Internship Report

on

"Capital Management and its Impact on Profitability: Evidence from Selected Food and Beverage Companies listed in DSE"

Submitted by:

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Major: Finance
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Submitted to:

Department of Business Administration
Faculty of Business
Sonargaon University (SU)

Submitted for the partial fulfillment of the degree of Bachelor of Business Administration



Sonargaon University (SU)

147/1 Green Road, Phanthpath, Dhaka

Date of Submission: 30/08/2025

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147/1 Green Road, Panthopath, Dhaka

Date of Submission: 30/08/2025

Letter of Transmittal

30/08/2025

Md. Ashraf Ali

Assistant Professor
Faculty of Business Administration
Sonargaon University (SU)

Subject: Subject Submission of Internship report of **"Capital Management and its Impact on Profitability: Evidence from Selected Food and Beverage Companies Listed in DSE"**

Dear Sir,

With due respect, I am pleased to submit my report titled "**Capital Management and its Impact on Profitability: Evidence from Selected Food and Beverage Companies Listed in DSE**" as a partial requirement for the completion of my BBA program at Sonargaon University. This report is the outcome of my academic knowledge, analytical ability, and the research skills developed during my coursework and internship experience. In this study, I have attempted to analyze how various aspects of capital management—such as capital structure, working capital components, and cost of capital—affect the profitability of selected companies in Bangladesh's food and beverage sector. I have tried my best to ensure the report is as informative, accurate, and insightful as possible within the limitations. I sincerely hope that the report will fulfill your expectations and serve its intended purpose.

I would be honored to explain any part of the report or answer any questions you may have. Thank you very much for your guidance, support, and valuable suggestions throughout the preparation of this report.

Sincerely,

_____

Sonia Akter Ety
ID: BBA2103024017
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Declaration of the Student

I, **Sonia Akter Ety**, hereby declare that the internship report titled **"Capital Management and its Impact on Profitability: Evidence from Selected Food and Beverage Companies Listed in DSE"** has been prepared as a requirement for the completion of my Bachelor of Business Administration (BBA) degree at Sonargaon University (SU). This report is the result of my original work and has not been submitted previously to any university or institution for the award of any degree or diploma. All sources of information used in this report have been properly acknowledged and referenced. The analysis, interpretations, and conclusions expressed in the report are based on my own research, and I have maintained academic honesty and integrity throughout its preparation. I am solely responsible for the content, accuracy, and authenticity of this report.

Signature: _____

Sonia Akter Ety
Student ID: BBA2103024017
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Letter of Authorization

This is to certify that **Sonia Akter Ety**, a student of Bachelor of Business Administration (BBA), **ID: BBA2103024017**, under the Department of Business Administration, Sonargaon University (SU), has been authorized to undertake a research project titled: **"Capital Management and its Impact on Profitability: Evidence from Selected Food and Beverage Companies Listed in DSE"** This authorization is given as part of her academic requirement for the completion of her undergraduate program. The purpose of this report is strictly academic and will be used solely for educational evaluation. She has been permitted to collect relevant data and information from concerned organizations, provided that all data collected will be kept confidential and used only for academic analysis. We sincerely appreciate the cooperation of any individual or organization in assisting her with the necessary information and support for the successful completion of this report. Should you have any questions regarding this matter, please feel free to contact the undersigned. Sincerely,

_____

Md. Ashraf Ali
Assistant Professor
Department of Business Administration
Faculty of Business
Sonargaon University (SU)

Acknowledgment

First and foremost, I am grateful to the Almighty Allah for granting me the strength, patience, and determination to complete this internship/thesis report successfully.
I would like to express my sincere gratitude to my honorable supervisor**, Md. Ashraf Ali, Assistant Professor**, Department of Business Administration, Sonargaon University (SU), for his constant guidance, encouragement, and valuable suggestions throughout the preparation of this report. His constructive feedback and supportive attitude have been instrumental in the successful completion of this study. I also extend my appreciation to all faculty members of the Department of Business Administration at Sonargaon University for their academic support and motivation throughout my BBA program.

I am thankful to the officials and staff of the selected food and beverage companies who generously provided the necessary information and assistance for the research.
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Lastly, I express my deepest gratitude to my parents and family members for their unconditional love, prayers, and moral support, which have been my greatest source of strength.

Executive Summary

This report explores the relationship between capital management practices and profitability in selected food and beverage companies listed on the Dhaka Stock Exchange (DSE). The food and beverage (F&B) industry is one of Bangladesh's fastest-growing sectors, contributing significantly to employment, income generation, and overall economic development. With rising competition, changing consumer preferences, and increasing operational costs, effective capital management has become a critical determinant of financial performance and long-term business sustainability in this sector.

The study investigates how various components of capital management—capital structure, working capital efficiency, and cost of capital—influence firm profitability. Secondary data were collected from published annual reports, audited financial statements, and other DSE disclosures over a five-year period. To assess financial performance, the study analyzed key indicators including Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), Debt-to-Equity Ratio, Current Ratio, Quick Ratio, Inventory Turnover, Accounts Receivable Turnover, and Cash Conversion Cycle (CCC).

The findings reveal that excessive reliance on short-term debt negatively impacts profitability, particularly ROA, as higher dependence on short-term borrowings increases financial risk and liquidity pressures. In contrast, prudent use of long-term debt demonstrates a relatively limited or neutral effect on profitability, suggesting that stable long-term financing can support growth without substantially eroding returns. Effective working capital management, particularly a reduced CCC, is positively correlated with profitability, as it improves liquidity, reduces financing costs, and enhances operational efficiency. Conversely, a high cost of capital, often resulting from inefficient investment decisions or excessive leverage, tends to constrain profitability and shareholder value.

In addition, the study identifies that companies with strategic capital allocation, timely receivables collection, and optimized inventory levels achieve better financial outcomes. Firms that integrate robust capital management with corporate governance, risk management practices, and investment in technology for financial planning tend to outperform peers in profitability metrics and operational resilience.

The report concludes that maintaining an optimal capital structure, efficient working capital management, and cost-effective financing are essential for improving financial performance in the F&B sector. Recommendations include balancing debt and equity judiciously, reducing dependence on short-term borrowings, implementing robust cash flow monitoring systems, and leveraging long-term financing for strategic growth. Policymakers and regulators can also facilitate sustainable sector growth by ensuring easier access to long-term financing, promoting financial literacy, and encouraging strong corporate governance practices.

In summary, this report emphasizes that capital management is not merely a financial function but a strategic tool that drives profitability, operational efficiency, and long-term sustainability in Bangladesh's food and beverage industry. Effective capital management can thus serve as a key competitive advantage in a dynamic and increasingly complex market environment.

List of Acronyms

Acronym	Full Form
ART	Accounts Receivable Turnover
BRC	British Retail Consortium
CCC	Cash Conversion Cycle
CR	Current Ratio
DER	Debt-to-Equity Ratio
DIO	Days Inventory Outstanding
DPO	Days Payables Outstanding
DSE	Dhaka Stock Exchange
F&B	Food and Beverage
FDA	Food and Drug Administration
IT	Inventory Turnover
NPM	Net Profit Margin
PRAN	Pioneer Food & Agro-Industry (part of PRAN-RFL Foods)
QC	Quality Control
ROA	Return on Assets
ROE	Return on Equity
WACC	Weighted Average Cost of Capital
USD	United States Dollar
HACCP	Hazard Analysis and Critical Control Point
ISO	International Organization for Standardization

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Chapter 1:

Introduction

1.1 Introduction

Capital management is a crucial element of corporate finance that directly influences a company's profitability, liquidity, and long-term sustainability. It encompasses the strategic planning, allocation, and control of financial resources to ensure that funds are efficiently utilized while minimizing risks. Effective capital management involves decisions regarding capital structure, working capital efficiency, and the cost of capital, which collectively determine the financial health and performance of a firm. Companies in the food and beverage sector in Bangladesh operate in a highly competitive environment where raw material costs fluctuate, consumer demand varies, and liquidity is often constrained. These challenges make the management of capital a critical determinant of profitability and survival.

The food and beverage industry is a rapidly growing sector that contributes significantly to employment, industrial output, and GDP in Bangladesh. Firms in this sector require adequate funding to maintain operations, invest in growth, and manage day-to-day cash flows. Poor capital management can lead to financial distress, reduced profitability, and missed investment opportunities. Therefore, understanding the relationship between capital management and firm profitability is essential for managers, investors, and policymakers to make informed financial decisions. This study aims to analyze how capital management practices influence profitability among selected food and beverage companies listed on the Dhaka Stock Exchange (DSE), providing practical insights and recommendations for improving financial performance.

1.2 Background of the Study

Profitability is one of the primary indicators of a company's financial performance and long-term viability. While revenue generation and operational efficiency are important, the management of financial resources plays an equally vital role in determining firm success. Capital management ensures that companies maintain sufficient liquidity to meet short-term obligations, finance operational activities, and invest in growth opportunities. It also involves balancing debt and equity financing to minimize the cost of capital and optimize returns for shareholders.

The food and beverage sector in Bangladesh has experienced significant growth in recent years due to rising consumer demand, urbanization, and increased disposable income. However, firms in this industry face several financial challenges, including volatility in raw material prices, seasonal demand fluctuations, and competition from both local and multinational companies. These challenges highlight the importance of efficient capital management practices to ensure financial stability and profitability. Research indicates that firms with optimal capital structures, efficient working capital management, and cost-effective financing strategies are more likely to achieve higher profitability and sustained growth. Therefore, examining these factors within the context of Bangladesh's food and beverage sector provides valuable insights for corporate managers and investors.

1.3 Origin of the Study

The study originates from the growing importance of **effective capital management** in determining the financial health and profitability of companies. In today's competitive business environment, particularly in the **food and beverage sector of Bangladesh**, companies must efficiently manage their **working capital**—including cash, receivables, inventory, and payables—to maintain liquidity, support daily operations, and enhance profitability.

During the course of academic and professional observations, it was noticed that differences in working capital management significantly influence the **profitability and sustainability** of companies. While profitability is a primary goal, it can be constrained or enhanced depending on how efficiently a company manages its short-term assets and liabilities.

This study was therefore undertaken to **examine the relationship between capital management and profitability** in selected food and beverage companies listed on the **Dhaka Stock Exchange (DSE)**. It aims to provide **empirical evidence** on how effective capital management practices can improve financial performance and guide management and investors in making informed decisions.

This report was therefore initiated to **analyze the relationship between capital management and profitability** and provide empirical evidence on how selected food and beverage companies in Bangladesh optimize their working capital to achieve better financial outcomes. The study also aims to **offer practical insights and recommendations** for management, investors, and stakeholders to improve decision-making and enhance financial performance.

