



Project Name :

**Ten year's analytical and comparative
Working Capital Management system of ACI Ltd.**

Submitted To:

Md. Erfan

Assistant Professor & Chairman

Department of Computer Science & Engineering

University of Barishal

Submitted By:

Md. Ariful Islam

ID No : 01-024-11

Class Id : 20 Law 016

Department of law

University of Barishal

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Chapter 1: Report Essentials

Introduction:

We are presenting the report on working capital management process of specified organizations named ACI Ltd. This company is very well known in our country. Is its working capital system is as well-known as the company to us. As students of finance it is very important to know and analyze the working capital management, specially a real company like ACI ltd. which has a lot of components and sophisticated systems of working capital management. As the real world require more diversification so organization moved on to world's need we need to get out of our books and do some real life study on working capital management. That's why we are doing this report with real data and sophisticated models of working capital management.

Objective of the Study

- **Primary objective:** The main objective of this study is to understand the process of managing working capital along with its components and to see its components performance.
- **Secondary objectives:**
 - To focus on theoretical knowledge in the field of working capital Management.
 - To analyze and examine their data in our way.
 - To assess and evaluate the practical data with theoretical models.
 - To make ourselves familiarize with a real firms working capital management.
 - To study the movement of current assets and current liabilities of the company.
 - To study the liquidity of the company.

Background of the study

Successful working capital management makes it possible for the organization to acquire the goals of company and smooth continued operation of the organization. As a part of BBA program, our Working Capital Management course teacher Tandra Mondal assigned us to prepare a report on "Working Capital Management" related topic on Working Capital Management course. We have selected our report topic as Ten year's analytical and comparative Working Capital Management system of ACI ltd."

Scope of the study

There is a certain boundary to cover this report. Our particular report only covers working capital of ACI Ltd. which includes short term Assets & Liabilities. And we also cover some

analysis of current Assets & Liabilities along with graphical presentation. We were unable to make this report perfect because of our inability but we did our best. We have collected data and some valuable information at sources.

Limitations of the Study

We are very happy for getting a chance to prepare a report on “Ten year's analytical and comparative Working Capital Management system of ACI ltd.” We tried heart & soul to prepare a well-informed report. But unfortunately we faced some difficulties when preparing this report. We tried to overcome the difficulties. In spite of trying our level best, some difficulties that hamper our schedule report work:

- Full information required was unavailable
- Data collected in this field is not sufficient.
- It is impossible to properly complete this type of report, because this type of report can only be made by internal managers who have wide range of classified data.
- Core types of information for mathematical models are mostly internal.
- Several sector's (such as inventory) data cannot be found to establish a model for analysis.
- Less analytical power.

Methodology

Methodology refers to the systematic method consisting of enunciating the problem, formulating a hypothesis, and collecting the facts or data, analyzing the facts and reaching certain conclusions either in the form of solutions towards the concerned problem or in certain generalizations for some theoretical formulation. It includes the process of gathering, recording and analyzing critical and relevant facts about any problem in any branch of human activity. It refers to critical searches into study and investigation of problem/ proposed course of action/hypothesis or a theory.

Source of data

The main sources of data were the website of the ACI ltd. and the annual reports (2021,2020,2019,2018,2017,2016,2015,2014,2013,2012) of ACI ltd. Even though the annual reports were there some data had to be created from existing data.

Data Processing

The data processing involved 5 chapters. Chapter 1 contains introduction and report essentials. Chapter 2 contains an overview of ACI ltd. where there mission, vision, values, business units are shown. Chapter 3 holds some basic information about working capital and few working

capital related facts of ACI ltd. We divided all information into two broad categories, (A) Theoretical (B) Numerical. After that we simply explained those theoretical terms and discover facts in 3rd chapter. All numerical data and analysis are presented in 4th chapter, where some models of working capital management, current ratio, quick ration, accounts receivable turnover, inventory turnover ratio. We also showed ration analysis here to find out company's position.

Chapter 2: Company overview

Imperial Chemical Industries, a British multinational established a Branch in the then East Pakistan which was converted into a company after liberation, named ICI Bangladesh Manufacturers Limited. In 1992 ICI divested its investment in Bangladesh to the Management, when its name was changed to Advanced Chemical Industries (ACI) Limited.

Strategic Business Units:

- ACI Pharmaceuticals:

It aims to improve the health of the people of Bangladesh through the introduction of innovative and reliable pharmaceuticals products.

