

**Internship Report**  
**on**  
**“Financial Statement Analysis and Performance**  
**Evaluation of GPH Ispat Limited.”**

**Submitted by:**

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ID: BBA1903018076

Program: BBA

Major: Accounting

Semester: Spring, 2021

**Submitted to:**

Department of Business Administration

Sonargaon University (SU)

Submitted for the partial fulfilment of the degree of  
**Bachelor of Business Administration**



**Sonargaon University (SU)**

Dhaka- 1215

Date of Submission: May 05, 2021

**Internship Report**  
**on**  
**“Financial Statement Analysis and Performance**  
**Evaluation of GPH Ispat Limited.”**

**Supervised By:**

**Farjana Yeasmin Chowdhury**

Lecturer

Department of Business Administration

Sonargaon University (SU)

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## Letter of Transmittal

5<sup>th</sup> May, 2021

Farjana Yeasmin Chowdhury  
Lecturer  
Department of Business Administration  
Sonargaon University (SU)  
147/I Green Road, Dhaka-1215

**Subject:** Submission of Internship Report.

Dear Madam,

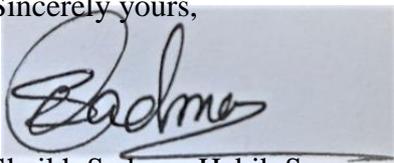
This is my pleasure to present my Internship Report entitled- **“Financial Statement Analysis and Performance Evaluation of GPH Ispat Limited”**

I have conducted my internship program in GPH Ispat Limited, 2 Gulshan, North Avenue and effect from the 1<sup>st</sup> January 2021 to 30th April 2021 with your kind supervision. I have invested my every effort to find out financial functions performed by GPH.

I believe that the knowledge and experience I gathered during the internship period will be helpful in my future professional life. I will be grateful to you if you kindly accept this report.

Thanking you for your time and kind supervision.

Sincerely yours,



Sheikh Sadman Habib Suvo

ID No: 1903018076

Program: BBA (Major in Accounting)

Sonargaon University

## Certificate of Supervisor

Certified that this internship report titled “**Financial Statement Analysis and Performance Evaluation of GPH Ispat Limited**” has been prepared as a part of completion of the BBA program from Department of Business Administration, Sonargaon University (SU), carried out by **Sheikh Sadman Habib Suvo**, ID: BBA1903018076 under my supervision. The report or the information will not be used for any other purposes.

.....

**Farjana Yeasmin Chowdhury**

Lecturer

Department of Business Administration

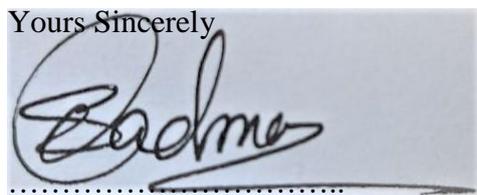
Sonargaon University (SU)

## Student Declaration

I am Sheikh Sadman Habib Suvo, a student of Bachelor of Business Administration, ID: BBA1903018076 from Sonargaon University would like to solemnly declare that the internship report on “**Financial Statement Analysis and Performance Evaluation of GPH Ispat Limited**” is the original one and has been prepared by myself. While preparing this report, I didn't breach any copyright act internationally. I am further declaring that, I did not submit this report anywhere for awarding any degree, diploma or certificate.

The report was prepared under the supervision of Lecturer Farjana Yeasmin Chowdhury, Department of Business Administration of Sonargaon University.

Yours Sincerely,

A handwritten signature in black ink on a light blue background. The signature is cursive and appears to read 'Sadman'. Below the signature is a horizontal dotted line.

Sheikh Sadman Habib Suvo

ID: BBA-1903018076

Major: Accounting

Semester: Spring'2021

Bachelor of Business Administration Department.

Sonargaon University.

## Letter of Authorization

Certified that this project report titled “**Financial Statement Analysis and Performance Evaluation of GPH Ispat Limited**” is the bona fide work of **Sheikh Sadman Habib Suvo**, who carried out the research under my supervision. Certified further that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

.....  
**Farjana Yeasmin Chowdhury**  
Lecturer  
Department of Business Administration  
Sonargaon University (SU)

## Acknowledgement

At first I want to express my deep gratitude to the Almighty, the most merciful for his kindness to give me the ability to complete this report successfully. I extend my deep gratitude to my supervisor Miss Farjana Yeasmin Chowdhury, Lecturer, Sonargaon University for her guidance, suggestions, and encouragement for the preparation of this report. Without her guidance I could not have finished this work on time. She provided me the full support and ideas necessary in analyzing the industry and thus to accomplish my goal.

To conclude, I am also grateful to all of the respected teachers of the Bachelor of Business Administration for their continuous inspiration, assistance throughout these years.

## Executive Summary

The main focus of this report is on the Financial Statement Analysis and Performance Evaluation of GPH Ispat Limited. In order to focus on the financial performance and evaluation of GPH Ispat Limited, the study focuses on the financial statement and ratio analysis, liquidity ratio, Efficiency ratio, Debt Management and Profitability and also analyze the market position by comparing GPH's Revenue, EPS, NAV, Net Income with other steel companies. The study has been conducted mainly based on secondary data. Moreover, on the study describe the internship experience and objectives of the study. Some information has also been collected from the discussion with the officers. Trend analyses are mainly conducted to analyze the trend of liquidities, profitability, debt management and Efficiency of GPH Ispat Limited. Recovery performance of GPH within the steel industry is also analyzed in the report. GIL's results of the study shows that, increasing trend of inventory turnover ratio, gross profit margin ratio maintaining of debt to asset ratio. GPH is in third position covers 17% of market by their selling excellent. Proper and effective monitoring system should be developed in order to ensure the proper maintain liquidity and to minimize the debt of GPH Ispat Limited.

## List of Acronyms

GPH: GOD FEARING, PLAIN LIVING, HIGH THINKING

PAT: PROFIT AFTER TAX

SE: SHAREHOLDER'S EQUITY

ROA: RETURN ON ASSET

ROE: RETURN ON EQUITY

EPS: EARNINGS PER SHARE

DSE: DHAKA STOCK EXCHANGE

CSE: CHITTAGONG STOCK EXCHANGE

SEC: SECURITIES AND EXCHANGE COMMISSION

IPO: INITIAL PUBLIC OFFERING

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# **Chapter: 01**

# **Introduction**

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## 1.1 Introduction:

This internship report is prepared as a mandatory course fulfillment of the requirement of BBA program. It is my great pleasure to permit to complete internship report on “**Financial Statement Analysis and Performance Evaluation of GPH Ispat Limited**”. I am student of BBA program. I sincerely believe that my practical knowledge and experiences gathered from this study will be very helpful in my future life for doing any types of research work.

The industrial venture is a public limited company which has been incorporated with the register of the joint stock companies, Govt. of the Peoples of Bangladesh under the name and style GPH Ispat Limited.

This internship report is submitted after completed of three months internship program in GPH Ispat Limited to the internship supervisor. This program direct authorized by supervisor to submit the report on “**Financial Statement Analysis and Performance Evaluation of GPH Ispat Limited**”. This internship program was started from 1<sup>st</sup> January, 2021.

Financial performance analysis can identify the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss. It helps a firm to identify short term and long-term growth forecasting. This analysis can be undertaken by management of the firm or by parties outside the namely, owner, creditors, investors. Financial statement analysis involves the re-organization of the entire financial data contained the financial statements. It is the establishment of significant relationships between the individual components of balance sheet and profit loss account. This is done through the application tools of financial analysis like ratio analysis, trend analysis, common size balance sheet and comparative balance sheet. This is used for determining the investment value of the business, credit rating and for testing efficiency of operation. Every company need to analyze financial statement to know the performance of a company and company take their decision and recovery procedure if need.

## **1.2 Objectives:**

The objective of the report is to develop the concept about the various aspects of the organizational structure, financial position, success and marketing process of the steel industry. This study will help me to analyze the various concept of financial statement analysis, decision making in stable and unstable situation, how to increase the financial position, organizational network and so on which will enrich my experience for my future career. More specifically the objective of the study-

- To practice knowledge and experience gathered from this study, which will be very much helpful in my future life for doing any types of research work
- To know the corporate activities of different sector of business sector.
- To identify the total activities of ceramic industry
- To get the exposure in business field
- To identify the financial position of GPH
- To find out the problem of GPH
- To recommend the suggestion to solve the problem

## **1.3 Significance of the Report:**

This internship report is an important partial requirement of BBA program because knowledge and learning become perfect when it is associated with theory and practice. Students can establish contacts and networking by this internship program. Contacts may help to get a job in future. That is, student can train and prepare themselves for the job market. Developing country in the world like Bangladesh has an overwhelming number of unemployed educated graduates. Therefore; it is obvious that the significance of internship is clearly justified as the crucial requirement of BBA Graduation. The main theme of internship of internship is together practical experience and knowledge about the corporate activities of different sector of the business. It also helps a lot to compare the theoretical knowledge with the practical field. Furthermore, the program has helped me a lot to understand the organization atmosphere and behavior.

## **1.4 Methodology:**

### **1.4.1 Research Design:**

The study on “Financial Statement Analysis and Performance Evaluation of GPH Ispat Limited”, is descriptive in nature which is mainly based on secondary data. The study focuses on financial statement analysis using of ratio and measurement of performance of GPH Ispat Limited.

### **1.4.2 Data used in the study:**

The study is mainly based on secondary data.

- The audit report of GPH Ispat Limited
- Website of GPH Ispat Limited
- Magazines GPH Ispat Limited
- Files and folder GPH Ispat Limited
- Written documents of GPH Ispat Limited
- Statistical data of GPH Ispat Limited
- Different text book are the major data sources in this report.

Though the use of primary data is very limited in this report, some information has been collected from the opinions of officials of GPH. The secondary data are collected for the period of five years from 2016 to 2020.

### **1.4.3 Data Analysing and Reporting:**

Trend analysis and performance evaluations are made to analyze of financial performance of GPH Ispat Limited. Trend of Liquidly Ratio, Efficiency Ratio, Debt Management Period and Profitability Ratio are analyzed in the study. Software like Microsoft word, excel are used for analyzing and reporting purpose of the report.

### **1.5 Scope of the Report:**

GPH Ispat Limited is big public limited company. Hence, their economic activities and productions are huge and versatile. Three month is not enough time to learn the vast financial activities and production procedure. I tried to note my daily experience and finally make a combination of them to prepare my project. This study is focused on the following areas of GPH Ispat Limited.

- An overview of GPH Ispat Limited.
- Financial Statement analysis of five past years of GPH Ispat Limited.
- Performance Evaluation of GPH Ispat Limited.

### **1.6 Limitations of Report:**

Though I have given utmost effort to prepare this paper but there are some limitations of the study. Such are as follows:

- The main constrain of the study was insufficiency of information, which was required for the study. There was various information the head office employee can't provide due to confidential and other corporate obligations.
- Time constrains, three months are not enough to collect all necessary material
- Lack of opportunity to visit production house.
- The functions and activities of GPH are too vast, so they change their strategy day by day.

As a result, I could not collect updated information & strategy.

- As I am student it is not possible for me to collect all the necessary information.
- Lack of Experience.
- The corporate office did not allow me to enter the office every day for this Covid-19 issue. During the internship, each time I had to get special permission from the GPH administration.

