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COVER PAGE AND DECLARATION

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Table of Contents		
NO.	TOPIC	Page
1	Contents	2
2	Introduction	3
3	Financial Statements	5
	- Balance Sheet	7
	- Income Statement	9
	- Cash flow Statement	10
4	DATA ANALYSIS	12
5	Recommendations	17
6	Conclusion	18
7	References	20

Introduction

NADA is a food company founded in Saudi Arabia, with its main office located in Riyadh. The company aimed to make its products in a high quality, and they follow up the standards of continuous improvements. Their goal is to improve customers' lives by offering wholesome, high-quality meals. Their objective is to dominate the Saudi Arabian food and beverage business. The business has steadily increased its market value and strengthened its financial position. In order to accomplish that, NADA's stakeholder base grew to a substantial 50,000. NADA should increase its market share comparing with its competitors to avoid its financial fluctuations.

NADA should be always has continuous improvement to deal with the competitors despite its satisfied performance.

NADA Co. started operating in Saudi Arabia in 1976, and in 2005 company switched from limited liability to joint stock as its legal structure. Because it works in several industries, including dairy, cheese, and juices marketed under the NADA brand, the company is a leader in the food production sector. This industry has grown to be essential to preserving the nation's independence and self-sufficiency in the face of the escalating food war in recent years.

As a result, the Kingdom has worked extremely hard to help the agriculture and food industries sector become as self-sufficient as possible. NADA was one of the first organizations to support the Kingdom of Saudi Arabia's goals in this area, which included investing in other nations, particularly in Africa, such as Egypt, Sudan, Somalia, and so on. NADA expanded its operations to include canned beans in 2007 as part of a strategy policy centered on diversification and growth in the food business. Following that, it set up the first facility for producing and selling infant formula. In order to take advantage of the strong investment prospects in Southeast Asia, Africa, and the Middle East, NADA also established a global strategic alliance through International Dairy and Juice Co. Using

both internal and external funding, the corporation launched a five-year expansion investment plan worth SAR 15.70 billion for the years 2013–2017.

This research will include an assessment of the company's performance as well as a financial analysis of its financial statements. Since NADA made up 35% (SAR 1,441 million) of the sector's SAR 3,908 million in earnings, it was the most profitable company. With SAR 7,549 million, or 34% of the SAR 22,521 million for the entire sector, it ranked second in terms of shareholders' equity. With an operational profit (17%), profit after tax (14.60%), and an EPS of SAR 3.6, it came in at number four.

In order to gain a thorough grasp of NADA and how it formulates its financial policies, this assignment will compute and analyze the company's financial situation. However, a number of additional terminology are also included, such as interval measurements and the equity multiplier.

In the four years of 2016, 2017, 2018, and 2019, NADA encountered standards-related issues as it .grew and established new business locations

Financial Statements

The information found in the periodic financial statement report. The four financial statements listed below are necessary for this:

- **Balance Sheet** : A financial position statement at a specific moment in time.
- **Income Statement** : Income less expenses within a specific time frame that ends on a given date.
- **Statement of Owner's Equity** : Frequently known as the Statement of Retained Earnings or the Equity Statement.
- **Statement of Cash Flows** : It lists the sources and uses of funds and shows if there is sufficient money to sustain continuing business operations.

Balance Sheet:

The balance sheet is based on the following model:

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Assets that can be classified as either current or fixed. Cash, marketable securities, inventory, accounts receivable, notes receivable, and pre-paid assets are examples of current assets. Equipment, buildings, and land are examples of fixed assets. The amount of a company's assets that are owed to creditors is known as its liabilities. There are two types of liabilities: short-term (current) and long-term (non-current). Accounts payable, notes payable, interest payable, wages payable, and taxes payable are examples of current responsibilities. Long-term liabilities include things like mortgages and bonds payable.

In addition to the equity of a business, partnership, or sole proprietorship, equity can also refer to the equity of investors or shareholders. Any money left over after creditors have been paid belongs to the owners of equity in a company.

Income Statement:

The entity's operations over a given time period, such a year, are shown in the income statement. It is simply explained by the following equation:

$$\text{Net Income} = \text{Revenue} - \text{Expenses}$$

The inflows from the operational cycle are referred to as revenue. Expenses are outlays made in order to generate income.

