

Thesis Report

on

“Financial Statement Analysis and Performance Evaluation of Bandar Steel Industries Limited”

Submitted by:

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ID: BBA1703012036

Program: BBA

Major: Finance

Semester: Spring, 2021

Submitted to:

Department of Business Administration

Sonargaon University (SU)

Submitted for the partial fulfilment of the degree of BBA



Sonargaon University (SU)

Dhaka- 1215

Date of Submission: May 05, 2021

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Letter of Transmittal

May 05, 2021

Md. Shahbub Alam

Lecturer

Department of Finance

Sonargaon University

147/I Green Road, Dhaka-1215

Subject: Submission of Internship Report.

Dear Sir,

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

I have conducted my internship program in Bandar Steel Industries, Suite: 6. 10th floor, Akram Tower and effect from the 1st January 2021 to 31st April 2021 with your kind supervision. I have invested my every effort to find out financial functions performed by Bandar Steel Industries.

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,

Navid Hassan

ID No: 1703012036

Program: BBA (Major in Finance)

Sonargaon University

Student's Declaration

I, the undersigned, a student of Business Administration, Department of BBA program, Major in Finance of Sonargaon University do hereby declare that the internship report on **“Financial Statement Analysis and Performance Evaluation of Bandar Steel Industries (BSI) Limited”** is the original one and has been prepared by myself and has not been submitted anywhere for any degree, diploma, title or recognition.

The report was prepared under the supervision of Md. Shahbub Alam, Department of Business Administration of Sonargaon University.

Yours Sincerely

.....

Navid Hassan

ID: BBA-1703012036

Bachelor of Business Administration Dept.

Sonargaon University

Letter of Authorization

Certified that this project report titled “**Financial Statement Analysis and Performance Evaluation of Bandar Steel Industries Limited**” is the bona fide work of **Navid Hassan**, who carried out the study 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.

.....

Md. Shahbub Alam

Lecturer

Department of Business Administration

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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 Md. Shahbub Alam, Lecturer, Sonargaon University for his guidance, suggestions, and encouragement for the preparation of this report. Without his guidance i could not have finished this work on time. He 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 Bandar Steel Industries Limited. In order to focus on the financial performance and evaluation of Bandar Steel Industries 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 Bandar Steel'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 Bandar Steel Limited. Recovery performance of Bandar Steel 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. Bandar Steel 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 Bandar Steel Limited.

List of Acronyms

BSI: 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

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.

1.1 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 Bandar Steel Industries 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 Bandar Steel Industries Limited.

This internship report is submitted after completed of three months internship program in Bandar Steel Industries Limited to the internship supervisor. This program direct authorized by me to submit the **report on** “Financial Statement Analysis and Performance Evaluation of Bandar Steel Industries Limited”.

This internship program was started from 10st March, 2021.

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 BSI
- To find out the problem of BSI
- 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 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 Bandar Steel Industries 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 Bandar Steel Industries Limited.

1.4.2 Data used in the study:

The study is mainly based on secondary data.

- The audit report of Bandar Steel Industries Limited
- Website of Bandar Steel Industries Limited
- Magazines Bandar Steel Industries Limited
- Files and folder Bandar Steel Industries Limited
- Written documents of Bandar Steel Industries Limited
- Statistical data of Bandar Steel Industries 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 BSI. 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 Bandar Steel Industries 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:

Bandar Steel Industries Limited is big public limited company. Hence, their economic activities and productions are huge and versatile. Three months 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 Bandar Steel Industries Limited.

- An overview of Bandar Steel Industries Limited.
- Financial Statement analysis of five past years of Bandar Steel Industries Limited.
- Performance Evaluation of Bandar Steel Industries 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 BSI are too vast, so they change their strategy day by day.

As a result, I can't collect update information & strategy.

- As I am student it is not possible for me to collect all the necessary information.
- Lack of Experience.

Chapter: 02

Literature Review

2.1 Theoretical framework:

Poverty is the major problem in most developing economies. In these economies, it is argued that among others absence of access to credit is presumed to be the cause for the failure of the poor to come out of poverty. Meeting the gap between demand and supply of credit in the formal financial institutions frontier has been challenging (Von Pischke 1991). In fact, the gap is not aroused merely because of shortage of loan-able fund to the poor rather it arise because it is costly for the formal financial institutions to lend to the poor. Lending to the poor involves high transaction cost and risks associated with information asymmetries and moral hazards (Stiglitz and Weiss 1981).

Nevertheless, in several developing economies governments have intervened, through introduction of microfinance institutions to minimize the gap then allow the poor access credits. There are different arguments concerning how to evaluate the performance of microfinance institutions.

Meyer (2002), Citing from Zeller and Mayer (2002), indicated that there is what is called "Critical Micro-finance Triangle" that we need to look at to evaluate Micro-finance institutions based on their objective. Here, the corners of the triangle represent outreach to the poor, financial sustainability and welfare impact. And " Performance criteria are required for each objective and all three must be measured thoroughly to evaluate micro-finance performance," noted Meyer (2002). Further he indicated, "The inner circle in the figure represents MFI innovations in technology, policies, organization, and management that affect how well each objective is met. The outer circle represents the environment within which micro finance operates that also affects performance. This environment broadly includes the human and social capital possessed by the poor, the economic policies of the country, and the quality of the financial infrastructure that supports financial transactions. Improvements in the environment make it easier for MFIs to reach the three objectives." Meyer (2002; 2). Let's review in detail how we measure the micro-finance institutions are meeting the objective of outreach to the poor, financial sustainability and improve welfare of the poor. Outreach at glance means the number of clients served. But, Meyer (2002) noted that outreach is multidimensional concept. In order to measure outreach we need to look in to different dimensions. "The first is simply the number of persons now served that were previously denied access to formal financial services. Usually these persons will be the poor because they can not provide the collateral required for accessing formal loans, are perceived as being too risky to serve, and impose high transaction costs on financial institutions because of the small size of their financial activities and transactions. Women often face greater problems than men in accessing financial services so number of women served is often measured as another criterion. ...Although difficult to measure, depth of poverty is a concern because the poorest of the poor face the greatest access problem. Some measure of depth of outreach is needed to evaluate how well MFIs reach the very poor. Finally, the variety of financial services provided is the criterion because it has been shown that the poor demand and their welfare will be improved if efficient and secure savings, insurance, remittance transfer and other services are provided in addition to the loans that are the predominant concern of policy makers."

Navajas et al. (2000), similarly, indicated that there are six aspects of measuring outreach: depth, worth of users, cost to users, breadth, length and scope. Where, depth of outreach refers to "the value the society attaches to the net gain from the use of the micro credit by a given borrower," (Navajas et al. 2000:335). This measure is to identify the poor clients. Because, the poor are the one who fail to get access to get credit from formal financial institutions since they fail to signal that they can repay their loan (Conning, 1997). And, worth of outreach to users refers to "how much a borrower is willing to pay for a loan,"(Navajas et al. 2000:335). Similarly, cost of outreach to user refers to "cost of a loan to a borrower," (Navajas et al. 2000:335). These costs to users might consists of prices like interest rates and various payments that they have to pay, which could be revenue to the lender, and other loan related transaction costs like expenses on documents, transport, food, taxes, etc. (Navajas et al. 2000:336). Finally, "breadth of outreach is the number of users...length of outreach is the time frame in which a microfinance organization produces loans," and "Scope of outreach is the number of type of financial contracts offered by a microfinance organization," (Navajas et al. 2000:336). It is argued that length of a loan matter, because if the microfinance institutions support the poor only in the short run it will hamper the social welfare of the society in the long run. In the case that when the client of the microfinance institution knows that he/she will not receive additional loan in the future they would have no incentive to borrowers to repay their loan (Navajas et al., 2000.)

