



**PROJECT REPORT ON
FINANCIAL STATEMENT
ANALYSIS OF
GRAMEENPHONE LTD.**

GO BEYOND



United International University
QUEST FOR EXCELLENCE

Project Report on:

Financial Statement Analysis of Grameenphone Limited

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Firstly, I want to thank The Almighty Allah, The Most Gracious and The Most Merciful for His abundant blessings and wisdom. Then I want to take this scope to convey my most profound thankfulness to each one of the individuals who gave me the information, helping hand to finalize this report. A special gratitude to Mr. Md. Abdullah Babu Sir, Assistant Professor, School of Business & Economics, United International University, for giving me a fantastic guideline for the Project report throughout several consultations as my supervisor. The continuous discussion between me and my supervisor has let me to put a heartfelt effort to produce this report. I also thank them who helped me regarding the collection of information on telecommunication sector in Bangladesh especially in Grameenphone Ltd. Finally, I want to pay my gratitude to each and every individual for their assistance indirectly to finish my report.

LETTER OF TRANSMITTAL

15th of Dec. 2020

To

Abdullah Babu

School of Business & Economics (SoBE)

United International University

Dhaka-1209

Subject: Submission of Project Report on Financial Statement Analysis of Grameenphone Limited.

Dear Sir,

I am delighted to present my Project Report labelled Financial Statement Analysis of Grameenphone Limited to you, my supervisor for Project as assigned by the university authority. I have given my absolute best to form this report with necessary details, figures and suggested proposition. In writing this Project Report, I have followed the instructions that you have given to me. I have defied my core competencies, strategies at a different level. The contents provided in this report all are I collected from Grameenphone, though, some of the information and references have been taken from different sources to facilitate my Project Report. I attempted all possible steps to complete the report in due time and I wholeheartedly desire that this report will meet the expectations. However, I will be glad to clarify any discrepancy that may arise.

My honest effort was put into giving this report a neat shape to make it as revealing and detailed as possible. If you face any problem to read any part of my report or need any assistance, feel free to contact me (Email: aalansari162094@bba.uiu.ac.bd, Cell no. 01747975222).

Thanking you

Yours sincerely,

Abu Talha Al-Ansari

111162094

DECLARATION

I, Abu Talha Al-Ansari, a student of Bachelor of Business Administration in Accounting (BBA), bearing ID: 111 162 094, would like to reveal that this report titled Financial Statement Analysis of Grameenphone Ltd. is an original, authentic work carried out by me while doing Project Report for the summer trimester'20, in Telecommunication sector of Bangladesh under the guidance of Mr. Md. Abdullah Babu Sir, Assistant Professor, School of Business & Economics, United International University.

The report is mainly prepared for the final requirement for the privilege of the degree BBA in Accounting. I further express that this work have not been or won't be submitted to some other institute, university for some other degrees or to any other newspapers, journals etc. but only will be submitted to United International University as a segment of the Project report course.

TABLE OF CONTENTS

CONTENTS

Acknowledgement.....	ii
Letter of Transmittal.....	iii
Declaration.....	iv
List of Table.....	ix
List of Figures.....	ix
Abstract.....	xi
Acronyms.....	xii
CHAPTER 1: INTRODUCTION.....	1
1.1 Objectives of the Report.....	2
1.2 Rational of the Report.....	3
1.3 Scope of the Report.....	3
1.4 Limitations of the Repot.....	4
CHAPTER 2: LITERATURE REVIEW.....	5
CHAPTER 3: METHODOLOGY.....	14
3.1 Data Type.....	15
3.2 Research Type.....	16
3.3 Data Collection.....	16
3.4 Data Sampling.....	16
3.5 Data Analysis Tools.....	17
3.6 Data Presentation.....	17

CHAPTER 4: ORGANIZATIONAL OVERVIEW.....	18
4.1 Grameenphone Profile.....	19
4.2 Vision.....	20
4.3 Mission.....	20
4.4 Core Value.....	20
4.5 Strategy Pillars.....	21
4.6 Brand Promise.....	21
4.7 Breakthrough in the Journey of the Grameenphone Ltd.....	22
4.8 Organizational Structure.....	23
4.9 Products and Services.....	24
4.10 Corporate Information.....	25
4.11 SWOT Analysis.....	26
CHAPTER 5: FINDINGS AND ANALYSIS.....	28
5.1 Vertical Analysis.....	29
5.1.2 Vertical Analysis of Balance Sheet.....	30
5.1.3 Vertical Analysis of Statement of Profit And Loss.....	35
5.1.4 Interpretation of Vertical Analysis.....	38
5.2 Ratio Analysis.....	41
5.2.1 Liquidity Ratio.....	45
5.2.1.1 Current Ratio.....	45
5.2.1.2 Quick Ratio.....	46
5.2.1.3 Cash Ratio.....	47

5.2.2 Leverage.....	48
5.2.2.1 Debt Ratio.....	48
5.2.2.2 Debt to Capital Ratio.....	49
5.2.2.3 Debt-Equity Ratio.....	50
5.2.2.4 Debt Service Coverage Ratio.....	51
5.2.2.5 Debt to Asset Ratio.....	52
5.2.2.6 Fixed Asset to Equity Ratio.....	53
5.2.2.7 Equity Ratio.....	54
5.2.2.8 Equity Multiplier.....	55
5.2.3 Profitability Ratio.....	56
5.2.3.1 Net Profit Margin.....	56
5.2.3.2 Operating Expense.....	57
5.2.3.3 Return on Asset.....	58
5.2.3.4 Return on Equity.....	59
5.2.3.5 Operating Profit Margin.....	60
5.2.4 Market Prospect.....	61
5.2.4.1 Earnings per Share.....	61
5.2.4.2 Net Asset Value per Share.....	62
5.2.4.4 Dividend Yielding.....	63
5.2.4.5 Dividend Payout Ratio.....	64
5.2.4.6 Operating Cash Flow per Share.....	65

5.2.5 Efficiency Ratio.....	66
5.2.5.1 Total Asset Turnover Ratio.....	66
5.2.5.2 Fixed Asset Turnover Ratio.....	67
<i>CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS.....</i>	68
6.1 Conclusions.....	69
6.2 Recommendation.....	70
<i>CHAPTER 7: APPENDIX.....</i>	72
7.1 Raw Data.....	73
<i>CHAPTER 8 REFERENCE.....</i>	74

LIST OF TABLES

Tables	Name of Tables	Page no.
Table 1:	List of Acronyms	xii
Table 2:	Results of various ratio	44
Table 3:	Data to calculate various ratios	73

LIST OF FIGURES

Tables	Name of Tables	Page no.
Figure 1:	Types of Objectives	2
Figure 2:	Types of Analysis	9
Figure 3:	Types of Data	15
Figure 4:	Organizational Structure	23
Figure 5:	List of Products & Services	24
Figure 6:	SWOT Analysis	26
Figure 7:	Types of Ratio Analysis	40
Figure 8:	Current Ratio	44
Figure 9:	Quick Ratio	45
Figure 10:	Cash Ratio	46
Figure 11:	Debt Ratio	47
Figure 12:	Debt to Capital Ratio	48

Figure 13:	Debt-Equity Ratio	49
Figure 14:	Debt Service Coverage Ratio	50
Figure 15:	Debt to Asset Ratio	51
Figure 16:	Fixed Asset-Equity Ratio	52
Figure 17:	Equity Ratio	53
Figure 18:	Equity Multiplier	54
Figure 19:	Net Profit Margin	55
Figure 20:	Operating Expense	56
Figure 21:	Return on Asset	57
Figure 22:	Return on Equity	58
Figure 23:	Operating Profit Margin	59
Figure 24:	Earnings Per Share	60
Figure 25:	Net Asset Value Per Share	61
Figure 26:	Operating Cash Flow Per share	62
Figure 27:	Dividend Yielding	63
Figure 28:	Dividend Payout	64
Figure 29:	Total Asset Turnover	65
Figure 30:	Fixed Asset Turnover	66

ABSTRACT

As the direction of my supervisor, the main purposes of doing the project report are to reveal and disclose the financial health and performance of Grameenphone Ltd. by the support of vertical analysis and twenty-three different types of ratios for the five years period of 2015 to 2019. A report has must there some objectives and during the time of preparing this report has scopes and limitations also.

Literature review of this report where it describes what the financial statement analysis is, and narrates here what the researcher are conceived about it with their quotations. Types of Financial Statements Analysis and in which way and when it should be used by how much data it needed to conduct analysis also narrates here. The Overview of Organization also discusses broadly, describing Grameenphone Ltd.'s profile, visions, missions, organizational journey, etc. as requires for the study.

The most important and main part of the study is the Findings and Analysis, where describes extensively about Grameenphone Ltd.'s financial health and financial performances with both numerical and graphical figures which aid to achieve a deep and direct understanding of financial statements.

At the end, where it reviewed how much Grameenphone Ltd. was fulfill their management, shareholders, and customers' expectations and make the conclusions with emphasis on, in which area they need to further develop and implement immediate improvement.

Key words: Financial Statement Analysis, Vertical Analysis, Ratio Analysis, Financial Statement.

ACRONYMS

Acronyms	Definitions
BBA	Bachelor of Business Administration
BDT	Bangladeshi Taka
CFPS	Operating Cash Flow Per Share
DSCR	Debt Service Coverage Ratio
EPS	Earnings Per Share
FAT	Fixed Asset Turnover Ratio
GP	Grameenphone
HRM	Human Rights Management
NAVPS	Net Asset Value Per Share
PBT	Profit Before Tax
ROA	Return on Asset
ROE	Return on Equity
SOBE	School of Business and Economics
SWOT	Strengths, Weakness, Opportunities, Threats

Table 1: List of Acronyms

CHAPTER 1: INTRODUCTION

- *The Objective of the Report*
- *Rational of the Report*
- *Scope of the Report*
- *Limitations of the Report*

INTRODUCTION

1.1 THE OBJECTIVE OF THE REPORT

To become meaningful research, objectives need to be there. Describing the purpose of research generally, there are two types of objectives. Following bellow, the two objectives which are being in my research work.

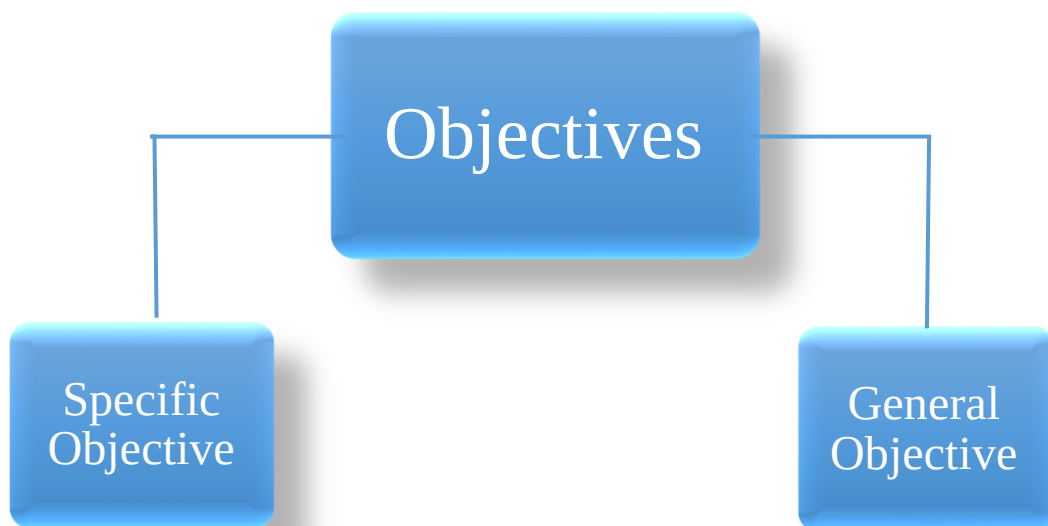


Figure 1: Types of Objectives

- **Specific objective:** Specific or broad objective explain as the main objective of research work. It is also called a primary objective. To submit the report to my supervisor which is the final requirement to achieve the BBA degree in accounting.
- **General objectives:** General objectives explain the broad view of a research work. Another name for the general objective is the secondary objective. I discussed here in the research work details review on financial statements of Grameenphone Ltd as the general objective.

1.2 RATIONAL OF THE REPORT

Why I am doing the research work? Because the research study is obligatory as a project report submit to my honorable supervisor which is essential and last criteria to obtain Bachelor of Business Administration degree in Accounting will be given by my university after finished the research work. As because of the COVID-19 pandemic situation, I have chosen the research work instead of internship where I got the opportunity to achieve deep knowledge on specific topics. At the beginning of summer'20 trimester my honorable supervisor instructed me to prepare a deep review of financial statements on telecommunications companies in Bangladesh, I chose Grameenphone as it is a telecom giant in the Bangladeshi telecom sector, and among these companies, only Grameenphone has the all available data that can enable my research work ahead. During the research work by conducting the analysis of the financial statements that help me a lot to gain a deep understanding of GP's financial health and how they doing in their decision-making process. Whether there need to bring any changes in their accounting tools or decisions and if they need any changes then how and in which way they should implement the tools effectively.

1.3 SCOPE OF THE REPORT

Here I mentioned below the reasons which describe the scope of the research work.

- This project report help e to achieve broader and deep knowledge of research work.
- I used several types of accounting tools what enables me to know them properly.
- Conducting a research work isn't an easy task, it encourages me to go ahead to the next level with broader research work in the future to obtain a qualified degree in accounting.

- During the research work, I have to collect and manage a large amount of information and need to conduct various calculations for reviewing the financial statement that leads me to couple up with a difficult situation.
- Various financial statement analyses reveal the financial health and give me the direction on how to fix up any of their worst situations.

1.4 LIMITATIONS OF THE REPORT

Though, in research work, we try to find out the answer to questions what the purposes and why and how happened but there some obstacles we have to face that is undeniable because of the restrain on research methodology. This present limitations aren't for undermining the research work rather than it is for a thoroughly understanding of my research topic.

- As a student, I have the deadline to submit the report but need more time to make more perfect the research work.
- According to my supervisor's instructions, the topic is on the Bangladeshi telecommunication sector but unfortunately, data insufficiency only allows me to conduct the research work on Grameenphone although more companies are there in this sector.
- However, I got the chance to make an email interview with a familiar official but the company policies are their limits to disclose more information on GP beyond the annual financial report.
- In order to prepare a research work need to gather and manage huge knowledge, several journals, articles, and reports but the irony is that these sources only can help to formulate a unique research work but data cannot directly derive from these sources.

Chapter 2: LITERATURE REVIEW

- *Horizontal Analysis*
- *Vertical Analysis*
- *Ratio Analysis*

LITERATURE REVIEW

Financial Statement Analysis

Financial statement analysis is the process of using financial and analytical tools to explore and comparison with the financial statement for the purpose of making business decisions. We can assume that financial Statement analysis is paving the way for creditors and investors to inquire about financial statements and observe whether the business is sufficiently fair to spent on it or give loans.

“Financial Statement Analysis is largely a study of the relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trend of these factors as shown in a series of statements” **(John N. Meyer 2009)**.

According to **Metcalf and Titard**, “Financial Statement Analysis is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm’s position and performance”.

Financial Statements Analysis is useful in revealing the salient features and highlight significant aspects of financial position, operational results, and also helps in identifying the strengths and weaknesses of a business **(Nuhu, 2014)**.

Financial Statements Analysis can be defined as the breaking down, interpreting, and translating the data contained in financial statements to provide useful information to the future potentials of various stakeholders. Financial Statements Analysis is to find the trends and changes in the performance of the company and alert the investors **(Choate, 1974)**.

Financial Statement Analysis is the process of determining the significant operating and financial characteristics of a firm accounting data and financial statements **(Hamptons, 2003)**.

(Laitinen, 2002), the tools and techniques of financial statement analysis include common size, comparative, trend, and ratio analysis, Out of these four common techniques of financial statements analysis, ratio are the most powerful tool to interpret the financial statements.

Financial Statement Analysis helps to detect the earning manipulation, although the strong roots of the accounting process in the analysis of financial statements still the accountant or auditor is not able to control the manipulations in full extent **(Bhavani et al., 2018)**.

Financial Statement Analysis simply means a declaration of what is believed to be true and which, communicated in terms of the monetary unit. It describes certain attributes of a company that is considered to fairly represent its financial activities. **Meigns et al (2001)**.

According to **Meigs and Meigs (2003)**, Financial Statement Analysis is to determine the company's performance and the soundness and liquidity of its financial position.

Doron Nissim and Stephen H Penman (1999) in his research article on the financial performance he has pointed that this paper outlines a financial statement analysis for use in equity valuation. Standard profitability analysis is incorporated, and extended, and is complemented with an analysis of growth. The perspective is one of the forecasting payoffs to equities. So financial statement analysis is presented first as a matter of performance analysis of the future, with forecasted ratios viewed as building blocks of forecasts of payoffs.

