

Report On
Analysis of Financial Statements
of
Brian Station 23 Limited

Submitted By

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An internship report submitted to the BRAC Business School in partial fulfillment of the
requirements for the degree of
Masters of Business Administration (MBA)

BRAC Business School BRAC University January, 2021

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

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Letter of Transmittal

Mr. KM Jamshed-uz-Zaman, PhD

Professor,
BRAC Business School BRAC University
66 Mohakhali, Dhaka-1212

Subject: Analysis of Financial Statements of Brain Station 23 Limited

Dear Sir,

With enormous please I'm subsequently introducing the report on the “*Analysis of Financial Statements of Brain Station 23 Limited*” a topic that I had picked with your prior support. I am at present working at this organization as a Manager Finance & Accounts and Company Secretary. The report is a consequence of the data I've halted by while completing my duty. I endeavored my best to fulfill all the necessities of the brief activity and moreover clung to your bearings while setting up this report.

I have attempted my best to finish the report with the essential data and recommended proposition in a significant compact and comprehensive manner as possible.

I trust that the report will meet the desires.

Sincerely yours,

Md. Khosrul Alam
ID: 18164038
BRAC Business School BRAC University
Date: 22 January, 2021

Non-Disclosure Agreement

This agreement is made and entered into by and between Brain Station 23 Limited and the undersigned student Md. Khosrul Alam at BRAC University.

As I am currently employed at the organization, I have access to the company and confidential information. I am agreed that I will keep all this information strictly confidential and I will not share with anyone outside the organization.

Md. Khosrul Alam
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22 January 2020

Acknowledgement

At first, I would particularly show gratitude to my internship advisor **Mr. KM Jamshed-uz-Zaman, PhD**, for giving me the opportunity to have his vicinity and allowing me to submit an official internship report on “*Analysis of Financial Statements of Brain Station 23 Limited*”. I would like to thank Mr. Raisul Kabir (MD) & Mohammad Jannatul Ferdous (COO) of Brain Station 23 Limited for being my on-site supervisor & providing me time to time support, supervision, training, information, suggestion as well as guidance to work with my respective topic.

I would also like to express my foremost gratitude to other officials of Brain Station 23 Limited who helped me and gave me their valuable time, providing me with the most relevant information based on which I have prepared this internship report. I am thankful to all of them for helping and guiding me with smiling face.

Finally, I would like to thank Brain Station 23 Limited for providing me the opportunity in their reputed organization.

Executive Summary

This report is prepared as per requirement of the internship phases of MBA program of BRAC University. The study is based on the as “Analysis of Financial Statements of Brain Station 23 Limited” the name of the title suggests.

The report consists of information of operational activity of an organization engaged in Information Technology Enable Services (ITES). This report studies the organization’s true potential in the upcoming times.

Firstly, the significant features are the noticeable aspects of the organization which has been described in details during the (SWOT) analysis.

Secondly, this report provides an in-depth internal and external analysis which established the recommended steps of overcoming problems and face challenges. The challenges are mainly those obstacles that the organization faces during its business process.

Thirdly, analyzing the financial statements of the organization through vertical and horizontal analysis of statement of financial position and the statement of profit or loss and other comprehensive income. In addition to, analyzed the financial statements through ratio analysis. That will help an investor to take economic decision based on the analysis.

Finally, I have considered the (SWOT) analysis of Brain Station 23 Limited and given thorough information for (PESTEL) analysis and did establish the recommended steps of overcoming problems and perform better in the industry. I also try to analyze the overall industry situation and position of the Brain Station 23 Limited as a local organization.

During my research an honest and authentic depiction of the prospects and challenges faced by this company has been given.

Keywords: Software Development; Financial Statements; Ratio Analysis

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List of Acronyms

BS	Brain Station 23 Limited
CEO	Chief Executive Officer
COO	Chief Operating Officer
CR	Current Ratio
CSE	Computer Science and Engineering
ITES	Information Technology Enable Services
MD	Managing Director
RMG	Ready-Made Garments
SOP	Standard Operating Procedure
VAT	Value Added Tax

Chapter 1

Overview of Internship

1.1 Student Information

I am Md. Khosrul Alam, a student of BRAC University at the Master of Business (MBA) Program; Student ID: 18164038, and my major area of specialization is Finance in Masters of Business Administration (MBA).

1.2 Information of Internship

1.2.1 Duration, Name of Organization, Working Area, Detail Address of Organization

I am working as a Manager Finance & Accounts and Company Secretary, playing a full-time job role starting from September 19, 2016 at Brain Station 23 Limited (BS), Dhaka, Bangladesh. I'm working with the finance team, which operates from the Brain Station 23 Limited (BS) ;Plot 02 (8th Floor), Bir Uttam A. K. Khandakar Road, Mohakhali C/A, Dhaka 1212, Bangladesh; Website: www.brainstation-23.com; Email: sales@brainstation-23.com; Tel: +880029856728, Cell: +8801404055220.

2.2.2 Supervisor's Information

I am reporting to Mr. Mohammad Jannatul Ferdous, COO, Brain Station 23 Limited (BS). At the same time, I formally report Mr. Raisul Kabir, MD & CEO, Brain Station 23 Limited (BS). In my current job role, I have a dual reporting as manager Finance and Accounts to the COO and as Company Secretary to the MD and CEO.

3.2.3 Job Scope- Job Description

Summary (Overall):

As Manager Finance & Accounts, I must look after all the activities of Finance and Accounts department of the Brain Station 23 Limited. I am responsible for managing accounting, reporting, Taxes and VAT related work of the company

As Company Secretary, I must look after all regal activities related with the company. I must prepare all the documents related to the board of the Brain Station 23 Limited and the legal matters related to the board of Brain Station 23 Limited (BS).

Major Job Responsibilities:

- Overall responsibility of management reporting covering all financial aspects of the company.
- Prepare monthly, quarterly, and annual Financial Statement.

- Coordinate in preparation of annual budget for the company
- Assist in monitoring of capital expenditure of the company.
- Act as the Company Secretary of the company.
- Handling personal and corporate tax matters as well as VAT requirements independently.
- Prepare and submit monthly business result with variance analysis.
- Assuring books/records and system are kept according to accounting standards
- To upgrade internal controls, reporting systems, corporate policies/ procedures and implementation of the same where needed.
- Develop the Management Information System (MIS), of the company according to business requirements.
- Preparing monthly report on overall assets management activities.
- Monitoring Working Capital and Recommended improvement areas.
- Prepare/Co-ordinate and review annual budgets and its timely submissions.
- Oversee financial Risk Management.
- Develop management reporting/ analytical tools/ key indicators for accounts and finance section.

Specific Job Description

- Monthly Project-Wise Profitability Analysis
- Monthly/ Quarterly/ Yearly Financial Statement Preparation
- Policy Formulation
- Policy Implementation
- Budgeting
- Budget Variance Analysis
- Guide the External Auditor
- Any related work assigned by Company

Direct Reports:

Should report to COO in general but need to report to MD & CEO relating to board and legal matter of the company.

1.3 Job Outcome

1.3.1 Student's Contribution to the Organization

I think I have made following contribution to the company:

1. Prepared and set the accounting system and policies of the organization.
2. Developed the management accounting and reporting system of the organization.
3. Handled tax affairs of the company
4. Handled the VAT affairs of the company
5. Taken initiative for formulating the SOP
6. Implemented the SOP and internal control system
7. Done all secretarial work of the company
8. Also regularly doing related work with my Job Description (JD)

2.3.2 Benefits to the Student

I think I have gained the following benefits through my current job role:

1. A wide understanding of the Information Technology Enable Services (ITES) industry of Bangladesh, how it operates, and how the business is done.
2. A good knowledge of software development and its market.
3. Handsome amount of learning about the software development and ITES business policy and it's situation in Bangladesh.
4. Detail knowledge of accounting, reporting, taxation, VAT and legal matters and how we maintain relationship with client and potential client.
5. An additional benefit to learn about the international market of software and ITES business.
6. Improvement in managerial skill.

3.3.3 Problem Faced During the Job

I did not face any significant problems. It a challenge for me after taking charge of manager finance and accounts to reshape the organizations accounting policies and procedures and successfully implement it. But my office colleagues and supervisors are so helpful that I didn't feel any problem at all.

4.3.4 Recommendations for the Organization on future internship

I believe that a student will be able to learn more from a modern organization Brain Station 23 Limited. Moreover, there is huge opportunity of employment in this organization. Every year at least 30 students are recruited from those who entered for their internship. It is a haven for the student from Computer Science and Engineering (CSE). Moreover, I will also suggest to do internship for the students from other discipline as well. Because it is a new and growing

industry in Bangladesh and it is told that it will be next Ready-Made Garments (RMG) for Bangladesh.

