

Internship Project on
“Working Capital Management at Nestle Bangladesh Limited”



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14th September, 2014

Mr. Riyashad Ahmed

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Subject: Submission of internship report.

Dear Sir,

With the passage of time, I am student of BRAC Business School standing on the other entity of my course completion, hence are finalized with my internship report naming as “**Working Capital Management at Nestlé Bangladesh Limited**”. Vividly enough, my research comprises adequate endeavors. However no doubt, my contribution will be best evaluated on your sharp scale of acceptance & analytical remarks.

Consequently, I am submitting my report on your very concern. Hopefully, you will discover my well-researched, informative approach as a hallmark of hard work. Rather, in case of any further clarification or elaboration as to my report, I would welcome the opportunity to consult with you to explore how my findings could best meet your needs.

Thanking You.

Sincerely,

Syed Sazzadul Islam Nadim

ID: 10204062

BRAC Business School

BRAC University

Declaration

I hereby declare that the report namely “**Working Capital Management at Nestlé Bangladesh Limited**” is completed by me which is based on my practical work experience and a comprehensive study of the existing activities of Nestlé Finance & Control Department of Nestlé Bangladesh Ltd and Nestlé India Limited.

I also declare that this report is my original work and does not breach any existing copyright. This particular report has not been previously submitted to any other University/College/Organization for academic qualification/ certificate/ diploma or degree.

I have prepared it for the academic purpose of Bachelor of Business Administration degree which requires practical work experience.

Syed Sazzadul Islam Nadim
ID: 10204062
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Supervisor's Certification

I hereby declare that the concerned report entitled in **“Working Capital Management at Nestlé Bangladesh Limited”** is an original work by **Syed Sazzadul Islam Nadim, ID: 10204062, BRAC Business School, BRAC University.**

He has completed his internship under my supervision and submitted the report for the partial fulfillment of the requirement for the degree of Bachelor of Business Administration.

I also certify that I have gone through the draft report thoroughly and found it satisfactory thus forwarded for presentation.

Riyashad Ahmed
Assistant Professor, BBS
BRAC University

Acknowledgement

Firstly, I would like to thank my academic supervisor **Mr. Riyashad Ahmed**, Assistant Professor of BRAC Business School, BRAC University, for providing me all the necessary helps for the completion of this report. Thank you very much Mr. Sir for guiding me to start and complete successfully of this report. I am also thankful for your patience that you have shown during the project.

Secondly, I would like to thank, **Mr. Babul Chandra Nag**, Senior Manager at Finance and Control Department of Nestlé Bangladesh Ltd, and my Official Supervisor, Mohammad Yusuf for entrusting me with such an important project and allowing me scope to work independently, providing all required support.

I also apologize heartily for any omitted name whose contribution was also complementary for any possible aspect. Lastly, I solemnly thank the **ALMIGHTY**.

Table of Content

Executive Summery.....	05
CHAPTER ONE: Introduction	
1.1 Background of the study.....	07
1.2 Origin of the study.....	07
1.3 Objectives of the study.....	07
1.4 Scope of the study.....	08
1.5 Methodology.....	08
1.6 Limitations of the study.....	08
CHAPTER TWO: Company Profile	
2.1 Introduction.....	11
2.2 History of Nestlé.....	12
2.3 Global Brands of Nestlé.....	15
CHAPTER THREE: Nestle Bangladesh	
3.1 Nestlé in Bangladesh.....	17
3.2 Fuction of Nestle Bangladesh.....	19
3.3 Products of Nestle Bangladseh.....	20
3.4 Creating Shared Value.....	22
3.5 My Job Responsibilities at Nestle	23
CHAPTER FOUR: Analysis and Findings	
4.1 Working Capital Management	27
5.2 Working Capital of Nestlé India	27
5.3 Measuring Liquidity	30
5.4 Findings and Analysis.....	37
CHAPTER FIVE: CONCLUSIONS	
5.1 Conclusion.....	39

Reference	40
Appendix	42

Executive Summary

Nestlé is world's largest health, nutrition and wellness company with a mission of "Good Food, Good Life" which actually drives the company to provide consumers with the best tasting and most nutritious food choices in a wide range of food and beverage categories and eating occasions. Although globally it is twice in size of its nearest FMCG (fast moving consumer goods) competitors, in Bangladesh its journey is comparatively new. Nestlé Bangladesh Limited, a wholly owned subsidiary of Nestlé S.A., started its commercial production in 1994. Today Nestlé Bangladesh Limited is strongly positioned to grow through its policy of constant innovation and renovation, concentrating on its core competencies and commitment to high quality, with the aim of providing the best quality food to the people of Bangladesh.

The report is based on a working project and the aim of the report is to figure out how to develop Working Capital Management of Nestlé Bangladesh Limited. This report is designed in five major chapters. Initially the opening words about the report were described in the first segment titled "Introduction". The next segment "Company Profile" contains the history of Nestlé, Product/service offerings, Operational network organogram, Nestlé Bangladesh Ltd. and Visions & mission for the future.

Next chapter is about my job and major responsibilities; where I have tried to describe my job and some of its drawbacks. Then my analysis and finding of my assign project named how to develop Working Capital Management of Nestlé Bangladesh Limited (NBL). Here I want to mention one drawback that is NBL is not listed in Bangladesh stock exchange. Therefore I used all financial data of Nestlé India Limited which is also a part of Nestle S.A.

The last & final part contains the concluding part. Before drawing any conclusion based on this report it may be noted that there might be lack in data, but still it may be useful for designing any further study.

Chapter 1: Introduction

1.1 Background of the study

Knowledge and learning become perfect when it is associated with theory and practice. Theoretical knowledge gets perfection with practical implication. As the concerning parties; educational institution and the organization substantially benefit from such a program namely “Internship”, the sole purpose of internship is to train the students and prepare themselves for the real life in job markets. I have developed this internship report as a partial requirement to acquire the BBA degree under direct supervision of **Mr. Riyashad Ahmed**, I have tried my level best to make this report informative and enriched so that the real things can easily be displayed.

1.2 Origin of the study

This report is a requirement of the internship program for my BBA program. My supervisor Mr. Riyashad Ahmed assigned me the topic “Working Capital Management of Nestlé Bangladesh Limited” I have tried my level best to make it as an excellent one. I used all the latest data and information. I have been serving this company as an intern under Nestle Finance & Control department for last Four months. This is an internship project study on So, I am getting the opportunity to be very close to activities of Nestlé Bangladesh Ltd. My supervisor Mr. Babul Chandra Nag guides me time to time to make this report fruitful.

1.3 Objectives of the study

General Objective:

The objective of the study is to focus on one broad issue that is “Working Capital Management of Nestlé Bangladesh Limited”. This paper also covers some other factors related to the finance and supply chain functions of Nestlé Bangladesh and its effectiveness which are included under the heading of specific objectives.

Specific Objectives:

- ❖ To know about Nestlé Global and Nestlé Bangladesh Ltd.
- ❖ To know about the company’s current mission, vision, objectives, and goals.
- ❖ To have a very practical idea and over viewing the finance & control functions and their performance in Bangladesh.
- ❖ To understand the Bangladesh food market for Nestlé

- ❖ To find out the efficiency and effectiveness of working capital management system.
- ❖ To analyze the strength of Nestlé in bad goods management.
- ❖ Defining their different types of ratios of working capital management.
- ❖ To identify the price variance between two months or quarters.

1.4 Scope of the study

This paper talks about the current business operation of Nestlé Bangladesh Ltd. There is only detail description of the finance & control functions of the company because of the availability of information to me as I was working in one of the finance & control department at Nestlé Bangladesh Ltd. Moreover in the project part I will try to identify the overall working capital management functions of Nestlé Bangladesh Ltd.

