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***Credit Insurance Limit Underwriting Case Studies***  
***AMAN Union 2<sup>nd</sup> Training Session, [Dubai - April 2012](#)***  
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# Case 1: Unknown Limited

# Unknown Limited – Financial Ratios and KPIs

Key KPIs & Ratios	31/12/2007	31/12/2006
Current Ratio	2.21	0.39
Working Capital	674,600,000	-798,400,000
Inventory Turnover Ratio	14.8	14.9
Debt-to-Net Worth	1.79X	11.42X
Interest Coverage Ratio	-0.5%	-17.7%
ROE	-21%	-477%
ROA	n/a	n/a
Sales to Assets	163%	318%

# Unknown Limited – Positive Points

- ✓ Improving liquidity: increasing Current ratio
- ✓ Recovering Working Capital
- ✓ Decreasing Trade Creditor days
- ✓ Huge amount of Sales
- ✓ Expanding asset base
- ✓ Efficiency in asset use
- ✓ Not highly leveraged
- ✓ Large company with a high number of employees

# Unknown Limited – Negative Points

- ✓ Sharp decrease in Sales
- ✓ Negative operating profit
- ✓ Negative Net Income
- ✓ Negative Profitability ratios
- ✓ Decreasing number of employees suggesting lay offs
- ✓ Negative Interest Coverage ratio
- ✓ High amount of depreciation due to the high amount of fixed assets

# Unknown Limited – Trade Sector

Can you identify what sort of business (or trade sector) this company engages in?

**RETAIL COMPANY**

# Unknown Limited – Acceptance or Rejection?

- **Reject! The financials are outdated!**
- **Supposing the financials were the latest, the limit will depend on your degree of risk aversion.**

# Case 2: Agrokor



# Agrokor – Financial Ratios and KPIs

## Conversion Rate HRK/USD

Dec-2010

Dec-2009

5.55721

5.08131

Key KPIs & Ratios	31/12/2010	31/12/2009
Current Ratio	1.09	0.67
Quick Ratio	0.13	0.04
Working Capital	56,261,685	-293,457,789
DSO	396	149
Inventory Turnover Ratio	2.08	1.93
DPO	586	188
Debt-to-Net Worth	3.78	3.92
Interest Coverage Ratio	127%	111%
ROE	9%	3%
ROA	2%	1%
EBITDA	2,928,628	-7,000,754

