

Internship Report on “Financial Statement Analysis and Performance Evaluation of Farr Ceramics Limited.”

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Date of Submission: 17th August, 2015

LETTER OF TRANSMITTAL

17th August, 2015

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Subject: Submission of internship report.

Dear Sir,

This is my pleasure to present my Internship Report entitled- “Financial Statement Analysis and Performance Evaluation of Farr Ceramics Limited”

I have conducted my internship program in FARR, 52 New Eskaton Road, and effect from the 10 May 2015 to 10 August 2015 with your kind supervision. I have invested my every effort to financial functions performed by Farr.

I believe that the knowledge and experience I gathered during the internship period, will be helpful in my future professional life. I will be grateful to you if you kindly accept this report.

Thanking you for your time and kind supervision.

Sincerely Yours,

Mahmud Hasan
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ACKNOWLEDGEMENT

A detailed research type report cannot be completed without the help of significant others. I would like to thank a first; the Almighty Allah, who has given me the courage, patience, knowledge and fitness to complete the report promptly and within right time. The heartfelt support or cooperation that I have received while doing the internship and preparing the report is unforgettable and very appreciable. I would like to thank my parents, teachers, officials and friends; who has helped me directly and indirectly to finish the report as per the instruction of my honorable supervisor. I would like to mention the name of some person, whose contribution in completing my internship and report are highly obvious from all aspects. Firstly, I would like to express my heartfelt gratitude towards my honorable academic supervisor; Riyashad Ahmed, Assistant Professor, who has directed, monitored and helped me continuously whenever I needed in doing internship and report. Secondly, the support and compliment that I have received from my honorable Managing Director; Mr. Irfan Uddin, has increased my motivation, confidence level and has eased the path of collecting data because he permitted me for doing analysis and working anywhere within the office I needed most. Thirdly, The help from General Manager; Mr. Modhu sudan saha is worthy to mention because he provide me some resources that were apparently impossible to get and took good care of me while doing internship. Lastly, I would like to admire the outstanding support and time; provides by Mr. Rezaul Karim, General Manager of Finance, regarding my quarries about financial performance analysis and course related data and customer satisfaction. He has contributed deeply at each step of this analysis based internship report.

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EXECUTIVE SUMMARY

The main focus of this report is on the Financial Statement Analysis and Performance Evaluation of Farr Ceramics Limited. In order to focus on the financial performance and evaluation of Farr Ceramics Limited, the study focuses on the financial statement and ratio analysis, liquidity ratio, Efficiency ratio, Debt Management and Profitability and also analyze the market position by comparing FCL's Revenue, EPS, NAV, Net Income with other ceramic companies. The study has been conducted mainly based on secondary data. Moreover, on the study describe the internship experience and objectives of the study. Some information has also been collected from the discussion with the officers. Trend analyses are mainly conducted to analyze the trend of liquidities, profitability, debt management and Efficiency of Farr Ceramics Limited. Recovery performance of FCL within the ceramic industry is also analyzed in the report. FCL's results of the study shows that, increasing trend of inventory turnover ratio, gross profit margin ratio maintaining of debt to asset ratio. FCL is in second position covers 23% of market by their selling excellent. Proper and effective monitoring system should be developed in order to ensure the proper maintain liquidity and to minimize the debt of FCL.

Chapter: 01

An Overview of FCL

1.1 Background and History of Farr:

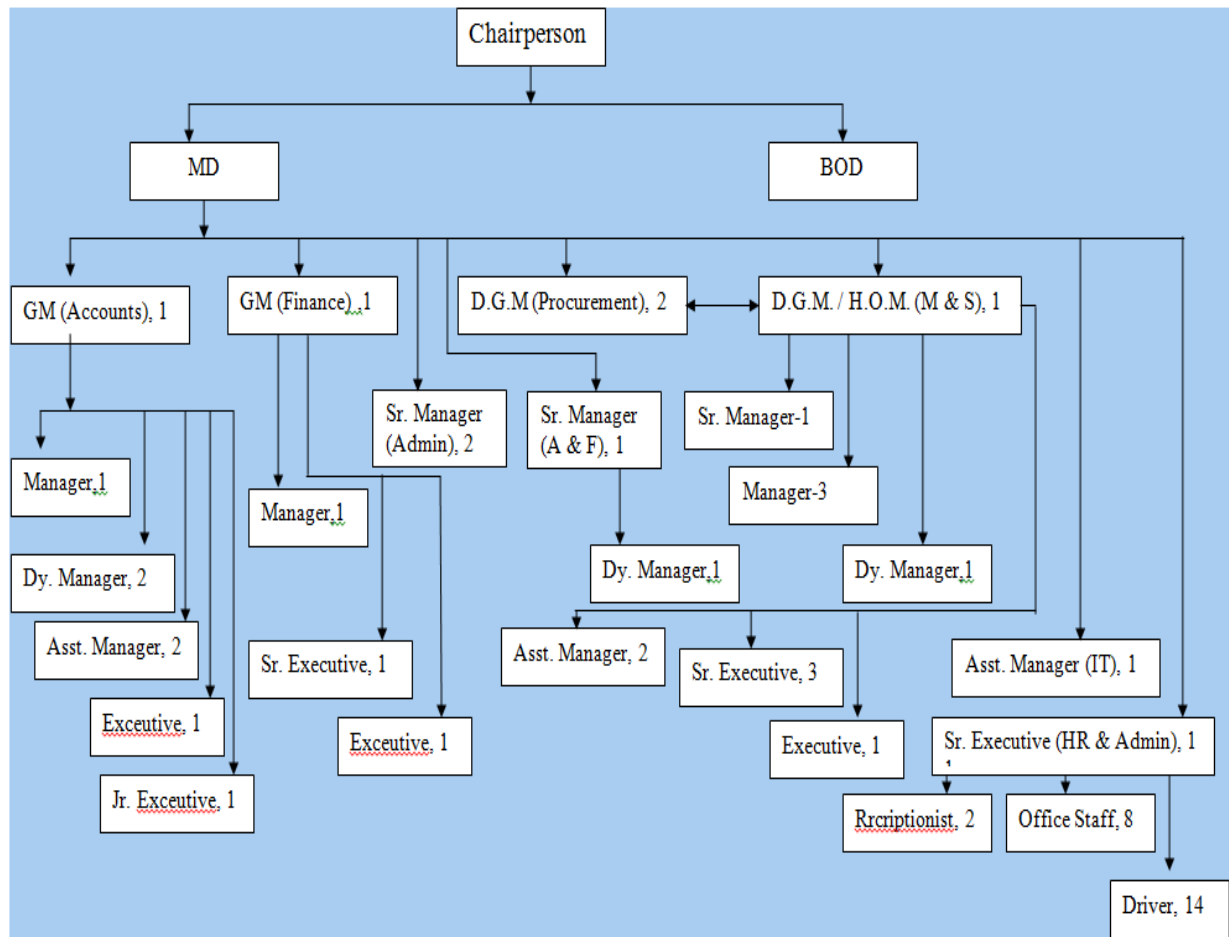
FARR Ceramics Limited (FCL) was established on 4th January 2005 as a private Limited company with a view to producing world class porcelain Tableware. FCL is an Export Oriented Company equipped with state-of-the-art technology. The entire plant was set up with machinery from Germany, Italy and Japan. The factory is located about 40 KM north from Dhaka situated at Noulapara, Bhabanipur, Gazipur.

FCL started its commercial production from March 2007 with an installed capacity of 32,000Pcs per day. FCL has been equipped with Testing and Quality Control Laboratory, Decal& Decoration plant, Carton-Packaging Plant, Modeling unit, Mechanical and Civil Engineering section, Gas based power Generation unit etc. FCL is also an ISO 9001/2008 Certified Company maintaining absolute quality in production process.

At present FARR Ceramics Limited has its global network in more than 35 countries of the world. FCL has strong market base in various countries all over the world such as Argentina, Chile, Bhutan, Canada, Dubai, Egypt, England, Germany, Greece, Hong Kong, India, Italy, Lebanon, Norway, Poland, Qatar, Singapore, Spain, Sweden, Switzerland, Syria, Turkey, UAE, USA and so on. FCL is continuously searching for new market around the globe to expand its brand footprint. Normally FCL exports 80% of its products to international market and 20% to local market which includes various renowned corporate bodies, wholesalers, dealers etc.

Corporate office	TMC Building, 3 rd Floor, 52 new Eskaton Road, Dhaka 1000 Bangladesh.
Factory	The factory is located about 40KM north from Dhaka situated at Noulapara Bhabanipur, Gazipur.
Web Site	WWW.farr.com.bd
Total Revenue	US\$ 2.5 Million - US\$ 5 Million
Main Market	North America, Eastern Europe, South East Asia, Middle East, Western Europe.
Product line	Round plate, dinner plate, meat plate, breakfast plate, cereal bowl, tea saucer, casserole with lid, tea pot with lid, creamer, and platter and other casting wares.

1.2 Organizational Structure of Farr Ceramics Limited:



Management Profile of Farr Ceramics Ltd.:

Managing Director	Mr. Irfan Uddin
Director, Marketing & Procurement	Abu Rawshan Mohammad Musa
Director, Finance	Irfan Uddin
General Manager, Production	Saidur Rahman Khan
Senior General Manager & Head of Marketing	Md. Mamunur Rashid
Assistant General Manager & Head of Finance	Md. Majbah Uddin

1.3 Products of Farr Ceramics:

FARR Euro Fine Porcelain Tableware

The brilliant whiteness and superb translucency have positioned FARR ultra white body practical and stunning designs taking Porcelain to new height. Without reducing the mechanical strength, FARR ultra white porcelain is refined to give the user a soft Bone China like feeling. Ultra white porcelain is the result of super integration of the best quality of raw materials like as premium quality New Zealand Kaolin and other additives and the result of innovation in receipt and utilization of supreme human skill. Comparable in quality to the best Porcelain manufacturers, FARR is one of the Globes.



A passion to inspire

FARR Fine Ivory Tableware

FARR FINE IVORY is a outcome of the creativity and innovation in Porcelain from its RND. FARR Fine Ivory Tableware is designed to be an affordable luxury gives your tabletop a unique and contemporary look. Exceptional in creamy and translucent body color, design and finish exhibiting the inherent strength and purity feel like as New Bone China!



Creativity and innovation in Porcelain

FARR High Alumina Porcelain Hotel ware

Exuding elegance and finesse to enhance and compliment of your food presentation, each piece also boasts hidden strength about 30% more than normal Porcelain because FARR High Alumina Porcelain body containing about 30% purified Alumina originated from JAPAN. So it can create truly unique and memorable dining experience- time after time.



