Internship Report on

Financial Performance Analysis of Walton Group

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Department of Business Administration

Faculty of Business & Entrepreneurship

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Submitted To:

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Letter of Transmittal

January 25, 2024

Mr. Md. Kamruzzaman
Assistant Professor and Head
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University, Dhaka-1207.

Subject: Submission of Internship Report

I am pleased to submit the report on "**Financial Performance Analysis of Walton Group Ltd**." as a mandatory component of the BBA program within the Department of Bachelor of Business Administration for your review. The completion of this report aligns with the specified timeline, and I have successfully achieved all the outlined objectives. This internship experience, coupled with the report preparation, has afforded me valuable insights.

My earnest effort has been invested in ensuring the comprehensiveness and informativeness of this report. I hope that you will acknowledge my dedication and find the report valuable.

I must express my gratitude for your guidance and cooperation throughout this endeavour. Without your support, the completion of this report would not have been possible. I am available to address any queries or concerns you may have regarding the content of this report.

Yours Sincerely,

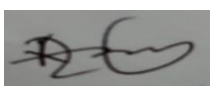
Meherun

Meherun Nessa
ID: 201-11-6511
Department of Business Administration
Daffodil International University

Supervisor’s Certification

This is to certify that **Meherun Nessa, ID # 201-11-6511, BBA (Finance)**, is a regular student of the Department of Bachelor of Business Administration, Faculty of Business and Entrepreneurship, Daffodil International University. She has successfully completed her internship program at Walton Group Ltd and has prepared this internship report under my direct supervision. The assigned topic for her internship is "**Financial Performance Analysis of Walton Group Ltd**."

Having thoroughly reviewed the report, I find it to be well-written, and I am confident that she has completed the report independently. I extend my best wishes to her for every success in her future endeavours.



Mr. Md. Kamruzzaman

Assistant Professor

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Acknowledgement

I would like to express gratitude to Almighty Allah for providing me with the perseverance, focus, and insight I needed to write this report.

Then, I owe a great deal to my respected advisors, especially Mr. Md. Kamruzzaman, Assistant Professor, Department of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University, who provided me with excellent direction, constant encouragement, and insightful criticism throughout my research. His knowledge and hard effort were important in determining the process and quality of this project. Then, I would want to express my gratitude to everyone whose hard work was cited in the research articles and publications I used for this project. After that, I would like to show my gratitude to all the related persons of Walton Group during my internship period, without their help this internship report would not be possible to write. The theoretical foundation and research approach presented in this thesis would not exist without their contributions. I would also like to thank my fellow students and friends, whose thoughtful contributions to class discussions and friendly discussions deepened my understanding of the material. I owe a great debt of gratitude to the people who have always believed in me and supported me.

My heartfelt appreciation goes out to my loved ones, who have always been there for me and shown me nothing but love and understanding. The confidence in me has been a driving force in my life.

Executive Summary

This internship report carefully looks at Walton Group Ltd.'s money matters using a number of different financial techniques and methods. Following the structure of the table of contents, the report includes important information about Walton Group's business, its finances, and areas where it could improve. The first chapter explains the background and aims of the study. It also talks about the methods and limits of the study.

Chapter 2 goes into more detail about the topic and gives a full picture of Walton Group Ltd.'s background, purpose, vision, and goals. We start with a full profile of Walton Group, a major player in the home appliance and consumer electronics industries, including how it started, how it has grown, and where it stands in the market now.

You can learn about the basic ideas behind financial performance analysis in chapter 3. These ideas include ratio analysis, common size analysis, and trend analysis. It sets a baseline for judging Walton Group's financial health by using a number of different analytical methods, with a focus on liquidity, operational efficiency, profitability, and financial risk.

Chapter 4, the focal point of the report, dives into the Financial Performance Analysis of Walton Group. The detailed Ratio Analysis encompasses liquidity, operating efficiency, efficiency or activity, profitability, and financial risk/leverage ratios.

The provided tables offer a year-wise breakdown, enabling a nuanced understanding of Walton Group's financial health. The analysis of liquidity ratios reveals a positive trend in Walton Group's ability to meet short-term obligations. The current ratio, quick ratio, cash ratio, and defensive interval ratio all showcase an improving liquidity position from 2019 to 2023. Operating Efficiency Ratios such as Efficiency ratios, including inventory turnover, receivables turnover, total assets turnover, equity turnover, current asset turnover, and fixed asset turnover, illuminate aspects of Walton Group's operational effectiveness.

While some ratios exhibit fluctuations, overall operational efficiency is maintained. Efficiency or Activity Ratios such as the efficiency or activity ratios, covering asset turnover, average collection days, inventory processing days, accounts payable turnover, and payables payment days, provide insights into Walton Group's effectiveness in managing assets and liabilities. The profitability ratios, encompassing gross profit margin, operating profit margin, net profit margin, return on

assets (ROA), return on equity (ROE), and earnings per share (EPS), portray a mixed performance. While the gross profit margin remains stable, the net profit margin and ROE display a declining trend. The financial risk/leverage ratios, including debt-to-equity ratio, interest coverage ratio, debt ratio, and equity ratio, signify prudent financial management. Walton Group is careful about taking on debt, and he makes sure that his cash structure is stable.

The last part of Chapter 5 is about finding important problems and making strategy suggestions for Walton Group Ltd. It is clear that operational and strategy changes need to be made because of the problems that have been found.

For example, it is hard to keep net profit margins and return on equity (ROE) high. Some of the ideas are to look for ways to make more money, run the business more efficiently, and manage inventory better. In the end, this report gives everyone involved a full picture of Walton Group Ltd.'s financial benefits and growth prospects.

The suggested business plans are meant to help Walton Group stay ahead in today's fast-paced business world and keep growing

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Chapter 01

Introduction

Chapter 1: Introduction

1.1 Introduction

Walton Group Ltd was the subject of a thorough financial study to check on its success and overall financial health from 2019 to 2023. People who work in consumer goods and home appliances know the company well. Some of the factors that this study looks at are the operational efficiency ratio, the profitability ratio, the efficiency ratio (also known as the activity ratio), and the financial risk/leverage ratio.

This report is about to look into Walton Group's finances because a company's financial health is a good way to tell if it will be around in the long run and if it can grow. Financial performance analysis is an important tool for making strategic decisions and getting a better idea of how a company is doing right now. With this background, the goal of this internship was to look at Walton Group's financial records, key performance indicators (KPIs), and industry standards.

The report has a full study of Walton Group's finances, with income, balance, and cash flow statements being some of them. Key financial measures, such as profitability, solvency, efficiency, liquidity, and profitability/inefficiency, will also be calculated and interpreted as part of the study. When we look closely at Walton Group's finances, we want to learn how the company can become more financially stable and grow in a way that doesn't hurt its finances.

1.2 Background of the Study:

Walton Group is a well-known company that makes electronics and tools. As part of Daffodil International University's standards for my BBA, I did my three-month internship there. This internship report, called "Financial Performance Analysis of Walton Group," is based on the real-world experience I gained at Walton Group's company headquarters. It's also what this internship is based on.

1.3 Scope of the Study:

The study encompasses a thorough exploration of general activities and the financial performance of Walton Group. The primary focus areas for analysis include:

- **General Activities:** Examining the overall operational landscape and business activities of Walton Group.
- **Ratio Analysis:** Calculating and interpreting key financial ratios to evaluate liquidity, profitability, solvency, and efficiency.
- **Trend Analysis:** Assessing the trends in Walton Group's financial performance over a specified period.
- **Common Size Analysis:** Analysing financial statements to express line items as percentages of a base figure, facilitating comparison.

1.4 Objectives of the Study:

General Objective:

- To analyse Walton Group's financial statements with a key focus on its overall financial performance.

Specific Objectives:

1. To assess the current financial position of Walton Group.
2. To analyse the financial performance of Walton Group over the past five years through various ratio calculations.
3. To identify challenges related to both activities and financial performance within Walton Group.
4. To propose recommendations aimed at addressing the identified challenges.

1.5 Methodology of the Study:

The research adopts an exploratory nature to delve into the financial performance of Walton Group. The methodology involves:

1.5.1 Data Collection:

- Utilizing a descriptive method to gain insights into Walton Group's financial performance.

- Identifying, collecting, classifying, analyzing, and interpreting data from both primary and secondary sources.

Sources of Data:

Primary Sources:

- Interviews and discussions with Walton Group officials.
- Face-to-face interactions with branch officers.
- Exposure to different departments within the company.
- Conversations with customers.

Secondary Sources:

- Walton Group's official website (http://www.Walton Group.com/).
- Walton Group's annual reports spanning 2019-2023.
- Product brochures from Walton Group.
- Additional information from external sources like Wall Street Journal.

Data Analysis:

- Utilizing MS Excel for data analysis.

1.6 Limitations of the Study:

Despite efforts to gather comprehensive information, certain limitations were encountered during the study:

1. **Time Constraint:** The internship duration may not have allowed for a complete understanding of all aspects within Walton Group.
2. **Workstation Limitation:** A single workstation may not provide a holistic view of the entire company's operations.
3. **Data Confidentiality:** Walton Group's policy of not disclosing certain data hindered the availability of certain information.

4. **Incomplete Information:** Limited coverage of some company fields in the academic curriculum made it challenging to comprehend certain activities.
5. **Assumptions:** In some cases, due to limited information, assumptions were made, potentially introducing errors.
6. **Website Updates:** The company's website may not have been regularly updated, posing challenges in collecting real-time information.
7. **Lack of Secondary Information:** Limited secondary information about Walton Group and its products affected the completeness of the report.
8. **Busy Officials:** Limited cooperation from busy company officials posed a constraint during the data collection process.

These limitations are acknowledged as part of the study's constraints and should be considered in the interpretation of the findings.

Chapter 02
Overview of Walton Group

Chapter 2: Overview of Walton Group

Walton Group Ltd, based in Bangladesh, stands as a prominent and diversified conglomerate with a significant presence in the consumer electronics and home appliances sector. The following section will incorporate the profile of Walton Group, Mission, Vision, its Activities etc.

2.1 Profile of Walton Group

Figure 1: Walton Group Corporate Office (Walton Group, 2021)

Walton Group, a leading conglomerate headquartered in Bangladesh, has emerged as a major player in the global consumer electronics and home appliances industry. Established in 2006, Walton Group has grown exponentially, becoming a symbol of innovation, quality, and technological advancement (Walton Group, 2019). The company operates across diverse sectors, including information technology, telecommunications, and home appliances, catering to a broad spectrum of consumer needs. Walton Group's commitment to research and development has propelled it to the forefront of technological innovation, allowing the brand to offer a comprehensive range of cutting-edge products. With an impressive starting capital of USD 50 million, the company has consistently demonstrated financial robustness. Walton Group's revenue has witnessed remarkable growth, reaching USD 3.5 billion in the latest fiscal year, a testament to its strategic market positioning and customer-centric approach (The Business Standard, 2024). At the heart of Walton Group's success is its commitment to innovation, evident in its extensive product line spanning smartphones, refrigerators, televisions, and more. The company's initial foray into the market with a focus on home appliances quickly expanded, and it now boasts a diverse portfolio catering to the evolving needs of consumers. Walton Group's manufacturing facilities, equipped with cutting-edge technology, have played a pivotal role in its ascent. The company's net worth has surged to USD 2.2 billion, a reflection of its efficient production processes and stringent quality control measures (Octavia, 2022). Since Walton Group has strong finances, it has been able to put a lot of money into research and development. This has put it at the forefront of new technologies. Walton Group cares about both making money and being a good corporate citizen (CSR). The company is very active in projects that help the community, teach, and protect the environment. One way Walton Group has made a difference is by giving 2% of its annual income to projects that are good for society.

