

**“Working Capital Management of M. M. Ispahani Limited”**

**Internship Report**

**Prepared by**

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Submitted in Partial Fulfillment of the Requirements for the Degree Bachelors of Business  
Administration



Date of submission – May 31, 2021

### Internship/Project Report Approval Form

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#### INTERNSHIP/PROJECT INFORMATION

Internship Organization: M.M. Ispahani Limited

Internship /Project Report Topic: Working Capital Management of M. M. Ispahani Limited

Term (Tick one):      ☒ **Spring 2021**              ☐ Summer 2021              ☐ Fall 2021

#### SUPERVISOR APPROVAL

(Tick One) ☐ Approved      ☐ Not Approved      ☐ Partial Re-write      ☐ Full Rewrite

Remarks (For Not Approved): \_\_\_\_\_

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Date:

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Name: Saima Nayeem

ID: 171011136



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Signature

Date: 31.05.2021

## **Letter of Transmittal**

May 31, 2021

Prof. Milan Kumar Bhattacharjee, PhD

School of Business,

ULAB University of Liberal Arts Bangladesh (ULAB)

House no - 56, Road no - 4/A, Satmasjid Road, Dhanmondi, Dhaka -1209

Subject: Submission of Internship Report.

Respected Sir,

This is the report I am obliged to prepare as a part of my graduation from ULAB School of Business of University of Liberal Arts Bangladesh. I have completed my internship at M.M. Ispahani Limited, worked in the Accounts department from February 01, 2021 to April 30, 2021. This report examines my internship experience and the duties I was assigned during my internship period.

I tried my level best for collecting all the relevant information about the research paper. I hope that this research paper will meet the standards of your judgments. If you kindly accept my internship report so that I can complete my internship, it would be a great honor for me.

Sincerely,

Saima Nayeem

ID: 171011136

BBA, ULAB School of Business

University of Liberal Arts Bangladesh

## Executive Summary

Since 1820, Ispahani Tea Limited has been a renowned private conglomerate industry in South Asia. In 1900, the company's headquarters were in Kolkata, and in 1947, it relocated to Chittagong, with several corporate offices opening up in Dhaka, Khulna, Sylhet, and Tea Estates and Development Zones, among other places. M.M. Ispahani Ltd is a holding company under this company there are many sister concerns companies available. Every day, this company creates new job openings in a variety of fields in our country. It is the world's largest tea trading firm, with a huge market share in the industry. “Ispahani Mirzapore Tea” is a well-known Tea brand in the region, but it is more of a category and generic name for tea than a brand.

This report is prepared on the basis of working capital management and its impact on day-to-day business of M.M. Ispahani Limited. The sole purpose of this report is to complete the requirements of the BBA program. I have completed my internship successfully in M.M. Ispahani Limited corporate office, Dhaka. Both primary and secondary data sources have been used as sources of necessary information.

For the easy of understanding I have divided my whole report into two parts. Each part contains several chapters which can be seen at a glance in the table of contents.

In the first part, there are three chapters divided into company profile, internship role and responsibilities and observation, recommendations and conclusion. In the company profile, a substantive effort has been given to understand the company's mission, vision, values, strategies, products and services and its business positioning by using SWOT analysis and five forces model. Then in chapter two, I gathered my experience and also mentioned my roles and responsibilities during my internship period. Later in chapter three, I put my observations about the company and gave some recommendations on the basis of these observations.

In the second part, there are four chapters named as Research Design, Theoretical Background, Analysis and Findings, Recommendation and Conclusion. In chapter one, I defined the objective and scope of my research, set methodology and identified limitations. The concepts and theories which will dictate research had been discussed in chapter two. Chapter three had been decorated with the main analysis and findings from analysis. Based on the findings of the analysis, I gave the recommendation and conclusion by providing a summary of the analysis.

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## Part A: Internship Experience

### Chapter One: Company Profile

#### 1.1 Company Background

Since 1820, Ispahani Tea Limited has been a renowned private conglomerate industry in South Asia, with ISO 9001: 2008 certification. In 1900, the company's headquarters were in Kolkata, and in 1947, it relocated to Chittagong, with several corporate offices opening up in Dhaka, Khulna, Sylhet, and Tea Estates and Development Zones, among other places. M.M. Ispahani Ltd is a holding company under this company there are many sister concerns companies available. Every day, this company creates new job openings in a variety of fields in our country. It is the world's largest tea trading firm, with a huge market share in the industry. “Ispahani Mirzapore Tea” is a well-known Tea brand in the region, but it is more of a category and generic name for tea than a brand. The company has many subsidiary companies in a number of industries. As part of its corporate philosophy, it also serves the nation through (C.S.R) Corporate Social Responsibility programs, including the establishment of EYE Hospital and numerous educational institutes. It has been committed to providing high-quality goods and services to the nation and the world since its inception. This ideology has culminated in a strong corporate image that has a positive effect on the environment. As a party, Ispahani is conquering community affection, reliance, and support. It was created to provide the nation with the highest quality goods and services until the end of time. Ispahani is Bangladesh's largest tea company. They introduced the first laminated pouch, double chamber T-bag, stack-up pouch, food grade container, three-layer wide pouch, 10-gram packs, and bag-in-bag packets in the Bangladesh market as a pioneer in the tea industry. They are concerned with supplying their customers with restless satisfaction and happy moments for a long time.

#### 1.2 Mission

- Increase profit by increasing the amount of sales.
- Become a market leader in the current market.
- Provide right price maintaining high quality product.
- Ensure consumer rights.

#### 1.3 Vision

To be the leader in manufacturing and the very best products which is ensure consumers peace of mind.

## 1.4 Values

- Innovation, research and development.
- Do not compromise with the quality.
- Highest customer value.
- Appreciating the efforts.
- Serving the society corporate social responsibility.