Outward beauty, inner strength

Products line of Farr Ceramics Ltd.

The products line of FARR Ceramics is much diversified in terms of items and designs. The products range from-

- dinner sets
- tea sets
- coffee sets
- dessert sets
- cake sets
- Sweet sets to open stocks (like plate, oval dish, and bowl, cup with saucer, hollow-ware, mugs, and flower vase and hotel wares).
- FARR Ceramics also produces tableware of micro- oven, freezer and dishwasher proof.

FARR Ceramics also have been able to develop its in-house brands namely PARR Euro Fine Porcelain Tableware which has brilliant whiteness and superb translucency including PARR Fine Ivory and PARR High Alumina Porcelain tableware.

Quality of Products:

- FARR products have zero water absorption, thermal shock resistance up to 200 degree centigrade, crushing strength of 900kg/sqcm, zero iron presence in the body, etc.
- All FARR products comply with the requirements of US FDA Standards and Proposition 65 (California State).
- Decorations are certified for Lead & Cadmium free.
- At a glance, the products of FARR Ceramics are eye- catching and we are sure to augment the food presentation in any significant occasion.

1.4 Position of Farr Ceramics in Bangladesh Market

Export of ceramics goods from Bangladesh, especially in the Middle Eastern countries has been increasing steadily and it has given a boost to the country's hopes for foreign exchange earnings by exploring new markets for its diversified exportable.

Though Bangladesh's entry in ceramic export market is not that old but it had already earned a good name for its quality products with a new product with elegant getup and design. The local tableware industry has the capacity to feed the BDT 4000 millions domestic market but local manufacturers are yet to fulfill the local demand.

The major Bangladesh ceramic tableware producers are:

SI No.	Name of the company	Position in terms of capacity	Position in terms of sales
1	Monno Ceramic Limited	3 rd	2 nd
2	Shinepukur Ceramic Limited	2 nd	1 st
3	Farr Ceramic Limited	1 st	3 rd
4	Paragon Ceramic Limited	4 th	4 th

1.5 At a Glance Operating Performance of FCL fir last 5 years:

Operating Performance	2010	2011	2012	2013	2014
Total Revenue	405719747	486281152	477192756	531859132	893863503
Total Expense	267842465	336863039	380,009,148	412992051	520999887
Profit before Taxes	169928561	105268820	65068835	12179969	51292359
Provision for Taxation		10,802,567	14765439	-	-
Net profit After taxation	69928561	94,466,252	50,303,396	9586606	41072321
Earnings per Share(EPS)	3.88	5.25	1.01	0.19	0.82

Table 1 FCL operating performance

1.6 At a Glance Financial Performance of FCL fir last 5 years:

Financial Position	2010	2011	2012	2013	2014
Total Non-Current Assets	1,077,051,375	2,832,051,511	3,498,237,382	4,348,085,148	4479250640
Total Current Assets	342,497,392	327,226,813	495,028,442	508,954,659	601625536
Total Assets	1,419,548,767	3,159,278,323	3,993,265,824	4,857,039,807	5080876176
Total Shareholders' Equity	219,525,506	1,339,209,464	1,604,512,875	2,135,042,326	2176114647
Total Non-Current Liabilities	953,276,876	1,430,380,381	1,751,498,516	2,036,750,964	1985861859
Total Current Liabilities	246,746,385	389,688,478	637,254,434	685,246,517	918899670
Total Equity and Liabilities	1,419,548,767	3,159,278,323	3,993,265,824	4,857,039,807	5080876176
Net Assets Value Per Share (NAV)	137.20	74.40	32.09	42.70	43.52

Table 2 financial position of FCL

Chapter: 02

Job Description in FCL

An overview of Internship

My internship experience at Farr Ceramics Limited started in the head office, located at New Eskaton Road which is old, sophisticated and quit office. The office is a four storied building in which around 24 officers of different designation works from 10 am of morning to 6 pm of the night. The most attracting of the office is the state of the art design and space of the office premise.

I started my internship from 10th of May, 2015 and ended on 10th of August, 2012. The internship was approaches by the Managing director of FCL. Who send me to HRD, Farr Ceramics Limited at New Eskaton to submit my CV. I was prepared for an interview which happened after 2 hours of waiting. I meet with the authoritative person of the HRD who is honorable of the HRD and MD of FCL. Then they took my short interview and told to wait the final call. After 4 days, the call finally came; I was advised to receive the appointment letter.

After joining the office at the morning, the head office received my appointment letter warm heartedly and introduced other with a new intern from BRAC University. At first, I have been posted to front desk, the first customer get information about product and price services where I passed second highest work time among all departments. I learned many thinks about customer relationship maintain, phone call reception, customer dealing and there. Then I moved to account, marketing and HRM department of the office and learned so many thinks which I never imagined to learn. By this time, I I was able able to build relation with officer at the second floor in front desk. Besides, I also learned some important think about account department which is located at second floor. Account related activities has no known bounds and have many difficulties and limitless pressure. Though the interns had nothing mentionable to do in the account department, but I enjoyed the accounts job most after front desk; it was the place where I passed 1 month because I found it most important and interesting for my report purpose. The job rotation of employees and interns is very effective for better understanding of office.

My internship with the officials and others interns goes deeper and deeper as time passes and I can confidently say that I tried to become a professional, hard-working, honest, responsible, ardent and amiable person at my workplace. Finally, I got verbal compliments from my Managerial Director, Accounts manager and officers who actually make me feel that I am

successful as an intern in their eyes. My confidence level has gone higher after finishing successfully. The only problem I faced was the workless times at different departments and doing nothing. However, I enjoyed my first time official attachment very much, indeed. My job responsibilities, experience and recommendation at different department are explained in following part.

2.1 Front Desk (Information center and Customer services)

Experience: Front desk of the office was one of the most mentionable work areas for me where I have learned many things about office and customer relation. I got 60% of my internship learning from there because I had to desk with different types of customers with varied requirement to us. I generally; assisted my supervisor and other officers at front desk to execute the tasks swiftly and successfully. Sometimes, I solely had to take the charge of the desk for a while when other officers were not available. I observed firstly, the place or selves which are frequently used by officers like the files-folders, different types of papers, magazines, stationary box and so on. Therefore when they want anything from me, I can easily find those stuffs for them. It also helped me to do my task when I was alone.

Job Responsibility: My job responsibility at the front desk was vast and diverse as an intern. Apart from some specific tasks, I had to perform certain tasks during the office hour.

- Dealing with clients as per the demand of client and officials
- Responding to the queries in detail about different types of products and price.
- Preparing list of customer name and accounts
- Inspecting the magazine boxes and making forms and decorated magazines as per need
- Filling up the important and unfilled item on a form
- Filling the used, closed and pending forms
- Finding files
- Processing and enlisting papers
- Receiving phone calls

Observation and Recommendation: From my observation, front desk has a high potential to communicate with different level of customers. The officials of front desk have more client related responsibility than other section. The job is a mixer of good and bad experiences but all experiences can be counted. The desk demands fast, organized and perfect execution of works. The authority should permit an intern to learn and use official accounting software to increase their knowledge and experience levels. The most energetic, handsome and smart official should always be placed at the front desk.

2.2 Accounts and Finance Department

I spend one month in accounts and finance department during my internship under Mr. Rezaul Karim.

Experience: The experience of the accounts is worthy to mention as accounts section maintains the balance sheet of the branch. The tasks of the section were sensitive; one mistake in accounting process or record can create many difficulties in office. I also learn how to finance for their production. I found very helpful and resourceful to learn from the affairs sheet of the office because the accounts statement of the company quite different from statement that we normally practiced in our classes. I have learned about the income-expenditure, asset-liability terms of the company.

Job Responsibility: Job responsibilities at accounts and finance were short because of the work sensitivity.

- Checking debit and credit entry in number and amount from audit trial to general account sheet
- Calculating daily entries and position of demand sales, account receivable and payable
- I was entry data and calculated the total wages and salaries earned by every employee every pay period
- All cash received from sales and from all other sources has to be carefully identified and recorded

- Sometimes I responsible for keeping track of all purchase orders that have been placed for inventory (products to be sold by the business) and all other assets and services that the business buys.

Observation and Recommendation: The task of accounts is very sensitive and warrants highest attention in recording and security activities. The learning from accounts helped me to forwarding as I know the term of balance sheet which is an accumulation of entire function of office. The work of financial statement was easy because my understanding of accounts was good.

2.3 Marketing or Sales Department

I spend only 10days in marketing department and watched their lots of tasks. Though this departmental work not related to my study I could not get much time to spend.

Experience: Marketing is the most important parts of any business activity. I knew from the experience It is creates customers and generates income, guides the future course of a business and defines whether it will be a success or a failure. Without marketing, a business is like sitting in the dark. I got experience; how they update their website, create their customer chain and strategy to build customer satisfaction.

Job Responsibility:

- Listened customer needs and demand
- Track trends and monitor competition
- Coordinated efforts with marketing partners of the company
- Communicate with the rest of the company
- Help to improve sales process and customer

Observation and Recommendation: Marketing department's tasks are also much secure for their product designing and spreading. The learning from marketing strategy helped me to forward increasing sales demand cause. The work of customer satisfaction was easy because it was easier term based on advertising, segmentation and promotion.

Chapter: 03

Introduction

3.1 Summery:

Financial performance analysis can identify the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss. It helps a firm to indentify short term and long term growth forecasting. This analysis can be undertaken by management of the firm or by parties outside the namely, owner, creditors, investors. Financial statement analysis involves the re-organization of the entire financial data contained the financial statements. It is the establishment of significant relationships between the individual components of balance sheet and profit loss account. This is done through the application tools of financial analysis like ratio analysis, trend analysis, common size balance sheet and comparative balance sheet. This is used for determining the investment value of the business, credit rating and for testing efficiency of operation. Every company need to analyze financial statement to know the performance of a company and company take their decision and recovery procedure if need.

3.2 Description of the Project:

This internship report is prepared as a mandatory course fulfillment of the requirement of MBA program. It is my great pleasure to permit to complete internship report on “**Financial Statement Analysis and Performance Evaluation of Farr Ceramics Limited**”. I am student of MBA program. I sincerely believe that my practical knowledge and experiences gathered from this study will be very helpful in my future life for doing any types of research work.

The industrial venture is a private limited company which has been incorporated with the register of the join stock companies, Gov. of the People’s of Bangladesh under the mane and style Farr Ceramics Limited. As per the companies Act-1994 the company is going to be a Public Limited company very soon and related works in this regard is under process.

