

**PERFORMANCE AND FINANCIAL ANALYSIS
OF SHANIN GROUP**

Thesis

Letter of Transmittal

October, 31, 2015

S. M Arifuzzaman

Assistant Professor

BRAC University

Respected Madam,

This is the final project report of “Performance And Financial Analysis of SHANIN GROUP” as requested to being submitted to you on October, 31, 2015 during the Summer semester 2015. The main purpose of this report is to obtain all the as possible information as about performance and financial strength of SHANIN GROUP.

Sincerely,

Md. Ataul Islam

ID: 13164107

MBA

BRAC Business School

BRAC University

Dhaka

Acknowledgements

By the grace of Allah Almighty, I have successfully completed the project report on “Performance and Financial Analysis of Shanin Group”

Firstly, I would like to express my sincere gratitude to my advisor **S. M. Arifuzzaman** for the continuous support of my study and related project, for her patience, motivation, and immense knowledge. Her guidance helped me in all the time of study and writing of this project. I could not have imagined having a better advisor and mentor for my Project.

Beside my Advisor, I am highly indebted to M & M Shirts Ltd. (Sister Concern of Shanin Group) for their guidance and constant supervision as well as for providing necessary information regarding the project & also for their support in completing the project.

I would like to express my gratitude towards my parents & member of M & M Shirts Ltd. for their kind co-operation and encouragement which help me in completion of this project.

I would like to express my special gratitude and thanks to industry persons for giving me such attention and time.

My thanks and appreciations also go to my colleague in developing the project and people who have willingly helped me out with their abilities.

I have taken efforts in this project. However, it would not have been possible without the kind support and help of many individuals and organizations. I would like to extend my sincere thanks to all of them.

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M & M Shirts Ltd. (Shanin Group)

Introduction:

Shanin Group is a one of the names in the readymade garments industry. Its product category ranges from men's formal shirts, casual shirts, ladies blouses, school shirts and blouses. Their customers are all over the world but the main customers are from Europe and India and major markets are in U.K.

Year Established	:	1991
Annual Turnover	:	US\$ 70 million
Number of Employees	:	11500 Person
Total Number of Production Line	:	40 Line
Total Capacity of Production	:	45,000 PCS of Shirts per Day
Wendler Interlining	:	JOINT VENTURE FACTORY WITH WENDLER FEM WENDLER INTERLINING LTD Plot no. 110, Adamjee E.P.Z. Adamjee Nagar Shiddirgong, Narayangonj, Bangladesh
Address of Trading Unit	:	"Shanta Western Tower" (Level 7) 186, Tejgaon Industrial Area, Tejgaon, Dhaka-1208, Bangladesh.
Tel	:	+88 02 8878717 (Hunting)
E-Mail	:	info@shaningroup.net

History

The journey of Shanin group began in 1991 with a handful of sewing machines to produce woven products in small scale. Sincere efforts, constant strive towards efficiency and commitment towards highest level of quality fueled the growth of Shanin to become one of the iconic ready-made garment and textile industries of the country employing over 11500 skilled workers in 14 concerns and has an annual revenue earning surpassing 127 million US Dollars (2011). All units of Shanin thrive for excellence in woven, Interlining and casual wear manufacturing, washing, dyeing, garment accessory manufacturing, printing & packaging, embroidery & screen print, transporting, clearing & forwarding and fashion wear retailing.

Recognitions

Shanin is compliant to the international benchmarks for all CoC issues environment and workplace safety. Fire and safety drills are regularly practiced to avoid casualties. For all these and more, Shanin has earned accreditation from the international standardization authorities like Oeko-Tex[®], WRAP, ACCORD, and ALLIANCE.

Shanin believes in ethical business practices and environmental conservation. The group has installed one of the most efficient effluent treatment plants of the country at the dyeing and washing plants.

Product/Service offerings

Product category ranges of Shanin are given bellow:

- i) Formal Shirts
- ii) Casual Shirts
- iii) Ladies Blouses
- iv) School Shirts
- v) Interlining
- vi) Embroidery Facilities

Vision

Our vision is to become a window through which all our interacting parties can see and feel their prospect and dream about their success. Shanin will become a lifestyle towards its employees, suppliers, buyers and above all shall become a role model of a green corporate house which will be regarded as an icon brand in the country.

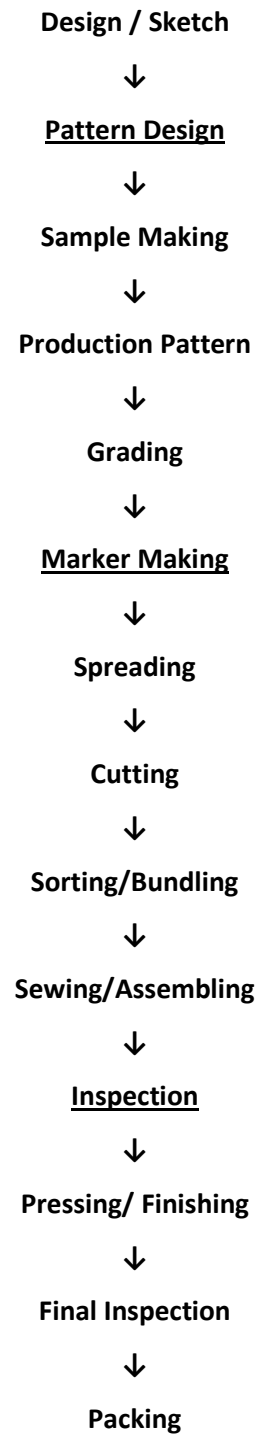
Mission

Shanin will be known as an entity whose main driven force is its human resources. With such a motivated, high skilled and professional workforce, Shanin has started marching towards its glory of success which is not the profit but to enjoy the joy of life.