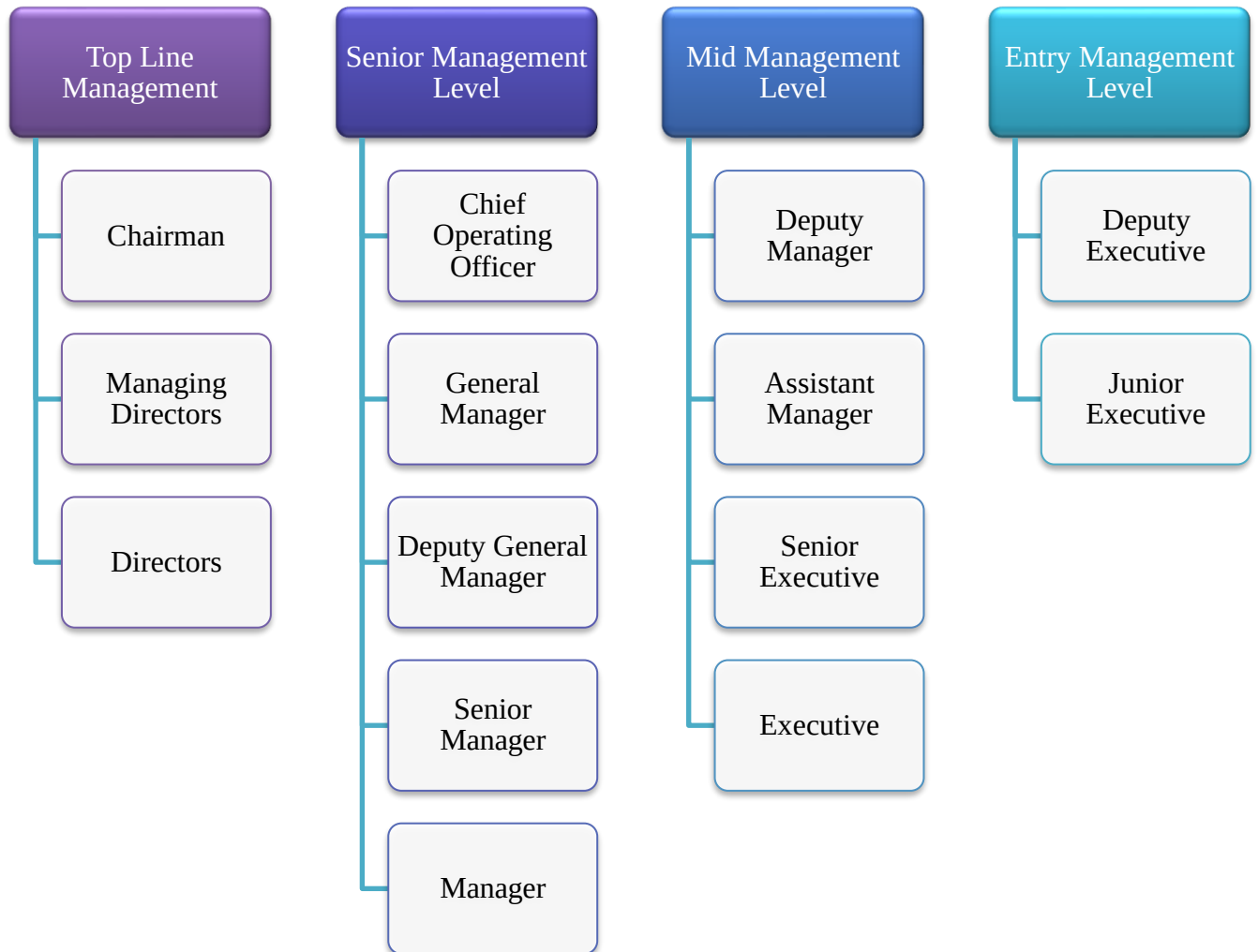
## 1.5 Strategy

M.M. Ispahani Limited sets the business strategies for the well-being of the company as well as for the industry.

- Fixing a clear objective to achieve.
- Working as a team.
- Adapting with the changed environment.
- Searching for the best potential.
- Caring for mutual benefit.

## 1.6 Company Chain of Command

M.M. Ispahani Limited follows a horizontal chain of command as hierarchy. All employees of the organization have been broadly placed in grades based on the value of the jobs, accountability and the nature of their responsibility.



## 1.7 Company Business

M.M Ispahani ltd. is a holding company. The company works in different types of business sectors in more than 13 fields of industry. Those fields are Tea Garden and well-established Tea Trade, Agro, Foods, Cotton & Textiles, Shipping, Hospitality and Leisure, Packaging, Energy, ICT (Information and Communication Technology), Poultry, Real Estate, Jute. A short overview of these businesses is provided here in stages.

### Tea Garden in Bangladesh

Mirzapore T.E., Zareen T.E., Neptune T.E., and Gazipur T.E. are the four Tea Gardens that M.M. Ispahani Ltd. owns. This company's total tea plantation area is approximately 2,100 hectares. In 2019, the company produced nearly five million kilograms of tea. The gardens produce 2,350 kilograms per hectare. Zareen T.E., in particular, has achieved yields of over 3,000 kg/ha, nearly doubles the national average.

### Tea Trade

The Ispahani group has their own four tea gardens all over the country. Mirzapore, Gazipur, Zareen tea estates are located in Moulvibazar, Sylhet and the Neptune tea estate is located in Chittagong. These all estates supply tea for their own company and for the marketing dealing.

### Agro

In the agriculture sector, the Ispahani group formed Ispahani agro limited in 2007 with a philosophy that includes three separate wings: crop, bio pesticides, and agro processing. It pledges to support the growth of the country's agro-industry by conducting business in an agro based economy.

