
A Project Report on
*“Performance Analysis of Selected Textile
Companies in Bangladesh”*

Prepared for

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Professor Dr. Tanbir Ahmed Chowdhury
Department Dean and Chairperson
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Aftabnagar, Dhaka

Subject: Submission of project paper on “Performance Analysis of Selected Textile Companies in Bangladesh”

Dear Sir,

I am pleased to submit project paper on “Performance Analysis of Selected Textile Companies in Bangladesh” (Bus 498). This term paper helped me to get a very good and proper understanding about the financial aspects of some textile companies in Bangladesh. To prepare this term paper, I have given my best effort despite some limitations.

I shall be highly encouraged if you are kind enough to receive this report. If you have any further enquiry concerning any additional information I would be very grateful to clarify that.

Thank You.

Sincerely yours,



Radia Masood

(2010-2-10-056)

ACKNOWLEDGEMENT

First of all, I would like to express my deep gratitude to all mighty Allah for his infinite grace that allowed me to complete this project paper. A lot of effort and study has been involved in this project paper.

I would like to express my sincere gratitude and cordial thanks to my project instructor Professor Dr. Tanbir Ahmed Chowdhury for his valuable advice and support regarding the preparation of this project paper. I would also like to thank my honorable Sir for his kind concern, valuable time, advice and constant guideline throughout the project period and making of the report.

This project paper really helps me to acquire knowledge about the financial performance of the selected textile companies in Bangladesh. This knowledge will help me in our future corporate life and also in my higher study. This project paper also helped me to work on a theoretical perspective field.

I would like to express my foremost gratitude to other who helped me and gave me their valuable time, by providing me with the most relevant information on the basis of which I have prepared this report. I am thankful to all of them for helping and guiding me and for being nice and kind to me.

And, finally again I would like to thank my honorable Sir who gave me his valuable opinion regarding the project work time to time. Without his advice I cannot be able to complete my project work.

Executive Summary

The textile industry is one of the longest and most complicated industry chains in manufacturing industry. The textile industry is an important industrial sector in the Bangladesh economy, which predominantly consists of SMEs and which currently faces a serious challenge due to the phasing out of import quotas, resulting in accelerating textile at all stages of textile production (fibers, yarns, intermediates, articles). In this report we select four textile industry those are Square Textiles Ltd, Beximco Synthetics Ltd, CMC-KAMAL Textiles Mills Ltd and Sonargaon Textile. Square Textile is a subsidiary company of Square Group. The company was incorporated as a public limited company. Square is a dynamic and efficient manufacturing company. Beximco Synthetics Limited is a public limited company incorporated in 1994. The company is primarily engaged in the manufacturing and trading of high quality Yarn. CMC-KAMAL Group is one of the leading industrial and investment group based in Mauritius with operations in a number of African and Asian countries. In this report the position of four companies in the stock market has also been discussed. Their Financial position has also been portrayed by different ratios and their comparison over time. So from the analysis, it can be said that the financial performance of the industry is doing well as increasing the day. But this is not enough. Foreign investment and order is also depending on the financial condition of the companies that is why the company should keep their financial condition well along the life period of the company.

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Chapter: 1
Introduction

1.0 Introduction

Textile Industry is one of the important industries that is contributing toward the development of any economy and is treated as an important industry in the modern world. While agriculture for domestic consumption is Bangladesh's largest employment sector, the money gained from exporting textiles is the single greatest source of economic growth in Bangladesh. The industry employs about 3 million workers of whom 90% are women. Two non-market factors have played a crucial role in ensuring the garment sector's continual success namely (a) quotas under Multi-Fiber Arrangement (MFA) in the North American market and (b) preferential market access to European markets. Exports of textiles, clothing, and ready-made garments accounted for 77% of Bangladesh's total merchandise exports in 2002. Only 5% of textile factories are owned by foreign investors, with most of the production being controlled by local investors. The garment industry in Bangladesh became the main export sector and a major source of foreign exchange starting in 1980, and exported about \$5 billion USD in 2002. In the 1980s, the RMG market started its journey. The Bangladesh textile sector actually grew tremendously after 2004 and reached an export turnover of US\$10.7 billion in FY 2007. Bangladesh's export trade is dominated by the RMG industry. The sector currently employs 2.5 million people—about 40% of total manufacturing (85% of these employees are women)—and accounts for 76% of the country's export earnings and 10% of its GDP. So Textile industry is one of the most important industry for Bangladesh in which our total RMG sector depend and that provide great foreign currency.

1.1 Origin of the Report

As a prerequisite for the Bachelor of Business Administration Degree of East West University, a Project Work is required to be completed in a suitable researching area and should be submitted on findings. There are 32 companies enlisted under textile industry in Dhaka Stock Exchange. Among them four Companies named Square Textiles, Sonargaon Textiles, CMC-Kamal Textile Mills, and Beximco Synthetics have been chosen here for analyzing their overall financial performance to explore knowledge in this financial area. Without practical exposure, theory can never be fruitful. For this reason, BBA program has been designed in such a way that a student

can get practical knowledge. The report has been prepared under the counsel of respective project instructor Professor Dr. Tanbir Ahmed Chowdhury.

1.2 Objectives of the Report:

The objectives of the study are as follows:

1. To present an overview of selected textile companies of Bangladesh.
2. To appraise the financial performance of selected textile companies.
3. To identify the problems of selected textile companies.
4. To suggest remedial measures for the development of selected companies.

1.3 Scope of the Report:

As financial statement of selected textile companies Square Textiles, Sonargaon Textiles, CMC-Kamal Textile Mills, and Beximco Synthetics are being used to analyze their financial performance. Annual reports from the year 2008-2012 of the selected company have been used as a source of secondary data. So there is an opportunity to learn different aspects of financial performance which helps to appraise the performance of the textile industry of Bangladesh.

1.4 Methodology of the Report:

Primary data have not been used to prepare the report. All the data that have been used while preparing the report are from secondary data sources. The necessary data have been collected from the website and annual reports from the year 2008 to 2012 of each company.

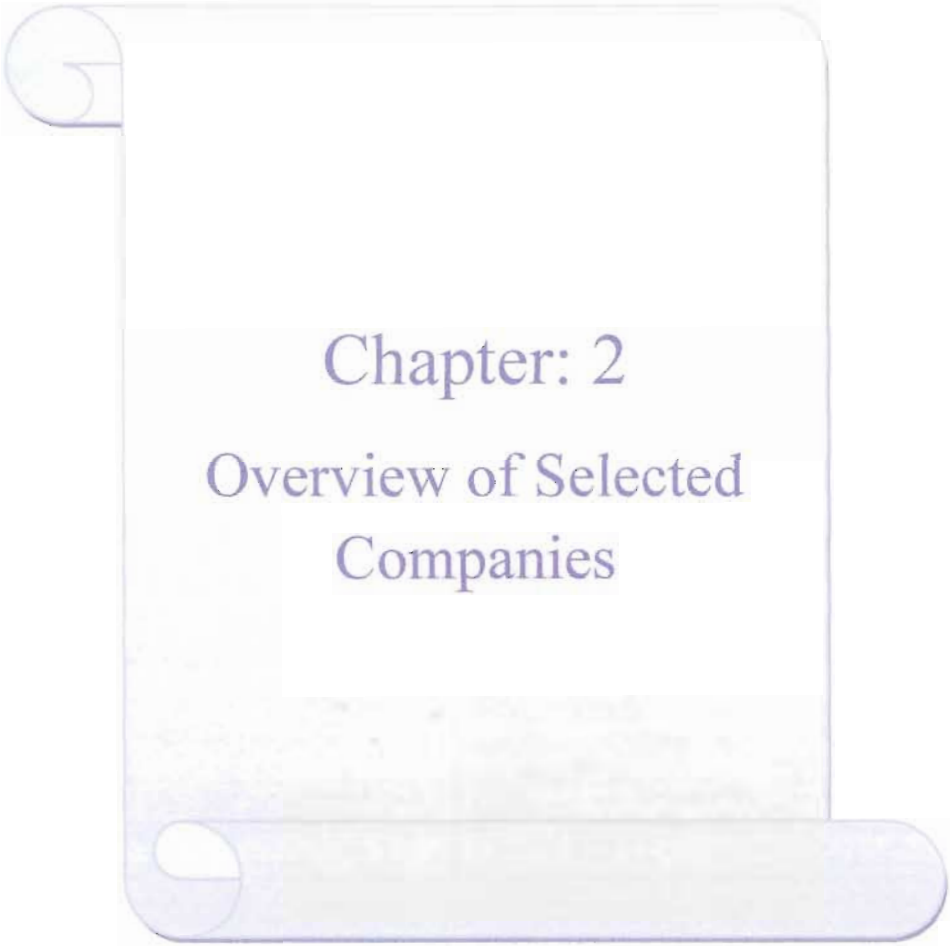
The data have been used very carefully to make the report as much relevant as possible.

Method Used: For performance analyzing purpose the Common size statement, growth percentage and time series analysis method have been used.

1.5 Limitation of the Study:

The limitation of the study is defined by the expensiveness of the facts covered by the study and those that left out. It is observable that almost all studies have some boundaries. During performing our work, we had to face a number of limitations. These are as follows:

- **Privacy of Information:** Companies do not want to share all of the information to everyone. Sometimes they also use false or modify the financial statements to attract the investors. For this reason the proper analysis is not possible without having direct contact with the top management.
- **Time Limitations:** Given time for preparing the report is limited. Within this time it is impossible to prepare a proper study report.
- **Data Collection:** Annual report is the main source of data in this study. But, annual report doesn't show us the real picture of the financial condition of an organization



Chapter: 2
Overview of Selected
Companies

2.0 Square Textile Ltd.

Square steps into the textile sector with establishment of its first unit - Square Textiles Ltd. in 1997. A year later, Square step on to its second unit. In the same premises, Square established its third unit on 2000. Manufacturing business is cotton yarn. Export oriented business.

Mission & Objective

- To establish ourselves as a one stop source for the Global Knit Apparel market.
- To satisfy and meet customer's expectation by developing and providing products and service on time, which offer value in terms of Quality, Price, Safety & Environmental impact.
- To assure complete compliance with the international quality standards.

Table 1: Details of Square Textile Ltd.

Name	Square Textile Ltd.
Established	In 1997
Paid up Capital	1344M
Market Capital	14920.65M
Share Distribution	Director-61.31% Public-19.88% Institution-12.42% Foreign-6.39%
Trade % of MCAP	0.5855%
No of Securities	134,420,268
Public Securities	26722749
Public Capital	927M
Last EPS	4.80
P/E	16.77
Market category	A

Source: Stock Bangladesh Limited

2.1 Beximco Synthetics Ltd.

Beximco Synthetics Limited Company is a member of the Beximco Group, was incorporated in Bangladesh as a public limited company. It went for public issue of shares and debentures in 1993 and commenced operation in July 1994. The shares of the company are listed in the Dhaka and Chittagong Stock Exchange of Bangladesh and the debentures of the company are listed in the Dhaka Stock Exchange of Bangladesh. The principle activities of the company are manufacturing of Polyester Filament Yarn namely, Partially Oriented Yarn (POY) and Draw Texturized Filament Yarn (DTFY) and sales thereof. The company Employed 408 employees as of 31 December 2008.

Table 2: Details of Beximco Synthetics Ltd.

Name	Beximco Synthetics Ltd.
Established	In 1990
Paid up Capital	867M
Market Capital	1378.73M
Share Distribution	Director-36.07% Public-57.68% Institution-6.23% Foreign-0.02%
Trade % of MCAP	0.4601%
No of Securities	86712359
Public Securities	50015689
Public Capital	243M
Last EPS	0.22
P/E	54.20
Market category	A

Source: Stock Bangladesh Limited

2.2 Sonargaon Textile Ltd.

Sonargaon Textiles Ltd. (STL) is basically a spinning project in textile sector. It is the biggest textile concern in entire South Bengal. STL is 100% export oriented spinning industry. It has generated employment opportunity for more than 2,000 workers including the officials of different desks. It is a public Limited company listed with Dhaka and Chittagong Stock Exchange in the year 1995. It produces cotton yarn of different counts for knitting and weaving. It is financed by different banks (both Nationalized and Private)

Table 3: Details of Sonargaon Textiles Ltd.

Name	Sonargaon Textile Ltd.
Established	In 1985
Paid up Capital	265M
Market Capital	452.59M
Share Distribution	Director-44.55% Public-33.93% Institution-21.49% Foreign-0.03%
Trade % of MCAP	1.3848%
No of Securities	26467056
Public Securities	8980272
Public Capital	37M
Last EPS	-0.52
P/E	-24.66
Market category	B

Source: Stock Bangladesh Limited

2.3 CMC-Kamal Textile Mills Ltd.

Lotas- Kamal Group, a business house involved in a number of business disciplines covering manufacturing, trading, services and real estate sectors. CMC-Kamal is one of its oldest business plant established in 1995. It is a public Limited company with about 900 employees. The company produces Cotton yarn spinning having 25000 conventional spindles and 2000 open end spinning rotors.

Table 4: Details of CMC-Kamal Textile Mills Ltd.

Name	CMC-Kamal Textile Mills Ltd.
Established	In 1995
Paid up Capital	765M
Market Capital	2111.21M
Share Distribution	Director-26.76% Public-73.24%
Trade % of MCAP	9.5640%
No of Securities	76492968
Public Securities	56023450
Public Capital	66M
Last EPS	1.14
P/E	18.16
Market category	A

Source: Stock Bangladesh Limited



Chapter: 3

Collection of Data and Comparisons over Time

Square Textile Limited
 Size Income Statement (2008-2012)

	Years Ended December 31				
	2008	2009	2010	2011	2012
<i>As Reported (in TAKA)</i>					
	4,417,580,642	5,075,626,120	6,096,627,967	9,391,822,689	8,741,773,216
	(3,672,486,432)	(4,308,815,485)	(4,960,533,384)	(7,942,084,250)	(7,375,660,293)
Profit	745,094,210	766,810,635	1,136,094,583	1,449,738,439	1,366,112,923
Expenses	-92,268,126	-124,704,336	-128,465,638	-181,811,012	-220,435,740
Income	652,826,084	642,106,299	1,007,628,945	1,267,927,427	1,145,677,183
	1,076,892	554,007	311,937	673,417	309,079
Before Interest and Tax	653,902,976	642,660,306	1,007,940,882	1,268,600,844	1,145,986,262
Expenses	-203,735,214	-184,936,794	-105,175,074	-245,428,390	-112,424,900
Before Tax	450,167,762	457,723,512	902,765,808	1,023,172,454	1,033,561,362
for Taxes	-104,500,242	-104,752,129	-189,603,994	-198,341,780	-204,567,605
Income	345,667,520	352,971,383	713,161,814	824,830,674	828,993,757

<i>As % Of Total Sales</i>					
	100%	100%	100%	100%	100%
	-83.13	-84.89	-81.37	-84.56	-84.37
Profit	17%	15%	19%	15%	16%
Expenses	-2.089	-2.46	-2.11	-1.94	-2.52
Income	15%	13%	17%	13%	13%
	0.024	0.011	0.0051	0.007	0.004
Before Interest and Tax	15%	13%	17%	13%	13%
Expenses	-4.61	-3.64	-1.73	-2.61	-1.29
Before Tax	10%	9%	15%	10%	12%
for Taxes	-2.37	-2.06	-3.11	-2.11	-2.34
Income	8%	7%	12%	8%	10%

Common-size statements are used to standardize financial statement components by expressing them as percentage of a relevant base. Here balance sheet components are shown as a percentage of total assets; revenues and expenses are computed as a percentage of total sales and Common-size statements are used to compare the performance of a single company over time.

Comparison over time; Square Textile:

Common-size Income Statement and Balance Sheet provide such insight. Looking at the Common-size Income statement in Exhibit 3-0, we immediately see that:

1. Square Textile has the lowest cost of goods sold to sales at 81.37% in the year 2010, whereas in 2009 it was a little bit higher at 84.89%.
2. Square Textile has the lowest operating expense to sales in 2011 at 1.94% and highest operating expense in 2012 at 2.52%.
3. Reflecting these differences, Square Textile has the highest income from operation (17% of Sales) in year 2010 and in year 2009, 2011, 2012 it has lowest income from operations (13% of sales).
4. Square Textile has a higher tax rate in year 2010 (3.11% of sales) still in the year Square has highest net income (12%) as its income before tax was higher (15% of Sales). In the previous year 2009 Square had lowest Net income (7% of sales).

Annex 3-1. Square Textile Limited
Common-Size Balance Sheet (2008-2012)

	Years Ended December 31				
	2008	2009	2010	2011	2012
<i>As reported (in TAKA)</i>					
Cost	68,113,333	91,112,895	122,931,848	480,986,146	473,076,464
Inventories	1,600,950,725	1,367,504,190	2,337,729,488	1,902,471,712	1,651,754,805
Prepaid Expenses	225,261,286	138,163,815	342,870,550	656,428,247	415,642,990
ACC Receivable	2,318,863,152	2,188,554,329	2,793,836,999	3,331,220,012	2,656,903,857
Current Assets	4,213,188,496	3,785,335,229	5,597,368,885	6,371,106,117	5,450,698,872
Fixed Assets	2,696,313,904	2,517,420,230	2,431,705,707	2,483,823,461	2,631,811,191
Total Assets	6,909,502,400	6,302,755,459	8,029,074,592	8,854,929,578	8,082,510,063
Short Term Debt	1,538,299,272	1,166,471,328	1,903,624,815	1,067,326,206	374,646,949
ACC Payable	1,590,516,200	1,270,464,545	1,500,362,542	2,205,497,561	1,797,488,294
Others	367,010,877	347,197,146	504,770,622	762,003,152	665,538,745
Current Liabilities	3,495,826,349	2,784,133,019	3,908,757,979	4,034,826,919	2,584,353,232
Fixed Liabilities	166,125,855	170,482,362	176,909,275	180,036,773	183,459,186
Total Liabilities	3,661,952,204	2,954,615,381	4,085,667,254	4,214,863,692	2,767,812,418
Total Equity	3,099,349,824	3,346,445,128	3,940,131,862	4,635,087,878	5,308,232,046
Total Liabilities & Equity	6,909,502,400	6,302,755,459	8,029,074,592	8,854,929,578	8,082,510,063
<i>As % of Total Asset</i>					
Cost	0.99	1.45	1.53	5.43	5.85
Inventories	23.17	21.7	29.12	21.48	20.44
Prepaid Expenses	3.26	2.19	4.27	7.41	5.14
ACC Receivable	33.56	34.72	34.8	37.62	32.87
Current Assets	61%	60%	70%	72%	66%
Fixed Assets	39%	40%	30%	28%	34%
Total Assets	100%	100%	100%	100%	100%
Short Term Debt	22.26	18.5	23.71	12.05	4.64
ACC Payable	23.02	20.16	18.69	24.91	22.24
Others	5.31	5.51	6.29	8.61	8.23
Current Liabilities	53%	44%	49%	46%	33%
Fixed Liabilities	2.4	2.7	2.2	2.03	2.27
Total Liabilities	55%	47%	51%	48%	35%
Total Equity	45%	53%	49%	52%	65%
Total Liabilities & Equity	100%	100%	100%	100%	100%

Turning to the Balance Sheet, we find that:

1. Square has the highest inventory in stock in year 2010 at 29.12 % and the lowest in 2012 at 20.44%.
2. Square Textile is strongest financially, as in all five years its current assets exceed its total liabilities. Total liability is lowest in 2009 (47% of Total asset). Square Textile has highest current asset in year 2011 (72% of total asset)
3. Square also has the highest ratio (65%) of equity to total asset in year 2012. Here we can also see that Square Textile relies more on short-term debt as the ratio of short-term debt is higher than long term debt.
4. Square has higher accounts receivable in year 2011 (37.62% of total asset).
5. Square has higher accounts payable in the same year 2011 (24.91% of total asset).
6. Square has no deferred income taxes.

**Exhibit 3-2. Beximco Synthetics Limited
Common-Size Income Statement (2008-2012)**

	Years Ended December 31				
	2008	2009	2010	2011	2012
	<i>As Reported (in TAKA)</i>				
Sales	932,831,738	792,781,515	1,009,552,138	1,545,017,437	1,426,752,263
COGS	-796,850,257	-665,395,623	-875,855,449	-1,300,156,899	-1,161,418,416
Gross Profit	135,981,481	127,385,892	133,696,689	244,860,538	265,333,847
Operating Expense	-13,325,494	-13,192,070	-15,854,944	-19,587,878	-20,418,704
Operating Income	122,655,987	114,193,822	117,841,745	225,272,660	244,915,143
Other Income	0	0	0	0	0
Income Before Interest and Tax	122,655,987	114,193,822	117,841,745	225,272,660	244,915,143
Interest Expenses	-99,327,085	-94,865,888	-85,649,980	-85,562,149	-139,499,076
Income before Tax	23,328,902	19,327,934	32,191,765	139,710,511	105,416,067
Provision for Taxes	-4,443,600	-767,1986	-4,717,642	-31,534,339	-24,972,385
Net Income	18,885,302	11,655,948	27,474,123	108,176,172	80,443,682

	<i>As % of Total Sales</i>				
Sales	100%	100%	100%	100%	100%
COGS	-85.42	-83.93	-86.76	-84.15	-81.40
Gross Profit	15%	16%	13%	16%	19%
Operating Expense	-1.43	-1.66	-1.57	-1.27	-1.43
Operating Income	14%	14%	11%	15%	18%
Other Income	0	0	0	0	0
Income Before Interest and Tax	14%	14%	11%	15%	18%
Interest Expenses	-10.65	-11.97	-8.48	-5.54	-9.78
Income before Tax	3%	2%	3%	9%	8%
Provision for Taxes	-0.48	-0.97	-0.47	-2.04	-1.75
Net Income	3%	1%	3%	7%	6%

Comparison over time; Beximco Synthetics:

Turning to the Income Statement of Beximco Synthetics, we can see:

1. Beximco Synthetics has the lowest cost of goods sold to sales at 81.40% in the year 2012, whereas in 2010 it has the highest cost of goods sold at 86.76%.
2. Beximco Synthetics has the lowest operating expense to sales in 2011 at 1.27% and highest operating expense in 2009 at 1.66%.
3. Reflecting these differences, Beximco Synthetics has the highest income from operation (18% of Sales) in year 2012 and in year 2010 it has the lowest income from operations (11% of sales).
4. Beximco Synthetics has a higher tax rate in year 2011 (2.04% of sales) still in the year Beximco has highest net income (7%) as its income before tax was higher (9% of Sales). In the year 2009 Beximco had lowest Net income (1% of sales).

Exhibit 3-3. Beximco Synthetics Limited
Common-Size Balance Sheet (2008-2012)

	Years Ended December 31				
	2008	2009	2010	2011	2012
<i>As reported (in TAKA)</i>					
Cash	1,768,293	3,876,722	5,231,582	14,693,819	3,277,873
Inventories	789,637,475	767,296,947	837,904,260	854,468,643	947,588,270
Prepaid Expenses	174,427,665	130,528,834	67,756,450	40,451,219	36,799,733
AC Receivable	514,401,229	527,839,772	483,382,252	721,835,474	906,582,593
Current Assets	1,480,234,662	1,429,542,275	1,394,274,544	1,631,449,155	1,894,248,469
Fixed Assets	1,508,358,739	1,489,533,171	1,465,424,394	1,451,259,573	1,441,076,281
Total Assets	2,988,593,401	2,919,075,446	2,859,698,938	3,082,708,728	3,335,324,750
Short Term Debt	523,967,488	518,709,213	502,915,003	483,959,876	795,394,747
AC Payable	54,984,784	73,826,489	83,324,900	75,948,201	66,103,676
Others	128,286,982	118,125,883	139,857,776	132,490,890	240,956,810
Current Liabilities	707,239,254	710,661,585	726,097,679	692,398,967	1,102,455,233
Fixed Liabilities	263,587,853	178,991,619	118,290,741	266,823,071	28,939,145
Total Liabilities	970,827,107	889,653,204	844,388,420	959,222,038	1,131,394,378
Total Equity	2,017,766,294	2,029,422,242	2,015,310,518	2,123,486,690	2,203,930,372
Total Liabilities & Equity	2,988,593,401	2,919,075,446	2,859,698,938	3,082,708,728	3,335,324,750
<i>As % of Total Asset</i>					
Cash	0.06	0.13	0.18	0.48	0.10
Inventories	26.42	26.29	29.30	27.72	28.41
Prepaid Expenses	5.84	4.47	2.37	1.31	1.10
AC Receivable	17.21	18.08	16.90	23.42	27.18
Current Assets	50%	49%	49%	53%	57%
Fixed Assets	50%	51%	51%	47%	43%
Total Assets	100%	100%	100%	100%	100%
Short Term Debt	17.53	17.77	17.59	15.70	23.85
AC Payable	1.84	2.53	2.91	2.46	1.98
Others	4.29	4.05	4.89	4.30	7.22
Current Liabilities	24%	24%	25%	22%	33%
Fixed Liabilities	8.82	6.13	4.14	8.66	0.87
Total Liabilities	33%	30%	29%	31%	34%
Total Equity	67%	70%	71%	69%	66%
Total Liabilities & Equity	100%	100%	100%	100%	100%

Looking at the Common-size Balance Sheet in Exhibit 3-3, we can immediately see that:

1. Beximco Synthetics has the highest inventory in stock in year 2010 at 29.30% and the lowest in 2009 at 26.29%.
2. Beximco Synthetics is strongest financially, as in all five years its current assets exceed its total liabilities. Total liability is lowest in 2010 (29% of Total asset). Beximco Synthetics has highest current asset in year 2012 (57% of total asset)
3. Beximco also has the highest ratio (71%) of equity to total asset in year 2010. Here we can also see that Beximco Synthetics relies more on short-term debt as the ratio of short-term debt is higher than long term debt.
4. Beximco has higher accounts receivable in year 2012 (27.18% of total asset).
5. Beximco has higher accounts payable in year 2010 (2.91% of total asset).
6. Beximco Synthetics has no deferred income taxes.

**Exhibit 3-4. Sonargaon Textile Limited
Common-Size Income Statement (2008-2012)**

	Years Ended December 31				
	2008	2009	2010	2011	2012
	<i>As Reported (in TAKA)</i>				
Sales	651,097,600	693,496,591	724,013,901	781,963,868	821,574,671
COGS	-572,939,213	-596,341,076	-614,271,454	-661,298,258	-714,569,029
Gross Profit	78,158,387	97,155,515	109,742,447	120,665,610	107,005,642
Operating Expense	-21,529,382	-22,441,434	-24,016,856	-25,257,917	-25,296,163
Operating Income	56,629,005	74,714,081	85,725,591	95,407,693	81,709,479
Other Income	198,442	581,712	251,425	4,487,875	13,760,580
Income Before Interest and Tax	56,827,447	75,295,793	85,977,016	99,895,568	95,470,059
Interest Expenses	-64,016,716	-62,098,957	-66,439,636	-78,348,972	-85,611,306
Income before Tax	-7,189,269	13,196,836	19,537,380	21,546,596	9,858,753
Provision for Taxes	-200,000	-2,821,723	-4,100,500	-5,023,139	-2,746,832
Net Income	-7,389,269	10,375,113	15,436,880	16,523,457	7,111,921

As % of Total Sales

Sales	100%	100%	100%	100%	100%
COGS	-88.00	-85.99	-84.84	-84.57	-86.98
Gross Profit	12%	14%	15%	15%	13%
Operating Expense	-3.31	-3.24	-3.32	-3.23	-3.08
Operating Income	9%	11%	12%	12%	10%
Other Income	0.03	0.08	0.03	0.57	1.67
Income Before Interest and Tax	9%	11%	12%	13%	12%
Interest Expenses	-9.83	-8.95	-9.18	-10.02	-10.42
Income before Tax	-1%	2%	2%	3%	2%
Provision for Taxes	-0.03	-0.41	-0.57	-0.64	-0.33
Net Income	-1%	2%	1%	2%	2%

Comparison over time; Sonargaon Textile:

Turning to the Income Statement of Sonargaon Textile, we can see:

1. Sonargaon Textile has the lowest cost of goods sold to sales at 84.57% in the year 2011, whereas in 2008 it has the highest cost of goods sold at 87.99%.
2. Sonargaon Textile has the lowest operating expense to sales in 2012 at 3.08% and highest operating expense in 2010 at 3.32%. Here we can also observe that the expenses are not varying too much, its growth rate is around 2-3%
3. Reflecting these differences, Sonargaon Textile has the highest income from operation (12% of Sales) in year 2010 and 2012, and in year 2008 it has the lowest income from operations(9% of sales). So our observation says that income of this company is growing gradually.
4. Sonargaon Textile has a higher tax rate in year 2011 (0.64% of sales). The company's net income on sales is near 1-2%. Because they are paying more interests. The highest interest expense that the company faced is 10.42% on sales in year 2012.

Exhibit 3-5. Sonargaon Textile Limited
Common-Size Balance Sheet (2008-2012)

	Years Ended December 31				
	2008	2009	2010	2011	2012
<i>As reported (in TAKA)</i>					
Cash	2,783,732	1,796,564	632,577	3,129,830	519,340
Inventories	487,325,468	450,906,860	486,266,658	759,871,855	807,615,858
Prepaid Expenses	40,597,087	40,595,964	9,082,845	118,149,876	68,398,343
A/C Receivable	14,645,426	64,106,736	70,761,406	26,161,824	30,523,807
Current Assets	545,351,713	557,406,124	566,743,486	907,313,385	907,057,348
Fixed Assets	515,143,773	480,478,403	1,059,223,650	1,052,438,559	994,632,571
Total Assets	1,060,495,486	1,037,884,527	1,625,967,136	1,959,751,944	1,901,689,919
Short Term Debt	273,742,273	308,489,077	223,266,676	300,346,689	233,496,256
A/C Payable	250,399,967	134,942,100	190,139,987	288,030,993	212,613,525
Others	31,793,971	98,957,729	47,657,473	66,422,303	22,904,813
Current Liabilities	555,936,211	542,388,906	461,064,136	654,799,985	469,014,594
Fixed Liabilities	352,810,544	338,331,777	384,482,001	344,327,504	519,468,227
Total Liabilities	908,746,755	880,720,683	845,546,137	999,127,489	988,482,821
Total Equity	151,748,731	157,163,844	780,420,999	960,624,456	913,207,098
Total Liabilities & Equity	1,060,495,486	1,037,884,527	1,625,967,136	1,959,751,945	1,901,689,919
<i>As % of Total Asset</i>					
Cash	0.26	0.17	0.04	0.16	0.03
Inventories	45.95	43.44	29.91	38.77	42.47
Prepaid Expenses	3.83	3.91	0.56	6.03	3.60
A/C Receivable	1.38	6.18	4.35	1.33	1.61
Current Assets	51%	54%	35%	46%	48%
Fixed Assets	49%	46%	65%	54%	52%
Total Assets	100%	100%	100%	100%	100%
Short Term Debt	25.81	29.72	13.73	15.33	12.28
A/C Payable	23.61	13.00	11.69	14.70	11.18
Others	3.00	9.53	2.93	3.39	1.20
Current Liabilities	52%	52%	28%	33%	25%
Fixed Liabilities	33.27	32.60	23.65	17.57	27.32
Total Liabilities	85%	85%	52%	51%	52%
Total Equity	15%	15%	48%	49%	48%
Total Liabilities & Equity	100%	100%	100%	100%	100%

Looking at the Common-size Balance Sheet in Exhibit 3-5, we can immediately see that:

1. Sonargaon Textile has the highest inventory in stock in year 2008 at 45.95% and the lowest in 2010 at 29.91%.
2. Sonargaon Textile is not financially strong, as in all five years its total liabilities exceed its current assets. Total liability is lowest in 2011 (51% of Total asset). Sonargaon Textile has highest current asset in year 2009 (54% of total asset)
3. Sonargaon also has the highest ratio (49%) of equity to total asset in year 2011. Here we can also see that Sonargaon Textile relies more on long-term debt as the ratio of long-term debt is higher than short-term debt.
4. Accounts receivable of Sonargaon Textile is increased in 2009 from 1.38% to 6.18% of total asset. It has the lowest accounts receivable in year 2011 (1.33% On total assets)
5. Sonargaon Textile has higher accounts payable in year 2008 (23.61% of total asset) then it is gradually decreasing over time.

