Sonargaon University (SU)

THESIS PAPER

ON

"Financial Analysis of Cement Industry in Bangladesh"

Submitted To

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Letter of Transmittal

18-10-2020

Abul Kalam

Associate Professor

Department of Business Administration

Sonargaon University

Subject: Submission of Thesis Paper on "**Financial analysis of Cement Industry in Bangladesh".**

Dear Sir,

I am highly satisfied to submit my thesis paper on Financial analysis of Cement Industry. I have found the experience to be quite interesting and the guidance of my supervisors. I have tried to make the report vivid and comprehensive within the scheduled time and limited resources. Here, I have gathered data and information through the surveys of annual report, cement industries website. I would request you to kindly accept the thesis report and provide me with feedbacks and hope that this report will meet the standards of your judgments.

Yours Sincerely,

.....

Md. Mahbubur Rahman

ID: EMBA 2003021025

Department of Business Admiistration

Sonargaon University.

Supervisor's certificate

This is to certify **Md. Mahbubur Rahman** is a student of EMBA; having class **ID NO:-2003021025**, Session: **2020-21** Department of Finance Faculty of Business Studies Sonargaon University. Successfully completed his thesis paper under my supervision. He has done his job according to my suggestion and guidance. He has tried his best to do this successfully.

I think this program will help him in the future to build up his career. I wish his success and prosperity.

…….

Abul Kalam

Associate Professor

Department of Business Administration.

Sonargaon University, Dhaka.

Acknowledgement

First of all, I would like to express my deep gratitude to all mighty Allah for his infinite grace that allowed me to complete this thesis paper. A lot of effort and study has been involved in this thesis report. I would like to express my sincere gratitude and cordial thanks to my instructor Abul Kalam Associate Professor, Sonargaon University for his valuable advice and support regarding the writing of this report.

This report really helps me to acquire knowledge about the Cement Industries in Bangladesh. This knowledge will help me in my future career. This paper also helps me to work on a theoretical perspective in the field of this sector. I collect this information in different ways of cement industry. I got the information in their website, annual report

And, finally again I would like to thank my honorable sir who give me his valuable opinion regarding the paper time to time. Without his advice I cannot be able to complete my paper work.

Abstract

The cement industry plays a vital role in the development in Bangladesh. Working capital management is the key to success for the manufacturing firms. As a manufacturing firm the profitability of cement industry mainly depends on the efficient management of working capital e.g. managing the assets, current assets and current liabilities satisfactorily. This study is decorated to outline the profitability analysis and working capital position of selected cement industry, between year to year the profitability is affected by working capital management. Ratio analysis have been used to show Profitability position & Working Capital position of Working Capital management on Profitability respectively. The study based is mainly based on secondary data. The study reveals that Profitability position & Working Capital position over the study period is not satisfactory. From the study it is also found that there is significantly positive relation between profitability and working capital components as well as impact of day sales outstanding on profitability ratios is negatively significant. The study recommended that sample cement industry should reduce their day sales outstanding (DSO) for improving their profitability position.

Executive Summery

Cement is one of the most important elements of concrete and functions as a binding material. Throughout history, such binding properties of cement had played a vital role in the process of civilization. Before invention of this material, crushed masonry aggregate was mixed with calcium oxide as binder. This product was used widely in the ancient world. Then the Egyptians used calcined gypsum as cement. The Greeks and Romans used lime made by heating limestone and then mixed it with sand to make mortar. Basic raw materials of Cement are lime (Calcium Hydroxide), Silicate, Belite, Alite, Celite, Brownmillerite. Hydraulic cement is also known as Portland cement, which is used the most. There are many other types of cement as well. In the civilized world, cement is a necessary product for construction works and to build infrastructures. (Cement, 2016) The Cement industry of Bangladesh is growing rapidly and by far the 40th largest in the world. There are 32th cement industry in Bangladesh. In any organization a financial manager has to take three key decisions such as financing decision, investment decision and dividend decision. Among these the most important decision is financing decision. Here financing and investment decision includes both long-term and short-term decision. Basically, short-term investment and financing is the working capital of an organization. In a raw sense working capital is the difference between current asset and current liabilities of a firm. But in broad sense working capital is the firm's investment in the current assets such as cash, marketable securities, account receivable and inventory. That is working capital indicates the capital required to satisfy the day to day operation of an organization. Working capital is very from firm to firm and industry to industry. For better understanding in this study we conceptually isolate working capital between operational and financial. The operational working includes accounts receivable, inventories and accounts payable that affects the firm's operation. Firm's financial working capital includes cash, marketable securities, prepaid and all other current liabilities. Profitability means generating sufficient amount of cash inflow to satisfy the entire stakeholder of an organization. When revenue of an organization is greater than cost then profit is generated. Profit is the absolute measure of the firm's performance where profitability is the relative measure of the firm's performance. In this study we use profitability for measuring performance of the firms. Gross profit margin, net profit margin, return on assets, return on equity etc are the measure of profitability of an organization. With the

rapid growth of trade, commerce and industries, the number of publicly traded companies is considerably increasing in Bangladesh. For economic development these companies contribute significantly. Cement is the important manufacturing sector in this country. Its growth reflects the financial health of the country. The contribution of cement companies to Bangladesh economy is encouraging. The investment in this sector is increasing which indicates the potentiality of this sector. There are seven cement industries which are enlisted on stock exchange of Bangladesh. Now a day's various evidences show that the performance of this sector is not satisfactory as compared to the performance of other manufacturing sectors. An attempt has been made to examine the reasons behind poor performance of cement sector and to explore whether the poor performance is the result of poor Working Capital Management.

