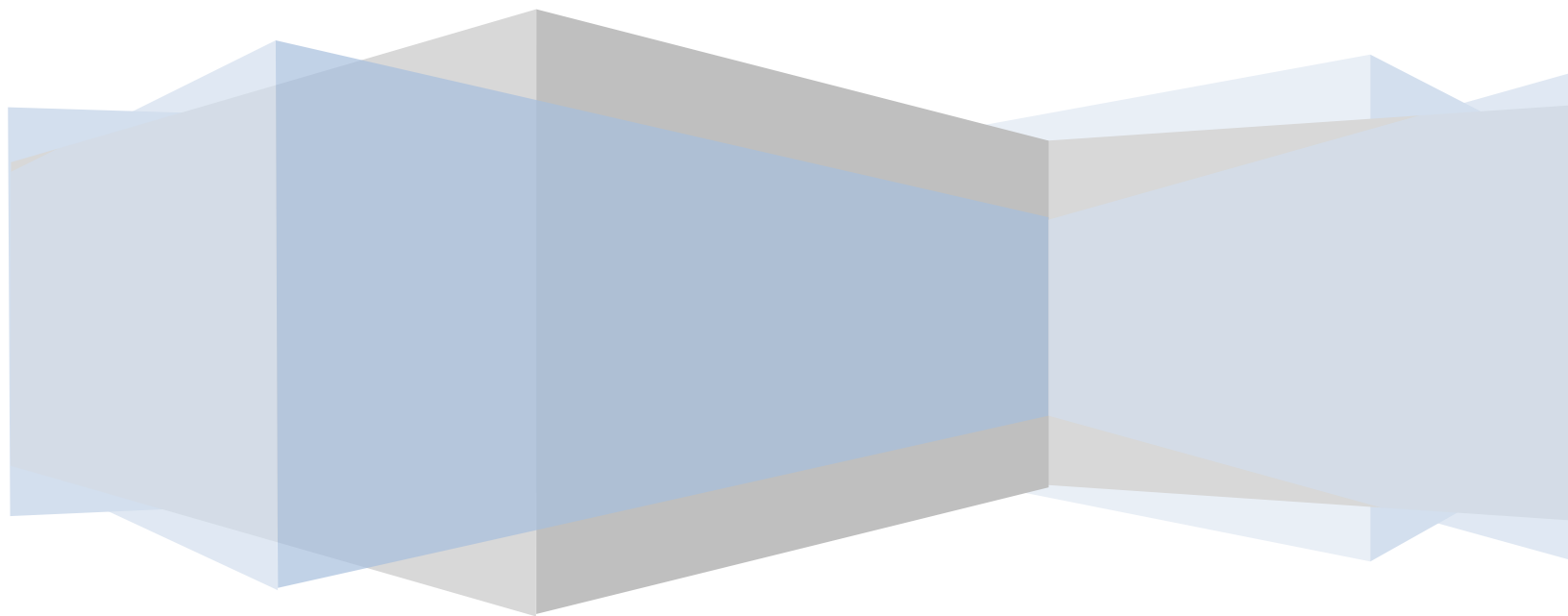


*INTERNSHIP
REPORT*



Internship Report

On

“Financial Performance Analysis of Apex Adelchi Footwear Ltd.”

Supervised By:

Md. Saif Hossain

Lecturer

Internship Supervisor

BRAC Business School

BRAC University

Submitted By:

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Student ID: 08204066

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Date of submission: May 08, 2011



Letter of Transmittal

May 08, 2011

To

Md. Saif Hossain

Lecturer

Internship Supervisor

BRAC Business School

BRAC University

Subject: Submission of the Internship Report on Apex Adelchi Footwear Limited

Dear Sir,

It is my great pleasure to present you my internship report on Apex Adelchi Footwear Limited titled as “Financial Performance Analysis of Apex Adelchi Footwear Limited”.

It has been a great learning experience for me taking a real life exposure of analyzing financial performance of the organization. I would like to thank you for assigning me such a responsibility and helping me on different aspects of the report.

Sincerely,

A.S.M. Riazul Haider

Student ID: 08204066

BRAC Business School

BRAC University



Supervisor's Certification

This is to certify that the internship report on **Financial Performance Analysis of Apex Adelchi Footwear Limited** is done by **A.S.M. Riazul Haider, ID: 08204066**, as the fulfillment of all the requirements of the BBA program from BRAC Business School, BRAC University.

This internship report has been primed under my guidance and is a report of the authentic work carried out successfully.

Supervisor

.....

Md. Saif Hossain

Lecturer

Internship Supervisor

BRAC Business School

BRAC University



Acknowledgement

At the very beginning I would like to express my deepest gratitude to Almighty Allah for giving me strength and composure to finish the task within the schedule time. I would like to take the opportunity to thank a few people without whom my study would have been rather difficult if not impossible. I could not possibly thank all of those people who have contributed a lot to prepare this report. They are of course very special people who cannot go without mention. At first I would like to extend my heartiest thanks to Kh. Azizul Haque, Supply Chain Manager of Apex Adelchi Footwear Limited to give me full support to acquire knowledge. Without his extensive time my study would have been incomplete. It is my pleasure to extend my heartiest gratitude to Md. Abrour Hossain, Marketing Manager of Apex Adelchi Footwear Limited who, in addition to his wholehearted support, has allowed me to carry out the study in parallel with my regular workload.

Finally, my sincere thanks go to my internal supervisor Md. Saif Hossain, Lecturer, BRAC Business School, BRAC University for his appropriate suggestions, moral support and invaluable co-operation from time to time in completing the internship program especially in the last three months.



Executive summary

Apex Adelchi Footwear Limited is a leading manufacturer and exporter of leather footwear from Bangladesh to major shoe retailers in Western Europe, North America and Japan. AAFL pioneered the export of value added finished products in the leather sector of Bangladesh and is also involved in the local footwear retail business with the second largest shoe retail network in the country. AAFL has equity, technical and marketing participation from La Nuova Adelchi one of the largest footwear manufacturers of Italy. The report emphasizes with the analysis of the footwear industry, company in focus, presenting the mission & vision, the values & product, description of 8 associates companies, finance related issues are discussed in detail along with their results and possibilities. Along with the report contains my practical observation and experience in Apex Adelchi Footwear Limited at Head office. The overall performance of AAFL shows a satisfactory position although they have been suffering last few years. It is gradually expanding its asset base and able to proper utilize assets. No business stays at the top if it doesn't maintain its performance. Thus it is very important to fulfill the demand of the consumers through competitive advantage. Since their policy is very well-formed we can hope that the growth of the company's will increase and this company will bring success for our country in the leather footwear in future.



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CHAPTER ONE

Introduction Part



1.1 Introduction:

In 1990, Mr. Syed Manzur Elahi, the chairman of Apex group started a new venture known as Apex Footwear. (Nasiruddin) In 2006, Apex Footwear Limited collaborated with Adelchi- an Italian company and changed the name to Apex Adelchi Footwear Limited (AAFL), initiating a joint venture with a new business spirit. (Nasiruddin) Apex Adelchi Footwear Limited is a leading manufacturer and exporter of leather footwear from Bangladesh to major shoe retailers in Western Europe, North America and Japan. (apexadelchi.com, 2010)AAFL pioneered the export of value added finished products in the leather sector of Bangladesh and is also involved in the local footwear retail business with the second largest shoe retail network in the country. (apexadelchi.com, 2010)AAFL has equity, technical and marketing participation from La Nuova Adelchi one of the largest footwear manufacturers of Italy. (apexadelchi.com, 2010)Public listed and traded since 1993, AAFL is professionally managed, currently employees more than 6800 persons and is in full compliance with Corporate Governance Compliance Report under section 2CC of Securities Exchange Commission Notification Order. (apexadelchi.com, 2010)

1.2 Origin of the Report:

To expand the practical knowledge by implementing theoretical knowledge through the internship program that would make a student to become a competitive with the outside world. That program not only increases the knowledge but also give the idea about organizational activities before entering into an organization. BRAC University is one of the reputed private university in Bangladesh, has designed the curriculum of BBA course such way that international graduates will be produced. After competing 126 credits, one student need to go for further 4 credit internship programs in a commercial organization. From this internship program students get the opportunity to learn facing the real business world. My faculty supervisor Md. Saif Hossain, Lecturer, BRAC Business School, BRAC University, approved the topic and authorized me to prepare this report as part of the fulfillment of internship requirement. The report thus was titled as ‘**Financial Performance Analysis of Apex Adelchi Footwear Ltd.**’



1.3 Background of the Report:

The business world is getting dynamic and competitive day by day. It is hard for an organization to run & even survive in a fast paced, growing and uncertain world if it cannot keep tracks with the go of business dynamism. Business plays and links important roles in developing the economy of a country. So, as a business graduate, I think I need to be attached with any organization to get a handy & versatile experience about the business world before starting our career. Internship is the arrangement, which makes a bridge between our academic knowledge and practical world to have an acquaintance with the real business world as well as to gear me up to lead the future competitive business.

I have worked in the accounting division of Apex Adelchi Footwear Limited, head office, Gulshan-1, Dhaka. In this report, I will try to make an overall financial analysis of AAFL.

1.4 Objectives of the report:

General Objective:

- ❖ The primary objective of this report is to explore of financial performance analysis of Apex Adelchi Footwear Ltd.

Secondary Objective:

- ❖ To show an overview of the company(vision, mission, value, product offerings, associates companies)
- ❖ To present an overview of Department of Gallerie Apex.
- ❖ To present an overview of footwear industry, economic condition of Bangladesh & worldwide.



1.5 Methodology:

While conducting the report, sources were explored for primary information and data. But hardly any updated data could be found. In the absence of updated information or data dependence on secondary has been inevitable. However, wherever possibly primary data has been used. Data were also collected by interviewing the responsible officers and from some documents & statements printed by the Apex and the website of AAFL. There have been used some statistical tools (Microsoft Office Excel table) and graphical representation (Microsoft Office Excel chart) to find out different types of analytical results and interpretations.

1.5.1 Primary Data Collection:

Primary data

- ❖ Practical desk work.
- ❖ Face to face conversation with the officers and clients.
- ❖ Data collection of own supervision.

1.5.2 Secondary Data Collection:

Secondary Data

- ❖ Annual report of AAFL.
- ❖ Official files and folders.
- ❖ Working papers.
- ❖ Selected books.
- ❖ Published and unpublished documents.
- ❖ Website.



1.6 Limitations of the Study:

As I did my internship program in Apex Adelchi Footwear Limited & I worked in the Accounting Department so my report is fully based on the financial performance analysis of the company. But to prepare this report I faced little difficulties through I have also got some limitation which are:

- ❖ The first limitation is that I failed to sketch the complete picture of the Apex activities at the period of my internship programmed. So I tried my best to focus on what I have done and also tried to make it consistent with other part of the report.
- ❖ The second limitation is the lack of intellectual thought and analytical ability to make in a perfect one. I have to offset with quality due to time constraint, which apparently seems to be the most severe limitation.
- ❖ Sufficient records & publications as well as up to date information are not readily available.
- ❖ Another limitation of this report is that the company's policy of not to disclose some data & information for obvious reason, which could be much more useful.

1.7 Scope of the Study:

The report commences with the analysis of the footwear industry, company in focus, presenting the mission & vision, the values & product, description of 8 associates companies, Finance related issues are discussed in detail along with their results and possibilities. In this report financial analysis has been discussed detailed as a result the management can take decisions regarding modifying their plans for granting loans and can strengthen the relationship with the business environment as well as with the stakeholders .



CHAPTER TWO

Economy Analysis

2.1 Recent Global Economic Condition and Bangladesh:

At present the overall economic condition of the globe is not of good shape at all and the world is facing this type of economic disaster for the first time after a long period. (economicsinfo.cz.cc, 2010) The first world countries are facing this problem very strongly. (economicsinfo.cz.cc, 2010) Basically after the incident of 1/11 in USA, the economic crisis began to start and it affected the whole global economic condition very slowly. (economicsinfo.cz.cc, 2010) The main reason of this crisis is the overall economic activities of USA are very much related to the whole world as its economy is controlling economy of the world. (economicsinfo.cz.cc, 2010) Basically, the western world people are very much familiar with the credit card facilities and the financial intermediaries of that region are very much active for providing this type of facility to the general people by taking a lot of risk. (economicsinfo.cz.cc, 2010) They only believe in “Risk is proportional to return” and this belief back-fired them and most of the high risk taking financial intermediaries of that region faced bankruptcy. (economicsinfo.cz.cc, 2010) This is just because of very aggressive marketing strategy of those financial intermediaries. (economicsinfo.cz.cc, 2010) They provided loans to the general ultimate consumers very aggressively and could not get it back in the due time that means they provided a lot of flexibility to the customers and their recovery strategy was not so much aggressive. (economicsinfo.cz.cc, 2010) In other words, we can say that the monitoring activities of the central bank of that particular region was not that much strong or rude to recover the provided loans to the customers. (economicsinfo.cz.cc, 2010) They also believe that they have got asset but not enough liquid money and that is why they took risk and the result is the present odd situation. (economicsinfo.cz.cc, 2010)

Bangladesh is also starting to face the economical disaster situation, as it is getting grants from the first world countries as well as from their controlled international organization like – WHO, World Bank, UNDP, UNICEF, WTO, IMF and some others. (economicsinfo.cz.cc, 2010) These welfare organizations are starting to stop funding in various less important projects that are already running or going to be started to run in this developing country. (economicsinfo.cz.cc, 2010) Besides, the people outside Bangladesh who are basically Bangladeshis are sending less remittance than the recent past. (economicsinfo.cz.cc, 2010) It causes less money supply in the inside overall economy of this country (Bangladesh). (economicsinfo.cz.cc, 2010) As our country is partly dependent on the foreign remittance, we face a lot of problem for the less amount of foreign remittance. (economicsinfo.cz.cc, 2010)

Moreover, our export volume is also becoming smaller and smaller for the global economic crisis, which also shorten our incoming foreign currency and it also affects the overall money supply of the country. (economicsinfo.cz.cc, 2010) Not only that, the first world people is also



trying to avoid buying high graded consumer products that means luxury products and they also want to buy the existing market products in the lesser amount than the recent previous time and that is why the bidding price that the garment factories of Bangladesh have got from the outside agents is also becoming lower and it affects the profit margin of them as well as their sustainability. (economicsinfo.cz.cc, 2010) For the global economic crisis, many Bangladeshi people, who are working in the foreign countries, are losing jobs and they are coming back to their motherland. (economicsinfo.cz.cc, 2010) Besides, many other Bangladeshi people are in the pipeline to lose their running jobs. (economicsinfo.cz.cc, 2010) So, as a whole we are going to face a very big problem in the upcoming very recent future. (economicsinfo.cz.cc, 2010) Top local footwear makers and exporters are set to increase their production capacity to utilize the growing international demand for low-cost Bangladeshi shoes. (epb.gov.bd) Meanwhile, footwear export recorded around 30 percent growth in the July-December period in 2010 compared to the same period in 2009. (epb.gov.bd) The sector earned \$98.74 million in exports during the period. (epb.gov.bd)

