

Report On
Impact of Economic Crisis on the Financial Performance of Blue
Ocean Footwear Ltd.

By

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An internship report submitted to the Graduate School of Management in partial fulfillment of the requirements for the degree of Master of Business Administration.

Master of Business Administration
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Declaration

It is hereby declared that

1. The internship report submitted is my 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 have acknowledged all main sources of help.

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Letter of Transmittal

Dr. Abu Saad Md. Masnun Al Mahi
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Subject: Impact of Economic Crisis on the Financial Performance of Blue Ocean Footwear Ltd.

Dear Sir,

This is my pleasure to display my entry level position provide details regarding' Recruitment and Selection Procedure of Blue Ocean Footwear Ltd., which I was appointed by your direction.

I have attempted my best to finish the report with the essential data and recommended proposition in a significant compact and comprehensive manner as possible.

I trust that the report will meet the desires.

Sincerely yours,

Sourav Biswas

ID: 21364026

BRAC Business School

BRAC University

Date: September 17, 2023

Non-Disclosure Agreement

This agreement is made and entered into by and between Blue Ocean Footwear Ltd. and the undersigned student at BRAC University, Sourav Biswas, ID of 21364026.

Acknowledgement

It was really a great pleasure for me of doing this report. Though I faced many problems while doing this report but I managed to overcome those problems because of the help of some people. I want to express my gratitude to all of them for helping me both directly and indirectly.

First of all, I would like to thank God.

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Sincerely,

Sourav Biswas

ID: 21364026

Executive Summary

This report examines the financial performance of Blue Ocean Footwear Ltd. and its impact on the economy during the Covid-19 pandemic, dollar crisis, de-dollarization, and Ukraine & Russia war. The company generated 7.68% profit from net sales in 2015 and increased by 0.59% to 8.27% in 2015. However, in 2016, the company faced losses, leading to a negative profit margin ratio. In 2017, the company recovered its loss to 6.99%, but from 2018 to 2021, the net profit margin fluctuated, indicating a lack of steady revenue growth and risk for shareholders.

The decline in net profitability can be attributed to the Covid-19 pandemic and the dollar crisis due to the Russia and Ukraine war. The study found a negative relationship between the financial performance of Blue Ocean Footwear Ltd. and economic crisis situations, such as the dollar crisis or global impacts of the Russia and Ukraine war. The calculated value of F was 5.94, which is greater than the tabulated value of F at 4.74 with alpha 0.05.

The study supports that there is a negative relationship between a company's financial performance and economic crisis situations, particularly in the fiscal years 2019-2020 and 2021-2022. The Covid-19 pandemic in 2019-2020 and the dollar crisis in 2021-2022 were significant economic crises, while the Ukraine & Russia war in 2022 further impacted the company's financial condition. The structural break in financial data indicates that the company's financial condition is not stable, and it is essential to conduct further research and analysis to better understand the company's financial situation.

Keywords: Financial Performance Analysis, Economic Crisis, De-dollarization, Covid-19, Ukraine – Russia War.

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Chapter 1: Overview of Internship

1.1 Student Information

I am Sourav Biswas and my student ID is 21364026. I am from MBA program, BRAC Business School. My major Finance. I started my journey from Summer 2021 semester and done with all my postgraduate courses by Summer 2023 semester with the internship.

1.2 Internship Information

1.2.1 Period, Company Name, Department/Division, Address

I joined Blue Ocean Footwear Limited as a full-time employee as Executive – Finance & Accounts. My journey with Blue Ocean Footwear Limited was from September 2022 to August 2023. Though my duty was in their Gulshan, Head Office Branch but sometimes I need to visit the factory too. However, although I was a full-time employee there, I shown a three-month full-time internship in my University to complete my MBA degree. And I have shown my internship period there from June 2023 to August 2023. The address of my office is House-06, Road-137, Block-SE/D, Gulshan-1. I have dropped my CV to the HR department of the Head Office of Blue Ocean Footwear Limited. After a successful interview, they have asked for reference letter from my university. The reference letter was sent to the Finance department of Blue Ocean Footwear Ltd. by OCSAR (Office of Career Service and Alumni Relations) of BRAC University. After that, I finally collected my internship offer letter from the Blue Ocean Footwear Ld. Head Office.

1.2.2 Internship Company Supervisor's Information

My internship supervisor was Mr. Reza Ul Karim, Assistant Manager in Finance & Accounts at Blue Ocean Footwear Ltd. From the very first day, he guided me about different issues of

supplier payments & accounts receivables and various points of the management. Under his supervision, I have worked in the Finance department very spontaneously. He is an excellent person with great knowledge of Finance & Accounts. People from other department also likes him for his sheer knowledge and immediate cooperation for any work that can be done by him.

1.2.3 Job Scope

As I was a full-time employee hence, I have performed different duties and responsibilities in different time over there. However, my major duties and responsibilities are stated below:

Duties / Responsibilities:

- Export incentive calculation & monthly provision.
- Monthly Accounts receivables reporting to the Management.
- Fixed asset register maintenance and monthly depreciation calculation and posting in the Tally Prime software.
- Creation of fund requisition and maintenance supplier payments.
- TDS & VDS calculation in times of local supplier payments.
- Preparation of TDS and VDS Challan and deposits in the govt. treasury. Issuing of Mushak 6.6 or Preparing Vat & Tax certificates for the supplier.
- Monthly Tax calculation for submission to the Tax office. Monthly bank reconciliation & Monthly Expat salary preparation.

1.3 Internship Outcome

1.3.1 Student's contribution to the company

During my working period, I need to play various roles in various time. Furthermore, I was also responsible for monthly reporting all of my workings directly to the Director – Finance & Accounts. Added with that besides doing all of my regular activities I used to assist my

supervisor during the month closing time. Every month's last working day of the first week was our month closing time. On the other hand, I also assist my supervisor during the audit period of the company. Moreover, I also visits our factory sometimes with my supervisor for visiting and I was also responsible for visiting our Corporate Bank's branches to follow-up with the RMO's and also maintained a good connection with the govt. body like our circle Tax office.

1.3.2 Benefits to the student

I have almost one year work experience with Blue Ocean Footwear Ltd. In my transection period, I have learnt what skills recruiters look for from an entry level employee or from a young graduate. After joining the office, I have gradually learnt the importance of maintaining a corporate culture and its impact on the performance of an employee. I have also learnt how we should engage with the senior level employees and top-level employee like Director – Finance & Accounts, how we should engage with the vendors effectively by being approachable, how to be more professional in terms of gesture and posture, how to keep personal life and professional life separate from each other. Moreover, I also got to learn how KPI's (Key Performance Indicator's) work and its impact over year-end performance review. Finally, I got to learn how to wrap up every document at the end of the day from my supervisor. It can be said; an internship can groom up a young graduate perfectly to start a great corporate life.

