



“Financial Performance Evaluation & Ratio Analysis of Square Toiletries Ltd.”



Inspiring Excellence

Internship Report

“Performance Evaluation & Ratio Analysis of Square Toiletries Ltd.”

SUBMITTED TO

**Riyashad Ahmed
Assistant Professor
BRAC Business School
BRAC University**

SUBMITTED BY

**Purnata Chakma
ID 11104017**

Letter of Transmittal

Date
RiyashadAhamed
Assistant professor
BRAC University
Mohakhali, Dhaka Bangladesh

Subject: Internship Completion Report on “Financial Performance Evaluation & Ratio Analysis of Square Toiletries Ltd.”

Dear sir,

I take the pleasure to submit my Internship Report, which is a requirement for my Internship and this internship program has given me the experience of working in a renowned manufacturing organization and on job training which has definitely enriched my knowledge. During the three months internship period, I was assigned to prepare a report on the topic “**Financial Performance Evolution & Ratio Analysis of Square Toiletries Ltd.**” This report gave me the opportunity to apply and match my theoretical knowledge in a manufacturing organization, which will be a great help for me in the future.

I sincerely hope that you will enjoy reading this report and also will consider this as a resourceful one. Last but not least, I appreciate this opportunity to show my profound gratitude to you for sparing your valuable time, guidance, constant effort and prompt attention as and when required for accomplishing this report.

Yours sincerely,
Purnata Chakma

ID: 11104017

Department: BBS

BRAC University

Acknowledgement

With the help of the Almighty God it has been possible for me to perform the internship program in Accounts & Finance (A&F) of Square Toiletries Limited (STL) and write a report on “Performance Evaluation & Ratio Analysis of Square Toiletries Limited”

It is my pleasure to thank the respected faculty of the business school of BRAC university for assigning this expertise knowledge and giving me opportunity of practical exposure through this report.

My deepest appreciation goes to **Mr. Riyashad Ahamed, Assistant Professor of BRACU**, who has acted as my academic internship supervisor. His help, guidance and constructive comments were outstanding in the completion of this work.

I take the opportunity to express my sincere gratitude and respect to **Mr. Golam Kibria, General Manager, A&F, STL** for accepting me to work in his renowned company. Then I express my profound gratitude to Tanzina Haque, Executive, A&F, STL for her constant support, guidance and supervision on my work in STL. I will ever grateful to her for her kind support, inspiration and open minded behavior which she has shown towards me during preparing my internship report. Without her cooperation this report might have remained incomplete.

Lastly I would like to give my special; thanks and inexpressible greets to my inmates, both seniors and fellow BBA students and others for giving me good advice, suggestions, inspiration and support. Thanks to all.

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Executive Summary

Square Toiletries Ltd (STL) is one of the largest FMCG Company in Bangladesh. It is promoting more than 20 brands in different section like health and hygiene, oral care, hair care, beauty products, laundry products etc. As a local brand they gain consumer's trust by their quality products.

This report applies Financial Performance Evaluation of Square Toiletries Limited. It means how well the company performs. The main data is collected from the annual financial reports of the company from 2010 to 2014 which are provided by the employees of the company. Different financial ratios are evaluated such as liquidity ratios, asset management ratios, profitability ratios, debt management ratios and finally measure the best performance of the company. The graphical analysis and comparisons are applied for the measurement of all types of financial ratio analysis. Liquidity ratio is conveying the ability to repay short-term creditors and its total cash. It determines the performance of short term creditor of the company under the three categories such as current ratio, quick ratio and cash ratio. Asset management ratio is measured to know how the company is using and controlling its assets. Profitability ratio and debt coverage ratio are also measured to know overall market position of the company in the current market.

I hope this report will be helpful for the management of the company who are responsible for taking decisions and formulating plans for future. It will also help the creditors who are the provider of loan capital of the company. They can decide whether they want to extend their loans or not in future.

In the recommendation part I have tried my best to give some advice based on their problems that I found from the analysis. So this report will show a clear picture about STL's performance in the last five years.

Keywords: *Financial analysis, ratio analysis, square company's financial analysis*

Chapter One: Introduction

1.1 Overview of “SQUARE”

SQUARE today symbolizes a name – a state of mind. But its journey to the growth and prosperity has been no bed of roses. From the inception in 1958, it has today burgeoned into one of the top line conglomerates in Bangladesh. Square Pharmaceuticals Ltd., the flagship company, is holding the strong leadership position in the pharmaceutical industry of Bangladesh since 1985 and is now on its way to becoming a high performance global player.

SQUARE today is more than just an organization, it is an institute. In a career spanning across four and half decades it has pioneered the development of the local business in fields as diverse as Pharmaceuticals, Toiletries, Garments, Textile, Information Technology, Health Products, Food Products, Hospital, etc. With an average Annual turnover of over US\$ 200 million and a workforce of about 3500 the SQUARE Group is a true icon of the Bangladesh business sector.

1.2: Corporate History:

Square group is not just successful company; it is a symbol of achievement. The journey of the company has been tough but it managed to sail through and have made it to the list of top companies of Bangladesh. Square Pharmaceuticals, which is the flagship company of the conglomerate is the leader among the pharmaceuticals companies in Bangladesh and currently gaining popularity across the globe.

It was a partnership effort of four young and enterprising men whose determination and passion saw it through the turmoil's of the incipient period. By its four year SQUARE turned into a profit making organization. Today SQUARE Group is becoming a leading local corporate conglomerate in Bangladesh.

Square group has consistently been at the top position since 1958 and has worked hard to achieve all the success which has come its way so far. The company has turned into a public limited company in the year 1991. The total turnover of the company was more than \$163 million in the year 2010 with a steady year on year growth of 16.72%.

1.2.1. Major Business Concern of Square group:

-  **SQUARE CONSUMER PRODUCTS LTD.**
-  **SQUARE TOILETRIES LIMITED**
-  **SQUARE PHARMACEUTICALS LTD.**
-  **SQUARE**
Knit Fabrics Limited
-  **SQUARE**
Fashions Limited
-  **SQUARE SPINNINGS LTD.**
-  **SQUARE**
HERBAL & NUTRACEUTICALS LTD.
-  **Mediacom Limited**
- **Pharma Packages Ltd.**
-  **SQUARE**
HOSPITALS LTD.
-  **AEGIS SERVICES LIMITED**
-  **MAASRANGA TELEVISION**
-  **SQUARE TEXTILES LTD.**

1.2.2. Associate companies and SQUARE concerns:

As part of vast diversification, square has the following associated companies:

- Sheltech (pvt.) Limited
- Pioneer insurance co. Ltd.
- Mutual Trust Bank Ltd
- National Housing Finance and Investments Ltd.

- Massranga Production; Square Kinder Garden.

1.3 Profile of STL at a glance:

- Company Name: SQUARE Toiletries Ltd
- Company Size: 5001-10000 employees.
- Address: SQUARE CENTRE
- 48, Mohakhali Commercial Area, Dhaka-1212, Bangladesh
- Tel.: (880)-2-8827729 (10 lines); Fax: (880)-2-8828608, 8828609
- Email: info@squaretoiletries.com Web: <http://www.squaretoilatries.com>
- Year of establishment: year 2001
- Commencement of production: June 2001
- Main business activities: manufacturing and marketing
- Manufacturing business: powdered spices (chili.....) and ethnic snacks.
- Investment: US\$ 15 million
- Financial status (2011): annual turnover: US\$ 25.61 million
- Growth: 400%, Total number of employees: 1246
- Factory location: Meril road, Salgaria, Pabna, Bangladesh

1.4: Corporate History of Square Toiletries Limited:

Square Toiletries Ltd. is one of the largest and leading **FMCG** (First-moving consumer goods) company in Bangladesh with a turnover of USD 75 million. The company is marketing 20 Brands in different segments like health & hygiene, oral care, hair care, fabric care etc. Major Brands of the company are Jui, Chaka, Senora, Magic, Meril Protective Care & Meril Baby. Square is also exporting its finished products to 13 countries- UAE, Germany, UK, Australia, Malaysia etc.

STL has been built around one core asset, and it is its people. That is what makes working so special here. STL believes that work is more than a place you go every day. It should be a place of exploration, professional growth and creativity. It's about being inspired and motivated to

achieve extraordinary things. STL wants its people to take pride in their work. After all, it's the combined talents, skills, knowledge, experience and passion of our people that make us who we are.

Currently STL is employing over 2,000 employees ensuring their consistent welfare and security. Due to its sociable working environment and highly motivated employee, STL is enjoying one of the lowest employee turnover rates. STL emphasizes on equal employment opportunity resulting in 38% women employees. Besides, STL also provides employment opportunity to physically challenges persons.

