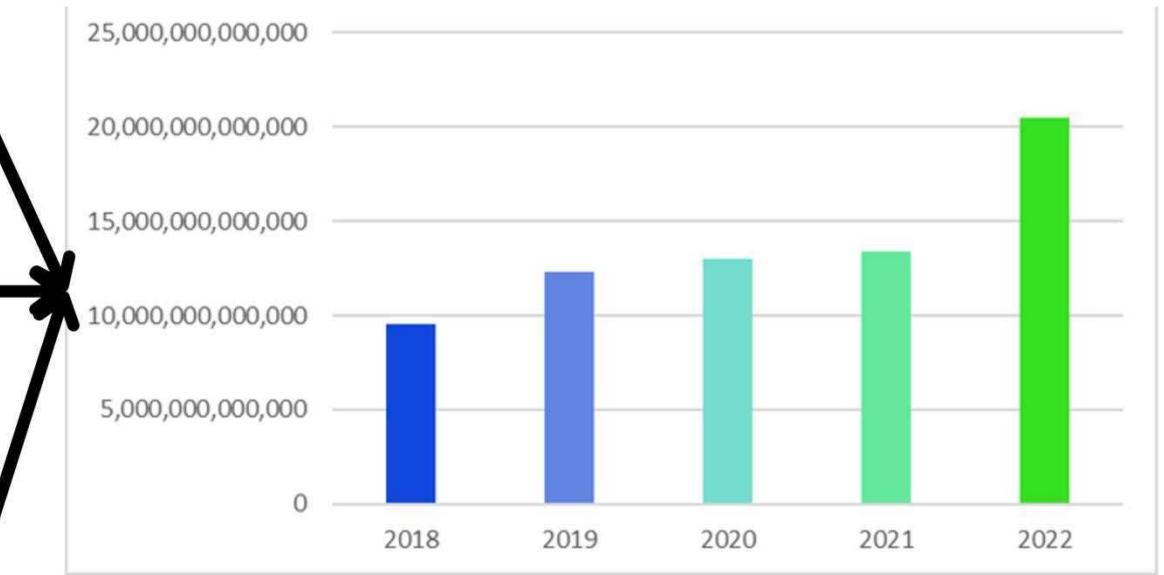
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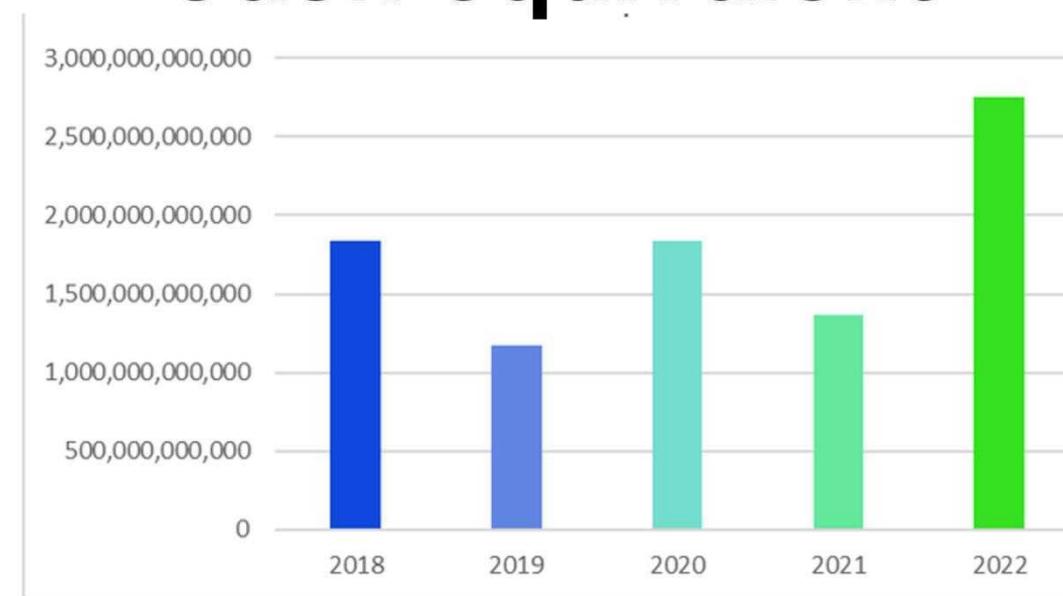
Account Receivable



