Thesis Report
on
Financial Performance Analysis of Farr Ceramics Limited

Submitted To:

Department of Business Administration

Sonargaon University (SU)

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Program: MBA

Major: Finance

Semester: Fall-2024

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Date of Submission: 07th January-2025



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Supervised To:

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Submitted for the partial Fulfillment the Requirements for the Degree the Masters of business Administration

Date of Submission: 07th January-2025

LETTER OF TRANSMITTAL

Date: 07th January 2025

To,

Md. Shahbub Alam

Lecturer

Department 0f Business Administration,

Sonargaon University (SU), Dhaka.

Subject: Submission of Thesis report .

Dear Sir,

This is my pleasure to present my thesis report entitled- "Financial Performance Analysis of Farr Ceramics Limited"

I have conducted my thesis report on FARR, 52 New Eskaton Road, and effect from 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 thesis 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,

…….....

Aditiy Christina Costa
ID: MBA2401031028
Program: MBA

Major: Finance

Department of Business Administration

Sonargaon University (SU)

CERTIFICATE OF SUPERVISOR

I am Enormously pleased to declare that Aditiy Christina Costa bearing ID : MBA-2401031028 and major Finance a student of Business Administration , Sonargaon University (SU) , has been given with the topic **"Financial Performance Analysis on Farr Ceramics Limited".** For preparing an thesis report. This student has reviewed all the relevant literature and has surveyed practically in FARR Ceramic Ltd. For two months to collect both primary and secondary data. I have supervised her throughout the preparation of the thesis report.

I also certify that the thesis report is an original one and has not been submitted elsewhere previously for publication in any form.

I wish her all the best.

……..

Md. Shahbub Alam
Lecturer
Department of Business Administration
Sonargaon university (SU)
Dhaka-1215

LETTER OF AUTHORIZATION

I hereby confirm that the report titled **"Financial Performance Analysis on Farr Ceramics Limited".**is a genuine effort by **Aditiy Christina Costa**. The report was conducted under my guidance. I also affirm that, to the best of my knowledge, the content presented in this report has not been included in any other report that led to the award of a degree to any candidate earlier, whether in the same context or a different one.

Md. Shahbub Alam
Lecturer
Department of Business Administration
Sonargaon University (SU)

DECLARATION OF STUDENT

I am **Aditiy Christina Costa**, hereby declare that this thesis report titled "**Financial Performance Analysis of Farr Ceramics Limited**" has been prepared by me as part of my academic requirements. This report is my original work and has not been submitted elsewhere for academic or professional purpose.

Sincerely Yours,

……

Aditiy Christina Costa

ID: MBA2401031028

Program: MBA

Major: Finance

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Sonargaon University (SU)

ACKNOWLEDGEMENT

A detailed research type report cannot be completed without the help of significant others. I would like to thank a first; the Almighty God, 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 do 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; Md. Shahbub Alam_, , 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. Modhusudan 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 report . 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 thesis report.

EXECUTIVE SUMMARY

The main focus of this report is on the Financial Statement Performance Analysis of Farr Ceramics Limited. In order to focus on the financial performance 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 thesis 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 FCL.

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Chapter: 01
Introduction

1.1 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 identify 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.

1.2 Description of the Project:

This thesis report is prepared as a mandatory course fulfillment of the requirement of MBA program. It is my great pleasure to permit to complete thesis report on **"Financial Performance Analysis of Farr Ceramics Limited"**. 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 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 thesis report is submitted after collected information and analysis in Farr Ceramics Limited to the supervisor. This program direct authorized by me to submit the report on **"Financial Performance Analysis of Farr Ceramics Limited".** This thesis program was started from …...

1.3 Significance of the Report

This thesis 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 thesis 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 thesis is clearly justified as the crucial requirement of MBA Post graduation. The main theme of thesis 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.

1.4 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.

1.4.1 An overview of Farr Ceramics Limited.

1.4.2 Financial Statement analysis of five past years of Farr Ceramics Ltd.

1.4.3 Performance Evaluation of Farr Ceramics limited.

1.5 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 identify the financial position of FCL
- To find out the problem of FCL
- To recommend the suggestion to solve the problem

1.6 Methodology:

1.5.1 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.

1.5.2 Data used in the study:

The study is mainly based on secondary data.

1.5.2.1 The audit report of Farr Ceramics Limited

1.5.2.2 Website of Farr Ceramics Limited

1.5.2.3 Magazines of Farr Ceramics Limited

1.5.2.4 Files and folder of Farr Ceramics Limited

1.5.2.5 Written documents of Farr Ceramics LTD

1.5.2.6 Statistical data of farr Ceramics LTD and

1.5.2.7 Different text book 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 2019 to 2023.

1.5.3 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.

1.7 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 constrains, 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.

Chapter-02
REVIEW OF LITERATURE

2.1 INTRODUCTION

The review of literature guides the researchers for getting better understanding of methodology used, limitation of various available estimation procedures and database, and logical interpretation and reconciliation of the conflicting results. Besides this, the review of empirical studies explores the avenues for future and present research efforts related to the subject matter. In case of conflicting and unexpected results, the research can take the advantage of knowledge of their researchers simply through the medium of their published works. A number of research studies have been carried out on different aspects of performance appraisal by the researchers, economists and academicians in India and abroad also. Different authors have analysis performance in different perspectives. A review of these analyses is important in order to develop an approach that can be employed in the context of the study of Indian automobile industry. Therefore, the present chapter reviews the empirical studies related with different aspects of financial performance analysis.

2.2 REVIEWS ON FINANCIAL PERFORMANCE

This part represents the review of those studies that have been carried out in the financial performance.