**Chapter: 02**  
**An Overview of GPH**

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## **2.1 Background and History of GPH:**

“In the beginning, God created man” and after thousand years of intelligence, precision, hard work and innovation, man created steel – one of the greatest inventions of all time. This super-strong, carbonized and alloyed form of iron is an element without which modern life is literally unimaginable. From skyscrapers and planes to syringes and forks, steel is an essential part of our everyday life.

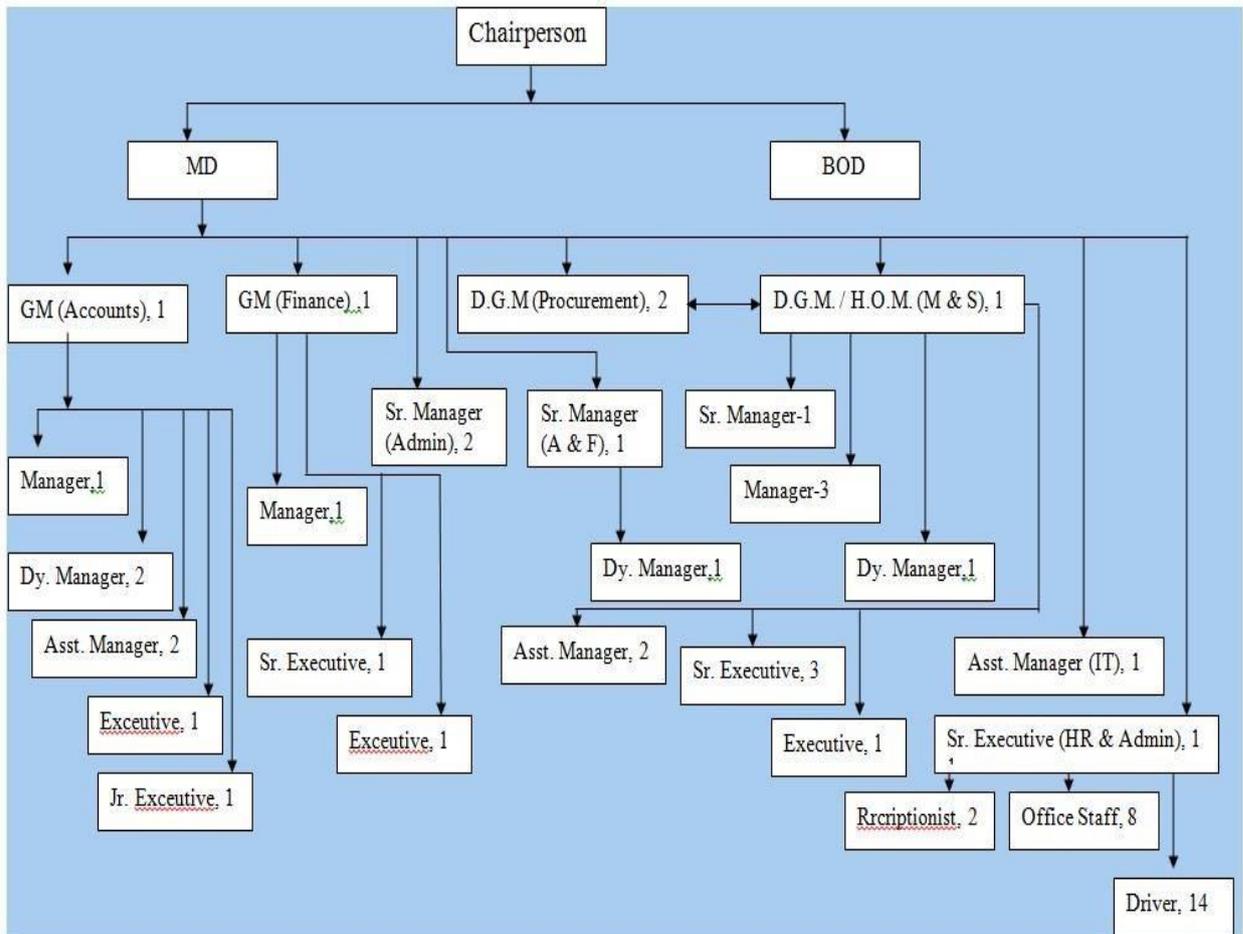
GPH Ispat Ltd. One of the leaders of Bangladesh in manufacturing steel promises a super strong future and economy with its world –class products. Not only structural bar, but GPH Ispat Ltd. is also one of the producers of low & medium carbon and low alloy steel billets in Bangladesh, the main ingredient of manufacturing graded steel bar. As GPH is ensuring the highest quality products in Bangladesh as per various international and national standards, GPH steel billets and Bars is getting exported to other countries after nourishing national demand. The introduction of GPH Ispat Ltd. has all the potentials to take Bangladesh quite a few steps forward to a stronger, brighter tomorrow.

The company was founded on 17 May 2006 and started its operation in 2008. It was listed as a public limited company in 2012.

In 2016, the company started its expansion project in Sitakunda, Chittagong in association with Primetals Technology, a joint venture of Siemens VAI and Mitsubishi Heavy Industries & Partners as the equipment supplier. The company invested around US\$200 million for the 0.8 MTPY steel manufacturing facility. The new mill will use a Quantum electric arc furnace, a ladle furnace, a three-strand, high-speed continuous billet caster and a bar and section mill. It will use Win Link Flex technology for rolling mill for the first time in world. The company raised US\$154 million from 12 financial institutions for its expansion project in May 2016.

<b>Registered Office</b>	Crown Chamber, 325 Asadgonj, Chittagong-4000
<b>Dhaka Office</b>	Hamid Tower (3rd Floor), 24 Gulshan C/A, Circle-2, Dhaka-1212
<b>Factory</b>	Masjiddah, Kumira, Sitakunda, Chittagong.
<b>Web Site</b>	<a href="http://www.gphispac.com.bd/">http://www.gphispac.com.bd/</a>
<b>Authorized Capital</b>	10000 million (BDT)
<b>Paid-up Capital</b>	3782 million (BDT)
<b>Main Market</b>	Bangladesh, Africa
<b>Product line</b>	Billet, Deformed Bar, Plain Bar

**2.2 Organizational Structure of GPH:**



**Management Profile of GPH:**

Managing Director	Mohammed Jahangir Alam
Director, Marketing & Procurement	Md. Ashrafuzzaman
Executive Director, Finance	Kamrul Islam FCA
General Manager, Supply Chain	S.M. Majid Ul Azim
Senior General Manager & Head of Marketing	Md. Fakhru Islam

### **2.3 Products of GPH:**

**Steel Billet:** Steel billet is the second stage product produced in the process of making steel bars. The raw steel cannot be used in its pure form, it has to cast into a shape before being used. The freshly made steel, which is still in the form of a metal bar or rectangle, is called steel billet.



**Deformed Bar:** A steel bar with surface projections that increase its bond strength when used in reinforced concrete.



**Plain Bar:** Plain round rebar has a range of applications from reinforced concrete piers, bored piles and footings to walls, beams, columns, slabs and precast products.



## Products line of GPH:

The products line of GPH Ispat is bit diversified in terms of items and designs. The products range from-

- Billet
- Deformed Bar
- Plain Bar

### Specification of Products:

- BILLET: Size - 100mm X 100mm, 110mm X 110mm, 130mm X 130mm and as per customers' requirements).
- Deformed bar (available in sizes 8mm, 10mm, 12mm, 14mm, 16mm, 18mm, 20mm, 22mm, 25mm, 28mm, 32mm, 36mm and as per customers' requirements).
- Plain bar (available in sizes 8mm, 10mm, 12mm, 14mm, 16mm, 18mm, 20mm, 22mm, 25mm, 28mm, 32mm, 36mm and as per customers' requirements).

## 2.4 Position of GPH in Bangladesh Market:

Export of steel from Bangladesh, especially in the Africa has been increasing steadily and it has given a boost to the country's hopes for foreign exchange earnings by exploring new markets for its diversified exportable.

Though Bangladesh's entry in steel export market is not that old but it had already earned a good name for its quality products.

The major Bangladesh steel producers are:

SI No.	Name of the company	Position in terms of capacity	Position in terms of sales
1	GPH Ispat	3 <sup>rd</sup>	2 <sup>nd</sup>
2	BSRM	1 <sup>st</sup>	1 <sup>st</sup>
3	KSRM	2 <sup>nd</sup>	3 <sup>rd</sup>
4	Anwar Steel	4 <sup>th</sup>	4 <sup>th</sup>

## 2.5 At a Glance Operating Performance of GPH for last 5 years:

The operating result arising from the profit and loss account, shows what the company has earned from its core business activities. It is also described as Earnings before Interest and Taxes (EBIT). GPH Ispat was able to maintain a consistent growth and remarkable performances in Operational perspective since its inception.

GPH Ispat Limited has made a significant progress over last few years in respect of Production, Sales and Profit earnings. Last five year's operational and financial data of the Company is tabulated below:

Particulars	2019-20	2018-19	2017-18	2016-17	2015-16
	Taka	Taka	Taka	Taka	Taka
Net Revenue (Million)	13,268.68	9,814.10	7,839.57	5,743.61	5,988.40
Cost of Goods Sold (Million)	11,110.76	8,211.56	6,465.85	4,783.44	5,086.54
Gross Profit (Million)	2,157.93	1,602.54	1,373.72	960.17	901.85
Operating Profit (Million)	1,735.00	1,276.27	1,094.77	753.74	731.69
Profit before Tax (Million)	1,075.12	863.66	761.82	388.13	381.15
Profit after Tax (Million)	806.20	666.06	571.30	289.62	292.47
<b>Earnings per Share (EPS)</b>	<b>2.24</b>	<b>2.03</b>	<b>1.83</b>	<b>2.06</b>	<b>2.34</b>
<b>Net Operating Cash Flow per Share</b>	<b>1.44</b>	<b>0.49</b>	<b>3.83</b>	<b>1.00</b>	<b>4.67</b>

**Table 1 GPH operating performance**

**2.6 At a Glance Financial Performance of GPH for last 5 years:**

Particulars	As on JUNE30, 2020	As on JUNE30, 2019	As on JUNE30, 2018	As on JUNE30, 2017	As on JUNE30, 2016
	Taka	Taka	Taka	Taka	Taka
Non-Current Assets (Million)	23,010.70	13,976.55	4,746.15	2,107.53	1,758.28
Current Assets (Million)	8,482.32	8,717.68	8,120.05	8,186.72	4,245.58
<b>Total Assets (Million)</b>	<b>31,493.02</b>	<b>22,694.23</b>	<b>12,866.20</b>	<b>10,294.25</b>	<b>6,003.86</b>
Equity (Million)	6,335.36	5,525.35	5,035.60	4,819.08	2,045.23
Non-Current Liabilities (Million)	16,952.44	8,619.71	1,948.61	457.04	634.36
Current Liabilities (Million)	8,205.22	8,549.17	5,881.99	5,018.13	3,324.27
<b>Total Equity and Liabilities (Million)</b>	<b>31,493.02</b>	<b>22,694.23</b>	<b>12,866.20</b>	<b>10,294.25</b>	<b>6,003.86</b>
<b>Net Asset Value (NAV)</b>	<b>17.59</b>	<b>16.87</b>	<b>16.15</b>	<b>15.45</b>	<b>16.40</b>

**Table 2 Financial position of GPH**

**Chapter:03**  
**Theoretical Aspects**  
**And**  
**Financial Statement**  
**(Ratio) Analysis**

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### **3.0 Financial Statement Analysis Company:**

Financial statement analysis (or financial analysis) is the process of reviewing and analyzing a company's financial statements to make better economic decisions. These statements include the income statement, balance sheet, statement of cash flows, and statement. Financial statement analysis is a method or process involving specific techniques for evaluating risks, performance, financial health, and future prospects of an organization.

