Internship Report

On

Financial Performance Measurement of EchoLogyx Ltd.

Submitted By:

Md. Abu Rubaet John

ID: BBA2202026024

Program: Bachelor of Business Administration

Major: Accounting

Department of Business Administration

Sonargaon University (SU)

Submitted To:

Department of Business Administration

Faculty of Business

Sonargaon University (SU)

Submitted for the partial fulfillment of the degree of

Bachelor of Business Administration



Sonargaon University (SU)

Dhaka- 1215

Date of Submission: May 05, 2024

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Submitted To:

Dr. Md. Masud Rana

Associate Professor & Head

Department of Business Administration

Faculty of Business

Sonargaon University (SU)



Sonargaon University (SU)

Dhaka- 1215

Date of Submission: May 05, 2024

Letter of Transmittal

May 05, 2024

To

Dr. Md. Masud Rana

Associate Professor & Head

Department of Business Administration

Sonargaon University (SU)

Subject: Submission of Internship Report on “Financial Performance Measurement of EchoLogyx Ltd”.

Respected Sir,

With humble honor and respect, I am submitting my internship report on “Financial Performance Measurement of EchoLogyx Ltd”. As per partial accomplishment of the requirements for the BBA degree, this internship has been carried out under your supervision.

This report is an integral part of our academic courses in the completion of the BBA program, which has allowed me to gain an insight into the accounting procedure practiced by IAS (International Accounting Standards) & IFRS (International Financial Reporting Standards). I hope this report reflects on the contemporary issues of the general accounting procedure, risk assessment through ratio analysis, comparisons with market leaders, Comparisons with industry standards, and compliance with NBR (National Board of Revenue) guidelines that are being practiced by organizations in our country.

In completing the report, I tried my best to blend all my knowledge and imparted every available detail, and also attempted to avoid unnecessary amplification of the report.

I humbly request you to accept this report for your kind evaluation.

Sincerely,

_____

Md. Abu Rubaet John

BBA2202026024

Department of Business Administration

Sonargaon University (SU)

Student's Declaration

I, Md. Abu Rubaet John, at this moment, declares that the presented report of "Financial Performance Measurement of EchoLogyx Ltd" is uniquely prepared by me while working with EchoLogyx Ltd. as Finance Manager.

I also confirm that the report is only prepared for my academic requirement, not for any other purpose. It might not be used in the interest of the opposite party of the corporation. No portion of this Proposal, in any way or form, has been submitted to any College or Institution for any Degree, Confirmation, or other comparable purposes.

_____

Md. Abu Rubaet John

BBA2202026024

Department of Business Administration

Sonargaon University (SU)

Letter of Authorization

It is to be certified that this Internship report titled “Financial Performance Measurement of EchoLogyx Ltd.” is the bona fide work of Md. Abu Rubaet John, ID No BBA2202026024, conducted the research under my supervision. Certified further that to the best of my knowledge, the work reported herein does not form part of any other project report or dissertation based on which a degree or award was conferred on an earlier occasion on this or any other candidate.

Md. Abu Rubaet John bears a strong moral character and a very pleasing responsibility. It has indeed been a great pleasure working with him. I wish him all success in life.

_____

Dr. Md. Masud Rana

Associate Professor & Head

Department of Business Administration

Sonargaon University (SU)

Acknowledgement

I would like to express my sincere gratitude to my internship supervisor Dr. Md. Masud Rana, Associate Professor & Head, of the Department of Business Administration, at Sonargaon University. His patience, enthusiasm, cooperation, and suggestions made me present this internship report to produce in the present form. His brilliant, skillful supervision enriched this study higher than I expected. I could not remain any more without giving heartfelt thanks to my supervisor for his painstaking supervision throughout the study period. This research work would not have been possible without his stimulation, inspiration, and cooperation.

Further, yet importantly, a sense of respect goes to my Supervisor, Ish Hassan, Group CFO of Echo Group, and Abdulrahman Basim Ibrahim Abdulrazaq, Group Finance Director of Echo Group for their powerful support in helping me to collect information and regular encouragement in every step to put me in the present stage. Similarly, other colleagues are also subject to special thanks for their inspiration and cooperation in my study.

I am also thankful to all other officers and employees of EchoLogyx Ltd, whose extended cooperation helped me prepare the report.

I also would like to thank all my respected teachers in the Department of Business Administration who directly and indirectly provided me with inspiration and valuable suggestions during this study.

Md. Abu Rubaet John

BBA2202026024

Department of Business Administration

Sonargaon University (SU)

Executive Summary

This report is based on “Financial Performance Measurement in EchoLogyx Ltd.”. EchoLogyx Ltd. (ELX in short) started its journey in 2018. ELX has 3 offices in Bangladesh and those are located at Uttara Dhaka, Dhanmondi Dhaka, and Muradpur Chattogram. ELX operates as a UK-based software company, so its head office is located at 110-112 Parkway, London, UK NW1 7AN. ELX also has its US office at 16075 Orchard Drive, Westlake, FL 33470, USA. The main activities of the firm are carrying out A/B testing, website development, Testing and QA, and UI/UX Design for clients. ELX has so many clients around the globe. The main objective of this report is to get an overview of the Financial Performance Measurement in general and specifically of ELX. The study has covered the Financial Performance Measurement of EchoLogyx Ltd. for current and past years. The study has used both primary and secondary data sources.

The first chapter of this report consists of an introductory part of this report, the second chapter includes an overview of EchoLogyx Ltd where I am currently working as Finance Manager i.e. ELX. The third chapter is the General definition, purpose & process of Financial Performance Measurement, the fourth chapter is Financial Performance Measurement, the fifth chapter is Findings (positives & negatives), the sixth chapter is Recommendations, and in the seventh Conclusion.

