

00104
BBA



**Project on: Analysis of financial performance of
Ceramic Industry in Bangladesh
2001-2005**

Good objective
Good analysis
Good Work

Summed - Done

Submitted To:

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Date of Submission: 17 December 2006.



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Acknowledgement

Analysis of financial performance of ceramic industry in Bangladesh has been an intelligible learning experience for me. The analysis associated with this project has made all my learning more vivid and tangible. A practical involvement such as this has exposed me to new dimensions of concepts and perceptions regarding financial statement. All of these establishments, however, would never evolve without the relentless efforts and illuminating supervision of **Md. Shariful Islam**.

Concept on the "**Activity, Liquidity Long-Term Debt & Solvency and Profitability Analysis**", which will enhance my knowledge about ratio & financial statement. Without his help it was impossible for me to complete this project.

December 17, 2006.

Md. Shariful Islam
Lecturer
Department of Business Administration
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Subject: Submission of the Project.

Dear Sir,

I was asked to prepare a project on “**Analysis of financial performance of ceramic industry in Bangladesh**” which has been prepared in partial fulfillment of a BBA degree. I have tried my level best to provide all the relevant information about this issue in my project. I believe I have done my job effectively and this project has contributed significantly to my better understanding about **Activity, Liquidity Long-Term Debt & Solvency and Profitability Analysis.**

I was delighted to organize this project and I am really looking forward to it. Thank you to help me lot for preparing this project.

If you need any more information concerning this project, please let me know.

Thanking you,

Sincerely,



Md. Abu Shaikh Siddique

ID: 2003-2-10-139

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Executive Summary

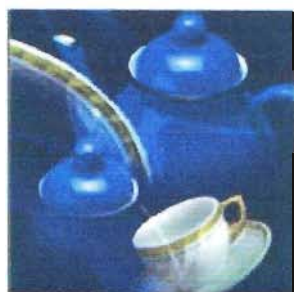
The main purpose of the report is to provide a basic idea of what Ratio analysis is and how the **activity, liquidity, long-term debt & solvency and profitability ratio analysis** are used to evaluate the periodic financial success of a firm.

Generally, ratios are more informative than raw numbers. Ratios provide meaningful relationships between individual values in the financial statements. I have completed the ratio analysis of **Fu-Wang, Monno, Standard, and Bengal Fine Ceramic Ltd.** and my concentration on **activity, liquidity, long-term debt & solvency and profitability ratio analysis**. There are basically four uses of financial ratio analysis: to track individual firm performance over time, and to make comparative judgments regarding firm performance.

Firm's performance is evaluated using trend analysis—calculating individual ratios on a per-period basis, and tracking their values over time. I tried to focus and analyze all aspects of ratio analysis but it was not possible for time constraint. To grasp the actual business scenario, I calculated and compared data over a period of several years. This allows me to identify trends in these measurements.

Chapter-1

INTRODUCTION



1.1 Origin of the Project

To make a student a perfect competitor in this competitive world, academic qualification is not enough. An analysis is highly required to gain ideas, knowledge and experiences to understand the performance of an organization.

The East west University (EWU), one of the reputed private universities of Bangladesh, has designed the curriculum of the BBA course such a way that the international graduates will be produced. After completing 120 credits hours, one student need to go for further 3 Credits hours project program. From this project program students get the opportunity to learn facing the real business world.

1.2 Topic of the Project

It is necessary to select a topic to write a project. A well-defined topic reflects what is going on to be discussed throughout the project. The topic I have selected “**Activity, Liquidity, Long-Term debt & Solvency and Profitability analysis of four listed Ceramic Company over five years**”. The project discussed how the profitability, activity, long-term debt & solvency and liquidity analysis are used to evaluate the periodic financial success of a firm.

1.3 Objective of the Project

The object of this report is to complete the project as per requirement of BBA program of the East West University. The submission of this project assures the University that the student has acquired three months of practical knowledge about real business world.



1.4 Scope of the Report

As I was working with the annual report of **Fu-Wang, Monno, Standard, and Bengal Fine Ceramic Ltd.**, I got the opportunity to learn different part of financial Statement. The supervisor divided the project work into four major ratios (**Activity, Liquidity, Long-Term debt & Solvency and Profitability**).

1.5 Methodology

This project has been prepared on the basis of Annual Report on four-listed Ceramics Company during the period of project work from 24th May to 14th August of the year 2006. For preparing this project, I have also get information from website of the **Fu-Wang, Monno, Standard, and Bengal Fine Ceramic Ltd.**

1.6 Limitations

- ✦ It was very difficult to collect annual report in the previous years.
- ✦ Because of the limitation of information, some assumption was made. So there may be personal mistake in the report.
- ✦ Financial statements are influenced by the personal judgment of the account. Such judgment if based on integrity and competency of the accountant will definitely affect the preparation of the financial statements. It may also affect to prepare this project.
- ✦ The time, 3 months only, which are insufficient to analyze all the major ratios.



Chapter-2

Financial Statements



2.1 Financial Statements

Statements that reflect the collection, tabulation, and financial summarization of the accounting data. Financial statements are the starting point for analysis as they report data about income, cash flows, assets & liabilities that users can tailor to their needs. To do so they need to understand the information provided by financial statement and the shortcomings of the data. In addition, financial statement users must be able to rearrange the information provided in a manner consistent with objectives. Five statements are involved:

- I. Income statement:** The income statement, often called the statement of income or statement of earnings, is the report that measures the success of enterprise operations for a given period of time. The business and investment community uses this report to determine profitability, investment value and credit worthiness. It provides investors and creditors with information that helps them predict the amounts, timing, and uncertainty of future cash flows.
- II. Balance sheet:** The balance sheet sometimes referred to as the statement of financial position, reports the assets, liabilities, and stockholders equity of a business enterprise at a specified date. This financial statement provides information about the nature and amounts of investments in enterprise resources, obligations to creditors, and the owners' equity in net resources. It therefore helps in predicting the amounts, timing and uncertainty of future cash flows.
- III. Statement of cash flows:** The statement of cash flows reports cash receipts, cash payments, and net change in cash resulting from operating, investing, and financing activities of an enterprise during a period, in a format that reconciles the beginning and ending cash balances.
- IV. Statement of retained earnings:** The statement of retained earnings, which reconciles the balance of the retained earnings account from the beginning to the end of the period. This financial statement shows the utilization



of profits of the company i.e., dividend declared, amount transferred to general reserve or any other reserve are shown in this account.

V. **Statement of changes in Equity:** This statement shows changes in equity.

IAS 1 Presentation of Financial Statements requires the following regarding statement of changes in equity.

- a) The net profit or loss for the period.
- b) Each item of income and expense, gain or loss which, as required by other standards, is recognized directly in Equity, and the total of these items; and
- c) The cumulative effect of changes in accounting policy and the correction of fundamental errors dealt with under the benchmark treatment in *IAS 8*.

In addition, an enterprise should present, either with in this statement or in the notes:

- d) Capital transactions with owners and distributions to owners.
- e) The balance of accumulated profit or loss at the beginning of the period and at the balance sheet date, and the movements for the period; and
- f) Reconciliation between the carrying amount of each class of equity capital, share premium and each reserve at the beginning and the end of the period, separately disclosing each movement.

2.2 Nature of Financial Statements

Financial statements are prepared for the purpose of presenting a periodical review or report by the management and deal with the state of investment in business and result achieved during the period under review. They reflect a combination of recorded facts, accounting concepts and conventions and personal judgments. From this it is clear that three things affect financial statements i.e., **recorded facts, accounting conventions and personal judgments**. Only those facts, which are recorded in the business books, will be reflected in the financial statements. For example, fixed assets are recorded in the books at cost price and shown in the balance sheet at cost price irrespective of their market or realizable price. Again financial statements are prepared by following certain principles, which are in use for a long time.



The following points reflect truly the nature of financial statements of business entities:

- ❖ These are reports or summarized reviews about the performance, achievements and weaknesses of the business.
- ❖ These are prepared at the end of the accounting period so that various parties may take decisions of their future actions in respect of the relation ship with the business.
- ❖ The reliability of financial statements depends on the reliability of accounting data. These statements cannot be said to be true and fair representatives of the strengths or profitability of the concern if there are numerous frauds and defalcations in the accounts.
- ❖ These statements are prepared as per accounting concepts and conventions.
- ❖ These statements are influenced by the personal judgment of the accountant though he is expected to be more in his approach. These judgments may relate to valuation of inventory, depreciation of fixed assets and while making distinction between capital and revenue.

2.3 Importance of Financial Statements

The information given in the financial statements is very useful to a number of parties as given below:

- ◆ **Owners:** The owners provide funds for the operations of a business and they want to know whether their funds are being properly utilized or not. The financial statements prepared from time to time satisfy their curiosity.
- ◆ **Creditors:** Creditors (i.e., suppliers of goods and services on credit, bankers and other lenders of money) want to know the financial position of a concern before giving loans or granting credit. The financial statements help them in judging such position.
- ◆ **Investors:** Prospective investors, who want to invest money in a firm, would like to make an analysis of the financial statements of that firm to know how safe proposed investment will be.



- ◆ **Employees:** Employees are interested in the financial position of a concern they serve, particularly when payment of bonus depends upon the size of the profits earned. They would like to know that the bonus being paid to them is correct; so they become interested in the preparation of correct Profit and Loss Account.
- ◆ **Government:** Central and State Governments are interested in the financial statements because they reflect the earnings for a particular period for purposes of taxation. Moreover, these financial statements are used for compiling statistics concerning business that, in turn, help in compiling national accounts.
- ◆ **Consumers:** Consumers are interested in the establishment of good accounting control so that cost of production may be reduced with the resultant reduction of the prices of goods they buy.
- ◆ **Managers:** Management is the art of getting things done through others. This requires that the subordinates are doing work properly. Financial statements are an aid in this respect because they serve the manager is appraising the performance of the subordinates. Actual results achieved by the employees can be measured against the budgeted performance they were expected to achieve and remedial action can be taken if the performance is not up the mark.

2.4 Limitations of Financial Statements

The following are the main limitations of the financial statements:

- **Interim and not final reports:** Financial Statements do not depict the exact position and are essentially interim reports. The exact position can be only known if the business is closed.
- **Lack of precisions and definiteness:** Financial statements may not be realistic because these are prepared by following certain basic concepts and conventions. For example, going concern concept gives us an idea that business will continue and assets are to be recorded at cost but the book value at which the asset is shown may not be actually realizable. Similarly, by following the principle of conservatism the financial statements will not reflect the true position of the business.



- **Lack of objective judgment:** Financial statements are influenced by the personal judgment of the accountant. He may select any method for depreciation, valuation of stock, amortization of fixed assets and treatment of deferred revenue expenditure. Such judgment if based on integrity and competency of the accountant will definitely affect the preparation of the financial statements.
- **Record only monetary facts:** Financial statements disclose only monetary facts, i.e., those transactions are recorded in the books of accounts, which can be measured in monetary terms. Those transactions which can not be measured in monetary terms such as, conflict between production manager and marketing manager may be very important for a business concern but not recorded in the business books.
- **Historical in nature:** These statements are drawn after the actual happening of the events. They attempt to present a view of the past performance and have nothing to do with the accounting for the future. Modern management is forward looking but these statements do not directly help them in making future estimates and taking decisions for the future.
- **Scope of manipulations:** These statements are sometimes prepared according to the needs of the situation or the whims of the management. A highly efficient concern may conceal its real profitability by disclosing loss or minimum profit whereas an inefficient concern may declare dividend by wrongly showing profit in the profit and loss account. For this under or over valuation of inventory, over or under charge of depreciation, excessive or inadequate provision for anticipated losses and other such manipulations may be resorted to. Window dressing may also be resorted to in order to show better financial position of a concern than its real position.
- **Inadequate information:** There are many parties who are interested in the information given in the financial statements but their objectives and requirements differ. The financial statements as prepared under the provisions of the **Companies Act, 1956**, fail to meet the needs of all. These are mainly prepared to safeguard the interest of shareholders.



2.5 Analysis of financial statement

Analysis is the process of critically examining in detail accounting information given in the financial statements. For the purpose of analysis, individual items are studied; their relationships with other related figures established, the data is sometimes rearranged to have better understanding of the information with the help of different techniques or tools for the purpose. Analyzing financial statements is a process of evaluating relationship between component parts of financial statement to obtain a better understanding of firm's position and performance. In the words of **Myer**, "Financial statements analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trend of these factors as shown in a series of statements". The analysis of financial statements thus refers to the treatment of the information contained in the financial statements in a way so as to afford a full diagnosis of the profitability and financial position of the firm concerned. For this purpose financial statements are classified methodically, analyzed and compared with the figures of previous years or other similar firms.

2.6 Meaning of interpretation

Analysis and interpretation are closely related. Interpretation is not possible without analysis and without interpretation analysis has no value. Various account balances appear in the financial statements. These account balances do not represent homogeneous data so it is difficult to interpret them and draw some conclusions. This requires an analysis of the data in the financial statements so as to bring some homogeneity to the figures shown in the financial statements. Interpretation is thus drawing of inference and stating what the figures in the financial statements really mean. Interpretation is dependent on interpreter himself. Interpreter must have experience, understanding and intelligence to draw correct conclusions from the analyzed data.

In the words of **Kennedy and Memullar**, "The analysis and interpretation of financial statements are an attempt to determine the significance and meaning of the financial statements data so that a forecast may be made of the prospects for future earnings,



ability to pay interest and debt maturities (both current and long-term), and probability of a sound dividend policy.”

The most important objective of the analysis and interpretation of financial statements is to understand the significance and meaning of financial statements data to know the strength and weakness of a business undertaking so that a forecast may be made of the future prospects of that business undertaking.