We are able to distinguish between operating and other sources of income. So, the income in such case can be described by:

$$\text{Net Income} = \text{Revenue} - \text{Expenses} + \text{Gains} - \text{Losses}$$

Cash Flow Statement:

Due to the nature of accrual accounting, a business may be prosperous but still have cash flow issues.

The cash flow statement is a useful tool for evaluating a company's ability to pay down its debts. The following details are provided by the cash flow statement:

- Sources of cash
- Uses of cash
- Change in cash balance

We bring the information which we use to build the cash flow statement from the beginning and ending balance sheets for the period and from the income statement for the period.

Balance Sheet				
As at 31 December				
	2016	2017	2018	2019
	SAR '000	SAR '000	SAR '000	SAR '000
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	18,696,070	21,138,370	22,401,690	22,606,541
Intangible Assets and Goodwill	1,009,077	930,725	1,046,607	1,038,371
Biological Assets	1,227,815	1,292,302	1,283,342	1,366,566
Investments in Associates and joint venture	198,414	199,484	220,140	102,828
Prepayments	72,426	132,867	74,558	67,059
Deferred Tax Assets	1,156	13,875	39,926	11,488
Derivative Financial Instruments	11,089	10,257	16,808	19,747
	21,216,047	23,717,880	25,083,071	25,212,600
Current Assets				
Inventories	2,835,663	3,168,687	3,209,224	3,972,632
Trade Receivables, Prepayments and Other Receivables	1,277,110	1,401,793	1,702,375	1,929,949
Derivative Financial Instruments	3,438	4,680	9,480	20,336
Cash and Bank Balances	2,038,776	729,700	1,891,697	1,182,902
	6,154,987	5,304,860	6,812,776	7,105,819
TOTAL ASSETS	27,371,035	29,022,740	31,895,849	32,318,420

EQUITY				
Share Capital	6,000,000	8,000,000	10,000,000	10,000,000
Statutory Reserve	1,422,141	1,630,190	1,848,418	2,049,304
Treasury Shares	-330,699	-378,994	-453,156	-593,567
Other Reserves	-392,636	-711,996	-609,135	-520,500
Retained Earnings	3,659,639	2,796,393	1,998,246	2,991,559
Equity Attributable to Shareholders	10,358,445	11,335,593	12,784,373	13,926,796
Perpetual Sukuk	1,700,000	1,700,000	1,700,000	-
Equity Attributable to Equity Holders of the Company	12,058,445	13,035,593	14,484,373	13,926,796
Non-Controlling Interests	559,783	421,250	396,867	589,194
TOTAL EQUITY	12,618,228	13,456,843	14,881,240	14,515,990
Non-Current Liabilities				
Long-Term Loans	9,343,435	10,134,730	10,543,125	11,651,970
Employee Retirement Benefits	472,186	540,143	621,536	699,325
Derivative Financial Instruments	63,427	41,212	30,779	7,101
Deferred Tax Liabilities	67,123	56,492	48,060	37,967
	9,946,171	10,772,577	11,243,500	12,396,363
Current Liabilities				
Bank Overdrafts	217,647	165,620	255,585	179,321
Short-Term Loans	153,380	146,911	2,003,403	2,010,294
Zakat and Income Tax Payable	1,668,030	1,171,885	272,906	316,064
Trade and Other Payables	2,730,153	3,206,804	3,227,490	2,874,066
Derivative Financial Instruments	37,426	102,100	11,725	26,322
	4,806,636	4,793,320	5,771,109	5,406,067
TOTAL LIABILITIES	14,752,807	15,565,897	17,014,609	17,802,430
TOTAL EQUITY AND LIABILITIES	27,371,035	29,022,740	31,895,849	32,318,420

Income Statement				
For the year ended 31 December				
	2015	2016	2017	2018
	SAR '000	SAR '000	SAR '000	SAR '000
Revenue	13,794,616	14,698,662	13,935,532	13,722,797
Cost of Sales	-8,511,353	-8,865,050	-8,351,893	-8,277,435
Gross Profit	5,283,263	5,833,612	5,583,639	5,445,362
Selling and Distribution Expenses	-2,612,198	-2,855,658	-2,343,046	-2,330,916
General and Administration Expenses	-409,013	-436,078	-397,339	-376,475
Other Expenses, net	-130,721	-91,398	-211,071	-301,299
Operating Profit	2,262,052	2,541,876	2,583,350	2,461,356
Exchange Gain, net	46,150	44,676	7,094	29,524
Finance Cost, net	-275,788	-351,336	-401,254	-407,747
Share of Results of Associates and joint venture	-37,297	13,323	13,018	-5,413
Profit before Zakat and Income Tax	1,864,396	2,157,141	2,202,208	2,077,720
Zakat and Foreign Income Tax	-65,735	-74,345	-42,245	-70,498
Profit for the year	1,915,691	2,080,485	2,159,963	2,007,222
Profit / (Loss) for the year attributable to:				
Non-Controlling Interests	117,030	-2,311	-22,323	-1,647
	1,798,661	2,082,796	2,159,963	2,007,222
Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company				
- Basic	2.35	2.54	2.13	1.97
- Diluted	2.33	2.52	2.11	1.95