1.4.1: Corporate Governance

➤ Board of Directors

A Quarterly Report on business operation and financial position is presented before the Board of Directors for their information and review, for implementation by the Executive Management. Every month co-ordination meeting is held congregating all the department heads to discuss priority issues and solve problems, if any.

➤ Executive Management:

The Executive Management is headed by the Managing Director, the Chief Executive Officer (CEO) who has been delegated necessary and adequate authority by the Board of Directors. The Executive Management operates through further delegations of authority at every echelon of the line management. The Executive Management is responsible for preparation of segment plans/sub-segment plans for every profit centers with budgetary targets for every item of goods and services and is held accountable for deficiencies with appreciation for exceptional performance. These operations are carried out by the Executive Management through series of team-bound initiatives.

1.4.2: Product of STL

- Jui
- Meril Protective Care
- Meril Baby
- Meril Splash
- Revive
- Chaka
- Chamak
- Senora
- Freshgel
- White Plus
- Magic
- Kool
- Xpel
- Spring
- Sepnil
- Zerocal
- Select Plus
- Shakti
- Saaf
- Madina

1.5 Management Committee

<u>Board of Directors</u>	
<u>Name</u>	<u>Designation</u>
1. Mr. Samuel S. Chowdhury	Chairman
2. Mr. Anjan Chowdhury	Managing Director
3. Mrs. Anita Chowdhury	Director
4. Mr. Tapan Chowdhury	Director
5. Mr. Charles CR. Patra	Director
6. Mrs. Ratna Patra	Director

1.6 Company secretary

<u>Board of Directors</u>	
<u>Name</u>	<u>Designation</u>
Mr. Khandaker Habibuzzaman	MBA, ACS

1.7: Operational network organgram



1.8: Vision & Mission

➤ Vision

We attempt to understand the unique needs of the consumer and translate that needs into products which satisfies them in the form of quantity products, high level of service an affordable price range in a unique way products which satisfies them in the form of quality products, high level of service an affordable price range in a unique way

➤ Mission

- To treasure consumer understanding as one of our most valued assets and thereby exerting every effort to understand consumers' dynamic requirements to enable us in offering maximum satisfaction.
- To offer consumer products at affordable price by strictly maintaining uncompromising stance with quality. With continuous R&D and innovation we strive to make our products complying with international quality standards.
- To maintain a congenial working environment to build and develop the core asset of STL – its people. As well as to pursue for high level of employee motivation and satisfaction.
- To sincerely uphold the responsibility towards the government and society with utmost ethical standards as well as make every effort for a social order devoid of malpractices, anti-environmental behaviors, unethical and corruptive dealings.

Chapter Two: Job Description and Job Responsibilities

2.1 Description of the Job:

I am doing my internship at the Accounts & Finance department of Square Toiletries Limited (STL). The Accounts and Finance Department of Square Toiletries Ltd. is divided into five sections. These are:

1. Financial Accounting
2. Cost Accounting
3. Managerial Accounting
4. Financial Management
5. Auditing

The responsibilities of this department are to maintain and control each and every perspective related to accounts and finance. The main responsibilities of Accounts department are as follow:

- To keep a detailed report of daily sales.
- To maintain daily cashbook.
- To manage the expenses.
- To do all kind of payments including salaries.
- To keep journals of every transaction.
- To keep control over the inventories.
- To prepare financial statements.
- To do the forecast about the future Sales and Expenses.
- To do the other accounts related work.

2.2 Internship Activities Undertaken:

- ✓ Distributor stock, IMS (In market sale) related report update. STL has a policy that a distributor should keep around 50% of products in their warehouse. It should not be more or less than that. So I needed to check which distributor has more or less than 50% products in their warehouse.
- ✓ Retailer list: Here I needed to make a list of the retailer of Square consumer product for the first time in order to find out the actual amount of sales, discount amount on sales, sales date, daily visit rate of the distributors etc.
- ✓ Quotation index updating: My job was updating the quotation index file and find out every single cost for the bill.
- ✓ Market wise product costing: I also needed to update market wise product costing and recalculate every cost and make a grand total of cost for the year 2013 and 2014.
- ✓ Delivery costing per vehicle: Here I needed to find out which vehicle gave how many trips per months and which one is most costly.
- ✓ All bank statement information update: Here I checked the organization's bank statement provided by the bank and the organization's own accounting records to find out whether there is any difference or not. If I found any difference I needed to recalculate it.
- ✓ STL proposal index checking: Here I checked the proposal for STL in order to find out which proposal is needed to approve and which one is profitable for the organization.

Beside these I also did some other works like

- Checking vouchers (bank receipt vouchers, cash payment vouchers, cash receipt vouchers, journal vouchers)
- Checking TA/DA bills
- Making a summary Mediacom bills.
- Updating the file of yearly territory wise sales.

So while working as an intern in STL I got the opportunity to gain knowledge on the above areas. All these activities helped me a lot to relate my theoretical knowledge with real world scenario and I hope it will be a great help also in future.

2.3.1: Critical Observations

Square Toiletries Limited only considers an event of expense or an event when sales has occurred that is they follow the accrual-basis accounting which does not consider whether cash payment is done or not. Although they do not have the policy of selling on credit STL sometimes do make sales and purchases on credit. For this reason, they have the terms such as accounts payable and accounts receivable on their balance sheet. If STL does not get all the bills at the end of a specific period, they will have to close their accounts for that particular period as a result getting the accuracy of the pending issues (Accounts Payable and Accounts Receivables) for a particular period sometimes become very difficult for STL. In this stage STL could have gone for cash-basis accounting where the terms such as accounts payable and accounts receivables would not have existed on their balance sheet. An expense would have been recorded only after an expense has occurred. Also, collection of money would have been recorded only after money has been received from the suppliers although this method is no longer used in any of the organizations now days.

STL makes sure that each and every of their suppliers give tax because tax is an income for the government. As a rule of government, on behalf of their suppliers, STL deducts tax on suppliers' income and deposit it to the government treasury (Sonali Bank, Bangladesh Bank) on the suppliers' name and will deliver the chalan copy to their suppliers. Here, STL acts as the collecting authority. However, STL can only deduct tax on the suppliers' income only if they supply a minimum of TK. 200001 raw materials..

2.3.2 Recommendation

Since STL is a huge organization, total management is extremely flexible. This causes indiscipline and inefficiency which may eventually have a detrimental impact on the organization. During my internship period, I was directly assigned to the floor of Accounts and Finance. Sometimes there was so much chaos and noise on that floor which made the situation a bit difficult to concentrate on my work as people from every floor come to A&F department for their bills payment. Therefore, the management should be stricter for the betterment of the company.

Beside that I made a report on the monthly cost of vehicles and found out the most costly vehicles. Most of the costly vehicles were too old to use. Although Square Toiletries Company has transporting vehicles but they are not enough. Most often they rely on hire vehicles. That is really very expensive for the company. So STL should buy some transporting vehicles to minimize their distribution expenses.

While making a data base about the retailers I found that retailers are so much impatient to fulfill the slabs of the different program campaigns and sometimes they do a lot of overwriting in their sales invoice to be enlisted for the attractive gifts of the promotional programs. As the auditors do not have a clear list of retailers they became fail to identify these culprits and therefore have to give them expensive gifts. This is a huge expense for the company which needs to be addressed by carefully monitoring the audit process, in other words, invoice which has a lot of overwriting on it should be rejected. They may need to pay a door to door visit to the retailers shop and talk to them.

There are a lot of thing they may need to fix. I only worked there for three months so I cannot make a proper recommendation as there was a lot of fields where I did not work and may all of my observation and recommendation are not right still it can be a great help for STL.

Chapter Five: Methodology

5.1: Origin of the report:

Internship is an important and compulsory part for completing BBA program in business studies which helps the students to gain some practical knowledge about their own learning. As a requirement for the BBA program I needed to do the internship program in any business organization that is well reputed in this field. Square Toiletries Ltd. helped me on this matter by offering me three months internship program in their accounts and finance department as my major is on finance. I started my internship from 4th May, 2015 and ends on 4th August, 2015. As I was working on the A&F department and I have my major in finance so I select finance related topic for my report and I decided to do a report on **“Performance Evaluation & Ratio Analysis of Square Toiletries Ltd.”** In this matter my supervisor Mr. RiyashadAhamed, assistant professor of BRACU approved my topic and authorized me to prepare this report.

I used ratio analysis for easily measurement of liquidity position, asset management condition, profitability and market value and debt coverage situation of the company for performance evaluation.

The manufacturing sector is relatively a minor sector of Bangladesh economy according to their GDP growth. It is generally accepted that this sector need to be develop. In this case Square group is playing a vital role to improve this sector. As a local FMCG company they gain customer’s trust by their quality products.