Operational Network Organgram

Garments Production Process:

Stepwise garments manufacturing sequence on industrial basis is given below:



Operation of Garments manufacturing are given below in details:

SL No.	Operation	Job	Method
01	Design/Sketch	It is given by buyers to manufacturers containing sketches including measurements of particular styles	Manual/Computerized
02	Basic Block	Basic block is an individual component of garments without any style of design (without Allowance, Style, Design)	Manual/Computerized
03	Working Pattern	When a pattern is made for a particular style with net dimension regarding the basic block along with allowance then it is called working pattern.	Manual/Computerized
04	Sample Garments	To make a sample, this will be approved by buyer. After making a sample, it is sent to buyer for approval to rectify the faults	Manual
05	Approved Sample	After rectify the faults, sample is again sent to buyers. If it is ok then , then it is called approved sample	Manual
06	Costing	<ul style="list-style-type: none"> • Fabric Costing • Making Charged • Trimmings • Profit 	Manual
07	Production Pattern	Making allowance with net dimension for bulk production	Manual/Computerized
08	Grading	If the buyer requires different sizes, so should be grade as S, M, L, XL, XXL	Manual/Computerized
09	Marker Making	Marker is a thin paper which contains all the components for different sizes for a particular style of garments	Manual/Computerized

10	Fabric Spreading	To spread the fabrics on table properly for cutting	Manual/Computerized
11	Cutting	To cut fabric according to marker dimension	Manual/Computerized
12	Sorting & Bundling	Sort out the fabric according to size and for each size make in individual bundles	Manual

13	Sewing	To assemble a full garments	Manual
14	Ironing & Finishing	After sewing we will get a complete garment which is treated with steam ironing & also several finishing processes are done for example extra loose thread cutting	Manual
15	Inspection	Should be approved as initial sample	Manual
16	Packing	Treated by Polyethylene bag	Manual
17	Cartooning	After packing, it should be placed In cartooning for export	Manual
18	Dispatching	Ready for export	Manual

Nature of the Job

I am working as an Account in M & M Shirts Ltd. Sister concern of Shanin Group.

Job Responsibilities:

Provides financial information to management by researching and analyzing accounting data; preparing reports

Job Duties:

- Prepares asset, liability, and capital account entries by compiling and analyzing account information.
- Documents financial transactions by entering account information.
- Recommends financial actions by analyzing accounting options.
- Summarizes current financial status by collecting information; preparing balance sheet, profit and loss statement, and other reports.
- Substantiates financial transactions by auditing documents.
- Maintains accounting controls by preparing and recommending policies and procedures.
- Guides accounting clerical staff by coordinating activities and answering questions.
- Reconciles financial discrepancies by collecting and analyzing account information.
- Secures financial information by completing data base backups.
- Maintains financial security by following internal controls.
- Prepares payments by verifying documentation, and requesting disbursements.
- Answers accounting procedure questions by researching and interpreting accounting policy and regulations.
- Complies with federal, state, and local financial legal requirements by studying existing and new legislation, enforcing adherence to requirements, and advising management on needed actions.
- Prepares special financial reports by collecting, analyzing, and summarizing account information and trends.
- Maintains customer confidence and protects operations by keeping financial information confidential.

1.1. BACKGROUND

The Ready-Made Garments (RMG) industry contributes to the Bangladesh economy in a distinctive manner. The last 20 years witnessed unparalleled growth in this sector, which is also the largest exporting industry in Bangladesh. It has attained a high profile in terms of foreign exchange earnings, exports, industrialization and contribution to GDP within a short span of time. The industry plays a significant role in terms of employment generation. Nearly two million workers are directly and more than ten million inhabitants are indirectly associated with the industry. In addition to its economic contribution, the expansion of RMG industry has caused noticeable changes by bringing more than 1.12 million women into the workforce. Hence it is quite apparent that this sector has played a massive role in the economic development of the country. Bangladesh has been witnessing tremendous industrial growth across its industrial sector; textile and apparel have especially dragged the focus of government bodies and private investors. Vast availability of lowest manpower, one of the most competitive energy costs and a proven track record in apparel production and exports have positioned Bangladesh as a regional apparel industry development hub in the Asian continent. In context of fast increase in labor wages and raw material prices in other major regional counterparts, such as China, India, Thailand etc, Bangladesh is well poised to remain most preferred destination for international apparel majors for sourcing world class fabric and finished clothes. Bangladesh apparel industry has grown manifold in the last decade. The country's recognition as low cost-high quality apparel production base resulted in apparel production boom. Both small- and large-sized firms are booking huge orders from the US and EU buyers and expanding their production capacities. RMG's contribution in terms of GDP is highly remarkable; it has reached 13 percent of GDP which was only about 3 percent in 1991. It also plays a pivotal role to promote the development of other key sectors of the economy like banking, insurance, shipping, hotel, tourism, road transportation, railway container services, etc.

One of the key advantages of the RMG industry is its cheap labour force, which provides a competitive edge over its competitors. The sector has created employment opportunities for about two million people of which 70 percent are women who mostly come from rural areas. Thus the industry helps in the country's social development, women empowerment and poverty alleviation. Currently RMG earns the lion's share of foreign exchange earnings.

Last three decades have proven how important the garment industry is for the economy of Bangladesh. This sector is the key for the economic growth of the country as the industry has opened the door for the employment of millions of people of the country, especially the unskilled or semi-skilled women labour force. However, the journey of this industry started only in the late seventies and in the beginning of early eighties. The Multi-fiber Arrangement (MFA) had a huge preferential influence in choosing Bangladesh and allows the country's apparel industry to start exporting to the North American and European market. (Lopez-Acevedo, Gladys et al 2012, 215)

Currently the garments industry is a multibillion dollar industry in Bangladesh and it also has made a huge contribution on the economic growth of the country. In fact, the industry plays the central role in the economic growth of the country. According to Haider, Z.M. (2007) when the industry started in the late seventies, it contributed only 0.001percent in the total export of the country but in the year 2007 it contributed 79.3 % to the total exports of the country.

Knitwear and woven garments are the two major commodities that comprise the total Bangladesh RMG export. At the beginning of the journey of Bangladesh apparel industry, the main exporting commodities used to be only woven garments, especially during the 1980s, due to the fact that USA was the main buyer of the industry. But from the beginning of 1990s there was a huge rise in the knitwear production by the emerging EU demand. In fact, in the fiscal year of 1991-92 knitwear comprised 15 percent of the total Bangladesh RMG export (Ahmed, N. 2009). Currently the country's range of apparel commodities can be named as shirts, trousers, jackets, T-shirt, sweater and etc. The bar chart in figure-1 below shows different apparel items that are being exported over the period from 1994 to 2012 and their increase in total export.

