FINANCIAL ANLYSIS OF M&H CORPORATION (PVT.) LTD.

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FINANCIAL ANLYSIS OF M&H CORPORATION (PVT.) LTD.

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An Internship Report
Submitted to the Faculty of Agribusiness Management
Sher-e-Bangla Agricultural University, Dhaka.
In partial fulfillment of the requirements
For the degree of

MASTER OF BUSINESS ADMINISTRATION
IN
AGRIBUSINESS

SEMESTER: JANUARY-JUNE, 2016

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CERTIFICATE

This is to certify that internship report entitled, "Financial Analysis Of M&H Corporation (Pvt.) Ltd." submitted to the Faculty of Agribusiness Management, Sher-e-Bangla Agricultural University, Dhaka, in partial fulfillment of the requirements for the degree of ***MASTER OF BUSINESS ADMINISTRATION in AGRIBUSINESS,*** *embodies the result of a piece of bona fide internship work carried out by MD. SAZZATUL KARIM,Registration No. 08-03122 under my supervision and guidance. No part of the internship report has been submitted for any other degree or diploma.*

I further certify that such help or source of information, as has been availed of during the course of this investigation has duly been acknowledged.

Dated: June, 2016 ***(Prof. Dr. Rokeya Begum)***

Place: Dhaka, Bangladesh ***Supervisor***

Dedicated to

My

Beloved parents

M & H CORPORATION (PVT.) LTD.
Manufacturer & Exporter of ready-made Garment.

DAG NO:415/5482 DOLIPARA
[SECTOR-3 UTTARA DHAKA-1230
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TO WHOM IT MAY CONCERN

This is to certify that Md.Sazzatul Karim Registration no: 08-03122, Session /2014-15 student of MBA (Agribusiness) program of your university has successfully completed his 16 weeks internship program at M & H Corporation (Pvt.) Ltd. During his internship, he was found very enthusiastic & laborious.

However in view of his contribution as well as potentials, I do hope he would be providing meritorious result in future. I wish him all success in life.

Md. Ilias Chowdhury
Manager & Admin
M & H Corporation (Pvt.) Ltd.

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All praises are due to the Almighty Allah, the Supreme Ruler of the universe Who enables the author to complete this present piece of work. The author deems it is a great pleasure to express his profound gratefulness to his respected parents.

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The Author

FINANCIAL ANLYSIS OF M&H CORPORATION (PVT.) LTD.

ABSTRACT

The main focus of this report is on the Financial Analysis of M&H Corporation (Pvt.) Ltd. In order to focus on the financial performance and evaluation of M&H Corporation (Pvt.) Ltd, the study focuses on the financial statement and ratio analysis like liquidity ratio, Asset Management Ratio, Debt Management ratio and Profitability Ratio. The study has been conducted mainly based on secondary data. Moreover, the study describes the internship experience and objectives of the study. Some information has also been collected from the discussion with the officers. Ratio analysis is mainly conducted to analyze the ratios of liquidities, profitability, debt management and Asset Management of M&H Corporation (Pvt.) Ltd. Results of the study shows that, increasing trend of   maintaining the debt to asset ratio. Proper and effective monitoring system should be developed in order to ensure the proper maintain liquidity and to minimize the debt of M&H Corporation (Pvt.) Ltd.

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CHAPTER 1
INTRODUCTION

1.1 Origin of the Report

As a student of Agribusiness, I had to complete a 120 days attachment with any organization. My attachment was with M & H Corporation and I worked as an intern from **December, 2016 to March, and 2017.** And that period, I collected information regarding preparing a report on **Financial Analysis of M & H Corporation pvt. (Ltd.).**

1.2 Significance of the Report

This internship report is an important partial requirement of MBA program because knowledge and learning become perfect when it is associated with theory and practice. Students can establish contacts and networking by this internship program. Contacts may help to get a job in future. That is, student can train and prepare themselves for the job market. Developing country in the world like Bangladesh has an overwhelming number of unemployed educated graduates. Therefore; it is obvious that the significance of internship is clearly justified as the crucial requirement of MBA Post graduation. The main theme of internship is together practical experience and knowledge about the corporate activities of different sector of the business. It also helps a lot to compare the theoretical knowledge with the practical field. Furthermore, the program has helped me a lot to understand the organization atmosphere and behaviour.

1.3 Scope of the Report

M & H Corporation Pvt. (Ltd.) is a big private company. Hence, their economic activities and productions are huge and versatile. Four month is not enough time to learn the vast financial activities and production procedure. I tried to note my daily experience and finally make a combination of them to prepare my report. This study is focused on the following areas of M & H Corporation pvt.(Ltd.) .

- An overview of M & H Corporation pvt.(Ltd.).
- Financial Statement analysis of two past years of M & H Corporation pvt.(Ltd.).
- Performance Evaluation of M & H Corporation pvt.(Ltd.).

1.4 Objectives of the Report:

The objective of the project is to develop the concept about the various aspects of the organizational structure, financial position, success and marketing process of the garments industry. This study will help me to analyze the various concept of financial statement analysis, decision making in stable and unstable situation, how to increase the financial position, organizational network and so on which will enrich my experience for my future career. More specifically the objective of the study-

- To practice knowledge and experience gather from this study, which will be very much helpful in my future life for doing any types of research work.
- To know the corporate activities of different sector of business sector.
- To identify the total activities of garments industry.
- To indentify the financial position of M & H Corporation.

1.5 Limitations of the Report:

- The main constrain of the study was insufficiency of information, which was required for the study. There was various information the head office employee can’t provide due to confidential and other corporate obligations.
- Time constrains, three months are not enough to collect all necessary material.
- Lack of opportunity to visit production house.
- The functions and activities of M & H Corporation are too vast, so they change their strategy day by day. As a result I can’t collect update information & strategy.
- As I am student it is not possible for me to collect all the necessary information.
- Lack of Experience.

CHAPTER 2

LITERATURE REVIEW

Gopinathan Thachappilly (2009**)**, in this articles he discussed about the Financial Ratio Analysis for Performance evaluation. It analysis is typically done to make sense of the massive amount of numbers presented in company financial statements. It helps evaluate the performance of a company, so that investors can decide whether to invest in that company. Here we are looking at the different ratio categories in separate articles on different aspects of performance such as profitability ratios, liquidity ratios, debt ratios, performance ratios, investment evaluation ratios.

James Clausen (2009), He stated that the Profitability Ratio Analysis of Income Statement and Balance Sheet Ratio analysis of the income statement and balance sheet are used to measure company profit performance. He said the learn ratio analyses of the income statement and balance sheet. The income statement and balance sheet are two important reports that show the profit and net worth of the company. It analyses shows how the well the company is doing in terms of profits compared to sales. He also shows how well the assets are performing in terms of generating revenue. He has defined the income statement shows the net profit of the company by subtracting expenses from gross profit (sales – cost of goods sold). Furthermore, the balance sheet lists the value of the assets, as well as liabilities. In simple terms, the main function of the balance sheet is to show the company's net worth by subtracting liabilities from assets. He said that the balance sheet does not report profits, there's an important relationship between assets and profit. The business owner normally has a lot of investment in the company's assets.

