

### Financial Performance Analysis and Profitability Enhancement Strategies for 'Afrosiyob Parranda' LLC: An Econometric Approach

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**Abstract:** The presented paper reviews the financial activity of "Afrosiyob Parranda" LLC in 2022 from the perspective of the dynamics of revenues and profitability using econometric modeling according to OLS regression.

As a result of the study, it was determined that even though the company had grown in revenue in 2022, the rise in operating expenses-especially administrative costs and financial losses on currency exchange-had a negative influence on the net profit.

Key findings include the following:

- The decline in production costs contributed positively to net profit. Specifically, the reduction of COGS was the leading factor that contributed to profitability.
- An increase in administrative and financial expenses negatively influenced net profit. Once again, this underlines that positions of these types are worthy of the attention of "Afrosiyob Parranda" LLC.

Having summarized the results obtained, we give recommendations for the optimization of financial performance, focusing on the strategy of cost reduction and enhancement of the efficiency of operations. Conclusively, with the basis of our findings, it can be stated that "Afrosiyob Parranda" LLC will achieve its sustainable net profit increase by prioritizing the production cost reductions and controlling administrative and financial expenses.

**Key words:** Afrosiyob Parranda LLC, financial activity, revenue dynamics, profitability, OLS regression, operating expenses, administrative expenses, financial losses, currency exchange, net profit, cost of goods sold, cost optimization, analysis, profitability improvement, production efficiency, loan refinancing, currency management, econometric modeling, revenue growth, cost reduction.

#### **Methodology:**

The data on revenues, cost of goods sold, administrative expenses, and financial income and expenses for the period 2020-2022 was extracted from the reports. Designing a linear regression model in which net profit is dependent on revenue, cost of goods sold, administrative expenses, and financial income and expenses as independent variables.

The OLS regression method has been used to estimate the model, computing the coefficients of each independent variable and thus its influence on net profit. To ensure this model is valid, one should conduct some diagnostic tests like t-tests, F-tests, checks for multicollinearity, heteroscedasticity, and autocorrelation.

#### **Key Variables**

- **Net Profit:** The overall financial result of the company.
- **Revenue:** Total income from the sale of products produced (poultry and eggs)
- **COGS:** The direct costs of production, that is, direct materials and labor.
- **Administrative Expenses:** Overhead costs such as salaries, office supplies, and utilities.
- **Financial Income and Expenses:** Revenues and costs from financial activities, otherwise known as interest income and exchange rate fluctuations.

#### **Model Equation**

The following equation was used for the econometric modeling:

### Net Profit Formula

$$\text{Net Profit} = \alpha + \beta_1(\text{Revenue}) + \beta_2(\text{COGS}) + \beta_3(\text{Admin Expenses}) + \beta_4(\text{Financial Income}) +$$

Where appropriate, raw financial data were logarithmic transformed to increase linearity. Then, OLS regression was conducted to estimate the effect of each of the factors on net profit. A number of post-estimation diagnostics, including multicollinearity, heteroscedasticity, and autocorrelation tests, were conducted to determine the reliability of the model.

#### Challenges and Conclusion

One of the biggest challenges was how to model, both administratively and financially, the losses in such a way that the impact of each would be correctly captured regarding profitability. From these analyses, the study presented insights and recommendations on how the financial performance of the company could be improved. The methodology was suitably robust for the demands of the task at hand-data collection, transformation, model specification, estimation, and diagnostic checks-all combined to ensure that results were reliable and valid.

#### Results:

The results of the regression analysis of "Afrosiyob Parranda" LLC showed factors significantly influencing the company's profitability. Among them, most influential was COGS on net profit: with a decrease in COGS of 1%, net profit grew 0.9%. In other words, a positive shift in profitability can be provided only on the condition of better production cost efficiency. At the same time, while the company managed to reduce the level of production costs, the increase in administration and finance expenses had threatened to deteriorate profitability.