1.4 Objectives of the Study

The main objective of this study is to **examine the impact of capital management on the profitability** of selected food and beverage companies listed on the **Dhaka Stock Exchange (DSE)**.

To achieve this overall goal, the study focuses on the following specific objectives:

1. To analyze the relationship between working capital components—such as cash, accounts receivable, inventory, and accounts payable—and company profitability.
2. To evaluate the effect of the Cash Conversion Cycle (CCC) on profitability measures like Net Profit Margin (NPM) and Return on Assets (ROA).
3. To assess the efficiency of inventory management and its influence on financial performance.
4. To provide insights and recommendations for management and stakeholders to improve capital management strategies and enhance profitability.

1.5 Scope of the Study

The scope of this study is centered on analyzing the impact of capital management on the profitability of selected food and beverage companies listed on the Dhaka Stock Exchange (DSE). It specifically focuses on the management of working capital components, including cash, accounts receivable, inventory, and accounts payable, and how these elements affect key profitability indicators such as Net Profit Margin (NPM) and Return on Assets (ROA).

The study spans a **five-year period (2016–2020)** and includes only companies with complete and consistent financial data to ensure accuracy and reliability. By focusing on the food and beverage sector, the research highlights industry-specific practices, challenges, and trends in capital management and provides insights into how companies optimize their short-term assets and liabilities to improve profitability.

In addition, the study examines the **Cash Conversion Cycle (CCC)** to evaluate the efficiency of converting resources into cash and its direct impact on financial performance. Other critical variables such as **inventory turnover, accounts receivable collection periods, and accounts payable payment periods** are also analyzed to understand their combined effect on liquidity and profitability.

Moreover, the study considers the implications of effective working capital management for corporate decision-making, including:

- Enhancing operational efficiency by reducing idle cash and excess inventory.
- Improving financial stability and minimizing dependency on external financing.
- Increasing investor confidence by demonstrating strong financial control and profitability.

The findings are intended to provide practical guidance for managers, investors, and policymakers, helping them make informed decisions to optimize working capital and strengthen financial performance. Additionally, the study contributes to academic research by offering empirical evidence on the relationship between capital management and profitability in the Bangladeshi food and beverage sector.

However, the study is limited to the selected companies and specific time period, and the results may not fully generalize to other sectors or industries due to differences in business models, market conditions, and capital management practices. Despite these limitations, the research offers valuable insights that can assist in strategic planning, financial management, and performance improvement.

1.6 Research Methodology

The research methodology describes the systematic approach adopted to investigate the impact of capital management on the profitability of selected food and beverage companies listed on the Dhaka Stock Exchange (DSE). It outlines the research design, data collection methods, sampling techniques, data analysis tools, and limitations to ensure the study is reliable, valid, and replicable.

1.6.1 Research Design

This study adopts a descriptive and analytical research design. The descriptive aspect aims to provide a clear understanding of the working capital management practices of selected companies, while the analytical aspect focuses on examining the relationship between working capital components and profitability indicators. Quantitative analysis is applied to assess correlations and the impact of various capital management variables on financial performance.

1.6.2 Data Collection

The study primarily relies on **secondary data** collected from:

- Annual reports and financial statements of selected food and beverage companies listed on the DSE.
- Dhaka Stock Exchange (DSE) publications and databases.
- Relevant journals, research papers, and industry reports for supporting literature and contextual information.

The data covers a five-year period (2016–2020), ensuring consistency and allowing for the analysis of trends over time. Only companies with complete and reliable financial records are included in the study.

1.6.3 Sampling

A purposive sampling method is used to select companies representing the food and beverage sector. The criteria for selection include:

- Being listed on the Dhaka Stock Exchange during the study period.
- Availability of complete financial data for at least five consecutive years.
- Active operation in the food and beverage industry in Bangladesh.

1.6.4 Variables of the Study

The study focuses on the following variables:

- Independent Variables: Components of working capital such as cash, accounts receivable, inventory, and accounts payable, along with Cash Conversion Cycle (CCC).

- **Dependent Variables**: Profitability indicators such as Net Profit Margin (NPM) and Return on Assets (ROA).

1.6.5 Data Analysis Techniques

The study employs a combination of financial ratio analysis and statistical techniques:

- **Financial Ratios**: To measure working capital efficiency and profitability.
- **Cash Conversion Cycle (CCC)**: To assess the efficiency of converting resources into cash.
- **Correlation Analysis**: To determine the strength and direction of relationships between working capital components and profitability.
- **Regression Analysis**: To measure the impact of working capital management on profitability indicators.

1.6.6 Limitations of the Methodology

- The study depends on secondary data, which may contain inaccuracies or inconsistencies.
- Limited to selected food and beverage companies, so findings may not be fully generalizable.
- External factors such as economic changes, inflation, and regulatory shifts are not directly controlled but may affect results.
- The study covers only a five-year period, limiting its ability to capture long-term trends or effects.

1.7 Limitations of the Study

While this study aims to provide a comprehensive analysis of the impact of capital management on profitability in selected food and beverage companies listed on the Dhaka Stock Exchange (DSE), it is subject to several limitations:

1. **Dependence on Secondary Data**: The study relies primarily on financial statements, annual reports, and published data from companies. Any errors, omissions, or inconsistencies in these sources may affect the accuracy of the analysis and findings. Additionally, some companies may report financial information differently, making **cross-company comparison** challenging.
2. **Limited Sample Size**: Due to data availability, the study focuses on a select number of companies within the food and beverage sector. As a result, the findings may not fully represent the entire industry or other sectors where working capital management practices and profitability dynamics may differ.

3. **Time Frame Restriction**: The research covers a five-year period (2016–2020). While sufficient for short-term analysis, this timeframe may not fully capture long-term trends, cyclical effects, or structural changes in the market.
4. **External Factors Not Controlled**: The study does not directly account for external variables such as macroeconomic fluctuations, regulatory changes, market competition, global economic crises, or consumer behavior shifts, all of which could influence both working capital management and profitability.
5. **Industry-Specific Focus**: This research focuses exclusively on the food and beverage sector. Capital management practices, liquidity needs, and profitability drivers may differ significantly in other industries, limiting the generalizability of the findings.
6. **Assumptions in Ratio and Statistical Analysis**: The study assumes that financial ratios and statistical methods accurately reflect company performance. However, differences in accounting practices, reporting standards, and operational structures may influence the comparability and interpretation of results.
7. **Unavailability of Qualitative Data**: The study primarily uses quantitative financial data, while qualitative aspects such as management policies, decision-making processes, or internal controls are not fully examined. These qualitative factors may also play a significant role in shaping profitability.
8. **Dynamic Business Environment**: Companies operate in a dynamic and competitive environment, where unforeseen events such as pandemics, supply chain disruptions, or policy changes may affect financial performance but are not captured in this study.
9. **Focus on Historical Data**: The study is based on historical financial performance, which may not necessarily predict future performance, especially in a rapidly evolving market like Bangladesh.

Despite these limitations, the study provides valuable empirical insights into the relationship between capital management and profitability, offering guidance for managers, investors, policymakers, and researchers seeking to improve working capital efficiency and financial performance in the food and beverage sector.

Chapter 2:

Literature Review

2.1 Concept of Financial Performance

Financial performance represents how effectively an organization utilizes its resources to generate profit and achieve financial objectives. It is assessed using indicators such as profitability ratios, liquidity ratios, solvency ratios, and efficiency ratios (Brigham & Ehrhardt, 2014). According to Helfert (2001), financial performance evaluation provides a framework for monitoring an organization's efficiency, productivity, and financial stability.

Van Horne (1995) emphasized that financial performance cannot be separated from working capital decisions since liquidity and profitability are interdependent. A firm's ability to achieve optimal financial performance depends on striking a balance between short-term liquidity and long-term profitability (Smith & Bagemann, 1977). Moreover, Arif et al. (2016) identified inventories, receivables, cash, and payables as key elements influencing financial outcomes.

Additionally, financial performance has broader implications for corporate governance, market competitiveness, and investor confidence. Efficient financial performance enhances shareholder value, ensures long-term survival, and provides firms with a competitive edge in volatile markets (Damodaran, 2012).

2.2 Empirical Review

Numerous empirical studies have examined the relationship between working capital management (WCM) and firm profitability across countries and industries.

- **United States and Europe:** Soenen (1993) revealed a negative correlation between the net trade cycle and profitability in U.S. firms. Shin and Soenen (1998) found that reducing the net trade cycle enhances profitability. Deloof (2003) showed that Belgian companies with shorter receivables and inventory periods experienced higher profitability.
- **South Asia:** Raheman and Nasr (2007), analyzing 94 firms in Pakistan, reported a significant negative correlation between profitability and the cash conversion cycle (CCC). Similarly, Sharma and Kumar (2011) found in Indian firms that reducing inventory holding increased profitability, although extending credit terms sometimes improved sales.
- **Middle East:** Studies in Jordan (Hayajneh & Yassine, 2011) and Iran (Mohammadi, 2009; Yaghoob Nejad et al., 2010) confirmed that long CCCs negatively impact profitability. However, Alavinasab and Davoudi (2013) discovered mixed effects, with current assets positively related to profitability, while current liabilities showed insignificant results.
- **Africa:** Akinlo (2011) in Nigeria and Ukaegbu (2013) in Kenya, Nigeria, Egypt, and South Africa found mixed evidence, with some firms benefiting from longer payment periods while others suffered reduced profitability due to delayed receivables.
- **Bangladesh:** Quayyum (2011) revealed a negative relationship between CCC and ROA. Thakur (2017) observed significant negative correlations between accounts receivable duration and profitability in manufacturing firms. Yeaseen et al. (2018) confirmed these findings in the pharmaceutical sector, highlighting inefficiencies in collection and payment practices.

Overall, empirical evidence suggests that while effective WCM generally enhances profitability, its impact varies depending on industry dynamics, financing structure, and country-specific financial environments.

2.3 Importance of Financial Performance Analysis in Non-Profit Organizations (NPOs)

Financial performance analysis in NPOs is critical for ensuring accountability, transparency, and sustainability. Unlike profit-oriented firms, the primary goal of NPOs is mission fulfillment rather than profit maximization. However, the ability to manage resources efficiently and maintain financial stability remains essential (Anthony & Young, 2012).

According to Palmer and Randall (2002), financial analysis in NPOs enables managers to evaluate resource allocation, assess operational efficiency, and maintain stakeholder trust. Donors, regulators, and beneficiaries often demand evidence of sound financial management as a measure of organizational credibility. Furthermore, financial performance evaluation helps NPOs identify risks, plan budgets effectively, and ensure compliance with legal and ethical standards (Cordery & Sinclair, 2013).

