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# Performance Evaluation of Bata Shoe Organization (Bangladesh) Ltd.

Rep no 1-29



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# **INTERNSHIP REPORT**

## **Performance evaluation of Bata Shoe Organization (Bangladesh) Limited**

### **Prepared for:**

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Professor of Finance  
EWU

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1997 – 2 – 10 – 022

East West University, Dhaka  
April 13, 2001

July 5, 2001

**Dr. Mohammad Musa**  
Professor of Finance  
East West University  
Mohakhali, Dhaka.

**Sub: Submission of Internship Report.**

Dear Sir,

Here is my Internship report that fulfills partial requirement of my Bachelor of Business Administration Degree. It is very helpful as a student of Business Administration to undergo the Internship Program.

I completed my Internship Program in Bata Shoe Organization (Bangladesh) Limited. I learned a lot from them. I evaluate their performance with other shoe manufacturing company and give recommendations that I think helpful to improve their position in the shoe industry in Bangladesh.

I tried to accommodate your invaluable comments suggestions in my report. In this connection, should you need any further clarification, please call on me.

Thank you very much my honorable teacher for your kind immense cooperation without which this Internship Report would not have been done. I take every opportunity to express my gratitude of indebtedness to you.

Thanking you,

Sincerely yours,

*no signature.*

Hasibul Islam Khan  
1997 - 2 - 10 - 022

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## **Preface**

An Internship, being a competitive as well as essential program is the last platform of BBA Degree completion. It is a twelve weeks attachment with an organization program then the submission of an Internship Report will fulfill the requirement of BBA. It familiarizes students to the working environment of the real world. It gives students the best opportunity to improve their interpersonal and managerial skill and also they can implement their theoretical enlightenment to the real life situation. After graduating, students also get access to networking opportunity when they are brought to light of the distinct business sphere and taking a leading edge in the job market. At last it can be says that it polishes their strength and weakness.

## Acknowledgement

My list of gratitude is pretty long. I would like to unfold it with the name of my Internship supervisor at East West University, Dr. Mohammad Musa, without whose priceless and inestimable supports I would not have been able to produce this report.

I was privileged my enjoying assistance and guidance of the whole organization teams of Bata Shoe Organization (Bangladesh) Limited. I would also like to thank Mr. Habibur Rahaman, Personnel Manager of BSO for his enormous support.

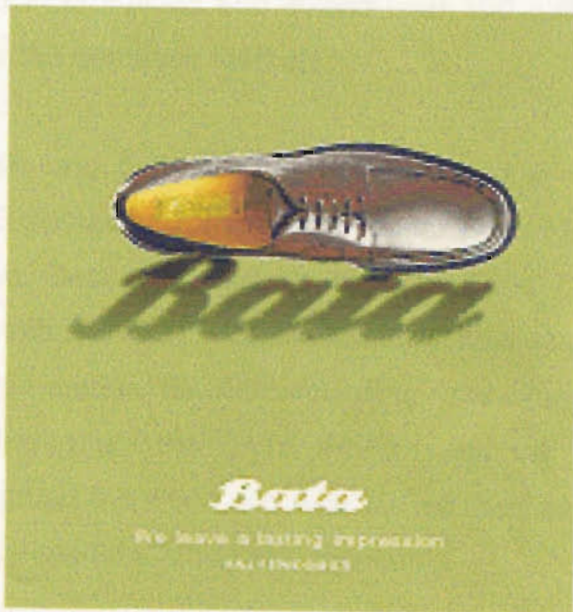
I am also indebted to following individuals and fell obligation acknowledge as follows:

1. Mr. Alamgir Sharkar  
Plant Manager  
Bata Shoe Organization (Bangladesh) Limited.
2. Mr. Enamul Haque  
Personnel Officer  
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3. Md. Tareq Jamir for his important contributions.
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And , for inspiration, my thanks and my love to my father and mother.

# CHAPTER ONE

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## 1.1 BACKGROUND OF THE STUDY

Bata Shoe Organization (BSO) is the largest manufacturer and merchandiser of footwear in the world. Its global management comprises of shoe factories, tanneries, engineering plants producing shoe moulds and machinery, product development and research centers, quality control laboratories and approximately 6300 retail outlets and additional 100,000 franchises. More than 80,000 people are employed in producing and selling over 300 million pairs of shoes each year, primarily for the domestic markets.

An additional 400,000 people and their families are engaged in the support services required by the BSO operations. Bata International Center is located at Toronto, Canada. Mr. Tomas Bata, the founder of Bata Shoe Organization initiated this worldwide operation in Zlin, Czechoslovakia, now known as the Czech Republic. The year 1994 marked the 100th-founding Anniversary of BATA, which has been observed throughout the BATA World. Over the years BSO extended its operations throughout the world and established itself as the world's largest organization in footwear manufacturing and marketing.

## 1.2 ORIGIN OF THE REPORT

This report is the output of three months long internship program that I underwent at Bata Shoe Organization (Bangladesh). It also fulfills the partial requirement of an internship program that a business graduate must undergo in order to qualify for degree in East West University.

### 1.3 OBJECTIVES OF THE REPORT

The report generally consists of two types of objectives, a Specific Objective and a Broad Objective.

The Broad Objective of this report was:

- To evaluate the performance of BATA SHOE ORGANIZATION (Bangladesh).

The Specific Objectives of the study was:

- To carry out a survey to identify whether the performance of Bata Shoe Organization is worthy or not?
- To identify the positions of BSO in the shoe industry compare to other organizations as a multinational company.

### 1.4 SCOPE

The scope of this report is to analyze the operation of Finance department and to evaluate the performance of the Bata Shoe Organization (Bangladesh).

### 1.5. TIME PERIOD OF THE STUDY

For the fulfillment of the desired purpose following working days are spent to various department:

Head Office (Tongi)

<b>Department / Section</b>	<b>Working days</b>
Production Department	10 days
Costing Department	15 days
Merchandising Department	5 days
Finance Department	60 days

### 1.6. SOURCES OF DATA COLLECTION

The inputs are collected from two sources:

#### 1.6.1 Primary Sources

- Discussion with company officers
- Personal observation
- Desk work in different sections/ departments.

#### 1.6.2 Secondary Sources

- Annual report of the Company.

- Consultation of related books and publications
- Different statement from stores
- File balance sheet and various documents

### 1.6.3 Type of information

- Primary information was obtained from discussion with the head of the department and officers, who are directly involved.

### 1.6.4 Data processing

Collected information is processed by the use of computer system. Detailed analysis, working variables and working definitions is embodied in the report.

## 1.7 LIMITATION

The possible obstacles that could likely hinder the information of the study have been illustrated in the following:

- Time constrained could be a major drawback in this study.
- It was difficult to communicate with the officers of all departments.
- Another limitation of this report is they are not disclosing some data and information for obvious reason, which could be very much useful.



- Many of the officers were hesitant to respond because they thought that the study was being prepared for the particular department.
- Bata Shoe Organization has different competitors for various kinds of shoes that's why it was difficult to compare the performance of BSO with other organizations.
- It was quite difficult to find out industry average because there are so many shoe companies in our country. Moreover, most of them are public limited company so their information and data are not available.
- One of the big limitations I faced that BSO itself is a Benchmark Company as it is the present market leader in the shoe industry. Moreover, its closest competitor is Apex Footwear Ltd. with approximately 3 – 4 percent market share where as Bata's market share 17 – 18 percent. So, it was a constraint for me because I could not take the Benchmark as an alternative to evaluate the performance of Bata. This has made my report little narrow and provide me little scope to develop a unique report.

## 1.8 REPORT PREVIEW

The report “ Performance Evaluation of Bata Shoe Organization” is organized by dividing the whole report into five major chapters. And those brief idea are stated below:

**Chapter One: *Introduction Part*** : Briefs the reader about the report.

**Chapter Two: *Organization part*** : This part includes the background & structure, product & service of the organization and so on.

**Chapter Three: *Working Part*** : Specifies working experience while doing internship in different departments.

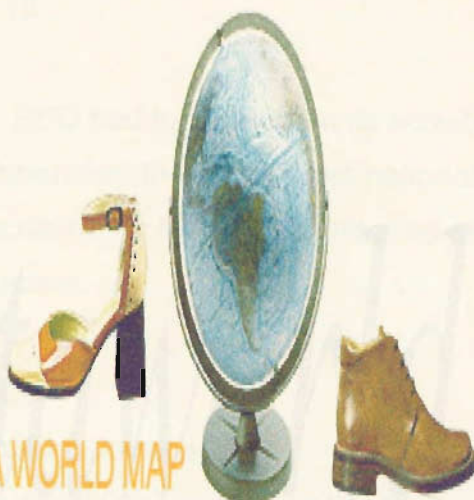
**Chapter Four: *Project Part*** : Deals with the detailed information regarding performance of Bata Shoe organization, theoretical framework, findings, and so on.

**Chapter Five:** Recommendation, Implementation & Conclusion.

# CHAPTER TWO

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BATA WORLD MAP



## BATA MISSION STATEMENT

The Bata Shoe Organization's mission is to be recognized as the most dynamic, innovative and market-responsive footwear organization with footwear as its core business.

## 2.1 HISTORICAL BACKGROUND OF BATA SHOE ORGANIZATION (Bangladesh)

Today, in almost every part of the world, the name Bata stands for shoes. Bata means shoes to the millions of people who wear them and the almost one hundred thousand people who directly or indirectly draw their livelihood from the more than 85 Bata companies and 6300 Bata retail stores around the world.

The Bata Shoe Organization (BSO) is a unique organization founded by Tomas Bata in central Europe in 1894. Coming from a long line of family shoemakers, he pioneered a shoe industry at the age of 18.

At the time after the Second World War, BSO had to strengthen its activities outside Czechoslovakia after the entire operation there had been nationalized. In the shoe world, Bata has earned the reputation for leadership, initiative and innovation in meeting the needs of customers.

**Founder:** Mr. Tomas Bata.

**Born:** In 1876 Zlin Czechoslovakia.

**BSO founded:** Tomas Bata founded BSO in 1894 at the age of 18 years in central Europe. Now it is the World's largest manufacturer and vendor of footwear.

## 2.2 BATA MISSION STATEMENT

The Bata Shoe Organization's mission is to be successful as the most dynamic, flexible and market responsive worldwide organization with footwear as its core business.

## **2.3 BATA VISION**

To enhance our position as the leading manufacturer and marketer of good quality family footwear and finished leathers in Bangladesh by adopting correct technology, manufacturing process and ensuring quick response to market requirement.

## **2.4 BUSINESS PHILOSOPHY**

Bata Shoe Organization companies in different countries are independent businesses. The primary objective of each Bata Shoe Organization is to profitably fulfil the footwear needs of its domestic market, by manufacturing and/or sourcing footwear for sale through company owned stores or client retailers. The Organization's committed presence in many countries, through times of turmoil and prosperity alike, has resulted in a network of solid relationships with customers and suppliers, and the reputation as a good corporate citizen throughout the world.

## **2.5 EMPLOYEES DEVELOPMENT**

The staff strength of BSO as on 15<sup>th</sup> December 2000 stood at around 1593. Intensive theoretical a practical training with job rotation is a part of the program for probationary officers recruits by the company. To orient, enhanced and increase the knowledge of the staff and officers of the company, regular training and orientation courses have been organized by the organization.

## 2.6 BOARD OF DIRECTORS

At present Board of Directors consists of five members including Managing Director. <sup>The other members are:</sup> ~~They are,~~ Regional Co-Ordinator, Deputy Managing Director, and two of them are outside Director. All of the members are elected for the period of two years by rotation. At present Mr. Keith Weston and J. D. Hearn are acting as Chairman and Deputy Managing Director Respectively.

## 2.7 COMPANY STRATEGY

- To restructure manufacturing operations to reduce overhead, goods in process, better flexibility and to produce perfect shoes.
- Tight control on production expenses & manufacture value added shoes.
- To implement updated projects i.e. super expanded PVC soles/ shoes.
- To extended market network by opening 23 new stores and closing non-profitable stores.
- Aggressive plan to remodeling existing old stores.
- Numbers of dealers will be increased from 550 in 1998 to 890 in 2003.
- To consolidate dealers club program.
- To establish brand loyalty through developing & promoting latest designs in each brand.

- To develop export channel by introducing new range of shoeline a promoting tannery facilities.
- To capture the school shoe market by launching a strong marketing campaign.

## 2.8 KEY ASSUMPTIONS

- Opposition's intolerance may cause further strikes (Hartal) and protests.
- VAT is rigidly enforced on large companies Bata pays approximately 90% of all vats on footwear but has only 26% market share.
- There is no inflation in footwear business.
- No signs of Improvement of power supply by year 2001.
- Increasing labor cost differential between organized companies and semi cottage industries.

- Weekly labor cost

BATA	\$58
Competitors	\$16

## 2.9 MAJOR COMPETITORS

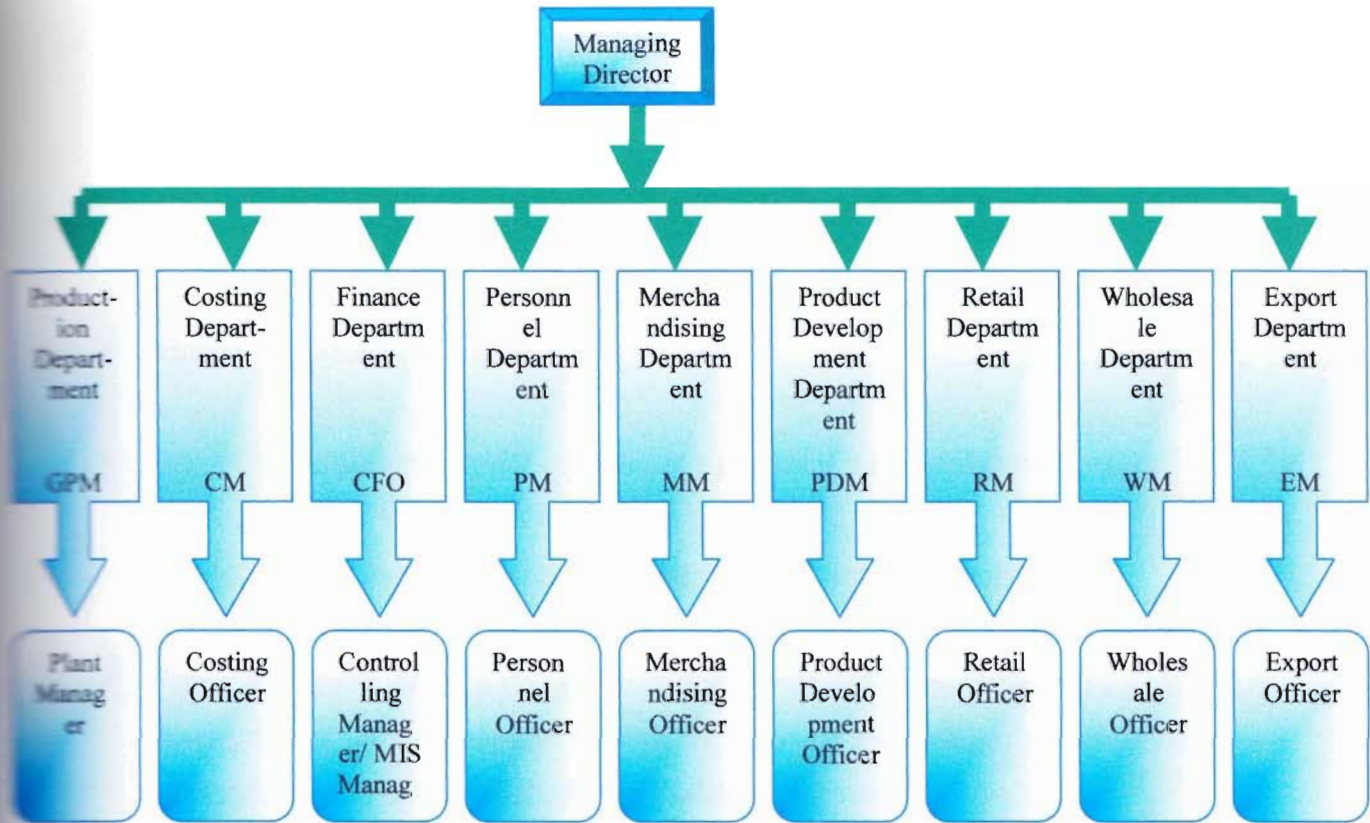
The company implications of their competitors are concern here because BSCLB is doing almost monopoly to some extent. People of our country whenever want to buy a high durability shoe they always think for BATA. That is why BSCLB does not have as such strong competitors in our country. Competitors for BSCLB in Bangladesh are Baly Keds, Pegasus Shoes, Apex, Dada Shoes etc. All of them are not much good in their leather products and do not have a good quality as BATA does. As a result of this competitors can't attract the customer more than BATA. Moreover, the competitive firms don't have the potentiality to produce better quality shoes. Their policy of movement is not appropriate or convenient which will help them to compete with BATA. No customer can rely on their leather shoes that much they rely on BATA and for their belief they go for BATA, which will be more reliable, durable, and comfortable.

A)

<b>Retail</b>	<b>Category</b>
Pegasus Shoes	Sports
Baly	Sports
Rider	Sports
Liberty	Fashion Range
Apex Footwear Ltd.	Leather



**2.10 ORGANIZATIONAL CHART OF BSO**



**GPM- General Production Manager**

**CM- Costing Manager**

**CFO- Chief Financial Officer**

**PM- Production Manager**

**MM- Merchandising Manager**

**PDM- Product Development Manager**

**RM- Retail Manager**

**WM – Wholesale manager**

**EM- Export Manager**

## 2.10.1 RESPONSIBILITIES OF DEPARTMENT HEAD

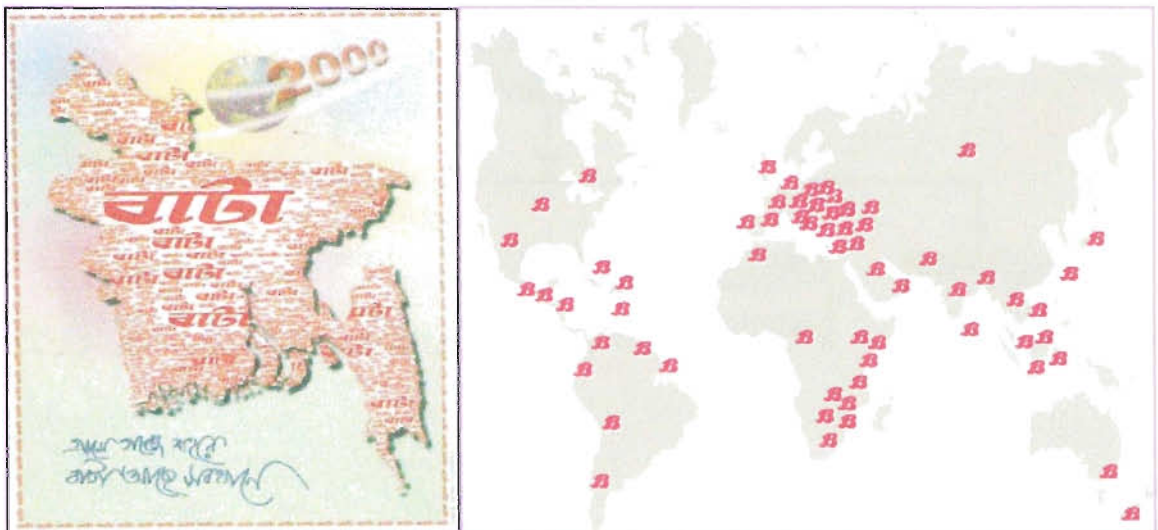
- Company Secretariat: to conduct annual General Meeting, Board EC Meeting and communicate with the members of the Board of Directors and shareholders for any company affairs.
- MD's Secretariat: To assist the Managing Director in connection with the company operational affairs.
- Production Department: To produce the products as per plan or freezing.
- Costing Department: To determine the standard cost of the products.
- Finance Department: To complete budget, financial plan, cash flow management and to maintain the accounts and act as internal auditor of the company to audit the transaction of company's account.
- Personnel Department: To conduct the recruit and promotion system of the company to follow the rules and regulation of service.
- Merchandising Department: To make a plan for production as per requirements from marketing department.
- Product Development Department: To make a new design of the product from different sources.
- Retail Department: To market the product of the company to the customer.



- Wholesale Department: To sell the products through wholesale depot to dealer.
- Export Department: To export the products to overseas customers.

## 2.11 Coverage Area of Bata Shoe Organization (Bangladesh) Ltd.

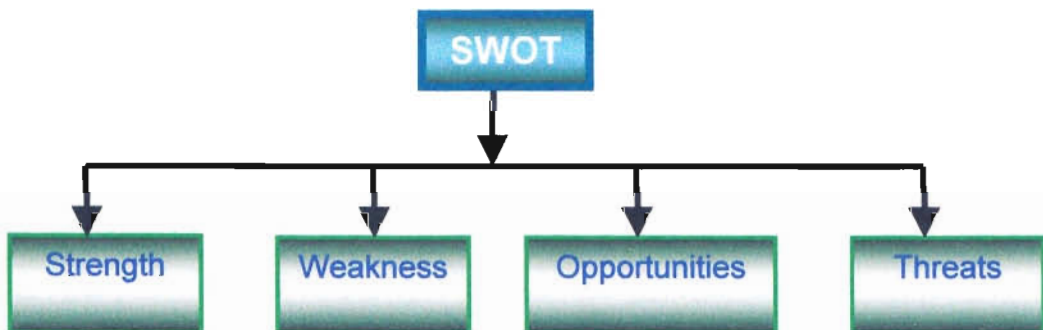
The retail shops of Bata Shoe cover all the area of Bangladesh. It also cover the several parts of the world mainly the Middle East Asia fully covered by the Bata products. The following pictures shoe the coverage area of Bangladesh and also the World.



## 2.12 SWOT ANALYSIS OF BSO:

The SWOT analysis comprises of the analysis of the organizations internal strengths and Weaknesses and the external Opportunities and Threats. Such as an analysis gives an organization an insight of what they can do in future and how they can compete with their existing competitors. This tool is very important to identify the current position of the organization relative to others, who are involved in the same kind of business and also widely used in the strategic analysis of the organization.

***The SWOT analysis stands for:***



## **STRENGTH**

### ***Brand Name***

All over the world BATA is just an image, and a large brand name to the customers who think about it and feel its regular uses, comfort, quality, reasonable price, durability and others. BATA Shoe intended to identify their products and differentiate them from those of competitors. BATA Shoe's market power lies with its brand name, which has made a foothold for the company, and creates external opportunities.

### ***BSCLB Maintain Both Quality And Quantity Efficiently***

Being one of the famous companies around the country as well as in abroad BSCLB always maintain both standard quality and quantity efficiently. For such tremendous job they never make delay. It maintains quality in its product line because they are certified by ISO 9001 and followed the Total Quality Management (TQM). Following TQM method still its ability to produce 60,000 pairs of shoes per week. In their leather section they have enormous ability to change and involve any types of new technology to sustain their quality and also quantity. BATA shoe keeps up the image of quality and maintains the quantity produced.

### ***Wide Retail Marketing Network In The Country***

BATA has the largest retail-marketing network in the whole country to maintain their channels with their customers. They contribute a huge network policy throughout the country by providing their almost all types of products on the basis of the demand in different places.

### ***MIS Department In the Stores***

BATA BAZAR stores and wholesale depots have computer facilities and this helps keeping in pace with the most modern communication system to maintain constant link with MIS department in the Head-office for timely supplies. It helps the company to keep track of how much are sold, how much are left in which designs, sizes and on the basis of that information they can provide those necessary amount in different designs earlier.

### ***Efficient Distribution System***

The company has the greatest efficient distribution policies, which maintain the schedule also ensure proper supplies timely and helps avoidance of accumulation or blockade of stock. They distribute their products through different efficient distribution channels within a specific period of time. As a result, there is no chance of the cost of lost sales, that means the customers will have constant supply of their desired products. If they don't maintain sufficient inventory and fails to meet the requirement of the customers then the customers are very much likely to switch over to a different brand.

## **WEAKNESSES**

### ***Loss For Potential Coverage***

After the establishment of the company, it is producing items only for the middle classes. In Bangladesh 85% are living in regional areas. Most of them are poor peasant. They are living hand to mouth. An item of this company is out of the capability. The so called high society people are using branded items like Adidas, Nike, Reebok, Dunhill, YSL, Armani etc. because of inadequate coverage and high price the company will be facing huge loss in the near future.

### ***Traditional Designs***

BATA has a very old fashioned shoes and maximum time all those traditional designs the customers don't like to take. Mainly the women really avoid taking their traditional design, and they go for new designs in the other company shoes. They are not so much concern about introducing new design shoes rather than they all time concern about their quality. So they are loosing a very large number of their customers, as fashion is very short lasting and changes rapidly with time. So the traditional designs are the largest weakness for BATA.

### Company Takes Too Much Time To Develop New Designed Products

BATA when tries to introduce new <sup>by</sup> designed shoes before that they <sup>had</sup> have to take a formal decision and then it <sup>had</sup> has to go to top management. <sup>To complete</sup> After all <sup>all formalities,</sup> formal functions to final approval it <sup>took longer time</sup> takes more time. When all the sectors approve it then they begin to process by getting raw materials. So it takes a large time because all of their sections are interrelated with to another. So they ultimately make late to introduce new designed products. On the other hand the all other competitors take quick action to change the designs on the basis of the demand changes. And who can introduce earlier that who takes the initial advantage and introducer their new products they will attract more to the customers. Because the customers all time want to get the faster change one.