1. Introduction

1.1 Background of the Study

The history of Cement Industry of Bangladesh is not as old as other countries have a deep-rooted legacy of construction materials. The attempt to produce cement in Bangladesh dates back to 1941 when the first Cement Factory called "Chattak Cement Factory Ltd" (formerly known as Assam Bengal Cement Company Limited) was established in Sylhet, north-eastern part of the country, during the regime of British India.

After the emergence of Bangladesh, the second factory called "Chittagong Cement Clinker and Grinding Factory Ltd" (Currently being operated by Heidelberg Cement) took place in 1973 in Chittagong. After that, no such factory came in until early nineties. Although the demand was growing in a quicker manner during the period covering early seventies to early nineties, the requirement had been fulfilled through import mainly from countries like Indonesia, China, Malaysia, and India. It is relevant to add here that Bangladesh lacks limestone, the basic raw material of Cement and resultantly this sector had failed to draw the attention of investors for a long time. However, in the early nineties, some enthusiastic entrepreneurs attempted into setting up cement plants which opened a new era in this sector.

The major Cement grinding are located mainly at 5 zones in the country and they are Mukterpur, Munshiganj on the bank of the river Dhaleshwari; Narayanganj on the bank of the river Shitalakkhya; Meghnaghat on the bank of the river Meghna, Chittagong, and Mongla. It may also be noted that except two clinkerization plants located at Chattak, Sunamganj; all are grinding plants.

Meantime, in the early twenties, a new opportunity opened up with the entry of the export market, especially to northeast India. Although volume-wise this segment is not that significant, it has brought an extra surge to the industry.

Within a short span of time, the Cement Industry of Bangladesh has made various strides in respect of innovation of product, modernization of production method and distribution & marketing process. Till 2001, only one type of cement was available in Bangladesh which is called "Ordinary Portland Cement (OPC)". From mid-2001, various types of cement became available in Bangladesh which helped the cement industry provide differentiated and improved products to customers. The cement which has widely been used from 2001 is known as "Portland Composite Cement (PCC)". At present, the ratio of production of PCC and OPC is around 95:5.

In the production method, traditionally the use of ball mill/ tube mill has been in existence in producing cement at grinding stations since the beginning. Subsequently, in early 2000 few big players begun to use Polycom technology in Cement grinding line. The technology is a high-pressure grinding mill to produce cement. Shortly after the introduction of the Polycom system, another system called VRM (Vertical Roller Mill) technology had grabbed the attention of big giants in the field. The VRM is a vertically placed large sized machine which is equipped with

some rollers used for grinding raw material. It also consists of one table which is rotated by an electrical motor and raw materials are fed on the table. It may be mentioned that Bangladesh's Shah Cement Industries Ltd has set a Guinness World Record for commissioning the world's largest Vertical Roller Cement Mill.

It is hoped that the construction sector in general and Cement sector in particular will grow further riding on Bangladesh's dense population, enhancing life expectancy rate, rapid construction of economic zones, sizeable investments in the socio-economic development of mainly common people, booming agriculture, and the thriving garment sector. Bangladesh is investing heavily in infrastructure development, especially in power generation, highways, bridges, buildings, and telecom. So, cement, steel, and power will certainly play a crucial role in achieving the government's vision to become a middle-income country by 2021 and the developed country by 2041.

Despite all the above inspiring indicators, some challenges are ahead of the Cement Industry of Bangladesh. The market has already been oversaturated and yet the big players are on an expansion spree. We predict existing overcapacity will get further deteriorated with the implementation of expansion projects by large players in the next 2/3 years. However, in order to be able to utilize this surplus capacity, the industry may require 5 to 7 years from now.

1.2 Objectives of the study

The main objective of the present study is to examine and evaluate the financial analysis of cement industry well as to determine the impact of working

capital components of profitability in selected cement industry over a period of eight years from 2013 to 20120. In order to obtain main objective following are the specific objectives of the study:

1. To examine the profitability position of the selected cements industries.
2. To give an overview of the cement industry
3. To identify the cement industries on profitability.

1.3 Origin of the Report

The main objective of the internship is to ensure that the student is exposed to the world of work. And have many purpose of the internship program like

- ✓ To identify the job responsibility of the organization
- ✓ To achieve knowledge the real world
- ✓ To meet of the EMBA program

1.4 Methodology of the study

The population of study compromised all the cement industry in Bangladesh. The researchers select only listed cement industries as a sample for present study. There are seven listed cement industries in Bangladesh, due to the availability of information researchers only considered six listed cement industries as sample of the study. The study covered a period of three years from 2018-2020. The main objective of the study is to examine and evaluate the correlation between working capital management on profitability of selected cement industry in Bangladesh. So, researchers use return on assert (ROA), net profit margin (NPM) as dependent variables and inventory conversion period, receivable collection period, payable deferred period, cash conversion cycle etc as independent variables. For this purpose secondary data is used.

Secondary data has collected from periodical reports and other published documents of the sample cement industries. The researchers consult published articles, journals, books, research works etc. for the theoretical development of the study. The collected data were analyzed and interpreted with the help of different financial ratios, statistical tools like Mean, Standard Deviation (S.D.), Correlation Coefficient and Regression analysis.

