Report On

FOREIGN EXCHANGE CRISIS AND ITS IMPACT ON MJL BANGLADESH PLC: A CASE STUDY

By

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Student ID: 20264087

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

Brac Business School
Brac University
September 2023

DECLARATION

I hereby declare that

1. The internship report submitted is my own original work while completing my 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 that 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:

Munia Khan

Student ID: 20264087

Supervisor's Full Name & Signature:

Dr. Salehuddin Ahmed

Professor, BRAC Business School (BBS)

BRAC University

LETTER OF TRANSMITTAL

Dr. Salehuddin Ahmed
Professor,
Brac Business School (BBS)
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Internship report on "Foreign Exchange Crisis and its Impact on MJL Bangladesh PLC: A Case Study"

Dear Sir,
It is my immense pleasure to present this report on 'Foreign Exchange Crisis and its Impact on MJL Bangladesh PLC: A Case Study', upon successful completion of a three-month internship at MJL Bangladesh PLC.

I have attempted to conduct a comprehensive analysis regarding contemporary issues concerning the organization, under your expert guidance.

I trust that this report would be beneficial to many, who wish to explore and understand the impact of the ongoing dollar crisis on import-dependent organizations, especially MJL Bangladesh PLC.

Sincerely yours,

____

Munia Khan
Student ID: 20264087
BRAC Business School
BRAC University
Date: September 17, 2023

NON-DISCLOSURE AGREEMENT

This Intern Non-Disclosure Agreement is made and entered into by and between MJL Bangladesh PLC (Company) and the undersigned student at Brac University, Munia Khan (Intern).

The Intern is seeking experience and training from the Company and in the process may be exposed to Confidential Information. The Agreement is intended to prevent the unauthorized disclosure of Confidential Information.

"Confidential Information" is proprietary information relating to the Company's business including but not limited to business and financial records, intellectual property, proprietary data, security measures, new products or services, forecasts, or any other proprietary business information that, if disclosed, could affect the business of the Company.

Without the Company's prior written consent, Intern will not: (a) disclose Confidential Information to any third party; (b) make or permit to be made copies or other reproductions of Confidential Information; or (c) make any commercial use of Confidential Information.

Company: MJL Bangladesh PLC

____ (Signature)

______________________ (Typed or Printed Name)

Title: ______________________

Date: ______________________

Intern: Munia Khan

____ (Signature)

______________________ (Typed or Printed Name)

Title: ______________________

Date: ______________________

ACKNOWLEDGEMENT

I would like to express my immense gratitude to my academic supervisor, Dr. Salehuddin Ahmed, for his constant guidance throughout the inception and completion of this report.

I thank the entire team at MJL Bangladesh PLC for their support and guidance during my internship. In particular, I would like to thank my organizational supervisor, Md. Zamiur Rahman and Mr. S. M. Zeeshan Saad, for their valuable mentorship. In addition, I thank Mr. Kazi Jahidul Islam and Mr. Md. Sorowar Alam Khandokar for their personal interviews, which enriched me with vital insights regarding the lubricants market of Bangladesh.

My sincere gratitude goes to all my MBA Program instructors at Brac University, who have adequately prepared me for undertaking this task.

Special thanks go to my dearest husband, parents, and children for believing in me and cheering me on throughout the process.

EXECUTIVE SUMMARY

Bangladesh's foreign exchange reserves have been rapidly decreasing in the post-pandemic period, owing to the worldwide hike in fuel prices, slower-than-expected remittance inflows, and dramatically higher import payments compared to exports. With the demand for the dollar outweighing forex inflow, the value of the taka against the dollar has plummeted, causing a crisis in the import of necessary fuel or raw materials. As businesses struggle with further inflationary pressure, the liquidity crisis in the banking industry is likely to dampen private investment and growth. Under such precarious conditions, the heavily import-dependent organization, MJL Bangladesh PLC, has earned a standalone net profit of Tk. 2187.7 million, reflecting a 2% growth from the previous year. The case study provides a synoptic qualitative analysis of the various impacts of the foreign exchange crisis on MJLBPLC, and the relevant measures taken by the organization to survive under this turbulent macroeconomic setting. The main areas of strength have been found to be the strong brand resilience, sound fundamentals, stable inventory, and constant customer engagement initiatives of the company. The core challenges have been identified as lower industrial and automotive demand caused by reduced general purchasing power, and substitution to cheaper and lower grade lubricants.

Keywords: *Foreign exchange crisis; MJL Bangladesh PLC; lubricant industry; inflation; energy crisis; LC restriction; liquidity crisis*

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LIST OF ACRONYMS

ADB	Asian Development Bank
BB	Bangladesh Bank
BDT	Bangladesh Taka
BoP	Balance of Payment
BPC	Bangladesh Petroleum Corporation
BSTI	Bangladesh Standards and Testing Institutions
ESG	Environmental, Social and Governance
FY	Fiscal Year
GDP	Gross Domestic Product
ILB	In-Line Blending
IMF	International Monetary Fund
IPO	Initial Public Offering
JOCL	Jamuna Oil Company Limited
LATR	Loan Against Trust Receipt
LC	Letter of Credit
LOBP	Lube Oil Blending Plant
MJL	Mobil Jamuna Lubricants
MJLBPLC	MJL Bangladesh PLC
MPS	Monetary Policy Statement
NPL	Non-Performing Loan
OCL	Omera Cylinders Limited
OPL	Omera Petroleum Limited
PLC	Public Limited Company
SOFR	Secured Overnight Financing Rate
STL	Short Term Loan
UPAS	Usance Payable at Sight
USD	United States Dollar

GLOSSARY

Additive	A chemical substance added to a petroleum product to impart or improve certain properties. Common petroleum product additives include anti-foam agent, anti-wear additive, corrosion inhibitor, demulsifier, detergent, dispersant, emulsifier and EP additive, etc
Base oil	A base stock or blend of base stocks used in an API-licensed engine oil
Blending	The process of mixing lubricants or components for the purpose of obtaining the desired physical and/ or chemical properties
Industrial lubricant	Any petroleum or synthetic-base fluid or grease commonly used in lubricating industrial equipment such as gears, turbines and compressors
Lubricant	Any substance interposed between two surfaces in relative motion for the purpose of reducing the friction and/ or the wear between them
Petrochemical	Any chemical substance derived from crude oil or its products or from natural gas
Synthetic lubricant	A lubricant produced by chemical synthesis rather than by extraction or refinement of petroleum to produce a compound with planned and predictable properties

CHAPTER 1

OVERVIEW OF THE INTERNSHIP

1.1 STUDENT INFORMATION

Student Name: Munia Khan

Student ID: 20264087

Program: Master of Business Administration

Major: Finance

1.2 INTERNSHIP INFORMATION

A three-month internship was undertaken and completed as a partial requirement for the completion of the MBA Program under the Brac Business School at Brac University.

1.2.1 PERIOD, COMPANY NAME, DEPARTMENT/DIVISION, ADDRESS

Period: July 9, 2023- October 9, 2023

Company Name: MJL Bangladesh PLC

Department: Finance and Planning

Address: Mobil House, CWS (A) 13/A, Gulshan Avenue, Bir Uttam Mir Shawkat Sarak, Dhaka 1212, Bangladesh

Telephone: +880-2-58815895

Hotline: 16669

1.2.2 INTERNSHIP COMPANY SUPERVISOR'S INFORMATION

Internship Supervisor's Name: Md. Zamiur Rahman

Designation: Treasury Controller- Finance & Planning

Email: zamiur.rahman@mobilbd.com

1.2.3 JOB DESCRIPTION AND SCOPE

As an intern at MJL Bangladesh PLC, I was exposed to a variety of organizational departments and activities, in addition to finance and planning. The duties and responsibilities included drafting LC Acceptance Letters for various banking financial institutions, monthly reconciliation of bank statements and GL, reviewing Letters of Credit, and so on. Additionally, I assisted in the internal audit and compliance department by identifying and reviewing past unreconciled statements. I also had the opportunity to observe the procurement, distribution, and marketing practices of MJLBPLC to gain practical experience and comprehensive insight into the operations of the organization.

1.3 INTERNSHIP OUTCOMES

1.3.1 STUDENT'S CONTRIBUTION TO THE COMPANY

MJL Bangladesh PLC is a well-structured organization with highly qualified and efficient personnel. In this context, there is very little scope of contribution for an intern. However, the extensive primary interviews, secondary research, and literature analysis that have been performed during the internship report have the potential to offer valuable insights regarding the shortcomings and possibilities of the organization.

1.3.2 BENEFITS TO THE STUDENT

The internship at MJL Bangladesh PLC has been a valuable learning experience. It aided in the development of new skills and practical experience, especially in the field of finance. During the internship, I had the opportunity to closely observe a variety of functional departments within the organization, such as Finance & Planning, Human Resource Management, Information Technology, Audit & Internal Control, and Sales & Distribution. This enriched me with vital knowledge regarding the operations of the organization. Interviews with people within the organization have provided critical insight regarding the myriad challenges and the subsequent strategic changes experienced by the organization. Interning at such a structured and dynamic organization has enriched me with a variety of essential skills, including content writing, data analysis, and time management, which has prepared me to step into a professional career.

1.3.3 PROBLEMS/DIFFICULTIES (FACED DURING THE INTERNSHIP PERIOD)

MJL Bangladesh PLC is a very scrupulous, well-regulated organization, with an extremely disciplined work environment. Therefore, my overall internship experience has been very pleasant. However, I faced some minor difficulties during the process. Despite my colleagues and superiors being extremely supportive, it took me some time to grasp the technicalities as I had no prior professional experience. My work correspondence was limited as I did not have a corporate email ID as an intern. Limitations also arose as most tasks required access to the internal software, which I did not have access to due to confidentiality and safety issues.

1.3.4 RECOMMENDATIONS (TO THE COMPANY ON FUTURE INTERNSHIPS)

Although there are very few limitations to the internal operations of the organizations, there is some room for improvement in terms of the internship program offered.

- Providing a temporary email address to interns can help improve correspondence.
- Limited access to the company's SAP software can help interns better understand the internal operations of the organization.
- The organization could invest in basic training sessions for interns, as they could be potential employees of the organization in the future.

CHAPTER 2

THE ORGANIZATION: MJL BANGLADESH PLC

2.1 INTRODUCTION

MJL Bangladesh PLC is Bangladesh's leading lubricant oil and alternative energy organization. It is a public-private partnership between EC Securities Limited (a subsidiary of East Coast Group) and the state-owned Jamuna Oil Company (MJL Bangladesh PLC, 2023). It is the strategic alliance partner of ExxonMobil (EM) in Bangladesh, making it the exclusive manufacturer and seller of the Mobil brand across the country, catering to both industrial and automotive demand. Alongside Mobil, MJLBPLC also has the Omera brand of lube oils and Omera LPG under its corporate umbrella.

- Corporate Vision: *Retaining market leadership. Long-term business sustainability. Maintaining consistent growth potential.*
- Corporate Mission: *Supporting customers. Continuous value-addition. Timely delivery. Maintaining product integrity.*
- Corporate Values: *Safety first. People as the core assets.*
- Brand Promise: *"Our ambition is to become a trusted partner to the community to meet the world's energy needs in an efficient way, keep improving living standards swiftly, and redefine the energy for the surroundings and the environment"* (MJL Bangladesh Limited, 2022, p.30).

In addition to trading, manufacturing, and oil tanker operations, the corporation operates in a variety of business ventures. The business is involved in the import, storage, bottling, and distribution of liquefied petroleum gas (LPG), as well as the production and retail of LPG cylinders, through the subsidiary companies Omera Petroleum Limited (OPL), Omera Cylinders Limited (OCL), Omera Gas One Limited, and MJL (S) PTE Ltd., under the MJLBPLC group. In order to maximize stakeholder wealth and create sustainable value, the organization places a strong emphasis on six capitals: Financial, Manufactured, Human, Intellectual, Social, and Natural (MJL Bangladesh Limited, 2022, p.11)

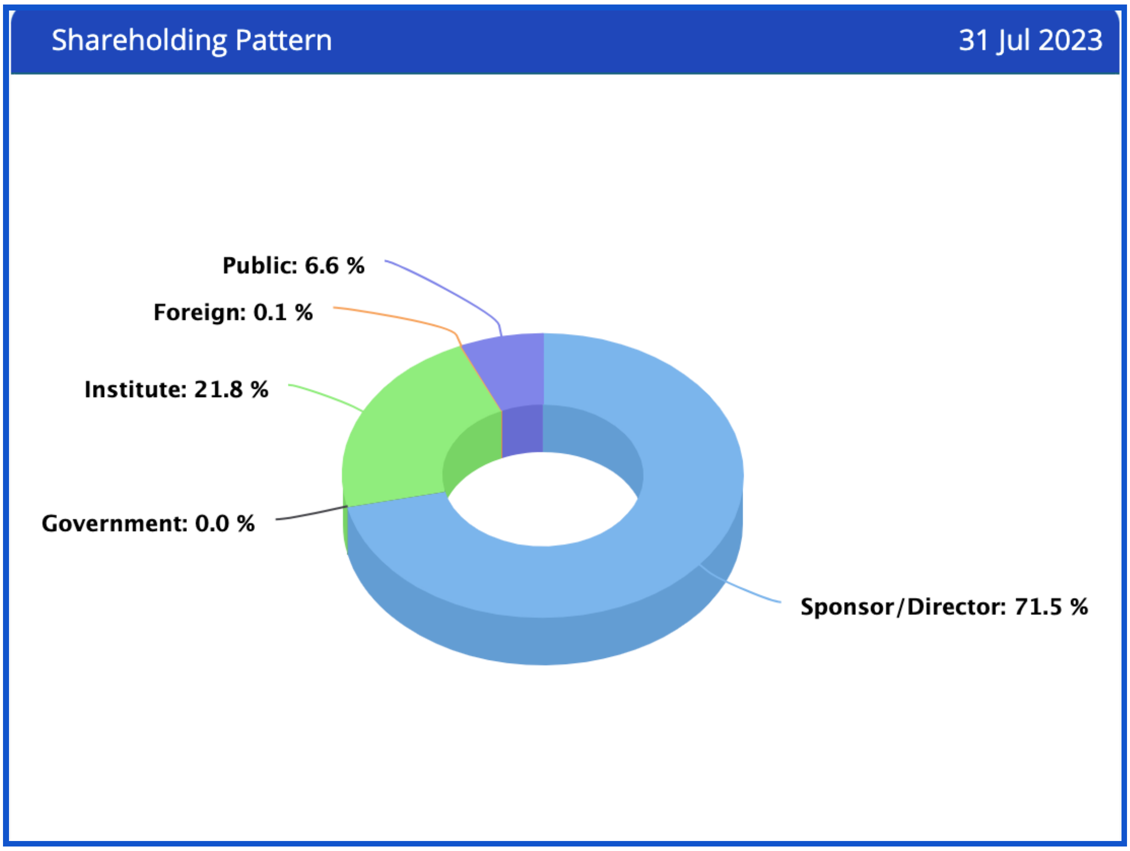
Figure 1: Key Performance Parameters, MJL Bangladesh PLC

2,188	**24,266**	**4**	**29,046**	**280+**	**35,494**
(Tk. mn) Standalone Net Profit	(Tk. mn) Group Turnover	Key Brands	(Tk. mn) Market Capitalization	Product SKUs	(Tk. mn) Group Assets

2.2 OVERVIEW OF THE COMPANY

MJL Bangladesh PLC (MJLBPLC), formerly known as Mobil Jamuna Lubricants Limited, is a public-private partnership between state-owned Jamuna Oil Company Ltd. (a subsidiary of the Bangladesh Petroleum Corporation) and EC Securities Limited (a subsidiary of the East Coast Group). The journey towards blending premium lubricants in Bangladesh began when Mobil Corporation (now ExxonMobil Corporation) decided to form a collaboration with the government-owned Jamuna Oil Company Limited in 1998. ExxonMobil eventually disinvested from the company in 2003, making EC Securities Limited the largest shareholder (MJL Bangladesh PLC, 2023). With a roughly 21% market share, MJL Bangladesh PLC dominates the Bangladeshi lubricant market and is the sole alliance partner of ExxonMobil in the nation.

