# 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
* Monthly 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.

### 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 |
| **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 |
| **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 |
| 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)*

*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.*

## 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

## 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** |
| **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** | $312,302.00 | $112,192.00 | **$200,110.00** |
| **2025-05** | $370,525.00 | $778,451.00 | **-$407,926.00** |
| **TOTAL** | **$17,594,025.00** | **$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.