- ACI Consumer Brands:

It supplies daily life consumers goods such as toiletries, home care goods, hygiene, electrical and consumer electronics, paints, and cooking essentials such as salt, flour, rice, tea, and edible oil.

- ACI Agribusinesses:

It is the largest integrator in Bangladesh in agriculture, livestock, fisheries, farm mechanization, infrastructure development services, and motorcycle.

- ACI Retail Chain:

is the largest retail chain in Bangladesh operating through its 144 Shawano outlets including 34 express outlets across the country by touching the lives of over 45,000 households

ACI Subsidiaries Following:

- ACI Salt Limited.
- ACI Pure Flour Limited.
- ACI Foods Limited.
- ACI Agrolink limited
- Creative Communication Limited.

- Premiaflex Plastics Limited.
- ACI Motors Limited (Yamaha)
- ACI Formulations Limited

Mission:

ACI's Mission is to enrich the quality of life of the people through responsible application of knowledge, technology and skills. ACI is committed to the pursuit of excellence through world-class products, innovative processes and empowered employees, to provide the highest level of satisfaction to our customers.

Vision:

To realize the Mission, ACI will :

- Provide products and services of high and consistent quality, ensuring value for money to our customers.
- Endeavour to attain a position of leadership in each category of our businesses.
- Develop our employees by encouraging empowerment and rewarding innovation.
- Promote an environment for learning and personal growth.
- Attain a high level of productivity in all our operations through effective utilisation of resources and adoption of appropriate technology.
- Promote inclusive growth by encouraging and assisting our distributors and suppliers in improving efficiency.
- Ensure superior return on investment through judicious use of resources and efficient operations, utilizing our core competencies.

Our Values:

- Quality
- Customer Focus
- Innovation
- Fairness
- Transparency
- Continuous improvement

Joint venture:

ACI Limited today said it is going to form a joint venture with Colgate-Palmolive (Asia) Pte. Limited the board of directors has approved the signing of the joint venture agreement to incorporate and establish the joint-venture company. Colgate is incorporated in Singapore and is part of the renowned Colgate Palmolive company, which is engaged in the manufacturing and marketing of oral care and personal care products, among others. The joint venture is proposed to

be named Colgate-Palmolive ACI Bangladesh Pvt. Limited, according to a filing on the Dhaka Stock Exchange today.

In the joint venture, ACI will invest about Tk 50 crore over a period of the next three years against its 24 per cent holding in the proposed company. Advanced Chemical Industries (ACI) Limited is one of the largest conglomerates in Bangladesh with a multinational heritage. It operates across the country through its four diversified strategic business units. ACI Pharmaceuticals is dedicated to introducing innovative and reliable pharmaceutical

Chapter 3- Facts Related to ACI Ltd.

MEANING OF WORKING CAPITAL:

Working capital refers to the difference between a company's current assets and its current liabilities. It represents the funds available for a company's day-to-day operations. Positive working capital indicates that a company can cover its short-term obligations, while negative working capital suggests potential financial difficulties. It's a key financial metric for assessing a company's liquidity and operational efficiency.

WHY WORKING CAPITAL MANAGEMENT NEEDED FOR ACI COMPANY LIMITED:

Working capital management is crucial for ACI Company Limited for several reasons:

- 1. Day-to-Day Operations:** ACI needs working capital to cover its daily operational expenses, such as paying suppliers, employees, and utility bills. Proper management ensures these obligations can be met promptly, ensuring smooth business operations.
- 2. Inventory Control:** Efficient working capital management helps ACI optimize its inventory levels. This prevents overstocking (which ties up cash and storage space) and under stocking (which can lead to missed sales opportunities).

3. Cash Flow: Managing working capital effectively helps maintain healthy cash flow. This is vital for paying off short-term debts, investing in growth opportunities, and ensuring the company has cash on hand for emergencies.

4. Crisis Resilience: Adequate working capital acts as a financial cushion during unexpected crises, such as economic downturns or supply chain disruptions. It enables ACI to continue operating even when revenue might be temporarily reduced.

5. Profitability: Proper management can lead to increased profitability. For instance, faster collection of accounts receivable reduces the time it takes to convert sales into cash. Similarly, negotiating better credit terms with suppliers can lead to cost savings.

6. Strategic Growth: Working capital management provides the necessary funds for ACI to invest in growth initiatives, like expanding product lines, entering new markets, or acquiring other businesses.

7. Creditworthiness: Lenders and investors assess a company's working capital position as an indicator of its financial stability. A strong working capital position can improve ACI's ability to secure loans or attract investment capital.

