

INTERNSHIP REPORT

ON

**Financial Statement Analysis and Performance Evaluation of
Bengal Windsor Thermoplastics Ltd.**





SONARGAON UNIVERSITY (SU)
Faculty of Business Studies
Bachelor of Business Administration

SUBMITTED TO

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Date of Submission: May 5, 2021

May 5, 2021

MD. RASEL HAWLADER

Lecturer

Department of Business Administration

Sonargaon University (SU)

Subject: Submission of Internship Report regarding “**Financial Statement Analysis and Performance Evaluation**” of a listed manufacturing company.

Dear Sir,

It’s my great pleasure to place my internship report for your kind approval.

The report contains a comprehensive study on “**Financial Statement Analysis and Performance Evaluation of Bengal Windsor Thermoplastics Ltd.** It is an honor and matter of great pleasure for me to work under your dynamic supervision. I feel blessed getting an opportunity to work in **Bengal Group of Industries** as a Financial Analyst under the Finance Department. This Engagement gave me the chance to relate my knowledge with practical experience.

So, I started my internship in Bengal Windsor Thermoplastics Ltd. a sister concern of **Bengal Group of Industries** under the Finance department. The nature of the job is mainly financial reporting and analysis. Besides, I had to perform budgeting and forecasting and assist managers in making key strategic decisions. Furthermore, performing financial analysis added a new experience in the path of my career which is beyond description.

I attempted my level best to follow your every single instruction accordingly. I tried my best to include all the knowledge that I actually have collected. I hope the report will fulfill your expectation and customary. I need to mention here that, I’m extraordinarily grateful to you for your valuable direction, tireless effort and continuous attention in getting ready this report.

I, sincerely hope that you would be happy enough with my report. If you've got any question, I will feel happy to answer that. I request your kind excuse for the mistakes that may take place in this report instead of my best effort and would like to thank you again for giving me the opportunity to submit the report.

Sincerely yours,

.....

Name: Md Raihan Alam

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STUDENT'S DECLARATION

This is **Md Raihan Alam**, the student of BBA bearing the **ID: 1901016090**, major in Finance from Sonargaon University (SU), would like to solemnly declare here that the internship report on “**Financial Statement Analysis and Performance Evaluation of Bengal Windsor Thermoplastics Ltd.**” has been authentically prepared by me under the guidance of MD. RASEL HAWLADER, Lecturer, Department of Business Administration, Sonargaon University (SU). This report is submitted in the partial fulfillment of the requirement for the degree of BBA Program.

I also confirm that, the report is only prepared for my academic requirement not for any other purposes. It should not be used with the interest of other party.

Sincerely yours,

.....

Name: Md Raihan Alam

ID No: BBA1901016090

Department of Business Administration (BBA)

Sonargaon University (SU)

CERTIFICATE OF APPROVAL

May 5, 2021

TO WHOM IT MAY CONCERN

This letter certifies that **Md Raihan Alam**, a student of BBA Program, ID BBA1901016090, **Sonargaon University** is working in the role of Financial Analyst with **Bengal Group of Industries** during the period January 2021 to March 2021.

As an intern of **Bengal Group of Industries**, he is dedicated and loyal to his/her work and responsibilities with our company. He/she has done an exemplary job as part of his job duties so far. He always maintains a professional and courteous attitude and appearance while working with us.

To the best of my knowledge and belief, He carries an excellent interpersonal skill and knowledge which helped solving a lot of finance related issues. He is a true team player and fun-loving individual and mix-up well with his seniors and his junior as well. He is one of those interns with whom everyone intends to work because of his professional and disciplined approach.

We wish him every success in all his future efforts. Please contact us for any additional information.

Best Regards,



.....
Mahamud Ahamed
Assistant General Manager, Corporate Finance
Bengal Group of Industries

LETTER OF AUTHORIZATION

This is to certify that the internship report Titled “**Financial Statement Analysis and Performance Evaluation of Bengal Windsor Thermoplastics Ltd.**” is the bona fide record as the report is done by Md Raihan Alam, ID No.: BBA1901016090, as a partial fulfillment of the requirement of B.B.A. degree from Sonargaon University.

The report has been prepared under my guidance and is a record of the bona fide work carried out successfully.

.....
MD. RASEL HAWLADER
Lecturer
Department of Business Administration
Sonargaon University (SU)

ACKNOWLEDGMENT

First of all, I would like to thank our honorable academic supervisor Mr. **MD. RASEL HAWLADER**, Lecturer, Faculty of Business, Sonargaon University (SU). I am thankful to him for his continuous support and supervision, suggestions and providing me with valuable information that was very much needed for the completion of this report.

Then, I express my honest gratitude to my on-site supervisor Mahamud Ahamed, Assistant General Manager, **Bengal Group of Industries**, who has extended whole-hearted cooperation for preparing the report. Luna Akhter Metu (Asst. Manager- Finance), Rysul Islam (Sr. Executive- Finance), A. K. M Nazmul Hossain (Sr. Executive- Finance), Md Mustafizur Rahman (Deputy Manager- Finance) were friendly and willingly.

Finally, I am grateful to my family, friends, classmates and colleagues who helped me whenever I needed. Without their help this report might not been a comprehensive one.

The successful accomplishment of this Internship Report is the outcome of the contribution and involvement of a number of people, especially those who took the time to share their thoughtful guidance and suggestions to improve the report. It is difficult for me to talk about all of those people who have contributed something to this report. There are some special people who cannot go without mention.

EXECUTIVE SUMMARY

This report is based on the “**Financial Statement Analysis and Performance Evaluation of Bengal Windsor Thermoplastics Ltd.**” These learning experiences are described in detail in the various chapters of this report. The company is a listed company and its shares are traded in the capital market. I have collected data by face-to-face conversation with the respective officers of the firm, the annual reports of last 6 years etc.

Plastic Industries of Bangladesh are mainly engaged in manufacture of different products like PVC pipe, Garment’s accessories, Hanger, Poly bag, Polythene bag, and leather, Plastic household products, Jute and Textile spares Toys, Plastic waste recycling, Computer Accessories, Auto lighting, Plastic Furniture, Poly Propylene woven, Flexible packaging and so many. Investment Policy of Bangladesh is free and open for foreign investment. Bangladesh gives most attraction Packages of FDI and its export growth is 2.89% in 2019 for all products whereas the national GDP growth was 8.2%. The company manufactures hanger contribute to total GDP of our country. It is 100% export-oriented company and earn foreign currency.

The report is divided into ten major chapters. Chapters are again divided into subchapters according to the content of the chapters. In chapter one, a brief discussion of objective, methodology, data sources, data analysis process, limitation etc.

In chapter two, a brief discussion about BWTL, products, marketing aspect, market share of the company are shown. In chapter three the overall industry analysis is presented through different methods; say, Porter’s five force model, Life cycle, SWOT analysis, product pricing strategy.

In chapter three the overall industry analysis is presented through different methods. **In chapter four**, ratio analysis on the four different dimensions is presented which gives us the idea of the performance of the company. **In chapter five**, Cash flow and trend analysis are in a brief. Leverage analysis will be found in **chapter six**. Altman Z-score model has been used to test the bankruptcy for BWTL and it will be found in **chapter seven**.

The company is listed company to Dhaka Stock Exchange (DSE) and Chittagong Stock exchange (CSE). So, the company disclosed all relevant data which directed by Security Exchange Commission, company law and other in rules of practices of IFRS, BAS is presented in **chapter eight**. **In chapter nine**, there are finding and recommendation and short conclusion has been drawn at the end of the report.

LIST OF ABBREVIATION

ACRONYMS

FMCG	Fast-Moving Consumer Goods
AGM	Annual General Meeting
BWTL	Bengal Windsor Thermoplastics Ltd
FDI	Foreign Direct Investment
PVC	Poly Vinyl Chloride
DEPZ	Dhaka Export Processing Zone
GDP	Gross Domestic Product
EBIT	Earnings Before Interest and Tax
DFL	Degree of Financial Leverage
DOL	Degree of Operating Leverage
DCL	Degree of Combined Leverage
DSE	Dhaka Stock Exchange
CSE	Chittagong Stock Exchange
CA	Current Asset
CL	Current Liability
WC	Working Capital
COGS	Cost of Goods Sold
FCF	Free Cash Flow
EPS	Earnings Per Share
LTL	Long Term Loan
STL	Short Term Loan
ROA	Return on Asset
ROE	Return on Equity

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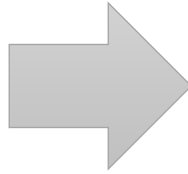
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CHAPTER: 1

INTRODUCTION

Chapter Hints.....



Chapter contents.....

This chapter is designed to introduce with the report. The background of the study, origin of the study, objective, methodology, scope & limitation of the report are described in this chapter.

- ✓ Background of the study
- ✓ Origin of the study
- ✓ Objective of the study
- ✓ Methodology of the study
- ✓ Scope & Limitations

1.1 Background of the study

Business environment is changing as an ongoing process. Globalization has made the business in the modern era very much complex day by day. Without sufficient practical experience it becomes difficult to succeed in business and in some cases impossible. The whole world' is moving because of business relation. Business plays a very important role in developing economy of a country. So, in the business world, practical experience is regarded as a media through which we have an acquaintance with the real world.

Without practical knowledge the academic knowledge remains incomplete mostly for business students. Internship is a compulsory requirement for obtaining BBA degree. For this purpose, I was sent to **Bengal Windsor Thermoplastics Ltd.** to acquire the practical knowledge about manufacturing and exporting activities.

I was authorized to prepare a report on “**Financial Statement Analysis and Performance Evaluation of Bengal Windsor Thermoplastics Ltd.**” for fulfillment of my BBA degree. This report has been prepared based on my practical experience on the day- to- day activities and under close supervision of my honorable teacher, **Md. Rasel Hawlader, Lecturer.**

I've started my internship at **Bengal Windsor Thermoplastics Ltd (BWTL)**, Dhaka on January 2021 and at the end of the program I am submitting my internship report focusing on the contribution of the overall performance of **BWTL** especially on profitability perspective. This project has been prepared for fulfilling the requirement of the BBA program of

1.2 Origin of the Study

Sonargaon University (SU). The four years BBA program consists of 12 semesters, having four months in each semester. As per the requirements of the BBA program we were placed to different organizations.

As a student of BBA I have been deputed to Bengal Windsor Thermoplastic Limited (BWTL), a sister concern of Bengal Group of Industries, for the matter of having practical exposure to activities of manufacturing firm (FMCG). Duration of the internship was for 3 months, from January to March 2021. Now, this report has been submitted for approval by the faculty supervisor Md. Rasel Hawlader, Lecturer, Department of Business Administration.

1.3 Objective of the Study

i) Broad objectives:

The general purpose of this study is to gain practical knowledge about the operation of FMCG. Manufacturing industry is a biggest part, which plays a vital role in the economic development of a country.

ii) Specific objectives:

More specifically, this study entails the following aspects:

- ✓ To evaluate internal performance.
- ✓ To evaluate external performance.
- ✓ To analyze the financial ratios of firm.
- ✓ To know about the function of administration.
- ✓ To know about financial activities of the organization.

1.4 Methodology of the study

1.4.1 Research type

This is basically an explanatory work because it will try going insight the problem and trying to understand the problem more clearly. This study is performed based on the information extracted from different sources collected by using a specific methodology. To fulfill the objectives of this report total methodology has been divided into two major parts:

1.4.2 Data collection method

Primary & Secondary sources of data have been used in the study.

Primary sources of data has been collected from-

- ✓ Official records of **Bengal Windsor Thermoplastics Ltd (BWTL)**.
- ✓ Face to face conversation with various Departments.
- ✓ Personal Interview – Face-to-face conversation and in depth interview with the respective officers of the head office.
- ✓ Personal observation – Observing the procedure of business activities followed by each department.
- ✓ Daily diary
- ✓ Practical work exposures from the different desks of the departments of the head office covered.
- ✓ Informal conversation with the clients or customers.
- ✓ Relevant file study as provided by the concerned officer.

Secondary sources of data has been collected from-

- ✓ Annual reports of **Bengal Windsor Thermoplastics Ltd (BWTL)**.
- ✓ Website of respective company.
- ✓ Different newspapers, published journals and articles.
- ✓ Data from Dhaka Stock Exchange.
- ✓ The internet was also used as a theoretical source of information.

1.4.3 Data analysis

In this report different types of analysis are made;

- ✓ Global and domestic market are analyzed for industry analysis
- ✓ Different types of ratio under different category are explained for financial performance evaluation.
- ✓ Using Z-Score model for bankruptcy risk analysis;

$$\text{Z-Score} = 1.2(\text{A}) + 1.4(\text{B}) + 3.3(\text{C}) + 0.6(\text{D}) + 1.0(\text{E})$$
- ✓ Analyzed cash flow statement to categorize the group where BWTL belongs to.
- ✓ Using DFL & DOL to summarize the effects of combining financial and operating leverage.

1.4.4 Result presentation:

To present the results in a concise, consistent and compact style, information has been arranged in the manner e.g.

- Pie charts
- Line graphs
- Tables

1.5 Scope & Limitations of the Study

1.5.1 Scope

This study provides insight into the manufacturing and export activities of BWTL. Specifically, this study examines the organizational structure, culture, values, and background objectives etc. of that organization. Another scope of that in that study was to evaluate the performance of the firm. This evaluation process consists of the financial ratios in order to measure the profitability, operating efficiency, liquidity and other financial ratios.

1.5.2 Limitations

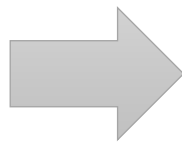
- ✓ The organization maintains confidentiality in providing some relevant information, so the author could not incorporate those.
- ✓ Information is not maintained in a structured manner and they are so tough to gather.
- ✓ The most functions of BWTL are manual and lengthy though it is trying to upgrade.
- ✓ I couldn't manage the internship on the due time, but I need to submit the report on the due date. It's creating a big pressure on me report making.
- ✓ Sufficient books, publications, facts and figures are not available; these constraints narrowed the scope of accurate analysis. If these limitations were not been there, the report has been more useful and attractive.
- ✓ It was very difficult to collect data from such a big organization. My internship was at head office. But for better interpretation I had to collect some information from the regional office and factory as well. But because of some divisional and confidential problem, I could not get enough information.

