Tech Cargo Financial Risk Assessment

Analysis Date: July 2025

Review Period: January 2024 to May 2025

Executive Summary

This comprehensive financial risk assessment examines Tech Cargo's financial position and operational performance from January 2024 through May 2025. The analysis encompasses financial ratios, cash conversion cycles, liability structure, working capital management, and cash flow patterns.

Key Report Sections:

- Financial Ratios Analysis with Commentary
- Cash Conversion Cycle Analysis
- Liability Structure Assessment
- Working Capital Evaluation
- Bank Accounts Cash Flow Analysis

1. Financial Ratios Analysis

Company Overview

Tech Cargo operates in the logistics and freight services industry, a sector inherently exposed to economic cycles, supply chain disruptions, and cost volatility. Based on a financial risk review of 2024 full-year data and preliminary data through May 2025, the company shows stable revenue generation but faces rising liquidity and leverage risks. A critical investment thesis centers around the firm's growing working capital strain and slim profitability, making cash flow management and operational efficiency vital to its long-term viability.

1.1 Liquidity Ratios

Ratio	Formula	2024	May 2025	Trend	Analysis
Current Ratio	Current Assets / Current Liabilities	1.58	1.47	↓	Slight decline
Quick Ratio	(CA - Inventory) / CL	1.58	1.47	↓	No inventory impact

> ***Interpretation:*** *Liquidity slightly declined due to faster growth in current liabilities than current assets. The firm remains above 1.0 but with thin margins.*

1.2 Profitability Ratios

Ratio	Formula	2024	2025 (Est.)	Trend	Analysis
Gross Margin	Gross Profit / Revenue	13.6%	11.8%	↓	Margins declining
Net Profit Margin	Net Income / Revenue	1.2%	1.4%	↑	Modest gain
Return on Assets (ROA)	Net Income / Total Assets	10.7%	12.7%	↑	Efficient usage

Ratio	Formula	2024	2025 (Est.)	Trend	Analysis
Return on Equity (ROE)	Net Income / Equity	28.6%	39.0%	↑	Higher leverage

> ***Interpretation:*** *Operating profitability is thin but improving. ROE surged due to higher income on a modest equity base, but this comes with increased leverage risk.*

1.3 Leverage Ratios

Ratio	Formula	2024	May 2025	Trend	Analysis
Debt-to-Equity	Total Liabilities / Equity	1.67x	2.06x	↑	Riskier profile
Equity Ratio	Equity / Total Assets	37.4%	32.6%	↓	Lower cushion

> ***Interpretation:*** *Rising leverage increases risk, despite equity growth. Over-reliance on supplier credit could impair flexibility.*

1.4 Efficiency Ratios

Ratio	Formula	2024	2025 (Est.)	Trend	Analysis
Receivables Turnover	Revenue / Accounts Receivable	11.0x	14.7x	↑	Faster collection

Ratio	Formula	2024	2025 (Est.)	Trend	Analysis
Payables Turnover	COGS / Accounts Payable	13.1x	10.9x	↓	Slower payments
Cash Conversion Cycle	DSO + DIO - DPO	5.4 days	-8.6 days	↓	Efficiency gain

> ***Interpretation:*** *The firm collects faster and delays payments better in 2025, improving cash efficiency and reducing working capital pressure.*

1.5 Key Risk Indicators Summary

Metric	Dec 2024	May 2025	Trend	Risk Implication
Current Ratio	1.58	1.47	↓	Slight liquidity risk
Quick Ratio (excl. Inventory)	~1.50	~1.40	↓	High AR dependency
Accounts Payable	$791K	$1.16M	↑	Higher supplier risk
Total Liabilities/Equity	1.67x	2.06x	↑	Rising financial risk
Gross Profit Margin	13.6%	11.8%	↓	Cost pressure

Metric	Dec 2024	May 2025	Trend	Risk Implication
Net Profit Margin	1.2%	1.4%	↑	Modest improvement

1.6 Industry Benchmark Comparison

Metric	Tech Cargo 2024	May 2025	Industry Range	Benchmark Observation
Gross Margin	13.6%	11.8%	~20-21%	Below industry average
Net Margin	1.2%	~1.4%	~4%	Below norm
EBITDA Margin	Est. ~5%	Est. ~6%	~12%	Substantially lower
Free Cash Flow Margin	Negative (~-1.3%)	Positive (~4%)	~10%	Below average, improving
Current/Quick Ratio	1.58 / 1.58	1.47 / 1.47	1.2-1.5	Generally healthy
Debt-to-Equity Ratio	1.67×	2.06×	~1.0-1.5	Above typical; leverage elevated

2. Cash Conversion Cycle Analysis

2.1 Fiscal Year 2024 Analysis

Key Financial Inputs

- **Revenue (2024): $12,024,795.55**
- **COGS (2024): $10,391,886.19**
- **Revenue per day: $32,943**
- **COGS per day: $28,464**