1.3.3 Problems / Difficulties (faced during the internship period)

The main problem was managing the time since my office timing was 9:00 AM to 6:30 PM. Sometimes to manage time for attending my MBA classes became more difficult as our MBA classes starts at 6:30 PM. Thus, sometimes it's very difficult to manage. Specially during the month closing time. On top of these I observed internal politics among the employees there

which is not a good practice for any corporate company. And it's not a corporate culture. On top of these Blue Ocean Footwear Ltd. compensate its intern employee with 5000 BDT which is not enough.

1.3.4 Recommendations (to the company on future internships)

Blue Ocean Footwear Ltd. is one of the most successful footwear companies in Bangladesh for exporting shoe in more than 30 countries and it has ensured a very nice working place for its local and expat employees. And it's a very good organization to build a long-term career as an employee if there is any chance. I highly recommend this organization for doing internship or doing job as a permanent employee.

Chapter 2: Organization Part - Overview, Management & Strategies.

2.1 Introduction & Overview of the Company

Blue Ocean Footwear Limited (BOFL) is a joint venture between Apex Enterprise Limited and Green Ocean International Limited that aims to be a leading manufacturer and exporter of fashionable leather footwear from Bangladesh. It's annual exports of more than 10 million pairs per year through its operations in Taiwan, China, Vietnam, Cambodia and now Bangladesh. The company's custom-built state of the art factory is fully compliant with industry best standards and practices. In its first phase the factory has two floors with a combined area of over 17,400 square meters and is fast approaching maximum capacity utilization. The second phase of expansion will see additional two floors to bring the total built up area to over 33,300 square meters. In the coming years, Blue Ocean reports to create 4000 new jobs in the footwear industry.

2.2 Management Practice

Under BOFL, 1450 people work together with factory workers. BOFL has 10 administrators, five of whom are citizens of Bangladesh, and five are citizens of Taiwan. Administrators ' names are listed below:

Name	Designation
Sayed Monjur Elahi	Chairman
Sayed Nasim Manzur	Director
Niloufer Manjur	Director
Sayed Gias Hossain	Director
Abdul Momen Bhuiyan	Executive Director
Liu Kuang Min	Director
Cheng Chen Taso	Director
Chen Hung	Director

Table 1: Management structure of Blue Ocean Footwear Ltd.

2.3 Marketing Practices

Pricing

From the very start, Blue Ocean Footwear company was charged at a premium price. Some of the shoes were even out of middle-class people's capacity. They price their shoes based on its quality and their target market only. As people are more price conscious in our country and the company could not reduce the price of their shoes in accordance with the purchasing capacity of the consumers, they were falling behind in the market. So, in order to cope up with their competitors and attract more customers the company reducing their price and seems to be following going rate pricing. Although Blue Ocean Footwear company's price is already low compared to foreign brands like Nike, Adidas etc.

Product

Blue Ocean Footwear company's shoes has always been more sophisticated than any other local branded shoes in our country as their leathers are imported from foreign countries. Apart from that the durability of the company's footwear is a lot better than the other shoe brands. For women, they have Fit Lite collection, petals, conform collection, Biomechanical Footwear etc. For Men, they have Boots, active walker, Athletic Runners and many more. Ariya Hiking

boot, Breeze Athletic Knit - A-Last series and petal boots are some of their latest designs. To create their brand value, they are always making sure that all their shoes are high quality and also have better durability.

Innumerable Designs

Blue Ocean Footwear company keeps making new and various types of shoes to attract the customers. They have different design variation for Gents, ladies and kid's footwear. Along with that they are also keeping the latest and most up to date shoes as the customer demands.

Creating Own Brand Personality

Now a day they are focusing on making the kind of shoes that reflects their brand personality. They are trying to produce shoes that will be unique and different from the other brands like Bata and others in terms of quality, color, design and price. There are different types of shoes.

2.4 Financial Performance & Accounting Practices

Financial Performance of Blue Ocean Footwear Ltd. at a glance. Here, all values are in millions & BDT.

Income Sheet Items	2014	2015	2016	2017	2018	2019	2020	2021
Net Sales Revenue	4,459	4,527	3,257	2,596	4,444	3,248	3,908	2,373
Cost of Goods Sold	3,861	3,902	3,060	2,460	3,840	3,046	3,410	2,123
Gross Profit	598	625	197	137	604	202	497	250
Profit Before Tax	416	454	67	20	381	69	355	85
Income Tax Expenses	73	80	41	30	70	59	54	30
Net Profit After TAX Transferred to Changes in Shareholders' Equity	343	374	26	-10	311	11	301	55
Number of Shares Used to Compute EPS	4	4	7	7	7	7	7	7
Balance Sheet Items								
Total Current Asset	2,471	2,034	2,428	1,745	1,923	2,538	2,410	2,864
Inventories	816	486	532	384	687	903	1,269	1,591
Accounts receivables	955	681	959	583	662	1,113	662	959
Total Non-Current Assets	1,182	1,046	1,053	911	727	545	467	415

Total Assets	3,653	3,080	3,481	2,656	2,650	3,084	2,877	3,279
shareholders' Equity	1,075	1,275	1,231	1,187	1,106	1,207	938	1,098
Total Non-Current Liabilities	500	264	130	46	48	52	65	78
Total Current Liabilities	2,078	1,536	2,120	1,424	1,496	1,824	1,874	2,103
Total Liabilities & Owner's Equity	3,653	3,080	3,481	2,656	2,650	3,084	2,877	3,279
Different Ratios								
Gross Profit Ratio	13.41 %	13.80 %	5.27%	13.60 %	6.21%	12.73 %	10.54 %	6.05%
Net Profit Margin Ratio	7.68%	8.27%	- 0.39%	6.99%	0.33%	7.69%	2.31%	0.80%
ROI	9.38%	12.15 %	- 0.38%	11.72 %	0.34%	10.45 %	1.67%	0.75%
ROE	31.85 %	29.34 %	- 0.85%	28.08 %	0.88%	32.05 %	4.98%	2.12%
Debt to Asset Ratio	70.56 %	58.47 %	55.33 %	58.25 %	60.85 %	67.41 %	66.50 %	64.65 %
EPS	85.63	93.55	3.72	(1.44)	44.39	1.51	42.94	7.82

Table 2: Financial Performance of Blue Ocean Footwear Ltd.