CHAPTER: 2

BACKGROUND OF THE ORGANIZATION: Bengal Windsor Thermoplastics Limited.

Chapter Hints.....

This chapter is designed to introduce with the organization on which the report has been generated. This chapter mainly focused on the background of the organization.



Chapter Contents.....

- ✓ History and Heritage
- ✓ Organization Hierarchy
- ✓ Mission, Goal & Vision
- ✓ Contribution to society
- ✓ Market Aspect

2.1 History and Heritage

Bengal Group takes pride in developing Bangladesh economy through establishing diversified industries. The Group is recognized as one of the leading and fastest growing industries in Bangladesh having a wide range of activities in the field of plastics, adhesives, metal, paper, real estate, agro, food, bank, insurance, and energy industry.

Bengal Group a front ranking Industrial group in Bangladesh. The company was founded in 1969 a year before the emergence of Bangladesh as a new nation. After its establishment the company encountered a challenging environment of rebuilding the shattered economy of the country. Bengal Group took the challenge with the courage and confidence to withstand all the tests of time. Today after more than two decades of its establishments Bengal Group has become a corporate name of success and prosperity as an industrial group.

Bengal Group is one of the largest industrial Group in Bangladesh having more than 750 professional & technical support personnel in its permanent payroll. The company owns a fully equipped computer for data processing facilities.

2.1.1 Bengal Windsor Thermoplastics Limited:

The Project in a brief: Bengal Group is the country's leading and one of the largest manufacturers of plastic products. Bengal is successfully doing its business operation into different plastic product line (Hanger, Furniture, Household, and Industrial). As experts in the sector of plastic industry Bengal came up with line under the company of Bengal Windsor Thermoplastics Limited (BWTL). Bengal Windsor Thermoplastics Limited (the "company") was incorporated on 02 January 2002 vide registration no. C-44727(1255) of 2002 as a private limited company in Bangladesh under the Companies Act, 1994 with the name of Bengal Build-up Bangladesh Ltd. and subsequently changed its name to Windsor Plastics (BD) Ltd on 17 May 2005.

Following by the name change, the status of the Company was converted from private to public limited company, On 14 December 2010 and the company changed its name to its present name from Windsor Plastics (BD) Ltd.

At present Bengal Windsor Thermoplastics Ltd. (the "Company") is a public limited company incorporated in Bangladesh and its shares are quoted in the Dhaka and Chittagong Stock Exchanges from 16 April 2013. "The address of the Company's registered office is Bengal House, 75 Gulshan Avenue, Gulshan-1, Dhaka—1212, Bangladesh. The Company's manufacturing unit is situated at Dhaka Export Processing Zone (DEPZ) extension area, Plot # 181—182, Savar, Dhaka.

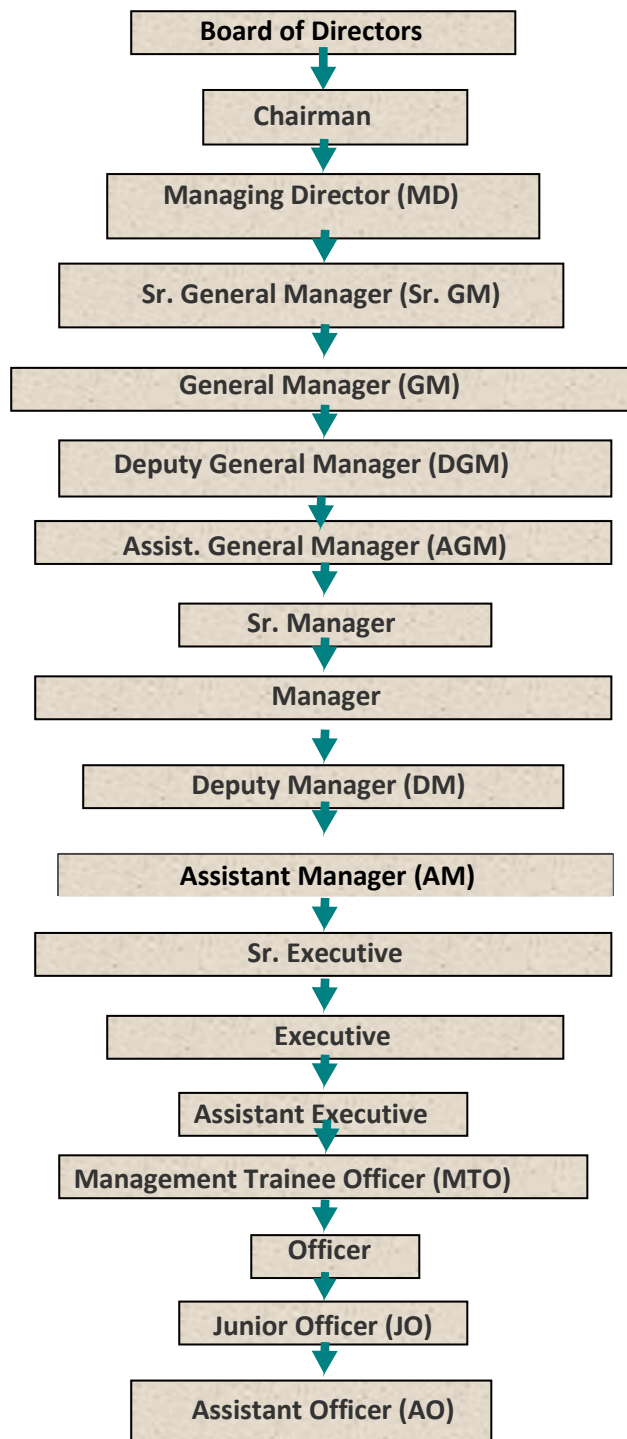
2.1.2 Description of Location:

The Company's manufacturing unit is situated at Dhaka Export Processing Zone (DEPZ) extension area, Plot # 181—182, Savar, Dhaka.

The company manufacturing unit is situated at Dhaka Export Processing Zone (DEPZ) extension area, Plot # 181-182, Savar, and Dhaka. Total Area of land is 4 bigha. All infrastructural facilities like water, power, gas, road, etc. are available in the project site. Building & civil works comprises single storied factory building having 40,000 sft. Generator & sub-station Room, Pump house.

Bengal Windsor Thermoplastics Ltd. is manufacturing different type's size and quality which are required by customer. The company is capable of producing according to QMS, ISO, MCC, FC etc. specification as per customer requirement. The company is always determined to triumph customer satisfaction through a high-tech manufacturing system for quality products which has been certified by ISO 9001: 2008 certificate. Quality is the main strength of BWTL. To maintain the quality, BWTPL is using modern technology and machine for production that make them different from others. The range hanger and other accessories are conforming to various national and international quality standards and available to customers in varied specifications of length and diameters.

2.2 Organization Hierarchy of BWTL



2.3 Mission

Our mission is to strive continuously to exceed Customers' expectations for achieving unlimited excellence by providing greater value to our customers than our competitors.

2.4 Goal

Our goal is to be the best company in our industry and it is our policy to deliver total quality goods and services to all of our customers. We accomplish this by adopting a set of quality policy throughout the organization.

2.5 Vision

To become the effective largest manufacturing company in Bangladesh to support socio-economic development of the country and to be a leading organization in the industry.

2.6 Contribution to the Society

Employment Opportunity: Bengal Plastic Pipes having total number of 450 persons of various categories and contributing towards society by enabling job placement for the people.

Contribution to GDP: (Taka'000)

Particular	Amount
A: Sales (FY: 2018-2019)	805,948
B: Less: Inter-firm transaction:	
Raw materials	114,470
Gratuity Expense	2,410
Water, power and fuel	29,197
Repair and maintenance	337
EPZ Rental Expense	739
Insurance	2,086
Others	37,605
Sub-Total	<u>186,844</u>
Contribution to GDP (A-B):	<u>619104</u>

The company manufactures and exports garment accessories (hanger and related accessories) which facilitates the export of garments to the world's largest retailers Like Wal-Mart, K-Mart, Kohl's, J C Penny etc. in the USA as well as in Europe.

Table 2.1.3: Contribution to GDP

2.7 Market Aspect

2.7.1 Product, its use and users:

The company manufactures and exports garment accessories (hanger and related accessories) which facilitates the export of garments to the world's largest retailers like Wal-Mart, K-Mart, Kohl's, J C Penny etc. in the USA as well as in Europe.

Bengal Windsor Thermoplastics Ltd. is manufacturing different types size and quality which are required by customer. The company is capable of producing according to QMS, ISO, MCC, FC etc. specification as per customer requirement. The company is always determined to triumph customer satisfaction through a high-tech manufacturing system for quality products which has been certified by ISO 9001: 2008 certificate. Quality is the main strength of BWTL. To maintain the quality, BWTL is using modern technology and machine for production that make them different from others. The range hanger and other accessories are conforming to various national and international quality standards and available to customers in varied specifications of length and diameters.

2.7.2 Global Market:

Bangladesh could secure a billion-dollar share in the global market of apparel accessories and packaging materials in less than five years as, industry people say, global importers have been desperately looking for a competitive source to China.

Local accessories manufacturers already have experience in catering to the country's huge apparel export industry, but for getting a foothold in global market they need promotion and sustainable supply chain where government has a lot to do. Bangladesh is aiming at exporting RMG for US\$ 50 billion by the year 2021. On average garment accessories and packaging products contribute about 16% to RMG export earnings.

Many of the local garment accessories and packaging materials manufacturers are sending products for manufacturers of garments and other products abroad...a new horizon is opening for Bangladesh's export sector. Bangladesh is now exporting abroad such accessories like plastic hangers, poly bags, cartons, tags, labels and sewing threads. Acceptability in market, nominations from retailers, quality proofs and certification on products and developing smooth deliveries according to foreign market requirements and many things are crucial for direct exports of accessories.

2.7.3 Market Share:

BWTL is the market leader in the plastics industry. It holds 49% market shares and other competitors hold 51% of market share.

Name of the Company	% of market share
BWTL	49
Esquire	14
RFL	8
DAF	8
KDS	7
Others	14
Total	100

It's possible to present the above data using a chart and it might enhance the understandability of the reader;

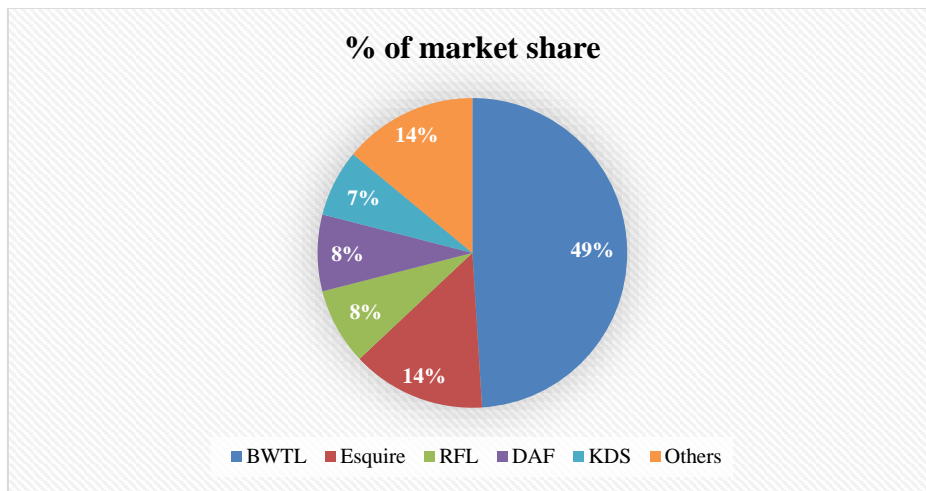


Figure 2.7.3: % of Market Share

2.7.4. Product Pricing Strategy: This information has been presented in a tabular format to make easy to understand.

	Low Price	Medium Price	High Price
High Value	Under priced: value under cut by price. "What's wrong with this picture" pricing strategy."	Attractive pricing: ideal for market penetration. "More for your money" pricing strategy.	Premium pricing: prestige, prominence. "Connoisseur" pricing strategy.
Medium Value	True bargain: may be a temporary special to raise revenue or to move discontinued items. "Inventory sale" strategy.	Price and value are in balance, exclusive of other factors. "Square deal" pricing strategy.	Overpriced: informed buyers will stay away; sales may be made to unsophisticated market. "Informercial" pricing strategy.
Low Value	Cheap stuff. Often sold with lots of "bonus" items or features. "Tourist trap" pricing strategy.	Turns sales into complaints. "Caveat emptor" pricing strategy. ("Let the buyer beware.")	Don't even think about it: the "Fleece 'em and run" pricing strategy.

Table 2.7.4: Product Pricing Strategy

2.7.5 Promotional Strategy:

The independent marketing department is responsible for designing and implementing marketing plans and strategies. The team has routine programs for each and every product and promotional activities to attract customers.

2.7.6 Risks and Mitigation: This information has been presented in a tabular format to make easy to understand.

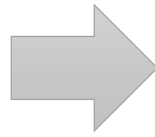
Risk	Mitigation
Systematic Risk	
Market Risk	National economic indicators (GDP, Per Capita Income etc.) reflects constant growth of food market. Client’s solid financial strength, strong distribution channel, excellent product quality, strong brand image and industry experience would enable the company to face any adverse market scenario.
Interest/ Profit Rate Risks	National economy has been experiencing almost stable rate of interest. Group’s competitive strength in financial sector makes them capable to enjoy prime rate. Moreover, the borrower is capable enough to exercise the capital market.
Management Risk	Sponsors’ involvement, ready succession and senior management’s skills and capacity would neutralize the risk.
Technology	The technology used is simple, user friendly and customized. Dedicated and technically sound team deployed to look after the project. Both the factors would ensure acceptable risk.
Unsystematic Risk	
Raw Material Sourcing Risk	Most of the raw materials consumed are local. Imported materials are readily available. Both raw and packing materials have multiple manufacturers’ worldwide.
Exchange rate risk	The risk that an investor will have to close out a long or short position a foreign currency at a loss due to an adverse movement in exchange rates.

Table 2.7.6: Risks and Mitigation

CAPTER-3

INDUSTRY ANALYSIS

Chapter Hints.....



Chapter Contents.....