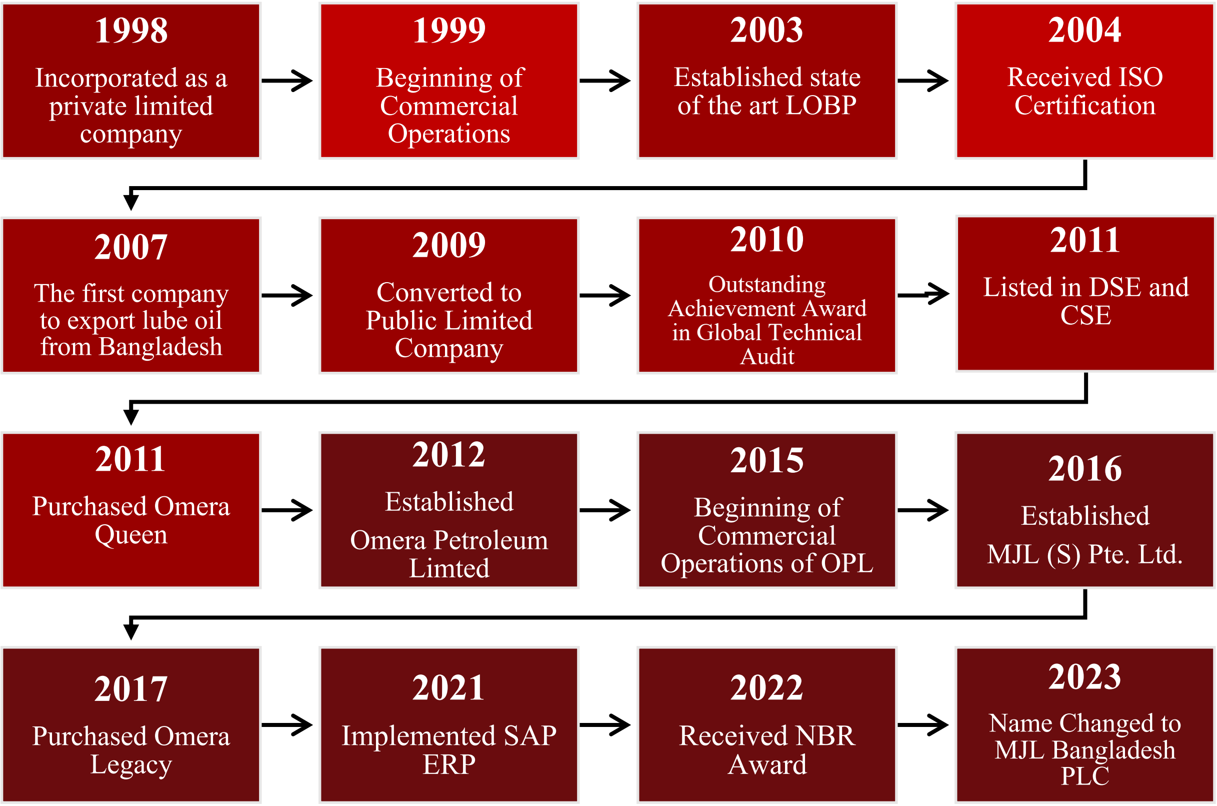
Figure 2 Shareholding Status, MJL Bangladesh PLC



Source: MJL Bangladesh PLC

The shareholding composition of MJLBPLC involves a 71.52% shareholding by Sponsors and Directors, with EC Securities Limited and Jamuna Oil Company Limited holding the largest shareholdings of 52.06% and 19.45%, respectively.

Figure 3 Significant Milestones, MJL Bangladesh PLC



Source: MJL Bangladesh PLC Annual Reports 2017-2022

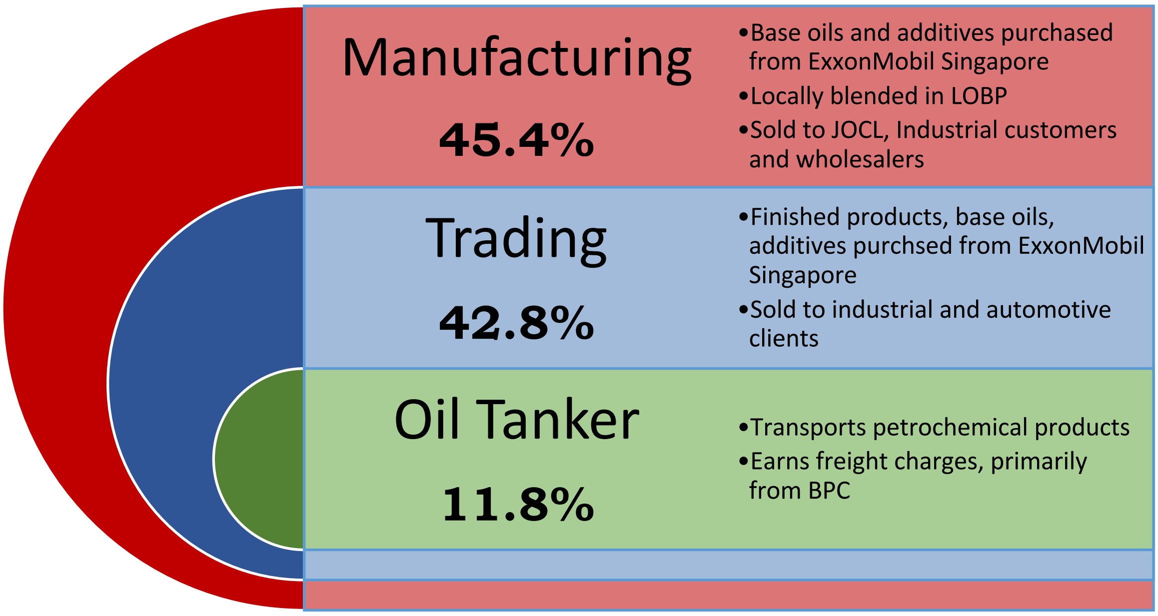
Mobil Jamuna Lubricants Limited was incorporated on December 3, 1998, as a private limited company. The company went into commercial operations on May 20, 1999. The state-of-the-art Lube Oil Blending Plant was established in May 2003. The company received ISO certification in 2004 and became the first company to export lubricating oil from Bangladesh in 2007. The Company converted into a Public Limited Company on December 3, 2009, and changed its name to MJL Bangladesh Limited. In 2010, the company received an outstanding achievement award in the global technical audit conducted by ExxonMobil. MJLBPLC also entered the stock market by issuing an IPO worth BDT 4.60 billion on the Dhaka Stock Exchange in the same year, setting a record for the second-largest IPO in Bangladesh. The shares of the company have been publicly traded on the Dhaka and Chittagong Stock Exchanges since December 2011, with the shares being traded in the "A" category. In 2011, MJLBPLC purchased its first ocean-going vessel, Omera Queen, using the IPO fund. The company established its first subsidiary, Omera Petroleum Ltd. (OPL), in 2011. The commercial operation of OPL started in 2015. An associated company was set up in Singapore in 2016. At the end of 2017, the company purchased Omera Legacy, its second ocean-going Aframax vessel. Omera Queen was divested in October 2020. On August 1, 2021, SAP ERP was implemented, which integrated all operations on a single platform. In

2022, MJLBPLC received an award from NBR as the 3rd highest taxpayer in service and other categories. The company changed its name to MJL Bangladesh PLC on March 12, 2023, In accordance with the Companies Act 1994 (amended in 2020) (MJL Bangladesh Ltd, 2022).

2.2.1 KEY OPERATIONS

MJLBPLC has three main revenue streams: the lube segment is classified into trading and manufacturing units, while the oil tanker unit is classified as service.

Figure 4 Revenue Stream (Standalone), MJL Bangladesh PLC



Trading unit: MJLBPLC has its primary business agreement with Exxon Mobil. Trading materials predominantly consist of imported finished goods, base oils, and additives. Finished goods backward linkage is ExxonMobil Singapore, and forward linkage (distributor) is mainly Jamuna Oil Company, which is the only distributor across Bangladesh. Apart from Jamuna Oil Company, industrial customers that use heavy machinery, such as power, RMG, textiles, cement, etc., require huge amounts of lube oil. The final consumer segment consists of the private vehicle section, bus fleet, and truck fleet, which receive MJLBPLC lube oil products through wholesalers and retailers. The trading operation involves the import of lubricant products from ExxonMobil and supplying them to the three main customer segments: Jamuna Oil Company Ltd. (JOCL), Industrial customers, and wholesalers. MJLBPLC generates 42.8% of its standalone revenue stream from trading operations (MJL Bangladesh Ltd., 2022).

Manufacturing unit: MJLBPLC has been engaged in the blending and marketing of Lube Oil and grease as the strategic alliance partner and sole distributor of ExxonMobil products in Bangladesh, with a smaller portion exported. Raw materials, which predominantly consist of base oils and additives, are purchased from ExxonMobil Singapore. Packaging materials are mainly locally sourced, with few items being imported. Blending and packaging are done in the state-of-the-art, zero-emission lube oil blending plant (LOBP) located in Chittagong. Through the manufacturing unit, MJLBPLC produces the Mobil brand of lubricants as well as Omera Lubricants, which is the homegrown brand of the company. MJLBPLC generates 45.4% of its standalone revenue stream from manufacturing operations (MJL Bangladesh Ltd., 2022).

Oil Tanker: Apart from the blending and distribution of lubricants, MJLBPLC owns an ocean-going AFRAMAX Oil Tanker of capacity 107,091 DWT in Bangladesh, named MT Omera Legacy (MTOL). The vessel facilitates the transportation of petrochemical products globally and transports cargo for Bangladesh Petroleum Corporation, and Shell International Eastern Trading Company, among others. The commercial route of the vessel is the Persian Gulf and Arabian Sea. MJLBPLC generates about 12% of its standalone revenue stream from oil tanker operations (MJL Bangladesh Ltd., 2022).

Through the operations of its subsidiaries, MJLBPLC is also engaged in bottling, cylinder manufacturing, storage, and distribution of LPG.

2.2.2 PRODUCTS

The Company offers a diverse range of grease and lubricants. Automotive lubricants and industrial and specialty lubricants are the two main types of lubricants. Automotive lubricants are categorized into Car Engine Oils, Motorcycle Engine Oils, Bus and Truck Engine Oils, and Vehicle Care and other Lubricants. Based on type, these automotive lubricants are classified into synthetic, semi-synthetic, and mineral types. Industrial and specialty lubricants include aviation oil and grease, circulating oils, compressor oils, gas engine oils, gear oils, greases, hydraulic oils, marine oils, metal processing oils, spindle oils, way oils, chain oils, knitting oils, food machinery oils, etc (MJL Bangladesh Ltd, 2022). With distinct marketing and distribution channels, the products are being sold under the brand names "Mobil" and "Omera".

2.2.3 INFRASTRUCTURE AND PRODUCTION FACILITIES

In May 2003, MJLBPLC established the cutting-edge Lube Oil Blending Plant (LOBP) with the intention of making Bangladesh one of the few nations in the subcontinent to blend premium lubricants. This LOBP is one of the most advanced in-line blending facilities in Southeast Asia. As the exclusive distributor of ExxonMobil products in Bangladesh and an alliance partner, MJLBPLC abides by and fulfills all requirements for blending practices and lubricant product integrity. Starting with base oils and additives purchased from ExxonMobil and other international suppliers, the zero-emission industrial plant has strictly adhered to ExxonMobil-mandated methods and standards. ExxonMobil and government officials conduct routine inspections of the plant. The production facilities of MJLBPLC are located in Guptakhal, East Patenga, Chattogram, on 6.175 acres of land owned by the Company (MJL Bangladesh Limited, 2022, p. 33). There are 50 tanks for the storage of base oils, bulk additives, and preparations, including pre-blend tanks, holding tanks, and finished product tanks. The business follows highly stringent safety precautions in accordance with its safety, health, and environmental policies.

2.2.4 BLENDING PROCESS

To meet the defined quality of the products, MJLBPLC has installed modern and sophisticated automated machinery in the plant. The In-Line Blending System (ILB) is capable of blending over 300 lube oil formulations from over 50 base oils and additive components. The main raw material for lubricants is base oil, which is being imported from ExxonMobil's designated supplier in Singapore. The varieties of base stocks and additives are fed into the In-Line Blending system according to specific formulations to produce the desired grade of lube oil. The blended products are sent into the finished products tank and frequently sent to the Lab for quality checks, which are carried out under the guidelines set by ExxonMobil. After the quality check, the lubricants are sent to an automated filling line, where they are filled and sealed in various high-quality, durable containers. Packaged lubricants are distributed to various parts of the country, awaiting delivery to customers.

2.2.5 QUALITY CONTROL

As an alliance partner and globally renowned trademark promoter, MJLBPLC maintains a very high product quality standard. The LOBP is certified by ExxonMobil Quality Practices & Guidelines (QP&G), Product Integrity Management System (3PIMS), Bureau Veritas (BV) for ISO 9001-2015, LMS Certification Limited for ISO 14001:2015, & ISO 45001:2018. This ensures the blending and production of international-quality products in Bangladesh (MJL Bangladesh Ltd, 2022).

2.2.6 SUBSIDIARIES AND THEIR OPERATIONS

MJL Bangladesh PLC has two material subsidiary companies, Omera Petroleum Limited (OPL) and Omera Cylinders Limited (OCL), and a step-down subsidiary, Omera Gas One Limited (OGL), that is a direct subsidiary of OPL. LPG bottling terminals, cylinder manufacturing facilities, and LPG reticulation systems for industrial customers are the main business units that make up MJLBPLC's LPG operations. Omera is a homegrown lube oil brand that is present in category gaps not occupied by Mobil. Omera seeks to provide consumers with high-quality, guaranteed-performance lube oils to restrict downshifts to counterfeit, substandard items and stimulate shifts to branded lubricants.

Omera Petroleum Limited (OPL)

Omera Petroleum Limited (OPL), a subsidiary of MJLBPLC, is engaged in the import, storage, bottling, and distribution of Liquefied Petroleum Gas (LPG). The company was incorporated under the Companies Act 1994 on November 8, 2000, as a private limited company. Originally registered as Surma Oil Company Limited, its name was subsequently changed to Omera Petroleum Limited on October 20, 2011. The company was converted to a Public Limited Company on May 9, 2019. In terms of revenue, investment, storage, filling capacity, number of plants, and logistics facilities, OPL is considered one of the largest LPG Companies in Bangladesh. OPL launched the production and distribution of LPG in March 2015. In addition to its primary LPG terminal at Mongla, the company also constructed three satellite plants in Ghorashal, Chattogram (Mirsarai), and Bogura. The total LPG storage capacity is currently 9,050 MT. For residential and commercial use, LPG is bottled into cylinders of five different sizes: 5.5 kg, 12 kg, 25 kg, 35 kg, and 45 kg, with a daily production capacity of 60,000 cylinders. 62.496% of the company's shares are held by MJLBPLC (MJL Bangladesh Limited, 2022, p. 111).

Omera Gas One Limited (OGL)

Omera Petroleum Limited owns a 50% share of Omera Gas One Limited (OGL) which is a joint venture of OPL and Saisan Co., Ltd. (A Japanese company founded in 1945). Omera Gas One Limited intends to fulfill the increasing demand for LPG in the industrial, commercial, and residential sectors by providing cutting-edge solutions. OGL is engaged in the business of installing LPG auto gas stations, and LPG solutions for industrial and residential purposes through supply, installation, and/or commissioning, etc. at the site(s) of its client(s). OGL is engaged in setting up LPG infrastructure for large commercial purposes. The company caters to the growing demand for LPG in the wake of LPG emerging as a fuel of choice.

Omera Cylinders Limited (OCL)

Omera Cylinders Limited (OCL) is engaged in the manufacturing and sale of LPG Cylinders. The company was originally founded as a backward linkage for Omera Petroleum Limited, but after fulfilling OPL's entire demand, it began selling to other entities as well as exporting to Africa. The organization was incorporated as a private limited company on September 27, 2012, in accordance with the Companies Act of 1994, with authorized and paid-up capitals of Tk 1,000,000,000 and Tk 20,000,000, respectively. As of April 2015, OCL has been manufacturing and selling LPG cylinders. The manufacturing facility has a daily output capacity of 2,300 cylinders. The company's product sizes range from 4 kg to 50 kg, depending on the needs and specifications of the customer. MJLBPLC possesses a 99.98% share of this Company.

MJL (S) Pte. Ltd.

MJL (S) PTE. LTD. is an associate company of MJL Bangladesh PLC, a limited liability company incorporated and domiciled in the Republic of Singapore, engaged in the business of wholesale and trading of petroleum and related products. MJLBPLC possesses a 25% share of this company (MJL Bangladesh Limited, 2022).

2.3 MANAGEMENT PRACTICES

2.3.1 IMPORTANCE OF LEADERSHIP

As a holistic and time-appropriate definition, leadership can be illustrated as a system of interpersonal influence that motivates and drives others toward the accomplishment of a specific goal (Kruse, 2013). Leadership style has far-reaching implications when its impacts on individuals ultimately become a deterrent to group performance (Warrick, 1981). Effective leadership styles are vital for enhancing employee productivity and driving the organization toward its goals (Nanjundeswaraswamy & Swamy, 2014).

2.3.2 TYPES OF LEADERSHIP

There are several historical and contemporary leadership styles in theory, but the application of a suitable style largely varies according to organizational objectives and culture. There are five popular leadership styles commonly applied in businesses.

Authoritarian or Autocratic Leadership: An autocratic leader places a low emphasis on people and a high emphasis on performance (Warrick, 1981). Work, goal achievement, and obedience are enforced through strict control and enforcement of rules and policies. The loyalty of followers is often enforced through control, coercion, and fear (Tenney, 2023). This style is most effective when working with new, untrained employees, when detailed instructions are necessary, when there are high production needs on a daily basis, and when prompt decisions are required.

Participative or Democratic Leadership: Participative leaders include employees as part of the decision-making process and also welcome their input. Such leaders encourage open communications, an inclusive mindset, transparency, and team collaboration. This is considered an effective leadership style, as it makes employees feel valued by including their input in decision-making (Tenney, 2023).

Delegative or Laissez-Faire Leadership: This leadership style avoids micromanagement by delegating tasks to employees with minimal intrusion. It provides extensive autonomy and flexibility in autonomous decision-making (Tenney, 2023). Laissez-faire is most effective in creative fields, self-managed teams, and during the initial phase of a project (Cherry, 2022).

Transactional or Managerial Leadership: This is a give-and-take approach that motivates employees towards performance, compliance, and goal attainment through a system of rewards and penalties (Warrick, 1981). Transactional leadership is a contractual relationship between leaders and subordinates. The basic purpose is to maintain organizational stability through specified job roles and their accomplishments (Nanjundeswaraswamy & Swamy, 2014).