# Agrokor – Positive Points

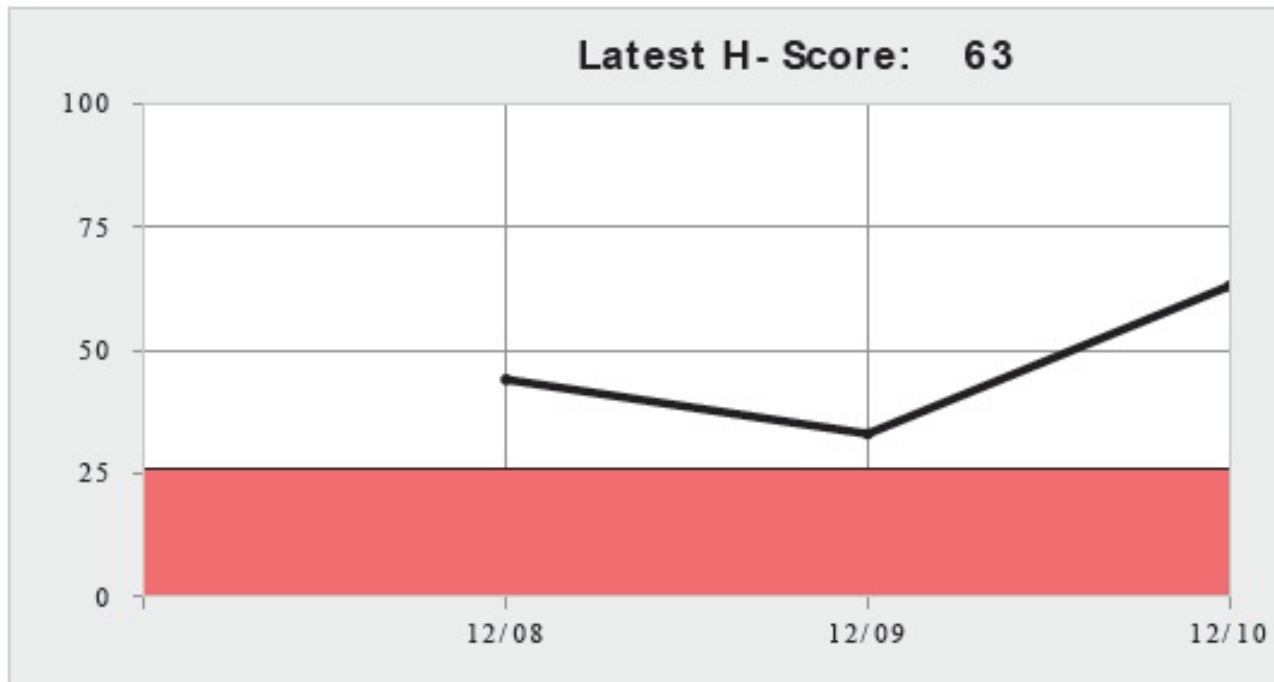
- ✓ Long established Group of over 20 years
- ✓ High number of employees
- ✓ The Group has more than 50 companies in Croatia and abroad
- ✓ Improving liquidity status
- ✓ Interest Coverage Ratio is adequate
- ✓ Improved profits from operating activities

# Agrokor – Negative Points

- ✓ Despite the improve, liquidity ratios are still borderline
- ✓ Takes too long to collect its receivables
- ✓ Takes even longer to pay its suppliers
- ✓ Low return on investment
- ✓ Relies heavily on debt for investments and takeovers

