

# Ratio analysis of berger paints bangladesh ltd. assignment

[Business](#)



Fin 254 Faculty: RyA Topic: Ratio analysis Company name: Berger Paints Bangladesh Ltd. (BPBL) Submitted by: Dipanyta Datta.....	
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2 Summary: We have analyzed various ratios of Berger Paints Bangladesh Limited (BPBL) for the years from 2007 to 2010. Summary of the ratio analysis is presented below???

Liquidity Ratio- The current ratio shows a fluctuating trend where as the quick ratio shows that the company is not well off to pay all of their debts.

Asset- management ratio- Asset management ratios of the years reviewed indicates a sound and sustainable position. Debt-management ratio- Debt management ratio also improved during the years reviewed. Profitability ratio- In this ratio we see some ups and downs during the years reviewed but <https://assignbuster.com/ratio-analysis-of-berger-paints-bangladesh-ltd-assignment/>

overall situation indicates stability and improvement in last year Stock market ratio- Stock market ratio shows continued growth during the years reviewed. Du-pont equation- the results of the equation shows sound financial position of the company. Page | 3 Introduction: Berger is one of the oldest names in the paint industry.

The name came from a German national, Louis Berger who founded dye and pigments making business in England. Production of dyes and pigments evolved into productions of paints and coatings. The company grew rapidly by establishing branches all over the world and has started their business in this part of the world since 1950. In 1970 Berger Paints Bangladesh Limited (BPBL), erstwhile Jenson and Nicholson had set up its paint factory in Chittagong. Later in 1980, Jan 1 the name of the company was changed from J & N (Bangladesh) limited to Berger Paints Bangladesh Limited.

Over the decades, Berger has evolved to become the leading paint solution provides in this country. It has diversified into every sphere of the industry from Decorative paints to Industrial, Marine and Powder Coatings. With its strong distribution network, Berger has reached almost every corner of Bangladesh. Their primary product range includes specialized outdoor paints to protect against adverse weather conditions. Color Bank, superior Marine Paints, Textured Coatings, Heat Resistant Paints, Roofing compounds, Epoxies and Powder Coatings.

In each of these product categories, Berger has been the pioneer. Berger also provides customer support connecting consumers to technology through specialized Home Decor service by giving free technical advice on surface

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preparation, color consultancy, special color schemes etc. Berger has invested more in technology and Research and Development (R& D) than any other manufactures in the market. The superior quality of Berger products has been possible because of its advanced plants and strict quality controls equal to best international standards.

Their mission is strong and clear that they want to remain in the number one/two in all categories in which they operate. And for this their strategy is to build long term partnership with their customers by adding value to life, to outperform the peers in terms of longevity, customer service, revenue growth, earning and cash generation . With their customers' support they aim to maximize the potential of their business by ??? through a combination of product, service, creative marketing, competitive pricing and cost efficiency.

Apart from business, being a corporate citizen, they also invest in Corporate Social Responsibility (CSR) programs promoting events such as by contributing to the well being of autistic children in Bangladesh from 2009, Berger Young Painters' Art Competition (BYPAC), etc. Page | 4 Performance analysis: ? Liquidity ratio: Formula Current ratio Quick ratio Current asset/current liabilities (Current assets- 2007 2008 1. 45times 2009 1. 57 times 2010 1. 63 times 1. 53 times 0. 65 times 0. 96 times 0. 84 times inventories)/current 0. 65 times liabilities Current ratio: ? In 2010, Berger's current asset was only 1. 63 times of its current liabilities. ? From 2007 to 2010, the current ratio of BPBL has fluctuated very slightly. ? 2010's ratio was higher than 2009's because relative change in current assets were more

than relative change in current liabilities. That means Berger paint's working capital position is improved. ? Quick ratio: ? In 2010, the company's current asset excluding inventories is 0.84 times of its current liabilities. ? Berger paint's quick ratio trend was upward and it fluctuates little. 2010's ratio was lower than 2009's because relative change in current assets excluding inventories were less than relative change in current liabilities. Because the inventory is relatively illiquid compare to cash in 2010 the ratio declined.

