Report On

Impact of AIT Collection and TDS on Business Operations: Cash Flow Challenges for GQ Group

By

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An internship report submitted to the Brac Business School in partial fulfillment of the requirements for the degree of
Master of Business Administration (MBA)

Brac Business School
Brac University
September 2025

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.

Student's Full Name & Signature:

Sara Huq
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Supervisor's Full Name & Signature:

Mr. Riyashad Ahmed
Assistant Professor & Director of Programs (MBA & EMBA)
Brac Business School

Letter of Transmittal

Riyashad Ahmed
Assistant Professor & Director of Programs (MBA & EMBA),
Brac Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of MBA Internship Report

Dear Sir,

I am delighted to submit my MBA internship report on ‘Impact of AIT Collection and TDS on Business Operations: Cash Flow Challenges for GQ Group', which I was appointed by your direction. It is a culmination of my experiences and learnings from working in GQ Group of Companies.

I have put my best effort to complete the report with practical knowledge that I have gained from work and have proposed recommendations that I truly believe will help all businesses in Bangladesh.

I am extremely thankful for all your guidance and support throughout this process. I trust that the report will meet your expectations, and I look forward to your feedback.

Sincerely,

Sara Huq
ID: 16264048
BRAC Business School
BRAC University
Date: September 24, 2025

Non-Disclosure Agreement

This agreement is made and entered into by and between GQ Group of Companies and Sara Huq (ID:16264048), a student at Brac University.

Acknowledgement

I would like to take this opportunity to convey my sincere thanks and gratitude to all those who have directly or indirectly helped and contributed towards the completion of this project. Firstly, I would like to thank my supervisor, Mr. Riyashad Ahmed for all his help, support & guidance. Secondly, I would like to convey my gratitude to Mr. Qazi Saleemul Huq, Director of GQ Group, and Mr. Al-Amin FCA for their knowledge and insight, which has greatly added to my report. Lastly, I would like to thank Mr. Kajal Mridha, CFO of GQ Group, and my colleagues in the accounts department for providing all the documentation regarding the companies that helped to bring authenticity to the report.

Executive Summary

This report examines the impact of the Advance Income Tax (AIT) and Tax Deducted at Source (TDS) on the business operations of GQ Group. The current AIT and TDS laws create excessive advance deductions that exceed the actual tax liabilities, resulting in cash flow and profitability challenges for GQ Group and other small and medium enterprises (SMEs) in the manufacturing sector. In addition, the tax refund process is lengthy and filled with bureaucratic red tape which can delay refunds for many years. This ties up working capital and further weakens liquidity and profitability. These policies affect SMEs disproportionately as they lack the cash reserve of large businesses. The report shows how impractical these tax policies and rates are and how they are negatively affecting GQ Group's operations and limiting their growth. The report also recommends lowering the AIT and TDS rates to align with realistic profit margins as well as simplifying the refund process so that it can benefit all businesses, especially SMEs.

Keywords: Advance Income Tax; Tax Deducted at Source; Taxation Policy; Cash Flow; Working Capital; Small and Medium Enterprises

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List of Acronyms

ACR	Annual Confidential Report
AIT	Advance Income Tax
B2B	Business to Business
BAS	Bangladesh Accounting Standards
BBS	Bangladesh Bureau of Statistics
BDT	Bangladeshi Taka
BSEC	Bangladesh Securities and Exchange Commission
CFO	Chief Financial Officer
CM	Contract Manufacturing
DSO	Days Sales Outstanding
EBIT	Earning Before Interest and Tax
ERP	Enterprise Resource Planning
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
GQBPIL	GQ Ball Pen Industries Limited
GQBPIL(PD)	GQ Ball Pen Industries Limited Plastic Division
GQFL	GQ Foods Limited
GQIL	GQ Industries Limited

HR	Human Resource
IAS	International Accounting Standards
ICR	Interest Coverage Ratio
IFRS	International Financial Reporting Standards
ITA	Income Tax Act
MIPL	Maladesh International Private Limited
NWC	Net Working Capital
PP	Polypropylene
R&D	Research and Development
ROA	Return on Assets
ROE	Return on Equity
SME	Small and Medium Enterprise
SWOT	Strength Weakness Opportunity Threat
TDS	Tax Deducted at Source
USD	United States Dollar

Chapter 1: Overview of Internship

1.1 Student Information

Name: Sara Huq

ID: 16264048

Program: Master of Business Administration

Major: Finance

1.2 Internship Information

1.2.1 Company Details

Period: Spring 2019

Company Name: GQ Group

Department/Division: Operations

Address: 331/2 Tajuddin Ahmed Swarani, Bara Maghbazar, Dhaka – 1217

1.2.2 Company Supervisor's Information

Name: Salma Huq

Designation: Chairperson

1.2.3 Job Scope

My internship experience at GQ Group was highly unconventional. I started working in GQ Group, my family business, in March of 2015. I joined in a junior position as Officer (Product Development) in GQ Foods Limited, which is a manufacturing company under the group. In October of 2017, I was suddenly thrust into a senior leadership position after an unforeseen incident led to a leadership transition. Since then, I have been in this senior position overseeing four of the manufacturing companies in the group.

During the internship period in Spring 2019, I was directly involved in overseeing production, retail and organizational sales, supply chain management, procurement, accounts and finance of the four companies. Rather than a traditional intern role, I was in a decision-making role, and this allowed me to experience operations management and leadership in a completely different and hands on manner. I was involved in planning and implementation of strategies to make process improvements to increase production, reduce waste and increase sales and profit. I would conduct monthly sales meetings with the team to monitor their performance and to guide and motivate them to align with the organization's objectives. I was involved in board and management meetings, and meetings with bank officials and investors.

My unique job scope allowed me to gain practical knowledge on operating and managing a business and to learn valuable leadership skills like strategic planning, communication and negotiation.

1.3 Internship Outcomes

1.3.1 Student's Contribution to the Company

As someone in a leadership position and a decision maker for the companies, my contributions to the organization would not have been possible without the help of my team. We were able to reestablish and restart our disposable plastic factory after it burnt down in 2017. We were able to double our production of polypropylene (PP) woven sacks after installing new machinery, we were able to improve the production process and increase product quality of chips and reduce damage returns by more than 10% for GQ Foods Ltd. I was also able to convince investors to give loans to our companies, from time to time, to expand the businesses and to keep them operational. My biggest contribution to the group was that I was able to keep the businesses running despite all the challenging times in the last few years.

1.3.2 Benefits to the Student

My experience at GQ Group, while unconventional, was extremely beneficial for my personal and professional development. It challenged me to develop my skillset, both personally and professionally.

The experience taught me to think strategically and analytically while developing problem solving skills. I learnt to analyze, plan, and implement strategies while considering both short-term and long-term goals. Managing large teams and conducting sales meetings taught me valuable leadership skills like communication, collaboration and conflict resolution. A big lesson I learnt was how to stay calm in crisis situations and to remain resilient and work under pressure. Finally, working though times of economic uncertainty like COVID pandemic, Russia Ukraine war and the subsequent global economic recession taught me how to operate businesses and adapt during challenging situations.

My situation was extremely difficult, and at times it felt impossible to deal with; but it taught me how to stay resilient and patient. It has shown me how strong I can be during tough times and during crises. The sheer amount of knowledge and practical experience I gained will forever be useful for me.

1.3.3 Problems/Difficulties During Internship

I faced many challenges during my internship period, and they all stemmed from the fact that I had no prior work experience or training in a leadership position. One of my biggest challenges was taking big decisions for our companies. That is because these decisions could potentially have massive repercussions that would not only cost the company a lot of money, but it would also massively affect people’s livelihoods, especially the workers in the factories. An example of this was when we decided to close one of the companies that manufactured mosquito coils. Another example is when we had to take the extremely difficult decision to lay off the sales team and majority of our factory workers of one of our companies during COVID. The company experienced complete loss of sales due to the pandemic and in order to survive during this challenging time, the company was temporarily shut down during the pandemic. Running companies that are making loss and having a fund crisis is extremely challenging because you must learn to prioritize which payments are to be made first and which can be delayed a bit, even though all the payments are important and ultimately need to be made.

Initially I also faced many difficulties with data analysis as I was still figuring out which data to focus on and which to ignore when strategizing and planning. Handling and managing employee conflicts and complaints, crisis management during labour unrest, fire incidents, etc. are all challenges that I have had to face.

1.3.4 Recommendations

As most students/interns will not have an internship experience such as mine, I would like to make some general recommendations that I think will help students, universities and companies. First, it would be very beneficial if business schools in Bangladesh put emphasis on teaching students to develop analytical skills through use of case-based learning. This is the best way for students to learn to apply theoretical knowledge to practical scenarios. It will help students develop critical thinking and decision-making skills before they enter the workplace. The universities should also have case competitions where students are divided into groups. This will teach them how to work in a group setting and how to collaborate to achieve a common goal. And the competitions will provide a simulation of real-world competition and an opportunity to learn from other teams. These approaches are widely used in international business schools as it helps students to develop critical skills that are crucial for the workplace.

Second, companies that recruit MBA interns or graduates should provide them with structured training on essential background information, organizational practices, internal procedures and analytical skills. In Bangladesh many companies expect MBA interns or graduates to learn everything on their own primarily by observation or by learning as they go about their work without any formal training. Since a large percentage of MBA students in Bangladesh do not have any prior work experience and as each organization has their own unique systems and rules, this type of formal training would help the recruits adapt and contribute to the company more effectively.

Third, universities should arrange mentorship programs for MBA students. The mentor, who is already in the workplace, can advise the mentee and provide guidance about essential skills needed to succeed in the workplace. This will also provide networking opportunities for the student.

Lastly, MBA programs in Bangladesh should have a requirement of a minimum of one year work experience for MBA admission. In North America, MBA programs typically require a minimum of 2 years of work experience for admission. This enables an individual to gain firsthand practical knowledge on how businesses operate, the type of data a company uses, the kinds of issues and problems they face, and the type of skills an MBA graduate needs to succeed in the workplace. Then the knowledge and analytical skills they learn from MBA greatly supplements their understanding and allows an MBA graduate to utilize their full potential as a future business leader.

Chapter 2: Organization Part

2.1 Introduction

GQ Group is a diversified group of companies that manufacture goods across various sectors such as industrial bulk bags, plastic goods and fast-moving consumer goods (FMCG). GQ Group is a pioneer in ball pen and polypropylene (PP) bulk bag manufacturing in Bangladesh. The group started its journey in 1981 with the establishment of GQ Ball Pen Industries Limited, Bangladesh’s first ball pen manufacturing company, with its iconic brand ECONO. GQ Group has always been committed to ensuring the high quality of all their products and customer satisfaction.

2.2 Overview of the Company

GQ Group was founded by Qazi Saleemul Huq in 1981. It consists of multiple manufacturing companies in various sectors including ball pens, chips/snacks, PP woven sacks, mosquito coils, disposable items & plastic products. The various products cater to other businesses as well as to FMCG consumers.

GQ Ball Pen Industries Limited (GQBPIL) is Bangladesh’s first ball point pen manufacturer and the only publicly listed ball pen manufacturing company in the country. In the beginning it was a big challenge for Mr. Huq to attract and shift the consumers from fountain pens or the imported Red Leaf pens to locally produced ball point pens; but eventually GQ revolutionized the pen industry in Bangladesh with its iconic brand ECONO.

In 1995 a second unit was established under the name, **GQ Ball Pen Industries Limited (Plastic Division)** or PD in short, that manufactures generic as well as customized disposable & reusable plastic products. The company produces disposable cups, bowls, plates, tiffin boxes, containers and cutlery sets. It also produces products such as ice cream cups, plastic chairs and hair combs.

GQ Foods Limited (GQFL) was the second company to be established under GQ Group in 1992. It is known for its extruded and baked corn chips sold under the brand name Krispy Curl. It currently produces and sells various types of baked and fried chips, fried snack items like lentils and green peas, chanachur, lachcha shemai and aromatic rice.

GQ Industries Limited (GQIL) is the third company under GQ Group. It was established in 1994 and is one of the pioneers in the PP woven sack industry in Bangladesh. It manufactures polypropylene bulk bags for fertilizer, rice, flour, sugar, spinning mills, garments industry, etc. and other packaging items made from plastic. GQIL is a business to business (B2B) supplier, and it is currently the biggest revenue generating company in the group. It had an annual revenue of Tk 59.33 crores in 2024.

Maladesh International Private Limited (MIPL) was also established in 1994. GQ Group started the company with technical collaboration from a Malaysian company to produce non-toxic mosquito repellant coils to protect people from mosquito transmitted diseases. It produced various types of mosquito coils under the brand name Elephant King. Given the flammable nature of its raw materials, MIPL is currently non-operational as the factory needs massive renovations to make it fire safe as the factory burnt down 3 times in the past.

