

An Internship Report Regarding

Financial Performance Analysis of “EFS Facilities Services (BD) Pvt. Ltd.”



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An Internship Report on

Financial Performance Analysis of “EFS Facilities Services (BD) Pvt. Ltd.”

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Transmittal Letter

January 4, 2025

Md. Kamruzzaman Didar
Assistant Professor
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Subject: Submission of Internship Report on “Financial Performance analysis on EFSFacilities Services (BD) Pvt. Ltd.”

Dear Sir,

I am pleased to inform you that I have recently completed my three-month internship program with **EFS Facilities Services (BD) Pvt. Ltd.** I have completed my internship report on “**Financial Performance Analysis of EFS Facilities Services (BD) Pvt. Ltd.**” as a partial requirement for the fulfillment of my BBA degree. In this report, I contributed the best that I could. Your suggestions and inspiration were really helpful to me as I prepared the report. I want to reassure you that every piece of information and data was gathered from reliable sources and is accurate. I followed all the instructions that you gave.

I, therefore, pray and hope that your honor would be kind enough to accept my internship report and oblige thereby.

Yours Sincerely,



.....
[Sangita Nandi](#)


ID: 211-11-6624

Finance (Major)

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Letter of Acceptance

This letter serves to verify that Sangita Nandi, with ID number 211-11-6624, is a full-time student in the Department of Business Administration within the Faculty of Business and Entrepreneurship at Daffodil International University. She has successfully completed her internship report under my guidance. Her internship was conducted at “EFS Facilities Services Bangladesh Pvt. Ltd,” where she prepared the report titled "**Financial Performance Analysis of EFS Facilities Services Bangladesh Pvt. Ltd**" to fulfill the requirements of her BBA degree. She has been granted permission to submit this report. She possesses significant personal strengths as well as an extremely gratifying responsibility. I wish her every success in his daily life.



.....
Mr. Md. Kamruzzaman Didar

Assistant Professor

Department of Business Administration

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Acknowledgment

First of all, I would like to very thankful to almighty Lord Sri Krishna. I am extremely grateful that I completed my internship session with Krishna's blessings and again I would like to thank him for granting me excellent health and the ability to complete my internship calmly and well.

In the subsequent phase, I wish to convey my gratitude to the esteemed supervisor, Md. Kamruzzaman Didar, Senior Lecturer in the Department of Business Administration, and to extend my thanks for his invaluable guidance. He is an amazing person and very helpful & co-operative I have ever seen.

Next, I am also very grateful to the Honorable Accountant **Md. Al-Amin vaiya and Mariam Akter** of EFS Facilities Services Pvt. Ltd for their valuable advice and beautiful effort, which helped me a lot to gather information and data about financial analysis. This internship report would not be complete without mentioning their worthwhile efforts for me. They deserve my gratitude as well.

I would like to convey my heartfelt appreciation to my parents for their steadfast support regarding my choice to undertake this internship. For their tremendous support and comfort throughout the development and execution of the report on Financial Analysis on EFS Facilities Services (BD) Pvt. Ltd., I also appreciate my friends and other well-wishers.

Abstract

EFS has positioned itself as a prominent leader in facility management within the region, operating in 25 countries. Starting from modest origins, the company has grown to manage over 75 million square meters of space, supported by 40 operational entities. Through unwavering commitment and consistency, EFS has achieved a contract backlog exceeding 2.5 billion USD, with a remarkable client retention rate of 97%. During my apprenticeship, I undertook various tasks and gathered insights that significantly enriched my understanding of this report. This knowledge has proven invaluable, allowing me to draw comparisons with what I learned during my university studies.

This report is structured into five chapters. The first chapter serves as the introduction, detailing the study's background, objectives, methodology, data sources, and limitations.

The second chapter offers a comprehensive overview of EFS Facilities Services BD Pvt. Ltd., including the company's mission, vision, values, products, services, and corporate information.

The third chapter delves into theoretical knowledge, financial tools, and the application of financial performance metrics, particularly focusing on ratio analysis.

The fourth chapter is a crucial component of the report, encompassing an analysis of financial performance. It features a common size income statement and ratio analysis covering liquidity, activity, debt, and profitability. The results from this analysis are quite satisfactory, leading to several findings.

Finally, the fifth chapter presents recommendations for enhancing financial performance, along with overall conclusions drawn from the study.

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Chapter: 01



Introduction

1.1 Introduction

Facilities management encompasses a variety of responsibilities. The services provided can vary significantly in complexity, from simple tasks like trimming the shrubs outside the building to comprehensive projects such as a complete renovation of the fourth floor. Regardless of the task's simplicity or complexity, facilities management plays a vital role in shaping the workplace experience for individuals. Facilities Services refers to the management of physical spaces within the facilities, along with associated utilities, maintenance, supplies, mailroom operations, conference and meeting room management, telephone services (including switchboard operations), security, cafeteria services, copying services, and reception duties..

EFS Facilities Services (Bangladesh) Private Limited is a privately held company limited by shares, established in Bangladesh on June 19, 2013, in accordance with the Companies Act of 1994, bearing the registration number C-109807/13. The registered office of the company is situated in Bangladesh. EFS Facilities Services Group, which is headquartered in Dubai, UAE, was founded in 2006 and offers integrated facilities management services throughout the Middle East, Africa, South Asia, and Turkey. Tariq Chauhan serves as the group CEO and is recognized among the top 100 CEOs in the Middle East. In 2017, the company expanded its portfolio by acquiring three Indian firms for a total of INR 300 crores. EFS commenced its operations in 2017 under the name EFS Facilities Services (BD) Pvt. Ltd. In 2019, the company secured contracts worth \$46.2 million from the Government of UAE. In 2020, EFS GROUP entered into a partnership with The National Skill Development Corporation (NSDC) of India to launch Teja's. Forbes Middle East has recognized EFS as one of the top fifty private companies in the UAE. In 2022, EFS achieved a significant milestone by surpassing five billion in contracts backlog, highlighted by a contract for Jeddah Airport valued at over SAR 750 million, along with several iconic projects across the UAE, Saudi Arabia, and other nations within the Group's GCC operations. In 2023, the company secured flagship projects worth over AED 1.5 billion. Furthermore, during the first half of 2024, the UAE-based EFS Facilities Services Group obtained new contract awards totaling approximately \$408.4 million (AED 1.5 billion).