5.2 Statement of the study:

This study is based on the performance evaluation of Square Toiletries Ltd. So I am going to analyze the financial condition according to the following questions:

- How STL is performing according to their liquidity ratios?
- How STL is performing according to their activity ratios?
- How STL is performing according to their profitability ratios?
- Overall, how STL is performing?

5.3 Data Analysis:

For preparing my internship report I followed some steps which includes the selection of financial reports, identification of their balance sheet and income statement, ratio analysis, mathematical calculation, graphical analysis and finally comparing their present situation with previous years.

First I selected the annual reports of STL that I needed to do the ratio analysis. The annual reports include all the financial data of the company. I used the annual report of 2010 to 2014 for my analysis.

Secondly, from the balance sheet and the income statement I find out all the information for doing ratio analysis like liquidity ratio, activity ratio, profitability ratio etc.

Thirdly I did all of my calculation in Microsoft excel to find out the results. And also did all the graphs in Microsoft word

At the last, after the analysis of the ratios I evaluate their performance whether they are doing good or not and how much it is financially strong in the market by using my theoretical knowledge that I learn from my financial courses.

5.4 Scope of the Study:

There is a huge scope for doing internship in any organization in Bangladesh. Internship program offers practical knowledge for the students about their particular field. BBA graduate students can share their own point of view and ideas with the organization, participate with others and adapt with the organizational environment. They can also got familiar with the organizational culture. After studying this report you will be able to know about the financial performance and growth trend, strength and weakness of STL. This study would also help the financial planning and decision making.

5.5 Objective:

The main objective of the report is to introduce with the information contained in the financial reports of the company and to give the opportunity to use this information in preparing a report on a target company.

The objective of the study may be viewed as:

- General Objective
- Specific objective

❖ **General objective:**

The general objective of the study is to evaluate the financial information that is financial performance of STL.

❖ **Specific objective:**

This study also covers some specific objectives which are:

- To get clear and practical knowledge about STL.
- To highlight the financial ratios in credit analysis and competitive analysis as well as financial capability of the company.
- To identify the problematic areas of the organization.
- To get a practical idea about the organizational environment
- To make recommendation that will help to improve their performance in future

5.6 Source of data:

My report's topic is "**Performance Evaluation & Ratio Analysis of Square Toiletries Ltd.**" So the data collection method is a mixture of both primary and secondary data. All of the information that I needed to make this report is collected from the following source:

Primary source:

- Face to face conversation with the representative personal of STL's accounts & finance department.
- By interviewing the organization's officials time to time.

Secondary source:

- Annual reports of Square Toiletries Ltd.
- Relative research papers.
- Websites of the company.

5.7 Limitation of the study:

There is some limitation of the research. There is a lot of information which are not allowed to use in the report as a result I faced problems while choosing my topic and lastly I decided to do ratio analysis. In order to achieve the best performance evolution I needed to calculate some more ratios but it was also not possible. I could not found items to analyze the ratios such as common share holder equity, weight average outstanding, market value of the share, book value of the share etc. as STL is a private ltd company. As a result I could not complete ratio analysis and also could not compare among the rivalry companies.

Chapter Six: Performance analysis

6.1 Financial Performance Analysis

Financial Performance Analysis means the process of reviewing and evaluating a company's financial statements such as the balance sheet or profit and loss statement, thereby gaining an understanding of the financial health of the company and enabling more effective decision making.

In this part we will evaluate the financial performance of Square Toiletries Ltd by Horizontal Analysis such as trend analysis.

6.2 Trend Analysis

Trend analysis is an aspect of technical analysis that tries to predict the future movement of company's financial condition based on past data. Trend analysis is based on the idea that what has happened in the past which gives an idea of what will happen in the future. Under trend analysis I have calculated Liquidity Ratios, Profitability Ratios, Asset Management Ratios and Debt Ratios.

6.2.1 Liquidity Ratio

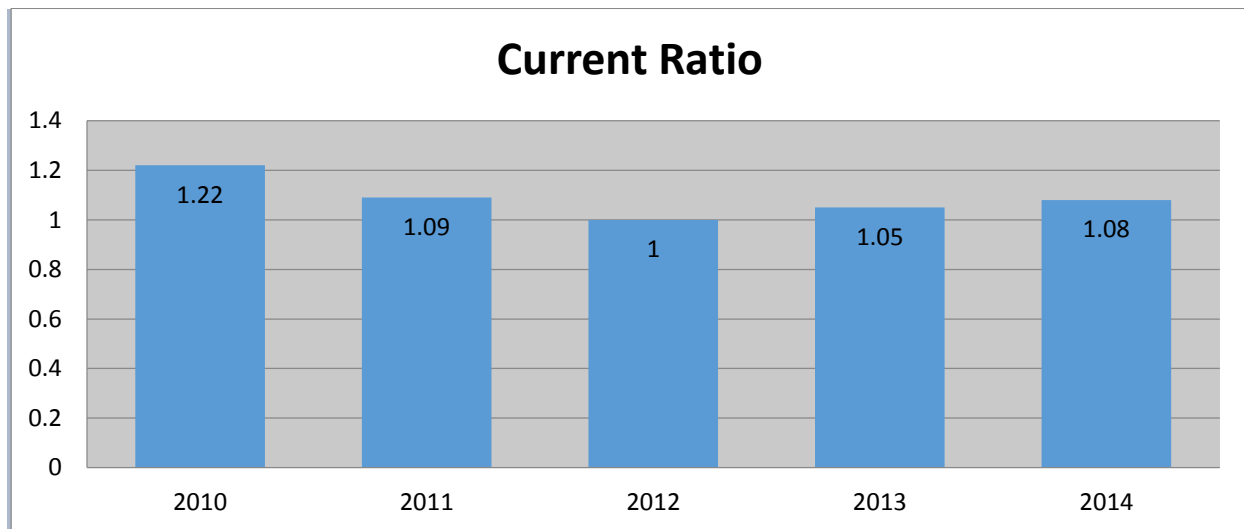
Liquidity ratios are the ratios that measure the ability of a company to meet its short term debt obligations. These ratios measure the ability of a company to pay off its short-term liabilities when they fall due. Under liquidity ratios, I will evaluate here the Current Ratio and Quick Ratio.

6.2.1.1 Current Ratio

An indication of a company's ability to meet short-term debt obligations, the higher the ratio, the more liquid the company is. Current ratio is calculated by dividing firm's current asset by current liability.

$$\text{Current Ratio} = \text{Current Asset} \div \text{Current Liability}$$

Particulars	2010	2011	2012	2013	2014
Current Asset(a)	680.37	909.41	1,063.11	1,258.90	1,885.19
Current Liability(b)	558.93	836.49	1,061.63	1,193.82	1,751.21
Current ratio (a÷b)	1.22	1.09	1	1.05	1.08



From 2010 current ratio of STL has declined till 2013 and it has increased in the year 2014 at a low rate. It means in the year 2010 the condition of the company was better than in last four years. As the current liabilities of the company was in an

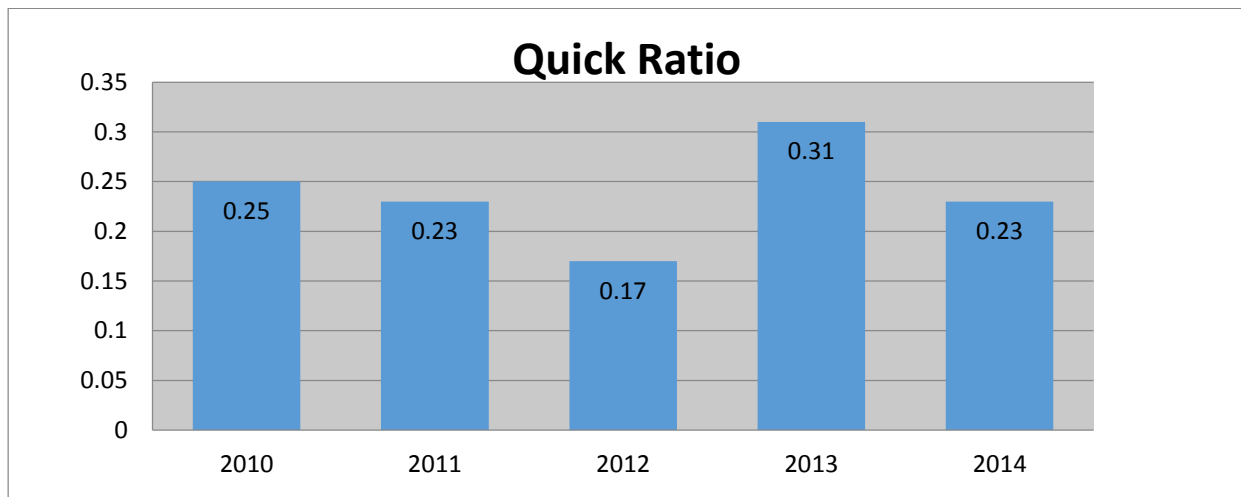
increasing rate, STL was not that much capable in paying its obligations in last three years. In year 2014 STL is doing better as it was able to decrease the amount of their current liabilities.