Top manufacturers, including Apex-Adelchi Footwear Ltd, Jennys, Landmark, Leatherex, Bay Footwear and Picard Bangladesh, are increasing their production capacity by opening new factories and importing sophisticated machinery and latest technology. (epb.gov.bd) The continuous growth in footwear export is the main reason that forces local companies to go for expansion and the enhanced capacity will help the exports increase by more than 40 percent from 2011, industry insiders said. (epb.gov.bd) Currently, the local companies make leather footwear of around Tk 1,700 crore a year, of which 45 percent products are meant for shipment. (epb.gov.bd) The country exports around six million pairs of leather footwear a year, with Apex Adelchi being the largest exporter. (epb.gov.bd) Mazharul Haque, general manager of Jennys Shoes Ltd, said his company is set to increase its production units and showrooms across the country. (Jennys annual report, 2009) “The demand for Bangladeshi low-cost footwear for both men and women is on the rise in the international market, as we produce shoes from high quality finished and crushed leather” he said, adding: “The prices of our products are lower than those of Indian and Chinese. (Jennys annual report, 2009) The export growth in value-added leather products, like shoes and bags, is fuelled by the declining demand and consumption of finished leather in the international markets caused by the global financial crisis” Haque said. (Jennys annual report, 2009) He said his company set up a new factory in Gazipur in 2009 for bulk production mainly to meet the increasing orders from Italy, Portugal and the UK. (Jennys annual report, 2009)

“We are constantly improving the quality of our products by upgrading technology that we import from Italy and Germany,” said Haque. (Jennys annual report, 2009) The company opened 12 new showrooms in and around Dhaka in 2009 and plans to capture a significant



market share by opening showrooms in all district towns by this year. (Jennys annual report, 2009) Jennys exported six lakh pairs of shoes in 2009, while the annual turnover of the company stood at Tk 80 crore. (Jennys annual report, 2009) AKM Afzalur Rahman, managing director of Landmark Footwear Ltd, said the increasing orders from Japan and European nations made his company increase its production capacity further.(Landmark annual report,2009) “The cost of producing leather shoes is lower in Bangladesh than in China and India and this is why we are receiving orders from Japan and Europe,” he said. (Landmark annual report, 2009) “Another reason behind the growth is the Italian technology we are using, which builds a level of trust among the buyers,” Rahman said, adding that his company also supplies to the renowned Japanese brands like ABC. (Landmark annual report, 2009) Landmark introduced eight production lines in 2009, while each production line costs around Tk 5-6 crore and can produce only one design. (Landmark annual report, 2009) The company plans to add more production lines by 2011, said Rahman. (Landmark annual report, 2009)

Footwear export has started to grow fast mainly from the last quarter of 2008, when the country’s finished leather export declined because of global financial crisis and the local entrepreneurs started to produce value-added products. (epb.gov.bd) Many developed countries such as Italy suspended production of branded shoes for both men and women as the demand for branded shoes marked a sharp fall in the face of global recession. (epb.gov.bd) Also countries like China and India are failing to produce high quality but low-cost leather items because of the anti-dumping rules of the World Trade Organization (WTO). (epb.gov.bd) So, orders from Germany, Italy, France, Japan and Canada are shifting to Bangladesh. (epb.gov.bd) The US government’s move to cut dependency on China and European embargo on Chinese and Vietnamese footwear are also pushing the buyers into Bangladesh, said industry insiders. (epb.gov.bd)



CHAPTER THREE

Industry Analysis

3.1 Bangladesh Footwear Industry analysis:

Export promotion bureau statistics show that footwear exports had 20 percent market rises during 2009July- 10 March fiscal year. (reportlinker.com, 2010) The country fetched 144.69 million dollar from export of the item in nine months a sharp rise from 131.52 million dollar in the July -March period. (reportlinker.com, 2010) Nowadays many countries like China and India are failing to produce high quality but low-cost leather items due to the WTO anti dumping rules. (reportlinker.com, 2010) So orders from Germany, Italy, France, Japan and Canada are shifting to the local manufactures. (reportlinker.com, 2010) Crushed leather is the main raw material for locally produced. (reportlinker.com, 2010) Earlier China, India and Vietnam are the largest shoe exporters in the world. (reportlinker.com, 2010) The demand for fashionable and high end leather shoes has decline in international markets because of the recession. (reportlinker.com, 2010) But it has also given rise to an opportunity for the county to produce shoes that are ordinary but essential. (reportlinker.com, 2010) The county started exporting leather footwear in 1994 on small scale to neighboring countries including India and Nepal. (reportlinker.com, 2010) The footwear business grew in recent years. (reportlinker.com, 2010) Currently the total market size of Bangladesh made leather footwear stands at tk1700 corer of which about 45 percent is exported. (reportlinker.com, 2010) The country exports around six million pairs of leather footwear a year. (reportlinker.com, 2010) Apex Adelchi Footwear Limited is the country's leading footwear exporter claiming more than half of the total exports.(reportlinker.com, August 2010)The company earned tk 450 crore last year. (reportlinker.com, 2010) Bangladesh mainly exports men's footwear, lady's sandals and sports shoes to European nations China, Canada, Saudi Arabia, Iraq, Jordan, India and Nepal. (reportlinker.com, 2010)

Mr. Syed Nasim Manzur, managing director of Apex Adelchi Footwear Ltd, said “the recession has taken a toll on the demand for luxury fashion accessories. (Apex annual report, 2009) The additional fall out of the global financial crisis on AAFLL has been the adverse impact on the Euro & as the majority of our revenues are in Euros, the continued slide of the Euro and the reflection in the Taka versus Euro conversion rate has severely affected our taka revenues as seen above. (Apex annual report, 2009) The Bangladesh Taka has remained unchanged against the US\$ in 2009 where the currencies of our competitor nations such as the Indian Rupee & Pakistan Rupee have been devalued repeatedly in 2009 in order to boost their export competitiveness. (Apex annual report, 2009) Despite many pleas from exporters in Bangladesh, the government of Bangladesh has not adjusted the Taka against the USD. (Apex annual report, 2009)



Therefore the adverse effects of the global financial crisis were exaggerated for AAFL as we realized on average Tk 94 versus 1Euro of export in 2009 as compared to Tk 100 versus 1 Euro of export in 2008.” (Apex annual report, 2009) The country’s present work orders have slowed by 50 percent, Mr. Syed Manzur Elahi, chairman of Apex Adelchi Footwear Ltd, said. (Apex annual report, 2009) Appreciating the government’s move to increase cash incentive for the leather and leather goods exports by 2.5 percentage points to 17.5 percent from the previous 15 percent, he said the government needs to immediately implement the package, to safeguard the industry. (Apex annual report, 2009) But it problem we face is the government’s lack of initiative to devaluate our local currency against the US dollar. (Apex annual report, 2009) High interest rates have also slowed our present growth. (Apex annual report, 2009) Indian entrepreneurs are enjoying credit facilities at a5.5 percent rate of interest; while in contrast, Bangladesh government lowered bank interest to 13 percent last month. (Apex annual report, 2009) The government to ensure an uninterrupted supply of power that would help increases the sectors competitiveness and ensure higher productivity. (Apex annual report, 2009)

Therefore we realized early on in 2009 that we would have to face this crisis on our own and turn crisis into opportunity. (Apex annual report, 2009) So we embarked on a major drive to boost efficiency and reduce cost of production. (Apex annual report, 2009) The first area that we attacked was rejection rate where innovative and bold ideas from the senior management team helped bring about more than 50% reduction in the total rejection rate and thereby reduced our cost of production. (Apex annual report, 2009) The second area was the use of overtime where we once again targeted companywide reductions without loss of output. (Apex annual report, 2009) The third area was rationalization of our human resources where we imposed a hiring freeze and did not replace attrition losses. (Apex annual report, 2009) The sharp fall off in demand for leather globally especially in the largest manufacturer in the world China, caused all leather prices including Bangladesh to also drop significantly. (Apex annual report, 2009) So as a result the average buying price for our single largest input also fell. (Apex annual report, 2009) It must be remembered that the huge reduction in global trade volumes as well as crashing oil prices also caused freight rates to come down. (Apex annual report, 2009) All together these forces combined to reduce our total cost of goods sold and thereby improve our gross margin. (Apex annual report, 2009) Export promotion increased in 2009 as we attacked the market even more aggressively especially after the huge dip at the end of the first quarter of 2009. (Apex annual report, 2009) The global financial crisis also forced many more retailers of footwear to seek more “exotic” sources and forced them to look at new options like Bangladesh. (Apex annual report, 2009)



CHAPTER FOUR

Company Analysis



4.1 *Company Profile:*

- Name of the Company: Apex Adelchi Footwear Limited.
- Date of Commencement of Business as Apex Footwear Limited: January 4 1990.
- Name Change to Apex Adelchi Footwear Limited: December 27, 2006.
- Type of Company: Public Limited Company

(apexadelchi.com, 2010)

Board of Directors:

- Mr. Syed Manzur Elahi – Chairman
- Mr. Syed Nasim Manzur - Managing Director
- Mr. Syed Gias Hussain - Deputy Managing Director
- Ms. Munize Manzur Khasru – Director
- Mr. Niaz Ahmed Choudhury – Director
- Mr. Adelchi Sergio – Director
- Mr. Samson H. Chowdhury - Independent Director

(apexadelchi.com, 2010)

Management Team:

- Mr. Syed Manzur Elahi– Chairman
- Mr. Adelchi Sergio – President
- Mr. Syed Nasim Manzur - Managing Director
- Mr. Syed Gias Hussain - Deputy Managing Director
- Mr. Abdul Momen Bhuiyan - Executive Director
- Mr. AA Mosaddeque - Executive Director (GAPX)
- Mr. Syed Md. Mustaque - GM (Factory)
- Md. Mominul Ahsan - Head of HR
- Mr. Atiqul Islam - GM (Leather)

(apexadelchi.com, 2010)

4.2 Associates Companies:

- ❖ Apex Tannery Limited.
- ❖ Adelchi Footwear Bangladesh Limited.
- ❖ Apex Pharma Limited.
- ❖ Grey Advertising Bangladesh Limited.
- ❖ Quantum Marketing Research BD Limited.
- ❖ Mutual Trust Bank limited.
- ❖ Pioneer Insurance Company Limited.
- ❖ Gallerie Apex.

(apexadelchi.com, 2010)



4.2.1: Apex Tannery Limited

A leading manufacturer and exporter of finished and crust leather from Bangladesh to major products manufacturers in China, Japan and Italy. (apexadelchi.com, 2010)The company has annual export revenues of USD 37 million in 2006-2007, comprising almost 15% of the total export earnings from leather of Bangladesh. (apexadelchi.com, 2010)ATL pioneered the export of value added crust and finished leather from Bangladesh and accessed capital markets for growth. (apexadelchi.com, 2010)ATL introduced the first convertible debenture in Bangladesh and has been publicly traded since 1986. (apexadelchi.com, 2010)ATL currently employs 955 persons, is professionally managed and is in full compliance Report under Section 2CC of the Securities & Exchange Commission Notification Order. ATL is also the first tannery in Bangladesh. (apexadelchi.com, 2010)



4.2.2: Adelchi Footwear Bangladesh Limited.

It is a leading manufacturer and exporter of leather footwear from Bangladesh to major shoe retailers in Western Europe, North America and Japan. (apexadelchi.com, 2010)The company has revenues of 444 crore taka in 2007. (apexadelchi.com, 2010)AAFL pioneered the export of value added finished products export in the leather sector of Bangladesh and is also involved in the local footwear retail business with the second largest shoe retail network in the country. (apexadelchi.com, 2010)AAFL has equity, technical and marketing participation from La Nuova Adelchi one of the largest footwear manufacturers of Italy. (apexadelchi.com, 2010)Public listed and traded since 1993, AAFL is professionally managed, currently employs more than 6800 persons and is in full compliance with Corporate Governance Compliance Report under Section 2CC of the Securities Exchange Commission Notification Order. (apexadelchi.com, 2010)



4.2.3: Apex Pharma Limited

One of the fastest growing, ISO 9001-2000 certified new generation pharmaceutical manufacturing and distribution companies in Bangladesh. (apexadelchi.com, 2010)APL started its operation in 2002, currently employs 1300 persons and markets 126 dosage forms from its Saver plant. (apexadelchi.com, 2010)The company's growth in 2006 was 65% against industry growth of 6% according to IMS. (apexadelchi.com, 2010)The company is in the process of setting up a new state-of-art manufacturing plant which completed in 2009. (apexadelchi.com, 2010)



4.2.4: Grey Advertising Bangladesh Limited.

The first joint venture international full service advertising agency to set up in Bangladesh, GABL is today the largest stand alone agency in Bangladesh with billings of USD 6 million in 2006. (apexadelchi.com, 2010)GABL is a market leader with a dynamic team of young and talented professionals and has won an unprecedented 4 years in a row (2003-2007) the Agency of the year Award, at the Srijan Samman Awards for all Bengali advertising work done in India and Bangladesh. (apexadelchi.com, 2010)In additional work done for its local as well as multinational corporate has won innumerable local and international Awards and accolades. GABL is a member of the Grey Group owned by WPP. (apexadelchi.com, 2010)



4.2.5: Quantum Market Research BD Limited.

Quantum Market Research Bangladesh Limited (QMRBL), a joint venture between Quantum Market Research Private Ltd of India and Apex Enterprises Ltd a Bangladeshi company, is the leading specialized qualitative market research agency in Bangladesh which provides research services to multinational and local manufacturers and service providers in and outside Bangladesh. (apexadelchi.com, 2010)Its strong strategic link with its parent company Quantum Market Research Private Ltd, India (Operating in the South Asian and Asia-Pacific Region) has also facilitated effective and continuous knowledge transfer at a sub-continent, regional and global level. (apexadelchi.com, 2010)Besides market research, QMRBL also provides effective service in qualitative social & development research to a number of local organizations and development partners. (apexadelchi.com, 2010)Since its inception in June 2004, QMRBL has conducted 284 studies in the areas of consumer psyche, brand development, communication, human resources development, social and organizational development and production practices. (apexadelchi.com, 2010)QMRBL employs 14 expert researchers and 5 supporting staff as permanent employees along with 75 field staff who work on a contract-basis. (apexadelchi.com, 2010)



4.2.6: Mutual Trust Bank Limited

A Third Generation (License) Commercial Bank sponsored by Square, ACI and Apex which is the largest and most reputed businesses in Bangladesh. (apexadelchi.com, 2010)MTBL today enjoys some of the highest credit ratings in the industry. (apexadelchi.com, 2010)Publicly listed, traded and professionally managed, MTBL is a market leader amongst financial institutions of Bangladesh and now this bank is very much renowned. (apexadelchi.com, 2010)This bank plays the most important role in the economy by collecting money from the individuals and lends them to others. (apexadelchi.com, 2010)Now bank's offer the widest range of financial services and perform lot of financial functions. It has many branches all over the country. (apexadelchi.com, 2010)



4.2.7: Pioneer Insurance Company Limited.