Rao (1993) discussed in his research about 'Financial appraisal of Indian Automotive Tyre Industry'. Main objective of study was intended to probe into the financial condition-financial strength and weakness-of the Indian type industry. He has been measured and evaluates the financial performance through inter-company and inter-sector analysis for the period of 1981-1988. He has found that the fixed assets utilization in many of the type undertakings was not as productive as expected and inventory was managed fairly well. He has considered that the tyre industry's overall profit performance was subjected to inconsistency and ineffective. He has suggested some recommendations to improve financial performance.

Rao (1993) has made a study about inter-company financial analysis of tea industry-retrospect and prospect. He wished to analyses the important variables of tea industry and projected future trends regarding sales and profit for the 30 next 10 year periods, with a view to help the policy makers to take appropriate decisions. He have been calculated various financial ratios for analyzing the financial health of the industry. After the comparison of ratios, he has concluded that the forecast of sales and

profits of tea manufacturing companies showed that the Indian tea industry has bright prospects. He has also revealed that the recent changes in the Indian economic policies may boost up the foreign exchange earnings, which may benefit those companies, which are exporting to hard currency areas.

Pai, Vadivel & Kamala (1995) have studied about the diversified companies and financial performance. Main purpose of research was found out the relationship between diversified firms and their financial performance. For the purpose of research, they have selected seven large firms and analysed those firm which having different products-both related and otherwise-in their portfolio and operating in diverse industries. In this study, a set of performance measures / ratios was employed to determine the level of financial performance and variation in performance from one firm to another has been observed and statistically established.They revealed that the diversified firms studied have been healthy financial performance.

2.3 REVIEW OF EMPIRICAL STUDIES ON PROFITABILITY, INVESTMENT CAPITAL STRUCTURE ANALYSIS

Rao (1985) in his discussed regarding 'Impact of Debt-Equity Ratio on Profitability-An Exploratory Study of Engineering Industry', in this study he observed that if the earning ability i.e., profitability, has any impact on the debt-equity ratio in engineering companies. This study was based on the impact of profitability on the debt-equity ratio and he has revealed a negative association i.e., high debt-equity ratios meant low profitability due to large 44 interest payments, whereas low debt-equity ratio caused high profitability because of low interest payments. He concluded that the operating efficiency of the firm and reasonable rate of return on owner's capital ultimately depend on the profits earned by it and thus, profits are necessary to run the firm in a healthy atmosphere of present day cut throat competitions and also defend it from business rivalry.

Burthwal (1990) in their research, they discussed about "profitability and structure: A firm level study of Indian Pharmaceutical Industry", intensively examined the relationship between profitability and structure, by using as a sample of thirty-eight pharmaceutical firms in India for the period 1970-1982. They were selected two measures of profitability i.e., ratio of net profit to total sales revenue and the ratio of net profits to total assets have been used to find out the determination of profitability. Their analysis demonstrated that under the condition of price the most controls significant determinant of the profitability of the firms in this industry was vertical integration. While size and advertising intensity

did not appear to be major determinants. This was perhaps due to the inability of firms to translate their market power into prices, because of controls. They concluded that the coefficient of growth rate of sales was positive and significant, and suggested that factors on the demand side of a firm had a greater impact on profitability than on the supply side.

2.4 REVIEW OF ARTICLE & RESEARCH PAPER

In this Part represent the review of article and review research paper related to financial performance, profitability and capital structure based which already published in reputed journals. Ram Mohan (2003) discussed in his paper 'Long run performance of public and private sector bank stocks" as well as to compare the three categories of banks-Public, Private and Foreign-using Physical quantities of inputs and outputs, and comparing the revenue maximization efficiency of banks for the period of 1992-2000. He has found that the PSBs performed significantly better than private sector banks but not differently from foreign banks. He has concluded the various points to a convergence in performance between public and private sector banks in the post-reform era, using financial measures of performance. Singh (2003) discussed in his paper regarding Profitability management in banks under deregulate environment, and in this paper he has analysis profitability management of banks under the deregulated environment with some financial parameters of the major four bank groups i.e. public sector banks, old private sector banks, new private sector banks and foreign banks, profitability has declined in the deregulated environment. He emphasized to make the banking sector competitive in the deregulated environment and also concluded that they should prefer non-interest income sources.