2.2 Mission of Walton Group

Walton Group's mission is to be at the forefront of technological innovation, providing transformative solutions that enhance the daily lives of its customers. The company is dedicated to crafting high-quality products that not only meet but exceed customer expectations. Walton Group's mission extends beyond mere product development; it aspires to create a positive impact on society by introducing innovations that bring convenience, efficiency, and joy to households worldwide. Through a commitment to excellence and customer satisfaction, Walton Group seeks to be a pioneer in the consumer electronics and home appliances industry.

2.3 Vision of Walton Group

The vision of Walton Group is to establish itself as a global leader in the consumer electronics and home appliances industry. Walton Group aspires to be recognized not only for its technological prowess but also for its commitment to sustainability, social responsibility, and creating value for its stakeholders. The company envisions a future where its products are synonymous with reliability, innovation, and excellence. By consistently pushing the boundaries of technology and maintaining a dynamic corporate culture, Walton Group aims to shape the future of the industry and contribute meaningfully to the advancement of society.

2.4 Goal of Walton Group

Figure 2: The Goal of Walton Group is to expand the production facilities.

Walton Group's primary goal is to be a premier brand that consistently exceeds customer expectations. The company aims for sustainable growth by maintaining a delicate balance between profitability and social responsibility (Market Watch, 2024). Walton Group is committed to investing in research and development, fostering a dynamic corporate culture that encourages creativity and innovation. The goal is to remain agile in responding to market dynamics, staying ahead of technological trends, and ensuring that Walton Group's products continue to be at the forefront of the industry.

2.5 Activities of Walton Group:

Walton Group engages in a diverse range of activities across the consumer electronics and home appliances spectrum. The company's core activities include:

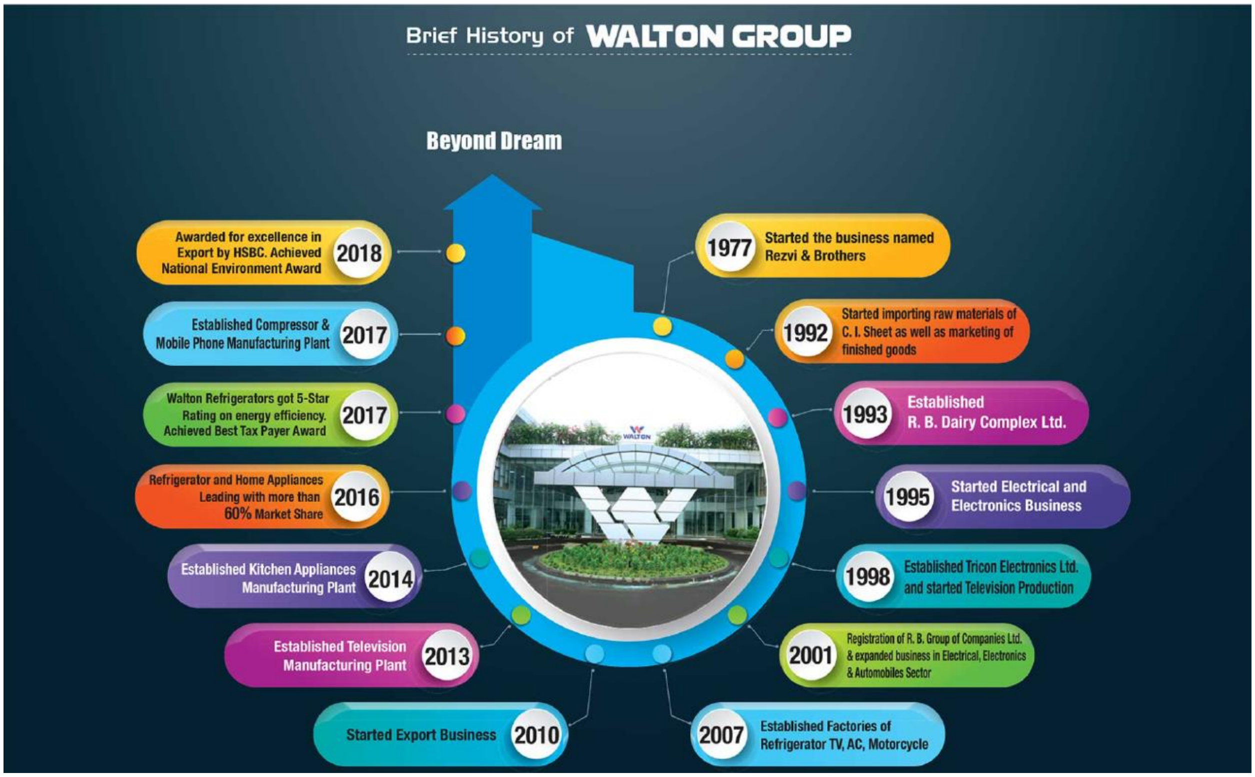

Figure 3: From the beginning to now of Walton Group's activities (Walton Group Family Foundation, 2023)

1. **Manufacturing Excellence:** His state-of-the-art companies make a lot of different electronics, like cell phones, refrigerators, TVs, air conditioners, and more. Because the business is so committed to quality control, all of their products are guaranteed to meet the highest standards.

2. **Research and Development:** Walton Group always puts research and development at the top of their list of priorities because they want to encourage new ideas. The company is always putting money into new technology so that it can keep up with and meet its customers' changing needs. This lets them make products that are completely new.

3. **Market Expansion:** Walton Group has a strong position in the market both at home and abroad. In over 30 countries, the company has successfully reached more people with its products thanks to its branches and different ways of distributing its goods.

4. **Corporate Social Responsibility (CSR):** Walton Group is very active in the community and is making progress in areas like schooling, protecting the environment, and building

up the community. The company wants to make a change in the world, so it gives 2% of its annual profit to activities that are good for society.

5. **Customer Engagement:** Walton Group values having happy customers and works hard to stay in touch with them and give them great help after the sale. Customer feedback is very important to the business, and it uses it to make goods better and the overall customer experience better.

2.6 Management Structure of Walton Group:

Figure 4: Management Structure of Walton Group (Walton Group plaza, 2023)

Walton Group's management structure is designed to facilitate effective decision-making and strategic leadership. The structure includes key leadership roles such as:

1. **Board of Directors:** Overseeing the overall direction of the company, the Board of Directors provides strategic guidance and governance.
2. **Executive Management:** The executive management team is made up of the chief executive officer (CEO) and chief financial officer (CFO). Their job is to carry out strategic plans and make sure everything goes smoothly.
3. **Department Heads:** Some areas, like finance, operations, human resources, and marketing, are run by experienced people who oversee daily tasks and make a big difference in how well the organisation does overall.
4. **Middle Management:** Managers at various levels oversee specific teams and functions, ensuring coordination and alignment with organizational goals.
5. **Employees:** People from a lot of different backgrounds work for Walton Group, and they are very important to the company's success. The company values a culture of working together and coming up with new ideas. This makes workers want to contribute to the company's success.

SM Shamsul Alam	Chairman and founding Managing Director
SM Ashraful Alam	Vice Chairman and Co-Managing Director
SM Mahbubul Alam	Managing Director
Masud Chowdhury	Masud Chowdhury: Head of Legal and Compliance
Nishat Shuchi:	Director
Rayhan Mohammad	Chief Executive Officer
Syed Al Imran	Deputy Executive Director
Raisa Sigma Hima	Director of Walton Group Hi-Tech Industries PLC
Md. Amdadul Hoque Sarker	Executive Director, Marketing Department

Table 1: Board of Directors of Walton Group (WSJ, 2023)

2.7 Products Offered by Walton Group:

Walton Group has a very large product line that includes a lot of different electronics and home items. These kinds of goods are some of the most important ones:

Figure 5: Product Line of Walton Group (Walton Group, 2021)

1. **Smartphones:** Walton group offers smart phone with low budget and excellent design.
2. **Home Appliances:** Walton group also incorporated different home appliances with reasonable prices and innovative products.
3. **Television and Entertainment Systems:** It has also a distinct product line of television and entertainment appliance such as headphone, speaker etc.
4. **Consumer Electronics:** Walton Group has also incorporated consumer goods.
5. **Electrical Appliances:** It has all kinds of innovative kitchen appliances as well.

Chapter 03

Theory of Financial Performance Analysis

Chapter 3: Theory of Financial Performance Analysis

It is important to do a financial performance analysis on a business to find out how reliable and effective its financial processes are. This chapter will discuss an overview of the theory behind financial performance analysis by looking at a few important factors that show how liquid and efficient a company is.

3.1 Ratio Analysis

A ratio analysis is one way to figure out how healthy a company's finances are. The use of ratios is one way to compare sets of financial data. To get it, just split each by the other two. People need to know these numbers in order to fully understand the company's revenue (MANISHA B, 2021). The link between the present value of funds and the amount of cash they are worth is shown in the following section.

3.1.1 Liquidity Ratio

Current Ratio:

$$\textit{Current Ratio} = \frac{\textit{Current Assets}}{\textit{Current Liabilities}}$$

With its current ratio, a company shows how well its finances are doing by showing how well it can meet its short-term commitments (Halir, 2020). The company has enough cash on hand to meet its short-term commitments since its value is greater than 1.

Quick Ratio (Acid-Test Ratio):

$$\textit{Quick Ratio} = \frac{\textit{Current Assets} - \textit{Inventory}}{\textit{Current Liabilities}}$$

To find the quick ratio, divide the current assets (before stocks are taken out) by the current liabilities. The quick ratio gives a more accurate view of liquidity because it doesn't take into account stocks. This metric shows how liquid a business is, or how well it can meet its short-term obligations without selling all of its stock.

Cash Ratio:

$$\boldsymbol{Cash\ Ratio = \frac{Cash\ and\ Cash\ Equivalents}{Current\ Liabilities}}$$

The liquidity ratio measures how well a business can meet its short-term financial obligations using its cash and other liquid assets that are easy to get. A company with a high cash ratio can pay its short-term debts without using any of its other cash on hand.

Defensive Interval Ratio:

$$\boldsymbol{Defensive\ Interval\ Ratio = \frac{Current\ Assets}{Daily\ Operational\ Expenses}}$$

The defensive interval ratio shows how well a company can cover its daily operating costs with its current assets, even if it doesn't make any more money. This number measures a company's ability to stay in business and pay its bills. A higher number means that the financial stability will last longer when there is no outside income.