### Foods

Ispahani Foods Limited was founded in 1999 as a subsidiary of the M.M. Ispahani Limited group. In Gazipur the food factory is located. It works in the agricultural and food industries, as well as in the production of fast-moving consumer products (FMCG). Ispahani Foods Limited is fully dedicated to ensuring customer satisfaction through the production of healthy food. Rice, potato chips, energy cookie biscuit, chana-chur, bakery, snacks item and ISPI powder drink etc. are the food product categories.

## **Cotton and Textile**

Pahartali Textile & Hosiery Mills (PTHM) is a spinning unit of M.M. Ispahani Limited is located at the Ispahani Complex, north Pahartali region in the port city Chittagong. It started production in 1954 and it is one of the modern textile mills in the country. PTHM's manufacturing plant is technologically advanced and automated, ensuring consistency and high quality across a wide variety of yarn styles.

## **Shipping**

M.M. Ispahani Limited has been acting as the second oldest agent for many shipping lines for more than 60 years in Bangladesh. It operates the business as a non-vessel operating common carriers for renowned agencies. Presently Ispahani Ltd. acts as agents for a few shipping lines like: high lines, Oslo, Norway etc.

## **Hospitality & Leisure**

The Avenue Hotel and Suites is owned by Ispahani Limited in Chittagong. Pitstop Bakery and Candy, Pitstop Shop, and Pitstop Restaurant are all situated on the same premises and are used for catering. Consumers should expect high-quality food and refreshments from these establishments.

## **Packaging**

To work with poly products in a variety of sectors, including garment and textile manufacturing, consumer food packaging, food preservation, and tea packaging, among others. Ispahani Marshal Limited is Bangladesh's first polymer producer. For several years, it has effectively represented both domestic and international corporations across borders.

## **Energy**

M.M. Ispahani Limited is a power generation pioneer, having started operations in 1951 with their Pahartali Power House in Chittagong, which supplied electricity to nearby factories prior to the establishment of the Power Development Board.

## **Information and Communication Technology (ICT)**

Broad band telecom services limited offers I.C.T solutions to the internet use industry in the region. It was founded in the year 2002. It has an excellent network that spans seven divisions and 48 districts throughout the country.

## **Poultry**

Zareen farms limited was established in 1997 as a public limited company joint venture with M. M. Agha limited to serving eggs and chicken to meet the country's protein demand. It supplies the market with 5.5-million-day-old chicks and 7.76 million eggs per year.

## **Real Estate**

M.M. Ispahani Ltd. has been at the forefront of the real estate industry for many years. Nasirabad Properties Limited and Free School Street Land Limited have assisted in the design and construction of high-quality homes, offices, shopping complexes, and residential plots. The tea produced by the group's four tea estates is stored at Sikomi Properties Limited.

## **Jute**

M.M. Ispahani Ltd. has a long history in the jute sector. In the early 1950s, M.M.I Limited founded Chittagong Jute Manufacturing Co. Ltd. (CJMCL), Bangladesh's largest private jute factory. The company also owns three automated baling presses that assist with raw jute export.

## **1.8 Workforce**

M.M. Ispahani limited work in many sectors in the Bangladesh industry. As a group M.M. Ispahani Limited provides work for more than 10,000 employees and this number of employment rate is enhancing continuously.

## 1.9 SWOT Analysis

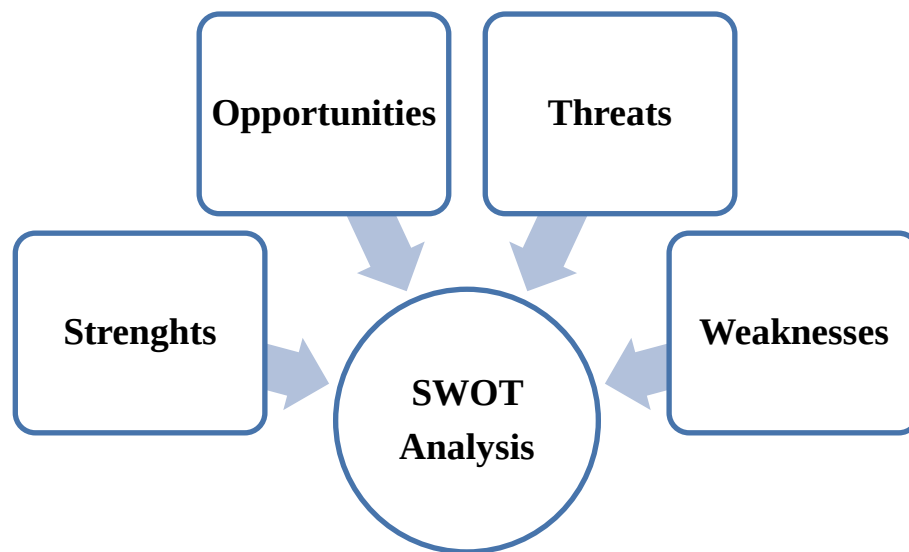


Figure: SWOT Analysis

SWOT analysis is a valuable technique for determining a company's strengths and weaknesses, as well as the opportunities and risks it faces. The internal part of the SWOT review will concentrate on the company's strengths and weaknesses, while the external part will emphasize the existing business opportunities as well as the risks.

### Strengths

- Reliable with a long history.
- Top tea brand in Bangladesh.
- Positive image of the company.
- Product quality is high.

### Weaknesses

- Didn't focus on online shopping and services.
- Company website is not updated and developed.

### Opportunities

- Online based purchasing and delivery systems.
- Great opportunity to expand the business.

### Threats

- Product price is high.
- Strong competition in the industry.

