# Internship Report

# on

# Assessing the Financial Performance of Roxy Paints Limited


**Supervised By:**

**Professor Dr. Mostafa Kamal**

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

**Prepared By:**

**Ahsan Habib Rohan**

ID: 202-11-1174

Program: BBA, Major in Finance

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University


**Date of Submission: 17 December, 2024**

# Internship Report

# on

# Assessing the Financial Performance of Roxy Paints Limited

# Letter of Transmittal

Professor Dr. Mostafa Kamal
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

**Subject: Submission of Internship Report on "Assessing the Financial Performance of Roxy Paints Limited"**

Respected Sir,

I am pleased to submit my Internship Report titled "Assessing the Financial Performance of Roxy Paints Limited" in partial fulfillment of the requirements for the Bachelor of Business Administration (BBA) degree. This report is based on my internship experience at Roxy Paints Limited, where I analyzed the company's financial performance from 2019 to 2023 under the supervision of experienced finance professionals.

Through this report, I aimed to apply and expand upon the knowledge and skills acquired during my studies in finance, gaining practical insights into corporate financial analysis. I am sincerely grateful for your continuous support, guidance, and encouragement throughout this internship and report-writing process. I hope this report meets the expectations of the department. Please feel free to contact me if you require any further information or clarification on any aspect of this report.

Thank you once again for your guidance and support.

Sincerely Yours,

Rohan

**Ahsan Habib Rohan**
ID: 202-11-1174
Program: BBA, Major in Finance
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

# Certificate of Approval

This is to certify that the internship report titled **"Assessing the Financial Performance of Roxy Paints Limited"** has been submitted by **Ahsan Habib Rohan** (**Student ID: 202-11-1174**), a student of Bachelor of Business Administration (BBA) in the Department of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University. This report is submitted in partial fulfillment of the requirements for the degree of Bachelor of Business Administration (BBA) with a major in Finance.

He has done his internship at Roxy Paints Limited and he has assembled his internship report under my supervision. His specific topic is ""Assessing the Financial Performance of Roxy Paints Limited". The details presented in this internship report made to be original. As a result, the internship report has been granted for presentation in the internship defense.

**Professor Dr. Mostafa Kamal**
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University
E-mail: m.kamal@daffodilvarsity.edu.bd

# Declaration

I, **Ahsan Habib Rohan**, Student ID: **202-11-1174**, hereby declare that the internship report titled **"Assessing the Financial Performance of Roxy Paints Limited"** has been prepared based on my internship experience at Roxy Paints Limited and is submitted as a requirement for the completion of my Bachelor of Business Administration (BBA) degree at Daffodil International University.

I affirm that this report is my original work and has not been submitted to any other institution or authority for any degree or qualification. I have made every effort to ensure the accuracy of the data and information presented, and any borrowed content has been properly cited and referenced in accordance with academic guidelines.

Rohan

**Ahsan Habib Rohan**
ID: 202-11-1174
Program: BBA, Major in Finance
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

# Acknowledgement

I would like to express my heartfelt gratitude to everyone who contributed to the successful completion of this internship report. First and foremost, I would like to thank Dr. Mostafa Kamal, my academic supervisor at Daffodil International University, for his continuous guidance, encouragement, and invaluable feedback throughout my internship and while writing this report. His expertise and insightful suggestions were instrumental in shaping the quality of this work.

I also extend my sincere thanks to the management and staff of Roxy Paints Limited for providing me with the opportunity to intern at their esteemed organization. Special thanks to the finance department, where I was able to gain practical insights into financial analysis, performance metrics, and operations management. The knowledge I gained from working alongside experienced professionals has been invaluable in understanding the dynamics of corporate finance in the real world.

I am particularly grateful to the entire team for their warmth, cooperation, and willingness to share their expertise. The work environment at Roxy Paints Limited was both nurturing and supportive, which greatly contributed to my learning experience.

Additionally, I would like to thank my family and friends for their unceasing support and encouragement throughout my academic journey, as well as during this internship. Their understanding and motivation allowed me to stay focused and committed to my goals.

Lastly, I acknowledge the entire faculty of the Department of Business Administration, Faculty of Business & Entrepreneurship at Daffodil International University for their continuous support, which helped me achieve this academic milestone.

I am deeply thankful to everyone who contributed in any way to the successful completion of my internship report.

# Executive Summary

This report, titled **"Assessing the Financial Performance of Roxy Paints Limited,"** evaluates the company's financial performance over the five-year period from 2019 to 2023. The report focuses on key financial metrics, including liquidity, leverage, profitability, efficiency, and capital adequacy, to assess Roxy Paints' ability to maintain financial stability while supporting its growth strategies in a competitive market.

The analysis reveals a generally stable but declining liquidity position, with key ratios such as the Current Ratio falling from 1.67 in 2019 to 1.50 in 2023. Although the company can still meet short-term obligations, the decline suggests a need for more effective liquidity management. The leverage analysis shows an increased reliance on debt, as seen in the rise of the Debt-to-Equity Ratio from 0.67 in 2019 to 0.80 in 2023, indicating a higher financial risk that could impact future growth if not addressed.

Profitability trends show a mixed performance. The Net Profit Margin has remained relatively stable, though profitability has slightly decreased in recent years, pointing to challenges in cost control and revenue generation. Additionally, the company's Return on Equity (ROE) and Return on Assets (ROA) indicate solid returns, but these metrics have also seen slight declines, suggesting the need for better asset utilization and efficiency.

The report highlights strengths in Roxy Paints' tax and operating efficiency, showing improvements over time, but operational efficiency still poses some challenges. Capital adequacy remains solid, although the slight decline in the Core Capital Ratio from 38.5% in 2019 to 35.5% in 2023 suggests that bolstering capital is essential to maintaining stability.

In conclusion, while Roxy Paints Limited has demonstrated solid overall financial performance, key areas of concern include declining liquidity and increased reliance on debt financing. The report offers strategic recommendations aimed at improving liquidity management, optimizing cost controls, and reinforcing the company's capital base to ensure long-term sustainability and competitiveness in the marketplace.

# Table of Contents

# Chapter-01: Introduction of The Report

## 1.1: Introduction

This report, titled "Assessing the Financial Performance of Roxy Paints Limited", is based on my internship experience at Roxy Paints Limited, a leading company in the paint manufacturing industry in Bangladesh. The purpose of this report is to evaluate the company's financial performance over the last five years (2019-2023) using a range of financial ratios and tools. By examining the company's financial statements and applying concepts learned during my Bachelor of Business Administration (BBA) studies, this report aims to provide a comprehensive analysis of Roxy Paints' financial health and identify areas that could benefit from improvement.

The focus of the report is to assess the company's financial condition through the use of financial performance ratios. By performing a detailed ratio analysis, the report will highlight how effectively the company has managed its resources, generated profit, and maintained its financial stability over the past five years.

The financial performance of a company is critical to its long-term success, as it influences the company's ability to attract investors, secure financing, and make strategic decisions. A thorough evaluation of financial performance not only helps management identify strengths and weaknesses in the company's financial practices but also enables stakeholders to make informed decisions regarding investments or partnerships. Understanding these aspects of financial performance is crucial for anyone pursuing a career in finance, and this report aims to bridge the gap between academic knowledge and practical application in a corporate setting.

Furthermore, the study also aims to identify challenges that may have impacted Roxy Paints Limited's financial performance and provide recommendations on how these issues can be addressed. By analyzing trends in financial ratios and interpreting the findings within the context of the company's operations, market environment, and industry standards, the report will offer insights into the financial decision-making processes of Roxy Paints Limited.

## 1.2: Background of the Study

As part of my Bachelor of Business Administration (BBA) program at Daffodil International University, I was required to complete an internship in order to gain practical experience in the field of business and finance. My internship was conducted at Roxy Paints Limited, a leading paint manufacturing company in Bangladesh. Under the guidance of my supervisor, Dr. Mostafa Kamal, I had the opportunity to delve into the financial operations of the company, with a particular focus on assessing its financial performance over a span of five years (2019-2023).

During my internship, I explored various aspects of the company's financial health, including its profitability, liquidity, and overall financial stability. The primary objective was to apply the theoretical knowledge and financial analysis tools I had learned during my studies to real-world scenarios. This included analyzing key financial statements, calculating financial ratios, and assessing the company’s financial decision-making process.

The hands-on experience provided me with a deeper understanding of how financial performance impacts business operations and strategic decision-making. It allowed me to observe the intricate link between financial data and business success, and how management uses this data to drive business growth and sustainability. By working closely with the finance team, I was able to gain insight into how financial strategies are devised, implemented, and reviewed over time, which was essential in my comprehensive assessment of Roxy Paints' financial condition.

This internship experience was not only an academic requirement but also a significant step in my professional development, providing me with valuable exposure to financial management practices in a competitive business environment. It has greatly enhanced my understanding of the dynamics of financial performance evaluation and has allowed me to bridge the gap between classroom learning and real-world application.

