Semina Natalya Sergeevna

student

Nazarova Daria Igorevna

student

Nikulin Leonid Romanovich

student

Scientific adviser

J.S. Tsertseil

Candidate of Economic Sciences,

Associate Professor

Graduate School of Finance

Plekhanov Russian University of Economics

Moscow

OPERATIONAL EFFICIENCY OF THE COMPANY IN ACHIEVING STRATEGIC DEVELOPMENT

Abstract*: businesses need to rely on strategic financial planning when taking decisions on managing operational activity to navigate through turbulent times, as a well-planned budget, can provide the company with ability to allocate resources effectively, prioritize initiatives, and develop long-term strategic plans. In this article methods of strategic financial planning in operational activity are applied for the FESCO group, in order to identify internal and external factors affecting its financial performance, make predictions on further development of the company and propose the main ways to improve it.*

Keywords*: financial planning, operational activity, company analysis, financial coefficients.*

Семина Наталья Сергеевна

студентка

Назарова Дарья Игоревна

студентка

Никулин Леонид Романович
студент
Научный руководитель
Церцеил Юлия Сергеевна
канд. экон. наук, доцент
ФГБОУ ВО «Российский экономический
университет им. Г.В. Плеханова»
г. Москва

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ОПЕРАЦИОННАЯ ЭФФЕКТИВНОСТЬ КОМПАНИИ В ДОСТИЖЕНИИ СТРАТЕГИЧЕСКОГО РАЗВИТИЯ

Аннотация*: предприятия должны полагаться на стратегическое финансовое планирование при принятии решений по управлению операционной деятельностью в условиях нестабильной рыночной ситуации, так как грамотно составленный план обеспечивает компании возможности эффективного распределения ресурсов, корректной расстановки приоритетов и достижения целей в долгосрочной перспективе. В статье применяются методы стратегического финансового планирования в операционной деятельности группы FESCO с целью выявления влияющих на ее финансовую производительность факторов, предсказания дальнейшего развития компании и предложения основных путей ее улучшения.*

Ключевые слова*: финансовое планирование, операционная деятельность, анализ компании, финансовые коэффициенты.*

1. Company overview/

FESCO group is one of the largest private transport and logistics Russian companies. Demand for the company's services significantly depends on macroeconomic parameters, such as the balance of export and import, currency exchange rates. The increase in the exchange rate causes a decrease in the structure of import shipments, and the decrease leads to a negative dynamics of export.

The company's operating activities are carried out by five divisions, a brief description of which is presented in the table 1

Table 1

Structure of the operating activity of the FESCO group

Division name	Brief description
Marine Division	Carrying out maritime transportation, operational management of seagoing vessels, provision of maritime mediation services
Liner and Logistics Division	Linear transportation and freight forwarding services for both containerized and bulk cargoes
Rail Division	Transportation of container and bulk cargoes using own or leased locomotives
Port Division	Carrying out loading and unloading operations, container storage and rental services
Fuel Division	Sales of petroleum products

(complied by the author based on data from [1])

The activities of the lines are closely integrated, which allows the FESCO group to provide intermodal transportation services – i.e. using two or more types of different vehicles during transportation.

The financial results of the FESCO group as for December 2021, broken down by divisions, are shown in Figure 1. The largest division in terms of cash flows is the liner and logistics division, which accounted for 54% of revenue generated by these types of activity. It integrates the activity of other divisions, including transshipment in ports and railway transportation.

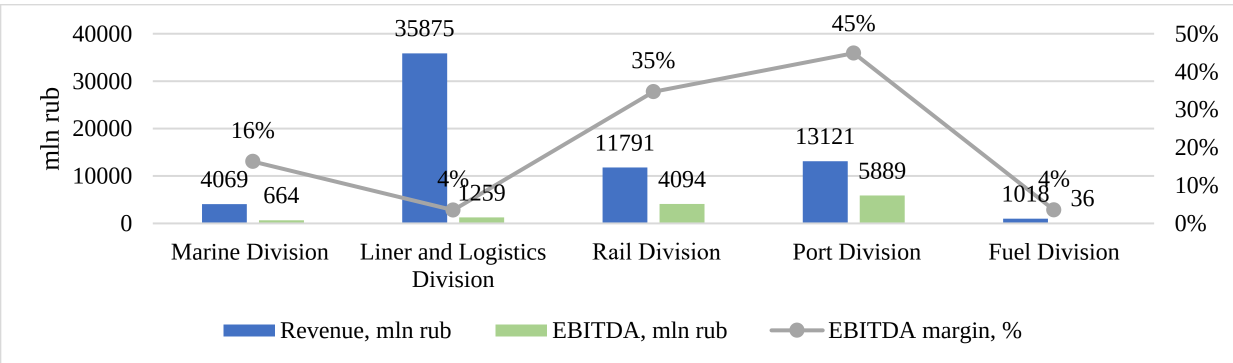

Fig. 1. FESCO key financial indicators for 2021, million rub and % (complied by the author based on data from [1, 5–9])

The rail division together with the port division, represented by the Vladivostok Commercial Sea Port, are the most significant in terms of EBITDA: together, they accounted for 84% of the company's EBITDA for the period.