Chapter 2

Overview of the Brain Station 23 Limited, Operation and Strategic Audit

2.1 Introduction

Brain Station 23 Limited is a leading software development and Information Technology Enable Services (ITES) services exporter of the country. It started its business in 2006 as a unregistered firm and in 21 January 2015 it converted into private limited company under companies act 1994.

Objectives

Objectives of the strategic audit is

- To know the environment and business process of Brain Station 23 Limited.
- To know the management practices of the company
- To know the marketing practices of the company and marketing strategy.
- To know the result of the financial performance and accounting practices.
- To know the operation management and information system practices
- To understand the trend of the business of the ITES industry and its market.
- To get the financial data of the company and the outcome from data

Scope

Scope of this analysis is the very confidential financial information of Brain Station 23 Limited. Information related to financial performance and financial position have been used from its audited financial statements. Moreover, I have collected some other data from the Dhaka Stock Exchange to compare the industry data. Some other information related to the industry has been taken from newspaper and from the internal sources as well as individual knowledge.

Limitation

In the COVID-19, it was very tough to get the actual reflection of the company and the industry. Because the business trend was downward sloping. For this reasons result may not show the usual trend. So that, the industry and the company should have been its own trend. But Brain Station 23 Limited had a positive trend of its business.

2.2 Overview of Brain Station 23 Limited

It was in 2006, with little capital but a pocketful of belief our CEO, Raisul Kabir started Brain Station 23, a software company, right after graduating from BUET. The new company initially focused on the international market with the local market added in 2010. Since then, the

company has shown a continuous growth and currently employs over 300+ software engineers. Brain Station 23 is now not only an established name in Bangladesh but also in countries like the USA, UK, Netherlands, Denmark, Japan, Norway, Sweden, Germany, Canada, Switzerland, Turkey, and the Middle East.

Mission

To Create Success & Happiness for Customers & Employees by Increasing Efficiency & Profitability for the Company.

Vision

To Serve our Country by Creating Employment for the Talented Citizens while Earning & Saving Foreign Currencies throughout the Course.

2.3 Management Practices of BS

Brain Station 23 Limited is doing its ITES business all over the world. Its main export business is to export software solution across the globe. It is a customized software solution provide. It is doing business in several industry. Its focus is to the international market. Moreover, it has expanded its business in the telecom, banking, pharmaceutical, and manufacturing industries. Management is looking for more opportunities in the international market as well as local market.

2.4 Marketing Practices of BS

BS is maintaining to types of marketing is a strategics. For export, BS maintaining for a relationship with several agencies in abroad on is a Germany it is Brain Station for five years. Another on is a Norway that is Gtrue. BS participate in several software trade fare in abroad to approach international client.

For approaching domestic client, BS seat a meeting with the client and try to convince them to make the sales successful. Sometimes, clients place their requirements to make it automated. Sometimes, BS define the needs of the client and place it to them. Most of the cases BS highlights the previous work done as the business promotion.

2.5 Financial Performance and Accounting Practices of BS

Brain Station 23 Limited was fully equity based financed company before COVID-19. During COVID-19 it took financial stimulus fund as loan provided by government. It is consistently providing dividend to its shareholders. Its profit earning capacity is growing.

In terms of accounting practices, every month, a full set of financial statements is being prepared to measure the monthly performance of the company. It is done monthly, quarterly,

half yearly and yearly. In every month a customers' profitability report is being prepared to the measure the performance of the ongoing projects. It is also being consolidated in every month.

2.6 Operations Management and Information System Practices of BS

Brain Station 23 Limited is a software solution provider company. It is providing two types of service one is monthly billing projects and another one is fixed budget projects. Monthly billing project is that every month invoice is raised as the resources are used. On the other hand, fixed budget project is that total project has a specific value. After completion of milestone or the full project invoiced will be raised and revenue will be recognized. Before taking any project, assessment team prepare a budget for the projects. In every month, budget is compared with the actual performance derived from customers' profitability report.

It is very important to ensure the security of the data, code, and information of the client. Most of the cases, foreign clients give the access to their own platform to do the coding and development. But BS also do coding and develop software and deploy it to the customers' platform.

2.7 Industry and Competitive Analysis of BS

In order to do the industry and competitive analysis, I have used three theories to analyze the industry and competitiveness of Brain Station 23 Limited. Those are PESTEL analysis, Michael Porter's five forces model, and SWOT analysis.

PESTEL Analysis

Through the PESTEL analysis, I tried to show how macro environment affects the competitiveness of a business and industry.

Political Factors: For Information System and ITES industry government is providing so many incentives. Government is providing ten percent (10%) cash incentive on ITES export. VAT rate for ITES export is zero and for local business 5% (five percent). In addition to tax rate is 0% till 2024 Moreover, organizations engaged in ITES business can retain their 75% (seventy percent) foreign currency export proceed in ERQ (Export Retention Quota Account) to meet the payment for service take from abroad. So, it can be said that

government is playing a favorable role for this industry to compete in international and local market.

Economic Factors: Bangladesh is a growing economy with GDP growth 5.2% and inflation 5.7% [1]. It highly dependent on import. In order to being able to pay the import payment, economy needs more export to earn foreign currency. Most of the business engaged in ITES business are exporting their service. Now, interest rate is fixed at 9%. Moreover, during the COVID-19 period, government provided interest

free loan to those who are engaged in ITES export. So, it is a positive government initiative for this industry to grow their business and sustain in the market.

Social Factors: Now a days, people of Bangladesh are expecting and accepting technological change in the society. In past, people went to bank to deposit or transfer money. Now, 5th generation banking system like mobile banking and internet banking system changed this concept and people welcomed it.

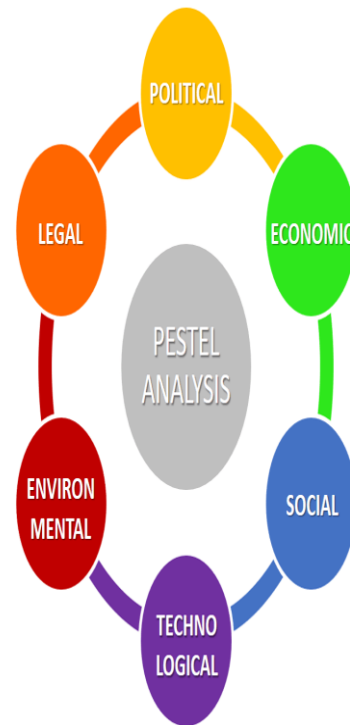


Figure 1 PESTEL Analysis

Technological Factor: Technological changes made life easier. New banking system makes banking system easier. E-commerce platform create the opportunity for the sellers to sell their products all over the world. On the other hand, buyers can compare their products quality and price from several source or e-commerce platform. People are accepting technological change and they are cope up with the change.

Environmental Analysis: Environment affects the performance of the production or services. We have almost 180 million of population. If we can train them in a well manner and deploy them in ITES industry that will be a bigger success for our country. In Bangladesh, climate change affecting the nature. Even then it is still in our favor for working.

Legal Factors: Now it is very easy to get the permission for a company and to start business. There is no remarkable political unrest. Government is trying to develop this industry by providing different types of incentives. Moreover, other laws are more relax to set up business in ITES industry than past.

I have also analyzed Michael Porter's five forces model for industry and competitive analysis of Brain Station 23 Limited.



Figure 2 Michael Porter's five forces model

Bargaining Power of Suppliers: There is no such suppliers in this industry. Because for providing ITES service no raw materials are needed. In this industry bargaining power of suppliers can be substituted by the bargaining power of the employees. Because in this industry employees plays a vital role. Quality service rendering depends on the skilled manpower. Whereas there is a limited skilled manpower.

Bargaining Power of Buyers: In the banking industry, most of the ITES service provider are the Indian company. Domestic company like us are trying to capture the market. But to capture the market, we had to prove our quality. So that, in this industry bargaining power of the buyer are so high. Because they are getting so many suppliers from all over the world. They are getting competitive price quotation.

Threat of New Entrants: Since, the formation requirement is so easy and there is a huge scope in the market. It is very easy to for the new competitor to enter the market. Only for the software product purchasing from abroad approximately 54% of customs dues are applied. But in the case of software service procurement, there is no such barrier or extra expenses. So that, it is

very easy to enter the market for the domestic and international competitors. Most of the companies from India are at their matured level. Whereas, we are very new in the industry. Cost of the Indian company is bet lower than us. Brain Station 23 Limited is trying to crate differentiation by providing best quality.

Threat for Substitute: It is the most volatile industry due to the pace of technological change. Because, every day new technology is being invented. Now a days, accountholder can transfer their fund from one bank to another bank by using internet banking. But now banking apps like City Touch (apps of The City Bank Limited) or Unet (apps of United Commercial Bank-UCBL) are made it easier the life of the accountholder.