Introducing new product or improving the existing one is a process. And the process usually is lengthy. But takes longer than normal time required by its competitors.

### High Labor Cost

The company is providing many facilities to their employees. The workers of the company are getting a large amount of wages as well as they have qualified executive, who are also getting huge amount of remuneration. The facilities provided by the company are costing itself too much. But the commissions are now in the huge position that every single labor gets about TK.12000 to TK.15000 in a month in their production capacity. On the other hand, all other companies pay only TK.3000 to TK.4000 to each of their labor. So BATA incurs a huge amount to pay their labor and other employees. So their cost is so high.

xx its competitors, Bata Shoe's salary range from Tk.12,000 to Tk.15,000/- a month. This results in a higher cost in case of DL and Administrative expenses.

The company's wages and salary structure is provided for large - a handsome amount of salaries to its director labor force and good remuneration per package for its managerial personnel. Compared to a Tk.3,000 to Tk.4,000 salaries given to their unskilled labor force by



## OPPORTUNITIES

### **Target The High - Class People**

BATA Shoe Company targeted only the middle class people and they earn the major portion of profit from them. But as a well-reputed company they have an opportunity to go to the high-class people. [That means they can make executive shoes for the high-class people for a reasonable price. As far as we know BATA Shoe Company Ltd. always emphasis on quality and the executive shoe's customers more concern on quality rather than price. By using this opportunity they easily capture the high-class people.]

*there is a small but increasingly growing market for executive shoes in the country. Bata, with its brand name and image, can easily target this market and reap benefit from this market.*

### **Joint Venture**

Alliances or joint venture expand the firms' market coverage and competitive capability. So, there is an open wide strategic opportunity for the company to consolidate existing international activities and explore new ventures, by which BATA Shoe Company can grab and touch the sky with high success by conducting alliances or joint venture. The Company has the greatest opportunity to run its business in some special regions as joint venture. If they begin to expand their joint venture businesses in Asia, and in other different arenas and they also act it for those countries with the developed companies like – REEBOK, NIKE, ADIDAS, LIBERTY, LABELLA then they will be the largest one in those arenas. The alliances or joint ventures overseas will reduce large overhead, get access to the market easily allowing BATA Shoe Company to achieve lower international marketing cost. So, it is a vigorous

opportunity for the company to enter in new market and find new customers for their product with joint venture.

### ***Increase The Export Business***

The company has the perfect timing and capacity to expand their business by exporting their products in different countries where they are unorthodox arenas. In existing countries it can also increase their exports. They can increase their sales by exporting their products on time with new designs and maintaining the deadline properly. By this they will be more popular and will be able to enhance their brand image.

### ***Improvement In The Global Strategy***

BATA as one of the largest company of the world it can also take the new global strategy to meet the huge marketing policies, and distribution to individual national or regional markets. The Company has a great opportunity to grow in the market by their several lines of business. It will help the company at the customer ever-changing demand period of any time. They can offer the new expected products to the consumers by their commitment to continuous quality improvement, cost effective program and with the better services like – service of return up to three months and by this they will get the higher customers from the competitors. Their efficiency, existing strategy, market driven, and profitability are the greatest opportunity to become leader in the global market.

## **THREATS**

### ***High Tariffs And Trade Barriers***

High tariffs and import duty makes it much less feasible to start up any commercial venture in most other countries. For the raw materials, needs to be sent from US to those countries paying high duty and tariffs. For BATA it is a great threat if they will have to maintain the high and hard import duties and give a large tariffs and taxes. Then it will make a tremendous problem for them in the expansion period in any of the countries. They have to incur the high expenses for it. So it is big threat for BATA.

### ***Threat From Executive Shoemakers***

BATA Shoe Company is not producing high priced executive shoes because their target customer is middle class and lower class that cannot afford this kind of shoes. So, the executive shoemakers like Dunhill, Versace, Yazun, may become the threat for BATA Shoe Company. If they can't take any action to introduce those type of shoes, then those companies will capture the market by their different designed shoes and also more customers of BATA will switch to those companies. Moreover if the customers are once dissatisfied with the products then it is unlikely that they will come back again.

### ***Unstable Political Situation***

If the political situation of the country is very unstable then it affects the business as well. The companies are not able to complete productions on time and as a result lot of extra costs are incurred. Moreover, the company faces huge loss of revenue at the same time.

### Historical Background

BSOBL is a shoe manufacturing Company established in 1894

### Company Strategy

- ⇒ It creates new opportunities for its customer.
- ⇒ It gives customized products for customer.
- ⇒ It maintains harmonious relationship with suppliers and customers.

### Mission

The Bata Shoe Organization's mission is to be successful as the most dynamic, flexible and market responsive worldwide organization with footwear as its core business.

### Coverage Area

Bata mainly covers the whole world especially in Middle East and in Bangladesh it covers the whole country.

## Bata Shoe Organization (Bangladesh) Ltd. PROFILE

### Major Competitors

- ➔ Apex Footwear Ltd.
- ➔ Pegasus
- ➔ Woodland
- ➔ Baly
- ➔ Yazun
- ➔ Liberty

### BSOBL Vision

To enhance our position as the leading manufacturer and marketer of good quality family footwear and finished leather in Bangladesh by adopting correct technology, manufacturing process and ensuring quick response to market requirement.

## SWOT Analysis

### Sources of Inventory

- Own Sources
- Associate Business Units
- Contracts

## Manufacturing Process

### Recent Performance

**Authorized Capital;**  
20 million shares each Tk.10.  
Tk.200 million in the year 2000.

**Sales:**  
Tk.2.35 billion in the year 2000.

**Net Income After Tax:**  
Tk.192.7 million in the year 2000.

### Marketing Channels

- ⌘ Wholesale
- ⌘ Retail
- ⌘ Exporting
- ⌘ Direct Sales

### Image & Reputation

- ❖ To strive for profit and sound growth.
- ❖ Reliability and Familiarity.
- ❖ Convenience retail shops location.
- ❖ Leading shoe manufacturer in Bangladesh.

# CHAPTER THREE

## Working Part



PRODUCT DEVELOPMENT DEPARTMENT

The product development department is primarily responsible for the development of new products and the improvement of existing products. This department is responsible for the design and development of the new line of products and the improvement of existing products. The product development department is responsible for the design and development of the new line of products and the improvement of existing products.

## **OPERATIONS OF BSO**

Bata Shoe Organization maintains several departments to run their day to day functions smoothly such as: production department, marketing dept., costing dept. etc. These departments are interrelated with each others. In this report my main concern in Finance Department because by analyzing the operation of Finance department and I want to evaluate the performance of the Bata Shoe Organization (Bangladesh). Finance Department's prime job is to complete budget, financial plan, cash flow management and to maintain the accounts and act as internal auditor of the company to audit the transaction of company's account. First of all they have collect the sample from different sources and made the design in Product Development Department and hold a conference with other departments. If Marketing Personnel agree to sell then it takes place to the Costing Departments. This department calculates the standard cost to produce those shoes. Then again they place it to marketing department to fix their sales price keeping the company's expected margin. After that Merchandising department takes place and make a production plan. As per plan production department makes the shoes and deliver to the central distribution center. After receiving the shoe in distribution center, they will supply to marketing channel.

Now I would like to describe the day-to-day activities in each and every department:

### **3.1 PRODUCT DEVELOPMENT DEPARTMENT**

New product development is a specialty area within the Bata Shoe Organization. It is of vital importance that the planning and development of the shoe line is firmly guided by the top management of the company, and that decisions and

action taken are in harmony with the overall business concept and marketing objectives. The global product development team researches on an on-going basis fashion, colour and fabric trends from around the globe. Influences come from everywhere - city streets, film and music, the art world and of course, major fashion centers is also essential that the shoe line planning and development is base on what will appeal to consumers in a clearly defined market or market segment in others words a “ Market oriented” approach. Shoe line development is an involved, complicated procedure, subject to many pressures, limitation, personal whims and opinions, so varied and diverse subtle and demanding, that is a constant challenge.

### **3.1.1 OBJECTIVES**

TO ACHIEVE WITH REGARD TO SHOE LINE

- a) Maximum appeal to consumer wants in individual markets.
- b) Excellence of merchandise.
- c) Continuous innovation and improvement in shoes and process.
- d) Shoe line representing outstanding value to consumers and profitable to produce.

### **3.1.2 SHOE LINE DEVELOPMENT CALENDER**

The shoeline Development calendar is the basis for scheduling the major development activity in a manufacturing company.

The important points for any company to bear in mind when establishing their shoeline Development calendar are the following:

- (a) The collection should be ready for presentation to the buyer the duration of a cycle may be longer than 6 months.
- (b) The cycle should be completed at least twice yearly but the duration of a cycle may be longer than 6 months.
- (c) The production guide should be completed not less than 4 weeks before commencing production of the new collection.

A filled in shoe line development calendar indicating when major concentration will normally take place for that step and when it should be completed. It should not however be misinterpreted as the only time when such an activity can take place. In reality, it is a continuous activity, where new ideas must be a continuous way of life, especially in relation to long-range development such as mould planning and production planning.

### **3.1.3 SHOE LINE PLANNING AND DEVELOPMENT**

It is essential that every B.S.O Company, operate with an established procedure and schedule for "Shoe Line Planning and Development". This will enable implementation and control of shoe line development activity, by those responsible within the company.

Shoe line development is an involved, complicated procedure, subject to many pressures, limitations, personal whims and opinions, so varied diverse subtle demanding, that is a constant challenge.

Often the extent of a collection is principally based on manufacturing expedience that is what a factory can produce with the tools and methods on hand. If what is



being manufactured has ready acceptance in the market place, a good line can result. Conversely, skill in detailing, pattern selection and style balance can do little but gloss over the product weakness, if the items produced are not competitive.

Considering the need as it exists today, realizing that, to rely on individual judgement can be dangerous and recognizing that failure to produce a good collection for just one season can result in serious production lists, the following method of shoe line development is proposed, one adaptable to group or committee planning.

### **3.1.4“MUSTS” OPERATION**

With B.S.O. companies located in many different geographic and climatic areas, it is a fact that the marketing cycle will vary for some companies, and that some flexibility is required in shoeline Development procedure anti timing.

Include the following “MUST” operation in the shoeline development calendar.

1. Market specification
2. Outline of collection
3. Design selection and development
4. Preliminary layout
5. Modification and further requirements
6. Collection blueprints
7. Color / Material finalization
8. Production guide sheet drafts
9. Preliminary pricing and costing
10. Equipment cost estimates

11. Production review
12. Finalization of collection
13. Sales estimates
14. Costing finalization and pricing
15. Signed samples
16. Production guides

**Note:** Steps 1, 2, 3 represents the 3 major phases in planning and creative activity, in the shoe development cycle.

#### **3.1.4.1 MARKET SPECIFICATION**

Specifying the market is an essential prelude to shoe lining development. Properly done, it supplies the base information needed for effective line building. It provides targets, goals and tools to determine need, character, quality, and to some extent, quantity of items in the collection. It also provides beginning type and category classification for analysis and control.

#### **3.1.4.2 OUTLINE OF COLLECTION**

Study trends relating to past performance and future forecast of lines, categories and construction, in the various types of footwear produced and sold.

Relating the above information and the market specification, establish an outline of collection indicating which types of footwear would be expanded, emphasized or added which should be discounted or de-emphasized.

This outline would then form the framework within which the design selection and development would take place.

### **3.1.4.3 DESIGN SELECTION AND DEVELOPMENT**

The last of the 3 main phases of shoe line development, centers around the shoe design selection, and material, last and component detailing. This procedure can be divided into the following main functions – all being performed with constant reference to market specification and outline of collection. The steps are as follows:

- a) Consider designs which are currently in production and applicable to the season being studied.
- b) Do the same with designs of earlier seasons.
- c) Study how modifications of “(a) and (b)” could adapt designs to changing needs. Initiate pullovers and trials on modifications. Add “treatment” sketches for other for other designs for the above trials.
- d) Analyze “holes”, i.e. what is missing, in the collection, and gather designs, for consideration. Include sketches also. Make pullovers or trials on worthy ones. Consider how, these might use old patterns and dies.
- e) Simultaneously with (a) study, adaptability of current lasts and heels seasons needs. Begin remodeling if considered if considered advisable. Sample new lasts and heels.
- f) Examine quantity of shoes in “a”, if there is a likelihood of designs being continued, considered how they might be improved in fit, comfort, appearance and value. Make to test suggested improvements.
- g) Got together swatches, skins or pieces of materials eligible for samples. Use in making pullovers and trials.

### **3.1.4.4 PRELIMINARY LAYOUT**

- a) From the work done the proceeding steps, make a trial balance for line structure.

b) Layout the new proposals and the current shoe line. Study samples, trials, pullovers, and sketches and establish:

- Carryovers
- Selection from new proposals
- Additional requirements or modifications

#### **3.1.4.5 MODIFICATION AND FURTHER REQUIREMENTS**

a) Prepare refinement trials and samples or pullovers for additional requirements.

- Obtain opinions from volume customers
- Utilize free lancers and consultants where possible
- Conduct fitting and wear test

b) Do final collection balancing

c) Details samples for final collection

#### **3.1.4.6 COLLECTION BLUEPRINTS**

Outline drawings for each design according to categories and sub categories, are prepared by the responsible design and numbers are allocated.

These are normally done on large "blueprints" pages by the responsible designed and provide a recapitulation of the collection as planned.

The drawings have been done, for the blueprints can be reproduced for use on the production guide sheet drafts.

#### **3.1.4.7 COLOR/ MATERIAL FINALIZATION**

Based on the color forecasts of new colors being promoted for the next season, and an evaluation of the market trends the marketing organization finalize the basic colors and materials to be used in the new collection and the purchasing department prepares standard color swatches.

#### **3.1.4.8 PRODUCTION GUIDE SHEET DRAFTS**

Production guide sheets including illustration, design no. And specification, are prepared to cover each line which has been selected for the collection. See section "Production Guide" for example.

#### **3.1.4.9 PRELIMINARY PRICING AND COSTING**

Preliminary costing are prepared, and evaluated against soling prices planned, and action taken regarding any differences any differences encountered.

#### **3.1.4.10 EQUIPMENT COST ESTIMATES**

Equipment cost estimates is prepared for all new designs in the collection.

#### **3.1.4.11 PRODUCTION REVIEW**

The respective production departments review the shoe line with regard to production possibilities or problems envisaged, make proposals regarding improvements and simplifications and plan for new machinery and equipment required.

#### **3.1.4.12 FINALIZATION OF COLLECTION**

- Evaluate against marketing planned outline of collection
- Establish sales estimates
- Weed out unnecessary lines to keep collection to a minimum determines lines to be included.
- Finalize collection blueprints
- Prepare recapitulation of finalized collection as authorized by company manager

#### **3.1.4.13 SALES ESTIMATE**

Finalize by line and sales department.

#### **3.1.4.15 SIGNED SAMPLES**

Prepare for sample room and production department

#### **3.1.4.16 PRODUCTION GUIDE**

To include the following contents:

- Recapitulation – finalized collection
- Shoe line development calendar
- Production guides sheet
- Production guides responsibilities
- Denomination key
- 10 best sellers
- Moulds

- Heels and major components
- Embossing and welding dies
- Sheeting and foxing roller designs
- Sock lining designs
- Other branding designs
- Registered trademarks
- Specifications – boxes, cartons, and labels
- Reference for major upper materials, colors, types

## **3.2 COSTING DEPARTMENT**

### **3.2.1 Process of costing**

Before they can establish the cost of manufacturing the shoe, they must know precisely what the shoe is, how it is to be manufactured, what materials are to be used and what lasts and equipment's will be used to make it

### **3.2.2 Footwear costing**

The objective of footwear costing are:

- 1) To provide a forecast of the estimated expenditure on:
  - a) Any particular shoe
  - b) The total factory seasonal production plan
  
- 2) To provide a measure of control over all sections of the business by comparing actual to estimated expenditure, and taking corrective action where necessary, using the latter as a measuring efficiency.

- 3) To reduce cost while maintaining or improving the quality of the shoe or the intrinsic value of the shoe.

Manufacturing costs properly used can be a valuable tool for making commercial business decisions. The basis of their costing is the seasonal production and sales estimates. Also as it is a consumer product connected with fashion, the sales price is a governing factor.

### **3.2.3 Break up of costs**

Primarily the cost of a shoe consists of three following elements:

- a) Materials
- b) Labor
- c) Over head

#### **3.2.3.1 Material costs**

It is the most important item in a shoe cost, being singly the highest cost element (70%) this comprises of the cost of leather, textile, rubber, adhesive, thread, needle, binding, laces etc. to find out the material cost of a shoe, the following tools are commonly used:

- a) Sample shoe: It is studied to gain the proper perspective and understanding of the nature of components and construction.
- b) Production guide: It gives the specifications of all components of the shoe in absolute details and other relevant technical information.



- c) Tracing/ Weight/ other measurement: This is required to find out actual material consumption. Full method of tracing is not discussed here, but only examples are given afterwards.
- d) Specimen of components: the specimen of components, e.g. Sole, insole, foxing, toecap, uppers etc. aid in determining the material quantities.
- e) Statistical analysis in the form of ready reckons, e.g. Thread, Consumption, Cement consumption etc.

### **Pricing raw materials**

Before any calculation of cost of materials can be made, it is necessary to establish the price of materials. Raw materials price details must be established. This is the combined responsibility of commercial and costing department. It is the proper control of the materials prices, which forces the buying department to buy efficiently and to get better prices and in this connection materials price variance analysis plays an important part.

The steps in the establishing of materials prices are comparative quotations from many suppliers are to be considered. The supplier with good quality and lowest price is to be chosen. The cost of materials delivered to the factory is to be calculated considering. Excise duty, control, sales tax, freight etc. also speculation for the future is to be taken into account.

### **3.2.3.2 Wages**

Before they can establish the wages costs of all operation in the making of a shoe, it is essential to know:

- a) Classification of operation
- b) Minimum basic wages and wages structure
- c) Wages policy manual
- d) Pieces rates

### **3.2.3.3 Overhead costs**

To arrive at a logical cost of a product, it is necessary to consider all those expenses which are described as overhead and which relate to manufacturing activities as a whole. These expenses must be charged to production in a fair and reasonable manner. Therefore the importance of correct allocation of overheads to the products cost cannot be under estimated. Normally, the overheads are classified into three broad categories – Direct, Indirect and General. Besides these they have additional benefits and description of production equipment.

#### **Direct Overheads:**

Those expenses which are incurred specifically for workshop and are traceable with the products, e.g. fore mans salary.

#### **Indirect Overheads:**

Those expenses, which are also incurred specifically for production workshops, but not traceable to any given product, e.g. salaries of managerial stuffs.

#### **General Overheads:**

Consists of expenses of general management, personnel and welfare department etc.

**Additional Benefits:**

All Money paid to or expenditure incurred on behalf of operators in addition to piece rate earning. Additional benefits can be taken as a labor cost also.

Examples of additional benefits are dearness allowance, health insurance, gratuity etc.

**3.3 MERCHANDISE DEPARTMENT****Merchandising**

Merchandising is a disciplined and planned approach to the management to help taking decision in setting up of marketing strategy, pricing, distribution, inventory control, and over all financial commitment of the company merchandising co-ordinates between production and sales and it monitors al marketing activities.

**3.3.1 Development of new shoe-line**

In these days of globalization customers buying behaviors are changing sharply. For which every business organization like 'Bata shoe company (BD) ltd.' is trying heart and soul to develop its shoe line initially for the establishment of its shoe line Bata marks a consideration of the follows:

- (i) Foreign magazines
- (ii) Foreign shoe samples
- (iii) Ideas from merchandiser, designers or from top management
- (iv) Competitors activities in the local markets

Bata Bangladesh follows a systematic policy for the development of new shoe line. The whole shoe line is divided into group, category, subcategory, etc. Identifying each article with brand name, article code, color and material with brand name article code, color and material required. Estimated sale for the season / year also proposed. The final shoe line is established after discussing with all concerned members of the management. Such as purchasing, production, costing, merchandising, production development, retail, wholesale, who signs for it and remain committed for their introduction as scheduled. Finally the company accord his approval to its implement action.

### **3.3.2 Cost test / gross margin**

Every company has its profit oriented goal. To fulfill this goal, Bata Bangladesh has its own cost test / gross margin policy. To achieve this purpose the company maintains a costing test sheet signed by concerned manager such costing manager, category merchandiser, merchandising manager and managing director.

Costing test sheet including manufacturer, article number, article name, category and brand. In each brand, price structure indicates sales price, standard cost, gross margin, expenses, profit contribution, administrative cost EBIT etc.

### **3.3.3 Salesman catalogue**

Salesman catalogue means a book or guide, which represent various designs as per article and category. The salesman can easily find out the required article looking at this catalogue at a glance. It also helps a customer to choose his/her required item as a guide.

The catalogue indicates article number, Article name, size retail price as per category and subcategory allow in the manage to identify the customers required article at glance.

### **3.3.4 Rebuilding collection**

Every product has its certain life cycle. When an individual product reaches its pick the starts declining at such a stage the movement of the article is revised and finally a new line comes in as replacement. Production of the existing line is also suspended simultaneously.

### **3.3.5 Open to buy**

Open to buy provides the quantity to be produced during a particular period of time. (In pairs and in amount).

#### **It includes**

- Estimated ending stock for period
- Estimated sales for the some period
- Opening stock

Open to buy can be prepared manually, seasonally, quarterly, monthly or even weekly. It can also be worked out on the basis of category, sub-category, and article.

OTB = estimated ending stock + Estimated sale – opening stock

### **3.3.6 Studying SIR**

Sir means “Stock and Inventory Report” presents a detailed statistical information and works as a dependable guideline for further production. For poor selling article SIR gives the information for taking appropriate action like price-off, Liquidation etc. Briefly, the SIR stands for:

- As per article, sub-category category and as per channel i.e. Retail and wholesale
- Pairs sold weekly and totally
- Stock as per week
- % of sale from stock
- Average weekly sale of article
- No. of depot stock carrying cost
- Total weekly sale and stock of the category

### **3.3.7 Mandolin card**

This card is maintained individual article recording weeks sales, stock, on order, margin price and season wise total information. It represents the sales and stock trend as per week of each article. On order situation can also be seen from mandolin card.

### **3.3.8 Long sheet**

It is a basic guideline for a merchandiser to see the movement of a respective category during a particular season. It provides:

- Last year sales and stock performance as per week

- This year sales and stock estimate
- Actual sales and stock estimate

### **3.3.9 Selection articles of production**

For new articles.

- Production is made on the basis of anticipation

For existing article:

- To consider weekly sale
- To consider existing stock position
- To consider opportunities in the forth coming week
- To get all information SRI is to study

### **3.3.10 Four (4) week ahead production plan**

It is one kind of sales forecast. This sales forecast is prepared 4 weeks in advance and passed on to various concerned department such as production, retail, wholesale and product development, etc. For taking recourse to necessary preparation for the ending preparation. Four weeks ahead production plan stand for:

- (i) Checklist consist required article as per conveyor
- (ii) Article is given as conveyor

### **3.3.11 Two –week ahead production freezing**

It is worked out two week in advance of final production. All departments' heads attend the meeting to revised and commit to the planned production during a particular week. Manually once the production is frozen no changes deviation is considered useless and otherwise the company manager authorizes it.

#### **3.3.12.1 Purpose:**

- To boost up sale during dull season
- To clear the stock of slow-moving lines
- To make extra sale due special offer
- To make new store familiar to the customer

#### **3.3.12.2 Type:**

Temporary: Temporary price of is considered mainly in case of opening of new store/depot. It also takes place during special sales campaign.

Permanent: for slow movers most of the cases of permanent price of is attributes to slow-movers with a view to reduced the stock level.

### **3.3.13 Liquidation procedure**

The main purpose of this merchandising action is to make the stock of slow movers Zero. After liquidation, identification of the liquidated articles would become Zero. This makes the collection free from unwanted his along development inclusion of new articles into the collection.



### **3.3.14. Pricing**

- Consideration
- Product profile income
- Customer segment gender
- Required level of margin
- Age group

#### **3.3.14.1 Pricing strength**

- Established corporate image help to keep little bit high price for its product, which is well accepted by the customer.
- Good quality product

#### **3.3.14.2 Weakness**

- Competitors price are usually less than the price of Bata
- Due to high labor cost of production, cost of goods become higher resulting high price of its goods. Whereas competitors getting the benefit of low cost labor that resulted them to keep low price.