**Exhibit 3-6.CMC-KAMAL Textile Mills Limited
Common-Size Income Statement (2008-2012)**

	Years Ended December 31				
	2008	2009	2010	2011	2012
	<i>As Reported (in TAKA)</i>				
Sales	162,999,801	207,453,709	434,207,010	468,240,190	513,181,307
COGS	-145,841,375	-177,912,560	-366,068,421	-400,161,495	-418,572,526
Gross Profit	17,158,426	29,541,149	68,138,589	68,078,695	94,608,781
Operating Expense	-8,752,599	-8,687,458	-10,295,754	-18,534,705	-15,523,997
Operating Income	8,405,827	20,853,691	57,842,835	49,543,990	79,084,784
Other Income	270,132	1,156,989	4,015,658	42,966,464	67,677,086
Income Before Interest and Tax	8,675,959	22,010,680	61,858,493	92,510,454	146,761,870
Interest Expenses	-22,608,912	-1,662,634	-19,010,817	-21,794,871	-23,592,424
Income before Tax	-13,932,953	20,348,046	42,847,676	70,715,583	123,169,446
Provision for Taxes	-19,163,711	-3,052,207	-6,427,151	-9,818,619	-18,450,934
Net Income	-33,096,664	17,295,839	36,420,525	60,896,964	104,718,512

	<i>As % of Total Sales</i>				
Sales	100%	100%	100%	100%	100%
COGS	-89.47	-85.76	-84.31	-85.46	-81.56
Gross Profit	11%	14%	16%	15%	18%
Operating Expense	-5.37	-4.19	-2.37	-3.96	-3.03
Operating Income	6%	10%	14%	11%	15%
Other Income	0.17	0.56	0.92	9.18	13.19
Income Before Interest and Tax	6%	11%	15%	20%	28%
Interest Expenses	-13.87	-0.80	-4.38	-4.65	-4.60
Income before Tax	-8%	10%	11%	16%	23%
Provision for Taxes	-11.76	-1.47	-1.48	-2.10	-3.60
Net Income	-20%	9%	10%	14%	19%

Comparison over time; CMC-KAMAL Textile Mills:

Turning to the Income Statement of CMC-KAMAL Textile, we can see:

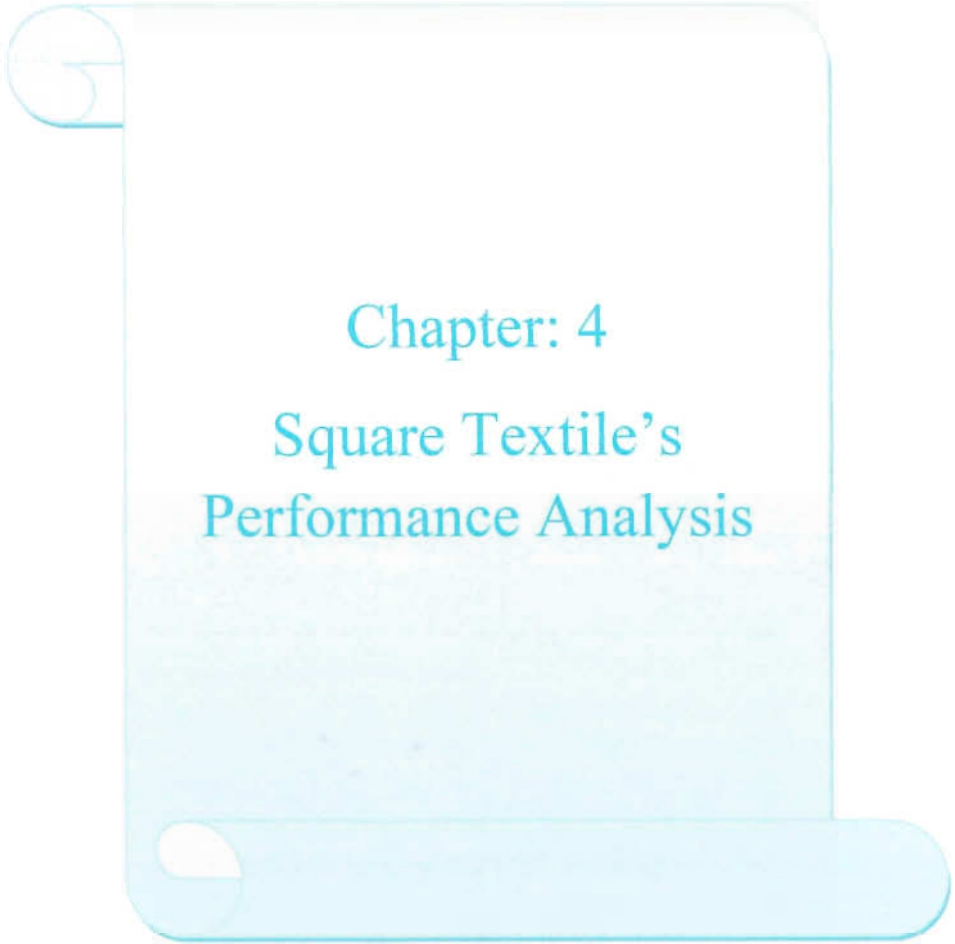
1. CMC-KAMAL Textile has the lowest cost of goods sold to sales at 81.56% in the year 2012, whereas in 2008 it has the highest cost of goods sold at 89.47%.
2. An examinations of the components indicates that the increased profitability (relative to sales) is primarily due efficiencies in cost of goods sold. As a percentage of sales, COGS decreased from 89% to 84% of sales in 2010 as a result gross profit increased from 11% to 16% of sales in year 2010.
3. CMC-KAMAL Textile has the lowest operating expense to sales in 2010 at 2.37% and highest operating expense in 2008 at 5.37%.
4. Reflecting these differences, CMC-KAMAL Textile has the highest income from operation (15% of Sales) in year 2012 and in year 2008 it has the lowest income from operations(6% of sales). So our observation says that income of this company is growing gradually.
5. CMC-KAMAL Textile has a higher tax rate in year 2008 (11.76% of sales). It has the highest net income in year 2012 (20% of sales)

Exhibit 3-7. CMC-KAMAL Textile Mills Limited
Common-Size Balance Sheet (2008-2012)

	Years Ended December 31				
	2008	2009	2010	2011	2012
<i>As reported (in TAKA)</i>					
Cash	827,623	6,049,751	14,199,236	639,240,226	368,505,501
Inventories	62,968,100	81,337,627	95,299,788	135,692,738	152,830,922
Prepaid Expenses	6,183,324	59,971,654	20,163,159	7,621,772	28,467,573
ACC Receivable	4,538,333	10,182,282	26,222,248	7,865,104	0
Current Assets	74,517,380	157,541,314	155,884,431	790,419,840	549,803,996
Fixed Assets	403,268,706	370,497,374	797,417,772	850,392,682	1,094,290,573
Total Assets	477,786,086	528,038,688	953,302,203	1,644,251,414	1,644,094,569
Short Term Debt	57,088,968	99,337,798	123,733,664	124,286,120	124,969,374
ACC Payable	15,309,065	9,061,527	8,661,822	11,734,810	0
Others	10,516,622	118,788,427	101,864,855	65,014,342	26,523,080
Current Liabilities	82,914,655	227,187,752	234,260,341	201,035,272	151,492,454
Fixed Liabilities	222,871,431	102,252,950	58,476,580	70,846,614	18,952,967
Total Liabilities	305,786,086	329,440,702	292,736,921	271,881,886	170,445,421
Total Equity	172,000,000	198,597,986	660,565,182	1,372,369,528	1,473,649,148
Total Liabilities & Equity	477,786,086	528,038,688	953,302,103	1,644,251,414	1,644,094,569
<i>As % of Total Asset</i>					
Cash	0.17	1.15	1.49	38.88	22.41
Inventories	13.18	15.40	10.00	8.25	9.30
Prepaid Expenses	1.29	11.36	2.12	0.46	1.73
ACC Receivable	0.95	1.93	2.75	0.48	0.00
Current Assets	16%	30%	16%	48%	33%
Fixed Assets	84%	70%	84%	52%	67%
Total Assets	100%	100%	100%	100%	100%
Short Term Debt	11.95	18.81	12.98	7.56	7.60
ACC Payable	3.20	1.72	0.91	0.71	0.00
Others	2.20	22.50	10.69	3.95	1.61
Current Liabilities	17%	43%	25%	12%	9%
Fixed Liabilities	46.65	19.36	6.13	4.31	1.15
Total Liabilities	64%	62%	31%	16%	10%
Total Equity	36%	38%	69%	84%	90%
Total Liabilities & Equity	100%	100%	100%	100%	100%

Looking at the Common-size Balance Sheet in Exhibit 3-7, we can immediately see that:

1. CMC-KAMAL Textile has the highest inventory in stock in year 2009 at 15.40% and the lowest in 2011 at 8.25%.
2. CMC-KAMAL Textile is becoming financially strong, as in year 2011, 2012 its current assets exceed its total liabilities. Total liability is lowest in 2012 (10% of Total asset). CMC-KAMAL Textile has highest current asset in year 2011 (48% of total asset)
3. CMC-KAMAL also has the highest ratio (90%) of equity to total asset in year 2012. Here we can also see that CMC-KAMAL Textile currently relies more on short-term debt as the ratio of short-term debt is higher than long-term debt in the current years.
4. CMC-KAMAL Textile has higher accounts receivable in year 2010 (2.75% of total asset).
5. CMC-KAMAL Textile has higher accounts payable in year 2008 (3.20% of total asset) then it is gradually decreasing over time. And in 2012 the company has 0% accounts payable of total assets.



Chapter: 4
Square Textile's
Performance Analysis

In this Chapter the performance of Square Textile has been analyzed by calculating Activity, Liquidity, Solvency and Profitability ratios by collecting information from their annual report (2008-2012).

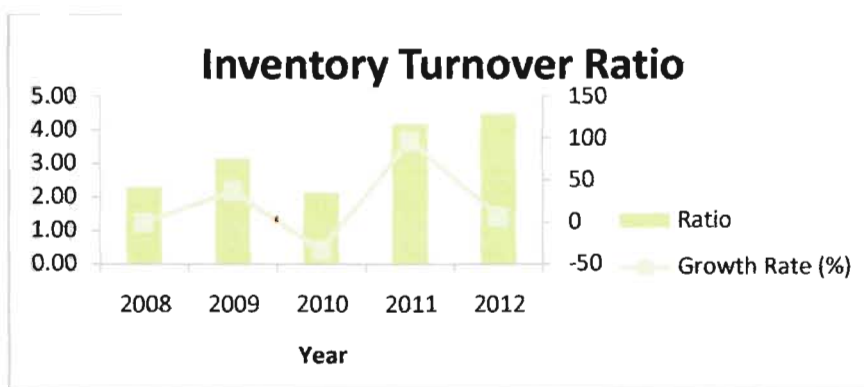
A) Activity Ratios: Activity ratios describe the relationship between the firm's level of operations (usually defined as sales) and the assets needed to sustain operating activities. The higher the ratio, the more efficient the firm's operations, as relatively fewer assets are required to support a given level of operations (sales).

1) Inventory Turnover Ratio

Table 1: Inventory turnover

	2008	2009	2010	2011	2012
Cost of Goods Sold	3,672,486,432	4,308,815,485	4,960,533,384	7,942,084,250	7,375,660,293
Inventories	1,600,950,725	1,367,504,190	2,337,729,488	1,902,471,712	1,651,754,805
Inventory turnover Ratio	2.29	3.15	2.12	4.17	4.47
Growth Rate (%)	-	37.36	-32.66	96.74	6.96

Source: Annual Report of Square Textile Limited (2008-2012)



Inventory turnover ratio measures the number of times inventory has been turned over in a year. This in turn means higher the ratio better it is for the company. Higher ratio means inventory does not remain in stock for long, it is sold quickly. Though the Company's inventory turnover

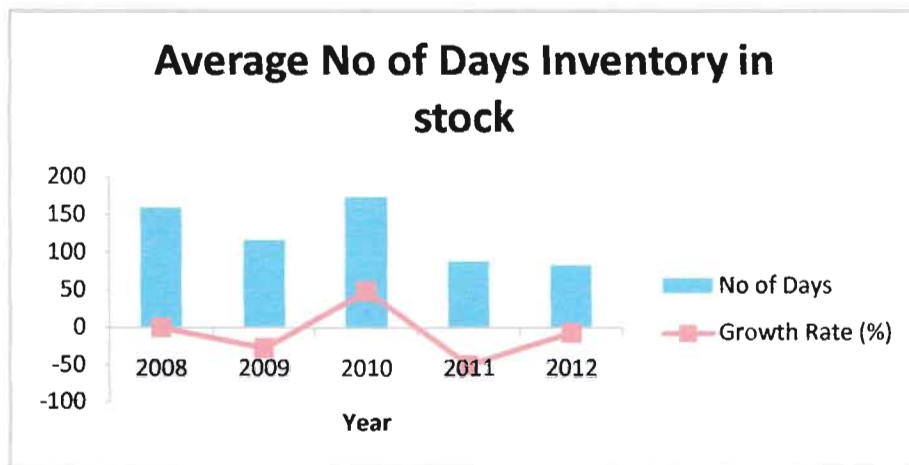
ratio is low, but it is increasing over the year from 2008 to 2012. So we can easily understand that Square textile has tried to manage their inventory turnover process in an efficient way, so that they can quickly sell the finished goods without remaining the inventory in the warehouse.

Average Number of day's inventory in stock:

Table 2: Average Number of day's inventory in stock

Year	2008	2009	2010	2011	2012
Inventory turnover Ratio	2.29	3.15	2.12	4.17	4.47
No of Days	159	116	172	87	82
Growth Rate (%)	-	-27.20	48.49	-49.17	-6.51

Source: Annual Report of Square Textile Limited (2008-2012)



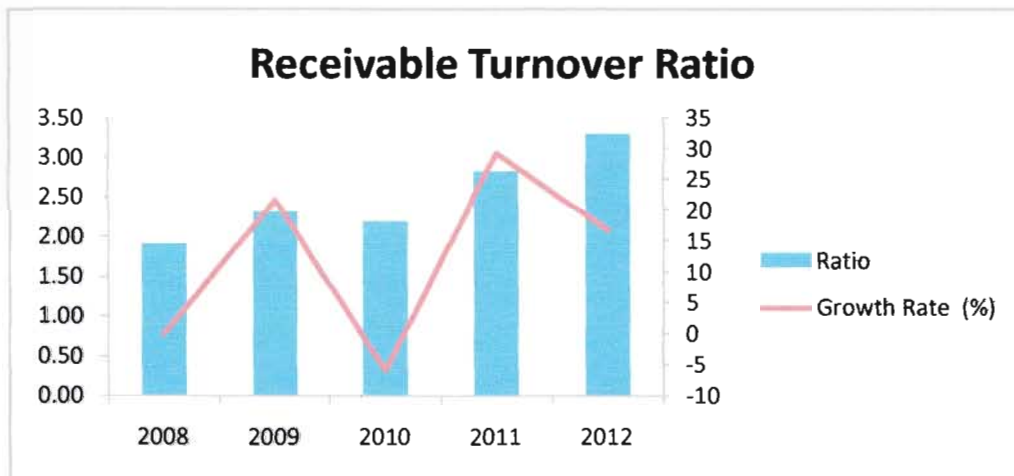
The impact of lower inventory turnover ratio reflects in average number of day's inventory in stock. Lower the ratio better. According to the data in 2008 it is higher, due to lower inventory turnover ratio, but over the time it is decreasing, due to increasing inventory turnover ratio. i.e. approximately 159 days in 2008 the highest and in 2012 it is 82 days the lowest. So over the time they became efficient to manage frequent inventory movement and completing production process quickly, as well as selling the goods quickly.

1) Receivable Turnover Ratio

Table 3: Receivable Turnover

	2008	2009	2010	2011	2012
Net Sales	4,417,580,642	5,075,626,120	6,096,627,967	9,391,822,689	8,741,773,216
Net Accounts Receivable	2,318,863,152	2,188,554,329	2,793,836,999	3,331,220,012	2,656,903,857
Receivable Turnover Ratio	1.91	2.32	2.18	2.82	3.29
Growth Rate (%)	-	21.74	-5.91	29.20	16.70

Source: Annual Report of Square Textile Limited (2008-2012)



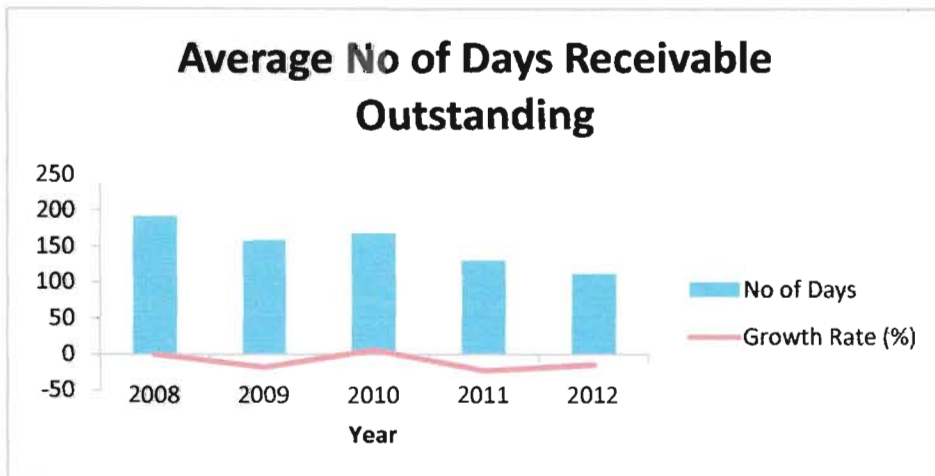
The receivable turnover ratio is same as the inventory turnover ratio. It measures how frequently receivables are turned over in a year. Higher this ratio is better. The graph shows that in 2008 it collected its cash inefficiently and maintained a liberal cash collection policy but there has been increase in coming years which makes it easy to conduct operation. In 2012 Square textile has the highest Accounts receivable turnover which is of value 3.29.

Average Number of day's receivable outstanding:

Table 4: Average Number of day's receivable outstanding

Year	2008	2009	2010	2011	2012
Receivable Turnover	1.91	2.32	2.18	2.82	3.29
No of Days	192	157	167	129	111
Growth Rate (%)	-	-17.86	6.28	-22.60	-14.31

Source: Annual Report of Square Textile Limited (2008-2012)



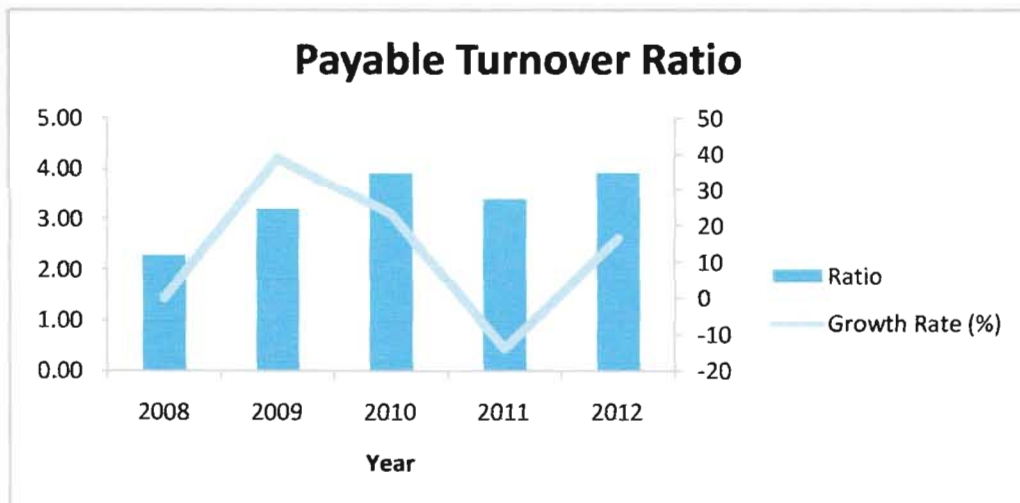
Lower the average number of day's receivable outstanding, better it is for the firm. Which indicate receivable is collected quickly. In 2012, average number of days receivable outstanding was approximately 111 days which is the lowest and the best achieved in five years. This means in 2012 the company takes 111 days on an average to complete one receivable turnover process i.e. from sale of goods to collection of receivables. The highest number of days to complete one receivable turnover process was approximately 192 days in 2008. It means the firm required 192 days to collect the receivables after sale of goods.

3) Payable Turnover

Table 5: Payable Turnover

Year	2008	2009	2010	2011	2012
Cost of Sales	3,672,486,432	4,308,815,485	4,960,533,384	7,942,084,250	7,375,660,293
Change in Inventory	0	-233,446,535	970,225,298	-435,257,776	-250,716,907
Accounts Payable	1,590,516,200	1,270,464,545	1,500,362,542	2,205,497,561	1,797,488,294
Payable Turnover ratio	2.31	3.21	3.95	3.40	3.96
Growth Rate (%)	-	38.93	23.23	-13.89	16.46

Source: Annual Report of Square Textile Limited (2008-2012)



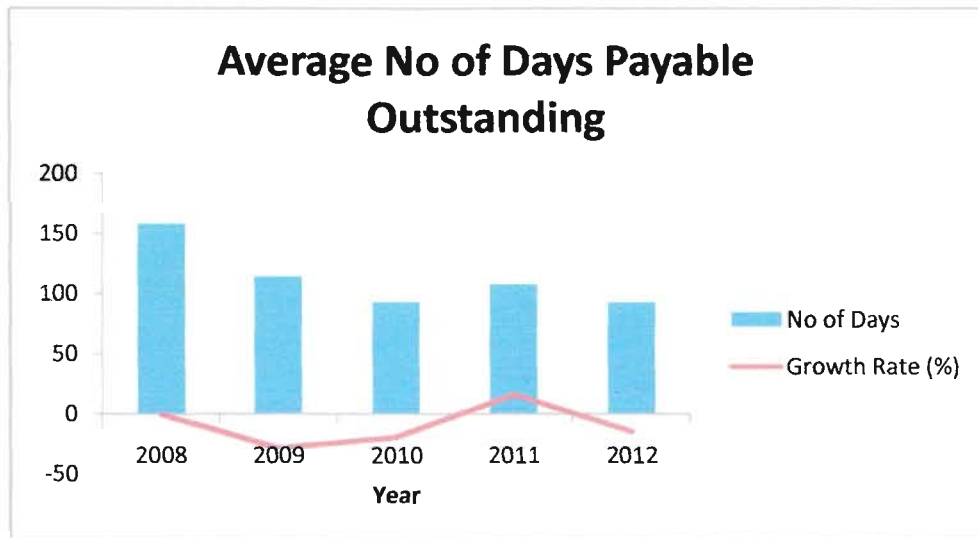
Like the inventory turnover ratio, payable turnover ratio measures how frequently the payables are turned over in a year. Lower the ratio better it is for the firm. In five years scenario, at the beginning 5 years the firm has lower long term debt. Which indicates the firm's solvency regarding conduct the firm's operation. But in 2012 the company has the highest payable turnover ratio which is 3.96.

Average Number of day's payable outstanding:

Table 6: Average Number of day's payable outstanding

Year	2008	2009	2010	2011	2012
Payable Turnover	2.31	3.21	3.95	3.40	3.96
No of Days	158	114	92	107	92
Growth Rate (%)	-	-28	-19	16	-14

Source: Annual Report of Square Textile Limited (2008-2012)



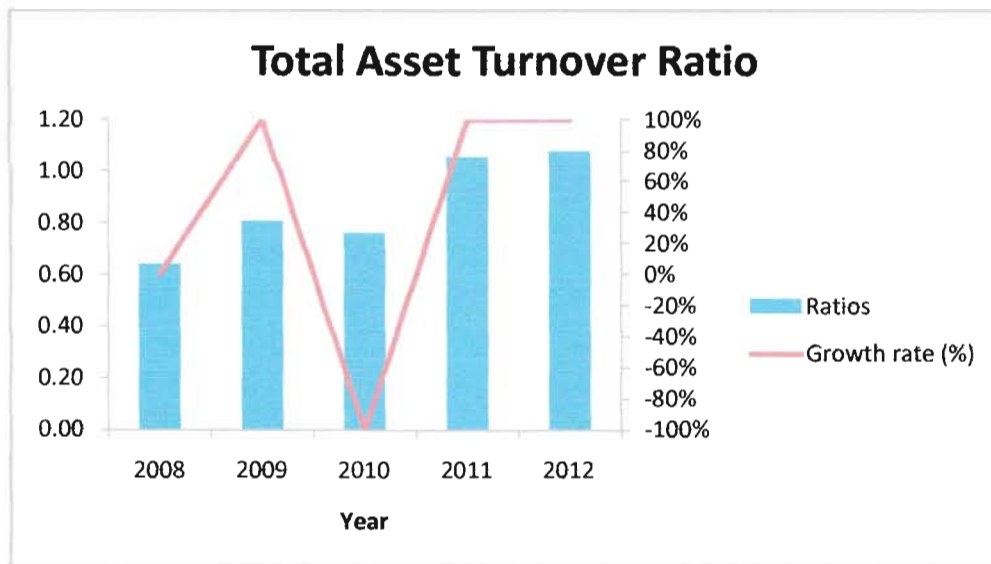
In case of average number of day's payables outstanding reflects the number of days needed to complete on payable turnover process. In 2008, the ratio was the highest with 158 days to complete one payable turnover process, which is sufficient to get more time to pay the payable and get more time to use it. In 2012 the no of days are lowest of value 92.

4) Total Asset Turnover Ratio

Table 7: Total Asset Turnover

Year	2008	2009	2010	2011	2012
Sales	4,417,580,642	5,075,626,120	6,096,627,967	9,391,822,689	8,741,773,216
Total Asset	6,909,502,400	6,302,755,459	8,029,074,592	8,854,929,578	8,082,510,063
Total Asset turnover Ratio	0.64	0.81	0.76	1.06	1.08
Growth rate (%)	-	25.96	-5.71	39.68	1.97

Source: Annual Report of Square Textile Limited (2008-2012)



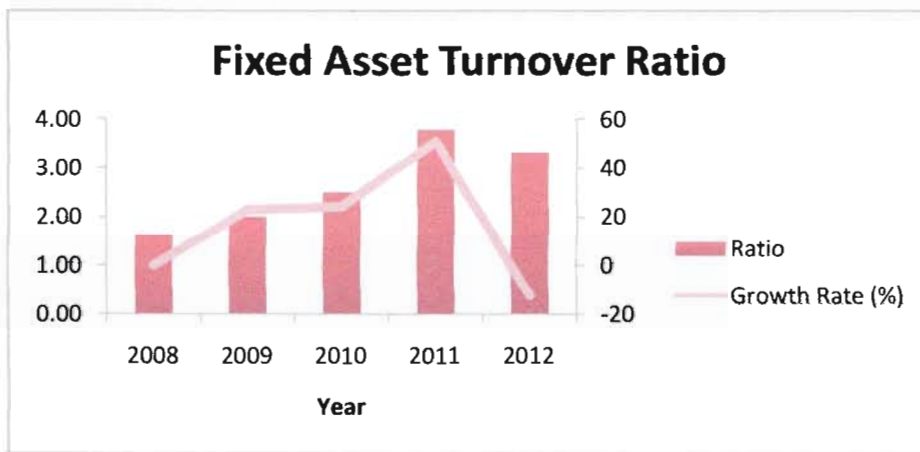
The total asset turnover has hit the lowest 0.64x in 2008 and highest 1.98x in 2012. As the total asset turnover ratio is highest in 2012 this high ratio indicates firm generates more sales by more efficiently use the asset. This is highly happened in 2012 compare to other years.

5) **Fixed Turnover Ratio**

Table 8: Fixed Asset Turnover

	2008	2009	2010	2011	2012
	4,417,580,642	5,075,626,120	6,096,627,967	9,391,822,689	8,741,773,216
	2,696,313,904	2,517,420,230	2,431,705,707	2,483,823,461	2,631,811,191
Fixed Asset Turnover Ratio	1.64	2.02	2.51	3.78	3.32
Growth Rate (%)	-	23.06	24.35	50.82	-12.16

Source: Annual Report of Square Textile Limited (2008-2012)



The ratio measures the efficiency of capital investment. The higher the ratio, the better it is. According to the graph the fixed asset turnover ratio decreased from 3.78 to 3.32, in 2012. This means in 2012, for taka 1 change in fixed asset sales generated is taka 3.32. The highest in five years was the 3.78 and the lowest fixed asset turnover ratio of 1.64 in 2008. Since then the trend shows, slowly the ratio have been increasing in 2009 and again rising in 2011 and over the time it is falling again in 2012, but within a range.

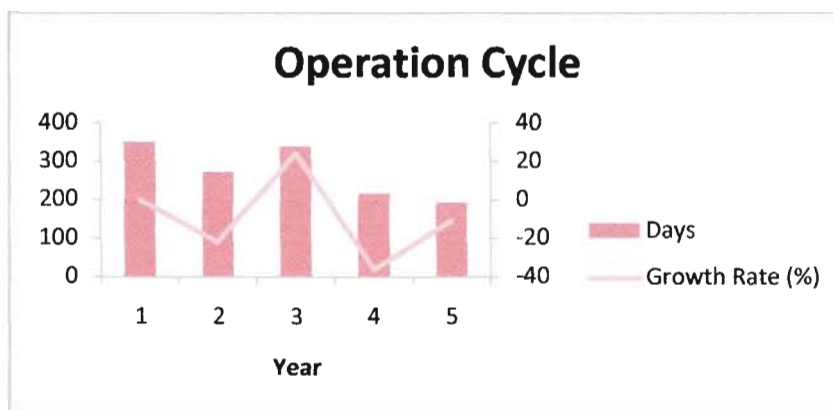
B) Liquidity Ratios: Liquidity means the ability of the firm to use its current assets to pay its short term obligations. Short-term creditors are more concern about the liquidity analysis of a firm, because they want to know that whether a firm has ability to pay its short term obligation in-time or not.

1) Operating Cycle

Table 9: Operating Cycle

Year	2008	2009	2010	2011	2012
No of Days Inventory in stock	159	116	172	87	82
Days Sales Outstanding	192	157	167	129	111
Operating Cycle	351	273	339	217	193
Growth Rate (%)	-	-22.09	24.17	-36.07	-11.17

Source: Annual Report of Square Textile Limited (2008-2012)



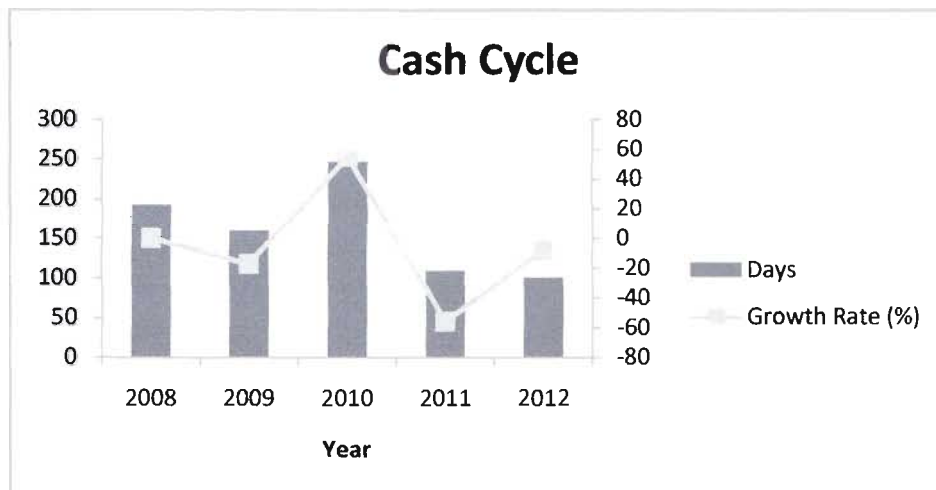
Operating cycle of a firm is the sum of the number of days it takes to sell inventory and the number of days until the resulting receivable are converted to cash. The lower the number of days is, the better the firm is. Square Textile had lowest number of days in operation cycle in year 2008 and it has highest number of days in operation cycle in 2012 which is 193 days.

2) Cash Cycle

Table 10: Cash Cycle

Year	2008	2009	2010	2011	2012
Operating Cycle	351	273	339	217	193
Days Payable Outstanding	158	114	92	107	92
Cash Cycle	193	159	247	110	101
Growth Rate (%)	-	-17.23	54.88	-55.59	-8.27

Source: Annual Report of Square Textile Limited (2008-2012)



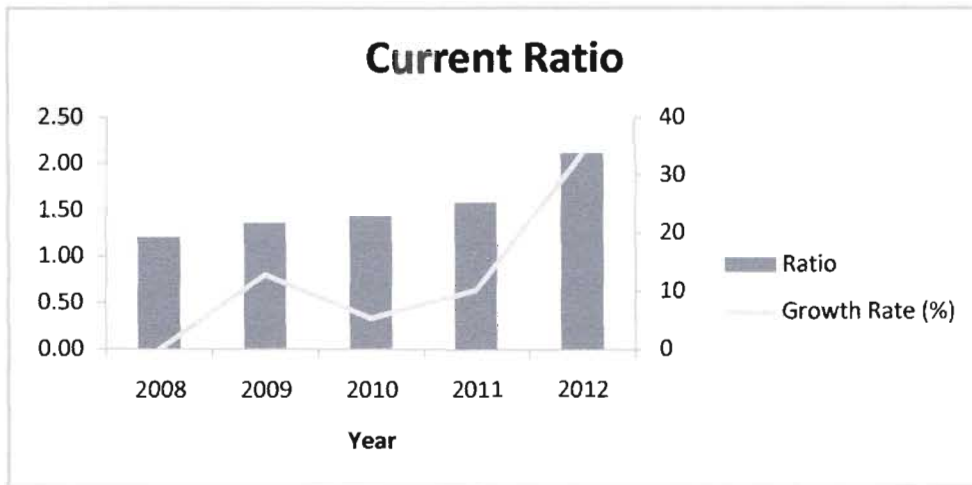
The cash cycle captures the interrelationship of sales, collections and trade credit in a manner that the individual numbers may not. The shorter the cycle, the more efficient the firm's operation and cash management; longer cycles, on the other hand, may be indicative of cash shortfalls and increased financing cost. Square textile has lowest number of days in cash cycle in 2012 which is 101 days. In 2008 financing cost of Square textile has more ratio as it had the highest 193 days in their cash cycle.

3) Current Ratio

Table 11: Current Ratio

Year	2008	2009	2010	2011	2012
Current Assets	4,213,188,496	3,785,335,229	5,597,368,885	6,371,106,117	5450698872
Current Liabilities	3,495,826,349	2,784,133,019	3,908,757,979	4,034,826,920	2,584,353,232
Current Ratio	1.21	1.36	1.43	1.58	2.11
Growth Rate (%)	-	12.81	5.32	10.27	33.57

Source: Annual Report of Square Textile Limited (2008-2012)



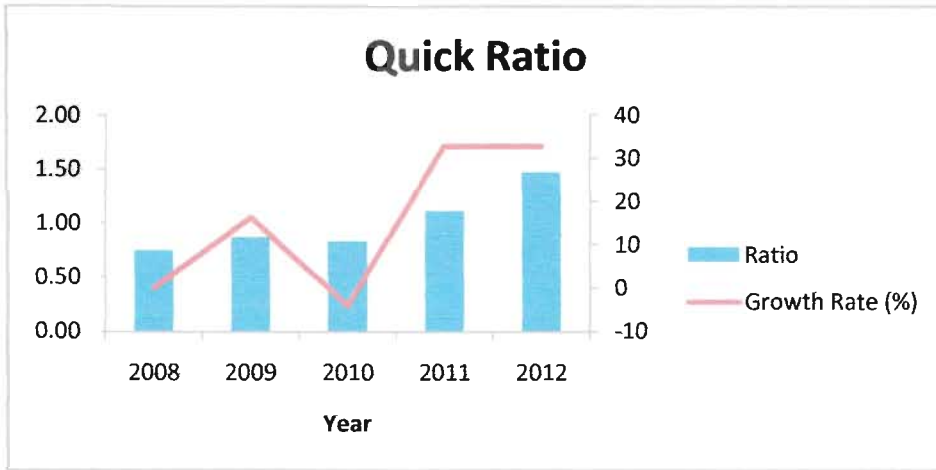
The current ratio measures ability of the company to pay its current liability using its current asset. The higher the ratio the better is the firm's liquidity position. Throughout the five years the firm's current ratio was increasing from 1.21 to 2.11. This means for every taka current liability the company more current asset compare to the previous year. Such as in 2011 with 1.58 taka of current asset it pays out 1 taka of current liability.

4) Quick Ratio

Table 12: Quick Ratio

Year	2008	2009	2010	2011	2012
Current Assets	4,213,188,496	3,785,335,229	5,597,368,885	6,371,106,117	5450698872
Current Liabilities	3,495,826,349	2,784,133,019	3,908,757,979	4,034,826,920	2,584,353,232
Inventories	1,600,950,725	1,367,504,190	2,337,729,488	1,902,471,712	1,651,754,805
Quick Ratio	0.75	0.87	0.83	1.11	1.47
Growth Rate (%)	-	16.22	-3.97	32.81	32.73

Source: Annual Report of Square Textile Limited (2008-2012)



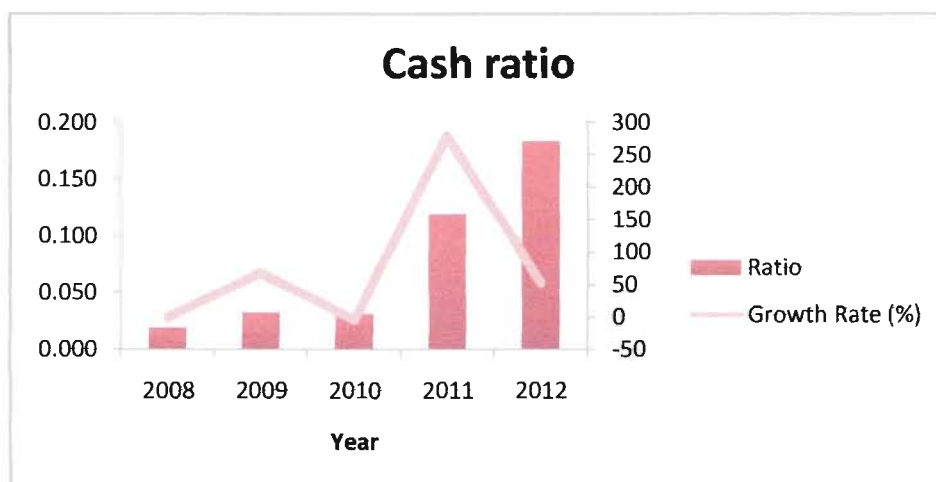
This ratio measures the ability of the firm to pay its current liability using current asset without depending of inventory and prepaid expenses. Over five years the highest is in 2012 with 1.47 i.e. to payout 1 taka liability the firm has 1.47 taka current asset without depending on inventory and prepaid expense. The liquidity position is the weakest in 2008. The quick ratio over the years has increased, which indicates firm's liquidity position is good.

5) Cash Ratio

Table 13: Cash Ratio

Year	2008	2009	2010	2011	2012
Cash	68,113,333	91,112,895	122,931,848	480,986,146	473,076,464
Current Liabilities	3,495,826,349	2,784,133,019	3,908,757,979	4,034,826,920	2,584,353,232
Cash Ratio	0.019	0.033	0.031	0.119	0.183
Growth Rate (%)	-	67.96	-3.90	279.04	53.56

Source: Annual Report of Square Textile Limited (2008-2012)



In case of quick ratio we depend on accounts receivable. Here after including only cash and cash equivalents the ratio has further gone down compared to quick ratio, hitting the lowest in 2008 with 0.019x and highest in 2012 with 0.183x. This means in 2008, for every taka of current liability there was 0.019 taka of cash and cash equivalents available. This raises a huge question on the firm's liquidity position. But it rises over the year and in 2012 it raised a little indicating improvement.

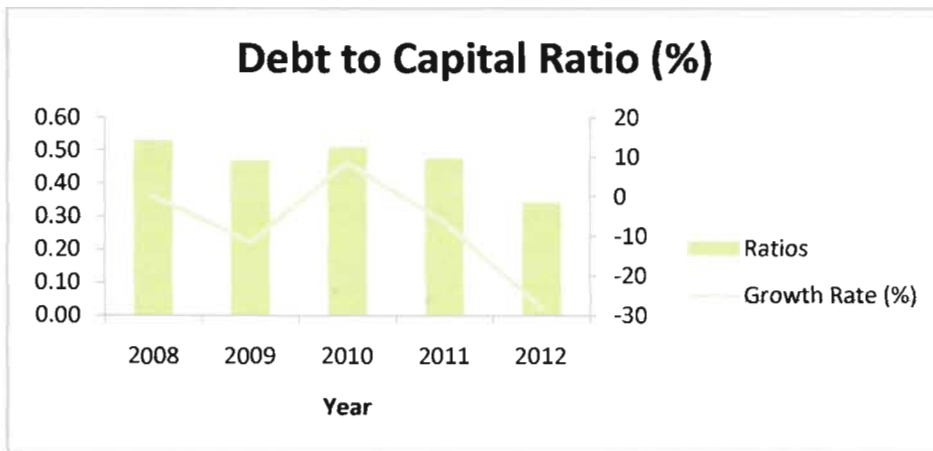
○ **Solvency Ratios:** The analysis of firm capital structure is necessary to understand long term risk and return prospect.