The above are the 5 main manufacturing companies under GQ Group. The Group also has a company called GQ Enterprise Limited that is mainly involved in share trading.

2.3 Management Practices

The management style used in GQ Group is mostly a mixture of bureaucratic and democratic style. The type that is implemented depends on the organizational unit and/or the department, i.e. factory or head office, and it also depends on whether there is any planning, strategy or decision making involved.

2.3.1 Bureaucratic Management

Bureaucratic management is when an organization has strict rules and procedures that must be followed. It is a very formal and structured approach of management. In this type of management, there is strict hierarchy and chain of command. There are clear rules, policies and guidelines that are used to ensure predictable and consistent outcomes (Daft, 2021, pp. 44–45). As Richard L. Daft (2021) mentions in his book, the ideal bureaucracy has the following:

- Division of labor, with clear definitions of authority and responsibility
- Positions organized in a hierarchy of authority
- Managers subject to rules and procedures that will ensure reliable, predictable behavior
- Administrative acts and decisions recorded in writing
- Personnel selected and promoted based on technical qualifications
- Management is separate from the ownership of the organization

This is exactly why GQ group uses the bureaucratic approach in all its factories and certain departments in their head office such as accounts, procurement and administrative departments. The organization uses strict recruitment and administrative policies in all its factories. For head office they use accounting policy, purchase/procurement policy, administrative policy, etc.

This is because standardization and consistency is critical for operations in these areas. There are strict rules, regulations and procedures that must be followed and cannot be deviated from. And this ensures that no single person, regardless of their seniority, can break the rules and do whatever they want, and it prevents personal bias.

2.3.2 Democratic Management

Democratic management is where employee participation and collaboration are encouraged at different organizational levels and/or during decision making. In this style of management, the leader values participation, suggestions and input from employees for decision making. The leader also delegates authority and they are open to employee feedback (Robbins & Coulter, 2015, p. 458).

GQ Group uses the democratic style of management mainly for planning, strategy formation and decision making at various levels. The group has an Executive Committee, whose members are the operations head of the individual companies, chief financial officer (CFO), company secretary, head of finance and directors. The committee holds bi-weekly meetings to discuss important issues or problems and to discuss and decide on big issues that have a widespread effect on each company. The group also has a Strategic Planning Committee that is responsible for planning and strategizing for future short-term and long-term goals.

Other than this, for day-to-day decision making, the leaders of the group delegate the authority to the operations in-charge/head. For advertising or sales campaigns, the leaders are open to collaboration and participation from employees who are involved. For example, in GQ Foods Ltd., when planning for online sales campaigns for e-commerce platforms, the leaders involve the employees who manage the e-commerce platforms and encourage their participation and suggestions to design and plan campaigns.

Most organizations, including GQ group, have a democratic management style because it encourages employee involvement, improves morale, improves job satisfaction, and improves employee performance since the employees know that they are part of the decision-making process and can make a difference for their organization. However, a big problem with this style is that decision making becomes time consuming as consensus is required and potential disagreements that may arise due to differing opinions.

2.3.3 Human Resource Planning

GQ Group hires human resources as and when needed. The factory head or department head, with the approval of the operations in-charge, informs the HR department about the need for new or replacement employees. The HR department then sends the request to the director level for final approval. After final approval, they circulate the job posting on various online platforms like BDJobs, or for factory workers they post the notice in front of the factory and inform certain recruiters or agencies who provide permanent or daily basis workers. Then the recruitment policy mentioned earlier is used to hire potential candidates. This ensures a fair recruitment process based on the candidate's knowledge, skills and experience while preventing individual bias and nepotism.

2.3.4 Compensation System

GQ Group has a robust compensation system. They have a salary band policy that details the range of compensation allowed for each band. Everyone from factory workers to top executives follows the salary band compensation policy. The policy is competitive and follows the industry standards while being flexible to compensate based on education, skills and experience.

2.3.5 Training and Development Initiatives

GQ Group takes training and development of employees very seriously as they understand the importance training has on employee performance. Better employee performance will lead to better outcomes for the organization. Depending on the company, employees get monthly or periodic training. For example, for GQ Foods and GQ Ball Pen, the field sales teams get monthly training. In the beginning of each month during the monthly sales meeting, the company holds 1.5 hour to 2 hours long training sessions to help the field team develop sales and marketing skills.

Another example of training and development initiative was an extensive training program held from 2023 to 2024 on accounting, VAT and tax for all employees in the accounts department. It was planned and conducted by the head of accounts and CFO of the group. The training sessions were held every Saturday for 2 hours and spanned 8 months.

2.3.6 Performance Appraisal System

As per the group's policy, a yearly appraisal of every employee is performed issuing an Annual Confidential Report (ACR). The report evaluates the employees' performance as well as their character, conduct and ethics. The evaluation is done by the immediate supervisor of each employee and countersigned by the department heads. This is then included in the employee's personal file. The ACR form will be scrutinized before the company gives the employee an increment or promotion.

2.4 Marketing Practices

The marketing practices of the companies under GQ group differ based on the type of business it is and the type of products they manufacture. GQIL is purely business to business (B2B), PD is a mixture of B2B and wholesale sales, GQBPIL is a mixture of retail sales and business to business, and GQFL is purely retail sales. As a result, the marketing practices of each company are vastly different and are discussed in detail below.

2.4.1 GQ Industries Limited (GQIL)

As a manufacturer of industrial bulk bags, the target customers are other businesses. Being a B2B company, there are no marketing or branding activities. The company has five salesmen who contact businesses that use pp woven bags for their packaging and send them samples. The samples are sent to show the quality of our work. The company uses machinery by Starlinger, an Austrian brand and one of the top machine manufacturers in this industry. They also have machinery from India and China. The use of Starlinger machinery adds significant value to the company as everyone in the industry knows it produces very high-quality bags.

As the company makes customized bags as per the client's specifications, and are producing at maximum capacity, they do not work on any new product development.

2.4.2 GQ Ball Pen Industries Limited Plastic Division (PD)

The company mostly manufactures disposable crockeries, cutlery, food containers and ice cream cups. The products are of two types: generic (sold to wholesalers) and customized (sold to other businesses). As like GQIL, there are no marketing or branding activities in PD. Salesmen sell the products in bulk to wholesalers or they visit other businesses like sweets shops, restaurants, ice cream manufacturers, etc., that use these products. Then they customize the products as per the client's requirements.

For new products the company first observes what products are popular or are in demand or what they can include in their catalog to cater to the businesses they are supplying to. Then they get new molds so that they can produce the items.

2.4.3 GQ Ball Pen Industries Limited (GQBPIL)

The company produces pens for three different target customers. One is for FMCG customers where the pens are sold in retail stores under the ECONO brand name. The second target customer is other businesses where the company acts as a contract manufacturer and customizes the pens as per the client's requirements to be sold under the client's brand. The third target customer is other businesses who want customized pens for their use and will not be resold. The third target customers are mostly pharmaceutical companies or hotels or organizations that want pens with their brand name or medicine name (for pharma companies) which they will use internally or give away as a promotional item.

For CM customers and B2B sales, the company does not have marketing or branding activities. Either the salesmen approach other businesses or the businesses reach out for customized pens.

For marketing channels, the company uses both online and offline approaches. Pens are distributed to retail stores, wholesalers, e-commerce platforms (e.g. Daraz), and modern trade stores (e.g. Shwapno).

For retail sales the company does have a marketing strategy and occasionally engages in marketing/promotional activities. The company's primary target customers are retail stores, especially stationery stores and libraries. ECONO pens must first be displayed on the store shelves to attract the secondary target customers, i.e. students, office workers, professionals and the public.

The company's strategy focuses on delivering high-quality and affordable pens to consumers and promotional strategies differ based on the target customer. For retailers, the company has trade offers such as a certain number of free pens for every 100 pens or per gross (144 pens) purchased by the retailer. The number of free pens differs based on the product. This is being done to attract retailers as it is a very competitive market.

For end consumers the company promotes their brand and products through advertisements, mainly on social media. The ads are made to highlight product features such as long lasting, smooth writing and durability; something that ECONO is known for.

2.4.4 GQ Foods Limited

The marketing practices of GQ Foods Ltd. are similar to the strategies used by GQ Ball Pen as these products are also for the FMCG segment. They use both online and offline channels for distribution. The products are sold to retail stores, wholesalers, e-commerce platforms, and modern trade stores. Retail stores and wholesalers are covered through a network of distributors and super depots. As a manufacturer of chips and other snack items, the target end consumers range from kids to elders.

As the chips and snack industry is extremely saturated and highly competitive, the company offers promotions for retailers. They mostly have trade offers such as a 1 free packet of chips for every twenty packets purchased by retailers. This is a commonly used trade offer that has been used for many years.

Periodically the company gives promotional offers to attract end consumers. For example, a common promotional offer is giving free toys with the purchase of the product. During these promotional campaigns, advertisements are created promoting the gift and then the ads are posted and boosted to target audiences on social media.

2.4.5 Critical Marketing Issues and Gaps

In my opinion, the biggest critical issue with GQBPIL is that they do not innovate or are extremely slow to innovate. Generally, most products and brands typically have a life cycle. After development there is an introduction stage, then growth stage, maturity stage and finally a decline stage. The only way to prevent decline is to evolve and innovate.

During the maturity stage, the company should have introduced incremental innovation to their products (like changing colour, design, etc.) to match evolving consumer preferences and diversified to new segments/markets like stationery, folders, etc. to extend their life cycle. Unfortunately, the company did not do that and as a result they entered a declining stage. They are still producing the same outdated designs that were designed years, even decades ago.

Competitors, mainly Matador, were able to attract consumers and take market share as they offered something new or different to the consumers. Even though they were the same pens, being sold at the same price as ECONO, with newer and more attractive designs consumers were more likely to choose competitors' products. To extend the lifecycle of their products and brand, GQBPIL should have innovated their products by coming up with newer and attractive pens that match current trends and tastes of the consumers and should have explored new segments and markets.

For over a decade the company has been in its declining stage. To avoid the death of their company, GQBPIL should reinvent themselves through innovation to evolve with consumer preferences and should stay connected with emerging market trends. If they can successfully do that then the company can re-emerge and go into a renewal stage, otherwise the ECONO brand will eventually fade away.

Another critical gap in my opinion is the lack of digital marketing strategies of GQ Ball Pen and GQ Foods. The companies currently post static posts or ads on their Facebook pages and occasionally boost the ads on Facebook during promotional campaigns. For GQBPIL specifically, ECONO is a well-known brand in Bangladesh but with older audiences, who were young or used ECONO when the brand was at its peak. But younger people, especially current school and university going kids, are not familiar with the brand. By creating engaging content and having creative campaigns on social media platforms (like Facebook, Instagram, TikTok), both companies can boost their brand visibility, especially among younger audiences.

2.5 Financial Performance and Accounting Practices

Financial analysis of an organization is essential for evaluating the company's performance, financial health and prospects. The analysis is important for management, investors, shareholders, lenders and regulatory authorities. The balance sheet (annexure) and income statement (annexure) of GQIL were analyzed using financial ratios to examine the company's financial performance with a time series analysis. The financial statements from 2021 to 2024 were used for the analysis. Performance evaluation was done by analyzing ratios under the following categories:

1. Liquidity Ratios
2. Solvency Ratios
3. Profitability Ratios
4. Efficiency Ratios

2.5.1 Liquidity Ratios

The liquidity ratios measure a company's ability to meet its short-term liabilities. The liquidity metrics analyzed are current ratio, quick ratio, cash ratio and net working capital.

2.5.1.1 Current Ratio

The current ratio measures the company's ability to meet its short-term liability obligations with its current assets. A ratio above 1 indicates that the company can cover its short-term liabilities. The formula used to calculate is:

$$\text{Current Ratio} = \frac{Current\ Assets}{Current\ Liabilities}$$

The current ratio of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	**30 June 2021**	**30 June 2022**	**30 June 2023**	**30 June 2024**
Current Ratio	1.17	1.18	1.18	1.37

Table 1: Current Ratios from 2021 to 2024

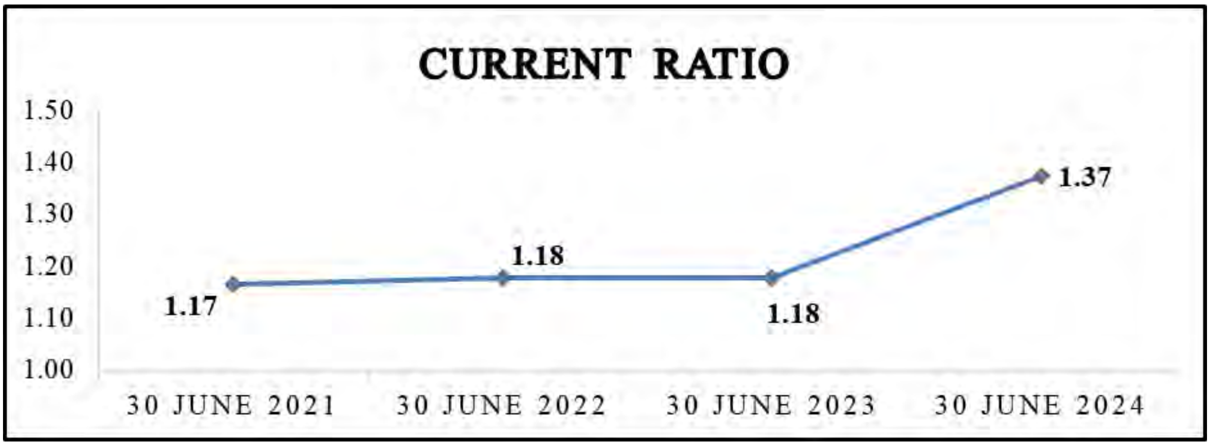

Figure 1: Time Series Analysis of Current Ratios

The current ratio of GQIL was 1.17 in 2021 and remained about the same till 2023. The ratio increased slightly in 2024 compared to previous years, which shows a slight improvement in short term liquidity.