## **3.4 PRODUCTION DEPARTMENT**

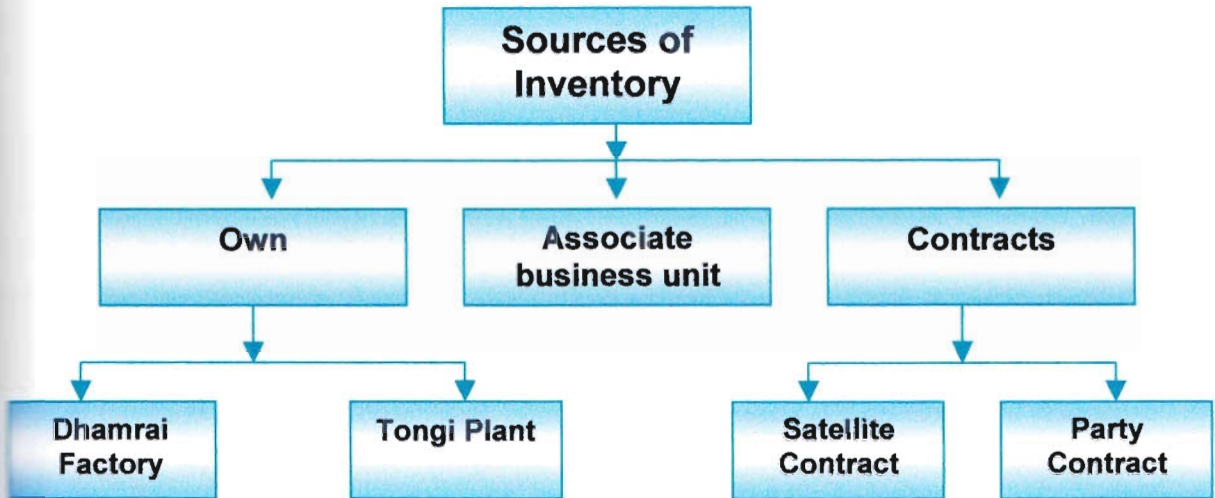
Bata-Bangladesh is producing daily over 60,000 pairs of shoes of various descriptions in its two manufacturing units located at Tongi and Dhamrai. It has set up a Tannery with the latest technological facilities to process about 24,000 square feet leather daily, which comprise of a wide range of products in finished leather. The Tannery is also equipped with a modern effluent treatment plant to

ensure pollution free environment. The Company's marketing network is consolidated through its own retail outlets, distributors, franchises, agencies, wholesale depot and a large number of registered and ordinary dealers.

### **3.4.1 Manufacturing process of shoes**

The work of production department of Bata Shoe Organization (BSO) in Bangladesh is mainly consists of manufacturing process of their products. This manufacturing process goes through different steps. The first steps involved in manufacturing the leather. That means they try to shape the raw materials of leather here. After completing this work they go for material manipulating. Here they cut leather as per instruction by the designer to get the shoe component. When they have finished this work then they prefabric their materials through wiping, hellozinating and perforating of the upper component of the shoes. While they are doing prefabrication they also do the job of sole making of both rubber and leather shoes. The manufacturing process also have some miscellaneous operations like, embossing, edge coloring, eye let fixing, counter forming, revetting etc. after finishing all the above work the process goes through swing, that means stitching different components of shoes. The last step in manufacturing shoes in BSO is conveyer operation where they assemble sole and upper part of shoes, then drying, paring, cleaning, lacing, and lastly packing shoes. After getting the packing shoes they always stock those in warehouse and distributes shoes from the warehouse. This is the overall manufacturing process of production department of BSO.

**3.4.2 Sources of inventory**



**3.4.2.1 Own Source**

When the company produce product by using own materials, machines, manpower and technology then it is called own product. Thus company receives goods from two own sources. Those are as follows:

**a) Tongi plant:** Tongi manufacturing plant was established in 1962, 15 km. north of the Zia International Airpot, Dhaka. With the passage of time, this plant has been furnished with modern machinery and equipment to reinforce its manufacturing facilities. There has been a significant increase in the whole product line, which include PVC, Rubber, Canvas and Sports footwear for hot domestic and export market. A major portion of the plant output is skewed towards manufacturing footwear component' soling materials etc. for the Dhamrai Plant (Leather Shoe Factory). Product development and product research are regards activities in the company, and measures in these regards have been

taken to enrich the whole product line and meet the changing needs of the customers.

**b) Dhamrai manufacturing plan:** Dhamrai, 38 km west of Dhaka city, which began commercial production in 1987. This project had been set in association with IFC, an affiliate of the World Bank. It has reached an annual capacity to produce over 3.5 million pairs of shoes and over 6.0 million square A modern Shoe factory and a Tannery with Effluent treatment plant are located at feet of finished leather .The Company has been successfully exporting finished leather to Canada, USA, France, Italy, UK, Japan, Germany, Hong Kong, Thailand, Singapore, Middle east, Turkey and India among other countries. Modern facilities in the Shoe Factory and easy availability of finished leather of international standard have made a big headway for export of shoes very successfully. The export item also includes men's casual shoes, sport footwear, and men's and ladies summer-line (sandals-slippers etc) for the Middle East markets.

#### **3.4.2.2 Associate business unit**

Associate business units prepare a package deal through companies own plan, which company assists them technology, manpower, raw materials. Associate business units only perform their production activities according to company's plan and on the contrary ABU. Receive salary.

#### **3.4.2.3 Contract Manufacturing**

Every year Bata Shoe Organization companies manufacture millions of shoes on behalf of third-party client retailers and distributors. The global scale of the Bata

Shoe Organization (BSO) enables BSO plants to offer products at competitive prices and quality standards.

The majority of BSO plants operate as full-service suppliers to customers within their domestic market, but also provide product for export, either branded or private label articles. Service-oriented wholesale teams provide a full-range of services to fulfill each client's needs.

The Bata Shoe Organization brings years of experience and promises a commitment to service, quality and integrity to each of its customers. They are proud that shoes produced in BSO facilities bear the logos of some of the world's top international brands and private labels. The contract manufacturing is run through two types of contracts. Such as,

- a) **Satellite party:** Satellite parties have no definite plan. They perform production activities as to company's order. Company supplies all raw materials, chemical and pattern knives. Satellite parties only possess manpower. Finally they supply VAT paid finished goods to central distribution center. Company pays production value of fixed rate as per article.
- b) **Contract party:** Contract parties produce and supply finished goods according to company's approved sample and order. The parties possess own raw materials, manpower, and technology. Delivering the product they received VAT payment and they will submit VAT return to the concern circle.

#### **3.4.2.3.1 Advantages of Bata Contract Manufacturing Services**

Bata Shoe Organization (BSO) companies strive to ensure that all contract footwear produced is according to your specifications and reaches you on time.

BSO companies contract production services feature:

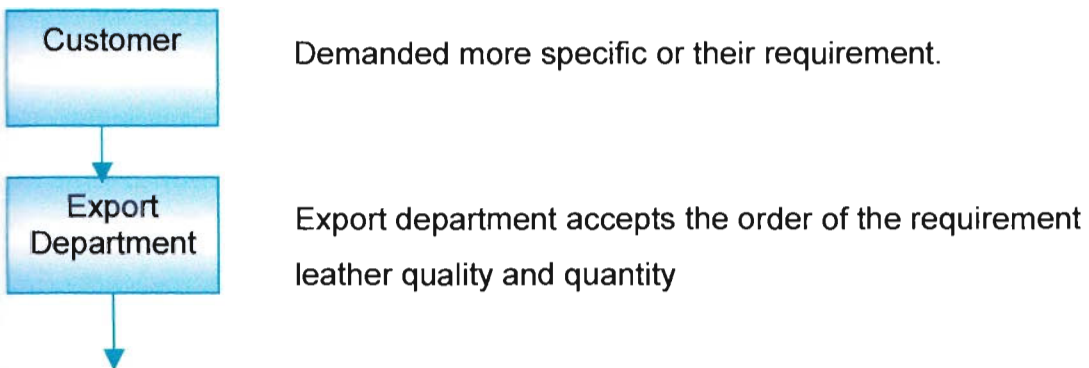
- Low cost factories, many with ISO certification, with integrated services - development, production, sourcing and quality control - available on-site
- Sourcing opportunities through a network of some 60 production facilities, producing some 30 categories of competitively priced quality footwear
- Consistent price : quality ratio
- On-time delivery and speedy turnaround
- Ability to service small quantity orders
- English-speaking staff trained and equipped to service clients directly
- Established direct access to local raw material and component suppliers; access to preferred prices for strategic materials (rubber, PVC, PU, leather)
- In-house quality control laboratories, centrally monitored by technical services teams
- Professional packaging and ticketing services
- Customized inventory management
- In several cases, integrated tanneries and /or mould-making workshops
- Operations in compliance with local laws and regulations, and an excellent reputation as a good corporate citizen
- Strict adherence to Organization-wide standards in ethical, environmental and safety practices
- A truly global Organization with over 100 years of experience to advise and assist you

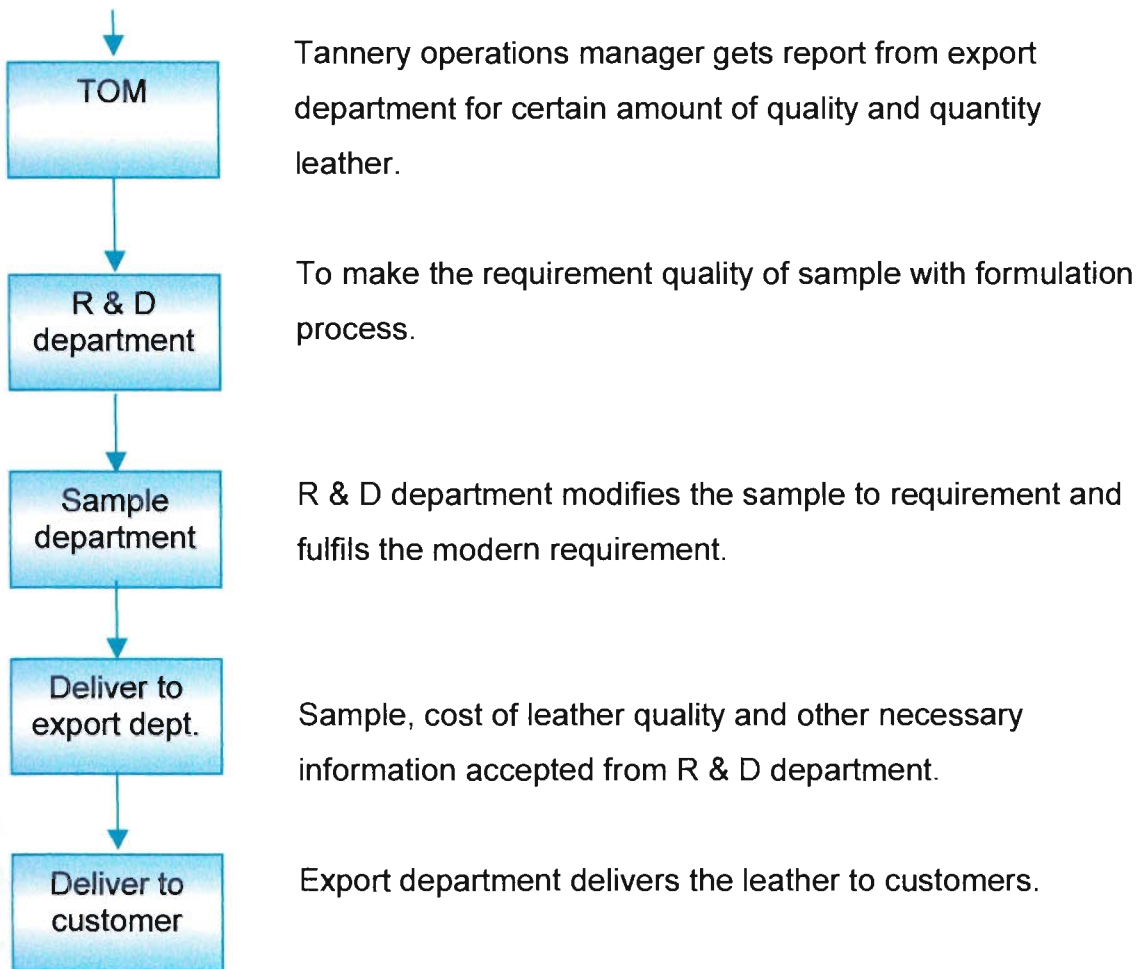
### 3.4.3 Research & Development Section

#### 3.4.3.1 Objectives

- I) To make recipe for retaining and finishing for any new article.
- II) To work very closely with all foreign technical of different companies design their visit for new product development production problem etc.
- III) To work closely with product development for new articles and meet the requirement of leather.
- IV) Always work with finishing and retaining with of recipe update with a view to reduce cost process simplification etc.
- V) To work with tannery accountant for costing and cost control by changing recipe with a low price chemical on regular basis.
- VI) To setup and manage of production of all customers sample maintain reference and formula for each sample requested by customers.
- VII) To update with leather fashion and technology of leather world.

#### 3.4.3.2 R & D processing work





### 3.4.4 Total Quality Assurance (TQA) in BSO

#### 3.4.4.1 TQA is the Gateway to Global Markets

The key corporate issue of the 90's is quality. The battle for global competitiveness is being fought on the basis of quality. The winners in this game will be those companies which have "Assured Quality". The losers will be companies who are inconsistent. The ultimate judge is the customer. And TOTAL QUALITY ASSURANCE (TQA) will be a major tool through which customers can judge companies as "quality suppliers".



At Bata Limited, it is believed that as Bata companies have been leaders in their respective countries, this leadership should extend to the achievement of TQA.

#### **3.4.4.2 "TQA" in the view of BSO**

It simply highlights total management commitment to quality in the ability to produce the products on schedule and to specifications. TQA will eventually be a dominant part in increasing business. It is the first step to the future and the ticket to staying in business. BSO simply call it the

#### ***"GATE WAY TO THE GLOBAL MARKETS".***

It's a formula for winning the confidence of the customers.

The backbone of success of any organization is the quality of its products and service. Additionally the continual improvement of quality is viewed as an essential tool to achieve and sustain profitability.

#### **3.4.4.3 Subject covered in TQA**

- *Quality Management & Quality Assurance Standards - Guidelines for Selection & Use.*
- *Quality System - Model for Quality Assurance in Design/Development, Production, Installation & Service.*
- *Quality System - Model for Quality Assurance in Production & Installation.*

- *Quality System - Model for Quality Assurance in Final Inspection and Test.*
- *Quality Management and Quality Systems Elements Guidelines*

These documents relate to operational techniques and activities used to fulfill customer expectations and requirements in BSO.

#### **3.4.4.4 Benefits of TQA to BSO companies**

BSO companies have always been particular in maintaining documentation for all Quality-related activities. Therefore, in most BSO companies they do have the procedures and documentation that are basically required by TQA standards, yet most companies do not actually practice what is required. But BSO has the Quality Management System to make it effective.

TQA provides BSO companies with several important advantages:

- ❑ TQA assure our customers that the particular BSO Company has a positive commitment to quality.
- ❑ If implementation is done correctly, the total production costs will come down.
- ❑ When a quality system is fully effective, it ensure consistent quality. Thereby reducing "factory seconds" - and costly reworking.
- ❑ TQA emphasizes prevention of faults or quality accidents, rather than inspection of the defectives.

- ❑ The TQA helps to motivate and empower employees to refocus on Quality, and set the "CONTINUOUS IMPROVEMENT PROCESS" in motion in the companies.
- ❑ TQA highlight training and restraining and involvement of all employees. This set the pace for securing the best of everyone, which is called "People Power"

#### **3.4.4.5 Result gained by implementing TQA**

As the BSO Company has established TQA so they gain positive results. Like rework dropped from 25 to 4 percent. Problems in final tests fell from 12 to 1.2 percent.

There have been many pain barriers to implement the TQA in BSO. These have included staff reductions on an unprecedented scale to such an extent that to many employees the 'new flexibility' simply meant job losses.

Another major barrier had to do with BSO emphasis on reducing the cost of quality. It is difficult to control cost of quality when over 80 per cent of BSO production costs are attributed to buying in materials from their outside suppliers. To deal with the problem in 1994 BSO set up a full-time consultancy group to carry its 'Leadership Through Quality' message to one hundred key suppliers. The plan was initially for three years and has been extended.

Since total quality assurance at BSO is a journey not a destination, there is no point at which its initiators will say they have arrived. Hence the verdict on how successful it has been will be an open one. The financial indicators, however, are very positive and indeed measurable. Production costs are down in places by as

much as 40 per cent. Customer satisfaction - the key principle - is increasing by 35-40 per cent in various Marts of the business. Market share - once threatened - is increasing. And the BATA SHOE COMPANY won the customer faith on their product as a quality product and the company is way to establishing the total quality assurance.

### 3.5 MARKETING CHANNELS

An association with the Bata Shoe Organization's wholesaling and distributor teams backed by their resources, experience and know-how provide a solid foundation on which Bata branded and private-label footwear distributors and wholesale representatives can build successful operations. Total marketing channels of Bata – Bangladesh are divided into four major heads as follows:



#### 3.5.1 Whole Sale Marketing

Wholesale department headed by wholesale manager directs countrywide wholesale operation of the company. A huge number of registered and unregistered dealers are the main buyers of Bata's wholesale business. These

dealers and stockiest make Bata – product available at every doorstep that makes Bata’s network much wider. Wholesale includes all activities involved in selling goods or services to those who buy for resale or business use. Bata – Bangladesh has wholesale network divided into 3 districts 601, 602 and 603. The department has all 13 depots setup in important business centers of the country. Each depot operates within its territorial division and supply goods to dealers/stockiest in its respective areas.

### **3.5.2 Retailing**

Retail includes all the activities involved in selling goods and services directly to final consumers for their personal or non-business use. Bata – Bangladesh has a very organized retail channel of distribution. The retail sales department indeed upholds the corporate image of the company.

The prime objectives of retailing are to sell shoes and provide service to customers in a potential and acceptable manner. Bata – Bangladesh maintain a large part of her business by countrywide retail network. There are eight retail districts headed by district managers who supervised sound operations of agencies and their own stores. Number of agencies of Bata – Bangladesh is more than and there are retail stores of its own.

#### **3.5.2.1 Retail Concept**

Bata Shoe Organization companies have built successful retail chains to satisfy changing consumer tastes and habits, and to attract new customers not currently served. Each store features merchandise targeted to different lifestyles and people.

The Bata Family Store has been the traditional mainstay of the retail business. Changing consumer and retail trends has resulted in the development of different and larger retail formats. The larger, brand-driven Bata Superstore provides customers with a one-stop-shopping experience. More narrowly focused concepts such as Bata City Store, and the Athletes World and Bubblegummers chains address specific consumer needs and profiles.

### **Superstore**

**Mission:** To be The Footwear Department Store – We are the destination for family footwear and branded athletic footwear and clothing.

This concept has found success by providing a dominant assortment of both Bata brands and branded commercial fashion and athletic product, for everyone in the family. The goal of providing high quality product at unbeatable prices continues to dominate this concept's operating strategy.

- **Products & Style:** Featuring the Bata brand and house brands; the largest selection of international branded lines, in all categories. Leather and athletic clothing; accessories, including handbags, hosiery and shoe care products
- **Locations:** Prime locations in urban, suburban and rural shopping centers
- Assisted self-service

### **Family store**

**Mission:** To provide competitively priced, good quality commercial fashion and functional footwear for the whole family.

The Bata (Family format) Store is the world's leading family footwear format. This store's success has been driven by the wide assortment of comfortable, durable, attractive footwear for the whole family, provided at excellent value.

- **Products & Style:** Featuring the Bata brand and in-house brands; selected articles from major local and international branded lines. Accessories, including handbags, hosiery and shoe care products.
- **Locations:** urban, suburban and rural locations
- Assisted service

### City store

**Mission:** To provide fashion and classic footwear for contemporary customers.

The quality-price relationship, wide assortment, customer service, exclusive fashion, sophisticated merchandising techniques, unmistakable identity of the store design and windows are all key elements for the winning Bata City Store format.

- **Products & Style:** Featuring the Bata brand and fashion-oriented house brands; major local and international branded lines. Leather clothing; accessories, including handbags, hosiery and shoe care products.
- **Locations:** Prime urban locations
- Full service

### 3.5.3 Export

Bata – Bangladesh is exporting finished leather and shoes to Far east countries and Middle East. Bata – Bangladesh exporting finished leather to Japan, Korea,

Thailand, Hongkong and shoes are Saudi Arab, USA. Modern facilities in shoe factory and easy availability rawhides of international standards have made a great opportunity for exporting shoes very successfully. This includes shoe, made of leather, PVC and Sandak etc. Bata – Bangladesh has started exporting from 1987.

In global market company face highly competition for exporting. Company gets order from foreign market. When company receives order from overseas buyer from that time export processing starts. The buyer collects product idea from international exhibition. Then company sends sample with price. When the buyer makes confirmation, then the contract is signed. After then the foreign buyer open LC in accordance of contract. Then he sends the LC under company's definite bank. After confirmation of LC company goes to production. After production, company prepares document like commercial invoice then company goes for shipment. Some of the important documents are commercial invoice, bill of exchange, packing list, freight can be paid by C & F (Cost & Freight).

#### **3.5.4 Direct sell**

Direct sells have taken on new meaning over the year. It is simply a form of selling in which products or services move from producers to consumers without the use of any middleman. This types of sells emphasis on selling undertaken to get a measurable response, typically on order from a customer. But Bata – Bangladesh concepts about direct sell is different. They sell their [product only to defense organization. Bata – Bangladesh wants to keep better relation with the defense people. They sell goods to Army, Navy, VDP, BDR etc.



### **3.6 FINANCE DEPARTMENT**

The main job of this department is to complete budget, financial plan, and cash flow management and to maintain the accounts and act as internal auditor of the company to audit the transaction of company's account. In order to do this they maintain six departments separately. They are:

- Controlling Department
- Sales accounting Department
- Production account Department
- General account Department

#### **3.6.1 Controlling Department:**

##### **Functions:**

It must be realized that the activities of the Controlling Department are essentially of a protective nature. The necessity for strict adherence to laid down procedures requires the cooperation of all departments.

The functions of the Control Department can be described as follows:

- Administrative audit and registration of all orders placed by the company.
- Registration and administrative audit of all invoices received.
- Control at the factory gate in respect of :
  - A) goods delivered to the factory
  - B) goods dispatched from the factory
- Receiving of goods:

- A) Organization of physical arrangements
  - B) Quantity receiving
  - C) Quality control
- Administrative control of payments to suppliers
  - Inventories of outstanding orders for : Raw materials, Ready goods, Production equipment, Machinery Spare parts, Services and fixed assets.
  - Physical inventories of Goods and Fixed assets:
    - a) In the factory
    - b) In the retail stores
    - c) In detached places such as, Branch factory, Tannery, Warehouses
    - d) Assets leased out
    - e) Goods outside ~~company~~ ~~company~~.

Now I would like to describe their two major functions:

### **3.6.1.1 ADMINISTRATIVE AUDIT AND REGISTRATION OF ORDERS**

#### **INTRODUCTION:**

An order placed for goods or services is a financial commitment. Once the vendor accepts it, it constitutes a valid contract binding both parties.

#### **OBJECTIVES:**

To ensure that these commitments are properly authorized and recorded, and that they conform to the company's procedures. To achieve this objective:-

“EVERY PURCHASE ORDER SHOULD BE AUDITED AND REGISTERED IN THE CONTROL DEPARTMENT BEFORE IT IS MAILED TO THE SUPPLIER”.

**PROCEDURE:**

The orders are prepared and approved in the departments requiring the goods or services, for example:

1. Buying Department for Raw Materials , Production Equipment, Machinery Spare Parts, Machinery, Furniture, Printed Forms.
2. Sales Department for Ready Good, Advertising materials, store furniture.

For more details regarding placing of purchase orders and their approval, refer to Guide to Purchasing of June 1968.

The orders from the departments must be handed to the Control Department, which will audit the orders as follows:

1. Check signature on the pink copy, i.e. whether the signatory has the company manager' authority to sign for the order amount.
2. Check mathematical extensions and additions.
3. Check that the person ordering is allowed to order the particular items.
4. Check that the order has been completed in respect of:
  - a) Payment terms and conditions.
  - b) Shipping and delivery instructions.
  - c) Reference to a quotation of the supplier.

### **Processing of the Order in the Control Department**

After the audit procedures, the Control Department verifies it by stamping the pink copy with a rubber stamp "CONTROL DEPARTMENT" and "DATE".

Each order should then be given a number. The number is either pre-printed or written by hand.

Thereafter, the order should be registered in the book known as ORDERS PLACED AND INVOICES RECEIVED REGISTER. (Example 2a).

In case when order for goods calls in its terms for partial delivery, a sufficient space must be left for recording the invoices for those partial shipments.

Finally, the Control Department distributes the copies in the following way:

ORIGINAL – WHITE – SUPPLIER'S COPY (Example 2b)

- mailed to the supplier for his retention. The original is signed by the buyer. The Control Department, however, registers it as indicated above.

FIRST COPY – BLUE – "ACCPETANCE OF ORDER" (Example 2c).

- Mailed to the supplier with the original.
- Supplier is asked to accept the order, signs this copy and returns it to the company.
- Upon receipt, the Control Department acknowledges his acceptance on the second (pink) copy and gives the blue copy to the buyer, who should know if terms or delivery times are accepted by the supplier. In case of

change, the buyer either enters into negotiation with the supplier or accepts the change and marks it on his 3<sup>rd</sup>, yellow (file) copy.

- The blue copy is returned to Control Department, and attached to the pink copy.
- If the supplier does not return this copy within a reasonable time, a preprinted postcard reminder is mailed by the control Department.

It is suggested to keep two files: one for confirmed orders, the second for those not yet confirmed. This makes it more convenient to follow up unconfirmed orders.

#### SECOND COPY – PINK – “ACCOUNTING COPY” (Example 2d)

- Is retained by the Control Department.
- The receipt of the blue “Confirmation” copy is noted on the Pink copy.
- Is retained for checking invoices.
- If the first shipment completes the order, file copy with invoices; if not, deduct invoice value and quantity from order, retain it till last invoice, then file with the invoice.

