

**A RESEARCH REPORT**  
**ON**  
**LIQUIDITY AND FINANCIAL PERFORMANCE ANALYSIS: A**  
**COMPARATIVE STUDY ON SOME SELECTED CEMENT**  
**COMPANIES IN BANGLADESH**

**SUBMITTED BY**  
**SHANTA MAJUMDER**

Student ID: 1405161

Semester: January-June, 2015

MBA in Accounting and Information Systems

HSTU, Dinajpur-5200

**MASTER OF BUSINESS ADMINISTRATION (MBA)**

This Report is submitted to the Department of Accounting, Hajee Mohammad Danesh Science and Technology University, Dinajpur for the Fulfillment of Degree of Master of Business Administration (MBA).



Faculty of Post Graduate Studies  
HAJEE MOHAMMAD DANESH SCIENCE & TECHNOLOGY UNIVERSITY,  
DINAJPUR-5200

December, 2015

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Approved as the style and content by

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Supervised by  
**Md. Reiazul Haque**  
Assistant Professor  
Department of Accounting

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Co-supervised by  
**Saiful Islam**  
Assistant Professor  
Department of Accounting

**Department of Accounting**  
**Hajee Mohammad Danesh Science and Technology University**  
**Dinajpur**

**December, 2015**



**Dedicated To My  
Honorable  
Supervisor  
And  
Co-Supervisor**

## *Submission Letter*

Date: December 15, 2015

Md. Reiazul Haque

Assistant Professor

Department of Accounting

Hajee Mohammad Danesh Science and Technology University, Dinajpur.

Subject: Submission of Research Report on **“Liquidity and Financial Performance Analysis: A Comparative Study on Some Selected Cement Companies in Bangladesh”**.

Dear Sir,

It is my immense pleasure to place before you my research report entitled **“Liquidity and Financial Performance Analysis: A Comparative Study on Some Selected Cement Companies in Bangladesh”**. This report attempts to describe my experience, learning and observations during ninety 6<sup>th</sup> months program. While preparing this report, I tried my best to follow the instructions that you have given me.

I sincerely believe that you find this study very much interesting, informative and enlightening. This report is mainly emphasized on the Mobile banking in Bangladesh: users' satisfaction, problems and prospects

I will be highly obliged if you accept my report and kind enough to pardon me for mistakes that have taken place.

Thanking you

Sincerely yours

---

Shanta Majunder

Student ID: 1405161

Semester: January-June, 2015

MBA in Accounting & Information Systems

Department of Accounting

Hajee Mohammad Danesh Science and Technology University, Dinajpur.

## *Student's Declaration*

I do hereby declare that the research report “**Liquidity and Financial Performance Analysis: A Comparative Study on Some Selected Cement Companies in Bangladesh**”, embodies the result of my own research works and efforts, prepared under the supervision of Md. Reiazul Haque, Assistant Professor, Department of Accounting, Hajee Mohammad Danesh Science and Technology University, Dinajpur.

I further affirm that work and information reported in this research report is original and no part or whole has been submitted to, in any form, any other University or Institution for any degree or any other purpose.

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**SHANTA MAJUMDER**

Student No.1405161

Semester: January-June, 2015

MBA in Accounting and Information Systems

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## *Supervisor's Declaration*

I hereby declare that the concerned research entitled “**Liquidity and Financial Performance Analysis: A Comparative Study on Some Selected Cement Companies in Bangladesh.**” is an original work made by **Shanta Majumder**, Student ID: **1405161**, Semester: January-June, 2015, MBA in Accounting and Information Systems, Department of Accounting, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, completed her research report under my supervision and submitted for the partial fulfillment of the requirement for the degree of Master of Business Administration (MBA) at Hajee Mohammad Danesh Science & Technology University, Dinajpur.

I wish her every success in life.

---

**MD. REIAZUL HAQUE**

Assistant Professor

Department of Accounting

HSTU, Dinajpur-5200

## *Co-Supervisor's Declaration*

I hereby declare that the concerned research entitled “**Liquidity and Financial Performance Analysis: A Comparative Study on Some Selected Cement Companies in Bangladesh.**” is an original work made by **Shanta Majumder**, Student ID: **1405161**, Semester: January-June, 2015, MBA in Accounting and Information Systems, Department of Accounting, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, completed her research report under my supervision and submitted for the partial fulfillment of the requirement for the degree of Master of Business Administration (MBA) at Hajee Mohammad Danesh Science & Technology University, Dinajpur.

I wish her every success in life.

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**SAIFUL ISLAM**

Assistant Professor

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HSTU, Dinajpur-5200

## *Chairman's Declaration*

I hereby declare that the concerned research entitled “**Liquidity and Financial Performance Analysis: A Comparative Study on Some Selected Cement Companies in Bangladesh.**” is an original work made by **Shanta Majumder**, Student ID: **1405161**, Semester: January-June, 2015, MBA in Accounting and Information Systems, Department of Accounting, Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200, completed her research report under my supervision and submitted for the partial fulfillment of the requirement for the degree of Master of Business Administration (MBA) at Hajee Mohammad Danesh Science & Technology University, Dinajpur.

I wish her every success in life.

---

**MD MAMUNAR RASHID**

Associate Professor & Chairman

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HSTU, Dinajpur-5200



## *Acknowledgement*

First, I would like to thank Almighty “GOD” the supreme ruler of universe, who has given me the capability to continue my MBA Program smoothly and to complete the research report in time.

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I would like to express my heartiest gratitude to all those respondent employees who attended the survey and co-operate me to obtain data for this study.

It is necessary to thank of my friends and well wishers especially Md. Ariful Islam Rassel for his co-operation and cordial help for the successful completion of the present study.

Finally, I wish to acknowledge my beloved parents and other family members for their patience, inspirations, sacrifices and blessings, without which my study would not have been possible.

## **Abstract**

Evaluation of company's performance is important for all related parties: owners, company managers, customers and shareholders. The study tried to investigate the impact of liquidity, operational efficiency and asset utilization on the financial performance of these selected cement companies namely Lafarge Surma Ltd, Premier Cement Ltd and Crown Cement Ltd. A total of three cement companies are financially analyzed over the period, 2010 to 2014. The study finds that the company with higher total assets, liabilities and credits does not always ensure better profitability performance; liquidity, operational efficiency and asset utilization and all these have significant influence on financial performance of the commercial companies. The liquidity ratio indicates that firms within the cement industry have deficient current asset to meet liquid or current liability which is a sign of alarming liquidity position of the industry. This paper also tried to rank the three cement companies in Bangladesh on the basis of their financial characteristics revealed by different financial ratios. Financial ratios such as liquidity ratios and profitability ratios have used to analyze the liquidity position and financial performance of the three selected cement companies.