To understand the measurement process, data was collected through interviews with Colleagues, Annual reports, the Company website, my last few years' practical experiences with ELX, and learning the standards from books and websites.

The company (ELX) should focus on diversification of its work ground. They are known as AB testing company. There is a big market for full-stack development. AB testing is quite new in Bangladesh. They sometimes struggle to get sufficient Engineers. Those who love to take challenges are getting interested in ELX. If you are not a tech lover or quick learner, you might struggle a lot.

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Acronyms and Elaboration

Acronyms	Elaboration
BDT	Bangladesh Taka
FRC	Financial Reporting Council
IAS	International Accounting Standards
ACCA	Association of Chartered Certified Accountants
IFRS	International financial reporting standards
ISA	International Standards on Auditing
ELX	EchoLogyx Ltd.

Chapter One
Introduction

1.1 Prelude

The main purpose of financial performance analysis for an IT company is to evaluate its financial health, efficiency, and effectiveness in utilizing resources to achieve its objectives. Analysis helps in determining how profitable the organization is. This involves examining metrics such as gross profit margin, net profit margin, and return on capital employed (ROCE), etc. Understanding profitability indicates the firm's ability to generate earnings from its operations. Liquidity analysis focuses on the firm's ability to meet short-term financial obligations. It involves assessing metrics such as the current ratio and quick ratio to ensure the firm has enough liquid assets to cover its liabilities. For an IT company, this is crucial given the fast-paced nature of the industry and the need to respond swiftly to market demand. Efficiency analysis helps in evaluating how effectively the firm utilizes its resources to generate revenue. IT companies also need to optimize resource allocation to remain competitive in a rapidly evolving market. Financial analysis enables the identification of trends and patterns in the firm's financial performance over time. This includes analyzing revenue growth, expense patterns, and cash flow trends. Understanding these trends helps in making informed decisions regarding strategic planning, resource allocation, and risk management. Comparing the financial performance of the IT firm with industry peers or competitors provides valuable insights into its relative position in the market. Benchmarking against industry standards helps in identifying areas of strength and weakness, as well as opportunities for improvement. Financial analysis provides stakeholders, including investors, creditors, and management, with valuable information for decision-making purposes. Whether it's assessing investment opportunities, securing financing, or formulating strategic plans, a thorough understanding of the firm's financial performance is essential. Overall, financial performance analysis serves as a vital tool for evaluating the overall health and sustainability of an IT firm, guiding strategic decision-making, and driving long-term success in a dynamic and competitive industry landscape.

1.2 Objective of the Report

The main objectives of the report are as follows:

- To gain insight into the operations of the IT company
- To acquire in-depth knowledge of the financial performance measurement procedures
- To develop versatility by working on various tasks and IT projects
- To understand the performance of fieldwork during the operation
- To understand the proper ratio analysis with interpretation in an actual scenario
- To understand the related core activities of an IT Company
- To gain insight into the Regulatory risk assessment for IT Companies
- To understand the financial performance of an IT company compared with others in Bangladesh.

1.3 Methodology and Data Collection

The preparation of this report is based on the experience gained during the work at ELX, as well as the guidance and assistance provided by senior colleagues and supervisors. The methodology of this study focuses on the sources used to collect the necessary data, which are described below:

Data Sources: The data for this report was collected from both primary and secondary sources.

Sources of Data	
Primary Sources	**Secondary Sources**
• Annual Financial Reports. • Questioning immediate Supervisors and staff • Physical and practical observation.	• Studying International Accounting Standards (IAS). • International Financial Reporting Standards (IFRS) • Learning various analyses from YouTube tutorials • Newspaper and website • Auditor's report of various companies published online. • Various articles online

1.4 Data Analysis, Techniques, and Accounting

I have conducted a comparative analysis of the current financial year with the preceding year for the data analysis and accounting.

I have also performed a trend analysis to understand the fluctuation of revenue and costs during the current period.

I have Performed the below-listed ratio analysis.

(a) Current Ratio
(b) Quick Ratio
(c) ROCE
(d) Gross Profit Margin
(e) Net Profit Margin

For accounting, recording, and bookkeeping, we are using Xero. On the other hand, we are also using MS O365 for a total solution. It's quite easy for me to download or export reports for my analysis work.

1.5 Limitations of the Study

- Time constraint. Three months is not enough for such a comprehensive study. It is very challenging to collect all the information in such a short time.
- Statutory auditors do not disclose any information which they classify as confidential documents. Because all the limited companies don't need to publish reports publicly. Therefore, I have to conduct a significant portion of the thesis based on publicly available documents.
- When I joined, I signed a confidentiality agreement (NDA). One of the codes is confidentiality. As the thesis is conducted on a private limited company, in some cases I was unable to cite references of information used for this report.

Chapter Two
Overview of EchoLogyx Ltd.

2.1 Brief about the Organization

EchoLogyx Ltd. started its journey on 21.05.2018 and since then we have been getting more client base to cooperate.

Here at EchoLogyx, we love to solve problems. This means they are always challenging the status quo to make things better, faster, and more efficient for their clients. We're the cost-effective solution to all of your development problems, and what's more, we treat our clients like family. We're fans of responsive design and development, keeping your business agile and interesting.