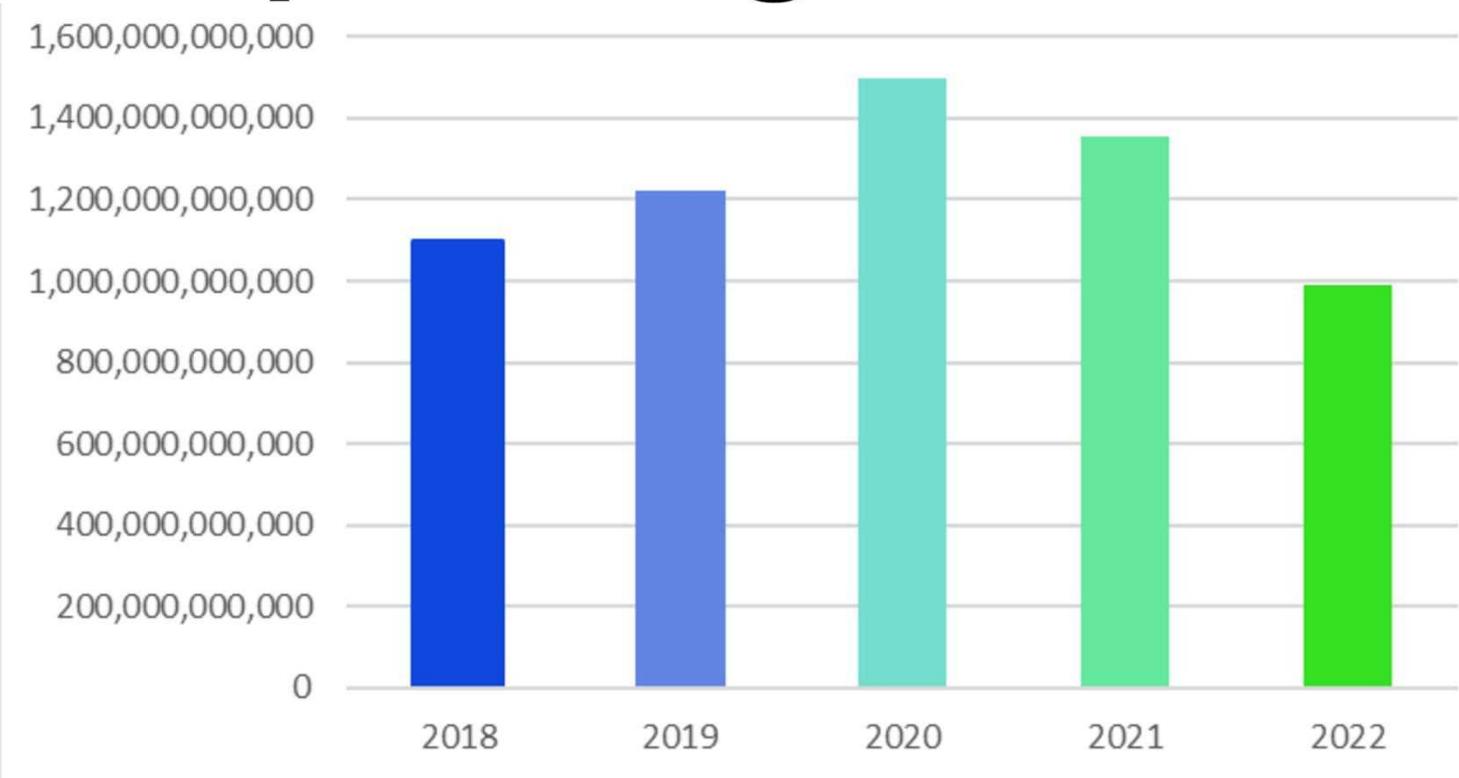
Current asset



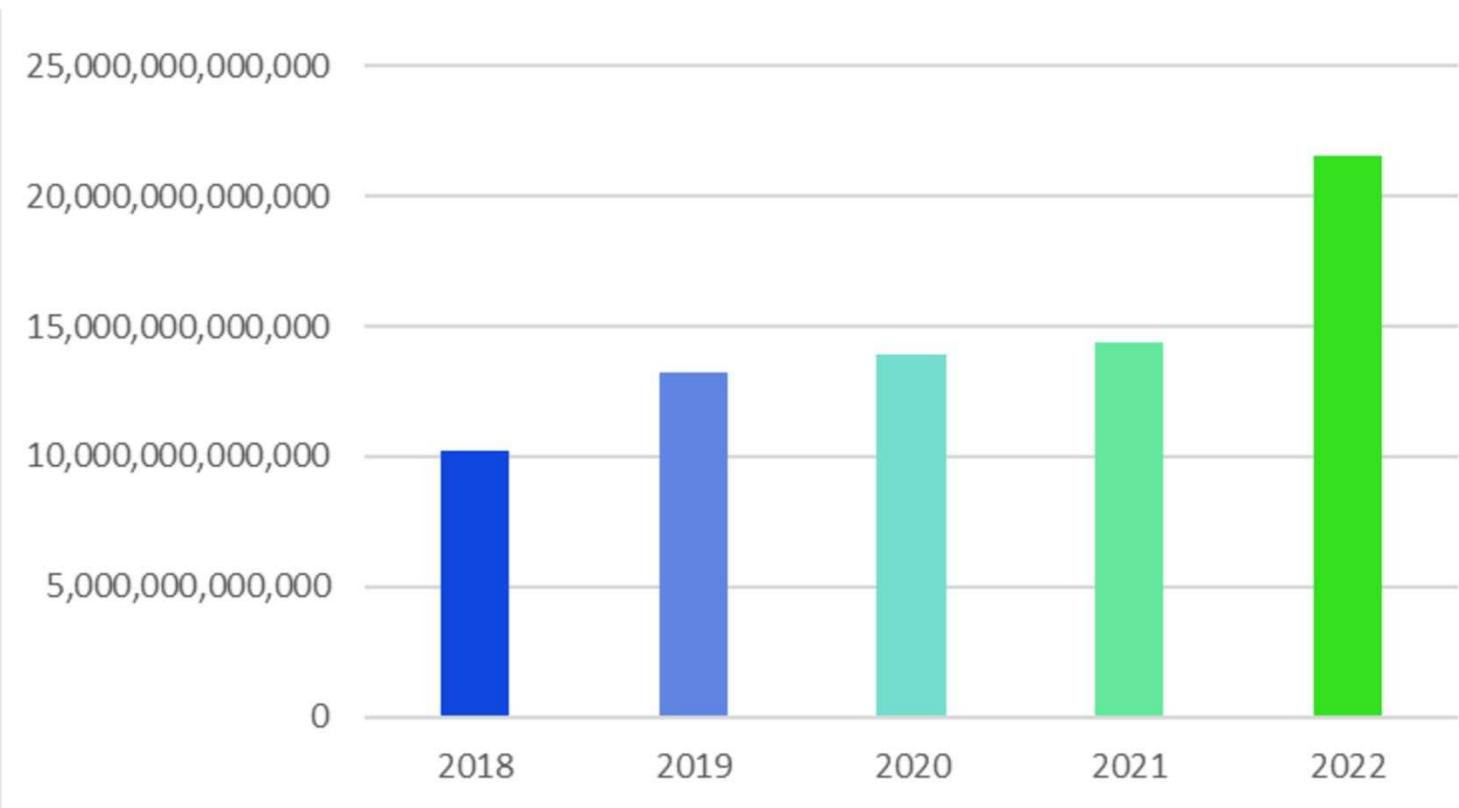
Cash & Cash equivalent



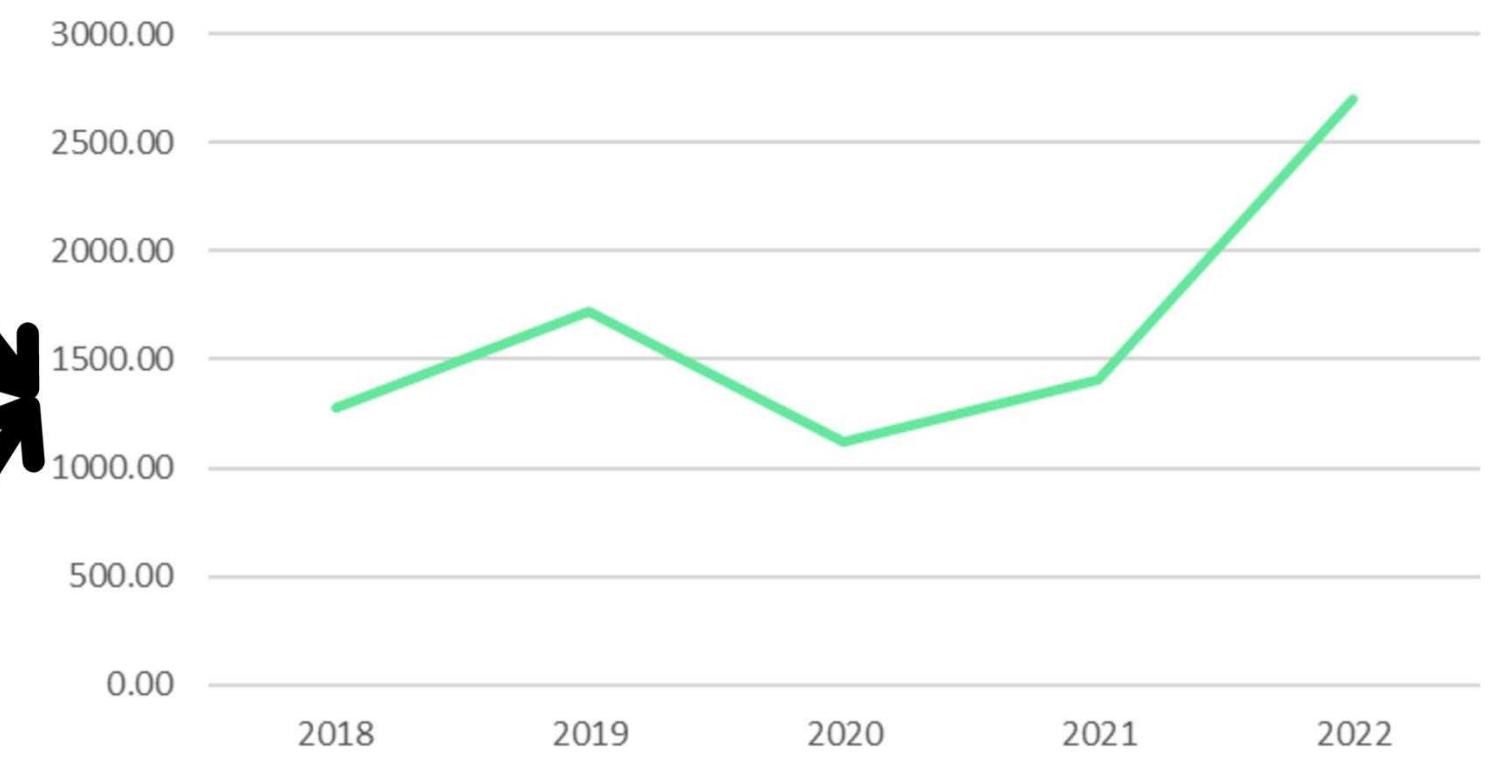
Operating income



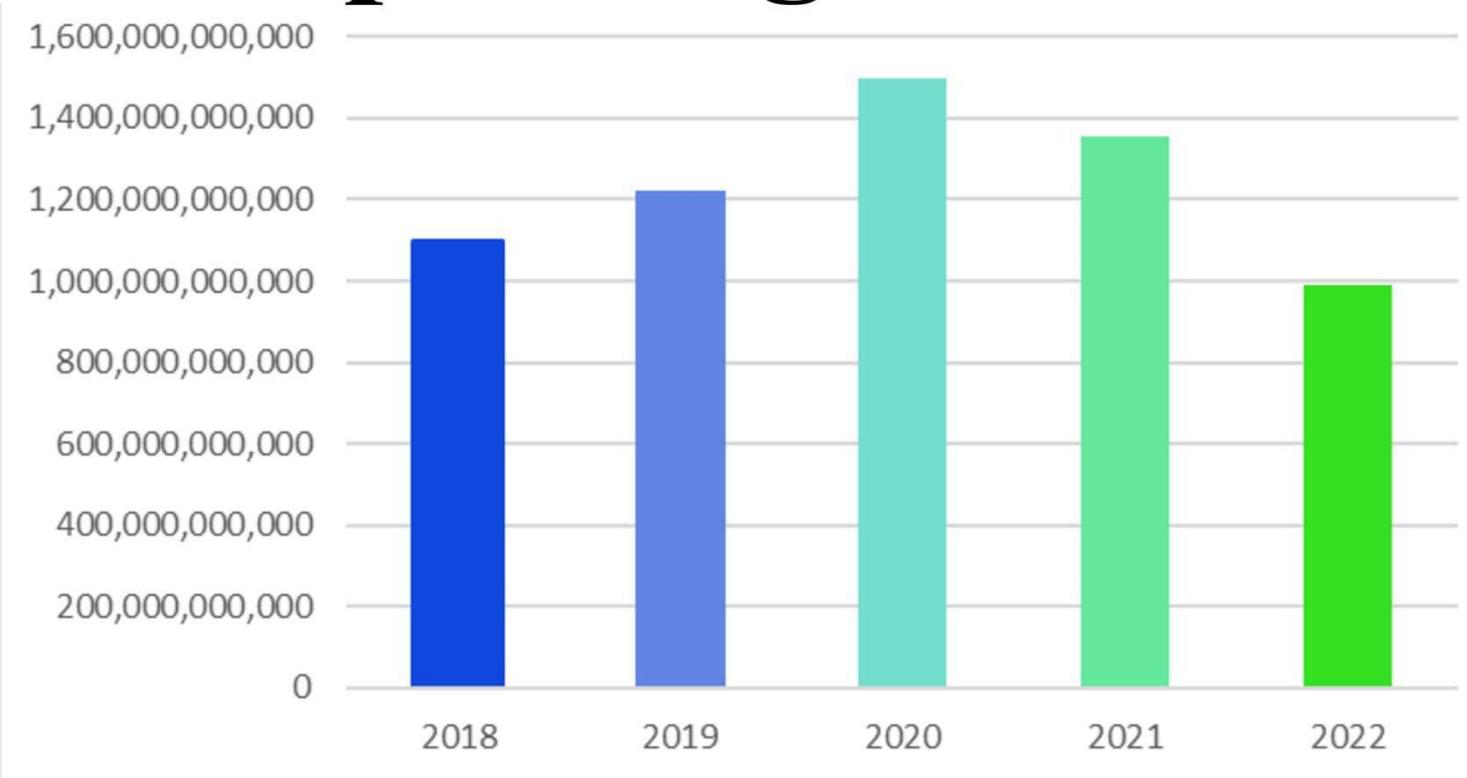
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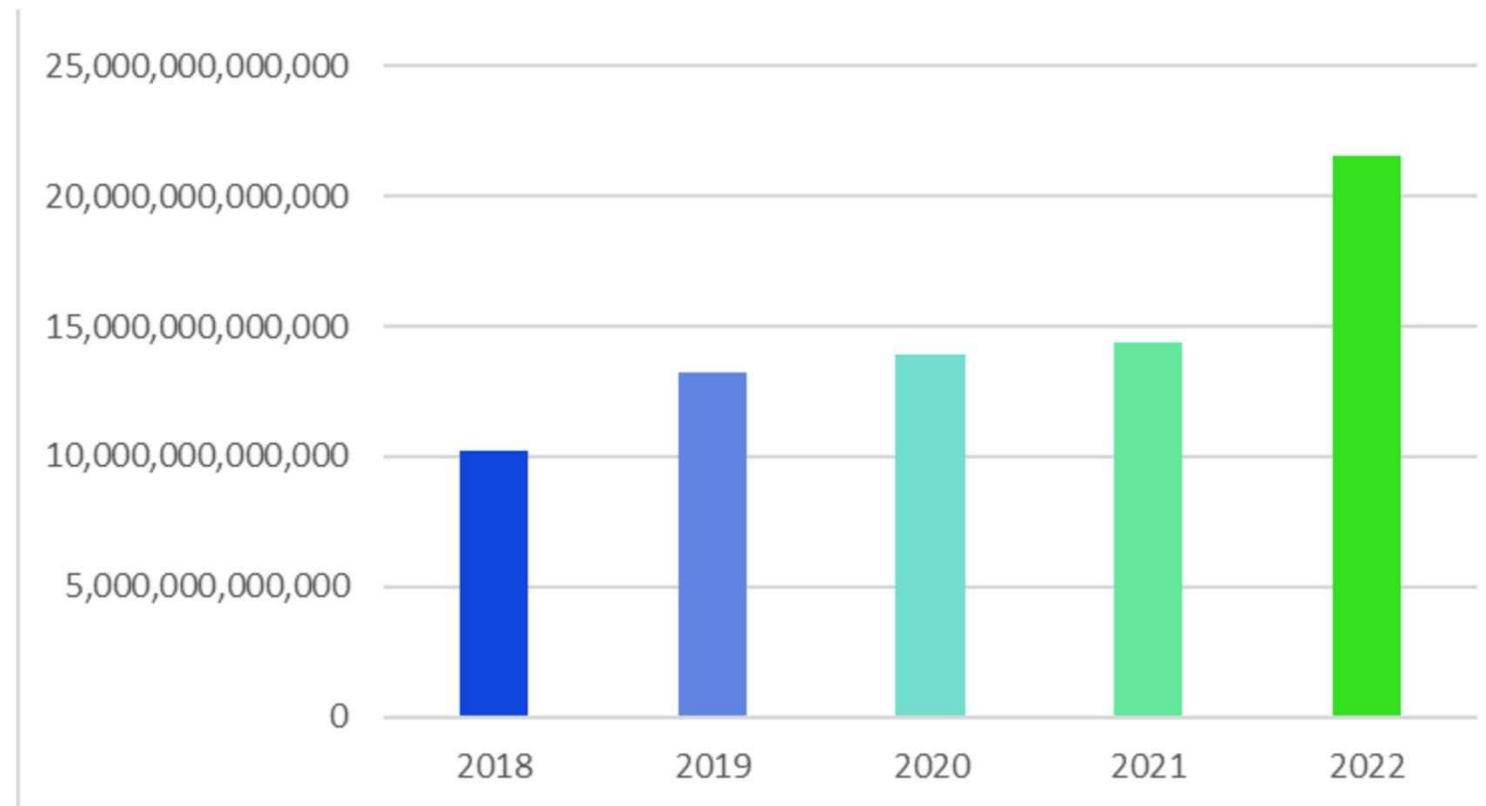
Total asset turnover