Chapter: 03
An Overview of FCL

3.1 Background and History of Farr:

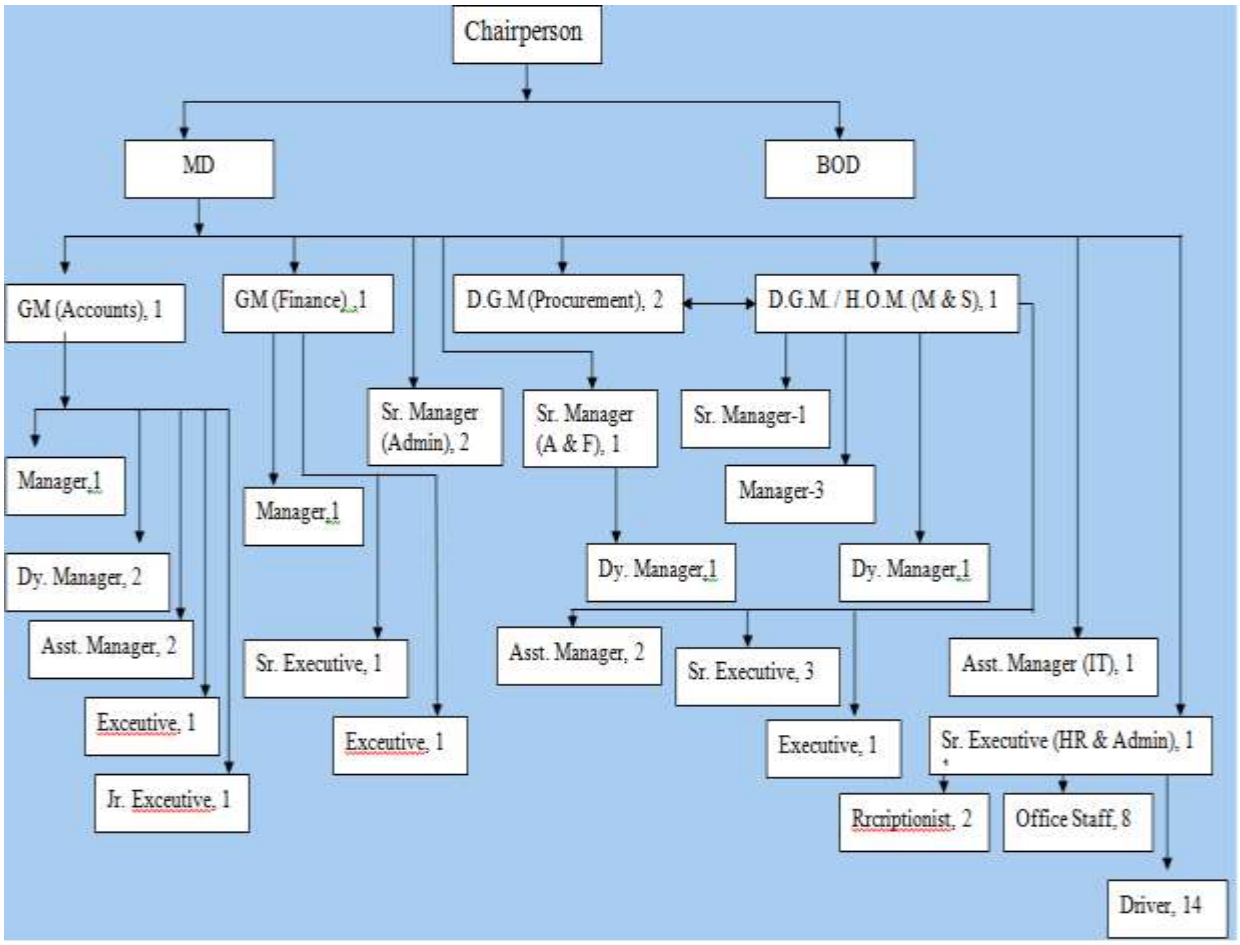
FARR Ceramics Limited (FCL) was established on 4th January 2005 as a private Limited company with a view to producing world class porcelain Tableware. FCL is an Export Oriented Company equipped with state-of-the-art technology. The entire plant was set up with machinery from Germany, Italy and Japan. 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 9001/2008Certified 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, 3rd 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.

3.2 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

3.3 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-

2.1.1 dinner sets

2.1.2 tea sets

2.1.3 coffee sets

2.1.4 dessert sets

2.1.5 cake sets

2.1.6 Sweet sets to open stocks (like plate, oval dish, and bowl, cup with saucer, hollow-ware, mugs, and flower vase and hotel wares).

2.1.7 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.

3.4 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 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 million 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	3rd	2nd
2	Shinepukur Ceramic Limited	2nd	1st
3	Farr Ceramic Limited	1st	3rd
4	Paragon Ceramic Limited	4th	4th

3.5 At a Glance Operating Performance of FCL last 5 years:

Operating Performance	2019	2020	2021	2022	2023
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

3.6 At a Glance Financial Performance of FCL last 5 years:

Financial Position	2019	2020	2021	2022	2023
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**
TotalCurrent 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: 04
Financial Performance (Ratio) Analysis

4.1 Financial Performance Analysis Company:

Financial performance analysis (or Statement 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 sane 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 Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

4.1.2 Working Capital= Current Assets – Current Liabilities

4.1.3 Cash conversion cycle = DSO + DIO − DPO

Days sales outstanding = 365/receivables turnover ratio

Days inventory outstanding = 365/inventory turnover ratio

Days payables outstanding = 365/payables turnover ratio

Cash conversion cycle = DSO + DIO − DPO

4. 2 Asset Management/Efficiency Ratio:

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

Days inventory outstanding = 365/inventory turnover ratio = 365/10 = 36.4 days

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

4.2.3 Days sales outstanding = 365/receivables turnover ratio

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

4.2.4 Average Payment Period= (Accounts Payable × Number of Working Days)/Net Credit Purchase

4. 3 Debt Management period:

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

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

4.4 Profitability Ratio:

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

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

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

4.4.4 ROE = Net income after tax / Average shareholder's equity

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

Liquidity Ratio

4.1.1 Current Ratio:

Year	2019	2020	2021	2022	2023
Current Ratio	1.388	0.840	0.777	0.743	0.655

Table 4.1.1: Current Ratio

Graphical Presentation:

