

Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

Student Name: Md Abdur Rahman Sayem

Student ID: 2503775

Module Name: Financial Management

Module Code: LCMB7002 MBA

Lecturer's Name: Dr Shengfeng Mei

Work Count: 5409

Term 1

Contents

Introduction	4
Task 1	5
Introduction to the Financial Performance and Statement Analysis	5
Profitability and Efficiency Ratio Analysis	5
Liquidity, Gearing and Cash Flow Position	6
Corporate Failure risk and general financial assessment.	7
Task 2	9
Assessments of Cash Operating Cycle	9
Impact of Liquidity Inefficiencies on Working Capital.	10
Liquidity Enhancement plans through Working Capital Reforms	10
Rapidly, short-term and long-term Financing	11
Task 3	13
A Rationalisation of the Financial Restructuring	13
Divestment and Asset Rationalisation	13
Merger/Strategic Alliance Alternatives	14
Capital structure rebalancing and Injection of equity	15
Shareholder Value, Debt Structure and Operational Flexibility Implications	16
International/Ethical-Considerations	16
Task 4	18
Rationing Capitals and efficient choice of projects	19
Financial Performance Grounds Rationale	19
Risk Characteristics and Cash Flow Volatility	20
Conclusion	22
References	23
Appendices	25

Figures

Figure 1: ALTMAN Z Score Model.....	8
Figure 2: The Cash Conversion Cycle	10
Figure 3: Ways to increase working capital.....	11
Figure 4: Strategic Divestiture for General Electronics.....	14
Figure 5: Creative Equity Injection. Sources	15
Figure 6: Should Project C Be Pursued	20

Introduction

Proper financial decision-making would come in handy under a dynamic and volatile business landscape that is capital-constrained, to within organisational performance and shareholder value. The present report evaluates the financial situation and other possible strategies of the company as viewed through the lens of senior financial management through the application of the available principles of corporate finance that help to make informed decisions. The factual analysis will start with a general overview of the financial performance and liquidity, followed by the analysis of the working capital efficiency and how the same affects the stability of the short term. Based on this specialisation, the report also addresses the aspect of how financial structure can be restructured strategically; it proceeds to elaborate on the capital investment appraisal in detail within the confines of capital rationing.

Task 1

Introduction to the Financial Performance and Statement Analysis

Examination of the financial reports of the company that ran from 2020-24 indicates that General Electronics is experiencing an era of extreme financial deterioration as the new Chief Financial Officer (CFO). In the income statement, the net sales are also steadily declining and will decline to PS 394,879 million by 2024, compared to PS 614,680 million in 2020. The contraction denotes the deterioration of the market demand, the narrowing of the competition in the global market of consumer electronics and the possibilities of the inappropriateness of the strategy in the product offers. Although the cost of sale declined in absolute terms, the declining rate of revenue declined at a higher rate than the declining efficiency of cost, resulting in fluctuating and declining profitability.

The company has deteriorated in its working performance (Vince, 2021). Though General Electronics gained positive operating income between 2020 and 2022, it began to experience operating losses in 2023 and added on to 2024. This sort of change means that there is growing inefficiency in its operation, overheads, and inability to adapt its cost structure to the lower sales volumes. The net income followed the same pattern, as it had the highest profitability in 2020 and colossal losses in the previous two years, which have led to a considerable decrease in retained earnings and shareholder confidence.

Its balance sheet is also a contributor to the problems with the stability of its finances. The contraction of the total assets was extremely sharp in the period under review, and this was due to the dwindling property, plant and machinery, inventory and cash balances. The fairness of the shareholders was diminished considerably, which comprises the accumulated losses and the unceasing motion of the share buyback, which also played a role in the further undermining of the capital base. Meanwhile, total liabilities were relatively high, which means that the company did not have to leverage its declining earnings accordingly. The cash flow statement shows that operating cash flows remained positive, but they were considerably lower, and this raises the question of the sustainability of the internal financing capability (Loth, 2024).

Profitability and Efficiency Ratio Analysis

The profitability ratios provide a clear profile of the faltering performance in regard to finances (Hayes, 2025). The gross profit margin did not undergo radical changes during the first years and which means that the initial core production and pricing strategies turned out to be initially effective. The margin, however, weakened later in the years, which was a sign of reduced pricing power and the inability to pass on the cost to the customers completely. The operating

profit margin deteriorated further, turning negative in 2023 and 2024, which implies that the sphere of operation can no longer be compared to the revenue generation anymore. This trend represents structural inefficiencies and poor cost control (Hayes, 2025).

The most negative decrease was observed in the net profit margin, where the company had recorded high positive values in 2020, but recorded negative and high value margins in the past two years. This fall demonstrates that the overall cost burden of the company, with interest cost as well as impairment cost, is not sustainable in the revenue generation. The trend of both the return on assets (ROA) and the return on equity (ROE) continued to worsen over the period, which showed that the management has been increasingly becoming less efficient in the use of the assets and shareholder capital in order to bring returns (Jemila, 2023). The negative ROE that has occurred in the last few years is of much concern, as it indicates that the shareholders are depreciating.

