



Inspiring Excellence

**INTERNSHIP REPORT  
ON  
Comparison of Financial Performance Analysis of  
Malek Spinning Mills Ltd and its Subsidiaries.**

**Submitted to**

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Date of Submission: 23<sup>th</sup> December 2018



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ON  
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## Letter of Transmittal

23<sup>th</sup> December, 2018

**Dr. Salehuddin Ahmed**

Professor

BRAC Business School

BRAC University

**Subject:** Submission of Internship report on “**Financial Performance Analysis of Malek Spinning Mills Ltd and its Subsidiaries.**”

Dear Sir,

I am the student of MBA program of the BRAC University. I am happy and delighted to submit the report for your kind evaluation and appreciation.

I have prepared this report based on my exposure to "Financial Performance of Malek Spinning Mills Ltd and its subsidiaries" It is a great pleasure for me to present you this report on discuss with financial manager. Here I tried my best to collect the complete information available.

I also regard my heart full thanks to you to help and guide me to prepare my report successfully.

Sincerely yours

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**Brity Dev**

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Masters of Business Administration

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BRAC University

## **Declaration by the Supervisor**

This is certifying that the internship report on "**Financial Performance Analysis of Malek Spinning Mills Ltd and its subsidiaries**" submitted for the partial completion of Masters of Business Administration (MBA) degree from BRAC University. **Brity Dev, MBA 16364024**, has done this report from 1<sup>st</sup> October, 2018 to 1<sup>th</sup> December, 2018 under my supervision. Of the Internship report has been submitted for any degree or title recognition before. I wish it will help her future career.

She is permitted to submit the report.

-----  
**Supervisor**

**Dr. Salehuddin Ahmed**

Professor

BRAC Business School

BRAC University

## **Acknowledgement**

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At first I would like to thank my respectful Supervisor Dr. Salehuddin Ahmed Professor , BRAC Business School, BRAC University. To give me the opportunity to complete my internship at Malek Spinning Mills Limited. I would like to thank Malek Spinning Mills Limited to offer me the internship program at their office.

I must also thank our honorable teachers of the department for their advices and help in drafting this report. I would also like to thank the following people for their support and contribution to the report directly and indirectly:

- Mr. Bidyut Kumar Chaki, Chief Financial Officer (MSML)
- Mr, S.M. Iqbal Sarkar, AGM(Finance & Accounts)

I would lastly like to thank BRAC University and Malek Spinning Mills Ltd. for their great support.

## **Executive Summary**

This report "Financial Performance Analysis of Malek spinning Mills Ltd and its subsidiaries" is prepared to fulfill the partial requirement of the internship program of MBA, BRAC Business School, BRAC University. The topic of study was selected upon consultation with course Supervisor of respective department. In the organization part of this report a details description of Malek Spinning Mills Ltd. (MSML) and its subsidiaries in terms of their managerial operation, finance operation and production operation and so on. The textile industry plays a vital role in the socio-economic development of Bangladesh. This study is designed to review the financial performance of Malek Spinning Mills Ltd and its subsidiaries.

In the second chapter, I have shown the information about the organization, their governance, ownership structure, vision mission, business process etc. these will provide a quick knowledge about the organization.

The Financial Performance of this industry and its subsidiaries are measured in terms of Ratio (Liquidity, profitability, activity and solvency ratios and official records as well as primary data collected by interview. It was observed from the study of the financial statement of the textile industry.

I also focused on trend analysis because I though it is important to analyze trends in ratios as well as their absolute levels. Trend analysis gives clues as whether a firm's financial condition is likely to improve or to deteriorate. Comparisons are then made to the base year by expressing the other years' amount as a percentage of the base years' amounts.

That the profit earning capacity, liquidity position, financial position and the performance of the most of the textiles are not in sound position. The reasons behind this position of the industry are inefficiency of financial management, absence of realistic goals, strict government regulation and increased cost of raw-materials, labor and overhead. The financial performance should be improved immediately. Therefore the appropriate authority should take measures for the removal of above problems. Malek Spinning Mills Ltd. is supposed to be Bangladesh's largest textile company. MSML it has targeted the industries the company needs most for progress and improved living standards. Is also focused on those industries, which make the most of Bangladesh's competitive advantages in the international market.

## **List of Abbreviation**

ALMC	Asset/ Liabilities Management Committee
BDT	Bangladeshi Taka
BOD	Board of Directors
CLRR	Cash Liquidity Reserve Ratio
CR	Current Ratio
CRG	Credit Risk Grading
CRM	Credit Risk Management
EU	European Union
FAD	Finance and Account division
GDP	Gross Domestic Product
GMP	Good Manufacturing Practice
HRD	Human Resource Department
LC	Letter of Credit
LR	Liquidity Risk
STL	Salek Textile Limited
MBA	Masters of Business Administration
MSML	Malek Spinning Mills Ltd.
J.M.FL	J.M Fabric Limited

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# Organizational Overview

## **Organizational Overview of Malek Spinning Mills Limited**

Malek Spinning Mills Limited, a Public Limited Company has been envisaged by a group of dynamic entrepreneurs who have been immense contribution to development of the textile sector of Bangladesh. The sponsors have a very long history in industrial management with the earlier generation starting in Bombay in the early 20th century and then moving to Bangladesh in 1974. The Company was incorporated in Bangladesh on November 02, 1989 as Private Limited Company. Subsequently the company was converted into a Public Limited Company on September 14, 2008 under the Companies Act 1994. The existing project is located at Shafipur, Kaliakoir, Gazipur and started its commercial operation on January 01, 1991. Presently MSML is engaged in producing combed and carded yarn of various counts. The Company manufactures open end yarn for denim and home textile markets and denim ready-made garments. The installed production capacity of the Company is approximately 12,600,000 kilograms yarn per annum with over 63,600 spindles. The Company offers Carded and Combed Hosiery Yarn of counts ranging from 20/s to 34/s, Yarn composition 100% Cotton, T/C, Chief Value of Cotton (CVC), 100% Polyester yarn, and Blended yarn of different counts. Its goods are supplied to knit industries for export. Its subsidiaries include Salek Textile Limited, including a composite mill of textile sector with approximately three operational units, and J.M. Fabrics Limited, including a knitting, dyeing, finishing and garments factory. The Company's factories are located at Shafipur, Kaliakoir, Bhawal Mirzapur, Gazipur, and Mahna Bhabanipur, Gazipur. Presently MSML is a deemed exporter and majority of its goods are supplied to Knit industries for export. The registered corporate Office of the company is located at 117/A, Tejgaon I/A, Dhaka.

### **Concise Information**

- Year of Incorporation: 02 November, 1989
- Year of Commencement of Production: 01 January, 1991
- Year of Conversion to Public Ltd. Co.: 14 September, 2008
- Year of Initial Public Offering (IPO): 2010
- Stock Exchange listing date: 2nd August, 2010 (DSE & CSE)
- Authorized Capital: Tk.3,000 Million
- Paid Up Capital: Tk.1, 936 Million
- Product Lines: Combed and carded yarn of various counts

- Number of Employees (30th June 2017): a. Executive & staff: 193 b. Workers: 1,191
- Subsidiary Companies: a. Salek Textile Ltd. b. Newasia Synthetics Ltd. c. J.M. Fabrics Ltd.

## **Other Subsidiaries Profile-**

### **Salek Textile Limited**

Salek Textile Limited Started its commercial operation form 1 April ,2009.It is a subsidiary company of Malek Spinning Mills LTD which holds 97.925% share and other sponsors of Malek Spinning Mills Ltd hold 2.08% share of the company as on 30<sup>th</sup> June 2017.The Authorized Share Capital of the company is 500,000,000.00. The paid-up capital as on 30<sup>th</sup> June, 2017 stood at tk. 482,608,700.00.It has three operational units. The rotor unit produces open end yarn of various counts having a capacity of 14621 tons yarn per annum. The fabric unit produces denim fabric of various size and grade having capacity of 9600000 yards and the RMG unit produces denim products having capacity of 4500000 pcs per annum. The production capacity of STL is14,621,000 kgs yarn,9,600,000 yards fabric and 4,500,000 Pcs RMG products per annum. The company made additional investment of Tk.184,756,388 during the year 2016-2017.

### **New Asia Synthetics Limited**

The company was incorporated 30<sup>th</sup> July, 2008 as a private limited company and subsequently on October 24, 2009 it has been converted into a public Limited company. The company is also a subsidiary company of Malek spinning Mills Limited which holds 99.293% Share and other sponsors of Malek Spinning Mills Ltd. 0.707% share of the company. The Authorized Share Capital of the company is 5000,000,000.00. The paid-up capital as on 30<sup>th</sup> June, 2017 stood at tk.500,000,000,00 .Due to non-availability of Gas connection from Titas Gas Transmission & Distribution Company Ltd. the project has been shelved until the situation changes regarding the availability of gas connection. The Company made additional investment of Tk.65,114,890.00 during the year 2016-2017under Land & Land Development. The Net Assets Value (NAV) per share of the company as on 30th June 2017stood at Tk.365.12

## **J.M. Fabrics Limited-**

.M. Fabrics Limited started its commercial operation from 18<sup>th</sup> day of August 2007. The Company is engaged in the production of 100% export oriented garments and knit fabric with a production capacity of 16 Metric Tons dyed fabric and 68(sixty eight) lines of cutting and sewing operation with all necessary facilities, storage etc. The company is a subsidiary company of Malek Spinning Mills Limited which holds 99.998% share and another sponsor of Malek Spinning Mills Ltd. Holds 0.002% share of the company as on 30<sup>th</sup> June 2017. The Authorized Share Capital of the company is 500,000,000.00. The paid-up capital as on 30<sup>th</sup> June, 2017 stood at tk.400,000,000,00 .

## **Corporate Governance**

Being a public limited company, corporate governance of MSML has been found moderate. In FY2010-11 the company went into IPO and the ownership structure becomes diversified. As on June 30, 2016 general public are holding 36.09% shares of the company. However, after IPO flotation the family members of Mr. A. Matin Chowdhury (Managing Director) are holding 31.13% shares of the company jointly as on June 30, 2016. The company has appointed an independent director. The brief shareholding

## Ownership Structure:

Reference: Annual Report 2017

SL No.	Name of Shareholders (Age)	Designation	Percentage of Shares	Experience (In Years)	
				With MSML	Total
1	Mr. A.F.M. Zubair (--)	Chairman	4.37	29Yrs	29 Yrs
2	Mr. A. Matin Chowdhury (--)	Managing Director	6.98	29Yrs	29Yrs
3	Dr. Shamim Matin Chowdhury (--)	Director	6.88	29Yrs	29Yrs
4	Mr. Azizur R.Chowdhury (--)	Director	9.60	10 Yrs	6 Yrs
5	Ms. Saima Matin Chowdhury (--)	Director	7.75	10Yrs	10 Yrs
6	Mr. Moshiur Rahman (--)	Director (Nominee of Paragon Poultry Ltd.)	6.25	6 yrs	20 Yrs
7	Mr. M. Sekander Ali (--)	Independent Director	0	8Yrs	8 Yrs
8	Mr. Shayan Zubair	-	2.00	6 Yrs	6 Yrs
9	Institutions		20.16		
10	General Public	-	36.09	N/A	N/A

According to the new regulation of Securities and Exchange Commission (SEC) of holding minimum 2.00% shares by each director is compiled by MSML.

According to the new regulation of Securities and Exchange Commission (SEC) of holding minimum 2.00% shares by each director is compiled by MSML.

