



BRITISH AMERICAN TOBACCO

INTERNSHIP REPORT ON



**Working Capital Management of a Multinational
Company: British American Tobacco Bangladesh Ltd**



Inspiring Excellence

Submitted to:

**Mahmudul Haq
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Submitted by:

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Letter of Transmittal

To,

Mahmudul Haq
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Subject: Submission of internship report on “Working Capital Management of a Multinational Company: British American Tobacco Bangladesh Ltd”

Dear Sir,

This is my great pleasure to submit the internship report of my three months long internship program in the British American Tobacco Bangladesh in the department of Operations Finance. The title of the report is “Working Capital Management of a Multinational Company: British American Tobacco Bangladesh Ltd”

This report has been prepared to fulfill the requirement of my internship program at my assigned organization in British American Tobacco Bangladesh. I have put my best effort to make this report a successful one. It has been joyful & enlightening experience for me to work in the organization & prepare this report. However, this has been obviously a great source of learning for me to conduct similar types of studies in the future.

I would like to express my sincere gratitude to you for your kind guidance & suggestions in preparing the report. It would be my immense pleasure if you find this report useful & informative to have an apparent perspective on the issue. I shall be happy to provide any further explanation regarding this report if required & please do not hesitate to call me if you have any query on this report or any other relevant matters.

Sincerely,

Abir Ahmed
ID: 15104109
BRAC Business School

ACKNOWLEDGEMENT

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I am also thankful to Mahmadul Haq sir, Associate Professor, BRAC Business School for approving the project and guiding me to prepare this report. I am also indebted to him because he was kind enough to advise me in solving every problem I faced regarding the report. I am obliged to Savera Mizan, HR Executive, BATB and Safwan Mostafiz, Corporate Finance Officer, BATB for their co-operation and giving me their valuable time from their busy schedules to prepare my report that helped me throughout the tenure of my internship period. Lastly, I am grateful to the employees/colleagues who were supportive and cooperative that helped me to complete my project effectively.

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Executive Summary

This study attempts to explore the working capital management of British American Tobacco Bangladesh Ltd- one of the most prominent multinational corporations in Bangladesh. Working Capital can be demarcated as the amount when current asset is surpassing current liabilities. The focus of this paper is to analyze how the company manages its working capital based on cash, inventory period, receivable period and payable period management and how it influences the profitability of a multinational company.

This internship report starts with the objective of the study and the methodology. The project paper contains the analysis of 15 years data of BATB commencing from the year 2002 to 2016. Most of the researchers found that degree of proficiency of administration of working capital largely establishes the success or failures of overall operations of an organization. The objective of this report is to analyze the earlier studies and relate them with this paper.

Afterwards description of the company including its history, products, mission, vision, organization structure etc. is discussed in chapter three. Corporate social responsibility is an extraordinary part of BATB. In the fiscal year 2013-14 BATB contributed more than 8436 crore taka as taxes to the national Exchequer. WCM policy for BATB is discussed sumptuously in this chapter as well. They follow aggressive WCM policy because of their higher utilization of short term financing. Inventory management performance is evaluated using inventory conversion period. In the year 2014 it was approximately 171 days which is quite high in comparison to other years. BATB's time gap between collecting money from the creditors is very pleasing with an average period of 4 days. The organization tries to defer the accounts payable as much as possible. The time taken by BATB to make payments to creditors is around 107 days. The impact of equity and leverage is also analyzed and discussed to see the relationship of these two with the company's profitability.

Analysis of the collected data is presented in chapter five. It contains descriptive, correlation and multiple regression analysis of the variables with proper interpretation and it was found that there is relationship between profitability and working capital components. Correlation analysis shows that receivable period is negatively related with profitability and other variables are positively related. Finally, findings and conclusion chapter include a summary of the results found in the analysis portion.

INTRODUCTION

CHAPTER-1: INTRODUCTION TO THE REPORT

1. Introduction:

Working capital management is an area that emphasizes on the productive utilization of available funds created out of good cash flows, financial solvency and growth strategies at the company. It is the strategic tool of a company that monitors and ensures the most efficient financial operations in the company. In many ways, a company's profitability and capability of operating other performances are associated with it. It represents the liquidity position of business indicating the management of short-term assets and liabilities. Efficient working capital management makes a company's financial operations smooth and improves the company's earnings and profitability. Basically, net working capital of a company is determined from the deviation of current assets and current liabilities. When current assets are higher than current liabilities, that means the company is capable enough to continue its operations and it also defines that the company has sufficient funds to satisfy its short-term debt and upcoming operational expenses.

The history of British American Tobacco Bangladesh is a little different and has a lot to do with its working capital management. Back in 1926, BANGLADESH TOBACCO COMPANY LTD. (BTC) was introduced as a sister concern of British American Tobacco Company Ltd. (BATC). Back in 1926 Messrs Usher Smith and Hadridas Roy opened a branch office of Imperial Tobacco Company Ltd. It was initially formed with the assets and liabilities of Indian Tobacco Company (ITC) Ltd. held in Pakistan. After the liberation War of 1971 Bangladesh was born as a new country. In February 1972, Bangladesh Tobacco Company Limited was integrated under the Company Act of 1913 with the assets and liabilities of Pakistan Tobacco Company Limited. Back at that time the share of BATCO was 67 percent, while only 32 percent share was given to the Bangladeshi shareholders. The paid-up capital was almost Tk. 3.75 crores.

A few years earlier the company has been renamed as British American Tobacco Bangladesh Company Ltd. (BATBCL). It has a tobacco factory at New Mohakhali D.O.H.S in Dhaka and a leaf factory at Kushtia. It has leaf depots and sales depots all over the country. It has 33,000 registered tobacco farmers who are given with all necessary supports by the company to grow quality tobacco. The company markets 13 unique brands of cigarettes and pipe tobacco throughout Bangladesh. The company has provided direct job opportunities of about 3,200 people and contributes a large amount of money each year to the national exchequer in the form of

custom duty, income tax, VAT and excise duty. Working capital management is a new area emphasized for the productive utilization of their available funds created out of good cash flows, financial solvency and growth strategies. This study may enlighten the different ways and techniques of working capital management to develop the sound financial base of the company.

Not every firm has a consistent capacity to maintain its working capital in a proper manner and thus face several problems in company's liquidation needs and to meet creditors repayment on an urgent basis. Working capital management of the British American Tobacco Bangladesh is highly satisfactory in that case due to efficient management of inventory, debtors, cash balances and working funds where the major elements of working capital were inventory, debtors, cash balances and short-term investments. Functions of multi-dimensional models of current assets mix may have constructive impact on the around-the-clock growth & enlargement of this multinational enterprise. This also depends on co-operation of the stakeholders and business environment in the globalization context.

1.1 Background of the Study:

The research is done on the topic "Working Capital Management of a Multinational Company: British American Tobacco Bangladesh Ltd." This was conducted as a part of fulfilling my BBA program of BRAC University through an internship program. I was assigned in the finance department under Operations Finance for an internship period of 3 months.

This report's aim is to show the components of working capital management on a multinational company's profitability like British American Tobacco Bangladesh and how it also influences the company's overall operations at the same time.

Each firm's working capital management distinguishes some deliberately appropriate exercises that make them unique in a business. The working capital management is very efficiently done in BATB and it can surely set an example for other multinational companies in some certain cases.

1.2 Objective of the Study:

Overall objective is to fulfill the requirements of my BBA program by preparing and submitting an internship report on “Working Capital Management of a Multinational Company: British American Tobacco Bangladesh Ltd.” Basically this report is to determine the management process of short-term financing and how it is highly followed by the Tobacco industries of Bangladesh by conducting rigorous analysis methods and effort given behind this. This reports also includes an overview of my experience of three months internship program in British American Tobacco Bangladesh.

The objective of preparing this report can also be explained under two categories. They are-

a) Broad Objective:

The main objective of the study is to gain an insight into the concept of working capital management BATB is following, how working capital is managed at a multinational corporation as a whole and how it influences the overall performance of the company.

b) Specific Objective:

- a. Gaining an understanding on how BATB is managing their working capital for short- term financing and evaluating their management process of working capital.
- b. Understanding the company’s performance better by evaluating its liquidity position & inventory management
- c. Evaluating company’s receivables and accounts payable management to understand efficiency
- d. Evaluating the company’s dependency on equity and debt to maintain its overall operational performances.
- e. Having a comprehensive insight on how a tobacco company’s profitability is influenced through it working capital management

1.3 Scope of the Study:

This report study will help several parties to enrich their knowledge and understanding. This study specifically will help institutions like locals or multinationals, Researchers, Students and Individuals to formulate their strategies in effectively managing the company's working capital. If anyone wants to know how the practical issues works in a multinational company and how their overall short-term financing is maintained while considering efficient performance and maintaining consistent remarks in the profitability and its regular operations in case of formulating a strategy, they can take help from here. However, the apparent scopes are:

- It will help organizations in adopting a suitable policy by following methods they can adopt to maintain their short-term financing effectively
- It will help any company to get an idea of the idle time period to make payments to the creditors and how long should it take for the suitable inventory conversion cycle.
- It will help BATB to know which factors are having more positive impact on its profitability, should it be wise for them to depend more on equity or leverage and how can they improve the efficiency of managing their working capital considering the analysis.

1.4 Limitation of the study:

BATB employees and workers were undoubtedly friendly and helpful but still there were some unavoidable problems that created limitations to my study.