Efficiency ratios also indicate the operational weaknesses (Saikot, 2024). Inventory turnover decreased with time, but the inventory days increased, meaning slower inventory movement and overstocking or demand forecasting. This ineffectiveness ties up working capital in knots, and the threat of becoming obsolete in a very dynamic environment in the technological world (Saikot, 2024). The receivables days percentage was quite high as well, which implies that this company is potentially providing far too generous terms in order to maintain elevated levels of sales volumes in order to putting additional strain on liquidity. Another one was the reduction in total turnover of assets, which indicates the reduction in the ability of the firm to provide revenue using its assets.

Liquidity, Gearing and Cash Flow Position

Liquidity analysis shows an increasing short-term financial pressure on a company. The current ratio has steadily declined within the period under review, up to the point indicating the absence of financial variability in the short term. Despite the ratio being slightly higher than critical levels, the downward trend is a worrying issue, particularly given the declining cash balance. The quick ratio is even more cautious since it does not encompass inventory that has slowed down, even more so. This would mean that General Electronics may have issues with the short-term commitments due to the lack of sales of the inventory or outside funding.

The financial risk is increasing in the gearing ratios (Corporate Finance Institute, 2022). To equity ratio equally increased significantly because of a reduction in shareholder equity, and this depicts a rising dependence on debt financing. In this shift, the company will be predisposed to more financial risks, especially in the period of declining profits. The debt ratio

demonstrates that a large portion of assets of the company's assets is funded with the help of liabilities, and it limits financial manoeuvres. Interest coverage deteriorated to astronomically low levels over the last few years due to operating losses. This means that the company was grossly disadvantaged with regard to its ability to pay interest on operating earnings, and this poses a threat of breaking covenants and making it difficult to refinance.

Cash flow ratios are quite encouraging, albeit showing some weaknesses. The operating cash flow ratio decreased over time, which means that operating cash inflow is not more than sufficient to pay off the short-term debts. The operating cash flows were also positive, and the trend indicates a decrease in the cash-generating ability. The cash flow to total debt ratio has deteriorated as well, and this indicates that the company can no longer use the internal cash generated to settle the debt.

Corporate Failure risk and general financial assessment.

The Altman Z-Score was employed to identify the possibility of a company entering financial distress as a corporate failure forecasting model (CFI Team, 2023). The latest financial data is used to compute the Z-score, and the score falls in the distress zone, indicating that there is a high probability of this firm going under unless it is taken under control. This event can be explained by the fact that the working capital is poor, and the retained earnings are declining, as is the operating performance and the declining equity base in comparison with the liabilities. The problem of the Z-score adds to the outcomes of the ratio analysis and is a confirmation that General Electronics is in a grave financial state (CFI Team, 2023). The strengths include the fact that the firm has the capability to generate favourable operating cash flows and its current presence in the world consumer electronics market.

As a CFO, it would be evident that General Electronics cannot operate within the current operating and capital structure to be in a position to stay afloat in the near future, as highlighted in its financial health check. The company runs the risk of defaulting further and becoming insolvent in the absence of drastic action. This review provides a viable financial foundation based on which the additional review of working capital management reform, strategic financial restructuring and capital investment decisions shall be determined to stabilise and reposition the firm to recuperate in the long term.

ALTMAN Z SCORE MODEL

(public manufacturing companies)

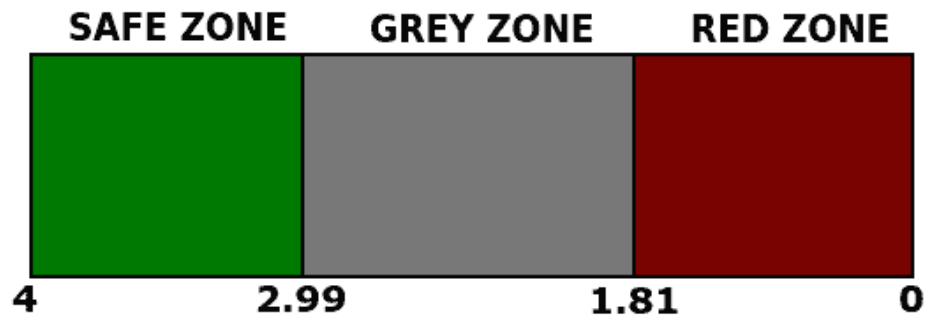


Figure 1: ALTMAN Z Score Model

Source: (CFI Team, 2023)

Task 2

Assessments of Cash Operating Cycle

Cash operating cycle (cash conversion cycle, CCC) is one of the interventions of liquidity strength, which is very crucial in the short run and the efficiency of operating activities in General Electronics (Hayes, 2024). CCC incorporates the time frame during which the cash will be held up in working, in terms of inventory on hand and accounts payable before recovery, less the time of utilisation of supplier financing. An effective CCC is particularly useful where the companies have to operate in the capital-intensive and highly competitive industries, such as consumer electronics (Hayes, 2024).