2.5.1.2 Quick Ratio

The quick ratio measures the company's ability to meet its short-term liability obligations with its most liquid assets excluding inventory. The formula used to calculate is:

$$\text{Quick Ratio} = \frac{Current\ Assets - Inventory}{Current\ Liabilities}$$

The quick ratio of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Quick Ratio	0.68	0.89	0.92	1.00

Table 2: Quick Ratios from 2021 to 2024

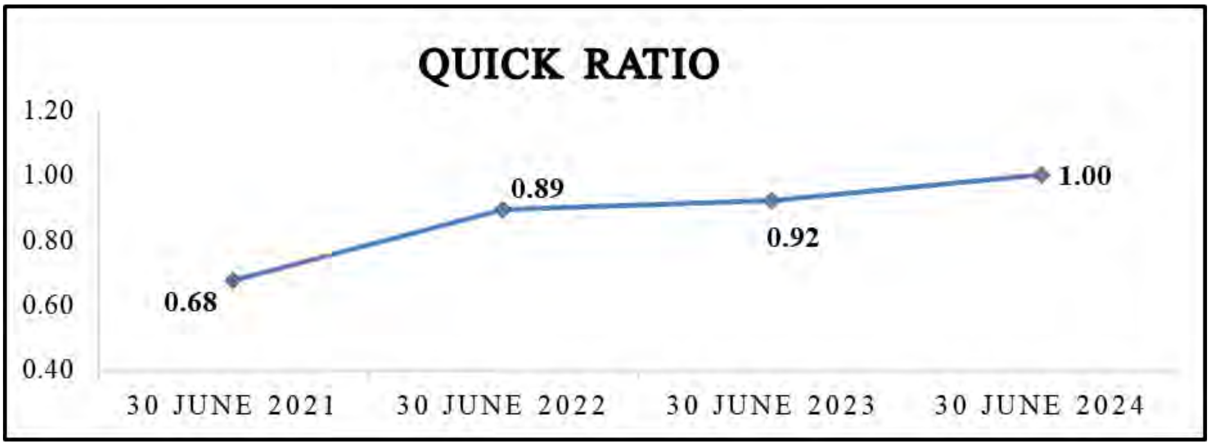

Figure 2: Time Series Analysis of Quick Ratios

The quick ratio of GQIL had an upward trend from 2021 to 2024. It improved from 0.68 in 2021 to 1.00 in 2024, which shows better reliance on liquid assets like receivables and cash, rather than inventory, to pay for their short-term liabilities.

2.5.1.3 Cash Ratio

The cash ratio measures the company's ability to pay off its short-term liabilities using only cash and cash equivalents. The formula used to calculate is:

$$\text{Cash Ratio} = \frac{\mathit{Cash\ and\ Cash\ Equivalents}}{\mathit{Current\ Liabilities}}$$

The cash ratio of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Cash Ratio	0.027	0.029	0.012	0.010

Table 3: Cash Ratios from 2021 to 2024

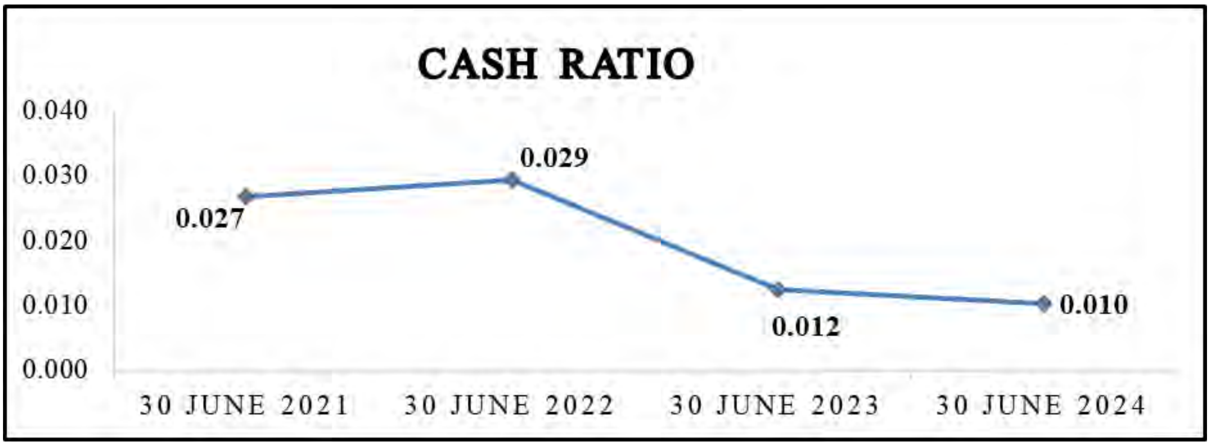

Figure 3: Time Series Analysis of Cash Ratios

The cash ratio of GQIL has been low for the last 4 years, indicating that the company does not maintain substantial cash reserves to cover their immediate liabilities. The cash ratio worsened from 0.027 in 2021 to 0.010 in 2024 as liquidity constraints increased due to increased cash outflows caused by increased raw material prices and the increasing foreign exchange rate.

2.5.1.4 Net Working Capital (NWC)

The net working capital shows the difference between short term assets and liabilities and how much capital a company has available for daily operations after covering their current obligations. A positive balance indicates that the company has more short term assets than short term liabilities. The formula used to calculate is:

$$\text{Net Working Capital} = \mathit{Current\ Assets} - \mathit{Current\ Liabilities}$$

The NWC of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Net Working Capital	50,789,120	56,001,819	55,819,567	110,704,434

Table 4: Net Working Capital (in Taka) from 2021 to 2024

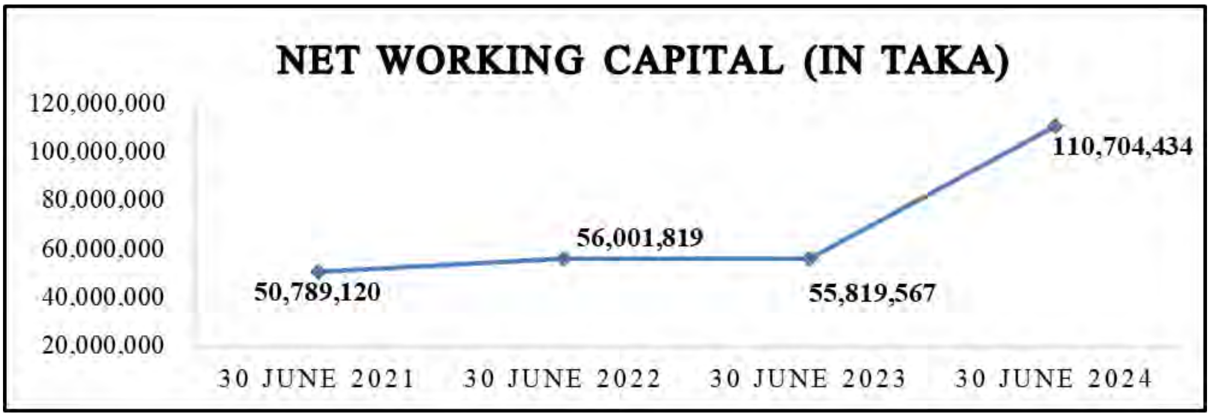

Figure 4: Time Series Analysis of Net Working Capital

GQIL's positive NWC across all four years indicates that they maintained sufficient current assets to meet their short-term obligations. There was an improvement in NWC from 2021 to 2024 as the current assets increased and short-term liabilities decreased.

2.5.2 Solvency Ratios

The solvency or leverage ratios measure a company's long term financial stability and its ability to meet long term obligations. High solvency ratios indicate that there is a greater reliance on borrowed funds, which can increase the risk of insolvency.

2.5.2.1 Debt Ratio

The debt ratio or debt to assets ratio shows the proportion of a company's assets that is financed by debt. The higher the ratio, the higher the dependency on borrowed funds. The formula used to calculate is:

$$\text{Debt Ratio} = \frac{Total\ Liabilities}{Total\ Assets}$$

The debt ratio of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Debt Ratio	0.74	0.79	0.80	0.81

Table 5: Debt Ratios from 2021 to 2024

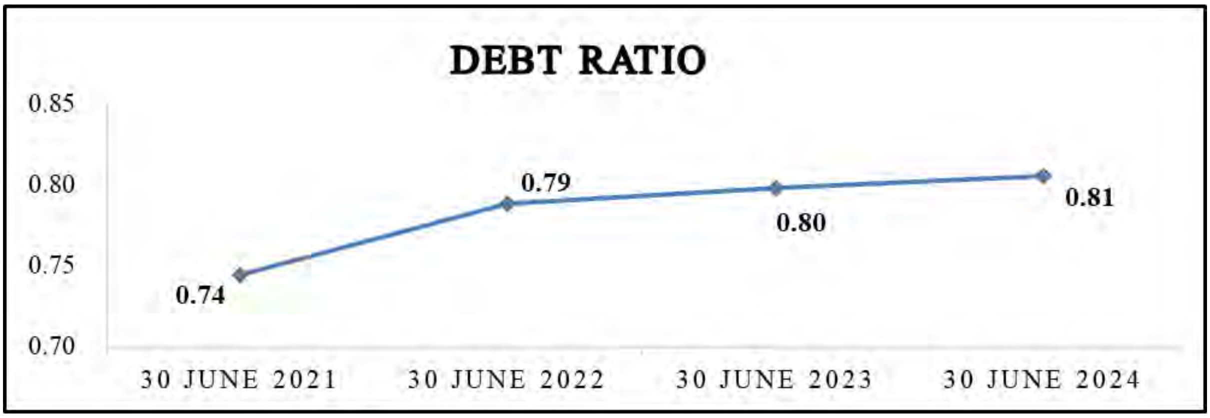

Figure 5: Time Series Analysis of Debt Ratios

The debt ratio of GQIL has steadily increased from 0.74 in 2021 to 0.81 in 2024. This means that 81% of the company's assets are financed by debt. The company's reliance on debt to finance the operations increased due to the aftermath of the COVID pandemic, the Russia Ukraine war, the consequent economic recession and the foreign exchange rate depreciation.

2.5.2.2 Debt to Equity Ratio

The debt to equity ratio measures the amount of debt a company is using to finance its operations rather than its own equity. The formula used to calculate is:

$$\text{Debt to Equity Ratio} = \frac{Total\ Liabilities}{Shareholders'\ Equity}$$

The debt to equity ratio of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Debt to Equity Ratio	2.92	3.73	3.94	4.11

Table 6: Debt to Equity Ratios from 2021 to 2024

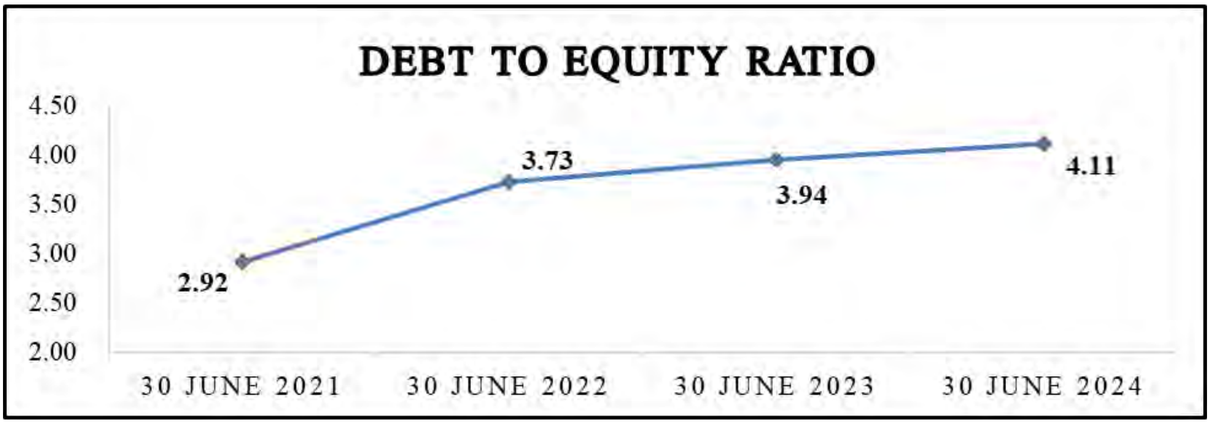

Figure 6: Time Series Analysis of Debt to Equity Ratios

The debt to equity ratio of GQIL has steadily increased from 2.92 in 2021 to 4.11 in 2024, signifying a heavy reliance on debt financing to sustain operations. The company's reliance on debt to finance the operations increased due to rising expenses of commodity and energy prices. Also, the depreciation of BDT against USD played a significant role in increasing the debt reliance.