Rivalry among the existing competitors: Among the existing competitor's rivalry is very high. Because BS is competing in the international market. In international market, there is existence of the companies from all over the world. On the other hand, there more competition in those industry where automation has already been taken place. But where innovation is needed, competition over those sectors is less.

SWOT Analysis of Brain Station 23 Limited: I have also analyzed SWOT to analyze the industry and its competitiveness.

Strength of BS

01. Skilled Manpower
02. Quality of Work
03. Timeliness
04. Differentiation
05. Experience

Weakness of BS

01. High cost
02. Shortage of enough skilled
03. Shortage of enough certified manpower
04. Turnover rate is bit high
05. Insufficient fund for Research and Development for new product

Opportunities:

01. Government is providing 10% direct cash incentive on export proceed.
02. Interest free loan
03. Tax exemption till 2024
04. Reduce VAT rate
05. Huge international and domestic market

Threats:

01. Easy new entry
02. For ITES government reluctant
03. International competitors entering the market
04. Lack of enough well-trained manpower
05. Expectation gap between suppliers and the customers requirement

2.8 Summery and conclusion

Brian Station is one of the top companies in the industry. It is trying to establish a bran as quality service providers. It is trying to improve their marketing, sales, operation, and finance practices. Through PESTEL, Michael Porter's five forces model and SWOT analysis we can find that in this industry is very competitive because in software solution providing business there is huge access of international organization who compete with Bangladeshi companies. But still there is huge scope in the market. Government is providing huge incentive to help this industry to compete in local and global market. Bargaining power of the buyer is high in this market.

2.8 Recommendation

Government should take necessary steps to stop the access the international companies in the software solution market. In addition, it is highly growing market. In order to capturing the market, we must produce more human resource. Brain Station 23 limited should increase their learning curve. So that, they can also provide the services at a competitive price. They should focus more on local market also because in local market there is huge opportunity to grow their business.

Chapter 3

3.1 Introduction (Background, Objective(s) and Significance

I have Started working in Brain Station from 2016 as manager finance. BS is trying to be enlisted in stock market within 2023. I am playing a key role in this strategy. I have tried to show the financial result of BS in comparison with other two company from the same industry in the stock market. I have taken data of eGeneration and Genex Infosys Limited from their audited and published financial statements for the year ended 30 June 2020 and the audited financial statements of BS of same date.

Objectives:

I had the following objectives of this research

- Compare the FS of BS with its competitor
- To gather and analyze data of stock market of ITES industry
- To know the performance of the BS and its other competitors
- To draw a conclusion on investment prospect of BS

3.2 Literature Review

I didn't find such research related to ITES industry previously for Bangladeshi market. Because very few companies are in the stock market from this industry. I have found some research like this in other industry. They have shown the result and recommended on the nature of that industry. But management, marketing, operational and financial practices differ from one industry to another industry.

3.3 Methodology

I collected data of the eGeneration and Genex Infosys from the secondary sources. They both are listed company in Dhaka Stock Exchange that is why they are bound to publish their FSs publicly. On the other hand, I have collected data form Brain Station directly as I am working over there.

3.4 Findings and Analysis

Table 1 Vertical Statement of Financial Position

Brain Station 23 Ltd
Vertical Statement of Financial Position

	2016	2017	2018	2019	2020
Assets					
			-	-	-
Non-current assets					
Property, plant and equipment	14.59%	10.55 %	8.10%	7.00%	8.64%
Preliminary expenses	1.20%	0.33%	0.16%	0.00%	0.00%
Total Non-current assets	15.79%	10.87 %	8.26%	7.00%	8.64%
Current assets					
Inventory	0.00%	14.63 %	14.13 %	0.00%	1.98%
Accounts receivable	55.92%	55.99 %	52.99 %	39.83 %	29.81 %
Short term investment	0.00%	0.00%	0.00%	10.43 %	11.68 %
Interest receivable	0.00%	0.00%	0.00%	0.12%	0.26%
Advances, deposits and prepayments	11.27%	2.64%	12.17 %	15.19 %	7.92%
Cash and cash equivalents	17.02%	15.86 %	12.45 %	27.43 %	39.71 %
Total Current assets	84.21%	89.13 %	91.74 %	93.00 %	91.36 %
Total Assets	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Equity and Liabilities					
Shareholders' Equity					
Share capital	66.76%	25.61 %	14.41 %	9.55%	15.69 %
Share Premium	0.00%	15.43 %	20.18 %	11.63 %	6.37%
Retained earnings	-5.61%	29.83 %	8.90%	47.78 %	35.50 %
	61.15%	70.88 %	73.50 %	68.97 %	57.55 %

Liabilities					
Long-Term Liabilities					
Bank Loan	0.00%	0.00%	0.00%	0.00%	7.57%
Current liabilities	0.00%	0.00%	0.00%	0.00%	0.00%
Accounts payable	0.80%	0.82%	0.41%	17.63%	9.42%
Bank Loan	0.00%	0.00%	0.00%	0.00%	3.79%
Other payables	15.54%	21.52%	19.67%	11.68%	10.78%
Unearned Revenue	19.31%	4.20%	3.63%	0.30%	9.50%
Provision for workers' profit participation fund	2.86%	2.54%	2.60%	1.28%	1.03%
Provision for income tax	0.34%	0.04%	0.20%	0.15%	0.36%
Total Current liabilities	38.85%	29.12%	26.50%	31.03%	34.87%
Total Liabilities	38.85%	29.12%	26.50%	31.03%	42.45%
Total equity and liabilities	100.00%	100.00%	100.00%	100.00%	100.00%

Brain Station 23 Ltd
Vertical Statement of Profit or Loss and Other Comprehensive
Income

	2016	2017	2018	2019	2020
Revenue					
Service revenue	100.00%	100%	100%	100.00%	100.00%
Cost of service	72.78%	67%	67%	74.30%	71.06%
Gross profit	27.22%	33%	33%	25.70%	28.94%
Operating expenses	0.00%	0%	0%	0.00%	0.00%
Administrative expenses	15.65%	17%	16%	11.99%	15.01%
Marketing expenses	2.69%	3%	6%	3.94%	2.62%
Total Operating expenses	18.34%	21%	22%	15.94%	17.63%
Operating profit	8.88%	12%	11%	9.77%	11.31%
Non-operating income/(expenses)	0.14%	0%	0%	0.22%	2.66%

Profit before WPPF	9.02%	12%	12%	9.99%	13.96%
Contribution to workers' profit participation fund	0.45%	1%	1%	0.48%	0.66%
Net profit before tax	8.57%	11%	11%	9.51%	13.30%
Income tax expense	0.05%	0%	0%	0.06%	0.23%
Net profit after tax	8.52%	11%	11%	9.45%	13.07%
Other comprehensive income	0.00%	0%	0%	0.00%	0.00%
Total comprehensive income	8.52%	11%	11%	9.45%	13.07%

Table 2 Vertical Statement of Profit or Loss and Other Comprehensive Income

Brain Station 23 Ltd
Horizontal Statement of Financial Position

	2016	2017	2018	2019	2020
Assets					
Non-current assets					
Property, plant and equipment	100 %	235%	321%	482%	1087%
Preliminary expenses	100 %	89%	78%	0%	0%
Total Non-current assets	100 %	224%	303%	445%	1004%
Current assets					
Inventory	0%	100%	172%	0%	76%
Accounts receivable	100 %	326%	549%	715%	978%
Short term investment					
Interest receivable					
Advances, deposits and prepayments	100 %	76%	625%	1354%	1289%
Cash and cash equivalents	100 %	304%	424%	1619%	4282%
Total Current assets	100 %	345%	631%	1109%	1991%
Total Assets	100 %	326%	579%	1004%	1835%
Equity and Liabilities					
Shareholders' Equity					
Share capital	100 %	125%	125%	144%	431%
Share Premium	0%	100%	232%	232%	232%
Retained earnings	100 %	1734 %	4018 %	8561%	11624 %
	100 %	378%	696%	1133%	1727%

Liabilities					
Long-Term Liabilities					
Bank Loan	0%	0%	0%	0%	100%
	0%	0%	0%	0%	100%
Current liabilities					
Accounts payable	100 %	334%	295%	22138 %	21611 %
Bank Loan	0%	0%	0%	0%	100%
Other payables	100 %	451%	733%	755%	1273%
Unearned Revenue	100 %	71%	109%	16%	903%
Provision for workers' profit participation fund	100 %	290%	528%	449%	665%
Provision for income tax	100 %	38%	336%	456%	1929%
Total Current liabilities	100 %	244%	395%	802%	1648%
Total Liabilities	100 %	244%	395%	802%	2005%
Total equity and liabilities	100 %	326%	579%	1004%	1835%