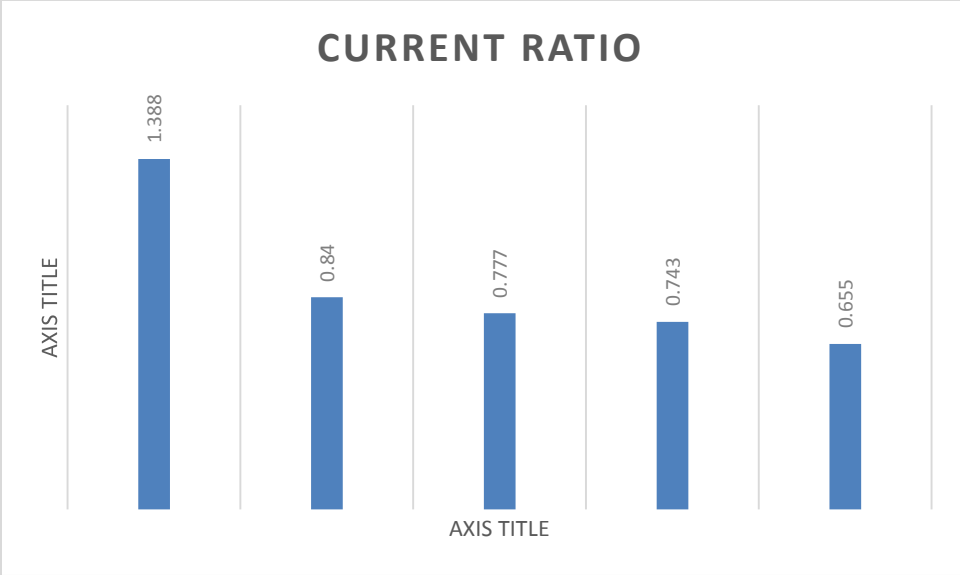


Figure 4.1.1: Current Ratio

Interpretation: There is a downward trend of Current ratio. It sharply declined from 2019 to 2021 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	2019	2020	2021	2022	2023
Working capital	95751007	(62462665)	(14222599)	(176291858)	(317274134)

Table 4.1.2: Working capital

Graphical Presentation:

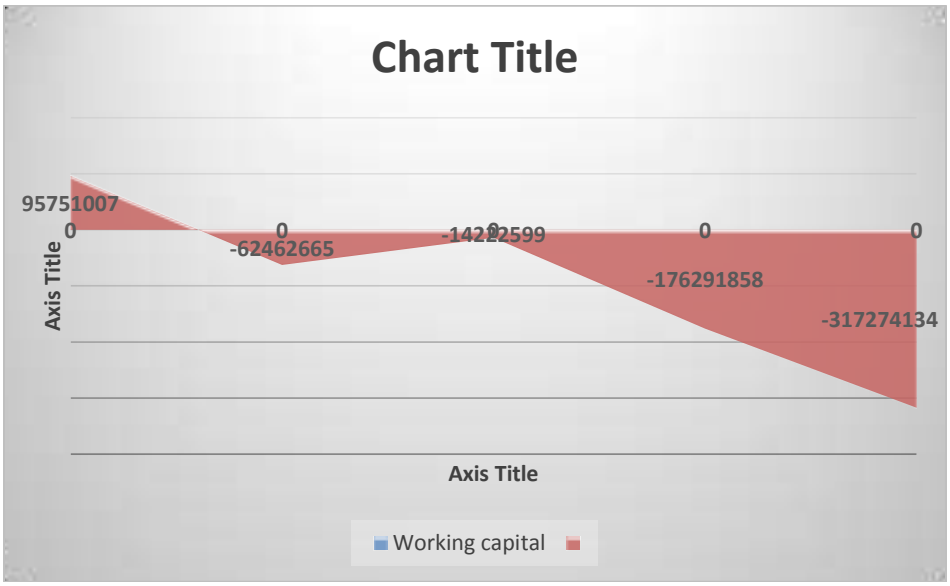


Figure 4.1.2: Working Capital

Interpretation: In 2018, working capital was in worst position. However, Farr Ceramics Limited working capitals from 2019 to2023 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	2019	2020	2021	2022	2023
Cash Conversion Cycle	145	-7	74	72	46

Table 4.1.3: Cash Conversion Cycle

Graphical Presentation:

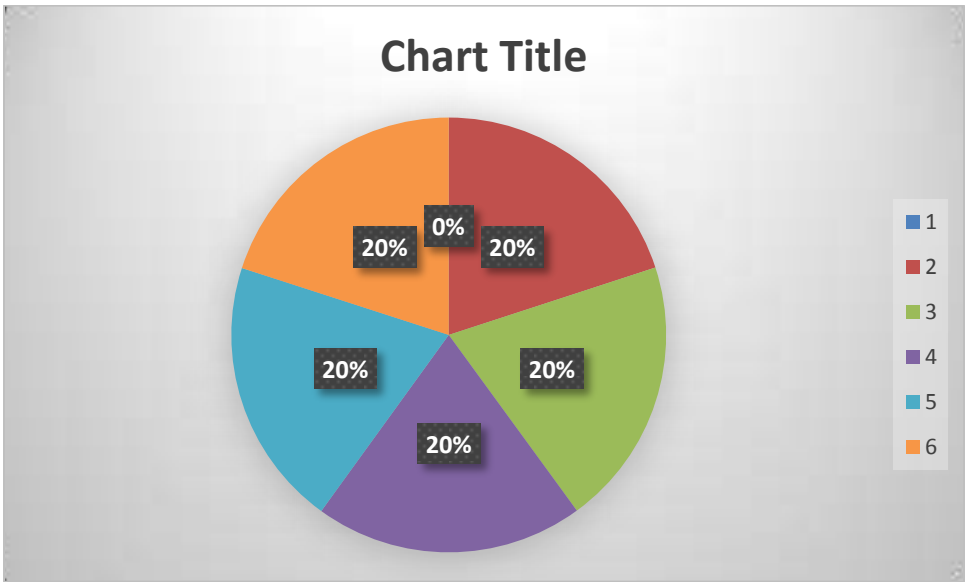


Figure 4.1.3: Cash Conversion Cycle

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 2018 They needed -7 days to convert their assets into cash and worst situation in 2018 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	2019	2020	2021	2022	2023
Inventory Turnover Ratio	3.3	3.9	2.3	2.5	3.4