b) Financial sustainability: The other indicator of performance of a micro finance institution is its financial sustainability. Different literatures noted that financial sustainability is one of the areas that we need to look at to assess the performance of micro finance institutions. Meyer (2002) noted that the poor needed to have access to financial service on long-term basis rather than just a one time financial support. Short-term loan would worsen the welfare of the poor (Navajas et al., 2000). Meyer (2002) also stated that the financial unsustainability in the MFI arises due to low repayment rate or un-materialization of funds promised by donors or governments. According to Meyer (2002), there are two kind of sustainability that we could observe in assessing MFIs performance: Operational self sustainability and financial self-sustainability. Operational self-sustainability is when the operating income is sufficient enough to cover operational costs like salaries, supplies, loan losses, and other administrative costs. And financial self-sustainability (which he referred as high standard measure) is when MFIs can also cover the costs of funds and other forms of subsidies received when they are valued at market prices. Meyer (2002:4) indicated, "Measuring financial sustainability requires that MFIs maintain good financial accounts and follow recognized accounting practices that provide full transparency for income, expenses, loan recovery, and potential losses." There also are some dispute on the link between financial sustainability and outreach to the poor. According to some (Christen et al. 1995; Otero and Rhyne 1994), cited in Meyer (2002), outreach and financial sustainability are complimentary this is because as the number of clients increase MFIs enjoys economies of scale and hence reduce costs which help them to financial sustainable. On the other hand, Hulme and Mosely (1996) argued that there is inverse relationship between outreach and financial sustainability. Here the argument is higher outreach means higher transaction cost in order to get information about creditworthiness of clients and hence make MFI financially unsustainable.

Including credit in the production function can be used to assess impact of MFIs. But, Scholars like Adam (1988) critic that it is wrong because this kind of assessment involves complications; probably it could be difficult to sort out loan effects from technical assistance. Regarding indicator of financial sustainability, Khandker et, al. (1995) pointed out that loan repayment (measured by default rate) could be another indicator for financial sustainability of MFIs; because, low default rate would help to realize future lending. c) Welfare Impact Welfare impacts of the services of MFIs are also argued to be another indicator to evaluate the performance of the institutions. As indicated at the beginning of this paper, one way or another, the objective of MFIs is reducing poverty. Hence, which imply that we need to access the impact of the microfinance programs on reducing poverty to evaluate their performance. As defined in World Bank (2000/01) report poverty is viewed as lack of money, lack of adequate food, shelter, education and health and the poor are vulnerable to ill health, economic dislocation and natural disaster. According to Meyer (2002) this perspectives of poverty can be used to access the impact of the MFIs on those who receives the services. Meyer (2002) also noted that assessment of impact of the MFIs on their clients is a very difficult and controversial way of evaluating the institutions performance. This is: "Because of the methodological difficulties and high costs involved in conducting robust studies, it has been argued that the most important evidence of impact should be whether or not MFI clients continue to use the services. If they do, they must value the benefits received more than the costs of obtaining them. Impact analysis, therefore, should focus on understanding the impact on MFIs of programs offering 13 services to the poor rather than impacts on the clients of such services. A counter argument in that most of the industry requires substantial amounts of public funds at least in the form of start-up costs if not in the form of long-term subsidization. These funds have opportunity cost (they have alternative uses for society) so policy makers need evidence as to whether or not clients are receiving direct measurable benefits from microfinance. If not, the fund should be allocated to other means to fight poverty, "(Meyer, 2002; 5). Given the prevailing challenges, however, in the impact assessment process, several impact indicators are noted in literatures. Mostly, the impact indicators can be categorized as economic and non-economic benefits.

2.2 Empirical literature review: The micro finance institutions participation in several developing economies is escalating from time to time. Various studies on different countries on the performance of the MFIs confirm this (Adongo and Stork 2005, Zeller and Meyer 2002, Meyer 2002, Robert cull et al. 2007). For example, in Bangladesh a microfinance institution called Grameen Bank at the end of 2000 reported 2.4 million members, where 95 percent of them are women, with \$225 million outstanding loan. In addition, Thailand also has reported impressive outreach⁵ through agricultural lending by the Bank for Agriculture and Agricultural Cooperative (Meyer 2002). In general, a lot number of microfinance institutions have registered impressive outreach in several developing economies including India, Cambodia, and others (Meyer 2002). A survey by Robert cull and others on the performance of leading MFIs in 49 countries finds interesting results. It founds over half of surveyed MFIs are profitable after making adjustment of subsidies. It also identified no evidence of tradeoff between being profitable and reaching the poor. For the Ethiopian case, there are few studies undertaken in relation to MFIs. But, the objectives addressed in these previous studies are different, insuring the value added of this study. Lakew

(1998) examines POCSSBO's micro financing program contribution to poverty reduction. He found that after the credit program employment opportunity for the beneficiaries have been created. He also noted that the credit program of POCSSBO had positive effect on income and saving of the clients. In addition, He stated that medical, education and nutrition access of the clients had been improved. Similarly, Aklilu (2002) reviews the importance of micro finance institutions in developing economies based on countries' experiences. In the review she suggested for promotion of the existing well developed institution 'iddir' to facilitate growth of formal MFIs. Borchgrevink and et. al (2005), studies marginalized groups, credit and empowerment for the case of Dedebit Credit and Saving Institution (DECSI) of Tigray. The study finds that female household heads are extremely marginalized groups; and also, young households', rural landless households and urban house-renting households are the other marginalized groups. Trough two-phase assessment, the study found that the DECSI's program has had a positive impact on the livelihood of and as well enhanced the social and political position of many clients. Concerning the constraints for economic development, the study noted poor rainfall, small farm size, and shortage of labor during peak agricultural seasons as the main constraints. Similarly, the main constraints in non-farm business 6 POCSSBO stands for Project Office for Creation of Small Scale Business Opportunities and the office was established in 1995. ventures are low return and lack of demand. However, credit is not the main constraining factor for expanding economic activity, except that in urban areas. The study further noted, DECSI's heavy involvement in credit delivery in the region has more or less satisfied to most of the people with some exceptions in the urban areas.

Chapter: 03

An Overview of BSI

3.1 Background and History of BSI:

“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.