## **Corporate Management**

The management team is headed by Managing Director Mr. A. Matin Chowdhury. Mr. Chowdhury supervises all the major activities in consultation with related executives. The operational activities are divided into five departments; namely Accounts and Finance; Audit; Purchase and Procurement; Administration and HRD and Production. The company has structured HR manuals for corporate office as well as factory and in addition to regular salary the company provides additional compensation package for welfare of employees in the form of gratuity, provident fund, good attendance bonus and efficiency bonus. Total Human Resource Base of the company stood at 1,606 as on June 30, 2017

The use of IT system in MIS has been found to be good in MSML. The company uses ‘Tally’ software for accounting purpose. There is a high-tech satellite point to point link network between the factory and the head office. In addition, they have incorporated video conferencing to facilitate communication with the factory. MSML has also developed customized software to keep track of inventories, deliveries, document position, etc. (Sources: Consulting with the officers of the company)

### **Vision of Malek Spinning Mills ltd and its Subsidiaries.**

- Attain highest standards of quality in its all business activities.
- Sustained growth in real terms.
- Have professionally trained high quality motivated workforce, working as a team in all environments.
- Attain past glorious position and be recognized locally as well as internationally as a dynamic, quality conscious and progressive company and industry leader.

### **Mission statement of Malek Spinning Mills ltd and its Subsidiaries**

To manufacture quality products for customer satisfaction through:

- Honoring the commitment.
- Continuous endeavor for improvement through adoption of most modern technology in production.
- Strict adherence to quality control.
- Developing a sense of high reliability through fair dealing.
- Becoming a part of country’s development and economic prosperity.

### **Commitment to following business principles and its Subsidiaries**

- Effective and efficient operations
- Strong capital liquidity
- Conservative borrowing policy
- Strict expense discipline
- Outstanding customer service

## **Key business values of MSML and subsidiaries.**

- The highest personal standards of integrity at all values
- Commitment to truth and fair dealing
- Hand-on management at all levels
- Openly esteemed commitment to quality and competence
- A minimum of bureaucracy
- Fast decisions and implementation
- Putting the group's interests ahead of the individual's
- The appropriate delegation of authority with accountability
- Fair and objective employer
- A merit approach to recruitment/selection/promotion.
- A commitment to complying with the spirit and letter of all laws and regulations

The promotion of good environment to the welfare and development of each local community.

**(Sources: Consulting with the officers of the company)**

## **Industry overview**

Textile sector of Bangladesh is playing a very important role in the economic development of the country by earning huge foreign exchange. This earning is just second to wage earners remittance. Besides creation of employment opportunities and supporting government policy of poverty alleviation, textile sector has become the accelerator of economic growth. Over more than a decade, the sector has experienced significant development and export earnings of textile and clothing has increased considerably. The knitwear sector's export earnings stood at US\$ 6.4 billion while woven's was \$6.1 billion during the last year. Keeping the momentum, Bangladesh has already become one of the major suppliers of clothing in the EU market. The sector also has remarkable contribution to GDP (around 10%) as around 77% of the export earnings come from this sector. Along with fulfilling the requirement of domestic fabric and yarn, at this moment 100% demand for raw materials for knit RMG are being met by local sources. Over the years, since liberation, the number of spinning mills has gradually increased. The country has 1,350 textile mills with cumulative investment of TK. 400 billion which is considered to be the biggest in the industrial sector. Spindle capacity has increased to 7.2 million having yarn production capacity of 1,600 million kg. Loom capacity has also increased to 5,000 million having fabric production capacity of 1,600 million meters. Considerable size of backward



linkage industry has been established for which knit sub sector has also achieved phenomenal growth. The achievement so far made was possible due to permitting textile machinery imports at zero duty/tax and other incentives. However, due to significant involvement of capital machineries, the sector, on an average, is highly leveraged having 70% borrowing in the capital structure. **(Reference: Various BTMA Publications)**

In recent times, Bangladesh has also emerged as a significant supplier of Denim cloths & Home textile products to the European market. This has become possible due to availability of local raw materials-particularly cotton yarn which are being produced mainly from cotton waste. Denim fabric manufacturers are experiencing problems though due to unspecified rate of wastage for denim fabric, high duty/tax on spare parts of denim machines, delay in obtaining utilization permission (UP), delay in realizing money from exported fabrics etc. The demand for clothing continues to have an increasing trend due to increased population. However, the production of yarn and cloths are not increasing in line with demand resulting into considerable demand-supply gap. Due to irregular gas supply, textile production has started falling which resulted to even a maximum of 50% production loss. The problem started since February 2010 and now has reached its worst peak in Dhaka, Chittagong, Gazipur, Savar and Narayangonj zones. At the time of recovering from the impact of global recession, the gas crisis posed to be a big menace for the sector which can even cause Bangladesh to lose international market share. Despite these facts, there is ample scope in the consolidated sector to explore maximum benefit out of it for which fair deal by the government in terms of infrastructure, utilities, policies, financial support and necessary market protection from illegal entry of textile raw materials and finished good is required. **(Sources: Consulting with officers of the Company)**

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# **Chapter One**

## **Introduction**

# **1. Introduction to the Report**

## **1.1 Rationale of the Study**

This program helped me to understand the organizational norms, organizational culture etc. The topic was quite interesting; those encouraged me to put my effort to analyze performance of Malek Spinning Mills Ltd and its subsidiaries. I expect that this experience during my internship will assist me to enhance my career development.

My findings may help the shareholders and as well as managers and thereby ensuring that management works for the best interest of shareholders and produce better corporate financial result.

## **1.2 Statement of the problems**

This report "Financial Performance Analysis of Malek spinning Mills Ltd and its subsidiaries" is prepared to fulfill the partial requirement of the internship program of Masters of Business Administration, BRAC Business School, BRAC University it also help me to understand how to evaluate a company in term of its ratio.

## **1.3 Scope and delimitation of the study**

Now in this global age the activities of Textile sector Grows very fast. The scope of the study is to analyze the departments includes Account and Finance section of Malek Spinning Mills Ltd. during the internship period. As a student of BRAC University MBA program it is very much necessary for me to know about the formal process of this department

## **1.4 Objective of the Report**

The internship on the previously stated title, for Financial analysis of Malek Spinning Mills limited and its Subsidiaries will be prepared to fulfill the particular requirement of the internship program as 3 credits of the MBA program of the university.

The objective of this report can be divided into two parts:

### **1.4.1 General Objectives**

The key objective of the report is to analysis the financial performance of Malek Spinning Mills Ltd and Its Subsidiaries.

#### **1.4.2 Specific objectives**

- ❖ To Compute the Financial position of the company and its subsidiaries.
- ❖ To analysis the profitability and solvency position of the firm and its Subsidiaries.
- ❖ To analysis the efficiency of the firm through ratios.
- ❖ To suggest ways and means to improve the present condition.
- ❖ To examine the overall performance of the company and subsidiaries.
- ❖ To study the future prospect of Malek spinning Mills Ltd and its subsidiaries.

To know overall activities conducted by Malek Spinning Mills Ltd and subsidiaries.

And also get idea through acquiring practical experience from textile activities and know the several products & Services offered by Malek Spinning Mills Ltd.

#### **1.5 Research Questions**

1. What is the current financial position of this company and its Subsidiaries?
2. What is the current position of this company in the textile industry?
3. Among Different Subsidiaries, which one is the most profitable and less profitable for this company?
4. How this company's Financial position can be improved?

## **Chapter Two**

### **Review of Related Literature**

## **2. Review of Related Literature**

### **2.1 Books:**

- Stephen A. Ross, Randolph W. Westerfield, Jeffrey Jaffe (2006-2007),  
Corporate Finance (7<sup>th</sup> edition.), Tata McGraw-Hill Publishing Company Ltd. New  
Delhi.
- Scott Besley, Eugene F. Brigham, Essentials of Managerial Finance (13<sup>th</sup> Edition.)
- Scott Besley, Eugene F. Brigham, Essentials of Managerial Finance (14<sup>th</sup> Edition.)

### **2.2 Reports**

#### **Annual Report**

- Malek Spinning Mills LTD, Annual Report 2014-2015
- Malek Spinning Mills LTD, Annual Report 2015-2016
- Malek Spinning Mills LTD, Annual Report 2016-2017

## **Chapter Three**

# **Methodology of the Study**

### **3.1 Methodology of the study:**

This Report would be Descriptive in type that briefly reveals the overall financial activities performed by the Malek Spinning Mills Ltd and its subsidiaries. Collection of primary and secondary data were required for the analysis. Annual reports of Malek Spinning Mills Ltd. was the source of secondary data in this regard. Ratio analysis and trend analysis were used as major tools for the financial performance analysis of Malek Spinning Mills Ltd.

### **3.2 Data Collection:**

There were two sources of data collection. Such as,

1. Primary sources,
2. Secondary sources.

#### **3.2.1 Primary sources of data:**

- ❖ Conversations with the different officials of Malek Spinning Mills Ltd.
- ❖ Take expert opinion from the officers.
- ❖ Direct Observation.
- ❖ Informal Discussion.

#### **3.2.2 Secondary sources of data:**

- ❖ Annual report of Malek Spinning Mills Ltd.
- ❖ Different text books and journals.
- ❖ Various reports and articles related to study.
- ❖ Some of my course elements as related to the report.
- ❖ Web base support from the internet and intranet.

### **3.3 Data collection Procedure and Instruments**

#### **3.3.1 Data collection Procedure**

Conducting this report the following procedures were used to collect data with the respective instruments:

- **Collection of primary data:**

All the relevant data and information were mainly collected from the observation, informal discussion, group discussion, conversation and so on,

- **Collection of Secondary Data:**

Secondary data were collected basically from annual Reports, Journals,



Brochures, paper, Magazines, publications, books and others form of publications, official websites.

### **3.3.2 Instrument used for analysis**

Quantitative data were collected and analyzed according to acceptable standards of practice. Different tables and graphs were used to make data more meaningful and comparable. Qualitative data were analyzed rationally. Important percentages and averages were calculated using two major tools to analyze the financial performance of Malek Spinning Mills Ltd and its subsidiaries.

**These are:**

**3.3.2. A Ratio Analysis**

**3.3.2. B Trend Analysis**

#### **3.2.2. A Ratio Analysis:**

Ratio analysis is a widely used tool of financial analysis; the term ratio refers to the numerical and quantitative relationship between two variables. It is defined as the systematic used of ratio to interpret the financial statement and current financial condition can be determined. Ratio can be classified into **three** broad groups-

- Liquidity Ratios
- Efficiency Ratios
- Profitability Ratios

#### **3.3.2. B Trend Analysis:**

It is really important to analysis trends in ratios as well as their absolute levels. This analysis informs us whether a company's financial condition improving or deteriorating.

#### **3.3.2. C other tools:**

After collecting all the data they were coded and data were processed, analyzed, and graphically represented using MS excel and MS word. the study will be of exploratory nature. The finding of this study were based on analyzed both the primary and secondary data. Moreover, this were a combination of both fieldwork and desk research.

### **3.4 Limitations of the Study:**

This study is not free from limitations. It is important to note that these limitations would be contributed in developing a dazzling and outstanding report. Below these limitations are:

- ❖ **Limitation of time:** Major limitation of this report is time constrained. it were really tough to know details about a giant company like- Malek Spinning Mills Ltd.
- ❖ **Lack of Secondary data:** The annual report and websites are the main secondary information sources that were sufficient to complete the report.
- ❖ **Limitation of Scope:** Because of strategic and comparative position of the company, it didn't disclose the confidential information which might make the report more worthy.
- ❖ **Lack of experience:** there is a chance of having some mistakes in this report though best effort will have been applied to avoid any kind of mistake.
- ❖ Sometimes I could not communicate with the respective personnel of Malek spinning Mills Ltd. properly as they are very busy.
- ❖ Information was very hard to understand.

**Chapter 4**  
**Analysis and Interpretation of  
the Data**

## **4.1 Ratio Analysis of Malek Spinning Mills Ltd and its subsidiaries.**

### **Ratio Analysis**

A tool used by individuals to conduct a quantitative analysis of information in a company's financial statements. Ratios are calculated from current year numbers and are then compared to previous years, other companies, the Industry, or even the economy to judge the performance of the company. The basic inputs to ratio analysis are the firm's income statement and balance sheet for the periods to be examined. Ratio analysis is predominately used by proponents of fundamental analysis

In **Ratio Analysis** I am Basically Focus on The three Major types of Ratio these are:

**A. Liquidity ratios**

**B. Efficiency ratios**

**C. Profitability ratios**

### **A. Liquidity Ratio:**

- Liquidity refers to the ability of a firm to meet its short-term financial obligations when and as they come due. It also refers to the solvency of the firm's overall financial position.
- The main concern of liquidity ratio is to measure the ability of the firms to meet their short-term maturing obligations. Failure to do this will result in the total failure of the business, as it would be forced into liquidation.

