AHMADU BELLO UNIVERSITY, ZARIA
DEPARTMENT OF BUSINESS ADMINISTRATION

FINANCIAL RATIOS IN THE DEVELOPMENT OF NIGERIAN INDUSTRIES

BY

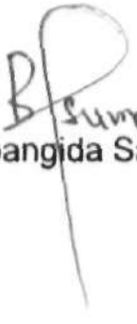
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A PROJECT SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION, AHMADU BELLO UNIVERSITY, ZARIA, IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (M.B.A.) OF AHMADU BELLO UNIVERSITY, ZARIA.

AUGUST, 1994

DECLARATION

I BABANGIDA SADA UMARU, do hereby declare that this project is my own work and to the best of knowledge has never been published before.



Babangida Sada Umaru

MR. A.B. AKPAN
Supervisor

CERTIFICATION

This project entitled FINANCIAL RATIOS IN THE DEVELOPMENT OF NIGERIAN INDUSTRIES by Babangida Sada Umaru, meets the regulations governing the award of the degree of Master of Business Administration of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

MR. A.B. Akpan ..... Date 29/3/2000

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ABSTRACT:

In many parts of the world, especially in the most developed economies of the world, there are various ways and means of making comparative analysis to determine the level of the development of a particular economy, and other aspects of business and industries. The most important way or means is the use of financial ratios. This though important is not found available in Nigeria we rely mostly on foreign ratios. It is against this background that the thesis attempts to embark on intensive study of financial organisations for the development of truly Nigerian ratios. The thesis explored whether it is possible to develop such ratios in the country and whether there is the need for developing indigenous ratios. It also tries to answer whether the ratios developed will differ from foreign ones and why they differ and if they tally, why.

To achieve the aim of this thesis the financial statement of 10 companies across 5 industrial groupings of the Nigeria Stock Exchange were used to compute 12 types of ratios. The industries selected are Automobile & Tyre, Breweries, Construction, Chemical & Paints and Household & Industrial Products industries. The ratios computed are then compared with the Dun & Bradstreet ratios and the results analysed. In the light of that, the thesis is of the view that there is the need to develop Nigerian ratios and that internal factors can make ratios differ.

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CHAPTER ONE

1.0 INTRODUCTION

To analyse any financial situation is to evaluate and interpret a firm's financial position and operation. This is an essential aspect of the financial situation from the standpoint of managers, creditors, owners and even customers. For managers they must know how the firm's policies and plans are progressing in order to determine future courses of action. For creditors they need information on the firm's present and probable future financial condition to arrive at its credit worthiness and to protect previous commitments. While the owners (present and prospective) wish to have a basis of estimating the value of the firm's equity position for the purposes of investment decisions, customers (and suppliers) often wish to know how dependable and strong a firm may be before entering into a major business relationship.

Financial Analysis therefore involves the comparison and interpretation of accounting date for its firm. This process of evaluation is facilitated by the fact that accounting principles and practices are relatively standardized in line with the requirements of local and international accounting standards. Various government agencies require the filing of records and reports. Thus, it is generally possible to compare a firm's performance and condition with those of other firms in the same industry, and the trends and relationships with past operations can be derived and studied for the insight they may afford the financial manager or analyst.

Financial analysis is consequently for both current and long term purposes and it is about investigating the financial position as well as the condition and performance of the firm to ascertain among others:-

A firm's strength and weaknesses, its performance, opportunity and prospect management planning, control and analysis.

Among the stated aspects above, planning is the most important for success. This kind of planning may take many forms, but any good plan must be related to firm's strength and weaknesses. We use the strength for advancement and the weaknesses

for proper adjustments in planning. Let's take for example are inventories adequate to support the projected level of sales? Does the firm have too heavy an investment in accounts receivable, and does this condition reflect a lax collection policy? In short the planning process to be undertaken by financial managers must be in accordance to his financial analysis.

There are different aspects of financial analysis, there are those who interpret present liquidity level and proper short term planning, and there are those who analyse the firm's present liquidity so as to project the future of the firm.

There are essentially three ways of making financial analysis.

1. The income statement or profit and loss statement which indicates the nature of the operations which took place during the period between balance sheet dates i.e. the statement of operating performance for the period covered.

2. The balance sheet which is a statement of the condition of a firm as of a given date i.e. a statement of the financial position of the financial of the firm as at a given date.

3. Sources and application of funds which is a summary or the earning for the same period covered by the balance sheet data on which it is based.

Apart from the above tools, we have approaches to financial analysis, cost-volume-profit analysis, as well as ratio analysis, which involves comparing one figure against another to produce a ratio, and accessing whether the ratio indicates a weakness or strength in the firm's affairs. Ratios enable the analyst to decide whether the firm is doing well or not, whether it is financially strong or vulnerable and what to look at in the figures to help the analyst make a judgement. It is generally possible to compare a firm's performance and condition with those of other firms in the same industry and trends and relationships with past operations can

be derived and studied for the insight they may afford the financial analyst. While it is true that standards of performance and conditions are subject to modification and variation due to particular circumstances of the firm under analysis, nevertheless it is essential to have some underlying guidelines so that judgements made will have relativity and continuity.

In the most advanced economics of the world, there are various sources of comparative data available to the financial analyst. Dun & Bradstreet, Inc., is probably the best known and most generally used source of comparative financial data on firms. This organization compiles ratios and measures for some 125 lines of businesses as in the manufacturing, retail and wholesale trade and construction industries, others include Robert Morris Associates, Moody, standard and poor as well as various trade associations which publish data on their members and some large organizations especially financial institutions such as banks, prepare and publish their own studies of selected industries. Also government agencies such as the Securities and Exchange Commission and the Federal Trade Commission compile and publish extensive information on selected industries.

1.1 STATEMENT OF THE PROBLEM

Unfortunately, to the best of my knowledge such comparative data is not available in Nigeria as nobody bothers to compile such date - not even the Nigerian Stock Exchange or the Securities and Exchange Commission. Consequently, we have to rely on foreign averages in our ratio analysis as well as in teaching ratio analysis to our students. Ratio analysis in Nigeria is therefore incomplete and very necessary. Not only that the foreign ratios we are using today do not take into cognisance the Nigerian's environment. This thesis informed by short comings it is an attempt to compare ratios of some Nigerian industries, so that we can have an indigenous financial ratio for our firms.

1.2 AIMS AND OBJECTIVES

The objectives of this thesis include among others:

1. Whether it is possible to develop Nigeria ratios

2. Whether the Nigerian ratio developed tally or vary significantly from international standards, particularly Dun & Bradstreet averages.

3. What reason can be adduced for disparities or similarities.

4. Whether different economic environment will make the Nigerian and foreign ratios to differ.

5. Whether their is even the need to develop Nigerian ratios.

6. Whether the Nigerian ratios computed compare favourably with each other on both inter-Industry and intra industry basis.

7. The effect of the age of the company as well as the stage of development of a product or market on ratios.

The main aim of the thesis, thus, is to establish the need for the development of Nigerian ratios, as well as develop ratios for 5 selected industries. We wish to also compare the ratios developed with the DUN and Bradstreet standards. We also make inference as to why there are disparities and similarities.

1.3 JUSTIFICATION

This thesis is justified on the ground that a new area of Financial ratio analysis is needed in the Nigerian industrial sector as nothing has been done regarding computing Financial ratios for industrial development. We think through this we hope proper management analysis can be undertaken for a holistic development of Nigerian industries.

1.4 SCOPE AND LIMITATIONS

This thesis is an attempt to lay a foundation towards the development of financial ratios in Nigerian industries. For this purpose the following ratios will be computed:

1. Return on capital employed
2. Return on shareholders capital

3. Operating profit margin
4. Net Assets/Share
5. Return on total assets
6. Return on fixed assets
7. Fixed assets to network ratio
8. Current ratio
9. E.P.S.
10. Debt/Equity Ratio

At the same time, the following industries are selected for the purpose of this project:

1. Automobile & type
2. Breweries
3. Construction
4. Chemicals & Paints
5. Industrial/Domestic products.

The main limitation of this thesis is lack of sufficient data particularly in Nigeria. At the stock exchange library, only the most recent annual report and accounts of the companies concerned are available, consequently, only five year data is used in commuting the averages based on the 5 year financial summaries. Since most of the details are condensed, it was not possible to calculate some of the ratios. This include the inventory turnover, current and quick ratios, times interest earned and coverage of fixed charges.

Some people might argue that 5 years is not long enough to establish meaningful trends of the ratios so as to arrive at a good average. But when one take into cognisance that the period covers the roughest in Nigeria's economy one may tend to agree that the attempt is as explicit as it can be and as such can be averagely agreed to serve as an indicator.

1.5 METHOLOGY

The methology this work is going to follow is the computing of average financial ratios following the classification of the NSE. In undertaking the computation, 5 years summary of companies quoted on the first-tier securities (F.T.S.M) within industries will be

used.