Exported Apparel Items

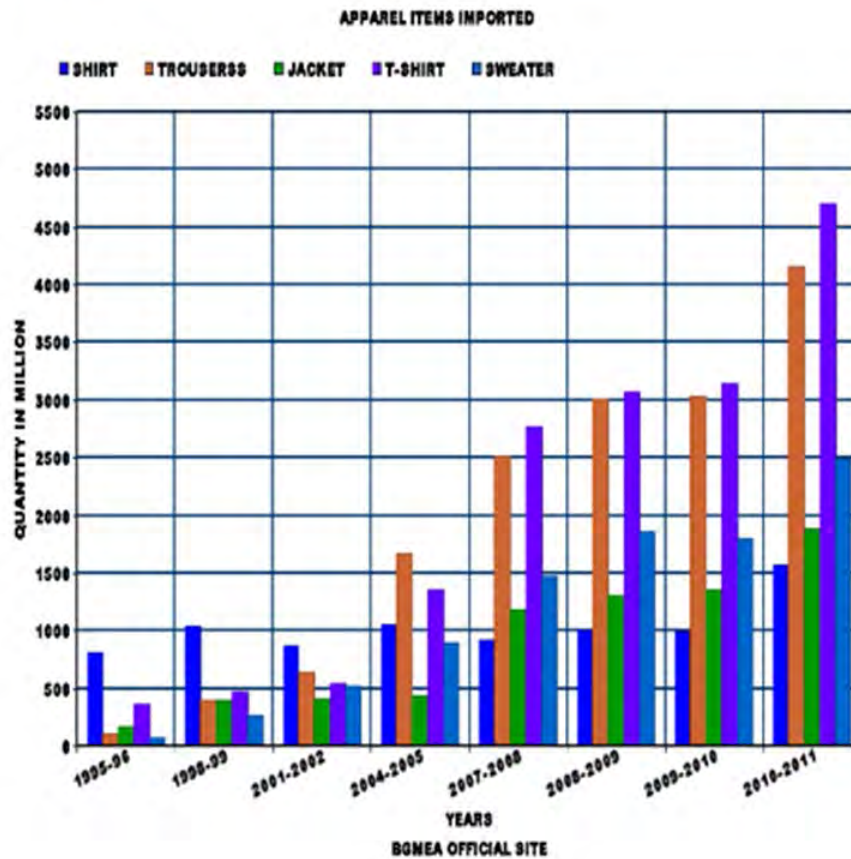


Figure 1: Apparel items exported over the year

(Source: BGMEA Official Site)

Bangladesh is a South Asian country bordering with India and Burma, and in the south of country there is Bay of Bengal. The country has a territory of 143.998 sq. km. a total inhabitant of 163.654.860 (July 2013). The total GDP of the country is \$302.8 billion and the GDP growth rate is 6.1% (2012 est). The GDP contributions by sectors are agriculture 17.7%, Industry 28.5% and service 53.9%. The main exporting partners of Bangladesh are USA, Germany, U, K and France. (World fact book 2014)

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Figure 2: Bangladesh Locations of Garments Industries

(Source: Murphy L. 2009)

The map indicates that the locations of RMG industry of Bangladesh. In Dhaka, Narayangonj, Khulna and Chittagong cities have Garments Industry.

industry. When Bangladeshi garment industry started in the late seventies, it had the privilege of entering the western market like U.S.A, Canada, and E.U without any restrictions because it was a developing country with lots of potentials. However, at present MFA is keen to offer the similar kind of privileges to some other developing nations like Cambodia, Vietnam, Sri-Lanka and even giant developing countries like China and India to promote export of apparel from these countries. Furthermore, in the year 2013 after the incident of fire at a garments factory called Tajrin Garments, U.S authorities suspended the GSP facility for Bangladesh (Yesmin, S. 2013). And the E U is also on the way of taking the initiative of suspending the GSP facility of Bangladesh, in this circumstance; it seems that Bangladesh readymade garment industry is under threat to continue its sustainable growth.

1.2 Primary Sources of Data

Primary sources of data are not used preparing this report.

1.3 Secondary Sources of Data

This report prepared on the basis of secondary data & it will also be collected from different sources.

These sources are:

- Annual Reports of the companies
- Different web-sites
- Other published documents of the Banks

1.4 STUDY INSTRUMENTY

This study is based on secondary information. Data Analysis was done mostly with the help of Microsoft Excel XP through table and statistical data comparison tools like Average. Ratio analysis software was basically used here.

1.5 Data Collection

The total period for data collection was two weeks. The research was conducted on July 2008. The survey was conducted by collecting data from Dhaka stock exchange. I also used Internet to collect data.

1.6 Limitations

- **Availability of the Information:**

I have done this report on all unites of our Group, so it was not that easy for me to get all sort of question so easily.

- **Limitation of time:**

Limitation of time was one of the most important factors that shortened the present study. Due to time limitation many aspects could not discussed in the present study.

Ratio Analysis

2.1 Liquidity Analysis Ratio: Liquidity Ratio analyzes the ability of a company to pay off both its current liabilities as well as their long-term liabilities. It also measures how easy it will be for the company to raise enough cash or convert assets into cash.

2.2 Current Ratio:

Current ratio measures a firm's ability to pay off short term liabilities with its current assets. Higher current ratio is good for a company. But this may be as a result of higher inventory, which is bad for the company because the company may fail to sell its goods and it may also indicate assets are tied up as current assets in form of Cash or Receivables, which does not earn anything.

Year	2014	2013	2012
Current Ratio	1.28	1.20	1.19

Table 1: Current Ratio of Shanin Group

Year	2014	2013	2012
Current Ratio	0.68	0.57	0.46

Table 2: Current Ratio of RMG Industry

In 2012 Current Ratio of Shanin Group was 1.19 which means Shanin Group had Taka 1.19 to pay Taka 1 of its current debt. This is a good situation. The following 2 years, Shanin Group had enough current assets against current liabilities. It also indicates that current assets might have tied up a bit. Comparing with Industry it could be said that, Shanin Group was in a better situation than Industry Average.