The calculated CCC of General Electronics reveals that the five-year period exhibited a consistent decrease in the CCC and indicates that there is an increase in inefficiencies in the working capital management. The inventory days have significantly increased, indicating a fall in the stock turnover and accumulation of unsold inventory. It is especially critical in a highly dynamic industry regarding technology, where holding inventory is long, which enhances product obsolescence and narrows the margin. The growing inventory days will show a lack of effectiveness in predicting demand and disorganisation between the planning of production and the market.

The number of days outstanding is also very large, and it is a sign of the slow speed of paying suppliers. Though the company may have used the high credit terms to remain at the current sales volumes following the decreasing downward revenues, this has limited the liquidity as the cash is locked up in the receivables. This remains a problem, a fact that means that weaknesses in credit control are structural and not cyclical (BIS, 2020). In comparison, the actual liquidity relief provided by the payables days as an estimated ratio of current liabilities is not very high, and the solution to the reliance on non-timely supplier payment is not a long-term solution. High payable stretching has the adverse effect of damaging supplier relations, and it can lead to stricter trade credit conditions that raise the liquidity burden.

The Cash Conversion Cycle
measures your net investment in working capital.



Figure 2: The Cash Conversion Cycle

Source: (Hayes, 2024)

Impact of Liquidity Inefficiencies on Working Capital.

These inefficiencies witnessed in the cash operating cycle influence the liquidity position of this firm either directly or indirectly. Long-term CCC also renders the firm less self-sufficient where financing its operations, therefore more dependent on external sources (Hayes, 2024). This reliance is particularly dangerous given the fact that the interest coverage of the company is low, and its ability to generate cash is declining, as was ascertained in the financial health analysis.

Weakness in the working capital also limits the ability of managers (Ashrafi and Pakdel, 2019). Inventory, cash and receivables cannot be moved to strategic activities, debt service or contingency reserves. As the liquidity tightens, the firm would be more vulnerable to external shocks, including the supply chain being disrupted, cost inflation, and changes in consumer demand. Governance-wise, unrelenting working capital inefficiencies are signs of inadequate operational controls and a lack of proper communication between the financial and operational decision-making processes. These weaknesses will be a risk of derailing larger restructuring activities and stalling the recovery of the firm without action being taken to correct them.

Liquidity Enhancement plans through Working Capital Reforms

The CFO should pay attention to certain working capital solutions to decrease the CCC in order to improve liquidity (Hayes, 2024). The inventory management is the most short-term opportunity. Estimation of better demand, better planning of manufacture and rationalisation of the product portfolio would reduce the level of dead stock and release of stranded capital.

The focus on improving the speed and the margin of products would then go further and improve the efficiency of the inventory and reduce the risk of obsolescence.

Receivables management should also embrace tightening of the credit policies and aggressive collections. This may include checking of credit terms of risky customers, initiating an early payment scheme and stricter mechanisms of checking on defaults. Even though this would cause a minor effect on the sales in the short term, the respective increase in cash inflows would have a significant effect on liquidity and the minimisation of bad debt.

Payable management should be optimised instead of stretched. The company should also seek to renegotiate the supplier terms through joint agreements, and they might involve the use of supply chain financing solutions that do not have any negative impact on the relationship between the suppliers and the company (Rittin, 2022). All these reforms would decrease the CCC and increase the operating cash flow and dependence on external financing.

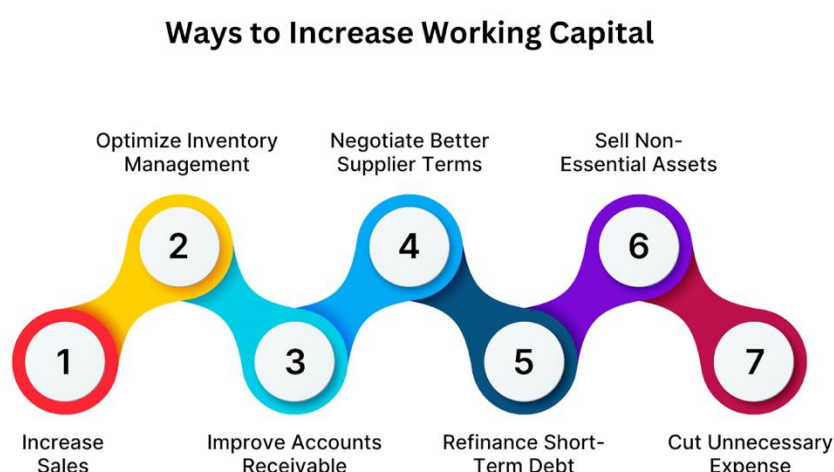


Figure 3: Ways to increase working capital

Source: (Ashrafi and Pakdel, 2019)

Rapidly, short-term and long-term Financing

The CFO should consider both internal remodelling and a proper balance between the short run and long run financing. Overdraft and revolving credit facilities, which are short-term forms of financing, are flexible and may be utilised in financing temporary shortages in working capital. However, excess reliance on short-term funding exposes the company to the refinancing risk and interest rate risk, particularly when the company is experiencing financial turmoil (Chen, Zhang and Yang, 2025).

