An

Internship report

on

Financial Performance analysis of Yassma knitting and dyeing ltd

Supervised By:

Farjana Yeasmin Chowdhury

Lecturer

Department of Business Administration
Sonargoan University

Submitted By:

Name:Kaniz Fatema Kanta

ID: BBA1901016045

Program: BBA

BBA (Major in Accounting)

Submitted for the partial fulfillment of the degree of

Bachelor/Master of Business Administration



Sonargaon University (SU)

Dhaka- 1205

Date of Submission: November 30, 2022

Letter of Transmittal

November 30, 2022
Farjana Yeasmin Chowdhury
Lecturer
Department of Business Administration
Sonargaon University (SU)

Subject: Submission of Internship/Thesis report

Dear Sir/Madam,
With humble honor and respect, I am submitting my internship on "**Financial Performance analysis Of Yassma Knitting and Dyeing Ltd**". As per partial accomplishment of the requirements for the BBA degree, I have completed internship from "**Yassma knitting and dyeing ltd** " [As per partial accomplishment of the requirements for the BBA degree, this thesis has been carried out] under the supervision of you.

This report is an integral part of our academic courses in completion of the BBA program which has given me the opportunity to have an insight into the (core part of topic). I hope this report reflects on the contemporary issues on the (Major Area) that are being Practiced by organizations in our country.

In completing the report I tried my best to blend all my knowledge and imparted every available detail and also attempted to avoid unnecessary amplification of the report.
I humbly request you to accept this report for your kind evaluation.

Sincerely,

_____

Kaniz Fatema Kanta
ID: BBA1901016045
Department of Business Administration
Sonargaon University (SU)

Certificate Supervisor

This is to certify that the thesis paper "**Financial Performance analysis Of Yassma Knitting and Dyeing Ltd**"has been prepared as a part of completion of the BBA program from Department of Business Administration, Sonargaon University (SU), carried out by Kaniz Fatema Kanta, bearing ID: 1901016045 under my supervision. The report or the information will not be used for any other purposes.

……

Farjana Yeasmin Chowdhury
Lecturer
Department of Business Administration
Sonargaon University (SU)

Student Declaration

I am Kaniz Fatema Kanta, a student of Bachelor of Business Administration, ID: BBA1901016045 from Sonargaon University would like to solemnly declare here that this report on "**Financial Performance analysis Of Yassma Knitting and Dyeing Ltd**" has been authentically prepared by me. While preparing this report, I didn't breach any copyright act internationally. I am further declaring that, I did not submit this report anywhere for awarding any degree, diploma or certificate.

Sincerely Yours

Kaniz Fatema Kanta
ID: BBA 1901016045
Program: BBA
Major: Accounting
Semester: FAll

Letter of Authorization

Certified that this project “Financial Performance analysis Of Yassma Knitting and Dyeing Ltd” is the debonair work of Student’s name, who carried out the research under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

……

Farjana Yeasmin Chowdhury

Lecturer

Department of Business Administration
Sonargaon University (SU)

Acknowledgements

First of all, I would like to take the opportunity to express my heartfelt gratitude to Almighty Allah for giving me the opportunity to complete the report within the designated time.I am expressing my cordial thanks to our honorable supervisor, Farjana Yeasmin Chowdhury Lecturer, Department of Business Administration of Sonargaon University, for assigning me such an interesting topic. Additionally, I would like to thank the faculty at the School of Business of Sonargaon University, which provided me with the opportunity to learn from them and gave me support as I developed my professional skills. My achievements are the result of a big number of people who kindly supported and helped me with my study. Despite their heavy workloads, they aided me by volunteering their time and provided sufficient information. I'd want to express my gratitude to my classmates and other students for their cooperation and support.Finally, but certainly not least, I'd want to express my gratitude to all of the Sonargaon University faculty members who assisted and supported me with their wealth of knowledge and expertise.

Abstract

This report is prepared based on "Financial Performance Analysis of Yassma Knitting and dyeing Ltd" The main objective of the report is to analyze and discuss the financial performance analysis of Yassma Knitting and Dyeing Ltd. To calculate different types of ratios of Yassma Knitting and Dyeing Ltd, to identify the areas of concern and to make some recommendations the basis of findings are also the objectives of this report. The report is analytical in nature which briefly reveals the analysis of the financial performance of Yassma Knitting and Dyeing Ltd. Annual reports of Yassma Knitting and Dyeing Ltd were the major secondary data sources in this aspect. This study has been conducted by collecting data for the period of last three years (2019-2021). Yassma Knitting and Dyeing Ltd is setting new level in the field in the time of unstable economic conditions.Shortly we discuss about purpose of study, primary secondary data sample analysis,we discuss about mission vision and our core value. We discuss about theoretical background financial analysis finding and analysis

Table of Contents

Specification	Page Number
Chapter- 1 Introduction	11
Purpose of Study	
Objectives of the Study	12
Rationale of the study	14
Methodology	
Primary Sources	
Secondary Sources	
Data analysis and presentation	
Sample	
Limitations of the Study	
Chapter-2 Company Profile	16
At a glance of Yassma Knitting And Dyeing	17
Mission	
Vision	
Core Objectives	
Our core values	
Chapter-3 Theoretical Background	19
Financial Performance Analysis	
Vertical Analysis	
Horizontal Analysis	
Ratio Analysis	
Profitability Ratio	20
Gross Profit Margin Ratio	
Net Profit Margin Ratio	
Operating Profit Margin Ratio	21
Return of Equity	21
Return on Capital Employed	
Liquidity Ratio	22
Current Ratio	
Acid Test Ratio	23
Working Capital	
Efficiency (Asset Management) Ratio	23
Inventory Turnover	
Total Asset Turnover Ratio	24
Sales of Fixed Asset Ratio	
Sales to Capital Employed Ratio	
Debt Management Period/ Coverage Ratio	25
Debt Ratio	
Debt Equity Ratio	
Interest Coverage Ratio	
Market Efficiency Ratio	
Price Earning Ratio	26
Divined Payout Ratio	
Solvency Ratio	

Chapter 04	
Findings and Analysis	27
Trend Analysis	
Vertical Analysis	28
Ratio Analysis	
Profitability Ratio	
Return on Asset	29
Return on Equity	
Net Profit Margin	30
Current ratio	
Cash Ratio	
Quick Ratio	
Net working Capital	
Efficiency Ratio	31
Working Capital turnover	
Current Asset Turnover	
Inventory Turnover ratio	32
Debt Management Ratio	33
Debt to Equity Ratio	
Time Interest Ratio	34
Market Efficiency Ratio	
Earnings Per Share	
Price Earnings Ratio	
Chapter – 5 Conclusions & Recommendation	
Conclusion	35
Recommendation	37