1.2 Origin of the study

As part of the Bachelor of Business Administration program requirements at DIU, I was assigned to complete an internship at EFS Facilities Services BD Pvt. Ltd. This internship was a mandatory component to fulfill the credit hours necessary for graduation. The objective was to gain practical exposure in a real-world corporate environment and develop the skills required to analyze and document professional scenarios effectively under the guidance of a designated supervisor.

I consider myself fortunate to have had the opportunity to serve as an intern at EFS Facilities Services BD Pvt. Ltd., which offered a significant platform for deepening my comprehension of the corporate environment. Throughout my tenure with the organization, I chose to concentrate my internship report on the Financial Performance Analysis of EFS Facilities Services BD Pvt. Ltd., thereby aligning my practical experience with the academic goals and requirements of the internship.

1.3 Goals of the Report

- 1.The objective is to assess the financial performance of EFS.
- 2.Additionally, it aims to pinpoint issues and deficiencies within EFS's financial performance and propose recommendations for possible enhancements.

1.4 Methodology of the study

1.4.1 Data Collection: The gathering of data represents the foundational and most vital stage in any research endeavor, irrespective of the nature of the study being conducted. The research adhered to a methodical approach, commencing with the selection of the topic and culminating in the presentation of the final report. A descriptive research methodology was utilized to assess and comprehend the financial performance of EFS Facilities Service BD. Pvt. Ltd. Relevant data sources were identified and collected, subsequently organized, analyzed, interpreted, and presented in a coherent format. Key findings were highlighted throughout the process. The

methodology adopted for this study is outlined below.

1.4.2 Sources of Data: Sources of data refer to the origins or avenues from which information is obtained for analysis. These sources are generally categorized into two main types. These are Primary Sources and Secondary Sources.

Secondary Sources:

1. Industry Reports and Market Research:

- Published reports on the facilities management industry, market trends, and customer preferences (e.g., from firms like IBISWorld, Statista, or industry associations).
- Data from competitors on service offerings and pricing models.

2. Company Financial and Operational Reports:

- Existing internal financial reports, annual reports, and performance reviews.
- Historical data on operational performance (e.g., cost trends, budget allocation).

3. Public Data and Government Reports:

- Relevant data from governmental sources, such as regulations on health and safety standards, labor laws, or environmental guidelines affecting facilities management.
- Public data from housing and urban development authorities that may impact the services provided.

4. Academic Journals and Case Studies:

- Published research on best practices in facilities management, sustainability efforts, or innovative service delivery models.
- Case studies on how other facilities management companies improve efficiency or client satisfaction.

5. Online Reviews and social media:

- Customer reviews and feedback on platforms like Google, Yelp, or LinkedIn that discuss the services of EFS Facilities Services Ltd.
- Social media mentions or discussions about the company's services.

6. Trade Publications:

- Industry-specific magazines, newsletters, or journals offering insights on emerging trends in facilities management.

1.4.3 Data Examination and Documentation:

The study uses both qualitative and quantitative data in accordance with exploratory research approaches. Directly taken from the EFS's annual report for the years 2019–2023, the quantitative data were then used to analyze the performance using various pie charts and bar charts in Microsoft Word and Excel.

1.5. Constraints of report:

During the internship program, there are some limitations that the institute followed too strictly. Though, the employees of EFS Facilities Services (BD) Pvt. Ltd were very sincere and cooperative.

Several limitations were encountered during my study:

1. Throughout my internship, I was employed full-time, which resulted in significant work-related pressures due to the high volume of clients visiting the office. This made it challenging to gather data consistently. Additionally, as a married individual, I had numerous responsibilities to manage daily. Consequently, effective time management proved to be a considerable challenge during this internship experience.

2. While I have compiled numerous primary sources, most of the information and data utilized and analyzed in this report were derived from secondary sources, primarily due to privacy concerns.

3. EFS exercises a high degree of confidentiality regarding various aspects of information, driven by concerns over potential reputational damage. As a result, several

critical pieces of information that could have significantly enhanced the report were unable to be included due to these restrictions.

The report faced the limitations outlined above, which could hinder the progress of this investigation; however, I made persistent efforts to minimize or eliminate the impact of these challenges.

Chapter: 02



Overview of EFS

2.1 Introduction of EFS Facilities Services (BD) Pvt. Ltd.

Leading the way in integrated facilities management worldwide, EFS Facilities Services Ltd. offers a variety of services aimed at maintaining and improving built environments. EFS was founded with the goal of revolutionizing the facilities management sector, and throughout the years, it has effectively established a reputation for quality, creativity, and customer-focused solutions.

EFS has operations in more than 25 Middle Eastern, African, South Asian, and Southeast Asian nations, with its headquarters located in the United Arab Emirates. With a varied clientele that includes local companies, government agencies, and multinational enterprises, EFS has proven its ability to manage intricate infrastructure and facilities across a range of sectors, including retail, healthcare, real estate, hotel, and education.

EFS Facilities Services Ltd. serves a wide array of industries, including real estate, healthcare, education, hospitality, retail, and industrial sectors. Its client portfolio comprises government organizations, multinational corporations, and large-scale enterprises, all of whom benefit from EFS's holistic approach to facilities management.

The fundamental strength of EFS Facilities Services Ltd. resides in its capacity to provide a comprehensive array of services, specifically designed to address the distinct requirements of its varied clientele. These offerings encompass property and infrastructure management, cleaning, security, energy efficiency, and specialized maintenance. By leveraging technology, data analytics, and industry-leading practices, EFS guarantees that its clients experience enhanced operational efficiency, cost savings, and superior asset performance.