Gopinathan Thachappilly (2009), He discussed about the Profitability Ratios Measure Margins and Returns such as gross, Operating, Pre-tax and Net Profits, ROA ratio, ROE ratio, ROCE ratio**.** However, he determines the Gross profit is the surplus generated by sales over cost of goods sold. His discussion about the Gross Profit Margin = Gross Profit/Net Sales or Revenue. Moreover, Operating profits are arrived at by deducting, marketing, administration and depreciation and R&D costs from the gross margin. Nonetheless, He explains about the operating profit margin. Operating Profit Margin = Operating Profit/Net Sales or Revenue. Nevertheless, pre-tax profits are computed by deducting non-operational expenses from operating profits and by adding non-operational revenues to it. Pre-tax Profit Margin = Pre-tax Profit/Net Sales or Revenue .Nonetheless**,** he also analysis about the net profit margin.Net Profit Margin = Net Profit/Net Sales or Revenue. He also explains that the returns on resources used dividend into three categories such as ROA, ROE, and ROCE: At first the Return on Assets = Net Profit/ (Total Assets at beginning of the period + Total Assets at the close of the period)/2) - The denominator is the average total assets employed during the year**.** Return on Equity = Net Profit/ (Shareholders' Equity at the beginning of the year + Shareholders' Equity at the close of the year)/2).ROCE ratio**:** Return on Capital Employed = Net Profit/ (Average Shareholders' Equity + Average Debt Liabilities) - Debt Liabilities.

Maria Zain (2008), in this articles he discussed about the return on assets is an important percentage that shows the company’s ability to use its assets to generate income. He said that a high percentage indicates that company’s is doing a good utilizing the company’s assets to generate income. He notices that the following formula is one method of calculating the return on assets percentage. Return on Assets = Net Profit/Total Assets. The net profit figure that should be used is the amount of income after all expenses, including taxes. He denounces that the low percentage could mean that the company may have difficulties meeting its debt obligations. He also short explains about the profit margin ratio – Operating Performance .He pronounces that the profit margin ratio is expressed as a percentage that shows the relationship between sales and profits. It is sometimes called the operating performance ratio because it’s a good indication of operating efficiencies. The following is the formula for calculating the profit margin. Profit Margin = Net Profit/Net Sales**.**

James Clausen (2009), in this article he briefly expressed about the liquidity ratio. He Pronounce that it is analysis of the financial statements is used to measure company performance. It also analyses of the income statement and balance sheet. Investors and lending institutions will often use ratio analyses of the financial statements to determine a Company’s profitability and liquidity. If the ratios indicate poor performance, investors may be reluctant to invest. Therefore, the current ratio or working capital ratio, measures current assets against current liabilities. The current ratio measures the company’s ability to pay back its short-term debt obligations with its current assets. He thinks a higher ratio indicates the company is better equipped to pay off short-term debt with current assets. Wherefore, the acid test ratio or quick ratio, measures quick assets against current liabilities. Quick assets are considered assets that can be quickly converted into cash. Generally they are current assets less inventory.

Gopinathan Thachappilly(2009),he also stated that the Liquidity Ratios help Good Financial .He knows that a business has high profitability, it can face short-term financial problems and its funds are locked up in inventories and receivables not realizable for months. Any failure to meet these can damage its reputation and creditworthiness and in extreme cases even lead to bankruptcy. In addition to, liquidity ratios are work with cash and near-cash assets of a business on one side, and the immediate payment obligations (current liabilities) on the other side. The near-cash assets mainly include receivables from customers and inventories of finished goods and raw materials. Coupled with, current ratio works with all the items that go into a business' working capital, and give a quick look at its short-term financial position. Current assets include Cash, Cash equivalents, Marketable securities, Receivables and Inventories. Current liabilities include Payables, Notes payable, accrued expenses and taxes, and Accrued instalments of term debt). Current Ratio = Current Assets / Current Liabilities**. S**imilarly, Quick ratio excludes the illiquid items from current assets and gives a better view of the business' ability to meet its maturing liabilities. Quick Ratio = Current Assets (Inventories + Prepaid expenses + Deferred income taxes + other illiquid items) / Current Liabilities**.** In the final ratio under this article is cash ratio .Cash ratio excludes even receivables that can take a long time to be converted into cash. Cash Ratio = (Cash + Cash equivalents + Marketable Securities) / Current Liabilities.

Jo Nelgadde (2010), in this article he briefly discussed about the asset management ratio. It divided into different types of categories. He state that about the used to analyze accounts receivable and other working capital figures to identify significant changes in the company’s operations and financial accounts. He said that there are two categories about this ratio such as account receivable turnover and average age of account receive. He measurement the ratio as, Accounts receivable turnover = Sales / Average Accounts receivable. Average collection period = 365 days / Accounts receivable Turnover.

Jo Nelgadde (2009), He said that how to perform inventory analysis and inventory turnover analysis to better understand a business as well as to identify effective inventory management. He analyzing a company’s financial performance definitely includes performing inventory analysis. He knows that there are three types of business inventory: Raw Materials (RM),Work-In-Progress (WIP),Finished Goods (FG).He gives two types formula of ratio such as Inventory Turnover = Cost of Goods Sold / Average Inventory, Average age of Inventory = 360 days / Inventory Turnover.

James Clausen (2009), He denotes that about the total asset ratio. The calculation uses two factors, total revenue and average assets to determine the turnover ratio. When calculating for a particular year, the total revenue for that year is used. Instead of using the year ending asset total from the balance sheet, a more accurate picture would be to use the total average assets for the year. Once the average assets are determined for the same time period that revenue is compared, the formula for calculating the asset turnover ratio is, Total Revenue / Average Assets = Asset Turnover Ratio.

Munya Mtetwa (2010), in this article he gives idea about the fixed asset. He defines that fixed assets are assets that are used in production or supply of goods or services and they are to be used within the business for more than one financial year. Consequently, fixed assets represent the company's long term income generating assets and they can either be tangible or intangible. It includes land and buildings, plant and equipment, golf courses, casinos, football players, machinery and hotels depending on the nature of the business under consideration.

Diane White (2008), He referred that the accounts receivable is an important analytical tool for measuring the efficiency of receivables operations is the accounts receivable turnover ratio. Many companies sell goods or services on account. This means that a customer purchases goods or services from a company but does not pay for them at the time of purchase. Payment is usually due within a short period of time, ranging from a few days to a year. These transactions appear on the balance sheets as accounts receivable.

Lucia Jenkins (2009), Understanding the use of various financial ratios and techniques can help in gaining a more complete picture of a company's financial outlook. He thinks the most important thing is fixed cost and variable cost. Fixed costs are those costs that are always present, regardless of how much or how little is sold. Some examples of fixed costs include rent, insurance and salaries. Variable costs are the costs that increase or decrease in ratios proportion to sales.