## 1.3: Scope of the Study

This study focuses on the financial performance of Roxy Paints Limited over the last five years (2019-2023). The analysis is primarily concerned with evaluating the company's profitability, liquidity, financial stability, and operational efficiency. Financial ratios will be used as key tools to assess the performance of the company across these areas. The report will examine key financial statements, including the income statement, balance sheet, and cash flow statement, and interpret the data to identify trends and potential issues in the company's financial health. Furthermore, the study will suggest practical recommendations aimed at addressing any financial challenges identified during the analysis.

## 1.4: Objectives of the study

### 1.4.1: General Objective

The general objective of this study is to evaluate Roxy Paints Limited's financial performance and strategies through financial analysis and practical insights.

### 1.4.2: Specific Objectives

The specific objectives of this study are as follows:

1. To know the operations management and financial conditions of Roxy Paints Limited.
2. To assess the financial performance over the past five years using financial ratios.
3. To identify problems related to the financial performance of Roxy Paints Limited based on the analysis of the financial data.
4. To provide recommendations for improving the company's financial performance, addressing identified challenges.

## 1.5: Methodology of the Study

This study is based on a qualitative approach, utilizing secondary data obtained from Roxy Paints Limited's annual reports, financial statements, and other publicly available financial documents. The financial performance assessment is conducted using ratio analysis to measure profitability, liquidity, and efficiency. Additionally, the study involves an interpretive analysis of the trends, patterns, and key financial indicators in the company's financial statements over the past five years.

The analysis also involves reviewing relevant academic literature, industry reports, and financial tools to support the evaluation and recommendations. No primary data collection methods, such as surveys or interviews, were used for this report.

## 1.6: Sources of Data Collection

For the analysis presented in this report, data was primarily collected from secondary sources. These sources provided the necessary financial data and information to evaluate the financial performance of Roxy Paints Limited.

- **Primary Source:** As no primary data collection methods such as surveys or interviews were employed in this study, there are no primary sources involved.
- **Secondary Source:** The main sources of data include Roxy Paints Limited's financial statements and annual reports. These documents provided essential information such as the income statement, balance sheet, and cash flow statement, which were analyzed to assess the company's financial performance. The data from these reports reflects the company's financial position, profitability, and operational efficiency over a five-year period (2019-2023). Additional secondary sources such as industry reports and financial analysis tools were also referenced to support the interpretation of Roxy Paints' financial data within the broader context of the paint industry and market conditions.

## 1.7: Method of Data Collection

Data for this report was collected through the review of publicly available financial reports and official documents provided by Roxy Paints Limited. This includes accessing annual reports, financial statements, and other relevant documents that contain information on the company's financial performance. These reports were used to extract key financial figures and ratios for analysis.

## 1.8: Target Population

The target population for this study consists of the financial data of Roxy Paints Limited over a five-year period (2019-2023). The data analyzed includes financial statements, reports, and financial ratios, which reflect the company's overall performance during this period. Since the study focuses on the company's internal financial health, the target population is limited to the financial performance metrics of the organization.

## 1.9: Sample Size

The sample size for this report includes five years of financial data (2019-2023) from Roxy Paints Limited. These years were selected to provide a comprehensive view of the company's financial performance, enabling a comparison across different periods to identify trends and shifts in financial performance.

## 1.10: Sampling Method

The sampling method used for this study is **non-probability sampling**, specifically based on the availability of secondary data. Since the primary focus of the study was to assess historical financial performance, the data was selected from the available financial statements for the past five years (2019-2023) as published by the company.

## 1.11: Limitations of the Study

While this study aims to provide a comprehensive analysis of Roxy Paints Limited's financial performance, several limitations must be acknowledged:

1. **Data Limitations**: The analysis relies solely on secondary data available from the company's financial reports. The accuracy of the data is dependent on the integrity and transparency of the company's financial disclosures.
2. **No Primary Data**: No primary data was collected through surveys, interviews, or observations. As a result, the study may not fully capture the perspectives of employees or stakeholders.
3. **Limited Scope**: The focus of the study is strictly on financial performance, excluding operational or non-financial aspects of the company. This means that other influencing factors, such as market conditions or strategic decisions, were not considered in detail.
4. **Time Constraints**: Due to time limitations, the report could not explore deeper aspects of financial performance or long-term trends beyond the five-year window.

# Chapter-02: Overview of Roxy Paints Limited

## 2.1: Introduction of the Company

Roxy Paints Limited is a renowned paint manufacturer based in Bangladesh, established with the objective of providing high-quality, durable, and aesthetically pleasing paint products for both residential and industrial applications. Since its inception, Roxy Paints has carved out a significant niche in the Bangladesh paint industry, developing a reputation for excellence in product quality and customer service. Over the years, the company has become a trusted name, both domestically and internationally, offering an extensive range of products designed to meet the diverse needs of various sectors, including construction, automotive, and interior décor.

Roxy Paints operates with a strong commitment to innovation, constantly advancing its product lines to incorporate the latest technological developments and environmental considerations. The company is known for its robust research and development (R&D) initiatives, ensuring that each product meets international standards in both performance and sustainability. This focus on innovation and quality has helped Roxy Paints maintain a competitive edge in the market, allowing it to expand beyond Bangladesh and reach international markets, particularly in South Asia and the Middle East.

Roxy Paints' success is driven by its ability to consistently deliver products that not only meet but exceed customer expectations. By integrating eco-friendly practices into their operations and offering sustainable solutions such as low-VOC and water-based paints, Roxy Paints has been able to align its business practices with the growing demand for environmentally conscious products. The company's strong manufacturing capabilities, cutting-edge technology, and customer-focused approach have positioned it as a leader in the Bangladesh paint industry.

In terms of operations, Roxy Paints maintains state-of-the-art production facilities in Dhaka and Chattogram, both of which are equipped with the latest machinery to ensure high-quality production processes. These facilities are supported by a solid supply chain management system that allows Roxy Paints to deliver products efficiently, both within Bangladesh and internationally.

Roxy Paints is not only known for its high-performance paints but also for its commitment to offering a wide range of products tailored to different customer needs. Whether it’s for residential properties, commercial buildings, or specialized industrial applications, Roxy Paints delivers products that ensure long-lasting results and customer satisfaction. Their paint products are designed to withstand harsh environmental conditions, providing durability, vibrant colors, and protective coatings that enhance the longevity of surfaces.

The company’s vision of becoming a globally recognized brand is supported by its emphasis on continuous improvement, customer engagement, and a growing network of international partnerships. As Roxy Paints moves forward, it continues to focus on maintaining high-quality standards, expanding its market share, and pursuing new opportunities for growth in both local and global markets.

## 2.2: Mission and Vision of Roxy Paints Limited

### 2.2.1: Mission

Roxy Paints strives to provide customers with innovative, high-quality paint products that enhance the beauty and longevity of the surfaces they cover. The company's mission is centered around customer satisfaction, sustainability, and continuous improvement. Roxy Paints aims to maintain a leadership position in the paint industry by embracing technological advancements, improving product quality, and expanding its market presence both domestically and internationally.

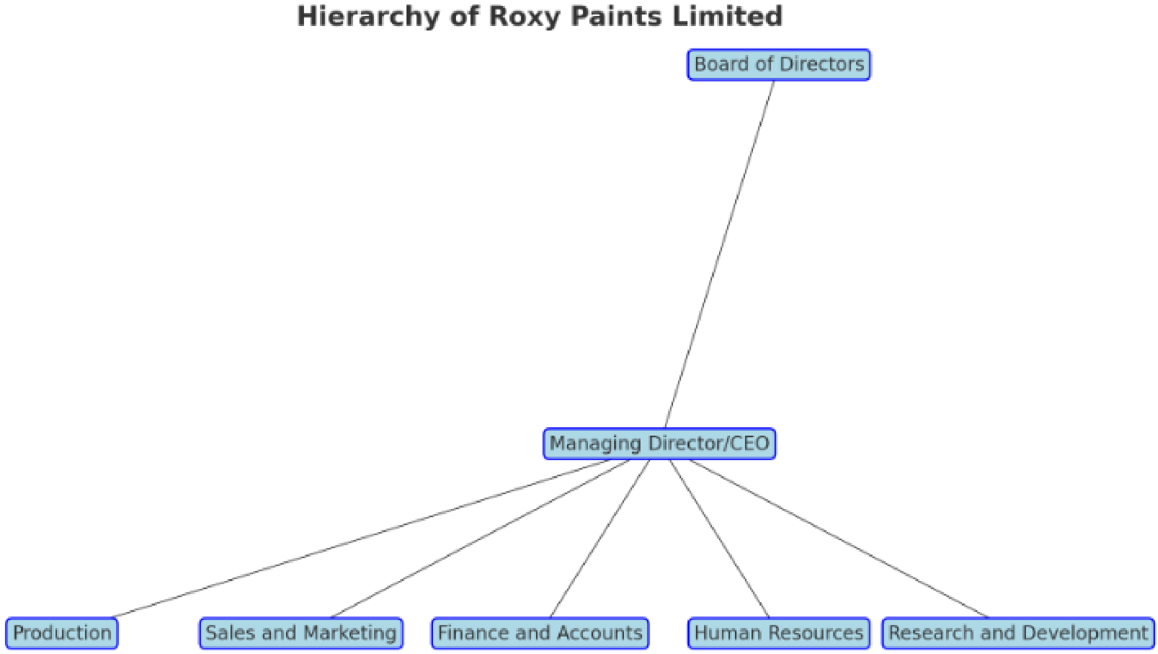
### 2.2.2: Vision

Roxy Paints envisions becoming a globally recognized leader in the paint industry, known for its commitment to innovation, sustainability, and customer satisfaction. The company seeks to expand its operations internationally, leveraging its strong brand reputation and high-quality product offerings to reach new markets. Roxy Paints also aims to continue its efforts in providing eco-friendly and sustainable solutions, helping to preserve the environment for future generations.