Balance Sheet Data (December 31, 2024)

- **Accounts Receivable: $1,092,519.44**
- **Accounts Payable: $791,630.56**
- **Inventory:** No inventory recorded (DIO = 0)

Cash Conversion Cycle Components

Component	Formula	Calculation	Result
Days Sales Outstanding (DSO)	AR / Revenue per day	$1,092,519 / $32,943	**33.2 days**
Days Inventory Outstanding (DIO)	Inventory / COGS per day	$0 / $28,464	**0 days**
Days Payables Outstanding (DPO)	AP / COGS per day	$791,630 / $28,464	**27.8 days**

Cash Conversion Cycle (2024): 33.2 + 0 - 27.8 = 5.4 days

Interpretation (2024)

The CCC of 5.4 days indicates that Tech Cargo required working capital for approximately one week between paying suppliers and collecting from customers. This positive CCC suggests some liquidity risk, which improved notably in 2025.

2.2 Year-to-Date 2025 Analysis

Key Financial Inputs (Annualized)

- **Revenue (2025):** $5.97M × 12/5 = **$14.32M**
- **COGS (2025):** $5.26M × 12/5 = **$12.63M**
- **Revenue per day:** **$39,226**
- **COGS per day:** **$34,616**

Balance Sheet Data (May 31, 2025)

- **Accounts Receivable:** **$977,084**
- **Accounts Payable:** **$1,161,478**
- **Inventory:** None recorded (DIO = 0)

Cash Conversion Cycle Components

Component	Formula	Calculation	Result
Days Sales Outstanding (DSO)	AR / Revenue per day	$977,084 / $39,226	**24.9 days**
Days Inventory Outstanding (DIO)	Inventory / COGS per day	$0 / $34,616	**0 days**
Days Payables Outstanding (DPO)	AP / COGS per day	$1,161,478 / $34,616	**33.5 days**

Cash Conversion Cycle (2025): 24.9 + 0 - 33.5 = -8.6 days

> ***Interpretation (2025)***
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> *The negative CCC of -8.6 days indicates significant operational improvement, with Tech Cargo getting paid faster than it pays suppliers. This favorable position implies the company operates on a net-positive working capital cycle, using supplier financing to support operations. However, this creates dependence on supplier credit; if payment terms shorten, liquidity pressure could spike.*

3. Liability Analysis

3.1 Total Liabilities Overview

Category	Dec 31, 2024	May 31, 2025	Change ($)	Change (%)
Accounts Payable	$791,630.56	$1,161,478.38	**+$369,848**	**+46.7%**
Other Current Liabilities	$39,095.77	$38,169.60	**-$926**	**-2.4%**
Credit Cards	$7,399.04	$10,432.12	**+$3,033**	**+41.0%**
Long-Term Liabilities	$0.00	$0.00	–	–
Total Liabilities	**$838,125.37**	**$1,210,080.10**	**+$371,955**	**+44.4%**

3.2 Detailed Analysis of Changes

Accounts Payable

- **Sharp increase (46.7%)** over 5 months, main driver of liability growth
- Reflects expanded procurement, longer payment cycles, or delayed supplier payments
- Growing reliance on trade credit increases exposure to supplier risk and payment pressure

Other Current Liabilities

- **Relatively stable** with slight decline (-2.4%)
- Composed mainly of small items (e.g., "Payable a EV", "Dimassi-Inter deposit")

- No signs of deferred taxes or accrued liabilities expansion

Credit Card Liabilities

- **Significant growth (41%)** but remains small portion of total liabilities
- Indicates increased operational financing via short-term debt at potentially higher interest rates

Long-Term Liabilities

- **No long-term debt** on either balance sheet
- Conservative capital structure but potential under-utilization of low-cost long-term financing options

3.3 Leverage Metrics Comparison

Metric	Dec 2024	May 2025	Change	Analysis
Total Liabilities	$838,125	$1,210,080	**+$371,955**	Significant increase
Equity	$500,611	$586,237	**+$85,626**	Moderate growth
Liabilities-to-Equity Ratio	1.67x	2.06x	↑	Riskier profile

3.4 Risk Implications & Strategic Considerations

Short-Term Risks

- Heavy reliance on accounts payable and lack of term debt make the firm vulnerable to sudden supplier tightening
- High current liabilities vs. slim net income may constrain cash reserves in adverse scenarios

Strategic Considerations

- **No Long-Term Cushion:** Absence of long-term liabilities avoids interest burden but offers no liquidity buffer

- **Increased Leverage:** Could reduce borrowing capacity if new capital is needed
- **Cash Flow Pressure:** Current liability structure may limit operational flexibility

Conclusion

Between 2024 and May 2025, Tech Cargo's liabilities grew significantly (44.4%), mainly driven by accounts payable. The firm is funding expansion or operations largely via supplier credit, leading to a higher leverage profile (2.06x). While the capital structure remains equity-heavy, the company should consider optimizing its financing mix to reduce short-term strain and maintain operational flexibility.