This internship report is submitted after completed of three months internship program in Farr Ceramics Limited to the internship supervisor. This program direct authorized by me to submit the report on “**Financial Statement Analysis and Performance Evaluation of Farr Ceramics Limited**”. This internship program was started from 10th May, 2015.

3.3 Significance of the Report

This internship report is an important partial requirement of MBA program because knowledge and learning become perfect when it is associated with theory and practice. Students can establish contacts and networking by this internship program. Contacts may help to get a job in future. That is, student can train and prepare themselves for the job market. Developing country in the world like Bangladesh has an overwhelming number of unemployed educated graduates. Therefore; it is obvious that the significance of internship is clearly justified as the crucial requirement of MBA Post graduation. The main theme of internship of internship is together practical experience and knowledge about the corporate activities of different sector of the business. It also helps a lot to compare the theoretical knowledge with the practical field. Furthermore, the program has helped me a lot to understand the organization atmosphere and behavior.

3.4 Scope of the Report:

Farr Ceramics Limited is big private company. Hence, their economic activities and productions are huge and versatile. Three month is not enough time to learn the vast financial activities and production procedure. I tried to note my daily experience and finally make a combination of them to prepare my project. This study is focused on the following areas of Farr Ceramics Limited.

- ❖ An overview of Farr Ceramics Limited.
- ❖ Financial Statement analysis of five past years of Farr Ceramics Ltd.
- ❖ Performance Evaluation of Farr Ceramics limited.

3.5 Objectives of the Project:

The objective of the project is to develop the concept about the various aspects of the organizational structure, financial position, success and marketing process of the ceramic industry. This study will help me to analyze the carious concept of financial statement analysis, decision making in stable and unstable situation, how to increase the financial position, organizational network and so on which will enrich my experience for my future career. More specifically the objective of the study-

- To practice knowledge and experience gathered from this study , which will be very much helpful in my future life for doing any types of research work
- To know the corporate activities of different sector of business sector.
- To identify the total activities of ceramic industry
- To get the exposure in business field
- To indentufy the financial position of FCL
- To find out the problem of FCL
- To recommend the suggestion to solve the problem

3.6 Methodology:

3.6.1 Research Design:

The study on “Financial Statement Analysis and Performance Evaluation of Farr Ceramics Limited”, is descriptive in nature which is mainly based on secondary data. The study focuses on fainacial statement analysis using of ratio and measurement of performance of Farr Ceramics LTD.

3.6.2 Data used in the study:

The study is mainly based on secondary data.

- The audit report of Farr Ceramics Limited
- Website of Farr Ceramics Limited
- Magazines of Farr Ceramics Limited
- Files and folder of Farr Ceramics Limited
- Written documents of Farr Ceramics LTD

- Statistical data of Farr Ceramics LTD and
- Different text books are the major data sources in this report.

Though the use of primary data are very limited in this report, some information has been collected from the opinions of officials of FCL. The secondary data are collected for the period of five years from 2010 to 2014.

3.6.3 Data Analyzing and Reporting:

Trend analysis and performance evaluations are made to analyze of Financial performance of Farr Ceramics Limited. Trend of Liquidity Ratio, Efficiency Ratio, Debt Management Period and Profitability Ratio are analyzed in the study. Software like Microsoft Word, Excel are used for analyzing and reporting purpose of the report.

3.7 Limitations of Report:

Though I have given utmost effort to prepare this paper but there are some limitations of the study. Such are as follows:

- The main constrain of the study was insufficiency of information, which was required for the study. There was various information the head office employee can't provide due to confidential and other corporate obligations.
- Time constraints, three months are not enough to collect all necessary material
- Lack of opportunity to visit production house.
- The functions and activities of FCL are too vast, so they change their strategy day by day. As a result I can't collect update information & strategy.
- As I am student it is not possible for me to collect all the necessary information.
- Lack of Experience.

Chapter: 04

Financial Statement (Ratio) Analysis

Financial Statement Analysis Company:

Financial statement analysis (or financial analysis) is the process of reviewing and analyzing a company's financial statements to make better economic decisions. These statements include the income statement, balance sheet, statement of cash flows, and statement. Financial statement analysis is a method or process involving specific techniques for evaluating risks, performance, financial health, and future prospects of an organization.

Financial statement analysis should focus primarily on isolating information useful for making a particular decision. The information required can take many forms but usually involves comparisons, such as comparing changes in the same item for the same company over a number of years, comparing key relations within the same year or comparing the operations of several different companies in the same industry.

Farr Ceramics Limited maintains the International Accounting Standards (IAS) rules and regulation. The rules using by this company are-

IAS	1:51(a)	Farr Ceramics Limited
IAS	1:10(c)	Notes to the Financial Statement
IAS	1:51(c)	Analyzing Year
IAS	1:138	Legal Status and Nature of Company
IAS	1:38(a)	Registered Office and Principal Place of Business
IAS	1:38(b)	Principal Activities and Nature of operation
IAS	1:112(a)	Basis of Preparation
IAS	1:117(a)	Basis of Management
IAS	16:30	Depreciation of Fixed Assets
IAS	2:36	Valuation of Inventories
IAS	12	Taxation
IAS	37	Provision
IAS	21:7	Foreign Currency Translations

IAS	1:36	Basis of Reporting
IAS	1:54(b)	Accounts Receivable
IAS	1:79	Earnings Per Share (EPS)
IAS	39	Investments

Methods of analysis

Common methods of Farr Ceramics Ltd. is financial statement analysis include fundamental analysis, horizontal and vertical analysis and the use of financial ratios. Historical information combined with a series of assumptions and adjustments to the financial information used to project future performance. Formulas of ratio are given below-

4. 1. Liquidity Ratio:

$$4.1.1. \text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$4.1.2. \text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

$$4.1.3. \text{Cash conversion cycle} = \text{DSO} + \text{DIO} - \text{DPO}$$

$$\text{Days sales outstanding} = 365 / \text{receivables turnover ratio}$$

$$\text{Days inventory outstanding} = 365 / \text{inventory turnover ratio}$$

$$\text{Days payables outstanding} = 365 / \text{payables turnover ratio}$$

$$\text{Cash conversion cycle} = \text{DSO} + \text{DIO} - \text{DPO}$$

4. 2. Asset Management/Efficiency Ratio:

$$4.2.1. \text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

$$\text{Days inventory outstanding} = 365 / \text{inventory turnover ratio} = 365 / 10 = 36.4 \text{ days}$$

$$4.2.2. \text{Total Asset Turnover Ratio} = \frac{\text{Net Sales}}{\text{Average Total Assets}}$$

$$4.2.3. \text{Days sales outstanding} = 365 / \text{receivables turnover ratio}$$

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

$$4.2.4. \text{Average Payment Period} = (\text{Accounts Payable} \times \text{Number of Working Days}) / \text{Net Credit Purchase}$$

4. 3. Debt Management period:

$$4.3.1. \text{Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

$$4.3.2. \text{Times Interest Earned Ratio} = \frac{\text{Earnings before Interest and Tax}}{\text{Interest Expense}}$$

4. 4. Profitability Ratio:

$$4.4.1 \text{ Net Profit Margin} = \frac{\text{Net Income}}{\text{Net Sales}}$$

$$4.4.2. \text{Gross Margin} = \frac{\text{Gross Profit}}{\text{Revenue}}$$

$$4.4.3. \text{Operating Margin} = \frac{\text{Operating Income}}{\text{Revenue}}$$

$$4.4.4. \text{ROE} = \text{Net income after tax} / \text{Average shareholder's equity}$$

$$4.4.5. \text{ROA} = \frac{\text{Annual Net Income}}{\text{Average Total Assets}}$$

4. 1. Liquidity Ratio

4.1.1 Current Ratio:

Year	2010	2011	2012	2013	2014
Current Ratio	1.388	0.840	0.777	0.743	0.655

Table 4.1.1: Current Ratio

Graphical Presentation:

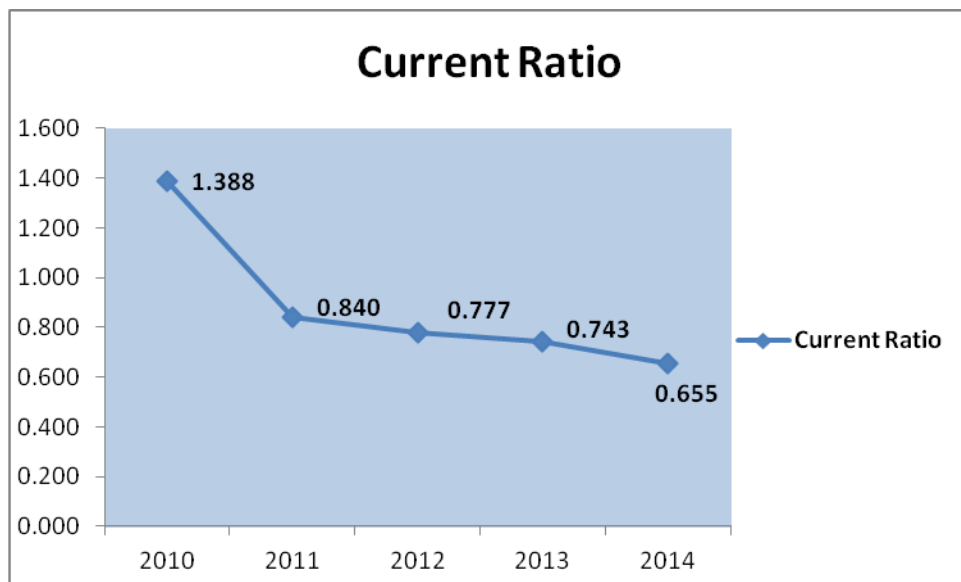


Figure 4.1.1: Current Ratio

Interpretation: There is a downward trend of Current ratio. It sharply declined from 2010 to 2014 and reached only at 0.655. This indicates, over the time period, Far Ceramics greatly lose its capacity to pay their current obligations by using its current assets. All of the ratios of the years are less the 2, which indicates they are in risky position in current ratio.