3.1.2 Operating Efficiency Ratio

When it comes to how well a business turns its assets and resources into money, the operational efficiency number shows it. Based on the numbers, we can see how efficiently and effectively the business is running.

Inventory Turnover:

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

This number shows how often a company's stock is sold and restocked over a certain time period. A sign of well-managed stock is more merchandise being sold than bought.

Receivables Turnover:

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

The accounts turnover ratio is one way to figure out how well a business is at collecting debts. If the ratio is high, accounts receivable should be handled well.

Total Assets Turnover:

$$\boldsymbol{Total\ Asset\ Turnover = \frac{Net\ Sales}{Total\ Asset}}$$

There is a measure called Total Assets Turnover that shows how well a business turns its total assets into cash. The business is making good use of its assets to make money if the Total Assets Turnover ratio is high. This shows that they are good at taking care of their assets and running their business properly.

Equity Turnover:

$$\boldsymbol{Equity\ Turnover = \frac{Net\ Sales}{Total\ Equity}}$$

With the wealth Turnover Ratio, we can see how well a company turns its wealth into sales. The method is to divide total equity by net sales (Octavia, 2022). The more the Equity Turnover ratio goes up, the better the company is at using its stock to make money, which shows that equitable utilisation is helping business operations and growth.

Current Asset Turnover:

$$\boldsymbol{Current\ Asset\ Turnover = \frac{Net\ Sales}{Current\ Asset}}$$

Someone could look at the Current Asset Turnover ratio to see how well a business turns its current assets (like cash on hand, inventory, and loans) into cash. Divide net sales by current assets to get the current ratio. A higher current ratio means that short-term assets are being used well to make money. This ratio tells managers a lot about how liquid a company is and how much cash it can make from its present assets.

Fixed Asset Turnover:

$$\boldsymbol{Fixed\ Asset\ Turnover = \frac{Net\ Sales}{Total\ Fixed\ Asset}}$$

The Fixed Asset Turnover ratio shows how well a company can sell its property and tools for cash. To get the number, divide the net sales by the amount of the fixed assets. More Fixed Asset Turnover shows that the company is good at turning its long-term assets into cash, which means it buys the best assets for the least amount of money.

3.1.3 Efficiency or Activity Ratio

When a business wants to make money, activity and efficiency rates show how well it makes use of its resources and assets. Now company managers have a better idea of how well things are running and how resources are being used thanks to these numbers. If we want to know how well a business runs, look at how efficient it is. In the next chapters, we'll use these efficiency ratios to look at Walton Group's bank accounts. This will help us figure out how well the company manages its goods, investments, and debts so it can make more money and work better.

Asset Turnover Ratio:

$$\textit{Asset Turnover Ratio} = \frac{\textit{Net Sales}}{\textit{Total Asset}}$$

This number shows how well a business makes money from the things it owns. If the percentage is high, it means that the business is doing a good job of managing its assets and making more money per asset.

Average Collection Day:

One way to figure out how long it takes for a business to get paid is to look at the mean Collection Day ratio. Getting paid faster is possible if we keep track of our debts and credit well. In other words, money changes hands faster. It is calculated using the formula:

$$\textit{Average Collection Day} = \frac{360}{\textit{Accounts Receivable Turnover}}$$

Inventory Processing Day:

When the working day is shorter, inventory moves faster. This shows that the business is good at selling its stock and keeping track of it. we can get an idea of how long it usually takes for a business to handle its stock by looking at the Inventory Processing Day number. The formula is:

$$\textit{Inventory Processing Day} = \frac{360}{\textit{Inventory Turnover}}$$

Accounts Payable Turnover:

It shows how well a business handles its money by showing how much it gets every month. Because it pays its buyers quickly, a company with a high turnover rate is good at keeping track of its money owed.

$$\boldsymbol{Accounts\ Payable\ Turnover} = \frac{\boldsymbol{Cost\ of\ Goods\ Sold}}{\boldsymbol{Average\ Accounts\ Payable}}$$

Payables Payment Day:

In general, how long does it take for a business to pay its bills? The number of days it takes to pay accounts due shows that. People who owe money get paid faster when the payment day is shorter. This shows that the cash flow is well managed and that the relationships with providers are strong. It is calculated using the formula:

$$\boldsymbol{Payables\ Payment\ Day} = \frac{\mathbf{360}}{\boldsymbol{Payable's\ Turnover}}$$

3.1.4 Profitability Ratio

One way to tell if a business is profitable is to look at its income, assets, equity, and other key profitability metrics (Octavia, 2022). Analysts, investors, and managers can use these metrics to learn a lot about a business's health and ability to make money. We'll start by going over the basics of how to look at financial data to figure out how profitable a business is.

Net Profit Margin:

The Net Profit Margin is an indicator of how much profitable a business is or the best way to measure a company’s financial abilities. It is calculated using the formula:

$$\boldsymbol{Net\ Profit\ Margin} = \frac{\boldsymbol{Net\ Profit}}{\boldsymbol{Net\ Sales}} * 100$$

Return on Assets (ROA):

Return on Asset is an indicator of how much a company earns on its invested asset. This number is found by taking net income away from total assets. It is calculated by dividing net income by average total assets:

$$\textit{Return on Asset} = \frac{\textit{Net Income}}{\textit{Total Asset}}*100$$

Return on Equity (ROE):

Return on equity is a ratio that shows how profitable a business is by comparing its net income to the amount of money its owners put into it at the beginning (Octavia, 2022). Look at the return on equity to see how much money stockholders made (ROE). When a company's return on equity (ROE) is high, it means that the stock capital is being well used, which is good for the bottom line. When the common stock is taken out, the net income is $100. This is what's left after taking the net income away from the average total wealth. It is calculated by dividing net income by average total equity:

$$\textit{Return on Equity} = \frac{\textit{Net Income}}{\textit{Common Equity}}*100$$

Gross Profit Margin:

The gross profit margin is the amount left over after selling prices are subtracted from total income. If the gross profit margin is high, company can pay all of the bills and still have money left over. I think this is a good sign for both the quality and price of its goods. The formula is:

$$\textit{Gross Profit Margin} = \frac{\textit{Gross Profit}}{\textit{Sales}}*100$$

Operating Profit Margin:

After taking out non-operating costs, the Operating Profit Margin shows how profitable the company's main activities are. A high operational profit margin is the result of low costs and efficient processes. It is calculated using the formula:

$$\textit{Operating Profit Margin} = \frac{\textit{Operating Profit}}{\textit{Sales}}*100$$

Earnings Per Share (EPS):

The amount of a company's net income that is given to each existing share of common stock is called its "earnings per share." As an investor, we should pay attention to earnings per share (EPS) because it shows how profitable a business is per share. This can be found by dividing net income by the number of shares that are still outstanding:

$$\boldsymbol{Earnings\ Per\ Share} = \frac{\boldsymbol{Net\ Income}}{\boldsymbol{Number\ of\ Shares\ Outstanding}}$$

Because stakeholders want to know how well a business is doing financially, they look at measurements that measure profitability. These numbers may be a sign of good leadership and long-term financial success if they keep going up. But bad results could make some people question how competitive and efficient the business is.

3.1.5 Financial Risk/Leverage Ratio

The amount of debt a business has can be seen in its financial risk and leverage rates. We can learn a lot about a company's financial health, capital structure, and debt levels from these numbers. Here are key financial risk/leverage ratios and their significance:

Debt-to-Equity Ratio:

The Debt-to-stock Ratio looks at how much money a company makes from debt compared to how much money it makes from stock (MANISHA B, 2021). If the number goes up, it means there is more financial risk and debt. If a business wants to improve its finances, it might take out more loans, but this also raises the risk. If we divide a company's total debt by its total equity, we get the debt-to-equity ratio. The formula is:

$$\boldsymbol{Debt\ to\ Equity\ Ratio} = \frac{\boldsymbol{Total\ Debt}}{\boldsymbol{Shareholder'sEquity}}$$

Interest Coverage Ratio:

The interest payment ratio of a company shows how healthy its finances are. If a company has a high interest coverage percentage, it means it has enough cash on hand to cover its interest costs. This means that interest payments are less likely to put them out of business. The formula is:

$$\boldsymbol{Interest\ Coverage\ Ratio} = \frac{\boldsymbol{Earnings\ Before\ Interest\ and\ Tax(EBIT)}}{\boldsymbol{Interest\ Expense}}$$

Debt Ratio:

The amount of debt a company has when it takes out loans shows how healthy its finances are. The ratio of a company's debt to its total assets shows how likely it is that it will go bankrupt. The formula is:

$$\boldsymbol{Debt\ Ratio = \frac{Total\ Debt}{Total\ Assets}}$$

Equity Ratio:

In this case, Equity ratio shows the stability of a company's financial condition. When a company has a higher ownership ratio, it is less likely to need loans to run, which lowers its financial risk. It will use shares instead. The asset-to-total asset ratio is one way to figure out how financially stable a company is. The formula is:

$$\boldsymbol{Equity\ Ratio = \frac{Total\ Equity}{Total\ Asset}}$$

A company's level of risk can be seen in its financial risk and debt rates. Taking on more debt can help companies make more money, but it can also make the company more vulnerable to changes in interest rates and economic downturns. When businesses have less debt, they are usually better able to handle economic downturns.

3.2 Common Size Analysis

Common Size Analysis is a standard way to look at a company's financial success. It shows each line item as a percentage of a base amount. In this part, we'll look at Common Size Analysis for both the Income Statement and the Balance Sheet.

3.2.1 Common Size of Balance Sheet

When investors want to get a good look at a business's finances, the Common Size of Balance Sheet is helpful. It shows each line item as a portion of the total assets (Octavia, 2022). The traditional view of this analysis lets stakeholders figure out how important the part is in relation to the size of the business. For example, the standard sizing tool shows how much of the total assets each type of liability represents in the liabilities part. This helps investors figure out the ratio of debt to stock, look at the company's capital structure, and figure out the make-up of the assets.

$$\boldsymbol{Common\ Size} = \frac{\boldsymbol{Individual\ Item\ of\ Balance\ Sheet}}{\boldsymbol{Total\ Asset}} * 100$$

Looking at how the organization's size changes on a regular basis over time can reveal trends and changes in its cash flow plans. A clear attempt to use the capital structure for growth or strategic goals could be shown by, say, long-term debt that is getting bigger on average.

3.2.2 Common Size of Income Statement

People often write each line item as a portion of the total revenue or net sales to figure out how big an income statement is. By looking at this analysis, investors can get a better idea of how different parts of the business's income and expenses affect its total income (Market Watch, 2024). For example, cost of goods sold (COGS) typical sizing shows how much of the total income goes to paying for the costs of making the things. When using standard measurements, it's best to look at operational costs as a share of overall income.

$$\boldsymbol{Common\ Size} = \frac{\boldsymbol{Individual\ Item\ of\ Income\ Statement}}{\boldsymbol{Total\ Revenue}} * 100$$

With the help of this research, stakeholders can figure out where operational improvements can be made and how well cost management is working. If the size of a normal expense area changes a lot, like administrative costs going up, it means that the company needs to look more closely at how efficiently it runs its business.