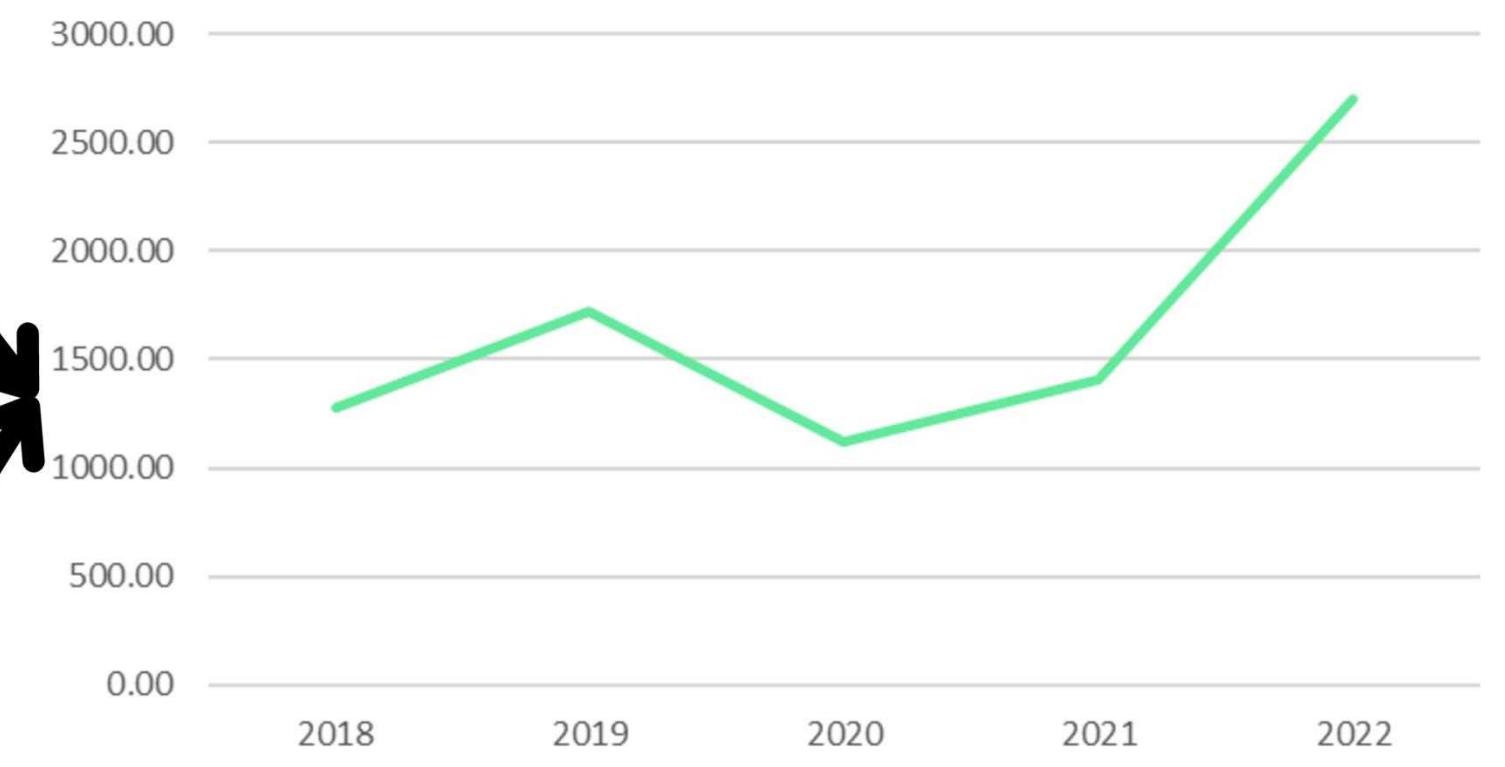
Operating income



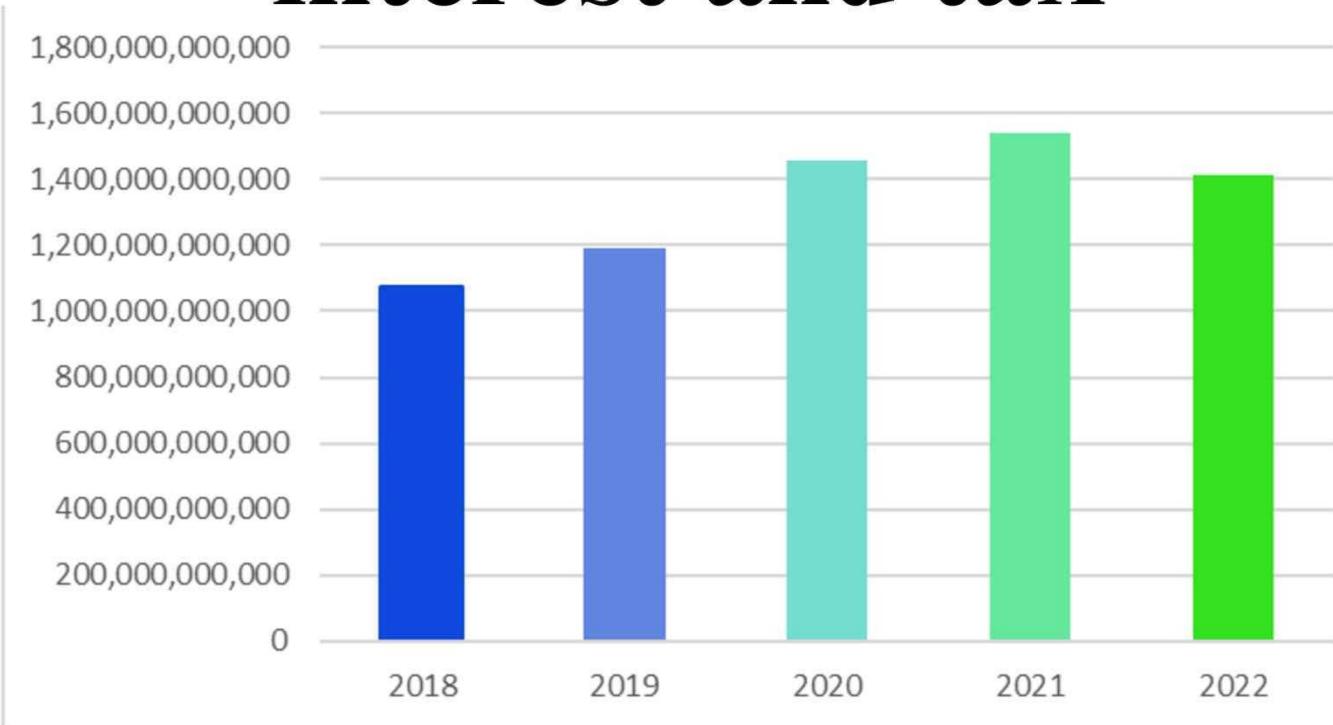
Total asset



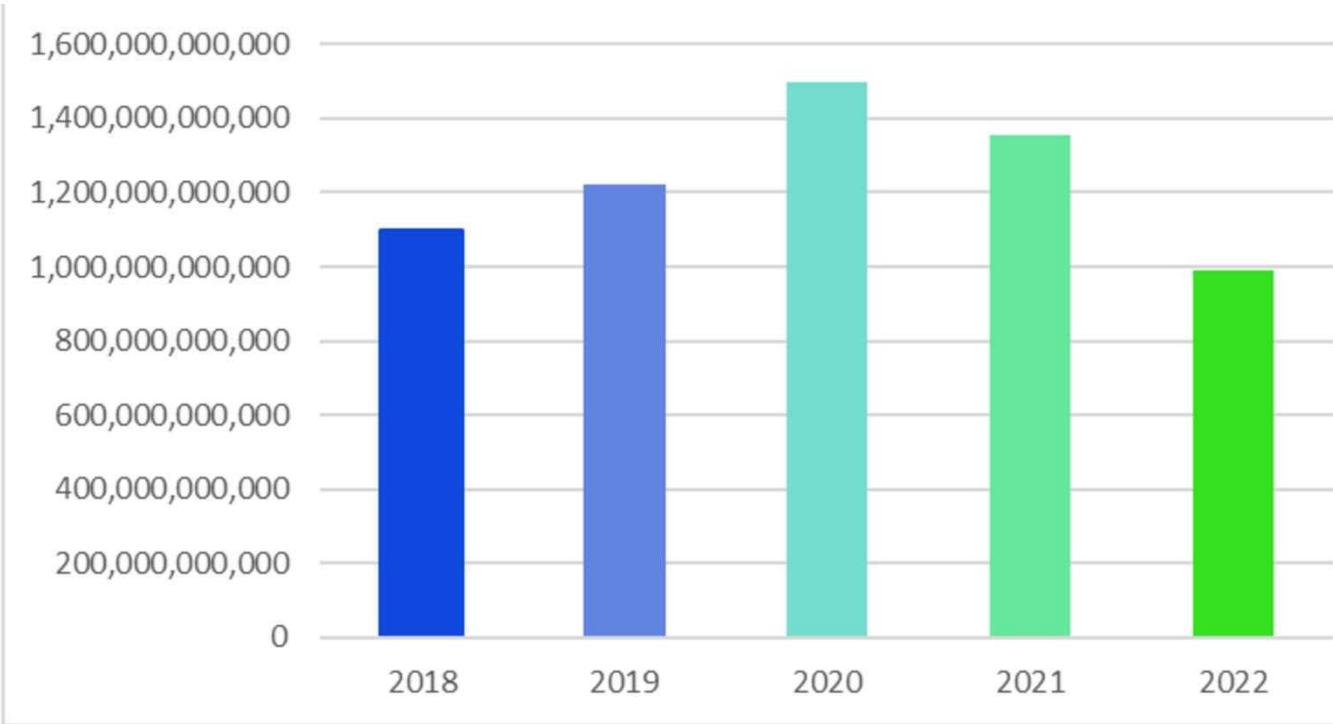
Total asset turnover



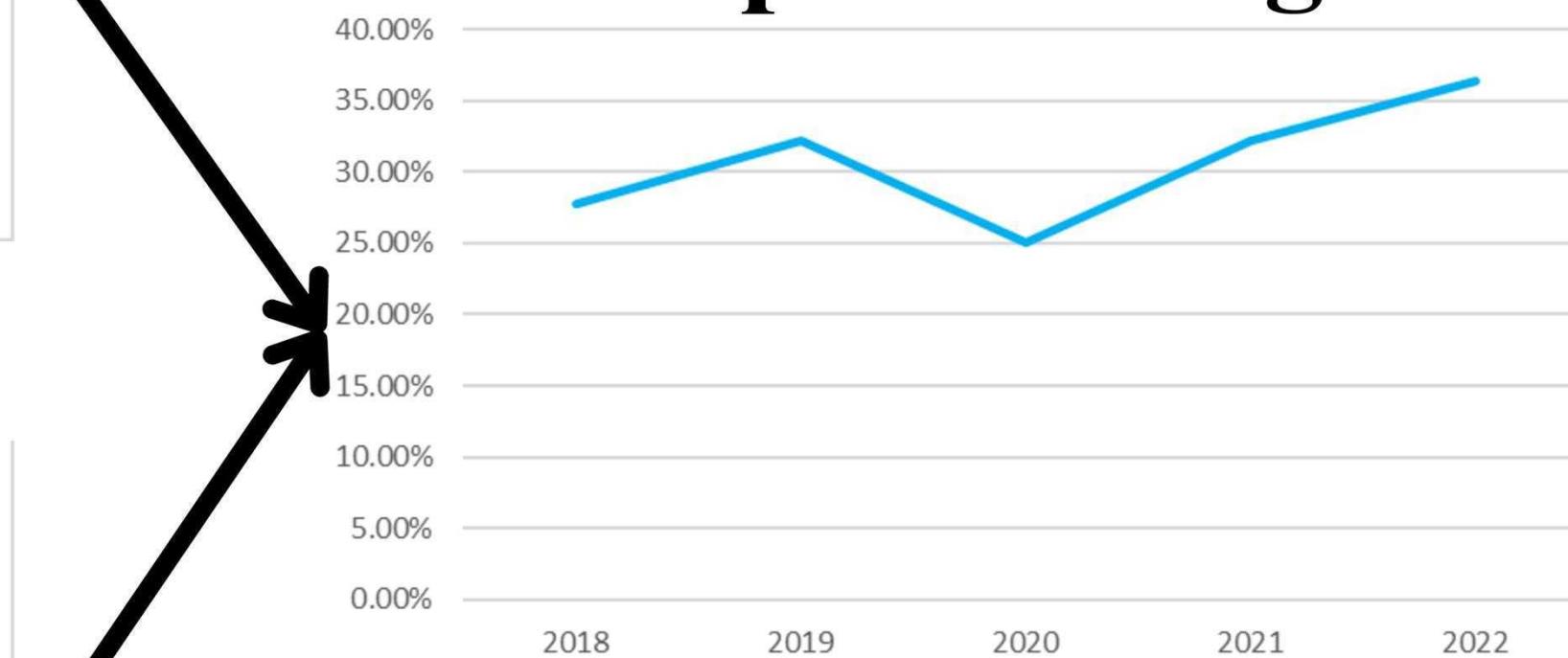
Earning before interest and tax



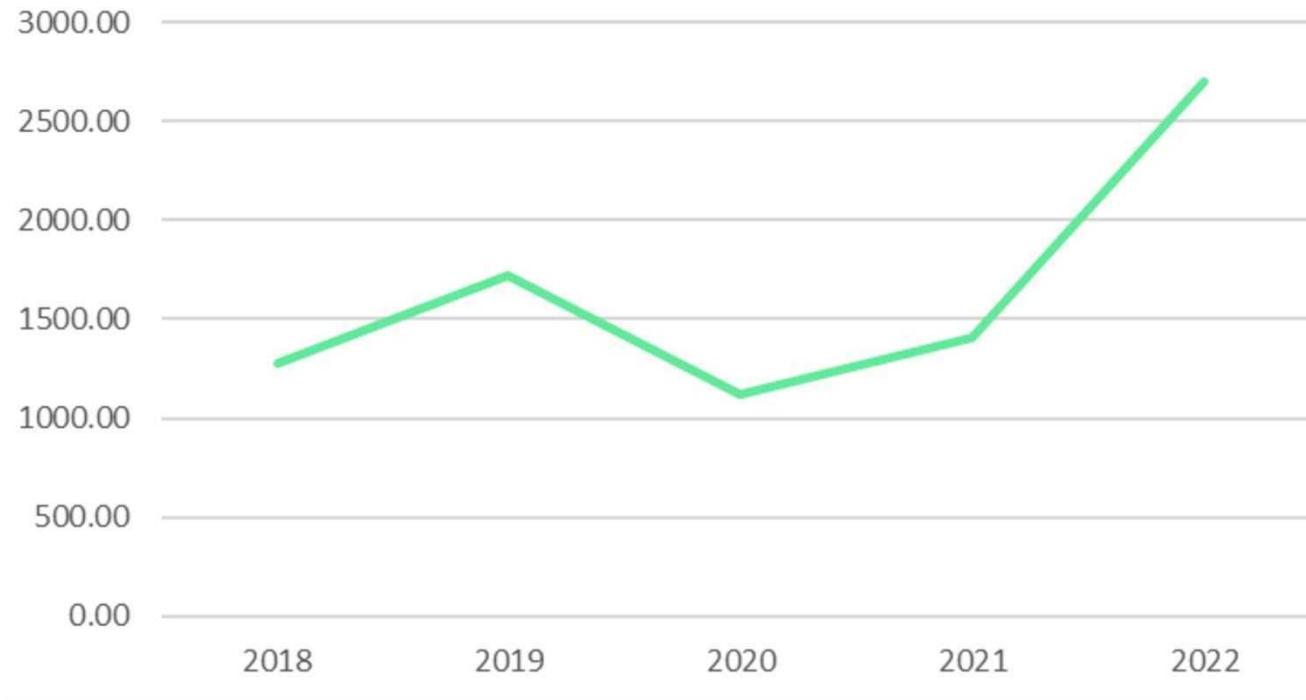
Operating income



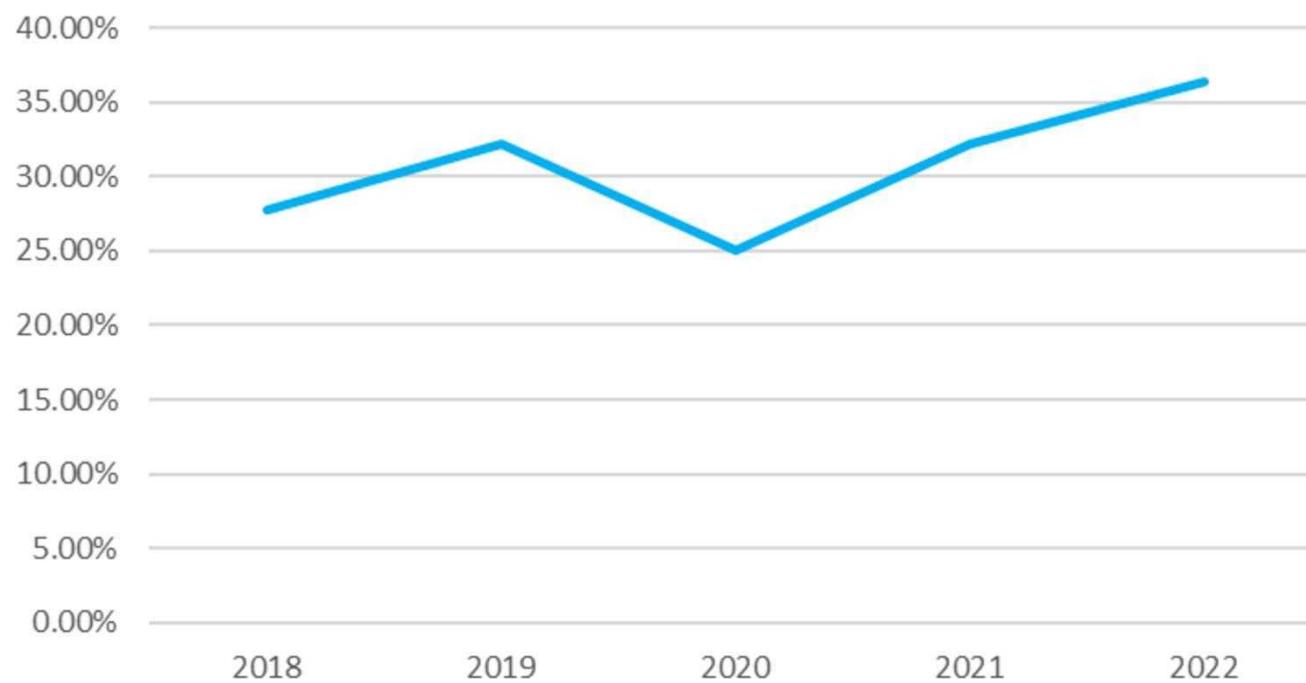
Net profit margin



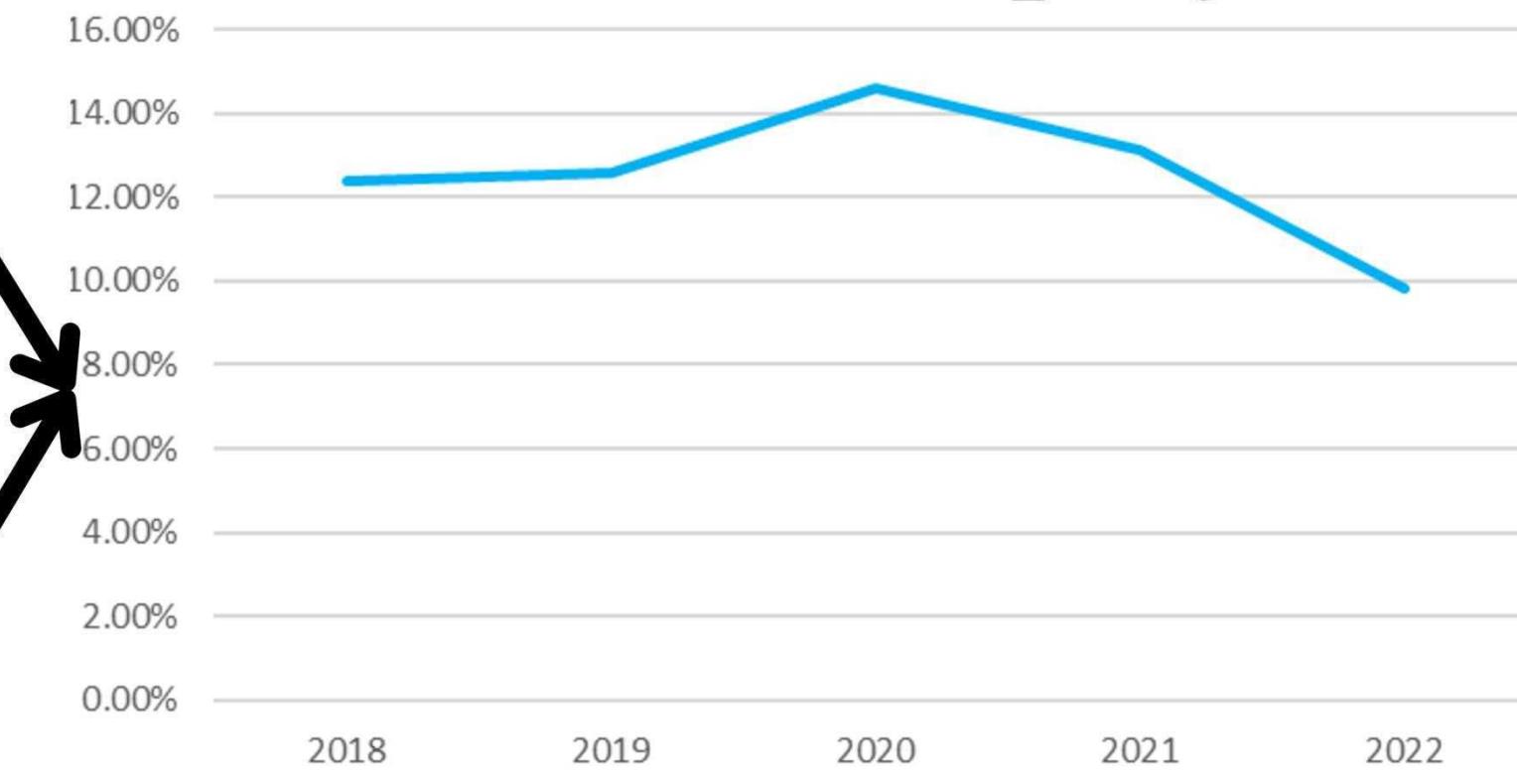
Total asset turnover



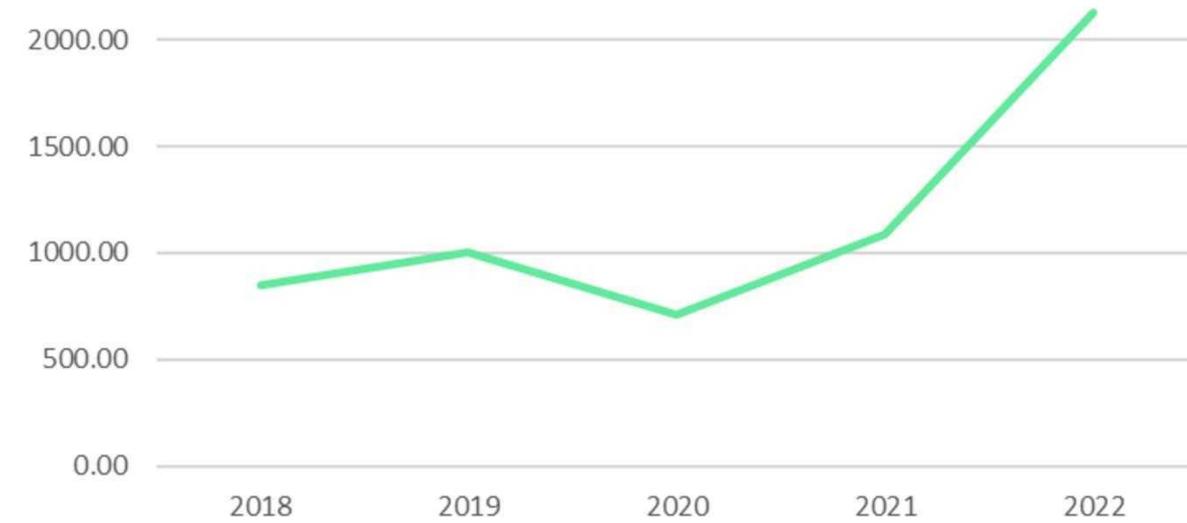
Net profit margin



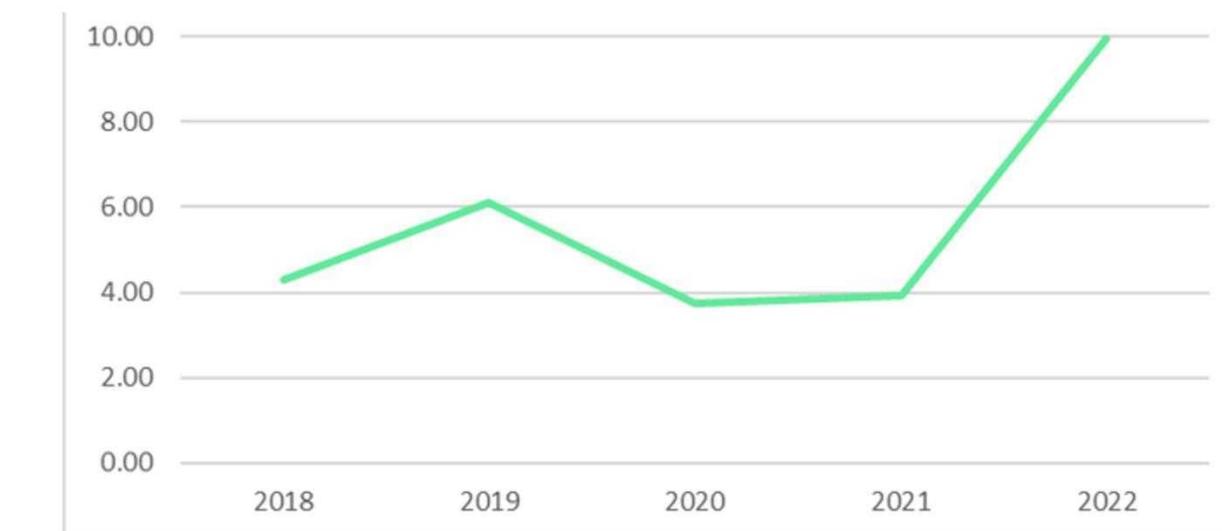
Return on equity



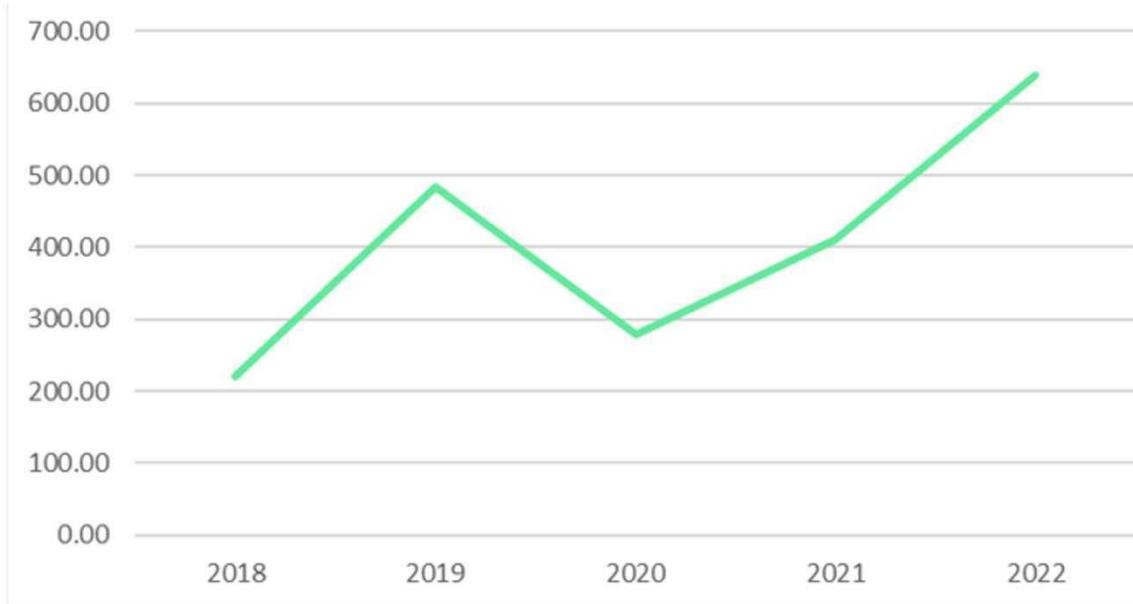
Working capital turnover



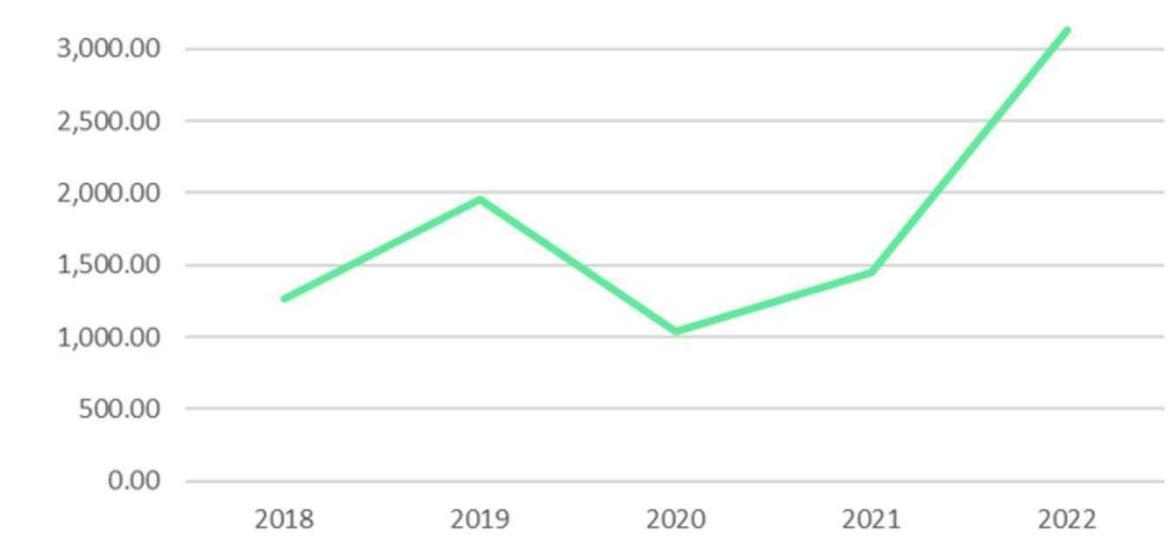
Fixed asset turnover