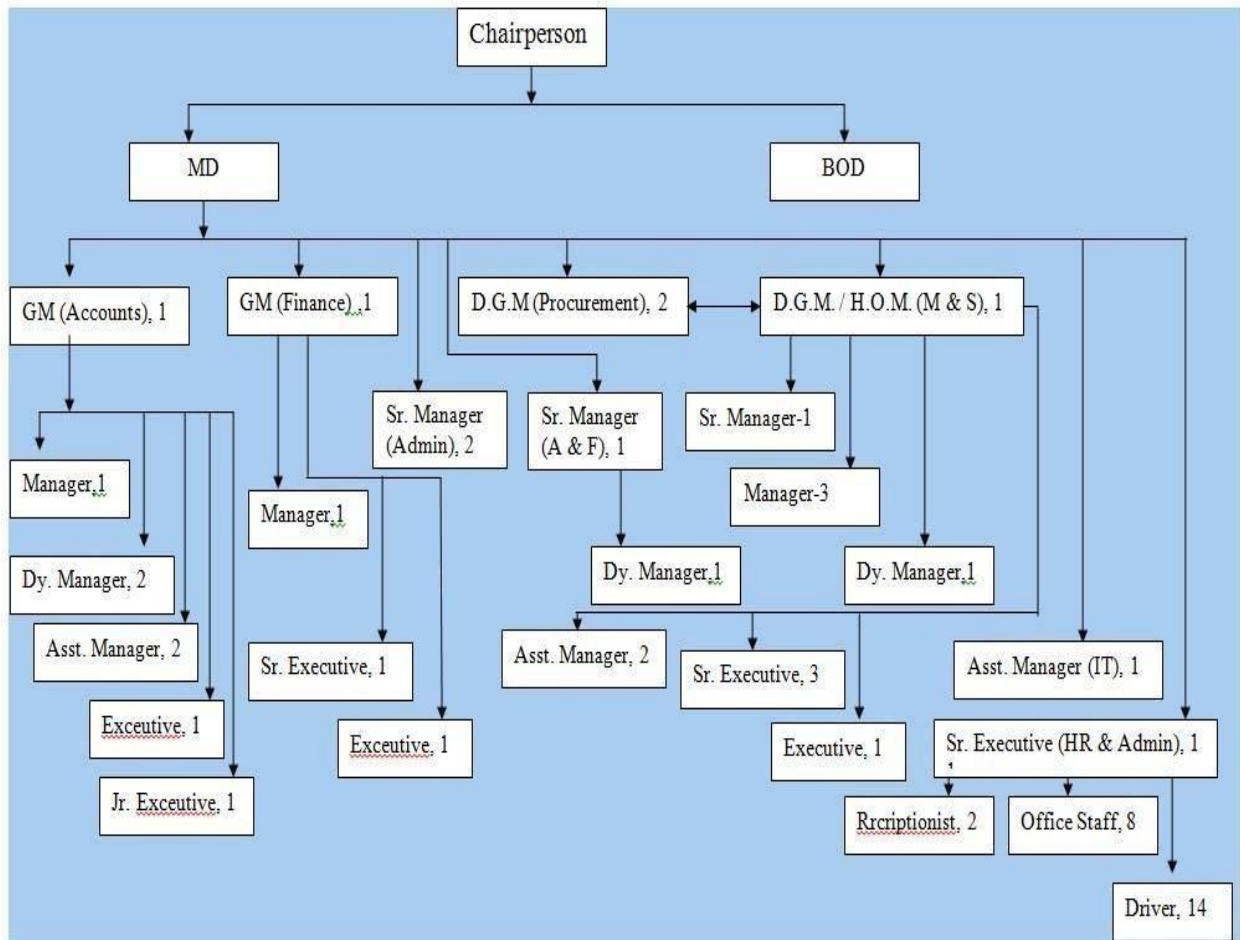
Bandar Steel Industries. One of the leaders of Bangladesh in manufacturing steel promises a super strong future and economy with its world –class products. Not only structural bar, but Bandar Steel Industries. is also one of the producers of low & medium carbon and low alloy steel billets in Bangladesh, the main ingredient of manufacturing graded steel bar. As BSI is ensuring the highest quality products in Bangladesh as per various international and national standards, BSI steel billets and Bars is getting exported to other countries after nourishing national demand. The introduction of Bandar Steel Industries 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 2004 and started its operation in 2007. It was listed as a public limited company in 2010.

In 2016, the company started its expansion project in Sitakundu, 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.

Registered Office	Crown Chamber, 325 Asadgonj, Chittagong-4000
Dhaka Office	Suite: 6. 10th floor, Akram Tower 15/5 Bijoy Nagar, Dhaka.
Factory	Muradpur, Madanpur, Bandar, Narayangonj,
Web Site	http://www.bandarsteel.com
Total Revenue	US\$ 96 Million
Main Market	Bangladesh, Africa
Product line	Billet, Deformed Bar, Plain Bar

3.2 Organizational Structure of BSI:



Management Profile of BSI:

Chairman	Md. Serajul Islam
Managing Director	Md. Abul Kalam
Director	Md. Harun-ur-Rashid
General Manager, Supply Chain	S.M. Majid Ul Azim
Senior General Manager & Head of Marketing	Md. Fakhru Islam

3.3 Products of BSI:

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 BSI:

The products line of BSI 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).

3.4 Position of BSI 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 tableware producers are:

SI No.	Name of the company	Position in terms of capacity	Position in terms of sales
1	BSI	3 rd	2 nd
2	BSRM	1 st	1 st
3	KSRM	2 nd	3 rd
4	GPH Ispat	4 th	4 th

3.5 At a Glance Operating Performance of BSI for last 5 years:

Operating Performance	2014	2015	2016	2017	2018
Total Revenue	5,988,396,529	5,743,608,676	7,839,566,038	9,814,101,120	13,268,683,927
Total Expense	5,086,543,324	4,783,440,644	6,465,845,702	8,211,556,579	11,110,755,161
Profit before Taxes	381,146,951	388,125,457	761,817,234	863,656,199	1,075,126,756
Provision for Taxation	88,677,729	98,505,641	190,513,873	197,595,969	268,925,028
Net profit After taxation	292,469,222	289,619,816	571,303,361	666,060,230	806,201,728
Earnings per Share(EPS)	2.34	2.06	1.83	2.03	2.24

Table 1 BSI operating performance

3.6 At a Glance Financial Performance of BSI for last 5 years:

Financial Position	2014	2015	2016	2017	2018
Total Non-Current Assets	1,758,280,062	2,107,531,015	4,746,153,926	13,976,553,866	23,073,207,280
Total Current Assets	4,245,588,483	8,186,724,848	8,120,052,898	8,717,684,532	8,419,817,759
Total Assets	6,003,868,545	10,294,255,863	12,866,206,824	22,694,238,398	31,493,025,039
Total Shareholders' Equity	2,045,236,997	4,819,087,643	5,035,603,612	5,525,349,832	6,335,357,430
Total Non-Current Liabilities	634,356,633	457,038,391	1,948,609,409	8,619,714,233	16,952,439,013
Total Current Liabilities	3,324,274,915	5,018,129,829	5,881,993,803	8,549,174,333	8,205,228,596
Total Equity and Liabilities	6,003,868,545	10,294,255,863	12,866,206,824	22,694,238,398	31,493,025,039
Net Assets Value Per Share (NAV)	16.40	15.45	16.15	16.87	17.59

Table 2 Financial position of BSI

Chapter: 04

**Financial Statement
(Ratio) Analysis**

4.0 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.

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

IAS	1:51(a)	Bandar Steel Industries
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 Bandar Steel Industries 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-

4. 1. Liquidity Ratio:

Current Assets

$$4.1.1. \text{ Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current Liabilities

$$4.1.2. \text{ Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

$$4.1.3. \text{ Cash conversion cycle} = \text{DSO} + \text{DIO} - \text{DPO}$$

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

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

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

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

4.2. Asset Management/Efficiency Ratio:

Cost of Goods Sold

$$4.2.1. \text{ Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

Average Inventory

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

Net Sales

$$4.2.2. \text{ Total Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Average Total Assets}}$$

Average Total Assets

$$4.2.3 \text{ Days sales outstanding} = 365 / \text{receivables turnover ratio}$$

Net Credit Sales

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

Turnover Average Accounts Receivable

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

4.3. Debt Management period:

$$4.3.1. \text{ Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

$$4.3.2 \text{ Times Interest Earned Ratio} = \frac{\text{Earnings before Interest and Tax}}{\text{Interest Expense}}$$

4.4. Profitability Ratio:

$$4.4.1 \text{ Net Profit Margin} = \frac{\text{Net Income}}{\text{Net Sales}}$$

$$4.4.2. \text{ Gross Margin} = \frac{\text{Gross Profit}}{\text{Revenue}}$$

$$4.4.3. \text{ Operating Margin} = \frac{\text{Operating Income}}{\text{Revenue}}$$

4.4.4. ROE = Net income after tax / Average shareholder's equity

$$4.4.5. \text{ ROA} = \frac{\text{Annual Net Income}}{\text{Average Total Assets}}$$

4.1 Liquidity Ratio

4.1.1. Current Ratio:

Year	2014	2015	2016	2017	2018
Current Ratio	1.28	1.63	1.38	1.00	1.03

Table 4.1.1: Current Ratio

Graphical Presentation:

