

Cash management and raw material

Purchase process

Of



ACI Limited

BUS 401: Internship
Internship report
On
Cash flow management and raw material
Purchase process of ACI LTD.

Submitted To

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Subject: Submission of report on cash flow management process of Advanced Chemical Industries Limited (ACI)

This is to inform you that, I Abul Kalam Azad, the student of Bus 401, under your academic supervision have completed the three months of internship program from ACI Limited. And hence I am submitting my internship report on Cash flow management and raw material Purchase process of ACI LTD. within the due time.

So this is my humble request to you to accept my internship report.

Sincerely yours

Abul Kalam Azad
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Acknowledgement

I would like to mention some people with due respect and honor who helped me not only to solve the problems and complete my internship paper but also introduce me with this new situation and helped to make me easy with this new world without any hesitation. So I would like to thank them all from the bottom of my heart. In this procedure at first we would like to thank ACI Limited for allowing me to do my internship in their organization trusting my abilities to be worthy for them. Then I would like to thank Mr. Hasnat shafiq who is in commercial business manager, whom I got the opportunity to work with and learn the attitude of the corporate world, the behavior, attire and how to show the sincerity and respect the work. Then I would like to thank Mushfiqer Rahman and Noor Muqurram Hafsa of sr. commercial executive in commercial division who guide me in my tasks and made my learning easier in the commercial Section and also helped me to prepare my report. Then I would like to thank Mr. Sarwar who is in also in commercial section and look after import duty. Then I would like to thank Mr. Dulal Chondromodok in engineering section, Mr. Mehrab Hossain also in engeneering section, Kazi Noor Alam, Tausif who were in commercial department, senior executive Mr. Hasan from financial department, Mr. Harun also from financial depart ment, Mr. Mahmood from formulation, Mr. Shawapon in Administrative Mr. Fahim Administrative department who always helped me in solving any small to big issues in my task. Besides, they also help me to prepare the report by explaining each and every detail of my topic as well as show and taught me some of the parts practically. Without their support and help it was almost impossible for me to learn the things and prepare my report and complete my internship period productively. Moreover I would like to thank specially to my office colleagues for making the environment so healthy, friendly and smooth for me to complete my internship successfully. Then I would like to thank Ms. Mahatab Faruqui, my academic supervisor, who guide and motivated me throughout the period of the internship to cope up with all the difficulties and prepare my internship report. And last but not the least I would like to thank BRAC University for designing the internship program and making it compulsory for undergraduate program, as a result I got the opportunity to link my theoretical knowledge to the practical experience and get the feel of being the part of the corporate world.

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Executive summary

Internship program is actually endorsed as mandatory with a view to familiarize student with the modern corporate world. As a student of BBA, I had the opportunity to do my internship program in ACI LTD. ACI Limited was established as the subsidiary of Imperial Chemical Industries (ICI) in 1968. After independence, the company was incorporated in Bangladesh in 1973 as ICI Bangladesh Manufacturers limited as a Public Limited Company. In 1992, the company was separated from local management and the name of the company became Advanced Chemical Industries (ACI) Limited. ACI is the first company in Bangladesh to achieve ISO S001 in 1995 for quality management and also the first company to achieve ISO 14000 in 2000 for environmental management system. ACI has three strategic business units along with 11 subsidiaries, 3 joint ventures and 1 associate. In pharmaceuticals ACI formulates and markets a comprehensive range of more than 400 products covering all major therapeutic areas, in form of tablet, capsule, powder, liquid, cream, ointment, gel, ophthalmic and injection. Consumer brand is another major and important profit earning department of ACI. This business segment has three major categories of product range- home care, air care and hygiene care. Products under home care category include ACI Aerosol, ACI Mosquito Coil. Under air care ACI has produced Angelic Fresh Air Freshener. This is the first ever locally manufactured Air Freshener of this country. And under hygienic category it has Savlon Liquid Antiseptic, Savlon Antiseptic cream, Savlon Family Protection Soap and Savlon Femme Sanitary Napkin, Vanish Toilet Cleaner, Shinex floor cleaner etc. It has also in agribusiness as well. Under Agribusiness, it has different kinds of product like Crop care & Public health is dealing with all type of crop protection items, Seeds division is dealing with hybrid rice, vegetable and maize seeds, Cropex is dealing with commodity buying, storing, preserving and selling, animal health division is dealing with high quality nutritional, veterinary, poultry medicine and vaccines. As a joint venture ACI represents Colgate Palmolive Company as exclusive marketing partner and distributor and also represent the Godrej Consumer Products for the territory of Bangladesh. As I was an internee so I did not have to do any specific type of responsibility though I worked there in commercial department but I worked in different sector. So I have seen there in commercial department the group whom I worked basically focused on reducing the purchase price. They tried to buy the raw material as low price as possible and for that they negotiate with different supplier, maintained a good relationship with their supplier and the payment system is also good in ACI. To reduce cost as possible and to inspire them ACI also paid their employee a percentage of the total profit. In financial department there is lot of function lot of wings of finance. Being an internee I gone through some of the wings of finance. Like in cash management they follow different procedure like Bank reconciliation, working capital, working capital management, petty cash, financial derivatives etc. but as an internee I saw the activities of Bank reconciliation, working capital. When it is

Bank reconciliation they follow seven step to complete the procedure which started with sorting all money receipt and bank deposit slip as per business as well as sources of collection i.e. cash sales or credit collection and ending with a step which is prepare a list of pending item. In terms of working capital they are mainly focused on current working capital. And they calculate it by from current asset minus current liabilities. If current assets are less than current liabilities, it is called a working capital deficit. Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. To manage of their cash flow they use another term which is petty cash which is often needing small amounts of discretionary funds in the form of cash where expenditures is not practical to make the disbursement by Cheque. To complete the procedure of petty cash there must follow some step by the manager as well as by the payer like whether the petty cash is valid or not, whether there is any attached file or not, voucher is signed or not etc. this things are strictly followed by ACI. Though ACI is one of the well known organizations in Bangladesh but recently it has facing some problem due to recessionary fact or due to some global issue. Recently their profit is decreasing and they are not able to pay their supplier in time and also they are not giving any percentage of their profit to their employee. There had also some problem in their administration. As I had done a 12 week internship in ACI so in observation I think couple of change in system can bring the ACI back in business. Like in commercial department there system is not up to date. They manually input their information in their system as a result when it needed it became difficult to get the information as quick as possible. So they should use more update system to record their system. Another things which is very important from my observation they use one individual for different purpose like one person who is look after purchase, the same person is also look after the export import division. So I think it reduce some sought of capability of a person where it would have been better if the person would work in a particular field. They did not use any specific system for calculating the lead time of heir purchase material so there is an opportunity to make a better performance if they calculated it perfectly. ACI is a well competitive organization in Bangladesh, so if they adjusted those little problems they will definitely be more competitive in competitive world.

Chapter-1

1.0 INTRODUCTION

1.1. Origin of the Report

As a compulsory part of Internship program, this particular report is being prepared on the proposed topic “The Cash Management and the raw material purchase Process of ACI Limited”. The intention was to give an opportunity to the students to gain some real world experience by working in a practical environment. The internship supervisor was Mr. Hasnat Shafiq commercial Manager, ACI Limited and the faculty advisor was, Mahtab faruqui Assistant Professor, BRAC University, 66 Mohakhali Dhaka 1212.

1.2. Scopes and Objectives

The scope of this report will be limited to the overall description of the company organizational structure, management policies and financial performance analysis. The report will provide an outline of the various cash management concepts and principles as well as the purchase process in commercial department of ACI LTD. It will mainly focus on what standards ACI LTD is maintaining in recording and reporting its cash management performances as well as how they purchase raw material. The main objective if the report-

- To get an organizational over view of ACI Limited
- To provide theoretical development of Cash Management and raw material purchase process
- To give an overview of the procedures followed for Cash management and raw material purchase process.
- To summarize the overall analysis

1.3 Research Methodology

In this study, exploratory research was undertaken to gain insights company procedures and practices. Then the gathered data was analyzed and compared with the accepted practices according to the standard accounting principles. Both the primary as well as the secondary form of information was used to prepare the report. The details of these sources are highlighted below:

1.3.1 Primary Sources

- Oral interview with various executive and manager of the company.
- Accounting records- vouchers, journal, ledgers etc; both in electronic and paper

- Company manuals

1.3.2 Secondary Sources

- Various accounting related books and periodicals.
- Bangladesh Accounting Standard guide.
- Website information.