6.2.1.2 Quick Ratio

The quick ratio measures a company’s ability to meet its short-term obligations with its most liquid assets. Acid Test ratio is calculated by dividing firm’s quick asset by its quick liability.

$$\text{Quick Ratio} = \text{Quick Asset} \div \text{Quick liability}$$

Particulars	2010	2011	2012	2013	2014
Quick Asset	138.05	196.36	184.14	374.54	400.73
Quick Liability	558.93	836.49	1,061.63	1,193.82	1,751.21
Quick Ratio	0.25	0.23	0.17	0.31	0.23



In the year 2010 the quick ratio was better than last four years but it has started to decline. In 2011 and 2014 it was same but in 2012 it has declined at a significant rate which indicates that the liquidity condition of STL was not satisfactory. In the year 2013 the ratio has increased and it was 0.31 times higher than its current liabilities.

**Calculation of Quick Assets

Particulars	2010	2011	2012	2013	2014
Total Current Assets	680.37	909.41	1,063.11	1,258.90	1,885.19
(-) Ending Stock	421.44	618.62	751.75	727.12	1,124.89
(-) Advance payments	120.88	94.43	127.22	157.24	359.57
Quick Assets	138.05	196.36	184.14	374.54	400.73

6.2.2 Profitability Ratio

Profitability allows us to measure the firm's ability to earn an adequate return on sales, total asset and equity. Under profitability ratios I will evaluate Gross Profit Margin, Net Profit Margin, Return on Asset and Return on Equity of STL.

6.2.2.1 Gross Profit Margin

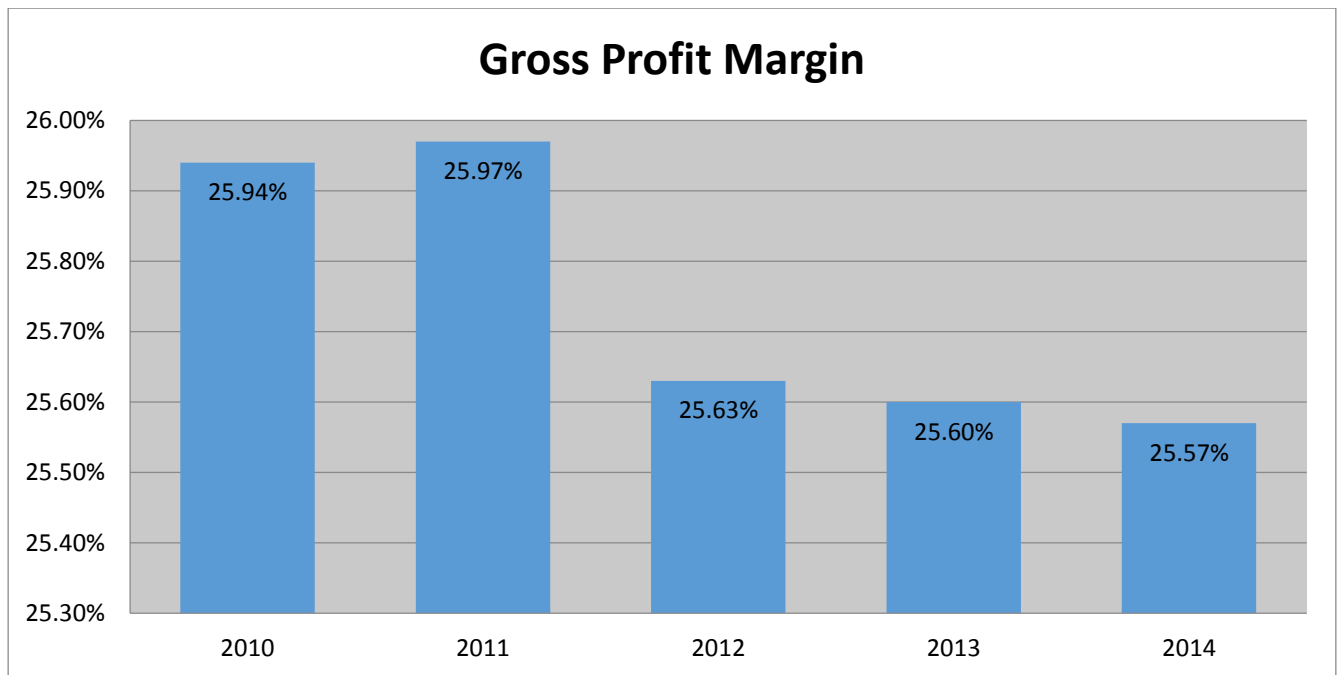
Gross profit margin measures the percentage of gross earnings of the company on its net sales.

Gross Profit Margin = $(\text{Gross profit} \div \text{Net sales}) \times 100$

Particulars	2010	2011	2012	2013	2014
Gross Profit	776.34	902.38	1048.51	1274.25	1392.26
Net Sales	2992.44	3475.21	4090.46	4977.97	5445.20

Gross Profit Margin	25.94%	25.97%	25.63%	25.60%	25.57%
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**Amount in Million



In last five years the gross profit margin of STL was stable although it is decreasing slightly from 2012. It means STL is paying its operating and other expenses without any problems. Over all we can say that STL has a gross profit of around Tk26 for every Tk 100 sales.

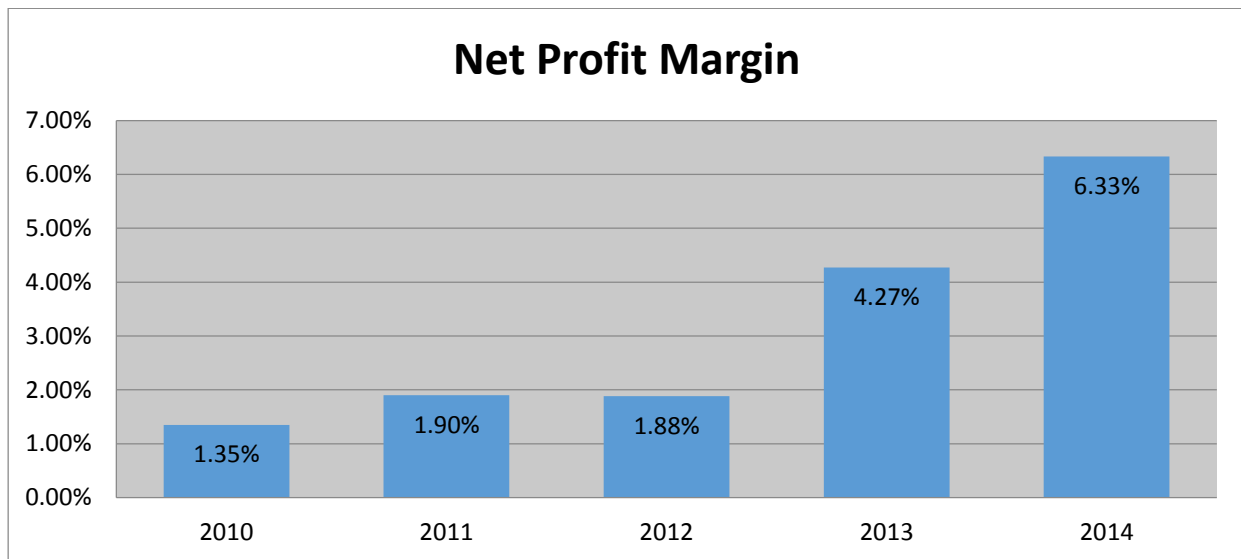
6.2.2.2 Net Profit Margin

Net profit margin measures the percentage of net earnings after tax of the company on its net sales/net premium.

$$\text{Net Profit Margin} = (\text{Net profit after tax} \div \text{Net sales}) \times 100$$

Particulars	2010	2011	2012	2013	2014
Net Profit After Tax	40.40	66.19	76.79	212.36	344.74
Net Sales	2992.44	3475.21	4090.46	4977.97	5445.20
Net Profit Margin	1.35%	1.90%	1.88%	4.27%	6.33%