Chapter-1
Introduction

1.1 Introduction : Ratio Analysis is one of the most significant accounting tools for identifying a company's strengths and flaws. It's an accounting idea that's been around for a long time and is simple to understand and calculate. It aids stakeholders in making future decisions in general. The goal and significance of ratio analysis is to examine or evaluate a company's financial performance in terms of profitability, risk, efficiency, and solvency. They can examine their company's growth and determine its operating performance. It also aids businesses in determining their financial risks. With the use of financial ratios such as leverage ratios, solvency ratios, coverage ratio, profitability ratios and efficiency rations; companies may determine how much they rely on external capital and whether they are capable of repaying the loan with their own funds. It allows businesses and their stakeholders to compare their company's ratio to that of another over time. The ratios can also be compared to the firm's previous ratio, which allows you to see if they've improved in recent years. Ratios can help a company better understand how they track their day-to-day spending and whether or not they are having cash flow concerns. It can also assist them in determining the production efficiency dependent on the type of employees on staff. They may see how soon their goods can be turned into a sale, as well as observe their clients' payment behavior based on the payment terms they've chosen. Managers and analysts can identify a pattern that can be used for forecasting the future, that can also be used by external stakeholders, such as investors, to make key decisions. It is one of the simplest ways to keep track of the relationships between different aspects and aids in the comprehension of financial statements. Every stakeholder may readily comprehend it and assess or make an investment decision that is optimal for the future. It is critical to assess a company's performance by looking at its working capital management, liquidity, profitability, and efficiency ratios. Several of these ratio analyses are commonly employed for strategic decision- making. The ratio analytical method is a very effective tool for examining a company's overall condition. However, there are several limitations to be aware of before embarking on such an investigation. Financial statements contain historical data and thus do not take into account current situations, making them useless for forecasting the future. Firms have differing accounting practices for depreciation, inventory value, and other items, which could also make financial indicators and data from two firms

incomparable. Another constraint is window-dressing, which occurs when companies report financial statements in such a fashion that they appear to be in a lot better shape than they truly are.Yassma Knitting and Dyeing Ltd started their journey in 2009.

The factory is situated in Adamjee Export Processing Zone, at Siddhirganj Narayangamj. Their Head Office is situated in Progoti Soroni, Badda. Their knitting, dyeing, finishing, and printing units are housed in production facilities that are all under one roof, made for operational efficiency purposes. They are committed to providing customers with the dependability they require, along with timely delivery of services. Yassma Knitwear does not compromise quality. Their competitive pricing they anticipate by implementing the most cutting-edge and dynamic technologies. Their goal is to create long-lasting relationships with consumer. We believe that as a company we must consistently evolve with the market in order to best serve our clients. Therefore, we have equipped our plants with the state-of-the-art chicaneries and highly experienced employees, to match the quality & shipment standards set by our clients. Further, we believe that our employees are the heartbeat of our organization and therefore, we continuously put our best efforts into maintaining their welfare and adhere to their development.Consequently, over the years through our collaborative efforts we have cultivated a great trustworthy relationship with all our stakeholders. These relationships are the building blocks of our company and we look forward to harmoniously growing together in the years to come.

1.2 Objectives of Study

There are two reasons behind my study, major and minor. Major part is why I am doing this studies and minor part is why I have chosen Knitting and dyeing ltd company specially Yassma Knitting and Dyeing Ltd.

Primary reasons of my studies,

- BBA degree requirement a 3 months internship program.
- making a report on my practical experience of working.
- Being an accounting student fascinated by the financial sector.
- Special interest in Islamic financial organizations.

Secondary reason of my studies,

- Gaining some practical experience over bookish knowledge
- Interest of seeing real visualization of my academic studies.
- Interested in knowing about shariah based banking system.
- Preparing myself for job sector with experience
- Having real life experience which cannot be gained with only observing.
- Observing banking sector from near.
- Observing the difference between conventional bank and shariah based bank.

1.3 Objectives of the Study :

The main objective of the study is to evaluating financial Performance analyses of Yassma Knitting and Dyeing ltd especially in its Accounts Section. To achieve the main objective, the study has covered the following specific of objectives:

To get an overall idea about the financial performance of the respective organization.

To understand the working capital management (credit management, liquidity position, speedy recovery of cash) of the respective organization.

To compare the ratios of Yassma Knitting and Dyeing ltd .with the ratios of significant competitors
to evaluate the performance in the market.

To show the comparative picture of the performance of Yassma Knitting and Dyeing ltd with two main
competitors in the Industry.

To identify the strengths and weaknesses of the respective organization & determine the competitor analysis of the respective organizations.

To relate the theoretical leanings with the real life situation.

Finally, to make some recommendations and suitable conclusions regarding financial performance of Yassma Knitting and Dyeing ltd.

1.4 Rationale of the study

The aim of this internship program is to connect practical knowledge with theoretical knowledge. It is proved that internship is an effective program after 4thyear BBA academic life. Internship program enables a student to gain first hand exposure of working in real world. Internships provide a nice learning curve for students with little experience of the professional world.

1.5 Methodology

This is an analytical study that briefly exposes Yassma Knitting and Dyeing Ltd. ratio analysis comparative to its competitors. It was carried out by gathering primary and secondary data. In this case, the primary data source was the company's annual reports, financial statements. The secondary data source was the auditors notes, surveys and interviews that validated the financial figures.. This research was carried out by gathering data from the following sources during the last three years (2019, 2020, 2021) for three different companies in the same textile industry, and comparing their financial health using ratios; Identifying issues, and recommend to the business based on the agreed analysis:

- **primary sources**

This report has been prepared on the basis of experience gathered during the period of internship. To make this report more presentable required different primary data.
Primary data were collected:

1)By consulting with the company supervisors
2)From the experience of practical desk work.
3)From the Briefing of manager of Accounts dept. And CFO of YKD
4)Close observation of the several tasks by different department's officers.

- **secondary sources**

Secondary data were collected from:
1) Annual report of Yassma Knitting and Dyeing Ltd.
2) Online data from Different websites such as Yassma Knitting and Dyeing Ltd and others
3) Relevant file study as provided by the officers concerned.
4) Several articles related to Financial Analysis
5) Working papers

- **Data analysis and presentation**

Qualitative and Quantitative both type of research is conducted to analyses the primary and secondary data. Besides, Different charts and Graphs are used to present the data. Microsoft Word and Microsoft Excel are used for the purpose of analysis and reporting.

