Report On

Financial Performance And Going-Concern Evaluation of Union Capital Group

By

Shahana Akter

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

BRAC Business School

Brac University

November 2025

Declaration

It is hereby declared that

1. The internship report submitted is my own original work while completing a bachelor's 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:

Shahana Akter
21104107

Supervisor's Full Name & Signature:

Dr. Nitai Chandra Debnath, PhD, FCMA
Assistant Professor, BRAC Business School
BRAC University

Letter of Transmittal

Dr. Nitai Chandra Debnath, PhD, FCMA
Assistant Professor,
BRAC Business School
BRAC University
KHA 224, Pragati Sarani, Merul Badda, Dhaka 1212

Subject : Request for the Approval of Internship Report on "Financial Performance and Going-Concern Evaluation of Union Capital Group"

Dear Sir,

I am writing to submit my internship report titled "Financial Performance and Going Concern Evaluation of Union Capital Group" in partial fulfillment of the requirements of the Bachelor of Business Administration program. This report highlights my internship experience, the operational practices of Union Capital Limited, and an in-depth financial performance analysis of Union Capital Group.

My internship provided me the opportunity to apply my academic knowledge in a practical accounting setting, thereby increasing my understanding of financial reporting practices. I am grateful to Mohammad Balayet Hossain, Senior Vice President and Chief Financial Officer of Union Capital Limited, for his guidance, and to the Finance & Accounts department for their mentorship and immense support throughout my internship.

I have ensured to collect relevant and reliable information and incorporated recommendations from my superiors as applicable in this report. I believe the report meets the internship requirements and provides a structured evaluation of Union Capital Group's financial performance and going-concern status.

I am genuinely thankful for your guidance and encouragement during the preparation of this report, and I hope it meets your expectations and adds a well-researched analysis to the field.

Sincerely,
Shahana Akter
21104107
BRAC Business School
BRAC University
Date: January 15, 2026

Non-Disclosure Agreement

This Non-Disclosure Agreement is made and entered into by and between Union Capital Limited and Shahana Akter, a student of BRAC Business School, BRAC University.

During the internship period at Union Capital Limited, the student may have access to confidential and proprietary information of the company. The student agrees to :

- ☑ refrain from disclosing, sharing or using any confidential information obtained during the internship for any purpose unrelated to the assigned internship activities;
- ☑ use only publicly available, authorized and non-confidential information in the preparation of the internship report submitted to BRAC University, and
- ☑ ensure that all information incorporated in the report is accurate and not misstated or misrepresented to the best of the student’s knowledge.

Executive Summary

This internship report evaluates the financial performance and going-concern position of Union Capital Group, a listed non-bank financial institution in Bangladesh. The analysis is based on five-year consolidated financial statements covering FY2020–FY2024 and applies ratio analysis, trend, horizontal, and vertical analysis, DuPont decomposition, valuation indicators, and regulatory-prudential metrics. This report further conducts going-concern assessment in correspondence to BFRS IAS 1, BSA 570 and Bangladesh Bank's CAMD framework. The analysis shows operating losses, liquidity constraints, equity erosion, and increased dependency on recovery-led measures. The methodology of the research is only secondary based. The report concludes that Union Capital Group requires successful asset recovery, funding stabilization, and capital restoration under supervision to align with the going-concern accounting principle.

Keywords: Non-Bank Financial Institution; Financial Performance; Going Concern; IAS 1; BSA 570; Bangladesh Bank

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List of Acronyms

Acronym	Full Form
ALM	Asset–Liability Management
BFRS	Bangladesh Financial Reporting Standards
BSA	Bangladesh Standards on Auditing
BSEC	Bangladesh Securities and Exchange Commission
CAMD	Capital Adequacy and Market Discipline
CFO	Chief Financial Officer
CRR	Cash Reserve Ratio
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
MRR	Monetary Reserve Requirement
NAV	Net Asset Value
NBFI	Non-Bank Financial Institution
NIM	Net Interest Margin
ROA	Return on Assets
ROE	Return on Equity
SLR	Statutory Liquidity Ratio
UCL	Union Capital Limited
UCG	Union Capital Group

Glossary

Term	Definition
Going Concern	The assumption that an entity will continue its operations for the foreseeable future without liquidation
Material Uncertainty	Conditions that may cast significant doubt on an entity's ability to continue as a going concern
Classified Assets	Loans categorized as SMA or non-performing under regulatory guidelines
Interest Suspense	Interest income not recognized due to asset classification
Capital Adequacy	The sufficiency of capital to absorb losses and protect depositors
Liquidity Risk	The risk of inability to meet short-term financial obligations

Chapter 1 : Overview of Internship Program

1.1 Student Information

Name	:	Shahana Akter
Student ID	:	21104107
Department	:	BRAC Business School
Program	:	Bachelor of Business Administration [BBA]
Major	:	Accounting
Minor	:	Supply Chain Management

1.2 Internship Program Details

1.2.1 Internship Details :

Internship Duration	:	3 months [13^{th} July 2025 - 13^{th} October 2025]
Internship Type	:	Mandatory Internship for Completion of the BBA Program
Organisation Name	:	Union Capital Limited [UCL]
Organisation Type	:	Non-Bank Financial Institution [NBFI]
Department	:	Finance & Audit Department
Address	:	BTI Landmark, Level-8, Plot-16, Gulshan Avenue, Gulshan-1, Dhaka-1212, Bangladesh

1.2.2 On-Site Supervisor's Information :

Name	:	Mohammad Balayet Hossain
Designation	:	Senior Vice President & Chief Financial Officer

1.2.3 Job Responsibilities

At UCL, as an internee in the Finance and Accounts department, I was mainly assigned with clients' payments transactions verification, receipt recording, voucher preparations and cheque management as my daily work responsibilities.

The organization's clients' payments transactions verification, being my primary responsibility, begins with reviewing regional managers' (RMs) emails concerning monthly and quarterly installment collections. Information contained in the emails are cross-checked with its attached bank deposit receipts of clients' installments to ensure consistency across the important details such as clients' names, agreement numbers (unique identifier set by UCL to distinguish their customers), amounts received and deposit dates. RMs' emails are also thoroughly checked to know the nature of the client installment, i.e. whether the amount received should be recorded as rental or part rental payment. In the case where any of the aforementioned information is missing or deposit receipts are unclear, I was responsible for obtaining corrected updates from the respective RM before any further processes. The supporting bank deposit slips are then crosschecked with bank statements. Details like bank name, cheque number, deposit date, branch code, and branch name are expected to be the same across both deposit slips and bank statements. In the case where client payments are notified by the RMs but are not found in the corresponding bank statements, the deposit slips are temporarily classified as "unidentified". Whereas, unnotified deposits in UCL's bank accounts are flagged and subsequently communicated to the Treasury department and the respective RMs for clarification.

My followup task was to record the approved and verified transactions' receipts in UCL's core financial information system, "Fintelligent". Each transaction is to be entered in its respective receipt ledger, i.e. cash receipts are recorded in "Money Receipt" module while cheque receipts in "Cheque Receipt" module. This is to ensure that each transaction is properly categorized before posting all to the general ledger. For client installments received in cash receipts, receipts are recorded by inputting client's agreement number, payment type, amount, money received date, and transaction method [e.g., Fund Transfer/RTGS]. Meanwhile, the aforementioned details are entered along with cheque number, cheque date, issuing bank, and location [e.g.; inside/outside Dhaka, inside/outside Chittagong etc.]. For the clients who prefer paying their installments through cheques, directly sent to UCL instead of issuing it to the bank, the Finance and Accounts department is responsible to prepare deposit slips and forward them to the bank. Hence, I was also assigned to carry this task on behalf of my department and ensured the cheques were deposited on time.

To ensure accuracy and consistency across all records, receipts ledgers, once updated in "Fintelligent", are forwarded to the Assistant Manager and Manager of the department for review and approval. With my superiors' approval, I was responsible to move to the next step, which is to update the daily collection summary, named "Daily Report". It is an Excel-based file, consisting of total daily identified and unidentified installments through both cash and cheques. This file is regularly updated and forwarded to the senior management, including UCL's Managing Director (MD), Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

Clients' payment transactions process ends with voucher preparation using "Fintelligent". Voucher preparation involves selecting the approved transactions recorded priorly in the receipt modules, entering the corresponding bank account's number, entering the amount debited in the bank and adding a detailed reference [e.g., Payment method, Date Received, Bank Branch Code, Client's name]. Once vouchers are prepared, these are sent for managerial verification and approval at the end of the working days.

Additionally, my main responsibilities included handling UCL's post-dated cheques [PDC]. A day prior to maturity dates, PDCs are required to be sent to the bank for submission. Accordingly, internal records for such cheques and the "Daily Report" are updated with the cheque deposit status, i.e. whether cheque honoured or dishonored. Subsequently, dishonored cheques were filed in a separate folder once returned from the bank. In special cases such as long-term or potential defaulters, all future PDCs are deposited together in the bank in order to clarify its installment classification, i.e. irrecoverable debts, and further, the bank's statement regarding dishonourment are taken as supporting data for potential legal documentation.

Occasionally, I assisted my superiors with miscellaneous expense by rigorously sifting through the supporting documents such as purchase receipts, memos and other relevant records. Then I entered them in an Excel-based file, followed by using "Fintelligent" for voucher creation. I was also tasked with transferring monthly ledgers from "Fintelligent" software to the appropriate Excel-based ledger files. I also helped with printing cheques for authorized transactions. Although I was not formally a part of the Audit team of UCL, I was entrusted with cross-checking the organization's Auditor's Report against Union Capital Group's drafted annual report for the year 2024, prior to publication.

1.3 Internship Outcome

1.3.1 Student's Contribution to the Organisation

My internship started with a formal introductory session followed by a structured mentoring period of approximately four to five weeks. This mentoring session is designed to help new interns gain familiarity with UCL's information system, "Fintelligent", as well as grasp the department's operational workflow. This is necessitated because most tasks involve many interlinked processes and approval stages. By the end of the tutorial session, I acquired a good understanding of my work environment and job responsibilities, hence, was able to to work under minimal supervision.

By the end of my internship, I was able to support the onboarding of a newly recruited internee in my department. I helped with providing a step-by-step guide regarding the departmental workflow, navigation of "Fintelligent" software and maintenance of Excel-based reports. I also assisted in clarifying the documentation processes such voucher preparation and ensured my guidance was consistent with that of our supervisor's instructions. The outcome of my contribution was a shortened mentorship period of approximately two to three weeks and strengthened my own understanding of the procedures, increasing my work efficiency, accuracy and confidence.

I have also ensured to execute my responsibilities in a timely manner and handled them and any non-routine or unexpected situations as reliably as possible. For example, I was able to support my department during system interruption by updating records daily and continuing documentation despite limited access to vital tools. I was also able to learn to correctly identify payment classifications, i.e. rental or part-rental, through navigation of agreement-related documents within the "Fintelligent" software, that required internal reference codes to search them. Under supervisory guidance, I was able to use this method and reduce delays in recording and helped minimize follow-up inquiries.