In summary, working capital management is vital for ACI Company Limited to maintain financial stability, support daily operations, seize growth opportunities, and ensure resilience in the face of economic challenges. It's a fundamental aspect of effective financial management for any business.

WORKING CAPITAL COMPONENTS OF ACI COMPANY LIMITED:

The working capital components of a company like ACI Company Limited typically include:

1. Current Assets: These are assets that can be converted into cash or used up within one year. Common examples include:

- Cash and Cash Equivalents
- Accounts Receivable (money owed to the company by customers)
- Inventory (goods and materials held for sale)
- Short-term Investments

2. Current Liabilities: These are debts and obligations that are expected to be settled within one year. Common examples include:

- Accounts Payable (money owed by the company to suppliers)
- Short-term Loans and Borrowings
- Accrued Liabilities (expenses that have been incurred but not yet paid)
- Taxes Payable

3. Working Capital Formula: Working capital is calculated as the difference between current assets and current liabilities. The formula is: $\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$.

4. Importance: Working capital is vital for a company's day-to-day operations. It ensures that a company can meet its short-term obligations and continue its business activities. Insufficient working capital can lead to liquidity problems, while excess working capital might indicate inefficient use of resources.

5. Management: Effective working capital management involves optimizing the balance between current assets and liabilities. It requires monitoring cash flow, managing inventory efficiently, and ensuring timely collection of receivables, among other activities.

6. Financial Health: Analyzing working capital components provides insights into a company's financial health and liquidity position. Investors and creditors often review these components to assess a company's ability to meet its short-term obligations.

It's important to note that the specific working capital components and their values can vary widely between companies and industries, and they may change over time as a company's financial position evolves. To get precise information about ACI Company Limited's working capital components, you would need access to their financial statements or reports.

MANAGEMENT OF WORKING CAPITAL:

Managing working capital is crucial for the financial health of any company, including ACI Company Limited. Here are some general guidelines for working capital management:

1. Calculate Working Capital: Begin by calculating your current working capital. Working capital is the difference between current assets (e.g., cash, accounts receivable, inventory) and current liabilities (e.g., accounts payable, short-term debt). A positive working capital indicates a healthy financial position.

2. Optimize Cash Flow: Efficient cash flow management is essential. Ensure that you have enough cash on hand to cover day-to-day expenses, including salaries, bills, and operational costs.

- 3. Inventory Management:** Monitor and control your inventory levels. Avoid overstocking, as it ties up capital, and prevent stock outs to maintain customer satisfaction.
- 4. Accounts Receivable:** Collect outstanding receivables promptly. Implement credit policies to reduce the risk of bad debts and encourage timely payments.
- 5. Accounts Payable:** Negotiate favorable payment terms with suppliers, but don't jeopardize relationships. Stretching payables too far can harm your creditworthiness.
- 6. Short-Term Financing:** Explore short-term financing options such as bank overdrafts or lines of credit to cover temporary shortfalls in working capital.
- 7. Forecasting:** Create accurate cash flow forecasts to anticipate periods of surplus or deficit and plan accordingly.
- 8. Cost Management:** Continuously review and optimize operational costs to free up cash for working capital needs.
- 9. Invest Wisely:** Be cautious when making investments, as they can tie up working capital. Evaluate the return on investment (ROI) and consider alternative financing options.
- 10. Continuous Monitoring:** Regularly monitor your working capital ratios and adjust your strategies as needed. A healthy working capital position is an ongoing effort.
- 11. Debt Management:** Manage long-term debt effectively to avoid its impact on short-term working capital needs.
- 12. Emergency Fund:** Maintain a cash reserve for unexpected events or economic downturns to ensure business continuity.

