**UNITED INTERNATIONAL UNIVERSITY**

# *"Financial Performance Analysis of Urmee Knitwear Ltd"*

**Course Title:** Internship

**Course Code:** INT 4399

**Submitted to**

Ishrat Jahan

Assistant Professor

School of Business & Economics

**Submitted by**

Farzana Khanom

111 143 053

**Submission Date: 19th July 2022**

# Letter of Transmittal

Ishrat Jahan

Assistant Professor

School of Business & Economics United International University

Subject: Submission of internship report on "Financial Performance Analysis of Urmee Knitwear Ltd.".

Dear Madam,

It has been a pleasure to work with the assigned company. I have finally completed my internship report on "Financial Performance Analysis of Urmee Knitwear Ltd.". This report was entrusted to me in order for me to gain a thorough understanding of the financial position of this company. I did my best to collect as much pertinent material as possible to provide an overall concept for this report. I'm hoping it will live up to expectations. While preparing the report, I had a lot of fun and learned a lot about the subject.

As a result, I am hoping that you will find the report to be acceptable and intriguing. I am confident that I have received sufficient experience that has aided in the development of my professional abilities and characteristics. I appreciate you guiding me and providing me with the necessary information and advice for finishing this report. I'm submitting this report to express my appreciation for your continued assistance and guidance.

Warm Regards,

Farzana Khanom

ID: 111-143-053

School of Business & Economics United International University

# Supervisor's Certification

This is to certify that the internship report on **"Financial Performance Analysis of Urmee Knitwear Ltd"** is prepared by Farzana Khanom, ID No: 111-143-053 as a partial requirement of Bachelor of Business Administration (BBA) degree from the School of Business & Economics, United International University.

The report can be accepted in terms of quality and form as directed by the university authority.

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Ishrat Jahan

Assistant Professor

School of Business & Economics

United International University

# Acknowledgements

First of all, I would like to take the opportunity to express my heartfelt gratitude to Almighty Allah for giving me the opportunity to complete the report within the designated time.

I am expressing my cordial thanks to our honorable supervisor, Ishrat Jahan Assistant Professor, School of Business & Economics, United International University, for assigning me such an interesting topic.

Additionally, I would like to thank the faculty at the School of Business & Economics, United International University, which provided me with the opportunity to learn from them and gave me support as I developed my professional skills.

My achievements are the result of a big number of people who kindly supported and helped me with my study. Despite their heavy workloads, they aided me by volunteering their time and provided sufficient information. I'd want to express my gratitude to my classmates and other students for their cooperation and support.

Finally, but certainly not least, I'd want to express my gratitude to all of the United International University faculty members who assisted and supported me with their wealth of knowledge and expertise.

# Abstract

This report is prepared based on “Financial Performance Analysis of Urmee Knitwear Ltd” The main objective of the report is to analyze and discuss the financial performance analysis of Urmee Knitwear Ltd. To calculate different types of ratios of Urmee Knitwear Ltd, to identify the areas of concern and to make some recommendations the basis of findings are also the objectives of this report. The report is analytical in nature which briefly reveals the analysis of the financial performance of Urmee Knitwear Ltd. Annual reports of Urmee Knitwear Ltd were the major secondary data sources in this aspect. This study has been conducted by collecting data for the period of last three years (2018-2020). Urmee Knitwear Ltd is setting new level in the field in the time of unstable economic conditions.

# Table of Contents

# Chapter- 1

## Introduction

Ratio Analysis is one of the most significant accounting tools for identifying a company's strengths and flaws. It's an accounting idea that's been around for a long time and is simple to understand and calculate. It aids stakeholders in making future decisions in general. The goal and significance of ratio analysis is to examine or evaluate a company's financial performance in terms of profitability, risk, efficiency, and solvency. They can examine their company's growth and determine its operating performance. It also aids businesses in determining their financial risks. With the use of financial ratios such as leverage ratios, solvency ratios, coverage ratio, profitability ratios and efficiency rations; companies may determine how much they rely on external capital and whether they are capable of repaying the loan with their own funds. It allows businesses and their stakeholders to compare their company's ratio to that of another over time. The ratios can also be compared to the firm's previous ratio, which allows you to see if they've improved in recent years. Ratios can help a company better understand how they track their day-to-day spending and whether or not they are having cash flow concerns. It can also assist them in determining the production efficiency dependent on the type of employees on staff. They may see how soon their goods can be turned into a sale, as well as observe their clients' payment behaviours based on the payment terms they've chosen.

Managers and analysts can identify a pattern that can be used for forecasting the future, that can also be used by external stakeholders, such as investors, to make key decisions. It is one of the simplest ways to keep track of the relationships between different aspects and aids in the comprehension of financial statements. Every stakeholder may readily comprehend it and assess or make an investment decision that is optimal for the future. It is critical to assess a company's performance by looking at its working capital management, liquidity, profitability, and efficiency ratios. Several of these ratio analyses are commonly employed for strategic decision-making.

The ratio analytical method is a very effective tool for examining a company's overall condition. However, there are several limitations to be aware of before embarking on such an investigation. Financial statements contain historical data and thus do not take into account current situations, making them useless for forecasting the future. Firms have differing accounting practices for depreciation, inventory value, and other items, which could also make financial indicators and data from two firms incomparable. Another constraint is window-dressing, which occurs when companies report financial statements in such a fashion that they appear to be in a lot better shape than they truly are.

## Purpose of Study

There are two reasons behind my study, major and minor. Major part is why I am doing this studies and minor part is why I have chosen textiles company specially Urmee kintwear limited.

**Primary reasons of my studies,**

- BBA degree requirement a 3 months internship program.
- making a report on my practical experience of working.
- Being an accounting student fascinated by the financial sector.
- Special interest in Islamic financial organizations.

**Secondary reason of my studies,**

- Gaining some practical experience over bookish knowledge
- Interest of seeing real visualization of my academic studies.
- Interested in knowing about shariah based banking system.
- Preparing myself for job sector with experience
- Having real life experience which cannot be gained with only observing.
- Observing banking sector from near.
- Observing the difference between conventional bank and shariah based bank.

## Topic of My Study:

The Supervisor for my internship report is Mrs. Ishrat Jahan, Assistant Professor of UNITED INTERNATIONAL UNIVERSITY. She has assigned the topic on the "Performance Analysis of "Urmee kintwear limited". So, I made my study research on the mentioned topic which I will carry throughout the study.