1.5 Limitation if the study

This report face from several limitations:

- The most important of these was the "time limit". Time was not adequate to complete the study more perfectly
- Another important limitation was "the inaccessibility in many sections of the organization". I encountered difficulties in getting an appointment from the desired respondents, as well as the appropriate response from the respondents selected because it was reserved for the company.

2 Industry Outlook

2.1 Specification to the industry

Despite getting battered by skyrocketing raw materials price, escalating interest rate, price hike of complementary goods, overcapacity and weakening domestic currency, Bangladesh cement industry posted 15.49% growth in 2020. Annual cement consumption stood at about 31.3 million MT in 2020. Bangladesh exported cement worth US$12.59 million during FY19-20, compared to US$10.79 million earned in the year before according to Export Promotion Bureau. This represent a growth of 16.68% in export earnings YoY with India being the main destination for cement exports.

Bangladesh is one of the fastest growing cement markets in the world and the industry grew at approximately 11.5% CAGR over the last seven years as demand doubled from 14.6 million MT per year to around 31.3 million MT per year.

2.1 Graph: Annual Demand Cement industry



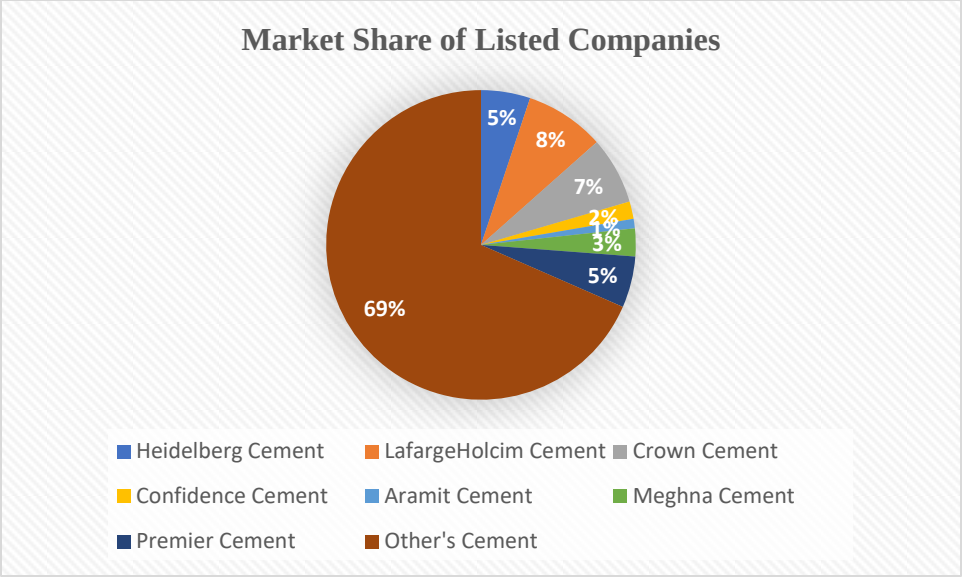
But until the first half of 1990s, approximately 95% of the country's cement demand were met through import. After getting positive nod from the Government, several multinational manufacturers and local entrepreneurs rushed into the industry in late 90's. Since 1994, more than 120 companies registered as cement manufacturer, out of which 75 came into operation. In the following years, dependency on import diminished significantly and local companies started flourishing. Later in 2003, Bangladesh started exporting cement for the very first time. Presently, cement is reportedly being exported to India, Myanmar, Nepal, Maldives and Sri Lanka. At present, largest global players like Lafarge Holcim Ltd. and Heidelberg Cement Ltd. along with 30 other local and Multinational manufacturers are operating in Bangladesh cement industry. Seven cement manufacturing companies are currently listed on stock exchanges.

2.2 Size and Market Share

Approximately 81% of the total market share is held by top ten manufacturers. Among the top 10 cement market players in Bangladesh, 8 are local and 2 are multinational.3 Multinational cement companies are facing intense competition from local companies which are gaining more business through lower pricing, superior products offerings, extensive branding and better relationship marketing.

By the end of 2020, local manufacturers had grabbed 86% of the market, a reversal in scenario from 15 years earlier, when the multinational companies ruled the industry, according to data from the Bangladesh Cement Manufacturers Association4. After failing to penetrate the market, two of the global cement group, UAE based Emirates Cement and Mexico-based cement manufacturer Cemex divested their Bangladesh operations by 2016.

Per capita cement consumption in Bangladesh almost doubled from 95 KG in 2013 to 187 KG in 2020. Despite huge growth of the industry in last two decades, Bangladesh is still one of the lowest consumers of cement in the world.2 Ongoing construction projects are contributing towards the growing demand of cement but delayed implementation of projects are curtailing the full potential and speed of the consumption growth of cement.