1.4 Limitations

- Time frame for the research is limited. The acceptance to the organization takes a lot of time.
- Detailed research was not possible due to constraints and restrictions posed by the organization.
- The report was written from an individual's perception. So, all the findings might not be objective.
- Getting relevant papers and documents had been extremely difficult.
- To protect the organizational confidentiality, some parts of the report will be edited.
- Most examples have been provided with imaginary figures to keep with the organizational rules.
- The management seems to get works out of the intern rather than helping in the academic pursuit.

Chapter-2

2.0 COMPANY OVERVIEW

2.1 Historical Background

ACI Limited was established as the subsidiary of Imperial Chemical Industries (ICI) in then the East Pakistan in 1968. After independence, the company was incorporated in Bangladesh in 1973 as ICI Bangladesh Manufacturers limited as a Public Limited Company. In 1992, the company was divested to local management and the name of the company changed to Advanced Chemical Industries (ACI) Limited. ACI inherited the rich ICI culture of product quality, customer service and social responsibility.

Initially in 1992, ACI started primarily with pharmaceutical business with a turnover of BDT 80 million only but later the new management brought about fundamental changes in the policies and in the year 2011 turnover grew to over BDT 2,443.66 million. The Company has diversified business interest in pharmaceuticals, agricultural including fishery & livestock and consumer brands. At present, ACI has three strategic business units along with 11 subsidiaries, 3 joint ventures and 1 associate.

ACI is the first company in Bangladesh to achieve ISO S001 in 1995 for quality management and also the first company to achieve ISO 14000 in 2000 for environmental management system. ACI is also the first company from Bangladesh to become the honorable member of United Nation Global Compact. It is the only Bangladeshi company which was declared as a notable COP (Communication on Progress) recognized by UNGC (United Nation Global Compact). ACI has been accepted as a founding member of community of Global Growth Companies by the World Economic Forum which is the most prestigious business networking organization in the world.

2.1.1 Important dates and milestone dates of ACI Limited: ACI Ltd. doing a business with a glory for a long period of time. In this period of time they have reached so many prestigious milestones in their organization life. Like

1968	Imperial Chemical Industries Pakistan Manufactures Limited (ICI Pakistan) was established in the then East Pakistan.
24 January, 1973	Incorporation of ICI Bangladesh Manufacturers Limited

[Please turnover the appendix for more information about the milestone achieved ACI LTD.]

2.2 ACI Policy

2.2.1 Mission

ACI's mission is to enrich the quality of life of people through responsible application of knowledge, skills and technology. 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 its customers.

2.2.2 Vision

To realize the mission ACI will:

- Endeavor to attain a position of leadership in each category of its businesses.
- Attain a high level of productivity in all its operations through effective and efficient use of resources, adoption of appropriate technology and alignment with our core competencies.
- Develop its employees by encouraging empowerment and rewarding innovation.
- Promote an environment for learning and personal growth of its employees.
- Provide products and services of high and consistent quality, ensuring value for money to its customers
- Encourage and assist in the qualitative improvement of the services of its suppliers and distributors.
- Establish harmonious relationship with the community and promote greater environmental responsibility within its sphere of influence.

2.2.3 Values

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

2.2.4 Quality Policy

ACI's mission is to achieve business excellence through quality by understanding, accepting, meeting and exceeding customer expectations. ACI follows International Standards on Quality Management System to

ensure consistent quality of products and services to achieve customer satisfaction. ACI also meets all national regulatory requirements relating to its current businesses and ensures that current good

Manufacturing Practices (cGMP) as recommended by World Health Organization is followed for its pharmaceutical operations.

The management of ACI commits itself to quality as the prime consideration in all its business decisions. All employees of ACI must follow documented procedures to ensure compliance with quality standards.

The pool of human resources of the company will be developed to their full potential and harnessed through regular training and their participation in seeking continuous improvement of work methods.

2.2.5 Environmental Policy

ACI is committed to maintain the harmonious balance of our eco-system and therefore constantly seeks ways to manufacture and produce products in an eco-friendly manner so that the balance of nature remains undisturbed and the environment remains sustainable.

In pursuit of this goal, ACI will

- Comply fully with all local and national environmental regulations.
- Conserve natural resources like water and energy for sustainable development, and adopt environmentally safe processes.
- Ensure appropriate treatment of all effluents prior to discharge, to prevent pollution or degradation of environment.
- Ensure appropriate communication and cooperate with internal and external interested parties on environmental issues.
- Create awareness on environmental issues among employees and suppliers.
- Adopt modern waste management technology.

2.2.6 Global Compact Endorsement

The ACI group has consistently demonstrated its commitment towards its employees and the environment over the years. It has been recognized as the practitioner and promoter of socially responsible business behavior.

To take this commitment even further, ACI has endorsed the Principles of Global Compact on August 18, 2003. The Global Compact is a remarkable initiative sponsored by the United Nations Secretary General Koffi Annan. It is based on a very simple notion: whether or not required by law, corporations should

enforce basic human rights and accepted labor and environmental standards in all their business activities, to counterbalance possible negative effects of globalization.

The compact calls on companies to embrace the ten universal principles in the key areas of human rights, labor standards and the environment. These ten principles are:

Human Rights

- To support and respect International Human Rights within the company's sphere of influence.
- To make sure that their own corporations are not complicit with Human Rights Violation.

Labor

- To end discrimination in the workplace.
- Abolition of child labor.
- The right to collective bargaining and recognition of freedom of association.
- To eliminate the use of forced and compulsory labor.

Environment

- To support a precautionary approach to environmental challenges.
- To undertake initiative to promote greater environmental responsibility.
- To encourage the diffusion of environmentally friendly technology.

Anti-Corruption

- To work against all forms of corruption, including extortion and bribery.

ACI pledges to keep all its employees, customers, shareholders and suppliers regularly informed about the compact and the company's initiatives to uphold the principles.

2.3 Activities of the organization

ACI Limited is committed to providing customers with a broad range of quality products from its business operations. It has diversified its business in various sectors such as the health care division, consumers' brands division, and agribusiness division. Other than its 3 major strategic business units, it has 11 subsidiaries, 3 joint ventures and 1 associate.

2.3.1 Major Business

2.3.1.1 Pharmaceuticals

ACI formulates and markets a comprehensive range of more than 400 products covering all major therapeutic areas, which come in tablet, capsule, powder, liquid, cream, ointment, gel ,ophthalmic and injection forms. ACI also markets world-renowned branded pharmaceutical products imported from world-class multinational companies like ASTRAZENECA, UK and UCB, BELGIUM. ACI is actively engaged in introducing newer molecules and Novel Drug Delivery Systems (NDDS) to meet the needs of present and future.

ACI introduced the concept of quality management system by being the first company in Bangladesh to achieve ISO 9001 certification in 1995 and follows the policy of continuous improvement in all its operations.

2.3.1.2 Consumer Brands

This business segment has three major categories of product range- home care, air care and hygiene care. Products under home care category include ACI Aerosol, ACI Mosquito Coil. ACI Aerosol is market leader in the mosquito repellent category having market share of 85%. ACI Coils enjoys very predominant position and striving to become absolute leader in the market place. ACI has also very attractive product range in this Air Care category with Angelic Fresh Air Freshener. This is the first ever locally manufactured Air Freshener of this country whose fragrances has been applauded by the users and has become market leader in two years time. ACI has another very strong range of products in its Hygiene Product category. Savlon Liquid Antiseptic is the highest selling antiseptics in the country. It has more than 75% market share of its category. Products like Savlon Antiseptic cream, Savlon Family Protection Soap and Savlon Femme Sanitary Napkin, Vanish Toilet Cleaner are also under this category. ACI Consumer brands also deals with products of internationally acclaimed company like Colgate Palmolive and Nivea. Recently ACI Electronics a sub unit of ACI Consumer Brands has launched Panasonic Audio visual items in the country.

2.3.1.3 Agribusiness

ACI Agribusiness is the largest integrator in agricultural sector of Bangladesh. ACI Agribusiness deals with livestock and fisheries, crop protections, seeds, fertilizer and agro-machineries. Under Agribusiness, the following business units are currently operating:

2.3.1.3.1 Crop Care & Public Health

Crop care & Public health is dealing with all type of crop protection items. It is providing a complete range of cost effective products which can provide appropriate solutions for the farmers through

insecticides, herbicides, and fungicides. This business has been transferred to ACI Formulations Limited from 1st January of this year.

2.3.1.3.2 Seeds

Seeds division is dealing with hybrid rice, vegetable and maize seeds. It has partnership with renowned HYV seed companies of the world. ACI started the seed business in 2006. It has its own research and development stations in Gazipur and Bangladesh Agricultural University, Mymensingh.

2.3.1.3.4 Animal Health

This division is dealing with high quality nutritional, veterinary, poultry medicine and vaccines including proposal for pisciculture, cattle rearing and cattle fattening. Integrated fisheries and livestock project will be implemented soon.