1.5 Methodology

The study is conducted on a systematic procedure starting from selection of the topic to final report preparation. I presented this report on the basis of my experience as an intern in Nestle Bangladesh Ltd. during these four months. I have conducted descriptive research and most importantly I have used my practical experiences that I got from the actual market. The overall process of methodology followed in the study is explained further.

Selection of the Topic:

My supervisor assigned me this topic of the study. Before the topic was assigned it was thoroughly discussed so that, a well-organized internship report can be prepared.

Sources of Data:

Primary data: Several discussions with the different person of Nestlé Bangladesh. Moreover at the time of doing different task, from there different information is collected by me.

Secondary data: Along with the primary sources information would also be gathered from the intranet, financial reports of Nestlé India Limited and the files of Nestlé Bangladesh.

1.6 Limitations of the study

- ❖ The collection of primary data is always a difficult thing because it is hard to ensure the authenticity of the data.

- ❖ It is likely that managers might be sceptical about sharing certain company information with the interns.
- ❖ Therefore, getting the exact picture is always a challenging task.
- ❖ As it is 1st experience in corporate world, there was always scarce of knowledge and experience of mine.
- ❖ There was short of time. It is difficult to understand the overall working capital management system of a giant company like Nestlé Bangladesh in two months.
- ❖ As we know Nestlé Bangladesh is not listed company in our stock exchange. Therefore, I used the financial report of Nestlé India for analytical part which is the major limitation of this report. I took Nestlé India financial reports because India is the neighbour country of Bangladesh and their business style is almost same.

Chapter 2: Overview of the Company

2.1 Introduction

Nestlé is more than just the largest **Food and Beverage Company** in the world. Increasingly, Nestlé is becoming the world's leader in nutrition, health and wellness. From the start, nutrition has been at the core of our business. However, today we place far greater emphasis on it – and on health and wellness. It's Corporate Wellness Unit and the individual business units are driving forces in bringing Good Food, Good Life to all our consumers.

Nestlé S.A. is a Swiss multinational food and beverage company headquartered in Vevey, Switzerland, founded by the **Henri Nestlé** (10 August 1814 – 7 July 1890). It is the largest food company in the world measured by revenues. Their products include baby food, bottled water, breakfast cereals, coffee, confectionery, dairy products, ice cream, pet foods and snacks. Nestlé has around 450 factories, operates in 86 countries and employs around 328,000 people. According to their website, Nestlé is the world's leading **Nutrition, Health and Wellness** Company. In the food industry Nestlé is the most trusted name with high quality products. —Good food Good Life is the mission of Nestlé, which drives the company to provide consumers with the best tasting and most nutritious choices in a wide range of food and beverage categories and eating occasions, from morning to night. The vision of —creating shared value and the very own —Corporate Business Principles —shaped the company culture and made them a reliable investor over 86 countries of the world. Today Nestlé employs around 280000 people and have factories or operations in almost every country of the world with a total equity of CHF 62.60 billion.

Today Nestlé is the world's largest food company, employing around 276,000 people at 481 factories in 87 Countries and operating in almost every country of the world with a total equity of CHF 62.60 billion. Nestlé has divided its worldwide operations into three zones:

❖ Europe

- Regions (Adriatic, Benelux, Iberian and Russia + Eurasia)

❖ Americas

- 4 Regions (Austral-America, Bolivarian, Caribbean and Central American)

❖ AOA

- Regions (Asia, Africa and Oceania)

Since its founding, Nestlé's business practices have been governed by integrity, honesty, fair dealing and full compliance with all applicable laws. Nestlé employees worldwide have upheld and lived this commitment in their everyday responsibilities ever since, and Nestlé's reputation remains one of the Company's most important assets today.

The Nestlé Corporate Business Principles prescribe certain values and principles which Nestlé has committed to worldwide. This Code of Business Conduct specifies and helps the continued implementation of the Corporate Business Principles by establishing certain non-negotiable minimum standards of behavior in key areas.

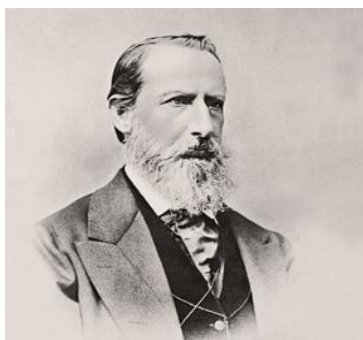
The nature of this Code is not meant to cover all possible situations that may occur. It is designed to provide a frame of reference against which to measure any activities. Employees should seek guidance when they are in doubt about the proper course of action in a given situation, as it is the ultimate responsibility of each employee to "do the right thing", a responsibility that cannot be delegated.

Employees should always be guided by the following basic principles:

- avoid any conduct that could damage or risk Nestlé or its reputation;
- act legally and honestly;
- put the Company's interests ahead of personal or other interests.

For the purposes of this Code, references to employees" include employees, associates, officers and directors of Nestlé S.A. and its subsidiaries.

2.2 History of Nestlé



breastfeeding is the important factor that drives the history of Nestlé Company. Henri Nestlé, pharmacist, began experimenting with various combinations of cow milk.

1866-1905: Henri Nestlé's quest for a healthy, economical alternative to

His ultimate goal was to help combat the problem of infant mortality due to malnutrition. People quickly recognized the value of the new product, as Nestlé's new formula saved the life of children within a few years. In August, 1867 Charles and George Page, two brothers from Lee County, Illinois, USA, established the Anglo-Swiss Condensed Milk Company in Cham. In 1877 Anglo-Swiss added milk-based baby foods to their products and in the following year the Nestlé Company added condensed milk so the firms became direct and fierce rivals. Henri Nestlé retired in 1875 but the company under new ownership retained his name as Farine Lactée Henri Nestlé. Their headquarters are in Glendale, California, USA.

1905-1918: The Company formed by the 1905 merger was called the Nestlé and Anglo-Swiss Milk Company. Most production facilities remained in Europe, however, and the onset of World War I brought severe disruptions, as a result acquiring raw materials and distributing products became increasingly difficult. At the same time the war created tremendous new demand for dairy products, largely in the form of government contracts. By war's end, the Company had 40 factories, and its world production had more than doubled since 1914. Moreover in this period Nestlé added chocolate to its range of food products and also the Condensed-milk exports increased rapidly as the Company replaced sales agents with local subsidiary companies. In 1907, the Company began full-scale manufacturing in Australia.

1918-1938: The end of World War I brought with it a crisis for Nestlé. Rising prices for raw materials, the worldwide post-war economic slowdown, and declining exchange rates made the situation worst. In 1921, the Company recorded its first loss. Nestlé's management brings Louis Dapples as an expert to deal with the situation; his rationalized operations and reduction of the company's outstanding debt improve the financial condition. On the other hand Nestlé's first expansion beyond its traditional product line came in 1920s by producing chocolates. In the meantime Brazilian Coffee Institute first approached to Nestlé in 1930 to reduce Brazil's large coffee surplus, after eight years of research Nestlé came with Nescafé became an instant success.

1938-1944: in this period World War II were felt immediately upset the business once again and Profits dropped from \$20 million in 1938 to \$6 million in 1939. To overcome distribution problems in Europe and Asia, factories were established in developing countries; particularly in Latin America. As the end of the war approached, Nestlé executives found themselves unexpectedly heading up a worldwide coffee concern, as well a company built upon Nestlé's more traditional businesses.

1944-1975: The graph of growth sets its trends little higher between 1944 and 1975. As a result many new products were added as and outside companies were acquired. In Nestlé merged with Alimentana S.A in 1947, purchase of Findus frozen foods occurred in 1960, Libby's fruit juices joined the group in 1971 and Stouffer's frozen foods in 1973 and finally in 1974 the Company became a major shareholder in L'Oréal, one of the world's leading makers of cosmetics. The Company's total sales doubled in the 15 years after World War II.