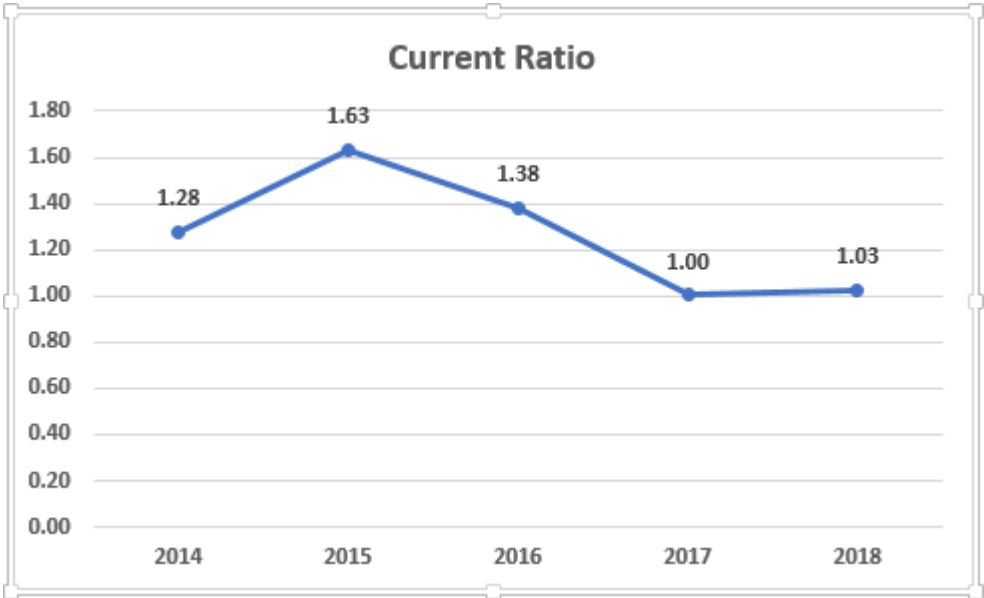


Figure 3.1.1: Current Ratio

Interpretation:

There is a downward trend of Current ratio. It sharply declined from 2015 to 2017 and reached only at 1.00. This indicates, over the time period, Bandar Steel Industries 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.

4.1 .2. Working Capital:

Year	2014	2015	2016	2017	2018
Working capital(M)	921.31	3168.60	2238.06	24.00	214.59

Table 4.1.2: Working capital

Graphical Presentation:

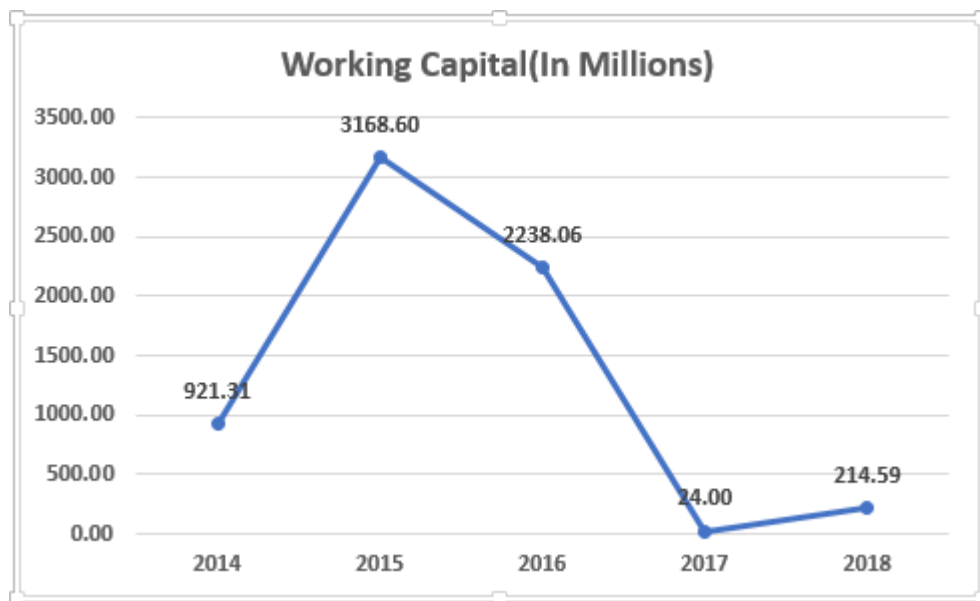


Figure 4.1.2: Working Capital

Interpretation:

In 2017, working capital is in worst position. However, Bandar Steel Industries Limited working capitals from 2014 to 2016 are healthy. Though the current assets are greater than current liabilities, the working capital ratio decreased. It indicates, BSI has to enhance ratio to smooth liquidity.

4.1.3. Current Ratio:

Year	2014	2015	2016	2017	2018
Cash Conversion Cycle	210	195	188	148	131

Table 4.1.3: Cash Conversion Cycle

Graphical Presentation:

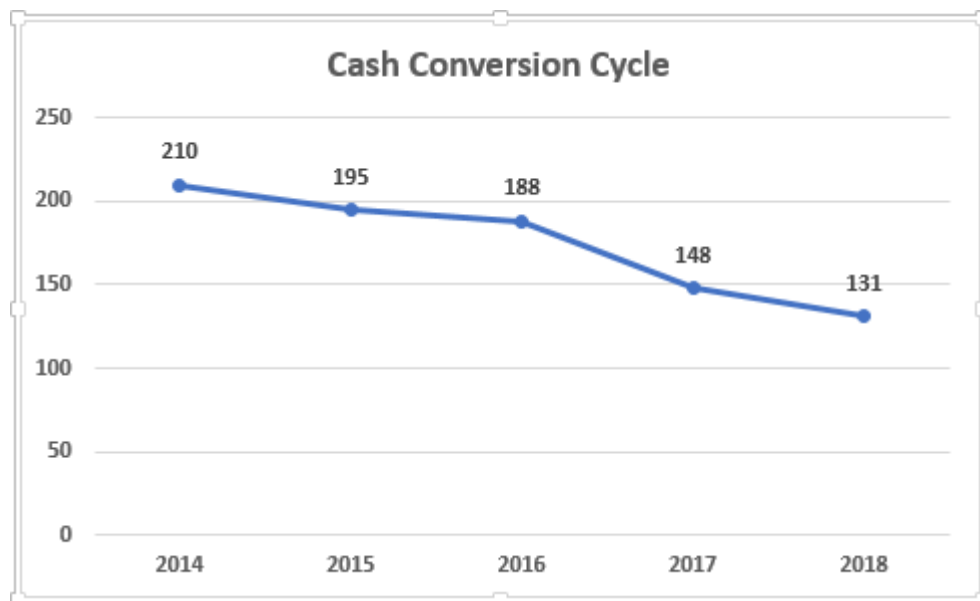


Figure 4.1.3: Cash Conversion Cycle

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 2018. They needed 131 days to convert their assets into cash and worst situation in 2014 when needed 210 days.

Overall Interpretation of Liquidity Ratio of Bandar Steel Industries 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	Negetive
Liquidity Position	Overall position of liquidity is not good	Negative

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

4.2. Asset Management/Efficiency Ratio:

4.2.1. Inventory Turnover Ratio:

Year	2014	2015	2016	2017	2018
Inventory Turnover Ratio	2.14	2.18	2.34	3.09	3.93

Table 4.2.1: Inventory Turnover Ratio

Graphical Presentation:

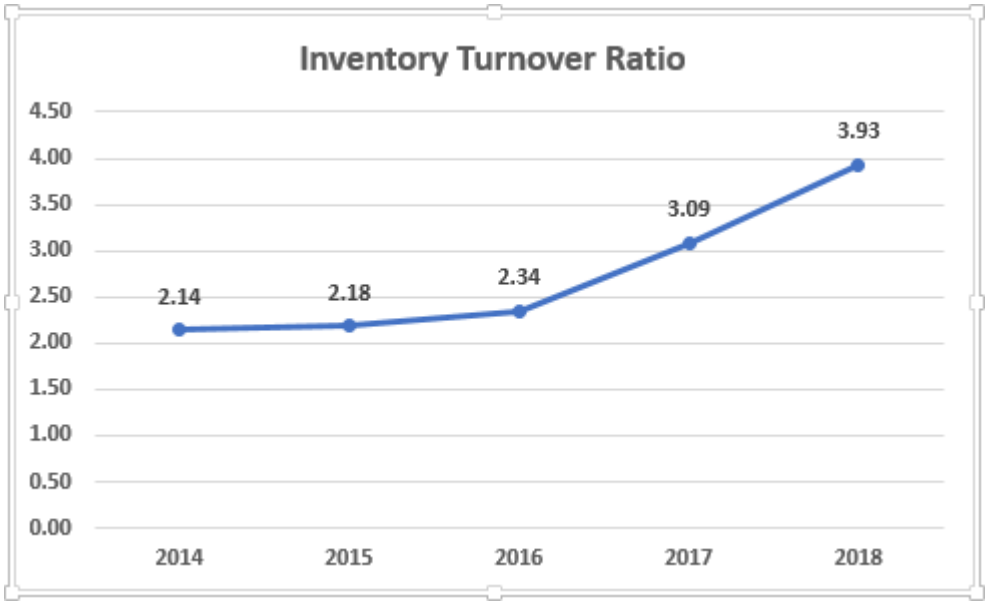


Figure 4.2.1: Inventory Turnover Ratio

Interpretation:

Inventory Turnover Ratio measures how effectively inventory is managed by BSI comparing cost of goods sold with average inventory for a period. Over the span of 5 years, Inventory turnover ratio was worst position in 2014 at 2.14. It implies on that time BSI had poor sales and therefore, excess inventory. However, in 2018 it was peak and reached 3.93, which indicate strong sales or ineffective buying.