Gopinathan Thachappilly **(** 2009), in this articles he expressed about debt management**.** He mention that the Ratio of Debt to Equity has Implications for return on equity debt ratios check the financial structure of the business by comparing debt against total capital, against total assets and against owners' funds. The ratios help check how "leveraged" a company is, and also the financial manoeuvrability of the company in difficult times. The concepts of leverage and other issues are examined below. The Debt Ratios formula is that Debt Ratio = Total Liabilities / Total Assets (Total liabilities include even non-interest-bearing operational liabilities) and Debt to Equity Ratio (Debt Capital Ratio) = Total Liabilities / Shareholders' Equity**.** Capitalization (Term Debt Ratio) = Long-term Debt / Shareholders' Equity**.** Interest Coverage Ratio = Profit before Interest and Taxes (PBIT) / Interest Expense. Simultaneously, debt ratios and the related interest coverage ratio checks the soundness of a company's financing policies. One the one hand, use of debt funds can enhance returns to owners. On the other hand, high debt can mean that the company will find it difficult to raise funds during lean periods of business.

James Hutchinson (2010), He realized that about the long term debt to equity ratio of a Business. The ratio of these numbers tells a lot about the business. It is calculated by taking the debt owed by the company and divided by the owner's equity, also known as capital. The debt number may include all liabilities, or just long term debt.

Jo Nelgadde (2010), debt collection and debt recovery tools a company guide to using debt solution tools for effective debt collection: credit insurance, a solicitor or debt attorney or a debt collection agency. Moreover, collection of accounts receivable, debt collection or debt recovery is an important source of a company's cash flow and business finance. As such, learning about credit management and debt recovery can prove vital for entrepreneurs.

Gopinathan Thachappilly (2009), he showed that the EPS is computed by dividing the company's earnings for the period by the average number of shares outstanding during the period. He discusses that Stock analysts regularly estimate future EPS for listed companies and this estimate is one major factor that determines the share's price. Price/Earnings (PE) Ratio = Stock Price per Share / Earnings per Share (EPS).Hence, many investors prefer the Price/Sales ratio because the sales value is less prone to manipulation. Price/Sales (PS) Ratio = Stock Price per Share / Net Sales per Share. The Dividend Yield, The dividend yield ratio annualizes the latest quarterly dividend declared by the company Dividend Yield = Annualized Dividend per Share / Stock Price per Share.

CHAPTER 3
METHODOLOGY

3.1 Report Design:

The study on "**Financial Analysis of M & H Corporation pvt. (Ltd.)** is descriptive in nature which is mainly based on secondary data. The study focuses on financial statement analysis using of ratio and measurement of performance of M & H Corporation pvt. (Ltd.).

3.2 Data used in the study:

The study is mainly based on secondary data.

- The audit report of M & H Corporation.
- Website of M & H Corporation.
- Magazines of M & H Corporation.
- Files and folder of M & H Corporation.
- Written documents of M & H Corporation.
- Different text book are the major data sources in this report.

Though the use of primary data is very limited in this report, some information has been collected from the opinions of officials of M & H Corporation. The secondary data are collected for the period of two years from 2014 and 2015.

3.3 Data Analyzing and Reporting:

Ratio analysis is made to analyze of financial performance of M & H Corporation. Ratio of Liquidity Ratio, Asset Management Ratio, Debt Management Ratio and Profitability Ratio are analyzed in the study. Software like Microsoft word, excel are used for analyzing and reporting purpose of the report.

3.4 Formula for ratio analysis

We used different types of formula for calculation of different kinds of ratio. We collect some formula from the book of Intermediate Accounting by Kieso, Weygandt, Warfield (2001). We also collect some data from Accounting Principles by Weygandt, J. J, Kieso, D. E, & Kell, W. G. (1996). The formulas used for the ratio analysis are as follow as;

Liquidity ratio

Current Ratio:

Current Ratio = Current assets /Current liabilities--- **(1)**

Quick Ratio:

Quick Ratio= (Current Assets-Inventories)/Current Liabilities ---------------------- **(2)**

Asset management ratios

Inventory Turnover Ratio:

Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory --------------- **(3)**

Average collection period:

Average collection period = 360 days / Accounts receivable turnover --------------- **(4)**

Average payment period:

Average payment period=Accounts Payable/Average Purchase per Day------------- **(5)**

Total asset turnover:

Total asset turnover = Sales / Total asset--- **(6)**

Debt coverage ratio

Debt Ratio

Debt Ratio =Total liabilities / Total assets--- **(7)**

Time interest earned

Time interest earned = EBIT / Interest charged--- **(8)**

Profitability Ratio

Net Profit margin

Net Profit margin = Net income /sales-- **(9)**

Gross Profit margin ratio

Gross Profit margin ratio= Gross profit/sales-- **(10)**

Return on Assets ratio

Return on Total Assets = Net profits after taxes / total assets------------------------- **(11)**

Return on equity

Return on common equity = Net income / Owners equity--------------------------- **(12)**

Operating Profit Margin ratio

Operating Profit Margin = Operating profits / Sales------------------------------------ **(13)**

CHAPTER 4

JOB DESCRIPTION IN M&H CORPORATION

4.1 Front Desk (Information centre and Customer services)

Experience: Front desk of the office was one of the most mentionable work areas for me where I have learned many things about office and customer relation. I got 60% of my internship learning from there because I had to desk with different types of customers with varied requirement to us. I generally assisted my supervisor and other officers at front desk to execute the tasks swiftly and successfully. Sometimes, I solely had to take the charge of the desk for a while when other officers were not available. I observed firstly, the place or selves which are frequently used by officers like the files-folders, different types of papers, magazines, stationary box and so on. Therefore when they want anything from me, I can easily find those stuffs for them. It also helped me to do my task when I was alone.

Job Responsibility: My job responsibility at the front desk was vast and diverse as an intern. Apart from some specific tasks, I had to perform certain tasks during the office hour.

- Dealing with visitors as per the demand of visitors and officials.
- Responding to the queries in detail about different types of products and price.
- Preparing list of customers name and accounts.
- Inspecting the magazine boxes and making forms and decorated magazines as per need.
- Filling up the important and unfilled item on a form.
- Filling the used, closed and pending forms.
- Finding files.
- Processing and enlisting papers.
- Receiving phone calls.

Observation and Recommendation: From my observation, front desk has a high potential to communicate with different level of customers. The officials of front desk have more client related responsibility than other section. The job is a mixer of good and bad experiences but all experiences can be counted. The desk demands fast, organized and perfect execution of works. The authority should permit an intern to learn and use official accounting software to increase their knowledge and experience levels. The most energetic, handsome and smart official should always be placed at the fort desk.

4.2 Accounts and Finance Department

I spend one month in accounts and finance department during my internship under Mr. Mainul Ahsan.

Experience: The experience of the accounts is worthy to mention as accounts section maintains the balance sheet of the branch. The tasks of the section were sensitive one mistake in accounting process or record can create many difficulties in office. I also learn how to finance for their production. I found very helpful and resourceful to learn from the affairs sheet of the office because the accounts statement of the company quit different from statement that we normally practiced n our classes. I have learned about the income-expenditure, asset-liability terms of the company.

Job Responsibility: Job responsibilities at accounts and finance were short because of the work sensitivity

- Checking debit and credit entry in number and amount from audit trial to general account sheet
- Calculating daily entries and position of demand sales, account receivable and payable
- I was entry data and calculated the total wages and salaries earned by every employee every pay period
- All cash received from sales and from all other sources has to be carefully identified and recorded
- Sometimes I responsible for keeping track of all purchase orders that have been placed for inventory (products to be sold by the business) and all other assets and services that the business buys.