Table 3 Horizontal Statement of Financial Position

Brain Station 23 Ltd
Horizontal Statement of Profit or Loss and Other Comprehensive
Income

	2016	2017	2018	2019	2020
Revenue					
Service revenue	100%	144%	187 %	425 %	451%
Cost of service	100%	134%	171 %	434 %	440%
Gross profit	100%	173%	230 %	402 %	479%
Operating expenses					
Administrative expenses	100%	161%	195 %	326 %	433%
Marketing expenses	100%	167%	407 %	625 %	440%
Total Operating expenses	100%	162%	227 %	370 %	434%

Operating profit	100%	196%	236 %	468 %	574%
Non-operating income/(expenses)	100%	- 192%	360 %	653 %	8406 %
Profit before WPPF	100%	190%	238 %	471 %	698%
Contribution to workers' profit participation fund	100%	190%	238 %	449 %	665%
Net profit before tax	100%	190%	238 %	472 %	700%
Income tax expense	100%	40%	360 %	489 %	2067 %
Net profit after tax	100%	191%	237 %	472 %	692%
Other comprehensive income	0%	0%	0%	0%	0%
Total comprehensive income	100%	191%	237 %	472 %	692%

Table 4 Horizontal Statement of Profit or Loss and Other Comprehensive Income

**Liquidity Ratio:
Current Ratio**

Year	2016	2017	2018	2019	2020	Industry Average
Current Ratio (Times)	2.17	3.06	3.46	3.00	2.62	1.98

Table 5 Current Ratio

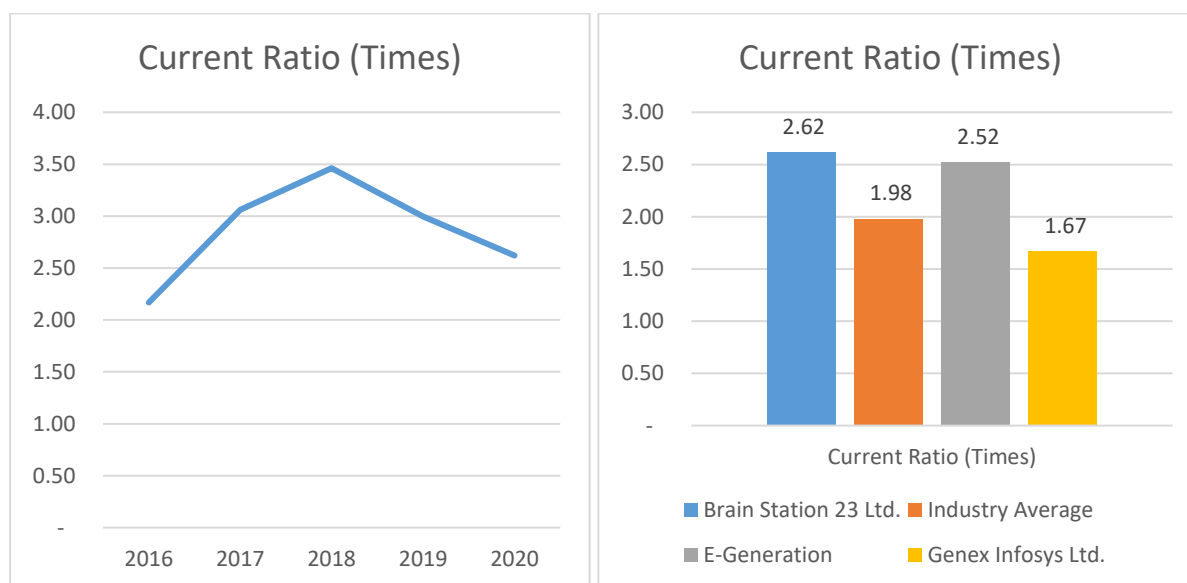


Figure 3 Current Ratio

In 2020, the BS's current assets were 2.62 times of their current liabilities. Current ratio has increased for first 3 years and decreased in last 2 years over last 5 years. The company's CR is higher than the industry average. The performance of Current ratio of BS is satisfactory.

Acid-test ratio

Year	2016	2017	2018	2019	2020	Industry Average
Acid-Test Ratio (Times)	2.17	2.56	2.93	3.00	2.56	1.86

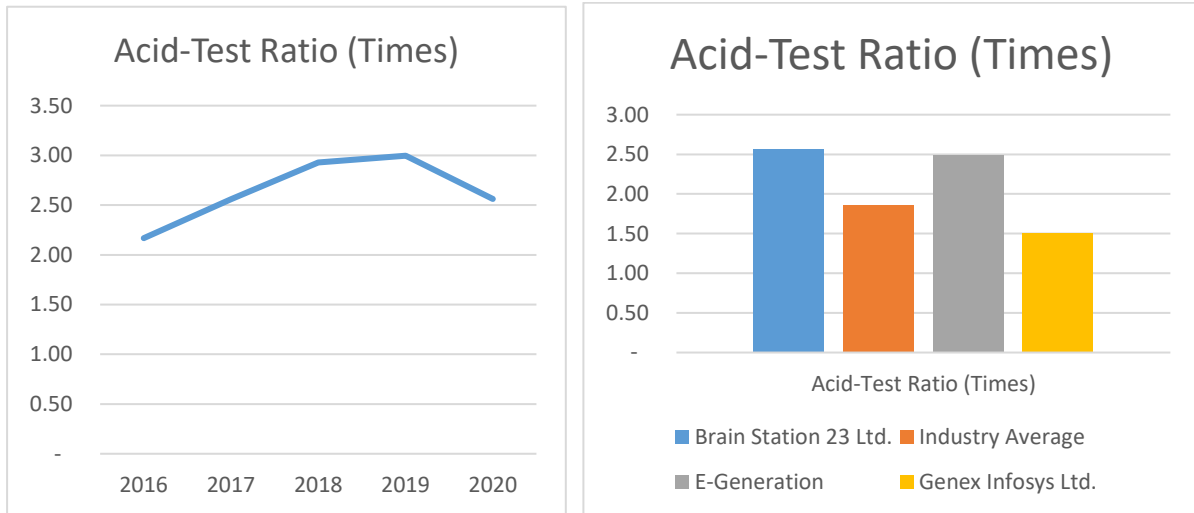


Figure 4 Acid-test ratio

In 2020, the BS's current assets excluding inventory were 2.56 times of their current liabilities. Acid Test ratio has increased from the last year. The company's Acid Test Ratio is higher than the industry average. The performance of Acid Test Ratio of BS is satisfactory.

Assets Management Ratio

Inventory Turnover Ratio

Year	2016	2017	2018	2019	2020	Industry Average
Inventory Turnover Ratio (Times)	-	25.84	12.14	48.94	111.56	78.23

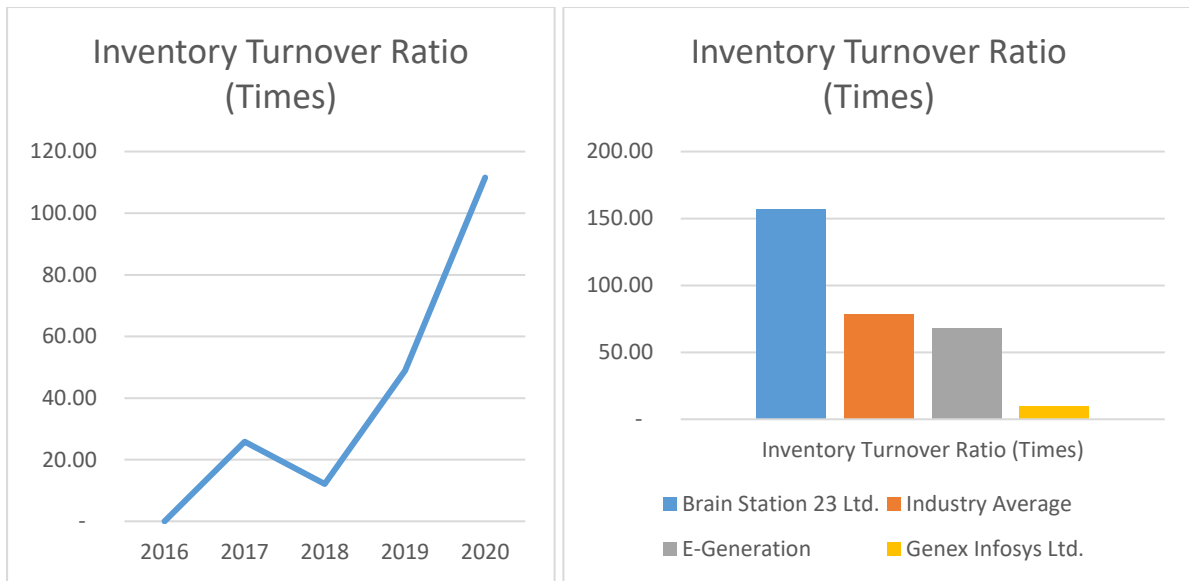


Figure 5 Inventory Turnover Ratio

In 2020, the company had “sold out and restocked or turnover its inventory 111.66 times. It has increased than the previous year. It is higher than the industry average. The performance of Inventory turnover ratio is satisfactory for BS.