## 2.3: Objectives of Roxy Paints Limited

- ✓ **Leadership in Quality**: Roxy Paints aims to be the top choice for customers by consistently offering superior products that meet international quality standards.
- ✓ **Market Expansion**: The company is focused on increasing its market share both within Bangladesh and internationally by targeting new geographical markets and customer segments.
- ✓ **Product Innovation**: Roxy Paints seeks to continually innovate its product range, introducing eco-friendly, high-performance coatings that cater to a variety of customer needs.
- ✓ **Sustainability and Eco-Friendliness**: Roxy Paints strives to reduce its environmental impact by using sustainable production methods and offering eco-friendly products that help protect the environment.
- ✓ **Customer-Centric Services**: The company prioritizes customer satisfaction by providing exceptional service, timely deliveries, and tailored solutions to meet the specific needs of its clients.

## 2.4: Hierarchy of Roxy Paints Limited




## 2.5: Government Affiliation

Roxy Paints Limited complies with all relevant government regulations and standards set by local and national authorities. The company is affiliated with the Bangladesh Standards and Testing Institution (BSTI), which sets the quality benchmarks for industrial products, including paints. The company also adheres to environmental regulations imposed by the Department of Environment (DoE) to minimize its environmental footprint. Additionally, Roxy Paints complies with Bangladesh National Building Code (BNBC) for the formulation and application of building paints, ensuring that their products are safe and durable for construction purposes.

## 2.6: Global Partners

Roxy Paints has strategically partnered with global suppliers to source high-quality raw materials, which include pigments, resins, and other essential ingredients for paint production. These partnerships allow the company to access the latest technological advancements and premium-quality materials that contribute to the superior performance of its products. Roxy Paints is also engaged in partnerships with global distributors to reach international markets, particularly in the Middle East and South Asia.

Furthermore, the company has built relationships with international paint manufacturers for knowledge exchange and collaboration in developing new product formulations and expanding market reach.

## 2.7: Infrastructural Strength

Roxy Paints operates state-of-the-art manufacturing facilities located in Dhaka and Chattogram. These facilities are equipped with modern technology to ensure efficient production, quality control, and adherence to international standards. The company has invested heavily in automated machinery, which allows for large-scale production with consistent quality. Additionally, the company's logistics infrastructure supports an efficient supply chain, ensuring that products are delivered on time to customers both in Bangladesh and internationally.

Roxy Paints also places significant emphasis on research and development (R&D). The company has dedicated R&D labs where new paint formulations, finishes, and eco-friendly products are developed and tested to meet the evolving needs of the market.

## 2.8: Core Values for the Customers

Roxy Paints has built its brand on core values that focus on customer satisfaction, product quality, and environmental responsibility:

1. **Quality Assurance**: Delivering products that exceed customer expectations for durability, finish, and performance.
2. **Sustainability**: Commitment to environmentally friendly practices in product development and production.
3. **Customer Focus**: Prioritizing customer satisfaction through reliable services, customized solutions, and strong post-sales support.
4. **Innovation**: Constantly striving to create new and improved products that keep pace with industry trends and consumer demands.
5. **Integrity**: Operating with transparency and honesty, fostering trust with customers and stakeholders.

## 2.9: Chronological Achievements of Roxy Paints Limited

- **1984**: Company established and began local production of decorative paints.
- **1995**: Expanded product line to include industrial coatings and expanded distribution to other regions of Bangladesh.
- **2005**: Launched the first range of eco-friendly paints, positioning Roxy Paints as an environmentally responsible brand.
- **2010**: Increased production capacity by opening a new manufacturing facility in **Chattogram**.
- **2015**: Expanded exports to neighboring countries such as India and Sri Lanka.
- **2020**: Recognized with the Green Award for sustainable practices and product development.
- **2023**: Roxy Paints achieved ISO 9001 certification for its commitment to quality management systems.

# Chapter-03: Theoretical Analysis

## 3.1: Overview of Operational Management

Roxy Paints Limited's operational management framework is structured to streamline every facet of the production and distribution process, aligning closely with the company's mission to provide high-quality, innovative paint products while maintaining cost efficiency. This department oversees key areas such as resource allocation, production scheduling, and workforce management to maximize output and minimize downtime. Each operational unit is guided by a set of performance benchmarks designed to maintain Roxy Paints' competitive edge and operational reliability.

- **Strategic Goals and Planning**: Roxy Paints aims to expand its market share by consistently delivering high-quality products while maintaining competitive pricing. Strategic goals include improving production efficiency, reducing environmental impact, and enhancing customer satisfaction.
- **Core Departments**:
  - **Production**: Manages day-to-day manufacturing processes, quality control, and maintenance of production lines.
  - **Marketing and Sales**: Focuses on market expansion, brand visibility, and customer engagement.
  - **Finance**: Ensures sustainable growth through budgeting, financial analysis, and resource allocation.
  - **R&D**: Develops new products and improves existing formulas to meet customer needs and industry standards.

## 3.2: Production and Manufacturing Processes

Roxy Paints utilizes a modernized, technology-driven approach to production that emphasizes efficiency, quality, and sustainability. The company operates advanced production facilities equipped with automated systems that facilitate precise color mixing, quality testing, and packaging, thereby ensuring product consistency across batches.

- **Production Facilities**: With multiple manufacturing units located strategically in industrial zones, Roxy Paints benefits from proximity to suppliers and distribution channels, reducing transportation costs and delivery times.

- **Technology Integration**:
  - **Automated Mixing**: Ensures consistency in color and texture across large batches.
  - **Quality Assurance Systems**: Roxy Paints has installed checkpoints across each production stage, starting from raw material inspection to final product testing, ensuring adherence to both national and international quality standards.
- **Environmental Considerations**:
  - **Eco-Friendly Processes**: The company employs waste-reduction measures, such as recycling excess materials, to reduce environmental impact.
  - **Emission Controls**: In compliance with regulatory standards, Roxy Paints has implemented emission controls to minimize environmental footprint.

## 3.3: Supply Chain and Inventory Management

Roxy Paints manages an integrated supply chain that enables seamless coordination between suppliers, manufacturers, and distributors. Effective inventory management practices ensure that the company can meet customer demand without incurring excessive holding costs.

- **Supplier Relationships**: Roxy Paints sources high-quality pigments, resins, and other materials from reliable domestic and international suppliers. Long-term partnerships with suppliers help mitigate risks associated with supply chain disruptions.
- **Inventory Management**:
  - **Real-Time Tracking**: The company uses an inventory management system that provides real-time updates on stock levels, helping prevent both shortages and excess inventory.
  - **Demand Forecasting**: Advanced forecasting tools are used to anticipate demand, especially during peak seasons, allowing for efficient planning of production and inventory.
- **Distribution Network**:
  - **Warehouses**: A network of regional warehouses enables Roxy Paints to distribute products efficiently across Bangladesh.

- **Logistics Optimization**: The company collaborates with logistics providers to minimize transportation costs and reduce delivery times.

## 3.4: Financial Overview and Budgeting

Financial management is central to Roxy Paints' ability to sustain growth, invest in innovation, and maintain a competitive position in the paint industry. The company's finance department oversees budgeting, financial reporting, and cost management, ensuring that resources are allocated effectively.

- **Budgeting Process**: An annual budgeting exercise aligns departmental expenditures with the company's strategic goals. This includes allocating funds for production, marketing, R&D, and CSR initiatives.
- **Capital Investment**: Decisions on major capital investments, such as new machinery or facility upgrades, follow a structured evaluation process to ensure financial sustainability.
    - ✓ **Cost Management**: The finance team continuously monitors production and operational costs, identifying areas for savings without compromising quality.
    - ✓ **Financial Analysis**: Regular financial ratio analysis is conducted to evaluate profitability, liquidity, and operational efficiency, enabling informed decision-making.

## 3.5: Pricing Strategies and Cost Management

Pricing strategies and cost management are critical components of Roxy Paints Limited's financial performance and competitive positioning in the market. The company operates in a highly competitive sector where the cost of raw materials, production efficiency, and market demand significantly influence its pricing decisions. Here's a breakdown of how Roxy Paints approaches both pricing and cost management:

**Pricing Strategies of Roxy Paints Limited**

Pricing is a key aspect of Roxy Paints' overall business strategy. The company utilizes a mix of different pricing strategies to ensure it remains competitive, attracts customers, and maintains healthy profit margins. The main pricing strategies employed by Roxy Paints include:

1. **Cost-Plus Pricing**: Roxy Paints generally uses a cost-plus pricing strategy, where the selling price of its products is determined by adding a standard markup to the cost of production. This strategy ensures that the company covers its costs and achieves a desired profit margin. This approach helps manage pricing stability across the company's broad range of products.