Observation and Recommendation: The task of accounts is very sensitive and warrants highest attention in recording and security activities. The learning from accounts helped me forwarding as I know the term of balance sheet which is an accumulation of entire function of office. The work of financial statement was easy because of my understanding of accounts was good.

4.3 Marketing or Sales Department

I spend only 10 days in marketing department and watched their lots of tasks. Though this departmental work not related to my study I could not get much time to spend.

Experience: Marketing is the most important parts of any business activity. I knew from the experience It is created customers and generates income, guides the future course of a business and defines whether it will be a success or a failure. Without marketing, a business is like sitting in the dark. I got experience how they update their website create their customer chain and strategy to build customer satisfaction

Job Responsibility:

- Listened customer needs and demand.
- Track trends and monitor competition.
- Coordinated efforts with marketing partners of the company.
- Communicate with the rest of the company.
- Help to improve sales process and customer.

Observation and Recommendation: Marketing departments tasks are also much secure for their product designing and spreading. The learning from marketing strategy helped me to forward increasing sales demand cause. The work of customer satisfaction was easy because it was easier term based on advertising, segmentation and promotion.

CHAPTER 5

ORGANIZATIONAL OVERVIEW

5.1 ABOUT M & H CORPORATION

M & H Corporation started its journey in Bangladesh in the year 1995 through formation of small sewing units.

At early years M & H Corporation had to pass very complicated time. It still exists only for its honesty, reliability, moral principles and for its business ethics. And for that reason now this organization is in a successful and secure situation in the subsequent years.

M & H Corporation never miss to meet potential challenges. This organization always tries to give its best to attain professional capability and consistency.

Company always tries to give something better than its customer’s expectation. For this reason it’s not only treated as a trusted supplier of readymade garments but also as a concerned associate toward all its buyers and customers. Now meeting the extraordinary requirement of the customer becomes a tradition for this organization and also a matter of pride for this organization.

This organization is also adapting some important policies like getting official approval of ISO Quality Standard practices, ensuring total compliance of various Code of Conduct requirements of prestigious buyers across the world, prioritizing the need for creation of ideal work conditions for the workers and ensuring proper health care & safety for them. This thing has awarded M & H Corporation a respectable position in the top of the RMG manufacturers in Bangladesh.

5.2 SHORT PROFILE OF M & H CORPORATION

M & H Corporation is one of the biggest exports oriented apparel producing corporation in Bangladesh. M & H Corporation launched its first manufacturing units with a modest capacity of about 2000 pieces of shirt/blouses per day.

Today the group owns several factories as well as wings as listed below:

NAME	**:** M & H CORPORATION (PVT) LTD.
YEAR OF ESTABLISHMENT	**:** July 1995
LOCATION	**:** Dolipara, Sector- 3, Uttara, Dhaka- 1230
AREA	**:** Total floor area 60000 square feet

5.3 Production Capacity

- Trousers/Shorts/Jeans/ Skirts : 1000000pcs/month
- Jogging Sets/Jackets : 1000000pcs/month
- Ladies Dress/Fleece Items : 600000pcs/month
- Polo shirts : 900000pcs/ Month
- T-shirts : 750,000pcs/ Month
- Sweat shirts : 100,000pcs/ Month
- Pajama sets : 750000Sets/Month
- Child Dress : 500,000Pcs/ Month

5.4 Board of Directors

1. Mr. Neesar Ahmed-In charge of Import and Administration
2. Mr. Emdadul Islam- In charge of Marketing and Quality control
3. Mr. Moinul Ahsan- In charge of Finance
4. Mr. Abidur Rahman- In charge of Export and Embroidery division
5. Mr Abdus Salam - In charge of Production Planning and Control

5.5 Mission

"To maximize profit while creating an environment in which we can provide the best value and the best services to our customers, while developing ourselves to our maximum potential in a pleasant, clean and professional atmosphere"

5.6 Garment Unit

Table 5.1 Details of machineries are as follows:

	Name of machine	Quantity
01	Plain machine	5000sets
02	Over lock machine	750 sets
03	Two niddle machine	2500 sets
04	Bartack machine	1000 sets
05	Computerized b/t machine	100 sets
06	Button stitch machine	100sets
07	Computerized b/s machine	103 sets
08	Button hole machine	509 sets
09	K/s machine	206 sets
10	Flat lock machine	510 sets
11	Snap button machine	611 sets
12	Cutting machine	505 sets
13	Feed of the arm machine	109 sets
14	Collar turning machine	82 sets
15	Computerized eyelet hole Machine	102 sets
16	Fusing machine	50 set
17	Chain stitch machine	60 set
18	Zigzag machine	45 sets
19	Velcro attachment machine	45 sets
20	Fabric checking machine	20 set
21	Thread sucker	15 set

Source: Company Handbook

Table 5.2 Buyers Names and Countries

SL. No.	Buyer Name	Country
01	H&M	USA
02	KHOL'S	USA
03	VF ASIA	Germany
04	ASMARA	Italy
05	WALMART	Canada
06	PUMA	Canada
07	JESSYPANY	South Africa
08	AMERICAN EGALE	France
09	LINDEX	UK
10	OSHKOSK	Spain
11	NEXT	USA
12	LINDEX	France

Source: Company Handbook

The major buyers of M&H Corporation are KHOL'S, H&M, VF ASIA and ASMARA. KHOL'S, H&M, VF ASIA and ASMARA purchase 54%, 18%, 10% and 10% products respectively.

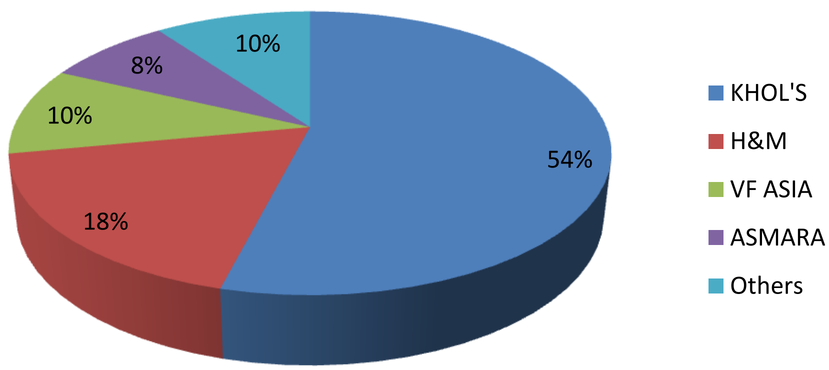


Figure 5.1 Buyers Position

Source: Company Handbook

5.7 Management of Company

The ultimate objective of our organization is to render complete satisfaction to its customers by providing total quality assurance of the exported apparels and prompt correspondence. This has so far enables the company to add more prominent buyer to its prestigious list. Besides, our ability to interpret customer's requirement, complete quality management techniques and our passion for excellence empower us with the potential to serve our customers in much efficient manner. Moreover, we entertain client's feedback to enhance our products and services as per their expectation.

