AN ANALYSIS OF THE FINANCIAL PERFORMANCE OF COMPANIES LISTED ON THE UGANDA STOCK EXCHANGE

A CASE STUDY OF UGANDA CLAYS LIMITED

BY

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ABSTRACT

The purpose of the study was to analyze the financial performance of companies listed on the Uganda Stock exchange. The study focused in examining the trend of profitability and liquidity of listed companies, the trend of operating efficiency and financial leverage of the listed companies plus establishing the cash flow patterns of listed companies.

The study adopted the quantitative research methodology, with a population comprising 16 companies listed on the USE from which UCL was selected using purposive sampling.

The findings of the study revealed that UCL was performing poorly financially for all areas examined under profitability, liquidity, operating efficiency and financial leverage. The net profit margin, ROI and ROCE were negative for three out of five years examined. Similarly the current ratios, quick ratios, stock turnover times, gross profit margin, among other ratios were all below acceptable levels for all the years under review. The cash flows from operating activities were far below those the earlier years and decreasing over time.

The study recommended that UCL should strive to reduce its operating costs especially at the Kamonkoli factory, adopt an aggressive sales and marketing drive and look for alternative markets to boost their incomes. This will help them to fully settle their loan obligations and in the long run be able to pay their shareholders a divided they haven’t seen since 2007.

Additionally, the study recommends management to solicit for cheaper suppliers of heavy fuel oil, known as furnace oil, used in the drying of clay that increases production costs.

The study suggested other research areas such as non-financial performance analysis for companies to support the financial performance reviews.

Conclusion

Listed companies must strive to better their financial results or else they risk divestment by the unsatisfied shareholders who always want a return through a divided payment.