PICL is a general insurance company offering a wide range of non-life insurance products to retail and corporate customers in Bangladesh. (apexadelchi.com, 2010)This company is sponsored by Square, ACI and Apex which is the largest and most reputed businesses in Bangladesh. (apexadelchi.com, 2010)PICL has established itself as one of the most respected players in the industry. (apexadelchi.com, 2010)Publicly listed, traded and professionally managed, PICL enjoys 90th percentile rankings in a very crowded space of over 40 companies. (apexadelchi.com, 2010)



4.2.8: Gallerie Apex

Gallerie Apex is a wing of Apex Adelchi Footwear Limited. (apexadelchi.com, 2010) It established on April 11, 1997. (apexadelchi.com, 2010) After 10 years now it became an important part of Bangladeshi leather footwear market. (apexadelchi.com, 2010) In 2009 GAPX achieved their target 70 crore taka. (apexadelchi.com, 2010) Now 140 galleries are running all over Bangladesh. (apexadelchi.com, 2010) This retail segment of Apex Adelchi Footwear Limited produces leather shoes, sandal, wallet etc for Bangladeshi market. (apexadelchi.com, 2010)

Table: Product Category

Men's Item	Ladies Item	Leather goods
Shoes	Sandals	Belt
Sandals	junior kids'	wallet
Sports Item-snake	School cads	
Shoe shiner		
Foot protect		
Comfort socks		

4.3 Vision:

“Honest Growth”

(apexadelchi.com, 2010)

4.4 Mission:

1. Sustainable Growth.
2. Creating value for our shareholders.
3. Proactive compliance.
4. Corporate Social Responsibility.

(apexadelchi.com, 2010)



4.5 Future:

Apex Adelchi Footwear Limited has regained their focus on productivity and they have been forced to reassess their business model. (Apex annual report, 2009) They have made efficiency a byword, starting from wastage of materials to improving line wise productivity and this focus will remain. (Apex annual report, 2009) They have sought out and developed new and better sources of raw materials; they have identified new markets and segments where they have huge potential for growth. (Apex annual report, 2009) They have also actively begun the process of reducing their financial expenses by exploring new innovative funding options. (Apex annual report, 2009) On the domestic front they are reinforcing their retail format with new formats in the wholesale space. (Apex annual report, 2009) They have launched several very large format stores which are generating good returns and also begun a phased renovation of older stores. (Apex annual report, 2009) They will continue to refresh and renew their product range to ensure that they deliver on their promise to maximize customer delight and choice. (Apex annual report, 2009) As the global markets emerge slowly, from recession they are ready to take full advantage of the new opportunities that emerge. (Apex annual report, 2009) The power situation in Bangladesh has already reached crisis proportions and Apex Adelchi Footwear Limited averaged more than 7 hours of load shedding per day in March 2010. (Apex annual report, 2009) Adelchi Footwear Limited is equipped with sufficient diesel standby generators but they are not designed to run for such long hours at a stretch and the wear and tear and operating costs are very high. (Apex annual report, 2009) This is a serious threat to their ability to meet their production targets and operate their plant optimally and profitably. (Apex annual report, 2009) They must now actively explore immediate power solutions like switching to alternative energy sources such as HSFO based captive power generation. (Apex annual report, 2009) The global shift towards green sourcing is a reality and it has already started in the footwear industry. (Apex annual report, 2009)

Today their entire supply chain must be environmental sustainable and obviously the present tannery industry in Hazaribagh is unable to meet these standards. (Apex annual report, 2009) They must start to plan for an alternative production source of environmentally friendly finished leather from raw hides that can meet global standards. (Apex annual report, 2009) The global footwear market is forecasted to reach USD 272.5 billion by 2013 and Europe is the single largest market accounting for 42.3 percent of global value. (Apex annual report, 2009) Bangladesh enjoys preferential access to this market, has a competitive and young labor force and is blessed with a domestic raw material advantage in terms of locally available hides and skins. (Apex annual report, 2009) Apex Adelchi Footwear Limited must now turn its focus on maximizing these strengths and ensuring that they are prepared to meet the new challenges of power supply, developing capability and offering shorter lead times to market. (Apex annual report, 2009) Apex Adelchi Footwear Limited has established its credentials in the global market



as a forerunner in this industry in Bangladesh but they must now redouble their pace to maintain their leadership position and achieve their goal of global standards of excellence. (Apex annual report, 2009)

4.6 Values:

- ✓ **Respect for people**
 - Demonstrate respect by developing our people and helping them to achieve high performance standards.
 - Treat all people with dignity.
- ✓ **Integrity**
 - Honesty
 - Walk the talk.
- ✓ **Sense of Urgency**
 - Strive for speed and simplicity in everything we do.
- ✓ **Empowerment**
 - Encourage and reward self-confidence and initiative
 - Require accountability

(apexadelchi.com, 2010)

4.7 Product:

Since the beginning of the retailing business, in 1990, AAFL received a remarkable response from the local market which motivated the company to expand over the years. (Abrou) Today, the company offers the local consumers of Bangladesh a much wider range of products than before. (Abrou) Most of the products that are offered in the local market by AAFL are relatively different from the ones that are exported, especially in terms of design and material. (Abrou) The reason behind this is the different climate, culture and the demand of the consumers of local and foreign markets. (Abrou) For example, AAFL exports products like ladies boots which are not available in the local market because the boots do not complement with neither the clothes that most of the ladies wear nor the culture of the country. (Abrou) So, AAFL offers ladies open sandal to meet the demand of the local market which, on the other hand is not exported as it would not satisfy the taste of foreign consumers. (Abrou) Thus, the product development unit of AAFL is continuously working to develop products based on the needs and wants of the local consumers. (Abrou)



The table below shows the range of products of AAFL that are offered in the local market of Bangladesh. (Abrour)

Table: the range of products

<i>Men's Products</i>	<i>Ladies Products</i>	<i>Children's Products</i>
Formal	Sandals	School Shoe
Casual	Sports	Disney Licensed Footwear
Sports		
Sandal		
Sports Sandal		

In the local market AAFL is mainly known for men's footwear and sandals but recently the company has extended the product range with ladies and kids products. (Abrour) The table above clearly shows that the emphasis is more on the of men's products than the ladies and children products. However, recently AAFL launched genuine Disney branded footwear through the retail stores to furnish to the kids segment. (Abrour)Disney provided the license to AAFL to launch footwear for children designed with for instance the Disney characters like Pooh bear, Mickey Mouse, etc. (Abrour)

According to men's shoes, there are three products brand like Venturing, Apex and Sprint are common and ladies sandals; Sandra Rosa, Nino Rossi and Apex are common. (Abrour) Men's shoes size starts from 39-44 and sandal size starts from 35-41. (Abrour)There have different row to display particular brand product like shoes, sandals, socks, kid's sandals etc. (Abrour) Price of men's shoes starts from 1250Tk-5500Tk, sandals 400Tk-1950Tk, ladies sandals 380Tk-2250Tk, comfort socks 150Tk-250Tk. Price of leather Goods is 600Tk. (Abrour)

Table: Customer Profile

<i>For men's footwear</i>		<i>For Ladies footwear</i>		<i>For Kids footwear</i>	
<i>Age:</i>	<i>Mainly young Generation.</i>	<i>Age:</i>	<i>Mainly young Generation.</i>	<i>Age:</i>	<i>Less than 10 years</i>
<i>Class:</i>	<i>Upper Middle and Middleclass</i>	<i>Class:</i>	<i>Upper Middle and Middleclass</i>	<i>Class:</i>	<i>Upper Middle and Middleclass</i>
<i>Region:</i>	<i>Mainly Urban areas</i>	<i>Region:</i>	<i>Mainly Urban areas</i>	<i>Region:</i>	<i>Mainly Urban areas</i>

Components of Manufacturing Shoes:

There are some components required for making a pair of shoes. (Asekur) These components assemble with each other step by step. (Asekur) The manufacturing procedure depends on some components which need to make a pair of shoes. (Asekur)

UPPER: Upper is the main part of shoes. (Asekur) This upper made by leather, synthetic, fabric, rubber. In upper side different components or parts of leather are combined by stitch. (Asekur) This stitch is various types like lock stitch, chain stitch, jhik jhak stitch, heavy stitch and moccasin. (Asekur)

LINING: This is the inside part of upper, it can be also leather, synthetic, fabrics (depends on shoe design). (Asekur)

SOCK: Sock is to comfort the inner part of shoes. (Asekur) It can be synthetic, foam. (Asekur)

IN-SOLE: This in-sole placed at upper side of sole. (Asekur) It can be leather board, cellulose board, fiber board, Ethyl Vinyl Acetate (EVA). (Asekur)

SOLE: It stands the lower part of shoes to adjust upper body. (Asekur) It can be rubber, leather board and wood, PU (Poly Uri thane), Thermo Plastic Rubber (TPR) and Poly Vinyl Chloride (PVC). (Asekur)

HILL: Hill is to balance the body of shoes and it can be rubber, wood. (Asekur)

ADHESIVE: This is a gum which can use with sole to fit the upper side of shoes. (Asekur) There are different types of adhesives like: (Asekur)

- ✓ Neo prine (yellow color)
- ✓ Latex (White color)
- ✓ PU (Poly Uri thin)
- ✓ Hot Melt



4.8 SWOT Analysis of Apex Adelchi Footwear Limited:

Strengths: AAFL has advanced machines and skilled manpower which make it possible to produce high quality footwear. As a SBU of Apex group, it also has good financial backup. As a partner company of Adelchi, Apex gets product designs from them which make it possible for them to follow Italian fashion trend. They have renowned brand image in the footwear market.

Weakness: AAFL's product price is comparatively high. On the other hand, their ladies and kids footwear brands are not that much strong. Furthermore, they have to depend on foreign suppliers for raw materials and design support.

Opportunities: The quality of the leather available in Bangladesh is really very good. Furthermore, here labor cost is low which makes it possible to produce the products more cheaply. On the other hand, young generation is now more fashion oriented and brand conscious.

Threats: Consumers are now more prices sensitive day by day. Furthermore, most of the raw materials are not locally available. Beside this, leather price is increasing day by day due to high demand. Production is also hampering due to electricity crisis.



CHAPTER FIVE

Departments of Gallerie Apex



5.1 Operating functions of Gallerie Apex:

Operating functions of Gallerie Apex (GAPX) is more effective according to the vision of this company. (Mominur) Whole process of GAPX operates a functional team on the demand of whole marketing process. (Mominur) These departments are shown as below:

- ❖ Human Resource Division.
 - ❖ Product Development.
 - ❖ Marketing Department.
 - ❖ Sales Department.
 - ❖ MIS Department.
 - ❖ Merchandising Department.
 - ❖ Supply Chain Department.
 - ❖ Accounts Section.
- (Mominur)

5.2 Human Resource Division:

This division always monitors the facilities of employees and to check problems. (Mominur) There are some activities that HR department also do for the employees of Gallerie Apex like: (Mominur)

- ✓ Human Resource Planning
- ✓ Recruitment and selection
- ✓ Compensation and Benefit
- ✓ Accommodation
- ✓ Health and safety
- ✓ Employee and worker relation
- ✓ Training and development
- ✓ Motivation
- ✓ Maintenance

Every manager and employees of every company wants a healthy and safe work environment. (Mominur) This environment is one of the more challenging areas for HR department. (Mominur) This department of Gallerie Apex provides maximum safety and healthy environment under their activities. (Mominur)



5.3 Product Development and Market Consultant:

This product development team starts a new merchandising wing of Gallerie Apex. (Abrou) This section called Design Studio. (Abrou) This is the new innovation of product development, creates new design of shoes for new generation and analyzes the market in a short time. (Abrou) In design studio the swing machine is for the upper stretching of leather & scaling machine makes the leather thin. (Abrou) Leather quality is very good & it imports from Pakistan, Italy & Apex own tannery. (Abrou) Through this studio the research can done very frequently & positive way. (Abrou) Behind this activity design studio operates some other works for Gallerie Apex like: (Abrou)

- ✓ Design & Technical Support
- ✓ To standardize the component of product
- ✓ Try to decrease the price of product
- ✓ Market Trend Analysis
- ✓ Find out the competitors
- ✓ Short Time research
- ✓ To collect the best quality shoe component
- ✓ To check the quality of finished goods
- ✓ Delivering

5.4 Sales Department:

Always keeps monitoring the sale condition of all galleries. (Abrou) Assistant General Manager (AGM)-Sales and Manager-Sales always monitor the new suitable market place which can be profitable business for Gallerie Apex. (Abrou) Under this sales department there have strong monitoring team called ASE (Area Sales Executive). (Abrou)They are working at zonal basis like Dhaka North, Dhaka South, Chittagong, Sylhet, Rajshahi and Khulna. (Abrou)

5.5 Management and Information:

It is a set of interrelated components that collect, process, store and distribute information to support decision making. (Asekur) A computer information system based on 6 components such as, (Asekur)

- ✓ Hardware
- ✓ Software
- ✓ Data/ Information
- ✓ Procedure
- ✓ Communication
- ✓ People

There have some role of MIS which is necessary for all business and this department of Gallerie Apex also works in this point; (Asekur)

- ✓ Improved communication system
- ✓ Data management and faster decision making
- ✓ Online data access
- ✓ Systematic management and information

MIS department of Gallerie Apex is much established according to their job work. (Asekur) This department collects sale report on entire galleries and input the database which should be daily, weekly and monthly basis. (Asekur) This department input the data of daily sale information like, (Asekur)

- ✓ Actual sale amount
- ✓ Number of sold pair goods.
- ✓ Sold pair of shoes

5.6 *Marketing Department:*

According to marketing concept, this department of Gallerie Apex holds the key to achieve its organizational goal consists of the company being more effective than other competitors in skill, delivering and communicating superior customer value to its chosen target market. (Abrour) Marketing department evaluate the present footwear market condition. (Abrour) Marketing team also research how Apex brand can be established through utilize 4Ps concept in the market. (Abrour) Gallerie Apex has a reputation in market place, so marketing department should take some initial steps for the modification or more development of this present image. (Abrour) There are some works that marketing department always do; (Abrour)

1. ***Training and Development-*** Training for store manager, for sales man, for Area Sales Executive (ASE). (Abrour)
2. ***Merchandise Analysis-*** Marketing department analyzes the merchandise procedure. (Abrour) Marketing department also checks the market demand of some selected articles, monitors the sale review, checks the best sale of product, which article should be more running. (Abrour)
3. ***Merchandise Action-*** Is there any problem come to mind about in store merchandising, then marketing department takes initiative of that step. (Abrour)
4. ***Market Research-*** Marketing Department also works about the research of footwear market. (Abrour) If there any scopes that can be applied for the development of product and market, this department also investigate that. (Abrour) Brand Development, a brand is an art of corner store of marketing. (Abrour) It is a name, term, sign and symbol or combination of them intended to identify the goods or services of one seller and to differentiate them from those of competitors. (Abrour) Marketing department also works to enlarge this brand. (Abrour) Corporate Branding, This marketing department of Gallerie Apex also works about corporate branding policy. (Abrour) Here some activities that has plan of this department is like; (Abrour)



