

Report On
Importation and Foreign Loans in Coca-Cola Operation (Beverage
Unit of Abdul Monem Limited) in Regard to the Foreign Financing
Circumstances in Bangladesh

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the
requirements for the degree of
Bachelors of Business Administration

BRAC Business School
BRAC University
September, 2022

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Sanjida Sharmin Toma

Student ID: 19204059

Supervisor's Full Name & Signature:

Sang H. Lee, PhD

Professor and Dean

BRAC University

Letter of Transmittal

Sang H. Lee, PhD

Professor & Dean,

BRAC Business School

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report.

Dear Sir,

With due respect and humble submission, it is my pleasure to complete my internship report entitled, **“Importation and Foreign Loans in Coca-Cola Operation (Beverage Unit of Abdul Monem Limited) in Regard to the Foreign Financing Circumstances in Bangladesh”**, under your supervision. The following report will provide relevant information including statistical data about how Coca-Cola is dealing with foreign financing and in the perspective of Bangladesh, how foreign financing works. During the process of completing this report, Abdul Monem Ltd. has given me the opportunity to assist the Manager and the Dy. Manager of Coca-Cola operation in the relevant tasks, which has helped me to achieve real life work experience after the completion of gaining theoretical knowledge from BRAC University.

I have tried to give my best on this report by following the given guidelines and tried to fulfill all required fields to meet your expectation in order to build a unique internship report. I would be very grateful if I could get your kind evaluation and valuable suggestion on this report.

Sincerely yours,

Sanjida Sharmin Toma

Student ID: 19204059

BRAC Business School

BRAC University

Date: September 17, 2022

Non-Disclosure Agreement

This agreement is made and entered into by and between Abdul Monem Ltd. and the undersigned student at BRAC University

Sanjida Sharmin Toma, ID: 19204059

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Acknowledgement

In the beginning, my heartiest gratitude goes to the Almighty Allah for giving me the opportunity to experience such an amazing internship exposure and build up a unique internship report with my best effort possible. Furthermore, I am particularly grateful to my academic supervisor, professor and dean, Dr. Sang H. Lee, PhD and my co-supervisor, professor and associated dean, Dr. Mohammad Mujibul Haque for their continual support, supervision and recommendation on my internship report. Also, I would like to mention about my supervisor of internship workplace, the head of F&A of Coca-Cola operation, Md. Shahidul Islam who has supported me to complete the following internship report with relevant essential information. In addition, I would like to show my gratitude also to the manager and the Dy. Manager of Coca-Cola operation who have given the opportunity to earn real life work experience by assigning me the relevant several tasks. In the end, it is a must to mention about my family who have continuously supported me and motivated me always to achieve the best in my life.

Executive Summary

Importation and borrowing foreign loans are part of foreign financing which refers to the macro-economic relation between two countries and monetary transactions between them. To get engaged with foreign financing, there are so many aspects that have to be kept in mind to avoid the risks and minimize the disadvantages. Hence, in the perspective of Bangladesh, a company would have to know the requirements to borrow abroad, BIDA clearance, BOI Approvals, LC operation, their probability of getting loan approvals and what will be the possible consequences if they fail to repay the loan. The following report will give an overview of all the mentioned aspects including a projection analysis on debt service payments including Coca-Cola unit's relevant foreign financing activities.

Keywords: BIDA, BOI, LC

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List of Acronyms

AML	Abdul Monem Limited
LC	Letter of Credit
PNED	Private Non-guaranteed External Debt
PSED	Private Sector External Debt
LCAF	Letter of Credit Authorization Form
EURIBOR	Euro Interbank Offered Rate
LIBOR	London Interbank Offered Rate
BOI	Board of Investment
BIDA	Bangladesh Investment Development Authority
CIB	Credit Information Bureau
IDA	International development Association
IBRD	International Bank for Reconstruction and Development
B/L	Bill of Lading

Glossary

B/L Date The date of the bill lading.



Chapter 1: Overview of the Internship

1.1. Student Information

- ❖ **Name:** Sanjida Sharmin Toma
- ❖ **ID:** 19204059
- ❖ **Program:** Business Administration
- ❖ **Major/Specialization:** Finance

1.2. Internship Information

1.2.1. Period: June 4 to September 4 (3 months)

1.2.2. Company Name: Abdul Monem Limited

1.2.3. Department/Division: Finance & Accounts Dept./Coca-Cola Operation

1.2.4. Address: 111, Bir Uttam Cr Dutta Road (Sonargoan Road), Dhaka- 1205, Bangladesh

1.2.5. Internship Company Supervisor's Information

Name: Md. Shahidul Islam

Position: Head of Finance & Accounts, Coca-Cola Operation

1.2.6. Job Scope

Working as an intern at one of the largest conglomerates of Bangladesh has been a great pleasure to me. During my internship period, I am fortunate to acknowledge about the regular corporate activities while I have received the opportunity to work on bank reconciliation. Besides, I am also responsible for summarizing their sales collection from several branches on a regular basis. Under the supervision of the Head of F&A Department, the Manager & the Dy. Manager of Coca-Cola unit, I am also engaged in various relevant tasks during the period that include intercompany expenses, loan documents, interest payments and more . However, to complete the internship report on foreign financing of Coca-Cola unit, my supervisor, the head of F&A department has provided me certain documents they are using to continue their foreign financing operation that includes imports of their foreign machineries and other essential relevant policies. In this process, I also learnt about the particular tasks, the strengths and other information of several imported machines. I was also fortunate to get an idea on some unique topics like LCs, PNED, PSED, IPO and essential information in regard to importing from abroad.

Overall, working with the Coca-Cola unit has given me a convenient environment that helped me not only to learn about their corporate activities but also to embrace the corporate culture along with that.

1.3. Internship Outcomes

1.3.1. My contribution to the company

Coca-Cola gave me the opportunity to contribute my skills in various relevant tasks and also enhanced more knowledge and skills in order to acquire real life work experience. During my regular activities, my contribution to the company are:

- ✓ I have worked in their ERP software for several data entry purpose.
- ✓ I have completed 5 months of Bank reconciliation of several banks with the help of the Dy. Manager.
- ✓ Besides, I have worked with loan documents in order to provide them the loan positions for several months with several banks.
- ✓ I also used to provide them the summary of their total sales collection with the use of pivot tables on regular basis.
- ✓ However, sometimes I have been also assigned some other relevant tasks provided by the Manager and the Dy. Manager of Coca-Cola unit that included interest payments, intercompany expenses and more.

1.3.2. Benefits to the student

After completing the theoretical knowledge from BRAC University, internship opportunity has given me the scope of being involved in a corporate world, which also played as a platform for utilizing the theoretical knowledge in the real life world. Some of the benefits I have received while working in this organization are mentioned below:

- **Acknowledging about the corporate culture:** After acquiring theoretical knowledge from university, jumping into a corporate life can be hectic for any student at the initial phase. In regard to that, an internship program can help a student to climb upon the corporate culture in a get-at-able way. For example, this internship program has given me an opportunity to learn about real life working environment, the work ethics, professionalism, improvement of interpersonal skills and more that will help me to embrace the professional environment spontaneously in the future career.
- **Acquiring knowledge about various financial activities:** Gaining knowledge at university and getting involved in financial activities at workplace have a completely different perks from each other. Working as an intern can provide a student that scope where s/he can put the theoretical knowledge into real life activities and learn more about it practically. For example, I am acknowledging about interests and loans while studying at the university, but as an intern, now, I can directly work with loan documents and interests that is providing me knowledge about dealing with loan positions and interest payments.
- **Improving technological skills:** For easygoing activities, many companies use several customized software including some ordinary software. In regard to that, I have received an opportunity to work in their ERP software for a certain period and also I am brushing up my Microsoft Word and Microsoft Excel skills for completing several

tasks on a regular basis. However, the above software has helped me to gain knowledge about working with technologies in real life working environment.

- **Improving interpersonal skills:** No matter where a person goes, applying interpersonal skills accurately can offer him/her advantages while trying to embrace that certain environment. Following that, applying interpersonal skills with professionalism can be troublesome for some people. Concerning, as an intern, while working here I am learning how to communicate with my seniors and colleagues with holding onto professionalism.

1.3.3. Problems/Difficulties (faced during the internship period)

As a completely new individual exploring the practical world for the first time has given me some hectic days in the beginning of the internship period. However, adapting the new environment in a few days has made it lot easier for to work in there. Moreover, as the company is quite a commercial one and their data is too protected to get an access, I did not get the access to their official software, for which I had to use someone else's desktop in order to complete some of the tasks. Nevertheless, with the help of the Head of Finance and Accounts, the Manager and the Dy. Manager of Coca-Cola unit, I have enhanced notable real life work experience and gathered more knowledge and skills.

1.3.4. Recommendations (to the company on future internships)

Despite of some challenges I have faced while working as an intern, the environment of the organization is quite well in function. However, if some works could be set in a pattern for the interns to work on, the working environment could have been more flexible, understanding and disciplined for them to function. This is only fact that if could be implemented, it will not be beneficial only to the interns but also to the internship program manager.