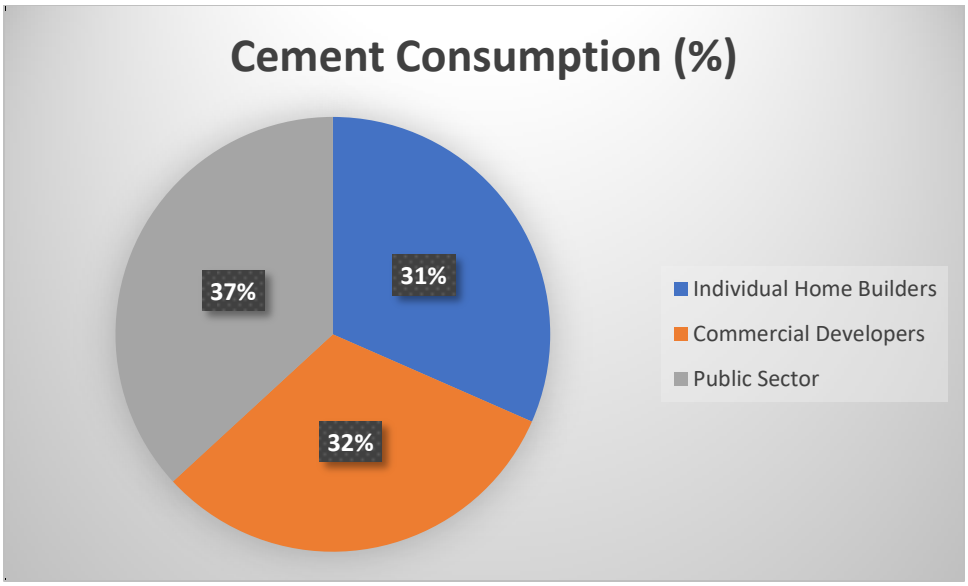


2.2 Graph: market share of Listed Cement industry

2.3 Mega projects consume the biggest portion of cement produced; Demand is still concentrated in Dhaka and Chittagong

In broader aspect cement consumers in Bangladesh can be grouped into two large segments- private and public. Previously individual homebuilders made highest contribution towards demand for cement but recent mega projects undertaken by the government have helped public sector to be the biggest consumer of cement. According to industry insiders, individual home builders (IHB) and commercial real estate developers consume nearly 30% and 35% of the total cement produced while the public sector consumes almost 35% of cement manufactured.

In Bangladesh, business operation of most cement manufacturers is geographically concentrated. Cement consumption also varies regionally. Approximately, three-fourth of the cement produced is consumed in Dhaka and Chittagong division alone. However, with growing income level a major change is now apparent in the rural economy of Bangladesh that resulted into increased consumption of cement in remote areas as well.



2.3 Graph: Cement Consumption

Especially, cement demand is growing fast in the northern, western and southern parts of Bangladesh. Diminishing quality of cement with time and high transportation cost make it harder for the manufacturers to supply cement to distant areas from the plant location.

2.4 External Economic factor of Cement industry

In Cement industry some economic factor will be impact, which are effects on development Cement industry of a like;

- Interest rate
- Inflation
- Taxation changes
- Exchange rate,
- Economic growth.

2.4.1 Interest rate: In last two-decade Bangladesh Cement industry growing up but if increasing interest rate this industry will be affected. Interest rate currently is 7.13 % (Bangladesh Bank) if it increasing the firm will be unable to take loan because higher interest, it will increasing cost.

2.4.2 Inflation: as a country higher inflation is not god. In Bangladesh inflation rate is 5.96 % (Bangladesh Bank). If increasing inflation rate which are less value of money. It means value of money is decreasing and consumer will have to more pay for medicine which is difficult for them.

2.4.3 Taxation change: if impose higher tax on Cement industry they can't able growing. In Bangladesh Cement industry dramatically growing up but it will be hamper if impose the higher tax.

2.4.5 Exchange rate: in our country Exchange rate converted by dollar price. Higher the dollar value that means local currency value lower. Nowadays Bangladesh Cement industry.

2.5 Mega projects are expected to be the major driver of cement industry

To support its huge economic growth, Bangladesh has undertaken some large infrastructure projects. In the recent budget (2019-20) government has allocated BDT 2,027 billion for annual development project (ADP) which is 17.18% higher than the original ADP of last fiscal year. Budget allocation to transportation and communication has undergone a massive growth over the years and hence, government development projects' contribution towards demand for cement has turned out to be the highest in the recent year overtaking individual homebuilders' contribution. Government allocation for infrastructure development is set to grow even more in coming years as Bangladesh aims to attain developed country status by 2041'

Projects	Project Cost (BDT Crore)	Tentative Completion
Padma Multipurpose Bridge	30,193	December, 2019
Payra Deep Sea Port	3,350	June, 2020
Rampal Power Plant	16,000	June, 2020
Metro Rail	21,985	December, 2021
Padma Rail Link Project	34,988	June, 2024
Matarbari Coal Power Plant	35,984	June, 2023
Rooppur Nuclear Plant	113,092	December, 2025

Government has also undertaken Delta Plan 2100, a long-term strategy to prevent flood, soil erosion and water supply. Nearly 80% of the plan will be implemented within 2030 at cost of US$ 37.5 Billion. The government is now implementing an ambitious scheme to build a network of 100 special economic zones around the country; 11 of them have been completed while 79 are under construction.

Government approved some 79 economic zones including 56 public and 23 private economic zones till June 2020 and aims to establish 100 economic zones on 30,000 hectares of land by 2030. The incentive package, which includes tax and duty benefits, is the main reason behind the growing interest of entrepreneurs to set up private economic zones according to BEZA.