Financial statement analysis should focus primarily on isolating information useful for making a particular decision. The information required can take many forms but usually involves comparisons, such as comparing changes in the same item for the same company over a number of years, comparing key relations within the same year or comparing the operations of several different companies in the same industry.

GPH Ispat Limited maintains the International Accounting Standards (IAS) rules and regulation. The rules using by this company are-

IAS	1:51(a)	GPH Ispat Limited
IAS	1:10(c)	Notes to the Financial Statement
IAS	1:51(c)	Analyzing Year
IAS	1:138	Legal Status and Nature of Company
IAS	1:38(a)	Registered Office and Principal Place of Business
IAS	1:38(b)	Principal Activities and Nature of operation
IAS	1:112(a)	Basis of Preparation
IAS	1:117(a)	Basis of Management
IAS	16:30	Depreciation of Fixed Assets
IAS	2:36	Valuation of Inventories
IAS	12	Taxation
IAS	37	Provision
IAS	21:7	Foreign Currency Translations
IAS	1:36	Basis of Reporting
IAS	1:54(b)	Accounts Receivable
IAS	1:79	Earnings Per Share (EPS)
IAS	39	Investments

### **Methods of analysis:**

Common methods of GPH Ispat financial statement analysis includes fundamental analysis, horizontal and vertical analysis and the use of financial ratios. Historical information combined with a series of assumptions and adjustments to the financial information used to project future performance. Formulas of ratio are given below-

### **3. 1. Liquidity Ratio:**

$$3.1.1. \text{ Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$3.1.2. \text{ Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

$$3.1.3. \text{ Cash conversion cycle} = \text{DSO} + \text{DIO} - \text{DPO}$$

$$\text{Days sales outstanding} = 365/\text{receivables turnover ratio}$$

$$\text{Days inventory outstanding} = 365/\text{inventory turnover ratio}$$

$$\text{Days payables outstanding} = 365/\text{payables turnover ratio}$$

$$\text{Cash conversion cycle} = \text{DSO} + \text{DIO} - \text{DPO}$$

Liquidity ratios are an important class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising external capital. Liquidity ratios measure a company's ability to pay debt obligations and its margin of safety through the calculation of metrics including the current ratio, quick ratio, and operating cash flow ratio.

With liquidity ratios, current liabilities are most often analyzed in relation to liquid assets to evaluate the ability to cover short-term debts and obligations in case of an emergency.

### **3.2. Asset Management/Efficiency Ratio:**

$$3.2.1. \text{ Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

$$\text{Days inventory outstanding} = 365/\text{inventory turnover ratio} = 365/10 = 36.4 \text{ days}$$

$$3.2.2. \text{ Total Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Average Total Assets}}$$

### 3.2.3 Days sales outstanding = 365/receivables turnover ratio

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

### 3.2.4 Average Payment Period= (Accounts Payable × Number of Working Days)/Net Credit Purchase

Assets management ratio is the tool to measure company effectiveness and efficiency in using assets to generate revenue and expand the business. It compares the sale amount with the total balance of the company assets. It will indicate how good management use the assets to make sale for the company. Besides that, it will show the company potential growth when there are many assets invest with less income. On the other hand, it also a sign for management to seek new capital when the company has limited assets which will hurt the sale in the future.

Assets management ratios are calculated for various kinds of assets, but we usually focus on inventory, accounts receivable, fixed assets, and the total asset. These ratios will provide different indicators regarding the use of asset and they tell different stories to investors. However, the higher is always the better as it means company use assets effectively to generate sale which will improve company growth.

## **3.3. Debt Management period:**

$$3.3.1. \text{ Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

$$3.3.2 \text{ Times Interest Earned Ratio} = \frac{\text{Earnings before Interest and Tax}}{\text{Interest Expense}}$$

Debt management ratio - Debt Management Ratios attempt to measure the firm's use of Financial Leverage and ability to avoid financial distress in the long run. These ratios are also known as Long-Term Solvency ratios. Debt is also called financial leverage, because the use of debt can improve returns to stockholders in good years and increase their losses in bad years. Debt management ratios indicate how risky the firm is and how much of its operating income must be paid to bondholders rather than stockholders. Ratios tend to focus on short-term and long-term solvency respectively, i.e. the more financial management side of an undertaking relating to assets and liabilities, represented by the balance sheet.

## **3.4. Profitability Ratio:**

$$3.4.1 \text{ Net Profit Margin} = \frac{\text{Net Income}}{\text{Net Sales}}$$

$$3.4.2. \text{ Gross Margin} = \frac{\text{Gross Profit}}{\text{Revenue}}$$

$$3.4.3. \text{ Operating Margin} = \frac{\text{Operating Income}}{\text{Revenue}}$$

$$3.4.4. \text{ ROE} = \text{Net income after tax} / \text{Average shareholder's equity}$$

$$3.4.5. \text{ ROA} = \frac{\text{Annual Net Income}}{\text{Average Total Assets}}$$

Profitability ratios assess a company's ability to earn profits from its sales or operations, balance sheet assets, or shareholders' equity. Profitability ratios indicate how efficiently a company generates profit and value for shareholders. Higher ratio results are often more favorable, but these ratios provide much more information when compared to results of similar companies, the company's own historical performance, or the industry average.

Profitability is assessed relative to costs and expenses and analyzed in comparison to assets to see how effective a company is deploying assets to generate sales and profits. The use of the term "return" in the ROA measure customarily refers to net profit or net income—the value of earnings from sales after all costs, expenses, and taxes. ROA is net income divided by total assets. The more assets a company has amassed, the more sales and potential profits the company may generate. As economies of scale help lower costs and improve margins, returns may grow at a faster rate than assets, ultimately increasing ROA.

ROE is a key ratio for shareholders, as it measures a company's ability to earn a return on its equity investments. ROE is net income divided by shareholders' equity. ROE may increase without additional equity investments, as the ratio can rise due to higher net income due to a larger asset base funded with debt.

### 3.1 Liquidity Ratio

#### 3.1.1. Current Ratio:

Year	2016	2017	2018	2019	2020
Current Ratio	1.28	1.63	1.38	1.00	1.03

Table 3.1.1: Current Ratio

#### Graphical Presentation:

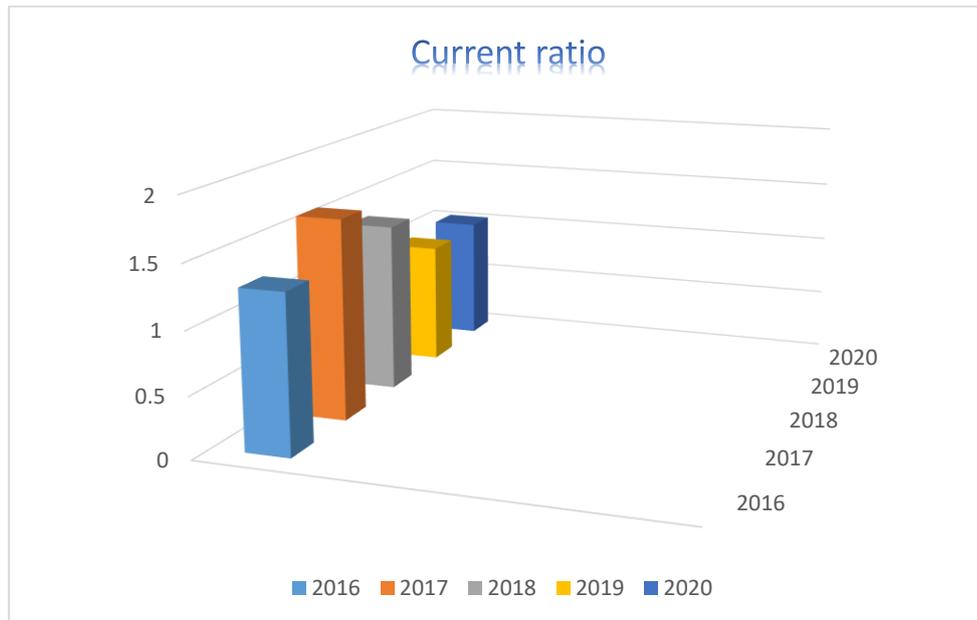


Figure 3.1.1: Current Ratio

#### **Interpretation:**

There is a downward trend of Current ratio. It sharply declined from 2016 to 2018 and reached only at 1.00 in 2019 and 1.03 in 2020. This indicates, over the time period, GPH Ispat is losing its capacity to pay their current obligations by using its current assets. All of the ratio of five years are less than 2, which indicates they are in risky position in current ratio.

### 3.1 .2. Working Capital:

Year	2016	2017	2018	2019	2020
Working capital(M)	921.31	3168.60	2238.06	24.00	214.59

Table 3.1.2: Working capital

### Graphical Presentation:

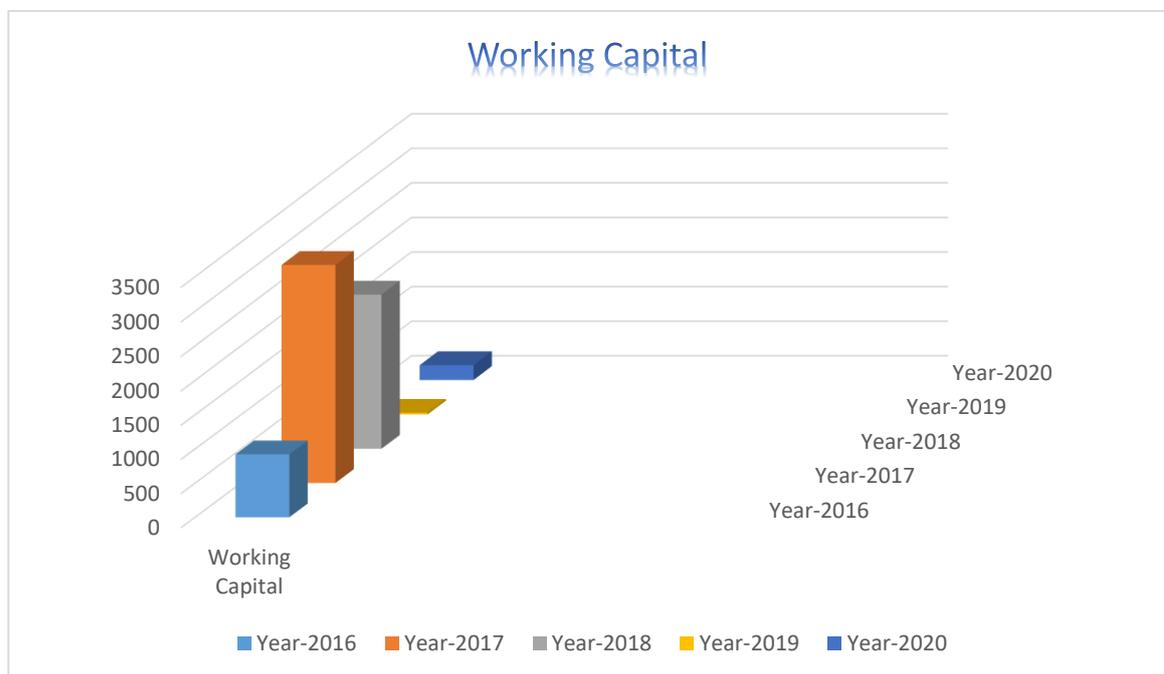


Figure 3.1.2: Working Capital

### Interpretation:

In 2019, working capital is in worst position. However, GPH Ispat Limited working capitals from 2016 to 2018 are healthy. Though the current assets are greater than current liabilities, the working capital ratio decreased. It indicates, GPH has to enhance ratio to smooth liquidity.