5.8 Department of the Company

- Administrative department
- Accounts Department
- Merchandising Department
- Commercial Department
- Stores Department
- Quality Control Department
- HRM Department
- Production department

CHAPTER 6
RESULTS AND DISCUSSION

6.1 Financial Analysis

STARTING

The three main financial statements are the profit and loss statement (the income statement), the balance sheet, and the cash flow statement. Each of the financial statements may show a different perspective of the company, but each financial statement is designed to show you the money: where the money came from, where the money went and where the money is right now.

Applying financial ratios and accounting formulas to the financial statements can provide valuable insight into the company's profitability, financial strength, and efficiency of operations.

Table 6.1

Details		2014(TK.)
Sales		915,878,800
Less: COGS		121,565,000
Gross Profit		**794,313,800**
Less: Operating Expenses		
Selling Expenses	521,67,000	
General & Administration Expenses	80,00,000	
Depreciation	415,250,000	
Total Operating Expense		**475,417,000**
EBIT		**318,896,800**
Less: Interest		9301840
EBT		**309,594,960**
Tax		10200300
Net Income		**299394660**

Source: Annual Report of M & H Corporation Pvt. Ltd. -2014

Table 6.2

Details		2015(TK.)
Sales		1,261,27,3600
Less: COGS		204,282,912
Gross Profit		**1,056,990,688**
Less: Operating Expenses		
Selling Expenses	169,129,000	
General & Administration Expenses	65,836,000	
Depreciation	465,321,856	
Total Operating Expense		**700,286,856**
EBIT		**356,703,832**
Less: Interest		22597661
EBT		**334,106,171**
Tax		2000080
Net Income		**332106637**

Source: Annual Report of M & H Corporation Pvt. Ltd. -2015

6.2 Retained Earnings Calculation

Since there is no engagement with security market so the net income is retained as the ultimate income for the business. Hence, there is no dividend paid by the company.

Table 6.3 Retained Earnings Calculation

Details	2014(TK.)	2015(TK.)
Opening retain earning	386,814,000	788,408,760
Net income	299394660	332106637
Less dividends	0	0
Ending retain earning	696,408,960	1,122,514,931

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Table 6.4 Balance Sheet

Details	**2014(TK.)**	**2015(TK.)**
Current asset:		
Cash	22,290,600	38,526,500
Accounts Receivable	605,535,304	799,898,587
Inventory	735,889,556	985,983,800
Loan & Advance	678,756,500	
Total current asset	**2,042,471,960**	**1,824,408,887**
Fixed asset:		
Machinery & Equipment	508,680,000	668,357,000
Vehicle	155,970,000	256,943,000
Furniture	192,120,000	221160000
Other Fixed Asset	51,550,000	61,450,000
Less: Accumulated Depreciation	-415,250,000	-465,321,856
Total fixed asset	493,070,000	**759,229,044**
Total Asset	**2,535,541,960**	**2,583,637,931**
Current liability:		
Account Payable	959,020,000	751,050,000
Accruals	51,00,000	57,77,392
Short-term liability	83,565,000	75,487,000
Total Current Liability	**1,042,585,000**	**826,537,000**
Long-term debt	796,548,000	634,586,000
Total Liabilities	**1,839,133,000**	**1,461,123,000**
Owners equity:		
Retain Earnings	696,408,960	1,122,514,931
Total Owners Equity	**696,408,960**	**1,122,514,931**
Total Liability and Owners' Equity		
	2,535,541,960	**2,583,637,931**

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

6.2 Ratio Analysis

Below are the ratio Analysis of M & H CORPORATION (PVT.) LTD.**:**

6.2.1 Liquidity Ratio

Liquidity ratio refers to the ability of a company to interact its assets that is most readily converted into cash. Assets are converted into cash in a short period of time that are concerns to liquidity position. However, the ratio made the relationship between cash and current liability.

The Liquidity ratio we can satisfy on the three ratios, those are:

- Current ratio
- Quick ratio or acid test

6.2.1.1 Current Ratio

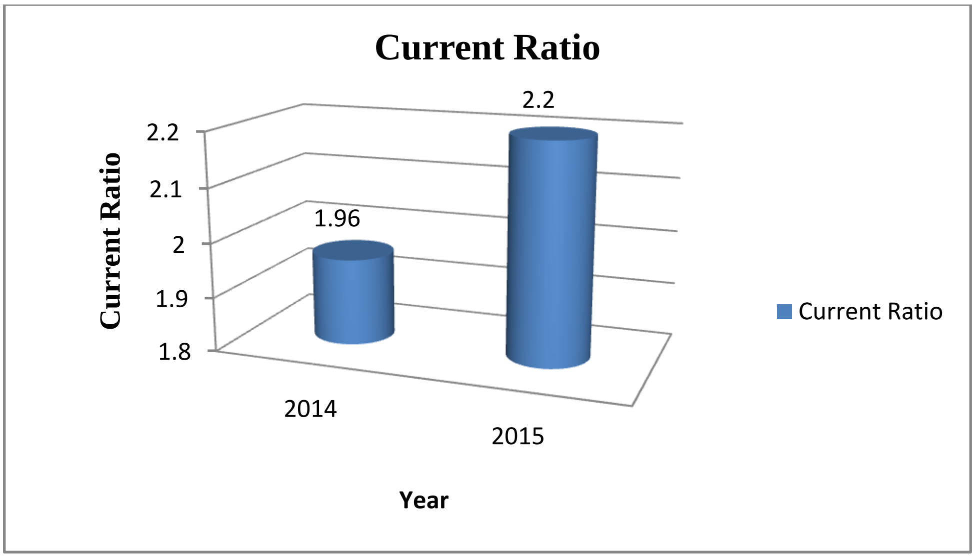
The current ratio is calculated by dividing current assets by current liabilities. Current asset includes inventory, trade debtors, advances, deposits and repayment, investment in marketable securities in short term loan, cash and cash equivalents, and current liabilities are comprised short term banks loan, long term loans-current portion, trade creditors liabilities for other finance etc. Generally current ratio is acceptable of short term creditors for any company. The formula is shown as below:

$$\text{Current Ratio} = \frac{\text{Current assets}}{\text{Current Liabilities}}$$

Table 6.5: Current Ratio

Year	2014	2015
Current Ratio	1.96	2.20

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015



Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Interpretation: In this analysis we can see that the current ratio is 1.96 in 2014, which is increase as 2.20 in 2015. This indicates over the time period M&H Corporation gained its capacity to pay their current obligations by using its current assets. Current ratio below 2 indicates risky position. M&H Corporation is in stable position in 2015.

6.2.1.2 Quick Ratio

The quick ratio or acid taste ratio is a liquidity ratio that measures the ability of a company to pay its current liabilities when they come due with one quick assets. Quick assets are current assets that can be converted to cash within 90 days or in the short terms. Cash, cash equivalents, short-term investments or marketable securities, and current account receivable are considered quick assets. The quick ratio is often called the acid taste ratio in reference to the historical use of acid taste metals for gold by the early miners. The formula is shown as below:

$$\text{Quick Ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current Liabilities}}$$

Table 6.6: Quick Ratio

Year	2014	2015
Quick Ratio	1.25	1.012

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Interpretation: Higher quick ratios are more favourable for companies because it shows there are more quick assets than current liabilities. A quick ratio of 1 or greater is occasionally recommended. M&H corporation quick ratio is above than standard.