2.6 Export Scenario

Bangladesh started exporting cement in 2003. Presently, cement is reportedly being exported to India, Myanmar, Nepal, Maldives and Sri Lanka. Bangladesh exported cement worth US$ 12.59 million during FY17-18, compared to US$ 10.79 million earned in the year before. This represent a growth of over 16.68% in export earning YoY with India being the main destination for cement exports. Government has set export target of US$ 14.00 million for FY 2020-21 based on expected growth rate of 11.2%. With transit facility, India is now being able to shift cement at lower costs to the “Seven Sister States” of north-eastern India through Bangladesh. Hence, cement export to India might decline in coming days. Myanmar has appeared to be a good prospect for cement export from Bangladesh. Annual report of Crown Cement (a brand of M.I. Cement) claims that the company accounts for nearly 50% of the total export volume of cement.17 Other major cement exporters are Shah Cement, Bashundhara cement and Fresh cement.

2.7 Technological shift is taking place

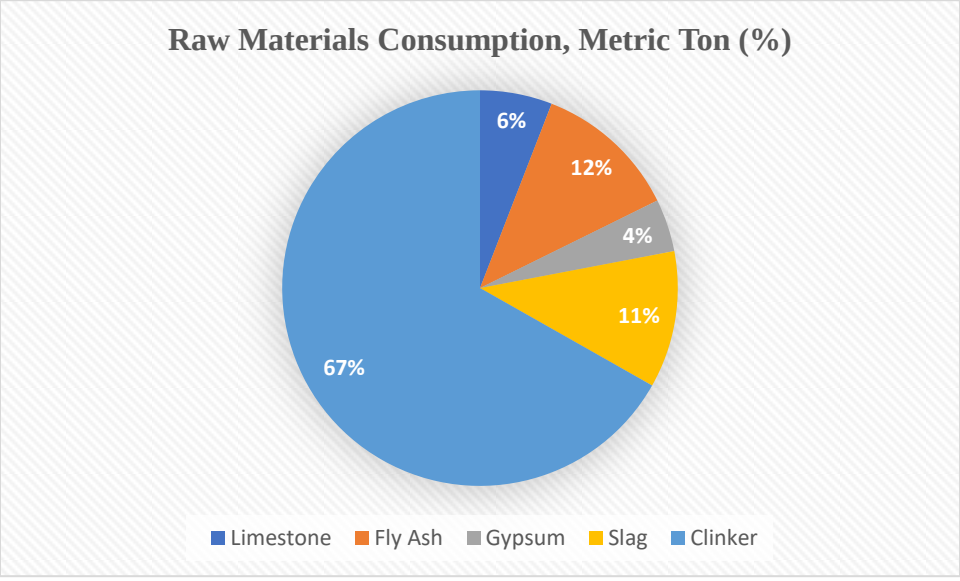
Larger cement manufacturers including Shah Cement, Bashundhara Cement and MI Cement have started implementing Vertical Roller Mill (VRM), one of the most advanced technology in cement production. VRM technology ensures high fineness, better Particle Size Distribution (PSD), faster setting time, and less energy consumption.8 This technology also enables cement manufacturers to produce Slag cement as well as use higher amount of slag in PCC (Portland composite cement). Hence, VRM technology is expected to lower production cost for cement manufacturers.

2.8 Cost Structure

The industry is largely dependent on import to meet raw materials requirement; hence, highly susceptible to raw materials price hike and foreign exchange movement.

Although self-sufficient in cement production, Bangladesh needs to import almost all of the raw materials used in cement manufacturing. Bangladesh has scarcity of mineral resources, such as limestone, and hence, is not capable of meeting demand for clinker, the prime material of cement. Only two companies have clinker production facilities at their plants: Chhatak Cement Factory Ltd, a government owned company, and Lafarge Surma Cement Ltd. Lafarge Surma Bangladesh produces 1.3 million tons to 1.4 million tons of clinker a year, accounting for 7-8 percent of the yearly market demand.

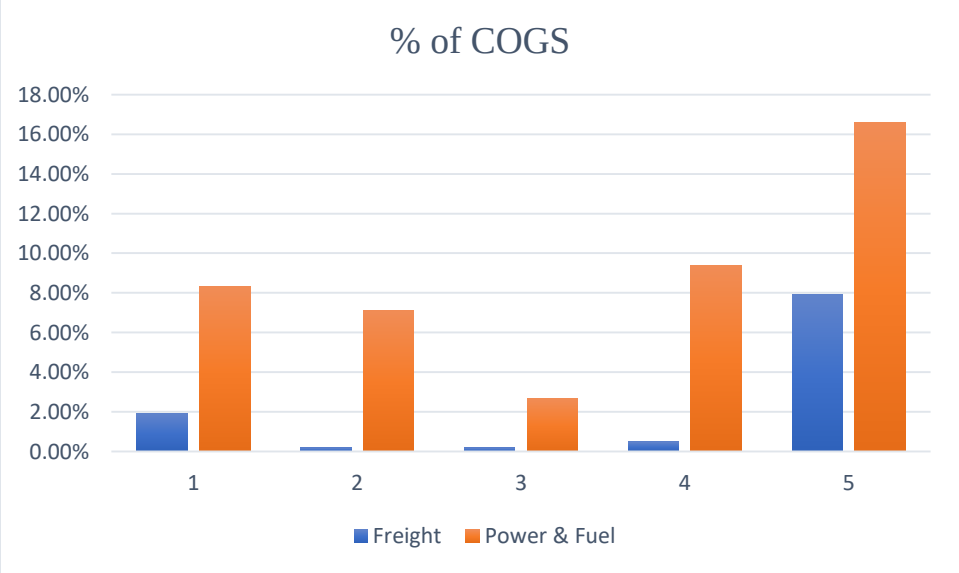
As a result, major cement manufacturers are importing required raw materials including clinker, gypsum, fly ash and iron slag from abroad and using grinding technology to produce cement. Most of the manufacturers import clinker from Vietnam, China, Hong Kong, India, and Indonesia. Few manufacturers use local limestone collected from Sylhet. Majority portion of imported fly ash is sourced from India; slag is imported from China, India, Japan and Singapore while Gypsum is sourced from China, India, Indonesia and Japan.