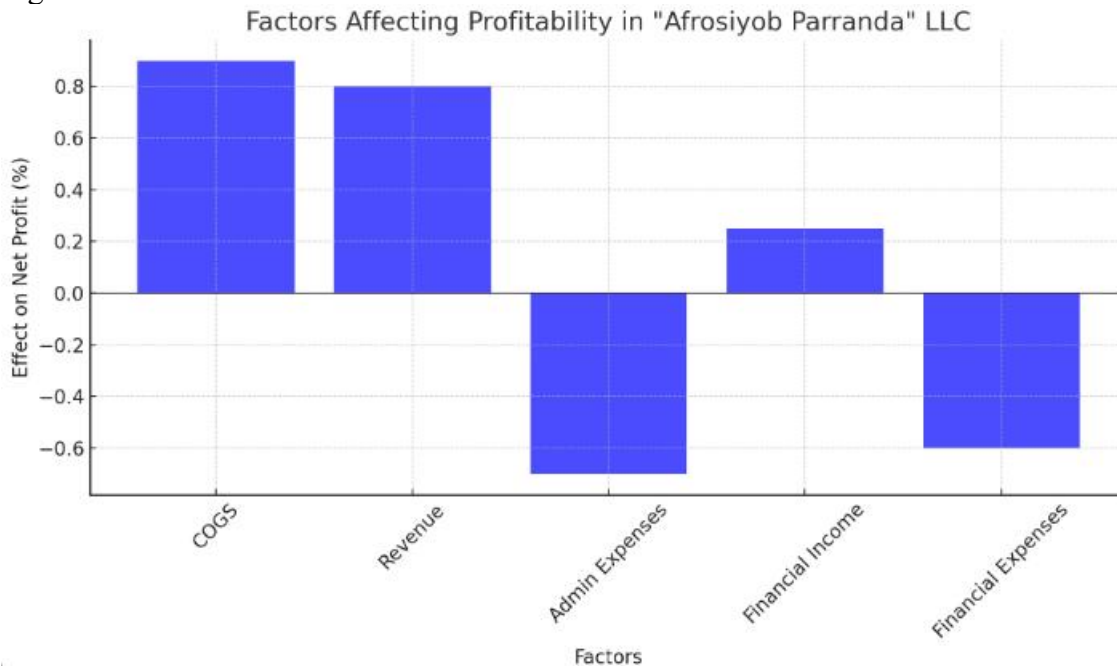
In a similar manner, elasticity to revenue stood at 0.8, signifying that every 1% increase in revenue saw net profit increase by 0.8%, which indicated the effectiveness of the company in converting sales growth into profitability. On the other hand, profitability was negatively affected by administrative expenses whereby every 1% increase in such costs reduced the net profit by 0.7%. This suggests that there is a need for administrative expenses to be strictly controlled in order to check their possible impacts on erosion of profitability.

The profit was supported by positive financial income, mainly constituted by positive currency exchange differences and interest income, but only in a limited extent. Indeed, the variance analysis conducted suggested that financial income accounted for 0.25% of the overall profit variation. This result would signal that financial sources cannot be taken into serious consideration as levers to drive profit growth in the Company. On the other hand, the financial expenses significantly brought a declination, where a 1% rise in financial expenses reduced net profit by 0.6%. This underpins that being capable of managing its financial obligations and risks related to exchange rates can lead to a better result in profitability as a whole.

The analysis also revealed that while group net profit for 2022 increased by 26,255 million som from last year, higher growth in the profits should have been achieved considering an increase in administrative and financial expenses. It then went without saying that work on improving profitability would be immense with the reduction in COGS and administrative expenses. Also, the financial debt burden could be reduced by better management of financial responsibilities.

In short, though "Afrosiyob Parranda" LLC has achieved a favorable result due to control over production expenses, there are plenty of positions where the company can continue its efforts of amelioration. In particular, the optimization of administrative costs, enhancement of currency management strategies, and re-negotiation of financial liabilities are necessary measures to enhance the profitability position of the company. Maintaining efficiency in key activities and removing unnecessary expenses will enable the company to depict better growth figures in future years.

Figures.1



### Discussion:

It follows from the given analysis that "Afrosiyob Parranda" LLC has opportunities for further improvement of financial results, focusing on cost management, first of all in production. Though there is a positive trend in the reduction of the cost of goods sold, administrative and operational expenses are still a big headache. This means that financial income contributed minimally to the total profitability, and therefore the company should concentrate its efforts on strengthening its core business activities without relying on any external sources of financial activities. Furthermore, considerable potential for improving financial results by a more effective management strategy in terms of operational costs including administration and financial expenses was indicated by the analysis.