2.5.2.3 Interest Coverage Ratio

The interest coverage ratio (ICR) measures how many times the company can cover its interest expenses with its operating income. It is a measure of a company’s debt sustainability. The formula used to calculate is:

$$\text{Interest Coverage Ratio} = \frac{Operating\ Profit\ (EBIT)}{Financial\ Expense}$$

The interest coverage ratio of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Interest Coverage Ratio	2.60	1.48	1.01	1.66

Table 7: Interest Coverage Ratios from 2021 to 2024

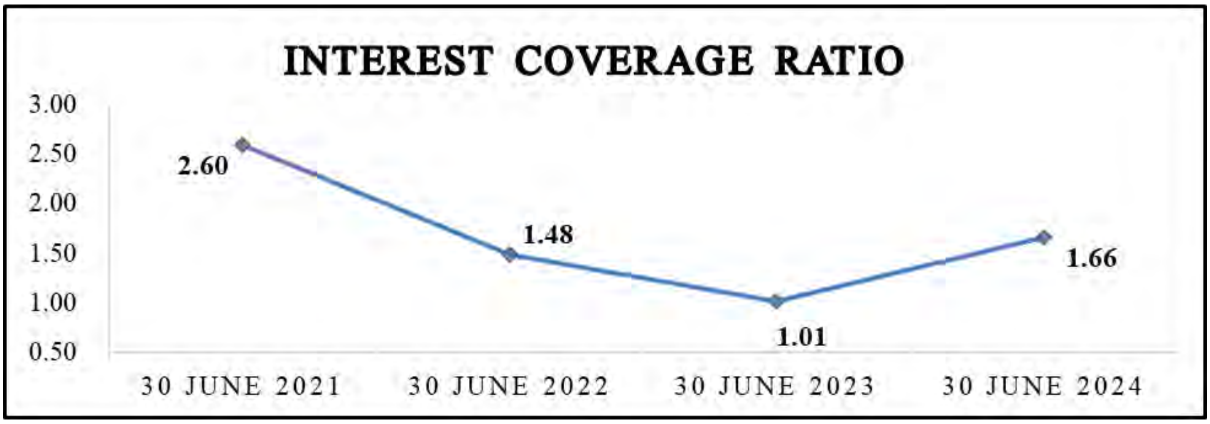

Figure 7: Time Series Analysis of Interest Coverage Ratios

The interest coverage ratio of GQIL was 2.60 in 2021 which indicates that the company could cover its interest expense 2.60 times with its operating profit, reflecting sufficient capacity to cover debt obligations in 2021. However, the ratio declined sharply in the next two years before improving slightly to 1.66 in 2024. The decline in operating profit in 2022 and 2023 due to the global economic recession and depreciation of exchange rates were the main causes of the declining ICR. In 2024 there was a significant increase in operating profit, mainly due to a reduction in administrative and marketing expenses, which helped the company improve their ICR.

2.5.3 Profitability Ratios

The profitability ratios measure a company’s ability to earn profits from its operations. The profitability metrics analyzed are gross profit margin, net profit margin, return on asset, return on equity and return on investment.

2.5.3.1 Gross Profit Margin

The gross profit margin measures the amount of revenue left after accounting for the direct costs i.e. cost of goods sold. The higher the margin, the greater the profitability. The gross profit margin is expressed as a percentage and the formula used to calculate is:

$$\text{Gross Profit Margin} = \frac{Gross\ Profit}{Net\ Sales\ Revenue} \times 100$$

The gross profit margin of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	**30 June 2021**	**30 June 2022**	**30 June 2023**	**30 June 2024**
Gross Profit Margin	17.54	9.67	13.31	13.05

Table 8: Gross Profit Margin from 2021 to 2024

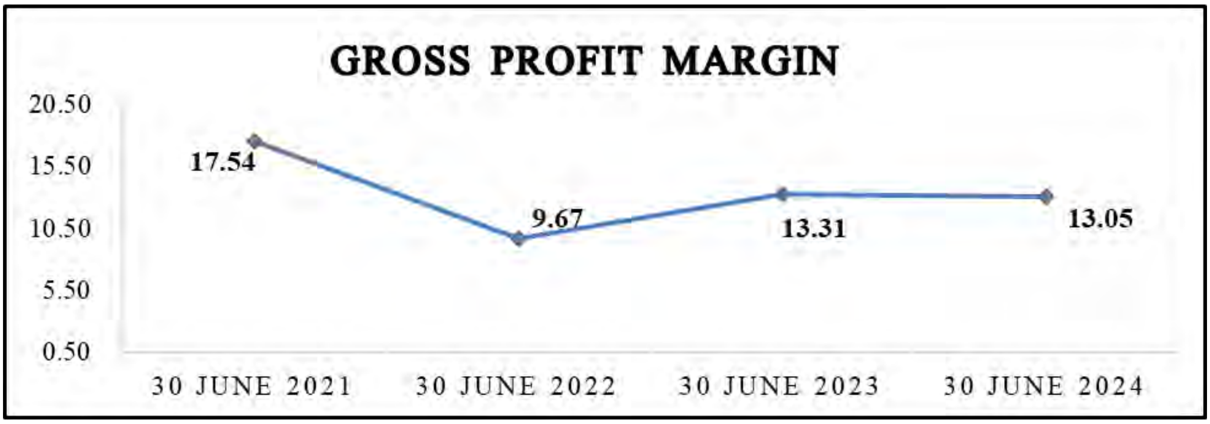

Figure 8: Time Series Analysis of Gross Profit Margin

The gross profit margin was 17.54% in 2021 but sharply declined to 9.67% in 2022. It then increased to 13.31% in 2023 before declining slightly to 13.05% in 2024. The gross profit margin declined sharply in 2022 due to the increase in raw material and energy prices because of the Russia Ukraine war and the consequent economic recession. Although the gross profit margin improved slightly in the following years, the depreciation of exchange rate has prevented it from rising to the 2021 level.

2.5.3.2 Operating Profit Margin

The operating profit margin measures the amount of revenue left after accounting for all the operating expenses involved. It does not account for any other income, financial expenses and taxes. This metric analyzes how effective a business is in generating profit from its core operations. The operating profit margin is expressed as a percentage and the formula used to calculate is:

$$\text{Operating Profit Margin} = \frac{\textit{Profit from Operation}}{\textit{Net Sales Revenue}} \text{ x } 100$$

The operating profit margin of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Operating Profit Margin	8.83	2.01	2.62	5.80

Table 9: Operating Profit Margin from 2021 to 2024

Figure 9: Time Series Analysis of Operating Profit Margin

The operating profit margin was 8.83% in 2021 but sharply declined to 2.01 in 2022. It then slightly increased to 2.63% in 2023 before improving significantly to 5.80% in 2024. The operating profit margin declined sharply in 2022 due to the increase in raw material and energy prices because of the Russia Ukraine war and the consequent economic recession. In 2024 there was a significant recovery in the operating profit margin to 5.80%, mainly due to a reduction in total operating expenses and especially due to a significant reduction in marketing expenses.

2.5.3.3 Net Profit Margin

The net profit margin measures the amount of revenue left after accounting for all the expenses and taxes. The higher the margin, the greater the profitability. The net profit margin is expressed as a percentage and the formula used to calculate is:

$$\text{Net Profit Margin} = \frac{Net\ Profit\ After\ Tax}{Net\ Sales\ Revenue} \times 100$$

The net profit margin of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Net Profit Margin	2.97	-1.49	-1.76	0.12

Table 10: Net Profit Margin from 2021 to 2024

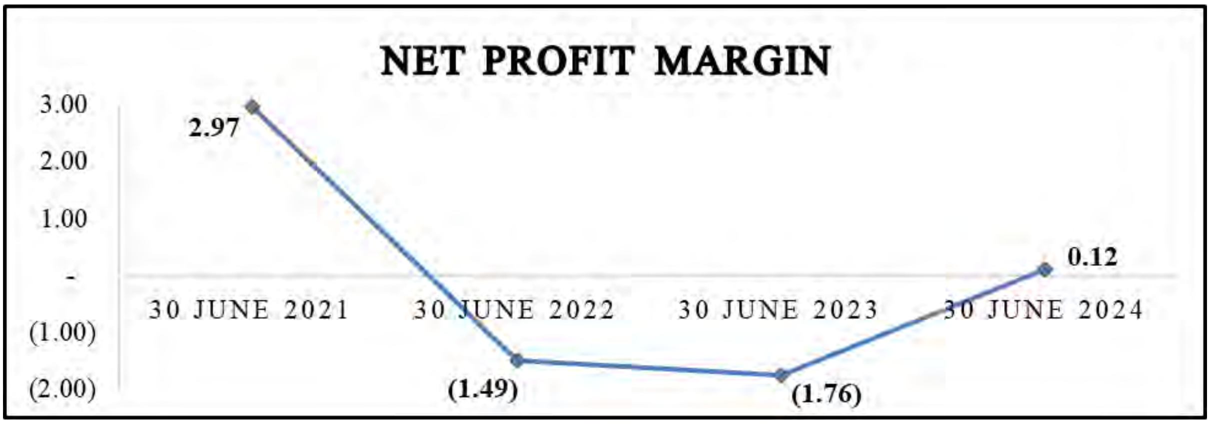

Figure 10: Time Series Analysis of Net Profit Margin

The net profit margin followed a similar pattern to the operating profit margin. It was 2.97% in 2021, but it sharply turned negative in 2022 and 2023 before improving slightly to 0.12% in 2024. The main reason for the sharp decline in net profit margins was the increased cost of sales due to the rising raw material prices because of the Russia Ukraine war and the subsequent global uncertainty. It was further impacted by the BDT-USD exchange rate depreciation which further increased the cost of imports. In 2024 there was an improvement in the net profit margin to 0.12%, which was mainly due to a reduction in total operating expenses, especially a significant reduction in marketing expenses.

2.5.3.4 Return on Assets (ROA)

The return on assets measures how efficiently a company uses its assets to generate sales and profits. The higher the assets, the greater the sales and potential profits. The return on assets is expressed as a percentage and the formula used to calculate is:

$$\text{Return on Assets} = \frac{\textit{Net Profit After Tax}}{\textit{Total Assets}} \text{ x } 100$$

The return on assets of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Return on Assets	2.06	-1.42	-1.35	0.08

Table 11: Return on Assets from 2021 to 2024

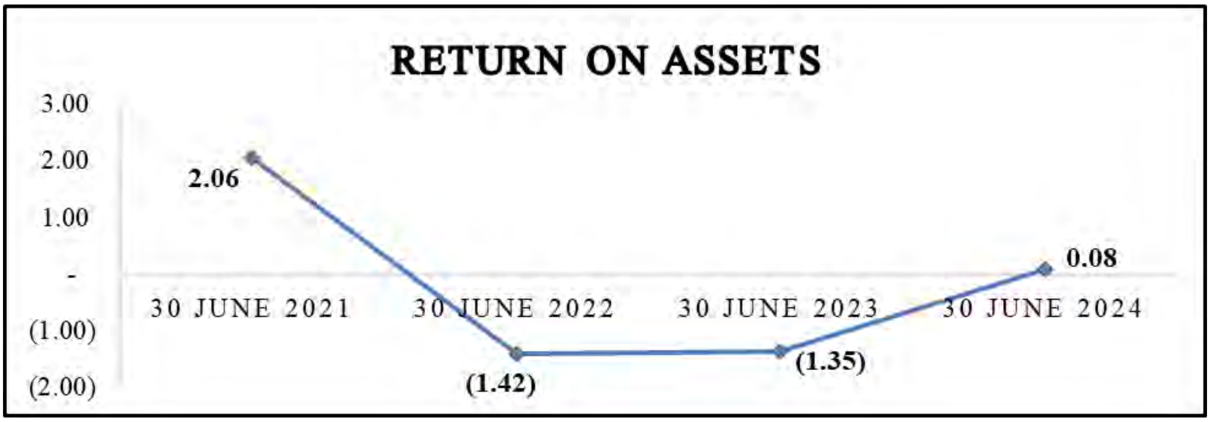

Figure 11: Time Series Analysis of Return on Assets

The return on assets was highest in 2021 at 2.06%, indicating that the company was effectively using assets to generate profit. However, it fell sharply to -1.42% and -1.35% in 2022 and 2023 mainly due to net loss caused by the hike in raw material and utility prices, as well as the exchange rate depreciation. After stringent control of operating expenses, there was a small net profit after tax in 2024, which lead to a slight positive ROA of 0.08% in 2024.