Page | 5 current ratio 1.65 1.6 1.55 1.5 1.45 1.4 1.35 current ratio 2007 1.53 2008 1.45 2009 1.57 2010 1.63 1.2 1 0.8 0.6 0.4 0.2 0 quick ratio quick ratio 2007 0.65 2008 0.65 2009 0.96 2010 0.84 Page | 6 ? Asset ???

management ratio: Formula Inventory turnover Total asset turnover Total fixed asset turnover Days sales' outstanding(DSO) Average payment period ?

Inventory turnover:  $\text{Accounts receivable}/(\text{sales}/365)$  Sales /total fixed asset Sales/total asset Sales /inventory 2007 5.77 times 2.15 times 6.04 times 24 days 2008 7.27 times 2.59 times 6.96 times 18 days 2009 7.45 times 1.86 times 5.5 times 23 days 2010 5.92 times 1.86 times 5.25 times 24 days accounts 62 days payable/(purchase/365) 56 days 97 days 95 days ? In 2010, Berger has sold out and restocked its inventory 5.9 times. ? From 2007 to 2010 the inventory turnover ratio has fluctuated a lot. ? From 2009 to 2010, the relative change in inventory was more than sales.

Inventory turnover ratio has declined during 2010 that means Berger paint's product restocked as a result company's gross profit reduced relatively. ?

Total asset turnover: ? In 2010, every 1 tk worth of total asset is generating tk1.9 worth of sales. ? From 2007 to 2010 the total asset turnover curve was

downward. ? From 2009 to 2010 the relative changes were same. That means Berger paint could not increase their business volume from same investment. Page | 7 ? Total fixed asset turnover: ? In 2010, every 1 tk worth of fixed asset was generating 5.3 tk worth of sales. From 2007 to 2010 the total fixed asset turnover of BPBL curve has fluctuated a lot and since last 3 years the trend is downward. ? From 2009 to 2010 the relative change in fixed asset was more than relative change in sales. It means that company's plant and equipment were not effectively utilized. ? Days sales' outstanding (DSO): ? In 2010, it took 24 days to collect accounts receivables from the customer on an average. ? Relative change in accounts receivable was more than average sales in 2010 compare to 2009. It means that collection against sales has declined which is relatively bad performance of sales department. Average payment period(APP): ? On an average, it took 95 days to pay the accounts payable in 2010. ? Compare to 2009 in 2010 company took less time to make its payment. In 2010 the company has almost 4 receivable times and only 1 payment schedule. So the company may have available cash in its hand and in a good liquidity position. Page | 8 inventory turnover ratio 8 7 6 5 4 3 2 1 0 inventory turnover ratio 2007 5.77 2008 7.27 2009 7.45 2010 5.92 total asset turnover ratio 3 2.5 2 1.5 1 0.5 0 total asset turnover ratio 2007 2.15 2008 2.59 2009 1.86 2010 1.86 Page | 9 total fixed asset turnover 8 7 6 5 4 3 2 1 0 total fixed asset turnover 2007 6.03 2008 6.96 2009 5.5 2010 5.25 DSO 30 25 20 15 10 5 0 DSO 2007 24 2008 18 2009 23 2010 24 Page | 10 average payment period 120 100 80 days 60 40 20 0 average payment period 2007 62 2008 56 2009 97 2010 95 ? Debt ??? management ratio: Formula Debt ratio Time ??? interest ratio

Total debt/ total asset Earnings before interest and tax/interest 2007 46.28% 2008 43.43% 2009 45.32% 2010 42.92% 20 times 32.7 times 214.3 times 138.10 times Page | 11 ? Debt ratio: ? In 2010, 42.9% of total asset was financed by total debt. Compare to 2009 in 2010 debt to asset ratio decreased because relative change in total asset was more than change in total debt. During 2010 debt is less than 2009 that means company's financial position was relatively good. ? Time ??? interest ratio: ? In 2010, EBIT was 138.1 times higher than interest expense. ? From 2007 to 2009 the TIE ratio curve of BPBL was upward but in 2010 it fluctuated. ? The relative change in interest was more than relative change in EBIT in 2010.