1. Maintaining the confidentiality of the information data availability is a big issue.
2. Another big limitation is lack of time as my internship program was of three months only, so I had to finish off the whole analysis on due time maintaining both academic and corporate schedule. It was actually very difficult to set true practical experience with current world circumstances in this short span of time.

1.5 Methodology:

Methodology is the procedure through which the research will be prepared. BAT is one of the leading companies in Bangladesh. As BAT has passed its 100 years of glorious journey, it has already a structured working capital management policy in action. My task is to find out and analyze the how each component of the working capital is related to each other and how they are managed in the company. To do this research secondary data have been used mostly. This research paper contains the analysis of 15 years data of BATBC from the period of 2003 to 2018.

Data Sources:

The nature of this report is quantitative. For this report data is collected from both primary and secondary sources.

1. Primary data:

This data is collected directly from the organization from personal interaction with the finance manager and other employees of finance department of the company. Interviews have been administrated by formal and informal discussion. No structured questionnaire used.

2. Secondary data:

This data is mainly collected from the annual reports of the company as well as some previous work on working capital management. Some websites are also used as reference while doing this research. Like, official database of BATB, Lanka Bangla Finance reports and DSE data resource, various brochures of BAT, prior research reports on working capital in global context.

Chapter 2: Literature Review

Introduction to Working Capital Management

The working capital is a kind of financial requirements that needs to be met in a short-term time frame of a business enterprise. It is a kind of a trading capital, not retained in the business in a firm for longer than a year. It's a tool for measuring growth and profitability of a corporation. If the levels of working capital are not enough, it could lead to shortages and problems with the day-to-day operations (Horne and Wachowicz, 2000). The money invested in it changes form and substance during the normal course of business operations. The need for maintaining an adequate working capital can hardly be questioned. Just as circulation of blood is very necessary in the human body to maintain life, the flow of funds is very necessary to maintain business. If it becomes weak, the business can hardly prosper and survive. Working capital starvation is generally credited as a major cause if not the major cause of small business failure in many developed and developing countries. (Rafuse, 1996) The success of a firm depends ultimately, on its ability to generate cash receipts more than disbursements. The cash flow problems of many small businesses are exacerbated by poor financial management and the lack of planning cash requirements.

Effective management of working capital

While the performance levels of small businesses have traditionally been attributed to general managerial factors such as manufacturing, marketing and operations, working capital management may have a consequent impact on small business survival and growth (Kargar, J.; R.A. Blumenthal, 1994). The management of working capital is important to the financial health of businesses of all sizes. The amounts invested in working capital are often high in proportion to the total assets employed and so it is vital that these amounts are used in an efficient and effective way. However, there is evidence that small businesses are not very good at managing their working capital. Given that many small businesses suffer from undercapitalization, the importance of exerting tight control over working capital investment is difficult to overstate.

A firm can be very profitable, but if this is not translated into cash from operations within the same operating cycle, the firm would need to borrow to support its continued working capital needs. Thus, the twin objectives of profitability and liquidity must be synchronized, and one should not impinge on the other for long.

Investments in current assets are inevitable to ensure delivery of goods or services to the ultimate customers and a proper management of same should give the desired impact on either profitability or liquidity. If resources are blocked at the different stage of the supply chain, this will prolong the cash operating cycle. Although this might increase profitability (due to increase sales), it may also adversely affect the profitability if the costs tied up in working capital exceed the benefits of holding more inventories and/or granting more trade credit to customers. Another component of working capital is accounts payable, but it is different in the sense that it does not consume resources; instead it is often used as a short-term source of finance. Thus, it helps firms to reduce its cash operating cycle, but it has an implicit cost where discount is offered for early settlement of invoices.

Some related studies on Working Capital Management's relation with Company's profitability:

Melita, Maria and Petros (2010) empirically examined the effect of working capital management on firm's financial functioning in an evolving market. They hypothetically assumed that working capital management tends to enhance profitability. Their data set contains firms listed on the Cyprus Stock Exchange for the period of 1998 - 2007. Using multiple regression analysis, their outcomes specifically designate that the cash conversion cycle (CCC) and all its main components namely - days in inventory, days' sales outstanding and creditors' payment period – are associated with the firm's profitability.

In Nigeria, Abdulrasheed, Khadijat, Sulu and Olanrewaju (2011) considered inventory management in selected small businesses in Kwara State, Nigeria. Using a regression model to explain the effect of inventory value on performance proxy by profit over a period of ten years, the study revealed that a Naira change in stock would cause almost a Naira (92 Kobo) change in profitability of selected businesses. This result indicated a strong positive relationship between inventory and profitability of small businesses in Kwara State of Nigeria. They thus concluded that small businesses are likely to generate higher profit if an effective inventory management is put in place.

Authors such as Deloof (2003), Shin and Soenen (1998), Laziridis and Tryfonidis (2006), Garcia-Teruel and Martinez-Solano (2007), Samiloglu and Demirgunes (2008), Karaduman et al. (2011), Uyar (2009) and Wang (2002), whom did research in respectively Belgium, USA, Greece, Spain, Turkey, Turkey, Turkey and Japan and Taiwan all found a negative relation between WCM, using the CCC, and firm profitability. This means that having a WCM policy, which results in a low as possible accounts receivables and inventories and the highest amount of accounts payables leads to the highest profitability.

Contradicting evidence is found by Gill et al. (2010), whom did research in the USA and found a positive relation between CCC and a firm's profitability. But they did find a highly significant negative relation between accounts receivables and a firm's profitability. They suggest that firm can enhance their profitability by keeping their working capital to a minimum. This is because they argue that less profitable firms will pursue a decrease of their accounts receivables in an attempt to reduce their cash gap in the CCC (Gill et al., 2010).

Review of previous studies

There have been previous studies on working capital management and how it reflects in the profitability of the firm. But it has been done considering many firms of a particular industry. The results have shown the relation it actually has on the profitability of a firm. For reference the following articles have been used as reference to complete this report

1. Working Capital Management and Profitability: Evidence from Manufacturing Sector in Malaysia (S, Jakpar; M, Tinggi; TK, Siang; A, Johari; KT, Myint; MS, Sadique, 2017)

The report is being made on some functions of working capital management and how it affects the profitability. We will see in the finding and analysis chapter how exactly some ratios of working capital management have a role to play in the overall profit a firm makes through its operations. There have been studies prior to this one where researchers have found a relationship that exists between the dependent and independent variables that are being considered for this study. Let's take a good look as to what has transpired in the reference article that I have found on the related topic.

2. Working Capital Management and Profitability: Evidence from Manufacturing Sector in Malaysia

This study is aimed at investigating the relationship between the working capital management and firm's profitability. For the purpose of analysis, a sample of 164 manufacturing firms over a 5 years period from 2007 to 2011 was selected. The sample data were obtained from DataStream and Bursa Malaysia website.

To run and analyze the data, the descriptive statistic, correlation coefficient analysis, and panel regression analysis were used.

Consequently, the empirical results from Model III suggest that the log cash conversion cycle is insignificantly and negatively correlated to profitability. This implies that the log cash conversion cycle has no control over the firm's profitability. Furthermore, the results from the regression analysis also showed that the log average collection period has a significant positive relationship with the profitability of the firm. This means that the longer the credit period granted by the firms to their customer, the higher the firms gain their profitability. In many cases this form of results highlighted the fact that the company is suffering from over-trading.

In addition, the finding also illustrated that the log inventory conversion period is significantly and positively associated with the profitability of the firms. Thus, when the number of day of inventory turnover period increases, the profitability of a firm increases and vice versa, a proposition of the absorption costing approach. This indicates that the manager will be influenced to report longer period of inventory so as to enhance the firm's profitability.

The endogenous or dependent variable in the study are return on asset, as a measure for firm's profitability. Exogenous or independent variable consisted of cash conversion cycle, average collection period, average payment period, inventory turnover period, debt ratio and firm size as a proxy for component of working capital management. The results have been found through some tests which are Correlation coefficient test, Panel regression analysis, Breusch and Pagan Lagrangian multiplier test and Hausman test respectively.

Furthermore, the results from the regression analysis also indicated that the debt ratio has negative relationship with the profitability of firms. In other words, the firm's profitability decreases when the debt ratio increases. This means that the profitable firm is not depending on debt refinancing to pay off their obligations. Additionally, the firm size showed positive relationship with the firm profitability suggesting when the firm size increases it will lead to more profit. This implies that the larger firms would often have strong earning power compared to smaller firms.

Industry Analysis and Company Review

CHAPTER-3: INDUSTRY ANALYSIS AND COMPANY PROFILE

3. Industry Analysis:

Tobacco Industry of Bangladesh:

If tobacco consumption is considered Bangladesh is in the top 5th position. According to Matthew Myers, president of CTFK, tobacco industries were observing Bangladesh market alike the other emerging countries for their forthcoming profit making after other developed countries executed firm tobacco controls. So, these vigorous implementations of new laws are truly matters of life and death for Bangladesh. (Hasib, 2014) Tobacco industry of Bangladesh is run by two main industries - Bangladesh Cigarette Manufacturers Association (BCMA) and Bangladesh Biri Manufacturers Association (BBMA). (ADI, 2013).

3.1 Industry Segmentation:

The tobacco industry can be divided into two markets - Biri market and Cigarette market.