4.2.2 Total Asset Turnover Ratio:

Year	2014	2015	2016	2017	2018
Total Asset Turnover Ratio	94%	86%	68%	55%	49%

Table 4.2.2: Total Asset Turnover Ratio

Graphical Presentation:

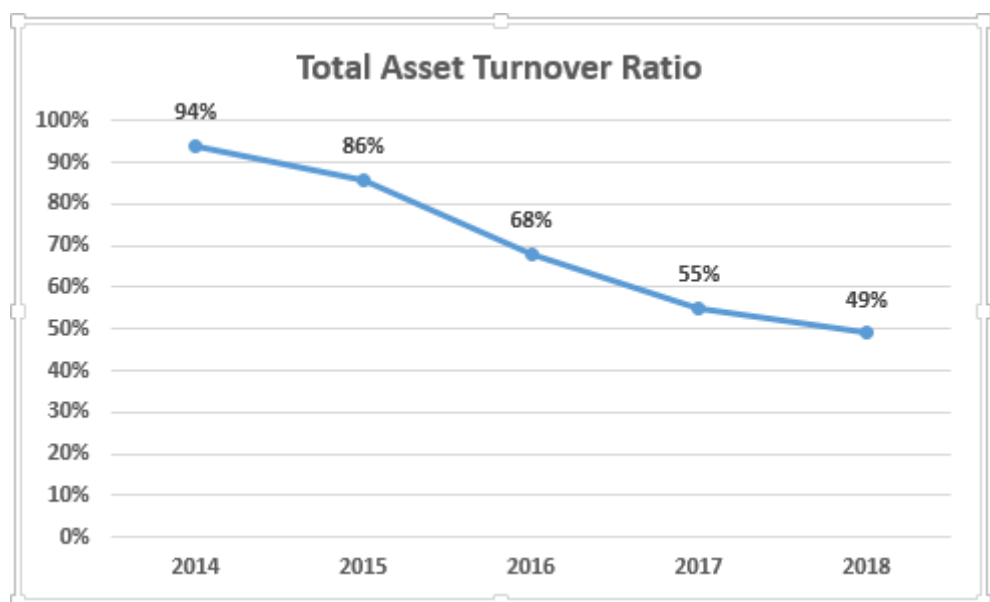


Figure4.2.2: Total Asset turnover Ratio

Interpretation:

In 2014, total asset turnover ratio is 94%. After that, it declined and reached only at 49% in 2018. Which means, BSI had lower ability to generate sales from its assets during those time. This ratio also indicates, BSI is not efficient to use its assets to generate sales.

4.2.3. Average Collection Period/Days' Sales Outstanding:

Year	2014	2015	2016	2017	2018
Days' Sales Outstanding	61.51	55.33	68.04	63.85	60.94

Table 4.2.3: Day's Sales Outstanding

Graphical Presentation:

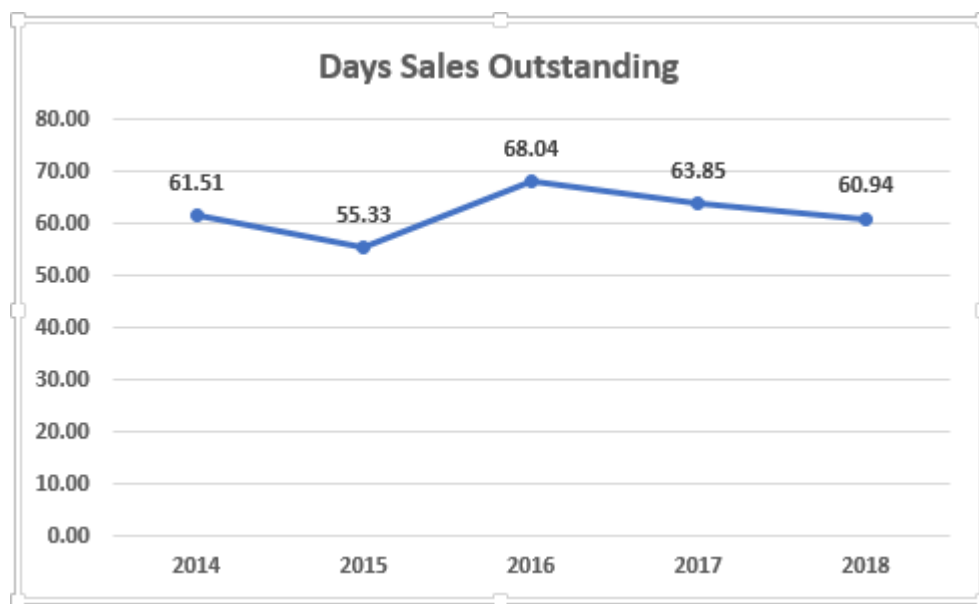


Figure 4.2.3: Day's Sales Outstanding

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. BSI has a horizontal trend.

4.2.4. Average payment Period:

Year	2014	2015	2016	2017	2018
Average Payment Period	15.80	36.65	35.90	36.90	19.02

Table 4.2.4: Average Payment Period

Graphical Presentation:

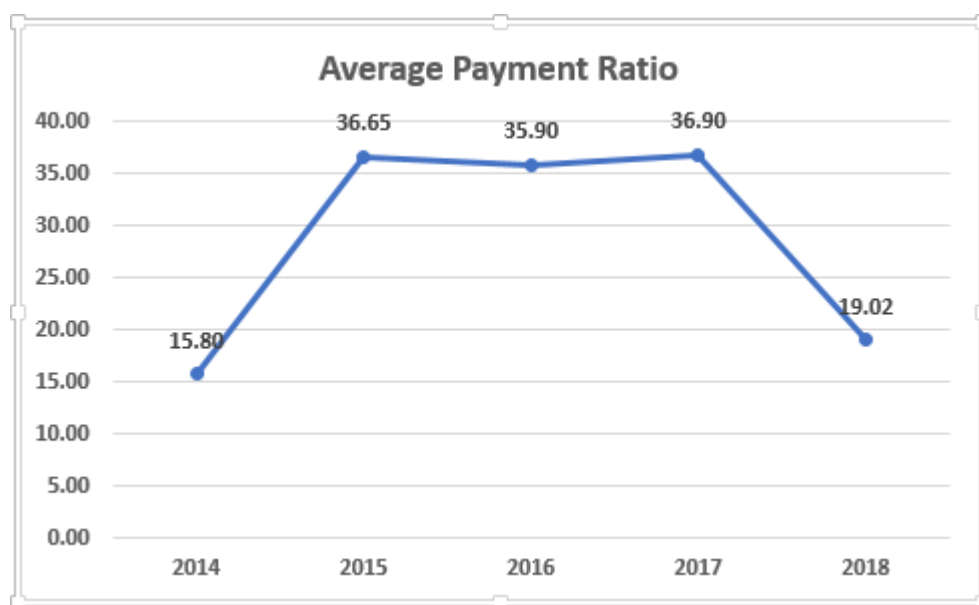


Figure 4.2.4: Average Payment Period

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 Bandar Steel Industries 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 BSI is medium position	Positive

Total Inventory Turnover Ratio is in good position and in 2018; it was peak and reached 3.93, which indicate strong sales or ineffective buying. On the other hand, BSI 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 BSI is medium position if they can continue it, they may improve the company.