EFS is recognized as an ISO-certified, award-winning, and reputable partner for multinational corporations and government entities, while also upholding its esteemed reputation by collaborating with Fortune 500 companies. Our global presence exemplifies the high standards and capabilities that are evident in our delivery service. EFS stands apart for its steadfast dedication to innovation, sustainability, and quality. By implementing eco-friendly procedures and energy-

efficient technologies into its operations, the corporation demonstrates its commitment to environmental stewardship. Additionally, EFS has made significant investments in human capital, hiring a diverse and talented staff that has been trained to provide outstanding customer service. The business continuously surpasses customer expectations by promoting a culture of continuous improvement and adherence to international standards.

EFS Facilities Services Ltd. stands at the forefront of the industry, dedicated to its mission of transforming facilities management through the promotion of innovation, the pursuit of operational excellence, and the provision of sustainable value to its clients. With a worldwide presence, an extensive range of services, and a focus on customer satisfaction, the company reinforces its status as a reliable partner for organizations aiming for operational efficiency and sustainable growth.

2.2 Mission and Vision of EFS

EFS Mission: The mission of EFS Facilities Services Ltd. is to deliver world-class, innovative, and sustainable facilities management solutions that enhance the quality of life for people and ensure operational efficiency for businesses. Their goal is to be a trusted partner in optimizing the built environment by leveraging advanced technologies, skilled professionals, and a commitment to sustainability.

Key Elements of the Mission:

1. **Customer-Centric Approach:** Ensuring that their services are tailored to meet the unique needs of clients while exceeding expectations.
2. **Innovation and Technology:** Incorporating cutting-edge tools and systems to improve operational efficiency and service quality.
3. **Sustainability:** Striving to provide environmentally friendly solutions that contribute to the well-being of communities and align with global sustainability goals.
4. **Employee Engagement:** Creating a supportive work environment for employees to thrive and deliver excellence.

EFS Vision: EFS Facilities Services Ltd. wants to lead the world in integrated facilities management by establishing standards for sustainability, innovation, and excellence. By being the most dependable and favored partner for companies looking for innovative and effective operational solutions, they hope to completely redefine the facilities management sector.

Important Components of the Vision:

- 1. Global Leadership:** Expanding their footprint and influence in the facilities management sector worldwide.
- 2. Quality Excellence:** Consistently delivering services that meet international standards.
- 3. Sustainability Leadership:** Being a pioneer in green practices and sustainable solutions in facilities management.
- 4. Client and Community Impact:** Enhancing the lives of people and improving the efficiency of organizations they serve.

2.3 Goal of EFS Facilities Services Ltd.

The primary goal of EFS Facilities Services Ltd. is to deliver world-class facilities management solutions that enhance the operational efficiency, safety, and sustainability of its clients' assets. The company aims to provide integrated, cost-effective, and high-quality services that add measurable value to clients across diverse industries, ensuring seamless operations and a superior customer experience.

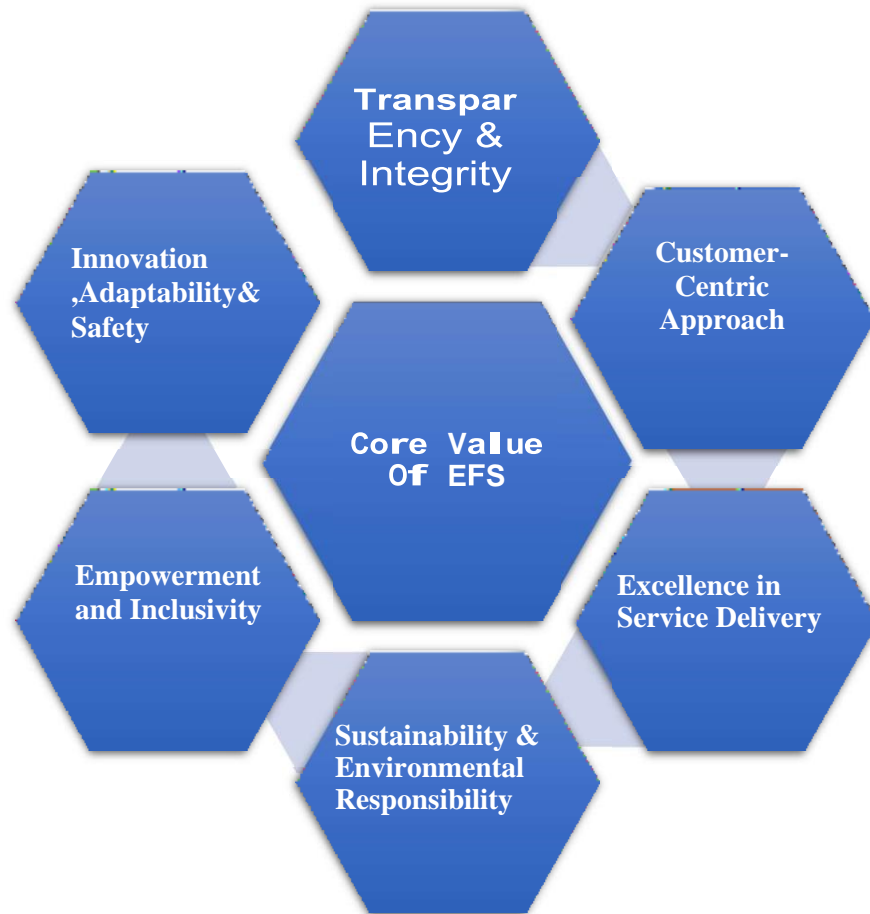
EFS is dedicated to attaining excellence through the utilization of advanced technology, the implementation of international best practices, and the promotion of innovation in its service

offerings. The organization aims not merely to manage facilities but to enhance them into optimized, sustainable, and efficient environments that meet the changing demands of businesses and communities.