Kennedy and Muller (1999) stated that "The analysis and interpretation of financial statements reveal each and every aspect regarding the well-being financial soundness, operational efficiency, and creditworthiness of the concern concerned".

According to **Lev-** "Financial Statement Analysis is largely a study of the relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trend of these factors as shown in a series of statements".

John J. Wild, K.R. Subramanian, and Robert F. Halsey (2006), “The financial statement analysis is the application of analytical tools and techniques to general-purpose financial statements and related data to derive estimates and inferences useful in business analysis”.

I.M. Pandey (2007), “The financial Statement contains information about the financial consequences and sources and uses of the financial condition of a firm is good or bad; whether it is improving or deteriorating”.

Susan Ward (2008), emphasis that financial statement analysis using ratios between key values help investors cope with the massive amount of numbers in company financial statements, compute the percentage of net profit a company is generating on the funds it has displayed, all other things remaining the same, a company that earn a higher percentage of Profit compared to other companies is a better investment option.

Rachchh Minaxi A (2001), “The Financial Statement Analysis is the process of evaluating the relationship between component parts of the financial statements to obtain a better understanding of an entity’s position and performance”.

“Financial Statement Analysis is the process of examining relationships among financial statement elements and making comparisons with relevant information and it is a tool in decision-making processes related to stocks, bonds, and other financial instruments”. **Priyaaks (Mar. 2012)**.

During the Financial Statement Analysis need to collect raw financial information gain from the financial statement and it can be made as useable information that will be applied to take judgment or conclusion. Every three of these mechanisms provide more knowledge to the decision-makers that how well doing the company. In Financial Statement we can find out the relationship among the relative information. It is mainly about arranging past information to predict the future plan and performance of a company. Important information in the Financial Statement help to interpret the result and decision-maker by analyzing the financial statement.

Many inside and outside groups of users are there of Financial Statement Analysis. Such as Creditors, Regulatory authorities, Owner, Management, Investors, General public, Media, Customers.

Business decisions are taken on the principles of any common calculations of the result of as judgment. **According to Meigs and Meigs (2003)**, the purpose of financial statement analysis is to provide information about a business unit for decision making purpose and such information need not be limited to accounting data. The outcome of ratios that are based on past performance helpful in guessing future revenue and financial health of an entity. We have to cautious about the innate limitations of every data.

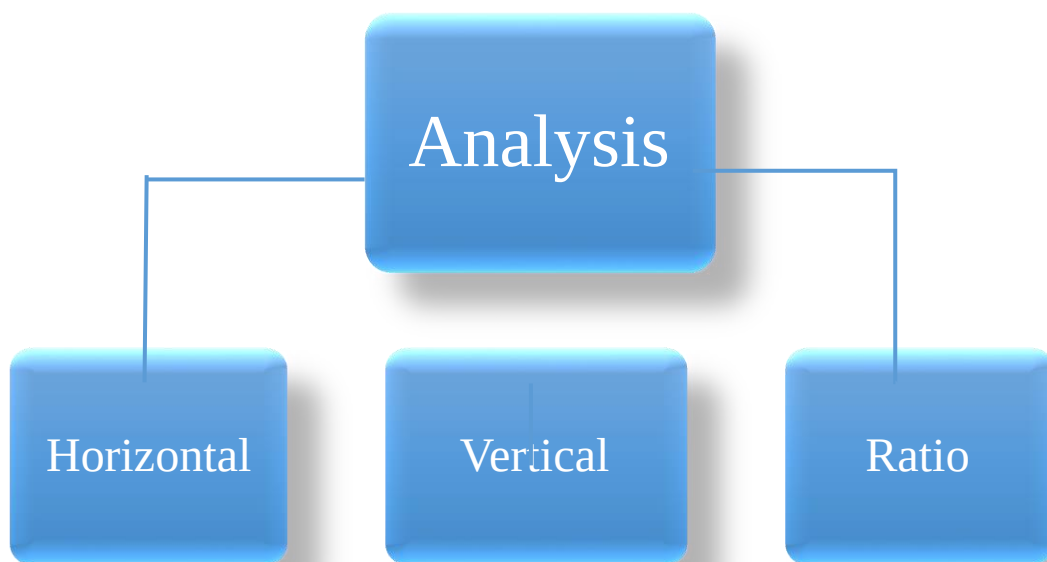


Figure 2: Types of Analysis

Experts want to enquire both qualitative and quantitative information because of calculating the efficiency of revenue and assets. In a fiscal year when failures are often in business, their importance of the balance sheet will increase but when the business is in good condition then the importance of the income statement will increase. Two main systems of analyzing financial statements. The first method includes Horizontal analysis and Vertical analysis. The second method is mainly using many kinds of Ratios.

Horizontal Analysis

A Financial Statement Analysis technique is Horizontal analysis in which displays any variations occur among the figures of similar financial statements items in a fiscal year. Horizontal analysis is an important instrument to assess the current condition of a firm. Two or more periods of the statements are usually need in horizontal analysis. According to **David L. Scott (2003)**, Comparison of financial statements or specific items in a financial statement that covers two or more period.

Campbell R. Harvey (2012) said, the process of dividing each expense item of a given year by the same expense item in the base year. It allows assessment of changes in the relative importance of expense items over time and the behavior of expense items as sales change.

In fundamental analysis, the comparison of a financial ratio or some other benchmark to the same ratio or benchmark for a different period of time. For example, horizontal analysis may investigate whether a company's earnings have gone up or down over a given quarter or year. Horizontal analysis may be used in making investment decisions to determine a company's financial health. In general, a horizontal analyst chooses a timeframe to match the timeframe of a possible investment, From, **Farlex Financial Dictionary (2012)**.

How Horizontal analysis is used?

The very earlier fiscal year is normally used as the basis year and the ingredients of the financial statements which are all past year compared with the ingredients of the financial statements of the basis year. In Financial Statement, Horizontal analysis may be implemented on anything of the ingredients of the statements of cash flows, balance sheet, and income statements. As like, Horizontal analysis may be implemented on equity and liabilities, revenue, expenses, cost of sales, assets, and cash. These analysis also be implemented on ratios like earning per share (EPS), dividend payout, price-earnings ratio, and other similar ratios.

At the time of implementing a horizontal analysis, the useful system is that to implement the analysis for every financial statements in a similar time period, which will help us to judge the entire consequences of operational results of a firm's financial position in a fiscal year.

Vertical Analysis

Vertical analysis is no more than just proportional analysis of a financial statement, in where each line component of a financial statement is considered as what percentage of other components. Differently, in financial statements, this analysis is an accounting tool that indicates the perfection of proportion analysis.

According to **Campbell R. Harvey (2012)**, dividing each expense item in the income statement of a given year by net sales to identify expense items that rise more quickly or more slowly than a charge in sales.

From **Farlex Financial Dictionary (2012)**, on a balance sheet, a means of calculating assets, liabilities, and equities in which each intake or outlay is represented as a percentage of each group. For example, suppose a company has three liabilities: a debt to the bank, a bond issue, and salaries to employees. The vertical analysis would record each of these on a balance sheet as a percentage of the total amount the company carries in liabilities.

The comparison of an item on a financial statement with a different item on the same statement. For example, an analyst may study a firm's balance sheet to compare the level of current assets with the level current liabilities in order to measure liquidity. Analyst often study a firm's income statement to compare net income with total sales, by **David L. Scott (2003)**.

When did Vertical Analysis need to use?

Vertical analysis is very much usually applied within Financial Statement for only a fiscal year. Vertical analysis is done by the accountants where they can evaluate the relative proportions of the value of every account. At the time of drawing a regression analysis or a trend ratio analysis. It allows every accountant to know the details of any rational changes in any type of company's account in a fiscal year. On a relative basis, this analysis is particularly advantageous.

Ratio Analysis

Ratio analysis which is a method of evaluating and comparing financial data by calculation of sensible statement number percentage for comparing each components from every financial statement. Ratio analysis indicates to the explanation and analysis of each figure in the financial statement. It is a method of comparing one figure to another figure.

Hornby A.S. et al (2002) define ratio as a “relation between two amount determined by the number of times one contains the other”.

Another author, **Pandey (2005)** defines ratio as “the indicated quotient of two mathematical expressions and as the relation between two or more things”.

Also, the most commonly and popularly implemented analysis is ratio analysis among the accountants. A ratio may significant to us for discovering the situations and difficulties which unroll by inspecting each figure creating a ratio.

What does ratio analysis mean?

To determine the financial condition of companies which is anatomizing and assess the recent and past financial statements by the several accountants, analysts and investors with implemented the ratio analysis. How a company is running in a fiscal year and what will be the future performance can clarify by relative information.

This relative information will help to compare a company's financial condition compare within the industry. If there needed to calculate a ratio that can found on its financial statement by investors.

Though Financial Statement Analysis is a useful mechanism but there some reasons to be cautious which can harm the interpretation of the whole analysis system. This could be Comparability within periods, Comparability among companies, and Absence of operational data.

What about Financial Statement Analysis in a summary? Actually, Financial Statement Analysis examines the strength and weakness of a company by developing an exact relationship within its elements. It measures the health of a company. The main purposes of Financial Statement Analysis are to measure a firm's policies and its operations in monetary terms.

CHAPTER 3: METHODOLOGY

- *Data Type*
- *Research Type*
- *Data Collection*
- *Sampling*
- *Data Analysis Tool*
- *Data Presentation*

METHODOLOGY

3.1 DATA TYPE

At the time of preparing this report, there were three varieties of data were actually used which are Primary Data, Secondary Data, and Mixed Method.

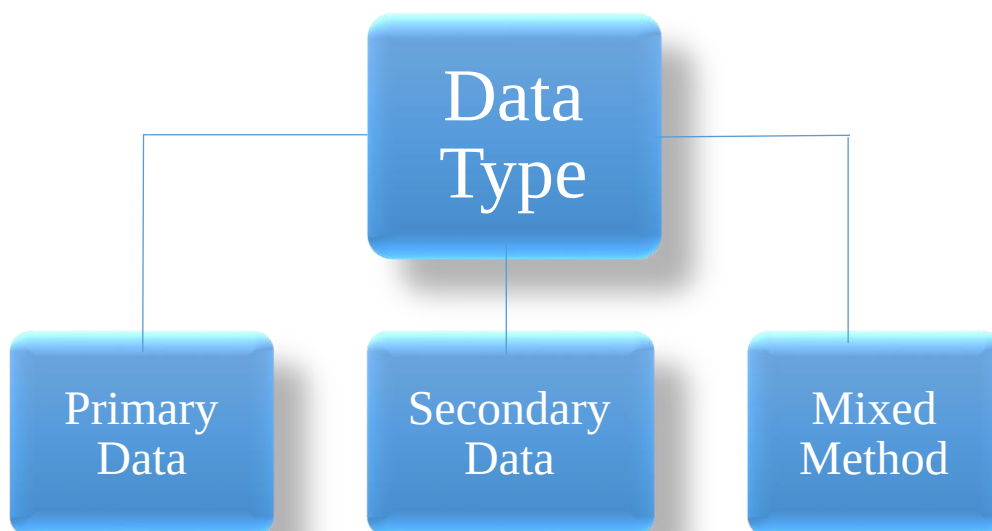


Figure 3: Types of Data

- **Primary Data:** There was limited scope to do some interview with any of the employees of Grameenphone due to the pandemic situation, but, fortunately there I have a senior brother in the Finance department of Grameenphone who always helped me to provide vital information to find out which Financial Statement Analysis process GP use to prepare their Financial Statements via email.
- **Secondary Data:** Secondary data which already exist in various systematic forms as an annual financial report, website of Grameenphone, Journals, research papers, several reports, and various useful links within the internet.

- **Mix method:** Both qualitative and quantitative methods are there in this process. For preparing the report I followed and used both methods of them as words and numbers.

3.2 RESEARCH TYPE

Research types actually vary into six types that can be needed at the time of preparing a report. According to the research nature in this report, I had only used one type of research and that only with which is descriptive method.

- **Descriptive method:** The method can be explained as a description of features of the sample with giving more attention on ‘what’ instead of search ‘how’ of research objects, following I only collected and gathered raw data of my analysis from the annual financial report of Grameenphone where no change or no attempt of manipulation happened with any information of ratio analysis.

3.3 DATA COLLECTION

In various ways I have collected several data to prepare the report as discussion, annual financial report, website a Grameenphone, journals, research papers, report publications, various useful links within the internet.

3.4 SAMPLING

Sampling Size:

- Five years of annual financial report from 2015 to 2109 where I scrutinized every part and note of financial statements to prepare the report.

- Due to the pandemic situation there lack of chance to take any interview of employees directly, I contacted with a senior brother via email who is in the Finance department of Grameenphone direct me by providing vital information to find out which ratios GP generally uses to know their financial view.

Sampling Technique and Procedure: The two main types of sampling technique are there but the nature of research in this report only allows me to use that was Non-Probability sampling method.

- **Non-Probability Sampling method:** Non-Probability sampling method defines as the process of collecting sample rely on subjective judgment instead of fact of samples in where every individual sample couldn't get an equal opportunity to participate. During the time of preparing the report, I had not to get a response from any officials of Grameenphone by their official mail but I got the chance to make an interview with a senior brother who is an employee of GP's finance department.

3.5 DATA ANALYSIS TOOL

In this report, Microsoft Office Word and Microsoft Office Excel were used as the data analysis tools.

3.6 DATA PRESENTATION

Due to the pandemic situation there no scope to present the report format in hard copy, instead of hard copy the report will present in pdf format of soft copy through email.

CHAPTER 4: ORGANIZATIONAL OVERVIEW

- ***Grameenphone Profile***
- ***Vision***
- ***Mission***
- ***Core Value***
- ***Strategy Pillars***
- ***Brand Promise***
- ***Breakthrough in the Journey of Grameenphone Ltd.***
- ***Organizational structure***
- ***Products and Services***
- ***Corporate Information***
- ***SWOT Analysis***

ORGANIZATIONAL OVERVIEW

4.1 GRAMEENPHONE PROFILE

The biggest telecommunication service operator in Bangladesh is Grameenphone Ltd. which got the license for its operation in 10th 1996 as a private ltd. company and inaugurated their services on Independence Day at 26th March 1997. Grameenphone became a public ltd. the company on 25th June 2007 but listed in both stock exchanges in 2009. After 22 years of its successful journey, GP has almost 73 million mobile subscribers according to the BTRC. Grameenphone has its customer across the nation both in rural and urban areas and still dominate the market with 46.38% market shares in the industry. Since its inception, Grameenphone took the policies to serve the mass



population and to reach the rural areas with an affordable price where their mobile phone once treated like an expensive gadget for rich people. As of Dec. 2017, it has 99% network coverage 2G services, and more than 92% of areas are cover with high speed 3G mobile network. Grameenphone also got the license of 4G/LTE ultra-high-speed mobile network service on 19th February 2018. As it is a joint venture company, the two major shareholders are Telenor Mobile Communication AS has 55.80% and Grameen Telecom has 34.20% and remains 10% were distributed among several organizations and the general public.

4.2 VISION

Grameenphone claim “Empower Societies” as their vision. In detail, they try to contribute digital communication for all with significant improvement in their lives which leads to the development in societies that enables and unlocks an excellent future for everyone.

4.3 MISSION

“We are here to help our customers” defined as the Grameenphone mission. They came here to facilitate the connection among peoples by providing their telecommunication platform with full of benefits. GP wants to make their services more available in anywhere and anytime as per customer's need.

4.4 CORE VALUE

- **Make it easy:** Grameenphone intends to make its products and services more user-friendly.
- **Keep promise:** Not only do they deliver the promise but also GP is always concerned with the implementation of what they promised.
- **Be inspiring:** GP emphasis on creativity. What they produce should be unique within the market that's why Grameenphone always encourages free imagination.
- **Be respectful:** Bangladesh is a country with a strong local culture and social bonding that's why Grameenphone always respects the specific need of local communities.

4.5 STRATEGY PILLARS

Grameenphone has a large investment in technologies which could help to bring the mind and imagination together. It aims to connect people always.