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4. Working Capital Analysis

4.1 Working Capital Overview

Formula: Working Capital = Current Assets - Current Liabilities

Metric	Dec 31, 2024	May 31, 2025	Change ($)	Trend
Current Assets	$1,322,630	$1,780,210	**+$457,580**	**↑ Growth**
Current Liabilities	$838,125	$1,210,080	**+$371,955**	**↑ Risk**
Net Working Capital	**$484,505**	**$570,130**	**+$85,625**	**↑ Moderate**

4.2 Current Assets Composition

Component	Dec 2024	May 2025	Change	Insight
Cash & Equivalents	$226,082	$594,110	**+$368,028**	Strong liquidity injection
Accounts Receivable	$1,092,519	$977,084	**-$115,435**	Faster collections
Other Current Assets	$4,028	$209,016	**+$204,988**	EV loan & Spain Office funding

> ***Observation:*** *Receivables reduced while cash surged, suggesting better collections and cash flow discipline. However, rise in "Other" (e.g., internal loans) might affect liquidity quality.*

4.3 Current Liabilities Composition

Component	Dec 2024	May 2025	Change	Insight
Accounts Payable	$791,631	$1,161,478	**+$369,848**	Heavier supplier reliance
Other Current Liabilities	$39,096	$38,170	**-$926**	Stable
Credit Cards	$7,399	$10,432	**+$3,033**	Increased short-term debt use

> ***Observation:*** *Substantial increase in AP is funding operations, but heightens liquidity risk if payment terms change or vendors push back.*

4.4 Working Capital Efficiency Metrics

Metric	2024	2025 YTD	Change	Interpretation
Current Ratio	1.58	1.47	↓	Still healthy, but buffer shrinks
Working Capital / Sales	4.0%	~4.0%	Flat	Stable proportion of liquidity
AP / Current Liabilities	94%	96%	↑	Heavy reliance on suppliers
AR / Current Assets	83%	55%	↓	Better liquidity quality

4.5 Working Capital Assessment

✅ **Positive Indicators**

- Cash grew 2.6× due to stronger operational performance
- Receivables dropped, showing improved collections
- Net Working Capital increased moderately

⚠️ **Risk Factors**

- Accounts Payable up 47% → Significantly increases short-term obligations
- Leverage to fund operations via payables and credit cards is rising
- Current Ratio trending down, though still above 1.0

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5. Monthly Bank Accounts Cash Flow Analysis

5.1 Cash Flow Summary (January 2024 - May 2025)

Month	Cash In (Deposits)	Cash Out (Withdrawals)	Net Cash Flow
2024-01	$622,820.00	$599,540.00	**$23,280.00**
2024-02	$646,594.00	$604,515.00	**$42,079.00**
2024-03	$652,894.00	$680,385.00	**-$27,491.00**
2024-04	$954,243.00	$952,648.00	**$1,595.00**
2024-05	$1,090,448.00	$981,665.00	**$108,783.00**
2024-06	$958,661.00	$1,049,472.00	**-$90,811.00**
2024-07	$1,438,315.00	$1,409,725.00	**$28,590.00**
2024-08	$1,399,337.00	$1,408,881.00	**-$9,544.00**
2024-09	$1,855,114.00	$1,409,981.00	**$445,133.00**
2024-10	$1,231,327.00	$1,204,054.00	**$27,273.00**

Month	Cash In (Deposits)	Cash Out (Withdrawals)	Net Cash Flow
2024-11	$1,091,649.00	$1,140,090.00	**-$48,441.00**
2024-12	$1,473,181.00	$1,528,687.00	**-$55,506.00**
2025-01	$1,058,686.00	$1,048,496.00	**$10,190.00**
2025-02	$1,108,701.00	$1,140,342.00	**-$31,641.00**
2025-03	$1,329,228.00	$1,198,327.00	**$130,901.00**
2025-04	$112,302.00	$112,192.00	**$110.00**
2025-05	$370,525.00	$778,451.00	**-$407,926.00**
TOTAL	**$17,394,025.00**	**$17,247,451.00**	**$346,574.00**

Appendix: Key Financial Metrics Summary

This comprehensive analysis reveals Tech Cargo's evolving financial profile, characterized by improved operational efficiency but increased leverage and supplier dependence. The company has demonstrated strong cash generation capabilities while maintaining positive working capital growth, though careful monitoring of liquidity and supplier relationships will be critical for sustained financial health.