This chapter is designed to perform industry analysis

- ✓ Plastics industry
- ✓ Macro Economy Analysis
- ✓ Industry life cycle
- ✓ SWOT Analysis

3.1 Plastics Industry

Plastic Industries of Bangladesh are mainly engaged in manufacture of different products like PVC pipe, Garment's accessories, Hanger, poly bag, Polythene bag, and leather, plastic household products, Jute and Textile spares Toys, plastic waste recycling, computer Accessories, auto lighting, plastic Furniture, Poly Propylene woven, Flexible packaging and many. Total resin import in 2016 was 540,000.00 tons and per capita plastic consumption is 3.4 Kgs. Import of plastic resin is increasing by 10% per annum. For export government provides duty free import of raw materials. Plastic goods are mainly exporting to USA, Canada, UK, Japan, Australia, France etc.

Investment Policy of Bangladesh is free and open for foreign investment. Bangladesh gives most attraction Packages of FDI. Countries export growth is 2.86% in 2017 for all products whereas the national GDP growth was 7.30%.

Bangladesh government is keen on participation of foreign investment for stimulating production and economic growth. Since 1990, the government has announced a number of incentives such as tax holidays, unhindered repatriation of profits, and withdrawal of non-tariff barriers in all aspects and duty-free import of capital machinery by export-oriented industries. Bangladesh has been experiencing a major paradigm shift towards industrialization. Gradually, it is transforming towards a more competitive destination for foreign investment.

The readymade garments of Bangladesh came into prominence in the beginning of eighties. During the last eight years the industry marched onwards from its stage of adolescence into matured adulthood. In this period, the industry established itself as a major exporter of RMG to USA, Canada and EEC countries. In fact, the present market share of Bangladesh in these countries has become a major concern for other exporting countries.

The industry came into existence on the basis of marketing opportunities provided by the importers of USA and their local agents in Hong Kong, Taiwan and Singapore. USA is a vast and competitive market for RMG and the importers there, are always exploring for cheap and dependable sources of supply. Moreover, quota restrictions in their traditional source countries also encouraged them to develop new territories as alternative sources.

Major Products of Bangladesh RMG industry are Woven shirts, Trousers, Jackets, T-shirts, Shorts, Briefs, etc. Major buyers of Bangladesh garments are USA, EEC, Canada and other European countries.

The RMG industry of Bangladesh have been successful in penetrating into the market of USA, Canada, Scandinavian, EEC and Nordic countries as well as the former Soviet Union though initially started from the West European markets. Vigorous attempts are also under way to promote export of RMG to the Japanese, Australian, Middle East & the newly emerged Commonwealth of Independent State markets. Product categories have also been expanded from 4-5 in 1982-83 to over 60 as of now. Use of local fabrics & accessories are

also on the increase in the manufacture of RMG. Today Bangladesh is significant exporter of RMG in twenty countries of the world.

Like the Newly Industrialized Countries (NICs) & other developing countries, garments sub-sector is a highly discussed subject for its importance both in respect of providing employment and earning foreign exchange in a country like Bangladesh. Main factors, among others, behind the success of the garment industry are as follows:

- ✓ Lower initial capital requirement
- ✓ Availability of cheap labor;
- ✓ Short gestation period;
- ✓ High turnover ratio to investment and
- ✓ Government's co-operation and incentives in the form of back-to-back L/C, bonded ware house facility, duty drawback, 15% cash benefit on FOB value of export for use of local raw materials, creation of export development fund, export credit guarantee scheme (ECG) etc.

Ready Made Garment (RMG) is the leading sector of Bangladesh in terms of employment, production and foreign exchange earnings. Readymade garment (RMG) alone earned about 76% of the yearly foreign exchange earning of the country. About 2.50 million people, 85% of which are women, employed in the garment-manufacturing sector. The growth rate of RMG export was over 20% over last two decades.

(Sources: FICA & WTO)

3.2 Macro Economy Analysis

3.2.1 Demographic:

BWTL is a 100% export-oriented manufacturing organization. BWTL has been manufacturing and exporting different types of garments hanger and other plastics goods to USA, Canada and European markets. Foreign markets are the main market.

3.2.2 Age:

BWTL produces plastic Apparel hangers for men's, women's and children's in many designs, sizes, and colors.

3.2.3 Income:

Prices of BWTL's products and lifestyle are reasonable any one can afford it. Due to changes in recent life style and current market trend, in the market there are varieties of products similar to that of BETL's. And if we see than, people still prefer BWTL's product.

3.2.4 Technology & Technical Know-how:

At first PP, Filler & color master batch are mixed into the mixer & carried to the feeder. The injection molding consists of two units, one is injection and another is clamping unit. Mix is loaded in the hopper of injection unit by auto loader. When screw start to rotate and mix is fed to barrel, the series of heater in the barrel zone heat it. At this level the mix is transformed into melted plastic form and gets the kneading effects by hydraulic oil. After proper mixing, the melted plastic is sent in front of nozzle.

In the meantime, the mold is closed and ready by the clamping unit driven by hydraulic pressure system. After that the molded material is injected into the mold by hydraulic pump. After injection molded material flows all over the mold thus gets the product form (i.e. hanger) which is later cooled down by passing chilled water through the mold. After cooling down, the mold is opened and the product comes out automatically. This whole cycle takes only 15 ~ 18 seconds to accomplish. It depends on the product size, weight & machine clamping capacity.

3.3 Industry life cycle

Industry life cycle analysis can vary based on how much detail we want. A five stage model would include-

- ✓ Pioneering development.
- ✓ Rapid accelerating growth.
- ✓ Mature growth.
- ✓ Stabilization and market maturity.
- ✓ Declaration of growth and decline.

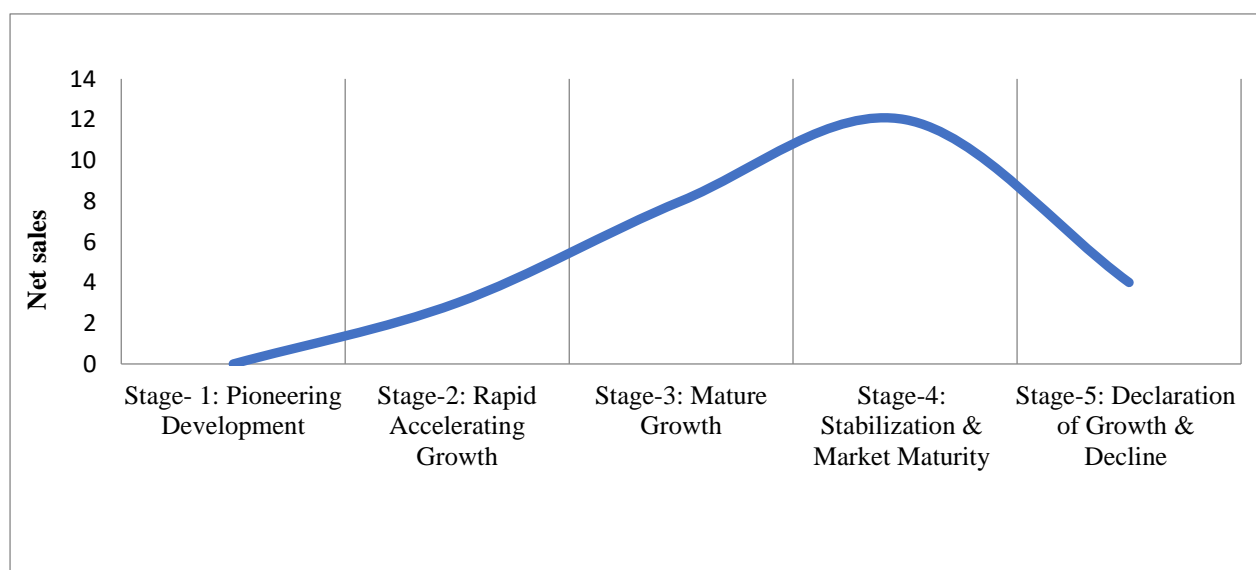


Figure 3.3: Industry Life Cycle

The figure shows the growth path of sales during each stage. To estimate industry's sales they must predict the length of time for each stage. This requires answer to such question as -

- a) How long will an industry grow at an accelerating rate?
- b) How long will it be in the mature growth phase before it sales, growth, stabilizes and then declines?

3.4 SWOT Analysis

3.4.1 STRENGTH: The core strength has been discussed below;

3.4.1.1 Established Brand Name:

Bengal has a predominant retail market presence for more than a decade. The brand name Bengal is recognized and trademarked. With its wide brand awareness, it is recognized in terms of quality. It is informally ranked in the top ten FMCG and Plastics Exports. Bengal is one of the largest garments accessories exporters in Bangladesh.

3.4.1.2 Trend of Loan Repayment:

The Company is highly regarded by commercial banks, financial institutions and other lenders for its efficient credit management and its excellent repayment track record. To date, Bengal has developed successful and long-term business relationship with a number of domestic and multinational banks. Bengal's cost of borrowing is one of the lowest in the industry.

3.4.1.3 Industry Expertise:

Bengal has developed skilled workforce and gathered knowledge on the industry over the past many years. Long-term experience in the industry helps Bengal to operate more efficiently and fix prices more competitively. Besides, over the years, Bengal has developed secured raw material sources and strong distribution network. On the other hand this is the expansion of the existing products. Bengal is one of the largest PP oven bag manufacturers in Bangladesh.

3.4.1.4 Superior Quality Control Measures:

BWTL maintains and controls the superior quality of the product. It is the policy of plastics marketing company limited to market products of consistent quality foreign market as per would standards produced by in accordance with good manufacturing practices.

3.4.1.5 Integrity:

BWTL believes success depends upon the quality and value of their products by providing a safe, wholesome economically efficient and a healthy environment for their customers and by providing a fair return to their investors while maintaining the highest standards of integrity.

3.4.1.6 Product Range:

There are Wide product range & attractive design to instigate the impulse buying behavior. BWTL lunge various products every month to consider the buyer choice.

3.4.1.7 Management Quality:

The company has top quality management comprised of a group of skilled and experienced individuals from diversified fields such as finance, management, engineering, production, distribution, HR etc.

3.4.1.8 Market share:

Because of producing large quantity of products, BWTL leads in the share market and increasing the market share every year. BWTL holds almost 49% market share of the industry.

3.4.2 WEAKNESS: The weaknesses might be explained in the following manner;

3.4.2.1 Forecasting Complexity:

The plastic industry is fastest growing sectors of the country. As the business grows faster, forecasted figures are often surpassed by actual demand. This may cause empty stock to meet the sales during the peak period.

3.4.2.1 Imported Material:

90% of the total raw material used by Bengal is imported. As quality necessitated improvement, import had to take place. In a competitive market, Bengal focuses on expanding its sales volume as much as possible. Increase in revenue due to better quality coupled with promotional campaign brings considerable positive effect to the bottom line eliminating any cost resulting from currency fluctuation. Moreover, Bengal can actually mitigate the currency risk because export provides substantial cushion to absorb any fluctuation.

3.4.3 OPPORTUNITIES:

3.4.3.1 Tremendous Growth Opportunity:

The hanger market has an obvious growth opportunity in developing countries like Bangladesh. Most of the countries like EU countries; America and Canada import the garments accessories products from Bangladesh. Bangladesh takes this opportunity to export accessories products and earn a lost foreign currency.

3.4.3.2 Export Potential:

Bengal puts special emphasis on export and actively participates in both local and foreign trade fairs. At this time Bengal Group is exporting garments accessories and plastic products in the many countries in the world. On the other hand, Bengal Group started to export plastic pipes in India. India is huge market to there.

3.4.4 THREATS

3.4.4.1 Price War:

There are competitors, both importers and local producers, who put every effort to penetrate the market. The personnel in the sales and distribution network maintain close tie with the retail sellers to make sure that the products are competitive both in terms of quality and price. Reduction in price to subsistence level may deteriorate margins, although no such effect is foreseeable in the medium term.

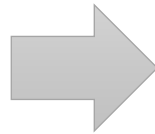
3.4.4.2 Prices of Raw Materials:

Prices of plastics raw materials are increasing day by day which is main threat of plastics products. Because of increasing raw materials price profit margin will thin day by day.

CHAPTER-4

FINANCIAL PERFORMANCE ANALYSIS

Chapter Hints.....



Chapter Contents.....

This Chapter is designed to focus on financial performance analysis

- ✓ Liquidity ratio
- ✓ Activity ratio
- ✓ Profitability ratio
- ✓ Leverage ratio.

4.1 Time Series Ratio Analysis

Ratio analysis is the starting point in developing the information desired by the analyst. Ratio analysis provides only a single snapshot, the analysis being for one given point or period in time. In the ratio analysis it is possible to define the company ratio with a standard one. Ratio analysis can be classified as follows:

- ✓ Liquidity ratio
- ✓ Activity ratio
- ✓ Profitability ratio
- ✓ Leverage ratio.