#### 1.10 Five Forces Model:

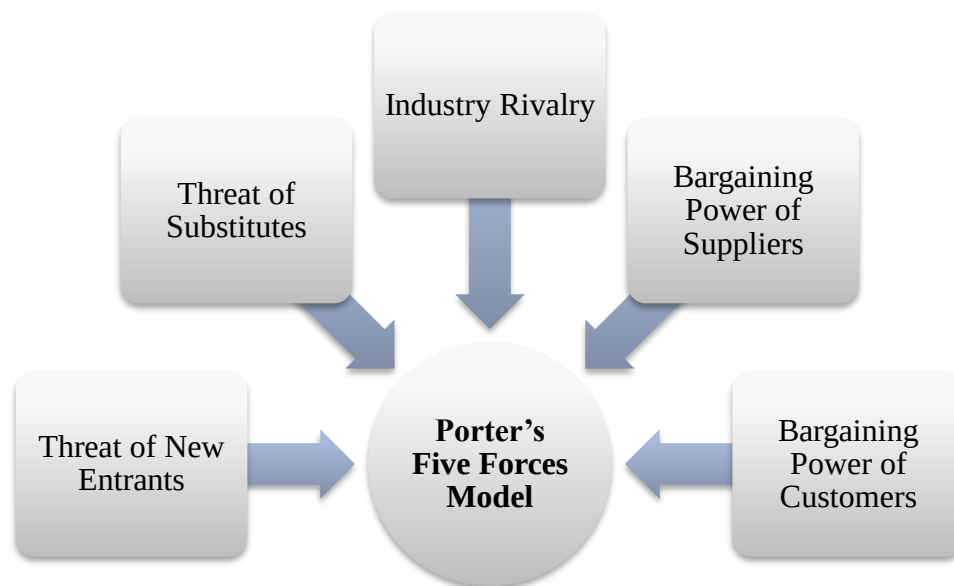


Figure: Five Forces Model

### **Threat of new entry**

M.M. Ispahani Limited is providing good quality products in the market. We know that the tea and food sector is a common sector and in this business the threat of new entrants is mostly high. But Ispahani Ltd launched different products and they maintain their products' high brand image in the market that's why here we see the new entrants is low.

### **Bargaining power of supplier**

M.M. Ispahani Limited has four Tea Gardens. They get their raw product from these four gardens and their other raw products are collected from various local suppliers. The brand reputation of Ispahani Limited is high and this is the reason their supplier doesn't want to switch to another company. Other side their product has a differential advantage and they have a high brand reputation that's why the availability of new suppliers for Ispahani is high and for all this reason the bargaining power of suppliers is low.

### **Bargaining power of buyers**

M.M. Ispahani Limited is providing good quality products in the market. They also set their products price fair. Other side M.M. Ispahani Limited has a strong reputation and stay in the market for a long time which created a long-term consumer trust that's why the bargaining power of buyers is low.

### **Threat of substitute**

M.M. Ispahani Limited has a wide range of product variation which creates the chance of substitute products being low. In case of coffee, they have Nescafe, Mac Coffee as their competitors. In case of Soft drinks, they have more competitors like RC, 7 up, Coca-Cola, PRAN Drinks, Speed Energy Drink, Sprite, Pepsi etc.

### **Threat of industry rivalry**

M.M. Ispahani Limited is a reputed company. This company has a good number of loyal customers, they hold a strong position in the market for many years, and have more product differentiation than other rivals. As M.M. Ispahani Limited has a good number of competitors but this company still holds a strong position in the market that's why the threat of industry rivalry is low. In some sectors like tea, food they are ruling the market but, in the cotton, shipping and ICT sector they are struggling with the competitors.

## Chapter Two: Internship Role and Responsibility

### 2.1 My Experience during the Internship Program:

I joined M.M. Isphani Ltd. as an intern. I worked there for three months from February 2021 to April 2021. I had been assigned to work there as an intern in the Department of Accounts. Mr. Param Hori Burman was my supervisor and he was the Head of the Accounts Department. I always maintained punctuality and worked as per requirement of office hours. I carefully maintained the confidential matters:

- Maintain & prepare all kinds of vouchers, cash book, bank book, bill register, general ledger & different registers related to accounts.
- Maintain ledger accounts, cash and bank transactions, receipt and payment statement, cash and fund flow statement, stock record and trial balance.
- Prepare, maintain & process bank related transactions.
- Maintain and update all transactions in accounting software Tally ERP 9.
- Prepare reconciliation statements related to accounts.
- Prepare all sorts of vouchers of all transactions with proper supporting documents.
- Perform and maintain banking related issues including cash / cheque transaction and Bank Reconciliation Report.
- Any other activities relating to the account's admin assigned by the supervisor.

## Chapter Three: Observations, Recommendations and Conclusion

### 3.1 Observations:

As an intern at M.M. Ispahani Ltd, I had the chance to observe different aspects of the company throughout my internship period. The very first observation I would like to mention about M.M. Ispahani Ltd, is the environment the company provides for the betterment of the people working over there. M.M. Ispahani Ltd. provides each and every facility a person would like for having a comfortable day to spend including a prayer room, a kitchen and well decorated cafeteria where employees can have their snacks. Along with these, there are transport facilities and travel facilities for the permanent employees. As an intern at M.M. Ispahani Ltd, I had the chance to observe different aspects of the company throughout my internship period. The following are the main observations from my point of view:

- Company is currently using Enterprise Resource Planning (ERP) software to manage accounting.
- They updated and maintain company's daily bank position.
- They send remittance in Chittagong head office after every 7 days.
- Company tries to maintain a healthy corporate culture and holds a meeting each month to share and connect thoughts of every employee.
- Company has a huge loyal customer base who are the key assets considered by the company.