3.3 Trend Analysis

Anyone who wants to see how a company's finances have changed over time could really benefit from using Trend Analysis. When managers, buyers, and financial students look at data from more than one time period, they can learn more about trends. Trends, whether they are going up or down, can help companies make strategic choices, evaluate financial plans, and get ready for crises. When researchers use Trend Analysis regularly, we can see how a business's finances have changed over time. This lets managers plan for changes in the market and act on them.

3.3.1 Trend Analysis of Balance Sheet

Analysts can find trends, patterns, and changes in a company's finances by looking at financial data from more than one reporting period. This is called a trend study of the balance sheet.

Investors can get a better idea of how financially stable a company is by keeping an eye on how its assets, liabilities, and stock change over time. If total assets are going up, it could mean that growth is good. On the other hand, if debt is going up, it could mean that debt is getting out of hand. Trend Analysis gives analysts and investors a full picture of how the company's finances are changing, which helps them understand the company's future possibilities and the risks it faces.

3.3.2 Trend Analysis of Income Statement

It looks at how important financial data has changed over time. This is what an Income Statement Trend Analysis does. This study shows trends in the company's income and costs, which can help related parties learn more about how profitable and efficient the business is. Cost of goods sold (COGS), income, and operational costs can be tracked over time to find trends that stakeholders can use to help them make decisions. A good example of this would be the need to look more closely at cost control if some costs went up. It's also true that a company with a growing net income is making more money. If we want to know about the company's finances and its plans for the future, we should look at the income statement trends.

Chapter 04

Financial Performance Analysis of Walton Group

Chapter 4: Financial Performance Analysis of Walton Group

The financial performance of a company is an important factor for an investor to invest in that company. Hence, the following section will incorporate the financial performance analysis of Walton Group to know the efficiency of this company.

4.1 Ratio Analysis

Ratio analysis is the best way to measure a company's financial performance based on relative figures. It is difficult to analyse and compare each financial performance factor individually but when ratio analysis is done, then one can easily compare and understand its financial condition. The following section will analyse different financial ratios of Walton Group.

4.1.1 Liquidity Ratio

The four most important liquidity ratios are cash, current, quick, and defensive interval are analyse based on the data collected from annual reports of Walton Group. We'll look at each of these ratios for Walton Group from 2019 to 2023 in the next few paragraphs.

Liquidity Ratio					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Current Ratio	1.85	1.68	1.85	1.59	1.96
Quick Ratio (Acid-Test Ratio)	1.27	0.97	1.19	0.93	1.23
Cash Ratio	0.08	0.07	0.15	0.07	0.13

Table 2: Liquidity Ratio Analysis of Walton Group

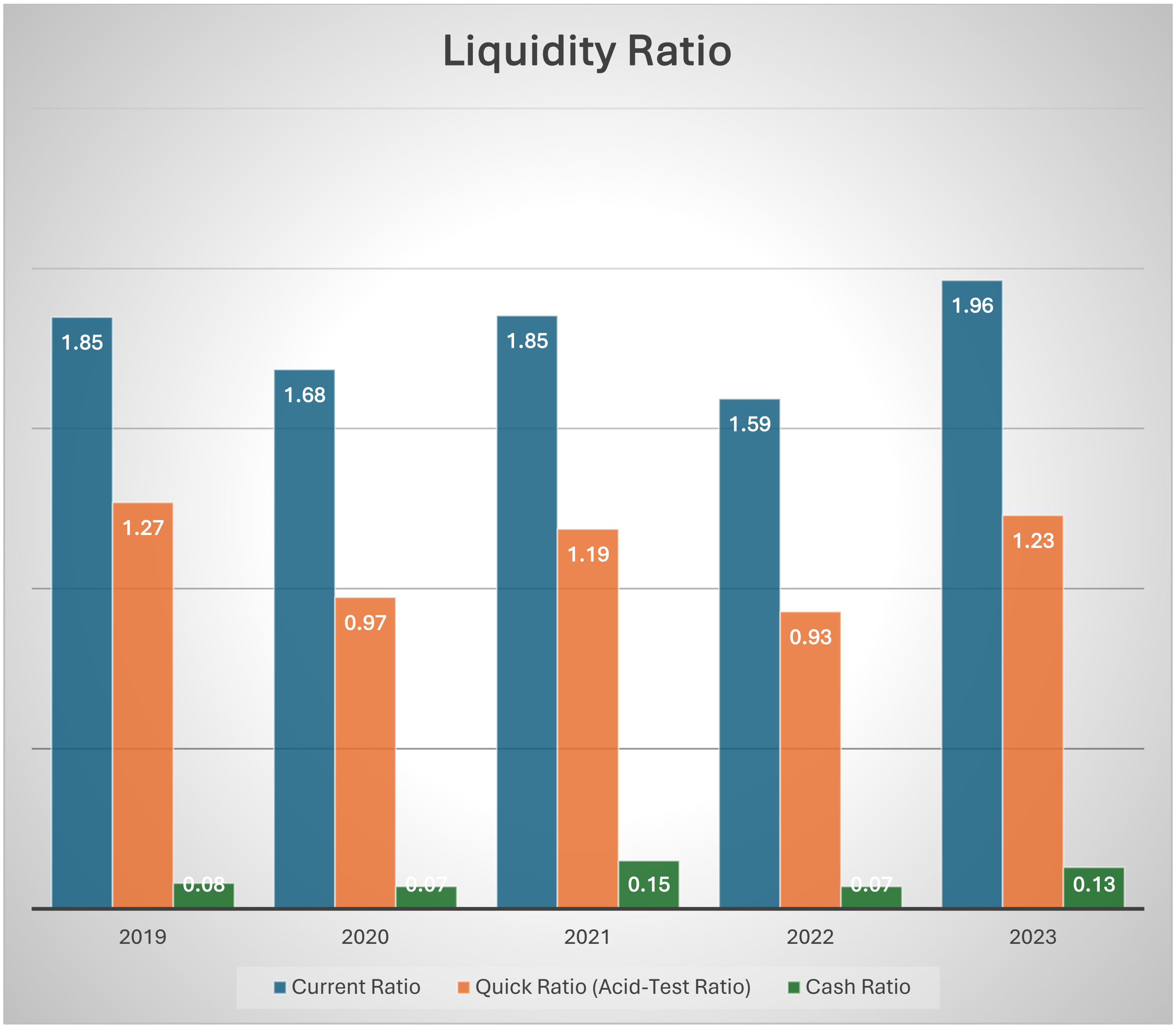

Figure 6: Liquidity Ratio of Walton Group (Source: Own)

From 2019 to 2023, the changes and trends in Walton Group's main liquidity metrics show how liquid the company is. The current ratio of a business has changed over time. This ratio shows how well a company can use its current assets to meet its short-term obligations. It went down from 1.85 in 2019 to 1.59 in 2022, then up to 1.96 the following year. The ratio is usually higher than 1, which means the company can meet its short-term obligations. However, the changes show that its liquidity situation is not stable.

It was 1.27 in 2019, but it steadily went down to 0.93 in 2020 and 2022. It got a little better in 2023. Inventory is not counted as current assets in the quick ratio, which is a stricter measure (1.23). It might be hard to meet short-term obligations if we don't have enough inventory. The cash ratio usually went up over the years, reaching 0.13 in 2023 when only cash and cash equivalents were taken into account. It looks like the company can now meet its short-term obligations with the cash it has on hand better.

Another important plus is the Defensive Interval Ratio, which shows how many days a company can stay in business with just its liquid assets. This ratio steadily went up from 2019 to 2023, which shows that Walton Group was better able to cover daily operating costs with cash on hand.

If Walton Group's management really wants to know how liquid the company is, they should pay close attention to the quick ratio. It is going down, which could mean that it will be hard to pay short-term bills without using inventory. It's good to see that the current ratio is getting better in 2023, and a better cash ratio means that the company has more cash on hand. The fact that the Defensive Interval Ratio is going up is a good sign that the company can keep running without having to raise more money. Taking everything into account, it's best to be careful so that we can find a balance between taking care of immediate issues and keeping operational resilience.

4.1.2 Operating Efficiency Ratio

The operational efficiency ratio is an important indicator of the measurement of a company's operating efficiency. The following table is about the ratios of operating performance of Walton Group from 2019 to 2023:

Operating Efficiency Ratios					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Inventory Turnover	2.34	1.18	1.84	1.53	1.68
Receivables Turnover	1.01	1.14	0.88	0.84	0.98
Total Assets Turnover	0.50	0.35	0.52	0.51	0.45
Equity Turnover	0.71	0.51	0.74	0.81	0.64
Current Asset Turnover	1.20	0.79	1.04	0.93	0.95
Fixed Asset Turnover	0.86	0.64	1.03	1.12	0.86

Table 3: Operating Efficiency Ratio Analysis of Walton Group

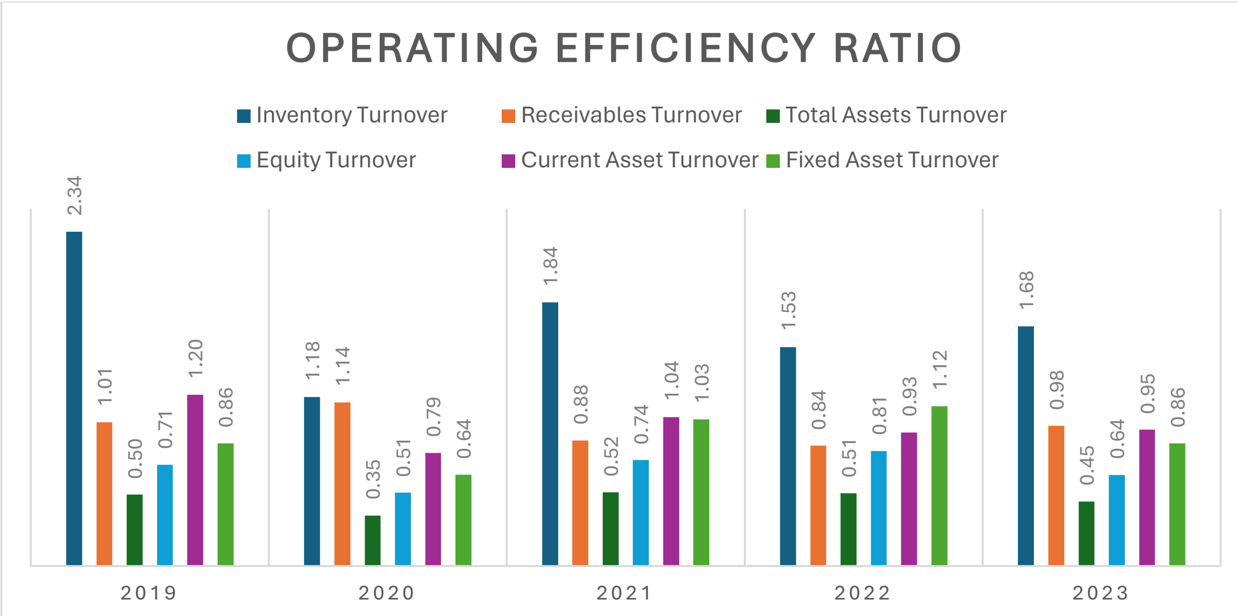

Figure 7: Operating Efficiency Ratio of Walton Group(Source: Own)

Walton Group has kept track of operational efficiency ratios over the years. These ratios show a lot about how well the company has made money and managed its resources. Different numbers were found for the inventory turnover ratio, which shows how well the company managed its stock. It went down a lot, from 2.34 in 2019 to 1.18 in 2020, which could mean it's hard to turn inventory into sales quickly. Despite this, there has been another improvement, with a value of 1.68 in 2023 indicating better inventory management.