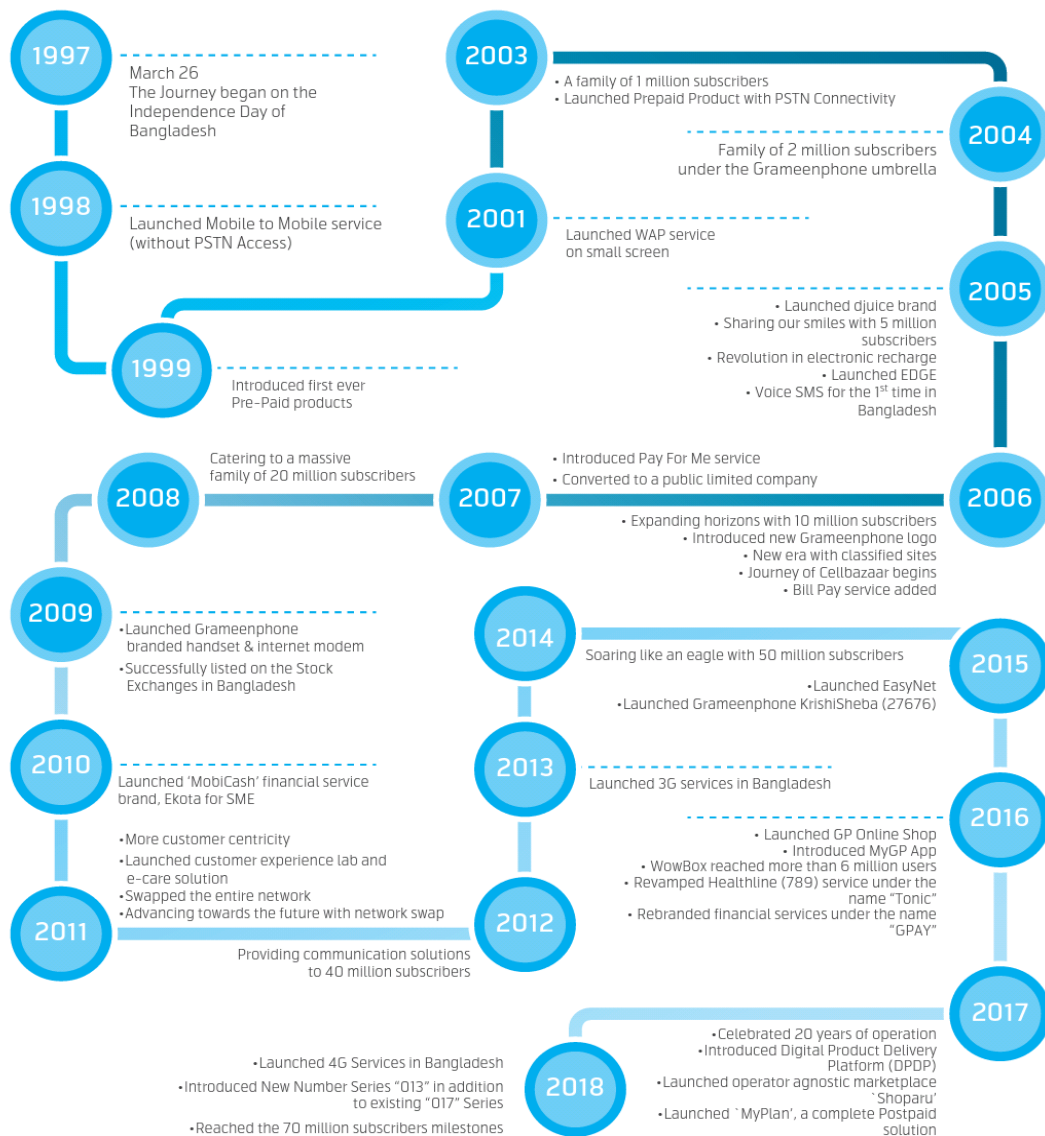
- **Growth:** Since the establishment of Grameenphone always try to emphasize on build network superiority that's why GP has almost 99% network coverage across the country. Now they started a vast amount of investment in future networks as 4G and 5G.
- **Efficiency and simplification:** By delivering various types of user-friendly digital tools that will help to reduce the complexity of connecting each other and it also intensifies the customer experience and facilitates more personalization.
- **Responsible business:** Grameenphone was established in 1997 with the idea of empowering rural areas people to facilitate social and economic development. GP also participates with the United Nations Sustainable Development goal for bringing equalities among the Bangladeshis.
- **Winning team:** Grameenphone believes that employees are the key tools of their success and operations. They have the policies to keep the employees became happy to bring more effort and creativity.

4.6 BRAND PROMISE

“Go Beyond”

4.7 BREAKTHROUGH OF THE JOURNEY OF GRAMEENPHONE

OUR JOURNEY



Our Journey

4.8 ORGANIZATIONAL ORGANOGRAM

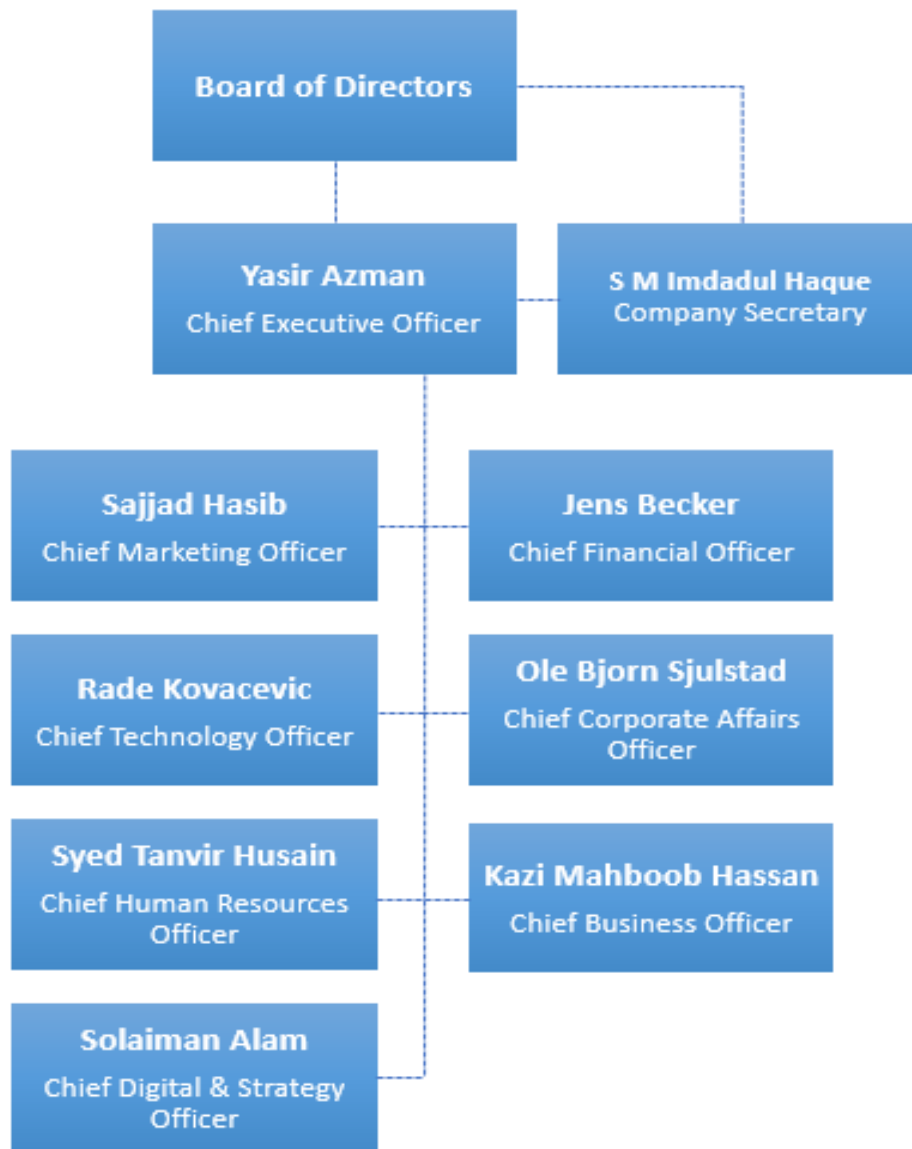
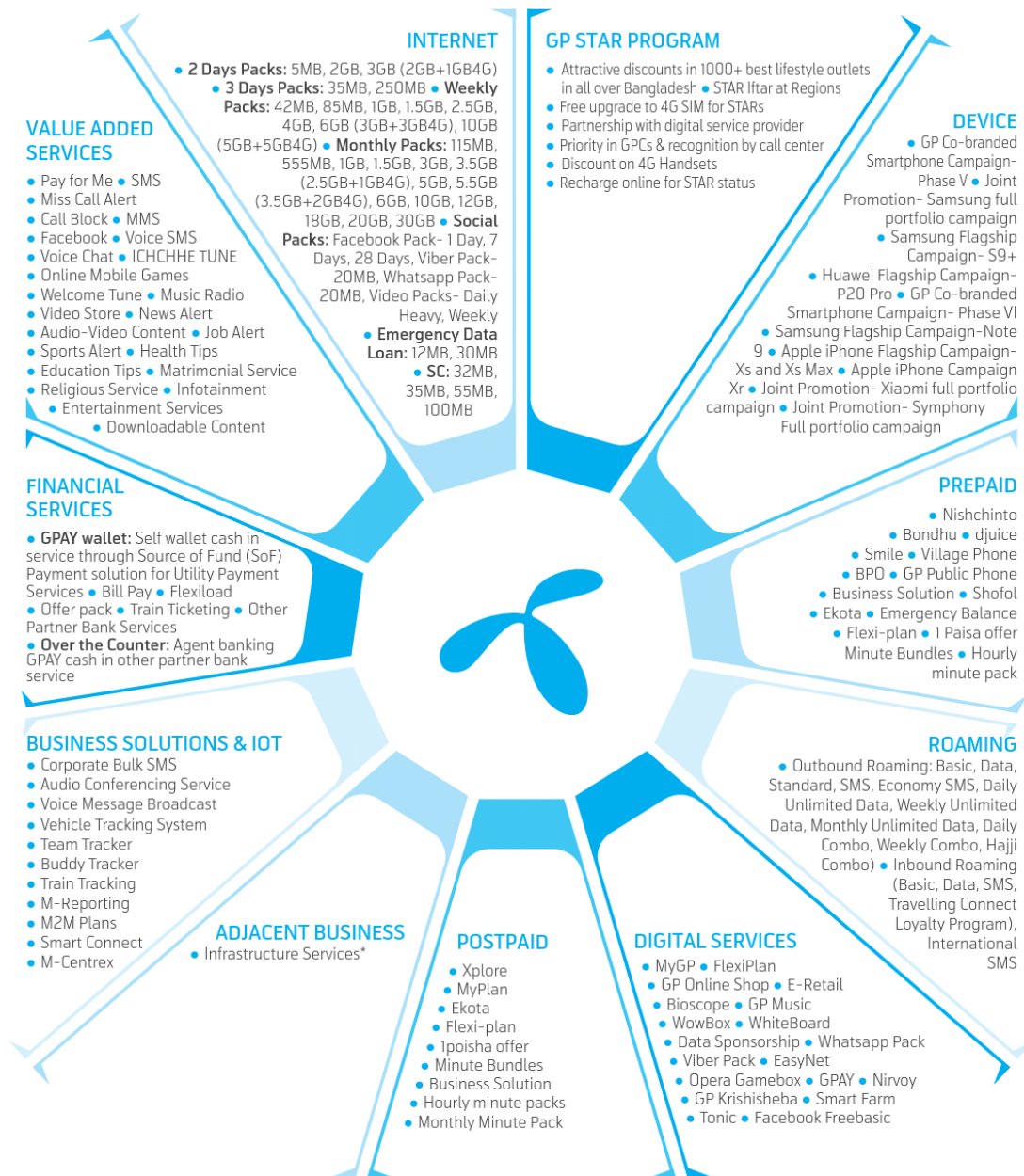


Figure 4: Organizational Structure

4.9 PRODUCTS AND SERVICES

PRODUCTS & SERVICES



*In compliance with BTRC guidelines, Grameenphone is sharing its passive infrastructure with other licences under 'Infrastructure Services'.

Products & Services

Figure 5: List of Products & Services

4.10 CORPORATE INFORMATION

CORPORATE INFORMATION

Company Name

Grameenphone Ltd.

Company Registration No.

C-31531 (652)/96

Legal Form

A public listed company with limited liability. Incorporated as a private limited company on October 10, 1996 and subsequently converted to a public limited company on June 25, 2007. Listed on the Dhaka and Chittagong Stock Exchanges on November 11, 2009.

Board of Directors

Chair

Petter Boerre Furberg

Directors

M Shahjahan

Md. Ashraful Hassan

Haakon Bruaset Kjoel

Parveen Mahmud

Oivind Burdal

Witold Sitek

Gunnar Johan Bertelsen

Independent Directors

Prof. (Dr.) Jamilur Reza Choudhury

Dr. Salehuddin Ahmed

Company Secretary

S M Imdadul Haque

Audit Committee

Dr. Salehuddin Ahmed (Chair)

M Shahjahan

Oivind Burdal

S M Imdadul Haque (Secretary)

Nomination and Remuneration Committee

Prof. (Dr.) Jamilur Reza Choudhury (Chair)

Haakon Bruaset Kjoel

Md. Ashraful Hassan

S M Imdadul Haque (Secretary)

Treasury Committee

M Shahjahan (Chair)

Pal Stette

Karl Erik Broten

S M Imdadul Haque (Secretary)

Health, Safety, Security & Environment Committee

Gunnar Johan Bertelsen (Chair)

M Shahjahan

Hasanur Rahman Rakib (Secretary)

Management Team

Michael Patrick Foley, Chief Executive Officer

Yasir Azman, Deputy CEO and Chief Marketing Officer

Karl Erik Broten, Chief Financial Officer

Rade Kovacevic, Chief Technology Officer

Syed Tanvir Husain, Chief Human Resources Officer

Ole Bjorn Sjulstad, Chief Corporate Affairs Officer

Mahmud Hossain, Chief Business Officer

Kazi Mahboob Hassan, Chief Strategy & Transformation Officer

Head of Internal Audit & Investigation

Hasan Faisal

Head of Ethics & Compliance

Ivan Georgiev Dimitrov

Statutory Auditors

A Qasem & Co

Chartered Accountants

Corporate Governance Compliance Auditors

ACNABIN

Chartered Accountants

Registered Office

GPHouse

Bashundhara, Baridhara

Dhaka-1229, Bangladesh

4.11 SWOT ANALYSIS

Strengths:

- 99% network coverage over the country.
- Big organization.
- Solid and variety in the distribution channel.
- The economy of scale.
- Got first-mover advantage.
- Countrywide customer-care facilities.
- Billing flexibility.
- High internet speed.
- Personalization in the various package.

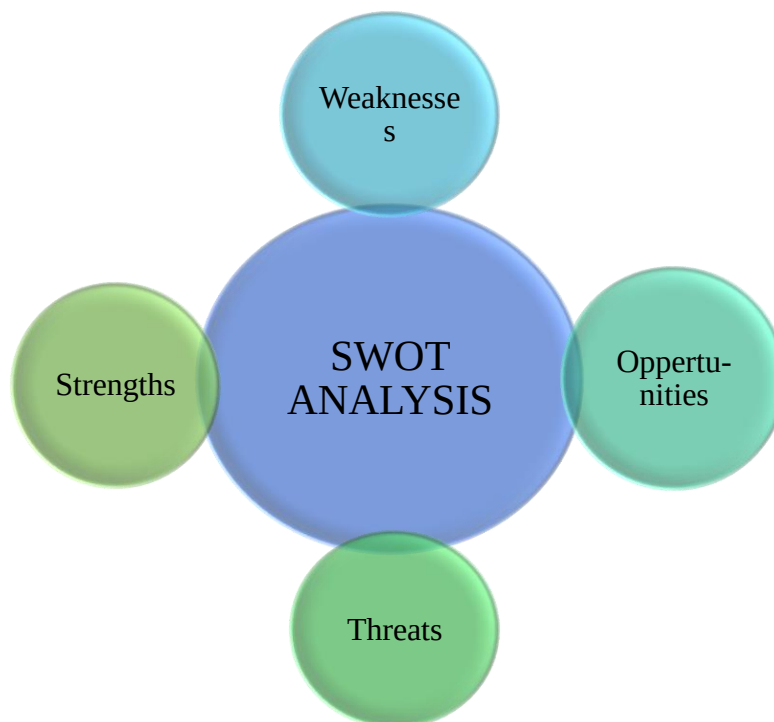


Figure 6: SWOT Analysis

Opportunities:

- Big market
- Continuous and rapid economic progress.
- Sharp digitalization in the social structure.
- Revolutionary changes in lifestyle.
- The huge amount of internet users.
- Increasing the number of social media users.
- Creativity in marketing.

Weakness:

- High call rate compares with other operators.
- The higher price of mobile data.
- Number of call drop most often.
- All offers aren't customer friendly.
- Least post-paid users.

Threats:

- GP has aggressive marketing policies.
- Well established competitors.
- Raised marketing expenditure.
- Because of more operators in the market what's raised the customers' bargaining power.
- Launching the Mobile Number Portability (MNP).
- The growing disagreement between Grameenphone and the Bangladeshi government.