I) **Debt to Capital**

Table 14: Debt to Capital

Year	2008	2009	2010	2011	2012
Total Debt	3,661,952,204	2,954,615,381	4,085,667,254	4,214,863,692	2,767,812,418
Total Capital	6,909,502,400	6,302,755,459	8,029,074,592	8,854,929,578	8,082,510,063
Debt to Capital Ratio	53%	47%	51%	48%	34%
Growth Rate (%)	-	-11.55	8.55	-6.46	-28.06

Source: Annual Report of Square Textile Limited (2008-2012)



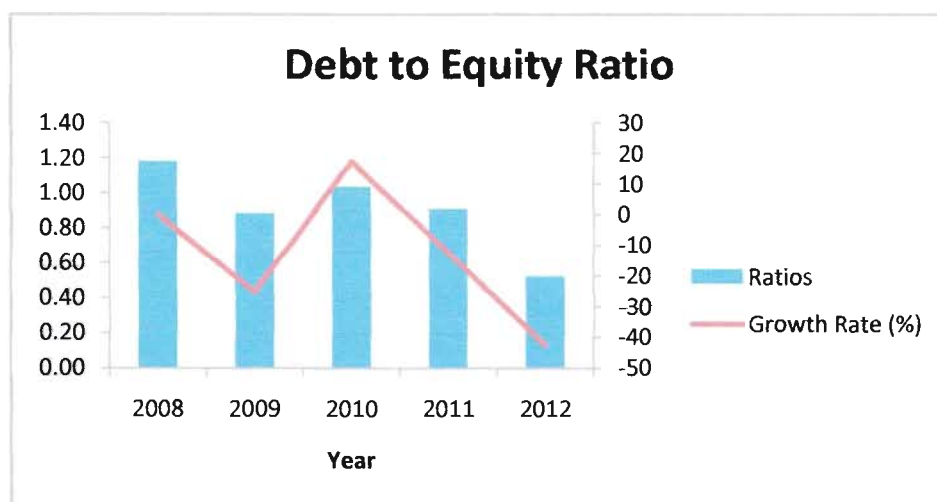
This ratio measures the proportion of the capital supplied by the creditors and dependence of the firm on external borrowing. This ratio has been decreasing at 2009, again increase at 2010 and again decrease in 2011. Over the five years the firm has a volatile ratio, but finally they have tried to manage solvency of the firm. But moreover the firm's dependency on external borrowing lies between 40% -50% over the last 5 years.

2) Debt to Equity

Table 15: Debt to Equity

Year	2008	2009	2010	2011	2012
Total Debt	3,661,952,204	2,954,615,381	4,085,667,254	4,214,863,692	2,767,812,418
Total Capital	3,099,349,824	3,346,445,128	3,940,131,862	4,635,087,878	5,308,232,046
Debt to Equity Ratio	1.18	0.88	1.04	0.91	0.52
Growth Rate (%)	-	-25.27	17.45	-12.31	-42.66

Source: Annual Report of Square Textile Limited (2008-2012)



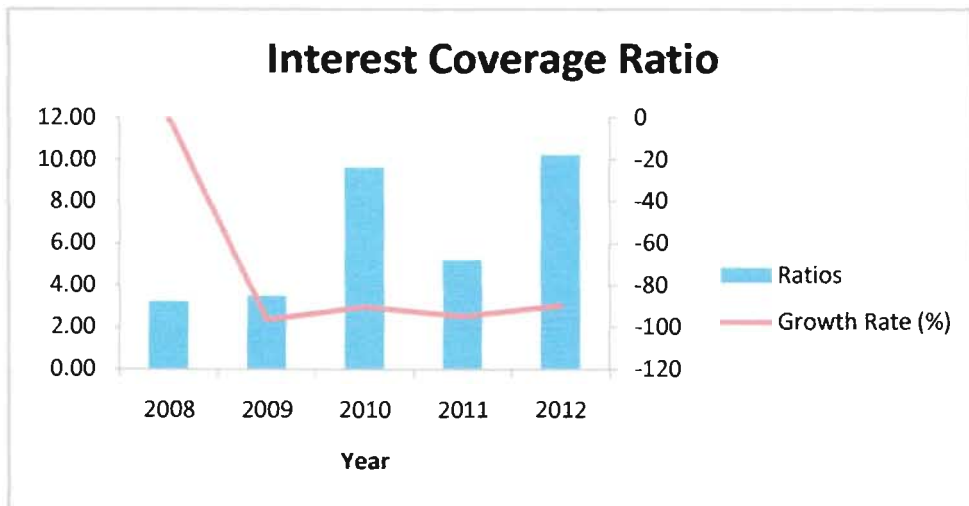
The ratio measures for every 1 taka of equity how much liability the shareholders bear. This ratio has been volatile from 2008-2012. But finally in recent years they have tried to manage liability and in 2012 for every taka of equity shareholders bear 0.52 taka as liability. This means the risk beared by shareholders decreased in 2012.

3) Interest Coverage Ratio

Table 16: Interest Coverage Ratio

Year	2008	2009	2010	2011	2012
EBIT	653,902,976	642,660,306	1,007,940,882	1,268,600,844	1,145,986,262
Interest Expense	203,735,214	184,936,794	105,175,074	245,428,390	112,424,900
Interest Coverage Ratio	3.21	3.48	9.58	5.17	10.19
Growth Rate (%)	-	-96.52	-90.42	-94.83	-89.81

Source: Annual Report of Square Textile Limited (2008-2012)



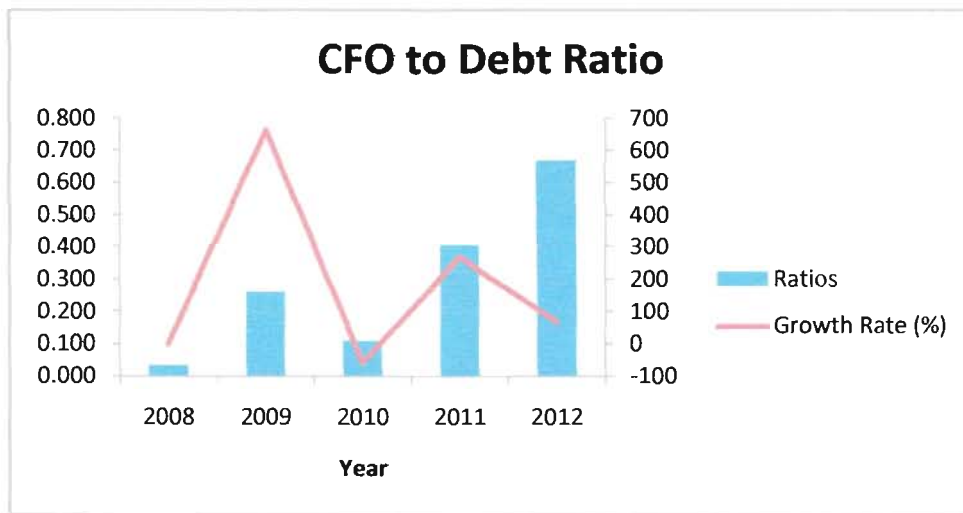
This ratio, often referred to as the Times interest earned ratio, measures the protection available to creditors as the extent to which earnings available for interest cover interest expense. In 2008 Square textile had the lowest interest coverage ratio 3.21 and in 2012 the company has the highest interest coverage ratio of value 10.19.

4) CFO to Debt Ratio

Table 17: CFO to Debt Ratio

Year	2008	2009	2010	2011	2012
CFO	124,800,600	768,703,259	448,197,662	1,698,352,865	1,851,725,900
Total Debt	3,661,952,204	2,954,615,381	4,085,667,254	4,214,863,692	2,767,812,418
CFO to Debt Ratio	0.034	0.260	0.110	0.403	0.669
Growth Rate (%)	-	663.40	-57.84	267.31	66.03

Source: Annual Report of Square Textile Limited (2008-2012)



This ratio measures how much cash flow from operation is generated to pay out the creditors. Square Textile CFO to debt ratio is constantly below 1 which indicates that the debt is always higher than the cash flow generated from core operation. In the year 2008 the ratio is lowest, this indicates in that year there was little cash outflow from the core operation.

D) Profitability Ratios: Any Shareholders or Equity Investor mostly concern with the profitability analysis of the firm, because of following three reasons:

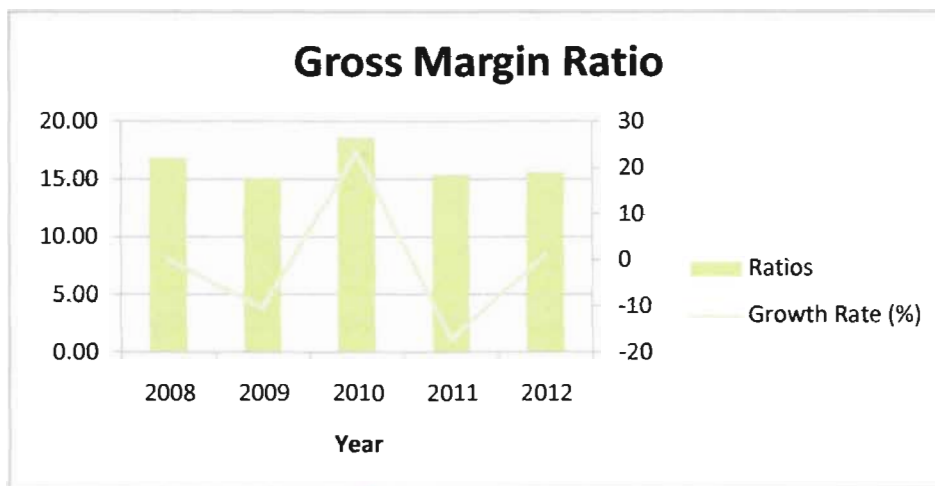
1. To earn profit,
2. To sustain profit, and
3. To increase profit.

1) Gross Margin

Table 18: Gross Margin

Year	2008	2009	2010	2011	2012
Sales	4,417,580,642	5,075,626,120	6,096,627,967	9,391,822,689	8,741,773,216
Gross Profit	745,094,210	766,810,635	1,136,094,583	1,449,738,439	1,366,112,923
Gross Margin Ratio (%)	16.87	15.11	18.63	15.44	15.63
Growth Rate (%)	-	-10.43	23.35	-17.16	1.24

Source: Annual Report of Square Textile Limited (2008-2012)



The ratio shows the relationship between the sale and manufacturing cost of the firm. The ratio indicates how efficiently the firm manages its cost of sale to generate higher profit. Therefore, higher the ratio better it is for the firm. Over the years the gross margins have decreased with a little fluctuation but at 2010 the margin has increased again at 18.63%.

2) Operating Margin

Table 19: Operating Margin

	2008	2009	2010	2011	2012
Operating Profit	4,417,580,642	5,075,626,120	6,096,627,967	9,391,822,689	8,741,773,216
Operating Profit	652,826,084	642,106,299	1,007,628,945	1,267,927,427	1,145,677,183
Operating Margin Ratio (%)	14.78	12.65	16.53	13.50	13.11
Growth Rate (%)	-	-14.39	30.65	-18.32	-2.92

Source: Annual Report of Square Textile Limited (2008-2012)



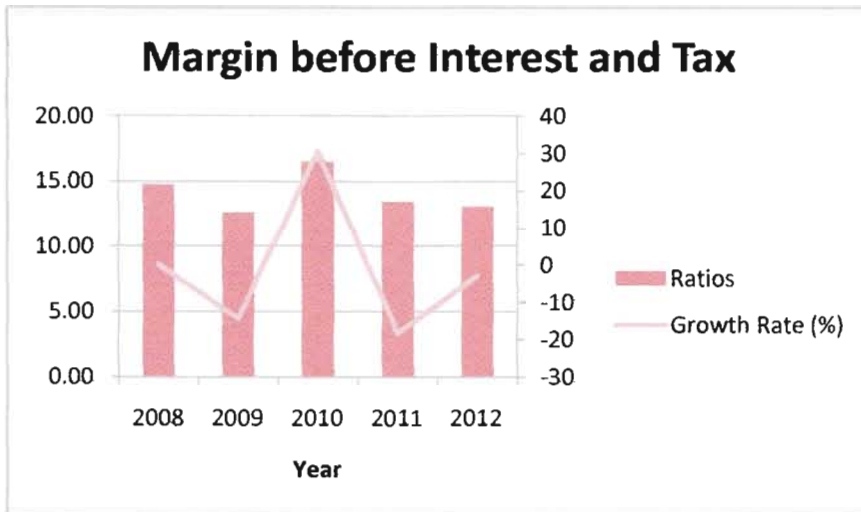
This measures the profitability of the company from firm's central operation. At 2009 ratio has shown decrease, but again it is increasing both in 2010 and 2011. These indicate the firm generates 16.53% profit from its central operation in 2010, which is the highest over the five years.

3) Margin before Interest and tax

Table 20: Margin before Interest and Tax

	2008	2009	2010	2011	2012
	4,417,580,642	5,075,626,120	6,096,627,967	9,391,822,689	8,741,773,216
	653,902,976	642,660,306	1,007,940,882	1,268,600,844	1,145,986,262
Margin before Interest & Tax (%)	14.80	12.66	16.53	13.51	13.11
Growth Rate (%)	-	-14.46	30.57	-18.30	-2.95

Source: Annual Report of Square Textile Limited (2008-2012)



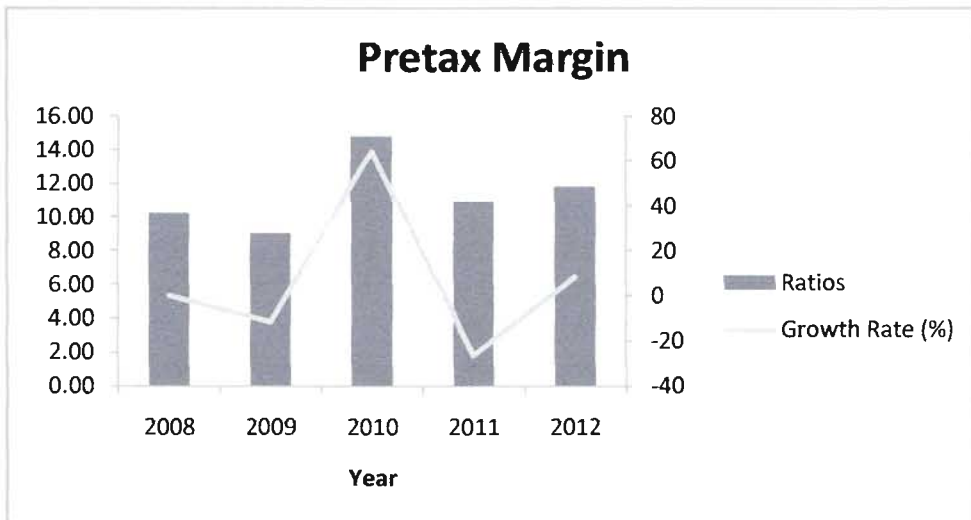
This ratio measures profitability from the firms over all operation i.e. central and peripheral operation. In these five years the ratio hit the lowest of 13.11 in the year 2012 and highest of 16.53 in 2010. This means in 2010, for every one taka of sales the company generated 16.53 taka of profit from both its central and peripheral operations.

4) Pretax Margin

Table 21: Pretax Margin

Year	2008	2009	2010	2011	2012
Sales	4,417,580,642	5,075,626,120	6,096,627,967	9,391,822,689	8,741,773,216
EBT	450,167,762	457,723,512	902,765,808	1,023,172,454	1,033,561,362
Pretax Margin (%)	10.19	9.02	14.81	10.89	11.82
Growth Rate (%)	-	-11.50	64.20	-26.43	8.53

Source: Annual Report of Square Textile Limited (2008-2012)



This measures the firm's profitability without considering the tax structure. Over the years the firm's pretax margin has increased except in 2009. After these rise and fall, finally the ratio rose back again to 11.82%.

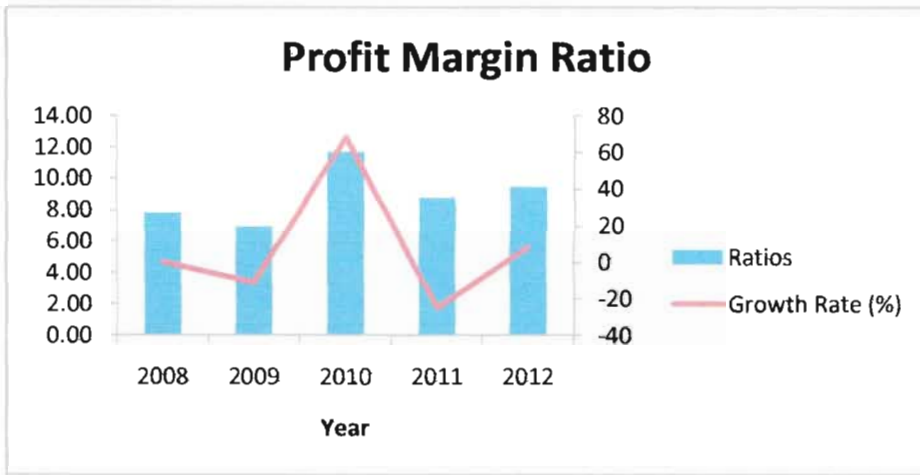
5) Profit Margin

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Table 22: Profit Margin

Year	2008	2009	2010	2011	2012
Sales	4,417,580,642	5,075,626,120	6,096,627,967	9,391,822,689	8,741,773,216
Net Income	345,667,520	352,971,383	713,161,814	824,830,674	828,993,757
Profit Margin (%)	7.82	6.95	11.70	8.78	9.48
Growth Rate (%)	-	-11.13	68.21	-24.92	7.98

Source: Annual Report of Square Textile Limited (2008-2012)



The profitability after considering tax and capital structure including all other expenses is measured by net profit margin. This indicates the firm's overall profitability net of all expenses. The ratio has been increasing over the last five years. Square Textile has highest profit value in year 2010 the value is 11.70%

6) Return on Asset

Table 23: Return on Asset

Year	2008	2009	2010	2011	2012
Total Asset	6,909,502,400	6,302,755,459	8,029,074,592	8,854,929,578	8,082,510,063
Net Income	345,667,520	352,971,383	713,161,814	824,830,674	828,993,757
ROA (%)	5.00	5.60	8.88	9.31	10.26
Growth Rate (%)	-	11.94	58.60	4.87	10.11

Source: Annual Report of Square Textile Limited (2008-2012)



This ratio measures two things: 1.the management’s ability to utilize the firm’s profit and 2. The return available to all capital providers.

Higher ratio will indicate the firm is earning more return which will go to the investors. Square Textile return on asset ratio has been going down at 2008 and again increase over the years, which is highest of 10.26% in 2012. Which means for every one taka of total asset the income generated if 10.26 taka.

7) Return on Equity

Table 24: Return on Equity

Year	2008	2009	2010	2011	2012
Total Equity	3,099,349,824	3,346,445,128	3,940,131,862	4,635,087,878	5,308,232,046
Net Income	345,667,520	352,971,383	713,161,814	824,830,674	828,993,757
ROE (%)	11.15	10.55	18.10	17.80	15.62
Growth Rate (%)	-	-5.43	71.60	-1.68	-12.24

Source: Annual Report of Square Textile Limited (2008-2012)



This ratio measures the return available to all equity holders. The income in this calculation can be income before or after tax but it must be the income after considering the interest payment. Except 2009 the ratio is increasing over the last five years.

Chapter: 5

Beximco Synthetics' Performance Analysis

In this Chapter the performance of Beximco Synthetics has been analyzed by calculating Activity, Liquidity, Solvency and Profitability ratios by collecting information from their annual report (2008-2012).

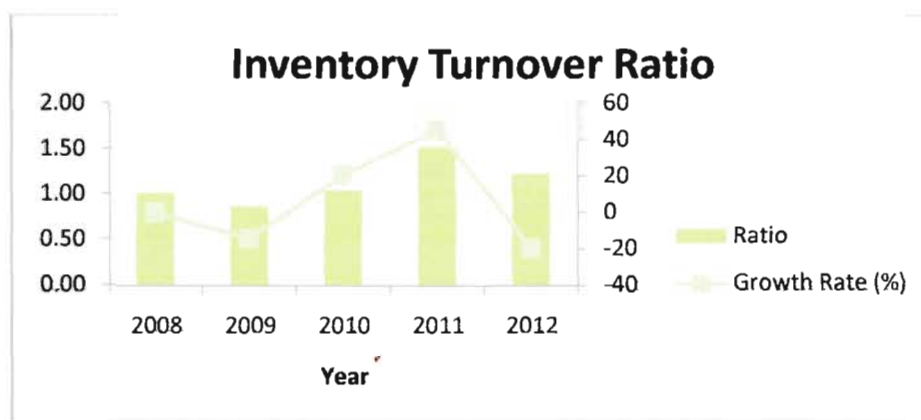
A) Activity Ratios: Activity ratios describe the relationship between the firm's level of operations (usually defined as sales) and the assets needed to sustain operating activities. The higher the ratio, the more efficient the firm's operations, as relatively fewer assets are required to support a given level of operations (sales).

1) Inventory Turnover Ratio

Table 1: Inventory turnover

	2008	2009	2010	2011	2012
Cost of Goods Sold	796,850,257	665,395,623	875,855,449	1,300,156,899	1,161,418,416
Inventories	789,637,475	767,296,947	837,904,260	854,468,643	947,588,270
Inventory turnover Ratio	1.01	0.87	1.05	1.52	1.23
Growth Rate (%)	-	-14.07	20.54	45.57	-19.45

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



Inventory turnover ratio measures the number of times inventory has been turned over in a year. As we can see from the table, the five year data of inventory turnover ratio of Beximco Synthetics Ltd, in the year 2008 it has been 1.01x and it hits the lowest 0.87x in 2009. The trend shows, after year 2008 there has been a decline and since it has been decreasing indicating that

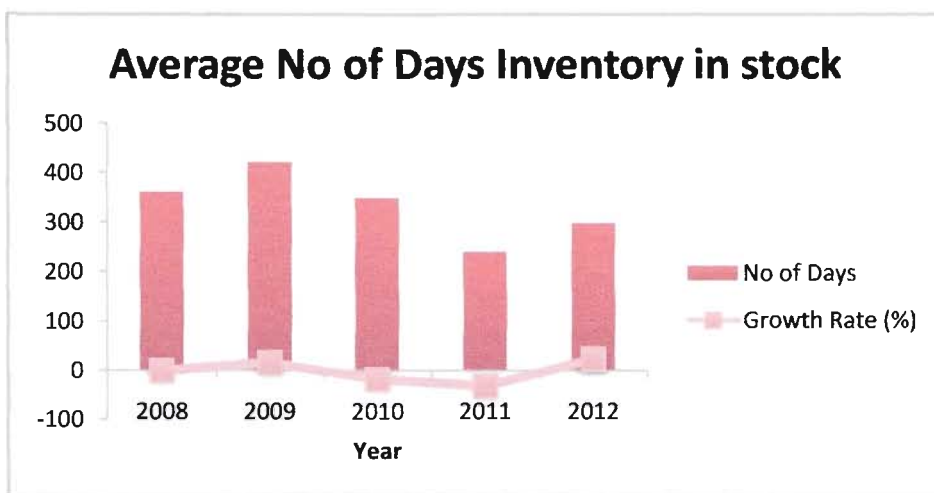
Inventory remained in stock for longer hitting the lowest in 2009. So from 2009 the ratio again started to rise in a large scale indicating progress and efficiency in inventory management.

Average Number of day's inventory in stock:

Table 2: Average Number of day's inventory in stock

Year	2008	2009	2010	2011	2012
Inventory turnover Ratio	1.01	0.87	1.05	1.52	1.23
No of Days	362	421	349	240	298
Growth Rate (%)	-	16.37	-17.04	-31.30	24.15

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



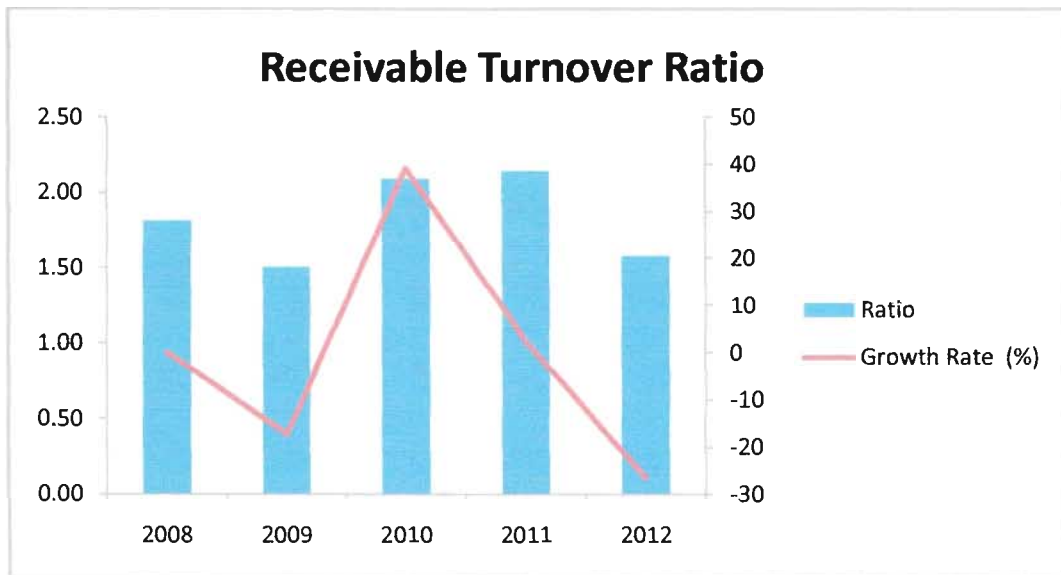
The impact of lower inventory turnover ratio reflects in average number of day's inventory in stock. Lower the ratio better. According to the data in 2009 it is higher, due to lower inventory turnover ratio, but over the time it is decreasing, due to increasing inventory turnover ratio. i.e. approximately 421 days in 2009 the highest and in 2011 it is 240 days the lowest. So over the time they became efficient to manage frequent inventory movement and completing production process quickly, as well as selling the goods quickly.

2) Receivable Turnover Ratio

Table 3: Receivable Turnover

	2008	2009	2010	2011	2012
Net Sales	932,831,738	792,781,515	1,009,552,138	1,545,017,437	1,426,752,263
Net Receivable	514,401,229	527,839,772	483,382,252	721,835,474	906,582,593
Receivable Turnover Ratio	1.81	1.50	2.09	2.14	1.57
Growth Rate (%)	-	-17.18	39.06	2.48	-26.47

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



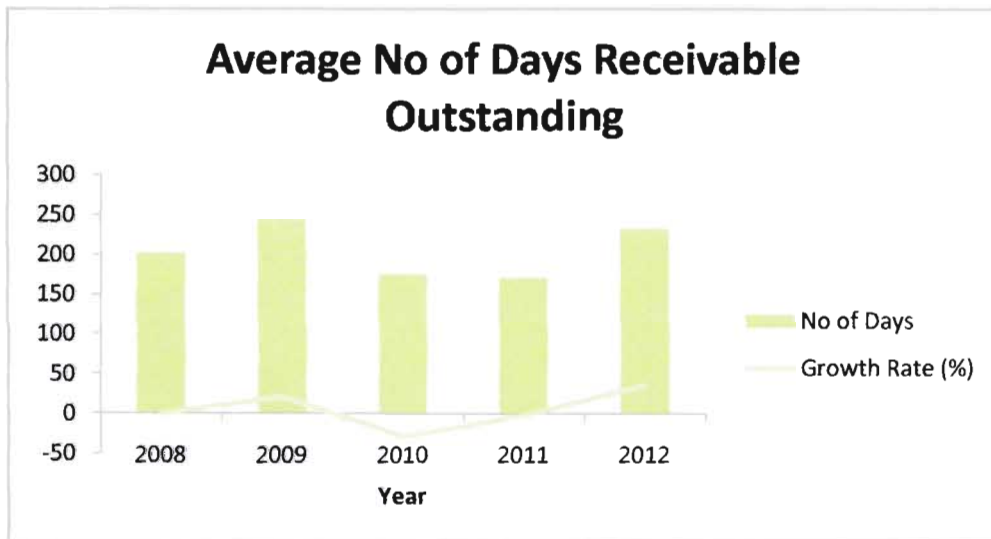
The receivable turnover ratio is same as the inventory turnover ratio. Higher this ratio, the better it is. Higher ratio indicated the cash collection will be faster. The graph of receivable turnover data shows that it has been highest in the year 2011, but over the years it remains high. The receivable turnover rates over 5 year's data indicate that cash collection process of the company is good. So the company is maintaining good cash collection process.

Average Number of day's receivable outstanding:

Table 4: Average Number of day's receivable outstanding

Year	2008	2009	2010	2011	2012
Receivable Turnover	1.81	1.50	2.09	2.14	1.57
No of Days	201	243	175	171	232
Growth Rate (%)	-	20.74	-28.09	-2.42	36.00

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



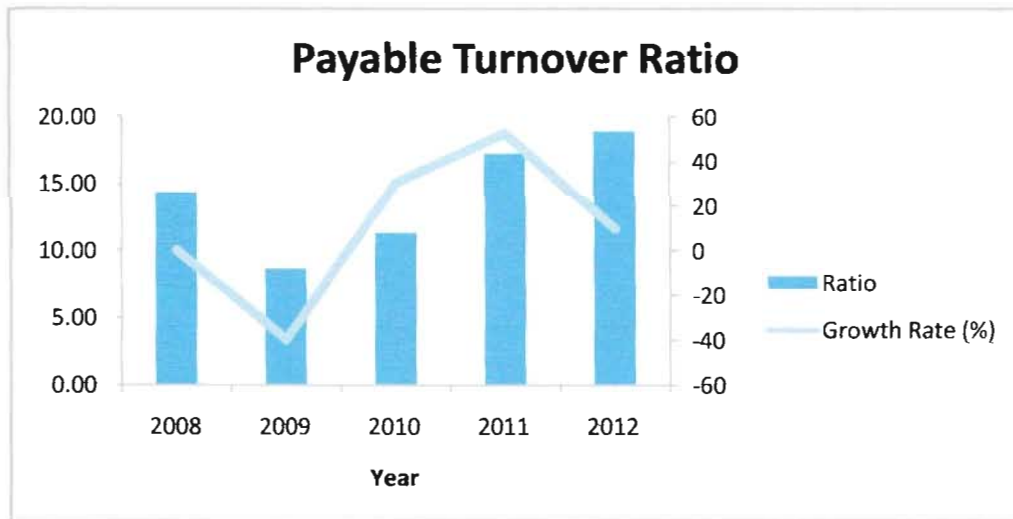
Lower the average number of day's receivable outstanding, better it is for the firm. Which indicate receivable is collected quickly. In 2011, average number of days receivable outstanding was approximately 171 days which is the lowest and the best achieved in five years. This means in 2011 the company takes 171 days on an average to complete one receivable turnover process i.e. from sale of goods to collection of receivables. The highest number of days to complete one receivable turnover process was approximately 243 days in 2009. It means the firm requires 243 days to collect the receivables after sale of goods.

3) Payable Turnover Ratio

Table 5: Payable Turnover

	2008	2009	2010	2011	2012
Payables	796,850,257	665,395,623	875,855,449	1,300,156,899	1,161,418,416
Change in Inventory	0	-22,340,528	70,607,313	16,564,383	93,119,627
Accounts Payable	54,984,784	73,826,489	83,324,900	75,948,201	66,103,676
Payable Turnover ratio	14.49	8.71	11.36	17.34	18.98
Growth Rate (%)	-	-39.90	30.40	52.63	9.47

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



Like the inventory turnover ratio, payable turnover ratio measures how frequently the payables are turned over in a year. Lower the ratio better it is for the firm. In five years scenario, at the beginning 5 years the firm has lower long term debt. Which indicates the firm's solvency regarding conduct the firm's operation. But in 2012 the company has the highest payable turnover ratio which is 18.98.

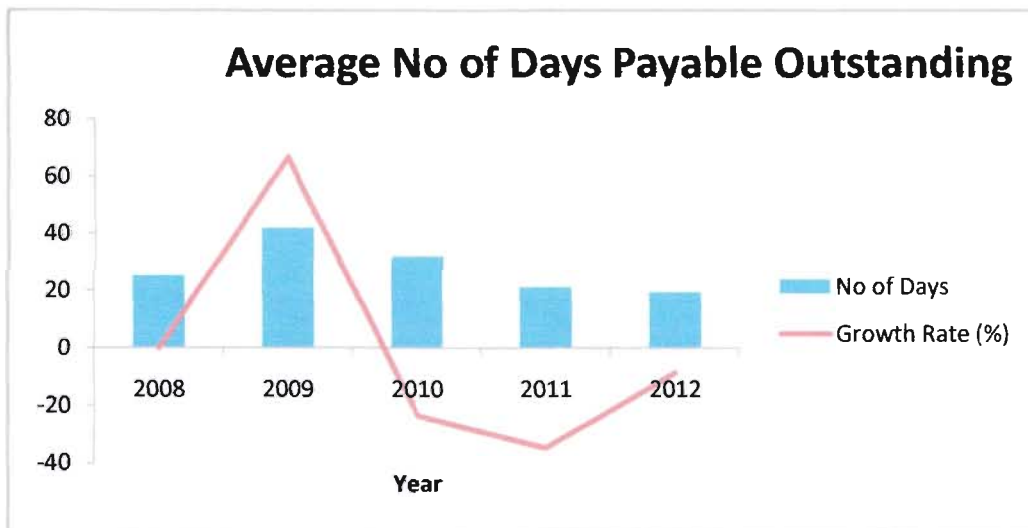
Average Number of day's payable outstanding:

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Table 6: Average Number of day's payable outstanding

Year	2008	2009	2010	2011	2012
Payable Turnover	14.49	8.71	11.36	17.34	18.98
No of Days	25	42	32	21	19
Growth Rate (%)	-	66	-23	-34	-9

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



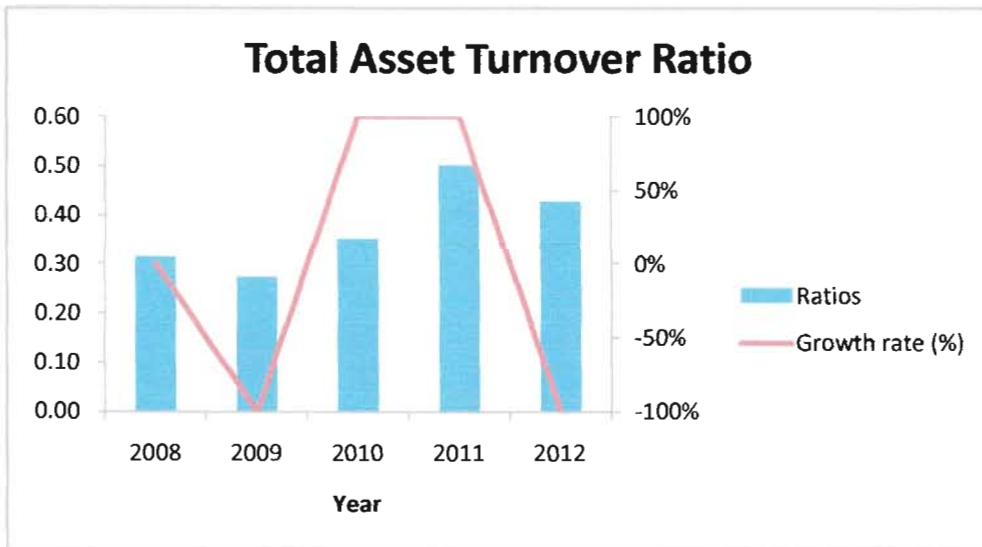
In case of average number of day's payables outstanding reflects the number of days needed to complete on payable turnover process. In 2009, the ratio is the highest with 42 days to complete one payable turnover process, which is sufficient to get more time to pay the payable and get more time to use it. In 2012 the numbers of days are lowest of value 19.