Table 4.2.1: Inventory Turnover Ratio

Graphical Presentation:

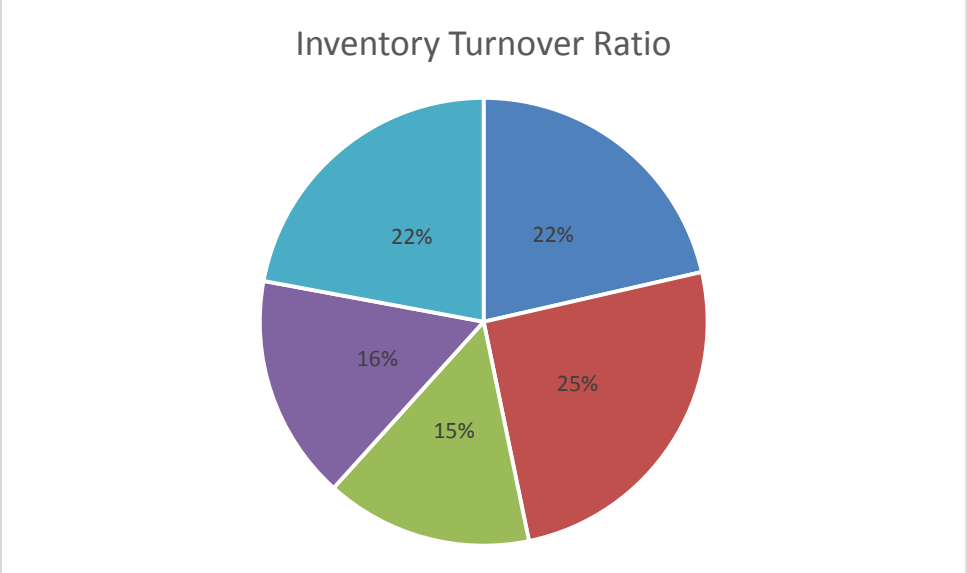


Figure 4.2.1: Inventory Turnover Ratio

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 2019 at 2.3 It implies on that time FCL had poor sales and, therefore, excess inventory. However, in 2023 it was peak and reached 3.9, which indicate strong sales or ineffective buying.

4.2.2 Total Asset Turnover Ratio:

Year	2019	2020	2021	2022	2023
Total Asset Turnover Ratio	57%	31%	24%	22%	35%

Table 4.2.2: Total Asset Turnover Ratio

Graphical Presentation:

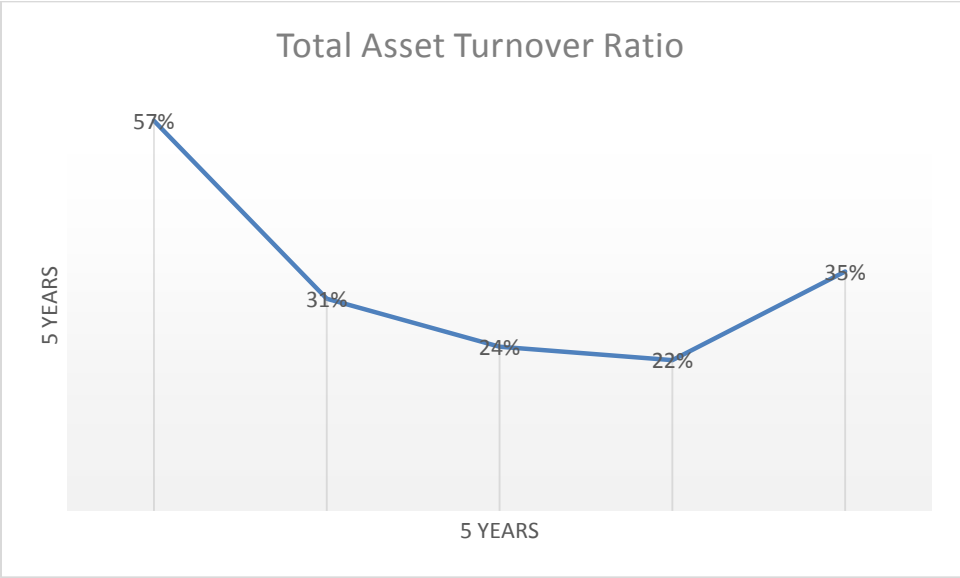


Figure4.2.2: Total Asset turnover Ratio

Interpretation: In 2019, total asset turnover ratio is 57%. After that, it declined and reached only at 22% in 2022 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 2023.

4.2.3 Average Collection Period/Days' Sales Outstanding:

Year	2019	2020	2021	2022	2023
Days' Sales Outstanding	41.8	28.2	26.3	28.5	20.5

Table 4.2.3: Day's Sales Outstanding

Graphical Presentation:

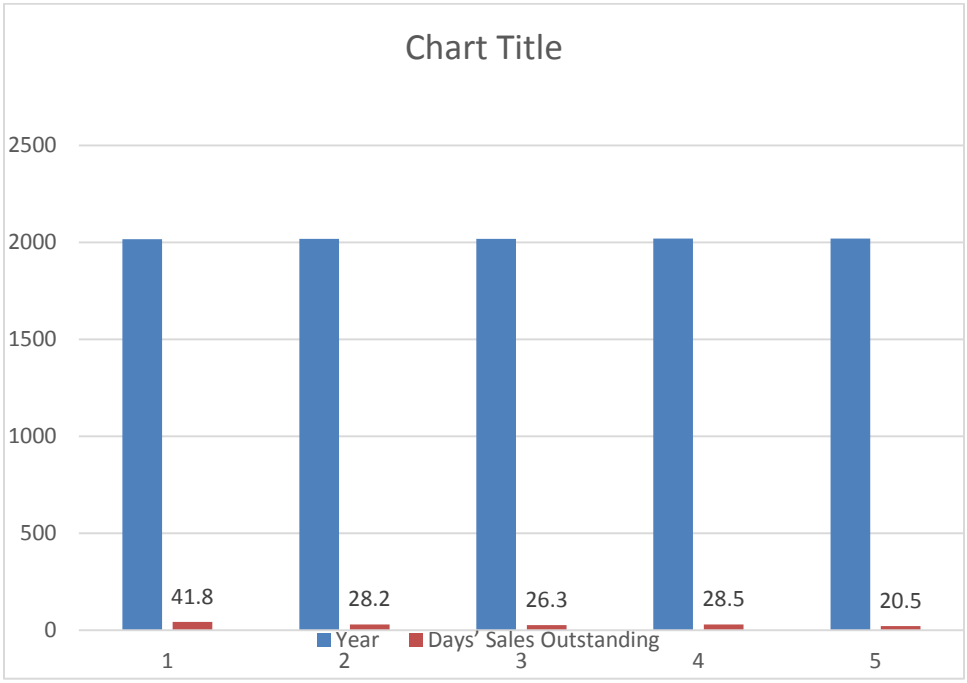


Figure 4.2.3: Day"s Sales Outstanding

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	2019	2020	2021	2022	2023
Average Payment Period	252	255	221	226	160

Table 4.2.4: Average Payment Period

Graphical Presentation:

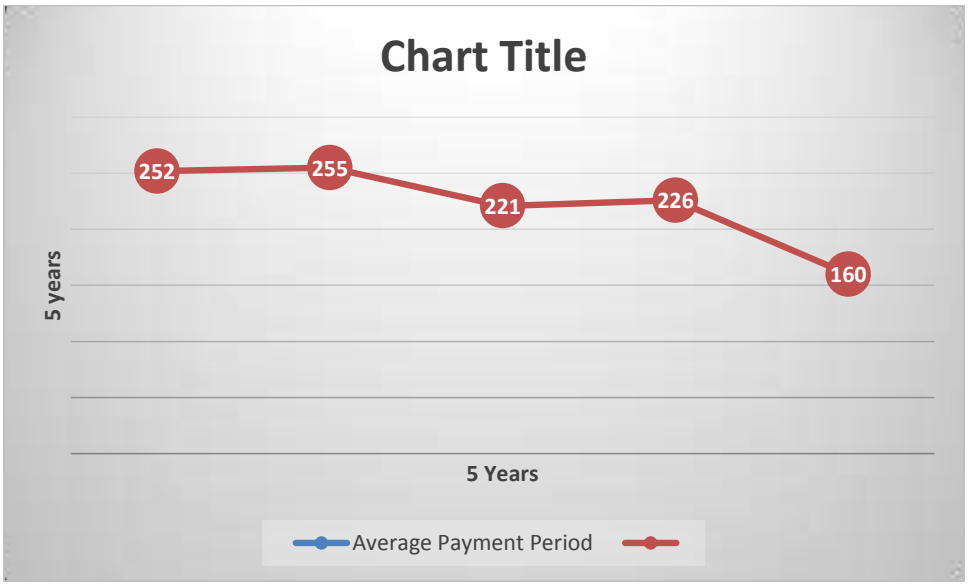


Figure 4.2.4: Average Payment Period

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 2019 to 2021 FCL was smartly maintain their liquidity by taking more days, 252 days and 226 days accordingly. However, in 2022 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 2019; 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 2023. 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	2019	2020	2021	2022	2023
Debt to Asset Ratio	85%	58%	60%	56%	57%

Table 4.3.1: Debt to Asset Ratio

Graphical Presentation:

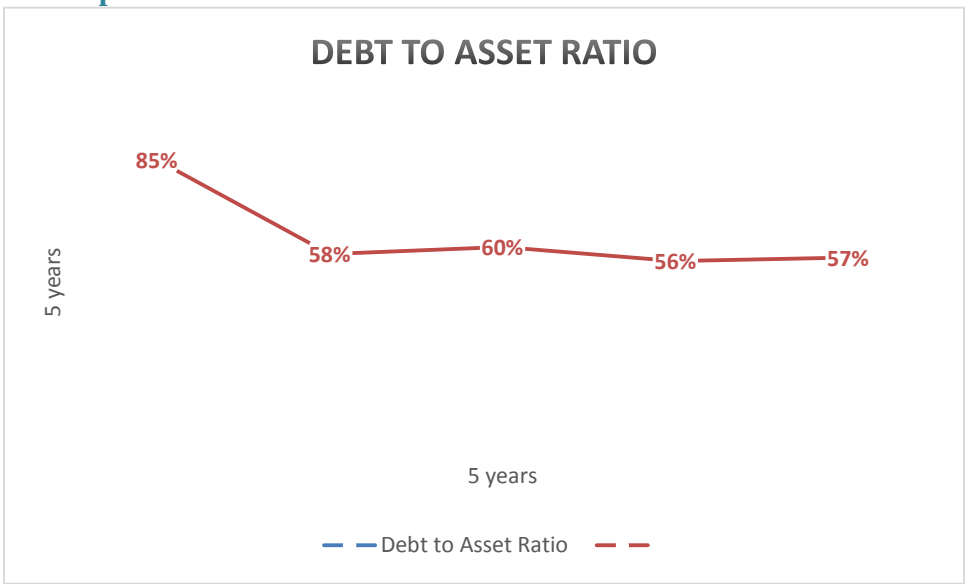


Figure 4.3.1: Debt to Asset Ratio

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 2019 at only 56%. They must lower their debt level.