Chapter 2: Organization Part

2.1. Introduction

2.1.1. Objective

The purpose of the following study is to acknowledge about Abdul Monem Limited and Coca-Cola's managerial activities, marketing strategies, operational activities, financial and accounting practices and their competitors. To be specific, the following study will let the leaders know about:

- Coca-Cola's current activities regarding management system, marketing practices, financial and accounting practices.
- Their plan about the future and how they are coping up with their competitors.

2.1.2. Methodology

To complete the following internship report, I had to gather data from different resources like primary resources and secondary resources. However, the report mostly depends on the secondary resources, such as,

- Official website of Abdul Monem Ltd.
- Documents of agreements between AML Beverage Unit- Coca-Cola and banks abroad.
- Catalogs of Machineries being used in Coca-Cola operation.
- Website of Bangladesh Bank.
- E-paper.
- Online articles and journals.

Besides, in case of primary resources, to acknowledge the relevant information of Coca-Cola, I had to talk to the Head & the Manager of F&A Department including the HR head of Coca-Cola. Apart from this, my own observation was also included while completing this report.

2.1.3. Scope of the study

The following study would be able to provide an overview on Coca-Cola unit of Abdul Monem Ltd. that would include, the several activities of several departments, their divisions, their management, marketing, financial and accounting practices, and their operational activities. Furthermore, this report will also show Porter's 5 forces analysis and SWOT analysis on Coca-Cola unit.

2.2. Overview of the Company

2.2.1. About Abdul Monem Limited

History

One of the largest business conglomerates, Abdul Monem Limited was established in 1956 by the honorable Chairman and Managing Director, Late Mr. Abdul Monem. This conglomerate company includes beverages, sugar refinery, construction materials, real estate, pharmaceutical and so on. Going with time, it became the authorized bottler of Coca-Cola, Fanta, Sprite, the producer of Igloo Ice-cream brand, Igloo milk and dairy products and Igloo foods. Previously in 2015, Abdul Monem Economic Zone (AMEZ) was awarded as one of the first private economic zones of the country. (*AMLBD, n.d.*)

In case of being authorized bottler of Coca-Cola, Fanta, Sprite in 1982, beverage unit has been the heart of the company. Later in 1987, this beverage unit took an aggressive move of establishing new bottling plant in Comilla having a capacity of 450 bottles per minute (BPM). Again in 1997, in order to expand the market share, another bottling plant was established in Chittagong with the capacity of 650 BPM that was then the most modern plant in Bangladesh with straight line technology from Germany. However, in 1990, in recognition of the contribution of positioning in Bangladesh, the company was awarded the prestigious reward, the President's Turtle Award by the President of the Coca-Cola Company. (*AMLBD, n.d.*)

After the death of the founding Chairman and Managing Director, Abdul Monem, currently the company is run by his 2 sons, Mr. A.S.M. Mainuddin Monem as the Managing Director and Mr. A.S.M. Mohiuddin Monem as the Addl. Managing Director. (*AMLBD, n.d.*)

Vision

It is stated that their vision materializes their roadmap and their objective is to contribute to the economic, society, environment and the prosperity of Bangladesh through their optimum usage of resources applied in constant development. (*AMLBD, n.d.*)

Mission

It is mentioned that their mission defines their roadmap which states that their mission is to develop and deliver quality foods and services to the customers, also to outperform the peers, keep up enduring connection with business associates and stakeholders, provide dynamic and challenging environment for their employees and achieve positive growth in the business having a positive economic and social impact on the community and nation. (*AMLBD, n.d.*)

Values

It is stated that the company's values are driven by 3 perspectives (*AMLBD, n.d.*):



Figure 1: Values of AML

- 1. People:** Abdul Monem Limited believes people as their strength. Their aim is to serve the people with quality foods, service and business practices. They always try to maintain their concern about their valued customers, business partners and the society.
- 2. Prosperity:** The Company believes that prosperity is the key to their success. Therefore, the company always has a contribution to the prosperity of the people and the country. However, to deliver high quality products and services, they try to focus on adapting advanced technologies and skills of a compatible and well trained workforce.
- 3. Progress:** In accordance to the statement, the company always explores their progress and enhance their practices, standards and expectation to higher level.

Divisions

Abdul Monem Limited is operating with several units:

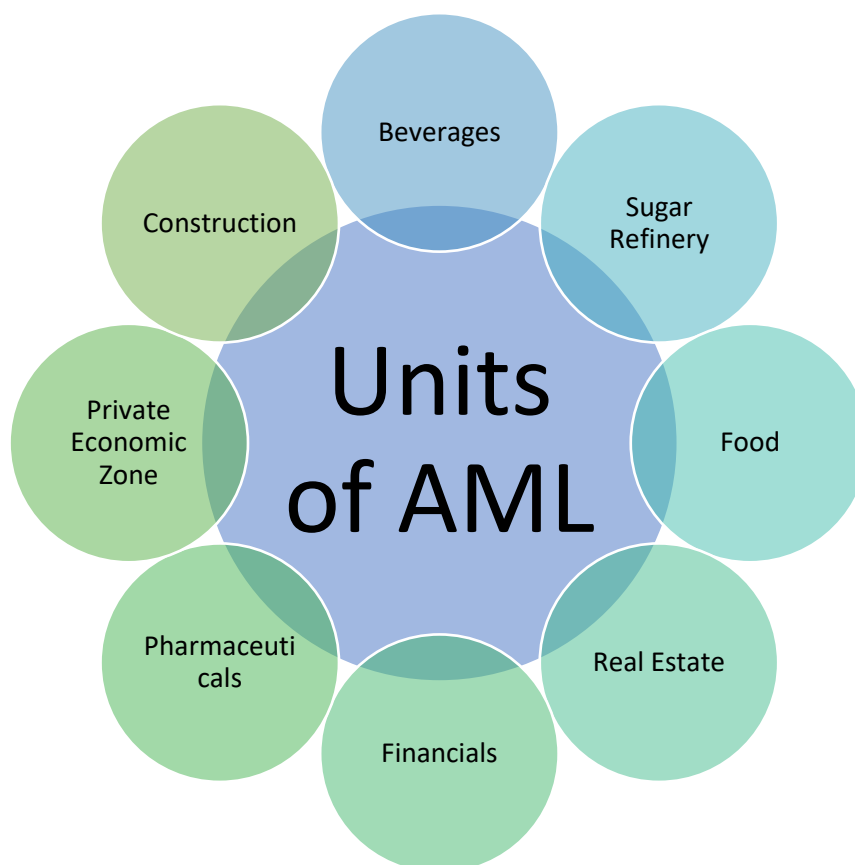


Figure 2: Units of AML

The above units consist of several divisions:

1. Sugar Refinery:

- Abdul Monem Sugar Refinery Limited

2. Beverages:

- Authorized bottler of Coca-Cola company

3. Food:

- Igloo Dairy Ltd.
- Igloo Foods Ltd.
- Igloo Ice-cream Unit
- AM Bran Oil

4. Real Estate:

- AML Construction Ltd.
- Monem Business District

5. Financials:

- AM Securities and Financial Services Limited

6. Pharmaceuticals:

- Novus Pharmaceuticals Limited

7. Private Economic Zone:

- Abdul Monem Economic Zone (AMEZ)

8. Construction:

- AML Asphalt and Ready Mic Concrete Limited
- Auto bricks Limited
- Danish Bangla Emulsion Limited
- AM Dredging Limited

Head quarter of this conglomerate company is located in Dhaka. However, beverage unit-Coca-Cola; factory located in Cumilla and has 5 branches in all over the country:

1. Barishal
2. Cumilla
3. Chattogram
4. Khulna
5. Sylhet

Departments



Figure 3: Departments of Coca-Cola unit, AML

1. Administration

Administration department is responsible to assist all the departments within the company. This department looks after all the office activities, office equipment and the benefits and needs of the employees.

2. Human Resources department

This department's responsibility is to recruit compatible employees after screening and interviewing the candidates. They also take care of salaries of the employees, festive bonus and also, whether all the policies are maintained within the company.

3. F&A department

F&A is the abbreviation of Finance & Accounts Department. Their responsibilities include funding management and distribution. To be more specific, they distribute funding to its suppliers, work on budgeting, look after the company's asset management aspect, revenue tracking, payment of loans and interests and other relevant financial activities.

4. Procurement

This department is involved in activities related to purchasing and contract management. They try to minimize the cost and increase the cost saving in case of purchasing products. In short, from raw materials to finished goods, the procurement department is responsible to oversee the products location and reaching its destination following the estimated budget.

5. Sales

The Sales Department works to establish and maintain a good relationship with customers and in problem, they also go forward to come in help to them. They also are responsible to ensure the product distribution in different divisions of the country.

6. Commercial

Commercial Department is responsible to establish commercial strategies in order to achieve the company's goals and objectives. They usually run a market research and after analyzing that they identify market opportunities and create business plans in accordance to that.

7. IT

This department works to ship the company's paperwork to technologies, such as, this department of Coca-Cola Company is ensuring data entry activity is working fair in ERP software. Moreover, they also make sure all the technological equipment are provided to the employees in good terms.