- **Biri Market:** Biri market is encompassed of 70% of the tobacco market. It is mostly the non- filter cigarette market with a very low valuing. So biri is by far the leading segment in the tobacco industry. Recent report has shown that biri market is facing decline which is a auspicious sign for the cigarette market. This imitates the switch by consumers due to social burden, urbanization, literacy rate, economic growth and awareness by consumers. BATB does generally not operate in this market.
- **Cigarette Market:** Cigarette market is where BATB has all its focus in. This main market covers the rest 30% of the industry. But the significance of this market is lot higher than the biri market. The market can be distributed into four segments based on price. They are: Premium, Aspirational Premium, Value For Money(VFM), Low.

The Main Cigarette Manufacturers in Bangladesh:

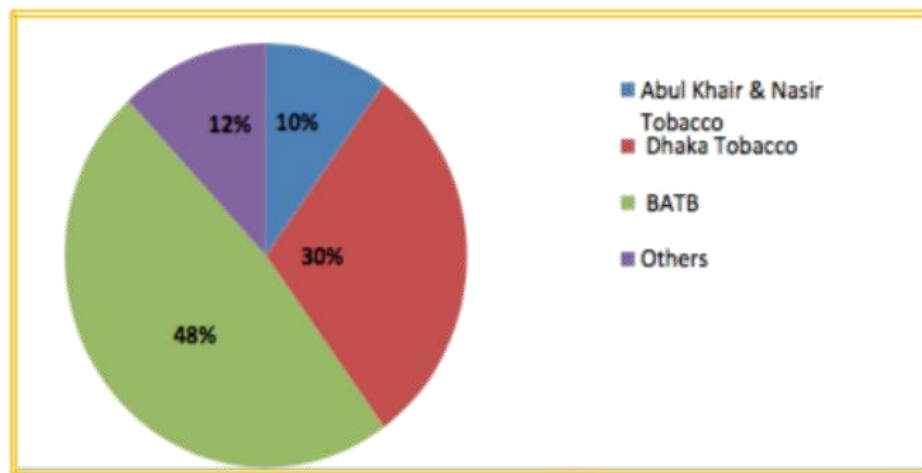
- British American Tobacco Bangladesh
- Dhaka Tobacco Industries

Abul Khair Tobacco

- Nasir Tobacco
- Azizuddin Industries
- New age tobacco

The Main Biri Manufacturers Are:

- Akij biri
- Abul biri
- Nasir biri
- Karikar biri
- Aziz biri and
- 100 other different manufactures



Among all the cigarette companies British American Tobacco company contributes the most to the Bangladesh's economy as a whole. The contribution charts of different tobacco companies are as follows:

figure:1 – Tobacco company’s contribution in Bangladesh

3.2 Brands:

“Brand” is mainly a name, product, service, or concept that is overtly distinguished from former products, services, or concepts so that it can be effortlessly communicated and commonly marketed. According to David Ogilvy, the intangible sum of a product's attributes: its name, packaging, and price, its history, its reputation, and the way it's advertised. (Rouse, 2010) Brand is a tag that gives a belief of quality product. As the customers’ taste differs and also there are different prices of products, brands are also different. One common characteristic is in every segmented market the different brands are almost at the same prices. The operative brands in Bangladesh tobacco industries are given below.

Segments	BATB	Dhaka Tobacco	AbulKhayer Tobacco	Sonali Tobacco
Premium	B&H – regular, light, switch	Malboro	N/A	N/A
Medium	JPGL - Regular and Light, PALL MALL	Castle	N/A	N/A
Lower	Star, Capstan, Scissors, Pilot, Gold Flake	Navy, Goldmine, Sheikh, K2	Marise, Gold Life, Tope 10.	Sunmun, Goldhill

Figure : Segmentation of Cigarettes of different companies

So far the various segments of the research has been discussed, now the next part describes the analysis of research where the various assumptions have been tested to gain the fair idea of brand dilution and product quality.

3.3 Industry Facts and Figures:

- 36 billion Sticks contribute to the cigarette market.
- 6.5 million Adult smokers comprise the industry.
- There 19 companies contributing to the industry with around 114 brands.
- Top 10 companies share 89% of the volume and 93% of the value.

3.4 SWOT Analysis of the Tobacco Industry

The SWOT analysis is a universally employed framework in the business world for examining the factors that stimulus a company's competitive position in the marketplace with an eye to the future. However, the SWOT framework can also be usefully applied outside of the pure business domain. SWOT analysis is important for any organization to find out the factors important to the operation of a business in the environment, both internal and external. The internal factors help to find out the strength and weakness; the threats and opportunities can be comprehended by scanning the external environment. The SWOT analysis of the cigarette industry is given below:

Strength:

- Comparatively less Competition than other industries
- Promotional Activities are banned which saved their huge amount of money and they can use this money for other development purposes.

Weakness:

- They cannot go for mass promotion
- Sensitive and harmful product which can be banned anytime
- The law requires graphic health warning to cover at least 50% of main display

- Smoking is prohibited in indoor public places and workplace

Opportunity:

- Young generation is more likely to have cigarette than biri.

Threats:

- Tobacco advertising as well as discounted tobacco product supply is prohibited
- Sponsorship for tobacco company is strictly restricted
- High taxation rules from government is also one of the concerns

3.5 Company Analysis:

History of British American Tobacco Bangladesh

As Imperial Tobacco Company Ltd BATB first started its operations in the sub-continent back in 1910. After the separation of the Muslim and Hindu continent, Pakistan Tobacco Company (PTC) came into existence with its head quarter in Karachi in 1949. Pakistan Tobacco Company's another office- East Pakistan office at that time was in Armanitola, Dhaka and eventually moved to Mohakhali, Dhaka.

After the liberation war of 1971, Bangladesh Tobacco Company Pvt. Limited was formed in 1972 with British American Tobacco holding majority of the shares. Few years after in March 1998, finally Bangladesh Tobacco Company changed its name and identity to British American Tobacco Bangladesh articulating its common identity with other operational companies in the following Group. British American Tobacco Bangladesh is one of the oldest and largest and leading multinational companies in Bangladesh. The British American Tobacco Group holds upto 65.91% share in the Company. The Government of Bangladesh holds 26.57% through several of its agencies, while almost 7.52% is owned by other shareholders. It is a public company listed on the Dhaka

and Chittagong stock exchanges. The Board of Directors has nine members – a Non-Executive Chairman, four Non-Executive Directors and four Executive Directors. We are also a leading business organization in the industrial sector occupying more than 11,000 people directly and an additional 60,000 indirectly as farmers, distributors and suppliers. They have business contracts directly with approximately 45,000 registered farmers who produce high quality tobacco leaf.



Figure 1: Regional Operation of BAT

3.6 Worldwide operations of British American Tobacco Group:

British American Tobacco Bangladesh is a partner of the British American Tobacco Group that is based in UK and one of the prominent multinational companies in the global tobacco business. British- American Tobacco has been convoluted in this area for more than 100 years. The business was initiated in 1902, as a joint venture between the UK’s Imperial Tobacco Company and the American Tobacco Company established by James “Buck” Duke. Despite the name it has, derived from the home origins of its two instituting companies, British American Tobacco was founded to trade outside both the UK and the USA, and grew from its roots in loads of countries across Africa, Asia, Latin America and continental Europe. More than a billion people across the world enjoy smoking tobacco. Among them one in every seven chooses a British American tobacco.

The company has expanded its business worldwide, the details have been given below:

- America- Pacific (USA, Japan, South Korea)
- Asia Pacific – (China, Indo-China, Taiwan, South East Asia, Australia)
- Europe – 50 countries including Russia
- Latin America (Central & South America, Mexico, Caribbean)
- Africa (More than 50 countries)
- MESCA – (Middle East, South and Central Asia)

3.7 Mission & Vision of British American Tobacco Bangladesh:

Mission

Their main vision is to become the world's best in satisfying consumer moments in tobacco and beyond.

Vision of BATB

BATB has been a visionary organization from the very beginning of its operations in Bangladesh.

Vision of BATB can be defined as both quantitative and qualitative way.



Figure: Strategies taken by BAT to accomplish their vision

Quantitatively, the company pursues volume leadership among the global competitors. In the lengthier run standpoint, they value leadership. BAT recognizes that this is the adult consumer who actually control the market and that helps them leads to the consumer driven strategy.

Qualitatively, BAT wants to be acknowledged as industry leaders and to be the partner of first preference for government, NGO's, investors and potential employee recruits. The company will also do this by being a conscientious tobacco group, with sustainable business, outstanding people and superior products.

There are certain missions the organization is heading to accomplish. They are:

- Growing company share of total tobacco market
- Dominating key identified segments

3.8 Existing Shareholders of BATB

BATB Shareholders

BAT Bangladesh is one of the very first companies to be listed on the Dhaka and Chittagong Stock Exchanges and currently placed amongst the top 10 corporations in terms of market capitalization. British American Tobacco Group owns 72.91% of the shares; 11.52% is owned by the investment mainly. Corporation of Bangladesh; Shadharan Bima Corporation, Bangladesh Development Bank Limited, Government of People's Republic of Bangladesh, Sena Kallyan Sangstha own mostly 4.66% and an extra 10.91% is owned by other different shareholders.

BATB's Contributions

BATB is the topmost company in terms of being the highest tax-payer in Bangladesh helping the country's economic enhancement. BAT Bangladesh continues to pay 2/3rd of the total tax collections from the cigarette industry, and in 2012, the Company contributed BDT 6,698 crores as Supplementary duty, Value Added Tax and other taxes. This represents a growth of BDT 1,107 crores from the year back. The Company continues to support Government tenders that establish a sustainable level of tax contribution to the National Exchequer while ensuring a sustainable growth for the industry. (Source: BATB Annual Report 2015-16)

3.9 Core Business Activities:

BATB's main business is to basically manufacture and market cigarettes of various kinds. In addition to this activity, the organization also exports vegetables and tobacco. The main activities taking place in the business are:

- **Tobacco Leaf Growing:** There are registered farmers who grow the tobacco in the regions of Kushtia,

Chittagong and Rangpur

- **Leaf Processing:** The leaf is processed in two factories; the green leaf separating factory where the leaf

stem is separated and the Dhaka Factory (Primary Department) where the leaf cut to make it prepared for production.