The primary source of data is the 5 years financial summaries of the companies concerned as contained in their most recent annual reports and accounts as well as the NSC fact book. Newspaper articles and supplements, particularly business publications, such as *Business Times, Financial Guardian and Concord.*

1.6 DEFINITION OF TERMS

S.E.C.	-	Securities and Exchange Commission
N.S.E.	-	Nigerian Stock Exchange
D & B	-	Dun and Bradsheet Ratio
F.T.C.	-	Federal Trade Commission
P.R.	-	Profitability Rates
ROCE	-	Return Of Capital Employed
RSCE	-	Return of Shareholders Capital
NPM	-	Net Profit Margin
DGR	-	Debt and Gearing Ratios
CR	-	Current Ratio
QR	-	Quick
EPS	-	Earning Per Share

CHAPTER TWO

2.0 REVIEW OF THE LITERATURE

The issue of financial ratio is treated in almost all accounting and financial books, analysis is always done as they pertain to ratio, but then not all these books are comprehensive enough to cover the area that this thesis is concerned with. In the course of the thesis, a number of texts as well as seminar and conference papers have been used. The books consulted can be found under reference. One other area that requires further elucidation is that, the analysis of financial rations is a new area altogether apart from M Isa (1992) nothing has been done as regards computing financial ratios for industrial development. This then is another foundation stone in the analysis of financial ratios in Nigeria.

2.1 THEORETICAL BACKGROUND

Statement of finance which include (Balance sheet, Profit and Loss Account and Statement of sources and Application of Funds) are of little analytical significance, as they do not tell whether a company or industry is doing well or not. Whether it is financially strong or not, or what to look for the in the figures to enable you make a judgement[2] With this deficiency, there is the need to devise a way that it will make analysis of financial statements easier. Among the ways we have break even and cost volume profit analysis, and of course financial ratio analysis, which is most important. The ratio analysis involves comparing figures to produce a ratio, and assessing whether the ratio indicates a weakness or strength in the company's affairs. Financial ratios therefore facilitate the evaluation of the financial condition and performance of firms. Ratio analysis involves 2 types of comparisons. First, the analyst can compare a present ratio past and expected future ratios for the same company. By comparing the ratios of a number of years, an analyst can determine whether there is an improvement or deterioration in the financial condition and performance of a firm during the period. Secondly comparing the ratios of one firm with those of similar firms or industry averages at the same point in time. Such

a comparison gives insight into the relative financial condition and performance of the firm. It is only by comparing the financial ratios of one firm with those of another that one can make a realistic judgement[3]

For us to get a better picture, we can group ratios into the following categories:

(a) Profitability and return
(b) Debt and gearing
(c) Liquidity, control of cash and other working capital items
(d) Shareholder's investment ratios.

In each group a number of standard ratios are normally calculated and generally accepted as meaningful indicators. It is absolutely necessary to state that individual business must be considered separately, and a ratio that is meaningful for a manufacturing company may be completely meaningless for a financial institution.

The most important element in obtaining good information is by comparison. It can be in comparing ratios over time within the same business to establish whether things are improving or declining, and comparing ratios between similar businesses to see whether the company being analysed is better or worse than average within the specific business sector[4]

We should take note that ratio analysis is not the only factor in determining the financial position of a company other important factors are important, these include the following:

(a)Comments in the chairman's report and director's report
(b)The age and nature of the company's assets
(c)Current and future developments in the company's markets
(d)Other noticeable features of the report and accounts such as past balance sheet events, a qualified auditors report etc[5]

2.2PROFITABILITY RATES[6]

Profitability ratios measure managements overall effectiveness as shown by returns generated on sales as investment. They include return on capital employed, return on shareholders capital, net profit margin, and return on fixed assets.

2.2.1 RETURN ON CAPITAL EMPLOYED (ROCE)

This ratio relates profit before interest and taxes (PBIT) to capital employed, capital employed consists of shareholders funds, long term loan capital and any lose term provision for liabilities and charges.

Thus, ROCE = PBIT * Capital employed.

For the purpose of this project, interest is assumed to be the coupon rate on the debt instrument issued by the company concerned as contained in the daily list of industrial loans & preference stocks/bonds of the Nigerian stock exchange, otherwise, profit before taxation.

ROCE is a good measure of the cost of extra borrowing by a company. It is not worth-while to borrow at rates higher that ROCE. Commercial borrowing rates are good independent yard-stick against which company performance can be judged.

2.2.2 RETURN ON SHAREHOLDER'S CAPITAL (RSCE)

This ratio measures the rate of return on shareholders investment or networth. It focuses on the returns being made by the firm for the benefit of its shareholders.

The RSCE = Profit before tax* share capital and reserves.

2.2.3 RETURN OF FIXED ASSETS

This relate operating profits to fixed assets. That is how much profit is made of fixed assets. It shows the profitability of the investment in fixed assets. Thus return of fixed assets = profit before tax - fixed assets.

2.2.4NET PROFIT MARGIN

This ratio shows how much profit is made for every naira of sales. The higher the ratio the better. However higher net profit margins may mean low assets turnovers or sluggish sales. There must therefore trade off between the two ratios.

Net profit margin = Net profit - sales.

2.3DEBT AND GEARING RATIOS

They measure the extent to which the firm is being financed by debt. They are concerned with how much the company owes in relation to its size, whether it is getting into heavier debt or improving its situations and whether debt burden seems heavy or light.

When a company's heavily in debt, banks and other potential lenders may be unwilling to advance further funds.

When a company is only earning moderate profit before interest and tax or has a heavy debt burden, there will be little profit left over for the shareholders after the interest charges have been paid. And so if interest rates go up or the company were to borrow more it might seem to incur interest charges in excess of profit interest & tax. This might eventually lead to the liquidation of the company.

For our purpose, we will consider the following ratios:

(a) Debt ratio
(b) Gearing ratio
(c) Interest cover
(d) Debt/equity ratio.

2.3.1 DEBT RATIO

This is the ratio of a firm's total debt to total assets. Assets consist of net fixed assets plus current assets. Debt consist of all creditors (Current and long term). There is no absolute guide to the maximum safe debt ratio but 50% is generally regarded as a safe limit although some companies manage with higher figures. Nonetheless, if the ratio is over 50% and getting worse, a firm's debt position is worth looking at more carefully.

2.3.2 GEARING RATIO

This measures prior charge capital to total debt. Thus gearing ratio - prior charge* total debt. Prior charge capital is capital carrying a right to a fixed return, it includes preference share and debentures. Total capital is ordinary share capital and reserves plus prior charge capital. To group accounts it will include minority interest. It is the same as total assets less current liabilities.

Like the debt ratio, a gearing ratio of 50% is considered a safe benchmark.

2.3.3 DEBT/EQUITY RATIO

This ratio is arrived at by dividing prior charge capital to network or ordinary share capital and reserves. Thus debt ratio = prior charge capital *Net worth. It gives the same sort of information as the gearing ratio and a ratio of 100% or more should indicate high gearing.

2.3.4 INTEREST COVER

This ratio shows whether a firm is earning enough profit before interest and taxes to pay its interest cost comfortably, or whether its interest costs are high in relation to the size of its profits, so that a fall in profit before interest, and taxes would then have a significant effect on profit available for ordinary shareholders.
Interest cover = profit before interest and taxes interest charges. An interest cover of 1 times or less would be low and should really exceed 3 times before a firm's interest costs would be considered within acceptable limit.

2.4 LIQUIDITY RATIOS

Liquidity ratios help determine firm's ability to meet its short term obligations. They seek to give insight into the solvency of a firm and its ability to remain solvent in the event of adversities. The attempt is to match short term obligations with near cash assets. Relevant liquidity ratios are current and quick ratios.

2.4.1 CURRENT RATIO

It is computed by dividing current assets by current liabilities. Current assets normally include cost, marketable securities, accounts receivable and inventories. Current liabilities include account payable, short term notes payable, current maturities of long term debts, accrued income taxes and accrued expenses. It is the most commonly used measure of short-term solvency, since it indicates the extent to which the claims of short-term creditors are

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covered by assets that are expected to be converted to cash in a period roughly corresponding to the maturity of the claims.
Current ratio = Current Assets * Current Liabilities.

2.4.1 QUICK RATIO

It is calculated by deducting inventories from current assets and dividing the remainder by current liabilities. Inventories being the least liquid of a firm's current assets and the assets on which losses are most likely to occur in the event of liquidation. Therefore this measure of rim's ability to pay-off short-term obligations without relying on the sale of inventories is important. Quick or acid test ratio = Current Assets - Inventory Current Liabilities.

2.5 SHAREHOLDER'S INVESTMENT RATIOS

These are ratios which help equity shareholders and other investors in assessing the value and quality of an investment in the ordinary share of a firm. They include

(a) Earning per share (EPS)
(b) Dividend per share.

Having given a theoretical use of ratio analysis, especially those that are relevant for the purposes of this project, we move to chapter three where relevant ratios for the selected industries will be computed and where possible compared with D & B averages.

NOTES TO CHAPTER TWO

1. See towards the development of Nigerian ratios by Mohammad Sani Isa (1992) M.B.A. thesis, B.U. Kano.

2. The statement of Finances by various companies is now or less a calculated attempt to either over expose what is not there, or to conceal failure, that is why it is necessary to make a different kind of study-supra.

3. See whiteside A.J. (1973) General Financial knowledge for more detail on this issue.

4. This according to Van Horne (1982) in his book Financial Management and Policy, is the most important factor in getting a realistic Financial value of an establishment or company.