**Key word: Liquidity and Financial Performance**

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## **CHAPTER 1**

### **INTRODUCTION**

Liquidity is a pre-requisite for the survival of every firm or company. Liquidity signifies firm's ability to meet its short-term commitments. It is the ability to convert assets into cash within a short period of time. On the other hand Financial Performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. There are many different ways to measure financial performance, but all measures should be taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt. Cement sector plays an important role in the economic development of a country. Bangladesh, as a developing country, is no exception to this. Generally, the financial performance of cement companies and other financial institutions has been measured using a combination of financial ratio analysis, benchmarking, measuring performance against budget or a mix of these methodologies. There is a generally accepted relationship between risk and return, that is, the higher the risk the higher the expected return. Therefore, traditional measures of companies performance have measured both risk and return. Chandra *et al.* reported that (2011) Chien Ho and Song Zhu (2004), have shown in their study that most previous studies concerning company performance evaluation focus merely on operational efficiency and operational effectiveness which might directly influence the survival of a company. The empirical result of this study is that a company with better efficiency in terms of profitability does not always mean that it has better effectiveness in term of management. It is often argued that there are three principal factors to improve financial performance for financial institutions; the institution size, its asset management and the operational efficiency.

Cement as a great creation of modern science which is the most essential ingredient in any kind of construction activity. It is indeed, cement industry plays a crucial role in the infrastructural development of the country. Due to the vast geographical size and immense population of the country, various construction activities undertaken by the local

governments, public sector and other organizations, including private sector which generate enormous demand for cement. In addition, market demand of cement for private consumption is increasing constantly day by day due to increase standard of living of the inhabitants.

## **CHAPTER 2**

### **LITERATURE REVIEW**

Ajmal. (2015) found that Cement is one of the essential industries which plays a vital role in the growth and development of a nation. The Indian cement industry is the second largest industry in the world after China accounting for about 8 per cent of the total global production (Cement Sector Analysis Report April 2014). Panigrahi (2013) examined the liquidity position of five leading Indian cement companies for the period of 10 years viz, 2000-2001 to 2009- 2010.he used ratio analysis, and Motaal's ultimate rank test to analyse the data and found that the liquidity position of small companies are better as compared to big ones and most interestingly the growth rate of current ratio, quick ratio and working capital to current assets of all the companies are negative which indicates an unsound liquidity position. Samuel (2012) analyzed the financial performance of the company on various fronts of profitability, liquidity and turnover and concluded that the overall performance of the India Cements Ltd. is good. (Hajihassani, 2012) demonstrates the financial performance of cement companies in Iran comparing the performance for the period 2006 to 2009 using various financial ratios and measures. The study concludes a difference in the financial performance based on profitability rather than on the basis of liquidity ratio and financial leverage. (Mistry, 2011) has viewed significant association between liquidity and profitability of Indian Cement Industry with respect to the Total Assets, Inventory Turnover Ratio, Debt-Equity Ratio and Operating Expenses Ratio. By highlighting areas of good and bad performance, ratios can assist management to identify where their strengths and weaknesses are and where further effort should be directed (Payne, 2011).Chakraborty (2010) investigates two aspects of performance measurement, first, the ratio of profit before interest, tax and depreciation to total assets, second, ratio of cash flows to total assets. The study also covers the measurement of two leverages that are the ratio of total borrowing to assets and ratio of liability and equity. A negative correlation is found in the performance measurement. Mathuva (2009) has analyzed the effect of working capital management for measuring the profitability based on the samples of 30 firms listed in Nairobi Stock Exchange (NSE) for a period between 1993 and 2008. In conducting the study data are analyzed based on Pearson and Spearman's correlations, the pooled ordinary least square (OLS), and the fixed effects regression models. The study has found i) a significant relation between time taken from

the customers by the company with its profitability ii) a significant positive correlation between the length of time taken to generate cash from sales of inventory and the profitability of the company and iii) a highly significant positive correlation between the time needed to pay creditors with the profitability. (Portela, 2007) has found three aspects of analyzing the performance; optimum use of alternative transaction channels, achieving the efficiency boost the sales customers and increasing the profits. In order to gaining these efficiency the researcher has identified an association between operational and profit efficiencies as well as transactional and operational efficiencies. Therefore, the comparison makes it helps to identify the private companies of Pakistan use different sort of financing, however the state owned companies undertook a higher level of debt rather than those of private companies. Alovzat Muslumov (2005) concluded that the privatization was associated with a declining value added and shareholders' profitability in Turkish cement industry. A decline in the value added and shareholders' profitability were mainly caused by the decrease in return on assets. The decline in the return on asset was traced to declining asset productivity. These results are not consistent with previous cross-sectional privatization studies and a number of country studies. Salauddin (2001) examined the profitability of the Pharmaceutical Companies of Bangladesh. By using ratio analysis, mean, standard deviation and co-efficient of variation he found that the profitability of the Pharmaceuticals sector was very satisfactory in terms of the standard norms of return on investment.(Canagavally, 2000) has measured the performance as a relationship of size, growth and profitability and risk of the companies before and after the consolidation. There searcher has examined the impact of merger on the market prices of the selected companies. A study (Hye, 1997) investigates to ascertain the financial performance of the selected private general insurance companies of Bangladesh. The study demonstrates a positive progress of the selected companies. The study also concludes that the insurance companies make their surplus funds deposit with different financial banks due to lack of investment alternatives. (Jahur, 1995) measures the operational efficiency of the limited company. In the study the researcher approaches to use profitability, liquidity, activity and capital structure for the suggestion for diagnosing the selected cement industries in Bangladesh.



## **CHAPTER 3**

### **OBJECTIVES OF THE STUDY**

Cement industry is a blooming sector in Bangladesh. This report on cement companies has following objectives:

- To evaluate liquidity and financial performance of three cement companies in Bangladesh.
- To analyze the comparative position of selected cement companies in Bangladesh.

## **CHAPTER 4**

### **METHODOLOGY**

This paper has prepared fully based on the secondary data. Secondary data represents the data which are made by other persons or organizations but it is useful for another purpose or research. As a part of collecting data from secondary sources, I have read different kinds of accounting information system books, advanced accounting books & international financial reporting standards book & apply the researcher's own judgments. Mainly I have collected these data from the internet.

#### **4.1 Tenure of the Study:**

The data for the study is taken for five years i.e. 2010 to 2014.

#### **4.2 Tools used for the Study:**

In order to evaluate the liquidity and financial performance of Cement Companies of Bangladesh, a number of financial tools have been applied. Financial tools include liquidity and profitability ratios have been applied.