### 3.1.3. Cash Conversion Cycle:

Year	2016	2017	2018	2019	2020
Cash Conversion Cycle	210	195	188	148	131

Table 3.1.3: Cash Conversion Cycle

### Graphical Presentation:

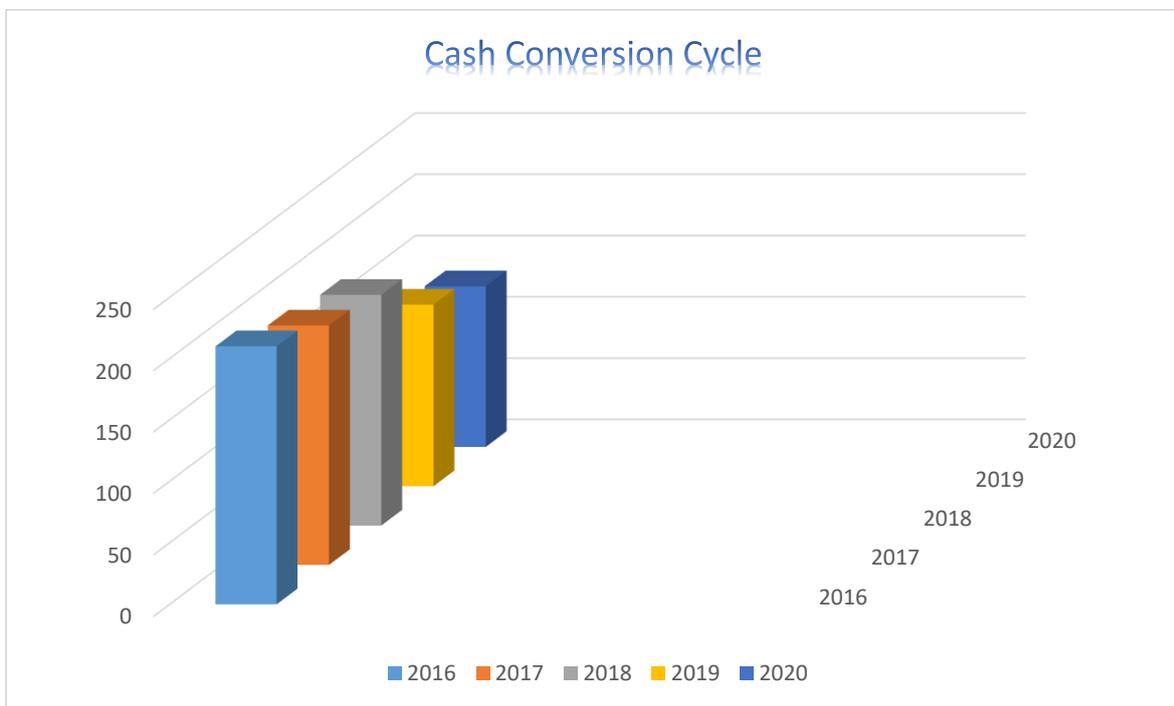


Figure 3.1.3: Cash Conversion Cycle

### Interpretation:

Cash conversion cycle is the time it takes a company to convert its resource inputs into cash. It measures how effectively a company is managing its working capital. We can see that, cash conversion cycle was efficient in 2020. They needed 131 days to convert their assets into cash and worst situation in 2016 when needed 210 days.

## Overall Interpretation of Liquidity Ratio of GPH Ispat Limited

Liquidity ratio expresses a company's ability to repay short-term creditors out of its total cash. It is the result of dividing the total cash by short-term borrowings. It shows the number of times short-term liabilities are covered by cash.

<i>Ratios</i>	<i>Interpretation</i>	<i>Remarks</i>
Current Ratio	There is a downward trend of Current Ratio	Negative
Working capital	There is a downward trend of Working Capital	Negative
Cash Conversion Cycle	There is a downward trend of Cash Conversion Cycle	Positive
Liquidity Position	Overall position of liquidity is not good	Negative

There are a downward trend of current ratio, working capital. Only cash conversion cycle result is positive. Hence, it can be seen that, overall position of liquidity is not good. GPH need to take some immediate step to recovery liquidity position.

### 3.2. Asset Management/Efficiency Ratio:

#### 3.2.1. Inventory Turnover Ratio:

Year	2016	2017	2018	2019	2020
<b>Inventory Turnover Ratio</b>	2.14	2.18	2.34	3.09	3.93

Table 3.2.1: Inventory Turnover Ratio

#### **Graphical Presentation:**

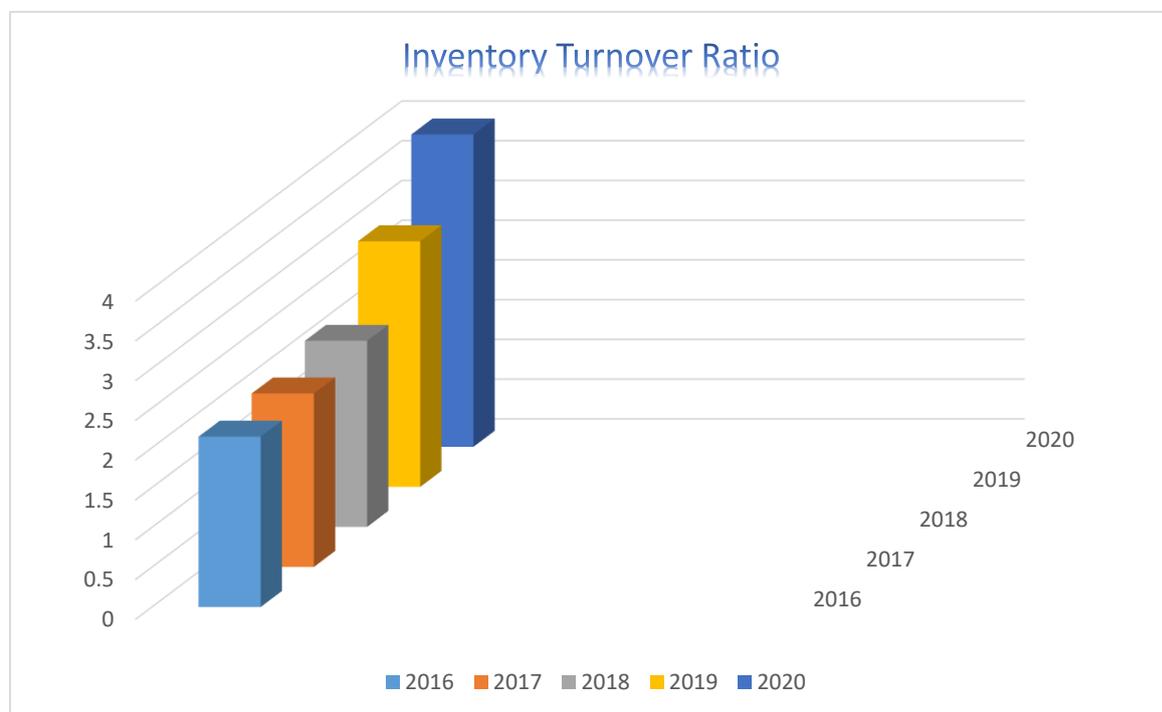


Figure 3.2.1: Inventory Turnover Ratio

#### **Interpretation:**

Inventory Turnover Ratio measures how effectively inventory is managed by GPH comparing cost of goods sold with average inventory for a period. Over the span of 5 years, Inventory turnover ratio was worst position in 2016 at 2.14. It implies on that time GPH had poor sales and therefore, excess inventory. However, in 2020 it was peak and reached 3.93, which indicate strong sales or ineffective buying.

### 3.2.2 Total Asset Turnover Ratio:

Year	2016	2017	2018	2019	2020
<b>Total Asset Turnover Ratio</b>	94%	86%	68%	55%	49%

Table 3.2.2: Total Asset Turnover Ratio

#### Graphical Presentation:

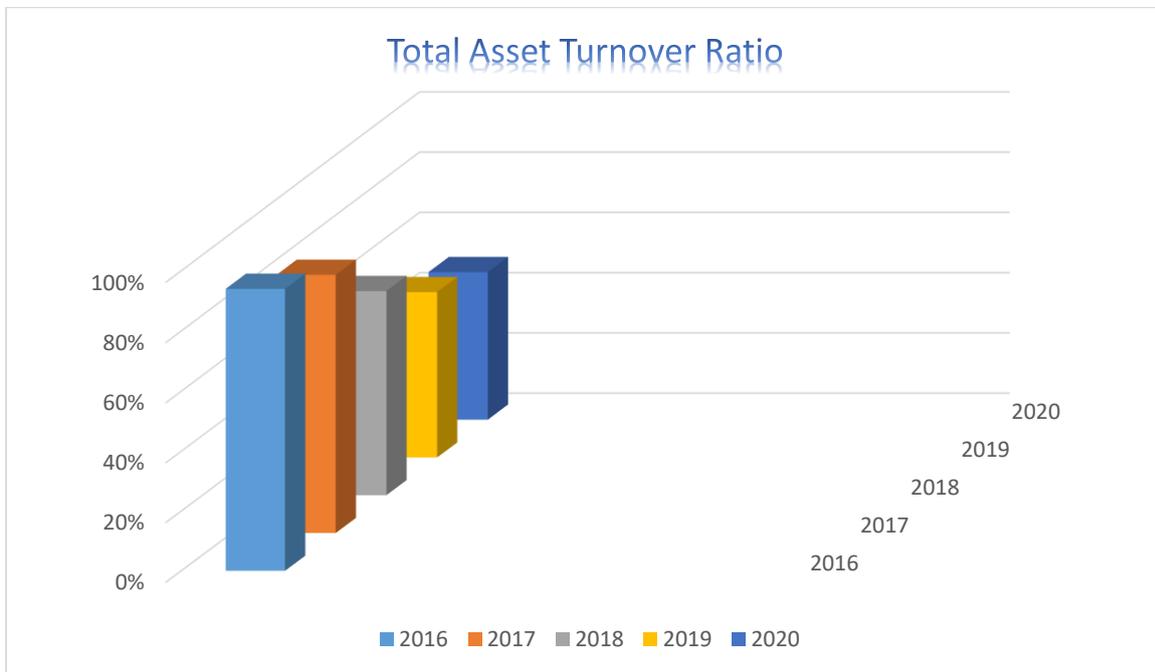


Figure3.2.2: Total Asset turnover Ratio

#### Interpretation:

In 2016, total asset turnover ratio is 94%. After that, it declined and reached only at 49% in 2020. Which means, GPH had lower ability to generate sales from its assets during those time. This ratio also indicates, GPH is not efficient to use its assets to generate sales.

**3.2.3. Average Collection Period/Days' Sales Outstanding:**

Year	2016	2017	2018	2019	2020
<b>Days' Sales Outstanding</b>	61.51	55.33	68.04	63.85	60.94

Table 3.2.3: Day's Sales Outstanding

**Graphical Presentation:**



Figure 3.2.3: Day's Sales Outstanding

**Interpretation:**

It shows how well a company can collect cash from its customers. The sooner cash can be collected, the sooner this cash can be used for other operations. Both liquidity and cash flows increase with a lower day's sales outstanding measurement. GPH has a horizontal trend.