EchoLogyx started its journey as a small development support hub for A/B testing and web app development, all running out of Camden, England. With just two front-end developers and a dream, we were hopeful that our idea would grow. With a lot of hard work and dedication, it did. In just a few years, we've grown our team tenfold and even hired an entire, super skilled, operational team based in Dhaka and Chattogram in Bangladesh. Now, we're an amazing team of 130+, filled with every kind of expert, from QA engineers to designers, A/B Test developers to Full Stack Engineers.

We work with Fortune 500 companies daily to provide the best personalization, development, testing, design, and QA support. We support clients with our great solutions, and we're thriving. Interested in joining the EchoLogyx family? Why not see what our other clients have to say?

2.2 Services of the firm

A/B testing, development and QA

Whatever it is you need to test, trust us; we've got you covered. Our team of senior solutions engineers knows all the tricks of the trade to develop A/B tests for any scenario, including building the relevant variations that allow you to test your ideas and improve your business.

Web App Development

We've got plenty to offer in the world of app development. Whether you need planning, definition, development, testing, or post-development support, we can help. We won't dive right in without the right preparation, either – we'll assess your requirements, understand what is right for you, and give you the best advice for moving forward. Then, we'll help you develop solutions that help you achieve your goals.

We're not your average web development agency either. With custom and bespoke software and design, we make sure that your solution fits exactly what you need, and we won't give you a cookie-cutter answer to a unique problem. By focusing on the UX of your solution, we can help to ensure its success it, and by using outsourced development resources, we can keep costs down while still providing a top-quality service.

Quality Assurance

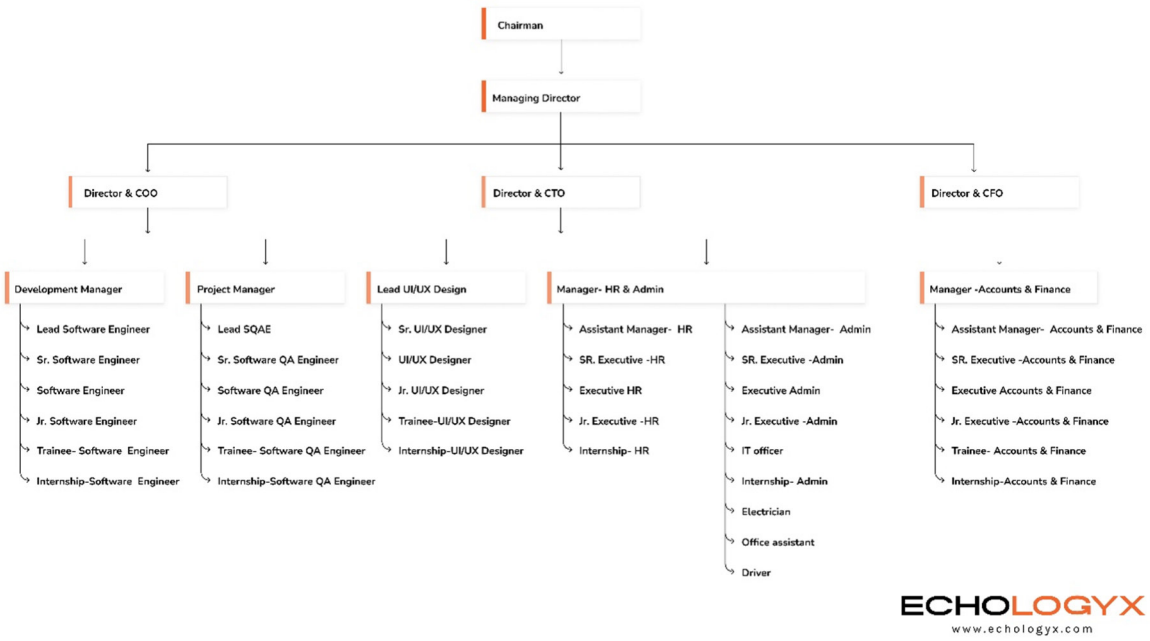
We know that quality is important. That's why we've got a dedicated team of engineers to make sure your customers aren't plagued with bugs or problems. Whether design, functionality, or general issues, our team makes sure that nothing goes live if it isn't 100% right.

UI Design

We want to make all of our customers happy, and we know you do too. That's why our UI designers make sure that they create designs that not only look great but also provide an amazing customer experience. Our teams work with all sorts of organizations to create innovative UI designs for their websites, promotional materials, marketing, and A/B testing, amongst other things.

2.3 Human Resources of the Organization

At present the organization has a total number of 130 resources. We have 3 offices in Bangladesh (Uttara, Dhanmondi, Chattogram), with the Head office located in the UK and another office in the USA.



EchoLogyx Ltd Organogram

2.4 Mission

We love to help our clients. That's why we get out of bed every day. Our mission is to become the most trusted solutions partner in the world, working with clients from all over the globe. That's why we help you reduce the cost of your development, design, and QA without compromising on quality.

We aim to ensure that we look after our engineers, creating a sustainable and eco-friendly workspace and providing all the necessary support for the team to grow within the organization.

Help us achieve our mission by letting us provide highly experienced resources at a great cost, making you and us happy.

2.5 Culture and Benefits

At EchoLogyx, we believe in creating an excellent culture and working environment for our employees. We understand that our team members are the backbone of our company, and we strive to create a place where they can thrive.



We have a gaming zone that our employees can use to relax and unwind after a long day of work. We also organize an annual pleasure tour for our team members to bond and have fun together.



Our team is made up of vibrant individuals who are passionate about technology and dedicated to developing amazing products. We value personal and professional growth and provide opportunities for our employees to develop their skills for their careers.