Total Assets Turnover Ratio

Year	2016	2017	2018	2019	2020	Industry Average
Total Assets Turnover Ratio (Times)	7.59	4.29	2.61	3.40	2.01	0.83

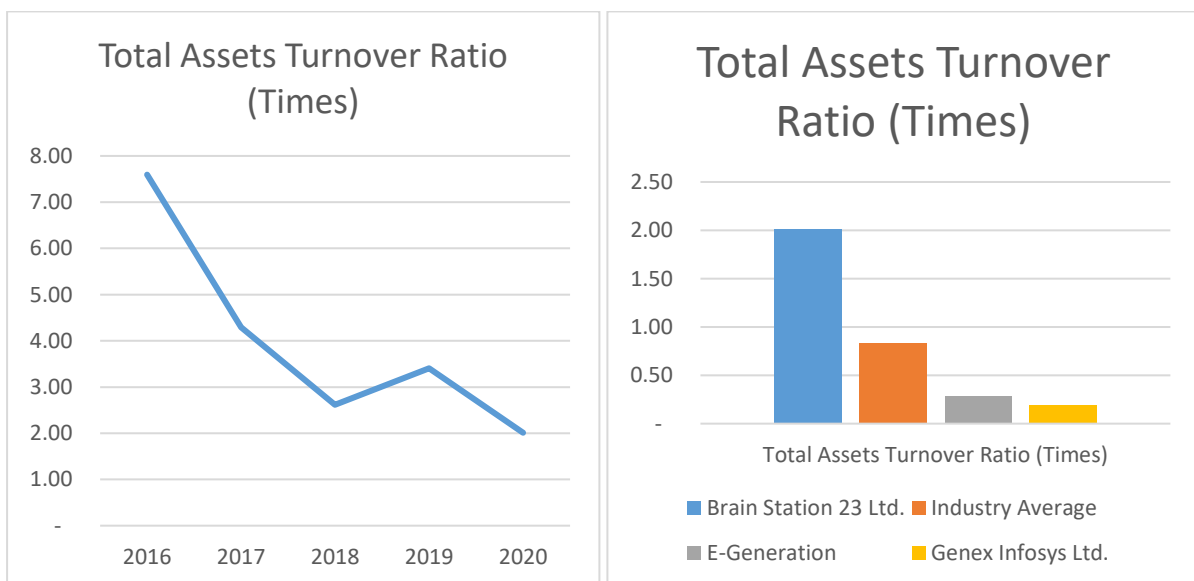


Figure 6 Total Assets Turnover Ratio

In 2020, every Tk. 1 worth of total assets generated Tk. 2.01 of sales. It has been fluctuated over the last 5 years. The Total asset turnover ratio is higher than the industry average. The performance is satisfactory for BS in terms of Total assets turnover ratio.

Fixed Assets Turnover Ratio

Year	2016	2017	2018	2019	2020	Industry Average
Fixed Assets Turnover Ratio (Times)	15.34	35.67	28.39	45.61	24.95	8.52

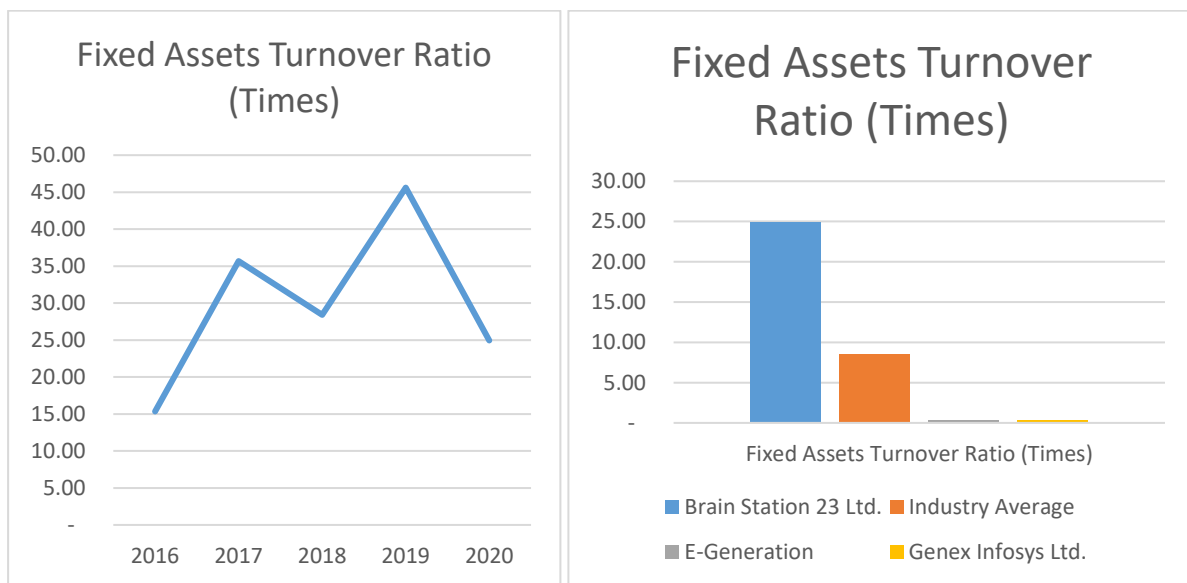


Figure 7 Fixed Assets Turnover Ratio

In 2020, every Tk. 1 worth of fixed assets generated BDT of 24.95 of sales. The Fixed Asset turnover ratio has been fluctuated over the last 5 years in BS. But the ratio is still higher than the industry average. The performance is satisfactory in terms of Fixed Asset Turnover Ratio.

Days Sales Outstanding/ Average Collection Period

Year	2016	2017	2018	2019	2020	Industry Average
Days Sales Outstanding/ Average Collection Period (Days)	16.11	47.62	75.55	47.87	60.53	88.95

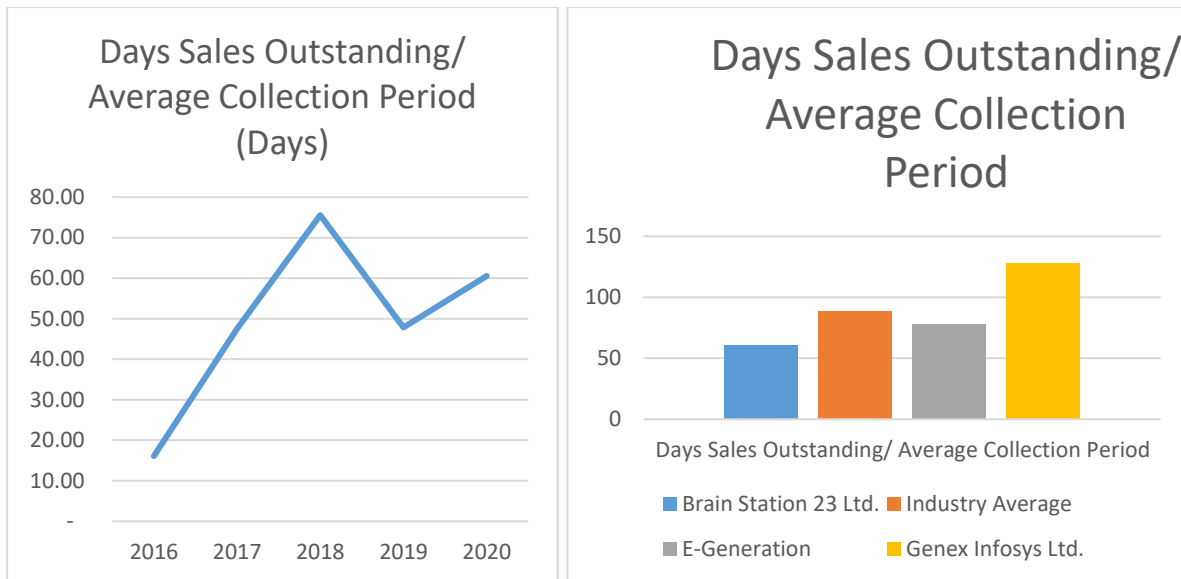


Figure 8 Days Sales Outstanding/Average Collection Period

In 2020, on an average the company took 60.53 days to receive the collection from the trade debtors. The DSO has been fluctuating over the last 5 years. It is lower than the industry average. Though the performance is not satisfactory in terms of Time Series and cross functional analysis for DSO but compare to industry average collection period, it is satisfactory at all.