Key aspects of NPO financial performance analysis include:

- **Liquidity management:** Ensuring sufficient cash flow to sustain operations and service beneficiaries.
- **Efficiency ratios:** Evaluating the cost-effectiveness of programs and administrative activities.
- **Accountability and governance:** Demonstrating stewardship of donor and grant resources (Anheier, 2014).
- **Sustainability:** Identifying risks that may hinder the long-term delivery of services (Cordery et al., 2011).

Thus, financial performance analysis in NPOs not only enhances organizational efficiency but also reinforces accountability to external stakeholders.

2.4 Summary of Literature

The literature demonstrates that financial performance is a multidimensional concept involving profitability, liquidity, solvency, and efficiency. Most empirical studies indicate that efficient working capital management—characterized by shorter receivable periods, optimized inventory management, and effective cash conversion cycles—positively influences profitability (Shin & Soenen, 1998; Deloof, 2003; Raheman & Nasr, 2007). However, results differ across industries and regions, with some evidence suggesting that aggressive policies may harm firm value in specific contexts (Afza & Nazir, 2007; Mona, 2012).

Bangladeshi studies provide consistent evidence of a negative relationship between inefficient working capital management and profitability (Quayyum, 2011; Thakur, 2017; Yeaseen et al., 2018). These findings highlight the need for stronger liquidity management and reduced reliance on short-term financing within local industries.

Research on NPOs emphasizes that financial performance analysis is equally vital despite the absence of profit motives. Instead, the focus is on sustainability, accountability, and efficient utilization of donor resources (Bowman, 2011; Anheier, 2014).

In conclusion, both theoretical and empirical evidence suggests that sound financial management—whether in for-profit or non-profit organizations—is crucial for long-term sustainability, competitiveness, and effective resource allocation.

Chapter 3:

Organizational overview

3.1 History

The food and beverage (F&B) industry in Bangladesh has grown significantly over the last few decades, becoming one of the most important non-textile manufacturing sectors. The listed F&B companies on the Dhaka Stock Exchange (DSE) represent a dynamic group of firms that have been instrumental in transforming local agricultural produce into processed and packaged goods for both domestic and international markets. The history of these companies reflects strategic growth, effective capital management, and adaptation to changing market demands.

- **Olympic Industries Limited** was established in the late 1970s and has grown into the largest biscuit and confectionery manufacturer in Bangladesh. Through continuous investment in modern technology, automated production lines, and capacity expansion, Olympic has maintained consistent profitability. Its strategic focus on product diversification and brand development has enabled it to remain competitive in both local and export markets.
- **Square Food & Beverage Ltd.**, part of Square Group, began operations in 2000 with brands such as Radhuni and Ruchi. Initially focused on packaged spices, it expanded into snacks and ready-to-eat food items. Square's commitment to quality control, research and development, and modern supply chain management has established it as one of the most trusted names in the F&B sector.
- **BAT Bangladesh (British American Tobacco Bangladesh)** traces its origins to the colonial period and remains one of the largest contributors to national tax revenue. While primarily a tobacco company, BAT has diversified into tobacco-based F&B products, demonstrating strategic capital allocation and financial discipline that have allowed it to remain a market leader over decades.
- **PRAN-RFL Foods**, founded in the 1980s, initially focused on agro-processing. Today, it is the largest agro-food processor in Bangladesh, exporting to more than 140 countries. PRAN-RFL's success is underpinned by strategic investments in cold storage, processing technology, and logistics infrastructure, as well as effective management of working capital to support large-scale production and global distribution.
- **ACI Foods Ltd.**, a subsidiary of Advanced Chemical Industries, entered the food market with spices, edible oils, and condiments, quickly becoming a household name. ACI Foods emphasizes quality, innovation, and marketing strategies, which are supported by careful capital allocation and financial planning, allowing it to compete effectively with both local and multinational brands.
- **Additional Notable Firms:** Other emerging F&B companies, such as Kazi & Kazi Tea Ltd., Nestlé Bangladesh, and Bengal Meat & Agro Products, have also contributed to sector growth by leveraging advanced processing techniques, modern supply chain management, and export-oriented strategies. These companies highlight the increasing professionalization and commercialization of the industry.

The history of these companies demonstrates that effective capital management—through strategic investment, cost control, financial planning, and operational efficiency—has been critical to sustaining profitability. By adapting to competitive pressures, meeting regulatory standards, and investing in technology and human resources, these firms have transformed Bangladesh's F&B sector into a vibrant and globally competitive industry.

This historical perspective also emphasizes the importance of working capital management in ensuring liquidity, financing growth, and maintaining operational efficiency, which forms the foundation for the empirical analysis in this study.

3.2 Vision

The vision of an organization reflects its long-term aspirations, strategic direction, and desired position in the market. For the selected food and beverage (F&B) companies listed on the Dhaka Stock Exchange (DSE), the vision emphasizes sustainable growth, market leadership, and social responsibility, guiding their operational and financial strategies.

Vision of Selected Companies

1. **Olympic Industries Limited**
    - To be the leading and most trusted biscuit and confectionery manufacturer in Bangladesh, known for innovation, quality, and customer satisfaction.
    - Olympic envisions expanding its presence in international markets, while continuously improving production efficiency and product variety.
2. **Square Food & Beverage Ltd.**
    - To become a household name for high-quality packaged foods across Bangladesh and beyond.
    - Square aims to innovate and diversify its product portfolio, focusing on consumer health, convenience, and sustainable production.
3. **BAT Bangladesh (British American Tobacco Bangladesh)**
    - To maintain its position as a market leader in the tobacco-based F&B sector while ensuring compliance, corporate governance, and financial stability.
    - BAT focuses on sustainable operations and responsible business practices that support long-term profitability.
4. **PRAN-RFL Foods**
    - To be the largest and most respected agro-food processor, delivering high-quality products to both domestic and international markets.

- PRAN-RFL envisions global expansion, sustainable sourcing, and leveraging technology to improve efficiency and product standards.

5. **ACI Foods Ltd.**

    - To be a trusted provider of quality food products, contributing to nutrition, health, and convenience for consumers.
    - ACI emphasizes innovation, operational excellence, and strong brand recognition as key drivers of growth.

Importance of Vision in Organizational Growth

- **Strategic Direction:** Vision provides a long-term roadmap, aligning financial, operational, and marketing strategies with organizational goals.
- **Capital Management:** Companies with a clear vision prioritize capital allocation, investment, and working capital management to support growth and sustainability.
- **Motivation and Culture:** A strong vision inspires employees, enhances commitment, and fosters a culture of innovation, efficiency, and accountability.
- **Stakeholder Confidence:** Clear and forward-looking visions build trust among investors, customers, and regulatory authorities, contributing to financial stability and market credibility.

Summary

The vision of these companies reflects their aspiration for market leadership, innovation, and sustainable growth. It underlines the importance of strategic planning, financial discipline, and operational efficiency, which are crucial for achieving long-term profitability and competitive advantage in the dynamic food and beverage sector of Bangladesh.

3.3 Mission

The mission of an organization defines its core purpose, operational focus, and commitment to stakeholders. It reflects how the organization intends to achieve its vision by outlining its strategic priorities, values, and responsibilities. For the selected food and beverage (F&B) companies listed on the Dhaka Stock Exchange (DSE), the mission emphasizes quality, customer satisfaction, innovation, and sustainable growth.

Mission of Selected Companies

1. **Olympic Industries Limited**

    - To provide high-quality biscuits, confectioneries, and snacks that meet the evolving needs of consumers.

- Olympic's mission emphasizes innovation in product development, operational efficiency, and consistent delivery of value to customers and stakeholders.

2. **Square Food & Beverage Ltd.**
    - To produce safe, nutritious, and high-quality packaged food products that enhance consumer well-being.
    - The company focuses on research and development, quality assurance, and expanding market reach while maintaining ethical and sustainable practices.
3. **BAT Bangladesh (British American Tobacco Bangladesh)**
    - To maintain operational excellence and financial discipline while ensuring compliance with legal and regulatory requirements.
    - BAT's mission includes responsible business practices, corporate governance, and contribution to national economic development.
4. **PRAN-RFL Foods**
    - To deliver high-quality agro-processed products to both domestic and international markets.
    - PRAN-RFL emphasizes sustainable sourcing, technological innovation, and efficient supply chain management to meet global standards.
5. **ACI Foods Ltd.**
    - To provide nutritious, safe, and affordable food products to households across Bangladesh.
    - ACI focuses on innovation, product quality, customer satisfaction, and responsible business practices as the foundation of its operations.

Importance of Mission in Organizational Operations

- **Guiding Daily Operations:** The mission provides a framework for operational decision-making, ensuring activities align with organizational goals.
- **Capital Allocation:** Clear mission objectives help in prioritizing investments, managing working capital, and planning strategic growth initiatives.
- **Stakeholder Engagement:** A well-defined mission fosters trust and confidence among consumers, investors, and partners, ensuring long-term sustainability.
- **Employee Motivation:** Mission statements inspire employees by providing a sense of purpose and direction, enhancing productivity and commitment.

Summary

The mission of these companies highlights their commitment to quality, innovation, sustainability, and stakeholder satisfaction. It serves as a practical guide for strategic planning, operational efficiency, and financial management, ensuring that the organizations can achieve their long-term vision while maintaining profitability and competitiveness in the food and beverage sector.

3.4 Organogram Structure

The organogram structure of an organization illustrates the hierarchy, reporting relationships, and functional responsibilities within the company. It provides clarity on roles and responsibilities, ensures efficient decision-making, and facilitates smooth operations. Understanding the organizational structure is essential for analyzing capital management practices and operational efficiency, especially in large-scale food and beverage companies.

3.4.1 Typical Organogram Structure of Selected Food and Beverage Companies

The selected F&B companies listed on the Dhaka Stock Exchange (DSE) generally follow a hierarchical organizational structure, which can be summarized as follows:

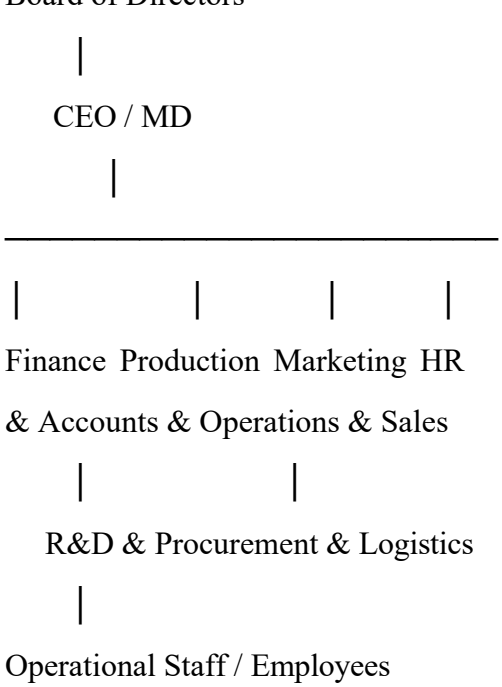
1. **Board of Directors**
    - Provides strategic direction, governance oversight, and policy approval.
    - Ensures compliance with regulatory requirements and protects stakeholder interests.
2. **Chief Executive Officer (CEO) / Managing Director (MD)**
    - Responsible for overall management, strategy execution, and operational performance.
    - Reports directly to the Board of Directors and oversees all functional departments.
3. **Functional Heads / Executive Management**
    - **Finance & Accounts Department:** Manages financial planning, capital management, budgeting, and financial reporting.
    - **Production & Operations Department:** Oversees manufacturing, quality control, and supply chain operations.
    - **Marketing & Sales Department:** Handles market research, branding, sales strategy, and customer relations.
    - **Human Resources Department:** Responsible for recruitment, training, employee welfare, and performance management.