- **Cigarette Manufacturing:** The cut tobacco is sent to secondary manufacturing department or the Dhaka Factory where it is pooled with wrapping supplies to make the ultimate product. The factory basically runs in 3 shifts for 24 hours to give a regular production of around 60 million of sticks.

- **Distribution:** The product is being sent to many other distribution centers across the country. The distributors work with the BATB trade marketing team ensuring distribution to all retail outlets in the country. With ever increasing number of outlets (currently, this is one of the major challenges the company faces.

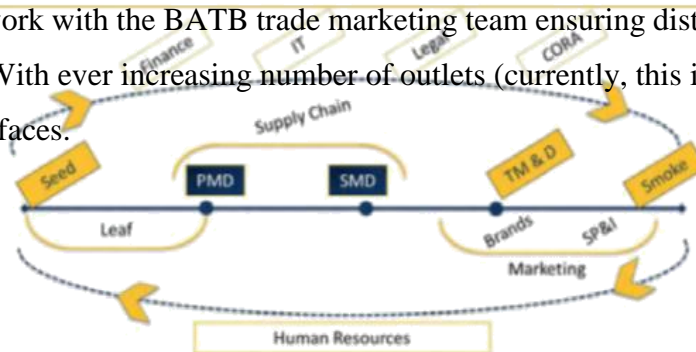


Figure : The operational structure of BAT

- **Brand Activities:** With the ban on promotion activities, the company has to look towards innovative ways of communicating their brands to the cigarette consumers.

3.10 Functional departments:

British American Tobacco Bangladesh has several functional departments for operations that are incorporated to give the best result for the organization. The following diagram shows the top management.

3.11 Structure of British American Tobacco Bangladesh:

BATB is a renowned public limited corporation ruling the tobacco market of Bangladesh. Overall operations of the company are directed by the respected Board of Directors and Executive Committee (EXCO). The Board of Directors is consisted of 8 directors having the chairman as head of board. Chief Executive of British American Tobacco Bangladesh is the “Managing Director” who is also the director of the Executive Committee as well. All the functional departmental heads are member of this committee too. Different sectors such as supply chain management, HR, CORA, Finance, Marketing, Legal and IT have different structure of its own

Different working departments have different arrangements according to their job and actions. BAT maintains an innovative organizational structure headed by Managing Director. Managing Director is the operational head of the organization and national Trade and Sales Manager. Every departmental head advises him what they carry out through their roles with the help of line managers. Some other positions of the organogram are directors, regional manager, secretary, assistant manager, area manager, territory officer, supervisor and other employees. It has seven different departments with two supporting departments. The “Board of Directors” and Executive Committee (ExCo) administrate the overall activities of the company. The Board of Directors of BATB is responsible for protecting the rights and interests of all shareholders and is held responsible for the overall management of the entity. The Board meets at best 6 times a year and makes decisions on strategic matters. The Board is accountable for the overall system of in-house control for the company and for assessing the effectiveness of the panels. The scheme is designed to accomplish risks that may impede the achievement of the company’s business objectives rather than to abolish these risks. The major functional areas are:

1. Corporate & Regulatory Affairs
2. Finance
3. Human Resource
4. Operations

5. Supply Chain
6. Marketing
7. Legal Affairs
8. Marketing
9. IT
10. Leaf

a) Leaf department:

The leaf department of BATB is basically responsible for tobacco budding, production and procurement, green leaf separating and packaging, leaf blending and exporting abroad and import. British American Tobacco Bangladesh procures almost its 80% of their tobacco leaf from their own farming. The Leaf department is involved in this cultivating and purchasing flue-cured typed tobacco. BATB does not have farmland nor does it hire farmers directly to produce the tobacco it uses for cigarette manufacture. Instead, each year the company lists thousands of farmers along with their various land, to grow and cultivate tobacco harvest. The company provides seed, fertilizer, and other loans to the farmers throughout the crop season to confirm quality growth. At the end of the season, BATB purchases fixed amount of tobacco from them, paying prices based on the status of the crops at that time.

The growing and buying of tobacco activities are conducted throughout the country. The two main areas of the leaf factory are situated at Kushtia Leaf Division and Chittagong Development Area.

Green Leaf Threshing Plant (GLT)

The tobacco harvest is processed at the Green Leaf Threshing (GLT) plant in Kushtia. The tenacity of the GLT is to transform the tobacco into a form suitable for producing cigarette. The tobacco is brought to a standard moisture level and temperature after that. Initial integration of the different grades of tobacco generally takes place at the GLT. The processed tobacco is sized and then packed before delivery to the Dhaka factory. The Leaf department also makes an estimate of the quantity made of tobacco that BATB will need to purchase for the production based on the input of the Sales & Operation Planning (SOP) committee. Based on these estimates, the number of farmers and the amount of land, which will have to be registered, are fixed.

Exports - The primary objective of leaf department is to ensure continuous allocation of tobacco, leaves are exported in an extremely competitive world market as well. During 1997 exports of tobacco produced more than two million dollars, with a tremendous sale being made to UK, Hungary, New Zealand, Egypt, and the USA.

In the year 2000, BATB made a profit of \$ 309,506 from leaf exports.

b) Operations and Supply Chain Department:

The Operations and Supply chain department is divided into three parts:

Primary Manufacturing Department:

The Primary Manufacturing Department (PMD) is assigned the task of arranging of the local and imported tobacco to make it ready for making cigarette production. The tobacco passes through a set of cohesive and regulated machinery whose aim is to blend the different "packing grades" in quantified proportions, convert the bales into "rag" suitable for use in various cigarettes, and bring tobacco to a similar temperature and moisture.

Secondary Manufacturing Department:

The secondary manufacturing department (SMD) comes into action after PMD is done with their job. SMD uses the tobacco that is mixed and processed by the PMD along with packaging materials to manufacture cigarettes. The PMD then delivers its ultimate processed tobacco to the Cut Tobacco Store (CTS). The CTS has a 50-ton storage capacity at the same time and the tobacco is stored and gathered there typically for one and a half days before it is used for further production. The SMD brings in the processed tobacco from the CTS as needed for production along with wrapping materials.

Filter Rod Department:

This vary department is responsible for production of the filter rods of cigarettes, stores and after that sends those to the secondary manufacturing department where the filter rods are actually added with other raw materials to produce the ultimate products.

c) Marketing Department

The Trade Marketing and Distribution department distinguishes the areas in which greatest practice must be accomplished to enable markets to meet the Trade Marketing and Distribution goals, which are basically: to create an effective entry impediment against global competition. To improve standard of supplier status to the trade developer among all FMCG companies out there. Trade Marketing & Distribution Department has also the responsibility to influence the ultimate consumers through their other trade strategies, like; Retailer. The importance is not only on what quantity is being sold to the (Sell-in) retailers, but also on the capacity sold out to (Sell-Out) consumers. The Marketing Department as well as the Production Department's actions are highly interconnected. According to the prerequisites of the Marketing Department, Production Department takes care of the cigarette manufacturing. The department of marketing also estimates the sales capacity of the various brand of cigarettes for the upcoming business year and depending on that, design a marketing plan known as the Sales Operational Plan in short (SOP). The inventories needed for cigarettes are also evaluated at this stage to find out the definite output to be produced in the following days. British American Tobacco Bangladesh has a distinct mission for both the marketing and distribution of their products, which is to influence the target consumer in the most effective manner by becoming the standard supplier to do the trade within the strategic networks in every market where the company functions. An efficient trade marketing team is working relentlessly to make this mission a successful one; besides the whole country has been distributed into six main regions to perform this whole marketing activities effectively and efficiently.

d) Human Resource Department:

The whole human resource department is encouraged with a slogan said "People's are hired in the safest hand' and also "right to hire the best'. To improve the most dynamic element of the organization that is its super talented human resource, BATB has always been put in a lot of efforts in responding to numerous changes and difficulties through effective construction and execution of human resource strategies through the most reliable HR department. Starting from the recruitment to the selection and also from employee prosperity to industrial relations, this department has to play a vital role.

e) Information Technology

Information Technology department was primarily acting as a functional sector for all the other functions of BATB. At the beginning of flourishing information technology and other high-tech advancement made the business world more viable, BATB also made required adjustments towards the revolutions and in persistence with that process, IT was made an individual department in mid-February 2000. The head of IT department is also an active member of the executive committee and is also supported by the task support IT managers.

f) Finance Department:

Finance department is given the responsibility of evaluating the economic functioning of the organization. BATB firmly uses the budget as an essential part of the thought-out plan to go for operative activities. The company's overall budget helps to quantify its performance as a tool for development and for feedback. The company initially as the year starts its operations with the accounted target, cost, sales investment and other financial and corporate activities. The company for control purpose observes its functioning at the end of each month. It helps to give the accurate information of sales cost, and other data and that can be compared with the budget distribution or target. In this way it the variances can be found, then the reasons of it to take compulsory helpful action or evaluating the budget. The overall concern of doing this goes to the responsible individual Cost Accountant and Finance Director of BATB. The Finance department has its well established strategic action plan, normally the individuals involved are mainly Finance director, Material Resource Planning Manager (MRP), Company Executive, Information Technology Manager (IT), Financial accountant Management Accountant and. Under Financial Accountant there are three more accountant officers who are Head Office Accountant, Leaf Accountant, Production Accountant and. These account managers separately have: Deputy Head Office accountant, Deputy Leaf Accountant, Deputy Production Accountant and. Under the supervision of these three Deputy Accountants, three other Assistant account officers work as well. Finance Department audits the disbursement at a regular intermission to confirm that rules and regulations are correctly adhered to the process. External auditors authenticate the financial system of BATB and formulate the annual financial report. If they find any deviance, they directly report to the Chief executive for taking proper action. The accountants inform the BATB Head Office and come to the operating company to confirm the Management Control are directly managed. Any new proposal is scrutinized from the standpoint of future prospects of the strategy, profitability, capital investment and shareholders' affluence. The Finance department gives exceptional consideration on the ROI Return on Investment of the tender. Thorough

month-wise cost analysis is being done to approach the variances. At each financial stance, corrective action is acquired to remain within the predetermined budgeted plan.

g) The Corporate & Regulatory Affairs Department (CORA):

CORA is actually the CSR department of BATB. They always maintain a good relationship with all the shareholders of BATB and also take care of other CSR activities that needs to be attained time to time like afforestation, Probaho, Deepto etc BAT has so far done. CORA department tries to uphold the image of the organization by doing various social works for the country. It is also responsible for all the lawful aspects and taxation of BATB. CORA arranges different activities such as: looking after stakeholders' interest, Managing taxation and excise, maintaining government lobby, correspondence with media, , working towards development in the field of mal nourishment, discouraging under aged smoking like under 18 smokers, poverty and cultural adoption, publicity management, managing external and internal communication, coming up with innovative idea of CSR business practices inside and outside the organization. Through plans and initiatives around the world, BAT is dedicated to help to keep clean and improve the environment, encourage local employment and tertiary education, cultural activities and promote artistic and assist with disaster assistance.

The Corporate & Regulatory Affairs department is charged with maintaining reputation management to the heart of the industry and ensuring the company's participation as a leading development companion of the country. Reputed management involves categorizing and prioritizing the company's stakeholders and arranging and implementing prepared plans to engage and connect with these stakeholders. In a competitive market, BAT is very concerned and wants adult smokers to choose its brands over those of its competitors. Advertising has mainly two major purposes – to effectively maintain brand reliability and to inspire smokers to switch brands. Advertising of such kind provides consumers with necessary information to make choices. The CSR activities so far are:

- (i) Dishari
- (ii) Afforestation
- (iii) Social Contribution for Farmers
- (iv) Bio-diversity
- (v) Leaf Tobacco Export
- (vi) Environment Friendly Agricultural practices
- (vii) Supporting Social Organizations.

CORA helps British American Tobacco Bangladesh to:

1. Build and sustain a corporate reputation, which in turn helps to ensure the future of the business.
2. Build recognition for British American Tobacco Bangladesh as a responsible company in an industry seen as controversial.
3. Identify Corporate Social Responsibility issues and come up with effective solutions.
4. Communicate widely, clearly and proactively, enhancing understanding of the business and building a strong corporate brand.
5. Build and manage relationships with the key stakeholders.

3.12 Corporate Social Responsibilities:

The Company faiths that the business has a key responsibility in helping society to attain the essential sustainable balance of environmental protection, economic growth, and social progress in ways that will help build significance for all the stakeholders. The Company is leading its activities in line with the corrected Smoking and Tobacco Products Usage (Control) Act, 2013.

Program for afforestation:

The leading activity of this Company is simply the Afforestation Program, which has started in 1980. So far, BATB has provided approximately 8.35 crore seedlings around the operational arena, which also includes 4 million seedlings in 2014 and more than that later. This persistent effort makes the activity the one and only largest private sector organized afforestation program in the country.

Solar Energy:

BAT Bangladesh has started a project to fix solar systems in villages that are in remote areas, off-grid areas situated in Chittagong Hill Tract districts of the country to complement the Government of

Bangladesh's determinations in the renewable energy sector. The solar system lead that has been taken by BAT Bangladesh has already installed over 300 units of solar home systems within 2014-2016.

Safe Drinking Water:

Scarcity of safe drinking water is a common phenomenon of Bangladesh. Millions and millions of people here is facing scarcity of safe drinking water every day because of arsenic contamination. British American Tobacco Bangladesh has undertaken this glorious initiative through an interesting community project to distribute over 300,000 liters of safe drinking water each household which will be free from impurities and arsenic to arsenic-prone areas every day. This initiative is associated with the Government's aim to reach the Millennium Development Goals (MDG) of assuring sustainable entree to safe drinking water.

Contribution in Agriculture:

BAT Bangladesh has always had an effective and fruitful partnership with farmers and people related to agricultural work across the country through arranging various programs which is also dedicated to upgrade prosperous agricultural standards and practices. The supply chain of the company starts with the relentless hard work of around 32,400 or more registered agronomists within the community of village.

WORK EXPERIENCE AT BATB

CHAPTER-4: LEARNINGS FROM THE INTERNSHIP AT BATB

4.1 My responsibility for three months:

I was assigned to the Operations Finance department where initially I worked on downloading system data from the server and making a compilation of years of data. This compiled system data was then used for the calculations of many volumes, values and prices of the different segments of cigarettes as well as the leaf grades. Apart from this, the system data was used to calculate the month on month consumption and closing stock levels which eventually helped to find out the duration (in days). Most of my work revolved around Ms. Excel but other than that I was also given the responsibility to create presentation slides for a few training sessions and Finance department meetings. Alongside, I learned the use of Lotus Notes which I used to find out the productivity savings from specific projects.

The details of the responsibilities are explained below:

Variance Analysis-

Data Entry on Excel –

The Operations Finance department maintained the records of all kinds of material costs and volume along with its SKU codes on excel.

Arranging Training Sessions and creating presentation slides –

There were several events where I was assigned the task of arranging the training sessions and creating presentation slides to get approval of the ongoing projects to make the decision-making process easy mentioning constraints and probable outcomes and with relevant pictures and descriptions to assist my supervisor's team members to complete their assignments.

Tracking Productivity Savings via Lotus Note –

Productivity Savings Tracker Tool (PSTT) is used to create, review, approve, export, update productivity savings projects. I was given the responsibility of creating a worksheet which would be used to find out the yearly savings from these projects that the company will be initiating or already has initiated.

Managing files –

I had to manage files continually while working on data entries on excel and creating agenda of the following months.

4.3 Competencies and Skills Acquired on the Job

The skills acquired on the job are described below:

Communication skills –

The work that I was assigned to do required interaction with a lot of senior managers to collect the proper data files, so that taught me the proper corporate communication techniques.

Ability to multi-task – While working on projects, I also assisted my supervisor and his team members to accomplish their regular tasks. In this way, I learned to handle several responsibilities at the same time.

Improvement in computer skills (specifically Microsoft Excel) – Working on Microsoft Excel was part of my regular work during the internship period and it helped me to become more proficient in managing different tasks on Excel.

Professionalism – During my internship period, I had to follow certain rules, maintain punctuality and cope up with deadlines. Throughout the process, I learned to work and communicate in the professional way. I adapted myself to the corporate environment and became more committed and responsible towards work.

Ability to work under pressure – There were several events when I was given multiple tasks to be completed within a short period of time. Since work stress was more at those times, I had to continue my work till late office hours. In this way, I learned how to complete a task under stress within the deadline while making sure the work is error-free.

Project: Working Capital Management of BATB

CHAPTER 5: WORKING CAPITAL MANAGEMENT IN BATB

5.1 What is working capital?

Working capital is a monetary measure which is utilized to assess the execution and viability of current assets (short-term assets) and current liabilities (short-term liabilities) and how they are being utilized for the activities of the business. Working capital is a proportion of both a company's proficiency and its present moment monetary wellbeing. It is the abundance of current assets subsequent to deducting current liabilities. It is determined as follows:

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

The working capital proportion centers around the capacity of a business' present advantages for cover its present liabilities. It is determined as follows:

$$\text{Working Capital Ratio (Current Ratio)} = \text{Current Assets} / \text{Current Liabilities}$$

This proportion is utilized to ascertain and assess the liquidity position of the organization. The standard for this proportion is viewed as 2.0 on the grounds that an organization should even now have some present assets left in its books in the wake of covering or paying for its present liabilities as the organization will even now require some present advantages for proceed with the customary tasks of the business. A proportion underneath 2.0 will be considered as low liquidity and a proportion above 2.0 is considered to as high liquidity. Both high liquidity and low liquidity are dangers for the organization as low liquidity shows that the business is experiencing lack of money and the organization's failure to deal with its current obligation through its present assets. The direst outcome imaginable is chapter 11. Working capital additionally assesses an organization's operational proficiency. High liquidity demonstrates that there is overabundance money, an organization ought to put assets into momentary securities to improve the abundance of the investors. Inert money demonstrates the inadequacy of the organization's money the board and furthermore builds the open door cost. As present assets involve Inventory, records of sales also, high liquidity implies that the organization has

abundance stock left unsold or appears the wastefulness of the organization's stock administration and money accumulation.

Working capital administration has two primary choices at two back to back stages. They are as per the following:

1. The dimension of Current Assets – How much should the organization to put assets into Current Assets to accomplish the directed income?
2. Methods for Financing Current Assets-How should the present assets found above be financed? i.e. the Blend of long and short-term fund?