We have an open feedback culture where employees are encouraged to share their ideas and suggestions. We believe in creating a positive and inclusive work environment where everyone feels valued and respected.

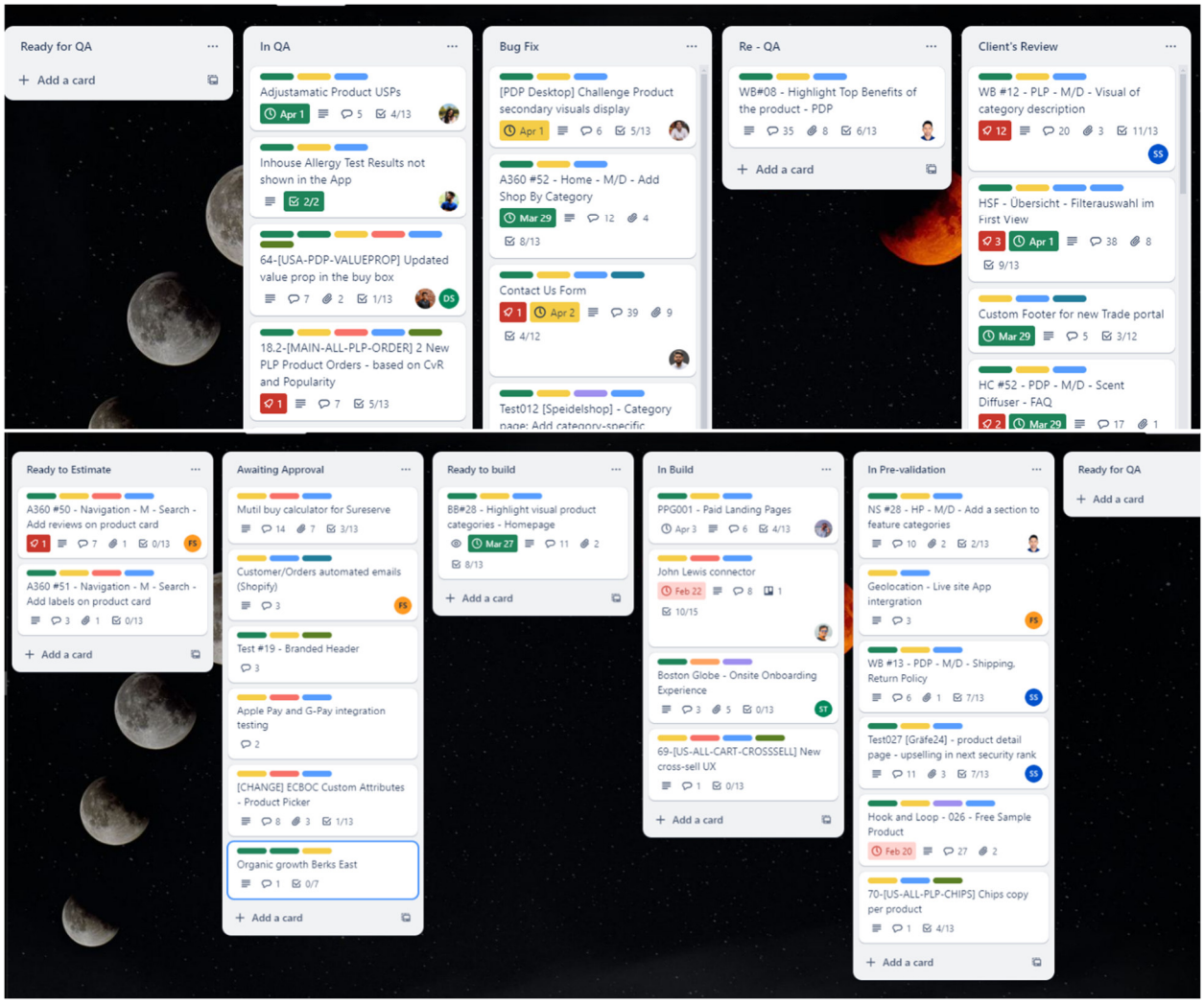
2.5 Operation Process

Initially when a service agreement is signed with a client then they arrange an initial meeting. There they will share their plan. One of our Project Managers will take notes and later have an internal team meeting with probably required resources.

After that, we will send a time estimation and prices with the required full-time or Ad hoc resources (Developer, QA, and Designer). If gets approved, then work starts.

The operation team started their journey with that client. Internally we are using a Trello board for tracking tasks and also using an ELX timesheet for tracking our daily work hours.

In earlier days we were using Jibble for check-in/out but now we are using eHRMS system which is internally developed for the Human Resources Department.



ELX Trello Board

If tasks are approved, then we issue an invoice in the first week of the next month. Payment terms and conditions vary from client to client.

Chapter Three
Job Responsibilities

3.1 Operational Activities

My operational activities are not limited as the management team can ask at any time for any emergency tasks. Please find some of them below:

i. Monitor Bangladesh, the UK, and the US's regular day-to-day activities.
ii. Attend agent or sales promoter meetings.
iii. Attending probable client's meeting to discuss financial terms.
iv. Review timesheets and issue invoices to clients.
v. Coordinate with 3 countries' operational works and arrange meetings to discuss issues.
vi. Arrange a board meeting.
vii. Review IT equipment and approve payments for purchases.

3.2 Accounting Activities

i. Monitor day-to-day accounting entries to Xero for 3 countries.
ii. Calculate provisions for specific items.
iii. Review payroll workings.
iv. Review supplier payments and their accounting entries.
v. Review annual audited accounts before finalization.
vi. Prepare and provide presentation of monthly management accounts to management.
vii. Approve fixed assets register and depreciation in systems monthly basis.

