

Internship Report

On

Financial Performance Analysis of Somoy Media Limited.





Inspiring Excellence

Internship Report
On
Financial Performance Analysis of Somoy Media Limited

*A Report Presented to the Faculty of Business Administration in Partial Fulfillment of
the Requirements for the Degree Bachelor of Business Administration*

Prepared for

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Letter of Transmittal

November 29, 2018

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Subject: Submission of Internship Report Fall 2018

Dear Sir,

With due respect, I would like to let you know that I have prepared an “Internship Report” for the fulfillment of the BBA program and submitting to you for your kind inspection.

This report consists of a summary and analysis of the two months internship experience I gathered in Somoy Media Limited. The topic of my report is “*Financial Performance Analysis of Somoy Media Limited.*” In order to complete my report, I have collected the annual audit reports, various papers and documents etc. from my office supervisors as well as from internet for the purpose of secondary data. Over the internship period, I have practically worked and observed their working environment in the Finance and Accounts Department. Moreover, I have also gathered a little knowledge about other department’s activities. In the end, all the primary data, secondary data and everyday observation helped me to prepare the report.

Therefore, I hope you would be generous enough to accept this report for evaluation.

Sincerely yours,

Khaled Md. Seraj

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Acknowledgements

At the beginning, I would like to express my thanks to the Almighty Allah for giving me the opportunity of doing internship in Somoy Media Limited and patience to complete the final report “Financial Performance Analysis of Somoy Media Limited”, which should be presented to the Faculty of Business Administration in partial fulfillment of the requirements for the degree Bachelor of Business Administration.

Then, I express my gratitude to my academic supervisor Mr. Md. Shamim Ahmed. Who was enough supportive and the suggestions given by him was really very important in the process of completing my report. Moreover, my supervisor was very helpful and liberal throughout my internship period.

I am really grateful to my office supervisor Mr. Monoronjon Mondal (DGM, Finance & Accounts) who welcomed me into the beautiful working environment of Somoy Media Limited. He also gave me the opportunity to have an excellent and enduring working experience. I am also thankful to Mr. Sanatan Kumar Rudra (Sr. Manager, Finance & Accounts) for his guidance and support throughout my internship period in Somoy.

I want to thank the “Finance and Accounts” team who provided me with all the necessary information, guidance and support that I required to prepare this report. They also made sure that I have a great working experience in Somoy Media Limited.

Last but not the least, I would like to convey my gratitude to my parents. Without their contribution and support, it would have been impossible for me to complete the three months internship as well as my BBA program.



Table of Contents

Chapter One: Introduction	1
1.1. Background of the study	2
1.2. Origin of the Report	2
1.3. Objectives of the Report	2
1.3.1. Main Objective	2
1.3.2. Specific Objectives	2
1.4. Methodology	3
1.5. Scope of the Study	3
1.6. Limitations of the study	3
Chapter Two: Company Overview	4
2.1. Company Profile	5
2.2. Aim	5
2.3. Corporate Objective	5
2.4. Company Organogram	6
2.5. Major Departments	7
Chapter Three: Job Responsibilities as an intern at SML	8
3.1. Finance and Accounts Department of SML	9
3.2. Job Responsibilities	9
Chapter Four: Financial Performance Analysis of SML	11
4.1. Last Five Years Financial Data of SML	12
4.2. Financial Ratio Analysis of SML	13
4.2.1. Liquidity or Short-Term Solvency Analysis	14
4.2.2. Financial Leverage or Long-Term Solvency Analysis	16
4.2.3. Turnover Analysis	18
4.2.4. Asset Composition Analysis	22
4.2.5. Profitability Analysis	23
4.2.6. Earnings per Share (EPS)	27
4.2.7. Growth Rate	28
Chapter Five: Findings	32
Chapter Six: Recommendations	35
References	37
Appendix	38



Executive Summary

The internship program is mandatory for every graduate student from BRAC Business School. By doing the internship we will be able to relate those theoretical knowledge with the practical understandings and observations.

Somoy TV is considered as one of the prime 24/7 news channel in Bangladesh. Somoy TV is a concern of Somoy Media Limited which started its regular transmission on 17th April 2011. “Somoy Television aims to bring a positive change in Bangladesh through valuable, balanced and accurate news and information.”

It was a great pleasure for me to become a part of Somoy Media Limited even if for a shorter period like internship. This internship gave me the opportunity of working in a 24/7 News channel Company. The environment of the office was very friendly and all the members were very much co-operative. I have been assigned to different types of task in the Finance and Accounts Department during my internship period. And I believe that I have tried my best to complete all the assigned task accurately by following the instructions provided.

The main objective of this report is to evaluate the financial performance of Somoy Media Limited based on the external auditor’s report. And understand the outcome of the evaluation of financial performance of SML. Also determine the effectiveness and weakness of SML and lastly recommend the way of improvement where needed.

Chapter One: Introduction



1.1. Background of the study

The internship program is mandatory for every graduate student from BRAC Business School. It should be completed with determination and dedication of learning the practical working process after gaining the theoretical knowledge over the four years of undergraduate life. By doing the internship we will be able to relate those theoretical knowledge with the practical understandings and observations.

Being an accounting major student, I got the opportunity to complete my internship in the Finance and Accounts Department of Somoy Media Limited. After the consultation with my organizational supervisor Mr. Monoronjon Mondal (DGM, Finance & Accounts, Somoy Media Limited) and my institutional supervisor of BRAC University Mr. Md. Shamim Ahmed (Lecturer, BRAC Business School), I decided to prepare a report on “Financial Performance Analysis of Somoy Media Limited.”

1.2. Origin of the Report

To let the students have a practical experience to relate the knowledge they gather from the theoretical classes. In order to graduate, BUS400 or Internship a 4 credit course should be completed by every BRAC Business School students. My report have been prepared to present the overall practical experience I have gathered as an intern of Finance and Accounts Department of Somoy Media Limited. This report has been presented to the Faculty of BRAC Business School in partial fulfillment of the Requirements for the Degree Bachelor of Business Administration (BBA).

1.3. Objectives of the Report

There are two objectives of this internship report such as main and specific objective.

1.3.1. Main Objective

Starting with the main objective which is to evaluate the financial performance of Somoy Media Limited based on the finance and accounts management procedures as well as the external auditor’s report.

1.3.2. Specific Objectives

The specific objectives of this report are as follows:

- ✓ To understand the outcome of the evaluation of financial performance of SML.
- ✓ To determine the effectiveness and weakness of SML.
- ✓ To recommend the way of improvement where needed.

1.4.Methodology

To prepare this report, both primary and secondary data have been used. Primary data was collected from my organizational supervisor Mr. Monoronjon Mondal (DGM, Finance and Accounts, Somoy Media Limited) in the form of external auditor's report. Other than that no other documents were accessible due to the confidentiality of the company. However, all the secondary data necessary for the report was collected from personal interview, websites, articles etc.

1.5.Scope of the Study

Based on the external auditor's report, my responsibility is to find out the efficiency and inefficiency of Somoy Media Limited. By contacting my supervisor personally, I had to collect the primary data. And to complete my report I have gathered some secondary data later.

1.6.Limitations of the study

The time allocated for our internship seemed very short to me. But it was really a great opportunity for me to have a very friendly and helpful environment to work. Due to the company policy regarding disclosing internal information, it was not possible to collect more data necessary for the paper. In addition, a broader research was not possible due to time constraints and data limitation.

Chapter Two: Company Overview



2.1. Company Profile

Somoy TV is considered as one of the prime 24/7 news channel in Bangladesh. Somoy TV is a concern of Somoy Media Limited which got permission for broadcasting and transmitting news locally on 20th October, 2009. With the slogan of “সময়ের প্রয়োজনে সময়” (Somoyer Proyojone Somoy) it started its test transmission on 10th October the following year. Finally, on 17th April 2011, Somoy Media Limited started Somoy TV’s regular transmission. Its head office is located at Level-9, Nasir Trade Centre, 89, Bir Uttam CR Dutta Road, Dhaka 1205, Bangladesh.

There are 9 bureau offices including all the divisional cities and more than 56 correspondents of Somoy, for the news coverage beyond Dhaka. Moreover, Reuters, APTN and SNTV are the direct source of Somoy TV’s international news feed. In addition, it can be seen throughout North America, some countries of Europe, Middle East, South Africa and some countries of Asia. Apart from that, with the web address www.somoynews.tv, it can also be seen through internet.