2.7 Objective (or Uses) of Financial Analysis

In short, the main objectives of analysis of financial statements are to assess:

- I. The present and future earnings capacity or profitability of the concerns,
- II. The operational efficiency of the concern as a whole and of its various parts or departments,
- III. The short-term and long-term solvency of the concern for the benefit of the debenture holders and trade creditors,
- IV. The comparative study in regard to one firm with another firm or one department with another department,
- V. The possibility of developments in the future by making forecasts and preparing budgets,
- VI. The financial stability of a business concern,
- VII. The real meaning and significance of financial data and so on.



Chapter-3



3.1 Ratio Analysis

A tool used by analysts which utilizes the relationship between accounting figures and their trends over time to establish values and evaluate risks. Ratio analysis provide analyst with useful information understand about developing insights into the economic characteristics of different industries and of different firms in the same economic additional, different over time in a single firm or between firms due to operation, financing and investing decision made by management as well as external economic factor are often highlighted by common-size statement.

3.2 Purposes and Use of Ratio Analysis

In the world of business the importance of ratio analysis is very important. A primary advantage of ratios is that they can be used to compare the risk and return relationships of firms of different sizes. Ratios can also provide a profile of a firm, its economic characteristics and competitive strategies, and its unique operating, financial, and investment characteristics. In addition ratios are very informative for both the insiders and outsiders of the firm.

3.3 Using Ratios to analyze financial performance

A ratio expresses the mathematical relationship between one quantity and another. Ratio analysis expresses the relationship among selected financial statement data. The relation ship is expressed in terms of a percentage, a rate, or a simple proportion. For example: IBM Corporation had current assets of \$41,338 million and current liabilities of \$29,226 million. The relation ship is determined by dividing current assets by current liabilities. The alternative means of expression are:

Percentage: Current assets are 141% of current liabilities.

Rate: Current assets are 1.41 times as great as current liabilities.

Proportion: The relationship of current assets to liabilities is 1.41:1 (DONE)



3.4 Major types of Ratio Analysis

Four broad ratio analysis categories measure the different aspects of risk and return relationships:

- **Activity Ratio Analysis:** Activity ratios provide measures of management effectiveness. These ratios serve as a guide to critical factors concerning the use of the firm's assets, inventory, and accounts receivable collections in day-to-day operations (Both long-term & short-term assets). Activity ratios are especially important for internal monitoring concerning performance over multiple periods, serving as warning signals or benchmarks from which meaningful conclusions may be reached on operational issues. An example is the total asset turnover (TAT) ratio.
- **Liquidity Ratio Analysis:** Managers and creditors must closely monitor the firm's ability to meet short-term obligations. The liquidity ratios are measures that indicate a firm's ability to repay short-term debt. Current liabilities represent obligations that are typically due in one year or less. The current and quick ratios are used to gauge a firm's liquidity.
- **Long-Term Debt & Solvency Ratio Analysis:** The analysis of a firm's capital structure essential to evaluate its long-term risk & return prospects. Leveraged firms accrue excess returns to their shareholders as long as the rate of return on the investments financed by debts is greater than the cost of debt. The benefits of financial leveraged bring additional risks, however, in the form of fixed costs that adversely affect profitability if demand or profits margins decline. Moreover, the priority of interest & debt claims can have a severe negative impact on a firm when adversity strikes. The inability to meet these obligations can lead to default & possible bankruptcy.
- **Profitability Ratio Analysis:** Equity investors are concerned with the firm's ability to generate, sustain & increase profits. Profitability can be measured in



several differing but interrelated dimensions. First, there is the relationship of a firm's profit to sales, that is, the residual return to the firm per sales dollar. Another measure, return on investment (ROI), relates profits to the investment required to generate them. Perhaps the types of ratios most often used and considered by those outside a firm are the profitability ratios. Profitability ratios provide measures of profit performance that serve to evaluate the periodic financial success of a firm.

3.5 For my project work I would like to concentrate on four major ratios, which are as follows:

<u>Ratio</u>	<u>Formula</u>	<u>Purpose or Use</u>
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Activity ratio:

a. Short-term (operating) activity ratio:

Inventory turnover ratio	$\text{Cost of goods sold} / \text{Average inventory}$	It measures the efficiency of firms inventory management.
Average no. Of days inventory In stock	$365 / \text{Inventory turnover}$	It measures how many times inventory in the warehouse.
Receivable turnover ratio	$\text{Sales} / \text{Ave: receivables}$	It measures the effectiveness of the firm credit policies.
Average no. Of days receivable outstanding	$365 / \text{Receivable turnover}$	It measures the number of days receivable outstanding.
Payable turnover ratio	$\text{Purchases} / \text{Ave: accounts payables}$	It measures the effectiveness in delaying their payables.



<u>Ratio</u>	<u>Formula</u>	<u>Purpose or Use</u>
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Average no. Of days payable outstanding	$365 / \text{Payable turnover}$	It measures how lately we can pay our creditors.
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b. Long-term activity ratio:

Fixed asset turnover ratio	$\text{Sales} / \text{Ave: fixed asset}$	It measures the efficiency of capital investment.
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Total asset turnover ratio	$\text{Sales} / \text{Ave: total asset}$	It measures the efficiency of sales against total assets.
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Liquidity ratio:

Current ratio	$\text{Current assets} / \text{Current liabilities}$	It measures short-term paying debt ability.
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Quick or acid-test ratio	$(\text{Cash} + \text{Marketable securities} + \text{receivables}) / \text{Current liabilities}$	A measures conservative of liquidity is the quick ratio
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Cash ratio	$(\text{Cash} + \text{Marketable securities}) / \text{Current liabilities}$	It measures how quickly a firm can pay it current debt.
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Cash flow from operations ratio	$\text{Cash flow from operation} / \text{Current liabilities}$	It measures liquidity by comparing actual cash flows with current liabilities
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Long-term debt & Solvency ratio:

Debt to total capital ratio	$\text{Total debt} / \text{Total capital}$	It measures the firm solvency
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<u>Ratio</u>	<u>Formula</u>	<u>Purpose or Use</u>
Debt to Equity ratio	$\frac{\text{Total debt}}{\text{Total equity}}$	It measures the firm has the ability to meet its debt by the equity
Times interest earned ratio	$\frac{\text{Earning before Interest \& Taxes}}{\text{Interest Expenses}}$	It measures ability to cover interest expenses
Capital expenditure ratio	$\frac{\text{Cash from operation (CFO)}}{\text{Capital expenditure}}$	It measures ability to meet capital expenditure by its cash flow from operation.
CFO to debt ratio	$\frac{\text{CFO}}{\text{Total debt}}$	It measures ability to meet its debt & daily necessities.

Profitability ratio:

Gross margin ratio	$\frac{\text{Gross profit}}{\text{Sales}}$	It measures to get an amount of profit how much sales the firm has to generate.
Operating margin ratio	$\frac{\text{Operating income}}{\text{Sales}}$	It measures firm's profitability from the operation of its main business.
Margin before interest and tax ratio	$\frac{\text{EBIT}}{\text{Sales}}$	It measures a firm's operating efficiency.
Pretax margin ratio	$\frac{\text{Earning before tax (EBT)}}{\text{Sales}}$	It measures a firm's ability to meet its financing cost prior to income tax.
Profit margin ratio	$\frac{\text{Net income}}{\text{Sales}}$	It measures how much profit we can generate by sales



Chapter-4

Ceramic Industry Of Bangladesh



4.1 Ceramic Industry in Bangladesh

In Bangladesh Ceramic sector is one of the most developed hi tech sector, which is contributing in the country's economy. Export of ceramics goods from Bangladesh, especially in the Middle Eastern countries, 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 ceramic export market is not that old but it had already earned a good name for its quality products with elegant getup and design. There are four major companies -Monno Ceramics, Peoples Ceramics, Bengal Fine Ceramics, Standard Ceramics and Shinepukur Ceramics-who are manufacturing quality products to meet the international standard and have been exporting their goods for a long time.

Though the export earnings from ceramics sector is no match in comparison to the Ready Made Garments or leather sectors, but the sector is contributing to the country's overall development by exploring new market even in Eastern Europe and expanding its export base for foreign. A silent revolution is taking shape in the country's ceramic sector in its thrive to attain quality in production for its products by these ceramics companies. Most significantly, all the existing companies are running their ventures depending on local workforce and market capital, but still they are dependent on others for some raw materials. Yet despite some limitations, the sector has every potentials to grow and become a big foreign exchange earner for the country with its dazzling products in the era of globalization which has exposed our products to unequal competition in world market. Hopefully ceramics industry would sustain this challenge of stiff competition and proceed forward with quality products in a very reasonable price range and bring good name for the country.

4.2 Five forces analysis of Ceramic Industry

In analyzing a firms profit potential, an analyst has to first assess the profit potential of each industries in which the firm is competing. Because the profitability of various industries differs historically and predictably over time, there is a vast body of



research in industrial organization on the influence of industries structure on profitability. Relying on this research, strategy literature suggests that the five forces shown in the figure below influence the average profitability of an industry:

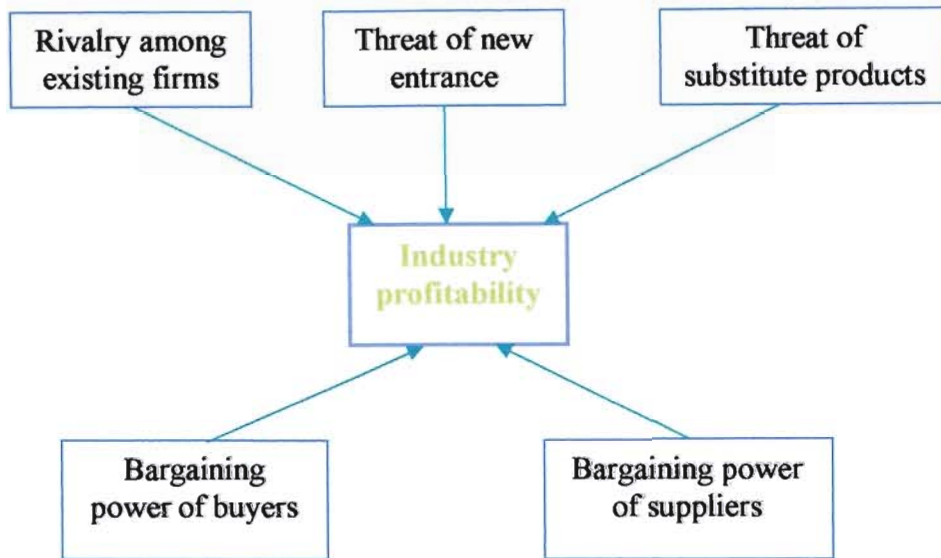


Figure: industry structure and profitability.

At the most basic level, the profits in an industry are a function of the maximum price that customers are willing to pay for the industries product or service. One of the key determinants of the price is the degree to which there is competition among suppliers of the same or similar products. In reality a degree of competition in most industries is somewhere in between perfect competition and monopoly, which is the same in case of ceramic industry as well. Each of the competitive forces of ceramic industry has been described below:

Competitive force 1: Threat of new entrance

After analyzing the ceramic industry in our country I find the following threat and opportunities of new entrance in this industry.



- *Economies of Scale:*

Ceramic industry deserves most of its investment on research and development. These economics deter entry by forcing the aspirant either to come in on a large scale or to accept a cost disadvantages. Scale economics in production, research, marketing & service are



probably the key barriers to entry in the mainframe computer industry. Economic of scale also can act as hurdles in distribution, utilization of the sales force financing & nearly any other part of a business. Therefore at the infant stage any firm belongs to this industry cannot enjoy large economies of scale. But once it can achieve something in any particular sector through its research and development, it can enjoy a large economic of scale in that particular sector. So this industry enjoys large economies of scale in the long run. Firms prevailing in this industry for long time can have this benefit. As a result threat for new entrance is low.

- *Product Differentiation:*

Most of the products of ceramic industry are differentiated because of their different quality. Though we find different brands for one single product and some products having similar quality.

- *Capital Requirements:*

The need to invest large financial resources in order to compete creates a barrier to entry, particularly if the capital is required for unrecoverable expenditures in up-front advertising or R&D. Capital is necessary is not only for fixed facilities but also for customer credit, inventories and absorbing start up losses. While major corporations have the financial resources to invade almost any industry, the huge capital requirements in certain fields, such as computer manufacturing and mineral extraction, limit the pool of likely entrants. Earlier I have mentioned that ceramic industry deserve most of its investment on research and development. Investments on this sight always seek for a huge amount of money. As a result capital requirement of this industry is always high which mitigate the threat of new entrance in this industry.



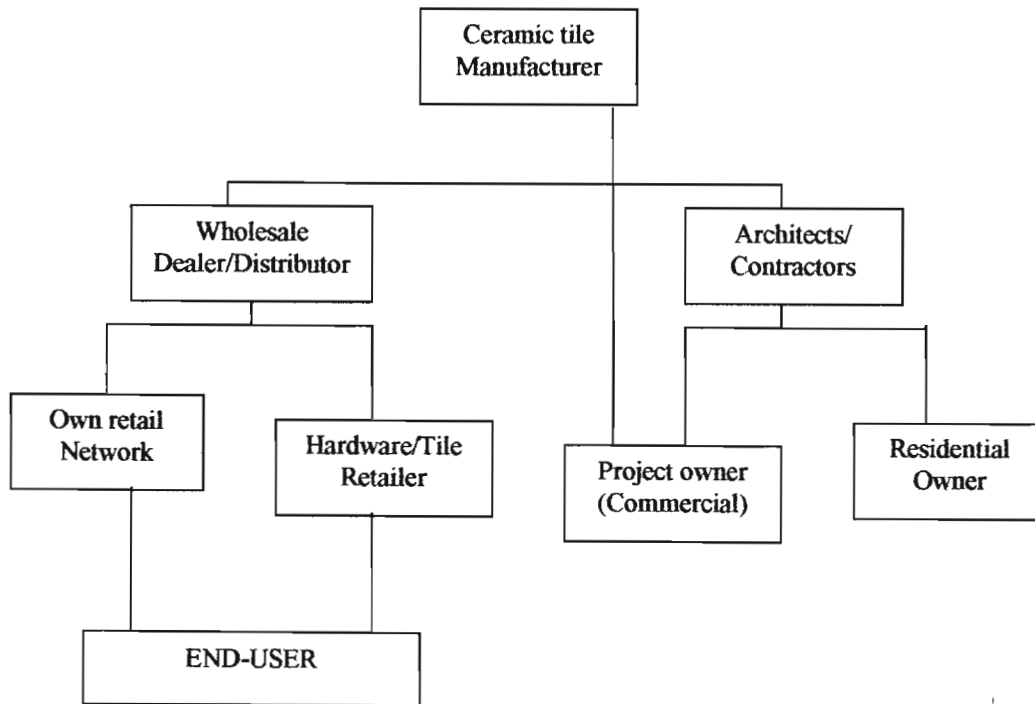
- *Customers Switching Cost:*

Since there are different brands of product having almost different quality, customers switching cost from one product to another is low.