2. **Market Penetration Pricing**: In some cases, Roxy Paints may adopt a market penetration strategy for new products or when entering new geographic markets. This involves setting lower initial prices to attract customers, build brand loyalty, and increase market share. Once a sufficient customer base is established, the company may gradually raise prices without losing customer loyalty.

3. **Premium Pricing**: For certain premium-quality products such as high-end architectural coatings or specialty paints, Roxy Paints may use a premium pricing strategy. These products offer superior performance, durability, or unique features, which justify higher pricing. The premium pricing not only reflects the superior quality of the product but also helps the company position itself as a market leader in innovation.

4. **Value-Based Pricing**: Roxy Paints also employs value-based pricing, particularly for products that offer specific benefits like eco-friendliness, low VOC content, or anti-mold properties. Customers are willing to pay a higher price for products that contribute to their long-term well-being or align with their environmental values. By aligning the product's value with consumer perception, the company ensures that it can charge a premium.

5. **Geographical Pricing**: Pricing for Roxy Paints' products may vary depending on geographic location. This strategy takes into account regional factors such as the local cost of living, competition, and transportation costs. For example, products in urban centers may be priced higher due to greater demand and logistical costs.

**Cost Management at Roxy Paints Limited**

Effective cost management ensures that Roxy Paints maintains profitability while keeping product prices competitive. The company uses a combination of strategies to control costs across its manufacturing and operational processes. These strategies include:

1. **Raw Material Procurement**: Raw material costs, particularly for pigments, chemicals, and resins, represent a significant portion of the overall production cost. Roxy Paints focuses on establishing long-term contracts with suppliers to ensure consistent quality and competitive pricing. The company often negotiates bulk purchasing agreements and strategically sources materials to avoid price fluctuations in raw materials. The use of local suppliers for certain ingredients helps reduce logistics costs, while also supporting the local economy.

2. **Manufacturing Efficiency**: Roxy Paints continuously strives to improve manufacturing processes through the implementation of lean manufacturing techniques. By minimizing waste, improving workflow efficiency, and investing in state-of-the-art production technologies, the company keeps production costs under control while maintaining high product quality. The adoption of **automation** in certain areas also contributes to reducing labor costs and enhancing production speed.

3. **Energy and Resource Management**: As a company with a significant manufacturing operation, Roxy Paints pays close attention to energy consumption and resource management. The company has implemented energy-efficient measures, such as energy-saving equipment and processes, to reduce utility costs. The use of renewable energy sources in production also supports Roxy Paints' sustainability goals and minimizes the impact of energy price fluctuations.

4. **Outsourcing and Subcontracting**: In some cases, Roxy Paints outsources non-core functions such as packaging, logistics, and even certain manufacturing processes. Outsourcing allows the company to focus on its core competencies while leveraging the cost advantages of specialized contractors who can perform these tasks more efficiently and at lower costs.

5. **Cost-Effective Distribution Channels**: The company constantly reviews its distribution network to optimize transportation and logistics costs. By using a centralized distribution system and maintaining strong relationships with retail and

wholesale partners, Roxy Paints can minimize warehousing costs and reduce the transportation expenses associated with product delivery.

6. **Inventory Management**: Roxy Paints employs just-in-time inventory management to reduce the costs of holding large amounts of stock. This strategy minimizes warehouse costs and ensures that raw materials and finished goods are available when needed, without tying up capital in excess inventory. Additionally, it helps reduce the risk of inventory obsolescence, particularly for time-sensitive products like certain specialty paints.
7. **Cost Control Measures**: Regular audits and performance reviews help Roxy Paints identify areas where cost-cutting measures can be applied without compromising quality. For example, a thorough review of the supply chain and production processes may reveal opportunities for renegotiating supplier contracts or streamlining operations to further reduce costs.
8. **Sustainability and Environmental Management**: As part of its cost management strategy, Roxy Paints also incorporates sustainability initiatives that reduce long-term environmental costs. By implementing eco-friendly production processes and developing low-VOC paints, the company not only meets regulatory requirements but also reduces potential future costs related to environmental fines or waste disposal.

## 3.6: Research and Development Initiatives

Innovation is integral to Roxy Paints' strategy for staying ahead in the paint industry. The company's R&D team works to develop new products, enhance existing formulas, and explore sustainable alternatives to traditional paint components.

- **Focus Areas in R&D**:
    - **Eco-Friendly Products**: Development of low-VOC and non-toxic paints aligns with growing consumer demand for environmentally friendly products.
    - **Technology Integration**: Advanced color-matching and application technologies ensure consistency and meet diverse customer requirements.

- **Collaborative Research**: Partnerships with universities and industry research bodies support the development of innovative products and best practices in paint manufacturing.

## 3.7: Risk Management and Compliance

Roxy Paints takes a proactive approach to risk management and compliance, identifying and mitigating potential risks that could disrupt operations or affect brand reputation.

- **Risk Assessment**: Regular assessments are conducted to identify risks related to supply chain stability, regulatory compliance, and financial stability.
- **Regulatory Compliance**: The company adheres to local and international regulations regarding product safety, environmental protection, and employee safety.

## 3.8: Sustainability and Corporate Social Responsibility (CSR) Initiatives

Sustainability and CSR are embedded in Roxy Paints' corporate values. The company is committed to reducing its environmental impact and giving back to the community.

- **Environmental Initiatives**:
  - ✓ **Eco-Friendly Products**: The development of low-emission paints reflects the company's commitment to environmental sustainability.
  - ✓ **Waste Reduction**: Roxy Paints recycles manufacturing waste and employs energy-efficient technologies in its facilities.
- **Community Engagement**: The company sponsors local community projects, including educational programs and environmental clean-ups, strengthening its connection with local communities.

### 3.9: Products of Roxy Paints Limited

Roxy Paints Limited offers an extensive range of products tailored to meet the diverse needs of various customer segments. The product portfolio is designed to appeal to residential, commercial, and industrial sectors, with an emphasis on quality, performance, and environmental sustainability.

- **Residential Paints**:
  - ✓ **Interior Paints**: Includes emulsions and finishes designed for walls, ceilings, and woodwork. These products are formulated to offer long-lasting durability, a smooth finish, and easy maintenance.
  - ✓ **Exterior Paints**: Offers weather-resistant and UV-protective paints suitable for various external surfaces. These paints are designed to withstand harsh climatic conditions while maintaining their color and texture.
  - ✓ **Wood and Metal Finishes**: Specialized paints for wood and metal surfaces that ensure protection against moisture, rust, and wear.
- **Industrial Paints**:
  - ✓ **Protective Coatings**: These are formulated to protect surfaces in high-stress environments such as factories and warehouses. They are resistant to corrosion, chemicals, and abrasions.
  - ✓ **Automotive Coatings**: Designed for use in vehicle manufacturing and repairs, these coatings offer high durability and color retention.
- **Eco-Friendly Products**:
  - ✓ **Low-VOC and Water-Based Paints**: Roxy Paints has introduced a line of environmentally-friendly paints with low volatile organic compound (VOC) content. These paints are ideal for health-conscious customers and those aiming to reduce their environmental footprint.
  - ✓ **Non-Toxic and Sustainable Options**: The company also manufactures paints that are non-toxic and made from sustainable materials, catering to consumers who prioritize ecological concerns.

- **Specialty Products**:
  - ✓ **Anti-Mold Paints**: These paints are designed for areas with high humidity and moisture, such as bathrooms and basements. They prevent mold and mildew formation while offering a clean and fresh finish.
  - ✓ **Fire-Resistant Coatings**: Specifically engineered for safety, these coatings are used in high-risk environments to protect surfaces from fire hazards.
- **Paint Accessories**:
  - ✓ **Primers and Undercoats**: Essential for enhancing the durability and finish of topcoats, Roxy Paints offers a range of primers that improve the adherence of paint to various surfaces.
  - ✓ **Paint Tools and Equipment**: Roxy Paints also provides painting tools such as brushes, rollers, and spray equipment, making it a one-stop solution for all painting needs.

## 3.10: Customer Service and Support

Customer service is a critical part of Roxy Paints Limited's strategy to build long-term relationships with customers and ensure the quality and satisfaction of their products. The company places great emphasis on after-sales service to resolve any issues customers might face with their purchases. By maintaining a dedicated customer support team, Roxy Paints ensures that every client receives the attention they deserve.