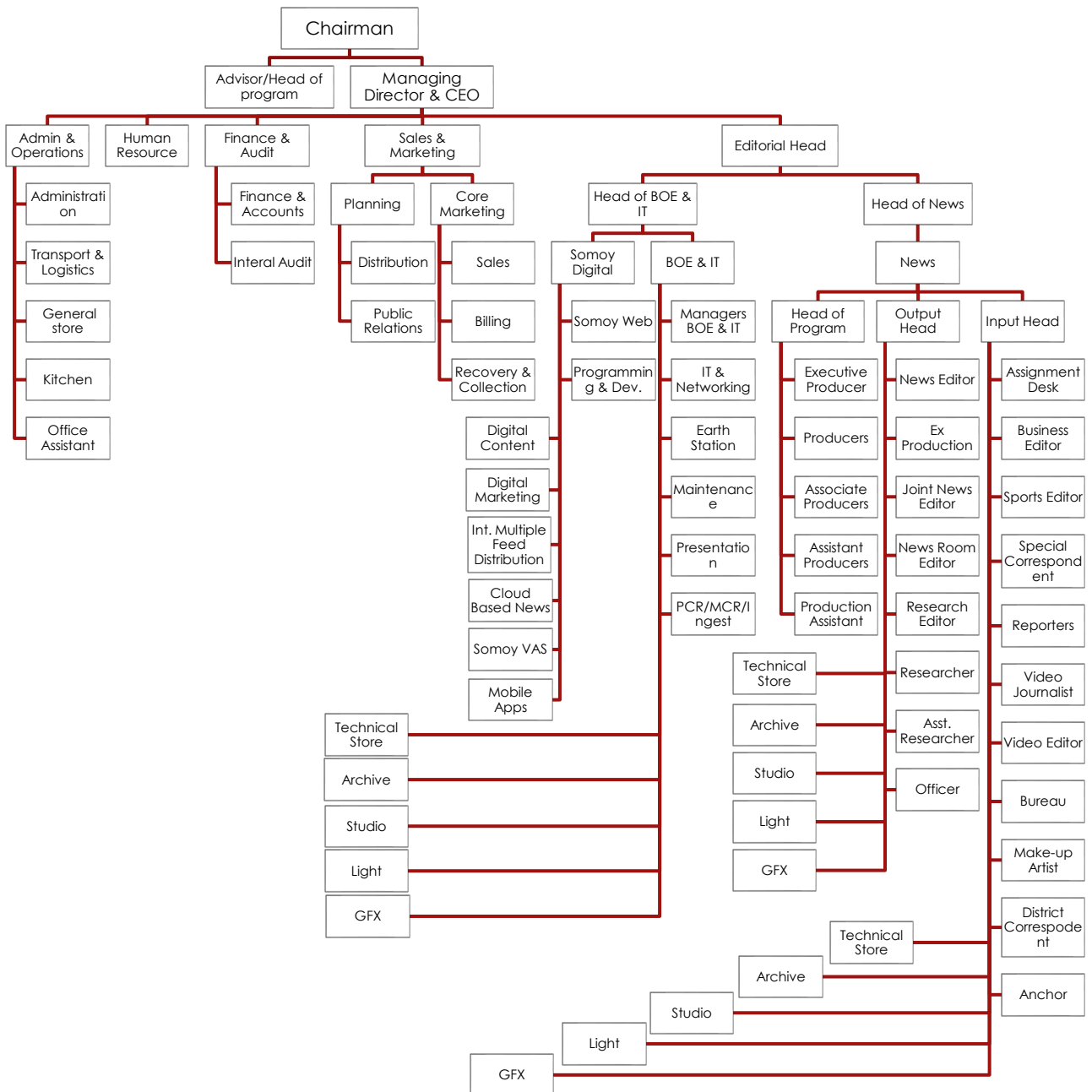
2.2. Aim

“Somoy Television aims to bring a positive change in Bangladesh through valuable, balanced and accurate news and information.”

2.3. Corporate Objective

Somoy Television gives the highest priority to news, information and news contents for being solely a news based channel. It has also given a special emphasis on its visuals. As a result, the branding and visuals were created by an international branding agency.

2.4. Company Organogram





2.5.Major Departments

- Admin & Operations
- Human Resources
- Finance & Accounts
- Sales & Marketing
- Editorial

Chapter Three: Job Responsibilities as an intern at SML



3.1. Finance and Accounts Department of SML

The Finance and Accounts Departments of Somoy Media Limited has a team of 8 to 10 people. All the business transactions are dealt by this team and the team is accountable to maintain the company policy and practices. All the internal reports are prepared by this team for the shareholders as per the requirement of the company and Bangladesh Financial Reporting Standards (BFRS). They manage and control future cash collection and disbursements by utilizing the available resources effectively and efficiently. Which generates more cash inflow. In addition, they uses 'Tally Erp. 9' software to collect data and prepare the necessary vouchers for further records. Also, Microsoft Excel is commonly used by all the members for data processing. However, the members of this team have to be very alert and proactive to avoid any kind of wrong inputs. It might be a small department but the contribution of this team is considered immeasurable. Few of major responsibilities of this department are:

- Monitor the daily sales collection
- Issuing I Owe You (IOU) bills
- Checking fuel bills
- Checking TVC schedules
- Posting audited bills into journals and ledgers
- Make payments to creditors
- Calculating tax, depreciation and other expenditures related to accounts
- Maintaining a good relation with different banks
- Transferring Funds from one account to another.
- Producing reports on daily, monthly and annual basis.
- Managing cash flows etc.

3.2. Job Responsibilities

It was a great pleasure for me to become a part of Somoy Media Limited even if for a shorter period like internship. This internship gave me the opportunity of working in a 24/7 News channel Company. The environment of the office was very friendly and all the members were very much co-operative. I have been assigned to different types of task in the Finance and Accounts Department during my internship period. And I believe that I have tried my best to complete all the assigned task accurately by following the instructions provided by the other



supervisor Mr. Sanatan Kumar Rudra (Sr. Manager, Finance & Accounts). In Somoy Media Limited I was able to observe, learn and perform the following tasks:

- Processing different types of vouchers such as Cash Voucher, Bank Received Voucher etc.
- Auditing TVC schedules
- Checking vehicle fuel bills
- Preparing bank reconciliation statements
- Preparing overall vehicle expenses
- Preparing AIT bill against all the vehicles for the year 2017-18
- Preparing depreciation schedule for all the vehicles available

Chapter Four: Financial Performance Analysis of SML



4.1.Last Five Years Financial Data of SML

At a Glance Operating Performance of SML for last 5 years:

Operating Performance	2012	2013	2014	2015	2016
Net Revenue	171,866,317	296,437,872	376,881,804	391,639,778	483,493,749
Total Expense	270,596,434	287,788,274	355,610,221	366,566,612	438,555,332
Gross Profit	(98,730,117)	8,649,598	21,271,583	25,073,166	44,938,417
Interest Income	219,058	169,882	132,755	197,315	553,600
Total Revenue	172,085,375	296,607,754	377,014,559	391,837,093	484,047,349
Profit or Loss before Taxes	(98,511,059)	8,819,480	21,404,338	25,270,481	45,492,017
Provision for Taxation	-	-	-	8,844,668.00	16,364,081.00
Net profit After taxation	(98,511,059)	8,819,480	21,404,338.00	16,425,813.00	29,127,936.00
Earnings Per Share (EPS)	(19.70)	1.76	0.43	0.33	0.58

At a Glance Financial Performance of SML for last 5 years:

Financial Position	2012	2013	2014	2015	2016
Total Non-Current Assets	514,908,745	477,631,473	470,822,782	445,021,328	412,995,771
<i>Cash and Cash Equivalents</i>	<i>16,508,352</i>	<i>12,837,361</i>	<i>11,837,580</i>	<i>13,479,321</i>	<i>41,337,242</i>
Total Current Assets	122,741,038	213,267,283	221,726,280	254,033,932	275,493,323
Total Assets	637,649,783	690,898,756	692,549,062	699,055,260	688,489,094
Total Shareholder's Equity	(161,303,580)	(152,484,100)	(131,079,763.00)	(126,623,957.00)	(97,496,021.00)
Total Non-Current Liabilities	753,432,741	753,432,741	743,432,741	735,932,741.00	700,932,741.00
Total Current Liabilities	45,520,622	89,950,115	80,196,084	89,746,476.00	85,052,374.00
Total Equity & Liabilities	637,649,783	690,898,756	692,549,062	699,055,260	688,489,094
Net Assets Value Per Share	127.53	138.18	13.85	13.98	13.77

4.2. Financial Ratio Analysis of SML

In order to get an understanding of the financial strength of the company, a careful evaluation of a company's financial statements is known as financial performance analysis. Hopefully this report will help the company make more effective financial decisions in the future as it aims to cover the financial well-being of SML through a careful evaluation of the financial statements and the reason of such performance as well.

Somoy Media Limited, follows the Bangladesh Financial Reporting Standards (BFRS) while preparing its financial statements. SML prepares the following financial statements every year:

- Statement of Financial Position
- Statement of Profit, Loss and Other Comprehensive Income
- Statement of Change in Equity
- Statement of Cash Flow

Somoy Media Limited do not publish annual reports and disclose their financial statements publicly. However, they only publishes an auditor's report each year by an external auditor firm for their internal uses only. From 2011 to 2013 the company was audited by 'Saha Mazumdar & Co. Chartered Accountants' and from 2014 onwards there external auditing was done by 'MABS & J Partners Chartered Accountants'.

A comprehensive ratio analysis will be done to evaluate the financial performance of Somoy Media Limited by following ratios

- Liquidity or Short-Term Solvency
 - ✓ Current Ratio
 - ✓ Working Capital
 - ✓ Cash Ratio
- Financial Leverage or Long-Term Solvency
 - ✓ Debt to Equity Ratio
 - ✓ Debt Ratio
- Turnover
 - ✓ Current Asset Turnover Ratio
 - ✓ Working Capital Turnover Ratio
 - ✓ Asset Turnover Ratio

- ✓ Equity Turnover Ratio
- Asset Composition
 - ✓ Current Assets to Total Assets
- Profitability
 - ✓ Gross Profit Margin
 - ✓ Net Profit Margin
 - ✓ Return on Assets (ROA)
 - ✓ Return on Equity (ROE)
 - ✓ Return on Capital Employed
- EPS
- Growth
 - ✓ Growth of Total Revenue
 - ✓ Growth of Profit After Tax
 - ✓ Growth of Assets
 - ✓ Growth of Equity
 - ✓ Growth of Liabilities

4.2.1. Liquidity or Short-Term Solvency Analysis

A company's liquidity measures the ability of the company to liquidate or convert its asset to cash and cash equivalents. It also determines the ability of meeting short-term liabilities through payment of cash and cash equivalents in case of bankruptcy.