# Objective

The goal of this research is to look at Urmee Knitwear Ltd's ratio analysis along with two other companies in the garments industry, namely Square Textiles and Envoy Textiles. The report was written with the following precise goals in mind:

- Calculate the financial ratios
- Analyze the ratios and make comments accordingy
- identify issues make recommendation

# Methodology

This is an analytical study that briefly exposes Urmee Knitwear Ltd.'s ratio analysis comparative to its competitors. It was carried out by gathering primary and secondary data. In this case, the primary data source was the company's annual reports, financial statements. The secondary data source was the auditors notes, surveys and interviews that validated the financial figures.. This research was carried out by gathering data from the following sources during the last three years (2018, 2019, 2020) for three different companies in the same textile industry, and comparing their financial health using ratios; Identifying issues, and recommend to the business based on the agreed analysis:

Data was gathered for the following companies:

1. Urmee Knitwear Ltd.
2. Square Textiles
3. Envoy Textiles

The following data sources were used:

1. Annual Reports
    a. Financial Statements: Balance Sheet, Income Statement, Cash Flow Statement, Equity Statement
    b. Auditors Notes, surveys and interviews
2. Company's Official Websites
3. Research Papers, Books and Magazines

# Chapter-2

# Company Profile

About company profile I choose three different textiles company. Those are given below:

- URMEE KNITWEAR LIMITED
- SQUARE TEXTILES LIMITED
- ENVOY TEXTILES LIMITED

## URMEE KNITWEAR LIMITED

Urmee Knitwear Limited started their journey in 2009 by founder and chairman Elias Hossain. They focus soleley on knitwear which gives them advantage of less complexity in operations and as well as financial statements and government regulations.

They are one of Bangladesh's most cutting-edge, entirely export-focused knit composite industries. The factory is situated in Mouchak Gazipur, which is 15 kilometres from the airport in Dhaka. Their Head Office is situated in Purana Paltan. Their knitting, dyeing, finishing, and printing units are housed in production facilities that are all under one roof, made for operational efficiency purposes. They are committed to providing customers with the dependability they require, along with timely delivery of services. Urmee Knitwear does not compromise quality. Their competitive pricing they anticipate by implementing the most cutting-edge and dynamic technologies. Their goal is to create long-lasting relationships with consumers.

The highest standards for their products are essential in order to satisfy the needs of the customers. It is evident, through research and development, the capable human resources are working to uphold the level of quality, standard, and customer happiness. They constantly collaborate with customers to comprehend their evolving wants and demands.

To grow in the future, the company intends to use cutting-edge technologies and a fresh approach to management to continue the growth of new, renowned industries for the nation's economic development and to tap into international markets in the twenty-first century, to increase market share.

As for their corporate social responsibility, the company is particularly aware of environmental concerns, such as the greenhouse effect. To tackle this, they carry out their company objective in a way that will not endanger the fragile environment in which we live.

**Mission:**

Their mission is to become the most admired company, and pursue the highest quality while being conscious of ethical and moral compliance.

**Vision:**

Their Vision includes the following with a strong focus on quality and customer satisfaction in textile knitting, dyeing, and finishing jobs:

• To be a highly regarded textile company that supports environmentally responsible practises at all stages of manufacturing

• To deal with every customer with the utmost integrity and fairness

## SQUARE TEXTILES LIMITED

Square Textiles is a later though-out subsidiary of Square Group which was first founded in 1958 by owner Samson Chowdhury as a pharmaceutical company. The company then later introduced its cotton yarn manufacturing facilities to the textile industry in 1997. This new business quickly became the leader in the local textile sector by fusing cutting-edge technology with skilled labour in an inspiring environment.

Their registered corporate office is situated in Square Center, 48 Mohakhali C/A however, their head office is currently in Mascot Place, in Sector 7 Uttara.

The company has been growing rapidly since then within three years 3 different units to generate more production. They had initially invested USD 20,000,000 in 1997 for Unit 1, which has daily production capacily of 20,000 kgs. By the second year they took their leap and invested another USD 13,500,000 for unit 2, which added another 20,000 kgs to their daily production. Finally in the year 2000, they invested another USD 12,000,000 for their Unit 3 which increased their production capacity to another 20,000 per day. Till this day they have been producing 60,000kg (or 60 tonnes) of textile garments per day.

**Mission:**
Square Textile is aware of the necessity to carve itself a competitive niche through technology innovation and human expertise in the modern, rapidly changing global market. They are dedicated to bringing its regional achievements to a global audience.

**Vision:**
To establish as the world's premier source for knit apparel and satisfy and meet the needs of the client by creating and delivering goods and services on schedule and offering value in terms of quality, cost, safety, and environmental impact. They also strive to ensure that the international quality requirements are fully met and offer employees working conditions and standards, while encouraging the growth in employment opportunities. Additionaly, their attempt to obtain the most complex and cutting-edge technologies available for generating the desired output in order to achieve the greatest degree of competence through the ongoing improvement of the professional management system and to guarantee total transparency in all business dealings.

# ENVOY TEXTILES LIMITED

Envoy Textiles was founded in 2008 by current Chairman of parent company Envoy Group in established in 1956, Kutubuddin Ahmed. Currently they are situated in their corporate office in Envoy Tower, Kalabagan. Throughout the years they have excelled so much that they have taken their business international and opened another office in Hong Kong at King Place Plaza, Kwun Tong, Hong Kong. In paralell, their operations take place in their manufacturing plant in Bhaluka, Mymensingh.

Envoy Textiles is a manufacturing firm that is entirely focused on exports. They began their textile postion of business in 2008 and went public in 2012. Envoy is the first denim manufacturing facility in Bangladesh to employ rope dyeing and has a monthly output capacity of 4.5 million yards. Envoy features a spinning facility on-site that can generate 62 tonnes of yarn daily.

Envoy Textiles uses environmentally friendly production practises; such as using organic, PCW, BCI, and other sustainably sourced fibres. They also have an Effluent Treatment Plant (ETP) that uses state-of-the-art technology and conserves 100 million litres of freshwater annually, in addition to an Aero Finish that improves fabric stretching and durability; and many other methods.

Envoy Textiles has established a "Pediatric Intensive Care Unit" for burn patients at the Dhaka Medical College Hospital, which is controlled by the Bangladeshi government and is also focused on employee welfare and CSR initiatives. It is not only unique but also the sole facility of its sort in the entire nation.

Envoy Textiles has received recognition and awards from the Bangladeshi government on numerous occasions, including six times winning the National Export

Trophy, the President's Award for Industrial Development in Bangladesh, and the Highest Tax Payer Award, among others.

**Vision**

To establish ourselves as the most dependable textile producer in the world by developing new products and practising effective management.