3.3 Finance Activities

i. Prepare payments in the bank for suppliers (online for UK & US).
ii. Review and reconcile bank statements regularly.
iii. Prepare forecasts and budgets for approval.
iv. Prepare and monitor expense reports compared with budgets.
v. Transfer funds when necessary to keep all branches operational.
vi. Prepare and provide the presentation of monthly finance reports to management.
vii. Chase all due clients to recover funds.

3.4 Other Activities

i. Review and take updates from the compliance department about monthly VAT, Tax returns, and RJSC works.
ii. Submit UK VAT return quarterly.
iii. Monitor Provident Fund and Workers Profit Participation Funds activities.
iv. Liaison with banks and financial institutions.
v. Process refunds where necessary.
vi. Coordinate with the Ad hoc internal audit team where necessary.

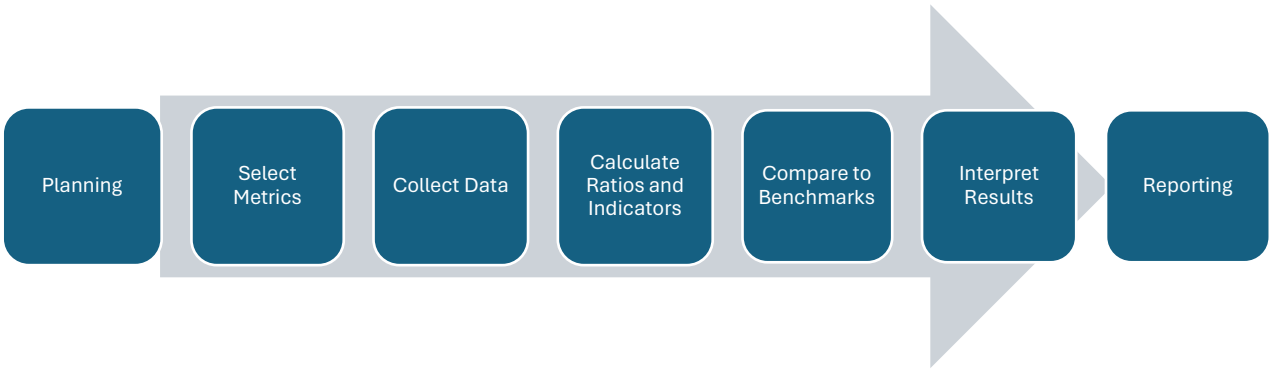
Chapter Four
Data Collection, Analysis, and Findings

4.1 Financial Performance Measurement

Financial Performance Measurement refers to the process of evaluating the effectiveness and efficiency of an organization's financial activities and operations. It involves analyzing various financial metrics and indicators to assess how well a company is utilizing its resources to generate profits and create value for stakeholders.

The purpose of financial performance measurement is to provide insights into the financial health and performance of an organization, enabling stakeholders such as investors, creditors, managers, and analysts to make informed decisions. It helps in identifying areas of strength and weakness, monitoring progress toward financial goals, and guiding strategic planning and decision-making processes.

4.2 Financial Performance Measurement Process



i. **Planning:** During the planning phase, we need to assess the whole scenario on a single page. My whole planning was based on the IT industry company.

ii. **Select Metrics:** We need to Identify and select the appropriate financial metrics and indicators to measure performance. These may include metrics such as profitability ratios, quick ratios, leverage ratios, efficiency, and others.

iii. **Collection Data:** I have collected relevant financial data from internal and external sources. This data may come from financial statements (income statement, balance sheet, cash flow statement), accounting records, management reports, industry benchmarks, or other sources.

iv. **Calculate Ratios and Indicators:** I have calculated the selected financial ratios and indicators using the collected data. This involves performing mathematical calculations based on predefined formulas for each metric.

v. **Compare to Benchmark:** I have also compared the calculated financial ratios and indicators to industry benchmarks, historical performance, or predetermined targets/goals.

vi. **Interpret Results:** Interpret the results of the financial performance measurement analysis. Identify strengths, weaknesses, opportunities, and threats to the organization's financial health and performance.

vii. **Reporting:** Prepare reports or presentations summarizing the findings of the financial performance measurement process. Communicate the results to relevant stakeholders, such as management, investors, creditors, regulators, or board members.

The overall process is designed to provide proper financial analysis based on financial reports. Based on that Organization can set up upcoming financial and operational performance.

4.3 Screening of Financial Reports

To plan properly we have to properly go through the financial reports. I have gathered data directly from the Annual report. For my analysis part I have used data for FY 2021-22 & FY 2022-23 (Appendix-1 & Appendix-2)

4.4 Comparative Analysis

4.4.1 Non-Current Assets

FY	2022-23	2021-22	Growth	
			in Amount	In %
Amounts	BDT	BDT	BDT	
Property, Plant & Equipment's	31,865,483	14,463,983	17,401,500	120%

Source: Annual Report FY 2022-23 (Appendix-1 & Appendix-2)

We can see the non-current asset of EchoLogyx Ltd goes up more than double in FY 2022-23. Growth was almost 120%. The main reason was there both new offices (Dhanmondi and Chattogram were under development).

4.4.2 Current Assets

FY	2022-23	2021-22	Growth	
			in Amount	In %
Amounts	BDT	BDT	BDT	
Advance, Deposit & Prepayments	7,283,964	6,632,443	651,521	10%
Trade & Others Receivables	1,159,572	14,944,973	(13,785,401)	-92%
Cash & Cash Equivalents	57,828,533	44,788,368	13,040,165	29%

Source: Annual Report FY 2022-23 (Appendix-1 & Appendix-2)

Advance, Deposit & Prepayments increased by 10%, and it's quite logical as construction work was going on there might be some advance paid to the supplier. Also, as the new office was hired advance lease payment was another reason to increase that part.