From Figure 2. it is clearly seen that after the breakthrough in 2017, during the next four years the company`s profit generated from operating activity (gross profit minus operating expenses) was maintained at the same level, with an insignificant decline.

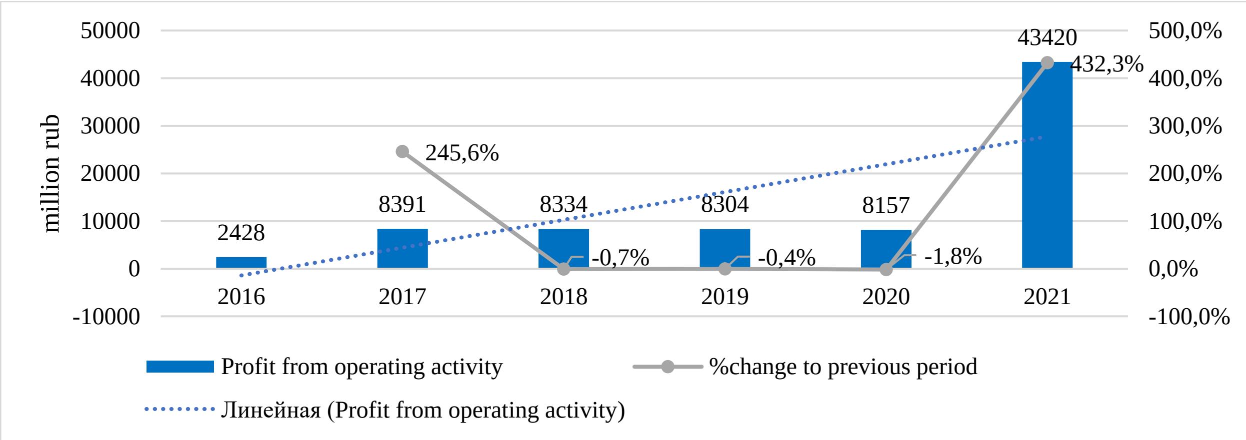

Fig. 2. FESCO group profit from operating activity and percentage change in 2017–2021, million rub and % (complied by the author based on data from [1, 5–9])

In 2022, however, FESCO has increased the indicator by four times. The COVID-19 pandemic increasing the demand for logistics and transportation services is the most massive influencing reasons. Another contributing factor is FESCO's expanding its product range and entering new markets, which helped increase its revenue streams.

Analysis of profit from operating activity broken by the division (Table 2) provides strong evidence on significant changes in the organization of operational process. Whereas, in the period between 2017 and 2019, FESCO directed its primary focus towards marine and railway transportation. However, in 2021, the group has shifted its attention to international complex transportations, which necessitate the involvement of all the company's assets [2]. Consequently, the linear division that unifies all others has emerged as the most profitable approach for FESCO. An evidence for this fact is provided in Figure 3: the amount of intermodal transportations has almost doubled by 2021 compared to 2017.

Table 2

Structure of the operating profit of the FESCO group in 2017–2021

	2017	2018	2019	2020	2021
Marine Division	10,2%	2,2%	1,3%	3,6%	3,0%
Liner and Logistics Division	8,2%	13,3%	21,7%	28,6%	72,3%
Rail Division	35,8%	29,3%	16,2%	2,6%	1,5%
Port Division	45,5%	54,9%	60,6%	65,1%	23,1%
Fuel Division	0,3%	0,4%	0,3%	0,1%	0,2%

(complied by the author based on data from [1, 5–9])

Now let`s consider the operational results of linear and logistic division in more details. The figure 3 reflects the significant increase of the operational profit in 2021 compared to 2020. The following factors influenced the revenue growth: an increase in volumes of external trade lines; introduction of surcharges, increase of linear tariffs due to a shortage of container equipment in Asia; growth in volumes of intermodal transportation in imports; high market rates in import transportation from Asian countries; expansion of the geography of dry import services: started transportation of imports through new border crossings for FESCO – Altynkol, Dostyk, Zabaikalsk; and an increase in the linear tariffs of cabotage container lines.