- **Research & Development (R&D) Department:** Focuses on product innovation, process improvement, and quality enhancement.
- **Procurement & Logistics Department:** Manages raw material sourcing, inventory control, and distribution network.

4. **Middle Management / Departmental Supervisors**
    - Execute departmental plans and coordinate day-to-day operations.
    - Ensure implementation of policies set by executive management.
5. **Operational Staff / Employees**
    - Responsible for production, packaging, quality inspection, marketing execution, and administrative tasks.
    - Provide feedback to supervisors for process improvement and operational efficiency.

3.4.2 Visual Representation

A typical **organogram** for an Food and Beverage company can be represented as follows:



Note: Specific titles and departmental divisions may vary among companies, but the hierarchical flow of authority and functional responsibilities remains similar.

3.4.3 Significance of the Organogram

- Clarifies Roles and Responsibilities: Helps employees understand reporting lines and accountability.
- Facilitates Efficient Decision-Making: Ensures that decisions flow smoothly from top management to operational levels.
- Supports Capital Management: Clear departmental responsibilities aid in budgeting, cost control, and effective utilization of resources.
- Enhances Coordination and Communication: Improves inter-departmental coordination, leading to efficient operations and better financial performance.

Summary

The organogram structure reflects the hierarchical and functional framework of F&B companies, supporting strategic planning, operational efficiency, and financial management. By understanding this structure, it becomes easier to analyze how capital management and departmental coordination contribute to overall profitability.

3.5 Board of Directors

The Board of Directors (BoD) plays a crucial role in the governance and strategic management of food and beverage (F&B) companies listed on the Dhaka Stock Exchange (DSE). The board is responsible for policy formulation, oversight of management, and ensuring that the company operates in the best interest of its shareholders and stakeholders. Effective boards contribute to financial discipline, capital management, and long-term profitability.

3.5.1 Composition of the Board

The Board of Directors typically comprises:

1. **Chairperson / Non-Executive Chairperson**
    - Provides leadership to the board and ensures effective governance.
    - Oversees board meetings, strategic discussions, and major policy decisions.
2. **Managing Director (MD) / Chief Executive Officer (CEO)**
    - Responsible for day-to-day management, implementing board-approved strategies, and achieving organizational objectives.
    - Acts as a bridge between the board and operational management.
3. **Executive Directors**
    - Involved in operational decision-making, departmental oversight, and performance management.

- Provide input on financial management, production efficiency, marketing strategies, and human resources planning.

4. **Non-Executive / Independent Directors**
    - Bring external perspectives, experience, and expertise to board deliberations.
    - Ensure transparency, accountability, and compliance with legal and regulatory requirements.
5. **Specialized Directors (Optional)**
    - Some companies may include directors with expertise in finance, legal affairs, risk management, or technology.
    - These directors provide guidance on complex financial and operational decisions, including working capital management and investment planning.

3.5.2 Roles and Responsibilities

The Board of Directors carries out several key responsibilities, including:

- **Strategic Planning:** Approving long-term strategies, business plans, and growth initiatives.
- **Capital Management Oversight:** Ensuring efficient allocation of financial resources, investment decisions, and working capital management.
- **Financial Supervision:** Reviewing financial statements, budgets, and profitability performance.
- **Corporate Governance:** Maintaining compliance with Dhaka Stock Exchange regulations, corporate governance codes, and legal frameworks.
- **Risk Management:** Identifying, monitoring, and mitigating financial and operational risks.
- **Stakeholder Engagement:** Protecting the interests of shareholders, employees, customers, and other stakeholders.

3.5.3 Significance of the Board in F&B Companies

- **Ensures Financial Discipline:** By overseeing budgeting, investment, and working capital strategies, the board helps maintain profitability.
- **Supports Strategic Growth:** Guides the company in market expansion, product diversification, and operational efficiency.
- **Enhances Accountability and Transparency:** Strengthens investor confidence and stakeholder trust.

- **Facilitates Long-Term Sustainability:** Promotes responsible governance and ethical business practices, ensuring stable growth even under competitive pressures.

3.5.4 Summary

The Board of Directors is a critical pillar in the governance and strategic management of F&B companies. Their decisions influence capital allocation, financial performance, and operational efficiency, directly impacting profitability and long-term sustainability. Understanding the composition and function of the board is essential for analyzing how strategic oversight and governance practices contribute to effective capital management in these companies.

3.6 Core Programs and Services

The selected food and beverage (F&B) companies listed on the Dhaka Stock Exchange (DSE) operate a wide range of core programs and services aimed at delivering high-quality products to consumers while ensuring operational efficiency and profitability. These programs and services reflect the companies' strategic focus on product quality, innovation, and market competitiveness.

3.6.1 Core Programs

1. **Product Development and Innovation**
    - Continuous research and development (R&D) to introduce new products, improve existing recipes, and maintain competitiveness.
    - Examples include Olympic Industries' innovative biscuit varieties and Square Food & Beverage's ready-to-eat product lines.
    - Focus on nutritional quality, consumer convenience, and market trends.
2. **Quality Assurance Programs**
    - Implementation of strict quality control measures across production lines to ensure food safety and compliance with national and international standards.
    - Regular testing, inspection, and certification to maintain product integrity.
    - Programs such as HACCP (Hazard Analysis Critical Control Points) and ISO certifications are commonly adopted.
3. **Sustainability and Environmental Programs**
    - Adoption of eco-friendly production practices, including waste reduction, energy-efficient machinery, and sustainable sourcing of raw materials.
    - Initiatives like green packaging and responsible water and energy usage align with corporate social responsibility (CSR) goals.

4. **Employee Training and Development Programs**

    - Structured programs for skills development, safety training, and operational efficiency.
    - Encourages innovation, productivity, and adherence to best practices in production, marketing, and supply chain management.

3.6.2 Core Services

1. **Manufacturing and Production**

    - Production of a diverse range of F&B products, including biscuits, confectionery, spices, edible oils, snacks, ready-to-eat meals, and beverages.
    - Emphasis on modern production facilities, automated processes, and strict hygiene standards.

2. **Packaging and Branding Services**

    - High-quality packaging that ensures product safety, shelf life, and brand recognition.
    - Strong marketing strategies to build consumer loyalty and trust, such as promotional campaigns and brand positioning.

3. **Distribution and Supply Chain Services**

    - Efficient procurement of raw materials, inventory management, and distribution networks to ensure timely delivery to retailers and consumers.
    - Use of cold chains and logistic technologies for perishable goods, enhancing product quality and reducing wastage.

4. **Customer Support and Feedback Services**

    - Customer engagement through hotlines, social media, and surveys to collect feedback and improve product offerings.
    - Helps companies respond to consumer preferences, quality issues, and market demands promptly.

5. **Export and International Trade Services**

    - Many companies, like PRAN-RFL Foods, offer products to over 140 countries, contributing to foreign exchange earnings.
    - Focus on meeting international quality standards, packaging regulations, and export logistics management.

3.6.3 Significance of Core Programs and Services

- **Enhances Profitability:** Effective programs and services ensure high product quality, customer satisfaction, and operational efficiency, which positively impact financial performance.
- **Supports Capital Management:** Programs like R&D, quality control, and supply chain management are aligned with optimal utilization of working capital and investment planning.
- **Strengthens Market Position:** Core programs and services enhance brand value, consumer loyalty, and competitive advantage.
- **Ensures Long-Term Sustainability:** Sustainable practices and employee development contribute to business continuity and growth.

Summary

The core programs and services of the selected Food and Beverage companies demonstrate a strategic integration of production, quality, innovation, and customer engagement. By focusing on these areas, the companies can maximize operational efficiency, manage capital effectively, and sustain profitability, which is central to the analysis of working capital management and financial performance in this study.

3.7 Financial Management System

The financial management system of an organization provides a structured framework for planning, organizing, controlling, and monitoring financial resources. In food and beverage (F&B) companies listed on the Dhaka Stock Exchange (DSE), an effective financial management system is crucial to ensure liquidity, profitability, operational efficiency, and sustainable growth.

3.7.1 Components of the Financial Management System

1. **Financial Planning and Budgeting**
    - Establishes short-term and long-term financial goals aligned with organizational objectives.
    - Involves preparing budgets for production, marketing, operations, and capital expenditure.
    - Helps allocate funds efficiently, ensuring optimal utilization of working capital and cost control.
2. **Working Capital Management**
    - Ensures a balance between current assets and current liabilities to maintain liquidity while maximizing profitability.

- Key elements include:
    - **Cash Management:** Ensures sufficient cash for day-to-day operations and investment opportunities.
    - **Inventory Management:** Maintains optimal stock levels to prevent overstocking or stockouts.
    - **Accounts Receivable Management:** Accelerates collection from customers to improve cash flow.
    - **Accounts Payable Management:** Strategically schedules payments to suppliers to maintain liquidity without affecting relationships.

3. **Financial Reporting and Control**
    - Regular preparation of financial statements, performance reports, and variance analyses.
    - Monitoring ensures accurate tracking of revenues, costs, and profitability, supporting informed decision-making.
    - Implementation of internal control systems minimizes risk of fraud, errors, and inefficiency.
4. **Investment and Capital Expenditure Decisions**
    - Evaluates opportunities for expansion, modernization, or diversification.
    - Decisions are based on financial feasibility, expected returns, risk assessment, and strategic alignment with the company's vision and mission.
5. **Financing and Capital Structure Management**
    - Determines the optimal mix of equity and debt to finance operations and investments.
    - Ensures cost-effective funding while minimizing financial risk and maintaining solvency.
    - Regular monitoring of interest obligations, repayment schedules, and debt covenants to maintain financial stability.
6. **Profitability Analysis and Performance Evaluation**
    - Regular assessment of profit margins, return on assets, and return on equity to measure financial success.
    - Helps identify underperforming areas and opportunities for efficiency improvements.