Sample

Yassma Knitting And Dyeing Ltd.

1.6 Limitations of the Study

Due to some limitations it's really tough to prepare report as intended though I have given utmost effort to prepare this report properly. Such are as follows:

a) The main constrain of the study was insufficiency of information which was required for the study.
b) Strict management policy to share information to external people expect government authority.
c) Large scale investigation was not possible due to Time Constrain.

d) The functions and activities of YKD are too vast, so they change
their strategy frequently. As a result, it was not possible to collect all updated information.
e) Using various terminology or jargon words is sometimes difficult to understand which could otherwise be incorporated sufficiently in preparing the report.
f) Because of security issue, they don't allow me access to ERP system. As a result, I have to depend on the data provided by the officers.
g) Data sources are also limited.
h) Most of the organizations key personnel were too busy

Chapter-2
Company Profile

2.1Yassma Knitting And Dyeing Ltd

Yassma Knitting and Dyeing Ltd started their journey in 2009 They focus solely on knitwear which gives them advantage of less complexity in operations and as well as financial statements and government regulations They are one of Bangladesh's most cutting-edge, entirely export-focused knit composite industries. The factory is situated in Adamjee Export Processing Zone, at Siddhirganj Narayanganj. Their Head Office is situated in Progoti Soroni Badda. Their knitting, dyeing, finishing, and printing units are housed in production facilities that are all under one roof, made for operational efficiency purposes. They are committed to providing customers with the dependability they require, along with timely delivery of services. Yassma Knitwear does not compromise quality. Their competitive pricing they anticipate by implementing the most cutting-edge and dynamic technologies. Their goal is to create long-lasting relationships with consumers. The highest standards for their products are essential in order to satisfy the needs of the customers. It is evident, through research and development, the capable human resources are working to uphold the level of quality, standard, and customer happiness. They constantly collaborate with customers to comprehend their evolving wants and demands.

2.1.1 Mission:

Their mission is to become the most admired company, and pursue the highest quality while being conscious of ethical and moral compliance.

2.1.2 Vision:

Their Vision includes the following with a strong focus on quality and customer satisfaction in textile knitting, dyeing, and finishing jobs:

- To be a highly regarded Knitting & Dyeing company that supports environmentally responsible practice at all stages of manufacturing
- To deal with every customer with the utmost integrity and fairness

2.2 At a glance of Yassma Knitting And Dyeing

* Current yearly sales of $106 million.
* 7000 full time employees.
* Production capacity of 40 million pieces per year.
* Plan to increase production capacity by 70% by 2022.
* VENDOR EXCELLENCE AWARD - 2013 from Charming Shoppes.
* Vertically integrated with textile, accessories, washing, prints and embroidery.
* Major Buyers: 100% export oriented garments industries of our country. .
*Raw out rival Import: USA, UK, Singapore, Taiwan, Hong Kong, Korea, China, Indonesia, India and Pakistan.
*Bankers: HSBC Bank, National Bank Ltd. Social Investment Bank Ltd.
*Insurance Companies: Pragati Insurance Companies Ltd.

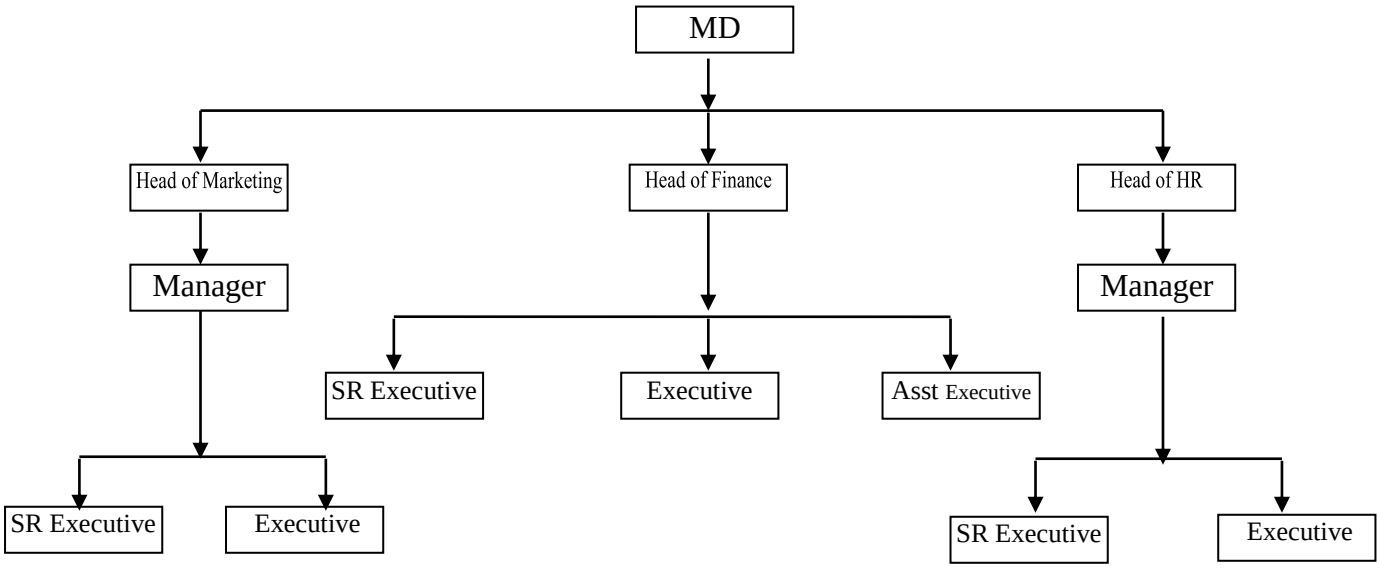
2.3 Core Objectives:

* Keep factory technically and socially compliant.
* Achieve yearly sales target with minimum specified margin/CM.
* Produce and ship good quality goods on time every time.
* Develop their people

2.4 Our core values:

* Lead through service excellence.
* Maximum resource utilization.
* Maintain global presence & standards economically.
* Nurture intelligence for growth of human capital.

2.5 Company Organogram:



2.6 Company Product & Services:

With over 13 years of experience and know-how, today Yassma Knitting And Dyeing Ltd produces, and distributes so many products for the knitting industry. Besides high-performance needles and system parts for all kinds of knitting machines, the product range also includes knitting cylinders for large diameter circular and seamless body size machines. For the warp knitting industry the company also offers system parts for tricolor, stitch bonding, Rachel, and crochet machines, including individual parts and warp knitting modules.

