Internship Report

On

Financial Performance Analysis of Synergy IT Service Ltd.

Supervised By:

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Daffodil International University

Date of Submission: 02 December, 2024

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Letter of Transmittal

Md. Anhar Sharif Mollah
Assistant Professor
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Subject: Submission of Internship Report on "Financial Performance Analysis of Synergy IT Service Ltd."

Respected Sir,

As a step toward finishing the Bachelor of Business Administration (BBA) program, I am happy to submit my internship report, **"Financial Performance Analysis of Synergy IT Service Ltd."** This report is the result of my internship at Synergy IT Service Ltd., where I was able to examine the financial performance and operational management of the company between 2019 and 2023.

In order to evaluate the company's performance, this report focuses on analyzing its financial ratios, identifying issues that impact its financial results, and making suggestions for improvement. I have improved my comprehension of financial analysis and actual company procedures thanks to the information and experience I have acquired throughout this internship. I truly appreciate all of your help, encouragement, and insightful criticism throughout this this report preparation. I hope this report meets your expectations and provides meaningful insights.

Thank you for your encouragement and support throughout my internship journey.

Sincerely Yours,

S M Tafheem Belal
ID: 201-11-6540
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Certificate of Approval

This certifies that **S M Tafheem Belal**, ID: **201-11-6540**, has completed and submitted the internship report titled **"Financial Performance Analysis of Synergy IT Service Ltd."** as a requirement for the Bachelor of Business Administration (BBA) program at Daffodil International University's Department of Business Administration, Faculty of Business & Entrepreneurship.

The report satisfies the Department's requirements for the internship program and has been examined and approved.

Md. Anhar Sharif Mollah
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Declaration

I, **S M Tafheem Belal**, ID number **201-11-6540**, of Daffodil International University's Department of Business Administration, Faculty of Business & Entrepreneurship, Bachelor of Business Administration (BBA), Major in Finance, hereby attest that the internship report **"Financial Performance Analysis of Synergy IT Service Ltd."** is entirely my own original work.

As part of the requirements for finishing my BBA program, I have created this report. My internship at Synergy IT Service Ltd. and secondary data gathered from pertinent sources served as the foundation for the information and conclusions in this report.

I further affirm that I have not submitted this report for academic or professional purposes to any other university or institution. All information taken from outside sources has been properly attributed and acknowledged.

I attest that this report conforms with Daffodil International University's academic standards and ethical norms.

S M Tafheem Belal
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Acknowledgement

First and foremost, I want to sincerely thank God for giving me the courage, endurance, and chance to finish my internship and write my report.

For his invaluable advice, helpful criticism, and steadfast support during the writing of this report, I am truly grateful to Md. Anhar Sharif Mollah, Assistant Professor, Department of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University. His support and wisdom have greatly influenced the caliber and breadth of this effort.

I want to express my sincere gratitude to Synergy IT Service Ltd. for providing me with the chance to intern there. My on-site supervisor and coworkers deserve special recognition for their unwavering support, information exchange, and mentoring throughout my internship. I was able to obtain practical experience and comprehend the subtleties of financial performance analysis in a professional setting thanks to their assistance.

Last but not least, I want to thank my family, friends, and well-wishers for their support and encouragement during my academic career.
Everyone who helped me along the way, encouraged me, and gave me the information I needed to finish my internship successfully contributed to this report.

Executive Summary

This study**, "Financial Performance Analysis of Synergy IT Service Ltd.,"** provides a thorough examination of the company's financial results between 2019 and 2023. In order to offer insights into the company's financial health and strategic recommendations for long-term performance, it evaluates important financial variables such liquidity, leverage, profitability, tax management, and capital adequacy.

A usually steady financial situation is reflected in the liquidity ratios, which comprise the cash, quick, and current ratios. These ratios do, however, gradually decrease over time, suggesting a possible issue with cash flow management. The business can pay its short-term debts, but in order to preserve flexibility and foster expansion, better cash flow and liability management techniques will be required.

The analysis of leverage ratios indicates that Synergy IT Service Ltd. has increasingly relied on debt financing for expansion, which, while enabling growth, also raises the company's financial risk. The report highlights the need for a more balanced approach to financing that minimizes dependence on debt and reduces overall financial risk.

Profitability ratios, including the net profit margin and return on equity (ROE), demonstrate that the company has remained profitable, but with some fluctuations in operating margins. This suggests that while the company is maintaining its profit levels, there are opportunities for improving operational efficiencies and controlling costs to stabilize and improve profitability in the long run.

In terms of tax management and capital adequacy, the company's position is relatively stable, though there are opportunities to optimize its tax strategies and strengthen capital reserves. By doing so, Synergy IT Service Ltd. could improve its resilience and better position itself to navigate future financial challenges.

In conclusion, while Synergy IT Service Ltd. has exhibited solid financial performance across several key areas, addressing concerns related to liquidity, leverage, and cost control is essential for ensuring sustainable growth. The recommendations provided in this report aim to guide the company in strengthening its financial foundation, enhancing operational efficiency, and minimizing financial risks, thereby positioning it for long-term competitiveness and success in the industry.

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Chapter-01

Introduction of The Report

1.1: Introduction

Academic curriculum must include internship programs because they help students connect the dots between theory and practice. They provide students with a platform to gain real-world experience, apply academic theories, and understand workplace dynamics. For students majoring in Finance, internships serve as a crucial opportunity to analyze financial operations, evaluate performance metrics, and develop skills required in the professional world.

This internship report, titled "Financial Performance Analysis of Synergy IT Service Ltd.", is a culmination of my learning and experiences during my academic internship at Synergy IT Service Ltd. The primary focus of the report is to examine the financial performance of the organization over a five-year period (2019-2023). It evaluates financial stability and operational efficiency using various performance metrics and ratio analysis techniques.

The objective of this report is multifaceted. It seeks to assess the financial condition of Synergy IT Service Ltd., analyze operational management practices, identify key challenges, and propose actionable recommendations. By conducting this analysis, I aim to provide insights into the organization's financial standing while honing my analytical and problem-solving skills.

This report not only reflects my internship experience but also serves as a testament to the application of academic learning in addressing practical challenges in the corporate world. It is structured to include an in-depth analysis of financial data, identification of problem areas, and strategic recommendations for improvement.

The journey of preparing this report has been intellectually enriching, as it allowed me to apply financial principles to real-world scenarios and gain a deeper understanding of the complexities of financial management.

1.2: Background of the Study

An essential component of assessing an organization's operational performance, profitability, and long-term viability is financial performance analysis. Companies must constantly assess and enhance their financial health in the cutthroat business world of today in order to stay relevant in the market and expand. The financial performance of Synergy IT Service Ltd., a private IT company renowned for offering cutting-edge IT services and solutions, is examined in this study.

The study is designed to assess the company's financial performance over a five-year period (2019-2023) through various financial ratios and performance metrics. Financial performance evaluation not only aids in internal decision-making but also helps stakeholders understand the company's current position and future prospects.

The idea for this study stems from the realization that financial performance plays a pivotal role in the sustainability and expansion of any business. While Synergy IT Service Ltd. has achieved success in the IT sector, it is crucial to evaluate how its financial management practices align with its operational goals. Through this analysis, the study aims to bridge the gap between financial theory and its practical application in a real-world context.

This research not only fulfills the academic requirement of my internship but also contributes to my understanding of financial practices and their significance in corporate decision-making. The findings of this study will provide valuable insights for the management of Synergy IT Service Ltd., as well as for my personal and academic growth as a finance student.

1.3: Scope of the Study

This study focuses on analyzing the financial performance of Synergy IT Service Ltd. from 2019 to 2023 using key financial ratios and performance metrics. It evaluates profitability, liquidity, and efficiency to understand the company's strengths and weaknesses.

The analysis aims to provide actionable insights for the company's management, enhance academic understanding of financial practices, and contribute to future research. While comprehensive, the study is limited to available financial data and internal operational aspects relevant to the company.

1.4: Objective of the study

The objectives of this study are as follows:

1. To analyze financial conditions of Synergy IT Service Ltd.
2. To assess the financial performance of Synergy IT Service Ltd. by using different types of ratios;
3. To identify the problems related to the financial performance of Synergy IT Service Ltd.
4. To provide some recommendations for addressing the identified problems.

1.5: Methodology of the Study

The study was conducted through a detailed analysis of the financial data and operational activities of Synergy IT Service Ltd**.** Financial reports, company records, and relevant documents for the years 2019 to 2023 were reviewed to assess the company's financial performance. This methodology involved different ratio analysis to derive meaningful insights into the organization's financial health.

1.5.1: Sources of Data Collection

- **Internal Financial Documents:** Official financial reports, including income statements, balance sheets, and cash flow statements.
- **External Resources:** Online databases, relevant academic journals, industry reports, and articles related to financial performance in the IT sector.
- **Company Website and Publications:** For additional context and operational details.

1.5.2: Method of Data Collection

The study relied on secondary data provided by the company, supplemented by qualitative insights from internal discussions. Financial records were carefully reviewed, and relevant figures were extracted for ratio analysis and performance evaluation. Data collection followed a systematic approach to ensure accuracy and reliability, focusing exclusively on documented figures and verified sources.

1.5.3: Limitations of the Study

- **Restricted Data Access:** Certain sensitive financial information was unavailable due to company confidentiality policies, which limited the depth of analysis.
- **Time Constraints:** The internship duration restricted the ability to explore broader financial trends or conduct extensive comparative analyses with competitors.
- **External Factors Excluded:** The study primarily focused on internal financial data, excluding the impact of macroeconomic trends, industry competition, and global market changes.
- **Reliance on Secondary Data:** As the analysis was based heavily on existing records, any inaccuracies in the provided data could impact the study's conclusions.
- **Narrowed Focus:** The study did not include surveys, customer feedback, or external market insights, focusing solely on the financial performance of the company.

Chapter-02

Overview of Synergy IT Service Ltd.

2.1: Introduction of the Company

Synergy IT Service Ltd. is a premier IT solutions provider that has gained recognition for its comprehensive range of technology services designed to meet the needs of businesses in various sectors. Established in Dhaka, Bangladesh, the company was founded with the goal of delivering innovative, reliable, and cost-effective IT solutions to local and global clients. Over the years, Synergy IT Service Ltd. has built a strong reputation as a leader in the IT services industry by continuously evolving with technological advancements and responding to market demands.

The company specializes in offering a wide array of IT solutions, including software development, system integration, cloud services, network management, and IT consultancy. Through the use of cutting-edge technologies like cloud computing, machine learning, artificial intelligence (AI), and data analytics, Synergy IT Service Ltd. has enabled companies to stay ahead of the curve in a world that is becoming more and more digital.

One of the key strengths of Synergy IT Service Ltd. is its commitment to delivering tailored solutions that align with each client's specific business goals. Whether working with startups, small and medium-sized enterprises (SMEs), or large corporations, the company provides scalable and customizable IT solutions that can adapt to the unique challenges and objectives of each client. This personalized approach ensures that clients not only benefit from effective technological solutions but also gain long-term strategic advantages in their industries.

Over the years, Synergy IT Service Ltd. has built a strong portfolio of successful projects across diverse industries, including finance, healthcare, education, e-commerce, and manufacturing. The company has worked with a wide range of clients, including local startups, multinational corporations, and government agencies, providing end-to-end services that help optimize operations, enhance productivity, and ensure business continuity.

Synergy IT Service Ltd. prioritizes creative problem-solving and client pleasure. To make sure that its solutions stay competitive and that it can foresee and satisfy the changing needs of its clients, the company makes large investments in research and development. In addition to its technological expertise, Synergy IT Service Ltd. emphasizes fostering strong customer relationships, ensuring transparency, collaboration, and continuous support.