5.1.1 Working Capital Policy

Working capital policy can be primarily ordered in three classes. They are-

- Restricted approach
- Relaxed up policy
- Moderate policy

In the event that the firm can evaluate unequivocally its example and dimension of offers, stock obtainment time and use rates, example and dimension of generation, creation process duration, gathering period, split between money deals and credit deals, and different elements which influence the working capital segments, the interest in current assets can be characterized solely.

Restricted working capital strategy which is otherwise called forceful working capital approach, is where the estimation of current assets for accomplishing a focused on income is done forcefully with no thought for polycs for any unanticipated occasion or any possibilities. This strategy endeavors to utilize the most minimal current advantages for accomplish indistinguishable dimension of offers from in loose and moderate approach. The organization's aim in this strategy is to source its working capital through short-term obligation. This approach is believed to be cheap in light of the fact that supports, for example, overdraft can be benefited when required and the intrigue will be paid just when an overdraft is taken not normal for long haul obligation where intrigue must be paid compulsorily for the whole year over the lent sum.

Relaxed strategy is the exact inverse of restricted policy. This is likewise alluded to as moderate working capital strategy. In this policy, the guess of current assets for accomplishing the focused on deals is set after cautious thought of indeterminate occasions, for example, regular vacillations, a sudden change in the dimension of exercises or deals and so forth. After the sensible gauges likewise, surplus current assets are left to maintain a strategic distance from any unexpected conditions is left to keep away from the most extreme conceivable hazard. This strategy endeavors to utilize the most elevated current assets to achieve indistinguishable dimension of offers from in confined and moderate policy. Be that as it may, under this approach, the organization will in general utilize long haul advances as a wellspring of financing which builds the weight of intrigue installments on advances. This diminishes the gainfulness of the organization.

Moderate policy is a harmony between the two strategies i.e. confined and loose. It acquires qualities of the both the policies. To keep up a parity, moderate policy expect current advantages for accomplish focused on deals to be lower than restricted and higher than traditionalist working capital policy. Since it expect chance dimension to be in between the two approaches referenced above, it keeps up an equalization in gainfulness front likewise i.e. it keeps up a blend of long haul and short-term financing.

Working capital strategies can be also laid out for every part of net working capital i.e. money, money due, stock and accounts payable. Money approaches can be to safeguard a legitimate dimension of money.

At the point when the dimension is high, it ought to be put assets into fluid speculations for present moment and the other way around. Accounts receivable policy may state about installment terms, credit limit, credit period, and so forth. Stock approach may express of limiting the dimensions of stock till the point it represents any hazard to the satisfaction of purchaser requests. Accounts payable approaches incorporate policies of installment terms, merchandise exchanges quality terms, and so on.

5.2 Working Capital Policy in BATB

While contemplating the diverse speculations with respect to the working capital policy's in the above dialog and coordinating it with the Current Assets and Sales information from 2002-2016 of BATB (see table underneath), it tends to be seen that BATB pursues confined working capital approach or forceful working capital policy in light of the fact that all through the 15-year time frame, the present resource was close to 9-12% of the business figure which is sufficient proof that BATB is keeping up least dimension of current assets



for accomplish its focused on deals. Along these lines, it can likewise be presumed that BATB reserves its present assets through momentary obligation. The back office, under this policy is constantly pushed to be

proactive in the administration of working capital, as they have to move their stock as quick as they can and gather receivables on an opportune way so as to settle short-term debts (current liabilities) on time. As BATB has higher development on deals, forceful working capital approach suits them the most. How about we have look towards the current resource circumstance as far as offers of BATB. From the table beneath, it is obvious that the measure of current resource is exceptionally immaterial contrasted with the measure of offers of the organization.

Year	Current Assets	Sales
2002	2369985	24,087,626
2003	2763435	25,910,181
2004	2663040	27,137,227
2005	2860971	29,508,675
2006	4824488	34,994,149
2007	4341659	37,869,293
2008	6525529	45,414,187
2009	8210514	55,074,651
2010	8053871	65,986,503
2011	7774415	75,357,351
2012	9172866	90,174,080
2013	9950631	109,581,710
2014	15056444	126,725,499
2015	15925816	143,711,664
2016	19935710	165,633,760

Table 1: Determining WC Policy in terms of Current Assets and Sales

Another method for deciding the working capital strategy being utilized is by partitioning Current liabilities with the sum up to assets of the organization. This demonstrates the use of current liabilities to back its aggregate assets, which moreover involves current assets. On the off chance that the proportion is high, it demonstrates that the organization is following forceful working capital policy, loosened up approach if the proportion is low.

In BATB the proportion of current liabilities to add up to resource is high which implies real part of their current liabilities i.e. short-term obligation are utilized to back their aggregate resource which is an unmistakable segment of an aggressive or restricted working capital policy.

$$\text{Financing Policy} = \text{Current Liabilities} / \text{Total Asset}$$

Figure 2: Ratio of current liabilities to total assets of BATB (2002-2016)

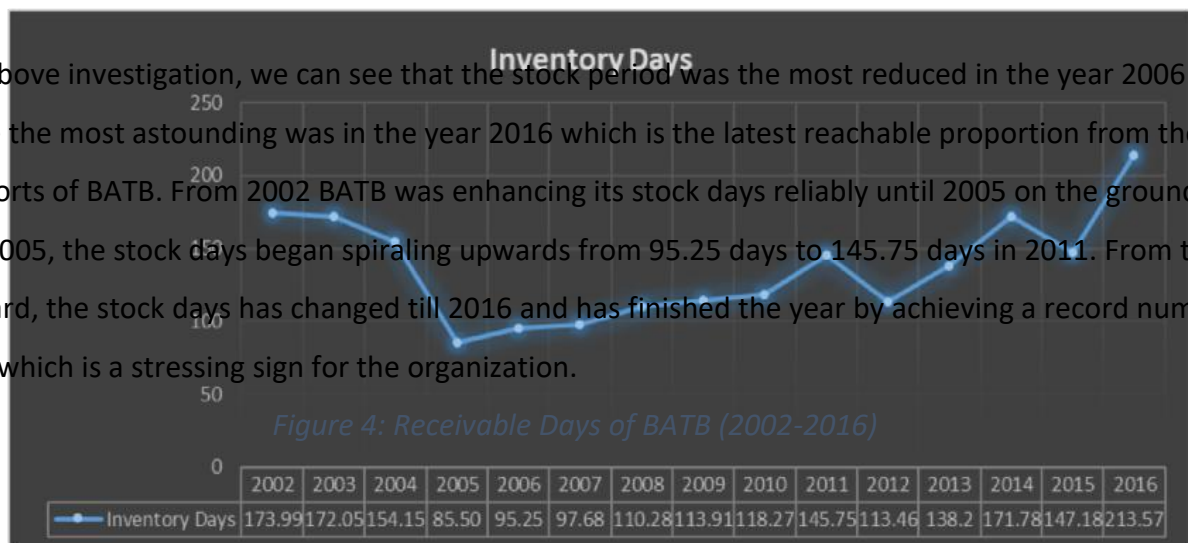
Figure 3: Inventory Period of BATB (2002-2016)

5.2.1 Inventory Management

Stock period is a money related instrument used to gauge how long is the stock held in stock before it is sold, or how rapidly the organization goes through its stock over a given time period. A high stock period implies that the organization's stock is held for quite a while which demonstrates that the organization has poor deals or wasteful stock administration framework. A low stock period implies that the organization's stock is quick moving, for instance markets. This shows the organization has high deals development and extremely effective stock administration framework. Stock period is estimated by isolating inventories by the company's normal day by day cost of products sold. Stock period is a variable to compute the Cash Conversion Cycle (CCC) which will be determined in this part after all the rest of the factors have been known about.

$$\text{Inventory Period} = \text{Inventories} / (\text{COGS} / 365)$$

From the above investigation, we can see that the stock period was the most reduced in the year 2006 (85.50 days) while the most astounding was in the year 2016 which is the latest reachable proportion from the review reports of BATB. From 2002 BATB was enhancing its stock days reliably until 2005 on the grounds that following 2005, the stock days began spiraling upwards from 95.25 days to 145.75 days in 2011. From that point onward, the stock days has changed till 2016 and has finished the year by achieving a record number of stock days which is a stressing sign for the organization.