4.3.1 Times Interest Earned (TIE) Ratio:

Year	2019	2020	2021	2022	2023
TIE	3.55	5.76	1.27	0.29	1.22

Table 4.3.2: Times Interest Earned Ratio

Graphical Presentation:

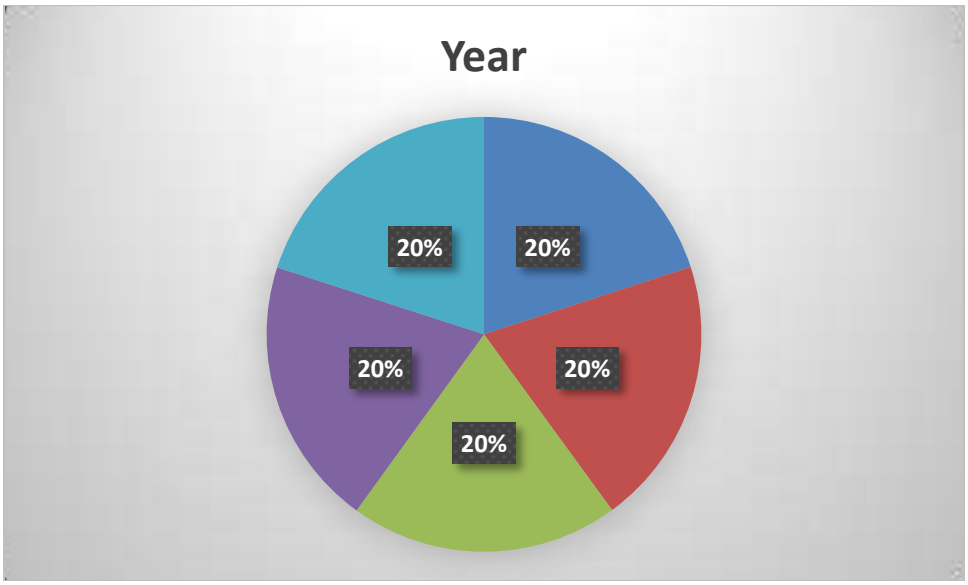


Figure 4.3.2: Times Interest Earned Ratio

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 2019 and 2020 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 2022 and 2023 , means the company is likely to have problems in paying interest on its borrowings.

4.4 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 2020.	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 2022 and 2023, means the company is likely to have problems in paying interest on its borrowings. Hence, overall position of debt management ratio is not good.

4.4.1 Profitability Ratio

4.4.1 Net Profit Margin Ratio:

Year	2019	2020	2021	2022	2023
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 Ration of FCL increased slowly from 2019 to 2020 and reached its peak in 2020 at 19%. After that, it dramatically declined and reached only at 2%. It means, in 2020 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 2020.

4.4.2 Gross Profit Margin Ratio:

Year	2019	2020	2021	2022	2023
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 2019 to 2020 and reached its peak at 34% and it remained constant at 32% from 2021 to 2023. Hence, it is in better position by improvement.

4.4.3 Operating Profit Margin Ratio:

Year	2019	2020	2021	2022	2023
Operating Profit Margin Ratio	22%	26%	24%	2%0	

Table 4.4.3: Operating Profit Margin Ratio

Graphical Presentation:

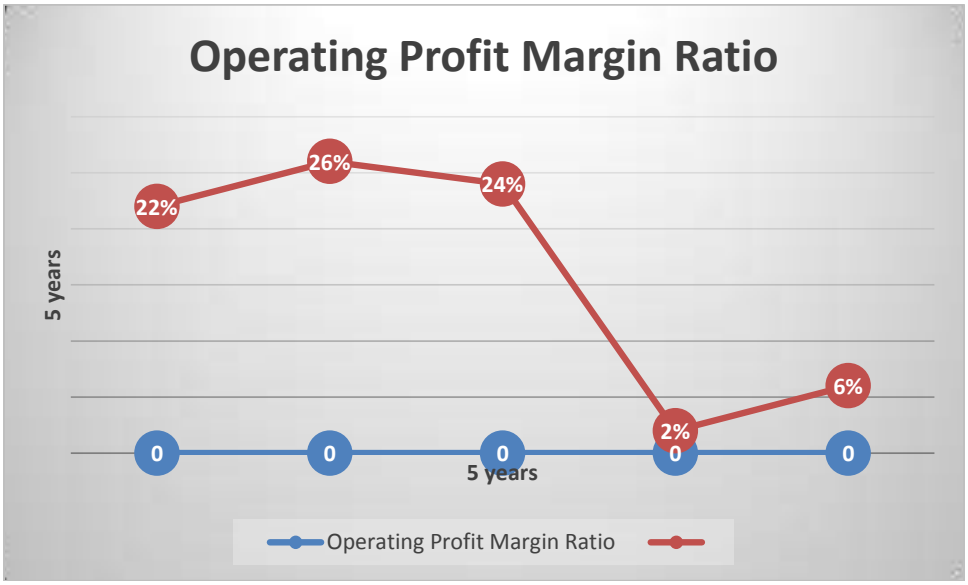


Figure 4.4.3: Operating Profit Margin Ratio

Interpretation: Operating Profit Margin Ratio of FCL fluctuated over the time, it increased 2019 to 2023 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 falls by 2%. It dramatically declined in 2022 and reached only at 2%. It recovers and reached 6% in 2021 that the profitability is improving. Overall operating profit margin ratio is good position except 2022.