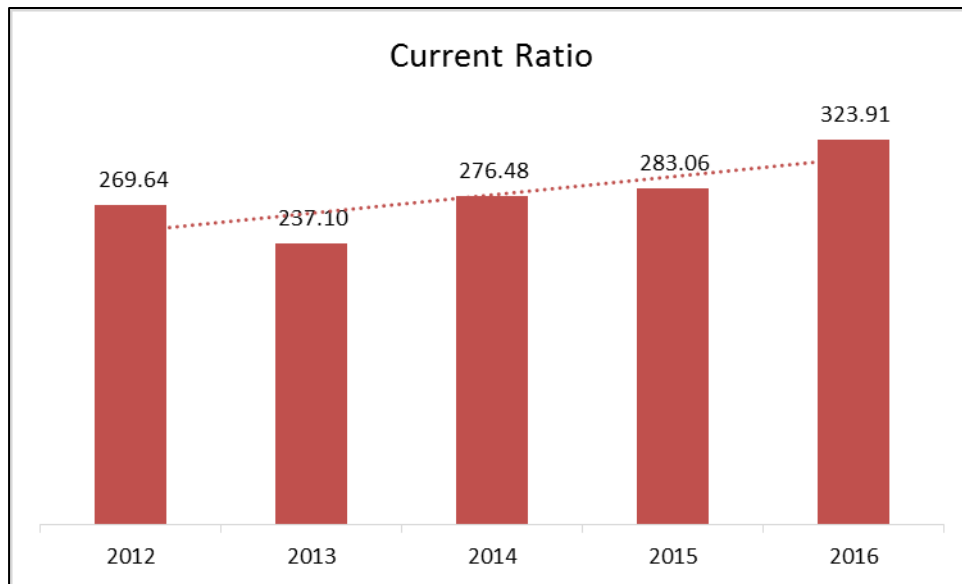
Current ratio and Cash ratio, these two ratios will be used, to determine liquidity or short-term solvency of SML.

4.2.1.1. Current Ratio

Current ratio will help us to know the ability of the company to pay off its current or short-term liabilities in case they fall short with its current assets. It is considered that an ideal current ratio is 2:1. Which means, 200 taka of current assets should be kept for 100 taka of current liabilities. In addition, low current ratio indicates low liquidity and vice versa. To determine the current ratio of SML, following formula will be used:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100$$

Ratio	2012	2013	2014	2015	2016	Avg.
Current Ratio	269.64	237.10	276.48	283.06	323.91	278.04



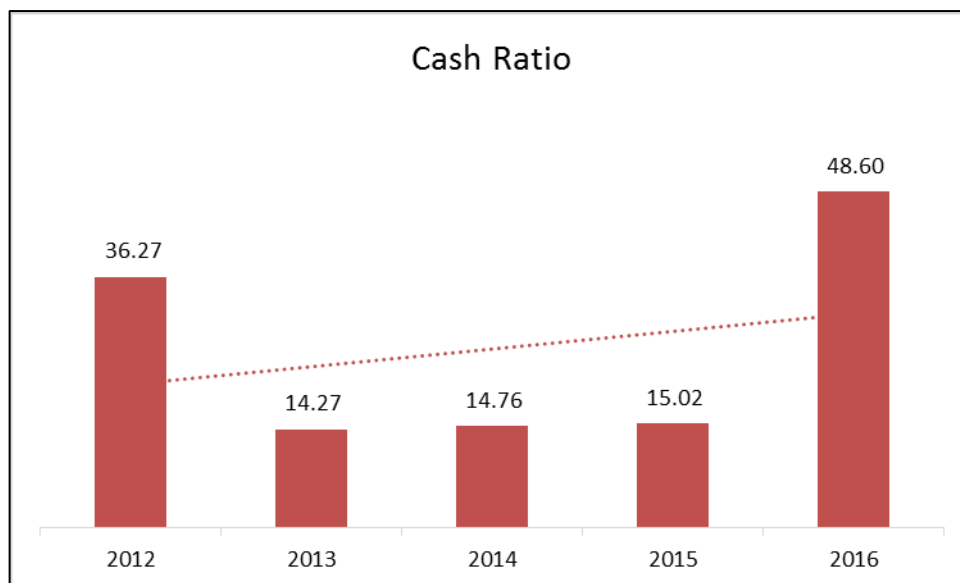
We can observe from the graph of current ratio that SML had an average of 178.04% more current assets than current liabilities. Over the last five years, the current ratio of SML had an upward linear trend line. In addition, it had a drop in the year 2013 and gradually kept increasing which helped to reach its highest position in the 2016. However, it is also known that if the current ratio is more than 2.0 or 100%, then the company is not using its extra assets effectively to achieve highest possible revenue. In the case of SML, on an average of the last five years there is 78.04% extra assets which can be used to generate more revenue.

4.2.1.2. Cash Ratio

This ratio considered as the traditional interpretation of current ratio. It determines the available amount of cash a company holds to pay off the current liabilities in case of bankruptcy. The following formula will help to determine the cash ratio:

$$\text{Cash Ratio} = \frac{\text{Cash and Cash Equivalents}}{\text{Current Liabilities}} \times 100$$

Ratio	2012	2013	2014	2015	2016	Avg.
Cash Ratio	36.27	14.27	14.76	15.02	48.60	25.78



The observation shows that, for every Tk. 100 of current liabilities SML had only Tk. 25.75 on average in cash and cash equivalents. In the year 2012 it had Tk. 36.27 but it dropped more than 50% in the following year and was almost similar till 2015. However, it achieved its highest cash ratio in the year 2016.

So this evaluation of liquidity of SML shows us that SML was in a good position except from the major downfall of cash ratio in the year 2013. Somoy Media Limited have more than 75% of extra assets on average, which they can utilize to generate more possible revenue.

4.2.2. Financial Leverage or Long-Term Solvency Analysis

To buy assets and operate how much debt a company uses can be determined by financial leverage analysis. In order to resolve the accurate blend of debt and equity necessary for investment, a company have to analyze its financial leverage or long-term solvency.

In order to determine the financial leverage of SML, two ratios will be used: the debt to equity ratio and the debt ratio.

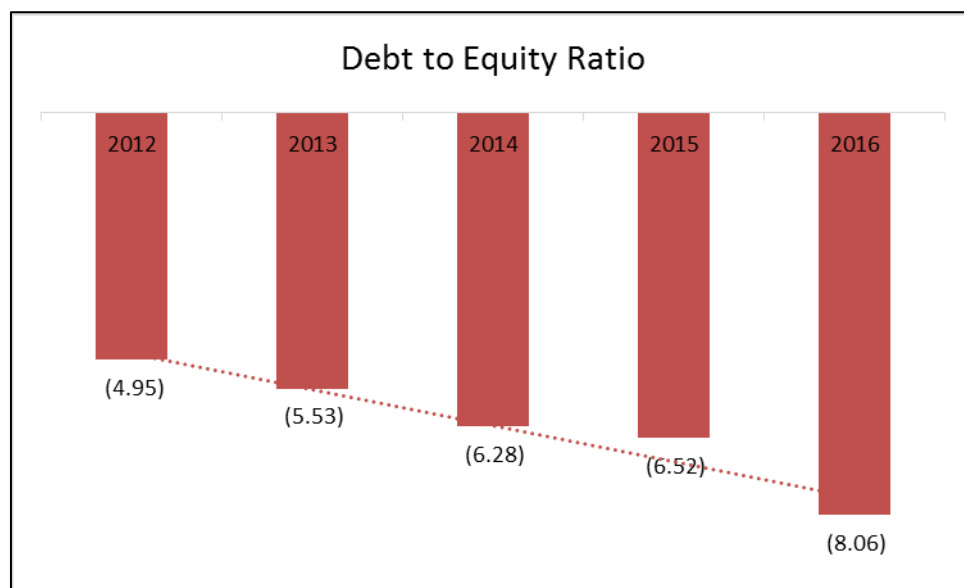
4.2.2.1. Debt to Equity Ratio

The measurement of a company's required debt to finance its assets proportionate to its equity is known as debt to equity ratio. If a company has a high debt to equity ratio, that might indicate the aggressive financing of the company in its growth by the help of debt.

Which suggests the high level of risk affiliated with it. The below mentioned formula determines the debt to equity ratio.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Ratio	2012	2013	2014	2015	2016	Avg.
Debt to Equity Ratio	(4.95)	(5.53)	(6.28)	(6.52)	(8.06)	(6.27)



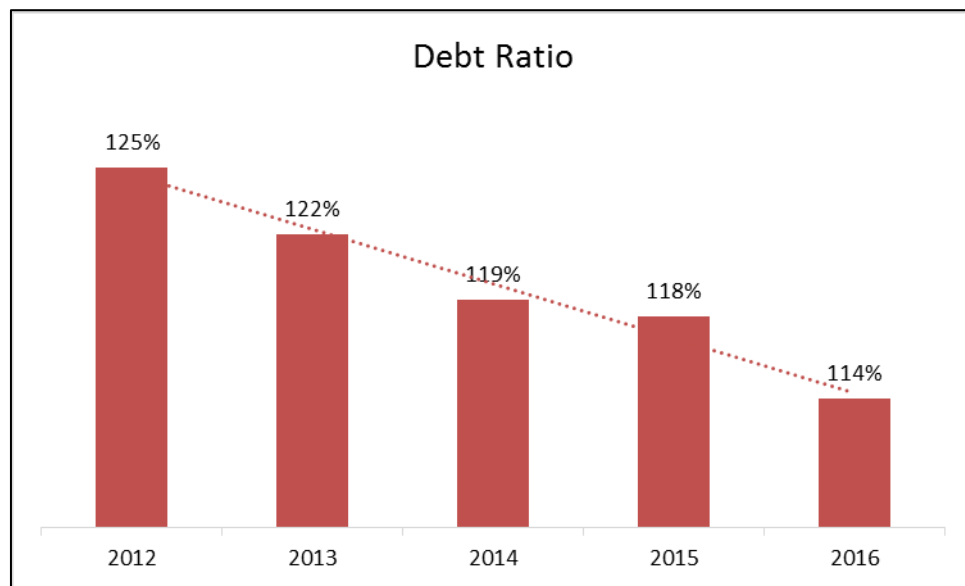
The illustration shows us that on average, SML used 6.27 times more debt than equity to finance its operation. Moreover, SML had a negative equity throughout the five years. We know that negative shareholder's equity occurs when liabilities exceed assets. Which can be derived as the book value of assets of SML is less than the book value of its liabilities. It indicates that if the assets and liabilities are evaluated fairly, the equity will not be sufficient to pay off the liabilities. In addition, from the year 2012 till 2016, the ratio kept decreasing gradually due to the negative equity.