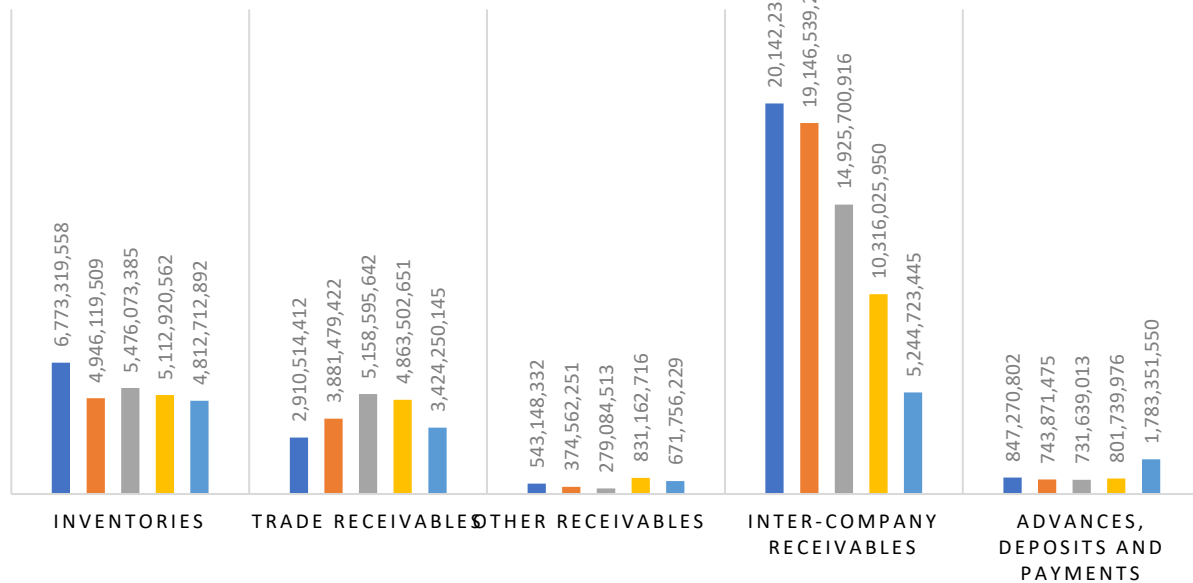
Remember that the specific strategies for managing working capital may vary depending on the industry and business circumstances of ACI Company Limited. Regularly reviewing financial statements and working with financial professionals can help fine-tune the working capital management approach to suit the company's unique needs.

Working capital components of ACI:

Current Assets	2021	2020	2019	2018	2017
Inventories	6,773,319,558	4,946,119,509	5,476,073,385	5,112,920,562	4,812,712,892
Trade receivables	2,910,514,412	3,881,479,422	5,158,595,642	4,863,502,651	3,424,250,145
Other receivables	543,148,332	374,562,251	279,084,513	831,162,716	671,756,229
Inter-company receivables	20,142,238,769	19,146,539,217	14,925,700,916	10,316,025,950	5,244,723,445
Advances, deposits and payments	847,270,802	743,871,475	731,639,013	801,739,976	1,783,351,550
Cash and cash equivalents	1,672,219,768	787,826,245	992,956,408	1,081,128,975	699,121,707
Total	32,888,711,641	29,910,378,119	27,563,949,877	23,006,480,830	16,635,915,968