**Mission**

Achieving power on a worldwide scale by:

- Excellence in product quality.
- On time delivery.
- Diversifying products through continuous product innovation.
- Focusing on cost effectiveness
- Customer satisfaction

**Values**

The people ETL works with are what it values most. The company works to educate, inspire, and urge them to take on more responsibility so they can excel as performers and conduct business in the most morally and honestly way possible. The team puts a lot of effort towards making the world a better place for future generations by conducting business sustainably. ETL upholds the notion of acknowledging employees and committing to customers, service providers, and business partners.

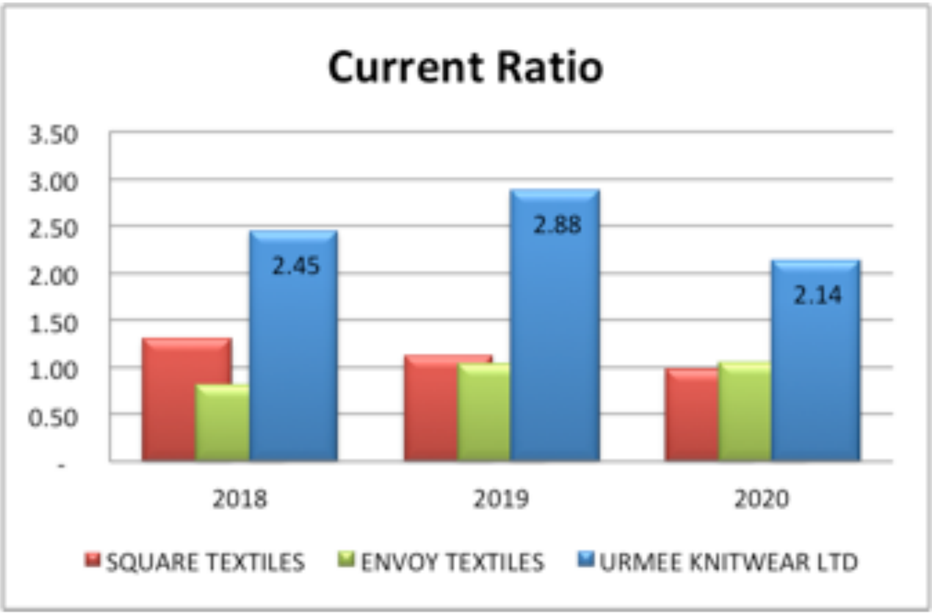
# Chapter- 3

# Financial Ratio Analysis and Recommendation

## 1. Current Ratio

One of the most often used financial ratios is the current ratio, which is used to determine a company's ability to satisfy short-term obligations. The higher the ratio, the better the firm's liquidity position. Any company's current ratio should be between 1.2 and 2 to be efficient. Formula for Current Ratio is stated below:

$$Current\ Ratio = \frac{current\ asset}{current\ liabilities}$$




| Current Ratio | 2018 | 2019 | 2020 |
|---|---|---|---|
| Urmee Knitwear | 2.45 | 2.88 | 2.14 |
| Square Textiles | 1.30 | 1.13 | 0.98 |
| Envoy Textiles | 0.82 | 1.04 | 1.06 |

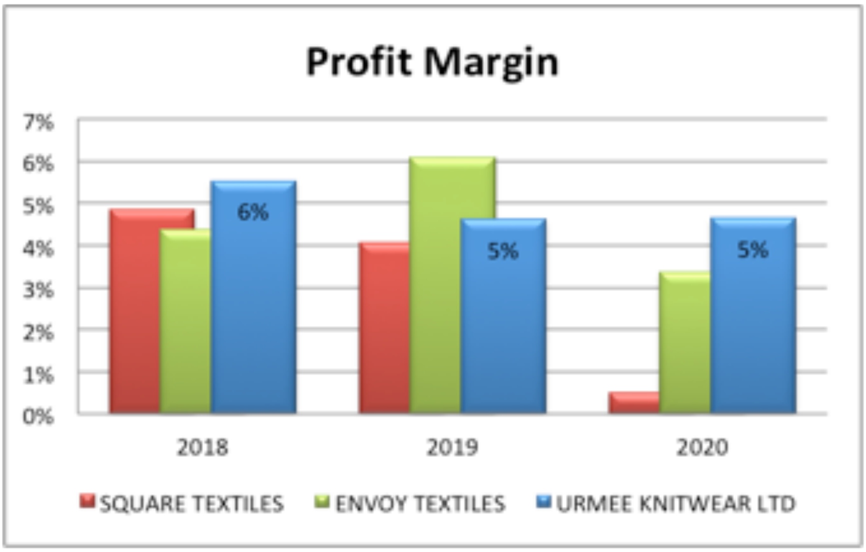
At initial look we can see that Urmee Knitwear carries a current ratio from 2.14 to as high as 2.88, which means they are more than liquid and does not have going concern issues; however in an efficiency point of view this is too high. This means that the company's current assets and short-term financing facilities may be underutilised. This could also be a sign of difficulty with working capital management. In comparison, over the three years, Square and Envoy Textiles being in the same industry carried a lower than usual current ratio. For Square, it seems that this is decreasing overtime. For Envoy, their solvency looks healthier over time as it is reaching towards 1. However, both Square and Envoy are at risk of going concern if covenants are breached and the lenders decide to recall their loan.

**Recommendation:** It is recommended that Urmee Knitwear lower their current ratio to at least 2.00 to stay efficient with the industry standards, so that they are not hoarding liquid assets that can be used in other projects or paying off debt to make debt ratio healthier, which is an opportunity cost.

## 2. Profit Margin

The profit margin of an organization is calculated by dividing its income (sales minus all expenses) by its revenue. Also its one of the most widely used profitability statistics to determine how profitable a firm or business activity is. A good profit margin in most industries is 50% or more as a business is generating double of its cost of making the product. According to Chron.com artice by Hennifer Sable, the industry standards for retail clothes manufacturing range from 4% to 13%. As a rule of thumb, 5% is low, 10% is healthy and 20% is a high margin.

$$Profit\ margin = \frac{Revenue - cost}{Revenue}$$



| Profit margin | 2018 | 2019 | 2020 |
|---|---|---|---|
| Urmee Knitwear | 6% | 5% | 5% |
| Square Textiles | 5% | 4% | 1% |
| Envoy Textiles | 4% | 6% | 3% |