1975-1981: In 1920s the economic situation was in challenge due to price of oil rose, growth in the industrialized countries slowed down and worldwide unstable political situation. In 1975 and 1977 price of coffee bean and the price of cocoa tripled. In this situation to maintain a balance, Nestlé went to second venture outside the food industry by acquiring the pharmaceutical and ophthalmic product producer Alcon Laboratories Inc. of U.S; as a result it increased competition and shrink the profit margins.

1981-1995: Improvement of financial situation through internal adjustments and strategic acquisitions are the two important moves in this period. As a result between 1980 and 1984, diversification of several non-strategic or unprofitable businesses occurred. On the other hand Nestlé managed to put an end in the third World to about a serious controversy over its marketing of infant formula in this period. In 1984 Nestlé acquire American food giant Carnation and became one of the largest company in the history of the food industry.

1996-2002: The opening of Central and Eastern Europe, along with China and a general trend towards liberalization of direct foreign investment was good news for the company. On the other hand in July 2000 Nestlé launched a Group-wide initiative called GLOBE (Global Business Excellence) aimed to simplifying business process. Two more acquisitions took place in this period-U.S. ice cream business was to be merged into Dreyer's and the acquisition of Chef America, Inc. a leading U.S.-based hand-held frozen food product business.

2003-2009: Within this area the acquisition of Mövenpick Ice Cream, Jenny Craig and Uncle Toby's enhanced Nestlé's position as one of the world market leaders in the super premium category. On the other hand Novartis Medical Nutrition, Gerber and Henniez join the Company in 2007. Meanwhile Nestlé entered into a strategic alliance with the Belgian chocolatier Pierre Marcolini at the end of 2009.

2010 to onward: In mid-2010 Nestlé finalized the sale of Alcon to Novartis; at the same time Nestlé bought Kraft's frozen pizza business. Another important move in this period is launch of Special. Tea machine system and the completion of the CHF 25 billion share buyback program.

2.3 Global Brands of Nestlé

The brand portfolio delivers the message once again how big Nestlé in the food industry. It is the trust and effort of the Nestlé professionals which created the win winning scenario. Today Nestlé covers almost every food and beverage category – giving consumers tastier and healthier products.

Category	Products
Baby foods	Cerelac, Gerber, Gerber Graduates, NaturNes, Nestum
Bottled water	Nestlé Pure Life, Perrier, Poland Spring, S.Pellegrino
Cereals	Chocapic, Cini Minis, Cookie Crisp, Estrelitas, Fitness, Nesquik Cereal
Chocolate & confectionery	Aero, Butterfinger, Cailier, Crunch, Kit Kat, Orion, Smarties, Wonka
Coffee	Nescafé, Nescafé 3 in 1, Nescafé Cappuccino, Nescafé Classic, Nescafé Decaff, Nescafé Dolce Gusto, Nescafé Gold, Nespresso
Culinary, chilled and frozen food	Buitoni, Herta, Hot Pockets, Lean Cuisine, Maggi, Stouffer's, Thomy
Dairy	Carnation, Coffee-Mate, La Laitière, Nido
Drinks	Juicy Juice, Milo, Nesquik, Nestea
Food service	Chef, Chef-Mate, Maggi, Milo, Minor's, Nescafé, Nestea, Sjora, Lean Cuisine, Stouffer's
Healthcare nutrition	Boost, Nutren Junior, Peptamen, Resource
Ice cream	Dreyer's, Extrême, Häagen-Dazs, Mövenpick, Nestlé Ice Cream
Pet care	Alpo, Bakers Complete, Beneful, Cat Chow, Chef Michael's Canine Creations, Dog Chow, Fancy Feast, Felix, Friskies, Gourmet, Purina, Purina ONE, Pro Plan
Sports nutrition	PowerBar
Weight management	Jenny Craig

Table 1: Global Brands and Product

Chapter 3: Nestlé Bangladesh

3.1 Nestlé in Bangladesh

Popular Nestlé brands started entering this part of the sub-continent during the British rule and the trend continued during the pre-independence days of Bangladesh. After the independence in 1971, Nestlé World Trade Corporation, the trading wing of Nestlé S.A, sent regular dispatch of Nestlé brands to Bangladesh through an array of indentures and agents and some of the brands such as NESPRAY, CERELAC, LACTOGEN, and BLUE CROSS etc. became some very common products.

Nestlé Bangladesh Limited started its commercial operation in Bangladesh in 1994. Its total authorized capital is TK1.5 billion and total paid up capital is TK 1.1 billion. The only factory of the company in Bangladesh is situated at Sreepur, 55 km north of Dhaka. The factory produces the Maggi noodles, Munch and cereals and repacks milks, soups, beverages and infant nutrition products. Today Nestlé Bangladesh Ltd. is a strongly positioned organization. The Company is continuously growing through the policy of constant innovation, concentrating on its core competencies and its commitment to high quality food to the people of Bangladesh.

Since the beginning of Nestlé's operation in Bangladesh, the chairman of the company has been Mr. Latifur Rahman, one of the top industrialists of the country, his firm Transcom used to import the products of Nestlé. His business house Transcom is still involved in wide range of business like beverage, pharmaceutical, electronics, newspaper, tea export, fast food franchises etc. Still he remains as an honorary chairman of the company although his group Transcom does not capture any share today as Nestlé S.A. holds 100% share of this company.

Vision

In Bangladesh Nestlé's vision is to build Nestlé as the respected and trustworthy leading Food, Beverage, Nutrition, Health and Wellness Company in Bangladesh ensuring long term sustainable and profitable growth. The company is very much focused to ensure that the vision is implemented in every aspect.

Mission

The mission statement that drives Nestlé is "*Good Food, Good Life*". They commit to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions, from morning to night.

Objectives

Nestlé's objectives are to be recognized as the leader in Nutrition, Health and Wellness, trusted by all its stakeholders, and to be the reference for financial performance in its industry. They are seeking to achieve leadership and earn the trust by satisfying the expectations of consumers, whose daily choices drive their performance, of shareholders, of the communities in which they operate and of society as a whole. They believe that it is only possible to create long-term sustainable value for the shareholders if their behavior, strategies and operations are also creating value for the communities where we operate, for our business partners and, of course, for our consumers. Keeping it in mind, the think tank for Nestlé has designed a road map that is intended to create alignment for their people behind a organized set of strategic priorities that will accelerate the achievement of the objectives. These objectives demand from their people a combination of long-term inspiration needed to build for the future and short-term entrepreneurial actions, delivering the necessary level of performance.

Policies

Business policies will continue to evolve and adapt to a changing world, our basic foundation is unchanged. The time of origin of our company, and reflects the basic ideas of fairness, honesty and a general concern for people.

Nestlé's business objective is to manufacture and market the company's product in such a way as to create value that can be sustained over the long term for shareholders, employees, consumers, and business partners. Nestlé's does not favor short-term profit at the expense of successful long-term business development.

Nestlé's recognize that its consumers have a sincere and legitimate interest in the behavior, beliefs and actions of the company behind brands in which they place their trust, and that without its consumers of the company would not exist.

Nestlé's believes that, as a general rule, legislation is the most effective safeguard of responsible conduct, although in certain areas, additional guidance to staff in the form of voluntary business policies is beneficial in order to ensure that the highest standards are met throughout the organization.

Nestlé's is conscious of the fact that the success of a corporation is a reflection of the professionalism, conduct and the responsible attitude of its managements and employees. Therefore recruitment of the right people and ongoing training and development are crucial.

Nestlé continues to maintain its commitment to follow and respect all applicable local laws in each of its markets.

The policies formed by the Nestlé are for every employee of Nestlé around the world. The Nestlé brands follow these above mentioned policies and do not make their own policies. Members of Nestlé are strongly committed to the company, its development, its culture and its policies. Apart from professional skills and insight, the capacity and willingness to apply these policies are the main criteria for progressing in the organization, regardless of origin, nationality, religion, race, gender or age.