#### THIRD COPY – YELLOW – “FILE COPY” (Example 2e)

- This a working copy for the buyer as evidence of outstanding quantities and instructions.
- The reverse side of this copy is set up for the buyer; on it he records individual receipts and releases of bulk orders. When the order is completed, this copy is destroyed.

### **3.6.1.2 ADMINISTRATIVE CONTROL OF PAYMENTS TO SUPPLIERS**

#### **Introduction:**

The B.S.O. policy is to pay our suppliers on time, according to agreed terms. This policy is based on sound business reasoning, namely:

- (a) To take advantage of negotiated cash discounts
- (b) To establish and maintain a good payment record and thus gain a strong bargaining position with the supplier.
- (c) To encourage a high standard of services from suppliers, regarding delivery and quality.

This policy applies to all obligations of a company, that is, to outside suppliers and member companies of B.S.O.

#### **Objective:**

To ensure that the receiving of goods and processing of invoices is performed timely, so that the Company's liabilities are discharged according to agreed terms and within the procedures set by the Company.

#### **Procedures:**

The procedures for receiving and invoice processing are outlined in the other section of this manual, hence only rules regarding payments are outlined here.

Those executives who have been authorized by the Board of Directors to authorize payments on behalf of the Company should, when co-signing a cheque or a bank payment letter, make sure that:

- (a) He has the authority to operate the Bank Account concerned, and that the amount of payment does not exceed his authority.
- (b) By co-signing the documents he is not exceeding authority entrusted to him, which may be limited to certain maximum sums, or to certain types of transactions, for example, authorization of payments or raw materials.
- (c) He may not co-sign a cheque issued to his own name.
- (d) The name of the payee is correct and agrees with the name of the supplier.
- (e) The amount of the cheque agrees with the INVOICE AMOUNT.
- (f) The cheque is dated.
- (g) He NEVER co-signs cheques issued to "BEARER" and always makes sure that the payee is NAMED.
- (h) When applicable, cheques crossed "& Co" are used decamped payee).
- (i) SUFFICIENT funds are in the bank account to cover the transaction.
- (j) He satisfies himself that the goods or services were ordered by an authorized person, properly delivered or performed, and that quality conforms to specification. Further that the internal accounting was properly carried out.
- (k) The first signature of the co-signer is genuine. DO NOT sign a cheque simply because it has already been signed by another signatory. A previous signature, even of his superior, does not absolve him from the necessity to satisfy himself as to the correctness of the payment.

Never accept assurances of others without satisfying himself by a spot check. Sometimes excessive urgency and categorical assurance coupled with reluctance to produce conclusive evidence could hide irregularities or carelessness.

- (I) Follow all the suggestions mentioned above to satisfy himself before the cheque is signed.

### **3.6.2 Sales Account Department**

#### **Function:**

- Received accounting stock and cash statement from sales outlets and depots on fortnightly basis. This department has made a recapitulation of total sales pairs, turnover, receipt and dispatch of goods and stock balance. In cash accounting statement all expenses incurred in the department directed from the turnover and the balance shown as remittance in the bank.

#### **Documents:**

Goods on way inventory- the goods which has been supplied from warehouse to store and depot but not yet received during the period of closing. Maintain separate ledger for each store and depot as per consignment and must be reconciled with book balance.

Money on way- The store Manager / Agent and Depot Manager has been purchased against their daily sales proceeds which has not been credited to the company's central accounts.

Performance Statement- This statement represents the total turnover and standard cost, gross margin, and expenses and profit contribution.



### **3.6.3 Production Account Department**

#### **Function:**

- Setting standard cost in association with costing and efficiency department.
- Making monthly performance statement.
  - Productivity Control Measures.
  - Quality Control Measures.
  - Material Control Measures.
  - Labor Control Measures.
  - Machine Performance Measures.
  - Overhead Control Measures.
- Detail report on input output relationship.
- Variance analysis for material, usage, labor/overhead rate and efficiency.
- Classification of controllable/non-controllable, fixed/variable expenses.
- Identification of mismatching capacity with the export concern to ensure minimization of cost of production.

### **3.6.4 General Account Department**

#### **Function:**

#### **1. Monthly Information Package (MIP)**

1.1 Income Statement-An income statement is designed to show sources of revenue and how such revenues are spent. Remaining revenues, after all operating expenditures including payment of income taxes, is the net profit of the company from which dividends are paid to the shareholders.

1.2 Balance Sheet- The balance sheet represents the financial condition of the company, the proof of a company's financial strength is in its ability to generate profit.

1.3 Technical Statement (general, integrated)- the objective of the Technical statement is to provide to Company Manager and BSO Management with a monthly summary of information on key elements of his company to support the financial statements.

## 2. Preparation of Budget

It includes-

- Plan Summary Annual (PSA)
- Income Statement (monthly, annually)
- Income Statement by depot
- Financial plan (annually, Monthly)
- Monthly Performance Plan
- Weekly Performance Plan
- Cash flow Planning
- Earnings changes analysis

### **3.7 BRAND POSITIONING**

The Bata Shoe Organization's worldwide focus is on quality footwear for the mainstream commercial fashion segments, in the middle and middle-to-high price ranges. Brands were developed to address specific market niches within these parameters, and to enable Bata Shoe Organization companies to broaden distribution of their own products within areas where they have a strong retail presence. Marketing strategies and advertising campaigns are developed on a local, regional or global basis.

#### **The Right Shoes – The Right Brands**

Around the world, the Bata brand is reserved for well-made and well-priced dress or casual footwear. The core articles for Bata-branded collections are designed on an on-going basis in product development centers in Italy and Canada.

Designers and merchandisers in Bata Shoe Organization operating companies broaden the collections by developing complementary styles to reflect tastes, budgets and climates within their own markets. Strict quality controls govern the selection of materials and all production stages in Bata Shoe Organization factories, as well as those of suppliers.

#### ***100 Years of Manufacturing Leadership***

Having internal design capabilities makes Bata stand apart from the competition. Complete customer service and the ability to affect each part of the shoe business have been the factors that have made the Bata Shoe Organization a world leader. The Bata Shoe Organization regards itself as a 'multi-domestic' rather than a multi-national organization, making it a priority to contribute to the

economy in any new markets entered. Production facilities were added to sales operations initially in Europe and later in other continents, at the rate of about two per year through to the 1960s.

# CHAPTER FOUR

## Project Part



## **Performance Evaluation of Bata Shoe Organization (Bangladesh) Ltd.**

### **4.1 INTRODUCTION**

In today's business world, owners are virtually non-owners in a way that they do not carry out day-to-day business. Managers proxy their role. So in order to reduce costs and to ensure that managers perform in the best interest of the owners, investors/ shareholders like to evaluate their organization in terms of financial health. And they typically employ ratio analysis to assess organization's performance. Of course, there could be other parties who are also interested in evaluating performance of the organization, for example, lenders, tax authority, etc.

In the rest of the report I made an attempt to evaluate BSO's performance exclusively using ratio analysis. Having analyzed the key ratios for BSO and compared the results with the other organization, recommendations are made.

### **4.2 METHODOLOGY**

A time series (1996-2000) ratio analysis has been done in order to assess the financial performance of BSO. However, it is true that ratio analysis is of little use if ratios can't be compared against industry average. Industry average data is too distant to expect. The main reason is the non-availability of information of the shoe manufacturers in our country is Private Limited Company. There are few companies that are public in the footwear industry but their head offices are situated outside of Dhaka City. So, I tried to proxy this deficiency by gathering

financial data of Apex Footwear Limited because they are second position in the shoe industry and carry out similar line of business.

For any financial comparison there are methodology by which the measurements can be evaluated. Financial manager uses various methods for measuring a company's performance, like Common size statement, Du-pont analysis, trend analysis and the most effective ratio analysis. The uses of the financial ratios are quite common in any performance evaluation. In the performance evaluation of Bata Shoe Organization (Bangladesh), the first step will show the comparison with Apex Footwear Ltd. to find the best performed company between them. Secondly, the paper will show the significant advantage that best company has over the other one. For the measurement of performance five years data have been collected.

While I analyzing the performance of BSO, I first collected the information of about the Balance Sheet and Income Statement from these companies. Then I calculated the common size analysis of the company's balance sheet and income statement.

After the common size analysis I analyzed the ratios of Bata Shoe Organization to determine the present situation of the company and evaluate whether they are at the satisfactory level. Then I compare the ratios of BSO with the Apex Footwear Limited to find out the comparable performance. In the ratio analysis part I first did the Du Pont analysis and for that I calculated the following ratios: return on equity (ROE), to define ROE we also calculate Net Profit Margin, Total Assets Turnover, Equity Multiplier.

After analyzing the ratios I have compared these between two companies. I also have divided the ratio analysis into three parts. Those three types are

- Profitability ratio,
- Liquidity ratio,
- Activity ratio.

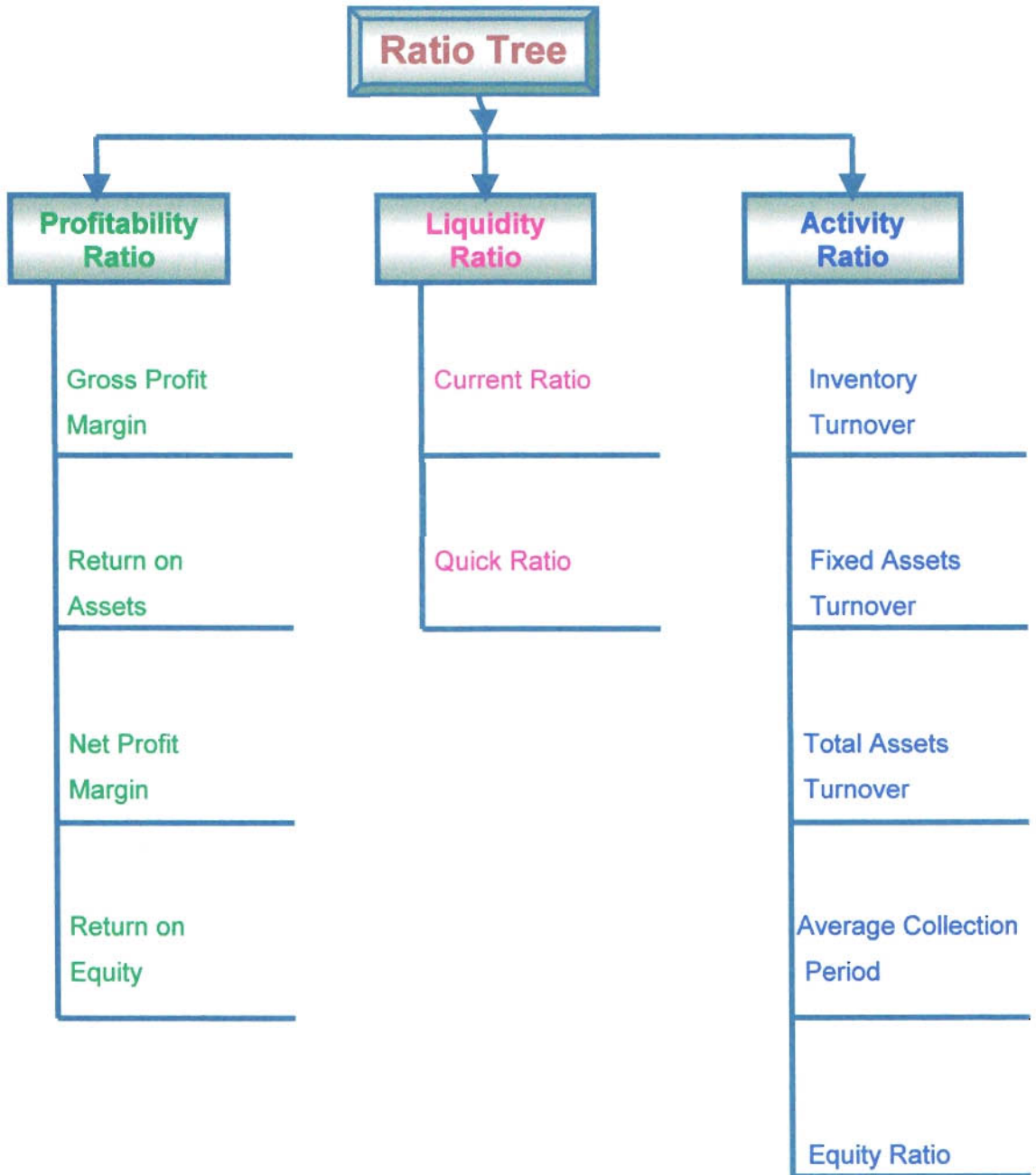
I have also tried to find out the Bankruptcy position using Z score to define the comparison between Bata Shoe Organization and Apex Footwear. Bankruptcy analysis is a statistical tools to measures the comparison between one with another.

So, The methodologies used in the studies are:

- Common size Statement.
- Ratio Analysis.
- Evaluation of Bankruptcy position using Z score.



**4.3 PERFORMANCE ANALYSIS**



#### 4.3.1 ANALYSIS BY COMMONSIZE STATEMENT

Common size statement is measurement of different ratios in the Balance sheet and in the Income Statement. In the Balance sheet Total Asset is counted as 100% and then it is divided in the other accounts of the Asset section. Same process is followed in the Liabilities section. The income statement is divided respect to Total Income. Common size statement shows the percentage of different account respected to total asset, total liabilities and total income.

The analysis of the common size statement can be divided into two parts. One is the balance sheet part and the other is the income statement part. At first the Balance sheet part will be discuss below.

The analysis of Balance sheet of the BATA shows that the percentage of fixed asset respect to total asset were more or less same as the last five years. The percentages of fixed asset of the BATA were between 28% to 34% for the last five years. In the other side the APEX balance sheet shows a negative scenario, it shows that the percentage of fixed asset went down for APEX for the last five years. It went to 19.07% in 2000 from 36.27% in 1996. The current asset part of BATA respect to the total asset where constantly same for the last five years. It was between 65% to 75% for the last five years. In the case of APEX it shows that there current ratio part when up for the last five years in was 63.73% of total asset in 1996 but it when up to 80.93% in 2000. The cash and the bank balance of APEX are lower than BATA, but their inventory part has bigger portion total asset than BATA. So the analysis shows that BATA have good position in fixed asset part, but the current asset is stronger for APEX rather than BATA. Now comes the liabilities part of the analysis, in the liability it shows that BATA has a stable current liability part in its balance sheet respect to the total liability. Also

APEX has stable rate of current liability respect to its total liabilities part. The same scenario occurs for the equity part, both the companies have stable rate in the equity part respect to the total liabilities.

After the balance sheet the income statement are analyzed, where the sales will be counted as 100% and the other components will be divided as part of the 100%. Cost of goods sold is one of the major parts of income statement, the analysis shows that COGS of BATA were more or less equal for the five years except 1997. In 1997 it was 10% were the average of the other four years were 60%. In the other side APEX has a higher COGS in respect of the turnover, it has an average of 75% and above COGS. After the COGS the TAX part of the income statement is very important, and it carries a significant part of the total sales. BATA has an average of 6% tax provision, where APEX has less than 1% tax provision in terms of the total sales. Net profit is the main key player of any firm, and the percentage of it in terms of sales is very important element of common size statement. BATA had a good portion of net profit in 1996, after that there average profit margin was 16%. APEX had a very lower profit portion respect to there sales, with out 1997 their average profit margin were around 1%. The last important element of the common size analysis of the income statement is the retained earnings part. BATA had average of 10% of retained earnings for the last five years, which is very good for any firm. In the other side APEX had a retained earnings of an average of 1.5%, which is very low. So these were the main elements of common size statement analysis for the comparison of BATA and APEX.

### 4.3.2 RATIO ANALYSIS

#### **PROFITABILITY RATIOS:**

##### **Du Pont Analysis:**

Through Du-Pont analysis I could measure how the profit margin, asset turnover and leverage multiplier combine to determine the rate of return on equity. Thus Du-Pont analysis is especially useful for summarizing a firm's financial condition because it decomposes shareholders profitability on three important determinants:

- ❖ Expense control
- ❖ Asset utilization
- ❖ Debt utilization

$$ROE = ROA \times EQUITY \text{ MULTIPLIER}$$

$$ROA = NET \text{ PROFIT MARGIN} \times TOTAL \text{ ASSET TRUNOVER}$$

Years ago, Donaldson Brown, Du Pont's Chief Financial Officer faced some problems of too many ratios to calculate the performance of any company. He then developed an analysis called Du Pont Analysis. He defined that the company's stock price depends on its Return on Equity (ROE). Higher the ROE higher the company's stocks price.

The Du Pont Analysis is described bellow,

#### **Return on Equity**

This ratio indicates the degree to which the firm is able to convert operating income into an after tax income that eventually can be claimed by the

shareholder. This is a useful ratio for analyzing the ability of the firm's management to realize an adequate return on the capital invested by the owners of the firm.

The rate of return on equity (ROE) is a good starting point in the analysis of company's financial condition for the following reasons:

- If the ROE is relatively low compared with the other companies, it will tend to decrease the company's access to new capital that may be necessary to expand and maintain a competitive position in the market.
- A low ROE may limit a company's growth because regulations require the assets be a certain number of times equity capital.
- ROE can be broken down into component parts that help to identify trend in the company's performance.

Three parts can measure ROE,

$$ROE = \text{Profit Margin} \times \text{Asset Utilization} \times \text{Equity Multiplier}$$

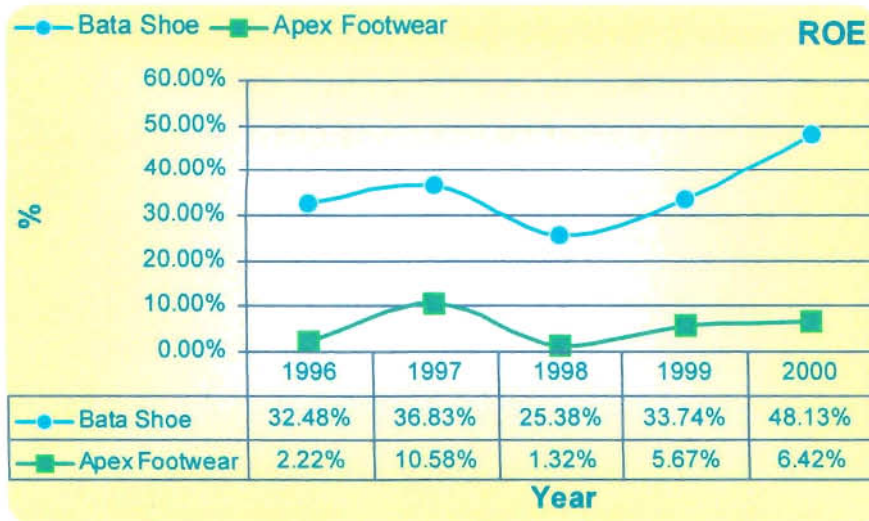
$$ROE = \frac{\text{Net Income}}{\text{Total Equity Capital}}$$

**Return on Equity over the Period**

<b>Bata Shoe</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Net Profit Margin	6.65%	8.16%	6.23%	7.07%	8.18%
Total Assets Turnover	1.63	1.67	1.60	1.66	1.77
Equity Multiplier	3.00	2.70	2.54	2.88	3.31
ROE	32.48%	36.83%	25.38%	33.74%	48.13%

Apex Footwear	1996	1997	1998	1999	2000
Net Profit Margin	1.10%	4.36%	0.37%	1.74%	1.92%
Total Assets Turnover	0.57	0.63	0.92	0.85	0.77
Equity Multiplier	3.53	3.85	3.92	3.83	4.33
ROE	2.22%	10.58%	1.32%	5.67%	6.42%

Through Du-Pont analysis we can measure how the profit margin, asset turnover and leverage multiplier combine to determine the rate of return on equity. ROE states about the how much return is earned from the equity of a firm. It has been observed that ROE of BATA is very strong for the last five years. In respect to



BATA, APEX has less strong ROE position. Du Pont will help to focus the reasons for the lower ROE of APEX with compare to BATA. In 1996 it is shown that the ROE of BATA is 32.48%, where APEX ROE is only 2.22%. The main reason for the difference is the Total Asset Turnover and the NPM, because the EM is equal for the two companies. The same scenario is for the 1997, because the EM of APEX is higher than BATA, but still the ROE of BATA is higher than APEX. The NPM and the Total Asset Turnover of BATA is relatively higher than the APEX. The same picture is seen for the last three years, which are 1998,

1999 and 2000. But there is another similarity between BATA and APEX that is the ROE of both the companies went down in 1998. Main reason for the lower ROE was the NPM, both the companies had relatively low NPM in that year. So from the Du Pont analysis it is found that APEX had advantage on their EM portion, but BATA had very strong position in their NPM and Total Asset Turnover. So they had high ROE than APEX for the last five years.

### Gross Profit Margin

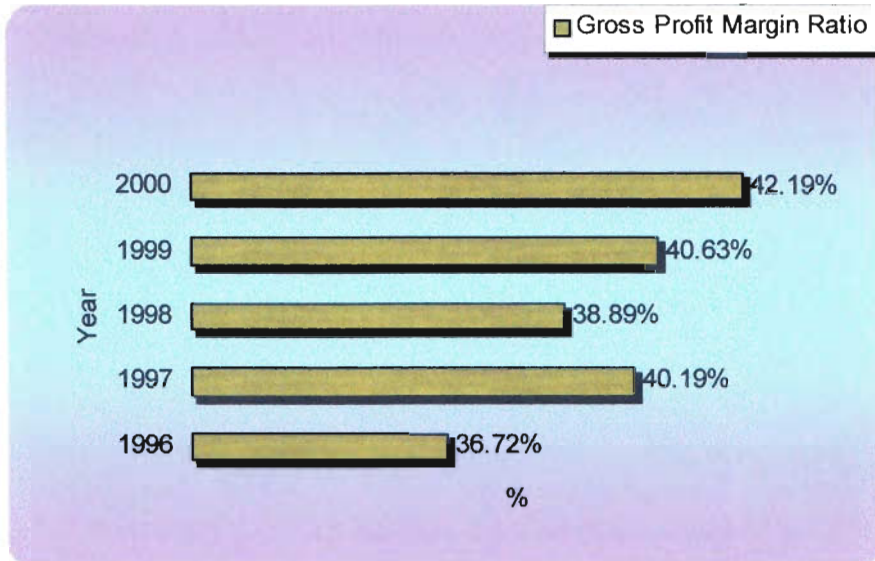
The profit margin ratio provides information about the ability of management to control expenses, including taxes, given a particular level of operating income.

The formula of profit margin is bellow,

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Sales}}$$

### Gross Profit Margin over the Period

Gross Profit Margin	1996	1997	1998	1999	2000
Bata Shoe	36.72%	40.19%	38.89%	40.63%	42.19%
Apex Footwear	16.48%	19.33%	19.67%	16.06%	18.34%

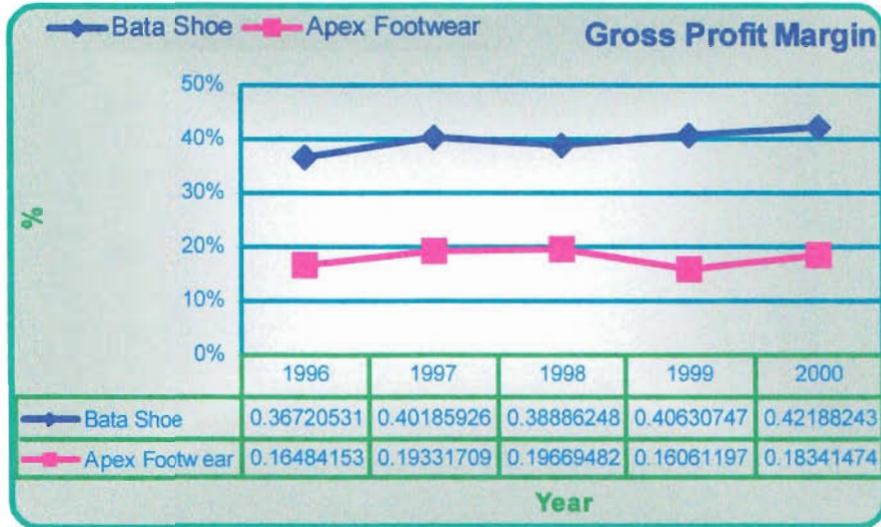


From 1996 to 2000 the Gross Profit Margin ratios of BSO are respectively 36.72%, 40.19%, 38.89%, 40.63% and 42.19%. It shows that they have a very stable gross profit margin according to their sales. Only in 1998, it goes down because their profit shortfall in that year around 70 Crore Taka.

**Evaluation of Bata’s Gross Profit Margin with Apex Footwear Ltd.**

The gross profit margin indicates the percentage of gross profit in respect to the sales. In above analysis it is found that BATA has a very good trend of gross profit margin for the last five years. They are constantly becoming stronger in the gross profit margin. So they could meet their expenses more effectively. Only they had a shortfall of gross profit margin in 1998. They have an average of more than 30% of gross profit margin, which is very good in respect of any industry. In the comparison with APEX it shows that BATA has a very strong position of gross profit margin respect to APEX. The average gross profit margin of APEX in 18%, where BATA has about 30% and above. So the BATA have superior advantage over APEX in the gross profit margin ratio.