A key aim of EFS is to forge lasting relationships with its clients by understanding their unique challenges and providing tailored solutions. Furthermore, the company prioritizes environmental sustainability, striving to minimize its carbon footprint through the implementation of energy-efficient practices and responsible operational methods.

Ultimately, the goal of EFS Facilities Services Ltd. is to set new benchmarks in the facilities management industry, driving innovation and sustainability while maintaining a steadfast commitment to client satisfaction and community well-being.

2.4 Value of EFS



2.5 Services provided by EFS

EFS Facilities Services Ltd. provides a wide array of integrated facilities management solutions tailored to address the varied requirements of its clientele. By leveraging advanced technology, adhering to industry best practices, and employing a proficient workforce, EFS ensures the delivery of efficient, cost-effective, and sustainable services across multiple sectors. The primary services offered by the company include:

1. Integrated Facilities Management (IFM)

EFS excels in delivering comprehensive facilities management solutions that encompass both hard and soft services within a single contractual framework. This cohesive strategy promotes streamlined operations, cost efficiency, and improved asset performance for clients.

2. Hard Services

EFS supplies technical maintenance and repair services aimed at maintaining the optimal operation of buildings and infrastructure. These services comprise:

Mechanical, Electrical, and Plumbing (MEP) Maintenance: Both preventive and corrective maintenance for HVAC systems, electrical installations, and plumbing systems.

Building Fabric Maintenance: Repair and maintenance of structural components such as walls, roofs, and floors.

Energy Management Solutions: Conducting energy audits, optimizing systems, and implementing energy-efficient solutions to minimize utility expenses and environmental impact.

3. Soft Services

EFS provides a range of non-technical services aimed at maintaining cleanliness, safety, and comfort within facilities. These include:

- **Cleaning Services:** Comprehensive cleaning for commercial, industrial, and residential properties, including specialized cleaning for healthcare and high-risk environments.

- **Security Services:** Trained personnel and advanced surveillance solutions to ensure the safety of premises, assets, and occupants.
- **Waste Management:** Sustainable waste collection, disposal, and recycling services.
- **Pest Control Services:** Effective pest management solutions tailored to various industries.

4. Project Management Services

EFS assists clients throughout the stages of planning, execution, and completion of construction, renovation, and fit-out projects. The organization guarantees that projects are finalized punctually, adhere to budgetary constraints, and meet the highest quality standards.

5. Hospitality and Concierge Services

For clients in the hospitality sector, EFS provides professional front-of-house and concierge services. These include reception management, customer service support, and event coordination to enhance guest experiences.

6. Landscaping and Grounds Maintenance

EFS provides comprehensive landscaping design and maintenance services aimed at improving the visual appeal of outdoor environments. These offerings encompass garden design, lawn maintenance, irrigation system upkeep, and tree trimming.

7. Health, Safety, and Environmental (HSE) Management

EFS prioritizes health, safety, and environmental adherence. The organization conducts HSE audits, performs risk assessments, and offers training programs to guarantee a secure and sustainable working atmosphere for its clients.

8. Specialized Services

Beyond its fundamental facilities management offerings, EFS delivers specialized services customized for particular sectors, including:

Healthcare Facilities Management: Tailored maintenance for hospitals and clinics, ensuring adherence to healthcare regulations.

Industrial Facility Management: Bespoke solutions for factories, warehouses, and manufacturing facilities.

Educational Facilities Management: Services crafted to address the distinct requirements of

schools, colleges, and universities.

9. Technology-Driven Solutions

EFS employs cutting-edge technologies to improve service delivery, which includes:

Intelligent building solutions.

IoT-enabled monitoring systems.

Data analytics for predictive maintenance.

Computer-Aided Facilities Management (CAFM) systems for effective resource management.

10. Transition and Mobilization Services

EFS guarantees seamless transitions when onboarding new clients or managing existing facilities.

The company's mobilization teams evaluate current operations, strategize resource distribution, and apply best practices to enhance performance from the outset.

2.6 Corporate Information

Type	Private Company
Industry	Facilities Management
Founded	2006
Founded In BD	2019
Country Head (GM) for BD	Kishor Mallick
Finance & Accountant Manager BD	Arifur Rahman
Headquarters	Dubai, UAE
Key People	Tariq Chauhan (Group CEO), Kishor Mallick (GM BD)
Services	FACILITY MANAGEMENT SERVICES, TECHNICAL OPERATIONS & MAINTENANCE, SOFT SERVICES
Website	www.efsme.com

Chapter: 03



Theoretical Part

3.1 Ratio Analysis

Ratio analysis is a quantitative method employed in financial assessment to evaluate and interpret a company's financial performance and status. This process involves calculating and analyzing various financial ratios derived from the company's balance sheet, income statement, and cash flow statement. These ratios provide insights into multiple aspects of the business, such as market value, operational efficiency, profitability, liquidity, and solvency.

By comparing these ratios over different time frames (trend analysis), against industry standards (industry comparison), or with rival companies (peer comparison), ratio analysis assists stakeholders, including investors, creditors, management, and analysts—in making informed decisions regarding the financial stability and potential of a company.

This report presents the most prevalent ratios and analyzes them to assess the operational and financial performance of EFS Facilities Service Pvt. Limited over the years 2018 through 2023.

Ratios are among the most widely used tools for examining financial statements, as they provide insights and indicators of underlying issues. By analyzing the various components that constitute the ratio, one can identify circumstances and trends that may not be immediately apparent. Like other analytical methods, ratios are generally oriented towards future implications. Their significance relies on skilled interpretation, and they are often adjusted to reflect anticipated future trends and magnitudes. A ratio represents a mathematical relationship between two quantities and can be expressed as a proportion, rate, or percentage. While the calculation of a ratio is a straightforward arithmetic task, its interpretation can be intricate. For a ratio to be meaningful, it must refer to an economically significant relationship.

Categories of Financial Ratios:

Financial ratios can be divided for convenience into five basic categories. Here these ratios are described with interpretation & also shown their real-life applications.

