

Internship Report
On
Financial Performance Analysis of
Berger Paints Bangladesh Limited





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Financial Performance Analysis of
Berger Paints Bangladesh Limited

Prepared for

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Letter of Transmittal

September 23, 2014

Mr. A. B. Mirza Md. Azizul Islam
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Subject: Submission of Report of Internship Spring 2014

Dear Sir,

With due respect, I would like to let you know that I have prepared an “Internship Report” for the partial fulfillment of the BBA program and submitting you for your kind inspection.

This report consists of a summary and analysis of the three months internship experience I gathered in corporate head office of Berger Paints Bangladesh Limited. The topic of my report is *“Financial Performance Analysis of Berger Paints Bangladesh Limited.”* To complete the report, I have gathered the annual reports, various papers and documents etc. from my line manager as well as from internet for the purpose of secondary data. I have practically worked and observed their working environment in the Financial and Treasury Department. In addition to that I have also gained a little knowledge about other department’s activities, in order to broaden my experience. On the basis of the primary and secondary data and everyday observation, I have prepared the report.

Hence, I hope that you would be kind enough to receive this report for analysis.

Sincerely yours,

Tanija Nasrin
ID: 10304086
BRAC Business School
BRAC University

Acknowledgement

At the beginning, I would like to express my thanks to the Almighty Allah for giving me the patience to complete the internship report on “Financial Performance Analysis of Berger Paints Bangladesh Limited.”

I express my gratitude to my academic supervisor Mr. A. B. Mirza Md. Azizul Islam, without his kind support, this study would have been a failure. He suggested what can I include to make my report attractive but due to insufficient data I have to change the topic that I selected at the beginning. Moreover, my supervisor was very liberal all the time and let me change the topic of the report.

I want to thank my office supervisor Mr. Md. Shahariar Khan (Manager, Accounts) who welcomed me into the beautiful corporate world of Berger Paints Bangladesh Limited. He gave me the opportunity to have an excellent and enduring practical working experience, to go out of my comfort zone and learn to be more creative, challenging and confident.

I also want to thank the “Financial Accounting and Treasury Management” team who provided me with all the necessary information, guidance and support that I required in making this report. They also made sure that I have a great working experience in Berger Paints Bangladesh Limited by delegating me business tasks which I know would serve me extremely well in the foreseeable future. I am also grateful to the other interns whom I worked with; they provided me the information I needed and support me throughout the internship period.

Finally, I would like to convey my gratitude to my Parents. Without their contribution it would not be possible for me to complete the three months internship as well as my BBA program.

Table of Contents

Executive Summary	4
Chapter One: Introduction	5
1.1 Background of the Study.....	6
1.2 Origin of the Report	6
1.3 Objective of the Report	7
1.3.1 Main Objective.....	7
1.3.2 Specific Objectives	7
1.4 Methodology	7
1.5 Scope of the study	7
1.6 Limitations of the study.....	7
Chapter Two: Company Overview	8
2.1 Company Profile	9
2.2 Vision	10
2.3 Mission.....	10
2.4 Corporate Objective	10
2.5 Strategy.....	10
2.6 Board of directors.....	10
2.7 Company Organogram	11
2.8 Product Portfolio	12
2.9 Major departments.....	12
Chapter Three: Job Responsibilities as an Intern at BPBL.....	14
3.1 Financial Accounting and Treasury Department of BPBL	15
3.2 Job Responsibilities.....	16
Chapter Four: Financial Performance Analysis of BPBL.....	18
4.1 Last Five Years Financial Data Analysis of BPBL.....	19
4.2 Fundamental Ratio Analysis of BPBL.....	20
4.2.1 Short-Term Solvency or Liquidity Ratios.....	20
4.2.1.1 Current Ratio	20
4.2.1.2 Quick Ratio.....	22
4.2.2 Long-Term Solvency or Financial Leverage Ratios.....	23
4.2.2.1 Debt to Equity Ratio	24

4.2.2.2	Debt to Asset Ratio.....	25
4.2.3	Asset Management or Turnover Ratios	26
4.2.3.1	Inventory Turnover Ratio	27
4.2.3.2	Accounts Receivable Turnover Ratio.....	28
4.2.3.3	Accounts Payable Turnover Ratio.....	29
4.2.4	Profitability Ratios	31
4.2.4.1	Net Profit Margin.....	31
4.2.4.2	Return on Asset (ROA)	32
4.2.4.3	Return on Equity (ROE)	33
4.3	Share Market Analysis of BPBL.....	35
4.3.1	Trend analysis of stock price	35
4.3.2	Market Ratio Analysis of BPBL.....	36
4.3.2.1	Earnings per Share (EPS)	36
4.3.2.2	Price-Earnings Ratio.....	37
4.3.2.3	Dividend Payout Ratio.....	38
Chapter Five: Findings.....		40
Chapter Six: Recommendations.....		43
Chapter Seven: Conclusion.....		44
Bibliography		45
Appendix.....		47

List of Table and Chart

Chart:

Chart 2-1: Organogram of BPBL.....	11
Chart 4-1: Trend Analysis of GP, PBT, PAT.....	20
Chart 4-2: Current Ratio.....	21
Chart 4-3: Quick Ratios.....	23
Chart 4-4: Debt to Equity Ratio.....	24
Chart 4-5: Debt to Asset Ratio.....	26
Chart 4-6: Inventory Turnover Ratio.....	27
Chart 4-7: Accounts Receivable Turnover Ratio.....	29
Chart 4-8: Accounts Payable Turnover Ratio.....	30
Chart 4-9: Net Profit Margin.....	31
Chart 4-10: ROA.....	32
Chart 4-11: ROE.....	34
Chart 4-12: Composition of Shareholders.....	35
Chart 4-13: Closing Price Trend.....	35
Chart 4-14: EPS.....	37
Chart 4-15: P/E Ratio.....	38
Chart 4-16: Dividend Payout Ratio.....	39

Table:

Table 4-1: Last Five Years Financial Data of BPBL.....	19
Table 4-2: Current Ratio.....	21
Table 4-3: Quick Ratio.....	22
Table 4-4: Debt to Equity Ratio.....	24
Table 4-5: Debt to Asset Ratio.....	25
Table 4-6: Inventory Turnover Ratio.....	27
Table 4-7: Accounts Receivable Turnover Ratio.....	28
Table 4-8: Accounts Payable Turnover Ratio.....	30
Table 4-9: Net Profit Margin Ratio.....	31
Table 4-10: ROA.....	33
Table 4-11: ROE.....	34
Table 4-12: EPS.....	36
Table 4-13: Price-Earnings Ratio.....	38
Table 4-14: Dividend Payout Ratio.....	39

Executive Summary

Berger Paints Bangladesh limited is one of the leading paints company in our country. At the time of foundation the company name was Jenson & Nicholson. Their corporate head office is situated in Uttara, Dhaka. BPBL is taking strides in fulfilling their vision to be the most preferred brand in the industry ensuring consumer delight. Their mission is to increase the turnover by 100 percent in every five years which seems very much challenging and encouraging. Being a responsible corporate citizen, BPBL has been contributing to several social causes to bring positive changes in the society.

Berger in Bangladesh has successfully been able to position themselves at the minds of their targeted customers. They accelerated in bringing innovation in products for the users to enable them a service of great quality and showing that they are very cautious about customer's demand and always tries to fulfill their requirements.

I had the opportunity to work with the Finance and Treasury Management team as an intern for three months. The report is the outcome of those three months of learning and hard work at BPBL. The report has been started with the basic overview of BPBL, their products and departments, a brief description on the financial accounting and treasury department and my job responsibilities in that department. Then the discussion has moved to the main topic of "Financial Performance Analysis of Berger Paints Bangladesh Limited." The first section under this topic contains five years financial data analysis of BPBL. After that the fundamental ratios and market ratios are analyzed from year 2009 to 2013. Findings are the outcomes of the analysis which includes both positive and negative factors. Later on, recommendations have been provided to improve the areas where it is needed.

The experience in BPBL enlightened me to grow better and stronger in my desired field. The three month period provided me with an extensive knowledge of handling work under pressure. It also taught me a strong strategy can be really beneficial for a company to survive in the market as a successful brand. On the other hand, if the strategy goes wrong then the company must suffer for the mistakes it has made.

Chapter One: Introduction



1.1 Background of the Study

Every graduate student from the business discipline has to participate in the internship program and complete it with the determination of learning how to do work practically after achieving theoretical knowledge as a business student. It is a perfect chance for every student to gather practical understanding of the theoretical knowledge that we have gained in our four years undergraduate life. A study research should be done for putting the knowledge in practical manner. I have done my internship in the Treasury and Finance Department of Berger Paints Bangladesh Limited. The topic of my report is: “*Financial Performance Analysis of Berger Paints Bangladesh Limited.*” My organization supervisor Mr. Md. Shahariar Khan (Accounts Manager, Treasury and Finance Department, Berger Paints BD Ltd.) as well as my institutional supervisor of BRAC University, Professor Mr. A.B. Mirza Md. Azizul Islam, accepted it.

Berger Paints Bangladesh Limited is one of the famous and oldest names in the paint industry all over the world. Nevertheless, they are one of the most technologically advanced companies in Bangladesh and persistently struggling for innovating superior quality products and services. With more than 250 years of rich heritage, Berger manufactures world class paints for all kinds of substrates and also offers supreme services. The main emphasis of this report is to analyze and evaluate the profitability, liquidity & efficiency of the firm in terms of corporate finance.

1.2 Origin of the Report




The main reason of the Internship Program (BUS 400) is to let the students have hands-on experience of the theoretical courses learned. This credit course is essential for all the BRAC Business School students graduating from BRAC University. I have also organized this report as a partial fulfillment of the degree, Bachelor of Business Administration (BBA) under the supervision of Professor Mr. A. B. Mirza Md. Azizul Islam. This report is the outcome of the three months long internship program at Berger Paints Bangladesh Limited.

1.3 Objective of the Report

1.3.1 Main Objective

To evaluate the financial performance of Berger Paints Bangladesh Limited based on treasury management procedures.

1.3.2 Specific Objectives

-  To understand the financial performance of BPBL on different areas such as liquidity, profitability.
-  To assess the company's effectiveness and weakness in these segments.
-  Construct a recommendation to improve in these areas where it is needed.

1.4 Methodology




Both primary and secondary data used to develop the report. These data were collected from various sources including close ended questions, personal interviews, annual reports, prospectus, websites, journals, articles, previous reports and observing organizational procedures.