### 3.2 Recommendations:

This analysis revealed some weaknesses and threats for the company which affects company's current profits and also potential risk for future business. Company might take following ways to overcome these situations:

- M.M. Ispahani Ltd can develop an online ordering system. It will create a digital platform for the company.
- Sufficient training and workshops can increase the process and behavior of the employees.
- They need to be more technologically updated. They need to develop a strong website with all the updated information.

### 3.3 Conclusion:

M.M. Ispahani Ltd was established by British India in Bombay in 1820 which was one of the famous private industries in South Asia at that time. In 1900, the company's head office was in Kolkata, and in 1947, it relocated to Chittagong, with the corporate office in Dhaka. In Bangladesh, Ispahani has 26 Divisional Offices and 528 sales centers, with over 10,000 employees. In 2018, Ispahani was voted the best beverage brand in Bangladesh.

## Part B: Research Project

### Chapter One: Research Design

#### 1.1 Introduction

For every company working capital management is important. The main purpose of working capital management is to create balance updates between short term liquidity to ensure survival, profitability and to ensure companies minimizing the cost and maximizing the benefit. It is thought that working capital management of the 'M.M. Ispahani Limited' is highly good enough because of efficient management of working funds, cash balance, accounts payable, inventory and accounts receivables all are these significant elements of working capital management. In this study an effort will be taken to understand and analyze the working capital management of 'M.M. Ispahani Limited'.

#### 1.2 Objectives

The main objective of the study is to gain knowledge about working capital management, how it is managed at a corporate level and how it influences the overall company's performance. To achieve this basic objective the study will cover the following specific goals:

- To assess the working capital management of 'M.M. Ispahani Limited'.
- To examine the liquidity position & inventory of 'M.M. Ispahani Limited'.
- To evaluate the accounts receivable and accounts payable of 'M.M. Ispahani Limited'.
- To examine the effectiveness of the policies of working capital management with the help of the accounting ratio.
- To detect the flaws involved in the process of company's management of working capital.
- To suggest some suitable measures to overcome the problems.

#### 1.3 Methodology

The prime source of data or information for this study is to achieve practical exposure of the company environment as well as to observe the capital management system and conversation with the accounts senior officer of 'M.M. Ispahani Limited'. For this study I choose a qualitative method.

#### 1.4 Source of data and information

To gain more knowledge and extra information for this study I divided the whole work into two sources. All data or information is collected from these two sources.

## Primary source

Primary sources of information are more acceptable than secondary sources of information because primary sources provide authentic, accurate, reliable and relevant information. To collect data from primary source I did following things:

- Personal observation and practical work experience on receivables, payables, Bills, Cash and bank management of 'M.M. Ispahani Limited'.
- Conversation with the respective account officers and group conversation with other employees of 'M.M. Ispahani Limited'.
- Working experience on preparing different types of internal management reports on capital management of 'M.M. Ispahani Limited'.

## Secondary Sources

To collect data from secondary source I did following things:

- Study related various documents and files of 'M.M. Ispahani Limited.'
- Official website of 'M.M. Ispahani Limited.'

## 1.5 Scope

The topic of my study is 'Working Capital Management'. The main scope of the study is to analyze the management process on management of working capital of 'M.M. Ispahani Limited.' I always try to cover all the activities and try to understand the rules and regulations of 'M.M. Ispahani Limited'.

## 1.6 Limitations

During the study, I faced some limitations. Despite these limitations I have tried my best to do the study properly. The major limitations of my studied given below:

- **Limitation of Time:** My internship period is only for three months in the company that's why it was difficult to gather all the required information in this short phase of time. To understand the working capital management of 'M.M. Ispahani Limited' more time is required.
- **Lack of In-depth Study:** Because of limitation of time and confidentiality of business secrets, in-depth study couldn't be possible to some extent.

- **Lack of Information:** Every company has their own policy so as per the company policy I do not allow to disclose confidential data or information, that's why I had only access to the published data which is available for all in the company.

## Chapter Two: Theoretical Background

### 2.1 Concepts of Working Capital

The terms of working capital are meant in various ways by different organization. Working capital is defined in a several ways by different organization. In this section an effort has been taken to understand the definition of working capital.

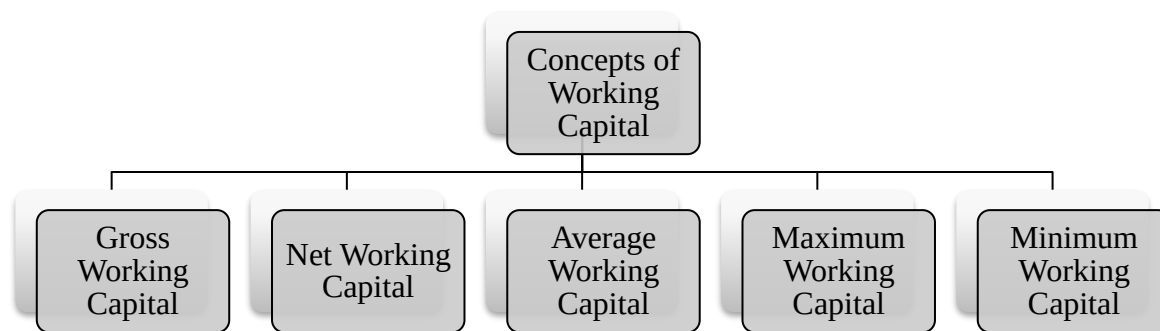


Figure: Concepts of Working Capital

**Gross Working Capital:** Gross working capital is a company's total amount of current assets. Another way to say it, the total amount of current asset that can be financed is referred to as gross working capital. Current assets in gross working include short term investment, cash, inventory, accounts receivable, marketable securities and any assets which is converted to cash in less than a year. If currents assets increased gross working capital also increases. In the case of borrowing something current liability also increases. The estimation of total working capital aids in the measurement of a company's cash flow as well as providing a clear picture of sufficient liquid cash to operate the daily operations.