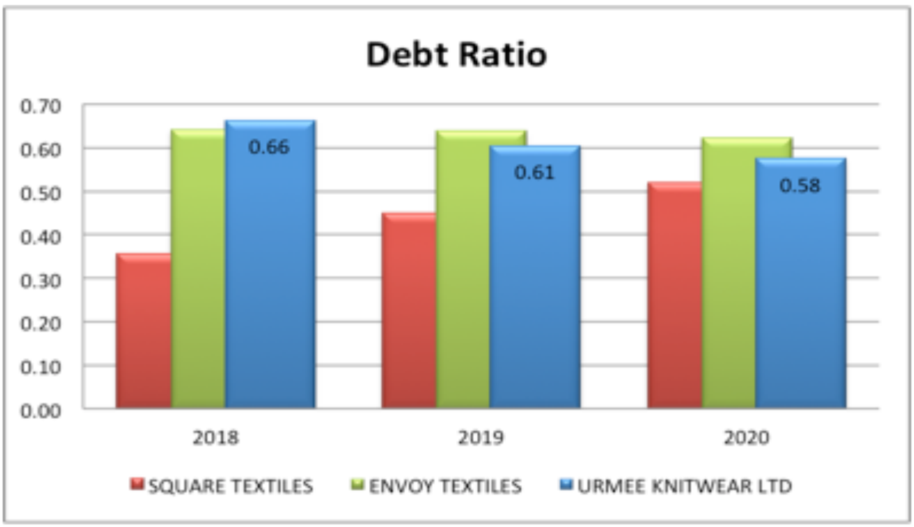
At initial glance we can see both Envoy and Urmee Knitwear maintail a positive profit margin of higher than 3%. Which is not alarming however it is on the lower end of the industry standards. Square textiles on the other hand have decreased their profit margin to as low as less 0.5%. This means the amount sold to generate revenue is nearly as same as they spent on cost of goods sold. This can be due to the recent pandemic where shipments were stopped and had backlogs and prices of COGS have increased severely. In the textile industry, the cost of goods include shipping which is around $20,000 per 40x40 container, as compared to $3000 per 40x40 container pre-COVID. In comparison, it seems that all three companies had a bad year in 2020 due to COVID as the margin kept depreciating. Urmee Knitwear on the other hand have managed to keep their margin from falling in 2020 (Mid-COVID).

**Recommendation:** It is recommended Urmee Knitwear allocate resources and funds to marketing and sales to keep their sales high in order to raise their Profitability Ratio, to surpass industry standards.

### 3. Debt Ratio:

The debt ratio is a financial ratio that measures company's leverage, its defined as total debt to total assets. Many investors aim for a debt ratio of 0.3 to 0.6 in a corporation.

$$Debt\ Ratio = \frac{total\ debt}{total\ assets}$$



| Debt Ratio | 2018 | 2019 | 2020 |
|---|---|---|---|
| Urmee Knitwear | 0.66 | 0.61 | 0.58 |
| Square Textiles | 0.36 | 0.45 | 0.52 |
| Envoy Textiles | 0.64 | 0.64 | 0.62 |

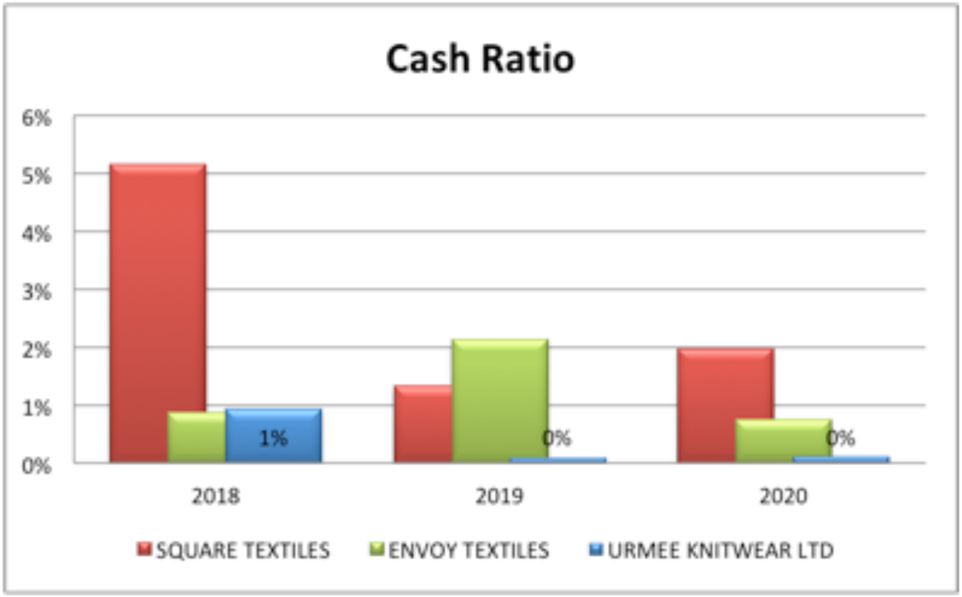
Referring to the chart above it seems that Envoy and Urmee has a high debt ratio. However, Urmee Knitwear has managed to bring this down to industry standards of below 0.6 in 2020, by paying off their total liabilities or increasing their retained earning to bring more capital into their total assets. On the other hand Square textiles' debt ratio has been increasing at a linear rate over the three years in a healthy way; by managing to keep their ratio between 0.3 to 0.6. This could be due to large projects that is planned in the future or an effect of the economic downturn curing the COVID pandemic. Square has an overall lower debt ratio since they have been in the business for long and have paid their loan for their machinery over a longer period of time as opposed to newer businesses. Overall, in a forecasting perspective it seems that all three companies are normalizing their debt ratio towards the industry standards.

**Recommendation:** Simultaneous to the recommendation in the current ratio, lowering current ratio to 2 will allow Urmee Knitwear to pay off their debts faster and lower debt ratio in the foreseeable future.

### 4. Cash ratio:

The cash ratio is a measure of a company's liquidity, and it is defined as the ratio of total cash and cash equivalents to current liabilities. Although there is no perfect amount, a cash ratio of 0.5 to 1 is regarded desirable. This means that a company has enough liquid assets to pay back their current liabilities if demanded by creditors.

$$Cash\ Ratio = \frac{cash\ \&\ cash\ equivalent}{current\ liabilities}$$




| Cash ratio | 2018 | 2019 | 2020 |
|---|---|---|---|
| Urmee Knitwear | 1% | 0% | 0% |
| Square Textiles | 5% | 1% | 2% |
| Envoy Textiles | 1% | 2% | 1% |