2.5.3.5 Return on Equity (ROE)

The return on equity measures the company's ability to earn a return on shareholders' equity. The more efficient the company is at using shareholders' equity, the greater the return. A high ROE indicates that the company can generate profit without relying on debt. The return on equity is expressed as a percentage and the formula used to calculate is:

$$\text{Return on Equity} = \frac{Net\ Income\ After\ Tax}{Shareholders'Equity} \text{ x } 100$$

The return on equity of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Return on Equity	8.07	-6.69	-6.69	0.41

Table 12: Return on Equity from 2021 to 2024

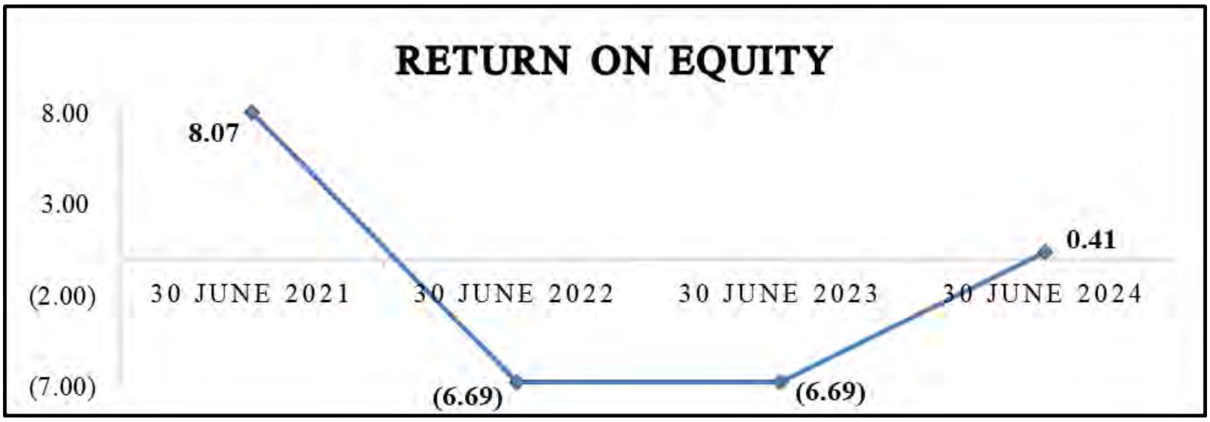

Figure 12: Time Series Analysis of Return on Equity

The return on equity followed a similar pattern to the above profitability metrics. ROE was highest in 2021 at 8.07%. However, it fell sharply to -6.69% in 2022 and stayed the same in 2023. This was due to the net losses in those two years and reduced equity due to continued loss in 2023. In 2024, after strict control of operating expenses, there was a small net profit after tax which led to a slight positive ROE of 0.41% in 2024. This is an alarmingly low ROE but it's an improvement from the previous two years and with continued strict expense control and increased sales, the ROE will improve further.

2.5.4 Efficiency Ratios

The efficiency ratios measure a company's ability to utilize its assets and resources to generate revenue. The efficiency metrics analyzed are inventory turnover, accounts receivable turnover and total asset turnover.

2.5.4.1 Inventory Turnover

The inventory turnover measures the number of times the company sells and replaces its inventory over a given period. The higher the turnover, the more quickly and efficiently the inventory moves through the business. Lower turnovers indicate slower sales or overstock. The formula used to calculate inventory turnover is:

$$\text{Inventory Turnover} = \frac{Cost\ of\ Sales}{Inventory}$$

The inventory turnover of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Inventory Turnover (times)	2.81	7.00	5.99	4.10

Table 13: Inventory Turnover from 2021 to 2024

Figure 13: Time Series Analysis of Inventory Turnover

The inventory turnover was lowest in 2021 at 2.81 times. The inventory movement was slow due to the COVID pandemic, reduced sales and overstocking. The turnover peaked at 7.00 times in 2022 showing excellent inventory movement as sales peaked. The cost of sales was also high due to the increase in raw material prices and supply chain disruptions, so the company strictly ensured a lean stock position so that excess capital was not tied up in unsold stock. In 2023, the inventory turnover was lower than in 2022 but was still good at 5.99 times. The cost of sales was still high, and the ending inventory was lowest as the company ensured efficient inventory movement to avoid overstocking and blocking capital. In 2024 the inventory turnover further declined to 4.10 times but due to reduced inventory efficiency and decreased sales.

2.5.4.2 Accounts Receivable Turnover

The accounts receivable turnover measures how effectively the company collects receivables/payments from their customers over a period. The higher the turnover, the more efficient the company is at collections. Lower turnovers indicate issues with customer collections. The formula used to calculate accounts receivable turnover is:

$$\text{Accounts Receivable Turnover} = \frac{\textit{Net Sales Revenue}}{\textit{Accounts Receivable}}$$

The accounts receivable turnover of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Accounts Receivable Turnover	8.65	7.98	5.56	5.38

Table 14: Accounts Receivable Turnover from 2021 to 2024

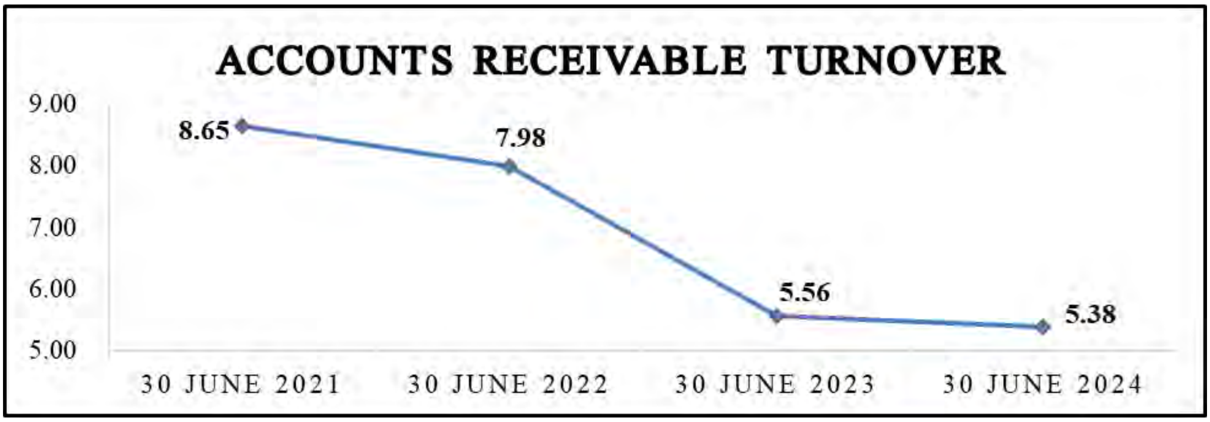

Figure 14: Time Series Analysis of Accounts Receivable Turnover

The accounts receivable turnover was highest in 2021 at 8.65 times. The high turnover means that the company was efficient with their receivables collection. As it was during the COVID pandemic, the company employed strong credit management. Since 2021, the accounts receivable turnover has had a declining trend. It reduced slightly to 7.98 times in 2022, 5.56

times in 2023 and 5.38 times in 2024. The accounts receivable turnover declined mainly due to the higher prices of raw materials, exchange rate depreciation, global economic recession and US dollar crisis in Bangladesh banks. All these back-to-back issues over the past few years put businesses in a huge financial crisis. As a result, customers missed payment deadlines and delayed payments, which caused the company's accounts receivable turnover to reduce over the last few years.

2.5.4.3 Days Sales Outstanding (DSO)

The days sales outstanding measures the average number of days it takes the company to collect customer payments. A lower DSO is better as it indicates faster collections and better cash flow. A higher DSO indicates slower collections and possible cash flow problems. The formula used to calculate accounts receivable turnover is:

$$\text{Days Sales Outstanding} = \frac{Accounts\ Receivable}{Net\ Sales\ Revenue} \text{ x 365 days}$$

OR

$$\text{Days Sales Outstanding} = \frac{365\ days}{Accounts\ Receivable\ Turnover}$$

The days sales outstanding of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Days Sales Outstanding	42.20	45.72	65.68	67.84

Table 15: Days Sales Outstanding from 2021 to 2024

Figure 15: Time Series Analysis of Days Sales Outstanding

GQIL has a credit period of 45 days for most customers. The DSO was lowest in 2021 at 42.20 days, indicating that the company had effective collections and credit management. The company was able to collect the dues before their usual credit period of 45 days. However, the DSO has increased every year since 2021. There was a slight increase to 45.72 days in 2022, indicating that customers were using their entire credit period of 45 days before making payments. In 2023 there was a sharp increase in the DSO to 65.68 days. As mentioned in previous analysis, back-to-back global issues over the last few years have put businesses in huge financial crisis. As a result, customers have missed payment deadlines and delayed payments. This is the main reason for the increasing DSO. In 2023, customers took about 20 days more than the allowed credit period to repay, and this put a huge burden on the company's cash flow. The DSO further increased to 67.84 days in 2024, further exacerbating collections and cash flow.

2.5.4.4 Total Asset Turnover

The total asset turnover measures how efficiently a business uses its total assets to generate sales revenue. The higher the turnover, the better the asset utilization and business efficiency. The formula used to calculate total asset turnover is:

$$\text{Total Asset Turnover} = \frac{\textit{Net Sales Revenue}}{\textit{Total Assets}}$$

The total asset turnover of GQIL for the last four years (2021–2024) are shown in the table below along with a time series graph.

Year	30 June 2021	30 June 2022	30 June 2023	30 June 2024
Total Asset Turnover	0.69	0.95	0.77	0.70

Table 16: Total Asset Turnover from 2021 to 2024

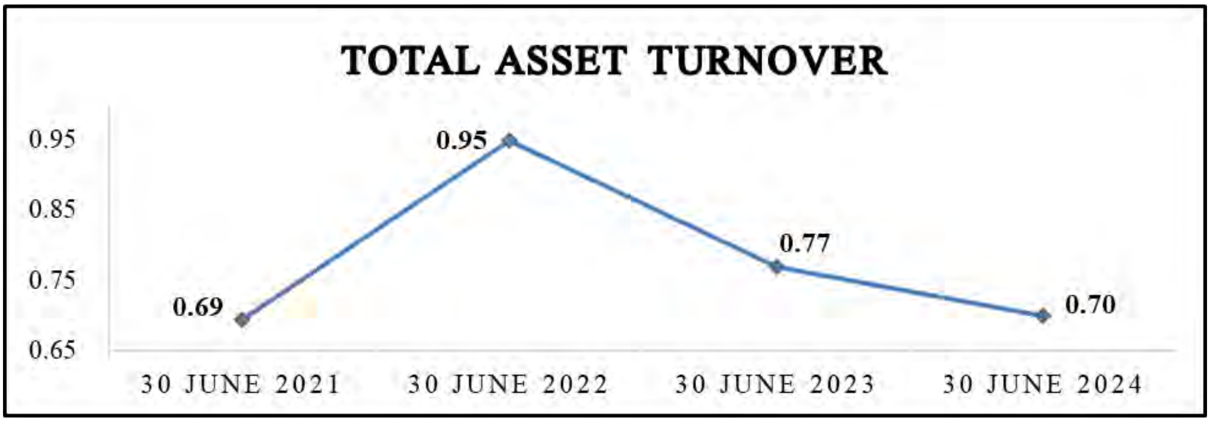

Figure 16: Time Series Analysis of Total Asset Turnover

The total asset turnover was the lowest in 2021 at 0.69; meaning that for every 1 taka in assets, the company generated 0.69 taka in sales. Despite having high inventory, the asset turnover was low mainly due to the lower sales during the pandemic. The turnover increased sharply to 0.95 the following year, indicating strong asset utilization as sales increased significantly during the post-pandemic recovery period. In 2023 the turnover declined sharply to 0.77 and 0.70 in 2024. The decline in turnover indicates reduced efficiency in asset utilization but it was mainly due to external factors such as increased raw material prices due to the Russia-Ukraine war, global recession and BDT/USD exchange rate depreciation. These issues increased the cost of the assets and reduced sales, which reduced the total asset turnover.

2.5.5 Accounting Practices

GQ Group of Companies follows an internal Accounting Policies and Procedures Manual that is based on the basic accounting principles and in compliance with the rules and standards set by IAS, IFRS and Bangladesh Securities and Exchange Commission. The manual details basic accounting, billing, and cash control policies. The manual ensures maintenance of accurate records of financial activities and ensures compliance with governmental and other statutory compliance including BSEC, BAS, IAS and IFRS standards and all tax rules and regulations (GQ Group of Companies, 2022). The manual is updated periodically to reflect changes to the rules, regulations and accounting standards.