Year	Debt Ratio
2007	46.8%
2008	43.43%
2009	45.32%
2010	42.92%

Page | 12 TIE ratio 250 200 150 100 50 0 TIE ratio 2007 20 2008 32.7 2009 214.3 2010 138.1 ? Profitability ratio: Formula Gross profit margin Gross profit/sales 2007 32.27% 2008 30% 2009 40.93% 2010 38.07% Operating profit margin Earning before interest and tax/sales 14.11% 12.54% 17.27% 15.60% Page | 13 Net profit margin Return-onasset(ROA) Return-onequity (ROE) Net profit/sales Net profit/total asset Net profit/total equity 9.62% 8.91% 12.61% 12.85% 20.70% 23.10% 23.87% 23.88% 38.53% 44.01% 43.66% 41.83% Gross profit margin: ? In 2010 for every 100tk worth of sales operated 38.08tk worth of gross profit. ? From 2007 to 2010 GPM trend of BPBL changes a lot which affected the curve. ? Relative change in sales of Berger Paints Bangladesh Limited was more than relative change in gross profit in 2010 compare to 2009. This position is not good for the company. ? Operating profit margin: ? In 2010, each 100 tk worth of sales

generates 16.37 tk worth of EBIT. ? From 2007 to 2010 OPM curve of BPBL fluctuated a lot. ? Relative change in sales was more than the relative change in EBIT in 2010.

Berger paint has to reduce their overhead cost in order to increase profitability. ? Net profit margin: ? In 2010, every 100 tk worth of sales generates 12.85 tk of net profit. ? From 2007 to 2010 NPM ratio has been fluctuated but since 2008 the trend is going upward. Page | 14 ? Net profit margin increased in 2010 compare to 2009. Here, relative change in net profit after tax is more than sales. That means Berger paint ltd. is able to pay more dividend and tax as their financial position has improved than previous years. ? Return-on-asset(ROA): ? In 2010, Berger paint's net profit was 23.8 tk for every 100 tk worth of total assets. ? From 2007 to 2010 ROA ratio is increasing which means the curve of ROA is going upward. ? Compare to 2009, in 2010 net profit after tax increased little. Relative change in net profit after tax was more than total asset. ROA has increased in 2010 that means company earns from same investment compare 2009. ? Return-on-equity (ROE): ? In 2010, the shareholders have earned 41.83 tk for every 100 tk investments. ? From 2007 to 2010 the ROE ratio has fluctuated and the trend in 2010 was going downward.. Compare to 2009 in 2010 the relative change in net profit was more than relative change in total equity. During 2010 ROE relatively increased than 2009 that means company would be able to pay more dividends to its share holders. Page | 15 gross profit margin 45.00% 40.00% 35.00% 30.00% 25.00% 20.00% 15.00% 10.00% 5.00% 0.00% gross profit margin 2007 32.27% 2008 30% 2009 40.93% 2010 38.07% operating profit margin 20.00% 18.00% 16.00% 14.00%

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00% 12.00% 10.00% 8.00% 6.00% 4.00% 2.00% 0.00% operating profit margin 2007 14.11% 2008 12.54% 2009 17% 2010 15.60% Page | 16 net profit margin 14.0% 12.00% 10.00% 8.00% 6.00% 4.00% 2.00% 0.00% net profit margin 2007 9.62% 2008 8.91% 2009 12.61% 2010 12.85% return on asset 25.00% 24.00% 23.00% 22.00% 21.00% 20.00% 19.00% return on asset 2007 20.70% 2008 23.10% 2009 24% 2010 23.88% Page | 17 return on equity 45.00% 44.00% 43.00% 42.00% 41.00% 40.00% 39.00% 38.00% 37.00% 36.00% 35.00% return on equity 2007 38.53% 2008 44.01% 2009 43.66% 2010 41.83% ? Stock market ratio: Formula Earning per share (EPS) Net profit/total number of share outstanding 2007 15 tk/share 2008 17.3 tk/share 2009 25 tk/share 2010 30.39tk/Share