Trade & Others Receivables are going down a lot compared to last year. It is almost a 92% decline compared with FY 2021-22. We have received more money from receivables and also the sales impacted during the year.

Cash & Cash Equivalents look like a fair growth of around 29%. Getting more money from suppliers from receivables is one of the major reasons for jumping cash higher compared to last financial year.

4.4.3 Equity

FY	2022-23	2021-22	Growth	
			in Amount	In %
Amounts	**BDT**	**BDT**	**BDT**	
Share Capital	1,000,000	1,000,000	-	0%
Retained Earnings	93,757,057	78,395,840	15,361,217	20%

Source: Annual Report FY 2022-23 (Appendix-1 & Appendix-2)

Share Capital remains unchanged as no movement was found in the shareholding structure.

Retained Earnings go up 20% because of earnings made during the year.

4.4.4 Current Liabilities

FY	2022-23	2021-22	Growth	
			in Amount	In %
Amounts	**BDT**	**BDT**	**BDT**	
Labilities for Expenses	1,579,651	685,981	893,670	130%
Trade & Others Payables	927,423	747,946	179,477	24%
Liabilities for WPPF	873,421	-	873,421	NA

Source: Annual Report FY 2022-23 (Appendix-1 & Appendix-2)

Liabilities for expenses, also known as provision for expenses raise 130% because of the Earn Leave bonus provision. Sudden business expansion and huge recruitment happened during the year.

Around a 24% increase is shown in Trade & Others Payables. Provision for Tax and few payables to regular suppliers were due at that point.

WPPF also known as Workers Profit Participation Fund newly introduced in EchoLogyx Ltd. As per Bangladesh Labor Act 2006 (Amendment-2013) the amount is computed at 5% of the net profit before Income Tax.

4.4.5 Profit or Loss and Other Comprehensive Income Analysis

FY	2022-23	2021-22	Growth	
			in Amount	In %
Amounts	BDT	BDT	BDT	
Revenue	138,686,183	121,398,028	17,288,155	14%
COGS	117,638,392	67,909,351	49,729,041	73%
Administrative Expenses	23,589,615	10,341,580	13,248,035	128%
Finance Expenses	188,337	119,130	69,207	58%
Non Operating Income	21,072,000	3,725,100	17,346,900	466%
Income Tax	2,107,200	372,400	1,734,800	466%

Source: Annual Report FY 2022-23 (Appendix-1 & Appendix-2)

Revenue was increased by 14% due to having more workflow from clients.

COGS increased by 73% and in a normal view it's not normal but there are some specific reasons for this. First, salaries were increased a lot due to having an increment in Jan'23 and new staff recruitment for upcoming projects. Another reason for this is the festival bonus, performance bonus, provident fund, and Internet bandwidth expansion for three offices.

Administrative expenses rose by 128%, which is more than double. Major expenses were office transportation, lunch and snacks for staff, local and foreign travel for staff and management team, health benefits, repair, and maintenance, etc.

Finance expenses look quite normal. As business grows you must consume charges.

Non-operating income generated from cash incentives. As per the Bangladesh bank circular, ITES services are about to get a 10% incentive from export.

For income Tax IT companies are exempt till Jun'24 for export sales. So, it's the same 10% that which bank deducted from the cash incentive.

4.5 Ratio Analysis

4.5.1 Current Ratio

FY		2022-23	2021-22
Formula: Current Assets/Current Liabilities			
Calculation	(66272069/3380495)	20: 1	46: 1
	(66365784/1433927)		

Source: Annual Report FY 2022-23 (Appendix-1 & Appendix-2)

EchoLogyx Ltd.'s current year current ratio decreased compared to last year. But it is still far ahead of the industry average. A good company should have 1.2 to 2. Another noticeable issue is holding too much cash during both years.

4.5.2 Quick Ratio

FY		2022-23	2021-22
Formula: (Current Assets – Prepaid expenses) / Current Liabilities			
Calculation	(66272069-7283964)/3380495	17: 1	42: 1
	(66365784-6632443)/1433927		

Source: Annual Report FY 2022-23 (Appendix-1 & Appendix-2)

Again, the same reason is that holding too much cash at a bank quick ratio looks abnormal compared with industry standards. Better financial planning or investment could help to increase profit besides following the industry average.

4.5.3 Return on Capital Employed (ROCE)

FY		2022-23	2021-22
Formula: EBIT / (Total Assets - Current Liabilities)			
Calculation	(17468417+188337)/(98137552-3380495) X 100	18%	59%
	(46753067+119130)/(80829767-1433927) X 100		

Source: Annual Report FY 2022-23 (Appendix-1 & Appendix-2)

We can see around a 41% decline in ROCE during the year. The main reason was the lower profit margin compared with last financial year. The good industry average should be 20%. Better cost control or looking after areas to increase revenue could help to hit the desired margin.

4.5.4 Gross Profit Margin

FY		2022-23	2021-22
Formula: (Net Sales − COGS)/Net Sales			
Calculation	(138686183-117638392)/138686183 X 100	15%	44%
	(121398028-67909351)/121398028 X 100		

Source: Annual Report FY 2022-23 (Appendix-1 & Appendix-2)

As per industry standards 50% and above is the safe place. In both years it was below standard and in 2022-23 it looks very concerning. Too much recruitment and its impact (payroll & bonus etc.) affected badly here. Too much expansion work also consumed so many expenses.