4.1.2. Working Capital:

Year	2010	2011	2012	2013	2014
Working capital	95751007	(62462665)	(14222599)	(176291858)	(317274134)

Table 4.1.2: Working capital

Graphical Presentation:

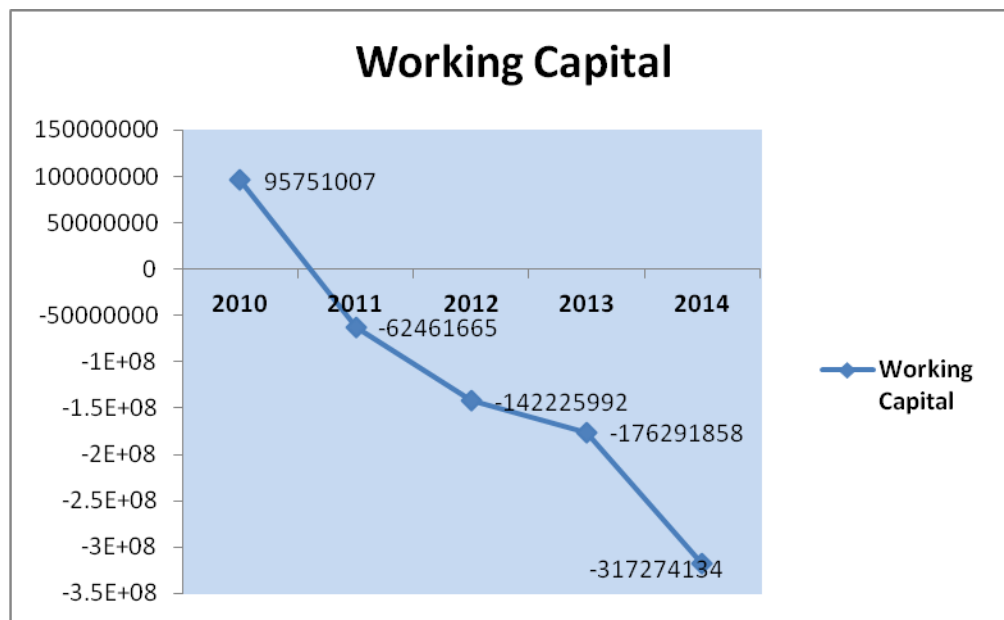


Figure 4.1.2: Working Capital

Interpretation: In 2010, working capital was in worst position. However, Farr Ceramics Limited working capitals from 2011 to 2014 are minus figure. These minus figure show that company's working capitals have not good performance means that, their current liabilities are greater than their Current assets. It indicates, FCL has great problem to maintain liquidity.

4.1.3. Current Ratio:

Year	2010	2011	2012	2013	2014
Cash Conversion Cycle	145	-7	74	72	46

Table 4.1.3: Cash Conversion Cycle

Graphical Presentation:

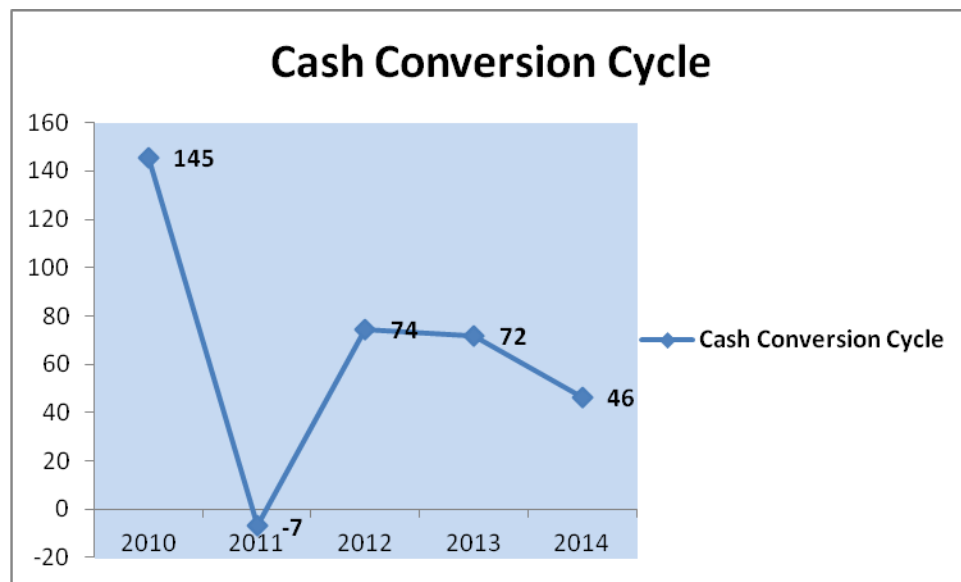


Figure 4.1.3: Cash Conversion Cycle

Interpretation: Cash conversion cycle is the time it takes a company to convert its resource inputs into cash. It measures how effectively a company is managing its working capital. We can see that, cash conversion cycle was highly efficient in 2011 They needed -7 days to convert their assets into cash and worst situation in 2010 when needed 145days.

Overall Interpretation of Liquidity Ratio of Farr Ceramics Limited

Liquidity ratio expresses a company's ability to repay short-term creditors out of its total cash. It is the result of dividing the total cash by short-term borrowings. It shows the number of times short-term liabilities are covered by cash.

Ratios	Interpretation	Remarks
Current Ratio	There is a downward trend of Current ratio	Negative
Working capital	There is a downward trend of Working capital	Negative
Cash Conversion Cycle	There is a worst situation in cash conversion cycle except 2011.	Medium
Liquidity Position	Overall position of liquidity is not good	Negative

There is a downward trend of Current ratio, and Working capital. Again there is a worst situation in cash conversion cycle except 2011. Hence, it can be seen that, overall position of liquidity is not good. FCL need to take some immediate step to recovery liquidity position.

4.2. Asset Management/Efficiency Ratio

4.2.1. Inventory Turnover Ratio:

Year	2010	2011	2012	2013	2014
Inventory Turnover Ratio	3.3	3.9	2.3	2.5	3.4

Table 4.2.1: Inventory Turnover Ratio

Graphical Presentation:

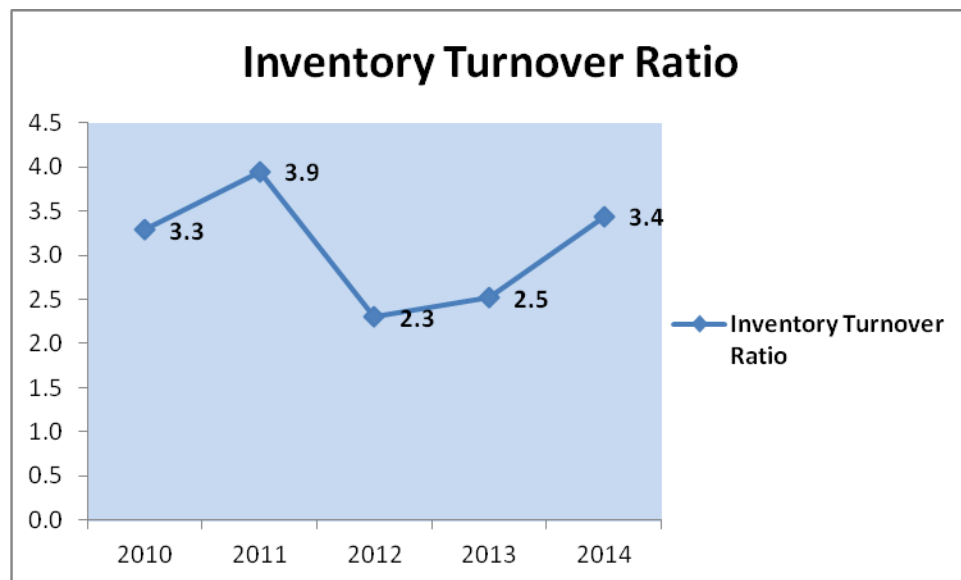


Figure 4.2.1: Inventory Turnover Ratio

Interpretation: Inventory Turnover Ratio measures how effectively inventory is managed by FCL comparing cost of goods sold with average inventory for a period. Over the span of 5 years Inventory turnover ratio was worst position in 2012 at 2.3 It implies on that time FCL had poor sales and, therefore, excess inventory. However, in 2011 it was peak and reached 3.9, which indicate strong sales or ineffective buying.

4.2.2 Total Asset Turnover Ratio:

Year	2010	2011	2012	2013	2014
Total Asset Turnover Ratio	57%	31%	24%	22%	35%

Table 4.2.2: Total Asset Turnover Ratio

Graphical Presentation:

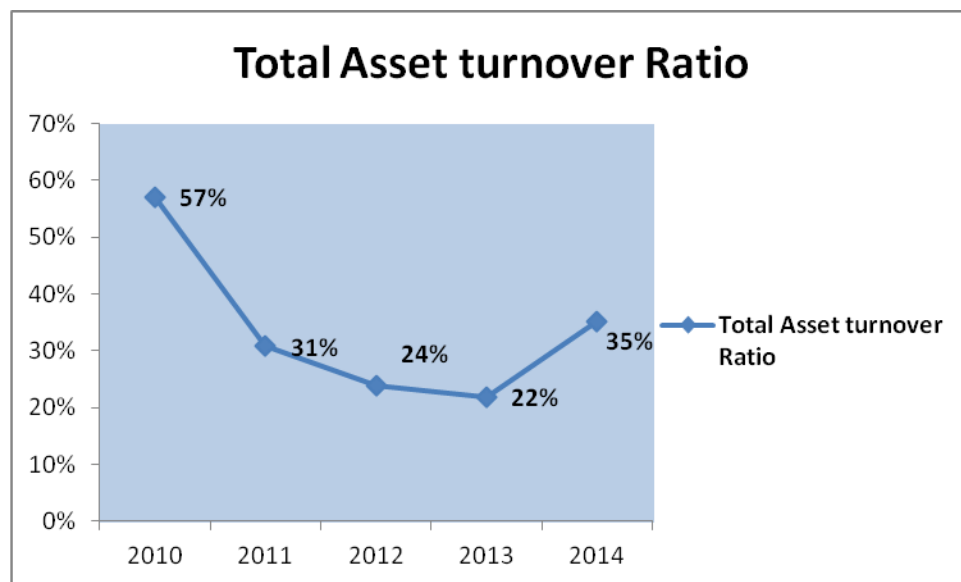


Figure4.2.2: Total Asset turnover Ratio

Interpretation: In 2010, total asset turnover ratio is 57%. After that, it declined and reached only at 22% in 2013 which means, Farr Ceramics had lower ability to generate sales from its assets during those time. This ratio also indicates, FCL is not efficient to use its assets to generate sales. However, it took recovery and reached 35% in 2014.