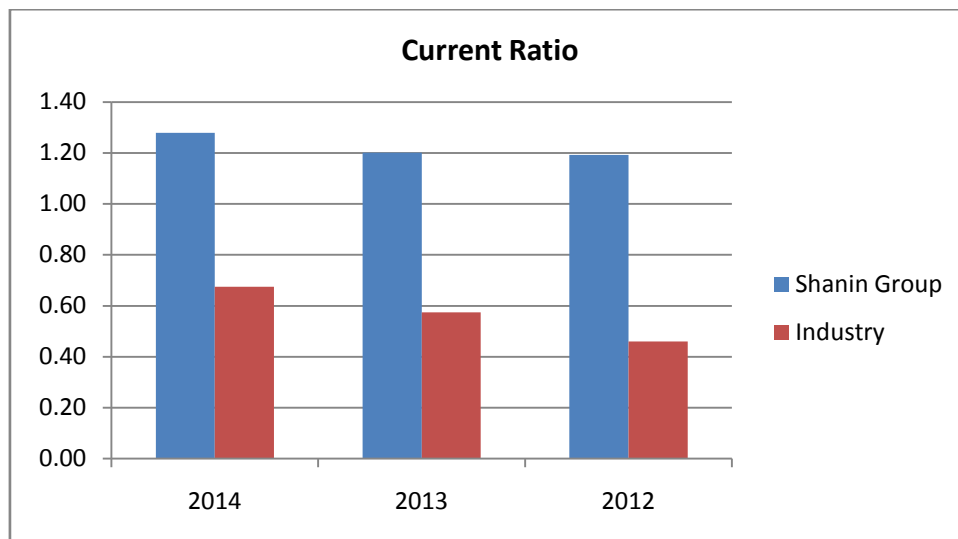


Figure 1: Comparison of Current Ratio

2.3 Quick Ratio:

A more conservative measure of liquidity analysis is the quick ratio. The assets included in this ratio are called quick assets. Quick assets are current assets that can be converted to cash within 90 days or in the short term. Cash, Cash Equivalents, Short-Term Investment, Marketable Securities and Accounts Receivable are considered quick assets. If this ratio is much lower than the current ratio, then it is considered that the firm is facing a liquidity problem. It also indicates that the company may have higher inventory which the firm is unable to sell and higher prepaid expenses.

Year	2014	2013	2012
Current Ratio	0.81	0.79	0.73

Table 3: Quick Ratio of Shanin Group

Year	2014	2013	2012
Quick Ratio	0.34	0.38	0.36

Table 4: Quick Ratio of RMG Industry

In 2012 the Quick Ratio of Shanin Group was 0.73. It indicates the company had quick assets of Taka 0.73 against Taka 1 Current Liability. According to the table, the Quick Ratio of Shanin Group went up gradually, which is a good sign for the company. Moreover, on the basis of the Quick Ratio, it can be said that the Shanin Group stayed above the industry average for the following years.

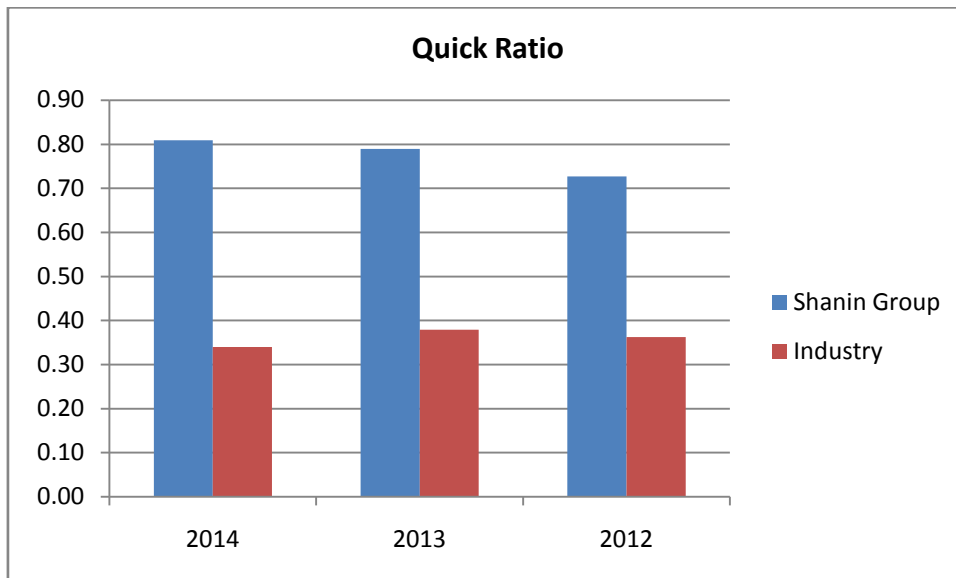


Figure 2: Comparison of Quick Ratio

2.4 Solvency Ratio Analysis: Solvency Ratios identify going concern issues and firm's ability to pay its bills in the long term. Solvency ratio differs from liquidity ratio even they both measure the ability of a company to pay off its obligations. Solvency ratios focus more on the long-term sustainability of a company instead of the current liability payments. It shows a company's ability to make payments and pay off its long term obligations to creditors, bondholders, and banks. Better solvency ratios indicate a more creditworthy and financially sound company in the long term.

Debt to Equity Ratio:

The debt to equity ratio shows the percentage of company financing that comes from creditors and investors. A higher debt to equity ratio indicates that more creditor financing is used than investor financing.

Year	2014	2013	2012
Debt to Equity Ratio	3.55	4.76	4.64

Table 5: Debt to Equity Ratio of Shanin Group

Year	2014	2013	2012
Debt to Equity Ratio	4.19	3.32	2.83

Table 6: Debt to Equity Ratio of RMG Industry

From the Table 5, we can see the Debt to Equity Ratio is very high due to Back to Back Letter of Credits. It was 4.64 in 2012 and slowly decreased in 2014. The Debt to Equity ratio of Shanin Group differs very slightly from the Industry Average as we can see above.

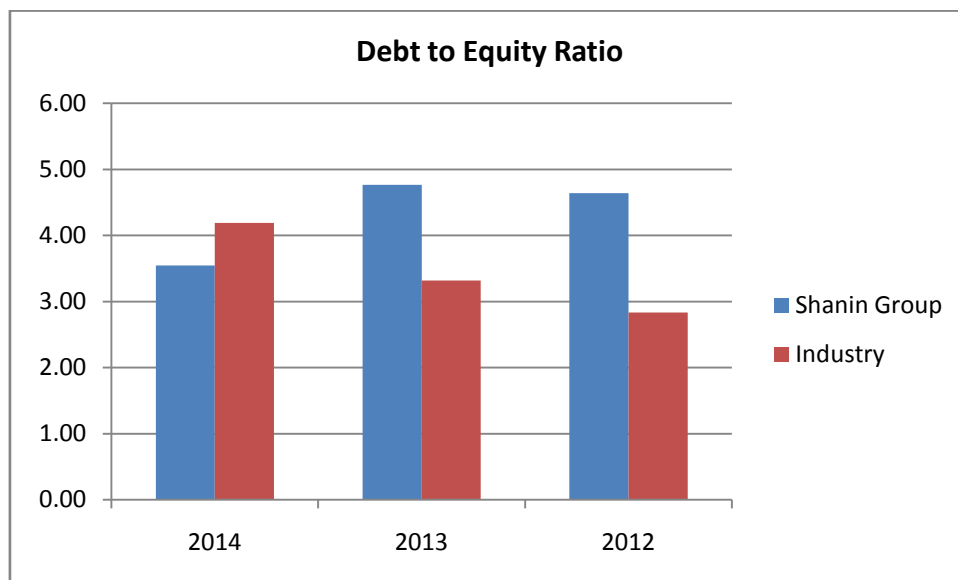


Figure 3: Comparison of Debt to Equity Ratio

2.5 Equity Ratio:

This ratio measures the amount of assets that are financed by owners' investments by comparing the total equity in the company to the total assets. It highlights how much of the total company assets are owned outright by the investors. In other words after all of the liabilities are paid off, the investors will end up with the remaining assets.