- ✓ Vehicle Branding
- ✓ Hording sign
- ✓ Social Events
- ✓ Corporate Branding umbrella
- ✓ Shoe related fashion show
- ✓ Advertising

In order for publicity of any particular sales promotion or any new seasonal offer, marketing department of Gallerie Apex uses some advertising media. (Abrour) These are as follows,

- ✓ TVC
- ✓ RDC
- ✓ Press Ad

5.7 Functions & Responsibilities of supply chain:

Supply chain department distributes product in whole galleries all over the country. (Azizul) After issuing the purchase order & manufacturing of product, supply chain work begins. (Azizul) First product goes to Central Distribution Centre (CDC) with bills, delivery chalan & VAT paper. (Azizul) Product comes from factory, source and import. (Azizul) At CDC they check the products quality, box, article no, with Quality Control report and after that official formalities they receive product. (Azizul) The invoice will be 2-copies at the time of receiving goods from Shafipur Shoe Limited (factory). (Azizul)

- ✓ 1copy will go on Supply Chain Department
- ✓ 1copy will go on Merchandising Department



At the time of supply from CDC to galleries, they make 3 copies of invoice. (Azizul)

- ✓ 1 copy for Supply Chain Department
- ✓ 1 copy for Management Information System Department
- ✓ 1 copy for Gallerie

At the period of outsource suppliers, they also provide 4 copies of supply invoice. (Azizul) This copy goes to four particular sections like; (Azizul)

- ✓ Merchandising department
- ✓ Supply chain department
- ✓ Accounts department and
- ✓ CDC record

At the time of Bill submission, they attach supply invoice (chalan). (Azizul) Supply Chain Department has some responsibilities also. (Azizul) They have to consider what kind of product will go which galleries. (Azizul) It depends on volume of sale, customer category & position of market & sales. (Azizul) Sometimes they have to check the sale condition of galleries and also stock of shoes. (Azizul) According to distribution of goods they apply transport facilities or rent car or curia service. (Azizul) In fact CDC has own car but it can use only for Dhaka North zone and Dhaka South Zone. (Azizul)

5.8 Merchandising Procurement Procedure:

According to this procedure, there are two basic sources of production can provide the finished products; (Asekhur)

- ✓ Shafipur Shoe Limited (own factory)
- ✓ Supply sources

The Shafipur Shoe Limited is the main factory of Gallerie Apex. (Asekhur) It produces goods according to given requirement. (Asekhur) The components like upper, insole and outsole has collected from Shiba Footwear Ltd. (Asekhur) Design studio of Gallerie Apex produces only sandals with limited quantity. (Asekhur)

Gallerie Apex has some supply sources which make goods. (Asekhur) These sources make goods according to given design or requirements of Gallerie Apex. (Asekhur) Basically these

supply sources make deed between Gallerie Apex and their factories that, sole & other component they will provide and they make complete shoes. (Asekhur) In the term of payment bill, they adjust their cost with total amount. Some names of supply sources are given below: (Asekhur)

- Hanif Shoes
- Century Shoes
- Popy Shoes
- Moochie Shoes
- Coaster Footwear
- Herald Shoes
- Classic Footwear
- Ryan Shoe
- Crown Leather
- Keya Sandal
- Home Land
- Nashanan Trade
- FN Enterprise
- Prestige Bengal
- King Ston
- Bright Shine
- Mayeem
- Comfort Socks

5.9 In-Process Quality Control:

The quality control process of Gallerie Apex is very much effective. (Jalal)To check the quality of finished goods it has a specification sheet to know the total information about finished product. (Jalal) This sheet has the serial number, color, material of goods & price. (Jalal)

At 5th level of Gallerie Apex, Quality Control room is worked by the Quality Control officer of Design studio. (Jalal) The system is to check the 20% of product in a lot. (Jalal)

5.10 Procedure & practice of product pricing:

At the time of selecting price of product it should be careful that, gross margin must be minimum 40%.(Abrou) Buying price will always be fixed. (Abrou) In terms of adding VAT, amount will be 15%.(Abrou) To analyze the total cost sheet some necessary work has to be done. (Abrou) These are: (Abrou)

Article no:

Color

Cost of materials

Value Added Tax (VAT)

Total cost (unit based)

Retail price

Profit margin (TK)

- Profit margin (%)
- Quantity order
- Total cost
- Total VAT (amount)
- Total cost value (amount)
- Total retail value
- Total margin (TK)

After calculating VAT on retail price of product, total cost (unit based) can add. (Abrou) Profit margin is based on amount of retail price. (Abrou) Cost of material, information comes from own factory Shafipur Shoe Limited. (Abrou) There are two types of cost should be considered; own cost & supply cost. (Abrou) According to supply cost there can be made another cost sheet include all cost of supply source. (Abrou) In order to make a price of product all department head discuss about design, durability, looks of product, customer's choice & finally they fixed the price of product. (Abrou) Executive director is the head of this team. (Abrou)

5.11 Basic Ideas on Store Display of Gallerie Apex:

Gallerie Apex always plays a different style to attract the potential customer. (Abrou) Visual Merchandising is very important part in store to attract the customer. (Abrou) Store Display gives an idea about the product feature such as variety, quality and size, color, design and trends. (Abrou) This display reminds the customers about their need and they attract to buy this product. (Abrou) It is an act of putting things for view or on view. (Abrou) I visited some galleries to take this display idea and I found some rules of display. This display can be dividing into 2 types. (Abrou) They are: (Abrou)

- ✓ Interior Display
- ✓ Exterior Display

Before a customer enters the store, the store must send a message that, store must be well decorated, clean and full of lighting. (Abrou) The display products are being neat & clean. (Abrou) There is some display rules that I have noticed from galleries is that; (Abrou)

- ✓ Have to show the outside of shoes
- ✓ Angle at 0degree & 90 degrees (same style)
- ✓ Group shoes consistently with a space between groups
- ✓ Display shoes should keep in small size like 38/40.
- ✓ The display light should be top on display article



According to Branding, there are generally 5 brands are common on Gallerie Apex. (Abrour)

Figure: 1



APEX

Figure: 2



SPRINT

Figure: 3



VENTURINI

Figure: 4



NINO ROSSI

Figure: 5



SANDRA ROSA



There are some rules about Brand Differentiation: (Abrour)

- ✓ Each Brand should be displayed separately
- ✓ Never should mix Venturini with Apex
- ✓ Never should mix Nino Rossi with Sandra Rosa
- ✓ Always keep the different Brand in a selected place

According to ladies footwear, always have to display the flats on the bottom shelf & high heels on the top shelf. (Abrour) It will be better not display the Sandra Rosa with Nino Rossi. (Abrour) According to new arrival, new article should display on the right side after entrance with new arrival tag. (Abrour) In that part ladies and men's article can display separately. (Abrour)

A. Brand for men footwear; some common brand of Gallerie Apex. (Abrour)

- ✓ Venturini- Exclusive dress shoes targeted for upper middle segment.
- ✓ Apex- Leather footwear is for middle/ upper middle segment.
- ✓ Sprint- Sporty casual targeted for middle/upper middle segment.

B. Brand for women footwear; Gallerie Apex has also some ladies brand. (Abrour)

- ✓ Nino Rossi- Evening wears for middle/upper middle segment.
- ✓ Moochie- Designer collects for middle/upper segment.
- ✓ Sandra Rosa- Colorful for middle/ upper middle segment.

C. Brand for kids; Gallerie Apex has also some kids Items, (Abrour)

- ✓ Apex- Under this brand some kid's article is common.
- ✓ Disney- This brand is totally new for Gallerie Apex which is going.



CHAPTER SIX

Job Description



FINANCIAL PERFORMANCE ANALYSIS OF APEX ADELCHI FOOTWEAR LTD



6.1 Nature of the job:

My internship commenced on the date of my joining which was on February 01, 2011. My posting was at their Register Office, House # 6, Road # 137, Dhaka-1212. I have worked in the accounting division of Apex Adelchi Footwear Limited. During my internship period, I had been giving my work report to Mr. Pradip Kanti Saha (General Manager of Finance) everyday that I did.

6.2 Specific responsibilities of the job:

During my internship period, my responsibility was to record the daily sales amount of their outlets, bank deposit amount in “Tally Software”. I found this information from their weekly sales report. Another responsibility was to do sales reconciliation. It refers that to check the sales amount which is given in the sales report with bank statement. I had been checking whether the sales manager of outlets deposits the money in the bank properly. If I found any mistakes or differences then I had to record it in the reconciliation sheet. The reconciliation sheet is shown in below:

GALLERIE APEX															
MONTHLY SALES RECONCILIATION															
MONTH : February / YEAR : 2011															
Store Code : 065															
Location : Uposahar, Sylhet															
Date	Daily Sale	Mode of Sale			Cash Sale Recovery (Deposited by Outlet)	Bank Information (Amount credited into Bank)			Card Sale Receivable Comsn.	Receivable against C/ Sale	Card Sale Recovery			Remarks	
1	2	Cash 3	Card 4	Other 5	Amount 6	Date 7	Amount 8	Date 9	10	4 - 10 = 11	Amount 12	DD No. 13	Date 14	15	
B/F															
01	39540	37040	2500		48430	01.2.2011	✓	✓							
02	47140	46150	990		37040	02.2.2011	✓	✓							
03	45280	45280			46150	03.2.2011	✓	✓							
04	38860	36320	2540				✓	✓							
05	39320	39320					✓	✓							
06	40275	38185	1090		120920	06.2.2011	✓	✓						difference is 1000	
07	17380	17380					✓	✓							
08	54440	52800	1640		55565	08.2.2011	✓	✓							
09	28670	28670			52250	09.2.2011	✓	✓							
10	43020	42020	1000		28670	10.2.2011	✓	✓							
11	37010	35160	1850				✓	✓							
12	64115	56275	7840				✓	✓							
13	69069	69069			134005	13.2.2011	✓	✓							
14	44000	44000			69070	14.2.2011	✓	✓							
15	30660	30660			44000	15.2.2011	✓	✓							
16	42570	36090	6400				✓	✓						difference is 80	
17	52650	52650			66750	17.2.2011	✓	✓							
18	24020	24020					✓	✓							
19	19870	19870					✓	✓							
20	32550	29310	3240		96540	20.2.2011	✓	✓							
21	36730	35680	1050				✓	✓							
22	33350	27660	5690		64990	22.2.2011	✓	✓							
23	37520	37520			27660	23.2.2011	✓	✓							
24	46475	45785	690		37520	24.2.2011	✓	✓							
25	32800	32800					✓	✓							
26	37410	34710	2700		44740	28.2.2011	✓	✓							
27	44740	44740			113295	27.2.2011	✓	✓							
28	34430	31230	3200				✓	✓							
29							✓	✓							
30							✓	✓							
31							✓	✓							
Total	1113894	1070394	42420	0	1087595										
Prepared by					Checked by					Accounts					Approved by

6.3 Different aspects of job performance:

As I mentioned above that my responsibility was to record the daily sales amount of their outlets, bank deposit amount in “Tally Software”. Another responsibility was to do sales reconciliation. I worked this type of activities in accounting department because at the beginning in entry level position every officer does this type of activities. At first senior manager of accounting department checks the level/ability of every officer by giving this type of activities. When they perform well, they get another responsibility. I worked this type of activities in accounting department because I had been checking whether the sales manager of outlets deposits the money in the bank properly. If I found any mistakes or differences then I had to record it in the reconciliation sheet.

6.4 Observations:

At the period of my internship in Gallerie Apex, I visited some galleries. Gallerie Gulshan is one of them. It denotes the whole activities that have to be done in each store of the Gallerie Apex. These are about;

- ✓ Product Knowledge
- ✓ Sales Conduct
- ✓ POS (Point of Sale)
- ✓ Process of sales communication
- ✓ Procedure of Goods receiving/Dispatch
- ✓ Cash Memo
- ✓ Sales Report (Daily)
- ✓ Sales Report (Weekly)
- ✓ Sales Report (monthly)
- ✓ Accounting
- ✓ Store Billing
- ✓ After Sales Service
- ✓ Visual Merchandising



Gallerie Gulshan is ‘A’ category shop of Gallerie Apex. Total space is 1800sft and 6 employees are working there. Customer response is very much positive. This gallerie has verities collection of shoes for men and ladies. These categories are;

Table: Product Category

Men’s Item	Ladies Item	Leather goods
Shoes	Sandals	Belt
Sandals	junior kids’	wallet
Sports Item-snake	School cads	
Shoe shiner		
Foot protect		
Comfort socks		

According to Men’s shoes, there are three products brand like Venturini, Apex and Sprint are common and Ladies sandals; Sandra Rosa, Nino Rossi and Apex are common. Men’s shoes size starts from 39-44 and sandal size starts from 35-41. There have different row to display particular brand product like shoes, sandals, socks, kid’s sandals etc. Price of Men’s shoes starts from 1250Tk-5500Tk, sandals 400Tk-1950Tk, and Ladies sandals 380Tk-2250Tk, Comfort socks 150Tk-250Tk. Price of Leather Goods is 600Tk.

Point of Sale (POS) is some information’s about selling goods that have to fill by manager at selling period. These are;

- 1. Article code
- 2. Name
- 3. Color
- 4. Size
- 5. Pair
- 6. Price
- 7. Quantity
- 8. Balance
- 9. Unit price
- 10. Discount%
- 11. Total Discount amount

I observed the sales communication between customer and sales person. How a sales person help a customer for purchasing a pair of shoes. A sales person gives information very politely about selected products feature, leather quality, durability and components of manufacturing.



Store billing process is like, there has separate sheet of conveyance bill and other sheet for any kind of store expense occurs. Manager record it and checked by Area Sales Executive before sending to head office.

Goods receiving/Dispatch period gallerie manager receive a copy of invoice which includes VAT paper and receive the given article by Central Distribution Center (CDC). After that they count product at the given size and article number from invoice. Sale report is to prepare by gallerie manager which should be daily, weekly and monthly basis. There are some statements has to make at the closing period of month. These are as follows;

- ✓ Accounting stock statement
- ✓ Monthly sales report
- ✓ Recapitulation of merchandise received;
 - Supply invoice (from CDC)
 - Inter transfer invoice (from other galleries)

- ✓ Recapitulation of merchandise Dispatched
- ✓ Claim report (In case of defect product);
 - Sole crack
 - Upper ornament
 - Insole cut
 - Counter stitch
 - Pasting
 - Upper cut
 - Insole

(Attach copy-Settlement of customer claim)

- ✓ Change of price (Increase)
- ✓ Change of price (Reduction)
- ✓ Discount sale

After making this report, manager sends it to the head office. MIS department also record this statement. After sales service is also an important part of in-store merchandising. Any types of customer claim have to settle by gallerie manager. I also studied these types of cases. At that time manager informs to Area Sale Executives (ASE) under these galleries, ASE checks the claim product and after that sends it to Central Distribution Centre for repair (If possible).



