ANALYSIS OF THE FINANCIAL PERFORMANCE OF A DISTRIBUTION ENTERPRISE: EVIDENCE FROM SAM PULSAR DISTRIBUTORS LLC

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Abstract

The article assessed performance and stability of a distribution enterprise. Vertical, horizontal, and ratio analyses were applied to the 2024-2025 financial statements of SAM PULSAR DISTRIBUTORS LLC. The results showed substantial growth in assets, revenue, and net profit, while the accumulated loss was replaced by retained earnings. The current, quick, and absolute liquidity ratios remained below their reference levels. Net working capital became negative because short-term liabilities partly financed fixed assets. It was recommended that financing maturities be aligned with the asset structure, cash reserves be increased, receivables be controlled, and settlement terms with suppliers be improved. The findings supported sound managerial decision-making.

Keywords: distribution enterprise, financial performance, liquidity, financial stability, net working capital, profitability, accounts receivable, financial analysis.

Annotatsiya

Maqolada distribyutorlik korxonasining moliyaviy natijalari va barqarorligi kompleks baholandi. Tadqiqotda SAM PULSAR DISTRIBUTORS MChJning 2024-2025-yillardagi moliyaviy hisobotlari asosida vertikal, gorizontal va koeffitsiyent tahlili usullari qo‘llanildi. Natijalar korxona aktivlari, savdo tushumi va sof foydasi sezilarli oshganini, jamg‘arilgan zarar esa taqsimlanmagan foyda bilan almashganini ko‘rsatdi. Ayni paytda joriy likvidlik, tezkor likvidlik va mutlaq likvidlik ko‘rsatkichlari me’yoriy darajadan past bo‘lgani aniqlandi. Qisqa muddatli majburiyatlarning bir qismi asosiy vositalarni moliyalashtirishga yo‘naltirilgani sababli sof aylanma kapital manfiy shakllandi. Moliyalashtirish muddatlarini aktivlar tarkibiga moslashtirish, pul zaxirasini oshirish, debitorlik qarzlarini nazorat qilish va yetkazib beruvchilar bilan hisob-kitob shartlarini takomillashtirish taklif etildi. Olingan xulosalar asoslangan boshqaruv qarorlarini qabul qilishga xizmat qildi.

Kalit so‘zlar: distribyutorlik korxonasi, moliyaviy natijalar, likvidlik, moliyaviy barqarorlik, sof aylanma kapital, rentabellik, debitorlik qarzi, moliyaviy tahlil.

Аннотация

В статье комплексно оценивались финансовые результаты и устойчивость дистрибьюторского предприятия. На основе финансовой отчетности ООО SAM PULSAR DISTRIBUTORS за 2024-2025 годы применялись вертикальный, горизонтальный и коэффициентный методы анализа. Результаты показали значительный рост активов, выручки и чистой прибыли, а также замещение накопленного убытка нераспределенной прибылью. Одновременно было установлено, что коэффициенты текущей, быстрой и абсолютной ликвидности оставались ниже нормативных уровней. Чистый оборотный капитал сформировался отрицательным вследствие частичного финансирования основных средств краткосрочными обязательствами. Предлагалось согласовать сроки источников финансирования со структурой активов, увеличить резерв денежных средств, контролировать дебиторскую задолженность и совершенствовать условия расчетов с поставщиками. Полученные выводы могли использоваться при принятии обоснованных управленческих решений.

Ключевые слова: дистрибьюторское предприятие, финансовые результаты, ликвидность, финансовая устойчивость, чистый оборотный капитал, рентабельность, дебиторская задолженность, финансовый анализ.

INTRODUCTION

The efficiency of trade and distribution enterprises depends on how consistently they convert sales growth into a stable financial position. Expanding turnover, opening new retail outlets and extending commercial credit to customers all consume working capital, so the commercial result of a distributor cannot be judged from revenue alone. The national development agenda treats the growth of trade and services alongside the financial sustainability of enterprises as complementary objectives, and links the competitiveness of business entities to the quality of their financial management [1]. The strategic priorities set for the sector emphasise modernisation of logistics and distribution networks as a condition for stable economic growth [2]. Official statistics confirm the scale of the task: trade remains one of the largest contributors to gross value added and to employment in the country [3].