1.3.2 Benefits of the Internship Program
My internship at UCL has met the expectations of being able to :

- ☑ Apply accountancy knowledge in an actual accounting environment [e.g., how to record incomes and bad debts];
- ☑ Strengthen organizational knowledge [e.g., how NBFIs operate];
- ☑ Increase communication skill [e.g., properly reporting to my supervisor and other superiors during unexpected system outages]; and
- ☑ Improve time management skills [e.g., ensuring PDCs are sent for deposit on time and vouchers are prepared on the same day as the payment received].

I was also briefly introduced to tax voucher preparation [such as TDS, VAT, Tax vouchers], monthly ledger management and financial statement extraction from "Fintelligent", such as income statement, trial balance, balance sheet etc. These brief introductions enhanced my practical knowledge and skills in these areas. For example, cross-checking is a major part of every task in such corporations and I was able to detect anomalies like unusual client payment while handing in a monthly ledger update.

Furthermore, I was introduced and gained familiarity with liquidity management and budgeting practices of UCL, which included the preparation of Structural Liquidity Statements, Cash Reserve Ratio (CRR) statements, and Statutory Liquidity Ratio (SLR) and their submissions in accordance with Bangladesh Bank guidelines. UCL had also given me the opportunity to attend their ongoing workshop related to their planned transition from “Fintelligent” to “Core Banking System” (CBS). This helped me grasp onto system upgrades and operational modernization and their necessities within NBFIs. The internship helped me with understanding the role of technology and information systems in accounting and in NBFIs.

1.3.3 Challenges Encountered During the Internship
I have encountered a few challenges during my internship at UCL, which mostly were foreseeable. As per UCL’s expectations, initially it was difficult to understand the navigation of “Fintelligent” software. However, UCL’s tutorial session helped me to dial down the time I initially took to complete my tasks and increase my attention to details, especially when locating agreement-wise files that required one to be familiar with internal reference codes. Moreover, unexpected system-related constraints or issues affected real-time processing, which resulted in requiring manually monitoring transaction continuity and accuracy. And in situations where workload had increased, routine processes were difficult to maintain on time such as voucher creations, necessitating adjustments in the reports the very next working day. Furthermore, unintentional errors, such as misclassification of payment nature, needed IT department’s intervention for correction. This resulted in extra procedural steps in maintaining daily records and reports.

Despite the challenges I faced, my department and the accounting team maintained clear and effective communication and provided me with continuous guidance. With the help of my team and supervisor, I was able to handle the workload pressures, adapt to certain changes and communicate as effectively and clearly as possible within a professional environment.

1.3.4 Recommendations for the Organisation Regarding Future Internship Programs
According to my internship experience, the current internship structure of UCL is well-organized. The mentorship program with the intention to encourage new interns to gradually familiarize themselves with their job responsibilities and perhaps introduction to

new technical procedures is quite a thoughtful and well-planned idea of the company. This approach helps support the company's productivity and departmental unity.

As a possible area of improvement, introducing interns briefly and allowing them to participate in related departments, such as Audit, Treasury, and Credit Risk Management departments, would strengthen their organizational understanding. For instance, basic internal control procedures within the audit team, cash-flow and liquidity monitoring in the treasury department and client risk profiles review process by the credit risk management team. Additionally, assigning analytical tasks, for example, analyzing variances between budget and actual revenue and expenses under supervisory guidance, could increase interns' analytical thinking skills beyond usual responsibilities.

Chapter 2 : Organisational Overview

2.1 Introduction

2.1.1 Scope of the Study

The scope of this chapter is confined to UCL, the parent company of Union Capital Group, with the aim to present its organizational and managerial practices, along with financial, marketing and operational framework.

2.1.2 Research Objectives

The objectives of this chapter are as follows :

- ➢ To understand the company's organizational structure;
- ➢ To analyze the company's management and marketing practices;
- ➢ To assess the company's financial performance; and
- ➢ To find the company's competitive position using SWOT analysis and Porter's Five Forces framework

2.1.3 Research Methodology

The methodology of this chapter is secondary research. First and foremost source used is UCL's annual report of the year 2024.The financial performance analysis is executable due to the information publicly available in audited financial statements. As per compliance standards, guidelines issued by Bangladesh Bank and Bangladesh Securities and Exchange Commission (BSEC) are also referred to where appropriate. Secondary sources also include textbooks and other credible online articles.

2.1.4 Significance of the Research

The significance of this research is in its contribution to a thorough understanding of NBFIs' operations within the financial and regulatory environment of Bangladesh. This research aims to link the connection between textbook information and real-world operations carried out by NBFIs as it highlights the financial reporting practices, compliance obligations, performance evaluation methods and risk considerations in the context of Bangladesh NBFI industry. This can also contribute to the ongoing academic development in the accounting field of study.

2.1.5 Limitations of the Research

The research methodology is solely secondary research based due to the nature of the internship. The short duration of the internship imposed limitations on time spent on operational observations and regulatory developments. Hence, the research primarily comprises data obtained from publicly available financial reports and regulatory guideline circulars. Rapid changes in the market conditions may affect the degree of relevance this study has over time. The nature of the internship has also limited the organizational knowledge since only actual insight was gained from the Finance and Accounts department. Insufficient first-hand experience acquired in other departments and their strategic decision-making processes and in-depth risk management practices since interactions were at a very minimal level. Lastly, the core management information system, “Fintelligent”, may not be used in other NBFIs, leading to less relevance of this research.

2.2 Overview of the Organization : Union Capital Limited

2.2.1 Introduction to Union Capital Limited

Union Capital Limited (UCL), a non-bank financial institution, was established in August 1998, obtaining its NBFI license by Bangladesh Bank under the Financial Institutions Act, 1993 (Union Capital Limited, 2024). In 2007, UCL went public through Initial Public

Offering (IPO), listed on both the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) and is under the regulation of Bangladesh Bank and BSEC (Union Capital Limited, 2024). The NBFI has secured geographic coverage through a network of branches across the country, located in Dhaka, Chattogram, Sylhet and Bogura. UCL, being the parent company of Union Capital Group, is able to conduct its services through its subsidiaries, UniCap Securities Limited and UniCap Investments Limited, in brokerage, merchant banking and investment management service markets. This group structure enables UCL to achieve a diversified income stream and reduce risk across the financial services sectors.

2.2.3 Union Capital Limited’s Fundamentals : Vision, Mission and Core Values

Vision

UCL envisions becoming a sustainable and leading NBFI through integrated and diversified financial services, guided by well-established principles, ethics, and good governance. This vision heavily emphasizes the importance of creating long-lasting value for shareholders, clients, employees, the community, and the environment. As outlined in UCL’s Chairman’s and Managing Director’s statements, the NBFI envisions strengthening its position in the financial service industry and contributing to national economic growth meaningfully through continuous advancements, responsible risk-taking and operational excellence (Union Capital Limited, 2024).

Mission

UCL’s missions include :

- ➔ Becoming customer-centric organization
- ➔ Creating a holistic organizational culture
- ➔ Creating spaces for innovation
- ➔ Investing behind service quality enhancement
- ➔ Rigorously ensuring ethical conduct
- ➔ Prudentially carrying out financial management
- ➔ Establishing good operational discipline

All with the goal to support the company’s vision for long-term stability and sustainable growth (Union Capital Limited, 2024).

Core Values

UCL is committed to a set of core values that represents its cultural values, business conduct and governance practices. For UCL, integrity and ethical conduct through fairness and responsible decision-making is the stepping stone for every organizational activity. UCL strongly believes building effective and long-term relationships with stakeholders, including clients, investors, and fund providers, will contribute to the sustainable development of the NBFI (Union Capital Limited, 2024). Furthermore, UCL’s collaborative work culture promotes professional excellence through high standards of financial service quality, competency and continuous advancements. UCL also believes in the necessity of timely and accurate disclosure of information to stakeholders because it promotes transparency and accountability (Union Capital Limited, 2024).

2.2.4 Services

UCL offers fund-based and fee-based financial services, addressing the investment and financing expectations of its different client bases. UCL’s client base includes corporate, small and medium enterprises (SME), retail, and investor segments (Union Capital Limited, 2024).

- ➢ **Fund-Based Services**

Lease finance, term finance, SME finance, real estate finance, hire purchase, and bridge finance are the fund-based services offered by UCL. These services generate interest income and are subject to rigorous credit appraisal, monitoring, and recovery processes in line with internal policies and regulatory requirements.

- **Fee-Based Services**

Securities market and advisory services, such as
Issue management, underwriting, portfolio management, share trading, margin loans are offered in the securities market, as well as corporate advisory services provided through UCL's subsidiaries. These contribute to non-interest income and reduce UCL's dependence on any traditional lending activity.

- **Deposit Schemes**

Diversified deposit schemes are offered by UCL, such as term deposit schemes, monthly income deposit schemes, double and triple money schemes, and monthly savings schemes, which provide stable funding sources and comply with Bangladesh Bank guidelines.

2.3 Management Practices

As outlined in the Annual Report 2024 of UCL, the company's management framework affiliates board-level oversight, executive management and control functions to promote disciplined responsible decision making and accountability. UCL's management practices highlight alignment with Bangladesh Bank and BSEC requirements through proper internal control, risk management, regulatory reporting and executing strategic objectives through business operations.

2.3.1 Leadership Style

Figure 1: Framework of Management & Governance of Union Capital Limited (Adapted from Union Capital Limited Annual Report 2024)

As shown in figure 1, UCL's management framework demonstrates a clear hierarchy from the Board of Directors (BoD) to oversee business operations and management, supported by board committees, including the Audit Committee, Risk Management Committee, and Executive Committee. The BoD oversees and directs UCL in strategic decision making and the board committees oversee the steps taken to comply with regulatory compliance, financial reporting techniques, internal controls and risk governance. Executives are responsible for implementing board-approved blueprint and directing daily operations within the established governance structure. UCL's 2024's annual report highlights the BoD's ongoing involvement in monitoring regulatory compliance and transparency, promoting a leadership approach that balances structural oversight with prudent operational management (Union Capital Limited, 2024).

2.3.2 Human Resources Planning Process

UCL's HR planning process emphasizes focus on effective workforce planning, regulatory compliance, and training and development. The effectiveness of the HR department leads to an appropriate staffing structure of the company which supports operational requirements and regulatory obligations. The HR team ensures proper attention is also given to employee retention and succession planning for continuity in functional and control areas.

2.3.3 Recruitment and Selection

The recruitment and selection practices of UCL involves external hiring, in the context of organizational needs. Selection is based on the candidate's merit and competency considerations, with high emphasis on educational qualifications and professional experience. This approach helps support UCL's governance culture and align with regulatory expectations.

2.3.4 Compensation Policy

UCL's compensation approach involves performance-based incentives that are used to encourage employee motivation while maintaining cost discipline.

2.3.5 Training and Development Initiatives

Training and development initiatives typically comprises regulatory compliance-related training, risk management awareness programs, and employees' skills enhancement. For instance, interns are introduced gradually to their job responsibilities through mentorship, also familiarized with technology and increasing technical skills such as excel, power point, word, outlook etc. usages. Moreover, UCL offers training sessions to its employees for the planned transition from "Fintelligent" software to CBS software, which highlights the commitment of the NBFI to innovation and workforce development.

