



FINANCIAL PERFORMANCE AND PROFITABILITY ANALYSIS OF AN AGRO CLUSTERS

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ABSTRACT	KEY WORDS
This article examines the financial performance and profitability of an enterprise operating in Uzbekistan using figures from its income statement. The analysis focuses on net sales revenue, cost of goods sold, gross profit, operating expenses, other operating income, financial income, financial expenses, profit before tax, income tax, and net profit. Descriptive financial analysis and ratio calculations are used to assess the enterprise's ability to convert revenue into profit and to identify the main factors affecting its financial results. The findings indicate that the enterprise generated net sales revenue of financial income in Uzbekistan.	Financial performance, profitability, net profit, operating expenses, interest expenses, foreign-exchange risk, Uzbekistan.

Introduction

Financial performance analysis is an essential element of enterprise management because it helps managers, investors, lenders, and other stakeholders evaluate the efficiency of business operations and the sustainability of profit generation. Revenue growth alone does not necessarily indicate strong financial performance. An enterprise may generate substantial sales while retaining only a small proportion of revenue as net profit because of production costs, administrative expenses, borrowing costs, foreign-exchange losses, and taxation.

For enterprises operating in Uzbekistan, financial performance analysis is particularly relevant when businesses face changes in input prices, borrowing costs, exchange rates, and domestic market conditions. These factors can influence both operational efficiency and the final financial result. A detailed income statement makes it possible to distinguish between operating profitability and the effects of financing activities. The purpose of this article is to evaluate the financial performance of an enterprise using the supplied income statement. The analysis addresses three research questions: (1) How efficiently does the enterprise convert sales revenue into gross and operating profit? (2) To what extent do financial income and financial expenses affect profit before tax? (3) What financial management measures could help improve net profitability? The article provides a structured assessment of the enterprise's financial results for the reported period.

2. Materials and Methods

The study uses secondary financial data extracted from the enterprise's income statement. The available figures include sales revenue, the cost of goods sold, operating expenses, other operating income, financial income, financial expenses, profit before tax, income tax, and net profit. A descriptive financial analysis was applied.

The principal indicators were calculated using the following formulas:

- Gross profit: $GP = R - COGS$
- Operating profit: $OP = GP - OE + OI$
- Profit before tax: $PBT = OP + FI - FE$
- Net profit: $NP = PBT - T$
- Gross margin = $(GP / R) \times 100$
- Operating margin = $(OP / R) \times 100$
- Net margin = $(NP / R) \times 100$
- Financial expense ratio = $(FE / R) \times 100$

Here, R denotes net sales revenue, COGS is the cost of goods sold, OE represents operating-period expenses, OI is other operating income, FI denotes financial income, FE represents financial expenses, and T is income tax. The analysis uses the reported amounts without adjusting for inflation, changes in accounting policies, or differences between accounting and taxable profit. Because only one reporting period is available and no balance sheet or cash-flow statement was supplied, the study cannot establish long-term trends or provide a complete assessment of liquidity and solvency.

Hypotheses

Hypothesis	Expected sign	Rationale
H1: Access to finance is associated with financial stability.	Positive (+)	Working capital supports seasonal operations and investment.
H2: Agricultural productivity is associated with financial stability.	Positive (+)	Higher output per input can improve margins.
H3: Market diversification is associated with financial stability.	Positive (+)	Diversification may reduce revenue concentration risk.
H4: Input-cost exposure is associated with financial stability.	Negative (-)	Cost volatility can squeeze margins and liquidity.

3. Results

3.1. Revenue, production costs, and gross profitability

The enterprise reported net sales revenue of UZS 175,876,884.69. The cost of goods sold amounted to UZS 159,412,075.51. The difference between these figures represents gross profit of UZS 16,464,809.18.

Table 1. Financial statement description

Indicator	Amount (UZS)
Net sales revenue	175,876,884.69
Cost of goods sold	159,412,075.51
Gross profit	16,464,809.18
Cost of goods sold / revenue	90.64%
Gross profit margin	9.36%

The gross profit margin was approximately 9.36%. This means that the enterprise retained approximately UZS 9.36 in gross profit for every UZS 100 of sales revenue before accounting for operating-period expenses and financial activities. The cost of goods sold absorbed approximately 90.64% of sales revenue, leaving a limited gross margin. Whether this margin is adequate depends on the enterprise's industry, business model, pricing strategy, and operating cost structure. Management should examine the main cost drivers, including raw materials, labor, energy, transportation, and other direct costs.

3.2. Operating performance

Total operating-period expenses were UZS 4,777,376.13. These consisted of selling expenses of UZS 891,541.81, administrative expenses of UZS 1,079,531.86, and other operating expenses of UZS 2,806,302.46. Other operating income amounted to UZS 2,116,693.04. Based on the reported income statement, operating profit was UZS 13,804,126.09.

Table 2. Financial value description

Indicator	Amount (UZS)
Gross profit	16,464,809.18
Selling expenses	891,541.81
Administrative expenses	1,079,531.86
Other operating expenses	2,806,302.46
Total operating-period expenses	4,777,376.13
Other operating income	2,116,693.04
Operating profit	13,804,126.09
Operating profit margin	7.85%

The operating profit margin was approximately 7.85%, equivalent to UZS 7.85 in operating profit per UZS 100 of sales revenue. Other operating expenses represented the largest category among the three disclosed operating expense items, accounting for approximately 58.74% of total operating-period expenses. Selling expenses represented approximately 18.66%, while administrative expenses accounted for around 22.60%. A detailed breakdown is needed to distinguish unavoidable operating costs from potentially reducible expenditure. Other operating income also supported profitability: without this income, and assuming all other figures remained unchanged, operating profit would have been UZS 11,687,433.05.