### Assets Utilization

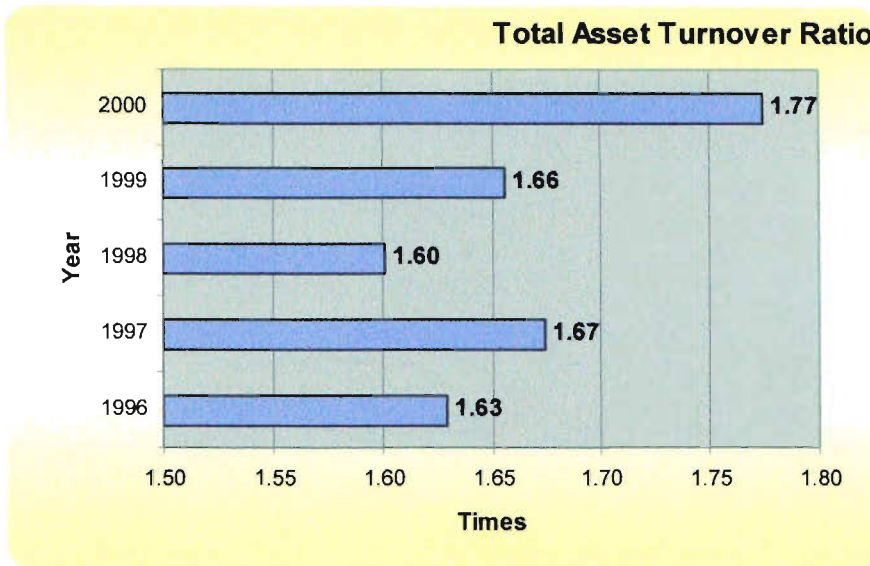
The assets utilization ratio represents the ability of management to employ assets effectively to generate revenue.

The formula for Assets Utilization is as follows,

$$\text{Assets Utilization} = \frac{\text{Operating Revenue}}{\text{Total Assets}}$$

### Total Asset Turnover over the period

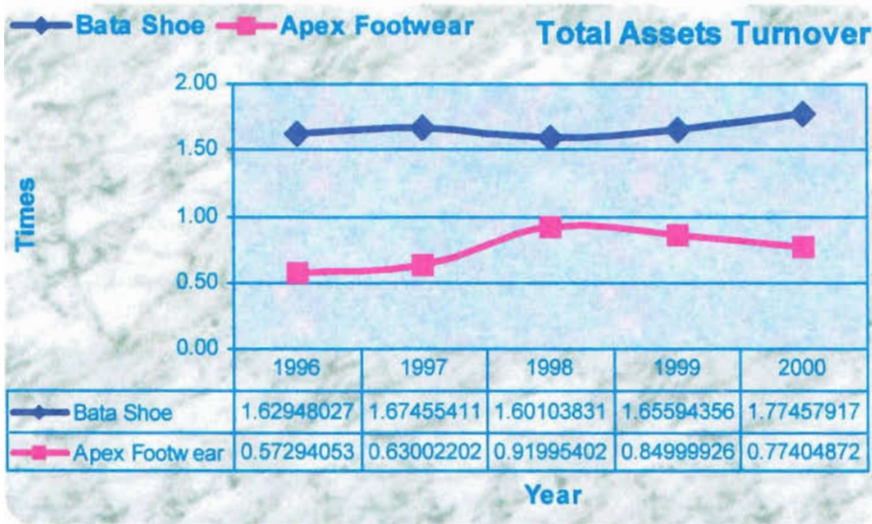
Total Assets Turnover	1996	1997	1998	1999	2000
Bata Shoe	1.63	1.67	1.60	1.66	1.77
Apex Footwear	0.57	0.63	0.92	0.85	0.77



The analysis shows that in 1998 it goes down but last two years it goes up. That means the company is generating a sufficient volume of revenue given its total asset investment. If they want to increase the ratio then their sales should be increased, some assets should be disposed off or a combination of these steps should be taken.

**Evaluation of Bata’s Total Asset Turnover with Apex Footwear Ltd.**

The assets utilization ratio of BSO is high from the APEX for all the years, as we seen from the above data. That means BSO management utilize their assets effectively during these years. In 1998, Asset Utilization ratio of BSO is decrease on the other hand Apex’s ratios is decreasing for the last two years. From this analysis we can say that BSO earned more revenue by utilizing their assets.



### Equity Multiplier

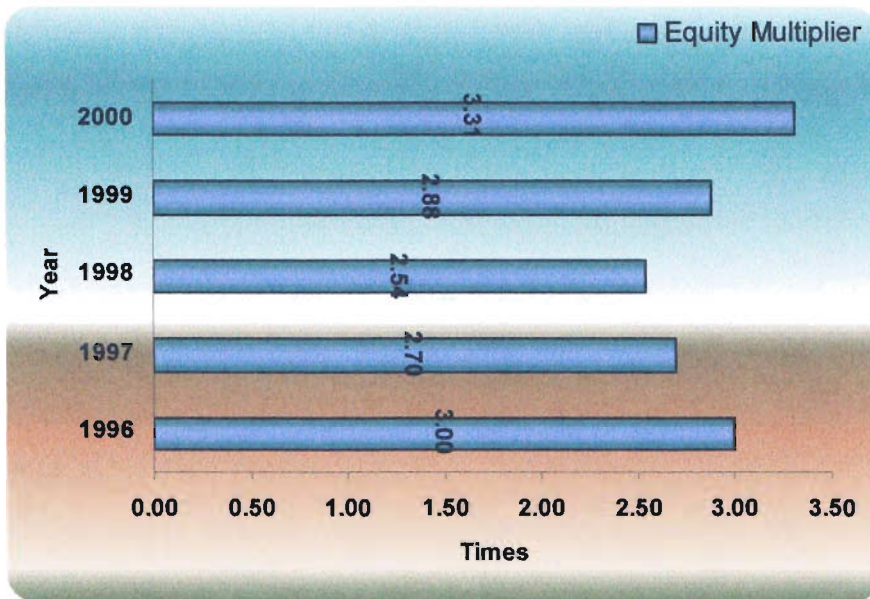
The ratio shows the amount of asset back by the equity. But as for company, which is highly leveraging firm will have lower EM. The higher value of EM indicates greater risk for a company.

Though Equity Multiplier is not a profitability ratio it is a risk solvency ratio but it helps to find out the ROE for the Du Pont Analysis. Using of financial leverages is known as the equity multiplier. Equity multiplier can be measured by the following formula,

$$Equity\ Multiplier = \frac{Total\ Assets}{Total\ Equity}$$

**Equity Multiplier over the Period**

Equity Multiplier	1996	1997	1998	1999	2000
Bata Shoe	3.00	2.70	2.54	2.88	3.31
Apex Footwear	3.53	3.85	3.92	3.83	4.33



Higher equity multiplier is desirable. But the analysis shows that from 1996 to 1999 equity multiplier is very low. That means greater amount of equity it takes from the shareholders to buildup its capital structure. But the graph also reveals that it increases over the time. This prevails that BSO's management intentionally increased it because to magnify their return.

**Evaluation of Bata's Equity Multiplier Ratio with Apex Footwear Ltd.**

The above diagram states that the equity multiplier of BSO is always remaining lower than the APEX. That means APEX used their financial leverage well in all

the years. Equity multiplier states that a company's owners and shareholders investment to their total assets.



**Return on Assets**

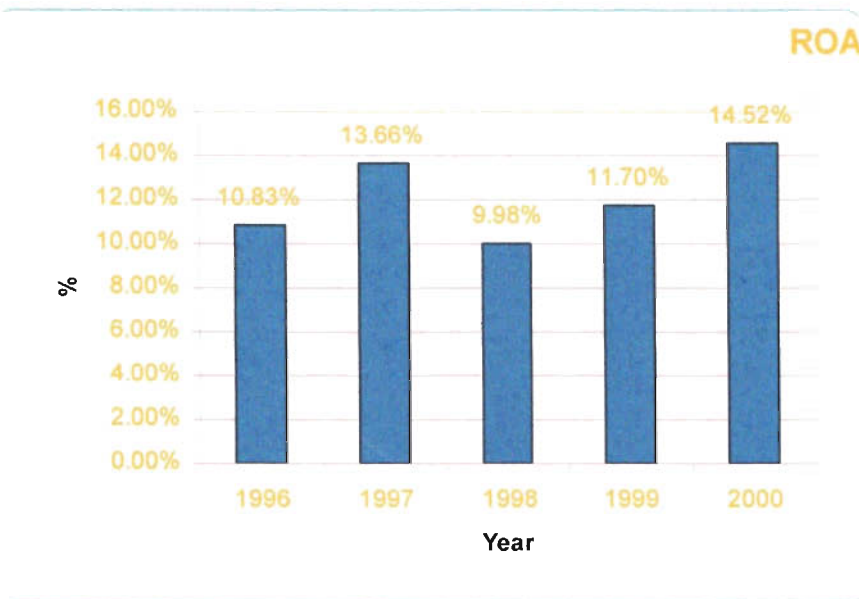
Return on assets measure the success of a firm in using asset to generate earning independent of the financing of those assets. This measure therefore separates financing activity from operating and investing activities. ROA is particularly useful is assessing the performance of business segment of firm when as is typical, financing for those segments comes from a central corporate pool of resources. ROA can be interpreted in two ways. First it measures management's ability and efficiency in using the firm's assets to generate profit. Second it reports the total return accruing to all providers of capital. In a sense I can use the term ROA as the realize rate of return that uses data for discrete period shorter than projected life of activity.

ROA can be measured by,

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

**Return on Total Assets over the Period**

Return on Total Assets	1996	1997	1998	1999	2000
Bata Shoe	10.83%	13.66%	9.98%	11.70%	14.52%
Apex Footwear	0.63%	2.75%	0.34%	1.48%	1.48%

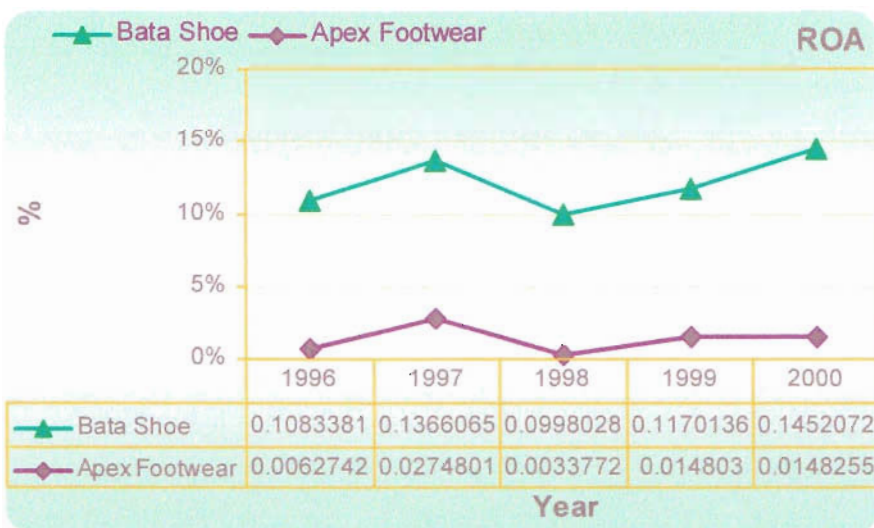


From the above graph I found that BSO has a very consistent ROA. For the last five years it was between 10 to 15 percent, except in 1998. We know, ROA positively related with profit margin and asset utilization because profit margin times asset utilization is the ROA. From the balance sheet of BSO I found that

net income decreased in 1998 around % Crore Taka. That is why net profit margin also decreased from 8% to 6%. It made a negative impact on ROA in 1998.

**Evaluation of Bata’s Return on Asset with Apex Footwear Ltd.**

Return on total asset ratio mainly focus on the return, which is provided by the assets of any firm or contribution of asset to the total return. The ratio can be calculated by dividing the net income by the total asset. In the above analysis it shows that BATA has a constant rate of ROA. It shows that the highest ROA of BATA is in 2000, it means the BATA is in good position in the present time. With out 1998 the BATA had an average of above 10% of ROA in the last five years. It shows that they have good position of ROA for the last five years. With comparison of APEX it shows that BATA has a very strong position over APEX in terms of ROA. APEX has an average 1% of ROA for the last five years. So the BATA have superior advantage over APEX in the return on total asset. That means BSO management used their real and financial resources as well that the company can generate higher returns from that.



## Liquidity Ratios:

### Current Ratio

Current Ratio indicates the ability of a company to meet its short-term obligations. Short-term obligations indicate those obligations that are due within a year. Current ratios provide a single indicator of the extent to which assets that are expected to be converted to cash in period roughly corresponding to the maturity of the claims cover the clients.

A higher current ratio may indicate excessive amount of current assets, which is considered to be management's failure to utilize the resources properly. A lower current ratio is an indication that the firm may not be able to pay future bill in time.

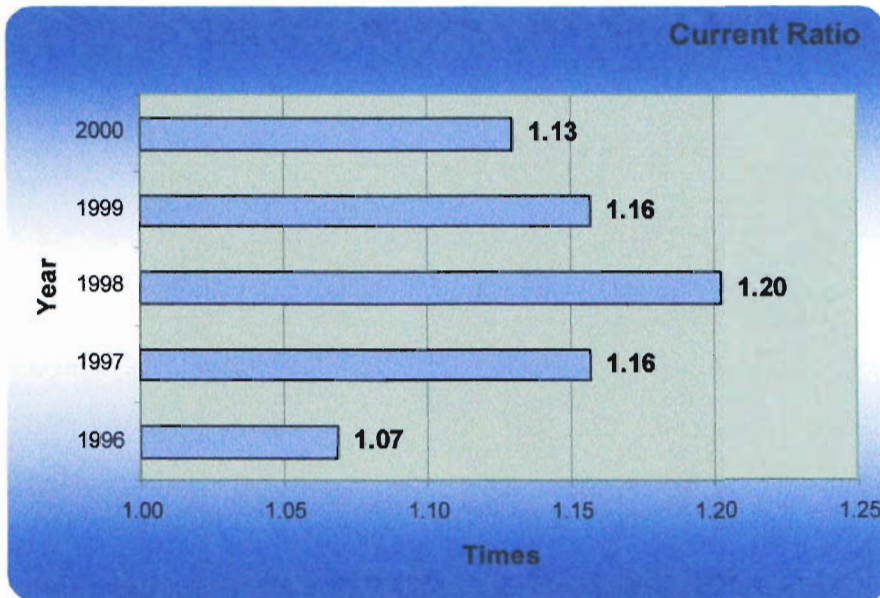
Current ratio can be defined as,

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

### Current Ratio over the period

Current Ratio	1996	1997	1998	1999	2000
Bata Shoe	1.06	1.15	1.20	1.16	1.13
Apex Footwear	1.07	1.53	1.50	1.42	1.35

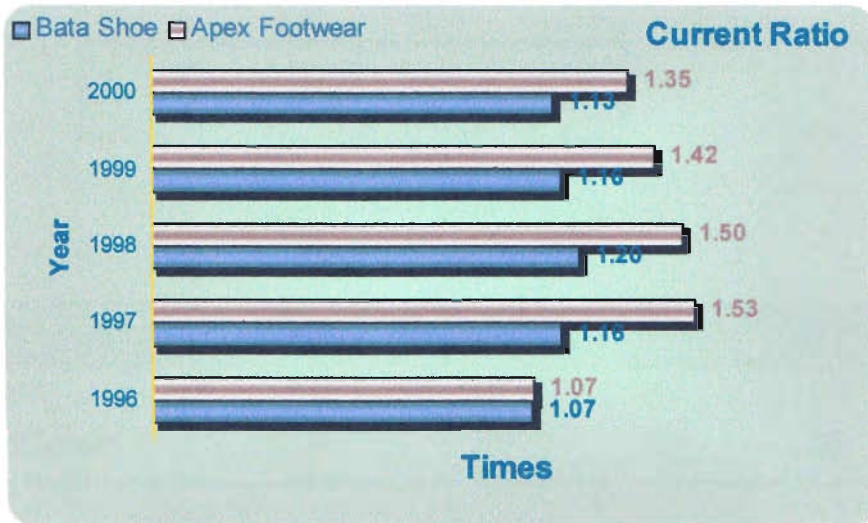




From the ratio analysis of BSO it is found that from 1996 to 2000 the current ratios are respectively 1.07, 1.16, 1.20, 1.16 and 1.13. The analysis shows that first three years it was increasing but in last year it goes down. Current ratio indicates the ability of a firm to meet its short term obligation. A higher current ratio may indicate excessive amount of current assets, which is considered to be management’s success to utilize the resources properly. So, the current ratio in first three years shows that BSO was using their resources properly.

**Evaluation of Bata’s Current Ratio with Apex Footwear Ltd.**

The current ratio shows the current asset part in respect of current liabilities. The ration can be found by dividing current asset by current liabilities. In the above analysis it shows that BATA have a constant trend of current ration. From 1996 to 2000 the current ratio had a range between 100% to 120%, which is satisfactory for any company. BATA had highest current ratio in 1998, which is 1.20 times.



In the other hand APEX had very strong current ratio for the last five years with respect of BATA. They had an average of 1.37 times of current ratio for the last five years. That means they had the lower liquidity during these periods. The lowest ratio for the BSO is 1.06 in 1996 that means they may face liquidity risk, if any, during the period. On the other way it may be stated that the BSO takes more risk to having more liabilities than of their current assets and imposing their assets to long term investment to get long term earnings. So in the current ratio part APEX had a superior advantage over BATA.

**Quick Ratio**

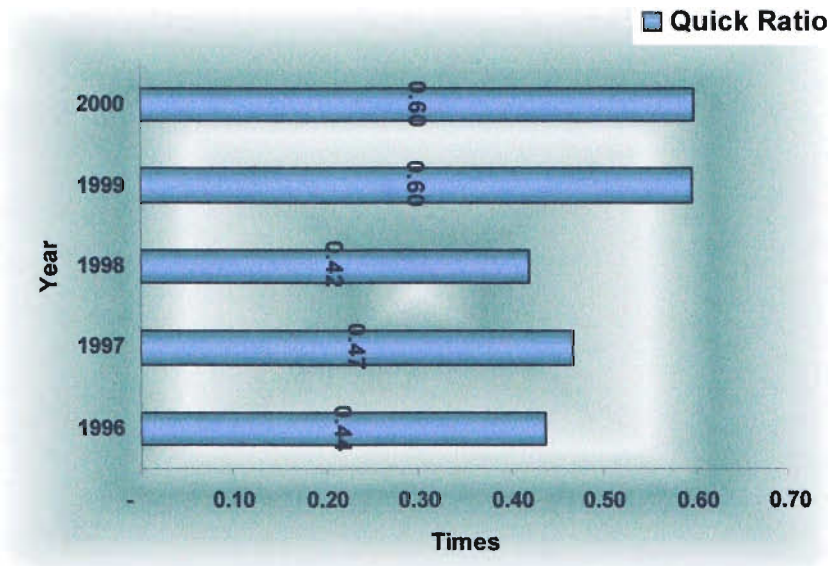
Quick ratio states that how much current liabilities can be meet by the current assets even without having to liquidate its inventory. Inventories are typically the least liquid of a firm’s current assets, so they are the assets on which losses are most likely to occur in the event of liquidation. Therefore, it is a measure of the firm’s ability to pay off short-term obligations without having to liquidate inventories.

Quick ratio can be defined as:

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

**Quick Ratio over the Period**

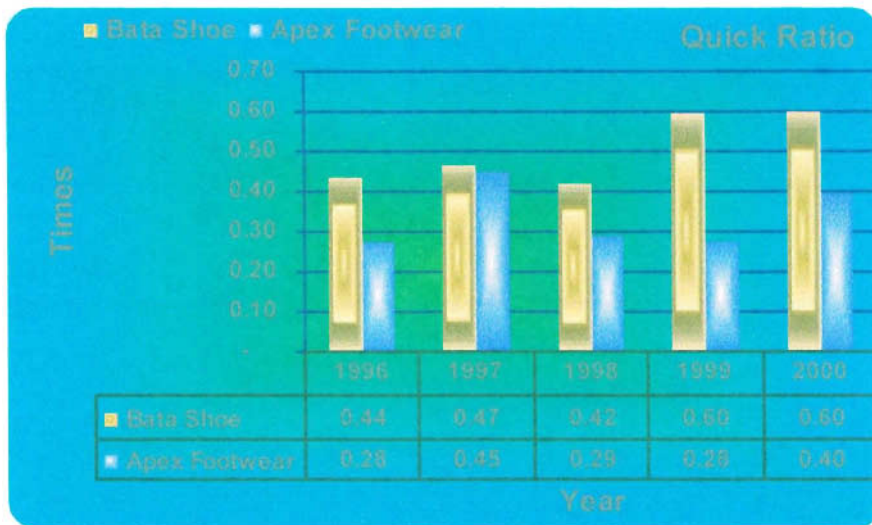
Quick Ratio	1996	1997	1998	1999	2000
Bata Shoe	.44	.47	.42	.59	.60
Apex Footwear	.28	.45	.29	.28	.40



From the quick ratio of BSO it was found that they have a steady liquidity position. Moreover the ratios are increasing last two-years. That means BSO are able to payoff short-term obligation without having to liquidate inventories.

**Evaluation of Bata’s Quick Ratio with Apex Footwear Ltd.**

Quick ratio refers to the liquidity position of any company. The quick ratio is calculated by dividing the subtraction of inventory from current assets by current liabilities. The above analysis shows that BATA has a very strong position of quick ratio. Their total 50% of the current asset can be converted in to liquid position. The position of quick ratio of BATA was stronger in the last few years. Especially in the last two years the quick ratio of BATA was stronger respect of last five years. In the other side APEX also had some strong position in their quick ratio, especially in 1997 they had .45 times, which is very good respect to the industry. But as a whole BATA had strong position than APEX for the last five years.



**ACTIVITY RATIOS:**

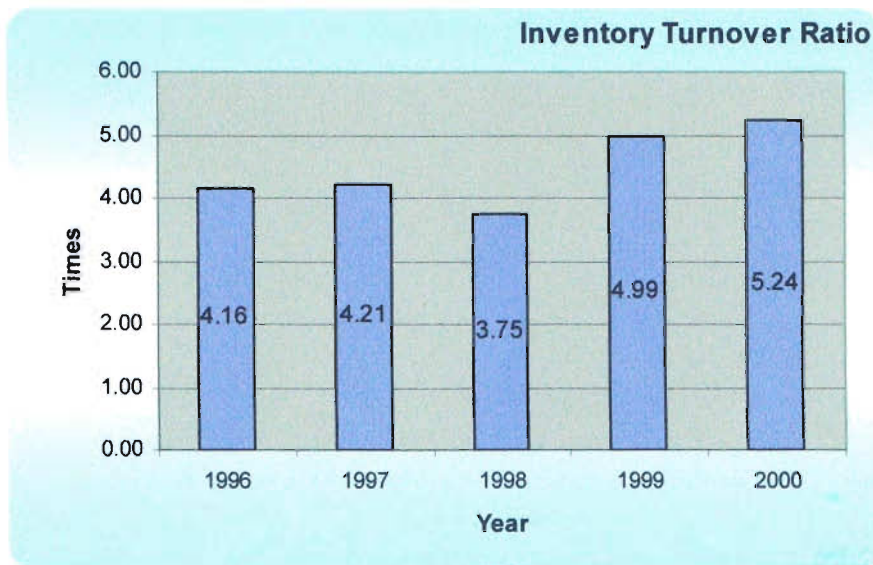
**Inventory Turnover Ratio**

This ratio indicates the ability of the firm to generate revenue using the asset properly. Inefficient use of asset can increase the cost of company. So by achieving a high turnover a firm reduces cost and increases eventual profit to the owners.

$$\text{Inventory Turnover Ratio} = \frac{\text{Sales}}{\text{Inventory}}$$

**Inventory Turnover Ratio over the period**

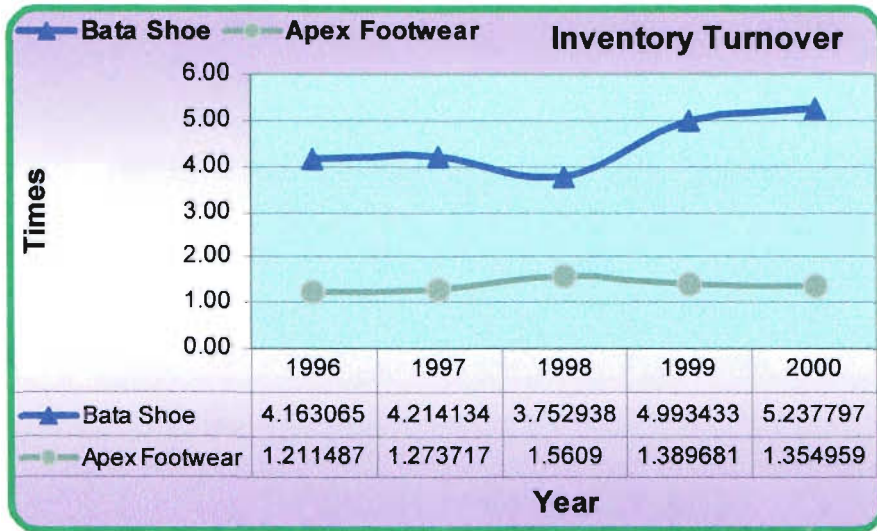
Inventory Turnover Ratio	1996	1997	1998	1999	2000
Bata Shoe	4.16	4.21	3.75	4.99	5.24
Apex Footwear	1.21	1.27	1.56	1.39	1.35



Except in 1998, the inventory turnover ratio of BSO increases during the period of my analysis. That means they sold out their inventory and restocked them very efficiently. In 1998, this ratio was 3.75 times. This is, of course, unproductive because excess inventory represents an investment with a low or zero rate of return. This suggests that whether BSO is holding damaged or obsolete goods not actually worth their stated value.