- *Distribution Channel and Sources of Supply:*

While I give a look at the distribution channel and sources of supply of ceramic industry I see that the incumbent has good control over the distribution channels as well as the sources of supply. Firms like Moono, Bengal fine, and others ceramic company ltd. have their own plant to in the foreign countries to produce raw material. The finished goods are distributed to wholesalers, distributors, architects and/or contractor. From the wholesalers through the company's own retail network, these are than channeled to hardware and tile retailers where end user source their tiles.

Distribution Network Flowchart*



- *Proprietary knowledge and Technology:*

Ceramic industry in our country lacks technological knowledge. Here the incumbents even import the raw materials and the equipment necessary to for further production.



- *Government regulation and subsidy:*

Government gives incentives to the newly entered firms in the industry by giving them tax holidays and some more facilities to the firms in the industry, which are at the infant stage. But firms at the mature stage do not get benefit from the government like tax holidays and other kind of subsidies. Clearly it shows a high threat of new entrance in the industry. Again govt. imposes some regulations to the industry. Govt. sometimes imposes price ceiling so that a higher price cannot be charged from the customers. These regulations also come as a threat of new entrance on the industry.

Competitive force 2: Threat of substitutes

Substitute does not necessarily mean those that have the same form but those that perform the same function.

For example: brick and block in case of construction, wood and iron in case of furniture.

Substitute products are always threat to each other but the degree of threat differs and matters. Threat of the substitutes is highest when-

- Industry producing substitutes is highly profitable.
- Substitute products/services are improving in price and performance relationship.
- Extent of customer willingness to switch to substitute products or services.

- *Threat of substitutes in case of ceramic industry:*

Substitute's products of this industry are

- Melamine (Bangladesh, Sharif)
- Plastic
- Stainless steel &
- Others

- *Industry producing substitutes is highly profitable:*

Sharif melamine profitability is much higher than those of other substitutes. With the rise of scientific age others are just partial role player, may be able or may not be able to be profitable one.



- *Substitute products/services are improving in price and performance relationship:*

Melamine price performance relationship is superior to other substitutes. Other products cost less but quality of performance is poor too. To survive in the market others have to improve their quality and on the other hand must be sincere in case of price.

- *Extent of customer willingness to switch to substitute products or services:*

Customer willingness plays a major role for the choice in case of buying product. Some are there who have great affection for other type of products. Blind beliefs about the substitutes keep them off the Sharif melamine. But most of the educated and conscious people of this era are the supporter of the quality products and they are also eager to pay a price premium for it and it defines that extent of customer willingness is not so much and not necessarily a threat.

Competitive force 3: Rivalry among Existing Firms

In most industries, the average level of profitability is primarily influenced by the nature of rivalry among existing firms in the industry. In some industries, firms compete aggressively, pushing prices close to the marginal cost. In other industries, firms do not compete aggressively on price. Instead, they find ways to coordinate their pricing, or compete among non-price dimensions, such as innovation or brand image. Several factors determine the intensity of competition between existing players in a ceramic industry:



- *Number of competitors in industry:*

Intra-industry rivalry is fiercest when there are a large number of competitors in the industry. We know that, there are a large number of companies in ceramic industry of

our country at present. So, this is a source of threat for the existing companies in the industry.

- *Industry Growth:*

If the industry grows slowly or declines then the competition among existing firms become fierce. The ceramic industry in our country is growing at a rate of 10-12% annually. So it is an indicator of low intra industry rivalry. The industry is facing keen competition from the ceramic products being imported from SAARC countries under duty free scheme, Bangladesh and Srilanka have gas-fired furnaces which are very economical and also have supply of better and consistent quality of raw materials. Reportedly there is import of ceramic crockery and art wares from countries like Japan, U.K. and China.

- *Percentage of Fixed Cost:*

The investment in plants and machineries, which is considered as fixed cost, is medium, as their large part of investment is in research and development. This is an indicator of low intra-industry rivalry.

- *Storage cost for product:*

As ceramic is required to store through special procedure and the temperature of storehouse is needed to control strictly, the storage cost is very high for ceramic companies. This is also an indicator of high intra-industry rivalry.

- *Product Differentiation:*

We also know that intra-industry rivalry is fierce when products are differentiated. As most of the ceramic, without some very sophisticated products, of the ceramic companies are not differentiated. The ceramic companies do not make any direct advertisement to the users of the final product to create brand image. It also leads to tough competition among the companies of ceramic industry.



- *Switching Cost of Buyers:*

The switching cost of the buyers is very high, as the products are differentiated. So, they can easily switch to products, which have the lowest price. This is another source of fierce intra-industry rivalry.

- *Degree of Exit Barrier:*

We know exit barrier is high in an industry where the assets are highly specialized. The ceramic company's main investment is on product development and sustain in the market. So, the high exit barrier also forces the ceramic industry to a fierce intra-industry rivalry.

Competitive force 4: Power of supplier

The analysis of the relative power of suppliers is a mirror image of the analysis of the buyer's power in an industry. Suppliers are powerful when there are only a few companies and there are few substitutes available to their customers. Suppliers also have a lot of power over buyers when the suppliers' product or service is critical to buyers' business.

- *Concentration of suppliers:*

In ceramic industry, supplies of the raw material are mainly come from India, China, Europe & others. Most of the South Asian countries' ceramic companies collect raw materials from those countries. So there is huge supply of raw materials available. In Bangladesh, ceramic companies have lot of discrete of choosing suppliers among them. So suppliers are not highly concentrated.



- *Substitutes for supplier's products:*

Substitutes for the suppliers' product are available to the ceramic Companies. But it depends on the product type. If the product is specialized high tech one like- Monno; then substitutions of these raw materials are not much available. But if the product is general one then substitution of raw material may exist.

- *Forward integrate of suppliers:*

Mainly, suppliers only concentrate on raw material supply. Since establishment of a ceramic company needs huge capital outlay, suppliers do not go for forward integration.

- *Percentage of suppliers' business:*

The business done with the suppliers is not in negligible amount at all. Since in our country ceramic companies are good in numbers, the percentage of business is quite large.

- *Suppliers' products are differentiated:*

The products of the suppliers in ceramic industry are differentiated. Suppliers for variety of materials supply different products to the companies to produce different kinds of materials.

- *Switching between suppliers:*

Ceramic companies mainly choose suppliers base on low cost raw material supplies, low transaction cost, quality of raw material, timing of supply etc. In our ceramic industry, companies collect raw materials from India, China & others. So the switching cost is not so high in terms of the above factors, but more sophisticated materials are collected from European countries also.



Competitive force 5: Power of buyers

Customer likewise can force down prices, demand higher quality or more service and play competitors off against each other—all at expense of industry profits. A buyer group is powerful if:

1. It is concentrated or purchases in large volumes. Large volume buyers are particularly potent forces if heavy fixed costs characterize the industry—as they do in metal containers, corn refining & bulk chemicals.
2. The product it purchases from the industry is standard or undifferentiated. Though it is a differentiated product.
3. The industry's product does not save the buyer money.
4. It earns low profits, which create great incentive to lower its purchasing costs.
5. The buyers pose a credible threat of integrating backward to make the industry's threat.
6. The products it purchases from the industry form a component of its product & represent a significant fraction of its cost. The buyers are likely to shop for a favorable price and purchase selectively.

Most of these sources of buyer power can be attributed to consumers as a group as well as to industrial and commercial buyers only a modification of the frame of reference is necessary. Customers tend to be more price sensitive if they are purchasing products that are undifferentiated, expensive relative to their incomes, and of a sort where quality is not particularly important.

● *Price sensitivity:*

It determines the extent to which buyers care to bargain on price. Buyers are more



price sensitive when the product is undifferentiated and there are few switching costs. The sensitivity of buyers to price also depends on the importance of the product to their own cost structure. When the product represents a large fraction of the buyers' cost, the

buyer is likely to expend the resources necessary to shop for a lower cost alternative. In contrast, if the product is a small fraction of the buyers' cost it may not pay to expend resources to search for lower-cost alternatives. Furthermore, the importance of the product to the buyers' product quality also determines whether or not price becomes the most important determinant of the buying decision.

- *Relative bargaining power:*

It determines the extent to which they will succeed in forcing the price down. Even if buyers are price sensitive, they may not be able to achieve low prices unless they have a strong bargaining position. Relative bargaining power in a transaction depends, ultimately, on the cost to each party of not doing business with the other party. The number of buyers relative to the number of suppliers, volume of purchases by a single buyer, number of alternative products available to the buyers' costs of switching from one product to another and the threat of backward integration by the buyers determines the buyers' bargaining power.

- *Buyers' concentration & volume of buying:*

Buyers in the ceramic industry are high in volume and scatter. They are from each and every income group from all over the country. In Monno, Standard, Shine Pukur, & Bengal fine ceramic Ltd. they have variety of buyers in great numbers from all phases of life.

- *Product differentiation:*

Products are differentiated in ceramic industry. Monno ceramic Ltd. has variety of products of different quality. Some products of Monno ceramic Ltd. have become the highest selling product in country's ceramic industry. However, Brand identification creates a barrier by forcing the entrants to spend heavily to overcome customer loyalty. Advertising, customer services, being first in the industry and product differences are among the factors fostering brand identification.



- *Backward integration of buyers:*

In the ceramic production, many sophisticated, rare and valuable ingredients are needed. So in ceramic industry buyers basically cannot backward integrate.

- *Impact on quality of the buyers' final product:*

Since ceramic products are highly sophisticated, product has great impact on quality of the buyers' final product. The major buyers of ceramic tiles are companies engaged in private and public housing, commercial projects and infrastructure projects as well as direct purchasers at the retail level. Local constructors also utilize ceramic tiles condominiums and shopping malls.



Chapter-5

About Organization



Overview of Four Ceramic Companies are given below:

5.1 Monno Ceramic LTD.

Monno Ceramic Industry Ltd. was incorporated in Bangladesh as a public company on 21st April 1981 under the Company Act 1913. The company went for public issue of shares in 1985 and its share would be listed with Dhaka Stock Exchange Limited & Chittagong Stock Exchange Limited since 1983 & 1995 respectively. The name of Monno-the man-is entwined with the name of Monno-the product. A man gifted with an inherent entrepreneurial sense, Mr Monno started a trading house in 1960, which continued to expand in scope and nature as time went along. In 1985, Monno went into production of porcelain-ware. The success was immediate as there was a demand for such product in the local market. Monno's state-of-the-art technology and creative designs gave Monno an edge over its competitors not only at local but also at global market.

Monno has provided jobs to local artisans who have a long tradition in their respective profession. Under Monno's facilities, these craftsmen work to their full potential and adorn each Monno product with care and passion.

The principal place of business of the company and its registered office is situated at 9, Wyre Street, Wari, Dhaka-1203 and the factory is located at Islampur, Dhamrai, Dhaka.

The Company owns and operates modern ceramic wares factory and produces high quality **Porcelain** and **Bone China** tableware's products and sells them in the local as well as foreign markets.

A Few Years Performance at a Glance:

(Figure in Million)

Particulars	2005	2004	2003	2002	2001
Authorized Capital	200.00	200.00	200.00	200.00	200.00
Paid up capital	135.00	135.00	135.00	135.00	135.00
Sales (Net)	726.55	715.29	676.78	655.09	646.93
Gross Profit	133.98	128.25	141.60	144.80	144.53



Gross Profit Ratio	22.34%	22.1%	20.92%	17.23%	18.44%
Profit before Tax	37.77	30.18	20.47	8.14	8.93
Net Profit after Tax	13.76	24.15	16.25	7.31	7.96

Financial Performance at a glance

Year	Earning per share	Net Asset Value Per Share	Net Profit After Tax (mn)	Price Earning Ratio	% Dividend	% Dividend Yield
2001	10.19	251.85	13.76	22.51	20.00	8.71
2002	17.89	256.18	24.15	15.20	15.00	5.51
2003	12.04	259.74	16.25	20.99	10.00	3.96
2004	5.41	255.27	7.31	61.85	15.00	4.48
2005	5.90	244.26	7.96	41.81	15.00	6.09

All figures in BDT (Bangladeshi Taka)

5.2 Fu-Wang Ceramic Industry LTD.

Fu-Wang Ceramic Industry Ltd. was incorporated in Bangladesh as a public company on 31 May 1995. It started manufacturing ceramic tiles in Bangladesh in 1996 there was only one small plant in private sector where as now there are as many as five manufacturing plants more or less identical to them sharing market demands. It commenced commercial operation in October 1996 in unit-1 and in October 2000 in unit-2. The shares of the company are listed in the Dhaka Stock Exchange at May 1998 and Chittagong Stock Exchanges at May 1998.

The registered office of the company is located at Banani House No.50, Road No. 17 Dhaka-1213 and the manufacturing plant is located at Hotapara, Gazipur Sadar, Gazipur.

To be up to its competitors and to abreast with the changing taste of the customers it had put its best efforts for market research to develop varied designs and types of tiles and to improve the quality of its existing products taking into consideration the taste of the customers. The company is committed to do the best against all the odds to achieve business targets.