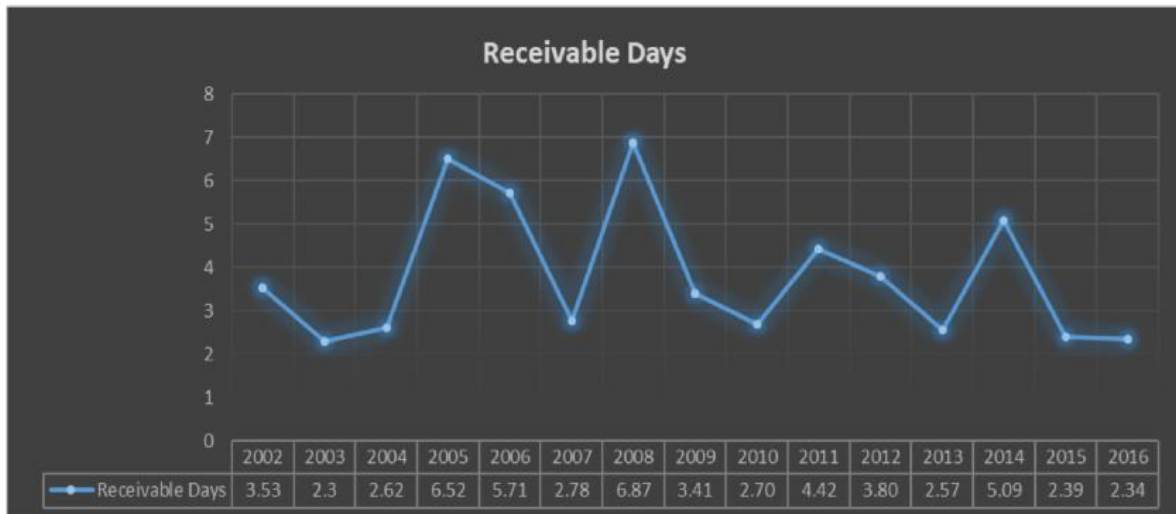


Figure 4: Receivable Days of BATB (2002-2016)



5.2.2 Accounts Receivable Days

Accounts receivable days is another working capital measure used to discover and assess the quantity of days it takes for an organization to gather its levy from it indebted individuals emerging from credit deals. It is additionally called "Day of Sales Extraordinary (DSO)" and is another variable for the computation of the Cash Conversion Cycle (CCC). Accounts Receivable Days is an essential module of Working Capital Management that satisfies its term to effectiveness. It is determined by separating the receivables for a specific period by the net deal every day, duplicated by 365 to discover the days required for the year. The lesser the esteem, the more productive the organization is in gathering its receivable, and this will produce increasingly positive Cash Conversion Cycle (CCC). A more noteworthy esteem demonstrates an organization's wastefulness in gathering money from receivable which results in an expansion in the Cash Conversion Cycle (CCC).

$$\text{Accounts Receivable Period} = \text{Receivables} / (\text{Net Sales} / 365)$$

By acclimatizing the data given on Figure 4, we can see that BATB gathers debts from its receivable from between 2.3 to 6.87 days which is extremely acceptable. This data demonstrates that BATB gathers cash from its receivable inside a brief timeframe and this gives them a lead in accomplishing a viable Cash Transformation Cycle (CCC). There is no proof as to any enhancement or decrement in light of the fact that the Receivable Long periods of BATB has been fluctuating from year to year as appeared in the figure above which is still adequate for whatever length of time that they can keep it inside 2 to 6 days.

5.2.3 Accounts Payable Days

Accounts Payable is imperative segment of Working Capital Management and a vital variable for the Cash Conversion Cycle (CCC). It is the span of time for which a business can postpone its installment on the buy of crude materials to its providers. The more drawn out the time of Accounts Payable Days, the better prospect the organization needs to back on other productive ventures. It encourages the organization to diminish costs by not taking credits for different costs for the nonstop activity of the business. Accounts Payable

Period is determined by separating exchange payables by the company's cost of merchandise sold every day, duplicated by 365 to discover the days required for the year. It is additionally called "Days payable outstanding (DPO)". A higher Days Payable Outstanding means that the organization has more money available before satisfying its loan bosses. Be that as it may, a high Days Payable Outstanding can be destructive as the loan boss probably won't offer credit any longer or may decrease the credit installment period. At the end of the day, it might fall apart great terms with the provider which will be hurtful for further activities of the business as the business relies upon its providers.

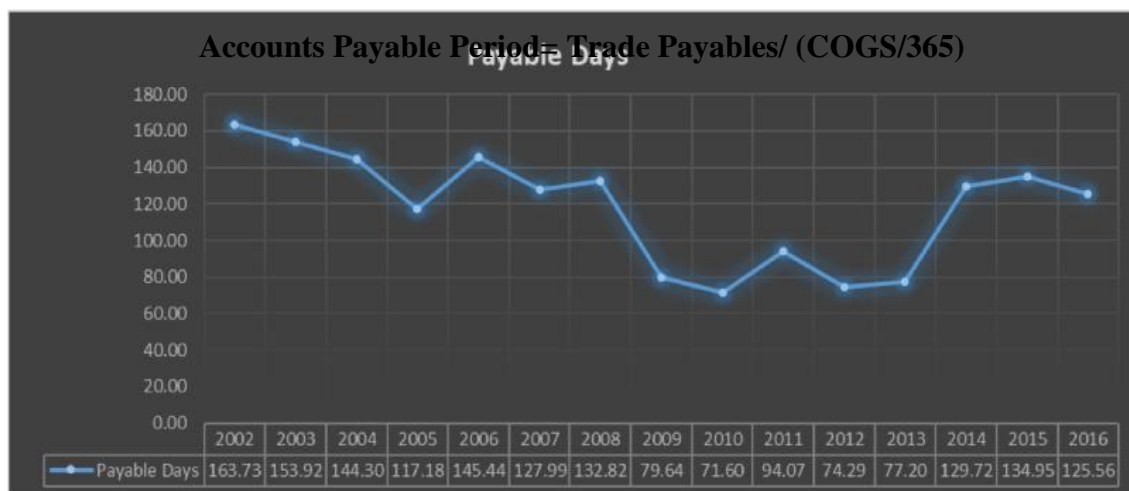
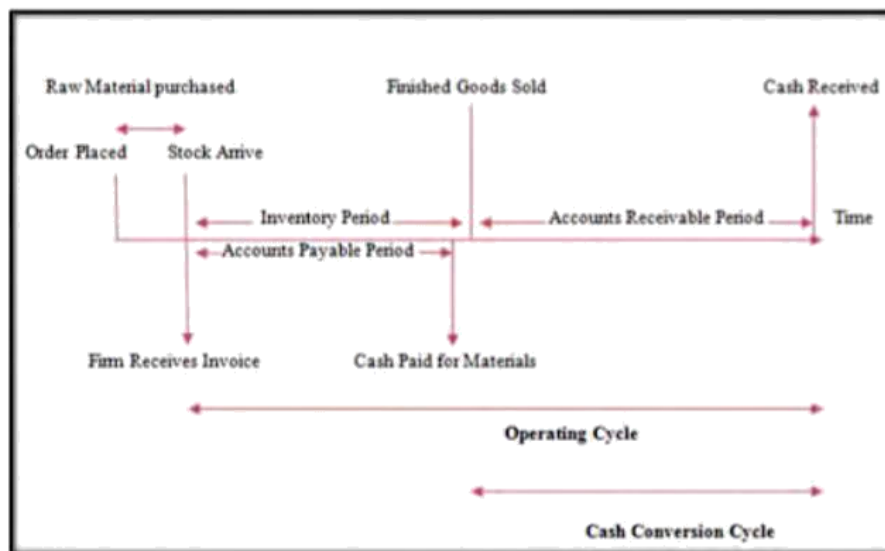


Figure 5: Payable Days of BATB (2002-16)

We definitely realize that BATB has a low Receivable Days, which implies it sets aside next to no opportunity to gather installment from its receivables, however with regards to Payable Days, BAT takes around 71 to 164 days which is fundamentally longer than the Receivable Days. We definitely realize that a more extended installment period is better for a organization, so as per the date on the figure above, BATB is keeping up the proportion while likewise keeping up great terms with the providers. It tends to be noticed that the period was diminishing from 2002-2005 while amid 2009-2013, the payable time frame for BATB was the least which implies that after 2002, BATB began to decline its Payable Period to keep up legitimate terms with the providers. This proportion will incredibly influence the Cash Change Cycle (CCC) decidedly as Payable Days diminishes CCC, the count of which will be shrouded in the following part.

5.2.4. Cash Conversion Cycle

Cash Conversion Cycle (CCC) is another working capital administration apparatus and a monetary measure which contains Inventory Days, Receivable Days and Payable Days talked about in the above parts of this paper. The Cash Conversion Cycle (CCC) gets its incentive from the Inventory, Receivable and Payable Days. It is a proportion of the adequacy of the organization's administration and thusly, the general soundness of the organization. This count estimates how quick an organization can change over its stock, debt claims and creditor liabilities into cash which is the reason the estimations of the past parts of this section will be utilized here to assess the Cash Conversion Cycle (CCC) of BATB. Cash Conversion Cycle (CCC) is otherwise called Net Trading Cycle.



A high Cash Conversion Cycle (CCC) implies that the organization should trust that a more drawn out time will sit tight for its Inventories, Accounts Receivables and Accounts Payables to transform into money, which implies more cash will be tied up to these accounts. Cash tied up in firm's task exercises implies that there is minimal possibility for other venture. A low Cash Conversion Cycle (CCC) is ideal since it requires less investment for the organization to recoup the cash tied up in these accounts. This is the reason the quantity of days required to change over these accounts into cash will rely upon the quantity of days it takes to move its inventories, the quantity of days to recuperate cash from its indebted individuals also, the quantity of days the organization takes to pay its leasers. Working Cycle is the interim between the request of stock and the date when cash is gathered from account holders. What's more, CCC begins when the organization pays cash to lenders or providers for the materials obtained for resale and closes when cash is gathered from clients or borrowers for credit deals.



CCC = Operating Cycle - Accounts Payable Period

OR

CCC= (Inventory Period + Accounts Receivable Period) - Accounts Payable Period

In the above figure it very well may be seen that the figures of Cash Conversion Cycle (CCC) of BATB was negative from 2005 to 2008 which implies that the organization was getting paid by their clients even before they pay back to their providers which is useful for an organization as this is an intrigue free approach to obtain from their providers to fund the organization's present or everyday activities. After 2008, it tends to be seen that the Cash Conversion Cycle (CCC) was expanding up until 2014, thereafter it diminished fundamentally just to increment significantly more in 2016. By and large, it very well may be said that the Cash Conversion Cycle (CCC) of BATB is inside fair range.