4.2.3. Average Collection Period/Days' Sales Outstanding:

Year	2010	2011	2012	2013	2014
Days' Sales Outstanding	41.8	28.2	26.3	28.5	20.5

Table 4.2.3: Day's Sales Outstanding

Graphical Presentation:

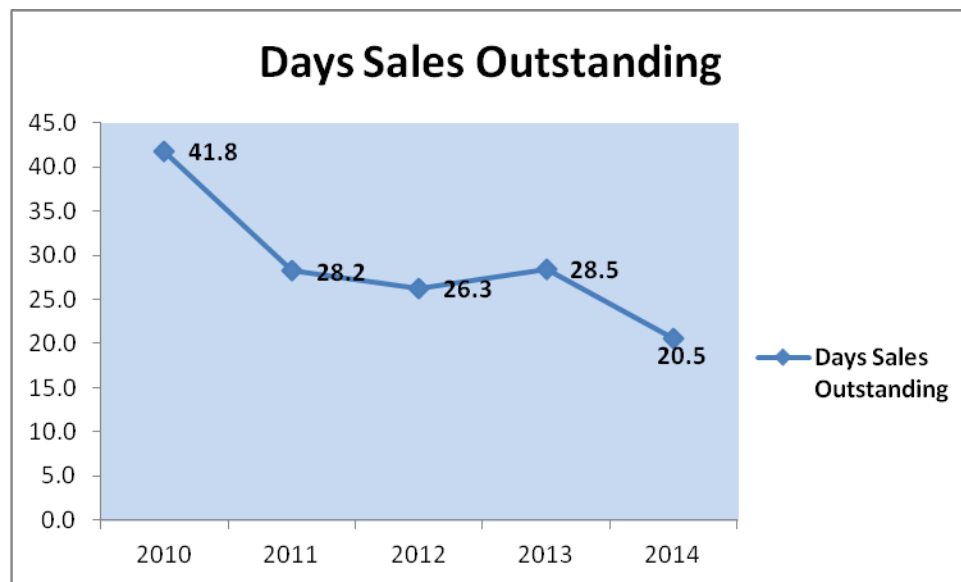


Figure 4.2.3: Day's Sales Outstanding

Interpretation: It shows how well a company can collect cash from its customers. The sooner cash can be collected, the sooner this cash can be used for other operations. Both liquidity and cash flows increase with a lower day's sales outstanding measurement. FCL has a downward trend of Days; sales outstanding. It declined from 41.8 days to 20.5days. This indicates they increase their strange to collect cash from their customers over the time period.

4.2.4. Average payment Period:

Year	2010	2011	2012	2013	2014
Average Payment Period	252	255	221	226	160

Table 4.2.4: Average Payment Period

Graphical Presentation:

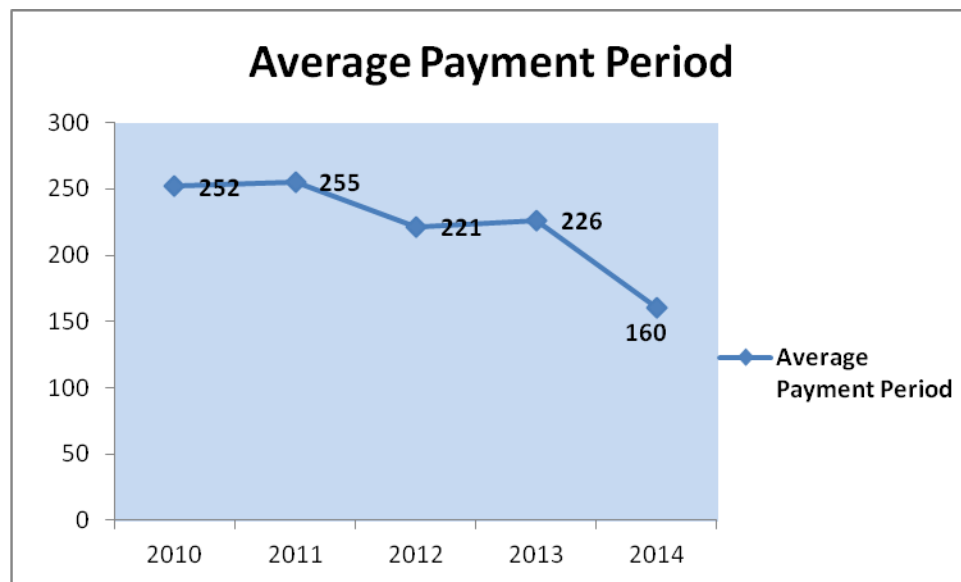


Figure 4.2.4: Average Payment Period

Interpretation: Average payment period means the average period taken by the company in making payments to its creditors. If this period will be low, it will be good for our liquidity because more smartly, we will pay our creditors, more amount of credit purchase, we can get. From 2010 to 2013 FCL was smartly maintain their liquidity by taking more days, 252 days and 226 days accordingly. However, in 2014 it takes 160 days for their credit purchase which cut their risk. Overall average payment period is in good position because its liquidity is not satisfactory.

Overall Interpretation of Efficiency Ratio of Farr Ceramics Limited

Efficiency ratios also called activity ratios measure how well companies utilize their assets to generate income.

Ratios	Interpretation	Remarks
Total Inventory Turn Ratio	Total Inventory Turnover Ratio is in good position and reached peak in 2012.	Positive
Total Asset turnover Ratio	There is a downward trend of Total asset turnover ratio.	Negative
Days Sales Outstanding	There was a downward trend of Days' sales outstanding.	positive
Average Payment Period	Satisfactory for liquidity.	positive
Efficiency Position	Efficiency ratio of FCL is medium position	positive

Total Inventory Turnover Ratio is in good position and in 2011; it was peak and reached 3.9, which indicate strong sales or ineffective buying. On the other hand, FCL is not efficient to use its assets to generate sales. However, it took recovery and reached 35% in 2014. Again, there was a downward trend of Days' sales outstanding. However, there is a great strength in Average Payment period. Overall, Efficiency ratio of FCL is medium position if they can continue it, they may improve the company.

4.3. Debt Management Ratio

4.3.1 Debt to Asset Ratio:

Year	2010	2011	2012	2013	2014
Debt to Asset Ratio	85%	58%	60%	56%	57%

Table 4.3.1: Debt to Asset Ratio

Graphical Presentation:

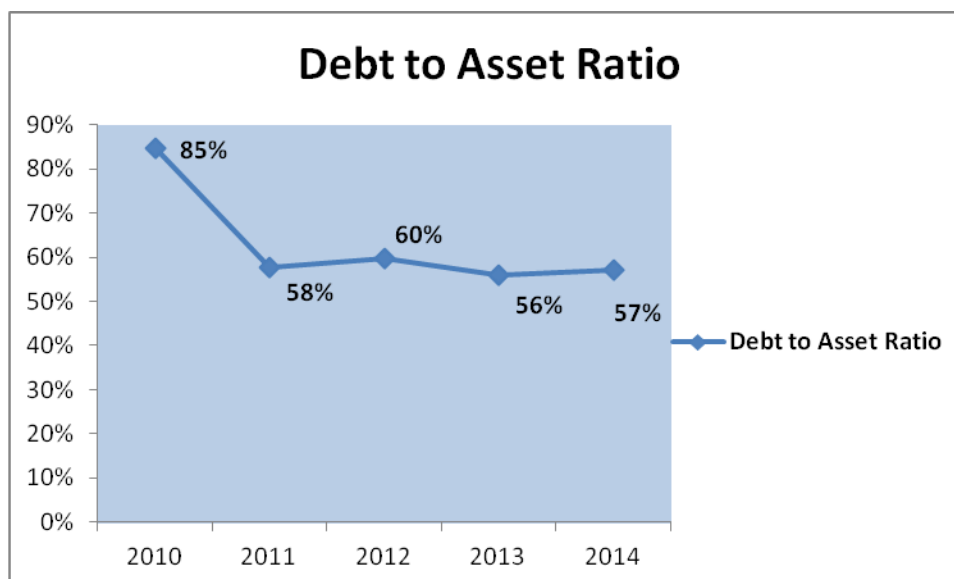


Figure 4.3.1: Debt to Asset Ratio

Interpretation: This ratio measures the financial leverage of FCL. It fluctuated over the time period and reached from 85% to 57%. Moreover, it is a downward trend. The company must decrease their debt to asset ratio. Moreover, it performed greatly in 2013 at only 56%. They must lower their debt level.

4.3.2 Times Interest Earned (TIE) Ratio:

Year	2010	2011	2012	2013	2014
TIE	3.55	5.76	1.27	0.10	0.29

Table 4.3.2: Times Interest Earned Ratio

Graphical Presentation:

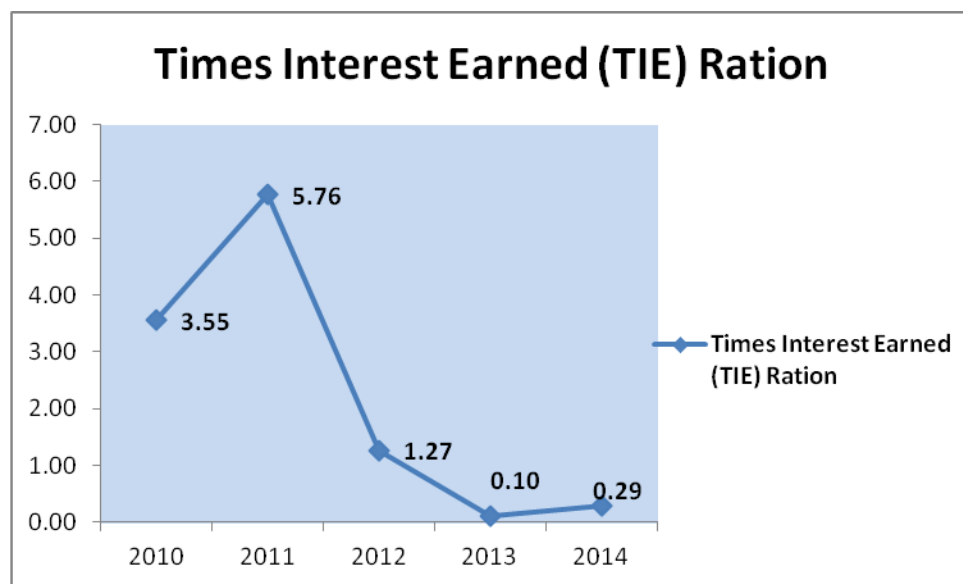


Figure 4.3.2: Times Interest Earned Ratio

Interpretation: Times interest earned (TIE) ratio shows how many times the annual interest expenses are covered by the net operating income (income before interest and tax) of the company. In 2010 and 2011 it is adequate to protect the creditors' interest in the firm at 3.55 times and 5, 76 times respectively. After that, ratio is less than 1 in 2013 and 2014, means the company is likely to have problems in paying interest on its borrowings.

Overall Interpretation of Debt Management Ratio of FCL

Debt Management Ratios attempt to measure the firm's use of Financial Leverage and ability to avoid financial distress in the long run. These ratios are also known as Long-Term Solvency Ratios.