During the year, the principal activities of the company are shown in bellow:

Corporate Operational Result:

(Figure in Million)

Particulars	2005	2004	2003	2002	2001
Authorized Capital	500.00	500.00	500.00	500.00	500.00
Paid up capital	300.00	300.00	300.00	300.00	300.00
Sales (Net)	327.05	293.51	311.15	198.13	371.96
Gross Profit	92.61	82.61	88.11	57.45	108.72
Gross Profit Ratio	29.23	29	28.32	28.14	28.32
Profit before Tax	35.07	31.43	35.13	23.81	66.79
Net Profit after Tax	21.26	19.05	22.17	14.58	46.67

Financial Performance at a glance

Year	Earning per share	Net Asset Value Per Share	Net Profit After Tax (mn)	Price Earning Ratio	% Dividend	% Dividend Yield
2001	15.56	131.00	46.67	9.75	20.00	13.18
2002	4.86	1.33.64	14.58	19.90	5.00	5.17



2003	7.39	133.25	22.17	14.75	10.00	9.17
2004	6.35	137.30	19.05	16.38	5.00	5.81
2005	7.09	143.71	21.26	11.57	6.00	7.32

All figures in BDT (Bangladeshi Taka)

5.3 Standard Ceramic Industry LTD.

The company is a public limited company registered on 13-08-84. The project was initially funded by BSB, IPDC & SABINCO. Production started in the later part of 1993. Approval of prospectus from Securities & Exchange Commission had been obtained on 14th September 1996. The company was listed with Dhaka Stock Exchange & Chittagong Stock Exchange on 7th December, 1996 and on 4th December 1996 respectively.

The registered office of the company is located at 372/A, Dilu Road, Moghbazar, Dhaka. The Head office at Amin Court (3rd Floor), 62-63 Motijheel C/A, Dhaka-1000. The Company is a ceramic industry for manufacture of ceramic stone wares & table wares for local and foreign markets.

During the year, the principal activities of the company are shown in bellow:

5 Years' Statistics

(Amounts in Million)

Particulars	2005	2004	2003	2002	2001
Authorized Capital	100.00	100.00	100.00	100.00	100.00
Paid up capital	58.60	58.60	58.60	58.60	58.60
Turnover (Net)	120.95	126.45	147.98	99.56	80.89
Gross Profit	20.15	24.80	30.50	17.12	13.98
Gross Profit Ratio	17%	20%	17%	17%	17%
Profit before Tax	5.63	8.68	9.46	1.16	0.81
Net Profit after tax	3.41	5.36	6.04	0.80	0.54



Financial Performance at a glance

Year	Earning per share	Net Asset Value Per Share	Net Profit After Tax (mn)	Price Earning Ratio	% Dividend	% Dividend Yield
2001	0.91	183.85	0.54	114.66	-	-
2002	1.36	180.20	0.80	74.43	5.00	4.95
2003	10.31	180.51	6.04	13.22	10.00	0.80
2004	9.14	206.35	5.36	15.88	10.00	6.88
2005	5.82	209.52	3.41	18.90	7.50	6.82

All figures in BDT (Bangladeshi Taka)

5.4 Bengal Fine Ceramic LTD.

The Company is incorporated in Bangladesh under the companies Act 1913 as a public limited company. The Company is engaged in the manufacture & sale of stone wares as well as Oxi porcelain wares covering all ranges of crockeries, etc. The Company holds a right to extract Mymensingh Clay from 152.17 hectares land at Durgapur, Netrokona leased from the Government of Bangladesh on year to year basis. The shares of the Company are listed with the Dhaka Stock Exchange Ltd. & Chittagong Stock Exchange Ltd at 1996.

Bengal Fine Ceramics Limited is a Dutch/Bangladesh Joint venture project established in Savar, Dhaka. M/s. Takasago Industry Co. Ltd. Japan who are one of the leading manufacturers of Tunnel Klin and other ceramic machinery have supplied the plant and machinery for the project under turn - key contract and technical collaboration agreement. The Project is being run by a set of experienced engineers and skilled technicians trained abroad.

The IVORY STONE which is a fine stoneware being produced by Bengal Fine Ceramics Limited, bears smart shapes and contemporary designs which make it most

attractive and closer to one's heart. It is tested to be microwave OVEN PROOF and DISHWASHER PROOF By its originality and characteristic of its natural color IVORY STONE makes itself a special product in the history of ceramic tableware's in Bangladesh.

Because of its quality, stoneware's are most suitable for restaurants, hostels and dormitories where constant and rough uses are common. At the same time the colorful motifs, versatile shape, and COMPITITIVE PRICE OF IVORY STONE would make it a perfect first choice for domestic use. It rightly matches today's life style.

During the year, the principal activities of the company are shown in bellow:

5 Years' Statistics

(Amounts in Million)

Particulars	2005	2004	2003	2002	2001
Authorized Capital	100.00	100.00	100.00	100.00	100.00
Paid up capital	65.00	65.00	65.00	65.00	65.00
Sales (Net)	171.00	144.82	136.21	118.63	107.15
Gross Profit	46.03	37.58	36.02	29.38	13.44
Gross Profit Ratio	27%	26%	26%	25%	13%
Profit before Tax	6.99	5.97	6.67	8.02	1.63
Net Profit after Tax	4.37	3.73	4.17	5.62	1.06

Financial Performance at a glance

Year	Earning per share	Net Asset Value Per Share	Net Profit After Tax (mn)	Price Earning Ratio	% Dividend	% Dividend Yield
2001	1.63	103.22	1.06	45.10	Nil	0.00
2002	8.64	100.86	5.62	14.96	11.00	8.51



2003	6.42	101.77	4.17	16.68	5.00	4.67
2004	5.74	102.01	3.73	16.95	5.00	5.14
2005	6.72	103.73	4.37	12.39	5.00	6.01

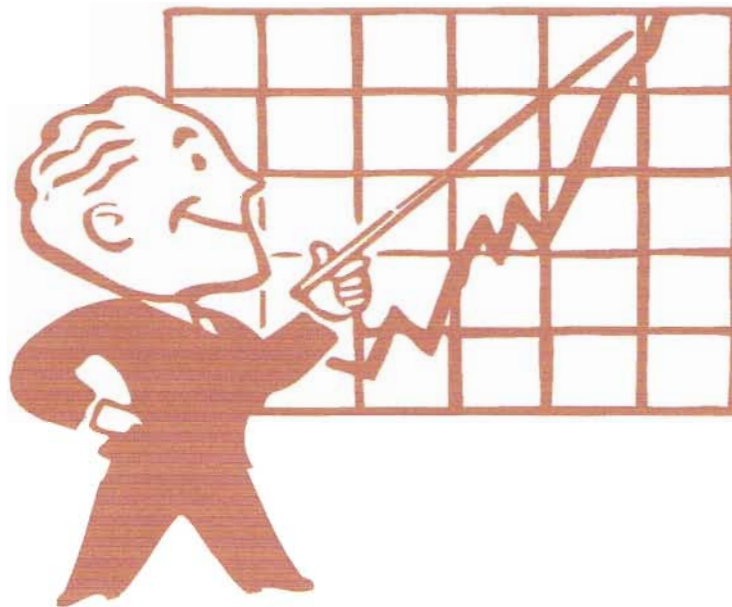
All figures in BDT (Bangladeshi Taka)

Whatever I discussed above that is the overview of four Ceramic Companies which is situated in Bangladesh.



Chapter-6

Analysis Part



PART: 1

**RATIO AND FINANCIAL
ANALYSIS**

6.1 COMMON-SIZE STATEMENTS:

Common-size statements are used to standardize financial statement components by expressing them as a percentage of relevant bases. Balance sheet components can be shown as a percentage of total assets and revenue and expenses can be computed as a percentage of total sales.

Common-size statements of four ceramic companies are shown in bellow:

Common-size Balance sheet of Monno ceramic:

Assets	Common Size (%)				
	2001	2002	2003	2004	2005
	%	%	%	%	%
Inventories	24.3	24.13	15.55	24.13	23.05
Trade & others receivables	6.71	9.55	8.32	8.16	9.76
Advance, Deposit & Pre-payment	4.17	5.19	6.34	7.2	6.16
Cash & cash equivalent	7.96	6.31	2.93	1.24	2.09
Current Assets	43.15	45.17	37.14	40.73	41.06
Property, Plant & Equipment	45.15	43.74	53.12	49.87	49.06
Investment	11.70	11.07	9.73	9.4	9.88
Non-Current Assets	56.85	54.83	62.86	59.27	58.94
Total Assets	100	100	100	100	100
Equity and Liabilities					
Short-term borrowing	19.14	20.47	18.28	31.82	25.44
Long-term Loans (current position)	0	0	0	0	5.53
Trade & others payable	8.53	8.77	7.11	4.07	1.84
Accrued Expenses	1.28	2.51	2.23	1.37	1.95
Unclaimed Dividend	0.37	0.46	0.44	0.46	0.54
Provision for income tax	1.95	2.86	3	0.72	0.77
Liabilities for other Finance	0.04	0.09	2.92	2.27	0.47
Current Liabilities	35.5	39.17	34.78	41.41	36.54
Long tern Borrowing	21.1	14	21.98	16.86	21.26
Deferred Liability	1.44	1.5	2.56	1.24	1.26
Non-Current Liabilities	22.54	15.5	24.54	18.1	22.52
Issued & Paid-up Share Capital	16.66	17.69	15.54	14.98	15.79
Revenue Reserve & Surplus	25.3	27.62	24.83	23.27	22.78
Proposed Dividend	0	0	1.55	2.25	2.37

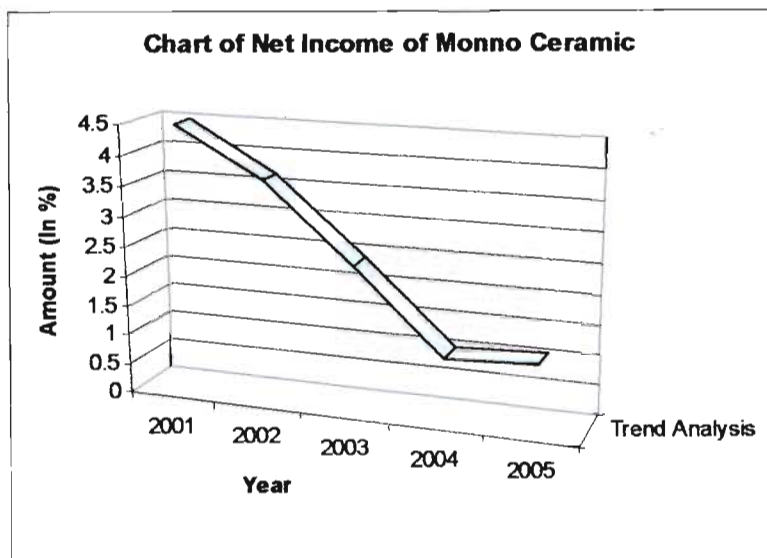
Shareholders' Equity	41.95	45.31	41.92	40.5	40.94
Total Liabilities & Shareholders' Equity	100	100	100	100	100

Looking at the common-size balance sheets, we see that:

1. Monno is strongest financially, as its current assets exceed total liabilities of assets in every year.
2. It has highest ratio of equity to total assets, then total long-term debt to assets in every year.
3. It has much higher account receivable in every year, against its accounts payable.
4. It has the largest property investment in year 2003, than other years.
5. It has highest liabilities of others finance in year 2003.
6. Monno's proposed dividend is increasing in every year.

Common-size Income statement of Monno ceramic:

Particulars	2001	2002	2003	2004	2005
	%	%	%	%	%
Sales	100	100	100	100	100
Cost of goods sold	77.65	77.89	79.07	82.07	81.56
Gross profit	22.34	22.1	20.92	17.23	18.44
Administrative expenses	4.67	5.17	5.81	5.63	4.2
Selling expenses	3.27	3.84	4.64	4.62	3.5
Financial Expenses	8.75	8.5	7.95	7.12	10.07
Non operating income	0.47	0.24	0.62	0.6	0.58
EBIT	5.63	4.58	2.51	7.68	10.74
Contribution to WPPF & WWF	0.27	0.22	0.12	0.02	0.03
EBT	5.84	4.6	3.02	1.13	1.23
Income tax provisions	1.34	0.92	0.62	0.12	0.13
Net profit	4.5	3.68	2.4	1.02	1.1



Looking at the common-size Income statement, we see that:

1. Monno has lowest ratio of COGS- 79.4% of total sales in year 2003, than other year.
2. It has lowest ratio of selling expense-3.27% to sales in year 2001.
3. It has highest ratio of administrative expense- 5.63% in year 2003.
4. It has highest financing expense- 10.07% in year 2005 and lowest financing expense- 7.12% in year 2004.
5. It has highest non-operation income- .62% in year 2003.
6. It has highest ratio of contribution to WPPF & WWF- .27% in year 2001, but gradually decreased in every year.
7. As Monno has highest financing expense in year 2005, it has highest EBIT- 10.74% and lowest EBT- 1.23% in 2005.
8. Although Monno has highest tax expenses in 2001, its net income margin in that year is also high-4.5%.