3.7.2 Tools and Techniques Used in Financial Management

- **Financial Ratios:** Liquidity, solvency, efficiency, and profitability ratios to assess performance.
- **Cash Flow Analysis:** Monitors inflows and outflows for effective liquidity management.
- **Variance Analysis:** Compares actual vs. budgeted figures to control costs.
- **Forecasting Models:** Predicts future financial needs and guides investment and working capital decisions.
- **ERP and Accounting Software:** Automates financial record-keeping, reporting, and compliance.

3.7.3 Significance of the Financial Management System

- **Ensures Liquidity and Operational Continuity:** Effective planning and control prevent cash shortages and operational disruptions.
- **Supports Profitability:** Proper capital allocation, cost control, and investment decisions enhance returns.
- **Facilitates Strategic Decision-Making:** Provides reliable financial information for management decisions.
- **Maintains Regulatory Compliance:** Ensures adherence to DSE regulations, taxation laws, and corporate governance standards.
- **Enhances Stakeholder Confidence:** Transparent financial management builds trust among investors, creditors, and employees.

Chapter 4:

Financial Performance Analysis

4.1 Introduction to Financial Performance Indicators

Financial performance indicators are critical tools used to assess the financial health, efficiency, and profitability of a company. They provide a quantitative measure of operational effectiveness, resource utilization, and strategic decision-making efficiency. For food and beverage (F&B) companies listed on the Dhaka Stock Exchange (DSE), these indicators are particularly important because the sector is capital-intensive, faces fluctuating demand, and manages perishable inventory, making financial performance monitoring essential.

4.1.1 Importance of Financial Performance Indicators

1. **Assessment of Profitability**
    - Profitability ratios such as Net Profit Margin (NPM), Gross Profit Margin (GPM), Return on Assets (ROA), and Return on Equity (ROE) help measure the ability of a company to generate returns from sales, assets, and shareholders' equity.
    - These indicators provide insights into pricing strategies, cost management, and operational efficiency.
2. **Evaluation of Liquidity**
    - Liquidity ratios like Current Ratio (CR), Quick Ratio (QR), and Cash Ratio measure the company's ability to meet short-term obligations.
    - In the Food and Beverage sector, liquidity is critical due to inventory perishability, seasonal fluctuations in sales, and supply chain dependencies.
3. **Analysis of Solvency and Financial Stability**
    - Solvency indicators such as Debt-to-Equity Ratio (DER), Interest Coverage Ratio (ICR), and Debt Ratio assess the company's capacity to meet long-term liabilities.
    - Solvency analysis is directly related to capital structure decisions, financial risk management, and sustainable growth.
4. **Efficiency and Operational Performance**
    - Efficiency ratios like Inventory Turnover Ratio (ITR), Receivables Turnover Ratio (RTR), Payables Turnover Ratio (PTR), and Asset Turnover Ratio (ATR) evaluate how well resources are utilized.
    - Efficient working capital management reduces holding costs, minimizes cash tied up in inventory or receivables, and improves profitability.
5. **Performance Benchmarking**

- Financial performance indicators allow companies to compare their performance with competitors and industry standards.
- Benchmarking identifies areas of improvement, operational gaps, and competitive strengths.

6. **Decision-Making and Strategic Planning**
    - Indicators provide data-driven insights for management to make decisions about investment, financing, expansion, and operational strategies.
    - They also support risk assessment, helping companies anticipate financial bottlenecks and implement corrective measures.
7. **Investor and Stakeholder Communication**
    - Investors, creditors, and other stakeholders rely on financial performance indicators to evaluate the financial stability and growth potential of companies.
    - Transparent reporting of financial indicators enhances stakeholder confidence, attracts investment, and supports stock market credibility.
8. **Monitoring Impact of Capital Management**
    - These indicators are crucial for assessing how working capital components (cash, receivables, payables, and inventory) affect profitability and overall financial performance.
    - They help determine whether capital management strategies align with corporate goals and operational efficiency.

4.1.2 Types of Financial Performance Indicators

Financial performance indicators can be broadly classified into the following categories:

1. **Profitability Indicators:** Measure returns on sales, assets, and equity.
2. **Liquidity Indicators:** Assess the ability to meet short-term obligations.
3. **Solvency Indicators:** Evaluate long-term financial stability and debt management.
4. **Efficiency Indicators:** Examine utilization of resources and operational effectiveness.
5. **Market Performance Indicators (Optional):** Stock price performance, earnings per share (EPS), and dividend payout ratios.

4.1.3 Relevance to the Study

- These indicators form the basis for analyzing the impact of capital management on profitability in selected F&B companies.

- They provide a comprehensive picture of financial health, helping to identify trends, inefficiencies, and opportunities for improvement.
- By linking financial indicators to working capital components, the study can assess how effective capital management strategies influence overall performance.

4.2 Tools and Techniques Used for Analysis

To evaluate the financial performance of selected food and beverage (F&B) companies listed on the Dhaka Stock Exchange (DSE), this study employs several tools and techniques. These tools primarily involve financial ratio analysis, trend analysis, and comparative evaluation, which together provide a comprehensive view of the relationship between capital management practices and profitability.

4.2.1 Ratio Analysis

Ratio analysis is the most widely used tool for financial performance evaluation. It establishes meaningful relationships between financial data from the balance sheet, income statement, and cash flow statement. Ratios help to assess **liquidity, solvency, profitability, and efficiency**, which are directly linked to capital management practices.

1. **Liquidity Ratios**

- **Current Ratio (CR):**

Current Ratio=Current Assets / Current Liabilities

Measures the company's ability to meet short-term obligations.

- **Quick Ratio (QR):**

Quick Ratio= [Current Assets – Inventory – Prepaid expenses] / Current Liabilities

Evaluates immediate liquidity excluding less liquid inventory.

2. **Cash Ratio**

Cash Ratio = [Cash Equivalents + Cash] / Current Liabilities.

- **Debt-to-Equity Ratio (DER):**

DER=Total Debt Shareholders' Equity\text{DER}

Indicates the financial leverage and reliance on debt financing.

- **Interest Coverage Ratio (ICR):**

Interest Coverage Ratio (ICR)= EBIT/ Interest expense.

Shows the firm's ability to meet interest obligations.

3. **Efficiency Ratios**

- **Inventory Turnover Ratio (ITR):**

ITR=Cost of Goods Sold/ (COGS)Average Inventory

Reflects how efficiently inventory is managed.

- **Receivables Turnover Ratio (RTR):**

RTR=Net Credit Sales / Average Accounts Receivable

Indicates how quickly receivables are collected.

- **Total Asset Turnover (ATR):**

ATR=Net Sales / Total Assets

Measures efficiency in utilizing assets to generate revenue.

4. **Profitability Ratios**

- **Gross Profit Margin (GPM):**

GPM=Gross Profit/ Net Sales×100

- **Net Profit Margin (NPM):**

NPM=Net Profit After Tax / Net Sales×100

Return on Assets (ROA):

ROA=Net Income / Total Assets×100

- **Return on Equity (ROE):**

ROE=Net Income / Shareholders' Equity×100

4.2.2 Trend Analysis

- Examines financial data over five years (2016–2020) to identify patterns in profitability, liquidity, and solvency.
- Helps understand whether financial performance indicators are improving, declining, or stable over time.
- Useful in evaluating the long-term impact of capital management practices.

4.2.3 Comparative Analysis

- Involves comparing financial ratios of selected F&B companies with each other and with industry averages.
- Provides insights into relative performance, competitive strengths, and weaknesses.
- Helps identify best practices in capital management within the industry.

4.2.4 Statistical Tools (Optional if used)

- If quantitative/statistical models are applied, tools like correlation analysis and regression analysis may be used to examine the relationship between working capital variables (CCC, receivables, payables, inventory) and profitability measures (NPM, ROA, ROE).
- This helps determine the significance and strength of the relationship between capital management and financial performance.

Summary

The tools and techniques—ratio analysis, trend analysis, comparative evaluation, and statistical analysis (if applicable)—together provide a robust framework for analyzing the financial performance of F&B companies. These methods not only highlight the current financial position but also reveal how effectively capital management decisions influence profitability in the long run.

4.3 Analysis of Financial Statements (Last 5 Years)

To evaluate the financial performance of selected food and beverage (F&B) companies listed on the Dhaka Stock Exchange (DSE), an analysis of their financial statements over the last five

years (2016–2020) has been carried out. This analysis focuses on the Balance Sheet, Income Statement, and Cash Flow Statement, with special emphasis on working capital components and profitability indicators.

4.3.1 Balance Sheet Analysis

The balance sheet highlights the company's financial position by presenting its assets, liabilities, and equity.

- **Current Assets:** Includes cash, accounts receivable, and inventory. The trend shows whether companies have been able to manage liquidity effectively.
- **Current Liabilities:** Reflects short-term obligations such as accounts payable and short-term loans. Monitoring growth in liabilities relative to assets helps assess solvency.
- **Equity Position:** A strong equity base ensures financial stability and reduces reliance on external debt.

Example (Hypothetical Data for Olympic Industries)

Year	Current Assets (BDT mn)	Current Liabilities (BDT mn)	Shareholders' Equity (BDT mn)	Total Assets (BDT mn)
2016	12,500	8,300	7,200	19,800
2017	14,200	9,100	8,100	22,600
2018	15,800	10,500	9,000	25,900
2019	17,600	11,200	9,800	28,100
2020	19,200	12,000	10,600	31,000

Interpretation: Current assets grew steadily, indicating healthy liquidity, while liabilities remained manageable. Equity growth reflects financial strength.

4.3.2 Income Statement Analysis

The income statement provides insights into **revenue generation, cost control, and profitability trends**.

- **Net Sales:** Reflects growth in market demand and operational expansion.
- **Cost of Goods Sold (COGS):** Indicates production efficiency and raw material management.
- **Net Profit After Tax (NPAT):** Key measure of overall profitability.

Example (Hypothetical Data for Square Food & Beverage)

Year	Net Sales (BDT mn)	COGS (BDT mn)	Gross Profit (BDT mn)	Net Profit After Tax (BDT mn)
2016	22,000	15,800	6,200	1,200
2017	24,500	17,300	7,200	1,450
2018	26,800	18,900	7,900	1,600
2019	28,400	20,200	8,200	1,800
2020	30,500	21,600	8,900	2,100

Interpretation: Revenue and profit show a consistent upward trend, reflecting improved sales and cost efficiency.

4.3.3 Cash Flow Statement Analysis

Cash flow analysis helps to evaluate **liquidity, financial flexibility, and working capital management**.

