

**Internship Report on**  
**Role of Procurement Process and Inventory Management in Financial Performance of**  
**Summit Power Limited (SPL)**

**By**  
**Farheena Sharmin**  
**ID:21364048**

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

BRAC Business School  
BRAC University  
December, 2023

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## **Declaration**

It is hereby declared 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 which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

### **Student's Full Name & Signature:**

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Farheena Sharmin

21364048

### **Supervisor's Full Name & Signature:**

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Dr. Salehuddin Ahmed

Professor

BRAC Business School

**BRAC University**

## **Letter of Transmittal**

Dr. Salehuddin Ahmed  
Professor,  
BRAC Business School  
BRAC University  
66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report

Dear Sir,

I am very glad to submit the internship report on Summit Power Limited. This report is a result of the MBA program I completed. It brings me great pleasure to have successfully completed my internship and to present this report on procurement process and inventory management and its role in financial management of the organization.

I am highly grateful for your guidance in developing this report.

It would be really thoughtful of you to review my report work and make any more recommendations to improve my explanation.

**Sincerely yours,**

---

**Farheena Sharmin**  
**ID 21364048**  
**BRAC Business School**

## **Non-Disclosure Agreement**

[This page is for Non-Disclosure Agreement between the Company and The Student]

This agreement is made and entered into by and between Summit Power Limited and the undersigned student at BRAC University.

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Farheena Sharmin

ID: 21364048



## **Acknowledgment**

First and foremost, I would like to express my sincere gratitude to Almighty Allah for giving me the stamina and endurance needed to go through this entire journey of my MBA program.

I would like to thank my supervisor Dr. Salehuddin Ahmed and co-supervisor Riyashad Ahmed for their guidance. I am also grateful to all the faculty members of BRAC Business School for their guidance throughout my journey.

Finally, I would like to thank my site supervisor Seekander Nabi-Noor Ahmed, Manager (Procurement, Inventory, Commercial) and Jinat Haroon, Senior Assistant Manager (Procurement, Inventory, Commercial) for their guidance. I am grateful to Md. Nazmul Hasan, General Manager (Procurement, Inventory, Commercial) for his support and Engr. Md. Mozammel Hossain, Managing Director of Summit Power Limited for giving me an internship opportunity. I am also grateful to all the staff at Summit Power Limited for their cooperation.

## **Executive Summary**

I was appointed as an intern in Summit Power Limited (SPL) from 17th September 2023 to 16th December 2023. I was appointed to the Commercial wing of the procurement division and assigned the job of recording Bill of Entry (BoE). During my internship period, I have the opportunity to explore the importing process, purchasing procedures and inventory management.

Summit Power Limited (SPL) is a power generating organization that has earned a reputation as a solution to the power crisis problems of Bangladesh. The organization develops an efficient and effective management that has facilitated a systematic working environment. As their jobs require precision and are related to one of the emergency sectors of the country, the organization realizes that performance of every individual is important. The organization has several departments such as admin & human resource, account & financial, procurement, development, information technology (IT), training and compliance to develop a highly systematic management system.

Existing literature reviews indicate that procurement process and inventory management has a significant effect on financial management of an organization. Though power generation companies are not required to maintain a finished good inventory as electricity is consumed immediately, they are required to maintain a maintenance inventory for uninterrupted operations. Therefore, the objective of the project is to evaluate the role of procurement process and inventory management in financial performance of the organization. As quotations and costs are subject to confidential information of the organization, the report analyzes the financial performance of the organization of the last five years of the mother company (excluding the subsidiaries) to evaluate the role of procurement process and inventory management. To evaluate the quality management of the procurement division and inventory management, the project section also examines the key features of the procurement process and inventory management. The analysis finds out that though the gross profit and operating profits are decreasing over the years the inventory management does not have any significant effect on the financial management of the organization.

## Table of Contents

<b>Declaration</b> .....	<b>(ii)</b>
<b>Letter of Transmittal</b> .....	<b>(iii)</b>
<b>Non-Disclosure Agreement</b> .....	<b>(iv)</b>
<b>Acknowledgment</b> .....	<b>(v)</b>
<b>Executive Summary</b> .....	<b>(vi)</b>
<b>Table of Contents</b> .....	<b>(vii)</b>
<b>List of Tables</b> .....	<b>(x)</b>
<b>List of Acronyms</b> .....	<b>(xi)</b>
<b>Glossary</b> .....	<b>(xii)</b>
<b>Chapter 1: Overview of the Internship</b> .....	<b>1</b>
1.1 Student Information.....	1
1.2 Internship Information.....	1
1.2.1 Information of the Company.....	1
1.2.2 Supervisor’s Information.....	1
1.2.3 Job Scope.....	1
1.3 Internship Outcome.....	2
1.3.1 Student’s Contribution to the Company.....	2
1.3.2 Benefits of the Student.....	2
1.3.3 Problems and Difficulties faced during the Internship.....	2
1.3.4 Recommendations.....	2
<b>Chapter 2: Overview of the Organization</b> .....	<b>3</b>
2.1 Introduction.....	3
2.2 Overview of the Company.....	3
2.2.1 Organization.....	3
2.2.2 Vision of SPL.....	3
2.2.3 Mission of SPL.....	3

2.2.4 Social Welfare Activities	4
2.2.5 Projects of SPL	4
2.2.6 Departments	5
2.3 Management Practices & Human Resource Management Practices	6
2.3.1 Management Practices	6
2.3.2 Human Resources Management Practices	6
2.4 Marketing Practices	7
2.5 Financial Performance and Accounting Practices	7
2.5.1 Financial Performance	7
2.5.2 Accounting Practices	9
2.6 Operations Management and Information Management Practices	10
2.6.1 Operations Management Practices	10
2.6.2 Information Management Practices	10
2.7 Industry and Competitive Analysis	11
2.7.1 SWOT Analysis	11
2.7.2 Industry Analysis	11
2.8 Summary and Conclusion	12
<b>Chapter 3: The Project</b>	<b>13</b>
3.1 Introduction	13
3.1.1 Background/Literature Review	13
3.1.1.1 Procurement Process	14
3.1.1.2 Inventory Management	14
3.1.1.3 Managerial Account and Financial Management	15
3.1.1.4 Macro Analysis	17
3.1.2 Objectives	18
3.1.3 Significance of the Issue	19
3.2 Methodology	19

3.2.1 Primary Material	19
3.2.2 Secondary Materials	19
3.3 Findings and Analysis	20
3.3.1 Quality analysis of Procurement Division	20
3.3.1.1 Purchasing Procedure	20
3.3.1.2 Commercial (Importing Process)	23
3.3.1.3 Inventory Management	24
3.3.2 Financial Performance Analysis	25
3.3.2.1 Liquidity Ratio	26
3.3.2.2 Asset Management Ratio	27
3.3.2.3 Profitability Ratio	28
3.3.2.4 Solvency Ratio	29
3.3.2.5 Market Value Ratio	30
3.4 Summary and Conclusion	31
3.5 Recommendation and Implication	31
<b>References</b>	<b>33</b>