From a theoretical standpoint, the financial analysis of a trading company answers three distinct questions. The first concerns structure: how assets are composed and from which sources they are financed. The second concerns dynamics: how the scale of operations and financial results changed over the period. The third concerns quality: whether the achieved growth is supported by adequate liquidity, an acceptable debt burden and sufficient returns. Only the combination of the three perspectives produces a judgement that management can act upon, since each of them taken separately may point in a different direction.

This distinction matters particularly for distribution businesses. Their asset structure is dominated by inventories and receivables, their margins are thin, and their financial result is highly sensitive to the timing of settlements with suppliers and customers. A distributor may therefore report rapid revenue growth and rising profit while simultaneously accumulating a shortage of liquid resources, and the analytical procedure has to be capable of detecting such a divergence.

The aim of the article is to assess the financial performance of a distribution enterprise using a consistent analytical procedure and to identify the managerial measures required by the results obtained. The objectives are to examine the structure and dynamics of the balance sheet; to evaluate the structure and dynamics of financial results; to calculate liquidity, stability, profitability and turnover ratios; and to formulate recommendations addressing the weaknesses revealed.

LITERATURE REVIEW

Research on the analysis of enterprise financial performance has developed along three lines: the predictive use of financial ratios, the decomposition of profitability, and the management of working capital in trading and distribution businesses.

The predictive line originated from studies that tested the ability of accounting ratios to distinguish between financially sound and failing firms; ratios describing liquidity and the debt burden were shown to carry a signal several years before the actual failure [4]. The multivariate extension of this approach combined several ratios into a single discriminant score and became a standard reference point for solvency assessment [5]. Later work reformulated the task in probabilistic terms and demonstrated that the size of the firm, its financial structure and its current performance jointly determine the estimated probability of distress [6]. These studies established the principle that no single ratio is sufficient and that ratios must be interpreted as a system.

The second line links ratio analysis to the valuation and forecasting of profitability. A systematic scheme of financial statement analysis was proposed in which profitability is decomposed into operating and financing components, and typical values of the ratios were documented as benchmarks for forecasting [7]. Complementary evidence showed that the two drivers of operating profitability - profit margin and asset turnover - carry different information about future performance, so a decline in margin accompanied by accelerating turnover has a different meaning from a decline in both [8]. This distinction is directly relevant to distributors, whose business model rests on high turnover combined with a narrow margin.

The third line addresses working capital. Evidence from a large sample of firms established a negative relationship between the length of the cash conversion cycle and profitability, indicating that shortening the collection and inventory periods improves financial results [9]. A similar conclusion was reached for small and medium-sized enterprises, where managers were shown to be able to create value by reducing receivables and inventories to a reasonable minimum [10]. Classical texts on financial management provide the methodological apparatus for these calculations and set out the reference intervals commonly applied to liquidity and stability ratios [11].

The commercial side of distribution has been studied within marketing theory, where assortment management, channel organisation and the quality of work with retail outlets are treated as the principal determinants of sales efficiency [12], [13]. National research has adapted this apparatus to local conditions, covering integrated marketing communications [14] and applied marketing research procedures [15]. The literature therefore offers a developed toolkit on both sides, yet studies that connect the commercial performance of a distributor with the resulting structure of its balance sheet remain relatively scarce. The present article addresses this connection.

METHODOLOGY

The study applied a systematic approach combining vertical (common-size) analysis, horizontal (dynamic) analysis and ratio analysis. Vertical analysis expressed each item as a share of the balance sheet total or of net revenue; horizontal analysis measured absolute changes and growth indices between the two reporting dates; ratio analysis assessed liquidity, financial stability, profitability and business activity.

The information base consisted of the balance sheet and the statement of financial results of SAM PULSAR DISTRIBUTORS LLC as of 31 December 2024 and 31 December 2025 [16]. All amounts are stated in thousand soums. The composition of the reporting forms and the classification of items into current and non-current follow the general presentation requirements applied to financial statements [17].

The reference intervals used for interpretation were taken from the established practice of financial analysis: 1.0-1.5 for the current ratio, about 1.0 for the quick ratio, not less than 0.2 for the absolute liquidity ratio, above 0.5 for the equity ratio and below 1.0 for the debt-to-equity ratio [11]. Profitability was assessed through return on assets and return on equity, and business activity through the collection period of receivables and the payment period of payables [7].