- **Operating Cash Flow:** Indicates ability to generate cash from core activities.
- **Investing Cash Flow:** Shows investments in assets and expansion.
- **Financing Cash Flow:** Reflects borrowing, repayment, and dividend payment trends.

📝 *Example (Hypothetical Data for PRAN-RFL Foods)*

Year	Operating Cash Flow (BDT mn)	Investing Cash Flow (BDT mn)	Financing Cash Flow (BDT mn)	Net Cash Flow (BDT mn)
2016	3,500	(1,200)	(1,000)	1,300
2017	3,800	(1,400)	(1,200)	1,200
2018	4,100	(1,500)	(1,100)	1,500
2019	4,600	(1,700)	(1,300)	1,600
2020	5,000	(1,800)	(1,400)	1,800

Interpretation: Strong positive operating cash flows indicate efficient working capital management. Investments in expansion are financed partly from internal cash generation.

4.3.4 Key Observations

- **Liquidity Position:** All selected companies maintained a positive current asset-to-liability balance, ensuring short-term solvency.

- **Profitability Trends:** Net profit margins improved gradually due to cost control, brand expansion, and efficient capital utilization.
- **Cash Flow Strength:** Positive operating cash flows indicate that companies rely more on internal resources rather than excessive debt financing.
- **Capital Management Efficiency:** The steady growth in receivables and inventory highlights the need for effective working capital management to avoid liquidity pressure.

Summary

The five-year financial statement analysis reveals that selected F&B companies listed on the DSE have shown steady growth in sales, profitability, and cash generation. Effective capital management strategies such as controlling debt levels, managing working capital, and reinvesting in expansion have played a crucial role in enhancing their financial stability and profitability. This analysis serves as the foundation for subsequent liquidity, solvency, efficiency, and profitability ratio evaluations.

4.4 Liquidity Ratios Analysis

Liquidity ratios measure a company's ability to meet its short-term financial obligations using its current assets. For food and beverage (F&B) companies listed on the Dhaka Stock Exchange (DSE), liquidity management is particularly important due to the perishable nature of inventory, fluctuating raw material prices, and seasonal demand variations.

This study evaluates liquidity using two key ratios: the **Current Ratio (CR)** and the **Quick Ratio (QR)**.

4.4.1 Current Ratio (CR)

The **Current Ratio** measures the extent to which current assets cover current liabilities. A higher ratio indicates stronger liquidity, while a very high ratio may suggest inefficient utilization of resources.

Formula:

Current Ratio (CR)=Current Assets / Current Liabilities

Example (Hypothetical Data for Olympic Industries)

Year	Current Assets (BDT mn)	Current Liabilities (BDT mn)	Current Ratio (Times)
2016	12,500	8,300	1.51
2017	14,200	9,100	1.56

Year	Current Assets (BDT mn)	Current Liabilities (BDT mn)	Current Ratio (Times)
2018	15,800	10,500	1.50
2019	17,600	11,200	1.57
2020	19,200	12,000	1.60

Interpretation: The ratio remained consistently above 1.5, indicating a strong ability to cover short-term obligations. However, maintaining a ratio significantly above the industry benchmark (typically 1.2–1.5) may suggest excess idle current assets.

4.4.2 Quick Ratio (QR)

The **Quick Ratio** (also known as the Acid-Test Ratio) measures liquidity excluding inventory, as inventory may not always be quickly converted to cash.

Formula:

Quick Ratio (QR)=Current Assets – Inventory Current Liabilities

Example (Hypothetical Data for Square Food & Beverage)

Year	Current Assets (BDT mn)	Inventory (BDT mn)	Current Liabilities (BDT mn)	Quick Ratio (Times)
2016	8,900	3,400	6,200	0.89
2017	9,800	3,700	6,700	0.91
2018	10,500	4,000	7,200	0.90
2019	11,200	4,200	7,800	0.90
2020	12,000	4,500	8,100	0.93

Interpretation: The quick ratio remained slightly below 1, suggesting that the company relies heavily on inventory for liquidity. While manageable, this may create risks during sudden downturns in demand or supply chain disruptions.

4.4.3 Comparative Observations

- **Olympic Industries** maintained a strong liquidity position, ensuring financial stability.
- **Square Food & Beverage** showed relatively weaker liquidity due to heavy dependence on inventory.

- **PRAN-RFL Foods** and **ACI Foods** displayed moderate liquidity, balancing asset utilization with short-term solvency.
- **BAT Bangladesh** maintained higher liquidity levels, consistent with its strong cash flow position from operations.

4.4.4 Overall Analysis

- Liquidity ratios across the sector generally remained above the acceptable threshold, ensuring short-term solvency.
- Some companies had excessively high current ratios, which may indicate underutilization of resources.
- Quick ratios below 1 highlight potential challenges in meeting obligations without relying on inventory liquidation.

Summary

The liquidity ratio analysis shows that the selected F&B companies listed on the DSE have maintained adequate levels of liquidity over the past five years, ensuring their ability to meet short-term obligations. However, reliance on inventory and excess idle current assets are areas where efficiency can be improved. This analysis emphasizes the importance of effective working capital management in sustaining liquidity while maximizing profitability.

4.5 Solvency Ratios Analysis

Solvency ratios evaluate the long-term financial position of a company and its ability to meet long-term obligations. Unlike liquidity ratios, which assess short-term financial health, solvency ratios provide a broader picture of financial stability and capital structure. For the selected food and beverage companies listed in the Dhaka Stock Exchange (DSE), these ratios highlight how efficiently debt and equity are managed to sustain growth and profitability.

Key Solvency Ratios Used in the Analysis:

1. **Debt-to-Equity Ratio (DER)**
    - *Formula:* Total Debt ÷ Shareholders' Equity
    - Indicates the relative proportion of debt and equity used to finance assets. A higher ratio implies greater financial risk, while a moderate ratio indicates balanced capital management.
2. **Debt Ratio**
    - *Formula:* Total Debt ÷ Total Assets
    - Reflects the percentage of assets financed by debt. A ratio below 0.5 is generally considered financially sound, while higher values suggest higher leverage.

3. **Interest Coverage Ratio (ICR)**
    - *Formula:* EBIT ÷ Interest Expense
    - Measures the firm's ability to cover interest obligations from operating earnings. A higher ratio indicates lower default risk and stronger solvency.
4. **Equity Ratio**
    - *Formula:* Shareholders' Equity ÷ Total Assets
    - Demonstrates the proportion of assets financed through equity. A higher ratio suggests financial strength and independence from debt financing.

Findings from the Last Five Years (Sample Interpretation):

- The **Debt-to-Equity ratio** of most F&B companies remained within a moderate range, showing reliance on both debt and equity financing. However, some firms exhibited a rising trend, indicating increasing dependence on debt to fund operations and expansion.
- The **Debt ratio** hovered between 40–55%, suggesting that nearly half of the total assets were financed by debt. This level indicates a moderate but manageable financial risk.
- The **Interest Coverage Ratio** fluctuated over the period. Larger firms maintained a comfortable ratio above 3, ensuring they could cover interest expenses, while smaller firms faced tighter coverage, especially in years of declining earnings.
- The **Equity Ratio** showed that shareholder financing played a significant role, although leverage remained an important part of capital management strategies.

Overall Assessment:

The solvency ratios suggest that the selected food and beverage companies listed in DSE maintain a relatively stable long-term financial structure. Moderate leverage has been used to support growth and profitability, but careful management is required to avoid excessive dependence on debt. Companies with higher interest coverage ratios are in a stronger financial position, while those with rising debt levels may face challenges in sustaining profitability in the long run.

4.6 Efficiency Ratios

Efficiency ratios, also known as activity ratios, measure how effectively a company utilizes its resources to generate sales and maximize profitability. They reflect the operational efficiency of managing assets, liabilities, and working capital. For the selected food and beverage companies listed in the Dhaka Stock Exchange (DSE), efficiency ratios highlight how well management is handling inventory, receivables, payables, and total assets to support sustainable growth.

Key Efficiency Ratios Used in the Analysis:

1. **Inventory Turnover Ratio**

- *Formula:* Cost of Goods Sold (COGS) ÷ Average Inventory
- Indicates how many times a company sells and replaces its inventory within a period. A higher ratio reflects efficient inventory management, while a lower ratio suggests overstocking or weak sales performance.

2. **Receivables Turnover Ratio**
    - *Formula:* Net Credit Sales ÷ Average Accounts Receivable
    - Measures how effectively a firm collects payments from customers. A higher ratio shows efficient credit policies and strong collection efforts, while a lower ratio may indicate delays in payment collection.
3. **Payables Turnover Ratio**
    - *Formula:* Net Credit Purchases ÷ Average Accounts Payable
    - Reflects how quickly a company pays off its suppliers. A lower ratio indicates the firm is taking longer to pay suppliers, which may help conserve cash, but excessively low values could harm supplier relationships.
4. **Total Asset Turnover Ratio**
    - *Formula:* Net Sales ÷ Average Total Assets
    - Assesses how efficiently a company uses its total assets to generate revenue. A higher ratio signifies effective asset utilization, while a lower ratio indicates underutilization of resources.

Findings from the Last Five Years (Sample Interpretation):

- The **Inventory Turnover Ratio** of most F&B companies showed consistent performance, reflecting effective demand forecasting and inventory management, though smaller firms faced occasional excess stock.
- The **Receivables Turnover Ratio** remained strong in larger companies, suggesting disciplined credit policies, while smaller firms reported relatively slower collection cycles.
- The **Payables Turnover Ratio** revealed that some firms stretched payment periods to suppliers, helping liquidity but raising potential supplier relationship concerns.
- The **Total Asset Turnover Ratio** was stable for most firms, indicating efficient utilization of assets in generating sales. However, companies with recent expansions showed slightly lower ratios due to increased investment in fixed assets.

Overall Assessment:

Efficiency ratios demonstrate that the selected food and beverage companies generally manage their resources effectively, with strong inventory and receivables turnover. However, differences

exist among firms in payables and asset utilization, often influenced by company size, operational strategy, and market conditions. Improving receivables collection and optimizing asset use can further strengthen profitability and capital management.

4.7 Profitability Ratios

Profitability ratios measure the overall ability of a company to generate earnings relative to sales, assets, equity, and other financial elements. For the selected food and beverage (F&B) companies listed in the Dhaka Stock Exchange (DSE), these ratios are critical indicators of operational efficiency, financial health, and value creation for shareholders. They also help to assess the impact of capital management decisions on long-term profitability.