8. Production

Production Department ensures the fulfillment of producing products. This department is also responsible to ensure approachable design of the products and works on innovations if needed. Besides, they look after whether the machineries are in good terms to run in accordance to the target. Moreover, they take care of how to minimize the cost in production and maximize the profit.

9. Quality Control Department

This department plays a huge role in producing goods. They inspect the produced goods and make sure the goods are produced with specified amount of raw materials which are later on, distributed in the customers. They also make sure the specified amount of

packaging materials are also used while packaging. However, they are entrusted to control the quality of the products and maintain it following the estimated rules.

2.2.2. CSR activities

To initiate CSR activities, Abdul Monem Foundation (AM Foundation) has been set up a CSR wing in order to provide benefits to the society in general, especially for the people who are underprivileged in case of education, healthcare and other advantages.

AM Foundation has recorded a donation of the highest patch of land in Bijeshwar, Brahmanbaria with 52 acre which consists of a school, a college, a madrasa and a mosque with free education. An orphanage with 3000 orphans with great care and sympathy is also run here by AM Foundation. Besides, for water utility service in that area, a pond is also excavated there. (*AMLBD, n.d.*)

Moreover, AM Foundation always stands beside the disaster affected people and manages resources to any such crisis. They also provide free drinking water to drought-stricken people for immediate relief. Furthermore, as a CSR activity, in the building collapse of Spectra garments, “Bangladesh Army Salvage Operation” received all recovery equipment in 2005 from AM Foundation. However, through their nutrition awareness program, in the next 5 years, AML intends to reach 50,000 poor and needy mothers of this country. Besides, in order to fight against malnutrition in the children and to ensure a bright future for them, AM foundation has taken initiative called, “HANDS TO CHILDREN”. (*AMLBD, n.d.*)

In addition to always helping the country in national crisis and calamities changes, AML also encourages their employees to plant at least one tree in every month in order to build up a green and safe environment.

2.3. Management Practices

2.3.1. Management Hierarchy

Several units of Abdul Monem Limited are run by the similar hierarchy. Under the Board of Directors, there comes Managing Director/Ad. Managing Director with who there are separate chief officers for several units, and, under them Heads, managers, Dy. Managers, Sr. Executives and Executives of different departments as well as different units cooperate.

A brief visual representation is shown below:

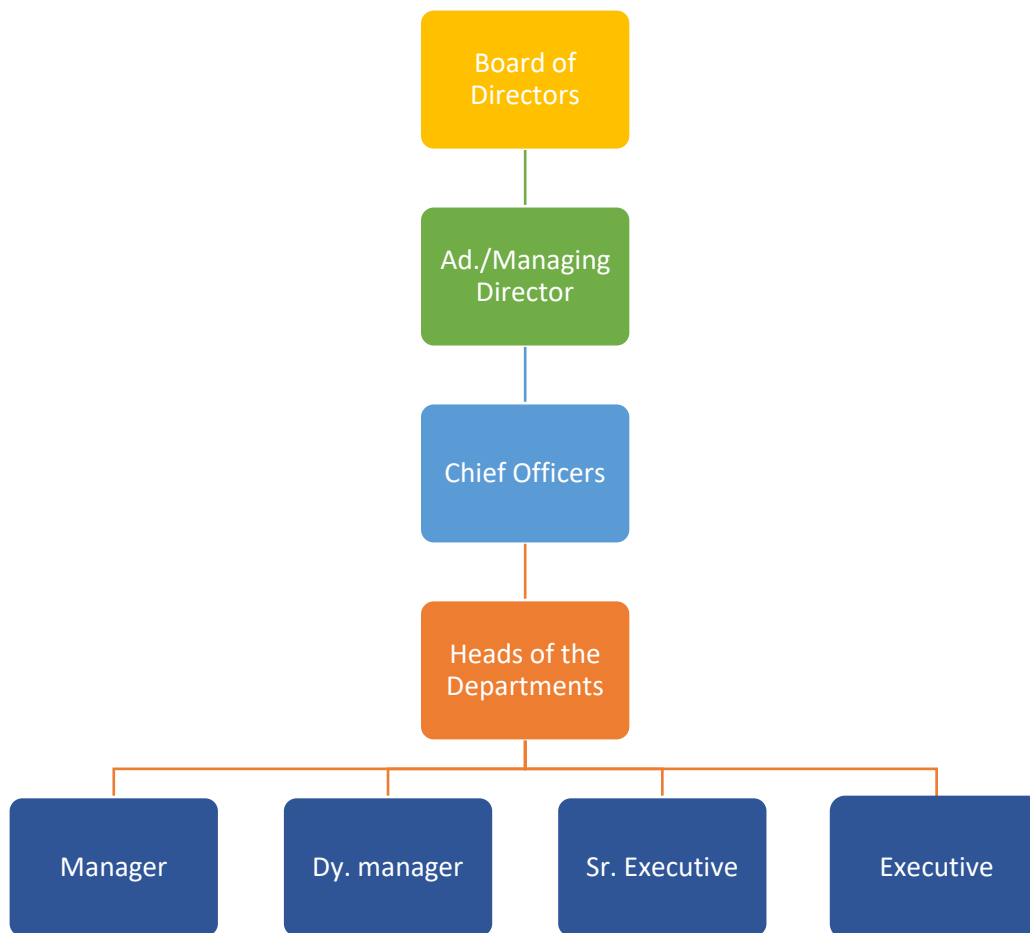


Figure 4: Management Hierarchy

2.3.2. Leadership Style

The leadership style the overall company following is a democratic style. Following that, the heads of the department allow the staffs to share their opinions before taking any decision. Later on, the scenario is taken to the chief officers and finally to the managing director before finalizing a decision.

Opinions or initiatives coming from different departments of a unit is then collaborated and try to execute a better business plan together.

2.3.3. Recruitment & Selection process

Abdul Monem Limited encourages people to cooperate and contribute with them to the prosperity of the people and the country. Therefore, this company is always welcoming to its new employees. To stay more connected with job seeking people, it has created an open portal in their official website through which people can reach them for job. Besides, they also have CV box system in their office so that people can also come at the office and physically drop their CV.

During the recruitment, the human resources department collect those CVs and allocate them based on their requirements. After screening the CVs, the department gives a call to the compatible candidates and arrange interview session for them. Finally, after interviews, the skillful candidates get to be welcomed in the company.

2.4. Marketing Practices

2.4.1. Marketing Strategy

2.4.1.1. Target Market

The target market of beverage unit is mass market of Bangladesh. Besides, their new product line is called diet coke, which specifically targeting to the consumers who try to avoid sugar in their drinks.

2.4.1.2. Positioning

The beverage unit mainly focuses on the taste of their products and focuses to the need of the domestic consumers. This unit continues their positioning in the consumers by delivering the high quality products and services.

2.4.2. Marketing Mix

a. Product

Focusing on the consumer needs, the beverage unit produces 4 types of products: Coca-Cola, Diet Coke, Sprite & Fanta.



Figure 5: Products

The products also come to the consumers in different measures with different bottles like, RGB, PET and Can. The following figure shows which products are available in which measures as well as which bottle (AMLBD, n.d.):

Bottle	Pack	Brand			
		Coca-Cola	Diet Coke	Sprite	Fanta
PET		✓	✓	✓	✓
	500 ml	✓	✓	✓	✓
	1L	✓		✓	✓
	2L	✓		✓	
RGB	175 ml	✓		✓	✓
	200 ml	✓		✓	✓
	250 ml	✓		✓	✓
	1L				
Can	250 ml	✓	✓	✓	✓

Figure 6: Products Availability

b. Price

Their pricing strategy depends on the cost utilized while producing the products. However, the price of all beverage companies are almost the same. Therefore, the beverage unit of Abdul Monem Limited fixes the price along with keeping the competitors' pricing phase also. Yet, the company's pricing does not have notable negative impact on the consumer needs because of their outstanding quality products and services.

c. Place

Though the beverage unit has 5 branches all over the world, the company focuses all the domestic people of Bangladesh. Their distributors are national oriented.

d. Promotion

Their promotional activities do not involve TV or newspaper. Their promotional activities mainly continue through distributors all over the country by reaching their consumers with good quality of products and services. However, occasionally, they sponsor events like FIFA, which can also be considered as promotional move for them.