As a forward-thinking organization, Synergy IT Service Ltd. is committed to contributing to the digital transformation of the business landscape in Bangladesh and beyond. Its growth over the years has been fueled by the increasing demand for IT services, and its ability to stay agile and adaptive has allowed it to serve clients from various sectors with a deep understanding of their specific business environments.

In summary, Synergy IT Service Ltd. stands as a leader in the IT services domain, offering cutting-edge solutions with a focus on innovation, reliability, and client-centricity. By constantly pushing the boundaries of technology and maintaining strong client relationships, the company continues to drive growth and set new standards in the IT industry.

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2.2: Mission and Vision of Synergy IT Service Ltd.

2.2.1: Mission

The goal of Synergy IT Service Ltd. is to offer creative, dependable, and superior IT solutions that help companies realize their greatest potential and experience long-term success. The company aims to support organizations in navigating the complexities of the digital age by delivering tailored technology services that enhance operational efficiency, optimize performance, and drive innovation. By staying at the forefront of technological advancements, Synergy IT Service Ltd. strives to be a trusted partner for businesses seeking to stay competitive in an increasingly digital and data-driven world.

2.2.2: Vision

The vision of Synergy IT Service Ltd. is to be recognized as a global leader in the IT services industry, known for its ability to deliver impactful, innovative solutions that transform businesses. The company aspires to help organizations leverage technology to solve complex challenges, enhance their capabilities, and build a competitive edge in the market. Synergy IT Service Ltd. envisions being at the heart of the digital transformation, empowering businesses to thrive in an interconnected and rapidly evolving world.

2.3: Objectives of Synergy IT Service Ltd.

Synergy IT Service Ltd. has outlined clear objectives to guide its operations and achieve long-term growth in the IT services industry. These objectives are focused on innovation, customer satisfaction, and operational excellence, ensuring that the company delivers high-quality IT solutions while staying competitive in a rapidly evolving market.

- ✓ **Deliver High-Quality, Customized IT Solutions:** The company aims to provide tailored IT solutions that meet the specific needs of each client. Synergy IT Service Ltd. focuses on offering scalable and reliable software, system integration, and consultancy services that enhance clients' operational performance.
- ✓ **Enhance Customer Satisfaction and Foster Long-Term Relationships:** Synergy IT Service Ltd. is committed to building strong, lasting relationships with clients through exceptional service, transparency, and ongoing support. The goal is to ensure customer loyalty and satisfaction by delivering high-value, innovative solutions.

- ✓ **Encourage Innovation through Research and Development: Synergy** IT Service Ltd. makes research and development investments in order to keep ahead of technology trends. This allows the business to provide clients state-of-the-art solutions by incorporating cutting-edge technology like artificial intelligence (AI), cloud computing, and data analytics into its offerings.
- ✓ **Expand Market Reach and Global Presence:** Synergy IT Service Ltd. seeks to expand both locally and internationally, aiming to become a globally recognized IT solutions provider. By offering adaptable services, the company plans to cater to a wider range of businesses across various industries.
- ✓ **Develop a Skilled Workforce and Foster Organizational Excellence:** The company focuses on employee development through training and professional growth opportunities. This ensures that its workforce remains skilled in the latest technologies, enabling Synergy IT Service Ltd. to deliver top-tier services.
- ✓ **Optimize Operational Efficiency and Maintain Cost-Effectiveness:** Synergy IT Service Ltd. aims to streamline its internal processes to reduce costs and improve service delivery. By optimizing operations, the company ensures that its solutions remain cost-effective while maintaining high-quality standards.
- ✓ **Support Digital Transformation for Businesses:** The company is dedicated to helping businesses embrace digital technologies through the implementation of cloud computing, automation, and data analytics. By doing so, Synergy IT Service Ltd. assists clients in optimizing their business models and achieving greater efficiency.

2.4: Hierarchy of Synergy IT Service Ltd.

- ✓ **Board of Directors**
  - Provides strategic direction and oversight.
  - Approves major decisions and long-term goals.
  - Ensures the company adheres to its mission and values.
- ✓ **Chief Executive Officer (CEO)**
  - Highest-ranking officer, responsible for the overall operations of the company.
  - Implements strategic plans set by the Board of Directors.

- Makes key decisions and ensures organizational success.

✓ **Chief Operating Officer (COO)**

- Oversees internal operations and daily management.
- Implements the company’s operational strategy.
- Supervises departments like IT, HR, finance, and marketing.

✓ **Department Heads / Managers**

- Lead specific departments such as IT, consultancy, project management, marketing, etc.
- Ensure departmental goals are met and aligned with company strategy.
- Report to the COO about department performance and progress.

✓ **Team Leaders / Senior Specialists**

- Supervise smaller teams within specific functions or projects.
- Provide guidance and assign tasks to junior staff.
- Monitor project timelines and report to department heads.

✓ **Staff / Junior Specialists**

- Execute operational tasks assigned by team leaders and department heads.
- Contribute directly to project completion and client deliverables.
- Perform specialized roles such as software development, customer service, etc.

2.5: Government Affiliation

Synergy IT Service Ltd. maintains affiliations with various government agencies and regulatory bodies to ensure compliance with national and international standards. These affiliations allow the company to stay updated on government regulations, policies, and initiatives related to the IT sector, ensuring that its services meet legal and industry-specific requirements.

- **Compliance with Local Regulations**: Synergy IT Service Ltd. complies with government regulations regarding data security, privacy, and software licensing, ensuring that its services adhere to national laws.
- **Collaboration with Government Projects**: The company occasionally collaborates with governmental bodies on public sector projects, particularly those involving digital transformation, cybersecurity initiatives, and e-government solutions. These collaborations help Synergy IT Service Ltd. contribute to national development efforts.
- **Support for Startups and SMEs**: Synergy IT Service Ltd. benefits from various government initiatives that support technology-driven startups and small to medium enterprises (SMEs). This support can come in the form of tax incentives, funding opportunities, or access to government-run innovation hubs.
- **Certifications and Approvals**: The company has secured relevant certifications and approvals from government entities, which further validate its expertise and trustworthiness in delivering IT services to both public and private sectors.

2.6: Global Partners

Synergy IT Service Ltd. actively collaborates with a network of global partners to provide advanced IT solutions, extend its market reach, and offer cutting-edge technologies to its clients. These partnerships enable the company to tap into international markets, gain access to the latest technological advancements, and leverage a diverse pool of expertise.

- **Technology Partnerships:** The business has strategic partnerships with top international technology companies like Oracle, Microsoft, and Amazon Web Services (AWS). Through these collaborations, Synergy IT Service Ltd. is able to provide its clients with enterprise resource planning (ERP) systems, cloud services, and other cutting-edge solutions.
- **Consultancy and Service Partnerships**: Through collaborations with international consultancy firms, Synergy IT Service Ltd. can provide specialized services in areas such as digital transformation, cybersecurity, and business automation. These partnerships enhance the company's service offerings and provide clients with a broader range of solutions.

- **Global IT Service Providers**: Synergy IT Service Ltd. is part of a global network of IT service providers that share best practices and support each other in delivering seamless solutions. This network helps the company stay at the forefront of industry trends and ensures its services meet international standards.
- **Outsourcing Partnerships**: The company also works with global outsourcing partners to handle specific project needs or scale its operations. By partnering with outsourcing providers in regions like India, the Philippines, and Eastern Europe, Synergy IT Service Ltd. ensures cost-effective solutions without compromising quality.

2.7: Infrastructural Strength

Synergy IT Service Ltd. has built a robust and scalable infrastructure to support its wide range of IT solutions and services. The company's infrastructure is designed to meet the growing demands of both local and international clients, ensuring reliability, security, and flexibility in service delivery.

- **State-of-the-Art Technology**: Synergy IT Service Ltd. invests in the latest hardware and software technologies, ensuring that its infrastructure remains competitive and efficient. This includes high-performance servers, advanced data storage systems, and secure networking solutions.
- **Cloud Infrastructure**: The business uses cloud computing platforms such as Google Cloud, Microsoft Azure, and Amazon Web Services (AWS) to offer customers scalable and adaptable IT solutions. Synergy IT Service Ltd. can provide services like cloud hosting, data backup, and disaster recovery with little downtime thanks to their cloud-based architecture.
- **Data Security & Backup Systems**: Recognizing the importance of data security, the company has implemented stringent measures to protect client data. This includes encrypted communication channels, firewalls, and regular data backups to ensure business continuity in the event of system failures or cyberattacks.
- **Dedicated IT Support**: Synergy IT Service Ltd. has a dedicated in-house IT support team that ensures the smooth functioning of all IT systems. The support team monitors the company's infrastructure 24/7, promptly addressing any technical issues to minimize service disruptions.

- **Disaster Recovery and Business Continuity Plans**: The company has established disaster recovery protocols and business continuity plans, ensuring that its services can continue without interruption even in the face of unforeseen events or natural disasters.

2.8: Core Values for the Customers

Synergy IT Service Ltd. adheres to a set of core values that guide its approach to customer service, ensuring that each client receives exceptional value and a personalized experience. These core values are essential in building trust, fostering long-term relationships, and delivering solutions that meet and exceed customer expectations.

- **Customer-Centric Approach**: Synergy IT Service Ltd. prioritizes the needs of its customers above all else. The company ensures that every service provided is designed with the customer's business objectives in mind, offering tailored IT solutions that drive efficiency and growth.
- **Integrity and Transparency**: The company values honesty and openness in all customer interactions. Synergy IT Service Ltd. strives to maintain transparency regarding pricing, service terms, and any challenges encountered during the course of providing solutions. This honesty helps build trust and credibility with clients.
- **Innovation**: As a forward-thinking IT service provider, Synergy IT Service Ltd. is committed to incorporating innovative technologies and approaches into its solutions. This includes adopting emerging technologies such as **AI**, **machine learning**, and **blockchain** to provide customers with cutting-edge solutions that enhance their operations.
- **Reliability and Quality**: The company's focus on delivering high-quality and reliable IT services ensures that customers can count on Synergy IT Service Ltd. to meet their expectations consistently. By delivering top-notch solutions, the company helps clients maintain smooth operations and achieve their business goals.
- **Timely and Efficient Support**: Synergy IT Service Ltd. places a strong emphasis on providing **timely customer support**. The company ensures that clients receive prompt assistance through dedicated support teams, ensuring that issues are resolved quickly and efficiently.

- **Commitment to Long-Term Relationships**: The company's goal is not only to deliver one-time solutions but to create lasting partnerships with customers. Synergy IT Service Ltd. is committed to supporting clients through every stage of their business journey, helping them adapt and grow in an ever-changing technological landscape.

2.9: SWOT Analysis of Synergy IT Service Ltd.

Strengths

- **Expertise in IT Services**: Synergy IT Service Ltd. has a strong knowledge base in providing diverse IT solutions such as cloud computing, system integration, and IT consulting.
- **Strong Infrastructure**: The company invests in state-of-the-art technology and reliable infrastructure, including cloud-based services, ensuring scalability and high availability.
- **Customer-Centric Approach**: The company focuses on meeting specific customer needs, offering tailored IT solutions and exceptional customer service, building strong client relationships.
- **Skilled Workforce**: A dedicated, skilled workforce with expertise in various technological domains enables Synergy IT Service Ltd. to deliver innovative and high-quality solutions.
- **Strategic Partnerships**: Collaborations with major technology providers like **Microsoft** and **AWS** enable access to cutting-edge tools, expanding service offerings.

Weaknesses

- **Dependence on Key Clients**: A significant portion of revenue may come from a few key clients, making the company vulnerable to market shifts or changes in client relationships.

- **Limited International Reach**: While Synergy IT Service Ltd. has some international exposure, it may not yet have the global footprint of larger competitors, limiting its market presence.
- **Resource Allocation**: Being a growing company, there might be occasional resource constraints, particularly when scaling projects or managing an increased client load.