Transformational or Visionary Leadership: Transformational leadership focuses on the personal growth, value system, and empowerment of the followers by offering idealized influence, inspirational motivation, intellectual stimulation, and individual consideration (Nanjundeswaraswamy & Swamy, 2014). Such leaders encourage and support their followers through personal recognition, mentorship, empathy, and empowerment to motivate them towards the achievement of a shared vision. Transformational leaders inspire their followers to reach great heights and high performance by building commitment, loyalty, and positive drive (Tenney, 2023).

2.3.3 LEADERSHIP STYLE OF MJLBPLC

Functional areas or departments of an organization can benefit from different leadership styles that best incentivize departmental performance. The contingency or situational approach to leadership suggests that different situations require different approaches to leadership (Warrick, 1981).

Table 1 Leadership Style at MJLBPLC

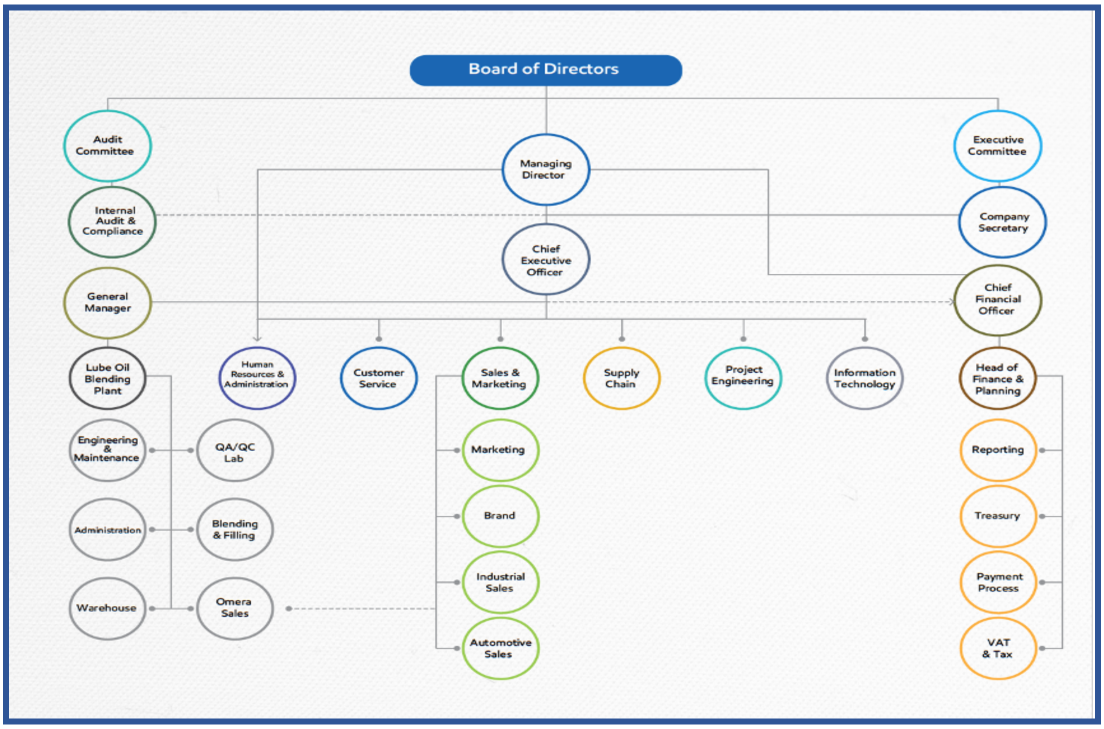
Leadership Style	Departments & Services	Uses and Performance Implications
Participative or Democratic	⧫Top Management ⧫Executive Committee ⧫Performance Appraisal ⧫Recruitment ⧫Organizing events ⧫Training and development ⧫Conflict management ⧫Customer Acquisition ⧫Customer relations ⧫Corporate event planning ⧫Marketing and product promotion ⧫Maintenance service ⧫CSR activities	Successful when employees are highly skilled or experienced. Effective for implementing operational changes or resolving individual or group problems. Keeps employees informed. Employee involvement in decision-making and problem-solving. Fosters personal growth and job satisfaction. Encourages team building and participation. Provides autonomy and flexibility. Supports creative decision-making. Offers a high level of intrinsic motivation and employee satisfaction.
Transactional or Managerial	⧫Treasury accounts ⧫Opening LCs ⧫Product development ⧫Financial reports ⧫Finance Department ⧫Audit Committee ⧫IT Department	Ensures strict adherence to compliance and regulatory policies. KPI driven performance incentives. Performance bonus. Produces consistent, predictable results. Rewards/penalties system provides easy guidance. Reduces confusion. Fosters incentive-based productivity.

Being a large organization involved in highly technical operations, MJLBPLC primarily uses a combination of participative and transactional leadership styles. The employees of the organization are highly skilled in their relevant fields and are given a certain amount of autonomy when it comes to team building and strategic decision-making. The effectiveness of a leadership style largely differs between organizations as well as between different sectors within an organization. MJL Bangladesh PLC engages in transactional leadership in sensitive operations, where the management guides all decisions. However, the institution also applies varying leadership strategies, giving employees autonomy where regulatory and compliance restrictions are not required.

2.3.4 MANAGEMENT TEAM AND ITS COMMITTEES

The management team of MJLBPLC is led by its Managing Director (MD). The MD consults with the Chairman and the Board of Directors prior to making any significant policy decisions. Different committees, such as the Management Committee, Product Quality Committee, Purchase Committee, Risk Committee, Compliance Audit Committee, and Business Continuity Planning (BCP) Core Committee, monitor the functional activities. All the management personnel are highly qualified and have vast professional experience to aid in the smooth operation of the business.

Figure 5 Company Organogram



Source: MJL Bangladesh PLC Annual Report 2021-22

As guardians of stakeholder trust, the Board is responsible for strategic stewardship that helps advance value creation for all. Comprising of outstanding individuals from business and society, the Board of Directors is committed to ensuring that the Company meets its governance, social, and regulatory obligations. The Board is chaired by the energy secretary of the government of Bangladesh. It reviews the overall activities of the business and gives the necessary strategic guidelines for onward policy implementation. To make fruitful and result-oriented strategic decisions, the Board is diversified into three functional committees- the Audit Committee, the Nomination and Remuneration Committee, and the Executive Committee.

2.3.5 FUNCTIONAL DEPARTMENTS

For the smooth operation of the management, the operational activities of MJLBPLC have been divided into various departments.

Supply Chain Department: Looks at initial planning, Proforma Invoice (PI) collection, communications with EM, procuring documentation, and product clearance.

Sales Department: Facilitates getting the customer onboard, taking purchase orders, and placing them with the customer service department.

Customer Service Department: Facilitates the distribution of products. The product is delivered from five warehouses across the country, including the LOBP plant in Chittagong. Distribution personnel are in 5 points: Chittagong LOBP warehouse, Chittagong Kathgora, Dhaka Tejgao (largest), Bogura, and Jessore. The customer service department receives payment instructions from the sales department, does product delivery, and receives payment instruments.

Marketing Department: Marketing and branding are separated in MJLBPLC. The main job of marketing is to create a customer pool. It analyzes which customer segment to target, finds potential customers, and communicates with the sales team regarding these customer segments.

Branding Department: Engages in promoting the quality, corporate message, etc. of the products through TVC, billboards, and other media. The department works extensively to promote the brand.

Finance Department: Ensures that the company is operating within all relevant rules and regulations. Compliance with Bangladesh Bank (BB) regulations, Securities and Exchange Commission (SEC) regulations, accounting laws, tax, VAT, etc. is ensured by finance. In addition, this department also manages all payments.

IT Department: This department plays an integral role since all operations are system-based and a worldwide renowned SAP has been implemented.

HR Department: Facilitates selection, recruitment, training, performance appraisal, and all other human resource (HR)-related activities.

Internal Audit: Oversees the operations of all other departments to constantly appraise compliance. Compliance with company laws, local laws, BB laws, SEC laws, etc., is checked by the internal auditor. Internal audit directly reports to the MD, and their report is placed in every board meeting.

Project Engineering Department: Handles all ongoing and future projects. A new office block in Jessore, warehouse extension works in Kathgora, etc. are a few examples of ongoing projects overseen by this department.

2.3.6 HR PLANNING PROCESS

The HR strategy offers a comprehensive method of managing people. The organization is concerned with acquiring, nurturing, and sustaining talented employees through training, exposure, guidance, motivation, and other incentives. The company promotes a safety-oriented culture, with a zero-tolerance policy for harassment and health and safety risks. Rigorous internal and external audits are carried out periodically, which addresses the need for an engaged and empowered workforce, and also ensures diversity. The HR strategy addresses the crucial pillars of recruitment, development, reward, and retention to enable the creation of a talent pipeline intended to support healthy succession and company growth.
MJLBPLC established a hybrid work arrangement to ensure all safety measures during the onset of the COVID-19 outbreak. The emphasis switched from quantifying employee work hours to evaluating overall productivity and the caliber of completed work.

Recruitment and Selection Process: The recruitment and selection process is conducted as per company policy and follows these general steps:

- Requisition from department
- Evaluation of requisition letter by HR
- Preparation of Job Description (JD)
- Posting job openings primarily on social media platforms and outsourced HR recruitment platforms
- CVs are shortlisted according to job criteria
- Primary screening is conducted for potential candidates
- An interview panel of department heads, cross-functional department head and HR, interviews the shortlisted candidates
- A job offer is placed as per qualifications, experience, and interview performance

Integration of IT and HR Processes: MJLBPLC commenced its SAP implementation during the COVID-19 crisis and had a successful go-live in August 2021. The HR module in SAP not only automates the HR operations of the organization but also provides experiences that enable a more engaged and productive workforce. Major focus areas of SAP's HRIS include automation of HR processes, core HR and payroll, HR analytics, and strengthening compliance.

Performance Appraisal System and Compensation: The performance appraisal system (PAS) at MJLBPLC is KPI-based, with different weights for each functional department. In addition, there are performance-based bonuses based on performance evaluations to encourage employees. The retirement benefits for the employees of the company are accounted for in accordance with the provisions of IAS 19: "Employee Benefits". Bases for enumerating the retirement benefit schemes include (i) **Provident fund** benefits are given to the permanent employees of the company in accordance with the company's service rules. All confirmed employees of the company contribute 10% of their basic salary as a subscription to the Fund. The company also contributes an equal amount to this pool of funds. Interest or profit earned from the investments is credited to the members' accounts on a yearly basis. The company introduced the contributory Provident Fund Scheme in 2009. (ii) **Gratuity fund** The company operates a gratuity scheme where annual provisions cover all permanent eligible employees. The company introduced the Gratuity Scheme in December 2010 (MJL Bangladesh Limited, 2022, p.215-216).

Training and Development Initiatives: Regular efforts are made to guarantee that the workforce has access to the most recent technologies and knowledge required to meet both individual and organizational goals. In order to engage employees and provide a virtual learning experience, MJLBPLC HR places a priority on creating a culture of growth and continuous improvement. Employers can identify skill gaps and implement efficient training and development programs using HR tools.

2.4 MARKETING PRACTICES

2.4.1 TARGET CUSTOMERS

MJLBPLC offers the widest selection of high-quality lubricants and runs three specialized divisions—manufacturing, trading, and oil tanker units—that enable it to fully meet the needs of end customers. In terms of manufacturing and trading units, the organization has three broad customer categories: Jamuna Oil Company, Industrial clients, and automotive clients. Automotive clients primarily consist of distributors and agents who supply the products to mechanics and end users. The primary customer of the oil tanker unit is Bangladesh Petroleum Corporation (BPC). The largest AFRAMAX oil tanker in Bangladesh, Omera Legacy, facilitates the transportation of petrochemical products globally and transports cargo for BPC and Shell International Eastern Trading Company, among others. In addition to the local market, the company also exports its products, primarily to Nepal.

2.4.2. DISTRIBUTION CHANNELS

MJLBPLC has a distribution agreement with Jamuna Oil Company Ltd. (JOCL), which is an oil marketing company of Bangladesh Petroleum Corporation (BPC). Under this contract, the company uses the extensive infrastructure and distribution facilities of JOCL, which include 16 depots all across the nation, for smooth distribution. In addition to the primary installation point in Guptakhal, Chittagong, JOCL has 431 filling stations, 852 agents, and 181 packed point dealers throughout Bangladesh. All automotive, industrial, and aviation lubricants are supplied to JOCL's main installation and are subsequently distributed throughout the nation. MJLBPLC also directly distributes its products to more than 4500 industrial customers and 120 appointed wholesalers, who sell these products to end users. MJLBPLC's own distribution infrastructure comprises five warehouses, including the LOBP in Chittagong. The organization's total distribution pie is evenly distributed,i.e., each party (JOCL, wholesalers, and industrial buyers) gets about 30% - 35% of the total distribution.

2.4.3 MARKETING CHANNELS

As a direct product promotion policy, MJLBPLC engages different marketing channels throughout the year, such as electronic, print, and social media platforms. It also conducts various field marketing programs to communicate with end users as well as channel partners.

2.4.4 PRODUCT DEVELOPMENT

Bangladesh has a diversified market with a wide range of foreign automobiles. Hence, the requirements and recommendations for lube oils differ from vehicle to vehicle. In this context, MJLBPLC is trying to market quality lubricants, including premium and synthetic lubricants, to meet all kinds of requirements for vehicles or machines in Bangladesh. The home-grown Omera lube oil range fills in the gaps with categories not served by Mobil, thereby covering almost the entire spectrum of the market.

2.4.5 BRANDING ACTIVITIES

MJLBPLC has a separate department that oversees branding activities. The team works consistently to enhance brand presence and exposure, implement innovation in marketing communications, safeguard the brand and market reputation, and maximize media spending and impact.

2.4.6 ADVERTISING AND PROMOTION STRATEGIES

MJLBPLC organizes and partakes in a variety of promotional activities, including RALLYCROSS, Trade Shows, Road Shows, Mechanic Awareness Programs, Workshops, and more. The Multi-Compartment Delivery Truck (MCDT), the first of its kind in Bangladesh, was introduced by MJL Bangladesh PLC as part of its mission to offer the best lubricant solution in the nation. This will make it easier to offer its industrial clients comprehensive customer service, as well as volume flexibility and operational efficiency. A dedicated service will be provided by the MCDT, which has two compartments with a combined capacity of about 9,000 liters. In addition to the aforementioned amenities, MJLBPLC has been enhancing its market position by advertising and selling its goods on all social media platforms and through e-commerce.

2.5 FINANCIAL PERFORMANCE AND ACCOUNTING PRACTICES

The company's standalone operations include trading, manufacturing, and oil tanker units. Through the operations of its subsidiaries, MJLBPLC is also engaged in bottling, cylinder manufacturing, storage, and distribution of LPG. The consolidated revenue stream comprises standalone operations as well as those of the subsidiaries.

2.5.1 FINANCIAL PERFORMANCE (STANDALONE OPERATION)

According to the analysis of MJLBPLC's financial performance on a standalone basis, the company's revenue increased to Tk. 9,261.23 million in FY 2021–22 from Tk. 8,408.02 million in FY 2020–21, registering a growth of 10%. The company's highest turnover over the previous five years occurred during the pre-covid period of FY 2018–19, totaling Tk. 9372.3 million. However, the company has experienced consistent growth in its net profit, with the highest growth of 39% occurring in FY 2020–21.

Table 2 Financial Performance (Standalone Operation)

Indicators (Tk)	*FY2017-2018*	*FY2018-2019*	*FY2019-2020*	*FY2020-2021*	*FY2021-2022*
Turnover	8,43,06,50,477	9,37,23,16,524	8,37,62,10,412	8,40,80,22,654	9,26,12,30,614
COGS	5,65,54,15,609	6,81,89,52,111	5,73,59,26,640	5,59,56,73,432	6,26,74,31,632
Gross Profit	2,77,52,34,867	2,55,33,64,413	2,64,02,83,772	2,81,23,49,222	2,99,37,98,981
Gross Profit Margin	32.92%	27.24%	31.52%	33.45%	32.33%
Net Profit (PAT)	**1,76,07,29,491**	**1,42,01,13,320**	**1,54,25,04,612**	**2,14,65,12,422**	**2,18,77,71,382**
Net Profit Margin	20.88%	15.15%	18.42%	25.53%	23.62%
Growth in Net Profit Margin		-27.40%	21.50%	38.60%	-7.50%
Administrative, Selling & Financial Charges	68,29,34,029	88,54,92,505	85,96,40,174	56,72,17,151	67,09,16,714
Other Income	23,69,96,614	22,79,38,678	28,79,12,976	49,33,60,576	16,59,79,419

Although the organization has maintained positive growth in net profit over the past three years, the net profit margin has declined in FY 2021–22.

From Tk. 2,812.35 million in 2020–21 to Tk. 2,993.80 million in 2021–22, the gross profit increased, with a decreased gross profit margin of 33.45% versus 32.33%. When examining operating expenses, it was discovered that administrative, selling, distribution, and financial expenses all climbed slightly faster in FY 22, than they had the year before. On the other hand, other operating and non-operating revenue (financial income, rental income, gain on asset sales, etc.) declined dramatically to Tk. 165.98 million in 2021–22 from Tk. 493.36 million in 2020–21. As a result, despite increases in sales and gross profit, net profit after tax did not grow proportionately. Carrying the effects, the net profit margin experienced a decline of 1.91 percentage points or a 7.5% de-growth. The net profit after tax and net profit margin stood at Tk. 2,187.77 million and 23.62%, respectively, in 2021–22, compared to Tk. 2,146.51 million and 25.53%, respectively, in 2020–21. Overall, the business was able to post a satisfactory performance in its standalone business operations for FY 2021–22 despite facing inflation-induced cost increases, a pandemic-induced macroeconomic slump, and supply chain disruptions.