□

* Fabrics : Solid Fabrics , Dyed Fabrics, Aop Fabrics, Screen Print, Embroidery Print, Garment Dye And Wash

* Garments: Men's,Women's

Chapter- 3
Theoretical Background

3.1.Financial Performance Analysis

Financial analysis is a structural and logical way to present overall financial performance of an institution. It's also helpful for evaluation and decision making for business operation. In financial analysis process, ratio analysis is the most dominant and logical structure to help business stakeholders. Under the financial ratio analysis process, there are few categories to identical area of any institution.

Here I have analyzed the data in three different categories and they are:

1. Horizontal Analysis
2. Vertical Analysis
3. Ratio Analysis

3.1.1 Vertical Analysis

This type of financial analysis involves looking at various components of the income statement and dividing them by revenue to express them as a percentage. For this exercise to be most effective, the results should be bench-marked against other companies in the same industry to see how well the company is performing. This process is also sometimes called a common-sized income statement as it allows an analyst to compare companies of different sizes by evaluating their margins instead of their dollars.

3.1.2 Horizontal Analysis

Horizontal analysis involves taking several years of financial data and comparing them to each other to determine a growth rate. This will help an analyst determine if a company is growing or declining and identify important trends. When building financial models, there will typically be at least three years of historical financial information and five years of foretasted information.

3.1.3 Ratio Analysis

Ratio analysis is the most common method of financial statement analysis. Past or historical information are used for this purpose with some assumptions and some adjustments are made to project future performance.
Some commonly used and widely accepted ratios are calculated below:

* Profitability or Return on Investment Ratios
* Liquidity Ratios
* Efficiency Ratios
* Debt Management Ratios
* Market efficiency Ratio

3.1.4 Profitability Ratio

Profitability ratios measure the ability of a business to earn profit for its owners. While liquidity ratios and solvency ratios explain the financial position of a business, profitability ratios and efficiency ratios communicate the financial performance of a business

3.2 Gross Profit Margin Ratio

Gross profit margin is a profitability ratio that measures how much of every dollar of revenues is left over after paying cost of goods sold (COGS). Gross profit margin is calculated by subtracting cost of goods sold (COGS) from total revenue and dividing that number by total revenue. The top number in the equation, known as gross profit or gross margin, is the total revenue minus the direct costs of producing that good or service. Direct costs (COGS) do not include operating expenses, interest payments and taxes, among other things. The gross profit ratio is also known as gross profit margin and this ratio expresses the relationship of gross profit to net sales (cash and credit) in terms of percentage. This ratio is calculated to find the profitability of business. A high gross profit ratio is a symbol of good management.

The main objective of computing this ratio is to determine the efficiency with which production and/or purchase operations and selling operations are carried on.

- OSR Journal of Economics and Finance (IOSR-JEF)

$$\textbf{Gross Margin} = \frac{\textbf{Revenue} - \textbf{Cost of Goods Sold}}{\textbf{Revenue}}$$

3.2.1 Net Profit Margin Ratio

The net profit margin is equal to how much net income or profit is generated as a percentage of revenue. Net profit margin is the ratio of net profits to revenues for a company or business segment. Net profit margin is typically expressed as a percentage but can also be represented in decimal form. The net profit margin illustrates how much of each dollar in revenue collected by a company translates into profit. Net income is also called the bottom line for a company or the net profit. Net profit margin is also called net margin. The term net profits are equivalent to net income on the income statement, and one can use the terms interchangeably.

$$\textbf{Net Profit Margin} = \frac{\textbf{Net Income}}{\textbf{Net Sale}}$$

3.2.2 Operating Profit Margin Ratio

The operating margin measures how much profit a company makes on a dollar of sales, after paying for variable costs of production, such as wages and raw materials, but before paying interest or tax. It is calculated by dividing a company's operating profit by its net sales. When calculating an operating margin, operating earnings is the same thing as EBIT, or earnings before interest and taxes. EBIT, or operating earnings, is revenue minus cost of goods sold and the regular selling, general, and administrative costs of running the business, excluding interest and taxes

$$\text{Operating Margin} = \frac{\text{Operating Income}}{\text{Revenue}}$$

3.2.3 Return of Equity

Return o equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE could be thought of as the return on net assets. ROE is considered a measure of how effectively management is using a company's assets to create profits Relatively high or low ROE ratios will vary significantly from one industry group or sector to another. When used to evaluate one company to another similar company the comparison will be more meaningful.

$$\text{ROE} = \frac{\text{Annual Net Income}}{\text{Average Stakeholders Equity}}$$

Higher values are generally favorable meaning that the company is efficient in generating income on new investment. However, relying solely on ROE for investment decisions is not safe. It can be artificially influenced by the management, for example, when debt financing is used to reduce share capital there will be an increase in ROE even if income remains constant

3.2.4 Return on capital employed

Return on capital employed (ROCE) is a financial ratio that measures a company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a company is generating profits from its capital. The ROCE ratio is considered as an important profitability ratio and is used often by investors when screening for suitable investment candidates. ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use. There are two metrics required to calculate return on capital employed: earnings before interest and tax and capital employed. Capital employed is the total amount of capital that a company has utilized in order to generate profits. It is the sum of shareholders' equity and debt liabilities. It can be simplified as total assets minus current liabilities. Instead

of using capital employed at an arbitrary point in time, analysts and investors often calculate ROCE based on the average capital employed, which takes the average of opening and closing capital employed for the time period under analysis.
Capital employed is the sum of stockholders' equity and long-term finance. Alternatively, capital employed can be calculated as the difference between total assets and current liabilities. The formula to calculate return on capital employed is:

$$\text{ROCE} = \frac{\text{Net Operating Profit}}{\text{Capital Employed}}$$

3.2.5 Liquidity Ratio

A liquidity ratio is a financial ratio that indicates whether a company's current assets will be sufficient to meet the company's obligations when they become due. This is a type of financial analysis that focuses on the balance sheet, particularly, a company's ability to meet short-term obligations (those due in less than a year). (My Accounting course)
Common examples of liquidity analysis include:

* Current ratio
* Acid test
* Cash ratio
* Net working capital

3.3 Current Ratio

Liquidity performance measures the ability to meet financial obligations as they become due and is crucial to the sustained viability of any organization. So organization should maintain enough liquidity and also operates effectively in their business activity. Current ratio is one of the most fundamental liquidity ratios. It measures the ability of a business to repay current liabilities with current assets. A current ratio of 1 or more means that current assets are more than current liabilities and the company should not face any liquidity problem. While a current ratio below 1 indicates poor financial health. A current ratio below 1 is usually not a good sign.