# Agrokor – Additional Information

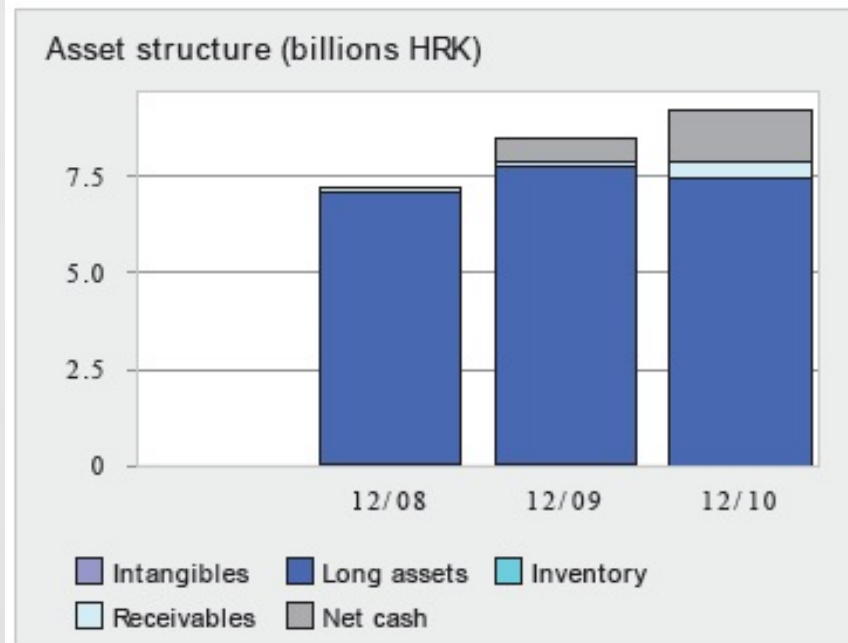
## Health Profile



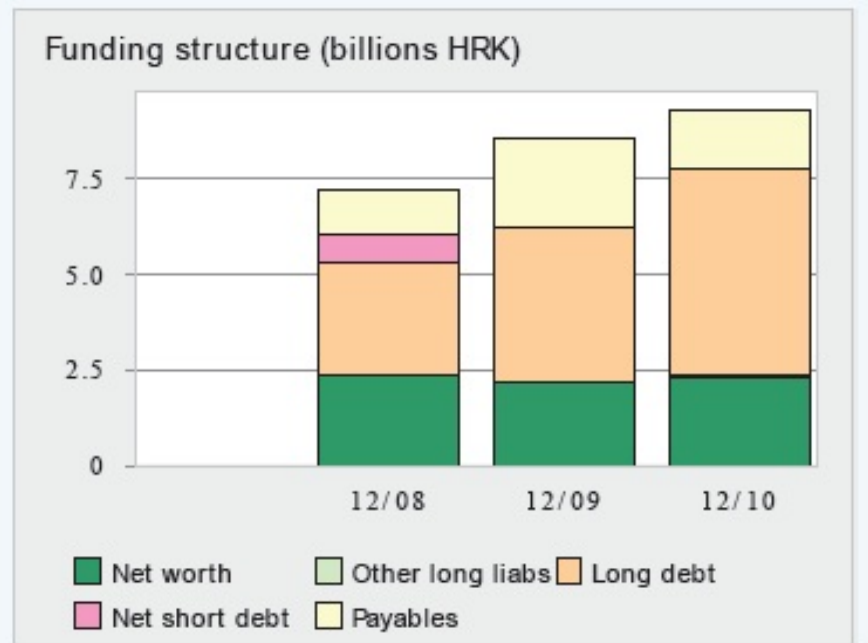
The H-Score is the overall measure of the company's financial health. Companies in the Warning Area (H-Score 25 or less) may be vulnerable and should be viewed with care. So long as any company remains outside the Warning Area, it has very little likelihood of financial distress.

# Agrokor – Additional Information

## Assets



## Funding



# Agrokör – Acceptance or Rejection?

- Depends on your degree of risk aversion
- Accept
- Reject a risk only when there is no valid reason to do otherwise.

# **Case 3: Shining Gold Public**

# Shining Gold Public – Positive Points

- ✓ Large asset base
- ✓ High sales turnover
- ✓ High basic trading profits 2010/2011
- ✓ Long established Group of over 50 years
- ✓ Many of the non-operating expenses have been eliminated / reduced.
- ✓ Subject Company operates in around 10 countries with over 300 stores and is the leading jewelry retailer in its region.
- ✓ Subject Company has distribution rights for several prestigious international brands.