4.3. Debt Management Ratio:

4.3.1 Debt to Asset Ratio:

Year	2014	2015	2016	2017	2018
Debt to Asset Ratio	65.93%	53.19%	60.86%	75.64%	79.88%

Table 4.3.1: Debt to Asset Ratio

Graphical Presentation:

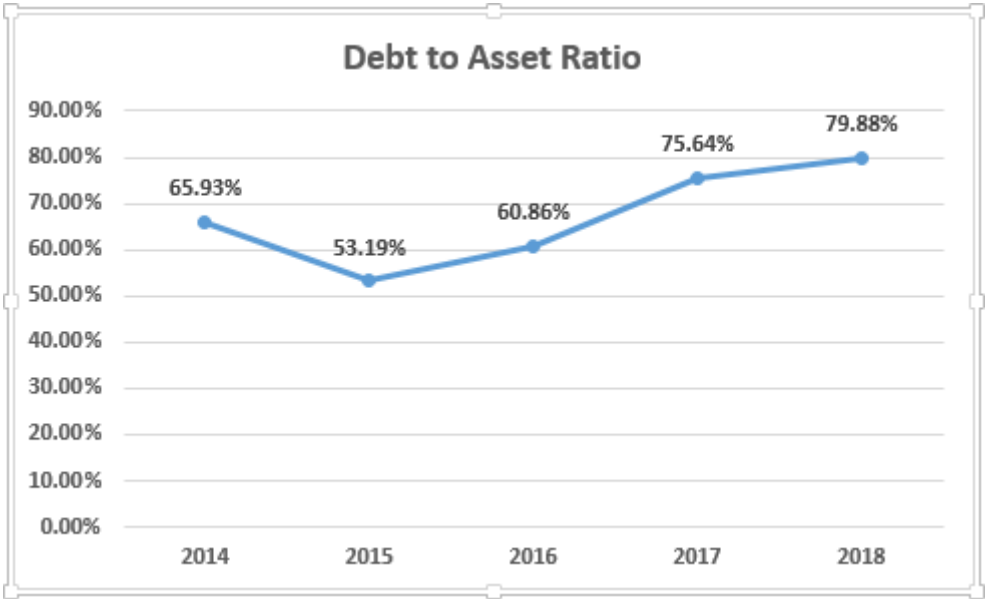


Figure 4.3.1: Debt to Asset Ratio

Interpretation:

This ratio measures the financial leverage of BSI. 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 2015.

4.3.2 Times Interest Earned (TIE) Ratio:

Year	2014	2015	2016	2017	2018
TIE	2.19	2.04	2.22	2.25	2.43

Table 4.3.2: Times Interest Earned Ratio

Graphical Presentation:

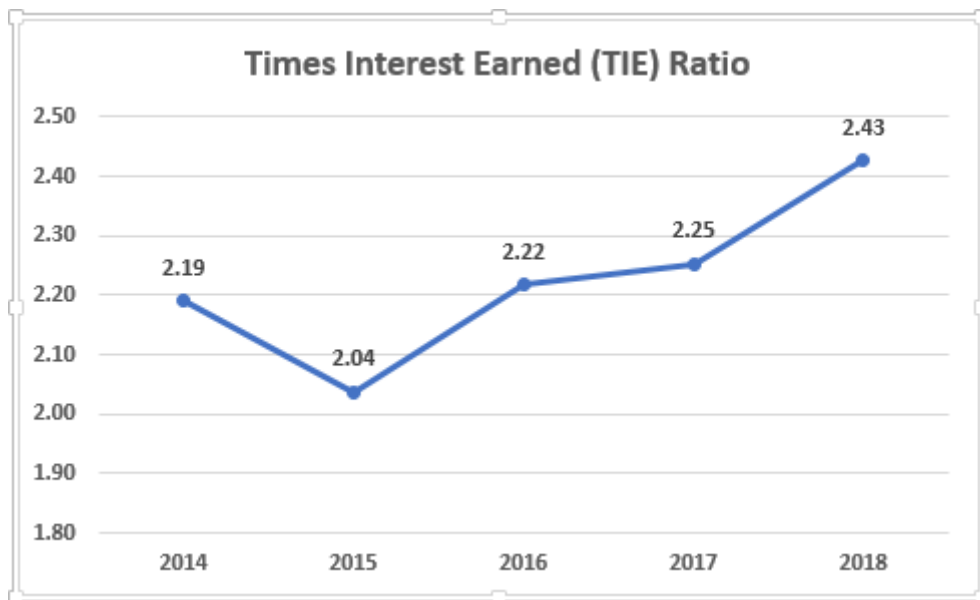


Figure 4.3.2: Times Interest Earned Ratio

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 2017 and 2018 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 2015.

Overall Interpretation of Debt Management Ratio of BSI

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.	Negative
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.	Negative

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

4.4. Profitability Ratio:

4.4.1 Net Profit Margin Ratio:

Year	2014	2015	2016	2017	2018
Net Profit Margin Ratio	4.88%	5.25%	7.29%	6.56%	7.62%

Table 4.4.1: Net Profit Margin Ratio

Graphical Presentation:

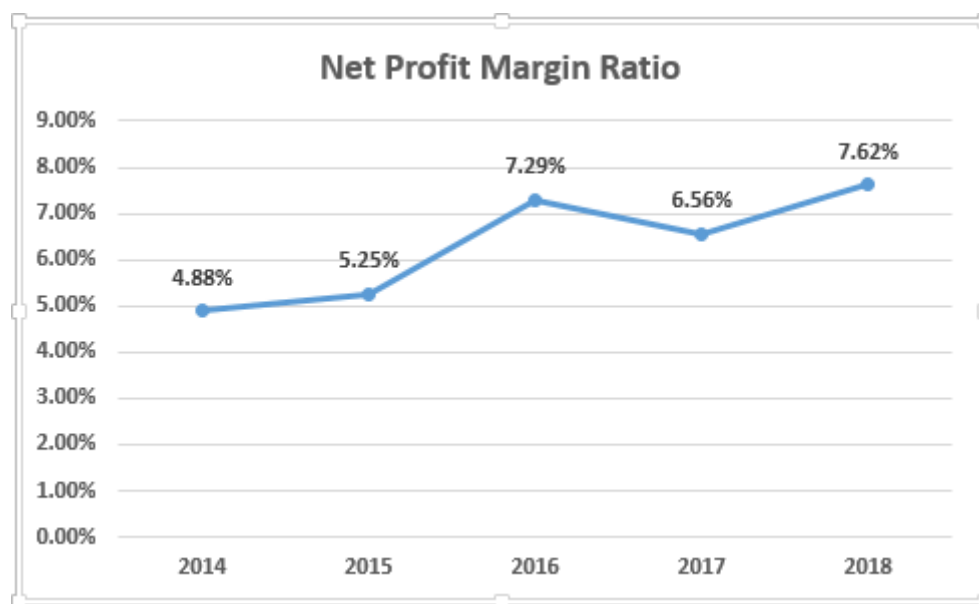


Figure 4.4.1: Net Profit Margin Ratio

Interpretation:

Net Profit Margin Ratio of BSI increased slowly from 2014 to 2015 and reached its peak in 2018 at 7.62%. Net profit margin is in good position except 2014.