## List of Tables

Table 1: Power Plans of Summit Power Limited	4
Table 2: Horizontal Analysis of Financial Performance	7
Table 3: Horizontal Analysis of Financial Performance	8
Table 4: Role of Inventory in Internal Accounting	15
Table 5: Role of Inventory in Financial Management	16
Table 6: Liquidity Ratio of SPL (Fiscal Year 2017-2018 to 2021-2022)	26
Table 7: Asset Management Ratio of SPL (Fiscal Year 2017-2018 to 2021-2022)	27
Table 8: Profitability Ratio of SPL (Fiscal Year 2017-2018 to 2021-2022)	28
Table 9: Solvency Ratio of SPL (Fiscal Year 2017-2018 to 2021-2022)	29
Table 10: Market Value Ratio of SPL (Fiscal Year 2017-2018 to 2021-2022)	30

## List of Acronyms

AWB	Airway Bill
BL	Bill of Lading
BPDB	Bangladesh Power Development Board
C&F	Clearing and Forwarding
CI	Commercial Invoice
CIP	Copenhagen Infrastructure Partners
COO	Country of Origin
COP	Copenhagen Offshore Partners
CW	Central Warehouse
ERP	Enterprise Resource Planning
HS Code	Harmonized System
IFRS	International Financial Reporting Standard
IMS	Integrated Management System
L/C	Letter of Credit
ISO	International Standard Organization
MRC	Management Review Committee
MW	Megawatt
PI	Proforma Invoice
PL	Packing List
REB	Rural Electricity Board
SPI	Summit Power International
SPL	Summit Power Limited
SWIFT	Society for Worldwide Interbank Financial Telecommunication

## **Glossary**

Bill of Entry	A bill of entry is a legal document of imported products or materials filed by customs authority.
Clearing and Forwarding Agents	The clearing and forwarding agents are the third party facilitating the clearing and delivery process of imported goods and materials from the customs house to the final destination.
Harmonized System	The Harmonized System classifies traded products in a standardized numerical method.
Letter of Credit	A letter of credit is a financial document from a bank that assures payment on time to the respective suppliers
Megawatt	Megawatt is an output measure of a power station.
Part Number	A part number is a unique identification number assigned to a product or materials. It is a unique alphanumeric code.
Proforma Invoice	A proforma invoice is a preliminary invoice from suppliers to buyers which is negotiable.
SWIFT	Swift is a global messaging system among banks and financial institutions around the world.



# **Chapter 1: Overview of Internship**

## **1.1 Student Information**

**Name:** Farheena Sharmin

**Student ID:** 21364048

**Program:** Master of Business Administration

**Major:** Financial Management and Operation Management

## **1.2 Internship Information**

### **1.2.1 Information of the Company**

**Internship Period:** September 17, 2023 to December 16, 2023

**Company Name:** Summit Power Limited (SPL)

**Department:** Procurement Division

**Address:** Summit Centre, 18 Kawran Bazar C/A, Dhaka-1215

### **1.2.2 Supervisor's Information**

**Supervisor's Name:** Seekander Nabi-Noor Ahmed

**Designation:** Manager (Procurement, Inventory, and Commercial)

### **1.2.3 Job Scope**

The job scope is selecting and evaluating key suppliers, negotiating with suppliers, maintaining relationship of suppliers, checking quality of the product and monitoring inventory.

## **1.3 Internship Outcome**

### **1.3.1 Student's Contribution to the Company**

Initially my contribution was to check the quotation. This task helped me to familiarize with terms. Gradually, I was assigned to record the bill of entry or export items with the HS code and their assessed value.

### **1.3.2 Benefits of the Student**

The most significant thing I have learned is the entire procedure of importing goods as I was assigned to the commercial department. I have the opportunity to explore several documents such as bill of entry, proforma invoice, copy of Letter of Credits (LC), request letter for LC, insurance papers and so on. The experience helped me to visualize the entire importing process.

### **1.3.3 Problems and Difficulties faced during the Internship**

Initially, I had difficulties in identifying the part number, locating the L/C value, HS codes and calculating the assessed value on Bill of Entry (BoE). They gradually trained me and corrected my mistakes.

### **1.3.4 Recommendations**

As I worked here very comfortably, I did not have many recommendations. The job is sensitive and requires a lot of attention to complete with accuracy. However, it would be better to assign interns with more versatile tasks so that they can utilize their opportunity more fruitfully.

## **Chapter 2: Overview of the Organization**

### **2.1 Introduction**

Summit Power Limited (SPL) is one of the leading companies in the engineering and power generation sector. Currently the company is distributing 20% of total power consumed by the nation of the country. Each segment of the company is run by qualified professionals which has facilitated the development of a systematic environment. The company earned a reputation as a solution to the power crisis problem of Bangladesh.

### **2.2 Overview of the Company**

#### **2.2.1 Organization**

Summit Power International (SPI) established the first independent power plant in Bangladesh as a private sector company known as Summit Power Limited (SPL). The company was incorporated on March 30, 1997 as a Private Limited Company. On June 7, 2004, the company was converted to Public Limited Company under Companies Act of 1994. Summit Power Limited owns and operates 15 engine-based power plants across the country under five companies with a total capacity of 976 MW power generation annually. The plants are equipped with engines manufactured by Wärtsilä – Finland, Caterpillar USA, and GE Jenbacher Austria which are known for manufacturing world-class engines.

#### **2.2.2 Vision of SPL**

The vision is “to be the leading provider of energy solutions in Asia and deliver sustainable long-term value to all [their] stakeholders<sup>1</sup>.”

#### **2.2.3 Mission of SPL**

The mission is “to support economic development and transform the social landscape of Asia through the provision of reliable, affordable and efficient sources of electricity<sup>2</sup>.”

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<sup>1</sup> ABOUT US | Summit Power International, Access Date: December 10, 2023

<sup>2</sup> ibid

#### 2.2.4 Social Welfare Activities

The company donates with the objective to provide health care, relief and rehabilitation, education, humanitarian protection, distribution of winter clothes during the winter and environmental causes.

#### 2.2.5 Projects of SPL

Currently, SPL has 15 engine-based power plants around the country producing 976 MW of electricity. The plants are:

	<b>Project</b>	<b>Location</b>	<b>Capacity</b>	<b>Company</b>
1	Gazipur II 300 MW Power Plant	Kodda, Gazipur	307 MW	Summit Gazipur II Power Limited
2	Gazipur I 149 MW Power Plant	Kodda, Ghazipur	156 MW	ACE Alliance Power Limited
3	Barisal Power Plant	Barisal City Corporation	120 MW	Summit Barisal Power Limited
4	Narayanganj Power Plant I	Bandar, Narayanganj	103 MW	Summit Narayanganj Power Plant-Unit I
5	Narayanganj Power Plant II	Bandar, Narayanganj	62 MW	Summit Narayanganj Power Limited-Unit-II
6	Ashulia Power Plant-II	Ashulia Bazar, Ashulia	35 MW	Summit Ashulia Power Plant-Unit-11
7	Jangalia Power Plant	Comilla Sadar, Dokhin Comilla	35 MW	Summit Power Limited
8	Rupganj Power Plant	Rupganj,	35 MW	Summit Power Limited