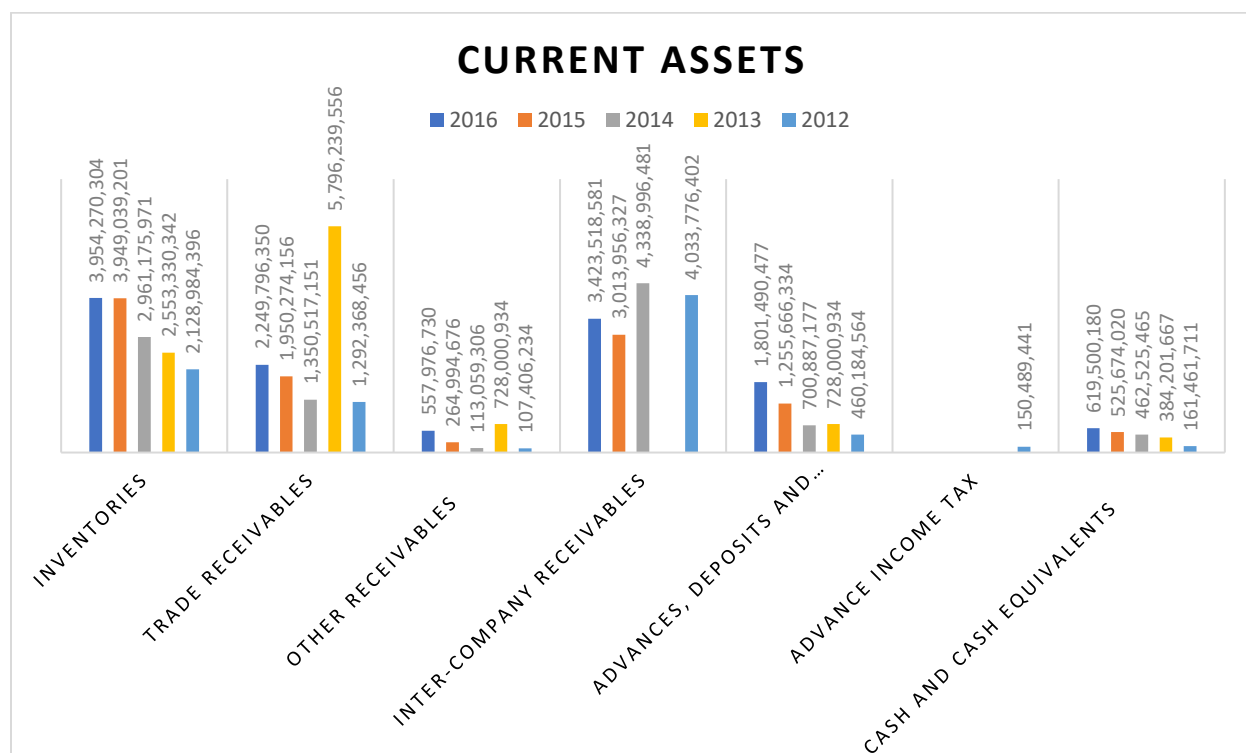
CURRENT ASSETS

■ 2021 ■ 2020 ■ 2019 ■ 2018 ■ 2017



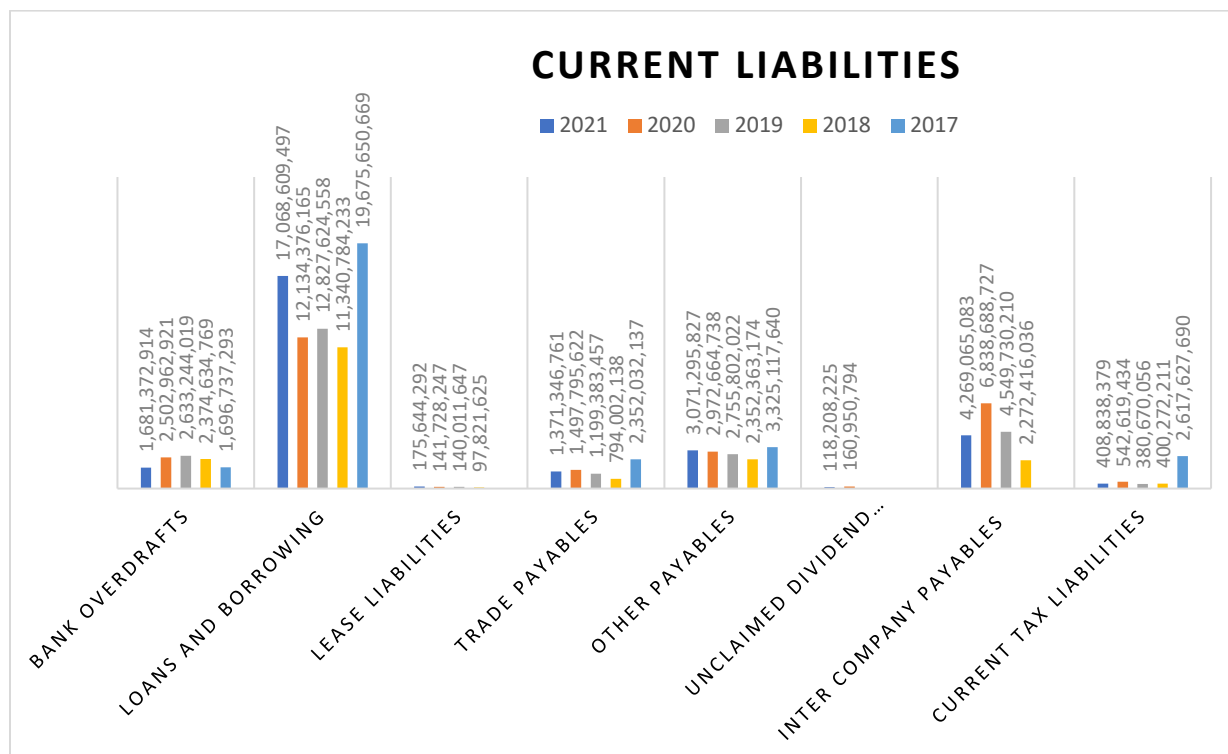
Current Assets	2016	2015	2014	2013	2012
Inventories	3,954,270,304	3,949,039,201	2,961,175,971	2,553,330,342	2,128,984,396
Trade receivables	2,249,796,350	1,950,274,156	1,350,517,151	5,796,239,556	1,292,368,456
Other receivables	557,976,730	264,994,676	113,059,306	728,000,934	107,406,234
Inter-company receivables	3,423,518,581	3,013,956,327	4,338,996,481		4,033,776,402
Advances, deposits and payments	1,801,490,477	1,255,666,334	700,887,177	728,000,934	460,184,564
Advance income tax					150,489,441
Cash and cash equivalents	619,500,180	525,674,020	462,525,465	384,201,667	161,461,711