## **CHAPTER 5**

### **ABOUT THE THREE CEMENT COMPANIES**

#### **5.1 Company Profile:**

##### **5.1.1 Lafarge Surma Cement Ltd.**

Lafarge Surma Cement Ltd. is a joint venture of Lafarge, a world leader in building materials and Cementos Molins, a Spanish Company with strong global presence. Lafarge Surma Cement Ltd. was incorporated on 11th November 1997 as a private limited company in Bangladesh under the Companies Act 1994. Subsequently, on 20th January 2003, Lafarge Surma Cement was made into a public limited company. The Company is listed in Dhaka and Chittagong Stock Exchanges and has 35,000 shareholders.

The plant of Lafarge Surma Cement, which is located in Chhatak Sunamganj is the only fully integrated dry process cement plant in Bangladesh where high premium quality clinker (a semi finished product needed to produce cement) and cement are produced utilizing sophisticated and state-of-the-art machineries and processes. The Company's ability to produce its own clinker under its strict quality supervision and the presence of an international standard Quality Control and Monitoring Lab ensures the same consistent premium quality in each and every bag.

Lafarge Surma Cement sources its primary raw material limestone from its own quarry in Meghalaya, India, which has one of the best quality limestone deposits in the world. This limestone is brought to the Plant using a 17 km long conveyer belt. In November 2000, the two Governments of India and Bangladesh signed a historic agreement through exchange of letters in order to support this unique cross border commercial venture, and till date it is the only cross border industrial venture between the two countries. As Bangladesh does not have any commercial deposit of limestone (the main raw materials for producing clinker), the agreement provides for uninterrupted supply of limestone to the cement plant from the quarry. Lafarge Surma Cement Ltd. wholly owns a subsidiary company Lafarge Umiam Mining Private Ltd. (LUMPL), which is registered in India and operates the quarry in Meghalaya.

By supplying clinker to other cement producers in the market and through import substitution of clinker, Lafarge Surma Cement helps the country save USD 65-70 million

worth of foreign currency per year. The Company also contributes around BDT 1 (one) billion per annum as government revenue to the national exchequer of Bangladesh. About 5,000 people depend on our business directly or indirectly for their livelihood. Apart from these, the Company also contributes to the sustainable development of the society, economy and environment through its Corporate Social Responsibility initiatives in the area of education, health, employment generation, infrastructure development and environmental management.

This commercial venture, with an investment of USD 280 million is one of the largest foreign investments in Bangladesh. It has been financed by Lafarge, S.A., Cementos Molins, S.A., a number of leading Bangladeshi business houses together with International Finance Corporation (IFC), The World Bank, the Asian Development Bank (ADB), German Development Bank (DEG), European Investment Bank (EIB) and the Netherlands Development Finance Company (FMO).

Lafarge is a world leader in building materials, employing 64,000 people in 62 countries. As a top-ranking player in its Cement, Aggregates and Concrete businesses, it contributes to the construction of cities around the world, through its innovative solutions providing them with more housing and making them more compact, more durable, more beautiful, and better connected. With the world's leading building materials research facility, Lafarge places innovation at the heart of its priorities in order to contribute to more sustainable construction and to better serve architectural creativity. Cementos Molins is a family owned Spanish Company with more than 80 years of experience. Apart from its operation in Spain, it has operations in Bangladesh, Argentina, Uruguay, Mexico, and Tunisia, controlling 16 million tons of cement.

Lafarge Surma Cement will continue to strive to come up with range of products and solutions that will convert architectural dreams into realities and provide the building blocks for a modern and beautiful country.

### **5.1.2 Lafarge Surma's Vision & Commitment**

#### **5.1.2.1 Vision**

To be the undisputed leader in building materials in Bangladesh through

- Excellence in all areas of operations with world class standards
- Harnessing our strengths as the only cement producer in Bangladesh and
- Sustainable growth that respects the environment and the community

### **5.1.2.2 Commitments**

- Offering highest quality of product and services that exceed our customers expectation
- Giving our people an enabling environment that nurtures their talents and opportunity to give the best for the organization
- Contribute to building a better world for our communities
- Delivering the value creation that our shareholders expect.

## **5.2 Company Profile:**

### **5.2.1 Premier Cement**

Premier Cement Mills Limited is one of the leading innovative cement manufacturers in Bangladesh. We manufacture EUROPEAN standard product using the best raw materials and technical excellence for ensuring dependability and superiority of its outputs. Our products provide strength and durability to buildings of high dimensions, roads, bridges, and infrastructure that speeds up the line of commerce, and to houses providing comfort and security to families across Bangladesh, India, Myanmar, etc.

Premier Cement is known as one of the top cement brands in Bangladesh. Our associated companies adhere to the same demanding standards as we provide construction materials such as Ready Mix Concrete, Block, Pipe, and other pre-stressed concrete units to the Government, Builders, and Manufacturers. We enjoy a good history as well as a sustaining reputation in Bangladesh.

### **5.2.2 Corporate Profile:**

- Incorporated in Bangladesh on 14 October 2001 as a Private Limited Company.
- Start commercial production on 12th March 2004.
- First Export of cement on 26th April 2008.
- Converted to Public Limited Company on 16th April 2010.
- 700 employees in operation at home and abroad.
- Nature of Business: Manufacturing and Marketing.
- Manufactures Ordinary Portland Cement (OPC) and Portland Composite Cement (PCC).
- Annual production capacity of 2.4 million tons (8,000 tons per day).

- Enlisted with Dhaka Stock Exchange and Chittagong Stock Exchange.
- Trading of shares commenced from 3rd March 2013 in both of the stock exchanges.

### **5.2.3 Premier Cement's Vision and Mission**

Work towards the development of the society through sustainable growth and high quality performance.

Provide satisfaction to customers, an enjoyable working environment for the employees & to create value for the stakeholders we have very basic, well specified goals and objectives. These include:

- To improve comprehensively on our current success areas.
- To improve our brand image
- To satisfy our customers.
- To be among the top 5 cement manufacturers in Bangladesh,
- To earn reasonable profits.

## **5.3 Company Profile:**

### **5.3.1 Crown Cement**

M.I Cement Factory Ltd. Is a public limited company and one of the leading manufacturers of cement in Bangladesh. On December 31, 1994 it started its journey with the commitment for providing high quality cement to the country. Its brand "Crown Cement" has own renown both at home and abroad.