The three basic measures of liquidity are.

### **A.1 Current Ratio:**

It is a measure of liquidity calculated by dividing the firm's current assets by its current liabilities. The higher the current ratio, the better the liquidity position of the firm. It indicates the short term financial solvency of the firm. The ratio also indicates the extent to which current liabilities are covered by those assets expected to be converted to cash in the near future.

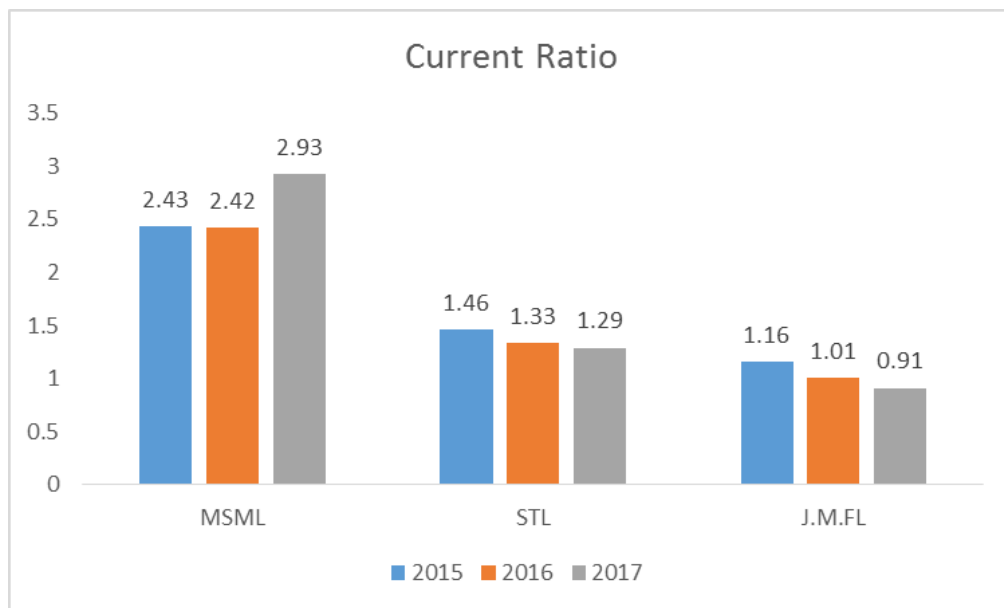
$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

**Table: A.1 Current Ratio**

Year	MSML	STL	J.M.FL
2015	2.43	1.46	1.16
2016	2.42	1.33	1.01
2017	2.93	1.29	0.91

**Source: Annual Report (2016 -2017 and 2015-2016)**

**Figure : A.1**



**Interpretation :**

The short-term financial solvency of MSML is stable position in last three years, because the current ratio was acceptable limit. In 2017 CR ratio was really optimistic, which was better than other company. STL's CR is also in a stable position but In 2017 the CR ratio of J.M.FL was poor. because its current liabilities are higher than its current assest. The company can increase its current assets and reduce its current liabilities for more CR.

## A.2 Quick Ratio

The quick ratio is an indicator of a company's short-term liquidity position, and measures a company's ability to meet its short-term obligations with its most liquid assets. Since it indicates the company's financial position to instantly use its near cash assets (that is, liquid assets) to get rid of its current liabilities, it is also called as the acid test ratio.

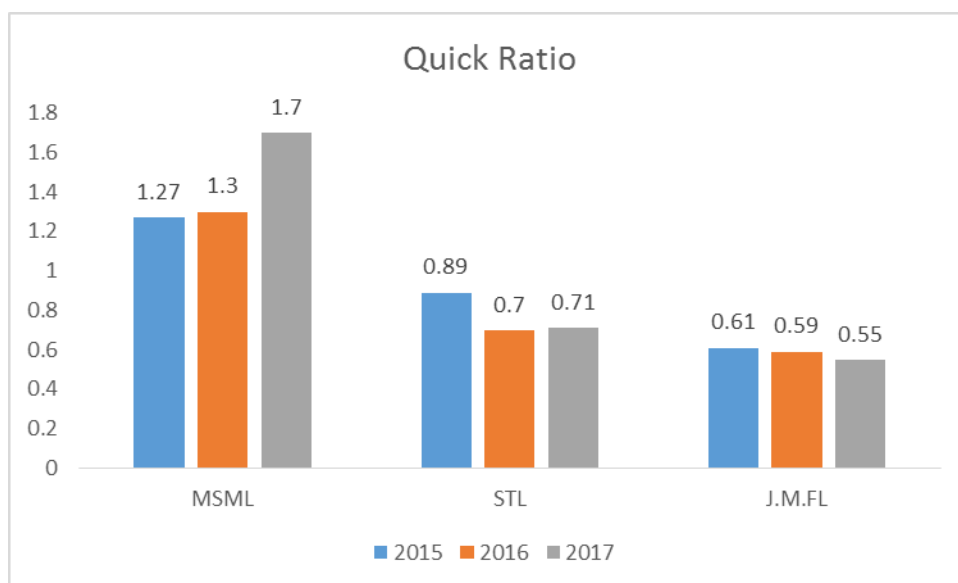
$$\text{Quick Ratio} = (\text{Current assets} - \text{Inventory}) / \text{Current Liabilities}$$

**Table: A.2 Quick Ratio**

Year	MSML	STL	J.M.FL
2015	1.27	0.89	0.61
2016	1.30	0.70	0.59
2017	1.70	0.71	0.55

Source: Annual Report (2016 -2017 and 2015-2016)

**Figure: A.2**



**Intrepretation:** MSML,STL and J.M.FL are in a drcresing trend . and moslty J.M Fabrics Limited must be maintain its quick ratio most ifficently because it is gradually decreasing .STL and J.M.FL both Quick Ratio are bellow 1 and it is not good for the companies growth.

### A.3 Debt to Equity Ratio

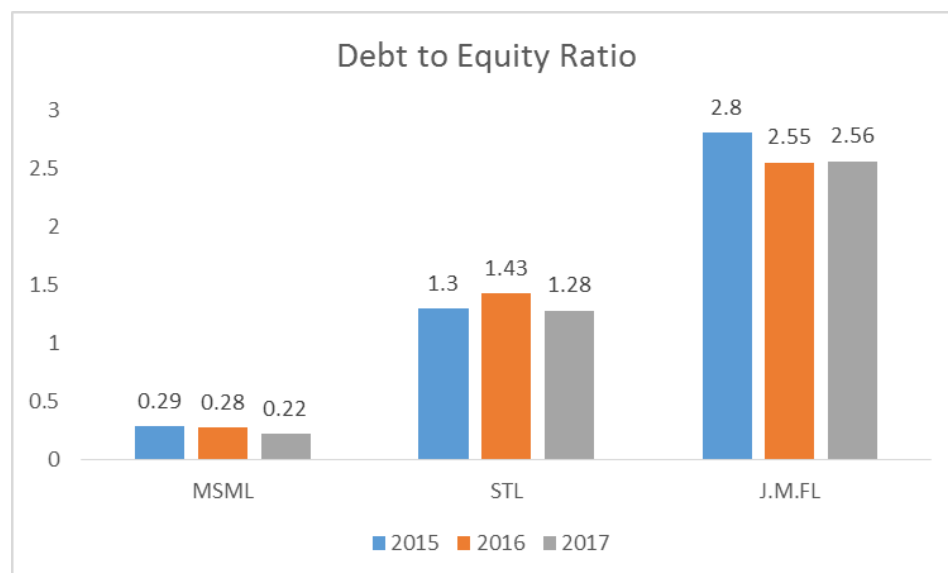
The Debt/Equity (D/E) Ratio is calculated by dividing a company's total liabilities by its shareholder equity. These numbers are available on the balance sheet of a company's financial statements. The ratio is used to evaluate a company's financial leverage. The debt/equity ratio is also referred to as a risk or gearing ratio. The formula for calculating the D/E ratio is:

$$\text{Debt to Equity Ratio} = (\text{Total Liabilities} \div \text{Total shareholders' Equity})$$

**Table: A.3 Debt to Equity Ratio**

Year	MSML	STL	J.M.FL
2015	.29	1.30	2.80
2016	.28	1.43	2.55
2017	.22	1.28	2.56

**Figure: A.3**



**Interpretation:** High Debt/equity ratio is often associated with high risk and that means the company has been aggressive in financing its growth with debt. And here we can see MSML has lower D/E ratio than the other two, and J.F Fabric has the most higher D/E ratio so it is in a risky position.

### **Efficiency Ratio:**

If a business does not use its assets effectively, investors in the business would rather take their money and place it somewhere else. In order for the assets to be used effectively, the business needs a high turnover.

Unless the business continues to generate high turnover, assets will be idle as it is impossible to buy and sell fixed assets continuously as turnover changes. Activity ratios are therefore used to assess how active various assets are in the business. Activity ratios are discussed next.

### **B.1 Accounts Receivable Turnover Ratio-**

The receivables turnover ratio is an accounting measure used to quantify a firm's effectiveness in extending credit and in collecting debts on that credit. The receivables turnover ratio is an activity ratio measuring how efficiently a firm uses its assets.

Receivables turnover ratio can be calculated by dividing the net value of credit sales during a given period by the average accounts receivable during the same period. Average accounts receivable can be calculated by adding the value of accounts receivable at the beginning of the desired period to their value at the end of the period and dividing the sum by two.

The method for calculating receivables turnover ratio can be represented with the following formula:

$$\text{Accounts Receivable Turnover} = (\text{Net Credit Sales} \div \text{Average Accounts Receivable})$$

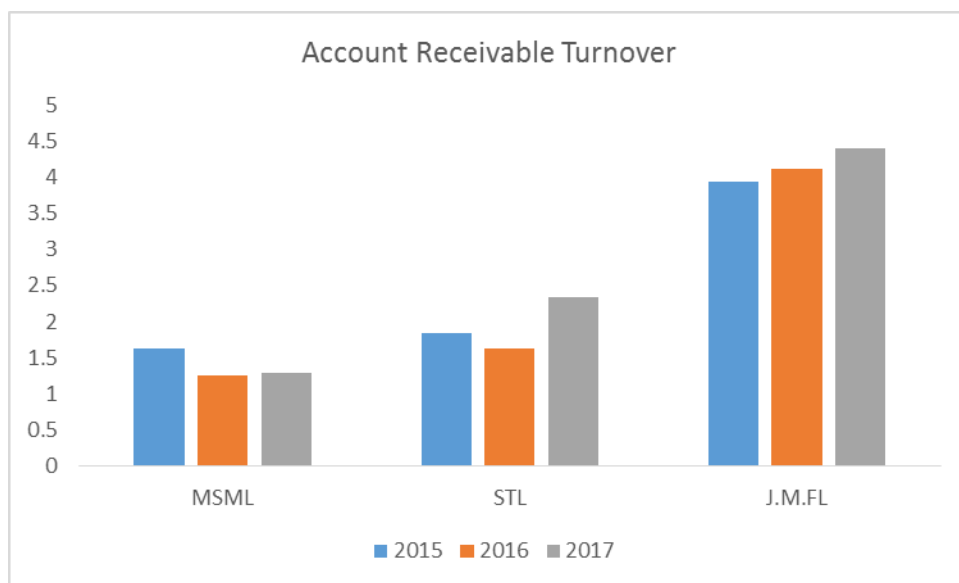
**Table: B.1 Accounts Receivable Turnover**

<b>Year</b>	<b>MSML</b>	<b>STL</b>	<b>J.M.FL</b>
2015	<b>1.63</b>	<b>1.84</b>	<b>3.94</b>
2016	<b>1.25</b>	<b>1.63</b>	<b>4.11</b>
2017	<b>1.29</b>	<b>2.33</b>	<b>4.39</b>

**Source: Annual Report (2016 -2017 and 2015-2016)**



**Figure: B.1 Accounts Receivable Turnover**



**Interpretation:** The receivables turnover ratio is an activity ratio measuring how efficiently a firm uses its assets. Here we can see, A/R turnover Ratio in slowly growing and it is a positive sign for this companies because it says this companies can manage its assets efficiently .