CHAPTER SEVEN

Performance Analysis



7.1 Financial Statement Analysis:

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

Income statement:

The income statement, often called the statement of income or statement of earnings, is the report that measures the success of enterprise operations for a given period of time. (Weygandt, Kieso, Kimmel) The business and investment community uses this report to determine profitability, investment value and credit worthiness. (Weygandt, Kieso, Kimmel) It provides investors and creditors with information that helps them predict the amounts, timing and uncertainty of future cash flows. (Weygandt, Kieso, Kimmel)

Balance sheet:

The balance sheet sometimes referred to as the statement of financial position, reports the assets, liabilities, and stockholders' equity of a business enterprise at a specified date. (Weygandt, Kieso, Kimmel) This financial statement provides information about the nature and amounts of investments in enterprise resources, obligations to creditors, and the owners' equity in net resources. (Weygandt, Kieso, Kimmel) It therefore helps in predicting the amounts, timing and uncertainty of future cash flows. (Weygandt, Kieso, Kimmel)

Objective of Financial Analysis:

In short, the main objectives of analysis of financial statements are to assess: the present and future earnings capacity or profitability of the concerns, the operational efficiency of the concern as a whole and of its various parts or departments, the short-term and long-term solvency of the concern for the benefit of the debenture holders and trade creditors, the comparative study in regard to one firm with another firm or one department with another department, the possibility of developments in the future by making forecasts and preparing budgets, the financial stability of a business concern, the real meaning and significance of financial data. (Weygandt, Kieso, Kimmel)

7.2 Ratio Analysis:

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

Purpose and Use of Ratio Analysis:

A primary advantage of ratios is that they can be used to compare the risk and return relationships of firms of different sizes. (Weygandt, Kieso, Kimmel) Ratios can also provide a profile of a firm, its economic characteristics and competitive strategies and its unique operating, financial and investment characteristics. (Weygandt, Kieso, Kimmel) In addition ratios are very informative for both the insiders and outsiders of the firm. (Weygandt, Kieso, Kimmel) Ratio analysis expresses the relationship among selected financial statement data. (Weygandt, Kieso, Kimmel) The relationship is expressed in terms of a percentage, a rate or a simple proportion. (Weygandt, Kieso, Kimmel) For example: IBM Corporation had current assets of \$41,338 million and current liabilities of \$29,226 million. The relationship is determined by dividing current assets by current liabilities. The alternative means of expression are:

- Percentage: Current assets are 141% of current liabilities.
- Rate: Current assets are 1.41 times as great as current liabilities.



7.3 Major types of Ratios:

Liquidity Ratios:

It measures the short term ability of the enterprise to pay its maturing obligations & to meet unexpected needs for cash. (Weygandt, Kieso, Kimmel) Short term creditors such as bankers and suppliers are particularly interested in assessing liquidity. (Weygandt, Kieso, Kimmel) The ratios that can be used to determine the enterprise's short term debt paying ability are the current ratio, acid test ratio, receivables turnover. (Weygandt, Kieso, Kimmel)

Profitability Ratios:

It measures the income or operating success of an enterprise for a given period of time. (Weygandt, Kieso, Kimmel) Income or the lack of it, affects the company's ability to obtain debt and equity financing. (Weygandt, Kieso, Kimmel) It also affects the company's liquidity position and the company's ability to grow. (Weygandt, Kieso, Kimmel) As a consequence, both creditors and investors are interested in evaluating earning power-profitability. (Weygandt, Kieso, Kimmel)

Solvency Ratios:

It measures the ability of the company to survive over a long period of time. (Weygandt, Kieso, Kimmel) Long term creditors and stockholders are particularly interested in a company's ability to pay interest as it comes due and to repay the face value of debt at maturity. (Weygandt, Kieso, Kimmel)

7.4 Ratio analysis of Apex Adelchi Footwear Limited over the year from 2006 to 2009:

Current Ratio:

It is a widely used measure for evaluating a company’s liquidity and short term debt paying ability. (Weygandt, Kieso, Kimmel) The ratio is computed by dividing current assets by current liabilities. (Weygandt, Kieso, Kimmel) The current ratio shows us how well a company is able to pay off its short term debt using its most liquid assets. (Weygandt, Kieso, Kimmel)

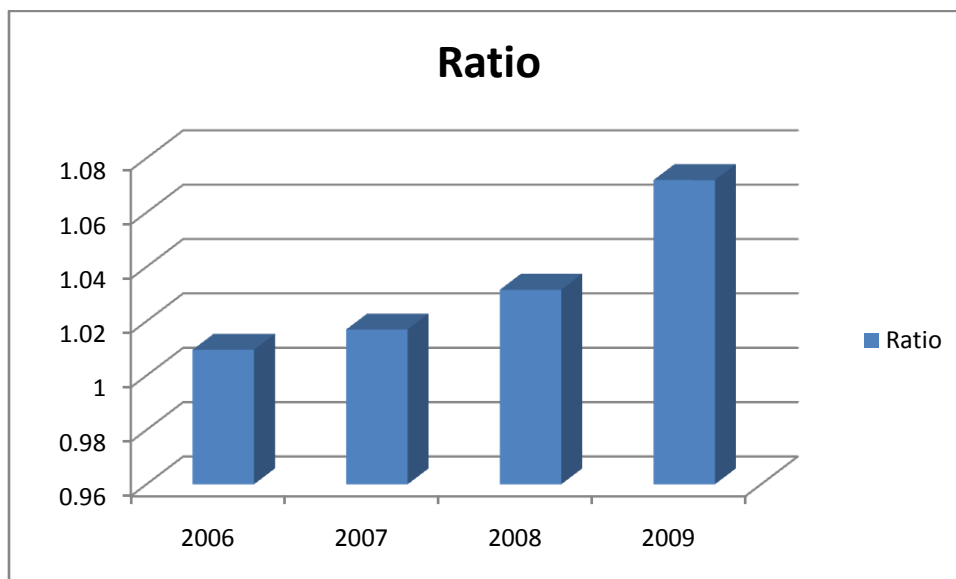
$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

Table 1: Current Ratio

Year	Current Asset (taka)	Current Liabilities(taka)	Ratio
2006	1500605000	1486478000	1.0095
2007	2466120000	2424952000	1.01698
2008	2770329439	2685499668	1.03159
2009	2950021759	2752039461	1.07194

(Annual Report 2006-09)

Chart no 1: Current Ratio



Analysis:

As we know that the higher the current ratio, the more capable the company is of paying its obligations. A ratio under 1 suggests that the company would be unable to pay off its obligations if they came due at that point. While this shows the company is not in good financial health, it does not necessarily mean that it will go bankrupt. It is definitely not a good sign. If current liabilities exceed current assets (the current ratio is below 1), then the company may have problems meeting its short-term obligations. We also know that this ratio represents the margin of safety or cushion available to the creditors. It is an index of the firm's financial stability. It is also an index of technical solvency and an index of the strength of working capital. If the current ratio is too high, then the company may not be efficiently using its current assets or its short-term financing facilities. This may also indicate problems in working capital management. If a company has a current ratio of 3 or 4, it may want to be concerned. A number this high means that management has so much cash on hand; they may be doing a poor job of investing it. In this graphical representation we have seen that over the year from 2006 to 2009 their current ratio was increasing & ratio was over 1 but less than 3 or 4 that means the company was capable of paying its obligations. The company was in good financial health & it was definitely a good sign. The company had used its current assets or its short-term financing facilities with efficiency. This indicates improvements in working capital management. We know that an equal increase in both current assets and current liabilities would decrease the ratio. We have also seen that from 2006 to 2007 current asset was increasing by 64.34%, from 2007 to 2008 current asset was increasing by 12.34% & from 2008 to 2009 current asset was increasing by 6.49%. On the other hand from 2006 to 2007 current liabilities was increasing by 63.13%, from 2007 to 2008 current liabilities was increasing by 10.74% & from 2008 to 2009 current liabilities was increasing by 2.48%. So we can say that it was not an equal increase in both current assets and current liabilities as a result it leads to increase the ratio.

Quick Ratio:

It is a measure of a company's immediate short term liquidity. (Weygandt, Kieso, Kimmel) It is computed by dividing the sum of cash, short term investments and net receivables by current liabilities. (Weygandt, Kieso, Kimmel)

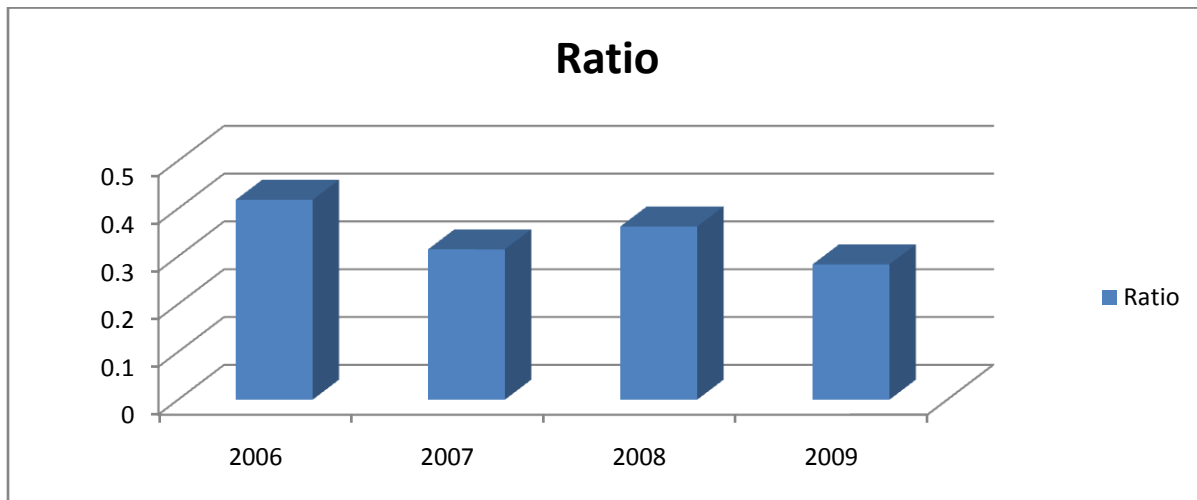
$$\text{Quick ratio} = \frac{\text{Cash} + \text{Short Term Investments} + \text{Receivables (Net)}}{\text{Current Liabilities}}$$

Table 2: Quick Ratio

Year	Cash (taka)	Short Term Investments (taka)	Receivables (Net) (taka)	Current Liabilities (taka)	Ratio
2006	84289000	1000000	536502000	1486478000	0.4182982
2007	62394000	4125000	696438000	2424952000	0.3146277
2008	63568890	4342419	905371364	2685499668	0.3624214
2009	64697015	4574002	709941378	2752039461	0.28314

(Annual Report 2006-09)

Chart no 2: Quick Ratio



Analysis:

As we know that the higher the quick ratio, the better the position of the company. The quick ratio (also called the acid test or liquidity ratio) is the most excessive and difficult test of a company's financial strength and liquidity. It is a reflection of the liquidity of a business. It measures the firm's capacity to pay off current obligations immediately and is more rigorous test of liquidity than the current ratio. It is used as a complementary ratio to the current ratio. The quick test ratio does not apply to the handful of companies where inventory is almost immediately convertible into cash. Instead it measures the ability of the average company to come up with cold, hard cash literally in a matter of hours or days. Since inventory is rarely sold that fast in most businesses, it is excluded. Liquid ratio is more rigorous test of liquidity than the current ratio because it eliminates inventories and prepaid expenses as a part of current assets.



Inventories cannot be termed as liquid assets because it cannot be converted into cash immediately without a loss of value. In the same manner, prepaid expenses are also excluded from the list of liquid assets because they are not expected to be converted into cash. Usually a high liquid ratio an indication that the firm is liquid and has the ability to meet its current or liquid liabilities in time and on the other hand a low liquidity ratio represents that the firm's liquidity position is not good. A low liquid ratio does not necessarily mean a bad liquidity position as inventories are not absolutely non-liquid. Hence, a firm having a high liquidity ratio may not have a satisfactory liquidity position if it has slow-paying debtors. On the other hand, a firm having a low liquid ratio may have a good liquidity position if it has fast moving inventories. In this graphical representation we have seen that in 2006 company's liquid ratio was high & in 2009 company's liquid ratio was low. We have also noticed that this ratio declined slightly in 2007 & 2008. Since 2006 company's liquid ratio was high that means the firm was liquid and had the ability to meet its current or liquid liabilities in time. On the other hand 2009 company's liquid ratio was low that means the firm's liquidity position was not good. We also noticed that over the year from 2006 to 2009 their current ratio improved that means the company was capable of paying its obligations but here we saw that their quick ratio fluctuated from 2006 to 2009. It creates doubt whether company was capable or not of paying its obligations. From the current ratio we thought that their financial strength was good but in quick ratio we saw a different picture which refers their financial strength was not good. In the current ratio we have got better results because we considered all the components of current asset (inventories, receivables, cash, investment & prepaid expenses) but here we have excluded inventories, prepaid expenses from current asset so we have got different results. In 2009 company's liquid ratio was low it does not necessarily mean a bad liquidity position if it has fast moving inventories. In 2006 company's liquid ratio was high it may not have a satisfactory liquidity position if it has slow-paying debtors. From this view point we can say that it is very complicated to say whether company has good or bad position.