6.2.2 Asset management ratio

Asset management ratios are most notable ratio of the financial ratios analysis. It measure how effectively a company uses and controls its assets. It is analysis how a company quickly converted to cash or sale on their resources. It is also called Turnover ratio because it indicates the asset converted or turnover into sales. Finally, we can recognize the company can easily measurement their asset because this ratio made up between assets and sales.

Following are discussed four types of asset management ratios:

- Inventory turnover
- Average collection period
- Average payment period
- Total asset turnover

6.2.2 .1 Inventory Turnover Ratio

The inventory turnover ratio measures the number of times on average the inventory was sold during the period (Kieso, Weygandt, Warfield, 2001).The ratio is calculate the cost of goods sold by divide into average inventory. The measurement of average inventory is; at first we are adding to year’s inventory after that we divide in to two. Inventory turnover ratio is also known as inventory turns ratio and stock turnover ratio.

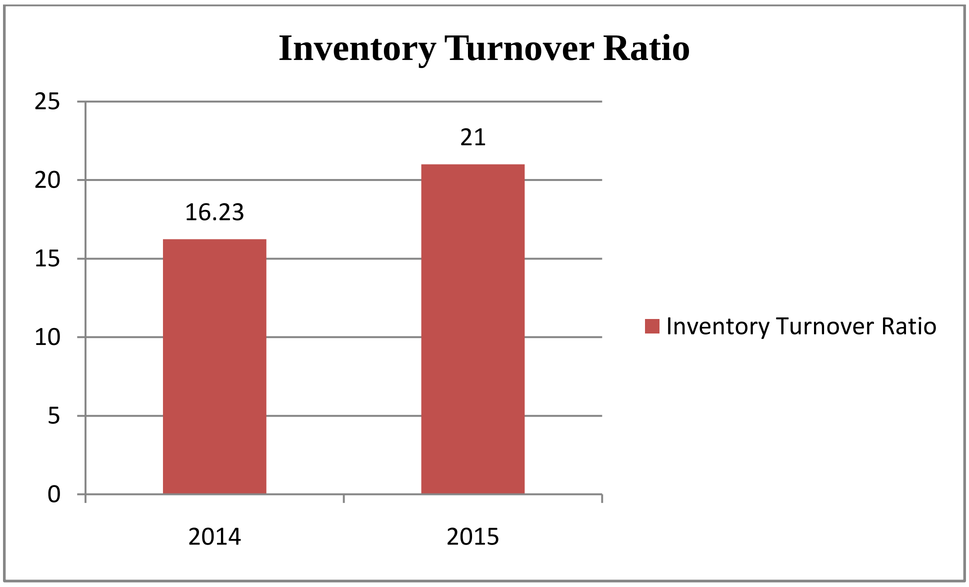
The formula is shown as below:

$$\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Inventory}}$$

Table6.7: Inventory Turnover

Year	2014	2015
Inventory Turnover Ratio	16.23	21

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015



Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Interpretation: Inventory Turnover Ratio measures how effectively inventory is managed by M &H Corporation comparing cost of goods sold with average inventory for a period. Inventory ratio is 16.23 in 2014 and 21 in 2015 which indicate strong sales or ineffective buying.

6.2.2 .2 Average Collection Period

The collection period is the approximate amount of time that it takes for business to receive payments owed, in terms of receivables, from its customers and clients.

The formula is shown as below:

$$\text{Average Collection Period} = \frac{\text{Accounts Receivable}}{\text{Average sales Per Day}} = \frac{\text{Accounts Receivable}}{\frac{\text{Annual Sales}}{360}}$$

Table 6.8: Average Collection Period

Year	2014	2015
Average Collection Period	23.83	23

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Interpretation: It shows how well a company can collect cash from its customers. The sooner cash can be collected, the sooner this cash can be used for other operations. Both liquidity and cash flows increase with a lower day's sales outstanding measurement. Here in M &H Corporation average collection period of 2014 is 23.83 days and 23 days in 2015. This indicates they increased their strength to collect cash from their customers over the time period.

6.2.2 .3 Average Payment Period

Average payment period means the average period taken by the company in making payments to its creditors. It is computed by dividing the number of working days in a year by creditor's turnover ratio.

The formula is shown as below:

$$\text{Average Payment Period} = \frac{\text{Accounts Payable}}{\text{Average Purchase per Day}} = \frac{\text{Accounts Payable}}{\frac{\text{Annual Purchase}}{360}}$$

Table6.9: Average Payment Period

Year	2014	2015
Average Payment Period	58	41

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Interpretation: Average payment period means the average period taken by the company in making payments to its creditors. If this period will be low, it will be good for our liquidity because more smartly, will pay their creditors, more amount of credit purchase; the average payment period is 58 days in 2014 and 41 days in 2015. The average payment period is satisfactory of M &H Corporation Pvt. (Ltd.).

6.2.2 .4 Total Asset Turnover

The total asset turnover ratio measures the ability of a company to use its assets to generate sales.(Kieso, Weygandt, Warfield ,2001). It considers all assets including property, plant and equipment, capital working in process, investment –long term, inventories, trade debtors, advances, deposit and prepayment, investment in market securities, short term loan, cash and cash equivalents etc. In these criteria a high ratio means the company is achieving more profit.

The formula is shown as below:

$$\text{Total Asset Turnover} = \frac{\text{Sales}}{\text{Total Asset}}$$

Table6.10: Total Asset Turnover

Year	2014	2015
Total Asset Turnover	0.36	0.49

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Interpretation:

Generally the higher the firm's total asset turnover the more efficiently its assets have been used. However it seems asset turnover ratio of M &H Corporation Pvt.(Ltd.) increased to 0.49 in 2015 from 0.36 in 2014.

6.2.3 Debt Management Ratio

Debt Coverage Ratio measures the percentage of the total asset provided by creditor. (Kieso, Weygandt, Warfield, 2001). If any company has realize their debt coverage ratio less than 1 then the company understand their income greater by a property is insufficient to collect their mortgage. So more than 1 is best for any company.

The Debt-coverage ratio we can satisfy on the two ratios, those are:

- Debt ratio.
- Time interest earned.

6.2.3.1 Debt Ratio

Debt Ratio is laid out the percentage of a company total asset the change into total debt. It is the most important financial ratio for performance evaluation of any garments company.