4.2.2.2. Debt Ratio

The second ratio of financial leverage is debt ratio. It determines the amount of a company's assets that are financed by total debts.

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

Ratio	2012	2013	2014	2015	2016	Avg.
Debt Ratio	125%	122%	119%	118%	114%	120%



From the graph we can see that the average debt ratio of SML is 1.20. Which means that on average SML had 20% more liabilities than its assets. However, the trend line shows that the debt ratio is consistently decreasing but slowly, can be taken positively. It reached its lowest debt ratio in the year 2016.

Overall, both the ratios suggest that Somoy Media Limited maintained higher liabilities than its assets and equity. It is considered as a bad practice normally if a company maintains excessive debts. Because, there is a high chance of bankruptcy if SML fails to pay off its debts. So, it can be said that SML is highly leveraged.

4.2.3. Turnover Analysis

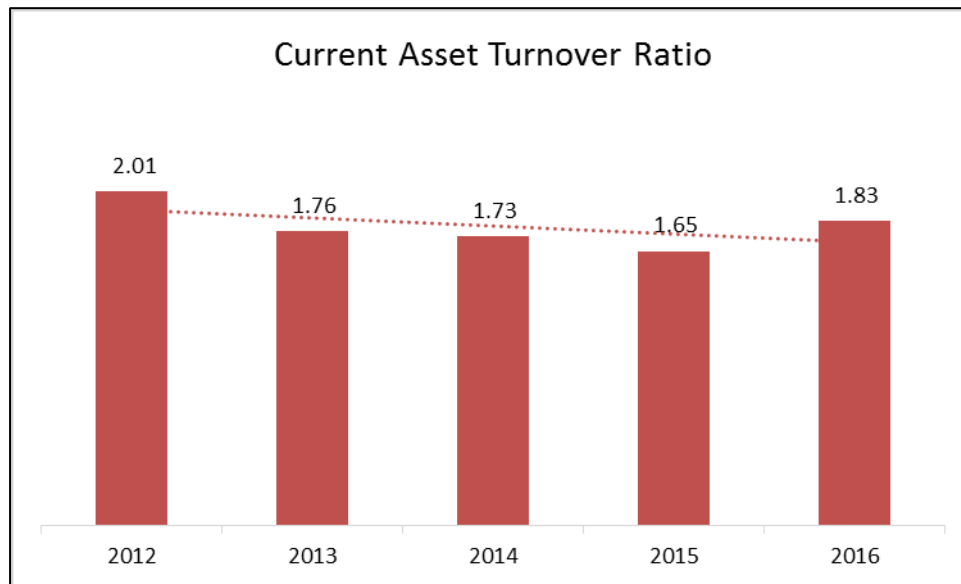
By this analysis, we will be able to determine the efficiency of SML in generating revenue using the assets or equity it has. To analyze the turnover ratios of SML, four ratios will be used. Which are as follows.

4.2.3.1. Current Asset Turnover Ratio

Current asset turnover ratio refers to the efficiency of a company's utilization of average current assets to produce revenue. It can be determined by using the following formula.

$$\text{Current Asset Turnover Ratio} = \frac{\text{Net Revenue}}{\text{Average Current Asset}}$$

Ratio	2012	2013	2014	2015	2016	Avg.
Current Asset Turnover Ratio	2.01	1.76	1.73	1.65	1.83	1.80



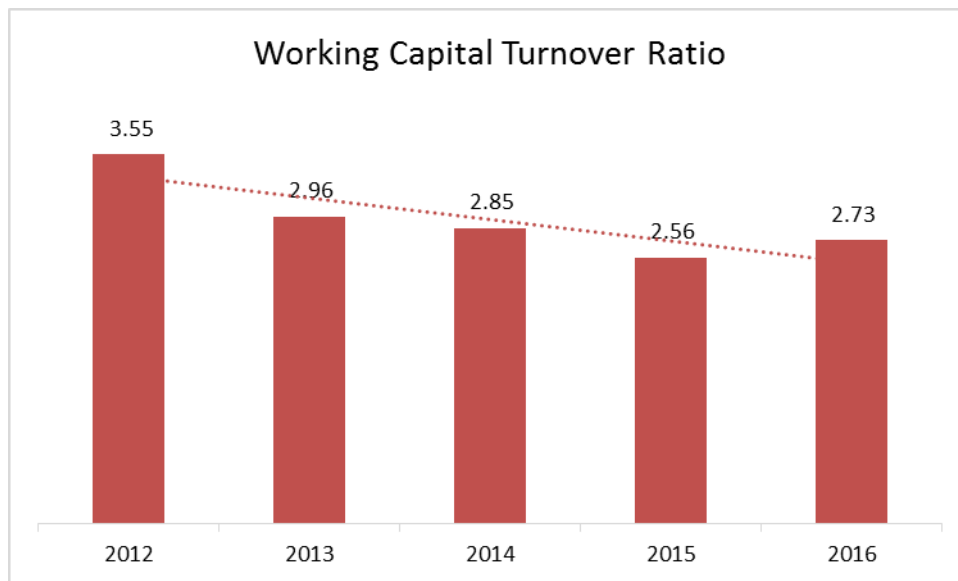
From the graphical presentation, it can be derived that, on average SML generated Tk. 1.80 of revenue for each Tk. 100 of total current assets it had acquire. It had its highest current turnover in the year 2012. But, the ratio kept decreasing for the following 3 years and had a rise in the year 2016. However, the trend line is slightly downwards.

4.2.3.2. Working Capital Turnover Ratio

The effectiveness of a company's working capital usage to generate revenue is reflected in working capital turnover ratio. The following formula is used to determine the working capital turnover ratio of SML.

$$\text{Working Capital Turnover Ratio} = \frac{\text{Net Revenue}}{\text{Average Working Capital}}$$

Ratio	2012	2013	2014	2015	2016	Avg.
Working Capital Turnover Ratio	3.55	2.96	2.85	2.56	2.73	2.93



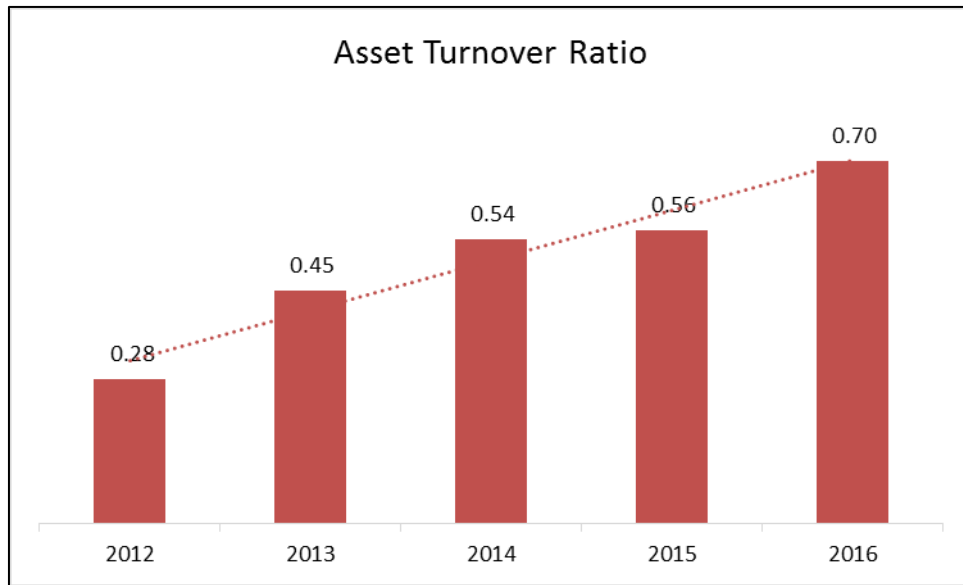
In this case, on average Tk. 2.93 of revenue was generated for each Tk. 100 of working capital acquired by SML. This ratio, kept decreasing until 2015 constantly before it started to increase slightly in 2016. SML had the highest working capital turnover ratio of 3.55 in the year 2012.