5. M.B.A. lecture notes A.B.U. Zaria 1992 - 1993.

6. See ICAN study text (1988) on Financial accounting II, Lagos, Nigeria.

CHAPTER THREE

BRIEF HISTORICAL BACKGROUND OF THE COMPANIES

For us to have a better picture of the financial ratio of the ten companies in these analysis, we should take into consideration the type of companies in question. We have the Automobile and Tyre, Breweries Chemical and Paints, Construction and Household and Industrial Products. In each of the group we are using two companies. But for any meaningful analysis to take place, it is necessary to give a profile of the industries and the companies concerned. This underscores the fact that one has to go beyond the accounting figures to take financial and investment decisions. Based on the 5 year financial summaries. The 12 ratios are then computed as per appendices 1-10. Based on these ratios, the averages are then arrived at as per tables 3 1-10.

3.1 AUTOMOBILE & TYRE INDUSTRY

Of the companies listed in the first-tier securities market under this industry, we have Bewac (Nig.) Plc, Dunlop Nigeria Plc, Intra Motors Ltd, Leventis Motors Ltd and R.T. Briscoe Ltd. This industry roughly correspond to standard industrial classification number 3714 on the Dun & Bradstreet's (D & B) ratios automobiles, parts and accessories.

3.1.1 DUNLOP NIGERIA PLC

This company was incorporated 21st October, 1961 and listed on the stock exchange in the same year. The company engages in the manufacture of tyres, floor titles, industrial chemicals, adhesive, and carpets. As at 1990, its paid up share capital stood at N42,000,000 with an asset base of N268,063,000.00 and a profit before tax of N21,013,000.00.

3.1.2 LEVENTIS MOTORS LTD

Leventis motors was incorporated on April 29th, 1958 and the nature of its business is the distribution and servicing of motor vehicles as well as motor cycles. It employs 1,543 people as at March 1990. Its authorised issued and paid up capital is 54 million ordinary share of 50k each.

RATIOS FOR AUTOMOBILE & TYRE INDUSTRY

S/No	Ratio	Dunlop	Leventis
1.	ROCE%	32.8	42.6
2.	RSCE%	23.19	42.6
3.	Fixed assets turnover	2.5	1.8
4.	Net profit margin	12.6	13.2
5.	Fixed asset to networth	350	170
6.	Debt/Equity	0.84	0.6
7.	Net profit on net working capital	0.5	0.5
8.	Current ratio	-	-
9.	Net sales to working capital	3.7	11.6
10.	Earning per share (k)	51.32	10.3
11.	Dividend per share (k)	13.95	5.6
12.	Net asset per share	N8.6	3.3

Table 3.1.6

3.2 BREWERIES

Under this industry as at December 1990, there are 5 companies registered with the Stock Exchange. These are Champion Breweries Plc of Ugo, Akwa Ibom State, Golden Guinea Breweries Plc of Umuahia, Abia State, Guiness Nigeria Plc of Ikeja, Lagos State, Nigerian Breweries Plc., Lagos and Premier Brewery Nigeria Plc., Onitsha, Enugu State. NBL and Guiness are the market leaders with turnover of 1 billion and 17.9 million and 1 billion and 105 million respectively in 1990.

3.2.1 GUINESS NIGERIA PLC

Incorporated on 29th April, 1950 and listed in November, 1965, Guiness with an issued and fully paid share capital of N300 million is the second largest in the industry. Its turnover reached 1 billion in 1990. It is also the second in terms of profitability, dividend and margin.

3.2.2. NIGERIAN BREWERIES PLC (NBL)

N.B.L was incorporated on November 16th, 1946 and listed on 5th September, 1973. It employs about 3,923 people and it is the market leader. It has a paid up share capital of 228,750.000. It has the highest return on net working capital, earning per share, dividend per share and net assets per share in the industry.

TABLE 3.2
RATIOS OF THE BREWERY INDUSTRY PERCENTAGE TERMS

S/NO	RATIO/COMPANY	GUINNESS	NBL
1.	ROCE	28.3	40
2.	RSCE	17.9	40
3.	Fixed Assets turnover	1.5	2.07
4.	Net profits margin	10.4	17.8
5.	Fixed Assets to network	70	68
6.	Debt/Equity	0.10	-
7.	Net profit on net working capital	107	68
8.	Current Ratio	1.2	-
9.	Net Sales to working capital	10	3.7
10.	E.P.S.	19.82	37.12
11.	Dividend per share	9.19	23.85
12.	Net assets/share	3.0	-

3.3 MANUFACTURING

This industry is made of 11 companies. In terms of turnover, Hoechest is leading with N187,286,000.00 followed by CAPL N137,771,000.00. Berger (103,712,000.00). This industry is one of the fastest growing industries with sales tripling in the last five years.

3.3.1 BERGER PAINTS NIGERIA PLC

It was incorporated on 9th January, 1959 and manufactures decorative industry, automobile and marine paints, putty and allied products. It was listed on the stock exchange in December, 1973. It employs 296 people. It has an authorised, issued and fully paid up capitals of N43,200,000.00 with a turnover of over N103 million 1990. It is one of the leading companies in the paints sub-sector. It is also leading the industry in terms of net assets/share while it comes third in terms of profitability and returns.

3.3.2 CHEMICAL AND ALLIED PRODUCTS PLC

CAPL was incorporated on 21st December, 1966. It manufactures paints and chemicals. It was formally ICI (Nig) Ltd. It was listed on the exchange on May 24th, 1979, and employs 693 people and leads the industry in this area with N50 million authorised share capital. N28 million is fully paid. In terms of turnover it is only second to Hoechest. It is also second in terms of return on shareholder's capital and net profit margin. In terms of earnings per share and dividend per share, it leads the industry.

TABLE 3.3
Ratio of Chemical and Paints Industry

S/No	Ratio/Company	BERGER	CAPL
1.	ROCE %	84	28
2.	RSCE %	84	28
3.	Fixed assets turnover	2.6	0.34
4.	Net profit margin	9	7.8
5.	Fixed asset to networth	129	70
6.	Debt/Equity	-	-
7.	Net profit in net working capital	30	29
8.	Current Ratio	-	-
9.	Net sales to working capital	2.8	3.8
10.	Earning per share (k)	13.96	28.41
11.	Dividend per share (k)	8.3	15.5
12.	Net asset per share N	2.0	1.8

3.4 CONSTRUCTION INDUSTRY

The construction industry has 7 companies listed on the exchange. they are Arbico Nigeria Plc, Cappa and D'alberts Plc, Costain (West Africa) Plc., Roads Nigeria Plc. while firms like Julius Berger, Dumex and Cappa D'alberto are enjoying growth and prosperity, Constain is hard hit so much so that, it is meaningless to calculate its ratio.

3.4.1 ARBICO PLC

Arbico was incorporated on 9th June 1958 and listed on the exchange in July 1979. It has an issued and fully paid capital of N3.6 million out of the authorised capital of N9 million. Following a loses of N2,8 million in 1988, the company ended up with a commulative profit of N1 million in 1990. Consequently, Arbico ended up with negative returns and margins as well as earnings per share.

3.4.2 CAPPA & D'ALBERTO PLC

This company was incorporated on April 29th 1950 and listed on 27th November, 1978. It's paid up capital is N12 million and it employs 2,623 people. In terms of size Cappa & D'alberto is the third largest in the industry after Julius berger and G. Cappa. The company's turnover has grown from N22 million in 1985 to N88 million in 1989 i.e growth of 400%. Similarly profits have grown over the period. From a lost of N253,000 in 1985 to a net profit of over N7.8 million so much so that the company is third in terms of profitability and earnings per share.

3.4.6 JULIUS BERGER NIGERIA PLC

Julius Berger was incorporated on 18th February, 1970 and listed on the exchange on 30th September, 1979. It has an authorised issued and fully paid up share capital of 48 million with a turnover in 1990 of over 1 Billion. Julius Berger is undisputedly the giant of the construction industry.

TABLE 3.4
Ratios of the construction Industry

S/No.	Ratios/Company	Abirco	Julius Berger
1.	ROCE %	6.2	29
2.	RSCE %	6.2	29
3.	Fixed assets turnover	1.0	1.7
4.	Net profit margin	1.0	1.0
5.	Fixed asset to networth	480	280
6.	Debt/Equity	-	-
7.	Net profit on net working capital	15	-9
8.	Current Ratio	-	-
9.	Net sales to working capital	6.4	-3.2
10.	Earning per share (k)	10.8	36.98
11.	Dividend per share (k)	4.3	21.06
12.	Net asset per share N	2.0	-11.32

3.5 HOUSEHOLD & INDUSTRIAL PRODUCT INDUSTRY

As comparative date source, the ratios of the Bedsprings and matterasses classification of Dun & Bradstreet will be used. Strictly speaking, only Vitafoam and Vono exactly fit into the Dun and Bradstreet classification. However, the Nigerian Stock Exchange has to lump these companies together because Dun and bradstreet which reports on 49 companies under the bedspring and matterasses industry alone.

3.5.1 ALUMINUM MANUFACTURING COMPANY OF NIGERIA PLC

Alumco was incorporated on 25th January, 1960 and listed on the exchange in 1972. It employs 485 people. It has an authorised share capital of 30 million out of which N18 million is paid up.

3.5.4 LEVENTIS TECHNICAL PLC

It was incorporated on 24th June 1972 and listed on the exchange on 8th June, 1977. It has an authorised share capital of N30,000.00 which is issued and fully paid. It employs 462 people. The company's profits over the period (1987-1991) are commensurate with the growth in turnover.