Long-term sources of funds, term loans or injection of equity are more stable in that the maturity of the funds is in line with the recovery period of the firm. Such alternatives may be more expensive or cause dilution of ownership; however, they will reduce the rollover risk and make the balance sheet more robust. The capital structure of the firm should be stabilised with long-term financing, and short-term facilities should be able to cover the seasonal or cyclical working capital needs.

Lastly, operational discipline is significant than financing in sustainable liquidity improvement (Lucke, 2024). General Electric will be in a position to restore short-term liquidity with the working capital restructuring, as well as a balanced approach to financing strategy, and reduce financial risk and subsidise its overall turnaround objectives.

Task 3

A Rationalisation of the Financial Restructuring

According to the financial health and the working capital analyses, it can be established that General Electronics is adopting an unsustainable financial structure (Ashrafi and Pakdel, 2019). There are indications of repetitive operating losses, declining equity, increasing leverage and worsening liquidity, which all indicate that operational improvement will not prove sufficient in restoring financial health. As a CFO, it would involve total financial re-engineering to stabilise the financial balance sheet, restore confidence of the stakeholders and create the flexibility required to do long-term strategic repositioning.

The reorganisation in this respect of financial aspects has to address three interrelated objectives that are to make the company solvent, improve capital performance, and contribute to the renewal of the company's operations. The restructuring plan offered must be evaluated not only on its short-term financial impact on the business, but also on its impact on the shareholder value, its debt sustainability and its strategic flexibility in the volatile global market.

Divestment and Asset Rationalisation

One of the restructuring options that General Electronics can achieve with the least amount of time and effort is targeted divestiture (Crinson, 2024). The declining asset base and the low asset utilisation ratios of the firm show that there are business units or non-core assets that are not doing well, or at the cost of the strategic priorities of the firm. In order to enable the management to concentrate on the more increasing and more profitable segments, it would be suitable to divest the non-core operations, i.e. legacy product lines, or subsidiaries not viable geographically.

Divestiture has many financial advantages that are many (Crinson, 2024). The positive direct effect of increasing gearing ratios and decreasing interest payments will be possible through repaying debt by asset sales. This would have a deleveraging effect of enhancing interest coverage as well as minimising the insolvency risk, which would stabilise the credit profile of the firm. In addition, divestiture can increase the degree of return on assets by excluding the asset base to eliminate the assets that are not strategically relevant and productive.

There are, however, risks involved in divestiture as well. Fire-sale disposals in a stricken environment may result in destruction of values in the event that the assets are sold at a lower price than their intrinsic value (Kenton, 2021).

Strategic Divestiture for General Electronics



Figure 4: Strategic Divestiture for General Electronics

Source: Author's creation

Merger/Strategic Alliance Alternatives

A merger or strategic alliance is one of the potential paths that the firm can take to recover more quickly because of the diminished competitive advantage of the company. A well-structured merger would help General Electronics to have certain cost economies of scale, market growth, as well as research and development cost sharing in an industry that has experienced a rapid rate of technological change and high fixed costs.

Under the shareholder value approach, a merger can create merger value through economies of scale, greater price power and access to complementary technologies (Billa, 2019). The economies of scale, particularly in procurement cost, manufacturing and distribution, may considerably increase the operating margins and cash flow generation. In addition, a merger with a financially well-off company may assist in accessing capital and reducing refinancing risk.

Nevertheless, mergers are also associated with serious risks of implementation and assimilation as well. The possible damage to the value of the company is typical because of the cultural incompatibility, the breakdown of operations and an excessive estimate of the synergies. These are risks that are intensified in the already financially struggling firm. Hence, a full-scale merger will be thought over and only undertaken when there is a strategic and financial fit

(Billa, 2019). Most of the benefits of cooperation can also be offered through a strategic alliance or joint venture, and this restricts financial and operational risks.

Capital structure rebalancing and Injection of equity

The best methods of restoring the balance sheet virtue include the injection of equity. Some of the indicators that the current capital structure is over-levered include the poor equity base of the company and the rise in the debt-to-equity ratio. A right issue or a private placement to raise the equity of the company would have the direct effect of raising the equity of the company shareholders and solvency ratios (McClure, 2021).

Equity financing enhances greater financial stability as it reduces the amount of debt being used and also limits the amount of fixed interest payments, thereby enhancing the cash flow stability. It would also be comforting the lenders and suppliers with better capital adequacy, which may lead to more favourable terms of financing. In the long term, a better equity base can be used to increase the capabilities of the firm to finance the innovation and strategic growth projects.

Equity injection, on the other hand, comes with the dilution of existing ownership of the current shareholders and may not be received well when it is at a low share price (Olivia, 2024). It is therefore upon the CFO to create a balance between dilution in the short term and long term. An open discussion of a realistic turnaround plan should be there to receive shareholder support and overcome adverse market reactions.



Figure 5: Creative Equity Injection. Sources

Source: (Olivia, 2024)

Shareholder Value, Debt Structure and Operational Flexibility Implications

Each of the proposed alternatives for restructuring would have significant consequences as far as shareholder value is concerned. This is because the immediate impact of divestitures and equity issues may be a decline in the valuation through the reduction of the scale and dilution. Such actions will nevertheless enhance the long-term shareholder value as they will eliminate financial risk, stabilise earnings and restore sustainable profitability.