2.4 Raw Materials Consumption, Metric Ton (%)

As cement is a low margin product, any increase in raw materials cost seriously affects the profitability of cement manufacturers. Price of all major cement ingredients - Clinker, slag and gypsum – went up in the international market in 2020. Moreover, from the end of 2019 China started importing clinker from Vietnam, the main source of clinker for Bangladesh. To add to the woes, BDT/USD exchange rate skyrocketed and crude oil price reached two-year high in 2020 forcing production and transportation cost to increase significantly. Although, Crude oil price showed a huge decline during the last quarter of 2020, the situation started to reverse from the beginning of 2019. As crude oil price and Clinker price showed a correlation coefficient of 0.66 (based on data from Dec 2013 to Sept 2020), clinker price may rise following the slight correction observed recently.

Transportation cost and Fuel & Power price movement also has significant impact on cement manufacturers. Higher oil price might also result in increased Transportation and Fuel & Power cost for the industry. Transportation and Fuel & Power costs as % of COGS are highest for Lafarge Holcim Bangladesh Limited (LHBL) and lowest for Confidence Cement.



2.5 Power, Fuel and Freight cost as % of COGS

3. Industry Analysis

According to industry specialists, outlook of cement industry for next five years remains promising with an expected double-digit growth in demand mainly driven by mega projects and residential sector. Industrial construction and increased activity in economic zones are also accelerating the growth. At the same time, major infrastructural projects are also in the pipeline to support economic growth of Bangladesh. Thanks to rapid urbanization, industrialization, large-scale infrastructural and Governmental development projects as well as construction of various commercial and residential buildings, demand for cement has markedly increased over the years and such potential growth is expected to continue in future.

Although of the country's cement industry is very strong, concern remains as profit margin of cement manufacturers have shrunk due to increased raw materials & fuel price and greater competition among industry players.

3.1Financial analysis

Financial analysis offers a system of appraisal and evaluation of a firm's performance and operations; it is the analysis of the financial statement of an enterprise. The analysis of financial statement can be best done by various yardsticks of which, the important is known as ratio or percentage analysis.

3.1.1 Liquidity Ratio:

The liquidity ratios measure the ability of an enterprise to meet its short-term obligations and reflect the short-term financial strength of an enterprise. Liquidity is a pre-requisite for the very survival of an enterprise.

3.1.2 Current Ratio:

This ratio is a measure of the firm's short-term solvency of the firm's liquidity. It indicates the ability of the company to meet its current obligations. If the current ratio is too low, the firm may have difficulty in meeting short run commitment as they measure.

3.1.3 Liquid (Quick or Acid Test) Ratio:

It measures the firm's ability to meet short term obligations from its most liquid assets. Table-05 shows that the industry liquid ratio is shows that there are overall company quick ratio is less than 1 which is very lower than the standard (1:1) ratio.

3.1.4 Debt-Equity Ratio:

Equity represents a "cushion" for share-holders. This is a ratio calculated to measure the relative proportions of outsiders' funds and shareholder' funds invested in the company.

3.1.5 Debt to Total Assets Ratio:

The objective of this ratio is to assign what portion of total assets (debt + equity) is collected from debt.

3.1.6 Current Assets to Fixed Assets:

Another criterion for liquidity assessment is the ratio between current assets to fixed assets. This ratio will differ from industry to industry and, therefore, no standard can be laid down.

3.1.7 Net Working Capital to Total Assets:

Table-05 shows net working capital to total assets ratios for the selected Cement Industry for the study period. It is seen from the table that the industry average of net working capital to total assets ratios.

3.1.8 Inventory Turnover Ratio:

This ratio is also known as stock turnover ratio, establishes relationship between sales (or cost of goods sold) and the total inventory (or average inventory). A low inventory turnover may indicate an excessive investment in inventories a high ratio often means that the firm is running out of stock, resulting in poor service to customers.

3.1.9 Fixed Assets Turnover:

The ratio indicates the extent of generating sales volume in terms of net fixed assets. Some authors consider that an ideal fixed assets turnover for an enterprise should be 5 times of net fixed assets and hence this may also be considered so far over selected case.

3.1.10 Total Assets Turnover:

Another activity ratio is total assets turnover. This is a measure of the extent of generating sales in terms of the total assets Solvency Ratios.