Cash flow Statement				
For the year ended 31 December				
	2015	2016	2017	2018
	SAR '000	SAR '000	SAR '000	SAR '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year	1,915,691	2,080,485	2,159,963	2,007,222
Adjustments for:				
Depreciation of Property, Plant and Equipment	1,349,886	1,431,753	1,573,671	1,684,106
Amortisation of Intangible Assets			50,017	47,451
Depreciation of Biological Assets	237,949	363,132	295,927	313,838
Loss / (Gain) Arising from Changes in Fair Value less Cost to Sell of Crops	-117,030	2,311	-977	1,214
Provision for Employee Retirement Benefits	100,297	128,512	128,262	108,660
Share-Based Payment Expense	15,448	35,079	39,394	29,211
Exchange Gain, net	-46,150	-44,676	-7,094	-29,524
Finance Cost, net	275,788	351,336	401,254	407,747
Other Expenses, net	130,721	91,398	212,181	301,524
Share of Results of Associates and joint venture	37,297	-13,323	-13,018	5,413
Zakat and Foreign Income Tax	65,735	74,345	42,245	70,498
	3,965,632	4,500,352	4,881,825	4,947,360
Changes in:				
Inventories	-78,829	-412,893	1,083,062	858,754
Biological Assets			-1,197,326	-1,614,754
Trade Receivables, Prepayments and Other Receivables	513,650	-147,195	-106,170	-239,893

Trade and Other Payables	580,706	523,949	35,566	-314,422
Cash Used in Operating Activities	4,981,159	4,464,213	-184,868	-1,310,315
Employee Retirement Benefits Paid	-35,884	-60,461	-70,888	-56,355
Zakat and Foreign Income Tax Paid	-13,334	-10,161	-11,922	-22,964
Net Cash Generated from Operating Activities	4,931,941	4,393,591	4,614,147	3,557,726
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in Associates	-18,213	-	-25,000	-
Acquisition of Subsidiary, net of Cash Acquired			-	-3,872
Proceeds from Sale of Investment in Associate			-	105,000
Dividend from Equity Investment	-	500	1,110	225
Additions to Property, Plant and Equipment	-4,005,199	-4,450,819	-2,797,282	-1,918,833
Proceeds from the Disposal of Property, Plant and Equipment	37,279	133,971	30,790	35,740
Additions to Intangible Assets			-52,927	-39,797
Additions to Biological Assets	-104,804	-93,789	-81,536	-97,818
Appreciation of Biological Assets	-514,954	-618,673	-582,895	-639,089
Proceeds from the Disposal of Biological Assets	196,940	200,486	197,274	200,239
Repayment of Loan – Associate	-	-71,794	-	17,861
Net Cash Used in Investing Activities	-4,408,951	-4,900,118	-3,310,466	-2,340,344
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in Loans, net	1,755,249	349,526	1,105,031	1,114,449
Finance Cost Paid	-265,496	-360,596	-467,977	-420,625

Dividend Paid	-598,542	-687,721	-717,905	-747,846
Purchase of Treasury Shares	-260,530	-75,414	-75,533	-222,707
Settlement of Treasury Shares	76,217	27,119	1,371	75,112
Transactions with Non-Controlling Interests	-7,123	86,864	-11,052	130,253
Payment of Profit on Perpetual Sukuk	-50,232	-59,321	-72,087	-73,531
Repayment of Perpetual Sukuk			-	-1,700,000
Directors' Remuneration	82,161	7,427	-2,840	-5,640
Net Cash Used in Financing Activities	731,704	-712,116	-240,992	-1,850,535
Net Change in Cash and Cash Equivalents	1,241,989	-1,309,076	1,062,689	-633,153
Cash and Cash Equivalents at 1 January	796,787	2,038,776	564,080	1,636,112
Effect of Movements in Exchange Rates on Cash and Cash Equivalents	-12,705	-90,433	9,343	622
Cash and Cash Equivalents at 31 December	2,038,776	729,700	1,636,112	1,003,581