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current liability}}$$

3.3.1 Acid Test Ratio

The quick ratio or acid test ratio is a liquidity ratio that measures the ability of a company to pay its current liabilities when they come due with only quick assets. Quick assets are current assets that can be converted to cash within 90 days or in the

short-term. The acid-test ratio uses a firm's balance sheet data as an indicator of whether it has sufficient short-term assets to cover its short-term liabilities.
The formula for the acid-test ratio is:

$$\textbf{Acid Test/Quick Ratio} = \frac{\textbf{(Cash+ Account receivable +Marketable Securities)}}{\textbf{Current liability}}$$

3.3.2 Working Capital

Working capital, also known as net working capital (NWC), is the difference between a company's current assets, such as cash, accounts receivable (customers' unpaid bills) and inventories of raw materials and finished goods, and its current liabilities, such as accounts payable. Working capital is a measure of a company's liquidity, operational efficiency and its short-term financial health. If a company has substantial working capital, then it should have the potential to invest and grow. If a company's current assets do not exceed its current liabilities, then it may have trouble growing or paying back creditors, or even go bankrupt.

Net Working Capital = Current Assets – Current Liabilities

3.3.3 Efficiency (Asset Management) Ratio

These ratios attempt to find out how effectively the business is converting inventories into sales and sales into cash, or how it is utilizing its fixed assets and working capital, etc. The efficiency

ratio is typically used to analyze how well a company uses its assets and liabilities internally. An efficiency ratio can calculate the turnover of receivables, the repayment of liabilities, the quantity and usage of equity, and the general use of inventory and machinery. This ratio can also be used to track and analyze the performance of commercial and investment banks.
*(*By *Will Kenton Investopedia).*

Key activity ratios are:

3.3.4 Inventory Turnover

Inventory turnover is a ratio showing how many times a company has sold and replaced inventory during a given period. A company can then divide the days in the period by the inventory turnover formula to calculate the days it takes to sell the inventory on hand. Calculating inventory turnover can help businesses make better decisions on pricing, manufacturing, marketing and purchasing new inventory.

$$\textbf{Inventory Turnover Ratio} = \frac{\textbf{Cost of Goods Sold}}{\textbf{Average Inventories}}$$

3.3.5 Total Asset Turnover Ratio

The asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets. The asset turnover ratio can be used as an indicator of the efficiency with which a company is using its assets to generate revenue. The higher the asset turnover ratio, the more efficient a company. Conversely, if a company has a low asset turnover ratio, it indicates it is not efficiently using its assets to generate sales.

$$\textbf{Total Asset Turnover Ratio} = \frac{\textbf{Net Sales}}{\textbf{Net Asset}}$$

3.3.6 Sales of Fixed Asset Ratio

This ratio shows how well the fixed assets are being used to generate sales in the business. The ratio is important in case of manufacturing concerns because sales are produced not only by use of current assets but also by amount invested in fixed assets. The higher is the ratio, the better is the performance. On the other hand, a low ratio indicates that fixed assets are not being efficiently utilized.

$$\textbf{Fixed Asset Turnover Ratio} = \frac{\textbf{Net Sales}}{\textbf{Net Fixed Asse}}$$

3.3.7 Sales to Capital Employed Ratio

This ratio shows the efficiency of capital employed in the business by computing how many times capital employed is turned-over in a stated period. The ratio is ascertained as follows:

$$\textbf{Capital Turnover Ratio} = \frac{\textbf{Sales}}{\textbf{Capital Employed Asset}}$$

3.3.8 Debt Management Period/ Coverage Ratio

Ratio Coverage ratios are supplementary to solvency and liquidity ratios and measure the risk inherent in lending to the business in long-term. They include EBIDTA coverage ratio, debt coverage ratio, interest coverage ratio (also known as times interest earned), fixed charge coverage ratio, etc.

3.4 Debt Ratio

Debt ratio is a measure of a business's financial risk, the risk that the business' total assets may not be sufficient to pay off its debts and interest thereon. Since not being

able to pay off debts and interest payments may result in a business being wound up, debt ratio is a critical indicator of long-term financial sustainability of a business.

$$\text{Debt Ratio} = \frac{\text{Total Debt}}{\text{Total Asset}}$$

3.4.1 Debt Equity Ratio

The debt-to-equity (D/E) ratio is calculated by dividing a company's total liabilities by its shareholder equity. These numbers are available on the balance sheet of a company's financial statements. The ratio is used to evaluate a company's financial leverage. The D/E ratio is an important metric used in corporate finance. It is a measure of the degree to which a company is financing its operations through debt versus wholly-owned funds. More specifically, it reflects the ability of shareholder equity to cover all outstanding debts in the event of a business downturn. The debt-to-equity ratio is a particular type of gearing ratio. Debt to Equity Ratio is a ratio that describes the ratio of debt and equity in corporate funding and shows the ability of the company's own capital to meet its obligations. The greater this ratio means the company's ability to pay interest is getting better, and the opportunity to get a loan is also higher

$$\text{Debt Equity Ratio} = \frac{\text{Long term Debt}}{\text{Shareholders Equity}}$$

A lower debt to equity ratio usually implies a more financially stable business. Companies with a higher debt to equity ratio are considered riskier to creditors and investors than companies with a lower ratio. Unlike equity financing, debt must be repaid to the lender. Since debt financing also requires debt servicing or regular interest payments, debt can be a far more expensive form of financing than equity financing. Companies leveraging large amounts of debt might not be able to make the payments.