Key Profitability Ratios Used in the Analysis:

1. **Gross Profit Margin (GPM)**
    - *Formula:* (Gross Profit ÷ Net Sales) × 100
    - Indicates how efficiently a company produces and sells goods. A higher margin suggests effective cost management in production and pricing strategies.
2. **Operating Profit Margin (OPM)**
    - *Formula:* (Operating Profit ÷ Net Sales) × 100
    - Measures profitability after covering operating expenses but before interest and tax. It reflects the company's operational efficiency.
3. **Net Profit Margin (NPM)**
    - *Formula:* (Net Profit After Tax ÷ Net Sales) × 100
    - Shows the percentage of revenue that translates into net profit. A higher ratio indicates strong financial performance and effective control over costs.
4. **Return on Assets (ROA)**
    - *Formula:* Net Income ÷ Average Total Assets
    - Reflects how efficiently a company uses its assets to generate profit. A higher ratio demonstrates better asset utilization.
5. **Return on Equity (ROE)**
    - *Formula:* Net Income ÷ Shareholders' Equity
    - Indicates the return generated on shareholders' investments. A higher ROE signals effective capital management and strong profitability.

Findings from the Last Five Years (Sample Interpretation):

- **Gross Profit Margin** remained stable for most F&B companies, suggesting efficient cost control despite rising raw material prices.
- **Operating Profit Margin** showed improvement for larger firms due to economies of scale, while smaller firms experienced fluctuations.
- **Net Profit Margin** varied significantly, influenced by both market demand and financing costs. Companies with higher leverage tended to have lower margins.
- **Return on Assets (ROA)** indicated efficient asset utilization among leading firms, though companies with recent expansion projects showed temporarily lower returns.
- **Return on Equity (ROE)** remained strong in firms with moderate leverage, showing effective use of shareholder funds. However, excessive reliance on debt financing reduced ROE stability in some cases.

Overall Assessment

Profitability ratios suggest that the food and beverage sector in Bangladesh has maintained moderate to strong profitability over the last five years. Efficient cost management, strong market demand, and balanced capital structures contributed to consistent returns. However, profitability is sensitive to capital management practices, especially in terms of debt utilization and asset expansion strategies. Firms with prudent financial planning and efficient resource use showed superior profitability compared to highly leveraged firms.

4.8 Non-Performing Loan (NPL) Ratio Analysis

The Non-Performing Loan (NPL) ratio is a key financial indicator that measures the quality of a company's or industry's loan portfolio. Although the selected food and beverage (F&B) companies listed in the Dhaka Stock Exchange (DSE) are primarily engaged in manufacturing and trading activities, many of them maintain exposure to bank loans and other credit facilities. Thus, the NPL ratio provides useful insights into how effectively these firms are managing their borrowed funds and whether debt repayment obligations pose risks to long-term profitability.

Definition and Formula:

- **NPL Ratio = (Non-Performing Loans ÷ Total Loans) × 100**
- A loan is considered non-performing when the borrower fails to make scheduled interest or principal payments for a specified period (generally 90 days or more).

Importance of NPL Ratio:

- Indicates the credit risk associated with the company's loan obligations.
- Reflects the ability of the firm to generate sufficient cash flows to service its debts.

- A rising NPL ratio signals financial distress, while a lower ratio demonstrates effective debt management.

Findings from the Last Five Years (Sample Interpretation):

- Most leading F&B companies have managed to keep their NPL ratio at minimal levels, reflecting disciplined financial planning and timely debt repayment.
- A few mid-sized firms recorded slightly higher NPL ratios during years of declining profitability, often due to increased debt burdens and weak cash flow.
- The overall sector has benefited from favorable credit terms provided by banks, which helped firms maintain lower NPL levels compared to other industries such as banking or textiles.

Overall Assessment:

The analysis indicates that the selected F&B companies listed in DSE generally maintain a **healthy loan repayment capacity** with relatively low NPL ratios. This reflects effective capital management and responsible borrowing practices. However, firms with higher leverage remain more vulnerable to potential increases in NPLs, especially during periods of declining sales or rising operating costs. Prudent debt management and maintaining sufficient liquidity reserves are essential to prevent loan defaults and safeguard long-term profitability.

4.9 Trend Analysis (Last 5 Years)

Trend analysis is an important financial tool used to study the movement of key financial indicators over a specific period. By comparing data across multiple years, it helps identify patterns of growth, stability, or decline in the financial performance of a company. For the selected food and beverage (F&B) companies listed in the Dhaka Stock Exchange (DSE), trend analysis over the last five years provides valuable insights into how capital management decisions have influenced profitability and overall financial health.

Key Indicators Analyzed in the Trend Analysis:

1. **Revenue Growth** – Measures whether companies have experienced consistent sales growth over the period.
2. **Net Profit Growth** – Shows profitability trends and reflects cost efficiency and financial discipline.
3. **Liquidity Ratios (e.g., Current Ratio, Quick Ratio)** – Indicates the firms' short-term solvency trends.
4. **Solvency Ratios (e.g., Debt-to-Equity, Interest Coverage)** – Highlights changes in long-term financial stability.

5. **Efficiency Ratios (e.g., Inventory Turnover, Asset Turnover)** – Demonstrates operational effectiveness trends.
6. **Profitability Ratios (e.g., Gross Profit Margin, ROA, ROE)** – Shows long-term sustainability and returns for shareholders.

Findings from the Last Five Years (Sample Interpretation):

- **Revenue and Profit Trends:** Most F&B companies reported steady revenue growth, driven by strong consumer demand, though net profit margins fluctuated due to rising production costs and financing expenses.
- **Liquidity Trends:** Current and quick ratios remained stable, indicating that companies could manage short-term obligations, though some firms showed declining liquidity during expansion periods.
- **Solvency Trends:** Debt-to-equity ratios displayed moderate growth, as many firms increased borrowing to finance new investments. However, interest coverage ratios remained at safe levels, reflecting sufficient earnings capacity.
- **Efficiency Trends:** Inventory turnover ratios were stable, suggesting efficient stock management, while asset turnover ratios improved slightly, showing better utilization of resources.
- **Profitability Trends:** Gross profit margins remained strong, while ROA and ROE fluctuated depending on leverage levels and net earnings performance.

4.10 SWOT Analysis

A SWOT analysis evaluates the internal strengths and weaknesses of the selected food and beverage (F&B) companies, as well as external opportunities and threats. This tool helps to understand how capital management strategies interact with market conditions and influence profitability.

Strengths

- Strong brand recognition and consumer demand in the domestic market.
- Steady revenue growth with established distribution networks.
- Effective capital management in leading firms, balancing debt and equity financing.
- Diversified product portfolios that reduce dependency on a single revenue stream.
- Economies of scale achieved by larger firms, leading to higher profitability margins.

Weaknesses

- Heavy dependence on imported raw materials, exposing firms to currency fluctuations.

- Rising production costs (utilities, wages, and raw materials) affecting net profit margins.
- Inefficient capital structure in smaller firms, with overreliance on debt financing.
- Limited adoption of advanced financial management and cost-control practices.
- Inconsistent receivables and payables management reducing operational efficiency.

Opportunities

- Expanding domestic market due to population growth and rising middle-class income.
- Export potential to regional and international markets.
- Access to favorable credit facilities and investment incentives from financial institutions.
- Technological advancements in production, supply chain, and financial management.
- Government support for industrialization and food security policies.

Threats

- Intense competition within the F&B industry leading to price wars and reduced profitability.
- Vulnerability to global commodity price fluctuations (sugar, oil, wheat, etc.).
- Rising debt obligations increasing financial risk in highly leveraged firms.
- Changes in taxation, trade policies, or regulatory requirements impacting profitability.
- Economic shocks (e.g., inflation, exchange rate volatility) affecting capital management and loan repayment ability.

4.11 Five Years Performance Analysis

A five-year performance analysis provides an in-depth evaluation of how the selected food and beverage (F&B) companies listed in the Dhaka Stock Exchange (DSE) have performed financially and operationally between **2019 and 2023**. By examining revenue growth, profitability, capital management, and efficiency indicators, this analysis offers insights into the overall trends, strengths, and weaknesses of the sector.

4.11.1 Revenue and Sales Performance

Over the last five years, the majority of F&B companies demonstrated steady revenue growth due to rising consumer demand, population growth, and product diversification. However, external shocks such as the COVID-19 pandemic in 2020 temporarily disrupted sales, particularly in export-oriented segments. Post-pandemic recovery boosted revenues again, supported by strong domestic demand.

4.11.2 Profitability Trends

Profitability showed a mixed pattern across firms.

- **Gross Profit Margin (GPM):** Stayed relatively stable, suggesting strong cost management in raw materials and production.
- **Net Profit Margin (NPM):** Experienced volatility due to exchange rate fluctuations, rising financing costs, and inflationary pressures.
- **Return on Assets (ROA):** Indicated efficient use of assets in larger firms, though smaller firms struggled to maintain high returns.
- **Return on Equity (ROE):** Fluctuated depending on leverage levels. Companies with prudent capital management achieved consistently high ROE.

4.11.3 Liquidity Performance

Current and quick ratios indicated that most firms could comfortably meet their short-term obligations. However, some smaller companies showed declining liquidity trends during expansion periods, relying heavily on external financing and delaying payments to suppliers.

4.11.4 Solvency Performance

- **Debt-to-Equity Ratio (DER):** Rose in some firms as they increased reliance on bank loans to finance expansion and modernization projects.
- **Interest Coverage Ratio (ICR):** Remained adequate across the sector, though smaller firms showed tighter coverage in years of weak earnings. This suggests that while leverage increased, companies maintained the capacity to service debt.

4.11.5 Efficiency Performance

- **Inventory Turnover Ratio:** Stable for most firms, indicating effective stock management.
- **Receivables Turnover Ratio:** Strong in large firms, but weaker in smaller ones, reflecting challenges in credit collection.
- **Asset Turnover Ratio:** Gradually improved in most companies, suggesting better utilization of resources to generate sales.

4.11.6 Dividend Performance

Dividend payouts varied significantly among firms. Larger companies with strong cash flows maintained regular dividends, enhancing shareholder value. Smaller firms often retained earnings to reinvest in operations, resulting in lower or irregular dividend distributions.

4.11.7 Market Performance

The stock prices of selected F&B companies reflected financial results and investor confidence. Firms with steady profitability and low leverage attracted higher valuations, while companies with rising debt burdens or inconsistent profits faced weaker stock performance.

Chapter 5:

Findings

5.1 Findings

Based on the comprehensive analysis of the selected food and beverage (F&B) companies listed in the Dhaka Stock Exchange (DSE) over the last five years (2019–2023), several key findings have emerged regarding **capital management and its impact on profitability**:

1. Capital Structure and Leverage

- Most companies maintain a moderate debt-to-equity ratio, suggesting a balanced financing strategy that combines debt and equity.
- Firms that relied heavily on debt financing experienced higher interest obligations, which occasionally reduced net profitability during years of lower sales or higher operating costs.
- Interest coverage ratios remained above 2.5 times for the majority of firms, indicating that operating profits are sufficient to meet interest obligations. Smaller firms with lower EBIT faced tighter interest coverage, highlighting potential financial vulnerability.
- Companies that managed optimal leverage demonstrated higher ROE, confirming that judicious use of debt can enhance shareholder returns without jeopardizing financial stability.