5.2.5 Cash Management

All together for a firm to keep up its liquidity for leading the smooth tasks of the business, it must have an productive and powerful money the executives. The execution of money the executives is one of the strategies of surveying working capital administration. It is a key part of guaranteeing a company's monetary steadiness and dissolvability. To satisfy its commitments, the fund administrator must keep up sufficient liquidity. Fruitful money the executives includes staying away from bankruptcy, as well as lessening the time span it takes to gather debts from Account Receivables (AR), diminishing the measure of time it takes to move inventories and expanding the measure of time it takes to satisfy its lenders, choosing appropriate momentary speculation extends, and expanding money close by to enhance a company's money position and gainfulness as talked about in the past parts of this part. So as to test the liquidity execution of a firm, the best procedure is to utilize the liquidity proportions.

5.2.5.1 Current Ratio

Current Ratio, which is otherwise called the Working Capital Ratio is a liquidity proportion used to assess the money the executives of an organization. This proportion discovers the viability of the organization's present advantages for pay off its short-term debts (current liabilities). The portrayal of current proportion has been talked about in subtleties in the start of this part.

Current Ratio= Current Assets/Current Liabilities

Figure 7: Current Ratio of BATB (2002-16)

Any present proportion somewhere in the range of 1.3 and 2.0 is viewed as good thus far, BATB has kept up the ideal proportion after 2007, preceding that period i.e. 2002-2006, the present proportion was beneath 1.0 which is horrible.

5.2.5.2 Quick Ratio

Another technique for assessing the adequacy of organization's money the executives is the Quick Ratio which is otherwise called Acid Test Ratio. It pursues indistinguishable standard from the present proportion or the working capital proportion, however the fast proportion sees whether an organization's Current Assets without being relied upon stock, can cover its short-term debts (current liabilities). It is a superior measure than the present proportion since it incorporates the most fluid current resources and rejects less fluid resources, for example, stock. Any present proportion more prominent than or equivalent to 1.0 is viewed as positive since this demonstrates an organization is less needy on stock with regards to satisfying its short-term debts. Nonetheless, any proportion underneath 1.0 shows that the organization is subject to stock while satisfying short-term debts. Another technique for assessing the adequacy of organization's money the executives is the Quick Ratio which is otherwise called Acid Test Ratio. It pursues indistinguishable standard from the present proportion or the working capital proportion, however the fast proportion sees whether an organization's Current Assets without being relied upon stock, can cover its short-term debts (current liabilities). It is a superior measure than the present proportion since it incorporates the most fluid current resources and rejects less fluid resources, for example, stock. Any present proportion more prominent than or equivalent to 1.0 is viewed as positive since this demonstrates an organization is less needy on stock with regards to satisfying its short-term debts. Nonetheless, any proportion underneath 1.0 shows that the organization is subject to stock while satisfying short-term debts.

Quick ratio= (Current Assets – Inventory)/ Current Liabilities

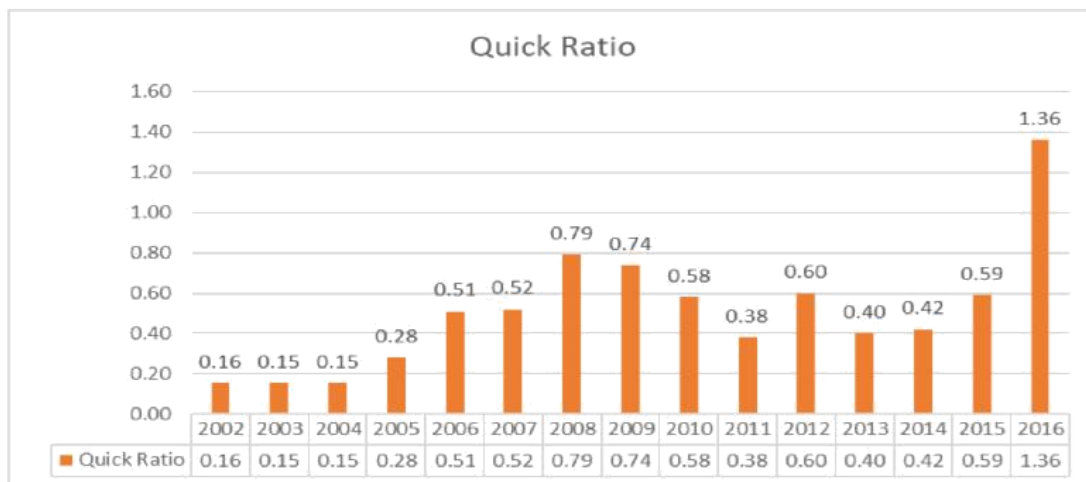


Figure 8: Quick Ratio of BATB (2002-16)

While acclimatizing data from Figure 8 and coordinating it with the speculations identified with fast proportion which makes reference to that the ideal proportion is more prominent than 1.0, it tends to be seen that nearly the

whole time of the investigation of this paper on BATB (2002-2015), the fast proportion is beneath 1.0 which is a horrible proportion. This demonstrates BATB is vigorously reliant on its inventories to satisfy its momentary debts (current liabilities). Thus, it very well may be presumed that BATB isn't performing exceptionally well with regards to speedy proportion, in spite of the fact that it has figured out how to enhance the circumstance from 2006, preceding which the brisk proportion was the most minimal. After 2014, the proportion appears to enhance when it all of a sudden spikes up to 1.36 in 2016 which is the most astounding. BATB should attempt to keep up this proportion from 2016 onwards.

FINAL PART

CHAPTER-8 FINDINGS & FUTURE DIRECTION

After conducting various analysis and evaluation in this the paper to see the influence of working capital management on British American Tobacco's profitability and various operations, many interesting findings have been found; we can conclude the paper with both negative and positive findings.

The role of corporate finance department of British American Tobacco Bangladesh is very eminent and certain. This has comprehensive standard functioning procedures for achieving every task. BAT Bangladesh has an effective and efficient strategy for distribution. We have seen BATB follows an assertive working capital policy which can also be defined as aggressive. It's fund disbursement system and collection of sales proceeds system are suitable for both the suppliers and the customers. For efficient fund collection policy, the collection of account receivable is excellent over the years and it takes in between 2 to 6 days little processing period to accumulate fund which is much satisfactory. For effective management of liquidity, the company can give payment to the creditor as soon as possible. Hence, accounts payable time is relatively low in this organization and which is 129.72 and above in the year 2014 and 2015.

Then comes the inventory conversion period; in BAT Bangladesh inventory conversion period is too high hitting a maximum of 213.57. As it cannot convert the inventory into sales anytime sooner, its inventory grows resulting in a decrease in quick ratio. As a result, this higher inventory conversion period confirms smooth supply and delivery of the products to the customers and that too just in time.

British American Tobacco Bangladesh has good and strong liquidity position as well and had no chance of running out from short-term financial. The solvency of the company and this ability to rises gradually (Current/Quick/Cash). The approximate current ratio rate is between 1.3 to 2 which is favorable so far and also indicates a healthy liquidity position of the organization. But after 2011 if we have a close look at the ratios we could probably see the quick ratio which used to be 0.38 has started to increase form that, though it is still very minimal. Most of debts of BATB are consisted of accrual, creditors, and bank overdraft where appropriating cost is trivial. Management of asset-liability of BATB is efficiently increased day by day. The company has a unique way to increase its sales through the control of inventory so that they can manage and sell its inventory so to tie up with the fewer funds.

After the thorough analysis of the correlation between working capital components and profitability, it has been found that inventory period, Cash Conversion Cycle and size of the firm have some significant impact on company's profitability. After the regression analysis it is showed a very positive relation of profitability with gearing ratio, payable days, and size of the firm. The analysis also shows some negative relation of receivable period and inventory period with profitability too.

Apart from the working capital management of BATB, the leverage and equity ratio were 0.58 and 0.42 on average respectively for the period 2002 to 2016, which means BATB sources majority of its funds through debt. The average total asset turnover 5.07 times which means BATB uses its assets 5 times to generate the revenue it generates. The size of the firm using logarithm of sales is 7.8 with 0.28967 standard deviation which is very insignificant.

CHAPTER-9: CONCLUSION

To know about the how a company's cash flow is maintained or to judge its standard, it is important to take a deep look in to its management of working capital means how the company is managing its short-term financing. The more efficient a company is in managing its working capital the lower the company's necessity of borrowing.

Working capital management of British American Tobacco Bangladesh Ltd. is without any doubt highly effective. The project and operation are very profitable and flourishing. There is internal informant existing of fund which is in satisfactory amount of period during the period under study. They face little or no difficulties in managing inventory, cash balances, debtors and current liabilities. The very common liquidity position of the company is also very much satisfactory because it has good current assets turnover, inventory debtors and cash balances. The company enjoys good capacity of cash credit and other short-term financing loan even though the borrowing amount of the company is very minimal. There is no inconvenience in repayment of current liabilities which is being paid out of the operating profit.

Working Capital Management of British American Tobacco has been playing very important role to the company. It must face lots of challenges as carious competition upsurges in the market and has lots of possible scope of increasing good condition in several areas. If upcoming challenges can be faced technically that has been done ever since its origin by maintaining endless support to dealers and sales team then the credit and other short-term

financing management practice of this leading company can be more efficient and effective to ensure overall development of the company in every possible sector.

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