Initially the plant was installed with a capacity of producing 600tpd (ton per day) of Portland cement. With the passing of time the demand of Crown Cement increased day by day. Therefore the sponsors expanded the project thrice. By dint of quality Crown Cement soon gained acceptability both at home and abroad which raised the necessity for expanding the plant from initial 600tpd (ton per day), 800tpd 2<sup>nd</sup> unit in 2002, 1400tpd 3<sup>rd</sup> unit in 2006 and 3000tpd 4<sup>th</sup> unit in 2011 thereby raising the total production capacity to 5800tpd i.e. 1.740 million metric ton per annum.

The company has been listed in Dhaka Stock Exchange in 2011. Its high growth agenda have been highly appreciated by the shareholders, and have won investors trust. Its

backward and forward integration endeavors have given new dimensions to its growth platform. With this end in view, the associate industrial units viz, Crown polymer Bagging Ltd, Crown Cement Concrete & buildings product Ltd, Crown mariners Ltd, Crown power Generation Ltd etc has already set up and already in operation.

Crown Cement pioneered in export of cement in 2003 and paved the way for earning hard earned foreign currency. Recently the Crown Cement achieved the National Export Trophy (Gold) twice for attaining the top most places among the cement exporters in Bangladesh.

### **5.3.2 Crown Cement's Vision**

Companies' vision is to make a contribution to the nation by creating opportunities in the arena of industrial growth and development of Bangladesh, and to provide a solid foundation for society's future.

### **5.3.3 Crown Cement's Mission**

As a modern cement company, we manufacture cement (Brand name Crown Cement) to meet the needs of clients through innovative products and services that create value for all our stakeholders.

## CHAPTER 6

### MATERIALS AND FINDINGS OF THE STUDY

#### 6.1 Lafarge Surma's Liquidity Analysis:

**6.1.1 Liquidity Ratio:** Liquidity ratios measure the short term ability of the company to pay its maturing obligations and to meet unexpected needs for cash. The ability of an organization to meet its obligation is measured by current ratio and quick ratio in this study.

**6.1.2 Current Ratio:** The current ratio is a liquidity ratio which estimates the ability of a company to pay back short-term obligations. This ratio is also known as cash asset ratio, cash ratio, and liquidity ratio. A current ratio varies industry to industry and the ideal current ratio is 2:1. A higher current ratio indicates the higher capability of a company to pay back its debts. The formula used for computing current ratio is: current Assets / current liabilities.

**6.1.3 Quick Ratio:** The quick ratio also referred as the “acid test ratio” or the “quick assets ratio”, this ratio is a gauge of the short term liquidity of a firm. The quick ratio is helpful in measuring a company's short term debts with its most liquid assets. The quick ratio should be 1:1 or higher.

#### Current Ratio

Year	2010	2011	2012	2013	2014
Current asset	2,317,596,000	3,450,421,000	3,912,006,000	5,190,219,000	6,505,784,000
Current liabilities	10,185,573,000	8,108,312,000	8,443,980,000	6,100,280,000	4,568,162,000
Current ratio	0.23	0.43	0.46	0.85	1.42

$$\text{Current Ratio} = \frac{\text{Current asset}}{\text{Current liabilities}}$$

**Comment:** The higher the current Ratio, the better the position of a company. So, it did well in 2014.



### Quick Ratio

Year	2010	2011	2012	2013	2014
Current assets	2,317,596,000	3,450,421,000	3,912,006,000	5,190,219,000	6,505,784,000
Inventories	1,457,345,000	1,572,777,000	1,659,520,000	1,593,449,000	1,564,285,000
Current liabilities	10,185,573,000	8,108,312,000	8,443,980,000	6,100,280,000	4,568,162,000
Quick Ratio	0.08	0.23	0.27	0.59	1.08

$$\text{Quick Ratio} = (\text{Current assets} - \text{Inventories}) / \text{Current liabilities}$$

**Comment:** The higher the Quick Ratio, the better the position of a company. So, it did well in 2014.

## 6.2 Lafarge Surma's Financial Performance Analysis:

Financial Performance is analyzed by using profitability ratio.

**Profitability Ratio:** Profitability ratios measure the income or operating success of a company for a given period of time. Income or the lack of it, affects the company's ability to obtain debt and equity financing.

**Return on Equity Ratio:** is a measure of profitability that calculates how many dollars of profits a company generates with its each dollar of shareholders equity.

**Return on Assets ratio:** Measures the ability to turn assets into profit. This is a very useful measure of comparison within an industry.

**Gross Profit Margin Ratio:** it is not an exact estimate of the company's pricing strategy but it does give a good indication of financial health. Without an adequate gross margin, a company will be unable to pay its operating and other expenses.

**Operating Margin Ratio:** is a measure of how much a company makes (before interest and taxes) on each dollar of sales. The higher the margin, the better the position.

**Pre-tax profit Margin Ratio:** are a company's earnings before tax as a percentage of total sales or revenues. The higher the pre-tax profit margin, the more profitable the company.

**Net Profit Margin Ratio** is a ratio of profitability calculated as net income divided by revenues, or net profits divided by sales. It measures how much out of every dollar of sales a company actually keeps in earnings.

**Total Asset Turnover:** is a measure of a firm's efficiency at using its assets in generating sales or revenue - the higher the number the better.

### Return on Equity Ratio

Year	2010	2011	2012	2013	2014
NET INCOME	(1,619,835,000)	(2,187,684,000)	1,853,434,000	2,546,099,000	2,819,798,000
Shareholder's equity	2,768,479,000	6,451,983,000	8,380,747,000	11,044,543,000	13,255,639,000
Return on Equity	(0.59)	(0.34)	0.22	0.23	0.21

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

**Comment:** The higher the Return on Equity Ratio, the better the position of a company. So, it did well in 2013.

### Return on Assets Ratio

Year	2010	2011	2012	2013	2014
NET INCOME	(1,619,835,000)	(2,187,684,000)	1,853,434,000	2,546,099,000	2,819,798,000
TOTAL ASSETS	17,914,804,000	18,559,381,000	18,523,368,000	19,027,323,000	19,995,999,000
Return on Assets (%)	(0.09)	(0.12)	0.10	0.13	0.14

$$\text{Return on Assets Ratio} = \frac{\text{NET INCOME}}{\text{TOTAL ASSETS}}$$

**Comment:** The higher the Return on Assets Ratio, the better the position of a company. So, it did well in 2014.

### Gross Profit Margin Ratio

Year	2010	2011	2012	2013	2014
Gross Profit	577,739,000	560,336,000	4,189,119,000	4,703,338,000	4,466,871,000
Sales revenue	5,655,374,000	6,098,478,000	10,640,061,000	11,330,374,000	11,583,029,000
Gross Profit Margin (%)	0.10	0.09	0.39	0.42	0.39

$$\text{Gross Profit Margin Ratio} = \frac{\text{Gross Profit}}{\text{Sales revenue}}$$

**Comment:** A company's Gross Profit Margin should be stable. Here it was quite fluctuating in 2011-2012. So the performance was poor in 2011-2012.