1.5 Scope of the study

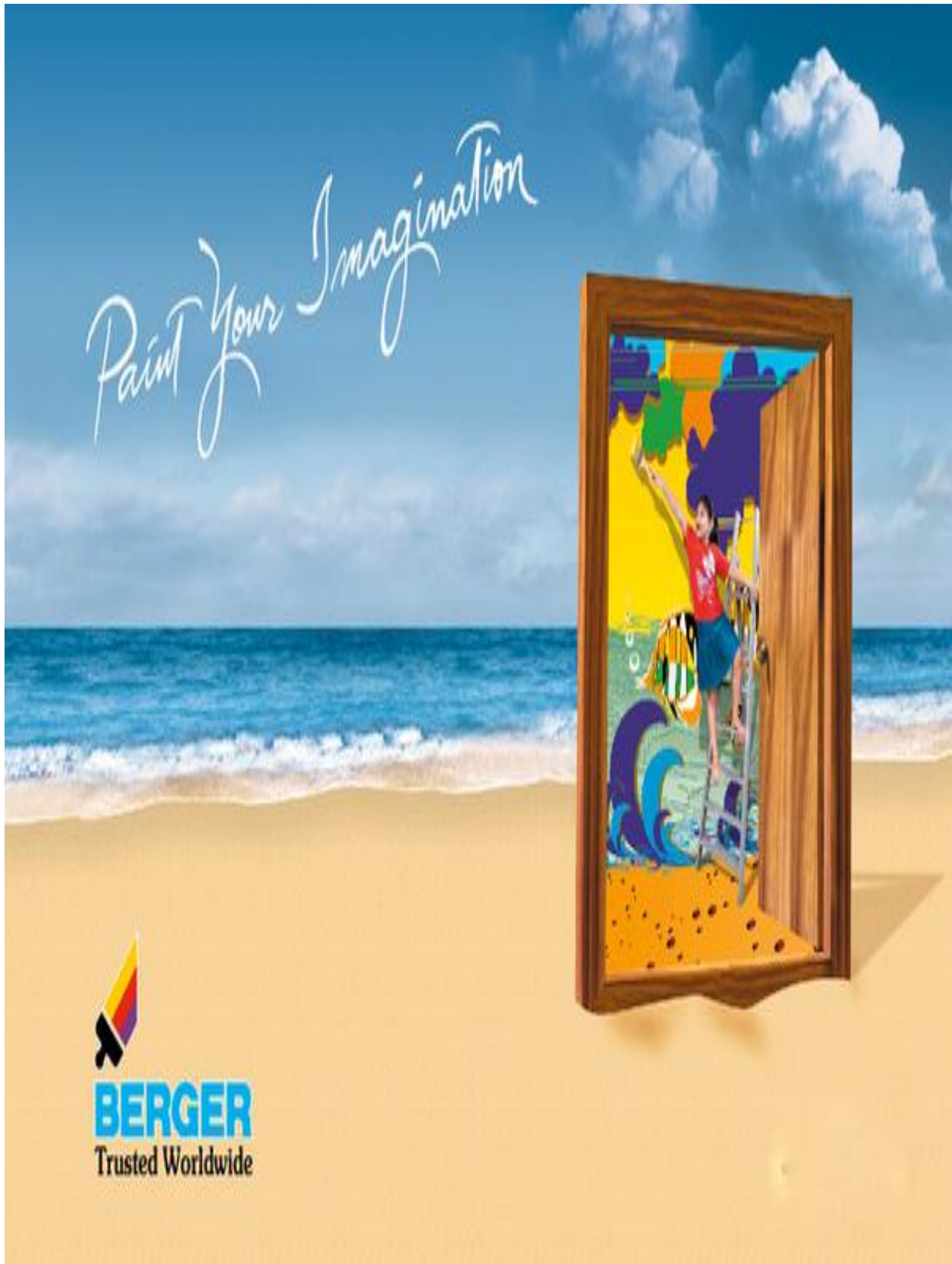
The scope of this study is to find out the efficiency and loopholes of BPBL based on their financial data. I had to collect the primary data from personal contact with the employee. Later on I have used secondary data to complete my report.

1.6 Limitations of the study

While working in BPBL three months' time span seemed very short. It was a great opportunity for me to work there as their environment was very friendly. However, every company has their own policy regarding disclosing information and so in terms of collecting the information there were some limitations I have faced:

-  Large scale investigation was not possible due to time constraints.
-  The study was conducted only within few employees of BPBL of Uttara Branch (Head Office).
-  Relevant data and documents collection were difficult due to the organization confidentiality.

Chapter Two: Company Overview



2.1 Company Profile

Berger's inception was laid out in 1760 by a German national named Louis Berger, who started dye and pigment making business in England. Louis involved his family into the business and eventually changed the status of the company to Louis Berger & Sons Limited. The company grew and expanded rapidly with a strong reputation for excellence in innovation and entrepreneurship. In the initial years, Louis successfully refined the process of manufacturing Prussian blue, a deep blue dye.

The company grew rapidly, by establishing branches all over the world and through mergers and acquisitions with other leading paint and coating manufacturing companies. Berger Paints started 'painting' in Bangladesh since independence. Over the past few decades, Berger has evolved and transformed itself in becoming the leading paint solution provider in the country with a diversified product range that caters to all your painting needs. Berger has heavily invested in technology and Research & Development (R&D) compared to any other manufacturer in this market.

The superior quality of Berger's products has been possible because of their advanced plants and strict quality controls that match international standards. With the strong distribution network, Berger has reached almost every corner of Bangladesh. Nationwide Dealer Network, supported by 8 Sales Depots strategically located at Dhaka, Chittagong, Rajshahi, Khulna, Bogra, Sylhet, Comilla and Mymensingh has an unmatched capability to answer to paint needs at almost anywhere in Bangladesh. In 2014 BPBL opened two new depots in Rangpur and Feni.

Apart from business, Berger Paints has added another dimension to the social responsibilities by contributing to the well-being of the autistic children in Bangladesh from 2009. Berger Paints Bangladesh Limited has been promoting the young and creative talents of the country through Berger Young Painters' Art Competition (BYPAC), Berger Award for Excellence in Architecture (BAEA), Berger Award Program for the Students of Architecture of BUET (BASAB), Scholarship Program for the students of Architecture Discipline, Khulna University. (Berger Paints Bangladesh Limited, 2014)

2.2 Vision

“To be the most preferred brand in the industry ensuring consumer delight”

2.3 Mission

“We shall increase our turnover by 100 percent in every five years. We shall remain socially committed ethical company”

2.4 Corporate Objective

“Our aim is to add value to life, to outperform the peers in terms of longevity, customer service, revenue growth, earnings and cash generation. We will be the employer of choice for all existing and future employees”

2.5 Strategy

“Our strategy is to build long-term partnerships with the customers/consumers. With their support, we aim to maximize the potential of our business- through a combination of enhanced quality of product, service, creative marketing, competitive pricing and cost efficiency”

2.6 Board of directors

The list of Board of Directors of the company is given below:

Chairman	Mr. Gerald K. Adams (Chairman since 2004)
Managing Director	Ms. Rupali Chowdhury (Managing Director since 2008)
Directors	Mr. K. R. Das (Director since 1992), Mr. Anil Bhalla (Director since 1994), Mr. Subir Bose (Director since 1995), Mr. Jean Claude Loutreuil (Director since 1998), Mr. Abdul Khalek (Director since 2004).
Company Secretary	Mr. Abdul Khalek

2.7 Company Organogram

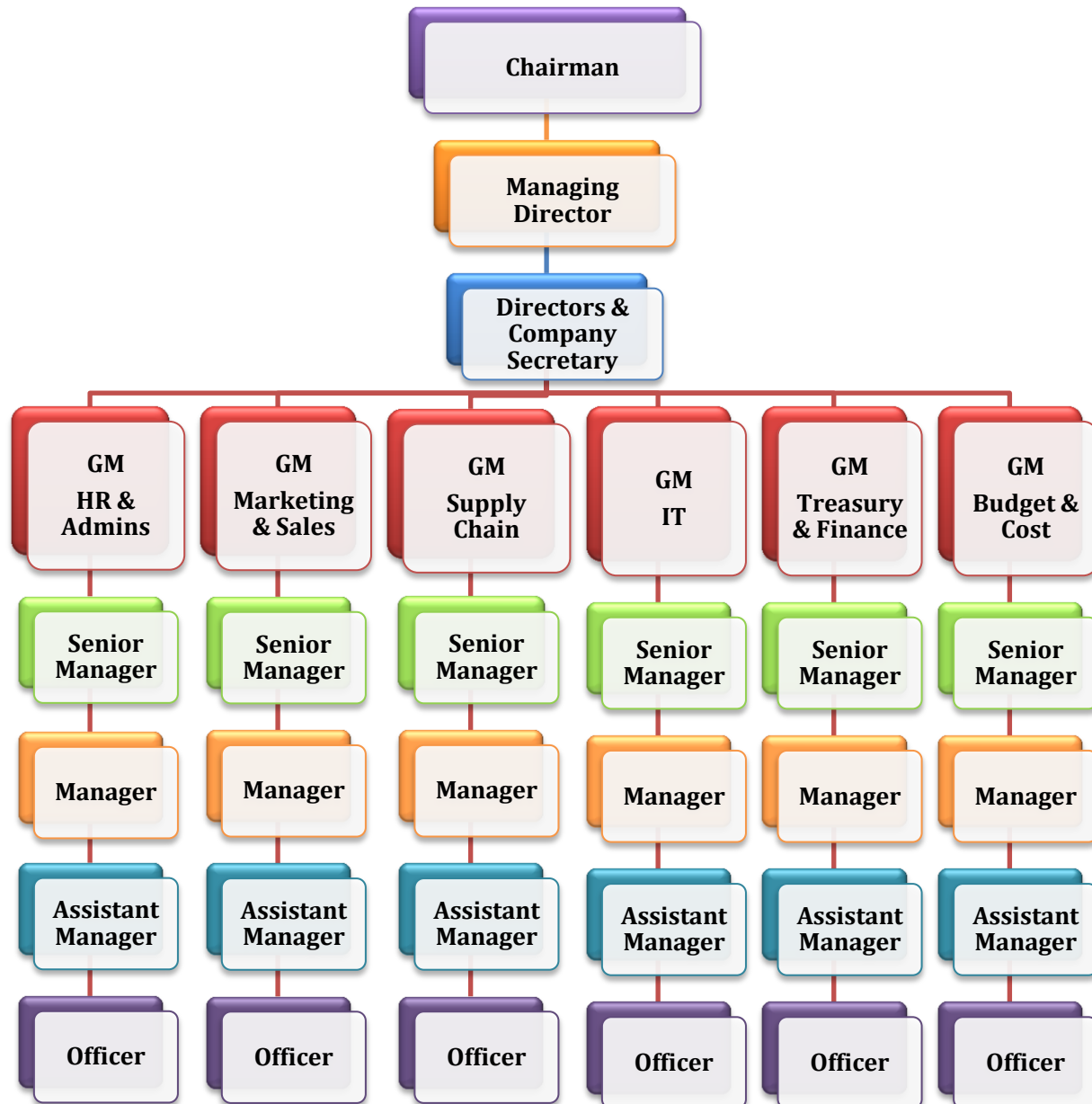


Chart 2-1: Organogram of BPBL

2.8 Product Portfolio

The products of BPBL are:

- ✦ Marine
- ✦ Textile
- ✦ Adhesive
- ✦ Industrial
- ✦ Decorative
- ✦ Breathe Easy
- ✦ Auto Refinish
- ✦ Wood Coating
- ✦ Brush & Roller
- ✦ Powder Coating
- ✦ Pre-Treatment Chemicals
- ✦ Mr. Expert Construction Chemical



2.9 Major departments

Like every other corporation BPBL has different departments for carrying out several activities.