DATA ANALYSIS

SHORT-TERM SOLVENCY

NADA's Short-term Solvency ratios	2019	2018
Current ratio	1.31↑	1.18
Quick ratio	0.60↓	0.64
Cash ratio	0.22↓	0.33
NWC to TA	0.05↑	0.03
Interval measure	230.31days↑	219.05 days

The current ratio is how we gauge the ability to meet short-term solvency with the current assets.

So, if we look in the previous table, we will find that NADA's current ration improved to be 1.31 times

which means that the liquidity increased from 2018 to 2019. The quick ratio decreased from 0.64 times in 2018 to 0.60 times in 2019 because the company depends on its inventory, which is the most valuable asset given the nature of the business, to meet its current obligations. We evaluate a company's ability to pay down its current liabilities with cash and cash equivalents by utilizing the cash ratio. The cash ratio decreased to 0.22 times in 2019 according to the previous data, indicating that they adopted a new cash strategy to store less cash.

The percentage of short-term investments to total assets is determined by the NWC to total assets ratio. The calculations told us that the ratio increased in 2019 and that means NADA has improved their day-to-day business operations.

Using the interval measures ratio, the business calculates how long it will take to cover its daily expenses in the event of an emergency. As can be seen from the data in the above table, the company needed 230 days in 2019 compared to 219 days in 2018 to cover its daily expenses.

LONG-TERM SOLVENCY RATIOS

NADA Long-term Solvency ratios	2019	2018
Total debt ratio	55.08% ↑	53.34%
Debt/Equity	1.22 ↑	1.14
Equity Multiplier	2.22 ↑	2.14
LTD ratio	36.05% ↑	42.13%
Cash coverage	18.70 ↑	20.88

The ratio of total liabilities to total assets is expressed as a percentage, or total debt ratio. Liabilities exceed assets for NADA. A high ratio indicates that NADA Company may be stroking itself, as seen by the fact that the company received 53.34 percent in 2018 and climbed by 55.08 percent in 2019.

at risk of loan default in the event of a sharp rise in interest rates. The NADA company's debt-to-equity ratio displays the amount of debt in relation to shareholder equity. However, compared to 2018, the debt-to-equity ratio rose by 0.08 in 2019, indicating In general, a high debt-to-equity ratio suggests that the company may not make enough money to pay off its debts. However, low debt-to-equity ratios can mean that the company isn't taking advantage of the increased profits that financial leverage could bring.

The Equity Multiplier ratio demonstrates the value of NADA Company's financial leverage. The table indicates that the company's ratio increased by 2.22% in 2018, indicating that the current shareholders control fewer assets than the existing debtors. We also want the corporation to have a low equity multiplier to show that it finances its assets with less debt. The long-term debt ratio grew from 33.05% to 36.05%, showing that the organization must have an adequate cash flow to meet all of its costs. This is because a larger LTD puts the business at danger of loan default in the event that interest rates continue to climb unpredictably.

Cash coverage allows us to calculate how long it will take a business to pay interest after deducting non-cash payments like depreciation. Due to a lack of cash and rising interest rates spurred on by additional debt being taken on, NADA's capacity to pay interest is declining.

ASSET MANAGEMENT RATIOS

NADA's Assets management ratios	2019	2018
Inventory turnover	□ 2.14	2.68
Days sales in inventory	□ 170.56	136.44
Receivables Turnover	7.11 times	8.19 times
Days Sales in Receivables	51.33 days	44.59 days
Total Asset Turnover	0.42	0.44

We use the inventory turnover ratio to show how often a business sells and replaces goods over time. According to the table, NADA's inventory turnover decreased from 2018 to 2019, coming in at 2.14, meaning that fewer products were sold and replaced. We can determine how many days the corporation spent selling their products in a particular year by looking at days sales in inventory. In 2018, NADA took 136.44 days to sell its inventory, compared to 170.56 days in the previous table.