Year	2014	2013	2012
Equity Ratio	0.24	0.19	0.19

Table7: Equity Ratio of Shanin Group

Year	2014	2013	2012
Equity Ratio	0.19	0.23	0.26

Table 8: Equity Ratio of RMG Industry

From the Table given above, The Equity Ratio of Shanin Group for 2014 was 0.24 or 24%. It refers 24% of total assets are owned by the investors after meeting all of the liabilities. Preceding 2 years of 2014 the equity ratio is slightly differ from Industry Average. But it's not alarming.

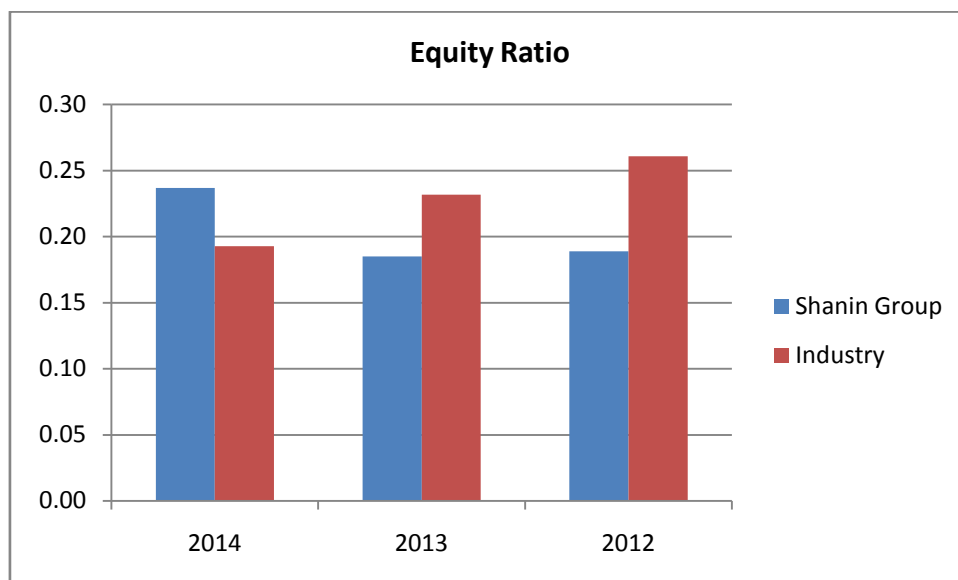


Figure 4: Comparison of Debt to Equity Ratio

2.6 Debt Ratio:

Debt ratio measures a firm's total liabilities as a percentage of its total assets. In a sense, the debt ratio shows a company's ability to pay off its liabilities with its assets. In addition, it assists investors and creditors analysis the overall debt burden on the company as well as the firm ability to pay off the debt in future uncertain economic time.

Year	2014	2013	2012
Debt Ratio	0.76	0.81	0.81

Table9: Debt Ratio of Shanin Group

Year	2014	2013	2012
Debt Ratio	0.81	0.77	0.74

Table 10: Debt Ratio of RMG Industry

In 2012 Debt Ratio of Shanin Group was 0.81 or 81%. It indicates the firm's 81% of its total assets was liabilities. In 2003 it remained unchanged, but in 2014 it changed slightly up to 76%. Debt Ratio of Shanin Group had insignificant change compared to Industry Average.

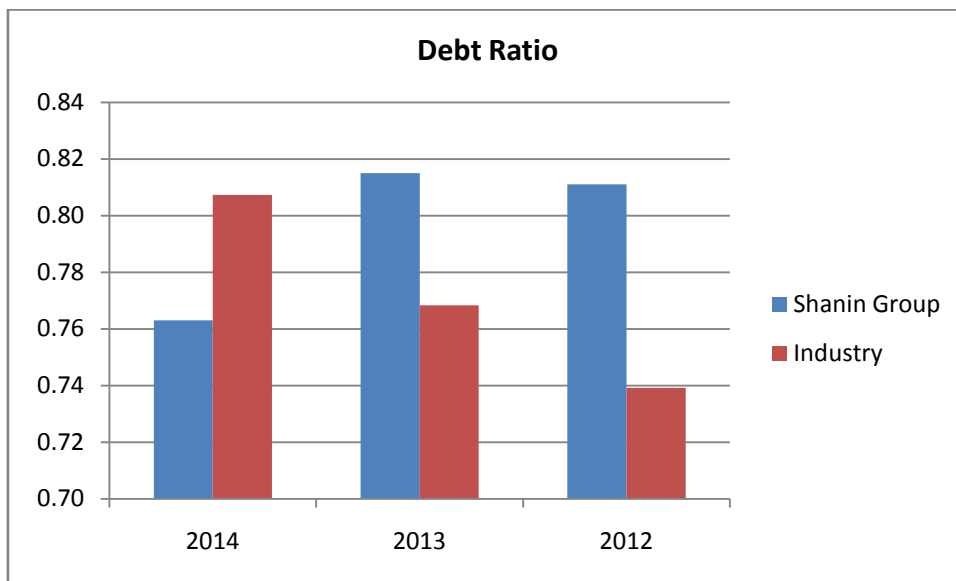


Figure 5: Comparison of Debt Ratio

2.7 Efficiency Ratio: Efficiency ratio is also known as activity ratio and it measures how well companies utilize their assets to generate income. These ratios are used by management to help improve the company as well as outside investors and creditors looking at the operations of profitability of the company.