4.1.1 Liquidity Ratio

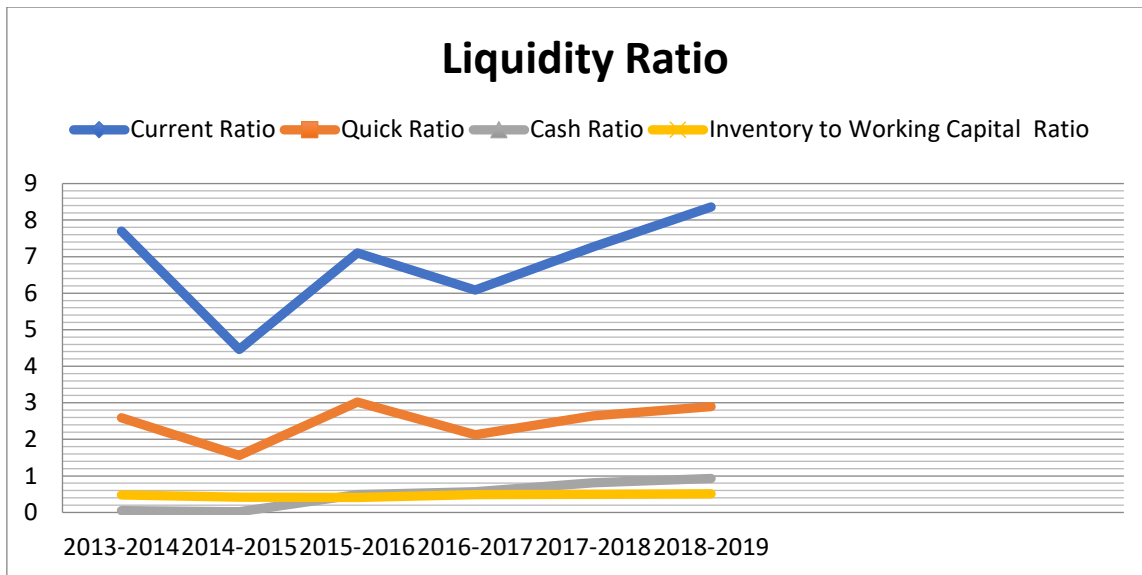
Liquidity ratio measures the ability of the firm to meet its obligations. These ratios establish relation between cash and other current asset and current liabilities. Creditors to evaluate the creditworthiness of the firm use these ratios. These ratios also reveal management's policy in managing liquidity position of the firm. The liquidity ratios we might satisfy are:

- ✓ Current ratio
- ✓ Quick ratio or acid test
- ✓ Current ratio
- ✓ Inventory to Working Capital Ratio

Name of the Ratio	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
a) Liquidity Ratio						
1. Current Ratio	7.7	4.46	7.1	6.09	7.27	8.36
2. Quick Ratio	2.59	1.56	3.02	2.13	2.64	2.90
3. Cash Ratio	0.05	0.02	0.49	0.57	0.81	0.93
4. Inventory to Working Capital Ratio	48%	42%	41%	49%	50%	51%

Table 4.1.1: Liquidity Ratio

It's possible to present the above data using a chart and it might enhance the understandability of the reader;



4.1.1.1 Current Ratio:

The current ratio is a financial ratio that measures whether or not a firm has enough resources to pay its debts over the next 12 months. After a great fall in 2014-2015, from the following graph, it is clearly seen that BWTL’s current ratio is getting higher except 2016-2017. BWTL maintains a higher liquidity to pay its debt. We may also observe it through the following graph;

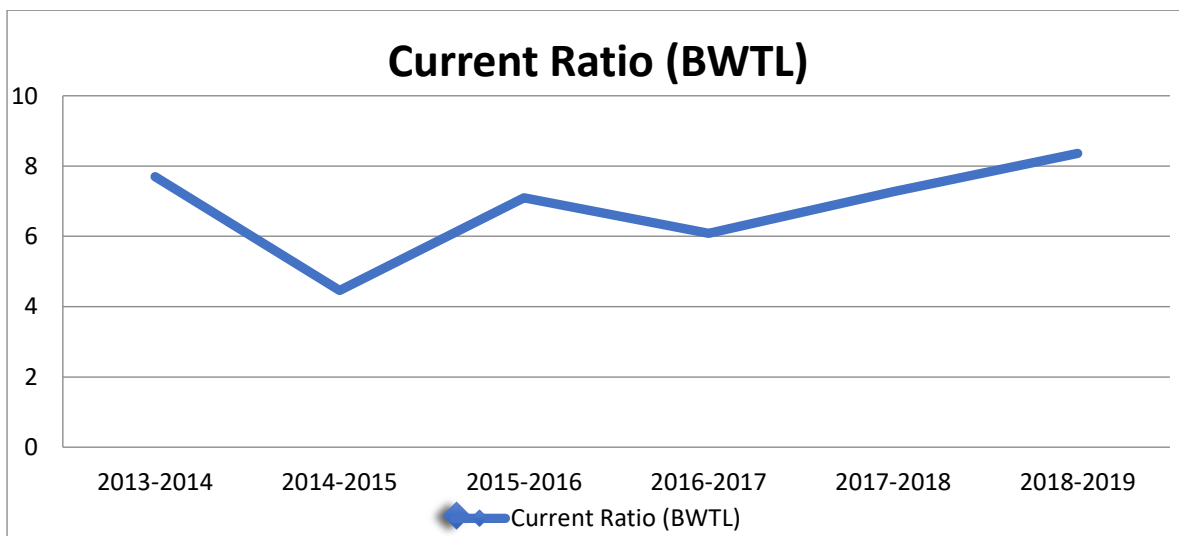


Figure 4.1.1.1: Current Ratio

4.1.1.2 Quick Ratio:

The quick ratio is an indicator of a company’s short-term liquidity position and measures a company’s ability to meet its short-term obligations with its most liquid assets. From the following graph, though there is a fall in 2014-2015 & 2016-2017, it is clear that BWTL has

a strong capacity to pay its current liabilities without needing to sell its inventory or get additional financing.

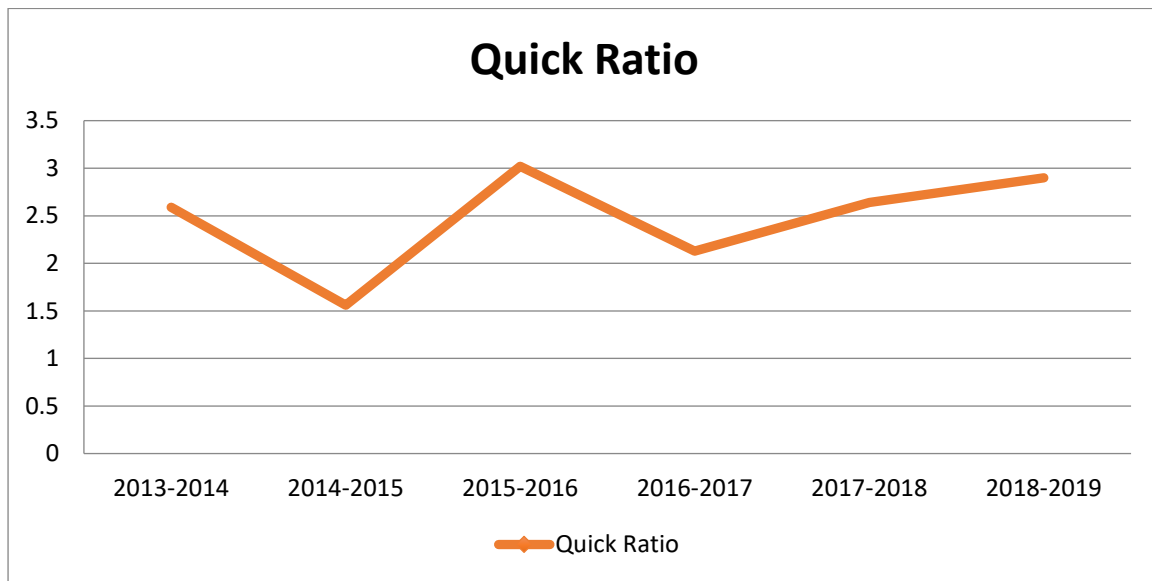


Figure 5.1.1.2: Quick Ratio

4.1.1.3 Cash Ratio:

A strong cash ratio is useful to creditors when deciding how much debt, if any, they would be willing to extend to the asking party. BWTL has a strong ability to cover its short-term obligations using only cash and cash equivalents. Following graph shows that after a bit fall in 2014- 2015, cash resources is increasing year on year. But the cash ratio is more conservative than other liquidity ratios because it only considers a company's most liquid resources.

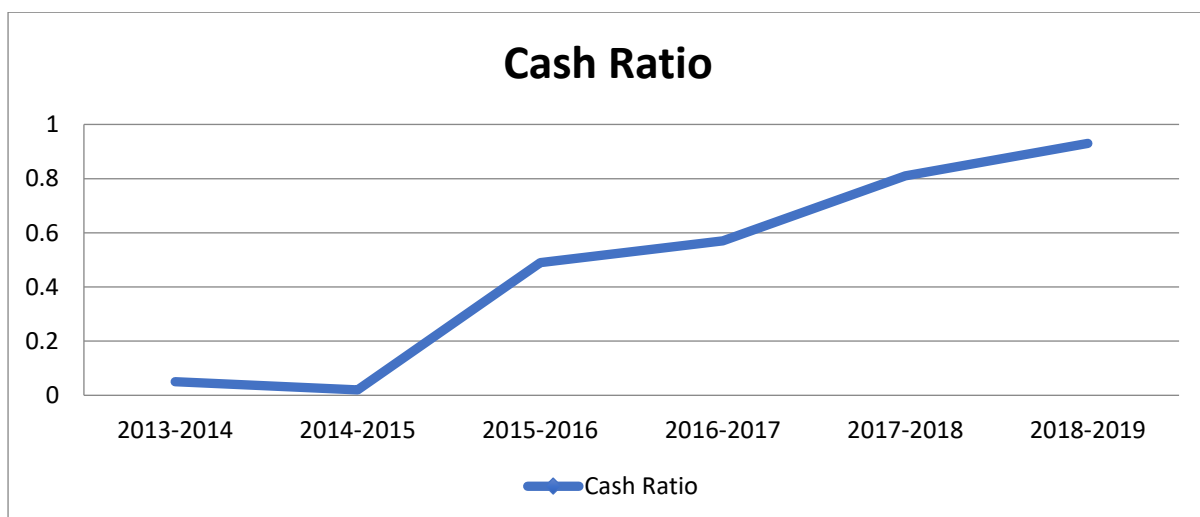


Figure 4.1.1.3: Cash Ratio

4.1.1.4 Inventory to Working Capital Ratio:

The Inventory to Working Capital ratio measures how well a company is able to generate cash using Working Capital at its current inventory level. Following graph shows that though there is a fall till 2015-2016, it has improved and being stable afterwards. It indicates BWTL generates more cash using WC.

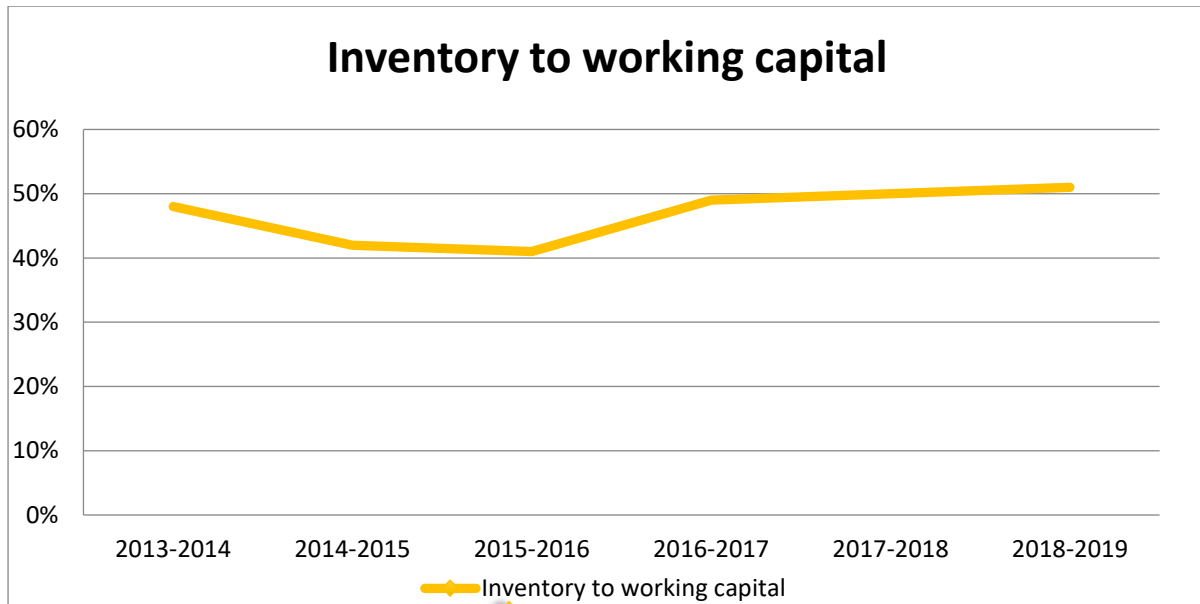


Figure 4.1.1.4: Inventory to Working Capital Ratio

4.1.2 Activity Ratio

Activity ratios are used to evaluate the competence, which the company manages and utilizes on its asset. This ratio also calls the turnover ratios because they indicate the speed with which the assets are transformed or turnover into sales. A proper balance between assets and sales generally reflects on that the assets. The Activity ratio we can satisfy on the three ratios, those are:

- ✓ Receivable turnover.
- ✓ Inventory turnover.
- ✓ Assets turnover.
- ✓ Fixed asset turnover
- ✓ Net Assets Turnover
- ✓ Current Assets Turnover

Name of the Ratio	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Activity Ratio						
Receivable Turnover	2.15	1.80	1.47	1.68	2.05	1.94
Inventory Turnover	1.31	1.50	1.44	1.60	1.69	1.57
Total Assets Turnover	0.40	0.37	0.33	0.36	0.37	0.32
Net Assets Turnover	0.44	0.40	0.37	0.40	0.40	0.35
Fixed Asset Turnover	1.64	1.33	1.27	1.29	1.23	1.03
Current Assets Turnover	0.52	0.51	0.45	0.49	0.52	0.47

Table 5.1.2: Activity Ratio

It's possible to present the above data using a chart and it might enhance the understandability of the reader;

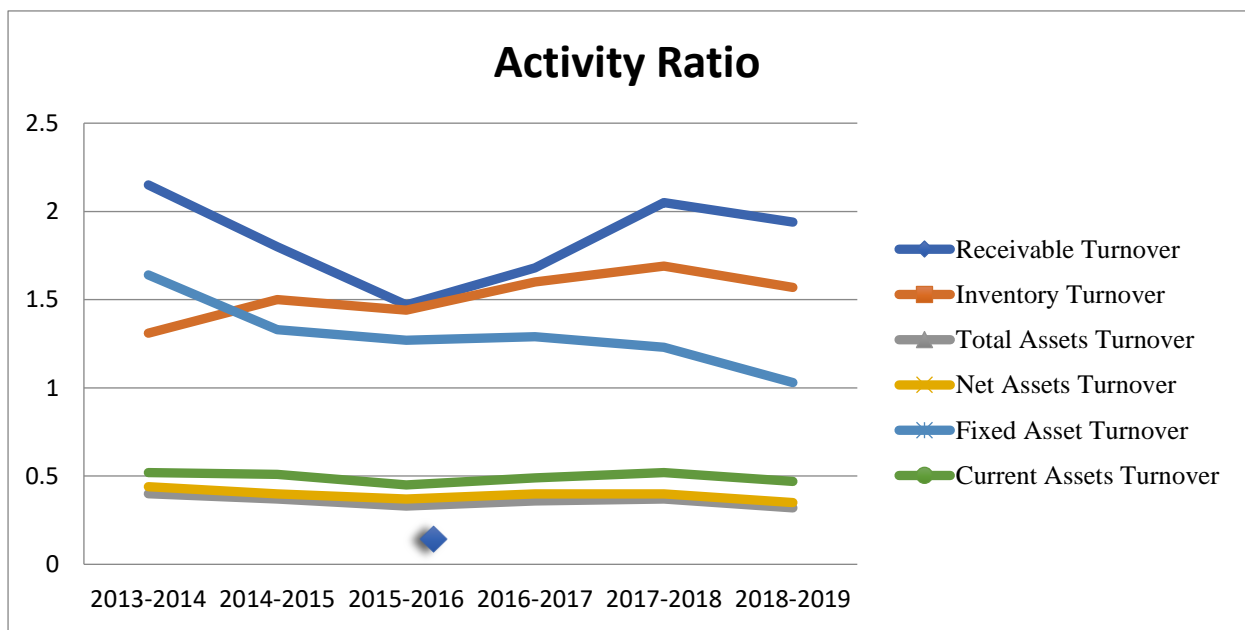


Figure 5.1.2: Activity Ratio

4.1.2.1 Receivable Turnover:

Receivable turnover is a measure of how quickly a company is collecting its sales that were made on credit. This turnover decreased gradually but an upward slope is visible in the graph since 2015-2016 and subsequently started to go down from 2017-2018. Though there is an improvement in receivable payment collection in 2014-2015 & 2015-2016 and it started deteriorating subsequently further. But it seems that BWTL is trying to improve their credit control procedure.