These are as follows:

1. Liquidity Ratio
2. Operating Efficiency Ratios
3. Efficiency or Activity Ratio
4. Profitability Ratio
5. Financial Risk/Leverage Ratios

3.1.1 Liquidity Ratio: The **liquidity ratio** refers to a set of financial metrics used to measure a company's ability to meet its short-term obligations with its short-term assets. These ratios evaluate whether a company has enough liquid assets (like cash or assets that can quickly be converted into cash) to cover its current liabilities (obligations due within one year).

Liquidity ratios are critical indicators of a company's financial health, especially its short-term solvency.

This section outlines the essential ratios pertinent to the evaluation of liquidity ratio:

1. Current Ratio:

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

It measures whether a company can pay its short-term liabilities with its short-term assets.

A ratio above 1 indicates good liquidity, but too high a ratio might suggest inefficient use of assets.

2. Quick Ratio (Acid-Test Ratio):

$$\text{Quick Ratio} = \frac{\text{Current Asset} - \text{Inventory}}{\text{Current Liabilities}}$$

This ratio excludes inventory because inventory may not be easily converted into cash quickly. It gives a stricter measure of liquidity compared to the current ratio.

3. Cash Ratio:

$$\text{Cash Ratio} = \frac{\text{Cash and Cash Equivalent}}{\text{Current Liabilities}}$$

This ratio measures a company's ability to pay short-term obligations purely with cash and cash equivalents.

It is the most conservative liquidity measure.

3.1.2 Operating Efficiency Ratios: Operating Efficiency Ratios evaluate the effectiveness with which a company employs its resources to generate income and oversee its operations. These ratios concentrate on determining a company's capacity to reduce expenses, enhance production, and utilize assets efficiently in its routine activities. They serve as crucial indicators of operational performance and are frequently utilized to compare a company's performance over time or against industry standards. [There are 4 types of Operating Efficiency Ratios:](#)

1. Total Asset Turnover:

$$\text{Total Asset Turnover} = \frac{\text{Net Sales}}{\text{Total Assets}}$$

This ratio indicates how efficiently a company utilizes all its assets to generate revenue. A higher ratio suggests better efficiency. It is particularly useful in comparing companies within the same industry.

2. Current Asset Turnover:

$$\text{Current Asset Turnover} = \frac{\text{Net Sales}}{\text{Total Current Assets}}$$

This gauges how well a business uses its current resources—such as cash, inventory, and accounts receivable—to generate revenue. It demonstrates how well short-term resources are being handled to facilitate the creation of revenue.

3. Fixed Asset Turnover:

$$\text{Fixed Asset Turnover} = \frac{\text{Net Sales}}{\text{Total Fixed Assets}}$$

This ratio assesses how effectively a company uses its fixed assets, such as property, plant, and equipment (PPE), to generate sales. It is particularly important for asset-heavy industries like manufacturing.

4. Equity Turnover:

$$\text{Equity Turnover} = \frac{\text{Net Sales}}{\text{Total Assets}}$$

This ratio evaluates how efficiently a company uses its equity to generate revenue. A higher equity turnover indicates better utilization of shareholders' funds to produce income.

3.1.3 Activity Ratio: Activity ratios are financial measures that assess how well a business manages its operations and creates sales using its assets and liabilities. These ratios help in assessing the company's ability to convert resources into revenue or manage specific operational aspects, such as inventory or receivables.

There are 6 types of ratios are included this section. These are given bellow:

1. Account Receivables Turnover:

$$\text{Account Receivables Turnover} = \frac{\text{Net Credit Sales}}{\text{Average Accounts Receivables}}$$

This ratio measures how efficiently a company collects revenue from its customers by analyzing how many times accounts receivable is collected during a period.

Higher turnover indicates effective collection policies and efficient cash flow management.

2. Average Collection Period:

$$\text{Average Collection Period} = \frac{360}{\text{Accounts Receivables Turnover}}$$

The average collection period shows the number of days, on average, that a company takes to collect payments from its customers.

A shorter period is generally better, as it indicates quicker collection of receivables.

3. Inventory Turnover:

$$\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

This ratio measures how many times a company sells and replaces its inventory over a period. A higher turnover indicates efficient inventory management, avoiding excess or obsolete inventory.

4. Inventory Processing Period:

$$\text{Inventory Processing Period} = \frac{360}{\text{Inventory Turnover}}$$

5. This metric reflects the average duration required for a company to transform its inventory into sales. A shorter timeframe signifies a faster inventory turnover and enhances operational efficiency. **Accounts Payable Turnover:**

$$\text{Accounts Payable Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Accounts Payable}}$$

This ratio evaluates how quickly a company pays off its suppliers during a period. A higher turnover suggests that the company pays its suppliers more quickly, which might indicate strong liquidity or strict credit terms.

6. Payables Payment Period:

$$\text{Payables Payment Period} = \frac{360}{\text{Payable Turnover}}$$

The payables payment period assesses the average duration in days that a company requires to settle its obligations to suppliers. An extended payment period may suggest that the company is effectively utilizing supplier credit; however, excessively prolonged periods could jeopardize the relationships with those suppliers.

3.1.4 Profitability Ratio: The ability of a business to make money in relation to sales, assets, equity, or other financial measures is measured by profitability ratios. They are important markers of a company's financial health and offer insight into how well it uses its resources to generate profits. It supports enterprise resource planning and helps executives find methods to maximize profitability.

There are 5 types of ratios are included this section. These are given bellow.

1. Gross Profit Margin (GPM):

$$\text{Gross Profit Margin (GPM)} = \frac{\text{Gross Profit} \times 100}{\text{Revenue}}$$

The payables payment period assesses the average duration in days that a company requires to settle its obligations to suppliers. An extended payment period may suggest that the company is effectively utilizing supplier credit; however, excessively prolonged periods could jeopardize the relationships with those suppliers.