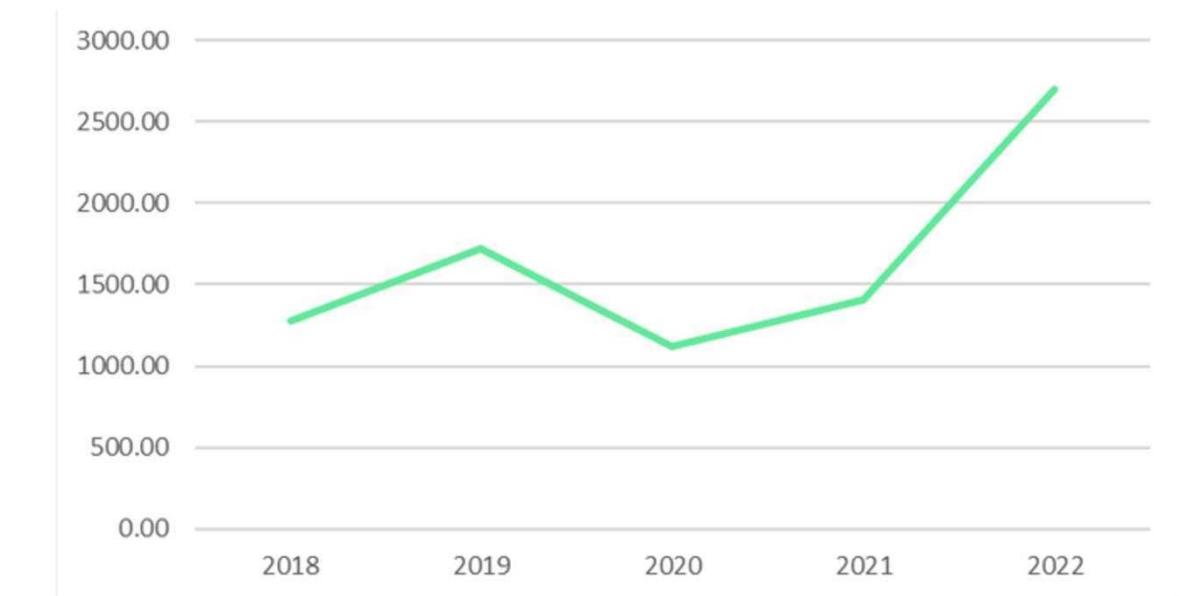
Account receivable turnover



Inventory turnover

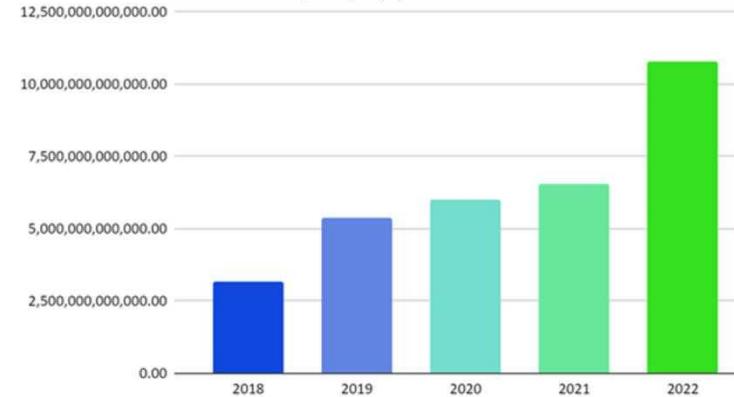


Total asset turnover

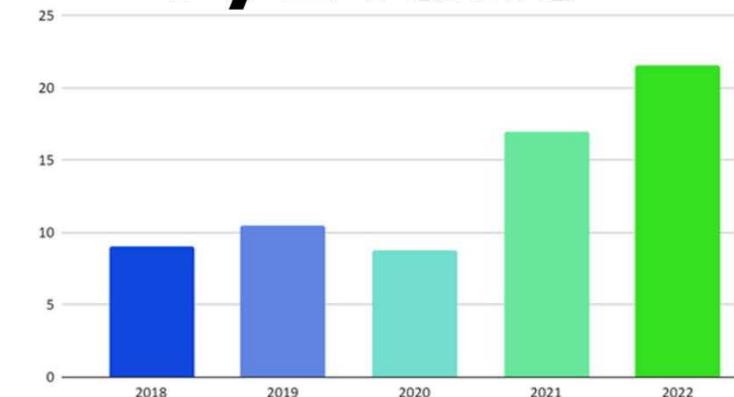


Common ratio: Market ratio

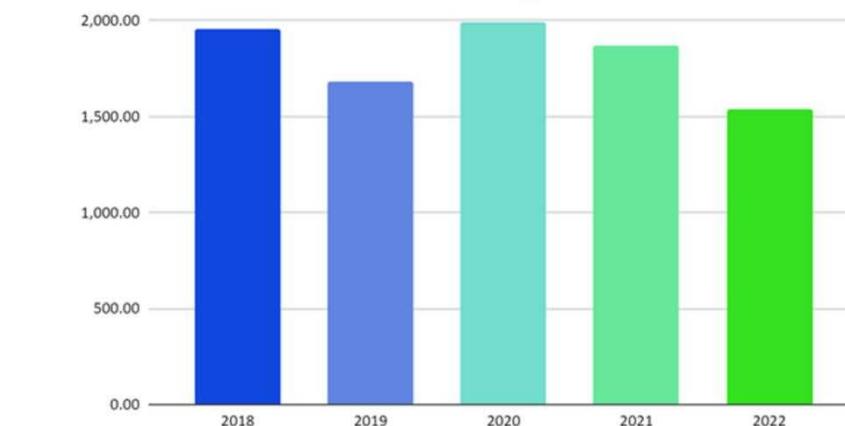
EV



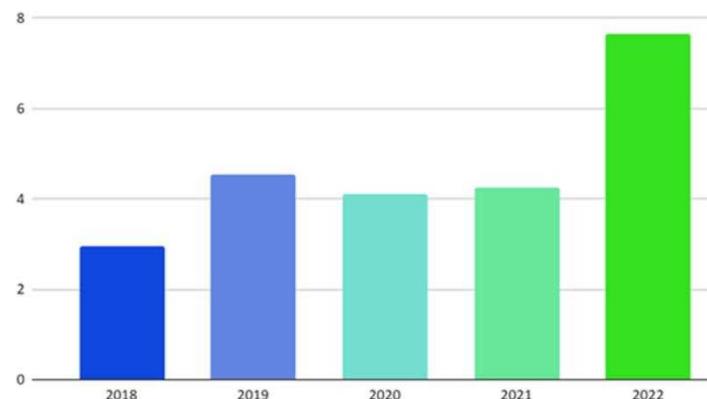
P/E ratio



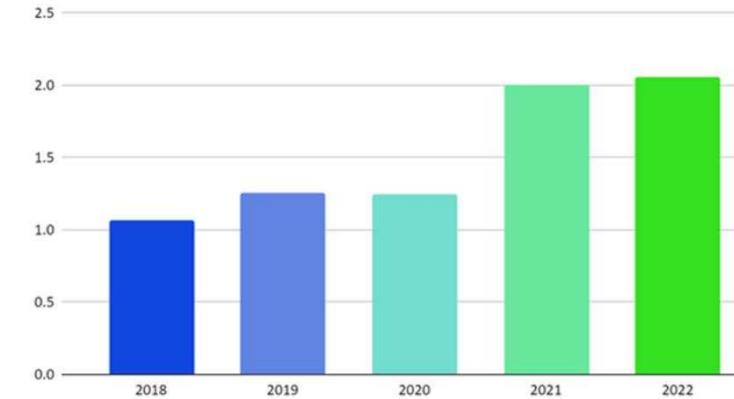
EPS



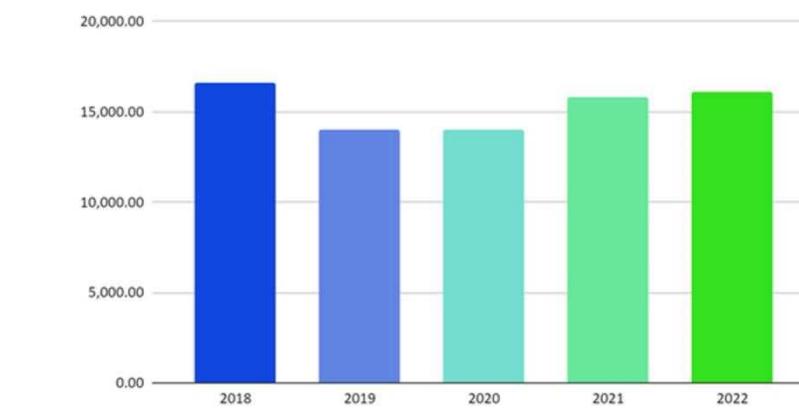
EV Multiple



M/B ratio

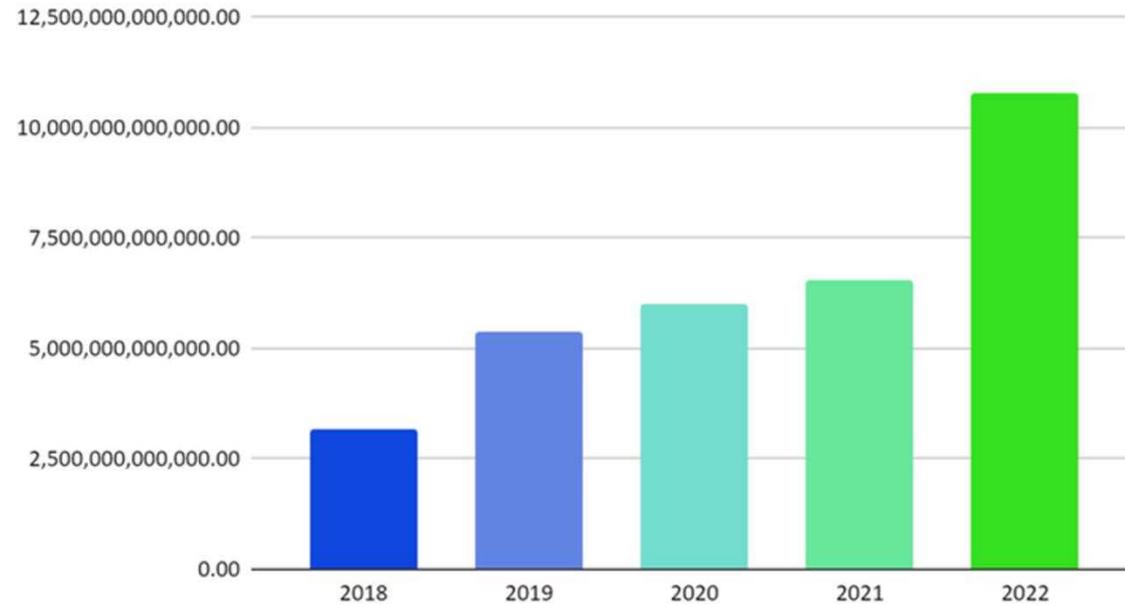


BVPS

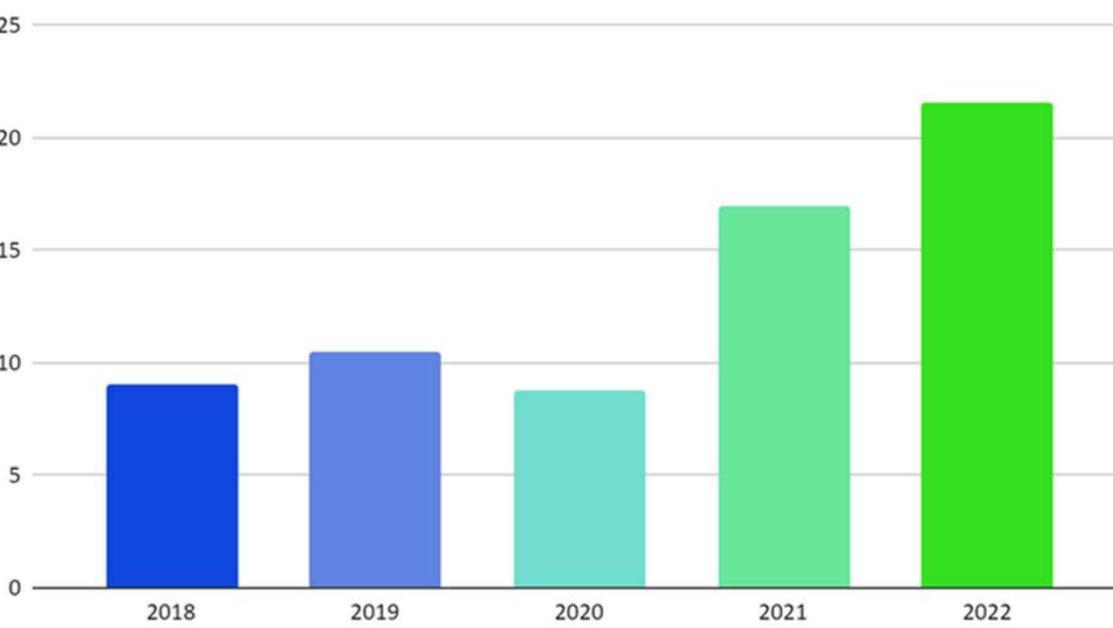


A positive sign about the future of corporate earnings and economic growth.
KDH is growing and stocks are at attractive valuations, market uptrend is likely to continue.