**Amount in Million



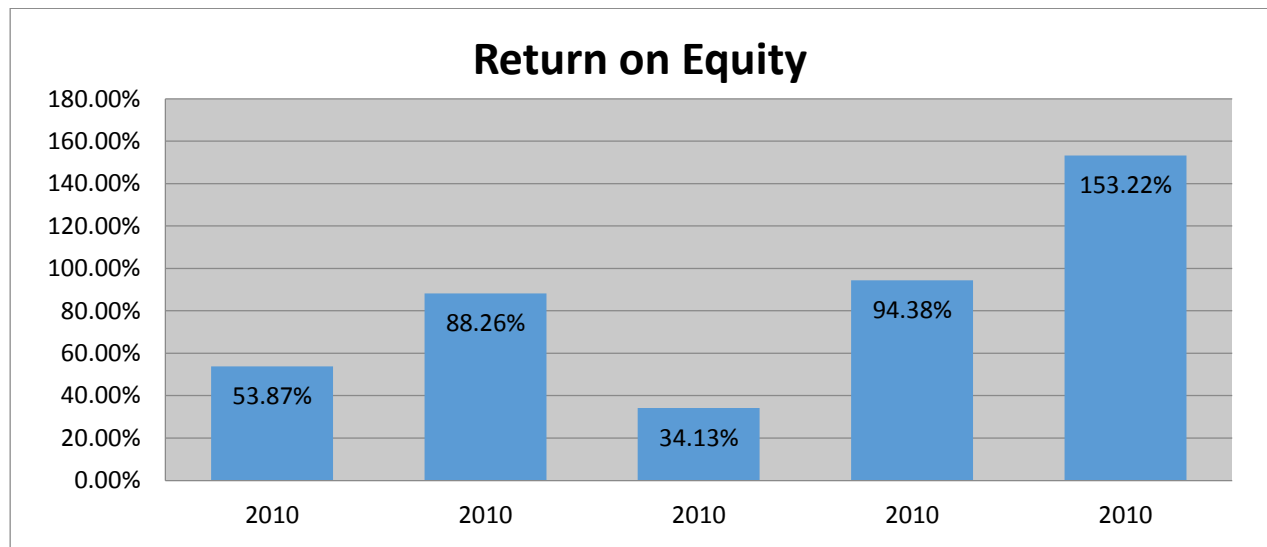
The net profit margin for STL in last five years was good as it is increasing significantly. That means percentage change in sales of STL was higher than percentage change in net profit of STL. Like in 2014 for every Tk100 of sales STL had a net profit of Tk 6.33.

6.2.2.3 Return on Equity

Return on Equity measures the percentage of net earnings after tax of the company on its total Equity.

$$\text{Return on Equity} = (\text{Net profit after tax} \div \text{Total Equity}) \times 100$$

Particulars	2010	2011	2012	2013	2014
Net Profit After Tax	40.40	66.19	76.79	212.36	344.74
Total Equity	75.00	75.00	225.00	225.00	225.00
Return on Equity	53.87%	88.26%	34.13%	94.38%	153.22%



In the last five years STL's common share holders were able to earn a high amount from their investment. But it was fallen in 2010 as the equity portion was higher on that year still they could make a little profit from it.

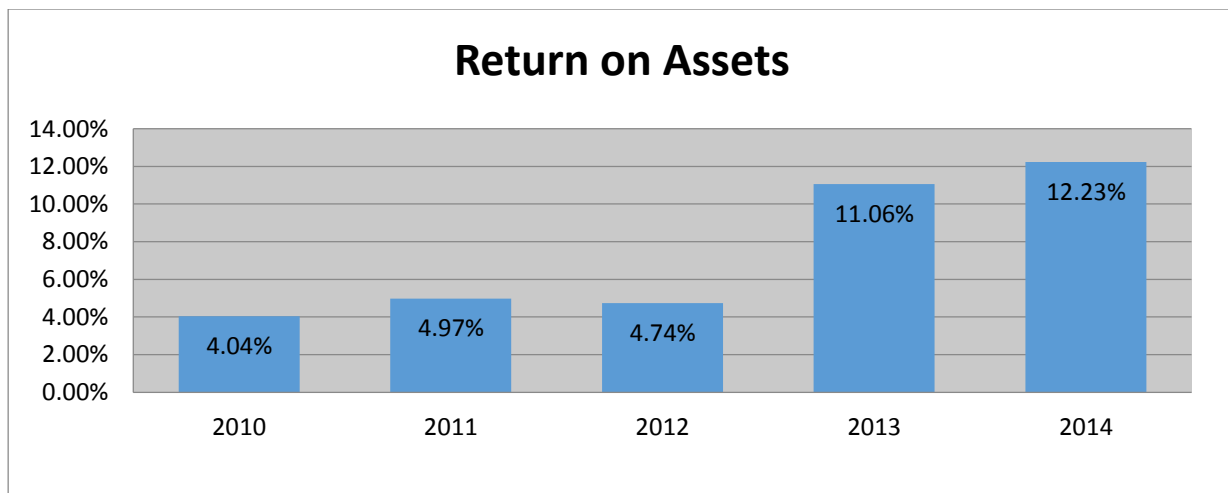
6.2.2.4 Return on Asset

Return on Asset measures the percentage of net earnings after tax of the company on its total asset.

$$\text{Return on Asset} = (\text{Net profit after tax} \div \text{Total Asset}) \times 100$$

Particulars	2010	2011	2012	2013	2014
Net Profit After Tax	40.40	66.19	76.79	212.36	344.74
Total asset	1001.00	1332.16	1621.36	1920.28	2817.94
Return on Asset	4.04%	4.97%	4.74%	11.06%	12.23%

**Amount in Million



Total return on assets for STL was increasing from 2010 to 2014 and increase was quite satisfactory. It is a very good sign for the company's reputation. It is also indicate that there is a huge opportunities for the investor to invest in SYL

6.2.3 Asset Management Ratio

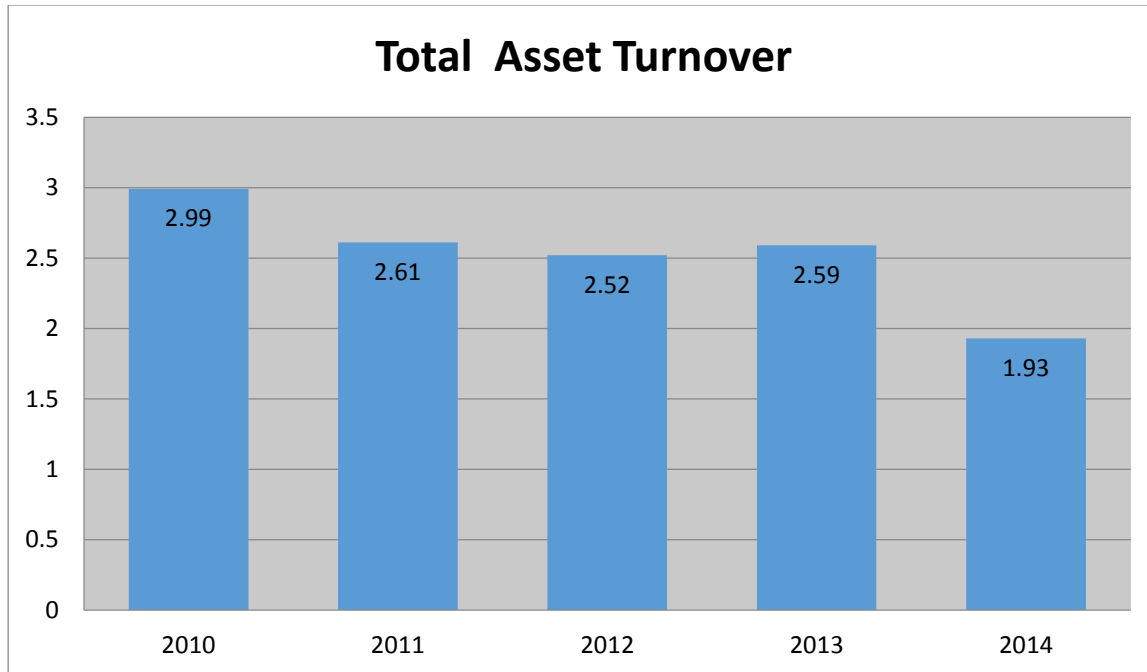
Assets include plant, machinery, computers and even property, all of which are necessary to run your business. The asset turnover ratio indicates how efficiently these assets generate revenue. Under this, I will evaluate total asset turnover, fix assets coverage ratio, net worth to total assets ratio.