2. Operating Profit Margin (OPM):

$$\text{Operating Profit Margin (OPM)} = \frac{\text{Operating Profit} \times 100}{\text{Revenue}}$$

This ratio assesses the proportion of revenue remaining after all operating expenses have been accounted for, excluding interest and taxes. Operating profit, commonly referred to as EBIT (Earnings Before Interest and Taxes), emphasizes the effectiveness of a company in managing its operating costs and its ability to generate profit from its primary business operations.

3. Net Profit Margin (NPM):

$$\text{Net Profit Margin (NPM)} = \frac{\text{Net Profit} \times 100}{\text{Revenue}}$$

This ratio indicates the proportion of revenue that remains as net income after accounting for all expenses, such as operating costs, interest, taxes, and other deductions. It serves as a reflection of a company's overall profitability and efficiency in generating net income.

4. Return on Assets (ROA):

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income} \times 100}{\text{Revenue}}$$

This ratio measures how efficiently a company uses its assets to generate profit. A higher ROA indicates better management of assets to create value.

5. Return on Equity (ROE):

$$\text{Return on Equity (ROE)} = \frac{\text{Net Income} \times 100}{\text{Common Equity}}$$

This ratio measures the profitability generated from the shareholders' investments in the company. It indicates how effectively a company uses equity financing to produce profits, and it's crucial for assessing shareholder returns.

3.1.5 Solvency or Leverage Ratios: Leverage ratios assess a company's ability to meet its financial obligations by analyzing the level of debt relative to its assets, equity, or income. These ratios provide insight into the financial structure and risk level of the company, helping stakeholders understand the extent of the company's reliance on borrowed funds.

1. Debt Ratio:

$$\text{Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

The debt ratio measures the percentage of a company's assets that are financed through debt. A higher debt ratio indicates greater financial risk as a significant portion of the company's assets is financed by liabilities. A lower ratio reflects more financial stability.

2. Debt-to-Equity Ratio (D/E):

$$\text{Debt-to-Equity Ratio (D/E)} = \frac{\text{Long Term Debt} + \text{Current Portion Of Long Term Debt}}{\text{Total Equity}}$$

This ratio illustrates how a company's debt and equity are related. It shows the ratio of debt to equity utilized to finance the business. A higher ratio means the company is heavily reliant on borrowed funds, which can increase financial risk. It helps assess the company's financial leverage.

3. Times Interest Earned Ratio (TIE):

$$\text{Times Interest Earned Ratio (TIE)} = \frac{\text{EBIT}}{\text{Interest Expenses}}$$

This ratio assesses a company's capacity to fulfill its interest obligations based on its earnings before interest and taxes (EBIT). A higher ratio signifies that the company is more capable of covering its interest expenses, thereby lowering the risk of default. Conversely, a ratio below 1 indicates that the company may have difficulties in meeting its interest payments.

4. Fixed Charge Coverage Ratio:

$$\text{Fixed Charge Coverage Ratio} = \frac{\text{EBIT} + \text{Lease Payment}}{\text{Interest Expenses} + \text{Lease Payment}}$$

This ratio measures a company's ability to meet fixed financial obligations such as lease payments, loan interest, and other fixed charges. A higher ratio reflects a strong ability to cover fixed obligations. It helps in assessing the risk of default under financial strain.

5. Market Ratios:

$$\text{Price To Earnings Ratio} = \frac{\text{Current Share Price}}{\text{Earnings Per Share}}$$

The Price-to-Earnings (P/E) Ratio serves as a financial indicator that assesses a company's valuation by juxtaposing its current share price with its earnings per share (EPS). This metric is widely utilized in investment analysis to determine whether a stock is overvalued, undervalued, or appropriately priced in relation to its earnings.

Common size analysis generally denotes a systematic assessment or review of financial, operational, or other relevant data across various entities or projects. Although this term lacks a universally accepted definition, it is often encountered in contexts such as real estate, project evaluations, or financial due diligence. Common size analysis, frequently referred to as vertical analysis, is an essential tool for financial managers when scrutinizing financial statements. This approach evaluates financial statements by expressing each line item as a percentage of a specified base amount for the relevant period.

In the context of common size analysis for EFS's financial statements, I have compiled common-size income statements and common-size balance sheets spanning five years. These common-size statements of EFS are utilized to demonstrate the changes in the relative importance of each item within the financial statements. Each individual figure in these common-size statements is represented as a percentage of the total. The common-size balance sheets and income statements are provided for comparative analysis from 2019 to 2023.

3.2 Common Size of Balance Sheet: The common size balance sheet in finance denotes a standardized format for presenting financial information, with assets typically displayed on one side (generally the left) and liabilities alongside equity on the opposite side (commonly the right). This arrangement facilitates a clear illustration of the accounting equation: $\text{Assets} = \text{Liabilities} + \text{Equity}$, offering a concise overview of a company's financial status at a particular moment. The balance sheet serves as a vital tool for stakeholders to assess liquidity, solvency, and the overall financial well-being of the organization.

3.3 Common Size of Income Statement: The standardized format of an income statement in finance is characterized by its consistent structure and essential elements, which remain uniform across various businesses and sectors. Key components include revenues (the top-line figure), expenses (the costs associated with generating revenue), and net income (the resulting profit or loss). The statement adheres to a conventional layout: it begins with total revenue, from which costs such as cost of goods sold (COGS), operating expenses, taxes, and interest are subtracted to determine net income. This standardized format facilitates comparisons among companies and offers a transparent view of financial performance over a designated timeframe.

A blue ribbon graphic with a central rectangular box containing the text "Financial Analysis of EFS". The ribbon has a 3D effect with a darker blue shadow on the bottom edge.

Financial Analysis of EFS

4.1 Ratio Analysis:

4.1.1 Liquidity Ratio:

Liquidity Ratio					
Particular	2019	2020	2021	2022	2023
Cash Ratio	0.065	0.049	0.061	0.057	0.067
Current Ratio	1.50	1.63	1.27	1.46	1.75
Quick Ratio	1.56	1.64	1.34	1.51	1.80

Interpretation: Liquidity Ratio measures the adequacy of a Firm's cash resources to meet its near-term financial obligations.