2.5.2 PERFORMANCE BREAKDOWN (STANDALONE OPERATION)

The two main businesses that MJLBPLC operates are the lubricants unit, which is further divided into trading and manufacturing operations, and the oil tanker unit, which is categorized as a service. During the period 2021–22, the net revenue comprised Tk. 1,089.56 million from the oil tanker unit (Tk. 1,465.29 million in 2021–22), Tk. 4,206.61 million from the lubricants manufacturing unit (Tk. 3,608.12 million in 2021–22), and Tk. 3,965.06 million from the lubricants trading unit (Tk. 3,334.61 million in 2021–22). The revenue breakdown reveals that the company's primary sources of income are lubricant manufacturing and trading. Manufacturing accounts for 45.4% of MJLBPLC's standalone operations' net revenue stream, followed by trading (42.8%), and oil tanker operations (11.8%).

Figure 6 Performance Breakdown (Standalone Operation)

Source: MJL Bangladesh PLC, Annual Report 2021-22

While analyzing the cost of revenue, it has been found that the cost-to-revenue ratio from the Trading unit stood at 76.22%, the Oil Tanker unit stood at 68.77%, and the Manufacturing unit stood at 59.34% in 2021–22. The cost-to-revenue ratio suggests that the company's manufacturing unit generated the highest gross profit margin and its trading unit generated the lowest gross profit margin. Along with a 10% increase in revenue, the company also registered a 6% rise in gross profit in FY 2021–22. However, the gross profit margin decreased by 3% during the period, owing to the rise in prices of imported items and a depreciation of BDT against USD.

2.5.3 RATIO ANALYSIS

Liquidity: Liquidity is critical for a business to be able to fulfill its immediate payment requirements. Liquidity ratios measure the ability of an organization to pay off its short-term debt obligations. The greater the ratio, the easier it is to pay off debts and prevent payment defaults. The creditworthiness and credit rating of a corporation are both impacted by an organization's inability to pay its debts (*Liquidity Ratios: Definition, Types, Formula, Importance, FAQs*, n.d.).

Liquidity	***FY2017-2018***	***FY2018-2019***	***FY2019-2020***	***FY2020-2021***	***FY2021-2022***
Current ratio	1.26	1.17	1.18	1.28	1.15
Quick ratio	1.02	0.89	0.87	0.98	0.99
Cash ratio	11%	7%	5%	10%	14%

Current Ratio or Working Capital Ratio The current ratio evaluates a company's capacity to settle its debts within the following 12 months. Creditors use this ratio to determine whether they can offer short-term debt to a company. In addition, it offers insights on the organization's operational cycle. It is obtained by dividing the current assets by the current liabilities. Although a higher current ratio of around two (2) is considered ideal for most companies, MJLBPLC had a moderate ratio of between 1.28 and 1.15 over the past five years, suggesting that the organization is relatively stable in meeting its current liabilities.

Quick Ratio or Acid Test Ratio This ratio is used to assess a business's ability to quickly convert liquid assets into cash to pay short-term obligations. It is computed by dividing the current liabilities by the liquid current assets. The quick ratio of MJLBPLC is very close to one (1), which is the ideal value for a financially stable company.

Cash Ratio or Absolute Liquidity Ratio This ratio measures whether the company has the ability to clear off debts only using liquid assets (cash and cash equivalents such as marketable securities). Creditors use this ratio to assess how easily a corporation can pay off short-term liabilities. Although the cash ratio should not be used as an accurate measure of liquidity for such a large organization, the cash ratio of MJLBPLC is quite low, which suggests that the company does not have enough liquid assets to pay off its short-term obligations.

Efficiency: Efficiency ratios measure a company's ability to use its assets and manage its liabilities effectively in the current period or in the short term. Although there are several efficiency ratios, they are similar in that they measure the time it takes to generate cash or income from a client or by liquidating inventory. Efficiency ratios include the inventory turnover ratio, asset turnover ratio, and receivables turnover ratio (Kenton, 2021).

Efficiency	*FY2017-2018*	*FY2018-2019*	*FY2019-2020*	*FY2020-2021*	*FY2021-2022*
Asset Turnover Ratio	0.5	0.5	0.43	0.43	0.47
Inventory Turnover Ratio	4.54	4.84	4.19	4.36	5.19
Working Capital Turnover ratio	4.46	7.32	5.81	3.86	7.7

Asset Turnover Ratio This ratio measures a company's ability to efficiently generate revenue from its assets. In other words, the asset turnover ratio calculates sales as a percentage of the company's assets. The ratio is effective in showing how much sales is generated from each dollar of assets a company owns. A higher asset turnover ratio means the company's management is using its assets more efficiently, while a lower ratio means the company's management isn’t using its assets efficiently. The revenue of MJLBPLC has not increased in proportion to its fixed assets.

Inventory Turnover Ratio The inventory turnover ratio measures a company's ability to manage its inventory efficiently and provides insight into its sales. The ratio measures how many times the total average inventory has been sold over the course of a period. Analysts use the ratio to determine if there are enough sales being generated to utilize the inventory. The ratio also shows how well inventory is being managed, including whether too much or not enough inventory is being bought. A relatively low inventory turnover ratio may be a sign of weak sales or excess inventory, while a higher ratio signals strong sales but may also indicate inadequate inventory stocking. MJLBPLC has a stable inventory turnover ratio of around 5, which suggests that it takes about 73 days on average for the organization to turn over its inventory. Although this ratio is not very high, it can be an advantage for the company in times of high inflation and supply chain disruptions.

Receivables Turnover Ratio This ratio measures how efficiently a company can collect its debts and extend its credit. The ratio is calculated by dividing a company's net credit sales by its average accounts receivable. Since MJLBPLC does not primarily operate on credit, this ratio has not been considered.

Working Capital Turnover Ratio A working capital turnover ratio measures the effectiveness with which a business utilizes working capital to drive sales. Higher working capital turnover indicates more effective operations and sales generation for a company. A lower working capital turnover suggests that there is room for organizational improvements. Although a working capital turnover ratio of 1.5–2 indicates good liquidity, MJLBPLC experienced a high average ratio of 5.83 over the past five years. The ratio dropped to 3.86 in FY2020-21, again increasing substantially to 7.7 in FY2021-22. The abnormally low figure in FY2020-21 suggests that working capital was lying idle during that year. Working capital was utilized more efficiently to generate revenue in FY2021-22.

Profitability: Profitability ratios evaluate a company's capacity to generate profits from sales/operations, assets on the balance sheet, or shareholders' equity. They demonstrate how efficiently a business produces profit and value for shareholders.

Profitability	*FY2017-2018*	*FY2018-2019*	*FY2019-2020*	*FY2020-2021*	*FY2021-2022*
Gross Profit Ratio	32.92%	27.24%	31.52%	33.45%	32.33%
Net Profit Ratio	20.88%	15.15%	18.42%	25.53%	23.62%
Return on Assets (ROA)	10%	8%	8%	11%	11%
Earnings per Share (EPS)	5.56	4.48	4.87	6.78	6.91

Gross Profit Ratio The gross profit ratio (GP ratio) is a financial ratio that measures the performance and efficiency of a business by dividing its gross profit figure by its total net sales. The fundamental benefit of the gross profit ratio is that it provides a precise representation of how effectively a business sells its products and services. A high gross profit ratio also allows the organization to remain profitable despite any changes in its operating, production, or material costs, giving its management more room to experiment and innovate. MJLBPLC has a relatively healthy gross profit ratio, although it has declined slightly compared to the previous year.

Net Profit Ratio is a profitability ratio that measures the company's profits relative to the total amount of money brought into the business. In other words, the net profit margin ratio depicts the relationship between the net profit after taxes and net sales taking place in a business. In general, a net profit ratio of 10-20% is considered average in our country. Although MJLBPLC attained a high net profit ratio of over 23% in FY 2021-22, the ratio has declined by 7.5% from the previous financial year, indicating a decline in the company's profitability.

Return on Assets (ROA) This profitability ratio demonstrates the amount of profit an organization could earn from its assets. The ROA gauges how well a company's management generates income from the resources or assets listed on its balance sheet. ROA is expressed as a percentage, and the greater the value, the more efficiently a company's management optimizes its balance sheet to produce profits. MJLBPLC registered a lower ROA of 8% between the financial years 2018 to 2020. However, the ratio has increased to 11% over the last two financial years, suggesting that the organization is operating more efficiently.

Earnings per Share (EPS) This is a commonly used indicator for calculating corporate value since it shows how much money a firm produces for each share of its stock. A higher EPS indicates greater value because investors will pay more for a company's shares if they think the company has higher profits relative to its share price (Fernando & Kindness, n.d.). MJLBPLC has registered an increasing trend in EPS since FY2019-20, reflecting a positive change in performance and company profitability.

Leverage A leverage ratio is any one of several financial measurements that look at how much capital comes in the form of debt (loans) or assess the ability of a company to meet its financial obligations. Because businesses typically employ a combination of debt and equity to fund their operations, the leverage ratio category is crucial. Knowing how much debt a company has can help determine if it will be able to pay off its loans when they are due.

Leverage	*FY2017-2018*	*FY2018-2019*	*FY2019-2020*	*FY2020-2021*	*FY2021-2022*
Debt to Equity Ratio	0.31	0.23	0.22	0.15	0.13
Interest Coverage Ratio	20.73	8.86	9.32	44.11	21.19
Market Value	**30,74,00,00,000**	**28,82,40,00,000**	**20,49,40,00,000**	**26,35,40,00,000**	**29,04,60,00,000**

Debt to Equity Ratio: Debt-to-equity (D/E) ratio compares a company’s total liabilities with its shareholder equity and can be used to assess the extent of its reliance on debt. A higher D/E ratio suggests more risk, while a particularly low one may indicate that a business is not taking advantage of debt financing to expand. MJLBPLC has a very low D/E ratio of 0.13 in FY 2021-22 and has been showing a decreasing trend over the past five years. The company has Tk. 0.13 of debt for every Taka of equity. The business is not reliant on external debt.

Interest Coverage Ratio: The interest coverage ratio is a debt and profitability ratio used to determine how easily a company can pay interest on its outstanding debt. The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) by its interest expense during a given period. The interest coverage ratio is sometimes called the times interest earned (TIE) ratio. MJLBPLC is experiencing fluctuations in its interest coverage ratio, which reached a peak of 44.11 in FY2020-21. This could be due to significantly low interest expense in FY2020-21, due to financing from own assets rather than loans.

Market Value: Market value is the term used to describe how much an asset or a company is worth on the financial market. It is commonly used to refer to the market capitalization of a company, which is calculated by multiplying the number of shares in circulation by the current market price. A company’s market value is a good indication of investors’ perceptions about its business prospects. MJLBPLC has a high market value and portrays a positive streak among stakeholders.

2.5.4 FINANCIAL PERFORMANCE (CONSOLIDATED)

The consolidated performance of MJLBPLC includes the trading, manufacturing, and oil tanker operations as well as that of its subsidiaries – OPL, which engages in LPG bottling and distribution, and OCL, which engages in LPG cylinder manufacturing.

Table 3 Financial Performance, MJLBPLC (Consolidated)

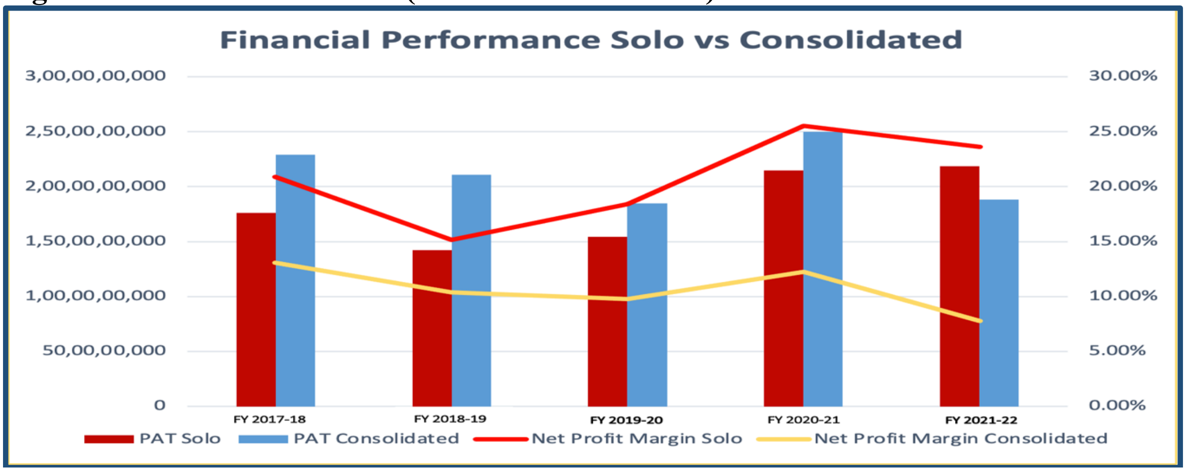
Indicators (Tk)	*FY2017-2018*	*FY2018-2019*	*FY2019-2020*	*FY2020-2021*	*FY2021-2022*
Turnover	17,51,61,44,850	20,32,14,78,993	18,86,71,08,468	20,36,72,17,125	24,26,62,00,780
COGS	12,92,20,11,243	15,43,43,89,673	14,56,99,01,435	16,28,59,65,293	19,95,79,87,129
Gross Profit	4,59,41,33,607	4,88,70,89,320	4,29,72,07,033	4,08,12,51,832	4,30,82,13,651
Gross Profit Margin	26.23%	24.05%	22.78%	20.04%	17.75%
Net Profit (PAT)	2,29,21,07,794	2,10,76,19,703	1,84,53,60,325	2,49,72,77,729	1,88,30,76,153
Net Profit Margin	13.09%	10.37%	9.78%	12.26%	7.76%
Change in Net Profit Margin		-20.74%	-5.69%	25.36%	-36.71%
Administrative, Selling & Financial Charges	1,04,11,69,407	2,05,01,63,434	2,02,33,14,516	1,35,68,89,596	2,33,88,06,721
Other Income	27,07,77,764	22,12,93,998	32,21,33,614	56,46,24,890	18,07,03,327

The consolidated revenue of the organization increased by 19% in FY2021–22 and stood at Tk. 24,266.20 million against Tk. 20,367.22 million in FY2020–21 due to increasing market demand for the products and an increased unit selling price. During the period FY2021-22, the consolidated revenue (less VAT) comprised Tk. 9,261.23 million from MJLBPLC (Tk. 8,408.02 million in FY2020-21), Tk. 14,941.87 million from OPL (Tk. 11,848.60 million in FY2020-21), and Tk. 854.29 million from OCL (Tk. 750.27 million in FY2020-21). Along with increased revenue, the gross profit increased to Tk. 4,308.21 million in FY2021–22 from Tk. 4,081.25 million in FY2020–21, but the gross profit margin substantially decreased to 17.75% in FY2021–22 from 20.04% in FY2020–21 due to the fallen margins of MJLBPLC and OPL. During the period FY2021-22, the gross profit of the Company was contributed by Tk. 2,993.80 million from MJLBPLC (69.49% of total gross profit), Tk. 1,116.20 million from OPL (25.91% of total gross profit), and Tk. 198.22 million from OCL (4.60% of total gross profit). The highest gross profit margin was contributed by MJLBPLC (32.33%), the second largest gross profit margin was contributed by OCL (23.20%), and the lowest gross profit margin was contributed by OPL (7.47%). OPL's scope for gross profit margin is constrained due to less control over the cost and selling price of LPG. A substantial contribution has been found in MJLBPLC profitability as other income such as financial income, rental income, gain on selling assets, etc. was found to be significantly lower in

FY2021–22 and stood at Tk. 180.70 million from Tk. 564.62 million in FY2020–21 as there was an irregular gain in asset sales during the period. Hence, the operating profit of the Company decreased to Tk. 3,460.99 million in FY2021–22 from Tk. 3,605.50 million in FY2020–21, with a declining margin of 14.26% against 17.70%.

As the company and its subsidiaries are heavily reliant on import-based products, the company has to pay a significant amount of foreign currency as a supplier's payment and a foreign lender's payment. Due to the recent instability in foreign currency rates, the company has experienced some foreign currency losses. The USD rate started to trend negatively in May and June 2022 and rose to 93.50 on June 30. Hence, the consolidated financial cost significantly increased to Tk. 1,310.88 million in FY 2021–22 against Tk. 316.51 million in FY 2020–21. Taking into account the aforementioned effects, the net profit after tax substantially dropped to Tk. 1,883.08 million in FY 2021–22 from Tk. 2,497.28 million in FY 2020–21, with a lower net profit margin of 7.76% compared to 12.26%. Though MJLBPLC's standalone net profit stood at Tk. 2,187.77 million, in consolidation it was found to have deteriorated due to a net loss of Tk. 350.03 million from OPL's business. OCL also made a small contribution of Tk. 23.20 million in net profit in FY 2021–22.