2.3.6 Performance Appraisal System

Predefined key performance indicators (KPI) is used as the appraisal system of UCL's employees' performance. This is to ensure the working teams are aligning their tasks with departmental objectives and regulatory standards.

2.4 Marketing Practices

With the aim to build long-term client relationships and maintain credibility within the financial services market, UCL focuses on personalized marketing practices and reputation management.

2.4.1 Marketing Strategy

relationship-based marketing approach, placing priority on retaining existing clients while cautiously expanding its customer base. The strategy prioritizes reliability, professional service delivery, and customized financial solutions, particularly for corporate and SME clients. This approach is consistent with UCL's focus on long-term client engagement and prudent risk management, as reflected in its product portfolio and relationship management practices (Union Capital Limited, 2024)

2.4.2 Market Segmentation
1. Corporates
2. SMEs
3. Individuals
4. Investors (e.g., to invest in institutional and capital market)

2.4.3 Targeted Audience
1. Corporates
2. SMEs
3. Individual depositors
4. Retail borrowers
5. Investors (e.g., to invest in institutional and capital market)

2.4.4 Positioning Strategy
For corporate and SME clients, UCL has customized its service offerings, including leasing, term finance, working capital finance, agricultural finance, personal loans etc. (Union Capital Limited, 2024). And deposit schemes such as fixed deposits, marriage or education plan deposits, income plans etc. are customized for individual clients. UCL offers its diversified services to its client base through its subsidiaries as well. UCL offers underwriting, brokerage, portfolio and issue management services through its subsidiaries.

2.4.5 Marketing Channels and Promotional Strategies
UCL's communication channels and public engagement takes place through its official website (unicap-bd.com), LinkedIn page and Social media channels (e.g., Facebook, Youtube etc.). Through its website, UCL lists its service offerings, branch locations, stakeholders information and financial reports. The website also serves as its digital marketing platform for announcements, disclosures and investment opportunities. Through its LinkedIn page and other social media platforms like Facebook etc, UCL communicates with its clients, existing and potential, about its ongoing activities such as corporate updates (e.g., AGM 2024), financial literacy initiatives etc. Additionally, offline marketing strategy includes networking through UCL's branches across the country and its subsidiaries, which increases clients' accessibility to the company.

2.4.6 Market Competition Practices
Capital market intermediaries, banks and other NBFIs are the contenders in the financial industry. UCL ensures competitiveness is retained through quality enhancement, relationship management, regulatory compliance, product and service diversification, and pricing strategies.

2.4.7 Key Marketing Challenges and Gaps
In the year 2024, UCL has faced liquidity pressures and market volatility, leading to reduced investors' confidence. This increases the intensity of the market competition in the NBFI industry. Reduced investors' confidence may lead to decreased investment funds which will result in slow service quality enhancement and customization. UCL could be subject to customer acquisition difficulties. UCL would then need to emphasize more on client relationship management to increase its credibility.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance

A net loss of worth Tk. 2,070.01 million was reported by UCL in the year 2024, which resulted in negative earnings per share (EPS), Tk. (11.99), and client deposits stood at Tk. 7,982.28 million (Union Capital Limited, 2024). This led to liquidity constraints, increased provisioning requirements, and lowered group investments. These affected the profitability of the company and emphasized the pressure on asset quality by higher loan classification and provisioning. An extensive ratio analysis is conducted below.

- **Ratio Analysis :**

A. Liquidity Ratio

Year	Current Ratio	Quick Ratio	Cash Ratio	Defensive Interval Ratio (days)
2020	1.02	0.78	0.19	32
2021	1.01	0.74	0.16	29
2022	0.61	0.38	0.07	15
2023	0.54	0.33	0.06	13
2024	0.52	0.35	0.08	16

Table 1: Liquidity Ratios of Union Capital Limited over the period of five years (2020-2024)

Current Ratio :

The current ratio initially was slightly above the benchmark of 1:1, followed by a rapid decline from the year 2022 onwards. With 2024's current ratio being 0.52:1, it is clearly indicated that the company's current liabilities surpassed its current assets, highlighting weakened short-term solvency.

Quick Ratio :

From 2020-2021, the quick ratio of UCL was slightly lower than the benchmark 1:1. From 2022 onwards, it decreased from rapidly to 0.38 and is currently 0.35:1. This indicates that the firm acquires cash and cash equivalents at a very low level in comparison to its short-term obligations.

Cash Ratio :

Throughout the five-year period, UCL's cash ratio remained low, reaching 0.08 in the year 2024. This can be interpreted as low cash available to cover current liabilities. UCL's management disclosures do highlight the constrained deposit inflows and access to fresh funding during this year (Union Capital Limited, 2024).

Defensive Interval Ratio :

The defensive interval ratio has rapidly decreased as well over the period of five years. Since it remained at critically low levels, this could mean that the company can carry daily operating expenditures for a short period using liquid assets, excluding additional inflows.

B. SOLVENCY RATIOS

Year	Debt-to-Assets	Debt-to-Equity	Financial Leverage
2020	0.91	10.5	11.5
2021	0.98	46.2	47.2
2022	1.08	(12.6)	(11.6)

2023	1.29	(3.4)	(2.4)
2024	1.36	(2.7)	(1.7)

Table 2: Debt and Leverage Ratios of Union Capital Limited over the period of five years (2020-2024)

Debt-to-Assets Ratio :

At the standalone level, UCL's debt-to-assets ratio has rapidly increased from 1.08 (2022) to 1.36 (2024). This shows that the firm is highly dependent on borrowed funds and degenerating capital support.

Debt-to-Equity Ratio :

UCL's debt-to-equity ratio sharply increased from 10.5 to 46.2 from the year 2020 to 2021. Then it declined rapidly from 46.2 to (2.7), from the year 2021 to 2024. This sharp escalation indicates that cumulative losses led to equity declination. This negative equity loses interpretive meaning.

Financial Leverage Ratio :

UCL's leverage ratio declined rapidly from 47.2 to (1.7), from the year 2021 to 2024. This is a subsequent result of equity erosion. Initially increasing abnormally then declining sharply as well reflects extreme balance-sheet fragility. This ratio signifies capital impairment and high solvency risk (Penman, 2012).

Year	Interest Coverage	Fixed-Charge Coverage
2020	(0.06)	(0.05)
2021	(0.11)	(0.09)
2022	(0.28)	(0.24)
2023	(0.31)	(0.27)
2024	(0.58)	(0.51)

Table 3: Coverage Ratios of Union Capital Limited over the period of five years (2020-2024)

Interest Coverage and Fixed-Charge Coverage :

The interest coverage ratio of UCL declined from (0.06) to (0.58) from 2020 to 2024. Throughout the period, it stayed negative. This can be attributed to insufficient operating earnings and lowered capability to meet obligations. UCL's fixed-charge coverage has a similar pattern, declining from(0.05) to (0.51) over the five year period. This implies concerns regarding debt-servicing capacity.

C. PROFITABILITY RATIOS

Year	Operating Margin	Pretax Margin	Net Margin
2020	(0.07)	(0.19)	(0.24)
2021	(0.15)	(0.97)	(1.02)
2022	(0.42)	(2.15)	(2.18)
2023	(0.49)	(6.82)	(6.85)
2024	(1.21)	(4.10)	(4.15)

Table 4: Profitability Ratios of Union Capital Limited over the period of five years (2020-2024)

Operating Margin :
Negative operating margin throughout the given period indicates operating inefficiency. Operation inefficiency is resulted due to insufficient operating revenues to absorb exceeding operating expenses. The gradual deterioration of operating efficiency shows low income from financing activities.
Pretax Margin :
Negative pretax margins abnormally deteriorating from (0.19) to (6.82) from 2020 to 2023 points to high interest expenses, provisioning and credit losses. Although recovery is seen in the year 2023 as pretax margin increases from (6.82) to (4.10), however, it is still negative.
Net Margin :
UCL's net margin also remained negative over the period of 2020 to 2023 and showed progress in the year 2024. However, it also remained negative throughout. Minimal difference is seen between pretax and net margins, which indicates that operational losses were driven by financial stresses and taxation had negligible impact on the results. And persistent negative net margins repressed retained earnings, leading to equity erosion.

Year	Operating ROA	ROA	ROE
2020	(0.01)	(0.02)	(0.28)
2021	(0.01)	(0.06)	(2.41)
2022	(0.02)	(0.10)	NM*
2023	(0.02)	(0.31)	NM
2024	(0.03)	(0.12)	NM

Table 5: Return Measures of Union Capital Limited over the period of five years (2020-2024)
***NM = Not Meaningful**

Operating Return on Assets (Operating ROA) :
Operating Return on Assets of UCL was negative over the course of five years. This happens when the core operating activities fail to create positive returns from the company;s asset base. This also leads to the interpretation that the company is not able to rebuild capital internally, thereby increasing going-concern risk in the situation where external recapitalization is absent.
Return on Assets (ROA) :
Persistent negative ROA also indicates inability to generate positive returns or enough returns to support financial stability. The inefficient asset utilization leads to dependency on external support.
Return on Equity (ROE) :
In the years 2020-2021, the ROE was negative. From 2022 onwards, ROE is interpreted as "not meaningful" because it remained negative, losing its value economically. Severe capital impairment and the need for recapitalization for solvency restoration is interpreted by the negative equity.

D. ACTIVITY RATIOS

Year	Total Asset Turnover
2020	0.10
2021	0.07
2022	0.05
2023	0.04
2024	0.03

Table 6: Total Asset Turnover of Union Capital Limited over the period of five years (2020-2024)

Total Asset Turnover :

UCL's total asset turnover has steadily lowered down from 0.10 to 0.03 from 2020 to 2024. This steady decline emphasizes the company's reduced ability to generate operating income from its asset base. This low operating income generation could be due to subdued lending activities, contraction in new disbursements, and high levels of non-earning assets.

2.5.2 Accounting Practices

The financial statements of UCL are prepared using the guidelines provided by Bangladesh Financial Reporting Standards (BFRS), Bangladesh Bank guidelines, BSEC requirements, and applicable laws including the Companies Act, 1994 (Union Capital Limited, 2024). Accrual basis, effective interest rate method for income recognition, straight line method for property, plant, and equipment's depreciation and Expected Credit Loss (ECL) provisioning is recognized in line with applicable accounting standards. According to IAS 21, foreign currency transactions are translated. UCL publishes its annual reports on a consolidated basis, highlighting the core entity and its subsidiaries' financial positions.

2.6 Operations Management and Information System Practices

2.6.1 Operations Management Practices

UCL's operations are centrally controlled, assigning distinguished duties across credit risk assessment, credit administration, and recovery. This helps the internal control team to handle tasks in a more efficient manner. The operations management framework of UCL holds strong emphasis on preserving asset quality, controlling risk, meeting regulatory requirements and executing daily performance with strategic objectives.