The Cash Ratio assesses the capacity to settle short-term liabilities solely with cash and cash equivalents. Throughout the observed period, the cash ratio has consistently remained low, fluctuating between 0.049 and 0.067. This indicates that the company possesses a limited amount of cash and cash equivalents to address immediate liabilities, implying a significant dependence on other current assets to fulfill short-term commitments.

Current Ratio measures a company's ability to cover its short-term liabilities with its short-term assets. The current ratio fluctuates between 1.27 (2021) and 1.75 (2023). It shows improvement from 2021 onward, reaching its highest in 2023. A ratio consistently above 1 indicates the company has sufficient current assets to cover its current liabilities. However, the dip in 2021 (1.27) might suggest tighter liquidity during that year.

The Quick Ratio evaluates liquidity by omitting inventory and prepaid expenses from current assets. Throughout the years, the quick ratio consistently exceeds the current ratio, with values showing a steady increase from 2021 to 2023, reaching a maximum of 1.80 in 2023. This indicates that the company possesses a robust capacity to fulfill short-term obligations with more liquid assets, aside from inventory. The fact that the quick ratio is greater than the current ratio implies that inventory does not play a major role in the composition of current assets.

4.1.2 Operating Efficiency Ratio:

Operating Efficiency Ratios					
Particular	2019	2020	2021	2022	2023
Total Assets Turnover	1.52	1.40	1.55	1.67	1.75
Equity Turnover	4.50	4.30	5.00	5.25	5.55
Current Asset Turnover	1.80	1.70	2.20	2.20	2.354
Fixed Asset Turnover	1.90	1.80	2.35	2.50	2.65

Interpretation: The **Operating Efficiency Ratio** is a financial indicator that assesses the effectiveness with which a company utilizes its resources to produce revenue. This ratio generally represents the relationship between operating expenses and total revenue, thereby aiding in the evaluation of cost management and overall operational performance.

Total Assets Turnover measures how efficiently a company uses its total assets to generate revenue. It increased from **1.52 (2019)** to **1.75 (2023)**, indicating improved utilization of total assets over the years. Suggests more revenue is being generated per unit of total assets.

Equity turnover reflects the effectiveness with which a company employs its equity to produce revenue. It rose from 4.50 in 2019 to 5.55 in 2023, demonstrating that the company is generating a greater amount of revenue in relation to its equity. This trend signifies an improvement in the efficiency of equity utilization.

Current Asset Turnover Assesses the efficiency of current assets in generating revenue. Improved from **1.80 (2019)** to **2.354 (2023)**, signifying better use of current assets to drive revenue. A consistent rise in 2021 and stability in 2022–2023 reflects operational efficiency.

Fixed Asset Turnover reflects the effectiveness of fixed assets in producing revenue. Increased from **1.90 (2019)** to **2.65 (2023)**, highlighting enhanced efficiency in utilizing fixed assets. This upward trend signals better asset management for long-term investments.

4.1.3 Efficiency or Activity Ratio:

Efficiency or Activity Ratio					
Particular	2019	2020	2021	2022	2023
Accounts Receivable Turnover	7.5	8.50	6.65	9.91	12.5
Average Collection Period	60.00	65.00	56.50	43.25	35.00
Inventory Turnover	1.7	2.21	2.25	2.50	2.75
Inventory Processing Period	98.33	125.50	80.33	70.66	57.45
Accounts Payable Turnover	77.67	80.00	67.36	55.45	45.33
Payables Payment Period	8.90	7.67	10.77	12.12	12.50

Efficiency or activity ratios assess the effectiveness with which a company utilizes its assets, including inventory, to produce sales or revenue.

Accounts Receivable Turnover (ART) is a metric that reflects the effectiveness of a company in collecting its receivables. A higher turnover ratio signifies quicker collection processes and improved liquidity. The ratio has risen from 7.5 in 2019 to 12.5 in 2023. This upward trend indicates greater efficiency in securing payments from customers, thereby bolstering cash flow and mitigating credit risk.

Average Collection Period (ACP) This shows the average number of days the company takes to collect receivables. A shorter period indicates better efficiency. Decreasing from 60 days (2019) to 35 days (2023). The company has improved its collection process over the years, collecting payments more quickly, which supports liquidity and working capital management.

Inventory Turnover (IT) is a metric that reflects the efficiency of inventory management. A higher turnover rate signifies effective management practices and lower holding costs. The ratio has risen from 1.7 in 2019 to 2.75 in 2023, indicating that the company has enhanced its inventory management processes, facilitating quicker movement of inventory. This improvement leads to reduced storage expenses and minimizes the risk of obsolescence.

Inventory Processing Period (IPP) This shows the average number of days inventory is held before being sold. A shorter period indicates efficient inventory management. Decreasing from

98.33 days (2019) to 57.45 days (2023). The organization has improved its inventory management practices, leading to quicker turnover rates and shorter holding durations.

Accounts Payable Turnover (APT) assesses the frequency with which a company settles its obligations to suppliers over a specified timeframe. A lower ratio may reflect effective use of credit terms, whereas an excessively low ratio might indicate potential cash flow challenges. The ratio has declined from 77.67 in 2019 to 45.33 in 2023. This trend suggests that the company is extending the time taken to pay its suppliers, potentially leveraging credit terms more efficiently to enhance liquidity or strategically manage cash flow.

Payables Payment Period (PPP) This shows the average number of days the company takes to pay its suppliers. A longer period indicates better utilization of credit terms. Increasing from 8.9 days (2019) to 12.5 days (2023). The company is taking more time to pay suppliers, indicating improved management of credit terms. However, it should ensure that this does not strain supplier relationships.