4) Total Asset Turnover Ratio

Table 7: Total Asset Turnover

	2008	2009	2010	2011	2012
Revenue	932,831,738	792,781,515	1,009,552,138	1,545,017,437	1,426,752,263
Total Asset	2,988,593,401	2,919,075,446	2,859,698,938	3,082,708,728	3,335,324,750
Total Asset turnover Ratio	0.31	0.27	0.35	0.50	0.43
Growth rate (%)	-	-12.99	29.99	41.97	-14.65

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



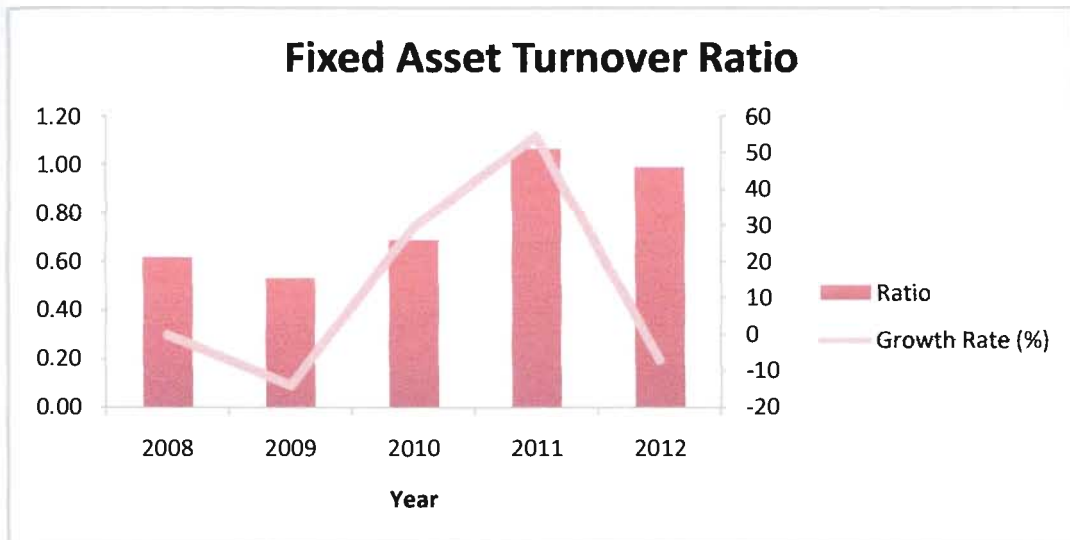
The total asset turnover has hit the lowest 0.31x in 2008 and highest 0.50x in 2011. As the total asset turnover ratio is highest in 2011 this high ratio indicates firm generates more sales by more efficiently use the asset. This is highly happened in 2011 compare to other years. So it indicates that firm is managing the asset efficiently. But in other years firm's ratio is not so high which indicates firm could not manage the asset efficiently.

5) Fixed Turnover Ratio

Table 8: Fixed Asset Turnover

	2008	2009	2010	2011	2012
	932,831,738	792,781,515	1,009,552,138	1,545,017,437	1,426,752,263
	1,508,358,739	1,489,533,171	1,465,424,394	1,451,259,573	1,441,076,281
Fixed Asset Turnover	0.62	0.53	0.69	1.06	0.99
Change (%)	-	-13.94	29.44	54.53	-7.00

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



The ratio measures the efficiency of capital investment. The higher the ratio, the better it is. According to the graph the fixed asset turnover ratio decreased from 1.06 to 0.99, in 2012. This means in 2012, for taka 1 change in fixed asset sales generated is taka 0.99. The highest in five years was the 1.06 and the lowest fixed asset turnover ratio of 0.53 in 2009. Since then the trend shows, slowly the ratio have been increasing in 2009 and again rising in 2011 and over the time it is falling again in 2012, but within a range.

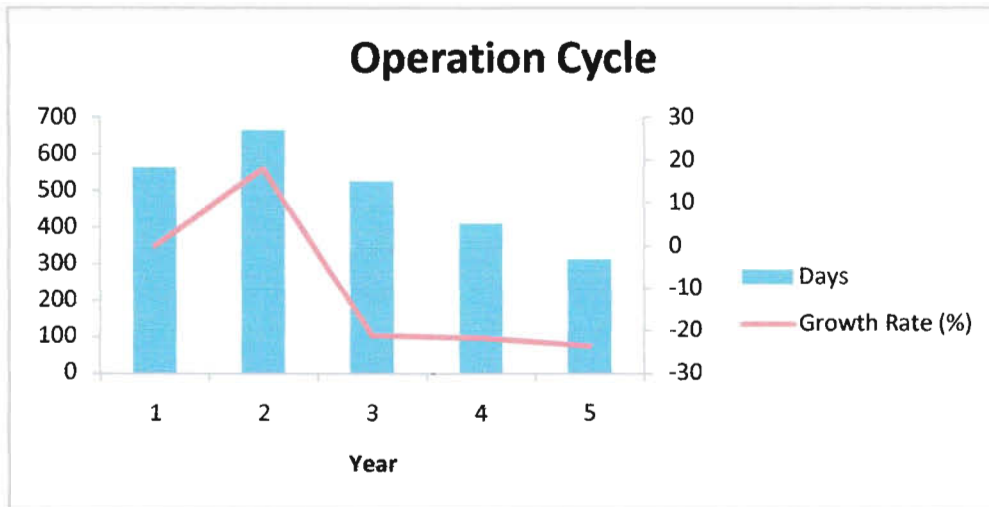
3) Liquidity Ratios: Liquidity means the ability of the firm to use its current assets to pay its short term obligations. Short-term creditors are more concern about the liquidity analysis of a firm, because they want to know that whether a firm has ability to pay its short term obligation in-time or not.

D) Operating Cycle

Table 9: Operating Cycle

Year	2008	2009	2010	2011	2012
No of Days Inventory in stock	362	421	349	240	82
Days Sales Outstanding	201	243	175	171	232
Operating Cycle	563	664	524	410	314
Growth Rate (%)	-	17.93	-21.08	-21.67	-23.57

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



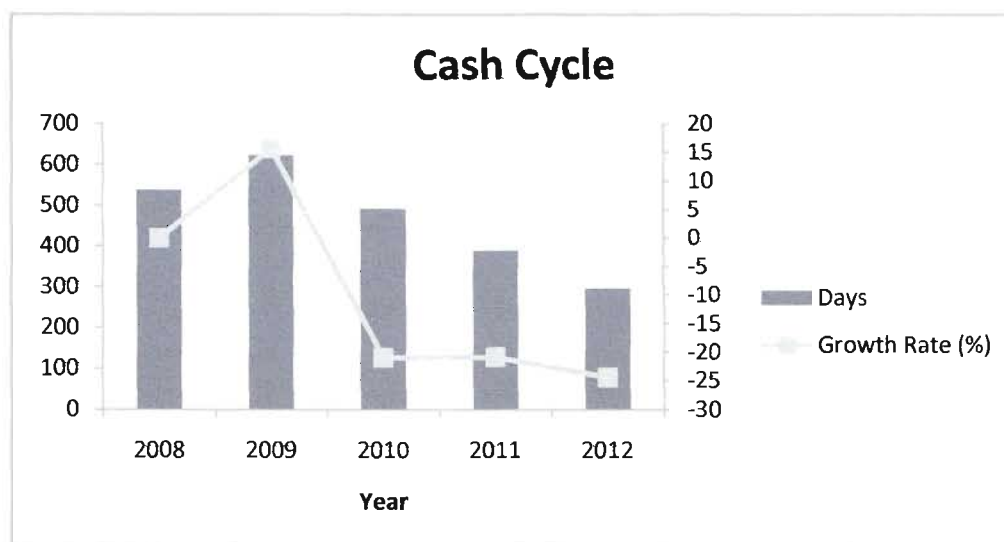
Operating cycle of a firm is the sum of the number of days it takes to sell inventory and the number of days until the resulting receivable are converted to cash. The lower the number of days is, the better the firm is. Beximco Synthetics had lowest number of days in operation cycle in year 2012 and it has highest number of days in operation cycle in 2009 which is 664 days.

2) Cash Cycle

Table 10: Cash Cycle

Year	2008	2009	2010	2011	2012
Operating Cycle	563	664	524	410	314
Days Payable Outstanding	25	42	32	21	19
Cash Cycle	538	622	492	389	294
Growth Rate (%)	-	15.66	-20.93	-20.83	-24.38

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



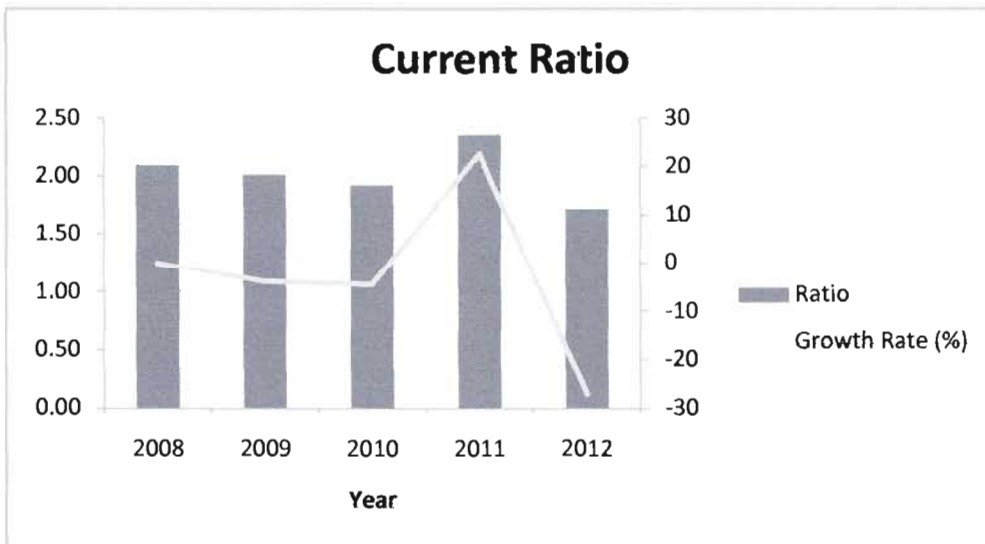
The cash cycle captures the interrelationship of sales, collections and trade credit in a manner that the individual numbers may not. The shorter the cycle, the more efficient the firm's operation and cash management; longer cycles, on the other hand, may be indicative of cash shortfalls and increased financing cost. Beximco Synthetics has lowest number of days in cash cycle in 2012 which is 294 days. In 2009 financing cost of Beximco Synthetics was more as it has the highest 622 days in their cash cycle.

3) Current Ratio

Table 11: Current Ratio

Year	2008	2009	2010	2011	2012
Current Assets	1,480,234,662	1,429,542,275	1,394,274,544	1,631,449,155	1,894,248,469
Current Liabilities	707,239,254	710,661,585	726,097,679	692,398,967	1,102,455,233
Current Ratio	2.09	2.01	1.92	2.36	1.72
Growth Rate (%)	-	-3.89	-4.54	22.71	-27.08

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



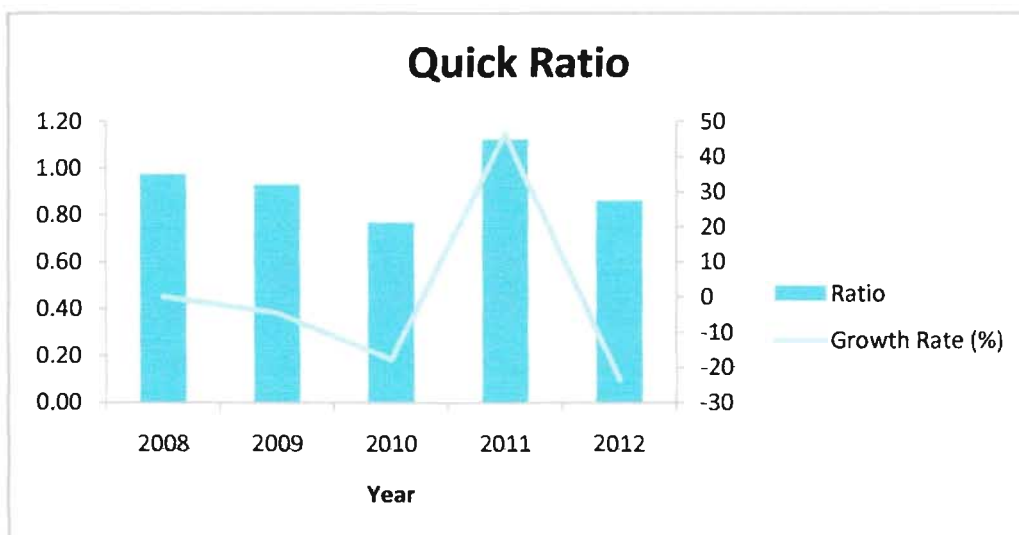
The current ratio measures ability of the company to pay its current liability using its current asset. The higher the ratio the better is the firm's liquidity position. Throughout the four years the firm's current ratio was increasing from 2.09 to 2.36. This means for every taka current liability the company more current asset compare to the previous year. But in the year 2012 Beximco has faced a drop in their current ratios.

4) Quick Ratio

Table 12: Quick Ratio

Year	2008	2009	2010	2011	2012
Current Assets	1,480,234,662	1,429,542,275	1,394,274,544	1,631,449,155	1,894,248,469
Current Liabilities	707,239,254	710,661,585	726,097,679	692,398,967	1,102,455,233
Inventories	789,637,475	767,296,947	837,904,260	854,468,643	947,588,270
Quick Ratio	0.98	0.93	0.77	1.12	0.86
Growth Rate (%)	-	-4.57	-17.77	46.45	-23.48

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



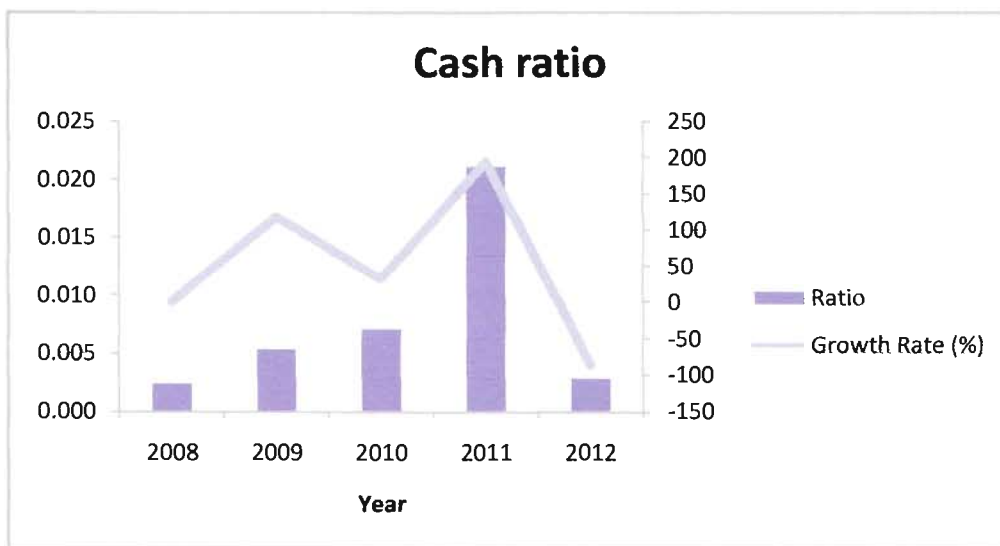
This ratio measures the ability of the firm to pay its current liability using current asset without depending of inventory and prepaid expenses. Over five years the highest is in 2011 with 1.12 i.e. to payout 1 taka liability the firm has 1.12 taka current asset without depending on inventory and prepaid expense. The liquidity position is the weakest in 2010. The quick ratio over the years is in a volatile position.

5) Cash Ratio

Table 13: Cash Ratio

Year	2008	2009	2010	2011	2012
Cash	1,768,293	3,876,722	5,231,582	14,693,819	3,277,873
Current Liabilities	707,239,254	710,661,585	726,097,679	692,398,967	1,102,455,233
Cash Ratio	0.003	0.005	0.007	0.021	0.003
Growth Rate (%)	-	118.18	32.08	194.54	-85.99

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



In case of quick ratio we depend on accounts receivable. Here after including only cash and cash equivalents the ratio has further gone down compared to quick ratio, hitting the lowest in 2008 with 0.003x and highest in 2011 with 0.021x. This means in 2008, for every taka of current liability there was 0.003 taka of cash and cash equivalents available. This raises a huge question on the firm's liquidity position. But it rises over the year and in 2011 it raised more.

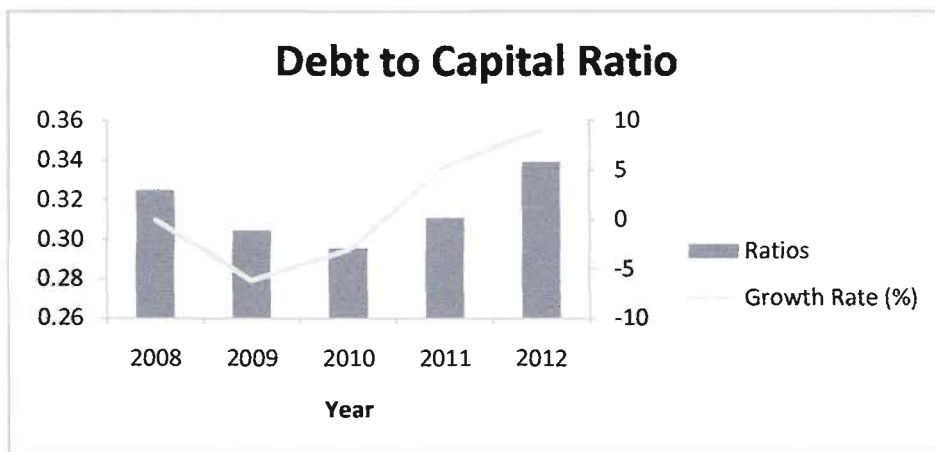
Solvency Ratios: The analysis of firm capital structure is necessary to understand long term risk and return prospect.

I) Debt to Capital

Table 14: Debt to Capital

Year	2008	2009	2010	2011	2012
Total Debt	970,827,107	889,653,204	844,388,420	959,222,038	1,131,394,378
Total Capital	2,988,593,401	2,919,075,446	2,859,698,938	3,082,708,728	3,335,324,750
Debt to Capital Ratio	0.32	0.30	0.30	0.31	0.34
Growth Rate (%)	-	-6.18	-3.12	5.38	9.02

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



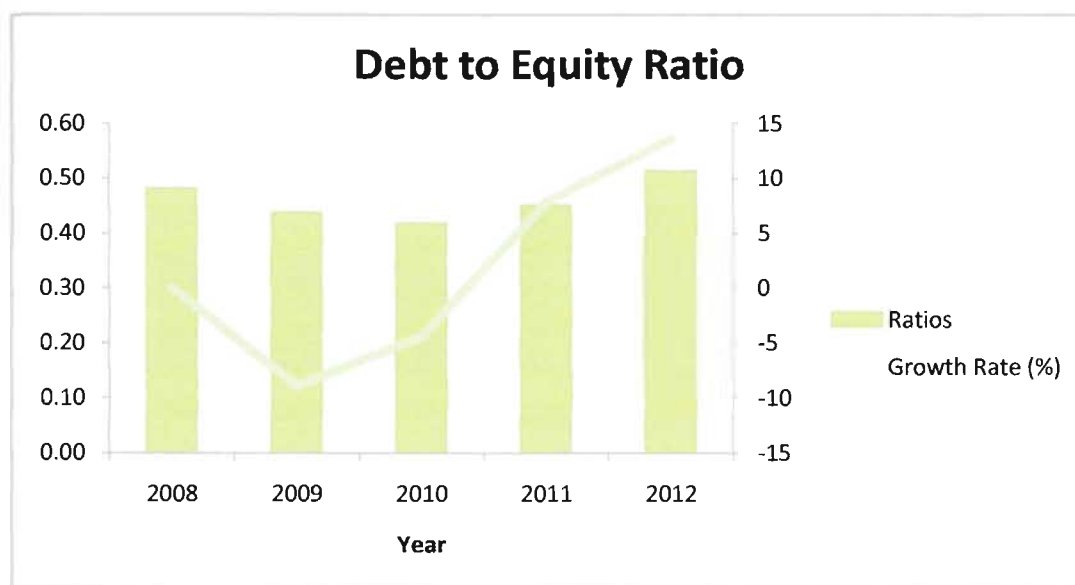
This ratio measures the proportion of the capital supplied by the creditors and dependence of the firm on external borrowing. This ratio has been decreasing at 2009, again increase at 2011. Over the five years the firm has a volatile ratio, but finally they have tried to manage solvency of the firm. But moreover the firm's dependency on external borrowing lies between 30% -35% over the last 5 years.

2) Debt to Equity

Table 15: Debt to Equity

Year	2008	2009	2010	2011	2012
Total Debt	970,827,107	889,653,204	844,388,420	959,222,038	1,131,394,378
Total Equity	2,017,766,294	2,029,422,242	2,015,310,518	2,123,486,690	2,203,930,372
Debt to Equity Ratio	0.48	0.44	0.42	0.45	0.51
Growth Rate (%)	-	-8.89	-4.42	7.81	13.64

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



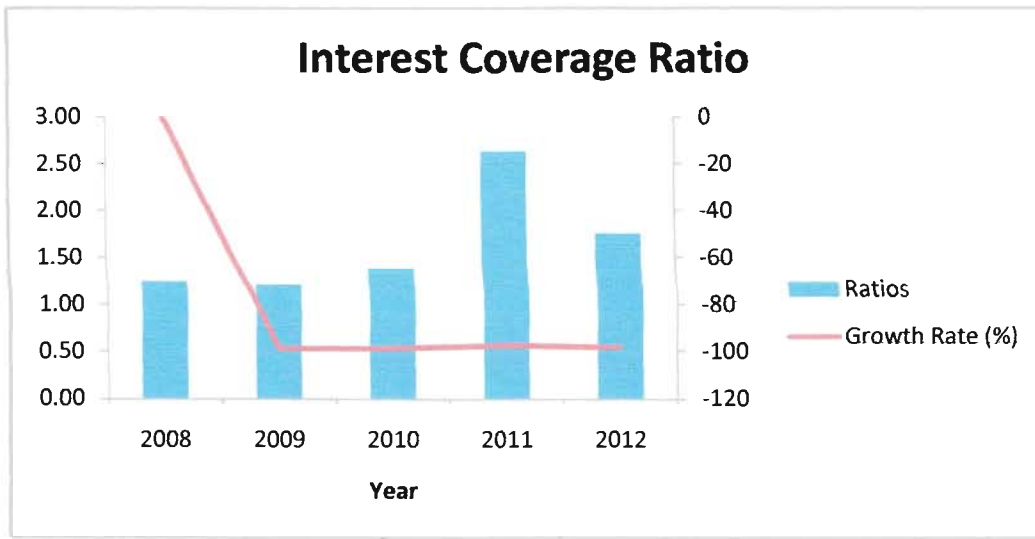
The ratio measures for every 1 taka of equity how much liability the shareholders bear. This ratio has been quite stable from 2008-2012. In 2012 for every taka of equity shareholders bear 0.51 taka as liability. This means the risk beared by shareholders increased in 2012. That means shareholders have to bear more liability.

Interest Coverage Ratio

Table 16: Interest Coverage Ratio

Year	2008	2009	2010	2011	2012
EBIT	122,655,987	114,193,822	117,841,745	225,272,660	244,915,143
Interest Expense	99,327,085	94,865,888	85,649,980	85,562,149	139,499,076
Interest Coverage Ratio	1.23	1.20	1.38	2.63	1.76
Growth Rate (%)	-	-98.80	-98.62	-97.37	-98.24

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



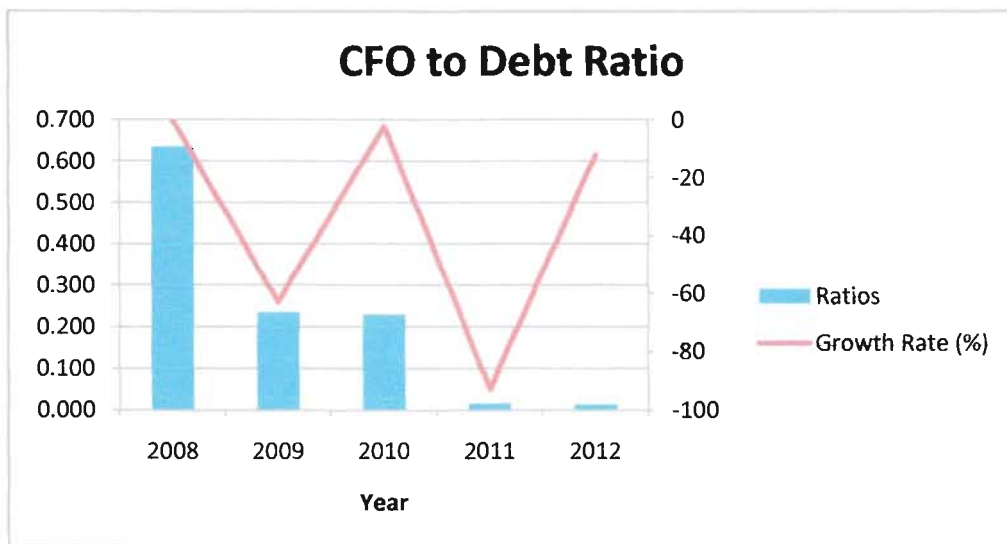
This ratio, often referred to as the Times interest earned ratio, measures the protection available to creditors as the extent to which earnings available for interest cover interest expense. In 2008 Beximco Synthetics had the lowest interest coverage ratio 1.23 and in 2011 the company has the highest interest coverage ratio of value 2.63.

4 CFO to Debt Ratio

Table 17: CFO to Debt Ratio

Year	2008	2009	2010	2011	2012
CFO	616,252,588	208,735,938	193,518,465	15,833,834	16,389,512
Total Debt	970,827,107	889,653,204	844,388,420	959,222,038	1,131,394,378
CFO to Debt Ratio	0.635	0.235	0.229	0.017	0.014
Growth Rate (%)	-	-63.04	-2.32	-92.80	-12.24

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



This ratio measures how much cash flow from operation is generated to pay out the creditors. Beximco Synthetics CFO to debt ratio is constantly below 1 which indicates that the debt is always higher than the cash flow generated from core operation. In the year 2008 the ratio is the highest, this indicates in that year there was more cash outflow from the core operation.

D) Profitability Ratios: Any Shareholders or Equity Investor mostly concern with the profitability analysis of the firm, because of following three reasons:

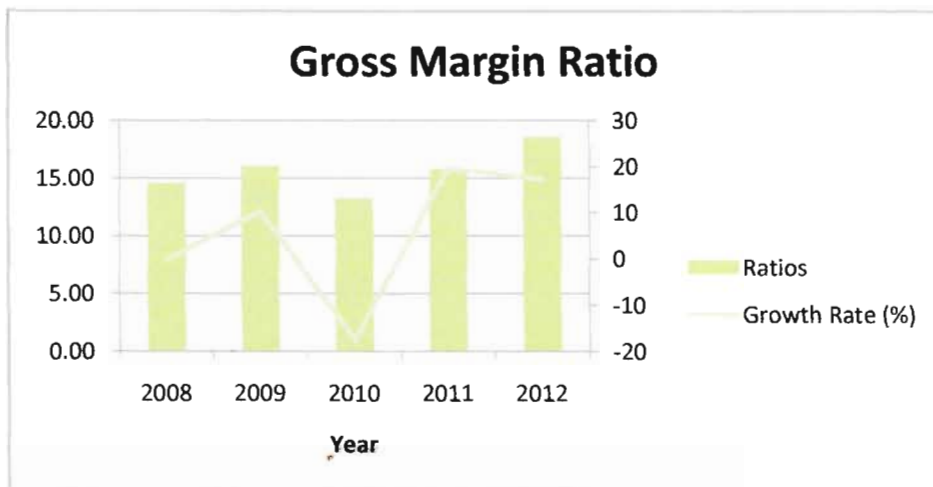
1. To earn profit,
2. To sustain profit, and
3. To increase profit.

1) Gross Margin

Table 18: Gross Margin

Year	2008	2009	2010	2011	2012
Sales	932,831,738	792,781,515	1,009,552,138	1,545,017,437	1,426,752,263
Gross Profit	135,981,481	127,385,892	133,696,689	244,860,538	265,333,847
Gross Margin Ratio (%)	14.58	16.07	13.24	15.85	18.60
Growth Rate (%)	-	10.23	-17.58	19.67	17.34

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



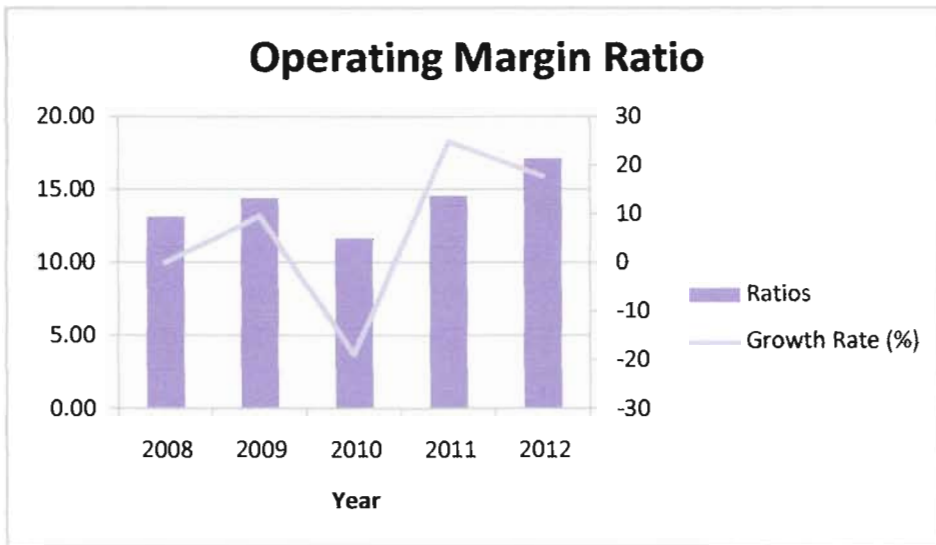
The ratio shows the relationship between the sale and manufacturing cost of the firm. The ratio indicates how efficiently the firm manages its cost of sale to generate higher profit. Therefore, higher the ratio better it is for the firm. Over the years the gross margins have decreased with a little fluctuation but at 2012 the margin has increased again at 18.60%.

2) Operating Margin

Table 19: Operating Margin

	2008	2009	2010	2011	2012
Operating Profit	932,831,738	792,781,515	1,009,552,138	1,545,017,437	1,426,752,263
Operating Margin Ratio (%)	13.15	14.40	11.67	14.58	17.17
Growth Rate (%)	-	9.55	-18.96	24.91	17.73

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



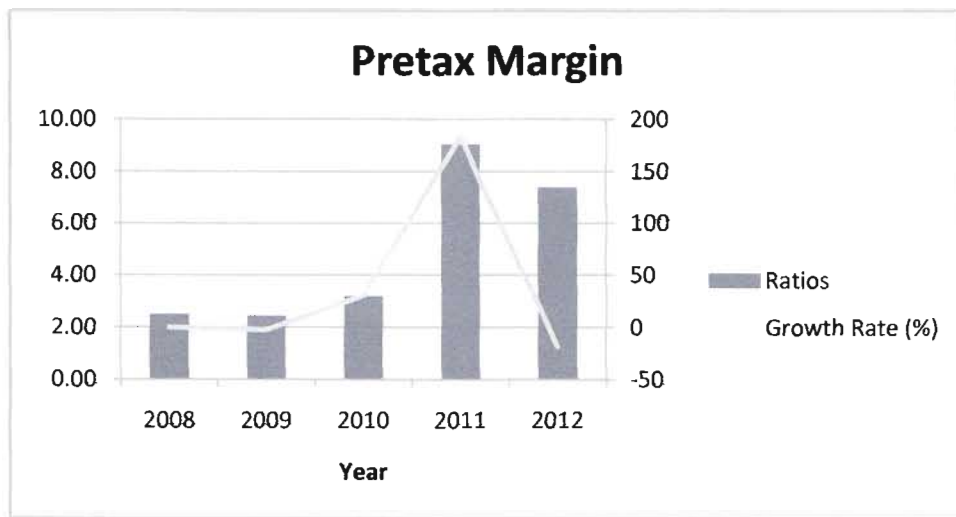
This measures the profitability of the company from firm's central operation. At 2010 ratio has shown decrease, but again it is increasing both in 2011 and 2012. These indicate the firm generates 17.17% profit from its central operation in 2012, which is the highest over the five years.

3) Pretax Margin

Table 20: Pretax Margin

	2008	2009	2010	2011	2012
Revenue	932,831,738	792,781,515	1,009,552,138	1,545,017,437	1,426,752,263
EBIT	23,328,902	19,327,934	32,191,765	139,710,511	105,416,067
Pretax Margin (%)	2.50	2.44	3.19	9.04	7.39
Growth Rate (%)	-	-2.51	30.79	183.58	-18.29

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



This measures the firm's profitability without considering the tax structure. Over the years the firm's pretax margin has increased except in 2012. In 2012 the pretax margin was 7.39%, which has negative growth rate compared to previous year.

4) Profit Margin

Table 21: Profit Margin

Year	2008	2009	2010	2011	2012
Sales	932,831,738	792,781,515	1,009,552,138	1,545,017,437	1,426,752,263
Net Income	18,885,302	11,655,948	27,474,123	108,176,172	80,443,682
Profit Margin (%)	2.02	1.47	2.72	7.00	5.64
Growth Rate (%)	-	-27.38	85.10	157.28	-19.47

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



The profitability after considering tax and capital structure including all other expenses is measured by net profit margin. This indicates the firm's overall profitability net of all expenses.

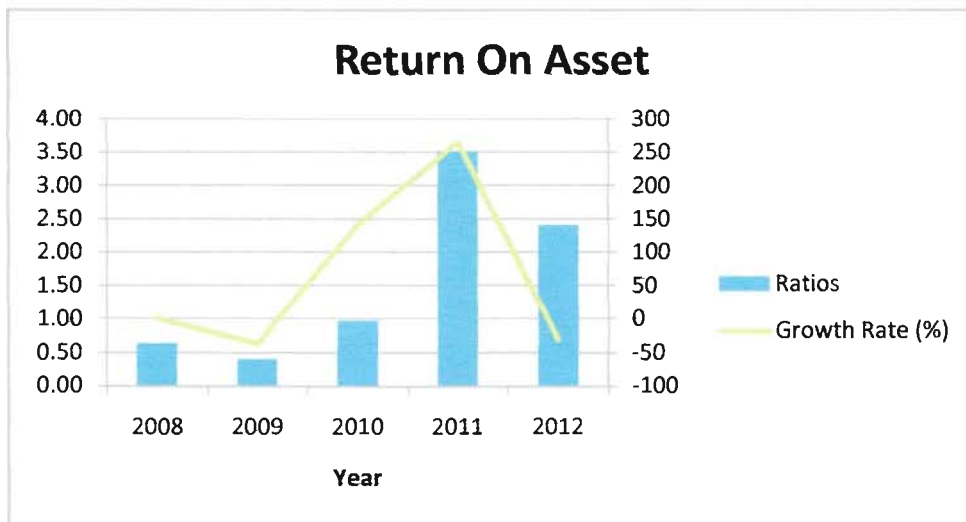
The ratio has been increasing over the last five years. Beximco Synthetics has highest profit value in year 2011 the value is 7%.

5) Return on Asset

Table 22: Return on Asset

Year	2008	2009	2010	2011	2012
Total Asset	2,988,593,401	2,919,075,446	2,859,698,938	3,082,708,728	3,335,324,750
Net Income	18,885,302	11,655,948	27,474,123	108,176,172	80,443,682
ROA(%)	0.63	0.40	0.96	3.51	2.41
Growth Rate (%)	-	-36.81	140.60	265.25	-31.27

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



This ratio measures two things: 1. the management's ability to utilize the firm's profit and 2. The return available to all capital providers.

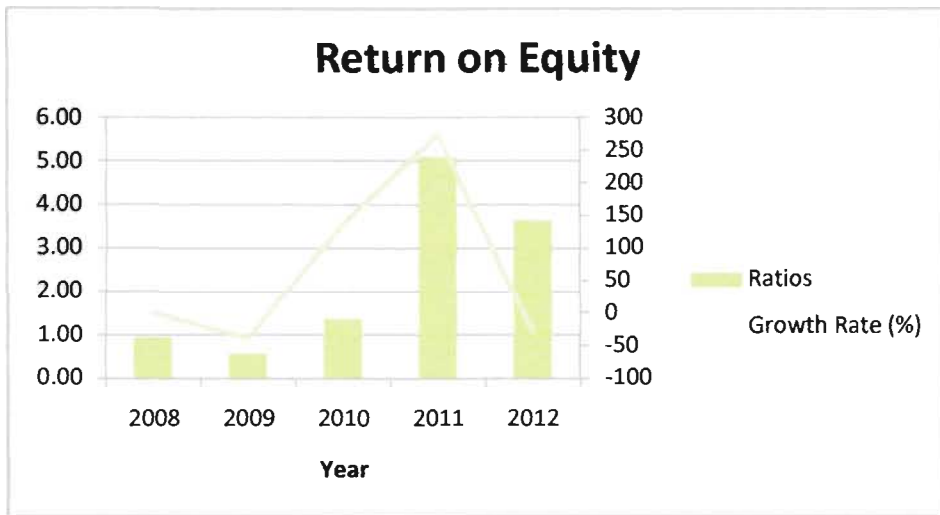
Higher ratio will indicate the firm is earning more return which will go to the investors. Beximco Synthetics return on asset ratio has been going down at 2008 and again increase over the years, which is highest of 3.51% in 2011. Which means for every one taka of total asset the income generated if 3.51 taka.