2.8 Asset Turnover Ratio:

The Asset Turnover Ratio is an efficiency ratio that measures a company’s ability to generate sales from its assets by comparing net sales with average total assets. In other words, this ratio shows how efficiently a company can use its assets to generate sales. Higher turnover ratios mean the company is using its assets more efficiently. Lower ratios mean that the company is not using assets efficiently and most likely have management or production problems.

Year	2014	2013	2012
Asset Turnover Ratio	0.82	1.07	N/A

Table 11: Asset Turnover Ratio of Shanin Group

Year	2014	2013	2012
Debt Ratio	1.33	1.55	N/A

Table 12: Asset Turnover Ratio of RMG Industry

In 2013 The Asset Turnover Ratio of Shanin Group was 1.07. It refers that, Shanin Group Generated Taka 1.07 of sales for every Taka invested in assets. In 2014 the ratio went down. According to industry average Shanin group might have a few production or management problems. They can increase their efficiency if they sought out the problems and solve those.

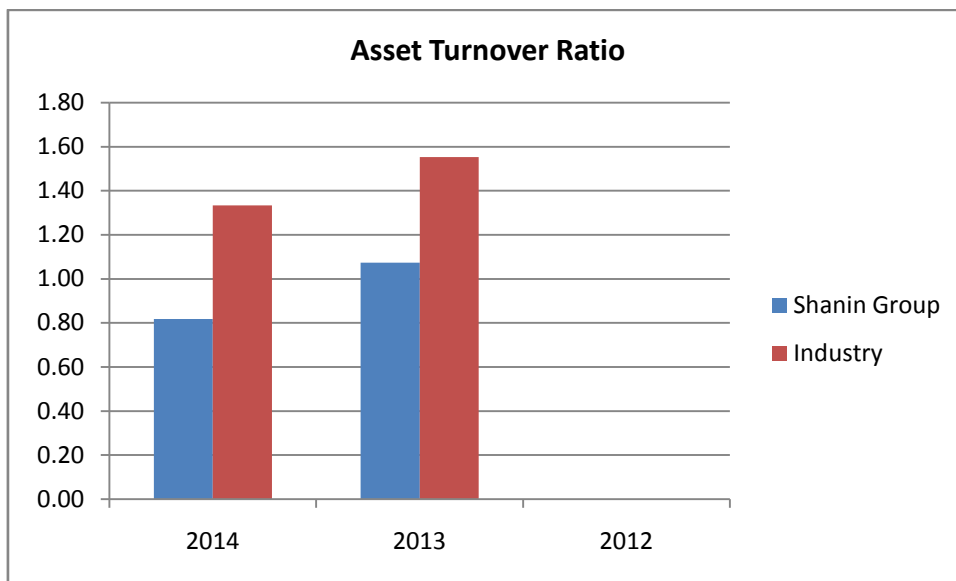


Figure 6: Comparison of Asset Turnover Ratio

2.9 Inventory Turnover Ratio:

The inventory turnover ratio is an efficiency ratio that shows how effectively inventory is managed by comparing cost of goods sold with average inventory for a period. These measures how many times average inventory is sold during a period

Year	2014	2013	2012
Inventory Turnover Ratio	0.47	2.47	N/A

Table 13: Inventory Turnover Ratio of Shanin Group

Year	2014	2013	2012
Inventory Turnover Ratio	1.66	5.72	N/A

Table 14: Inventory Turnover Ratio of RMG Industry

In 2014 the inventory turnover ratio of Shanin Group was 0.47. This means that Shanin Group sold roughly half of its inventory during the year. It also implies that it would take approximately 2 years to sell its entire inventory. The inventory turnover ratio of Shanin Group varied significantly with Industry Average. Shanin Group needs to be more efficient for managing inventory.

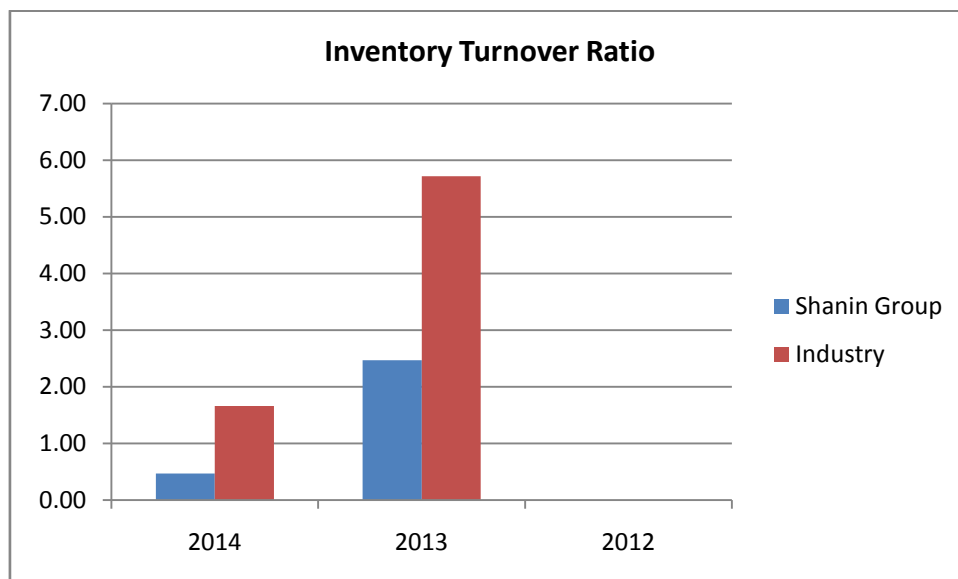


Figure 7: Comparison of Inventory Turnover Ratio

2.10 Days' Sales in Inventory:

The days' sales inventory shows how fast the company is moving its inventory. In other words, it shows how fresh the inventory is. This calculation also shows the liquidity of inventory. Shorter days inventory outstanding means the company can convert its inventory into cash sooner. In other words, the inventory is extremely liquid.

Year	2014	2013	2012
Days' Sales in Inventory	202 days	228 days	250 days

Table 15: Days' Sales in Inventory of Shanin Group

Year	2014	2013	2012
Days' Sales in Inventory	86 days	24 days	8 days

Table 16: Days' Sales in Inventory of RMG Industry

In 2014 Days' Sales in Inventory of Shanin Group was 202 days. It refers Shanin Group had enough inventory to last the next 202 days or Shanin Group would turn their inventory into cash in the next 202 days. According to Table 15, it can be said that Shanin Group did not let move their inventory fast. Compared to Industry Average, Shanin Group was in poor situation moving their inventory.