2.5 Industry & Competitive Analysis

2.6 SWAT Analysis of Blue Ocean Footwear Ltd.

Strengths

- **Strategic joint venture:** Blue Ocean Footwear Ltd.'s partnership with a Chinese company provides access to expertise, resources, and markets that would be difficult or impossible to obtain on its own. This gives the company a significant competitive advantage, particularly in the global footwear market.
- **Export orientation:** The company's focus on exporting allows it to leverage the advantages of lower labor costs and preferential trade agreements. This enables Blue Ocean Footwear Ltd. to produce high-quality footwear at competitive prices, making it an attractive supplier to international buyers.
- **Cost efficiency:** Bangladesh's cost-effective labor and production processes contribute to Blue Ocean Footwear Ltd.'s ability to produce footwear at competitive prices. This allows the company to offer attractive deals to international buyers, while still maintaining a healthy profit margin.
- **Quality assurance:** Blue Ocean Footwear Ltd. is dedicated to upholding excellent standards throughout all phases of production. The company has a team of experienced quality control professionals who inspect products at every stage of the manufacturing process. This commitment to quality helps to ensure that Blue Ocean Footwear Ltd.'s products meet the expectations of international buyers.
- **Diverse product range:** Blue Ocean Footwear Ltd.'s ability to manufacture various types of footwear gives it a competitive edge in catering to the diverse preferences of international markets. The company also has the flexibility to adjust its product range to changing fashion trends. This allows Blue Ocean Footwear Ltd. to stay ahead of the curve and meet the needs of its customers.

Weaknesses

- **Overreliance on exports:** Blue Ocean Footwear Ltd.'s heavy reliance on exports makes it vulnerable to changes in global demand and economic fluctuations. The company is also exposed to potential trade barriers and geopolitical issues. To mitigate these risks, Blue Ocean Footwear Ltd. could consider diversifying into other markets, such as the domestic market.
- **Lack of brand recognition:** As an OEM manufacturer, Blue Ocean Footwear Ltd. faces challenges in establishing its own brand identity in the international market. This makes the company dependent on the branding efforts of its customers. To build brand awareness and increase customer loyalty, Blue Ocean Footwear Ltd. could invest in marketing and advertising initiatives.
- **Supply chain risks:** Blue Ocean Footwear Ltd.'s supply chain is complex and involves raw materials, production, and distribution. This exposes the company to risks related to logistics, supplier reliability, and production delays. To minimize these risks, Blue Ocean Footwear Ltd. should develop and implement robust supply chain management practices.

Opportunities

- **Growing global footwear market:** The increasing global demand for footwear presents opportunities for Blue Ocean Footwear Ltd. to expand its customer base and increase export volumes. The company can achieve this by targeting new markets, developing new products, and expanding its sales and marketing efforts.
- **E-commerce expansion:** The rise of e-commerce platforms provides an avenue for Blue Ocean Footwear Ltd. to reach a broader international audience and strengthen its

online presence. The company can achieve this by developing its own e-commerce platform or partnering with existing e-commerce platforms.

- **Sustainable and ethical practices:** As consumers become more conscious of sustainability and ethical practices, Blue Ocean Footwear Ltd. can capitalize on this trend by promoting its eco-friendly production processes and fair labor practices. This can help the company to attract new customers and build a positive reputation in the market.
- **Diversification:** Blue Ocean Footwear Ltd. can explore diversification into related product lines or explore niche markets to reduce dependence on a single product category. For example, the company could start manufacturing footwear accessories, such as socks, shoelaces, and shoe bags. Alternatively, the company could target niche markets, such as the luxury footwear market or the sustainable footwear market.

Threats

- **Economic crises:** Economic crises, such as the recent COVID-19 pandemic, can have a significant impact on consumer spending patterns. This can lead to reduced demand for footwear and lower export revenues for Blue Ocean Footwear Ltd. To mitigate this risk, the company should develop contingency plans to deal with economic downturns.
- **Competition from other countries:** Bangladesh faces stiff competition from other countries in the footwear manufacturing sector. Factors such as trade policies, labor costs, and production efficiency can influence market share. To stay competitive, Blue Ocean Footwear Ltd. must continue to invest in innovation and efficiency improvements.
- **Currency fluctuations:** Exchange rate fluctuations between the Bangladeshi taka and other currencies can affect Blue Ocean Footwear Ltd.'s profitability and

competitiveness in the international market. To manage this risk, the company could use hedging strategies to protect itself from adverse currency fluctuations.

- **Compliance and regulatory challenges:** Blue Ocean Footwear Ltd. must adhere to international trade regulations and labor standards. Any failure to comply could lead to reputational damage and potential legal issues. To avoid these risks, the company must have a robust compliance system in place and ensure that all employees are trained on relevant regulations.

2.7 PESTEL Analysis for Blue Ocean Footwear Ltd.

A PESTEL analysis is a technique that helps you evaluate the political, economic, social, technological, environmental, and legal factors that affect your business or industry. Here is a possible PESTEL analysis for your internship report on the financial performance of Blue Ocean Footwear Ltd. and the impact of economic crises on it:

Political:

Blue Ocean Footwear Ltd. operates in a politically stable country, Bangladesh, which has a democratic system of government and good relations with its neighbors and trading partners. However, the company may face some political risks due to the ongoing conflicts in some regions of the world, such as the Russia-Ukraine war, the de-dollarization movement, and the tensions between China and the US. These conflicts may affect the global trade environment, the availability of raw materials, and the demand for footwear products. The company may also need to comply with different political regulations and standards in its export markets, such as labor laws, human rights, environmental protection, and anti-corruption measures.

Economic: Blue Ocean Footwear Ltd. is a 100% export-oriented shoe manufacturer that sells its products mainly to Europe and North America. The company benefits from the low-cost

labor and abundant resources in Bangladesh, as well as the preferential trade agreements with the EU and other countries. However, the company also faces some economic challenges due to the fluctuations in exchange rates, inflation, interest rates, and consumer spending. The Covid-19 pandemic has also caused a severe economic crisis in many countries, affecting the supply chain, production capacity, sales volume, and profitability of the company. The company may need to adopt some strategies to cope with the economic uncertainties and shocks, such as diversifying its markets, reducing its costs, improving its quality, and enhancing its customer loyalty.

Social:

Blue Ocean Footwear Ltd. caters to the changing preferences and needs of its customers in different segments and regions. The company offers a variety of footwear products for men, women, and children, ranging from casual shoes to formal shoes, from sports shoes to fashion shoes. The company also follows the latest trends and styles in the footwear industry, such as sustainability, customization, personalization, and digitalization. The company may need to consider some social factors that influence its customers' behavior and demand, such as demographics, culture, lifestyle, values, attitudes, and social media. The company may also need to address some social issues that affect its reputation and image, such as labor rights, working conditions, health and safety, diversity and inclusion, and corporate social responsibility.

Technological:

Blue Ocean Footwear Ltd. leverages the advanced technology and innovation in its production process and product development. The company uses state-of-the-art machinery and equipment to ensure high efficiency and quality in its manufacturing operations. The company also invests

in research and development to create new and improved footwear products that meet the customers' expectations and needs. The company may need to monitor some technological factors that affect its competitive advantage and market position, such as new materials, new designs, new features, new platforms, new channels, and new competitors. The company may also need to embrace some technological opportunities that enhance its performance and growth potential such as automation, artificial intelligence (AI), big data analytics (BDA), internet of things (IoT), cloud computing (CC), blockchain (BC), 5G network (5G), etc.