### **Evaluation of Bata's Quick Ratio with Apex Footwear Ltd.**

In the above ratio it shows that the rotation of the sales is based on the inventory. The ratio is calculated by dividing the sales by inventory. The ratio shows how a firm uses their inventory respect to their sales. So higher the ratio indicates the effectiveness of the firm's policy. In this position BATA has a higher inventory turnover ratio for the last five years. They have a constant rate of inventory turnover ratio for the last five years, which shows their continuous stability. In the comparison of APEX, it shows that they also have a stable position in their ratio. The rate of APEX is less than BATA, but they are also keeping their position stable to keep the competition going. The overall position of BATA respect to inventory turnover ratio is better than APEX.



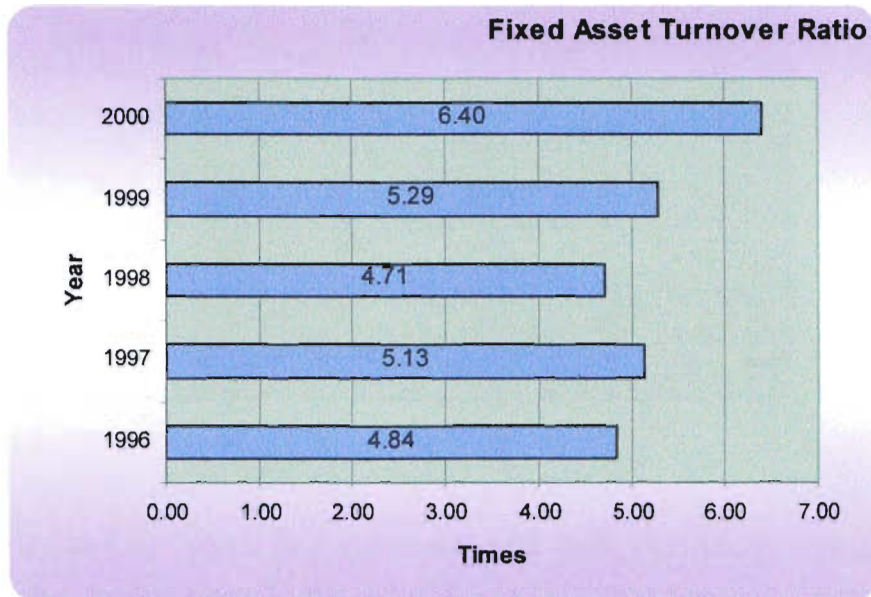
**Fixed Asset Turnover**

This ratio indicates how efficiently the firm is using its fixed asset to generate revenue.

$$Fixed\ Assets\ Turnover\ Ratio = \frac{Sales}{Fixed\ Assets}$$

**Fixed Asset Turnover over the period**

<b>Fixed Assets Turnover Ratio</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Bata Shoe	4.84	5.13	4.71	5.29	6.40
Apex Footwear	1.58	2.10	3.40	3.53	4.06

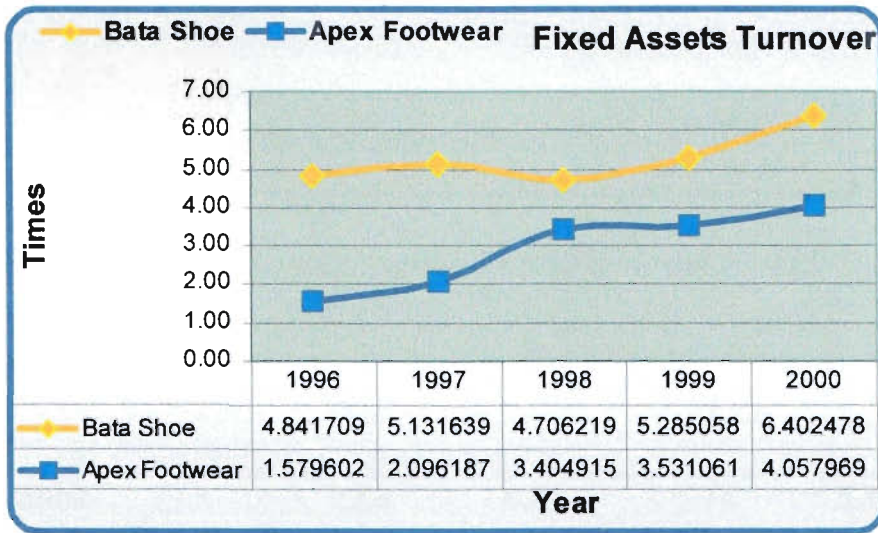


The above graph states that fixed assets turnover ratio is increasing for the last three years that means they are using efficiently its fixed assets to generate revenue.

**Evaluation of Bata’s Fixed Asset Turnover Ratio with Apex Footwear Ltd.**

The above analysis shows the utilization of fixed asset in terms of sales. It shows the use of fixed asset to convert in to sales, so higher the turnover better the firm position. In the above ratio BATA shows a strong position for the last five years. BATA shows a stable rate for the last five years in the fixed asset turnover ratio.





Especially in the last two years they increased their fixed asset turn over more than the other last three years. In the other side APEX also have an upward going ratio for the last five years, which is very good for the company. Comparison with APEX it shows that BATA still has good turnover than APEX. So the analysis shows that BATA is still stronger in the fixed asset turnover ratio than APEX.

**Average Collection Period**

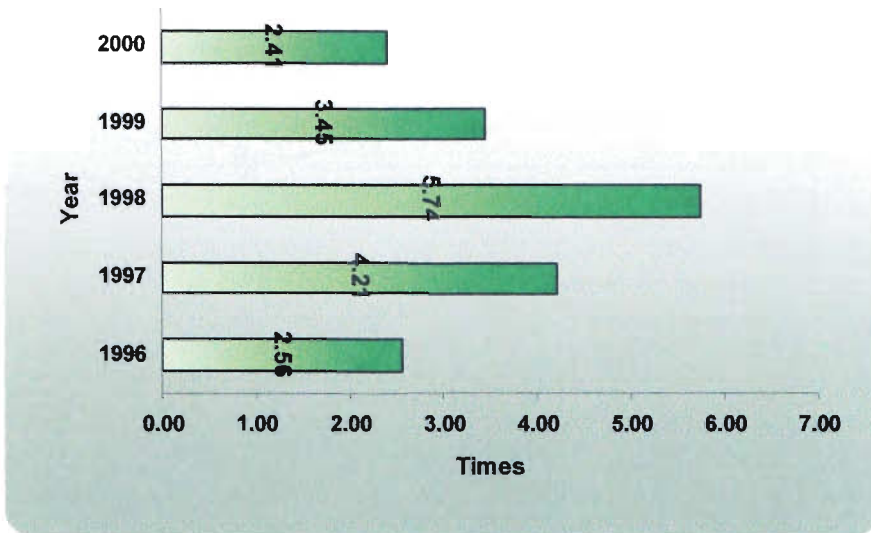
This ratio is calculated by dividing average daily sales into account receivable to find out the number of day’s sales that are tied up in receivable. Thus, the average collection period represents the average length of time that the company must wait after making a sell before receiving cash.

$$Average\ Collection\ Period = \frac{Receivables * 365}{Annual\ Sales}$$

**Average Collection Period over the Period**

Average Collection Period	1996	1997	1998	1999	2000
Bata Shoe	2.56	4.21	5.74	3.45	2.41
Apex Footwear	80.59	85.79	42.08	49.27	52.49

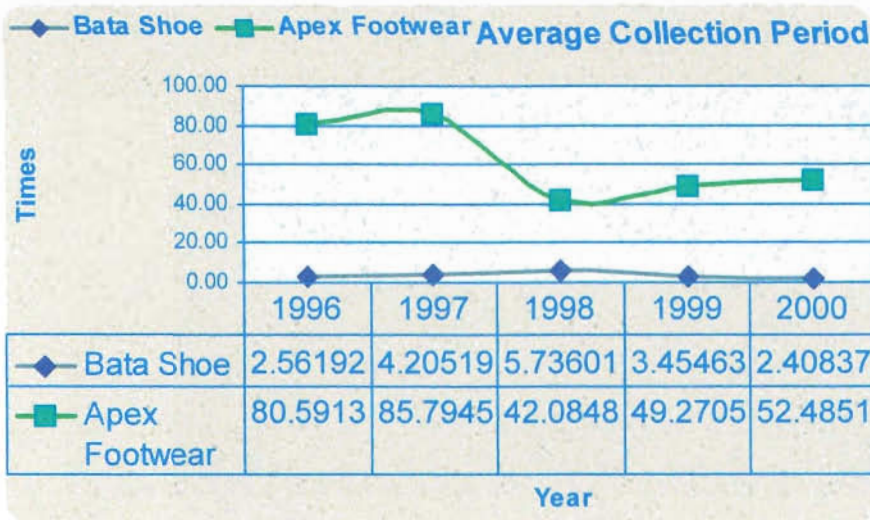
**Average Collection Period**



The above ratios indicate that how efficiently a firm collect their account receivable. To illustrate the graph it was found that this ratio was decreasing last two years. That means money was not stuck outside, so they can use their money to other purposes.

**Evaluation of Bata's Average Collection Period with Apex Footwear Ltd.**

The above ratio shows how fast a firm can get back their receivable back. The lower represents more efficient position of the firm. The ratio is usually calculated by the days, and the result shows in how many days the receivable can be retrieve. In the above analysis it shows that BATA has a very effective time of getting the money back. Their average time of getting the money back is 4 to 5 days, which is really very good. In the other side APEX has a very bad record of getting back the receivable, they had average of 80days for the year 1996 and 1997. After that they have reduce their time to getting back the receivable, but still they are well beyond of BATA. In the average collection period ratio BATA has much better position than APEX.



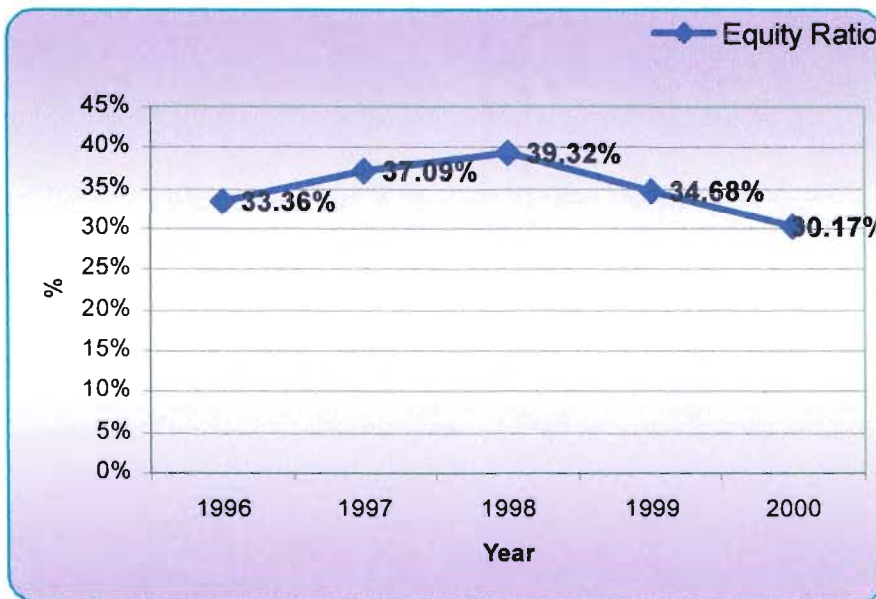
**Equity Ratio**

The above ratio shows net equity portion with respect to the total asset. It shows the percentage of equity in terms of the total asset.

$$\text{Equity Ratio} = \frac{\text{Shareholders Equity}}{\text{Total Assets}}$$

**Equity Ratio over the Period**

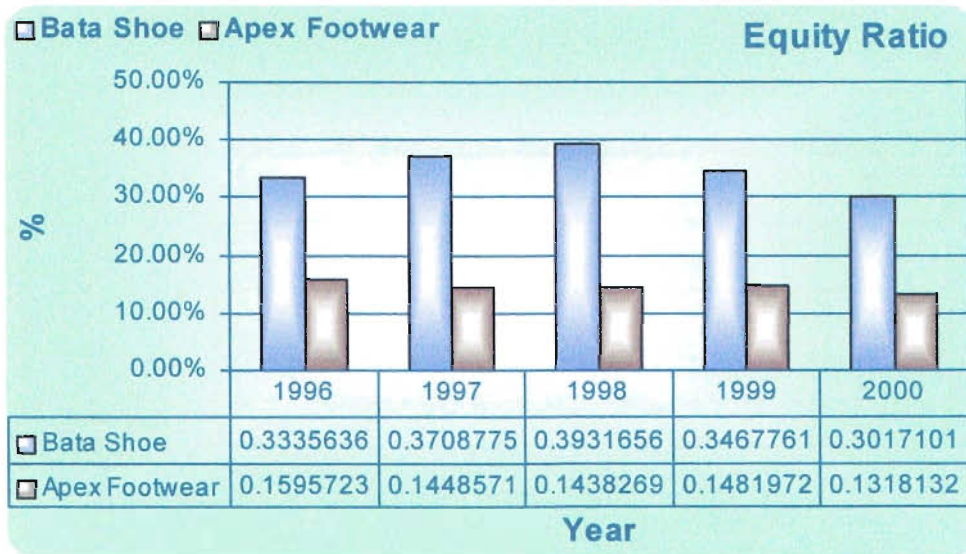
Equity Ratio	1996	1997	1998	1999	2000
Bata Shoe	33.36%	37.09%	39.32%	34.68%	30.17%
Apex Footwear	15.96%	14.49%	14.38%	14.82%	13.18%



The equity ratio of BSO for the last five years are respectively 33.36%, 37.09%, 39.32%, 34.68% and 30.17%. That means the last two years BSO has lower equity respectively to their total assets.

**Evaluation of Bata’s Equity Ratio with Apex Footwear Ltd.**

The above ratio shows net equity portion with respect to the total asset. It shows the percentage of equity in terms of the total asset. BATA has very constant trend of ratio for the last five years, their highest equity ratio is for the year 1998, which is 39.32%. Where APEX has also a similar trend of ratio but they are lower than the BATA. So BATA is stronger than APEX in terms of the equity ratio.



**Earnings per Share Ratio**

$$Earning\ Per\ Share = \frac{Net\ Income}{Common\ Share\ Outstanding}$$

**Earnings per Share Ratio over the Period**

EPS	1996	1997	1998	1999	2000
Bata Shoe	6.54	8.16	5.67	7.20	9.63
Apex Footwear	4.66	21.92	2.78	12.01	13.73

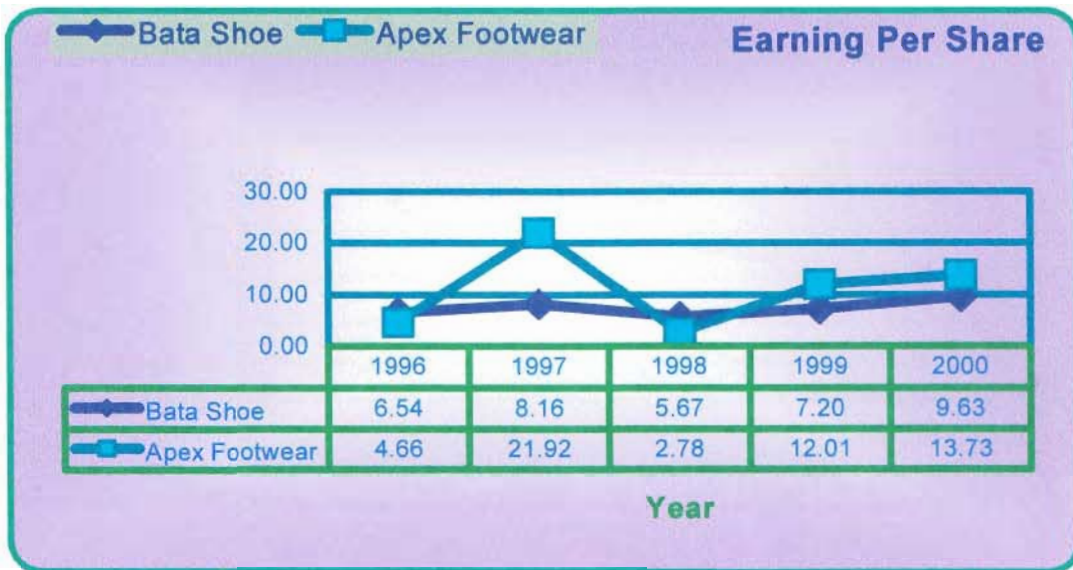


The earning per share ratio of BSO for the last five years are respectively 6.54, 8.16, 5.67, 7.2 and 9.63. It shows that EPS is lower than average for the year 1996 and 1998. With out that other three years have good record of EPS.

**Evaluation of Bata’s Earnings per Share Ratio with Apex Footwear Ltd.**

The above ratio shows EPS portion with respect to the market price of the share. BATA has very constant trend of ratio for the last five years, their highest EPS ratio is for the year 2000, which is 9.63. Where APEX has a fluctuated ratio for the last five years, such as they has 4.66 in 1996 and in the next year it went up

to 21.92. Also in 1998 in fall to 2.78, so Bata shoe more stable EPS than Apex, but Apex earnings were higher than Bata in 1997 and 2000.

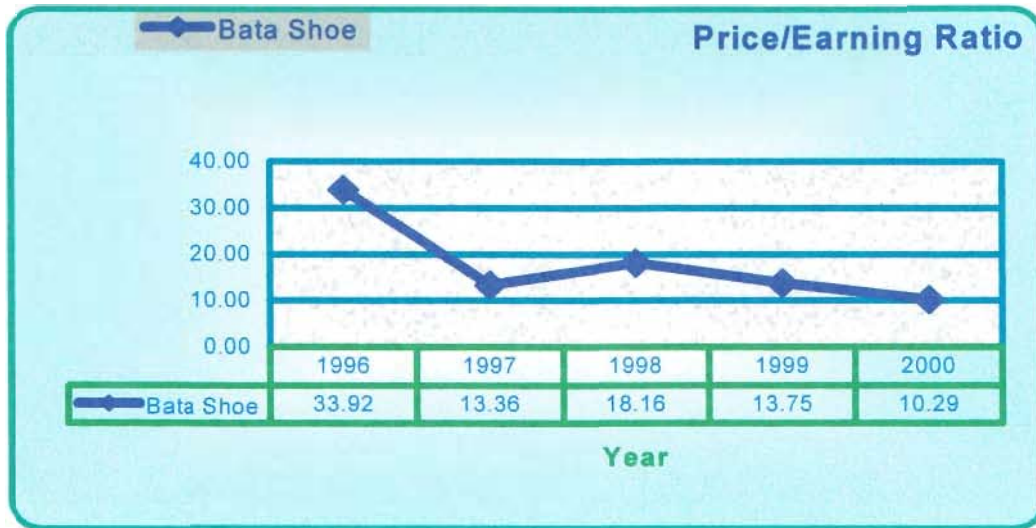


**Price/ Earnings Ratio**

$$\text{Price / Earning Ratio} = \frac{\text{Share Price}}{\text{Earning Per Share}}$$

**Price/ Earnings Ratio over the Period**

P/E Ratio	1996	1997	1998	1999	2000
Bata Shoe	33.92	13.36	18.16	13.75	10.29
Apex Footwear	29.79	13.27	22.23	10.82	17.48

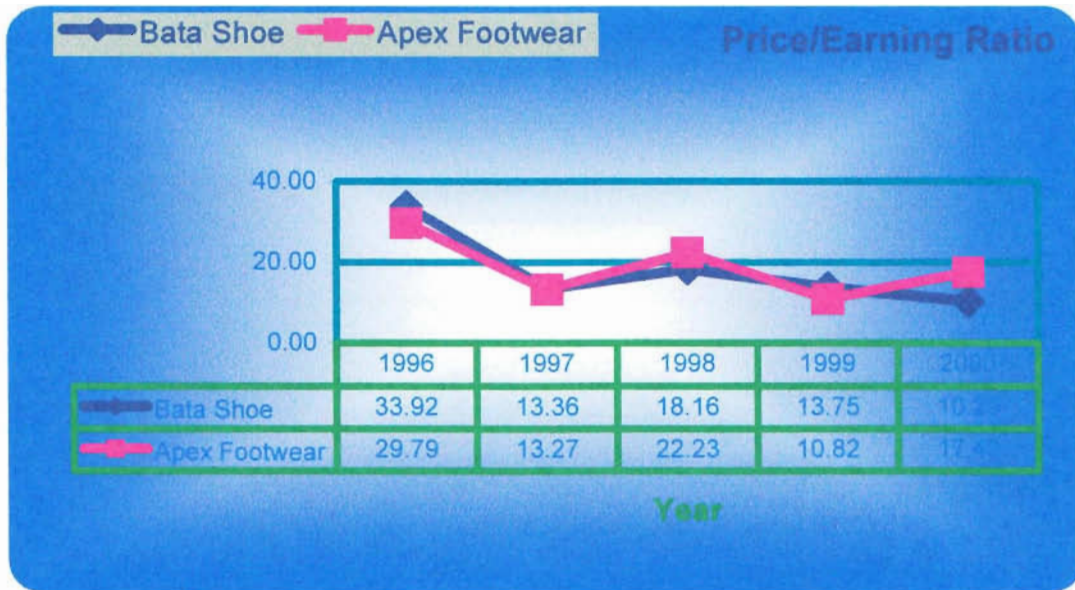


The P/E ratios of BSO for the last five years are respectively 33.92, 13.36, 18.16, 13.75 and 10.29. It shows that P/E ratio has a stable trend for the last four years. With out 1996, which was 33.92 the BSO has a good record of P/E ratio.

**Evaluation of Bata’s P/E Ratio with Apex Footwear Ltd.**

The above ratio shows EPS portion with respect to the market price of the share. BATA has very constant trend of ratio for the last four years, their highest P/E ratio is for the year 1996, which is 33.92. Where APEX has a fluctuated ratio for the last five years, such as they has 10.82 in 1999 and in the next year it went up to 17.43. So Bata shoe more stable P/E ratios than Apex, but Apex P/E ratio where higher than Bata in 1996 and 2000.





**Debt Ratio**

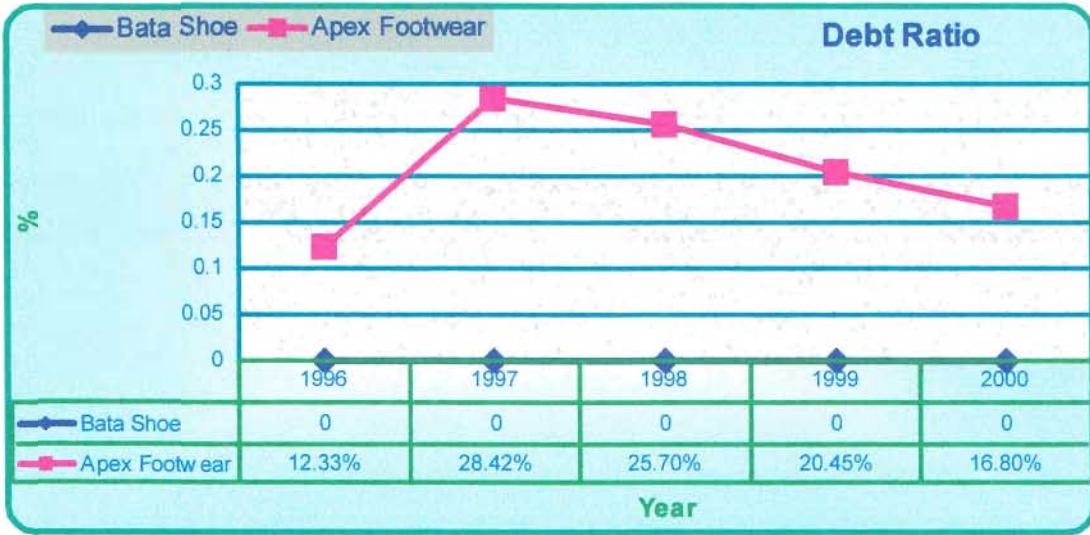
$$DebtRatio = \frac{TotalDebt}{TotalAssets}$$

**Debt Ratio over the Period**

Debt Ratio	1996	1997	1998	1999	2000
Bata Shoe	0	0	0	0	0
Apex Footwear	12.33%	28.42%	25.70%	20.45%	16.80%

Bata Shoe has no debt to carry out, so their Debt Ratio shows the picture clearly. In the other side apex has trend of debt ratio for the last five years. so the

analysis shows that Bata is a non leverage company, where Apex is financial leverage company.