Restructuring would be of assistance to the debt structure as well. Improved leverage and interest, interest cover and a lower likelihood of default would be gained through divestiture growth and equity financing (Crimson, 2024). A more moderate and less complicated capital structure would help the firm to be more resilient to economic shocks and allow it to be more strategically flexible.

The other consequence is functional, namely operational flexibility. This reduces the economic strain that allowing the management to focus on the long-term strategic priorities as opposed to survival in the short run. An improved balance sheet would boost investment in technology, product innovation and market repositioning, which are significant in the successful competition in the world consumer electronics market.

International/Ethical-Considerations

As a global company, General Electronics ought to be in a position to align its restructuring approach with the international and ethical factors. The currency risk is also best suited for revenue and costs that are denominated in different currencies (Kotak Securities, 2023). The financial restructuring-related decisions (such as debt refinancing or the sale of an asset) should consider the foreign exchange exposure, and the decisions should consider the availability of hedging instruments to minimise the volatility.

There is also the threat of inflationary pressure, particularly in the emerging markets, where the input price and inflation of wages may be volatile. The restructured capital foundation that is characterised by low fixed cost of financing would enhance the ability of the firm to absorb the inflationary shocks without compromising the liquidity.

Taxation issues are also of great concern. Such transactions as divestitures and restructuring may have tax liabilities and tax optimisation opportunities (Crimson, 2024). Though fair tax planning could assist in increasing post-restructuring cash flows, the aggressive tax planning would place the company at reputational and regulatory risks. Restructuring finances should be ethical by ensuring transparency and regulatory conformity in addition to being fair to the stakeholders.

The restructuring decisions are also to be examined in reference to corporate social responsibility (CSR). Disposals of assets or the laying off of individuals can have a severe socio-economic impact, particularly in those regions where the company has a huge number of employees.

Task 4

The capital investment appraisal of Projects A, B and C will provide a quantitative basis upon which the projects can be measured based on financial worthiness and contribution to the shareholder wealth. It has been assigned the priority as the Net Present Value (NPV) approach has direct links with the objective of maximising the firm value because of discounting of the cash inflows in the future at the cost of capital of the firm (Fernando, 2024). The auxiliary indicators, such as payback profile, cash flow timing and volatility, are also considered to facilitate a risk-based decision.

When the discount rate is 10 per cent, project A will report a positive NPV of approximately PS 1.32 million. This finding implies that the project would be capable of recovering its initial investment of PS 40 million and generate a small surplus, taking into consideration the time value of money. The size of capital invested is, however, quite huge in comparison to the size of NPV, which means that value creation in terms of pounds invested is low. The cash flows of the project are concentrated in the initial years but then reduce in the later years, which means that it would be moderate in the short term but not strong in the long-term earnings. Even though such a profile may be appealing to those companies who take issues about faster cash recovery, sustainability and also the possibility of reinvestment is also a question.

The project B NPV is below PS 7.25 million, indicating that the discounted cash inflows of project B are not sufficient to fund the initial project cost of PS 30 million. Although the annual rates of cash inflow in the project are stable and predictable in the next five years, PS 6 million, the cash returns of the project are poor as compared to the cost of capital. Project B is good, financially, to eliminate the value of the shareholders and cannot be considered passable under the NPV rules (Fernando, 2024). Its stability in cash flow is never sufficient to counter its low profitability since a low risk level is never effective to warrant an investment where the structurally poor returns are present.

Project C is the one with the largest NPV of approximately PS 4.22 million in spite of the largest initial cost of PS 50 million. This means a high-quality value creation is made absolute. The cash flow of the project is skewed to the back, with the larger inflows of the project to be in the Years 3-5. Even though this presents the company with greater forecasting risk and discounting impact, it is a sign of greater growth potential and scalability. The later inflows of cash are high, and this would mean that Project C might be linked to the strategic projects such as expansion capacity, innovation or penetration that usually require a higher amount of startup capital but would be high in long-run returns.

Overall, the NPV analysis can certainly trace the boundary among the projects in terms of the value creation (Fernando, 2024). Project C is superior to the absolute wealth creation for the shareholder compared to Project A, which is financially active with less strategic value, and Project B is not financially viable.

Rationing Capitals and efficient choice of projects

Capital rationing restricts the investment choice, and the maximum amount of investment that could be made is PS 60 million (Hayes, 2022). This constraint demands the selection of the mix of projects, which will maximise the total NPV and not violate the constraint of capital.

Considering the initial investment needs, the overall cost of PS 90 million of Project A (PS 40 million) and Project C (PS 50 million) exceeds the amount of the available budget and therefore cannot be carried out concurrently. Similarly, when Project B is applied to Project A or Project C, value will not be added as Project B has a negative NPV, and it will dilute returns.

Under these limitations, the available feasible investment options will be either to select Project A, Project B and/or Project C alone. Among the available variants, it is clear that Project C is the most favourable since it provides the optimal NPV within the PS 60 million capital constraint. Project A would result in a significantly reduced aggregate NPV than Project B would, which would aggressively reduce firm value.