### **B.2 Inventory Turnover Ratio**

The inventory turnover ratio is an efficiency ratio that shows how effectively inventory is managed by comparing cost of goods sold with average inventory for a period. This measures how many times average inventory is “turned” or sold during a period. In other words, it measures how many times a company sold its total average inventory dollar amount during the year.

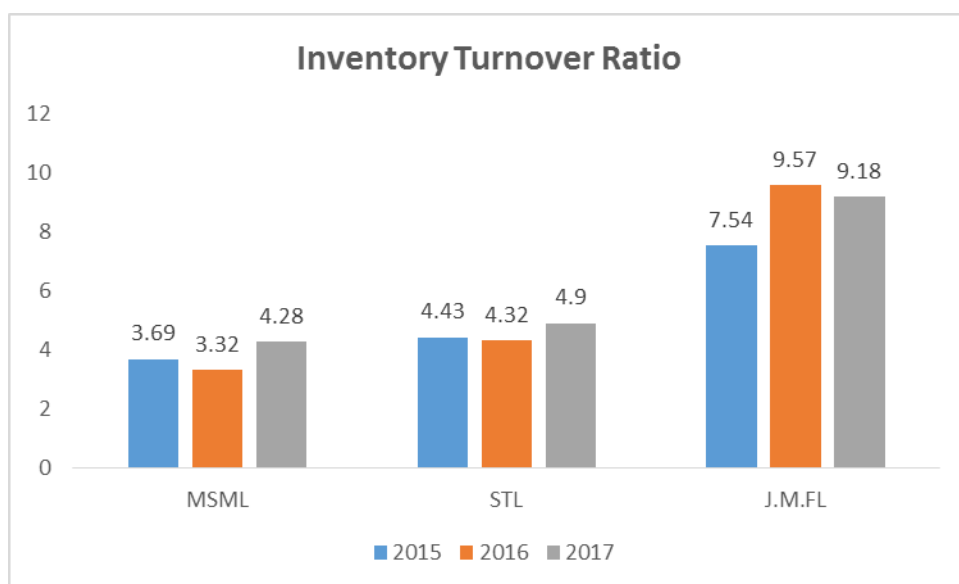
**Inventory Turnover Ratio= (Cost of Goods Sold ÷ Average Inventory)**

**Table B.2: Inventory Turnover Ratio**

Year	MSML	STL	J.M.FL
2015	<b>3.69</b>	<b>4.43</b>	<b>7.54</b>
2016	<b>3.32</b>	<b>4.32</b>	<b>9.57</b>
2017	<b>4.28</b>	<b>4.90</b>	<b>9.18</b>

Source: Annual Report (2016 -2017 and 2015-2016)

**Figure B.2: Inventory Turnover Ratio**



**Interpretation-**Inventory turnover ratio indicate how effectively inventory is managed by comparing cost of goods sold with average inventory for a period. And we can see this company’s inventory turnover ratio is in a stable position and it is satisfactory.

### **B.3 Total Assets Turnover Ratio**

The total turnover is similar to fixed assets turnover since both measures a company’s effectiveness is generating sales revenue from investments back into the company. Total asset turnover evaluates the efficiency of managing all of the company’s assets.

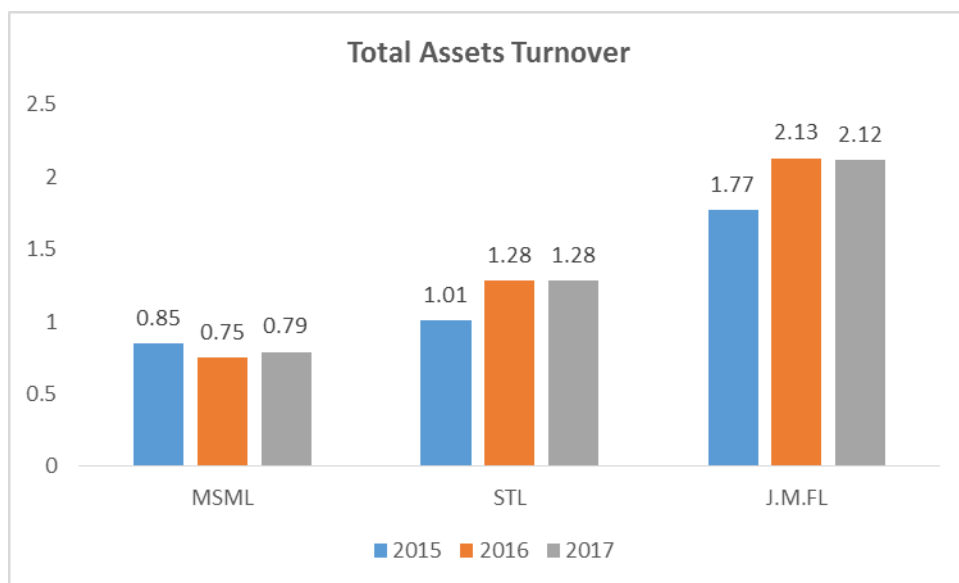
**Total Assets Turnover = Sales ÷ Total Assets**

**Table B.3 Total Assets Turnover Ratio**

Year	MSML	STL	J.M.FL
2015	0.85	1.01	1.77
2016	0.75	1.28	2.13
2017	0.79	1.28	2.12

Source: Annual Report (2016 -2017 and 2015-2016)

**Figure B.3: Total Assets Turnover**



**Interpretation:**

The higher total assets turnover ratio mean company is using its assets more efficiently and for large organization it should be two times but here we can see MSML Total assets turnover ratio is below 1, the total asset turnover ratio of MSML the ratio showed really unstable position and decreasing trend it is not good for the company. STL is constantly increasing its ratio and J.M.FL is in a good position.so the Company management should be more efficient in utilizing the company’s total assets to generate sales.

**C. Profitability Ratio**

Profitability is the ability of a business to earn profit over a period of time. Although the profit figure is the starting point for any calculation of cash flow as already pointed out profitable companies can still fail for lack of cash.

Without profit, there is no cash and therefore profitability must be seen as a critical success factors.

- A company should earn profits to survive and grow over a long period of lime.
- Profits are essential, but it would be wrong to assume that every action initiated by management of company should be aimed at maximizing profits, irrespective of social consequences.

Profitability is a result of a larger number of policies and decisions, 'the profitability ratios show combined effects of liquidity, asset management (activity) and debt management (gearing) on operating results. The overall measure of success of a business is the profitability which results from the effective use of its resources.)

### **C.1. Gross Profit Margin**

The gross profit margin measures the percentage of each sales price remaining after the firm has paid for its goods. The higher the gross profit margin is the better. A high ratio of gross profits to sales is a sign of good management of cost of goods sold.

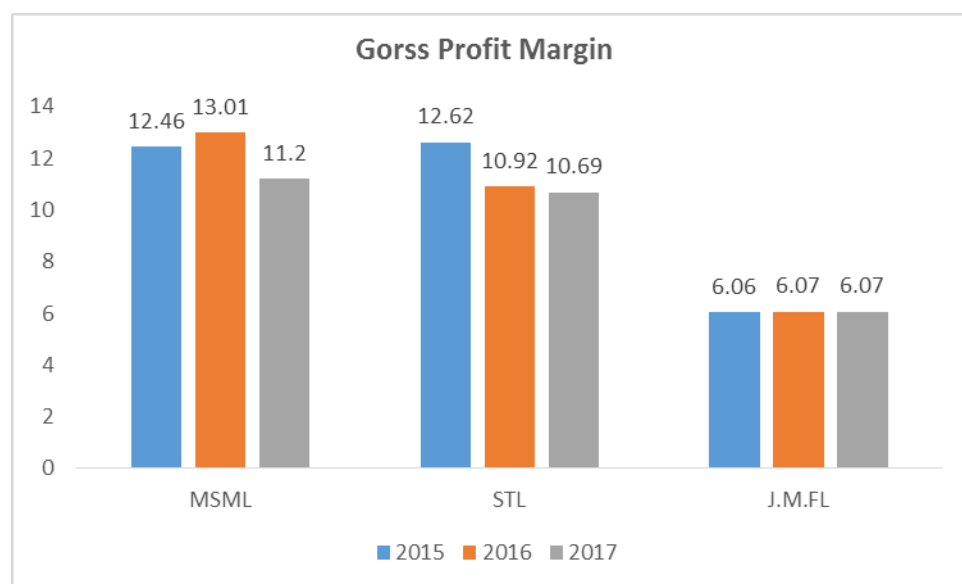
$$\text{Gross Profit Margin} = (\text{Sales} - \text{COGS}) \div \text{Sales} = (\text{Gross Profit} \div \text{Sales}) \times 100$$

**Table C.1: Gross Profit Margin (%)**

Year	MSML	STL	J.M.FL
2015	12.46	12.62	6.06
2016	13.01	10.92	6.07
2017	11.20	10.69	6.07

Source: Annual Report (2016 -2017 and 2015-2016)

**Figure C.1: Gross Profit Margin (%)**



### Interpretation-

We know that the acceptable limit of gross profit margin is 20% to 30% and MSML and its subsidiaries didn't achieve the acceptable limit. The cost of goods sold should efficiently managed by MSM Land its subsidiaries for producing a satisfactory gross profit margin ratio. For success to achieve adequate coverage for operating expenses and better return to the owners of the business. The company should increase more sales and manage its cost of goods sold more efficiently.

### C.2 Operating Profit Margin

The operating profit margin represents what are often called the pure profits earned on each sales dollar. A higher operating profit margin is preferred. The operating profit margin is calculated as follows:

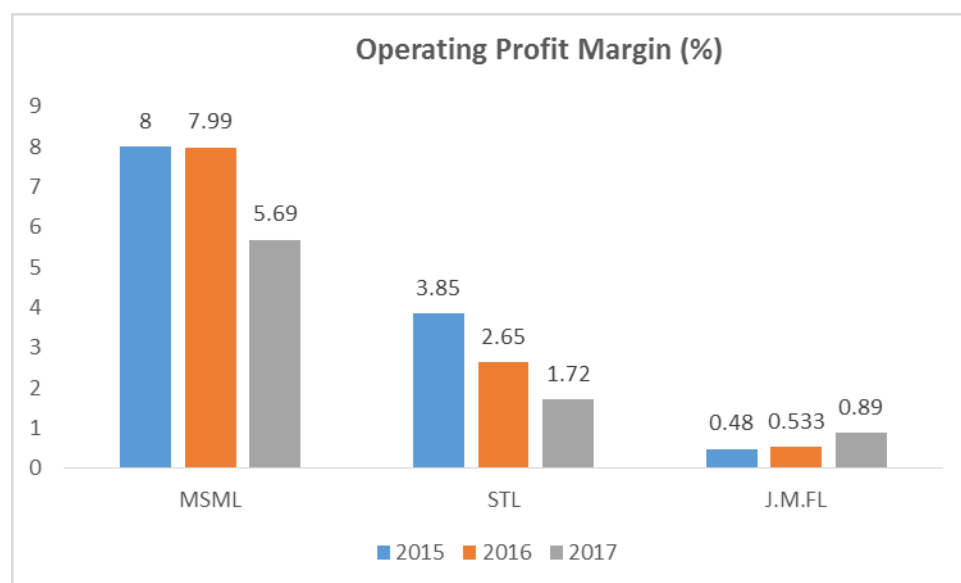
$$\text{Operating Profit Margin} = (\text{Operating Profit} \div \text{Sales}) \times 100$$

**Table: C.2 Operating Profit Margin (%)**

Year	MSML	STL	J.M.FL
2015	8.00	3.85	0.48
2016	7.99	2.65	0.533
2017	5.69	1.72	0.89

Source: Annual Report (2016 -2017 and 2015-2016)

**Figure: C.2 Operating Profit Margin (%)**



### **Interpretation:**

The operating profit margin ratio indicates the cost price effectiveness of the operation. Here MSML and its subsidiaries is not in a better position. The ratio is comparatively better in MSML but it was very poor in J.M.FL. The company should enhance its sales by managing the operating cost efficiently.