### 3.2.4. Average payment Period:

Year	2016	2017	2018	2019	2020
Average Payment Period	15.80	36.65	35.90	36.90	19.02

Table 3.2.4: Average Payment Period

### Graphical Presentation:

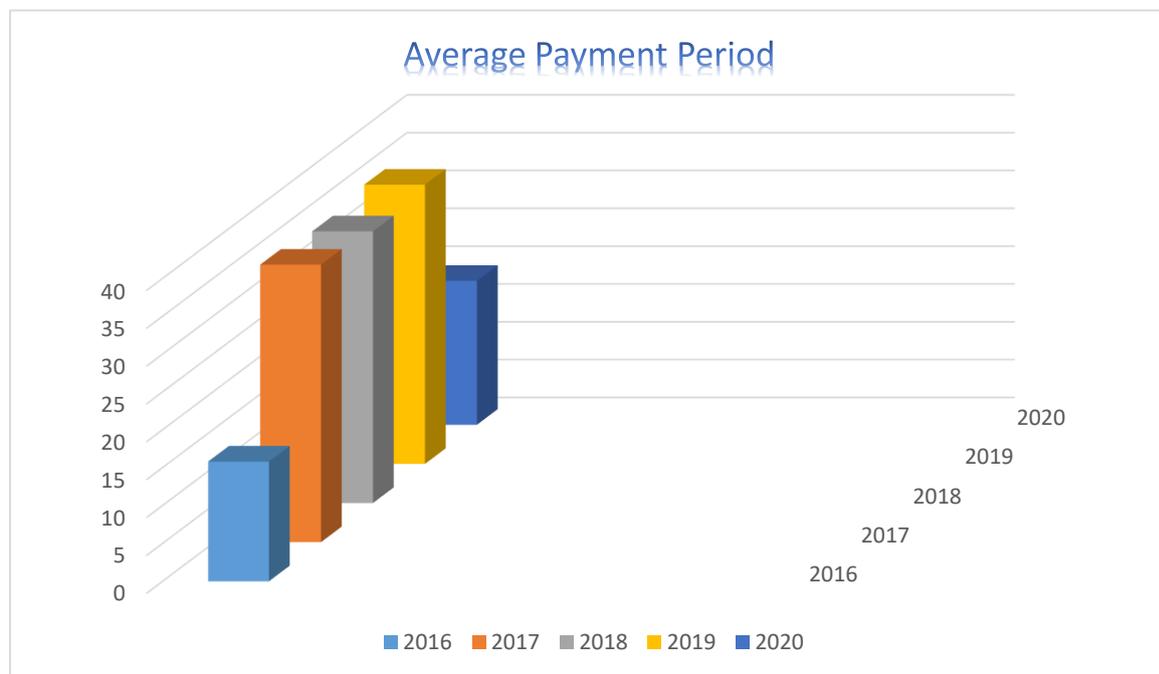


Figure 3.2.4: Average Payment Period

### Interpretation:

Average payment period means the average period taken by the company in making payments to its creditors. If this period will be low, it will be good for our liquidity because more smartly, we will pay our creditors, more amount of credit purchase. Overall average payment period is in good position. But a very short payment period may be an indication that the company was not taking full advantage of the credit terms allowed by suppliers.

## Overall Interpretation of Efficiency Ratio of GPH Ispat Limited

Efficiency ratios also called activity ratios measure how well companies utilize their assets to generate income.

Ratios	Interpretation	Remarks
Total Inventory Turn Ratio	Total Inventory Turnover Ratio is in good position and reached peak in 2018.	Positive
Total Asset turnover Ratio	There is a downward trend of Total asset turnover ratio.	Negative
Days Sales Outstanding	There was a horizontal trend of Day's sales outstanding.	Positive
Average Payment Period	High credit worthiness.	Positive
Efficiency Position	Efficiency ratio of GPH is medium position	Positive

Total Inventory Turnover Ratio is in good position and in 2020; it was peak and reached 3.93, which indicate strong sales or ineffective buying. On the other hand, GPH is not efficient to use its assets to generate sales. Again, there was a downward trend of Day's sales outstanding. However, there is a great strength in Average Payment period. Overall, Efficiency ratio of GPH is medium position if they can continue it, they may improve the company.

### 3.3. Debt Management Ratio:

#### 3.3.1 Debt to Asset Ratio:

Year	2016	2017	2018	2019	2020
<b>Debt to Asset Ratio</b>	65.93%	53.19%	60.86%	75.64%	79.88%

Table 3.3.1: Debt to Asset Ratio

#### **Graphical Presentation:**

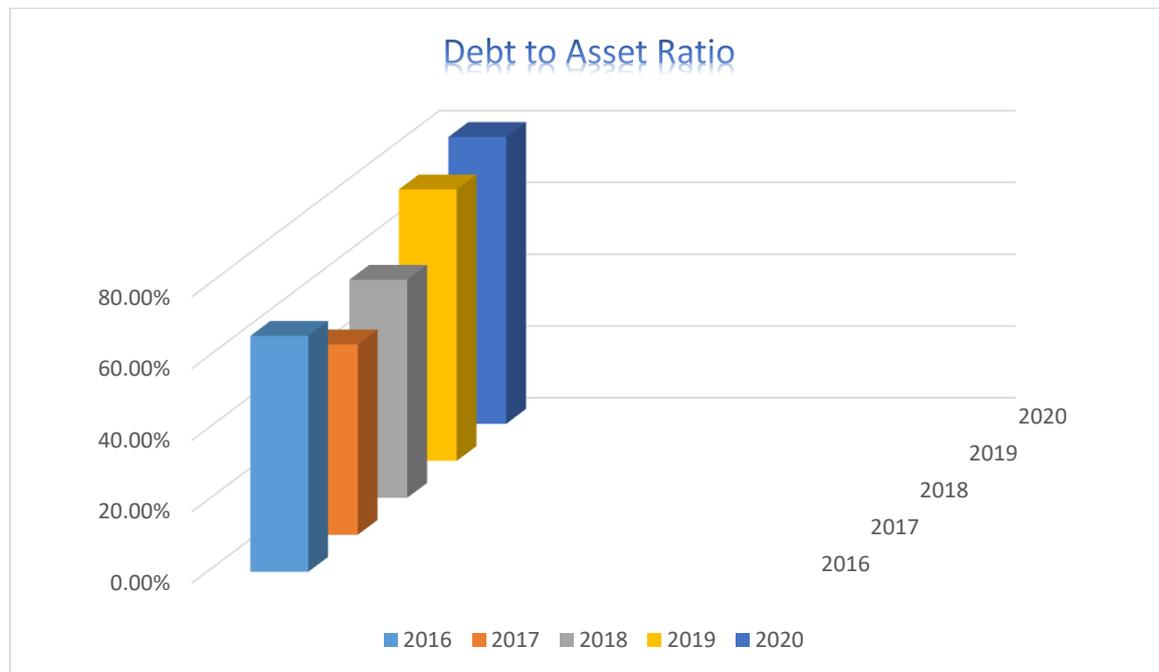


Figure 3.3.1: Debt to Asset Ratio

#### **Interpretation:**

This ratio measures the financial leverage of GPH. It fluctuated over the time period and reached from 65.93 to 79.88. It is an upward trend. Higher debt-to-asset ratio suggests higher risk. The company must maintain their debt to asset ratio like 2017.

### 3.3.2 Times Interest Earned (TIE) Ratio:

Year	2016	2017	2018	2019	2020
TIE	2.19	2.04	2.22	2.25	2.43

Table 3.3.2: Times Interest Earned Ratio

#### Graphical Presentation:

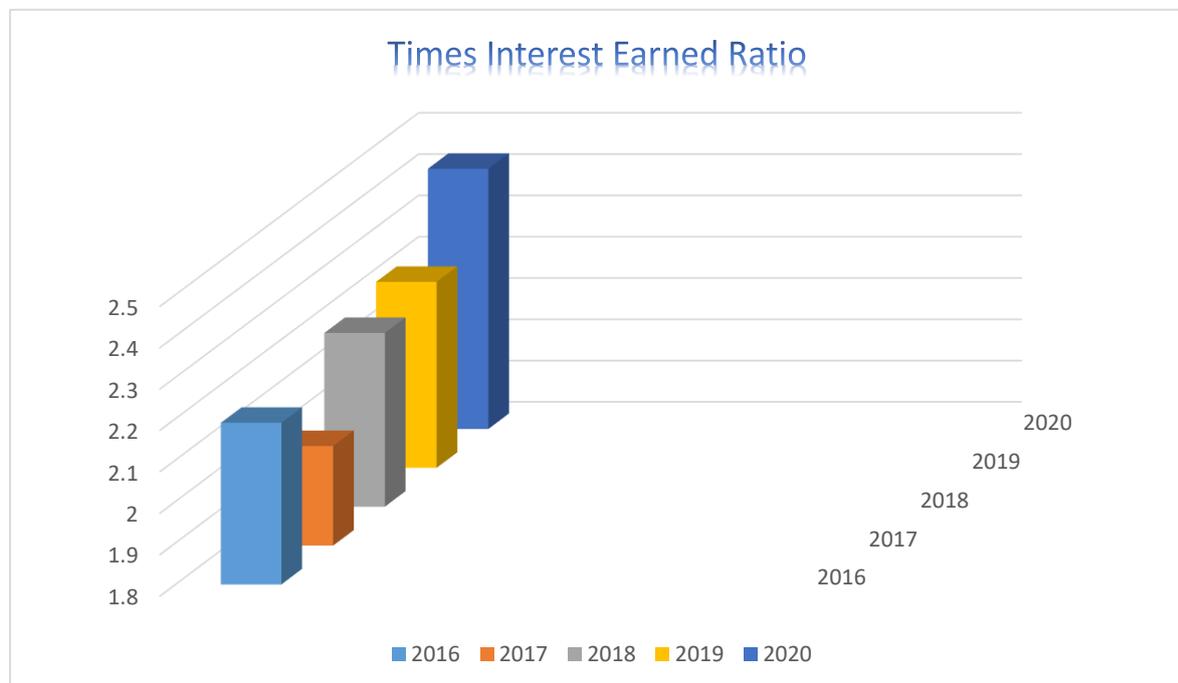


Figure 3.3.2: Times Interest Earned Ratio

#### Interpretation:

Times interest earned (TIE) ratio shows how many times the annual interest expenses are covered by the net operating income (income before interest and tax) of the company. In 2019 and 2020 it is adequate to protect the creditor's interest in the firm at 2.25 times and 2.43 times respectively. The lowest TIE is 2.04 in 2017.

### Overall Interpretation of Debt Management Ratio of GPH

Debt Management Ratios attempt to measure the firm's use of Financial Leverage and ability to avoid financial distress in the long run. These ratios are also known as Long-Term Solvency Ratios.

Ratios	Interpretation	Remarks
Debt to Asset Ratio	There is an upward trend of Debt to Asset Ratio.	Negetive
Times Interest Earned Ratio	Adequate to protect the creditor's interest in the firm	Positive
Debt Management Position	Overall position of debt management is in medium position because of times interest earned ratio.	Negetive

There is an upward trend of debt to asset ratio; it indicates company has higher level of liabilities compared with assets and considered high leveraged and high risk. GPH need to decrease debt. On the other hand, times interest earned ratio is adequate to protect the creditor's interest in the firm. Hence, overall position of debt management ratio is not good.