Several arithmetic inconsistencies present in the initial working calculations were corrected before interpretation: the totals of current assets were recalculated from their components, the structural shares were rebased on the corresponding balance sheet totals, and growth indices were recomputed on a uniform basis. All figures reported below satisfy the internal balance checks.

ANALYSIS AND RESULTS

The analytical procedure was organised as a sequence of four stages, each producing an input for the next one. Structural analysis identifies where the resources are concentrated; dynamic analysis shows the direction of change; ratio analysis converts these observations into comparable indicators; and the interpretation stage translates them into managerial conclusions.

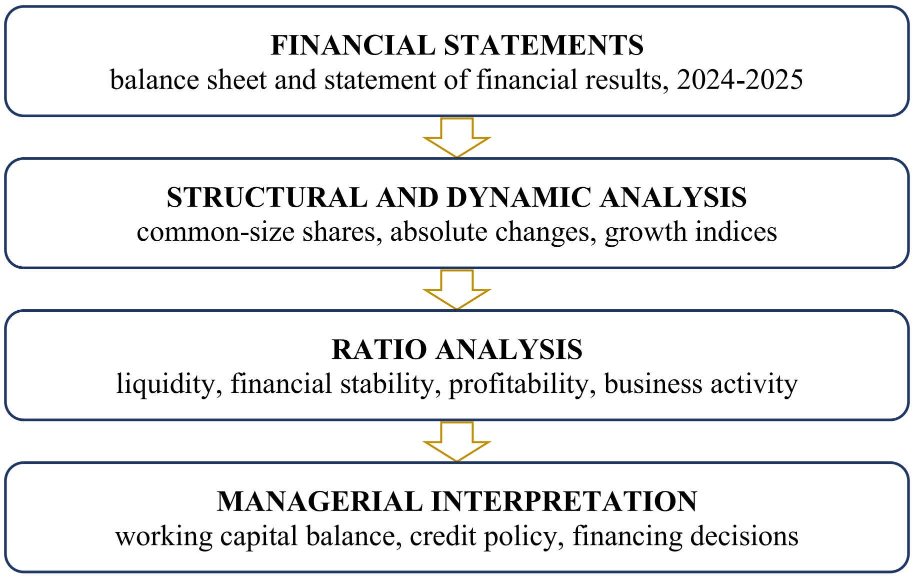

Figure 1. The sequence of the financial analysis procedure applied in the study[1]

[1] Source: compiled by the author on the basis of [7], [9], [11].

The common-size balance sheet is presented in Table 1. Total assets grew from 814,838.86 to 1,157,982.00 thousand soums, that is by 343,143.14 thousand soums or 42.1 per cent, which reflects an expansion of the scale of operations.

Table 1.

Common-size balance sheet of SAM PULSAR DISTRIBUTORS LLC as of 31 December 2024 and 31 December 2025, thousand soums[1]

Item	2024	2025	Share 2024, %	Share 2025, %
Fixed assets, net book value	549 642,50	903 749,50	67,45	78,05
Total non-current assets	549 642,50	903 749,50	67,45	78,05
Inventories (goods)	264 782,00	103 200,00	32,49	8,91
Trade and other receivables	0,00	142 955,50	0,00	12,35
Cash and cash equivalents	414,36	8 077,00	0,05	0,70
Total current assets	265 196,36	254 232,50	32,55	21,95
Total assets	814 838,86	1 157 982,00	100,00	100,00
Charter capital	691 412,00	691 412,00	84,85	59,71
Retained earnings (loss)	-59 184,17	99 638,00	-7,26	8,60
Total equity	632 227,83	791 050,00	77,59	68,31
Current liabilities	182 611,03	366 932,00	22,41	31,69
Total equity and liabilities	814 838,86	1 157 982,00	100,00	100,00

The asset side shows a pronounced shift towards non-current assets, whose share rose from 67.45 to 78.05 per cent as fixed assets increased by 354,107.00 thousand soums, or by 64.4 per cent. Such investment expands the operating base of the distributor, yet it simultaneously reduces the flexibility of the asset structure. Within current assets the composition changed substantially: inventories fell by 161,582.00 thousand soums and their share dropped from 32.49 to 8.91 per cent, while receivables appeared where there had been none and reached 12.35 per cent of total assets. Cash rose from 414.36 to 8,077.00 thousand soums, but its share remained below one per cent. In aggregate, current assets contracted slightly, from 265,196.36 to 254,232.50 thousand soums, so the entire growth of the balance sheet was concentrated in fixed assets.