6.2.3.1 Total Asset Turnover

Total asset turnover is measured by dividing the total premium by total asset of the company.

$$\text{Total Asset Turnover} = \text{Total premium} \div \text{Total asset}$$

Particulars	2010	2011	2012	2013	2014
Total asset	1,001.00	1,332.16	1,621.36	1,920.28	2,817.94
Net Sale	2,992.44	3,475.21	4,090.46	4,977.97	5,445.20
Total Asset Turnover	2.99	2.61	2.52	2.59	1.93



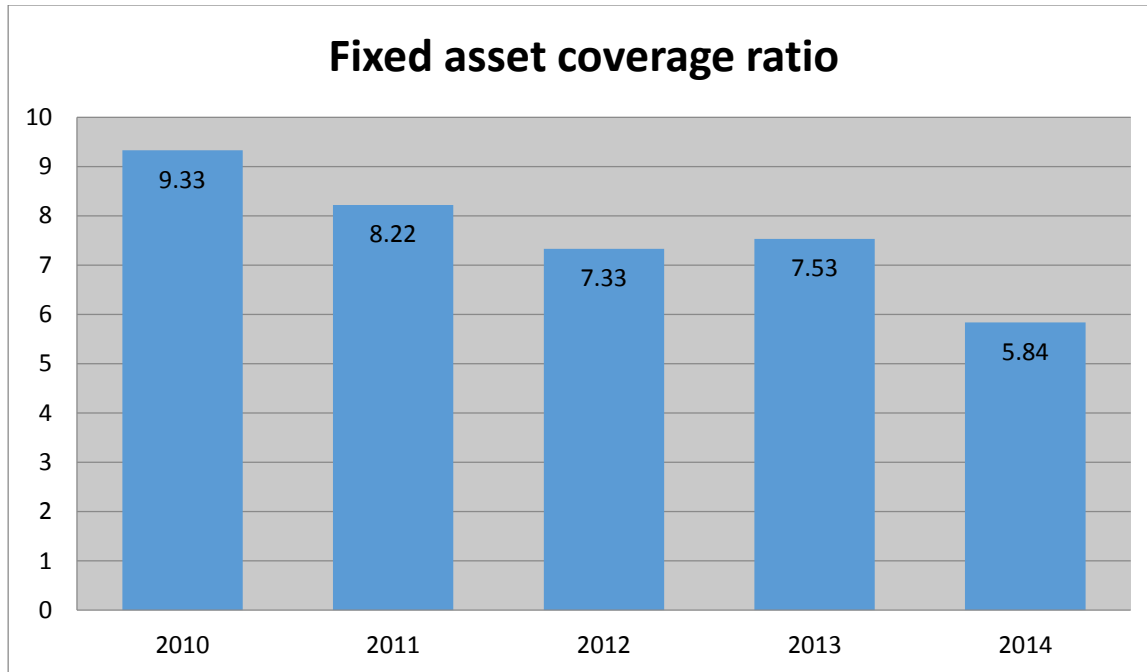
From the year 2010 to 2013 total asset turnover ratio has increased which means in these years STL was able to generate more sales according to their total assts. In 2014 it has decreased as total assets were higher in this year but sales were still higher than last years.

6.2.3.2 Fixed Asset Coverage Ratio

Fixed asset coverage ratio is measured by dividing the total premium by total asset of the company.

$$\text{Total Asset Turnover} = \text{Net sales} \div \text{Total Premium}$$

Particulars	2010	2011	2012	2013	2014
Fixed asset	320.63	422.74	558.25	661.38	932.75
Net Sales	2,992.44	3,475.21	4,090.46	4,977.97	5,445.20
Fixed asset coverage	9.33	8.22	7.33	7.53	5.84



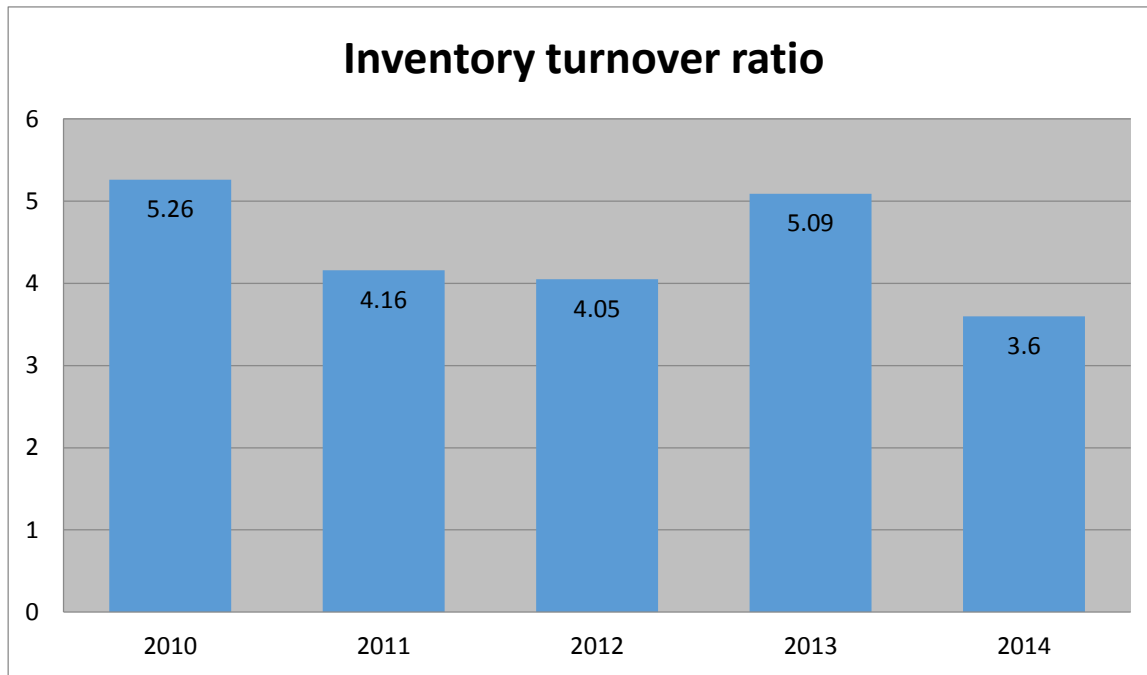
From 2010 the fixed asset turnover ratio has declined in last four years. Reason behind this is the inventory has increased but sales have not increased according to this. On this situation STL should produce a bit less than usual as the sales has not increased in that way.

6.2.3.3 Inventory Turnover Ratio:

Inventory turnover ratio Measures the efficiency of a firm's inventory management.

$$\text{Inventory turnover ratio} = \text{Cost of goods sold} \div \text{Inventory}$$

Particulars	2010	2011	2012	2013	2014
Cost of goods sold	2,216,094,929	2,572,828,855	3,041,941,541	3,703,720,903	4,052,939,598
Inventory	421,435,077	618,620,169	751,753,541	727,117,013	1,124,891,101
Inventory turnover ratio	5.26	4.16	4.05	5.09	3.60



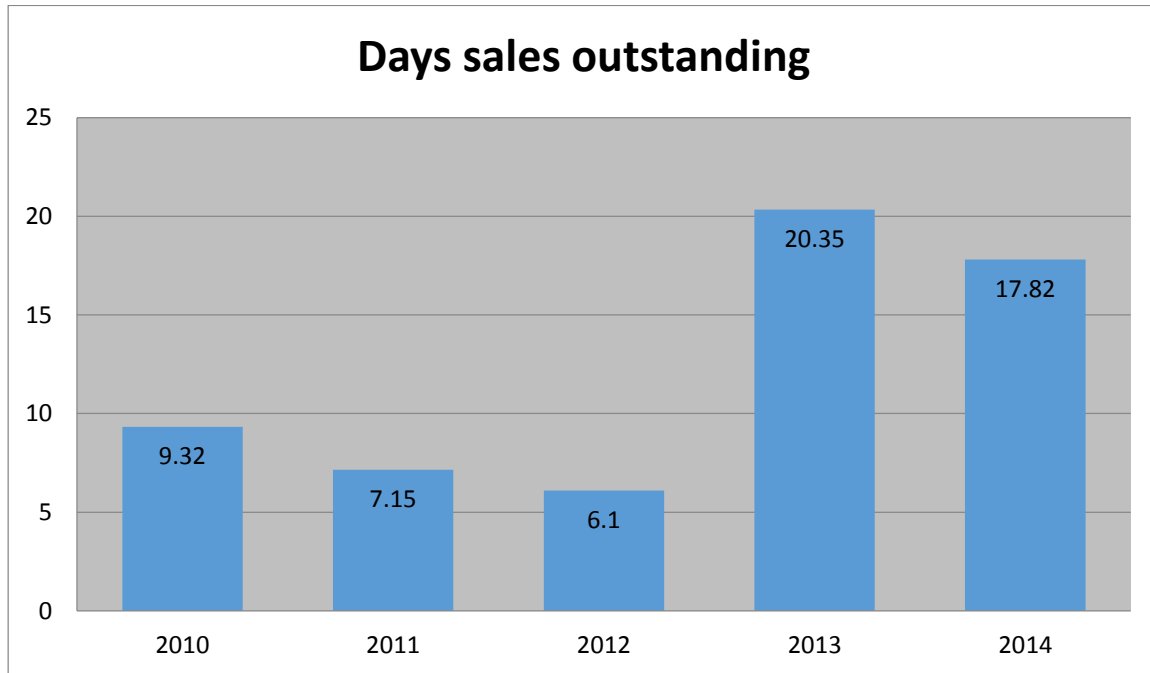
STL’s inventory turnover ratio is good in last four years but in 2014 it has declined as the cost of goods sold has increased in that year. Till 2010 to 2013, on an average STL was able to sold out and restock its inventory by 5 times and in 2014 it was by 3.6 times.