2.5. Financial Performance and Accounting Practices

2.5.1. Analyzing Some Financial Ratios:

a. Current Ratio

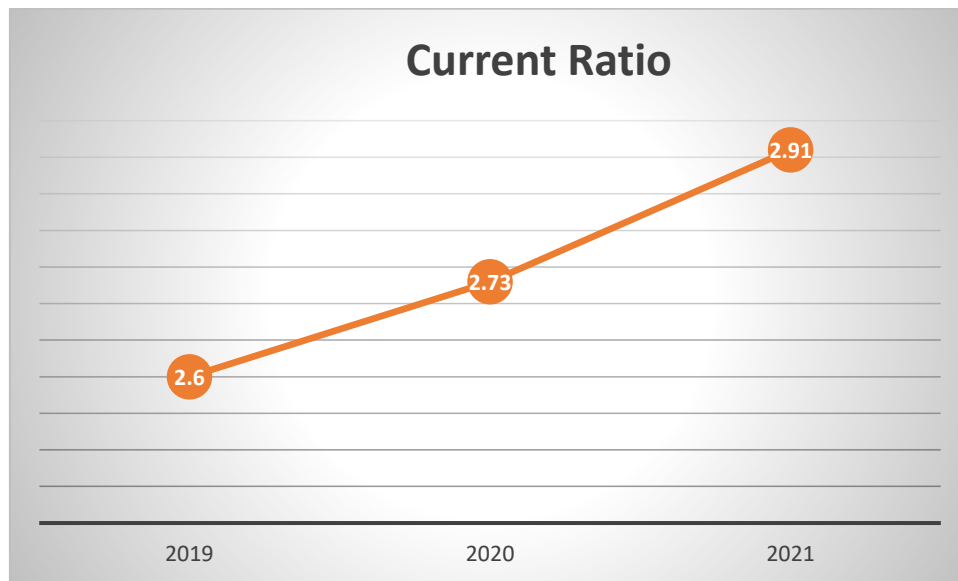


Figure 7: Current Ratio

The liquidity ratio in Coca-Cola unit is seen to increase from 2.6 to 2.91 from the year of 2019 to 2021 which means they are enjoying greater degree of liquidity in the past few years.

b. Debt Ratio

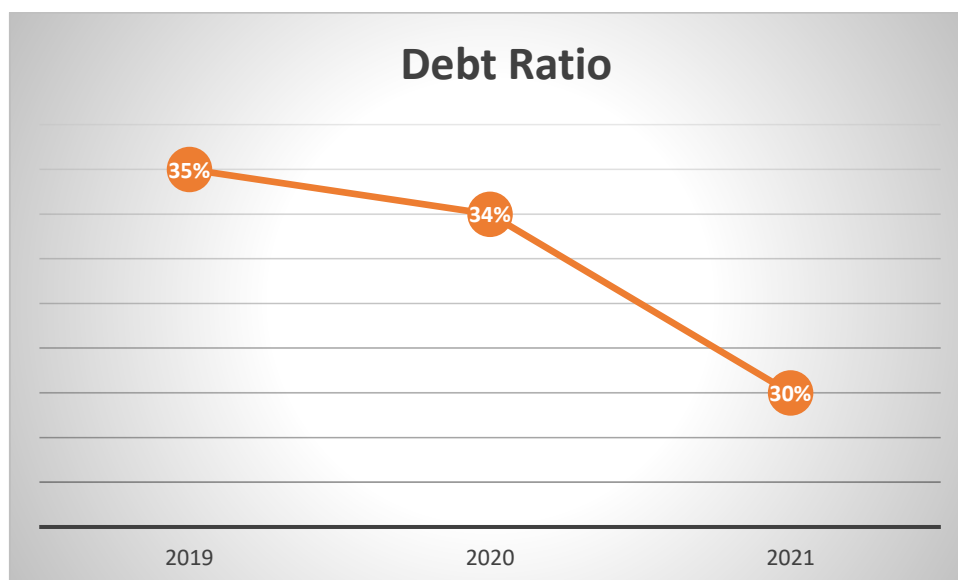


Figure 8: Debt Ratio

The analysis on the last 3 year's debt ratio shows that in the past years the Coca-Cola unit is lessening their debts years by years which in 2019 was 35%, in 2021 the ratio became 30%.

c. Gross Profit Margin

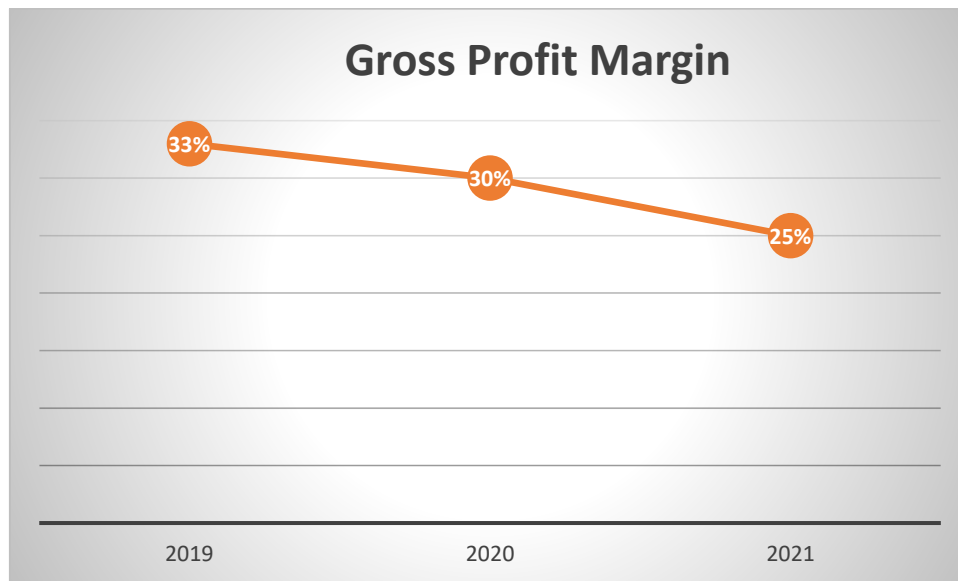


Figure 9: Gross Profit Margin

Theoretically, we know that the more the gross profit margin ratio, the better it is for the company. But here, we can see that, for the Coca-Cola unit the ratio was 33% in 2019, then decreased to 30% in 2020 & it became 25% in 2021.

d. Net Profit Margin

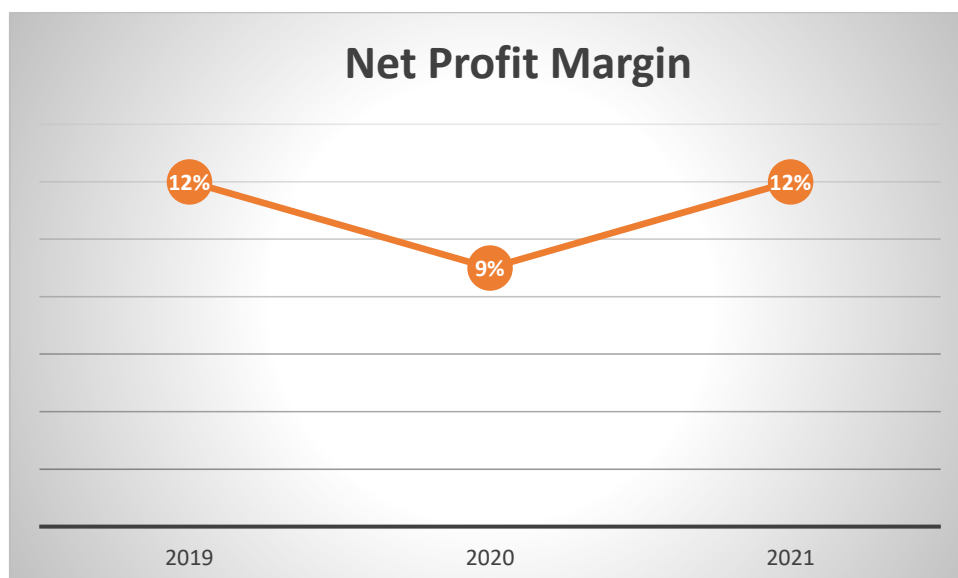


Figure 10: Net Profit Margin

Here, due to Covid19 impact in 2020, the net profit margin became lower than 2019 and became 9%, after recovering the COVID circumstance the ratio also got recovered along with it and became 12% in 2021.

e. Return on Assets

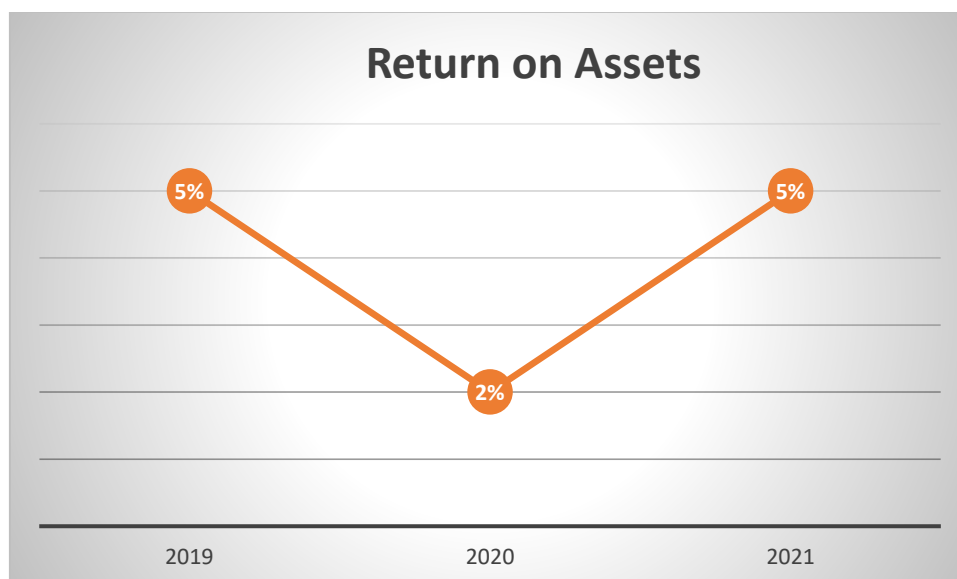


Figure 11: Return on Assets

In accordance to the analysis on Return on Assets (ROA), the ratio fell down and became 2% in 2020 due to the ineffectiveness in generating profits with the available assets of the unit due to the negative impact on the market demand. However, it recovered in 2021 and restored itself into 5%.