With regards to capital rationing, the choice to undertake Project C is the most optimal method of utilising the scarce financial resources. This conforms to the financial theory in which, when capital is scarce then project ranking and selections must be in regard to their contribution to the shareholder wealth rather than the fact that a project is absolutely affordable or considered safe (Monroe, 2024).

Financial Performance Grounds Rationale

The ultimate move to proceed with Project C can be further justified by ascribing the results of an investment appraisal to the financial performance of the firm in general, particularly the profitability and liquidity.

Project C offers the greatest addition to profitability in the future. The larger the NPV is, the measure of operating cash flows against the level of investment. Such a project could improve the returns on capital invested in the case of a firm where the operating margins have been stable, or even on an increasing path, and the ratio of profitability in the long term. On the other hand, the low NPV of Project A would mean that the project will not cause the growth of earnings with any substantial effect theoretically and would give the firm under its strategic leverage.

Liquidity problems also exist, particularly with the cash flows of Project C being back-loaded. Although such a structure leaves the company at a disadvantage in the context of the intensified reliance on internal liquidity or short-term financing within the first years, the company can afford to address the risk depending on the current state of the working capital and accessibility to credit facilities (Hayes, 2025b). In case the company possesses adequate current and quick ratios, and the operating cash inflows, owing to the current operations, do not change abruptly, the liquidity pressure of the temporary nature associated with Project C can be easily overcome. Moreover, the surges of cash flow in the later years increase the future liquidity and debt-servicing capacity and cause the company to possess more financial flexibility in the long term (Hayes, 2025b).

Project B, which is stable and has stable inflows, is not profitable enough to justify the capital use. Such a project's use of funds would dilute the overall metrics of returns and could reduce the possibility of investing in the future because the funds would be pegged to low-return assets.

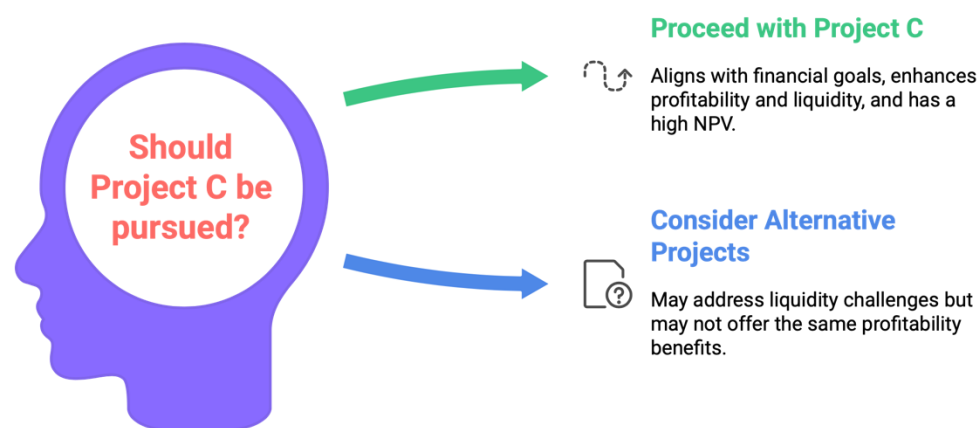


Figure 6: Should Project C Be Pursued

Source: Author's Creation

Risk Characteristics and Cash Flow Volatility

Risk analysis is also a significant practice that is employed to explain the final ruling on the investment. Each project has a risk profile which is unique, given the timing of the cash flows, volatility and sensitivity to the economic conditions.

Project A is of moderate risk, and the cash flows are quite predictable, although declining. Since early inflows will reduce the exposure to long-term uncertainty, the declining trend will

be the indicator of the exposure to the competitive forces or technology obsolescence. This renders it less tactical, particularly in dynamic markets.

Project B has minimum volatility regarding cash flow, and the inflows are fixed during the five years. This stability, however, masks the structural weakness, as the returns are not high enough to cover the cost of capital. This illustrates one of the most critical concepts in the field of financial management, which is that low volatility does not mean low risk as long as the project is not performing at the minimum levels of returns (Kumaraswamy, 2023).

Project C is more prone to forecasting risk since it is pegged on big cash flows later in the project. These inflows are better subject to macroeconomic trends, demand fluctuations and execution risk. The larger NPV is, though giving some buffer against the error of estimation, i.e. whether the actual cash flows are not as large as it has been projected, the project will still give good returns. In practice, it is found that companies will assume higher cash flow risk where it is compensated with higher anticipated returns, in part because the risks can be mitigated through gradual investment, alliance or business flexibility.

The ultimate investment suggestion is as below:

Based on the evaluation of the investment valuation calculations, capital rationing limitation, financial performance variable and riskiness qualities, the ultimate choice would be to invest in Project C alone.

Project C will optimise the shareholder wealth by giving the highest NPV of the present capital budget, which is PS 60 million. It is in line with long-term profitability targets, enhances future cash generating power and has strategic growth potential even though the risk in the short run is high. The firm should address early liquidity strains by carrying out good working capital management or through short-term funding so that long-term returns on the project may be realised.