TABLE 3.5
Ratios of Household and Industrial Products

S/No	Ratio/Company	Alumaco	Leventis Technical
1.	ROCE %	19.33	5.8
2.	RSCE %	19.33	5.8
3.	Fixed assets turnover	3.3	3.5
4.	Net profit margin	9.8	2.0
5.	Fixed asset to networth	60	80
6.	Debt/Equity	-	-
7.	Net profit on net working capital	46.22	17
8.	Current Ratio	-	-
9.	Net sales to working capital	5.39	6.0
10.	Earning per share (k)	19.42	3.6
11.	Dividend per share (k)	9.68	4.2
12.	Net asset per share N	1.64	2.5

CHAPTER FOUR

4.0 DATA PRESENTATION

In this chapter, attempt will be made to select among the 12 ratios computed for each industry 3 sets of ratios that will make the upper quartile, the media and the lower quartile. To arrive at the quartiles of a particular industry for example, the ratios of all the companies in that industry are arranged in a descending order. The media is the ratio of the company that is midway on the list. the upper quartile is the ratio of the company that is midway between the highest ratio and the media. The lower quartile is the ratio that is midway between the median and the lowest ratio. For example, with the Dun and Bradstreet ratio for the construction industry with 188 reporting concerns and the ratios arranged in a descending order, the upper quartile will be ratio number 47, the media will be ratio number 94 and the lower quartile ratio number 141. In Nigeria however, where you have a few reporting concerns in each industry, criteria for selecting the quartiles have to be devised especially in a situation where you have problems with the industry classifications where unlike companies are dumped together to form a industry. Another problem is the situation where some of the companies end u with negative ratio. In which case such negative ratios will be disregarded. Also, where a particular company within an industry is so much out of place like the case of Dunlop within the Automobile and tyre industry, ratios for such companies will be also not be used.

4.1 RANKING THE RATIOS OF THE AUTOMOBILE AND TYRE INDUSTRY

Since we have only two reporting concerns, the middle ratios will used as out quartiles. The arrangement of the ratios in a descending order is therefore as per table 4.1.

4.1 TABLE 4.1 RANKING OF RATIOS OF THE AUTOMOBILE & TYRE INDUSTRY

Ratio/Ranking	1	2
ROCE	42.6	32.8
RSCE	42.6	23.19
Fixed Asset turnover	2.5	1.8
Net profit margin	13.2	12.6
Fixed Asset to networking	350	170
Debt/Equity	0.84	0.6
Net profit on net working capital	0.5	-
Current Ratio	-	-
Net Sales to working capital	11.6	3.7
Interest covers	-	-
Earnings per share	51.32	10.3
Dividends per share	13.94	5.6
Net assets per share	8.6	3.3

4.2 RANKING THE RATIOS OF THE BREWERIES

We have two reporting concerns, we are therefore going to use the ratios of the first & second company when arranged in a descending order as per table 4.2

TABLE 4.2 RANKING OF THE RATIOS OF THE BREWING INDUSTRY

Ratio/Ranking	1	2
ROCE	40	28.3
RSCE	40	17.9
Fixed asset turnover	2.07	1.5
Net profit margin	17.8	10.4
Fixed asset to networth	70	68
Debt/Equity	0.01	-
Net profit on networth capital	1.07	0.68
Current ratio	1.2	-
Net sales to working capital	10	3.7
Earning per share	37.12	19.82
Dividend per share	23.85	9.19
Net asset/share	3.0	-

4.3 RANKING OF THE CHEMICAL AND PAINTS INDUSTRY

In this industry, we have two industries, we will here also use the second third and forth ratios as our quartile.

TABLE 4.3 RANKING OF THE CHEMICAL & PAINTS INDUSTRY

Ratio/ranking	1	2
ROCE	84	28
RSCE	84	28
Fixed asset turnover	2.6	0.34
Net profit margin	9.0	7.8
Fixed assets to networth	12.0	70
Debt/Equity	-	-
Net profit on networking capital	30	29
Earning per share	29.41	13.96
Dividend per share	15.5	8.3
Net assets per share	2.0	1.8
Net sales to working capital	3.8	2.8

4.4 RANKING RATIOS OF THE CONSTRUCTION INDUSTRY

The construction industry is made up of 2 firms, we will therefore use the ratios of the 2 companies when ranked in a descending order.

TABLE 4.4 RANKING OF THE RATIOS OF THE CONSTRUCTION INDUSTRY

Ratio/Ranking	1	2
ROCE	29	6.2
RSCE	29	6.2
Fixed asset turnover	1.7	1.0
Net profit margin	1.0	-
Fixed assets to networth	2.80	4.80
Net profit on net working capital	15	(9)
Net sales of working capital	6.4	3.2
Earning per share	36.68	108
Dividend per share	21.06	4.3
Net asset per shares N	2.0	(11.32)

4.5 RANKING OF THE RATIOS OF THE HOUSEHOLD & INDUSTRY PRODUCTS

This industry is similarly mad up of reporting concerns, we shall therefore select the first and second ratios as our quantiles.

TABLE 4.5 RANKING OF THE RATIOS OF THE HOUSEHOLD & INDUSTRIAL PRODUCTS

Radio/Ranking	1	2
ROCE	19.33	5.8
RSCE	19.33	5.8
Fixed asset turnover	3.5	3.3
Net profit margin	9.8	2.0
Fixed assets to networth	80	60
Debt/Equity	-	-
Net profit on net working capital	46.22	17.0
current ratio	-	-
Net sales to net working capital	6.0	5.39
Earning per share	19.42	3.6
Dividend per share	9.68	4.2
Net assets per share	2.5	1.6

TABLE 4.6 Comparism of project and Dun & Bradstreet Ratio

INDUSTRY	AUTOMOBILE & TYRE		BREWERIES		CONSTRUCTION		CHEMICAL & PAINTS		HOUSEHOLD & INDUSTRIAL PRODUCTS	
Ratio	Project	D&B	Project	D&B	Project	D&B	Project	D&B	Project	D&B
Return on capital	42.6	18.39	40	15.15	29	19.04	84	16.07	19.33	11.53
employed %	32.8	14.6	28.3	10.38	6.2	12.39	28	12.45	5.8	6.46
Return on share	42.6	18.89	40	15.15	29	19.04	84	16.07	19.33	11.53
Holder's capital %	23.19	14.60	17.9	10.38	6.2	12.39	29	12.45	5.8	6.46
Fixed assets T/over	2.5		2.07		1.7		2.6		3.5	
Times	1.8		1.5		1.0		1.7		3.3	
Net profit margin	13.2	6.75	17.8	6.48	1	6.6	9.0	8.15	9.8	2.69
(%)	12.6	4.59	10.4	4.75	-	3.88	7.8	5.35	2.0	2.07
Fixed asset to	350	55.5	70	81.9	480	42.1	120	88.9	80	49.3
Net worth %	70	39.6	68	59.4	280	22.2	70	68.8	60	28.1
Debt/Equity	16	47.3	10	20.4	-	119.4	-	31.8	-	48.7
%	30.7	77.8	-	38.6	-	188.4	-	58.9	-	72.8
Net profit on	50	32.11	107	63.72	15	33.4	30	50.10	46	15.03
net working cap. %	-	20.32	68	34.27	-9	16.38	29	30.32	170	10.95
Current ratio	-	3.77	1.2	3.34	-	2.06	-	2.77	-	3.60
Times	-	2.58	-	2.59	-	1.49	-	2.28	-	2.33
Net sales to net	11.6	6.54	10	11.34	6.4	20.41	3.8	7.05	6.0	8.52
Working capital	3.7	4.63	3.7	8.51	(3.2)	11.52	2.8	5.03	5.39	5.79
Earning per share	51.32		37.12		36.98		29.41		19.42	
(Kobo)	10.3		19.82		10.8		13.96		3.6	
Dividend per share	13.94		23.85		21.06		15.5		9.68	
(Kobo)	5.6		9.19		4.3		8.3		4.2	
Net assets per share	8.6		3.0		2.0		2.0		2.5	
(Naira)	3.3		-		11.32		1.8		1.6	

4.6 COMPARATIVE ANALYSIS

This section will take comparative analysis of this project with Dun & Bradstreet (D&B) ratios Table 4.6 refers.

4.6.1 RETURN ON CAPITAL EMPLOYED

While the project ratios ranges are 43.6. & 32.8 for the Auto Industry those of the D & B are 18.39 & 14.6. This seemingly large disparity (the relatively high profitability of the Nigeria auto industry) can be traced to the effect of Structural Adjustment Programme SAP as a result of the foreign exchange rate facing people to buy the cars locally due to the naira valve to the foreign currencies. Though SAP instilled a maintenance culture causing roadside mechanics to take away a lot of business from the auto companies as well as the local spare parts dealers, but still the auto industry made a high relatively profit, due to foreign exchange rate. As for the breweries, the project ratios ranges are 40 & 28.3, the quartiles of D & B range between 15.15 & 10.38, the comparable of the ratios can be limited due to the reporting concerns for D & B, where there are 27 reporting concerns for D & B while the project used only 2 companies. General speaking, the 2 system can be said to be comparable.

For the construction industry, despite the fact, there are 188 reporting concerns for D & B against the projects 2 the 2 ratios systems are quite comparable. Whereas the project ratios range are 29 & 6.2, those of D & B are 19.04 and 12.39; here also we have a great deal of comparability especially in the upper quartiles. This comparability can be attributed to the fact that, the construction industry has come of age with some of the companies being in Nigeria as far back as 1948.