The release of funds from inventories is a favourable development for a distribution business, since it indicates faster stock rotation. The simultaneous emergence of receivables, however, shows that part of the released resources was transferred into commercial credit granted to customers. The net effect on liquid resources was therefore close to neutral.

On the liabilities side the equity ratio declined from 77.59 to 68.31 per cent. The decline was not caused by a loss of capital: charter capital remained unchanged, and retained earnings moved from a deficit of 59,184.17 thousand soums to a positive 99,638.00 thousand soums, so equity grew by 158,822.17 thousand soums, an amount equal to the net profit of the reporting year. The structural decline reflects the faster

[1] Source: compiled by the author from the financial statements of the enterprise [16].

growth of current liabilities, which doubled from 182,611.03 to 366,932.00 thousand soums. Since long-term borrowings were absent throughout, the whole of the additional financing was short-term.

This observation leads to the central structural finding of the analysis. Net working capital, measured as the difference between current assets and current liabilities, moved from a positive 82,585.33 thousand soums in 2024 to a negative 112,699.50 thousand soums in 2025. Part of the fixed assets acquired during the year was thus financed from short-term sources, which is the immediate cause of the liquidity weakness discussed below [9].

The financial results are summarised in Table 2, which combines the dynamic and the structural view of the statement of financial results.

Table 2.

Dynamics and structure of the financial results of SAM PULSAR DISTRIBUTORS LLC, 2024-2025, thousand soums[1]

Indicator	2024	2025	Change (+/-)	Growth index, %	Share of revenue 2024, %	Share of revenue 2025, %
Net revenue from sales	3 046 233,87	17 032 849,00	13 986 615,13	559,1	100,00	100,00
Cost of sales	2 921 584,51	16 487 739,00	13 566 154,49	564,3	95,91	96,80
Gross profit	124 649,36	545 110,00	420 460,64	437,3	4,09	3,20
Period expenses	84 658,18	358 261,00	273 602,82	423,2	2,78	2,10
Operating profit	39 991,18	186 849,00	146 857,82	467,2	1,31	1,10
Profit before income tax	39 991,18	186 849,00	146 857,82	467,2	1,31	1,10
Net profit	33 992,58	158 822,00	124 829,42	467,2	1,12	0,93

Revenue increased more than fivefold, and every level of profit grew at a comparable pace, with net profit rising 4.7 times. The structural columns, however, qualify this result. The share of the cost of sales rose from 95.91 to 96.80 per cent of revenue, and the gross margin narrowed correspondingly from 4.09 to 3.20 per cent. Period expenses were contained: their share fell from 2.78 to 2.10 per cent, which partly offset the margin compression. The net margin nevertheless declined from 1.12 to 0.93 per cent.

Interpreted through the decomposition of operating profitability, this pattern is characteristic of a distribution model in which growth is achieved through turnover rather than through margin [8]. The absolute profit gain is real and substantial, yet each additional soum of revenue now carries a thinner profit layer, so the sustainability of the result depends on maintaining volume and on the continued control of period expenses.

Table 3 presents the ratios calculated from the reporting data for 2025 together with their reference intervals.

[1] Source: compiled by the author from the financial statements of the enterprise [16].

Table 3.

Liquidity, financial stability, profitability and business activity ratios of SAM PULSAR DISTRIBUTORS LLC, 2025[1]

Ratio	Calculation	Value	Reference level	Assessment
Current ratio	254 232,50 / 366 932,00	0,69	1,0-1,5	Below level
Quick ratio	(8 077,00 + 142 955,50) / 366 932,00	0,41	about 1,0	Below level
Absolute liquidity ratio	8 077,00 / 366 932,00	0,02	not below 0,2	Below level
Equity ratio	791 050,00 / 1 157 982,00	0,68	above 0,5	Favourable
Debt-to-equity ratio	366 932,00 / 791 050,00	0,46	below 1,0	Favourable
Return on assets	158 822,00 / 1 157 982,00	13,7 %	-	Favourable
Return on equity	158 822,00 / 791 050,00	20,1 %	-	Favourable
Collection period of receivables	(142 955,50 / 17 032 849,00) × 365	3 days	-	Fast settlement
Payment period of payables	(366 932,00 / 16 487 739,00) × 365	8 days	-	Fast settlement