The present state of affairs should not permit the pursuit of both project A and project B, because project A is not value-creating enough in relation to its capital requirement, whereas project B is not even a viable financial project. The cancellation of such projects assists in saving capital for other, more profitable projects and assists in good financial management (Kumaraswamy, 2023).

Conclusion

This report has demonstrated that financial analysis is a stringent procedure that forms the basis of dealing with both the short-term financial stresses and long-term strategic issues. The financial health analysis shows the aspects of weakness that should be improved in terms of liquidity control and efficient use of capital. Working capital reforms and selective financial restructuring are demonstrated to be required in the process of restoring flexibility and reducing financial risk. Above all, the investment appraisal conducted with capital rationing will determine the importance of ensuring that attention is paid to projects that have a high likelihood of maximising the shareholder value, rather than attempting to focus on scale or what is perceived as stability. The point-based conclusion of the report is that the overall bound of the sustainable performance and long-term development of the company is defined by the possibility to choose the most value-generating investment and to fit it to the financial opportunities and risk distribution of the company.

References

- Ashrafi, M. and Pakdel, M. (2019). Relationship between Working Capital Management and the Performance of Firm in Different Business Cycles. *Dutch Journal of Finance and Management*, 3(1). doi:<https://doi.org/10.29333/djfm/5874>.
- Billa (2019). *Value Creation in Mergers and Acquisitions* | *ISBInsight*. [online] ISBInsight | Research Magazine | Indian School of Business (ISB). Available at: <https://isbinsight.isb.edu/value-creation-mergers-acquisitions/>.
- BIS (2020). *Credit risk management Principles for the Management of Credit Risk*. [online] Available at: <https://www.bis.org/publ/bcbssc125.pdf>.
- CFI Team (2023). *Altman's Z-Score Model*. [online] Corporate Finance Institute. Available at: <https://corporatefinanceinstitute.com/resources/commercial-lending/altmans-z-score-model/>.
- Chen, L., Zhang, K. and Yang, X. (2025). The long-term and short-term effects of interest rate volatility on corporate bankruptcy risk: An industry and supply chain perspective. *PLoS ONE*, [online] 20(2), pp.e0317185–e0317185. doi:<https://doi.org/10.1371/journal.pone.0317185>.
- Corporate Finance Institute (2022). *Gearing*. [online] Corporate Finance Institute. Available at: <https://corporatefinanceinstitute.com/resources/accounting/gearing/>.
- Crinson, P. (2024). *Divestiture*. [online] OneMoneyWay. Available at: <https://onemoneyway.com/en/dictionary/divestiture/>.
- Fernando, J. (2024). *Net present value (NPV): What it Means and Steps to Calculate It*. [online] Investopedia. Available at: <https://www.investopedia.com/terms/n/npv.asp>.
- Hayes, A. (2022). *Introduction to Capital Rationing*. [online] Investopedia. Available at: <https://www.investopedia.com/terms/c/capitalrationing.asp>.
- Hayes, A. (2024). *Cash Conversion Cycle - CCC*. [online] Investopedia. Available at: <https://www.investopedia.com/terms/c/cashconversioncycle.asp>.
- Hayes, A. (2025a). *Profitability Ratios: What They Are, Common Types, and How Businesses Use Them*. [online] Investopedia. Available at: <https://www.investopedia.com/terms/p/profitabilityratios.asp>.
- Hayes, A. (2025b). *Understanding Liquidity Ratios: Types and Their Importance*. [online] Investopedia. Available at: <https://www.investopedia.com/terms/l/liquidityratios.asp>.
- Jemila (2023). *ROE vs. ROA*. [online] Daloopa. Available at: <https://daloopa.com/blog/analyst-best-practices/roe-vs-roa>.
- Kenton, W. (2021). *What Is a Fire Sale in Finance?* [online] Investopedia. Available at: <https://www.investopedia.com/terms/f/firesale.asp>.

Kotak Securities (2023). *Understanding Currency Risk & Its Types*. [online] Kotak Securities. Available at: <https://www.kotaksecurities.com/investing-guide/currency/understanding-currency-risk-and-its-types/>.

Kumaraswamy, S. (2023). *A Comprehensive Guide to Financial Management 2023 - 2024*. [online] Happay. Available at: <https://happay.com/blog/financial-management/>.

Loth, R. (2024). *Cash flow analysis: The basics*. [online] Investopedia. Available at: <https://www.investopedia.com/articles/stocks/07/easycashflow.asp>.

Lucke, L. (2024). *Liquidity and Sustainability: Key Factors for Nonprofit Success - Grassi*. [online] Grassi. Available at: <https://www.grassiadvisors.com/blog/liquidity-and-sustainability-key-factors-for-nonprofit-success/>.

Mcclure, B. (2021). *Understanding Rights Issues*. [online] Investopedia. Available at: <https://www.investopedia.com/investing/understanding-rights-issues/>.

Monroe (2024). *Finance Theory - an overview | ScienceDirect Topics*. [online] www.sciencedirect.com. Available at: <https://www.sciencedirect.com/topics/social-sciences/finance-theory>.

Olivia (2024). *Equity Dilution in India - Definition, Working, Causes, Effects - Treelife*. [online] Treelife. Available at: <https://treelife.in/legal/equity-dilution-in-india/> [Accessed 8 Dec. 2025].