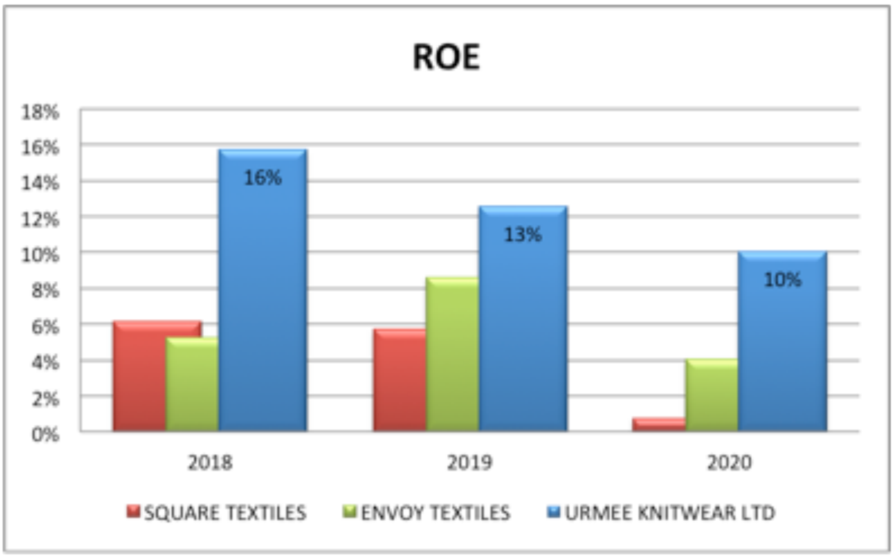
As per the graph above, the highest cash ratio is obtained by Square in 2018, and drastically declines in 2019 and 2020 for all three companies. Urmee Knitwear's cash ratio for 2019 and 2020 is at 0%, this means they are at most risk if a creditor demands cash. It seems like they do not have any liquid assets at year-end. This is not a good sign as this can lead to going concern issues for auditors. Overall all three companies are in the 0% to 5% range, which is very low compared to industry standards which is 50% to 100%.

**Recommendation:** It is recommended that all three companies replenish their cash accounts from either Retained Earnings or enter into Long-Term Debt. By doing som they will remain healthy in a cash ratio perspective.

### 5. ROE:

The return on equity (ROE) is a financial performance indicator that is computed by dividing net income by shareholders' equity. Because shareholders' equity equals a company's assets less its debt, the return on net assets is referred to as ROE. ROEs of 15–20 percent are often regarded as satisfactory.

$$ROE = \frac{net\ income}{shareholders\ equity}$$




| ROE | 2018 | 2019 | 2020 |
|---|---|---|---|
| Urmee Knitwear | 16% | 13% | 10% |
| Square Textiles | 6% | 6% | 1% |
| Envoy Textiles | 5% | 9% | 4% |

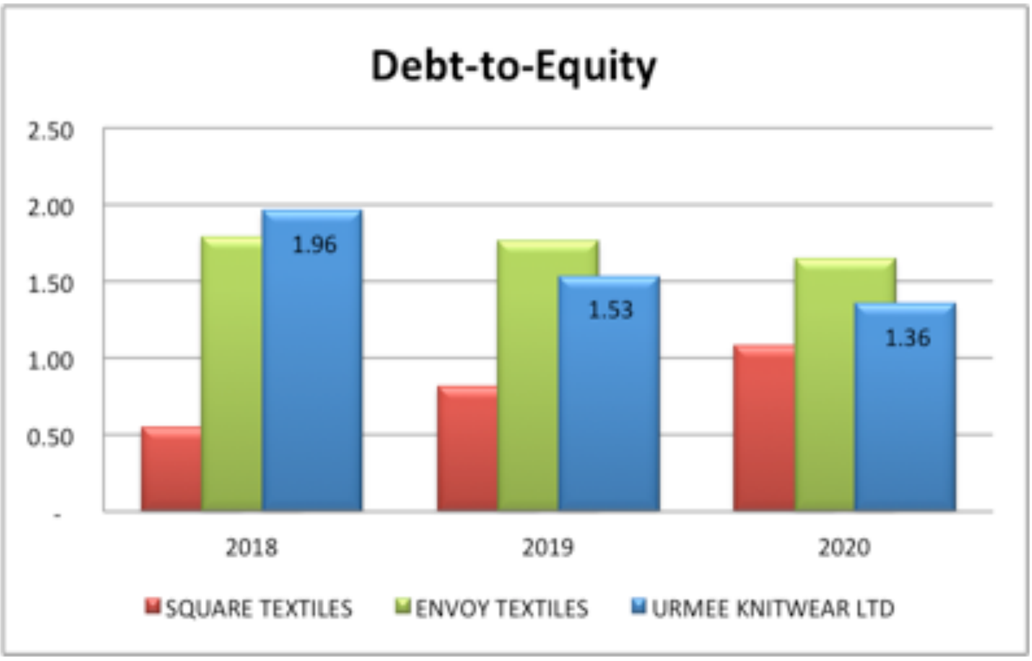
As depicted above, in the textile industry Urmee Knitwear surpasses both the competitors by more than a 200% margin, hanging at 10% return to its investors. This means that this particular company is outstanding at generating returns on investments received from its shareholders. Contrastingly, Square textiles are in trouble of generating less than 1% returns this year due to its complexity in operations. Overall the ROE for all three companies have decreased significantly in 2020 as compares to 2 years before that. This is apparent due to the COVID pandemic and how the shipping industry backlogs has effected the textile industry as a whole during the 2020 year.

**Recommendation:** It is recommended that Urmee Knitwear carry on with their current management decisions as it results to a higher ROE.

### 6. Debt -to- equity:

The debt-to-equity ratio is used to measure a company's total debts to its shareholder equity and is used to calculate how much leverage it has. Higher leverage ratios usually imply a company or stock that poses a greater risk to investors. A debt-to-equity ratio of roughly 2 or 2.5 is generally seen as satisfactory.

$$Debt - to - equity = \frac{total\ liabilities}{total\ shareholder\ equity}$$




| Debt-to-Equity | 2018 | 2019 | 2020 |
|---|---|---|---|
| Urmee Knitwear | 1.96 | 1.53 | 1.36 |
| Square Textiles | 0.55 | 0.82 | 1.09 |
| Envoy Textiles | 1.79 | 1.77 | 1.65 |