4.2.3.3. Asset Turnover Ratio

Asset turnover ratio is similar to current asset turnover ratio except that it is related to total assets instead of current assets. This ratio refers to the efficiency of a company's utilization of average total assets to produce revenue. It can be determined by using the following formula.

$$\text{Asset Turnover Ratio} = \frac{\text{Net Revenue}}{\text{Average Total Assets}}$$

Ratios	2012	2013	2014	2015	2016	Avg.
Asset Turnover Ratio	0.28	0.45	0.54	0.56	0.70	0.51



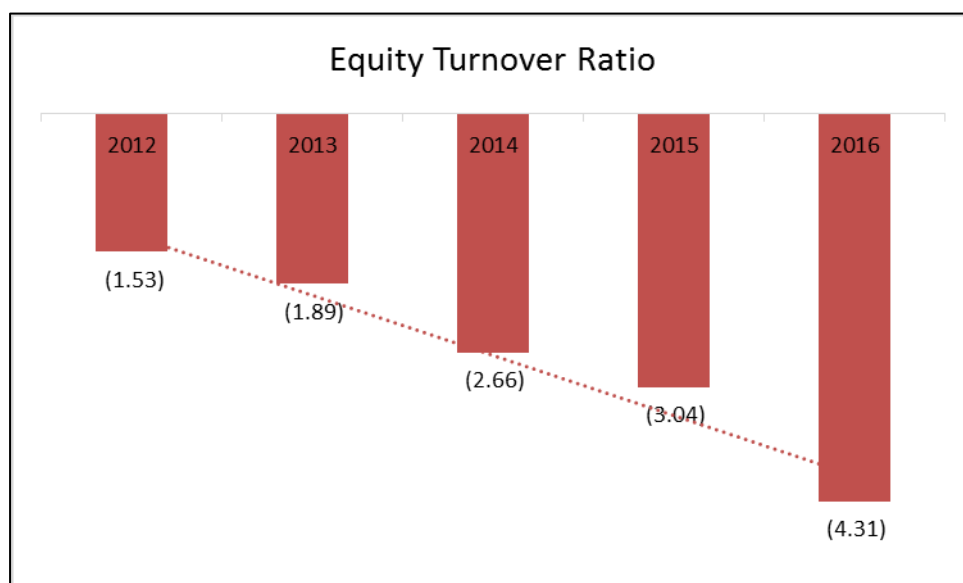
The graph shows that SML generated Tk. 0.51 on average for every Tk. 100 of its total assets. The ratio had a steady increase from 2012 and achieved highest asset turnover ratio in the year 2016.

4.2.3.4. Equity Turnover Ratio

The effectiveness of a company’s equity usage to generate revenue is reflected in equity turnover ratio. The following formula is used to determine the equity turnover ratio of SML.

$$\text{Equity Turnover Ratio} = \frac{\text{Net Revenue}}{\text{Average Total Equity}}$$

Ratios	2012	2013	2014	2015	2016	Avg.
Equity Turnover Ratio	(1.53)	(1.89)	(2.66)	(3.04)	(4.31)	(2.69)



From the graph it reflects that on average SML incurred Tk. 2.69 of loss for each of Tk. 1 invested by shareholders. Moreover, the ratio is decreasing constantly and reached its lowest position of -4.31 in the year 2016.

Overall, from all the four graphs it can be observed that all the ratios had a decreasing trend line except asset turnover ratio. Also, the ratio of equity turnover should be a concern for SML as it generated a loss of Tk. 4.31 against every Tk. 1 invested by the stakeholders. So, this can be suggested that the company needs to reassess its management policy in order to turn the situation in company's wellbeing as the current policy seems inefficient.

4.2.4. Asset Composition Analysis

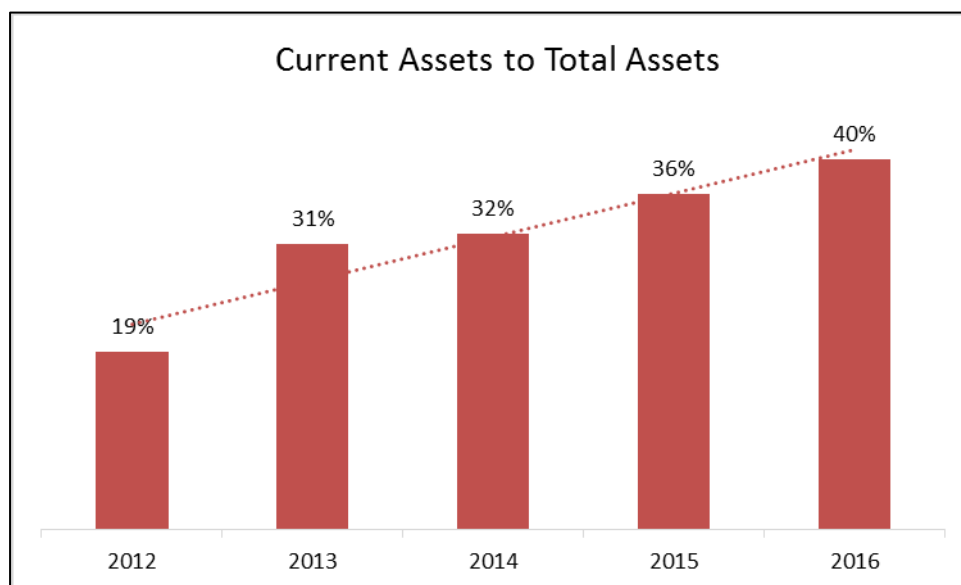
To assess asset composition of SML, the ratio current assets to total assets will be used. Despite of being a service company, SML is comparatively more dependent on non-current assets and less dependent on current assets for turnover which is similar to the industrial companies.

4.2.4.1. Current Assets to Total Assets

This ratio will help to determine the quantity of total assets which might be transformed into cash and cash equivalents within a year.

$$\text{Current Assets to Total Assets} = \frac{\text{Current Assets}}{\text{Total Assets}} \times 100$$

Ratio	2012	2013	2014	2015	2016	Avg.
Current Assets to Total Assets	19%	31%	32%	36%	40%	32%



The graph shows that SML’s current assets made up to 32% on average of total assets. As SML relies on non-current assets more than current assets, only 32% of total assets on average can be converted into cash and cash equivalents. However, the ratio of current assets to total assets is increasing significantly.

4.2.5. Profitability Analysis

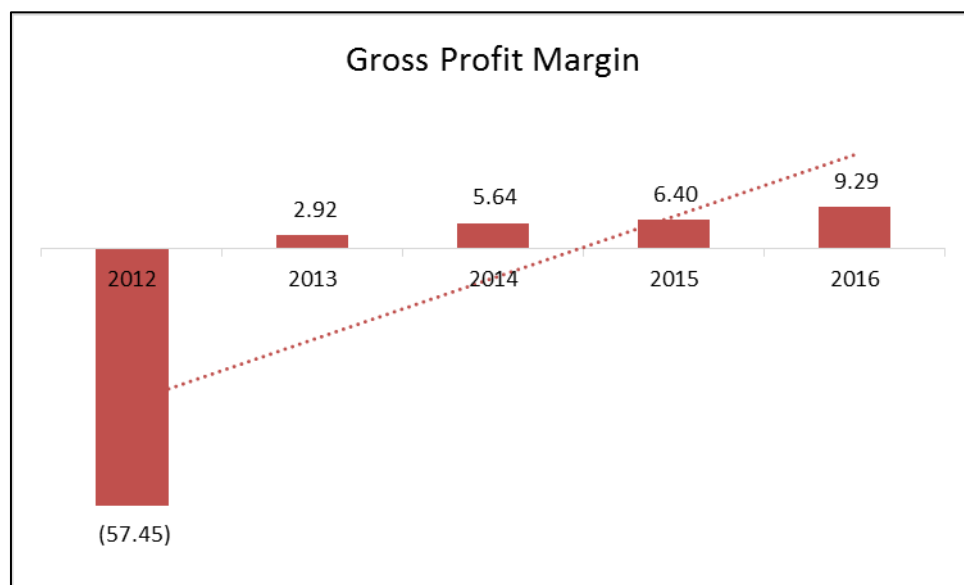
The ability of a company to make profit using the available resources comparing the size of its business is measured by profitability analysis. Five ratios will be used to analyze the profitability ratios of SML.

4.2.5.1. Gross Profit Margin

To evaluate SML’s ability to gain gross profits from its revenue, gross profit margin has been used.

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Net Revenue}} \times 100$$

Ratio	2012	2013	2014	2015	2016	Avg.
Gross Profit Margin	(57.45)	2.92	5.64	6.40	9.29	(6.64)



From the graph we can see that, SML had a negative average of Tk. 6.64. Which means for every Tk. 100 of sales it incurred a loss of Tk. 6.64. But, this would have been different if we did the analysis from 2013. Because, in the year 2011 it started its operation so its normal to

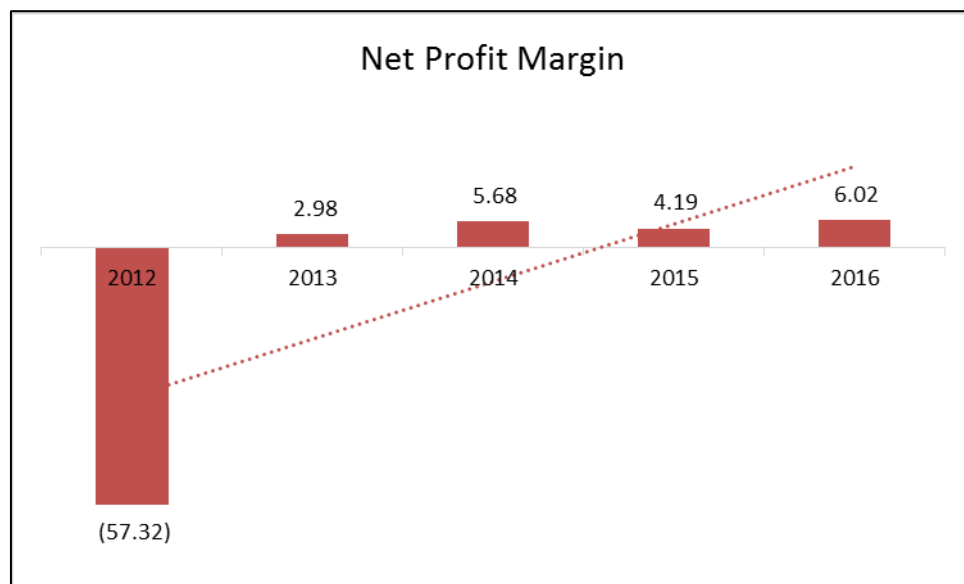
have a negative gross profit rate in the following year. However, the trend line is positively upward and it reached its highest gross profit margin rate in the year 2016. Which suggest that in the year 2017 it might have a higher one.