3.2 Functions of Nestlé Bangladesh

Day by day demand and trust on the Nestlé products are growing. Focusing on the substantial growth and the other business perspective, the company developed its own functional areas. Currently the existing functional areas are:



Figure 1: Organizational Functions

No matter how many functions are running, their main aim is to gain ultimate excellence. Every function contributes from their end to meet the corporate goal. The General Management takes care of the overall operation of the company and makes the key decisions. Human Resource focuses the management of employees and organizational culture; moreover HR professionals are also responsible for retaining the people who are making the difference with their competitors at the end of the day. Supply Chain ensures the stable supply of the products

according to the demand of the customers. Marketing looks after the existing brands, market share and product development of the products. Nestlé is the world's largest Nutrition Company that is why the importance of the Nutrition products is much more in compared to the other food companies; as a result they created a totally separate team to look after the Nutrition products, such as, CERELAC, LACTOGEN. *Finance and control* deals with the financial transactions and most importantly they also apply the control mechanism to remain the company complaint financially and procedurally. Finally Sales and Nestlé Professionals are responsible for earning revenue for the company, but sales goes for the retail distributors and Nestlé Professionals looks after the institutional sales.

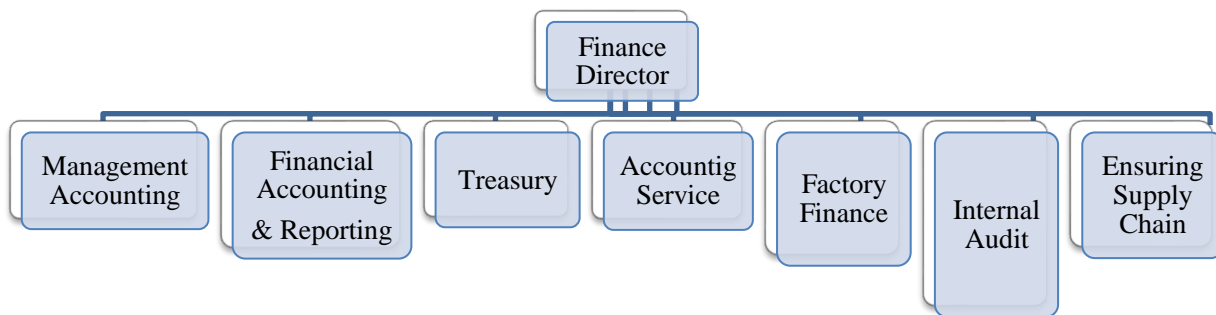


Figure 3: Functional Organogram of Finance and Control

3.3 Products of Nestlé Bangladesh

Globally the product line of Nestlé is very large but in Bangladesh currently there are only 20 products. Nestlé believes all foods and beverages can be enjoyable and play an important role in a balanced and healthy diet and lifestyle; as a result no matter how short the product line may be but it ensures the same quality in compare to the other countries.

















Category	Product Name	
Nutrition	Formula: Lactogen Lactogen Recover Pre-lactogen All 110 Nan Baby n Me Cerelac (Different Flavours)	     
Culinary	Maggi: Maggi Noodles Maggi Healthy Soup Maggi Cube Shad-e-Magic	   
Dairy	Nido Fortified Nido Growing up Milk	 
Breakfast Cereal	Kokocranch Corn Flakes	 
Beverage	Nescafe Classic Nescafe 3 in 1 Coffee Mate Nestea (Only available for Vending Machine)	   
Confectionery	Munch	

Table 2: Nestlé Brands in Bangladesh

3.4 Creating Shared Value

Nestlé always focused on long term, sustainable and profitable growth and helped communities around its operation to improve their quality of life in a similar manner. That is why Nestlé says —Creating Shared Value rather than corporate social responsibility. In the process the company first of all puts emphasis on the compliance to remain compliant to the local and international law then it focus on it's sustainably as a business organization and finally contribute for creating shaded value.



Figure 2: CSV structure

In its portfolio Nestlé is currently working to secure safe drinking water, provide education and training to develop skilled manpower. In a country like Bangladesh, Nestlé is arranging the safe drinking water, where the sources of the pure drinking water are rare; currently this program is organized for the factory workers and their family members in Sreepur. This particular initiative is also active in India and other countries.

Nestlé supports initiatives to create awareness about the right to education and encourages the communities around its factories to send their children to school. That is why the company already builds up several schools for the workers' children of the factory. Moreover Nestlé Bangladesh from 2009 started to distribute laptops among the school going children to make chance for the students to get modern education, already 49 schools have been covered under this initiative. On the other hand Nestlé India employees have developed a special play 'Let Us Go to School' for this purpose. This has been staged amongst the communities around our factories, and its recordings screened at smaller gatherings even in Bangladesh.

3.5 My Job Responsibilities at Nestle Bangladesh

I am working as an intern at finance and control department of Nestlé Bangladesh Limited from last four months. I am assigning various type of work related to the Nestlé finance and supply chain department. Now I am briefly discussing these tasks:

- **WORKING CAPITAL MANAGEMENT:**

Working on working capital management is my main task in Nestlé Bangladesh. I have to give the weekly update about working capital to my supervisor. I have to collect all working capital related information from other respective person. Sometimes I try to help my supervisor for demand forecasting of net working capital for next quarter or next 2 quarters.

- **DENTED PRODUCT CHECKING:**

Nestlé produces some of its products which are packaged in tin. For various reasons, those tins may collapse for some natural reasons arising from atmospheric dissimilarity between import and export parties or pure technical faults. These sorts of products refer as dented products. It was my very first project to check a full consignment of tin product to determine the number of dented products and the financial and qualitative impact of dented products in market operation of Nestlé.

A total consignment of 1740 cs Lactogen 3 tin 400g was checked to ensure how quality of product represents a total number of dented products. A 3% of dented product was found among the whole consignment as dented.

- **Inventory Counting:**

Nestlé does believe in acute inventory process to ensure a swift decorum of product supply from Distribution Center (DC) to distributors. In addition, aside DC, another Warehouse (W/H) locates in Nayanpur as overflow W/H to work as support W/H for DC. Both DC and W/H inventories are counted through surprise visit to conform the actual quantity to the system quantity generated from system software. Another vital reason for inventory counting is to identify the number of bad goods.

- **Bad Good Management:**

Bad Goods (BG) are the products with some specified attributes and these products are not for human or animal consumption or for sale.

- ✓ Broken product
- ✓ Damaged Product
- ✓ Dented Product
- ✓ Without Batch
- ✓ Expired Product
- ✓ Market Return from Distributors.

Till July, 0.36% bad goods represent to total net sales.

- **Market Return:**

Market Returns are the bad goods which return back from all distributors end across the country to DC. After collecting market returns from distributors, a procedure is practiced in Nestle to destroy those returns by taking concern from both Nestle and Other stakeholders.

- **Write Off and On Memo Declaration:**

Through cycle inventory checking by DC concerns and surprise visit checking from Finance & Control (F&C), bad goods are identified addition to market returns. Nestle practices a process to document these BG which refers as Write – Off memo. Write – Off memo includes all detail of BG such as number of BG, nature of BG, Monetary value of BG and concern authorization from respective person. In case of extra inventories found in compare to system inventories, it is documented by Write – On memo to declare the product qty into the system officially.

- **Port Carrier Detention Cost:**

To calculate port demurrage and shipping agent cost to charge the demurrage cost to our respective importer.

- **Price Variation:**

Demand and Supply Forecasting Department alongside with Procurement predicts a standard price of both Raw Materials (RM) and Packing Materials (PM) up to 2015. I am assigned to

calculate the price variance between the actual price of RM and PM which is provided by my supervisor and the standard price forecasted earlier. In addition, I need to identify the financial impact of price variation through calculating top five materials of RM and PM that impact most in variation.