The receivables turnover ratio dropped to 0.84 from 2019 to 2022, showing how well the company did at getting customers to pay late. It got a little better in 2023, going up to 0.98. This could make it take longer for them to make payments, which could make it harder for them to do so. Monitoring and managing receivables should be a top priority for the organisation to make sure that money comes in on time.

From 2019 to 2023, the total assets turnover rate went from 0.50 to 0.45. This rate shows how well a company uses its assets to make sales. It looks like Walton Group has been losing the ability to turn all of its assets into cash over time. Your assets might not be being used to their full potential if the total assets turnover is low. You may also need to make some changes to make things more efficient.

Equity turnover went down over time, from 0.71 in 2019 to 0.64 in 2023. This metric shows how well the company can make money from its stock. The fact that equity isn't being used to make money as well as it used to means that we need to take a closer look at the company's capital structure and operational strategy.

Present asset turnover went down from 1.20 in 2019 to 0.95 in 2023. The current asset turnover of a business shows how well it uses its current assets to make money. Since sales have gone down, there may be a better way to use current assets to boost sales. To fix the problem, it might be necessary to change how things work.

The pattern of fixed asset turnover changed over time. This shows how well the company is using its fixed assets to make money. In 2019–2022, it went up to 1.12, but by 2023, it had dropped to 0.86. So, this means that Walton Group should get the most out of its fixed assets to make its business run more smoothly overall.

4.1.3 Efficiency or Activity Ratio

Efficiency ratio implies that how much a company is able to utilise its asset, manage its payables etc. This ratio indicates the efficiency of a company hence we can now look more closely at Walton Group's efficiency ratios from 2019 to 2023.

Efficiency Ratios/ Activity Ratios					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Asset Turnover Ratio	0.50	0.35	0.52	0.51	0.45
Average Collection Day	64	64	64	64	64
Inventory Processing Day	153.86	304.13	195.13	234.96	214.74
Accounts Payable Turnover	66.65	18.65	18.22	15.52	19.72
Payables Payment Day	5.40	19.30	19.75	23.20	18.25

Table 4: Activity Ratio Analysis of Walton Group

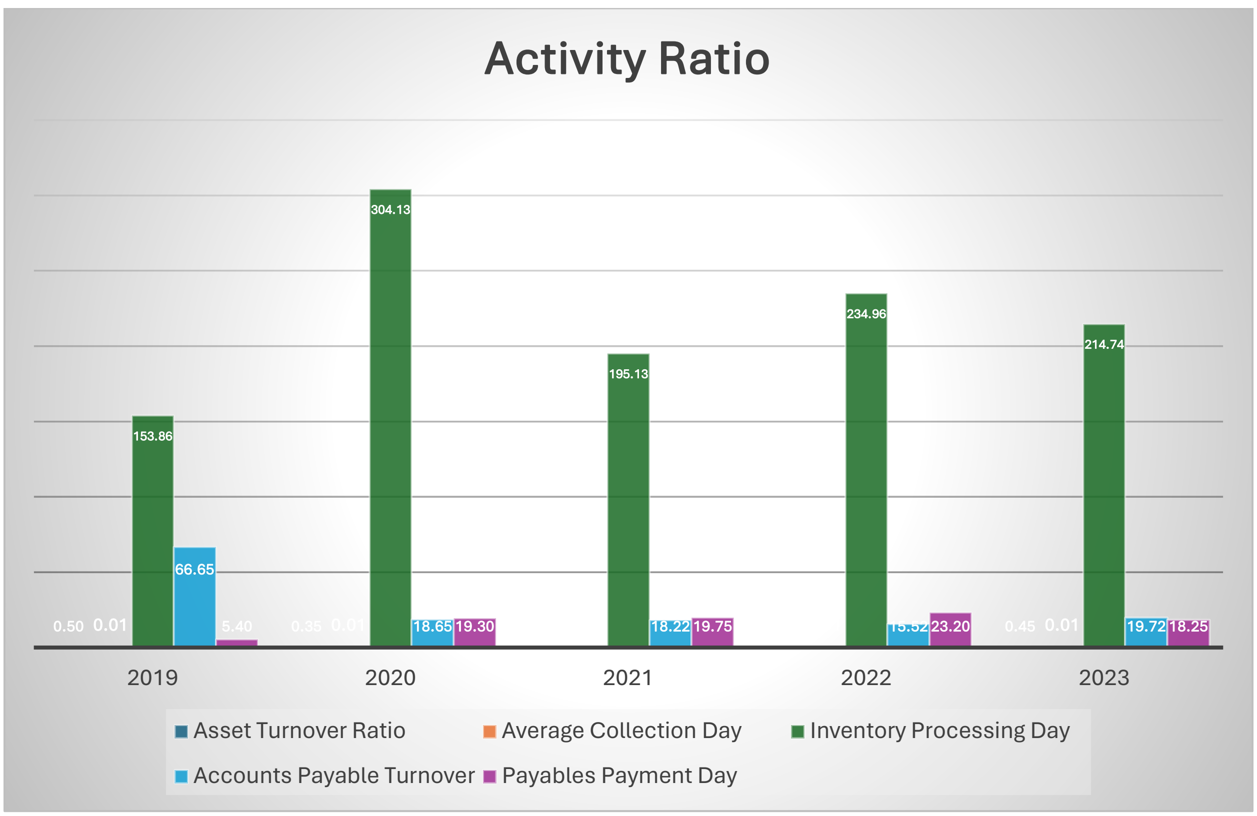

Figure 8: Activity Ratio Analysis of Walton Group (Source: Own)

The activity ratios, which are part of Walton Group's efficiency ratios, show a lot about how well the company runs and handles different tasks. The asset turnover ratio shows that the cost-effectiveness with which a company makes money from its assets will go down from 0.50 in 2019 to 0.45 in 2023. Over time, Walton Group's ability to turn all of its assets into sales has gone down. This means that the company needs to make some strategic changes to make better use of its assets.

The average collection day—the number of days it takes for the company to get its money back—stays the same every year at 0.01 days. This is good news for Walton Group's cash flow and liquidity because it shows that the company gets paid quickly and easily by customers.

There was a clear pattern of change in the inventory processing day, which shows how many days were needed to process all the inventory. Even though it went from 153.86 days in 2019 to 304.13 days in 2020, which could mean that inventory processing was held up, it got better over time and reached 214.74 days in 2023. It's a good sign that things have been tried to get more efficient by making inventory management and processing more consistent.

It was seen that accounts payable turnover, which shows how well the company pays its suppliers, went up and down over time. The drop from 66.65 in 2019 to 18.65 the next year may have been due to people taking longer to pay their bills. Things have gotten better, though, and by 2023, it will have reached 19.72. The payables payment day shows how long it takes for the company to pay its bills. It went from 5.40 days in 2019 to 23.20 days in 2022, then went down a bit to 18.25 days in 2023. The subsequent drop shows that efforts are being made to improve payables management, while the increase may mean that payments are being held up.

Overall, Walton Group has shown that it is efficient in areas like average collection day, which shows that receivables are collected quickly. On the other hand, it's clear that the inventory processing day and asset turnover ratio need work. Increasing these measures of efficiency and making sure that operations continue to run smoothly can be seen as strategic actions.

4.1.4 Profitability Ratio

This ratio shows how much money the company can make and give back to its shareholders. It is an important way to figure out how profitable a business is. Let's examine the profitability ratios for Walton Group over the years 2019 to 2023:

Profitability Ratio					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Gross Profit Margin	38.85%	36.80%	36.35%	31.55%	34.30%
Operating Profit Margin	31.26%	37.94%	26.43%	20.53%	22.92%
Net Profit Margin	26.60%	17.68%	23.43%	14.89%	11.79%
Return on Assets (ROA)	13.31%	6.26%	12.11%	7.58%	5.33%
Return on Equity (ROE)	18.87%	9.09%	17.37%	12.00%	7.52%
Earnings Per Share (EPS)	45.90	24.21	54.28	40.15	25.83

Table 5: Profitability Ratio Analysis of Walton Group

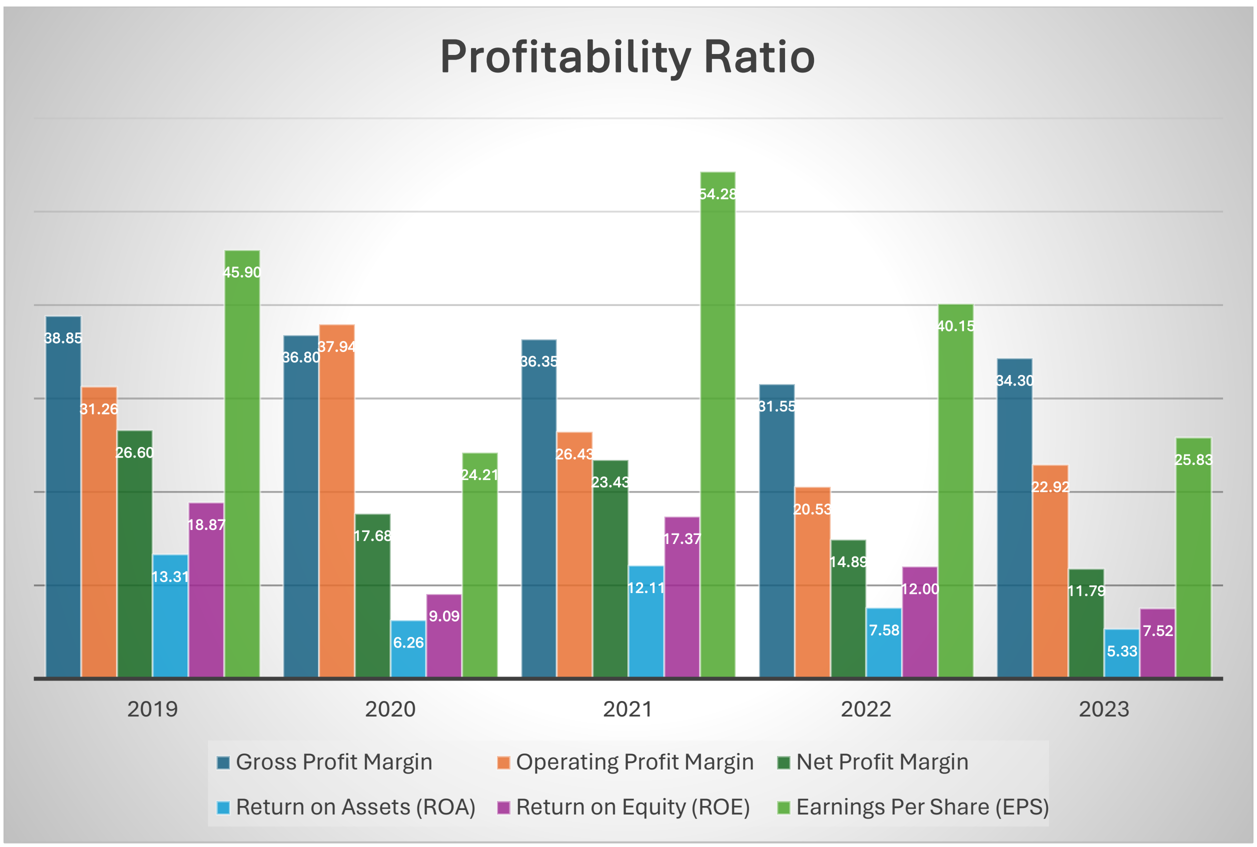

Figure 9: Profitability Ratio Analysis of Walton Group (Source: Own)