Opportunities

- **Growing Demand for IT Services**: The increasing need for digital transformation and IT solutions across various industries presents significant growth opportunities for Synergy IT Service Ltd.
- **Expansion into Emerging Markets**: Synergy IT Service Ltd. can expand its services to emerging markets with a growing need for IT infrastructure and consultancy, including Southeast Asia and Africa.
- **Adoption of Advanced Technologies**: By incorporating newer technologies like **AI**, **IoT**, and **blockchain**, the company can offer innovative solutions, positioning itself as a leader in next-generation IT services.
- **Government and Public Sector Projects**: Increased government investments in digital infrastructure open doors for Synergy IT Service Ltd. to partner in large public sector projects.

Threats

- **Intense Competition**: The IT services industry is highly competitive, with many global players offering similar services, which may challenge Synergy IT Service Ltd.'s market share.
- **Cybersecurity Risks**: As a technology service provider, Synergy IT Service Ltd. is always vulnerable to cyberattacks, which could harm its reputation and customer trust if not properly mitigated.

- **Technological Changes**: Rapid technological advancements can pose a threat if the company is unable to quickly adapt and innovate, potentially leading to service obsolescence.
- **Economic Downturns**: Economic recessions or financial instability could affect client budgets for IT services, leading to a reduction in demand or delayed project timelines.

2.10: Chronological Achievements of Synergy IT Service Ltd.

2010 - Company Foundation

- Synergy IT Service Ltd. was founded with the goal of providing innovative IT solutions and services. From its inception, the company set out to deliver high-quality IT consulting, cloud solutions, and software development services to local businesses.

2012 - First Major Project Delivery

- Successfully completed its first large-scale IT infrastructure project for a key client, marking the company's entry into the enterprise IT services sector.

2015 - Launch of Cloud Services

- The company expanded its service offerings by launching cloud-based solutions, enabling businesses to take advantage of scalable, secure, and cost-effective data management systems.

2017 - International Expansion

- Synergy IT Service Ltd. began offering services to international clients, establishing partnerships with companies in Europe and the Middle East. This expansion allowed the company to diversify its client base and gain exposure in global markets.

2019 - ISO Certification

✓ The organization demonstrated its dedication to upholding high levels of service delivery and customer satisfaction by obtaining ISO 9001:2015 Certification for quality management systems.

2020 - Strategic Partnerships

- Entered into strategic partnerships with global technology providers like Amazon Web Services (AWS) and Microsoft to enhance its cloud and enterprise solutions. These alliances helped boost the company's credibility and broaden its service offerings.

2021 - Expansion into New Markets

- Synergy IT Service Ltd. expanded its operations to Southeast Asia, providing IT services and solutions to emerging markets. The expansion was a key step in broadening the company's footprint in the Asia-Pacific region.

2022 - Successful Digital Transformation Project

- Completed a major digital transformation project for a government organization, introducing e-governance systems that improved public service delivery and efficiency.

2023 - Launch of AI and Machine Learning Solutions

- Synergy IT Service Ltd. started offering AI and Machine Learning solutions to clients, enabling businesses to enhance automation, data analytics, and customer experiences.

2024 - Recognized as a Leading IT Service Provider

- Synergy IT Service Ltd. was ranked among the top IT service providers in its region, recognized for excellence in cloud services, cybersecurity, and enterprise solutions.

Chapter-03

Literature Review

3.1: Financial Performance Analysis

Financial performance analysis involves systematically evaluating an organization’s financial data to assess its operational efficiency, profitability, liquidity, and solvency. This process helps stakeholders understand the financial health of the entity and its ability to sustain and grow over time. Key tools for this analysis include financial statements such as the balance sheet, income statement, and cash flow statement, alongside financial ratios like profitability ratios, liquidity ratios, and leverage ratios.

This analysis enables decision-makers to:

1. **Assess Profitability:** Understand how effectively the company generates profit relative to revenue, assets, and equity.
2. **Evaluate Liquidity:** Determine the organization’s capacity to meet short-term obligations.
3. **Analyze Solvency:** Gauge the long-term financial stability and the ability to manage debt.
4. **Monitor Operational Efficiency:** Review how well resources are being utilized to generate revenue.
5. **Aid Strategic Planning:** Identify trends, strengths, weaknesses, and opportunities for growth or improvement.

3.2: Financial Performance Analysis Tools

Financial performance analysis tools are critical for evaluating a company’s financial health, operational efficiency, and overall stability. These tools provide insights that guide stakeholders in making strategic decisions. The primary tools include:

- **Ratio Analysis**: This involves calculating key financial ratios to assess different aspects of performance. For instance, Profitability Ratios (e.g., Net Profit Margin, Return on Assets, and Return on Equity) evaluate a company's ability to generate profits relative to revenue or assets. Liquidity Ratios (e.g., Current Ratio, Quick Ratio) measure the ability to meet short-term obligations. Leverage Ratios (e.g., Debt-to-Equity Ratio, Interest Coverage Ratio) assess financial stability and reliance on debt, while Efficiency Ratios (e.g., Inventory Turnover, Asset Turnover) evaluate operational effectiveness.

- **Trend Analysis**: This tracks financial metrics over multiple periods to identify patterns and growth trajectories. It is particularly useful for understanding long-term performance trends and predicting future outcomes.
- **Vertical and Horizontal Analysis**: Vertical Analysis converts each line item in financial statements into a percentage of a base figure (e.g., revenue or total assets), enabling proportional comparisons. Horizontal Analysis, on the other hand, compares financial data over time to reveal growth, decline, or anomalies.
- **Cash Flow Analysis**: By analyzing cash flows from operating, investing, and financing activities, this tool highlights a company's liquidity and ability to generate cash for operations and investments.
- **Break-Even Analysis**: This calculates the sales volume at which total revenues equal total costs, pinpointing the minimum output required to avoid losses and determining profitability thresholds.
- **Budget Variance Analysis**: This compares actual financial results to budgeted figures, identifying areas where performance deviated and providing insights into financial control and planning effectiveness.
- **Benchmarking**: This involves comparing a company's performance metrics with industry standards or competitors. Benchmarking helps pinpoint strengths and weaknesses relative to peers.
- **DuPont Analysis**: A detailed breakdown of the Return on Equity (ROE) into three components: profitability (Net Profit Margin), efficiency (Asset Turnover), and leverage (Equity Multiplier), providing an in-depth understanding of how returns are generated.
- **Common Size Statements**: These standardized financial statements express all items as percentages of totals (e.g., total revenue or total assets), allowing for better cross-company or cross-period comparison regardless of size.

3.3: Ratio Analysis

Ratio Analysis is a financial analysis tool that involves calculating and interpreting various financial ratios to assess a company’s performance and financial health. These ratios are derived from data in financial statements, such as the balance sheet and income statement. The primary objective of ratio analysis is to help stakeholders, including investors, management, and analysts, make informed decisions by evaluating a company’s profitability, liquidity, solvency, and efficiency.

3.3.1: Liquidity Ratio

Liquidity ratios, such as the Current Ratio, Quick Ratio, and Cash Ratio, are essential tools for assessing a company’s ability to meet its short-term financial obligations. These ratios provide a snapshot of financial health, helping stakeholders understand whether a company has enough liquid assets to cover immediate liabilities.

- **Current Ratio** is useful for assessing a company's overall liquidity and short-term financial stability, giving investors and creditors an idea of how well a company can pay off its debts over the next 12 months. A higher current ratio indicates greater financial flexibility, making the company less risky for investors and lenders.
- **Quick Ratio** is an even more conservative measure of liquidity, excluding inventory from the calculation to focus on the most liquid assets. It is especially valuable in industries where inventory cannot be easily converted into cash, or where it may take longer to sell. By focusing on assets like cash and receivables, it offers a more realistic view of a company's ability to meet its short-term obligations without relying on inventory.
- **Cash Ratio** is the most stringent of the liquidity ratios and provides the clearest indication of a company's ability to pay short-term liabilities using only cash and cash equivalents. It is particularly important for businesses in sectors where rapid payments or financial flexibility are critical, such as in industries with volatile cash flows or where liquidity is a key concern.

3.3.2: Leverage Ratio

Leverage ratios, such as the Debt-to-Equity Ratio and Total Debt to Total Assets Ratio, are key tools used to evaluate a company’s financial structure, particularly the extent to which it is financed through debt versus equity. These ratios are critical for assessing financial risk and determining how much reliance a company has on borrowed capital.

- **Debt to Equity Ratio (D/E)** is one of the most common leverage ratios, showing the proportion of debt used to finance the company's assets relative to shareholders’ equity. A high D/E ratio suggests that a company is heavily reliant on debt for financing, which could indicate a higher level of financial risk. It provides insight into the company’s ability to withstand financial downturns. Investors use this ratio to gauge risk, companies with a higher reliance on debt might face challenges if their earnings decrease or interest rates rise.
- **Total Debt to Total Assets Ratio** measures the percentage of a company’s assets that are financed through debt. This ratio provides a broader view of the company’s leverage by comparing total liabilities to total assets. A higher ratio suggests that a company has a larger portion of its assets funded through debt, which could increase the risk of insolvency if the company faces a downturn or liquidity issues. This ratio is often used by creditors to assess the risk of lending to a company, with higher values indicating higher financial risk.

3.3.3: Profitability Ratio

Profitability ratios are essential tools used by analysts, investors, and company management to evaluate a company’s ability to generate profit relative to its revenue, assets, and equity. These ratios provide insights into the operational efficiency of a company and its ability to produce returns. Common profitability ratios include Net Profit Margin, Net Operating Margin, Return on Equity (ROE), and Return on Assets (ROA).

- **Net Profit Margin** measures the percentage of revenue that remains as profit after all expenses have been deducted. It is a crucial indicator of how efficiently a company can convert its sales into profits. A higher net profit margin indicates better profitability and effective cost management, while a lower margin might suggest issues with pricing, cost control, or competitive pressures.

- **Net Operating Margin** is similar to the net profit margin, but it specifically focuses on the operational efficiency of a business by excluding non-operational items such as interest and taxes. This ratio gives a clearer picture of how well a company’s core business operations are performing. A higher operating margin indicates that the company is efficient in generating profit from its operations.

- **Return on Equity (ROE)** is a critical ratio that measures how effectively a company uses shareholders’ equity to generate profit. A high ROE signifies that the company is effectively using its equity to drive profits, which can be attractive to investors. It is particularly useful in comparing the profitability of companies in the same industry, as it provides a measure of how much profit a company is generating for each unit of equity.

- **Return on Assets (ROA)** measures how effectively a company uses its assets to generate profit. This ratio indicates the company’s ability to utilize its assets efficiently to produce earnings. A higher ROA suggests that the company is effectively using its assets to generate profit, while a lower ROA may indicate underutilization or inefficiencies in asset management.

3.3.4: Efficiency Ratio

Efficiency ratios are used to evaluate how effectively a company is utilizing its resources to generate revenue and control costs. These ratios offer insights into operational efficiency, providing investors and analysts with valuable data about the company's ability to optimize its assets and liabilities for maximum profitability. Two significant efficiency ratios are Tax Management Ratio and Operating Efficiency Ratio.

- **Tax Management Ratio** is a measure of how well a company manages its tax liabilities in relation to its taxable income. A lower ratio suggests that a company is more efficient at managing its taxes, possibly by taking advantage of tax deductions, credits, or legal tax planning strategies. This ratio is important because it reflects how much of the company's earnings are being paid out as taxes, which can influence overall profitability. Efficient tax management can result in a lower tax burden, preserving more income for reinvestment or distribution to shareholders. However, a high tax management ratio may indicate inefficiencies or missed opportunities in tax planning.