Ratios	Interpretation	Remarks
Debt to Asset Ratio	There is a downward trend of Debt to Asset Ratio. They must lower their debt level more.	Negative
Times Interest Earned Ratio	There is a problem in paying interest on its borrowing after 2012.	Negative
Debt Management Position	Overall position of debt management is in medium position because of times interest earned ratio.	Negative

There is a downward trend of debt to asset ratio; it indicates company has lower level of liabilities compared with assets and considered low leveraged and low risk but need to decrease more debt. On the other hand, times interest earned ratio is less than 1 in 2013 and 2014, means the company is likely to have problems in paying interest on its borrowings. Hence, overall position of debt management ratio is not good.

4.4. Profitability Ratio

4.4.1 Net Profit Margin Ratio:

Year	2010	2011	2012	2013	2014
Net Profit Margin Ratio	17%	19%	11%	2%	5%

Table 4.4.1: Net Profit Margin Ratio

Graphical Presentation:

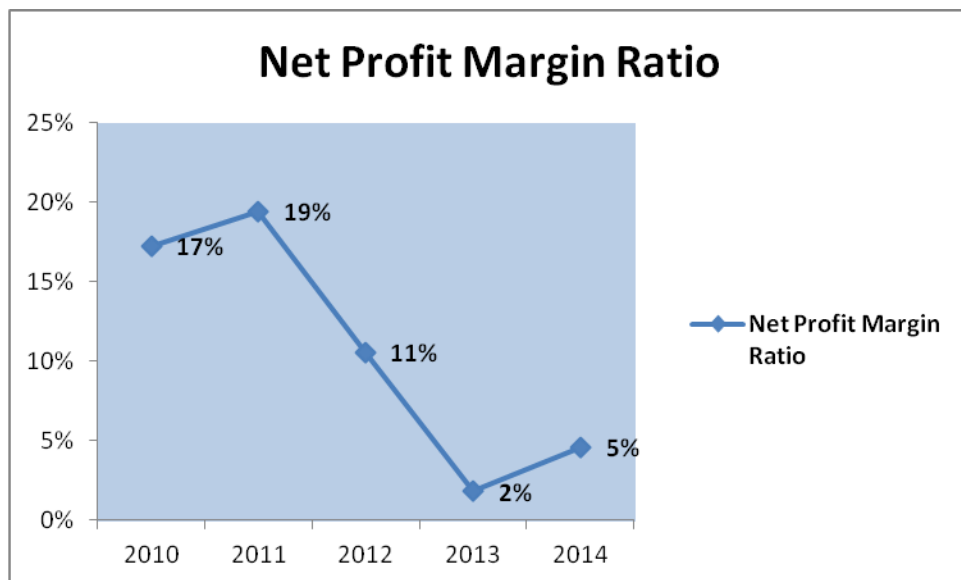


Figure 4.4.1: Net Profit Margin Ratio

Interpretation: Net Profit Margin Ratio of FCL increased slowly from 2010 to 2011 and reached its peak in 2011 at 19%. After that, it dramatically declined and reached only at 2%. It means, in 2011 FCL is in high position in profitability by earned amount of net income with each dollar of sales. Net profit margin is not in good position except 2011.

4.4.2 Gross Profit Margin Ratio:

Year	2010	2011	2012	2013	2014
Gross Profit Margin Ratio	28%	34%	32%	32%	32%

Table 4.4.2: Gross Profit Margin Ratio

Graphical Presentation:

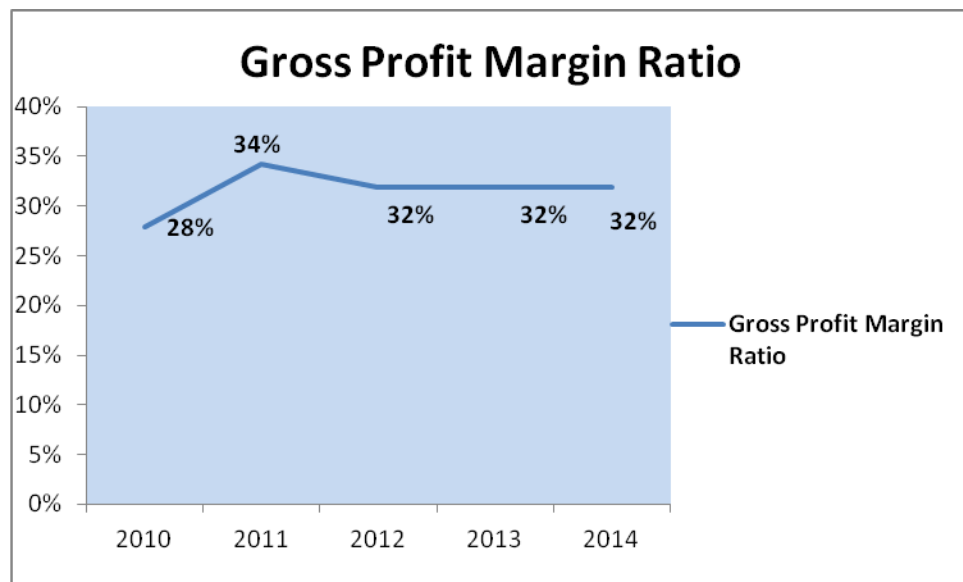


Figure 4.4.2: Gross Profit Margin Ratio

Interpretation: Gross margin ratio is a profitability ratio that compares the gross margin of a business to the net sales. Gross Profit of FCL increased from 2010 to 2011 and reached its peak at 34% and it remained constant at 32% from 2012 to 2014. Hence, it is in better position by improvement.

4.4.3 Operating Profit Margin Ratio:

Year	2010	2011	2012	2013	2014
Operating Profit Margin Ratio	22%	26%	24%	2%	6%

Table 4.4.3: Operating Profit Margin Ratio

Graphical Presentation:

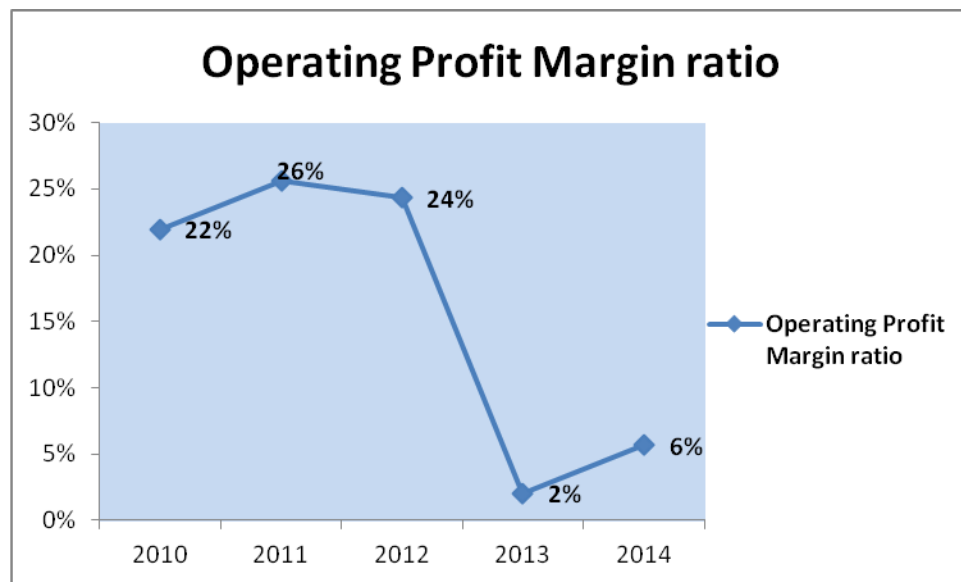


Figure 4.4.3: Operating Profit Margin Ratio

Interpretation: Operating Profit Margin Ratio of FCL fluctuated over the time, it increased 2010 to 2011 and reached 26% which is higher value and favorable for company, indicates which indicates that more proportion of revenue is converted to operating income then it fall by 2%. It dramatically declined in 2013 and reached only at 2%. It recovers and reached 6% in 2014 that the profitability is improving. Overall operating profit margin ratio is good position except 2013.

4.4.4 Return On Equity (ROE) Ratio:

Year	2010	2011	2012	2013	2014
ROE Ratio	32%	7%	3%	0%	2%

Table 4.4.4: Return on Equity (ROE) Ratio

Graphical Presentation:

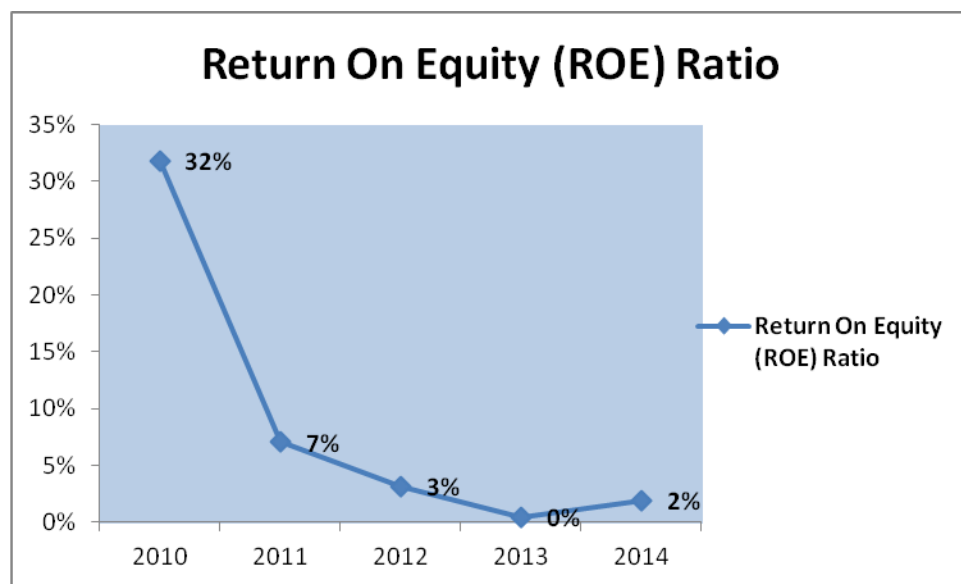


Figure4.4.4: Return on Equity (ROE) Ratio

Interpretation: There is a downward trend of Return on Equity ratio. It dramatically falls from 2010 to 2011 and reached 7% only and then slowly declined till 2013 and gone to 0% then it recovered and reached 2%. It indicates ability of FCL to generate profits from its shareholders investment getting worse on the time period, which is harmful for the company.