2.3.1.3. International alliances

ACI represents Colgate Palmolive Company as exclusive marketing partner and distributor for the territory of Bangladesh. Colgate is the worldwide leader of the oral care products category. ACI was appointed as sole distributor and marketing partner of Beiersdorf AG, Germany; the manufacturer of Nivea brand products. ACI represent Godrej Consumer Products Limited. ACI consumer Brand is also selling low calorie sweetener products of Merisant for weight conscious customers and also for them who want to avoid direct sugar. In additions to these, ACI represents significant number of world's reputed companies in Pharma and Agriculture sectors.

2.3.1.4 Relative contribution to revenue: to know about more detail about relative contribution ACI LTD.

[Please turnover to appendix for more information about Relative contribution to revenue]

2.3.1.5 Major Competitors: Major competitor of ACI LTD. in different area

2.3.1.5.1 Pharmaceuticals

[Please turnover to appendix for pharmaceutical]

Fertilizer

[Please turnover to appendix for more information about fertilizer]

2.3.1.5.2 Consumer Brand

[Please turnover to appendix for more information about Consumer brand]

2.3.1.5.3 Agribusiness

The main competitors of ACI Agribusiness and their relative market share for the year 2011 are as follows:

Animal Health

[Please turnover to appendix for more information about animal health.]

Seeds

[Please turnover to appendix for more information about Seeds]

Cropx

[Please turnover to appendix for more information about cropex]

2.3.2 Subsidiary

[Please turnover to appendix for more information about subsidiary.]

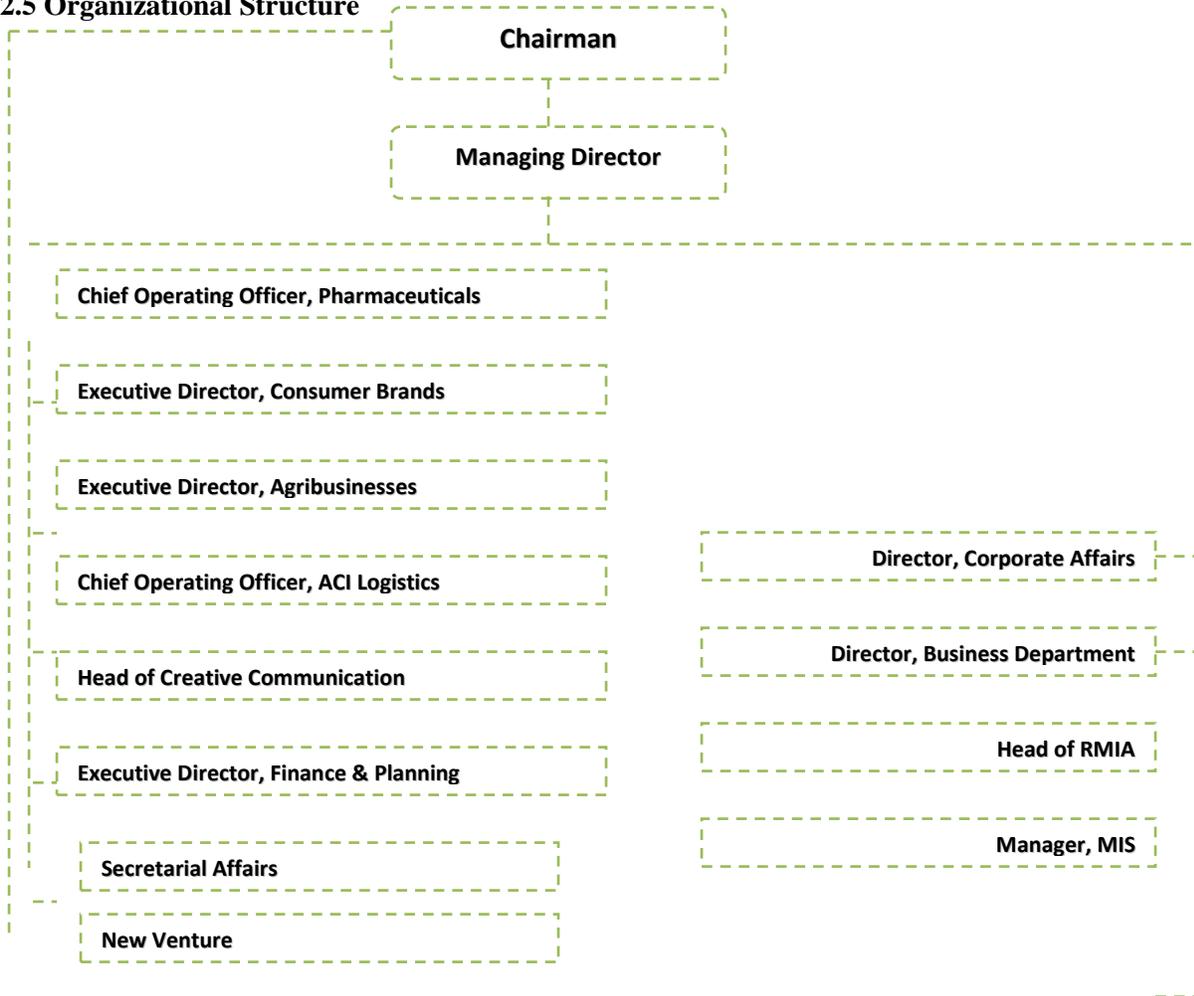
2.3.3 Joint Ventures:

[Please turnover to appendix for more information about Joint venture.]

2.4 Future Plans

ACI Pharmaceuticals is expected to be introducing three new lines of medicine products namely Anti Cancer, Hormone & Steroid and Amino Acid. For this new initiative, Company needs funding facilities to allow it to import capital machinery and carry out construction of physical facilities. Out of the total proceeds of BDT 1.00 billion that will be raised through issuance of 20% convertible zero-coupon bond, BDT 597,194,166 (i.e. approx. 60%) is earmarked for the expansion for scheme of the pharmaceuticals division.

2.5 Organizational Structure



Chapter-3

3.0 THE CONCEPT OF CASH MANAGEMENT AND RAW MATERIAL PURCHASE

The internship report entitled - "*The Cash Management and raw material purchase Process of ACI LTD.*" Will discuss about the way ACI applies various cash management and raw material purchase concepts and theories in their business. For this, it will incite several cash management concepts and their application in the company.

3.1 Cash management

Treasury management or basic cash management propitiates the development of administrative techniques conducive to optimizing the level of disposable assets to be maintained by a company.

To prevent breaks or gaps in the trading cycle due to lack of cash, administrators must calculate the cash amount best suited to their level of activity, plan the timing of the relevant payments and collections and draw up a policy of investment in assets with high liquidity that can be converted to cash at a low transactional cost to serve as support for the treasury funds maintained by the company.

Chapter-4

4.0 CASH MANAGEMENT PROCESS OF ACI

4.1 Bank Reconciliation

Bank reconciliation is the process of matching and comparing figures from accounting records against those presented on a bank statement, less any items which have no relation to the bank statement. The balance of the accounting ledger should reconcile (match) to the balance of the bank statement. Bank reconciliation allows companies or individuals to compare their account records to the bank's records of their account balance in order to uncover any possible discrepancies. When ledgers were written manually, regular checks were important to ensure they remained in balance. It was important to have a reliable source against which to check the accounts ledger.

The statement of account from a bank would have been hand written by a clerk and checked carefully by the bank manager. The statement can be taken as a reliable source, as banks' primary business is to ensure their ledgers correctly tracked the flow of funds. Hence the bank balance at the end of a given period could be obtained from bank and matched to a bank ledger kept by the company's accountant.