4.4.4 Return On Equity (ROE) Ratio:

Year	2019	2020	2021	2022	2023
ROE Ratio	32%	7%	3%	0%	2%

Table 4.4.4: Return on Equity (ROE) Ratio

Graphical Presentation:

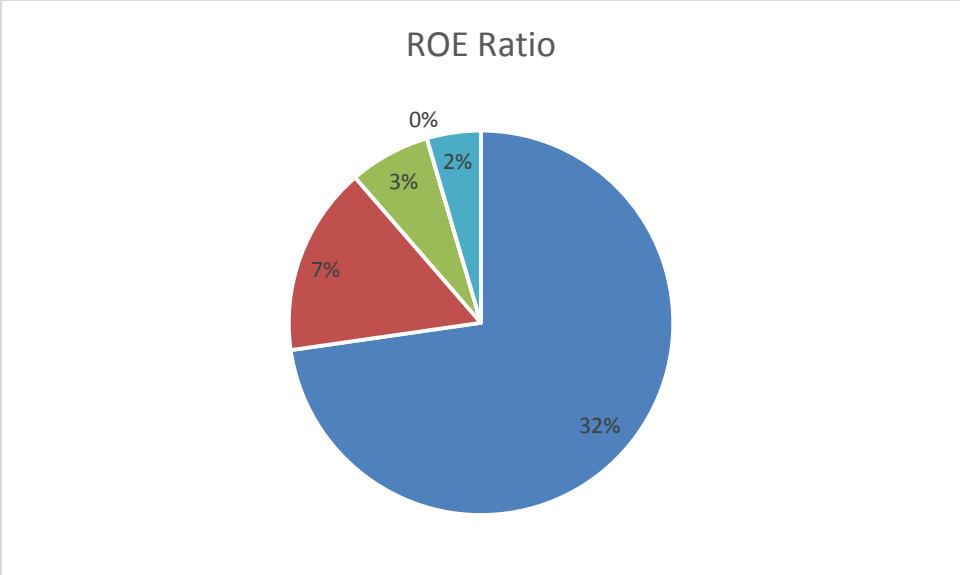


Figure4.4.4: Return on Equity (ROE) Ratio

Interpretation: There is a downward trend of Return on Equity ratio. It dramatically falls from 2019 to 2020 and reached 7% only and then slowly declined till 2022 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	2019	2020	2021	2022	2023
ROA Ratio	10%	6%	3%	0%	2%

Table4.4.5: Return on Asset (ROA) Ratio

Graphical Presentation:

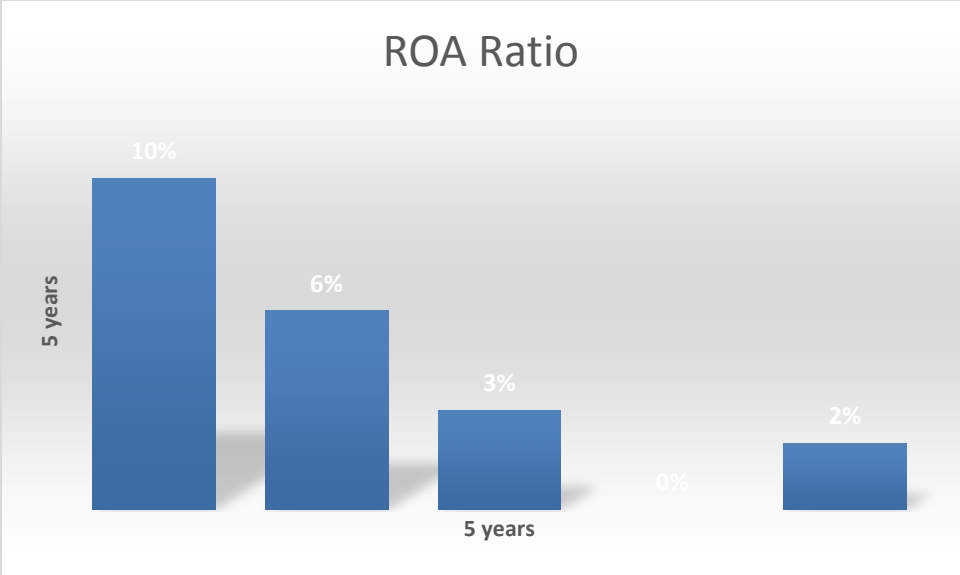


Figure.4.4.5: Return on Asset (ROA) Ratio

Interpretation: It emerge that, over the span of five years, return on asset of FCL dramatically declined and gone to zero in 2022. Furthermore, it increased by only 2% in 2018. It indicates, net income produced by total assets is getting worse year by year. Hence, FCL is not efficient company to manage its assets to generate profits.

4.5. 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 2016	Positive
Gross Profit Margin Ratio	There is a increasing trend in gross profit margin ratio it remain constant from 2016 to 2018	Positive
Operating profit Marin Ratio	Overall operating profit margin ratio is good except 2017.	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 2019 but it is worst in other years position except 2019. 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 2020. 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
Findings, Recommendations and Conclusion

5.1 Findings:

The study, Financial Performance Analysis 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 2016 They needed -7 days to convert their assets into cash and worst situation in 2016 when needed 145days.
- Farr Ceramics has lower ability to generate sales from its assets during 2016 to 2020.
- FCL has lower level of liabilities compared with assets and considered low leveraged and low risk. Moreover, it performed greatly in 2018 at only 56%.
- After 2017 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 2016.
- . Gross Profit of FCL increased from 2016 to 2017 and reached its peak at 34% and it remained constant at 32% from 2017 to 2019
- 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 2019 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

5.2 Recommendation:

The Financial Performance Analysis 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.

5.3 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 Analysis . 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 2019 with Monnu Ceramics, Shine pukur 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.

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