- **Operating Efficiency Ratio** evaluates a company's ability to generate revenue from its operations while minimizing operational costs. This ratio helps to identify how well a company utilizes its assets, such as machinery, labor, and inventory, to produce goods and services. A lower operating efficiency ratio is generally better, indicating that the company is using fewer resources to achieve higher sales. It can be calculated by comparing operating expenses to revenue, and it reflects the overall operational management of the company. Companies with a high operating efficiency ratio are seen as better managed, as they maximize productivity and control costs effectively.

3.3.5: Adequacy Ratio

Adequacy ratios are critical in assessing the financial health and stability of a financial institution, especially banks and other lending organizations. These ratios focus on the capital base of the company, ensuring that it has enough capital to absorb losses and protect depositors and creditors. Adequacy ratios are vital for maintaining a company's ability to weather financial stress while continuing operations. Two significant ratios in this category are the Capital Adequacy Ratio (CAR) and the Core Capital Ratio.

- **Capital Adequacy Ratio (CAR)**: This ratio is used to measure a bank's available capital in relation to its risk-weighted assets. The CAR is a key indicator of a bank's financial stability, ensuring that it can cover unexpected losses. It helps regulators determine the buffer of financial resources a bank has before it becomes insolvent. The CAR is essential for protecting depositors, ensuring that the bank can maintain operations even during economic downturns. A higher CAR signifies that a bank is more capable of withstanding financial stress and absorbing risks. The regulatory authorities, such as the Basel Committee on Banking Supervision, recommend maintaining a CAR of at least 8%, though many banks aim for a higher ratio to provide extra assurance to their stakeholders.

- **Core Capital Ratio**: This ratio is a more stringent measure, focusing only on a bank's core equity capital, which is considered the most reliable source of capital. It excludes peripheral forms of financing such as subordinated debt and other less stable financial instruments. The core capital ratio is a crucial measure for assessing the financial strength of a bank, as it indicates the extent to which the institution relies on its most stable capital resources to absorb losses. A higher core capital ratio suggests that a bank has a solid foundation of equity capital, which can be used to support its operations and cover potential risks.

3.4: Common Size Analysis

Common Size Analysis is a method used to evaluate and compare financial statements across companies and periods by standardizing the numbers. It helps to transform the balance sheet and income statement into percentages, making it easier to analyze the relative weight of individual items. By doing so, it allows for better comparisons between companies of different sizes and industries, and for tracking trends within a single company over time.

3.4.1: Common Size Analysis in the Balance Sheet

In the context of the Balance Sheet, Common Size Analysis expresses each line item as a percentage of Total Assets. This allows for a clearer view of how a company's resources are allocated. For example, if a company has a large proportion of Current Assets compared to Non-Current Assets, it indicates a greater focus on short-term operations and liquidity. Common size analysis in the balance sheet provides insights into:

- **Asset structure**: How much of the total assets are tied up in current vs non-current assets.
- **Liabilities structure**: The proportion of short-term and long-term debt in relation to total liabilities.
- **Equity structure**: How much of the financing comes from shareholders vs creditors.

3.4.2: Common Size Analysis in the Income Statement

In the Income Statement, Common Size Analysis expresses each line item as a percentage of Total Revenue (or sales). This helps to assess the relative weight of each expense category and understand profitability dynamics. For example, it allows for evaluating the Cost of Goods Sold (COGS) as a percentage of sales to analyze gross profit margins, or Operating Expenses to identify efficiency in cost management. Key insights from common size analysis in the income statement include:

- **Profitability**: Identifying how much of the revenue is converted into profit, including gross profit, operating profit, and net profit.
- **Cost structure**: Analyzing fixed vs variable costs by evaluating the size of COGS, Operating Expenses, SG&A, etc., in relation to revenue.
- **Trends and Comparisons**: Assessing whether a company is becoming more efficient or whether expenses are increasing faster than revenues over time.

Chapter-04

Financial Performance Evaluation of Synergy IT Service Ltd. (2019-2023 Year)

4.1: Liquidity Ratio

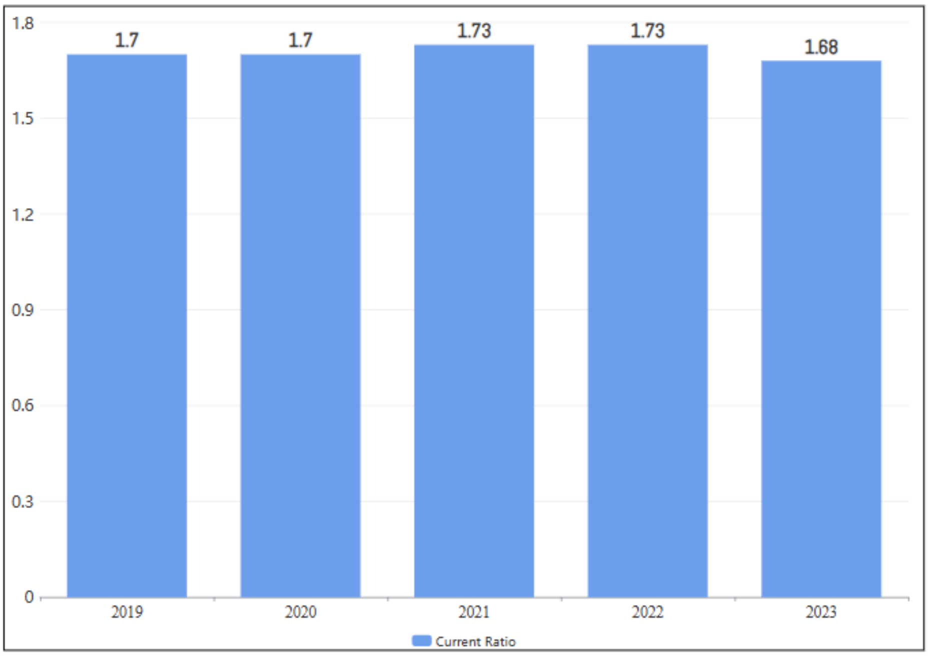
4.1.1: Current Ratio

The current ratio is a crucial financial metric for assessing a company's ability to meet short-term liabilities with short-term assets. It helps determine whether a company has enough cash on hand to fulfill its obligations for the next year. In general, if the ratio is greater than one, the company is in a strong position to settle its short-term loans; if it is less than one, there may be liquidity problems.

Formula: $$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Table-1.1: Current Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Current Ratio	1.70	1.70	1.73	1.73	1.68



Interpretation: Over the previous five years, Synergy IT Service Ltd.'s current ratio has stayed comparatively constant, ranging between 1.68 and 1.73. This shows that there have been no serious liquidity issues and that the company has continuously had enough current assets to satisfy its short-term creditors. According to the ratio, the business is in a sound short-term financial situation and can pay its bills on time. Although it is still considerably over the crucial threshold of 1, indicating no approaching liquidity danger, the small decline in 2023 (from 1.73 to 1.68), may be the result of a slight rise in current obligations or slower asset growth.

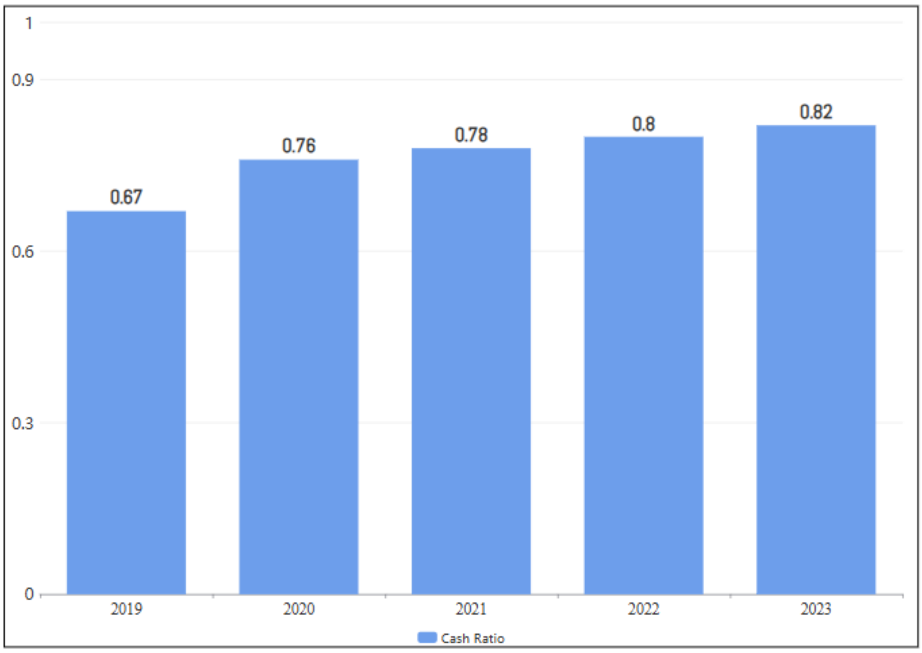
4.1.2: Cash Ratio

The cash ratio assesses a company's capacity to settle its short-term debts with its most liquid assets, such as cash and cash equivalents. The cash ratio is a stricter measure of liquidity that only considers the assets that are immediately accessible for debt repayment, as opposed to the current ratio, which takes into account all current assets. A ratio below 1 indicates possible liquidity problems, whilst a ratio above 1 show that the corporation can pay all of its current liabilities with cash on hand.

Formula: $$\text{Cash Ratio} = \frac{\text{Cash and Cash Equivalents}}{\text{Current Liabilities}}$$

Table-1.2: Cash Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Cash Ratio	0.67	0.76	0.78	0.80	0.82



Interpretation: From 0.67 in 2019 to 0.82 in 2023, Synergy IT Service Ltd.'s cash ratio has risen gradually during the last five years. This suggests that the business is progressively strengthening its capacity to pay short-term obligations with its most liquid assets alone. Even though the cash ratio hasn't hit 1, which would signify ideal liquidity, the steady rise indicates that Synergy IT is working to keep its cash position safer in relation to its liabilities. Although the ratio still indicates the business could need to rely on more current assets or financing to fully fulfill its short-term obligations in the event of an emergency, the consistent increase shows a healthy trend.

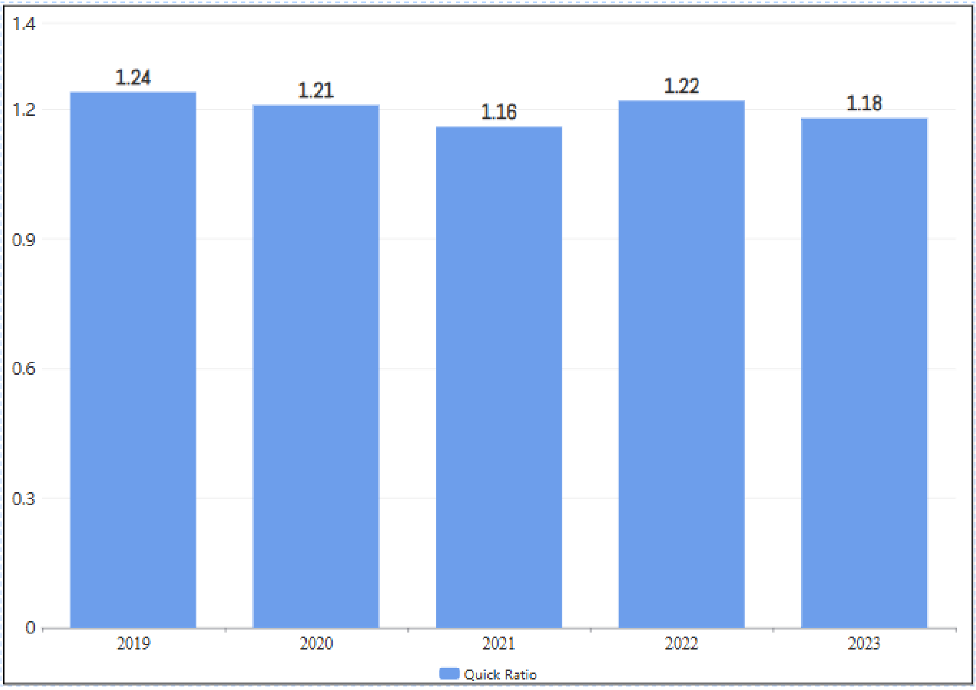
4.1.3: Quick Ratio

One important indicator of a company's short-term liquidity condition is the quick ratio, sometimes referred to as the acid-test ratio. It evaluates Synergy IT Service Ltd.'s capacity to pay its present debts with just its most liquid assets. Since inventory may not be as readily converted into cash in the near future, it is not included in the quick ratio like it is in the current ratio. The corporation may be able to meet its short-term obligations without depending on inventory sales or other less liquid assets if its quick ratio is greater than 1.