4.2.5.2. *Net Profit Margin*

Net profit margin measures the ability of SML’s efficiency to make possible profit after tax from its revenue.

$$\text{Net Profit Margin} = \frac{\text{Net Profit After Tax}}{\text{Net Revenue}} \times 100$$

Ratio	2012	2013	2014	2015	2016	Avg.
Net Profit Margin	(57.32)	2.98	5.68	4.19	6.02	(7.69)



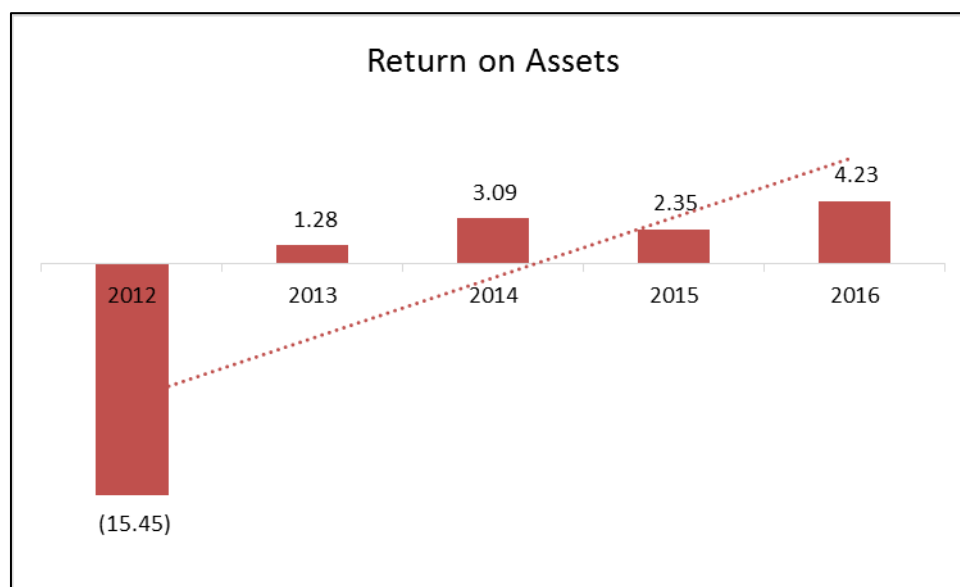
The graph shows on average, for each of Tk. 100 revenue SML generated had incurred a loss of Tk. 7.69. Because of a significant negative ratio in the year 2012, which had occur due to inception expenditure of the company. If we could get the data of 2017, it would have been a different scenario. However, the upward linear trend line suggest that it will gradually increase.

4.2.5.3. *Return on Asset (ROA)*

This ratio will measure SML’s efficiency of generating profits after tax by utilizing its assets. To determine the ROA of SML, following formula will be used.

$$ROA = \frac{\text{Net Profit After Tax}}{\text{Total Assets}} \times 100$$

Ratio	2012	2013	2014	2015	2016	Avg.
Return on Assets	(15.45)	1.28	3.09	2.35	4.23	(0.90)



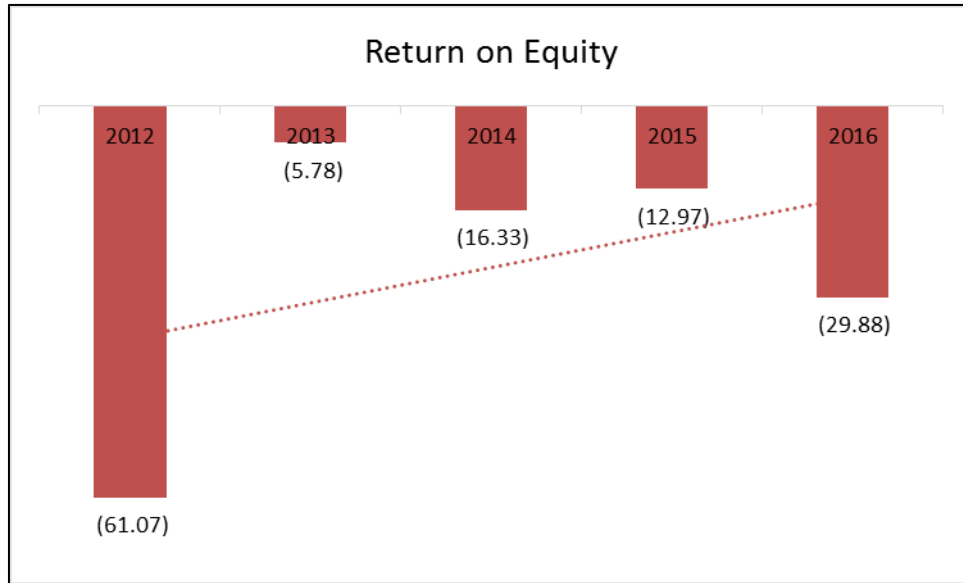
The graph shows that SML's ROA had a negative average of 0.90. Which means, SML incurred a loss of Tk. 0.90 for every Tk. 100 of assets on average. But, it had an upward linear trend line which suggest that it will increase gradually. Due to the significant starting expenditure in 2011-12, the ROA had a negative average. However, SML's ROA is gradually rising and had reach its highest point of 4.23 in the year 2016.

4.2.5.4. Return on Equity (ROE)

Similar to ROA this ratio will measure SML's efficiency of generating profits after tax by utilizing its equity instead of assets. To determine the ROE of SML, following formula will be used.

$$ROE = \frac{\text{Net Profit After Tax}}{\text{Total Equity}} \times 100$$

Ratio	2012	2013	2014	2015	2016	Avg.
Return on Equity	(61.07)	(5.78)	(16.33)	(12.97)	(29.88)	(25.21)



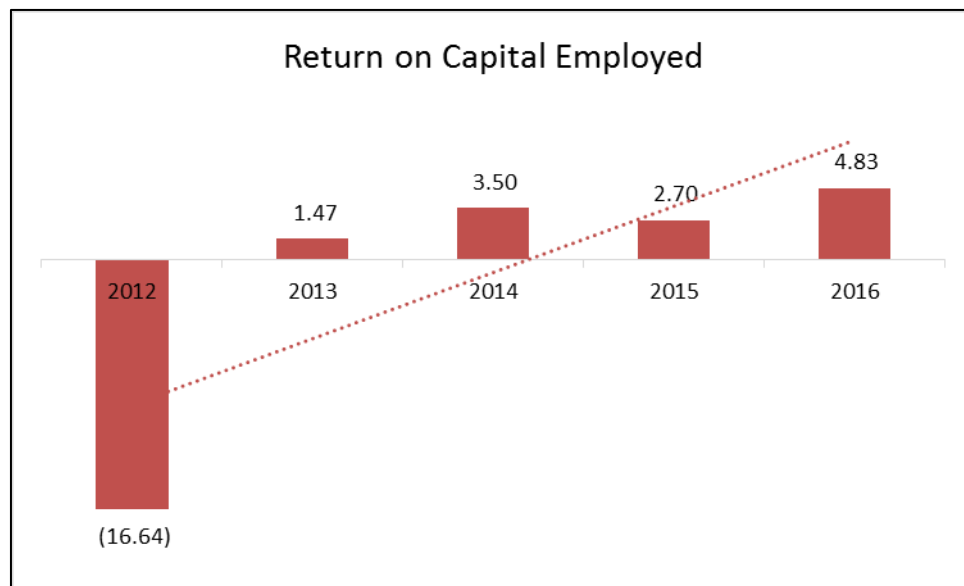
The graph shows us that on average, SML incurred a loss of Tk. 25.21 for every Tk. 100 of total equity injected by shareholders. This ratio had both rise and downfall over the years. But it had an upward linear trend line which suggests that the condition will eventually get better with time.

4.2.5.5. Return on Capital Employed

Similar to ROE this ratio will measure SML's efficiency of generating profits after tax by utilizing its equity along with its non-current liabilities. To determine the return on capital employed ratio of SML, following formula will be used.

$$\text{Return on Capital Employed} = \frac{\text{Net Profit After Tax}}{\text{Total Equity} + \text{Non Current Liabilities}} \times 100$$

Ratio	2012	2013	2014	2015	2016	Avg.
Return on Capital Employed	(16.64)	1.47	3.50	2.70	4.83	(0.83)



The graphical presentation suggests that on average, SML incurred a loss of Tk. 0.83 for every Tk. 100 of capital invested. This situation is similar to ROE. Because of starting the operation in 2011 the company had to incur a marginally high amount of expenses or investments which did not allow the company to generate a positive return on capital employed in 2012. Apart from that the trend line is upwards and will gain a better position in near future.