Flow chart of collection:

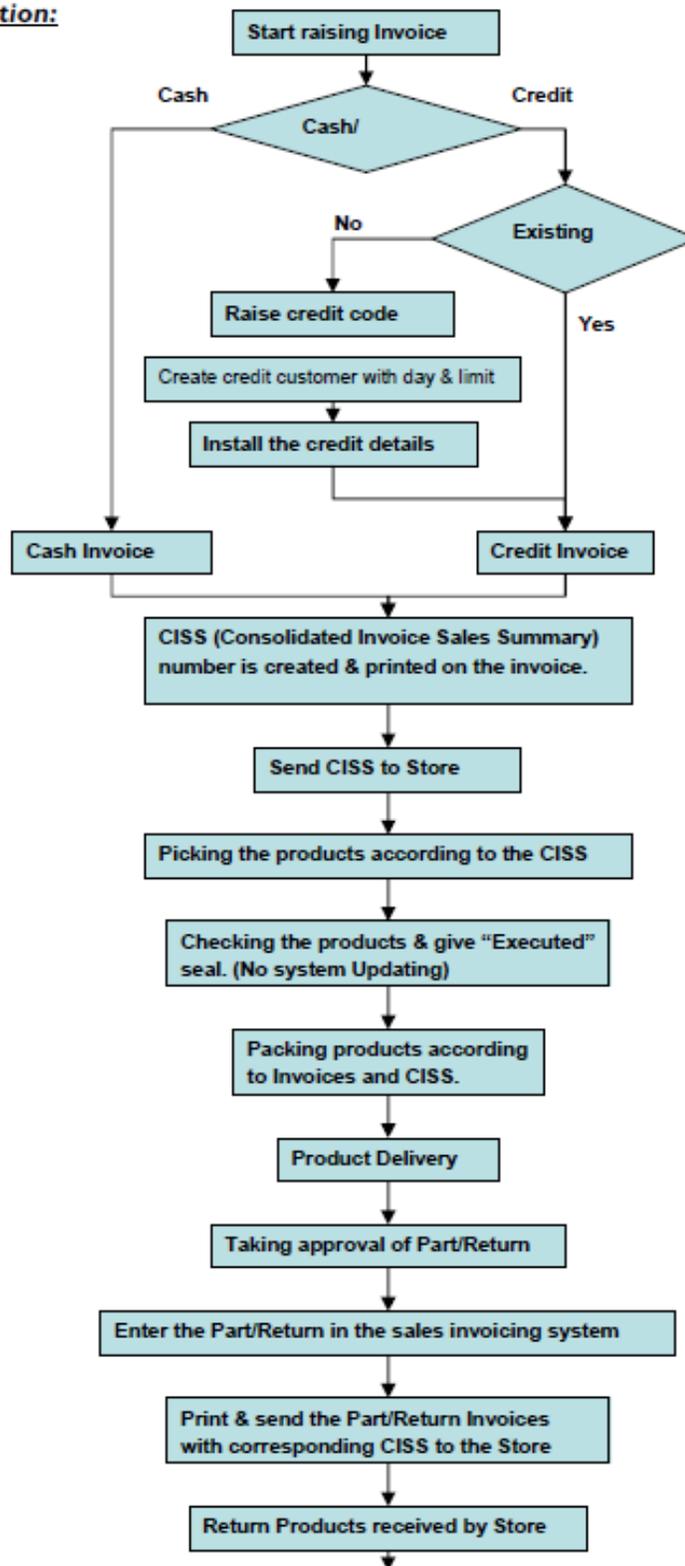
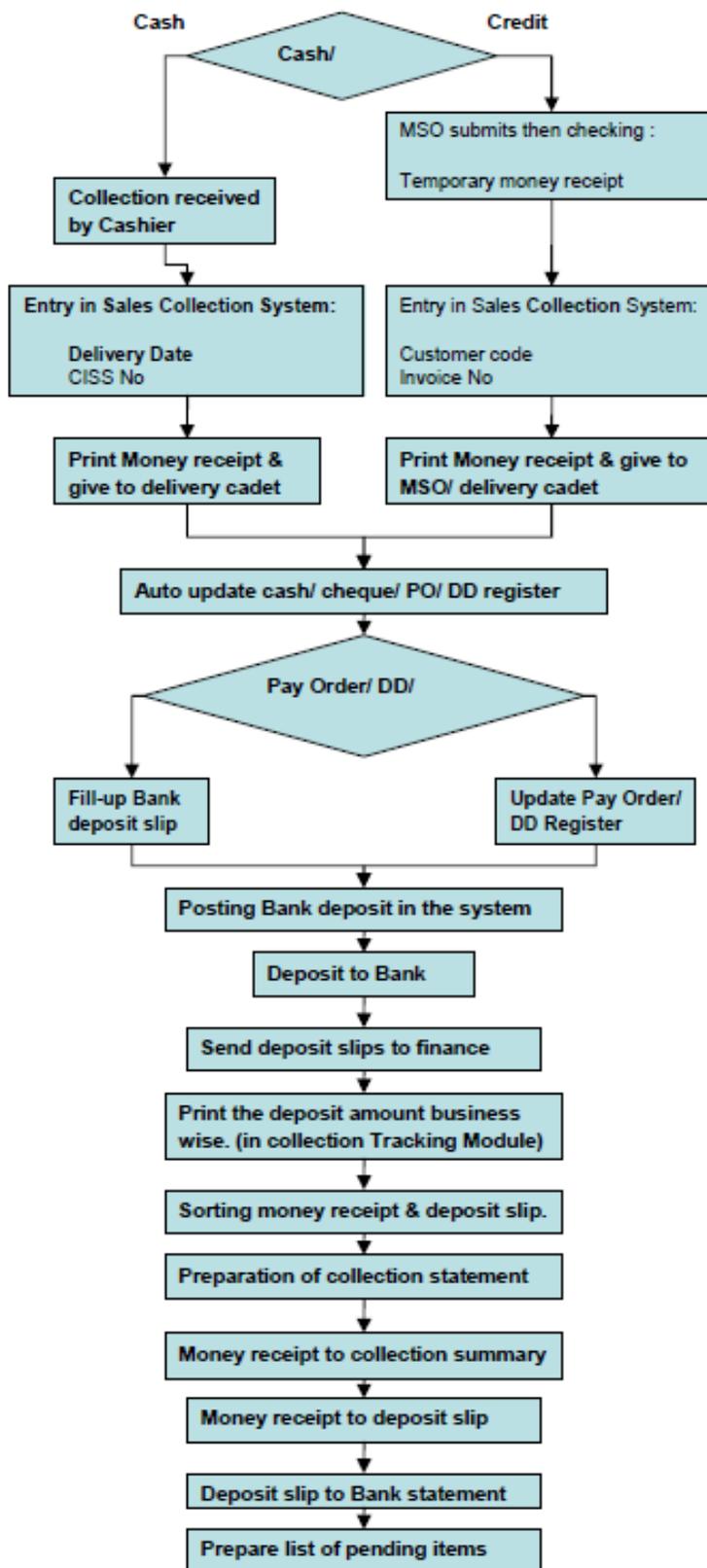


Figure 4.1: Collection Flow chart



Steps	Job	Purpose of the Job
Step-1	Sorting all money receipts and Bank deposit slips as per business as well as sources of collection i.e. cash sales or credit collection	The purpose of this job is to segregate and keep the documents separately so that anyone can get the related documents very quickly. This will also reduce the ticking time.
Step-2	Take print of collection summary for the period and business year you want to reconcile.	This summary represents the money that was collected during a given period for a particular business.
Step-3	Ticking from Money receipts to collection summary	<p>To identify whether any money receipt is posted more than one time.</p> <p>To identify whether one business or depot collection is posted in another business/depot.</p> <p>To identify whether any money receipt remains unposted in the system.</p> <p>To find out whether any wrong amount is posted in the system.</p>
Step-4	Ticking from Money receipts to Deposit slips.	<p>To confirm whether all collection is deposited into the bank.</p> <p>To identify the collection those were deposited in the following month.</p> <p>To confirm whether the collection is deposited into the bank in time by depots.</p>
Step-5	Ticking from deposit slips to Bank Statement	To confirm whether all deposits are credited in the bank.
Step-6	Ticking from last month reconciliation to current month bank statements	<p>To confirm whether the uncleared/unpresented checks/DD/PO were cleared in the current month or still remain pending.</p> <p>To confirm whether the last month reconciliation in hand was deposited in the current month.</p>
Step-7	Prepare list of pending items	<p>A list of collection those were not deposited in the respective month.</p> <p>A list of wrongly posted amount and items</p> <p>A list of unposted Money receipts</p> <p>A list of deposits those were not credited by bank.</p>

Figure 4.2: Reconciliation Procedure

4.2 Working Capital

Working capital, also known as net working capital, is a financial metric which represents operating liquidity available to a business. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. It is calculated as current assets minus current liabilities. If current assets are less than current liabilities, an entity has a working capital deficiency, also called a working capital deficit. Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable and cash.

4.2.1 Calculation

These accounts represent the areas of the business where managers have the most direct impact:

- accounts receivable (current asset)
- inventory (current assets), and
- accounts payable (current liability)

The current portion of debt (payable within 12 months) is critical, because it represents a short-term claim to current assets and is often secured by long term assets. Common types of short-term debt are bank loans and lines of credit.

An increase in working capital indicates that the business has either increased current assets (that is received cash, or other current assets) or has decreased current liabilities, for example has paid off some short-term creditors.

4.2.2 Decision criteria

By definition, working capital management involves short term decisions - generally, relating to the next one year period- which is “reversible”. These decisions are therefore not taken on the same basis as Capital Investment Decisions (NPV or related, as above) rather they will be based on cash flows and / or profitability.