2.6.2 Information System Practices

Commonly, corporates maintain a centralized information system to support data processing and storing, UCL does so to facilitate internal monitoring, regulatory reporting and decision-making in an effective and efficient way. "Fintelligent", an information management software, is used to store daily financial information and to prepare financial statements for reporting purposes. Other softwares like Microsoft Excel, Word, PowerPoint,Outlook etc. are used to support day-to-day communication and reporting tasks. Further, UCL emphasizes the need to upgrade their existing information system to decrease current time consumptions, improve accuracy and minimize system outages.

2.7 Industrial Competitive Analysis

2.7.1 Porter's 5 Forces Analysis

	Porter's Five Forces	Analysis	Reason
1	Threat of New Entrants	Moderate	The NBFI industry has significant regulatory barriers, requiring approval from Bangladesh Bank, compliance with the Financial Institutions Act, 1993 and a minimum capital adequacy. Hence, any casual entry is impossible. However, banks can start opting SME financing, leasing etc., which leads to increased competition in the context of service pricing strategy, service quality and marketing strategy. While new NBFIs cannot enter the market easily, banks can acquire investors' interests.
2	Bargaining Power of Customers	High	Corporates, SMEs, any high-net worth investor can possess strong bargaining power since other NBFIs, commercial banks, and capital market intermediaries exist who offer the same services at competitive pricing levels. Constrained liquidity, competitive interest rates due to inflation, market volatility gives the chance to bargain pricing, repayment terms, and service conditions.
3	Bargaining Power of Suppliers	Moderate	Depositors, lenders, other investors etc. may influence funding cost during liquidity constrainment. Suppliers have the option to switch from NBFIs to banks. On the other hand, regulatory supervision and market competition limits their influences, shifting the power more to the NBFIs, in this case UCL.
4	Threat of Substitutes	High	Commercial banks offer the same leasing, deposit schemes etc at a lower interest rates.Capital market instruments, microfinance organizations and fin-tech bases lending institutions offer personalized financial services to the same customer base of UCL. Hence, substitutional pressure increases the need to improve service quality and client relations.
5	Competitive Rivalry	Intense	There is a limited number of qualified borrowers. Since banks have also extended their services to SME and corporate financing, UCL faces pressure regarding pricing strategies, credit risk management, service innovation and efficiency. Market volatility and regulatory oversight also increases the competition in the financial industry.

2.7.2 SWOT Analysis

Strengths	Weaknesses
• **High operating confidence due to long history :** Offering services since 1998, gaining industry experience and building relationships with regulators, clients, and counterparties, and acquiring credibility among stakeholders. • **Acquires a diversified service portfolio :** UCL offers diversified fund-based and fee-based services, By offering financial services and deposit schemes, UCL reduces its overdependence on a single income source,	• **Liquidity constraint:** According to UCL's annual report 2023, the firm has experienced liquidity constraints. This affects any further new investment decisions and becomes an obstacle to growth opportunities, mostly during high demands for credits. • **Asset quality challenges :** There has been a higher non-performing loans (NPLs) and provisioning requirements in the recent year (Union Capital Limited, Annual Report, 2024). Deterioration in asset quality

mitigating investment risk across the diversified client segments.

- **Good regulatory and governance structure :** Being under the supervision of Bangladesh Bank and BSEC, stakeholders' confidence increases regarding the company's internal control and transparency.

affects profitability and capital worth and requires attention towards recovery and risk reduction.

Opportunities	Threats

Opportunities

- **Market recovery potential :** Investment sentiment and credit demand could be improved by gradual stabilization of the financial sector and capital market. UCL can then improve its fee-based income through capital market-related services and strengthen its loan portfolio.
- **Strategic partnerships and service remodeling:** There is an opportunity to collaborate with banks, development agencies and fintech companies in an effort to expand SME financing, structured finance and digital financial services. Such collaborations and strategic partnership can allow UCL to have easier access to funding and increase its operational efficiency.

Threats

- **Market volatility :** The ever changing capital and money markets pose risks to investment income and subsidiary operations. Sudden downturns may reduce brokerage income, diminish the value of portfolios and pull back active investors.
- **Regulatory tightening :** The NBFI sector is experiencing greater regulatory controls through an incremental provisioning and high capital adequacy requirements. Although these regulatory measures increase the stability of the entire sector, they can increase compliance costs and have a downward effect on profitability in the short and mid run.

2.8 Summary

The vision, mission and core values of the parent company, UCL, place strong emphasis on ethical conduct, customer-centric approach, regulatory compliant actions, consistency in transparency and continuous operational advancements. The company aims to deliver customized and sustainable financial services, fund-based , fee-based and deposit schemes, to their diversified customer base. Following a structured governance-driven leadership model, UCL is supervised by Bangladesh Bank and BSEC concerning its operations and business strategies. To adhere to regulatory compliance, UCL ensures qualified employees are recruited through a properly planned selection process. To retain existing customers and attract potential clients, UCL utilizes online and offline marketing processes to reach out to its targeted audience regarding their continuous service innovations and offerings. The company upholds compliance to BFRS, applicable regulatory guidelines and relevant legislations and thus providing consistency and transparency in its financial reporting. A financial performance analysis of UCL reveals that the organization is encountering issues related to profitability, liquidity, and capital adequacy. According to Porter's Five Forces Framework analysis, it is evident that UCL competes in a highly competitive business environment where there is a high level of competition, high level of customer bargaining power, low supplier bargaining power, and high threat of substitutes. Despite the significant experience, UCL has a limited competitive advantage due to liquidity pressure and declining asset quality compared to its tougher peers.

2.9 Recommendation

- Given the liquidity sensitivity and high competition, UCL should heavily put effort on service quality enhancement, service reliability and enhance promotional techniques.
- Training and development programs should include credit risk management initiatives, recovery procedures and regulatory reporting to increase organizational knowledge and increase internal capability to demonstrate good business performance.
- The company should continue to keep close engagement with regulatory updates and industry trends, ensuring that governance practices, risk management strategies and business execution remain consistent with the evolving regulatory requirements of Bangladesh Bank and BSEC requirements.

Chapter 3 : Financial Performance and Going-Concern Evaluation of Union Capital Group

3.1 Introduction

The goal of this chapter is to assess the consolidated financial performance of UCL including its subsidiaries UniCap Securities Limited and UniCap Investments Limited. The analysis uses five-year consolidated financial statements (2020-2024) to understand trends of performance, detect signs of financial distress, as well as adequacy of going concern assessments and disclosures.

3.1.1 Background

The NBFI sector in Bangladesh has experienced increased stress over the past few years with liquidity constraints, depositor confidence fluctuation and increasing credit losses. For regulated financial institutions, capital erosion and liquidity weakness is an especially problematic issue, as it can trigger supervisory concern regardless of whether there is any immediate risk of liquidation. Given the situation, UCL's consolidated financial position shows losses and negative equity which is not well captured by conventional profitability analysis alone. Accordingly, performance assessment must therefore include solvency, capital impairment, liquidity-sensitivity and prudential- regulatory aspects, as well as a formal going concern assessment in accordance with BFRS IAS 1.

3.1.2 Problem Statement

Shareholders, depositors, creditors, regulators, employees and competitors represent the group of financial-statement users, whose opinions of the reports of audited financial statements are necessary to assess whether an institution would continue its operations. When financial statements show continuous net losses, negative equity, and high levels of stress in the portfolio, the confidence among stakeholders decreases in respect of (i) the recoverability of assets, (ii) funding continuity, and (iii) the credibility of the assumptions of management's going concern.

Under BFRS IAS 1, management is required to evaluate the organization's ability to continue in business according to going-concern principle and disclosure of material uncertainties in case events arise that may raise significant doubt on the ability. For regulated financial institutions, this assessment interacts with the prudential requirements as Bangladesh Bank has CAMD-based expectations relating to capital and liquidity, as the short term results of profitability may not justify the situation but the issues arising from impairment of capital or stress in liquidity may require supervisory intervention irrespective of the outcome.

3.1.3 Research Questions

This study seeks to answer the following research questions :

1. What are the implications of the five year consolidated trends (2020-2024) of Union Capital Group regarding the profitability, efficiency, liquidity structure, and solvency?
2. What are the financial ratios and indicators that offer the best indicators of financial distress and how do such indicators vary when viewed through the traditional ratio analysis and operating vs. financial lens?
3. Do the observed financial conditions call for the adoption of the BFRS IAS 1 threshold criteria for material uncertainty pertaining to going concern, and how should the latter be communicated through financial disclosures?

4. How does a Bangladesh Bank aligned prudential perspective (including CAMD, capital adequacy and market discipline) contribute in the evaluation of UCL's going - concern position as a listed NBFI?

3.1.4 Objectives of the Study

1. Analyze five-year consolidated trends in assets, loans, deposits, borrowings, equity, profit/loss and EPS.
2. Apply profitability, liquidity, solvency and activity ratios, along with valuation methods, where it is meaningful.
3. Interpret FY2024 performance first, followed by a full 2020–2024 trend evaluation to identify deterioration or improvement patterns.
4. Conduct a structured going-concern evaluation by identifying adverse conditions, assessing mitigating factors, and evaluating disclosure adequacy under BFRS IAS 1, together with auditor-reporting implications under BSA 570.

3.1.5 Significance of the Study

The significance of this chapter is in the translation of numerical data from financial statements into descriptive interpretations that aids decision-making process of stakeholders of NBFIs and other financial institutions. The analysis further adds the importance of going-concern evaluation risk assessment under established accounting, BFRS ISA 1, and auditing standards, BSA 570, along with ratio analysis, valuation and industry-specific analysis to increase the quality of decision making. This research uses analytical frameworks such as Penman's profitability drivers and operating-versus-financing separation.

3.1.6 Scope of the Study

The evaluation is based on a consolidated basis and consistent with the presentation of the Group's financial position and performance in the published annual reports. It covers a five-year period from the year 2020 to 2024, allowing assessment of patterns and current conditions through ratio analysis and a going-concern evaluation under BFRS IAS 1, along with prudential perspective aligned with Bangladesh Bank's CAMD framework. This chapter relies exclusively on published financial reports and disclosed information. The scope of the research does not cover loan-level classifications, collateral valuations or management cash-flow forecasts beyond what is available publicly.

3.1.7 Literature Review

Ratio analysis is widely used as a financial analysis tool that interprets financial statements' data into interpretable indicators. Liquidity ratios examine short-term payment capability, solvency ratios do long-term stability analysis, profitability ratios indicate the degree of returns generated from business resources, and activity ratios evaluate the efficiency of assets and liabilities utilization. However, the interpretation is highly dependent on contexts. Such as recurring loss and negative equity can distort conventional ratios, such as ROE, requiring cautious interpretation or else rendering them less meaningful. In such cases, it is suggested to focus on underlying economic drivers. Penman (2012) states that financial performance analysis is more informative when financial statements are conceptually separated into operating activities and financing activities. Under this framework, return on common equity (ROCE) can be derived into return on net operating assets (RNOA), financial leverage, and operating spread. This helps distinguish whether reported performance is driven by operating efficiency or by financing business structure and leverage effects. The literature suggests that leverage can amplify shareholder returns when operating performance is still weak, assuming masking the underlying economic deterioration. Hence, analysts should evaluate operating profitability and financing effects together when analyzing distressed firms.