Market to Market book value ratio Price to earnings ratio value per share/book value per share Price per share/EPS 7.2 tk/share 7.22 tk/share 13.33tk/share 11.76 tk/share 18.39 16.41 25.22 28.12 Page | 18 ? Earning per share (EPS): ? In 2010, the shareholders have earned 30.39 tk for every share they owned. ? Earnings per share curve of Berger Paints Bangladesh Limited have gone high during 2007 to 2010 and the trend was upward. ? From 2009 to 2010 EPS increased. Here only net income increased but total number of common share outstanding remained same. During 2010, EPS has been increased by 21. % than 2009 which means shareholders investments are more protected and stock price may also increase in the stock exchange. ? Market to book value ratio: ? The BPBL's market value is 11.76 times higher than its book value. ? From 2007 to 2010 the trend of M/B ratio has fluctuated a lot. ? The relative change in book value/share was more than relative change in market value/share. ? Price to <https://assignbuster.com/ratio-analysis-of-berger-paints-bangladesh-ltd-assignment/>

earnings ratio: ? In 2010, the shareholders of BPBL were willing to pay 28.12 for every tk of reported earnings. ? From 2007 to 2010 the P/E ratio has gone upward. ? P/E ratio increased in 2010 compare to 2009.

Here, relative change in market price per share was higher than earning per

share. Page | 19

Year	EPS	AMOUNT OF TAKA/SHARE
2007	15	17.3
2008	17.3	25
2009	25	30.39
2010	30.39	39

Year	M/B RATIO
2007	14
2008	12
2009	10
2010	8.6

Year	P/E Ratio
2007	7.2
2008	7.22
2009	13.3
2010	11.76

Year	P/E Ratio
2007	18.39
2008	16.41
2009	25.22
2010	28.12

? Extended Du-pont equation: Formula ROE = Net profit

margin \* total asset turnover \* equity multiplier

Year	ROE
2009	12.61%
2010	12.85%

2009:  $12.61\% = 12.61\% \times 1.86 \times 1.83$

2010:  $12.85\% = 12.85\% \times 1.86 \times 1.75$

Although NPM and total asset turnover are quite stable extended Du-pont

equation of BPBL in 2010 is lower than 2009's because of the equity

multiplier. The equity multiplier decreased as the relative change in total

equity was more than the relative change in total asset. Page | 21

Conclusion: In this report, we have tried to provide analysis of financial

statements. The liquidity position of BPBL is acceptable. Its current ratio

stood as 1.63 times, 1.57 times, 1.57 times, 1.45 times & 1.53 times in the

2010 to 2007 year respectively. The required time to sale inventories in the

last year was around 5. times which was 5.8 times in the year 2007. Its

efficiency in the collection periods of receivables was steady in 2010 due to

well channel of distributions. BPBL average collection period was 24 days, 18

days, 23 days, 24 days & 43.19 days in the year 2007 to 2010. The solvency

dimension of BPBL is strong. The company has no long term debt. Its interest coverage ratio stood at 20.00 times, 32.70 times, 214.3 times & 138.10 times in the year 2007 to 2010. The gross profit margin of BPBL was around 38.08% in 2010 which was lower than 2009 but higher than 2008 and 2007.

This position is acceptable despite of increase of raw materials price & giving higher discount. Total asset turnover of BPBL stood at 1.9 times, 1.9 times, 2.6 times, 2.2 times from 2007 to 2010 showed an increasing trend of turnover. BPBL current ratio is moderate but quick ratio is low. Debt ratio of BPBL shows primarily relying on non-interest bearing liabilities such as accounts payable & accrued interest to finance the operations. Its gross profit margin was at moderate level like 38.08% in previous year. Its net profit is not so high but it is increasing with the period of time.

Though the company experienced some ups and downs during the years we reviewed, overall situation indicates stability in their profitability due to prudent management of the company. Berger Paints Bangladesh Limited claims that they control 65% of local paint market because with its strong distribution network, Berger has reached almost every corner of Bangladesh. From the analysis it is also revealed that company has very strong expansion potentiality because paint market in Bangladesh is growing very fast and BPBL has the ability to grasp the growth of Page | 22 the market.