3.3. Financial income, financial expenses, and profit before tax

Financial income totaled UZS 10,780,439.27, consisting of income from foreign-exchange differences. Financial expenses amounted to UZS 24,410,980.20, including interest expenses of UZS 14,972,418.51 and foreign-exchange losses of UZS 9,438,561.69.

Table 3. Financial estimation description

Indicator	Amount (UZS)
Operating profit	13,804,126.09
Financial income	10,780,439.27
Interest expenses	14,972,418.51
Foreign-exchange losses	9,438,561.69
Total financial expenses	24,410,980.20
Net financial result	-13,630,540.93
Profit before tax	173,585.16

Financial expenses exceeded financial income by UZS 13,630,540.93. As a result, profit before tax fell to UZS 173,585.16. Interest expenses represented approximately 61.33% of total financial expenses, while foreign-exchange losses accounted for approximately 38.67%. The size of these costs indicates that reviewing the financing structure should be a management priority. Without loan balances, interest rates, maturities, and repayment schedules, the underlying drivers cannot be determined conclusively. Similarly, the currency composition of assets, liabilities, receivables, and payables is needed to assess foreign-exchange exposure.

3.4. Income tax and net profitability

The income statement reports profit before tax of UZS 173,585.16 and income tax of UZS 151,841.94. Reported net profit was UZS 21,743.22.

Table 4. Financial indicator causation

Indicator	Result
Profit before tax (UZS)	173,585.16
Income tax (UZS)	151,841.94
Net profit (UZS)	21,743.22
Profit before tax / revenue	0.0987%
Net profit margin	0.0124%
Income tax / reported profit before tax	87.50%

The net profit margin was approximately 0.0124%. The enterprise therefore retained only around UZS 0.012 in net profit for every UZS 100 of sales revenue. The reported income tax was approximately 87.50% of profit before tax, an unusually high ratio when interpreted as a simple effective tax rate. It may reflect tax adjustments, minimum tax obligations, differences between accounting and taxable profit, or a reporting or classification issue; the available information does not establish which explanation applies. The figures are arithmetically consistent because UZS 173,585.16 minus UZS

151,841.94 equals UZS 21,743.22. The tax calculation should nevertheless be reconciled with the enterprise's tax return and applicable accounting requirements.

4. Discussion

The findings reveal a substantial difference between operating profitability and final net profit. The enterprise generated gross profit of UZS 16.46 million and operating profit of UZS 13.80 million, yet profit before tax was only UZS 173,585 and net profit amounted to UZS 21,743. This pattern suggests that the principal concern is not simply the ability to generate sales; rather, expenses incurred after operating profit is calculated—especially interest expenses and foreign-exchange losses—substantially reduce the final result. The first management priority should be to examine the financing structure. Management should compare the cost of existing borrowing with alternative financing arrangements, assess debt maturity concentrations, and evaluate whether cash-flow forecasts support scheduled interest and principal payments. Refinancing should only be considered where the total cost, contractual terms, and risks are favorable. The second priority is foreign-exchange risk management. The enterprise should measure its net exposure by currency and distinguish realized exchange differences from unrealized revaluation effects where the applicable accounting rules permit this distinction. Scenario analysis could show how exchange-rate changes affect financial expenses. Where appropriate and legally available, matching foreign-currency income with foreign-currency obligations may reduce unhedged exposure.

Third, the enterprise should examine direct production or service costs. Since the cost of goods sold absorbs approximately 90.64% of revenue, improvements in procurement, production efficiency, waste reduction, or pricing may affect gross profitability. Operating expenses should also be reviewed, particularly other operating expenses. A detailed breakdown by expense type, department, and business activity would help identify potential savings without undermining essential operations. Finally, the unusually high ratio of reported income tax to profit before tax should be reconciled. The enterprise should verify the tax calculation and the consistency of the income statement with its tax records. A single-period income statement cannot demonstrate whether performance is improving or deteriorating, nor can it establish causal relationships. Multi-year data supported by balance-sheet and cash-flow information would allow a more complete assessment of financial sustainability.

5. Conclusion

This article analyzed an enterprise's financial performance using its reported income statement in Uzbekistan agro cluster approach. The enterprise generated net sales revenue of UZS 175.88 million, gross profit of UZS 16.46 million, and operating profit of UZS 13.80 million. Its gross profit margin was approximately 9.36%, while its operating profit margin was approximately 7.85%. Despite these operating results, total financial expenses reached UZS 24.41 million, exceeding financial income of UZS 10.78 million. The resulting negative net financial result reduced profit before tax to UZS 173,585.16. After reported income tax of UZS 151,841.94, net profit was only UZS 21,743.22, corresponding to a net profit margin of approximately 0.0124%.

The results identify three key areas for improvement: managing borrowing costs, reducing unhedged foreign-exchange exposure, and controlling production and operating expenses. The reported income tax should also be reconciled with the enterprise's tax records because its ratio to profit before tax is unusually high. Future research should extend the analysis across several financial years and

incorporate balance-sheet and cash-flow indicators to determine whether low net profitability is temporary or persistent.

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