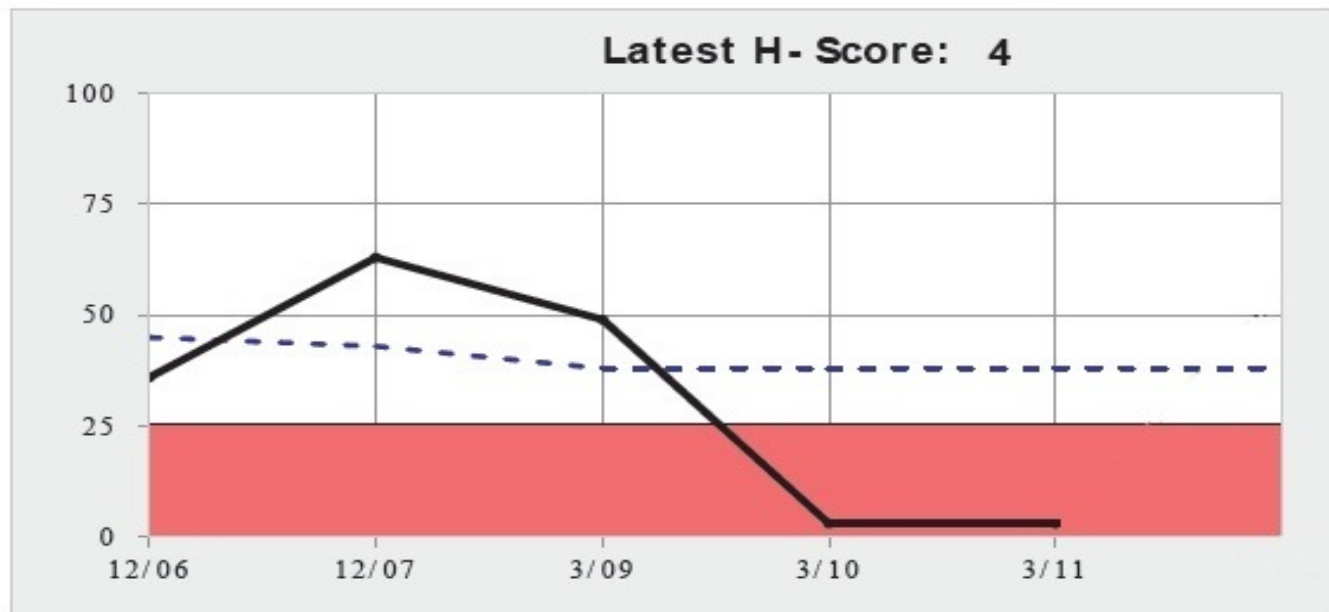


# Shining Gold Public – Negative Points

- ✓ High incidence of financial debt
- ✓ Liquidity vulnerable
- ✓ Fluctuation in terms of profitability
- ✓ Relatively low efficiency
- ✓ Decreasing Sales faced by increasing inventories