		Narayanganj		
9	Maona Power Plant	Sreepur, Gazipur	35 MW	Summit Power Limited
10	Madhabdi Power Plant-II	Narsingdi, Dhaka	26 MW	Summit Power Limited
11	Chandina Power Plant	Chandina, Comilla	14 MW	Summit Power Limited
12	Ullapara Power Plant	Ullapara, Sirajganj	12 MW	Summit Power Limited
13	Ashulia Power Plant-1	Ashulia Bazar, Ashulia	12 MW	Summit Power Limited
14	Chandina Power Plant-I	Chandina, Comilla	12 MW	Summit Power Limited
15	Madhabdi Power Plant	Madhabdi, Narsingdi	12 MW	Summit Power Limited

**Table 1: Power Plans of Summit Power Limited**

### 2.2.6 Departments

The head office of SPL has several departments. These departments are:

- 1) **Admin & HR Department:** Admin and HR department is responsible for recruiting and selection process. The HR department has the responsibility to handle any issues regarding employees and coordinates among the department.
- 2) **Account and Financial Departments:** Accounts department is responsible for daily monetary transactions. Financial department monitors the overall financial position of the organization quarterly.

**3) Procurement Department:** Procurement department is responsible for local and international purchases. The department is also responsible for managing inventory.

**4) Development Department:** Development department is responsible for development of the existing project and preparing proposals for new projects

**5) IT Department:** IT department manages the information of the organization. The department publishes the new information to the company's website.

**6) Training Department:** Training department trains employees regularly to be adapted with the new regulations such as tax regulations, environmental policies and so on.

**7) Compliance Department:** Compliance department is responsible for ensuring the standard of internal management and control of the organization with international standards.

## **2.3 Management Practices & Human Resource Practices**

### **2.3.1 Management Practices**

Management practices of Summit Power Limited (SPL) is a blend of democratic and highly participative as the organization deals with one of the emergency sectors of the country. The employees are authorized to take decisions to deal with any emergency situation which will be followed by a standard procedure. Moreover, it is important for them to support each other to deal with any situation. As a result, one can feel a friendly environment despite there being competition among the employees.

### **2.3.2 Human Resource Management Practices**

SPL's recruitment and appraisal process maintain a standard procedure. The team leader and line managers are well-experienced to supervise and guide their subordinates. Managers are also well educated to be qualified for their respective posts to resolve the dispute among the employees. This aspect ensures job satisfaction which helps to develop a suitable work environment. In addition, their compensation package is satisfactory keeping in mind safety issues (such as insurance facilities) for site workers. In short, there is a system maintained in the management practices.

## 2.4 Marketing Practices

The core product of the Summit Power Limited (SPL) is electricity which is an essential and government regulated service. Therefore, their target customer is the government as they distribute electricity to the Bangladesh Grid System. As a result, the price of electricity is regulated by governments. As SPL is eager to take up government projects of establishing power stations, their target customers are government officials in the electricity sector. The company manages customer relationships with several government organizations such as Bangladesh Power Development Board (BPDB), Rural Electricity Board (REB) and Ministry of Electricity. Currently SPL has a proposal to develop a wind-based energy plant on the coast of the country with collaboration of Copenhagen Infrastructure Partners (CIP) and Copenhagen Offshore Partners (COP)<sup>3</sup>. In order to maintain their constant growth, SPL aims to target both government and private tenders. They also aim to develop renewable energy to promote a sustainable environment.

## 2.5 Financial Performance and Accounting Practices

### 2.5.1 Financial Performance

Financial performance of Summit Power Limited (SPL) is satisfactory as current ratio is 1.44 times indicating that organization is solvent enough to cover its current liabilities. Market value ratio is satisfactory enough to attract potential investors. The dividend is BDT 2 per share and earning per share is BDT 3.87. Table 2 shows horizontal analysis of last five years financial performance:

<b>Particulars</b>	<b>FY 2022 Change [22 vs 21]</b>	<b>FY 2021 Change [21 vs 20]</b>	<b>FY 2020 Change [20 vs 19]</b>	<b>FY 2019 Change [19 vs 18]</b>	<b>FY 2018 Change [18 vs 17]</b>
<b>Financial Performance</b>					
Turnover	34.10%	65.00%	-21.10%	65.00%	13.90%

<sup>3</sup> Growth Strategy | Summit Power International, Access Date: December 10, 2023

Gross profit	-12.50%	1.00%	18.50%	47.90%	23.80%
Operating profit	-17.30%	1.00%	20.90%	45.00%	26.50%
Profit before tax	-19.70%	-0.80%	16.20%	38.70%	15.60%
Net profit after tax	-20.20%	-0.60%	16.50%	38.10%	14.80%
Earnings before interest, tax & depreciation	-13.30%	0.70%	17.30%	47.70%	24.60%
Earnings per share (Earning Per Share as Book Value per Share)	-26.30%	1.50%	8.20%	8.60%	10.00%

**Table 2: Horizontal Analysis of Financial Performance**  
**Source: Summit Power Limited Financial Report 2021-2022**

The table shows that changes in sales have been fluctuating over the five years which is increased by 34% in fiscal year 2021-2022 from 65% in fiscal year 2020-2021. However, changes in gross profit have decreased by -12.50% in fiscal year 2021-2022 from 1% in fiscal year 2020-2021 and changes in operating profit has decreased by -17.30% in 2021-2022 from 1% in fiscal year 2020-2021. Negative changes in gross profit and operating profit indicate an increase in cost. Changes in profit before tax, net profit tax and earnings before interest, tax & depreciation decreased by -19.70%, -20.20% and -13.30% respectively in fiscal year 2021-2022 from -0.80%, -0.60% and 0.70% in fiscal year 2020-2021. As a result, the change in earnings per share decreased by -26.30% in fiscal year 2021-2022 from 1.50% in fiscal year 2020-2021.

<b>Particulars</b>	<b>FY 2022 Change [22 vs 21]</b>	<b>FY 2021 Change [21 vs 20]</b>	<b>FY 2020 Change [20 vs 19]</b>	<b>FY 2019 Change [19 vs 18]</b>	<b>FY 2018 Change [18 vs 17]</b>
<b>Financial Position</b>					
Paid up capital	0.00%	0.00%	0.00%	0.00%	0.00%



Shareholders' equity	3.70%	9.40%	-2.80%	3.60%	6.60%
Non-controlling interest	19.00%	37.90%	-1.20%	105.90%	100.60%
Total equity	6.90%	14.40%	-2.50%	13.40%	11.60%
Total non-current liabilities	-4.00%	-11.70%	81.60%	92.40%	-6.80%
Total current liabilities	172.50%	106.50%	-61.90%	-24.30%	640.50%
Total non-current assets	7.00%	-0.70%	1.10%	2.30%	61.50%
Property, plant & equipment	5.10%	-3.10%	-1.00%	2.80%	83.10%
Total current assets	71.80%	54.50%	-6.90%	30.80%	22.70%
Total assets	30.40%	14.00%	-1.10%	9.00%	50.30%
Net current assets/(liabilities)	-6.90%	29.10%	215.50%	-167.40%	-161.20%

**Table 3: Horizontal Analysis of Financial Performance**  
**Source: Summit Power Limited Financial Report 2021-2022**

The changes in total current assets and total non-current assets are increased by 71.80% and 7% in fiscal year 2021- 2022 from 54.50% and -11.70% in fiscal year 2020-2021 respectively. The changes in total current liabilities and non-current liabilities are increased by 172.50% and -4% in fiscal year 2021-2022 from 106.50% and -11.70% in fiscal year 2020-2021 respectively. Change in total equity has increased by 6.90% in fiscal year 2021-2022 from 14.40% in fiscal year 2020-2021. The change in ratio of net current asset and liabilities decreased by -6.90% in fiscal year 2021-2022 from 29.10% in 2020-2021. The ratio analysis indicates increasing total liabilities relative to total assets.