#### 4.5 EVALUATION OF BANKRUPTCY POSITION USING Z SCORE

##### Bankruptcy (Z)

Altman evaluates bankruptcy position of a firm using Z- Score formula which is as follows:

$$Z = .717 \cdot X1 + .847 \cdot X2 + 3.107 \cdot X3 + .42 \cdot X4 + .998 \cdot X5$$

X1 = Working capital / Total assets

X2 = Retained earnings / Total assets

X3 = EBIT / Total assets

X4 = Book value of common stock / BV of total liability

X5 = Revenue / Total assets

Bata Shoe	1996	1997	1998	1999	2000
X1	66.19%	66.63%	65.52%	68.52%	72.65%
X2	13.21%	16.38%	17.55%	14.57%	11.54%
X3	18.58%	23.38%	17.37%	20.48%	24.69%
X4	50.05%	58.95%	64.79%	53.09%	43.21%
X5	162.95%	167.46%	160.10%	165.59%	177.46%

Apex Footwear	1996	1997	1998	1999	2000
X1	63.73%	69.94%	72.98%	75.93%	80.93%
X2	2.00%	0.92%	1.18%	1.16%	0.90%
X3	0.68%	3.08%	0.39%	1.68%	1.66%
X4	39.47%	35.11%	34.30%	35.36%	30.02%
X5	57.29%	63.00%	92.00%	85.00%	77.40%

Bankruptcy (Z)	1996	1997	1998	1999	2000
Bata Shoe	3.00	3.26	3.03	3.13	3.33
Apex Footwear	1.23	1.38	1.61	1.60	1.54

Comments about bankruptcy position based on Altman's Z Score

Altman's Z Score stated that if value of Z is less than **1.2** firm is predicted as failed. Since Z Score of BATA is 3.33 in 2000, Z Score of APEX is 1.54 in 2000 it shows that both the companies are above the bankruptcy position. So it is clearly shown that the BATA shoe did not face any kind of bankruptcy position in the last five years. They had their bankruptcy position over 3.00, which is very strong position in term of bankruptcy. In the other hand APEX had some problem in the 1996, because they that their bankruptcy position 1.23, which was in the boarder line. But now both the companies are well balances in terms of their bankruptcy position.

## Ratio House

Items		1996		1997		1998		1999		2000	
		BATA	APEX	BATA	APEX	BATA	APEX	BATA	APEX	BATA	APEX
<b>Profitability Ratio</b>	<b>Gross Profit Margin</b>	36.72%	16.48%	40.19%	19.33%	38.89%	19.67%	40.63%	16.06%	42.19%	18.34%
	<b>Net Profit Margin</b>	6.65%	1.10%	8.16%	4.36%	6.23%	0.37%	7.07%	1.74%	8.18%	1.92%
	<b>ROA</b>	10.83%	0.63%	13.66%	2.75%	9.98%	0.34%	11.70%	1.48%	14.52%	1.48%
	<b>ROE</b>	32.48%	2.22%	36.83%	10.58%	25.38%	1.32%	33.74%	5.67%	48.13%	6.42%
<b>Liquidity Ratio</b>	<b>Current Ratio</b>	1.07	1.07	1.16	1.53	1.20	1.50	1.16	1.42	1.13	1.35
	<b>Quick Ratio</b>	0.44	0.28	0.47	0.45	0.42	0.29	0.60	0.28	0.60	0.40
<b>Activity Ratio</b>	<b>Inventory Turnover</b>	4.16	1.21	4.21	1.27	3.75	1.56	4.99	1.39	5.24	1.35
	<b>Fixed Asset Turnover</b>	4.84	1.58	5.13	2.10	4.71	3.40	5.29	3.53	6.40	4.06
	<b>Total Assets Turnover</b>	1.63	0.57	1.67	0.63	1.60	0.92	1.66	0.85	1.77	0.77
	<b>Average Collection Period</b>	2.56	80.59	4.21	85.79	5.74	42.08	3.45	49.27	2.41	52.49
	<b>Equity Ratio</b>	33.36%	15.96%	37.09%	14.49%	39.32%	14.38%	34.68%	14.82%	30.17%	13.18%

# CHAPTER FIVE

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WHOLESALE

## **5.1 RECOMMENDATION**

In my research has two parts organization part and project part. First I try to give recommendations which I think required in order to improve the weakness and turn them into strength and over come the potential threats to the organization so that the management is able to sail the organization in this ever competing corporate world.

To flourish the issue of the Bata shoe organization I have identified that they have some vacuum in their company that need to be fulfill and lead us to find out several recommendations, which could be effectively give a solution to boost up their existing performance.

These Recommendations are as follows:

- a) *Import executive shoes for upper middle class as well as introduce innovative shoe in the product line for the existing consumers, or***
- b) *Introducing new innovation in manufacturing process, or***
- c) *Synergy with other shoe manufacturing company and turn it into competitive advantage***

***a) Import executive shoes for upper middle class as well as introduce innovative shoe in the product line for the existing consumers***

Product innovation means creating new products and here we emphasis on the new designable product can regenerate demand by creating important new growth segments or inducing buyers to trade up. Successful product innovation opens up an avenue for competing besides meeting or beating rivals prices. Making a product with a combination of both quality and design can provide one the additional advantages of being difficult and expensive for rival firms to imitate. Bata already has the reputation of being a quality producer and if it adds new attractive design to its shoes then it would create a differentiation from others. As Bata's shoes are very traditional in terms of design so it has become obvious for them to introduce new, attractive and fashionable designs to its shoes to attract more customers and compete with the rivals and become a dominant shoes producer in the local market. To find out the real market situation we had done a little survey about Bata Shoe and find out that 90% of its customers are dissatisfied with Bata's design and almost cent percent are happy about the quality of the Bata Shoe. Therefore, Bata Shoe Organization should import executive shoes for upper middle class to extend its market as well as introduce innovative shoes for existing customers to create distinctive image and reputation, which will increase the efficiency of the Bata Shoe Organization and lead them to increase market share in future.

Some distinct advantages and disadvantages are associated while taking this recommendation. Those are as follows:

### **Advantages**

⇒ ***Keys to improve long term performance***

Creating innovating product is the approach to introduce the consumers with market-oriented product, which will suit to the customers demand. When the expecting needs are fulfilled then it has a long-term potentiality. Bata has the image to make quality product and with an addition to design the product performance will increase and can easily meet and beat the other rivals.

⇒ ***Strengthen the competitive advantages***

When Bata Shoe Organization will import executive shoes and introduce new designable shoes then it will be able to strengthen the competitive advantages because they will be able to provide shoes both with quality and design. Moreover, when Bata will gain the competitive position then it can use any offensive strategy to outperform the competitors.

⇒ ***Opportunity of raising market shares***

Bata Shoe Organization will be able to increase market share through an effective implementation of the attractive to differentiate the product and increase customer service. Thus, successful implementation will not only increase the market share but also help them to win up the market leading position.



⇒ ***Increase consumers value and satisfaction***

Until now consumers of Bata shoe are satisfy with their quality product and give value to them. But there was always a lack of design, which they complained all the time. Because Bata's stores keep the shoes which are so traditional. So, when Bata will add design to its product and import executive shoes then the customers' value and satisfaction will increase.

***Introducing new innovation in manufacturing process***

Due to high labor cost of production, costs of goods become higher resulting high price of its goods. Where as competitors are getting the benefit of having low cost labor. This happens because Bata has an agreement that **after every three** years the wages will increment by a certain percentage. This has start from the beginning of the operation at Bata in Bangladesh. So, Bata Shoe Organization introduces new innovation in manufacturing process to reduce the product cost and offset the high labor cost. In other word, Bata Shoe Organization will be able to lower its cost and price, increase its profit, which will lead to a higher market share in future. Some advantages are shown bellow for this recommendation:

***Advantages***

➤ ***Allow revamping production lines to improve labor efficiency***

Bata Shoe Organization can revamp its production lines to improve labor efficiency by implementing the new technology in manufacturing process. Bata

need to restructure manufacturing operations to reduce overhead, goods in process, better flexibility and to produce perfect shoes.

➤ ***Can build flexibility into the assembly process***

New technology in manufacturing process can lead Bata's Production Department to build flexibility into the assembly process. So that customized product versions can be easily produced. Moreover, it will have a tight control on production expenses and manufacture value added shoes, which will attract customers and increase the sales. So, Bata can take the chance to increase its market share.

➤ ***Opportunity to use advance technology***

Bata Shoe Organization has a high labor cost. So, it can reduce using of much labor in production process and use the advance technology. The advance technologies include robotics, computerized controls and automatic guided vehicles. Such as, Japanese firms have become remarkably adopt at using manufacturing process innovation to become lower cost producer and higher quality products.

➤ ***Can have a stronger focus on cost reduction***

When Bata Shoe Organization will create innovation in manufacturing process then they can easily create self directed work teams, reengineering the manufacturing portion of the value chain and increase use of advanced technology. While doing all these the cost of production will go down to cover the high labor cost. So, BSO can have a stronger focus on cost reduction by implementing this alternative.

## ***Synergy with other shoe manufacturing company and turn it into competitive advantage***

In the footwear industry Bata Shoe Organization hold above 18 percent of market share. It has the highest market share among the other footwear companies. Bata Shoe Organization win up this position only because of the quality and market efficiency. On the other hand Apex Footwear Ltd. is holding approximately 2.63 percent of market shares and it is in the second position in the market. Apex established themselves as a major competitor of Bata especially in the leather shoe market and also they are recognized as for its executive shoes. Whereas Bata is best for its quality but it has lack of design. Bata has one great disadvantage, which is their labor cost is higher than other competitors. So, Bata should find ways to capture the synergy with Apex Footwear Limited. Both have made the Production Department of Bata Shoe Organization inefficient in terms of cost and design. Due to high labor cost of production, cost of goods becomes higher. But Apex's labor cost is low. If Bata establish synergy with Apex then BSO can take the advantage of Apex's low labor cost and raw materials. Moreover, Bata can grab the executive shoes market by taking the design of Apex. On the other hand, Apex will profitable because they can sell their product in Bata's retail store using Bata's brand name and also can increase the quality. By creating synergy the manufacturing capacity will also increase and they can gain economies of scale in their operation. Bata can use their showroom at executive shoes. As Bata want to increase their market share and catch the market of executive shoes they should establish synergy with Apex Footwear Ltd. this will benefit both of the company. I briefly discuss the advantages of the synergy in the following:

## **Advantage**

By establishing synergy with Apex Footwear Ltd. the Production Department of Bata will enjoy some advantages. These are as follows:

- ***Allow to achieve economies of scale in production and operation***

When BSO will establish synergy with Apex then the manufacturing capacity doubled and lead to and economies of scale in the production and operation. In addition, Bata's cost of product will go down when it can double the capacity and consequently can offset the high labor cost.

- ***Chance to grab the market for executive shoes***

BSO will synergy with Apex Footwear to catch the market of executive shoes. Because 90 percent of Bata's customers are always complains against their design. Whereas Apex is recognized for the executive shoes. So, by creating synergy Bata can take the design from Apex and serve their customer with executive shoes along with high quality and best price.

- ***Bata can earn additional profit by selling Apex's executive shoes in their own showroom***

By establishing synergy with Apex, Bata will sell Apex's executive shoes in their showrooms located in the executive areas like Banani, Elephant Road, Firm Gate, etc. as it is part of synergy. Bata can earn additional profit by selling those shoes from Apex as Apex is taking the opportunity and advantage of Bata's brand name and image.

o ***Opportunity to grab more export channels***

Bata Bangladesh is exporting finished leather and shoes to Far East Countries and Middle East. Among them Bata exports finished leather to Japan, Korea, Thailand, Hong Kong, and shoes to Saudi Arabia, UAE. When Bata synergizes with Apex, their capacity will increase and they can produce a huge amount of new designable shoes at a lower cost and can take a great opportunity to export shoes very successfully. With a new line of shoes Bata Bangladesh can find and contract with new countries where they can export their shoes.

***Recommendation from the financial perspective:***

- They could invest their extra fund in other sectors.
- They can increase their dividend to attract more investors.
- They could decrease their current liabilities by increasing equity part.
- They could increase sales by giving of credit facilities to their current customers because they have very less amount of Account receivable.
- They could make proper financial mix to adjust their working capital.
- Bata shoe can take debt from well-known financial institution. For the good reputation Bata shoe can take loan in a lower interest rate. They could use their own fund in the R&D department.

Some other important factors that should be focus on the development process:

- Time consumed at service level should be minimizing at optimum level.
- Evaluate customer's needs from their perspective and explain logically the shortcomings.
- Customer's convenience should receive priority over others
- Use appropriate techniques in evaluating customer need professionally.
- To deliver quality service top management should try to mitigate the gap between customer's expectation and employee's perception.

## **5.2 IMPLEMENTATION**

Implementation entails converting the organizational plan into action and then into results. It's a job for the whole management team of the Bata Shoe Organization, not only the Production Department of Bata Shoe Organization as it require a whole organization's group work to work out the plan effectively. While Bata's head of the divisions, department and key operating units are ultimately responsible for seeing that new plan and product has been developed successfully, the development process typically impacts every part of the organizational structure, from the biggest organizational units to the smallest frontline workgroup. As Bata is a multinational company, it should follow up their corporate culture and build up the plan in such a way, which adjust the quality system of the company.

One of the keys to successful implementation is for management of the Bata Shoe Organization to communicate organizational change to each department so clearly and persuasively that gathers is determined commitment throughout the ranks to carryout the plan and meets performance target. The ideal condition is for Bata's managers to arouse enough enthusiasm for the strategy to run the development process into the company wide crusade. Bata's production management, in handling of plan implementations successful when this company achieves the target strategic and financial performance and shows good progress in realizing its long range strategic vision.

Sizing up a firm's resource, strengths and weaknesses and its external opportunities and threats commonly known as SWOT analysis that provides me a good overview of whether The Bata's Production Department is efficient enough to expand the market and grab huge market share. Implementation or action plans should broadly consider the SWOT analysis, which is grounded in the basic principle that strategy-making efforts must aim at producing a good fit between the Bata's Production Department and resource capability and with it's external situation. Without implementing all these, the task of conceiving a strategy becomes a chancy proportion indeed.

The SWOT analysis of the Production Department of Bata Shoe Organization represents that it is having enough capacity, best quality shoes, wide distribution channels and good market approach. They have such big valuable intangible assets, like- brand name, image, company reputation, buyer goodwill, a high degree of employee loyalty, organization culture etc. The success of The Bata Shoe Organization depends on how well the Production Department performs its work. So to hold up their existing capabilities it should go through different types of implementing procedures that we have found that might help the company for further improvement.

Bata shoe organization requires a step by step to process to implement the Alternative successfully. The task is mainly for the product development, which is under the production department of Bata Shoe Organization. Bata's production department primarily considers to basic issue, one is to import executive shoes and another is to create fashionable product in the manufacturing process. In the mean time they should give a huge effort on building manufacturing process in such a way so that the design can be implement efficiently. Bata should also try to offset the huge labor cost by eliminating the overall production department's cost. We have discussed all the steps briefly as our implementation continues.

### ***Import Executive Shoes***

#### ***Design selection***

In order to obtain to the executive shoe market Bata should carefully choose the shoe model, design, brand, color and overall outlook, which will create value to the customer. It is very important because Bata will import executive shoes only for the upper-middle class people, people who always look for the outlook to match their status. For lady's Bata should import highly fashionable shoes with gorgeous outlook.

#### ***Brand selection***

After selecting the design of the shoes Bata should select brand to create a distinctive feature and image to attract the consumers' attention. So, Bata may emphasis brands like Pierre Cadine, Santani, Louis, Alenn Dilon, Valentino, Dunhill, Arrow, YSL etc. and try to make a contract with those brands for the specific design and create a LC to make payment.



## **Cost**

Bata should also be conscious about the cost so that they can provide being best-cost product, which will create more value to the customers. To do so Bata should calculate how much cost will incur to select and import shoes and take the best cost decision. Because cost is the vital part to earn for EBIT and increase the market share.

## ***Select location***

Bata Shoe Organization should carefully select the location where they will sell the executive shoes. As Bata focuses the upper middle class people then they should choose location like Banani, Dhanmondi, Gulshan and Elephant road.

## ***Select Stores***

After selecting the location Bata should now select the stores to display their shoes. To display the executive shoes Bata should select their city stores, which are the high class stores and if necessary then build up new stores for the executive shoes with attractive outlook to catch the eye of the customers in the right place.

## ***Adopt new design to its manufacturing process***

Bata should effectively select good design and produce them for the existing middle class to create an image as a desirable product with quality. To implement the whole thing Bata should follow a step by step procedure are as follows:

## ***Design selection***

Bata shoe organization can select design from:

1. ***Sales force:*** Knowledge of customers needs, inquiries from customers on prospects, knowledge of the industry and competition.
2. ***Research and development:*** Application of basic research, original or creative thinking, testing existing products and performance record, accidental discoveries.
3. ***Other company sources:*** suggestions from employees use of by-products or scrap, specific market surveys.
4. ***Outside sources:*** Investors, stockholders, suppliers or vendors, resellers, advertising agencies, customers suggestions, competitor's products, patents abstracts, trade shows, foreign magazines, foreign shoe samples, designers and top management.

## ***Conducting business analysis***

Bata should conduct more rigorous analysis of these ideas, to see whether the new designed shoe make sense. It includes:

- ***Predicting sales:*** Bata requires some ideas in sales for the new design shoes to generate.
- ***Concept testing:*** Bata should ask potential customers to evaluate pictures or description at a new product.

- **Predicting costs:** to predict whether the product can be profitable, Bata Shoe Organization can subtract expected costs from forecasted sales. This means that they must be clear enough about the products features to estimate production costs.

### ***Developing the new designed product and marketing mix***

If Bata predicts that the new design will be profitable, then they should move on to develop the product concept. It includes the following:

#### ***Shoe specification***

In the standard process of developing the new designed shoe concept, the product development team of production department should begin by developing specification of the shoe, which is the detail of what the shoe will consist.

#### ***Reorganize designing department***

Bata's production department should re-organize the designing department into two sections. These are:

- Creative designer: For product engineering.
- Technical designer: For process engineering.

#### ***Creating the technical specification for the new designed shoe***

From the product features set identified by the product development team, creative designer should create vision of how the product looks and perform. The

technical capabilities of the shoes are developed and retained. From this initial conceptual vision, the work procedure to design the shoe and test the technical concepts that forms the basis of the features and functions. Once the preliminary design completed, prototypes may be created and tested to ensure that the shoe performs as specification. When testing completed and new designed shoe is performing as it was intended to, the design is going to be documented and finalized.

□ ***Concurrent engineering***

Now, Bata should link product design with manufacturing engineering. First, it is very important for design teams to understand existing and planned production technologies, and this requires a considerable amount of communication between technical people in manufacturing and engineering. Close co-operation and communication and also required for engineers to effectively design shoes for case of manufacture, lowest cost, and highest quality. Engineers on the design team can provide valuable assistance to the manufacturing people to help reduce tooling costs and to add their technical expertise to the make- versus- buy decisions.

□ ***Developing the manufacturing process to produce the new designed shoe:***

Getting prepares to produce the shoe the manufacturing process must be created so that the shoe can be made in production facilities. If new technology is involved to produce the shoe, this may require purchasing new equipment and training production workers. The engineers should then acquire design automation tools, learn how to use them, and integrate them into the framework of company information system where appropriate. Based on the building of

prototypes, method of production is defined. Tools, fixtures and the sequence of steps in the manufacturing process must all be developed to allow rapid, high quality production.

To the support the requirements of the new model of shoe development, including flexibility and time to market, engineers must:

- Give cost, quality and simplicity factors consideration equal to functionality.
- Have manufacturing process information to understand the effect of their design on process capability.
- Have cost data on purchased material, processes, and the shoe life cycle to develop products that meet cost and pricing needs of the market.
- Have technical data and analysis capabilities that allow them to ensure that their design meets reliability requirements and prevent tolerance build-up that will cause changes further along in the process. Overall needs to be as simple and attractive as possible.
- **Total quality design**

For achieving highest total quality design, Bata should consider the following:

- Product development is customer driven and is focused on preventing problems rather than reacting to them.
- Teams are process oriented and interact with their internal customers to deliver the required results.

- Production management's focuses on controlling the overall process and rewarding teamwork.

The main benefit of customer driven and process-oriented product development is the simplicity and efficiency that greatly the time involved.

- ***Fabricating the new designed shoe***

When the team will complete designs for the shoe and the manufacturing process, then producing and shipping the shoe may proceeds. Raw material should be purchased, and the production facilities should go into operation. During the first production, technical problems may occur as a result of unfamiliarity on the part of manufacturing or insufficient involvement of manufacturing in the prototype phase. Design changes or process changes may be necessary and serve to slow the introduction of the designed

## ***Marketing Mix***

### ***Market segmentation, targeting & positioning***

Bata Shoe Organization should be clear about the market approach and positioning of the executive shoes and the new designed shoes. They should segment their stores on the basis of the product and customer class. These are as follows:

- City stores in high class shopping centers in major cities to cater the needs of medium to high-income group of customers to distribute and sell executive shoes.
- Bata Bazaar stores in high traffic commercial streets for medium-to-medium high-income groups of customers to distribute and sell new designed shoes.
- Family stores in district towns to serve customers in low to medium income groups of customers to distribute and sell old and new designed shoes.

***Management role in supporting this design process***

The management roles of Production Department in supporting this phase of the design process should include the following:

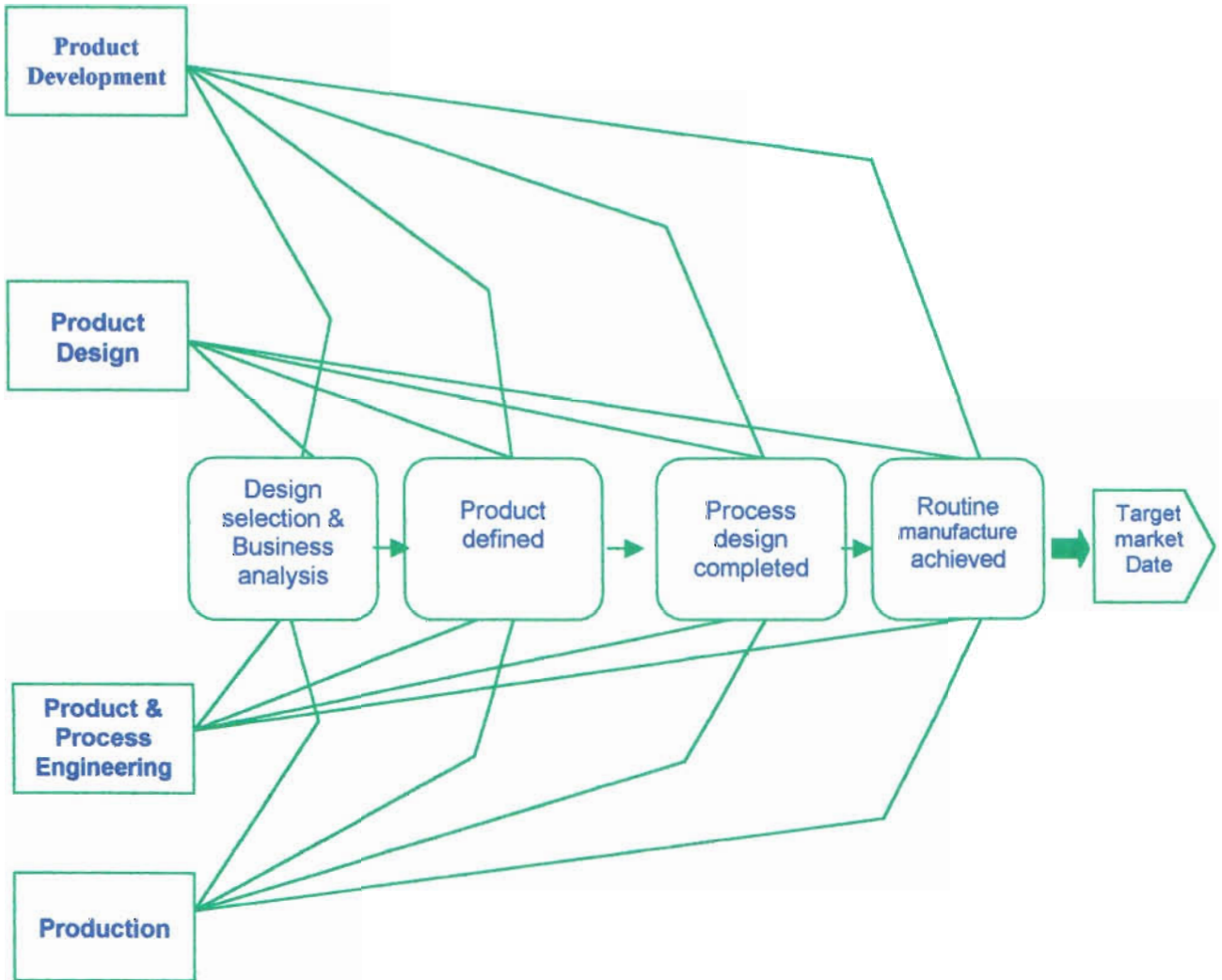
Review the availability of equipment and other resources necessary for development of the manufacturing process. Delays in introducing the products into the production are often the result of insufficient machinery, equipment and software. Using an integrated shoe development process will not return the full potential to reduce time to market if work is delayed due to lack of equipment.

Look for opportunities to automate the manufacturing the process development. Often the CAM component of CAD/CAM is overlooked. Catalog and store manufacturing process, much the same as shoe designs are classified and saved for possible reuse. If shoe designers are going to standardize component designs reuse them, the manufacturing process that go long with the designs should also be reusable.

- Subcontract manufacturing process development when capabilities in-house already utilized or there is an external resource that can do the job faster with high quality. There are commercial design firms that can take design data from an in-house CAD system, produce a rapid prototype directly from the CAD design, and build the tooling in far less time than traditional manual methods.
  