### Operating Profit Margin Ratio

Year	2010	2011	2012	2013	2014
Income from Operation	(1,115,290,000)	206,884,000	3,336,088,000	3,985,707,000	3,778,223,000
Sales revenue	5,655,374,000	6,098,478,000	10,640,061,000	11,330,374,000	11,583,029,000
Operating Profit Margin (%)	(0.19)	0.03	0.31	0.35	0.33

$$\text{Operating Profit Margin Ratio} = \frac{\text{Income from Operation}}{\text{Sales revenue}}$$

**Comment:** The higher the Operating Profit Margin Ratio, the better the position of a company. So, it did well in 2013.

### Pre-tax profit Margin Ratio

Year	2010	2011	2012	2013	2014
Profit Before Income Tax	(1,831,979,000)	(2,287,984,000)	2,507,574,000	3,215,807,000	3,532,862,000
Sales revenue	5,655,374,000	6,098,478,000	10,640,061,000	11,330,374,000	11,583,029,000
Pre-tax profit Margin (%)	(0.32)	(0.38)	0.24	0.28	0.31

$$\text{Pre-tax profit Margin Ratio} = \frac{\text{Profit Before Income Tax}}{\text{Sales revenue}}$$

**Comment:** The higher the Pre-tax profit Margin Ratio, the better the position of a company. So, it did well in 2014.

**Net Profit Margin Ratio**

Year	2010	2011	2012	2013	2014
NET INCOME	(1,619,835,000)	(2,187,684,000)	1,853,434,000	2,546,099,000	2,819,798,000
Sales revenue	5,655,374,000	6,098,478,000	10,640,061,000	11,330,374,000	11,583,029,000
Net Profit Margin (%)	(0.29)	(0.36)	0.17	0.22	0.24

$$\text{Net Profit Margin Ratio} = \frac{\text{NET INCOME}}{\text{Sales revenue}}$$

**Comment:** A higher Net Profit Margin indicates a more profitable company that has better control over its costs. It was more profitable in 2014.

**Total Asset Turnover**

Year	2010	2011	2012	2013	2014
Sales revenue	5,655,374,000	6,098,478,000	10,640,061,000	11,330,374,000	11,583,029,000
TOTAL ASSETS	17,914,804,000	18,559,381,000	18,523,368,000	19,027,323,000	19,995,999,000
Total Asset Turnover (%)	0.32	0.33	0.57	0.59	0.58

$$\text{Total Asset Turnover} = \frac{\text{Sales revenue}}{\text{TOTAL ASSETS}}$$

**Comment:** The higher the Total Asset Turnover, the better the position of a company. So, it did well in 2013.

**Table 1: Calculation of five year's average ratio**

<b>Year</b>	2010	2011	2012	2013	2014	<b>Average</b>
Current ratio	0.23	0.43	0.46	0.85	1.42	<b>0.68</b>
Quick Ratio	0.08	0.23	0.27	0.59	1.08	<b>0.45</b>
Return On Equity Ratio	(0.59)	(0.34)	0.22	0.23	0.21	<b>(0.05)</b>
Return on Asset Ratio	(0.09)	(0.12)	0.10	0.13	0.14	<b>0.03</b>
Earnings Per Share	(1.39)	(1.88)	1.60	2.19	2.43	<b>0.59</b>
Gross Profit Margin Ratio	0.10	0.09	0.39	0.42	0.39	<b>0.28</b>
Operating Profit Margin Ratio	(0.19)	0.03	0.31	0.35	0.33	<b>0.17</b>
Pre-tax Profit Margin Ratio	(0.32)	(0.38)	0.24	0.28	0.31	<b>0.03</b>
Net Profit Margin Ratio	(0.29)	(0.36)	0.17	0.22	0.24	<b>(.004)</b>
Total Asset Turnover	0.32	0.33	0.57	0.59	0.58	<b>0.48</b>

### 6.3 Premier Cement's Liquidity Analysis:

#### Current Ratio

Year	2010	2011	2012	2013	2014
Current asset	881,774,118	1,903,992,198	2,202,563,160	3,189,362,901	3,858,362,266
Current liabilities	859,743,356	1,944,892,014	3,217,020,223	4,273,975,002	5,041,160,783
Current Ratio	1.03	0.98	0.68	0.75	0.77

$$\text{Current Ratio} = \frac{\text{Current asset}}{\text{Current liabilities}}$$

**Comment:** The higher the Current Ratio, the better the position of a company. So, Comparatively it did well in 2010.

#### Quick Ratio

Year	2010	2011	2012	2013	2014
Current asset	881,774,118	1,903,992,198	2,202,563,160	3,189,362,901	3,858,362,266
Inventories	214,170,799	689,410,200	536,625,624	789,597,607	1,282,263,619
Current liabilities	859,743,356	1,944,892,014	3,217,020,223	4,273,975,002	5,041,160,783
Quick Ratio	0.78	0.62	0.52	0.56	0.51

$$\text{Quick Ratio} = (\text{Current assets} - \text{Inventories}) / \text{Current liabilities}$$

**Comment:** The higher the Quick Ratio, the better the position of a company. So, comparatively it did well in 2010.

## 6.4 Premier Cement's Financial Performance Analysis:

### Return on Equity Ratio

Year	2010	2011	2012	2013	2014
NET INCOME	177,162,176	326,512,468	174,321,494	499,167,566	509,102,218
Shareholder's equity	980,369,266	2,047,460,302	2,258,471,868	3,217,974,434	3,305,276,653
Return On equity	0.18	0.16	0.08	0.16	0.15

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

**Comment:** The higher the Return on Equity Ratio, the better the position of a company. So, it did well in 2010.

### Return on Assets Ratio

Year	2010	2011	2012	2013	2014
NET INCOME	177,162,176	326,512,468	174,321,494	499,167,566	509,102,218
TOTAL ASSETS	1,878,866,794	4,127,945,690	6,602,064,564	8,496,225,473	9,803,419,796
Return on Assets (%)	0.09	0.08	0.03	0.06	0.05

$$\text{Return on Assets Ratio} = \frac{\text{NET INCOME}}{\text{TOTAL ASSETS}}$$