### **3.4. Profitability Ratio:**

#### **3.4.1 Net Profit Margin Ratio:**

Year	2016	2017	2018	2019	2020
<b>Net Profit Margin Ratio</b>	4.88%	5.25%	7.29%	6.56%	7.62%

Table 3.4.1: Net Profit Margin Ratio

#### **Graphical Presentation:**

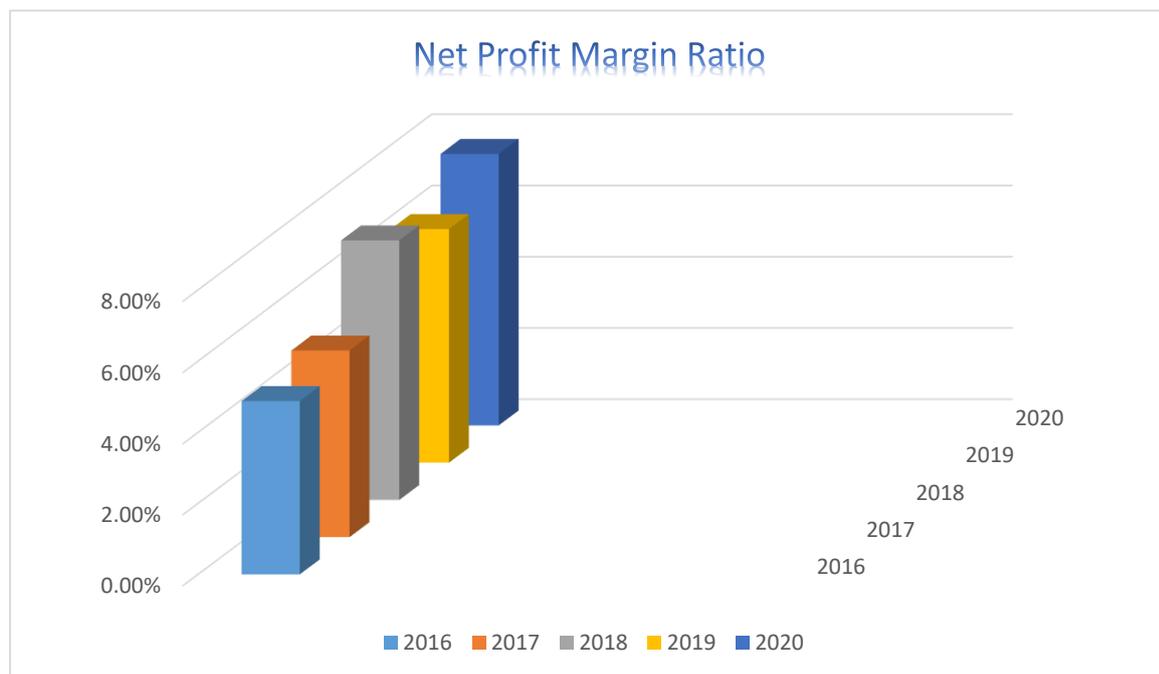


Figure 3.4.1: Net Profit Margin Ratio

#### **Interpretation:**

Net Profit Margin Ratio of GPH increased slowly from 2016 to 2017 and reached its peak in 2020 at 7.62%. Net profit margin is in good position except 2016.

### 3.4.2 Gross Profit Margin Ratio:

Year	2016	2017	2018	2019	2020
<b>Gross Profit Margin Ratio</b>	14.85%	16.36%	17.27%	16.14%	16.26%

Table 3.4.2: Gross Profit Margin Ratio

#### Graphical Presentation:

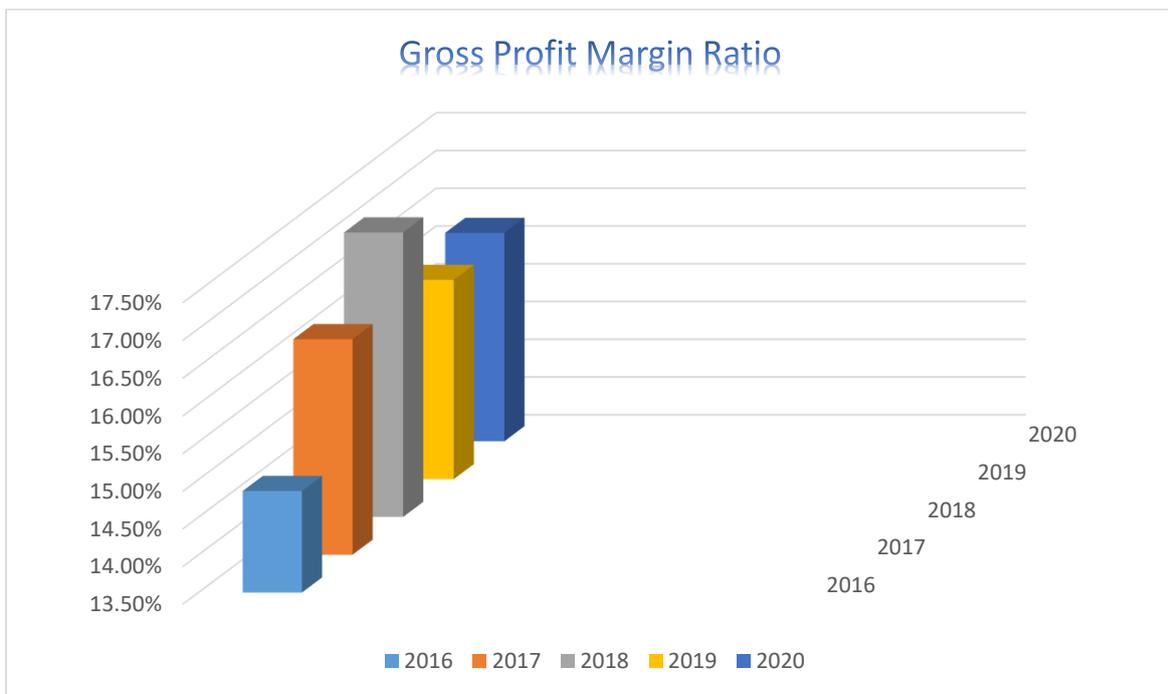


Figure 3.4.2: Gross Profit Margin Ratio

#### Interpretation:

Gross margin ratio is a profitability ratio that compares the gross margin of a business to the net sales. Gross Profit of GPH increased from 2016 to 2018 and reached its peak at 17.27% and it decreased at 16.14% in the year 2019. Hence, it has to improve to get better position.

### 3.4.3 Operating Profit Margin Ratio:

Year	2016	2017	2018	2019	2020
<b>Operating Profit Margin Ratio</b>	12.04%	12.29%	13.76%	12.86%	13.07%

Table 3.4.3: Operating Profit Margin Ratio

### Graphical Presentation:

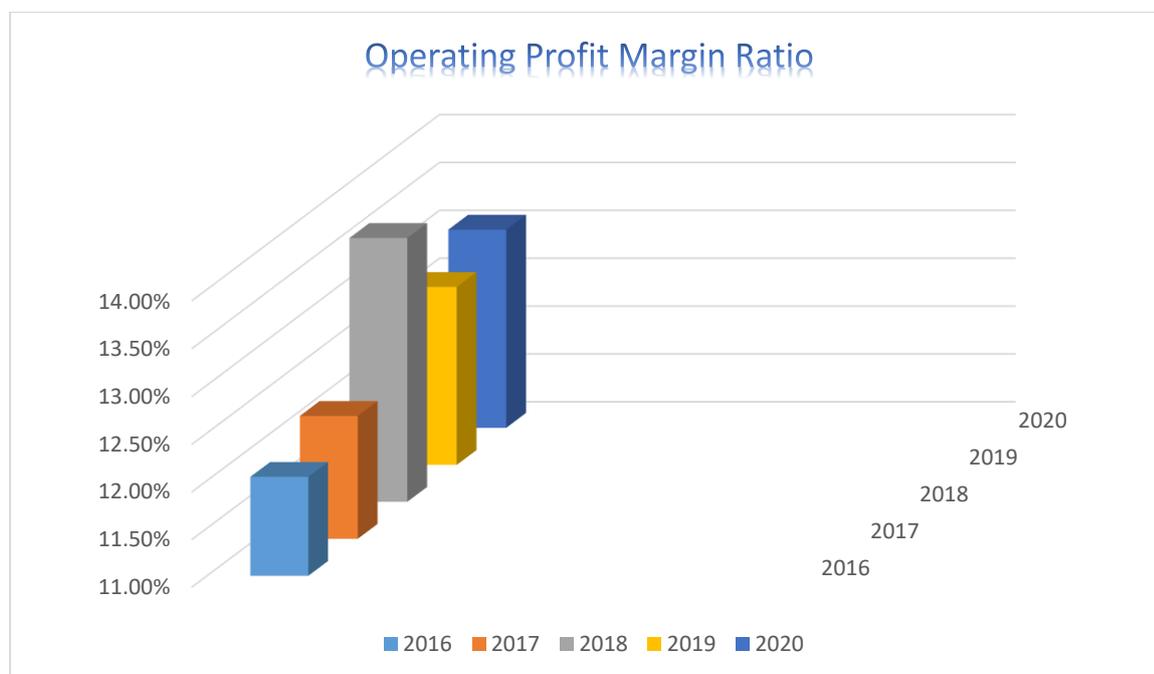


Figure 3.4.3: Operating Profit Margin Ratio

### Interpretation:

Operating Profit Margin Ratio of GPH fluctuated over the time, it increased 2017 to 2018 and reached 13.76% which is higher value and favorable for company which indicates that more proportion of revenue is converted to operating income. It has fallen by 12.86% in the next year. Overall operating profit margin ratio is good position except 2016.

### 3.4.4 Return On Equity (ROE) Ratio:

Year	2016	2017	2018	2019	2020
ROE Ratio	14.71%	10.67%	11.59%	12.18%	13.59%

Table 3.4.4: Return on Equity (ROE) Ratio

### Graphical Presentation:

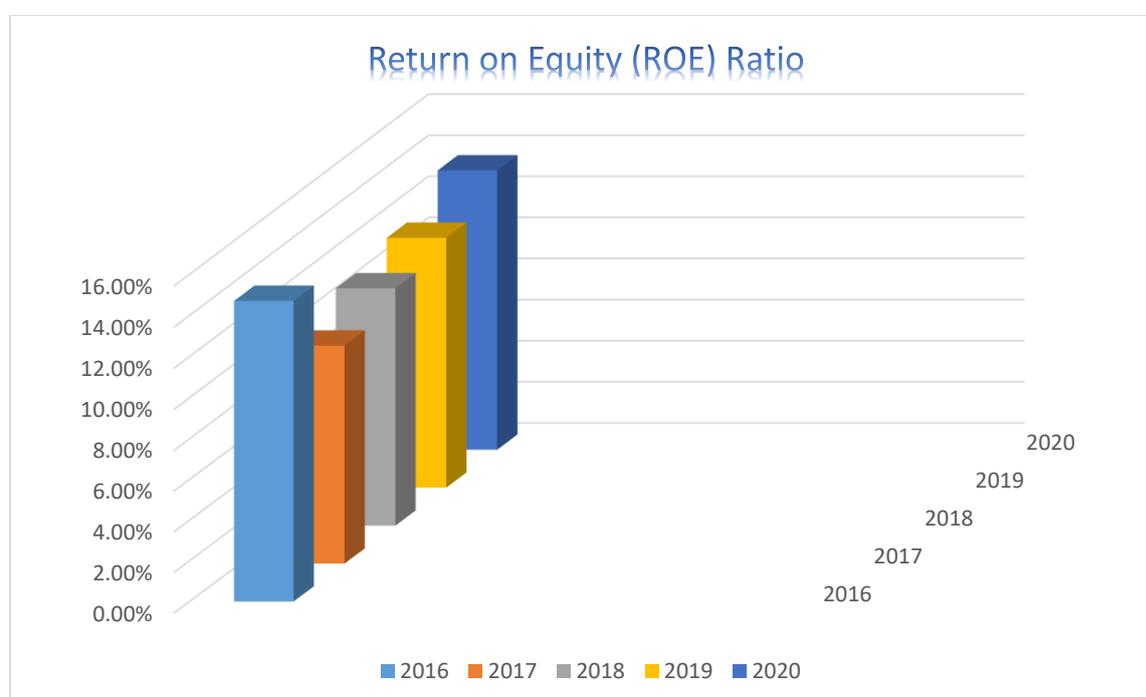


Figure3.4.4: Return on Equity (ROE) Ratio

### Interpretation:

There is an upward trend of Return on Equity ratio. It dramatically falls from 2016 to 2017 and reached 10.67% only and then slowly increased in the following years. Low ROE indicates the ability of GPH to generate profits from its shareholders' investment getting worse on the time period, which is harmful for the company.