Table-01. Capital Market Performance

Capital Market Performance

As on 19 August, 2019

Particulars	LHBL	MI Cement	Confidence Cement	Premier Cement	Meghna Cement	HBL	Aramit Cement
Current Price (BDT)	40.4	62.1	150.2	65.2	92	230	18
52 Week Price Range (BDT)	36-56	52-87	128-243	52-87	77-129	192-385	16-28
Number of Shares Outstanding (Million)	1148.1	148.8	64.5	105.5	24.6	56.9	33.8
Market Cap (Million)	46,916.5	9221.9	9731.6	6,864.8	2274.5	12990.3	596.3
Market Weight	1.2%	0.2%	0.3%	0.2%	0.1%	0.3%	0%
Authorized	14000.00	5000.00	1000.00	5000.00	5000.00	1000.00	500.00

Capital (Million)							
Paid up Capital (Million)	11,613.0	1485.0	647.5	1054.9	247.6	564.9	338.5
EPS (BDT)	0.96	2.1	5.8	4.2	3.6	14.3	(4.6)
P/E	42.0	29.5	26.5	15.5	25.5	16.0	0
NAV Per Share (BDT)	13.4	48.0	63.3	40.6	38.3	82.7	6.0
Last Dividend	10% C	15% C	15% C, 20% B	10% C	10% B	75% C	N/A
Dividend Yield	2.3%	1.9%	1.0%	1.3%	N/A	3.1%	N/A
Payout Ratio	104.2%	70.5%	21.7%	23.9%	0.0%	52.3%	0.0%
Category	A	A	A	A	A	A	Z

Table-02: Shareholders Pattern

Shareholding pattern (%)

	March 2021						June 2020				
	Sponsors	Govt.	Institute	Foreign	Public		Sponsors	Govt.	Institute	Foreign	Public
Heidelberg Cement Bangladesh Ltd	60.67	0.00	26.03	1.31	11.99		60.67	0.00	26.66	1.49	11.18
Lafarge Holcim Bangladesh Limited	64.68	0.00	25.38	0.96	18.98		64.68	0.00	15.73	1.14	18.45
MI Cement Ltd.	60.08	0.00	17.39	0.30	15.23		60.08	0.00	17.16	0.31	15.45
Confidence Cement Ltd	29.88	0.00	27.28	0.00	42.84		25.5	0.00	23.54	0.00	50.96
Aramit Cement Ltd.	47.14	0.00	17.13	0.00	35.73		47.14	0.00	15.55	0.00	37.31
Meghna Cement Ltd.	49.77	0.00	32.69	0.00	17.54		49.81	0.00	11.37	0.00	38.82
Premier Cement Ltd.	55.13	0.00	17.20	0.01	27.66		55.13	0.00	17.07	0.01	27.79

Table-03: Dividend History

Dividend History

Year	LHBL	MI Cement	Confidence Cement	Meghna Cement	Premier Cement	HBL Cement	Aramit Cement
2013	N/A	15% C, 35% B	20% C, 20% C	25% C	N/A	45% C	10% B
2014	N/A	35% C,10% B	20% C	25% C	N/A	50% C	10% C
2015	N/A	40% C	27.5% C	15% C	40% C	380% C	10% C
2016	10% C	30% C	25% C	15% C	30% C	380% C	10% C
2017	10% C	25% C	N/A	N/A	20% C	300% C	N/A
2018	10% C	20% C	37.5% C	15% C	15% C	300% C	12% C
2019	10% C	20% C	15% C, 20% B	20% C	20% C	150% C	N/A
2020	10% C	15% C	15% C, 20% B	10% B	10% C	75% C	N/A

Table-04: Financial Highlights of Listed Companies

Financial Highlights of Listed Companies

Based on Annual Reports (2019-20, Consolidated)

Particulars (BDT Million)	LHBL	MI Cement	Confidence Cement	Premier Cement	Meghna Cement	HBL	Aramit Cement
Revenue	16631.53	12559.31	3916.78	10049.87	5533.35	11151.29	1723.28
Gross Profit	4099.95	1643.42	328.64	1516.88	568.93	1931.51	272.60
Operating Income	4276.59	1790.82	336.83	1529.372	701.90	1949.68	276.92
Profit Before Tax	1882.74	410.23	410.61	578.46	108.60	1177.34	(132.28)
Net Income	1114.65	315.61	374.24	442.18	81.45	809.76	(154.61)
Total Assets	26888.23	19713.91	8200.82	13468.00	6881.42	8641.42	4100.33
Current Assets	7149.19	11304.32	3183.25	6658.34	5148.85	4654.11	3024.62
Fixed Assets	19739.04	8409.59	5017.57	6809.65	1732.57	3987.31	1075.72
Total Liability	11309.91	12589.56	4097.48	9190.75	6018.99	3969.55	3897.12
Current Liability	6977.70	9829.55	3733.96	8557.80	4566.49	3250.49	3144.66
Long-term Liability	4332.21	2760.00	363.51	632.95	1452.50	719.06	752.46
Equity	15578.32	7124.36	4103.34	4277.24	862.43	4671.87	203.22
Total Debt	2977.00	10718.00	3070.00	7052.00	4388.00	135.00	2986.00
Retained Earnings	3666.29	2047.15	1995.83	2282.94	439.83	3477.57	(246.29)

Table-05: Comparative Financial Ratios

Comparative Financial Ratios

Based on Annual Reports (2019-20, Consolidated)