In relation to the chemical and paints industry, the Nigerian companies are far more profitable than their U.S counterparts while the project inter quartiles are 84 & 28, those of D & B are 16.07 and 12.4. This notable disparity is due to the fact that most of the Nigerian market can be said to be at the introductory or early

maturity stages of development. The booming of the construction industry is as a result of the increased tempo of activities at Abuja which facilitated the change in the seat of the Federal government as well as the creation of new states. This development also helped the paints industry. SAP has also insulated the industry from foreign competition. The project and D & B ratios cannot be said to be comparable in the case of the Household and Industrial products industry. While the project quartiles, are 19.33 and 5.8, those of D & B are 11.53 and 6.46. This relatively high level of profitability can be linked to the boom the industry enjoys under SAP perhaps due to the fact that it is no longer profitable to import thereby protecting the industry from foreign competition. SAP has also made foreign exchange for the importation of raw materials relatively easier to obtain compared to the import licensing regime that obtained prior to the introduction of SAP.

4.6.2 RETURN ON THE SHAREHOLDER'S CAPITAL

Considering the fact that most Nigerian companies have very low or no long term loan capital in their capital structures, ROCE and RSCE can be said to be synonymous for the purpose of our analysis. As a matter of fact none of the firms in the auto industry has long term loans. The same goes for the Construction Household and Industrial Products Industries. for the Chemical and Paints industry only CAPL has substantial loan capital in form of debenture stock.

4.6.3 FIXED ASSET TURNOVER RATIOS

For these ratio comparative (D & B) date is not available, we will therefore concentrate on inter industry analysis. the quartiles of the Chemical % Paints Industry 2.6 and .7 are quite comparable to those of the Household & Industrial Products Industry 3.5 and 3.3 while those of the Breweries are relatively low 2.07 and 1.5. this can be explained by the capital intensive nature of the breweries industry. On the other hand the ratios of the auto industry fall in

between 2.5 and 1.8 which can be explained by the low turnover in the industry due to SAP effects enumerated earlier which is more than compensated the low capital intensive nature of the industry. The ratios of the construction industry are relatively low 1.7 and 1.9 due to low requirement in fixed assets of the industry.

4.6.4 NET PROFIT MARGIN

On the whole Nigerian companies record higher margins than their U.S. counterparts. Even the auto industry which is said to be facing hard times is not left out. This is underscored by the fact that Nigerian companies are in a world of their own, what obtains here is virtually a seller's market. It is only in Nigeria that sellers collect deposits from customers thereby financing their working capital free of charge or even to the extent of earning interest on the deposits.

4.6.5 FIXED ASSETS TO NETWORTH RATIOS

For the Auto Industry the quartile, of 350 and 1770 do not compare quite favourably with those of D & B of 55.5, and 39.6. The ratios of the Breweries of 70 and 68 are fairly comparable to those of D&B of 81.9 and 59.4. For the Construction industry project ratios are 280 and 48 while those of D&B are 42.1 and 22.2. Here also the project and D&B ratios are not comparable. The quartiles of the Chemical and Paints industry are quite comparable on the other hand, to the project's 120 and 70. The ratio range of D&B are 88.9 & 68.8. For the Household and Industrial Products industry the project quartiles are 80 & 60 while those of D&B are 49.3 & 29. Here also the ratios are not comparable. On the whole one is tempted to conclude that Nigerian firms are relatively more secure as far as the shareholders are concerned than those in similar industries in the U.S.

4.6.6 DEBT/EQUITY RATIOS

This ratio underscores the fact that Nigerian companies do not carry any significant proportion of debt in their capital structures like

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was stated earlier. This state of affairs has not only to do with the high cost of borrowing (21% per annum as stipulated in the 1994 budget) but also the attitude of our managers as this phenomenon has always existed ever before the introduction of SAP. The so-called regulation introduced in 1994 is suffering set backs occasioned by lack of implementation thereby compounding problems for the companies. Consequently the companies now resort to obtaining funds through the issue of common stock, rather than borrow. Some even issue common stock to pay off debts. For example Onwuka Hi-tech used this method in pay off a N40 million bank loan which even raised some issues in the stock exchange when it was discovered. In view of the foregoing, it is safe to say that, there is no basis of comparison between the Nigeria and D&B ratios. Whereas it can be as high as 318 in the U.S., it is nil in most cases here and the highest figure we have is 116. This situation makes one to wonder whether most Nigerian managers are aware of the theories of capital structure and that there is an optimum capital structure.

One is also tempted to ask whether the objective of our financial managers is the maximization of shareholder wealth. Our managers do not seem to realise the need for debt capital in their structures which is totally wrong even the local Hausa trader knows this for there is a Hausa saying which says, "can daba bashi can banza" meaning any head that does not carry a debt burden is useless. This implies that any manager that fails to have a debt capital in his capital structure is unmindful of the value it could create for the company.

4.6.7 NET PROFIT ON NET WORKING CAPITAL RATIOS

The quartiles of the project are for the Auto industry. While those of D&B are 32.11 and 20.32 what obtained here is that while the upper quarters are not comparable, the median and lower quartle are. For the Breweries, project ratios are 107 and 68 while those of D&B are

63.72 and 34.27. The disparity can be linked to the Nigerian approach to working capital management whereby deposits are collected from customers thereby ending up with minimal or even negative net working capital. For the construction industry, project quartiles are 15 and .9 while D&B quartiles are 33.04 and 16.38. This is quite under understandable given the fact that, most of the construction companies are in their late stages or maturity with some of them showing signs of decline. They must have over time evolved an optimum working capital formula. Looking at the quartiles of the Chemical and Paints industry, the project has 30 and 29 - which are a bit comparable to those of D&B of 50.01 and 30.32. On the other hand project quartiles for the household and industrial products of 460 and 170 are not comparable with those of D&B 15.03 and 10.95.

4.6.8 CURRENT RATIO

Due to the fact that almost all the companies do not give a break down of their working capital, it is not possible to compute this ratio in most cases. As a matter of fact, only 1 out of the 10 companies used by this project gave such a breakdown. Consequently it is not possible to compute ratios for the Auto Chemical and Paints Industries. Like has been pointed out elsewhere with regards to working capital related ratios, those comments are quite relevants to this section.

4.6.0 NET SALES TO NET WORKING CAPITAL

For the Auto industry project quartiles are 11.6 land 3.7 while those of D&B are 6.54 and 4.63. The disparity can be explained by the fact that, the Nigerian auto industry is doing well resulting in a relatively reasonable volume of turnover. For the Breweries also, the ratios are not comparable with the project quartiles of 10 and 3.7 while those of D&B are 11.34 and 8.51. Here also sales volume differentiates between the Nigerian and U.S. markets as well as working capital management expertise. For example it is not possible to compute working capital related ratios due to the fact that, they both

end up with negative net working capital. For the construction industry also project ratios are about one half of those of D&B, while project quartiles are 6.4 and 3.2 those of D&B are 20.41 and 11.52. For the chemical and paints industry the project quartiles are 3.8 and 2.8 while D&B quartiles are 7.05 and 5.05 which are not comparable. There is some bit of comparability for the quartiles of the household and industrial products although it is not as striking as that of the chemical paints industry where project quartiles are 6.0 and 5.39 while those of D&B are 8.52 and 5.79.

4.6.10 EARNINGS PER SHARE

For this ratio and the ones following comparative data is not available. We will therefore limit ourselves to inter industry analysis. The quartile of the auto industry of 51.32 and 10.3 are the highest of the five industries followed by the Breweries industry with 37.12 and 19.82. This is quite understandable for the fact that both industries are having it good with SAP. This will make the share of both companies attractive to those of the household and industrial products industry with quartiles of 19.42 and 3-6, the chemical and paints industry with 29.41 and 13-96 or the construction with 36.98 and 10.8

4.6.11 DIVIDENDS PER SHARE

These ratios also follow the same pattern as earnings per share, dividends being paid out of earnings. Of course they could be paid out of reserve but the reserves have to be earned too.

4.6.12 NET ASSETS PER SHARE

Since the nominal value of the shares of all the companies considered in this project is 50 kobo per share, the quartiles of all the industries exceed that value. As a matter of fact, the lowest quartile is about N1.00 which is twice the per value.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSIONS AND FINDINGS

From the foregoing this project has demonstrated that, Nigerian ratios can be developed so as to be used in analysing Nigerian companies rather than rely on foreign standards. Apart from few exceptions, wide disparities exist between the ratios developed by the project and the Dun & Bradstreet standards used. In most cases, these disparities can be traced to the differences between the two environments. This therefore strongly justifies the advocation of this project that, there is the need for Nigerian standards to be developed. The fact that, the radios computed compare favoureable with each other on both inter and intra industry basis further confirms some degree of correlation between the ratios of firms within an industry and across industries. It further indicates that, there is something peculiar - about these ratios - that is to say, differences in environmental factors can make ratios to differ. Consequently SAP as an environmental factor that is peculiar to Nigeria has its effect especially on profitability ratios. SAP has a favourable to Nigeria has its effect especially on profitability ratios. SAP has a favourable effect on the Nigerian auto and construction industries, that is why the U.S. ratios are lower than project ratios. On the other hand, SAP is unfavourable to the other industries so project ratios are higher than D&B ratios.