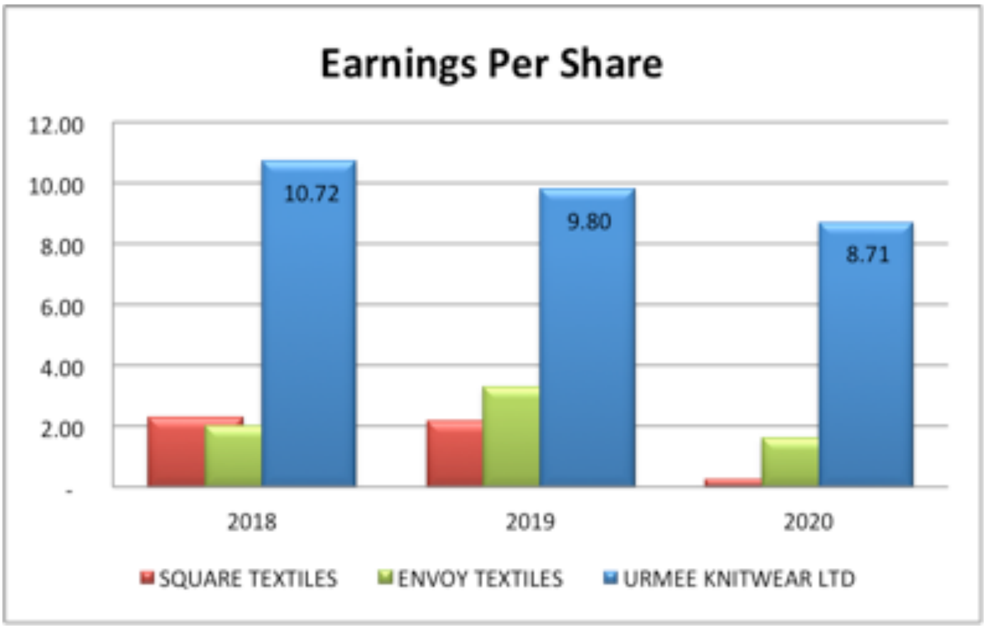
At first glance we can see that the debt to equity ratio is gradually decreasing over the years for both Envoy and Urmee, which is a good sign at the middle of the pandemic. On the contrary square decided to take on more debt or their shareholders have been selling their shares over the years. Management have made this strategic decision for initiating projects that will provide more return in the future. The higher the leverage ratio, the higher the risk to its shareholders. The other two companies are taking a conservative approach to manage its health. Overall, it seems that in 2020, all three companies have an aggressive approach and can have twice or more liabilities than its equity which is not a good sign, in case more shareholders decide to sell its shares. This can lead to a risk of going concern in an audit perspective or even breaching bank covenants and lead to bankruptcy.

**Recommendation:** It is recommended that all Urmee pay off its debts by lowering current ratio as they have a lot of room to play with.

### 7. Earning per share:

The earnings per share of the company is often given in the best interests of potential stockholders and management. The quantity of dollars earned on behalf of each outstanding share of common stock is referred to as earnings per share (EPS). Stocks with a grade of 80 or above have the best chance of succeeding.

$$Earning\ per\ share = \frac{earring\ availabile\ for\ common\ stockholder}{no\ of\ share\ of\ common\ stock\ outstanding}$$




| EPS | 2018 | 2019 | 2020 |
|---|---|---|---|
| Urmee Knitwear | 10.72 | 9.80 | 8.71 |
| Square Textiles | 2.32 | 2.18 | 0.27 |
| Envoy Textiles | 2.01 | 3.31 | 1.63 |

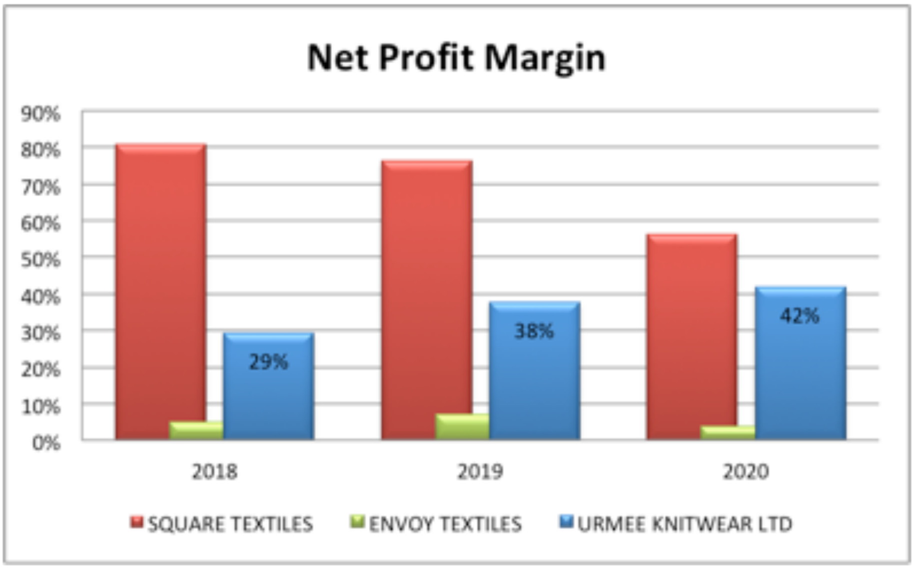
As apparent in the above figure, the EPS of Urmee Knitwear surpasses both its competitors by 5 times in nearly all three years. A low EPS can be seen in Square and Envoy's financial health. This is either due to low earnings or higher number of common stock held by shareholders, where more people are taking a piece of the pie. Naturally during the COVID pandemic we expect a lower net income from any company in the industry therefore gradually decreasing. However, Urmee Knitwear managed to hold its EPS ratio high by freezing the purchase of stocks by outsiders during such times.

**Recommendation:** It is recommended to either increase revenue or have less shareholders to attain a higher EPS ratio.

### 8. Net profit margin:

A firm's net profit margin is the percentage of net sales left after all expenses and tax are deducted. The higher the percentage, the better the performance. This ratio is often used to evaluate a firm's success in terms of its earnings on sales. In essence, it calculates the profit as a proportion of revenue. A 10% net profit margin is considered average, a 20% margin is considered high whereas a 5% margin is low.

$$Net\ profit\ margin \frac{net\ profit\ after\ tax}{operating\ income}$$




| Net Profit Margin | 2018 | 2019 | 2020 |
|---|---|---|---|
| Urmee Knitwear | 29% | 38% | 42% |
| Square Textiles | 81% | 76% | 56% |
| Envoy Textiles | 5% | 7% | 4% |