Financial Ratios & Other Data (000)	LHBL	MI Cement	Confidence Cement	Premier Cement	Meghna Cement	HBL	Aramit Cement
Current Ratio	1.02	1.15	0.85	0.78	1.13	1.43	0.96
Quick Ratio	0.42	0.76	0.38	0.40	0.49	0.79	0.71
Cash Ratio	0.06	0.44	0.01	0.01	0.19	0.54	0.02
Operating Efficiency Ratios							
Inventory Turnover Ratio	5.27	10.37	4.74	17.23	6.69	5.03	7.38
Inventory Conversion Period (Days)	69.26	35.20	76.93	21.18	54.52	72.63	49.48
Receivable Turnover Ratio	8.81	5.24	3.83	4.18	4.02	13.65	1.00
Average Collection Period (Days)	41.43	69.61	95.24	87.33	90.86	26.74	365.74
Operating Cycle (Days)	110.70	104.81	172.17	108.51	145.38	99.37	415.22
A/C Payable Turnover Ratio	2.90	25.25	7.51	12.91	6.69	3.17	1.82
Payables Payment Period (Days)	125.72	14.46	48.63	28.28	54.56	115.30	200.26
Cash Conversion Cycle (Days)	(15.03)	90.35	123.54	80.23	90.82	(15.92)	214.96
Total Asset Turnover	0.62	0.64	0.48	0.75	0.80	1.29	0.42
Fixed Asset	0.84	1.49	0.78	1.48	3.19	2.80	1.60

Turnover							
Operating Profitability Ratios							
Gross Profit Margin	24.65%	13.09%	8.39%	15.09%	10.28%	17.32%	15.82%
Operating Profit Margin	13.89%	7.97%	0.95%	9.99%	6.35%	9.33%	9.01%
Pre-tax Profit Margin	11.32%	3.27%	10.48%	5.76%	1.96%	10.56%	-7.68%
Net Profit Margin	6.70%	2.51%	9.55%	4.40%	1.47%	7.26%	-8.97%
Leverage Ratios							
Total Debt to Equity	19.11%	150.44%	85.18%	164.87%	508.78%	2.95%	1469.38%
Debt to Total Assets	11.07%	54.37%	46.62%	52.36%	63.76%	1.60%	72.82%
Valuations Ratios							
EPS (Diluted)	0.96	2.13	5.78	4.19	3.62	14.33	(4.56)
Dividend Per Share	1.00	1.50	1.50	1.00	0	7.50	0

Table-06: Common Size Income Statement

Common Size Income Statement
Based on Annual Reports (2019-20, Consolidated)

Particulars	LHBL	MI Cement	Confidence Cement	Premier Cement	Meghna Cement	HBL	Aramit Cement
Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	75.35%	86.91%	91.61%	84.91%	89.72%	82.68%	84.18%
Gross Profit	24.65%	13.09%	8.39%	15.09%	10.28%	17.32%	15.82%
Other Operating Income	1.06%	1.17%	0.21%	0.13%	2.40%	0.16%	0.25%
Administrative Expense	8.75%	2.45%	2.75%	1.07%	3.44%	4.46%	2.50%
Selling & Distributive Expense	3.08%	3.83%	4.91%	4.17%	2.89%	3.70%	4.48%
Operating Profit	13.89%	7.97%	0.95%	9.99%	6.35%	9.33%	9.01%
Financial Expense	2.62%	6.36%	3.01%	3.96%	4.80%	0.00%	16.69%
Financial Income	0.04%	1.56%	0.20%	0.00%	0.51%	1.71%	0.00%
Share on Profit (Loss) on Associate	0.00%	0.25%	11.19%	0.00%	0.00%	0.00%	0.00%
Profit Before Tax	11.32%	3.27%	10.48%	5.76%	1.96%	10.56%	-7.68%
Income Tax expense	4.62%	0.75%	0.93%	1.36%	0.49%	3.30%	1.30%
Net Income	6.70%	2.51%	9.55%	4.40%	1.47%	7.26%	-8.97%

4. Findings & Recommendation

From the discussion it can be concluded that the financial position and operational performance of the most of the selected Cement Industries were not satisfactory. The inefficiency of financial management may be a major cause for such a poor position of the state of affairs. By applying Prof. Altman's MDA model it is seen that the overall financial position of the sample Cement Industry was at the lower level of bankruptcy. The main reasons attributed to such a situation were reported to be poor market demands, scarcity of raw materials, high competition, vanished quota system, management in attention, lack of realistic goals, strict government regulations, political instability, increased price of raw materials and others adverse environmental factors etc. In order to save the cement from total bankruptcy the financial performance of the sample Cement should be improved as early as possible.

i. The financial management specially purchase, sales and inventory management have to be motivated, so that they act all the tasks cordially, efficiently and honestly.

ii. The Cement Industry should regularly make use of ratio analysis and measure should be taken to improve undesirable ratios at least as to the point of industry's average.

iii. Qualified, trained and experienced management personnel should be appointed.

iv. Government regulations should be flexible and policy should be realistic.

v. Operational efficiency should be increased by reducing cost and wastage and improving operating and management performance. Supply of working capital should be adequate.

vi. Liquidity position of the selected Cement should be improved by reducing current liabilities.

5. Conclusion

Cement industry in Bangladesh has come a long way over the years. Once a cement importing nation, Bangladesh is now exporting cement to its neighboring countries. The outlook for the industry is very robust; we are expecting double digit industry growth mainly driven by government demand. But profitability still remains a worry for all. The scenario shall change in the coming days. From the study it is found that profitability position of the sample cement industries is not satisfactory. From the financial analysis it is also found that ratios of the selected company is very low of the liquidity ratios and current ratios. The inefficiency of financial management may be a major cause for such a poor position of the state of affairs.

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