6) Return on Equity

Table 23: Return on Equity

Year	2008	2009	2010	2011	2012
Total Equity	2,017,766,294	2,029,422,242	2,015,310,518	2,123,486,690	2,203,930,372
Net Income	18,885,302	11,655,948	27,474,123	108,176,172	80,443,682
ROE (%)	0.94	0.57	1.36	5.09	3.65
Growth Rate (%)	-	-38.63	137.36	273.68	-28.35

Source: Annual Report of Beximco Synthetics Limited (2008-2012)



This ratio measures the return available to all equity holders. The income in this calculation can be income before or after tax but it must be the income after considering the interest payment. Except 2012 the ratio is increasing over the last five years. In 2011 return on equity of Beximco Synthetics is the highest, 5.09%.

In this Chapter the performance of Sonargaon Textile has been analyzed by calculating Activity, Liquidity, Solvency and Profitability ratios by collecting information from their annual report (2008-2012).

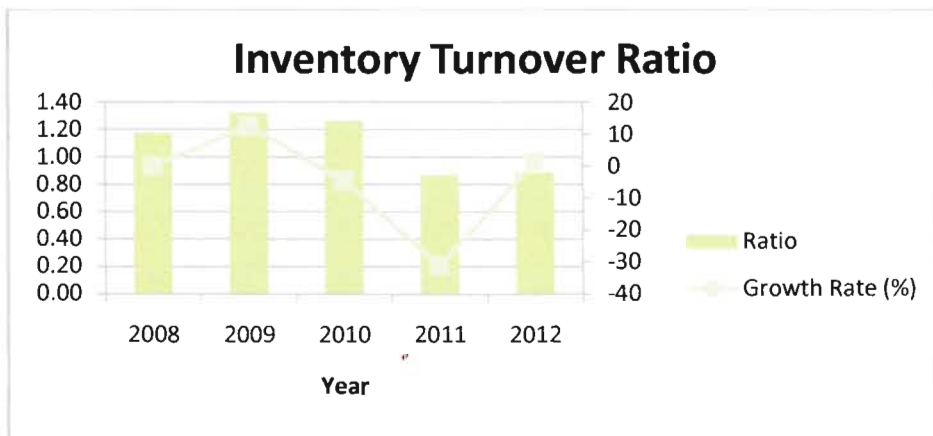
Activity Ratios: Activity ratios describe the relationship between the firm's level of operations (usually defined as sales) and the assets needed to sustain operating activities. The higher the ratio, the more efficient the firm's operations, as relatively fewer assets are required to support a given level of operations (sales).

1) Inventory Turnover Ratio

Table 1: Inventory turnover

	2008	2009	2010	2011	2012
Cost of Goods Sold	572,939,213	596,341,076	614,271,454	661,298,258	714,569,029
Average Inventory	487,325,468	450,906,860	486,266,658	759,871,855	807,615,858
Inventory Turnover Ratio	1.18	1.32	1.26	0.87	0.88
Growth Rate (%)	-	12.49	-4.48	-31.11	1.67

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



Inventory turnover ratio measures the number of times inventory has been turned over in a year. As we can see from the table, the five year data of inventory turnover ratio of Sonargaon Textile Ltd. in the year 2008 it has been 1.18x and it hits the lowest 0.87x in 2011. The trend shows,

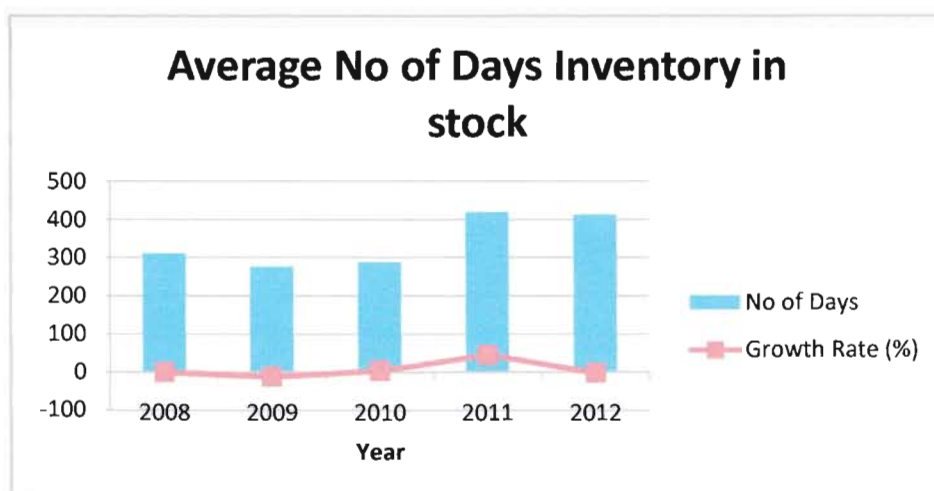
After year 2008 there has been a decline and since it has been decreasing indicating that inventory remained in stock for longer hitting the lowest in 2011.

Average Number of day's inventory in stock:

Table 2: Average Number of day's inventory in stock

Year	2008	2009	2010	2011	2012
Inventory turnover Ratio	1.18	1.32	1.26	0.87	0.88
No of Days	310	276	289	419	413
Growth Rate (%)	-	-11.10	4.69	45.15	-1.64

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



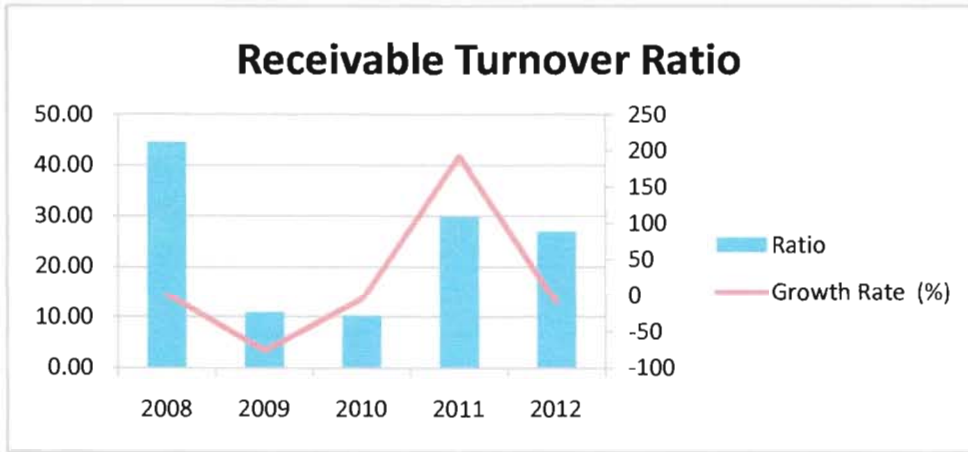
The impact of lower inventory turnover ratio reflects in average number of day's inventory in stock. Lower the ratio better. According to the data in 2011 it is the highest, due to lower inventory turnover ratio, but over the time it is decreasing, due to increasing inventory turnover ratio. i.e. approximately 419 days in 2011 the highest and in 2009 it is 276 days the lowest. So over the time they are not that much efficient to manage frequent inventory movement and completing production process quickly.

D) Receivable Turnover Ratio

Table 3: Receivable Turnover

	2008	2009	2010	2011	2012
Net Sales	651,097,600	693,496,591	724,013,901	781,963,868	821,574,671
Net Receivable	14,645,426	64,106,736	70,761,406	26,161,824	30,523,807
Receivable Turnover Ratio	44.46	10.82	10.23	29.89	26.92
Growth Rate (%)	-	-75.67	-5.42	192.12	-9.95

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



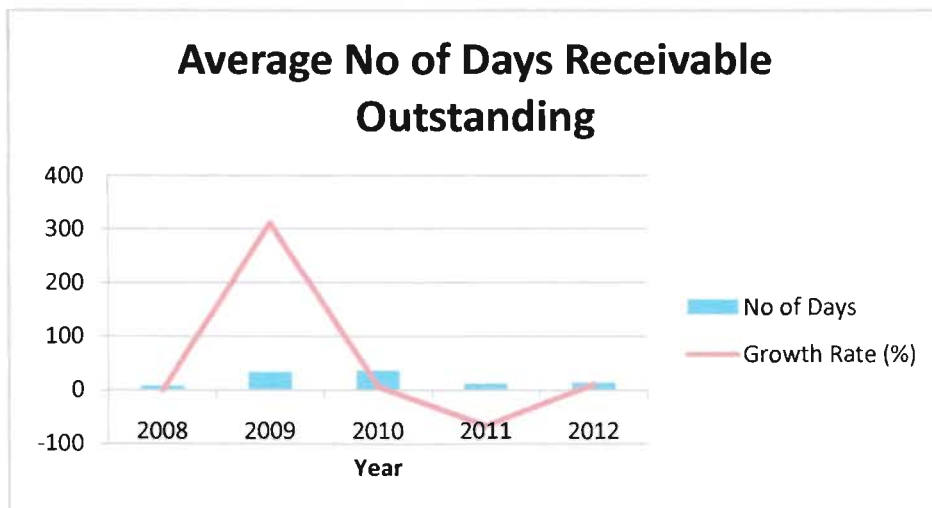
The receivable turnover ratio is same as the inventory turnover ratio. Higher this ratio, the better it is. Higher ratio indicated the cash collection will be faster. The graph of receivable turnover data shows that it has been highest in the year 2008, but over the years it remains low. The receivable turnover rates over 5 year's data indicate that cash collection process of the company is not good. So the company should be efficient in maintaining good cash collection process.

Average Number of day's receivable outstanding:

Table 4: Average Number of day's receivable outstanding

Year	2008	2009	2010	2011	2012
Receivable Turnover	44.46	10.82	10.23	29.89	26.92
No of Days	8	34	36	12	14
Growth Rate (%)	-	310.96	5.73	-65.77	11.05

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



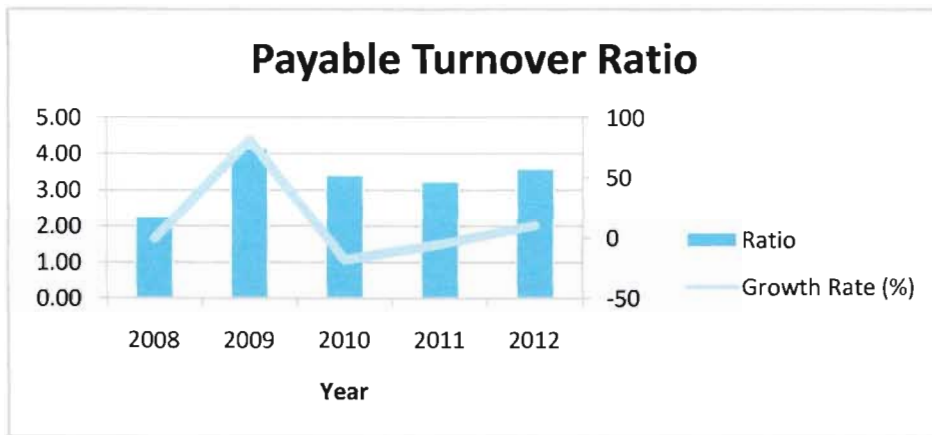
Lower the average number of day's receivable outstanding, better it is for the firm. Which indicate receivable is collected quickly. In 2008, average number of days receivable outstanding was approximately 8 days which is the lowest and the best achieved in five years. This means in 2008 the company takes 8 days on an average to complete one receivable turnover process i.e. from sale of goods to collection of receivables. The highest number of days to complete one receivable turnover process was approximately 36 days in 2010. It means the firm requires 36 days to collect the receivables after sale of goods.

3) Payable Turnover Ratio

Table 5: Payable Turnover

	2008	2009	2010	2011	2012
	572,939,213	596,341,076	614,271,454	661,298,258	714,569,029
Change in Inventory	0	-36,418,608	35,359,798	273,605,197	47,744,003
Payable	250,399,967	134,942,100	190,139,987	288,030,993	212,613,525
Payable Turnover ratio	2.29	4.15	3.42	3.25	3.59
Growth Rate (%)	-	81.35	-17.66	-5.00	10.46

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



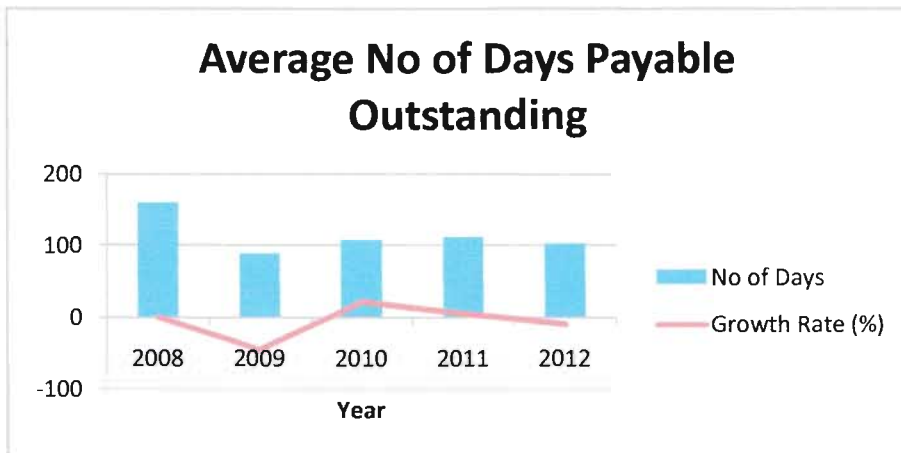
Like the inventory turnover ratio, payable turnover ratio measures how frequently the payables are turned over in a year. Lower the ratio better it is for the firm. In five years scenario, in 2008 the firm has lower long term debt. Which indicates the firm's solvency regarding conduct the firm's operation. But in 2009 the company has the highest payable turnover ratio which is 4.15.

Average Number of day's payable outstanding:

Table 6: Average Number of day's payable outstanding

Year	2008	2009	2010	2011	2012
Payable Turnover	2.29	4.15	3.42	3.25	3.59
No of Days	160	88	107	112	102
Growth Rate (%)	-	-45	21	5	-9

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



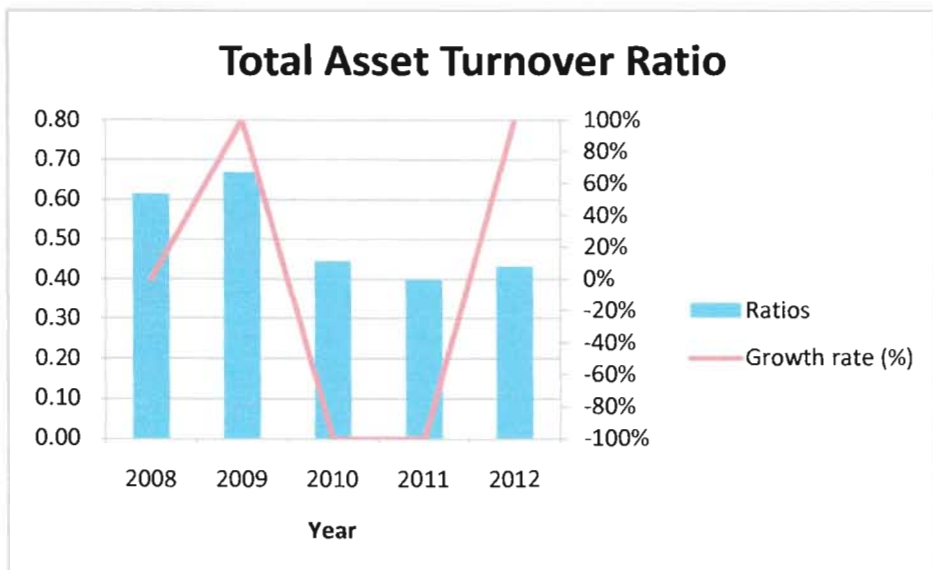
In case of average number of day's payables outstanding reflects the number of days needed to complete on payable turnover process. In 2008, the ratio is the highest with 160 days to complete one payable turnover process, which is sufficient to get more time to pay the payable and get more time to use it. In 2009 the numbers of days are lowest of value 88.

4) Total Asset Turnover Ratio

Table 7: Total Asset Turnover

	2008	2009	2010	2011	2012
	651,097,600	693,496,591	724,013,901	781,963,868	821,574,671
Total Asset	1,060,495,486	1,037,884,527	1,625,967,136	1,959,751,944	1,901,689,919
Total Asset turnover Ratio	0.61	0.67	0.45	0.40	0.43
Growth rate (%)	-	8.83	-33.36	-10.39	8.27

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



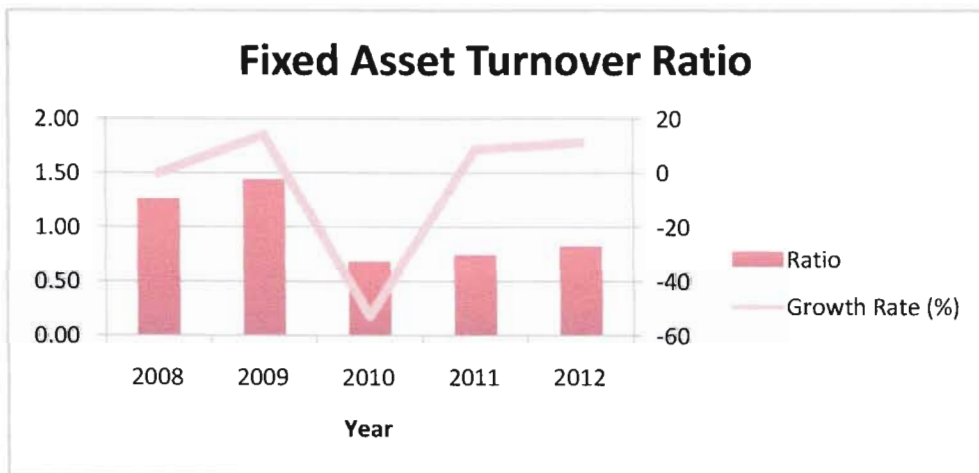
The total asset turnover has hit the lowest 0.40x in 2011 and highest 0.67x in 2009. As the total asset turnover ratio is highest in 2009 this high ratio indicates firm generates more sales by more efficiently use the asset. This is highly happened in 2009 compare to other years. So it indicates that firm is managing the asset efficiently. But in other years firm's ratio is not so high which indicates firm could not manage the asset efficiently.

5) Fixed Turnover Ratio

Table 8: Fixed Asset Turnover

	2008	2009	2010	2011	2012
	651,097,600	693,496,591	724,013,901	781,963,868	821,574,671
Fixed Asset	515,143,773	480,478,403	1,059,223,650	1,052,438,559	994,632,571
Fixed Asset Turnover Ratio	1.26	1.44	0.68	0.74	0.83
Growth Rate (%)	-	14.20	-52.64	8.70	11.17

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



The ratio measures the efficiency of capital investment. The higher the ratio, the better it is. According to the graph the fixed asset turnover ratio increased from 0.74 to 0.83, in 2012. This means in 2012, for taka 1 change in fixed asset sales generated is taka 0.83. The highest in five years was the 1.44 in 2009 and the lowest fixed asset turnover ratio of 0.68 in 2010. Since then the trend shows, slowly the ratio have been increasing from 2010.

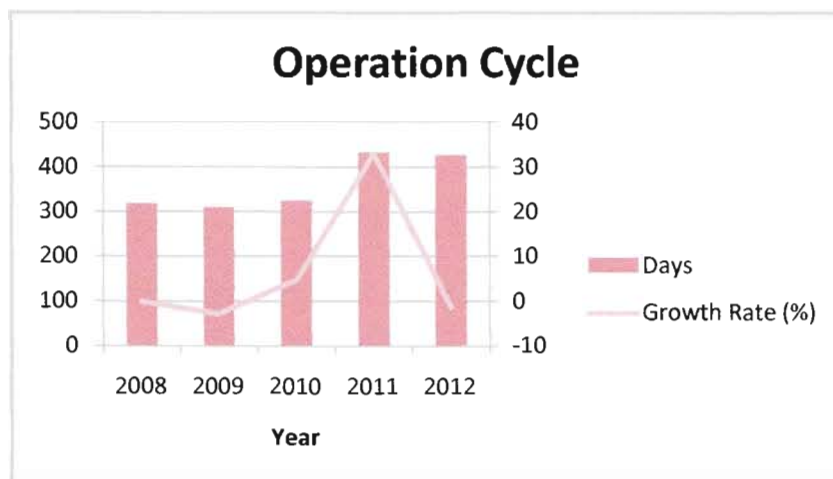
3) Liquidity Ratios: Liquidity means the ability of the firm to use its current assets to pay its short term obligations. Short-term creditors are more concern about the liquidity analysis of a firm, because they want to know that whether a firm has ability to pay its short term obligation in-time or not.

D) Operating Cycle

Table 9: Operating Cycle

Year	2008	2009	2010	2011	2012
No of Days Inventory in stock	310	276	289	419	413
Days Sales Outstanding	8	34	36	12	14
Operating Cycle	319	310	325	432	426
Growth Rate (%)	-	-2.81	4.81	32.96	-1.28

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



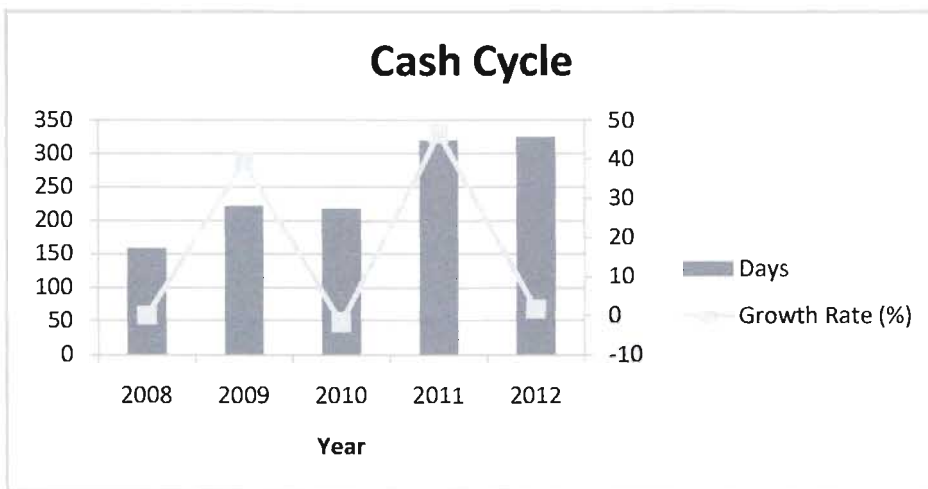
Operating cycle of a firm is the sum of the number of days it takes to sell inventory and the number of days until the resulting receivable are converted to cash. The lower the number of days is, the better the firm is. Sonargaon textile had lowest number of days in operation cycle in year 2009 and it has highest number of days in operation cycle in 2009 which is 2011 days.

2) Cash Cycle

Table 10: Cash Cycle

Year	2008	2009	2010	2011	2012
Operating Cycle	319	310	325	432	426
Days Payable Outstanding	160	88	107	112	102
Cash Cycle	159	222	218	319	324
Growth Rate (%)	-	39.34	-1.79	46.55	1.60

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



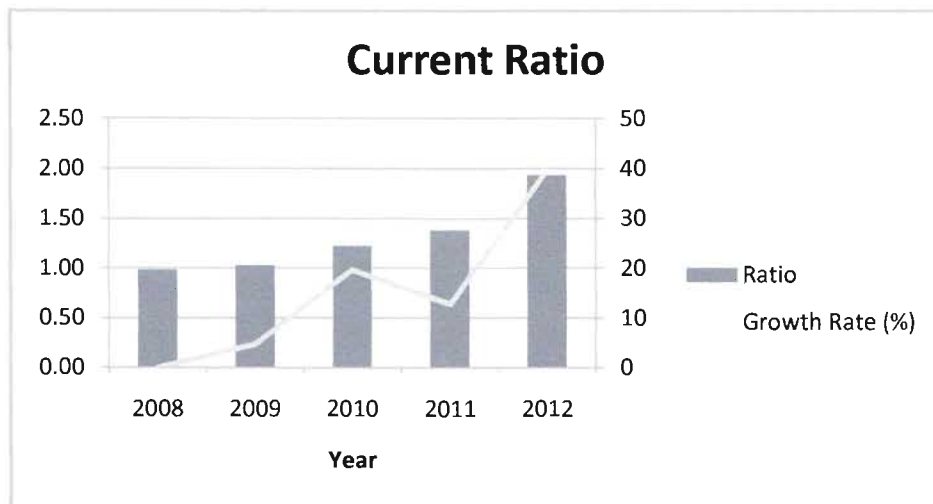
The cash cycle captures the interrelationship of sales, collections and trade credit in a manner that the individual numbers may not. The shorter the cycle, the more efficient the firm's operation and cash management; longer cycles, on the other hand, may be indicative of cash shortfalls and increased financing cost. Sonargaon textile has lowest number of days in cash cycle in 2008 which is 159 days. In 2012 financing cost of Sonargaon textile was more as it has the highest 324 days in their cash cycle.

3) Current Ratio

Table 11: Current Ratio

	2008	2009	2010	2011	2012
Current Assets	545,351,713	557,406,124	566,743,486	907,313,385	907,057,348
Current Liabilities	555,936,211	542,388,906	461,064,136	654,799,985	469,014,594
Current Ratio	0.98	1.03	1.23	1.39	1.93
Growth Rate (%)	-	4.76	19.61	12.73	39.57

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



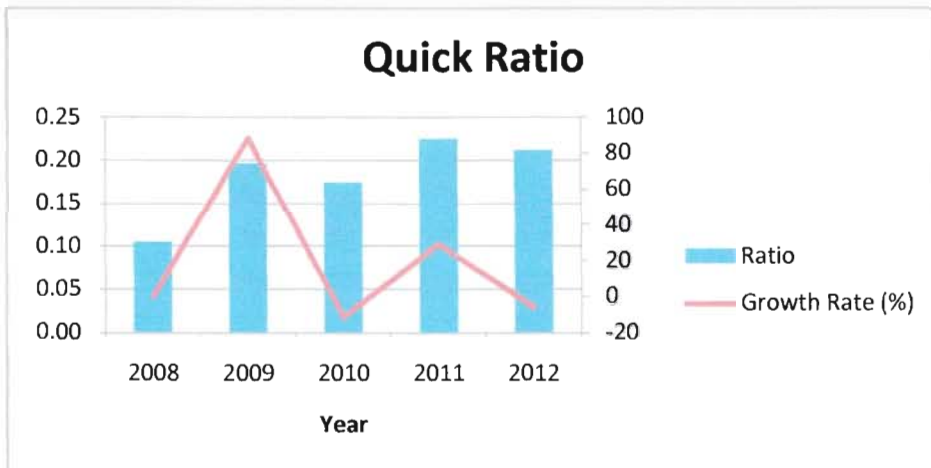
The current ratio measures ability of the company to pay its current liability using its current asset. The higher the ratio the better is the firm's liquidity position. Throughout the four years the firm's current ratio was increasing from 0.98 to 1.93. This means for every taka current liability the company more current asset compare to the previous year. But in the year 2012 Sonargaon has faced the highest Current ratio.

4) Quick Ratio

Table 12: Quick Ratio

Year	2008	2009	2010	2011	2012
Current Assets	545,351,713	557,406,124	566,743,486	907,313,385	907,057,348
Current Liabilities	555,936,211	542,388,906	461,064,136	654,799,985	469,014,594
Inventories	487,325,468	450,906,860	486,266,658	759,871,855	807,615,858
Quick Ratio	0.10	0.20	0.17	0.23	0.21
Growth Rate (%)	-	88.12	-11.11	29.00	-5.84

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



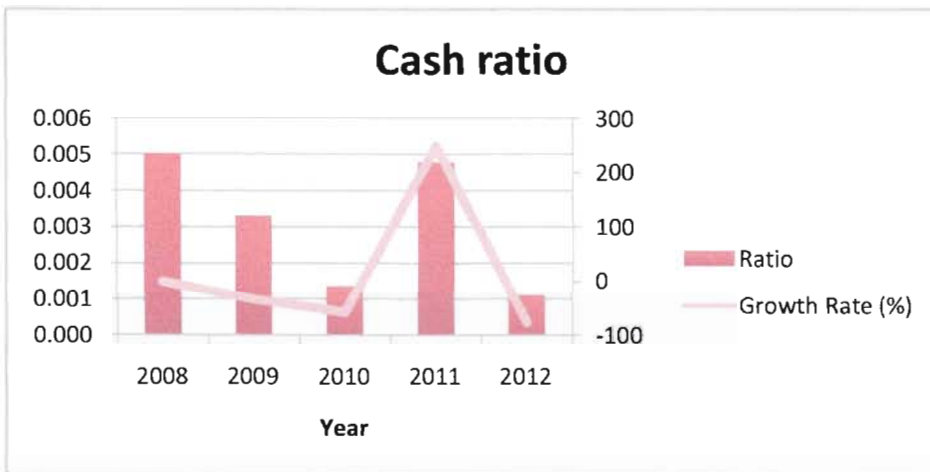
This ratio measures the ability of the firm to pay its current liability using current asset without depending of inventory and prepaid expenses. Over five years the highest is in 2011 with 0.23 i.e. to payout 1 taka liability the firm has 0.23 taka current asset without depending on inventory and prepaid expense. The liquidity position is the weakest in 2008. The quick ratio over the years is in a volatile position.

5) Cash Ratio

Table 13: Cash Ratio

Year	2008	2009	2010	2011	2012
Cash	2,783,732	1,796,564	632,577	3,129,830	519,340
Current Liabilities	555,936,211	542,388,906	461,064,136	654,799,985	469,014,594
Cash Ratio	0.005	0.003	0.001	0.005	0.001
Growth Rate (%)	-	-33.85	-58.58	248.39	-76.83

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



In case of quick ratio we depend on accounts receivable. Here after including only cash and cash equivalents the ratio has further gone down compared to quick ratio, hitting the lowest in 2012 with 0.001x and highest in 2008 with 0.005x. This means in 2008, for every taka of current liability there was 0.005 taka of cash and cash equivalents available. This raises a huge question on the firm's liquidity position because Sonargaon textile is in a volatile position.

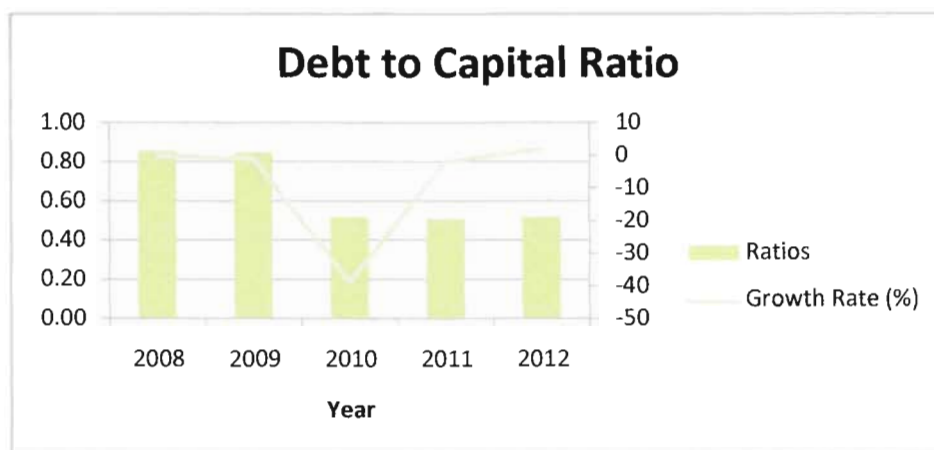
Solvency Ratios: The analysis of firm capital structure is necessary to understand long term risk and return prospect.

1) **Debt to Capital**

Table 14: Debt to Capital

Year	2008	2009	2010	2011	2012
Total Debt	908,746,755	880,720,683	845,546,137	999,127,489	988,482,821
Total Capital	1,060,495,486	1,037,884,527	1,625,967,136	1,959,751,945	1,901,689,919
Debt to Capital Ratio	0.86	0.85	0.52	0.51	0.52
Growth Rate (%)	-	-0.97	-38.72	-1.96	1.96

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



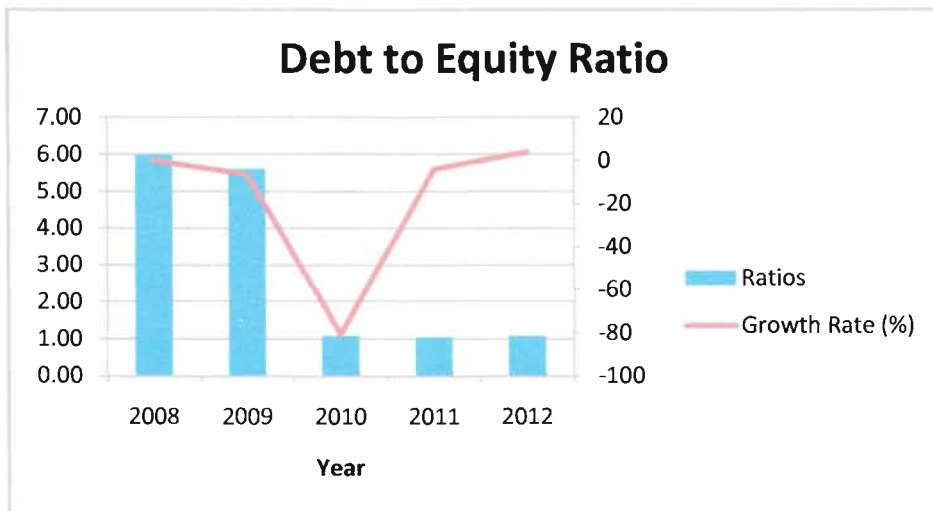
This ratio measures the proportion of the capital supplied by the creditors and dependence of the firm on external borrowing. This ratio has been decreasing at 2009. Over the five years the firm has a decreased ratio, it means the company they have tried to manage solvency of the firm. Moreover the firm's dependency on external borrowing lies between 50% -80% over the last 5 years.

2) Debt to Equity

Table 15: Debt to Equity

Year	2008	2009	2010	2011	2012
Total Debt	908,746,755	880,720,683	845,546,137	999,127,489	988,482,821
Total Equity	151,748,731	157,163,844	780,420,999	960,624,456	913,207,098
Debt to Equity Ratio	5.99	5.60	1.08	1.04	1.08
Growth Rate (%)	-	-6.42	-80.67	-4.00	4.07

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



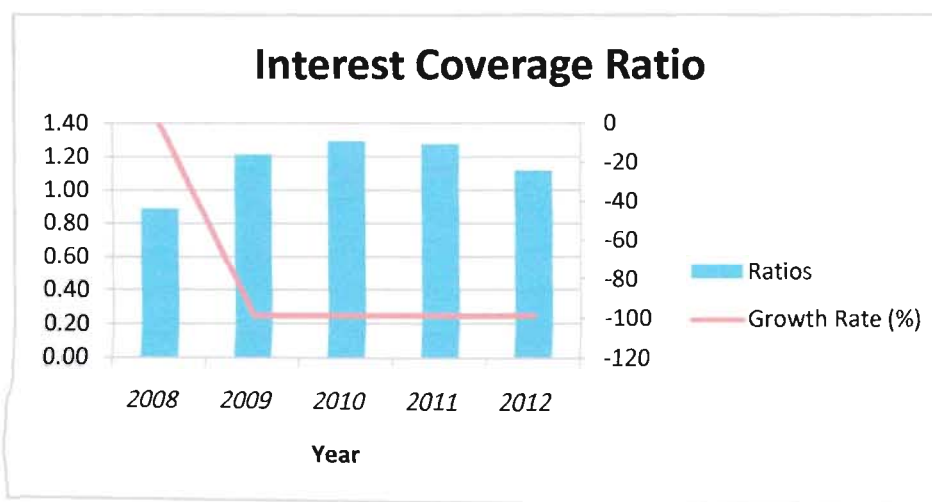
The ratio measures for every 1 taka of equity how much liability the shareholders bear. This ratio has been quite stable from 2008-2012. In 2012 for every taka of equity shareholders bear 1.08 taka as liability. This means the risk beared by shareholders decreased in 2012. That means shareholders have to bear less liability.

Interest Coverage Ratio

Table 16: Interest Coverage Ratio

Year	2008	2009	2010	2011	2012
EBIT	56,827,447	75,295,793	85,977,016	99,895,568	95,470,059
Interest Expense	64,016,716	62,098,957	66,439,636	78,348,972	85,611,306
Interest Coverage Ratio	0.89	1.21	1.29	1.28	1.12
Growth Rate (%)	-	-98.79	-98.71	-98.72	-98.88

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



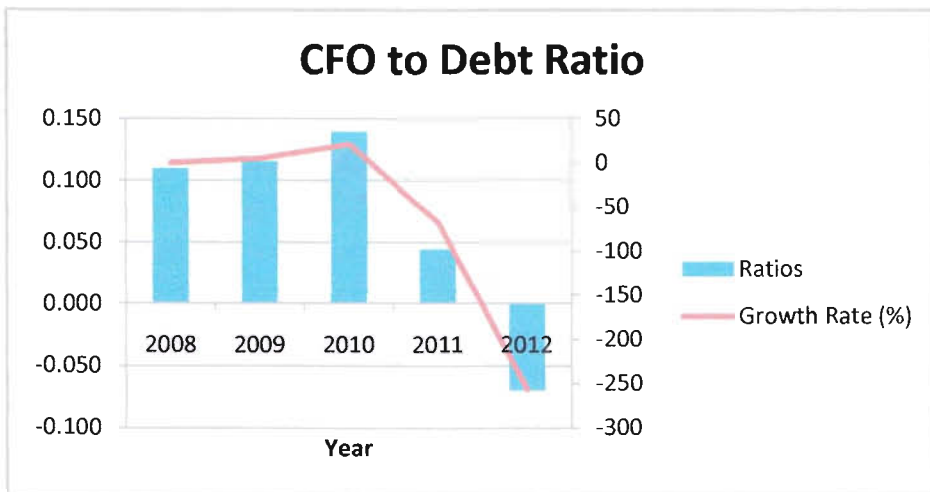
This ratio, often referred to as the Times interest earned ratio, measures the protection available to creditors as the extent to which earnings available for interest cover interest expense. In 2008 Sonargaon Textile had the lowest interest coverage ratio 0.89 and in 2010 the company has the highest interest coverage ratio of value 1.29.