Figure 7 Performance Trend (Solo vs. Consolidated)



Although the revenue has increased, the consolidated net profit has decreased to Tk. 1,883 million compared to Tk. 2,497 million in the previous FY, due to an unstable foreign currency rate which resulted in finance loss and also due to OPL's underperformance. In addition, total other income has reduced by 70% (BDT 423 million) which is also reflected in the weaker performance in consolidation. Although the company has a positive net profit despite the prevailing macroeconomic crisis, the consolidated performance is showing a significant declining trend.

Table 4 Ratio Comparison

	Current Ratio	Quick Ratio	ROA	ROE	NAV	EPS
Standalone	1.15	0.99	11%	18.63%	37.77	6.91
Consolidated	0.75	0.58	5.45%	14.66%	40.55	6.36

Return on Average Assets (ROAA), Return on Average Equity (ROAE), and Return on Average Capital Employed (ROACE) are additional metrics that can be used to assess the viability of a business. Due to deteriorating profitability, it was discovered that the company's aforementioned performance metrics deteriorated in consolidation. The financial health of the company can be assessed based on qualitative aspects including its capital base, strong brand and group reputation, rising product demand, and the high market value of its facilities, properties, and other assets. Strong group support also helps the organization maintain its flexibility in the face of a liquidity crisis. Given the current status of the economy as a whole and the satisfactory performance of the standalone operation, the aggregate business performance can be characterized as stable.

2.5.5 ACCOUNTING PRACTICES

Statement of Compliance: The consolidated financial statements were prepared in accordance with the Securities Exchange Rules of 1987, the Companies Act of 1994, and Bangladesh Financial Reporting Standards (BFRS). In terms of title and format, these consolidated financial statements meet BFRS criteria.

Going Concern: Management evaluated the entity's capacity to continue as a going concern when issuing financial statements. As a result, MJLBPLC prepares its financial statements on a going-concern basis. According to paragraph 25 of IAS 1: Presentation of Financial Statements, management evaluated whether there were any situations or occurrences that could cast considerable doubt on MJLBPLC's capacity to continue as a going concern. Based on these evaluations, Management determined that no significant conditions or occurrences existed at the time of the assessment.

Reporting Period: MJLBPLC uses the accrual method of accounting. The accounting cycle was revised by Section 9 of the Finance Act of 2015, and as of 2017, MJLBPLC switched the accounting period from January to December to July to June.

2.6 OPERATIONS MANAGEMENT AND INFORMATION SYSTEM PRACTICES

MJLBPLC makes use of its information technology capabilities to improve operational performance and provide high-quality services. The company has invested in cutting-edge technology to enable real-time data for accurate forecasting and decision-making. The adoption of SAP S/4HANA ERP by MJLBPLC was an important IT milestone that considerably improved operational efficiency and included the following features:

• Integration with VAT software that has been authorized by the Bangladesh government;

• Scheduling and planning of all manufacturing processes and quality compliances

• Development of a financial dashboard for managing customer payments

• Tighter credit management

• End-to-end customer complaint management, which links customer service, quality, and finance in the feedback loop

The main outcomes of IT activities are greater corporate governance and compliance, increased operational and manufacturing efficiency, and improved visibility and control over production and quality. Operational KPIs have been considerably impacted as a result, among other things. Real-time reporting of all operational KPIs, central forecasting to optimize inventory control, and better handling of complaints to boost customer satisfaction. The implementation of SAP ERP has resulted in a 10% decrease in working capital, a 15% rise in employee productivity, and a three-fold acceleration in compliance report reconciliation.

2.7 INDUSTRY AND COMPETITIVE ANALYSIS

2.7.1 INDUSTRY ANALYSIS

Bangladesh's economy is one of the fastest-growing in the world, despite the global economic downturn. With a robust GDP growth of 5.5% in FY23 and a population base of 170 billion, the country has been experiencing a massive surge in the demand for petroleum products to meet its production and transportation needs. A few of the key drivers facilitating the growth of the Bangladesh Lubricants Market include the country's expanding construction industry, an increase in purchasing power and automotive consumption, and the government's mega infrastructure development projects.

The transportation, automobile, and various industrial sectors have been significantly affected as a result of the COVID-19 pandemic, leading to a slump in lubricant demand. The automobile industry saw a staggering 40% decline in sales in the post-COVID era, which was worsened by the global economic crisis of the Russia-Ukraine war. Additionally, the ongoing dollar crisis and LC opening restrictions caused the commercial vehicle sector to suffer a significant loss, which decreased demand for automotive lubricants (Rahman & Elahi, 2023).

Market Segmentation: Based on application, the Bangladesh Lubricants Market has been segmented into Automotive, Industrial, Marine, Construction, and Others. Automotive accounted for the largest market share of 37.92% in 2021, with Industrial being the second-largest market (Verified Market Research, 2022). Based on Type, the market is divided into Synthetic and Bio-Based. Synthetics accounted for the largest market share of 90.50% in 2020, but mineral-based lubes are growing in popularity due to their cheaper price. Market segments for lubricants in Bangladesh include product type and end-user industry. By product type, the market is segmented into engine oil, transmission and hydraulic fluid, metalworking fluid, general industrial oil, gear oil, grease, and other product types. By end-user industry, the market is segmented into power generation, automotive and other transportation, heavy equipment, food and beverage, metallurgy and metalworking, and other end-user industries (Mordor Intelligence, 2022).

Market Concentration: The top five organizations account for nearly 60% of the entire consumer demand in Bangladesh's largely consolidated lubricants sector. The leading market participants include, among others, MJL Bangladesh PLC, BP PLC (Castrol), Lub-rref (Bangladesh) Ltd., Navana Petroleum Limited, and Gulf Oil Bangladesh Limited (Mordor Intelligence, 2022).

Figure 8 Major Market Players

Source: Mordor Intelligence, 2022

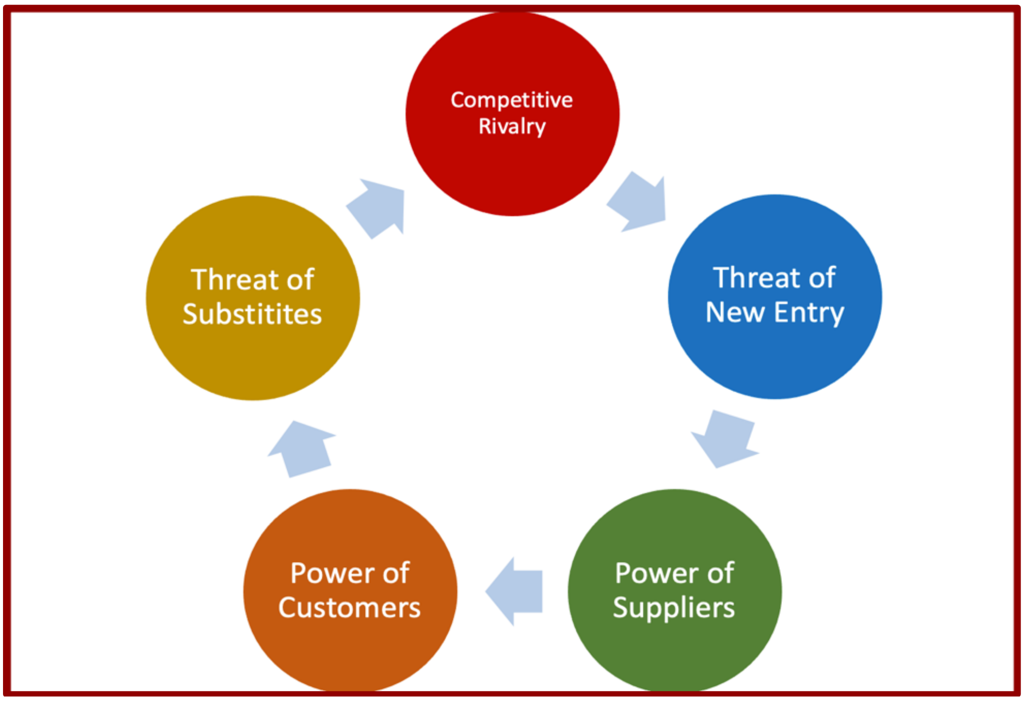
[It is important to note that comprehensive studies have not been conducted in the present scenario of the lubricant industry. Hence, an accurate depiction of market share and concentration is missing. In an interview with the Deputy Manager of Sales and Marketing at MJLBPLC, it was revealed that in the current market scenario, MJL Bangladesh PLC, BP, Total, Shell, Gulf, Fuchs, BNO, and Caltex are the key market shareholders for the Automotive market. For the Industrial market, MJL Bangladesh PLC, Shell, Fuchs, Gulf, Caltex, and BNO are at the priority level. The rest of the lubricant companies belong to the grey market.]

Other major players in the market include Padma Oil Company Limited, Shell, Caltex, HP (Hindustan Petroleum), APSCO Bangladesh, Basumati Group of Companies, City Lub Oil Industries Ltd., Corona Group, Imam Group, Kixx, SK, Mac, and others (Verified Market Research, 2022). MJLBPLC is the key player in the power sector, with approximately 90% market share. It is the market leader in terms of both automotive and industrial lube oil consumption, although several low-priced and poor-quality lubricant products have penetrated the local market in recent times. The country's yearly lubricating oil demand was roughly 1.2 lakh tons in year 2021, and the industry had a market value of around Tk 35 billion. Global brands control 46% of the country's demand, while non-brands and local manufacturers account for the remaining 54% (Tuhin & Sajid, 2021).

2.7.2 PORTER'S FIVE FORCES

Porter's Five Forces model, named after Prof. Michael E. Porter, is a model that identifies and analyzes five competitive forces that shape every industry and helps determine an industry's weaknesses and strengths. Five Forces analysis is frequently used to identify an industry's structure, determine corporate strategy, as well as analyze the varying degrees of profitability (Scott, 2023). Porter’s five forces emphasize Competition in the industry, The Potential of New Entrants, the Power of Suppliers, the Power of Customers, and the Threat of Substitutes

Figure 9 Porter’s Five Forces, MJLBPLC



1. Competitive rivalry: Although MJLBPLC is the market leader in industrial and automotive demand, it is currently facing huge competition from several cheaper and poorer quality lubricant products due to its rising raw material costs.

2. Potential of New Entrants: MJLBPLC has very high barriers to entry in terms of its state-of-the-art lubricant blending facility. However, in terms of cheap lubricant product imports, the barrier to entry is quite low.

3. Power of Suppliers: MJLBPLC has an exclusive contract with ExxonMobil (EM) and needs to purchase EM-mandated raw materials, primarily from EM Singapore. This suggests high supplier power, but the significance of supplier power is limited due to the company’s sophisticated local blending plant. However, the ongoing energy crisis in the global economy and the severe dollar crisis in Bangladesh, are causing supply chain disruptions.

4. Power of Customers: The lubricant market in Bangladesh is heavily reliant on imported base oils and additives. Therefore, prices are dominated by global fluctuations, rather than customer influence. MJLBPLC, being the sole distributor of the Mobil brand and having a strong brand image and quality assurance, is less affected by buyer power.

5. Threat of Substitutes: MJLBPLC is facing the threat of cheap, low-quality substitutes and has also been losing market share in recent times. This is primarily due to the ongoing foreign exchange crisis and LC restrictions, which are increasing product costs.

2.7.3 SWOT Analysis

A SWOT analysis is a method for assessing and grasping internal and external elements that may result in opportunities or dangers for a business. Internal influences include strengths and shortcomings. They are features of a company that give it a relative advantage (or disadvantage) over its competitors. External elements, on the other hand, are opportunities and risks. Opportunities are aspects of the external environment that management can seize to improve business performance (such as sales growth or increased profitability). Threats are external environmental components that may jeopardize a firm's competitive advantage(s) or even its ability to continue operations, such as regulatory concerns or technological upheaval. (Peterdy, 2022).

Figure 10 SWOT Analysis of MJLBPLC

Strength • Strong brand image • Sophisticated blending plant • High quality • Diverse product range • Sole distributor of Mobil brand in Bangladesh	**Weakness** • Heavy reliance on imports • Prone to currency risk and market risk • Unavailability of cheaper product line • Mostly does not offer credit sales
Opportunity • Public-private partnership • Home-grown brand, 'Omera' • Range of complementary products	**Threat** • Cheap, low-quality substitutes • Counterfeit products • Rising import cost • Declining consumer purchasing power

Strengths: MJLBPLC is the leading lube oil company in Bangladesh with over twenty years of experience. Being the strategic alliance partner of ExxonMobil and the sole marketer and distributor of the Mobil brand, the company holds significant dominance over customer confidence. The state-of-the-art LOBP and in-line blending facility ensure very high quality assurance, which is also monitored by ExxonMobil. Brand image also poses considerable strength, as consumers are reluctant to jeopardize their precious vehicles by switching to less renowned and cheaper alternatives. With a wide array of products ranging from premium grade synthetic lubricants to lower priced locally blended lube oil, the organization has a competitive advantage over other companies in the industry, that earn their revenue stream from only a few products.

Weaknesses: The Trading and Manufacturing operations of MJLBPLC are entirely dependent on imported additives and base oils. In addition, most of the packaging materials are also imported. The organization is substantially exposed to exchange rate risks, changes in government regulations relating to LC openings, and supply chain fluctuations due to mining disruptions in the international market. Global energy inflation is also posing a significant disadvantage by raising the cost of production. The organization emphasizes quality, being the seller of premium products through the Mobil brand and slightly medium-range products through its local brand, Omera. MJLBPLC does not have a cheaper range of products to compete with the low-quality substitutes that are currently flooding the market.

Opportunity: MJLBPLC is a government-affiliated venture and therefore enjoys a captive government market. It has preferential access to government industries, as most government power plants use the Mobil brand of products. A significant portion of customers are also captured by MJLBPLC, due to its wide variety of complementary products. The local brand Omera offers relatively lower-priced but high-quality products to cater to the middle-income market.

Threat: The company is facing some degree of threat due to the ongoing dollar crisis and foreign exchange volatility, as it is heavily import-dependent. The resulting impact has been a considerable rise in production costs, which is eventually reflected in higher product prices. Although this is a challenge for the entire economy, MJLBPLC is facing the threat of losing market share to cheap substitutes, mostly operating in the grey market, which does not conform to any recommended quality standards. Illegal activities such as refilling, and counterfeit products are also affecting the company's sales and brand image. High domestic inflation is causing lower demand for the premium, high-priced products that are offered by the organization.

2.8 SUMMARY

MJL Bangladesh PLC is Bangladesh's largest lubricant oil and alternative energy organization, with more than 20 years of experience in trading, blending, and manufacturing lube oil for industrial and automotive use. In addition, the company also engages in the transportation of petrochemical products through its fleet of ocean-going AFRAMAX oil tanker units. The company has a diverse range of premium lubricants and has exclusive selling, blending, and distribution rights with ExxonMobil. Through its homegrown lubricant brand "Omera", the company fills in the demand gap for high-quality, lower-priced products in the market. The sophisticated lube oil blending plant is one of the highest-ranking blending systems in Asia. With the operations of its subsidiaries "Omera Petroleum Ltd." and "Omera Cylinders Limited", the company is also engaged in the bottling, storage, and distribution of Liquified Petroleum Gas (LPG).

The standalone operation of the organization registered a net profit after tax of Tk. 2,187.77 million in FY2021-22, which is a 2% growth from the previous year. The majority of the standalone revenue stream was generated through manufacturing and trading activities, which contributed 45.5% and 42.8% respectively. 11.8% of revenue was generated from the oil tanker unit, which earns foreign exchange as freight charges. Due to the heavy reliance on imports, and depreciating local currency, the consolidated financial cost significantly increased from Tk. 1,310.88 million in FY22, compared to only Tk. 316.51 million in the previous year. This erratic cost hike, coupled with OPL's unsatisfactory performance, has been reflected in the substantially lower consolidated net profit of Tk.1,883.08 million in FY 2021-22.

Despite the current status of the economy, primarily foreign exchange-related cost hikes and supply chain disruptions, the company has shown strong resilience and a satisfactory performance in its standalone operation. However, the consolidated performance in FY 2021-22 has been average.

The main strengths of the organization include a strong brand image, premium products, a sophisticated blending plant, and strong forward and backward linkages. The primary weaknesses include lower demand due to slow industrial and automotive growth, high foreign exchange risk, inflation-induced hikes in the cost of production, and cheap/adulterated substitutes prevalent in the market.

2.9 LIMITATIONS

- The study was conducted between July and September 2023 and was therefore based on the financial data available until FY2021-22. A more accurate analysis could have been performed with the financial information of the current reporting period (FY2022-2023).
- Accurate information regarding the size, structure, and composition of the lubricant market was not available. Although insights have been gathered through interviews, the information could not be used due to the unavailability of verifiable research and literature.
- Bangladesh is currently undergoing instability due to fluctuations in the global recession and volatile foreign currency market. Therefore, there is a large grey market operating in the lubricants industry, along with a growing volume of counterfeit products. The presence of this segment can provide misleading results regarding actual organizational performance.
- The report was completed within two months time frame in order to meet the internship timeline. A more comprehensive analysis could not be conducted due to inadequate time and resources necessary for an in-depth research.