- Insurance Claim:

By monitoring the master data file of imported product, I have to identify whether there is any issue arise that need to be claim the insurance. After identifying any clause that need insurance claim, I prepare a insurance claim statement accord to the nature of claim, the monetary value and the impact of claim.

- Load Ability:

To collect data from CSD by route description accord to truck size and capacity to determine the percentage of load ability.

- Cross check of receiving quantity in Distribution Center:

After importing the product from various importing country, it receives by W/H authority by preparing Goods Receiving Note (GRN). In case of imported product, some government bodies such as BSTI take sample products to check the quality issues of the consignment. In some cases, Transportation and handling damage occurs. At last, DC takes the quantity remains. I was assigned to check the transparency and accuracy of the data provided from transportation and handling parties regarding those damages.

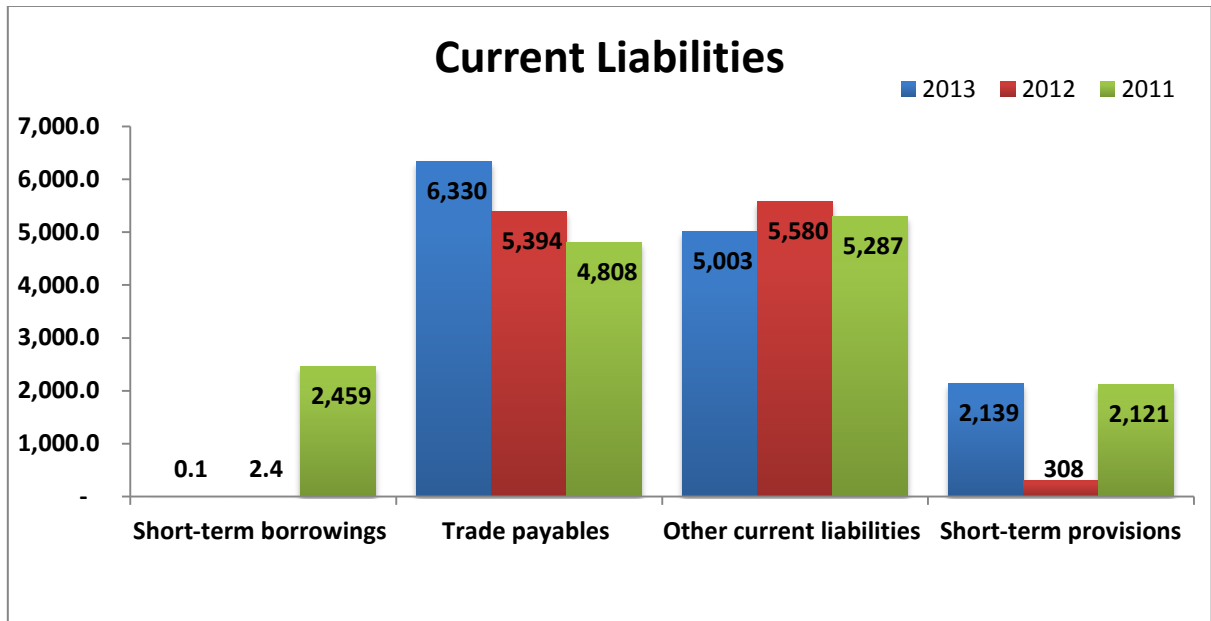
Chapter 4: ANALYSIS AND FINDINGS

4.1 Working Capital Management

All we know that the short-term aspects of corporate finance activities collectively referred to as Working Capital Management. The goal of effective working capital management is to ensure that a company has adequate ready access to the funds necessary for day-to-day operating expenses, while at the same time making sure that the company's assets are invested in the most productive way. Achieving this goal requires a balancing of concerns. Working capital management is a broad-based function. Effective requires managing and coordinating several tasks within the company, including managing short-term investment, granting credit to customers and collecting on this credit, managing inventory, and managing payables. Effective working capital management also requires reliable cash forecasts, as well as current and accurate information on transactions and bank balances.

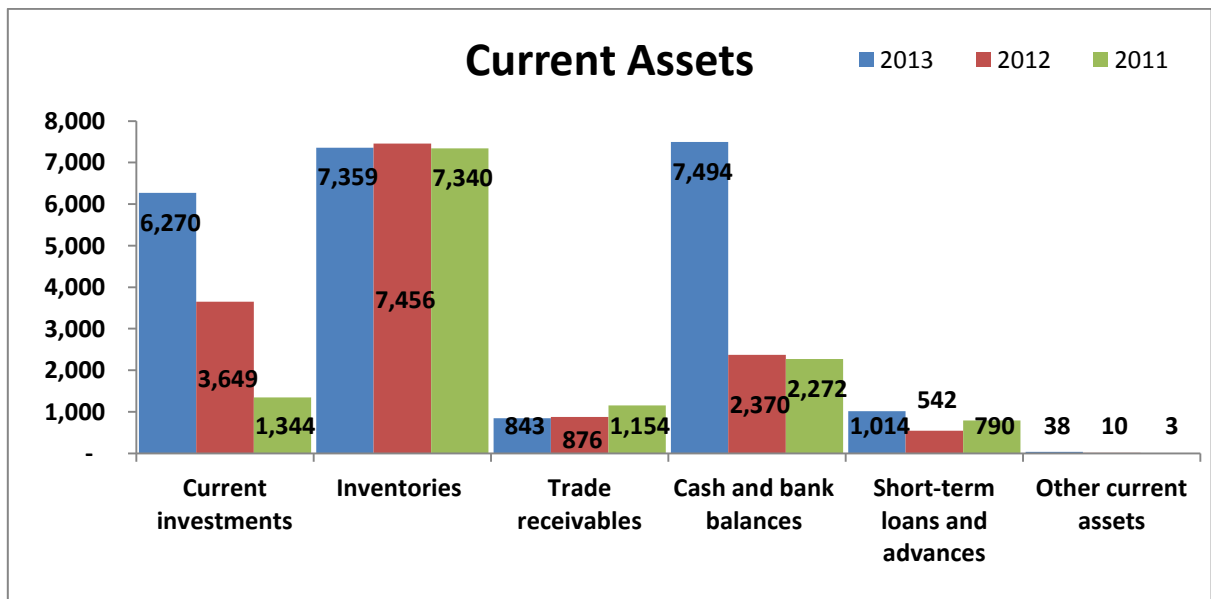
3.2 Working Capital of Nestlé India

<u>CURRENT LIABILITIES</u>	2013	2012	2011
Short-term borrowings	0.1	2.4	2459.2
Trade payables	6330.4	5394.0	4808.3
Other current liabilities	5002.5	5580.3	5287.0
Short-term provisions	2138.8	307.6	2120.7
Total Current Liabilities	13471.8	11284.3	14,675.2



CURRENT ASSETS

	2013	2012	2011
Current investments	6,269.6	3,648.6	1,343.7
Inventories	7,359.3	7,455.8	7,340.4
Trade receivables	842.7	875.7	1,154.2
Cash and bank balances	7,493.6	2,369.6	2,272.1
Short-term loans and advances	1,013.6	541.5	790.0
Other current assets	38.4	10.0	3.0
Total Current Assets	23,017.2	14,901.2	12,903.4



OTHER CURRENT LIABILITIES INCLUDED:

- ❖ Statutory liabilities (sales taxes, excise duty, tax deducted at source etc.)
- ❖ Payables for capital expenditure
- ❖ Customers' credit balances, advances and other payables
- ❖ Employee costs and reimbursements
- ❖ Book Overdraft
- ❖ Unpaid dividends
- ❖ Sundry deposits
- ❖ Interest accrued but not due on borrowings
- ❖ Interim dividend