### **C.3. Net profit Margin:**

The net profit margin measures the percentage of each sales price remaining after all costs and expenses, including interest and taxes have been deducted. The higher the firms net profit margin.

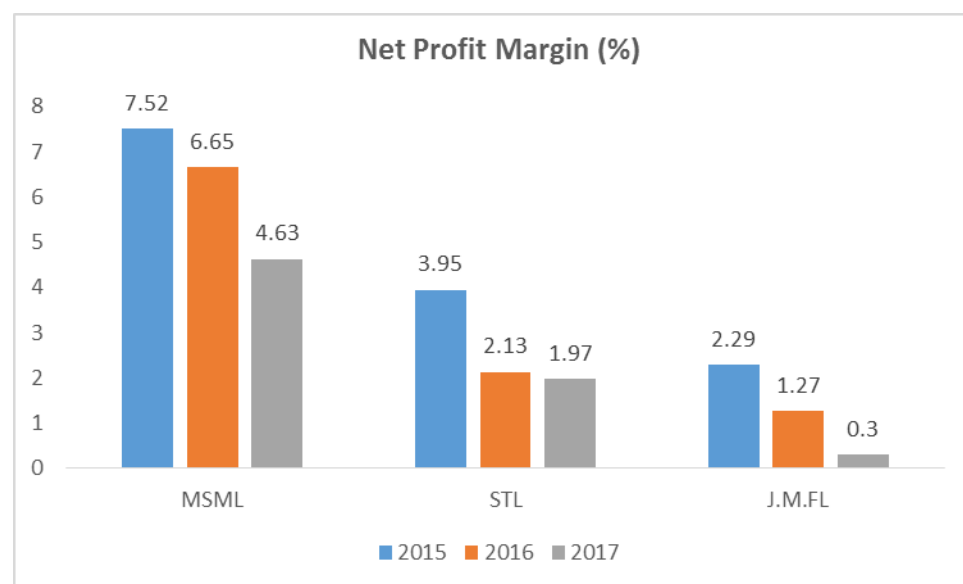
$$\text{Net Profit Margin} = (\text{Net Profit after Tax} \div \text{Sales}) \times 100$$

**Table: C.3 Net Profit Margin (%)**

Year	MSML	STL	J.M.FL
2015	7.52	3.95	2.29
2016	6.65	2.13	1.27
2017	4.63	1.97	0.30

Source: Annual Report (2016 -2017 and 2015-2016)

**Figure: C.3 Net Profit Margin (%)**



**Interpretation:**

We know that the acceptable limit of net profit margin is 5% to 10%. MSML was highly efficient in sales performance during that period and success to achieve the cost-effectiveness of operations as it has better net profit margin but STL and J.M.FL is not in a good position because it is below 5%. But this two subsidiaries can increase its management's ability to operate the business by enhancing sales with the cost effectiveness of the operation.

**C.4. Return on Investment :**

The return on investment (ROI) measures the overall effectiveness of management in generating profit with its available assets. The higher the firm's return on total assets is better.

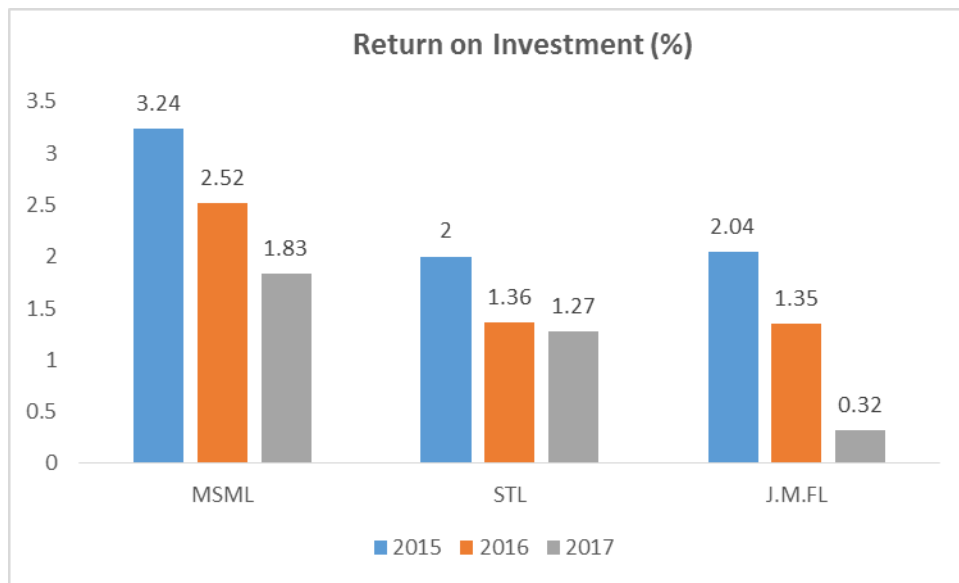
$$\text{Return on Investment} = (\text{Net Profit after Tax} \div \text{Total Assets}) \times 100$$

**Table: C.4 Return on Investment (%)**

<b>Year</b>	<b>MSML</b>	<b>STL</b>	<b>J.M.FL</b>
2015	<b>3.24</b>	<b>2.00</b>	<b>2.04</b>
2016	<b>2.52</b>	<b>1.36</b>	<b>1.35</b>
2017	<b>1.83</b>	<b>1.27</b>	<b>0.32</b>

**Source: Annual Report (2016 -2017 and 2015-2016)**

**Figure C.4 Return on Investment (%)**



**Interpretation :**

MSML and its subsidiaries has achieved a scanty and satisfying return on investment in the year 2015 but than its ROI is in a decreasing trend, and in the recent year J.M.FL 's ROI is very low. which indicates the company can not effectively manage and generating profits with its available assets during this period . The company can increase more its efficiency by utilizing the firm's assets to generate adequate profitably.

**C.5. Return on Assets / Capital Employed (ROCE) :**

In the ROCE the profits are related to the total capital employed. The term capital employed refers to long term funds supplied by the creditors and owners of the firm. The amount of capital employed is equal to non-current liabilities + owner's equity. This ratio provides sufficient insight into how efficiently the long-term funds of the owners and creditors are being used. The higher the ratio, the more efficient is the use of capital employed to generate profit.

**ROCE = (Net Profit after Taxes ÷ Total capital Employed) X 100**

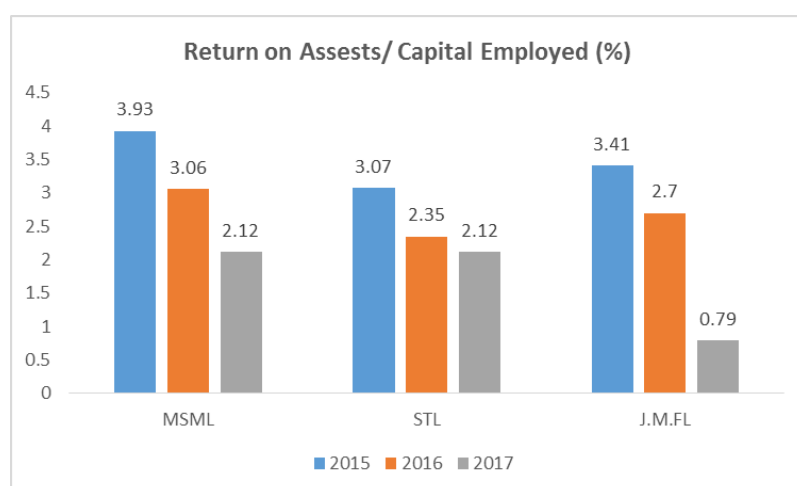


**Table: C.5 Return on Assets / Capital Employed (ROCE) (%)**

Year	MSML	STL	J.M.FL
2015	3.93	3.07	3.41
2016	3.06	2.35	2.70
2017	2.12	2.12	0.79

Source: Annual Report (2016 -2017 and 2015-2016)

**Figure C.5 Return on Assets / Capital Employed (ROCE) (%)**



**Interpretation:**

MSML and its subsidiaries achieved satisfying return on asset in 2015, which indicates the effective management in generating profits with total asset during that period. ROA was really poor in 2016 and exposed a negative sign of the company. But it was very poor in 2017. The company can increase more its efficiency by utilizing the firm’s capital to generate adequate profitability.

**C.6 Return on Equity:**

The return on common equity (ROE) measures the return earned on the common stockholders’ investment in the firm. Generally, the higher this return, the better off is the owner.

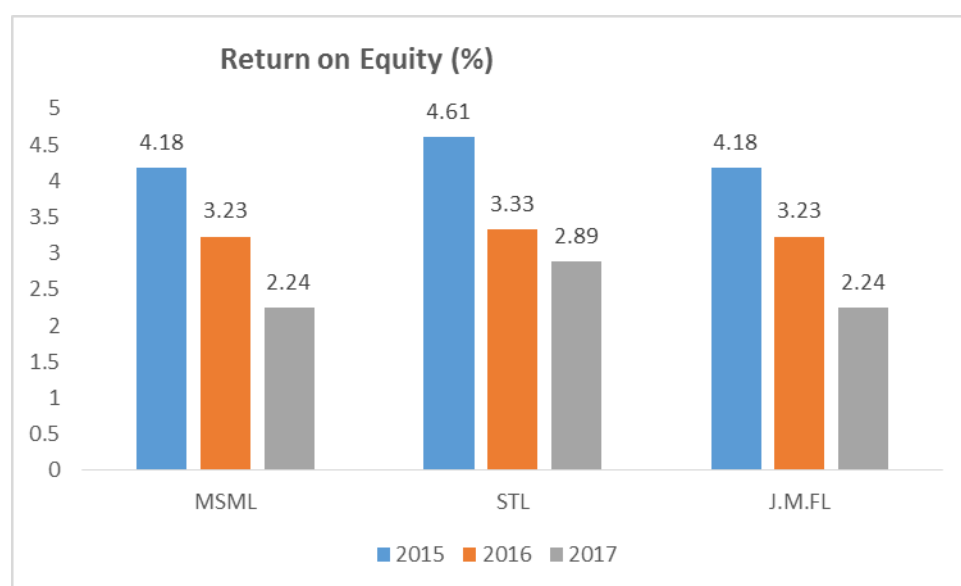
**Return on Equity = (Net Profit after Tax ÷ Stockholder’s Equity) x 100**

**Table C.6: Return on Equity (%)**

Year	MSML	STL	J.M.FL
2015	4.18	4.61	4.18
2016	3.23	3.33	3.23
2017	2.24	2.89	2.24

Source: Annual Report (2016 -2017 and 2015-2016)

**Figure C.6: Return on Equity (%)**



**Interpretation:**

The earnings ability of MSML or the common stockholders' was good condition in 2015 but gradually decreases in 2016 and 2017. Specially in 2017 it achieved a moderate level of ROE and sufficient level. The company should achieve the best use of equity capital to enhance the earning per share (EPS) and stockholders' return.

**C.7 Earnings per Share:**

EPS represent the number of taka earned during the period on behalf of each outstanding share of common stock not the amount of earnings actually distributed to shareholders. That means EPS measures the profit available to the equity shareholders on a per share basis that is the amount that they can get on every share held.