The stage of development of a product or market or the age of the companies within an industry are also factors that will make ratios differ. That is why Nigerian profitability ratios for the construction industry are similar to the D&B standards while both the chemical and paints and the domestic and industrial products are higher for the Nigerian companies. Net profit margin ratios clearly underscore the contention that, differences in economic, culture and level of development can also make ratios differ. Conse-

quently, even the auto and construction industries which are both facing hard times in Nigeria are recording higher percentages that D&B standards.

Nigerian companies have little or no long term loan capital structures. This has to do with the perception of our managers, Nigerian business practices (culture), cost of debt capital, as well as fiscal and monetary policies.

From the fixed asset turnover ratios, the more capital intensive an industry is the lower the ratio. Also companies in difficulty tend to have low ratios because of low turnover.

From the fixed assets to networth ratios, it is evident that, Nigerian ratios are relatively higher. High fixed asset to net-ratios can also result from low level of reserves which will indicate poor performance overtime resulting in the accumulation of reserves. This is the case with the auto industry.

With regards to net working capital related ratios and working capital management in general, the Nigerian practice of collecting deposits form customers and our general approach to working capital management renders project ratios not comparable to D&B standards. In some cases, we end up with negative net working capital which indicates that current liabilities exceed current assets which is abnormal and peculiar to Nigeria. For the auto and construction industries that are not enjoying a boom, negative net working capital is an indication of distress and insolvency.

On the whole, the ratios developed by this project can be said to be truly Nigerian especially for the fact that, disparities with D&B standards were traced to the peculiarities of the Nigerian environment which underscores the need for developing standards.

5.2 RECOMMENDATIONS

This project has established the need for the development of Nigerian standards as bench marks in financial analysis rather than rely on foreign standards which may not suit the peculiarities of our environment, to this end, the following are recommended:-

(1) Nigerian Universities should undertake research to fully develop Nigeria Financial standards.

(2) Nigerian authors should write books in business and finance that will take into consideration the peculiarities of our environment rather than rely on foreign texts.

(3) ABU schools of Business Library should develop a data bank whereby data on Nigerian companies will be stocked writing all major companies to be sending to the library copies of their annual report and accounts and other publications.

(4) Five year financial summaries contained in annual reports and accounts published by companies should contain more details so as to enable the calculation of more ratios. Current assets and current liabilities should be shown separate so as to allow the calculation of current ratios, items of the current assets and liabilities should also be disclosed so as to enable the calculation of quick ratios, average collection period and stock turnover. Five year summary of sources and uses of funds should also be part of the requirements of the information to be contained in annual reports and accounts.

(5) To this end, Institute of Chartered Accountants of Nigeria (ICAN) should make 4 above mandatory for all companies.

(6) Similarly, the Nigerian Stock Exchange should make 4 above part of its comprehensive criteria in selecting annual merit award winners (see Appendix).

(7) Also, the data enumerated should be contained in the NSE Factbook in the financial highlights of the quoted companies.

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Table 2–6
Dun & Bradstreet Ratios for Selected Industries

Line of Business (and Number of Concerns Reporting)	Current Assets to Current Debt (Times)	Net Profits on Net Sales (Percent)	Net Profits on Tangible Net Worth (Percent)	Net Profits on Net Working Capital (Percent)	Net Sales to Tangible Net Worth (Times)	Net Sales to Net Working Capital (Times)	Collection Period (Days)
3522*	3.78	7.15	21.44	30.82	5.27	8.13	25
Agricultural Implements	2.27	4.12	14.59	20.08	3.21	4.60	39
and Machinery (74)	1.52	3.23	8.30	14.95	2.34	2.98	52
3722–23–29	2.40	8.12	27.76	44.96	4.46	8.27	34
Airplane Parts &	1.81	5.25	18.11	32.21	3.43	5.29	46
Accessories (59)	1.42	3.10	11.90	17.76	2.72	4.20	61
3714	3.77	6.75	18.89	32.11	3.89	6.54	35
Automobile Parts and	2.58	4.59	14.60	20.32	2.99	4.63	42
Accessories (84)	2.03	3.22	8.65	14.09	2.19	3.23	51
2515	3.60	2.69	11.53	15.03	5.85	8.52	30
Bedsprings and	2.33	2.06	6.46	10.05	3.48	5.79	42
Mattresses (49)	1.87	0.80	2.71	5.11	2.61	4.34	55
2082	3.34	6.48	15.15	63.72	3.23	11.34	8
Breweries (27)	2.59	4.75	10.38	34.47	2.49	8.51	16
	1.88	1.26	2.55	8.43	1.72	5.13	24
287	2.98	3.87	11.78	44.91	5.11	13.41	32
Chemicals, Agricultural	1.73	2.02	7.58	17.73	3.46	6.72	55
(33)	1.33	0.95	1.56	2.80	1.98	4.15	87
281	2.77	8.15	16.07	50.01	3.09	7.05	39
Chemicals, Industrial	2.28	5.53	12.45	30.31	1.95	5.03	50
(60)	1.51	3.93	9.03	17.91	1.52	3.39	59
1511	2.06	3.14	19.04	33.04	12.51	20.41	†
Contractors, Building	1.49	1.38	12.39	16.38	8.09	11.52	†
Construction (188)	1.27	0.74	6.20	9.14	4.32	5.79	†

*Standard Industrial Classification (SIC) categories

†Building trades contractors have no inventories in the credit sense of the term. As a general rule, they have no customary terms, such contracts being a special job for which individual terms are arranged.

Source: Key Business Ratios in 125 Lines (New York: Dun & Bradstreet, Inc.). Reprinted by permission of Dun & Bradstreet

Table 2-6 Continued
Dun & Bradstreet Ratios for Selected Industries

Line of Business and Number of Concerns Reporting)	Net Sales to Inventory (Times)	Fixed Assets to Tangible Net Worth (Percent)	Current Debt to Tangible Net Worth (Percent)	Total Debt to Tangible Net Worth (Percent)	Inventory to Net Working Capital (Percent)	Current Debt to Inventory (Percent)	Funded Debt to Net Working Capital (Percent)
2032*	6.1	21.5	22.5	47.5	71.3	44.6	17.8
Agricultural Implements	3.9	33.5	49.3	80.0	104.9	72.0	37.0
and Machinery (74)	3.1	63.6	115.3	149.6	161.4	98.4	50.9
3722-23-29	8.6	27.9	43.2	58.0	73.8	87.9	14.1
Airplane Parts &	5.9	48.4	61.5	103.5	103.4	100.0	47.5
Accessories (59)	3.9	75.5	112.5	179.1	154.7	141.9	65.8
3714	8.0	25.7	23.5	47.3	60.5	56.5	14.8
Automobile Parts and	5.3	39.6	38.0	77.8	86.2	79.7	41.6
Accessories (84)	4.2	55.5	63.4	116.9	100.5	113.7	59.9
2515	11.7	15.6	22.9	48.7	54.8	55.6	3.6
Bedsprings and	8.2	28.1	45.9	72.8	76.8	93.6	26.6
Mattresses (49)	5.5	49.3	76.3	133.9	114.5	154.8	52.1
2082	21.6	53.7	13.1	20.4	33.3	108.2	9.1
Breweries (27)	16.4	59.4	21.3	38.6	46.5	137.8	118.4
	11.4	81.9	34.1	97.5	87.7	194.9	176.1
287	10.4	29.5	33.6	58.4	62.1	89.5	24.1
Chemicals, Agricultural	6.6	53.6	73.1	111.0	106.6	122.9	47.5
(33)	5.0	71.2	123.0	165.9	160.5	237.3	75.2
281	10.1	42.6	20.1	31.8	65.2	76.1	44.6
Chemicals, Industrial	6.9	68.8	30.0	58.9	84.7	98.5	94.3
(60)	5.5	88.9	50.0	106.0	100.1	128.7	152.1
1511	†	9.5	61.7	119.4	†	†	11.0
Contractors, Building	†	22.2	138.0	188.4	†	†	27.1
Construction (188)	†	42.1	239.8	318.0	†	†	83.1

DUNLOP NIGERIA PLC

	1990 N'000	1989 N'000	1988 N'000	1987 N'000	1986 N'000
SALE	281,586	252,996	157,35	116,147	75,700
PROFITS:					
Profit before taxation	21,013	45,042	32,314	30,848	17,888
Taxation	(3,024)	(598)	(12,116)	12,610)	(7,550)
	17,989	44,444	20,19	18,238	10,338
APPROPRIATIONS:					
Dividends	7,560	7,560	6,30	4,725	3,150
Reserve for research and development	-	-	3,00	-	-
Retained profit	10,429	36,884	10,89	13,513	7,188
	17,989	44,444	20,19	18,238	10,338
ASSETS EMPLOYED:					
Fixed assets	268,063	205,000	41,55	32,551	31,190
Long-term investment	6,005	4,010		-	-
Net current assets	46,378	66,471	76,33	32,919	20,767
Net assets employed	320,446	275,481	117,88	65,470	51,957
FINANCED BY:					
Issued share capital	21,000	21,000	21,00	15,750	10,500
Net reserves	117,114	110,274	73,75	49,720	41,457
Shareholders' funds	138,114	131,274	94,75	65,470	51,957
Term loans	182,332	144,207	23,13	-	-
	320,446	275,481	117,88	65,470	51,957
Earnings per share (kobo)	42.83	97.67	48.09	43.42	24.61
Dividend per share (kobo)	18.00	18.00	15.00	11.25	7.50
Return on net assets employed %	5.61	16.13	17.1	27.86	19.90
Return on shareholders' funds %	13.02	33.86	21.3	27.86	19.90
Net assets per share (kobo)	328.84	312.56	225.60	155.88	123.71