- Include manufacturing process development in the design project plan. It should include activities to identify any long lead-time process equipment to be acquired, and to allow sufficient time to order it, install it, and train operators. Automated test equipment should be considered and include in the plan.
  
- Insist on having the final product prototypes that built on production equipment, with production workers using the manufacturing process instructions. Building final prototypes in an engineering lab or at an outside supplier almost guarantees that there will be trouble with the first production run, probably including last-minute design modifications that are costly and very avoidable.



**Product Design Development Diagram**



**Figure:** Flow of Product Design Development in the Production Department

### ***Lower the Production Department's cost***

Appealing to a broad spectrum of customers based on being the overall low-cost provider at a products or services. Lincoln should adopt this low-cost basis to get competitive advantage by lowest overall costs than competitors to make the Production Department more efficient and grab the bigger portion of market share. The aim is to use the low-cost edge to under-price competitors and attract price sensitive buyers in great enough members to increase total profits. There is an option is to retain from price cutting altogether, and use the low-cost edge to earn a higher profit margin on each product sold, thereby raising the firms total profits and overall return on investment. So Production Department of Bata's aim would be to provide designed product with a lower price.

### ***Create open to buy and stock management***

- The most important objective of Bata's business should be to derive maximum turnover from minimum level of investment and to make estimated profits.
- They should give effort to maximize the stock-turn through faster delivery and keeping the level of holding stock at the ideal level.
- More emphasis should be given on best and volume selling lines, which will help to increase sales as well as to increase stock turn.
- Bata should remember that new classification of stores and merchandise will continuously help to minimize holding stock of outlets through proper distribution of collection i.e. right articles for right places.

### **5.3. CONCLUSION**

Performance analysis of a BATA is not so sufficient to measure and express perfectly within this short time of my' internship period. But it is a great opportunity for me to get use to with the operational environment of BATA. I have tried by soul to incorporate the research report with necessary relevant information.

Few of loyal committed customer base, lack of modern and effective technology or facilities, not enough skilled employee in some sector; considering all of these very important factors, BATA should always try to improve their service level in every terms.

The Product Development Department of Bata should be reorganized to set a strategic objective and match with the customer satisfaction. As this department is producing shoes it should be concentrate more on fashionable design, reducing labor cost to make it more superior. In other words this department should be adequately link with the Marketing Department and allow Bata to upgrade itself with the rapidly changing market. There are lots of shoe companies in our country, which are developing quickly. So, Bata should not allow their client to get dissatisfied with their service or product. They have their competitors who actively striving to take the advantages in every side.

During the course of my practical orientation I have tried to learn the strength of BATA and what could be the future threats of BATA to relate it with my theoretical knowledge what I have gathered and going to acquire from various academic courses.

# APPENDIX

**BALANCE SHEET AS AT DECEMBER 31, 1996-2000**  
**(BATA SHOE COMPANY)**

	1996 (In Taka)	1997 (In Taka)	1998 (In Taka)	1999 (In Taka)	2000 (In Taka)
<b>Fixed Assets</b>	406,434,835	389,608,449	386,588,309	385,408,324	387,796,983
<b>Capital Work in Progress</b>	1,817,051	8,776,470	5,248,192	1,824,358	3,043,302
<b>Current Assets</b>					
Inventories	472,688,677	474,434,309	484,785,340	407,916,847	449,580,637
Accounts Receivables	13,812,198	23,034,414	28,591,542	19,278,759	15,537,702
Advance, Deposits & Prepayment	59,077,121	57,234,740	55,441,796	73,637,364	68,361,813
Cash & Bank Balance	253,816,985	240,859,132	175,713,195	341,991,581	422,648,785
<b>Total Current Assets</b>	799,395,981	795,562,585	744,531,873	842,824,551	956,128,937
<b>Total Assets</b>	1,207,647,667	1,193,947,514	1,136,368,374	1,230,057,233	1,326,969,222

<b>Current Liabilities</b>					
Short Term Loan			10,000,000		
Creditors for Goods	97,934,721	110,244,732	177,278,871	146,977,597	127,427,641
Creditors for Expenses	187,794,299	243,371,084	214,333,322	239,254,877	283,719,760
Creditors for other Finance	41,790,181	47,432,025	44,810,018	52,202,645	63,483,430
Provision for Tax	116,561,252	162,097,987	134,907,425	173,639,408	224,821,883
Unpaid Dividend	2,727,934	56,052,563	10,198,634	34,122,820	98,308,879
Proposed Dividend	300,960,000	68,400,000	27,360,000	82,080,000	68,400,000
<b>Total Current Liabilities</b>	747,768,387	687,598,391	618,888,270	728,277,347	846,158,593
<b>Financed By</b>					
Shareholders Capital	136,800,000	136,800,000	136,800,000	136,800,000	136,800,000
Reserve & Surplus	266,027,318	306,008,297	309,980,000	289,754,460	263,559,993
<b>Shareholders Equity</b>	402,827,318	442,808,297	446,780,988	426,554,460	400,359,993
Deferred Liabilities	57,051,962	63,540,826	70,699,116	75,225,426	80,449,636
<b>Total Financed by</b>	459,879,280	506,349,123	517,480,104	501,779,886	480,809,629
<b>Total Liability &amp; Equity</b>	1,207,647,667	1,193,947,514	1,136,368,374	1,230,057,233	1,326,969,222

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31 (1996-2000)**  
**(BATA SHOE COMPANY)**

	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
	<b>(In Taka)</b>	<b>(In Taka)</b>	<b>(In Taka)</b>	<b>(In Taka)</b>	<b>(In Taka)</b>
<b>Turnover</b>	1,967,838,052	1,999,329,717	1,819,369,299	2,036,905,351	2,354,811,936
Less: COGS	1,245,237,476	1,195,880,563	1,111,884,834	1,209,295,496	1,361,358,145
<b>Gross Profit</b>	722,600,576	803,449,154	707,484,465	827,609,855	993,453,791
Less: Administration, Selling & Distribution Expenses	493,630,420	521,422,999	507,624,190	572,310,590	658,389,725
Add: Other Income	71,712,133	11,764,349	7,942,558	9,893,863	9,868,074
Less: Workers Participation fund	11,807,068	293,790,504	10,390,142	13,259,656	17,246,607
<b>Profit for the Year Before Tax</b>	224,334,301	279,100,979	197,412,691	251,933,472	327,685,533
Provision for Tax	93,500,000	116,000,000	84,000,000	108,000,000	135,000,000
<b>Profit for the Year After Tax</b>	130,834,301	163,100,979	113,412,691	143,933,472	192,685,533
Unappropriate Profit Brought	329,658,214	159,532,515	195,515,494	199,488,185	179,261,657
<b>Profit available for Appropriation</b>	460,492,515	322,633,494	308,928,185	343,421,657	371,947,190
<b>Appropriation</b>					
Transfer to General Reserve	-	3,998,000			
Dividend Gross – Interim	-	54,720,000	82,080,000	82,080,000	150,480,000
- Proposed Final	300,960,000	68,400,000	27,360,000	82,080,000	68,400,000
	300,960,000	127,118,000	109,440,000	164,160,000	218,880,000
<b>Unappropriate Profit Carried Forward</b>	159,532,515	195,515,494	199,488,185	179,261,657	153,067,190

**BALANCE SHEET AS AT DECEMBER 31, 1996-2000**  
**(APEX FOOTWEAR COMPANY)**

	1996 (Tk in 000)	1997 (Tk in 000)	1998 (Tk in 000)	1999 (Tk in 000)	2000 (Tk in 000)
<b>Fixed Assets</b>	202,163	179,775	166,645	146,550	132,432
<b>Current Assets</b>					
Inventories	263,591	295,860	363,516	372,371	396,621
Trade Debtors	70,509	88,578	65,423	69,853	77,276
Advance, Deposits and prepayment	17,581	28,412	15,504	17,647	81,507
Cash and Bank Balance	3,521	5,516	5,695	2,378	6,442
<b>Total Current Assets</b>	355,202	418,366	450,138	462,247	561,846
<b>Total Assets</b>	<b>557,365</b>	<b>598,141</b>	<b>616,783</b>	<b>608,797</b>	<b>694,278</b>

<b>Current Liabilities</b>					
Working Capital	49,624	206,184	211,596	238,870	343,275
Trade Creditors	19,209	36,672	64,031	53,188	34,418
Sundry Creditors	5,160	4,811	18,623	18,479	22,734
Provision for Income Tax	0	6,292	6,521	7,236	7,919
Proposed Dividend	256,884	18,750	0	7,500	9,000
<b>Total Current Liabilities</b>	330,877	272,709	300,771	325,273	417,346
<b>Loan Funds</b>					
Term Loan	68,743	170,000	158,497	124,497	116,612
<b>Shareholders Equity</b>					
Share Capital	75,000	75,000	75,000	75,000	75,000
Share Premium	68,805	68,805	68,805	68,805	68,805
Tax Holiday Reserve	2,819	6,148	6,449	8,142	10,264
Retained Earnings	11,121	5,497	7,261	7,080	6,251
<b>Total Shareholders Equity</b>	157,745	155,432	157,515	159,027	160,320
<b>Total Liabilities and Equity</b>	<b>557,365</b>	<b>598,141</b>	<b>616,783</b>	<b>608,797</b>	<b>694,278</b>

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31 (1996-2000)**  
**(APEX FOOTWEAR COMPANY)**

	1996 (Tk in 000)	1997 (Tk in 000)	1998 (Tk in 000)	1999 (Tk in 000)	2000 (Tk in 000)
Sales	319,337	376,842	567,412	517,477	537,405
Cost of Sales					
Cost of Goods Sold	252,756	287,314	428,719	397,828	410,487
Freight & Forwarding	13,841	16,678	27,086	36,536	28,350
	266,697	303,992	455,805	434,364	438,837
Gross Profit	52,640	72,850	111,607	83,113	98,568
Fixed Expenses					
Marketing & Administration	14,832	10,581	15,600	16,628	23,871
Bank Interest & Charges	32,220	42,083	47,317	44,593	56,622
Director's Remuneration	1,107	1,107	1,107	1,255	766
Royalty	3,880	0	31,761	9,654	4,909
Provision for Bad Debts	0	0	12,600	0	0
Legal & Audit Fees	717	620	794	770	875
Total	48,876	54,401	109,179	72,900	87,043
Profit Before WP & WF	3,764	18,449	2,428	10,213	11,525
Profit for Contribution to WP & WF	180	879	116	-486	-549
Pre-tax Profit	3,584	17,570	2,312	9,727	10,976
Provision for Tax	87	1,133	229	-715	-683
Net Profit After Tax	3,497	16,437	2,083	9,012	10,293
Appropriation					
Previous years retained earnings	8,549	11,121	5,479	7,261	7,080
Dividend	0	-18,750	0	-7,500	-9,000
Tax Holiday Reserve	-925	-3,328	-301	-1,693	-2,122
Total	7,624	-10,958	5,178	-1,932	-4,042
Retained Earnings	11,121	5,479	7,261	7,080	6,251



**COMMON SIZE STATEMENT  
BALANCE SHEET (BATA)**

	1996 %	1997 %	1998 %	1999 %	2000 %
<b>Fixed Assets</b>	33.66%	32.63%	34.02%	31.33%	27.72%
<b>Capital Work in Progress</b>	0.15%	0.74%	0.46%	0.15%	0.23%
<b>Current Assets</b>					
Inventories	39.14%	39.74%	42.66%	33.16%	33.88%
Accounts Receivables	1.14%	1.93%	2.52%	1.57%	1.17%
Advance, Deposits & Prepayment	4.89%	4.79%	4.88%	5.99%	5.15%
Cash & Bank Balance	21.02%	20.17%	15.46%	27.80%	31.85%
<b>Total Current Assets</b>	66.19%	66.63%	65.52%	68.52%	72.05%
<b>Total Assets</b>	100.00%	100.00%	100.00%	100.00%	100.00%
<b>Current Liabilities</b>					
Short Term Loan					
Creditors for Goods	8.11%	9.23%	15.60%	11.95%	9.60%
Creditors for Expenses	15.55%	20.38%	18.86%	19.45%	19.87%
Creditors for other Finance	3.46%	3.97%	3.94%	4.24%	4.78%
Provision for Tax	9.65%	13.58%	11.87%	14.12%	16.94%
Unpaid Dividend	0.23%	4.69%	0.90%	2.77%	7.41%
Proposed Dividend	24.92%	5.73%	2.41%	6.67%	5.15%
<b>Total Current Liabilities</b>	61.92%	57.59%	54.46%	59.21%	63.77%
<b>Financed By</b>					
Shareholders Capital	11.33%	11.46%	12.04%	11.12%	10.31%
Reserve & Surplus	22.03%	25.63%	27.28%	23.56%	19.86%
<b>Shareholders Equity</b>	33.36%	37.09%	39.32%	34.68%	30.17%
Deferred Liabilities	4.72%	5.32%	6.22%	6.12%	6.06%
<b>Total Financed by</b>	38.08%	42.41%	45.54%	40.79%	36.23%
<b>Total Liability &amp; Equity</b>	100.00%	100.00%	100.00%	100.00%	100.00%

**COMMON SIZE STATEMENT  
(APEX FOOTWEAR COMPANY)**

	1996 %	1997 %	1998 %	1999 %	2000 %
<b>Fixed Assets</b>	36.27%	30.06%	27.02%	24.07%	19.07%
<b>Current Assets</b>					
Inventories	47.29%	49.46%	58.94%	61.17%	57.13%
Trade Debtors	12.65%	14.81%	10.61%	11.47%	11.13%
Advance, Deposits and prepay	3.15%	4.75%	2.51%	2.90%	11.74%
Cash and Bank Balance	0.63%	0.92%	0.92%	0.39%	0.93%
<b>Total Current Assets</b>	63.73%	69.94%	72.98%	75.93%	80.93%
<b>Total Assets</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

<b>Current Liabilities</b>					
Working Capital	8.90%	34.47%	34.31%	39.24%	49.44%
Trade Creditors	3.45%	6.13%	10.38%	8.74%	4.96%
Sundry Creditors	0.93%	0.80%	3.02%	3.04%	3.27%
Provision for Income Tax	0.00%	1.05%	1.06%	1.19%	1.14%
Proposed Dividend	46.09%	3.13%	0.00%	1.23%	1.30%
<b>Total Current Liabilities</b>	59.36%	45.59%	48.76%	53.43%	60.11%
<b>Loan Funds</b>					
Term Loan	12.33%	28.42%	25.70%	20.45%	16.80%
<b>Shareholders Equity</b>					
Share Capital	13.46%	12.54%	12.16%	12.32%	10.80%
Share Premium	12.34%	11.50%	11.16%	11.30%	9.91%
Tax Holiday Reserve	0.51%	1.03%	1.05%	1.34%	1.48%
Retained Earnings	2.00%	0.92%	1.18%	1.16%	0.90%
<b>Total Shareholders Equity</b>	28.30%	25.99%	25.54%	26.12%	23.09%
<b>Total Liabilities and Equity</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

**COMMON SIZE STATEMENT  
INCOME STATEMENT (BATA)**

	1996	1997	1998	1999	2000
	%	%	%	%	%
<b>Turnover</b>	100.00%	100.00%	100.00%	100.00%	100.00%
Less: COGS	63.28%	59.81%	61.11%	59.37%	57.81%
<b>Gross Profit</b>	36.72%	40.19%	38.89%	40.63%	42.19%
Less: Administration, Selling & Distribution Expenses	25.08%	26.08%	27.90%	28.10%	27.96%
Add: Other Income	3.64%	0.59%	0.44%	0.49%	0.42%
Less: Workers Participation fund	0.60%	14.69%	0.57%	0.65%	0.73%
Profit for the Year Before Tax	11.40%	13.96%	10.85%	12.37%	13.92%
Provision for Tax	4.75%	5.80%	4.62%	5.30%	5.73%
<b>Profit for the Year After Tax</b>	6.65%	8.16%	6.23%	7.07%	8.18%
Unappropriate Profit Brought	16.75%	7.98%	10.75%	9.79%	7.61%
Profit available for Appropriation	23.40%	16.14%	16.98%	16.86%	15.80%
Appropriation					
Transfer to General Reserve		0.20%	0.00%	0.00%	0.00%
Dividend Gross – Interim		2.74%	4.51%	4.03%	6.39%
- Proposed Final	15.29%	3.42%	1.50%	4.03%	2.90%
	15.29%	6.36%	6.02%	8.06%	9.30%
Unappropriate Profit Carried Forward	8.11%	9.78%	10.96%	8.80%	6.50%

**COMMON SIZE ANALYSIS  
INCOME STATEMENT (APEX)**

	1996	1997	1998	1999	2000
	%	%	%	%	%
Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales					
Cost of Goods Sold	79.15%	76.24%	75.56%	76.88%	76.38%
Freight & Forwarding	4.37%	4.43%	4.77%	7.06%	5.28%
	83.52%	80.67%	80.33%	83.94%	81.66%
Gross Profit	16.48%	19.33%	19.67%	16.06%	18.34%
Fixed Expenses					
Marketing & Administration	4.64%	2.81%	2.75%	3.21%	4.44%
Bank Interest & Charges	10.09%	11.17%	8.34%	8.62%	10.54%
Director's Remuneration	0.35%	0.29%	0.20%	0.24%	0.14%
Royalty	1.22%	0.00%	5.60%	1.87%	0.91%
Provision for Bad Debts	0.00%	0.00%	2.22%	0.00%	0.00%
Legal & Audit Fees	0.22%	0.16%	0.14%	0.15%	0.16%
Total	15.31%	14.44%	19.24%	14.09%	16.20%
Profit Before WP & WF	1.18%	4.90%	0.43%	1.97%	2.14%
Profit for Contribution to WP & WF	0.06%	0.23%	0.02%	-0.09%	-0.10%
Pre-tax Profit	1.12%	4.66%	0.41%	1.88%	2.04%
Provision for Tax	0.03%	0.30%	0.04%	-0.14%	-0.13%
Net Profit After Tax	1.10%	4.36%	0.37%	1.74%	1.92%
Appropriation					
Previous years retained earnings	2.68%	2.95%	0.97%	1.40%	1.32%
Dividend	0.00%	-4.98%	0.00%	-1.45%	-1.67%
Tax Holiday Reserve	-0.29%	-0.88%	-0.05%	-0.33%	-0.39%
Total	2.39%	-2.91%	0.91%	-0.37%	-0.75%
Retained Earnings	3.48%	1.45%	1.28%	1.37%	1.16%

**TREND ANALYSIS  
INCOME STATEMENT (BATA)**

	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
	%	%	%	%
<b>Turnover</b>	1.60%	-9.00%	11.96%	15.61%
<b>Less: COGS</b>	-84.27%	467.63%	8.76%	12.57%
<b>Gross Profit</b>	11.19%	-11.94%	16.98%	20.04%
<b>Less: Administration, Selling &amp; Distribution Expenses</b>	5.63%	-2.65%	12.74%	15.04%
<b>Add: Other Income</b>	-83.60%	-32.49%	24.57%	-0.26%
<b>Less: Workers Participation fund</b>	2388.26%	-96.46%	27.62%	30.07%
<b>Profit for the Year Before Tax</b>	24.41%	-29.27%	27.62%	30.07%
<b>Provision for Tax</b>	24.06%	-27.59%	28.57%	25.00%
<b>Profit for the Year After Tax</b>	24.66%	-30.46%	26.91%	33.87%
<b>Unappropriate Profit Brought</b>	-51.61%	22.56%	2.03%	-10.14%
<b>Profit available for Appropriation</b>	-29.94%	-4.25%	11.17%	8.31%
<b>Appropriation</b>				
Transfer to General Reserve		-100.00%		
Dividend Gross - Interim		50.00%	0.00%	83.33%
- Proposed Final	-77.27%	-60.00%	200.00%	-16.67%
	-57.76%	-13.91%	50.00%	33.33%
<b>Unappropriate Profit Carried Forward</b>	22.56%	2.03%	-10.14%	-14.61%

**TREND ANALYSIS  
BALANCE SHEET (BATA)**

	1997 %	1998 %	1999 %	2000 %
<b>Fixed Assets</b>	-4.14%	-0.78%	-0.31%	-4.57%
<b>Capital Work in Progress</b>	383.01%	-40.20%	-65.24%	66.81%
<b>Current Assets</b>				
Inventories	0.37%	2.18%	-15.86%	10.21%
Accounts Receivables	66.77%	24.13%	-32.57%	-19.41%
Advance, Deposits & Prepayment	-3.12%	-3.13%	32.82%	-7.16%
Cash & Bank Balance	-5.11%	-27.05%	94.63%	23.58%
<b>Total Current Assets</b>	-0.48%	-6.41%	13.20%	13.44%
<b>Total Assets</b>	-1.13%	-4.82%	8.24%	7.88%
<b>Current Liabilities</b>				
Short Term Loan			-100.00%	
Creditors for Goods	12.57%	60.80%	-17.09%	-13.30%
Creditors for Expenses	29.59%	-11.93%	11.63%	10.23%
Creditors for other Finance	13.50%	-5.53%	16.50%	21.61%
Provision for Tax	39.07%	-16.77%	28.71%	29.48%
Unpaid Dividend	1954.76%	-81.81%	234.58%	188.10%
Proposed Dividend	-77.27%	-60.00%	200.00%	-16.67%
<b>Total Current Liabilities</b>	-8.05%	-9.99%	17.68%	16.19%
<b>Financed By</b>				
Shareholders Capital	0.00%	0.00%	0.00%	0.00%
Reserve & Surplus	15.03%	1.30%	-6.52%	-9.04%
<b>Shareholders Equity</b>	9.93%	0.90%	-4.53%	-6.14%
Deferred Liabilities	11.37%	11.27%	6.40%	6.94%
<b>Total Financed by</b>	10.10%	2.20%	-3.03%	-4.18%
<b>Total Liability &amp; Equity</b>	-1.13%	-4.82%	8.24%	7.88%

**TREND ANALYSIS  
INCOME STATEMENT (APEX)**

	1997	1998	1999	2000
	%	%	%	%
Sales	18.01%	50.57%	-8.80%	3.85%
Cost of Sales				
Cost of Goods Sold	13.67%	49.22%	-7.21%	3.18%
Freight & Forwarding	19.63%	62.41%	34.89%	-22.41%
	13.98%	49.94%	-4.70%	1.03%
Gross Profit	38.39%	53.20%	-25.53%	18.60%
Fixed Expenses				
Marketing & Administration	-28.66%	47.43%	6.59%	43.56%
Bank Interest & Charges	30.64%	12.41%	-5.76%	26.98%
Director's Remuneration	0.00%	0.00%	13.37%	-38.96%
Royalty			-69.60%	-49.15%
Provision for Bad Debts			-100.00%	
Legal & Audit Fees	-13.53%	28.06%	-3.02%	13.64%
Total	11.30%	100.69%	-33.23%	19.40%
Profit Before WP & WF	390.14%	-86.84%	320.63%	12.85%
Profit for Contribution to WP & WF	388.33%	-86.80%	-518.97%	12.96%
Pre-tax Profit	390.23%	-86.84%	320.72%	12.84%
Provision for Tax	1202.30%	-79.79%	-412.23%	-4.48%
Net Profit After Tax	370.03%	-87.33%	332.65%	14.21%
Appropriation	30.08%	-50.73%	32.52%	-2.49%
Dividend		-100.00%		20.00%
Tax Holiday Reserve	259.89%	-90.96%	462.46%	25.34%
Total	-243.73%	-147.25%	-137.31%	109.21%
Retained Earnings	-50.73%	32.52%	-2.49%	-11.71%

**TREND ANALYSIS  
BALANCE SHEET (APEX)**

	1997 %	1998 %	1999 %	2000 %
<b>Fixed Assets</b>	-11.07%	-7.30%	-12.06%	-9.63%
<b>Current Assets</b>				
Inventories	12.24%	22.87%	2.44%	6.51%
Trade Debtors	25.63%	-26.14%	6.77%	10.63%
Advance, Deposits and prepmnt	61.61%	-45.43%	13.82%	361.87%
Cash and Bank Balance	56.66%	3.25%	-58.28%	171.13%
<b>Total Current Assets</b>	17.78%	7.59%	2.69%	21.55%
<b>Total Assets</b>	7.32%	3.12%	-1.29%	14.04%
<b>Current Liabilities</b>				
Working Capital	315.49%	2.62%	12.89%	43.71%
Trade Creditors	90.91%	74.60%	-16.93%	-35.29%
Sundry Creditors	-6.76%	287.09%	-0.77%	23.03%
Provision for Income Tax		3.64%	10.96%	9.44%
Proposed Dividend	-92.70%	-100.00%		20.00%
<b>Total Current Liabilities</b>	-17.58%	10.29%	8.15%	28.31%
<b>Loan Funds</b>				
Term Loan	147.30%	-6.77%	-21.45%	-6.33%
<b>Shareholders Equity</b>				
Share Capital	0.00%	0.00%	0.00%	0.00%
Share Premium	0.00%	0.00%	0.00%	0.00%
Tax Holiday Reserve	118.09%	4.90%	26.25%	26.06%
Retained Earnings	-50.57%	32.09%	-2.49%	-11.71%
<b>Total Shareholders Equity</b>	-1.47%	1.34%	0.96%	0.81%
<b>Total Liabilities and Equity</b>	7.32%	3.12%	-1.29%	14.04%