GQ Group prepares their financial statements for all companies in accordance with the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). The accounts are also in compliance with the Companies Act 1994. Financial statements are prepared using the historical cost convention and on an accrual basis. The accounting cycle is twelve months, from 1st July to 30th June.

Depreciation Method: The depreciation is charged on all fixed assets: plant, property and equipment. It is calculated using the reducing balance method so that the assets can be written off over their expected useful life. The useful life of assets is considered as per the IAS-16 and the depreciation rates charged are as follows:

	Non-Current Assets	Rate of Depreciation
1	Freehold Land	0%
2	Factory Building	5%
3	Plant and Machinery	5%
4	Car and Vehicle	10%
5	Tools and Equipment	15%
6	Office Equipment	5%
7	Furniture and Fixture	5%

Table 17: List of Depreciation Rates

Accounting disclosures: Accounting disclosures are detailed information and explanations that companies include in the financial statements and reports to explain the financial performance, position and risks of the company. The disclosures ensure transparency and financial accuracy of the financial data. Disclosures are provided so that stakeholders can easily understand and assess the financial statements. GQ Group follows the disclosure guidelines as per the IAS, IFRS and regulatory guidelines.

2.6 Operations Management and Information System Practices

The information management system used by GQ Group is an in-house custom-built Oracle based ERP software. They have been using this Oracle based system for almost three decades for all of their operations and information management. The Oracle platform is highly customizable and scalable, which enables company specific operational and reporting requirements. The system is updated periodically, and new forms and reports are developed and implemented as needed. Due to evolving needs, GQ Group decided to shift two of their companies to the Tally ERP system in 2024 on a trial basis. The Tally software is known for its simplicity and easy to use interface. Additionally, they offer a robust accounting system (including VAT and other statutory requirements), comprehensive financial reporting and inventory management.

2.7 Industry and Competitive Analysis

2.7.1 Porter's Five Forces Analysis

The Porter's five forces analysis helps to identify and analyze a company's competitive forces. It analyzes 5 key competitive factors: potential new entrants, bargaining power of customers, bargaining power of suppliers, threat of substitute products, and rivalry among competitors (Daft, 2021, pp. 265 – 266).

Figure 17: Porter's Five Forces Model

Industry competitiveness analysis of GQ Group was done using Porter's five forces model. Although GQ Group has diversified their businesses across multiple industries and sells through multiple channels, the analysis indicates that they face moderate to high competition across the 5 categories.

Potential or Threat of New Entrants

GQ Group faces varied threats from new entrants that range from moderate to high depending on the company. For GQ Industries the threat is moderate due to the large capital requirement and technical expertise needed to establish a good PP bag manufacturing business. Many large conglomerates have entered the PP manufacturing industry in the last few years. And although countless small businesses have entered this industry, they do not pose a big threat as they cannot compete with the economies of scale of medium to large manufacturers.

For the FMCG businesses under GQ Group, the potential for new entrants is high as it is easy for new businesses to enter the market, and the initial investment required is relatively low. Even though it takes time to build trusted brands like ECONO and Krispy, customers are increasingly becoming less brand specific, which is making it easier for new entrants to enter the market.

Bargaining Power of Customers

There are three categories of buyers/customers for GQ Group: institutional buyers for PP woven bags and pens, distributors for the FMCG products like ball pens, snacks, etc., and end consumers for the FMCG products. The bargaining power of these customers ranges from moderate to high.

For institutional buyers their bargaining power is moderate. As there are some cost and time involved for switching to alternative suppliers, the bargaining power of institutional buyers is moderate. However, as more conglomerates are starting their own PP woven bag and ball pen manufacturing plants, the competition is increasing, and it is increasing the bargaining power of the buyers as well.

For distributors of FMCG products, their bargaining power is also moderate. They have to invest their capital into stocking our products and the investment can range from moderate to large. They might also have given our products to their customers (i.e. retailers) on credit, and they cannot end their contract with our business until they clear all their dues. As there is some cost involved for switching, their bargaining power is moderate.

For end consumers of our FMCG products, their bargaining power is high as there are many alternatives to our products at the same price and there is no cost of switching.

Bargaining Power of Suppliers

For GQ Group, the bargaining power of suppliers is low to moderate depending on the company. For GQ Industries Ltd, the bargaining power of suppliers is low since most of their raw materials are imported. The prices of these raw materials are based on global markets and are not influenced by any single supplier. There are lots of suppliers selling the same products at similar prices and there is no cost involved in switching suppliers.

For the other companies the bargaining power of suppliers is low to moderate. For regular materials there are lots of suppliers and there is no cost for switching, so the bargaining power is low. For customized products, such as packaging materials, ball pen tip, ink, etc. there are fewer suppliers and there are some costs involved in switching suppliers, so the bargaining power of these suppliers is moderate.

Threat of Substitute Products

The threat of substitute products is high for all companies of GQ Group, especially for the FMCG goods. There are lots of substitutes available and consumers can easily switch to other brands. For GQ Industries Ltd. the threat is also high as lots of companies can provide the same products at the same or better prices depending on their economies of scale.

Rivalry Amongst Competitors

The rivalry amongst competitors is high across all companies in GQ Group. The sectors the companies are involved in are highly competitive, especially the companies' manufacturing FMCG goods. The FMCG sector is highly saturated, so it is extremely competitive. Competitors are constantly advertising, doing campaigns and promotional activities to try to get an edge over the competition. It's challenging for GQ to stay competitive in the FMCG sector against large and cash rich conglomerates like Bombay Sweets, Pran, Matador, ACI, Fresh, etc.

2.7.2 SWOT Forces Analysis

A SWOT analysis is a framework used to audit a company's internal and external factors such as strengths, weaknesses, opportunities and threats. It provides a comprehensive view of the company's ability to compete, its potential and the challenges they face. The analysis helps the company with strategic planning and decision making (Daft, 2021, pp. 259). GQ Group is a diversified group of manufacturing companies, and a SWOT analysis was done to identify the group's strengths, weaknesses, opportunities and threats.

Strengths

Strengths are the internal characteristics that a company has that they can use to their advantage to achieve their goals. GQ group was established in 1981 and has had long standing operations. GQ has over 40 years of experience in manufacturing in different sectors. One of its biggest strengths is that its companies are spread out in different sectors. This diversification reduces dependence on a single sector for revenue. Diversification also reduces the risks associated with working in a single sector. For example, when the COVID pandemic started, all the educational institutions were closed and it had a devastating impact on our ball pen sales, however, our food products and PP woven bag sales were only slightly affected.

Another big strength of GQ is their established brand recognition, especially the brand ECONO. ECONO is a long standing and well recognized brand in the stationery industry, known for being Bangladesh's first ball pen brand. Similarly, the brands Krispy Curl and Elephant King are well-established long-standing brands in the chips and mosquito coil industry.

Weaknesses

Weaknesses are the internal characteristics of a company that restrict their performance. A big weakness of GQ across all their companies in the last few years is a lack of adequate operational funds. Due to this they end up having frequent operational crises and are constantly in a survival mode and so they cannot reinvest their funds on expansion or growth of the companies. As a result, many of their machinery are outdated and cannot match the output and efficiency of the more modern machinery of their competitors.

Another big weakness is GQ's FMCG companies did not stay up to date with the times and so their competitors got an edge over them. Consumer tastes and preferences are always evolving, so companies need to ensure that their products are regularly updated to match consumer preference. A good example of this is what happened to ECONO ball pens. The company did not keep up to date with consumer's evolving tastes and to date are still producing pens that were designed since the inception of the company or in the early 2000s. Matador came into the scene more than 20 years after ECONO, but they were able to get an edge over ECONO and dethrone them. Matador not only had DF pens that were identical to ECONO, but they also had refill pens (mainly All Time) that were more modern looking and matched with the evolving consumer preferences. The new generations of consumers, whose tastes were much more modern than the past generations of consumers, preferred Matador's modern and attractive looking pens, and this gave them the edge over ECONO. Once the consumers became loyal to Matador's All Time pens, it became easy to shift their loyalty to Matador's other products and so ECONO started to lose their market share. Not only this, but Matador focused on the entire stationery segment and not only on ball pens like ECONO.

Opportunities

As Bangladesh is a land of about 175 million people and is a developing country, there are lots of opportunities and this will keep on increasing as the consumer's purchasing power keeps increasing. There is ever increasing market demand and all the companies in the segment combined cannot meet this demand; as a result, there are plenty of opportunities. For the PP woven bag sector, the demand for PP bags keep increasing not only locally but also globally.

As for the FMCG snacks and stationery segments, even though these sectors are saturated, there is still a lot of unmet demand. Since there are a lot of opportunities still available, large conglomerates are still entering these segments. For example, Akij recently entered the snacks and food sector, Bombay Sweets entered the ball pen sector, ACI is soon entering the pens & stationery segment, etc.

Threats

As an SME, GQ Group's biggest threat is their competitors, mainly large corporations or conglomerates. It is difficult to compete with these large corporations who are cash rich and can easily differentiate their products. Especially for their FMCG products, large companies are a threat because GQ cannot match their aggressive marketing policies, promotional activities and their advertising budget.

As more people are becoming conscious of the environment and the harmful effects of plastics, they are looking for a more environmentally friendly and sustainable alternative to plastics. For GQ's companies that produce plastic items, especially disposable plastic items, there is a looming threat of the government banning single use plastic items. Already there are many environmentally friendly and biodegradable alternatives to single use plastics like products made of paper or bamboo. Although these alternatives are more expensive than plastic, the demand for these is increasing as people are becoming more conscious in their bid to be more environmentally responsible. Many countries around the world have banned single use plastic items and there has been a lot of talk in recent years in Bangladesh of the government banning these products.

As for PP woven bags, the threat for alternative products is not yet as dire. As these bags are reuseable, the threat of these bags being banned is low. There are sustainable alternatives available such as jute bags and biodegradable bags made from starch, but they are not yet viable for large scale commercial use as plastic woven bags, and they cannot yet beat the price or usefulness of PP woven bags.

2.8 Recommendations

Based on the comprehensive analysis done on GQ Group in the previous sections, the following recommendations are proposed. If the company addresses these current issues or shortfalls, it may help them stay competitive and make the most of opportunities. The main recommendations are:

1. GQ should invest in its companies that have outdated machinery and product lines. They should focus on innovation, product development, diversification and modernization of operation. Upgrading to newer machines and technologies would enable higher production

efficiency and output, which would improve economies of scale. It would enable GQ to be more efficient and competitive in the market.

2. The FMCG companies under GQ should increase their social media presence and implement strong digital marketing strategies to increase brand visibility, especially among younger audiences. Creating engaging content and creative marketing campaigns on social media platforms will improve brand recognition. This is especially important for ECONO. Even though it is an old and long-established brand, it is not well known by the younger generation. So, it is crucial to improve ECONO's brand visibility and recognition, to revitalize the brand and ensure its survival.

3. GQ Group of Companies needs to focus on decreasing their operational expenses, improving production and operations efficiencies, and reducing debt dependency. They need to strongly monitor and implement strict policies that will help them achieve these goals. For example, for GQIL they need to implement stricter credit control policies as their receivable recovery period keeps increasing every year. They need to strongly monitor and recover their overdue payments to improve cash flow. For other companies, GQ needs to focus on controlling costs. In the last few years, the cost of raw materials has increased significantly but they have not been able to raise their product prices proportionally. So, they need to improve production efficiency and increase economies of scale to reduce costs and increase profitability.

4. For its plastic producing company, GQ should be proactive and prepare for future environmental and regulatory changes. Due to the harmful environmental effect of plastics, there is a global and increasing local awareness towards sustainable alternatives. Many countries have already banned single use plastic items and have shifted towards sustainable and biodegradable alternatives. With similar increasing awareness and discussions in Bangladesh, GQ should be proactive and take early action to introduce product lines made with

biodegradable raw materials. This will help the company stay ahead and will prevent substantial loss of business if the local government decides to ban single use plastics.

Chapter 3: Project Part

3.1 Introduction

3.1.1 Background/Literature Review

Tax is a mandatory payment charged to organizations and individuals by the government to contribute to the national revenue for government expenditures. As per the Income Tax Act 2023, tax in Bangladesh is imposed through various mechanisms. Two of the main components are Advance Income Tax (AIT) and Tax Deducted at Source (TDS) (Government of Bangladesh, 2023). Advanced income tax (AIT) is the mechanism where a business must periodically pay in advance a part of their annual income tax. The AIT includes:

- Income tax paid in advance on a periodic basis (i.e. quarterly) based on the last assessed income.
- AIT collected at various stages, such as at the time of imports or exports.
- Tax deducted at source (TDS) of income against payment for supply of goods and services.