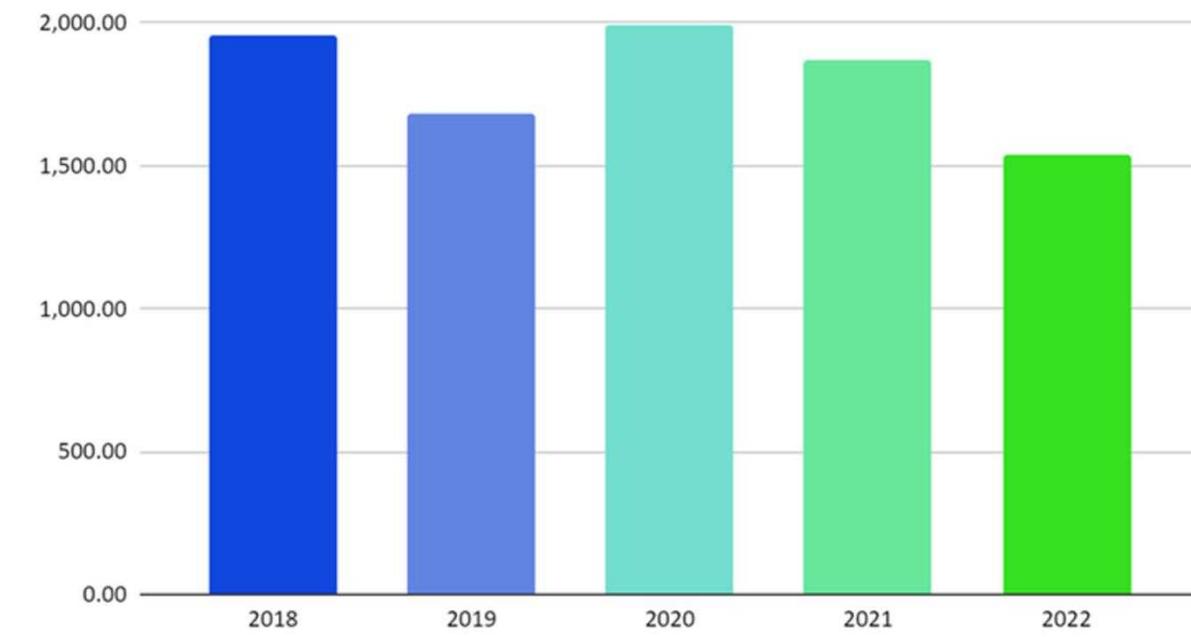
EV



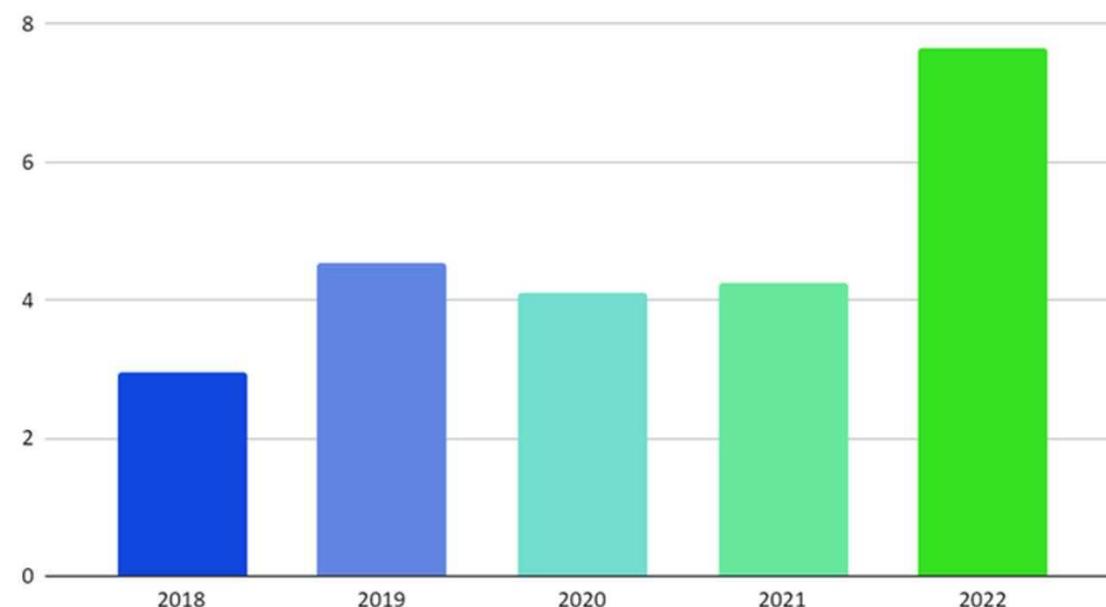
P/E ratio



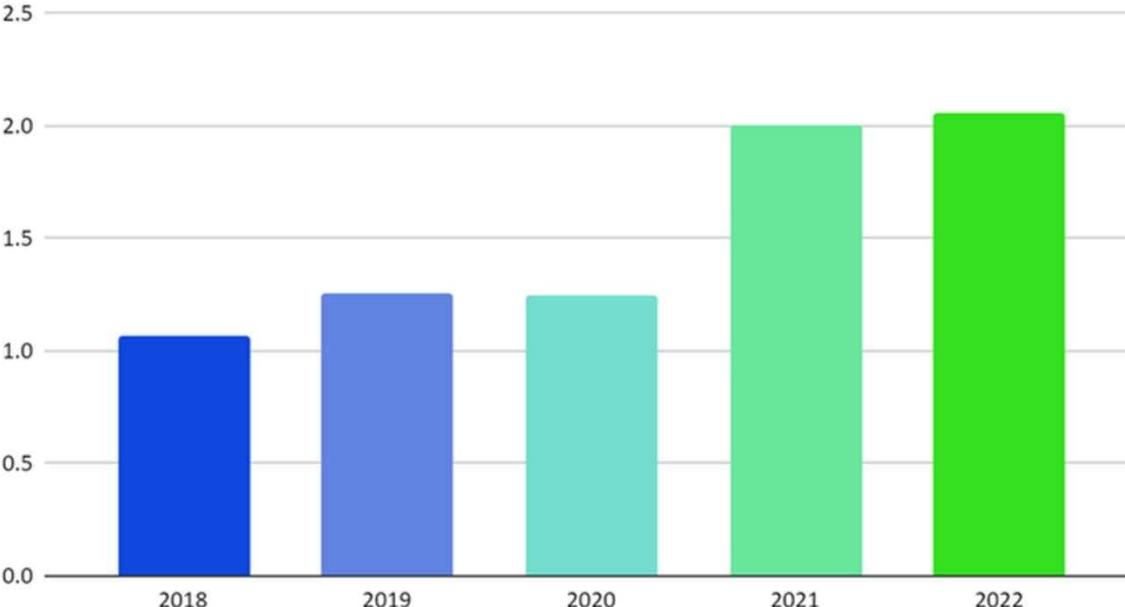
EPS



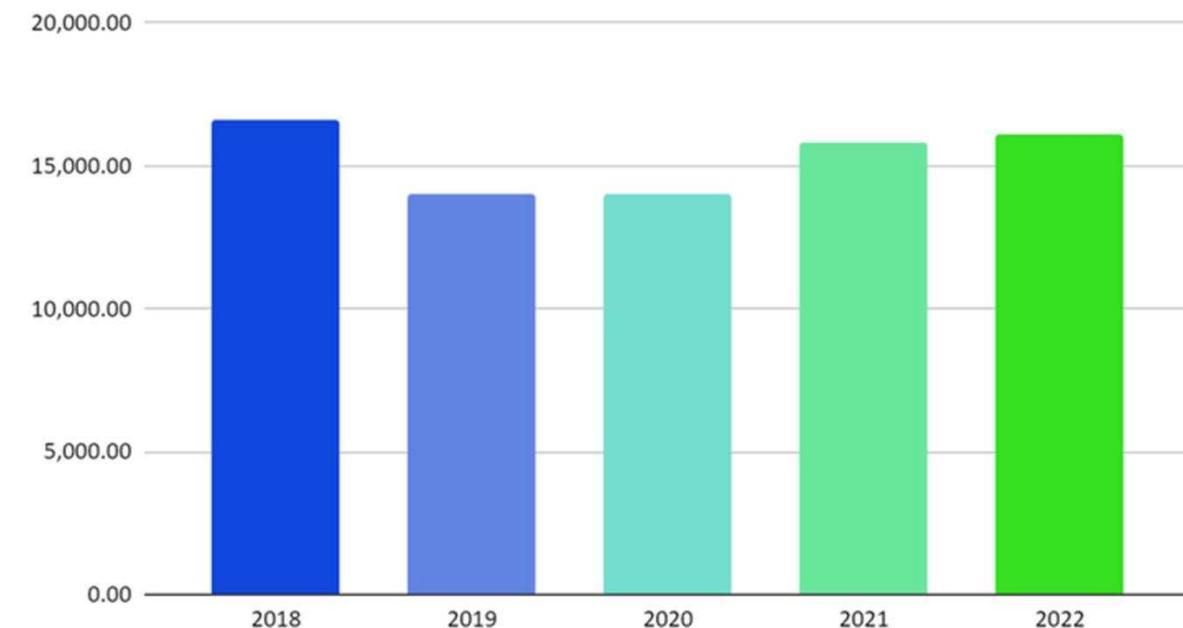
EV Multiple



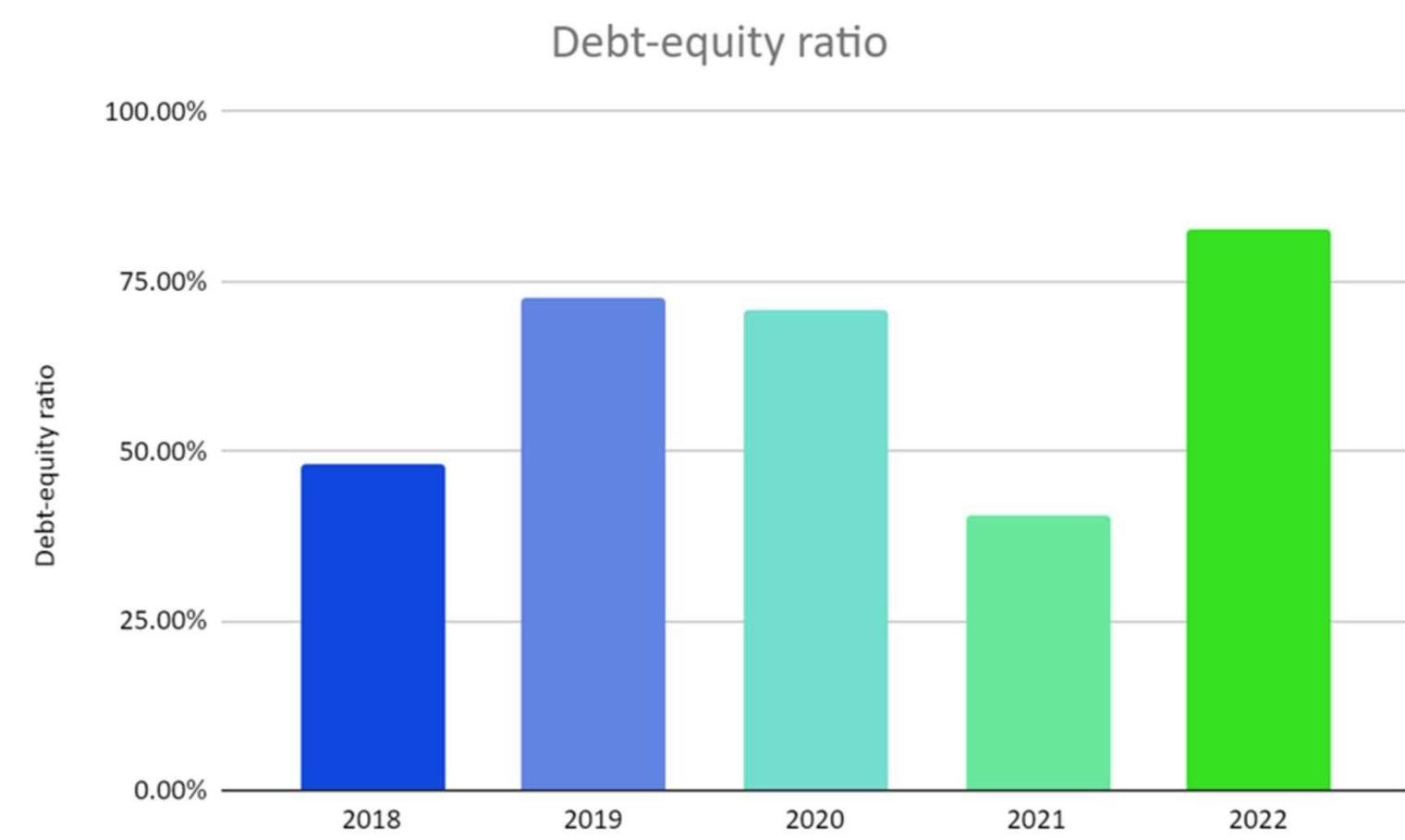
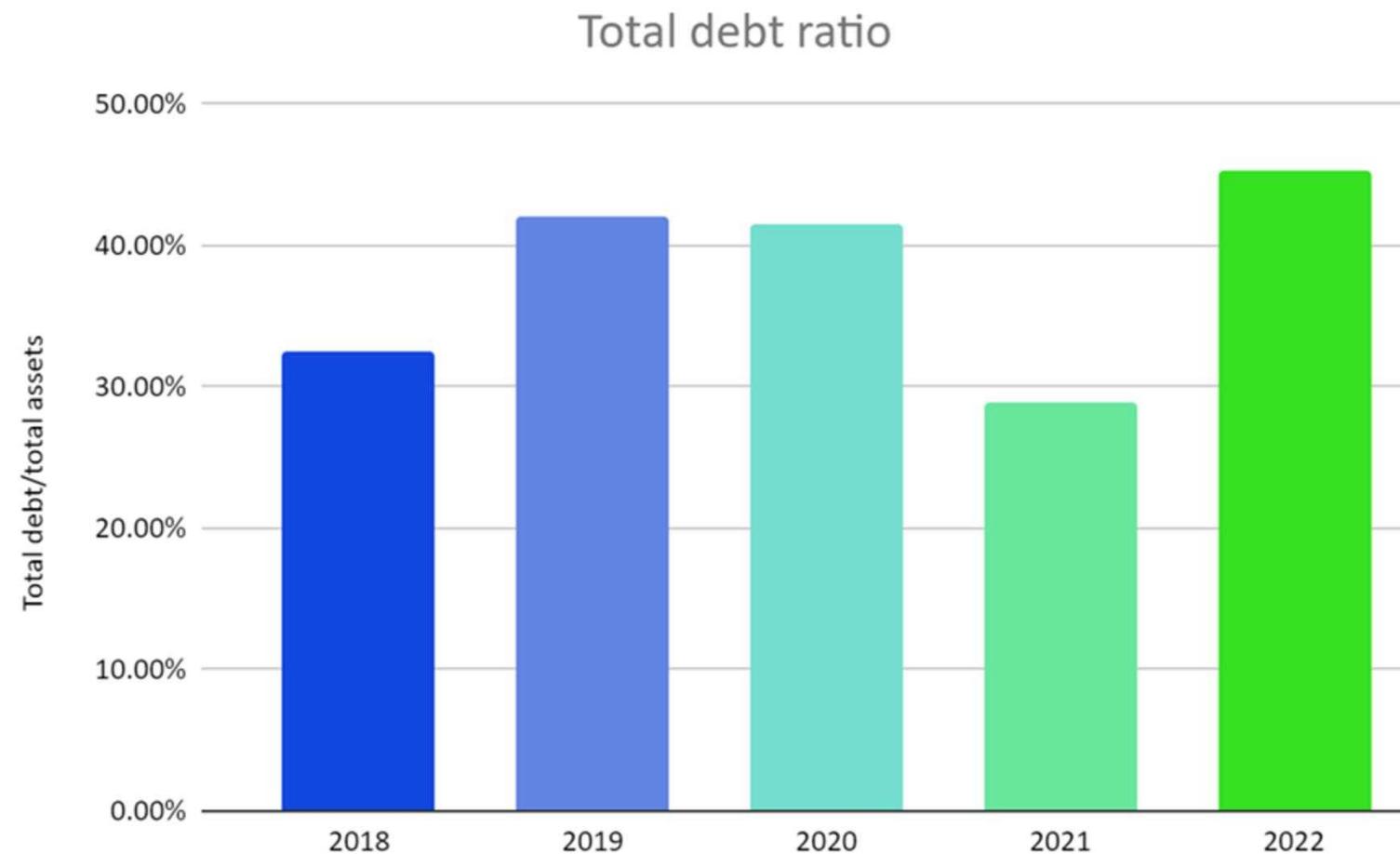
M/B ratio