OTHER CURRENT ASSETS INCLUDED:

- ❖ Interest accrued on bank deposits/ long term bonds - tax free

SHORT TERM PROVISIONS INCLUDED:

- ❖ Employee benefits:
 - Pension
 - Other incentives and welfare benefits
- ❖ Taxation less payments
- ❖ Contingencies
- ❖ Proposed final dividend
- ❖ Dividend distribution tax on proposed final dividend

INVENTORIES INCLUDED:

- ❖ Raw materials (Includes in transit)
- ❖ Packing materials (Includes in transit)
- ❖ Work-in-progress
- ❖ Finished goods
- ❖ Stock-in-trade (goods purchased for resale)

CASH AND BANK BALANCES

(a) Cash and cash equivalents

Balances with banks

- On current accounts
- On deposit accounts
- Cheques, drafts on hand including remittances in transit

(b) Other bank balances

Unpaid dividend accounts

3.3 MEASURING LIQUIDITY

Liquidity contributes to a company's credit-worthiness. Credit-worthiness is the perceived ability of the borrowing to pay what is owed on the borrowing in a timely manner and represent the ability of a company to withstand adverse impacts on its cash flows. Credit-worthiness allows the company to obtain lower borrowing costs and better terms for trade credit and contributes to the company's investment flexibility, enabling it to exploit profitable opportunities.

Various financial ratios can be used to assess a company's liquidity as well as its management of assets over time. Here we will look at some of these ratios in a little more detail.

We calculate liquidity ratio to measure a company's ability to meet short-term obligations to creditors as they mature or come due. This form of liquidity analysis focuses on the relationship between current assets and current liabilities and the rapidity with which receivable and inventory can be converted into cash during normal business operations.

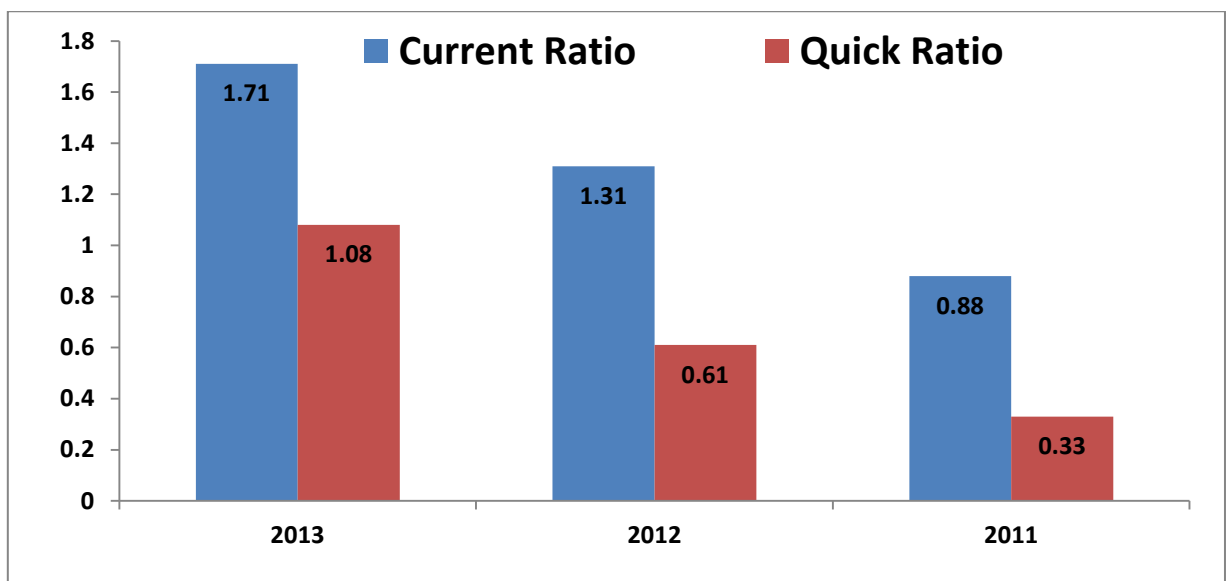
In short-term financial management, a great deal of emphasis is placed on the levels of and changes in current assets and liabilities. The two most common measurements are current ratio and the quick ratio. The current ratio is the ratio of current asserts to current liabilities:

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

The quick ratio also known as the acid-test ratio is the ratio of the quick assets to current liabilities. Quick assets are those assets that can be most readily converted to cash. In most situations, the least liquid of the current assets is inventory. Hence, we typically exclude inventory when calculating the quick ratio:

$$\text{Quick Ratio} = \frac{\text{Cash} + \text{Short-term marketable investments} + \text{Receivables}}{\text{Current Liabilities}}$$

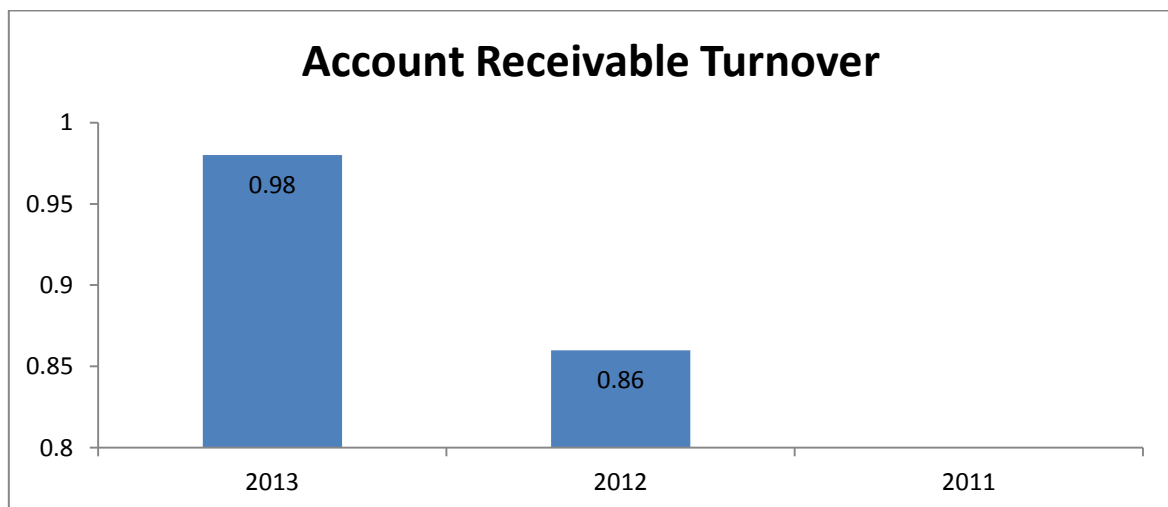
Name	Formula	2013	2012	2011
Current Ratio	Current Assets/ Current Liabilities	1.71	1.31	0.88
Quick Ratio	(Cash + Short-term marketable investments + Receivables)/ Current Liabilities	1.08	0.61	0.33



The key ratios for assets management are turnover ratios. For examples, the accounts receivable turnover is the ratio of sales on credit to the average balance in account receivable.

$$\text{Account Receivable Turnover} = \frac{\text{Credit Sales}}{\text{Average Receivable}}$$

Name	Formula	2013	2012	2011
Account Receivable Turnover	Credit Sales/ Average Receivable	0.98	0.86	Information Is not available