2.5.2. Accounting Practices

2.5.2.1. Accrual Accounting: The Company follows matching principle, which means the matching time of revenues and expenses. In this method, the company record it when the event is incurred rather than the payment is fully done. However, in regard to this practice, it helps the company to have an overall financial picture to evaluate and analyze.

2.5.2.2. Auditing Practice: Auditors are known as external accountants. Auditors of this company are responsible to look into the financial statements and analyze whether all policies are followed in the financial activities. They also evaluate the company's capability and correct any accounting procedures, if needed.

2.6. Operations Management and Information System Practices

2.6.1. Supply Chain Management & Distribution

The chain starts from importing the concentrate from headquarter of the Coca-Cola Company in the U.S. This concentrate is the formulated solid that is sent to the factories to liquidate, mix the other ingredients and then put into the RGB, PET and Can bottles. In the process of this production, apart from the importer supplier, the unit gets engaged with more several suppliers for sugar, labeling, packaging, printing and so on. It is to mention that in case of sugar supplier, the beverage unit work with the Igloo Sugar, which is another unit of the company.

Later on, after the production, the products are distributed to all over the country through the distributors to the end consumers.

A visual representation of Coca-Cola's supply chain & Distribution is given below:

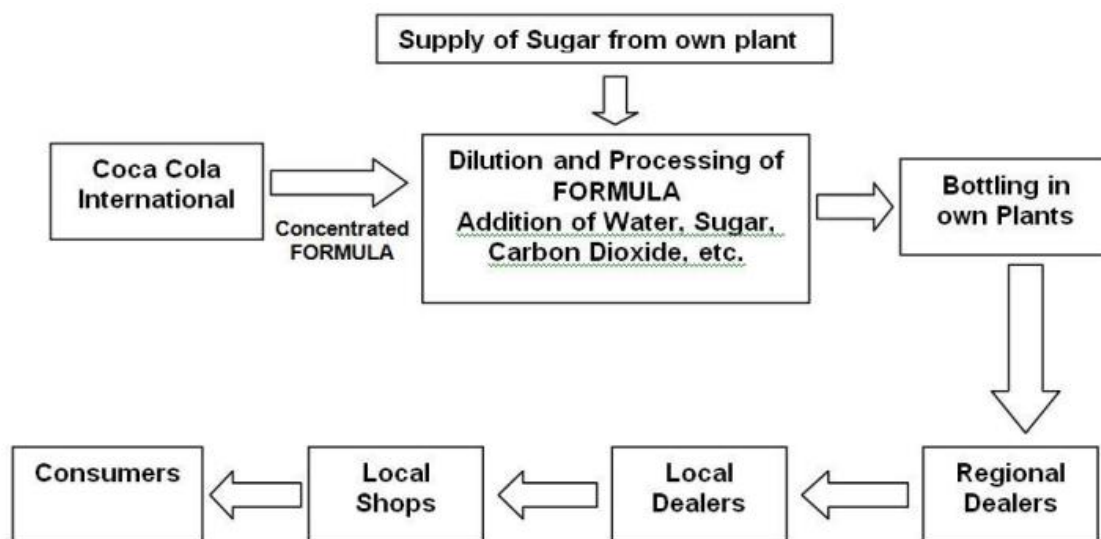


Figure 12: Supply Chain & Distribution of Coca-Cola

2.6.2. Information System Management

AML uses ERP software for any kind of data entry and record purpose. The ERP software has made it easier for the employees to stay connected with what financial condition is going on within the company. They also do not need to bother others to complete their work that depend on other people's data entry. The employees also have to use Microsoft Excel to work on some other financial activities. However, the ERP software is working as a blessing for them in case of storing and recording the financial data.

2.7. Industry and Competitive Analysis

2.7.1. Porter's Five Forces Analysis

This analysis would help us to understand the competitive circumstance Coca-Cola is facing within the market share. The discussion is described below:



Figure 13: Porter's Five Forces Model

- i. Threat of New Entrants**

The world is growing with technologies and foreign financing. Also, businesses are spreading branches where there is opportunity. Following that, new entrants can be considered as a threat to the company.
- ii. Bargaining Power of Suppliers**

As there is a lot of competitors existing in the market, the supplier might want to swallow advantages from it in case of pricing and bargaining.
- iii. Bargaining Power of Buyers**

Having so many beverage products in the market, consumers already hold the power to switch to another brand. An analysis of 2014 on consumer loyalty to beverage products is given below:

Table 1: Consumer Loyalty towards different brands

Name of Brands	Purchase of Soft drinks (Within 1 Month)	Switching off Soft Drinks	Score
PepsiCo (Global Company): <ul style="list-style-type: none"> • 7 up • Pepsi • Mountain dew • Mirinda 	<ul style="list-style-type: none"> • 18.6% • 6.5% • 4.6% • 3.7% 	<ul style="list-style-type: none"> • Yes-7.2%, No-9.6% • Yes-2.5%, No-3.38% • Yes-1.8%, No-2.4% • Yes-1.44%, No-1.9% 	7
Coca-Cola (Global Company): <ul style="list-style-type: none"> • Coca-Cola • Sprite 	<ul style="list-style-type: none"> • 20.5% • 5.6% 	<ul style="list-style-type: none"> • Yes-8%, No-11% • Yes-2.2%, No-2.9% 	6
Pran Beverage Limited (Domestic Company): <ul style="list-style-type: none"> • Pran Up 	<ul style="list-style-type: none"> • 15.9% 	<ul style="list-style-type: none"> • Yes-6.2%, No-8.3% 	5
Akij Food & Beverage Ltd. (Domestic Company): <ul style="list-style-type: none"> • Mojo • Clemon 	<ul style="list-style-type: none"> • 9% • 1.6% 	<ul style="list-style-type: none"> • Yes-3.5%, No-4.7% • Yes-.62%, No-.83% 	4
Partex Beverage Ltd. (Global Company): <ul style="list-style-type: none"> • Rc Cola 	<ul style="list-style-type: none"> • 4.6% 	<ul style="list-style-type: none"> • Yes-1.8%, no-2.4% 	3

iv. Threat from Substitute Products

Substitute products of Coca-Cola includes fruit juices and energy drinks. In case of this case, consumers again holding the power to switch to the brands of fruit juice and energy drinks.

v. Rivalry among the existing players

If the rival companies follow stronger promotional activities and create a better positioning than AML is doing for Coca-Cola, it might create threat to the company. Therefore, moving with better, stronger and updated version is always essential to stand out among the rival companies.

2.7.2. SWOT Analysis

A SWOT analysis on Coca-Cola unit of AML can help us to understand the market scenario very closely. Through this analysis, we will get to know about the Strengths, Weaknesses, Opportunities and Threats of Coca-Cola.

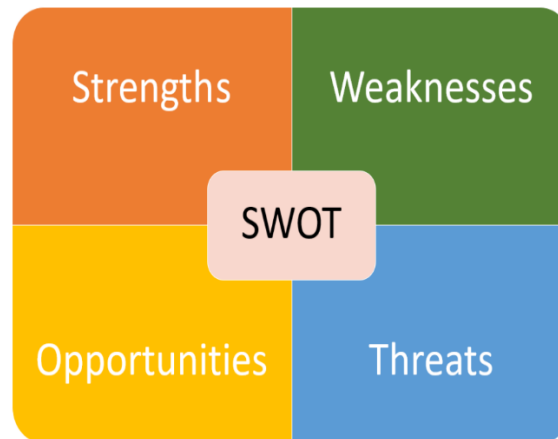


Figure 14: SWOT

1. Strengths

- Brand Image
- Internationally provided R&D
- Internationally provided technical expertise
- A motivated workforce
- Value chain integration

2. Weaknesses

- Overly dependent on the international Coca-Cola Company
- No scope of crafting

3. Opportunities

- Nation-wide distributors

4. Threats

- Dominance of substitute fruit juice products
- Ever growing number of new entrants

2.8. Summary and Conclusions

The overall discussion on AML, specifically on Coca-Cola has provided an idea of how it is operating all over Bangladesh. The discussion also has shown the unit's managerial, marketing, financial and accounting practices including their advancement in case of technologies. It was also reflected that among all the competitors, Coca-Cola is operating quiet notably to reach their end consumers with their high quality foods and services. If the company continues to focus on its progress and prosperity of the people and country, they have a bright future ahead in the industry of beverages unit.