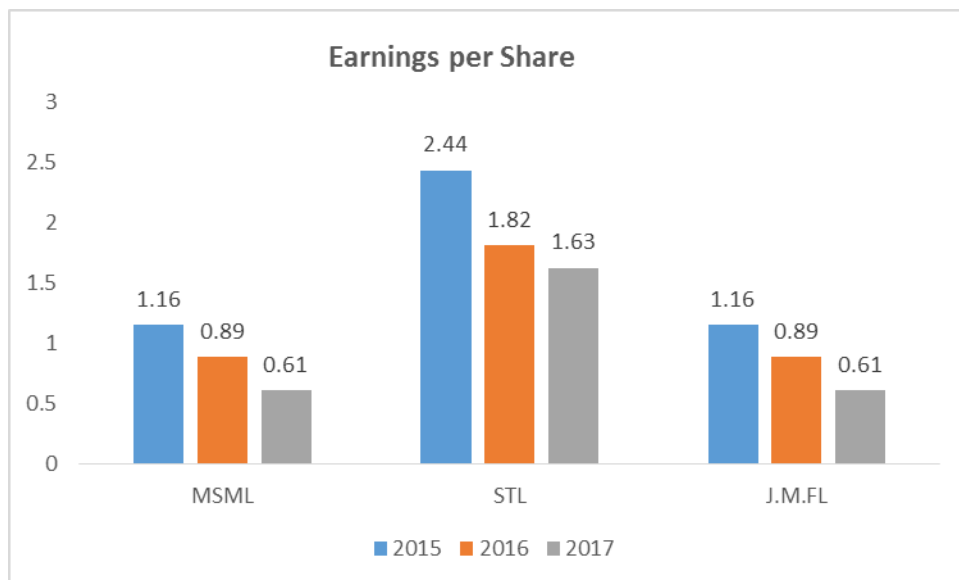
**EPS = EPS available for common stockholders ÷ No. of shares of common stock outstanding**

**Table C.7: Earning per share**

Year	MSML	STL	J.M.FL
2015	1.16	2.44	1.16
2016	0.89	1.82	0.89
2017	0.61	1.63	0.61

**Source: Annual Report (2016 -2017 and 2015-2016)**

**Figure C.7: Earning per share**



**Interpretation:**

MSML and J.M.FL has got a deprived EPS during the year 2015 to 2017 and it is gradually decreasing, but STL’s EPS is much satisfying than the other two and it is also in a decreasing trend. The company should increase its net profit after taxes available only for common shareholders which can improve the EPS. In this regard the firm should achieve the favorable effect of financial leverage.

## **4.2 Trend Analysis of Malek Spinning Mills Ltd.**

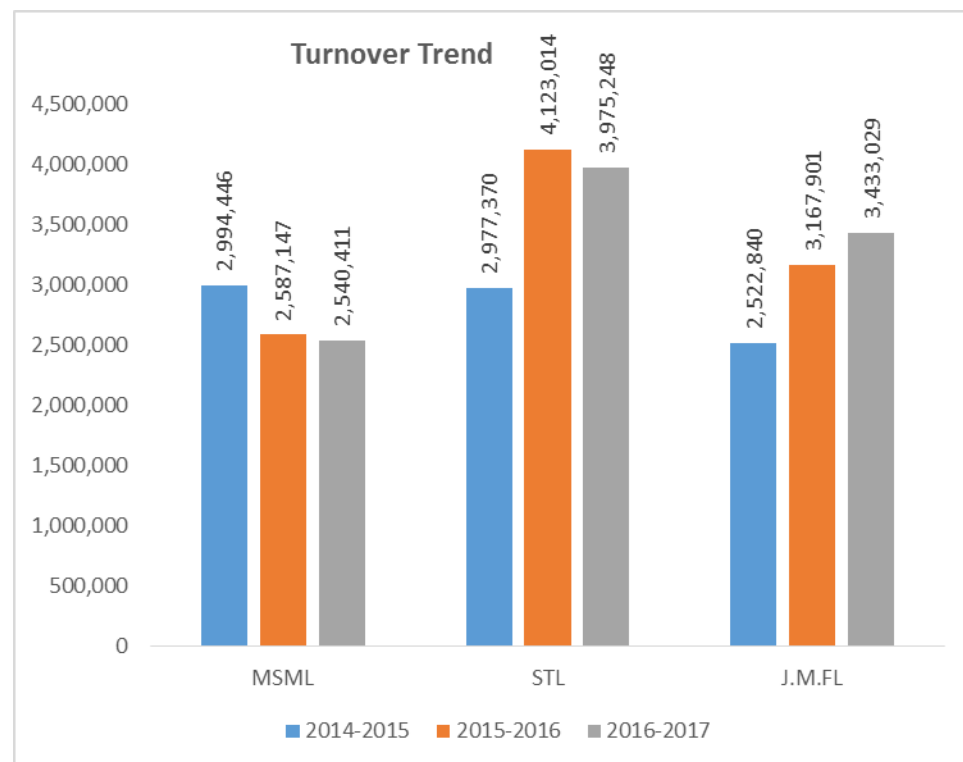
It is important to analyze trends in ratios as well as their absolute levels. Trend analysis gives clues as whether a firm's financial condition is likely to improve or to deteriorate. For trend analysis, a base year is selected and the amounts appearing on the base years' financial statements are assigned a weight of 100%. Comparisons are then made to the base year by expressing the other years' amount as a percentage of the base years' amounts. Trend analysis are useful for comparing financial statements over several years as they disclose the changes occurring through time so that the management can clearly see the result they need

**Table 4.2.1: Turnover Trend (Figures in Thousands Tk)**

Year	MSML	STL	J.M.FL
2014-2015	2,994,446	2,977,370	2,522,840
2015-2016	2,587,147	4,123,014	3,167,901
2016-2017	2,540,411	3,975,248	3,433,029

Source: Annual Report (2016 -2017 and 2015-2016)

**Figure 4.2.1: Turnover Trend (Figures in Thousands Tk)**



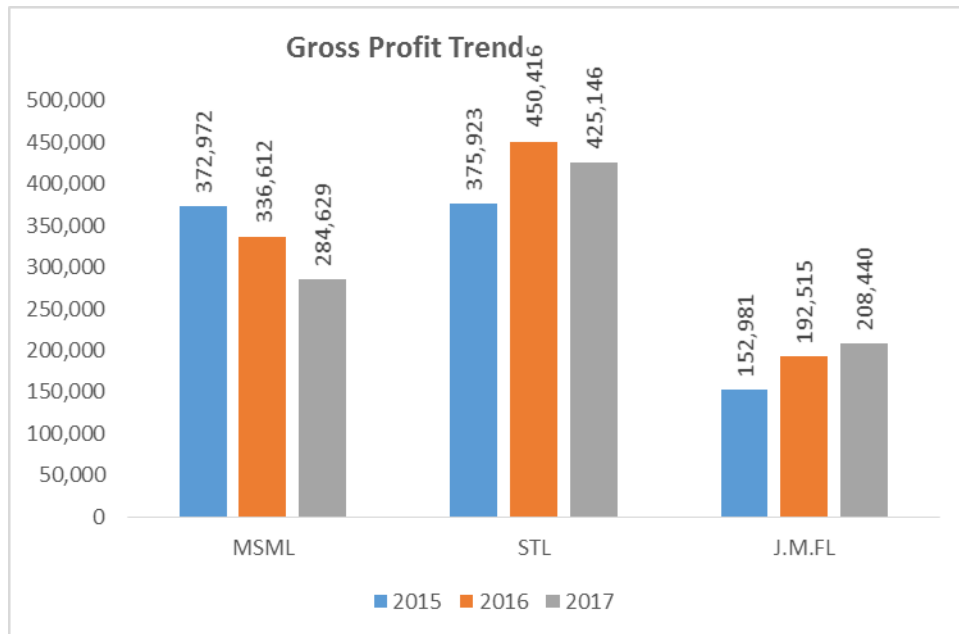
**Interpretation:** The above table and graph shows sales figure from 2014-2015 to 2015-2016. And it shows that sales fluctuated during the period. The sales peaked in the year 2016-2017 for J.M.FL but MSML sales is lower than the previous years.

**Table 4.3.2 Gross Profit Trend (Figures in Thousands Tk.)**

Year	MSML	STL	J.M.FL
2015	372,972	375,923	152,981
2016	336,612	450,416	192,515
2017	284,629	425,146	208,440

Source: Annual Report (2016 -2017 and 2015-2016)

**Figure 4.2.2 Gross Profit Trend (Figures in Thousands Tk.)**



**Interpretation:**

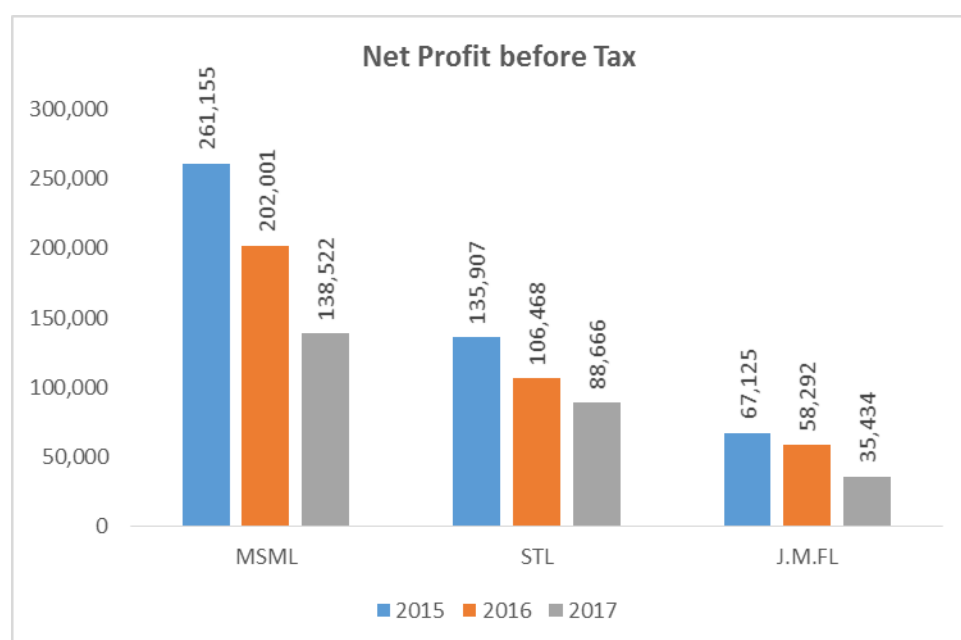
MSLS Gross Profit Trend is gradually decreasing on the other hand STL is in a stable position and J.M.FL is doing well gradually.

**Table 4.2.3 Net Profit before Tax Trend (Figures in Thousands Tk.)**

Year	MSML	STL	J.M.FL
2015	261,155	135,907	67,125
2016	202,001	106,468	58,292
2017	138,522	88,666	35,434

Source: Annual Report (2016 -2017 and 2015-2016)

**Figure 4.3.3 Net Profit before Tax Trend (Figures in Thousands Tk.)**

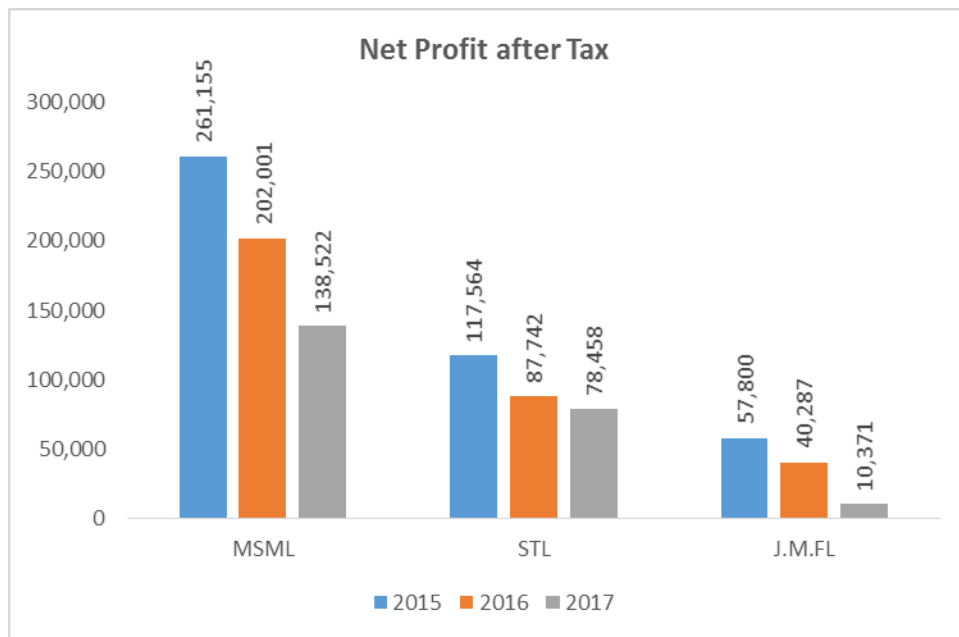


**Interpretation-** Net Profit before Tax trend is not satisfactory for MSML,SLT and J.M.FL because its Net Profit Before Tax is gradually decreasing .