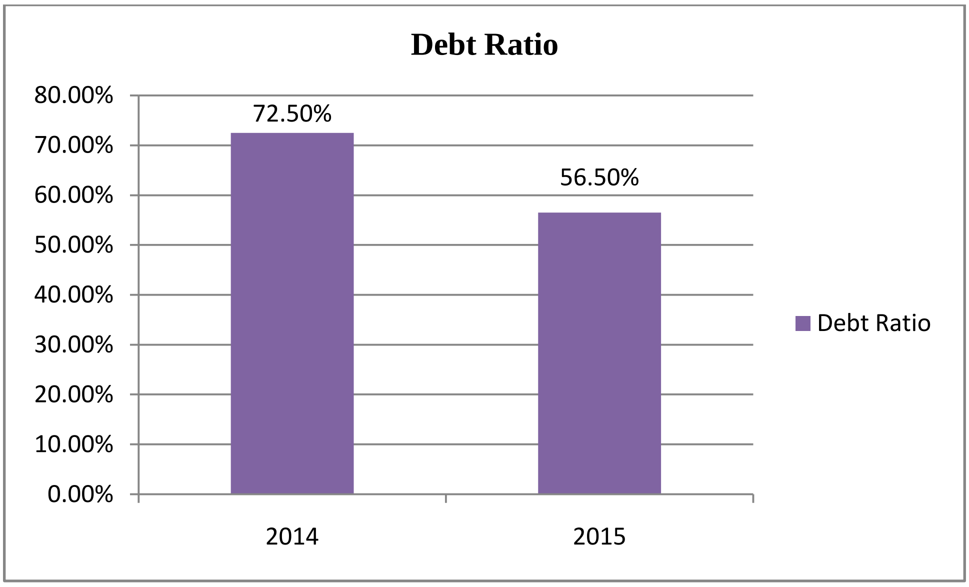
The formula is shown as below:

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

Table 6.11: Debt Ratio

Year	2014	2015
Debt Ratio	72.50 %	56.50 %

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015



Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Interpretation: This ratio measures the financial leverage of M &H Corporation Pvt.(Ltd.). It reduced to 56.50 % in 2015 from 72.50 % in 2014. Moreover, it is a downward trend. The company must decrease their debt to asset ratio. Moreover, it performed greatly in 2015 at only 56.50 %. They must lower their debt level.

6.2.3.2 Times Interest Earned Ratio

The time interest earned ratio indicates the company's ability to meet interest payment as they come due. (Kieso, Weygandt, Warfield, 2001). It is calculated by dividing their earnings before interest tax by the interest charged. It has corroborated that the company able to pay its annual cost because this ratio denote the annual interest charged for any company.

The formula is shown as below:

$$\text{Times Interest Earned Ratio} = \frac{\text{Earning Before Interest} \,\&\, Tax}{\text{Interest}}$$

Table 6.12: Times Interest Earned Ratio

Year	2014	2015
Times Interest Earned Ratio	3.42	1.58

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Interpretation: Times interest earned (TIE) ratio shows how many times the annual interest expenses are covered by the net operating income (income before interest and tax) of the company. In 2014 and 2015 it is adequate to protect the creditors' interest in the firm at 3.42 times and 1.58 times respectively.

6.2.4 Profitability Ratio

Profitability ratios designate a company's overall efficiency and performance. It measures the company how to use of its assets and control of its expenses to generate an acceptable rate of return. It also used to examine how well the company is operating or how well current performance compares to past records of both pharmaceutical companies.

There are five important profitability ratios that we are going to analyze:

- Net Profit Margin
- Gross Profit Margin
- Return on Asset
- Return on Equity
- Operating profit margin

6.2.4.1 Net Profit Margin

The net profit margin is determined of net profit after tax to net sales. It argues that how much of sales are changeover after all expense .The higher net profit margins are the better for any garments company.

$$\text{Net Profit Margin(2014)} = \frac{\text{Net income}}{\text{Sales}}$$

$$= \frac{299394660}{915878800}$$

$$= 0.326 \text{ or } 32.6\ \%$$

$$\text{Net Profit Margin(2015)} = \frac{\text{Net income}}{\text{Sales}}$$

$$= \frac{332106637}{1261273600}$$

$$= 0.263 \text{ or } 26.3\ \%$$

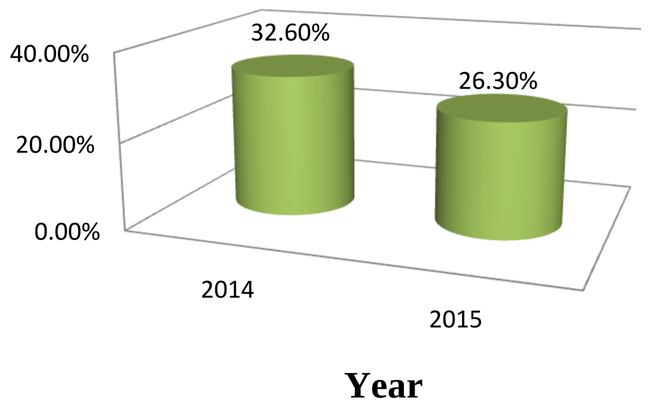


Figure 2: Net Profit Margin

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Interpretation: The net profit margin is a commonly cited measure of the company success with the respect to earning on sales. Net Profit Margin Ratio of M &H Corporation decreased from 2014 to 2015. The company's profit margin is good.

6.2.4.2 Gross Profit Margin ratio

Gross margin express of the company efficiency of raw material and labour during the working process .If any company higher gross profit margin then the company more efficiency to controls their raw material and labours. So it is most important for performance evaluation of Garments Company. It can be assigned to single products or an entire company. It determines the gross profit to divide by net sales.

$$\text{Gross Profit Margin(2013)} = \frac{\text{Gross Profit}}{\text{Sales}}$$

$$= \frac{794313800}{915878800}$$

=0.867 Or 87.7 %

$$\text{Gross Profit Margin(2015)} = \frac{\text{Gross Profit}}{\text{Sales}}$$

$$= \frac{1056990688}{1261273600}$$

= 0.838 or 83.8 %

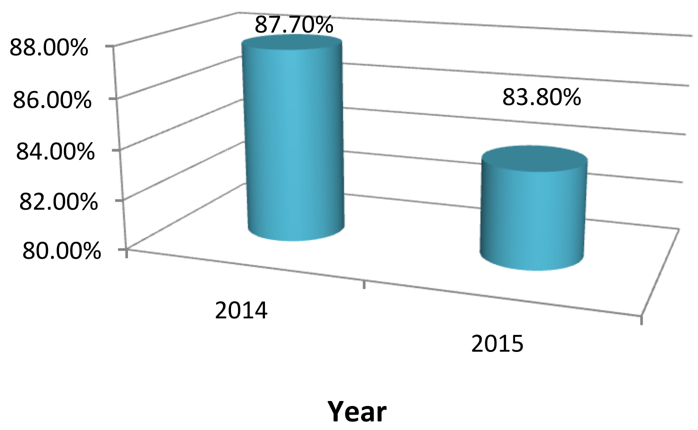


Figure 3: Gross Profit Margin

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Interpretation: Gross margin ratio is a profitability ratio that compares the gross margin of a business to the net sales. Gross Profit margin of M &H Corporation decreased from 2014 to 2015.