BVPS

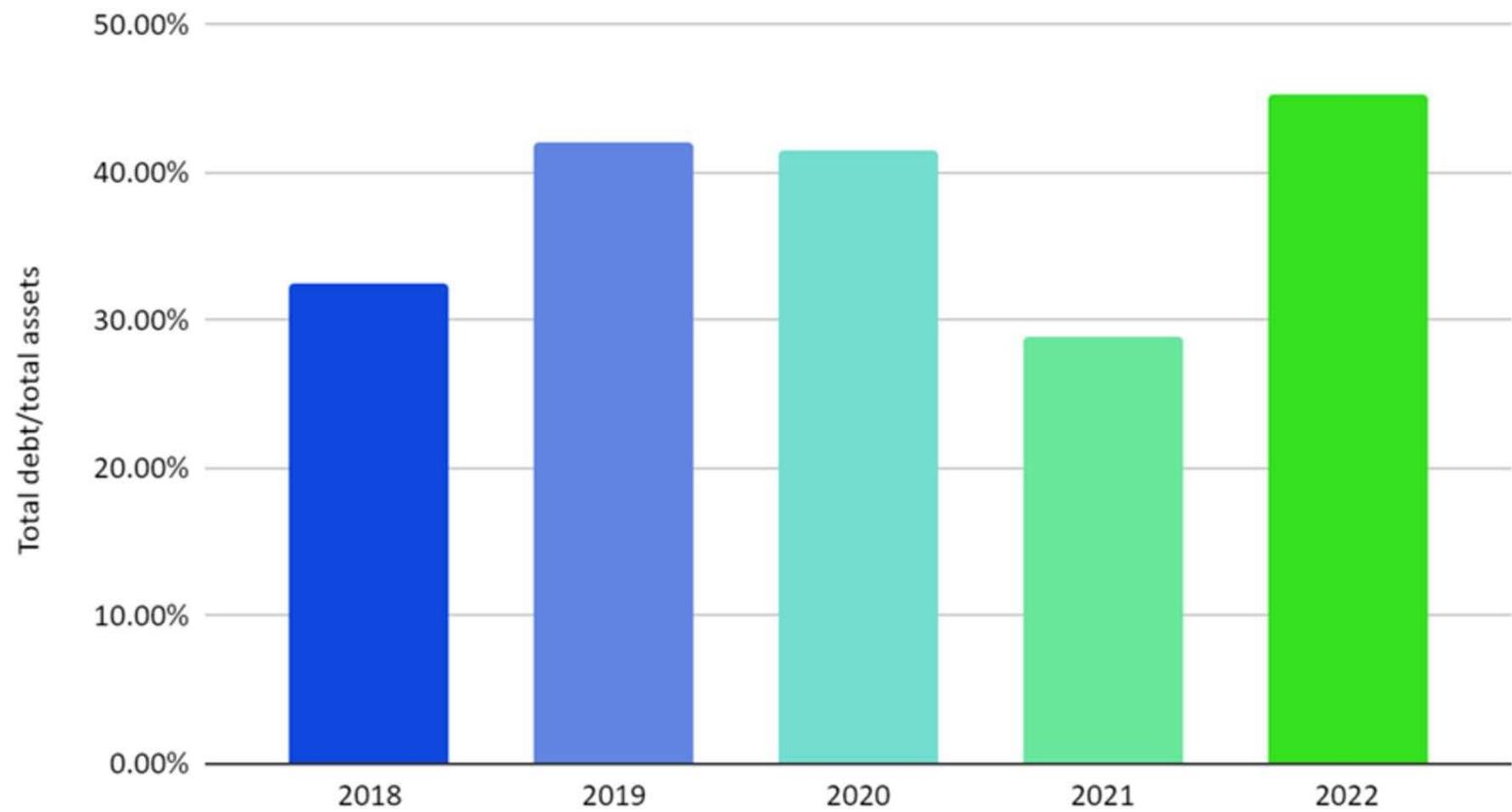


Common ratio: Leverage ratio

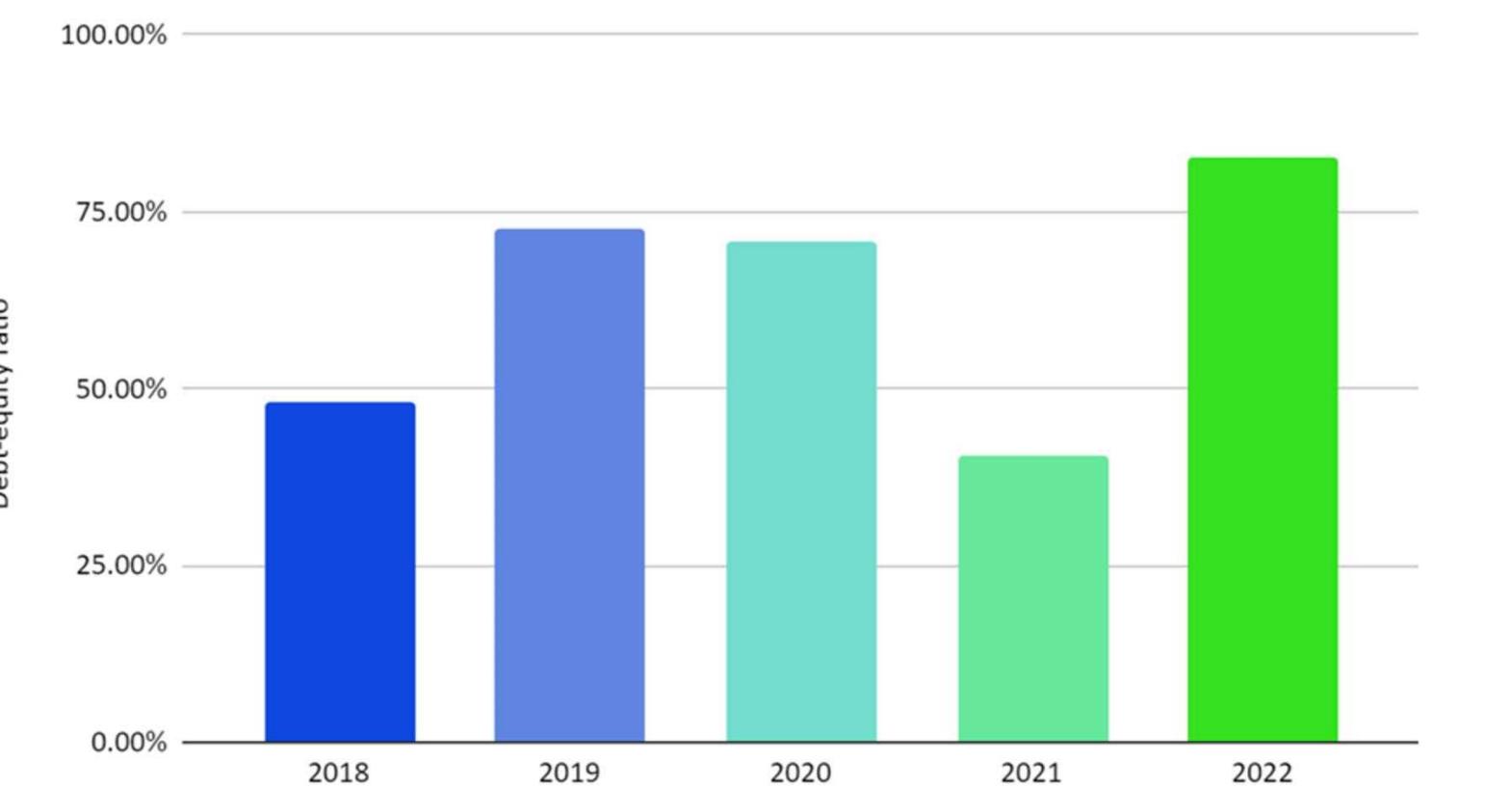


- Debt to equity ratio and total debt ratio increased dramatically from 2021 to 2022.
- But still < 1 is considered a positive sign for a company's financial health.

Debt ratio



Debt-to-equity ratio

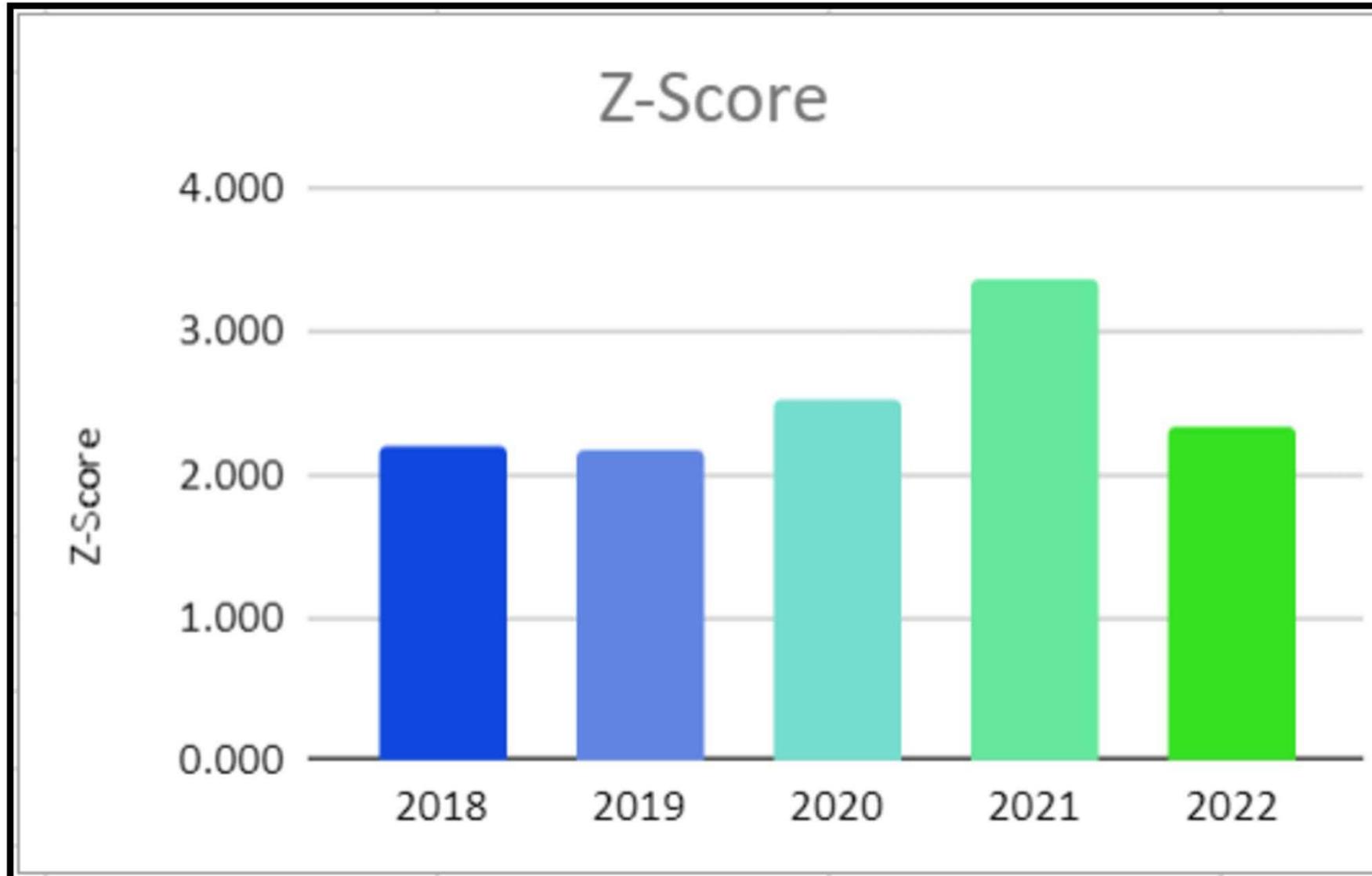


03

Likelihood of Bankruptcy



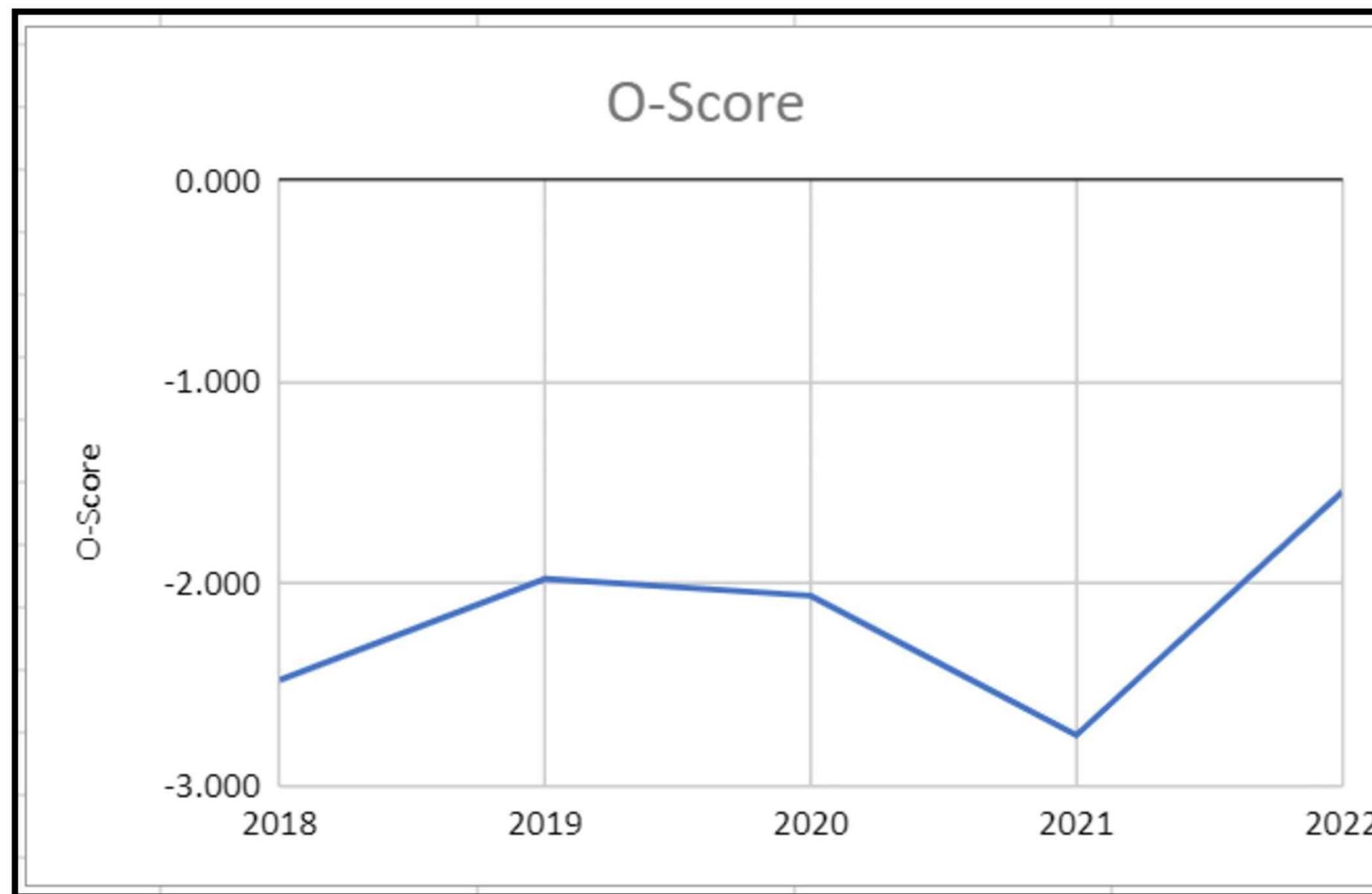
Likelihood of Bankruptcy: Altman's Z-score



- A Z-score below 1.8 indicates a high probability of bankruptcy. The model accurately classified 95 percent of companies studied into failure and non-failure groups.
- In 2021, KDH's Z-score is above 3, which indicates the company is 95% unlikely to go bankrupt; the remaining 4 years have unclear bankruptcy signals.