- **Dedicated Customer Support Team**: Roxy Paints has a professional team in place to assist customers with product inquiries, installation tips, troubleshooting, and after-purchase support. Whether through phone calls, emails, or live chat, the support team is trained to respond promptly and professionally.
- **Product Guarantees**: Customers are offered product guarantees that assure them of the durability and performance of Roxy Paints products. This guarantees confidence in the brand, particularly in competitive markets.
- **Customer Feedback System**: The company has built systems to gather customer feedback to continuously improve product quality and service delivery. Online

platforms, customer surveys, and focus groups are utilized to get direct input from users.

- **Complaint Resolution**: A streamlined complaints process ensures that issues are addressed swiftly and effectively. Customers can report issues regarding product quality or application concerns, and the company strives to resolve these efficiently, often offering replacements or solutions where necessary.
- **Training and Knowledge Sharing**: The company provides extensive product knowledge training to both customers and dealers, ensuring that users fully understand the application process, product benefits, and maintenance of the paints.

# Chapter-04: Financial Performance Evaluation of Roxy Paints Limited (2019-2023)

## 4.0: Objectives

The objectives of the selected financial ratios for Roxy Paints Limited are multifaceted, serving to evaluate various dimensions of the company's financial health and operational performance. Liquidity Ratios (Current Ratio, Cash Ratio, Quick Ratio) aim to measure the company's capacity to meet short-term obligations using its current assets, ensuring operational stability and financial flexibility in addressing immediate liabilities. Leverage Ratios (Debt-to-Equity Ratio, Total Debt-to-Total Asset Ratio) focus on assessing the company's reliance on debt financing and its ability to balance growth opportunities with financial risks, offering insights into long-term solvency and financial sustainability. Profitability Ratios (Net Profit Margin, Net Operating Margin, ROE, ROA) provide a detailed view of how effectively Roxy Paints generates profits from its operations, manages costs, and delivers returns to shareholders, guiding strategies for enhancing profitability and shareholder value. Efficiency Ratios (Tax Management Ratio, Operating Efficiency Ratio) are used to evaluate the company's success in optimizing tax planning and managing operational costs, thereby improving cost efficiency and supporting overall financial performance. Finally, Capital-to-Risk Weighted Assets Ratios (CAR, Core Capital Ratio) ensure that Roxy Paints maintains a robust capital base to absorb potential losses, support future growth, and mitigate financial risks, thereby safeguarding its long-term stability in a competitive market environment. These ratios collectively provide a comprehensive framework for analyzing and improving the company's financial and operational effectiveness.

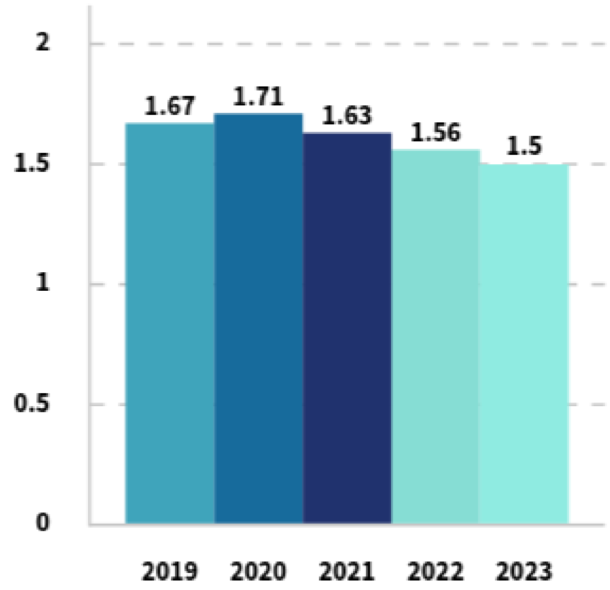
## 4.1: Liquidity Ratios

### 4.1.1: Current Ratio

The Current Ratio measures the company's ability to meet its short-term liabilities with its short-term assets. It reflects the financial health of the company in terms of liquidity. A higher ratio indicates that the company has sufficient current assets to cover its current liabilities, reducing the risk of liquidity issues.

Table-1.1: Current Ratio from year 2019-2023

| Year | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Current Ratio** | 1.67 | 1.71 | 1.63 | 1.56 | 1.50 |




**Interpretation:**

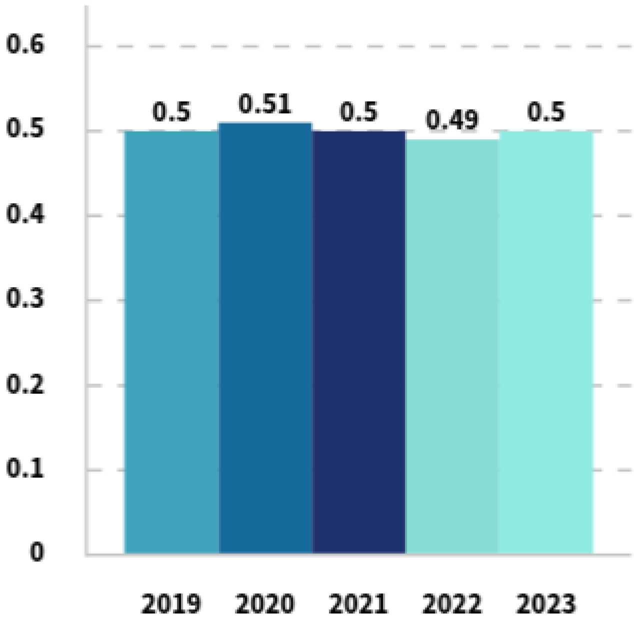
The Current Ratio for Roxy Paints Limited shows a gradual decline from 1.67 in 2019 to 1.50 in 2023. Although the company still has more than enough current assets to cover its current liabilities, the decline may indicate a slight decrease in liquidity over time. A ratio of 1.50 suggests that for every dollar of liability, the company has $1.50 in assets, which is generally considered safe. However, the downward trend could warrant closer monitoring, especially if it continues.

### 4.1.2: Cash Ratio

The Cash Ratio is a more conservative liquidity measure than the current ratio, as it only considers cash and cash equivalents relative to current liabilities. It indicates the company's ability to cover its short-term obligations using its most liquid assets, without relying on inventory or receivables.

Table-1.2: Cash Ratio from year 2019-2023

| **Year** | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Cash Ratio** | 0.50 | 0.51 | 0.50 | 0.49 | 0.50 |




**Interpretation:**

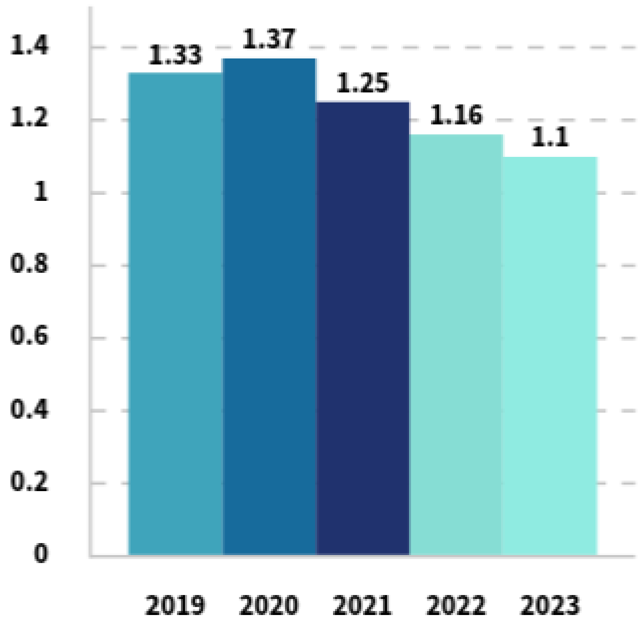
The Cash Ratio for Roxy Paints Limited has remained relatively stable, ranging from 0.49 to 0.51 over the years. This stability suggests that while the company’s ability to meet short-term obligations using only cash and cash equivalents is modest, it is sufficient to cover around half of its current liabilities. A cash ratio below 1 is common in most industries, but the company should be cautious if liquidity needs increase unexpectedly.

### 4.1.3: Quick Ratio

The Quick Ratio is a more stringent test of liquidity than the current ratio because it excludes inventory from current assets. This ratio evaluates the company's ability to cover its short-term liabilities with its most liquid assets. A ratio of 1 or higher is typically considered healthy.

Table-1.3: Quick Ratio from year 2019-2023

| **Year** | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Quick Ratio** | 1.33 | 1.37 | 1.25 | 1.16 | 1.10 |




**Interpretation:**

The Quick Ratio has shown a slight decline over the years, from 1.33 in 2019 to 1.10 in 2023. While still above 1, which indicates that the company can cover its short-term liabilities with its most liquid assets, the declining trend may suggest that Roxy Paints is becoming more reliant on inventory to manage its liquidity. It's important for the company to keep a close eye on inventory management to ensure that it doesn't face liquidity shortages in the event of a sudden cash crunch.