NOTES:

A. Earnings, dividends and net assets per share have been adjusted for increase in issued s capital.

B. 1989 earnings per share have been adjusted for the year's under provision for taxation.

LEVENTIS TECHNICAL PCL
FIVE YEAR FINANCIAL SUMMARY
YEAR ENDED MARCH, 31

	1991 N'000	1990 N'000	1989 N'000	1988 N'000	1987 N'000
TURNOVER AND PROFIT:					
Turnover	66,048	69,995	54,425	47,315	45,737
Profit before taxation	5,375	3,783	905	438	1,520
Taxation	(2,566)	(2,330)	(563)	(320)	(726)
Profit after taxation	2,809	3,783	903	438	1,520
Extraordinary items	-	-	-	-	1,629
Economic Recovery Fund	-	-	-	12	(12)
fit after taxation and extraordinary items	2,809	3,783	905	450	3,137
Dividend	(2,000)	(3,000)	(720)	(360)	(750)
Debenture redemption reserve	(300)	-	-	-	-
Research and development	(400)	-	-	-	-
RETAINED PROFIT	109	783	185	90	2,387
Earnings per share adjusted (see note)	5.6K	7.6K	1.8K	1K	3K
Dividends per share actual	4K	6K	4K	2K	5K
ASSETS EMPLOYED:					
Fixed assets	36,519	32,544	15,269	13,833	8,664
Investments	3,845	245	245	245	245
Net current assets	27,190	9,590	5,638	7,814	9,292
	67,554	42,379	21,152	21,892	18,201
FINANCED BY:					
Share capital	25,000	15,000	9,000	9,000	7,500
Debentures	15,000	-	-	-	-
Amount set aside for bonus issue	-	-		-	1,500
Reserves	21,226	20,417	10,206	10,021	8,644
Loans	-	313	613	797	-
Finance lease obligations	-	176	748	1,489	-
Deferred taxation	4,443	4,443	585	585	557
Others	1,885	2,030	-	-	-
	67,554	42,379	21,152	21,892	18,201

Note: Earnings per share are based on profit after taxation but before extraordinary items. Earnings and dovidends per share (adjusted) for the five yeaars have been calculated on the basis of 50,000,000 ordinary shares of 50 Kobo each in issue at March, 31, 1991.
Dividends per share (actual) for 1990 & 1991 were calculated on the basis of 50,000,000 ordinary

LEVENTIS MOTORS PLC
Five-Year Financial Summary
Year Ended March, 31

	1991 N'000	1990 N'000	1989 N'000	1988 N'000	1987 N'000
Turnover	157,860	118,286	117,704	95,402	58,889
Profit before taxation	14,229	11,980	9,742	5,896	4,967
Taxation	7,340	5,602	4,139	2,909	1,839
Profit after taxation	6,889	6,378	5,603	3,987	3,128
National Economic Recovery Fund	-	-	-	121	(121)
Dividends	5,440	4,500	2,250	1,800	1,350
Profit Retained	1,449	1,878	3,353	2,308	1,657
Dividend per share-Actual	8.00K	8.00K	5.00K	4.00K	3.00K
- Adjusted (Note 1)	8.00K	8.00K	4.00K	3.20K	2.40K
Earnings per share-Actual	12.24K	11.33K	12.45K	8.86K	6.95K
- Adjusted (Note 1)	12.24K	11.34k	9.96K	7.08K	5.56K
ASSETS EMPLOYED					
Fixed assets	49,621	49,696	43,941	44,527	19,658
Investments	2,912	2,912	2,912	2,558	2,558
Promissory Notes	208,594	198,778	243,279	141,849	88,108
Deferred expenditure	190	217	244	182	-
Net Current Assets/ (Liabilities)	25,046	10,168	9,396	(3,663)	(34,269)
	286,363	261,771	299,772	192,779	76,082
FINANCED BY:					
Share capital	28,125	28,125	22,500	22,500	22,500
Amount bonus issue	-	-	5,625	-	-
Reserves	100,234	103,482	103,143	75,870	37,070
Shareholders' Funds	128,359	131,607	131,268	98,370	59,570
Deferred taxation	6,886	6,886	6,886	6,886	2,990
Deferred Interest	35,447	33,771	45,134	26,316	-
Bank Loans-Medium Term	115,671	89,507	116,484	61,207	13,522
	261,771	299,772	192,779	79,082	

Note: Dividends and earnings per share for each year have been calculated on the basis of an issued shae capital of 56,250,000 shares of 50 kobo each.

ARBICO PLC
Five - Year Financial Summary

	1990	1989	1988	1987	1986
TURNOVER AND PROFIT	₦0'000	₦0'000	₦0'000	₦0'000	₦0'000
TURN OVER	46,422	31,967	15,781	17,361	13,973
Profit before taxation and extra ordinary item	1,045	659	311	339	312
Taxation	379	154	180	---	---
Profit after taxation but before extra ordinary item	666	505	131	339	312
Extra ordinary item	1,927	---	---	---	---
Profit after taxation and extraordinary item	2,593	505	131	339	204
Dividend proposed	216	144	---	---	---
Profit retained for the year	2,377	361	131	339	204
Earnings per share	18.5k	14.0k	3.6k	9.4k	8.6k
Dividends per share	6.0k	4.0k	---	---	3.0k
ASSETS EMPLOYED					
Fixed assets at net book value	2,167	3,697	4,131	4,609	5,070
Investment	10	10	10	10	10
Net current assets	6,918	4,051	3,256	2,647	1,955
	9,095	7,758	7,397	7,266	7,035
FINANCED BY:					
Share capital	1,800	1,800	1,800	1,800	1,800
Reserves	6,298	5,066	4,705	4,574	4,343
Deferred taxation	997	892	982	892	892
	9,095	7,758	7,397	7,266	7,035

NOTES:

1. Earnings per share are based on the profit after taxation but before extra ordinary item. Earnings and dividends per share for the five years have been calculated on the basis of 3,600,000 ordinary share of 50 kobo each in issue at June 30, 1990.

JULIUS BERGER NIGERIA PLC

1.1 **Date of Incorporation:**
18th February 1970

1.2 **Nature of Business:**
Civil Engineering Works and Construction

1.3 **Date Listed on The Exchange**
20th September 1979

1.4 **The Nigerian Stock Exchange Classification:**
Construction

1.5 **Registered Office:**
10, Ijora Causeway, Ijora
P.O. Box 3643, Lagos

1.6 **Directors:**
Alh. (Dr) M.T. Usman OFR (Chairman)
J.G. Richter M.D. (German)
H. Wittmann (German)
E.T. Allagh, S.K. Danladi,
Alh. M. Fakkai, G. Hawranke (German)
Prof. G.A. Jawando, G. Nitsche (German)
Brig. (Dr) M.O. Johnson (Rtd)

1.7 **Company Secretary**
O.A. Agbaje

1.8 **Auditors:**
Peat Marwick Ani Ogunde & Co.

1.9 **Company's Registrar:**
Union Bank of Nigeria

1.10 **Subsidiaries & Associates:**
Bilfinger & Berger Bau
A.G. Weishaflen, West Germany

1.11 **Number of Employees:**
21,290

1.12 **Capital Structure:**
Authorised:
60,000,000 Ordinary Shares of 50k

Paid-UP:
48,000,000 Ordinary Shares of 50k

Five - Year Financial Summary

	1990	1989	1988	1987	1986
	₦0'000	₦0'000	₦0'000	₦0'000	₦0'000
FUNDS EMPLOYED					
Share capital	12,000	12,000	12,000	12,000	12,000
Bonus issue reserve	12,000	----	----	----	----
General reserve	20,286	22,688	17,913	15,775	14,351
Long term loan	200,000	200,000	-----	-----	-----
	244,286	234,688	29,913	27,775	26,357
ASSETS EMPLOYED					
Fixed assets	499,986	338,401	170,739	99,314	43,373
Net current liabilities	(241,141)	(86,823)	(145,923)	(72,039)	(17,016)
Provision for liabilities and charges	(14,559)	(16,890)	5,097	-----	-----
	244,286	234,688	29,913	27,775	26,357
TURNOVER AND PROFITS					
Turnover	1,318,077	818,622	508,111	255,796	141,265
Profit before taxation	45,946	31,404	18,288	9,791	4,814
Profit after taxation	20,638	10,775	6,218	3,938	2,810
Dividends	11,040	6,000	4,080	2,520	1,632
Earnings per 50k share	85.99k	44.90k	25.91k	16.41k	11.71k
Dividends per 50k share	46.00k	25.00k	17.00k	10.50k	6.80k
Dividend per share on the enlarged issue capital at date of allotment (8th Feb. 1991) (adjusted)	23.00k	12.50k	8.50k	5.25k	3.40k
Dividend cover (times)	1.87	1.80	1.52	1.56	1.72

NOTE: Earnings and dividends per share are based on the issued share capital at 31st Decem 1990.

BERGER PAINTS PLC

1.1 **Date of Incorporation:**
9th January, 1959

1.2 **Nature of Business:**
Manufacture of decorative, industrial, automotive and marine paints, putty and allied products.