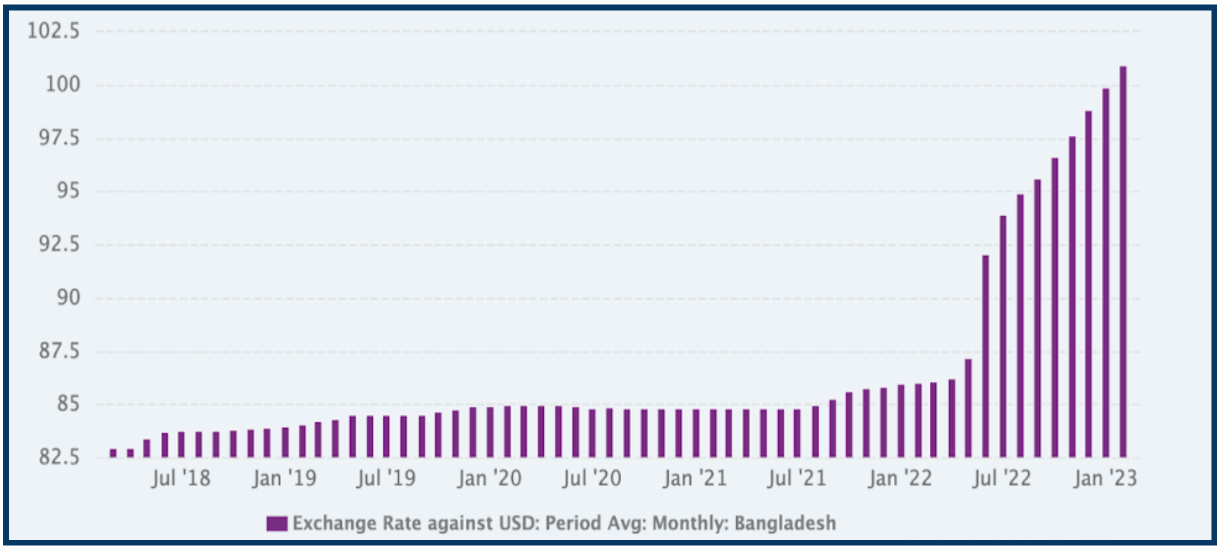
CHAPTER 3

FOREIGN EXCHANGE CRISIS AND ITS IMPACT ON MJL BANGLADESH PLC: A CASE STUDY

3.1 INTRODUCTION

Bangladesh's foreign exchange reserves have been rapidly decreasing in the post-pandemic period, owing to the worldwide hike in fuel prices, slower-than-expected remittance inflows, and dramatically higher import payments compared to exports. Worldwide production fell substantially during the pandemic as a result of decreased consumer demand and backlogs in global communication systems (Hossain, 2022). Although the effects of the pandemic began to fade gradually, productivity did not rise at a commensurate rate, resulting in increasing global inflationary pressure. The worldwide crisis was further exacerbated by the Russia-Ukraine war and the subsequent energy inflation. Owing to the heavy reliance on imports, an upsurge in the price of fuel and other essential commodities has resulted in nearly double-digit inflation and a plunge in foreign reserves in the Bangladesh economy (Mahmud, 2023). The significant fall in reserves comes as a matter of concern for the economy, dragged down by higher import payments against lower export earnings and remittance inflows (Hasan et al., 2022). In an attempt to reduce imports, the central bank has tightened the opening of LCs and imports of non-essential items. With the demand for the dollar outweighing forex inflow, the value of the taka against the dollar has plummeted, causing a crisis in the import of necessary fuel or raw materials. As businesses struggle with further inflationary pressure, the liquidity crisis in the banking industry is likely to dampen private investment and growth.

Figure 11 ***Exchange Rate Trend (monthly)***



Source: CEIC, 2023

As the BDT continues to depreciate against the USD, Bangladesh is challenged with multifaceted implications:

- Substantially lower export and remittance earnings have created a severe dollar crisis in the banking industry, which is significantly impacting the imports of essential raw materials, including petroleum products, which in turn is reducing private investment and growth.
- Limited OPEC (Organisation of Petroleum Exporting Organizations) spare capacity, the European Union's (EU's) ban on Russian oil, the impact of a potential US/global recession, and China's inflexible 'zero-COVID' policies could keep oil prices elevated at least in the near term, applying strain on countries chiefly dependent on imported oil and further worsening the balance of payments crisis (MJL Bangladesh Limited, 2022).
- In an attempt to reduce imports, the central bank has tightened the opening of LCs for imported non-essential items. Being a net importing nation, a high margin on LC opening has worsened the crisis.
- A depreciating Taka and rising inflationary pressures have worsened capital flight, over-invoicing, under-invoicing, non-performing loans, and other illicit activities, which is further deteriorating the dollar and liquidity crisis.

From a business perspective, the macroeconomic instability brought on by the foreign exchange crisis and currency volatility can have a prolonged impact across multiple dimensions. MJL Bangladesh PLC (MJLBPLC), which is the leading lubricant and new energy organization in Bangladesh, is struggling to maintain a stable supply chain for its imported raw materials. MJLBPLC, which generates over 82% of its standalone revenue stream from trading and manufacturing operations, is completely reliant on imported raw materials and finished products. With severe dollar crises in the banking industry and central bank restrictions such as high LC margins and on-sight payment for trading items, the company has lost flexibility in LC negotiations and import payments. As a result, the organization must realign strategic measures to maintain a steady supply chain and profitability. To understand the multitudinous implications of the forex crisis, a synoptic case study has been conducted on MJL Bangladesh PLC.

3.2 OBJECTIVE(S)

The objective of this report is to examine the challenges MJL Bangladesh PLC is facing due to the ongoing dollar crisis and provide an analysis of how the company is tackling these challenges. The impacts of central bank restrictions on LCs, a dollar crisis in the banking sector, rising inflation, and dampened demand in the post-COVID era, are some areas of emphasis. The paper also analyzes the performance breakdown of the three key operations of the organization (Manufacturing, Trading, and Oil Tanker) and elaborates on the relative impacts on each segment.

OB1: To analyze the impact of the foreign exchange crisis on the import-dependent organization- MJL Bangladesh PLC.

OB2: To examine how MJL Bangladesh Limited is overcoming these challenges.

3.3 SIGNIFICANCE

Import of raw materials, intermediate goods, and machinery have fallen due to the dollar crisis, crumpling investment, expansion, and GDP growth. This can be seen as a significant threat to a country's economy. Even large organizations such as MJL Bangladesh PLC are facing challenges to fulfill their import requirements and are being forced to implement alternative strategies to maintain their business operations. Some of the key implications of the current landscape are given below:

- High energy and food prices could lead to higher wage demands and further cost pressures and dampen investment.
- Frequent currency losses might put the business finances in a precarious position. Unpredictable currency changes can result in budget shortfalls, problems with cash flow, and difficulties fulfilling financial commitments including payments to suppliers, lenders, and workers.
- Frequent exchange losses can disrupt import logistics and supply chain management. The inability to secure the necessary foreign currency or payments could lead to delays or interruptions in business operations.
- Exchange losses directly affect the cost of imported goods, which can lead to reduced profit margins. If businesses consistently face exchange losses, their profitability could decline, making it challenging to maintain healthy financial performance and also erode the competitiveness of local businesses.

3.4 METHODOLOGY

The report uses secondary data for the industry and market analysis. Existing literature including Central Bank circulars, newspapers, and scholarly articles have been used to gain insight into the foreign exchange situation of the country. In addition, the annual budget, fiscal policy, and monetary policy data have also been used in order to obtain a comprehensive analysis. The last five years' annual report data of MJL Bangladesh PLC has been used to form a comparative analysis of the consolidated as well as standalone performance breakdown.

For the "Case Study" part, Qualitative primary data have been gathered through informal conversations and three personal interviews with employees and clients of MJL Bangladesh PLC, to gain in-depth knowledge regarding the operations, implications, and strategic decisions of the organization. The details of the interviewees are described below:

Table 5 List of Interviews

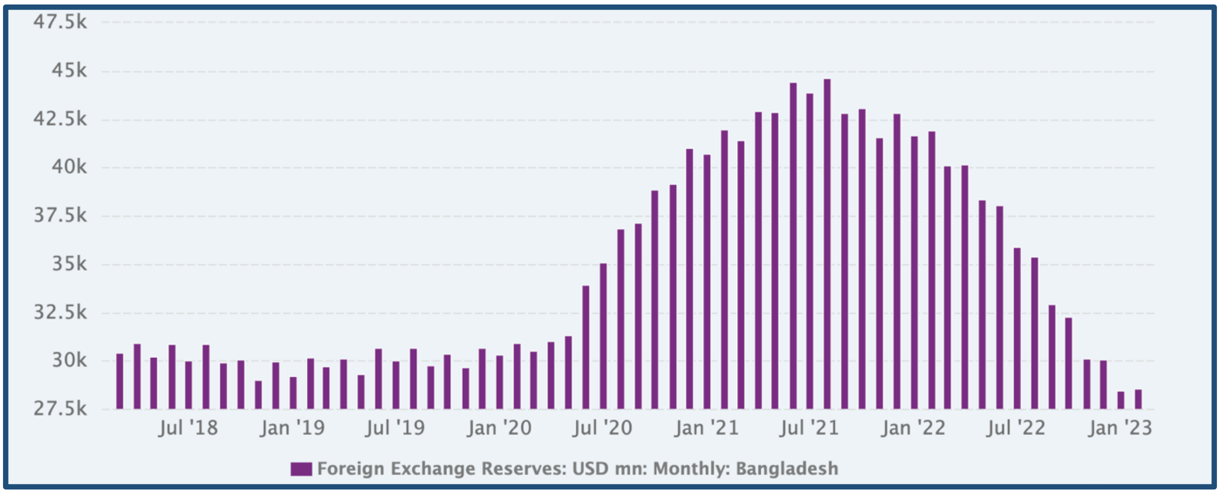
Name of Interviewee	Designation	Organization	Date of Interview
Kazi Jahidul Islam	Deputy Manager- Sales & Marketing	MJL Bangladesh PLC	August 14, 2023
Md. Zamiur Rahman	Treasury Controller-Finance & Planning	MJL Bangladesh PLC	August 24, 2023
Md. Sorowar Alam Khandokar	Senior Manager	Clean Fuel Filling Station Ltd. (Client)	August 22, 2023

3.5 BACKGROUND/LITERATURE REVIEW

Bangladesh is currently engulfed by seven crises: the dollar crisis, fuel price, inflation, food crisis, climate change, the Ukraine war, and COVID-19 (Ahmed, 2023).

The financial account of the balance of payments (BoP), which remained at a surplus over the last 20 years, turned negative within the first five months of FY 2022–23, illustrating the difficulties the country is facing in preventing the depletion of its foreign exchange reserves (Byron & Zaman, 2023). As money outflows outpaced inflows, Bangladesh's foreign currency reserves stood at $31.18 billion on April 17 in contrast to $44.16 billion one year ago, and the spot rate depreciated by 27% from 84 to 107 to the dollar (Mahmud, 2023). In accordance with the new International Monetary Fund (IMF) guidelines for reserve calculation, the gross foreign exchange reserves dropped by $6.44 billion, from $29.92 to $23.56 billion on July 13, 2023, which was $4.24 billion below the IMF threshold (Alo, 2023). Officials at the central bank reported that on September 10, the gross reserves further decreased to almost $21.5 billion (The Business Standard, 2023).

***Figure 12** Monthly Foreign Exchange Reserves, Bangladesh*



Source: CEIC, 2023

The foreign exchange reserves have been dwindling for several reasons. The post-pandemic surge in investment and consumption led to an increase in imports and overall aggregate demand. Foreign currency outflows were not matched by growth in exports or foreign direct investments. At the same time, international remittances, which provide a significant buffer for the economy, saw a sharp decline.

In the midst of the ongoing forex crisis, the nation is losing critical foreign currency inflow due to discrepancies in exchange rates, as well as the high transaction costs and formalities for sending remittances through formal channels (Raihan, 2023). Despite a growing number of immigrant workers, forex inflow has been declining because of the exchange rate premium between the formal and informal rates. The official rate was set at Tk 109.5 for a dollar on September 3, whereas the unofficial rate prevailing in the kerb market is as high as Tk 118 (Hasan, 2023). Bangladeshi migrant workers send these remittances, particularly from countries in the Middle East, the US, the UK, Europe, and East Asia. Despite a historically negative trade balance, high remittance inflows have played a pivotal role in preserving a steady current account balance. This has subsequently aided Bangladesh in maintaining a healthy foreign exchange reserve until the end of 2021 (Raihan, 2023). Remittances experienced their sharpest decrease since the pandemic's height in August as Bangladeshis living abroad chose not to use the official channels to send money due to the stark disparity between the official and kerb market currency rates. According to figures from the Bangladesh Bank, migrant workers sent $1.59 billion in August 2023, which is down by 21.5 percent year on year and the largest decline since April 2020, when the inflows plunged 25 percent (Hasan, 2023).

The central bank has implemented several measures to protect the reserves, including limiting imports of luxury and non-essential commodities, rigorously observing the pre- and post-LC opening processes, and promoting remittance inflows (Hossain, 2023). Foreign exchange reserves decreased from US$ 46.39 billion in June 2021 to US$ 41.83 billion in June 2022 and gradually declined further to US$ 29.97 billion in May 2023. At the same time, the taka depreciated against the US dollar. In June 2022, the exchange rate of the taka against the US dollar was Tk 93.5 per dollar. In May 2023, the exchange rate stood at Tk 108 per US dollar. The cash margin for LCs was initially raised to 25 percent on April 17, 2022, and was gradually widened to 100 percent in phases (New Age, 2023). In addition, the Central Bank also implored commercial banks to provide advance notification for LCs above $3 million.

With rapidly depleting export and remittance earnings, commercial banks are struggling to accommodate LC openings for imports. Owing to the banks' inability to supply the American dollars required to finance imports and the central bank's prohibition on non-essential imports, firms in Bangladesh are finding it challenging to obtain LCs (Parvez, 2023). A number of banks affected by the dollar crisis were unable to meet their LC payment commitments, which reduced the number of new LC openings. The opening of letters of credit for imports plunged by about 25.3 % in the July-March period of FY23 due to various restrictions on imports. According to Bangladesh Bank data, LC opening dropped to $51.36 billion in July–March of FY23, a decrease of $17.48 billion compared with that of $68.84 billion in the same period of FY22 (New Age, 2023).

The forex reserves have continued to fall despite a drop in imports, as the central bank has not curbed the sale of dollars from reserves. In order to pay for imports, the Bangladesh Bank sold $13.58 billion to banks in FY23, compared to $7.62 billion in the previous fiscal year (The Business Standard, 2023). Bangladesh Bank pumped more than $7.8 billion into the financial system between July and December 2022 to aid banks in meeting their import payment obligations.

Food inflation shot up to 12.54% in August amid efforts to keep the cost of necessities under control, driving up overall inflation. In August, the average inflation rate rose by 23 basis points to 9.92%, edging ever-closer to the decade-high of 9.94% that was recorded in May. (Islam, 2023).

With the demand for the dollar outweighing forex inflows, the BDT has been constantly depreciating against the USD, creating a crisis in the import of essential fuel or raw materials. The state-owned Sonali Bank and the private Eastern Bank have introduced trade transactions in Indian Rupees as a policy measure to rebuild the shrinking foreign exchange reserves (Paul, 2023).

3.6 FINDINGS AND ANALYSIS

3.6.1 FINDINGS

Bangladesh's grease and lubricants sector has seen a fair amount of expansion over the years in tandem with the upsurge in GDP growth. A substantial contribution has been made by the transportation and industrial sectors, which are the main consumers of lubricants in the country. However, the entire economy including the lubricants industry, is facing a significant downturn, mainly due to the ongoing dollar crisis, energy inflation, and the Russia-Ukraine war. Some key challenges specific to MJL Bangladesh PLC, have been identified through secondary data analysis and extensive personal interviews with the organization's stakeholders. These findings have been summarized below:

Table 6: Findings

1	**Terms of LC:** Due to prevailing forex volatility, the organization requires UPAS LC for its base oils, which account for almost 33% of its total import demand. This makes imports very expensive due to the cumulative impact of interest payments, SOFR rate, and exchange rate losses.
2	**Banking Diversification:** Due to the foreign exchange crisis in banks, the company had to diversify its LC opening partners to 10-12 banks to give the organization some degree of flexibility regarding LC negotiations.
3	**Foreign Exchange Loss:** The financial charges of MJLBPLC have almost doubled between FY21 and FY22. This has been largely due to the foreign exchange loss of 58.4m in FY22 compared to a gain of 28.4m in FY21 (MJL Bangladesh Ltd, 2022).
4	**Royalty Payments:** MJLBPLC needs to pay royalties to ExxonMobil Asia Pacific as blending fees for its manufacturing activities. Based on notional amounts, this blending fee increased by 10% to Tk. 205.5 million in FY 2021-22, compared to Tk. 185.5 in the previous year, possibly due to a depreciation of BDT from 83.95 to 93.5 to the dollar (MJL Bangladesh Ltd, 2022).
5	**Government Restriction on LCs:** The government initially set a 75% on-sight LC margin for energy-related imports, which was a critical challenge in times of dollar crisis. The regulation was changed several times, ranging from 100% to 25% cash margin.
6	**Fall in Automobile Demand:** The demand for trucks, covered vans, and buses has fallen significantly due to the post-pandemic production loss. Many businesses have shut down during the crisis period. Moreover, demand for private vehicles also fell, as people resorted to social distancing and remote work. Demand also fell due to the reduced purchasing power in recent times. Falling automotive demand has created a large demand loss for the lubricant industry.