The major departments of BPBL are:

✦ **Human Resource Department:** The Human Resource Department is responsible for the management of the employee in order to achieve organizational goals and coordinates with other departments for the effective utilization of resources. This department works for recruiting, training and evaluating employee performance.

✦ **Supply Chain Department:** This department collects raw materials from the specific vendors at suitable price and quantity. In addition to that this department also purchases required machineries and stationery products for the organization. This department received the bills from the third party and sends them to Finance and Treasury department.

- ✦ **Finance Department:** Under finance department there are small units which are Budget and Cost Control, Financial Accounting & Treasury, Audit and VAT. These sub units are inter related and work together. Director Finance is the head of the department assisted by GM Finance and Treasury and GM Budget and cost Control. Both internal and external audit team perform auditing activities. External audit team is from A. Quasem & Co. and internal audit team is from ACNABIN. VAT section calculates the VAT amount of the BPBL as well as the third parties that has to be deposited to the Government and work with the Accounts Manager for this purpose.
- ✦ **Marketing Department:** BPBL opened the marketing department in 1993 thereafter BPBL has been developing very rapidly in terms of market share and sales growth. After one year of launching marketing department, in 1994 sales growth was 34% which was incredible.
- ✦ **Sales Department:** This department has two categories Decorative and Industrial & Marine. Decorative Sales unit headed by Director Operations who is assisted by GSM-D. There are 10 sales depots all over the country. Industrial and Marine unit is headed by Director Operations, assisted by the Manager Industrial & Marine. Under this group paints are offered to the customers divided into two categories premium products and economy products.
- ✦ **Information Technology Department:** The Information Technology (IT) Department develops and maintains an internal network of workstations, digital networking equipment, operating systems and servers to tie the departments together. This department uses the software programs to manage the information electronically.
- ✦ **Research & Development:** BPBL's research and development department plays an integral role. They find out whether the existing products need any change and upgrades according to the requirements. New product research and development quality check etc. are the main activities of this department.

Chapter Three: Job Responsibilities as an Intern at BPBL



3.1 Financial Accounting and Treasury Department of BPBL

A team of 12 to 15 people look after the Financial Accounting and Treasury Department in BPBL. This team is accountable to deal with all the business transactions conforming the company policies and practices. They also prepare the external and internal reports for all stakeholders as per company requirements. The responsibilities of the employee of this department, is to manage and control future cash collections and disbursement, using the resources effectively and efficiently to generate more cash inflow. They use SAP and Oracle software for their convenience to collect the data. However, they have to take some risks for these types of cash flows. Suitable accounting systems must be used in this section because company's financial result depends on these transactions. If any data mistakenly entered into the process BPBL have to suffer for this. As a consequence, the employees of this department need to be very cunning and careful. Thus, BPBL's treasury department can avoid various risks i.e. market risk, credit risk and liquidity risk by managing the treasury effectively.

Although the department is very small with few people but their contributions are huge. Some major activities under this department are:

- ✦ Transfer funds from one account to another such as JNBL to BPBL, BPBL to BBBL etc.
- ✦ Monitoring the collections of daily sales proceeds from ten depots and deposit them in bank accounts.
- ✦ Maintaining relationships with different banks for account opening, closing etc. and perform bank reconciliation.
- ✦ Make payments for petty bills and third parties for raw materials, machineries purchase etc.
- ✦ Calculate depreciation expenses for fixed assets.
- ✦ Deducting tax at source and withholding tax.
- ✦ Opening letter of credit, settle the payments of LC, analyze exchange rate for measuring foreign exchange gain and loss from LC operations.
- ✦ Produce daily treasury report and half yearly and annual financial reports.
- ✦ Manage cash flows and liquidity crisis.
- ✦ Computing dividend of the shareholders and maintain IPO and existing shares.

3.2 Job Responsibilities

I am honored because I got the chance to spend my internship period at the corporate head office of BPBL. There was really a good communication between the employees and every one of them is efficient and talented in various works. I have learned many things from them. My supervisor was responsible to look over the subsidiary JNBL and joint venture BBBL of BPBL. As a result, most of my tasks were related to JNBL and BBBL. Although I was assigned to work under the supervision of one person but I had the opportunity to work with others also. Therefore, I have used my time effectively and efficiently. I have started my internship at BPBL on 4th May 2014 and ended up at 4th August 2014. The work environment was friendly. Before assigning any task, they make me understand from the scrap and at the beginning they check and monitor whether I am following the instructions correctly or not. During my internship period, I have done various types of work in F&T Department and I tried my level best to complete all the jobs accurately. These are the following tasks I was responsible for during my internship in the organization:

✦ **Vendor Bills, Petty Bills Checking:** Receiving third party bills from Supply Chain Department, reviewing and reporting the bills to the Accounts Manager on daily basis. Third party bill range varies according to the product or services. The petty bills amount was usually between Tk.20, 000 to Tk. 50,000 for JNBL and BBBL.

✦ **TDS:** Deducting tax from the previously approved and signed bills by two authorized signatories. The tax rates differed according to the operations of the vendors.

✦ **Tax Forwarding:** A tax forwarding list of the unpaid TDS has been prepared to pay the government. It is done on the monthly basis and paid on quarterly basis.

✦ **Tax Certificate:** After paying the TDS to the government they collect a Mushak Challan of total third party TDS from government. A certificate is prepared for each vendor including the supporting documents of the individual vendor TDS.

✦ **Corporate Check Writing:** After two weeks at BPBL, I started to write corporate cheque both manually and digitally. Maximum cheques were related to third party payment but there were also advance bill payment, transfer payment for different depots, TDS payment, petty bills payment, audit bill payment etc.

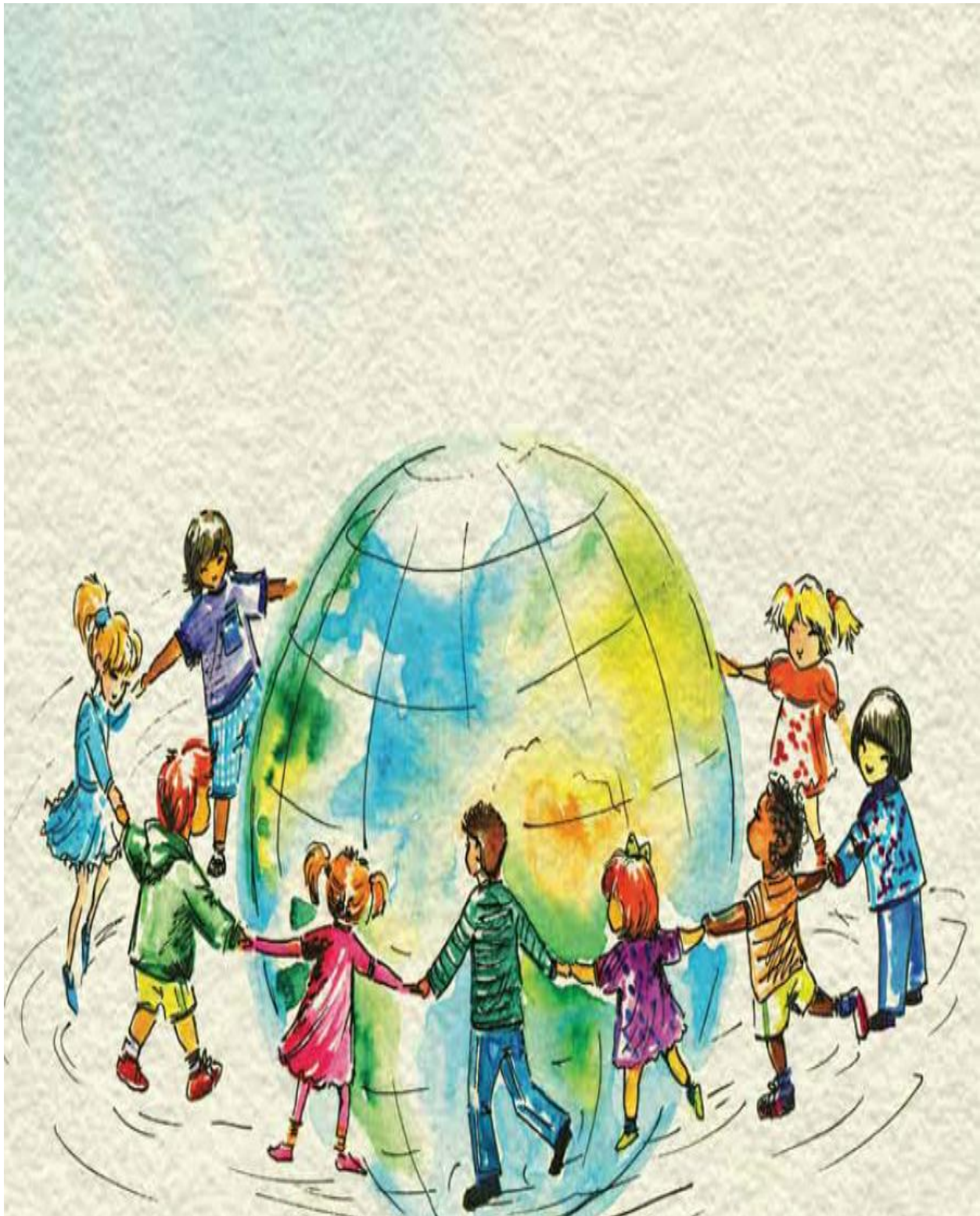
✂ **Bank Reconciliation:** BPBL conduct bank reconciliation after the end of each month, when the bank sends the company a bank statement. I have done bank reconciliation for BPBL however, the scope was very limited. All the data were given including the General ledger of BPBL and Statement of the bank, Standard Chartered and Citibank NA. At the end of the reconciliation process, the adjusted bank balance should be equal to the company's ending adjusted cash balance.