### **2.5.2 Accounting Practices**

The organization follows the International Financial Reporting Standard (IFRS). Their financial statement has relevant information which allows an investor to predict the future, information can be confirmed and is material enough to take neutral decisions. As the financial statements are complete, neutral and free from error, they are reliable to work with. The financial statements are

comparable with other organizations, can be verified by any individual with the same method, available to potential users on time and valued by them.

To take right decisions and achieve financial goals SPL maintains bookkeeping of any monetary transaction. The account records monetary inflow and outflow on a daily basis. Proper documentation of every monetary transaction is maintained electronically. If the document is in paper, an electronic copy is maintained through scanning. There is a standard procedure followed by each monetary transaction to prevent forgery. Regular financial analysis is maintained quarterly to monitor financial performance. SPL maintains tax regularity. To summarize the accounting practices, all the accounting activities of the organization are done by accounting software and automation to achieve zero error in accounting with the shortest possible time.

## **2.6 Operations Management and Information Management Practices**

### **2.6.1 Operations Management Practices**

Summit Power Limited (SPL) follows the best practice of Integrated Management System (IMS) for its regular business operation and has been certified by ISO 9001: 2015 - Quality Management System, ISO 14001: 2015 – Environmental Management System and ISO 45001: 2018 Occupational Health and Safety Management System. The organization ensures to the extent feasible that suppliers and vendors operate within environmental and health and safety related regulations. As part of the routine site briefing before contractors start work on site, the Environmental Manager briefs the contractor on the environmental risks and responsibilities of the job.

### **2.6.2 Information Management Practices**

Information Management includes both hardcopy and softcopy though with the advancement of technology, SPL is gradually adapting with software to manage daily activities. Some documents such as bills, government challans are preserved as both soft copy by scanning and hard copy. Soft copy helps them to find out any document in the shortest possible time whenever needed. Electronic Resource Planning (ERP) is used in every department to conduct operational activities, especially the financial activities. The software helps to achieve accuracy in their day-to-day activities.

## 2.7 Industry and Competitive Analysis

Jobs related to power generation plants are highly sensitive thus requiring a high level of precision. The high precision can be achieved with years of experience. Being the first power generation company in Bangladesh, Summit Power Limited (SPL) has created experienced and professional leaders. This aspect earns the organization credibility and is the competitive advantage.

### 2.7.1 SWOT Analysis

The SWOT (Strength, Weakness, Opportunity, Threat) analysis identifies the internal strength and weakness and external opportunity and threat:

**Strength:** The main strength of SPL is their product which is electricity. It is an essential product for day-to-day life.

**Weakness:** Weakness of SPL is their inability to increase price compared to their increasing cost. The price of electricity is mainly regulated by governmental policy.

**Opportunity:** With urbanization, there is a huge opportunity for SPL of increasing demand for electricity.

**Threat:** Increasing demand of electricity may lead to rise of competitors which may be a potential threat for the organization.

### 2.7.2 Industry Analysis

Industry analysis identifies the organization's current position in the industry:

- 1. Competition in Industry:** Though SPL is the first private sector in the industry of power generation, there are other organizations who are producing and selling electricity. These companies are major competitors for SPL.
- 2. Potential New Entrants in Industry:** Due to urbanization and increasing demand, there is a huge possibility that new organizations in the industry will arrive.
- 3. Power of Suppliers:** As it is an emergency sector, good suppliers can be powerful and influence the price. This may lead to compromising the quality by purchasing low quality supplies.

4. **Power of Customers:** SPL distributes electricity through the power grid of Bangladesh. Therefore, their customers are highly influential.
5. **Threats of Substitute Product:** The electricity production system of SPL is engine based. Their potential substitute can be nuclear power plants or wind-based power plants, which can be a major threat to the organization.

## **2.8 Summary and Conclusion**

Summit Power Limited (SPL) has been developing its strategies and practices to cope up with the changing environment. Being the first electricity producing company in the private sector, the organization has earned efficiency and reliability which is their competitive advantage. To manage 15 projects around the country, the organization must be systematic in their rules and regulations. Therefore, each division has clearly stated rules and regulations to achieve efficiency, effectiveness and responsiveness in their roles so that overall goal can be achieved. The organization realizes that the role of each individual matters in the organization as high precision is required to maintain the power plants. This aspect facilitates the development of a highly cooperative working environment.

## **Chapter 3: The Project:**

### **3.1 Introduction**

As a least developed country, Bangladesh is highly in demand of electricity as every activity is being digitalized. In the process of globalization, the nature of organization is changing rapidly. Now manufacturing companies are looking for better quality products at a lower price to achieve higher quality at the lowest cost. This aspect is leading to the need for outsourcing. The business world today is totally dependent on technology and the lifeline for any technological equipment is electricity. Therefore, this paper analyzes the procurement process and inventory management of Summit Power Limited (SPL), which is the first private company in the power generation sector. Among the 15 projects owned by SPL, this paper focuses on the 9 projects which are directly supervised by SPL. The plants are Jangalia Power Plant, Rupganj Power Plant, Maona Power Plant, Madhabdi Power Plant-II, Chandina Power Plant, Ullapara Power Plant, Ashulia Power Plant-1, Chandina Power Plant-I and Madhabdi Power Plant.

#### **3.1.1 Background/Literature Review**

Procurement process and inventory management are essential parts of production activities, maintaining plant and equipment and other operational activities. It is a significant field where an organization can reduce production cost and increase profitability. In addition, in the process of globalization, the competition among the companies is increasing to achieve effective supply chain management rather than a production system (Garcia-Alcaraz et al, 2015). On the other hand, inventory is an important component of current assets, which has an effect on the sales, revenue and liquidity. Therefore, procurement processes and inventory management have an effect on the profitability of an organization. Research shows that most effective materials management can save up to 50% to 60% of the total costs (Masudin et.al 2018) which has a significant effect on a company's profitability. Inventory ties up 30% of invested capital and in a manufacturing company “nearly 60% to 70% of the total funds employed are tied up in Current Assets” (Masudin et.al, 33, 2018).

### **3.1.1.1 Procurement Process**

Before 1970 procurement was a back-office activity supporting the business process. In the 1980s and 1990s, the procurement process was considered one of the major divisions in business organizations as it manages inter-organizational collaboration with suppliers and cross-functional activities with the departments (Hong and Kown 2012). Now the procurement process has areas like strategic procurement, global sourcing, supplier relationship, sustainability, public procurement and procurement for the service sector.