**Net Working Capital:** Net working capital is the term that used to describe a company's current financial situation. Net working capital is the difference between company's current liabilities and current assets. As explained earlier, current liabilities such as accounts payables, taxes, short term debts, and any liabilities within a year. Net working capital refers to both positive and negative situations. Net working capital is positive when current assets surplus rather than current liabilities and net working capital is negative when current liabilities surplus rather than current assets.

When the company's liquidity position is low it means a negative net working capital and when the company's liquidity position is high it means a positive net working capital.

**Average Working Capital:** Average working capital is the amount calculated by taking two years working capital and dividing it by two. This basically reduces any fluctuation of working capital in two different years.

**Maximum Working Capital:** Businesses may face seasonal variations in sales. Seasonal fluctuations in revenue can be encountered by businesses. During peak season, a company's working capital must be sufficient to meet increased demand. To ensure seasonal success, increased inventory and receivables must be preserved. During times of intense peak demand, a company's working capital needs to be increased to its full level, which we refer to as maximum working capital.

**Minimum Working Capital:** During the dull season, product demand decreases, this is also reduced inventory and receivables. At that point, the company's working capital requirement was lowest at that time. This is known as the company's minimum working capital.

## 2.2 Cycle of Working Capital

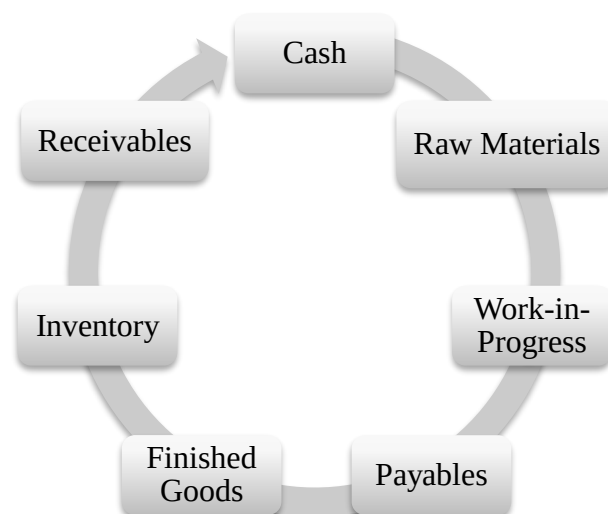


Figure: Cycle of Working Capital

The cycle of working capital means the duration of time taken to convert a company's net current assets and liabilities into cash. The cycle of working capital assesses an organization's productivity and capacity to managed short term liquidity. The working capital period is determined in days by companies. A company's working capital period should be as short as possible.

### 2.3 Components of Working Capital

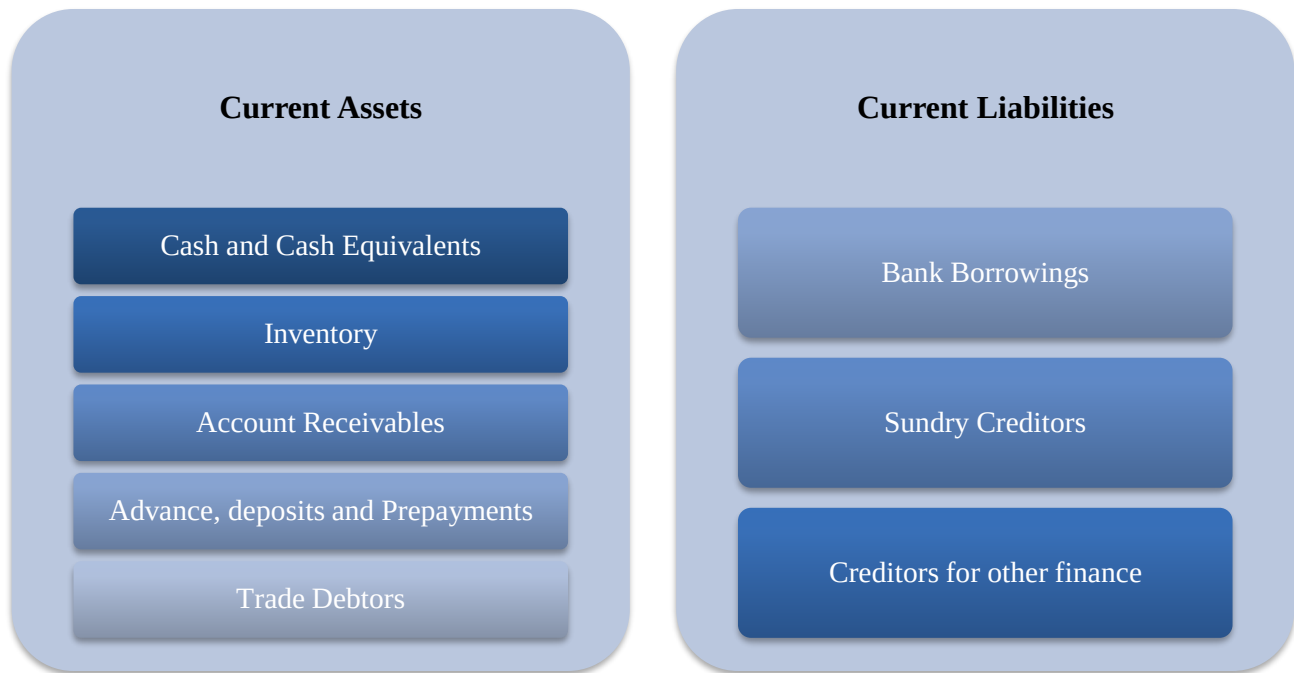


Figure: Components of Working Capital

The working capital cycles main focus is the management of four components. Evaluating the working capital cycle, it is necessary for a company to have complete control over these four components. Working capitals of an organization's four key components are:

- Cash and Cash Equivalents
- Inventory
- Accounts Receivables
- Accounts Payables

**Cash and cash equivalents:** Cash is the most significant liquid elements of a company's working capital management. Since keeping cash or possessing a surplus of cash is harmful to a company, properly handling cash is a vital activity. The value of cash is decreasing day by day, since cash is not an earning asset and having too much cash on hand can put a company in a bad position. Cash management is the most important factor in avoiding insolvency.