CHAPTER 5: FINDINGS AND ANALYSIS

- *Vertical Analysis*
- *Ratio Analysis*
- *Liquidity Ratio*
- *Leverage Ratio*
- *Profitability Ratio*
- *Efficiency Ratio*
- *Market Ratio*
- *Cash Flows Ratio*

FINDING AND ANALYSIS

The core part of my research work is findings and analysis where I will explore and investigate the actual scenario of the financial health of Grameenphone Ltd. To analyze the financial statement there are generally three types of analysis. In my research work, I chose vertical and ratio analysis to accomplish the topic. The vertical analysis mainly focused on the comparison of the measurement of financial statements data line by line in percentage figure, because difference among the only big or small numbers of data isn't bearing any meaningful conclusion. It has also an advantage over horizontal analysis that by conducting the vertical analysis can easily identify the changes in a particular finance unit. Ratio analysis is the most used procedure to assess a firm's past performance in the financial market. It is also called the fundamental analysis process in financial statement analysis. I take vertical and ratio analysis for my financial statements assessment.

5.1 VERTICAL ANALYSIS

The most notable feature of implement vertical analysis of financial statements is that several types of companies' data can be compared in a proportional figure with the total asset or total liabilities or total sales where a company's original data can be in various sizes and comparison of this absolute data will not bring any productive results about their financial health and performance. By taking the various type of necessary data from GP's Balance sheet and Profit & loss statement within the period 2015 to 2019, I will conduct the analysis. Within two analyses now I am going to begin the vertical analysis first.

5.1.2 VERTICAL ANALYSIS OF BALANCE SHEET

Particulars			2015	2016	2017	2018	2019
I.	Assets						
(1)		Non-current assets					
	(a)	Property, plant and equipment	56.02	58.84	52.45	50.30	41.95
	(b)	Intangible assets	31	29.26	26.22	34.11	1.53
	(c)	Investment in associate	.54	-	-	-	-
	(d)	Right-of-use assets	-	-	-	-	39.01
	(e)	Contract cost	-	-	3.74	3.2	3.01
	(f)	Other non-current assets	3.44	3.52	2.87	2.75	.37
		Total non-current assets	91	91.62	85.28	90.36	85.88

(2)		Current assets					
	(a)	Inventories	.33	.43	.34	.16	.15
	(b)	Trade receivable and others	5.54	5.72	5.15	5.2	4.71

	(c)	Cash and cash equivalents	3.13	2.23	9.24	4.28	9.25
		Total current assets	9	8.38	14.72	9.64	14.12
Total Assets			100	100	100	100	100

II.	Equity and Liabilities						
(1)		Shareholder's equity					
	(a)	Share capital	10.19	10.35	10.04	9.73	9.07
	(b)	Share premium	5.92	6	5.83	5.65	5.27

	(c)	Capital reserve	.01	.01	.01	.01	.009
	(d)	Deposit from shareholder	.001	.001	.001	.001	.001
	(e)	Retained earnings	7	9.36	9.45	11.16	11.42
		Total equity	23.12	25.72	25.33	26.55	25.77
(2)		Non-current liabilities					
	(a)	Lease liabilities	3.93	3.9	3.67	3.4	9.06
	(b)	Loans and borrowings	14.32	10.39	6.35	2.08	-
	(c)	Deferred tax liabilities	5.97	6.31	5.75	4.35	3.50

	(d)	Employee benefits	1.09	1.02	.32	1.15	.63
	(e)	Other non-current liabilities	.51	.48	.31	2.65	.22
		Total non-current liabilities	25.82	22.1	16.4	13.63	13.41

(3)		Current liabilities					
	(a)	Trade payables and others	17	19.44	18.02	19.03	15.25
	(b)	Provisions	10.63	10.93	14.16	14	12.67
	(c)	Lease liabilities	-	-	-	-	4.94
	(d)	Loans and borrowings	7.53	6.21	4.23	4.15	1.97
	(e)	Current tax liabilities	14.94	14.52	19.64	20.6	18.92
	(f)	Other current liabilities	.91	1.07	2.19	2.03	7.05

		Total current liabilities	51.01	52.17	58.24	59.81	60.8
		Total liabilities	76.83	74.27	74.64	73.44	74.21
		Total Equity and Liabilities	100	100	100	100	100

5.1.3 VERTICAL ANALYSIS OF STATEMENT OF PROFIT AND LOSS

Particulars			2015	2016	2017	2018	2019
I.		Income					
	(a)	Revenue	100	100	100	100	100
		Total	100	100	100	100	100
II.		Expenses					
	(a)	Cost of material and traffic charges	10.21	9.28	8.03	5.52	5.89
	(b)	Salaries and personnel cost	6.08	7.21	6.87	6.45	6.57
	(c)	Operation and maintenances	4.22	3.27	3.12	4.2	4.1
	(d)	Sales, marketing and commissions	12.33	10.88	8.76	10.6	9.38

	(e)	Revenue sharing, spectrum charges and license fees	7.88	7.75	7.64	7.21	7.03
	(f)	Other operating expense	5.85	7.14	8.50	6.32	4.23
	(g)	Depreciation and amortization	18.14	18.28	18.17	16.97	16.32
		Total operating expense	64.71	63.81	61.11	57.27	53.60
		Operating profit	35.29	36.19	38.89	42.73	46.60
	(a)	Share of profit/(loss) of associate	+ .01	.19	-	-	-
	(b)	Impairment loss on investment in associate	-	.42	-	-	-
	(c)	Finance (expense)/income	1.85	2.26	1.14	1.37	1.75

	(d)	Foreign exchange (loss)/gain	.11	.07	.91	.08	.16
		Profit before tax	33.34	33.25	36.84	41.28	44.48
	(a)	Income tax expense	14.52	13.63	15.45	16.17	20.45
		Profit after tax	18.82	19.62	21.39	25.11	24.03
III.		Other comprehensive income					
		Remeasurement of defined benefit plan	1.38	-	+ .60	.26	+ .09
		Related taxes	+ .55	-	.24	+ .11	.03
		Net Income	18	19.61	21.75	24.96	24.09
Earnings per share			14.59	16.68	20.31	24.71	25.56

5.1.4 INTERPRETATION OF VERTICAL ANALYSIS

Analysis of Grameenphone Ltd.: Vertical

For the period 2015-2019

1. Intangible assets decreased over the five years period and sudden sharply decreased in 2019 and rise of the right of use assets in 2019 described us that disposal and reclassification of intangible assets as software, telecom license, and spectrum and others were increased and also the leases products like optical fiber, base transceiver station, and others were increased.
2. Continuous decreased in Inventories, Trade receivable, Cost material and traffic charges, and Operating expenses described that from the beginning of five years period Grameenphone took the policies to increase its market share by efficiently decreasing the cost. By observing these ratios this can be concluded that the policies took by the Grameenphone are working well because, their PAT over the past five years period from 2015 to 2018 was continuously increased but in 2019 it slightly decreased which is not concerning and after all, it tells us Grameenphone profitability increased in five years period.
3. From 2015 to 2016 the cash and cash equivalent slightly decreased but from 2016 to 2017 and 2018 to 2019 the huge increase of cash and cash equivalent tells us that the Grameenphone may close off its few short-term assets in these years.
4. Over the period the long term lease liabilities are in the same amount but in 2109 its sharp increase indicate that the company has to intensify the leases assets like infrastructure site etc.

5. Over the five years period the beginning fiscal year 2015, the company has both short and long term loans and borrowings which gradually decreased and, in the 2019 fiscal year there were no long term loans and borrowings with less short term loans indicate that Grameenphone financial health strong enough to repay their loans and it has enough assets with profitability.
6. Employee benefits expenses increased in 2015, 2016 and 2018 nut sharply decreased in 2017 and in 2019, the average expense over the five years period showing that Grameenphone was sharing their revenue more than in previous years with their employees. It also indicates its HR practices that the management believes in “Employees become productive when they are happy”.
7. While the company’s deferred tax decrease over the five years period on the other hand current tax liabilities gradually increase from 2015 to 2018 which tells us that Grameenphone continuously tries to increase accuracy in their tax calculations that’s why it has an impact on current tax liabilities but in 2019 Grameenphone tried to decreases their current tax liabilities and, the future balance sheet will tell what their intention.
8. Though other non-current liabilities is on decreasing trend but other current liabilities gradually increase from 2015 to 2018 but in 2019 it increased sharply which indicates that there remain a huge amount of dividend payable and Grameenphone took securities deposits from shareholders & channel partners and also increase significantly other current liabilities that aren’t classifiable in the balance sheet.
9. Continuously increasing the revenue amount tells us that Grameenphone able to manage its operations efficiently and they also expanded their coverage area.

10. The cost of materials consumed declined continuously during the period that implies Grameenphone able to apply cost-efficiency in its operations.
11. Salaries and personnel cost and Operation & maintenance were slightly up and down during the five years period.
12. Gradually decreased in sales marketing and commissions indicates that Grameenphone tried to reduce their focuses in these areas over the five years period.
13. Depreciation and amortization gradually decreased means the long term assets of Grameenphone also decreased.
14. The finance costs have raised during 2015 to 2016 as a result of the continuous increase of interest expense of short and long term loans and borrowings but a sharp decrease in 2017 because of the salvation of short term loans and borrowings. Again in 2018 finance cost raised because of interest expenses of long-term loans and borrowings and in 2019, the interest of lease liabilities affects the sharp rise of finance cost.
15. Profit before tax continuously raised during the five years period this implies that the operating and other costs have been reduced and Grameenphone successfully applied the cost efficiency during these years.
16. Income tax expense gradually progresses over the five years period described that the profitability of Grameenphone raised.
17. The company's Earnings per share (EPS) show a high growth rate during the period which will help to gain the customer's trust in Grameenphone.

5.2 RATIO ANALYSIS

Deep understanding of a company's financial health, liquidity, profitability, efficiency, and cash flows and whether their fund is being used properly or not. The conclusion of ratio analysis can be the easiest way to measure the trend of financial statement analysis results from the previous period. With the help of twenty-three (23) ratios here, I will conduct the ratio analysis as required data from Statement of financial position, Statement of Profit & Loss, and Statement of Cash flows among the period from 2015 to 2019 fiscal year.

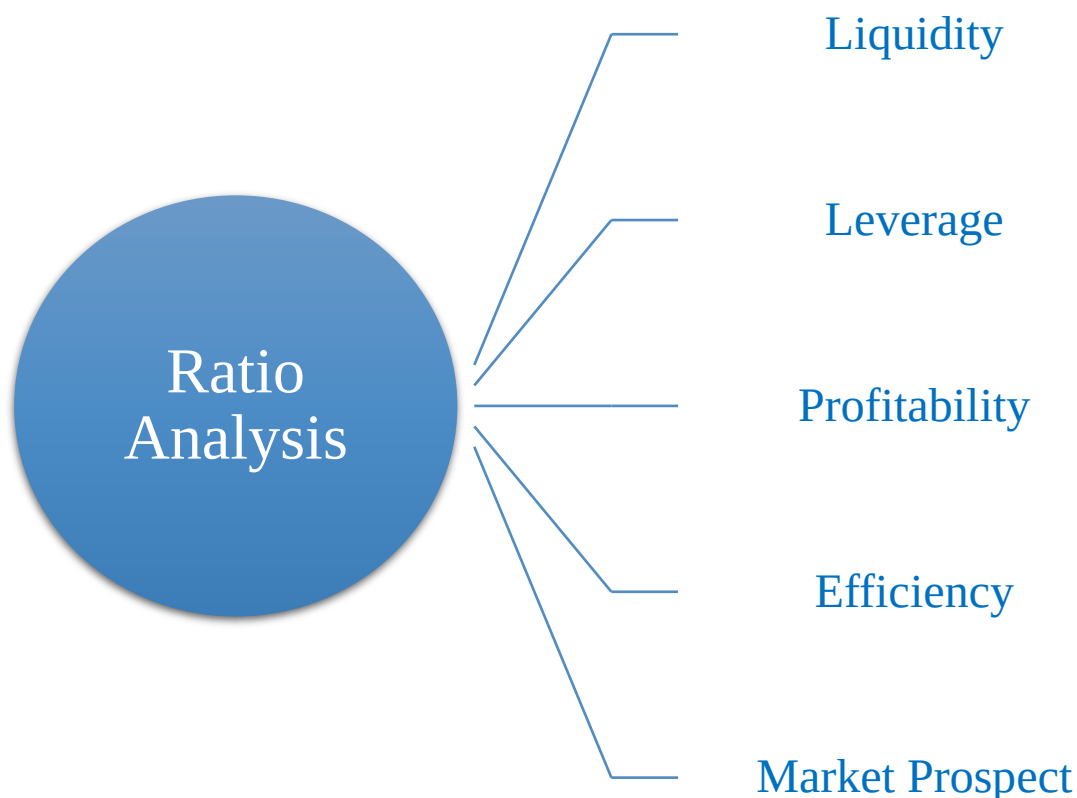


Figure 7: Types of Ratio Analysis

RATIO ANALYSIS OF FINANCIAL STATEMENTS OF GP LTD.

Particulars	2015	2016	2017	2018	2019
Liquidity Ratios					
Current ratio	.18	.16	.28	.17	.23
Acid test or Quick ratio	.17	.15	.25	.16	.22
Cash ratio	.06	.04	.16	.07	.15
Leverage Ratios					
Debt ratio	67.87%	65.88%	59.91%	63.80%	60.09%
Debt to capital ratio	52.72%	44.34%	28.33%	26.61%	38.26%
Debt-equity ratio	1.12	.81	.56	.43	.64
Debt service coverage ratio	3.1x	3.9x	7x	7.5x	5.2x

Debt to asset ratio	67.87%	65.88%	59.91%	63.80%	60%
Fixed asset to equity ratio	3.95	3.56	3.36	3.40	3.33
Equity ratio	.23	.26	.25	.27	.26
Equity multiplier	23.25%	34.60%	25.38%	26.52%	25.77%
Profitability Ratios					
Net profit margin	19%	20%	21%	26%	24%
Operating expense	64.71%	63.81%	61.11%	57.26%	53.60%
Return on asset	28.09%	31.62%	37.72%	24%	24%
Return on equity	64%	70%	80%	91%	90%
Operating profit margin	35%	36%	39%	43%	46%

Market Prospect					
Earnings per share	14.59	16.68	20.31	26.04	25.61
Net asset value per share	22.68	24.87	26	31.38	28.40
Operating cash flow per share	28.73	34.18	42.78	44.74	42.5
Dividend yielding	3.50%	3.80%	3.40%	4.10%	3.94%
Dividend payout ratio	96%	105%	101%	108%	110%

Efficiency Ratios					
Total asset turnover	.80	.87	.97	.97	1
Fixed asset turnover	.87	.96	1.17	1.05	1.12

Table 2: Results of various ratios

5.2.1 LIQUIDITY RATIO

Liquidity ratios assist to measure a company's liquid able amount of assets. The ratios indicate a company's capability to liquefy their current assets and paid off these short-term obligations by using these current assets except for any major difficulty and without any external financing. Because in some circumstances, a business or a company cannot using their net profit to pay the debt obligations, that's why they have chosen the way to convert the current assets to subsidize the debt and when necessary. Another important interpretation of liquidity ratios is that the higher the ratio indicates a company has adequate cash to drive their every day or annual activities and the firm is rich with current assets.

5.2.1.1 CURRENT RATIO

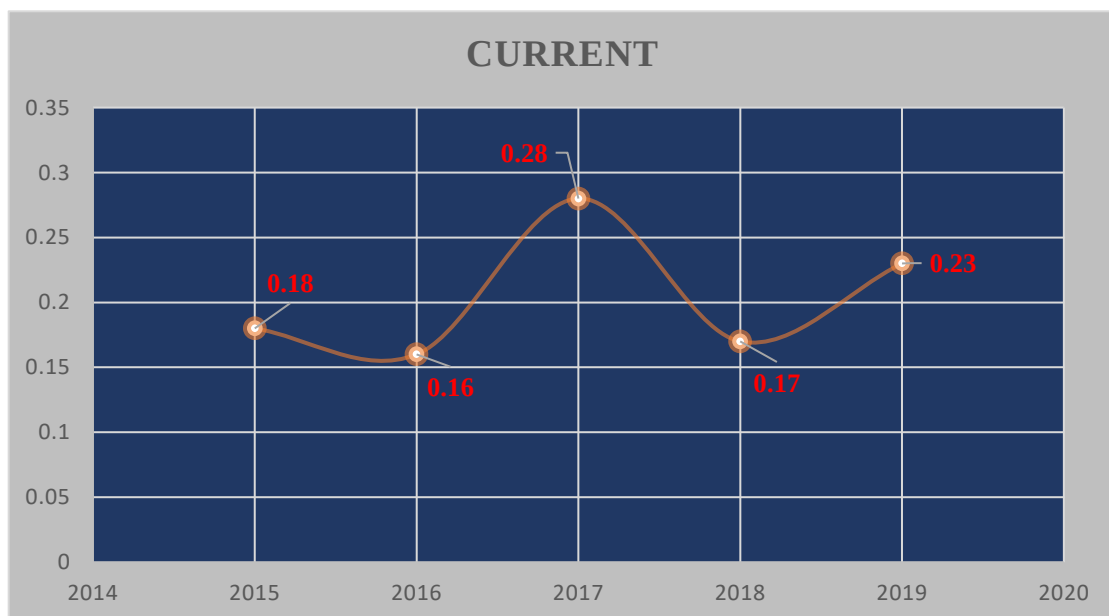


Figure 8: Current ratio

The relations of current assets and current liabilities are described by the Current ratio. It also describes a firm's efficiency to pay off its current liabilities within a fiscal period by utilizing its current assets. The current ratio aid to measure the amount of liquidity of a firm. Normally, the requirement to keep the current ratio at least 1 by a company to ensure the recovery of short-term obligations but in some industries like telecommunication, the current ratio less than 1 is acceptable where there Grameenphone is a telecom giant in Bangladesh. According to the graph GP's Current ratio raised in 2017 and 2019 but in 2015, 2016, and 2018 the ratio almost stable. The ratio was highest in 2017.