Common-size Balance sheet of Standard Ceramic:

	Common Size (%)				
	2001	2002	2003	2004	2005
Assets	%	%	%	%	%
Inventories	28.58	27.77	26.59	29.74	29.64
A/C receivables	0.61	0.58	0.13	0	0.1



Claim receivables	8.32	8.86	9.6	9.62	9.99
Advance, deposits, pre-payments	5.8	6.2	6.61	6.65	6.99
Cash & cash equivalent	0.056	0.53	0.38	0.47	0.52
Current Assets	43.36	43.94	43.31	46.85	47.24
Investment	0.053	0.06	0.07	0.075	0.08
Net block	56.59	56.02	56.62	53.07	52.68
Fixed assets	56.64	56.08	56.69	53.15	52.76
Total Assets	100	100	100	100	100
Equity and Liabilities					
Directors loans	5.12	6.76	5.8	1.58	2.06
Cash Credit	12.24	12.56	11.77	11.96	15
Bank overdraft	2.64	1.59	0.78	0.38	0.34
Liabilities for other finance	15.66	21.16	16.72	16.21	9.98
Liabilities for expenses	11.16	11.37	13	15.37	15.82
Proposed dividend			2.84	2.84	2.22
Current Liabilities	46.82	53.44	50.91	48.34	45.42
Long term loan	7.94				
Paid-up Capital	24.64	26.25	28.4	28.49	29.58
Reserve & surplus	20.6	20.31	20.69	23.18	25
Shareholders' Equity	45.24	46.56	49.09	51.66	54.58
Total Liabilities & Shareholders' Equity	100	100	100	100	100

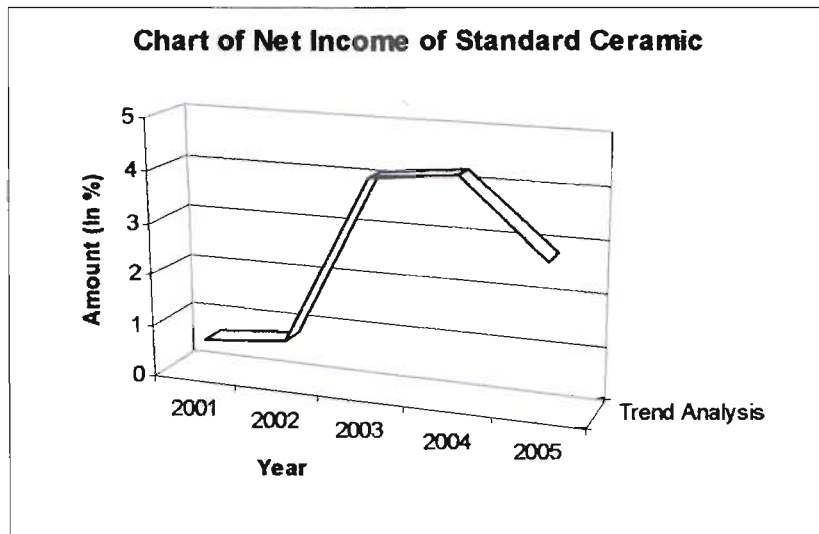
Looking at the common-size balance sheets, we see that:

1. Standard is weakest financially, as its current liabilities of total assets exceed total current assets in every year.
2. It has highest ratio of equity to total assets, than total long-term debt to assets in every year.
3. It has much higher account payable in every year, against its accounts receivable.
4. It has very low investment in every year.
5. It has highest liabilities of others finance in year 2002.
6. Standard's proposed dividend is not stable; in 2001 and 2002 it did not proposed dividend, next tow years fixed dividend and in 2005 it decreased.



Common-size Income statement of Standard Ceramic:

Particulars	2001	2002	2003	2004	2005
	%	%	%	%	%
Sales	100	100	100	100	100
Cost of goods sold	82.71	82.8	79.4	80.39	83.33
Gross profit	17.29	11.2	20.61	19.61	16.66
Operating expenses	13.41	17.81	13.91	12.4	11.76
Operating income	1.56	0.61	6.7	7.22	4.91
Other income	2.62	1.84	0.14	0.014	
Net profit	1.05	1.23	6.72	7.23	4.91
Contribution to WPPF & WWF	5.26	0.06	0.32	0.36	0.24
Net profit before tax	0.99	1.17	6.4	6.87	4.66
Provision for tax	0.34	0.37	2.31	2.63	1.84
Net profit after tax	0.66	0.79	4.08	4.24	2.82



Looking at the common-size Income statement, we see that:

1. Standard has lowest ratio of COGS- 79.4% of total sales in year 2003, than other year.
2. It has lowest ratio of operating expense-11.76% to sales in year 2005.
3. It has highest ratio of operating income- 7.22% in year 2004.
4. It has highest financing expense- 10.07% in year 2005 and lowest financing expense- 7.12% in year 2004.
5. It has highest non-operation income- 2.62% in year 2001.



6. It has highest ratio of contribution to WPPF & WWF- 5.26% in year 2001, but gradually decreased in every year.
7. As Standard has highest financing expense in year 2005, it has highest EBIT- 10.74% and lowest EBT- 1.23% in 2005.
8. Although Standard has highest tax expenses-2.63% in 2004, its net income margin in that year is also high-4.24%.

Common-size Balance sheet of FU-WANG Ceramic:

	Common Size (%)				
	2001	2002	2003	2004	
	%	%	%	%	%
Assets					
Inventories	11.22	13.36	15.09	16.12	16.73
Loan, Advance, Deposit	6.27	4.93	8.77	9.47	7.07
Cash & cash equivalent	4.28	2.28	1.14	0.74	0.86
Current Assets	21.77	20.57	25	26.33	24.66
Tangible fixed assets	77.28	78.9	74.77	73.66	75.33
Preliminary expense	0.72	0.44	0.02	0	
Deferred revenue expenses	0.13	0.08	0.025	0	
Trade marks	0.005	0.055	0.005	0	0.01
Uncollected revenue expenses	0.005	0.055	0	0	
Non-Current Assets	78.23	79.43	75	73.67	75.34
Total Assets	100	100	100	100	100
Equity and Liabilities					
Short-term borrowing	13.77	17.78	26.58	30.53	28.76
Directors loans	0	5.31	0	0	0
Creditors	3.64	2.26	2.68	3.12	1.76
Accrued Expenses	1.16	0.39	0.44	0.38	0.4
Provision for income tax	0.12	0.27	0.8	1.17	1.26
Proposed dividend	4.81	2.67	4.85	2.28	1.18
Current Liabilities	23.5	28.68	35.35	37.48	34.43
Issued & Paid-up Share Capital	58.4	53.37	48.52	45.54	45.63
Tax holiday reserve	12.8	13.18	13.55	14.17	15.78
Retain earnings	5.3	4.77	2.58	2.81	4.16
Shareholders' Equity	76.5	71.32	64.65	62.52	65.57
Total Liabilities & Shareholders' Equity	100	100	100	100	100

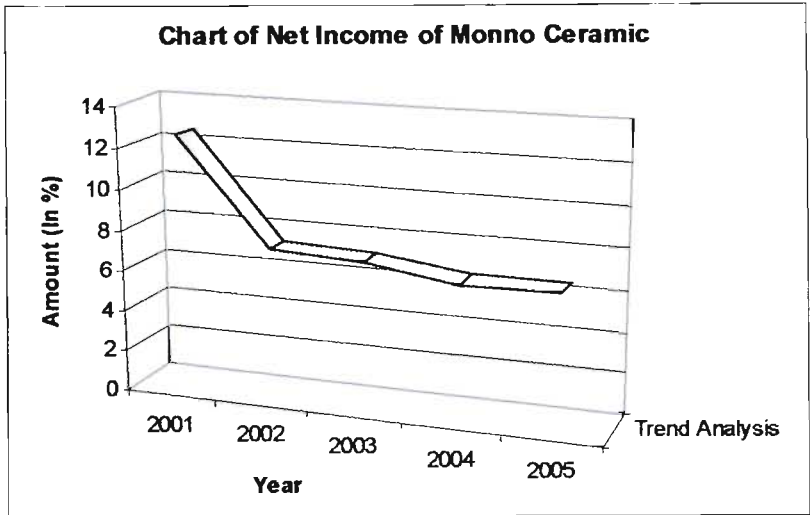


Looking at the common-size balance sheets, we see that:

1. FU-Wang is weakest financially, as its current liabilities of total assets exceed total current assets in every year.
2. It has highest ratio of equity to total assets, because it does not have long-term debt.
3. It has account payable in every year, but it does not have accounts receivable.
4. It has very high investment ratio of total assets in every year.
5. FU-Wang's short term borrowing has been increasing in every year.
6. FU-Wang's proposed dividend is not stable; in 2001 and 2003 it proposed dividend ratio was 4.8%, in other years it decreased.

Common-size Income statement of FU-WANG Ceramic:

Particulars	2001	2002	2003	2004	2005
	%	%	%	%	%
Sales	100	100	100	100	100
Cost of goods sold	70.77	71	71.68	71.86	71.68
Gross profit	29.23	29	28.32	28.14	28.32
Administrative expenses	4.9	8.21	7.11	7.57	6.29
Selling expenses	3.05	1.91	2.42	2.77	1.55
Financial expense	2.56	6.47	7.07	6.71	9.35
Operating income	18.72	12.4	11.71	11.1	11.12
Non operating income	0.12	0.22	0.14	0.15	0.13
EBIT	18.72	12.62	11.85	11.25	11.26
Contribution to WPPF & WWF	0.9	0.6	0.56	0.54	0.54
EBT	17.94	12.02	11.3	10.71	10.72
Income tax provisions	0.05	0.45	1.06	0.95	1.03
Tax for holiday reserve	5.35	4.21	3.11	3.27	3.19
Net profit	12.55	7.36	7.13	6.49	6.5



Looking at the common-size Income statement, we see that:

1. FU-WANG has lowest ratio of COGS- 70.77% of total sales in year 2001, than other year.
2. It has lowest ratio of selling expense 1.55% in year 2005.
3. It has highest ratio of administrative expense- 8.21% in year 2002.
4. It has highest ratio of operating income- 18.72% in year 2001.
5. It has highest non-operation income- .22% in year 2002.
6. It has highest ratio of contribution to WPPF & WWF- .9% in year 2001, but gradually decreased in every year.
7. As FU-WANG has highest financing expense in year 2005, it has highest EBIT- 18.72% and lowest EBT- 10.71% in 2005.
8. FU-WANG has highest net income margin-12.55% in 2001, because in that year it enjoys highest ratio of tax holiday-5.35% and lowest tax expense-.05%.

Common-size Balance sheet of Bengal Fine Ceramic:

	Common Size (%)				
	2001	2002	2003	2004	2005
Assets	%	%	%	%	%
Inventories	28.94	18.61	19.96	20.02	20.06
Store in transit	7.82	4.94	5.5	5.3	5.7
Duty draw back		.004	.19	.25	.18



A/C receivables	19.15	17.09	16.15	10.99	15.34
Income tax deducted at source	1.46	.053	.62	.70	.81
Advance, deposits, pre-payments	5.44	3.03	3.41	3.3	3.5
Cash & cash equivalent	.22	0.13	0.084	0.07	0.89
Current Assets	63.03	44.33	45.91	46.91	46.48
Net block	36.97	55.67	54.09	53.09	53.52
Fixed assets	36.97	55.67	54.09	53.09	53.52
Total Assets	100	100	100	100	100
Equity and Liabilities					
Liabilities	34.4	21.06	26.92	26.54	29.65
Unpaid dividend	1.86	0.96	1.15	1.23	1.59
Provision income tax	2.77	1.4	0.91	1.52	1.33
Proposed dividend		1.22	0.53	0.51	0.51
Current Liabilities	39.03	27.25	29.81	30.74	33.5
Long term loan	17.19	23.96	20.97	21.52	18.89
Paid-up Capital	14.11	11.09	10.65	10.31	10.28
Reserve & surplus	29.67	37.7	38.67	37.43	37.33
Shareholders' Equity	43.78	48.79	49.32	47.74	47.61
Total Liabilities & Shareholders' Equity	100	100	100	100	100

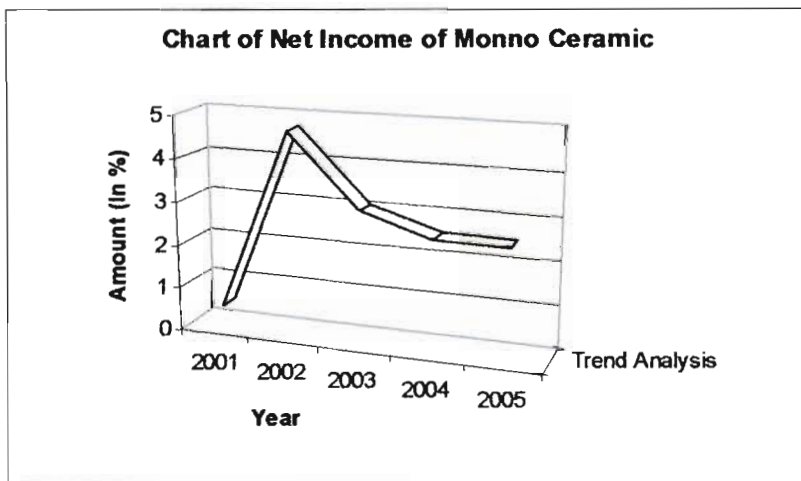
Looking at the common-size balance sheets, we see that:

1. Bengal Fine is strongest financially, as its current assets exceed current liabilities of total assets in every year.
2. Bengal Fine has highest ratio of equity to total assets, then total long-term debt to assets in every year.
3. Bengal Fine has much higher account receivable in every year, against its accounts payable.
4. Bengal Fine has the largest property investment in year 2003, than other years.
5. Bengal Fine has highest liabilities of others finance in year 2003.
6. Bengal Fine's proposed dividend is increasing in every year.



Common-size Income statement of Standard Ceramic:

	2001	2002	2003	2004	2005
Particulars	%	%	%	%	%
Sales	100	100	100	100	100
Cost of goods sold	87.45	79.46	72.42	74.04	70.78
Gross profit	12.54	24.76	26.44	25.95	26.91
Administration expenses	11.55	9.45	8.71	8.27	7.67
Selling expenses	5.39	4.11	3.77	4.61	5.10
Financing expense	4.47	4.62	13.27	11.21	13.90
Operating income	8.23	7.93	2.63	5.12	0.74
Contribution to WPPF & WWF	0.16	0.14		0.71	1.01
Net profit before tax	1.52	6.76	4.89	4.12	4.08
Provision for income tax	0.98	2.02	1.83	1.15	1.53
Net profit after tax	0.53	4.73	3.06	2.57	2.55



Looking at the common-size Income statement, we see that:

1. Bengal Fine has lowest ratio of COGS- 70.78% of total sales in year 2005, than other year.
2. Bengal Fine has lower ratio of selling expense 3.77% in year 2003.
3. Bengal Fine have highest ratio of administrative expense- 11.55% in year 2001.
4. Bengal Fine have highest ratio of operating income- 8.23% in year 2001.
5. Bengal Fine have highest ratio of contribution to WPPF & WWF- .9% in year 2001, but gradually decreased in every year.