Environmental:

Blue Ocean Footwear Ltd. is aware of the environmental impact of its business activities and strives to minimize its ecological footprint. The company follows the environmental regulations and standards in its operations and markets. The company also implements some environmental initiatives and practices to reduce its waste generation, energy consumption (EC), water usage (WU), greenhouse gas emissions (GHGE), etc. The company may need to evaluate some environmental factors that affect its sustainability and profitability such as climate change (CC), natural disasters (ND), resource scarcity (RS), pollution (P), biodiversity loss (BL), etc. The company may also need to capitalize on some environmental opportunities that create value for its stakeholders such as green products (GP), green marketing (GM), green innovation (GI), green partnerships (GP), etc.

Legal:

Blue Ocean Footwear Ltd. complies with the legal requirements and obligations in its operations and markets. The company respects the intellectual property rights (IPR) of its own and others' products. The company also adheres to the ethical principles and codes of conduct in its business dealings. The company may need to consider some legal factors that affect its

risk exposure and liability such as contracts, disputes, lawsuits, fines, penalties, sanctions, etc.

The company may also need to anticipate some legal changes that affect its opportunities and challenges such as new laws, regulations, policies, standards, etc.

Chapter 3: Impact of Economic Crisis on the Financial Performance of Blue Ocean Footwear Ltd.

3.1 Introduction

It's really my privilege to work with one of the top leading shoe manufacturer and exporter company in Bangladesh and work on this topic. I really learned so many things from this company. Working on this topic of this report also an advantage for me to know the practical market scenario and better business understanding.

3.1.1 Background

As Blue Ocean Footwear Ltd. is a leading shoe manufacturer in Bangladesh and is a 100% export-oriented company, its operation is correlated with global economic activities. As I am engaged with their Finance and Accounts department. I want to find out their financial position at different times through this report. To do that, I am going to analyze the impact of the global economic crisis on Blue Ocean Footwear Ltd. and also conduct different ratio analyses like the quick ratio, debt-to-equity ratio, times interest ratio, price-earnings ratio, etc. The whole world has been facing an economic crisis due to COVID-19 and the Russia-Ukraine war. During COVID-19, there was a pandemic situation all over the world, and all business sectors were affected at that time. On February 24, 2022, the Russia-Ukraine war started, and since then the whole nation has been facing a dollar crisis. So, I want to see how much the business of Blue Ocean Footwear Ltd. was affected at that time.

3.1.2 Motivation

I am engaged at the Finance & Accounts department of the company; therefore, I feel the necessity of doing a financial performance analysis of Blue Ocean Footwear Ltd. Moreover, I will be able to use all of my academic knowledge and experiences in order to prepare this

report. Furthermore, financial performance analysis is correlated with the subject of finance and accounting, and as an MBA student majoring in finance, I am motivated to select this topic with the help of my internship supervisors. This report will help me find out my analyzing capabilities in real life. The management of Blue Ocean Footwear Ltd. will also be able to know the trend of their business and take different financial decisions with the help of this report.

3.1.3 Problem Statement

As proposed topic will helps to identify the financial conditions of the company over different periods of time including different economic crisis situations hence it helps to see the overall picture of the company. Therefore, if this report is not being conducted then management may not see the clear picture of the company currently and may not also be able to forecast the future situation and may not take the appropriate decision for the company as well.

3.1.4 Research Question

- What is the financial performance position of Blue Ocean Footwear Ltd.?
- What is the financial trend of Blue Ocean Footwear Ltd.?
- What is the impact of economic crisis on financial performance analysis of Blue Ocean Footwe4ar Ltd.?

3.1.5 Research Objective

- To evaluate the financial performance position of Blue Ocean Footwear Ltd. I will perform different ratio analysis for different years.
- To analyze the impact of economic crisis situation I will analyze the company's financial report in three part like performance during the crisis situation and

performance before and after the crisis situation and try find out whether there is any breakdown or significant change exist or not.

- To examine the financial trend of Blue Ocean Footwear Ltd. I am going to conduct “Anova Test” in this report.

3.2 Literature Review

Economic Crisis and the Footwear Industry: Understanding the Impact

The footwear industry is a significant contributor to the global economy, with a global market size of over \$350 billion. The industry is also a major employer, with millions of people working in footwear manufacturing, retail, and other related sectors.

Economic crises can have a significant impact on the footwear industry. For example, the COVID-19 pandemic led to a sharp decline in demand for footwear, as people stayed home and reduced their spending. The pandemic also caused disruptions to supply chains and production, which further impacted the industry.

Other economic crises, such as the dollar crisis in Bangladesh and the Russia-Ukraine war, can also have a negative impact on the footwear industry. These crises can lead to currency fluctuations, trade disruptions, and increased costs for businesses.

How Economic Crises Impact the Financial Performance of Footwear Companies

Economic crises can impact the financial performance of footwear companies in a number of ways. For example, reduced demand for footwear can lead to lower sales and revenue. Increased costs of raw materials and transportation can also erode profitability. Disruptions to

production and distribution can further impact revenue and profitability. Additionally, difficulty accessing financing can make it difficult for footwear companies to invest in growth and development.

How Blue Ocean Footwear Ltd. Can Mitigate the Impact of Economic Crises

There are a number of steps that Blue Ocean Footwear Ltd. can take to mitigate the impact of economic crises. These steps include:

- **Diversifying its markets:** Reducing its reliance on a single market or region can help Blue Ocean Footwear Ltd. to weather economic downturns in specific markets. For example, the company could expand into new markets, such as Africa or Latin America.
- **Strengthening its supply chain:** Developing strong relationships with suppliers and developing alternative sources of supply can help Blue Ocean Footwear Ltd. to mitigate the impact of supply chain disruptions. For example, the company could work with multiple suppliers for each raw material.
- **Adopting agile manufacturing practices:** This will enable Blue Ocean Footwear Ltd. to respond quickly to changes in demand and market conditions. For example, the company could use 3D printing to produce prototypes and small batches of products.
- **Investing in hedging strategies:** This can help Blue Ocean Footwear Ltd. to mitigate the impact of currency fluctuations and other financial risks. For example, the company could use forward contracts to lock in exchange rates.
- **Building a strong financial reserve:** This will give Blue Ocean Footwear Ltd. the financial cushion it needs to withstand economic shocks. For example, the company could maintain a cash reserve equal to at least six months of operating expenses.

In addition to these steps, Blue Ocean Footwear Ltd. can also mitigate the impact of economic crises by focusing on innovation and differentiation. For example, the company could develop new products and technologies that appeal to consumers in emerging markets. The company could also focus on building a strong brand identity and reputation for quality.