CFO to Debt Ratio

Table 17: CFO to Debt Ratio

Year	2008	2009	2010	2011	2012
CFO	99,966,293	101,601,204	117,819,476	44,380,250	-68,630,318
Total Debt	908,746,755	880,720,683	845,546,137	999,127,489	988,482,821
CFO to Debt Ratio	0.110	0.115	0.139	0.044	-0.069
Growth Rate (%)	-	4.87	20.79	-68.12	-256.31

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



This ratio measures how much cash flow from operation is generated to pay out the creditors. Sonargaon Textile CFO (Cash Flow from Operation) to debt ratio is constantly below 1 which indicates that the debt is always higher than the cash flow generated from core operation. In the year 2010 the ratio is the highest, this indicates in that year there was more cash outflow from the core operation.

D) Profitability Ratios: Any Shareholders or Equity Investor mostly concern with the profitability analysis of the firm, because of following three reasons:

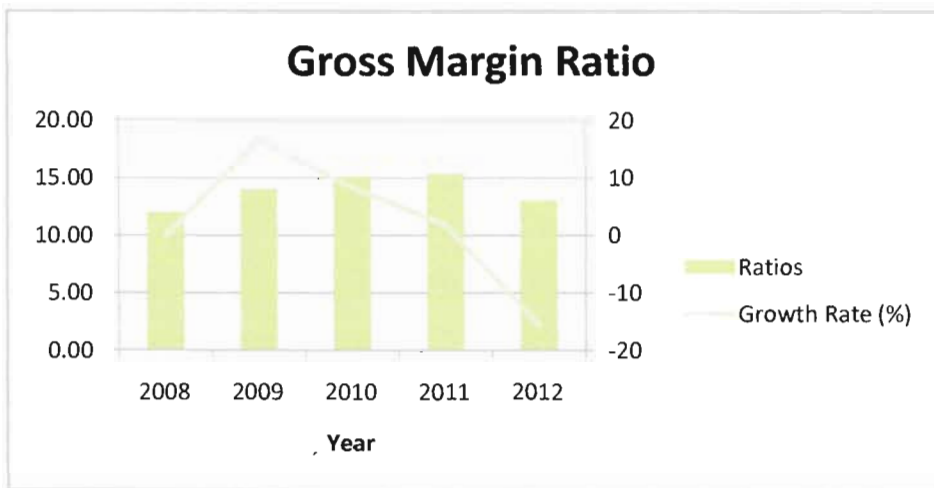
1. To earn profit,
2. To sustain profit, and
3. To increase profit.

1) **Gross Margin**

Table 18: Gross Margin

Year	2008	2009	2010	2011	2012
Sales	651,097,600	693,496,591	724,013,901	781,963,868	821,574,671
Gross Profit	78,158,387	97,155,515	109,742,447	120,665,610	107,005,642
Gross Margin Ratio (%)	12.00	14.01	15.16	15.43	13.02
Growth Rate (%)	-	16.71	8.19	1.80	-15.60

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



The ratio shows the relationship between the sale and manufacturing cost of the firm. The ratio indicates how efficiently the firm manages its cost of sale to generate higher profit. Therefore, higher the ratio better it is for the firm. Over the years the gross margins have increased with a little fluctuation but at 2011 the margin has increased again at 15.43%.

2) Operating Margin

Table 19: Operating Margin

	2008	2009	2010	2011	2012
Sales	651,097,600	693,496,591	724,013,901	781,963,868	821,574,671
Operating Profit	56,629,005	74,714,081	85,725,591	95,407,693	81,709,479
Operating Margin Ratio (%)	8.70	10.77	11.84	12.20	9.95
Growth Rate (%)	-	23.87	9.90	3.05	-18.49

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



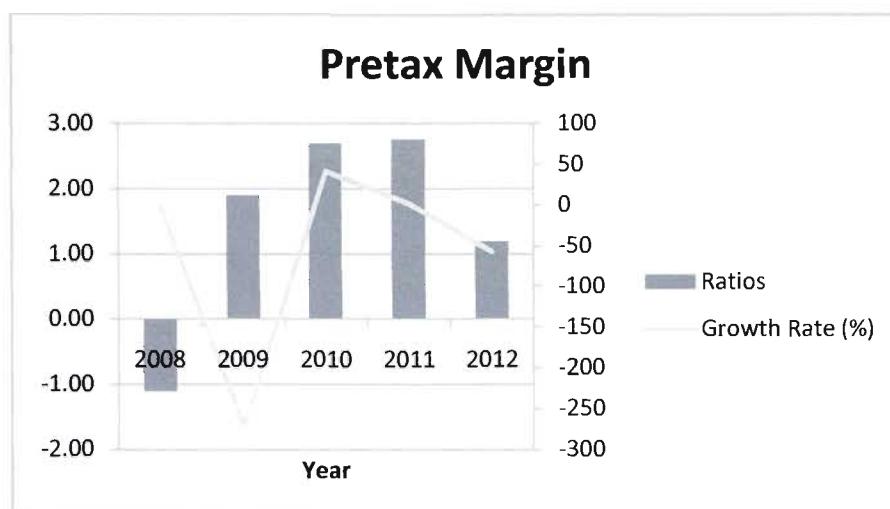
This measures the profitability of the company from firm's central operation. At 2009 ratio has shown increase, but again it is decreases in 2012. These indicate the firm generates 9.95% profit from its central operation in 2012, which is lower over the five years.

3) Pretax Margin

Table 20: Pretax Margin

	2008	2009	2010	2011	2012
Revenue	651,097,600	693,496,591	724,013,901	781,963,868	821,574,671
Expenses	-7,189,269	13,196,836	19,537,380	21,546,596	9,858,753
Pretax Margin (%)	-1.10	1.90	2.70	2.76	1.20
Growth Rate (%)	-	-272.34	41.81	2.11	-56.45

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



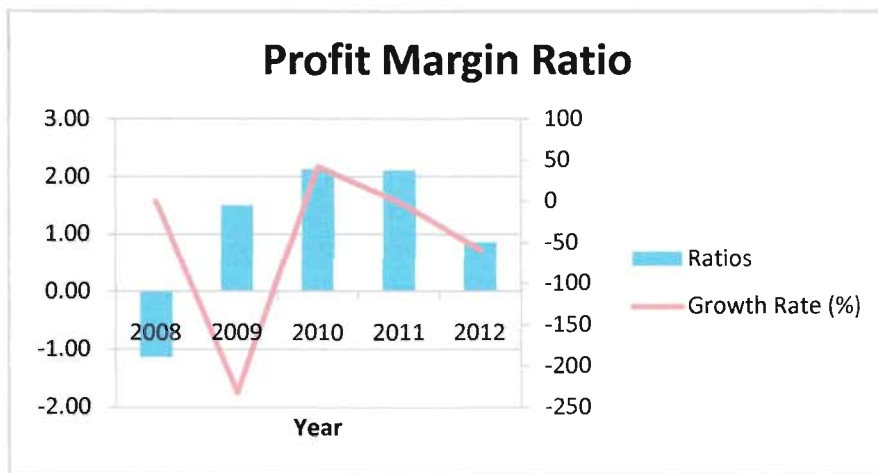
This measures the firm's profitability without considering the tax structure. Over the years the firm's pretax margin has increased except in 2012. In 2012 the pretax margin was 1.20%, which has negative growth rate compared to previous year.

4) Profit Margin

Table 21: Profit Margin

Year	2008	2009	2010	2011	2012
Sales	651,097,600	693,496,591	724,013,901	781,963,868	821,574,671
Net Income	-7,389,269	10,375,113	15,436,880	16,523,457	7,111,921
Profit Margin (%)	-1.13	1.50	2.13	2.11	0.87
Growth Rate (%)	-	-231.82	42.52	-0.89	-59.03

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



The profitability after considering tax and capital structure including all other expenses is measured by net profit margin. This indicates the firm's overall profitability net of all expenses. The ratio has been Volatile over the last five years. Sonargaon textile has highest profit value in year 2011 the value is 2.11%.

5) Return on Asset

Table 22: Return on Asset

Year	2008	2009	2010	2011	2012
Total Asset	1,060,495,486	1,037,884,527	1,625,967,136	1,959,751,944	1,901,689,919
Net Income	-7,389,269	10,375,113	15,436,880	16,523,457	7,111,921
ROA (%)	-0.70	1.00	0.95	0.84	0.37
Growth Rate (%)	-	-243.47	-5.03	-11.19	-55.64

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



This ratio measures two things: 1. the management's ability to utilize the firm's profit and 2. The return available to all capital providers.

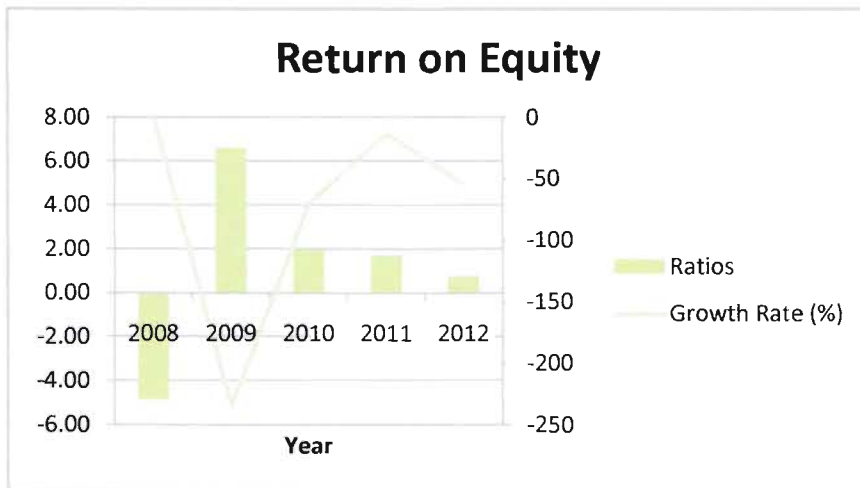
Higher ratio will indicate the firm is earning more return which will go to the investors. Sonargaon textile return on asset ratio has been going down from 2009, which is lowest of 0.37% in 2012. Which means for every one taka of total asset the income generated is 0.37 taka.

6) Return on Equity

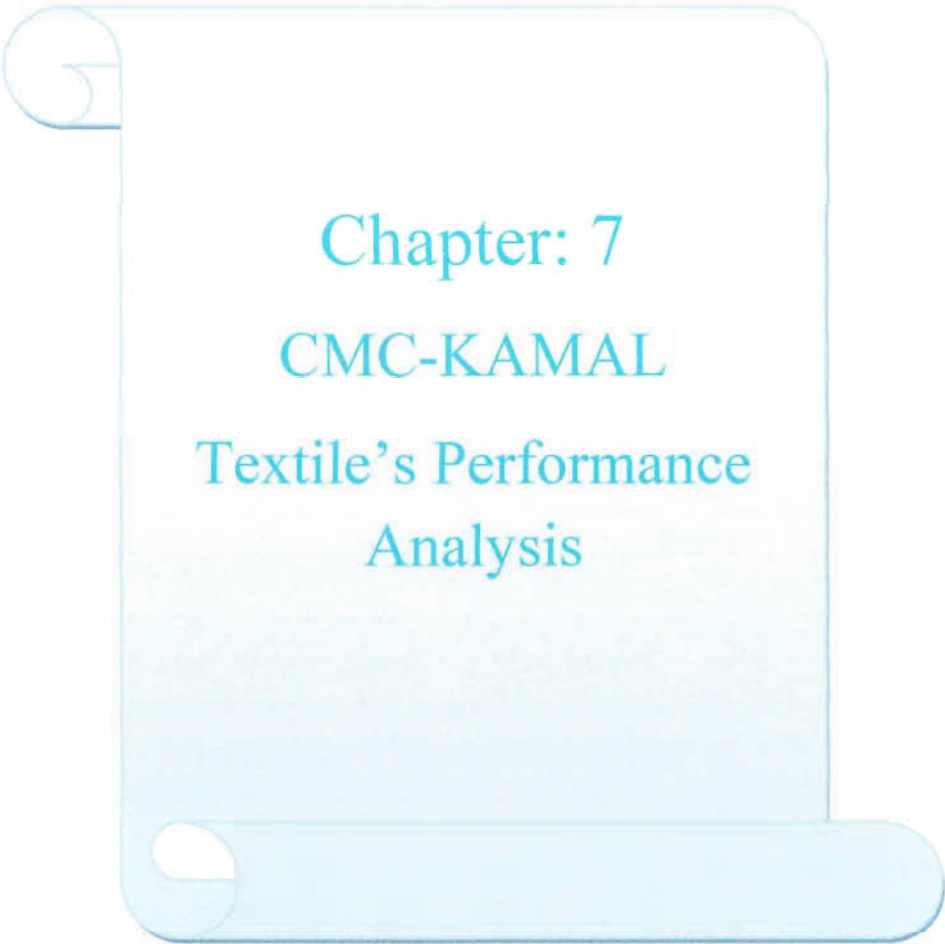
Table 23: Return on Equity

Year	2008	2009	2010	2011	2012
Total Equity	151,748,731	157,163,844	780,420,999	960,624,456	913,207,098
Net Income	-7,389,269	10,375,113	15,436,880	16,523,457	7,111,921
ROE (%)	-4.87	6.60	1.98	1.72	0.78
Growth Rate (%)	-	-235.57	-70.04	-13.04	-54.72

Source: Annual Report of Sonargaon Textile Limited (2008-2012)



This ratio measures the return available to all equity holders. The income in this calculation can be income before or after tax but it must be the income after considering the interest payment. Except 2009 the ratio is decreasing over the last five years. In 2009 return on equity of Sonargaon textile is the highest, 6.60%.



Chapter: 7
CMC-KAMAL
Textile's Performance
Analysis

In this Chapter the performance of CMC-KAMAL Textile has been analyzed by calculating Activity, Liquidity, Solvency and Profitability ratios by collecting information from their annual report (2008-2012).

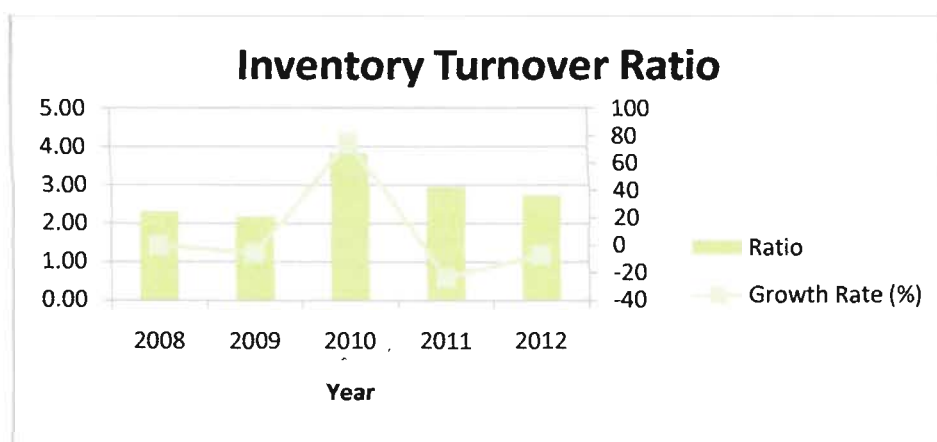
4) Activity Ratios: Activity ratios describe the relationship between the firm's level of operations (usually defined as sales) and the assets needed to sustain operating activities. The higher the ratio, the more efficient the firm's operations, as relatively fewer assets are required to support a given level of operations (sales).

1) Inventory Turnover Ratio

Table 1: Inventory turnover

	2008	2009	2010	2011	2012
Cost of Goods Sold	145,841,375	177,912,560	366,068,421	400,161,495	418,572,526
Inventories	62,968,100	81,337,627	95,299,788	135,692,738	152,830,922
Inventory turnover Ratio	2.32	2.19	3.84	2.95	2.74
Growth Rate (%)	-	-5.56	75.61	-23.23	-7.13

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



Inventory turnover ratio measures the number of times inventory has been turned over in a year. This in turn means higher the ratio better it is for the company. Higher ratio means inventory does not remain in stock for long, it is sold quickly. Though the Company's inventory turnover

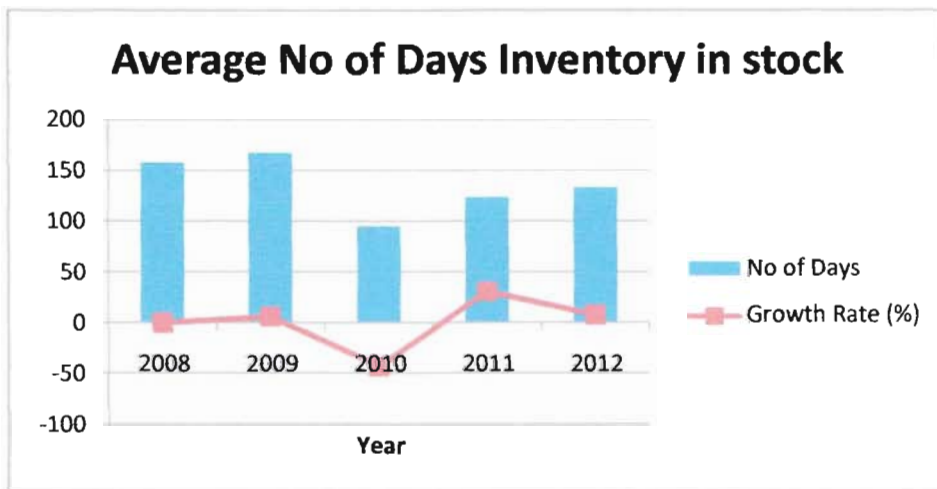
ratio is low, but it is increasing over the year from 2008 to 2012. So we can easily understand that CMC-KAMAL textile has tried to manage their inventory turnover process in an efficient way, so that they can quickly sell the finished goods without remaining the inventory in the warehouse.

Average Number of day's inventory in stock:

Table 2: Average Number of day's inventory in stock

Year	2008	2009	2010	2011	2012
Inventory turnover Ratio	2.32	2.19	3.84	2.95	2.74
No of Days	158	167	95	124	133
Growth Rate (%)	-	5.89	-43.06	30.25	7.68

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



The impact of lower inventory turnover ratio reflects in average number of day's inventory in stock. Lower the ratio better. According to the data in 2009 it is higher, due to lower inventory turnover ratio, but over the time it is decreasing, due to increasing inventory turnover ratio. i.e. approximately 167 days in 2009 the highest and in 2010 it is 95 days the lowest. So over the time

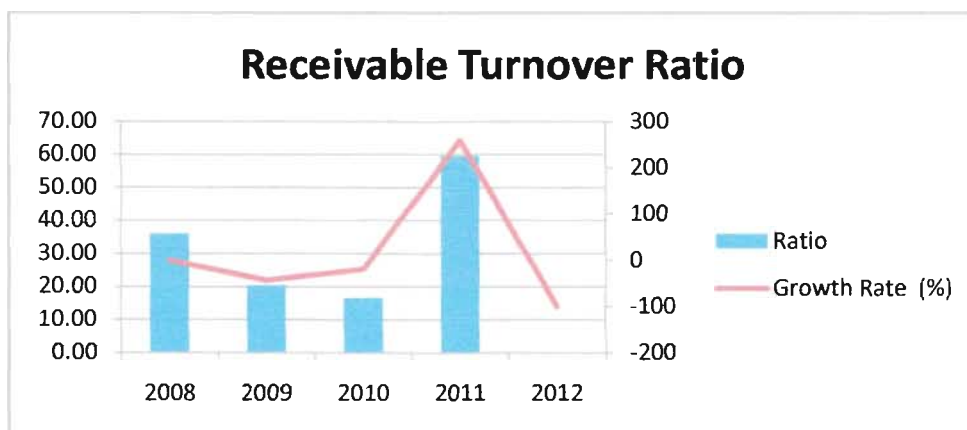
they became efficient to manage frequent inventory movement and completing production process quickly, as well as selling the goods quickly.

2) Receivable Turnover Ratio

Table 3: Receivable Turnover

Year	2008	2009	2010	2011	2012
Net Sales	162,999,801	207,453,709	434,207,010	468,240,190	513,181,307
ACC Receivable	4,538,333	10,182,282	26,222,248	7,865,104	0
Receivable Turnover Ratio	35.92	20.37	16.56	59.53	0.00
Growth Rate (%)	-	-43.27	-18.73	259.53	-100.00

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



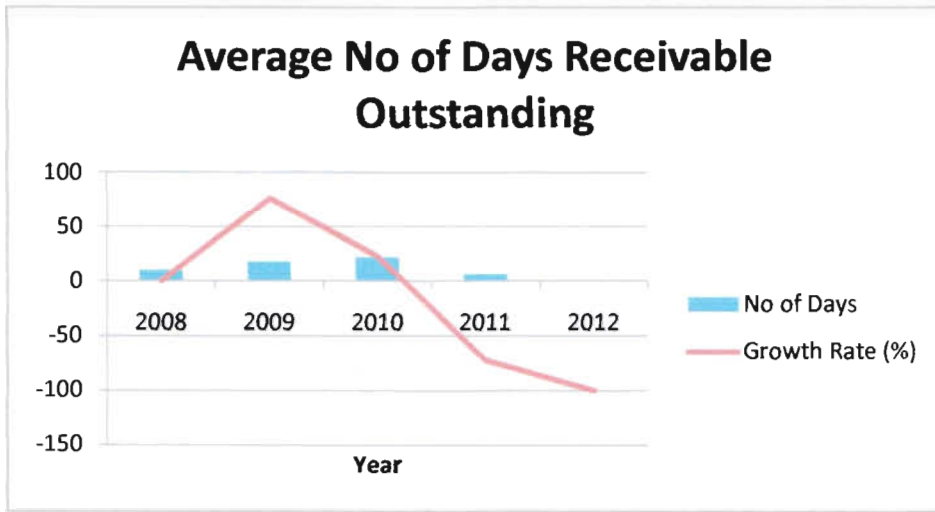
The receivable turnover ratio is same as the inventory turnover ratio. It measures how frequently receivables are turned over in a year. Higher this ratio is better. The graph shows that in 2008 it collected its cash efficiently and maintained a better cash collection policy but there has been decrease in coming years which makes it easy to conduct operation. In 2011 CMC-KAMAL textile has the highest Accounts receivable turnover which is Of value 59.53.

Average Number of day's receivable outstanding:

Table 4: Average Number of day's receivable outstanding

Year	2008	2009	2010	2011	2012
Receivable Turnover	35.92	20.37	16.56	59.53	0.00
No of Days	10	18	22	6	0
Growth Rate (%)	-	76.28	23.04	-72.19	-100.00

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



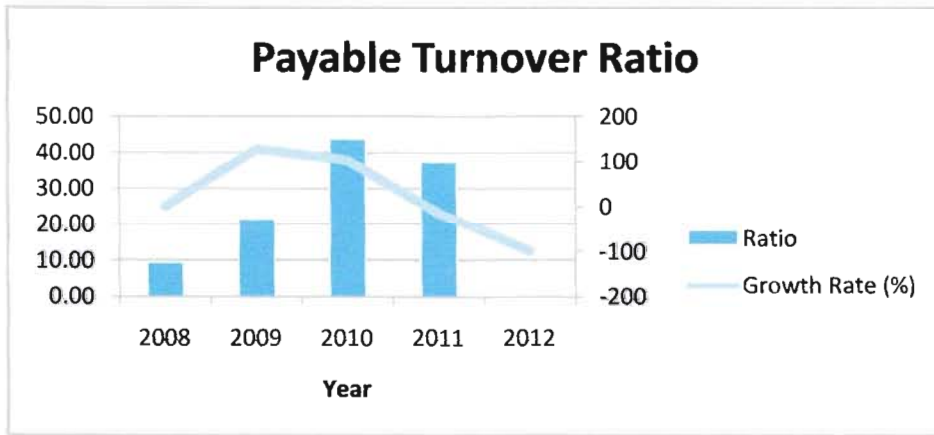
Lower the average number of day's receivable outstanding, better it is for the firm. Which indicate receivable is collected quickly. In 2011, average number of days receivable outstanding was approximately 6 days which is the lowest and the best achieved in five years. This means in 2011 the company takes 6 days on an average to complete one receivable turnover process i.e. from sale of goods to collection of receivables. The highest number of days to complete one receivable turnover process was approximately 22 days in 2010. It means the firm required 22days to collect the receivables after sale of goods.

3) Payable Turnover

Table 5: Payable Turnover

	2008	2009	2010	2011	2012
Cost of Sales	145,841,375	177,912,560	366,068,421	400,161,495	418,572,526
Change in Inventory	0	18,369,527	13,962,161	40,392,950	17,138,184
Payable	15,309,065	9,061,527	8,661,822	11,734,810	0
Payable Turnover ratio	9.53	21.66	43.87	37.54	0.00
Growth Rate (%)	-	127.38	102.55	-14.43	-100.00

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



Like the inventory turnover ratio, payable turnover ratio measures how frequently the payables are turned over in a year. Lower the ratio better it is for the firm. In five years scenario, at the beginning 5 years the firm has lower long term debt. Which indicates the firm's solvency regarding conduct the firm's operation. But in 2010 the company has the highest payable turnover ratio which is 43.87.

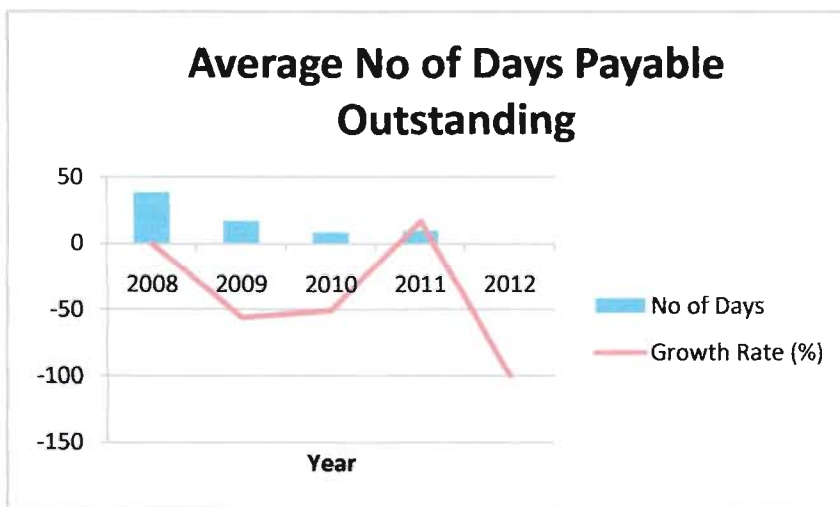
Average Number of day's payable outstanding:

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Table 6: Average Number of day's payable outstanding

Year	2008	2009	2010	2011	2012
Payable Turnover	9.53	21.66	43.87	37.54	0.00
No of Days	38	17	8	10	0
Growth Rate (%)	-	-56	-51	17	-100

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



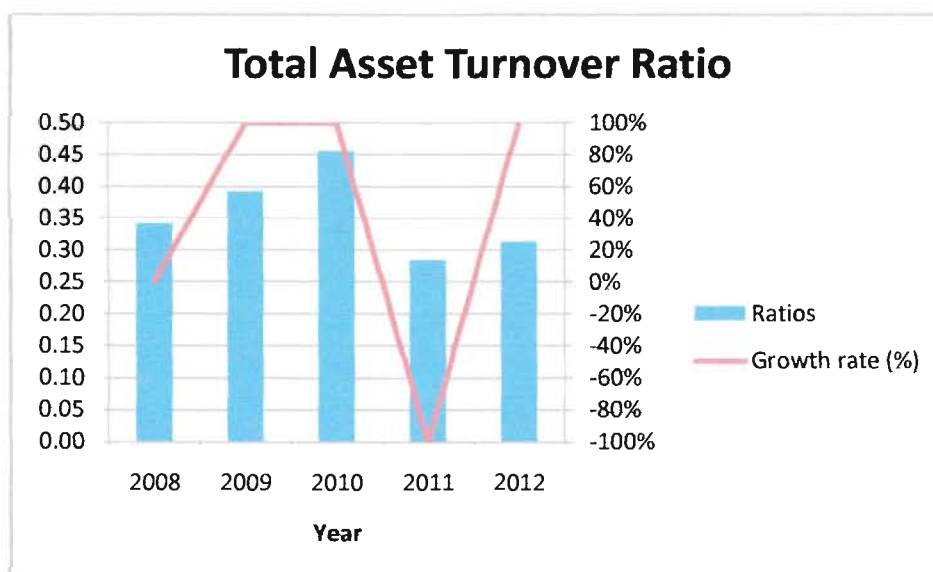
In case of average number of day's payables outstanding reflects the number of days needed to complete on payable turnover process. In 2008, the ratio was the highest with 38 days to complete one payable turnover process, which is sufficient to get more time to pay the payable and get more time to use it. In 2010 the no of days are lowest of value 8.

4) Total Asset Turnover Ratio

Table 7: Total Asset Turnover

Year	2008	2009	2010	2011	2012
SALES	162,999,801	207,453,709	434,207,010	468,240,190	513,181,307
Total Asset	477,786,086	528,038,688	953,302,203	1,644,251,414	1,644,094,569
Total Asset turnover Ratio	0.34	0.39	0.46	0.28	0.31
Growth rate (%)	-	15.16	15.93	-37.48	9.61

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



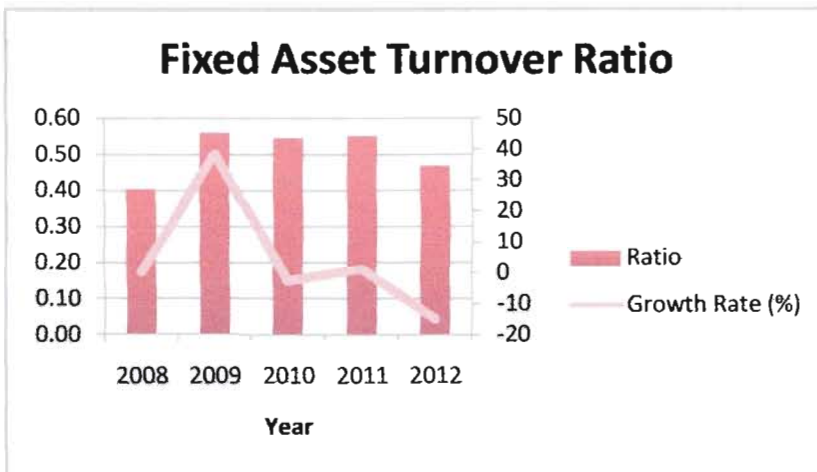
The total asset turnover has hit the lowest 0.28x in 2011 and highest 0.46x in 2010. As the total asset turnover ratio is highest in 2010 this high ratio indicates firm generates more sales by more efficiently use the asset. This is highly happened in 2010 compare to other years.

5) Fixed Turnover Ratio

Table 8: Fixed Asset Turnover

Year	2008	2009	2010	2011	2012
Sales	162,999,801	207,453,709	434,207,010	468,240,190	513,181,307
Fixed Asset	403,268,706	370,497,374	797,417,772	850,392,682	1,094,290,573
Fixed Asset Turnover Ratio	0.40	0.56	0.54	0.55	0.47
Growth Rate (%)	-	38.53	-2.75	1.12	-14.83

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



The ratio measures the efficiency of capital investment. The higher the ratio, the better it is. According to the graph the fixed asset turnover ratio decreased from 0.55 to 0.47, in 2012. This means in 2012, for taka 1 change in fixed asset sales generated is taka 0.47. The highest in five years was the 0.56 and the lowest fixed asset turnover ratio of 0.40 in 2008. Throughout 5 years the company is in a volatile situation.

B) Liquidity Ratios: Liquidity means the ability of the firm to use its current assets to pay its short term obligations. Short-term creditors are more concern about the liquidity analysis of a firm, because they want to know that whether a firm has ability to pay its short term obligation in-time or not.

1) Operating Cycle

Table 9: Operating Cycle

Year	2008	2009	2010	2011	2012
No of Days Inventory in stock	158	167	95	124	133
Days Sales Outstanding	10	18	22	6	0
Operating Cycle	168	185	117	130	133
Growth Rate (%)	-	10.15	-36.65	10.97	2.59

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



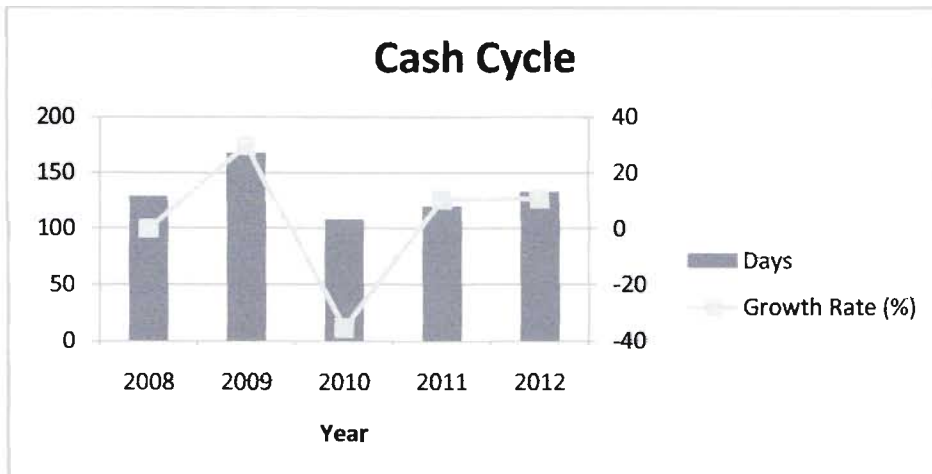
Operating cycle of a firm is the sum of the number of days it takes to sell inventory and the number of days until the resulting receivable are converted to cash. The lower the number of days is, the better the firm is. CMC-KAMAL Textile had lowest number of days in operation cycle in year 2010 and it has highest number of days in operation cycle in 2009 which is 185 days.

2) Cash Cycle

Table 10: Cash Cycle

Year	2008	2009	2010	2011	2012
Operating Cycle	168	185	117	130	133
Days Payable Outstanding	38	17	8	10	0
Cash Cycle	129	168	109	120	133
Growth Rate (%)	-	29.74	-35.25	10.51	10.89

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



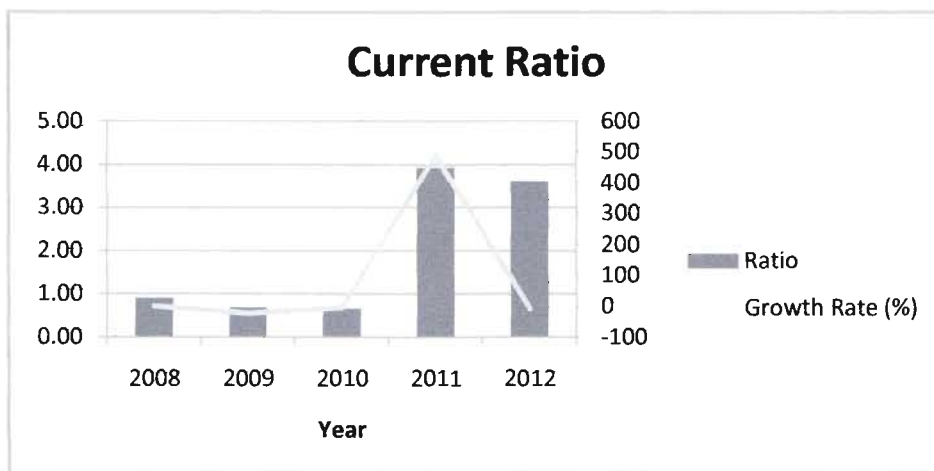
The cash cycle captures the interrelationship of sales, collections and trade credit in a manner that the individual numbers may not. The shorter the cycle, the more efficient the firm's operation and cash management; longer cycles, on the other hand, may be indicative of cash shortfalls and increased financing cost. CMC-KAMAL textile has lowest number of days in cash cycle in 2010 which is 109 days. In 2009 financing cost of CMC-KAMAL textile has more ratio as it had the highest 168 days in their cash cycle.