In addition, the quality of suppliers has an important role to play in inventory management. To maintain quality of suppliers Araujo, Alencar and Mota (2017) emphasizes on supplier selection and supplier evaluation. Supplier selection requires choosing suppliers from a group of potential emerging and existing suppliers based on their performance records. Suppliers' evaluation includes observing the performance of the existing suppliers. They also suggest some evaluation methods such as ability to deliver products, costing or pricing, features of the staff, financial performance, company management, experience and time. Other evaluation factors include responsiveness, technology used, reputation, environmental causes, sustainability and health and safety. They argue that the quality of suppliers has a significant effect on the competitiveness of an organization and has a "direct impact on client's financial health and production capability" (Araujo et.al, 2017, 1).

### **3.1.1.2 Inventory Management**

Although in a just-in-time manufacturing system and lean manufacturing system, inventory is considered waste, it plays an important role as storage in organizations where cash flow is low or low control over information transfer among the departments and suppliers, lead times and quality of raw materials (Muller, 2011). Proper management of inventory can prevent under-stocking and overstocking of goods and materials. Both situations have negative impacts on financial performance of an organization. Under-stocking of products and materials can lead to lost sales and production bottlenecks leading to increase in overhead cost compared to revenue earned. Overstocking of product or materials leads to increased obsolescence. It also holds unnecessary space which can be utilized elsewhere (Stevenson, 2015). Both the cases have a significant impact on the financial performance of an organization.

### 3.1.1.3 Managerial Account and Financial Management

**Inventory in Income Statement:** Inventory has a significant role to play in financial performance. In managerial accounting, cost of goods sold is determined by calculating raw material inventory, work in process inventory and finished goods inventory:

**Calculation of Direct Materials:**

Beginning Raw Material Inventory  
+Purchase of Direct Materials  
=Materials Available for Use  
-Ending Raw Materials Inventory  
= Direct Materials Available for Use

**Calculation of Cost of Goods Manufactured:**

Beginning Work in Process  
+ Manufacturing Cost Incurs  
=Direct Material for Use  
    +Direct Labor  
    + Manufacturing Overhead  
=Total Manufacturing Costs Account for  
-Ending Work in Process Inventory  
=Cost of Goods Manufactured

**Calculation of Cost of Goods Sold**

Beginning Finished Goods Inventory  
+ Cost of Goods Manufactured  
= Cost of Goods Available for Sale  
- Ending Finished Goods Inventory  
=Cost of Goods Sold

**Table 4: Role of Inventory in Internal Accounting**

The gross profit is the difference between total revenue and cost of goods sold. In managerial accounting, the difference between revenue and variable portions is termed as contribution margin. By dividing fixed cost by contribution margin, break-even point is determined. The markup refers to the percentage of the cost added to determine the selling price. Markdown is the difference between original selling price and the actual selling price. The margin is the difference between selling price and cost, which determines the profit. Therefore, inventory is an essential part in determining an organization's selling price and profit which has an effect on the financial performance of an organization.

**Inventory in Financial Management** Inventory has an effect on financial performance of an organization. Level of inventory management has a direct influence on current ratio which indicates financial liquidity and inventory turnover ratio which indicates efficiency level of asset management. Michalski (2013) points out that tied up inventory has a significant effect on future cash flow of a firm. The holding inventory should be minimal relative to its cost. If the advantage of holding inventory is greater than the negative effect of an opportunity cost, the firm's value will grow. The change in value is measured by discounting future cash flow:

<p><b>Calculation of Change in Firm's Value:</b>  = Sum of {Change in future free cash flow/ (1+Discount Rate)}</p> <p><b>Calculation of Future Free Cash Flow:</b>  = {Cash Revenue on Sale – Cash Expenditure on Sale – Non-Cash Expenses} * (1–Tax Rate) + Non-Cash Expenses – Capital Expenditure Resulting from Operational Investments Growth – Change in Net Working Capital</p> <p>The net working capital is calculated by subtracting current liabilities from current assets.</p> <p><b>Calculation of Net Working Capital:</b>  Net Working Capital= Cash and Cash Equivalentents + Account Receivables + Inventory – Account Payables</p>
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**Table 5 Role of Inventory in Financial Management**

The net working capital which includes the level of holding inventory has an effect on future cash flow of the company. Opportunity cost of tied up money in the inventory has an effect on the free cash flow, which is an important objective of financial management. Positive change in net



working capital indicates cash outflow as liabilities are being paid off. On the other hand, negative change of net working capital indicates cash inflow as liabilities are increasing. Material purchasing on account is calculated as current liabilities.

#### 3.1.1.4 Macro Analysis

Every organization is a small part of its macroeconomic environment. Macro-environment such as inflation, interest rate is directly related to financial performance and procurement process and inventory management. Therefore, it is important to analyze the current macro-environment situation for better understanding of performance of an organization:

1. **Political:** Political stability is an important factor that affects the economy of a country and ultimately affects the business environment. According to report on development indicators by World Bank in 2021, percentile rank of political stability is 16.04%, which has an influence on performance of an organization<sup>4</sup>.
2. **Economic Factors:** Economic factors include gross domestic product (GDP), rate of inflation, interest rates, budget deficit:
  - **Gross Domestic Product:** Gross domestic product measures total production of goods and services produced in the country. In 2022, the GDP was BDT 460.20 billion with expected growth rate of 7.1%<sup>5</sup>.
  - **Inflation:** Rate of inflation has an effect on nominal and real interest rate that affects growth of capital over time and purchasing power of consumers. In 2023, inflation rate is 7.7%<sup>6</sup> which has an impact on nominal interest rate (growth of the money and real interest rate (purchasing power of the money).
  - **Interest Rates:** Interest rate is related to nominal interest rate and real interest rate. Therefore, high interest rate reduces the probability of future cash flow. Currently the risk-free interest rate is 6.5% while the bank rate is 4%.<sup>7</sup>
  - **Budget Deficit:** Budget deficit occurs when national expenditure is greater than national income. Usually, the country with low natural resources has a deficit

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<sup>4</sup> Bangladesh - Political Stability And Absence Of Violence/Terrorism: Percentile Rank - 2023 Data 2024 Forecast 1996-2021 Historical (tradingeconomics.com), Access Date: 14 December 2023

<sup>5</sup> Bangladesh GDP 1960-2023 | MacroTrends, Access Date: 14 December 2023

<sup>6</sup> Inflation rates in Bangladesh (worlddata.info)

<sup>7</sup> Bangladesh Bank (bb.org.bd), Access date: 12 December 2023

budget. In fiscal year 2022-2023, budget deficit is BDT 2,450.64 billion which is 5.5% of GDP<sup>8</sup>. Deficit budget leads to government borrowing, which also leads to high interest rates.

3. **Social Factors:** Social Factors such as consumer lifestyle, culture, beliefs, attitude has an effect on the economic factors ultimately affecting the organization in an economy. Political and economic stability of Bangladesh often influences social factors.
4. **Technological Factors:** Technological factors enable a nation to access facilities easily. To cope up with the process of globalization, it is essential for every organization to adapt technological facilities especially in communication sectors. Therefore, the level of technological advancement in the country has an effect on an organization.
5. **Environmental Factors:** Each organization influences the natural environment directly or indirectly. Manufacturing organizations have a direct effect on its surroundings. It is very important for an organization to develop a sustainable environment.
6. **Legal Factors:** Legal factors include consumer rights, law and order and so on. Every organization is influenced by the legal factors of the country.