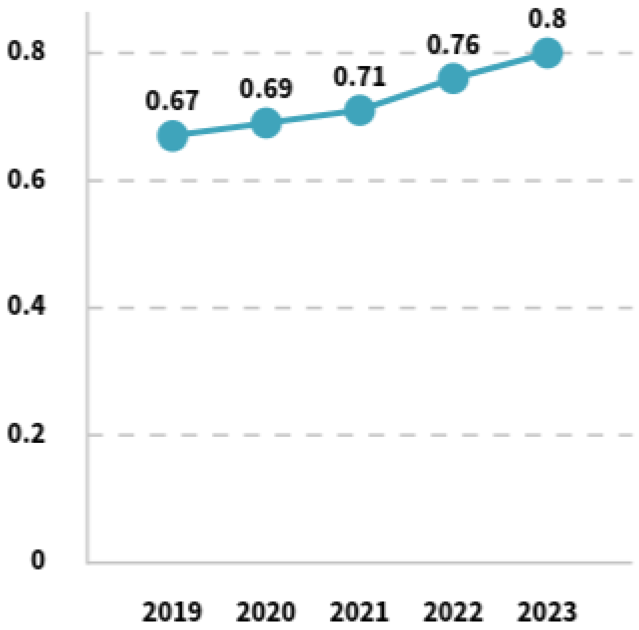
## 4.2: Leverage Positions

### 4.2.1: Debt to Equity Ratio

The Debt-to-Equity Ratio measures the proportion of debt used in relation to shareholders' equity to finance the company's assets. A higher ratio suggests that the company is using more debt compared to equity, which can imply higher financial risk but may also indicate leveraged growth.

Table-2.1: Debt-to-Equity Ratio from year 2019-2023

| **Year** | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Debt-to-Equity Ratio** | 0.67 | 0.69 | 0.71 | 0.76 | 0.80 |




**Interpretation:**

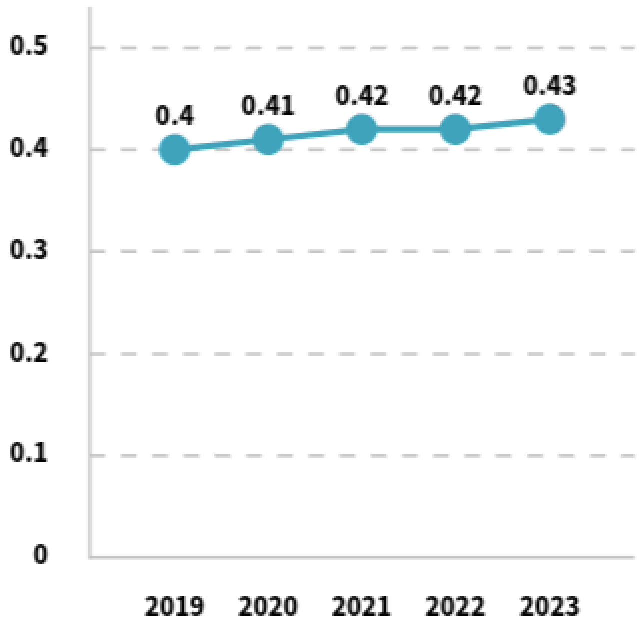
Over the five-year period, Roxy Paints Limited's Debt to Equity Ratio has gradually increased from 0.67 in 2019 to 0.80 in 2023. This trend indicates that the company has been slightly increasing its reliance on debt compared to equity to finance its operations and growth. While a debt-to-equity ratio under 1 generally suggests a balanced approach to leveraging, the upward trend indicates that Roxy Paints may be adopting a more aggressive growth strategy, funded by debt. This approach may enhance returns if the company's projects succeed but could increase risk if the economic environment or industry conditions become challenging.

### 4.2.2: Total Debt to Total Asset Ratio

The Total Debt to Total Asset Ratio measures the proportion of a company's assets financed by debt. A higher ratio suggests greater reliance on debt to fund assets, indicating potential financial risk but also signaling potential growth if managed effectively.

Table-2.2: Total Debt to Total Asset Ratio from year 2019-2023

| **Year** | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Total Debt to Total Asset Ratio** | 0.40 | 0.41 | 0.42 | 0.42 | 0.43 |




**Interpretation:**

The Total Debt to Total Asset Ratio for Roxy Paints Limited has shown a slight increase, moving from 0.40 in 2019 to 0.43 in 2023. This increase implies that the proportion of assets financed through debt has grown modestly over this period. With a debt-to-asset ratio below 0.5, Roxy Paints maintains a conservative leverage position, with less than half of its assets funded by debt. While this ratio shows a stable financing structure, the rising trend could signal a shift toward greater dependence on debt to fund assets. Monitoring this ratio is essential for ensuring the company doesn't exceed a sustainable debt level, which could impact financial stability during downturns.

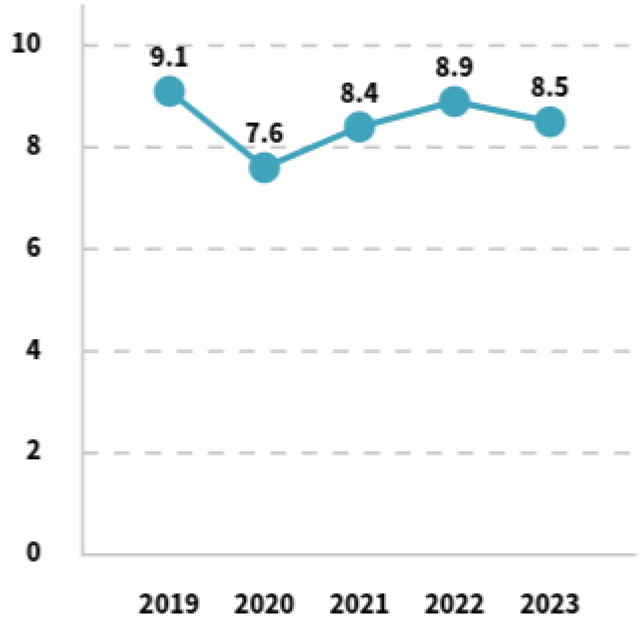
## 4.3: Profitability Ratios

### 4.3.1: Net Profit Margin

The Net Profit Margin measures the portion of revenue that remains as profit after all expenses, illustrating the company's cost control and overall profitability.

Table-3.1: Net Profit Margin from year 2019-2023

| **Year** | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Net Profit Margin (%)** | 9.1 | 7.6 | 8.4 | 8.9 | 8.5 |




**Interpretation:**

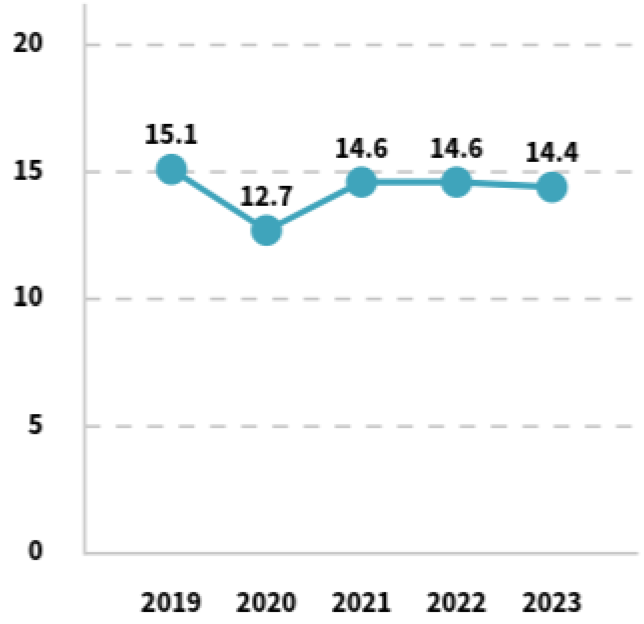
Roxy Paints Limited's Net Profit Margin fluctuated over the five years, decreasing from 9.1% in 2019 to 7.6% in 2020 due to potential increases in operational costs or reduced revenue growth. It then improved to 8.9% in 2022 but saw a slight dip to 8.5% in 2023. This pattern suggests that while the company has been able to recover some profitability, it continues to face challenges in consistently managing costs relative to revenue growth.

### 4.3.2: Net Operating Margin

The Net Operating Margin measures how efficiently the company manages its core operations by comparing operating income with total revenue, excluding interest and taxes.

Table-3.2: Net Operating Margin from year 2019-2023

| **Year** | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Net Operating Margin (%)** | 15.1 | 12.7 | 14.6 | 14.6 | 14.4 |




**Interpretation:**

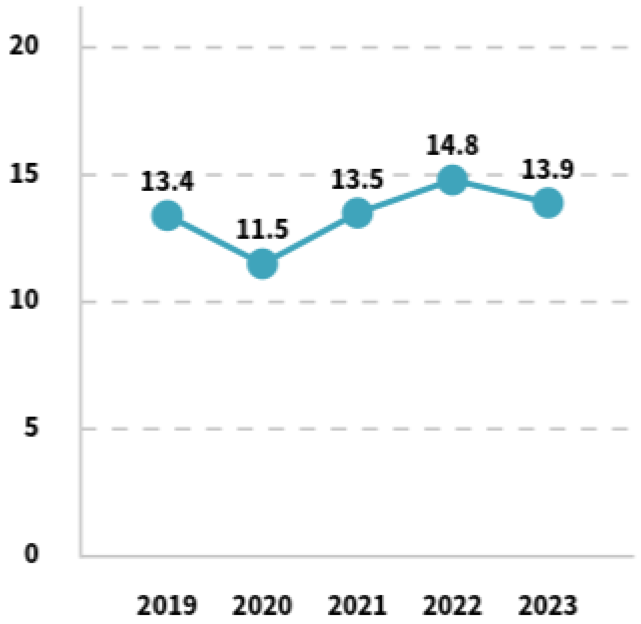
The Net Operating Margin shows variability, starting at 15.1% in 2019 and dropping to 12.7% in 2020, potentially due to higher operating expenses or revenue fluctuations. However, it rebounded to 14.9% in 2022 before a slight drop to 14.4% in 2023. This pattern indicates that while Roxy Paints Limited has improved operational efficiency over time, the company faced challenges in 2020 and again in 2023, likely from cost pressures or changes in operational efficiency.