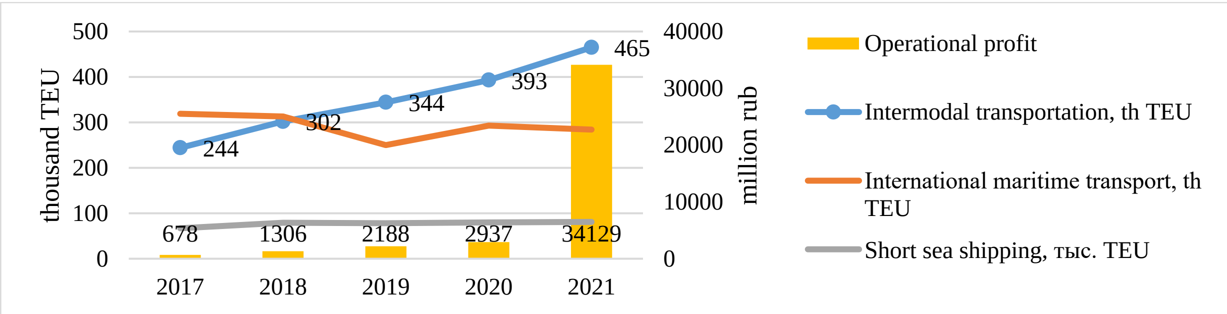

Fig. 3. Operational results on linear and logistics division in 2017–2021, million rub and thousand TEU (complied by the author based on data from [1, 5–9])

As can be observed from figure 4, the changes in operating expenses are not in linear movement with the operating profits, which indicated that throughout the period efficient cost-reduction measures were taken, thus increasing the operational efficiency and reducing expenses, which resulted in higher profit margins. A quite remarkable example of management assessing unprofitable activities and promptly responding to such drop downs is the following situation: a part of the factors contributing to the profit decline in 2019 compared to 2018 was a decline in the volume of grain transported by the rail division.

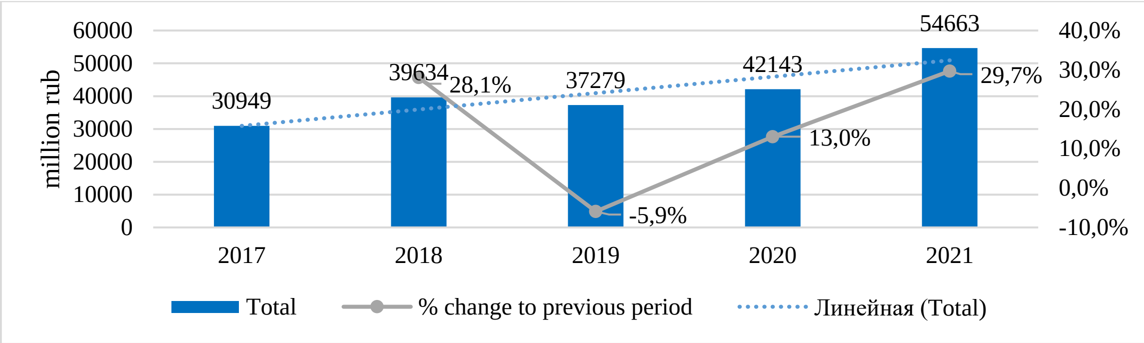

Fig. 4. FESCO group operating expenses and percentage change in 2017–2021, million rub and % (complied by the author based on data from [1, 5–9])

Responding to the problem, in early 2020 FESCO sold Trans-Grain, the operator of the company's grain carriers, for a total of 3.8 billion rubles [13]. The company used the funds raised to invest in core assets and reduce its debt burden. Especially noticeable results of cost management techniques can be observed when comparing the average annual growth rate during the period 2017–2021: profit was growing on average five times faster, 102% against 16% respectively.

The structure of these expenses broken by the expenses item is reflected in table 3. Traditionally, one third of the expanses of FESCO Group is due to railway infrastructure and transportation. This is a result of the company that operating mainly in the Russian Far East region, where the rail network is extensive, yet deficient. Therefore, the company heavily invests in its railway infrastructure to enhance the reliability of its services.

The structure of these expenses in general remains stable throughout the last five analyzed periods. The item most stable is the one taking the major part, described above. The remarkable changes as for bunkering are due to the little value of the item, so it's not of a particular interest. Thus, the item experiencing the most change is lease: on average, the company's expanses on leasing fleet, railway sidings, rolling stock, materials handling equipment, berths and containers was increasing by 21,61% annually.

Table 3

Structure of the operating expenses of the FESCO group in 2017–2021, %

	2017	2018	2019	2020	2021	average change, y/y
Railway infrastructure tariff and transportation services	76,53%	75,99%	71,98%	76,79%	74,19%	-0,67%
Bunkering	0,29%	0,09%	0,17%	0,05%	0,27%	104,06%
Payroll expenses	10,35%	9,47%	12,88%	12,02%	11,46%	4,05%
Voyage and vessel running cost	3,31%	2,75%	3,17%	1,93%	2,30%	-5,32%
Lease	4,11%	5,14%	4,66%	3,51%	6,86%	21,61%
Stevedoring services	4,76%	6,08%	6,95%	5,51%	4,77%	1,99%
Non-profit based taxes	0,66%	0,49%	0,20%	0,20%	0,15%	-27,31%

(complied by the author based on data from [1, 5–9]).