6.2.4.3 Return on asset ratio

The Return on Assets ratio can be directly computed by dividing net income by average total asset. (Kieso, Weygandt, Warfield, 2001).It finds out the ability of the company to utilize their assets and also measure of efficiency of the company in generating profits.

$$\text{Return on Total Asset}(2014) = \frac{\text{Net income}}{\text{Total Asset}}$$

$$= \frac{299394660}{2535541960}$$

$$=0.118 \text{ Or } 11.8\ \%$$

$$\text{Return on Total Asset}(2015) = \frac{\text{Net income}}{\text{Total Asset}}$$

$$= \frac{332106637}{2583637931}$$

$$=0.128 \text{ Or } 12.8\ \%$$

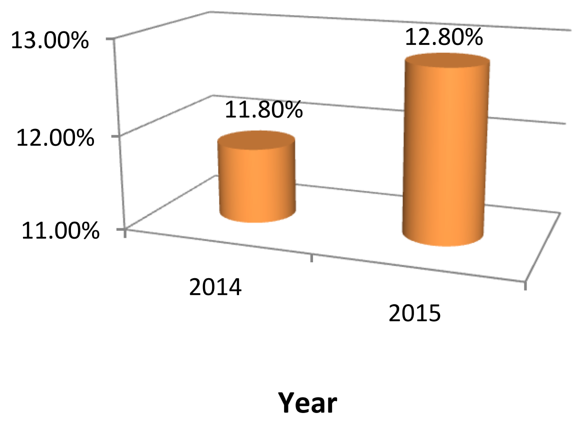


Figure 4: Return on Asset

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Interpretation: The value indicates that the firm earned 11.80% on each taka of asset investment in on each taka of asset in the year 2014 and in last year it achieved 12% on each taka of asset. Return on asset of M &H Corporation increased in 2015 from 2014.

6.2.4.4 Return on Equity

Return on Equity is compute by dividing net income less preferred dividend by average company stockholder equity. (Kieso, Weygandt, Warfield, 2001). It demonstrate how a company to generate earnings growth for using investment fund. It has some alternative name such Return on average common equity, return on net worth, Return on ordinary shareholders' fund.

$$\text{Return on Common Equity}(2013) = \frac{\text{Net income}}{\text{Owners equity}}$$

$$= \frac{299394660}{696408960}$$

$$=0.429 \text{ Or } 42.9\ \%$$

$$\text{Return on Common Equity}(2015) = \frac{\text{Net income}}{\text{Owners equity}}$$

$$= \frac{332106637}{1122514931}$$

$$= 0.295 \text{ or } 29.50\ \%$$

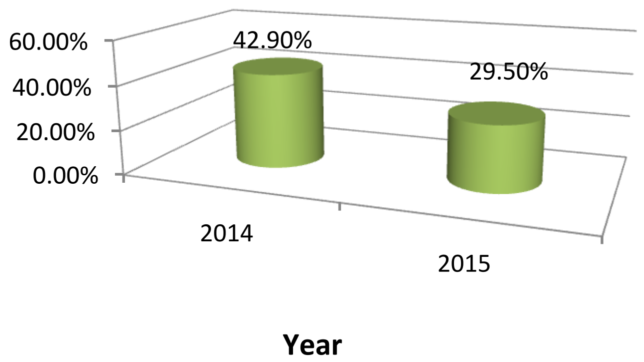


Figure 5: Return on Equity

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Interpretation: Return on Equity ratio falls to 29.50 % in 2015 from 42.90% in. It indicates that the ability of M &H Corporation to generate profits from its shareholders investment getting worse on the time period, which is harmful for the company.

6.2.4.5 Operating profit margin ratio

The operating profit margin ratio recognize of the percentage of sales to exchange into all cost and expenses after remaining sales. A high operating profit margin is preferred.

$$\text{Operating Profit Margin(2013)} = \frac{\text{Operatin Profit}}{\text{Sales}}$$

$$= \frac{318896800}{915878800}$$

$$= 0.348 \text{ or } 34.8\ \%$$

$$\text{Operating Profit Margin(2015)} = \frac{\text{Operating Profit}}{\text{Sales}}$$

$$= \frac{356703832}{1261273600}$$

$$= 0.2828 \text{ or } 28.28\ \%$$

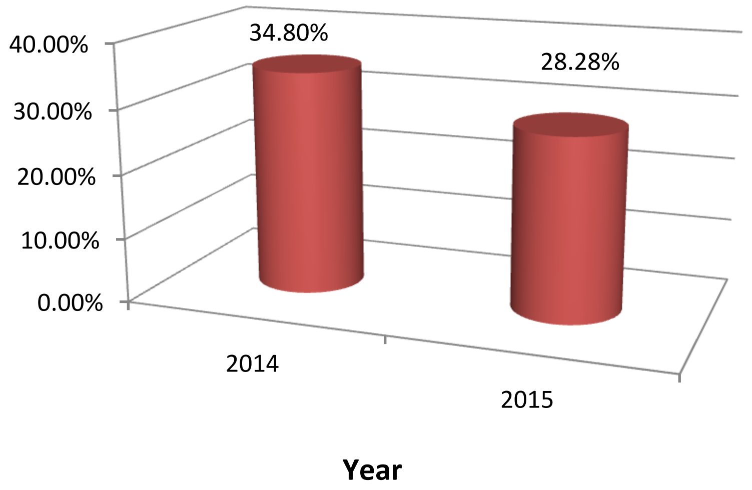


Figure 6: Operating Profit margin

Source: Annual Report of M & H Corporation Pvt. Ltd. From 2014-2015

Interpretation: In this analysis we find out the operating profit margin of the M&H Corporation has decreased because that company's inefficient use of operating expense. From this discussion we can say that the company had failed to control its operating costs.

CHAPTER 7
SUMMARY, CONCLUSION AND RECOMMENDATIONS

7.1 SUMMARY:

The study, Financial Statement Analysis and Performance Evaluation of M&H Corporation (Pvt.) Ltd., reveals the following majors findings:

- M&H Corporation gained its capacity to pay their current obligations by using its current assets, which indicates they are in stable position in current ratio.
- M&H Corporation current liabilities are less than their Current assets. It indicates, it has no problem to maintain liquidity.
- M&H Corporation has higher ability to generate sales from its assets in 2015.
- M&H Corporation has lower level of liabilities compared with assets and considered low leveraged and low risk. Moreover, it performed greatly in 2015 at only 56.50%.
- In 2014 the times interest earn ratio is 3.42 and in 2015 its 1.58. In both the years Times Interest Earned ratio was greater than 1, means the company is likely to have no problems in paying interest on its borrowing.
- Net profit margin of M&H Corporation is in good position.
- Gross Profit margin of M &H Corporation decreased from 2014 to 2015.
- M&H Corporation earned 42.90% on each taka of owners' equity in the year 2014 and 29.50% on each taka of owners' equity in the year 2015.
- Average collection period and average payment period is satisfactory.

7.2 CONCLUSION:

M&H Corporation (Pvt.) Ltd. is one of the private limited companies in the garments industry in Bangladesh, which commenced in 1995. The study concentrated on the financial performance evaluation. The products line of M&H Corporation is much diversified in terms of items and designs. Analysis showed that M&H Corporation has good position in liquidity ratio. In case of asset management ratio the inventory ratio shows company's strong sales position. Average collection period and average payment period is also satisfactory. The total asset turnover is also increased. But M&H Corporation is not in good position in maintaining debt ratio. They must have to lower their debt level. In case of profitability ratio the net profit margin of the company is good, gross profit margin decreased thus company have to concern to increase it, they also have problems in return on equity and operating profit margin. Overall it is taking good position in market by continuous improvements.

7.3 Recommendations:

- M&H Corporation need to highly concern about their continuity of liquidity position.
- Cost control system must be implemented at every stage in the organization.
- Sound communication should be established between managing directors to Head office auditors. Steps to be taken to provide proper data & information.
- A specific department for training and research, which will provide adequate training and research facilities for personnel for development.

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