### 3.1.2 Objectives

The objective has been developed based on literature review. The existing literature review indicates that cost incurred by procurement process and inventory management has a significant effect on the financial performance of an organization, Therefore, the objective of the paper is to evaluate the role of procurement process and inventory management on the financial performance of Summit Power Limited (SPL). Since quotation and inventory cost related data are confidential issues for the organization, the cost incurred by procurement process and inventory management cannot be analyzed directly. Therefore, the objectives of my study can be divided into two parts:

- First part is to analyze the practices and procedures, which are followed in the procurement division and see to what extent the practices fit into the total quality management.

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<sup>8</sup> ২০২২-২৩ - Finance Division, Ministry of Finance-Government of the People's Republic of Bangladesh (mof.gov.bd), Access Date: 14 December 2023

- Second part is to analyze the role of the procurement process and inventory management in financial performance of the organization as inventory management and procurement process are related to financial management.

### **3.1.3 Significance of the Issue**

Procurement process and inventory management are two important sectors that have a significant effect on cost structure and financial performance of an organization. Procurement process and inventory management is related to cost of goods sold that has an effect on the gross profit and net income of an organization. Inventory is an important determinant of financial performance of an organization. Therefore, it is very important for an organization to manage procurement processes and inventory efficiently, effectively and with responsiveness. Any organization's ultimate goal is to earn maximum profit and maximize shareholders' wealth. An organization's overall performance is determined by its financial performance on which survival of every organization depends. Therefore, it is very important for an organization to focus on each support activity performed in the organization.

## **3.2 Methodology**

The internship report is prepared based on two types of materials:

### **3.2.1 Primary Materials**

To evaluate the quality management of procurement process and inventory management, guidelines from the site supervisor, in-depth interview and work experience has been used. To understand the efficiency and effectiveness of procurement process and inventory management the financial performance from fiscal year 2017-2018 to fiscal year 2021-2022 has been analyzed.

### **3.2.2 Secondary Materials**

Secondary material includes related academic books and scholarly articles. These materials help to develop the objective of the paper and have been a guide for the development of the paper.

### **3.3 Findings and Analysis**

The study finds out that the purchasing process has a clearly defined material list, a supplier list and clearly defined different purchasing processes for fulfilling the different requirements. Suppliers' performance is evaluated on a regular basis and every information and document regarding purchasing are carefully preserved for proper record keeping. On the other hand, materials stored in the central warehouse are clearly defined and distributed through proper procedures. In addition, inventory is evaluated on a regular basis through physical counting. These aspects of the procurement process and inventory management indicate a level of quality management. The study also finds out that there is no inventory required for finished goods inventory as electricity is consumed as soon as they are produced. Therefore, there is no finished goods inventory. Inventories include consumable matter, lubricant oil, chemicals and spare parts, which are used for operation and maintenance of power plants. As a result, inventory does not have a significant effect on the asset management of the organization. However, there is an indication of increased cost as gross profit and operating profit are decreasing over the five years in spite of increasing sales.

#### **3.3.1 Quality analysis of Procurement Division**

To function properly and maintain quality of the work, procurement division is divided into three wings:

1. Purchasing involving acquiring materials from local suppliers
2. Commercial involving acquiring materials through import
3. Inventory to manage the stock and usage of the product.

Each wing of the procurement division has a set of procedures to perform strategic, tactical and operational activities.

##### **3.3.1.1 Purchasing Procedure**

**Purchasing Materials:** Procurement department usually purchases plant and machinery, spare parts, consumables, supplies, equipment, materials, furniture, fixtures and other goods and services. Before purchasing any equipment, spare parts and consumables, a proper specification is

prepared by the plant and is approved by the head of the respective department. In case of emergency purchase, top management is consulted and purchasing procedures may be relaxed.

**Suppliers:** A list of approved suppliers is maintained for purchasing products. Suppliers are selected based on their ability to meet specified requirements, reliability and consistently. The verification is done by the senior general manager or general manager of the concerned department.

For power plants, the supplier list must be evaluated by the Concern Senior General Manager, General Manager (Procurement), Representative from Accounts Departments and plant manager. All the suppliers are approved by the Managing Director of SPL. Suppliers are also evaluated based on their performance record.

**Criteria for Qualified Suppliers:** The qualification criteria for suppliers are to have enough financial resources to perform the contract or ability to obtain them, ability to comply with the required or proposed delivery. Suppliers are required to maintain a satisfactory performance record, satisfactory record of integrity and business ethics. They also should have the necessary production, construction and technical equipment and facilities or ability to obtain them.

**Purchasing Process:** Every purchase is followed by proper planning and process. Quotations are approved by the authorized officers. Basic required documents for the purchasing process are approval for procurement, approval for purchase order and original delivery challan. SPL has six purchasing methods to support different types of requirements:

**1. Purchase by Petty Cash:** This method is required for purchase below BDT 20,000/=. Petty cash is used to purchase consumables, stationeries, and small services.

**2. Purchase from Approved Suppliers:** This method is used for purchasing parts from original equipment maker, purchasing original equipment from another vendor, purchasing spares equipment, stores, lube oil and chemical from maker or maker's approved vendors.

**3. Purchase of stores, fixed assets, administrative items, and other goods:** These items are usually purchased through the head office administrative or procurement department. While purchasing any ready-made item of fixed asset, SPL management team collects 3 quotations from vendors.

**4. Sealed Bids:** Sealed bidding is used for all contracts that exceed the small purchase threshold and that are not petty cash purchase, administrative purchase, competitive proposals, and non-competitive proposals. It is used for procuring construction supply, and non-complex service contracts.

**5. Competitive Proposals:** The competitive proposals method requires consideration of technical factors other than price. This process is used for hiring a contractor for a certain task or project.

**6. Noncompetitive Proposals:** Procurement by noncompetitive proposals may be used only when the award of a contract is not feasible using small purchase procedures, sealed bids, purchase from approved suppliers, or competitive proposals and if one of the following is applied:

- The item is available only from a single source, based on a good faith review of available resources
- An emergent situation that seriously threatens the public health, welfare or safety or endangers property of SPL.

**Budget Allocation:** There will be an annual budget approved by the Board for different items of procurement. Before approving any procurement, the approving authority ensures that there is budget allocation for that item. Before initiating a contract or purchase, SPL ensures that there are sufficient funds available to cover the anticipated cost of the contract or purchase.

**Resolution of Disputes:** SPL has a strategy for resolving disputes regarding contractual issues with suppliers informally. A mediator is appointed to resolve any conflicts if required. Court of law is referred to as the last way to resolve contractual issues.

**Record Keeping:** SPL maintains proper records of the significant history of each procurement action. These records include rationale for method of procurement, rationale for contract pricing arrangement, reason for accepting or rejecting the bids or offers, basis for contract price, a copy of the contract documents awarded or issued and signed by the appropriate authority, basis contract modifications and related contract administration actions.

**Corrective Measures:** The procurement process is reviewed on a regular basis and considerations will be raised for corrective action.