Debt Management Ratio

Debt Ratio/ Debt-to-Assets Ratio

Year	2016	2017	2018	2019	2020	Industry Average
Debt Ratio/ Debt-to-Assets Ratio (Days)	39%	29%	27%	31%	42%	28%

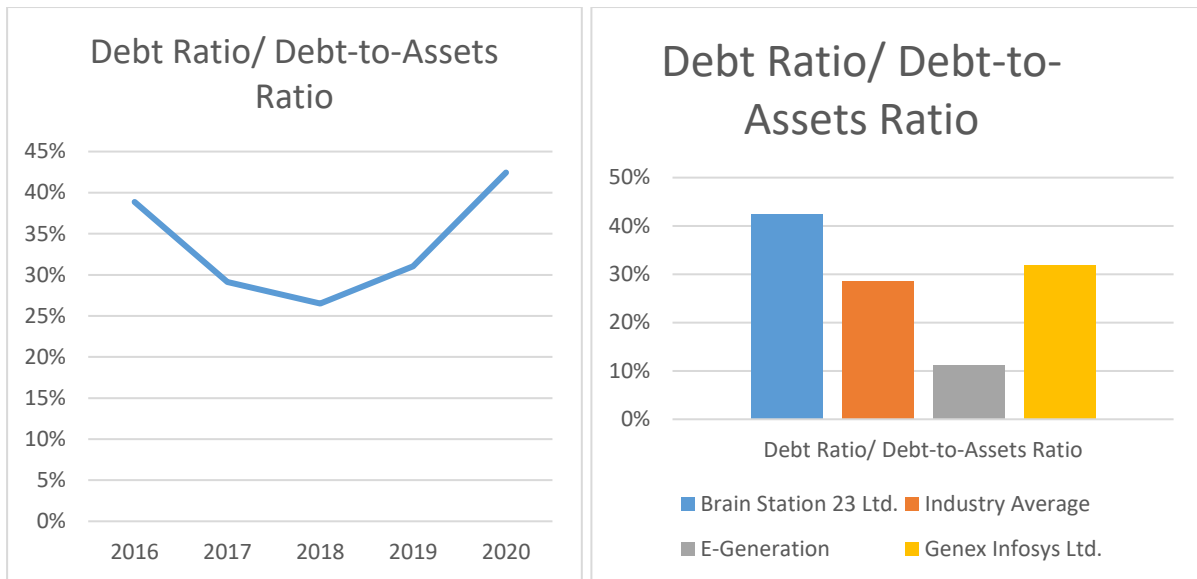


Figure 9 Debt Ratio/ Debt-to-Assets Ratio

In 2020, the company’s 42% of total assets were financed by debt. It has been increasing over the last 3 years. It is above industry average. Though from Time series analysis, we can see that the debt is significantly higher but it was a good decision to take loan looking into the Time interest Earned Ratio.

Time Interest Earned Ratio (TIE)

Year	2016	2017	2018	2019	2020	Industry Average
Time Interest Earned Ratio (Time)	-	-	-	-	89.53	33.18

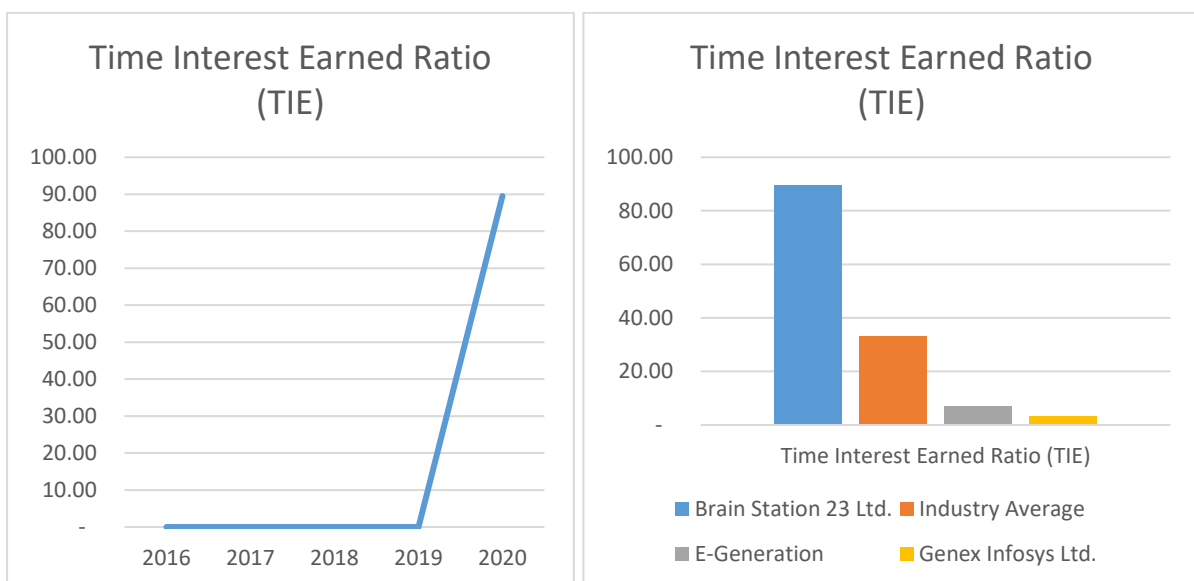


Figure 10 Time Interest Earned Ratio (TIE)

In 2020, the company's EBIT was 88.53 times higher than their interest expenses. Since, it was the first loan over the last 5 years, it looks good. It is above industry average. The Performance is satisfactory in terms of Time Interest Earned Ratio.

Profitability Ratio

Gross Profit Margin

Year	2016	2017	2018	2019	2020	Industry Average
Gross Profit Margin (%)	27%	33%	33%	26%	29%	42%

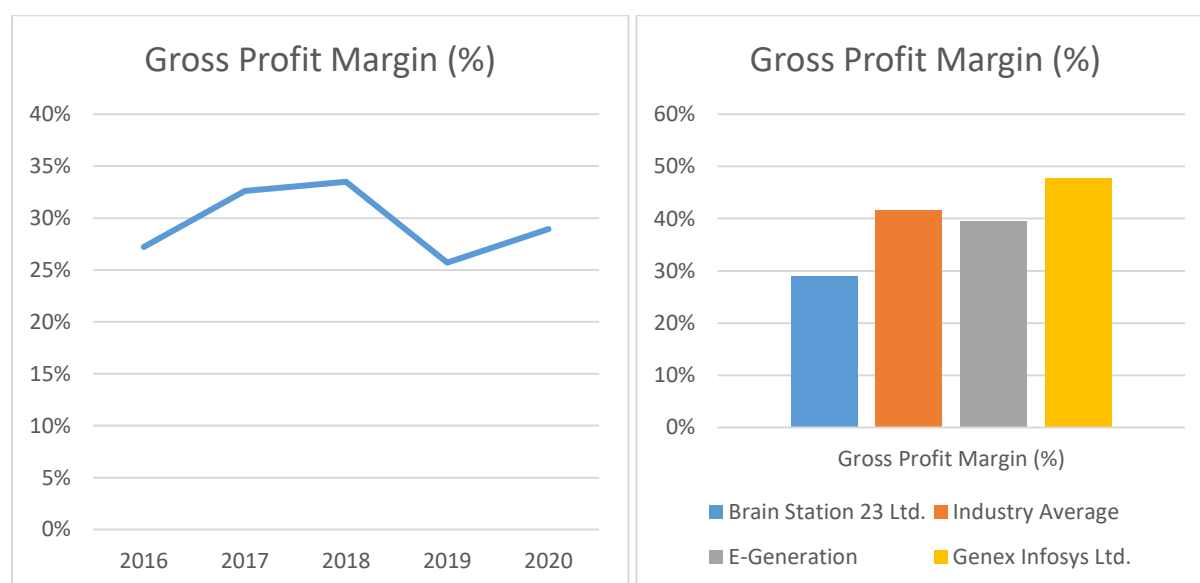


Figure 11 Gross Profit Margin

In 2020, every Tk. 100 of sales generated Tk. 29 of gross profit. The GP margin has been fluctuating over the 5 years which decrease. The Gross Profit Margin is lower than the industry average. The performance is not satisfactory for Gross Profit Margin as the time series performance was poor.