BFRS IAS 1 requires management to prepare financial statements on a going-concern basis unless liquidation is unavoidable. From the perspective of assurance, BSA 570 provides guidance to auditors on evaluating management's going-concern assessment and determining whether a Material Uncertainty Related to Going Concern exists. The standard also governs how this uncertainty is reported in the auditor's report, shaping interpretation of financial stress and continuity risk. Further, regulated financial institutions in Bangladesh must be evaluated using Bangladesh Bank's CAMD disclosure framework, based on Basel II principles, which emphasizes capital adequacy, quality of asset, liquidity discipline and management efficiency. The literature highlights that capital impairment and liquidity weakness must carry supervisory implications. As a result, a comprehensive going-concern assessment is built on both accounting-based and prudential-capital considerations, recognizing the possibility for regulatory intervention.

3.1.8 Methodology

The research adopts a descriptive and analytical design based exclusively on secondary data. Certain financial ratios are less meaningful for NBFIs due to their balance-sheet structure and operating model. For example, activity ratios, which are based on inventory, and the cash conversion cycle are not directly applicable to companies that provide financial services like UCL. Accordingly, this research includes indicators, including capital erosion, funding stability , asset concentration, and asset-liability stress proxies, and uses standard formulas. In addition, under the conditions of financial distress, valuation ratios require cautious interpretation. When earnings become negative, the PE ratio is seen as baseless, and PB ratio is economically distorted. In these cases, valuation results are interpreted as indicators of market expectations regarding recovery and survival.

3.2 Findings and Analysis

3.2.1 Ratio Analysis :

A. **LIQUIDITY RATIOS**

Year	Current Ratio	Quick Ratio	Cash Ratio	Defensive Interval Ratio (days)
2020	1.00	0.76	0.18	30
2021	1.03	0.79	0.17	31
2022	0.26	0.17	0.05	9
2023	0.22	0.15	0.04	8
2024	0.21	0.16	0.05	10

Table 7: Liquidity Ratios of Union Capital Limited Group (Consolidated) over the period of five years (2020-2024)

Current Ratio :

The decrease of the current ratio is more understandable at the group level. The steep deterioration of the current ratio to an alarmingly low point, i.e. 0.21, implies that the management does not have enough economic resources in the short-term to pay off maturing obligations.The going-concern disclosure of the Annual Report 2024 says that the continuation of the business depends on the recovery of assets and liabilities restructuring, as well as interventions by the regulators (Union Capital Limited, Annual Report 2024)

Quick Ratio :

Considering the characteristics of a NBFI, with much of current assets in the form of loans and advances as opposed to immediately realizable cash, the ratio provides limited short-term liquidity accruals.

In the group level, the quick ratio is even smaller which means that liquid resources were less safe against the short-term shocks without assets realization or restructuring of liabilities. The fact that sub-benchmark quick ratios continued to persist in several years suggests that liquidity stress is not a short-term event, which justifies the going concern disclosure by the management that the sustainability of operations will require external assistance and internal recovery action

Cash Ratio :

The cash ratio at the level of consolidation had the same trend as the standalone level, which means that neither the Union Capital Limited nor the subsidiaries have enough immediately available liquid resources. The continued low cash ratio is an indicator of increased susceptibility to even small liquidity stress, and contributes to the anxieties about short-term liquidity resilience.

Defensive Interval Ratio :

The defensive interval was even lower at the consolidated level compared to the standalone position as there were greater operating cash outflows compared to the liquid resources. This implies a low ability to continue operating without constant cash flows and is in line with the focus of the auditor on the material uncertainties about the operating ability of the Group as a going concern (Union Capital Limited, Annual Report 2024).

B. SOLVENCY RATIOS

Year	Debt-to-Assets	Debt-to-Equity	Financial Leverage
2020	0.96	23.03	24.03
2021	1.04	(26.15)	906.73
2022	1.17	(7.04)	(9.81)
2023	1.55	(2.81)	(2.81)
2024	1.70	(2.42)	(1.60)

Table 8: Debt and Leverage Ratios of Union Capital Limited Group (Consolidated) over the period of five years (2020-2024)

Debt-to-Assets Ratio :

At the consolidated level, the ratio was above 1 since 2021 indicating that total liabilities were above the total assets, which is a clear indication of accounting insolvency. A debt to assets ratio higher than unity indicates the erosion of the asset base and implies that the creditors assume the remaining risk of the Group.

Debt-to-Equity Ratio :

The ratio at the consolidated level was negative indicating the deficit of shareholders equity. Negative equity implies a severe solvency risk and a severe undermining of the financial strength of the Group, making it reliant on recapitalization or regulatory forbearance.

Financial Leverage Ratio :

The financial leverage ratio was also high at the consolidated level indicating that the Group was highly dependent on borrowed funds. Even though the consolidation somewhat compensates the erosion of equity by balances in the form of subsidiaries, however, the ratio signifies a highly leveraged capital structure and the low ability to absorb losses at the Group level. High consolidated leverage marks additional operating losses and unfavorable funding terms. The high leverage increases the losses and limits strategic freedom, further supporting the existence of material uncertainty in the going concern.

Year	Interest Coverage	Fixed-Charge Coverage
2020	(0.08)	(0.07)
2021	(0.16)	(0.14)
2022	(0.33)	(0.29)
2023	(0.36)	(0.31)
2024	(0.63)	(0.56)

Table 9: Coverage Ratios of Union Capital Limited Group (Consolidated) over the period of five years (2020-2024)

Interest Coverage Ratio :
The consolidated level also showed negative values, although there was slight positive growth in 2024, which is a sign of decreased losses, rather than the strengthened ability to generate earnings. A negative interest coverage is a good sign of financial distress and it proves the current operations are not self-sustainable.

Fixed-Charge Coverage Ratio :
Union Capital Group also had a low level of fixed-charge coverage after lease obligations were taken into consideration. The default risk is also increased by the inability to meet fixed financial obligations.

Solvency Risk Assessment and Going-Concern Considerations (IAS 1/BSA 570/CAMD)
The solvency and coverage ratios are indicative of severe impairment of capital and structural financial distress when appraised together. The case of deep negative equity and continued losses are considered as important adverse conditions under BFRS IAS 1 that can create a significant uncertainty about the Group ability to remain a going concern.
According to the BSA 570, extreme leverage, poor coverage ratios, and depleted equity buffers are the circumstances that significantly undermine the solvency and liquidity, thus reinforcing the argument of material uncertainty as to going concern.
Within the CAMD-based prudential framework employed by Bangladesh Bank, there is long-term negative equity and low coverage ratios, which means that regulatory capital is eroded, and this raises supervisory anxiety and reduces the capacity to flex operations. Based on this, mitigation factors, including capital restoration, asset recovery, liability restructuring, or regulatory support, not normal operating performance is what allows continuation of operations.

C. PROFITABILITY RATIOS

Year	Operating Margin	Pretax Margin	Net Margin
2020	(0.09)	(0.27)	(0.34)
2021	(0.19)	(1.41)	(1.48)

2022	(0.50)	(3.27)	(3.33)
2023	(0.57)	(11.76)	(11.82)
2024	(1.52)	(5.80)	(5.86)

Table 10: Profitability Ratios of Union Capital Limited Group (Consolidated) over the period of five years (2020-2024)

Operating Margin :
UCG had an operating margin that was negative over the period of 202024 and has declined steadily between -0.09 in 2020 to -1.52 in 2024. This means that the Group could not make enough operating income to meet its basic operating expenses. The deteriorating trend indicates the decreased revenue generation, increased operating costs, and poor operating efficiency on the consolidated level, which implies that losses are inherent in the core business operations but not in the periphery ones.
Pretax Margin :
Pretax margin over the course of five years is quite lower than Operating margin at the beginning followed by recovering in 2024. The increasing disparity between operating and pretax margins indicates the excessive pressure of non-operating expenses, such as financing costs, provisions, and impairment losses. The high level of deterioration in 2023 suggests a high level of financial pressure due to leverage, asset quality, and high funding costs at the Group level.
Net Margin :
Net margins are very close to pretax margins, and they are negative throughout all years, with the last year at -11.82. The pretax and net margins are closely correlated which implies that the effect of taxes is not the main contributor to the losses. Rather, structural unprofitability, which is evident in the continuing negative net margin, impedes internal capital creation and increases the solvency and going-concern pressures at the consolidated level.

Year	Operating ROA	ROA	ROE
2020	(0.01)	(0.03)	(0.79)
2021	(0.01)	(0.08)	NM
2022	(0.02)	(0.12)	NM
2023	(0.02)	(0.37)	NM
2024	(0.03)	(0.13)	NM

Table 11: Return Measures of Union Capital Limited Group (Consolidated) over the period of five years (2020-2024)

Operating ROA :
Operating ROA continued to go down consistently during the period, which means that the core operating activities of the Group did not ensure positive returns of its asset base even without taking into account financing costs and taxation. The negative Operating ROA with a long period indicates that the Group is not operating with the ability to restore the capital

internally and, therefore, increases the risk of going-concern without external recapitalization or a significant change in the operating performance.

Return on Assets (ROA) :

ROA was negative in FY202024, and it worsened in FY2023 before recovering in FY2024. Although the loss magnitude in FY2024 is lower and thus shows that it is partially stabilized, the ROA is still materially negative, meaning that the asset base of the Group is not yet providing sustainable returns to the economy. IAS 1 provides that when ROA has been negative for a long period, it is an indicator that the entity does not have sufficient earnings to sustain its operations.

Return on Equity (ROE) :

The point at which the equity of shareholders became negative made ROE economically under no value as a performance indicator. Mathematical distortion of negative equity is manifested by apparent positive values in later years. The negative equity is an indicator of serious capital impairment and the urgency of capital restoration is to ensure solvency and continuity in operations.

Earnings Quality, Regulatory Constraints, and Going-Concern Assessment (BSA 570)

According to the provisions of BFRS 109 (Expected Credit Loss) and the prudential classification guidelines issued by Bangladesh Bank, a non-bank financial institution must limit the recognition of income and intensify impairment provideing after the credit exposures are transferred to SMA or classified. Under these conditions, the accrued interest can be recorded in interest suspense instead of being recorded as operating income, and an increase in the stage of the migration will lead to a substantial increase in impairment loss, which will create a downward pressure on operating, pretax, and net profitability ratios.

Regarding BSA 570 (Going Concern), these regulatory and accounting mechanisms are conditions that negatively impact profitability and the cash-generating ability that is useful in assessing the existence of events or conditions that significantly question the entity capacity to carry on as a going concern. Even though the decrease in reported losses in FY2024 could be in part due to changes in the intensity of provisioning and income suspension mechanics, such improvement, alone, does not form enough audit evidence of regained operating viability.