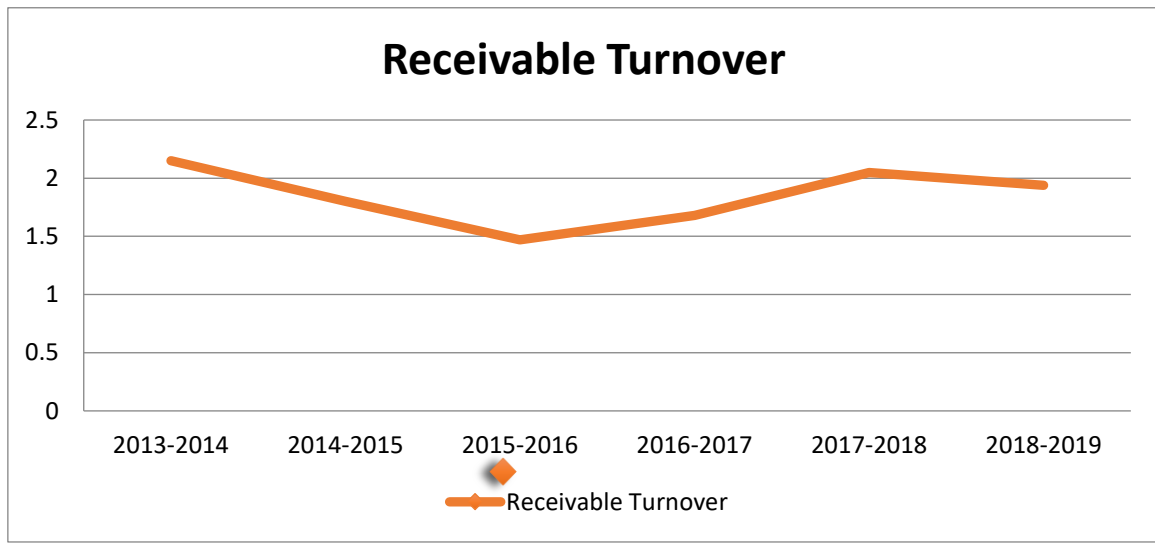


Figure 4.1.2.1: Receivable Turnover

4.1.2.2: Inventory Turnover:

Inventory turnover ratio tells us how many times our inventory turned over on a particular period of time. The more it turned over, the more sales will be generated through it. BWTL's inventory turnover ratio is increasing since 2015-2016 and it indicates strong sales but further since 2017-2018 it's deteriorating. So BWTL is losing its sales.

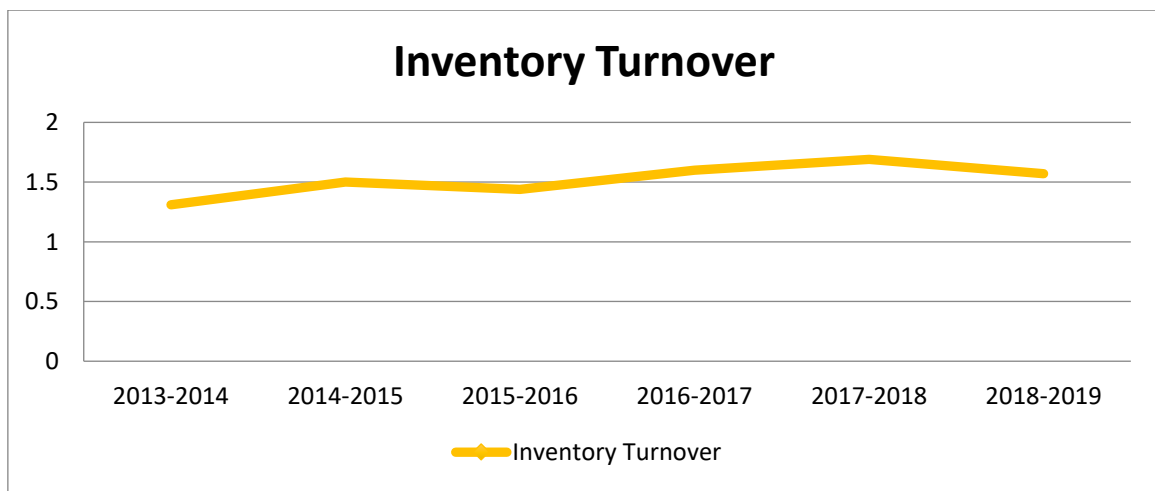


Figure 4.1.2.2: Inventory Turnover

4.1.2.3 Assets Turnover:

Asset turnover is a financial ratio that measures the efficiency of a company's use of its assets in generating sales revenue or sales income to the company. Companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover. BWTL's high profit margin leads to low assets turnover.

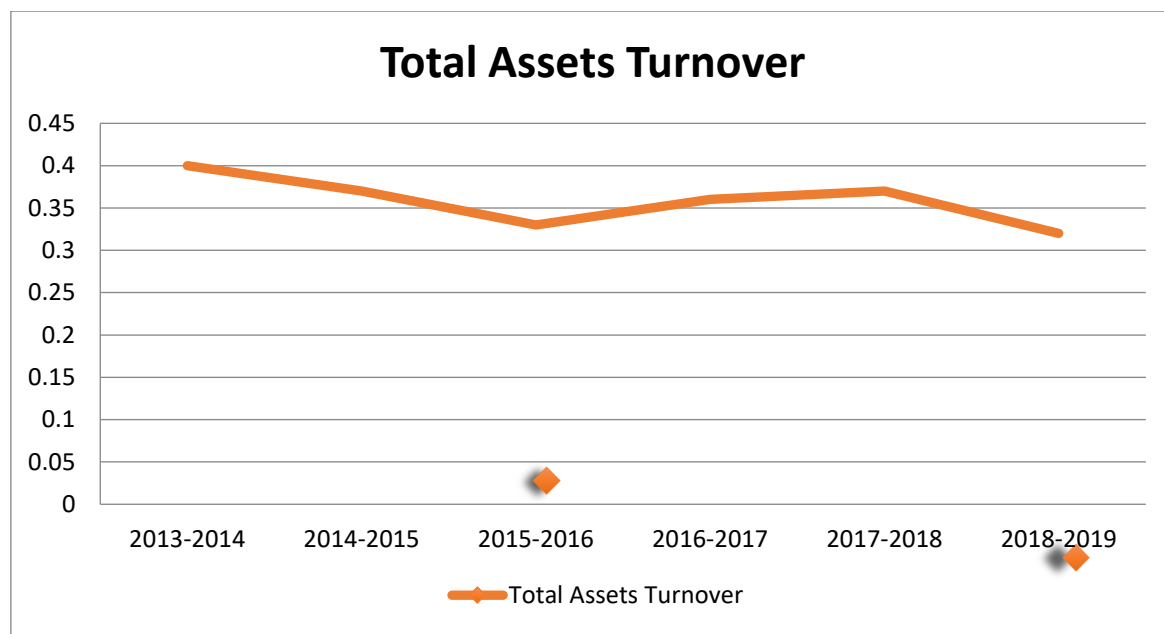


Figure 4.1.2.3: Assets Turnover

4.1.3 Profitability Ratio

There are many measures of profitability, which relate the returns of the firm to its sales, assets, or equity. As a group, these measures allow the analyst to evaluate the firm's earnings with respect to a given level of sales, a certain level of assets, or the owners' investment. This ratio specifies the capacity of the company to survive difficult circumstances, which might occur from a number of basis, such as declining price, increasing cost and declining sale.

Name of the Ratio	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Profitability Ratio						
Gross Profit Margin on Sales	0.34	0.35	0.35	0.29	0.25	0.24
Net Profit Margin on Sales	0.25	0.21	0.23	0.17	0.16	0.12

Return on Asset	0.12	0.11	0.10	0.07	0.07	0.05
Return on Equity	0.11	0.09	0.09	0.07	0.06	0.04
Earnings Per Share	3.05	2.57	2.54	1.85	1.53	1.06
COGS to Net Sales	0.66	0.65	0.65	0.71	0.75	0.76
Operating Exp. to Net Sales	0.05	0.03	0.06	0.08	0.07	0.08
Financial Exp. to Net Sales	0.05	0.04	0.05	0.03	0.03	0.04
Operating Profit to Net Sales	0.29	0.32	0.29	0.21	0.18	0.15

Table 4.1.3: Profitability Ratio

It's possible to present the above data using a chart and it might enhance the understandability of the reader;

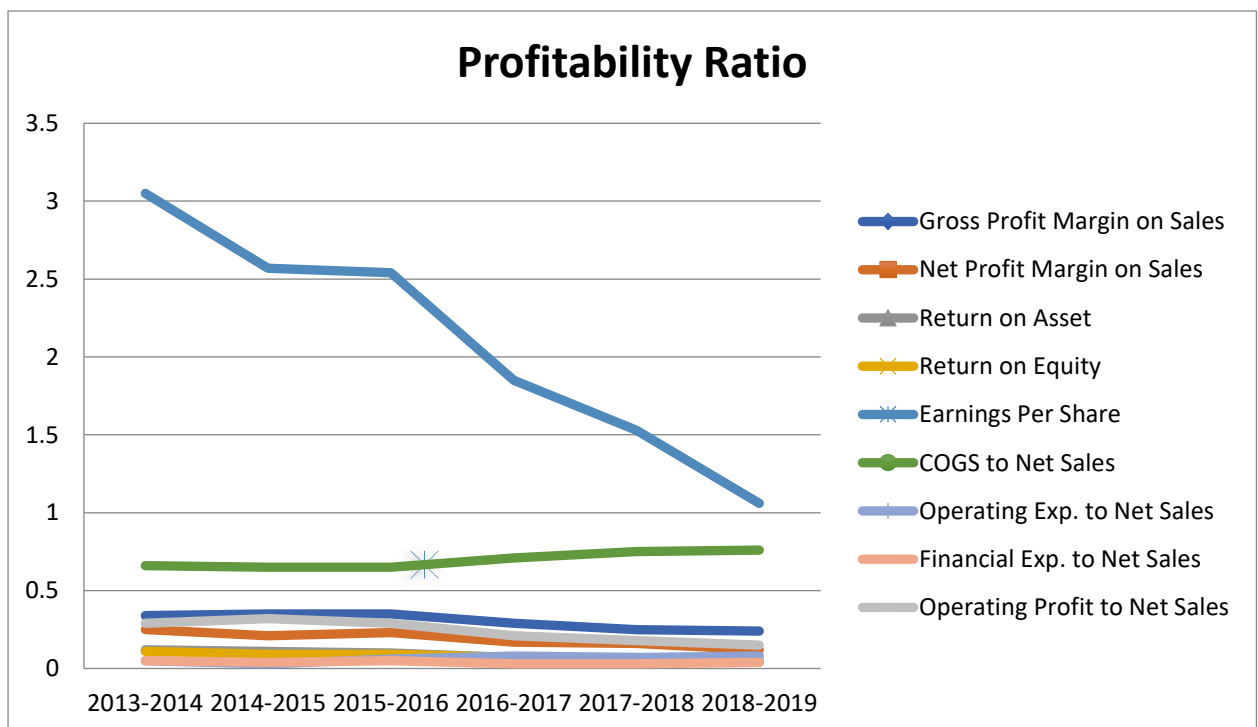


Figure 4.1.3: Profitability Ratio

4.1.3.1 Gross Profit Margin on Sales:

A financial metric used to assess a firm's financial health by revealing the proportion of money left over from revenues after accounting for the cost of goods sold. Gross profit margin serves as the source for paying additional expenses and future savings. Gross profit margin for BWTL was increasing but there was a downward trend since 2015-2016. It may be the reason to decline margin is higher costs of goods sold for BWTL.