Walton Group's profitability ratios, which compare sales, assets, and equity, show how well the company has done over the years in terms of making money. The gross profit margin is the amount of money left over after the cost of goods sold is subtracted. It has changed over time. It went down to 31.55 percent in 2022 and then up a little to 34.30 percent in 2023. In 2019, it was 38.85 percent.

As there was a short-term drop in sales followed by a recent rise, it looks like pricing and cost-cutting measures may have been changed.

The operational profit margin went from 31.26 percent in 2019 to 37.94 percent in 2020. This shows that the company was better at keeping its operating costs down. But the next year, it went down to 20.53 percent, and the next year, it went up a little to 22.92 percent. This shows that operational efficiency is changing, so there needs to be strategic action to keep it stable and make it better.

The net profit margin has gone down from 26.60 percent in 2019 to 11.79 percent in 2023. This is because less of the sales are being kept as net income. This big drop shows that it will be hard to keep costs down and make a profit from sales. In the same way, the return on assets (ROA), which shows how well a business uses its assets to make money, dropped from 13.31% in 2019 to 5.333% in 2023.

The return on equity (ROE), which shows how well a company turns the money its shareholders put into profits, also went down. It went from 18.87 percent in 2019 to 7.52 percent in 2023. Because of this, it's clear that getting returns for shareholders isn't easy and that making the most of equity is very important.

Earnings per share (EPS) showed that the business was less profitable from 2019 to 2023, going from 45.90 to 25.83. This shows that over time, shareholders have seen their potential earnings go down per share.

In the end, Walton Group's profitability ratios have been all over the place. However, things have been getting better recently in some areas, such as the operating profit margin and the gross profit margin, which gives the company hope for even better profitability. When there are problems with net profit margin, ROA, and ROE, careful financial management and changes to the business's strategy are needed to keep and grow its profits.

4.1.5 Financial Risk/Leverage Ratio

Ratios that measure financial risk or leverage show how a company's capital is structured and how much debt it can pay back. The risk/leverage ratios for Walton Group's money from 2019 to 2023 are shown below.

Financial Risk/Leverage Ratio					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Debt-to-Equity Ratio	0.08	0.05	0.04	0.03	0.05
Interest Coverage Ratio	11.92	7.67	17.44	9.89	5.35
Debt Ratio	0.06	0.03	0.03	0.02	0.04
Equity Ratio	0.71	0.69	0.70	0.63	0.71

Table 6: Leverage Ratio Analysis of Walton Group

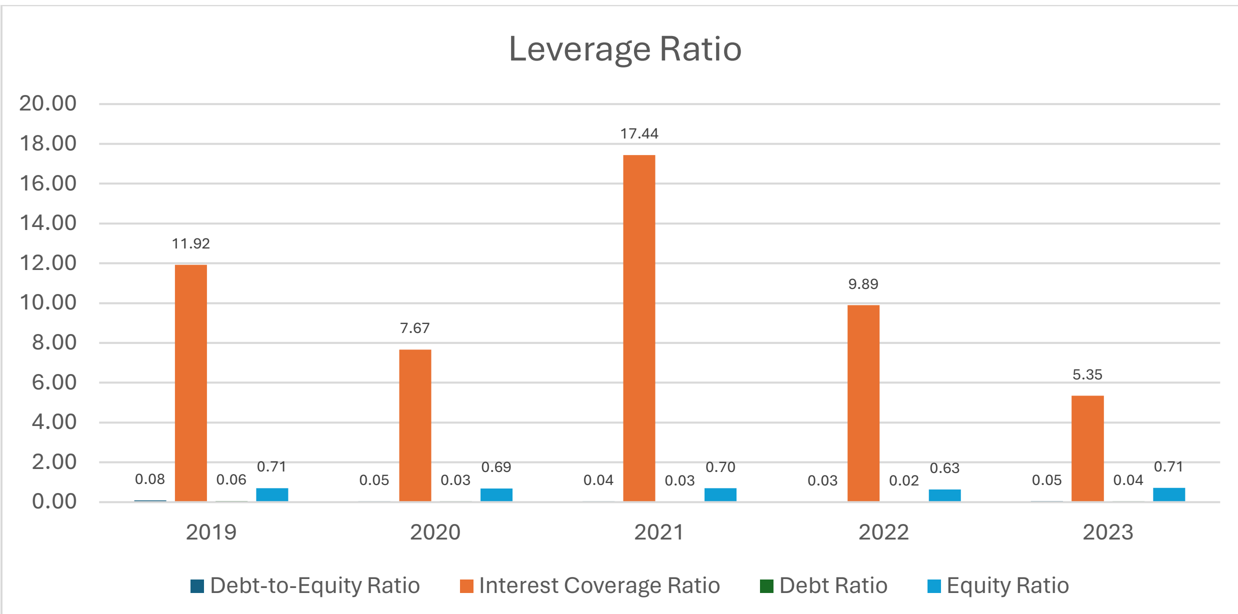

Figure 10: Leverage Ratio Analysis of Walton Group (Source: Own)

The financial risk/leverage ratios tell us a lot about Walton Group's capital structure, how it handles debt, and how well it covers interest costs. Walton Group always has a low debt-to-equity ratio, which shows how much debt the company uses to run its business compared to its equity. This ratio will be between 0.08 and 0.05 in 2023. The company is careful with debt, as shown by the fact that it relies on equity investments. This could mean that it is financially stable.

As time went on, the interest coverage ratio changed. This ratio shows how well an organisation can cover its interest costs with its operational income. Coverage stayed at a good level until 2023, when it dropped from 11.92 in 2019 to 5.35. As a result of this drop, people are more aware of how important it is to keep an eye on interest payments compared to income and the chance of higher financial risk.

From 2019 to 2023, Walton Group kept his debt ratio low enough to handle, going from 0.06 to 0.04. When compared to a company's assets, this ratio shows how much of its debt is paid off. This makes it even more important to be careful when dealing with debt.

The equity ratio, which shows how much of an asset's value is funded by equity, has stayed about the same over the years, moving between 0.63 and 0.71. There is a lot of reliance on equity capital, which is a sign of a strong financial situation.

Walton Group is careful with their debt management because they keep their debt-to-equity and debt ratios low by using a lot of debt. If, on the other hand, the interest coverage ratio goes down, the company needs to pay more attention to making sure it can pay its interest bills. With everything taken into account, the ratios show that the company's finances are stable and well-balanced.

4.2 Common Size Analysis

The common size analysis shows how different things in the financial statements compare to each other. It is one of the best ways to look at a company's finances. Using this method of analysis, each item in the income statement and the balance sheet is shown as a percentage of the total revenue and total assets. The following section will scrutinize the balance sheet and income statement through Common Size Analysis model in details.

4.2.1 Common Size Analysis of Balance Sheet

Walton Group Hi-Tech Industries Ltd Balance Sheet Common Size Analysis					
Particulars	**CSA 2019**	**CSA 2020**	**CSA 2021**	**CSA 2022**	**CSA 2023**
Cash & Short-Term Investments	2%	1.90%	4%	2%	3%
Cash Only	1%	1.40%	3%	2%	2%
Total Accounts Receivable	24%	20.30%	24%	26%	24%
Accounts Receivables, Net	24%	20.20%	24%	26%	24%
Accounts Receivables, Gross	24%	20.30%	24%	26%	24%
Accounts Receivable Growth		0.00%	0.00%	0.00%	0.00%
Accounts Receivable Turnover	0.00%	0.00%	0%	0%	0.00%
Inventories	13%	18.90%	18%	23%	18%
Finished Goods	4%	2.80%	3%	4%	3%
Work in Progress	0%	0.80%	1%	1%	1%
Raw Materials	9%	13.10%	10%	11%	9%
Progress Payments & Other		2.30%	4%	7%	5%
Other Current Assets	3%	3.60%	3%	3%	3%
Prepaid Expenses	2%	2.50%	2%	2%	2%
Miscellaneous Current Assets	2%	1.10%	1%	1%	1%
Total Current Assets	42%	44.70%	50%	54%	47%
Net Property, Plant & Equipment	57%	53.90%	48%	43%	50%
Property, Plant & Equipment - Gross	64%	61.30%	56%	51%	60%
Buildings	12%	11.30%	10%	10%	11%
Land & Improvements	35%	31.00%	27%	23%	26%
Machinery & Equipment	14%	14.30%	14%	13%	17%

Construction in Progress	2%	2.50%	2%	2%	3%
Computer Software and Equipment	0.25%	0.30%	0.26%	0.33%	0.37%
Transportation Equipment	1%	0.70%	1%	1%	1%
Other Property, Plant & Equipment	1%	1.20%	1%	1%	1%
Accumulated Depreciation	7%	7.30%	7%	7%	9%
Buildings	0%	0.70%	1%	1%	1%
Machinery & Equipment	5%	5.60%	6%	5%	7%
Total Investments and Advances	0.48%	0.50%	1%		
Other Long-Term Investments	0.48%	0.50%	1%		
Other Assets	1%	0.80%	1%	2%	2%
Tangible Other Assets	1%	0.80%	1%	2%	2%
Total Assets	100%	100%	100%	100%	100%

Table 7: Common Size Analysis of Walton Group's Balance Sheet

The CSA (Common Size Analysis) for Walton Group Hi-Tech Industries Ltd. shows how the company's finances have grown and changed in a way that makes sense. Inventory as a percentage of total assets is going down, accounts receivable as a percentage of total assets is staying the same, and the trend in cash and short-term investments is changing. If Net Property, Plant & Equipment is going down, it could mean that assets are being sold or worn out. A little rise is seen in a number of other long-term investments. In the end, the results shed light on the company's assets and suggest that investing strategies may need to be changed, which is in line with how the financial world is always changing.