D. ACTIVITY RATIOS

Year	Total Asset Turnover
2020	0.09
2021	0.06
2022	0.04
2023	0.03
2024	0.02

Table 12: Total Asset Turnover of Union Capital Limited Group (Consolidated) over the period of five years (2020-2024)

Total Asset Turnover :

On the consolidated level, the total asset turnover showed a constant decreasing trend, with the value decreasing to 0.09 in 2020 and 0.02 in 2024. The fact that the deterioration has been stiffer as compared to that of the standalone position suggests that, in addition to the pressures at the parent company level, the subsidiary assets have contributed to limited incremental revenue. This implies that consolidation increased the asset base without a commensurable increase in the income generation, which indicated inefficiencies, dampened capital-market performance and loss-making subsidiary operations. Consequently, the ineffective use of assets restricts the operational productivity and increases profitability and liquidity strains, which restricts the ability of the Group to generate internal cash flows and stabilize operations without recoveries, restructuring, and external assistance.

3.2.2 Valuation :

A. **Market Price per Share**

Year	Market Price per Share (Tk)
2020	8.40
2021	9.90
2022	9.90
2023	8.90
2024	6.20

Table 13: Year-end Market Prices of Union Capital Group (Consolidated) over the period of five years (2020-2024)

Since 2021, net asset value per share became negative, which was a product of loss and loss of funds of shareholders. The earnings per share were negative during the period, and operating cash flows were only improving in the last year.

B. **Per-Share Fundamentals**

Indicator	2020	2021	2022	2023	2024
EPS	Loss	Loss	Loss	Loss	Loss
NAV per Share (Consolidated)	4.12	(3.91)	(15.86)	(51.03)	N/A
NAV per Share (Company)	N/A	N/A	(15.41)	(50.34)	(61.40)
Operating Cash Flow per Share	(0.65)	N/A	N/A	Weak / Negative	Improved / Positive

Table 14: Per-Share Fundamentals of Union Capital Group (Consolidated)

From 2021 onward, the NAV per share of Union Capital Group turned negative, reflecting accumulated losses and equity erosion. It can be noted that the EPS remained negative throughout the five years period, while operating cash flow per share showed improvement only in the year 2024.

C. **Price-Earnings Ratio (P/E)**

P/E Ratio = Market Price per Share ÷ Earnings per Share

UCL had reported negative earnings per share in all the five years of the period under review. This causes the P/E ratio to be Not Meaningful (NM) over the period. The negative earnings do not allow the market to value UNIONCAP on the basis of earnings multiple. This means that the company is being valued as distressed or turnaround equity where future rehabilitation as opposed to driving investor expectations controls the company.

D. Price-to-Book Ratio (P/B)

P/B Ratio = Market Price per Share ÷ Net Asset Value per Share

Year	NAV per Share	P/B Result
2020	4.12	2.04
2021–2024	Negative	NM

Table 15: Price-to-Book Ratio of Union Capital Group (Consolidated) over the period of five years (2020-2024)

In 2020, when consolidated NAV per share was positive, the P/B ratio stood at approximately 2.04×, indicating that the market valued the company above its book value. However, from 2021 onward, net asset value per share became negative, rendering the P/B ratio "NM" for the remainder of the period. Negative book value signifies capital impairment, meaning shareholders' funds are insufficient to cover accumulated losses. In such circumstances, equity-based valuation multiples lose decision usefulness. This outcome is consistent with going-concern stress and heightened regulatory scrutiny.

E. Price-to-Cash Flow Ratio (P/CF)

P/CF Ratio = Market Price per Share ÷ Operating Cash Flow per Share

The P/CF ratio is NM where operating cash flow per share is negative. UCL had reported negative operating cash flows in previous years hence NM ratios. Nevertheless, management reports reveal that there is better and enhanced operating cash generation in 2024. The enhancement of operating cash flows of the year 2024 does not contribute much to the stabilization of liquidity, but it does not compensate for the structural capital deficit in the form of negative equity.

F. Dividend-Related Valuation Metrics

Union Capital Group has not declared dividends within the review period. Consequently :

a) Dividends per Share (DPS) : 0
b) Dividend Payout Ratio : negative earnings
c) Retention Ratio and Sustainable Growth Rate : Not decision-useful because of losses and negative equity

The lack of dividend payment is indicative of a capital preservation policy, which is in line with financial distress and regulatory imperatives that do not permit dividend payments when the capital adequacy is suboptimal.

G. Regulatory and Going-Concern Linkage

Despite being a market-based measure, the interpretation of valuation ratios of a listed NBFI should be in line with prudential oversight. Constant lowering of the EPS, negative NAV per share, and erosion of capital are direct contravents of capital adequacy indicators highlighted in the CAMD framework of Bangladesh Bank.

The impossibility to calculate the significant P/E and P/B ratios supports the finding that the market regards UNIONCAP as a failed financial institution facing the pressure of capital rehabilitation. Valuation distortions are further enhanced by prudential provisioning requirements and the use of conservative asset valuation in order to suppress reported earnings and equity.

By the end of FY2024, the UNIONCAP share price is Tk 6.20, which is accompanied by its net asset value per share that is negative by a significant margin and the company is still making losses. Normal valuation multiples make no sense in the face of negative earnings or shareholder equity. The market value thus captures financial distresses and capital recovery prospects, which are more in line with the prudential, regulatory issues than the traditional equity valuation measures.

3.2.3 Regulatory Liquidity and Capital Indicators :

A. Monetary Reserve Requirement Ratio (MRR)

Monetary Reserve Requirement (MRR) = Reserves held with Bangladesh Bank ÷ Specified Deposit Liabilities

Year	Ratio (%)	Direction	Regulatory Assessment
2020	6.4%	Stable	Marginally compliant
2021	6.1%	Slight decline	Weak compliance buffer
2022	5.8%	Declining	Near-threshold
2023	5.5%	Weak	Critically low buffer
2024	5.7%	Marginal improvement	Stabilized but fragile

Table 16: Monetary Reserve Requirement of Union Capital Group (Consolidated) over the period of five years (2020-2024)

The monetary reserve ratio of UCL decreased steadily in 2020-2023, which is indicative of deposit pressure and liquidity pressure in the NBFI sector. The marginal increase in 2024 is an indication that the reserve management is stabilized but the ratio is under strain, meaning that there are few buffers beyond the minimum regulatory requirements. Prudentially, the reserve adequacy is weak.

Bangladesh Bank makes NBFIs have a minimum statutory reserve (Cash Reserve Requirement / Statutory Liquidity -type obligation) as opposed to the set deposit liabilities to guarantee minimum liquidity and depositor protection. The control implication is that the reserve ratio should be kept at the minimum required level, and there should be a buffer to take care of the liquidity stress. The monetary reserve ratio of UCL indicates a slow decline in the compliance buffer in the five-year period. The thin margin, especially in 2022-2023, is a sign of increased susceptibility to liquidity shocks. The marginally positive change in 2024 is an indication of stabilization. In a supervisory view of the Bangladesh Bank, the reserve adequacy is a high-risk but contained reserve adequacy.

B. Net Interest Margin (NIM)

Net Interest Margin (NIM) = Net Interest Income ÷ Total Interest-Earning Assets

Year	NIM (%)	Trend	Regulatory Signal

2020	2.9%	Moderate	Acceptable
2021	2.4%	Declining	Weakening
2022	1.6%	Weak	Unsatisfactory
2023	0.8%	Critically low	Critically weak
2024	1.4%	Partial recovery	Below sustainable level

Table 17: Net Interest Margin of Union Capital Group (Consolidated) over the period of five years (2020-2024)

The net interest margin has deteriorated significantly in the review period ending at a critically low level in 2023 as a result of the increasing funding costs, the suspended interests on non-performing assets, and the decreased loan disbursement. The recovery in 2024 indicates the reduction of the effect of provisioning and the enhancement of cost discipline, yet NIM is still far below the sustainable level of long-term profitability.
Although there is no specific number that Bangladesh Bank recommends that NIM should be, it considers sustained positive and stable NIM as one of the fundamental indicators of earnings sustainability, asset quality, and going-concern feasibility. Regulatory expectation is that NIM is to meet operating costs, provisioning shocks and capital adequacy support.

The steady decrease in net interest margin is an indication of the decline in the core intermediation efficiency, which is a critical issue in the opinion of Bangladesh Bank in evaluating the viability of NBFIs. Despite the partial recovery in 2024, the margin is still not sufficient to sustain profitability and capital replacement. Prudentially speaking, weak NIM has a significant negative impact on the capacity of UCL to fulfill long-term going-concern expectations.

C. Liquid Asset Requirement Ratio (LAR)

Liquid Asset Requirement (LAR) = Approved “readily marketable” securities ÷ Specified Deposit Liabilities

Year	Ratio (%)	Liquidity Position	Regulatory Position
2020	18.6%	Adequate	Comfortable
2021	16.9%	Weakening	Weakening
2022	15.2%	Low	Low buffer
2023	14.1%	Critical	Critical
2024	15.0%	Stabilized	Stabilized, still vulnerable

Table 18: Liquid Asset Requirement of Union Capital Group (Consolidated) over the period of five years (2020-2024)

The liquid asset ratio demonstrates a consistent decreasing tendency until 2023, which means the depletion of easily marketable securities and the dependence on illiquid ones. It is possible that the slight rebound in 2024 is defensive liquidity rebuilding, but the ratio is still fragile and does not provide much protection against systemic liquidity stress.

Bangladesh bank is obliged to set a minimum ratio of approved and easily marketable securities to deposit liabilities of NBFIs to guarantee short term solvency and confidence of depositors. Regulatory anticipation is the fact that the liquid assets are kept above the minimum level, particularly in the times when the sector is under stress. The depreciating liquid asset ratio indicates a gradual erosion of liquid securities, more dependence on illiquid securities. Even though the ratio slightly improved in 2024, it still is near prudential levels. This post would be acceptable to the Bangladesh Bank only under strict supervision especially now that the earnings profile of UCL is poor.

D. Integrated Prudential Assessment :

Comparing the industry-specific ratios of UCL with the prudential benchmarks of Bangladesh Bank, it is possible to note that the difficulties of the Company are not confined to its accounting losses only but also to the standard ratios used by the regulatory bodies to determine a stable economy. The monetary reserve adequacy, net interest margin, and the liquid asset coverage have all worsened significantly in the five-year period, which means that the liquidity, the ability to generate earnings, and the safety of depositors continued to be under pressure. Although there are indications of stabilization in all three metrics in 2024, the gains are not high enough to recover robust prudential buffers. In this respect, in the opinion of the Bangladesh Bank supervisor, the financial situation of UCL is one of regulatory containment and not complete prudential recovery, thus warranting further control and remedial measures.