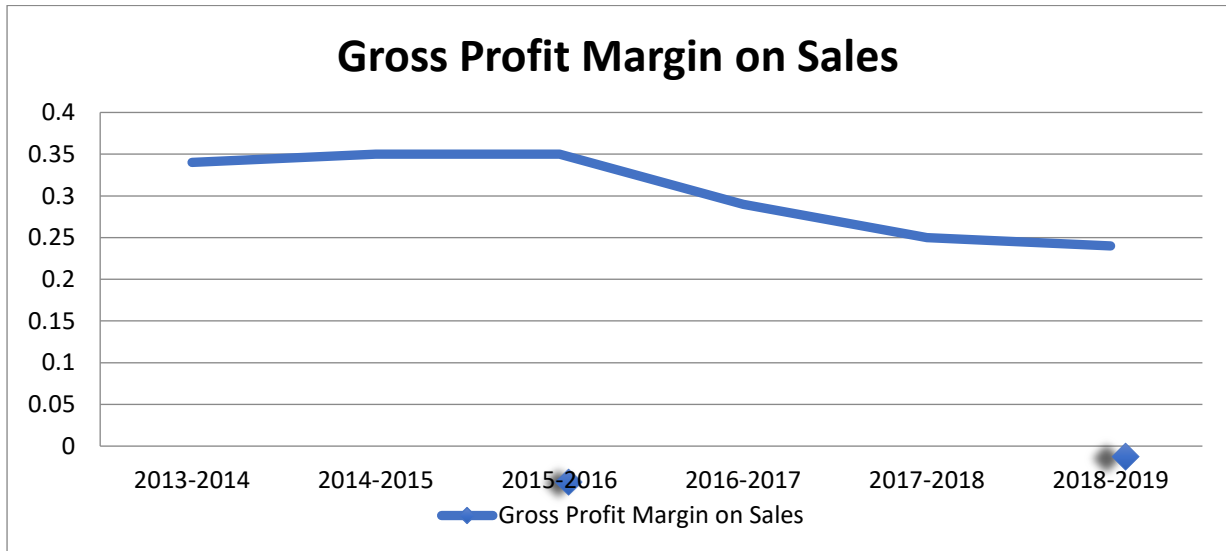


Figure 4.1.3.1: Gross Profit Margin on Sales

4.1.3.2 Net Profit Margin on Sales:

A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors. BWTL's net profit margin fluctuate but has a decreasing trend. So BWTL cannot manage its costs efficiently.

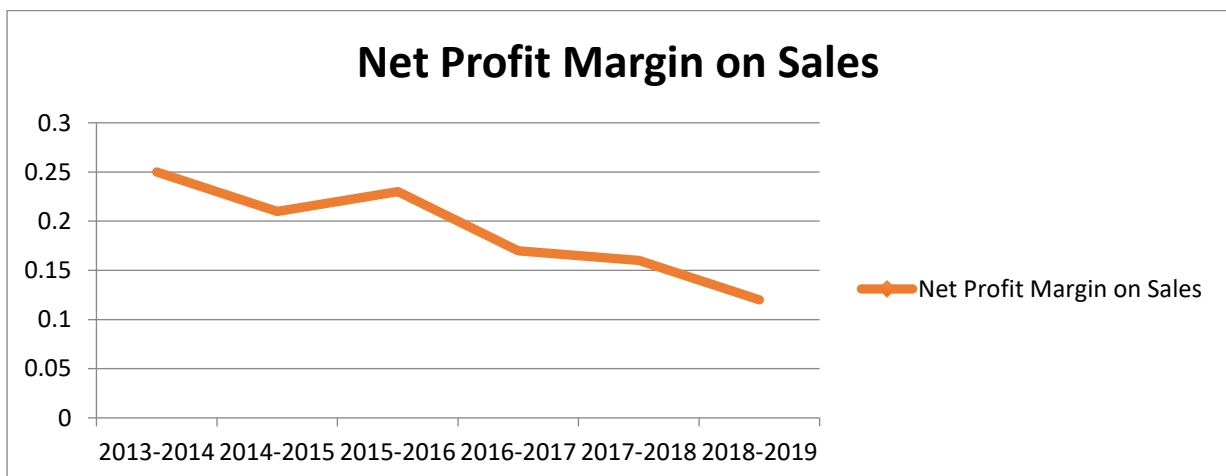


Figure 4.1.3.2: Net Profit Margin on Sales

4.1.3.3 Return on Asset:

An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Company's management fails to increase ROA that is not good for the company. Though company is in a better position, company's management needs to take necessary steps for increasing ROA.

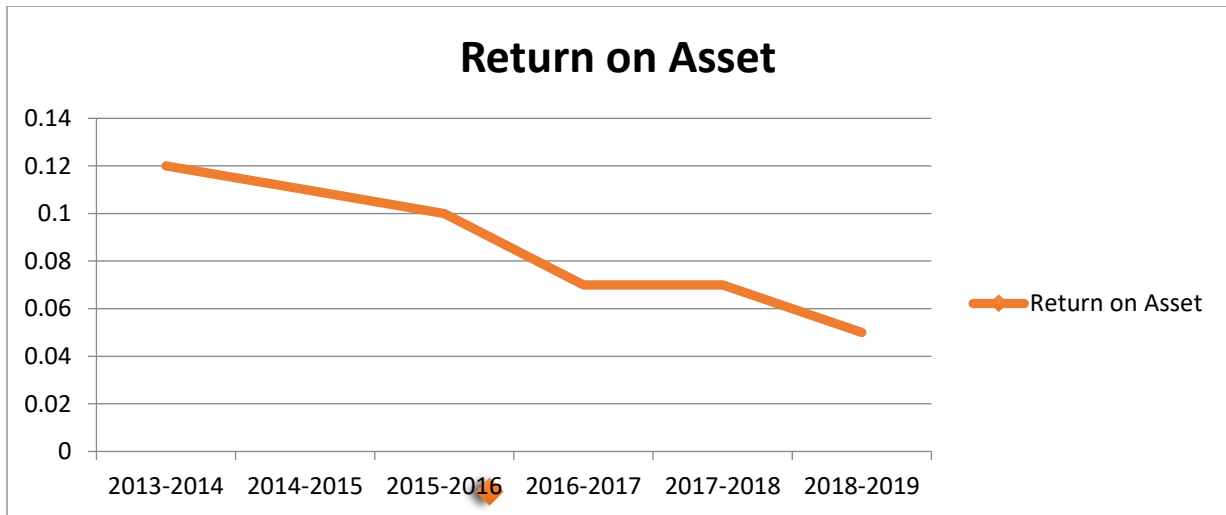


Figure 4.1.3.3: Return on Asset

4.1.3.4 Return on Equity:

Return on equity (ROE) measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners. It measures a firm's efficiency at generating profits from every unit of shareholders' equity. ROE shows how well a company uses investment funds to generate earnings growth. In the following graph, every year firms ROE decreased. That means company cannot use investment funds to generate earnings growth.

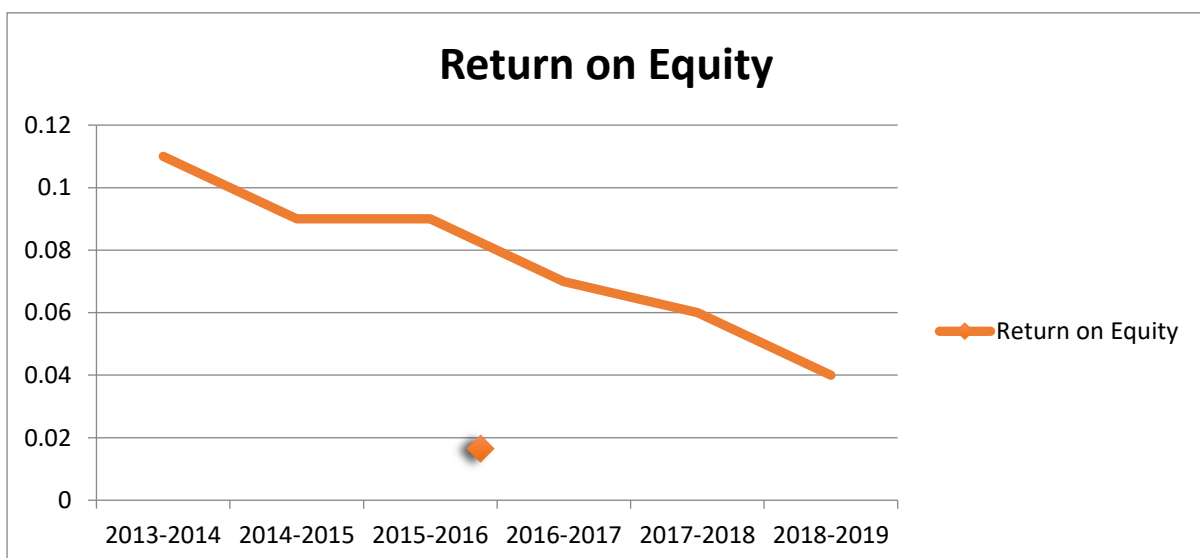


Figure 4.1.3.4: Return on Equity

4.1.3.5 Earnings per Share:

EPS stand for earnings per share. That indicates our profit or earnings in every share. It's a tool to measure the company's position in the market and its attractiveness in the market as well. It has decreasing trend that decreases firm's value.

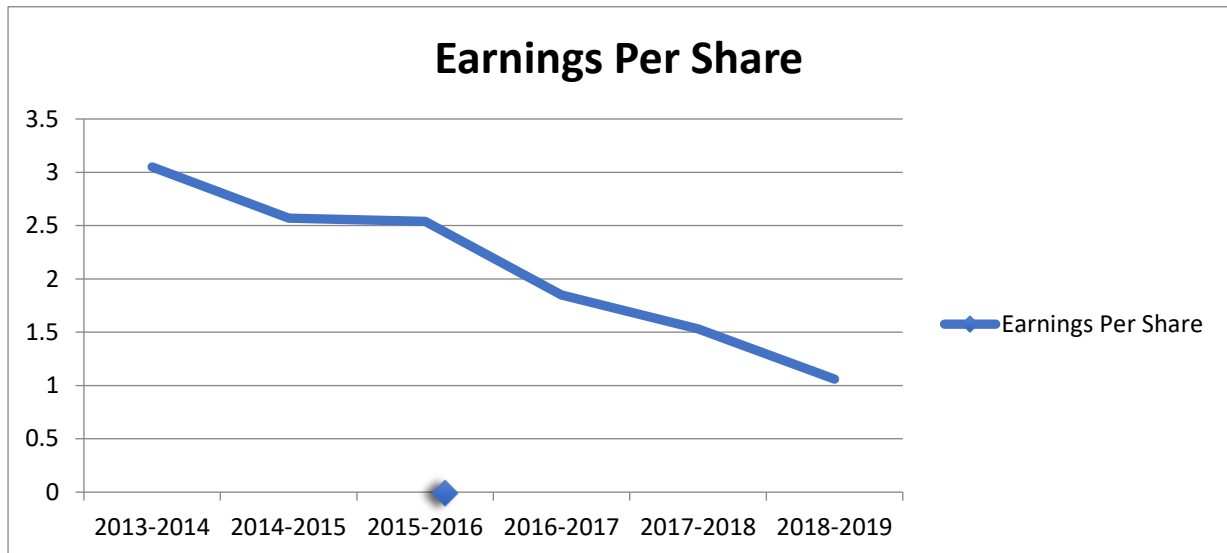


Figure 4.1.3.5: Earnings per Share

4.1.4 Leverage Ratio

Leverage ratios are calculated to judgment the long-term financial position of the company. This ratio indicates, mix of funds provided by owners and lenders, the manner in which the assets are finance, the extent of earning that is magnified or leveraged by use of debt and finally the extent of limited stakeholders control over the company.

Name of the Ratio	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Leverage Ratio						
Debt to Total Assets	0.11	0.22	0.15	0.15	0.12	0.10
Debt to Equity Ratio	0.13	0.28	0.17	0.18	0.14	0.11

Table 4.1.4: Leverage Ratio

It's possible to present the above data using a chart and it might enhance the understandability of the reader;

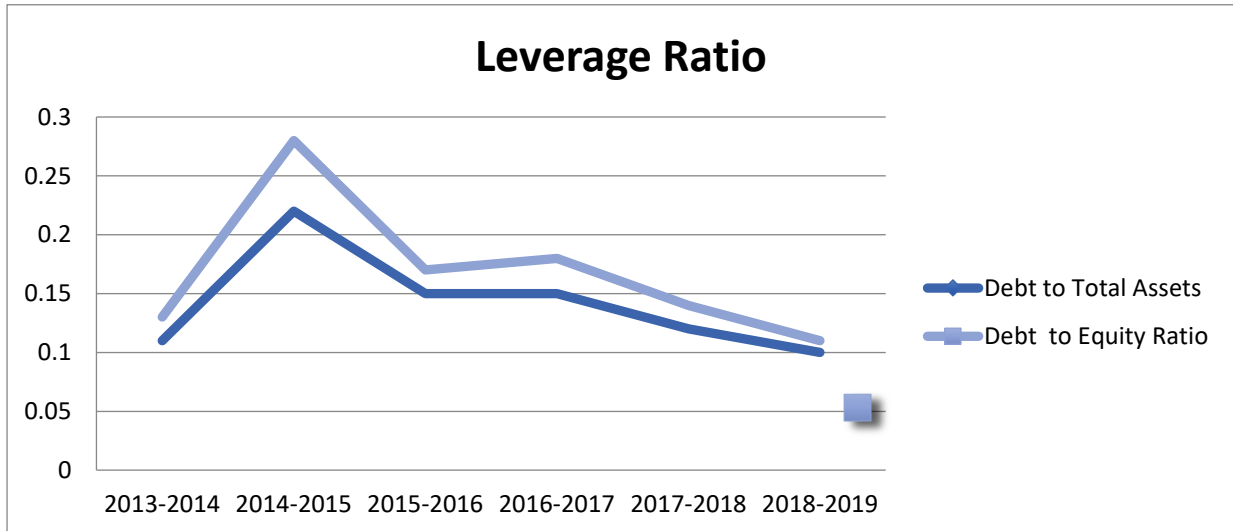


Figure 4.1.4: Leverage Ratio

4.1.4.1 Debt to Total Assets Ratio:

Debt Ratio is a financial ratio that indicates the percentage of a company's assets that are provided via debt. In the graph, we can see that this ratio fluctuates. When firm increases financing assets by lending the ratio increases. Higher ratio is not good for the firm. It increases the financial cost and default risk.