→ Overall, the company has unclear signal of bankruptcy based on Altman's Z-score calculation.

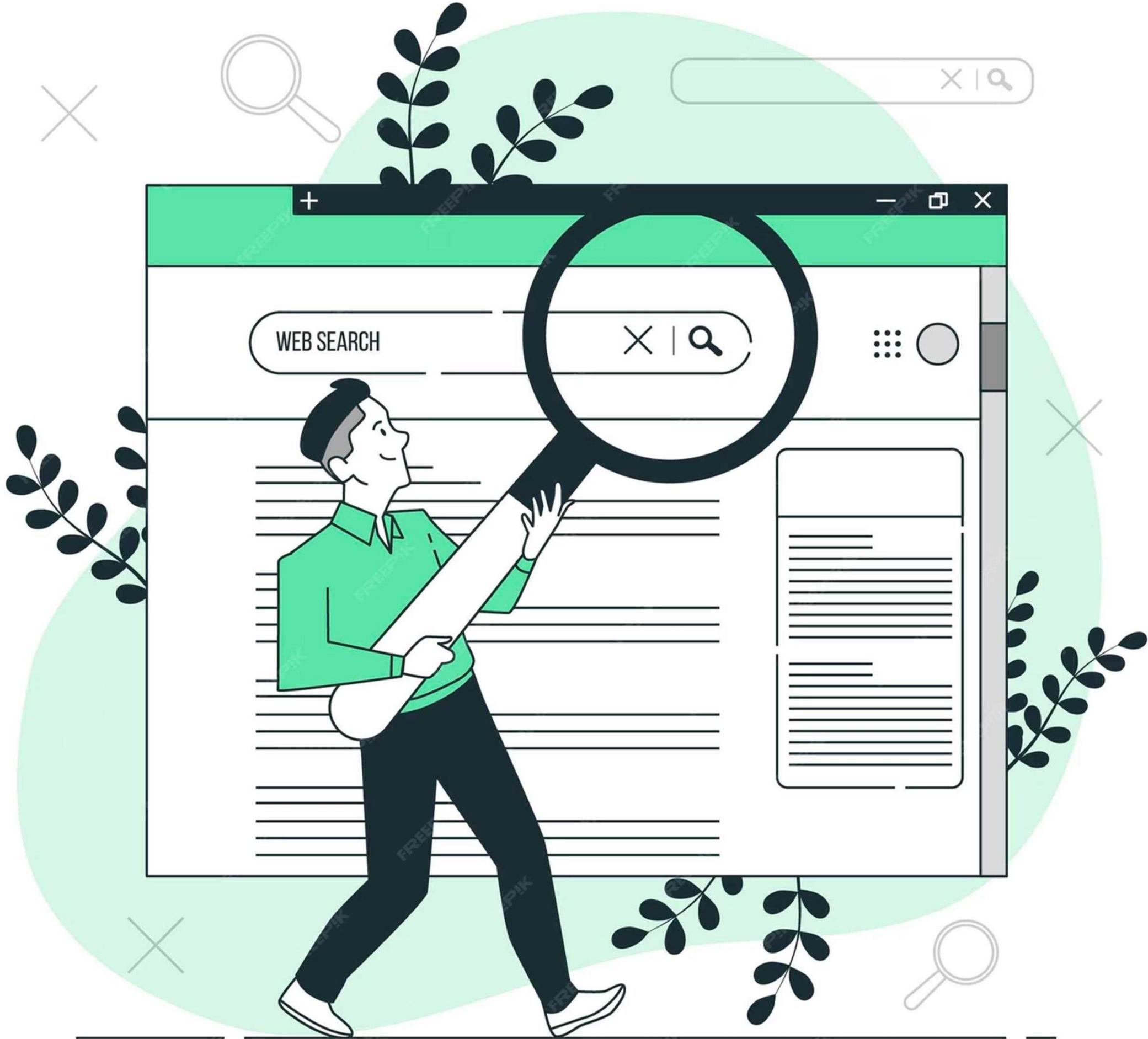
Likelihood of Bankruptcy: Olhson's O-score



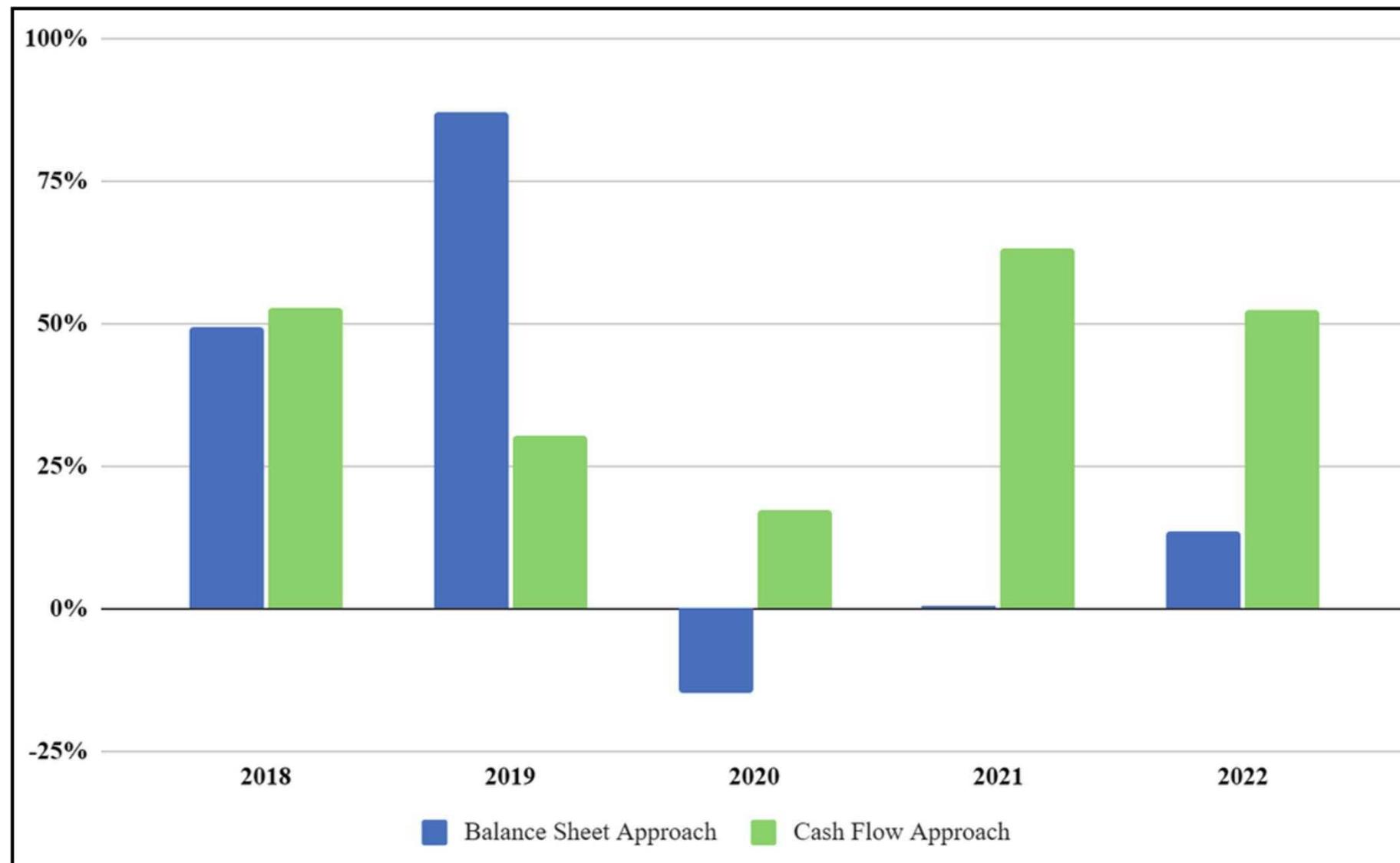
-
- Any result larger than 0.5 suggests that the firm will default within two years.
 - Based on our result, KDH company will not go bankrupt, at least until 2024.

04

Reporting Quality



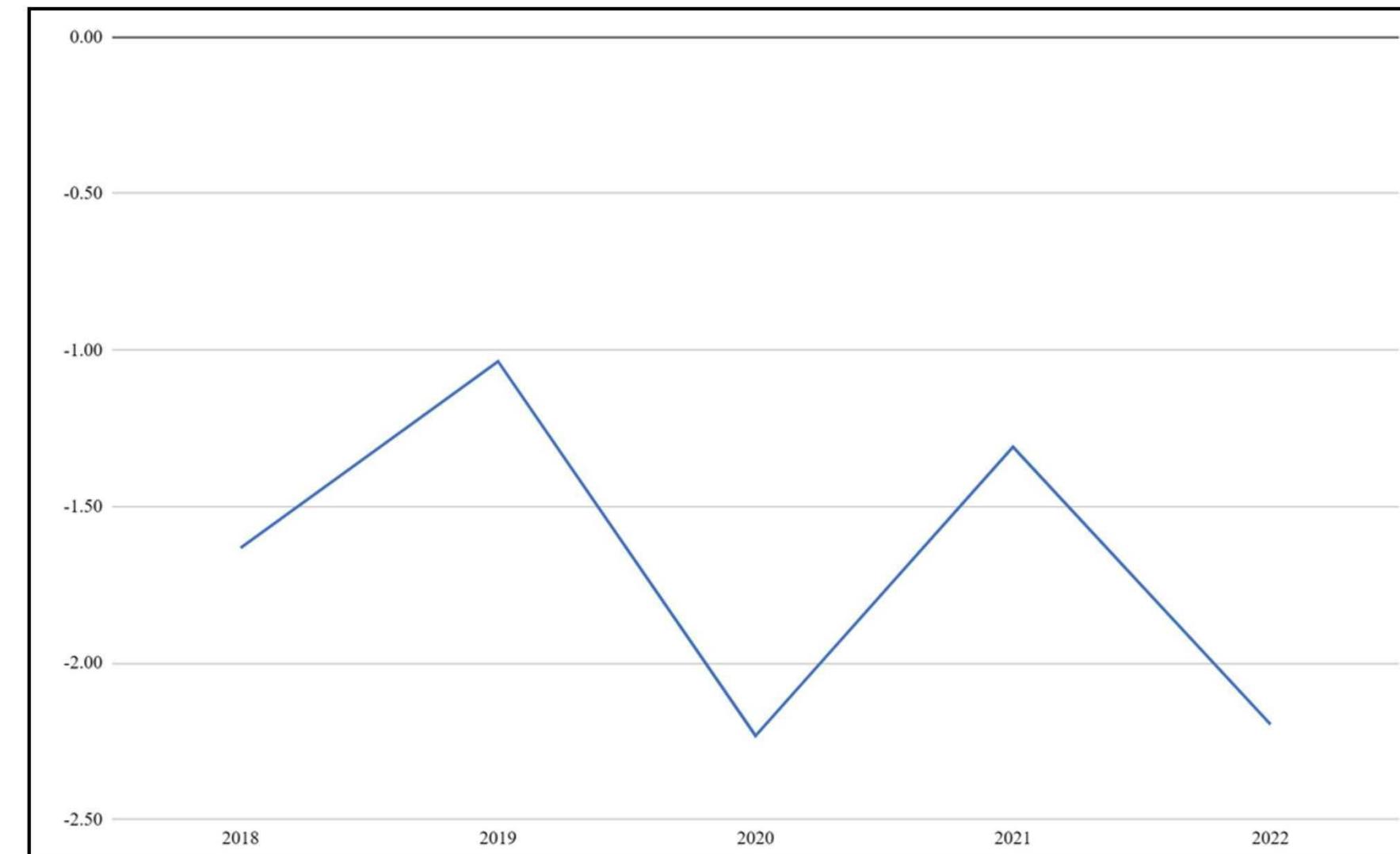
Reporting quality: Accrual ratio



- Balance Sheet approach: indicate by subsequent modest decrease in 2021 and 2022, a signal a return to more stable accrual level from significantly increase in 2018 and 2019 and unusual drop on 2020.
- Cash Flow approach: during the first 3 years, a decrease show KDH was generating more of its earnings in cash. However, in 2021 suggest that a higher proportion of the firm's earnings were being accrued rather than realised in cash. In 2022, it's slightly decreased but remained high.

→ Overall, a larger proportion of the company's earnings are being accrued rather than realised in cash.