Receivables Turnover:

Liquidity may be measured by how quickly certain assets can be converted to cash. (Weygandt, Kieso, Kimmel) It measures the number of times, on average receivables are collected during the period. (Weygandt, Kieso, Kimmel) It is computed by dividing net credit sales by the average net receivables. (Weygandt, Kieso, Kimmel)

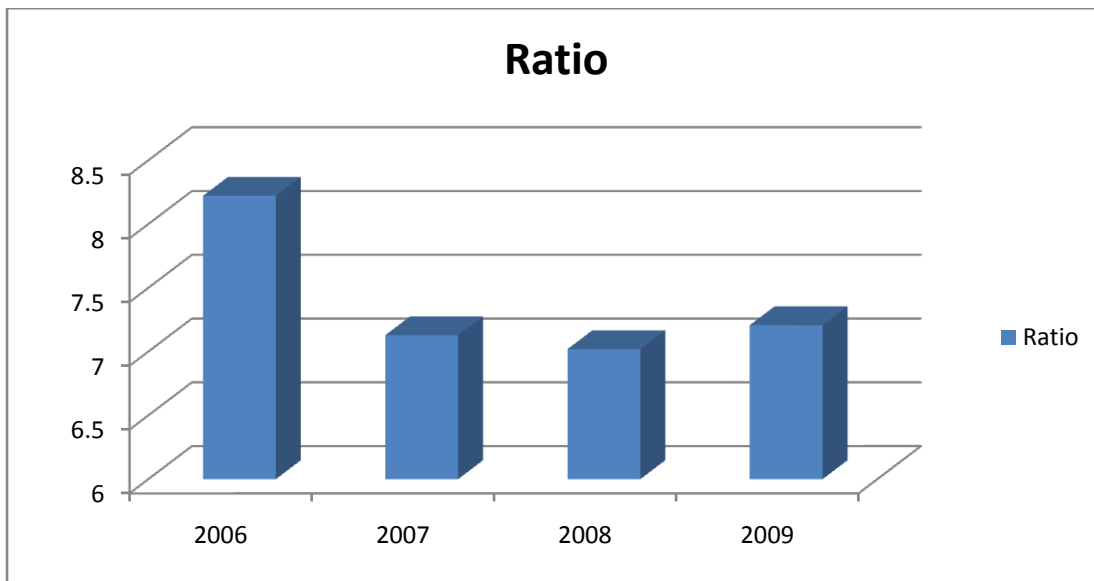
$$\text{Receivables Turnover} = \frac{\text{Net Credit Sales}}{\text{Average Net Receivables}}$$

Table 3: Receivables Turnover

Year	Net Credit Sales (taka)	Average Receivables (Net) (taka)	Ratio
2006	2904486000	353276500	8.221565827 times
2007	4394617000	616470000	7.128679417 times
2008	5621741716	800904682	7.019239421 times
2009	5820869547	807656371	7.207111534 times

(Annual Report 2006-09)

Chart no 3: Receivables Turnover



Analysis:

As we know that accounts receivable turnover ratio or debtor’s turnover ratio indicates the number of times the debtors are turned over a year. The higher the value of debtor’s turnover the more efficient is the management of debtors or more liquid the debtors are. Similarly, low debtors turnover ratio implies inefficient management of debtors or less liquid debtors. It is the reliable measure of the time of cash flow from credit sales. In this graphical representation we have seen that their receivables turnover improved in 2006. The turnover of 8.22 times was better than other years. Since in 2006 the value of debtor’s turnover was higher than other years that mean they were more efficient to convert receivables into cash.



Here we can see that in 2006 the receivables were collected on average every 44 days, respectively in 2007 (51 days), in 2008 (52 days) & in 2009 (50 days). In this graphical representation we have also seen that over the year from 2006 to 2009 their net credit sales was increasing because of increasing the number of stores, widening the product range, developing new customers & segments, establishing good quality in the market place. From 2007 to 2009 years they were inefficient in the collection of receivables as we have seen above. There are some reasons behind this. Massive inflationary pressure, full blown global financial crisis, the increase in the cost of living in Bangladesh and many other factors occurred over the year from 2007 to 2009. For this reason they were unable to collect their receivables as far as I think. Although they faced these types of diverse challenges, they were capable to increase their sales & profit growth because they were capable to cut down unnecessary cost from many sectors with efficiently and they more emphasized on quality of the product as a result many orders came from domestically and internationally.

Inventory Turnover:

It measures the number of times on average the inventory is sold during the period. (Weygandt, Kieso, Kimmel) Its purpose is to measure the liquidity of the inventory. (Weygandt, Kieso, Kimmel) It is computed by dividing cost of goods sold by the average inventory. (Weygandt, Kieso, Kimmel)

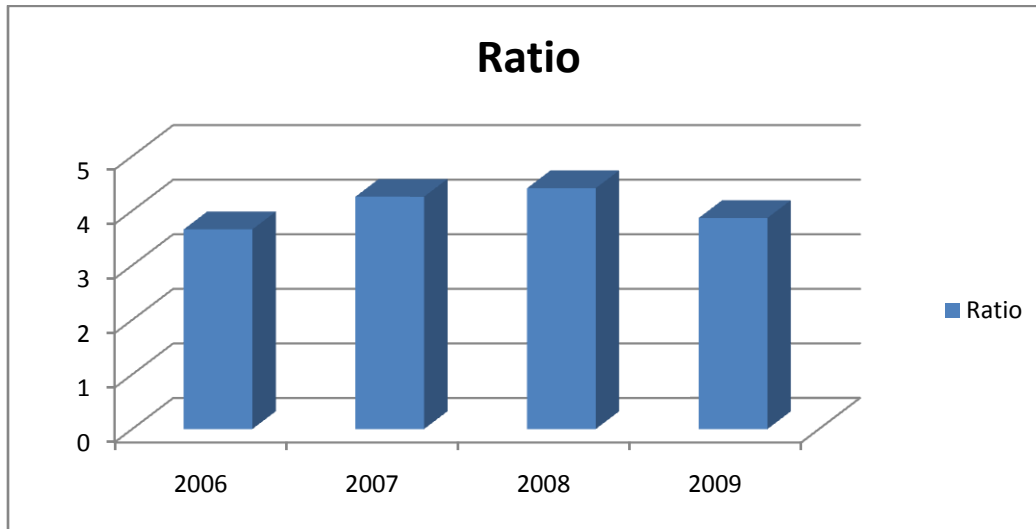
$$\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

Table 4: Inventory Turnover

Year	Cost of Goods Sold (taka)	Average Inventory (taka)	Ratio
2006	2605040000	711911500	3.659218878 times
2007	3849101000	904016500	4.257777375 times
2008	4936926416	1118475771	4.41397708 times
2009	4883463949	1262304486	3.868689373 times

(Annual Report 2006-09)

Chart no 4: Inventory Turnover



Analysis:

As we know that every firm has to maintain a certain level of inventory of finished goods so as to be able to meet the requirements of the business. But the level of inventory should neither be too high nor too low. A too high inventory means higher carrying costs and higher risk of stocks becoming obsolete whereas too low inventory may mean the loss of business opportunities. It is very essential to keep sufficient stock in business. Inventory turnover ratio measures the velocity of conversion of stock into sales. Usually a high inventory turnover/stock velocity indicates efficient management of inventory because more frequently the stocks are sold; the lesser amount of money is required to finance the inventory. A low inventory turnover ratio indicates an inefficient management of inventory. A low inventory turnover implies over-investment in inventories, dull business, poor quality of goods, stock accumulation, accumulation of obsolete and slow moving goods and low profits as compared to total investment. The inventory turnover ratio is also an index of profitability, where a high ratio signifies more profit; a low ratio signifies low profit. Sometimes, a high inventory turnover ratio may not be accompanied by relatively high profits. Similarly a high turnover ratio may be due to under-investment in inventories. It may also be mentioned here that there are no rule of thumb or standard for interpreting the inventory turnover ratio. The norms may be different for different firms depending upon the nature of industry and business conditions. In the graphical representation we have seen that their inventory turnover improved in 2008.

The turnover of 4.41 times was better compared to other years. Since inventory turnover ratio in 2008 was higher than other years that mean they were more efficient in the management of inventory. They were more capable to convert the stock into sales. Here we can also see that in 2006 their inventories were sold on average every 99 days, respectively in 2007 (85 days), in 2008 (82 days) & in 2009 (94 days). An average selling period of 82 days in 2008 & selling period of 85 days in 2007 was comparatively better than other years. There are some reasons behind this. In 2007 the price of raw hides and skins increased both domestically and abroad. Similarly price of other basic raw material TPR granules, the major input for their outsoles also increased significantly due to rising oil prices. The heavy rain falls and flooding in June- July as well as the cyclonic rain and floods in October and finally cyclone SIDR in November wreaked havoc on the economy of Bangladesh. There was significant loss of livestock, namely cows and goats that affected in their raw supply. For these above reasons they utilized their inventories with efficiently & they were forced to build up stocks whenever they had the opportunity as future supplies were even more uncertain. Previous year’s consecutive natural disasters of SIDR and 2 rounds of flooding affected again in the price of raw hides and skins badly in 2008. The supply of raw hides and skins was much lower than previous years and as a result raw hide prices especially for cow in Bangladesh rose to historic highs. So in 2008 they were again forced to utilize their inventories with efficiently.

Debt to Total Assets Ratio:

It measures the percentage of the total assets provided by creditors. (Weygandt, Kieso, Kimmel) It is computed by dividing total debt by total assets. (Weygandt, Kieso, Kimmel) It indicates the company’s degree of leverage. (Weygandt, Kieso, Kimmel) It provides some indication of the company’s ability to withstand losses without impairing the interests of creditors. (Weygandt, Kieso, Kimmel) The higher the percentage of debt to total assets it leads to the greater the risk that the company may be unable to meet its maturing obligations. (Weygandt, Kieso, Kimmel)

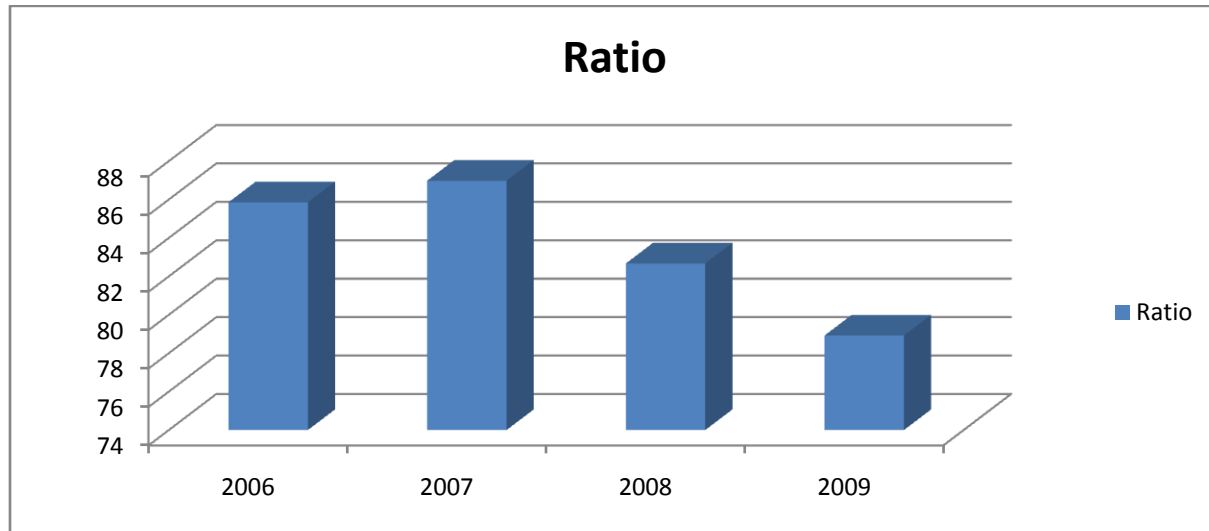
$$\text{Debt to Total Assets} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

Table 5: Debt to Total Asset

Year	Total Debts (taka)	Total Assets (taka)	Ratio
2006	1521739000	1772490000	85.8531783%
2007	2430450000	2794309000	86.97856966%
2008	2685499668	3248434601	82.67057823%
2009	2752039461	3487131645	78.9198614%

(Annual Report 2006-09)

Chart no 5: Debt to Total Asset



Analysis:

As we know that the higher the ratio, the greater risk will be associated with the firm's operation. In addition, high debt to assets ratio may indicate low borrowing capacity of a firm which in turn will lower the firm's financial flexibility. If the ratio is less than 0.5, most of the company's assets are financed through equity. If the ratio is greater than 0.5, most of the company's assets are financed through debt. Companies with high debt/asset ratios are said to be "highly leveraged" not highly liquid. A company with a high debt ratio (highly leveraged) could be in danger if creditors start to demand repayment of debt. In the graphical representation we have seen that debt to asset ratio in 2009 was lower compared to previous 3 years. That means in 2009 less risk was associated with the firm's operation. In previous 3 years debt to asset ratio was high which indicates company had low borrowing capacity, it leads to lower the firm's financial flexibility. Company was in danger position in those years. We have also noticed that over the year from 2006 to 2009 the ratio was greater than 0.5 that means most of the company's assets are financed through debt.

Profit Margin:

It is a measure of the percentage of each dollar of sales that results in net income. (Weygandt, Kieso, Kimmel) It is computed by dividing net income by net sales. (Weygandt, Kieso, Kimmel)

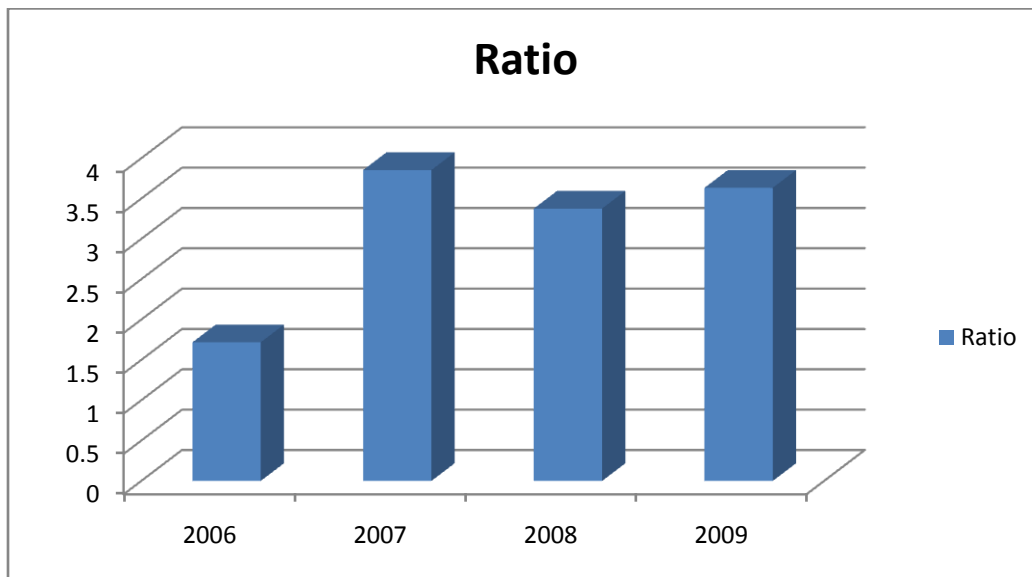
$$\text{Profit Margin} = \frac{\text{Net Income}}{\text{Net Sales}}$$

Table 6: Profit Margin

Year	Net Income (taka)	Net Credit Sales (taka)	Ratio
2006	49916000	2904486000	1.718582909%
2007	169358000	4394617000	3.85376018%
2008	189828000	5621741716	3.376675941%
2009	211532000	5820869547	3.634027499%

(Annual Report 2006-09)

Chart no 6: Profit Margin



Analysis:

As we know that profit margin is an indicator of a company's pricing strategies and how well it controls costs. The profit margin ratio provides clues to the company's pricing, cost structure and production efficiency. The higher the profit margin the better off the business, the profit margin is an extremely useful measure of how the business is performing over time. At a glance, company can see whether their business's net profit has increased, stayed the same or decreased over last year. If it's decreased, company will take steps to cure the problem such as better controlling the expenses. A low profit margin ratio indicates that low amount of earnings, low profits is generated from revenues. A low profit margin ratio indicates that the business is unable to control its production costs. In the graphical representation we have seen that their profit margin improved in 2007. In 2008 it declined slightly but again in 2009 it raised. Over the year from 2006 to 2009 their net profit was increasing that means they took better pricing strategy, emphasized production efficiency and well controlled cost structure. Overall their business was performing better as the time progress. For example in 2007 they embarked on a major drive to boost efficiency and reduce cost of production. The first area that they attacked was rejection rate where innovative and bold ideas from the senior management team helped bring about more than 50% reduction in the total rejection rate and thereby reduced their cost of production. The second area was the use of overtime where they once again targeted companywide reductions without loss of output. The third area was rationalization of their human resources where they imposed a hiring freeze and did not replace attrition losses. For this reason their profit margin improved in 2007.