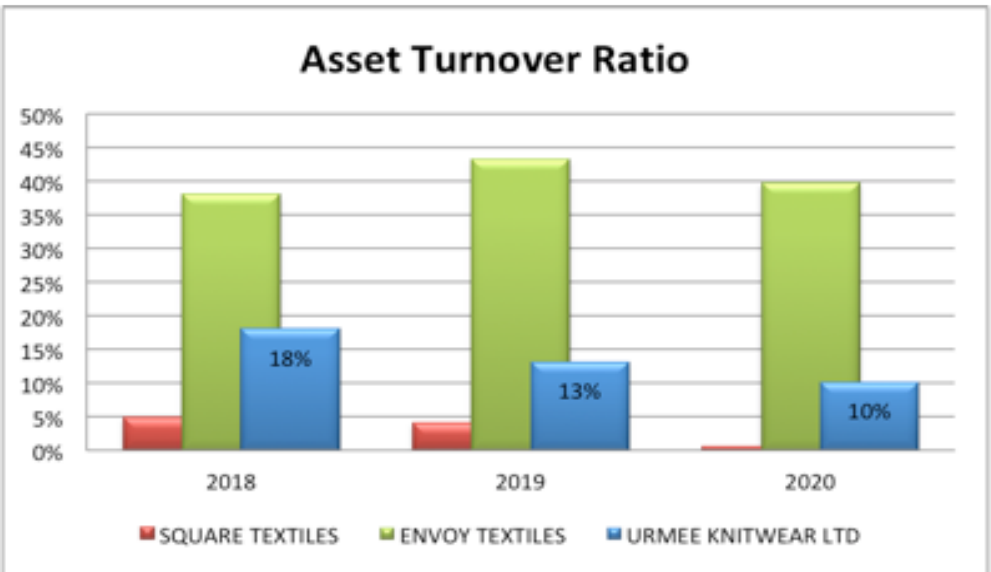
Volume wise, Square textiles has the highest profit margin out of the other two competitors, however it is slowly decreasing. Urmee Knitwear on the other hand is gradually increasing from a low 29% to 42%, reaching an equilibrium with Square. Envoy textiles maintain its low margin all three years. This is concerning as the money Envoy earns from selling their products or services is insufficient to meet the costs of producing or selling them.

**Recommendation:** It's recommended that a strategic decision must be made for then to catch up to industry standards by increasing their revenue, through grabbing more market share or increasing their prices. The other way to attain their goal is for their buying managers to find cheaper sources of raw materials, keeping in mind that they do not compromise quality as this can negatively affect customer satisfaction and as a result can have a loss in market share.

### 9. Asset turnover ratio:

A company's asset turnover ratio indicates how efficient its assets are at generating revenue or sales. It compares the dollar amount of sales to its total assets on an annualized basis. To determine the turnover ratio of assets, divide net sales or revenue by the average assets. A 'good' total turnover asset is one with a ratio of 25% to 50%.

$$\text{Asset turnover Ratio} = \frac{\text{net sales}}{\text{average total assets}}$$



| Asset Turnover Ratio | 2018 | 2019 | 2020 |
|---|---|---|---|
| Urmee Knitwear | 18% | 13% | 10% |
| Square Textiles | 5% | 4% | 1% |
| Envoy Textiles | 38% | 43% | 40% |

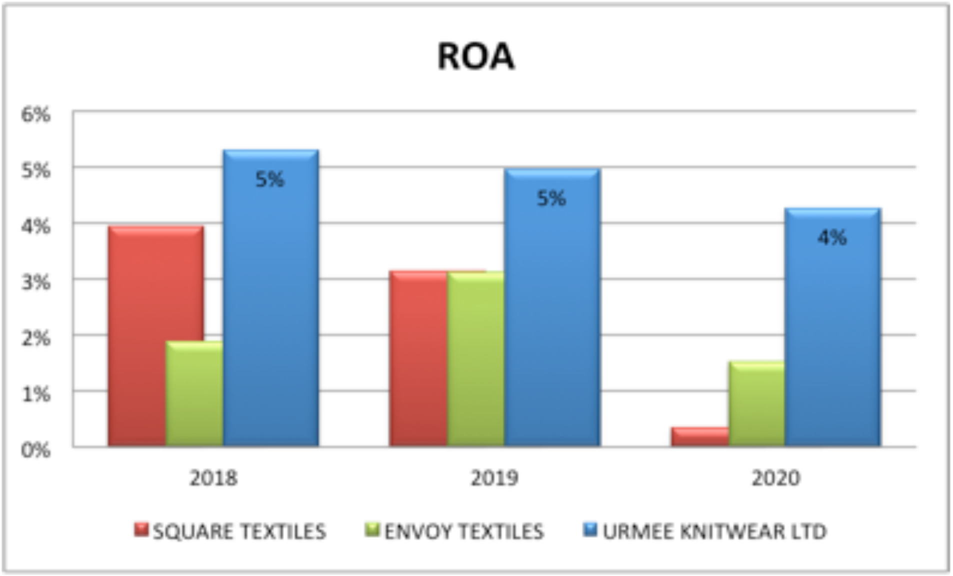
All three companies have a consistent asset turnover ratio, although Square and Urmee is decreasing slightly over the three years. Envoy on the other hand has a good 2019 year but fell again in 2020. The market at the time affected net sales for not just the textile industry but the economy as a whole. This effected net sales drastically, which explains the unfavorable Asset turnover ratio for 2020. In a general sales perspective, Envoy textiles have been generating a higher sales comparing to its total average assets, which is on the higher end of the "good" ratio. This is considered financially healthy. Urmee knitwear is under the 25% average for a healthy financial ratio, which can be turned around quickly with some changes in management decision and a boost in economy. Square textile's asset turnover ratio health is on the critical side as they own a larger value of assets which is producing them less than 5%. This means that every 100 taka of assets generates 5 taka, as a result they are not utilizing their assets efficiently to generate sales. Square, being one of the larger companies in Bangladesh, may have fixed assets left idle as they are working on bigger projects to replace their machines. This could be a decision made by management to be profitable long term much more efficiently.

**Recommendation:** It is recommended that if they sell their older machines, they can have liquid assets as inventory to take in more orders to sell which will drastically increase their asset turnover ratio overnight.

## 10. ROA:

A company's return on assets will indicate how effective management is in generating profits from its assets. The higher the ratio, the better the return per dollar of assets. A return on asset of more than 5% is considered good, and more than 20% is considered great.

$$ROA = \frac{net\ profit\ after\ tax}{total\ assets}$$




| ROA | 2018 | 2019 | 2020 |
|---|---|---|---|
| Urmee Knitwear | 5% | 5% | 4% |
| Square Textiles | 4% | 3% | 0% |
| Envoy Textiles | 2% | 3% | 2% |