2. Analysis of the coefficients characterizing operational efficiency and overall financial performance of the company

Next will move onto analyzing the company using ratios. The calculations of the financial stability and operational efficiency ratios are presented in Table 4 and Figure 5. Firstly, we will consider debt and debt-service coverage ratios, showing the extent to which the company uses debt to finance its assets and the extent to which a company generates enough cash to cover its debt payments, respectively.

Table 4

Coefficients characterizing financial stability and operational efficiency of FESCO group in 2017–2021

		Debt ratio	Debt-Service Coverage Ratio	Operaring profit margin	Return on sales gross profit	Accounts receivable turnover
2017		0,949	0,347	0,192	0,293	10,954
2018	ratio	0,948	0,55	0,146	0,305	0,804
	% change to previous period	-0,15%	58,70%	-23,76%	4,12%	-92,66%
2019	ratio	0,91	0,34	0,147	0,342	0,788
	% change to previous period	-4,03%	-38,15%	0,20%	12,35%	-2,01%

2020	ratio	0,911	0,381	0,131	0,322	0,709
	% change to previous period	0,17%	138,14%	-10,45%	-5,87%	-9,98%
2021	ratio	0,547	1,499	0,382	0,519	3,923
	% change to previous period	-40,01%	292,88%	191,03%	61,21%	453,27%
average % change		-11,01%	112,89%	39,25%	17,95%	87,15%
% change 2021 to 2017		-42,42%	332,36%	99,08%	77,51%	-64,19%

(complied by the author based on data from [1, 5–9]).

The analysis debt ratio suggests that the company had a high level of borrowing in the earlier years, with the ratio standing at 0.949 in 2017, and a marginally lower but almost similar ratio of 0.948 in 2018. The trend started to decline in 2019, with a moderate decrease to 0.91 and a slight increase to 0.911 in 2020. However, the most significant decline was noticed in 2021, with the debt ratio dropping to 0.547, the lowest level in five years.

FESCO Group's debt-service coverage ratio in 2017 was very low, standing at 0.347, which increased significantly to 0.55 in 2018. The ratio has been fluctuating since then, with a declining trend in 2019 of 0.34 and a slight increase to 0.381 in 2020. The most significant shift in the ratio was noticed in 2021, with a significant increase to 1.499, indicating that the company's cash flows have significantly improved, with the potential to repay its debts more efficiently.

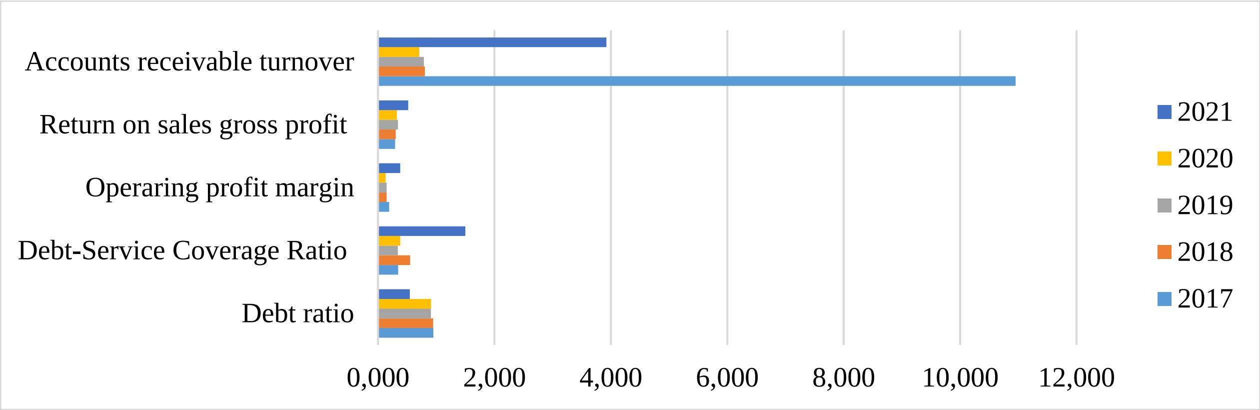

Fig. 5. Coefficients characterizing financial stability of FESCO group in 2017–2021 (complied by the author based on data from [1, 5–9])

Data from Table 5 represents the calculations of the degree of influence each resulting factor had on the final value of the ratio. The increase in both debt ratio and debt service coverage ratio could be attributed to the efficient management of resources within the organization. It can be seen that the positive dynamics in these two ratios are not primarily due to the decrease in borrowed funds, but rather to the build-up of assets and operating income maximization.

Table 5

Factors influence on final value of the financial stability coefficients of FESCO group in 2017–2021

	2018	2019	2020	2021	average y/y
Debt ratio					
Change in long-term liability influence on debt ratio %	-2,9%	-3,2%	-10,6%	31,2%	3,6%
Change in total asset influence on debt ratio, %	2,8%	-0,8%	12,1%	-54,3%	-10,0%
Debt-Service Coverage Ratio					
Change in net operating income on Debt-Service Coverage Ratio, %	-136,2%	-432,9%	305,6%	1051,5%	197,0%
Change in short-term liability on Debt-Service Coverage Ratio, %	171,6%	-120,0%	-10,2%	-77,9%	-9,1%

(complied by the author based on data from [1, 5–9]).