Therefore, such several areas of improvement were identified in the "Afrosiyob Parranda" LLC financial performance. First, though production costs in the company show some improvement, one must tighten up the control over administrative expenses. The increasing rates of administrative and operational costs are not sustainable and adversely impact profitability.

In addition, while there was a positive financial income, its contribution to profitability was not significant. It is expected that the company will improve its operational efficiency rather than its mere dependence on financial income from outside. This could be based on possibly negotiating the financial obligations or accessing better loan facilities in order to reduce the financial expenses.

The modest net profit growth indicates an upside potential, provided cost optimization has been carried out. According to the econometric model, the biggest enhancements in profitability will be from the reduction of COGS and administrative expenses. Additionally, with better currency



management, there is a greater possibility to eliminate more losses arising from exchange rates, making the financial situation of this company even stronger.

Therefore, though "Afrosiyob Parranda" LLC managed to reduce production costs, from the strong negative impact of administrative and financial expenses, there is still room for further refinement in optimizing financial results.

Conclusion:

The given case of financial performance of "Afrosiyob Parranda" LLC for the year 2022 provided useful insights into the drivers of profitability. An econometric model could be built, performing a regression analysis, by which the following conclusions could be drawn:

- Most influential determinant of net profit arises from cost control, specifically from COGS. A mere 1% reduction in the cost of production should result in a 0.9% increase in profitability. This is indicative of the importance of optimizing production.
- Administrative expenses are a negative influencer toward net profit, as profitability falls 0.7% with every 1% increase in those types of expenses. The company needs to focus on optimizing overhead administrative and operational costs to avoid shrinking profits.
- Financial management is another critical area needing attention and improvement. Interest payments and losses on account of exchange rates form part of the expenses that dent profitability. Refinancing loans or currency hedging may form part of strategic financial plans to reduce the drain on profitability.

Additional steps which would further enhance profitability and which the firm is advised to undertake include the following:

1. Strictly control administrative expenses.
2. Continue reducing production costs and improving productivity.
3. To optimize financial management, reduce expenses related to financial activities- interest and losses from currency exchange.

When these directions are improved, "Afrosiyob Parranda" LLC can be assured of a notable boost in profitability and strengthening financial positions. The estimation of the influence of exogenous economic factors on the company by using dynamic models can be the subject of further research.

Recommendations

The summary report, along with recommendations for the improvement in financial results of "Afrosiyob Parranda" LLC, is presented below. The main suggestions and their probable influence are summarized as follows:

1. Cost Cutting Measures:

- Enhancement in Production Efficiency: The facility can reduce waste and improve productivity through rationalization of operations with the use of technology and lean production methods.
- Negotiation with Suppliers: Better terms with suppliers will reduce COGS, thus improving margins.
- Optimization of Labour Costs: Review labour distribution, job functions, or automating certain tasks to further contain overheads.
- Tech Investments: New equipment, new technologies, and automation integrations will yield long-term cost savings.

2. Administrative Efficiency:

- Internal Audit: In-depth review of administrative spending will highlight opportunities for streamlining.
- Automation: Automate repetitive tasks, like data entry and reporting, to save manual effort and its associated costs.
- Energy-saving Initiatives: Installation of energy-efficient systems and resource management methodologies would reduce utility costs.

### 3. Strategic Enhancement of Finance:

- Risk Reduction: Management of currency fluctuation and interest rate risks could reduce volatility in financial performance.
- Re-financing and Capital Structure: The expert opinion of financial advisers should be sought in re-financing debts, getting better terms and conditions in negotiations, and managing cash outflow in order to make better use of capital.
- Cash Flow Optimization: Increased cash flow management will provide superior liquidity and, in turn, more significant investment in growth.

### Forward Behaviors:

- Dynamic Pricing: Developing flexible pricing strategies responsive both to market demands for, and cost fluctuations of, products could better optimize revenue.
- Product Portfolio Expansion: Additional products will spread out the revenue streams from a few core offerings.
- Market Expansion: Opening up new markets can enhance revenue sources and achieve stability through diversification.

### Final Remarks:

This process of upgrading toward operations, administration, and finance will gear up the organization toward long-term stability and success. The next approaches to this analysis may involve various market dynamics, such as inflation and fluctuations in demand, to further fine-tune financial projections and decision-making.

Following these strategies, "Afrosiyob Parranda" LLC will not only feel comfortable in the competitive environment but also be able to maintain financial health in the long term.

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