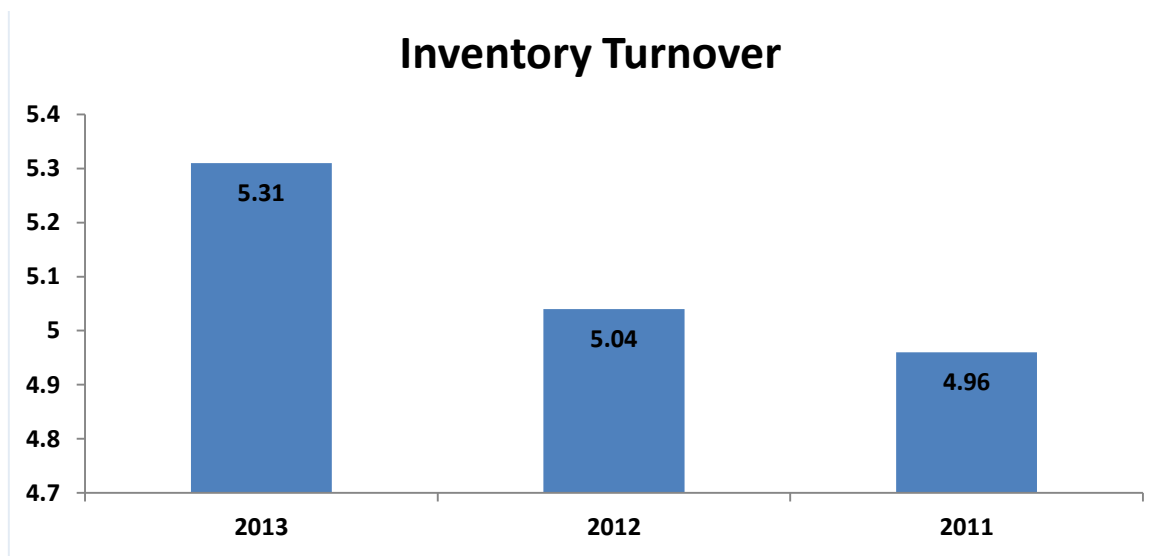
This ratio is a measure of how many times, on average, accounts receivable are created by credit sales and collected on during the fiscal period.

As another example, the inventory turnover is the ratio of the cost of goods sold to the balance in inventory:

Cost of Goods Sold

$$\text{Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Inventory}}$$

Name	Formula	2013	2012	2011
Inventory Turnover	Cost of Goods Sold / Inventory	5.31	5.04	4.96



This ratio is a measure of how many times, on average, inventory is created or acquired and sold during the fiscal period.

Another perspective on the activity within the current account accounts is to estimate the number of days of the current asset or liability that are on hand. For example, the Number of Days of Receivable, also referred to as the day's sales outstanding and Days in Receivables, gives us an idea of the management of the extension and collection of credit to customers:

Accounts Receivable

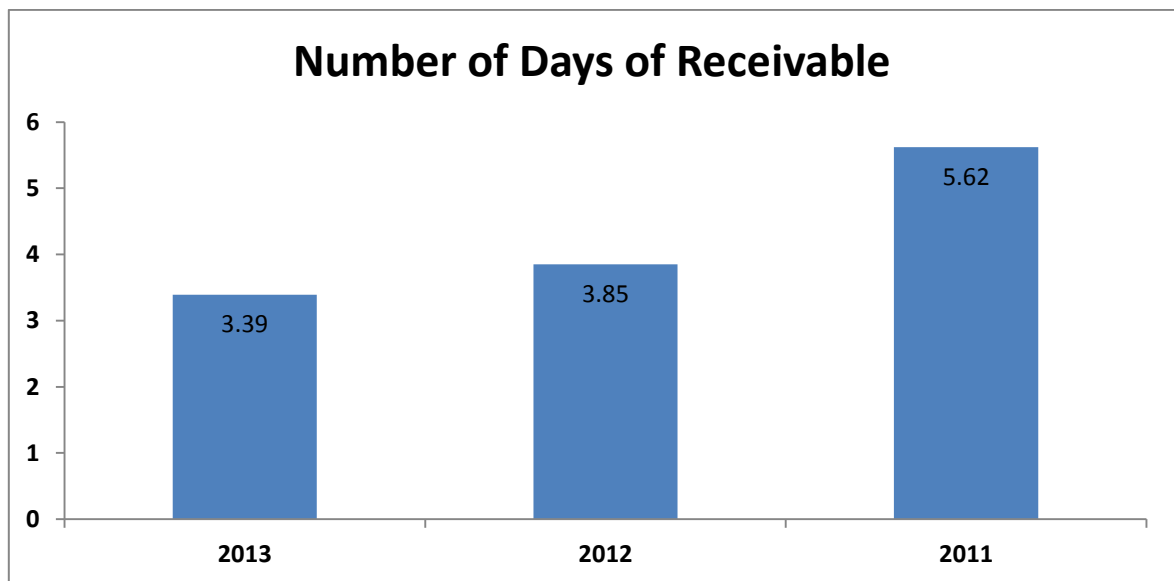
$$\text{Number of Days of Receivable} = \frac{\text{Accounts Receivable}}{\text{Average Day's Sales on Credit}}$$

Accounts Receivable

=

$\frac{\text{Accounts Receivable}}{\text{Sales on credit}/365}$

Name	Formula	2013	2012	2011
Number of Days of Receivable	Account Receivable/ (Sales on credit/365)	3.39	3.85	5.62



For example, if this number of days is 35.5, this tells us that it takes, on average, 35.5 days to collect on the credit accounts. However, this is good or bad depends on credit terms that are offered to customers and the relation between sales and the extension of credit, which is often dictated by industry customers and competitive pressures.

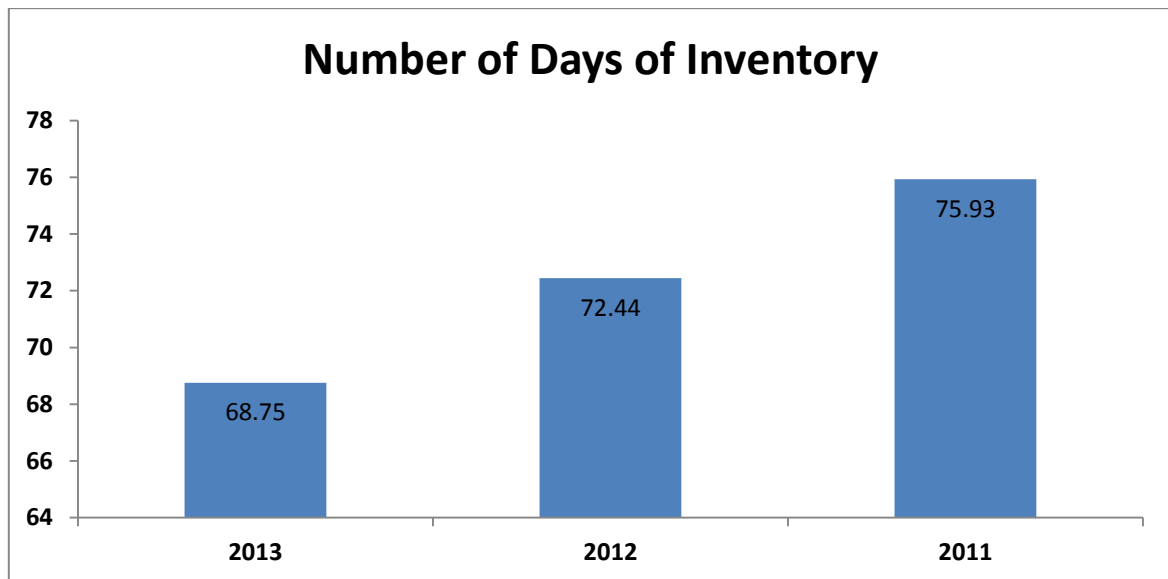
The Number of Days of Inventory gives us an indication of how well the inventory acquisition, process, and distribution is managed:

Inventory

$$\text{Number of Days of Inventory} = \frac{\text{Inventory}}{\text{Average day's cost of goods sold}}$$

$$= \frac{\text{Inventory}}{\text{Cost of goods sold}/365}$$

Name	Formula	2013	2012	2011
Number of Days of Inventory	Inventory/ (COGS/365)	68.75	72.44	75.93