Formula: $$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

Table-1.3: Quick Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Quick Ratio	1.24	1.21	1.16	1.22	1.18



Interpretation: Over the last five years, Synergy IT Service Ltd.'s quick ratio has been above 1, showing that it can regularly pay its current creditors with its liquid assets. The ratio varied a little, falling from 1.24 in 2019 to 1.16 in 2021, mostly as a result of rising inventories in comparison to current assets. The ratio did, however, slightly decline to 1.18 in 2023 after improving to 1.22 in 2022. Even with the little decline in 2023, Synergy IT Service Ltd.'s quick ratio still indicates a strong liquidity position and the company's ability to comfortably cover its short-term obligations without counting on inventory liquidation.

4.2: Leverage Position

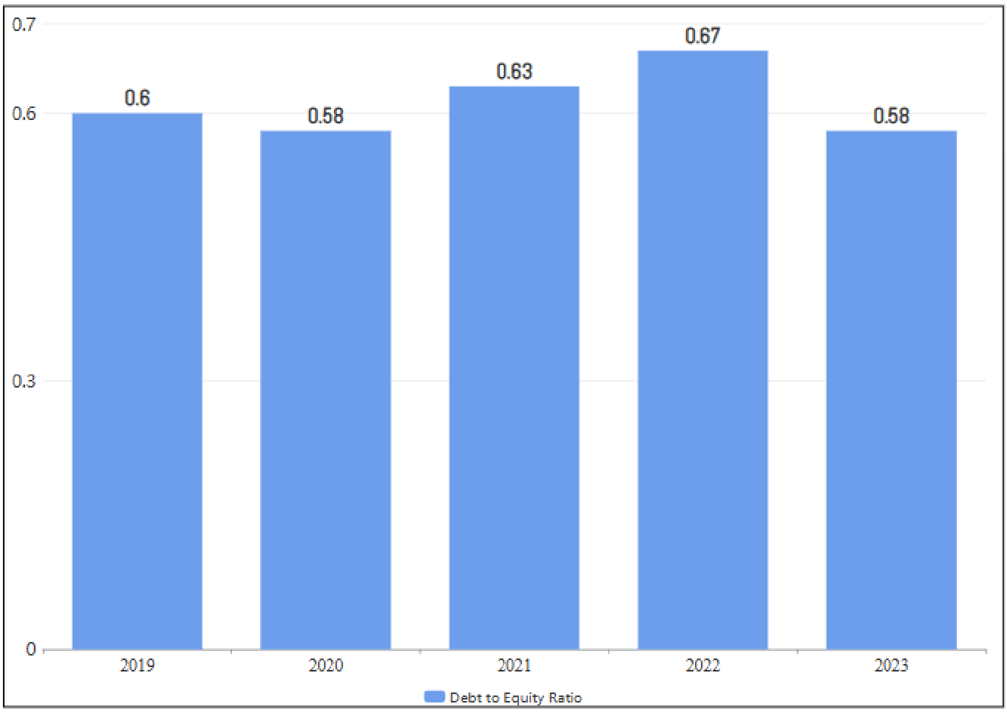
4.2.1: Debt to Equity Ratio

Financial leverage is measured by a company's debt-to-equity ratio. It shows how much debt is utilized to finance the business in relation to equity by comparing the total amount of debt the company has to its shareholder equity. While a smaller ratio implies the company is more cautious in its use of debt financing, a greater ratio shows more debt relative to equity, which may imply a higher financial risk.

Formula: $$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Table-2.1: Debt-to-Equity Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Debt-to-Equity Ratio	0.60	0.58	0.63	0.67	0.58



Interpretation: Over the past five years, Synergy IT Service Ltd.'s debt-to-equity ratio changed significantly. As compared to equity, the ratio in 2019 was 0.60, indicating a considerable reliance on debt funding. In 2020, the ratio dropped little to 0.58, suggesting a more balanced finance strategy as the business probably raised stock or cut debt. The ratio increased to 0.63 in 2021, indicating a rise in debt compared to equity that might have resulted from growth or investment activities. Higher financial leverage was indicated by the ratio's 2022 peak of 0.67, but in 2023 it dropped to 0.58, suggesting that the company may have raised more stock or reduced its debt load.

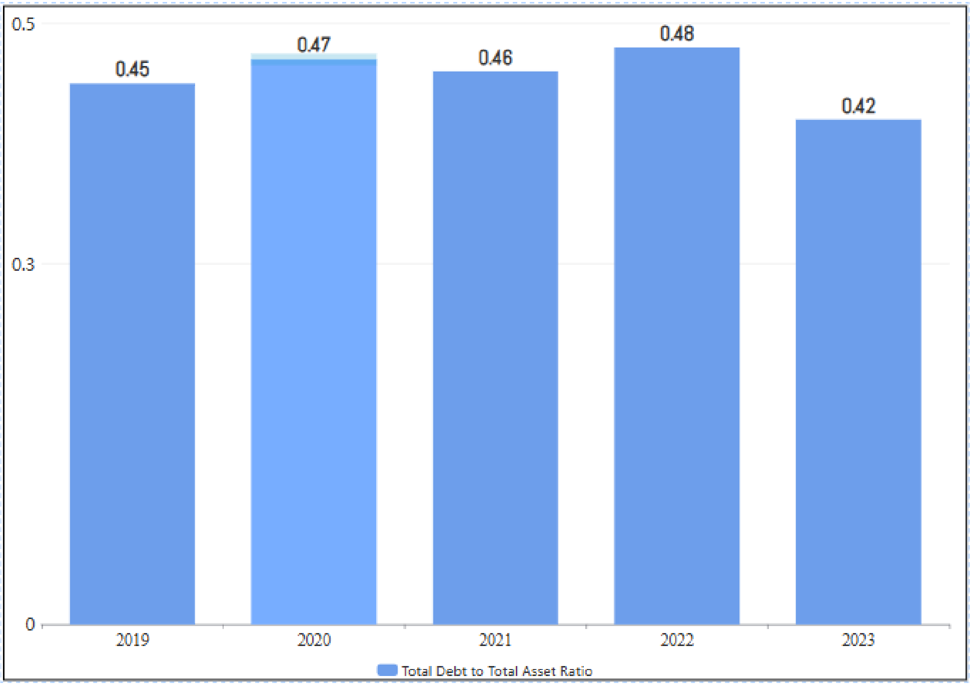
4.2.2: Total Debt to Total Asset Ratio

Financial leverage is measured by a company's debt-to-equity ratio. It shows how much debt is utilized to finance the business in relation to equity by comparing the total amount of debt the company has to its shareholder equity. While a smaller ratio implies the company is more cautious in its use of debt financing, a greater ratio shows more debt relative to equity, which may imply a higher financial risk.

Formula: $$\text{Total Debt to Total Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Table-2.2: Total Debt to Total Asset Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Total Debt to Total Asset Ratio	0.45	0.47	0.46	0.48	0.42



Interpretation: Over the previous five years, Synergy IT Service Ltd.'s total debt to total asset ratio changed little, from 0.45 in 2019 to 0.42 in 2023. The ratio was 0.45 in 2019, meaning that debt accounted for 45% of the company's assets. In 2020 and 2022, the ratio increased to 0.47, indicating a minor increase in debt financing in relation to assets. The ratio managed to drop to 0.42 in 2023, which indicates that the business improved its financial structure by increasing its asset base or decreasing its reliance on debt.

4.3: Profitability Ratio

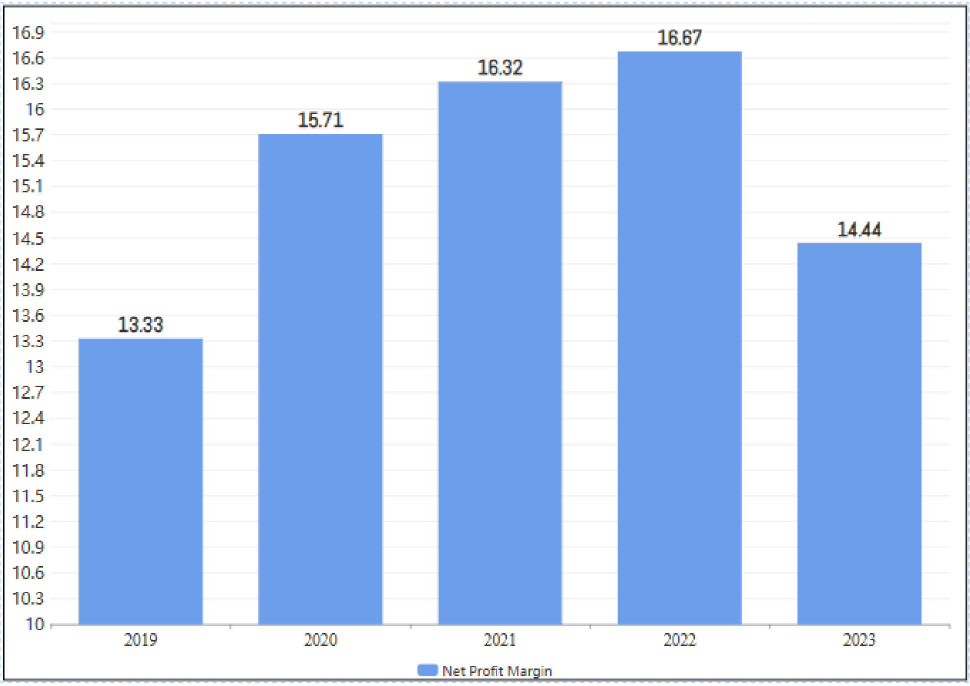
4.3.1: Net Profit Margin

One important profitability statistic is the net profit margin, which calculates the proportion of income left over after all costs, taxes, and expenses have been subtracted from total sales. It demonstrates how effectively a business turns sales into real profit. Better cost control and operational efficiency are suggested by a greater net profit margin, which shows that Synergy IT Service Ltd. is able to keep more of the profit from its sales. On the other hand, a smaller margin can be a sign of inefficiencies, insufficient pricing power, or expensive operating costs.

Formula: $$\text{Net Profit Margin} = \left(\frac{\text{Net Income}}{\text{Revenue}}\right) \times 100$$

Table-3.1: Net Profit Margin from year 2019-2023

Year	2019	2020	2021	2022	2023
Net Profit Margin (%)	13.33	15.71	16.32	16.67	14.44



Interpretation: The net profit margin for Synergy IT Service Ltd. has varied more over the last five years, suggesting an overall favorable trend in profitability. From 13.33% in 2019 to 16.67% in 2022, the company's net profit margin grew, indicating better cost control and operational effectiveness as well as potentially stronger pricing power or higher revenue. However, even though revenue climbed in 2023, the margin fell to 14.44%, indicating that either rising costs or more competition affected profit margins.