- One measure of cash flow is provided by the cash conversion cycle - the net number of days from the outlay of cash used for raw material to receiving payment from the customer. As a management tool, this metric makes explicit the inter-relatedness of decisions relating to inventories, accounts receivable and payable, and cash. Because this number effectively

corresponds to the time that the firm's cash is tied up in operations and unavailable for other activities, management generally aims at a low net count.



Figure 4.2: Cash conversion Cycle

- In this context, the most useful measure of profitability is Return on capital (ROC). The result is shown as a percentage, determined by dividing relevant income for the 12 months by capital employed; Return on equity (ROE) shows this result for the firm's shareholders. Firm value is enhanced when, and if, the return on capital, which results from working capital management, exceeds the cost of capital, which results from capital investment decisions as above. ROC measures are therefore useful as a management tool, in that they link short-term policy with long-term decision making.

4.2.3 Management of working capital

Guided by the above criteria, management will use a combination of policies and techniques for the management of working capital. These policies aim at managing the current asset (generally cash and cash equivalents, inventories and debtors) and the short term financing, such that cash flows and returns are acceptable.

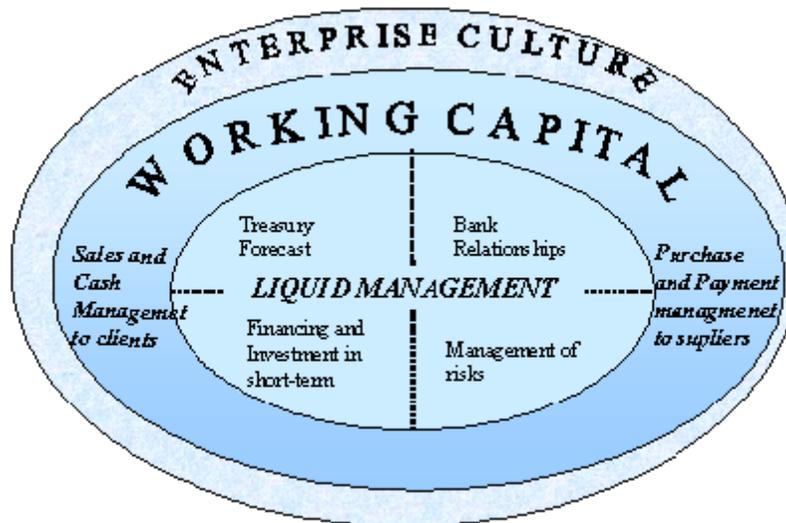


Figure 4.3: Working Capital Management

These two cash flows -payments and collections- are the principal source of financing and investment for business activity. Although larger companies may have a specific department to manage these concepts, they are so closely related to treasury matters that they can be subsumed into treasury management in the broad sense. The development of all these functions depends on the corporate culture of the firm, in the sense of the set of shared beliefs and values as to the way in which the above functions are carried out.

- **Cash management:** Identify the cash balance which allows for the business to meet day to day expenses, but reduces cash holding costs.
- **Inventory management:** Identify the level of inventory which allows for uninterrupted production but reduces the investment in raw materials - and minimizes reordering costs - and hence increases cash flow.
- **Debtors' management:** Identify the appropriate credit policy, i.e. credit terms which will attract customers, such that any impact on cash flows and the cash conversion cycle will be offset by increased revenue and hence Return on Capital (or *vice versa*); see Discounts and allowances.
- **Short term financing:** Identify the appropriate source of financing, given the cash conversion cycle: the inventory is ideally financed by credit granted by the supplier; however, it may be necessary to utilize a bank loan (or overdraft), or to "convert debtors to cash" through "factoring".

4.3 Petty Cash

Businesses often need small amounts of discretionary funds in the form of cash known as **petty cash** for expenditures where it is not practical to make the disbursement by Cheque.

The most common way of accounting expenditures is to use the imprested system. The initial fund would be created by issuing a check for the desired amount. Usually £100 would be sufficient for most small business needs; however, larger businesses may have several thousand dollars in discretionary funds available as petty cash. The entry for this initial fund would be to debit Petty Cash and credit cash.

As expenditures are made, the custodian of the fund will reimburse employees and secure a petty cash voucher in return. At any given time the total of cash on hand plus reimbursed vouchers must equal the original fund.

When the fund gets low the custodian submits the vouchers for reimbursement. Assuming the vouchers add up to Tk. 80 and that the majority of expenditures were for office supplies, a tk. 80 cheque is issued and a Tk 80 debit towards office expenses is marked. Once the cheque is cashed, the custodian has cash at the original amount.

Oversight of petty cash is important because of the potential for abuse. Examples of petty cash controls include a limit (such as 10% of the total fund) on disbursements and monthly audits by someone other than the custodian. Use of petty cash is sufficiently widespread that vouchers for use in reimbursement are available at any office supply store.

4.3.1 Steps to be followed by the petty-cash manager (in the faculty or service)

1. Before making a payment or issuing a refund, the cash manager must make sure:

- That the signed invoice is indeed
- That original, unmodified receipts or vouchers are approved in writing by the person or this person's delegate responsible for authorizing expenses in the budget account specified, and that the documents bear the account number to be debited; receipts, invoices or cash-register slips must have the authorizing initials and the budget code indicated clearly on them;
- That the invoice has been signed by the claimant and that there is a clear indication it has been paid; the manager must be careful not to double refund expenses for which he has both an original invoice and a credit-card receipt;
- That all vouchers are detailed enough (for example, a cash-register slip with no Explanation is not acceptable);

- That individual receipts do not exceed the maximum set out in policy 26 and that they do not date back more than 30 days before the replenishment date.
2. ACI recommends that the manager group vouchers according to financial code, that add up expenditures applying to the same account including PST and the non-refundable portion of the GST (33 %), and that the manager staple the vouchers to the calculator slip, in the same order as the figures on the slip.
 3. To enter the expense including the PST and the non-refundable portion of the GST (33 %) and the applicable financial code and the refundable portion of the GST (67 % or 100 %) in the appropriate box on the envelope or other equivalent document.
 4. Place all of the vouchers in the envelope.
 5. Count the money on hand in the petty cash and enter the amount in the box provided on the envelope. Add this amount to the total reimbursed according to the vouchers. The sum must correspond to the total in petty cash.
 6. After entering the required information and counting the money remaining, the petty cash custodian must sign the envelope or the equivalent document.
 7. Complete the form titled Petty Cash Replenishment provided by Financial Services; make sure to indicate the number of bills and any change required. The amount the cash manager requests must match the total needed for replenishment.

4.3.2 Procedures to be followed by the payer (at the faculty or service)

The manager must remember to treat the petty cash envelope as an invoice. To do so, he follows the instructions in the User's Guide-Accounts Payable/Payment of Invoices.

1. When he enters data into the AP system, he uses the envelope whose code begins with PC and is followed by four or five numbers.
2. On the Invoice Worksheet 1 screen, the manager must create an expense line for each financial code and enter the amount including the PST and the non-refundable portion of the GST (33%). Create a line to enter the refundable portion of the GST (67 %) and enter the financial code 10204300 - 122980111. Create a line to enter the refundable GST (100 %) and enter financial code 10204600 - 122980111. Next, enter the total expenses in the GROSS AMOUNT box.

3. Give the invoice (envelope) and the vouchers to the person responsible for approving invoices in the financial system.

4.3.3 Procedures to be followed by the approving authority (in the faculty or service)

The approving authority must not only ensure that the petty cash manager has followed procedure but also:

1. That each pay-out is backed up by a supporting document (invoice, receipt, cash-register slip) bearing the name of the supplier and the account to be debited;
2. That the invoice signed by the claimant (confirming he or she has received the money in question) is acceptable (see the list of unauthorized expenses in section 7 of policy 26);
3. That the supporting document is approved by the person responsible for authorizing petty cash expenses (for expenses charged to a research project, the recipient of the grant or research contract or this person's delegate must sign the supporting document);
4. That, for reimbursement of restaurant meals, the form Receptions and Business Meetings is completed according to policy 60 and attached to the restaurant receipt;
5. That the amount of individual receipts does not exceed the maximum allowed under policy 26 and that receipts do not date back more than 30 days before the replenishment date (older receipts may be refused);
6. That the total indicated on the envelope equals the total amount of the petty cash invoice entered in the AP system.

NOTE: The approving authority is the last person to verify documents before checks are issued.

4.3.4 The cash manager must remember to include all of the following Items if he plans to use other

Types of envelope for petty cash:

- The petty cash invoice number (always preceded by PC)
- The list of financial codes to which the debits apply
- The amount charged to each financial code

- The total GST amount
- The total provincial sales tax amount
- The total number of items reimbursed
- The amount of money on hand
- The grand total of the transaction.