1.3 **Date Listed on The Exchange:**
December 1973

1.4 **The Nigeria Stock Exchange Classification:**
Manufacturing

1.5 **Registered Office:**
Oba Akran Avenue
Ikeja, Lagos

1.6 **Directors:**
A. A. Ayida - Chairman
C.A. Olowokande - MD
Chief (Dr) S. Dankaro
M.J. Evans (British)
C.E. Fuller (British)
N.P. Kosmas (Greek)
Chief H.K. Offonry, OFR
A.A. Oshingbesan
A.A. Thompson

1.7 **Company Secretary:**
A.O. Folarin

1.8 **Auditors:**
Peat Marwick Ani Ogunde & co.

1.9 **Company's Registra :**
Registrar Dept
Berger Paints Nigeria PLC

1.10 **Subsidiaries & Associates:**
Jenson and Nicholson Ltd, London

1.11 **Number of Employees:**
296

1.12 **Capital Structure:**
Authorised:
43,200,000 Ordinary Shares of 50k

Paid-UP:
43,200,000 Ordinary Shares of 50k.

473723

CHEMICAL AND ALLIED PRODUCTS PLC

FIVE YEAR FINANCIAL SUMMARY
YEARS ENDED 30TH SEPTEMBER

	1989 N'000	1987 N'000	1988 N'000	1989 N'000	1990 N'000
FUNDS EMPLOYED:					
Ordinary share capital	11,667	11,667	11,667	11,667	14,000
Capital reserve	6,345	6,435	6,345	6,345	6,345
General reserve	5,173	10,093	14,703	19,022	
Share premium	14	14	14	14	14
Debenture redemption Reserve account	11,106	9,406	9,406	9,406	9,406
Shareholders' funds	34,713	37,487	39,525	42,135	48,787
Debenture Stock	9,406	9,406	9,406	9,406	9,406
Deferred liabilities	2,000	1,335	1,646	1,965	2,486
	46,119	48,228	50,577	53,506	60,679
EMPLOYMENT OF FUNDS:					
Fixed assets	28,107	28,647	28,283	28,231	27,976
Net current assets	18,012	19,581	22,294	25,275	32,703
	46,119	48,228	50,577	53,506	60,679
TURNOVER AND PROFITS:					
Turnover	51,637	67,137	91,219	119,575	137,771
Profit before taxation	9,246	10,215	8,465	13,776	17,111
Profit after taxation	5,548	6,215	5,538	7,276	11,692
Dividends	2,772	3,033	3,500	4,667	5,040
Earnings per 50K share	23.78K	26.64K	23.73K	31.18K	41.75K
Dividends pr 50K share	11.88K	13.00K	15.00K	20.00K	18.00K
	9.90K	10.83K	12.50K	16.67K	

GUINNESS NIGERIA PLC
FIVE YEAR FINANCIAL SUMMARIES

	1990 N,000	1989 N'000	1988 N'000	1987 N'000	1986 N'000
Results					
Turnover	1,105,090	751,420	473,600	307,839	268,052
Profit before taxation	136,659	121,639	76,506	40,120	60,095
Taxation	(34,000)	(34,500)	(30,284)	(12,080)	(26,295)
Profit after taxation	102,659	87,139	46,222	28,040	33,800
Dividends	(36,000)	(36,000)	(32,000)	(13,020)	(20,280)
Gunniess Eye Centre Project Reserve	(2,000)	(2,000)	(2,000)	(2,000)	-
Plant Replacement reserve	(30,000)	-	-	-	-
Retained earnings	34,659	49,139	12,222	13,020	13,520
BALANCE SHEET					
Fixed assets	578,781	591,930	168,436	162,688	156,911
Net Current assets	110,281	38,403	68,088	45,076	37,033
Bank Loans	(71,100)	(68,600)	(16,000)	-	-
Debentures	(10,000)	(11,200)	(12,400)	(13,600)	(14,800)
Deferred Tax	-	(5,000)	(5,000)	(5,000)	(5,000)
Total Net Assets	616,962	545,533	203,124	189,164	174,144
Share Capital	150,000	100,000	100,000	100,000	100,000
Capital Reserves	332,865	333,095	58,871	59,133	59,333
Revenue Reserve	96,097	106,438	40,253	28,031	15,011
Others Reserves	38,000	6,000	4,000	2,000	-
Total Equity (Shareholders' funds)	616,692	545,533	203,124	289,164	171,144
Share price at 31st December	251K	263K	125K	121K	117K
Earnings per share (adjusted)	34.2	29.0	15.3	9.3	11.3
Dividends per share (adjusted)	12.0	12.0	10.7	4.6	6.66
Net Worth per 50K each (adjusted)	205.7	181.8	67.7	63.1	58.00
Current assets: Current Liabilities	1.22	1.09	1.27	1.27	1.29
Return on Capital Employed	26.9%	23.3%	33.2%	23.6%	34.7%
Return on Shareholders' fund	16.6%	16.0%	22.8%	14.9%	19.4%
Return on Net Sales value	12.3%	16.2%%	16.2%	13.0%	22.4%

Note: Dividends, Earnings and Net assets per share have been adjusted to take account of the bonus issue of 1 for 2 made on 26 July, 1990.

AS At 31 AUGUST.

473727

473723

NIGERIAN BREWERIES PLC.
FIVE-YEAR FINANCIAL SUMMARY

	1990 N'000	1989 N'000	1988 N'000	1987 N'000	1986 N'000
Turnover:					
Including excise duty	1,179,539	811,050	614,922	341,047	205,476
Excise duty	(291,630)	(201,631)	(102,593)	(68,972)	(56,924)
Net proceeds of sale	887,909	609,419	412,399	272,075	148,552
Capital Employed:					
Share capital	114,375	85,781	85,781	85,781	85,781
Reserve for bonus issue	-	28,594	-	-	-
Capital reserve	679,950	333,763	45,499	45,499	45,499
General reserves	157,622	99,636	76,660	61,053	41,568
Shareholders' funds	951,947	547,774	207,940	192,333	172,848
REPRESENTED BY:					
Fixed assets	819,714	520,788	168,334	153,821	141,752
Net current assets	263,887	140,604	102,513	68,129	51,401
Provisions	(131,654)	(113,618)	(62,907)	(29,617)	(20,305)
NET ASSETS	951,947	547,774	207,940	192,333	172,848
Profit before taxation	274,562	227,040	138,431	75,774	45,387
Profit after taxation	145,369	124,982	78,037	48,651	27,567
Extraordinary item (net of tax)	-	3,963	-	-	-
Dividends	87,383	77,375	62,430	29,166	16,470
Earnings per share	63.55K	54.64K	34.11K	21.27K	12.05K
Dividends per share	38.20K	33.82K	27.29K	12.75K	7.20K

Based on issued share capital at 31st December, 1990.

ALUMINIUM MAN. OF NIG. PLC.

FIVE YEAR FINANCIAL SUMMARY
FOR THE YEAR ENDED 31ST DECEMBER,

	1990 N'000	1989 N'000	1988 N'000	1987 N'000	1986 N'000
FUNDS EMPLOYED:					
Fixed assets	10,548	1,441	8,397	6,903	7,467
Net current assets	14,001	4,825	6,517	7,121	5,900
	24,549	16,266	14,914	14,024	13,37
TURNOVER AND PROFITS:					
Turnover	54,276	42,218	32,218	23,555	26,611
Profit before taxation	4,695	3,973	3,222	2,711	3,750
Profit after taxation	2,414	2,374	1,890	1,625	2,308
Dividends	1,260	1,100	880	792	1,120
Contribution on NERF		-	-	-	57
Earnings per 50K share (adjusted)	13.4K	13.2K	10.5K	9.0K	12.8K
Dividends per 50K share (adjusted)	7.0K	6.1K	4.9K	4.4K	6.2K
Dividend cover (times)	1.91	2.15	2.14	2.05	2.06

Note:
Earnings and dividends per share are based on the issued share capital a; 31st December, 199

ALUMACO

Five-Year Financial Summary

Five Years ended 31st December	1988	1987	1986	1985	1984
	₦	₦	₦	₦	₦
BALANCE SHEET					
Fixed Assets	8,396,828	6,902,701	7,467,468	7,832,943	8,445,665
Net current assets	6,516,541	7,120,710	5,903,088	4,478,625	2,687,845
	14,913,369	14,023,411	13,370,556	12,311,568	11,133,510
Share capital	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Capital reserves	4,730,260	4,730,260	4,730,260	4,730,260	4,730,260
Revenue reserve	5,804,679	4,794,555	4,073,735	2,942,290	2,227,065
Deferred taxation	378,340	498,596	566,561	639,018	176,185
	14,913,369	14,023,411	13,370,556	12,311,568	11,133,510
Profit and Loss Account:					
Turnover	32,218,090	23,112,820	26,611,274	25,710,932	22,826,298
Profit before taxation	3,221,893	2,711,019	3,749,642	3,049,820	321,734
Taxation	(1,331,769)	(1,085,788)	(1,441,145)	(1,245,969)	(169,245)
Profit after taxation	1,890,124	1,625,231	2,308,497	1,803,851	152,489
Dividends	(880,000)	(792,000)	(1,120,000)	(1,080,000)	-
Conribution to National Economic Recovery Fund	-	-	57,052	8,626	-
Retained profit for the year	1,010,124	833,231	1,131,445	715,225	152,489
Earnings per 50k share	23.6k	20.3k	28.8k	22.5k	1.9k
Dividends per 50k share	11.0k	9.9k	14k	13.5k	-