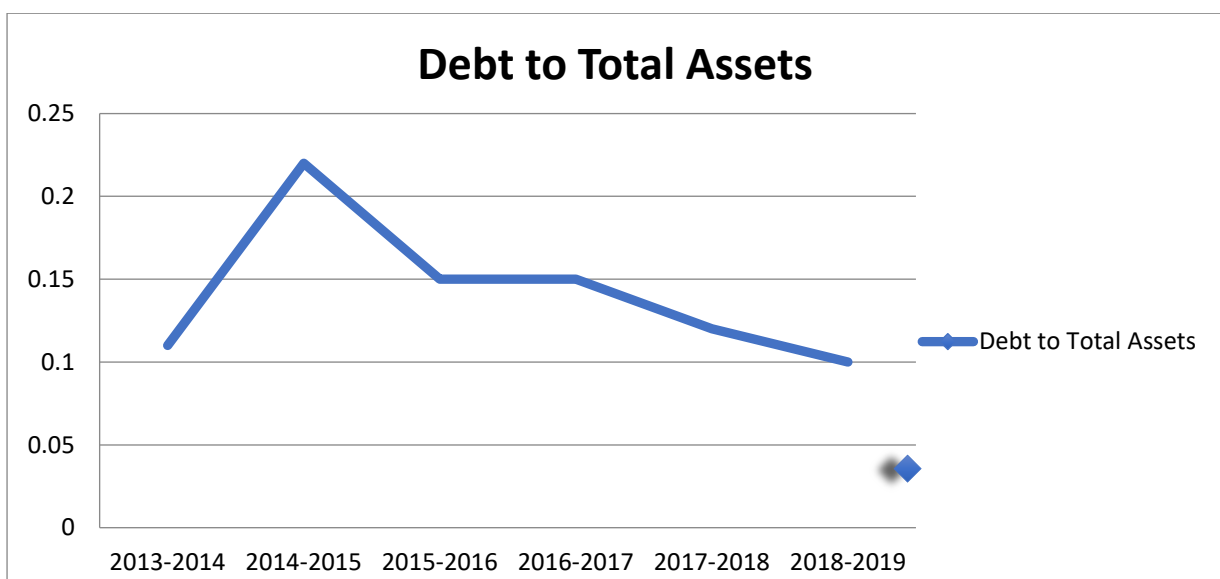


Figure 4.1.4.1: Debt to Total Assets

4.1.4.2 Debt to Equity Ratio:

The debt-to-equity ratio (D/E) is a financial ratio indicating the relative proportion of shareholders' equity and debt used to finance a company's assets. Total debt to Equity ratio measures how much debt we owed from the outsiders against our owned capital. The more the ratio is, the more vulnerable the company will be. But from the profitability side, the more debt we use, the more profit will be generated. But this will lead us to a situation when our bankruptcy cost and risk factors will hamper profitability. The management board tries to minimize the ratio so that it cannot hamper the profitability. In the graph we see, this ratio fluctuates.

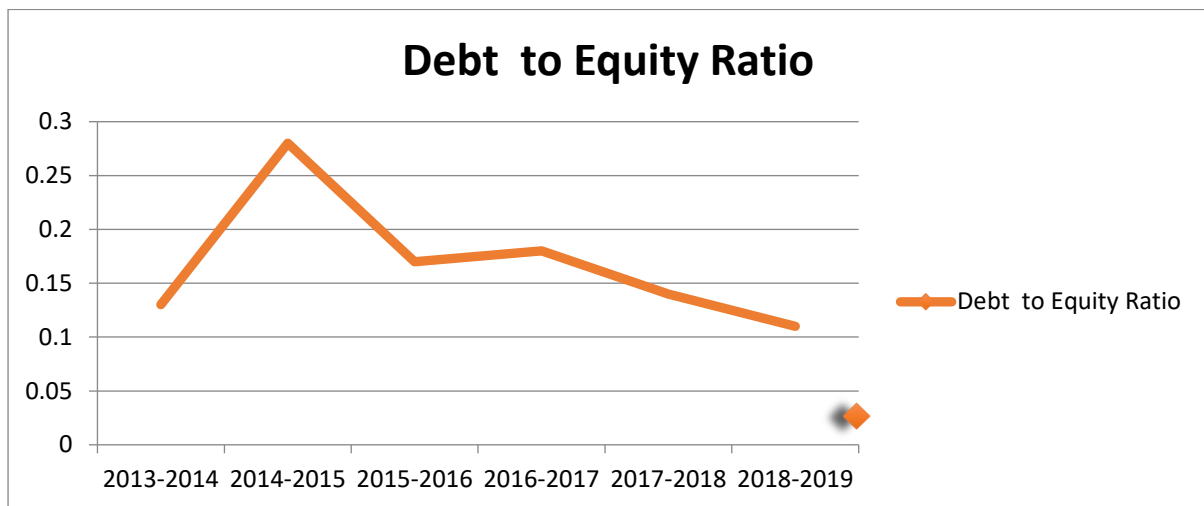
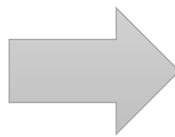


Figure 4.1.4.2: Debt to Equity Ratio

CHAPTER- 5

ANALYSIS OF CASH FLOW STATEMENT

Chapter Hints.....



Chapter Contents.....

This chapter has been designed to show the analysis of cash flow statement

✓ Free Cash flow

5.1. Computation of Free Cash Flow

Free cash flow (FCF) represents the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets. Unlike earnings or net income, free cash flow is a measure of profitability that excludes the non-cash expenses of the income statement and includes spending on equipment and assets as well as changes in working capital from the balance sheet. For BWTL, the OCF and FCF from the year 2013-2014 to 2018-2019 are shown below;

Year	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	Average
Operating Cash Flow (A)	161,566,003	(46,368,836)	266,978,700	198,020,901	313,551,532	261,926,891	192,612,532
Capital Expenditure (B)	206,664,688	11,32,24,716	33,368,050	44,410,253	122,101,090	68,633,647	79,196,288
Free Cash Flow (A-B)	(45,098,685)	(159,593,552)	233,610,650	153,610,648	191,450,442	193,293,244	113,416,244
Explanation	Growth and Investment	Expansion	Cash Cow (Matured)	Cash Cow (Matured)	Cash Cow (Matured)	Cash Cow (Matured)	Cash Cow (Matured)

Table 5.1: Free Cash Flow Computation

Through conducting an analysis using FCF, we may classify our firm as cash cow, growing firm or other category. From the following table it can easily be observed that BWTL's both FCF and OCF are positive over the year and its average OCF and FCF are also positive in nature. So, we can classify it as Cash cow and also we can say that it's a matured firm and investment is lower than OCF generated by assets. That means BWTL has the long term establishment. So, it should provide more cash dividend.

5.2 Analyzing Free Cash Flow trends:

Operating cash flow of the firm over the year was fluctuating and it has an upward trend. That means BWTL is generating more and more cash from its operational activities and uses them for investment and expansion. That is also an indication for the firm's growing nature.

And BWTL established itself as a Cash Cow (matured) and now it requires a less amount of investment to retain its market share.

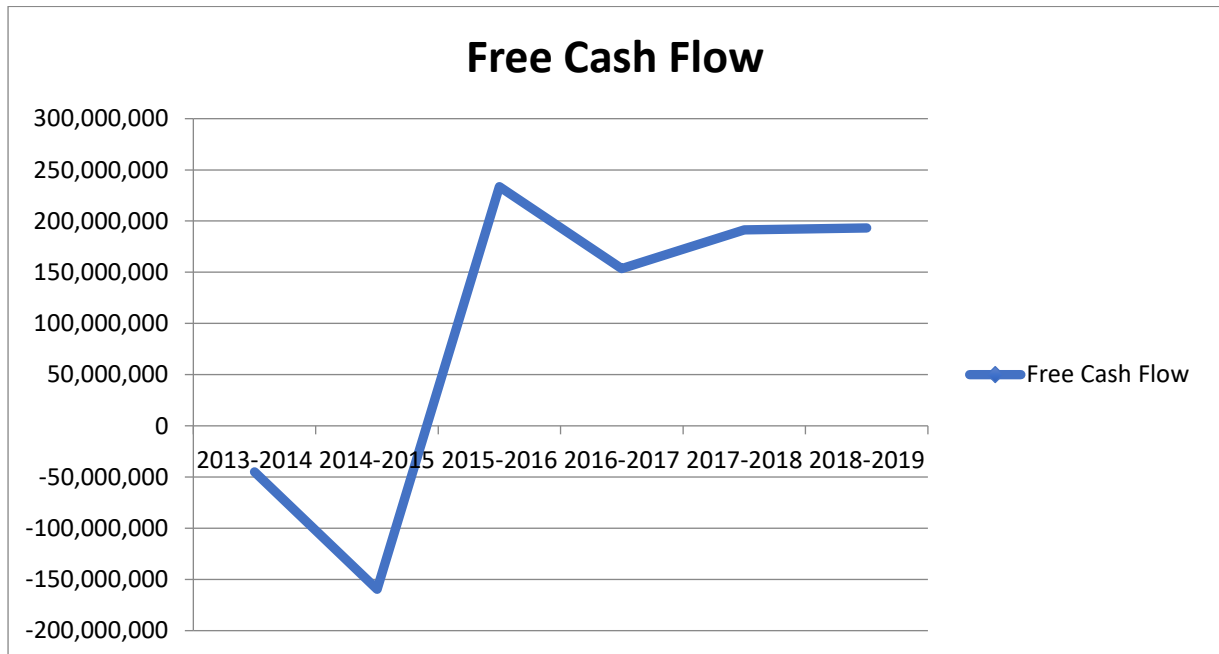
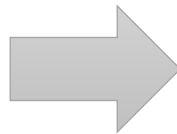


Figure 5.2: Free cash flow trends

CHAPTER- 6

OPERATING LEVERAGE AND FINANCIAL LEVERAGE

Chapter Hints.....



Chapter Contents.....

This chapter is designed to show the operating leverage and financial leverage.

- ✓ Operating leverage
- ✓ Financial leverage

6.1 Degree of Operating Leverage

The **degree of Operating Leverage** (DOL) is the leverage ratio that sums up the effect of an amount of operating leverage on the company's earnings before interests and taxes (EBIT). Operating Leverage takes into account the proportion of fixed costs to variable costs in the operations of a business.

6.2 Degree of Financial Leverage

The **degree of financial leverage** (DFL) is the leverage ratio that sums up the effect of an amount of financial leverage on the earning per share of a company. The degree of financial leverage or DFL makes use of fixed cost to provide finance to the firm and also includes the expenses before interest and taxes.

Year	2016-2017	2017-2018	2018-2019
Degree of Operating Leverage (A)	14.61	8.1	2.56
Degree of Financial Leverage (B)	0.91	0.59	1.34
Degree of Combined Leverage (A × B)	13.3	4.78	3.43

Table 6.2: Calculation of Degree of Leverage

It's possible to present the above data using a chart and it might enhance the understandability of the reader;

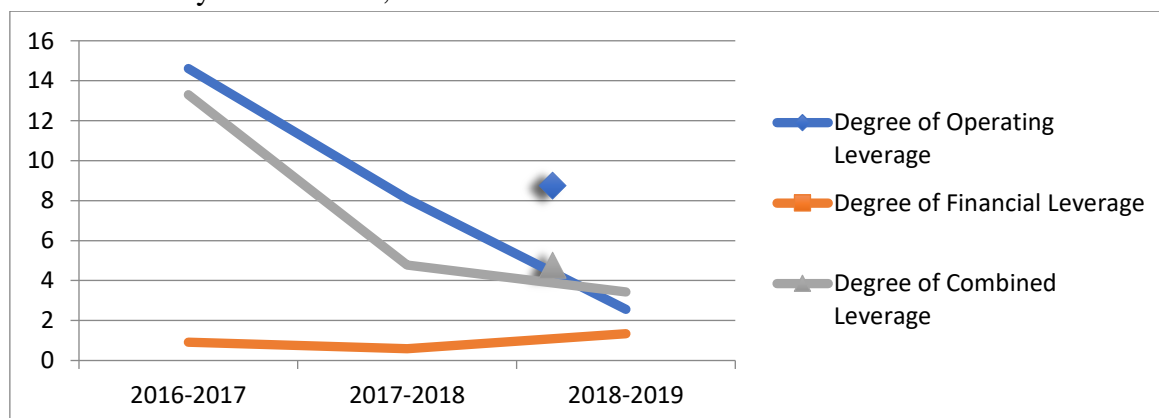


Figure 6.2: Degree of Leverage

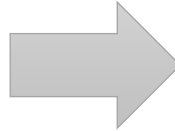
In the table we summarized the DOL and DFL of BWTL. Also, in the chart illustrated above we can observe that DOL marked by blue line is decreasing over time. That clearly indicates that the amount of fixed cost of BWTL's is decreasing day by day and it means that the earnings before interest and taxes would be more predictable for BWTL, even if all the other factors doesn't remain the same because DOL tells us about how much the effect on EBIT when sales increases by one dollar or taka.

On the other hand, DFL measure how much the effect on EPS when we change EBIT by one taka. In BWTL the DFL is fluctuating over time and as we know that if the Degree of Financial Leverage becomes high, the Earnings per Share or EPS would be more unpredictable while all other factors would remain the same. In here, it is seen that DFL has an upward trend since 2017-2018 and it makes EPS is more unpredictable.

CHAPTER: 7

ALTMAN Z-SCORE MODEL – SCREENING FOR BANKRUPTCY RISK

Chapter Hints.....



Chapter Contents.....

This chapter is designed to test bankruptcy risk

- ✓ Altman Z-score model
- ✓ Bankruptcy risk analysis

7.1 Altman Z-Score Analysis for BWTL

The Altman Z-Score is a formula of 5 basic financial ratios to help determine the financial health of a company. In particular, it is a probabilistic model to screen for bankruptcy risk of a company.

Studies show that the Z-Score is able to predict 80-90% of bankruptcies 1 year prior to the fact. It does this with a small percentage of false positives. In other words, the formula provides high confidence probabilities but not certainty.

Other studies show that there is great value in evaluating the strength of balance sheets. Stocks of companies with weak balance sheets underperform the market more often than not. This makes the Altman Z-Score a great tool to quickly screen the health of a balance sheet.

There are limitations which should be kept in mind. First the Z-Score does not work with private, financial, or foreign companies. Altman later developed revised versions:

The Altman Z-Score combines several important ratios into a single metric that provides valuable information about the financial health of a company. This makes the Z-Score a convenient and helpful formula as one of your first stock screens.