**Comment:** The higher the Return on Assets Ratio, the better the position of a company. So, it did well in 2010.

### Gross Profit Margin Ratio

Year	2010	2011	2012	2013	2014
Gross Profit	403,578,427	635,654,261	531,307,815	1,153,591,261	1,295,934,121
Sales revenue	1,862,271,084	3,428,083,698	4,289,147,693	6,416,662,323	7,539,574,982
Gross Profit Margin (%)	0.22	0.19	0.12	0.18	0.17

$$\text{Gross Profit Margin Ratio} = \frac{\text{Gross Profit}}{\text{Sales revenue}}$$

**Comment:** The higher the Gross Profit Margin Ratio, the better the position of a company. So, it did well in 2011.

**Operating Profit Margin Ratio**

Year	2010	2011	2012	2013	2014
Income from Operation	350,836,984	513,829,837	482,843,286	1,125,995,184	1,106,101,327
Sales revenue	1,862,271,084	3,428,083,698	4,289,147,693	6,416,662,323	7,539,574,982
Operating Profit Margin (%)	0.19	0.15	0.11	0.18	0.15

$$\text{Operating Profit Margin Ratio} = \frac{\text{Income from Operation}}{\text{Sales revenue}}$$

**Comment:** The higher the Operating Profit Margin Ratio, the better the position of a company. So, it did well in 2010.

**Pre-tax profit Margin Ratio**

Year	2010	2011	2012	2013	2014
Profit Before Income Tax	282,865,665	424,632,832	322,692,575	760,540,850	694,776,205
Sales revenue	1,862,271,084	3,428,083,698	4,289,147,693	6,416,662,323	7,539,574,982
Pre-tax profit Margin (%)	0.15	0.12	0.08	0.12	0.09

$$\text{Pre-tax profit Margin Ratio} = \frac{\text{Profit Before Income Tax}}{\text{Sales revenue}}$$

**Comment:** The higher the Pre-tax profit Margin Ratio, the better the position of a company. So, it did well in 2010.



**Net Profit Margin Ratio**

Year	2010	2011	2012	2013	2014
NET INCOME	177,162,176	326,512,468	174,321,494	499,167,566	509,102,218
Sales revenue	1,862,271,084	3,428,083,698	4,289,147,693	6,416,662,323	7,539,574,982
Net Profit Margin (%)	0.09	0.09	0.04	0.08	0.06

$$\text{Net Profit Margin Ratio} = \frac{\text{NET INCOME}}{\text{Sales revenue}}$$

**Comment:** The higher the Net Profit Margin Ratio, the better the position of a company. So, it did well in 2010 and 2011.

**Total Asset Turnover**

Year	2010	2011	2012	2013	2014
Sales revenue	1,862,271,084	3,428,083,698	4,289,147,693	6,416,662,323	7,539,574,982
TOTAL ASSETS	1,878,866,794	4,127,945,690	6,602,064,564	8,496,225,473	9,803,419,796
Total Asset Turnover (%)	0.99	0.83	0.65	0.76	0.77

$$\text{Total Asset Turnover} = \frac{\text{Sales revenue}}{\text{TOTAL ASSETS}}$$

**Comment:** The higher the Total Asset Turnover, the better the position of a company. So, it did well in 2010.

**Table 2: Calculation of five year's average ratio**

<b>Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Average</b>
Current ratio	1.03	0.98	0.68	0.75	0.77	<b>0.84</b>
Quick Ratio	0.78	0.62	0.52	0.56	0.51	<b>0.60</b>
Return On equity	0.18	0.16	0.08	0.16	0.15	<b>0.15</b>
Return on Asset Ratio	0.09	0.08	0.03	0.06	0.05	<b>0.06</b>
Earnings Per Share	2.21	4.07	1.87	5	4.78	<b>3.59</b>
Gross Profit Margin Ratio	0.22	0.19	0.12	0.18	0.17	<b>0.18</b>
Operating Profit Margin Ratio	0.19	0.15	0.11	0.18	0.15	<b>0.16</b>
Pre-tax Profit Margin Ratio	0.15	0.12	0.08	0.12	0.09	<b>0.11</b>
Net Profit Margin Ratio	0.09	0.09	0.04	0.08	0.06	<b>0.07</b>
Total Asset Turnover	0.99	0.83	0.65	0.76	0.77	<b>0.80</b>

## 6.5 Crown Cement's Liquidity Analysis:

### Current Ratio

Year	2010	2011	2012	2013	2014
Current asset	943,140,000	4,752,219,000	5,759,451,000	5,572,353,000	7,271,046,000
Current liabilities	881,779,000	1,369,177,000	2,551,430,000	2,495,306,000	4,393,286,000
Current Ratio	1.07	3.47	2.26	2.23	1.66

$$\text{Current Ratio} = \frac{\text{Current asset}}{\text{Current liabilities}}$$

**Comment:** The higher the Current Ratio, the better the position of a company. So, it did well in 2011.

### Quick Ratio

Year	2010	2011	2012	2013	2014
Current asset	943,140,000	4,752,219,000	5,759,451,000	5,572,353,000	7,271,046,000
Inventories	352,650,000	587,646,000	442,127,000	432,776,000	626,526,000
Current liabilities	881,779,000	1,369,177,000	2,551,430,000	2,495,306,000	4,393,286,000
Quick Ratio	0.67	3.04	2.08	2.06	1.51

$$\text{Quick Ratio} = (\text{Current assets} - \text{Inventories}) / \text{Current liabilities}$$

**Comment:** The higher the Quick Ratio, the better the position of a company. So, it did well in 2011.

## 6.6 Crown Cement's Financial Performance Analysis:

### Return on Equity Ratio

Year	2010	2011	2012	2013	2014
NET INCOME	332,108,000	435,936,000	565,761,000	665,369,000	674,389,000
Shareholder's equity	1,335,998,000	5,028,494,000	5,400,876,000	5,594,400,000	5,675,411,000
Return on equity	0.29	0.09	0.10	0.12	0.12

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

**Comment:** The higher the Return on Equity Ratio, the better the position of a company. So, it did well in 2010.

### Return on Assets Ratio

Year	2010	2011	2012	2013	2014
NET INCOME	332,108,000	435,936,000	565,761,000	665,369,000	674,389,000
TOTAL ASSETS	2,282,436,000	7,004,459,000	9,921,479,000	9,783,396,000	11,347,005,000
Return on Assets (%)	0.15	0.06	0.06	0.07	0.06

$$\text{Return on Assets Ratio} = \frac{\text{NET INCOME}}{\text{TOTAL ASSETS}}$$