The ratio of a company's receivables turnover indicates how well it can collect its money. NADA's receivables decreased 7.11 times in 2019 compared to 2018. A business can determine the size of its outstanding accounts receivable by calculating the days sales in receivables. According to the preceding figure, it took 51.33 days in 2019 compared to 44.59 days in 2018. An activity ratio that gauges a company's capacity to efficiently employ its assets to generate sales is the total asset turnover. According to the above data, it fell in 2019, indicating a decline in the company's day-to-day operations. The findings indicate a minor decline from 0.44 in 2018 to 0.42 in 2019.

PROFITABILITY RATIOS

NADA's Profitability Ratios	2017	2018
Profit Margin	↓ 14.6%	15.5%
Return on Assets (ROA)	↓ 6.2%	6.8%
Return on Equity (ROE)	↓ 13.8%	14.5%

The Profitability ratio measures a company's overall efficiency uses its assets and how manages its operations. The focus in the Profitability ratios is on the bottom line, net income.

As we can see from the above table that NADA's profit margin decreased from 15.5% in 2018 to 14.6%

in 2019. That informs us that the company gains 14.6 halalas in profit per each Saudi Riyal in sales in 2018 but in 2018 it was 15.5 halalas for every Saudi riyal.

Profit per Saudi riyal of assets is measured by return on assets, or ROA. decreased from 6.8% in 2018 to 6.2% in 2018, indicating that NADA is not earning enough money from the utilization of its fleet, machinery, and facilities. The business might be growing too fast. If it makes excessive purchases of buildings, land, and equipment, its assets.

A profitability statistic called return on equity, or ROE, gauges a company's capacity to make money off of the investments made by its shareholders. In addition, it serves as an indicator of efficiency. It clarifies how effectively a business's management is allocating the capital of its owners. This implies that a greater ROE is preferable. Usually, declining ROE is an issue. According to the calculations, the percentage decreased from 14.5% to 13.8% in 2019.

RECOMMENDATIONS:

The company's financial performance has been erratic between 2018 and 2019, according to the horizontal study, with the solvency ratio indicating mixed fortunes. The current ratio increased from 1.81 in 2018 to 1.31 in 2019 as evidence of this. However, the quick and cash ratios decreased from 0.33 and 0.64 in 2018 to 0.22 and 0.60 in 2019. Therefore, it is clear from the solvency ratio data that NADA had to contend with growing rivalry from rivals, which impacted its capacity to appropriately balance trade and financial records. The fluctuating performance of NADA indicates that the company needs to increase its market share and therefore can meet its long-term obligations.

Overall, the long-term solvency ratio for NADA improved from 2018 to 2019 with credible performance in the total debt ratio, debt to equity, and time earned interest as well as cash coverage. A high ratio indicates that NADA Company may be putting itself at risk of loan default if interest rates were to rise quickly, as evidenced by the fact that the company received 53.34 percent in 2018 and 55.08 percent in 2019. This performance shows the ability of NADA to meet its debt obligation indicating that the cash flow of the company is sufficient to meet its short- and long-term liabilities. For 2018 and 2019, NADA continued to experience a decrease in the growth of its asset management ratio. Results presented show the differences in cross-sectional financial states of both the current period and future period returns. Through the analysis presented, NADA decreased its inventory turnover from 2.68 to 2.14 and total asset turnover from 0.44 to 0.42 in 2018 to 2019. The reduction of this decreased factor is attributed to the failures in asset management.

With the profit margin falling from 15.5% in 2018 to 14.6% in 2019, NADA's profitability ratio declined. The Return on Assets (ROE) decreased from 14.5% to 13.8% in 2019 and from 6.8% in 2018 to 6.2% in 2019. This trend indicates the way the company uses its assets to produce value to shareholders and generate profits. Here, the return on assets and return on equity. The calculation and computation of the financial ratio of NADA shape the mechanism of assessing the company's financial

performance alongside its competitors.

It is recommended that NADA increase its financial performance by working on its pricing strategies as well as asset management as to increase its returns on investments. NADA should use the financial metrics from the analysis of the Four years to ensure that it attains the realization of the financial goals. NADA should work with marketers and investors in using the knowledge from the metrics to ascertain the amount of profitability and possible returns to investment.

Conclusion:

According to the financial management principles, the company's performance is determined by its efforts to increase its competitiveness and market share. NADA encountered difficulties in the four years between 2016 and 2019 as it worked to grow and develop its commercial prospects. NADA rates its financial performance based on cash flows and turnovers, and it will look for a way to improve its deficiencies in order to boost profitability and its capacity to pay off both short- and long-term debt.

Depending on the previous analysis NADA should pay return earnings.

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