4.4 Working capital management

4.4.1 Working capital management policy

1. The basic objective of working capital management is to optimize liquidity and bringing financial flexibility which will allow company to respond and adjust with opportunities and adversities.
2. The company is more concentrated on gross working capital rather than on net working capital due to the sources of raw materials/ finished goods which are mostly import dependent.
3. The company is to maintain a satisfactory level of working capital which is neither inadequate nor redundant.
4. In determining the working capital requirement (level of working capital), the company considers the following factors:
 - Nature of business
 - Industry practice
 - Seasonality of operations
 - Production policy
 - Market and competitive conditions
 - Conditions of supply

This will ensure expected growth to be attained without facing redundancy and excessive receivables.

5. The company finances working capital mostly with short term sources to minimize the cost of capital. However company has also policy to finance permanent portion of working capital through long term sources.
6. The Company should maintain working capital at a level that will satisfy the following mark unless there are any specific reasons behind this.
 - Current ratio- 100%

- Quick ratio- 60%
- Net working capital ratio- 3.2 times.

7. Working Capital policy specific to inventory management ensures uninterrupted production across all company's factories following agreed inventory policy for both imported and local items including finished stock based on robust sales forecasting tools applied by the company using computerized systems and procedures

4.4.2 Sources of Cash: the chart of the sources of capital given on the appendix.

[Please turnover the appendix to see the chart of sources of capital]

4.4.3 Cash Conversion Cycle

Cash conversion cycle or CCC is the time duration in which a firm is able to convert its resources into cash. It is actually the total time period required to first convert resources into inventories, then inventories into finished goods, then goods into sales, sales into accounts receivable and then receivables into cash. Here the resources are including raw material, labor, power and fuel, etc.

In other words, it can be defined as the time taken to collect cash from sales after making payments for resources acquired by the firm.

	2009	2010	2011
Average collection period	42.57295	66.73018	64.67413
Inventory Processing period	114.91	122.55	149.59
Average payable period	40.0711	45.27854	39.36152
Cash Conversion cycle	117.41	144.00	174.90

From the analysis of cash conversion cycle of ACI Limited for last 3 years it can be shown that the time duration for converting its resources to cash is increasing every year which depicts that the cash is remaining tied up in the firm's core operations, leaving little leeway for other uses of this cash flow.

4.5 Financial Derivatives in ACI

Derivatives are financial contracts, or financial instruments, whose values are derived from the value of something else (known as the underlying). The underlying on which a derivative is based can be an asset (e.g., commodities, equities (stocks), residential mortgages, commercial real estate, loans, bonds), an index (e.g., interest, exchange rates, stock market indices, consumer price index (CPI) — see inflation derivatives), or other items (e.g., weather conditions, or other derivatives). Credit derivatives are based on loans, bonds or other forms of credit.

The main types of derivatives are: forwards (which if traded on an exchange are known as futures); options; and swaps.

Derivatives can be used to mitigate the risk of economic loss arising from changes in the value of the underlying. This activity is known as hedging. Alternatively, derivatives can be used by investors to increase the profit arising if the value of the underlying moves in the direction they expect. This activity is known as speculation.

ACI and Standard Chartered Bank (SCB) have successfully concluded a GBP/USD Range Forward Deal. This is not only the first derivative deal of ACI Limited; it is even the first deal of this kind in Bangladesh.

It should be mentioned here that Bangladesh market is not ready for derivatives; at least country's central bank Bangladesh Bank thinks in that way. With a view to opening the market and for pressure from different quarters, Bangladesh Bank started allowing derivatives in selective areas and again after maintaining a lot of formalities. SCB is one of few banks who was authorized to do derivatives deal. These deals are mostly known as “vanilla” option rather than “exotic” option.

ACI was exploring an innovative solution for hedging their exchange rate against underlying GBP exposure. As ACI Treasury always wants to be in the forefront in utilizing new products available in financial market, when SCB approached ACI to link-up for derivative deal ACI accepted it. Catering to this SCB Financial Markets structured a GBP/USD Range Forward solution to hedge against ACI's cross currency exchange risk.

4.6 Raw material purchase process

- **Identification of need:** This is an internal step for a company that involves understanding of the company needs by establishing a short term strategy (three to five years) followed by defining the technical direction and requirements.
- **Supplier Identification:** Once the company has answered important questions like: Make-buy, multiple vs. single suppliers, then it needs to identify who can provide the required product/service. There are many sources to search for supplier; more popular ones being Aruba, Alibaba, other suppliers and trade shows.
- **Supplier Communication:** When one or more suitable suppliers have been identified, requests for quotation, requests for proposals, and requests for information or direct contact may be made with the suppliers.
- **Negotiation:** Negotiations are undertaken, and price, availability, and customization possibilities are established.
- **Supplier relationship:** During this phase, the company evaluates the performance of the P/S and any accompanying service support, as they are consumed. Supplier scorecard is a popular tool for this purpose. When the P/S has been consumed or disposed of, the contract expires, or the product or service is to be re-ordered, company experience with the P/S is reviewed. If the P/S is to be re-ordered, the company determines whether to consider other suppliers or to continue with the same supplier.
- **Logistics Management:** Supplier preparation, expediting, shipment, delivery, and payment for the P/S are completed, based on contract terms.

Chapter-5

My role and responsibilities

5.1 Experiences at (ACI) LTD.

I was so lucky to get the opportunity to work at ACI LTD. for successive 12 week as an intern both in finance and commercial department. In this short period of time it was not possible for me to go all the wings of those departments deeply. Yet I got privilege to work in purchase division of commercial sector and financial accounting and reporting department. So, I worked over there in different department with different responsibility like when I worked there in commercial department where I had to deal with supply chain management. In supply chain management there are a lot of thing, among them I had given the responsibility of assist to purchase of raw material, packaging material, forecasting the market and based on that making the demand and according to that demand make and purchase decision of the raw material. Not only that I had to also support to deal with the supplier the how efficiently we can make our purchase. That means how cost effective way we can purchase raw material from the supplier. For that reason I had to do different kinds of work. I had to go in market to know whether any new raw material come into market or not, whether any new supplier come or not, if any product exist how long will it be available in the market, is there any new material will come in future, is there any alternative for existing material which can reduce the cost of the production, etc. to find out this supplier I did to contact with different supplier, dealer, manufacturer both in Bangladesh as well as foreign country like China, Malaysia, Japan, etc as per my supervisor instruction. I had sent them our requirement of the product through e-mail and also reply their mail according to the instruction of my supervisor. Then I had to also collect sample from supplier and send them for quality control (QC) department. After getting approval from QC department I had to make comparative statement (CS) where mentioned that last time purchase price, unit, supplier name with different supplier name and their offered price. The supplier quoted the lowest price was given a purchase order (PO) with price and unit. I had to purchase of different kinds of product raw material like Angelic air freshener's raw material, ACI mosquito coil's raw material, ACI aerosol's raw material, Can pack of this material etc. I had also given a responsibility of calculating the lead time of purchasing raw material where I had to calculated the time from the order date to reach the product in the factory through different process like 1st communication date, L/C application forwarded, L/C application send to bank, L/C transmitted, Original document at bank, document send to C&F, vessel at port, duty requisition, duty paid, and finally material at factory. I had calculated every specific date that is how many days it takes to go from one stage another stage and finally how long it takes to come in factory. It is very much related with finance because through this we understand that at what pint we

should prepare our next order. If it was mistakenly order or if the forecast was misjudged then there would be a chance of huge loss because of the storing cost or just blocking the capital on that material where the organization could use the capital in other profitable purpose.

Later I got chance to work in financial department. In financial department I worked on cash management not all the part but some part of cash management. As bank reconciliation is a very important task because if any account number or if any wrong amount is mistakenly written then there would be create so many problem so as a internee they gave me some casual responsibility but not any major thing. Like as mentioned earlier bank records are more reliable so I responsibility was to match our account agnist bank account and if there ware any differences I went to may supervisor and tell him about the problem and according to his instrustion I did the rest of the work for example suppose we gave a cheque to on of our supplier so recorded the the tranaction in our system but the supplier did not submit the cheque in the bank so as a result there was a difference between bank system and the organization account system. So as a internee my main task was to assist my supervisor of this kind s of work.