Total	12,606,552,622	10,959,604,714	9,927,161,551	9,461,772,496	8,334,671,204
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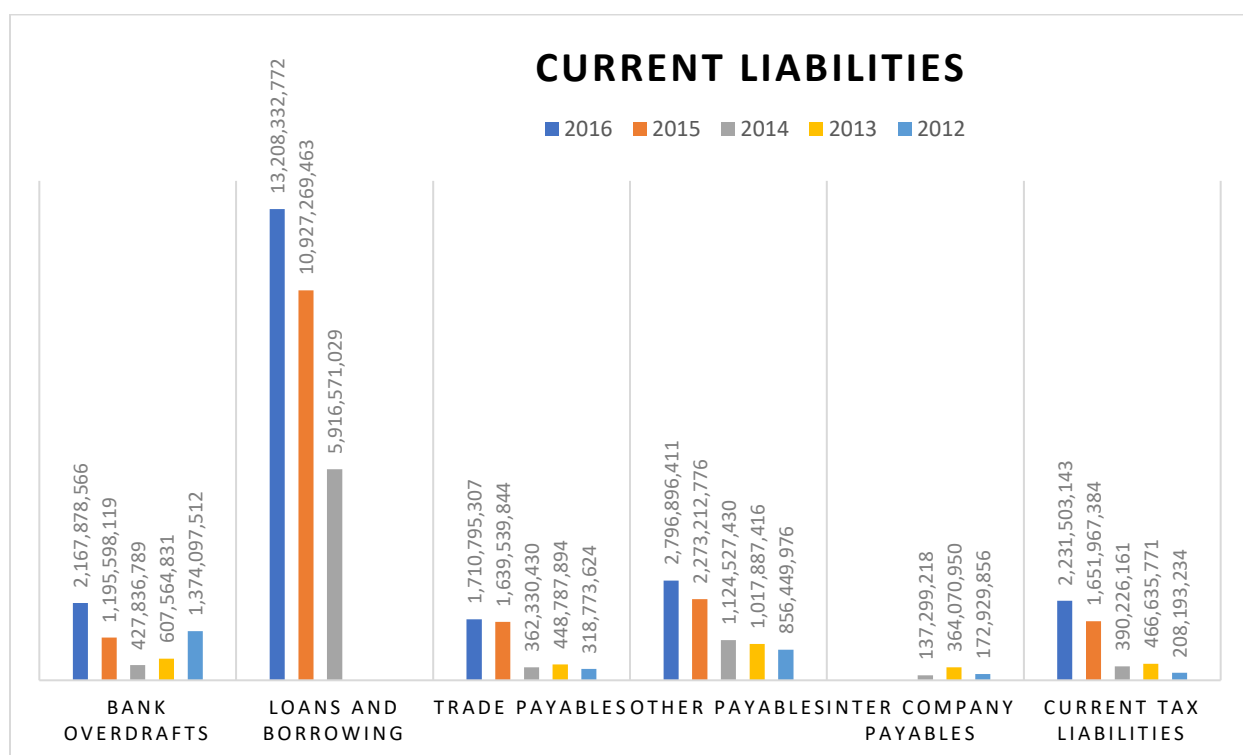
Current liabilities	2021	2020	2019	2018	2017
Bank overdrafts	1,681,372,914	2,502,962,921	2,633,244,019	2,374,634,769	1,696,737,293
Loans and borrowing	17,068,609,497	12,134,376,165	12,827,624,558	11,340,784,233	19,675,650,669
Lease liabilities	175,644,292	141,728,247	140,011,647	97,821,625	
Trade Payables	1,371,346,761	1,497,795,622	1,199,383,457	794,002,138	2,352,032,137
Other Payables	3,071,295,827	2,972,664,738	2,755,802,022	2,352,363,174	3,325,117,640
Unclaimed dividend account	118,208,225	160,950,794			