3.4.2 Interest Coverage Ratio

The interest coverage ratio is a debt ratio and profitability ratio used to determine how easily a company can pay interest on its outstanding debt. The interest coverage ratio may be calculated by dividing a company's earnings before interest and taxes (EBIT) during a given period by the company's interest payments due within the same period. The Interest coverage ratio is also called "**times interest earned**." Lenders, investors, and creditors often use this formula to determine a company's riskiness relative to its current debt or for future borrowing.

$$\text{Interest Coverage Ratio Formula} = \frac{\text{EBIT}}{\text{Interest Expense}}$$

3.4.3 Market Efficiency Ratio

Market efficiency refers to the degree to which market prices reflect all available, relevant information. If markets are efficient, then all information is already

incorporated into prices, and so there is no way to "beat" the market because there are no undervalued or overvalued securities available.

$$\text{EPS} = \frac{\text{Net Income- Preferred Dividends}}{\text{Weighted Average Number Of Common Shares Out standing}}$$

3.4.4 Price Earning Ratio

Price-earnings ratio measures whether market is willing to pay for the company's earnings. In addition, it shows whether the share price of a company is fairly valued, undervalued or overvalued. The higher the P/E ratio is, the more the market is interested to pay for the company's earnings. Companies with high P/E ratio takes more risk than those with low P/E ratios because a high P/E ratio signifies high return. (Carl Warren, 2012).

$$\text{Price Earning Ratio} = \frac{\text{Share Price}}{\text{Earning Per Share}}$$

3.4.5 Divined Payout Ratio

The dividend payout ratio is the amount of dividends paid to the company's stockholders relative to the amount of EPS. The amount remaining after paying the dividend is called retained earnings and held by the company for future growth. (Dividend payout ratio).

$$\text{Dividend Yield Ratio} = \frac{\text{Dividend Per Share}}{\text{Share Price}}$$

3.4.6 Solvency Ratio

A solvency ratio is a key metric used to measure an enterprise's ability to meet its long-term debt obligations and is used often by prospective business lenders. The Solvency ratio indicates weather a a company's cash flow is sufficient to meet its long-term liabilities and thus is a measure of its financial health

$$\text{Solvency Ratio} = \frac{\text{Net income + Depreciation}}{\text{All Liabilities}}$$

Chapter 04
Findings and Analysis

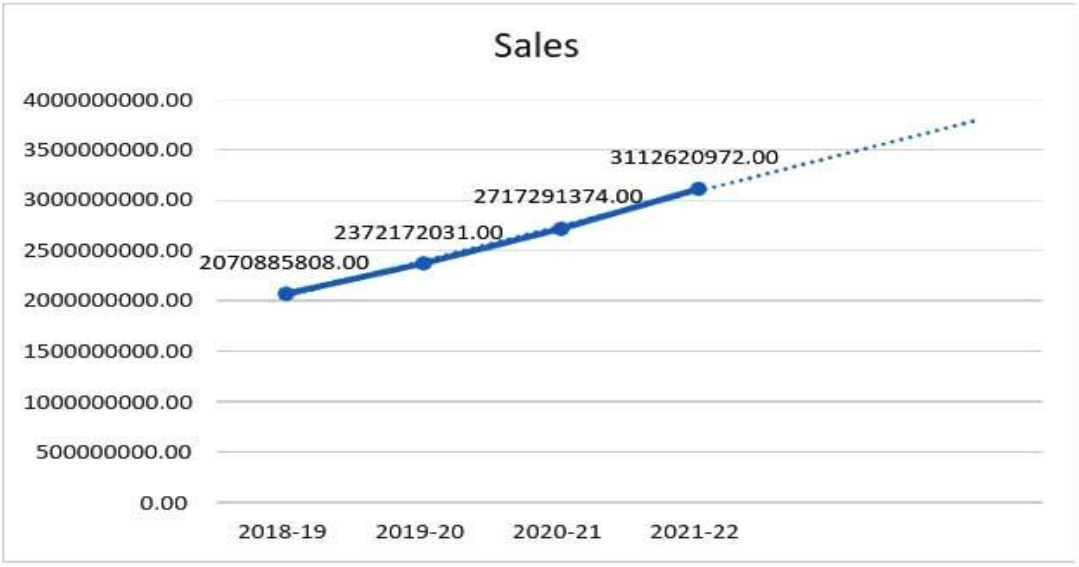
4.1.1 Introduction

Financial ratio analysis also referred to as "in formation + interpretation Analysis" is considered to be the most important steps while analyzing a company from an investment perspective. It is a study of ratios between various items in financial statements. Ratios are classified as profitability ratio, liquidity ratio, asset utilization ratios and leverage ratios based on the indication they provide.

4.1.2 Trend Analysis

Trend analysis is a technique used in technical analysis that attempts to predict the future stock price movements based on recently observed trend data. Trend analysis is based on the idea that what has happened in the past gives traders an idea of what will happen in the future. By seeing the trend, which is a remarkable growth of over 100% from one year to the next, we can also see that the trend itself is not that remarkable

Trend Analysis	
Year	Sales
2018-19	2,070,885,808
2019-20	2,372,172,031
2020-21	2,717,291,374
2021-22	3,112,620,972



4.1.3 Vertical Analysis

The vertical analysis also shows that in years one, two & three the company's product cost 81.79%.79.48% and 79.48% of sales, respectively, to produce. In year four, however, cost of goods sold spikes to 80.03% of sales. That's driving a significant decrease in gross profits. This change could be driven by higher expenses in the production process, or it could represent lower prices. We can't know for sure without hearing from the company's management, but with this vertical analysis we can clearly and quickly see that Yassma knitting and dyeing ltd cost of goods sold and gross profits are a big issue. Besides, in 2019-20 & 2020-21 years, CGS is decreased but operating expense in increased by 6.11%.

4.1.4 Ratio Analysis

Ratio analysis involves evaluating the performance and financial health of a company by using data from the current and historical financial statements.

4.1.5 Profitability Ratio

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Operating profit Margin	13.97%	12.97%	10.22%	12.39%	12.39%	12.39%
Net profit margin	7.60%	7.92%	6.42%	7.65%	7.28%	6.98%
Return on asset	4.79%	4.12%	3.56%	4.70%	4.53%	4.40%
Return on equity	9.27%	9.27%	8.90%	11.12%	11.11%	11.17%

4.1.6 Return on Asset

A high Return on assets is a tell-tale sign of solid financial and operational performance because it gives a clear indication of whether the business is continuing to earn an increasing profit on each dollar of investment. A falling ROA is a sure sign of trouble for the growth

companies like Yassma knitting and dyeing Ltd. But it is expected to rise in the forecasting period in the first phrase though cannot continue in the same mode. Companies like Yassma knitting and dyeing Ltd requires a higher values of fixed assets for operations as such industries are capital intensive, therefore the ROA will be lower as their large asset base will increase the denominator of the formula. Therefore, having lower ROA doesn't mean that Yassma knitting and dyeing Ltd cannot utilize its assets smoothly. Moreover, as a general rule, a return on assets under 5% is considered an asset intensive company while a return on assets above 20% is considered an asset light company.