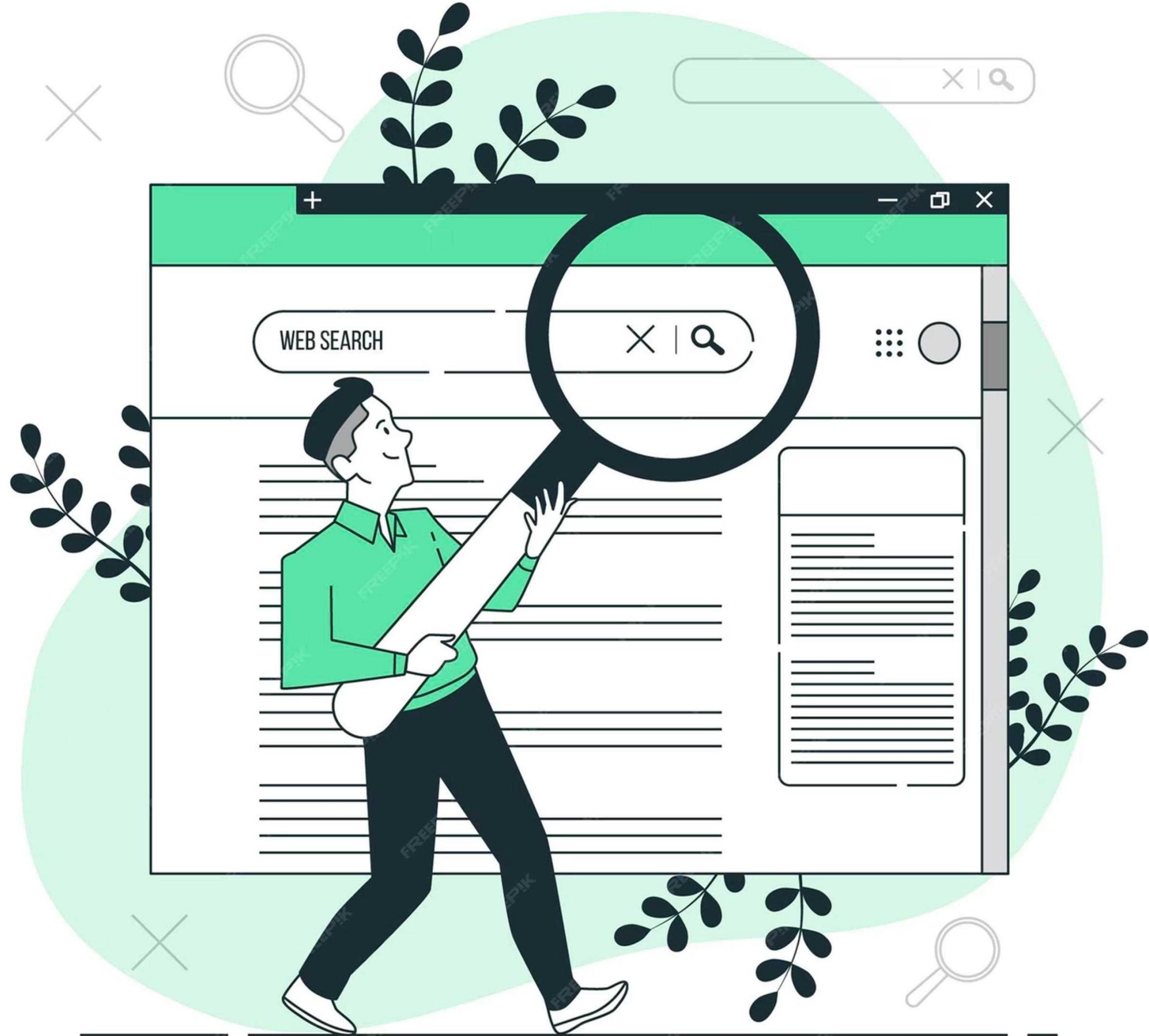
Reporting quality: Beneish's M-score



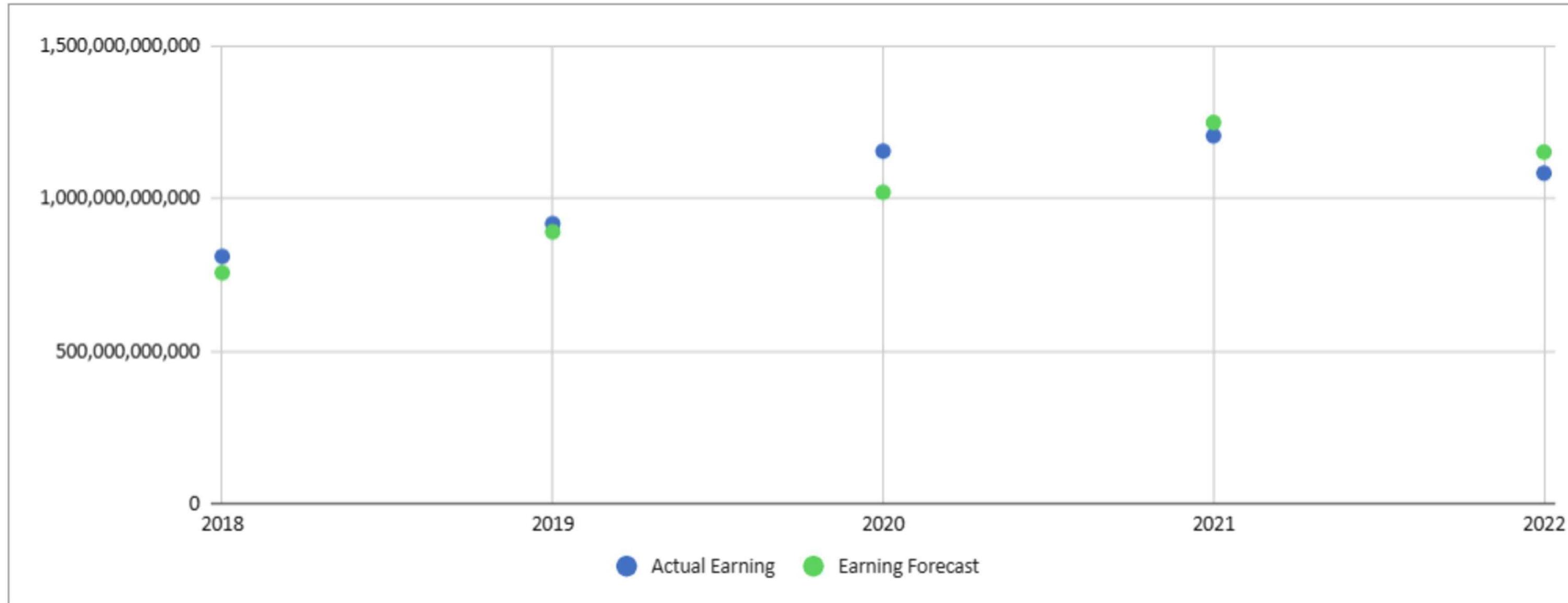
If the M-score is less than -2.22, we can infer that there's no indication of the company being an earnings manipulator. Despite concerns about the quality of earnings (potential earnings manipulation) in 2019 and 2021, these can be attributed to the adverse effects of the COVID-19 pandemic and a surge in land prices during the Thu Thiem auction.

05

Earnings Persistence

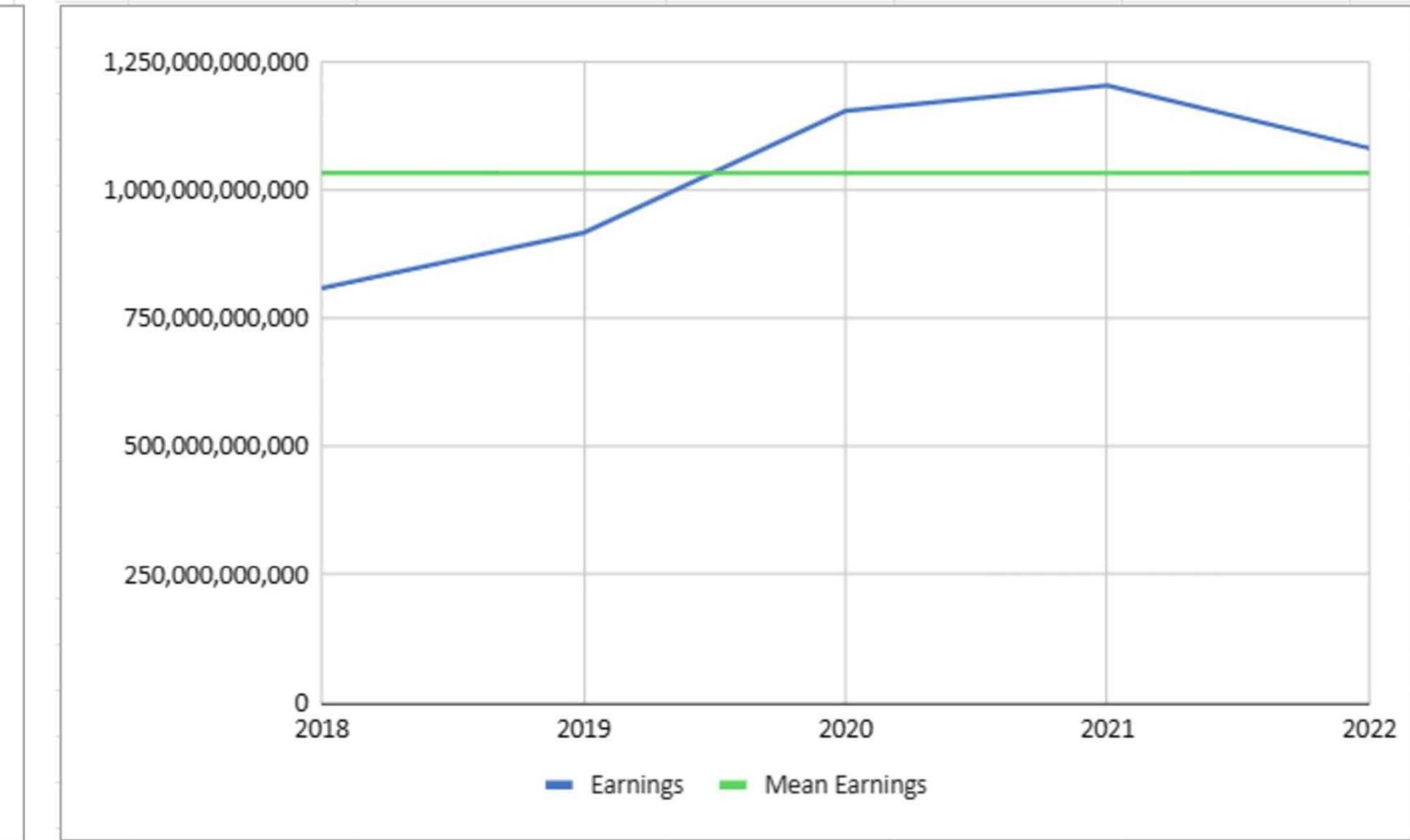
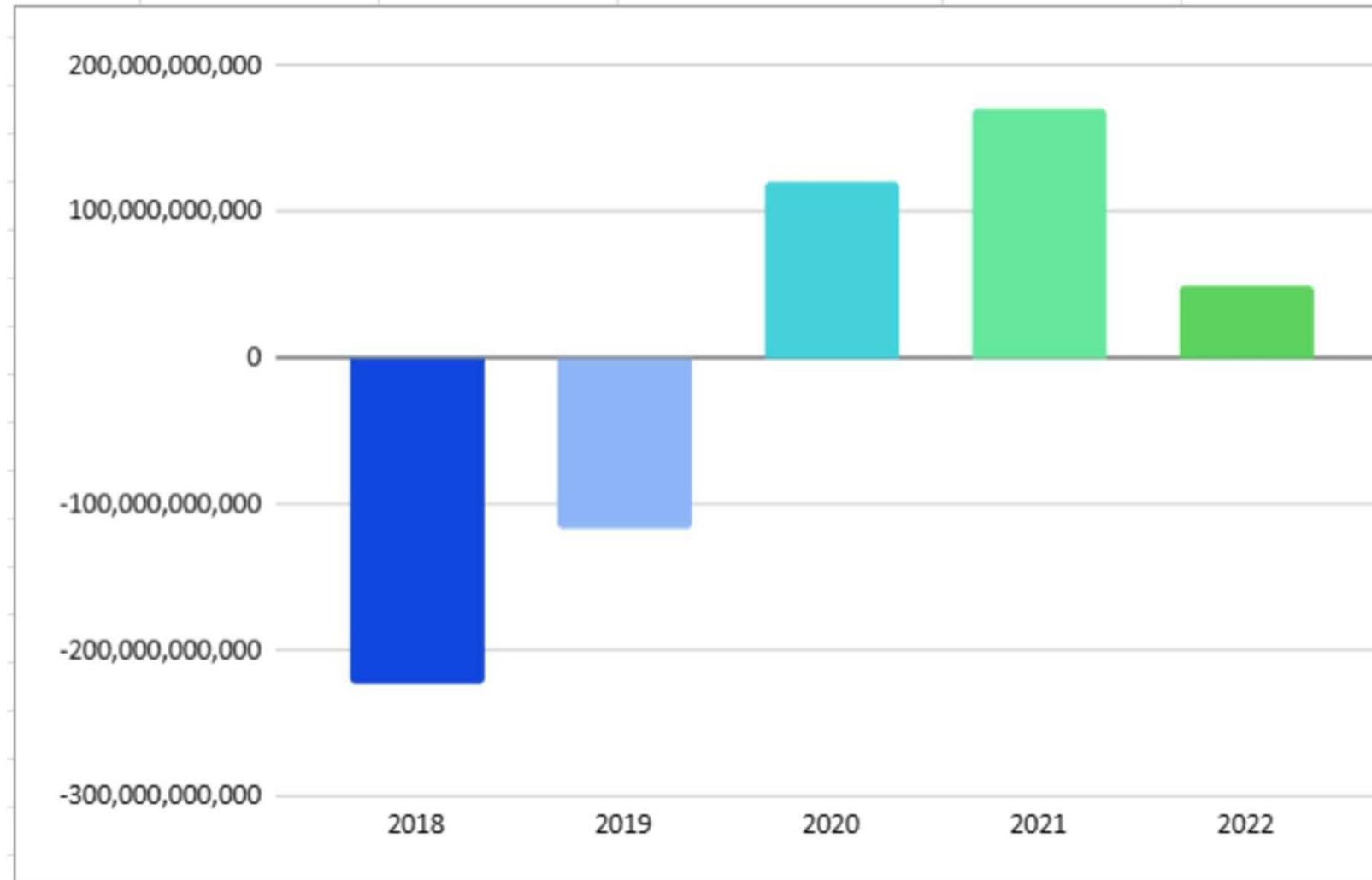


Reporting quality: Earning Persistent



The coefficient of Net cash from operating activities (0.938) is larger than the coefficient of Accrual variable (0.873). This indicates that Earnings of Khang Dien is persistence and results in High Quality of Reports.

Reporting quality: Mean Reversion



in 2018, the earnings had a deviation of -223,953,353,400 (Negative), and in 2020, the deviation was 120,920,867,600 (positive). This indicates that it took around 2-2.5 years for earnings to revert by a significant magnitude.

06

Conclusion



HOW RISKY THE COMPANY IS?

FINANCIAL ANALYSIS

KDH is profitable companies, with a net profit margin of over 35%. A debt-to-equity ratio of less than 1.0. This means that KDH is well-positioned to weather economic downturns and invest in future growth opportunities.

EARNINGS QUALITY

Earning Persistent: KDH has a sustainable earning, which results in high Earning Quality reports.

Mean Reversion: KDH took around 2-2.5 years for earnings to revert by a significant magnitude.

LIKELIHOOD OF BANKRUPTCY

In general, after calculating the Z-score and O-score, the company will not go bankrupt, at least until 2024.

REPORTING QUALITY

- The company shows signs of manipulating financial reports, but it does not meet the criteria to conclude that it is engaged in fraudulent activities.
- The common issues lie in Receivables and Leverage.
- The company tends to accrue revenue into future periods instead of recognizing revenue on a cash basis

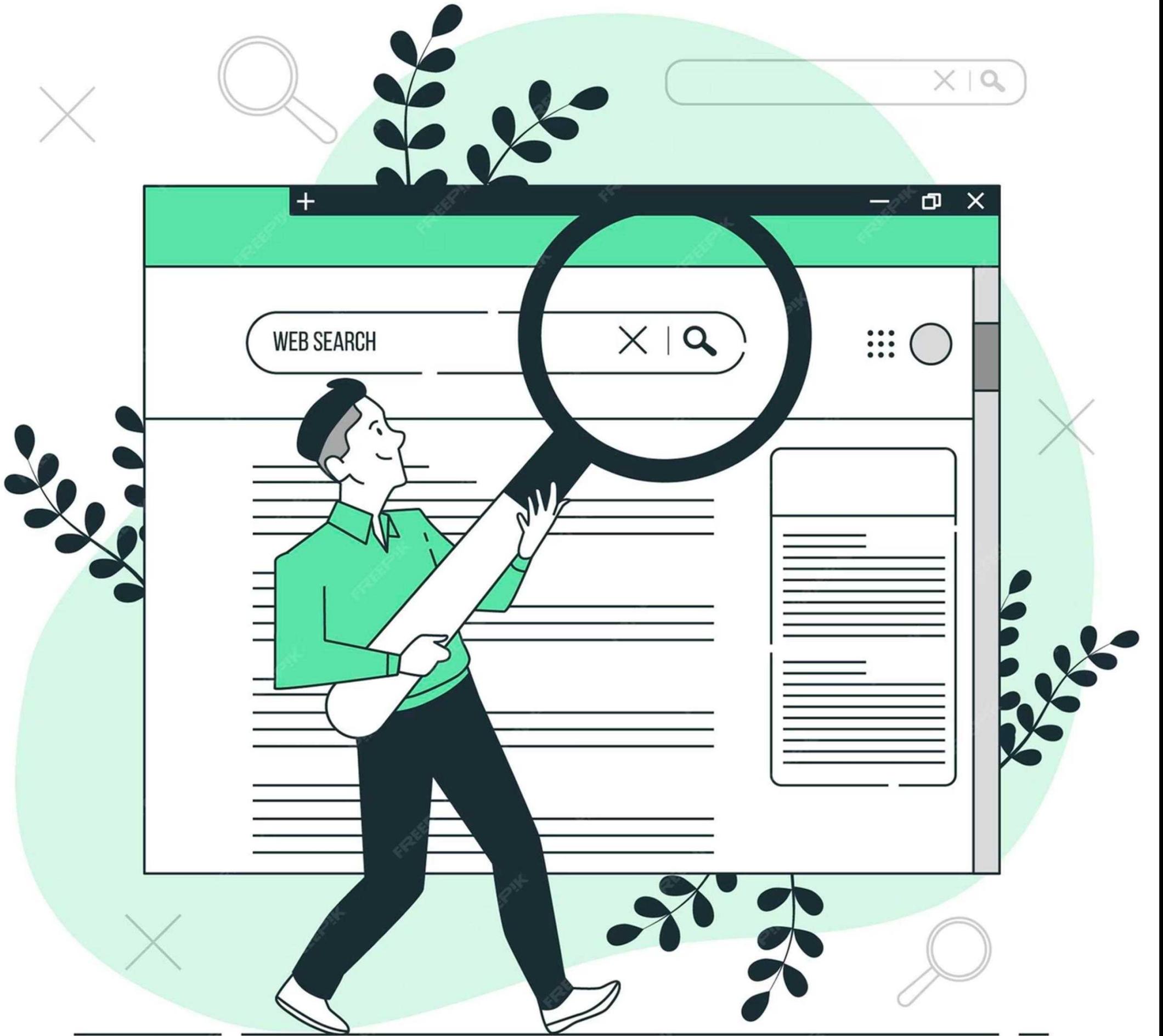
07

Recommendation



RECOMMENDATION

- Monitor leverage levels: Continuously monitor the company's leverage ratios to ensure they are within acceptable limits and in line with industry standards.
- Improve transparency in revenue recognition, capital leverage utilization, and accounts receivable recovery.



Thank You