4.4.2 Gross Profit Margin Ratio:

Year	2014	2015	2016	2017	2018
Gross Profit Margin Ratio	14.85%	16.36%	17.27%	16.14%	16.26%

Table 4.4.2: Gross Profit Margin Ratio

Graphical Presentation:

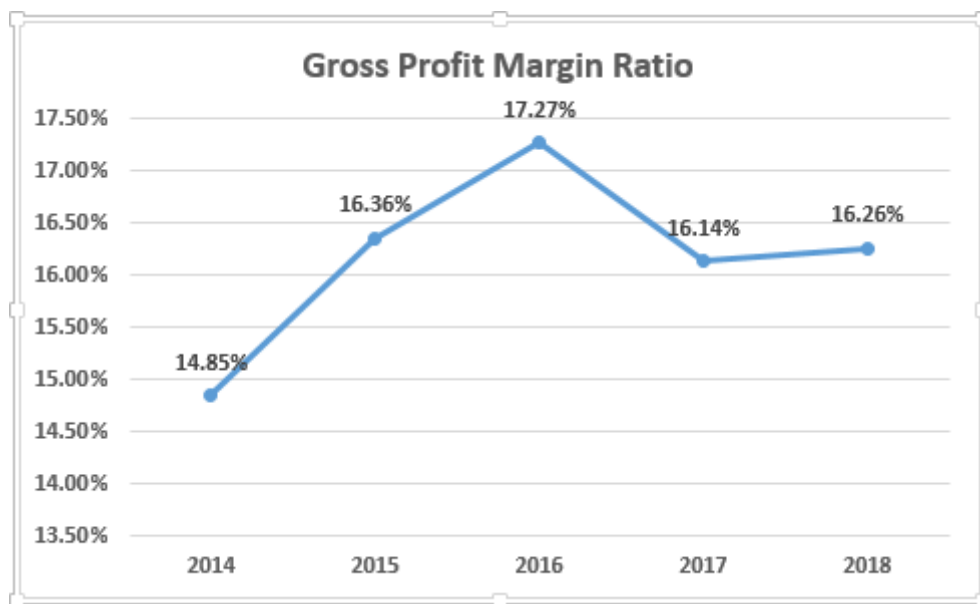


Figure 4.4.2: Gross Profit Margin Ratio

Interpretation:

Gross margin ratio is a profitability ratio that compares the gross margin of a business to the net sales. Gross Profit of BSI increased from 2014 to 2016 and reached its peak at 17.27% and it decreased at 16.14% in the year 2017. Hence, it has to improve to get better position.

4.4.3 Operating Profit Margin Ratio:

Year	2014	2015	2016	2017	2018
Operating Profit Margin Ratio	12.04%	12.29%	13.76%	12.86%	13.07%

Table 4.4.3: Operating Profit Margin Ratio

Graphical Presentation:

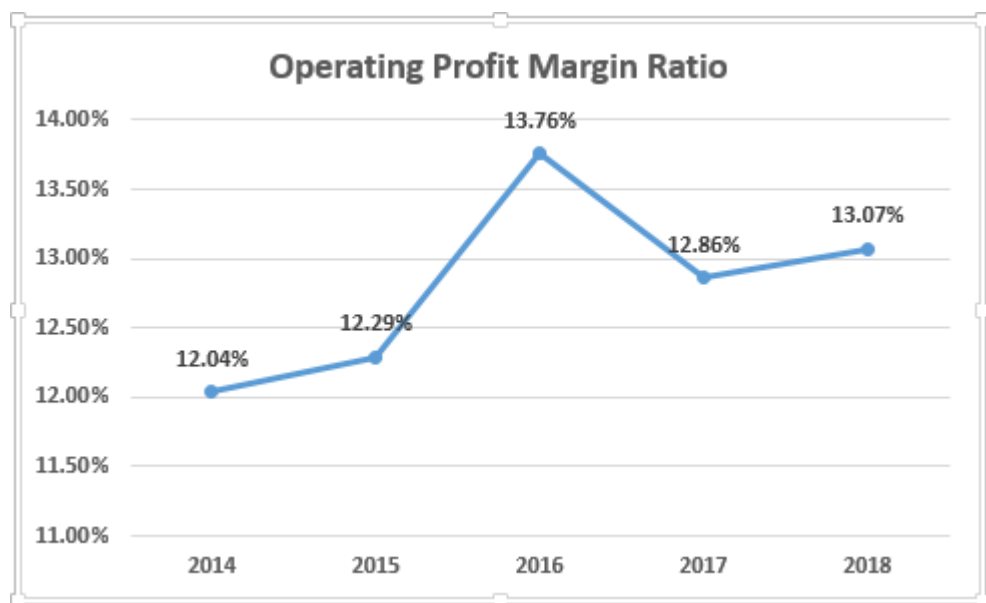


Figure 4.4.3: Operating Profit Margin Ratio

Interpretation:

Operating Profit Margin Ratio of BSI fluctuated over the time, it increased 2015 to 2016 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 2014.

4.4.4 Return On Equity (ROE) Ratio:

Year	2014	2015	2016	2017	2018
ROE Ratio	14.71%	10.67%	11.59%	12.18%	13.59%

Table 4.4.4: Return on Equity (ROE) Ratio

Graphical Presentation:

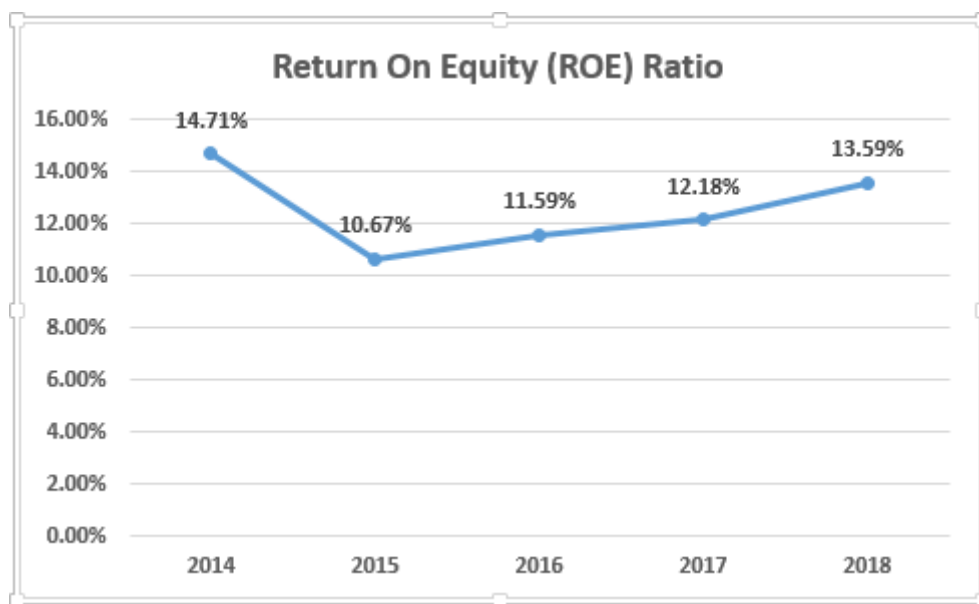


Figure4.4.4: Return on Equity (ROE) Ratio

Interpretation:

There is an upward trend of Return on Equity ratio. It dramatically falls from 2014 to 2015 and reached 10.67% only and then slowly increased in the following years. Low ROE indicates the ability of BSI to generate profits from its shareholders' investment getting worse on the time period, which is harmful for the company.