By taking these steps, Blue Ocean Footwear Ltd. can improve its financial resilience and weather economic crises more effectively.

It is important to note that the impact of economic crises on the footwear industry will vary depending on a number of factors, such as the severity of the crisis, the industry's exposure to the affected markets, and the financial resilience of individual companies.

For example, a global economic recession is likely to have a more negative impact on the footwear industry than a regional crisis. Additionally, companies that are more reliant on export markets are more likely to be impacted by economic crises than companies that focus on domestic markets.

No research has been done before on this topic specially focusing on the footwear industry, henceforth, I feel the necessity of choosing this topic and doing report on it. Furthermore, being a finance student, I think this the best topic to work on as this topic demands both quantitative and qualitative research. However, worlds economy never faces these economic crises like Covid-19 pandemic situation, Dollar crisis and de-dollarization or Ukraine & Russia war before. These factors also motivate me to select these topic and work on this.

3.3 Methodology

Research Design:

Though I do some data analysis to determine the objectives of this report but this report is a quantitative research in nature. To find out the answer of research objectives 1st & 2nd I have done various ratio analysis. And to determine the 3rd objective of this research I have done Anova test.

To do the Anova test I assume these followings,

- Data set are normally distributed.
- Significance level or alpha value is 5% or 0.05.
- Confidence level is 95%.
- Sales amounts as independent variable.
- Earning after Tax or EAT as a dependent variable.

To do this research I set the null and alternative hypothesis in this way,

H0: There is no impact of economic crisis on financial performance of BOFL.

H1: There is an impact of economic crisis on financial performance of BOFL.

Data Collection:

Mostly, secondary data is used to complete this report. And for doing financial performance analysis, I have taken from the annual reports of the company.

a. Qualitative Data:

To collect the primary data, I did a survey with the employees of BOFL. To do that survey I have talked with the key personnel from Blue Ocean Footwear Ltd., including financial managers, executives, and relevant stakeholders.

b. Secondary Data:

Secondary data is mostly collected from the financial statements, annual reports, and other relevant financial data from Blue Ocean Footwear Ltd. Obtain macroeconomic data related to the economic crises (Covid-19 pandemic, dollar crisis, Russia and Ukraine war, de-dollarization) to understand the broader context. Review industry reports, academic articles, and case studies to gain insights into how similar companies have been impacted by economic crises.

Data Analysis:

To analyze the data first of all I use different analysis tools like MS. Excel and SPSS.

c. Financial Performance Analysis:

I have calculated key financial ratios (Gross Profit, Net Profit Margin ratios, ROI, ROE, Debt to Asset Ratio and EPS) to assess Blue Ocean Footwear Ltd.'s financial health and performance over the study period.

Moreover, I use trend analysis to identify patterns and changes in financial performance indicators.

3.4 Analysis & Findings

To analyze the financial performance of Blue Ocean Footwear Ltd. a few ratio analyses have been conducted which is stated in this part. Moreover, to find out financial trend of Blue Ocean

Footwear Ltd. and to see the impacts of economic crisis on the financial performance of Blue Ocean Footwear Ltd. “Chow” test has been also shown in this part.

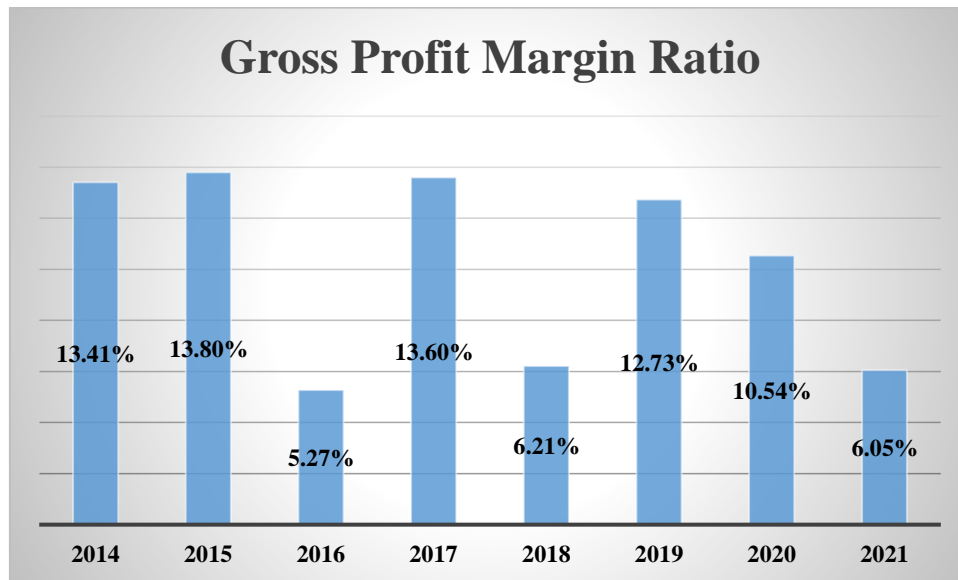


Figure 1: Gross Profit Margin Ratio

The term gross profit margin, it refers to a financial metric that analyzes to access a company’s financial health. Put simply we said that a company’s gross profit margin is the money it makes after counting all the costs of doing business. Here, we can see in 2014 the Gross Profit Margin Ratio was 13.41% after that in 2015 it was increased by 0.39% which is 13.80% which indicates that the company initially perform very well. But in 2016 the profit margin ratio has declined and again in 2017 improves and attain 13.60% Gross profit margin ratio. Finally, from 2019 to 2021 gross profit margin ratio was unstable and continuously in a declining position which actually indicates that the financial performance of Blue Ocean Footwear Ltd. is so unpredictable and unhealthy in manner. Here, we can also find out from the figure of Gross Profit Margin Ratio that in 2019 companies’ profitability was quite satisfactory compare to the

2018 and 2020 and 2021. Although we know that in 2019 there was an economic crisis situation everywhere in the world and in Bangladesh from March 2019, Covid-19 lockdown situation had been started. As Blue Ocean Footwear Ltd. follows the fiscal year policy, henceforth, it has started faces Covid-19 situation from the last quarter on fiscal year 2018-2019. As of result its financial performance partially impacted due to the Covid-19 pandemic situation in the year 2019. But from 2020 to 2021 it faces the full impacts of Covid-19 economic crisis. Therefore, we can address that there is a very significant relationship with the financial performance of Blue Ocean Footwear Ltd. and economic crisis situation like Covid-19 pandemic situation.