2.9. Recommendations/Implications

Distributing all over Bangladesh is not a cup tea. Yet, AML is distributing Coca-Cola all over the country very successfully and profitably. However, some recommendations, Coca-Cola units can embrace are mentioned below:

- They can invest in the social media advertising with a motto that might give them a better positioning in the market.
- Being a huge company, Coca-Cola can acquire or merge with its rival company in order to eliminate the threat of internal rivalries.



Chapter 3: Project Part

3.1. Introduction

3.1.1. Background

In the era of globalization, international financing has become a common engagement in businesses, which is also referred as international macroeconomics. This foreign financing builds up an international environment to deal with finance across the border, which require rules and regulations. As mentioned before, Coca-Cola is taking part in foreign financing through importation and approaching for future foreign loans. However, disciplines and policies open the doors of success in any business. Following that, for a company who is engaged or going to be engaged with foreign banks or companies, it is essential for them to know about the risks and advantages before operating with foreign countries. Yet, considering more advantages, more and more companies are trying to adapt foreign financing. As a Bangladeshi company, to go forward with foreign financing, it has to abide by the rules provided by the **Central Bank of Bangladesh** (Bangladesh bank), **BIDA** (Bangladesh Investment Development Authority), **IDA** (International Development Association), **IBRD** (International Bank for Reconstruction and Development), **BOI** (Board of Investment), **CIB** (Credit Information Bureau) and other relevant organizations before going with borrowing abroad and considering Letter of Credits (LCs) and remittances against imports. Along with these aspects, the following report will also show an analysis on the foreign machineries of Coca-Cola operation at Abdul Monem Limited.

3.1.2. Objectives

The purpose of the study is to determine the situation of foreign financing of Bangladesh and how Coca-Cola unit of Abdul Monem Limited is dealing with foreign financing in its operation. The report will show statistical analysis on foreign loan approvals, PSED, debt service payments including an overview of requirements of borrowing abroad, LC operation in the perspective of Bangladesh. This report will also show an analysis on, by maintaining all the rules and regulation regarding foreign financing how Coca-Cola unit is getting engaged in foreign financing, such as importation of machineries and financing proposal.

3.1.3. Significance of the study

To acquire advantages from foreign financing, a company must fulfil the requirements needed to borrow abroad. They should analyze statistical condition to know their possibility of getting loan approvals before getting engaged in foreign financing. Also, a projection can also help them to think about their future foreign funding. They should also acknowledge about all the aspects regarding Letter of Credit (LC) in the perspective of Bangladesh. However, if they fail to repay the foreign debts, what possible consequences they might have to face should also be recognized by them. Following the growth of globalization, researchers who want to learn about foreign financing, the following report can help them in such section.

3.1.4. Limitations

Some obstacles came in the way while working on this report.

Firstly, due to confidential matter of fact, I was unable to add any consolidated financial data to evaluate the financial activities of the company. Hence, I used the most possible accessible data to evaluate the Coca-Cola unit of the Company.

Secondly and lastly, the short period of internship was another setback in order to get to know more about the company into depth and details that acknowledging all the activities and then putting them in the report was quite difficult for me.

3.2. Methodology

3.2.1. Research Approach

a. Qualitative Research

In case of Qualitative Research, following matters will come in discussion which will give an overview on which matters should be matter of concern in case of getting engaged in foreign financing in the perspective of Bangladesh and Coca-Cola of AML:

- Advantages & Risks of Foreign Financing
- Conditions and criteria to borrow from foreign countries
- A discussion on BIDA clearance
- Working on BOI approvals
- LC Operation
- Consequences if a company fails to repay its debts
- Coca-Cola's financing operation abroad

b. Quantitative Research

The following aspects will be discussed in regard to Quantitative Research:

- Probability of Loan Approvals
- External Debt Composition & PSED
- Projection Analysis on Debt Service Payments
- Importation of a Brand New Syrup Mixing Machinery

3.2.2. Data Analysis

The data that I gathered for the research is mostly based on secondary resources. After gathering all the required data, these were analyzed through graphs and charts which are shown below. In order to give the collected statistical data a visual representation, Microsoft excel was used in the process.

3.3. Findings and Analysis

3.3.1. Qualitative Data Analysis

3.3.1.1. Advantages of Foreign Financing

- **Widen range of borrowing or importation:** The borrower or the importer can have options regarding policies, procedures and interest rate that might work for them beneficially.
- **Multi-currency choices options:** The borrower can choose currency type that is enjoying amazing currency exchange rates.
- **Political and Economic safety:** The borrower can choose countries to take loans which are more stable in the political and economic aspect.
- **Tax Advantage:** Tax advantage might be significant in accordance to the type of loan, the lender and the country.

3.3.1.2. Risks of Foreign Financing

- **Foreign Exchange Risk:** Due to the fluctuation in currency rate, a company might have to face loss in case of currency rate appreciation of their loan taken country.
- **Political Risk:** Due to the changes in political authorities, policies towards tariffs and quota can affect a company's international trade with that country.

3.3.1.3. Requirements to Borrow Abroad and Importation

Before borrowing or importation, Coca-Cola unit has to follow the following requirements. Applying for a foreign loan, they would have to follow all the requirements of borrowing. Besides, for importation of machineries they also have to acquire BIDA clearance, BOI approvals and LC opening.

The following study will continue to show how Coca-Cola unit is dealing with their BIDA clearance and BOI approvals. LC opening will be discussed later on.

a. Conditions (Rahman, n.d.):

The conditions of borrowing might vary from lenders to lenders. Yet some conditions are usually imposed to follow by borrowers before borrowing abroad:

- i. The borrower has to bear essential relevant licenses and approvals to operate its business.
- ii. The business records of the borrower has to be up to dated.
- iii. The business has to maintain environmental consciousness.
- iv. The borrower has to acquire all industry standard certifications.
- v. The borrower has to abide by the labor laws.
- vi. A proper insurance has to be obtained by the borrower or for the project.

b. Criteria (Rahman, n.d.):

Some more criteria also come as concern while considering borrowing from abroad, which are:

- i. Ratio of Debt-Equity: The debt to equity ratio of the borrower has to be bearable and should not breach 70:30, even for the proposed project/s.
- ii. Liabilities towards the Government: The borrower cannot hold any liabilities towards the government, it can neither be in currency nor in any foreclosed property.
- iii. Reporting Establishment and Utilization Status: The borrower must have to submit an establishment and utilization report to BOI regarding the approved loans on a semi-annual basis, in specified format.
- iv. Purchase of Capital Machineries & Equipment: The borrowing machineries or equipment have to be either brand new or refurbished along with having a sufficient useful life, specified by the import policy imposed by the government.
- v. Approval Expiration: The approval of the Scrutiny Committee regarding foreign borrowing is valid for 6 months, starting from the date of the permission letter of BOI.
- vi. Common Terms: In case of usage, repayment of loans and interest, the borrower must have to abide by the rules and regulations implied by the central bank of Bangladesh.

b. BIDA Clearance (Rahman, n.d.):

Before getting a clearance from BIDA, the Scrutiny Committee will review the above mentioned conditions and criteria. Later on, BIDA will move forward to look into some more documents before approving the loan. In the process, the documents BIDA might look into are mentioned below:

1. Approval of the company's Board of Directors for the proposal of foreign loans.
2. Copy of the latest registration form of BIDA, duly attested by a 1st class Gazette Officer.
3. The original copy of the loan agreement among parties.
4. A completed CIB inquiry forms.
5. Credentials of Sponsors and Directors.
6. CIB certificates of the sponsors or directors.
7. A record of previously taken foreign loans or deferred payments, if available.

8. Audited balance sheet of previous year.
9. Nominated bank's Utilization Certificate.
10. The most recent credit report of the company.
11. The most recent financial analysis.
12. The proposed project's most updated feasibility report in detail.
13. RJSC&F's Form-X, Form-XII and Form-XV.
14. Incorporation of commencement Certificate.
15. Memorandum & Articles of Association.
16. Proforma Invoice or Price Quotation (Based on applicability).
17. The Bank Solvency Certificate (Original Copy).
18. Descriptive statement in regard to the usage of the loan.

c. BOI Approvals (Rahman, n.d.):

All foreign loans have to be authorized by BOI with proper documentation applying through proper application form, which usually takes an approximate time of 3 to 6 months. The loan documentation has to include the purpose and planning of usage of the loan as well as the dates and amounts of repayment schedule and interest payment.

However, while applying for BOI approvals, the following documents might be submitted as supporting documentation:

- A draft form of term sheet, facility agreement, and security documents can be submitted as a part of loan documentation.
- Corporate documents, like, the memorandum and articles of association of the borrower, Board of Directors' resolutions of approving the foreign borrowing in accordance to the term and conditions implied in the loan documentation as well as in the application.
- Pro-forma invoice of that equipment can also be attached in case of importing any equipment.
- Report on major financial and commercial matters can also be included as supporting documentation in regard to the loan and the related project/s.

3.3.1.4. LC operation

Letter of Credit (LC) is one of the most popular transaction method in Bangladesh. A brief discussion on forming Letter of credit as an importer is shown below:

Conditions (juralacuity, 2020):

- The company has to be a registered importer.
- Trade license has to be valid.
- The company has to hold a valid certificate from local chamber of commerce of related association.
- Clearance of income tax in case of new comer.