5.2 Abstract of job experiences

Journey of ACI Limited has bought a completely different experience in my life which I have never obtained before. In the beginning it was so easy for me to adjust in totally a different atmosphere. But gradually I observe the situation and get to relate with it. From this journey I came to know how to deal with the situations which may not be favorable always, how to behave adequately in their company, how to do own task, how to respect other task, how to utilize the time and so on. In the three months I have go with a strong routine of my daily task and which was monotonous sometimes, but yet I did not give up. As By this time I was preparing myself mentally strong also by keeping my patience on. For me it was too easy to hang around with my fellow intern friends in the free time but it was as much as difficult to go the seniors to take their time to solve my issues. And I learnt to manage that also. Everyone out of there was very friendly and overwhelming but yet they are very restricted about their space. So it was my biggest challenge to be a part of them in a friendly manner with respecting their space also. My agenda was not only to do the work I was given to, but also do that error free, sincerely and in time so the afterwards I can be recalled for my performances. It was not easy that in this short period of time I will be known to all of the office colleagues but I am also happy that I could successfully build some good and healthy relations with some of my colleagues from the different departments by my hard work and behavior. And at the end of my internship I can say different departments by my hard work and behavior. And at the end of my internship I can say training; ACI Limited also helped me to grow more as personas as well as an employee. Those will definitely going to enhance my learning in future.

Chapter-6

RECOMMENDATION

Computerize the cash forecasting process can be performed in different ways, and there are several different types of systems to choose from. The three major categories of system support are the forecasting module in the ERP system, a standardized forecasting system and a customized forecasting system. There are pros and cons to every one of these:

ERP systems:

The purpose of ERP is to facilitate the flow of information between all business functions inside the boundaries of the organization and manage the connections to outside stakeholders.

Benefit – there is couple of benefit of ERP system for different department like-

Enhanced Technology for the Institution: the first benefit will be the enhancement of the technology in the organization

Efficiency in Processes: A new system will make more efficient critical business processes for many departments. It will make data collection better and more efficient, more efficient use of bright people in office and don't have to enter things by hand.

Easier Reporting: An advantage of a new system will be improved and more customizable reporting. A great desire for improving reporting capabilities to be better equipped to respond to complex requests for data and it will also other sector as well like-

Finance team: Finally gains integration with operations, including accurate costing, and real-time reporting.

Supply chain team: Gains real-time communication with your partners and vendors to meld planning, scheduling, production and delivery into a seamless, dependable process, a complete integration between planning and execution.

I think this system will improve a lot for the progress in work process. When I worked there I had seen that they will keep their PO in a file and some time when it is needed it was difficult to find out it quickly because it was keep in manually. Not only that for every Comparative statement, they signed out the

statement manually and to do it would take a lot of time. I think automated system can make their work faster. I think that the entire thing are interrelated in an organization so improvement in one sector will help to improve other sector like this ERP system's facility will layout in other sector like financial department, manufacturing department as well as supply chain division can be worked smoothly.

ERP system includes integrated functions and thus may be easy to implement. However, with all the advantages that ERP offers, there are a number of disadvantages as well.

Drawbacks –

- Perhaps one of the biggest disadvantages to this technology is the cost. The biggest challenges companies will face when trying to implement ERP deals with investment.
- The employees must be continually trained on how to use it, and it is also important for companies to make sure the integrity of the data is protected.
- The success of the system is fully dependent on how the workers utilize it.
- Another biggest problem with ERP is that it is hard to customize. Very few companies can effectively use ERP right out of the box.

Everything has some pros and cons. But in contrast with the facilities I think ACI should use this technology to more effectively their business procedure as they are one of the biggest and well capable company to bear the cost of ERP system.

Customized systems:

When a software developer customizes software, he attempts to change or add to its code so that it better suits the needs of a specific set of users. This system is much more effective for any kind of organization because in ERP system you cannot change anything where in customized system you can set the thing as your requirement. In ACI I had seen that they didn't use this kind of system for their business. They just manually input their data and keep. So, I think if they implement this system it will more help their business forecasting as well as their business progress. This system provides a business organization so many facilities like-

- Custom software solutions enable you to develop a software solution that maps your unique business processes rather than changing your business processes to conform to what a "packaged software" provides

- Custom software solutions enable you to automate your business processes the way you feel is best for your business meeting the unique needs of your business.
- Custom software solutions automate processes that you currently do manually.

I saw in ACI that their documents sign system or their documents record system is manual as a result it does not make an effective when it needs immediately, so I think using this software might help them to deal with those problem. Though they are now using to use this kind of software but it is not updated. Still they need to sign there document manually whereas other organization update though online system.

As I mentioned earlier everything has some advantage and disadvantage so customized system has also some disadvantage like -

Drawback –

- High cost due to tailoring. Also, flexibility is limited to changes from time to time.
- Users require training on customizations that are added to the standard packages. This takes money and time.
- Increased complexity, the more complex an application becomes, the more likely something is to go wrong and more difficult it can be to fix. Customizing existing applications may cause technical problems and may make the application more unreliable.

So, I think customized software can be another option for ACI to implement in business.

Standardized system:

Benefits - Built to support the liquidity management process and usually integrates with multiple ERP systems.

Drawbacks - Additional system with own version management and system administration generates costs.

It is easy to simply computerize current process without exploring the possibilities offered by the technology. Similarly, it is easy to misjudge a system and end up with one that does not fulfill all needs and future needs, and thereby restrict the development of the forecast process when the implementation project has ended. Therefore, it is important to ensure that the standardized system does not set restrictions on what the organization is trying to achieve by implementing it. It is especially important to ensure that flexibility in the standardized system meets future requirements.

In addition, using professional financial consultants is recommended when evaluating system support for cash forecasting. A consultant can also provide vital input on improvements in the liquidity management process that might be needed in preparing for the implementation of a cash forecast system.

Lead time calculation: when I interned there I was given a responsibility of calculating the raw material order time to reach time in factory I seen that some material like came in late again many product earlier. So, here is associated some kind of cost. If the product came earlier there is also related with cost because capital block in unwanted product again if the raw material came in late there possibility of shut the production for some time. So, I think if the organization gives a proper looks on their product lead time it would be helpful for them. Moreover ACI not use any kind of system or policy to calculate lead time of purchasing raw material. So, I think as it is a major part of profit so they should more concern about it.

Another important issue which is needed to be look after that is there is different products which are not so profitable in the market and having falling some impact in the overall performance of ACI Ltd. if they can withdraw those product from the market and make a proper forecast about it, then they will be more able to make a strong performance in financial report.

Chapter-7

Conclusion

At the wrapping up it can be said the ACI limited has working hard to grab the best position in different sector like Pharmaceuticals, Consumer Brands and Agribusiness. But due to the high competition in this industry it is still standing behind. ACI Limited currently scores 50% in the index and it is currently ranked equal 11 out of 4206. This is in the top 0.26% of Pharmacy companies ranked in the index. But yet ACI Ltd is fighting in competitive spirit and ready to get back in top three positions. Not only that ACI ltd. Is also trying to improve in other sector and they have also taken some step to doing this like previously they were did their work manually like they were signed there PO manually then also signed there CS manually but now they are starting to it online. Not only that to get a better result now they are now also held several meeting in every week which makes them aware of their current situation and based on this situation the top management give them suggestions. As ACI Ltd. is one of the biggest companies in our country so it has so many product lines in market but unfortunately not all the product are profitable as well as not all the product is affordable for all so they are again thinking to withdraw those unprofitable product from market which low margin profit and thinking to lunch new product with different variation for all group of customer which is an important issue behind getting success.

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APPENDIX

2.1.1 Important dates and milestone dates of ACI Limited

Date	Event
24 January, 1973	Commencement of Business
5 May, 1992	Imperial Chemical Industries Pakistan Manufactures Limited divested 70% of its shareholding to local management.
5 May, 1992	The name of the company changed to Advanced Chemical Industries Limited from ICI Bangladesh Manufactures Limited.
9 March, 1994	Listed with Dhaka Stock Exchange
October 22, 1995	Listed with Chittagong Stock Exchange

2.3.1.4 Relative contribution to revenue

As per audited accounts for the year ended 31.12.2011, relative position to total revenue of the products are as follows:

Name of the Products		Revenue Taka (million)	Value contribution (%)
Pharmaceuticals		2451	33.28
Consumer Brands		1817	24.67
Agribusiness	Crop Care & Public health	1406	19.10
	Animal Health	433	5.87
	Fertilize	580	7.88
	Seeds	346	4.70
	Cropex	332	4.50
Total			100.0

2.3.1.5 Major Competitors

2.3.1.5.1 Pharmaceuticals

The major competitors of ACI in the pharmaceutical market in the year 2011 are as follows:

Company	Share (%)
Square Pharmaceuticals Limited	20.06
Incepta Pharmaceuticals Limited	7.53
Beximco Pharmaceuticals Limited	7.09
The Acme Laboratories Limited	5.25
Eskayef Pharmaceuticals Limited	4.64
ACI Limited	4.52
Opsonin Chemical Industries Limited	4.30
Renata Limited	4.22
Aristopharma Limited	4.18
Drug International Limited	3.39