5.2.1.2 ACID TEST OR QUICK RATIO

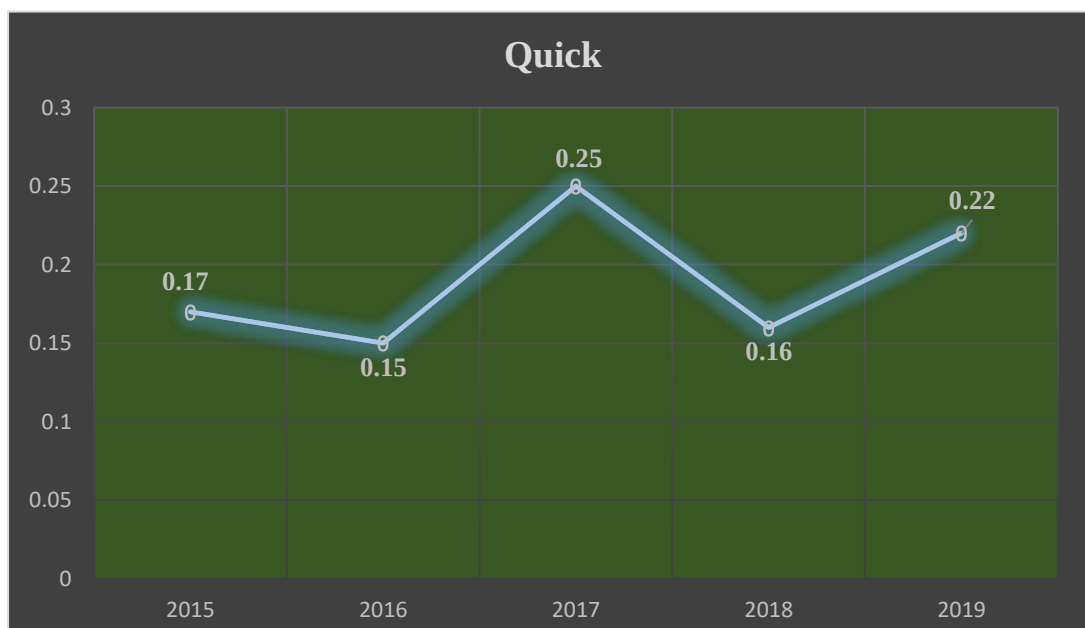


Figure 9: Quick ratio

Acid-test or quick ratio also tells us the relations of current assets with current liabilities and this ratio exhibit how capable the company can be paid off their current liabilities within a short time period.

The higher the ratio indicates the favorable financial health of a company where there if the ratio is equal to 1 then the company has just 1 taka to recover their every 1 taka current liabilities. But, the least quick ratio for a specific company depends on the nature of its industry, that's why a less quick ratio isn't always concerning and significant for a well-established company like Grameenphone. They have the ratios over the five years period almost less than .3 but there were little changes in these ratios. Though, a sharp increase in 2017 and in 2019 but other years they almost a stable.

5.2.1.3 CASH RATIO



Figure 10: Cash ratio

It is the ratio of assessing the firm's liquidity with the firm's entire cash and cash equivalent of their current liabilities. It is also an indicator of their capability to payout the short-term loan by the cash and cash equivalent. The ratio also tells us the value of a company and where it will be in the future. The cash ratio measures the value of the current assets which could quickly revert into money. Grameenphone has the least cash ratio than 1, which implies they have farther current liabilities than cash and cash equivalents.

It interprets that inadequate money exists on their hand to repay the short-term loan. Grameenphone needs to improve their cash and cash equivalent amount to redemption from their debt.

5.2.2 LEVERAGE

These ratios are also known as solvency ratios. It generally, estimate a company's capability to keep their business promises in due time while continuing as a profitable organization and how they can running their business. Unlike the liquidity ratios, these ratios are to evaluating whether a company is capable to pay their long-term debt or not. It shows how much a company is leveraged, because the higher the ratios, they could be stuck into a high risk. That's why these ratios are vital for a company's creditors and the creditors are want to know, are their debtors have the ability or not to pay back their loans before sanctioning any loans.

5.2.2.1 DEBT RATIO

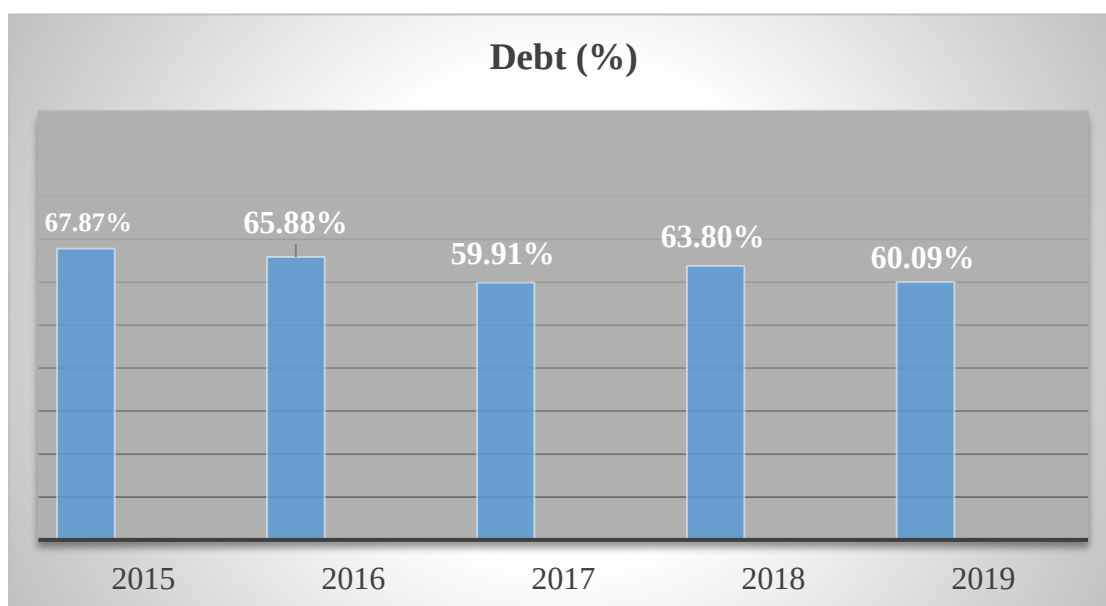


Figure 11: Debt ratio

The debt ratio can be found if we divide the total debt by the total assets and it interprets as what percentage of a firm's entire assets that are funded by loans. It is called financial ratio that measures the leverage of a firm. If the debt ratio is 1 or more than 1 indicates that the company is more leveraged that could bring high financial risk but the benchmark of the ratio varies on the nature of the industry. Grameenphone has a debt ratio of less than 1 which tells us that the company owns more assets than its debt. From 2015 to 2017 GP's debt ratio continuously decreased but in 2018 it suddenly raised up and in 2019 it decreased again. By observing the five years ratios it can be concluded that GP successfully holds their debt amount stable where there it is normal that, need a huge amount of debt to run a big organization as Grameenphone.

5.2.2.2 DEBT TO CAPITAL RATIO

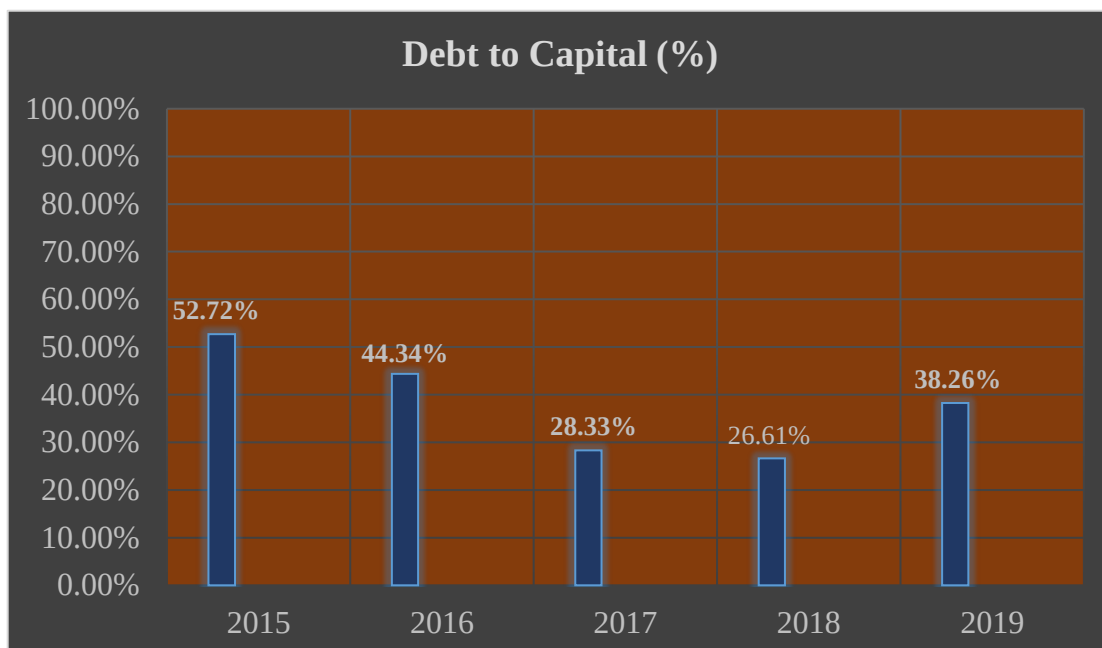


Figure 12: Debt to Capital ratio

The debt to capital ratio described how a firm is financially leveraged. The ratio provides us an excellent illustration of a firm's monetary system that whether the company ideal for investment. Higher the ratio the company is at risk, because, high debt to capital ratio tells us the firm's fund is more funded by debt than equity, which implies more liabilities to pay the debt and a high risk of impounding the loans where if the debt won't pay at a certain time. GP's debt to capital ratios reduced year to year from 2105 to 2018 which is a pretty good sign for its lenders and shareholders but in 2019 it certainly raised by 11.65% than the previous year. Continuously reduction the dependency on huge debt is a good trend for GP which need to carry on in the future but the least amount of debt isn't a suggestion rather it should be at a moderate level.

5.2.2.3 DEBT TO EQUITY RATIO

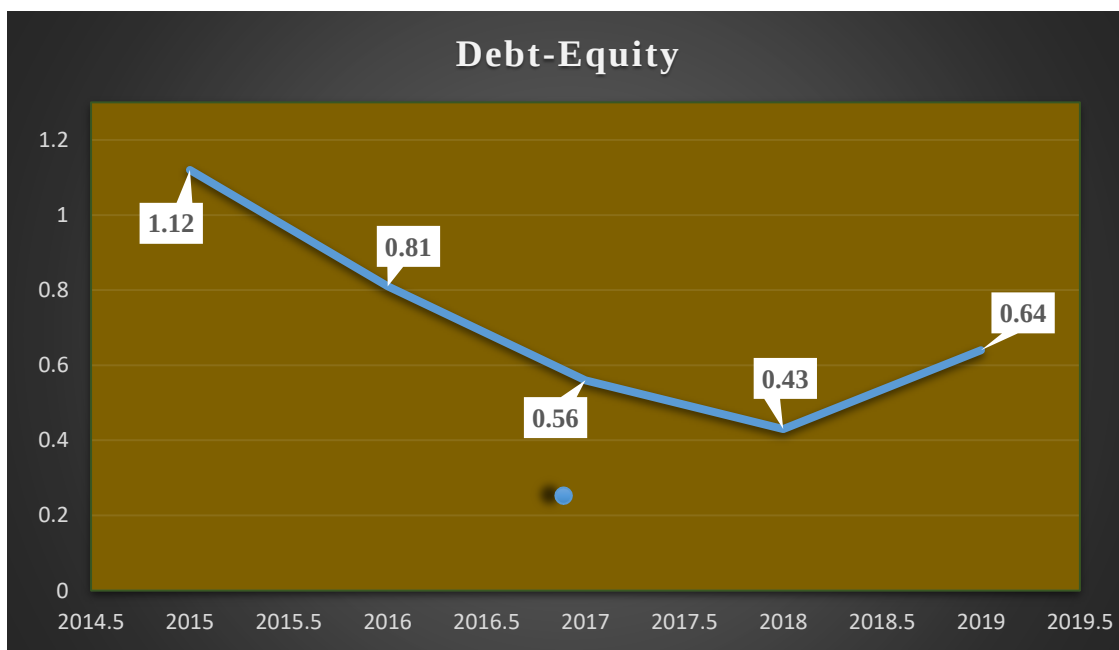


Figure 13: Debt-Equity ratio

The ratio varies within the industry to industry, it seems that one debt-equity ratio is good for industry but this same ratio may riskier for other industry.

Sometimes the creditors seek a low debt-equity ratio to lend money, on the other hand, the shareholders are seeking a more debt-equity ratio to get more benefits from the company. The notable thing is that lower the ratio indicates the steady financial condition of a company because it needs to repay the debt to its lender with a huge amount of interest within a specific period that means it is more expensive than equity financing. More debt also tells about the performance of a company that it is not performing as it expected. By observing the GP's debt-equity ratio, it seems that they continuously tried to reduce the amount of debt than its previous year. In the five year period without 2015 GP has a ratio less than 1 which is also a good sign.

5.2.2.4 DEBT SERVICE COVERAGE RATIO

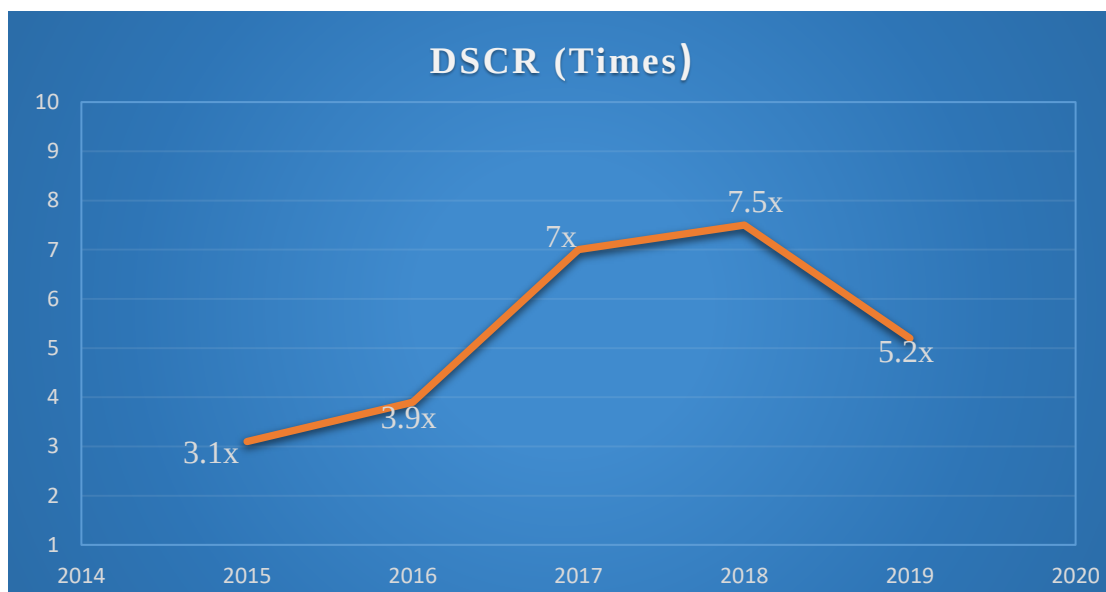


Figure 14: Debt Service Coverage ratio

Debt service coverage ratio is mainly defined as operating income dividing by the total debt.

The DSCR ratio mainly interpreted the availability of cash that a company can repay its current and future debt obligations. The most notable thing is that the ratio is more accurate to tell how a firm capable to repay their loan than the debt ratio. That's why it is more preferable to a high ratio than a low one because a high ratio tells us the company has more operating income than their debt. If a company has a ratio less than 1, this indicates their insufficient cash to counter the debts, on the other side, the ratio less than 1 tells that the company generates enough profit to meet their debt obligations. Considering the GP's debt service coverage ratios are quite satisfactory, where their ratios indicate that they were generated enough profit to redemption from their debt.