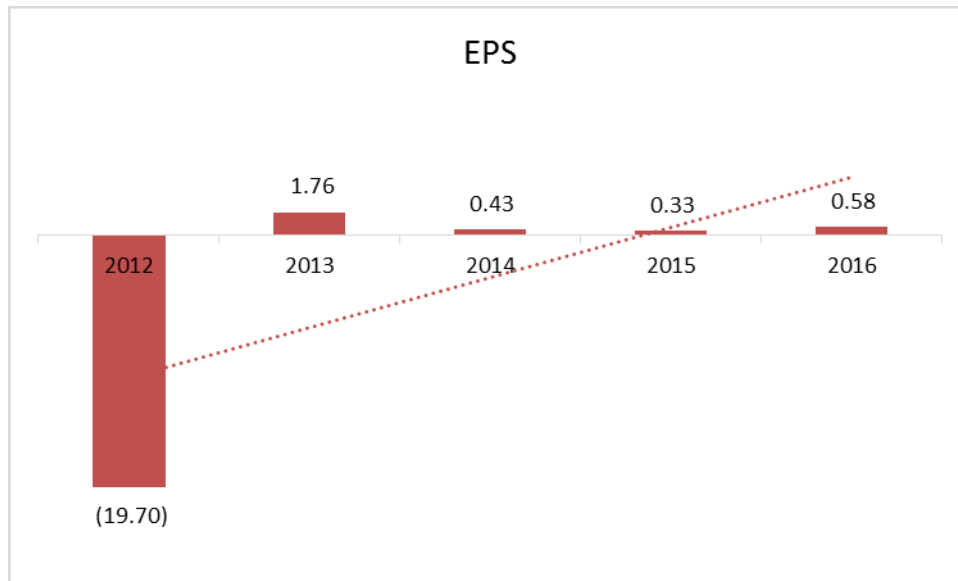
Overall, all the graphs of profitability ratios reflects that each of the average of the ratios are in the negative position. Which is because of the first two years of SML's loss in operation. Moreover, the graphs also shows that all the ratios had an upward linear trend line gradually rising. Somoy Media Limited have to wait few more years to be in a sound position.

4.2.6. Earnings per Share (EPS)

The quantity of a company's profit allotted to each outstanding share is known as EPS. The formula of calculating EPS is:

$$EPS = \frac{\text{Net Profit After Tax}}{\text{Outstanding Shares}}$$

Ratio	2012	2013	2014	2015	2016	Avg.
EPS	(19.70)	1.76	0.43	0.33	0.58	(3.32)



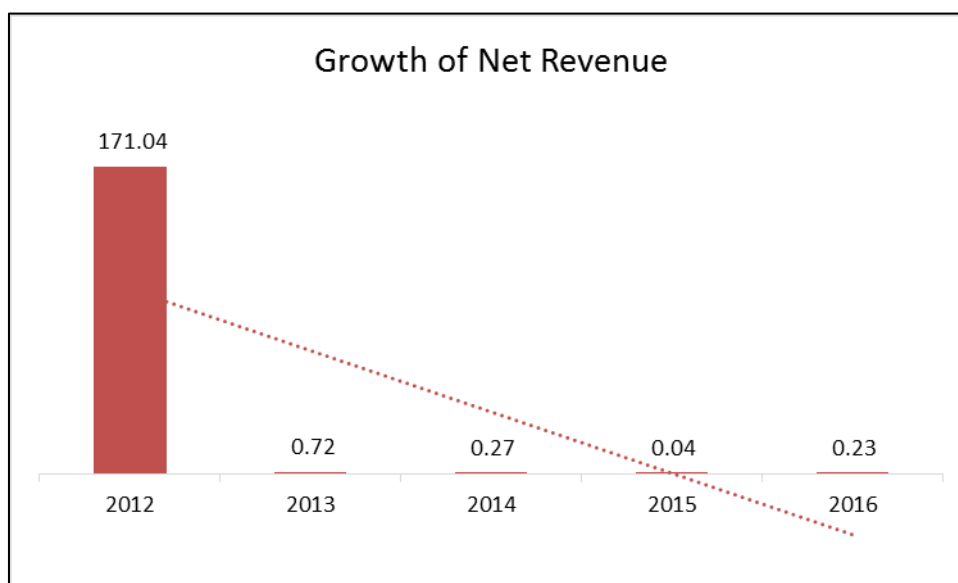
The graph shows us that on average, SML had a loss of Tk. 3.32 for each share outstanding. Except 2012, the EPS was in the positive side. The linear trend line is also upwards. Which is a good sign and will take time to reach its peak as SML had its inception in the year 2011.

4.2.7. Growth Rate

We will calculate some of the elements growth in order to determine the growth of that particular element.

4.2.7.1. Growth of Net Revenue

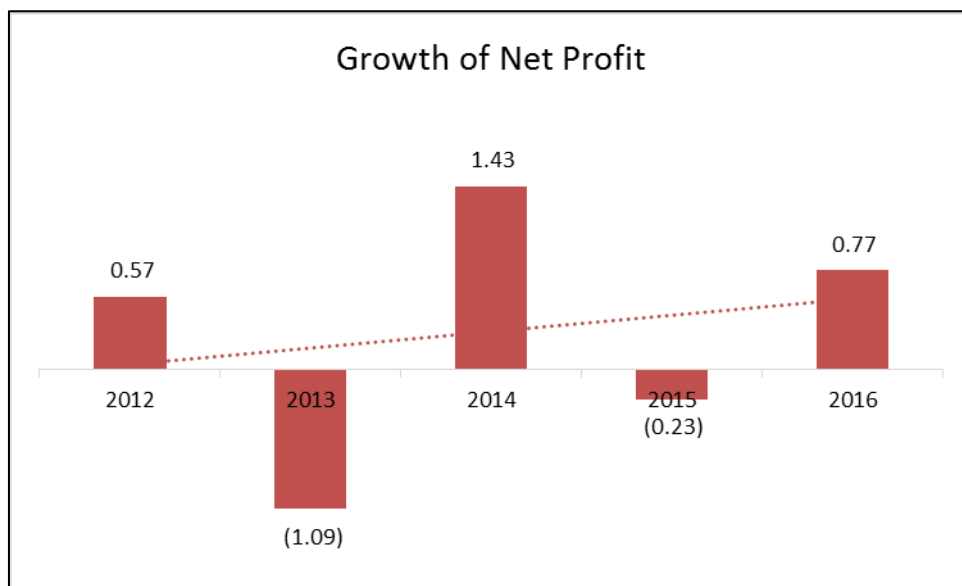
Ratio	2012	2013	2014	2015	2016	Avg.
Growth of Net Revenue	171.04	0.72	0.27	0.04	0.23	34.46



The graph shows an average increase of 34.46 times growth in revenue over the last five years. For the year 2012, the downward trend line had occur. If we remove that year, it will be a steady and positive trend line and have a growth rate of 32%.

4.2.7.2. Growth of Net Profit

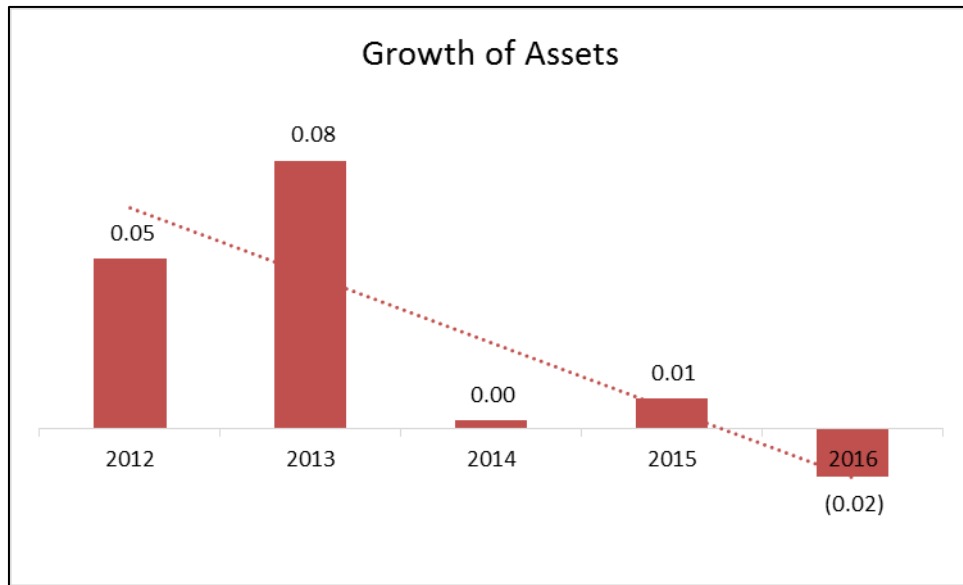
Ratio	2012	2013	2014	2015	2016	Avg.
Growth of Net Profit	0.57	(1.09)	1.43	(0.23)	0.77	0.29



The graph shows an average increase of 29% growth in net profit over the last five years. The rate had fluctuated every year since 2012. It reached its peak in 2014 and again had a downfall. Despite of having fluctuating values, the linear trend line is heading upwards.

4.2.7.3. Growth of Assets

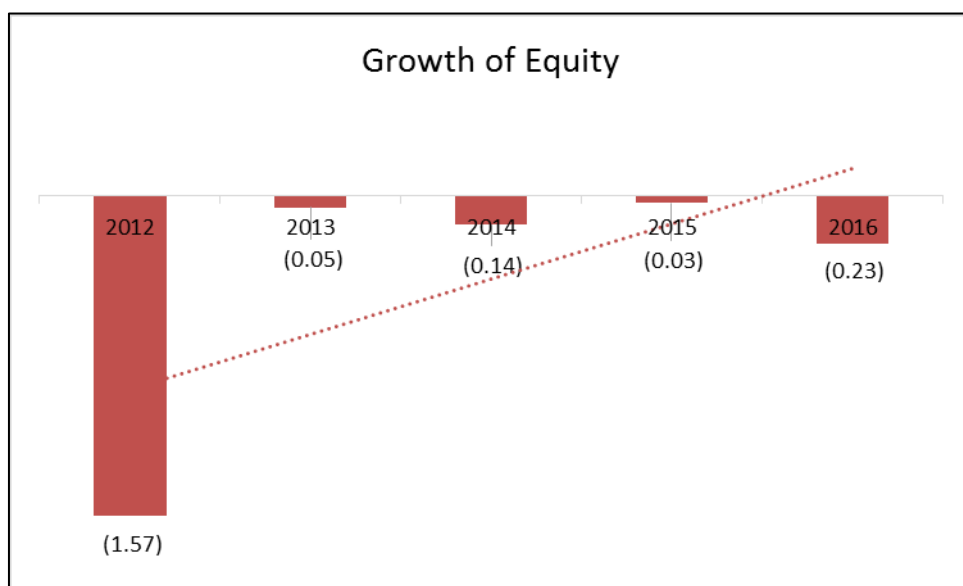
Ratio	2012	2013	2014	2015	2016	Avg.
Growth in Assets	0.05	0.08	0.00	0.01	(0.02)	0.03



The graph shows an average increase of 3% growth in assets over the last five years. The rate had fluctuated every year since 2012. It reached its peak in 2013 and again had a downfall. For having such fluctuating values, the linear trend line is heading downwards. Moreover, SML had a negative asset growth in the year 2016.