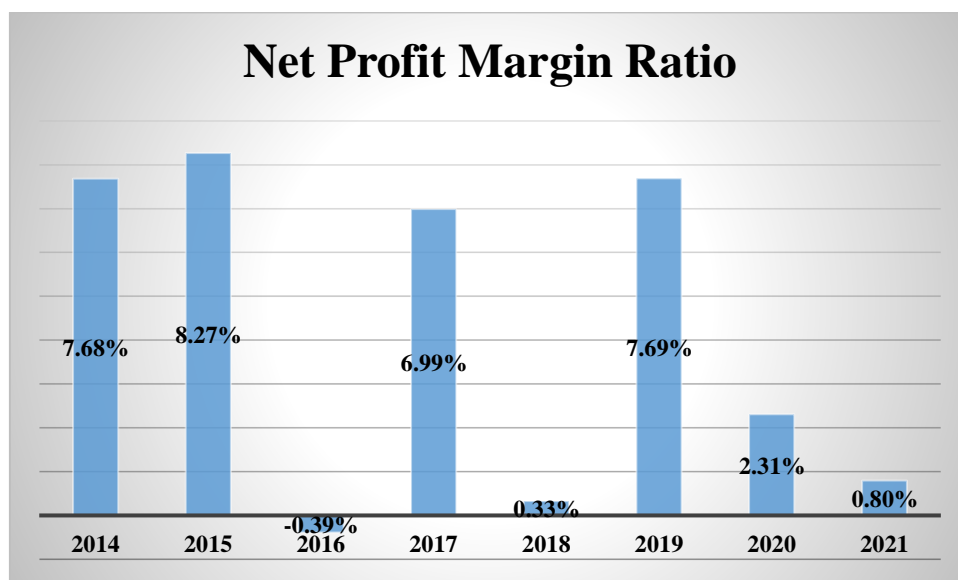


Figure 2: Net Profit Margin Ratio

Net profit margin indicates how much net income or profit is generating for a financial year for the company. One of the most indicators in the net profit margin of a company's financial health. Here, from the Figure-2: Net Profit Margin Ration we can see that in 2014 Blue Ocean Footwear Ltd. has generated 7.68% profit from their net sales and it increased by 0.59% which is 8.27% in 2015. But major changes are observed, that declined revenue in 2016 at -0.39% which means the company faces losses in 2016 and hence profit margin ratio was negative. But

in 2017 the company recovers its loss from (-0.39%) to 6.99% to make a profit after that from 2018 to 2021 net profit margin fluctuated which reflects that the growth of the revenue was not steady and it is riskier for the shareholder to invest their capital in this company. There were few reasons for which Net profitability of Blue Ocean Footwear Ltd. has declined. One of them is Covid-19 pandemic situation and the other reason is Dollar crisis situation due to the Russia and Ukraine war. Here, we can also identify that there is also a negative relationship between the financial performance of Blue Ocean Footwear Ltd. and the economic crisis situation like Dollar crisis or the global impacts of Russia and Ukraine war.

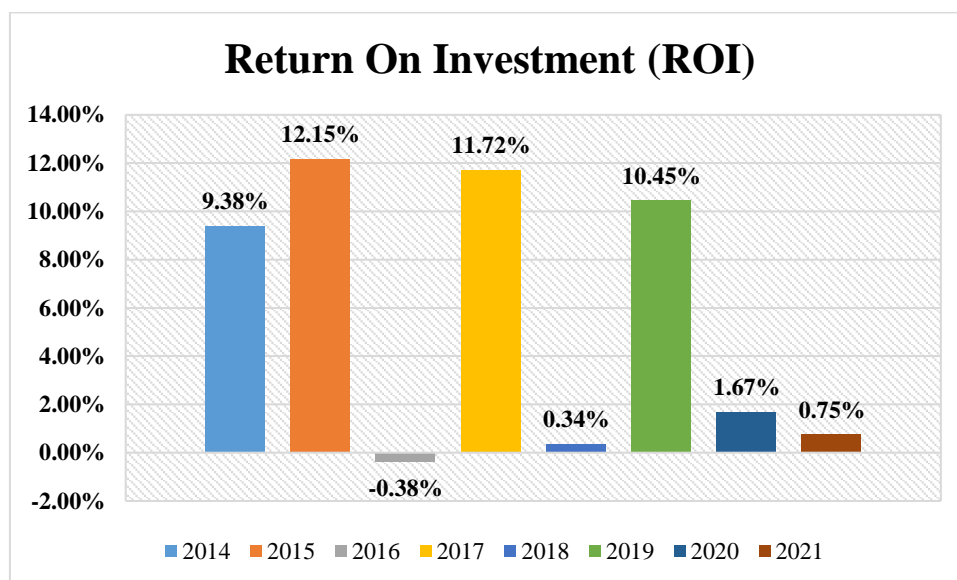


Figure 3: Return on Investment (ROI)

Basically, Return on Investment (ROI) is a performance measure used to evaluate efficiency or profitability. ROI tries to directly measure the amount of return on a particular investment relative to the investment cost. In 2014 we see that in Blue Ocean Footwear Ltd. return on investment was 9.38% which is increased by 2.77% in 2015. But due to lack of performance company did not generate profit in 2016 and its Return on Investment was unstable from 2017 to 2021 and we can address there is a continuous declining situation of ROI after 2019.

Therefore, the investors or shareholders may not be interested to invest in this company due to fall down the profitability and unpredictability of this business.

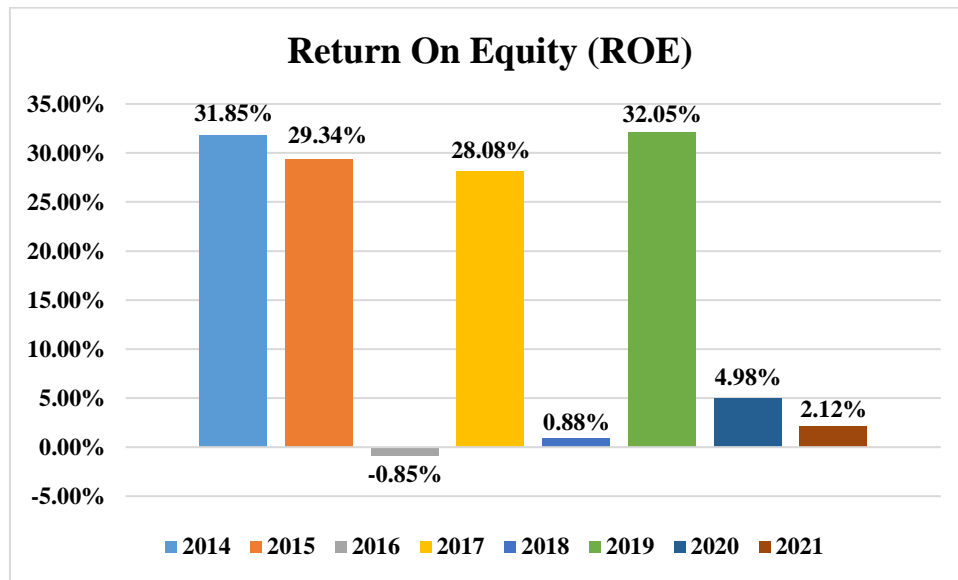


Figure 4: Return on Equity (ROE)

Return on Equity (ROE) measures the net income over the shareholder's equity. When the asset is increase then the equity and liability also increase. If we put simply look at the Figure 4: Return on Equity (ROE) we can find that Blue Ocean Footwear Ltd. had 31.85% return over the total equity in 2014 which means shareholders return was satisfactory in the following year. But it declined in 2016 which shows a negative figure of -0.85%, which means the company's financial condition was not in good position, and last 2-year ROE was in constantly declining position from 4.98% to 2.12% from 2020 to 2021. Which also indicates that the financial performance of this company is going down and hence investors should not invest in this company. From this scenario we can also address that there was very significant and negative

relationship between the economic crisis situation and the financial performance of the company.