### 4.3.3: Return on Equity (ROE)

The Return on Equity (ROE) ratio assesses how effectively the company generates profit from shareholders' equity, indicating profitability and efficiency in utilizing invested capital.

Table-3.3: Return on Equity (ROE) Ratio from year 2019-2023

| **Year** | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **ROE (%)** | 13.4 | 11.5 | 13.5 | 14.8 | 13.9 |




**Interpretation:**

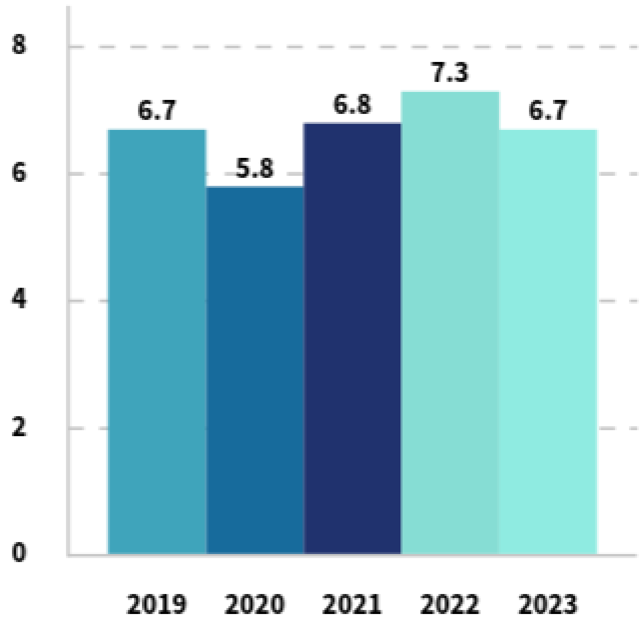
The Return on Equity rose from 13.4% in 2019 to 14.8% in 2022, showing that Roxy Paints Limited became more effective at generating profit from shareholders' investments. A dip in 2020 to 11.5% aligns with the challenges reflected in other metrics but rebounded as profitability improved. The slight decline to 13.9% in 2023 may indicate increased equity or slower profit growth, signaling a need for strategic focus to sustain ROE levels.

### 4.3.4: Return on Asset (ROA)

The Return on Assets (ROA) ratio assesses the efficiency with which a company generates profit from its assets, providing insight into asset utilization.

Table-3.4: Return on Assets (ROA) Ratio from year 2019-2023

| **Year** | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **ROA (%)** | 6.7 | 5.8 | 6.8 | 7.3 | 6.7 |




**Interpretation:**

The Return on Assets for Roxy Paints Limited reflects a drop from 6.7% in 2019 to 5.8% in 2020, which may indicate less efficient asset utilization due to economic challenges or increased operational costs. By 2022, ROA improved to 7.3%, showing enhanced efficiency, though it slightly dropped to 6.7% in 2023. This variability suggests that while Roxy Paints is generally using its assets well, maintaining consistent efficiency is an area for improvement.

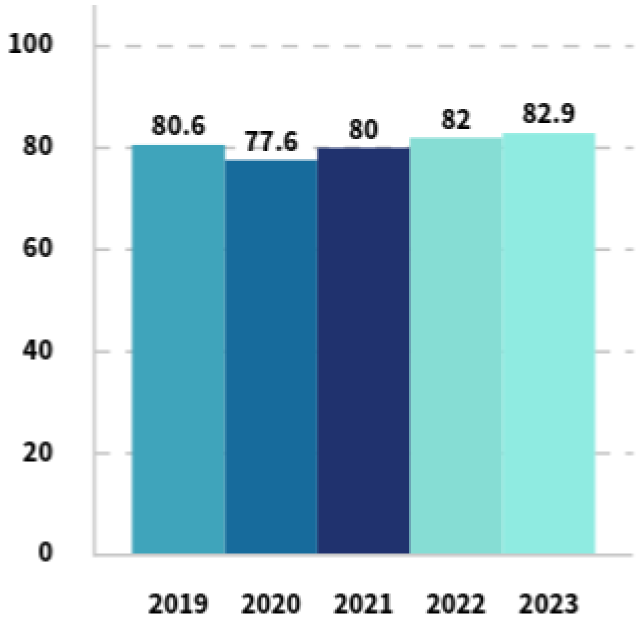
## 4.4: Efficiency Ratios

### 4.4.1: Tax Management Ratio

The Tax Management Ratio helps evaluate how effectively a company manages its tax obligations in relation to its earnings before tax. This ratio gives insight into the company's tax efficiency and effectiveness in utilizing tax planning strategies.

Table-4.1: Tax Management Ratio from year 2019-2023

| **Year** | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Tax Management Ratio (%)** | 80.6 | 77.6 | 80.0 | 82.0 | 82.9 |




**Interpretation:**

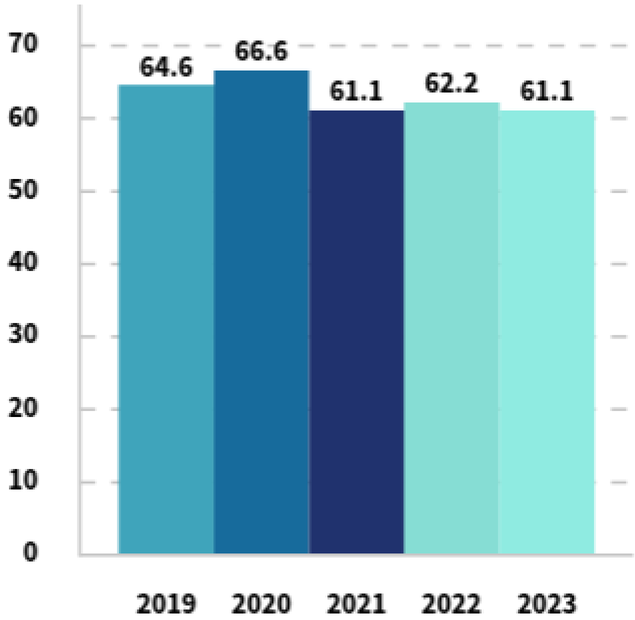
Roxy Paints Limited’s Tax Management Ratio varied from 80.6% in 2019 to 82.9% in 2023, reflecting the effective rate of taxation on its earnings before tax. The lower ratio in 2020 at 77.6% might indicate higher tax expenses relative to earnings, potentially from fewer tax deductions or credits. The increase over the years suggests improved tax management and strategic planning, possibly through tax credits or other tax-saving mechanisms.

### 4.4.2: Operating Efficiency Ratio

The Operating Efficiency Ratio assesses a company's effectiveness in managing core operations by comparing operating expenses with total revenue. A lower ratio indicates better cost management and operational efficiency.

Table-4.2: Operating Efficiency Ratio from year 2019-2023

| **Year** | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Operating Efficiency Ratio (%)** | 64.6 | 66.6 | 61.1 | 62.2 | 61.1 |




**Interpretation:**

The Operating Efficiency Ratio for Roxy Paints Limited shows fluctuations, from 64.6% in 2019 to 66.6% in 2020, reflecting a period of higher operating costs relative to revenue. However, the ratio dropped to 61.1% in 2021, showing improved efficiency, likely due to cost-cutting or operational improvements. The stability around 61% in 2023 suggests sustained efficiency, indicating that Roxy Paints has implemented effective strategies to control operating costs relative to revenue growth.