**Inventory Management:** Inventory is one of the largest items under current assets. Inventory includes all raw materials, work in progress and finished goods. Inventory management is a crucial component of management. The inventory must be carefully and effectively handled by management. Excessive stock can be a burden for a company, and insufficient stock can reduce or delay sales. As a result, companies should achieve an acceptable inventory level.

**Receivables Management:** Receivables makes a significant portion of current asset of a company. That's why the company's internal control structure would need to develop a sound debtor management strategy. For consumers with an efficient credit recovery program, debtor management policy implies a control over credit period and credit limit. A business must also develop a policy for approving credit for new customers. Failure to manage the debtor results in more capital being tied up in receivables, resulting in a zero return on investment with opportunity cost. There is also the possibility of raising bad debts. Poor debtor's management will increase cash operating cycle hence increase investment in working capital. Debtor's management policy differs from industry to industry and company to company in the same industry.

**Payables Management:** Not only the debtors but also the creditors are a very vital part of working capital management. Proper management of creditor's management can reduce unnecessary increase in working capital requirement. Purchasing raw materials in exact time and control cash outflow can improve liquidity of a company. Excessive delay to pay suppliers also has some negative impacts (e.g. bad reputation, increased purchase costs, lower discounts and unfulfilling commitments on lead time) on business. Company has to balance between a good reputation on creditor's management and increase liquidity to an optimum level.

## 2.4 Working Capital Management

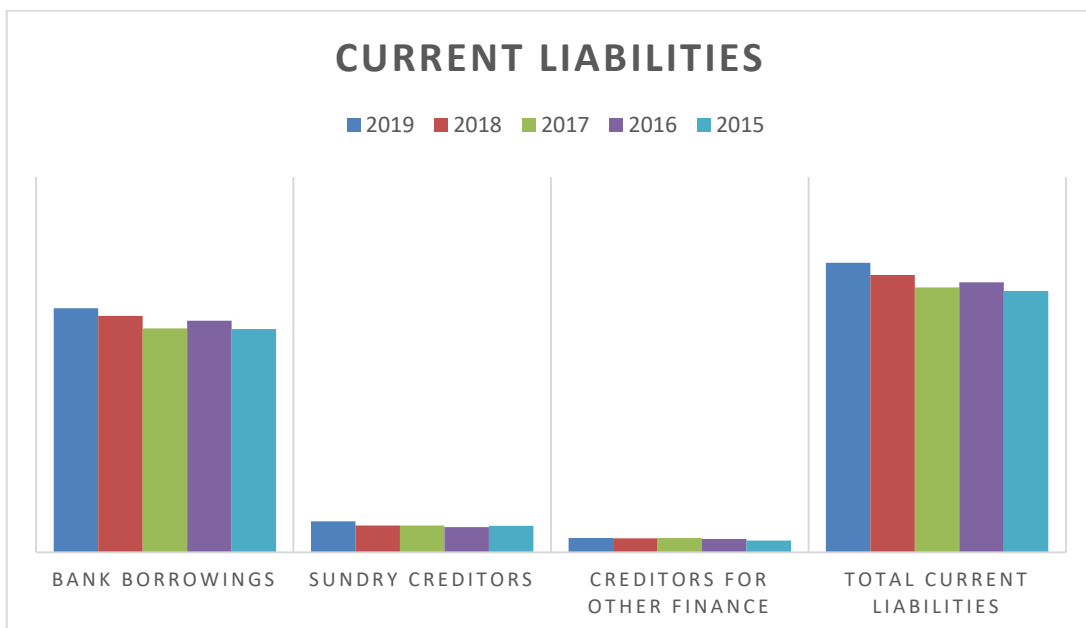
Working Capital Management refers to the short- term components of corporate finance activities. The objective of good working capital management is to ensure that a company has enough cash on hand to cover its daily operating costs, while also ensuring that the asset of the company invested in the most effective way. A business must have a clear view and rules for management of each and every element of working capital. Working capital management required to meet daily operations and also any emergency debt obligation. Maintain a standard cash flow in a company is the main objective of working capital management. Management of working capital is a large function. Within the company effectiveness needs to managing and coordinating different task, which is consist payable management, inventory management, customer credit and collection, and short-term investment. Reliable cash flow forecast are also required for an effective working capital management, also current and exact information on transaction and bank balances.