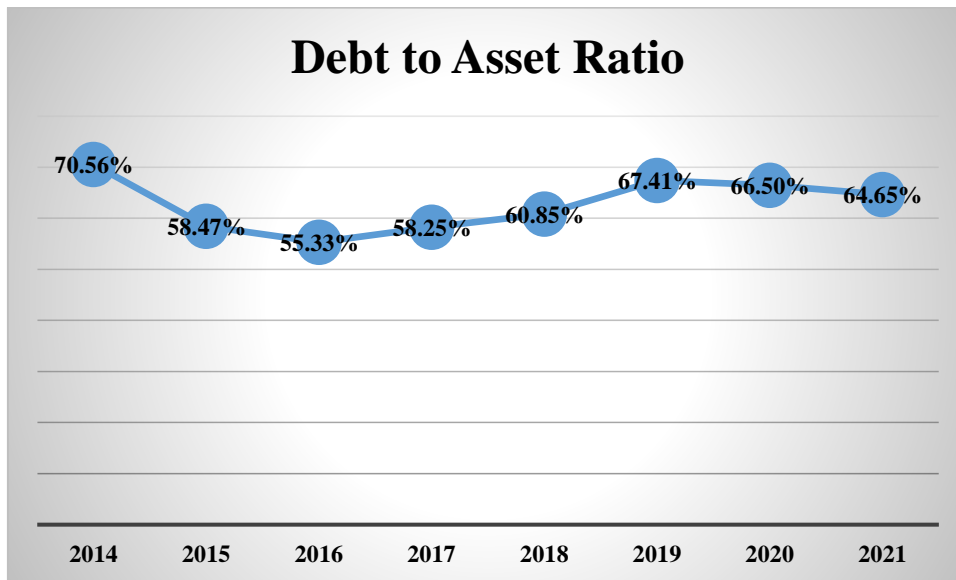


Figure 5: Debt to Asset Ratio

Debt asset ratio is a financial metric to understand the degree to which a company's operations are funded by debt. It is one of many leverage ratios that may use to understand the capital structure. It also refers to the actual credit like interest-bearing, long-term loans, bonds, etc. The ratio of a group's debt to total assets refers to the amount of business owned by the creditors (from whom it has borrowed) compared to the amount of assets held by the shareholders of the company. It is one of several leverage ratios that can be used to understand capital structure. The optimal amount of debt and equity varies from Industry to Industry. Generally, The lower the Debt to Asset ratio the better. Most lenders see Debt to Asset rates of 36% or less as positive. It is very difficult to get a loan if the Debt to Asset ratio is more than 50%.

By observing the graph **Figure-5: Debt Asset Ratio** of Blue Ocean Footwear Ltd, it appears that the company invested large amounts of money in assets and operations (capital-intensive companies) which generated a higher debt ratio. For lenders and investors, a high ratio means a riskier investment because the business might not be able to make enough money to repay its debts. As a result, Investors are facing lack of interest of buying the company's share.

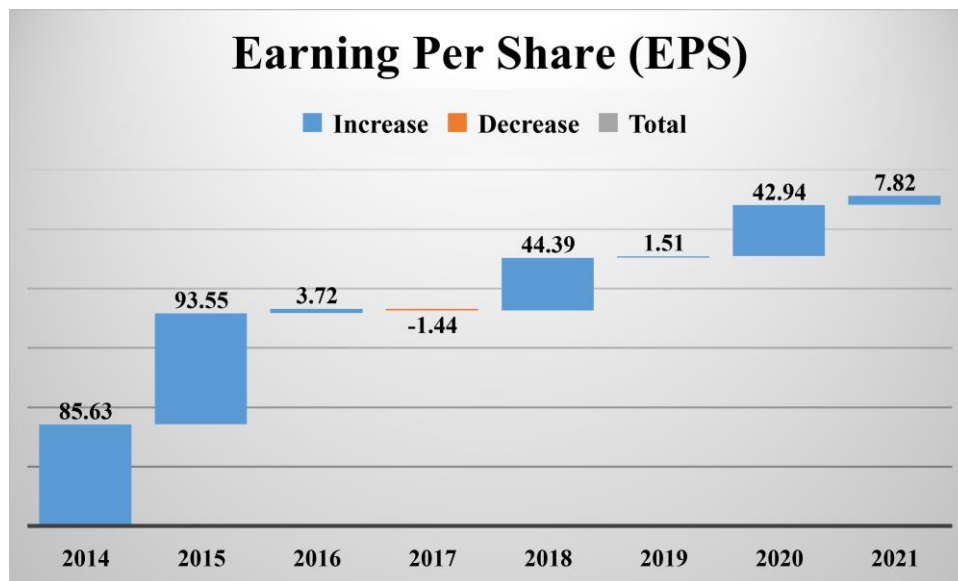


Figure 6: Earning Per Share (EPS)

Earnings per share or EPS is a common metric used to measure corporate value. It can be defined as the price of earnings per outstanding share of the company's common stock. EPS indicates a company's profitability by showing how much money a business makes for each share of its stock. A good EPS is determined by its change from year to year. In an optimal case, a company's EPS value will rise annually, and the growth rate will also increase.

From Earning Per Share graph, it appears that Blue Ocean Footwear Ltd has positive trend of growth by its year-over-year. During the challenging period of the Covid-19 pandemic, Bangladesh's leather sector, which is the second largest export earner after garments, has seen

a significant decline in export orders due to economic uncertainty and this decline can be clearly seen at a glance in the graph “**Figure-6: Earning Per Share**”. However, the sector has seen a significant recovery as importers have started sourcing their products from Bangladesh. As a result, exports of leather, leather goods and footwear touched a 10-year high of \$1.25 billion last fiscal. On 16 July, 2023 it was published that, Leather footwear exporters can now apply for over 5% discounts. Exporters can now apply to the Discount Committee of the Central Bank for more than 5% discount against exports of leather footwear products. The move will help exporters offset the loss of export earnings they often provide buyers with a discount of more than 5% as stipulated in the Foreign Exchange Transaction Guidelines. On the other hand, Blue Ocean Footwear Ltd. Has been taking new strategies and steps for betterment, such as: Initiate Service Digitalization, Training on “Pattern Engineering of Footwear Manufacturing”, Capacity Building Training on Electrical Risk Assessment Under LSBC, TOT Training on OSH and Chemical Management. Analyzing the international business opportunity and new initiatives taken by the company it is assumed that the 2022-2023 year will be profitable for the company and the EPS will also increase.