6.2.3.4 Days Sales Outstanding:

How many days on an average, a company takes to turnover its receivables from their customers are considered as days sales outstanding of that company.

$$\text{DSO} = \text{Accounts receivables} \div (\text{sales} \div 365)$$

Particulars	2010	2011	2012	2013	2014
Accounts receivable	76,390,621	68,086,048	68,340,999	277,551,752	265,778,480
Sales	2,992,437,931	3,475,211,915	4,090,456,254	4,977,971,265	5,445,199,576
DSO	9.32	7.15	6.10	20.35	17.82



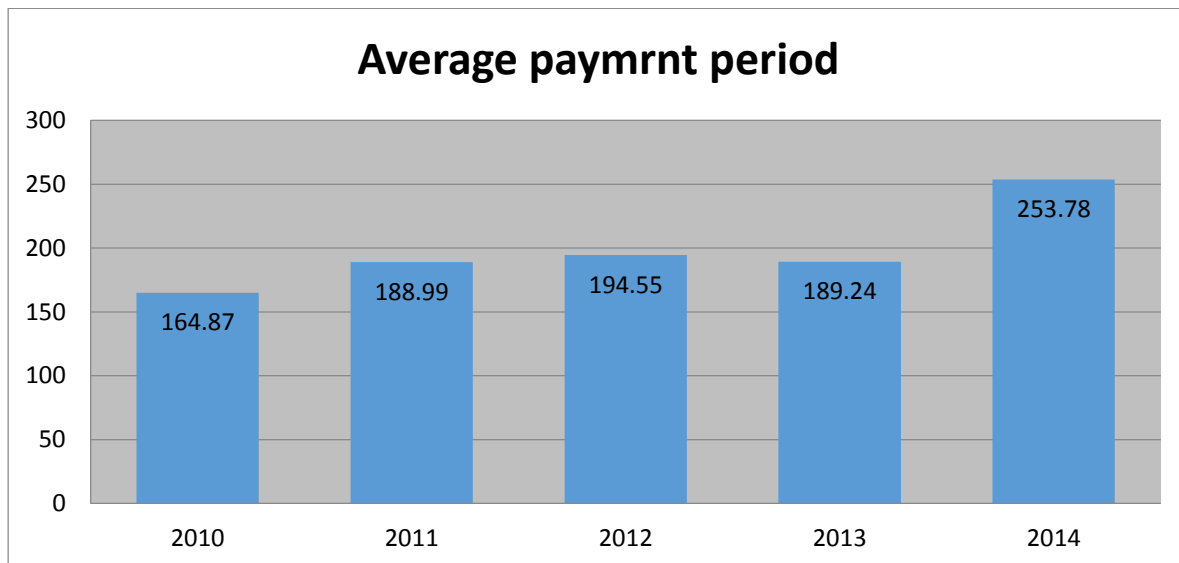
In 2013 and 2014 it took a much higher time to recollect the money from their customers for STL which is a bad sign for the company. In 2011 and 2010 DSO had improved than 2009. As accounts receivable decreased and average per day sales increased DSO has also decreased on these years.

6.2.3.5 Average payment period:

It measures how many days on an average does the company take to repay its bills to its suppliers

$$\text{Average Payment period} = \text{Accounts payable} \div (\text{purchase or cogs} \div 365)$$

Particulars	2010	2011	2012	2013	2014
Accounts payable	1,001,001,971	1,332,157,635	1,621,358,097	1,920,279,420	2,817,939,886
COGS	2,216,094,929	2,572,828,855	3,041,941,541	3,703,720,903	4,052,939,598
Average payment period	164.87	188.99	194.55	189.24	253.78



In last five years STL has a high payment period that is it takes or has a lot of time to pay back to its suppliers and it is less than its payment period from their suppliers. This is a good situation for the company.

6.2.4 Debt Management Ratio

The debt management ratio is defined as the ratio of total debt to total assets or equity, expressed in percentage, and can be interpreted as the proportion of a company's assets or equity that are financed by debt. Here I will evaluate the Debt to Equity & Debt to Total Asset ratio.

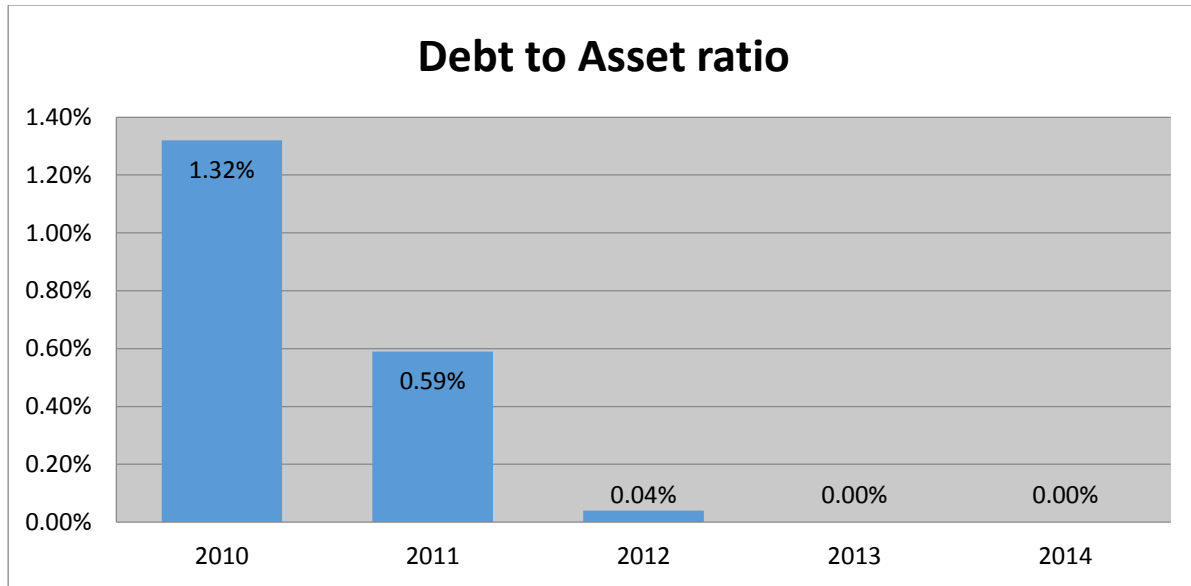
6.2.4.1 Debt to Asset Ratio

Debt to Asset ratio measures how efficiently a firm manages its debt. It shows the percentage of claim of the creditor on the asset of the company.

$$\text{Debt to Equity Ratio} = (\text{Long term debt} \div \text{Total Asset}) \times 100$$

Particulars	2010	2011	2012	2013	2014
Total asset	1,001.00	1,332.16	1,621.36	1,920.28	2,817.94
Long Term Debt	13.17	7.8	0.62	-	-
Debt to Asset Ratio	1.32%	0.59%	0.04%	0.00%	0.00%

**Amount in Million



In 2010 STL had a high long term debt than other years which means in that year STL financed its total assets by debt. In 2011 and 2012 the rate of debt has declined as STL used some of their cash to finance the assets.

6.3 Recommendations:

After analyzing last five years data I find out that STL's financial position is overall satisfactory still they need to go through some changes. From the liquidity ratio I observed that it has declined in 2014 and company has a difficulty of paying its obligations although the current ratio was in increasing rate. As STL has some illiquid current ratio it has increased the liabilities portions. So STL should give more emphasis in liquidity as it indicated the true liquidity of the company.

In case of inventory management ratio it was in a decline rate which indicates that STL is facing poor sales and lower cost of goods sold. It is happening may be because of not utilizing their main power for production process. Therefore proper utilization of man power as well as raw materials is required for STL in order to increase the sales rate and inventory turnover ratio.