Operating Profit Margin

Year	2016	2017	2018	2019	2020	Industry Average
Operating Profit Margin (%)	9%	12%	11%	10%	11%	25%

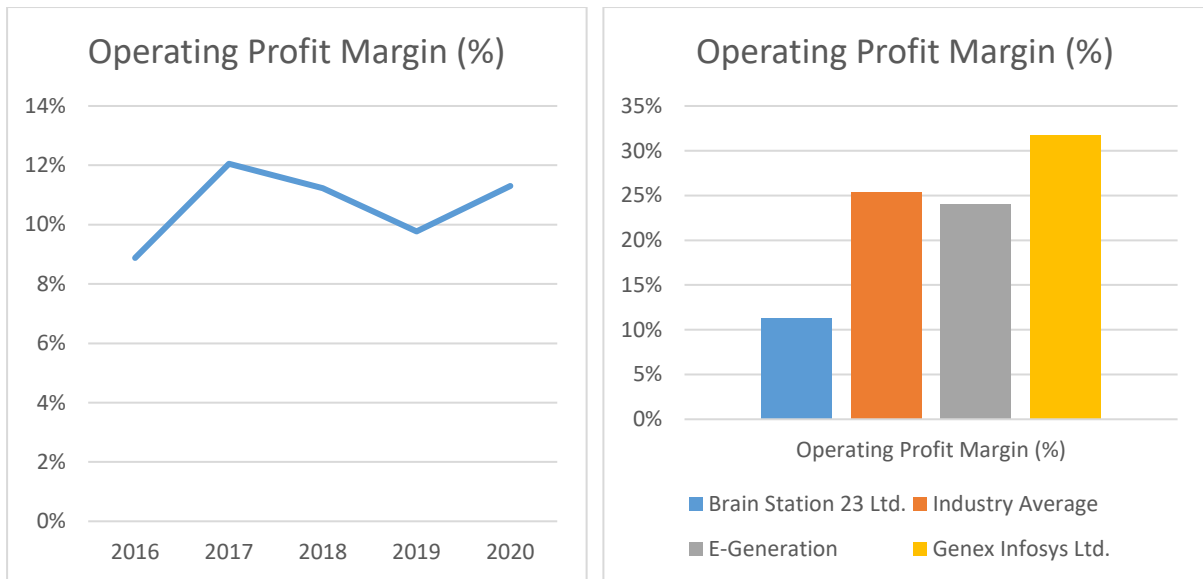


Figure 12 Operating Profit Margin

In 2020, every Tk. 100 of sales generated Tk. 11 of operating profit. The OP margin has been consistent over the 3 years except last two year. The Operating Profit Margin is lower than the industry average. The performance is not satisfactory for BS for Operation Profit Margin.

Net Profit Margin

Year	2016	2017	2018	2019	2020	Industry Average
Net Profit Margin (%)	9%	11%	11%	9%	13%	25%

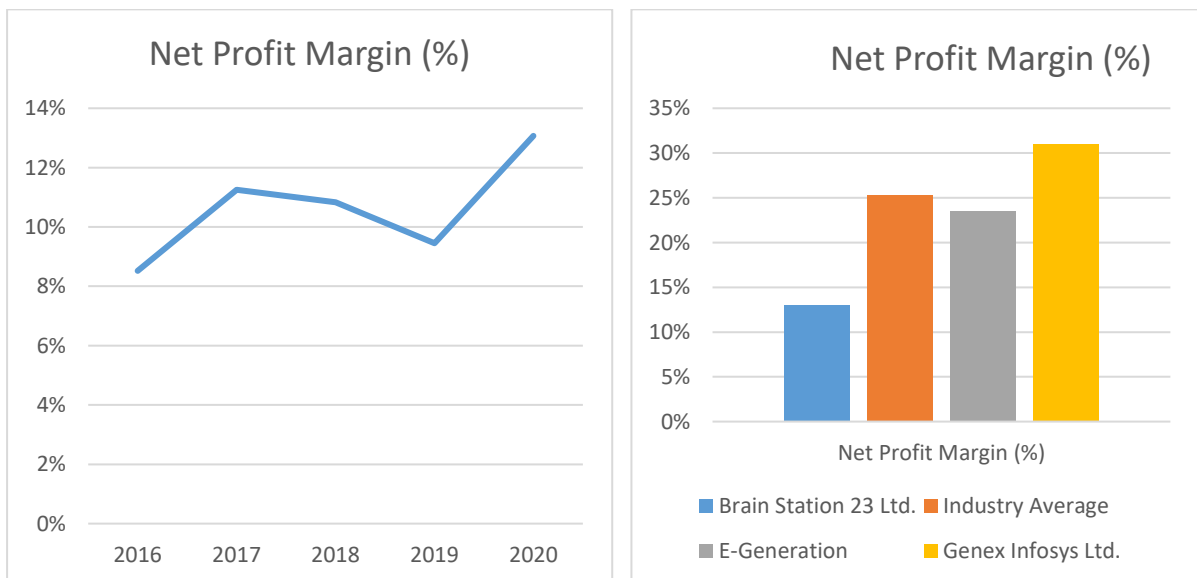


Figure 13 Net Profit Margin

2020, every Tk. 100 of sales generated Tk. 13 of operating profit. The Net Profit margin has been increased in 2020 than last 5 years but from 2016 to 2019 it has been fluctuating. The Net

Profit Margin is lower than the industry average. The performance is satisfactory at all for BS for Net Profit Margin

Return on Assets (ROA)

Year	2016	2017	2018	2019	2020	Industry Average
Return on Assets (ROA) (%)	54%	32%	22%	25%	20%	11%

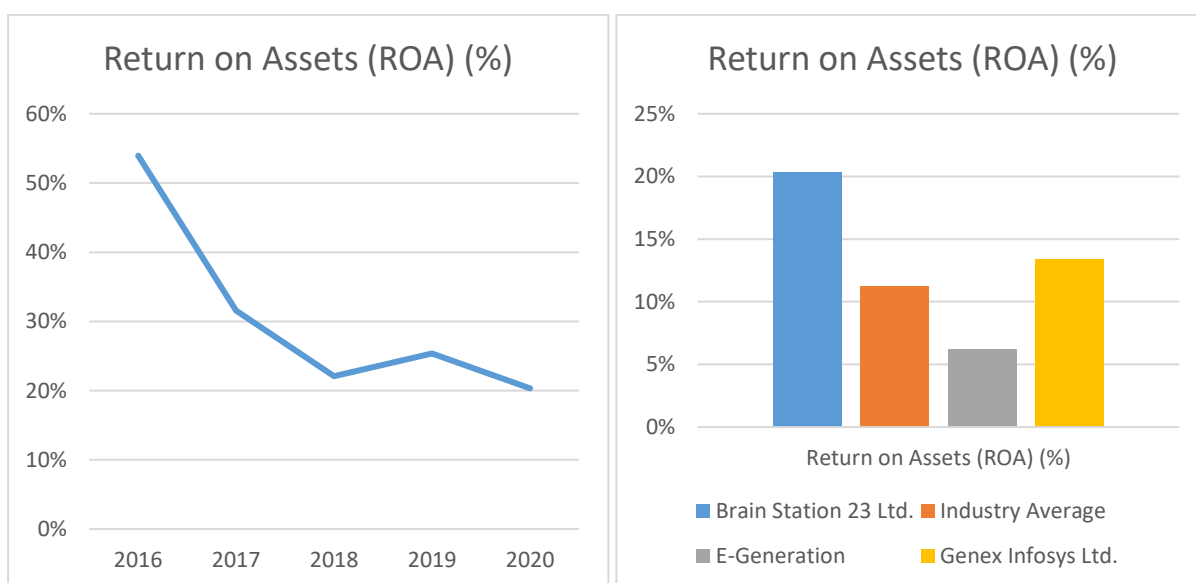


Figure 14 Return on Assets (ROA)

In 2020, every Tk. 100 worth of total assets of the company generated Tk 20 of net profit. Return on Assets has been decreasing over the last 5 years. The industry average is lower than its own ROI. The Performance of ROI is satisfactory for BS.