5.2.2.5 DEBT TO ASSET RATIO

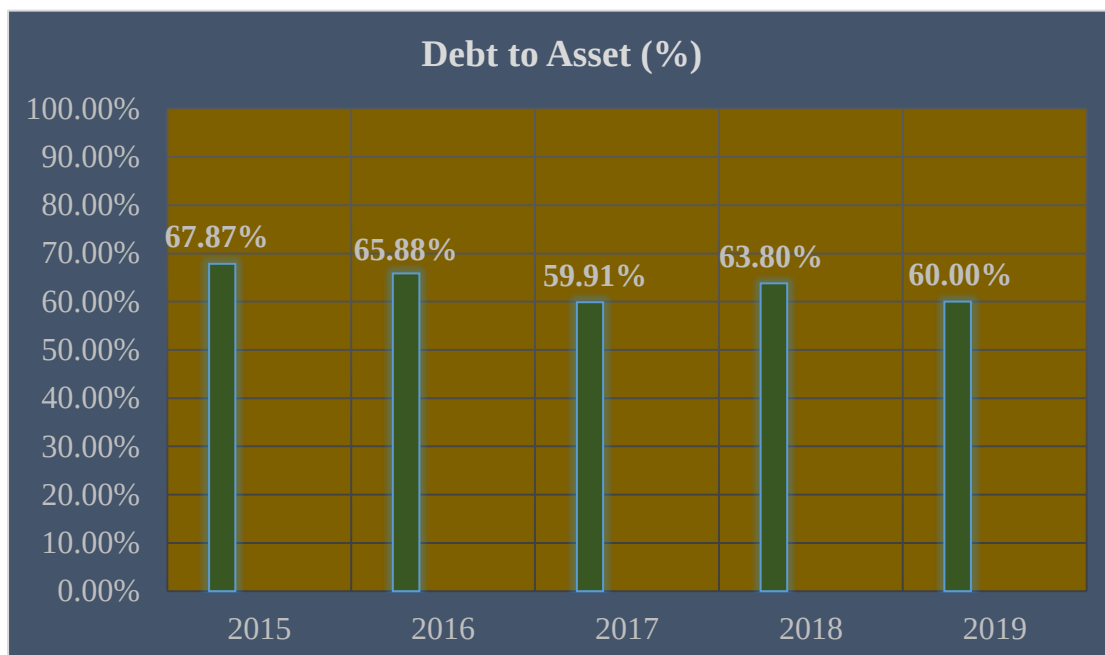


Figure 15: Debt to Asset ratio

Another kind of leverage ratio is the debt to asset ratio. Debt to asset ratio described how much quantity of entire assets are possessing with debt instead of equity. In detail, what percentage of the fund is collected from debt. An increase in the ratios causes to increase the leverage with more financial risk. If a company took more debt thereafter, they have to pay a high amount of interest which raised the expenses. Basically, it's an interpretation of a company's ability to meet its debt obligation by their total asset. If the ratio equal to 100% or more than 100% that described that the company is highly leveraged with high financial risk, but less than 100% which interpret, the company has enough assets to meet their liabilities. Grameenphone has a ratio far less than 100% that means GP isn't a highly Leverage Company which is a good signal for its investors.

5.2.2.6 FIXED ASSET TO EQUITY RATIO

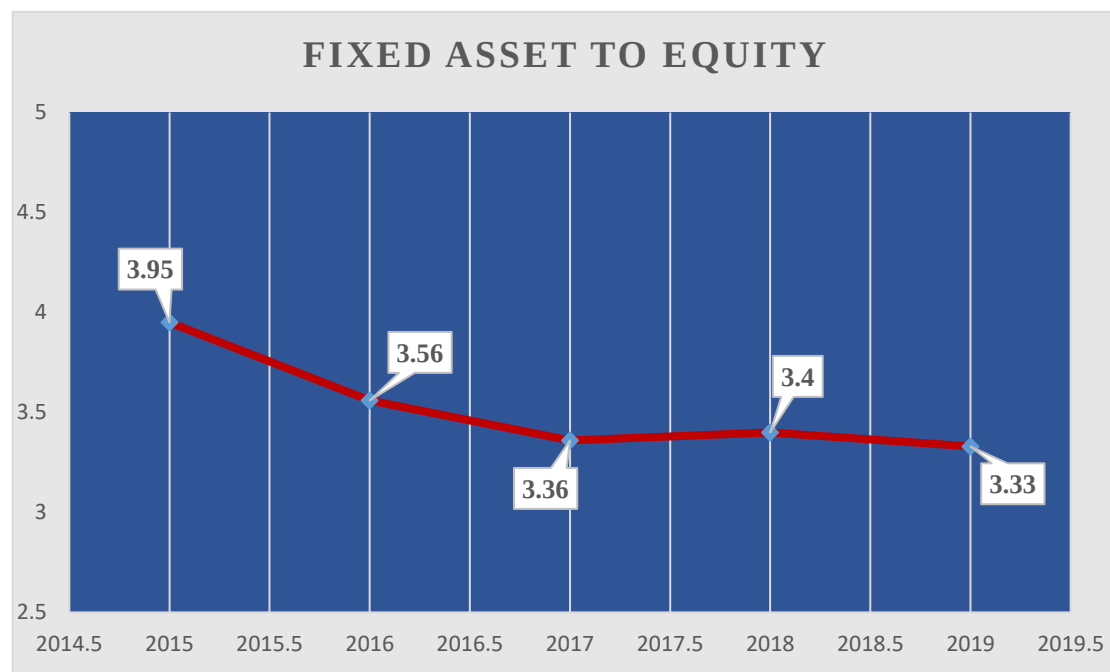


Figure 16: Fixed Asset to Equity ratio

It is also a leverage ratio and it can calculate by dividing the fixed assets with the company's total equity. The ratio helps to measure the contribution of stockholders' equity in the fixed assets. If there fixed assets to equity ratio less than one that means it indicates stockholders' equity is more than its fixed assets and if the fixed asset to equity ratio is more than 1, that tells us whether the fixed assets are more than stockholders equity. From the beginning of the five years period, the GP's ratio was far more than one, which means their assets more than its stockholders' equity and the ratios also tell that their fixed assets to equity are stable.

5.2.2.7 EQUITY RATIO

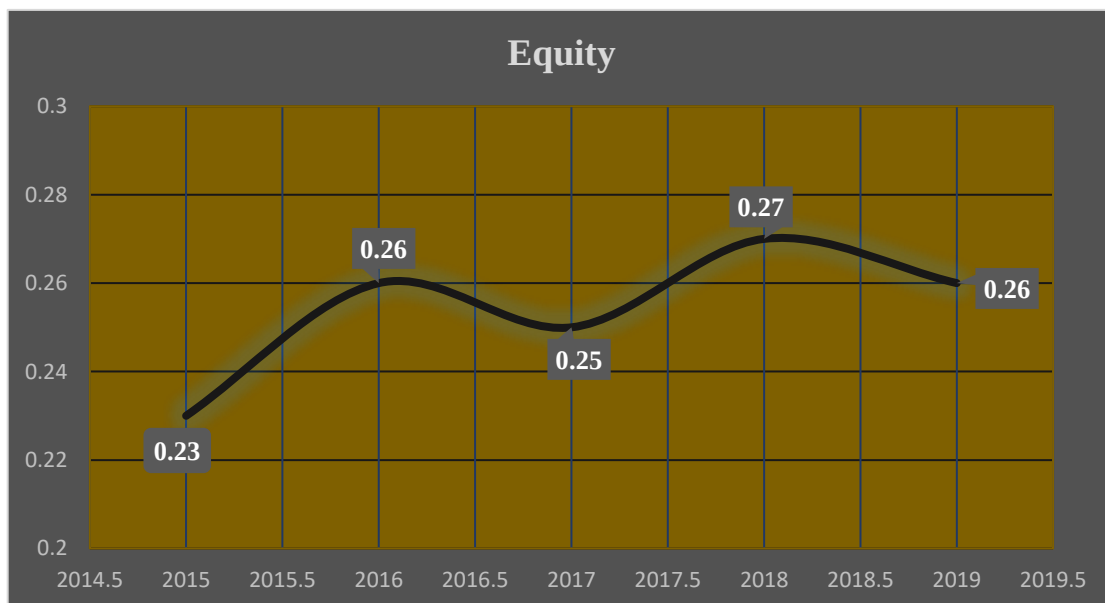


Figure 17: Equity ratio

The equity ratio, that described how much funds was invested by the investor compare with the company's debt finance. Equity ratio means how much shareholders stake in a company.

In detail, it described how much funds come from the shareholders rather than the debt. The equity ratio also interprets what amount will get the shareholder if a company needs to liquidate their assets within a fiscal year. In another word, if the company will sell its assets in exchange for cash and need to pay all of its liabilities then the remaining proportion is the same as the firm's equity. Normally, a high ratio is more favorable because the higher the ratio tells lower the debt where debt is more expensive than equity funding. The ratio of Grameenphone in the last five years period tells that almost one-quarter of their financing is collected from equity but this doesn't indicate that GP's debt financing is high. Grameenphone can increase its equity financing as the investor's demand.

5.2.2.8 EQUITY MULTIPLIER

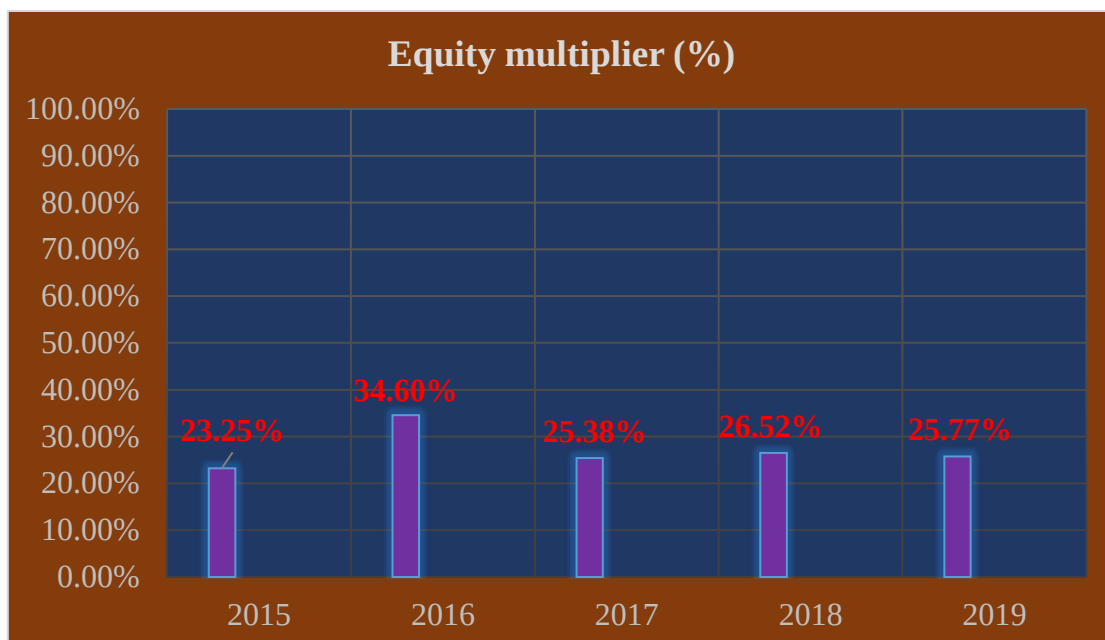


Figure 18: Equity multiplier

The risk of a company can indicate by an equity multiplier and it also describes that a company used how much its shareholders' equity to buy assets instead of debts. However, no ideal benchmark for equity multiplier but normally lower ratio indicates more equity financing and more the ratio more the risk because of high leverage.

From the beginning of the period without 2016, every year of Grameenphone has a steady ratio, mostly the ratio up-down within 23% to 35%. By observing the ratios it can conclude that their assets are less financed by equity compare with the debt.

5.2.3 PROFITABILITY

Though liquidity and leverage ratios are measuring a company's financial health, profitability ratios help to achieve a deeper understanding of a company's performance. These ratios also estimate how a company capable to generate profits by properly utilizing its assets. Continuous raised the ratios from the past financial years to present describe the improvement of a company's performance. Around the relative industries where comparisons among the companies with their profitability ratios need to gauge the correlative performance.

5.2.3.1 NET PROFIT MARGIN

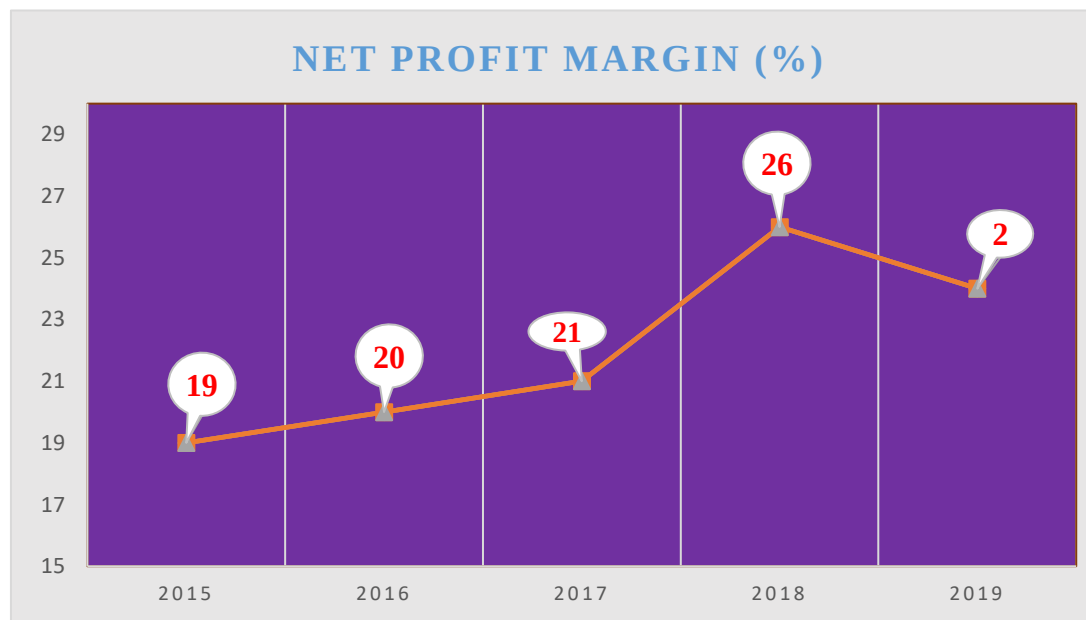


Figure 19: Net profit margin

Net profit margin is an important tool to evaluate a company's performance. To determine a company's performance net profit margin ratio is a very common tool in the finance world. The ratio tells us a company's capability to generate profit from its sales and also indicates the company's financial health. A company can reevaluate their organizational practice by observing net profit margin's up and down. From beginning the five years period Grameenphone has the trend of increase profit margin ratio without 2019, from 2017 to 2018 their huge raise of the ratio and their consecutive steadiness ratio is a good sign.

5.2.3.2 OPERATING EXPENSE RATIO

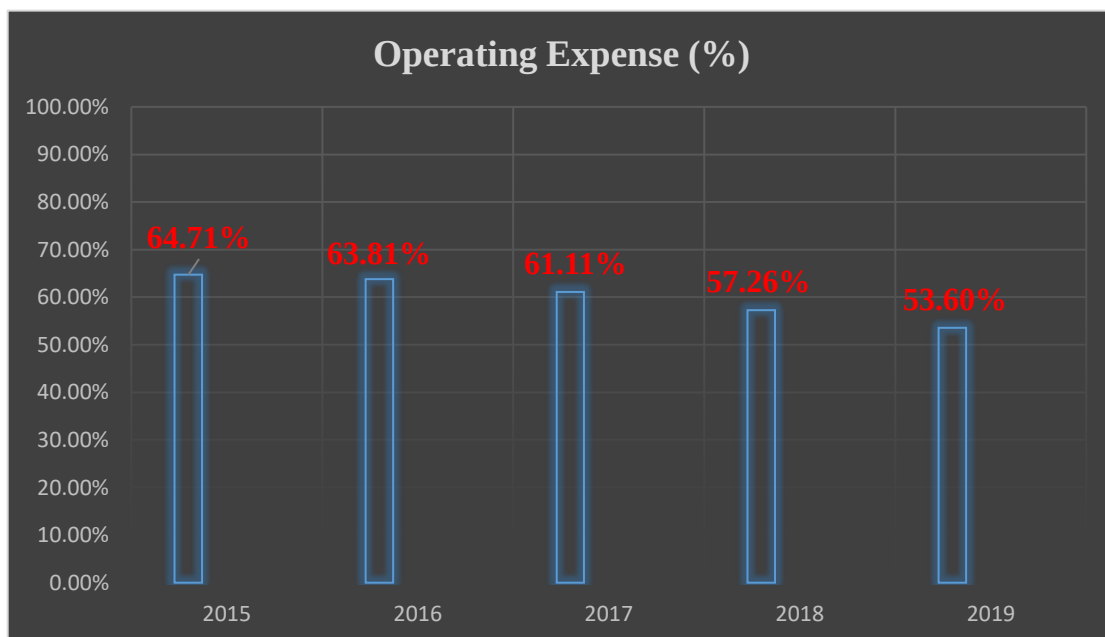


Figure 20: Operating expense ratio

Operating expense ratio comes from dividing the operating expense by net sales and it describes how a company efficiently manages its operating cost. Generally, lower OER tells a company is more efficient in handling their cost and more profitable they are.