**Table 4.3.4: Net Profit after Tax Trend (Figures in Thousands Tk.)**

Year	MSML	STL	J.M.FL
2015	261,155	117,564	57,800
2016	202,001	87,742	40,287
2017	138,522	78,458	10,371

**Figure 4.2.4: Net Profit after Tax Trend (Figures in Thousands Tk.)**



**Interpretation:**

Net Profit after Tax trend is also not satisfactory for MSML, STL and J.M.FL because its Net Profit after Tax trend is gradually decreasing. J.M.FL is suffering the most.

## **Chapter 5**

# **Findings of the Study**



## **5. Research Findings and Analysis**

current positions of Malek spinning Mills LTD and its Subsidiaries

**Table – 5.1: THREE YEARS OPERATIONAL RESULTS OF MSML**

(Figures in thousand Tk.)

	<b>2016-2017</b>	<b>2015-2016</b>	<b>2014-2015</b>
Turnover	2,540,411	2,587,147	2,994,446
Gross Profit	284,629	336,612	372,972
Net Profit (Before Tax)	138,552	202,002	261,155
Net Profit (After Tax)	11,686	171,969	225,197
Shareholder's Equity	5,251,526	5,327,440	5,387,791
Total Assets	6,403,382	6,825,321	6,942,375
Total Current Assets	2,520,411	2,928,056	2,959,887
Total Current Liabilities	861,318	1,208,294	1,216,712
Current Ratio	2.93	2.42	2.43
Number of shares outstanding	193,600	193,600	193,600
Return on Assets After Tax (ROA)%	2.12	3.06	3.93
Return on Equity After Tax (ROE)%	2.24	3.23	4.18
Face Value per share	10	10	10
Shareholder's Equity per Share	27.13	27.52	27.83
Earnings per share (EPS)	0.61	0.89	1.16
Dividend Declared Per Share (Stock)	Nil	Nil	Nil
Dividend Declared Per Share (Cash)	1.00	1.00	1.20
Number of Shareholders *	16,093	19,585	23,249

Source: Annual Report 2016-2017 and 2015-2016 (Malek Spinning Mills Ltd.)

**Table – 5.2: THREE YEARS OPERATIONAL RESULTS OF STL and J.M. FL**

	<b>Salek Textile Limited(Tk in Thousand)</b>		
	<b>2016-2017</b>	<b>2015-2016</b>	<b>2014-2015</b>
Turnover	3,975,248	4,123,014	2,977,370
Gross Profit	425,146	450,416	375,923
Net Profit (After Tax)	78,458	87,742	117,564
Gross Margin	10.69%	10.92%	12.63%
Net Margin	1.97%	2.13%	3.95%
Total Assets	6,195,665	6,429,028	5,890,542
Current Ratio	1.29	1.33	1.46
Number of shares outstanding	48,260	48,260	48,260
Return on Assets After Tax (ROA)%	2.12	2.35	3.07
Return on Equity After Tax (ROE)%	2.89	3.33	4.61
Face Value per share	10	10	10
Earnings per share (EPS)	1.63	1.82	2.44

	<b>J.M. Fabrics (Tk in Thousand)</b>		
	<b>2016-2017</b>	<b>2015-2016</b>	<b>2014-2015</b>
Turnover	3,433,029	3,167,901	2,522,840
Gross Profit	208,440	192,515	152,981
Net Profit (After Tax)	10,371	40,287	57,800
Gross Margin	11.20%	13.01%	12.46%
Net Margin	4.63%	6.65%	7.52%
Total Assets	3,224,149	2,974,837	2,835,576
Current Ratio	0.91	1.01	1.16
Number of shares outstanding	4,000	4,000	4,000
Return on Assets After Tax (ROA)%	0.79	2.7	3.41
Return on Equity After Tax (ROE)%	2.24	3.23	4.18
Face Value per share	10	10	10
Earnings per share (EPS)	2.59	10.07	14.45

Source: Annual Report 2016-2017 and 2015-2016 (Malek Spinning Mills Ltd.)

### **Other Findings:**

(a) Cost of Goods Sold: The cost of goods sold was 88.80% during the year as compared to 86.99% during the previous year, as significant increase of 1.81%.

(b) Export: The company had achieved an export turnover of Tk.2,540.41 million during the year ended 30th June 2017. Last year's export turnover was Tk.2,587.15 million. The turnover had decreased by 1.81% over the last year due to fall in sales quantity.

(c) Gross Profit: Gross Profit earned during the year amounted to Tk.284.63 million as against Tk.336.61 million during the previous year. Gross profit decreased due to decrease of sales compared to last year and Raw Material consumption is not proportionately decrease compare to last year.

(d) Net Profit/(Loss): The company had succeeded in earning a Net Profit of Tk.117.69 million compared to last year's Net Profit of Tk.171.97 million. The Net Profit decreased due to increase in cost of goods sold and operational expenses compared to last year and other expenses did not decrease proportionately compared to last year

### **The overall performance of malek Spinning Mills and its subsidiaries**

The net profit of the company for the year 2016-2017 stood at Tk. 117,685,842 as against Tk. 171,969,153 during the previous year, as a result, net profit (after tax) decline of 31.57% over the previous year. During the year sales revenue of the company had decreased by 1.81% from Tk. 2,587,146,675 in 2015-16 to Tk. 2,540,411,247 in 2016-17 due to the reduction of selling price in the face of stiff competition and consequent fall in prices in international market. The cost of goods sold was 88.80% during the year as compared to 86.99% during the previous year, as the significant increase of 1.81%. Gross Profit earned during the year amounted to Tk. 284.63 million as against Tk. 336.61 million during the previous year. As a result, Net Profit percentage had decreased by 2.02% on sales over the previous year (6.65% of sales in the year 2015-16 & 4.63% of sales in the year 2016-2017).

The Board of Directors has recommended for the declaration of a Cash Dividend @ 10% i.e. Tk. 1.00 (one) per share of Tk. 10.00 each for ordinary shares held by the shareholders as on the Record Date. `

## **RISK MANAGEMENT**

### **1. Operational Risk**

The management personnel both in head office and production premise seem to be competent and experienced to run the operation effectively. However, better human resources development plan for both officers and workers may increase the efficiency in operation. In order to reduce the operational risk, the company has established internal audit department to follow up the internal control policies. However, computerization in the total operational process is yet to be established to reduce the data processing and preservation risk.

### **2. Price Fluctuation Risk for raw materials.**

Price fluctuations of raw cotton as well as finished goods and volatility of prices in the international market also exposed the company to market risks. In 2017, the company faced difficulties when the raw cotton price hiked to USD 1.86 from USD USD 1.72 per Kg. Thus, like many companies in the industry, MSML is exposed to price fluctuation risk.

### **3. Exchange Rate Risk.**

Exchange rate risk may also affect the business of this company, because companies major raw material will be mainly produce from USA, company will have to pay for the raw materials in foreign currency. On the other hand it exports the entire merchandise for which it receipts payment in foreign currency as well. It will conduct most of its foreign currency transaction in USD dollars. Hence, any significant volatility in exchange rate of TK against US dollars will increase the volatility of the company's cash flow and profitability.

### **4. Supply Risk**

The company imports major raw cotton from USA, the major supplier of quality cotton of the world. Due to good market reputation among the suppliers, MSML is less exposed to supply risk.

## **5. Market Risk**

MSML, being a backward linkage unit of the textile based group consuming about 40 percent of its annual sales; it enjoys an in-built demand of its product. This, to some extent, puts aside the company from the tough competition in this sector. Besides, due to its quality yarn, there are some other customers who had been purchasing yarn from the company since long.

## **6. Gas Supply Risk**

MSML has set up gas burning generators with total 6,300 KW capacities to support smooth power to the production. Low gas pressure is a major threat to keep the optimum production capacity utilization. The company has agreement with Titas Gas, a government entity for uninterrupted supply. At present, MSML required standard pressure is 20 psi. However, during last four months it got on an average 14 psi pressure for the use.

**(Sources:- Consulting with officers of the company).**

## **OBSERVATION SUMMARY**

<p><b>Comforts</b></p> <ul style="list-style-type: none"><li>• Sound equity based company</li><li>• Long business exposures</li><li>• Sound market reputation</li><li>• Sound production facilities</li><li>• Commendable credibility and creditworthiness</li><li>• Experienced management team</li><li>• Reliable raw material supply source</li><li>• Good relation with financing Companies</li></ul>	<p><b>Concerns</b></p> <ul style="list-style-type: none"><li>• Financial performance declined</li><li>• Moderate corporate governance</li><li>• Newly developed HRD Policy</li></ul>
<p><b>Business Prospects</b></p> <ul style="list-style-type: none"><li>• Wide export market</li><li>• Flourishing sector</li><li>• Expansion to horizontal development</li></ul>	<p><b>Business Challenges</b></p> <ul style="list-style-type: none"><li>• Gas supply crisis</li><li>• Political Instability</li><li>• Increased global competition</li><li>• Maintaining appropriate compliance standard</li><li>• Cost effective production</li><li>• Quality maintenance</li></ul>

**Sources: - Consulting with the officers of the company**

## **SWOT ANALYSIS OF MSML**

### **STRENGTHS**

- Malek Spinning Mills Ltd. is using world class textile machinery like LMW, Luwa, Kaeser, Schlafhorst, Rieter etc.
- It has a strong market image
- The customer is very much aware about the company reputation
- It has high financial resources
- It has competent staff working for the progress of the company

- It has 100% automated system of production
- Organization has friendly working environment
- It has various certificate like Oeko-Tex Certificate, Cotton USA certificate and USTERIZED certificate.
- It has a wide range of products

## **WEAKNESSES**

- Malek Spinning Mills Ltd. ignores the local market
- There is lack of proper training programs especially for workers. They learn through experience and from seniors that's the reason of high rate of wastage during production.
- Wastage is very high especially in spinning sector
- Malek Spinning Mills Ltd. has not effective sales system for cotton waste and yarn waste.
- Sometime delivery delayed due to lack of production planning
- Middle level management is demotivated due to insufficient salary and wages package and promotions are held after a long period
- There is no job commitment among the employees.
- There is no proper performance evaluation system that motivates the staffs.

## **OPPORTUNITIES**

- As Malek Spinning Mills Ltd. is Oeko-Tex certified, Cotton USA certified and USTERIZED certified company so it has a chance to increase & expand business.
- The demand of its products is high in local and international market.
- Govt. is providing VAT rebate facility and concessionary income tax rate for textile sector.
- Long term loans are easily available.