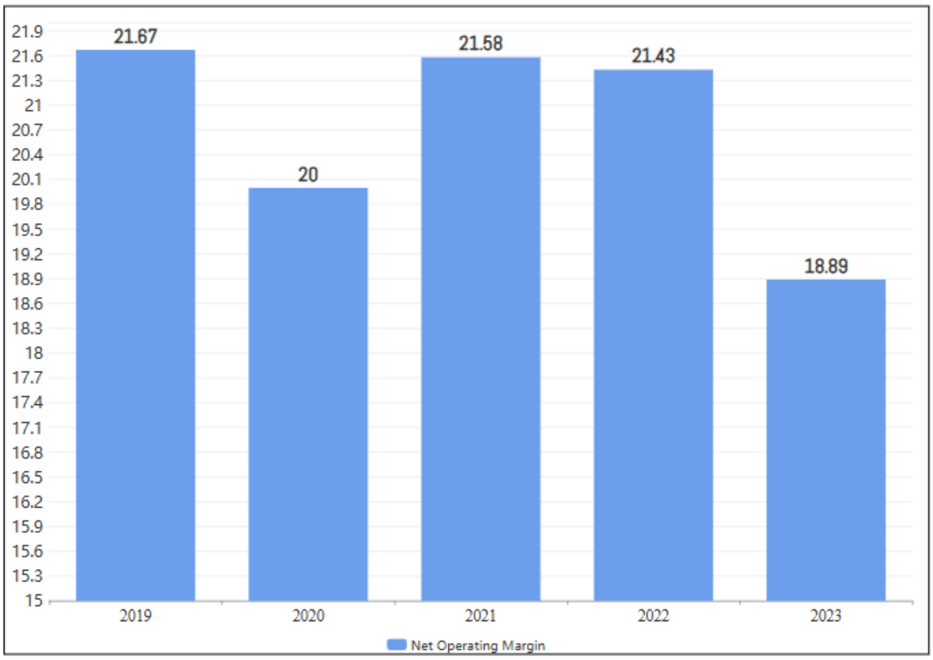
4.3.2: Net Operating Margin

The percentage of revenue left over after operating costs are deducted, excluding non-operating components like taxes and interest, is known as the net operating margin. It shows how well Synergy IT Service Ltd. makes money off of its main business operations. An organization is successfully controlling its operating expenses and converting a sizable amount of its revenue into operating profit if its net operating margin is higher. Since it does not include elements that could skew a company's core profitability, such as taxes and interest costs, this ratio is a crucial measure of operational efficiency.

Formula: $$\text{Net Operating Margin} = \left(\frac{\text{Operating Income}}{\text{Revenue}}\right) \times 100$$

Table-3.2: Net Operating Margin from year 2019-2023

Year	2019	2020	2021	2022	2023
Net Operating Margin (%)	21.67	20.00	21.58	21.43	18.89



Interpretation: Over the period of five years, Synergy IT Service Ltd.'s net operating margin indicates a generally high performance in terms of operational efficiency. The margin showed consistent operational profitability, rising from 21.67% in 2019 to 21.58% in 2021. It decreased little to 21.43% in 2022, indicating a slight loss in operating profit in spite of higher revenue. The margin, however, dropped more sharply to 18.89% in 2023, indicating that although revenue increased, operating costs might have increased more quickly, resulting in a less efficient turn of revenue into operational profit.

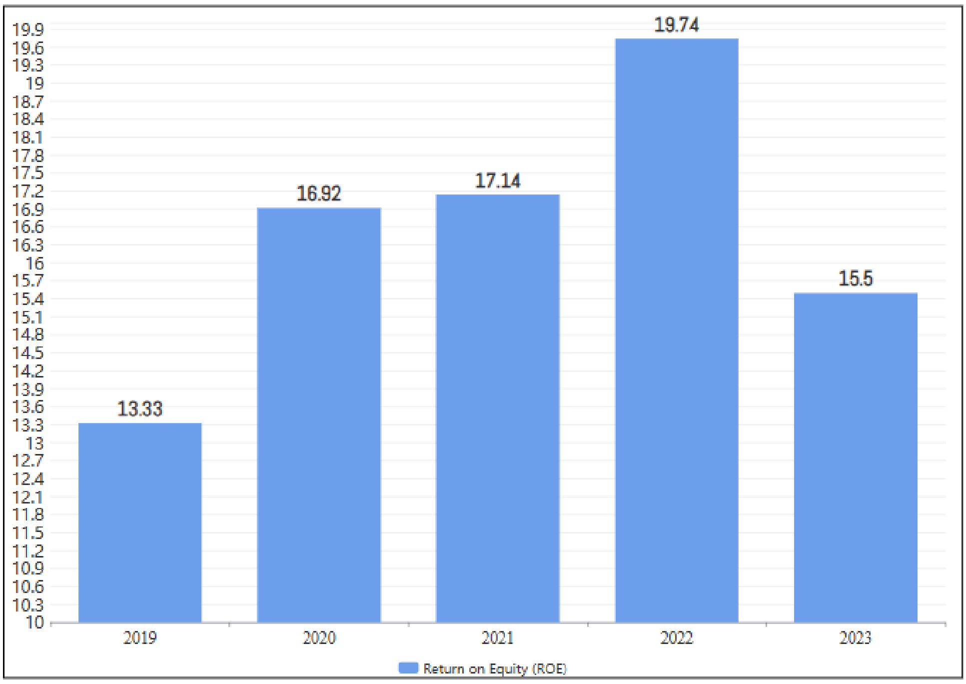
4.3.3: Return on Equity (ROE)

A company's capacity to make money off of the equity held by its shareholders is gauged by its Return on Equity (ROE). It shows how well the business generates profits from the equity that its owners have invested. While a lower ROE can signify underperformance in comparison to equity investment, a higher ROE indicates that Synergy IT Service Ltd. is effectively using the money of its shareholders to expand the company and produce returns.

Formula:
$$\text{Return on Equity} = \left(\frac{\text{Net Income}}{\text{Shareholder's Equity}}\right) \times 100$$

Table-3.3: Return on Equity (ROE) Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
ROE (%)	13.33	16.92	17.14	19.74	15.50



Interpretation: From 2019 to 2022, Synergy IT Service Ltd.'s Return on Equity (ROE) indicated a strong rising trend. From 13.33% in 2019 to 19.74% in 2022, the ROE showed that the business was improving its ability to use shareholder equity to produce profits. However, the ROE dropped to 15.50% in 2023, which can be the result of either a decline in net income or an increase in equity brought on by new investments or retained earnings. The company's ROE is still high in spite of this drop, showing that it has an outstanding record of producing returns for shareholders.

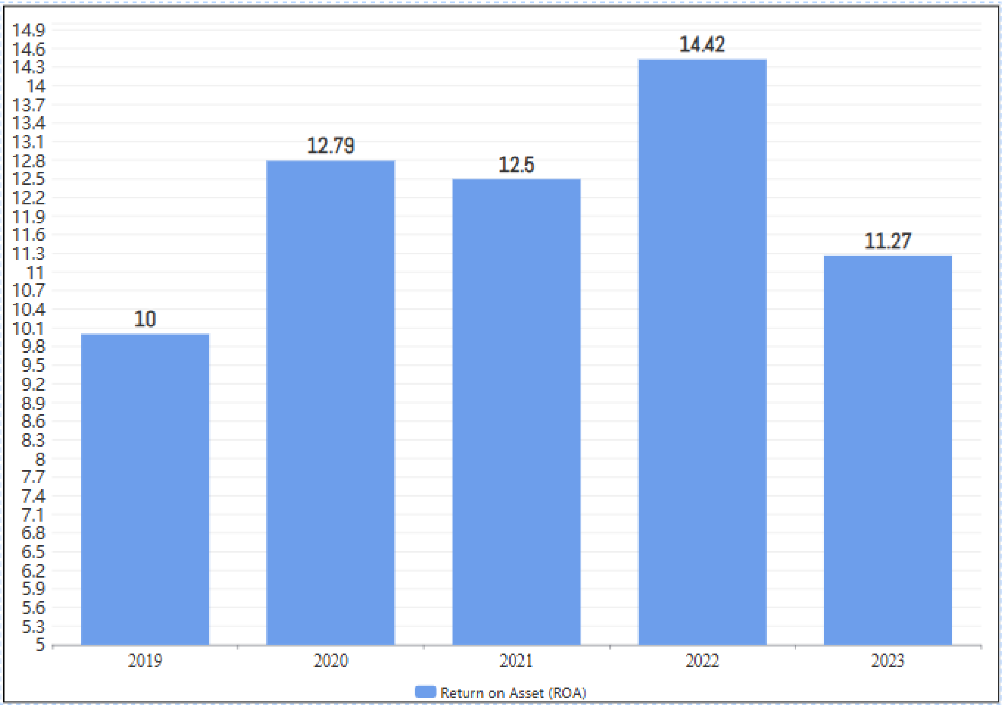
4.3.4: Return on Asset (ROA)

The efficiency with which a business uses its assets to produce net income is gauged by its return on assets, or ROA. It shows that Synergy IT Service Ltd. can make money off of its asset base. While a lower ROA can indicate that the company is not making the most of its assets to generate earnings, perhaps as a result of operational inefficiencies or underutilized resources, a higher ROA indicates that the organization is effectively using its assets to generate profit.

Formula: $$\text{Return on Assets} = \left(\frac{\text{Net Income}}{\text{Total Assets}}\right) \times 100$$

Table-3.4: Return on Assets (ROA) Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
ROA (%)	10.00	12.79	12.50	14.42	11.27



Interpretation: Between 2019 and 2022, Synergy IT Service Ltd.'s Return on Assets (ROA) indicated a positive growth trend. The company's ROA increased from 10.00% in 2019 to 14.42% in 2022, indicating that assets were being used profitably. But in 2023, the ROA dropped to 11.27%, most likely as a result of the growth in total assets overtaking the growth in net income. The corporation has maintained an acceptable return on its assets in spite of this decline, which is indicative of an overall upward trend in asset use. In order to sustain a high ROA going forward, Synergy IT Service Ltd. may need to assess its asset efficiency and think about improving its asset base, as indicated by its reduction in 2023.

4.4: Efficiency Ratio

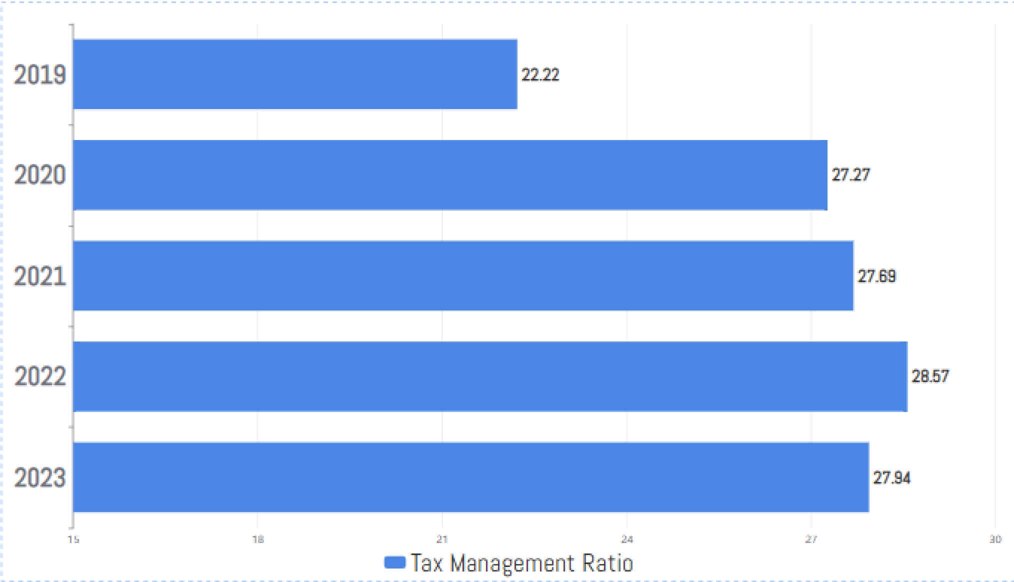
4.4.1: Tax Management Ratio

The percentage of a company's profits that is paid in taxes is measured by the Tax Management Ratio. This ratio aids in determining how well the business are handling its tax obligations. While a higher ratio could suggest inefficiencies in tax planning or higher tax expenses relative to profits, a lower ratio shows that the business is successfully using tax-saving techniques.

