

# K.i.M MIDAS - Business Expansion Readiness GROUP

Industry Code :MF  
Job Number: 1153909518

## Key Financial Strength Assessment / Dynamics

	PR	2006	2005	PR
Gross profit margin (%)	6.00	5.86%	6.17%	6.00
Operating margin (%)	6.00	3.48%	3.01%	6.00
Net profit margin (%)	6.00	1.61%	1.24%	6.00
Average PR Score (single-year)	6.0			6.0
Wtd Average PR Score (2-year)	6.0	PR = profitability rating. PR1 = Excellent profitability - PR6 = Poor profitability		

The firm's overall net margin is very inadequate and needs to be urgently reviewed as its levels are highly insufficient relative to the revenue and costs that are being generated and incurred respectively. Business expansion plans need to take into account its ability to manage its costs. This needs to take into account also how sustainable and scalable its existing business model is. While there is an urgent need to expand its business to improve its net margin, the firm needs to ensure that it is channeling and allocating resources as well as embarking on a set of clearly defined set of corporate and business strategies to generate a much higher net margin business - before embarking on any aggressive growth plans.

	SR	2006	2005	SR
Debt to equity (%)	6.00	339.11%	398.20%	6.00
Debt to Capital (%)	6.00	77.23%	79.93%	6.00
Average SR Score (single-year)	6.0			6.0
Wtd Average SR Score (2-year)	6.0	SR = solvency rating. SR1 = Very low risk - SR6 = Very high risk		

The firm's current equity base is highly limited relative to its debt exposures to accommodate an expansionary growth. Its balance sheet is very vulnerable to economic and industry shocks. Management needs to immediately increase its net worth, in the form of additional equity injection or improve its retained earnings (rather than expend it in the form of capital expenditure or dividends).

	LR	2006	2005	LR
		Credit Ratios		
Current Ratio (x)	2.00	1.51	1.40	4.00
Quick Ratio (x)	4.00	0.52	0.55	4.00
Average LR Score (single-year)	3.6			4.0
Wtd Average LR Score (2-year)	3.7	LR1 = Excellent liquidity - LR6 = Poor liquidity		

The firm's overall liquidity ratings suggest that its proportion of current assets do not provide significant cover to its current liabilities. From a liquidity standpoint, the firm is in a limited position to embark on a full-fledged expansion plans.