4.1.7 Return on Equity

ROE measures the profit made for each dollar from shareholder's equity. There is a fluctuating trend regarding ROE in which such is expected to do better than the actual period in the forecasting period. Such a fluctuating trend may trouble a company like Yassma knitting and dyeing Ltd. But it doesn't mean that higher ROE is always fruitful because the company having more debt will have less shareholders' equity resulting in a higher ROE. Moreover, one mustn't forget that cost of debt is usually lower than the cost of equity. Even share repurchases and write-downs can artificially boost ROE. In Yassma knitting and dyeing Ltd, the ROE is expected to rise in the forecasting period as its high debt is magnifying the ROE.



4.2 Net Profit Margin

Net profit margin is a strong indicator of firm's overall success and is usually stated as a percentage. Yassma knitting and dyeing Ltd has a higher net profit margin and is expected to continue in the forecasting period that indicates efficiency in management, strong pricing strategies and ability to control costs by selling goods at a price significantly higher than its costs

4.2.1 Current ratio

A ratio measuring the ability of the firm to meet its short term obligations that are due within a year and it can be calculated by dividing current assets by current liability.

4.2.2 Cash Ratio

A ratio estimating the share of current liabilities of the firm that can be paid off immediately with highly liquid assets and it can have calculated dividing the firm's most liquid assets by its current liabilities

In Yassma knitting and dyeing Ltd. there is a decreasing trend in cash ratio but still the firm is maintaining preferable ratio of 1%. The ratio provides the most conservative measure of the liquidity position of the firm and it is unrealistic for a firm to hold large amount of cash. On that perspective Yassma knitting and dyeing Ltd is holding enough cash and cash equivalents to meet its current liabilities.



4.2.3 Quick Ratio

A ratio measuring the ability of a business to pay its short term liabilities by having assets that are readily convertible into cash. The assets are known as quick assets since they can be quickly converted into cash. Usually the ratio can be calculated as same as current ratio except the amount of current assets short of prepaid expenses & inventory as this two cannot be converted into cash quickly.

4.2.4 Net working Capital

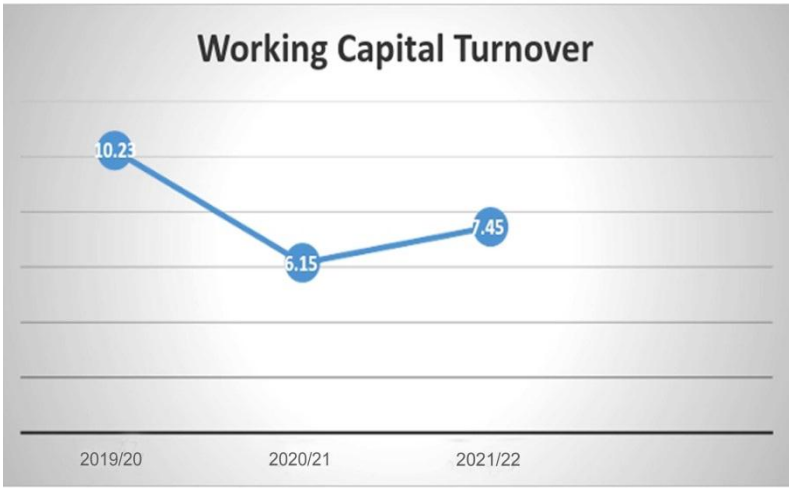
The net working capital position indicates a good sign in the actual period which is expected to endure in the forecasting period as such is in increasing trend i.e. current assets are growing at a higher rate than current liabilities

4.3 Efficiency Ratio

Efficiency Ratio	2018-2019	2017-2018	2016-2017
Working capital	7.45	6.15	10.23
Current Asset	0.90	0.99	1.33
Inventory	3.02	3.03	3.36

4.3.1 Working Capital turnover

A ratio measuring how efficiently a business uses its working capital to produce sales and it can be calculated through dividing net sales by net working capital.



4.3.2 Current Asset Turnover

A ratio measuring the ability of the firm to generate sales through its current assets and it can be calculated through dividing net sales by current assets There is a diminishing trend in the Current asset turnover of Yassma knitting and dyeing Ltd. in this three years period which indicates the firm has a high needs of the external finance. One of the causes that influenced this situation is the growth of accounts receivable. The firm needs to keep the inventory stock to the minimum level which will allow the continuous operation process and efficiency should be accelerated regarding the accounts receivable collection process. Besides, the firm needs to put much emphasis on the sales promotion and marketing research

4.3.3. Inventory Turnover ratio

A ratio measuring the number of times a business sells and replaces its stock during a given period and it can be calculated dividing cost of sales by average inventory There is also a diminishing trend in the inventory turnover ratio of Yassma knitting and dyeing Ltd. in this three years' period which indicates most of the inventory are being tied up in the capital which may be challenging for business. So the firm needs to sells its good fasters to clear up the inventory level and the firm must put emphasis in sales promotion

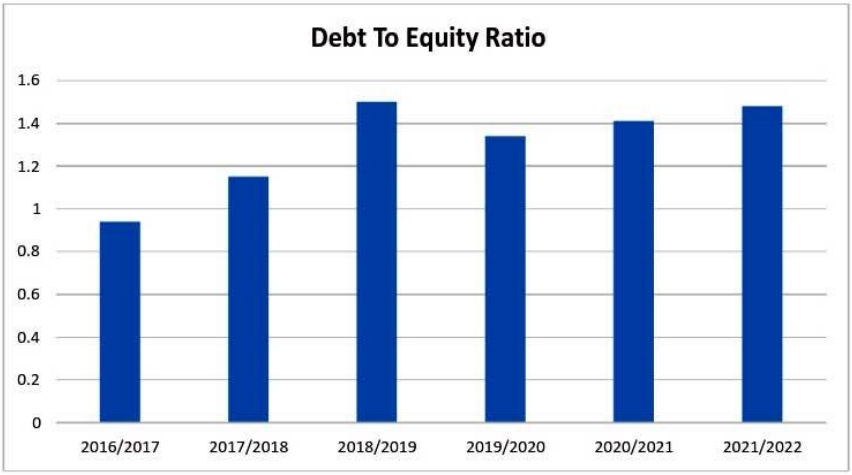
4.3.4 Debt Management Ratio

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Debit equity Ratio	0.94	1.15	1.50	1.34	1.41	1.48
TIE ratio	1.82	2.95	3.67	3.10	2.58	2.24

4.3.5 Debt to Equity Ratio

The debt to equity ratio is a leverage ratio that highlights the capital

structure of a company whether its capital structure tilted either towards debt or equity financing. For instance, in 2021/22 the debt to equity ratio is 0.94 which means for every dollar in equity Yassma knitting and dyeing Ltd has 94 cents in leverage. A higher debt equity ratio designates Yassma knitting and dyeing Ltd a levered firm which is not preferable as the firm is stable with significant cash flow generation. Therefore, Yassma knitting and dyeing Ltd can magnify the return on equity by using more equity. As the cost of equity is lower than the cost of debt, Yassma knitting and dyeing Ltd can lower the WACC increasing D/E up to a certain point. But Yassma knitting and dyeing Ltd management need to be careful for not raising the debt too high because the cost of borrowings will skyrocket, as will the cost of equity and the company's WACC will get extremely high, driving down its share price.