Inter company Payables	4,269,065,083	6,838,688,727	4,549,730,210	2,272,416,036	
Current tax liabilities	408,838,379	542,619,434	380,670,056	400,272,211	2,617,627,690
Total	28,164,380,978	26,791,786,648	24,486,465,970	19,632,294,186	29,667,165,429



Current liabilities	2016	2015	2014	2013	2012
Bank overdrafts	2,167,878,566	1,195,598,119	427,836,789	607,564,831	1,374,097,512
Loans and borrowing	13,208,332,772	10,927,269,463	5,916,571,029		
Lease liabilities					
Trade Payables	1,710,795,307	1,639,539,844	362,330,430	448,787,894	318,773,624

Other Payables	2,796,896,411	2,273,212,776	1,124,527,430	1,017,887,416	856,449,976
Unclaimed dividend account					
Inter company Payables			137,299,218	364,070,950	172,929,856
Current tax liabilities	2,231,503,143	1,651,967,384	390,226,161	466,635,771	208,193,234
Total	22,115,406,199	17,687,587,536	8,358,791,057	2,904,946,862	2,904,946,862

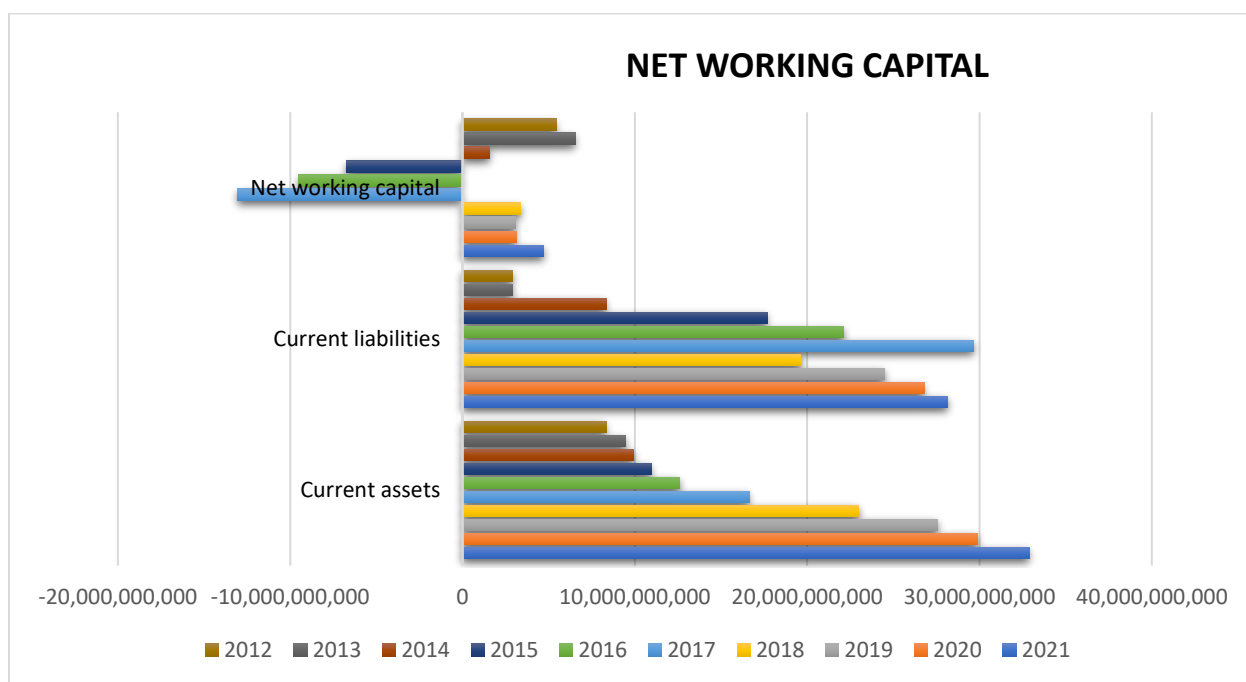


Net working capital

Year	2021	2020	2019	2018	2017
Current assets	32,888,711,641	29,910,378,119	27,563,949,877	23,006,480,830	16,635,915,968

Current liabilities	28,164,380,978	26,791,786,648	24,486,465,970	19,632,294,186	29,667,165,429
Net working capital	4,724,330,663	3,118,591,471	3,077,483,907	3,374,186,644	-13,031,249,461