✂ **Asset Addition and Depreciation:** During the last month of my internship, I was assigned to add the new fixed assets purchased at the middle of the year with the previous assets and calculate the depreciation of the new fixed asset.

✂ **Fund Purchase Entry Including LC Charge and Bank Charges:** Fund purchase is mainly related to L/C process. Each month BPBL prepared a statement of fund purchase for JNBL comprising LC charges, insurance and bank charges. If the amount is less than Tk.600, then it falls under bank charge column and more than that amount falls under LC value column.

✂ **Salary, Eid Bonus Calculation:** For paying the worker as well as the employee salary of JNBL & BBBL each month there need a calculation. Salary basic is depending on the position they hold. In Eid-ul-Fitre bonus was calculated on basic amount of salary same as other company. Bonus is usually 60% of gross amount and it is applicable for only permanent employee. Those who are permanent but passed only three months got 50% of the bonus amount, those who are working for six months got 75%, those who are working for nine months got 90% and those who spend more than one year got 100% of the bonus amount.

Chapter Four: Financial Performance Analysis of BPBL



4.1 Last Five Years Financial Data Analysis of BPBL

BPBL's 2009 to 2013 Financial Data

Taka in "000"

Particulars	2013	2012	2011	2010	2009
Turnover	8,796,778	7,611,213	6,321,274	5,483,619	4,595,904
Gross Profit	3,317,127	2,524,361	2,129,242	2,087,964	1,881,063
Profit Before Tax	1,228,511	1,022,343	894,799	905,555	779,772
Profit After Tax	860,939	752,790	721,163	704,636	579,681
Shareholders' Equity	2,767,153	2,323,615	1,988,226	1,684,464	1,327,662
Total Assets	4,282,362	3,568,101	3,424,689	3,055,465	2,428,256
Total Current Assets	2,826,670	2,291,222	2,264,647	2,011,724	1,592,419
Total Current Liabilities	1,382,275	1,146,112	1,333,642	1,271,816	1,014,828
Growth rate of TO	15.6%	20.4%	15.3%	19.3%	18.4%
Growth rate of PAT	14.36%	4.38%	2.35%	21.55%	44.68%
Growth rate of SE	19.08%	16.87%	18.03%	26.87%	45.84%

Table 4-1: Last Five Years Financial Data of BPBL

The table above indicates that changes occurred gradually during last five years in Turnover, Profit before and after tax, Shareholders equity, Current assets and liabilities of BPBL. Turnover has an increasing trend but the percentage fluctuates from 2009 to 2013 and in 2013 the percentage decreased by 4.8%. BPBL's mission is to increase turnover by 100% in every five year where the actual results are very far from that. (Annual Report, 2009-2013)

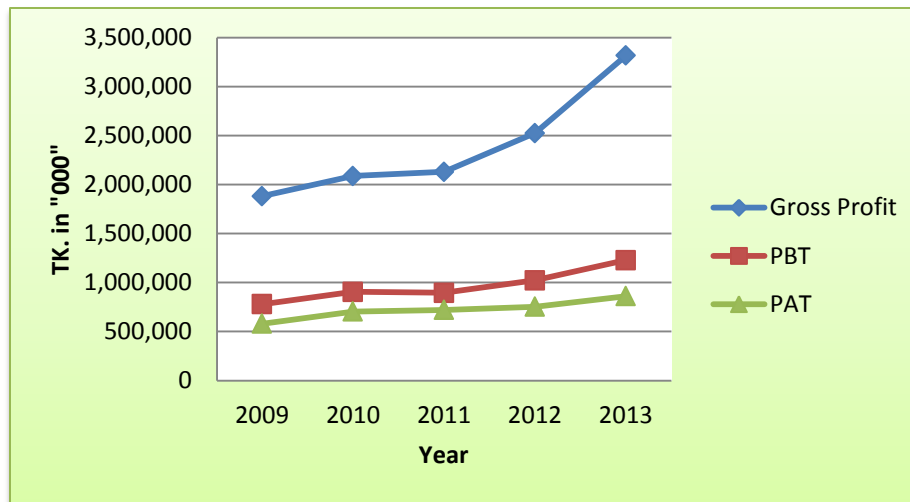


Chart 4-1: Trend Analysis of GP, PBT, PAT

The trend analysis shows that gross profit, profit before and after tax are upward sloping. However, the growth are not that much satisfactory. For example, growth rate percentage of profit after tax fluctuated over the last five years and decreased almost by half in 2010 from 2009 which were respectively 21.55% and 44.68%. It further reduced to 2.35% in 2011. After one year it increased by 9.98% in 2013 from 2012. Growth rate of shareholder's equity was 45.84% in 2009 and in 2011 the rate declined by 2.5 times may be because of share price reduction in 2011. Growth rate decreased continually from 2010 to 2012 may be due to share market crash and increased slightly in 2013. (Annual Report, 2009-2013)

4.2 Fundamental Ratio Analysis of BPBL

4.2.1 Short-Term Solvency or Liquidity Ratios

The key concern of the liquidity ratios is the firm's ability to meet the short-term financial obligation without undue pressure. These ratios emphasize on the current assets and current liabilities to quickly convert the assets to cash. (Liquidity ratios, 2014)

4.2.1.1 Current Ratio

The current ratio compares a company's liquid assets with short-term liabilities. That means the ability of the company to pay the short term liabilities with the current assets such as accounts

receivables, cash etc. The higher the current ratio, the more liquid the company is. The ideal current ratio is 2:1. (Roman Weil, 2014)

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

BPBL’s 2009 to 2013 Current Ratio

Taka in “000”

Particulars	2013	2012	2011	2013	2009
Current Asset	2,826,670	2,291,222	2,264,647	2,011,724	1,592,419
Current Liabilities	1,382,275	1,146,112	1,333,642	1,271,816	1,014,828
Current Ratio	2.04	2.00	1.70	1.58	1.57

Table 4-2: Current Ratio

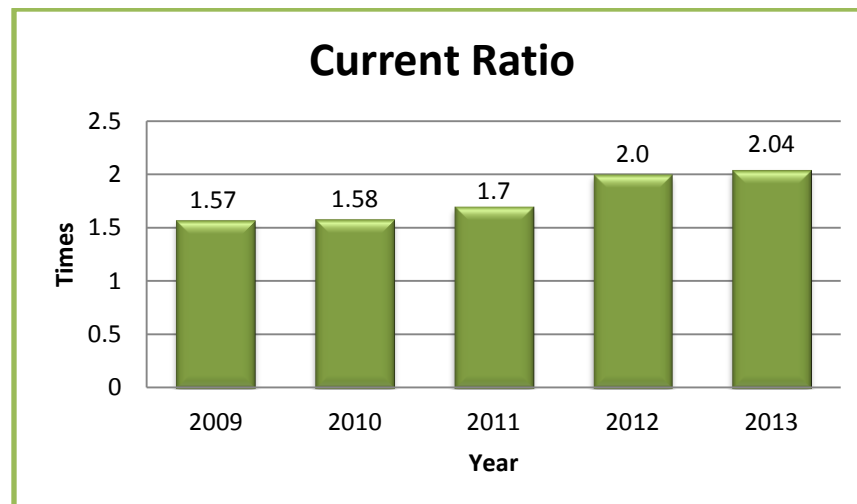


Chart 4-2: Current Ratio

Interpretation

BPBL’s current ratio was 1.57:1 in 2009 and it increased slightly to 1.58 in 2010. The ratio improved by 0.64% because both the current assets and current liabilities went up. However, there was a greater increase in current assets than the current liabilities due to which the current ratio improved. In 2011 and 2012 the ratio increased to respectively 7.59% and 17.64%. Liquid

assets increased in 2011 and 2012 but short term liabilities went down in 2012 from 2011 may be because of reduction in accounts payables and short term debts. Current ratio increased in 2013 by 2% in comparison to 2012, as it stood at 2.04:1. The current liabilities has increased from the previous year but as the current assets experienced a greater increase as against the current liabilities, the impact on the current ratio was not that negative. Since the current ratio remained above 1 throughout the five years, it can be assumed that BPBL did not face any problems meeting their short term liabilities. And it was in 2012 that BPBL reached the ideal current ratio of 2:1, which is regarded as desirable for a healthy business.

4.2.1.2 Quick Ratio

A reliable test of liquidity is the quick ratio test that excludes inventory from current asset. It considered the ability to use its quick assets to pay its current liabilities. This approach can be acceptable since inventory of many companies cannot be quickly converted into cash. The ideal quick ratio is 1:1. (Roman Weil, 2014)

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

BPBL's 2009 to 2013 Quick Ratio

Taka in "000"

Particulars	2013	2012	2011	2010	2009
Current Asset	2,826,670	2,291,222	2,264,647	2,011,724	1,592,419
Inventory	1,308,485	1,190,049	1,346,988	1,026,059	616,622
Current Liabilities	1,382,275	1,146,112	1,333,642	1,271,816	1,014,828
Quick Ratio	1.098	0.961	0.688	0.775	0.962

Table 4-3: Quick Ratio

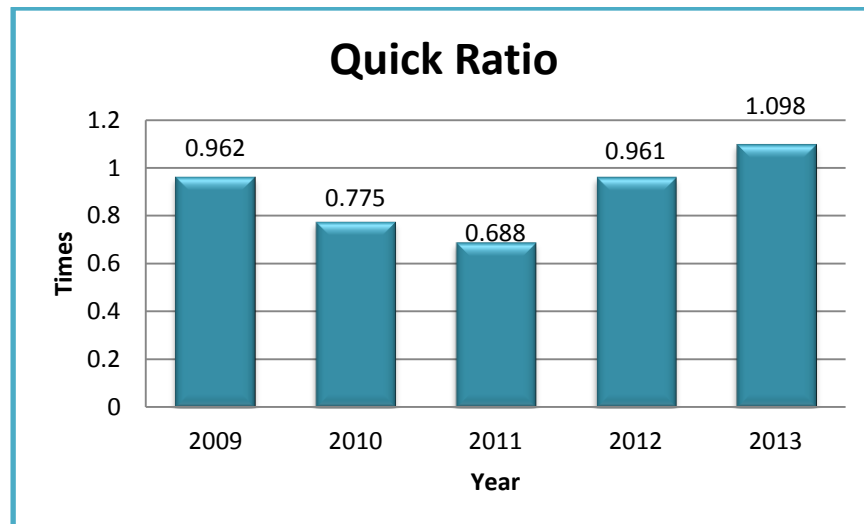


Chart 4-3: Quick Ratios

Interpretation

From the above table, it can be seen that the quick ratio of BPBL varied time to time. The quick ratio was 0.962:1 in year 2009 and it reduces in 2010 to 0.775:1 leading to a drop of 19.44%. There had been an increasing trend in current assets, current liabilities and inventory yet massive increase in inventory affecting more for the huge percentage decline. Inventory might be increased as a result of customer demand of the product in the market. It dropped further in 2011 by 11.22%. The ratio was 0.961:1 in 2012 and again it improved in 2013 by 14.26%. In 2012 and 2013 BPBL had enough cash and bank balance in comparison to 2011 and 2010. However, in 2009 and 2012 BPBL’s quick ratio were almost close to the ideal quick ratio 1:1, which indicates BPBL was not highly dependent to pay their liabilities on inventory and they were efficient to manage their cash. On the other hand, in 2013 the ratio increased from the ideal one that happened because the company may kept huge amount of cash on hand or had a problem in inventory management or accounts receivable management.