The interesting thing is that over the past five-year period Grameenphone significantly reduced their operating expense. In this period their expense already decreased by 11.11%, that's a huge and very significant development of their management.

5.2.3.3 RETURN ON ASSET

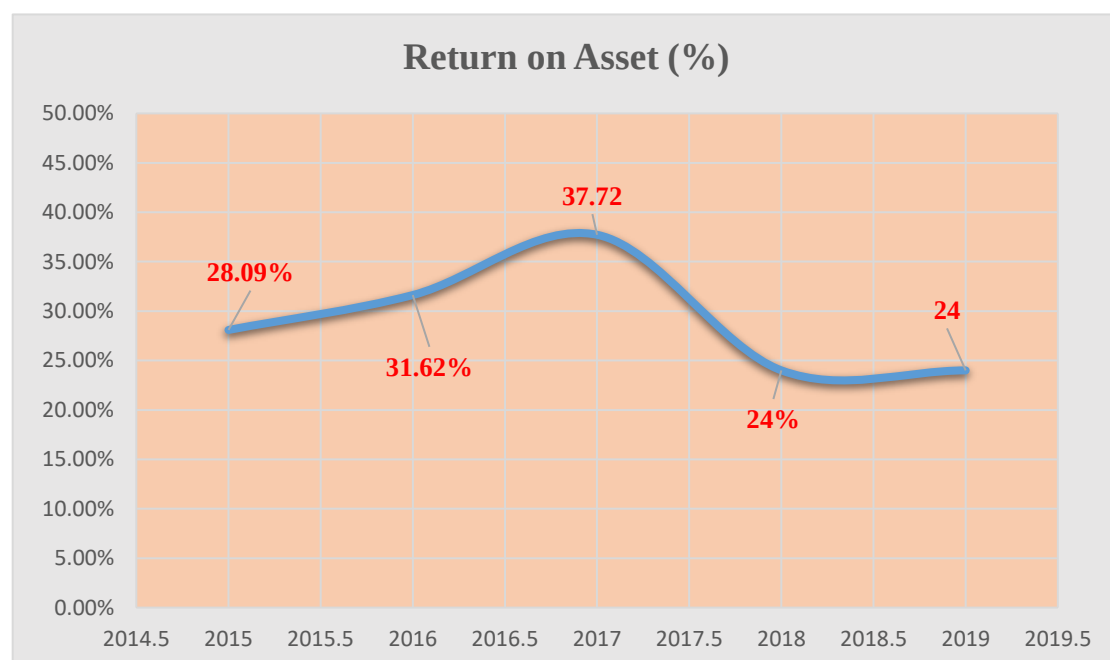


Figure 21: Return on Asset

It is also called a profitability ratio that can calculate with dividing the net income by average total assets. In detail, the ratio tells us how a firm is effectively managing its total asset to produce profits in a fiscal year, which means how efficiently a firm can get back its investment on their asset. More ROA indicates obviously a firm doing well and continue the rise of ROA tells us that an upward profit over the period. From 2015 to 2017 Grameenphone has an upward ROA ratio but in 2018 and 2019 it decreased but steady and the overall ROA of Grameenphone indicates a good sign of its profit generations.

5.2.3.4 RETURN ON EQUITY

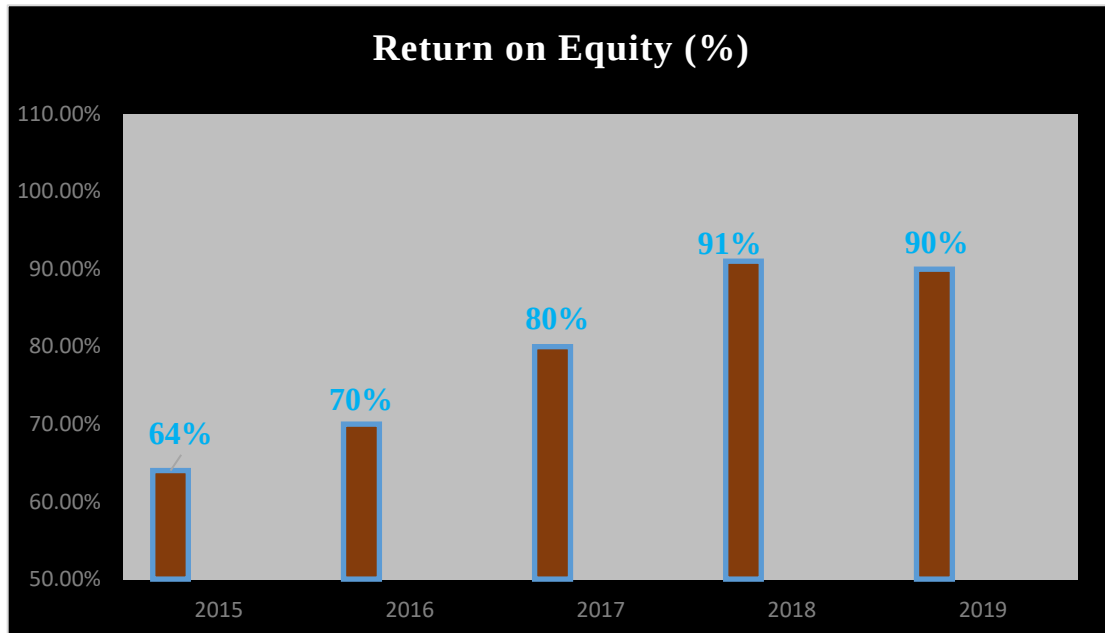


Figure 22: Return on Equity

Divide the net income by a company's total shareholder's equity we can calculate the ROE. It is also a profitability ratio and helps to measure the profit generated from the resources which provided by its investor. Considering the GP's five years ROE is quite good and significant increase in the ratios. From the beginning period 2015 to 2018 their raise in ROE means Grameenphone efficiently increase their profit generation from stockholders' equity and in 2019 the ratio is also steady.

5.2.3.5 OPERATING PROFIT MARGIN

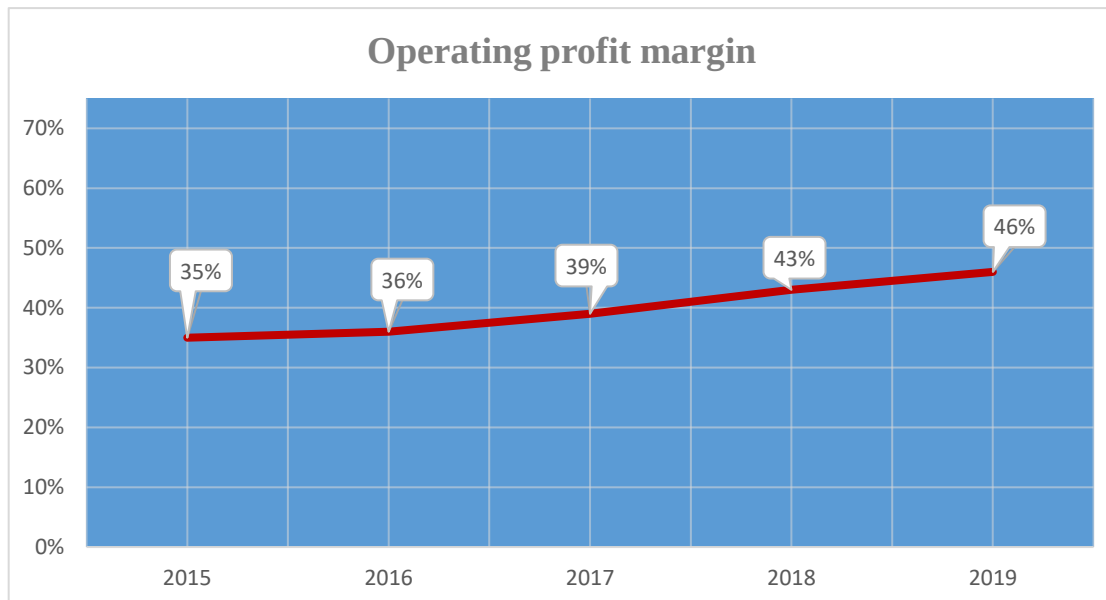


Figure 23: Operating Profit margin

Operating profit margin is also a profitability ratio which tells us what percent of net income produce from the operating profit margin and it also helps us to know what percent of revenue can pay for any non-operating cost. It also describes how the company is supported their operations because enough support for operations reveals a company's steadiness. The higher the ratio indicates a more favorable situation like Grameenphone has continuously increased over the period. From 2015 to 2019 the ratio raised almost 11% which implies their steadiness.

5.2.4 MARKET PROSPECT RATIO

Market Prospect ratios are the most often used ratios in the financial world. These ratios are normally utilized to determine the earnings or profit from the investment by shareholders or investors. This earnings or profit can be in dividend from or dividend-yielding, dividend payout, dividend-yielding, earnings per share and other some ratios are very familiar in ratio analysis. Like other ratios, investors or shareholders are often used the market prospect ratio to estimate and forecast a company's future performance and earnings.

5.2.4.1 EARNING PER SHARE

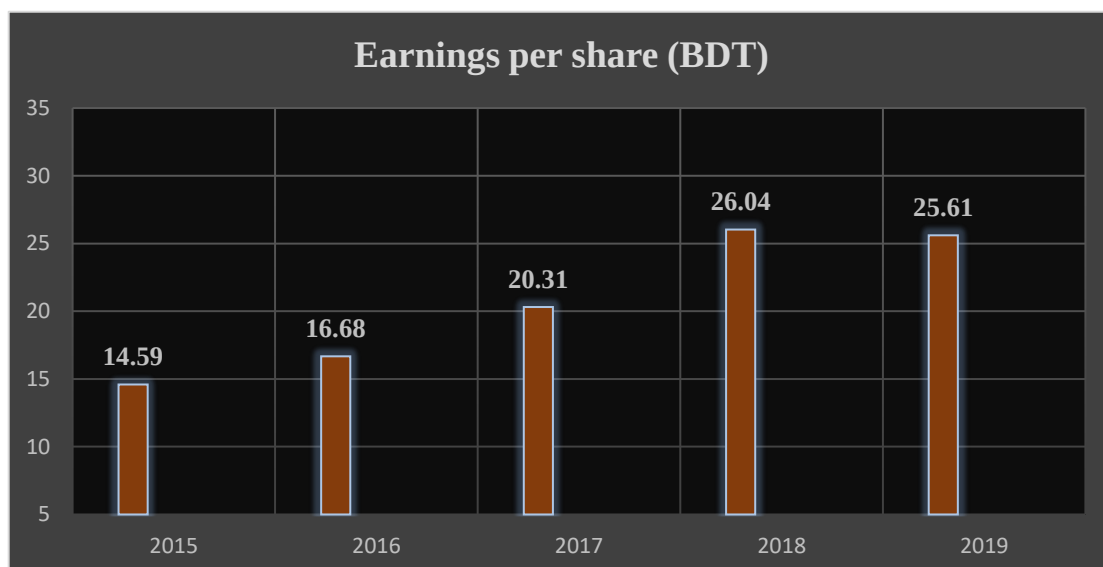


Figure 24: Earnings per Share

Earnings per share (EPS) can be explained as the figure of net income produce from each of stockholder's share. In another way, it can defines, if profit generates by a company that provides among its shareholders then they will get how much amount of profit that is EPS.

It's one kind of market ratio. Obviously, Higher earnings per share indicator of a company's favorable financial situation but not for every time. By the graph, EPS of Grameenphone raised almost 11 takas from 2015 to 2019. From 2015 to 2016 EPS raised slightly but from 2016 to 2017 and 2018 there is a sharp increase in EPS which implies GP's steady position in the financial market. In the last year 2019 the number of EPS was reduced by only .43 taka that was an insignificant change. Grameenphone needs to hold the continuously increasing rate of EPS in the upcoming financial year.

5.2.4.2 NET ASSET VALUE PER SHARE

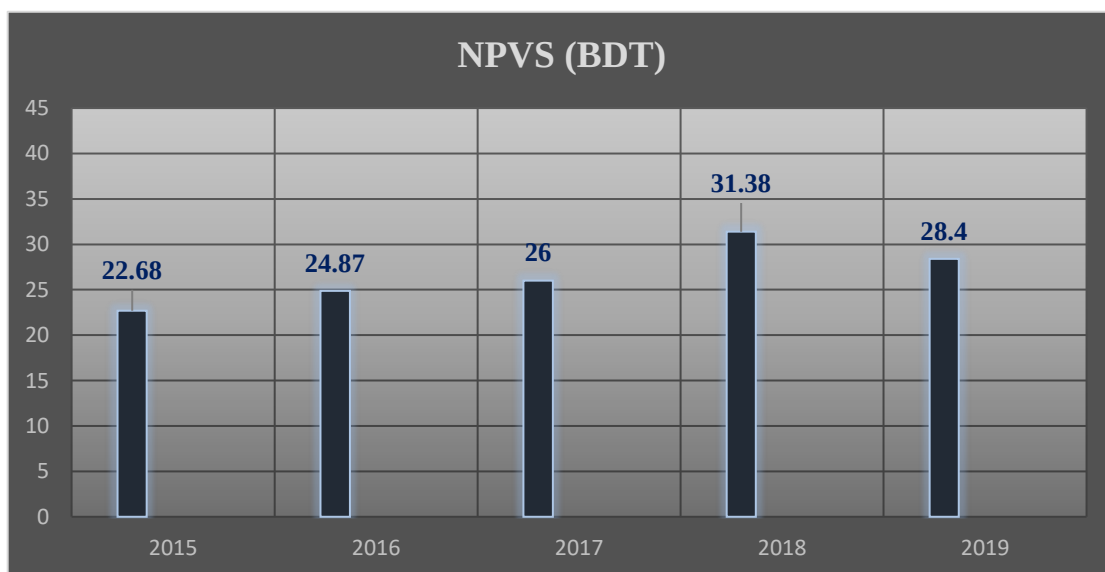


Figure 25: Net Asset value per Share

The ratio can found with dividing the total net asset value by the total amount of share outstanding. Net asset value per share is the price at which it can sale and buy at the end of a fiscal year. GP's NAVPS significantly increased from 2015 to 2018 but in 2019 slightly reduced the ratio which isn't concerning. It signals the GP's favorable organization position.

5.2.4.3 DIVIDEND YIELDING

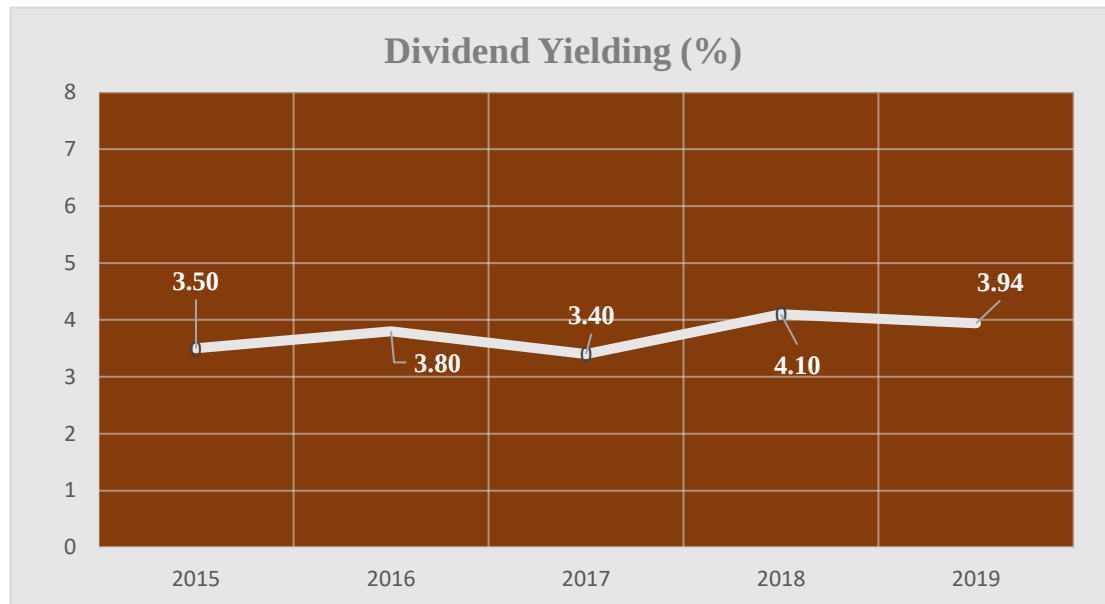


Figure 29: Dividend Yielding ratio

Dividend-yielding is a ratio in percentage which describes, how much amount of cash dividend can be distributed to shareholders according to the market price of each share. Generally, it uses for measuring the return on investment from stock. Dividend-yielding has an inverse relation with the share price. In the financial market in Bangladesh, investors are mainly seeking cash dividends instead of stock dividends that's why in this contest the importance of dividend-yielding is much more. Evaluate the GP's dividend-yielding ratios it can be concluded that they have a balanced and steady ratio. From 2015 to 2019 this ratio raised significantly which is an important development and attractive also. The highest ratio of 4.1% in 2018 means a shareholder can earn 4.1 takas per hundred taka value of a share. It is impressive too.