4.2.2 Common Size Analysis of Income Statement

Walton Group Hi-Tech Industries Ltd Income Statement Common Size Analysis					
Particulars	**CSA 2019**	**CSA 2020**	**CSA 2021**	**CSA 2022**	**CSA 2023**
Sales/Revenue	100%	100%	100%	100%	100%
Cost of Goods Sold (COGS) incl. D&A	61%	63%	64%	68%	66%
COGS excluding D&A	59%	59%	61%	66%	62%
Depreciation & Amortization Expense	3%	4%	2%	2%	3%
Depreciation	3%	4%	2%	2%	3%
Gross Income	39%	37%	36%	32%	34%

Gross Profit Margin					0%
SG&A Expense	7%	11%	10%	11%	11%
Other SG&A	7%	11%	10%	11%	11%
EBIT	31%		26%	21%	23%
Non-Operating Income/Expense	0%	0%	0%	-3%	-7%
Non-Operating Interest Income	0%	0%	0%	0%	0%
Interest Expense	3%	5%	2%	2%	4%
Gross Interest Expense	3%	5%	2%	2%	4%
Pretax Income	29%	20%	25%	15%	12%
Pretax Income Growth		0%	0%	0%	0%
Income Tax	2%	3%	2%	0%	0%
Income Tax - Current Domestic	2%	2%	3%	0%	0%
Income Tax - Deferred Domestic	0%	1%	-1%	0%	0%
Consolidated Net Income	27%	18%	23%	15%	12%
Net Income	27%	18%	23%	15%	12%
Net Income After Extraordinaries	27%	18%	23%	15%	12%
Net Income Available to Common	27%	18%	23%	15%	12%
Basic Shares Outstanding	1%	1%	0%	0%	0%
EPS (Diluted)	0%	0%	0%	0%	0%
Diluted Shares Outstanding	1%	1%	0%	0%	0%
EBITDA	34%	30%	29%	23%	26%
EBIT	31%		26%	21%	23%

Table 8: Common Size Analysis of Walton Group's Income Statement

The Common Size Analysis (CSA) of Walton Group Ltd's income statement shows important financial indicators as a share of total sales or revenue. One important finding is that the Gross Profit Margin has gone down from 39% to 34%, which means that costs have gone up. Operating costs, especially SG&A, have stayed pretty steady over the years. The trend of EBIT going down from 31% to 23% shows that operating profitability has gone down.

4.3 Trend Analysis

The numbers for Walton Group Hi-Tech Industries Ltd's assets and income show a steady rise over the time periods that were looked at. The firm has good financial health and room to grow, as shown by the fact that its assets are getting more valuable. This rising trend, which comes from smart decision-making and good resource management, makes the company more stable and opens up growth opportunities. Investors and other stakeholders may like this pattern because it shows that the company can make and use its assets efficiently over time. The following part will discuss this in details.

4.3.1 Trend Analysis on Balance Sheet Item

Walton Group Hi-Tech Industries Ltd Trend Analysis Balance Sheet Asset Item					
Particulars	**2019**	**T 2020**	**T 2021**	**T 2022**	**T 2023**
Cash & Short-Term Investments	100%	121.40%	237%	75%	119%
Cash Only	100%	128.80%	243%	64%	134%
Cash & ST Investments / Total Assets	100%	107.90%	204%	63%	130%
Total Accounts Receivable	100%	96.00%	140%	127%	83%
Accounts Receivables, Net	100%	95.80%	140%	127%	83%
Accounts Receivables, Gross	100%	96.30%	140%	128%	84%
Bad Debt/Doubtful Accounts	100%	566.70%	131%	187%	269%
Other Receivables	100%	146.20%	112%	94%	117%
Accounts Receivable Growth	100%	0.00%	-1003%	68%	-63%
Accounts Receivable Turnover	100%	82.50%	122%	92%	98%
Inventories	100%	162.10%	110%	151%	71%
Finished Goods	100%	81.80%	115%	163%	69%
Work in Progress	100%	228.10%	111%	135%	89%
Raw Materials	100%	164.70%	93%	131%	71%
Progress Payments & Other	100%	0.00%	204%	200%	71%
Other Current Assets	100%	127.50%	112%	106%	81%
Prepaid Expenses	100%	178.10%	112%	96%	102%
Miscellaneous Current Assets	100%	78.00%	113%	126%	45%
Total Current Assets	100%	120.20%	129%	130%	80%
Net Property, Plant & Equipment	100%	105.80%	104%	106%	106%

Property, Plant & Equipment - Gross	100%	107.50%	106%	108%	108%
Buildings	100%	106.80%	106%	112%	101%
Land & Improvements	100%	100.90%	101%	103%	104%
Machinery & Equipment	100%	115.20%	116%	109%	117%
Construction in Progress	100%	184.20%	105%	125%	128%
Computer Software and Equipment	100%	120.30%	111%	150%	103%
Transportation Equipment	100%	111.30%	119%	115%	106%
Other Property, Plant & Equipment	100%	114.10%	117%	119%	109%
Accumulated Depreciation	100%	121.40%	119%	118%	116%
Buildings	100%	167.10%	142%	132%	126%
Machinery & Equipment	100%	117.40%	116%	116%	115%
Computer Software and Equipment	100%	122.60%	115%	119%	124%
Transportation Equipment	100%	122.80%	119%	116%	111%
Other Property, Plant & Equipment	100%	119.20%	114%	115%	116%
Total Investments and Advances	100%	120.40%	186%	0%	0%
Other Long-Term Investments	100%	120.40%	186%	0%	0%
Intangible Assets	100%	79.30%	57%	100%	146%
Net Other Intangibles	100%	79.30%	57%	100%	146%
Other Assets	100%	156.60%	102%	295%	94%
Tangible Other Assets	100%	156.60%	102%	295%	94%
Total Assets	100%	112.20%	117%	119%	92%

Table 9: Trend Analysis of Walton Group's Balance Sheet Asset Items

When looking at Walton Group Hi-Tech Industries Ltd's balance sheet and its listed assets, a number of important trends become clear. The company's cash and short-term investments have gone up and down a lot, with high points in 2021 and low points in 2022. After steadily going up until 2022, receivables suddenly went down in 2023. This could be a sign that lending rules have changed. Even though there was a big increase in 2020, inventories have been steadily going down ever since. In general, the value of long-term assets like property, plant, and equipment goes up over time. The number of intangible assets went up a lot in 2023. Walton Group's total assets have gone down compared to previous years in 2023, which shows that the company's assets have changed.

4.3.2 Trend Analysis on Income Statement Items

Walton Group Hi-Tech Industries Ltd Trend Analysis Income Statement					
Fiscal year is July-June. All values BDT Millions.	**2019**	**2020**	**2021**	**2022**	**2023**
Sales/Revenue	100%	79%	170%	117%	81%
Sales Growth	100%		-340%	24%	-112%
Cost of Goods Sold (COGS) incl. D&A	100%	82%	171%	126%	78%
COGS excluding D&A	100%	81%	176%	126%	77%
Depreciation & Amortization Expense	100%	115%	108%	114%	111%
Depreciation	100%	116%	109%	115%	111%
Amortization of Intangibles	100%	89%	75%	33%	125%
COGS Growth	100%		-397%	36%	-86%
Gross Income	100%	75%	168%	101%	88%
Gross Income Growth	100%		-275%	2%	-864%
SG&A Expense	100%	115%	155%	131%	84%
Research & Development	100%	64%	183%	91%	169%
Other SG&A	100%	116%	154%	132%	83%
SGA Growth	100%		359%	57%	-51%
Other Operating Expense	100%	76%	134%		
EBIT	100%			91%	91%
Unusual Expense	100%	328%	-146%	-29%	26%
Non Operating Income/Expense	100%	188%	-34%	-4893%	165%
Non-Operating Interest Income	100%	95%	112%	95%	40%
Interest Expense	100%	150%	52%	160%	168%
Interest Expense Growth	100%		-96%	-125%	113%
Gross Interest Expense	100%	150%	52%	160%	168%
Pretax Income	100%	56%	214%	69%	64%
Pretax Income Growth	100%		-261%	-27%	118%
Income Tax	100%	106%	133%	13%	26%
Income Tax - Current Domestic	100%	88%	289%	3%	74%
Income Tax - Deferred Domestic	100%	204%	-231%	-15%	-1%
Consolidated Net Income	100%	53%	226%	74%	64%
Net Income	100%	53%	226%	74%	64%
Net Income Growth	100%		-266%	-21%	138%
Net Income After Extraordinaries	100%	53%	226%	74%	64%
Net Income Available to Common	100%	53%	226%	74%	64%
EPS (Basic)	100%	53%	224%	74%	64%
EPS (Basic) Growth	100%		-262%	-21%	138%
Basic Shares Outstanding	100%	100%	101%	100%	100%
EPS (Diluted)	100%	53%	224%	74%	64%

EPS (Diluted) Growth	100%		-262%	-21%	138%
Diluted Shares Outstanding	100%	100%	101%	100%	100%
EBITDA	100%	69%	166%	93%	93%
EBITDA Growth	100%		-215%	-11%	98%
EBIT	100%			91%	91%

Table 10: Trend Analysis of Walton Group's Income Statement

The trend study of Walton Group Hi-Tech Industries Ltd.'s income statement shows that the company did pretty well over the years that were looked at, though there were some changes. After a meteoric rise in 2021, sales dropped sharply in 2022 and kept going down in 2023. The gross income and cost of goods sold both went down in 2022 and 2023. (COGS). Expenses for research and development and general and administrative running costs also changed, with a big jump in 2021. Overall, both EBIT and net income went up, though there was a lot of variation between years. The company has been able to weather many storms, which shows that its financial systems are strong and flexible.

Chapter 05

Findings, Recommendations and Conclusion

Chapter 5: Findings, Recommendations and Conclusions

Walton Group Ltd. has a lot of problems, some of which are changing financial leverage, inefficient operations, falling profits, and limited cash flow. These problems are looked at in more detail in this section. After the diagnostic phase, strategic recommendations are given that give useful information on how to fix the issues that were identified.

5.1 Findings

Total Assets Turnover: The trend of Walton Group reveals a minimal decrease between 2019 to 2023, suggesting that it has experienced the fewer ability of creating sales from its value assets.

Fixed Asset Turnover: The Fixed Asset Turnover Ratio of the Walton Group changes throughout years; it shows the inefficiency of the fixed assets in the process of making the income. Amazingly, there is a dip in the utilization of fixed assets by% for the period 2022-2023, which hints at an arising problem.

Asset Turnover Ratio: It should be noted that Walton Group's ratio bears a relatively stable image during the period as sales of the company grew in line with its assets. On the other hand, the marginal fall in 2023 as compared to 2021 indicates a need for focus on the core definition of productivity or improving the productivity precision.

Average Collection Day: In 2020, the average collection period of Walton company is 64 days, which keeps exactly the same as that of previous years, implying the excellent management of receivables and a relatively stable cash flow cycle.