4.4.5. Return On Asset (ROA) Ratio:

Year	2014	2015	2016	2017	2018
ROA Ratio	12.32%	11.29%	9.57%	7.14%	6.48%

Table 4.4.5: Return on Asset (ROA) Ratio

Graphical Presentation:

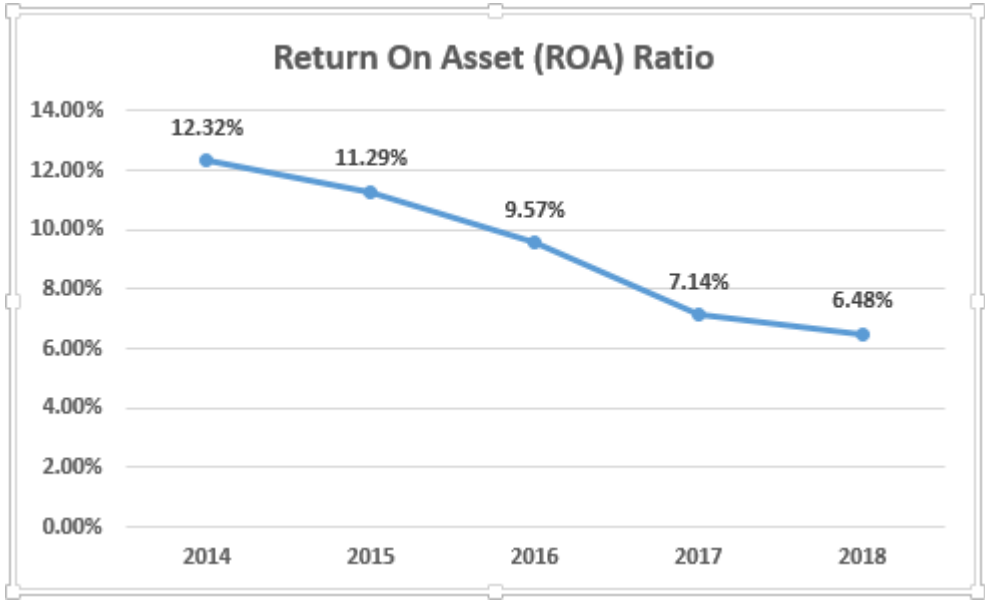


Figure.4.4.5: Return on Asset (ROA) Ratio

Interpretation:

It emerge that, over the span of five years, return on asset of BSI dramatically declined and gone to 6.40% in 2018. BSI is not efficient company to manage its assets to generate profits.

Overall Interpretation of Profitability Ratio of BSI

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 2014	Positive
Gross Profit Margin Ratio	Gross Profit of BSI increased from 2014 to 2016 and reached its peak at 17.27%	Positive
Operating profit Margin Ratio	Overall operating profit margin ratio is good position except 2014.	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

BSI is in high position in profitability by earned amount of net income all years except 2014. On the other hand, Gross Profit Margin Ratio is in better position by improvement. Operating Profit Margin Ratio of BSI fluctuated over the time and overall operating profit margin ratio is good position except 2014. Moreover, BSI generates profits from its shareholder's investment enhanced gradually on the time period. Hence, in profitability, BSI is good enough and they need to concentrate more about their Equity, Assets and Sales.

Chapter: 05
Performance
Evaluation of BSI

5.0 Performance Evaluation of Bandar Steel Industries 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 Bandar Steel Industries Limited measures by the comparison of:-

- Day's Sales Outstanding to Average Payment Period
- Comparing NAV of 2018 of BSI with BSRM, KSRM, GPH
- Comparing Revenue of 2018 of BSI with BSRM, KSRM, GPH
- Comparing Net income of 2018 of BSI with BSRM, KSRM, GPH
- Comparing EPS of 2018 of BSI with BSRM, KSRM, GPH

5.1 Days Sales Outstanding to Average Payment Period:

Year	2014	2015	2016	2017	2018
Days' Sales Outstanding	61.51	55.33	68.04	63.85	60.94
Average Payment Period	15.80	36.65	35.90	36.90	19.02

Table 4.1: Days Sales outstanding to Average Payment Period

Graphical Presentation:

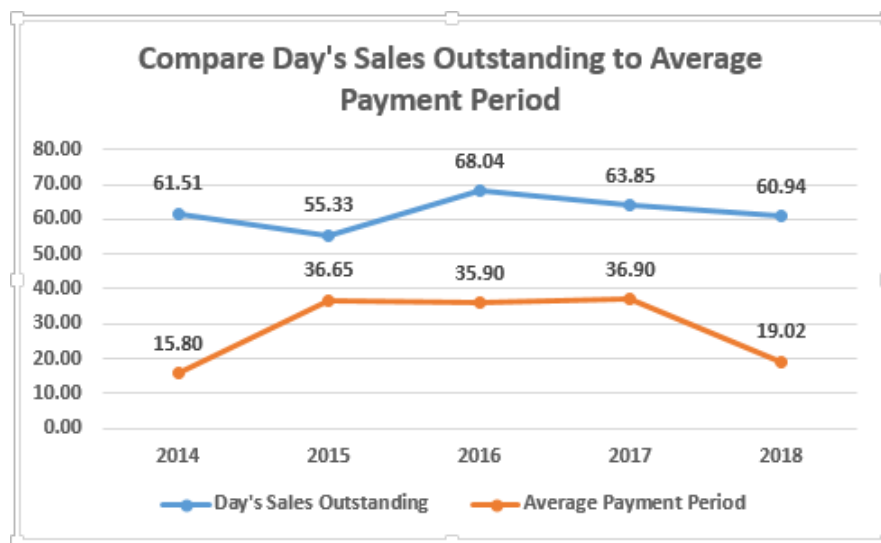


Figure 4.1: Day's Sales outstanding to Average Payment Period

Interpretation:

Days sales outstanding peaked at 68.04 days in 2016. It declined in the following year 2017 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 BSI 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.

5.2 NAV of 2018 of BSI compare with BSRM, KSRM & GPH: -

Companies name	Value
BSI	17.59
BSRM	37.48
KSRM	15.06
GPH	11.71

Table 4.2: Compare NAV of BSI 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. BSI is in the second position on this segment in the market.

5.3 Revenue of 2018 of BSI compare with BSRM, KSRM & GPH:

Companies name	Value	%
BSI	2157928766	19
BSRM	5519000000	39
KSRM	1826137545	15
GPH	1583475173	13

Table 4.3: Compare Revenue of BSI 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 BSI is second by 19%. BSI's quality product can bit the market greatly.

5.4 Net Income of 2018 of BSI compare with BSRM, KSRM & GPH:

Companies name	Value
BSI	806201728
BSRM	1728000000
KSRM	749364151
GPH	615824869

Table 4.4: Compare Net Income of BSI 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 BSI is in good position in the steel market. In 2018, its net profit exceed KSRM and GPH.

5.5 EPS of 2018 of BSI compare with BSRM, KSRM & GPH:

Companies name	Value
BSI	2.24
BSRM	4.25
KSRM	2.07
GPH	1.86

Table 4.5: Compare EPS of BSI 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. BSI has 2nd highest earnings per share. The company is profitable and has enough profit to distribute to its shareholders comparing to other company except KSRM.

Chapter: 06

Findings and
Recommendations

6.1 Findings:

The study, Financial Statement Analysis and Performance Evaluation of Bandar Steel Industries Limited, reveals the following majors' findings:

- Bandar Steel Industries 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 2018. They needed 131 days to convert their assets into cash and worst situation in 2014 when needed 210 days.
- Bandar Steel Industries has lower ability to generate sales from its assets during 2016 to 2018.
- BSI has higher level of liabilities compared with assets and considered high leveraged and high risk.
- In 2017 & 2018, Times Interest Earned ratio are adequate to cover payment of interest on its borrowings.
- Net profit margin of BSI is in good position except 2014.
- Gross Profit of BSI increased from 2014 to 2016 and reached its peak at 17.27% and it decreased at 16.14% in the year 2017.
- When BSI collected their cash in delay, they try to pay to their creditors in delay, which ensure balance liquidity and keep company risk free.
- BSI is in the second position in NAV and revenues in the market
- In 2018, its net profit exceeds BSRM and KSRM.
- BSI has higher earnings per share which means the company is profitable and has adequate profit to distribute to its shareholders.

6.2 Recommendation:

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

- BSI 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.
- BSI 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 BSI can improve their operating profit also.
- BSI maintain lower average payment period. So need to more concern about the prompt payment.

Chapter: 07

Conclusion

7.0 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 BSI is not much diversified in terms of items and designs. BSI's brand product is billet. BSI 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 BSI in 2018 with BSRM, KSRM and GPH, 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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- ❖ <http://www.bandarsteel.com>