Asset Turnover:

It measures how efficiently a company uses its assets to generate sales. (Weygandt, Kieso, Kimmel) It is determined by dividing net sales by average assets. (Weygandt, Kieso, Kimmel)

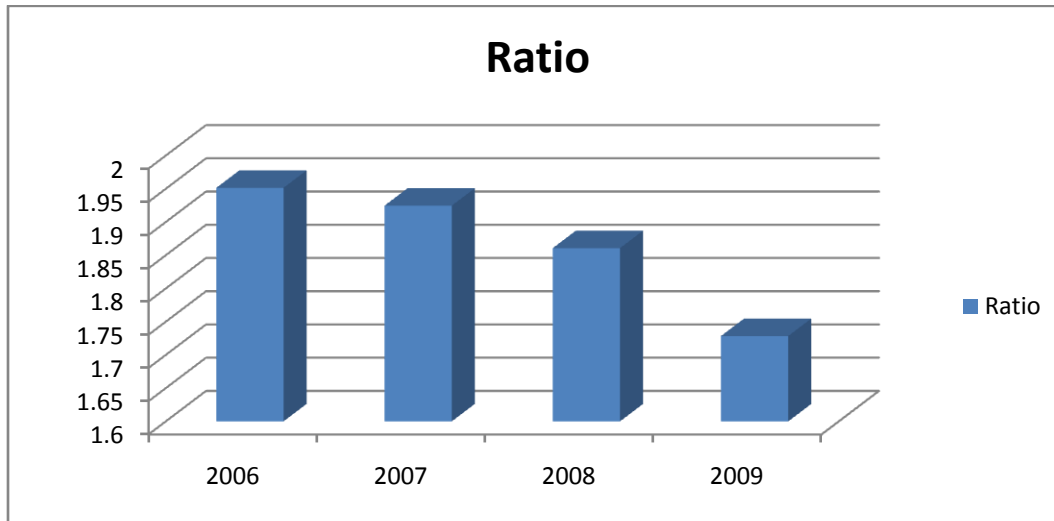
$$\text{Asset Turnover} = \frac{\text{Net Sales}}{\text{Average Assets}}$$

Table 7: Asset Turnover

Year	Net Credit Sales (taka)	Average Assets (taka)	Ratio
2006	2904486000	1488401000	1.951413631 times
2007	4394617000	2283399500	1.92459401 times
2008	5621741716	3021371801	1.860658697 times
2009	5820869547	3367783123	1.72839798 times

(Annual Report 2006-09)

Chart no 7: Asset Turnover



Analysis:

As we know that asset turnover can give an indication of how efficient a company is. A high asset turnover which expresses how many times a company sells or turns over its assets in a year is a sign of high efficiency. The higher the ratio, the more sales that a company is producing based on its assets. Thus a higher ratio would be preferable to a lower one. A low asset turnover ratio means inefficient utilization or obsolescence of fixed assets, which may be caused by excess capacity or interruptions in the supply of raw materials. In the graphical representation we have seen that their asset turnover improved in 2006. Their asset turnover declined slightly in 2007 & 2008 but in 2009 it declined greatly. In 2006 & 2007 company was more efficient to utilize their asset in order to generate sales. In 2006 their assets were sold on average every 187 days, respectively in 2007 (190 days), in 2008 (196 days) & in 2009 (210 days). In 2009 they took 210 days (7 months) to utilize their asset in order to generate sales; apparently it seems that it was worst performance but it was not because they utilized their assets in other sector for business purpose. In 2009 they completed construction & installation of their dedicated factory Unit 2 in order to expansion of domestic market. Substantial investments were required for completing this infrastructure. So they took more time to convert the assets in order to generate sales in 2009 as far as I think.

Return on Assets:

It measures overall profitability of assets. (Weygandt, Kieso, Kimmel) It is computed by dividing net income by average assets. (Weygandt, Kieso, Kimmel)

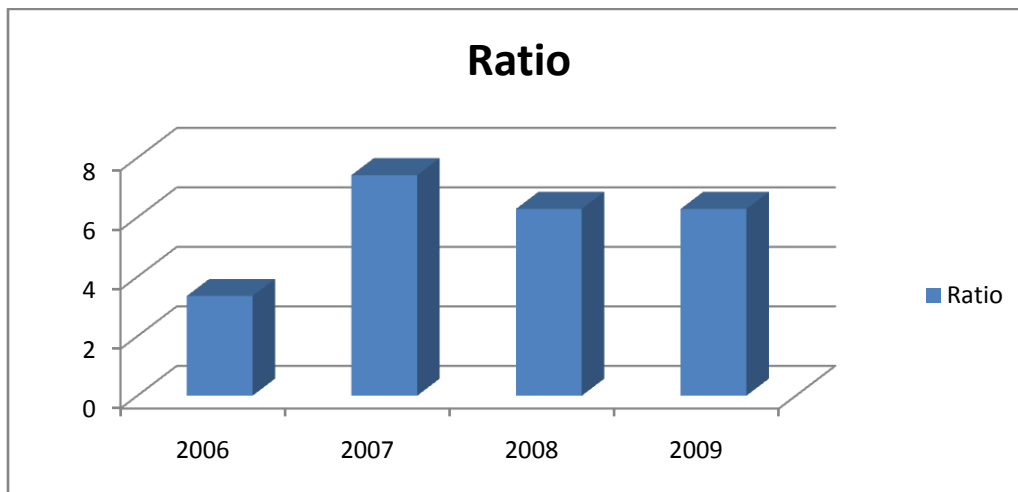
$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Average Assets}}$$

Table 8: ROA

Year	Net Income (taka)	Average Assets (taka)	Ratio
2006	49916000	1488401000	3.353666116 %
2007	169358000	2283399500	7.416923758 %
2008	189828000	3021371801	6.282841455 %
2009	211532000	3367783123	6.281045788 %

(Annual Report 2006-09)

Chart no 8: ROA



Analysis:

As we know that ROA is an indicator of how profitable a company is relative to its total assets. It gives an idea as to how efficient management is at using its assets to generate earnings. It gives investors an idea of how effectively the company is converting the money it has to invest into net income. The higher the ROA number, the better, because the company is earning more money on less investment. In this graphical representation we have seen that their ROA improved from 2006 to 2007. Their ROA unchanged in 2008 & 09. From 2007 to 2009 they performed so well

that gives an idea to the investors the company was earning more money on less investment. They utilized their assets to generate earnings with efficiently.

Return on Common Stockholders' Equity:

It measures profitability from the common stockholders' viewpoint. (Weygandt, Kieso, Kimmel) It shows how many dollars of net income were earned for each dollar invested by the owners. (Weygandt, Kieso, Kimmel) It is computed by dividing net income by average common stockholders' equity. (Weygandt, Kieso, Kimmel)

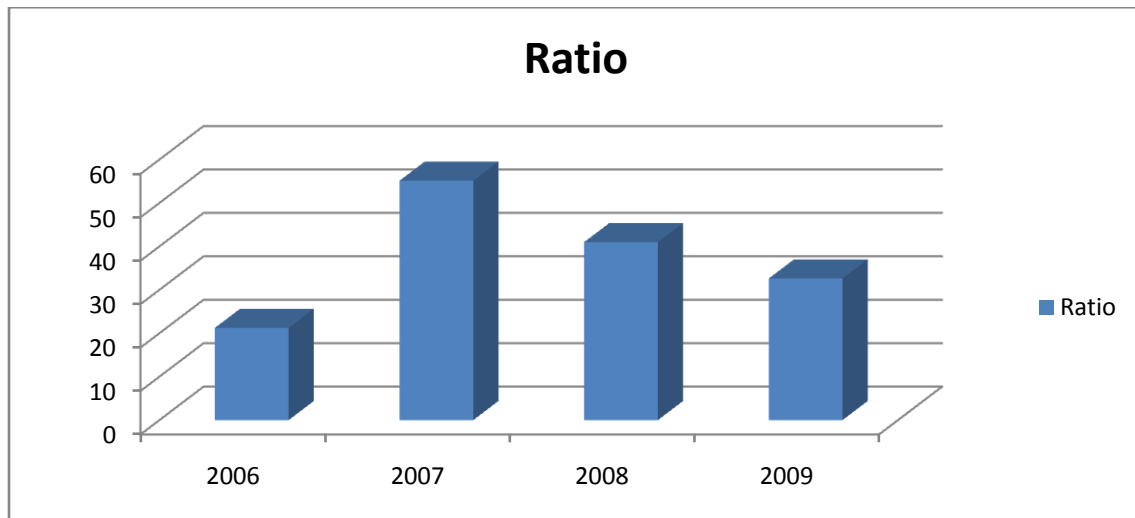
$$\text{Return on Common Stockholders' Equity} = \frac{\text{Net Income}}{\text{Average Common Stockholders' Equity}}$$

Table 9: ROE

Year	Net Income (taka)	Average Common Stockholders' Equity (taka)	Ratio
2006	49916000	235168000	21.22567696 %
2007	169358000	307305274	55.11067157 %
2008	189828000	463397240	40.9644218 %
2009	211532000	649013559	32.5928476 %

(Annual Report 2006-09)

Chart no 9: ROE





Analysis:

As we know that ROE reveals how much profit a company earned in comparison to the total amount of shareholder equity found on the balance sheet. It measures how much the shareholders earned for their investment in the company. A business that has a high return on equity is more likely to be one that is capable of generating cash internally. A higher return on equity means that surplus funds can be invested to improve business operations without the owners of the business (stockholders) having to invest more capital. It also means that there is less need to borrow. The higher the ratio percentage, the more efficient management is in utilizing its equity base and the better return is to investors. So this ratio is more meaningful to the equity shareholders who are interested to know profits earned by the company and those profits which can be made available to pay dividends to them. In this graphical representation we have seen that their ROE much improved in 2007. Since the value of ROE in 2007 was better compared to other years which refers company was capable of generating cash internally, surplus funds invested to improve business operations without the owners of the business (stockholders), they utilized their equity base with efficiently & provided better return to the investors. As the time progress their ROE declined which was not a good sign for the company.

Earnings Per Share:

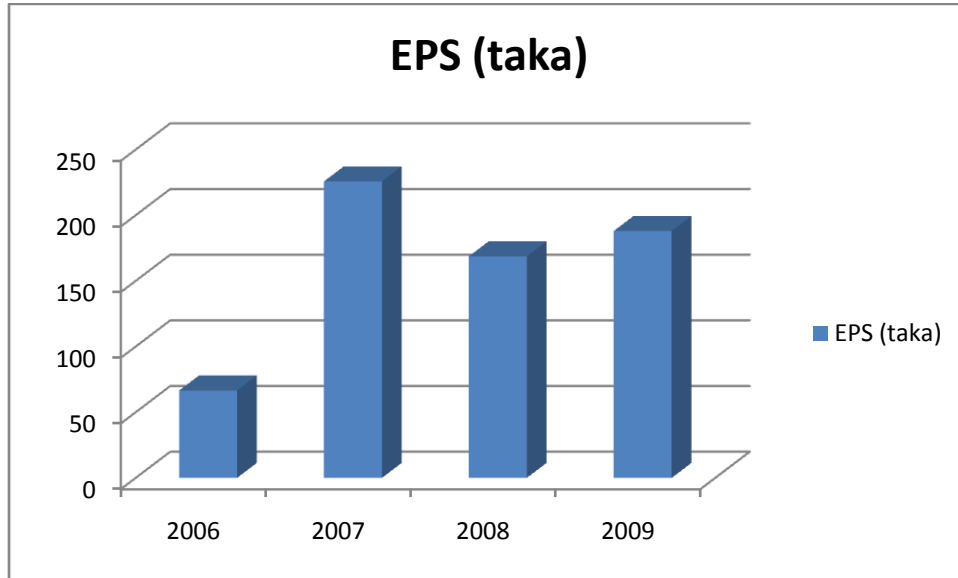
It is a measure of the net income earned on each share of common stock. (Weygandt, Kieso, Kimmel)It is computed by dividing net income by the number of weighted average common shares outstanding during the year. (Weygandt, Kieso, Kimmel) A measure of net income earned on a per share basis provides a useful perspective for determining profitability. (Weygandt, Kieso, Kimmel)

Table 10: EPS

Year	EPS (taka)
2006	66.56
2007	225.81
2008	168.74
2009	188.03

(Annual Report 2006-09)

Chart no 10: EPS



Analysis:

If a person wants to invest in stock then earnings per share is perhaps the single most important topic a person should understand before investing money in the market. It is one of the most important measures of a company's strength & it also measures of management performance as shows how much money the company is making for shareholders, not only because of changes in profits but also after all the effects of new share issues. Obviously the higher this number, the more money the company is making for shareholders. The higher the earnings per share with all else equal, the higher each share should be worth. In the graphical representation we have seen that their earnings per share improved in 2007 compared to other years. Since their earnings per share was high in 2007 that means in that period their profitability & their management performance was so good as a result they were capable to make much money for shareholders. In 2008 it slightly declined but in 2009 it again raised. Over the year from 2007 to 2009 they tried to provide more money for shareholders. In my perspective it was good sign because shareholders always look for this type of lucrative company. When a company provides more money for shareholders, then they can realize how well the company's strength.

Price Earnings Ratio:

It reflects investors’ assessments of a company’s future earnings. (Weygandt, Kieso, Kimmel) It is computed by dividing the market price per share of the stock by earnings per share. (Weygandt, Kieso, Kimmel)

Table 11: P/E Ratio

Year	Price Earnings Ratio
2006	7.2 times
2007	9.61 times
2008	10.37 times
2009	13.74 times

(Annual Report 2006-09)

Chart no 11: P/E Ratio



Analysis:

As we know that price earnings ratio helps the investor in deciding whether to buy or not to buy the shares of a particular company at a particular market price. It depends on investor’s willingness to pay for earnings. The more investors are willing to pay, which means he/she believes the company has good long term prospects over and above its current position.