Based on the type of business and transaction, the government has set different rates for AIT/TDS (Rahman Rahman Huq & KPMG Advisory Services Limited, 2024, p. 24). All AIT payments collected, and all TDS deducted are then adjusted from the final annual tax liability.

These tax mechanisms help the government get continuous inflow of revenue in regular intervals, reduce the risk of tax evasion, and help businesses make smaller tax payments at regular intervals instead of one large lump sum payment at the end of the year. While the country's tax mechanisms are beneficial to the government, the AIT and TDS are creating a lot of financial stability challenges for businesses, especially for small and medium enterprises (SMEs).

SMEs, especially manufacturing SMEs, play a crucial role in Bangladesh's economy. According to Bangladesh Bureau of Statistics (BBS), manufacturing SMEs contributed about 24.45% to Bangladesh's GDP in fiscal year 2022 (Bangladesh Bank, 2022) and SMEs are expected to grow by around 6% annually (Freiheit.org article, 2024), which emphasizes their increasing economic significance. In Bangladesh, SMEs make up about 90% of all industrial units and 80% of all industrial jobs (Freiheit.org, 2024). Since SMEs play such an important role in the economy, it is crucial that the country's laws and regulations be designed to support their growth and sustainability. However, SMEs in Bangladesh are facing many challenges, one of which is the taxation policy. While there are many problems with the current taxation laws that are challenging the financial stability of SMEs, this report will only focus on the challenges caused by AIT at the import stage and TDS deductions.

3.1.2 Objective

The primary objective of this project is to give a comprehensive analysis of the current AIT and TDS laws imposed on businesses in Bangladesh and the implications and challenges they pose to the cash flow, profitability and working capital of the manufacturing companies of GQ Group. The report will discuss the practical problems that are being faced by GQ and other manufacturing businesses, especially SMEs, and offer some recommendations to make the AIT and TDS more practical and business friendly.

3.1.3 Significance

AIT and TDS are major components of the tax that is imposed on businesses in Bangladesh, and it is crucial to understand their implications as they directly affect the cash flow, profitability and fund management of a business. The current laws and systems in place are not only complicated, but their practical applications adversely affect businesses. The current AIT and TDS rates are not practical, and the amount of advance tax being charged is more than the actual annual tax, and as a result, most businesses (especially SMEs) cannot absorb this discrepancy. Also, the tax policy states that between the advance tax and the minimum tax, whichever is higher will be considered as final tax. Moreover, the refund policy for excess tax paid is unnecessarily complicated and not all advance tax paid is refundable. Many businesses, especially SMEs, struggle with multiple tax deductions at different stages and the delay in payment of tax refunds, which causes problems with cash flow, profitability and fund shortages, and ultimately leads to operational challenges and business sustainability.

3.2 Methodology

The report is based on analysis of both primary and secondary data. The primary data used were the tax data and records of GQ Industries Limited, consultations with GQ Group's tax consultant and my observations. The secondary data used were government publications, the Income Tax Act 2023, Income Tax Manual, newspaper articles and a market research report by KPMG.

3.3 Findings

The analysis of AIT and TDS reveals that manufacturing companies across different sectors are getting disadvantaged by the advance income tax in two stages. The first stage is when AIT is collected during the time of import or raw material procurement. At this stage, the manufacturer must deposit AIT to the government at the rate of up to 20% on the value of the imported raw materials (Government of Bangladesh, 2023, ITA section 120) and 3% to 7% for local raw and packing materials (Government of Bangladesh, 2023, ITA section 89). The second stage is when the finished products are sold to the customers, and the customers deduct TDS before making the payment. The TDS is deducted at the rate of 5% or 7% on the value of the finished goods supplied (Government of Bangladesh, 2023, ITA section 89).

For GQ Industries Ltd., 90% of the raw materials are imported. For our industry, the rate of AIT deduction at time of import is 5%. Their rate of TDS deduction for finished goods supplied is 5% or 7% for sale against a contract, the majority being 7%. Some clients deduct 5% while others deduct 7%, which demonstrates the ambiguity that exists in this law. Based on the above rate of deductions, when we compare the advance tax collected through AIT and TDS, and the actual tax liability of the company, the calculations reveal that there is a significant disparity between the two. The advance tax payments collected throughout the year are a lot more than the actual tax liability and the rates charged for AIT and TDS are not supported by realistic profit margins for manufacturing companies, let alone SMEs.

Additionally, Bangladesh has a minimum tax that is charged under Section 163 of the Income Tax Act 2023. This states that businesses must pay a minimum turnover tax on total turnover or gross receipts, irrespective of profit or loss before tax. It also states that the final minimum tax will be the advance tax deductions or the turnover tax, whichever is higher. Section 163 also states that any tax deducted at source (TDS) and other advance tax (except AIT deducted at the time of import) are not refundable and any loss subjected to minimum tax is not adjustable (Government of Bangladesh, 2023, ITA section 163).

The biggest problem for GQ Industries Ltd. and others is that their annual AIT at import and TDS deductions are higher than the annual tax liability. Due to this and the reasons mentioned in the previous paragraph, taxpayers and tax experts both heavily criticize this clause of the Income Tax Act 2023. According to GQ Group’s tax consultant, Mr. Mohammad Al-Amin FCA, this clause is a bad provision of the law, and it is not business friendly due to its stringent conditions. Mr. Amin also said that clause 163 of the IT Act 2023 is highly criticized by tax experts as the different elements of this clause are not fair and it puts an unfair burden on certain taxpayers (M. Al-Amin, personal communication, May 2025). Businesses that operate at low margins or businesses that incur losses must still pay a minimum tax even when no taxable income is generated. On top of that, if the AIT and TDS deductions are higher than turnover tax then that is considered to be the minimum tax and the TDS deductions are not refundable. Tax should not be arbitrarily imposed on the higher amount; it should be based on income. Also, the non-refundability clause contradicts the principle of taxing based on income or profitability. Additionally, for the portion of advance tax that is refundable, obtaining the refund from the tax authority is extremely challenging, time consuming and full of bureaucratic red tape, NBR budget constraints and corruption.

According to an article written by Mr. K.M Hassan FCA, tax should always be imposed on total income at a regular rate, and that the tax rules should be simplified and such that it encourages businesses. He also opined that all tax deducted at source should be allowed as tax credit and that any loss incurred should be allowed to be set off against income and if not then should be allowed to be carried forward. He also stated that the rate of tax deducted at source should be adjusted in comparison to the income of the assessee. And tax deducted from income of the assessee in the form of TDS should be refundable at the end. He stated that the current tax rules are discouraging for businesses and that the laws should be reformed in such a manner that it leaves businesses with expected profit margins (K.M Hasan, 2024).

3.3.1 Calculations

To demonstrate how impractical the current rates of AIT and TDS are, the analysis will calculate the per kilogram AIT and TDS burden being charged and the minimum profit the company needs to make per kilogram in order to absorb the current advance tax deductions. The following calculations are based on data from GQ Industries Limited, but the principle applies to all manufacturing businesses.

3.3.1.1 Calculation of AIT Deducted Per Kg:

For this calculation we will use the actual AIT deducted for one import shipment. The rate for AIT deducted at import is 5%. This shipment had a total of 1,04,000 kilograms of raw material. The AIT deducted for this shipment was Tk 7,03,504.23. So,

AIT deducted per kg = Tk 7,03,504.23 / 1,04,000 kg = **Tk 6.76 per kg**

3.3.1.2 Calculation of TDS Deducted Per Kg:

The TDS deducted on the supply of finished goods is 5% or 7% of the sales amount. The average sale price is Tk 227 per kg for regular orders but for government tenders the average price is much less at Tk 201 per kg.

If 5% TDS deducted per kg = Tk. 227 per kg x 5% = **Tk 11.35 per kg**

If 7% TDS deducted per kg = Tk. 201 per kg x 7% = **Tk 14.07 per kg**

3.3.1.3 Calculation of Total AIT and TDS deductions Per Kg

Total deductions per kg (if 5% TDS) = Tk 6.76 + Tk 11.35 = **Tk 18.11 per kg**

Total deductions per kg (if 7% TDS) = Tk 6.76 + Tk 14.07 = **Tk 20.83 per kg**

3.3.1.4 Calculation of Profit (Before Tax) Required to Absorb Current Tax Deductions

The corporate tax rate is 25% applied to profit before tax. In order for the business to absorb the current total tax deductions, they would need to earn the following profit (before tax) per kg:

Profit per kg (if 5% TDS) = Tk 18.11/25% = **Tk 72.44 per kg**

Profit per kg (if 7% TDS) = Tk 20.83/25% = **Tk 83.32 per kg**

So, given the corporate tax rate of 25%, the business would need to make the above profit per kilogram at a minimum in order to fully absorb the tax deducted for AIT at the import stage and deductions at source.

3.3.1.5 Calculation of Profit (Before Tax) Required as a Percentage of Sales Price Per Kg

Profit percentage (if 5% TDS) = (Tk 72.44/Tk 227) * 100 ≅ **31%**

Profit percentage (if 7% TDS) = (Tk 83.32/Tk 201) * 100 ≅ **41%**

This shows the profit margins the business needs to achieve per kilogram of finished goods sold in order to absorb the AIT and TDS deductions made at the current rates.

3.3.2 Analysis

The manufacturing companies under GQ Group are getting disadvantaged by the advance income tax in two stages. First, when AIT is collected during the time of importing raw materials. Second, is when the finished products are sold to the customers, and the customers deduct TDS from the payments. This advance deduction in two stages is causing problems with cash flow, reduced profitability and reduced working capital.

The government is taking advance payments during the import stage at 5% and TDS on sales at 5% to 7% rate. Yet companies are not making a profit at that rate. In fact, the calculations in the previous section show that businesses need to make a minimum before tax profit margin of over 30% to avoid overpaying taxes with the current tax deduction rates, which is unrealistic. Manufacturing companies in Bangladesh in most sectors do not make such high profit margins, let alone SMEs that usually have lower profit margins (See Table 18). Based on the table, it seems like the advance deduction rates are based on data from large conglomerates (like Square Pharma) in high profit margin sectors (like pharmaceutical), rather than reflecting the real margins of most SMEs. In fact, from the table below we can see that even large conglomerates and industry leaders typically achieve profit margins of less than 10%, with most falling under 5%.

Company	**Turnover/Revenue (Taka)**	**Profit Before Tax (Taka)**	**Profit Before Tax (%)**
AMCL (Pran)	3,306,077,584	62,824,858	**1.90**
Square Pharmaceutical	70,101,031,196	22,721,774,839	**32.42**
Square Textiles	20,905,825,094	1,366,405,358	**6.54**
Beximco	27,981,536,111	(212,042,128)	**-0.76**
ACI Pharmaceutical	40,491,206,958	4,241,600,292	**10.48**
ACI Foods Ltd.	10,039,970,459	(42,831,771)	**-0.43**
ACI Premio Plastics	2,442,453,108	(334,823,228)	**-13.71**
Olympic Industries Ltd.	25,928,815,845	2,348,138,746	**9.06**
GQ Industries Ltd.	518,988,610	12,099,273	**2.33**
Sinobangla Industries Ltd.	2,337,070,501	49.409,961	**2.11**
Deshbandhu Polymer Limited	629,548,041	17,205,454	**2.73**
Khan Brothers PP Woven Bag Industries Ltd.	74,807,500	2,405,254	**3.22**

Table 18: Companies from Various Sectors & Their Profit Before Tax (%) in 2023-2024

This shows how unrealistic and unfair the current rates are, especially for SMEs. The tax collected at these two stages does not take into account whether the business is making a profit from sales. Instead of being taxed on actual income, companies are being taxed in advance on what the government assumes the business will earn in the future. Without even earning income from sale, the business must pay these assumed taxes in advance. Such advance payments at such high rates are causing significant upfront cash outflow for GQ Group and other SMEs, which is ultimately reducing their cash flow, profitability and working capital. Every year excess advance tax paid is getting piled up, yet no refund payment is in sight. As a result, the company must increase their borrowing, which in turn increases the interest they must pay for the loan and ultimately reduces cash flow, profitability and working capital.

Moreover, due to the assumed high rate of profit, most manufacturing businesses are paying excess advance tax against actual tax liability. Even if TDS deductions are more than actual tax liability, it is still not refundable as it is considered to be minimum tax as per clause 163 of the Income Tax Act 2023. This excess payment is blocked until tax assessment and only AIT paid at import is refundable. In theory if the advance tax paid is higher than the actual tax liability, the government is supposed to give a refund. Section 229 of the Income Tax Act 2023 states that the government must provide the refund within 60 days of application submission (Government of Bangladesh, 2023), and Section 161 states that for any delays in the refund payment, the government must pay 10% interest on the refund amount (Government of Bangladesh, 2023). Unfortunately, reality differs significantly. Bureaucratic red tape, NBR budget constraints and systemic corruption in government offices cause delays in receiving the AIT refunds; delays that can stretch over many years.