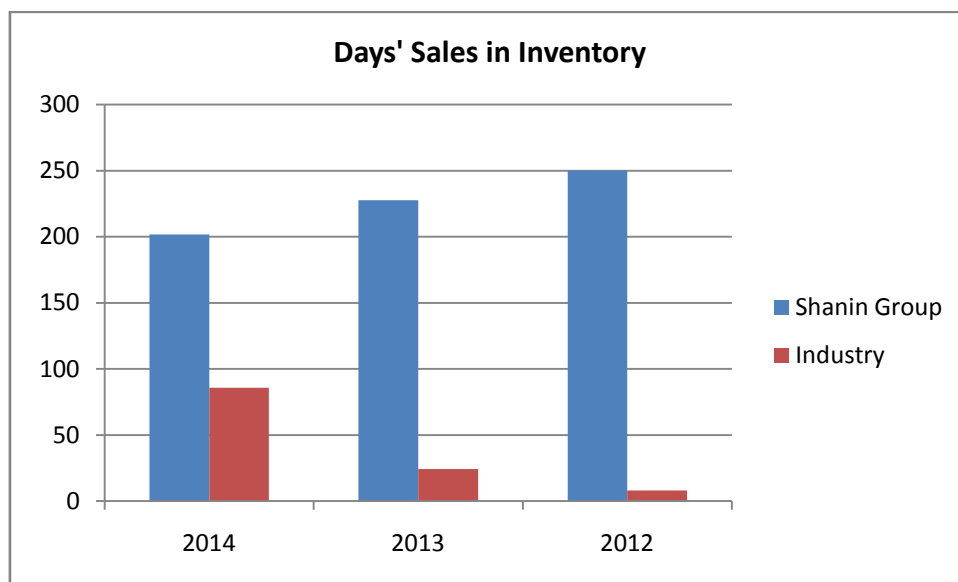


Figure 8: Comparison of Days' Sales Inventory

2.11 Profitability Ratio: Profitability ratios compare income statements accounts to show a company's ability to generate profits from its operations. It focuses on a company's return on investment in inventory and other assets. In other words, these ratios show how well companies can achieve profits from their operations.

2.12 Profit Margin:

It is also known as return on sales ratio and it measures the amount of net income earned with each Taka of sales generated by comparing the net income and net sales . In other words, the profit margin ratio shows what percentage of sales are left over after all expenses being paid by the business.

Year	2014	2013	2012
Profit Margin	5.99%	4.63%	0.91%

Table 17: Profit Margin of Shanin Group

Year	2014	2013	2012
Profit Margin	1.36%	1.15%	1.00%

Table 18: Profit Margin of RMG Industry

Profit margin of Shanin Group increased over the years. In 2012 it was only 0.91% which was increase up to 5.99% in 2014. It is really a good sign for the company. The profit margin of Shanin Group is very high that Industry average.

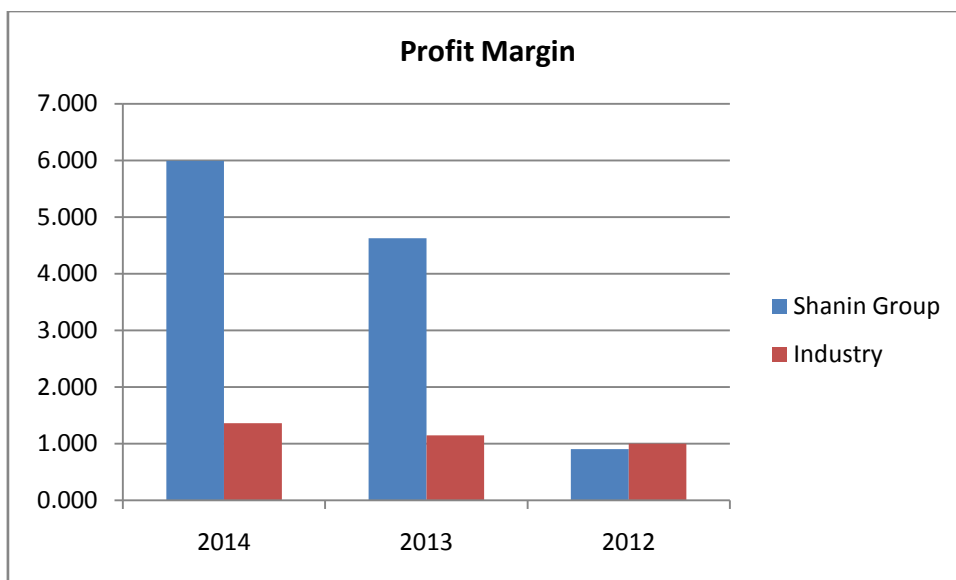


Figure 9: Comparison of

2.13 Return on Assets:

It is often called return on total assets. It is a profitability ratio that measures the net income produced by total assets during a period by comparing net income to the average total assets. In other words the ROA measures how efficiently a company can manage its assets to produce profits during a period.

Year	2014	2013	2012
ROA	6.38%	6.60%	N/A

Table 19: ROA of Shanin group

Year	2014	2013	2012
ROA	1.82%	1.78%	N/A

Table 20: ROA of RMG Industry

ROA of Shanin Group is quite charming, because they had very high percentage of ROA than the Industry Average. In 2014 ROA of Shanin Group was 6.38% which indicates Shanin Group produced Taka 6.38 of net income on investment of Taka 100.