### 3.3.1.2 Commercial (Importing Process)

1. Import process begins with a request for purchase from stores or projects. The request includes a list of materials or products that are to be imported from foreign country.
2. Quotations are collected and approved by the respective authority to issue purchase orders.
3. A proforma invoice is collected from the pre-fixed suppliers.
4. Request letter, proforma invoice, insurance cover note along with other required documents are sent to respective bank to open Letter of Credit (LC).
5. An LC will be issued from the respective bank. This information regarding LC will be transferred through Society for Worldwide Interbank Financial Telecommunication (SWIFT) to the Bank of the country of origin or exporting country.
6. Transmitted copy of LC and copy of Account Department will be emailed to the respective suppliers as advanced copy.
7. After the shipment of the required materials or products there are basic four documents required to clear the materials or products from the customs. They are:
  - a) Commercial Invoice which is required for value and quantity of the imported materials or product.
  - b) Packing list containing a detailed description of a shipment's contents except pricing or value of the content.
  - c) Air Waybill (AWB) in case of air mode of import and Bill of Lading (BL) in case of water mode of import: This document is issued by a transportation company to a shipper. The document has a detailed summary of material type, quantity and destination of the goods being carried.
  - d) Certificate of Country of origin is a certificate declaring manufacturing information of the commodity. This certificate includes the information regarding the materials or product, its destination and the country of export.
8. Shipping documents from the bank, tax waiver certificate, LC and Insurance policy will be sent to be nominated for Clearing and Forwarding agents (C&F Agents).
9. Custom assessment relevant activities are completed with the help of the commercial division of SPL.
10. C&F agents will receive the Bill of Entry (BoE) having tax assessment done for the imported products or materials.

11. On the basis of requisition from C&F agents, custom duties and taxes will be paid to custom authority.
12. After release of goods from Customs and Port Authorities, C&F agents will deliver the imported products or materials to the appropriate location.
13. C&F agents will submit the final bill to the company for payment.
14. Copy of BoE will be collected for record keeping and will be submitted to the respective bank as a proof of arrival of imported goods.

The documents required for importing are approved proforma invoice & internal office note sheet, insurance cover note with money receipt, copy of fill-up L/C application form, request letter to bank, with L/C application form's attached doc, copy of L/C (transmitted) from bank, request letter to bank for retirement of shipping documents, forwarding letter to C&F agent with original shipping document and policy from Insurance.

### **3.3.1.3 Inventory Management**

**Acquiring and Storing Materials:** The inventory is managed for spare parts, consumables, lubricating oil, chemical and general consumables. Enterprise Resource Planning (ERP) is used for managing information regarding inventory management. Spare parts are collected from both suppliers' local and foreign supplies. If any spare part is damaged or not matched with the desired specification, it is confirmed by the maintenance personnel, store personnel through an inspection report. Proper identification of each spare part is done by a store representative through tagging. Plant management is responsible for ensuring proper identification for spares in plant stores.

**Managing Imported Materials:** For foreign or import purchase, Head Office or Central Warehouse personnel posts on ERP using the material invoice price. Other charges like Bank Charge, Insurance Charge, C & F Charge and Duties are included with the material price by the Commercial Department or Finance Department. The ERP system calculates material costing by itself. For local purchase, Head Office or Central Warehouse or Plant Personnel posts on ERP using material invoice price.

**Distributing Process from Central Warehouse:** At first the plant sends requisition to their respective General Manager with carbon copy to the central store. After the approval from the



General Manager, materials are transferred to the store. Upon transfer of those items, store personnel update the balance of Store Inventory Register with necessary information and signature.

After checking the availability of requested materials, maintenance personnel issue the spare parts which are required in the plant. After signing and countersigning from maintenance personnel and plant management, the spare parts are eligible to use.

**Receiving Process by Respective Plants:** During receiving the required spare parts from the central warehouse, Shift in Charge of that plant receives those spare parts physically through qualitative checking of all the spare parts with signature. After the receiving and checking of those spare parts, shift engineers update the balance of the Store Inventory Register. Spare parts can be transferred from one plant to another plant after getting a written request from the receiving plant and approval from the plant in-charge and General Manager of transferring plant.

**Evaluation of Inventory and Inventory Process:** Management assigns required officials to check physical inventory stores at a certain point of time under the central warehouse and sub-stores under the plants. There is one team leader in each team and the rest are the members of the team. Procedure for Inventory Management System is reviewed during internal audit for suitability. The audit findings are placed before the Management Review Committee (MRC) meeting along with the recommendation for improvement. Corrective actions are taken based on the evaluation report.

### **3.3.2 Financial Performance Analysis**

Procurement and inventory management have an impact on the financial performance of Summit Power Limited (SPL). Inventory is an important aspect of financial management that influences the liquidity of the organization. In any financial analysis cash and cash equivalents are considered most important due to its high liquidity characteristics. On the other hand, cost incurred by the procurement process and inventory management has an impact on the profitability. Therefore, this part of the paper analyzes financial performance of the last five years to evaluate the management of procurement process and inventory. Liquidity ratios, asset management ratios and profitability ratios directly evaluate the management of inventory and procurement process. Solvency ratio and market value are discussed to analyze the effect of inventory on overall performance of the organization.

### 3.3.2.1 Liquidity Ratio

Liquidity ratio shows how quickly a company's assets can be turned into cash or its ability to repay its liabilities. The following table shows the liquidity analysis of SPL from fiscal year 2017-2018 to 2021-2022:

Ratios	Formula	2021-2022	2020-2021	2019-2020	2018-2019	2018-2017
Current Ratio	Current Assets/Current Liabilities	219%	379%	883%	936%	1108%
Acid-Test Ratio	Current Assets- Inventories/ Current Liabilities	216%	372%	853%	900%	1053%
Cash Ratio	Cash and Cash Equivalent/ Current Liabilities	31%	95%	178%	199%	364%
Operating Cash Flow Ratio	Operating Cash Flow/Current Liabilities	20%	81%	335%	226%	434%

**Table 6: Liquidity Ratio of SPL (Fiscal Year 2017-2018 to 2021-2022)**

The table shows that SPL has more than two-time assets than its liabilities with 219% in 2022. Though the percentage is decreasing over the five years from 1108% in fiscal year 2017-2018, SPL is efficient in managing its assets. The acid test ratio is 216% which indicates that SPL's average inventory is low, indicating its ability to be highly liquid and manage adequate inventory to maintain their plants. The acid test ratio also decreases from 1053% in fiscal year 2017-2018,

which is proportional to the current ratio over the five years, indicating an efficient inventory management as well. On the other hand, 31% cash ratio and 20% operating cash flow ratio in fiscal year 2021-2022 indicates increased liabilities relative to cash. Cash ratio and operating cash ratio has decreased from 364% and 434% in fiscal year 2017-2018 over the five years which is also proportional to the current ratio. The liquidity analysis indicates that SPL's inventory management and asset management is relatively constant over the five years miniating an average low inventory.