As the company stands on very strong financial position and run its operation from internal source of finance but if company needed all financial institutions as well as capital market investors will extend their support to finance future expansion cost of the company. By analyzing it can be said

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Berger is a fast growing and upward trend company in every aspect of financial indicators. Shareholders can rely on published financial information to invest their fund to buy the shares to enjoy reasonable dividend income year on year and expect capital gain from their investments in share of BPBL in future.

Page | 23 APPENDIX ? Liquidity ratio: Formula Current Current ratio Quick ratio asset/current liabilities (Current assets- 2007 1054927000 / 687962000 2008 1087648000/ 749044000 2009 2010 1592419000/ 1907441000 1014828000 /1167533000 (1087648000(1054927000inventories)/current 610901000) 619179000)/ /687962000 749044000 liabilities (1592419000 (1907441000925550000)/ 616622000)/ 1167533000 1014828000 ?

Asset ??? management ratio: Formula Inventory turnover Sales /inventory 2007 352775900 0 / 610901000 2008 449920600 0 /61917900 0 449920600 2009 4595904000 /616622000 2010 5483619000 /925550000 Total asset turnover

Sales/total asset 352775900 0 / 163933200 0 352775900 0 /58440500 0 222791000 / (35277590 4595904000 /242825600 0 5483619000 /295118200 0 0 / 173419300 0 449920600 0/ 646545000 214200000 / Total fixed asset Sales /total fixed asset 4595904000 /835837000 5483619000 / 1043741000 turnover Days sales' outstanding(DS Accounts receivable/ (sales/365) 293674000/ 353693000 (459504000/ /(548361900 365) Page | 24 O) 00 /365) (44992060 00 /365) 0 /365) Average payment period accounts payable/ (purchase/365) 404318000 /( 352775900 0/365) 476748000 / (31492400 00/ 365) 717799000/ (271484100 0/ 365)

876554000 / (339565500 / 365) Debt ??? management ratio: Formula Debt ratio Total debt/ total asset 2007 (758665000 / 2008 (753214000 / 2009 2010 / 2951182000) \*100 (1100594000 / (1266718000 / 1639332000) 1734193000) \*100 2428256000) \*100 \*100 Time ??? interest ratio Earnings before interest and tax/interest 497811000 / 23924000 563999000 / 17051000 793847000 / 3635000 855620000 / 6501000 ? Profitability ratio: Formula 2007 Gross profit margin Gross (1138528000 profit/sales / 352775900) \*100 2008 (1349966000 / 4499206000) \*100 2009 4595904000) \*100 2010 / 5483619000) \*100 (1881063000 / (2087964000 Page | 25 Operating profit margin Earning before interest and tax/sales 497811000 (563999000 / (793847000 / 4595904000) \*100 (855620000 / 5483619000) \*100 / 3527759000) 4499206000) \*100 \*100 Net profit margin Net (339351000 (400660000 / (579681000 / (704636000 / 5483619000) \*100 profit/sales / 3527759000) 4499206000) \* 4595904000) \*100 100 \*100 Return-on- Net asset (339351000 (400660000 / (579681000 / 2428256000) \*100 (579681000 / 1327662000) \*100 (704636000 / 2951182000) \*100 (704636000 / 1684464000) \*100 asset(ROA) profit/total / 1639332000) 1734193000) \*100 (339351000 / 880667000) \*100 \*100 (400660000 / 910304000) \*100 Return-on- Net equity (ROE) profit/total equity ? Stock market ratio:

Formula Earning per share (EPS) Net profit/total number of share outstanding 2007 339351000 / 23188940 2008 400660000 / 23188940 2009 579681000 / 23188940 2010 704636000 / 23188940 Market to book value Market value per 272. 81/37. 98 283. 57/39. 26 630. 40/47. 26 854. 44/72. 64 Page | 26 ratio share/book value per share Price-toearning Price per share/EPS 272.

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81/14. 63 283. 57/17. 28 630. 40/25 854. 44/30. 39 ? Extended Du ??? pont

equation: Formula ROE Net profit margin\*total asset turnover\*equity

multiplier 2009 12. 6%\*1. 9\* (2428256000/ 1327662000) 2010 12. 8 % \* 1. 9

times \*(2951182000 /1684464000) Page | 27