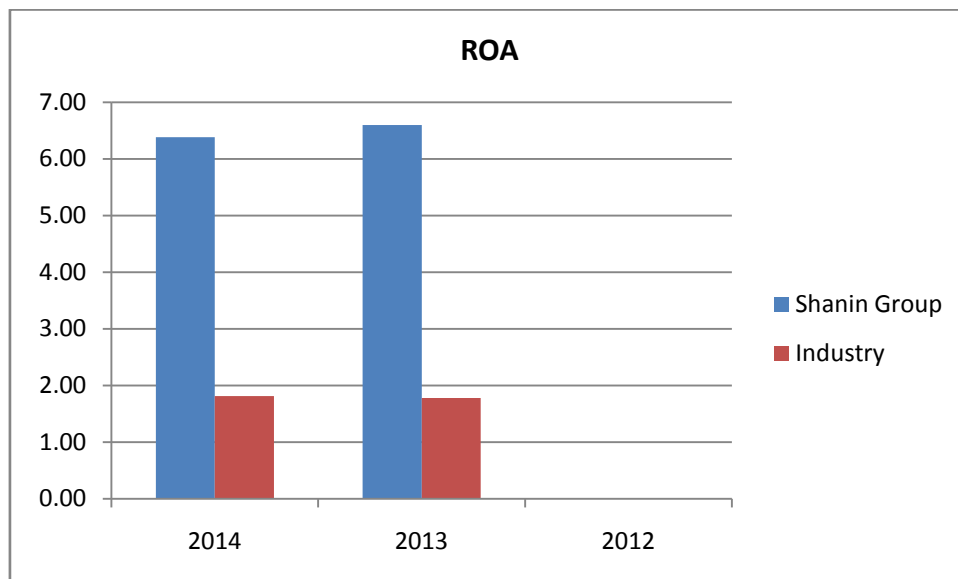


Figure 10: Comparison of ROA

2.14 Return on Equity:

Return on Equity measures the ability of a firm to generate profits from its shareholders investments in the company. In other words, the return on equity ratio shows how much profit each Taka of common stockholders' equity generates.

Year	2014	2013	2012
ROE	27.87%	30.61%	17.92%

Table 21: ROE of Shanin Group

Year	2014	2013	2012
ROE	8.61%	7.21%	5.97%

Table 22: ROE of RMG Industry

Return on Equity of Shanin Group increased over the year. In 2012 it was 17.92% and it went up to 27.87% in 2014. It is a good indicator of the investors. In addition, ROE of Shanin Group was very high than the Industry Average.

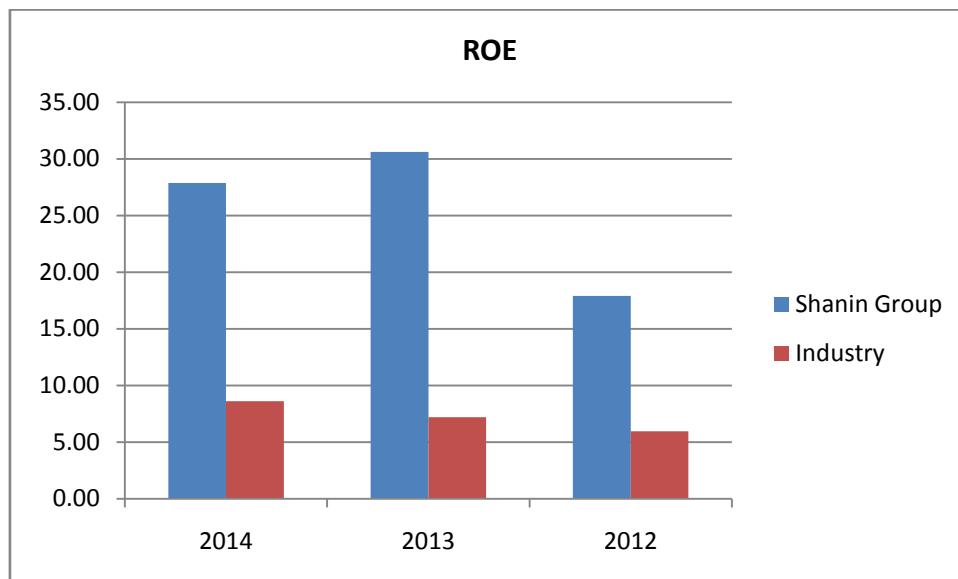


Figure 11: Comparison of ROE

RISK Analysis

3.1 Risk identification

There are several types of risks that are analyzed before going for extending bank's services to the vendors. These are:

- Credit Risks
- Commercial Risks
- Operational Risks
- Country Risks
- Documentation Risks
- Funding Risks

All obligors under this program will have been assigned Obligor Risk Rating (ORR), derived from DRM (Debt Rating Model). SHANIN group rates the program based on the average probability of default of the obligors (multiplied by the limits of obligors), under the program.

The credit risk here is largely dependent on "performance risk" as the vendor may not have the ability to perform according to the requirements of the buyer. Whether the export order is placed via a PO or a LC, the ultimate risk is whether the buyer will approve the final product. Therefore, the buyer/vendor relationship is a critical element in analyzing performance risk.

Even though such risk will exist, the mitigating factor here is the PRAC done, i.e selection of vendor and approval of his buyer, checking the years of relationship of buyer with the exporter and positive reference on the buyer.

3.2 Commercial Risk

Commercial risks occur when Vendors, Buyers and Banks have disputes over conditions and rules governed by the operative L/C document under UCP 500 and local requirements .These risks can be controlled through the proper selection of Vendors and L/C issuing banks, for which SHANIN group has set rules.

3.3 Operational Risk

Buyers can refuse to pay identifying discrepancies that have been overlooked by bank. Operations will use a detailed checklist to facilitate the process and meet compliance requirements. Adequate resources in the Trade Processing Unit will ensure that Operations processing will continue to demonstrate high quality as mitigate.

3.4 Country Risk

This program will operate within the country cross border limits. Export Bills with discrepancies, Import LCs and FX pre-settlement will be earmarked against country cross border limits.

3.5 Documentation Risk

Necessary documentation is to be taken per local standard bank forms. Individual RMs for respective VMP clients is responsible for obtaining all documentation prior to utilization. Country credit administration will check documentation prior to draw-down.

4.0 Conclusion

It would say that SHANIN GROUP is in a good position. They have excellent current ratio and quick ratio. It indicates the company has the ability to pay short term obligations. In 2012 Current Ratio of Shanin Group was 1.19 which means Shanin Group had Taka 1.19 to pay Taka 1 of its current debt. This is a good situation. The following 2 years, Shanin Group had enough current assets against current liabilities. It also indicates that current assets might have tied up a bit. Comparing with Industry it could be said that, Shanin Group was in a better situation than Industry Average. In 2012 the Quick Ratio of Shanin Group was 0.73. It indicates the company had quick asset of Taka 0.73 against Taka 1 Current Liability. According to table, Quick ratio of Shanin Group went up gradually, which is a good sign for the company. Moreover, On the basis of Quick ratio it can be said that Shanin group stayed above the Industry average for the following years. In 2013 The Asset Turnover Ratio of Shanin Group was 1.07. It refers that, Shanin Group Generated Taka 1.07 of sales for every Taka invested in assets. In 2014 the ratio went down. According to industry average Shanin group might have a few production or management problems. They can increase their efficiency if they sought out the problems and solve those. In some cases Shanin group is even better than the Industry.

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