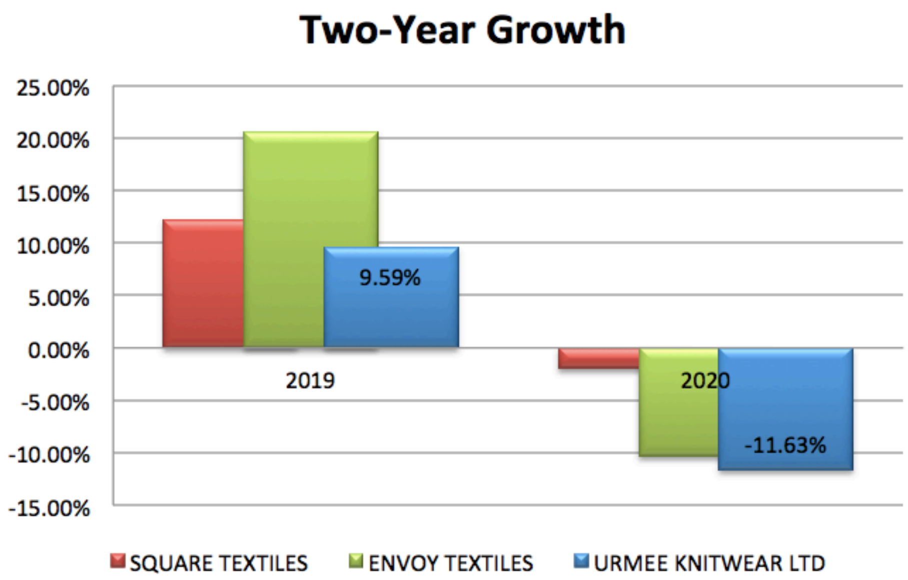
To all intents and purposes, the chart above portrays an average of more than 2% ROA. This tells us that in the textile industry its more about the long term growth than the short term. As the net profits are steady and consistent year over year, a lower return on assets in the case of Square Textiles can only mean that there were more assets acquired by the company for a long term project plan. However, comparatively to each of the companies; Urmee Knitwear, considerably great, is the healthiest of all, since they generate more than 4% returns per dollar invested in total assets. Envoy on the other hand is very much volatile due to its instability in maintaining its net profit. However, they still managed to keep an ROA of over 1%. Generally, 0% is still not a bad number, it just means that the company is making strategic decisions to be in a healthier state for the long run. If a company is not generating as much profit as it's Total Assets, does not mean they cannot in the next year. This number can easily be manipulated by selling a lot of it's assets and converting cash to equity or liabilities, to show a higher margin, however this would not disastrous in the near future.

**Recommendation:** It is recommended Urmee Knitwear stay consistent with their decisions and not change their funding for marketing cost center and sales profit centers to keep their ratio high.

### 11. Two-year growth of Sales:

Sales is one of the Key Performance Indicators of a company's decision making. We have used "Revenue/Sales a core to base out two year growth. The two-year growth can convey to a stakeholder a lot about the company's change Revenue over two years, as well as the industry (if we compare similar companies), consequently the economy as a whole.

$$Two\ year\ growth\ of\ Sales = \frac{Current\ Year\ Sales}{Previous\ Year\ Sales} - 1$$




| Two-Year Growth | 2019 | 2020 |
|---|---|---|
| Urmee Knitwear | 10% | -12% |
| Square Textiles | 12% | -2% |
| Envoy Textiles | 21% | -10% |

From a macro perspective, it is obvious that all three companies had a fall in sales in 2020 in comparison to 2019 of more than 10% at least. The biggest change was at Envoy Textiles falling from their last year growth of around 20% to negative 10%, which is a 30% decrease in two years. Along with Urmee Knitwear at 21.22% slide in sales. On the plus side, given the market conditions and economic downturn, Square Textiles kept its sales consistent and only fell by 2% in 2020.

However, the two-year growth of sales does not tell us much, given that during the COVID pandemic most of the companies in any industry were struggling to meet their budgeted sales, and not to mention external issues such as shipping backlog, cancellation of buyers order, etc.

**Recommendation:** The recommendation on the two-year growth aligns with the goals or ROE, profitability and ROA; to increase sales.

# Chapter- 4

## Corporate Social Responsibility

Urmee Knitwear is committed to the establishment and maintenance of the best practice of environmental, safety, and occupational health programs designed to protect the environment and health of our employees, our customers, and the communities where we operate. Urmee Knitwear strives to operate in this manner, not only to comply with laws and regulations, but also to demonstrate responsible environmental stewardship and maintain a positive relationship with our community stakeholders.

Urmee Knitwear recognizes that operational, economic, environmental, public, and social concerns are all integrally linked to the company's future mission. Meeting the commitment to protect these concerns is a primary senior management objective—as well as the individual and collective responsibility of all Urmee Knitwear employees. The industry in which Urmee operates has had to strive to prove that they are socially responsible. The export-orientation of this industry demanded that all RMG (Ready-Made-Garments) companies meet global standard of social right doings.

Each company in the industry has had to come up with a workable and manageable CSR program. And since Bangladesh is a country burdened by poverty, starvation, poor medical support and high illiteracy, there seems to be plentiful to do, if you are seeking to do right by society and stand by your people. Urmee Knitwear has from its inception, been heavily involved in giving back to the society in the form of charity and donation.

Below is a brief overview of Urmee Knitwear's CSR practices in comparison to two other companies' CSR practice:

| Urmee Knitwear | Square Fashions | Envoy Textiles |
|---|---|---|
| ○ Support 300+ local families to pay for food and shelter, monthly at Majhighati, Gopalgonj.<br>○ Contributed to the building of 50+ mosques and madrasas all over Bangladesh.<br>○ Bear the expensive and extensive medical expense of employees and employees' families.<br>○ Provide scholarship for education to meritorious members of employees' family.<br>○ Provide a meal plus amenities care package for over 10,000 families during Ramadan. | ○ Contribution to Acid Survivors foundation (ASF) Fund.<br>○ Free Treatment for underprivileged people Square Hospitals Ltd on the 27th day of each month.<br>○ Support to Disaster Management under Square Group.<br>○ Support Meritorious Student via recognition. | ○ Setting up Pediatric Intensive Care Unit (ICU) cum High Dependency Unit (HDU) at Dhaka Medical College.<br>○ Priority Appointment of Physically Challenged People.<br>○ Art Competition for Neighborhood Children. |

# Conclusion

Most of Urmee Knitwear's financial ratios stay constant and predictable year over year, except the two year growth, and the 2020 year due to the COVID pandemic, this although creating an unsatisfactory circumstance, is no victim to bad management due to market conditions and economic downturn. This can be easily rectified by powertful strategic decisions and business planning through project investments. Urmee Knirwear has developed a strong position throughout the years as a result of its trustworthy production and management activities. Its clientele, ready-made-garments mills and large retail companies, as well as the quantity of money deposited and invested, is steadily growing. In order to compete, the company should consider streamlining sources of revenue and product lines other than just knitting and dyeing. They can also adopt various marketing strategies to build clientele and capture marketshare in this competitive textile industry. To do this, new projects of expanding, such as investing in more machineries and land would be required to satisfy a larger clientele.

Overall given the econimic downturn, and the industry, it is strongly suggested that Urmee Knitwear expands its production by invesing in projects and in turn, key resources such as  machinery and land to achieve higehr profits as well as capture more market share.

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