I also observed that STL is facing cash shortage problem as their accounts payable period is higher and it took much time to pay back to its creditors. Besides that STL's total assets turnover

ratio is also fluctuation in last few year. It might happened because of they could not manage their assets in last few years and sales has declined. So STL needs to focus on their assets management properly so that they can keep their reputation among their suppliers and increase their selling rate.

However, financial ratio analysis always does not give the proper indication about the company's performance. So one stakeholder cannot always predict or make a comment about future performance of the company from these ratios. The quality of products and experience of the management team can change the success story of a company. Therefore financial ratios do not indicate the real face of management quality of the company.

Chapter Seven: Conclusion

After analyzing the last five years financial data of Square Toiletries Ltd. I came to the conclusion that STL is one of the leading manufacturing company of Bangladesh with a variety of product which have a export quality and it is a self solvent company with a strong position in the manufacturing sector. Almost all of the ratios of STL's show that they are solvent enough and they have the efficiency. However there liquidity ratio and turnover ratios needed to be improved as early as possible so that the company can reduce their liabilities. In the last I would like to add that STL's financial management practice needed to be improved and they need to take some effective solution so that STL can hold their reputation as a business icon in the manufacturing sector.

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Appendix

SQUARE TOILETRIES LTD
SALGARIA, PABNA
STATEMENT OF FINANCIAL POSITION
As on

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Non Current Assets:					
Propert, Plant & equipment-Carrying Value	932,752,601	661,381,774	558,245,210	422,743,330	320,632,079
CURRENT ASSETS					
Cash and Bank Balances	47,633,266	30,891,041	48,521,669	29,251,693	19,263,630
Investment in Merketable securities (at cost)	87,315,035	66,098,476	67,280,794	51,897,290	28,853,310
Advances & Deposits	359,569,402	157,239,371	127,215,886	141,559,105	134,426,254
Accounts Receivable	265,778,480	277,551,752	68,340,999	68,086,048	76,390,621
Inventories	1,124,891,101	727,117,013	751,753,541	618,620,169	421,435,077
	1,885,187,285	1,258,897,653	1,063,112,889	909,414,305	680,368,892
TOTAL ASSETS	2,817,939,886	1,920,279,420	1,621,358,099	1,332,157,635	1,001,000,971
SHAREHOLDERS EQUITY & LIABILITIES					
Authorised Capital :					
5,000,000 Ordinary Shares of Tk 100/- each	500,000,000	500,000,000	500,000,000	500,000,000	500,000,000
Issued, Subscribed & Paid up Capital :					
Ordinary Shares of Tk 100/- each fully paid up in cash	225,000,000	225,000,000	225,000,000	75,000,000	75,000,000
Tax Holiday Reserve	52,819,727	52,819,727	52,819,727	52,819,727	52,819,727
Accumulated Surplus	788,911,231	448,634,745	281,290,405	360,051,718	301,078,601
	1,066,730,958	726,454,472	559,110,132	487,871,445	428,898,328
Long Term Loan	-	-	615,130	7,796,674	13,170,971
CURRENT LIABILITIES					
Short Term Loan	741,263,666	541,726,508	232,431,301	314,588,947	277,700,118
Liabilities for Goods Supplied	236,804,022	161,678,132	195,925,625	263,468,223	163,485,888
Liabilities for Expenses	158,289,630	147,170,038	199,804,749	81,805,275	18,860,408
Liabilities for Other Finance	8,215,327	8,801,106	16,591,498	11,776,961	6,832,669
Loan from Sister Concern	224,112,718	111,550,345	331,521,889	93,755,649	-
Workers Profit Participation Fund	26,416,336	16,952,875	6,124,981	4,985,960	3,141,954
Provision for Income Tax	356,107,229	205,945,945	79,232,793	66,108,498	88,911,635
	1,751,208,928	1,193,824,948	1,061,632,835	836,489,513	558,932,672
	2,817,939,886	1,920,279,420	1,621,358,097	1,332,157,635	1,001,001,971

SQUARE TOILETRIES LTD
SALGARIA, PABNA
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 30th June

	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010
GROSS TURNOVER- Local	6,178,055,091	5,626,249,394	4,705,297,372	4,004,877,171	3,483,535,257
Export	8,179,742	23,986,171	16,040,307	11,080,945	7,720,811
	6,186,234,833	5,650,235,565	4,721,337,679	4,015,958,116	3,491,256,068
Less: VAT & SD	741,035,257	672,264,300	630,881,425	540,746,201	498,818,137
Net Turnover	5,445,199,576	4,977,971,265	4,090,456,254	3,475,211,915	2,992,437,931
COST OF GOODS SOLD	4,052,939,598	3,703,720,903	3,041,941,541	2,572,828,855	2,216,094,929
Gross Profit	1,392,259,978	1,274,250,362	1,048,514,713	902,383,060	776,343,002
Operating Expenses:					
	889,329,256	951,904,456	935,869,346	818,108,737	719,706,903
Administration, selling & Distribution Expenses	881,652,959	939,518,650	919,813,211	800,274,917	690,552,314
Financial Expenses	7,676,297	12,385,806	16,056,135	17,833,820	29,154,589
Profit From Operation	502,930,721	322,345,906	112,645,367	84,274,323	56,636,099
Others Income	51,812,340	33,664,461	15,979,233	20,430,843	9,344,935
Profit Before WPPF	554,743,061	356,010,367	128,624,600	104,705,166	65,981,034
Allocation for WPPF	26,416,336	16,952,875	6,124,981	4,985,960	3,141,954
Profit Before Tax	528,326,725	339,057,492	122,499,619	99,719,206	62,839,080
Provision For Income Tax	183,588,690	126,713,152	45,705,385	33,527,408	22,437,581
Net Comprehensive Income for the Year	344,738,035	212,344,340	76,794,234	66,191,798	40,401,499
Earnings Per Share	153.22	94.38	34.13	88.26	53.87
Number of Share	2,250,000	2,250,000	2,250,000	750,000	750,000

Particulars	2010	2011	2012	2013	2014
Current Asset(a)	680.37	909.41	1,063.11	1,258.90	1,885.19
Current Liability(b)	558.93	836.49	1,061.63	1,193.82	1,751.21
Current Ratio	1.22	1.09	1.00	1.05	1.08

2 Quick Ratio					
Particulars	2010	2011	2012	2013	2014
Quick Asset	138.05	196.36	184.14	374.54	400.73
Quick Liability	558.93	836.49	1,061.63	1,193.82	1,751.21
Quick Ratio	0.25	0.23	0.17	0.31	0.23

Particulars	2010	2011	2012	2013	2014
Total Current Assets	680.37	909.41	1,063.11	1,258.90	1,885.19
(-) Ending Stock	421.44	618.62	751.75	727.12	1,124.89
(-) Advance payments	120.88	94.43	127.22	157.24	359.57
Quick Assets	138.05	196.36	184.14	374.54	400.73

Gross Profit Margin					
Particulars	2010	2011	2012	2013	2014
Gross Profit	776.34	902.38	1048.51	1274.25	1392.26
Net Sales	2992.44	3475.21	4090.46	4977.97	5445.2
Gross Profit Margin	25.94%	25.97%	25.63%	25.60%	25.57%

Net Profit Margin

Particulars	2010	2011	2012	2013	2014
Net Profit After Tax	40.4	66.19	76.79	212.36	344.74
Net Sales	2992.44	3475.21	4090.46	4977.97	5445.2
Net Profit Margin	1.35%	1.90%	1.88%	4.27%	6.33%

Return on Equity

Particulars	2010	2011	2012	2013	2014
Net Profit After Tax	40.4	66.19	76.79	212.36	344.74
Total Equity	75	75	225	225	225
Return on Equity	53.87%	88.25%	34.13%	94.38%	153.22%

Particulars	2010	2011	2012	2013	2014
Accounts payable	1,001,001,971	1,332,157,635	1,621,358,097	1,920,279,420	2,817,939,886
COGS	2,216,094,929	2,572,828,855	3,041,941,541	3,703,720,903	4,052,939,598
Average payment period	164.87	188.99	194.55	189.24	253.78

Particulars	2010	2011	2012	2013	2014
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Total asset	1001	1332.16	1621.36	1920.28	2817.94
Return on Asset	4.04%	4.97%	4.74%	11.06%	12.23%

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Fixed asset coverage	9.33	8.22	7.33	7.53	5.84

Particulars	2010	2011	2012	2013	2014
Total asset	1,001.00	1,332.16	1,621.36	1,920.28	2,817.94
Long Term Debt	13.17	7.8	0.62		
Debt to Asset Ratio	1.32%	0.59%	0.04%	0.00%	0.00%

Particulars	2010	2011	2012	2013	2014
Cost of goods sold	2,216,094,929	2,572,828,855	3,041,941,541	3,703,720,903	4,052,939,598