4.5.5 Net Profit Margin

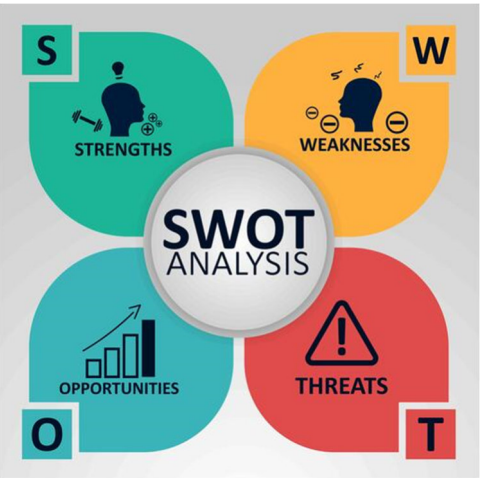
FY		2022-23	2021-22
Formula: Net Profit/Net Sales			
Calculation	15361217/138686183 X 100	11%	38%
	46380667/121398028 X 100		

Source: Annual Report FY 2022-23 (Appendix-1 & Appendix-2)

A good IT company maintains its net profit margin of around 20%. In FY 2021-22 it was well above standard but dramatically fell in FY 2022-23. The main reason was sales have not increased compared to the cost we have consumed.

4.6 SWOT Analysis

The SWOT analysis technique is a more effective tool for identifying strengths and weaknesses and tracking growth – when a business is regularly assessed, its development can be tracked more easily. After a few evaluations, it is evident which aspects of the company require immediate attention.



Strengths:

i. Have offices in 3 countries. It's easier for them to attend meetings, fairs, and conferences daily to capture more organic clients.
ii. First IT company with 3 locations in Bangladesh to work with. Employees don't need to leave their family or hometown to do their regular offices.
iii. Largest A/B testing-based IT company in Bangladesh.
iv. Very experienced and proven team to deliver tasks within the promised time.
v. A very affordable rate is offered for the newsletter.
vi. Flexible credit term offered.

Weakness:

i. The main product is A/B testing where sometimes it becomes very difficult to capture new others' work from the market.
ii. There is a shortage of well-trained developers for A/B testing in the market.
iii. High turnover of employees than expected for similar roles all the time.
iv. Very new in the USA so it will be challenging to get some good clients compared with the UK.

Opportunities:

i. To be aligned with the current rapid advancement of technologies (artificial intelligence, blockchain, etc.) EchoLogyx could develop by itself too as they have well trained 130 resources.
ii. Like the USA the whole Europe market is also lucrative. Besides A/B testing EchoLogyx should plan for some full stack development, python work, Shopify work, and Magneto work to make future risk balanced.
iii. There are lots of local works in Bangladesh where EchoLogyx could contribute and earn.

Threats:

i. Currently EchoLogyx is facing too much competition from rivals. Daily new players are entering the market to challenge more.
ii. Rapid technological changes are affecting us a lot. Without having a proper research and development center it will be challenging for EchoLogyx to sustain in the long run.
iii. Resources are becoming more costly.

4.7 Findings

4.7.1 Positive Findings:

4.7.1.1 Strong cash-in-hand position

EchoLogyx has around BDT 57,828,533 in hand in 2023 and BDT 44,788,368 in 2022. Its current ratio and quick ratio are also way above the industry standard. More than 50% of total assets are cash for both financial years. It will help EchoLogyx to plan its future investment and expansion.

4.7.1.2 Very less liabilities:

EchoLogyx doesn't have any non-current liabilities. No bank loans and no credit from any financial institution. Its organic growth and strong financial position help it to expand its operation globally without having any long-term liabilities.

4.7.1.3 Compliance of Labor Law

EchoLogyx is well known for proper compliance maintenance for every regulatory section. Besides on-time salary, they offer a 2-time Eid bonus, leave bonus, provident fund, WPPF, annual performance bonus, profit shares, health insurance for family, etc.

4.7.1.4 Dhanmondi Office

EchoLogyx has currently developed a Dhanmondi office with more than 100 resources capacity. Currently, around 25% of resources are occupied there. Another 75% will boost revenue without making any capital expenditure.

4.7.1.5 Cash Incentive

In the current financial year, EchoLogyx received BDT 21,072,000 from cash incentives. It helps EchoLogyx to boost its finances.

4.7.1.6 eHRMS

EchoLogyx successfully developed eHRMS for tracking employees' whole HR-related work. Including clocked in and clock out, leave application, payroll, etc.

4.7.1.7 ISO Certification

EchoLogyx Ltd. was awarded the Information Security Management System (ISO 27001:2013) in 2023 for its excellent quality management during the years.

4.7.2 Negative Findings

4.7.2.1 Unused Office Space

Around 50% of resource space is still unoccupied. Where we are paying lots of money for rent and maintenance. It's still not clear when the project will be available to make this place fully occupied. Still nothing from management for an alternative plan for this place.

4.7.2.2 Revenue vs COGS

Compared with last year's revenue and its COGS with the current year, revenue has not increased in line with COGS consumption. It’s a clear indication of the sudden loss of major clients.

4.7.2.3 Probable Loss-making Company

In FY 2022-23 without adding a cash incentive that is not related to operation we are going to make a loss. It's a clear indication that costs are too large compared with revenue.

4.7.2.4 Learning Limitation

After interviewing a few employees, I have discovered that a certain portion of employees are not happy with only A/B testing work. They want various kinds of testing with proper setup.