## **THREATS**

- Foreign investment in textile sector in Sri Lanka, Pakistan and India is a danger in future for Malek Spinning Mills Ltd.
- It has been seen that many other groups in Bangladesh have entered in competition with Malek Spinning Mills Ltd. If they will not be competed well, there is a chance that they can get share of export from foreign buyers.
- High inflation rates hinder in competing the Indian yarn at international level.
- Fluctuating prices of dollar also affect the purchase of cotton in off-season.
- Due to world economic crisis, overall sales position was totally down last few months, but now these countries are again on the road of progress. If the previous customers are not properly attended, they may be lost forever.
- Govt. permission for importing of yarn from India through Benapole port directly affects textile Sector. **(Sources: - Consulting with officers of the company)**



## **Chapter 6 and 7**

# **Recommendation and Conclusion**

## **6. Recommendation**

Malek Spinning Mills Limited and its subsidiaries can take the following recommendations into consideration:

1. MSML and its subsidiaries can increase their current assets more by enhancing the accounts receivable and can decrease its current liabilities by reducing its bank overdraft and short term loan.
2. The Companies can try to increase its quick assets like-cash, accounts receivable and marketable securities.
3. It also can reduce inventory to improve its inventory turnover ratio.
4. Company's management should be more efficient in utilizing the company's capital to generate sales.
5. MSML and its subsidiaries are supposed to offer attractive credit policy to its customers by extending credit period from 60 days to 90 days.
6. The companies should try to utilize its fixed assets more efficiently to accelerate sales.
7. The company's management should be more efficient in utilizing the company's total assets to generate sales.
8. It should aim to achieve optimum capital structure by reducing debt capital as well as by increasing equity capital to finance its total assets.
9. The Companies ought to enhance its earnings by accelerating its sales as well as by minimizing its operating costs in order to get adequate earnings.
10. MSML and its subsidiaries should make an effort to increase its sales and manage its cost of goods sold efficiently.
11. The companies can enhance its sales by managing the operating cost efficiently.
12. It should amplify its management's ability to operate the business by enhancing sales with the cost price effectiveness of the operation.
13. The companies should try hard to intensify its efficiency in utilizing the firm's assets to generate adequate profitability.
14. The companies should increase its efficiency in utilizing the firm's capital to generate adequate profitability.
15. It is supposed to achieve the best use of equity capital to enhance the earning per share (EPS) and stockholders' return.
16. MSML and subsidiaries should increase its net profit after taxes available only for common shareholders which can improve the EPS. In this regard the firm should achieve the favorable effect of financial leverage

## **7. Conclusion**

Bangladesh is an over populated country of South Asia. It is a full of Natural resources. But the economic condition is very poor and Unemployed rate of population is another Burden for developing our country .Creating new employment opportunity in our country by investing large capital must be needed .MSML is playing a vital role for our country economy MSML is a well repute Spinning Mills. Which has better quality product at a competitive price. Malek Spinning Mills Limited is very sound in the financial year 2015-16. But due to increase the price of raw material and increase operating expense because of the increase of salary of its employee its net profit decrease in the year 2016-2017. But they have overcome it by taking essential steps. As they have paid loan payment, the financial cost decrease than previous year and to overcome this situation they have to minimize cost in the other hand. Its subsidiary company Salek Textile Limited is a newly established organization which has a strong market position. MSML has a sound status with strong International quality certificates that would be acceptable for all buyers in terms of quality & social accountability management system. These would enhance the marketing power of the company for entering new markets and expand business in a professional way. So at last, from the analysis and discussion, I may conclude that MSML and its subsidiaries is being grown up Industry because of its byres areas, Fractural development, production capacity, human resource and others activities which are quite satisfactory.

## **8. References and Appendix**

### **8.1 References**

- Stephen A. Ross, Randolph W. Westerfield, Jeffrey Jaffe (2006-2007), Corporate *Finance* (7<sup>th</sup> edt.), Tata McGraw-Hill Publishing Company Ltd. New Delhi.
- Scott Besley, Eugene F. Brigham, *Essentials of Managerial Finance* (13<sup>th</sup> Edt.)
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- Malek Spinning Mills LTD, Annual Report 2016-2017

### **8.2 Appendix**

#### **Ration Analysis of Malek Spinning Mills Limited (MSML), Salek Textile Limited (STL) & J. M. Fabrics Limited (JMFL):**

##### **Current Ratio:**

	Year	Current Assets	Current Liabilities	Current Ratio
MSML	2015	2,959,886,900	1,216,712,179	2.43
	2016	2,928,055,935	1,208,293,863	2.42
	2017	2,520,410,769	861,318,326	2.93
STL	2015	3,016,710,971	2,061,081,677	1.46
	2016	3,585,919,914	2,690,535,309	1.33
	2017	3,215,217,617	2,488,844,454	1.29
JMFL	2015	1,320,314,034	1,142,409,431	1.16
	2016	1,494,499,995	1,480,669,950	1.01
	2017	1,742,524,449	1,905,249,946	0.91

### Quick Ratio:

	Year	Current Assets	Inventory	Current Liabilities	Quick Ratio
MSML	2015	2,959,886,900	1,417,928,634	1,216,712,179	1.27
	2016	2,928,055,935	1,354,780,813	1,208,293,863	1.30
	2017	2,520,410,769	1,053,500,320	861,318,326	1.70
STL	2015	3,016,710,971	1,173,902,397	2,061,081,677	0.89
	2016	3,585,919,914	1,698,893,133	2,690,535,309	0.70
	2017	3,215,217,617	1,446,953,961	2,488,844,454	0.71
JMFL	2015	1,320,314,034	628,013,536	1,142,409,431	0.61
	2016	1,494,499,995	621,284,839	1,480,669,950	0.59
	2017	1,742,524,449	702,319,079	1,905,249,946	0.55

### Debt to Equity Ratio:

	Year	Current Liabilities	Non-Current Liabilities	Total Liabilities	Shareholder's Equity	Debt to Equity Ratio
MSML	2015	1,216,712,179	337,871,806	1,554,583,985	5,387,791,055	0.29
	2016	1,208,293,863	289,587,183	1,497,881,046	5,327,440,209	0.28
	2017	861,318,326	290,537,188	1,151,855,514	5,251,526,050	0.22
STL	2015	2,061,081,677	1,278,805,423	3,339,887,100	2,550,654,915	1.31
	2016	2,690,535,309	1,100,095,917	3,790,631,226	2,638,397,067	1.44
	2017	2,488,844,454	989,965,762	3,478,810,216	2,716,855,553	1.28
JMFL	2015	1,142,409,431	896,237,987	2,038,647,418	796,929,075	2.56
	2016	1,480,669,950	656,951,345	2,137,621,295	837,216,164	2.55
	2017	1,905,249,946	471,311,910	2,376,561,856	847,588,023	2.80

### A/R Turnover:

	Year	Total Sales	Account Receivable	Credit Sales	A/R Turnover
MSML	2015	2,994,445,635	1,136,946,335	1,857,499,300	1.63
	2016	2,587,146,675	1,150,551,231	1,436,595,444	1.25
	2017	2,540,411,247	1,108,519,253	1,431,891,994	1.29
STL	2015	2,977,370,517	1,504,486,243	1,472,884,274	0.98
	2016	4,123,014,573	1,570,423,304	2,552,591,269	1.63
	2017	3,975,248,739	1,192,302,053	2,782,946,686	2.33
JMFL	2015	2,522,840,505	511,140,003	2,011,700,502	3.94
	2016	3,167,901,596	619,599,965	2,548,301,631	4.11
	2017	3,433,029,643	637,028,058	2,796,001,585	4.39

### Inventory Turnover:

	Year	COGS	Inventories	Inventory Turn over
MSML	2015	2,621,473,160	1,417,928,634	3.70
	2016	2,250,534,349	1,354,780,813	3.32
	2017	2,255,781,766	1,053,500,320	4.28
STL	2015	2,601,447,081	1,173,902,397	4.43
	2016	3,672,598,151	1,698,893,133	4.32
	2017	3,550,102,716	1,446,953,961	4.91
JMFL	2015	2,369,858,842	628,013,536	7.55
	2016	2,975,386,378	621,284,839	9.58
	2017	3,224,589,145	702,319,079	9.18

### Total Assets Turnover

	Year	Total Sales	Total Assets	Total Assets Turnover
MSML	2015	2,994,445,635	6,942,375,040	0.86
	2016	2,587,146,675	6,825,321,255	0.76
	2017	2,540,411,247	6,403,381,564	0.79
STL	2015	2,977,370,517	5,890,542,015	1.01
	2016	4,123,014,573	6,429,028,293	1.28
	2017	3,975,248,739	6,195,665,769	1.28
JMFL	2015	2,522,840,505	2,835,576,493	1.78
	2016	3,167,901,596	2,974,837,458	2.13
	2017	3,433,029,643	3,224,149,879	2.13

### Gross Profit Margin (%)

	Year	Total Sales	COGS	Gross Profit Margin (%)
MSML	2015	2,994,445,635	2,621,473,160	12.46
	2016	2,587,146,675	2,250,534,349	13.01
	2017	2,540,411,247	2,255,781,766	11.20
STL	2015	2,977,370,517	2,601,447,081	12.63
	2016	4,123,014,573	3,672,598,151	10.92
	2017	3,975,248,739	3,550,102,716	10.69
JMFL	2015	2,522,840,505	2,369,858,842	6.06
	2016	3,167,901,596	2,975,386,378	6.08
	2017	3,433,029,643	3,224,589,145	6.07

### Operating Profit Margin (%)

	Year	Total Sales	Operating Profit	Operating Profit Margin (%)
MSML	2015	2,994,445,635	239,482,399	8.00
	2016	2,587,146,675	206,722,275	7.99
	2017	2,540,411,247	144,644,507	5.69
STL	2015	2,977,370,517	114,579,364	3.85
	2016	4,123,014,573	109,081,354	2.65
	2017	3,975,248,739	68,318,163	1.72
JMFL	2015	2,522,840,505	12,217,865	0.48
	2016	3,167,901,596	16,896,436	0.53
	2017	3,433,029,643	30,594,068	0.89

### Net Profit Margin (%)

	Year	Net Profit After tax	Total Sales	Net Profit Margin (%)
MSML	2015	225,196,724	2,994,445,635	7.52
	2016	171,969,153	2,587,146,675	6.65
	2017	117,685,842	2,540,411,247	4.63
STL	2015	117,564,540	2,977,370,517	3.95
	2016	87,742,152	4,123,014,573	2.13
	2017	78,548,846	3,975,248,739	1.98
JMFL	2015	57,800,157	2,522,840,505	2.29
	2016	40,287,089	3,167,901,596	1.27
	2017	10,371,859	3,433,029,643	0.30

### Return on Investment (%)

	Year	Net Profit After tax	Total Assets	Return on Investment (%)
MSML	2015	225,196,724	6,942,375,040	3.24
	2016	171,969,153	6,825,321,255	2.52
	2017	117,685,842	6,403,381,564	1.84
STL	2015	117,564,540	5,890,542,015	2.00
	2016	87,742,152	6,429,028,293	1.36
	2017	78,548,846	6,195,665,769	1.27
JMFL	2015	57,800,157	2,835,576,493	2.04
	2016	40,287,089	2,974,837,458	1.35
	2017	10,371,859	3,224,149,879	0.32

## Return on Assets (ROA) (%)

	Year	Net Profit After tax	Non-Current Liabilities	Shareholder's Equity	Total Capital Employed	Return on Assets (ROA) (%)
MSML	2015	225,196,724	337,871,806	5,387,791,055	5,725,662,861	3.93
	2016	171,969,153	289,587,183	5,327,440,209	5,617,027,392	3.06
	2017	117,685,842	290,537,188	5,251,526,050	5,542,063,238	2.12
STL	2015	117,564,540	1,278,805,423	2,550,654,915	3,829,460,338	3.07
	2016	87,742,152	1,100,095,917	2,638,397,067	3,738,492,984	2.35
	2017	78,548,846	989,965,762	2,716,855,553	3,706,821,315	2.12
JMFL	2015	57,800,157	896,237,987	796,929,075	1,693,167,062	3.41
	2016	40,287,089	656,951,345	837,216,164	1,494,167,509	2.70
	2017	10,371,859	471,311,910	847,588,023	1,318,899,933	0.79

## 1. Return on Equity (%)

	Year	Net Profit After tax	Shareholder's Equity	Return on Equity (%)
MSML	2015	225,196,724	5,387,791,055	4.18
	2016	171,969,153	5,327,440,209	3.23
	2017	117,685,842	5,251,526,050	2.24
STL	2015	117,564,540	2,550,654,915	4.61
	2016	87,742,152	2,638,397,067	3.33
	2017	78,548,846	2,716,855,553	2.89
JMFL	2015	57,800,157	796,929,075	7.25
	2016	40,287,089	837,216,164	4.81
	2017	10,371,859	847,588,023	1.22