- Certificate of VAT registration.

Documents (juralacuity, 2020):

After completing all the above criteria, the importer company would have to obtain following documents:

- LC application
- Indent or Performa invoice or Purchase Order or Contract/agreement.
- Sealed & signed Letter of Credit Authorization Form (LCAF).
- Cover note of Insurance.

Obstacles:

To get engaged in foreign financing or importation from abroad, a company has to follow certain procedures, criteria and conditions. In the perspective of Bangladesh, a company needs to have BIDA clearance, BOI approvals with all the essential documents before opening LC for borrowing and importation. In case of being failure to maintaining all the procedures and conditions, LC gets rejected.

3.3.1.5. Consequences if fails to repay debts

With advantage of lower borrowing cost from international financial market, there comes a risk for private commercial borrowing, such as mismatch of maturities and currency mismatch. Following that, if a company fails to repay its debts in time, it might have negative impact on the overall country's international credit ratings.

3.3.1.6. Financing Proposal, April, 2021

Coca-Cola unit is currently trying to approach foreign loans from several foreign countries. For instance, in April, 2021, they had applied to ODDO BHF in the purpose of financing their services/deliveries. To be specific, according to that proposal, the Franco-German Financial Services Group called ODDO BHF would be taking care of the foreign financing of the company.

According to the proposal, Coca-Cola agreed to some terms and conditions. Few of those are:

- ✓ The currency type would be Euro or USD.
- ✓ 100% of the insurance premium is to be disbursed to the lender for immediate transmittance to the ECA.
- ✓ The repayment has to be completed in less than 20 semi-annual installments.
- ✓ There will be variable interest rate on the basis of 6 months EURIBOR plus a margin of o certain percentage, approximately 1%.

- ✓ The loan will mature in 10 years from signing the agreement.

3.3.1.7. Purchasing Machineries from Abroad

Although the unit is still trying to work on the foreign financing approval, however, after clearing all the requirements regarding importation, Coca-Cola unit of AML is now bringing their machineries from several countries like, India, Turkey, Italy & Germany.

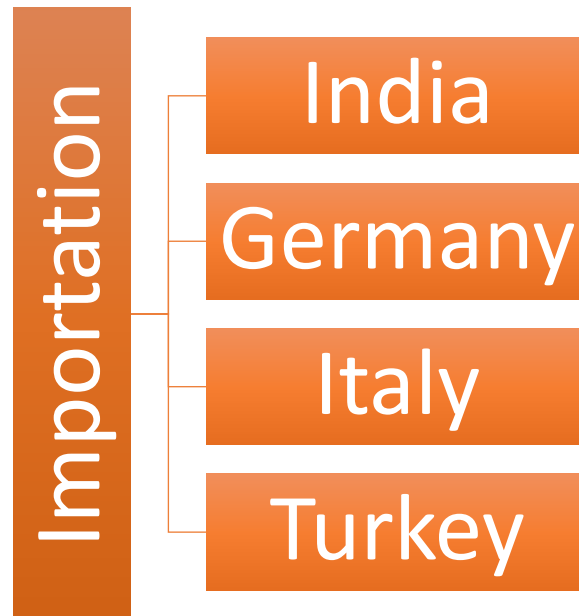


Figure 15: Importing Countries

3.3.2. Quantitative Data Analysis

The following research has been done through both primary and secondary resources. In case of secondary resources, proper confidentiality of the company was maintained.

3.3.2.1. Probability of Loan Approvals

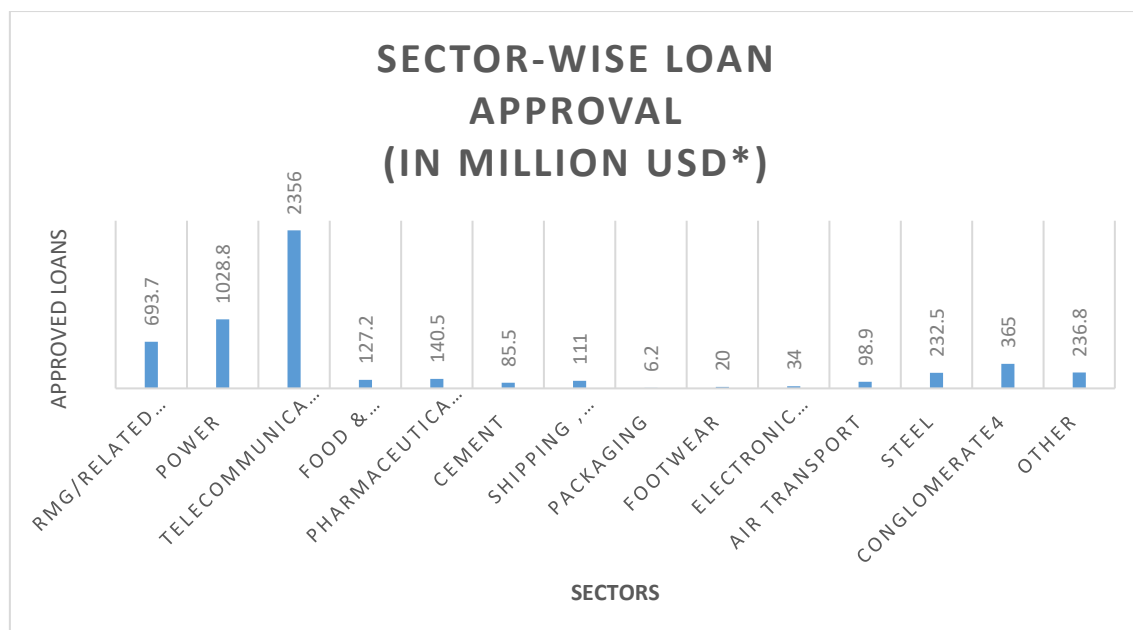


Figure 16: Sector-wise Loan Approval (2009-2014)

In the year of 2009-2014, the food sectors received foreign loans with the amount of 127.2 Million USD. Being a beverage unit of AML, Coca-Cola could have used this opportunity towards foreign loans. However, the graph shows that getting loan approvals from foreign countries as a food sector is possible only if it follows the certain rules of approaching it. (Younus et al., 2014)

3.3.2.2. External Debt Composition & PSED

a. External Debt Composition

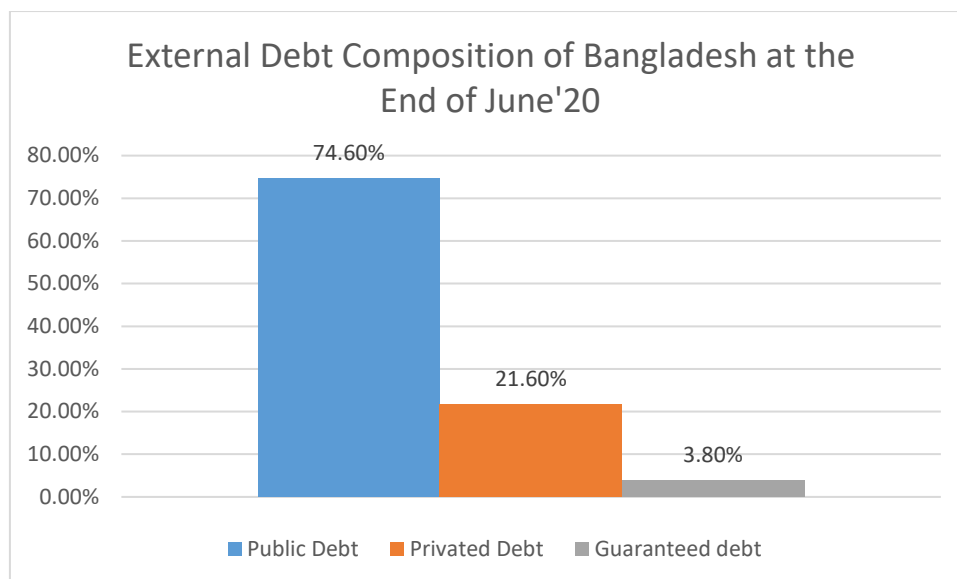


Figure 17: External Debt Composition of Bangladesh

According to the data of June, 2020, private sector's external debt was 21.6% of the whole. In this matter, in future despite of being a private company, it is also possible for AML to acquire a portion of the debt composition by following the procedures of approaching external loans. (*Foreign Direct Investment and External Debt Statistics Department Bangladesh Bank, 2020*)

b. PSED

PSED refers to Private Sector External Debts and PNED refers to the private debts that are not guaranteed for repayment by public entity (Private Nonguaranteed External Debt). The following shows, according to the data of 2012, PNED was 5.05% of total external debts and 1.13% of GDP. The following graph shows the indicators of PSED in percentage (*Foreign Direct Investment and External Debt Statistics Department Bangladesh Bank, 2020*)