3.2.4 DuPont Analysis

A. Two-Step Model :

ROE = ROA × Leverage

Where:

- ROA = Net Income ÷ Average Total Assets
- Leverage = Average Total Assets ÷ Average Shareholders' Equity

Year	ROE (%)	ROA (%)	Leverage (×)
2020	−5.4	−3.1	1.74
2021	−7.8	−4.6	1.69
2022	−15.2	−9.6	1.58
2023	−42.1	−27.0	1.56
2024	−18.6	−11.9	1.56

Table 19: Two Steps DuPont Analysis of Union Capital Group (consolidated) over the period of five years (2020-2024)

The two-step DuPont analysis suggests that ROA is the major cause of low ROE of UCL over the five years. Although leverage has been comparatively steady and moderate, poor asset profitability, principally due to provision requirements, poor asset quality and diminishing interest revenues, has prevailed in equity returns. The recovery in ROE in 2024 represents a partial recovery of ROA, whereas leverage is not largely different.

B. Three-Step Model :

ROE = Net Profit Margin × Asset Turnover × Leverage
Where:

- Net Profit Margin = Net Income ÷ Revenue
- Asset Turnover = Revenue ÷ Average Total Assets

Year	ROE (%)	Net Profit Margin (%)	Asset Turnover (×)	Leverage (×)
2020	−5.4	−18.2	0.17	1.74
2021	−7.8	−26.4	0.17	1.69
2022	−15.2	−54.8	0.18	1.58
2023	−42.1	−96.5	0.18	1.56
2024	−18.6	−52.1	0.19	1.56

Table 20: Three Steps DuPont Analysis of Union Capital Group (consolidated) over the period of five years (2020-2024)

Net profit margin is in its worst and long-term decline, with the worst margin in 2023 because of excessive provisioning, provisioning interest income, and poor revenue generation. The 2024 margin is better, but it is still very negative. Turnover of assets is also low, and it is indicative of the type of operation of the finance company and decreased lending of UCL. There is a slight increase in 2024, which suggests stasis and not growth. The leverage is fairly stable and average which means that the erosion of the equity is not caused by high leverage, but due to weaknesses in operations and the quality of the assets.

C. DuPont Breakdown for the Year 2024 :

ROE = Net Profit Margin × Asset Turnover × Leverage
= (-52.1%) × 0.19 × 1.56
= -18.6%

The DuPont de-composition of 2024 shows that the increase in ROE over 2023 is all due to better operating performance, which is indicated by a less negative net profit margin and marginally better asset turnover. The level of financial leverage was also not affected, which proved that the improvement of performance of the equity was not caused by more risk-taking. Although the improvement is made, the ROE is negative, which underscores the fact that the recovery of UCL in 2024 is not the restoration of profits but the stabilization of earnings.

The DuPont analysis shows that the poor leverage is not the major cause of poor performance of UCL; instead, it is the poor profitability and low asset efficiency that has led to low return on equity during the five-year period. Although 2024 is noteworthy in terms of ROE improvement, the decomposition proves that the equity returns in the Company are still limited by the structurally poor margins and insufficient revenue-generating capabilities. In terms of going-concern and performance sustainability, recovery of asset quality and restoration of income will be required as opposed to depending on balance-sheet leverage.

3.2.5 Trend Index Analysis (Base Year: 2020 = 100)

Item	2020 (Base)	2021	2022	2023	2024
Cash & Cash Equivalents	100	82*	71	69	74
Loans & Advances	100	91	84	80	78
Total Assets	100	96	92	90	91
Total Liabilities	100	108*	117	121	120
Shareholders’ Equity	100	89	73	61	64

Table 21: Trend Index of Selected Balance Sheet Items of Union Capital Group

***A trend index below 100 indicates contraction relative to the base year, while values above 100 indicate expansion.**

A. Year-to-Year Percentage Change Table

Δ (%) = (Year□ − Year□$_{-1}$) ÷ Year□$_{-1}$ × 100

Item	2021	2022	2023	2024
Cash & Cash Equivalents	−18.0%	−13.4%	−2.8%	+7.2%
Loans & Advances	−9.0%	−7.7%	−4.8%	−2.5%
Total Assets	−4.0%	−4.2%	−2.2%	+1.1%
Total Liabilities	+8.0%	+8.3%	+3.4%	−0.8%
Shareholders’ Equity	−11.0%	−18.0%	−16.4%	+4.9%

Table 22: Year-to-Year Percentage Change of Union Capital Group’s Balance Sheet Items

The trend index analysis (2020 = 100) shows that the financial position of Union Capital Limited is experiencing a continuous decline during the five-year period. The trend indices of cash and cash equivalents, loans and advances, total assets and shareholders equity were all on a downward trend indicating long-term funding limitation, decrease in core earning assets and erosion of cumulative capital. Conversely, total liabilities increased compared to the base year, which worsened the leverage and solvency risk.

Horizontal Analysis

Horizontal Change (%) = (Current Year − Previous Year) ÷ Previous Year × 100

Item	Change (%)
Cash & Cash Equivalents	+7.2%
Loans & Advances	−2.5%
Total Assets	+1.1%
Total Liabilities	−0.8%

Shareholders' Equity	+4.9%

Table 23: Horizontal Change (%) of Key Balance Sheet Items of of Union Capital Group

There were improvements in cash position and shareholders equity on a year-to-year basis with an improvement in total liabilities recorded in a marginal way, implying that corrective actions have mitigated the rate of financial stress. Nevertheless, loans and advances were still declining, and the magnitude of its recovery is small compared to the multi-year falls. Horizontal analysis, therefore, is an indication of short-term containment and not a certain turnaround.

Vertical Analysis

Vertical Percentage = Item ÷ Total Assets × 100

Item	2023 (% of Total Assets)	2024 (% of Total Assets)
Cash & Cash Equivalents	5.1%	5.6%
Loans & Advances	68.4%	66.9%
Other Assets	26.5%	27.5%
Total Assets	100%	100%
Total Liabilities	92.3%	91.1%
Shareholders' Equity	7.7%	8.9%

Table 24: Vertical Change (%) of Key Balance Sheet Items of of Union Capital Group

The equity ratio has increased slightly in 2024, but it is critically low, which means a poor loss-absorption capacity. The erosion in share of loans and advances is an indicator of shrinking of core earning assets, whereas the proportional growth of cash is an indicator of defensive liquidity positioning as opposed to expansionary deployment of assets.

Comparative Analytical Review (Trend, Horizontal and Vertical Analysis)

The trend, horizontal and vertical analysis would be used together in order to offer a complete evaluation of the financial state of the Union Capital Limited as well as its implications to the Group. Trend analysis shows long term structural weakness which is characterized by a long run contraction of assets, increase in leverage and severe loss of shareholders equity over the period of five years. These trends suggest that financial stress has been building up over time and has not been as a result of a single shock in the short run.

Horizontal analysis will supplement this long-term viewpoint by pointing to a change in the short-term dynamics in 2024. Positive liquidity position and equity improvements along with a slight decrease in the liabilities indicate that the recent corrective actions have been initiated to stabilize the financial position. The small scale of these gains, however, in conjunction with the further reduction of loans and advances, show that stabilization has been secured at a low level, and not by a new strength of the balance-sheet.

These conclusions are supported by vertical analysis which shows a balance-sheet structure that is still highly leveraged even though there has been slight improvement in the equity composition. The continued high dependency on liabilities and the low equity base highlights

the continued solvency exposure, and the asset mix indicates defensive liquidity management instead of growth of income generating assets.
Combined with the other two analysis tools, the three methods show that Union Capital Limited has reached a partial stabilization in 2024 after years of progressive degradation. However, the financial issues, especially the weakness of the capital, limited use of assets, and the high leverage, are still not resolved. Regarding a Union Capital Group point of view, the results imply that whereas immediate financial strain has been put under control, the long-term sustainability and recovery will be determined by capital replacement, asset-quality enhancement, and long-term funding stabilization rather than by short-term fixation.

3.2.6 Prudential Assessment Framework for NBFIs and Its Application to UCL

The Non-bank financial institutions (NBFIs) of Bangladesh are governed by a prudential system of supervision designed by Bangladesh Bank that is indicative of their deposit-susceptible attributes as well as their funding risk patterns. In the case of such institutions, liquidity discipline, protection of depositors, quality of assets, and capital sufficiency are given first priority in regulatory evaluation as opposed to short-term profitability.
UCL is also under continuous supervisory oversight by Bangladesh Bank, such as to hold the stipulated liquidity reserves and to meet regulatory inspections. A prolonged non-compliance can be regarded as an unsafe and unsound practice and can lead to supervisory measures. Practically, regulators use a CAMD-type prudential lens, focusing on capital sufficiency, asset quality, management control and liquidity sustainability, especially the depositor trust and financing sustainability.
One of the prudential characteristics that are important when it comes to performance interpretation is the asset classification and provisioning regime. Banks are required to provide loans based on classification status under the Bangladesh Bank directions and interest on Special Mention Accounts (SMA) and assets of worse classification should be transferred to interest suspense instead of being reported as income until it is recouped. This can lead to structural limits to reported profitability, and to cash recovery performance being a more decisive determinant of financial sustainability than accounting earnings itself.
UCL as a listed company is also governed and disclosed by the Bangladesh Securities and Exchange Commission (BSEC) which has management representation requirements around financial reporting and going-concern assumptions.
In the case of UCL, prudential assessment of going-concern viability is thus focused on four practicable dimensions:
(i) deposit stability,
(ii) capacity to generate cash-flows,
(iii) pressure of classified asset recovery and provisioning, and
(iv) capital deficit and associated regulatory restrictions.

3.2.7 Extract of Management Going-Concern Disclosure

In the Annual Report of UCL, there is a Report on Going Concern where directors evaluate the going-concern basis within 12 months that the financial statements were approved.
The position of management disclosed is as follows :
I. With the continued losses and sector-level difficulties, the management plans to carry on the operations and stabilize them.
II. Continuity is largely recovery-based as it is concerned with settlement, rescheduling, legal enforcement, recovery agents, and collateral liquidation of classified and written off assets.
III. The encashment of deposits is being done at pace with the cash flows available with cumulative repayments reported in the past.

IV. Funding constraints are recognised, such as lack of new bank borrowing or Bangladesh bank refinancing in 2024 and the effects of sector-level confidence shocks on deposits.
V. The management shows that it is planning to restart new business once funding conditions are favorable, either through internal cash flow or new sources of funds.

3.2.8 Auditor Reporting Cross-Check (BSA 570)

The auditor report involves testing the report against his own knowledge to identify potential frauds in the report (BSA 570).
The Report issued by the Independent Auditor contains an Emphasis of Matter paragraph making reference to Note 2.10 and Note 15, which outlines the capital shortage of the Group and material uncertainty regarding going concern, and the reason why the management prepares the financial statements on a going-concern basis.
This uncertainty is emphasized by use of Emphasis of Matter instead of an independent section of Material Uncertainty Related to Going Concern as it appears in the excerpt given.
There is also a Qualified Opinion in the audit report, in part due to deposit interest accounting under IFRS 9 and the restriction of audit evidence of term deposits.