Return on Common Equity (ROE)

Year	2016	2017	2018	2019	2020	Industry Average
Return on Common Equity (ROE) (%)	81%	123%	153%	265%	130%	30%

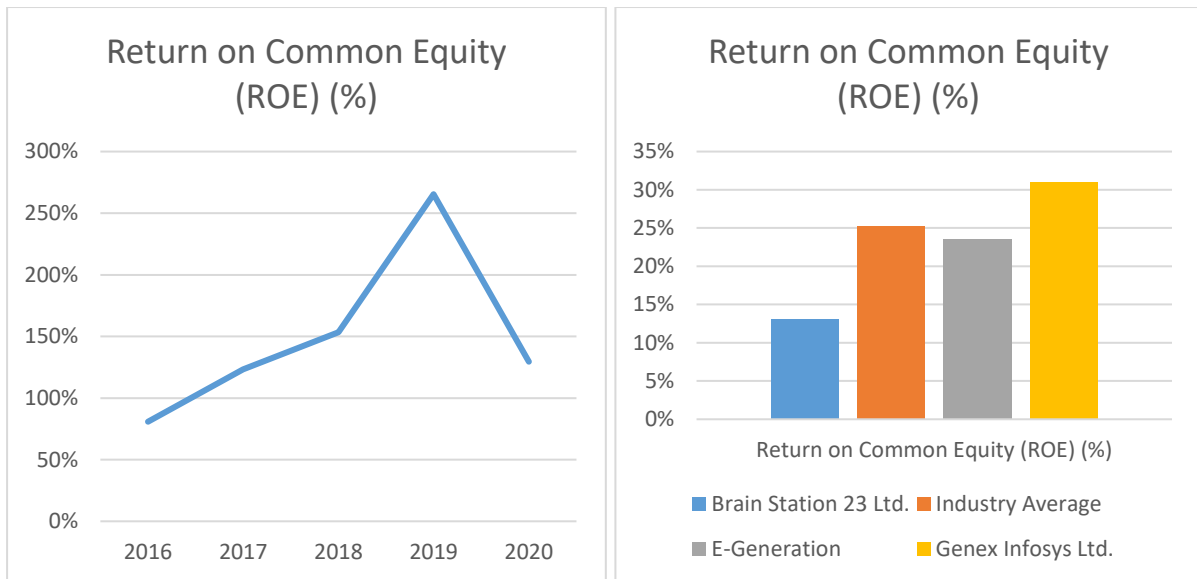


Figure 15 Return on Common Equity (ROE)

In 2020, the common shareholders had earned Tk 130 for every Tk. 100 invested in the company. The Return on Common Equity has been fluctuating over the last 5 years. BS's ROI is lower than the industry average. Return on Common Equity is not satisfactory for BS

Return on Investment (ROI)

Year	2016	2017	2018	2019	2020	Industry Average
Return on Investment (ROI) (%)	81%	123%	153%	265%	87%	24%

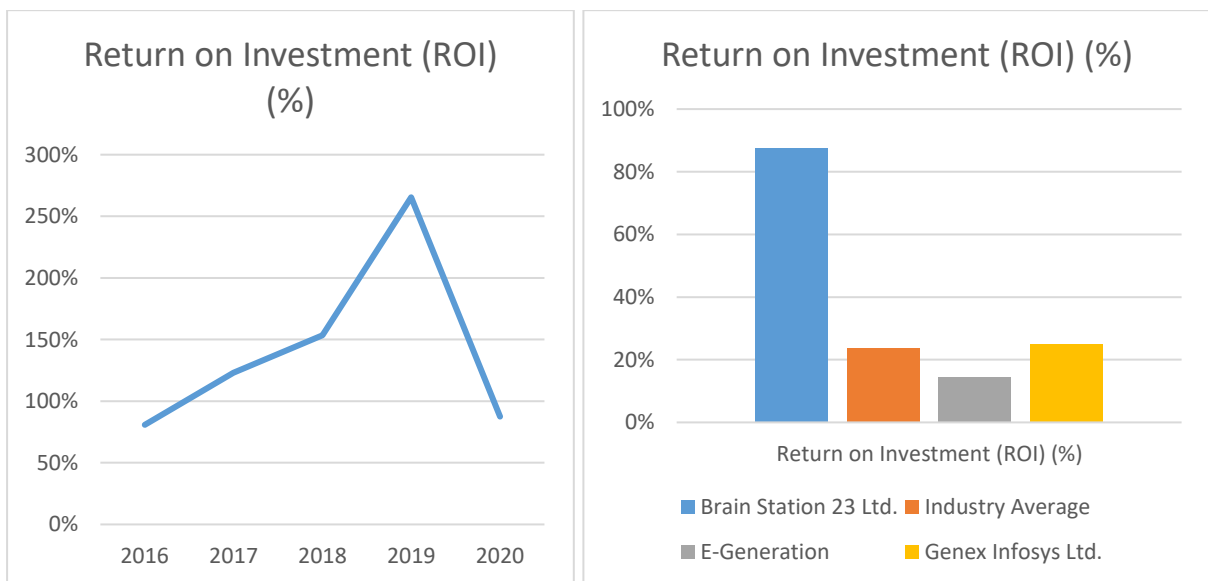


Figure 16 Return on Investment (ROI)

In 2020, every Tk. 100 of investment in the company generated Tk 87 of net income. The Return on Investment has been fluctuating slightly over the last 5 years but it decreased in last year than the previous year. BS's ROI is higher than the industry average. The ROI performance is satisfactory for BS in compared to industry average.

Earnings Per Share (EPS)

Year	2016	2017	2018	2019	2020	Industry Average
Earnings Per Share (EPS) (BDT)	8.08	12.32	15.34	26.54	12.96	5.98

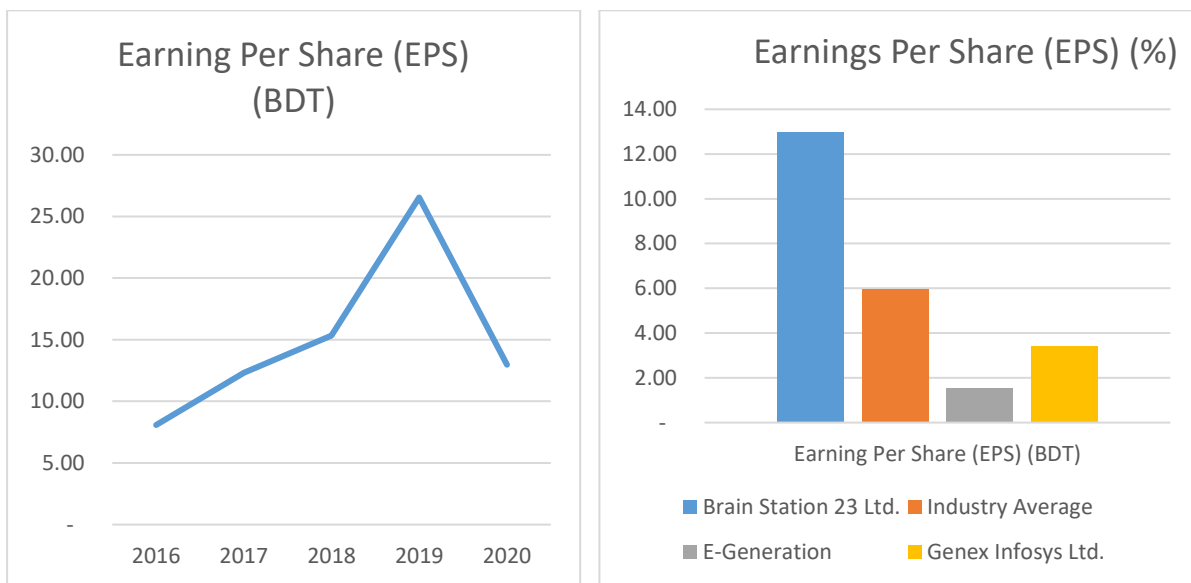


Figure 17 Earnings Per Share (EPS)

In, 2020, the common shareholders have earned Tk.12.96 per share. It has been fluctuating over the last 5 years and it has decreased in the year 2020 than last year. BS's EPS is higher compare to the industry average. The performance of EPS is satisfactory for BS compared with industry average.

3.5 Summary and Conclusions

From the above sturdy we found that the liquidity ratios of BS are above than the industry average and no competitors have liquidity ratios than BS. In assets management ratios, inventory ratio is higher than the industry average and it is highest in the industry. But this inventory does not actually reflect the result like the inventory in conventional manufacturing business. In terms of assets turnover ratio and fixed assets turnover ratio are higher than the

industry average. Moreover, it is much highest than in the industry. That means BS is employing its assets in a proper manner. Average collection period is lowest in the industry and it lower than industry average which is a very good sign. In was the first loan for the BS in its lifetime. Its time interest ratio is higher than industry average. Although BS can take more debt but due to the nature of the business it doesn't permit to avoid going concern threat. Profitability ratios are lower than industry average and as well as it is lowest in the industry but in terms of earning per share it higher in the industry and higher than industry average.

From this study it can be said that Brain Station 23 Limited is one of the best companies in ITES industry. It must increase the profitability ratios and reduce the average collection period because its average collecting period in comparison to itself was lower in the past years.

3.6 Recommendations

From my study I can state that BS will be key player in the market for attracting the investors. It has already sold its share to two venture capitalists. Some more venture capitalists are trying to invest share in this company. Finally, it should try to increase its liquidity ratios more to avoid going concern threat and make run way longer. In addition, it should increase its profitability ratios.

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