4.2.2 Long-Term Solvency or Financial Leverage Ratios

Long-term solvency ratios are used to assess the firm’s long-term ability to meet the long term debt obligations such as interest payments on debt, the final principal payment on debt, and fixed obligations like lease payments. (R. Charles Moyer, 2011)

4.2.2.1 Debt to Equity Ratio

The debt to equity ratio compares a company's total liabilities to the total shareholders' equity. This is a measurement of how much suppliers, lenders and creditors have committed to the company against the shareholders have committed. The standard debt to equity ratio is 1:1. The lower the ratio, lower the debt and higher the equity of shareholders. (Debt to equity ratio, 2014)

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Shareholder's Equity}} \text{ Times}$$

BPBL's 2009 to 2013 Debt to Equity Ratio

Taka in "000"

Particulars	2013	2012	2011	2010	2009
Total Debt	1,515,209	1,244,486	1,436,463	1,266,718	1,081,435
Total Shareholder's Equity	2,767,153	2,323,615	1,988,226	1,684,464	1,327,662
Debt to Equity Ratio	0.55	0.54	0.72	0.75	0.81

Table 4-4: Debt to Equity Ratio

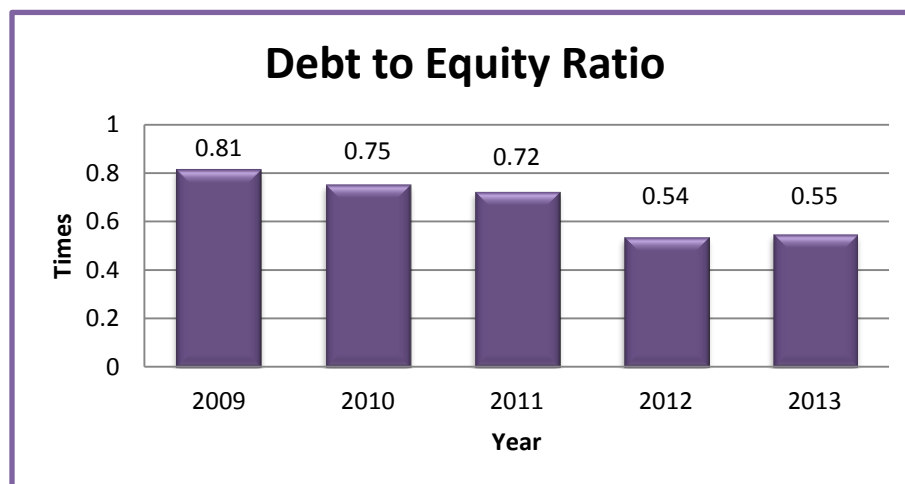


Chart 4-4: Debt to Equity Ratio

Interpretation

The table shows that the debt to equity ratio of BPBL had a decreasing trend from year 2009 to 2012 which are respectively 0.81, 0.75, 0.72 and 0.54 times. Both the debt and shareholder's equity went up in these years but there were greater improvement in shareholder's equity compare to debt. That means BPBL had been efficient in financing its growth with its obligations. In 2013 the ratio was 0.55 which increased by 1.2% than the previous year since BPBL borrowing cost increased in 2013 from 2012. Though 1:1 debt to equity ratio is preferable, BPBL's debt to equity ratio is decreasing so their capacity of debt financing is being increased. Nevertheless, it can be assumed that most of BPBL's debts consist of creditors and accruals so BPBL's borrowing cost is insignificant as a consequence BPBL is in good position.

4.2.2.2 Debt to Asset Ratio

Debt to asset ratio shows the proportion of the assets that are financed with short term and long term debt rather than equity and the ideal ratio in percentage is 0.4 to 0.5 times. Long term debt can be deferred tax liabilities and short term debts are trade and other payables, bank overdraft, provision for royalty etc. Lower the ratio, lower the amount of debt and most of the financing are being covered by equity. (Debt to asset ratio, 2014)

$$\text{Debt to Asset Ratio} = \frac{\text{Total Debt}}{\text{Total Asset}} \text{ Times}$$

BPBL's 2009 to 2013 Debt to Asset Ratio

Taka in "000"

Particulars	2013	2012	2011	2010	2009
Total Debt	1,515,209	1,244,486	1,436,463	1,266,718	1,081,435
Total Asset	4,282,362	3,568,101	3,424,689	3,055,465	2,409,097
Total Debt to Asset Ratio	0.35	0.35	0.42	0.41	0.45

Table 4-5: Debt to Asset Ratio

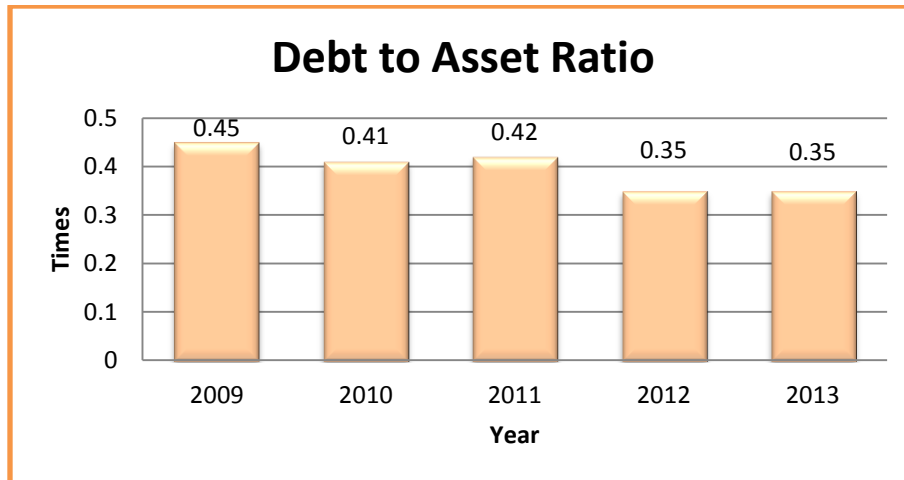


Chart 4-5: Debt to Asset Ratio

Interpretation

Like every other company BPBL’s debt to asset ratio includes both long-term and short-term debt. It also contains the company’s tangible assets and intangible assets. Property & plants, inventories etc. are tangible assets and software, trademarks etc. are the intangible assets of BPBL. The debt to asset ratio of BPBL fluctuated over the last five years. Since BPBL’s debt to asset ratio was 0.45 times in 2009 which was higher than any other year it can be said that they took higher financial risk. From 2010 to 2012 the ratios were respectively 0.41, 0.42 and 0.35 times which has a fluctuating trend due to continuous improvement in assets value and irregularity in debt value. The debt to asset ratio remained constant from 2012 to 2013. However, the debt to asset ratio is close to the standard ratio.

4.2.3 Asset Management or Turnover Ratios

The turnover ratios describe how effectively a firm uses assets to generate sales revenue. High asset turnover ratios are desirable since they mean that the company is utilizing their assets strongly to produce sales. The higher the asset turnover ratios, the more revenues the company can generate from the assets. On the other hand, low asset turnover ratios mean assets of the company is not properly utilized. (Jain, 2007)

4.2.3.1 Inventory Turnover Ratio

Inventory turnover ratio measures how many times a company's inventory is sold and replaced over a period. This ratio evaluates the liquidity of the firm's inventory. It also helps to determine how sales can be increased through inventory control. The standard inventory turnover ratio is 4:1. Generally, a low turnover ratio involves poor sales therefore end up with excess inventory. On the contrary, a high turnover ratio implies company is very strong in selling inventory or ineffective buying. (Inventory turnover ratio, 2014)

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

BPBL's 2009 to 2013 Inventory Turnover Ratio

Taka in "000"

Particulars	2013	2012	2011	2010	2009
Sales	8,796,778	7,611,213	6,321,274	5,483,619	5,333,002
Inventory	1,308,485	1,190,049	1,346,988	1,026,059	616,622
Inventory Turnover Ratio	6.7	6.4	4.7	5.3	8.6

Table 4-6: Inventory Turnover Ratio

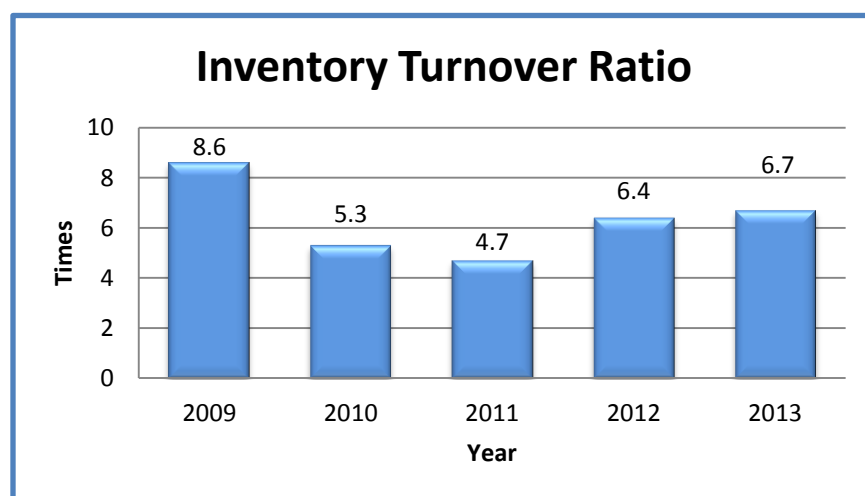


Chart 4-6: Inventory Turnover Ratio

Interpretation

Here from the above mentioned table, BPBL's turned their inventory 8.6 times in 2009 and the turnover rate started to decline in 2010 and 2011 which were respectively 5.3 and 4.7 times. This happened because they had more inventories piled up than the sales proceeds which indicate the company over spent by buying too much inventory. Furthermore, the turnover ratio again improved to 6.4 and 6.7 times in 2012 and 2013 due to effective sales of the inventory they bought. Over the last five years the inventory turnover ratios were fluctuating from the standard ratio.