7	**Declining Consumer Purchasing Power:** The lubricant industry, along with many others, faced a two-fold challenge. On one hand production fell in the post pandemic era, leading to lower incomes and purchasing power, on the other hand, inflation skyrocketed. With no inflationary adjustment in income, inability of many organizations to pay salaries, customers faced a significant drop in purchasing power with about 50% price hike in the lubricant market.
8	**Substitution to cheaper, low-quality products:** Due to increased price of lubricants fueled by energy inflation and dollar crisis, consumers are resorting to cheaper products which have no quality standards. Consumers are also increasing the mileage of lubricant change, which has long term damaging impact on the engine.
9	**Oil Tanker Unit:** The oil tanker unit, Omera Legacy, earns freight charges in USD. This provides the company with foreign exchange which can be reinvested to finance imports, and acts as natural hedging in this crisis situation.
10	**Backward Linkage with EM:** The supplier, ExxonMobil Singapore, provides a 60-day grace period for trading items, which are finished products under the "Mobil" label. This gives MJLBPLC some flexibility with respect to the import payment of its trading items.
11	**Credit sales:** MJLBPLC does not give credit to its distributors and is maintaining certain stability in revenues as there is no credit risk. Large industrial clients are given credit based on their credit history and track record. Different payment terms are assigned for different clients, depending on their payment history and relationship with the organization. This gives the company a significant safeguard from unpaid receivables. However, competitors and other cheap lube oil brands are offering credit and hence capturing a large portion of automotive clients.

3.6.2 ANALYSIS

In an exclusive interview with Md. Zamiur Rahman, Treasury Controller- Finance & Planning, of MJL Bangladesh PLC, it was revealed that the liquidity crisis is posing several challenges for the import-dependent organization.

Terms of LC: Due to forex volatility, the organization is required to open UPAS LC for its base oil imports, which account for almost 33% of its total import demand. The UPAS (Usance Payable at Sight) LC is used when the exporter or recipient seeks swift payment for their goods but the applicant's bank does not have the capacity to issue sight LCs. If the documentation is credit-compliant, the exporter will receive money at sight under the LC. This provides local LC opening banks with 150 days of breathing space before the forex payments are due (Z. Rahman, personal communication, August 24, 2023). For availing financing against the UPAS LC, the importer will be charged interest, an acceptance commission, and other fees in accordance with the provisions of the LC. Given the trends in the world markets, Bangladesh Bank made the decision to impose an annual all-in-cost ceiling for short-term trade finance in foreign currency at SOFR + 3.50 percent (Tuhin, 2022). Because of the forex liquidity crisis, banks are preferring UPAS LCs as they provide some flexibility for making payments to their offshore unit/foreign lenders. The problem with UPAS LC is that the company needs to pay the interest plus SOFR for the 150-day deferred payment and needs to make the payment according to the spot rate on the day of payment. With the continuous depreciation of the BDT, this leads the organization to incur higher forex losses. This combination of interest charges and forex losses leads to a significant financial loss for the company. (Z. Rahman, personal communication, August 24, 2023). *"Forward contracts and other forms of hedging are also not available right now because banks simply do not have enough dollars to support them"* (Z. Rahman, personal communication, August 24, 2023). For other imports, such as trading materials, packaging materials, and so on, the organization is able to conduct normal LC. Mr. Rahman also revealed that the import contract with the supplier, ExxonMobil Singapore, provides a 60-day grace period for trading items, which are finished products under the "Mobil" label. This gives MJLBPLC some flexibility with respect to the import payment of its trading items.

When asked about the impact of government restrictions on LC openings, Mr. Rahman said: *"The government initially set a 75% on-site LC margin for energy-related products, which was a very critical challenge in times of dollar crisis. MJLBPLC had several discussions with government authorities, after which this restriction was relaxed. Now the LC margin depends* *on the relationship between the bank and the importing organization. MJLBPLC usually doesn't face problems in this regard, owing to their good track record"* (Z. Rahman, personal communication, August 24, 2023).

Diversification of Banking Channels: Mr. Rahman also revealed that before the dollar crisis in FY 2021-22, MJLBPLC used to conduct its LC openings with 2 or 3 foreign banks, such as Standard Chartered Bank (SCB), Hong Kong and Shanghai Banking Corporation (HSBC), and so on. After the crisis, the company had to increase its LC opening partners to 10-12 banks, the majority of whom are local. This was done to give the organization some degree of flexibility regarding LC opening terms. *"At this time, banks are only willing to accommodate smaller LC bills. When it comes to larger bills, such as for our trading and manufacturing item imports, we need to consider several banks and go with whichever is willing to accommodate"* (Z. Rahman, personal communication, August 24, 2023)

A personal interview with Kazi Jahidul Islam, Deputy Manager-Sales & Marketing (In-Charge, Dhaka region), MJL Bangladesh PLC, revealed several important insights regarding the volatility in the lubricants market.

Shrinking purchasing power: MJLBPLC is the market leader and has an established price structure in the lubricant industry. MJL's strategy is market penetration with the largest variety and the company holds a good market position due to its product diversity. According to Mr. Islam, who has over 10 years of experience in the sales department of MJLBPLC, some competitors are covering 90% of their risk basket and revenue with only one product. MJLBPLC had several stable products from 2010 up until the beginning of 2020. When the foreign exchange market began to fluctuate, distributors sold according to their existing stock. When this stock eroded, new LCs became more expensive due to unavailability of dollars and restrictions in opening of new LCs. Import of raw materials also became expensive due to limited mining of crude oil during the covid period and as an impact of the Russia-Ukraine war. "*As a result, there was a sudden cost hike in the lube oil market, which was reflected in higher prices of finished products. For example, a Tk 2000 product became priced at Tk. 2300. This Tk 300 gap impacted the purchasing power of clients. Sales fell throughout the industry"* (K. J. Islam, personal communication, August 14, 2023). This was coupled with the impact of covid. Transportation fell due to the lockdown, production fell, and therefore the demand for lube oil dropped. As customers started adopting the new norm, there was another round of price hikes. The overall impact was devastating. The lubricant industry, along with many others, faced a two-fold challenge. *"On one hand, production fell in the post-pandemic era, leading to lower incomes and purchasing power, on the other hand, inflation skyrocketed. With no inflationary adjustment in income and, the inability of many organizations to pay salaries, customers faced a significant drop in purchasing power with about a 50% price hike in the lubricant market"* (K. J. Islam, personal communication, August 14, 2023).

Fluctuations in lubricant price: Mr. Islam emphasized the price volatility in the lubricant market saying, "*Mobil is the market leader for premium products which are high quality and high priced. During this crisis period, customers started disregarding quality completely. As a result, they started purchasing lubricants which would just get the job done for the time being. This problem was exacerbated another 2-fold in 21-22 due to the dollar crisis, LC restriction, shortage of base oil, etc. Other companies suffered even more, and they only survived by increasing prices. Although MJLBPLC could survive in their existing market price and gain a higher market share, they had to adjust prices to match the stable market for impact on customer psychology"* (K. Islam, personal communication, August 6, 2023). The last wave of price hikes occurred because many organizations could not get hold of base oil due to the unavailability of dollars for opening LCs. So, these companies increased their prices. MJLBPLC had sufficient stock, so it did not have to raise the price. But the competitors are increasing prices and reducing them. They don't have any fixed pricing structure. They are still fluctuating in the market, confusing customers. Mobil cannot change prices easily or frequently. "*The biggest impact is that there is massive confusion among customers. Sometimes they think that they should take care of their engines and use better-quality lubricants, sometimes they think that quality doesn't matter as long as the job gets done. They often shifted between Multigrade and Monograde. Shifting from Mobil special to Fuchs, which is not a recommended multigrade"* (K. Islam, personal communication, August 6, 2023). During FY22, ExxonMobil raised rates as many as four times, whereas MJLBPLC raised prices only twice. This reflects MJLBPLC's strategy of passing only a portion of the cost increase to its customers while trying to offset the rest through internal efficiency enhancement measures.

Substitution towards cheaper products: There are three tiers of customers in the lubricants and automotive market. The top-level premium clients who are quality conscious and have high purchasing power, mid-level clients who cannot purchase the premium products but wish to maintain a certain quality standard and low-level clients who use lubricants with no quality assurance. According to Mr. Islam, the top-tier customers did not have much impact initially. Perhaps 10% of them shifted to cheaper lubricants, but 90% of the market remained intact. However, 50% of mid-tier customers shifted to the lower-level segment, purchasing cheap, low-quality products from competitors. For example, a Mobil/Omera 20W 50 priced at Tk. 2000, was substituted for low-quality 20W 50 lubricants available in the market for say, Tk 1200, although these products had no established quality standard. Some customers shifted to an inferior range than that recommended for their vehicle. For instance, if the recommended lubricant for the engine is 15W 40, 10W 30, or 20W 50, customers often shift to absolute monograde such as SAE 40, SAE 50, etc. which have no quality assurance. *"Some customers shifted from Mobil to Omera. But when the price of Mobil increased, the price of Omera also increased. Customers shifted to sub-standard products with no quality or performance grading"* (K. J. Islam, personal communication, August 14, 2023). Customers of Omera shifted to Fuchs, Gulf, J-One, Molex, BNO, AP Oil, and so on. These brands became more popular in the market. Mr. Islam also revealed that due to market saturation, the lower-grade companies which had an overall 30-32% market share 10 years ago, have now gained about 60% market share, just because of market fluctuation and low purchasing power. *"People are shifting to low-grade lubricants, which will have a long-term damaging impact on the engine"* (K. J. Islam, personal communication, August 14, 2023).

Credit sales: Mr. Islam pointed out that MJLBPLC does not give credit to its distributors and is maintaining certain stability in revenues, as there is no credit risk. Large industrial clients are given credit based on their credit history and track record. Different payment terms are assigned for different clients, depending on their payment history and relationship with the organization. *"This gives the company a significant safeguard from credit risk. However, competitors and other cheap lube oil brands are offering credit and hence capturing a large portion of MJLBPLC's automotive clients"* (K. J. Islam, personal communication, August 14, 2023).

Fall in Automobile Demand: The demand for trucks, covered vans, and buses has fallen significantly due to the post-pandemic production loss. Many businesses have shut down during the crisis period. Moreover, demand for private vehicles also fell, as people resorted to social distancing and remote work. Vehicle demand also fell due to the reduced purchasing power in recent times. *"Falling automotive demand has created a large demand loss for the lubricant industry"* (K. J. Islam, personal communication, August 14, 2023).

From the customer's perspective Md. Sorowar Alam Khandokar, who has been a distributor for MJLBPLC for the last 15 years, revealed several patterns:

Frequency of lubricant change: There has been some impact on lubricant sales. For example, the retail price of Mobil 1 was Tk. 4650. Now it is being retailed at Tk. 5850, which is a huge price difference. A car that was changing lube oil after 5000-7000 km, is now changing it after 10000-12000km. Vehicle owners increased the duration/time frame of lubricant change. *"People who generally changed their lubricant after 3000km started changing it after 7000km. This has a long run impact on the engine after 4-5 years, although there is no visible impact in the short run"* (S. A. Khandokar, personal communication, August 22, 2023). There is always a certain percentage of dedicated clients who will only use Mobil and Omera products on their precious vehicles. The more lethal issue at this point is the increased mileage after which the lubricant is changed. So even if they are using a good product, the duration between lube oil change is not only causing lower sales of lubricants but ultimately damaging the vehicle engine in the long run (S. A. Khandokar, personal communication, August 22, 2023).

Downgrading: Mr Khandokar also added that previously the customers invested in top companies such as Mobil, BP, etc. because they could earn huge profits. *"But now we are not getting adequate profit and therefore have to downgrade to cheaper products"* (S. A. Khandokar, personal communication, August 22, 2023). In terms of mid-range customers, the distributor has lost about 20% of clients due to the dollar crisis-induced price hikes. Although Mobil is a well-established brand with quality assurance and strong brand resilience, some customers are thinking of substitutes for Mobil 1 products. For example, we are also keeping products from Rock Energy which are similar to Mobil 1 but are lower priced.

People who are using Mobil 1, usually do not want to switch to other brands, but they are changing the lubricant less frequently than recommended. In that way, sales are a bit slow. Among other products, our most popular Mobil products are Delvac MX which are used for generators and diesel-run vehicles. For private cars, the Mobil Super 1000 is very popular and fast-moving. These are still selling pretty well. The rate for these products has not increased that much as these are locally blended. Price has increased by approximately Tk. 100-200. The price of imported items has increased significantly, and sales of these items have subsequently dropped. On average, lubricant sales have decreased by 20%. "*The locally blended items are not impacted that much since prices have not increased that much. Perhaps sales of locally blended products would drop by at most 5-10% over this crisis period"* (S. A. Khandokar, personal communication, August 22, 2023).

Evolving market: The market share of hybrid cars has increased. Different grade lubes are in demand for these hybrid cars. Bikes also have smaller engines these days. So different varieties of products are now in demand. A new market is being created, which is a positive sign for MJLBPLC, as they can locally blend many varieties. 4 new variants of Mobil 1 have also come in recently, which is adding to the product basket. Caltex has also brought in some products that Mobil did not bring in. "*Recently some new hybrid cars are recommending 0W-16, which is only available for Caltex. So, we are forced to shift towards that brand"* (S. A. Khandokar, personal communication, August 22, 2023). Mr. Khandokar also shared that vehicle owners, especially bike owners, are very conscious now. They are aware of what oil to use. *"We have lost a huge customer segment because a very popular product, Racing 4T motorcycle oil (10W-40) was unavailable in the market for the last 4-5 months due to import issues"* (S. A. Khandokar, personal communication, August 22, 2023).

When asked whether lubricant sales will pick up soon, Mr. Khandokar said, *"lubricant has an integral relationship with the wheel. If the wheels keep moving, industries keep running, lubricant sales will increase. People are a bit uncertain about the future and hesitant to invest. In that context, sales are a bit slower than before"* (S. A. Khandokar, personal communication, August 22, 2023).

Impact on Oil Tanker Operations: The oil tanker business of MJLBPLC observed strong performance in FY22 despite the operation of only one vessel. This is attributed to the healthy charter rates that saw a significant increase during the year. In the middle of the crisis, MJLBPLC repatriated USD 4.80 million to Bangladesh from the oil tanker business' freight revenues in 2021–2022, minimizing the currency loss caused by natural hedging (MJL Bangladesh Ltd, 2022). Compared to revenue of BDT 1,465 million from two vessels the year before, the company achieved revenue of BDT 1,090 million in FY22 from just one vessel (MJL Bangladesh Ltd, 2022). To expand its fleet and capacity, the organization is seeking to acquire another oil tanker vessel in 2026, which is expected to contribute a substantial amount of dollars through freight income. The new oil tanker, with an impressive capacity of 115,000 deadweight tonnes (DWT), will be LNG-ready and will be the largest ship to carry the Bangladeshi flag (Habib, 2023).

To reduce the yearly freight cost of imports and exports, the Bangladeshi government is attempting to encourage Bangladeshi owners to own ocean-going ships. As part of that, the government has eliminated the tax on freight income for Bangladeshi flag bearer vessels until 2030. Moreover, the exemption of the corporate tax rate for shipping businesses enacted by the Finance Act 2022 has resulted in lower current tax expenses and the reversal of deferred tax liabilities. These policy measures are largely favourable for MJLBPLC's oil tanker business.

Impact on LPG operations: Bangladesh's LPG demand is anticipated to improve considerably, with prices currently cooling off and a demand recovery anticipated to restore volume growth at roughly 0.9-1.0 mn MT per month (MJL Bangladesh Ltd, 2022). Additional demand is projected from attempts to reduce emissions, transitioning away from natural gas, and growing focus on energy security. LPG prices are fixed by the Bangladesh Energy Regulatory Commission, while LPG costs are also out of control due to the volatility in the foreign exchange market. In addition, a difference is generally observed between the actual and published exchange rate figures, which reduces profit margins. Thus, the company struggled with multiple challenges and had to adopt some key measures such as direct (B2B) bulk sales, LC opening in Euro and other currencies, and so on. In addition, a part of USD-denominated debt was converted to a local currency loan, with the higher interest rate being more than offset by the potentially larger foreign exchange loss (MJL Bangladesh Ltd, 2022).

3.6.3. MJLBPLC PRINCIPAL RISK CATEGORIES

Exchange rate risk: MJLBPLC has considerable exposure to currency risk for its imports of finished goods and raw materials, repayments of foreign currency borrowings, and royalty payments to ExxonMobil. Exposure to foreign currency risk increased by 47.06% between FY21 and FY22, applying exchange rates of 83.95 and 93.5, respectively (MJL Bangladesh Limited, 2022, p.243). This figure is expected to increase substantially in FY23, owing to the considerable depreciation of the Bangladesh Taka against the US dollar.

Credit risk primarily arises from a company's receivables, when clients fail to meet their contractual and financial obligations. MJLBPLC currently does not give credit to its distributors and agents, however, credit is provided occasionally to its large industrial clients. These customers are categorized according to their risk profile, and the respective credit volumes are monitored on a continuous basis in order to minimize the risk of financial loss attributed to credit. Domestic receivables, export receivables, inland export receivables, and interest receivables make up trade and other receivables. In FY 2021–22, Jamuna Oil Company accounted for a significant portion of the receivables, whereas other creditors posed minor credit risks. Other financial assets, such as cash in the bank and intercompany receivables, presented minimal risk exposures (MJL Bangladesh Limited, 2022, p. 242).