Comparing the company's EPS to that of competitors is another good way to obtain a clear understanding of a company's financial growth. Below a comparison of 4 years between Blue Ocean Footwear Ltd and Bata Shoe Company is given on their EPS.

Year	Bata Shoe Company	Blue Ocean Footwear Company
	EPS	EPS
2021	0	7.82
2020	-96.94	42.94
2019	0	1.51
2018	72.79	44.39

Table 3: Numbering

By comparing the EPS over the years, we can conclude that, Blue ocean Footwear is doing better than Bata Shoe company. But there is structural break as EPS of Blue Ocean Footwear Ltd. were the lowest in 2019 & 2021 which are respectively 1.51 & 7.82. It's also can say that due to Covid-19 impact and Ukraine- Russia war net export of Blue Ocean Footwear Ltd. declined and hence EPS became the lowest.

Here, to identify whether there is any structural break or not I did "Anova" test for this report. Accordingly, my hypothesis are as follows, H0: There is no impact of economic crisis on financial performance of BOFL and H1: There is an impact of economic crisis on financial performance of BOFL.

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.705453522							
R Square	0.497664672							
Adjusted R Square	0.413942118							
Standard Error	705516073.2							
Observations	8							
<i>ANOVA</i>								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	2.96E+18	2.96E+18	5.944212697	0.050603854			
Residual	6	2.99E+18	4.98E+17					
Total	7	5.95E+18						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-2854816552	1.15E+09	-2.49068	0.047118519	-5659460638	-5E+07	-5.7E+09	50172465.89
X Variable 1	0.757330863	0.310626	2.438076	0.050603854	0.002744769	1.517406	0.00274	1.517406496

Table 4: Anova test interpretation

Here, from the Anova test we can interpret that F calculated value is 5.94 with 5% significance level. Df for column is $X \& Y = 2$ and Df for row is $N-1 = 8-1 = 7$. With this Df 2 for column and 7 for row our tabulated value for F is 4.74 with 5% significance level.

As our calculated value of F is 5.94 which is greater than the tabulated value of F is 4.74 with alpha 0.05. Hence, our null hypothesis H_0 is successfully rejected. And therefore, we can say that there is an impact of economic crisis on financial performance of BOFL. And the impact is negative.

Impact of Dollar Crisis Situation

Bangladesh follows a floating exchange rate, though the central bank manages the foreign exchange market through intervention. The demand for foreign currency has increased on account of travelling and higher studies as borders have reopened. The average inflation in FY23 was recorded at 9.02 per cent. The overall balance stood at minus \$8.8 billion in the first 11 months of FY23, compared to \$5.5 billion during the same period of FY22. One major factor of this is the country's overreliance on imports. When the Russia-Ukraine war began in February 2021, prices of commodities skyrocketed along with a disruption of the supply chain. The practice of restricting imports by increasing the LC margin is an old concept adopted by the Bangladesh Bank. Despite a lot of stress, the Bangladeshi taka remains one of the strong currencies in the region. No doubt, the taka is still overvalued and consequently, it is trying to realign itself with the value of the US dollar through measured depreciation.

Due to the dollar crisis situation the inflation rate increases and hence the value of Bangladeshi Taka depreciates. And it has directly impacted in the Financial Performance of Blue Ocean Footwear Ltd. Since Blue Ocean Footwear Ltd. is a 100% Export oriented company thus it needs to convert its all-Export Income and Import Expenses into Bangladeshi Taka. As of result

there is an exchange gain income from the export occurred due to the depreciation of Bangladeshi Taka and exchange loss expense from the import. Which ultimately impacted the financial performance of Blue Ocean Footwear Ltd. as exchange loss reduced the net sales revenue. In conclusion dollar crisis situation has also a negative impact in the financial performance of a company specially for the export-oriented company like Blue Ocean Footwear Ltd.

3.5 Conclusion & Recommendation

Impact of Economic Crisis

The COVID-19 pandemic, the dollar crisis, the Russia-Ukraine war, and de-dollarization have all had a negative impact on the global economy. These economic crises have also had a negative impact on Blue Ocean Footwear Ltd. The company has experienced a decline in demand for its products, and it has also faced higher costs for raw materials and transportation. However, the financial performance of Blue Ocean Footwear Limited has been unstable in recent years, with the company's profitability declining in the past few years. This is evident in the declining gross profit margin, net profit margin, return on investment (ROI), and return on equity (ROE) since 2019. The company's debt asset ratio has also been increasing since 2019, which indicates that the company is relying more on debt to finance its operations.

There are a number of factors that have contributed to the decline in Blue Ocean Footwear Limited's financial performance. One factor is the global economic crisis, which has led to a decline in demand for footwear. Another factor is the COVID-19 pandemic, which has disrupted the global supply chain and made it more difficult for the company to get its products to market. Additionally, the company has faced increased competition from other footwear manufacturers in Bangladesh and abroad.

However, our study highly support that there is a negative relationship between the Financial performance of a company and economic crisis situation and therefore, the financial performance was not stable for Blue Ocean Footwear Ltd. as well specially in the fiscal year 2019-2020 and 2021-2022. As 2029-2020 was facing Covid-19 pandemic situation as economic crisis and 2021-2022 faces the impacts of dollar crisis situation due to the Ukraine & Russia war another economic crisis. This study also supports that there is structural break in financial data of Blue Ocean Footwear Ltd which also indicate that the its financial condition is not so good.

The company needs to take steps to improve its profitability and manage its debt levels in order to remain sustainable in the long term. Here are some specific recommendations that the company could consider:

- **Reduce costs:** The company can reduce costs by negotiating better prices with suppliers, streamlining production processes, and reducing waste.
- **Increase sales:** The company can increase sales by expanding into new markets, developing new products, and improving marketing and sales strategies.
- **Manage debt levels:** The company can manage debt levels by refinancing existing debt at lower interest rates, issuing new equity, or selling assets.

In addition to the above, the company should also focus on improving its governance and risk management practices. This includes establishing clear lines of responsibility, developing effective risk management policies and procedures, and ensuring that its financial reporting is accurate and transparent.

By taking these steps, Blue Ocean Footwear Limited can improve its financial performance and position itself for long-term success.

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