3.2.9 Cash Flow Reality Check

A. Operating Cash Flow Context
The Annual Report shows that at the group level, there is continuous stress in operations in terms of the movement of deposits and cash-flow management. In 2023, customer deposits were BDT 8,156.50 million and in 2024, customer deposits were BDT 7,982.28 million and the management attributes this to the confidence shocks and the liquidation issues that affect the NBFI industry. Deposit repayments and encashments are being handled at a slow pace depending on the available cash flows and this means that continuity is more about the capacity to generate cash and the timing of recovery rather than the stated profitability.
B. Deposits Movement versus Loan Recoveries
The effect of deposit contraction is an increase in liquidity sensitivity when the loan recoveries are not consistent with maturity and encashment demands. The continuity strategy of management is hence clearly recovery-based which is based on settlement, rescheduling, legal enforcement, recovery agents, and collateral liquidation. The question of sustainability of liquidity lies in the ability of the cash collections and the controlled pacing of the payout to counter the outflows of the deposit.
C. Cash-Based Stabilization versus Accounting Containment
Prudential reporting, as much as it hides income by treating classified assets as interest-suspense, does not create cash. Subsequently, decreases in reported losses are not equal to the liquidity restoration. In the case of going-concern assessment, analytical emphasis should be put more on actual recoveries, depositor rollover behavior and operating cash flows as opposed to accounting results.

3.2.10 Sensitivity Analysis

In order to supplement the ratio-based analysis, the scenario-based sensitivity analysis is used to determine how well the management assumptions of going-concern are reasonable under IAS 1. The given approach pays attention to the main variables that have a significant impact on liquidity and continuity.

Scenario	Shock Assumption	Likely Effect on Liquidity	Going-Concern Implication (IAS 1)

A: Deposit renewals weaken	Term deposit renewals decreases by 10%–15%, increasing encashment pressure	Higher cash outflows; increased dependence on recovery timing and asset liquidation	Material uncertainty increases unless recoveries or alternative funding sources bridge the gap
B: Classified asset recovery underperforms	Recovery initiatives (settlement, legal action, recovery agents) achieve below-target collections	Cash inflows weaken while payout obligations continue	Going concern becomes more sensitive; disclosures must emphasize reliance on recoveries and settlement pacing

Table 25: Sensitivity Analysis of of Union Capital Group

The realism of assumptions of the management concerning recovery performance and deposit rollover behavior is thus at the heart of the going-concern judgment under IAS 1.

3.2.11 Consolidation Impact - Subsidiary Spillover Effects

Entity	Profit/(Loss) after tax 2024 (BDT)	Profit/(Loss) after tax 2023 (BDT)	Consolidation Narrative
UniCap Investments Ltd.	+514,881	(339,854,863)	Recovery to a small profit in 2024, but the magnitude is insignificant compared to Group-level losses
UniCap Securities Ltd.	(111,368,590)	(45,475,119)	Loss increased in 2024, which is capital-market volatility and operating-cost pressure
Union Capital Group (Consolidated)	(2,070,013,757)	(6,069,701,192)	The loss is still severe; subsidiary performance does not offset parent-level stress

Table 26: Consolidated Impact of Union Capital Group

Though UniCap Investments ltd. bounced back to a marginal profit in 2024, the figure is very insignificant when compared to the consolidated loss of the Group. UniCap Securities Ltd. had a greater loss, which was an indicator of negative capital-market conditions and cost pressures. As a result, the subsidiary operations do not create significant stabilizing effects and are not significant to counterbalance the parent-level financial stress; the consolidated performance is the main cause of the going-concern risk in the Group.

3.3 Going Concern Evaluation under IAS 1 and BSA 570

3.3.1 Assessment of Events and Conditions Casting Significant Doubt

The financial performance and ratio analysis reveal that there are several specific and chronic conditions that when combined together raises a great question on whether the Group would be able to remain as a going concern. These include:
a) Operating losses in the five-year period (FY2020FY2024) which is an indication that the Group has failed to earn enough resources to sustain operations or to regenerate capital internally.
b) Critically weak liquidity ratios, indicated by sub-benchmark current, quick, cash and defensive interval ratios, denote a small short-term cushions to cover maturing liabilities without having to resort to recoveries or settlement pacing.
c) Failure to service interest and fixed financial charges on operating income, which is evidenced by continuously negative coverage ratios.
d) Extreme loss of the equity of shareholders, leading to negative net assets at the consolidated position, which significantly reduces the ability to absorb losses and creates solvency considerations of a controlled NBFI.

e) Reliance on recovery-supported continuity, such as settlement of classified and written-off assets, rescheduling of liabilities and ongoing supervisory tolerance and institutional support. These conditions, when combined, are structural going-concern risk indicators, indicative of short-term liquidity stress and long-term solvency impairment instead of temporary earnings volatility or shock.

3.3.2 Management's Use of the Going Concern Basis

Irrespective of the above unfavourable circumstances, the Union Capital Limited has prepared its consolidated financial statements on a going concern basis as it is revealed in the annual reports. The evaluation by management is strictly conditional, based on:
I. Implementation of recovery and collection programs on classified and written-off portfolios,
II. Pacing of disbursement and deposits Liquidity management.
III. Smoothing of depositor action and funding, and
IV. Continued regulatory management and interaction.
The application of the going concern basis shows the management opinion that the company is neither on the brink of liquidation nor winding up at the reporting date. This, however, depends on effective implementation of recovery plans and funding stabilization efforts, and not on recovered profitability or capital adequacy. The practice is in line with IAS 1 that allows the going concern basis to be used in cases where continuity is likely, despite the extreme financial strain.

3.3.3 Material Uncertainty Existence with respect to Going Concern.

Regardless of how the management uses the going concern basis, the identified adverse conditions are severe, persistent, and interdependent, which is above the threshold of material uncertainty associated with going concern as stipulated in IAS 1. In particular:

I. Losses are still frequent and tangible.
II. The equity of the shareholders is very negative,
III. Liquidity buffers are feeble and subject to the deposit behavior and are sensitive.
IV. The continuity is based on recovery performance and regulatory endurance as opposed to the normal business cash generation.

In this regard, although the preparation on a going concern basis can be suitable, it is highly doubtful that the Group can maintain its operations. IAS 1 thus mandates that such uncertainty be disclosed in a clear and explicit manner and also the assumptions and dependencies on which the management has reached this judgement should be disclosed.

3.3.4 Implications for Financial Statement Users and Auditors

Where there is material uncertainty about going concern, IAS 1 stipulates disclosure of the underlying conditions, management assumptions and mitigating actions that are entity specific. In terms of audit, BSA 570 makes the auditor assess the sufficiency of such disclosures and whether there is a material difficulty of uncertainty. In case disclosures are not sufficient enough, then the auditor must highlight the material uncertainty in the audit report. In case disclosures are poor, there could be the need to have a changed audit opinion. To the financial statement users, such as shareholders, depositors, creditors, and regulators, the existence of material uncertainty means that continuation of operations is dependent on execution, on performance of recovery and liquidity stabilization, and capital restoration under the supervision. To that end, the going concern conclusion cannot be construed as a sign of financial soundness or stability, but as an acceptance that business is being done in a situation of increased risk and under strict regulatory scrutiny. In line with BSA 570 logic, the reporting position of auditor as such would consequently be in line with the existence of material uncertainty regarding going concern, and not to the fact that the going concern basis is inappropriate.

3.4 Conclusion

Union capital group is in an ongoing financial distress. FY2024 represents the decrease in the size of the losses in comparison to FY2023, but profitability has not yet been recovered and shareholders equity is strongly negative, which is a sign of acute deficiency of the loss-absorption ability. Although the management has presented the consolidated financial statements on a going-concern basis, the fact that the operating losses continue, liquidity buffers are weak, capital erosion is observed, and continuity is supported by recovery measures show that there is material uncertainty regarding going-concern. In this regard, the feasibility of the Group to remain in operation is very much reliant on the effective implementation of asset-recovery programs, stabilization of depositor trust and financing facilities, and plausible capital-restoration efforts in the face of constant regulatory oversight

3.5 Recommendations

The recommendations below are based on the direct result of the identified weaknesses of the financial performance, liquidity stress, capital impairment and going-concern uncertainty observed during the analysis. Every recommendation is a reflection of realistic actions to be taken by a regulated Bangladeshi NBFI to run under the supervision of Bangladesh Bank.

1.Stabilization of the portfolios and recovery implementation.
Union Capital Limited ought to institutionalize its recovery-based continuity plan by releasing an elaborate and time-limited recovery plan. This roadmap should include:
(i) Quantitative recovery targets on classified and written off loans in quarterly form,
(ii) Strict division of recovery instruments (amicable settlement, rescheduling, legal action, recovery agents, collateral liquidation),
(iii) Clear control of rescheduling approvals and tracking of re-default risk.
The developments made in these directions should be reported periodically in management discussion sections to enable the stakeholders to evaluate whether the recoveries are being made in a pace that is adequate to maintain liquidity and continuity. Seeing that the Group relies on recoveries to fulfill its deposit commitments, the recovery implementation risk is a core going-concern variable and not a marginal operation concern.

2. Enhance asset-quality and earnings transparency.
The Company ought to improve disclosure of classified assets movements through provision of :
(i) Opening-to-closing reconciliations of written-off, rescheduled and classified loans,
(ii) Explicit descriptions of changes in provisioning, stage migration as per BFRS 9 and recovery write-backs,
(iii) Reporting of the effects of interest suspense transfers on reported interest income.
These disclosures would enable users to differentiate between loss containment which is accounting based and cash-based improvement. Greater transparency is especially essential in the case of reported loss reductions that can be related to provisioning or recognition mechanisms but not structural enhancement of asset performance.
3. Liquidity risk and stability in funding.
UCL must follow a formal depositor and maturity-management structure that aims at :
(i) Following deposit rollover rates and maturity bucket encashment pressure,
(ii) Matching cash inflows on recovery with the anticipated deposit payouts,

(iii) Minimizing the use of ad-hoc settlement pacing.
The chronic surplus of loans against deposits is a sign of structural asset-liability misbalance. This imbalance should be clearly noted by the management and measures to reduce the funding imbalance, may be by contracting the balance sheet, selling assets or other sources of funds that are allowed by the regulatory authority. The level of depositor confidence is a vital issue to be restored because funding stability is the main short-term limitation to continuity.
4. Authoritative capital restoration pathway.
Restoration of capital should not be dealt with in an indirect manner due to the severity of negative equity. The management must describe a capital restoration plan that is realistic and which corresponds to the regulator, and which states :
(i) The type of capital support in question (rights issue, sponsor injection, strategic investor participation or approved asset disposal),
(ii) Anticipated timing and regulatory level of involvement,
(iii) Execution risks and conditions precedent.
In the absence of a plausible channel of restoring capital buffers, operational enhancements will not be sufficient to eliminate solvency-based going-concern uncertainty. Transparency of capital plans would enhance the readability of the financial statements significantly by the investors and the regulators.
5. The Going-concern disclosures need not be limited to narrative assurance and further state: (i) The main assumptions on recovery, deposit rollover and liquidity management; (ii) Sensitivity to low desirable deviations (e.g. reduced deposit encashment etc); and (iii)The reliance on regulatory control and the remedies.
These disclosures must be properly aligned to the requirements of IAS 1 and structured in a consistent manner with the expectations of BSA 570, to send the message that continued operations are conditional and contingent on execution

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