Net Profit Margin: The Net Profit Margin is the part of the revenue that is after the cost of all the expenses have been taken out. Net profit margin of Walton Group from 2019 to 2023 is going down, which implies loss with high expenses and costs.

Return on Assets (ROA): ROA checks off the efficiency of the company in generating profits out of its assets. Return on asset (ROA) for Walton Group is on a decrease curve from year 2019 to year 2023, which signal a decrease in profitability relative to assets. This sequence implies that the problem may be due to a low usage of capital assets or a surge in cost that edge profitability.

Interest Coverage Ratio: Similar to Walton Group that experienced a fall in its ratio from the years 2019 to 2023, suggesting reduced earnings that are lacking to cover the interest expenses. This development indicates the economic vulnerability of the entity or is a sign that its revenue cannot keep up with the payments on the debt.

5.2 Recommendations of Walton Group Ltd.

Total Assets Turnover: Walton Corporation should pay attention to the ways of gaining sales profit from its existing assets by establishing its sales and marketing strategy. Performing in-depth assessments on asset efficiency will help in the identification of underperforming assets, while assets with the best productivity will benefit from the aspect. Another consideration in this context is the capital investments in technology and process improvements will reduce time and other kinds of costs faced during the entire operations and therefore, boosting the overall assets turnover ratio.

Fixed Asset Turnover: In order to respond to the swings in the Fixed Asset Turnover Ratio Walton Group should conduct a thorough review of its fixed assets aimed at investing funds in assets that may help optimize or sell those that are not really needed to the company. Implementing preventative maintenance programs allow for the assets having longer life expectancy and optimal performance. On the other hand, trying to discover other ways of space utilization or rental opportunities for idle assets will generate profit.

Asset Turnover Ratio: Walton Group can better their asset turnover ratio by doing a detailed job analysis of the company operations. The aim is to eliminate all the operational inefficiencies. The steps towards productivity enhancement and waste reduction ought to be strategically considered, which seeks to place more emphasis on investments that yield a higher return. Through the application of effective asset utilization and emphasis on revenue- generating arrangements Walton could turn its asset turnover ratio for the better and, as a result, obtain better financial performance.

Average Collection Day: It is integral to ensure the outstanding receivable collection management process and flow of funds remain steady. Towards this end, Walton Group should come up with a credit policy that would encourage prompt payment from customers. Automation of invoicing and payment reminders with technological means on a routine basis can help speed up the collection process. Incentives can be used to provide early payment or penalties to late payment, which again can have positive effects on the timely settlements of your accounts.

Net Profit Margin: For tackling the problem of reducing net profit margin, Walton Group should implement a comprehensive cost structure audit and look for opportunities to lower costs and improve productivity. Introducing actions to raise revenue like increasing products, entering new markets, will be a counterweight for the increasing expenses. However, consistent appraisal and alteration of the pricing policy is a must to keep pace with the competition and achieve the desired performance.

Return on Assets (ROA): One way the Walton Group can increase its return on assets is by maximizing the value of the capital assets through enhancements in management as well as strategic investments. Awareness of the cost reduction initiatives and efficiency improvement should be given a priority to achieve the profitability strikes.

Interest Coverage Ratio: Walton Group should focus on elevating profits and improving cash flow so that income is more than enough to cover interest charges. Displaying the possibilities of refinancing or negotiation with the creditors may bring about the interest payments decreasing and interest coverage ratio imporving. Adopting policies to get rid of high levels of debt, or working on the improvement of debt management practice would also be necessary in the reduction of economic risks and the improvement of financial stability.

5.4 Conclusion

Financial ratio analysis for Walton Group Ltd. shows how well the company runs its business and how healthy its finances are. From the liquidity ratios, we can see a mixed picture. Comparing the quick ratio to the current ratio shows how liquid the company is right now, while the current ratio shows how well the company can pay its short-term debts. The defensive interval ratio, on the other hand, shows that current assets are more than enough to cover operational costs. Inventory turnover and receivables turnover are two operational efficiency measures that can change. As shown by the fact that total asset turnover and equity turnover are both going down, it may not be easy to make good use of assets and equity to make money. If the asset turnover ratio goes down, it means that assets aren't being used to make money as well as they used to be. Based on accounts payable turnover and inventory processing days, there are big chances to improve inventory management and the efficiency of the payment cycle. Gross profit, operating profit, and net profit are all showing that profits are going down. Return on assets (ROA) and return on equity (ROE) are going down slowly but surely. This means that the money made from assets and equity is having a hard time. With a low debt-to-equity ratio and a reasonable interest coverage ratio, the financial leverage ratios show that the company is being cautious. The fact that the debt ratio and equity ratio have stayed about the same shows that the financial management is sound. Taking everything into account, Walton Group Ltd. has issues with managing its money, making its operations more efficient, and making a profit. Increasing profits, streamlining processes, and making the business more liquid should all be seen as strategic moves. To keep the business's finances in good shape and help it grow in the future, it will also be important to make the best use of assets and keep an eye on financial leverage. The group should deal with these problems in a complete way, focusing on both short-term fixes and long-term strategic plans. successfully.

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Appendices

Liquidity Ratio

Current Ratio					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Current Assets	43,198	51,917	67,091	87,415	69,531
Current Liabilities	23,371	30,826	36,202	54,864	35,411
Current Ratio	1.85	1.68	1.85	1.59	1.96

Quick Ratio					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Current Assets-Inventory	29,668	29,984	42,960	50,925	43,521
Current Liabilities	23,371	30,826	36,202	54,864	35,411
Quick Ratio	1.27	0.97	1.19	0.93	1.23

Cash Ratio					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Cash and Cash Equivalents	1,830	2,222	5,268	3,967	4,712
Current Liabilities	23,371	30,826	36,202	54,864	35,411
Cash Ratio	0.08	0.07	0.15	0.07	0.13

Defensive Interval Ratio					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Current Assets	43,198	51,917	67,091	87,415	69,531
Daily Operational Expense	2,786	2,895	2,000	2,500	2,100
Quick Ratio	15.51	17.93	33.55	34.97	33.11

Operating Efficiency Ratios

Inventory Turnover					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
COGS	31,657	25,962	44,520	55,909	43,605
Average Inventory	13,530	21,933	24,131	36,490	26,010
Inventory Turnover	2.34	1.18	1.84	1.53	1.68

Receivable Turnover					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Net Credit Sales	24,598	27,958	28,856	35,258	34859
Average A/R	24,458	24,433	32,828	41,864	35,503
Receivable Turnover	1.01	1.14	0.88	0.84	0.98

Total Asset Turnover					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Net Sales	51,773	41,079	69,950	81,682	66,374
Total Asset	103,479	116,123	135,319	160,439	146,823
Total Asset Turnover	0.50	0.35	0.52	0.51	0.45

Equity Turnover					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Net Sales	51,773	41,079	69,950	81,682	66,374
Total Equity	72,978	79,954	94,390	101,384	104,124
Equity Turnover	0.71	0.51	0.74	0.81	0.64

Current Asset Turnover					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Net Sales	51,773	41,079	69,950	81,682	66,374
Current Asset	43,198	51,917	67,091	87,415	69,531
Current Asset Turnover	1.20	0.79	1.04	0.93	0.95

Fixed Asset Turnover					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Net Sales	51,773	41,079	69,950	81,682	66,374
Total Fixed Asset	60,281	64,206	68,228	73,024	77,292
Fixed Asset Turnover	0.86	0.64	1.03	1.12	0.86

Efficiency Ratios/ Activity Ratios

Asset Turnover Ratio					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Net Sales	51,773	41,079	69,950	81,682	66,374
Total Asset	103,479	116,123	135,319	160,439	146,823
Asset Turnover Ratio	0.50	0.35	0.52	0.51	0.45

Average Collection Day					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
360	360	360	360	360	360
Accounts Receivable Turnover	24,458	24,433	32,828	41,864	35,503
Average Collection Day	0.01	0.01	0.01	0.01	0.01

Inventory Processing Day					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
360	360	360	360	360	360
Inventory Turnover	2.339763489	1.183695801	1.844929758	1.532173198	1.676470588
Inventory Processing Day	153.86	304.13	195.13	234.96	214.74

Accounts Payable Turnover					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
COGS	31,657	25,962	44,520	55,909	43,605
Average Accounts Payable	475	1,392	2,443	3,603	2,211
Accounts Payable Turnover	66.65	18.65	18.22	15.52	19.72

Payables Payment Day					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
360	360	360	360	360	360
Payables Turnover	66.64631579	18.65086207	18.2234957	15.51734666	19.72184532
Payables Payment Day	5.40	19.30	19.75	23.20	18.25

Profitability Ratio

Net Profit Margin					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Net Profit	13,771	7,264	16,392	12,166	7,827
Net Sales	51,773	41,079	69,950	81,682	66,374
Net Profit Margin	26.60	17.68	23.43	14.89	11.79

Return on Asset					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Net Income	13,771	7,264	16,392	12,166	7,827
Total Asset	103,479	116,123	135,319	160,439	146,823
Return on Asset	13.31	6.26	12.11	7.58	5.33

Return on Equity					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Net Income	13,771	7,264	16,392	12,166	7,827
Common Equity	72,978	79,954	94,390	101,384	104,124
Return on Equity	18.87	9.09	17.37	12.00	7.52

Gross Profit Margin					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Gross Profit	20,116	15,117	25,430	25,773	22,769
Sales	51,773	41,079	69,950	81,682	66,374
Gross Profit Margin	38.85	36.80	36.35	31.55	34.30

Operating Profit Margin					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Operating Profit	16,182	15,584	18,485	16,770	15,213
Sales	51,773	41,079	69,950	81,682	66,374
Operating Profit Margin	31.26	37.94	26.43	20.53	22.92

Earnings Per Share					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Net Income	13,771	7,264	16,392	12,166	7,827
Number of Shares Outstanding	300	300	302	303	303
Earnings Per Share	45.90	24.21	54.28	40.15	25.83

Financial Risk/Leverage Ratio

Debt to Equity Ratio					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Total Debt	6,195	3,944	3,414	2,774	5,340
Shareholder's Equity	72,978	79,954	94,390	101,384	104,124
Debt to Equity Ratio	0.08	0.05	0.04	0.03	0.05

Interest Coverage Ratio					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Earnings Before Interest and Tax(EBIT)	16,182	15,584	18,485	16,770	15,213
Interest Expense	1,357	2,032	1,060	1,695	2,843
Interest Coverage Ratio	11.92	7.67	17.44	9.89	5.35

Debt Ratio					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Total Debt	6,195	3,944	3,414	2,774	5,340
Total Asset	103,479	116,123	135,319	160,439	146,823
Debt Ratio	0.06	0.03	0.03	0.02	0.04

Equity Ratio					
Particular	**2019**	**2020**	**2021**	**2022**	**2023**
Total Equity	72,978	79,954	94,390	101,384	104,124
Total Asset	103,479	116,123	135,319	160,439	146,823
Equity Ratio	0.71	0.69	0.70	0.63	0.71