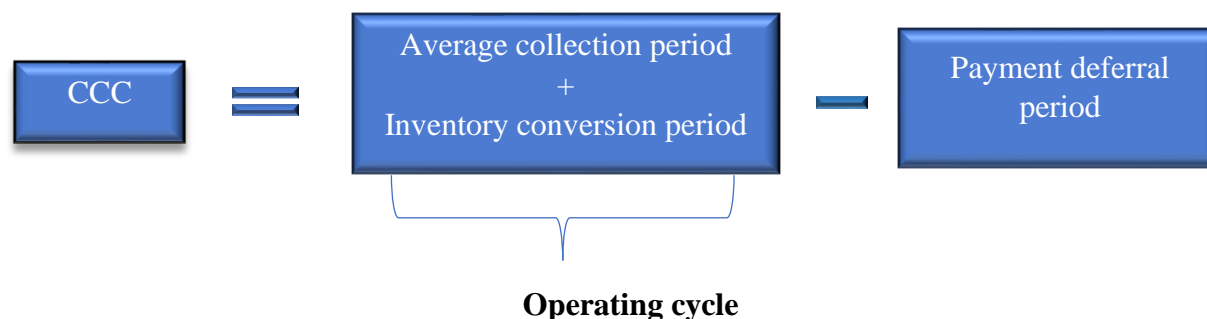
Year	2016	2015	2014	2013	2012
Current assets	12,606,552,622	10,959,604,714	9,927,161,551	9,461,772,496	8,334,671,204
Current liabilities	22,115,406,199	17,687,587,536	8,358,791,057	2,904,946,862	2,904,946,862
Net working capital	-9,508,853,577	-6,727,982,822	1,568,370,494	6,556,825,634	5,429,724,342



Chapter 4- Working capital analysis

Cash conversion cycle:

cash conversion cycle is the length of time between the firm's payment for the raw materials and the collection of payment from the customer



For the year 2021 :

Average collection period = $(360/\text{Accounts receivable turnover})$

= $(360/6.27) = 57$ days

Inventory conversion period = $(360/\text{Inventory turnover})$

= $(360/3.96) = 90$ days

Payment deferral period = $\{360/(\text{cost of sale}/ \text{Accounts payable})\}$

= $(360/13.00) = 27$ days

CCC = $(57 + 90) - 27 = 120$ days

Average collection period 57 days	Inventory conversion period 90 days
Payment deferral period 27 days	Cash Conversion Cycle 120 days

Figure: cash conversion cycle 2021

For the year 2020:

Average collection period 66 days	Inventory conversion period 93 days
Payment deferral period 43 days	Cash Conversion Cycle 116 days

Figure: cash conversion cycle 2020

For the year 2019:

Average collection period 82 days	Inventory conversion period 101 days
Payment deferral period 34 days	Cash Conversion Cycle 149 days

Figure: cash conversion cycle 2019

For the year 2018:

Average collection period 78 days	Inventory conversion period 108 days
Payment deferral period 10 days	Cash Conversion Cycle 176 days

Figure: cash conversion cycle 2018

For the year 2017:

Average collection period 54 days	Inventory conversion period 102 days
Payment deferral period 24 days	Cash Conversion Cycle 132 days

Figure: cash conversion cycle 2017

For the year 2016:

Average collection period 56 days	Inventory conversion period 118 days
Payment deferral period 19 days	Cash Conversion Cycle 155 days

Figure: cash conversion cycle 2016

For the year 2015:

Average collection period 52 days	Inventory conversion period 116 days
Payment deferral period 33 days	Cash Conversion Cycle 135 days

Figure: cash conversion cycle 2015

For the year 2014:

Average collection period 53 days	Inventory conversion period 117 days
Payment deferral period 18 days	Cash Conversion Cycle 152 days

Figure: cash conversion cycle 2014

For the year 2013:

Average collection period 58 days	Inventory conversion period 114 days
Payment deferral period 25 days	Cash Conversion Cycle 177 days

Figure: cash conversion cycle 2013

For the year 2012:

Average collection period 52 days	Inventory conversion period 120 days
Payment deferral period 54 days	Cash Conversion Cycle 118 days

Figure: cash conversion cycle 2012

Interpretations:

Cash conversion cycle ratio explains that how much time it takes for a firm to receive cash from customers after it has invested into purchasing the inventory. In 2021, CCC is 120 days, in 2020 CCC is 116 days, in 2019 CCC is 149 days, in 2018 CCC is 176, in 2017 CCC is 132, in 2016 CCC is 155, in 2015 CCC is 135, in 2014 CCC is 152, in 2013 CCC is 177, and in 2012 CCC is 118 days. If CCC is shorter, it is good for the firm because the firm can quickly buy, sell and receive cash from customers.