4.7.2.5 Lack of Internal Audit Team

There is no monitoring team or internal Audit team to identify and raise issues specifically. Most of the time issues have been identified but nothing is resolved properly without having the proper concerned people.

Chapter Five
Recommendation

5.1 Investment of Surplus Fund

There is no point in holding such liquid cash as the operational bank account doesn’t pay handsome returns for holding cash there. It's always better to invest the surplus fund in safe places with proper returns.

5.2 Unused Office Space

As almost 50% of the space in the Dhanmondi Office is still unoccupied let's rent it out or use it for another business unit if possible. Then we can recover its minimum cost for sustain.

5.3 Assets

As per financial reports of FY 2022-23 total non-current assets have grown more than double. Proper investigation should have happened when we have surplus assets based on actual projects in hand. If we have any surplus let’s decide to utilize them to earn something.

5.4 Revenue

Revenue should have been increased with alignment with cogs. Need to review all client's agreements timely and send reminders for renewal. The budget projection for revenue needs to be accurate based on the actual active contract.

5.5 Internal Audit

Without a properly responsible person, problems are not going to be addressed and resolved. Setting up a proper independent audit team could help us a lot.

5.6 COGS

There should be some surplus resources and we need to identify them and if needed release them. As there are very few revenue increases compared with last year there are so many resources without proper work.

5.7 Administrative Expenses

There are a few major items like travel, conveyance, and tour, staff entertainment costs are increasing a lot compared with last year. A proper investigation needs to be carried out to make sure valid office expenses.

5.8 Diversification

Besides A/B testing EchoLogyx should try to work with Python, Shopify, magneto, etc. It will help to diversify business and operational risks. It will also help employees to get refreshments between switching tasks.

Chapter Six
Conclusion

6.1 Conclusion

It is always very hard to make a specific comment analyzing only a few pages of reports due to having some confidential limitations. From the above analysis and information, it is crystal clear that though EchoLogyx Ltd has a higher number of branches, employees, and customers, its profitability ratio was not too strong compared to others. also, the Profit amount in EchoLogyx Ltd is not higher considering its organizational growth. There are a huge number of potentialities to grow further for EchoLogyx to become the number one position in the future. Therefore, we all are optimistic for future enhancement of these organizations especially where all the foreign standards are followed without considering the quality in Bangladesh and effort with the right aspect.

It was a clear picture that, from the start to 2023 EchoLogyx Ltd. only focused on generating revenue and increasing its business infrastructure. Now it's the right time to put some control systems and policies for smoother operation.

Furthermore, the liquidity position appears robust, with ample resources to meet short-term obligations and pursue growth opportunities. Efficient utilization of assets and resources could help them to generate huge sales.

However, EchoLogyx Ltd must remain vigilant of potential challenges such as market volatility, regulatory changes, and technological disruptions. Continuous monitoring and strategic adaptation will be essential to sustain and enhance its financial performance in the dynamic business environment.

Overall, based on the financial performance metrics analyzed, EchoLogyx Ltd appears to be on a solid footing, poised for continued growth and value creation in the foreseeable future.

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Appendix-1

EchoLogyx Ltd.
Statement of Financial Position
As at 30 June, 2023

Particulars	Notes	Amount in Taka	
		30 JUNE 2023	30 JUNE 2022
ASSETS:			
Non Current Assets :		**31,865,483**	**14,463,983**
Property, Plant & Equipment	3.00	31,865,483	14,463,983
Current Assets :		**66,272,069**	**66,365,784**
Advance, Deposits & Prepayments	4.00	7,283,964	6,632,443
Trade & Others Receivable	5.00	1,159,572	14,944,973
Cash and Cash Equivalents	6.00	57,828,533	44,788,368
Total Assets		**98,137,552**	**80,829,767**
EQUITY AND LIABILITIES:			
Equity :		**94,757,057**	**79,395,840**
Share capital	7.00	1,000,000	1,000,000
Retained Earnings	8.00	93,757,057	78,395,840
Current Liabilities:		**3,380,495**	**1,433,927**
Liabilities for Expenses	9.00	1,579,651	685,981
Trade & Others Payable	10.00	927,423	747,946
Liabilities for WPPF	16.00	873,421	- .
Total Equity & Liabilities		**98,137,552**	**80,829,767**

The annexed notes form an integral part of these financial statements.

Appendix-2

EchoLogyx Ltd.
Statement of Profit or Loss and other Comprehensive Income
For the year ended 30 June, 2023

Particulars	Notes	Amount in Taka	
		30 JUNE 2023	30 JUNE 2022
Revenue	11.00	138,686,183	121,398,028
Less : Cost of Service Provided	12.00	117,638,392	67,909,351
Gross profit		**21,047,791**	**53,488,677**
Operating Expenses			
Administrative expenses	13.00	23,589,615	10,341,580
		23,589,615	10,341,580
Operating Income		**(2,541,824)**	**43,147,097**
Less: Finance Expenses	14.00	188,337	119,130
Add: Non Operating Income	15.00	21,072,000	3,725,100
Profit before Contribution to WPPF		**18,341,838**	**46,753,067**
Contribution to WPPF (Expenses)	16.00	873,421	-
Profit before Income Tax		**17,468,417**	**46,753,067**
Less: Income tax expense		2,107,200	372,400
Net Profit/(loss) after tax		**15,361,217**	**46,380,667**
Total Comprehensive Income for the year		**15,361,217**	**46,380,667**

The annexed notes form an integral part of these financial statements.