**Comment:** The higher the Return on Assets Ratio, the better the position of a company. So, it did well in 2010.

### Gross Profit Margin Ratio

Year	2010	2011	2012	2013	2014
Gross Profit	701,546,000	768,257,000	746,324,000	1,098,522,000	1,258,915,000
Sales revenue	3,127,352,000	4,022,271,000	5,657,601,000	6,829,697,000	7,990,643,000
Gross Profit Margin (%)	0.22	0.19	0.13	0.16	0.16

$$\text{Gross Profit Margin Ratio} = \frac{\text{Gross Profit}}{\text{Sales revenue}}$$

**Comment:** The higher the Gross Profit Margin Ratio, the better the position of a company. So, it did well in 2010.

### Operating Profit Margin Ratio

Year	2010	2011	2012	2013	2014
Income from Operation	570,930,000	606,014,000	574,892,000	822,467,000	937,105,000
Sales revenue	3,127,352,000	4,022,271,000	5,657,601,000	6,829,697,000	7,990,643,000
Operating Profit Margin (%)	0.18	0.15	0.10	0.12	0.12

$$\text{Operating Profit Margin Ratio} = \frac{\text{Income from Operation}}{\text{Sales revenue}}$$

**Comment:** The higher the Operating Profit Margin Ratio, the better the position of a company. So, it did well in 2010.

### Pre-tax profit Margin Ratio

Year	2010	2011	2012	2013	2014
Profit Before Income Tax	531,373,000	680,785,000	749,771,000	881,087,000	889,076,000
Sales revenue	3,127,352,000	4,022,271,000	5,657,601,000	6,829,697,000	7,990,643,000
Pre-tax profit Margin (%)	0.17	0.17	0.13	0.13	0.11

$$\text{Pre-tax profit Margin Ratio} = \frac{\text{Profit Before Income Tax}}{\text{Sales revenue}}$$

**Comment:** The higher the Pre-tax profit Margin Ratio, the better the position of a company. So, it did well in 2010 and 2011.

### Net Profit Margin Ratio

Year	2010	2011	2012	2013	2014
NET INCOME	332,108,000	435,936,000	565,761,000	665,369,000	674,389,000
Sales revenue	3,127,352,000	4,022,271,000	5,657,601,000	6,829,697,000	7,990,643,000
Net Profit Margin (%)	0.11	0.11	0.10	0.10	0.08

$$\text{Net Profit Margin Ratio} = \frac{\text{NET INCOME}}{\text{Sales revenue}}$$

**Comment:** The higher the Net Profit Margin Ratio, the better the position of a company. So, it did well in 2010 and 2011.

### Total Asset Turnover

Year	2010	2011	2012	2013	2014
Sales revenue	3,127,352,000	4,022,271,000	5,657,601,000	6,829,697,000	7,990,643,000
TOTAL ASSETS	2,282,436,000	7,004,459,000	9,921,479,000	9,783,396,000	11,347,005,000
Total Asset Turnover (%)	1.37	0.57	0.57	0.70	0.70

$$\text{Total Asset Turnover} = \frac{\text{Sales revenue}}{\text{TOTAL ASSETS}}$$

**Comment:** The higher the Total Asset Turnover, the better the position of a company. So, it did well in 2010.

**Table 3: Calculation of five year's average ratio**

<b>Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Average</b>
Current ratio	1.07	3.47	2.26	2.23	1.66	<b>2.14</b>
Quick Ratio	0.67	3.04	2.08	2.06	1.51	<b>1.87</b>
Return on equity	0.29	0.09	0.10	0.12	0.12	<b>0.14</b>
Return on Asset Ratio	0.15	0.06	0.06	0.07	0.06	<b>0.08</b>
Earnings Per Share	4.99	3.23	3.81	4.48	4.54	<b>4.21</b>
Gross Profit Margin Ratio	0.22	0.19	0.13	0.16	0.16	<b>0.86</b>
Operating Profit Margin Ratio	0.18	0.15	0.10	0.12	0.12	<b>0.13</b>
Pre-tax Profit Margin Ratio	0.17	0.17	0.13	0.13	0.11	<b>0.14</b>
Net Profit Margin Ratio	0.11	0.11	0.10	0.10	0.08	<b>0.10</b>
Total Asset Turnover	1.37	0.57	0.57	0.70	0.70	<b>0.78</b>

**Table 4: Comparative Analysis of Three Selected Cement Companies**

<b>Particulars</b>	<b>Lafarge Surma</b>	<b>Premier</b>	<b>Crown</b>
Current ratio	0.68	0.84	2.14
Quick Ratio	0.45	0.60	1.87
Return on equity	(0.05)	0.15	0.14
Return on Asset Ratio	0.03	0.06	0.08
Earnings Per Share	0.59	3.59	4.21
Gross Profit Margin Ratio	0.28	0.18	0.86
Operating Profit Margin Ratio	0.17	0.16	0.13
Pre-tax Profit Margin Ratio	0.03	0.11	0.14
Net Profit Margin Ratio	(.004)	0.07	0.10
Total Asset Turnover	0.48	0.80	0.78

**Source: From Table 1, 2 and 3**

## 6.7 Explanation

**Current Ratio** is a liquidity ratio that measures a company's ability to pay short-term obligations. We know the higher the current ratio, the more capable the company is of paying its obligations. A ratio under 1 suggests that the company would be unable to pay off its obligations if they came due at that point. While this shows the company is not in good financial health, it does not necessarily mean that it will go bankrupt - as there are many ways to access financing - but it is definitely not a good sign. From five year's average current ratio we see that for Lafarge Surma it was 0.68, for Premier it was 0.84, and for Crown it was 2.14. All of the findings are under 1 except Crown Cement. In case of Lafarge Surma and Premier the current ratio were low and current liabilities exceed current assets so, the companies may have problems meeting its short term obligations, on the other hand for crown cement company the current ratio was high. It means that the company may not be efficiently using its current assets. A higher current ratio can be a sign of problems in managing working capital.

**Quick Ratio:** we know it's an indicator of a company's short-term liquidity. The quick ratio measures a company's ability to meet its short-term obligations with its most liquid assets. The quick ratio should be 1:1 or higher. The higher the quick ratio, the better the position of the company. We see from five year's average Quick ratio for Lafarge Surma, Premier and Crown it was 0.45, 0.60, 1.87, consecutively. In five years Crown Cement did well than Lafarge Surma and Premier Cement companies. Lafarge Surma and Premier with a quick ratio of less than 1 could not pay back its current liabilities.