6. As Bengal Fine has highest financing expense in year 2005, it has highest EBIT- 8.23% and lowest EBT- 1.52% in 2001.
7. Bengal Fine has highest net income margin-4.73% in 2002, because in that year it enjoys highest ratio of tax holiday-5.35% and lowest tax expense-.98% in 2001.

Comprehensive Common Size Balance Sheet

	MONNO	STANDARD	FU-WANG	BENGAL FINE
	2005	2005	2005	2005
Assets	%	%	%	%
Inventories	23.05	29.64	17%	20.06
Trade & others receivables	9.76	0.1	0	5.7
Advance, Deposit & Pre-payment	6.16	9.99	7.07	7.5
Cash & cash equivalent	2.09	6.99	0.86	0.89
Current Assets	41.06	47.24	24.66	34.15
Property, Plant & Equipment	49.06	0.08	75.33	0
Investment	9.88	52.68	0.01	53.52
Non-Current Assets	58.94	52.76	75.34	53.52
Total Assets	100	100	100	100
Equity and Liabilities				
Short-term borrowing	25.44	0	28.76	29.65
Long-term Loans (current position)	5.53	2.09	0	0
Trade & others payable	1.84	15	1.76	5
Accrued Expenses	1.95	0.34	0.4	0.9
Unclaimed Dividend	0.54	9.98	1.18	2
Provision for income tax	0.77	18.12	1.26	1.33
Liabilities for other Finance	0.47	2.22	0	2
Current Liabilities	36.54	47.74	34.43	40.88
Long term Borrowing	21.26	0	0	18.89
Deferred Liability	1.26	0	0	0
Non-Current Liabilities	22.52	0	0	18.89
Issued & Paid-up Share	15.79	29.58	45.63	10.28

Capital				
Revenue Reserve & Surplus	22.78	25	15.78	37.33
Proposed Dividend	2.37	3.63	4.16	
Shareholders' Equity	40.94	54.58	65.57	47.61
Total Liabilities & Shareholders' Equity	100	100	100	100

Looking at the comprehensive common-size balance sheets, we see that:

1. MONNO is strongest financially, as its current assets exceed total liabilities of assets than other three firms. FU-WANG and BENGAL FINE is weakest in financially as their current liabilities exceeds current assets.
2. STANDARD and FU-WANG has highest ratio of equity to total assets than other two firms. MONNO and BENGAL FINE have long-term debt to assets and other two firms do not have long-term loan.
3. Monno and Bengal fine have the higher account receivable than other firms. On the other hand FU-WANG has no account receivable.
4. FU-WANG has the largest property investment than other years where there is no property investment for BENGAL FINE.
5. STANDARD has highest liabilities than other firm, where FU-WANG has lowest liabilities.
6. FU-WANG's proposed dividend is higher than other firm where there is no proposed dividend for BENGAL FINE.

Comprehensive Common Size Income Statement:

Particulars	MONNO %	FU-WANG %	STANDARD %	BENGAL FINE %
Sales	100	100	100	100
Cost of goods sold	81.56	71.68	83.33	73.08
Gross profit	18.44	28.32	16.66	26.91
Administrative expenses	4.2	6.29		7.67
Selling expenses	3.5	1.55	9.37	5.10
Financial Expenses	10.07	9.35	2.4	13.9
Non operating income	0.58	0.13	0	0
EBIT	10.74	11.26	4.91	4.74

Contribution to WPPF & WWF	0.03	0.54	0.24	1.14
EBT	1.23	10.72	4.66	4.08
Income tax provisions	0.13	1.03	1.84	1.53
Net profit	1.1	6.5	2.82	2.55

Looking at the comprehensive common-size Income statement, we see that:

1. FU-WANG and BENGAL FINE has lowest ratio of COGS 71.68% and 73.08% of total sales in year 2005, than other two firms.
2. FU-WANG have lowest ratio of selling expense 1.55 % to sales in year 2005, than other three firms.
3. MONNO have lowest ratio of administrative expense 4.2 % in year 2005 than other three firms.
4. BENGAL FINE has highest financing expense- 13.9 % in year 2005 and STANDARD has lowest financing expense 2.4 % in year 2005.
5. MONNO has highest non-operation income .58 % in year 2005 than other three firms. STANDARD and BENGAL FINE do not has non-operating income.
6. BENGAL FINE have highest ratio of contribution to WPPF & WWF 1.14 % in year 2005 than other three firms and MONNO has the lowest ratio.
7. Monno and FU-WANG has highest EBIT 10.74% and 11.26 than other tow firms and they have much lower ratio of EBIT.
8. Although FU-WANG has highest tax expenses in 2005, its net income margin in that year is also highest 6.5% than other three firms, but STANDARD and BENGAL FINE has highest ratio of tax margin as a result their net income ratio is also low.



6.2 RATIO ANALYSIS

Financial ratios are used to compare the risk and return of different firms in order to help equity investors and creditors make intelligent investment and credit decisions. Ratio analysis is also essential to comprehensive financial analysis. Ratio computations and comparisons are further confounded by the lack or inappropriate use of benchmarks, the timing of transactions, negative numbers and differences in reporting methods. This section present some caveats that must be considered when interpret ratios.

Ratio analysis of Monno Ceramic

Activity Analysis:

Short-term (operating) activity ratio:

Ratio	2001	2002	2003	2004	2005
Inventory turnover	2.5	2.7	3.1	2.7	3.0

Interpretation: It measures how many times inventory turned out in a year. Higher the ratio better for the firm. Here, in the year 2003 ratio is better than others years ratios & worse in 2001.

Ratio	2001	2002	2003	2004	2005
Average no. of days inventory in stock:	146	135	117	135	121

Interpretation: It measures how many times inventory in the warehouse. Lower the ratio better for the firm Here, in the year 2003 ratio is better than others years.

Ratio	2001	2002	2003	2004	2005
Receivable turnover	11.8	8.9	9.3	9.7	8.7

Interpretation: It measures the effectiveness of the firm credit policies. Higher the ratio better for the firm. Here in year 2001 is better than others.

Ratio	2001	2002	2003	2004	2005
Average no. of days receivable outstanding	31	41	40	37	42

Interpretation: It measures the number of days receivable outstanding. Lower the ratio better for the firm. Here in 2001 was better than others.

Ratio	2001	2002	2003	2004	2005
Payable turnover	5.1	4.4	5.1	11.2	22
Interpretation: It measures the effectiveness in delaying their payables. Lower the ratio better for firm. In 2002 ratio was better for the firm than others.					

Ratio	2001	2002	2003	2004	2005
Average no. of days payable outstanding	71.5	83	71.5	32.6	16.6
Interpretation: It measures how lately we can pay our creditors. Higher the ratio better for the firm. Here in 2002 ratio is better for the firm than others					

Long-term activity ratio:

Ratio	2001	2002	2003	2004	2005
Fixed asset turnover	1.7	1.9	1.4	1.34	1.44
Interpretation: It measures the efficiency of capital investment. Higher the ratio better for the firm. In this case the firm was efficient in 2002 because of its capital investment than others years.					

Ratio	2001	2002	2003	2004	2005
Total asset turnover	1.2	1.4	1.2	.80	.85
Interpretation: It measures the efficiency of sales against total assets (overall investment efficiency). In 2002 ratio was better than others.					

Liquidity Analysis:

Ratio	2001	2002	2003	2004	2005
Current ratio	1.2	1.1	1.1	.98	1.1
Interpretation: In this case only in year 2004 was not the ability to pay its current debt but in others year the firm could meet its current debt.					

Ratio	2001	2002	2003	2004	2005
Quick ratio	.40	.39	.31	.22	.32
Interpretation: A measure conservative of liquidity is the quick ratio. Higher the ratio better for the firm. Here in 2001 is better than others.					

Ratio	2001	2002	2003	2004	2005
Cash ratio:	.22	.16	.084	.030	.057
Interpretation: It measures how quickly a firm can pay it current debt. In this case the firm was not enough cash to pay its current debt in previous year & also the following year.					



Ratio	2001	2002	2003	2004	2005
Cash flow from operation	.43	.31	.20	-.19	.087
Interpretation: It measures liquidity by comparing actual cash flows with current liabilities. In 2001 ratio was better than others.					

Long term debt & Solvency Analysis:

Ratio	2001	2002	2003	2004	2005
Debt to total capital	.57	.54	.57	.59	.58
Interpretation: It measures the firm solvency. In earlier year firm was in risky position than following year. In 2004 is better than 2005.					

Ratio	2001	2002	2003	2004	2005
Debt to Equity	1.35	1.17	.14	1.52	1.5
Interpretation: In these case firm has the ability to meet its debt by the equity. Higher the ratio better for the firm. Almost every year is better for the firm except 2003.					

Interest coverage ratio:

Ratio	2001	2002	2003	2004	2005
Times interest earned	.61	.51	.30	1.1	1.0
Interpretation: In this case the firm was in better position in year 2004 to pay its interest expenses than other years.					

Capital expenditure and CFO to debt ratio:

Ratio	2001	2002	2003	2004	2005
Capital expenditure ratio	117.1	37.3	.39	3.43	2.1
Interpretation: It measures ability to meet capital expenditure by its cash flow from operation. Higher the ratio better for the firm. Here, in year 2001 was better for the firm than other years to meet capital expenditure by its cash flow from operation.					

Ratio	2001	2002	2003	2004	2005
CFO to debt	.73	.87	.33	.14	.05
Interpretation: It measures ability to meet its debt & daily necessities. Higher the ratio better for the firm. Here, in the previous year was better for the firm than following year.					



Profitability Analysis:**Return on sales:**

Ratio	2001	2002	2003	2004	2005
Gross margin	4.47	3.83	4.78	5.57	.18

Interpretation: It measures to get an amount of profit how much sales the firm has to generate. Higher the ratio more efficient to maintain its manufacturing cost. Here, in the year 2004 was better for the firm than the previous & following years.

Ratio	2001	2002	2003	2004	2005
Operating margin	.11	.08	.12	.43	.11

Interpretation: It measures a firm's profitability from the operation of its main business. Higher the ratio better for the firm. Here, in the year 2003 & 2004 were better for the firm than other years.

Ratio	2001	2002	2003	2004	2005
Margin before interest and tax	.14	.13	.10	.08	.11

Interpretation: It measures a firm's operating efficiency. Higher the ratio better for the firm. Here, in the year 2001 & 2002 were better for the firm than other years.

Ratio	2001	2002	2003	2004	2005
Pretax margin	.26	.21	.06	.06	.01

Interpretation: It measures a firm's ability to meet its financing cost prior to income tax. Higher the ratio better for the firm. Here, in the year 2001 was better for the firm than other years.

Ratio	2001	2002	2003	2004	2005
Profit margin	.02	.04	.009	.05	.01

Interpretation: It measures how much profit we can generate by sales. Higher the ratio better for the firm. Here, in the previous year better for the firm than the following years

Return on Investment:

Ratio	2001	2002	2003	2004	2005
ROA	.11	.13	.10	.06	.09

Interpretation: It measures the ability of managers and efficiency in using the firm's assets to generate profits. Higher the ratio better for the firm. Here, in the year 2001 was better for the firm than other years

Ratio	2001	2002	2003	2004	2005
ROTC	.11	.18	.12	.06	.10

Interpretation: It measures net income to all capital providers. Higher the ratio better for the firm. Here, in the year 2002 was better for the firm than other years.



Ratio	2001	2002	2003	2004	2005
ROE	.11	.08	.05	.02	.02

Interpretation: It measures net income to common equity. Higher the ratio better for the firm. Here, was better in the year 2001 than other years

Ratio	2001	2002	2003	2004	2005
EPS	21.53	17.89	17.89	5.90	5.41

Interpretation: It measures earning per share of the firm. Higher the ratio better for the firm. In 2004 EPS was better for the firm than others

RATIO ANALYSIS OF STANDARD CERAMIC

Activity Analysis:

Short-term (operating) activity ratio:

Ratio	2001	2002	2003	2004	2005
Inventory turnover	.98	1.33	2.36	1.66	1.72

Interpretation: It measures how many times inventory turned out in a year. Here, in the year 2003 ratio is better than others years ratios & worse in 2001.

Ratio	2001	2002	2003	2004	2005
Average no. of days inventory in stock:	372	274	154	219	212

Interpretation: It measures how many times inventory in the warehouse. Here, in the year 2003 ratio is better than others years ratios.

Ratio	2001	2002	2003	2004	2005
Receivable turnover	56.00	77.31	554.36	119.45	602.83

Interpretation: It measures the effectiveness of the firm credit policies. Higher the ratio better for the firm. Here in year 2003 & 2005 is better than others.

Ratio	2001	2002	2003	2004	2005
Average no of days receivable outstanding	5	5	1		1

Interpretation: It measures the number of days receivable outstanding. Lower the ratio better for the firm. Here in 2003 & 2005 was better than others.



Long-term activity ratio:

Ratio	2001	2002	2003	2004	2005
Fixed asset turnover	.061	.80	1.27	1.16	1.16
Interpretation: It measures the efficiency of capital investment. Higher the ratio better for the firm. In this case the firm was efficient in 2003 because of its capital investment than others years.					

Ratio	2001	2002	2003	2004	2005
Total asset turnover	.34	.04	.72	.61	.61
Interpretation: It measures the efficiency of sales against total assets (overall investment efficiency). In 2003 ratio is better than others.					