Next, let us analyze the operation efficiency ratios. As can be observed from table 4 and figure 5, operating profit margin denotes the efficiency of a company's operating activities by measuring the percentage of sales revenue that remains after deducting operating expenses. From 2017 to 2021, FESCO Group's operating profit margin varied significantly. It was at its peak in 2017 at 0.192 but dropped to 0.146 in 2018 and remained the same in 2019. In 2020, the operating profit margin further reduced to 0.131, demonstrating the company's inefficient cost management. However, in 2021, the company's operating profit margin experienced a significant increase, rising to 0.382 (table 4). This increase was likely due to the company's cost reductions, improved efficiency, and increased sales revenue.

On the other hand, the return on sales gross profit measures a company's profitability by comparing its gross profits to its sales revenue. From 2017 to 2021, FESCO Group's gross profit margin increased consistently. In 2017, the return on sales gross profit was 0.293, which increased to 0.305 in 2018, further improved to 0.342 in 2019, and decreased slightly to 0.322 in 2020. In 2021, the company's return on sales gross profit reached an all-time high of 0.519. This reflects the company's improving cost management and pricing strategies.

Broken down according to divisions (figure 6), Port division is the most profitable division of FESCO Group. It has maintained a highly profitable status throughout the period of 2017–2021 with a margin of more than 0.4. In contrast, the Rail division has experienced a downward trend with an average annual decrease of 40% during 2018–2020. Despite its increase in 2021, the value remained lower than its 2017 level by 63%.

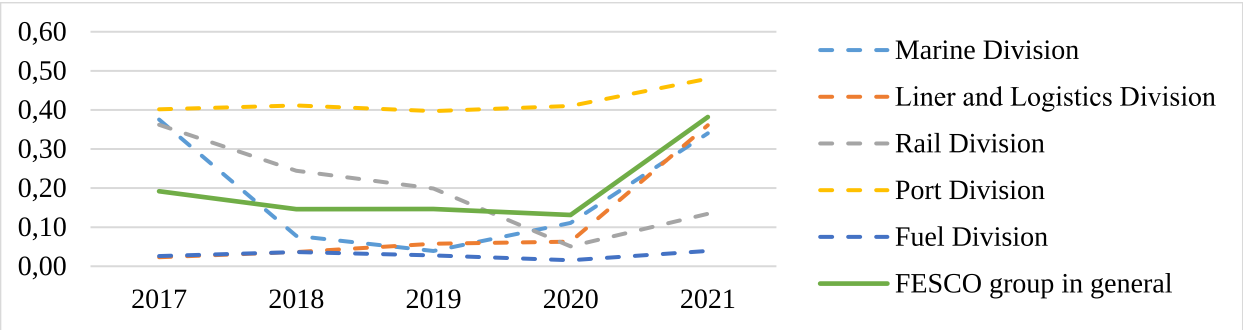

Fig. 6. Operating profit margin of FESCO group broken by divisions in 2017–2021 (complied by the author based on data from [1, 5–9])

Lastly, the Linear division has maintained low levels in the period 2017–2020 and has significantly grown to 0.36 in 2021, determining the overall company performance in this year.

In comparison with the median industry (figure 7, table 6) in terms of operating profit margin FESCO was performing slightly better: despite the difference has decreased, the company retained 10% advantage in 2020–2021. This indicates FESCO's management has been effective in managing operating expenses and increasing revenue to generate higher profits. While FESCO's return on sales gross margin remained above the industry median for all three years, the gap between the compwny and the industry median decreased in 2020 and 2021, which indicates that the company must work harder to maintain its advantage in the industry.

Table 6

Operating efficiency ratios of FESCO and industry median in 2017–2021

	2020	2021	1h2022
Operaring profit margin			
HMM Co Ltd (South Korea)	-0,041	0,182	0,535
Hapag Lloyd AG (Germany)	0,061	0,101	0,420
Korea Line Corp (South Korea)	0,130	0,161	0,219
Qatar Navigation QPSC (Qatar)	12,616	-0,204	0,091
AP Moeller – Maersk A/S (Denmark)	0,044	0,104	0,315
FESCO group	*0,147*	*0,131*	*0,382*
median	*0,096*	*0,117*	*0,348*
Return on sales gross profit			
HMM Co Ltd (South Korea)	0,820	0,421	0,313
Hapag Lloyd AG (Germany)	0,558	0,395	0,354
Korea Line Corp (South Korea)	0,768	0,667	0,769
Qatar Navigation QPSC (Qatar)	0,141	0,157	0,194
AP Moeller – Maersk A/S (Denmark)	0,468	0,384	0,399
FESCO group	*0,911*	*0,547*	*0,465*
median	*0,663*	*0,408*	*0,377*

(complied by the author based on data from [1, 5–9]).