**3.4.5. Return On Asset (ROA) Ratio:**

Year	2016	2017	2018	2019	2020
ROA Ratio	12.32%	11.29%	9.57%	7.14%	6.48%

Table 3.4.5: Return on Asset (ROA) Ratio

**Graphical Presentation:**

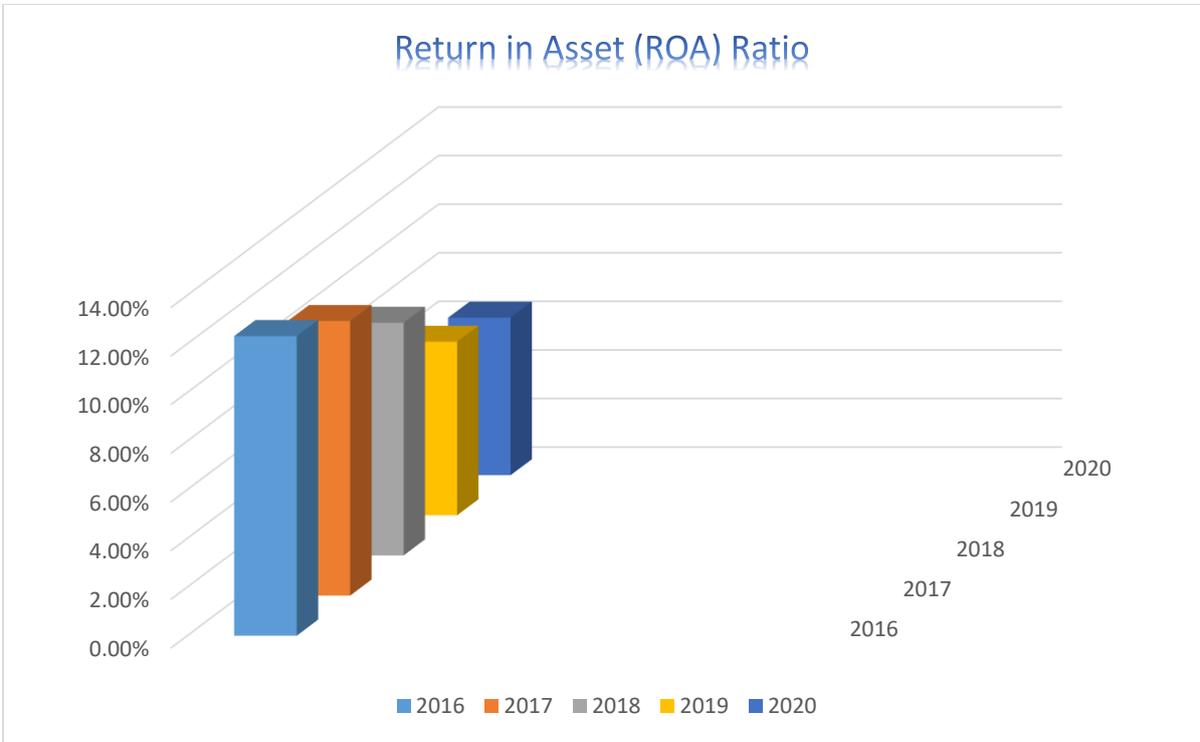


Figure.3.4.5: Return on Asset (ROA) Ratio

**Interpretation:**

It emerge that, over the span of five years, return on asset of GPH dramatically declined and gone to 6.40% in 2020. GPH is not efficient company to manage its assets to generate profits.

## Overall Interpretation of Profitability Ratio of GPH

Profitability is simply the capacity to make a profit, and a profit is what is left over from income earned after you have deducted all costs and expenses related to earning the income.

Ratios	Interpretation	Remarks
Net Profit Margin Ratio	Net profit margin is in good position except 2016	Positive
Gross Profit Margin Ratio	Gross Profit of GPH increased from 2016 to 2018 and reached its peak at 17.27%	Positive
Operating profit Margin Ratio	Overall operating profit margin ratio is good position except 2016.	Positive
Return on Equity ratio	There is a upward trend of Return on Equity ratio	Positive
Return on Asset Ratio	There is a downward trend of Return on Asset Ratio	Negative
Profitability Position	Overall position is good except ROA and ROE	Positive

GPH is in high position in profitability by earned amount of net income all years except 2016. On the other hand, Gross Profit Margin Ratio is in better position by improvement. Operating Profit Margin Ratio of GPH fluctuated over the time and overall operating profit margin ratio is good position except 2016. Moreover, GPH generates profits from its shareholder's investment enhanced gradually on the time period. Hence, in profitability, GPH is good enough and they need to concentrate more about their Equity, Assets and Sales.

**Chapter:04**  
**Performance**  
**Evaluation of GPH**

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#### **4.0 Performance Evaluation of GPH Ispat Limited:**

The level of performance of a business over a specified period of time, expressed in terms of overall profits and losses during that time. Evaluating the financial performance of a business allows decision makers to judge the results of business strategies and activities in objective monetary terms.

Performance evaluation of GPH Ispat Limited measures by the comparison of:-

- Day's Sales Outstanding to Average Payment Period
- Comparing NAV of 2020 of GPH with BSRM, KSRM, Anwar Steel
- Comparing Revenue of 2020 of GPH with BSRM, KSRM, Anwar Steel
- Comparing Net income of 2020 of GPH with BSRM, KSRM, Anwar Steel
- Comparing EPS of 2020 of GPH with BSRM, KSRM, Anwar Steel

**4.1 Days Sales Outstanding to Average Payment Period:**

Year	2016	2017	2018	2019	2020
<b>Days' Sales Outstanding</b>	61.51	55.33	68.04	63.85	60.94
<b>Average Payment Period</b>	15.80	36.65	35.90	36.90	19.02

Table 4.1: Days Sales outstanding to Average Payment Period

**Graphical Presentation:**

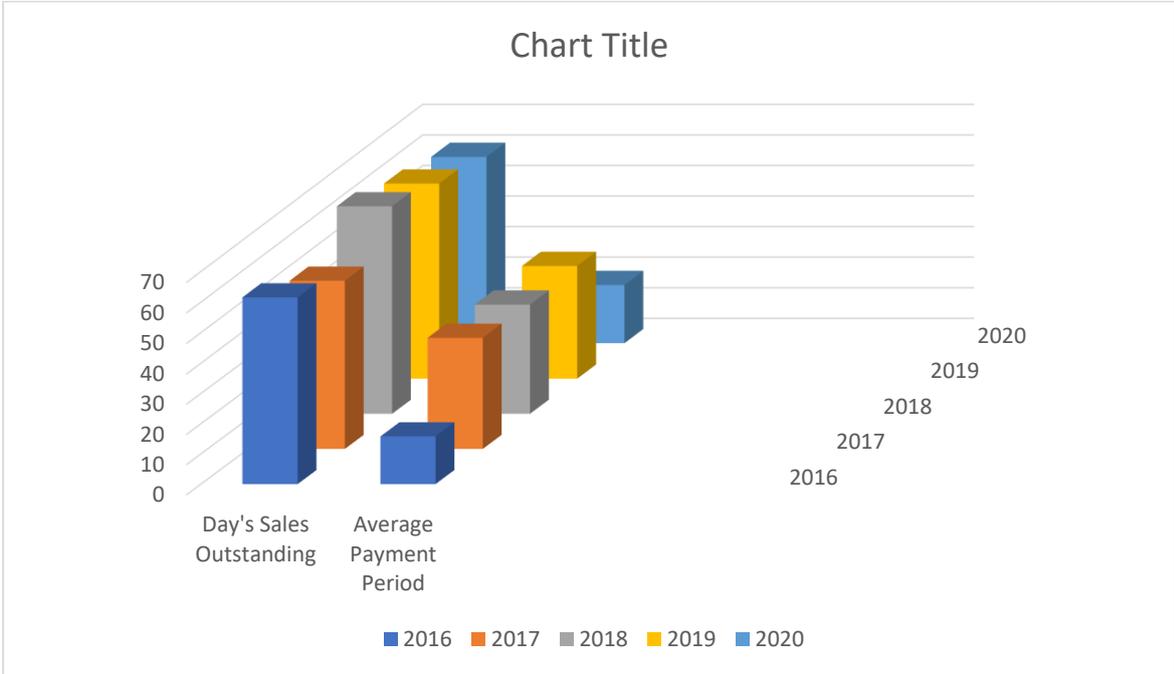


Figure 4.1: Day's Sales outstanding to Average Payment Period

**Interpretation:**

Days sales outstanding peaked at 68.04 days in 2018. It declined in the following year 2019 that indicates they increase their strange to collect cash from their customers and it increase liquidity and cash flows with a lower day. On the other hand, Average Payment period fluctuated and it declined when the sales outstanding declined. It indicates GPH is highly efficient to manage their liquidity. When they collected their cash in delay they pay to their creditors in delay, which ensure balance liquidity and keep company risk free.

#### 4.2 NAV of 2020 of GPH compare with BSRM, KSRM & Anwar Steel:

Companies name	Value
GPH Ispat	17.59
BSRM	37.48
KSRM	15.06
Anwar Steel	11.71

Table 4.2: Compare NAV of GPH with other companies

#### Graphical Presentation:

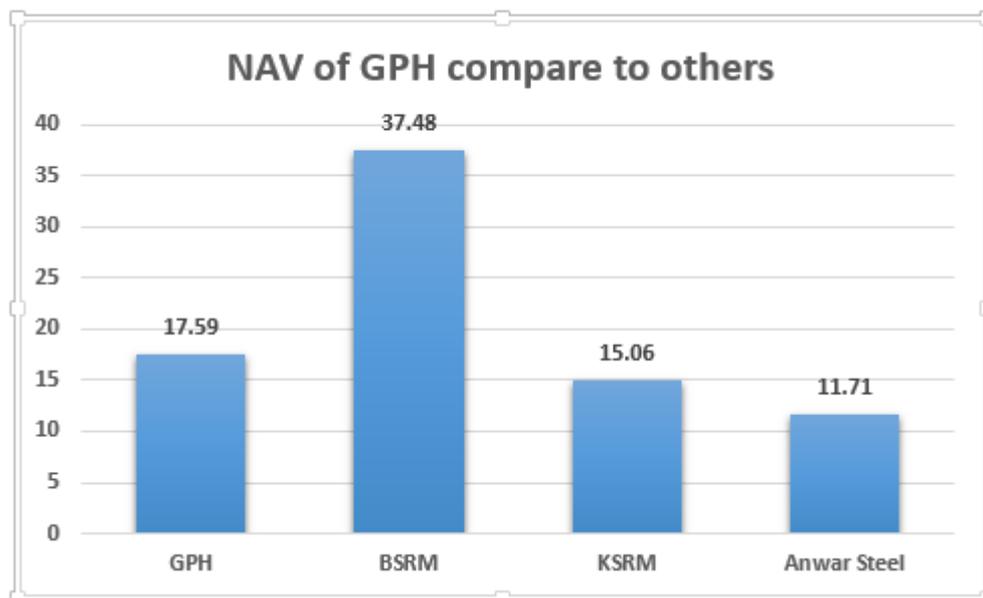


Figure 4.2: Compare NAV of GPH with other companies

#### Interpretation:

Net Asset Value per Share (NAVPS) refers to the value of a single unit, or share, or a fund. This number for a mutual fund indicates the price at which shares are bought and sold. GPH is in the second position on this segment in the market.