Liquidity Analysis:

Ratio	2001	2002	2003	2004	2005
Current ratio	.93	.80	.85	.93	.99
Interpretation: In this case only in year 2005 was the ability to pay its current debt but in others year the firm could not meet its current debt.					

Ratio	2001	2002	2003	2004	2005
Quick ratio	.014	.020	.009		.013
Interpretation: A measure conservative of liquidity is the quick ratio. Higher the ratio better for the firm. Here in 2002 is better than others.					

Ratio	2001	2002	2003	2004	2005
Cash ratio:	.001	.009	.007	.017	.001
Interpretation: It measures how quickly a firm can pay it current debt. In this case the firm was not enough cash to pay its current debt in previous year & also the following year.					

Ratio	2001	2002	2003	2004	2005
Cash flow from operation	.18	.19	.13	.13	.04
Interpretation: It measures liquidity by comparing actual cash flows with current liabilities. In 2002 ratio is better than others.					

Long term debt & Solvency Analysis:

Ratio	2001	2002	2003	2004	2005
Debt to total capital	.46	.09	.49	.49	.47



Interpretation: It measures the firm solvency. In earlier year firm was in risky position than following year. In 2003 is better than 2005.

Ratio	2001	2002	2003	2004	2005
Debt to Equity	.85	1.16	1.00	.98	.87

Interpretation: In these case firm has the ability to meet its debt by the equity. Higher the ratio better for the firm. In year 2002 is better for the firm than others.

Interest coverage ratio:

Ratio	2001	2002	2003	2004	2005
Times interest earned	.29	.13	2.67	3.15	2.05

Interpretation: In this case the firm was in better position in year 2004 to pay its interest expenses than other years.

Capital expenditure and CFO to debt ratio:

Ratio	2001	2002	2003	2004	2005
Capital expenditure ratio	23.40	43.44	14.16	22.71	1.31

Interpretation: It measures ability to meet capital expenditure by its cash flow from operation. Higher the ratio better for the firm. Here, in year 2002 was better for the firm than other years to meet capital expenditure by its cash flow from operation.

Ratio	2001	2002	2003	2004	2005
CFO to debt	.18	.19	.13	.13	.04

Interpretation: It measures ability to meet its debt & daily necessities. Higher the ratio better for the firm. Here, in the previous year was better for the firm.

Profitability Analysis:

Return on sales:

Ratio	2001	2002	2003	2004	2005
Gross margin	.17	.17	.17	.20	.17

Interpretation: It measures to get an amount of profit how much sales the firm has to generate. Higher the ratio more efficient to maintain its manufacturing cost. Here, in the year 2004 was better for the firm than the previous & following years.

Ratio	2001	2002	2003	2004	2005
Operating margin	-.02	-.01	.07	.07	.05

Interpretation: It measures a firm's profitability from the operation of its main business. Higher the ratio better for the firm. Here, in the year 2003 & 2004 were better for the firm than other years.



Ratio	2001	2002	2003	2004	2005
Margin before interest and tax	-.016	-.006	.07	.07	.05
Interpretation: It measures a firm's operating efficiency. Higher the ratio better for the firm. Here, in the year 2003 & 2004 were better for the firm than other years.					

Ratio	2001	2002	2003	2004	2005
Pretax margin	.010	.012	.06	.07	.05
Interpretation: It measures a firm's ability to meet its financing cost prior to income tax. Higher the ratio better for the firm. Here, in the year 2004 was better for the firm than other years.					

Ratio	2001	2002	2003	2004	2005
Profit margin	.011	.012	.07	.07	.05
Interpretation: It measures how much profit we can generate by sales. Higher the ratio better for the firm. Here, in the previous year better for the firm than the following years					

Return on Investment:

Ratio	2001	2002	2003	2004	2005
ROA	-.005	-.002	.05	.04	.03
Interpretation: It measures the ability of managers and efficiency in using the firm's assets to generate profits. Higher the ratio better for the firm. Here, in the year 2003 was better for the firm than other years.					

Ratio	2001	2002	2003	2004	2005
ROTC	-.005	-.002	.05	.04	.03
Interpretation: It measures net income to all capital providers. Higher the ratio better for the firm. Here, in the year 2003 was better for the firm than other years.					

Ratio	2001	2002	2003	2004	2005
ROE	.006	.011	.09	.08	.05
Interpretation: It measures net income to common equity. Higher the ratio better for the firm. Here, was better in the year 2003 than other years.					

Ratio	2001	2002	2003	2004	2005
EPS	0.91	1.36	10.31	9.14	5.82
Interpretation: It measures earning per share of the firm. Higher the ratio better for the firm. In 2003 EPS was better for the firm than others					



RATIO ANALYSIS OF FU-WANG CERAMIC

Activity Analysis:

Short-term (operating) activity ratio:

Ratio	2001	2002	2003	2004	2005
Inventory turnover	4.57	1.87	2.39	1.99	2.13

Interpretation: It measures how many times inventory turned out in a year. Here, in the year 2001 ratio is better than others years ratios.

Ratio	2001	2002	2003	2004	2005
Average no. Of days inventory in stock:	80	195	152	183	171

Interpretation: It measures how many times inventory in the warehouse. Here, in the year 2001 ratio is better than others years ratios.

Long-term activity ratio:

Ratio	2001	2002	2003	2004	2005
Fixed asset turnover	.94	.45	.67	.60	.66

Interpretation: It measures the efficiency of capital investment. Higher the ratio better for the firm. In this case the firm was efficient in 2001 because of its capital investment than others years.

Ratio	2001	2002	2003	2004	2005
Total asset turnover	.72	.35	.50	.45	.50

Interpretation: It measures the efficiency of sales against total assets (overall investment efficiency) In 2001 ratio is better than others.

Liquidity Analysis:

Ratio	2001	2002	2003	2004	2005
Current ratio	1.17	.80	.84	.77	.77

Interpretation: In this case only in year 2001 was the ability to pay its current debt but in others year the firm could not meet its current debt.

Ratio	2001	2002	2003	2004	2005
Cash ratio:	.23	.04	.09	.02	.03

Interpretation: It measures how quickly a firm can pay its current debt. In this case the firm was not enough cash to pay its current debt in previous year.

Ratio	2001	2002	2003	2004	2005
Cash flow from operation	.60	.16	.13	.17	.11

Interpretation: It measures liquidity by comparing actual cash flows with current liabilities. In 2001 ratio is better than others.

Long term debt and solvency Analysis:

Ratio	2001	2002	2003	2004	2005
Debt to total capital	.24	.29	.35	.37	.34

Interpretation: It measures the firm solvency. In earlier year firm was in less risky position than following year. In 2005 is better than 2004.

Ratio	2001	2002	2003	2004	2005
Debt to Equity	.30	.40	.55	.60	.53

Interpretation: In these case firm had the ability to meet its debt by the equity. Higher the ratio better for the firm. It was bad in previous year than following year.

Interest coverage ratio:

Ratio	2001	2002	2003	2004	2005
Times interest earned	7.48	1.98	1.76	1.76	1.22

Interpretation: In this case the firm was in better position in previous year to pay its interest expenses than later years.

Capital expenditure and CFO to debt ratio:

Ratio	2001	2002	2003	2004	2005
Capital expenditure ratio	1.05	.35	.57	.81	.72

Interpretation: It measures ability to meet capital expenditure by its cash flow from operation. Higher the ratio better for the firm. Here, in the previous year better for the firm than the following years to meet capital expenditure by its cash flow from operation.

Ratio	2001	2002	2003	2004	2005
CFO to debt	.47	.14	.15	.16	.10

Interpretation: It measures ability to meet its debt & daily necessities. Higher the ratio better for the firm. Here, in the previous year was better for the firm.



Profitability Analysis:**Return on sales:**

Ratio	2001	2002	2003	2004	2005
Gross margin	.29	.29	.28	.28	.28

Interpretation: It measures to get an amount of profit how much sales the firm has to generate. Higher the ratio more efficient to maintain its manufacturing cost. Here, in the previous year better for the firm than the following years almost every year is good.

Ratio	2001	2002	2003	2004	2005
Operating margin	.19	.12	.12	.11	.11

Interpretation: It measures a firm's profitability from the operation of its main business. Higher the ratio better for the firm. Here, in the previous year better for the firm than the following years.

Ratio	2001	2002	2003	2004	2005
Margin before interest and tax	.18	.13	.12	.11	.11

Interpretation: It measures a firm's operating efficiency. Higher the ratio better for the firm. Here, in the previous year better for the firm than the following years.

Ratio	2001	2002	2003	2004	2005
Pretax margin	.17	.12	.11	.10	.10

Interpretation: It measures a firm's ability to meet its financing cost prior to income tax. Higher the ratio better for the firm. Here, in the previous year better for the firm than the following years.

Ratio	2001	2002	2003	2004	2005
Profit margin	.13	.07	.07	.06	.07

Interpretation: It measures how much profit we can generate by sales. Higher the ratio better for the firm. Here, in the previous year better for the firm than the following years.

Return on Investment:

Ratio	2001	2002	2003	2004	2005
ROA	.11	.05	.07	.06	.08

Interpretation: It measures the ability of managers and efficiency in using the firm's assets to generate profits. Higher the ratio better for the firm. Here, in the previous year better for the firm than the following years.



Ratio	2001	2002	2003	2004	2005
ROTC	.14	.04	.06	.05	.06

Interpretation: It measures net income to all capital providers. Higher the ratio better for the firm. Here, in the previous year better for the firm than the following years.

Ratio	2001	2002	2003	2004	2005
ROE	.12	.04	.06	.05	.05

Interpretation: It measures net income to common equity. Higher the ratio better for the firm. Here, in the previous year better for the firm than the following years.

Ratio	2001	2002	2003	2004	2005
EPS	15.56	4.86	7.39	6.35	7.09

Interpretation: It measures earning per share of the firm. Higher the ratio better for the firm. In 2001 EPS was better for the firm than others year.

RATIO ANALYSIS OF BENGAL CERAMIC

Activity Analysis:

Short-term (operating) activity ratio:

Ratio	2001	2002	2003	2004	2005
Inventory turnover	0.98	0.81	0.82	0.84	0.96

Interpretation: It measures how many times inventory turned out in a year. Higher the ratio better for the firm. Here, in the year 2001 ratio is better than others years ratios & worse in 2002.

Ratio	2001	2002	2003	2004	2005
Average no. of days inventory in stock:	372	450	445	434	380

Interpretation: It measures how many times inventory in the warehouse. Lower the ratio better for the firm Here, in the year 2001 ratio is better than others years

Ratio	2001	2002	2003	2004	2005
Receivable turnover	3.56	4.09	4.05	3.38	4.74

Interpretation: It measures the effectiveness of the firm credit policies. Higher the ratio better for the firm. Here in year 2005 is better than others.

Ratio	2001	2002	2003	2004	2005
Average no. of days receivable	102	89	90	107	77

outstanding					
Interpretation: It measures the number of day's receivable outstanding. Lower the ratio better for the firm. Here in 2005 was better than others.					

Long-term activity ratio:

Ratio	2001	2002	2003	2004	2005
Fixed asset turnover	1.14	0.36	0.41	0.42	0.50
Interpretation: It measures the efficiency of capital investment. Higher the ratio better for the firm. In this case the firm was efficient in 2001 because of its capital investment than others years.					

Ratio	2001	2002	2003	2004	2005
Total asset turnover	0.44	0.24	0.27	0.27	0.31
Interpretation: It measures the efficiency of sales against total assets (overall investment efficiency). In 2001 ratio was better than others.					

Liquidity Analysis:

Ratio	2001	2002	2003	2004	2005
Current ratio	1.31	1.29	1.13	1.15	1.12
Interpretation: In this case only in year 2001 was not the ability to pay its current debt but in others year the firm could meet its current debt.					

Ratio	2001	2002	2003	2004	2005
Quick ratio	0.24	0.20	0.19	0.22	0.17
Interpretation: A measure conservative of liquidity is the quick ratio. Higher the ratio better for the firm. Here in 2001 is better than others.					

Ratio	2001	2002	2003	2004	2005
Cash flow from operation	(0.33)	(0.10)	(0.070)	0.006	0.058
Interpretation: It measures liquidity by comparing actual cash flows with current liabilities. In 2005 ratio was better than others.					

Long term debt and solvency Analysis:

Ratio	2001	2002	2003	2004	2005
Debt to total capital	0.73	0.74	0.44	0.74	0.76



Interpretation: It measures the firm solvency. In earlier year firm was in risky position than following year. In 2005 is better than others.

Ratio	2001	2002	2003	2004	2005
Debt to Equity					

Interpretation: In these case firm has the ability to meet its debt by the equity. Higher the ratio better for the firm. Almost every year is better for the firm except 2003.

Interest coverage ratio:

Ratio	2001	2002	2003	2004	2005
Times interest earned	(1.84)	1.71	0.19	0.45	0.34

Interpretation: In this case the firm was in better position in year 2001 to pay its interest expenses than other years.

Capital expenditure and CFO to debt ratio:

Ratio	2001	2002	2003	2004	2005
Capital expenditure ratio:	12.78	3.07	1.18	(0.06)	(2.00)

Interpretation: It measures ability to meet capital expenditure by its cash flow from operation. Higher the ratio better for the firm. Here, in year 2001 was better for the firm than other years to meet capital expenditure by its cash flow from operation

Ratio	2001	2002	2003	2004	2005
CFO to debt	0.23	0.08	0.06	0.005	0.05

Interpretation: It measures ability to meet its debt & daily necessities. Higher the ratio better for the firm. Here, in the previous year was better for the firm than following year.

Profitability Analysis:

Return on sales:

Ratio	2001	2002	2003	2004	2005
Gross margin	0.13	0.25	0.26	0.26	0.27

Interpretation: It measures to get an amount of profit how much sales the firm has to generate. Higher the ratio more efficient to maintain its manufacturing cost. Here, in the year 2005 was better for the firm than the previous & following years.