3) Current Ratio

Table 11: Current Ratio

Year	2008	2009	2010	2011	2012
Current Assets	74,517,380	157,541,314	155,884,431	790,419,840	549,803,996
Current Liabilities	82,914,655	227,187,752	234,260,341	201,035,272	151,492,454
Current Ratio	0.90	0.69	0.67	3.93	3.63
Growth Rate (%)	-	-22.84	-4.04	490.86	-7.69

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



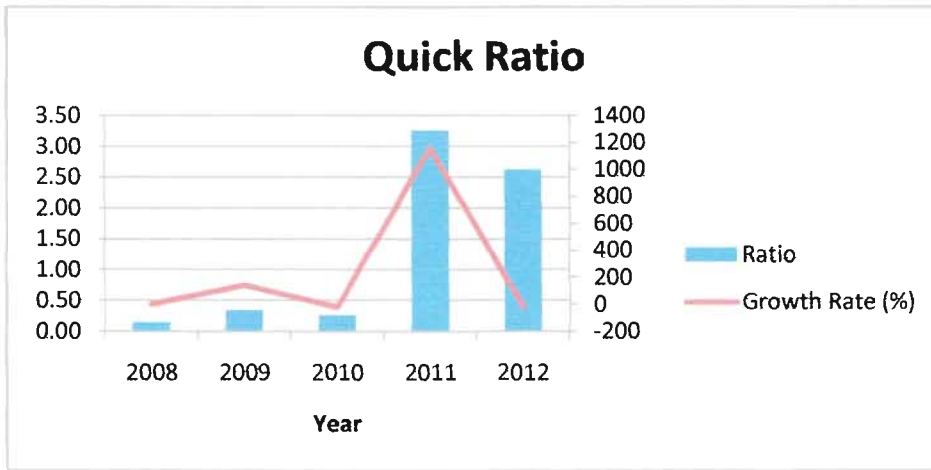
The current ratio measures ability of the company to pay its current liability using its current asset. The higher the ratio the better is the firm's liquidity position. Throughout the five years the firm's current ratio was increasing from 0.90 to 3.93. This means for every taka current liability the company more current asset compare to the previous year. Such as in 2011 with 3.93 taka of current asset it pays out 1 taka of current liability.

4) Quick Ratio

Table 12: Quick Ratio

Year	2008	2009	2010	2011	2012
Current Assets	74,517,380	157,541,314	155,884,431	790,419,840	549,803,996
Current Liabilities	82,914,655	227,187,752	234,260,341	201,035,272	151,492,454
Inventories	62,968,100	81,337,627	95,299,788	135,692,738	152,830,922
Quick Ratio	0.14	0.34	0.26	3.26	2.62
Growth Rate (%)	-	140.81	-22.90	1159.29	-19.54

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



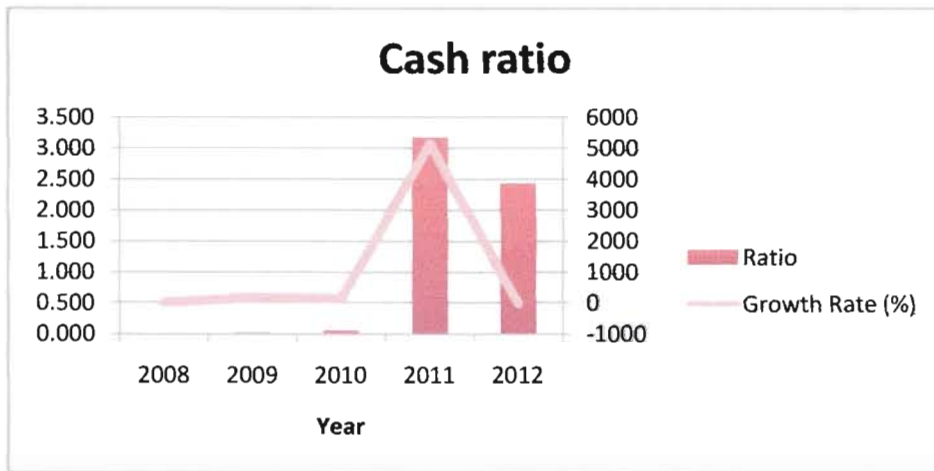
This ratio measures the ability of the firm to pay its current liability using current asset without depending of inventory and prepaid expenses. Over five years the highest is in 2011 with 3.26 i.e. to payout 1 taka liability the firm has 3.26 taka current asset without depending on inventory and prepaid expense. The liquidity position is the weakest in 2008. The quick ratio over the years has increased, which indicates firm's liquidity position is good.

5) Cash Ratio

Table 13: Cash Ratio

Year	2008	2009	2010	2011	2012
Cash	827,623	6,049,751	14,199,236	639,240,226	368,505,501
Current Liabilities	82,914,655	227,187,752	234,260,341	201,035,272	151,492,454
Cash Ratio	0.010	0.027	0.061	3.180	2.433
Growth Rate (%)	-	166.78	127.62	5145.97	-23.50

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



In case of quick ratio we depend on accounts receivable. Here after including only cash and cash equivalents the ratio has further gone down compared to quick ratio, hitting the lowest in 2008 with 0.010x and highest in 2011 with 3.180x. This means in 2008, for every taka of current liability there was 0.010 taka of cash and cash equivalents available. This raises a huge question on the firm's liquidity position. But it rises over the year and in 2012 it raised a little indicating improvement.

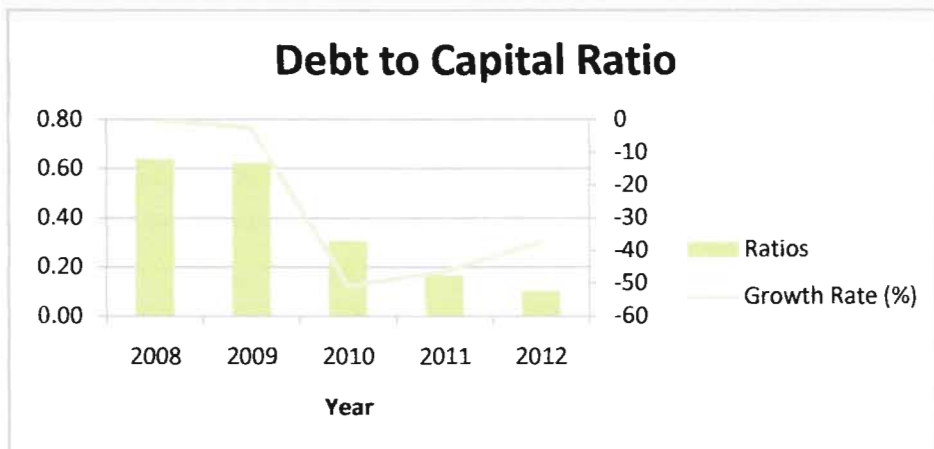
C) Solvency Ratios: The analysis of firm capital structure is necessary to understand long term risk and return prospect.

1) Debt to Capital

Table 14: Debt to Capital

Year	2008	2009	2010	2011	2012
Total Debt	305,786,086	329,440,702	292,736,921	271,881,886	170,445,421
Total Capital	477,786,086	528,038,688	953,302,103	1,644,251,414	1,644,094,569
Debt to Capital Ratio	0.64	0.62	0.31	0.17	0.10
Growth Rate (%)	-	-2.52	-50.78	-46.15	-37.30

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



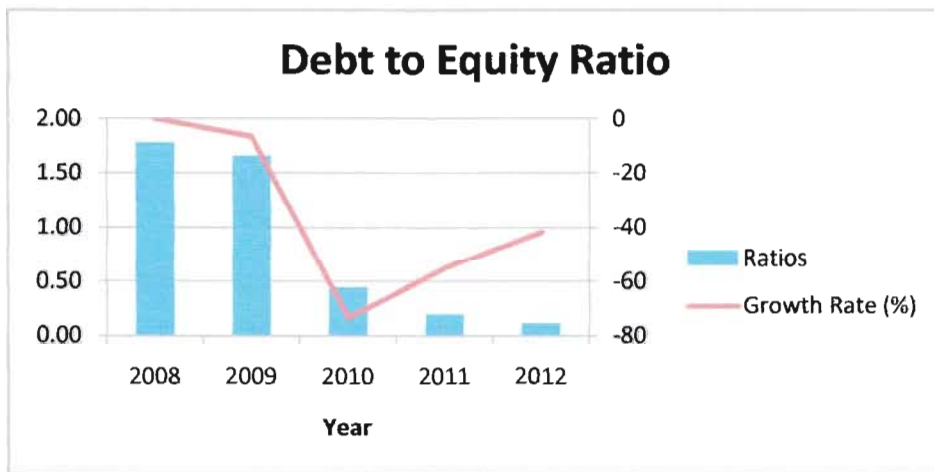
This ratio measures the proportion of the capital supplied by the creditors and dependence of the firm on external borrowing. This ratio has been decreasing at 2009. Over the five years the firm has a decreased ratio, but finally they have tried to manage solvency of the firm. But moreover the firm's dependency on external borrowing lies between 20% -60% over the last 5 years.

2) Debt to Equity

Table 15: Debt to Equity

Year	2008	2009	2010	2011	2012
Total Debt	305,786,086	329,440,702	292,736,921	271,881,886	170,445,421
Total Equity	172,000,000	198,597,986	660,565,182	1,372,369,528	1,473,649,148
Debt to Equity Ratio	1.78	1.66	0.44	0.20	0.12
Growth Rate (%)	-	-6.69	-73.28	-55.30	-41.62

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



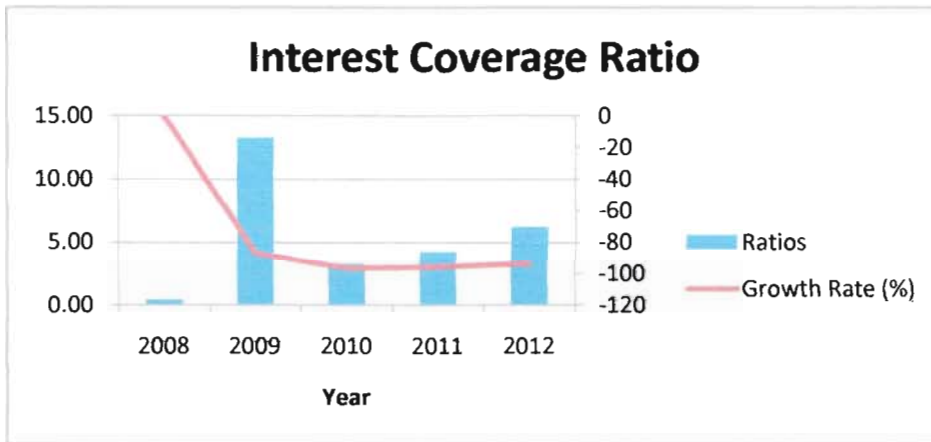
The ratio measures for every 1 taka of equity how much liability the shareholders bear. This ratio has been decreased from 2008-2012. But finally in recent years they have tried to manage liability and in 2012 for every taka of equity shareholders bear 0.12 taka as liability. This means the risk beared by shareholders is lowest in 2012.

3) Interest Coverage Ratio

Table 16: Interest Coverage Ratio

Year	2008	2009	2010	2011	2012
EBIT	8,675,959	22,010,680	61,858,493	92,510,454	146,761,870
Interest Expense	22,608,912	1,662,634	19,010,817	21,794,871	23,592,424
Interest Coverage Ratio	0.38	13.24	3.25	4.24	6.22
Growth Rate (%)	-	-86.76	-96.75	-95.76	-93.78

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



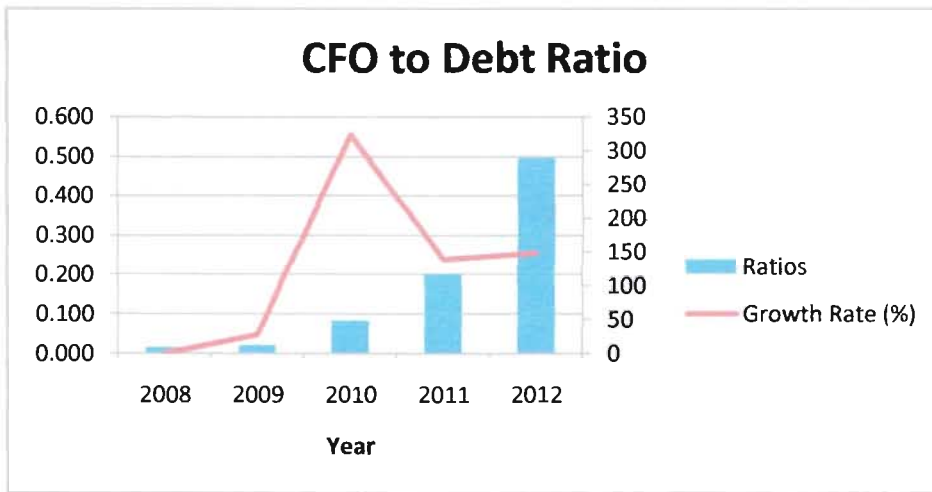
This ratio, often referred to as the Times interest earned ratio, measures the protection available to creditors as the extent to which earnings available for interest cover interest expense. In 2008 CMC-KAMAL textile had the lowest interest coverage ratio 0.38 and in 2009 the company has the highest interest coverage ratio of value 13.24.

4) CFO to Debt Ratio

Table 17: CFO to Debt Ratio

Year	2008	2009	2010	2011	2012
CFO	4,697,819	6,470,227	24,366,382	54,188,542	84,550,311
Total Debt	305,786,086	329,440,702	292,736,921	271,881,886	170,445,421
CFO to Debt Ratio	0.015	0.020	0.083	0.199	0.496
Growth Rate (%)	-	27.84	323.81	139.45	148.89

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



This ratio measures how much cash flow from operation is generated to pay out the creditors. CMC-KAMAL Textile CFO to debt ratio is constantly below 1 which indicates that the debt is always higher than the cash flow generated from core operation. In the year 2008 the ratio is lowest, this indicates in that year there was little cash outflow from the core operation.

D) Profitability Ratios: Any Shareholders or Equity Investor mostly concern with the profitability analysis of the firm, because of following three reasons:

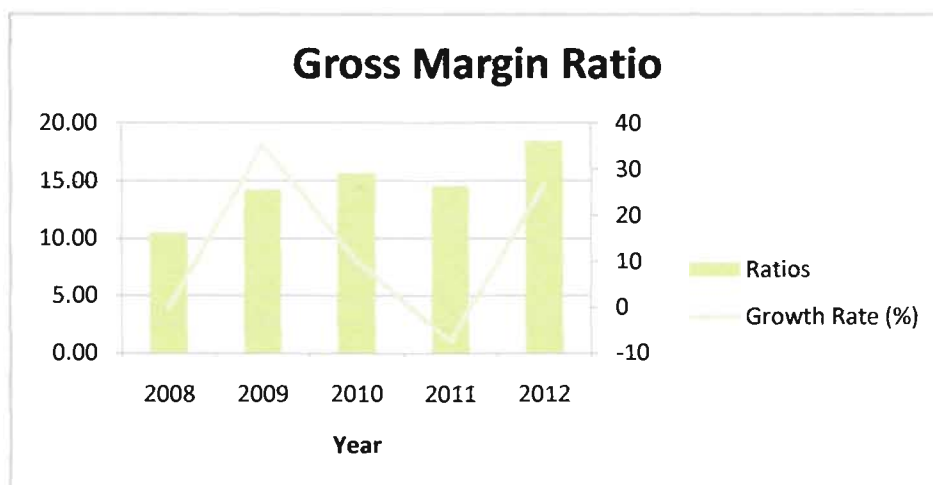
1. To earn profit,
2. To sustain profit, and
3. To increase profit.

1) Gross Margin

Table 18: Gross Margin

Year	2008	2009	2010	2011	2012
Sales	162,999,801	207,453,709	434,207,010	468,240,190	513,181,307
Gross Profit	17,158,426	29,541,149	68,138,589	68,078,695	94,608,781
Gross Margin Ratio (%)	10.53	14.24	15.69	14.54	18.44
Growth Rate (%)	-	35.27	10.20	-7.35	26.80

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



The ratio shows the relationship between the sale and manufacturing cost of the firm. The ratio indicates how efficiently the firm manages its cost of sale to generate higher profit. Therefore, higher the ratio better it is for the firm. Over the years the gross margins have decreased with a little fluctuation but at 2012 the margin has increased again at 18.44%.

2) Operating Margin

Table 19: Operating Margin

Year	2008	2009	2010	2011	2012
Sales	162,999,801	207,453,709	434,207,010	468,240,190	513,181,307
Operating Profit	8,405,827	20,853,691	57,842,835	49,543,990	79,084,784
Operating Margin Ratio (%)	5.16	10.05	13.32	10.58	15.41
Growth Rate (%)	-	94.93	32.52	-20.57	45.65

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



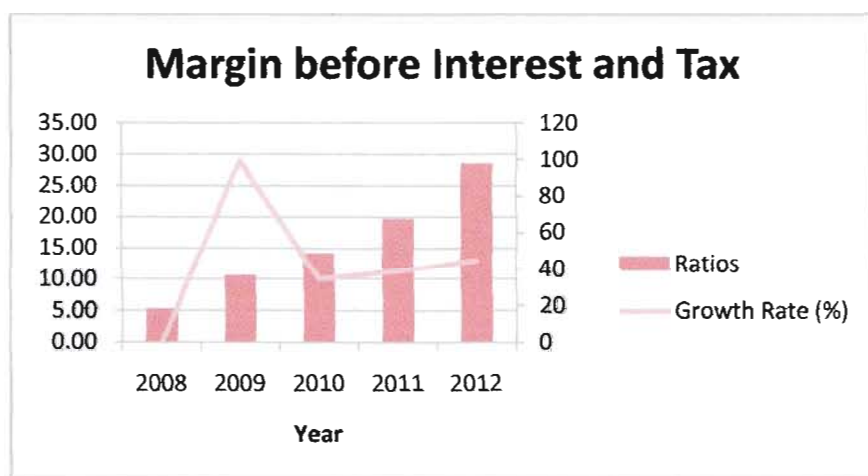
This measures the profitability of the company from firm's central operation. At 2009 ratio has shown increase, but again it is decreased in 2011. These indicate the firm generates 10.58% profit from its central operation in 2011, which is higher over the five years.

3) Margin before Interest and tax

Table 20: Margin before Interest and Tax

	2008	2009	2010	2011	2012
Sales	162,999,801	207,453,709	434,207,010	468,240,190	513,181,307
EBIT	8,675,959	22,010,680	61,858,493	92,510,454	146,761,870
Margin before Interest & Tax (%)	5.32	10.61	14.25	19.76	28.60
Growth Rate (%)	-	99.33	34.27	38.68	44.75

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



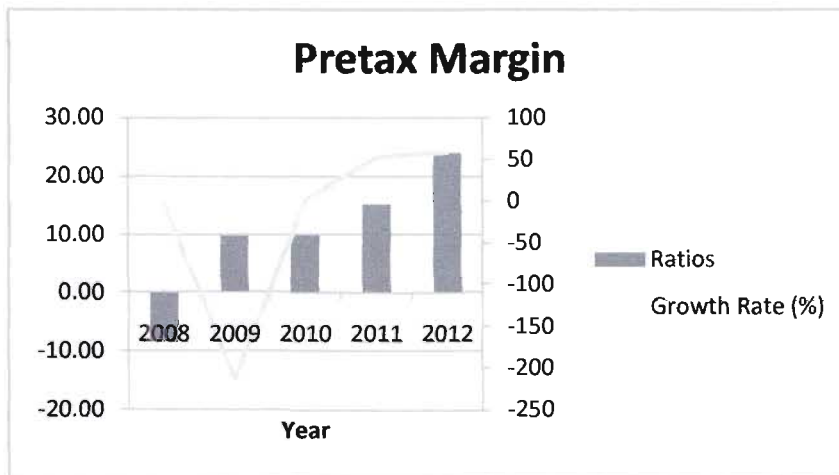
This ratio measures profitability from the firms over all operation i.e. central and peripheral operation. In these five years the ratio hit the lowest of 5.32 in the year 2008 and highest of 28.60 in 2012. This means in 2012, for every one taka of sales the company generated 28.60 taka of profit from both its central and peripheral operations.

4) Pretax Margin

Table 21: Pretax Margin

Year	2008	2009	2010	2011	2012
Sales	162,999,801	207,453,709	434,207,010	468,240,190	513,181,307
EBT	-13,932,953	20,348,046	42,847,676	70,715,583	123,169,446
Pretax Margin (%)	-8.55	9.81	9.87	15.10	24.00
Growth Rate (%)	-	-214.75	0.61	53.04	58.92

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



This measures the firm's profitability without considering the tax structure. Over the years the firm's pretax margin has increased except in 2008. After these rise and fall, finally the ratio rose back again to 24% in 2012.

5) Profit Margin

Table 22: Profit Margin

Year	2008	2009	2010	2011	2012
Sales	162,999,801	207,453,709	434,207,010	468,240,190	513,181,307
Net Income	-33,096,664	17,295,839	36,420,525	60,896,964	104,718,512
Profit Margin (%)	-20.30	8.34	8.39	13.01	20.41
Growth Rate (%)	-	-141.06	0.61	55.05	56.90

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



The profitability after considering tax and capital structure including all other expenses is measured by net profit margin. This indicates the firm's overall profitability net of all expenses. The ratio has been increasing over the last five years. CMC-KAMAL Textile has highest profit value in year 2012 the value is 20.41%

6) Return on Asset

Table 23: Return on Asset

Year	2008	2009	2010	2011	2012
Total Asset	477,786,086	528,038,688	953,302,203	1,644,251,414	1,644,094,569
Net Income	-33,096,664	17,295,839	36,420,525	60,896,964	104,718,512
ROA(%)	-6.93	3.28	3.82	3.70	6.37
Growth Rate (%)	-	-147.29	16.64	-3.06	71.98

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



This ratio measures two things: 1. the management's ability to utilize the firm's profit and 2. The return available to all capital providers.

Higher ratio will indicate the firm is earning more return which will go to the investors. CMC-KAMAL Textile return on asset ratio has been going down at 2008 and again increase over the years, which is highest of 6.37% in 2012. Which means for every one taka of total asset the income generated if 6.37 taka.

7) Return on Equity

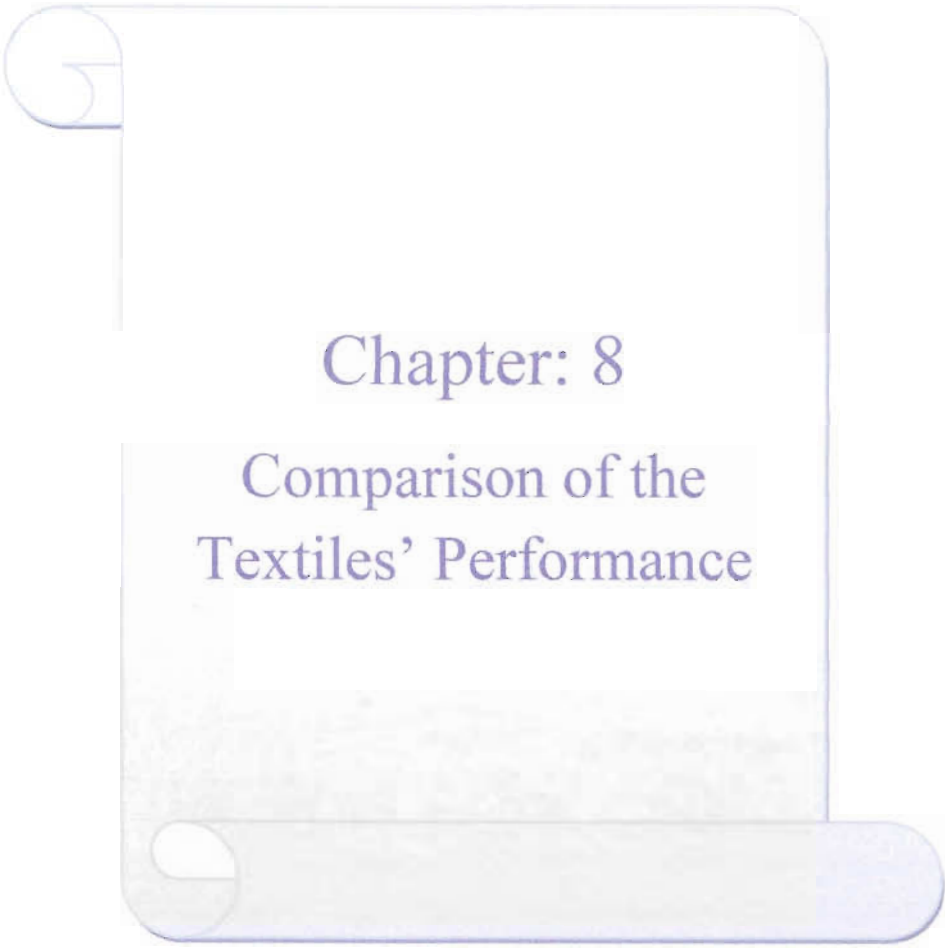
Table 24: Return on Equity

Year	2008	2009	2010	2011	2012
Total Equity	172,000,000	198,597,986	660,565,182	1,372,369,528	1,473,649,148
Net Income	-33,096,664	17,295,839	36,420,525	60,896,964	104,718,512
ROE (%)	-19.24	8.71	5.51	4.44	7.11
Growth Rate (%)	-	-145.26	-36.69	-19.52	60.14

Source: Annual Report of CMC-KAMAL Textile Limited (2008-2012)



This ratio measures the return available to all equity holders. The income in this calculation can be income before or after tax but it must be the income after considering the interest payment. In 2008 CMC-KAMAL Textile has a negative Return on equity otherwise it holds a volatile position throughout the years.



Chapter: 8

**Comparison of the
Textiles' Performance**

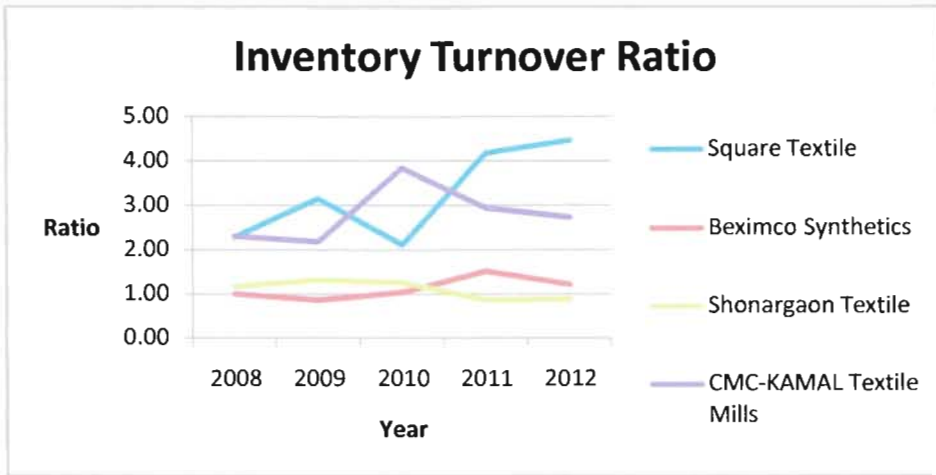
In the previous chapters the individual performances of each textile companies are shown, in this chapter for broader analysis comparative performances of the companies have been discussed.

A) Activity Ratios

1) Inventory Turnover Ratio

Table 1: Inventory Turnover Ratio

Year	2008	2009	2010	2011	2012
Square Textile	2.29	3.15	2.12	4.17	4.47
Beximco Synthetics	1.01	0.87	1.05	1.52	1.23
Sonargaon Textile	1.18	1.32	1.26	0.87	0.88
CMC-KAMAL Textile Mills	2.32	2.19	3.84	2.95	2.74

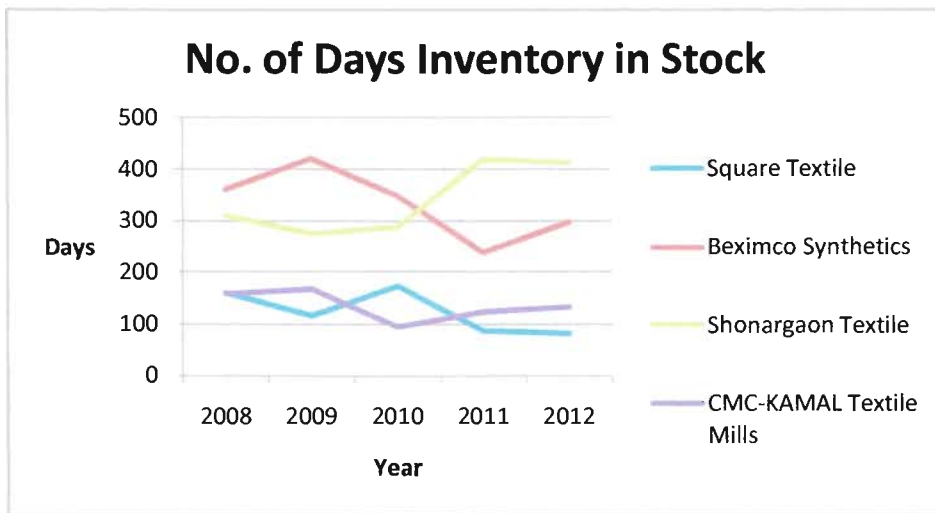


From the graph we can see that Square textile is in best position with 4.47x. For inventory turnover ratio, higher the ratio better the scenario. Therefore, Square textile completes its whole inventory turnover process approximately five times a year. Sonargaon Textile and Beximco Synthetics are below over five years and rests of the companies are in moderate position maintaining inventory turnover ratio.

Average number of days Inventory in stock

Table 2: Average number of days Inventory in Stock

Year	2008	2009	2010	2011	2012
Square Textile	159	116	172	87	82
Beximco Synthetics	362	421	349	240	298
Sonargaon Textile	310	276	289	419	413
CMC-KAMAL Textile Mills	158	167	95	124	133

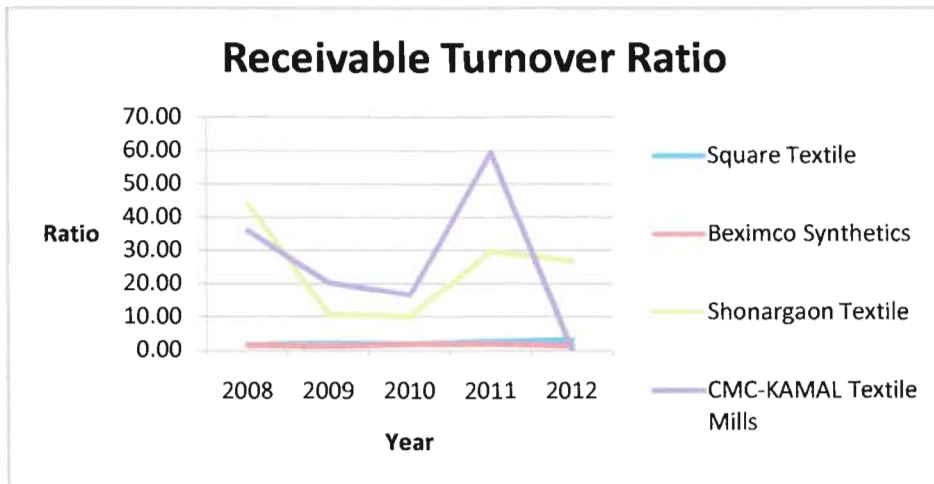


Most companies in the textile industry keep inventory in stock for approximately 150 days. In comparison to this from the graph we can see that Sonargaon textile is in worst position with highest number of day's inventory in stock i.e. 419 days which is explained by their lowest inventory turnover ratio. On the other hand, an Square Textile is in the best position with lowest number of days 82 days inventory in stock which explains their highest inventory turnover ratio.

2) Receivable Turnover Ratio

Table 3: Account Receivable Turnover Ratio

Year	2008	2009	2010	2011	2012
Square Textile	1.91	2.32	2.18	2.82	3.29
Beximco Synthetics	1.81	1.50	2.09	2.14	1.57
Sonargaon Textile	44.46	10.82	10.23	29.89	26.92
CMC-KAMAL Textile Mills	35.92	20.37	16.56	59.53	0.00



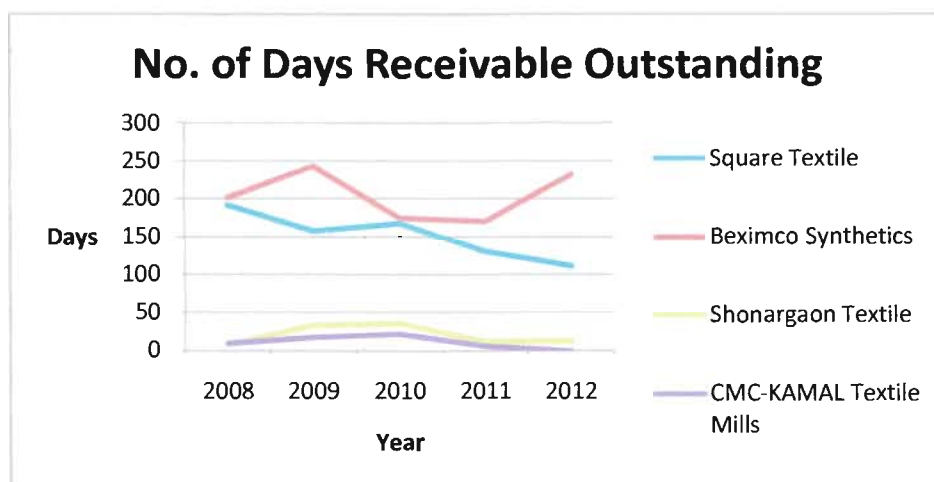
According to 5 years data, the trend of receivable turnover ratio is increasing position in CMC-LAMAL Textile. But in Beximco Synthetics, the ratio of receivable turnover is fluctuating and has low value.

For the receivable turnover ratio, higher ratio is good for the company. Most of the company's receivable ratios have a growing trend and it indicates the company's credit policy maintains the sales level. In Beximco Synthetics, the ratio indicates that the level of investment in receivables is not sufficient to maintain the firm's sales level.

Average Number of day's receivable outstanding:

Table 4: Average Number of day's receivable outstanding

Year	2008	2009	2010	2011	2012
Square Textile	192	157	167	129	111
Beximco Synthetics	201	243	175	171	232
Sonargaon Textile	8	34	36	12	14
CMC-KAMAL Textile Mills	10	18	22	6	0



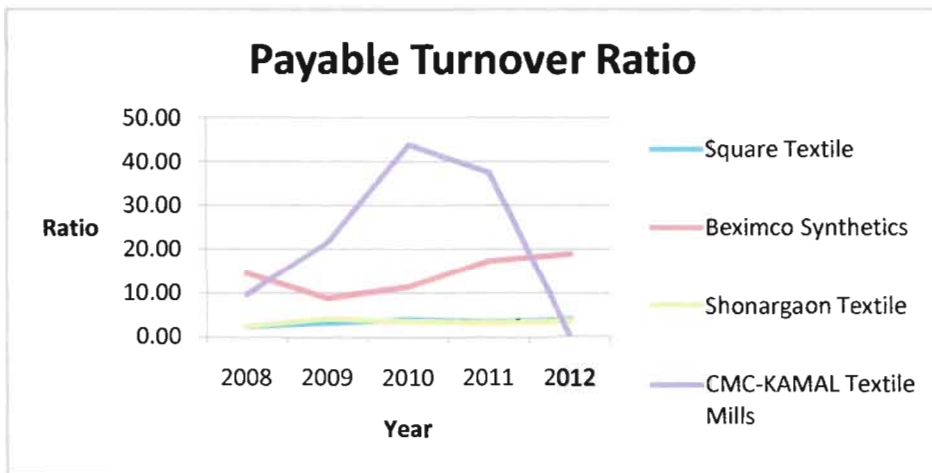
From 2008-2012, the number of days receivable outstanding is increasing for Beximco Synthetics. But in CMC-KAMAL Textile the numbers of days are decreasing over the year. In Beximco, the number of days is very much higher than other three companies.

As we know that the low average number of days receivable outstanding (DSO) is good for company. For CMC-KAMAL Textile, it can be said that gradually the company can collect their credit money within a fewer days. In earlier year, Sonargaon Textile could collect their credit money within fewer days and gradually the days are increasing.