Formula: $$\text{Tax Management Ratio} = \left(\frac{\text{Net Income}}{\text{Earnings Before Tax (EBT)}}\right) \times 100$$

Table-4.1: Tax Management Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Tax Management Ratio (%)	22.22	27.27	27.69	28.57	27.94



Interpretation: Over the last five years, Synergy IT Service Ltd.'s tax management ratio increased marginally, from 22.22% in 2019 to 28.57% in 2022. It indicates that over time, the company's tax liability has grown in relation to its earnings before tax (EBT), potentially as a result of rising relevant tax rates and growing profits. In 2023, the ratio decreased significantly to 27.94%, indicating that although the company's tax liabilities are still increasing, either its tax management approach is getting better or its earnings have been maximized.

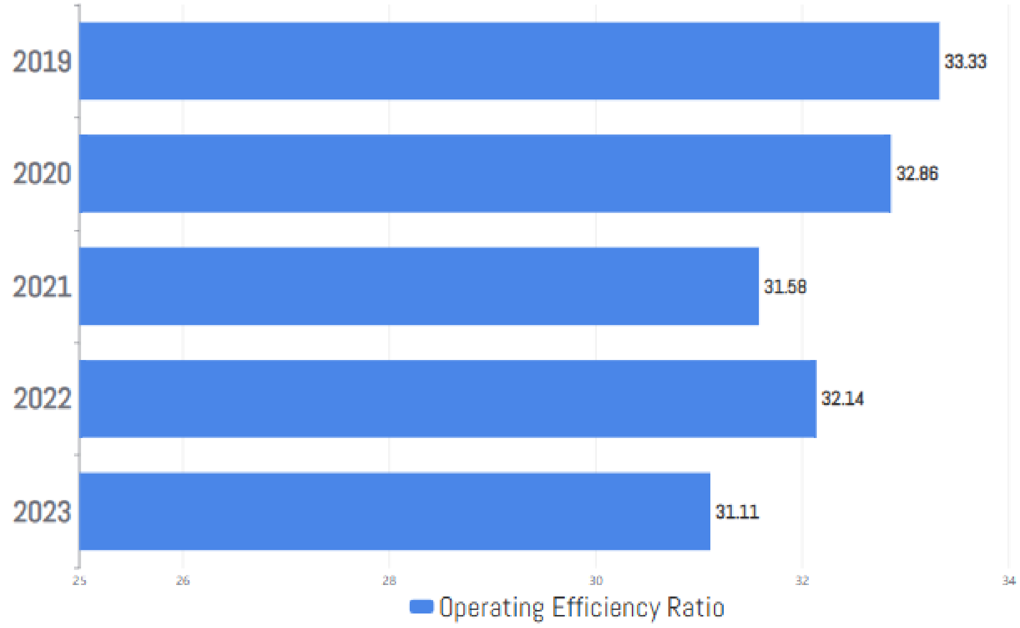
4.4.2: Operating Efficiency Ratio

How well a business uses its resources to produce sales and profits is gauged by the operating efficiency ratio. By showing how effectively Synergy IT Service Ltd. is controlling its operating expenses in relation to its revenue, it evaluates the business's operational performance. While a smaller ratio reveals possible operational inefficiencies, a larger ratio indicates the organization is successfully turning its operational activities into profits.

Formula: $$\text{Operating Efficiency Ratio} = \left(\frac{\text{Operating Expenses}}{\text{Revenue}}\right) \times 100$$

Table-4.2: Operating Efficiency Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Operating Efficiency Ratio (%)	33.33	32.86	31.58	32.14	31.11



Interpretation: Over the previous five years, Synergy IT Service Ltd.'s operating efficiency ratio has slightly dropped, going down from 33.33% in 2019 to 31.11% in 2023. This suggests that even if the company's income has been rising, its operational efficiency has decreased due to its operating expenses expanding more quickly. The company might have to reconsider its cost control strategies or look for ways to increase operational productivity in order to improve the efficiency ratio, as indicated by its decrease from 2019 to 2023.

4.5: Adequacy Ratio

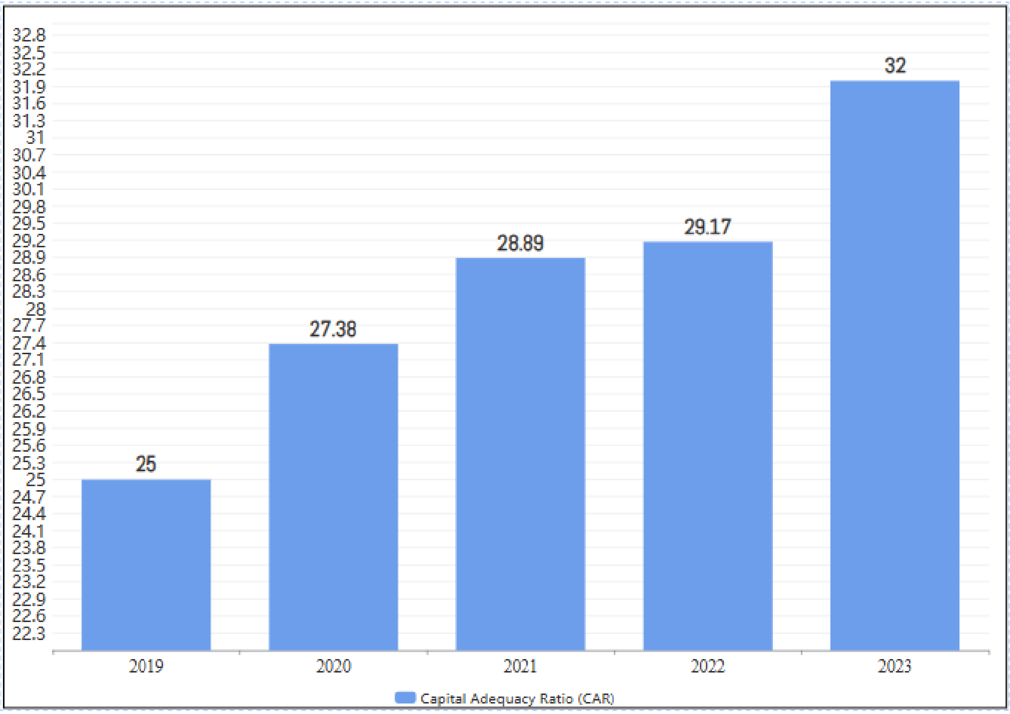
4.5.1: Capital Adequacy Ratio (CAR)

A company's financial stability and strength are gauged by the Capital Adequacy Ratio (CAR), which is especially useful in the banking and finance industry. It evaluates the business's capacity to withstand losses and defend its debts. A higher CAR suggests that Synergy IT Service Ltd. is more equipped to withstand possible risks and financial shocks. One important metric that regulators use to make sure financial institutions are sustainable and resilient to downturns in the economy is the CAR.

Formula: $$\text{CAR} = \left(\frac{\text{Tier 1 Capital} + \text{Tier 2 Capital}}{\text{Risk-Weighted Assets}} \right) \times 100$$

Table-5.1: Capital Adequacy Ratio (CAR) from year 2019-2023

Year	2019	2020	2021	2022	2023
CAR (%)	25.00	27.38	28.89	29.17	32.00



Interpretation: Synergy IT Service Ltd.'s Capital Adequacy Ratio (CAR) increased significantly from 25.00% in 2019 to 32.00% in 2023. As the company has been raising its capital base in relation to its risk-weighted assets over time, this shows that its financial strength has been growing. The company has been keeping a larger capital buffer to cover any risks, which gives it more protection against financial shocks, as indicated by the steady increase in CAR. The steady increase in CAR during the time frame is indicative of sound capital management techniques, guaranteeing Synergy IT Service Ltd.'s continued strong capital and ability to successfully handle financial difficulties.

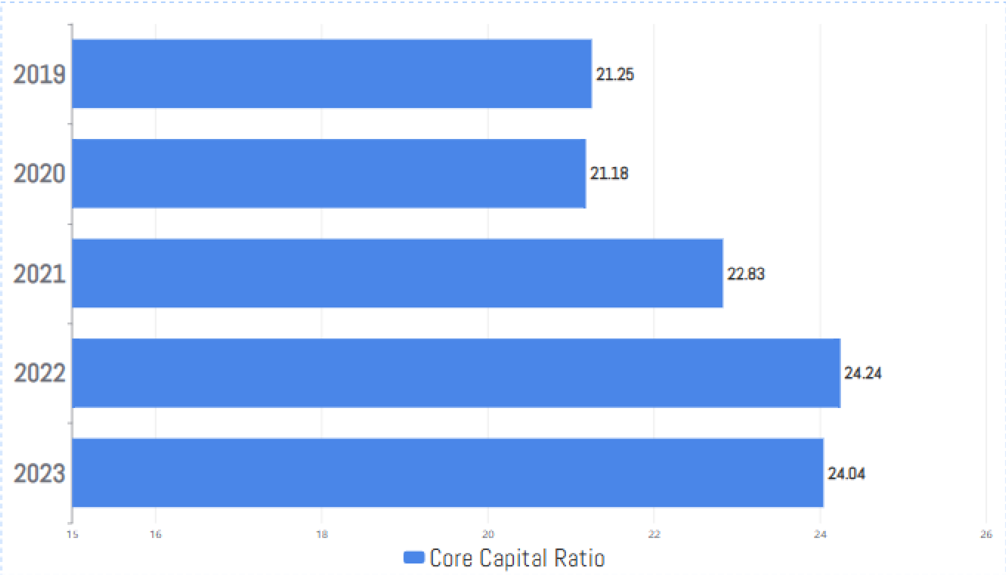
4.5.2: Core Capital Ratio

A company's financial health, particularly its capacity to withstand losses, is gauged by its core capital ratio. In comparison to its overall assets, it concentrates on the "core" capital, which is the most stable type of capital. This ratio is crucial for evaluating a company's equity health and the proportion of its assets backed by solid, long-term capital. With a higher core capital ratio, Synergy IT Service Ltd. has a larger buffer to handle financial risks and is therefore less likely to experience solvency problems.

Formula: $$\text{Core Capital Ratio} = \left(\frac{\text{Core Capital (Tier 1)}}{\text{Total Assets}}\right) \times 100$$

Table-5.2: Core Capital Ratio from year 2019-2023

Year	2019	2020	2021	2022	2023
Core Capital Ratio (%)	21.25	21.18	22.83	24.24	24.04



Interpretation: From 21.25% in 2019 to 24.04% in 2023, Synergy IT Service Ltd.'s core capital ratio showed consistent improvement. This suggests that the business has been improving its financial position by growing its core capital base relative to its overall assets. A strong and stable capital structure is reflected in the ratio, with rising core equity offering more risk protection. The ratio's steady rise suggests that the business is handling its core capital well, which is essential for maintaining long-term financial stability. Although the general upward trend still points to a strong capital foundation, a little decline in 2023 might indicate stronger asset growth in comparison to core capital.

4.6: Common Size Analysis of Synergy IT Service Ltd.