The accounts receivable turnover ratio measures how efficiently a company collects money from its customers. The analysis of FESCO Group's accounts receivable turnover (table 4, figure 5) shows a declining trend from 2017 to 2020. In 2017, the company had an accounts receivable turnover of 10.954, which was a relatively high ratio, meaning the company was efficiently recovering its outstanding debts from customers. However, this ratio declined sharply in 2018 and 2019, with figures of 0.804 and 0.788, respectively. This decline could suggest that FESCO faced challenges in collecting its receivables. This may be a worrying trend. However, the accounts receivable turnover in 2021 improved significantly to 3.923, which signifies that FESCO improved its collection efficiency. This improvement could translate to an increase in cash flow for the business.

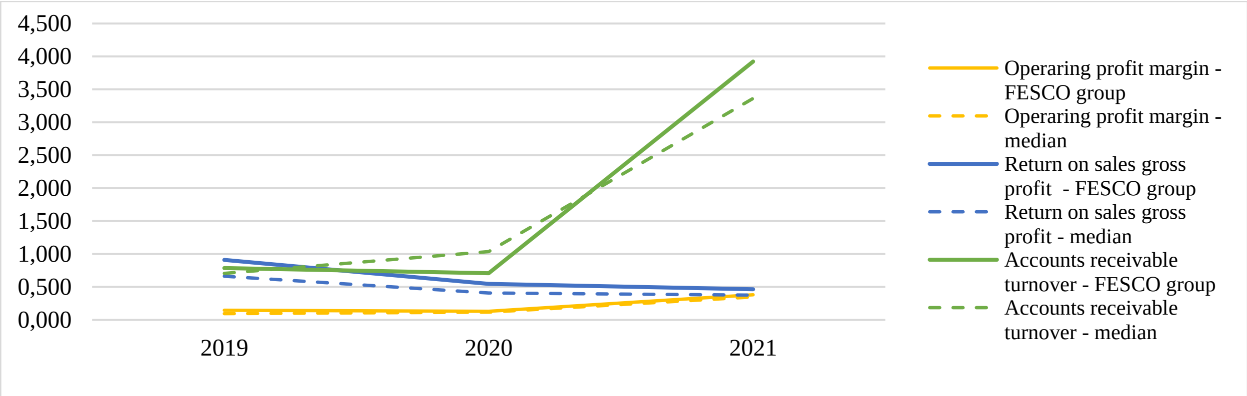

Fig. 7. Operating efficiency ratios of FESCO and industry median in 2017–2021 (complied by the author based on data from [1, 5–9])

Overall, the financial ratios of FESCO Group from 2017 to 2021 showed mixed results, with some ratios indicating improvement and others showing a decline. However, overall, the ratios indicate that the company has been able to reduce its debt level, generate enough cash flow to cover its debt obligations, and improve its profitability and operational efficiency. Therefore, FESCO Group is in a relatively good financial operational health.

3. Identification of factors influencing the profit from operating activities.

A correlation matrix is a statistical tool that quantifies the degree of linear relationship between variables, providing valuable insights into how different factors within a company analysis interact and influencing more informed decision-making [10, p. 31]. The correlation heatmap analyzing the internal factors influence on operational profit of the company is presented in figure 8. For the purposes the Seaborn module of Python was used. As internal factor the indicators of operational activity are taken. The findings of the correlation matrix suggest that intermodal transportation has the highest correlation with operational profit (r=0.76), followed by rail container transportation (r=0.74) and transshipment of containers (r=0.71). These results provide additional evidence that FESCO's group profit is mostly dependent on intermodal transportation, rail container transportation, and transshipment of containers. Quite an interesting finding is that in recent years, the importance of international activity over the domestic operations is prevailing. In addition, it's exactly intermodal transportation which results in more operational profit generated compared to international shipping (r=0.76 against r=0.067 respectively).

Fig. 8. Correlation heatmap of internal operational activity factors and operational activity of FESCO group (complied by the author based on data from [1, 5–9])

The findings also reveal that bunkering volumes and rolling sticks have a negative correlation with operational profit (r=-0.53 and r=-0.6 respectively). This indicates that companies that increase in consumption of fuel or encountering high levels of transportation are the key operational expenses for FESCO group. The increase in ship-days in service also leads to the profit decrease, so the company should seek the ways to keep the optimal levels of the indicator.

The correlation heatmap analyzing the internal factors influence on operational profit of the company is presented in figure 9. The correlation data reveals that FESCO's turnover has a strong positive correlation with China (0.82). This highlights the need for maintainance strong ties with this partner. Similarly, FESCO's GDP and investment in fixed capital in Russia also has a strong correlation (0.83 and 0.84 respecively), which indicates that the company's performance is closely linked to Russia's economic growth. The correlation between the dollar rate to ruble is positive, but not as strong as other factors.