4.3.6 Time Interest Ratio

TIE indicates how many times a company can cover its interest charges on a pretax earnings basis. It is also known as interest coverage ratio. A higher time interest earned ratio of Yassma knitting and dyeing Ltd is favorable because it means the company presents less of a risk to investors and creditors in terms of solvency. But such is expected to decrease in the forecasting period that will be troublesome for Yassma knitting and dyeing Ltd. However, a high TIE ratio doesn't necessarily mean that a company is managing its debt repayment in the most efficient way. This means business may not utilize excess income for reinvestment through

expansion but paying down debt obligations quickly. A company with high TIE ratio may lose favor with long term investors. But each and every company should keep a decent T/E ratio and need to reduce debt obligations to some extent for eradicating future uncertain occurrence. There Yassma knitting and dyeing Ltd need to take some steps to reduce some debt though their debt enables them to magnify the good returns

4.4 Market Efficiency Ratio

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
EPS(Taka)	2.14	2.20	2.21	2.81	2.85	2.91
P/E ratio	26.46	34.66	28.05	22.06	21.75	21.30

4.4.1 Earnings Per Share

EPS indicates how much money a company makes for each share of its stock. There is an increasing trend in ROE of Yassma knitting and dyeing Ltd and such indicates investors will pay more for the firm with higher profit. It is not wise to judge a performance of the company with EPS alone as it can be distorted if a company conducts a share buy-back. Moreover, EPS doesn't take account of a company's debt position and financial leverage also. It will be better if it can be judged with P/E ratio that indicates the value of share per dollar earned. Yassma knitting and dyeing Ltd have a fluctuating trend in P/E ratio. Too high P/E ratio indicates a positive future performance and investors have higher expectation for future earnings growth but such growth stocks are volatile as they are considered overvalued. From that perspective, Yassma knitting and dyeing Ltd have a moderate P/E ratio which is less volatile and investors faces less risk to invest in the stock. And if the stock price rises higher, the

4.4.2 Price Earnings Ratio

The P/E ratio for 2016/2017 to 2018/2019 are trailing P/E ratio whereas the P/E ratio for 2019/2020 to 2021/2022 are forwarding P/E ratio. If the forward P/E ratio is lower than the current P/E ratio it means analysts are expecting earnings to increase. If the forward P/E ratio is higher than the current P/E ratio analysts expects a decrease in earnings. It is to be noted that forward P/E is smaller than the trailing P/E since the forward P/E accounts for future earnings growth relative to today's share price. However, trailing P/E has shortcomings as the company's past performance doesn't signal future behavior. Investors will commit money based on future earnings power, not the past. In Yassma knitting and dyeing Ltd, forward P/E ratio is smaller than current trailing P/E that indicates positive future.

Chapter – 5
Recommendation & Conclusions

Conclusion

Garments sector is the highest single contributor of Bangladesh economy. And about 78% of the employees are women who are playing a pivotal role in decision making, poverty alleviation in their family. The earning of garments sector like Yassma knitting and dyeing Ltd is likely to increase up to US$12.5 billion by the end of 2021 and to US$18 billion by the end of the year 2025 as suggested by estimation. As a major player in ready made garments market, Yassma knitting and dyeing Ltd has wonderful chance to perform much better than present. But the management body should consider some other issues like bank loan, operating expenses, project finance, investments and so on. So the company should have deep concern on the above issue and take essential steps to build sustainable competitive advantages. Ratio analysis is the basic tool of financial analysis and financial analysis is an important part of any business planning process as SWOT and no SWOT analysis would be complete without an analysis of company's financial position. Usually the financial statement analysis contains the past performance, so I made the forecast-ed income statement and forecast-ed balance sheet for upcoming three years' financial performance was seeing to be sound because the company tries to increase its production and also net profit. The company need to utilize its funds more efficiently to justify its growth in all aspects. The report helps to explore my knowledge in this financial area that will help me to understand more about how I can know the performance of the industry as a student of Accounting. This report is also helping me to understand the financial condition and as well as how they will do in future. From this report an investor can see the general picture of Yassma knitting and dyeing Ltd and he can take decision based on this report. The one-month internship program helped me to enhance my knowledge beyond the text books. I have gained practical knowledge regarding the corporate environment which I hope would support me in future.

Recommendations

The overall performance of Yassma knitting and dyeing Ltd shows a satisfactory position in the given period. It is not easy to recommend some suggestion to boost the performance level of the organization much better than the existing point. I have observed some shortcomings regarding operational and other aspects. On the basis of my observation I would like to present the following recommendations:

* Yassma knitting and dyeing Ltd should increase their equity capital in their capital structure because debt capital is already higher.

* They should utilize their assets properly by investing them in more profitable projects as they have to be dependent on external loan to meet liquidity needs.

* Yassma knitting and dyeing Ltd should invest the retained cash in government securities such as Treasury bill and Treasury bond.

* They can also invest in short term marketable securities which generates more revenues for the firm. They need to put emphasis on minimizing the average collection period by having a separate credit control department or by ameliorating the collection efficiency.

* They should increase dividend per share that will serve as a promotional tool.

* Contribution analysis for each of the product lines to optimize profit in light of demand factors.

* Coordination among the employees of finance and accounts departments must be stronger to bring maximum output. They can organize workshops, seminars, and provide more training to develop their work ability and motivate them towards work by setting goals.

* They need to reduce the debt to equity ratio to some extent though it helps them to magnify the return to equity. Because, banking industry is not in decent shape.

* Yassma knitting and dyeing Ltd should try to minimize the operating expenses which enables the company to save, in order to increase the profit which helps for its future expansions.

* Company should continue paying taxes in the future so that it will not burden the particular period in which it has paid the balance amount of tax.

***** In the face of today's global competition with open market operation, Yassma knitting and dyeing Ltd must develop and retain the high achievers and motivated workforce and equip them with latest skills and technologies analysis to get an idea of knitting industries.