

Healthmax Pvt Ltd

Healthmax is a private limited pharmaceutical company which has been trading for 10 years. The company's accounting year end is 31 December. Summary financial information for the four years ending 31 December 2015 is shown below.

	2012	2013	2014	2015
PROFIT & LOSS ACCOUNT	Actual	Actual	Actual	Actual
(extracts)	£m	£m	£m	£m
Turnover	155	165	185	195
Opening stock	20	15	18	16.5
Add Purchases	116	133	144.5	157.5
Less Closing stock	-15	-18	-16.5	-19
Cost of Sales	121	130	146	155
Gross Profit	34	35	39	40
Add other income	5	5	5	5
Profit before interest	39	40	44	45
Interest paid	-11.7	-12	-15.2	-15.7
Net Profit	27.3	28	28.8	29.3
Ordinary Dividend	-19.5	-19.5	-19.5	-19.5
Retained Earnings	7.8	8.5	9.3	9.8

Balance Sheet (Extracts)

	2012	2013	2014	2015
Assets				
Tangible Fixed Assets	30	46.5	94.3	116.9
Goodwill	50	45	35	30
Cash				
Stocks	15	18	16.5	19
Debtors	55	62	70	60
Total Current Assets	70	80	86.5	79

Creditors	-62	-75	-70	-70.3
Total Current Liabilities	-62	-75	-70	-70.3
15 year bank loan	0	0	-40	-40
Net Assets	88	96.5	105.8	115.6

Financing

Ordinary Shares	45	45	45	45
Share Premium	20	20	20	20
Reserves	23	31.5	40.8	50.6
Shareholders' Funds	88	96.5	105.8	115.6

Notes:

The issued share capital of the company comprises 45 million ordinary shares at a par value of £1 each.

The company has grown steadily for several years but increasingly competitive market conditions are forecast for 2016. The directors, the main shareholders, now believe it would be preferable if the company were to become part of a more internationally-based organisation in order to achieve greater efficiencies and to speed the introduction of new markets and a more wider variety of products.

The company's ten year plan forecasts that turnover will increase by 10% over each of the following 5 years and increase annually by 13% thereafter.

Ranbax Inc, an international publicly quoted US-based pharmaceutical retailer has expressed an interest in buying the ordinary share capital of Healthmax as part of its strategic development plan to widen its business in the European Region.

You have been appointed as a financial consultant to prepare an investment proposal for Healthmax.

You are required to analyse the given financial statements using the following ratios and comment on the performance of the company.

Performance ratios

Liquidity ratios

Efficiency ratios

Investor ratios

Lending ratios

Each set of ratios must be accompanied by a brief interpretation.