Lastly, the data reveals that FESCO's average WTI price and average Brent price both have negative correlations (-0.15 and -0.2, respectively). This suggests that fluctuations in oil prices do not have a significant impact on the operational profit of the company directly, but there is a connection between these two indicators and dollar rates, GDP and cargo transportation volumes, so this way the fluctuations in oil prices may affect the operational result of FESCO group.

Fig. 9. Correlation heatmap of external operational activity factors and operational activity of FESCO group (complied by the author based on data from [1, 5–9])

To summarize, the correlation analysis suggests that FESCO's business is heavily dependent on the Russian economy performance as well as on the intermodal international transportations, in particular there is a strong interdependence of operating profit with relationship with China.

4. Forecast of operational profit and analyzing the background of upcoming periods.

The data analysis was performed in the Python programming language using module sklearn. In order to predict the operating profit, several machine learning techniques were applied (Table 7). The models were developed using variables determined in a previous chapter that were found to be significant. The relative performance of the models was evaluated based on the Mean Absolute Error (MAE). MAE measures the absolute difference between the predicted values and actual values. A lower value indicates better accuracy of the model. The results indicated that the linear regression model had the lowest MAE, so it was used for further forecast.

Table 7

MAE and MAPE by machine learning models predicting the profit from operating activity

model	MAE, million rub	MAPE, %
Linear Regression	1948	23,8
Random Forest	2773	33,9
Support Vector Machine	6514	79,5

(complied by the author based on data from [1, 5–9]).

The basis forecast is displayed in figure 10. The future values for the predictors were calculated as ARMA with parameters (1, 3). The forecast values for the upcoming years suggest that the company's profit from operating activity would continue to increase, even though no sharp increases are expected by the model. This consistent growth in profits signals that the FESCO Group's business model is a well-balanced one.

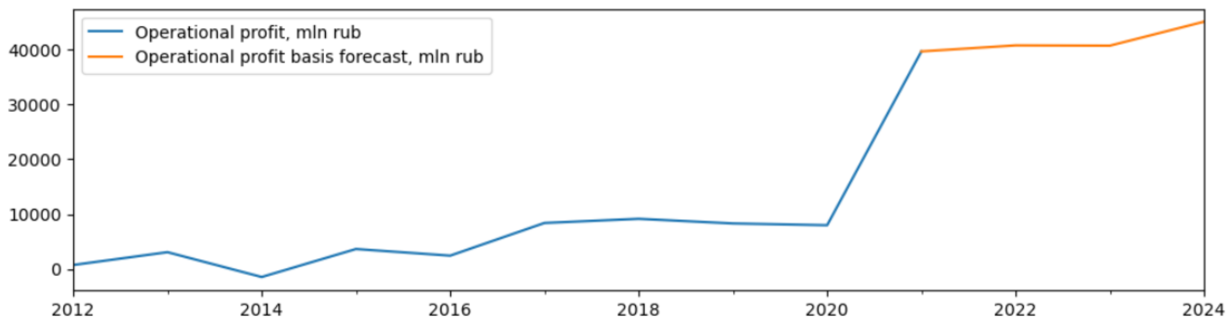

Fig. 10. Basis forecast of operational profit of FESCO group in 2022–2024, million rubles (complied by the author based on data from [1, 5–9])

Nevertheless, the company is currently in a favorable position for more significant growth opportunities. One of the key drivers of FESCO's development in the coming years will be the reorientation from the West to the East, which began as a result of the sanctions: Global Ports reported a 9% y/y increase in container turnover in the Far East in the first half of 2022, all other destinations showing a decline. This direction in general seems to be promising: Asian region has doubled its GDP in the last 10 years. By 2030, it is projected to grow by another 44%.

One of the most significant directions of development of companies' supplies is the Chinese direction. The trade turnover between Russia and China in January-November 2022 increased by almost 30% y/y. Imports are recovering after a fall in March, and exports showed strong growth in the spring, and further stabilized at the achieved level. As previously mentioned, Russian business is facing a shortage of logistics capacity in the Far East, container export tariffs are growing. FESCO is benefiting from the situation massively.

At the same time FESCO has a very strong competitive position in the sector. New Far East ports are highly unlikely not appear in the next few years.

The second direction where freight traffic growth is to be expected is India. Previously, commodity relations between Russia and India were underdeveloped: India mainly built economic relations with Western countries, while Russia directed its exports to Europe. At the moment India has started the active purchase of Russian oil, experts expect the export of other goods to increase in the nearest future as well. The total trade turnover between Russia and India in the first six months of 2022 amounted to $ 11.5 billion, which is more than twice as much as during the same period of 2021 [11].

One more promising direction is turnover with countries, which are members of economic and other unions together with the Russian Federation, e. g. BRICS countries. Experts predict an increase in cargo flows between Russia and North Africa, South America and, above all, Brazil [3, p. 1].