# Shining Gold Public – Negative Points

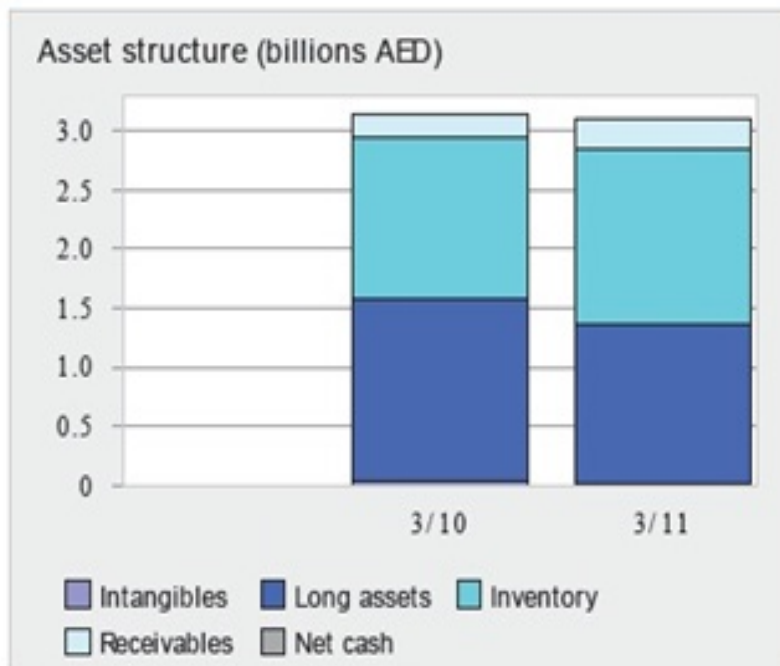
## Health Profile



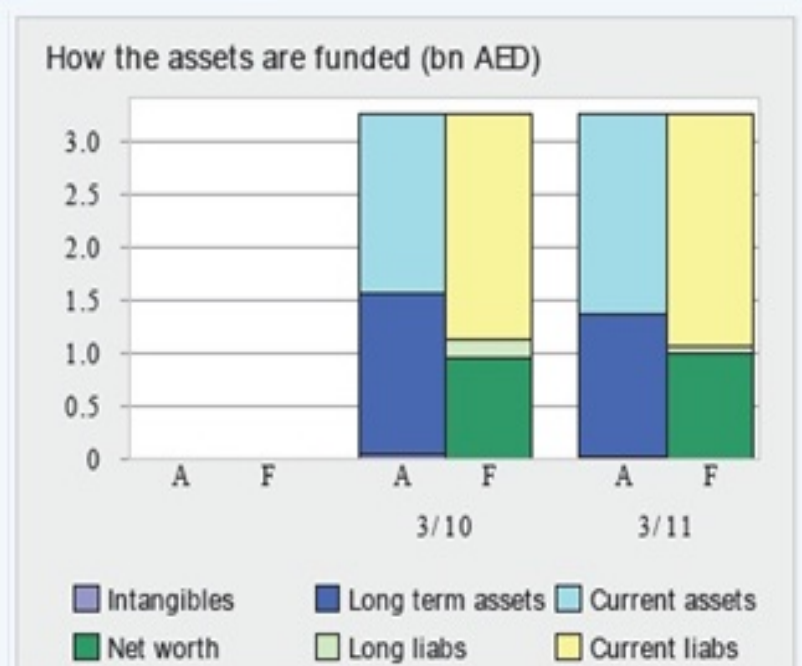
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# Shining Gold Public – Negative Points

## Assets



## Funding



# Shining Gold Public – Acceptance or Rejection?

- Reject the risk because the negative points outweigh the positive points

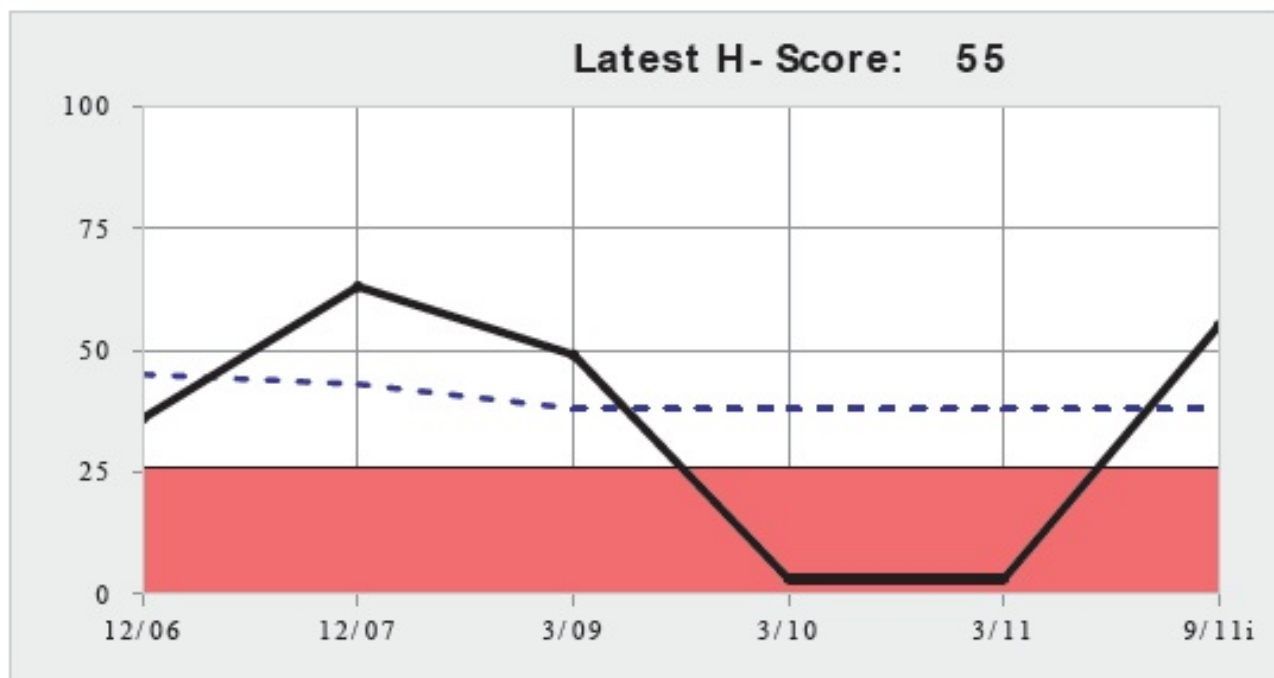
Do not take the information presented by your insured at face value...