The three liquidity ratios stand consistently below their reference intervals. The current ratio of 0.69 indicates that current assets cover only about two thirds of short-term obligations; the quick ratio of 0.41 shows that readily realisable assets cover less than half of them; and the absolute liquidity ratio of 0.02 leaves virtually no immediate payment capacity. Taken together with the negative net working capital established above, these values identify a financing mismatch rather than a loss of profitability [4], [6].

The stability and return indicators point in the opposite direction. The equity ratio of 0.68 and the debt-to-equity ratio of 0.46 describe a capital structure with a moderate debt burden and no long-term borrowings. Return on assets of 13.7 per cent and return on equity of 20.1 per cent indicate that the resources employed generate an adequate return for the owners [7].

The turnover indicators explain how the two groups of ratios coexist. Receivables are collected in approximately three days and payables are settled in approximately eight days, so the operating cycle is extremely short. Such speed keeps the business solvent in daily practice despite the weak balance sheet ratios, because obligations are met from the incoming revenue stream rather than from accumulated reserves. At the same time, settling with suppliers within eight days means that supplier credit is used only marginally as a source of financing, which is a reserve the enterprise has not yet exploited [10].

The analysis therefore yields three findings. First, the growth of the enterprise was genuine and was accompanied by a transition from loss to profit. Second, the growth was financed in a structurally unbalanced way, since short-term liabilities funded part of the long-term assets. Third, the profitability of sales narrowed slightly, which makes

[1] Source: calculated by the author from the financial statements of the enterprise [16]; reference levels according to [11].

the financial result increasingly dependent on maintaining volume and on the speed of settlements.

CONCLUSION AND SUGGESTIONS

The study assessed the financial performance of a distribution enterprise through a consistent sequence of structural, dynamic and ratio analysis. The results describe a company in a phase of rapid expansion: total assets grew by 42.1 per cent, revenue by more than five times, and the accumulated deficit was replaced by retained earnings of 99,638.00 thousand soums.

The favourable and the unfavourable characteristics of the financial position have a common origin. Investment in fixed assets strengthened the operating base and supported the increase in turnover, but it was financed partly from short-term sources, which pushed all liquidity ratios below their reference intervals while leaving the equity ratio and the return indicators favourable. The very short operating cycle currently compensates for this mismatch, yet it also means that any interruption in the revenue stream would be transmitted immediately to the settlement capacity [9].

The following recommendations follow from the analysis. First, matching the maturity of financing sources to the maturity of assets is the primary measure: converting part of the short-term liabilities into a long-term facility would restore positive net working capital without reducing the scale of operations. Second, a minimum cash balance sufficient to cover current payments should be established and monitored, since the absolute liquidity ratio of 0.02 leaves no buffer at all [11].

Third, negotiating longer payment terms with suppliers would use commercial credit as a financing source; with payables currently settled in eight days, this reserve is substantial and does not require additional borrowing [10]. Fourth, the credit policy applied to customers should be formalised, with limits and terms fixed by counterparty, so that the newly created receivables remain under control as volumes grow [9]. Fifth, the compression of the gross margin calls for a review of the assortment and of the terms obtained from principals, since in a distribution model even a small margin improvement produces a considerable absolute effect at the achieved level of turnover [8], [12].

Sixth, the assortment and channel structure should be assessed jointly with the financial indicators, because decisions on retail coverage and on the depth of the product range determine both the revenue base and the inventory requirement [13], [15]. Seventh, the set of ratios calculated above should be monitored quarterly rather than annually, which would allow the financing mismatch to be detected before it affects settlement discipline [5].

A promising direction for further research is the extension of the analysis to a panel of distribution enterprises operating in the region, which would make it possible to establish sector benchmarks for the ratios examined here and to test statistically the relationship between the length of the operating cycle and profitability in the national trade sector [14].

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