Source: 20% Convertible Zero Coupon Bond Prospectus

Fertilizer

Major Competitors	Market Share (%)
ACI Limited	19.60%
Padma Agrochemical Limited	8.00%
Global agrovvet Limited	6.00%
Syngenta Bangladesh Limited	6.20%
Alpha Agro chemical Limited	5.60%
Others	54.60%

2.3.1.5.2 Consumer Brand

The table below depicts the major market share (Consumer Brands) of the major players of the market in the year 2011:

Brand Name		Share (%)
Aerosol	ACI Aerosol	84.29
	Reckitt-Benkeizer	7.83
	Square Toiletries	6.40
Mosquito Coil	ACI Mosquito Coil	28.99
	Reckitt-Benkeizer	54.63
	Globe Bangladesh Ltd	5.97
	Maladesh International Ltd	4.15
Liquid Antiseptic	Savlon Liquid Antiseptic (ACI Limited)	78.95
	Reckitt-Benkeizer	12.10
Antiseptic Cream	Savlon Antiseptic Cream (ACI Limited)	72.40
	Millat Chemicals Ltd	3.40

Source: 20% Convertible Zero Coupon Bond Prospectus

2.3.1.5.3 Agribusiness

The main competitors of ACI Agribusiness and their relative market share for the year 2011 are as follows:

Animal Health

Major Competitors	Market Share (%)
ACI Limited	8.33%
Renata	10.83%
ACME	8.83%
Novartis	6.66%
SK+F	5.33%
Square	4.66%
Others	55.3%

Seeds

Major Competitors	Market Share (%)
Supreme Seed company	13.00%
Brac Seed	6.00%
Lal Teer Seed	9.00%
ACI Limited	6.00%
A. R Mallik Seed	5.00%
Aftab Seed	2.00%
Others	59.00%

Cropex

Major Competitors	Market Share (%)
Chowdhury Enterprise	20.00%
M.S. Trading	10.00%
Madina enterprise	10.00%
Trade excel Agro	5.00%
ACI Limited	5.00%
Others	50.00%

Source: 20% Convertible Zero Coupon Bond Prospectus

2.3.2 Subsidiary

	Company Name	Activities
1.	ACI Formulations Limited	Manufacturing & marketing of number of agrochemical and consumer products
2.	Apex Leather Crafts Limited	Letting out property to ACI Ltd.
3.	ACI Salt Limited	Manufacturing & marketing of edible packed Salt
4.	ACI Pure Flour Limited	Processing ,Packing and Marketing of wheat flour Products
5.	ACI Foods Limited	Manufacturing & Marketing different types of spices and other food products
6.	Creative Communications Limited	Managing Media solutions and similar services for different clients including television commercials and other advertisement and promotion related Activities
7.	Premiaflex Plastics Limited	Manufacturing & Marketing of Plastic Products, flexible printing and other ancillary business associated with plastic and

		flexible printing.
8.	ACI Motors Limited	Business of buying, selling, Importing, and assembling of vehicles of both agricultural and nonagricultural use including supplying spare part and providing service facilities for vehicles
9.	ACI Logistics Limited	Operating retail chain stores across the country.
10.	Agro Chemicals Limited	Manufacturing, formulating and packaging of pesticides, fertilizers, plant nutrients, animal food and other nutrients products.
11.	Flyban Insecticides Ltd.	Manufacturing and selling of mosquito coil

2.3.3 Joint Ventures:

	Company Name	Activities
1	ACI Godrej Agrovvet Private Limited	Manufacturing and marketing of quality Poultry, Aqua, Cattle Feed and Day Old Chicks
2	Tetley ACI (Bangladesh) Limited	Processor, blender and marketer of tea products.
3	Asian Consumer Care (Pvt) Limited	Manufacturing and marketing of coconut oil, hair oil shampoo and other products under the brand name “Dabur”

4.4.2 Sources of Cash

Internal Sources of Cash	31-12-2011	31-12-2010
Paid-up Capital	300,000,000	300,000,000
Share Premium	250,022,474	250,022,474
Capital Reserve	1,671,386	1,671,386
Inter – Company liabilities	758,658,669	362,544,680
Retained Earnings	645,445,571	588,554,370
Sub Total:	1,730,777,870	1,277,772,680
External Sources of Cash		
Bank overdraft	58,082,809	26,212,136
Short term Bank Loan	762,272,352	634,784,684
Long term Bank Loan – Current portion	21,669,426	21,242,847
Trade Creditors	97,971,753	61,363,824
Other Creditors	112,959,962	80,965,765
Obligation under Finance Lease	10,220,408	14,076,453
Provision for taxation	277,961,183	153,442,970
Long term Liabilities	34,726,784	58,198,966
Sub Total:	1,375,864,677	1,050,287,645
Grand Total:	3,106,642,547	2,328,060,325

Cash flow circle:

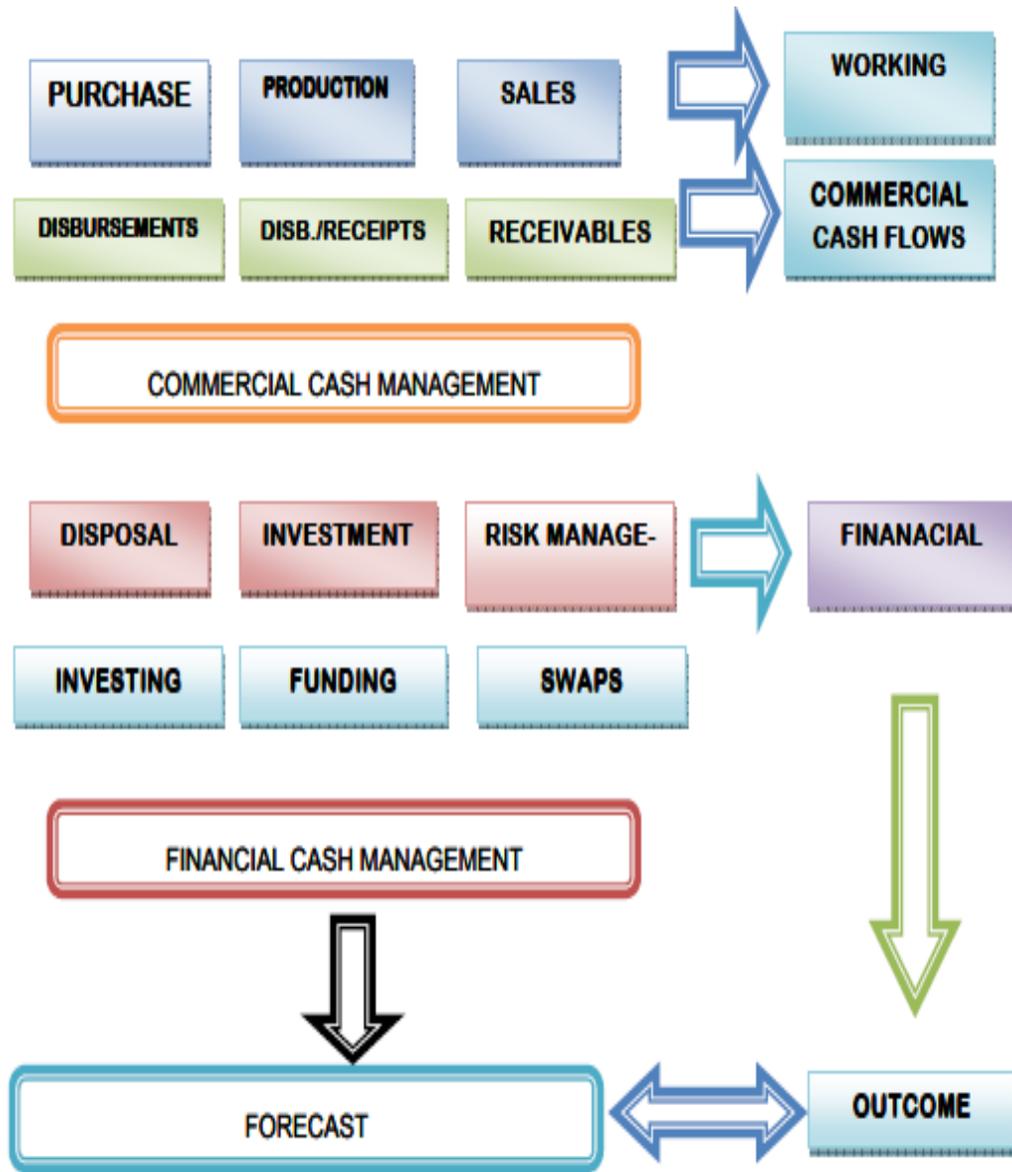


Figure 5.1: Cash Flow circle