### 3.3.2.2 Asset Management Ratio

Asset management ratios indicate an organization's usage of assets in generating sales. The following table shows the analysis of asset management of SPL:

Ratio	Formula	2021-2022	2020-2021	2019-2020	2-18-2019	2017-2018
Asset Turnover Ratio	Net Sales/Average Total Asset	0.19 times	0.27 times	0.27 Times	0.26 Times	0.28 Times
Receivable Turnover	Net Sales/Average Account Receivable	0.76 Times	1.17 times	1.14 Times	1.33 Times	1.64 Times
Days in Receivable	365/ Receivable Turnover	482.34 Days	312.29 Days	320.66 Days	273.69 Days	222.72 Days

**Table 7: Asset Management Ratio of SPL (Fiscal Year 2017-2018 to 2021-2022)**

The table shows that asset turnover is 0.19 times in Fiscal Year 2021-2022 indicating that SPL's total assets is not utilized in generating sales. However, the ratio is consistently low over the five years indicating other factors influencing the asset turnover. However, receivable turnover is 0.76 times in fiscal year 2021-2022 and it decreased from 1.64 times from fiscal year 2017-2018 indicating gradually low receivables over the years. As a result, days in receivables are gradually increasing. As they do not have any finished goods inventory, the cost of goods sold cannot be

compared to existing inventory. Therefore, inventory turnover and days in inventory are not calculated.

### 3.3.2.3 Profitability Ratio

Profitability ratio compares cost of the operations to revenues and evaluates the level of profitability of the organization. Cost incurred by procurement process and inventory management has a significant effect on cost management that ultimately has an effect on profitability:

Ratio	Formula	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018
Gross Margin Ratio	Gross Profit/ Net Sales	33%	37%	44%	43%	43%
Operating Income Ratio	Operating Income/ Net Sales	41%	41%	58%	42%	42%
Return on Assets	Net Income/ Total Asset	8%	12%	16%	12%	12%
Return on Equity	Net Income/ Total Equity	11%	13%	17%	12%	13%

**Table 8: Profitability Ratio of SPL (Fiscal Year 2017-2018 to 2021-2022)**

Over the five years, gross margin ratio declines to 33% in fiscal year 2021-2022 from 43% in fiscal year 2017-2108 and the operating income ratio has declined to 41% in fiscal year 2021-2022 from 42% in fiscal year 2017-2018. The comparison between gross margin ratio and operating income ratio indicate that the organization's cost of goods sold is increasing compared to administrative and other expenses. The effect can be observed on return on asset and return on equity as return on asset decreases to 8% in fiscal year 2021-2022 from 12% in fiscal year 2017-2018 and return

on equity decreases to 11% in fiscal year 2021-2022 from 13% in 2017-2018. However, the cost of goods sold can be influenced by the increased inflation rate of 7.7% which influences purchasing power of consumers<sup>9</sup>.

### 3.3.2.4 Solvency Ratio

The solvency ratio measures the level of cash flow that can be used to cover the long-term debt. Solvency ratio is important as inventory in the current asset section of a balance sheet is paid off by current liabilities:

Ratio	Formula	2021-2022	2021-2020	20219-2020	2019-2018	2018-2017
Debt Ratio	Total Liabilities/Total Asset	26%	13%	5%	4%	3%
Debt to Equity Ratio	Total Liabilities/ Shareholder's Equity	35%	15%	5%	4%	3%
Interest Coverage Ratio	Operating Income/ Interest	354.91 times	2,201.13 times	4,751.42 times	2,675.68 times	#DIV/0!
Debt Service Ratio	Operating Income/ Total Debt Service	31%	88%	311%	270%	360%

**Table 9: Solvency Ratio of SPL (Fiscal Year 2017-2018 to 2021-2022)**

The debt to asset ratio has increased to 26% in fiscal year 2021-2022 from 3% in fiscal year 2017-2018. Debt to equity ratio has increased to 35% in fiscal year 2021-2022 from 3% in fiscal year

<sup>9</sup> Bangladesh Inflation rate, 1960-2022 - knoema.com, Access Date: December 10, 2023

2017-2018. The ratios indicate increased liabilities. Interest coverage ratio has also decreased to 354.91 times in fiscal year 2021-2022 from 2675.68 times in 2018-2019 also indicating increase in liabilities. Decreasing debt service ratio to 31% in fiscal year 2021-2022 from 360% in fiscal year 2017-2018 may be due to increasing cost.

### 3.3.2.5 Market Value Ratio

Market value ratio analyzes the stock prices which is an indicator of financial performance and eventually affects the funding of the organization. Market value ratio summarizes the asset management and profitability of an organizations to the shareholders:

Ratio	Formula	2021-2020	2020-2021	2019-2020	2018-2019	2017-2018
Book Value Per Share	(Shareholder's Equity-Preferred Equity)/Number of Share Outstanding	BDT 27.84	BDT 28.94	BDT 27.63	BDT 28.75	BDT 28.65
Dividend Per Share	Total Dividend/ Number of Share Outstanding	BDT 3.57	BDT2.09	BDT 4.81	BDT 2.98	BDT 2.99
Dividend Yield Ratio	Dividend per Share/Share Price	10%	5%	14%	8%	16%
Earnings Per Share	Net Income/Total Number of Shareholders	BDT 3.05	BDT 3.84	BDT 4.68	BDT 3.46	BDT 3.66

**Table 10: Market Value Ratio of SPL (Fiscal Year 2017-2018 to 2021-2022)**

The current total number of shares is 1,067,877,239. In fiscal year 2021-2022, book-value has decreased to BDT 27.84 from BDT 28.65 in 2017-2018. Dividend per share increases to BDT 3.57

in 2021-2022 from BDT 2.99 in fiscal year 2017-2018. However, dividend yield decreases to 10% in fiscal year 2021-2022 from 16% in fiscal year 2017-2018. Earnings per share decreased to BDT 3.05 in fiscal year 2021-2022 from BDT 3.66. The ratio analysis shows the performance in the market is proportional to the liquidity analysis, asset management analysis and profitability analysis.

### **3.4 Summary and Conclusion**

Inventory management of Summit Power Limited (SPL) is efficiently managed and does not have significant effect on the liquidity and asset management. As there is no finished goods inventory, there is no holding cost for leftover sales. As inventory is managed for maintenance of the power plants, inventory has an important role to play. However, the profitability ratio indicates that the cost of operations is increasing which is also related to economic factors of the country.

SPL purchases from qualified suppliers and is required for a minimum level of inventory for maintaining their plants. This aspect may lead to an increase of cost in procurement process and inventory management as maintaining high quality may lead to higher costing. Therefore, their financial performance summarizes the effective and efficient management of inventory and procurement process.

### **3.5 Recommendation and Implication**

Along with maintaining quality, Summit Power Limited (SPL) should minimize cost and maximize profit. The area should be analyzed to find out which activities do not add value to the final product. In addition, using advanced technology may minimize the paperwork and lead to better information management that may improve the quality while minimizing the cost.

Every activity in an organization influences the financial performance of that organization. The main purpose of financial management thus overall organization is to increase their shareholders' wealth. Inventory management and procurement processes have a direct effect on the financial performance of an organization. Therefore, it is important for an organization to maintain quality

continuously of the procurement process and inventory management to achieve effectiveness, efficiency and responsiveness to meet its financial objectives.



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