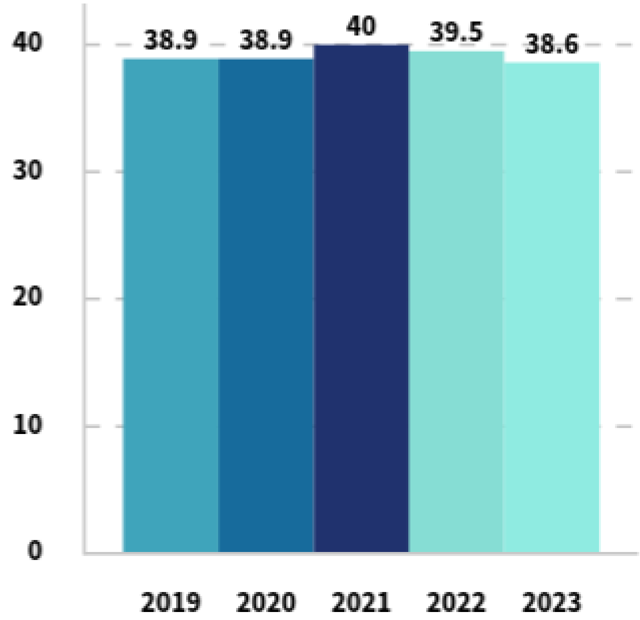
## 4.5: Capital-to-Risk Weighted Assets Ratios (CRAR)

### 4.5.1: Capital Adequacy Ratio (CAR)

The Capital Adequacy Ratio (CAR) is used to evaluate a company's financial stability by comparing its available capital to risk-weighted assets (RWA). This ratio provides insight into a company's ability to absorb potential losses and ensure solvency in the face of risks.

Table-5.1: Capital Adequacy Ratio (CAR) from year 2019-2023

| **Year** | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **CAR (%)** | 38.9 | 38.9 | 40.0 | 39.5 | 38.6 |




**Interpretation:**

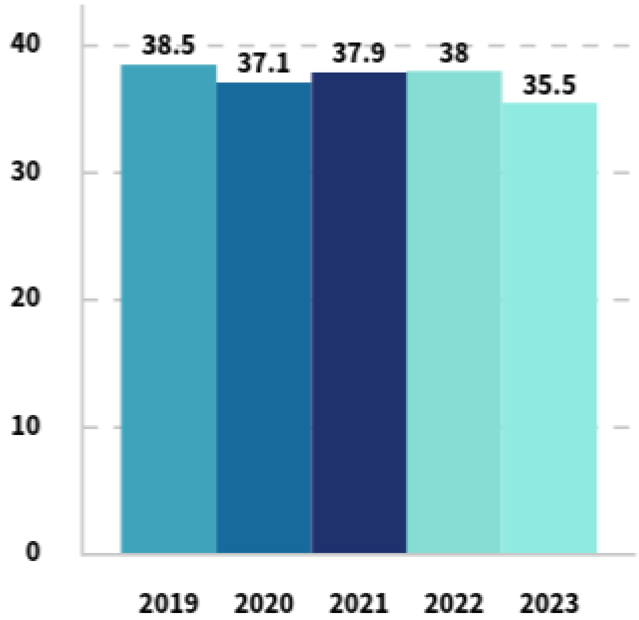
Roxy Paints Limited’s CAR shows minor fluctuations from 38.9% in 2019 to 38.6% in 2023, indicating stable financial health with adequate capital buffers. The slight rise in 2021 followed by a dip in 2023 suggests some variations in capital management, possibly due to shifting risk exposure or asset growth.

### 4.5.2: Core Capital Ratio

The Core Capital Ratio measures the proportion of high-quality core capital (primarily Tier 1) in relation to total assets. This ratio indicates the strength and stability of a company's essential capital without relying heavily on secondary sources.

Table-5.2: Core Capital Ratio from year 2019-2023

| **Year** | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Core Capital Ratio (%)** | 38.5 | 37.1 | 37.9 | 38.0 | 35.5 |




**Interpretation:**

The Core Capital Ratio of Roxy Paints Limited has shown a decrease from 38.5% in 2019 to 35.5% in 2023. This decline suggests either an increase in total assets outpacing core capital or a slight reduction in Tier 1 capital itself. The consistent ratio above 35% still indicates strong reliance on core capital, maintaining stability without extensive debt dependency. However, the recent decline may signal a need for increased retained earnings or other strategies to bolster the core capital relative to asset growth.

# Chapter-05: Findings, Recommendations and Conclusion

## 5.1: Major Findings

1. **Current Ratio**: Declined from 1.67 in 2019 to 1.50 in 2023, signaling reduced liquidity and a potential risk in meeting short-term obligations.
2. **Cash Ratio**: Remained stable between 0.49 and 0.51, reflecting consistent but limited cash reserves relative to liabilities, which could restrict financial flexibility.
3. **Quick Ratio**: Dropped from 1.33 in 2019 to 1.10 in 2023, indicating increased reliance on inventory to cover liabilities, posing a risk during sales or inventory disruptions.
4. **Debt-to-Equity Ratio**: Rose from 0.67 in 2019 to 0.80 in 2023, showing increased reliance on debt financing, raising financial risk amidst economic uncertainties.
5. **Total Debt-to-Asset Ratio**: Increased from 0.40 in 2019 to 0.43 in 2023, reflecting a higher proportion of assets financed by debt, potentially affecting long-term stability.
6. **Net Profit Margin**: Fluctuated between 9.1% in 2019 and 8.5% in 2023, showing challenges in cost control and maintaining stable profitability.
7. **Net Operating Margin**: Declined from 15.1% in 2019 to 12.7% in 2020, recovering to 14.4% in 2023, indicating variability due to operational cost pressures.
8. **Return on Equity (ROE)**: Peaked at 14.8% in 2022 but slightly declined to 13.9% in 2023, indicating inconsistent shareholder returns.
9. **Return on Assets (ROA)**: Varied between 6.7% and 7.3%, reflecting efficient asset utilization but challenges in sustaining consistent profitability.
10. **Tax Management Ratio**: Improved from 80.6% in 2019 to 82.9% in 2023, demonstrating effective tax planning and cost efficiency.
11. **Operating Efficiency Ratio**: Increased to 66.6% in 2020 from 64.6% in 2019, signaling higher operating costs relative to revenue before stabilizing at 61.1% in 2023, showing improved cost management.
12. **Capital Adequacy Ratio (CAR)**: Slightly decreased from 38.9% in 2019 to 38.6% in 2023, highlighting minor variations in capital management and risk exposure.
13. **Core Capital Ratio**: Declined from 38.5% in 2019 to 35.5% in 2023, highlighting the need to bolster core capital to support sustainable growth.

## 5.2: Recommendations

1. **For Current Ratio**: Aim to increase the Current Ratio to at least 1.7 by improving cash inflows and reducing short-term liabilities.
2. **For Cash Ratio**: Boost cash reserves to achieve a Cash Ratio closer to 0.6, ensuring better financial flexibility.
3. **For Quick Ratio**: Reduce dependency on inventory to raise the Quick Ratio to 1.3, improving liquidity without relying on stock.
4. **For Debt-to-Equity Ratio**: Maintain the ratio below 0.75 by prioritizing equity financing over debt for future expansions.
5. **For Total Debt-to-Asset Ratio**: Lower the ratio to 0.40 by managing debt levels and focusing on asset efficiency.
6. **For Net Profit Margin**: Increase the margin to at least 9.5% by optimizing cost control and enhancing revenue streams.
7. **For Net Operating Margin**: Target a consistent margin of 15% by reducing operational expenses and improving efficiency.
8. **For Return on Equity (ROE)**: Strive to maintain ROE at or above 14.5% by enhancing profit generation strategies.
9. **For Return on Assets (ROA)**: Aim to stabilize ROA at 7.5% through better asset utilization and investment efficiency.
10. **For Tax Management Ratio**: Sustain or improve the ratio beyond 83% through enhanced tax-saving measures and compliance.
11. **For Operating Efficiency Ratio**: Keep the ratio below 61% by further optimizing operational costs relative to revenue.
12. **For Capital Adequacy Ratio (CAR)**: Maintain CAR above 39% by ensuring balanced growth in risk-weighted assets and capital.
13. **For Core Capital Ratio**: Raise the ratio to 36% by retaining more earnings or infusing equity capital to strengthen the core base.

## 5.3: Conclusion

In conclusion, the financial performance of Roxy Paints Limited from 2019 to 2023 reveals a company that has experienced both positive growth and notable challenges. While liquidity ratios indicate a stable but gradually declining position, it points to the need for more careful cash flow and liability management to maintain financial flexibility. The increased reliance on debt financing for growth introduces higher financial risk, which needs to be managed effectively. Although profitability ratios such as the Net Profit Margin and Return on Equity remain stable, fluctuations in operating margins highlight the importance of improving cost control and operational efficiency to ensure consistent profitability. Furthermore, while the company's tax management and capital adequacy remain relatively strong, there is room to bolster core capital and refine tax planning strategies. By addressing these areas, particularly liquidity, debt management, and cost efficiency, Roxy Paints can strengthen its financial stability and ensure long-term sustainable growth in a competitive industry.

## References


- Roxy Paints Limited. (2019). Annual report 2019.
- Roxy Paints Limited. (2020). Annual report 2020.
- Roxy Paints Limited. (2021). Annual report 2021.
- Roxy Paints Limited. (2022). Annual report 2022.
- Roxy Paints Limited. (2023). Annual report 2023.
- Roxy Paints Limited. (n.d.). Home. Roxy Paints. Retrieved from https://www.roxypaints.com
- Wikipedia contributors. (2024, December 9). Roxy Paints Limited. Wikipedia, The Free Encyclopedia. Retrieved December 9, 2024, from https://en.wikipedia.org/wiki/Roxy_Paints_Limited