# Shining Gold Public – What if...

- Shining Gold is actually Damas International Ltd
- Through extra research, you find out that Damas is actually going through some debt restructuring
- Damas is obtaining new debt covenants
  - *Short-term debt is now classified as long-term debt*
- *Company is public; hence, the presence of interim financials is of high certainty*

# Damas International Ltd – Revisited

## Health Profile

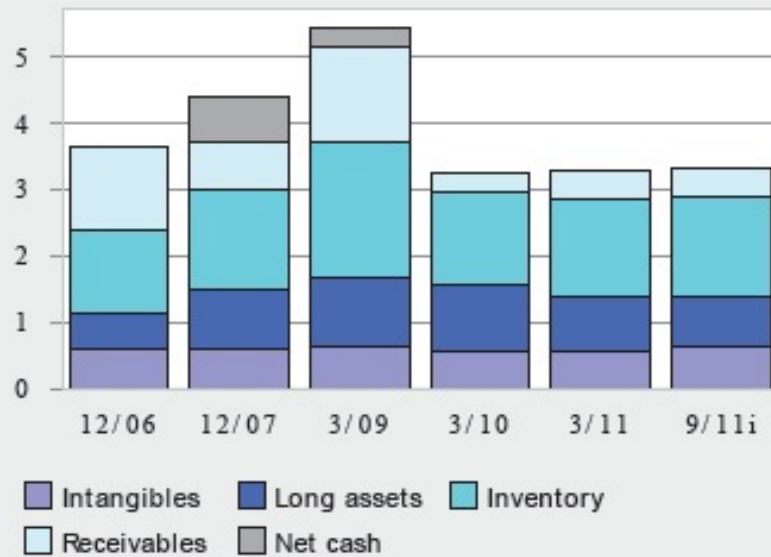


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# Damas International Ltd – Revisited

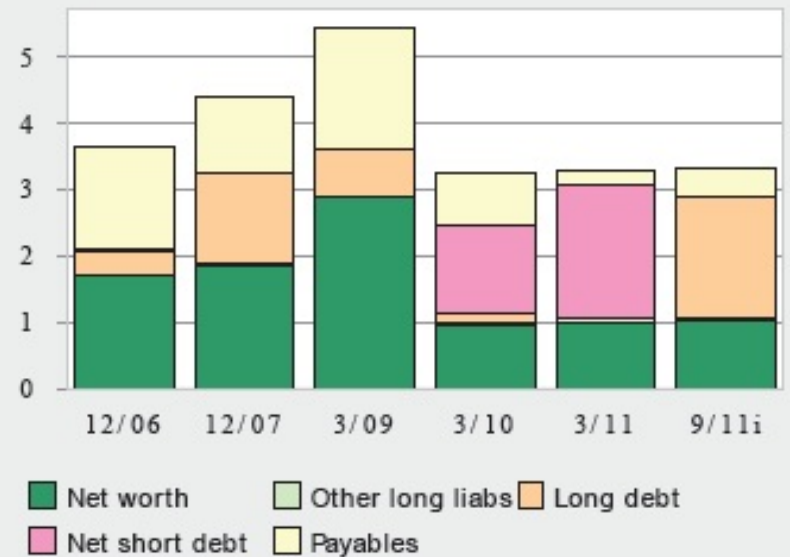
## Assets

Asset structure (billions AED)



## Funding

Funding structure (billions AED)



# Damas International Ltd – Acceptance or Rejection?

- Improving liquidity position
- Debt issue severity has diminished
- Company financial status is still uncertain, but given the improvements:
  - Partial limit can be granted
  - Close monitoring of accounts and reassessment of 2012 full year accounts