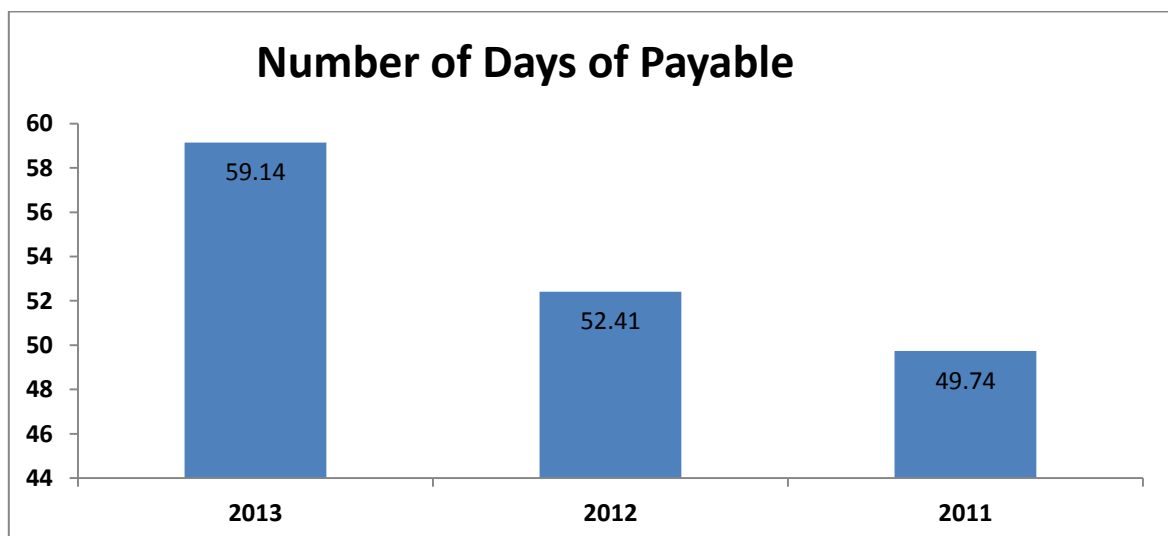


The Number of Days of Inventory, also known as the average inventory period, day's sales in ending inventory, and the inventory holding period, is the length of time, on average, that the inventory remains within the company during the fiscal period. We expect variation in the number of days of inventory among industries because of difference in the production cycle of different types of inventory.

We also look at the disbursement side of cash flows with the number of days of payable, which provides a measure of how long it takes the company to pay its own suppliers:

$$\text{The Number of Days of Payable} = \frac{\text{Accounts payable}}{\text{Average day's Purchases}} \times \frac{\text{Accounts Payable}}{\text{Purchases/365}}$$

Name	Formula	2013	2012	2011
Number of Days of Payable	Account Payable/ (Purchase/365)	59.14	52.41	1666.38



The number of days of payable is also referred to as the day's payables outstanding and the average days payable. Purchases are not an item on published financial statements, so if you are evaluating a company's payables, you can estimate the purchases by using what you know about the company's cost of goods sold and beginning and ending balances in inventory.

3.4 Findings and Analysis

Higher current ratios quick ratios are more favorable for companies because it shows there are more quick assets than current liabilities. A company with a quick ratio of 1 indicates that quick assets equal current assets. This also shows that the company could pay off its current liabilities without selling any long-term assets. Therefore Nestlé India Limited had enough current and quick ratios in 2013. In 2012, the current ratio was also good enough but the quick ratio was inadequate (0.61) due to insufficient short-term investment. Again in 2011, their both current and quick ratios were insufficient. However the quick ratio was more critical due to the same reason like insufficient short-term investment which was only Rs. 1343.7 millions. As you can see, Nestlé India's turnover is 0.98 in 2013 and 0.86 in 2012. This means that Nestlé India's collects his receivables about 0.98 times a year or once every 367 days. In other words, when Nestlé India makes a credit sale, it will take him 110 days to collect the cash from that sale. Generally it happens because Nestlé India sale huge amount of products to their customer on credit. As you can see, Nestlé India's turnover is 5.31 in 2013. This means that Nestlé India only sold roughly 5.31 times of its inventory during the year. It also implies that it would take Nestlé India approximately 68 days to sell his entire inventory or complete one turn. In other words, Nestlé India has very good inventory control. We also see that their Inventory turnover in 2013 is better compare to 2012 & 2011. In Number of Days of Receivable or Days' Sales Outstanding, Nestlé India takes approximately 3.39 days to collect cash from his customers on average. This is really good ratio for Nestlé India. And it is decreasing year to year. Again, we can see in Number of Days of Inventory, Nestlé India's ratio is 68.75 days. This means Nestlé India has enough inventories to last the next 68.75 days or Nestlé India will turn his inventory into cash in the next 68.75 days. As a Food and Beverage Company, this length is really good because their most of the product expired within 6 to 12 months. Like Days' Sales Outstanding, this ratio is also decreasing in every year and it indicates good management practice (it was 72.44 in 2012 and 75.93 in 2011). Finally, Number of Days of Payable is 59.14 in 2013 and 52.41 in 2012. This means that Nestlé India pays his vendors back on average 60 days or six times in a year.

Each of these turnover ratios and number of days helps tell a story of how the company is managing its liquid assets. Therefore we can say that Nestlé India is doing great job year to year.

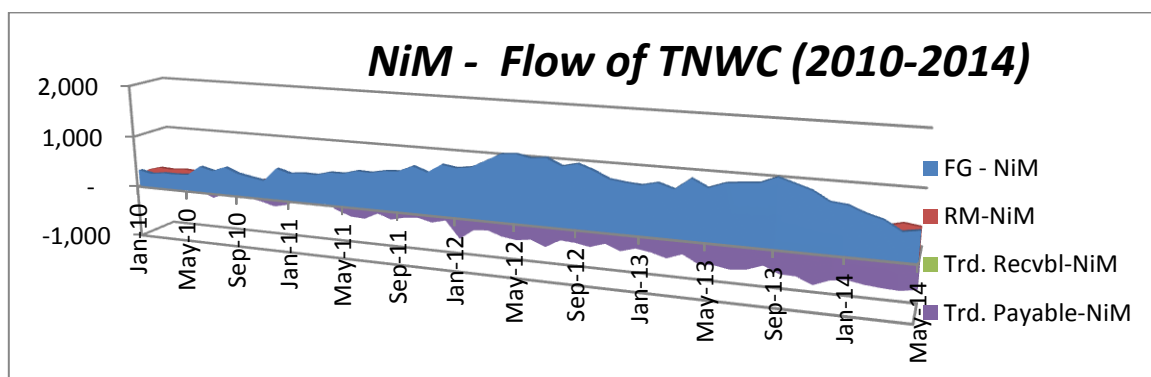
Chapter 5: CONCLUSIONS

5.1 Conclusions:

In this report, we considered a key aspect of financial management: the management of a company's working capital. This aspect of finance is a critical one in that it ensures, if effectively, that the company will stay solvent and remain in business. If done improperly, the results can be disastrous for the company. Some of the major applications of this type of analysis include performance evaluation, monitoring, credit-worthiness, and financial projections. But ratios are useful only when they can be compared. The comparison should be done in two ways- comparisons over time for same company and over time for the company compared with its peer group. Here I did the first one and tried to compare the current situation of Nestlé India with their past. And most of the place we see that the current situation is better compare to their past. Their turnover is also increasing year to year which indicate the good working capital management practice.

In conclusion, I can say that working capital management practice of Nestlé Bangladesh is also going well. It becomes strong year to year. The current situation is much better compare to last 3 or 4 years. Here I am giving a graph which will solve all the confusion.

Nestlé in Market - Flow of TNWC (2010-2014)



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Appendix