Another direction for increasing cargo traffic is the trading countries, which produce little themselves, but act as subassemblies or traders. These are, for instance, Turkey, the United Arab Emirates (both countries are gradually becoming major hubs for shipments to Russia) and others, such as Uzbekistan [4, p. 71]. In the first 10 months of 2022 the volume of shipments from Turkey increased by 27%, from Uzbekistan – by 25%. The direction also includes Vietnam, which has a duty-free agreement with the Russian Federation.

In general, if considering the long-term perspective, the freight market, including container transportation, is recovering and shows a positive trend of development, despite the temporary crises.

5. Recommendations on financial strategy of operational activity of the company.

The financial ratios of FESCO Group from 2017 to 2021 showed mixed results, with some ratios indicating improvement and others showing a decline. However, overall, the ratios indicate that the company has been able to reduce its debt level, generate enough cash flow to cover its debt obligations, and improve its operational efficiency, generating more profit from its sales. Some of the points the company should pay the attention to are:

1. Address the declining trend in operating profit margin: The trend of decreasing operating profit margin from 2017 to 2020 is a cause for concern. The company needs to understand the reason for this decline, which could be due to increasing costs, lack of revenue growth, or inefficiencies in operations.

2. Improve return on sales: the indicator has varied over time. With a high return on sales in 2021, the company should work to maintain or improve this figure.

To effectively tackle the aforementioned issues, the company can implement the following strategic steps:

1. Cost reduction: FESCO should identify areas where costs can be reduced without affecting the quality of service provided. One of the approaches may be further development of its own terminal network as it enables the company to control its logistics and minimize expenses related to outsourcing. Moreover, it allows FESCO to streamline its operational activity, ensuring greater efficiency. In order to do so, the company can identify the key locations appearing during the process of intermodal transportation and imply dry container terminals here.

In addition, the company can search for solutions in the following areas: optimize the work of terminal users, reduce the cost of loading and unloading and related work; reduce time losses in various stages of work and increase productivity and growth of the port's throughput capacity.

2. Diversify revenue streams: FESCO can explore additional revenue streams that can supplement their current services. This can involve expanding their product offerings or exploring new markets for their services. In order to mitigate risks associated with potential sanctions implementation, FESCO should be equally considerate with all its trading partners: BRICS members, China, India, Turkey, and South-West countries.

The company should take advantages of upcoming shortages in the country: for example, in the current situation, it is expected that exports of agricultural goods, instead of traditional export flows, i.e. lumber, chemicals and metals, will begin through the Northwest ports. The company owns the Port of Gaidamak, a port in the Far East, and may increase its capacity for the transshipment of grain, generating extra cash flows.

3. FESCO should continue its activity in term of operational efficiency improvement. The average daily productivity in processing the fleet in 2021 was 35 thousand tons compared to 31 thousand tons in 2020. On the railway direction, the average daily processing of wagons in 2021 amounted to 608 units compared to 575 units in 2020 [1]. There exists the potential for this figures to be further improved.

4. Enhance customer service. In 2021, the company launched the «Port in Your Pocket» web application, which allows FESCO customers to access digital services

from their mobile phones, enabling them to close warehouses twice as fast, receive reconciliation statements online, and always have customs requirements status at their fingertips. In 2021, approximately 1,000 contracts were signed via the personal account.

Now, the company may concentrate on providing the best user experience, e.g. convenient system bill payment and complaint registration. Providing timely and accurate information on power outages and estimated restoration times through social media platforms can also improve communication with customers.

5. Invest in technology: FESCO should invest in technological solutions that can help optimize its business processes, reduce costs, and increase efficiency. Such solutions can serve as a way of diversifying the company's operations and creating a competitive advantage over its competitors, as was the case when the company began using technology that allows for temperature tracking throughout the entire supply chain.

Conclusion.

Overall, the analysis of FESCO financial metrics shows that the company's profitability and efficiency have experienced fluctuations and improvements over the years, outperforming the industry median in some areas. Thus, FESCO may need to further analyze its financial performance to identify areas of strength and weakness and implement necessary strategies for improvement. The correlation matrix for FESCO Group provides the evidence on certain factors of external and internal environment playing the key role on financial operational performance, including its intermodal and rail transportations volumes, relationship with China, Russia's GDP, and ongoing investment in fixed capital. The current negative events do not largely affect the FESCO group. Key company's assets are distinct from the center of the conflict and are not connected in any way to the EU or the United States. New sanctions against Russia, on the contrary, will further accelerate the reorientation towards the East. In the near future, the company's profits should remain high, thanks to the growth of freight rates. In the long term, the company is a beneficiary of Russia's expanding trade relations with Asian countries and partner countries, including India, Vietnam, the BRICS countries, Turkey, and Vietnam, as well as the expected growth in supplies from China.

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