4.2.3.2 Accounts Receivable Turnover Ratio

Accounts receivable ratio is an activity ratio that measures how many times a firm can turn accounts receivable into cash during a period. It measures how many times a company can collect average accounts receivable during a year. An efficient company's collection period is 30 days. The lower the amount of uncollected cash, the higher this ratio will be and if a company has more of the proceeds awaiting receipt, the lower the ratio will be. (Accounts receivable turnover ratio, 2014)

$$\text{Accounts Receivable Turnover Ratio} = \frac{\text{Sales}}{\text{Average Accounts Receivables}} \text{ Days}$$

BPBL's 2009 to 2013 Accounts Receivable Turnover Ratio

Taka in "000"

Particulars	2013	2012	2011	2010	2009
Sales	8,796,778	7,611,213	6,321,274	5,483,619	5,333,002
Average Accounts Receivables	579,395	486,077	413,080	323,684	253,937
Accounts Receivable Turnover Ratio	24	23	24	21	17

Table 4-7: Accounts Receivable Turnover Ratio

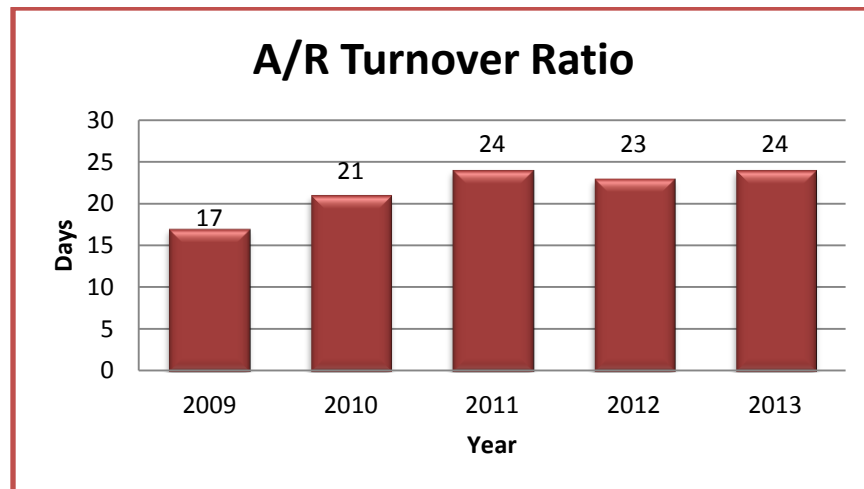


Chart 4-7: Accounts Receivable Turnover Ratio

Interpretation

BPBL’s accounts receivable turnover has a changing trend year to year. In 2009 BPBL’s accounts receivable ratio was 17 days that means it was very efficient in collecting outstanding sales and reinvested the sales proceeds. Collection period increased during 2010 to 2013 and the ratios are respectively 21, 24, 23 and 24 days. It might be happened because of the change in cash collection process that leads to an increase in average accounts receivables every year. Yet, the collection period is below the standard ratio which is a positive factor for the company.

4.2.3.3 Accounts Payable Turnover Ratio

Accounts payable turnover ratio measures the speed of any company to pay its suppliers. The ideal accounts payable ratio is between 45 to 65 days. On the contrary, if the turnover ratio drops from one period to the next, this indicates that the company is paying its suppliers more slowly which can badly affect the company’s financial position. (Accounts payable ratio, 2014)

$$\text{Accounts Payable Turnover Ratio} = \frac{\text{Purchases}}{\text{Average Accounts Payables}} \text{ Days}$$

BPBL’s 2009 to 2013 Accounts Payable Turnover Ratio

Particulars	2013	2012	2011	2010	2009
Purchases	5,479,651	5,086,852	4,192,032	3,395,655	3,451,939
Average Accounts Payable	1,001,498	848,473	758,445	876,554	717,799
Accounts Payable Turnover	67	61	66	94	75

Table 4-8: Accounts Payable Turnover Ratio

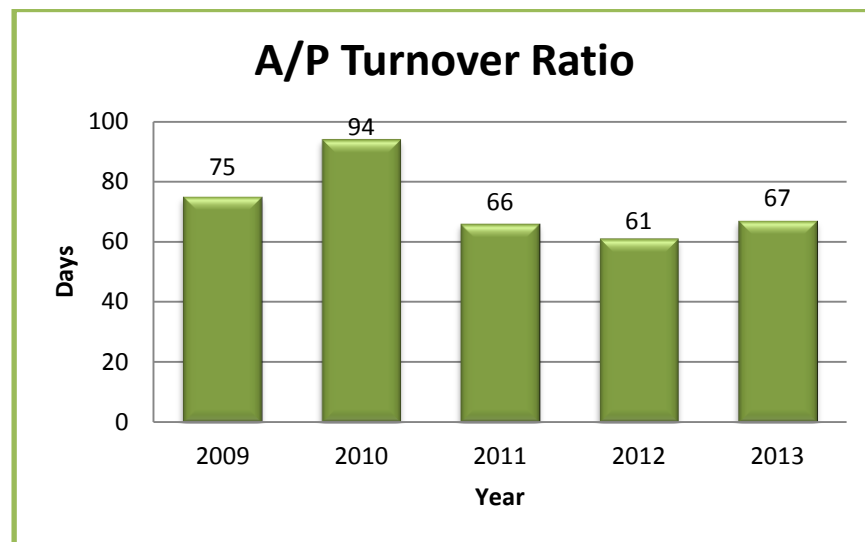


Chart 4-8: Accounts Payable Turnover Ratio

Interpretation

The ratio of BPBL was 75 days in 2009 and increased in 2010 to 94 days since they might be facing problems to pay the debts to the suppliers. Again, the ratio improved in 2011 and 2012 which were respectively 66 and 61 days. That may indicate, they were paying their suppliers timely and they were taking advantage of early payment discounts. However, the ratio again increased to 67 days in 2013 may be because of delay in payments. The turnover ratio went up in the previous year that can weaken the company’s negotiation power with the vendors in terms of credit terms and discounts in the future.

4.2.4 Profitability Ratios

Profitability ratios evaluate a firm's overall efficiency and performance. Profitability ratios are of two types, one is margin and another is return. A higher value is desirable than a lower one and it indicates company is making profit from their operations. (Eugene Brigham, 2011)

4.2.4.1 Net Profit Margin

The net profit margin ratio directly indicates what percentage of sales is made up of net income. This ratio also evaluates how well a company manages the expenditures relative to the net sales. The standard ratio is 10% to 20%. Companies can achieve higher ratios either by producing more incomes while keeping expenditures constant or keep revenues constant and lower expenditures. (Net profit margin)

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

BPBL's 2009 to 2013 Net profit Margin

Taka in "000"

Particulars	2013	2012	2011	2010	2009
Net Income	860,939	752,790	721,163	704,663	579,681
Sales	8,796,778	7,611,213	6,321,274	5,483,619	4,595,904
Net Profit Margin	9.79%	9.89%	13%	13%	9%

Table 4-9: Net Profit Margin Ratio

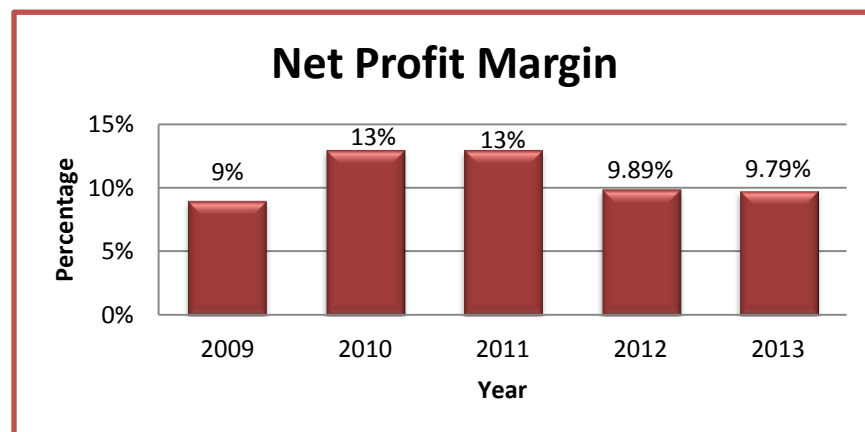


Chart 4-9: Net Profit Margin

Interpretation

The net profit margin of BPBL was 9%, 13%, 13%, 9.89% and 9.79% from 2009 to 2013 respectively. It rose by 4% in 2010 compare to 2009 may be because they minimize their expenses and generated more revenues. Yet, the ratio decreased in 2012 and 2013. The reason of this fact either might be high selling and administrating expenses, high tax rates and other operating expenses or low income from operations. BPBL should concentrate on how to increase net profit margin in near future.