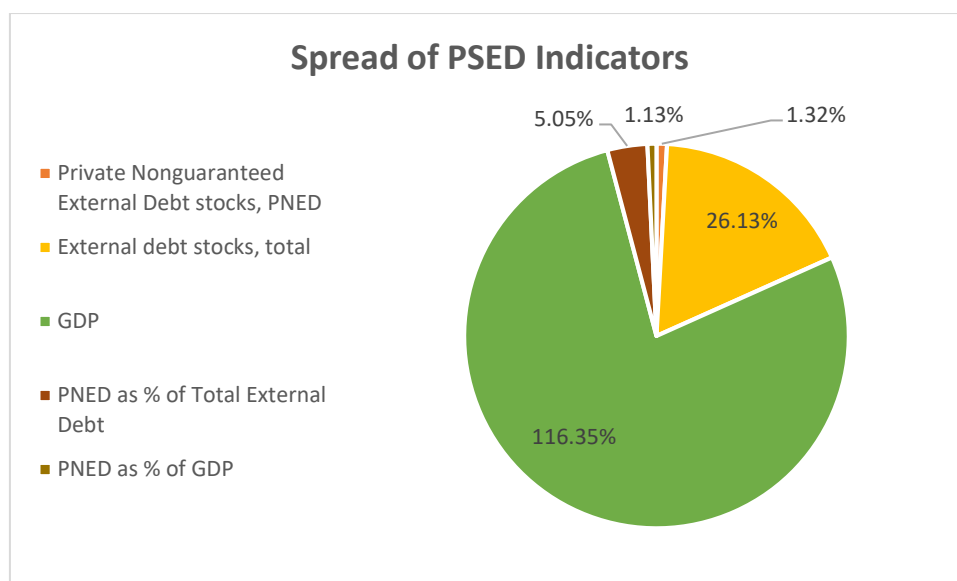


Figure 18: Spread of PSED Indicators, 2012

3.3.2.3. Projection Analysis on Debt Service Payments

A projection on Debt Service Payments is shown below depending on the previous data analysis where it is reflected that principal repayment and repayment of interest will decrease in the upcoming year. (*Foreign Direct Investment and External Debt Statistics Department Bangladesh Bank, 2020*):

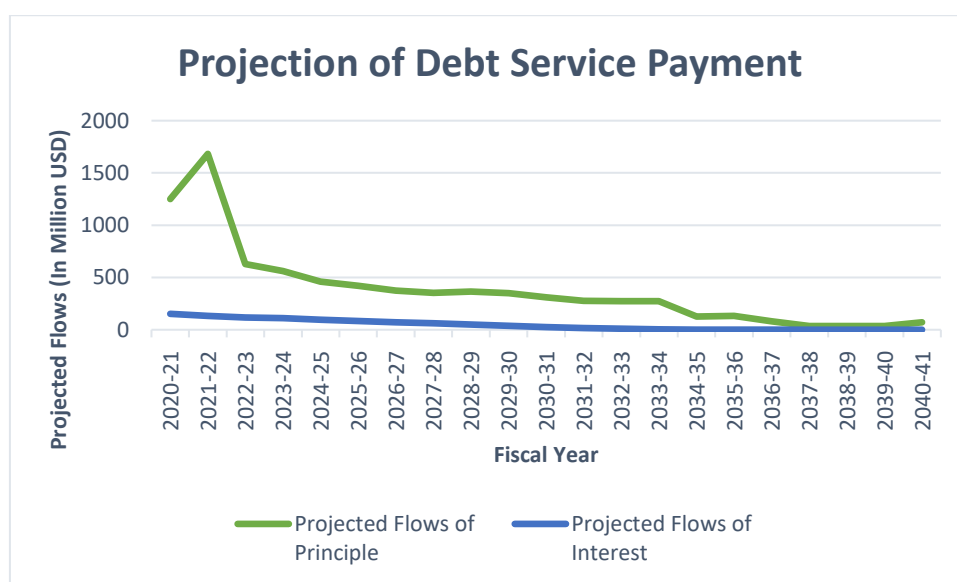


Figure 19: Projected Debt Service Payments of Private Sector Long-term External Debt of Bangladesh

3.3.2.4. Proposed Loan Amount



Figure 20: Proposed Loan Amount

85% of the total required amount of the project is proposed to be approved as a loan amount.

3.3.2.5. Importation of a Brand New Syrup Mixing Machinery

i. Parts Allocated from Several Countries:

The order of a syrup mixing machinery included parts coming from several countries. Although the intent of purchase letter was forwarded to an Indian exporter company, the company allocated all the parts of the machineries from several countries and imported the machineries to the Coca-Cola unit of AML altogether.

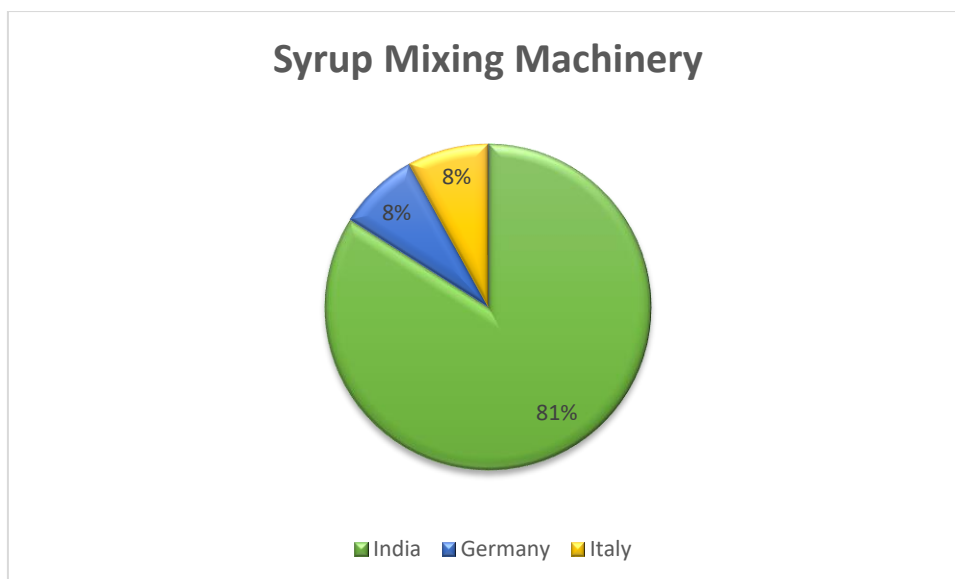


Figure 21: Syrup Mixing Machineries from Several Countries

ii. Payment Period Segmentation

According to the letter of intent, Coca-Cola unit prepared a percentage of divided payment system of the total estimated amount. The following graph shows their full payment system in segmented periods:

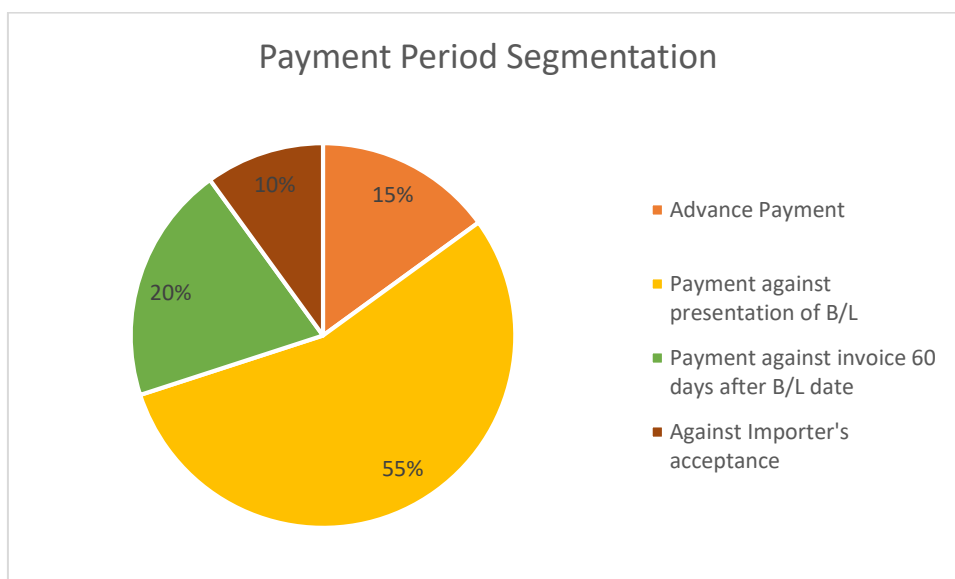


Figure 22: Payment Period Segmentation for Syrup Mixing Machineries

3.4. Summary and Conclusions

The scope of foreign financing is increasing day by day. Though the current situation after the COVID19 has a negative impact on this sector, after a whole recovery, many more companies might embrace international trade to avoid own country's economic, political and financial. However, in case of Coca-Cola, they have a great opportunity to approve their foreign loans according to their requirements as they have a huge share in approved loans shown in the statistics of approved loans chapter. Besides, their importation of machineries is operating well with the other countries.

3.5. Recommendations

After analyzing the situation towards foreign loans and imported machineries, some aspects Coca-Cola should focus on.

As their foreign loan approval is getting rejected due to their financial operation where all the units of AML financially operates together and hence, the beverage unit does not hold a single identity in the company rather than working financially as a whole. Following that, to receive the advantages of taking foreign loans, they should try to focus on their independently financial operation in the company.

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