4.2.7.4. Growth of Equity

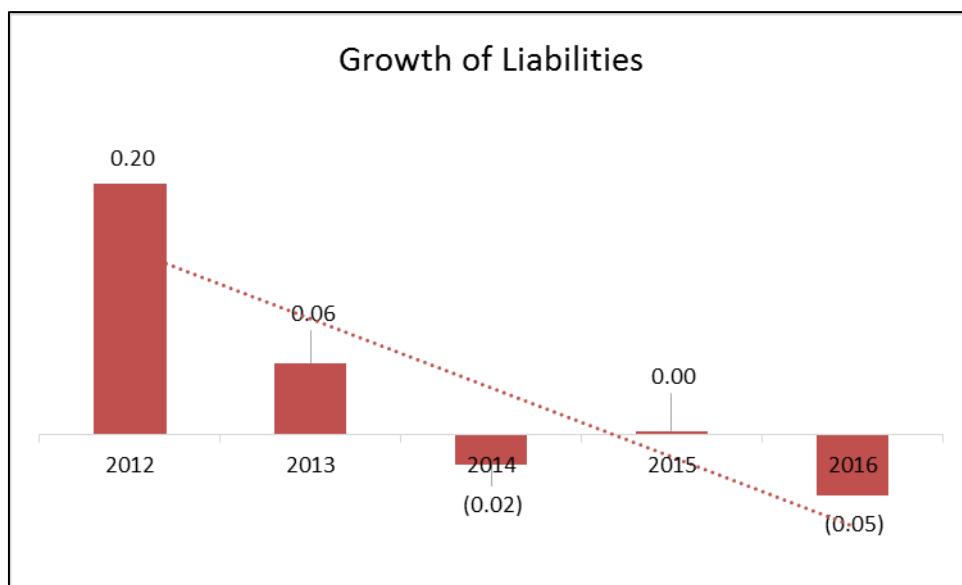
Ratio	2012	2013	2014	2015	2016	Avg.
Growth of Equity	(1.57)	(0.05)	(0.14)	(0.03)	(0.23)	(0.41)



The graph shows an average of 41% decrease in equity over the last five years. The rate had been in the negative side every year since 2011. It reached its lowest position in 2012 and never been on the positive side. But, the linear trend line is upwards and seems to reach a better position in the future.

4.2.7.5. Growth of Liabilities

Ratio	2012	2013	2014	2015	2016	Avg.
Growth of Liabilities	0.20	0.06	(0.02)	0.00	(0.05)	0.04



The graph shows an average of 4% increase in liabilities over the last five years. The rate had been decreasing gradually since 2012. It is considered as a positive effect to have a downwards linear trend line of growth in liabilities.

Overall, each of the growth rate tends to get better with time except the growth rate of assets.

Chapter Five: Findings



One of the two specific objectives was to understand the outcome of the evaluation of financial performance of SML. And the second one was to determine the effectiveness and weakness of SML.

In this chapter both of the objectives will be completed.

Current Ratio, Debt to Equity Ratio and Return on Assets are the key ratios which affect a company's liquidity and profitability. In Addition, for determining a company's performance the other ratios are also necessary.

Liquidity

The evaluation of liquidity of SML shows us that SML was in a good position except from the major downfall of cash ratio in the year 2013. But, both current and cash ratio had a positive upward trend. However, Somoy Media Limited have more than 75% of extra assets on average, which they can utilize to generate more possible revenue.

Financial Leverage

Both the ratios suggest that Somoy Media Limited maintained higher liabilities than its assets and equity. It is considered as a bad practice normally if a company maintains excessive debts. Because, there is a high chance of bankruptcy if SML fails to pay off its debts. So, it can be said that Somoy Media Limited is highly leveraged.

Turnover

All the four graphs suggests that all the ratios had a decreasing trend line except asset turnover ratio. Also, the ratio of equity turnover should be a concern for SML as it generated a loss of Tk. 4.31 against every Tk. 1 invested by the stakeholders. So, this can be suggested that the company needs to reassess its management policy in order to turn the situation in company's wellbeing as the current policy seems inefficient to generate positive turnover.

Asset Composition

The graph of current assets to total assets shows that SML's current assets made up to 32% on average of total assets. As SML relies on non-current assets more than current assets, only 32% of total assets on average can be converted into cash and cash equivalents. However, the ratio of current assets to total assets is increasing significantly.

Profitability

All the graphs of profitability ratios reflects that each of the average of the ratios are in the negative position. Which is because of the first two years of SML's loss in operation. Moreover, the graphs also shows that all the ratios had an upward linear trend line. Which means, Somoy Media Limited have to wait few more years to be in a sound position.

EPS

The graph of EPS shows us that on average, SML had a loss of Tk. 3.32 for each share outstanding. Except 2012, the EPS was in the positive side. The linear trend line is also upwards. Which is a good sign and will take time to reach its peak as SML had its inception in the year 2011.

Growth

Each of the growth rate has a trend of getting better with time except the growth rate of assets.

Chapter Six: Recommendations



- First of all, Somoy Media Limited should utilize its excess amount of current assets efficiently to generate more possible revenue.
- Somoy Media Limited should lower its liability than the assets it has.
- Somoy Media Limited needs to reassess its management policy in order to turn the situation in company's wellbeing as the current policy seems inefficient to generate positive turnovers.
- The growth rate of assets has a downward linear trend, which should also be reassessed.
- Lastly, Somoy Media Limited have a good profitably trend, they can improve this position even further if the negative equity can be turned into positive.

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Appendix

Operating Performance of SML for last 6 years

Operating Performance	2011	2012	2013	2014	2015	2016
Net Revenue	999,000	171,866,317	296,437,872	376,881,804	391,639,778	483,493,749
Total Expense	63,886,521	270,596,434	287,788,274	355,610,221	366,566,612	438,555,332
Gross Profit	(62,887,521)	(98,730,117)	8,649,598	21,271,583	25,073,166	44,938,417
Interest Income	-	219,058	169,882	132,755	197,315	553,600
Total Revenue	(62,887,521)	172,085,375	296,607,754	377,014,559	391,837,093	484,047,349
Profit before Taxes	-	(98,511,059)	8,819,480	21,404,338	25,270,481	45,492,017
Provision for Taxation	5,000	-	-	-	8,844,668.00	16,364,081.00
Net profit After taxation	(62,892,521)	(98,511,059)	8,819,480	21,404,338.00	16,425,813.00	29,127,936.00
Earnings Per Share (EPS)	(12.58)	(19.70)	1.76	0.43	0.33	0.58

Financial Performance of SML for last 6 years:

Financial Position	2011	2012	2013	2014	2015	2016
Total Non-Current Assets	557,092,301	514,908,745	477,631,473	470,822,782	445,021,328	412,995,771
Total Current Assets	48,607,668	122,741,038	213,267,283	221,726,280	254,033,932	275,493,323
Total Assets	605,699,969	637,649,783	690,898,756	692,549,062	699,055,260	688,489,094
Cash and Cash Equivalents	12,467,658	16,508,352	12,837,361	11,837,580	13,479,321	41,337,242
Total Shareholder's Equity	(62,792,521)	(161,303,580)	(152,484,100)	(131,079,763.00)	(126,623,957.00)	(97,496,021.00)
Total Non-Current Liabilities	639,461,553	753,432,741	753,432,741	743,432,741	735,932,741.00	700,932,741.00
Total Current Liabilities	29,030,937	45,520,622	89,950,115	80,196,084	89,746,476.00	85,052,374.00
Total Equity & Liabilities	605,699,969	637,649,783	690,898,756	692,549,062	699,055,260	688,489,094
Net Assets Value Per Share	121.14	127.53	138.18	13.85	13.98	13.77

Other data required for the analysis:

Data	2011	2012	2013	2014	2015	2016
Working Capital	19,576,731	77,220,416	123,317,168	141,530,196	164,287,456	190,440,949
Average Current Asset		85,674,353	168,004,161	217,496,782	237,880,106	264,763,628
Average Working Capital		48,398,574	100,268,792	132,423,682	152,908,826	177,364,203
Average Total Asset		621,674,876	664,274,270	691,723,909	695,802,161	693,772,177
Average Total Equity		(112,048,051)	(156,893,840)	(141,781,932)	(128,851,860)	(112,059,989)
Authorized Capital	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Outstanding shares	5,000,000	5,000,000	5,000,000	50,000,000	50,000,000	50,000,000
Price per share	100	100	100	10	10	10
Ordinary shares issued	1,000	1,000	1,000	10,000	10,000	10,000
Issued, subscribed and Paid up cap.	100,000	100,000	100,000	100,000	100,000	100,000

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