Interest rate risk: This risk arises from fluctuations in borrowing interest rates. MJLBPLC was not significantly exposed to this risk in FY22 as it did not hold floating interest rate-bearing financial liabilities (MJL Bangladesh Limited, 2022, p. 244)

Risk of refilling and counterfeit products: Due to the dollar crisis, energy inflation, and higher import costs, the price of Mobil products has increased significantly, creating a market for counterfeit products. In an interview with an employee who wished to remain anonymous, it was revealed that 1 liter and 5-liter Mobil gallons can be easily replicated, which are filled with cheap, counterfeit lubricants, and sold in the market as a Mobil product. This is not only a major risk in terms of a tarnished brand image and lower sales of original Mobil products, but also has a significant damaging impact on the vehicles.

3.6.4 STRATEGIC MEASURES

MJLBPLC had to adopt several strategic changes to tackle the ongoing foreign exchange crisis.

- Banking channels were diversified to increase flexibility in opening LCs.
- Product price fluctuations were kept minimal, not only to protect sales but also to keep the brand image and customer confidence intact.
- A new ocean-going AFRAMAX vessel with a DWT of 115,000 is being purchased by MJLBPLC. This will be the largest Bangladeshi flag-bearing oil tanker and will contribute substantially to the company's dollar earnings.
- To combat the dollar crisis and import issues, the company is launching a 20,000-liter flexi bullet bag, which will significantly reduce packaging costs by approximately Tk. 2 lac per 20,000-liter of lube oil.
- In addition, automotive and industrial clients are given 360-degree coverage in terms of incentives. Industrial clients are usually given a price advantage or instant discount as well as a longer interest-free payment period. Non-industrial clients, which comprise distributors, mechanics, and end users, are given different types of incentives.

MJLBPLC has very few distributors across Bangladesh (around 120–130). Agents are assigned to these distributors who work on their behalf in the retail channel. Mechanics and end users buy from the retail channels. Each segment is given incentives.
Mechanics hold high priority because they influence customer demand. Mechanics work directly with the vehicle. Retailers are given incentives such as gifts and concessions based on monthly contracts. Mechanics are given incentives, such as cash incentives for a certain number of cap stickers collected or gifts such as soaps, which are very useful for cleaning up after mechanical work. End-user programs include soap, glass, T-shirts, etc. with each can of product. More expensive promotional offers are given for premium products; for example, a soap is given with a Tk. 400 can, whereas a Tk. 3000 can receive a free T-shirt. The company is engaging in non-price-competitive measures to incentivize customers since the prices cannot be reduced.

3.6.5 FUTURE OF MJLBPLC

When asked about what lies ahead for the organization, Mr. Islam opined that it might take until FY 2025–2026 for the market to stabilize. First and foremost, dollar fluctuations need to be controlled. People's purchasing power needs to be adjusted with rising inflation. The world market will most likely need 2–3 years to stabilize. Parallelly, since Bangladesh is an underdeveloped nation, the country will need perhaps 2 years longer. *"If the world market stabilizes by 2025 and everything goes well, then we can expect to see a positive phase in Bangladesh around 2027–2028. The dollar price will probably be lower, our purchasing power will rise, and crude oil mining, which was stopped in 2020 (due to the Russia-Ukraine war, COVID, etc.), will be stable. LC negotiations have become too expensive these days, but they are likely to get under control in the next few years"* (K. J. Islam, personal communication, August 14, 2023).

MJLBPLC had a standalone net profit after tax of BDT 218 crore in FY 22 and is expected to have a positive PAT over the next 3-5 years of the recovery period, although the revenue may be less than that of earlier years. As an additional note of optimism, the company is purchasing an oil tanker, which will have significant contributions in terms of freight revenue and dollar income.

3.7 CONCLUSION

MJL Bangladesh PLC is the leading lube oil and new energy organization operating in the nation and holds the exclusive blending, marketing, and distribution rights of ExxonMobil in Bangladesh. The key operations of the organization include Trading, Manufacturing, and Oil tanker activities, where the entirety of trading and manufacturing segments are dependent on imported materials.

The Bangladeshi economy started experiencing a foreign currency crisis in FY22, which resulted in erratic depreciation of the BDT against the US dollar. The taka has already lost 22.61% of its value over the past year, increasing the cost of one dollar from Tk 86.45 to Tk 106. (Kashem, 2023). To control the forex crisis, NBR raised the duty structure for particular products, and Bangladesh Bank enforced a margin for opening LCs. Due to a lack of foreign cash, many banks started having trouble opening LCs.

Apart from higher import payments and lower flexibility in LC negotiations, MJLBPLC experienced a significant increase in the amount of royalty fees to ExxonMobil Asia Pacific, possibly due to the sharp depreciation of the BDT. The blending fee increased to Tk. 205.5 million in FY 2021-22, which is a 10.8% increase from the previous year. This amount is likely to increase considerably due to further depreciation of the BDT against the USD in the current fiscal year. Moreover, the company also experienced a consolidated foreign exchange loss of Tk. 1,003 million in FY 2021-22, compared to a gain of Tk. 40 million in the previous year.

The organization does not have any foreign loans for its standalone operations. A large portion of the consolidated loans of MJLBPLC were converted into local currency to offset the higher foreign exchange loss.

MJLBPLC has a number of formidable advantages over its rivals, including a captive government market, an exclusive partnership with ExxonMobil, a strong brand reputation, a sophisticated blending facility, and a wide range of complementary products. A large portion of industrial suppliers are captured by the MJLBPLC. Since MJLBPLC is a public-private venture, it has preferential access to government industries with almost all government power plants using the Mobil brand of lubricating oil. However, the ongoing dollar crisis has caused a substantial loss of market share in recent times.

Throughout the foreign exchange crisis, MJLBPLC was able to open its LCs on schedule, ensuring that clients would receive their orders on time. Despite the prevailing energy crisis, rising inflation, and dollar shortage, MJLBPLC has been able to achieve a standalone net profit of Tk. 2,187.77 million in FY 2021-22, which shows a 2% growth compared to the previous year. This has been largely due to the strong brand resilience, sound fundamentals, stable inventory, and constant customer engagement initiatives of the company.

The case study has revealed changing demand patterns mainly triggered by the lower purchasing power of consumers. Both industrial and automotive lubricant demand has been indirectly affected due to the negative impact of macroeconomic conditions on industrial and automotive growth. The main areas of concern have been found to be the inclination to shift towards lower-priced, poor-quality products that have become readily available, with some clients even downgrading to lubricants that are not recommended for their engines and have no quality assurance. Another important insight was the substantially increased interval between the lube oil change. To save cost, customers are changing the lubricant much more sparingly than what is advised. These changes in demand patterns have a damaging impact on the engine in the long run, with no visible immediate impact. In addition, customers are also shifting towards competitors due to the unavailability of credit. MJLBPLC follows a stringent credit facility, offering it only to large industrial clients with a stable track record. Although such a measure provides revenue stability for the organization, it is partially eroding the market share of the automotive clients in the short run. In addition, the emergence of refueling and counterfeit Mobil products has been identified as a more damaging issue.

MJL Bangladesh PLC is expected to have a positive profit after tax although growth in net profit is likely to be slower than previous years. The strong brand image, high-quality standards, stable backward linkage with ExxonMobil, and state-of-the-art lube oil blending plant, are the main areas of the company's strength, which can help the organization ride out the ongoing crisis.

3.8 RECOMMENDATIONS

- Product diversification: Since MJLBPLC has its own sophisticated lube-oil blending facility, the organization can take initiatives to manufacture lower-range products under the Omera brand. This can help prevent mid-range customers from downgrading to substandard products.
- Diversification of supplier: The company can make supplier agreements with ExxonMobil operating in other Asian nations. Backward linkage with, for example, ExxonMobil India, can help reduce the impact of erratic BDT/USD exchange rate fluctuations.
- MJLBPLC can concentrate more on its manufacturing unit, which is the most profitable operation, and reduce the trading business as there is a declining trend in the demand for premium products. However, this would also increase the blending royalty to some extent.
- The company could take active measures to increase its exports to other nations. This can not only provide the company with forex earnings but can also help in reducing its tax liabilities.
- The energy ministry and Bangladesh Standards and Testing Institutions (BSTI) needs to take more proactive measures to stop the illegal refueling of lubricants and LPG with adulterated materials, which can have a hazardous impact on machinery, vehicles, equipment, and most importantly on peoples' lives.

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APPENDIX

APPENDIX A: QUESTIONNAIRE

1. How long have you worked in MJL Bangladesh PLC?
2. There has been significant unrest in the global economy over the past three financial years. In your opinion, was there any significant impact on the profitability of MJLBPLC?
3. How has the covid 19 pandemic impacted the financial performance of MJLBPLC?
4. Has there been any significant impact on the company's financial position due to the Russia-Ukraine war?
5. To what extent does MJLBPLC rely on imported raw materials?
6. Has the foreign exchange crisis which surfaced during FY21-22 impacted the operations of MJL Bangladesh and its subsidiaries? If so, to what extent?
7. Has government and Bangladesh Bank policy regulations affected the operations and performance of MJLBPLC? If so, to what extent?
8. Does MJLBPLC involve any foreign loans? If so, how is the organization able to service the loan in times of such severe forex crisis?
9. Despite such turbulent macroeconomic conditions, MJLBPLC has managed to earn a net profit of over 200 crore BDT in the last financial year. In your opinion, how has the organization managed to maintain such positive performance?
10. Did the organization need to implement any strategic and operational changes in order to tackle the ongoing forex crisis?
11. Does MJLBPLC contribute to any foreign exchange earnings for Bangladesh? If yes, does the organization benefit from any preferential regulations?
12. In your opinion, is the positive financial performance of MJLBPLC sustainable in the context of a worsening forex situation?

APPENDIX B: PROJECT PROPOSAL

Foreign Exchange Crisis and its Impact on MJL Bangladesh PLC: A Case Study

Student Name: Munia Khan

Student ID: 20264087

Supervisor: Dr. Salehuddin Ahmed

Former Governor

Bangladesh Bank (Central Bank)

Professor, BRAC Business School (BBS)

BRAC University

Co-Supervisor: Mr. Riyashad Ahmed

Assistant Professor of Finance &

Director of Programs (MBA & EMBA), BRAC Business School

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Date: July 16, 2023

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1. Problem Statement

Bangladesh's foreign exchange reserves have been rapidly decreasing in the post-pandemic period, owing to the worldwide hike in fuel prices, slower-than-expected remittance inflows, and dramatically higher import payments compared to exports. In an attempt to reduce imports, the central bank has tightened the opening of LCs and imports of non-essential items. With the demand for the dollar outweighing forex inflow, the value of the taka against the dollar has plummeted, causing a crisis in the import of necessary fuel or raw materials. As businesses struggle with further inflationary pressure, the liquidity crisis in the banking industry is likely to dampen private investment and growth.

1.1 Dollar Crisis: Foreign exchange reserves decreased from US$ 46.39 billion in June 2021 to US$ 41.83 billion in June 2022 and gradually further declined to US$ 29.97 billion in May 2023. At the same time, Taka depreciated against the US dollar. In June 2022, the exchange rate of Taka against the US dollar was Tk 93.5 per dollar. In May 2023, the exchange rate stood at Tk 108 per US dollar. With rapidly depleting export earnings, commercial banks are struggling to accommodate LC openings for imports.

1.2 Impact on Organization: MJL Bangladesh PLC currently has three segments of operation- Trading, Manufacturing, and Oil tanker. The trading segment is based on the import of finished products from ExxonMobil Singapore and reselling them in domestic and some foreign markets. The manufacturing unit is based on the import of base oil and additives from ExxonMobil Singapore and other sources, blending them locally and selling them in domestic and foreign markets. The oil tanker segment currently comprises Omera Legacy, which is an ocean-going vessel that transports crude oil for Bangladesh Petroleum Corporation (BPC) and other major oil companies; earning freight charges. Both the trading and manufacturing segments, which contribute to the majority of revenue generation for the company, are 100 percent import dependent. With severe dollar crises in the banking industry and central bank restrictions such as high LC margins and on-sight payment for trading items, the company has lost flexibility in LC negotiations and import payments.

2. Research Questions

RQ1: What are the challenges faced by MJL Bangladesh PLC due to the ongoing forex crisis?

RQ2: How is MJL Bangladesh PLC overcoming these challenges?

3. Objectives

The objective of this report is to examine the challenges MJL Bangladesh PLC is facing due to the ongoing dollar crisis and provide an analysis of how the company is tackling these challenges. The impacts of central bank restrictions on LCs, a stringent banking environment, rising inflation, and dampened demand in the post-COVID era would be emphasized. The paper would also analyze the performance breakdown of the three key operations of the organization (Manufacturing, Trading, and Oil Tanker) and elaborate on the relative impacts on each segment.

OB1: To analyze the impact of the foreign exchange crisis on the import-dependent organization- MJL Bangladesh PLC.

OB2: To examine how MJL Bangladesh Limited is overcoming these challenges.

4. Background Information

MJL Bangladesh PLC is Bangladesh's leading lube oil and new energy organization. It is a joint venture company between EC Securities Limited (a subsidiary of East Coast Group), and state-owned Jamuna Oil Company. It is the strategic alliance partner of ExxonMobil in Bangladesh, making it the exclusive manufacturer and seller of the Mobil brand across the country, catering to both industrial and automotive demand.

The company engages in a diversified business platform that includes trading, manufacturing, and oil tanker operations. Through the subsidiary companies Omera Petroleum Limited (OPL), Omera Cylinders Limited (OCL), Omera Gas One Limited, and MJL (S) PTE Ltd. under the MJLBL umbrella, the company is engaged in the import, storage, bottling, and distribution of Liquefied Petroleum Gas (LPG) as well as the manufacturing and selling of LPG Cylinders. Apart from the blending and distribution of lubricants, MJLBL owns an ocean-going Aframax Oil Tanker of capacity 107,091 DWT in Bangladesh, named MT Omera Legacy (MTOL). The vessel facilitates transportation of petrochemical products globally and transports cargo of Bangladesh Petroleum Corporation, and Shell International Eastern Trading Company, among others.

5. Preliminary Literature Review

The Bangladesh economy has been significantly impacted by the post-COVID-19 outbreak and the subsequent global unrest brought on by Russia's invasion of Ukraine. Worldwide production fell dramatically during the pandemic as a result of decreased consumer demand and backlogs in global communication systems (Hossain, 2022). Although the effects of the pandemic began to fade gradually, productivity did not rise at a commensurate rate, resulting in increasing global inflationary pressure. The worldwide crisis was further exacerbated by the Russia-Ukraine war, which drove up fuel prices. Owing to the heavy reliance on imports, an upsurge in the price of fuel and other essential commodities has resulted in nearly double-digit inflation and a plunge in foreign reserves in the Bangladesh economy (Mahmud, 2023). The significant fall in reserves, particularly the greenback, comes as a matter of concern for the economy, dragged by higher import payments against lower export earnings and remittance inflows (Hasan et al., 2022). Bangladesh's foreign currency reserves stood at $31.18 billion on April 17 in contrast to $44.16 billion one year ago, and the spot rate against the greenback has depreciated by 27% from 84 to 107 to the dollar (Mahmud, 2023). Bangladesh Bank pumped more than $7.8 billion into the financial system between July and December 2022 in order to aid banks in meeting their import payment obligations. In addition, the central bank sold $7.62 billion in cash to banks directly in FY2022 ("Bangladesh's Forex Reserves Fall to $32.29b," 2023). To shield the reserves, various measures have been taken by the central bank, such as restricting imports of luxury and non-essential goods, strict monitoring of pre- and post-LC openings, facilitating remittance inflows, and easing forex transactions (Hossain, 2023).

6. Preliminary Methodology

The report will predominantly focus on the analysis of secondary data sources. Existing literature including Central Bank circulars, newspapers, and scholarly articles will be used to gain insight into the foreign exchange situation of the country. In addition, the annual budget, fiscal policy, and monetary policy data would be used in order to obtain a comprehensive analysis. The last five years' annual report data of MJL Bangladesh PLC would be used to form a comparative analysis of the consolidated as well as operational performance. Qualitative primary data would include interviews with employees and clients of MJL Bangladesh PLC to gain in-depth knowledge regarding the operations and strategic decisions of the organization.

7. Significance of the Issue

Import of raw materials, intermediate goods, and machinery have fallen due to the dollar crisis, crumpling investment, expansion, and GDP growth. This can be seen as a significant threat to a country's economy. Even large organizations such as MJL Bangladesh PLC are facing challenges to fulfill their import requirements and are being forced to implement alternative strategies in order to maintain their business operations.

8. Timeline of Report Work

Steps	Actions	Timeline (week/Date)
1	Register for the course BUS699 Internship	Week 1
2	Attend "Mandatory Internship Orientation Session"	Week 3 (11/06)
3	Get Assignment of Supervisor and Co-supervisor and Internship Documents	Week 3 (17/06)
4	Attend initial meeting with Supervisor	Week 4 (21/06)
5	Submit initial proposal on project part to supervisor	Week 8 (13/07)
	Receive feedback and finalize project proposal	Week 8 (16/07)
6	Submit 1st draft of report (all 3 chapters) to supervisor and receive feedback	Week 12 (13/08)
7	Submit 2nd draft of report (all 3 chapters) to supervisor and receive feedback	Week 13 (20/08)
8	Submit Final Report (all 3 chapters) to supervisor and to library and receive Similarity Index Report from library	Week 15 (27/08)
9	Defend/Present report	Week 16 (03/09)
10	Submit Revised Final Report to Supervisor and library	Week 17 (10/09)
11	Receive grade	Week 18 (11/09)

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