4.6.1: Balance Sheet

Particulars	2019	2020	2021	2022	2023
Balance Sheet (BDT In Million)					
Property and Assets					
Cash and Cash Equivalents	10.6%	11.6%	12.5%	14.9%	15.5%
Accounts Receivable	26.6%	25.5%	25.0%	23.2%	22.4%
Inventory	5.3%	5.6%	5.4%	5.2%	5.2%
Other Current Assets	4.3%	4.2%	3.9%	3.7%	3.4%
Total Current Assets	**46.8%**	**46.9%**	**46.8%**	**47.0%**	**46.5%**
Property, Plant, and Equipment (Net)	31.9%	30.1%	29.1%	28.0%	27.6%
Intangible Assets	10.6%	11.6%	12.5%	13.1%	13.8%
Investments	8.0%	8.3%	8.3%	8.6%	8.6%
Deferred Tax Assets	2.7%	3.2%	3.3%	3.4%	3.4%
Total Non-Current Assets	**53.2%**	**53.1%**	**53.2%**	**53.0%**	**53.5%**
Total Assets	**100%**	**100%**	**100%**	**100%**	**100%**
Liabilities					
Accounts Payable	13.3%	13.9%	14.6%	14.2%	13.8%
Short-Term Loans	5.3%	5.6%	6.2%	6.7%	6.9%
Other Current Liabilities	6.4%	6.9%	7.5%	7.5%	6.9%
Total Current Liabilities	**25.0%**	**26.4%**	**28.3%**	**28.4%**	**27.6%**
Long-Term Debt	21.3%	20.8%	20.0%	18.7%	17.2%
Other Non-Current Liabilities	5.3%	5.6%	6.2%	6.7%	6.9%
Total Non-Current Liabilities	**26.6%**	**26.4%**	**26.2%**	**25.4%**	**24.1%**
Total Liabilities	**51.6%**	**52.8%**	**54.5%**	**53.8%**	**51.7%**
Equity					
Share Capital	37.2%	37.0%	37.4%	35.5%	34.5%
Retained Earnings	11.2%	10.2%	8.1%	10.8%	13.8%
Other Reserves	0.0%	0.0%	0.0%	0.0%	0.0%
Total Equity	**48.4%**	**47.2%**	**45.5%**	**46.2%**	**48.3%**

Interpretation:

- ✓ **Property and Assets:**

  The company's existing assets, which make up approximately 46% – 47% of its overall assets, have not changed. Stronger liquidity management is demonstrated by notable sequences, such as the steady rise in cash and cash equivalents from 10.6% in 2019 to 15.5% in 2023. Accounts receivable, on the other hand, decreased consistently from 26.6% to 22.4%, indicating increased collection efficiency.

  The proportion of non-current assets remained constant at 53% – 54%, indicating a balanced long-term asset investment. An increase in intangible assets (10.6% to 13.8%) minimizes the minor reduction in property, plant, and equipment (PPE) (31.9% to 27.6%). This increase may indicate investment in software or intellectual property that is essential to IT services. Investments stayed constant between 8.3% and 8.6%.

- ✓ **Liabilities:**

  In an attempt to lower short-term obligations current liabilities first increased from 25% in 2019 to 28.4% in 2022 before decreasing slightly to 27.6% in 2023. Additionally, accounts payable remained a sizable portion (~13%–14%), but short-term loans grew consistently, reaching a peak of 6.9% in 2023, indicating a cautious reliance on short-term debt.

  From 26.6% in 2019 to 24.1% in 2023, non-current liabilities show a steady decrease, primarily due to a decrease in long-term debt from 21.3% to 17.2%. This indicates that the business is improving its liquidity position by strongly managing and lowering long-term financial liabilities.

- ✓ **Equity:**

  Despite changes in retained earnings, the shareholder structure has improved, with total equity increasing from 48.4% in 2019 to 48.3% in 2023. Retained earnings increased from 8.1% in 2021 to 13.8% in 2023, indicating strong reinvestment and profitability. On the other hand, share capital as a percentage of total assets has decreased little, from 37.2% to 34.5%, indicating a slow transition toward retained earnings as the primary driver of equity expansion.

4.6.2: Income Statement

Particulars	2019	2020	2021	2022	2023
Income Statement (BDT In Million)					
Cost of Goods Sold (COGS)	55%	53%	51%	49%	48%
Gross Profit	**45%**	**47%**	**49%**	**51%**	**52%**
Operating Expenses					
Selling, General, and Admin (SG&A)	20%	19%	18%	17%	16%
Research & Development (R&D)	5%	5%	4%	4%	4%
Other Expenses	2%	2%	2%	2%	2%
Depreciation	4%	3%	3%	3%	3%
Total Operating Expenses	**31%**	**29%**	**27%**	**26%**	**25%**
Operating Profit (EBIT)	**14%**	**18%**	**22%**	**25%**	**27%**
Interest Expense	3%	3%	3%	3%	3%
Earnings Before Tax (EBT)	**11%**	**15%**	**19%**	**22%**	**24%**
Taxes	2%	3%	3%	4%	4%
Net Profit	**9%**	**12%**	**16%**	**18%**	**20%**

Interpretation:

From 2019 to 2023, Synergy IT Service Ltd.'s income statement shows a clear pattern of rising profitability and enhancing cost effectiveness. The company's ability to keep costs under control has significantly improved its profitability over the last five years. Due to a decrease in the cost of goods sold (COGS), the gross profit margin in 2023 increased from 45% in 2019 to 52%. Due primarily to stricter control over SG&A spending, operating expenses have also been well-managed, falling from 31% of revenue in 2019 to 25% in 2023. The company's operating profit (EBIT) margin increased from 14% to 27% as a result of this. Taxes increased along with net income growth, while interest costs stayed constant. The net profit margin consequently almost doubled from 9% in 2019 to 20% in 2023, indicating the business's successful approach to raising operational effectiveness, reducing costs, and boosting overall profitability. Synergy IT Service Ltd. appears to be in a strong position for long-term growth and profitability based on its record.

Chapter-05

Findings, Recommendations and Conclusion

5.1: Problems Identified

1. **Declining Profit Margins in 2023:** Although the company saw an improvement in its Net Profit Margin from 2019 to 2022, it dropped to 14.44% in 2023, which is lower than the 16.67% peak in 2022. This indicates a potential issue with cost control or increasing competition, which may have squeezed profit margins.
2. **Deteriorating Operating Efficiency:** The Operating Efficiency Ratio decreased from 33.33% in 2019 to 31.11% in 2023. This suggests that the company's operational performance has declined, possibly due to higher operational costs, inefficiencies, or inadequate management of resources.
3. **Slight Decline in Return on Assets (ROA):** In 2022, the Return on Assets (ROA) peaked at 14.42%, but in 2023, it fell to 11.27%. This suggests possible underperformance or inefficient use of the company's asset base, as it suggests that it may not be using its assets as effectively as it formerly did.
4. **Rising Dependence on Current Liabilities:** From 1.73 in 2022 to 1.68 in 2023, the current ratio decreased slightly, indicating a little deterioration in the company's capacity to fulfill its immediate obligations. Even though it is still over 1, the drop can indicate a greater reliance on short-term obligations, which could be dangerous if the market shifts.
5. **Reduced Cash Cushion:** The Cash Ratio is still below 1, although improving from 0.67 in 2019 to 0.82 in 2023. This suggests that the business still does not have enough liquid assets to pay for its immediate responsibilities, which could strain cash flow in the event of unforeseen financial difficulties.
6. **Flat Leverage Ratio:** The Debt-to-Equity Ratio remained fairly stable between 0.58 and 0.67 from 2019 to 2023, which suggests that Synergy IT Service Ltd. has not made significant efforts to reduce its debt load or change its financial structure. This conservative approach to leverage could limit growth potential or hinder investment in new opportunities.
7. **Slowing Return on Equity (ROE):** Return on Equity (ROE) showed a positive trend from 13.33% in 2019 to 19.74% in 2022 but declined to 15.50% in 2023. While still positive, the drop indicates that the company’s ability to generate profit from shareholders’ equity has diminished, which could affect investor confidence.

8. **Inconsistent Growth in Net Income:** Although Net Profit Margin improved until 2022, the 2023 drop in profitability suggests that the company may be struggling with cost increases, reduced revenue growth, or operational inefficiencies. The organization may find it more difficult to plan for sustainable expansion as a result of this income growth irregularity.
9. **Slight Decrease in Capital Adequacy:** The Capital Adequacy Ratio has increased from 25.00% in 2019 to 32.00% in 2023, which is generally a positive trend. However, a significant rise in equity without corresponding increases in profits may suggest that the company is relying on equity injections rather than improving internal profitability.
10. **Potential Risk in Cash Flow:** The Quick Ratio, though still above 1, shows a slight decrease over the years, from 1.24 in 2019 to 1.18 in 2023. This could point to tightening cash flow or a growing gap between cash inflows and outflows, which could become problematic if the company faces sudden operational or market disruptions.

5.2: Recommendations

1. **Improve Profit Margins:** To reverse declining margins, Synergy IT should focus on cost control through better supplier negotiations and identifying areas for operational efficiency. Expanding high-margin services or adjusting pricing models could also enhance profitability.
2. **Enhance Operational Efficiency:** The company should adopt process optimization techniques, such as Lean management or Six Sigma, and automate manual tasks. Investing in modern tools and ensuring employee training on these tools will boost productivity.
3. **Maximize Asset Utilization:** Synergy IT should review its assets for underutilization and consider selling or leasing unproductive assets. Additionally, investing in high-return projects and regular asset audits will ensure optimal use of resources.
4. **Reduce Dependence on Short-Term Liabilities:** Refinancing current liabilities into long-term debts will ease cash flow pressures. Implementing better cash flow management practices, such as improving invoicing cycles, will reduce reliance on external financing.

5. **Build Cash Reserves:** Synergy IT should focus on increasing its cash reserves by improving receivables management, streamlining working capital, and forecasting cash flows more accurately. This will provide a buffer for future financial stability.
6. **Reassess Debt Strategy:** The company should carefully consider increasing leverage with low-interest long-term debt to fund growth. However, it must monitor debt-to-equity ratios closely to avoid financial strain.
7. **Improve Return on Equity (ROE):** To boost ROE, Synergy IT should focus on increasing profitability by cutting unnecessary expenses, expanding high-margin services, and improving capital efficiency. Strategic investments in growth areas will also drive returns.
8. **Optimize Inventory Management:** Synergy IT should adopt a Just-in-Time inventory strategy, reduce slow-moving stock, and forecast demand more accurately to prevent overstocking and reduce holding costs.
9. **Optimize Working Capital:** Working capital can be optimized by negotiating better payment terms with suppliers and speeding up the collection of receivables. Liquidity will also be improved by cutting back on surplus inventories and simplifying cash administration.
10. **Enhance Financial Transparency:** The company should enhance its financial reporting by adopting real-time monitoring tools and conducting regular audits. Clearer financial data will improve decision-making and strengthen stakeholder confidence.

5.3: Conclusion

In conclusion, the financial performance analysis of Synergy IT Service Ltd. from 2019 to 2023 reveals a company that has experienced a mix of stability and challenges during the period. Although the company retains a respectable liquidity position, the liquidity ratios- current, quick, and cash indicate a slow drop, indicating the need for improved cash flow and debt management techniques to guarantee ongoing financial flexibility. The leverage analysis highlights an increasing reliance on debt financing, which, while enabling expansion, also raises concerns about heightened financial risk that requires careful monitoring and optimization of borrowing levels.

Profitability analysis indicates that Synergy IT Service Ltd. has shown a degree of resilience with a stable net profit margin and gradual improvement in return on equity (ROE) over the five years. However, fluctuations in profitability and operating margins point to the need for stronger cost control and operational efficiencies to maintain competitive advantage and improve overall financial stability. Additionally, the company's tax and capital adequacy metrics reflect a relatively stable financial foundation, but there are opportunities for more strategic tax planning and strengthening of its capital base to improve long-term sustainability.

Overall, Synergy IT Service Ltd. has demonstrated solid financial performance in key areas but should focus on improving liquidity management, optimizing its debt structure, and enhancing operational efficiency. By addressing these key areas, the company can reinforce its financial stability and better position itself for future growth and resilience in an increasingly competitive industry.

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