3) Payable Turnover

Table 5: Payable Turnover

Year	2008	2009	2010	2011	2012
Square Textile	2.31	3.21	3.95	3.40	3.96
Beximco Synthetics	14.49	8.71	11.36	17.34	18.98
Sonargaon Textile	2.29	4.15	3.42	3.25	3.59
CMC-KAMAL Textile Mills	9.53	21.66	43.87	37.54	0.00

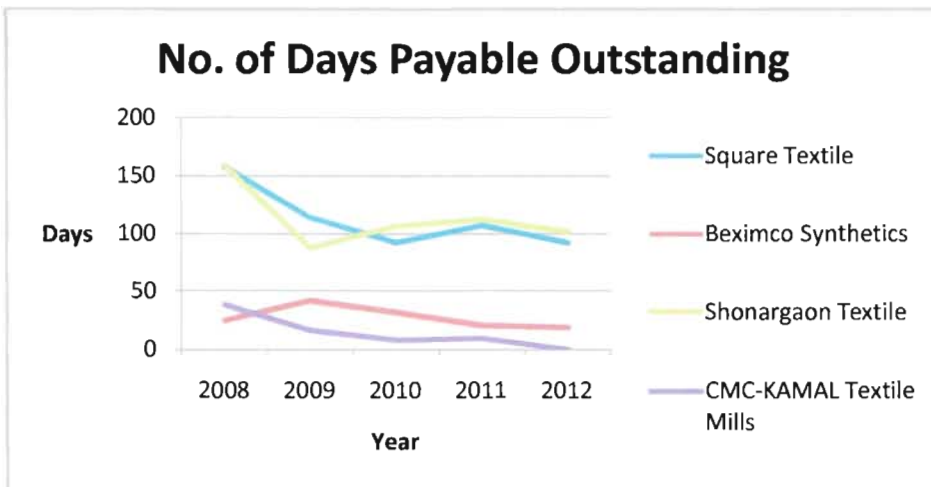


The lower ratio of payable indicates the better condition of a company. Square and Sonargaon textile both company have approximately same ratio which indicates that they make purchase from assets rather than from on credit. As they have low accounts payable, their companies are efficient in making asset.

Average Number of day's payable outstanding:

Table 6: Average Number of day's payable outstanding

Year	2008	2009	2010	2011	2012
Square Textile	158	114	92	107	92
Beximco Synthetics	25	42	32	21	19
Sonargaon Textile	160	88	107	112	102
CMC-KAMAL Textile Mills	38	17	8	10	0



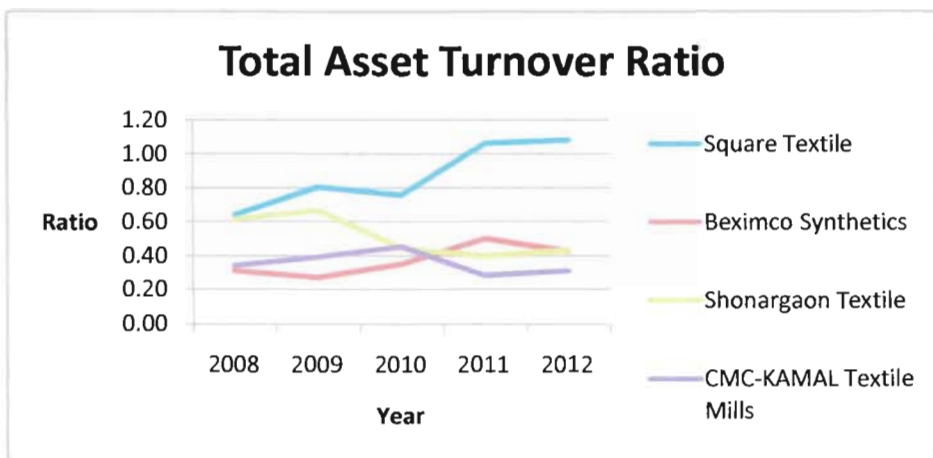
From 2008-2012 data, we can see that Average Number of day's payable outstanding ratio was fluctuated over time to time for the five companies.

Average number of day's payable outstanding or DPO is an efficiency ratio that measures the average number of days a company takes to pay its suppliers. Here, we find that CMC-KAMAL Textile takes less number of days to pay their credit money rather than Square and Sonargaon footwear takes.

4) Total Asset Turnover Ratio

Table 7: Total Asset Turnover

Year	2008	2009	2010	2011	2012
Square Textile	0.64	0.81	0.76	1.06	1.08
Beximco Synthetics	0.31	0.27	0.35	0.50	0.43
Sonargaon Textile	0.61	0.67	0.45	0.40	0.43
CMC-KAMAL Textile Mills	0.34	0.39	0.46	0.28	0.31



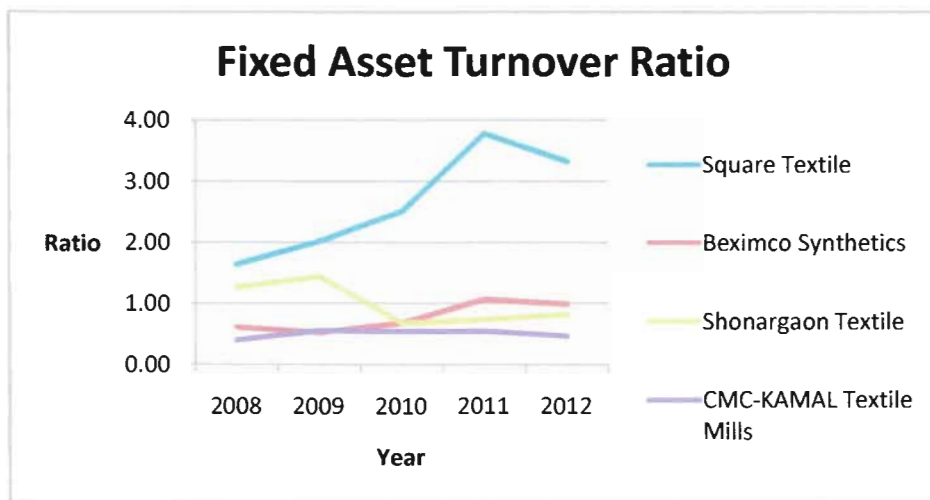
For Square, the total asset turnover was 0.64 in 2008 and for 2009-2012; it either decreased or increased slightly. Sonargaon Textile followed decreasing trend and on the other hand the ratio of CMC-KAMAL Textile is lower than the three companies.

Total asset turnover ratio indicates how a company using assets efficiently against their sales. After analyzing the 5 years data it can say that, CMC-KAMAL Textile uses lower amount of assets to make their sale but Square uses assets higher rather than CMC-KAMAL Textile to make their sale.

5) Fixed Asset Turnover Ratio

Table 8: Fixed Asset Turnover

Year	2008	2009	2010	2011	2012
Square Textile	1.64	2.02	2.51	3.78	3.32
Beximco Synthetics	0.62	0.53	0.69	1.06	0.99
Sonargaon Textile	1.26	1.44	0.68	0.74	0.83
CMC-KAMAL Textile Mills	0.40	0.56	0.54	0.55	0.47



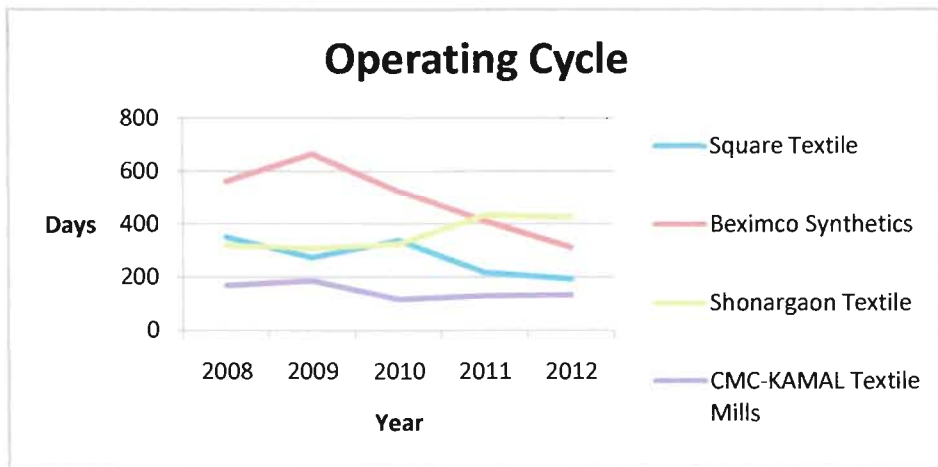
As have been already mentioned this ratio indicates how much sales a company can generate with the given level of fixed asset. Higher the ratio, better it is. For this industry which sets the bench mark at 1.56x, Square textiles is maintaining the best position with 3.78x and the worst ratio is of both Beximco Synthetics and CMC-KAMAL Textile. Both the companies maintain ratio bellow 1. Rests are maintaining better or equal to the bench mark position.

B) Liquidity Ratios

1) Operating Cycle

Table 9: Operating Cycle

Year	2008	2009	2010	2011	2012
Square Textile	351	273	339	217	193
Beximco Synthetics	563	664	524	410	314
Sonargaon Textile	319	310	325	432	426
CMC-KAMAL Textile Mills	168	185	117	130	133



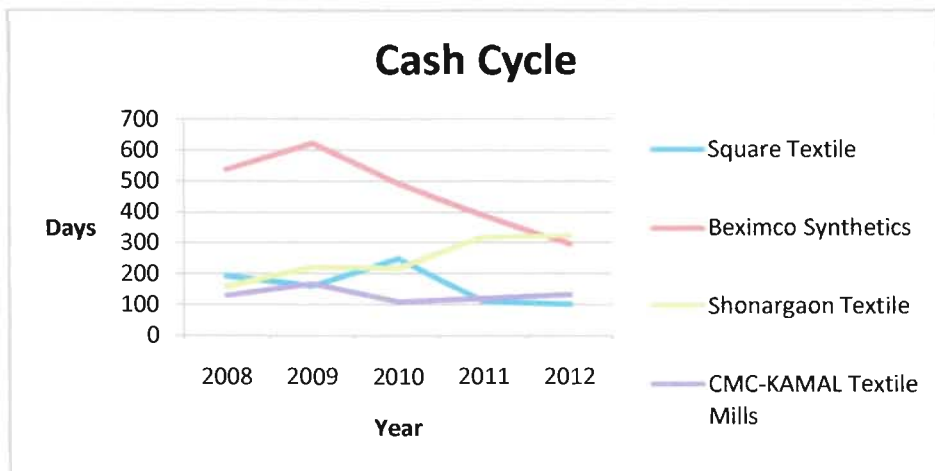
For CMC-KAMAL Textile, Operating Cycle in 2012 was 133 days and it fluctuated over the year of 2009-2012. Same trend followed by Square and Sonargaon Textile.

Operating Cycle means the number of days a firm takes to sell inventory. Here, we can find that Sonargaon Textile takes much longer time rather than Square textile and Beximco Synthetics take.

2) Cash Cycle

Table 10: Cash Cycle

Year	2008	2009	2010	2011	2012
Square Textile	193	159	247	110	101
Beximco Synthetics	538	622	492	389	294
Sonargaon Textile	159	222	218	319	324
CMC-KAMAL Textile Mills	129	168	109	120	133



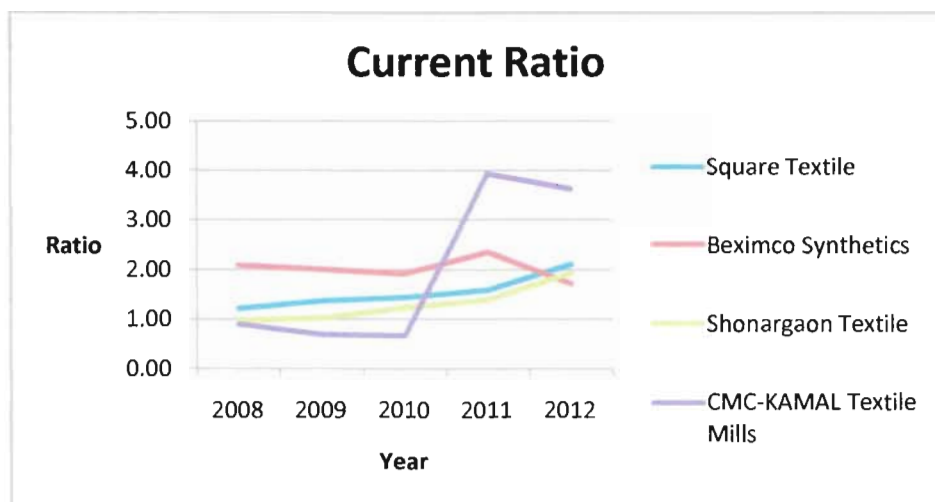
For Square Textile, cash cycle in 2008 was 193 days and then it followed decreasing & increasing trend. Same trend followed by Sonargaon Textile and CMC-KAMAL Textile. But in 2008, Beximco textile's cash cycle was 538 days and then it followed decreasing trend.

By Cash Cycle, we mean the number of days a firm takes to convert the receivables into cash. Here, we find that Beximco Textile takes much longer time rather than other companies take.

3) Current Ratio

Table 11: Current Ratio

Year	2008	2009	2010	2011	2012
Square Textile	1.21	1.36	1.43	1.58	2.11
Beximco Synthetics	2.09	2.01	1.92	2.36	1.72
Sonargaon Textile	0.98	1.03	1.23	1.39	1.93
CMC-KAMAL Textile Mills	0.90	0.69	0.67	3.93	3.63

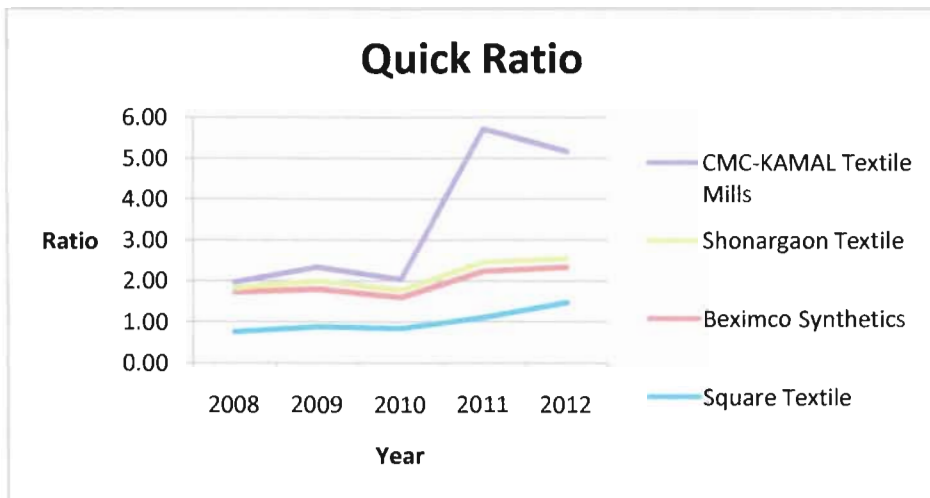


After analyzing the data, we can see that the current ratio for Square Textile and Sonargaon Textile are consistent throughout the 5 years but Beximco Synthetics and CMC-KAMAL Textile have volatile current ratio. It implies that Square Textile and Sonargaon Textile are able to pay off its current liabilities with its current assets more efficiently whereas Beximco Synthetics and CMC-KAMAL Textile are not capable enough to pay off its current liabilities with its current assets. Thus, it shows that Square Textile and Sonargaon Textile have a better liquidity position rather than Beximco Synthetics and CMC-KAMAL Textile.

4) Quick Ratio

Table 12: Quick Ratio

Year	2008	2009	2010	2011	2012
Square Textile	0.75	0.87	0.83	1.11	1.47
Beximco Synthetics	0.98	0.93	0.77	1.12	0.86
Sonargaon Textile	0.10	0.20	0.17	0.23	0.21
CMC-KAMAL Textile Mills	0.14	0.34	0.26	3.26	2.62

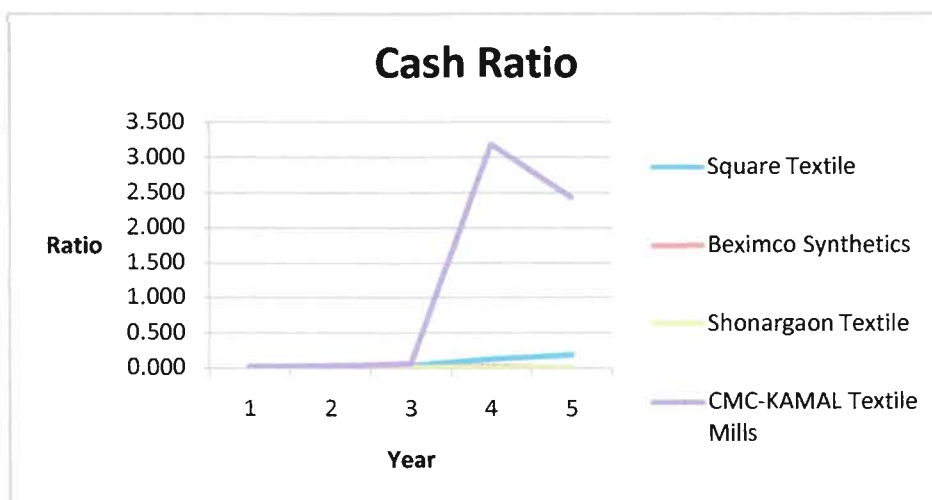


After analyzing the data, we can see that the Quick ratios of Shorargaon Textile is less than 1.2 which implies that the company is unable to pay of its current liabilities with the quick assets it has. So, the company has lower liquidity position in terms of their quick assets but other three companies have better position specially in the recent years.

5) Cash Ratio

Table 13: Cash Ratio

Year	2008	2009	2010	2011	2012
Square Textile	0.019	0.033	0.031	0.119	0.183
Beximco Synthetics	0.003	0.005	0.007	0.021	0.003
Sonargaon Textile	0.005	0.003	0.001	0.005	0.001
CMC-KAMAL Textile Mills	0.010	0.027	0.061	3.180	2.433



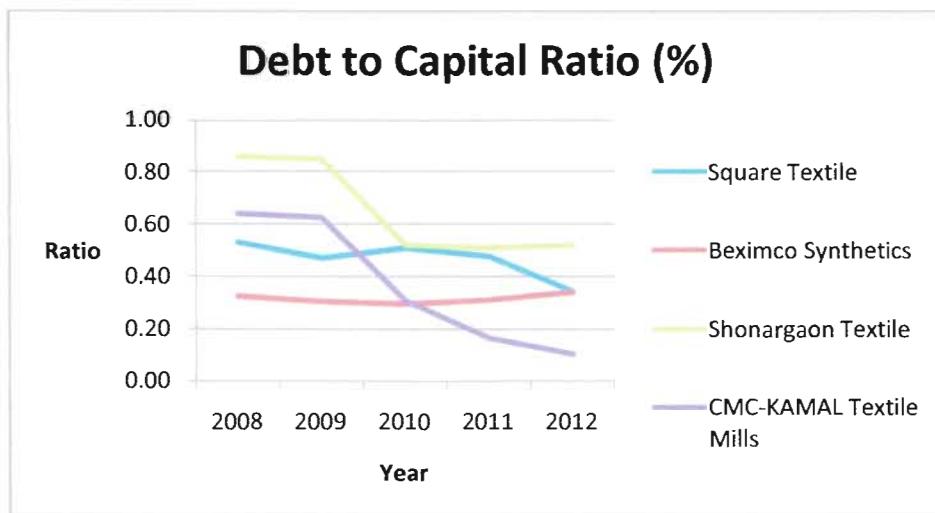
This ratio indicates the most liquid asset of the company (cash and cash equivalents) against its current liability. The best position compared to industry average is maintained by CMC-KAMAL textile i.e. 2.43x and worst is of Beximco Synthetics and Sonargaon textile with lowest ratio. The overall outlook of the ratio of all companies is poor as the ratios are really weak.

C) Solvency Ratios

1) Debt to Capital Ratio

Table 14: Debt to Capital

Year	2008	2009	2010	2011	2012
Square Textile	0.53	0.47	0.51	0.48	0.34
Beximco Synthetics	0.32	0.30	0.30	0.31	0.34
Sonargaon Textile	0.86	0.85	0.52	0.51	0.52
CMC-KAMAL Textile Mills	0.64	0.62	0.31	0.17	0.10

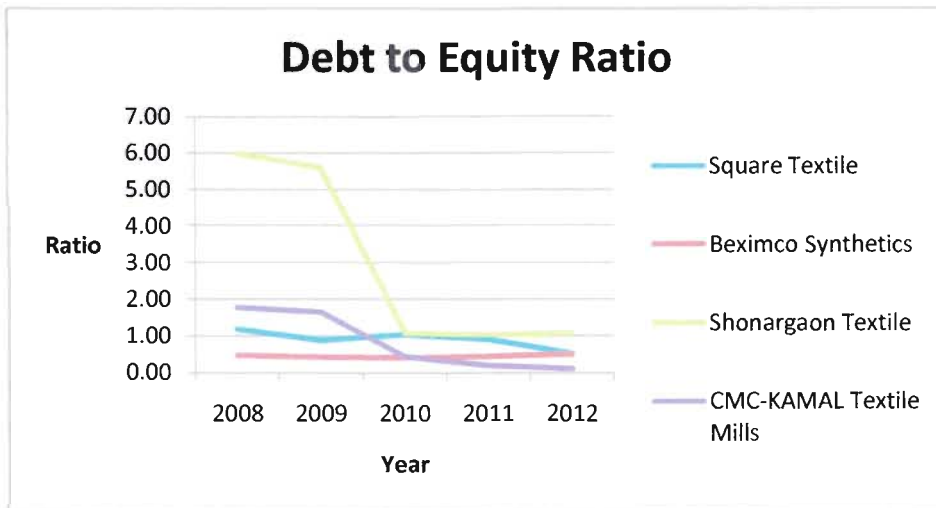


As we know that Debt to capital ratio indicates that how much a company collects their capital from their debt sources. After analyzing 5 years data, we can say that capital collection of all the companies except Beximco Textile from their debt sources is gradually decreasing and their debt amount is approximately half of their capital sources. In Beximco, most of the year about 30% capital is collected from debt sources and suddenly in 2012 their debt ratio is increased to 34% which indicates that now a day the company collects high amount of capital from debt sources.

2) Debt to Equity Ratio

Table 15: Debt to Equity

Year	2008	2009	2010	2011	2012
Square Textile	1.18	0.88	1.04	0.91	0.52
Beximco Synthetics	0.48	0.44	0.42	0.45	0.51
Sonargaon Textile	5.99	5.60	1.08	1.04	1.08
CMC-KAMAL Textile Mills	1.78	1.66	0.44	0.20	0.12

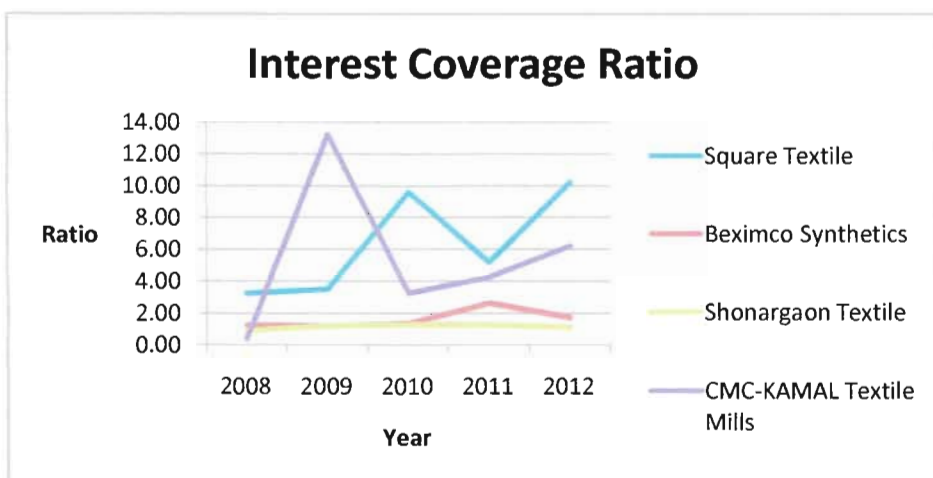


After analyzing the 5 years debt to equity ratio of three companies we can say that, Beximco Synthetics collects capital from equity sources more than debt as their ratio is low and it indicates the company can pay the most of the liabilities from their equity sources. On the other hand, most of the time in Square Textile company's debt ratio is higher than Beximco but lower than Sonargaon Textile and they cannot pay their most of the liabilities from their equity sources. From the ratio of Sonargaon, it can say that they pay their liabilities from their debt source as most of the year their ratio is high.

3) Interest Coverage Ratio

Table 16: Interest Coverage Ratio

Year	2008	2009	2010	2011	2012
Square Textile	3.21	3.48	9.58	5.17	10.19
Beximco Synthetics	1.23	1.20	1.38	2.63	1.76
Sonargaon Textile	0.89	1.21	1.29	1.28	1.12
CMC-KAMAL Textile Mills	0.38	13.24	3.25	4.24	6.22



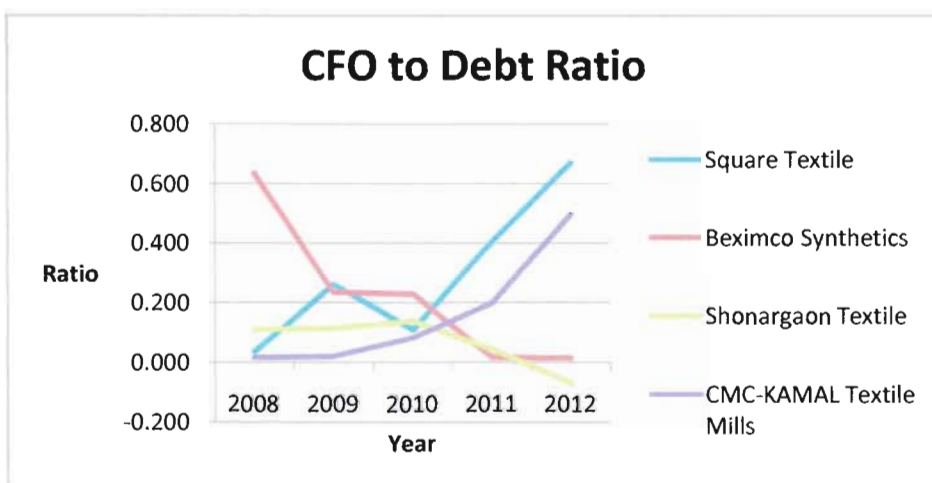
From the above data, we can see that Square has high times interest earn. In Sonargaon, they have lower ratio. On the other hand, the ratio of Beximco Synthetics is very low than Square but higher than Sonargaon.

As we know that, higher times interest ratio is good for a company. So Square's ratio is good and it indicates that they give the high protection to their creditors. Sonargaon cannot give protection to their creditors as their ratio is very low. Other companies are giving moderate protection to their creditors.

4) CFO to Debt Ratio

Table 17: Interest Coverage Ratio

Year	2008	2009	2010	2011	2012
Square Textile	0.034	0.260	0.110	0.403	0.669
Beximco Synthetics	0.635	0.235	0.229	0.017	0.014
Sonargaon Textile	0.110	0.115	0.139	0.044	-0.069
CMC-KAMAL Textile Mills	0.015	0.020	0.083	0.199	0.496



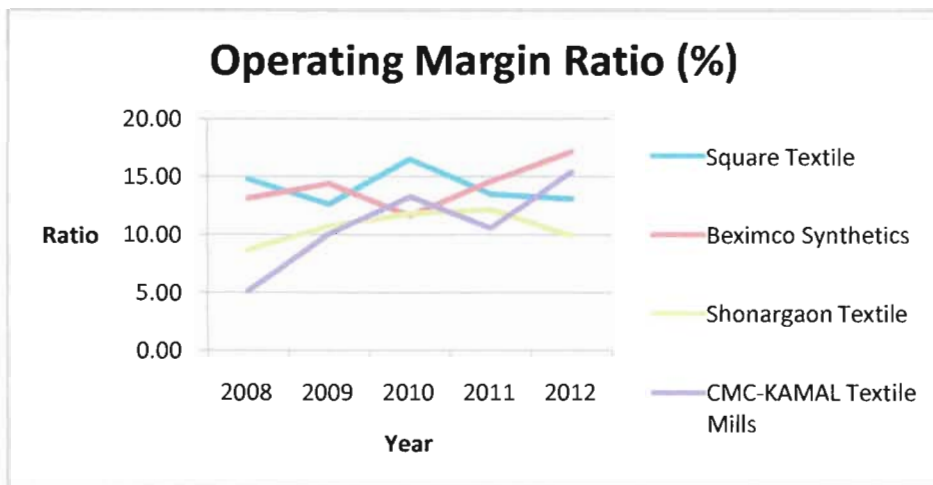
All the Textile Company's CFO to debt ratio are constantly below 1 which indicates that the debt is always higher than the cash flow generated from core operation. In the year 2012 Sonargaon Textile has a negative ratio, this indicates in that year there was no cash outflow from the core operation

D) Profitability Ratios

1) Operating Margin

Table 18: Operating Margin

Year	2008	2009	2010	2011	2012
Square Textile	14.78	12.65	16.53	13.50	13.11
Beximco Synthetics	13.15	14.40	11.67	14.58	17.17
Sonargaon Textile	8.70	10.77	11.84	12.20	9.95
CMC-KAMAL Textile Mills	5.16	10.05	13.32	10.58	15.41

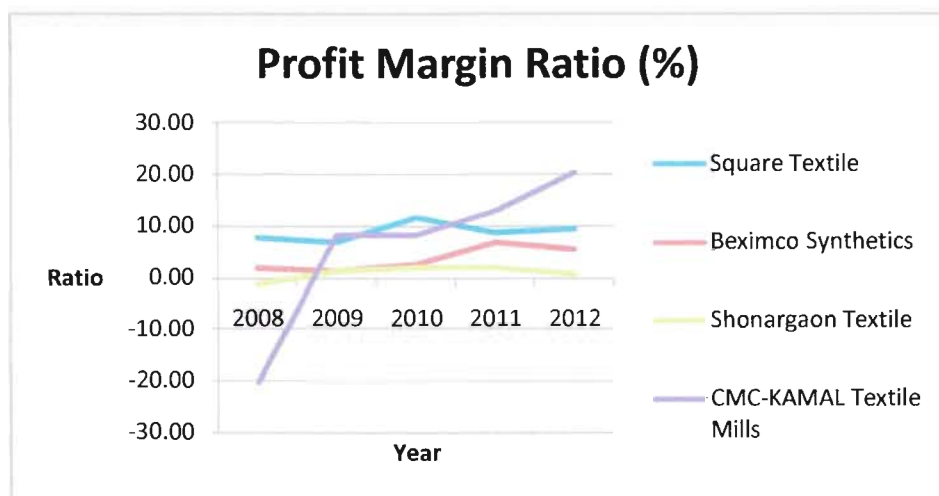


We know that higher Operating margin gives analysts an idea of how much a company makes (before interest and taxes) on each dollar of sales. If a company's margin is increasing, it is earning more per dollar of sales. The higher the margin is better. So, among the four companies Square Textile and Beximco Synthetics' operating margin is high, CMC-KAMAL Textile's ratio is very much low and it indicates their sales is low.

2) Profit Margin

Table 19: Profit Margin

Year	2008	2009	2010	2011	2012
Square Textile	7.82	6.95	11.70	8.78	9.48
Beximco Synthetics	2.02	1.47	2.72	7.00	5.64
Sonargaon Textile	-1.13	1.50	2.13	2.11	0.87
CMC-KAMAL Textile Mills	-20.30	8.34	8.39	13.01	20.41

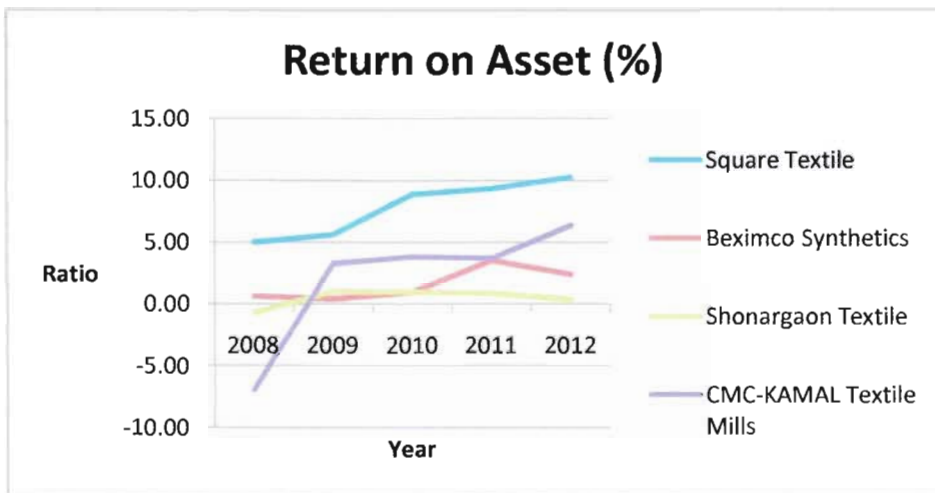


A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors and after analyzing the data we see that in recent years CMC-KAMAL Textile has better control over its cost compare to the Square. But for the Sonargaon Textile it can say that there have no very much control over its cost compare to the others three leading companies.

3) Return on Asset

Table 20: Return on Asset

Year	2008	2009	2010	2011	2012
Square Textile	5.00	5.60	8.88	9.31	10.26
Beximco Synthetics	0.63	0.40	0.96	3.51	2.41
Sonargaon Textile	-0.70	1.00	0.95	0.84	0.37
CMC-KAMAL Textile Mills	-6.93	3.28	3.82	3.70	6.37



After analyzing the above data, we can say Square Textile uses highest percentage of asset compare to their close competitor CMC-KAMAL Textile. Square and CMC manages their assets efficiently to generate earnings. On the other hand, as Sonargaon Textile can't manage their asset to generate earning, so their return on asset was negative in year 2008.

4) Return on Equity

Table 21: Return on Asset

Year	2008	2009	2010	2011	2012
Square Textile	11.15	10.55	18.10	17.80	15.62
Beximco Synthetics	0.94	0.57	1.36	5.09	3.65
Sonargaon Textile	-4.87	6.60	1.98	1.72	0.78
CMC-KAMAL Textile Mills	-19.24	8.71	5.51	4.44	7.11



As we know, the higher the ratio percentage, the more efficient management is in utilizing its equity base and the better return is to investors. So, among three companies Square is profitable company by comparing its net income to its average shareholders' equity as their ratio is higher than others three. Sonargaon's ratio indicates their management is less efficient in utilizing its equity than the Square. And Beximco, CMC textile are trying to be efficient.

Chapter: 9

Recommendation & Conclusion

Recommendations

Textile is one of the oldest and most prolific industries in Bangladesh. Bangladesh is one of the leading exporters of ready-made garments in the world and earning nearly 76% of its foreign currency through exporting textiles and ready-made garments. But the major problems of these companies are, they are not working for better Research and Development for some years. They are not focusing to improve their technology and expand their market share. So the Textile Companies of Bangladesh should be aware of their inefficiency and try to correct them to benefit the economy of Bangladesh. After analysis of performance of leading Textile Companies the following aspects are recommended.

- (i) There is possibility that textile companies can reduce waste and cost of production to maximize profit.
- (ii) The companies can increase productivity by improving process performance and product quality to grow the textile industry.
- (iii) New product, market and business ideas can be investigated for further expansion.
- (iv) Tax revenue due to maximization of profit.
- (v) Monitor and control textile business at national level,
- (vi) Safeguard and secure our business interest at international level.
- (vii) The industry is growing day by day. The financial performance of the industry is doing well as increasing the day. But for ours political unrest condition and environmental calamities is becoming a major constrain for this industry.
- (viii) The companies also need to analyze their financial condition time to time and need to hold the solvency of them.
- (ix) Companies also need to provide their best and transparent financial information to its shareholders because it will help the shareholder to invest in right and preferred company for further expansion of the company.
- (x) Our infrastructural condition also plays a significant role by not helping to grow up the industry. So the Government should provide better infrastructure to help to grow the textile industry.

Conclusion

The textile industry has played an important role in Bangladesh's economy for a long time. Currently, the textile industry in Bangladesh accounts for 45 percent of all industrial employment and contributes 5 percent to the total national income. The industry employs nearly 4 million.

A huge 78 percent of the country's export earnings come from textiles and apparel, according to the latest figures available. Bangladesh exports its apparel products worth nearly \$5 billion per year to the United States, European Union (EU), Canada and other countries of the world. It is the sixth largest apparel supplier to the United States and EU countries.

Major products exported from Bangladesh include polyester filament fabrics, man-made filament mixed fabrics, PV fabrics, viscose filament fabrics and man-made spun yarns. Major garments exported include knitted and woven shirts and blouses, trousers, skirts, shorts, jackets, sweaters and sportswear, among other fashion apparel.

Ratio Analysis is the basic tool of financial analysis and financial analysis itself is an important part of any business planning process as SWOT (Strengths, Weaknesses, Opportunities and Threats), being the basic tool of the strategic analysis plays a vital role in a business planning process and no SWOT analysis would be complete without an analysis of companies' financial position. In this way Ratio Analysis is very important part of whole business strategic planning.

This report helps to explore my knowledge in this financial area that will help me to understand more about how I can know the performance of the industry as a student of finance. This report is also helping me to understand the financial condition and as well as how they will do in future. From this report an investor can see the overall picture of a company and he can take decision based on this report. The RMG sector greatly depend on this industry so an employer and government can take necessary steps to grow up the industry and also hold the industry in a good position.

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