Ratio	2001	2002	2003	2004	2005
Operating margin	0.08	0.08	0.03	0.05	0.05

Interpretation: It measures a firm's profitability from the operation of its main



business. Higher the ratio better for the firm. Here, in the year 2001 & 2002 were better for the firm than other years.

Ratio	2001	2002	2003	2004	2005
Margin before interest and tax					
Interpretation:					

Ratio	2001	2002	2003	2004	2005
Pretax margin	0.02	0.07	0.05	0.04	0.04
Interpretation: It measures a firm's ability to meet its financing cost prior to income tax. Higher the ratio better for the firm. Here, in the year 2002 was better for the firm than other years.					

Ratio	2001	2002	2003	2004	2005
Profit margin	9.9	0.05	0.05	0.03	0.03
Interpretation: It measures how much profit we can generate by sales. Higher the ratio better for the firm. Here, in the previous year better for the firm than the following years					

Return on Investment:

Ratio	2001	2002	2003	2004	2005
ROA	0.04	0.02	0.007	0.014	0.015
Interpretation: It measures the ability of managers and efficiency in using the firm's assets to generate profits. Higher the ratio better for the firm. Here, in the year 2004 was better for the firm than other years					

Ratio	2001	2002	2003	2004	2005
ROTC	(0.026)	0.016	0.005	0.001	0.012
Interpretation: It measures net income to all capital providers. Higher the ratio better for the firm. Here, in the year 2002 was better for the firm than other years.					

Ratio	2001	2002	2003	2004	2005
ROE	0.015	0.085	0.063	0.056	0.064
Interpretation: It measures net income to common equity. Higher the ratio better for the firm. Here, was better in the year 2002 than other years					

Ratio	2001	2002	2003	2004	2005
EPS	1.63	8.64	6.42	5.74	6.72
Interpretation: It measures earning per share of the firm. Higher the ratio better for the firm. In 2002 EPS was better for the firm than others					



OVERALL RATIO ANALYSIS:**Industry Average:**

Ratio analysis often lacks appropriate benchmarks to indicate optimal levels. The evaluation of a ratio often depends on the point of view of the analysts. Using an industry average as the benchmark may be useful for comparisons within an industry, but not for comparisons between companies in different industries. Even for intradustry analysis, the benchmark may have limited usefulness if the whole industry or major firms in that industry are performing poorly.

INDUSTRY AVERAGE:

Ratio	Industry Average
Inventory turnover:	1.95
Av. No days inventory in stock	221.00
Receivable turnover	154.07
Av. No days receivable outstanding	30
Fixed assets turnover	0.94
Total asset turnover	0.57
Current ratio	1.00
Quick ratio	0.13
Cash ratio	0.02
CFO	0.07
Debt to total capital	0.54
Debt to equity	0.73
Times interest earn ratio	1.15
Capital expenditure ratio	0.53
CFO to debt	0.06
Gross margin	0.23
Operating margin	0.08
Pretax margin	0.05
Profit margin	0.04
ROA	0.05
ROTC	0.05
ROE	0.05
EPS	6.26



Activity Analysis:

Short-term (operating) activity ratio:

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Inventory turnover:	3.00	1.72	2.13	.96
Interpretation: Industry average is 1.95. MONNO & FU-WANG is above the industry average. So they are performing better than others.				

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Av. No days inventory in stock	121	212	171	380
Interpretation: Industry average is 221. MONNO, STANDARD & FU-WANG is below the industry average. So they are performing better than BENGAL.				

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Receivable turnover	8.7	602.83		4.74
Interpretation: Industry average is 154.07, which is better for the firm than other firm.				

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Av. No days receivable outstanding	42	1		77
Interpretation: Industry average is 30. MONNO & FU-WANG is above the industry average. So they are performing better than others.				

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Payable turnover	22			
Interpretation: No comments.				

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Av. No of days payable outstanding	16.6			
Interpretation: No comments.				

Long-term activity ratio:

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Fixed assets turnover	1.44	1.16	.66	.50
Interpretation: Industry average is .94. MONNO & STANDARD is above the industry average. So they are performing better than FU-WANG & BENGAL.				



Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Total asset turnover	.85	.61	.50	.31
Interpretation: Industry average is .57. MONNO & STANDARD is above the industry average. So they are performing better than FU-WANG & BENGAL.				

Liquidity Analysis:

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Current ratio	1.1	.99	.77	1.12
Interpretation: Industry average is 1. MONNO & FU-WANG is above the industry average. So they are performing better than others.				

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Quick ratio	.32	.013		.17
Interpretation: Industry average is .13. MONNO & BENGAL is above the industry average. So they are performing better than others.				

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Cash ratio	.057	.001	.03	
Interpretation: Industry average is .02. MONNO & STANDARD is above the industry average. So they are performing better than others.				

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
CFO	.087	.04	.11	.058
Interpretation: Industry average is .07. MONNO, FU-WANG & BENGAL FINE is above the industry average. So they are performing better than STANDARD.				

Long term debt and solvency Analysis:

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Debt to total capital	.58	.47	.34	.76
Interpretation: Industry average is .54. MONNO & BENGAL FINE is above the industry average. So they are performing better than others.				

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Debt to equity	1.5	.87	.53	
Interpretation: Industry average is .73. MONNO & STANDARD is above the industry average. So they are performing better than others.				



Interest coverage ratio:

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Times interest earn ratio	1	2.05	1.22	.34

Interpretation: Industry average is 1.15. STANDARD & FU-WANG is above the industry average. So they are performing better than others.

Capital expenditure and CFO to debt ratio:

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Capital expenditure ratio	2.1	1.31	.72	-.2

Interpretation: Industry average is .53. MONNO, STANDARD & FU-WANG is above the industry average. So they are performing better than BENGAL.

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
CFO to debt	.05	.04	.10	.05

Interpretation: Industry average is .06. FU-WANG is above the industry average. So they are performing better than others.

Profitability Analysis:**Return on sales:**

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Gross margin	.18	.17	.28	.27

Interpretation: Industry average is .23. FU-WANG & BENGAL is above the industry average. So they are performing better than others.

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Operating margin	.11	.05	.11	.05

Interpretation: Industry average is .08. MONNO & FU-WANG is above the industry average. So they are performing better than others.

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Margin before interest and tax	.11	.05	.11	.05

Interpretation: Industry average is .08. MONNO & FU-WANG is above the industry average. So they are performing better than others.

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Pretax margin	.01	.05	.10	.04



Interpretation: Industry average is .05. STANDARD & FU-WANG is above the industry average. So they are performing better than others.

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
Profit margin	.01	.05	.07	.03

Interpretation: Industry average is .04. STANDARD & FU-WANG is above the industry average. So they are performing better than others.

Return on Investment:

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
ROA	.09	.03	.08	.015

Interpretation: Industry average is .05. MONNO & FU-WANG is above the industry average. So they are performing better than others.

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
ROTC	.10	.03	.06	.012

Interpretation: Industry average is .05. MONNO & FU-WANG is above the industry average. So they are performing better than others.

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
ROE	.02	.05	.05	.064

Interpretation: Industry average is .05. STANDARD, FU-WANG & BENGAL is above the industry average. So they are performing better than MONNO.

Ratio:	MONNO	STANDARD	FU-WANG	BENGAL FINE
EPS	5.41	5.82	7.09	6.72

Interpretation: Industry average is 6.26. FU-WANG & BENGAL are above the industry average. So they are performing better.



PART: 2

Analysis of Inventories



6.3 INVENTORY ANALYSIS

INVENTORY ANALYSIS OF MONNO CERAMIC

Inventories comprises of Raw Materials, Work-in-Process, Finished goods, Stores and Spares and Materials-in-Transit. Raw materials and Stores and Spares have been valued at *Average cost*. Materials-in-Transit have been valued at the *cost incurred up to the date of Balance sheet*. Work-in-Process has been valued at *Prime cost* basis as required by IAS-2 with proportionate addition of Factory Overheads. Finished goods have been valued at the *lower of cost and net realizable value* basis.

INVENTORY ANALYSIS OF STANDARD CERAMIC

The raw materials have been valued at weighted average method. The finished goods have been valued under variable costing method following marginal costing technique. The working processes have been valued at cost of materials with proportion of electricity absorbed in production. Store-in-transit represents the cost incurred up to the date of balance sheet.

INVENTORY ANALYSIS OF FU-WANG CERAMIC

Inventories comprise raw material. Work in process, finished goods and inventories in transit. They are stated at the lower of cost and net realizable value on consistent basis in accordance with IAS 2 as adopted by ICAB as BAS 2 “inventories”. Net realizable value is based on estimated selling price less any further costs expected to be incurred for completion and disposal.

INVENTORY ANALYSIS OF BENGAL FINE CERAMIC

Raw materials, spare parts and accessories, sager and moulds are valued at *Simple average cost*. Stores-in-transit are valued at *costs incurred to the date of the accounts*. Work-in-process is valued at *cost of materials plus proportionate conversion cost*. Finished products of stoneware's are *valued at cost, which is lower of selling price*.

PART: 3

ANALYSIS OF LONG LIVED ASSET

6.4 THE CAPITALIZATION DECISION:

The cost of acquiring resources that provides service over more than one operating cycle is capitalized and carried as assets on the balance sheet. All cost incurred until the asset is ready for use must be capitalized, including the invoice prices, applicable sales tax, freight and insurance cost incurred delivering the equipment, and any installation cost. The choices of capitalization affect the Balance Sheet, Income Statement and CFS and ratios both in the year the choice is made and over the life of the assets. Capitalization vs. Expensing decision depends on some general issues, that are-

1. Interest Cost
2. Intangible Assets
3. R&D, Patents and Copy rights
4. Franchising and Licenses
5. Brands and Trademarks
6. Advertising cost

ANALYSIS OF DEPRECIATION AND IMPAIRMENT

Depreciation, Amortization and Depletion are all terms used for the systematic allocation of the capitalized cost on an asset to income over its useful life. Depreciation, the most frequently use of these terms. Strictly speaking, depreciation represents the allocation of the cost of tangible fixed assets, amortization refers to the cost of intangible assets and depletion applies to natural resource assets. A company can use different types of depreciation methods, such as –

1. Annuity or Sinking Fund Depreciation
2. Straight-Line Depreciation
3. Accelerated depreciation Method
 - i. Sum of the year digits (SYD) method
 - ii. Double Declining Method
4. Units of Production and Service Hours Method



DEPRECIATION METHOD OF MONNO CERAMIC:

Fixed assets are valued at cost less accumulated depreciation. Full year's depreciation is charged on additions irrespective of date when the related assets are put into use. No depreciation is charged on land and land development. Depreciation on fixed assets is computed using *Reducing Balance Method*.

The annual depreciation rates charged to the principal categories are:

<u>Items</u>	<u>Rate of depreciation %</u>
Building and other Constructions	10%
Plant, Machinery and Equipment	10%
Vehicles	20%
Furniture and Fixtures	10%
Sundry assets	10%

DEPRECIATION METHOD OF STANDARD CERAMIC

Depreciation has been charged on all fixed assets except land and land development. Depreciation has been charged on diminishing balance method.

DEPRECIATION METHOD OF FU-WANG CERAMIC

Property, plant and equipment are stated at their cost less accumulated depreciation in accordance with IAS 16 as adopted by ICAB as BAS 16 "property, plant and equipment". Cost represents cost of acquisition or construction and capitalization of pre-production expenditure including interest during construction periods. No depreciation is charged on loan and loan development. Full year's depreciation has been charged on additions irrespective of date when the related assets are put into use. Depreciation on all other fixed assets is computed using the "diminishing balance method" in amounts sufficient to write off depreciable assets over their estimated useful economic lives. Expenditure of maintenance and repairs are expensed; major replacements, renewals and betterments are capitalized.



The depreciation rates applicable to the principal categories are:

<u>Items</u>	<u>Rate of depreciation %</u>
Factory building and other construction	2.5%
Plant and machinery	5%
Office equipment	10%
Furniture and fixtures	10%
Motor vehicles	10%
Other assets	10% to 25%

DEPRECIATION METHOD OF BENGAL FINE CERAMIC:

Fixed assets excluding land are depreciated on *Reducing balance method* at the rates stated below. Depreciation for the whole year is charged on additions to assets irrespective of the dates of acquisition, but in case of retirement or disposal no depreciation is charged in the year of retirement or disposal. Besides, no depreciation is charged to additions that were accounted for on account of appreciation of value derived from revaluation of useful value of land, building and other constructions and plant and machinery.

<u>Items</u>	<u>Rate of depreciation %</u>
Building and other structures	5, 10 & 40
Plant and Machinery	10
Electrical and other installations	10 & 20
Transport vehicles	20
Tools and Equipment	10, 20 & 30
Office equipment	10 & 20
Furniture and Fixtures	7.5 & 10
Others	10, 20 & 40



Chapter-7

Conclusion



Conclusion:

Financial analysis is helpful in assessing the financial position and profitability of a concern. This is done through comparison by ratios for the same concern over a period of years; or for one concern against another; or for one concern against the industry as a whole (called inter firm operation); or for one concern against the predetermined standards; or for one department of a concern against other departments of the same concern (called intra firm comparison). Accounting ratios calculated for a number of years show the trend of the change of position i.e., whether the trend is upward or downward or static. The ascertainment of trend helps us in making estimates for the future. A primary advantage of ratio analysis is that they can be used to compare the risk & return relationship of firms of different sizes. Ratios also provide a profile of a firm, its economic characteristics and competitive strategies & its unique operating, financial & investment characteristics. Ratio analysis is not intended to provide all the answers about a firm, but rather to point to the relevant questions. An over view of ratio most commonly used in the analysis of financial statements. These ratios classified as activity, liquidity, solvency and profitability indicators are designed to measure different aspects of a firm's operating, investment and financing activities. Ratios are used to standardize financial statements across firms and over time, facilitating comparative analysis. It also provides insight into firm performance and economic relationship when evaluated an integrated analysis. So, it is very important for every firm to analysis of financial performance.



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