To begin with, the refund process is very lengthy. First the tax authorities will do an assessment, then it will have to go for an appeal hearing as to why there is a difference, then the tax authority will scrutinize all the documentation and proof. Depending on the outcome of the appeal, there may be a second tribunal appeal. Then once tax authorities admit to the refund, the taxpayer is supposed to immediately get the refund. However, in reality this process can take years due to NBR budget constraints, corruption and bureaucratic red tape. And even after the tax authorities have admitted to the refund, they delay paying the refund amount due to many reasons like shortage of government funds, systemic corruption, political enmity, etc.

GQ Group, like many SMEs, is a sufferer of this. The company has huge AIT refund claims that span over many years, but they are still yet to be paid. The government has admitted the company's AIT refund claims for certain years, yet they still haven't paid the refund, nor the interest that's supposed to be charged due to the delay.

From Table 19, we can see just how long and complicated the refund process is. In the year 2013-2014 (assessment year 2014-2015) GQIL had paid taka 34 lacs excess tax, and it took about 6 years to finally get the refund. This is the same scenario every year. After multiple appeal and tribunal hearings, which can take years, the tax authorities admit the refund. However, they delay the payment for years and do not pay the interest for delayed payment that the government is supposed to pay as penalty. On top of that, when the tax authority makes the refund payment there is systemic corruption involved. Businesses are desperate to get their money and must give into the authority's demands to further avoid delays in payment.

From Table 20 we can see that from assessment year 2017-2018 till 2023-2024, GQIL has accumulated Tk. 9.32 crores in tax refunds. Out of this total refund, tax authorities have already admitted to Tk. 4.48 crore refund after the second appeals. Yet they have been delaying the payments for years, nor are they paying any penalty for late payment. As a result, the business loses money every year as more and more excess tax is accumulated, and refunds are not paid on time. This leads to progressive capital outflow that disrupts all kinds of payments and operational continuity and ultimately leads to reduced profitability and business sustainability.

Assessment Year	Income Tax Liability	Advance Tax Paid	Refund Amount	Remarks
2014-2015	24,55,140	58,99,916	34,44,776	Refund Received in 2020
2015-2016	13,62,083	58,84,767	45,22,684	
2016-2017	38,39,284	86,79,262	48,39,978	
Total Refund (Tk)			**1,28,07,438**	

Table 19: GQ Industries Ltd. Total Tax Refund Received from 2013 to 2016

Assessment Year	Assessed Income Tax	Advance Tax Paid	Refund Amount	Remarks
2017-2018	32,81,442	1,42,58,332	1,09,76,890	Refund created after 2nd appeal, but still not paid
2018-2019	22,21,504	1,07,95,451	85,73,947	
2019-2020	62,462	1,26,85,744	1,26,23,282	
2020-2021	11,54,841	1,38,58,000	1,27,03,159	
2021-2022	1,25,14,234	2,77,79,752	1,52,65,518	1st appeal is under process
2022-2023	1,53,62,936	3,41,61,415	1,87,98,479	1st appeal is under process
2023-2024	98,65,353	2,42,14,241	1,43,48,888	Return Submitted
Total Refund (Tk)			**9,32,90,163**	

Table 20: GQ Industries Ltd. Total Tax Refund Due from 2016 to 2023

The tables above clearly show how the advance tax payments like AIT on import and TDS are affecting the manufacturing businesses under GQ Group and other manufacturers. The whole thing turns into a vicious cycle where advance payments and refunds get piled up causing a reduction of working capital for the company to meet their operational needs, which in turn causes cash flow crisis and reduced profitability. The policies are disproportionately affecting SMEs like GQ Group due to their limited financial strength, and they are ultimately creating challenges for operational sustainability.

3.4 Implications and Recommendations

3.4.1 Implications

The current AIT and TDS policies in Bangladesh have far reaching implications for SMEs. While these policies help the government collect steady revenue, they place a huge burden on SMEs that affect their operations, cash flow, profitability and growth potential. As they are already working with limited resources, the current policies place a disproportionate burden on them. These advance tax deductions are reducing the cash flow and affecting operations. They put huge constraints on working capital and delay day-to-day payments for procurement, production, bank payments, etc. The excess advance tax payments at unrealistic rates cause significant profit loss that cannot be absorbed by the manufacturing SMEs. This is putting these SMEs at a competitive disadvantage compared to larger businesses as they struggle to make a profit while competing in local markets. The SMEs rely heavily on local markets while larger businesses have the advantage of exporting and earning export incentives. Larger businesses earn a better profit margin and are better able to absorb the excess tax burdens due to their financial strength. All these disadvantages are causing SMEs to struggle to compete in local markets and causing them to lose market share.

Due to the high advance tax rates, SMEs have to make upfront tax payments even before earning an income from their goods. Additionally, the delay in refund payments, which are often delayed for many years, puts a huge burden on their capital and causes liquidity problems. This reduced cash and profitability limits SMEs from being able to reinvest the capital for business growth and technological advancements, causing them to fall behind large competitors. This vicious cycle is creating a disproportionate impact on SMEs and worsening economic inequality.

3.4.2 Recommendations

The current AIT and TDS policies are creating a lot of challenges for businesses, especially small and medium enterprises. The current AIT and TDS rates are excessively burdensome as they do not match the profit margins of SMEs. Most SMEs have a profit margin of less than 5%, so the current tax rates exceed the tax liability generated by such low margins. As a result, businesses must pay excess advance tax that is not all refundable at the end of the year. On top of this, the refund process is extremely lengthy and can take years before actually receiving the refund. All of these are creating severe cash flow and profitability challenges for businesses. To address these challenges, the following recommendations are proposed:

- The AIT on import and TDS rates needs to be reduced to match realistic profit margins. Most businesses, except pharmaceutical companies, are struggling to make a before tax profit margin of 10%, with the majority making less than 5%. The SMEs belong to the latter category, making less than 5% profit before tax. So, the tax rates need to be adjusted accordingly so that businesses can absorb the advance tax payments. This will significantly ease the liquidity crisis that companies face while still ensuring contributions to the government revenue.
- Establishing flexible tax rates depending on annual turnover. SMEs have significantly less turnover than larger businesses, so adjusting the tax rates based on turnover can be helpful. The government can set the AIT on import and TDS rates based on turnover thresholds. SMEs should have a reduced rate instead of the standard rates. Also, customers purchasing from SMEs should deduct TDS at a lower rate. This approach

considers the limited financial capacity and lower margins of SMEs and will help to prevent the upfront cash outflow at the current disproportionate rate.

- Reforming the minimum tax law (clause 163) to make it more business friendly and to make all advance tax refundable.
- The government should allow businesses to carry forward the excess AIT and TDS payments. This will reduce the accumulation of refunds every year and will reduce the upfront cash outflows from businesses.
- The government should reform the refund process to make it faster and more transparent. There should be a fixed time frame for refund payment that must be strictly enforced. Also, there should be an online portal that allows taxpayers to track their refund status. This will ensure transparency and accountability of tax authorities and will reduce opportunities for bureaucratic red tape and corruption.

3.5 Summary and Conclusions

3.5.1 Summary

The existing AIT and TDS policies and rates are imposing an advance tax that is far exceeding the actual tax liability and profit margins. This mismatch is resulting in a significant cash outflow that is locked until tax assessment and refund. It is also reducing profit margins, and in the case of SMEs with less than 5% profit margins it is completely wiping them out. This leads to challenges like profit erosion, liquidity crisis, excess tax that is nonrefundable, operational crisis and growth inhibition. The current policies and rates have a disproportionate impact on SMEs like GQ Group. Recommendations are proposed that align with realistic SME profit margins and financial constraints. If these changes are implemented, then it will greatly reduce the financial burden and operational crisis faced by SMEs. It will help to improve their cash flow, profitability and growth opportunities.

3.5.2 Conclusion

The current AIT and TDS policies are creating an environment where it is becoming extremely difficult for manufacturing SMEs to survive. Businesses, especially SMEs, are at a competitive disadvantage to larger firms who have higher margins or sufficient capital or export incentives that can enable them to absorb the current AIT and TDS rates. However, SMEs do not have these options to fall back on. In a country where SMEs play such a significant role in the economy in terms of GDP contributions and workforce employment, the tax policies are making it extremely challenging for SMEs to survive. The excessive advance tax burden significantly affects their cash flow, profitability and growth potential. By establishing a more supportive and realistic tax framework for SMEs, businesses can thrive, grow and ensure long term sustainability while still contributing to government revenue. A supportive tax structure will encourage more businesses to pay their taxes which will ultimately increase government revenue.

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Appendix A.

GQ INDUSTRIES LIMITED				
COMPARATIVE BALANCE SHEET				
AS AT 30 JUNE 2021 TO 30 JUNE 2024				
Particulars	Amounts in Taka			
	30 June, 2024	30 June, 2023	30 June, 2022	30 June, 2021
ASSETS				
Non Current Assets	**336,173,597**	**349,500,658**	**360,898,287**	**376,226,328**
Property, Plant and Equipment	336,173,597	349,500,658	360,898,287	354,313,096
Capital Work in Progress	-	0	0	21,913,232
Current Assets	**406,693,524**	**367,852,482**	**370,895,983**	**356,370,889**
Inventories	110,014,910	79,963,435	89,586,898	149,213,808
Investment	569,673	538,625	524,412	503,719
Trade & Other Receivable	96,466,600	99,350,028	86,922,474	58,756,801
Advance Deposits and Prepayments	36,282,029	45,301,511	60,136,995	34,288,327
Advance Income Tax	160,335,801	138,842,907	124,494,020	105,443,690
Cash and Cash Equivalents	3,024,510	3,855,976	9,231,184	8,164,544
TOTAL ASSETS	**742,867,121**	**717,353,140**	**731,794,270**	**732,597,217**
EQUITY & LIABILITIES				
Shareholders' Equity	**145,682,415**	**145,084,792**	**154,798,143**	**187,066,608**
Ordinary Share Capital	50,000,000	50,000,000	50,000,000	50,000,000
Tax Holiday Reserve	516,793	516,793	516,793	516,793
Revaluation Surplus	121,969,696	121,969,696	121,969,696	121,969,696
Retained Earning	-26,804,074	-27,401,697	-17,688,346	14,580,119
Non-Current Liabilities	**302,220,554**	**260,235,432**	**262,101,963**	**239,948,840**
Long Term Loan	302,220,554	260,235,432	262,101,963	239,948,840
Current Liabilities	**295,989,090**	**312,032,916**	**314,894,164**	**305,581,769**
Short Term Loan: Bank	120,676,257	162,869,630	169,199,092	159,199,256
Short Term Loan: Directors	109,995,492	94,795,492	89,599,770	90,099,770
Accounts Payable	14,481,811	8,724,635	5,453,501	7,637,815
Others Payable	8,909,532	15,218,811	20,217,454	18,220,580
Provision for Income Tax	41,925,998	30,424,348	30,424,348	30,424,348
Total Liabilities & Shareholders' Equity	**743,892,060**	**717,353,140**	**731,794,270**	**732,597,217**
Net Assets Value (NAV) Per Share	**28.93**	**29.02**	**30.96**	**37.41**

Table 1: GQIL Balance Sheets from 2021 to 2024

GQ INDUSTRIES LIMITED				
COMPARATIVE INCOME STATEMENT				
FOR THE YEARS ENDED 30 JUNE 2021 TO 2024				
Particulars	**30 June, 2024**	**30 June, 2023**	**30 June, 2022**	**30 June, 2021**
Net Sales Revenue	518,988,610	552,082,814	694,000,626	508,254,708
Cost of Sales	451,265,319	478,600,501	626,891,556	419,114,727
Gross Profit	**67,723,291**	**73,482,313**	**67,109,070**	**89,139,982**
Less: Administrative Expense	25,447,505	28,484,634	26,729,746	25,063,980
Less: Marketing expenses	12,172,257	30,521,789	26,433,197	19,215,218
Profit from Operation	**30,103,529**	**14,475,889**	**13,946,127**	**44,860,784**
Add: Other Income	261,608	1,042,201	621,557	36,820
Net Profit before Financial Expenses	**30,365,137**	**15,518,090**	**14,567,684**	**44,897,604**
Less: Financial Expenses	18,265,863	15,366,088	9,811,832	17,284,144
Net profit /(loss) before tax	**12,099,273**	**152,002**	**4,755,852**	**27,613,460**
Less: Income Tax Expense	-11,501,650	-9,865,353	-15,111,085	-12,514,234
Net Profit/(Loss) After Tax	**597,623**	**-9,713,351**	**-10,355,233**	**15,099,226**
Earning Per Share (EPS)	**0.12**	**-1.94**	**-2.07**	**3.02**

Table 2: GQIL Income Statements from 2021 to 2024