**Return on Equity Ratio** is a measure of profitability that calculates how many dollars of profits a company generates with its each dollar of shareholders equity. The formula for ROE is Net Income Divided by Shareholders equity. Return on equity is sometimes called "Return on Net Worth". A rising return on equity suggests that a company is increasing its ability to generate profit without needing as much capital. It is important to note that if the value of the shareholders equity goes down, return on equity goes up and the less shareholders equity it has the higher its return on equity is. The higher the return on equity ratio, the better the position of the company. We see from five year's average return on equity ratio for Lafarge Surma, Premier and Crown it was (0.05), 0.15, 0.14, consecutively. In five years Premier Cement did well than Lafarge Surma and Crown cement companies.



**Return on Assets Ratio** gives investors an idea of how effectively the company is converting the money it has to invest into net income. The higher the ROA number, the better, because the company is earning more money on less investment. From 2010-14 the five year's average ROA ratios were 0.03, 0.06, 0.08, consecutively. The Crown Cement only did well at last five years than Lafarge Surma and Premier.

**Earnings per share (EPS):** Earnings per share is a measure of the net income earned on each share of common stock. It is computed by dividing net income by the number of weighted average common share outstanding during the year. If the number of weighted average common shares outstanding will increased then the earning per share decreased. From 2010-14 the five year's average EPS ratios were 0.59, 3.59, 4.21, consecutively. The Crown Cement only did well at last five years than Lafarge Surma and Premier.

**Gross Profit Margin Ratio**, it is not an exact estimate of the company's pricing strategy but it does give a good indication of financial health. Without an adequate gross margin, a company will be unable to pay its operating and other expenses and build for the future. In general, a company's gross profit margin should be stable. It should not fluctuate much from one period to another, unless the industry it is in has been undergoing drastic changes which will affect the costs of goods sold or pricing policies. From 2010-14 the ratios of Lafarge Surma were 0.10, 0.09, 0.39, 0.42, 0.39, consecutively. Here it's quite fluctuating in 2011-2012. So the performance was poor in 2011-2012. In case of Premier Cement Company the ratios were 0.22, 0.19, 0.12, 0.18, 0.17, consecutively. Here it's quite fluctuating in 2011-2012. So the performance was poor in 2011-2012. From 2010-14 the ratios of Crown Cement were 0.22, 0.19, 0.13, 0.16, 0.16, consecutively. The performance was good in 2013-2014. For Lafarge Surma, premier and crown the findings from five year's average (2010-14) ratios were 0.28, 0.18 and 0.86. A high gross profit margin ratio 0.86 indicates for crown Cement Company is efficient in the manufacturing and distribution processes.

**Operating Margin Ratio** gives analysts an idea of how much a company makes (before interest and taxes) on each dollar of sales. When looking at operating margin to determine the quality of a company, it is best to look at the change in operating margin over time and to compare the company's yearly or quarterly figures to those of its competitors. If a company's margin is increasing, it is earning more per dollar of sales. The higher the margin, the better the position. From 2010-14 for Lafarge Surma, Premier and Crown the

five year's average ratios were 0.17, 0.16, 0.13 consecutively. So The Lafarge Surma did well in last five years than premier and crown.

**Pre-tax profit Margin Ratio** is a company's earnings before tax as a percentage of total sales or revenues. The higher the pre-tax profit margin, the more profitable the company. The trend of the pretax profit margin is as important as the figure itself, since it provides an indication of which way the company's profitability is headed. From 2010-14 for Lafarge Surma, Premier and Crown the five year's average ratios were 0.03, 0.11 and 0.14. We see that the Crown Cement did well in last five year than Lafarge Surma and Premier.

**Net Profit Margin Ratio** is a ratio of profitability calculated as net income divided by revenues, or net profits divided by sales. It measures how much out of every dollar of sales a company actually keeps in earnings. Profit margin is very useful when comparing companies in similar industries. A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors. From 2010-14 for Lafarge Surma, Premier and Crown the five year's average Net Profit Margin ratios were (.004), 0.07 and 0.10. Here we see The Premier Cement and The Crown Cement Company made profit on the other hand Lafarge Surma made losses because the company was not earning enough to cover expenses.

**Total Asset Turnover** measures a firm's efficiency at using its assets in generating sales or revenue - the higher the number the better. It also indicates pricing strategy: companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover. From 2010-14 for Lafarge Surma, Premier and Crown the five year's average Total Asset Turnover ratios were 0.48, 0.80 and 0.78. Here the trend is comparatively steady.

## **CHAPTER 7**

### **LIMITATIONS OF THE STUDY**

No study is beyond any limitations. While doing this study I had to face some difficulties.

The limitations of the study activities are as follows:

- This study is based on the secondary data from published reports and in journals articles for the three cement Companies during 2010-2014.
- Five year's average ratio has calculated for analyzing the liquidity and financial performance. Always the average ratio does not give a standard result for analyzing the liquidity and financial performance.
- The five year's data analysis was not enough sufficient for the study.
- There was lack of precise information.

## **CHAPTER 8**

### **RECOMMENDATIONS AND CONCLUSIONS**

#### **8.1 Recommendations:**

- In case of Lafarge Surma and Premier the current ratio were low and current liabilities exceed current assets so, the companies should increase its current ratio to meeting its short term obligations, on the other hand for crown cement company the current ratio was high. It means that the company may not be efficiently using its current assets. So, the company should keep the current ratio at standard point so that it cannot be a sign of problems in managing working capital.
- In case of Lafarge Surma and Premier with a quick ratio of less than 1 should increase so that the companies can pay back their current liabilities.
- Although similar type of cement is produced by all the cement companies, it is still very important for each of these companies to stress on the functional and the distinctive benefits of their products.
- The cement companies together can ask for help from the Government of Bangladesh for some logistics support.
- It can be suggested by analyzing the study that the sick cement companies should take the intensive care to recover from the distress.
- The distressed companies should pay a special concentration to increase their profitability.
- The companies should manage their costs and expenses efficiently.
- The profitability can be increased by controlling cost or increasing sales.
- The management is able to pinpoint weak spots and take corrective measures to improve more.

## **8.2 Conclusions**

Cement sector plays an important role in the economic development of a country. Bangladesh, as a developing country, is no exception to this. The trend of growth and performance of cement industry rapidly increase day by day during the 18 years. In order to determine the liquidity and financial performance of cement industries three cement companies have taken into consideration, namely Lafarge Surma Cement Ltd, Premier Cement Ltd and Crown Cement Ltd. In this study, the liquidity and financial performance of three Cement Companies was measured over the five-year period from 2010 to 2014. The liquidity and financial performance is measured by using ratio analysis. The five years average ratio is also calculated for measuring the liquidity and financial performance. Ten financial ratios are used to measure the liquidity and financial performance. By using these ratio it has possible to compare the performance of the different period of the same company and by using the average ratio it has possible to compare the performance of the three selected cement companies.

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