4.1.4 Profitability Ratio:

Profitability Ratio					
Particular	2019	2020	2021	2022	2023
Gross Profit Margin	12.25%	15.28%	17.60%	18.34%	20.25%
Operating Profit Margin	6%	7.18%	9.36%	8.74%	9.50%
Net Profit Margin	12.25%	15.28%	17.50%	18.25%	21.50%
Return on Total Assets (ROA)	4%	3.13%	5%	7%	9%
Return on Equity (ROE)	9%	7%	11%	15%	18%

The provided **Profitability ratios** give insight into the financial performance of EFS Facilities Services Ltd over a five-year period (2019–2023).

Gross Profit Margin assesses profitability after considering the cost of goods sold (COGS). This margin exhibited a consistent increase from 12.25% in 2019 to 20.25% in 2023, suggesting enhanced effectiveness in managing production costs or implementing pricing strategies.

Operating Profit Margin indicates profitability derived from primary business activities,

excluding non-operating income and expenses. This margin experienced growth from 6% in 2019 to 9.50% in 2023, despite a slight decline in 2022. This trend reflects an overall enhancement in operational efficiency, notwithstanding minor obstacles.

Net Profit Margin measures overall profitability after accounting for all expenses, taxes, and non-operating items. This margin rose significantly from 12.25% in 2019 to 21.50% in 2023, demonstrating improved financial performance and superior cost management.

Return on Assets (ROA) measures how effectively the company uses its assets to generate profit. ROA improved from **4% in 2019** to **9% in 2023**, showing enhanced efficiency in asset utilization.

Return on Equity (ROE) assesses the return generated on shareholders' investments. ROE increased from **9% in 2019** to **18% in 2023**, indicating better returns to shareholders and strong profitability growth.

Chapter: 05



**Findings,
Recommendation &
Consolations**

5.1 Findings:

1. Liquidity Ratios

Cash Ratio: Fluctuated slightly, showing a marginal improvement from 0.065 in 2019 to 0.067 in 2023. While the ratio remains low, it indicates limited cash reserves relative to short-term liabilities.

Current Ratio: Improved from 1.50 in 2019 to 1.75 in 2023, indicating better short-term solvency and an ability to cover current liabilities with current assets.

Quick Ratio: Increased from 1.56 in 2019 to 1.80 in 2023, suggesting a strong liquidity position excluding inventory.

2. Operating Efficiency Ratios

Total Assets Turnover: Grew from 1.52 in 2019 to 1.75 in 2023, indicating improved utilization of total assets to generate revenue.

Equity Turnover: Increased from 4.50 in 2019 to 5.55 in 2023, reflecting a higher efficiency in using shareholders' equity to generate revenue.

Current Asset Turnover: Rose from 1.80 in 2019 to 2.354 in 2023, showing better management of current assets.

Fixed Asset Turnover: Improved from 1.90 in 2019 to 2.65 in 2023, indicating enhanced utilization of fixed assets.

3. Efficiency/Activity Ratios

Accounts Receivable Turnover: Increased from 7.5 in 2019 to 12.5 in 2023, showing better collection of receivables.

Average Collection Period: Reduced from 60 days in 2019 to 35 days in 2023, indicating faster customer payments.

Inventory Turnover: Improved from 1.7 in 2019 to 2.75 in 2023, suggesting efficient inventory management.

Inventory Processing Period: Declined from **98.33 days in 2019** to **57.45 days in 2023**, showing faster inventory turnover.

Accounts Payable Turnover: Decreased from **77.67 in 2019** to **45.33 in 2023**, indicating slower payments to suppliers.

Payables Payment Period: Increased from **8.90 days in 2019** to **12.50 days in 2023**, reflecting

extended payment cycles.

4. Profitability Ratios

Gross Profit Margin: Grew steadily from **12.25% in 2019** to **20.25% in 2023**, highlighting improved cost management or pricing strategies.

Operating Profit Margin: Increased from **6% in 2019** to **9.50% in 2023**, showing better operational efficiency.

Net Profit Margin: Improved significantly from **12.25% in 2019** to **21.50% in 2023**, indicating strong overall profitability.

Return on Assets (ROA): Increased from **4% in 2019** to **9% in 2023**, reflecting better utilization of assets to generate profits.

Return on Equity (ROE): Rose from **9% in 2019** to **18% in 2023**, showing higher returns for shareholders.

5.2 Recommendations:

Liquidity Management:

Increase cash reserves to improve the **cash ratio**, ensuring sufficient liquidity during emergencies. Continue enhancing current and quick ratios through efficient working capital management.

Operational Efficiency:

Maintain the upward trend in asset and equity turnover ratios by leveraging technology and optimizing asset usage.

Monitor and further improve inventory turnover to reduce carrying costs and maintain optimal stock levels.

Accounts Management:

Sustain the improvement in **accounts receivable turnover** and reduce the average collection period further by implementing stricter credit policies.

Review the extended payables payment period to ensure supplier relationships are not negatively impacted.

Profitability Optimization:

Focus on maintaining gross and net profit margins by controlling costs and exploring high-margin service offerings.

Aim to sustain or increase **ROA** and **ROE** through efficient asset management and leveraging equity for high-return projects.

Debt Management:

Assess the company's debt-to-equity ratio and overall leverage to guarantee sustainable growth while avoiding excessive dependence on external financing.

5.3 Conclusion:

EFS Facilities Service Limited has demonstrated consistent growth and operational efficiency over the years, as reflected in its ratio analysis, liquidity ratios demonstrate a consistent capacity to fulfill short-term liabilities, characterized by an upward trend in both the current and quick ratios, whereas the cash ratio has shown little variation. Operating efficiency ratios highlight significant improvements in asset utilization, as evidenced by higher total asset turnover, equity turnover, and fixed asset turnover. The company's activity ratios show enhanced management of receivables and inventory, with a declining average collection period and inventory processing period, which contribute to better cash flow and operational cycles. Profitability ratios highlight strong financial performance, characterized by increasing gross profit, operating profit, and net profit margins, as well as enhanced return on assets (ROA) and return on equity (ROE). These developments collectively indicate that EFS Facilities Service Limited is strategically positioned for sustainable growth and has successfully utilized its resources to provide value to its stakeholders.

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