4.2.4.2 Return on Asset (ROA)

The return on assets ratio measures the net income produced by total assets during a period. In other words, ROA measures how efficiently a company can manage their assets to generate incomes during a period. (Return on asset)

$$\text{Return on Asset} = \frac{\text{Net Income}}{\text{Total Asset}}$$

BPBL's 2009 to 2013 ROA

Taka in "000"

Particulars	2013	2012	2011	2010	2009
Net Income	860,939	752,790	721,163	704,663	579,681
Total Asset	4,282,362	3,568,101	3,424,689	3,055,465	2,428,256
Return on Asset	20.10%	21.10%	21%	23%	24%

Table 4-10: ROA

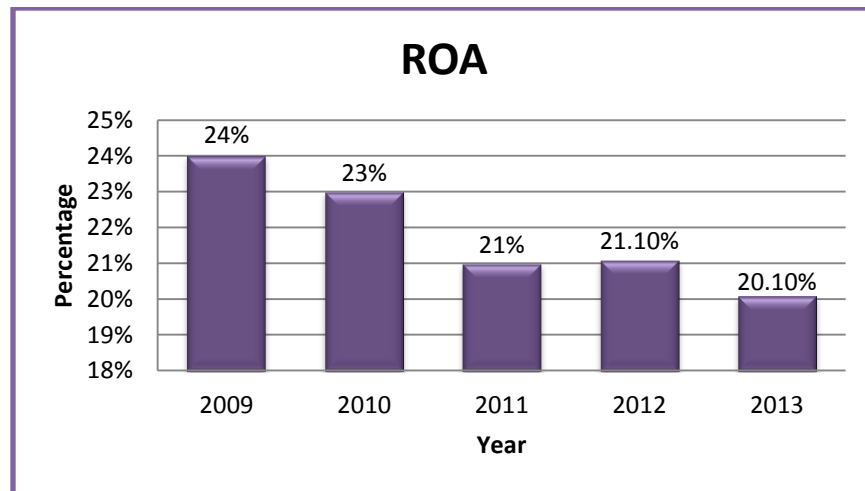


Chart 4-10: ROA

Interpretation

From year 2009 to 2013 BPBL’s ROA percentages were 24%, 23%, 21%, 21.10% and 20.10% respectively which remained almost constant. That implies BPBL earned Tk. 0.24, 0.23, 0.21, 0.211 and 0.201 for each Tk. assets from 2009 to 2013. Berger is an asset-insensitive company and needs expensive plants and machineries to generate revenues. Thus the high return on assets in 2009 suggests BPBL was more careful to invest in assets and use their assets efficiently. BPBL’s asset management should be revised the policies and procedures to avoid unfavorable situation in upcoming days otherwise it can affect the profitability of the company.

4.2.4.3 Return on Equity (ROE)

The ROE ratio suggests how profitable a company is in comparison to the net income with the shareholders' equity. In other word, ROE measures the ability of a firm to generate profits from the shareholder’s investments in the company. The higher the ratio is, the more efficient the company is in utilizing the equity and the better return they can provide to the investors. (Return on equity)

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Total Shareholder's Equity}}$$

BPBL’s 2009 to 2013 ROE

Particulars	2013	2012	2011	2010	2009
Net Income	860,939	752,790	721,163	704,663	579,681
Total Shareholder’s Equity	2,767,153	2,323,615	1,988,226	1,684,464	1,327,662
Return on Equity	31.11%	32.40%	36%	42%	44%

Table 4-11: ROE

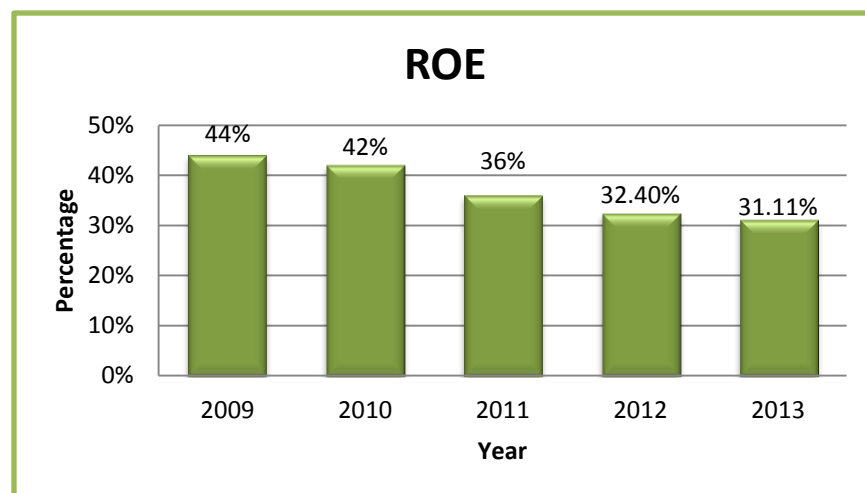


Chart 4-11: ROE

Interpretation

BPBL’s ROE indicates that from 2009 to 2013 the ratios were 44%, 42%, 36%, 32.40% and 31.11% respectively. The ROE ratios showing a decreasing trend which may not satisfactory for the investors to invest in BPBL since they want high return. As a result they will reconsider to invest in BPBL even they might choose another company. The major cause of this reduction may be due to the increase in shareholder’s equity compare to the net income.

4.3 Share Market Analysis of BPBL

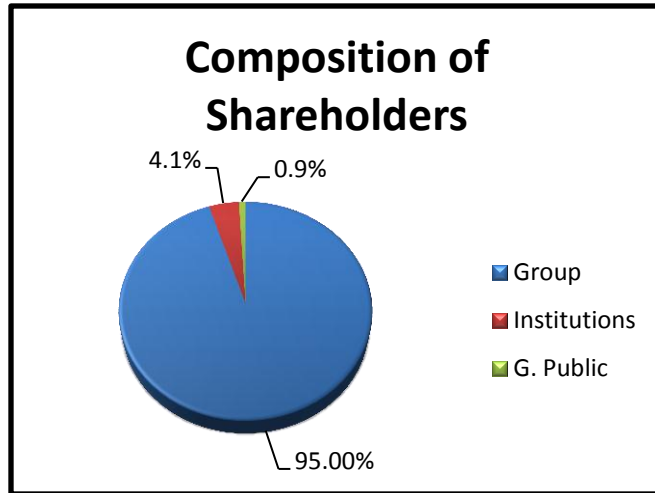


Chart 4-12: Composition of Shareholders

In December 2005 Berger Paints Bangladesh Limited issued 5% shares to the public and listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE). The Company converted the face value of the share from Taka 100 to Taka 10 each vide a special resolution passed on 21 June 2005. The Company issued 1,159,500 ordinary shares of Tk. 10 each through initial public offer (IPO) vide the consent letter of Securities and Exchange

Commission ref SEC/CI/IPO-71/2005/168 dated 10 October 2005. They earned an amount of Tk. 127,545,000 as premium at the time of first IPO. There are 40,000,000 authorized shares and 23,188,940 issued share till the year 2013. The market category of the BPBL’s share is A. Shareholders are consist of both foreign and Baangladeshi. The shareholding composition shows 95% shares are hold by Group means J & N investment (Asia) limited, financial and other institutions holds 4.1% and General public holds 0.9%. (Annual Report 2013)

4.3.1 Trend analysis of stock price



The graph shows that the closing price of BPBL fluctuated from year 2009 to 2013. Price of the shares in 2009 was 624.9 and it improved to Tk. 854.44 in 2010. However, the closing price fell down to Tk. 550 and Tk. 530.77 in year 2011 and 2012 respectively may be due to share market crash in 2011. In 2013 the price went up than any other year and it was Tk. 876.9. The

Chart 4-13: Closing Price Trend

share price rose abruptly in the last year as a result they earned a huge profit from the shares. The last closing price while writing this report was Tk. 1,152.4 that is very high price. If BPBL can retain this increasing trend the investor will buy more shares to sell them in secondary market at a higher rate. (Dhaka stock exchange, 2011)

4.3.2 Market Ratio Analysis of BPBL

4.3.2.1 Earnings per Share (EPS)

Earnings per share (EPS) are the values of earning from each outstanding common shares of a company. Generally, EPS is calculated on a per share basis. The higher the ratio, higher will be the earning from the common shares. (Carl Warren, 2012)

$$\text{Earnings Per Share} = \frac{\text{Net Income}}{\text{No. of Shares Outstanding}}$$

BPBL's 2009 to 2013 EPS Ratio

Particulars	2013	2012	2011	2010	2009
Net Income	860,939,000	752,790,000	721,163,000	704,663,000	579,681,000
Share Outstanding	23,188,940	23,188,940	23,188,940	23,188,940	23,188,940
EPS	37.13	32.46	31.10	30.39	25.00
EPS growth rate	14.39%	4.38%	2.34%	21.56%	44.68%

Table 4-12: Earnings per Share (EPS)

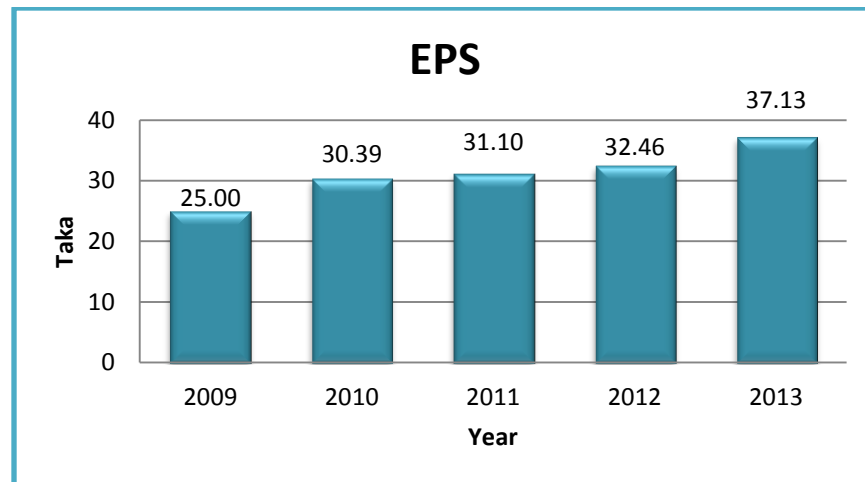


Chart 4-14: EPS

Interpretation

Over the last five years EPS has an increasing trend. EPS of BPBL gradually improved year to year. Per share income was only Tk. 25 in 2009 and in 2010 it increased by almost Tk. 5 leading to an EPS of Tk. 30.39. Furthermore, it went up in the next three years respectively Tk. 31.10, 32.46 and 37.13 that indicates positive result for BPBL’s shareholders. This increase occurred only due to rise in net income since the common shares of the company stood constant throughout the five years.