4.4.5. Return On Asset (ROE) Ratio:

Year	2010	2011	2012	2013	2014
ROA Ratio	10%	6%	3%	0%	2%

Table4.4.5: Return on Asset (ROA) Ratio

Graphical Presentation:

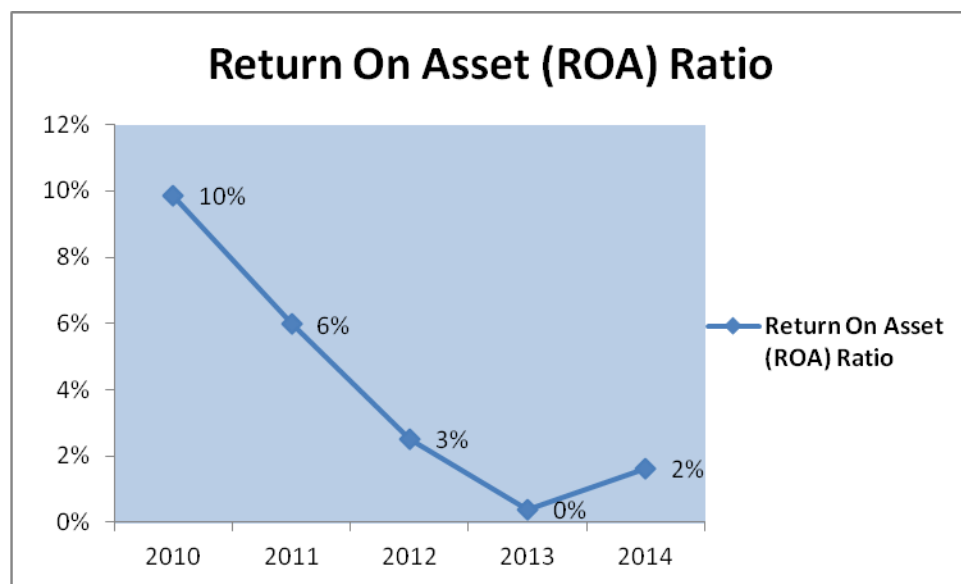


Figure.4.4.5: Return on Asset (ROA) Ratio

Interpretation: It emerges that, over the span of five years, the return on asset of FCL dramatically declined and reached zero in 2013. Furthermore, it increased by only 2% in 2014. This indicates that the net income produced by total assets is getting worse year by year. Hence, FCL is not an efficient company in managing its assets to generate profits.

Overall Interpretation of Profitability Ratio of FCL

Profitability is simply the capacity to make a profit, and a profit is what is left over from income earned after you have deducted all costs and expenses related to earning the income.

Ratios	Interpretation	Remarks
Net Profit Margin Ratio	Net profit margin is not in good position except 2011	Positive
Gross Profit Margin Ratio	There is a increasing trend in gross profit margin ratio it remain constant from 2012 to 2014	Positive
Operating profit Marin Ratio	Overall operating profit margin ratio is good except 2013.	Positive
Return on Equity ratio	There is a downward trend of Return on Equity ratio	Negative
Return on Asset Ratio	There is a downward trend of Return on Asset Ratio	Negative
Profitability Position	Overall position is good except ROA and ROE	Positive

FCL is in high position in profitability by earned amount of net income with each dollar of sales in 2011 but it is worst in other year's position except 2011. On the other hand, Gross Profit Margin Ratio is in better position by improvement. Operating Profit Margin Ratio of FCL fluctuated over the time and overall operating profit margin ratio is good position except 2013. Moreover, FCL generates profits from its shareholders investment getting worse on the time period. Hence, in profitability, FCL is good enough and they need to concentrate more about their Equity, Assets and sales.

Chapter: 05

Performance

Evaluation of FCL

5. Performance Evaluation of Farr Ceramics Limited

The level of performance of a business over a specified period of time, expressed in terms of overall profits and losses during that time. Evaluating the financial performance of a business allows decision makers to judge the results of business strategies and activities in objective monetary terms.

Performance evaluation of Farr Ceramics Limited measures by the comparison of :-

- Days Sales Outstanding to Average Payment Period
- Comparing NAV of 2014 of FCL with Monnu Ceramics, Shinepukur and Fu-Wang Ceramics Limited
- Comparing Revenue of FCL of 2014 with Monnu Ceramics, Shinepukur and Fu-Wang Ceramics Limited
- Comparing net income of FCL of 2014 with Monnu Ceramics, Shinepukur and Fu-Wang Ceramics Limited
- Comparing EPS of 2014 of FCL with Monnu Ceramics, Shinepukur and Fu-Wang Ceramics Limited

5.1 Days Sales Outstanding to Average Payment Period

Year	2010	2011	2012	2013	2014
Days' Sales Outstanding	41.8	28.2	26.3	28.5	20.5
Average Payment Period	252	255	221	226	160

Table5.1: Days Sales outstanding to Average Payment Period

Graphical Presentation:

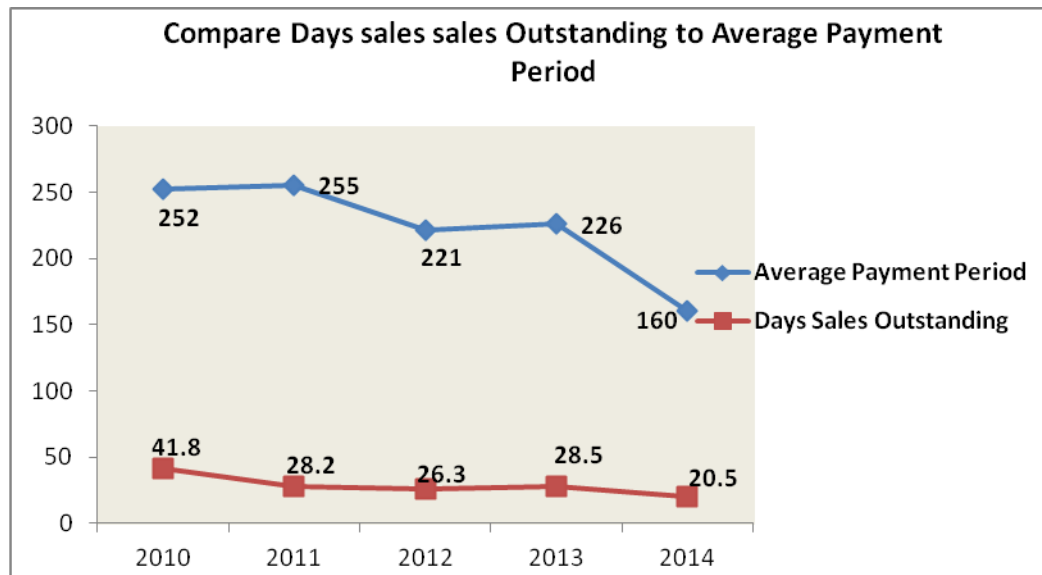


Figure5.1: Days Sales outstanding to Average Payment Period

Interpretation: Days sales outstanding declined over the period that indicates they increase their strange to collect cash from their customers and it increase liquidity and cash flows with a lower days. On the other hand, Average Payment period fluctuated and it declined when the sales outstanding declined. It indicates FCL is highly efficient to manage their liquidity. When they collected their cash in delay they pay to their creditors in delay, which ensure balance liquidity and keep company risk free.

5.2 Net Asset Value per Share (NAV) of 2014 of FCL with Monnu Ceramics, Shinepukur and Fu-Wang Ceramics Limited

Companies name	Value
Farr Ceramics Limited	43.52
Monnu Ceramics Limited	95.19
Shinepukur Ceramics LTD	29.02
Fu-Wang Ceramics LTD	13.18

Table 5.2: Compare NAV of FCL with other companies

Graphical Presentation:

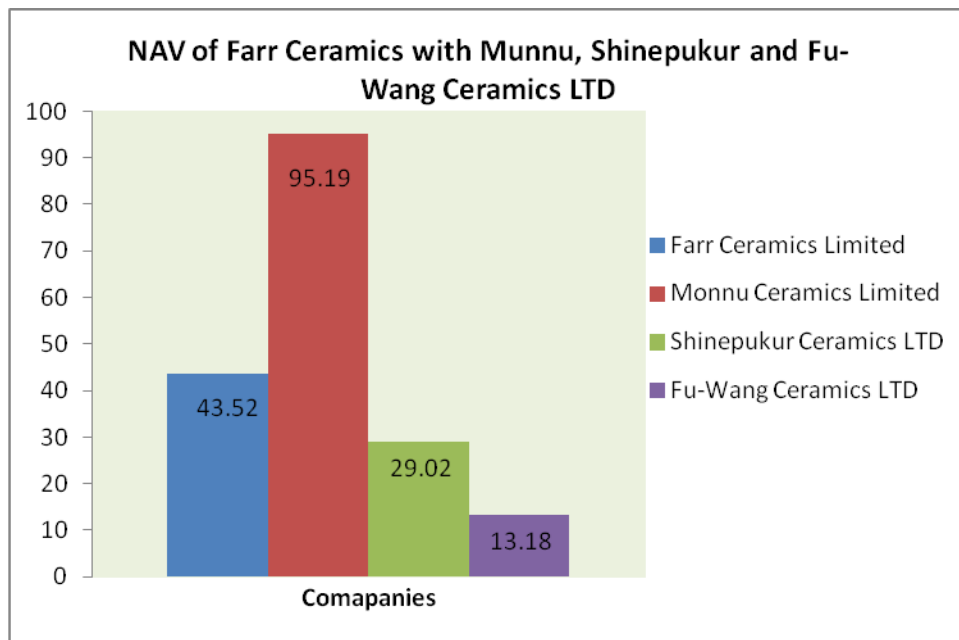


Figure5.2: Compare NAV of FCL with other companies

Interpretation: Net Asset Value per Share (NAVPS) refers to the value of a single unit, or share, or a fund. This number for a mutual fund indicates the price at which shares are bought and sold. FCL is in the second position in NAV in market.