#### 4.3 Revenue of 2020 of GPH compare with BSRM, KSRM & Anwar Steel:

Companies name	Value	%
GPH Ispat	2157928766	19
BSRM	5519000000	39
KSRM	1826137545	15
Anwar Steel	1583475173	13

Table 4.3: Compare Revenue of GPH with others company

#### Graphical Presentation:

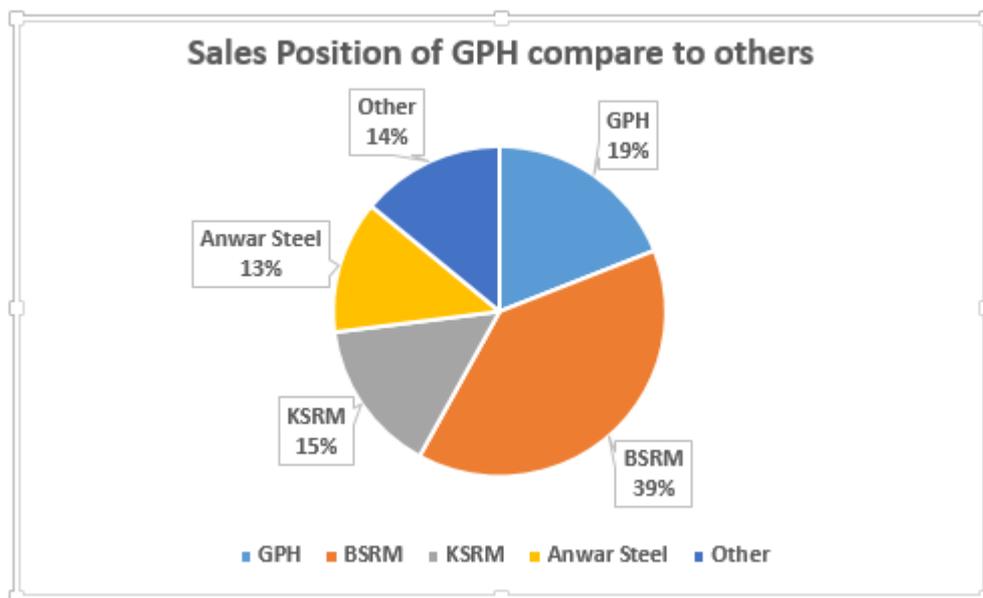


Table 4.3: Compare Revenue of GPH with others company

#### Interpretation:

Revenue is shown usually as the top item in an income (profit and loss) statement from which all charges, costs, and expenses are subtracted to arrive at net income, also called sales or turnover. The position of revenue in GPH is second by 19%. GPH's quality product can bit the market greatly.

#### 4.4 Net Income of 2020 of GPH compare with BSRM, KSRM & Anwar Steel:

Companies name	Value
GPH Ispat	806201728
BSRM	1728000000
KSRM	749364151
Anwar Steel	615824869

Table 4.4: Compare Net Income of GPH with others company

#### Graphical Presentation:

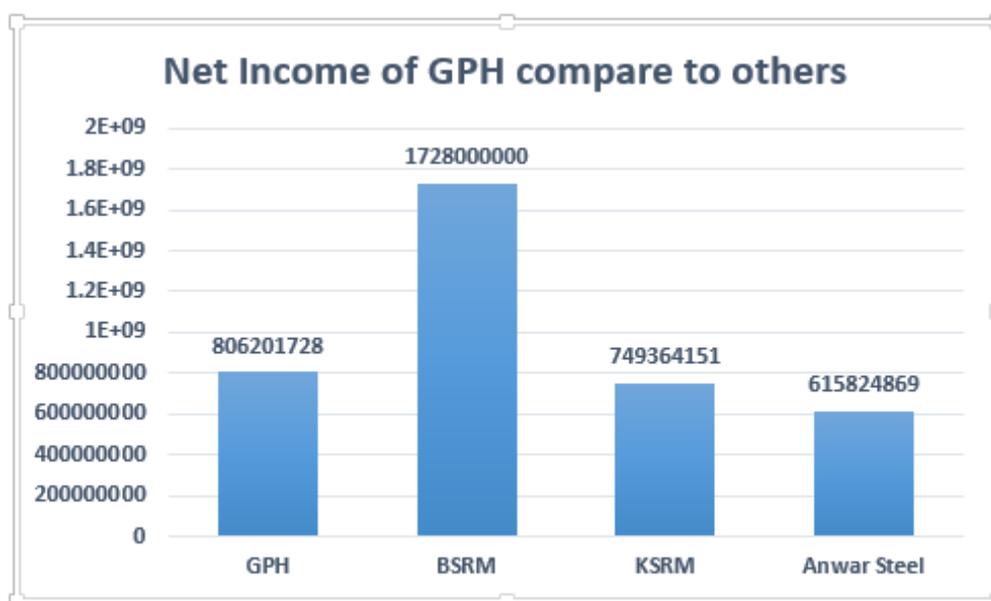


Figure 4.4: Compare Net Income of GPH with others company

#### Interpretation:

The company's total earnings, reflecting revenues adjusted for costs of doing business, depreciation, interest, taxes and other expenses. It measures the profitability of a company. It can be seen that, Net profit of GPH is in good position in the steel market. In 2020, its net profit exceed KSRM and Anwar Steel.

#### 4.5 EPS of 2020 of GPH compare with BSRM, KSRM & Anwar Steel:

Companies name	Value
GPH Ispat	2.24
BSRM	4.25
KSRM	2.07
Anwar Steel	1.86

Table 4.5: Compare EPS of GPH with others company

#### Graphical Presentation:

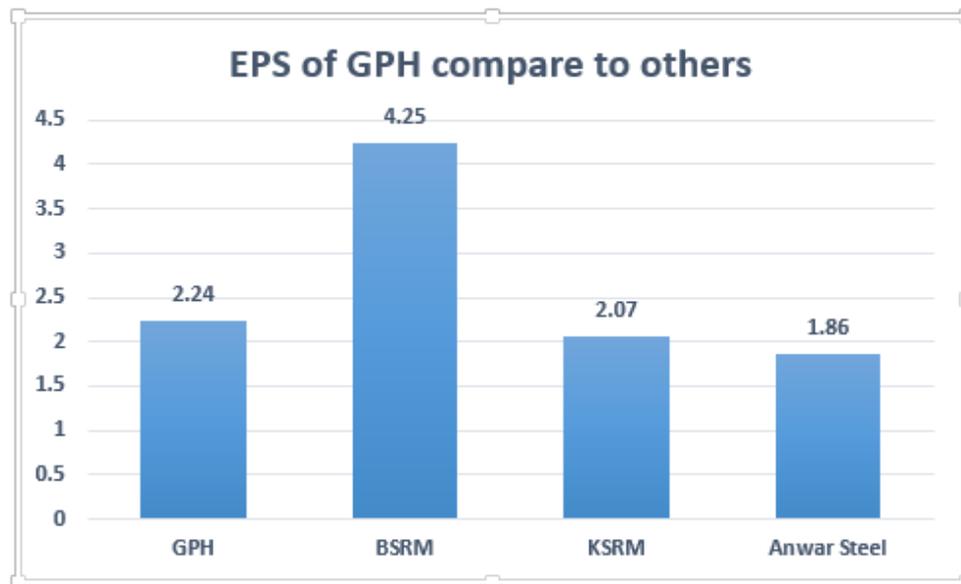


Table 4.5: Compare EPS of GPH with others company

#### Interpretation:

Earnings per share are generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price to earnings valuation ratio. GPH has 2<sup>nd</sup> highest earnings per share. The company is profitable and has enough profit to distribute to its shareholders comparing to other company except BSRM.

Chapter:05

Findings and  
Recommendations

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## **5.1 Findings:**

The study, Financial Statement Analysis and Performance Evaluation of GPH Ispat Limited, reveals the following majors' findings:

- GPH Ispat greatly lose its capacity to pay their current obligations by using its current assets, which indicates they are in risky position in current ratio.
- Cash conversion cycle was efficient in 2020. They needed 131 days to convert their assets into cash and worst situation in 2016 when needed 210 days.
- GPH Ispat has lower ability to generate sales from its assets during 2018 to 2020.
- GPH has higher level of liabilities compared with assets and considered high leveraged and high risk.
- In 2019 & 2020, Times Interest Earned ratio are adequate to cover payment of interest on its borrowings.
- Net profit margin of GPH is in good position except 2016.
- Gross Profit of GPH increased from 2019 to 2020 in this Covid- 19 situation.
- When GPH collected their cash in delay, they try to pay to their creditors in delay, which ensure balance liquidity and keep company risk free.
- GPH is in the second position in NAV and revenues in the market
- In 2020, its net profit exceeds KSRM and Anwar Steel.
- GPH has higher earnings per share which means the company is profitable and has adequate profit to distribute to its shareholders.

## **5.2 Recommendation:**

The Financial Statement Analysis and Performance Evaluation of GPH Ispat Limited require the following recommendation that may assist GPH to improve financial performance and to be the top manufacturer of steel industry in Bangladesh:

- GPH need to highly concern about their liquidity position. To recover their liquidity performance, they should collect their account receivable as soon as possible on the other hand, delay payment to their suppliers (creditors) may help to recover liquidity position.
- GPH has lower ability to generate sales from its assets, therefore, excess inventory. They need to increase their sales by better advertisement process and discount.
- Times Interest earned ratio can be improved by increase operating profit and operating profit can be increased by cut administration and selling expenses. It is necessary to reduce some amount of administration expenses which are getting higher day by day. By the reduction of administration expense GPH can improve their operating profit also.
- GPH maintain lower average payment period. So need to more concern about the prompt payment.

Chapter:06  
Conclusion

## **6.0 Conclusion:**

Farr Ceramics limited is one of the public limited company in the steel industry in Bangladesh, which commenced in 2006. The study concentrated on the financial performance evaluation. The products line of GPH is not much diversified in terms of items and designs. GPH's brand product is billet. GPH is highly efficient to control its inventory, creditors and sales. On the other hand, FCL is in high position in profitability by improving net profit, gross profit and operating profit. Though they have problems in ROA, they should recover it by giving deep concentration. However, Comparing Net income, NAV, of GPH in 2020 with BSRM, KSRM and Anwar Steel, it is in second position and also it already covers 19% of market by their selling. Overall it is taking good position in market by improvement.

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