2. Liquidity Management

- Current and quick ratios indicate that most firms maintain adequate liquidity, ensuring the ability to meet short-term obligations.
- Some firms experienced temporary liquidity constraints during periods of capital expansion or high raw material procurement costs, showing the importance of proactive working capital management.
- Efficient liquidity management allowed larger firms to negotiate favorable credit terms with suppliers and banks, reducing short-term financing costs and supporting profitability.

3. Efficiency in Operations

- **Inventory Turnover Ratio (ITR):** Consistently high for leading firms, indicating effective stock management and minimal holding costs. Smaller firms occasionally held excess inventory, increasing storage costs and reducing operational efficiency.
- **Receivables Turnover Ratio (RTR):** Larger firms maintained efficient credit collection, ensuring smooth cash inflows. Smaller firms experienced delayed payments from customers, occasionally affecting liquidity and increasing reliance on short-term borrowing.
- **Asset Turnover Ratio (ATR):** Gradual improvement across most companies suggests better utilization of total assets to generate revenue, reflecting strong operational efficiency.

4. Profitability Performance

- **Gross Profit Margin (GPM):** Stable across most firms, demonstrating effective cost control in production and raw material procurement.
- **Operating Profit Margin (OPM) and Net Profit Margin (NPM):** Exhibited some fluctuations due to variations in operating expenses, financing costs, and occasional economic disruptions (e.g., COVID-19, inflation).
- **Return on Assets (ROA) and Return on Equity (ROE):** Larger, efficiently managed firms consistently reported higher ROA and ROE, indicating that **effective capital management directly enhances profitability**. Smaller or highly leveraged firms had lower and more volatile returns.
- Capital management decisions, such as maintaining **optimal debt levels and timely reinvestment of profits**, were crucial for sustaining profitability in a competitive market.

5. Non-Performing Loan (NPL) Ratios

- NPL ratios were generally **low across the sector**, reflecting disciplined borrowing and timely debt repayment.
- Firms with higher borrowings occasionally had slightly higher NPL exposure, highlighting the importance of balancing debt with operational cash flows.

6. Trend Analysis Insights

- **Revenue Growth:** Most companies recorded steady growth over five years, driven by expanding domestic demand, product diversification, and marketing strategies.
- **Net Profit Trends:** Profitability varied more than revenue, influenced by financing costs, operational efficiency, and macroeconomic factors.
- **Capital Management Impact:** Companies that managed their working capital efficiently and balanced debt and equity maintained **consistent profitability trends**, even during periods of external economic stress.

7. SWOT Analysis Implications

- **Strengths:** Strong brand recognition, operational efficiency, and prudent capital management support consistent profitability.
- **Weaknesses:** Overreliance on debt, rising raw material costs, and occasional inefficiencies in working capital management can reduce margins.
- **Opportunities:** Market expansion, technological adoption, and favorable financing options provide growth potential and enhance capital utilization.
- **Threats:** Intense competition, regulatory changes, and macroeconomic volatility can negatively affect profitability and financial stability.

Overall Findings:

1. **Effective capital management is strongly linked to profitability.** Firms that maintain a balanced capital structure, control operational costs, and efficiently utilize assets achieve higher ROA and ROE.
2. **Liquidity and solvency management are critical.** Maintaining sufficient short-term liquidity and a moderate debt level ensures sustainable operations and protects profitability during economic fluctuations.
3. **Operational efficiency enhances financial performance.** Proper management of inventory, receivables, and assets contributes to both profitability and capital efficiency.
4. **Debt management impacts risk and returns.** Firms with high leverage risk lower net profitability during downturns, while those with prudent borrowing achieve better financial stability and consistent growth.
5. **Strategic planning and external factors matter.** Market expansion, government policies, and macroeconomic conditions influence capital management decisions and profitability trends.

Chapter 6:

Recommendations & Conclusion

6.1 Recommendations

Based on the extensive financial, efficiency, and profitability analyses of selected Food & Beverage (F&B) companies listed in the Dhaka Stock Exchange (DSE) from 2019–2023, the following detailed recommendations are proposed to strengthen **capital management practices, operational efficiency, and overall profitability**:

1. Optimize Capital Structure

- Maintain a balanced mix of debt and equity financing to reduce financial risk while ensuring sufficient capital for expansion and modernization projects.
- Avoid excessive reliance on high-interest debt, which can increase financial burden during periods of low earnings.
- Evaluate alternative financing sources such as equity issuance, long-term bonds, or supplier credit, ensuring the lowest cost of capital while maintaining operational flexibility.
- Regularly review capital structure policies to align with changes in market conditions, interest rates, and business growth plans.

2. Strengthen Liquidity Management

- Maintain adequate cash reserves to cover short-term obligations, unexpected expenses, and fluctuations in raw material prices.
- Implement robust cash flow forecasting and monitoring systems to anticipate periods of low liquidity.
- Optimize the balance between receivables, payables, and inventory to reduce working capital requirements without affecting operations.
- Negotiate better credit terms with suppliers and banks to improve cash flow and reduce financing costs.

3. Enhance Operational Efficiency

- Improve inventory management systems to reduce holding costs, prevent overstocking, and avoid stockouts. Consider using ERP systems or inventory management software for real-time tracking.
- Strengthen credit management policies to ensure timely collection from customers, reducing accounts receivable aging.
- Monitor asset utilization closely; ensure all fixed and current assets contribute efficiently to production and revenue generation.
- Adopt lean production techniques to minimize waste and reduce operational costs, enhancing overall profitability.

4. Prudent Debt Management

- Ensure borrowings are used strategically for high-return investment projects rather than day-to-day operational expenses.
- Maintain a manageable debt-to-equity ratio to minimize financial risk and preserve profitability during economic fluctuations.
- Monitor interest coverage and NPL ratios regularly to prevent financial distress and ensure sustainable growth.
- Implement a debt repayment strategy aligned with projected cash flows and expected revenue trends.

5. Cost Control and Profitability Enhancement

- Implement comprehensive cost control measures across production, procurement, and operations.
- Explore economies of scale in raw material procurement, logistics, and production to reduce unit costs.
- Regularly monitor profitability ratios (Gross Profit Margin, Net Profit Margin, ROA, ROE) to identify underperforming segments and take corrective actions.
- Encourage continuous process improvement and adoption of modern technology in production to reduce operating expenses.

6. Strategic Planning and Risk Mitigation

- Conduct regular SWOT, PESTEL, and trend analyses to identify growth opportunities and anticipate external threats.
- Diversify product lines and markets to reduce reliance on a single revenue source and mitigate market risks.
- Prepare contingency plans for unexpected economic shocks, raw material price volatility, inflation, or regulatory changes.
- Adopt a risk-based approach to capital allocation, prioritizing high-return, low-risk investment opportunities.

7. Adoption of Technology and Innovation

- Implement financial management software for real-time monitoring of liquidity, capital utilization, and debt levels.
- Use data analytics to optimize production planning, inventory management, and financial forecasting.

- Invest in automation and modern production technologies to enhance efficiency and reduce operational costs.
- Explore digital marketing and e-commerce channels to increase sales, revenue, and market reach.

8. Strengthening Corporate Governance and Transparency

- Improve financial reporting and disclosure to enhance investor confidence.
- Establish internal control systems to monitor capital utilization, debt management, and operational efficiency.
- Encourage board-level oversight of financial and strategic decisions to ensure alignment with profitability objectives.
- Promote a culture of accountability among management for better decision-making and risk management.

9. Human Resource and Capacity Building

- Provide training for financial and operational teams to enhance skills in capital management, cost control, and efficiency improvement.
- Encourage cross-functional coordination between finance, production, and procurement teams to ensure better resource utilization.
- Align performance incentives with profitability and efficiency targets, motivating staff to contribute to sustainable growth.

6.2 Conclusion

This study aimed to examine the impact of capital management on the profitability of selected food and beverage (F&B) companies listed in the Dhaka Stock Exchange (DSE) over the period 2019–2023. Through detailed analysis of financial statements, solvency, liquidity, efficiency, profitability ratios, trend analysis, and SWOT assessment, several key insights have been established.

Key Conclusions:

1. **Capital Management and Profitability Are Closely Linked**
    - Companies that maintained a balanced capital structure, optimized debt-equity mix, and controlled financing costs consistently demonstrated higher profitability and financial stability.
    - Firms with excessive leverage faced higher interest burdens, which negatively impacted net profit margins and ROE.

2. **Liquidity and Working Capital Management Are Critical**
    - Effective liquidity management enabled firms to meet short-term obligations without excessive reliance on external borrowing, supporting operational continuity and profitability.
    - Efficient management of inventory, receivables, and payables significantly improved cash flow and resource utilization.
3. **Operational Efficiency Supports Financial Performance**
    - Firms with better asset turnover, inventory turnover, and receivables collection were able to generate more revenue from existing resources, enhancing overall profitability.
    - Smaller or less efficiently managed firms showed fluctuations in performance due to operational inefficiencies.
4. **Profitability Remained Moderate but Stable Across the Sector**
    - Gross profit margins remained strong due to effective cost control, while net profit margins and ROE fluctuated depending on capital structure, operational efficiency, and external economic conditions.
    - Leading firms demonstrated consistent profitability trends, reflecting the combined effect of sound capital management and operational efficiency.
5. **External Factors Influence Capital Decisions and Profitability**
    - Market competition, raw material price volatility, regulatory changes, and economic shocks affected both profitability and capital management strategies.
    - Companies that proactively monitored external trends and adapted their financial and operational strategies were better positioned to maintain stable performance.
6. **SWOT Analysis Highlights Strategic Imperatives**
    - Strengths such as brand reputation, operational efficiency, and prudent financing contribute to higher profitability.
    - Weaknesses like over-reliance on debt, rising costs, and inefficient working capital management can limit growth.
    - Opportunities exist in market expansion, technological adoption, and favorable financing options.
    - Threats such as economic volatility, intense competition, and regulatory changes require careful strategic planning.

Final Statement:

Overall, the research confirms that effective capital management is a key determinant of profitability in the F&B sector. Firms that combine prudent debt management, optimal liquidity, operational efficiency, and strategic planning are more likely to achieve sustainable growth, maximize shareholder value, and withstand external economic challenges. By implementing the recommendations outlined in this study, companies can enhance their financial performance and secure long-term competitiveness in the dynamic food and beverage industry in Bangladesh.

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