4.3.2.2 Price-Earnings Ratio

Price-earnings ratio measures whether market is willing to pay for the company’s earnings. In addition, it shows whether the share price of a company is fairly valued, undervalued or overvalued. The higher the P/E ratio is, the more the market is interested to pay for the company’s earnings. Companies with high P/E ratio takes more risk than those with low P/E ratios because a high P/E ratio signifies high return. (Carl Warren, 2012)

$$Price\ Earnings\ Ratio = \frac{Price\ Per\ Share}{EPS}$$

BPBL's 2009 to 2013 Price Earnings Ratio

Particulars	2013	2012	2011	2010	2009
Price Per Share	876.90	530.77	550	854.44	624.9
EPS	37.13	32.46	31.10	30.39	25.00
Price-Earnings Ratio	23.62	16.35	17.69	28.12	25.00

Table 4-13: Price-Earnings Ratio

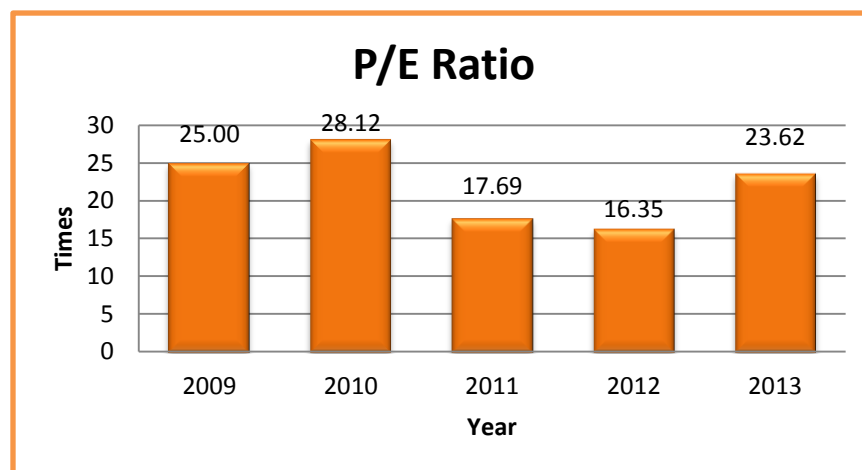


Chart 4-15: P/E Ratio

Interpretation

From 2009 to 2013 P/E ratios of BPBL was 25.00, 28.12, 17.69, 16.35 and 23.62 respectively. BPBL had high P/E ratio in 2010 compare to any other year which means they might have considered risky investments for the investors. In 2013 the P/E ratio went up and the reasons might be some investor considered a high P/E as an overpriced stock and it can be assumed that the market has high hopes for this stock's future and has bid up the price.

4.3.2.3 Dividend Payout Ratio

The dividend payout ratio is the amount of dividends paid to the company's stockholders relative to the amount of EPS. The amount remaining after paying the dividend is called retained earnings and held by the company for future growth. (Dividend payout ratio)

$$\text{Dividend Payout Ratio} = \frac{\text{Yearly Dividend Per Share}}{\text{EPS}}$$

BPBL's 2009 to 2013 Dividend Payout Ratio

Particulars	2013	2012	2011	2010	2009
Yearly Dividend Per Share	22	18	18	18	15
EPS	37.13	32.46	31.10	30.39	25
Dividend Payout Ratio	59.25%	55.45%	57.88%	59.23%	60%

Table 4-14: Dividend Payout Ratio

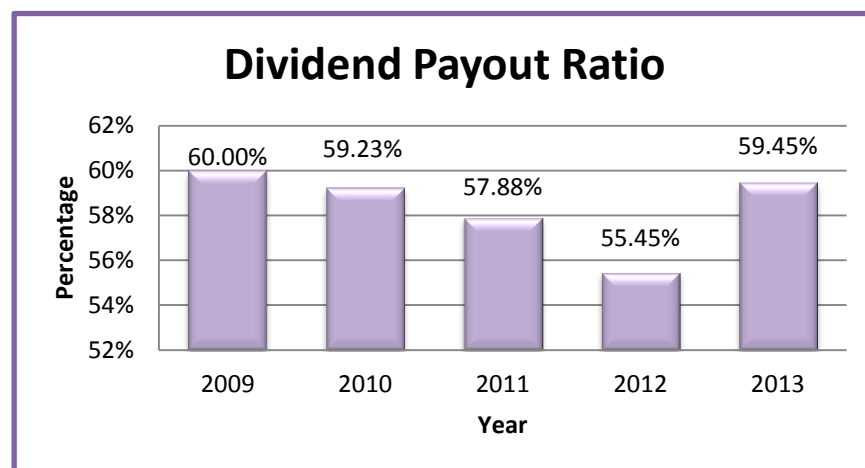


Chart 4-16: Dividend Payout Ratio

Interpretation

The dividend payout ratio of BPBL was 60% in 2009. That means they were paying a huge amount of dividend in spite of experiencing only four years in the share market. Although in 2010 it reduced a bit due to change in dividend percentage and EPS but changes in EPS was greater. Moreover, it was enough to satisfy the investors as they were getting high yield from dividend and they could have capital gain since prices of the shares increased in 2010. However, the dividend payout ratio continued to fall in 2011 and 2012 and the percentages were respectively 57.88% and 55.45%. This incident occurred because yearly dividend per share was constant but EPS increased in these two years. Three years after the continuous decline the ratio again went up in 2013 due to increase in dividend per share and EPS.

Chapter Five: Findings



Findings from the Analysis

On 1st May 2014 BPBL was honored with the ICMAB Best Corporate Award 2013 for outstanding achievements in financial and management excellence. In addition, Berger was awarded the top position in the Multinational Companies Category in the ICMAB Award based on the market strength, leverage, profitability, liquidity, funding flexibility and other qualitative factors. The main reason for highlighting about this award is because it has an important relationship with my findings. (BPBL News and Events, 2014)

The key ratios which affect a company's liquidity and profitability are current ratio, quick ratio, debt to equity ratio, ROA and inventory turnover ratio. However, other ratios are also important since they also measure company's performance. Based on the financial performance analysis, both positive and negative findings can be observed. Although BPBL is the market leader and one of the oldest players in the paint industry in Bangladesh, but some flaws of the company can be observed which may have gone unnoticed because of their enormous success.




Liquidity: BPBL is experiencing increasing growth in terms of liquidity since they have more current assets than before. Moreover, the current ratio reached the ideal ratio of 2:1 in 2012. As a result it can be assumed that the company will acquire more assets in the next few years to keep their liquidity in a better position. BPBL owns almost 55% market shares in Bangladesh, which means they had been investing in many plants and machineries to remain competitive in the market. This has been possible only as they have enough liquid assets to convert into cash quickly. However, in 2009 and 2012, even though they were managing their cash on hand properly, they might have produced a huge number of inventories in 2010 and 2011 due to which the company was unable to pay their current liabilities properly with their current assets such as cash and cash equivalents, and accounts receivable etc. as a result their liabilities went up. Marketable securities are another source of current assets. BPBL's share price is increasing rapidly that indicates they can sell shares quickly via public offerings to pull up funds if the company faces such crisis. The company is not efficient enough in managing their accounts receivable. The customers are mostly institutional and corporate and they purchase the products on credit since they purchase in bulk. They

generally give this opportunity to the old vendors whom they know and who have good reputation. Sometimes they also give the chance to the small companies but some companies do not pay on time or ever and as a consequence bad debt increases.





Profitability: Almost every year BPBL earns a huge profit but it may not be sufficient as the business is growing day by day. With the expansion of the business they had established a lot of plants in different places of the country. The company has invested TK. 31,233,000 for plants and machineries in 2013. PBT and PAT are increasing but the growth rates are not adequate. Net profit margin has a fluctuating trend may be because of high selling and administrating expenses, high tax rates and other operating expenses or low incomes from operations. On the other hand, ROA and ROE is decreasing year to year that implies net income produced from assets and equity is not sufficient in retaining the company growth. EPS and prices of the shares of BPBL are increasing that means they can win a good reputation with their investors. Yet, this situation might have been created due to other causes. BPBL usually do not keep any price limit of the shares for that reason they can repurchase their own securities at a low price and sell them at a higher price after a while and the trade of shares remains closer to that higher price. BPBL is paying a huge amount of tax to the government every year, that is why the after tax profit is giving low results. Nevertheless, BPBL is trying to manage their operations effectively and efficiently by satisfying the shareholder's as well as the customer's needs.


Chapter Six: Recommendations


 Coordination among the employee of the finance department must be stronger to bring maximum output. So, they should utilize the efficiency of the employee. They can organize workshop, seminars and provide more training to develop their work ability and motivate them towards work by setting goals.


 BPBL should keep liquid assets or safety cash balance for unanticipated cash crisis.

 BPBL should invest the retained cash in government securities such as Treasury bill and Treasury bond. They can also invest in short-term marketable securities which generates more revenues for the firm.

 The company should concentrate on the quick ratio since it can go far beyond the ideal ratio 1:1. For that they have to manage their inventory properly. If they produce more inventories they can become obsolete and outdated while they remain unsold. On the other hand, if they produce fewer inventories they will be unable to fulfill customer demand as a result the customer will switch to their competitors.

 Company should control the debtor's collection period which is most important part of current assets.

 BPBL have to manage their assets carefully so that they can achieve maximum benefit from the investment and increase the return on asset ratio by increasing net income.

 The company should do research to minimize the cost by keeping the same quality. For that purpose they can introduce backward integration for producing raw materials to take cost advantage.

Chapter Seven: Conclusion

In 1970 Berger Paints established their paint factory in Chittagong district with the name of Jenson & Nicholson. Since then their journey started in Bangladesh. After ten years the name of the company had changed to Berger Paints (BD) Ltd. from Jenson & Nicholson (J&N). In 2002 BPBL construct their Corporate Office in Dhaka. After that in 2003 they relocated the Corporate Office from Chittagong to Dhaka. With their strong distribution network, BPBL has reached almost every corner of Bangladesh and now they have 10 depots which are selling Berger products all over the country. The nationwide dealer network is supported by the sales offices. BPBL, yet, is one of the most technologically advanced companies throughout country. They are continuously striving for innovating superior quality products and services. The company grew rapidly and in 2008 they experienced a growth of 25% and they capture a market share of 55% in 2014. The company is the market leader as a result BPBL has potential to expand their business and earn profit.

The three months internship program helped me to enhance my knowledge beyond the text books. I have gained practical knowledge regarding the corporate environment which I hope would support me in the future.

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Appendix

Abbreviations

-  BPBL : BERGER PAINTS BANGLADESH LIMITED
-  JNBL : JENSON & NICHOLSON BANGLADESH LIMITED
-  BBBL : BERGER BECKER BANGLADESH LIMITED
-  TDS : TAX DEDUCTED AT SOURCE
-  TO : TURNOVER
-  VAT : VALUE ADDED TAX
-  GM:GENERAL MANAGER
-  GSM-D: GENERAL SALES MANAGER DECORATIVE
-  PAT : PROFIT AFTER TAX
-  SE : SHAREHOLDER'S EQUITY
-  ROA : RETURN ON ASSET
-  ROE : RETURN ON EQUITY
-  EPS : EARNINGS PER SHARE
-  P/E Ratio : PRICE-EARNINGS RATIO
-  DSE : DHAKA STOCK EXCHANGE
-  CSE : CHITTAGONG STOCK EXCHANGE
-  SEC : SECURITIES AND EXCHANGE COMMISSION
-  IPO: INITIAL PUBLIC OFFERING