Generally, higher the price earnings ratio the better it is. A high P/E ratio suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E ratio. If the P/E ratio falls, the management should look into the causes that have resulted into the fall of this ratio. The higher the P/E ratio the more the market is willing to pay for the company’s earnings. Generally investors are most interested in future cash flows, prospective P/E ratio. Some investors read a high P/E ratio as an overpriced stock and that may be the case, however it can also indicate the market has high hopes for this stock’s future and has bid up the price. Conversely, a low P/E ratio may indicate a “vote of no confidence” by the market or it could mean this is a sleeper that the market has overlooked. In the graphical representation we have seen that over the year from 2006 to 2009 their P/E ratio continuously improved. It was a good sign for them. Since their P/E ratio continuously improved which refers that the company will have a good long term prospects over and above its current position in the future. As investors are most interested about future cash flows, prospective P/E ratio, when they will notice their performance carefully then investors will be interested to buy the shares of a particular company at a particular market price, they will be interested to pay for the company’s earnings because they are expecting higher earnings growth in the future.

Payout Ratio:

It measures the percentage of earnings distributed in the form of cash dividends. (Weygandt, Kieso, Kimmel) It is computed by dividing cash dividends by net income. (Weygandt, Kieso, Kimmel) Companies that have high growth rates generally have low payout ratios because they reinvest most of their net income into the business. (Weygandt, Kieso, Kimmel)

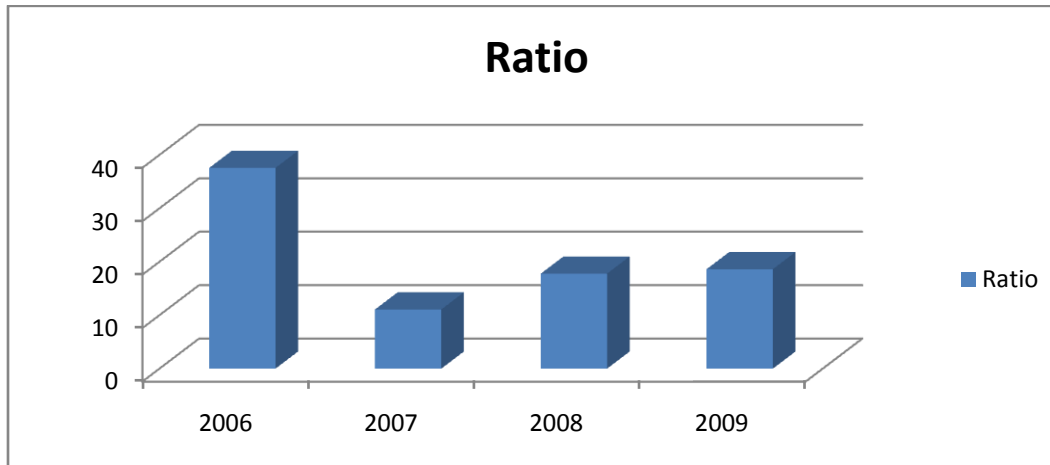
$$\text{Payout Ratio} = \frac{\text{Cash Dividends}}{\text{Net Income}}$$

Table 12: Payout Ratio

Year	Cash Dividends (taka)	Net Income (taka)	Ratio
2006	18750000	49916000	37.56310602 %
2007	18750000	169358000	11.07122191 %
2008	33750000	189828000	17.7792528 %
2009	39375000	211532000	18.61420494 %

(Annual Report 2006-09)

Chart no 12: Payout Ratio



Analysis:

As we know that, payout ratio is calculated to find the extent to which earnings per share have been used for paying dividend and to know what portion of earnings has been retained in the business. It is the indicators of the amount of earnings that have been ploughed back in the business. It also indicates how well earnings support the dividend payments: the lower the ratio, the more secure the dividend because smaller dividends are easier to pay out than larger dividends. A very low payout ratio indicates that a company is primarily focused on retaining its earnings rather than paying out dividends. The lower the payout ratio, the higher will be the amount of earnings ploughed back in the business. A lower payout ratio means a stronger financial position of the company. So it is an important ratio because ploughing back of profits enables a company to grow and pay more dividends in future. In the graphical representation we have seen that their payout ratio was high in 2006 compared to other years. We have also noticed that their payout ratio was low in 2007 compared to other years. In 2008 & 2009 their payout ratio slightly raised which was much lower from the value of 2006. Since their payout ratio was low in 2007 which refers that company was primarily focused on retaining its earnings rather than paying out dividends, they ploughed back higher amount of earnings in their business. They thought that if they plough back higher amount of earnings in their business it will lead to enables the company to grow and pay more dividends in future. In 2007, shareholders dividend was more secured as shareholders normally look for & they expected that they will receive more dividends in the future as the company progress. In 2008 & 2009 their payout ratio slightly raised but it was much lower than the value of 2006 that means company still then focused on retaining its earnings rather than paying out dividends, ploughed back higher amount of earnings in their business.



CHAPTER EIGHT

Findings Part

8.1 Findings of the Report:

Findings regarding various aspects of ratio analysis of Apex Adelchi Footwear Ltd over the year from 2006 to 2009, in this report we have found that:

- Over the year from 2006 to 2009 their current ratio was increasing & ratio was over 1 but less than 3 or 4 that means the company was capable of paying its obligations. The company was in good financial health & it was definitely a good sign. The company had used its current assets or its short-term financing facilities with efficiently. This indicates improvements in working capital management.
- Over the year from 2006 to 2009 their current ratio improved that means the company was capable of paying its obligations but in this report we have found that their quick ratio fluctuated from 2006 to 2009. It creates doubt whether company was capable or not of paying its obligations. In the current ratio we have got better results because we considered all the components of current asset (inventories, receivables, cash, investment & prepaid expenses) but here we have excluded inventories, prepaid expenses from current asset so we have got different results. From this view point we can say that it is very complicated to say whether company has good or bad position.
- Over the year from 2006 to 2009 their receivables turnover improved in 2006. The turnover of 8.22 times was better than other years. Since in 2006 the value of debtor's turnover was higher than other years that mean they were more efficient to convert receivables into cash. Here we have found that in 2006 the receivables were collected on average every 44 days, respectively in 2007 (51 days), in 2008 (52 days) & in 2009 (50 days). From 2007 to 2009 years they were inefficient in the collection of receivables as we have seen above. There are some reasons behind this. Massive inflationary pressure, full blown global financial crisis, the increase in the cost of living in Bangladesh and many other factors occurred over the year from 2007 to 2009. For this reason they were unable to collect their receivables as far as I think. Although they faced these types of diverse challenges, they were capable to increase their sales & profit growth because they were capable to cut down unnecessary cost from many sectors with efficiently and they more emphasized on quality of the product as a result many orders came from domestically and internationally.

- Over the year from 2006 to 2009 their inventory turnover improved in 2008. The turnover of 4.41 times was better compared to other years. Since inventory turnover ratio in 2008 was higher than other years that mean they were more efficient in the management of inventory. They were more capable to convert the stock into sales. Here we have found that in 2006 their inventories were sold on average every 99 days, respectively in 2007 (85 days), in 2008 (82 days) & in 2009 (94 days). An average selling period of 82 days in 2008 & selling period of 85 days in 2007 was comparatively better than other years. There are some reasons behind this. In 2007 the price of raw hides and skins increased both domestically and abroad. Similarly price of other basic raw material TPR granules, the major input for their outsoles also increased significantly due to rising oil prices. The heavy rain falls and flooding in June- July as well as the cyclonic rain and floods in October and finally cyclone SIDR in November wreaked havoc on the economy of Bangladesh. There was significant loss of livestock, namely cows and goats that affected in their raw supply. For these above reasons they utilized their inventories with efficiently & they were forced to build up stocks whenever they had the opportunity as future supplies were even more uncertain. Previous year's consecutive natural disasters of SIDR and 2 rounds of flooding affected again in the price of raw hides and skins badly in 2008. The supply of raw hides and skins was much lower than previous years and as a result raw hide prices especially for cow in Bangladesh rose to historic highs. So in 2008 they were again forced to utilize their inventories with efficiently.
- Over the year from 2006 to 2009 we have seen that debt to asset ratio in 2009 was lower compared to previous 3 years. That means in 2009 less risk was associated with the firm's operation. In previous 3 years debt to asset ratio was high which indicates company had low borrowing capacity, it leads to lower the firm's financial flexibility. Company was in danger position in those years. We have also noticed that over the year from 2006 to 2009 the ratio was greater than 0.5 that means most of the company's assets are financed through debt.
- Over the year from 2006 to 2009 we have seen that their profit margin improved in 2007. In 2008 it declined slightly but again in 2009 it raised. Over the year from 2006 to 2009 their net profit was increasing that means they took better pricing strategy, emphasized production efficiency and well controlled cost structure. Overall their business was performing better as the time progress. For example in 2007 they embarked on a major drive to boost efficiency and reduce cost of production. The first area that they attacked was rejection rate where innovative and bold ideas from the senior management team helped bring about more than 50% reduction in the total rejection rate and thereby reduced their cost of production. The second area was the use of overtime where they once again targeted companywide reductions without loss of output. The third area was



rationalization of their human resources where they imposed a hiring freeze and did not replace attrition losses. For this reason their profit margin improved in 2007.

- Over the year from 2006 to 2009 their asset turnover improved in 2006. Their asset turnover declined slightly in 2007 & 2008 but in 2009 it declined greatly. In 2006 & 2007 company was more efficient to utilize their asset in order to generate sales. In 2006 their assets were sold on average every 187 days, respectively in 2007 (190 days), in 2008 (196 days) & in 2009 (210 days). In 2009 they took 210 days (7 months) to utilize their asset in order to generate sales; apparently it seems that it was worst performance but it was not because they utilized their assets in other sector for business purpose. In 2009 they completed construction & installation of their dedicated factory Unit 2 in order to expansion of domestic market. Substantial investments were required for completing this infrastructure. So they took more time to convert the assets in order to generate sales in 2009 as far as I think.
- Over the year from 2006 to 2009 their ROA improved from 2006 to 2007. Their ROA unchanged in 2008 & 09. From 2007 to 2009 they performed so well that gives an idea to the investors the company was earning more money on less investment. They utilized their assets to generate earnings with efficiently.
- Over the year from 2006 to 2009 their ROE much improved in 2007. Since the value of ROE in 2007 was better compared to other years which refers company was capable of generating cash internally, surplus funds invested to improve business operations without the owners of the business (stockholders), they utilized their equity base with efficiently & provided better return to the investors. As the time progress their ROE declined which was not a good sign for the company.



- Over the year from 2006 to 2009 we have seen that their earnings per share improved in 2007 compared to other years. Since their earnings per share was high in 2007 that means in that period their profitability & their management performance was so good as a result they were capable to make much money for shareholders. In 2008 it slightly declined but in 2009 it again raised. Over the year from 2007 to 2009 they tried to provide more money for shareholders. In my perspective it was good sign because shareholders always look for this type of lucrative company. When a company provides more money for shareholders, then they can realize how well the company's strength.
- Over the year from 2006 to 2009 we have seen that over the year from 2006 to 2009 their P/E ratio continuously improved. It was a good sign for them. Since their P/E ratio continuously improved which refers that the company will have a good long term prospects over and above its current position in the future. As investors are most interested about future cash flows, prospective P/E ratio, when they will notice their performance carefully then investors will be interested to buy the shares of a particular company at a particular market price, they will be interested to pay for the company's earnings because they are expecting higher earnings growth in the future.
- Over the year from 2006 to 2009 their payout ratio was high in 2006 compared to other years. We have also noticed that their payout ratio was low in 2007 compared to other years. In 2008 & 2009 their payout ratio slightly raised which was much lower from the value of 2006. Since their payout ratio was low in 2007 which refers that company was primarily focused on retaining its earnings rather than paying out dividends, they ploughed back higher amount of earnings in their business. They thought that if they plough back higher amount of earnings in their business it will lead to enables the company to grow and pay more dividends in future. In 2007, shareholders dividend was more secured as shareholders normally look for & they expected that they will receive more dividends in the future as the company progress. In 2008 & 2009 their payout ratio slightly raised but it was much lower than the value of 2006 that means company still then focused on retaining its earnings rather than paying out dividends, ploughed back higher amount of earnings in their business.



CHAPTER NINE

Recommendation Part

9.1 *Recommendation:*

The overall performance of AAFL shows a satisfactory position although they have been suffering last few years. The liquidity ratios show that they have impressive ability to meet the outside liabilities from current assets. They have low return on asset, return on equity at the end of the study but it can be said that there is every possibility to get better financial condition and improvements by taking appropriate and accurate action to protect decreasing tendency. The problem of AAFL can be solved to certain extent. The following suggestion can be made in order to solve the problem.

- ✓ They should increase dividend per share that will serve as a promotional tool.
- ✓ Improvement of productivity through work-study and training of front line supervisors.
- ✓ Contribution analysis for each of the product lines to optimize profit in light of demand factors.
- ✓ Effects to bring selling prices in line with costs having regard to competition and other market factors.
- ✓ They have to be more careful about utilization of working capital.
- ✓ Close attention should be given to inventories and debt management.
- ✓ Rationality and planning in materials purchases to avoid unnecessary inventory build up or shortage of materials.
- ✓ In the face of today's global competition with open market operation, AAFL must develop and retain the high achievers and motivated work force and equip them with the latest skills and technologies.
- ✓ Provision for the training of officers and employees in modern management techniques.
- ✓ Due to electricity crisis, AAFL is not able to run some advanced machineries which have higher production capacity that is currently stacked in their warehouses. AAFL can use HSFO based captive generation (import from Italy) or construct their personal power plants, to run the present and advanced machines.
- ✓ Although they have strong distribution network but it is not that much strong like Bata. To capture more market share, they need to establish more retail houses like Bata so that their products will available every corner of our country.
- ✓ The tannery industry in Hazaribagh is unable to meet environmental friendly standards. AAFL should focus on planning and alternative production source of environmentally friendly finished leather from raw hides. This can be assessed by “green measures” that their partner Italy is using such as intoxication before dumping.



CHAPTER TEN

Conclusion Part



10.1 Conclusion:

Financial analysis is helpful in assessing the financial position and profitability of a concern. This is done through comparison by ratios for the same concern over a period of years; or for one concern against another; or for one concern against the industry as a whole; or for one concern against the predetermined standards; or for one department of a concern against other departments of the same concern. Accounting ratios calculated for a number of years show the trend of the change of position. The trend is upward or downward or static. The ascertainment of trend helps us in making estimates for the future. Thus we can say that there is lots of application of financial analysis in the modern days of business. To assess any business condition financial analysis gives a clear financial picture of any business organization. This helps to evaluate the trend and condition of organization. From small to big business organization financial analysis helps a great deal in decision-making process. As it helps to give idea about the financial condition, thus it helps in future financial projection and decision making process of any business house. Eventually one can assess how important is financial analysis in the modern days of business. It gives the exact picture of the financial condition and helps future projection of any organization. Apex Footwear Ltd is leading edge footwear company in Bangladesh. It is gradually expanding its asset base and able to proper utilize assets. No business stays at the top if it doesn't maintain its performance. Thus it is very important to fulfill the demand of the consumers through competitive advantage.

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