7.2 Calculation of the Altman Z-Score for BWTL

The original formula was created for publicly traded manufacturing companies.

$$\text{Z-Score} = 1.2(\text{A}) + 1.4(\text{B}) + 3.3(\text{C}) + 0.6(\text{D}) + 1.0(\text{E})$$

Where:

A = Working Capital (Current Assets – Current Liabilities) / Total Assets (Measure's liquidity of firm)

B = Retained Earnings / Total Assets (measures accumulated profits compared to assets)

C = Earnings Before Interest & Taxes (EBIT) / Total Assets (measures how much profit the firm's assets are producing)

D = Market Value of Equity (Mkt. Cap. + Preferred Stock) / Total Liabilities (compares the company's value versus its liabilities)

E = Sales / Total Assets (efficiency ratio – measures how much the company's assets are producing in sales).

Z-Score Results:

Z-Score of < 1.81 represents a company in distress.

Z-Score between 1.81 and 2.99 represents the “caution” zone.

Z-Score of over 3.0 represents a company with a safe balance sheet.

Particular	2016-17	2017-18	2018-19
Z-Score	6.23	7.675	7.907
Remark	Safe Zone	Safe Zone	Safe Zone

Table 7.2: Z- Score Results

Z- Score for the FY 2018-19:

$$\begin{aligned} \text{Z-Score} &= 1.2(A) + 1.4(B) + 3.3(C) + 0.6(D) + 1.0(E) \\ &= 1.2*0.59+1.4*0.33+3.3*0.05+0.6*10.42+1.0*0.32 \\ &= 0.708+0.462+ 0.165+ 6.252+ 0.32 \\ &= \mathbf{7.907} \end{aligned}$$

Here,

$$A = 1,491,167,389/2,506,893,878 = 0.59$$

$$B = 830,463,686/2,506,893,878 = 0.33$$

$$C = 123,153,026/2,506,893,878= 0.05$$

$$D = (27.4*91476, 000)/ (37,941,459+202,550,133) =2,506,442,400/240,491,592=10.42$$

$$E = 805,948,380/2,506,893,878= 0.32$$

Z- Score for the FY 2017-18:

$$\begin{aligned} \text{Z-Score} &= 1.2(A) + 1.4(B) + 3.3(C) + 0.6(D) + 1.0(E) \\ &= 1.2*0.60+1.4*0.32 +3.3*0.07+0.6*9.86+1.0*0.36 \\ &= 0.72+ 0.448 + 0.231 + 5.916 + 0.36= \mathbf{7.675} \end{aligned}$$

Here,

$$\mathbf{A} = 1467370,788/2,453,152,907 = 0.60$$

$$\mathbf{B} = 779,487,968/2,453,152,907 = 0.32$$

$$\mathbf{C} = 160,460,828/2,453,152,907 = 0.07$$

$$\mathbf{D} = (31.6*91,476,000)/(59,111,444+234,193,495) = 2,890,641,600/293,304,939 = 9.86$$

$$\mathbf{E} = 887,739,706/2,453,152,907 = 0.36$$

Z- Score for the FY 2016-17:

$$\begin{aligned} \mathbf{Z-Score} &= 1.2(\mathbf{A}) + 1.4(\mathbf{B}) + 3.3(\mathbf{C}) + 0.6(\mathbf{D}) + 1.0(\mathbf{E}) \\ &= 1.2*0.59+1.4*0.30+3.3*0.08+0.6*7.43+1.0*0.38 \\ &= 0.708+ 0.42+ 0.264+ 4.458+ 0.38 \\ &= 6.23 \end{aligned}$$

Here,

$$\mathbf{A} = 1,428,488,325/2,402,252,680 = 0.59$$

$$\mathbf{B} = 722,265,006/2,402,252,680 = 0.30$$

$$\mathbf{C} = 189,265,963/2,402,252,680 = 0.08$$

$$\mathbf{D} = (34.2*83,160,000)/382,787,674 = 2,844,072,000/382,787,674 = 7.43$$

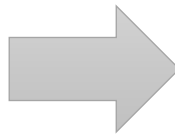
$$\mathbf{E} = 904,792,492/2,402,252,680 = 0.38$$

From the above z-score results of FY 2016-17, 2017-18 & 2018-19, it's clear that BWTL belongs to safe zone for each of the past three years. And it suggests that there is no risk exist for BWTL with regard to bankruptcy.

CHAPTER-8

DISCLOSURE PRACTICES, CHOICE OF ACCOUNTING POLICY AND OFF-BALANCE ITEMS

Chapter Hints.....



Chapter Contents.....

This Chapter is designed to discuss the adequacy of disclosure practices

- ✓ Disclosure practices:
- ✓ Management Discussion and Analysis
- ✓ Accounting policy
- ✓ Off Balance Sheet Items

8.1 Disclosure Practices

The disclosure practice of BWTL is fairly good enough as compared to other publically traded company in Bangladesh. It duly represents all the necessary things which are required by law.

8.1.1 Mandatory Disclosure:

As mandatory disclosure BWTL disclosed:

- ✓ Employee position (as per requirement of Schedule XI, Part II, Note 5 of Para 3)
- ✓ Production capacity utilization
- ✓ Raw material consumption of total purchase
- ✓ Related party transactions
- ✓ The remuneration of the directors
- ✓ The key operating and financial data
- ✓ The shareholding pattern of the company etc.

8.1.2 Voluntary Disclosure:

It also provides some voluntary disclosures regarding the segmented sales data, cost structure related data and others. Apart from that it also explains the matters regarding the change of any facts which can affect its earnings and growth.

8.2 Management Discussion and Analysis

Management Discussion and Analysis (MD&A) is an integrated part of a company's annual financial statements. The purpose of the MD&A is to provide a narrative explanation, through the eyes of management, of how an entity has performed in the past, its financial condition, and its future prospects. In so doing, the MD&A attempt to provide investors with complete, fair, and balanced information to help them decide whether to invest or continue to invest in an entity.

MD&A for BWTL:

- ✓ The principal activities of the Company continued to be the business of manufacturing and export of garments accessories (hanger) which facilitate the export of garments to the world's largest retailers like WalMart, K-Mart, Khol's, J C Penny etc. in the USA as well as in Europe.
- ✓ Achieved their sales and profit targets, made progress as planned in key operational areas and expanded business in export markets.
- ✓ Company has been sustaining profitability during this financial year 2018-2019.
- ✓ In spite of facing different hindrances, BWTL has been able to uphold an impressive level of sales and production over the years.

- ✓ With expansion into new markets underway and significant international accreditations achieved, BWTL is well positioned to continue to build the Company's presence in both domestic and international markets.
- ✓ Besides strong financial position enabled BWTL to take further actions in the year to increase profitability based upon current expectations.
- ✓ Risks and concerns of the industries solely depends on the exchange rate fluctuation, change of raw materials cost and upcoming changes of global and national policies, which may have negative impact on the cost structure and profitability of the company.

8.3 Choice of Accounting Policy

The financial statements have been prepared in accordance with the BAS, BFRS, company act, BSEC rule and other applicable regulations. Revenue from sale of goods is recognized when the significant risk and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and amount of revenue can be measured reliably. Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. A provision is recognized if, as a result of a past event, the company has a present legal or constructive obligation that can reliably be estimated and, it is probable that an outflow of economic benefits will be required to settle the obligation.

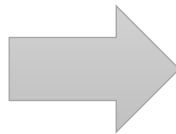
8.4 Off Balance Sheet Items

For all the assets (except land) the depreciation is charged based on straight line method, the inventory is calculated based on average cost method. Lease is considered as financial lease and as an on-balance sheet item. There are no off-balance sheet items in the financial statement of BWTL form the year 2013-2014 to 2018-2019.

CHAPTER-9

FINDING AND RECOMMANDATION

Chapter Hints.....



Chapter Contents.....

This chapter is designed to explain the findings & recommendations

- ✓ Findings
- ✓ Recommendations

When I was preparing the report, I discussed with different level of employees of the company. They were not concern regarding internal resources and its proper utilization and not careful about global Economy. The company was apathetic with regard to different financial index which might be helpful for the company to take proper divisions. So I would like to draw finding based on observation during the data collecting period and also mention recommendations.

9.1 Findings

According to financial performance analysis, it has been found that;

- ✓ The liquidity position of BWTL is fluctuating overtime. After a significant fall in 2014-15, it's increasing and has an upward trend.
- ✓ The activity ratio says that their efficiency of collecting receivable and managing inventory has been improved significantly in 2015-16 but deteriorating afterwards again. Simultaneously, they are not efficient enough to utilize their assets in bringing return as much as they should be.
- ✓ The profitability ratio of BWTL may discourage investors. Its overall profitability is in a downward trend and the reason might be the highly competitive environment in the market.
- ✓ This is clear from leverage ratio, though there is an increase in 2014-15, the proportion of debt to total assets is decreasing since 2015-16 and this is good for the firm. At the same time, the proportion of debt to equity ratio is decreasing and it suggests that assets is largely being financed by own capital other than debt financing.

The analysis of cash flow statement revealed;

- ✓ The free cash flow position of BWTL and the cash retained for the existing shareholders to distribute as dividend or to maximize wealth through further investment.
- ✓ The amount of free cash flow was negative in 2013-14 and 2014-15. But the reason is that there was a huge investment for growth and expansion. This is satisfactory that BWTL turned into cash cow since 2015-16 and the firm is successful in maintaining the cash cow position till 2018-19. This improvement is likely to satisfy the existing shareholders and attract the potential investor.

An analysis through Degree of Operating Leverage and Degree of Financial Leverage opened up a lot of things those are essential to determine its future survival. Our analysis shows that;

- ✓ DOL is decreasing over time and it implies that the amount of fixed cost is decreasing day by day. It would be helpful to predict EBIT and taxes more accurately.
- ✓ DFL has an upward trend since 2017-18 and it makes EPS more unpredictable.

According to Altman Z-score model, Z-score of over 3.0 represents a company with a safe balance sheet. Accordingly, our analysis says that;

- ✓ BWTL belongs to the safe zone for each of the last three years and it implies that there is no risk of bankruptcy for the organization.
- ✓ The company will continue as going concern for the foreseeable future.

Other findings include the following;

- ✓ The company doesn't analysis internal resources and external threats and strategic implementation properly.
- ✓ BWTL doesn't careful regarding global economy and external shock of the global and micro economy.
- ✓ The company's finance department was not monitoring properly exchange rate fluctuation and they did not take any corrective action. Eventually the company doesn't bother regarding exchange rate fluctuation gain or loss.
- ✓ The company did not hedge against this exposure.
- ✓ The company doesn't focus on product development and diversification. As a result, revenue might be reducing for future competition.
- ✓ Company always focuses on shareholders satisfaction rather it should focus on wealth maximization.

9.2 Recommendations

- ✓ VRINE model is an analytical framework that suggests that a firm with resources and capabilities which are valuable, rare, inimitable, No substitutable and exploitable will gain a competitive advantage. The V in the VRINE model stands for valuable and there are a few important aspects that are extremely valuable to the success BWTL. The most valuable aspect is its BRAND VALUE. Another valuable aspect of BWTL is their employees who are their key strength to grow. After deciding what is valuable to BWTL, we need to decide what aspects are rare. The rare aspects are what make up the R in the VRINE model. But in my analysis they don't possess any rare aspects of BWTL. According to the I (Inimitable) and N (Non-substitutable) of the VRINE model, BWTL's business is something that can be easily imitated and substituted for. What BWTL is doing is something any company can do because it is only the capability of manufacturing the garments accessories. As for being substitutable, that is easy as well. Finally, the E in the VRINE model stands for exploitable. This suggests us if this product can be used for a purpose, it will make money and that answer is yes. One reason is because there are a few other companies in this business so not only do they have the competitive advantage, but also the company with the most recognizable name. BWTL is making a lot of money off what they are doing right now by manufacturing and exporting garments accessories (Hanger) and it is something that will continue to profit them in the future as long as they keep up their good name. So, after analyzing the VRINE model for BWTL, we can say that BWTL have to gain cost leadership as they are presently focusing on product differentiation. And this cost minimization will enhance the profitability of BWTL.
- ✓ Our analysis suggests that their credit control department is less efficient in collecting the credit from the market. So, they should focus on this area to collect the credit amount promptly.
- ✓ As BWTL is the market leader and their share price and EPS is higher than the any of the companies of its industry so to remain in the same position and increase its share

value more than the value currently it has and they should be more careful about the global economy and external shock of the global and micro economy.

- ✓ As with private investors, business essentially has four options to counteract their currency exposure. The **first approach** is just to monitor the changes and this can be the best option if companies do not think that they are at a particularly high risk from exchange rate fluctuations. **Second option** is to lock into an exchange rate for a period of time by setting up a forward contract. If the exposure estimates are correct, this can be a beneficial approach. Some business will also purchase currency in advance if they know that they will be making big purchases and are concerned about volatility. **A third option** is to hedge against this exposure via derivatives. Although this may be the most complicated option, it can be effective in limiting exposure to volatility. It can also give a clearer picture of how a company's overseas operation is really performing. **Finally**, firm can choose to manage their currency exposure through business practices.
- ✓ They have declared a small number of dividends and have created a dip in the flow. So, they should provide an increased amount of dividend in the coming years to retain the existing shareholders and attract the potential investors.
- ✓ As BWTL has already existed in the mature market as stated earlier, they should give more focus on product development and product diversification rather market making and market development.
- ✓ From the trend analysis, it has been clear that their main job should be to increase shareholder's wealth not only offering high dividend.

CHAPTER- 10

CONCLUSION

Chapter Hints.....



Chapter contents.....

This chapter is designed to
conclude my report.

✓ Conclusion

10.1 Conclusion

This report is based on the financial statement analysis and Performance evaluation of Bengal Windsor Thermoplastics Limited. The company is a listed company and its shares are traded in the capital market.

The company manufactures hanger and it contributes to total GDP. It is 100% export-oriented company and earn foreign currency.

A brief discussion of objective, methodology, data sources, data analysis process, limitation etc., discussed in chapter one and next chapter a brief discussion about BWTL, products, marketing aspect, market share and risk of the company. The company mitigates the systematic and unsystematic risk.

At the end it is only fair to mention that Bengal Windsor Thermoplastics Limited is one of the leading hanger manufacturers with strong brand value. In this study we have showed that the condition of the entire industry of security market in Bangladesh. In compare to that the total security market and industry in particular. The security condition for BWTL is also holds promising return compared to the security market. So, it would be wise to add this stock in the portfolio.

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