5.2.4.4 DIVIDEND PAYOUT RATIO

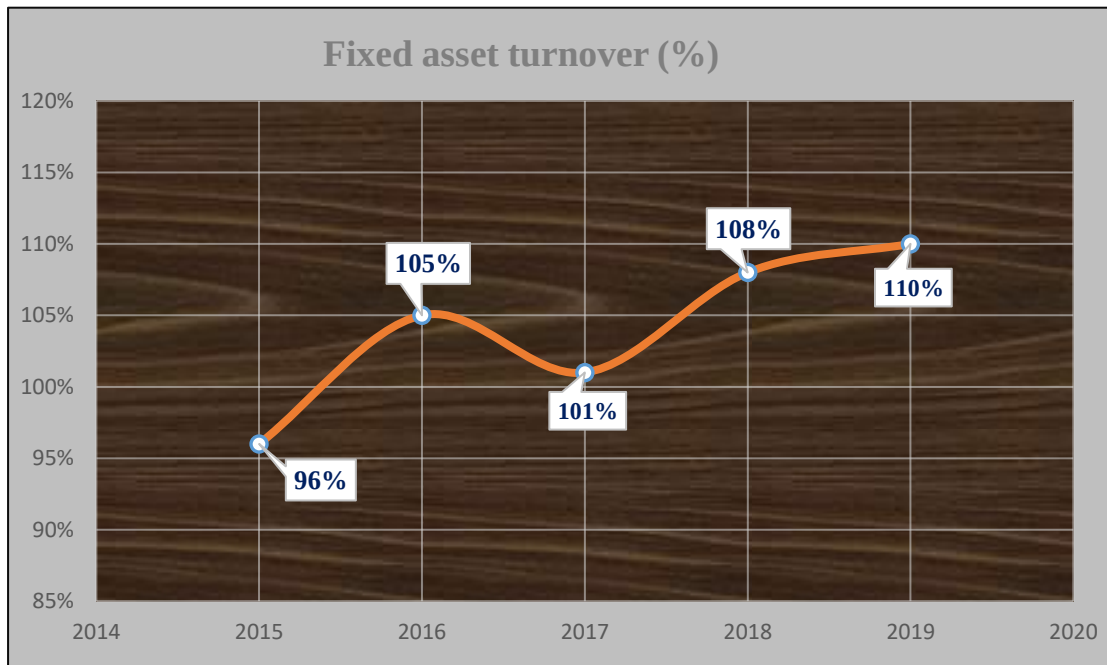


Figure 30: Fixed Asset turnover ratio

Mainly dividend payout ratio describes how much percent of net income that distributes to its shareholder in a fiscal year. The steadiness of the dividend payout ratio is more important than it's up and downtrends. Significant positive changes in the ratio during the period which signals stability of financial health that exactly what we can observe if evaluate GP's dividend payout ratio. In this period, there continuous rising in the ratio. From 2015 which was 96% that reached at 110% in 2019, an almost 14% increase in the ratio that huge and significant development.

5.2.4.5 OPERATING CASH FLOW PER SHARE

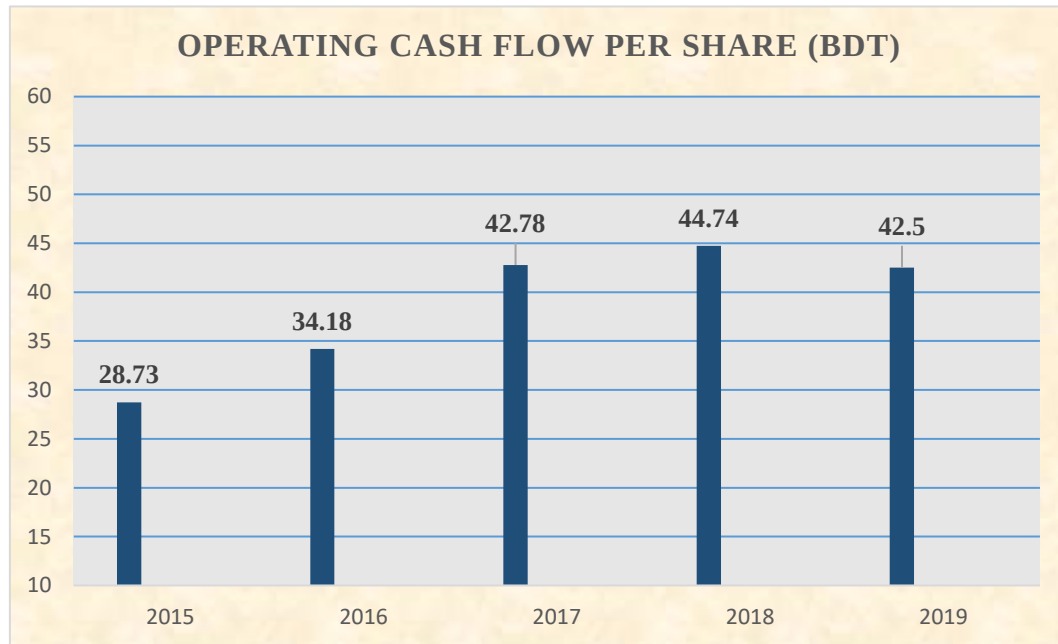


Figure 28: Operating Cash flow per share

Operating cash flow per share describes a company's financial stability and health. It believes that operating cash flow per share can represent the financial health more accurately than EPS, that's why it is a reliable measurement. Because EPS can be intentionally manipulated by a company for seeking the attention of investors but operating cash flow helps to reveal the actual position of a company. From the graph, GP's operating cash flow per share indicates their good financial health and stability. From 2015 to 2018 it has gradual growth but in 2019 it slightly decreased, but after all, they are in good condition.

5.2.5 EFFICIENCY RATIO

The efficiency ratio is also named as a turnover ratio. Efficiency ratio estimates how a company produces maximum profits by efficiently utilizing their assets, equity, and liabilities. Like profitability ratio, it also measures the performance of a company within a fiscal year. Improvement in profitability ratios which interprets that the company is on the track toward their period of enrichment.

5.2.5.1 TOTAL ASSET TURNOVER RATIO

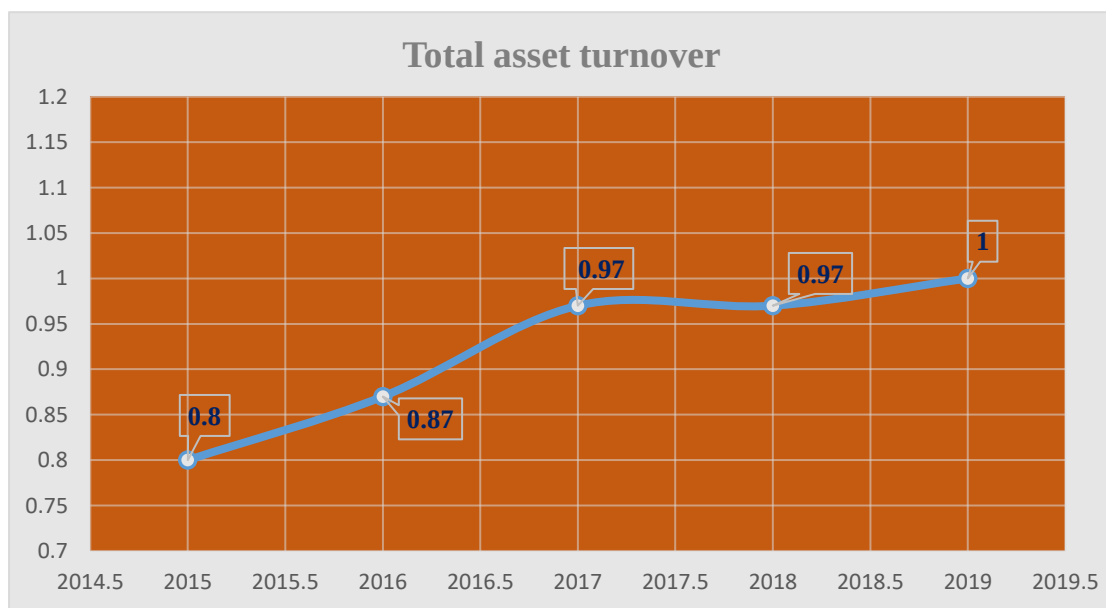


Figure 26: Total asset turnover ratio

The total asset turnover ratio is known as the efficiency ratio and the ratio describes how effectively a firm utilizes its assets to generate sales. A higher ratio tells the company to utilize all of their assets more efficiently than a company that has a lower ratio within a similar industry. That means a lower ratio indicates that a company may problems with its management. Grameenphone has significantly raised the ratio in the last five year period.

It was .80 in 2015 where in 2019 it became 1, which that means in 2019, their every amount of net sales same as their average total assets, It is a huge development of their management.

5.2.5.2 FIXED ASSET TURNOVER

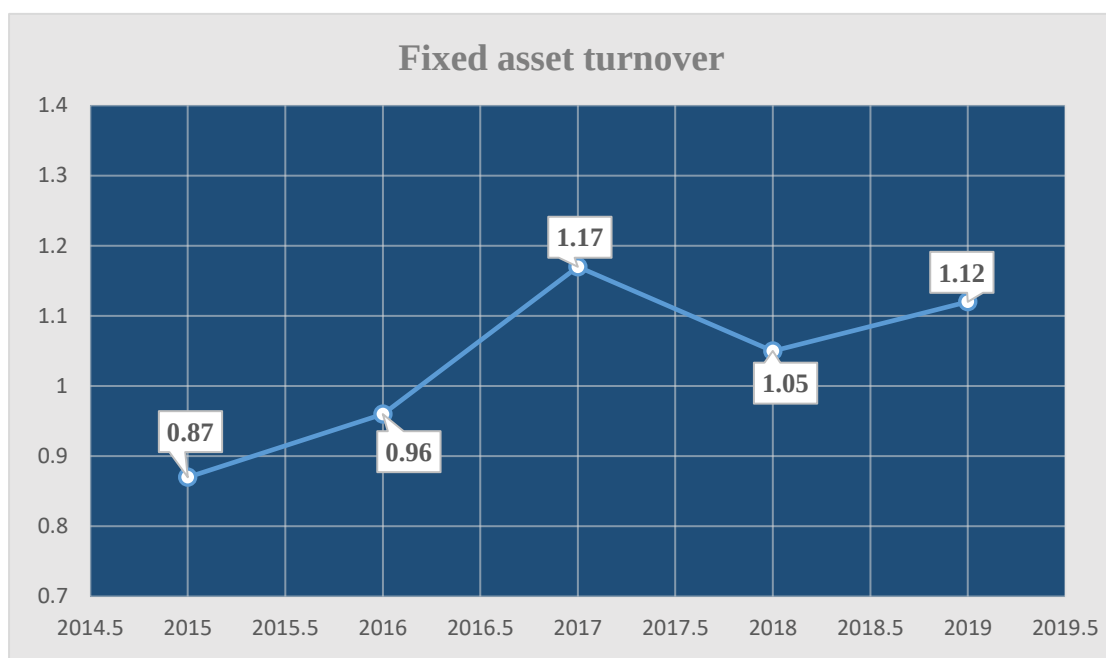


Figure 27: Fixed Asset turnover ratio

Fixed asset turnover tells the measurement of a firm's return on fixed assets like plant, land, etc. with net sales. Fixed assets turnover ratio describes how a company efficiently generates profit by using their fixed assets and it also indicates how many times a company's fixed asset turned into a fiscal year. In the period Grameenphone has continuously increasing ratio from 2015 to 2017 but in 2018 slightly decrease and again in 2019 it raised which means Grameenphone efficiently utilized their fixed assets.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

- *Conclusions*
- *Recommendations*

CONCLUSIONS AND RECOMMENDATIONS

6.1 CONCLUSIONS

In this analysis process, I took the vertical and ratio analysis to accomplish my research work among the three types of financial statement analyzing tools. Because these two analyzing tools are required for my research work.

Conducting the vertical analysis of Grameenphone Ltd. described the unitary changes in their financial statements. Over the five years period, GP's both current & non-current assets and shareholders' equity have an average trend and good enough and their non-current & current liabilities individually decreased among the five years period, but the interesting thing is that total liabilities have remained the same instead of reducing.

Analyzing the profit and loss statement, Grameenphone has successfully declined their operating cost, which means they are quite efficient in their operations management. It's got the attention and satisfactory too.

During the period, their operating profit and net income are slightly raised which good enough as well as their EPS increased in huge proportion, where I can conclude that the development of EPS represents their progressing performance.

Afterward of conducting the leverage, profitability, efficiency, and market prospect ratio performance of Grameenphone Ltd. are quite good but their liquidity ratio far less than the average level.

Three ratios from liquidity measurement show Grameenphone has the least amount of assets that can be liquefied within a short time with no difficulty. Though GP's liquidity ratios performance tells they are not in a good situation but as a telecom giant they can survive well in the upcoming future.

In the analysis part, I conducted eight leverage ratios, because, Grameenphone Ltd. is one of the top ten biggest and attractive company for their investor in Bangladeshi share market and leverage ratios are the most common and familiar ratios that used by shareholders and investors to measure how a company is leveraged. Among the eights, six ratios are not only good but also in optimal level but another two are debt ratio and equity ratio where more debt ratio and less equity are alarming.

Every ratio from profitability, which performances estimate that Grameenphone ltd. is on the track of the continuous progressive season. Their net profit margin and operating expenses are interestingly in inverse trend from the beginning of the period.

Market Prospect ratios are the most emergent ratios from the investors' perspective. These all five ratios are as pleasurable that's why GP always an attractive company in the share market for their investors.

The last one is the efficiency ratios. Their lack of information in annual reports of Grameenphone Ltd. which insufficient to explain extensively. Thereafter, I interpret two ratios that are reasonable at a good level.

6.2 RECOMMENDATIONS

Grameenphone ltd. will be awarded by their investor and shareholders because of their continued prosperity within the industry and share market. Though Grameenphone has gradually developed in the profit margin what need to keep successive way but ROI decreased in last two years within the period, that should enhance and continuous improvement in ROE need to maintain in next some consecutive years.

Whether Grameenphone ltd. is already huge in their sector but needs to raise cash and cash equivalent to fulfill its short-term obligations.

Grameenphone has far more debt financing than equity financing which raised their leveraged and relying on debt intensifies the business risk, that's why GP needs to increase more equity financing than debt financing.

Most common and familiar ratios that Market Prospect to measure a company's performance as GP has good enough in their EPS and NVPS comparison with relatives companies within the industry and share market. GP has a reputation to provide a regular and high amount of dividends.



CHAPTER 7: APPENDIX

- *Raw Data*

APPENDIX

7.1 RAW DATA

All of the twenty-three ratios, maximum raw data are available in GP's annual financial report from 2015 to 2019, which pave the way to calculate these ratios but some vital data are needed to determine by myself that are required to formulate ratios. Only eight (8) ratios are already computed in their annual report without these all the seventeen (15) ratios are needed to calculate. The following ratios are as Quick Ratio, Cash Ratio, Debt Ratio, Debt to Capital Ratio, Debt Service Coverage Ratio, Debt to Asset Ratio, Fixed Asset to Equity Ratio, Equity Ratio, Equity Multiplier, Operating Expense Ratio, Earnings per Share, Net Asset Value per Share, Operating Cash Flow per Share, Total Asset Turnover, and Fixed Asset Turnover which I computed by putting them into Microsoft Excel. Given below the table, I present this raw data from 2015 to 2019.

Particulars	2015 BDT (000)	2016 BDT (000)	2017 BDT (000)	2018 BDT (000)	2019 BDT (000)
Total Debt	8,989,497	85,985,986	80,526,012	88,508,275	89,387,846
Average total assets	131,561,196	131,474,539	132,445,478	136,552,409	143,723,897
Average inventory	411,408	500,372	513,922	343,399	224,900
Total lease liabilities	20,833,655	4,708,977	4,930,194	-	-
Total loans and borrowings	2,934,284	2,894,157	8,539,290	21,656,368	28,939,778
Total liabilities	110,387,017	101,876,973	100,325,211	96,927,227	101,824,309

Table 3: Data to calculate various Ratios

CHAPTER 8: REFERENCE

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