5.3 Revenue of 2014 of FCL compare with Monnu Ceramics, Shinepukur and Fu-Wang Ceramics Limited

Companies name	Value	%
Farr Ceramics Limited	893863503	23%
Monnu Ceramics Limited	692427630	17%
Shinepukur Ceramics LTD	1677657674	42%
Fu-Wang Ceramics LTD	692791034	18%

Table 5.3: Compare Revenue of FCL with others company

Graphical Presentation:

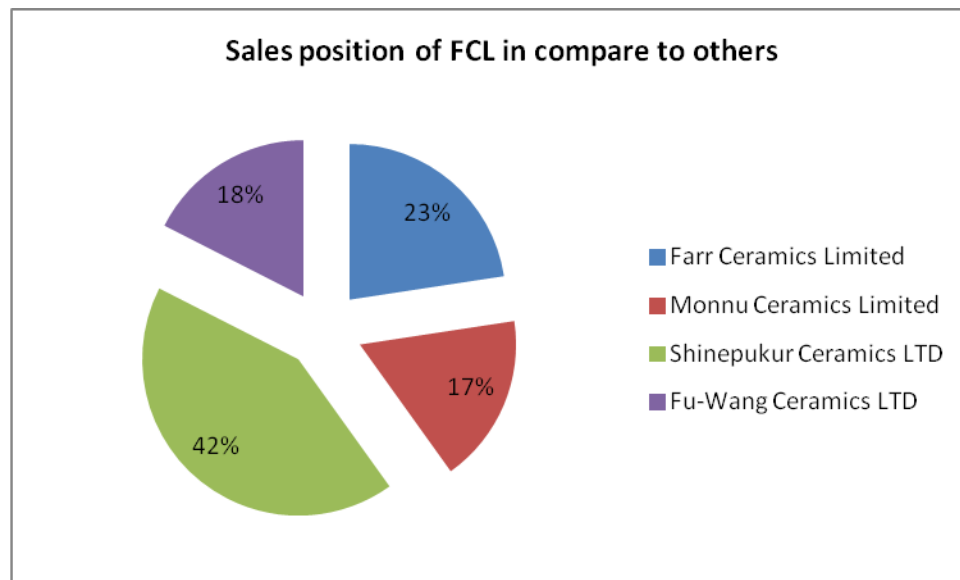


Table 5.3: Compare Revenue of FCL with others company

Interpretation: Revenue is shown usually as the top item in an income (profit and loss) statement from which all charges, costs, and expenses are subtracted to arrive at net income, also called sales or turnover. The position of revenue in FCL is second by 23%. FCL's quality full product can bit the market greatly.

5.4 Net Income of 2014 of FCL compare with Monnu Ceramics, Shinepukur and Fu-Wang Ceramics Limited

Companies name	Value
Farr Ceramics Limited	41072321
Monnu Ceramics Limited	2544389
Shinepukur Ceramics LTD	15425038
Fu-Wang Ceramics LTD	41088653

Table5.4: Compare Net Income of FCL with others company

Graphical Presentation:

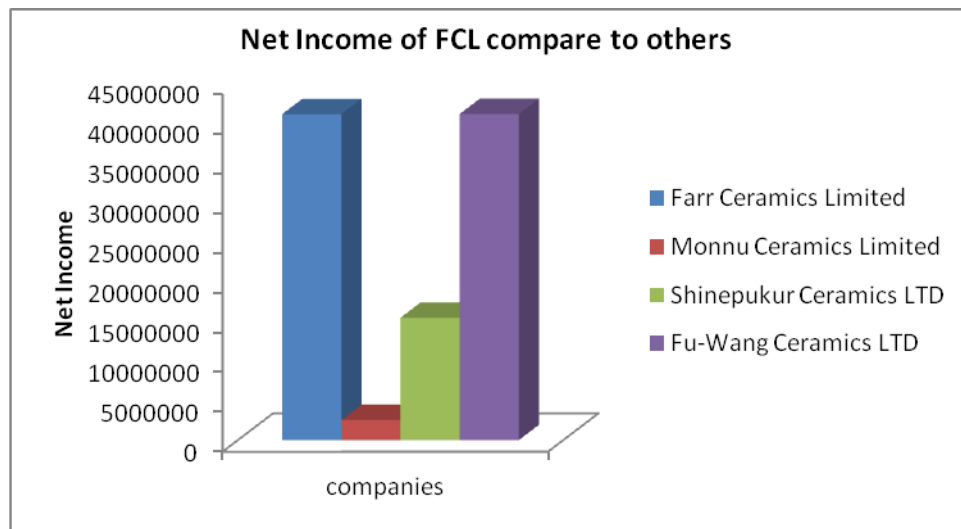


Table 5.4: Compare Net Income of FCL with others company

Interpretation: The company's total earnings, reflecting revenues adjusted for costs of doing business, depreciation, interest, taxes and other expenses. It measures the profitability of a company. It can be seen that, Net profit of FCL is excellent position in the ceramics market. In 2014 its net profit is higher than Shinepukur and Fu-Wang ceramics and less than Monnu ceramics Ltd. FCL earned 41072321 which is almost similar to Monnu Ceramics Ltd.

5.5 EPS of 2014 of FCL compare with Monnu Ceramics, Shinepukur and Fu-Wang Ceramics Limited

Companies name	Value
Farr Ceramics Limited	0.82
Monnu Ceramics Limited	0.11
Shinepukur Ceramics LTD	0.02
Fu-Wang Ceramics LTD	0.49

Table 5.5: Compare EPS of FCL with others company

Graphical Presentation:

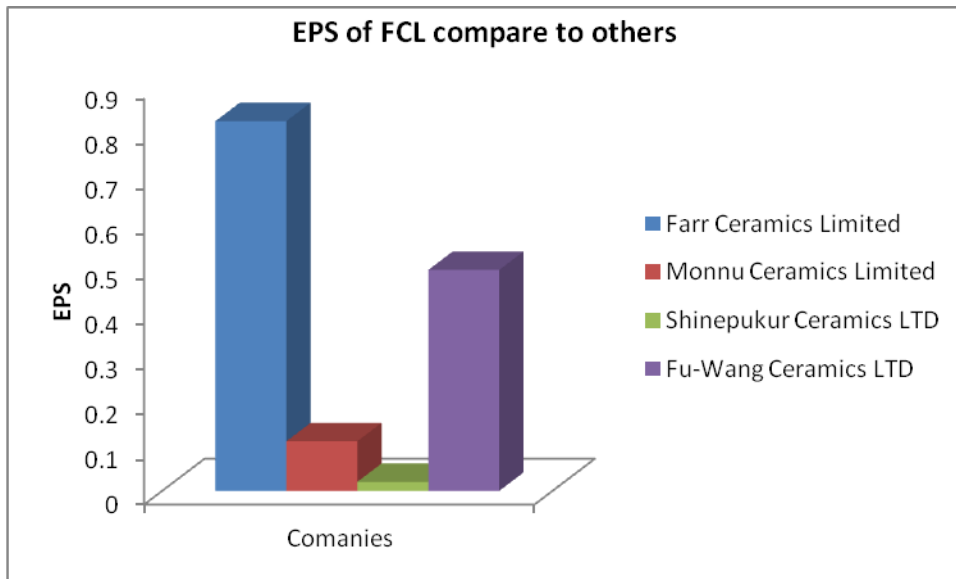


Table 5.5: Compare EPS of FCL with others company

Interpretation: Earnings per share are generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio. FCL has higher earnings per share which always better than a lower ratio because this means the company is more profitable and the company has more profits to distribute to its shareholders comparing to other company.

Chapter: 06

Findings, Conclusion and Recommendations

6.1 Findings:

The study, Financial Statement Analysis and Performance Evaluation of Farr Ceramics Limited, reveals the following majors findings:

- Far Ceramics greatly lose its capacity to pay their current obligations by using its current assets, which indicates they are in risky position in current ratio.
- FCL's current liabilities are greater than their Current assets. It indicates, FCL has great problem to maintain liquidity.
- Cash conversion cycle was highly efficient in 2011 They needed -7 days to convert their assets into cash and worst situation in 2010 when needed 145days.
- Farr Ceramics has lower ability to generate sales from its assets during 2010 to 2014.
- FCL has lower level of liabilities compared with assets and considered low leveraged and low risk. Moreover, it performed greatly in 2013 at only 56%.
- After 2012 Times Interest Earned ratio is less than 1, means the company is likely to have problems in paying interest on its borrowings.
- Net profit margin of FCL is not in good position except 2011.
- . Gross Profit of FCL increased from 2010 to 2011 and reached its peak at 34% and it remained constant at 32% from 2012 to 2014
- Ability of FCL to generate profits from its shareholders investment getting worse on the time period, which is harmful for the company and at the same time net income produced by total assets, is getting worse year by year.
- When FCL collected their cash in delay, they pay to their creditors in delay, which ensure balance liquidity and keep company risk free.
- FCL is in the second position in NAV and revenues in the market
- In 2014 its net profit exit Shinepukur and Fu-Wang ceramics and bit to the Monnu ceramics Ltd. FCL earned 41072321 which are almost similar to Monnu Ceramics Ltd.
- FCL has higher earnings per share which always better than a lower ratio because this means the company is more profitable and the company has more profits to distribute to its shareholders comparing to other company

6.2 Conclusion:

Farr Ceramics limited is one of the private limited company in the ceramics industry in Bangladesh, which commenced in 2005. The study concentrated on the financial performance evaluation. The products line of FARR Ceramics is much diversified in terms of items and designs. It has been able to develop house brands namely PARR Euro Fine Porcelain Tableware. FCL has tremendous problem in maintaining liquidity but they try to main it by delay payment to their creditors. At the same time it is not so good in debt management. However, FCL is highly efficient to control its inventory, creditors and sales. On the other hand, FCL is in high position in profitability by improving net profit, gross profit and operating profit. Though they have problems in ROE and ROA they should recover it by giving deep concentration. However, Comparing Net income, NAV, of FCL of 2014 with Monnu Ceramics, Shinepukur and Fu-Wang Ceramics Limited, it is in second position and also it already cover 23% of market by their selling. Overall it is take good position in market by improving.

6.3 Recommendation:

The Financial Statement Analysis and Performance Evaluation of Farr Ceramics Limited require the following recommendation that may help the FCL to improve financial Performance and to be a key member in the ceramic sector of Bangladesh:

- FCL need to highly concern about their liquidity position. To recover their liquidity performance they should collect their account receivable as soon as possible on the other hand, delay payment to their suppliers (creditors) may help to recover liquidity position.
- FCL has poor sales and lower ability to generate sales from its assets, therefore, excess inventory. They need to increase their sales by better advertisement process and discount.
- Times Interest earned ratio can be recovered by increase operating profit and operating profit can be increased by assess administration and selling expenses. It is necessary to reduce some amount of administration expenses which are getting higher day by day. By the reduction of administration expense FCL can improve their operating profit also.
- For recover the ROE FCL need more common shareholders. They can increase their Share holder by offering huge returns. Moreover, FCL also needs to raise its Total Asset by increasing their investment and Account receivable because both items are poor in amount.
- FCL maintain higher Average payment period for better liquidity but it will be cause of risk in a long run. So need to more concern about delay payment.

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