Rittin (2022). *The Benefits of Supply Chain Finance*. [online] Oracle NetSuite. Available at: <https://www.netsuite.com/portal/resource/articles/accounting/supply-chain-finance.shtml>.

Saikot, H. (2024). *Efficiency Ratios: Definition, Impact & Different Types Explained*. [online] Allianz Trade Corporate. Available at: https://www.allianz-trade.com/en_US/insights/efficiency-ratios.html.

Vince, K. (2021). *What Is the Difference Between Work Performance and Productivity?* [online] Make Your Biz Fizz. Available at: <https://makeyourbizfiz.wordpress.com/2021/10/06/what-is-the-difference-between-work-performance-and-productivity/>.

Appendices

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
1	Item (\$m)	2020	2021	2022	2023	2024																
2	Net Sales	614680	601602	542751	420457	394879																
3	Cost of Sales	-438424	-428586	-390459	-322897	-280885																
4	Gross Profit	176256	173016	152292	97560	113994																
5	Operating Inc	37267	23253	14548	-85301	-15297																
6	Net Income	38572	5301	407	-98238	-24029																
7	Interest Expe	-1422	-566	-2200	-4332	-3361																
8																						
9																						
10																						
11																						
12																						
13																						
14																						
15																						
16																						
17																						
18																						
19																						
20																						
21																						
22																						
23																						
24																						
25																						
26																						
27																						
28																						
29																						
30																						
31																						
32																						
33																						
34																						
35																						
36																						
37																						
38																						
39																						
40																						
41																						

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
1	Item (\$m)	2020	2021	2022	2023	2024																
2	Total Assets	510290	510348	504163	355872	323354																
3	Current Asse	326843	337146	338040	258851	242494																
4	Inventory	120430	134469	140181	88273	79355																
5	Accounts Rei	129433	129215	112346	112596	114182																
6	Cash	57153	60813	66740	42751	26783																
7	Total Liabli	196989	234399	235757	176952	170249																
8	Current Liab	179510	216787	216473	161148	158291																
9	Shareholder	313301	275949	268406	178920	153105																
10	Retained Ear	324990	330291	330698	232460	208431																
11																						
12																						
13																						
14																						
15																						
16																						
17																						
18																						
19																						
20																						
21																						
22																						
23																						
24																						
25																						
26																						
27																						
28																						
29																						
30																						
31																						
32																						
33																						
34																						
35																						
36																						
37																						
38																						
39																						
40																						
41																						

Financial Management

Search (Cmd + Ctrl + U)

Share

Home

Insert

Draw

Page Layout

Formulas

Data

Review

View

Paste

Aptos Narrow (Bod... 12

B

Wrap Text

General

Conditional Formatting

Format as Table

Cell Styles

Insert

Delete

Format

Σ

Sort & Filter

Find & Select

Add-ins

R37

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
1	Financial ratios - General Electronics																			
2																				
3	Ratio	2020	2021	2022	2023	2024														
4	Gross Profit Margin	-217.04158	-212.0663	-193.10534	-159.61295	-138.77717														
5	Operating Profit Margin	87.2554455	85.6091044	75.3175074	48.2254078	56.3211462														
6	Net Profit Margin	18.4490099	11.5056903	7.19485658	-42.165596	-7.5578063														
7	ROA	0.07303102	0.04556303	0.02885575	-0.2396957	-0.0473073														
8	ROE	0.20760403	0.10726197	0.06720469	-0.5293333	-0.0966385														
9																				
10	Current Ratio	1.65919417	1.43834231	1.43384926	1.46283173	1.42434904														
11	Quick Ratio	1.04784023	0.86466666	0.83924974	0.96397893	0.95823764														
12																				
13	Turnover Inventory	5.10404384	4.47390848	3.87178719	4.76314388	4.97610737														
14	Inventory Days	71.51192489	81.5841453	94.27171102	76.63009597	73.3506074														
15	Receivable Days	23387.846	23336.7921	20280.0643	20315.1458	28991.1215														
16	Total Asset Turnover	0.00395853	0.00396004	0.00401061	0.00568463	0.00625939														
17																				
18	Debt to Equity	0.31838338	0.28051959	0.30830635	0.26529029	0.16020103														
19	Debt Ratios	0.11200102	0.11915987	0.13237782	0.12013027	0.08282873														
20	Interest Coverage ratio	4.5695323	32.6383701	374.181818	0.99309839	4.74401765														
21																				
22	Operating Cashflow Ratios	0.37256903	0.17185654	0.04634433	0.14235499	0.08706072														
23	Cash Flow to total debt	1.28413207	0.68240771	0.16370992	0.58922598	0.55341075														
24																				
25																				
26																				
27																				
28																				
29																				
30																				
31																				
32																				
33																				
34																				
35																				
36																				
37																				
38																				
39																				
40																				
41																				

Income statement

Balance sheet

Cash Flow

Financial Ratios

Altman Z-Score

Working Capital (CCC)

Investment Appraisal

+

Ready Accessibility: Good to go