## Chapter Three: Analysis and Findings

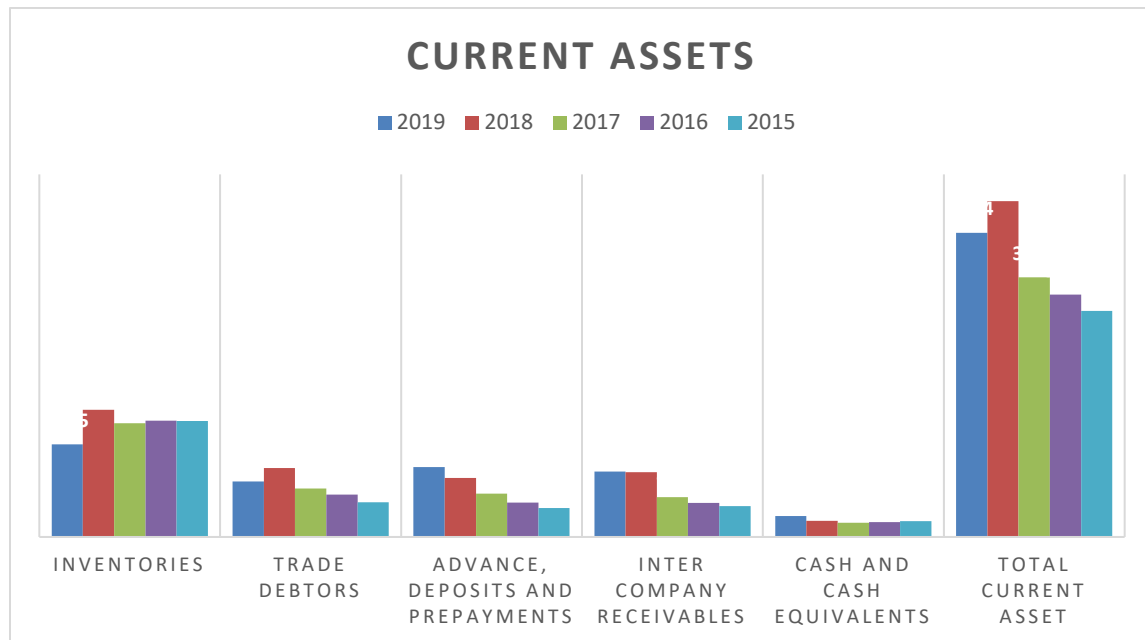
### 3.1 Working Capital of M.M. Isphani Limited

This is the main part of our study. In this part, we have tried to analyze the findings of our study. Here are company's Current Liabilities and Current Assets figure. To calculate every ratio the amount used in millions.

| <b>Current Liabilities</b>       | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Bank Borrowings                  | 1625        | 1574        | 1492        | 1542        | 1488        |
| Sundry Creditors                 | 207         | 180         | 178         | 168         | 176         |
| Creditors for other finance      | 97          | 93          | 95          | 89          | 78          |
| <b>Total Current Liabilities</b> | <b>1929</b> | <b>1847</b> | <b>1765</b> | <b>1799</b> | <b>1742</b> |



| <b>Current Assets</b>             | <b>2019</b> | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Inventories                       | 1275        | 1755        | 1570        | 1605        | 1598        |
| Trade Debtors                     | 765         | 951         | 669         | 586         | 478         |
| Advance, deposits and Prepayments | 965         | 812         | 598         | 475         | 398         |
| Inter Company Receivables         | 902         | 892         | 548         | 469         | 425         |
| Cash and Cash Equivalents         | 287         | 221         | 195         | 205         | 217         |
| <b>Total Current Asset</b>        | <b>4194</b> | <b>4631</b> | <b>3580</b> | <b>3340</b> | <b>3116</b> |

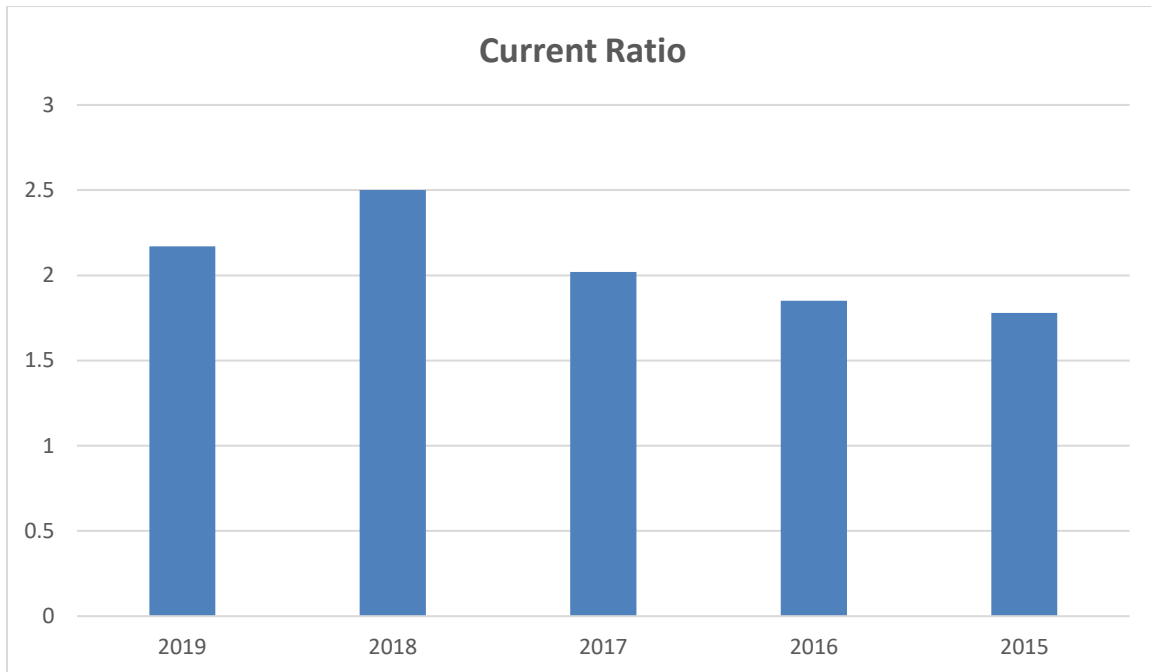


### 3.2 Measuring Liquidity

To measure a company's ability to meet short-term obligations to the debtors when it's mature by using liquidity ratio. The link between current assets and current liabilities, as well as the speed with which receivables and inventory can be turned into cash during regular business operations are the emphasis of this type of liquidity analysis. In the short- term of financial management the levels and changes in current liabilities and current assets are emphasized. The two most common measurements are current and quick ratio. The ratio of current assets to current liabilities is called current ratio.

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

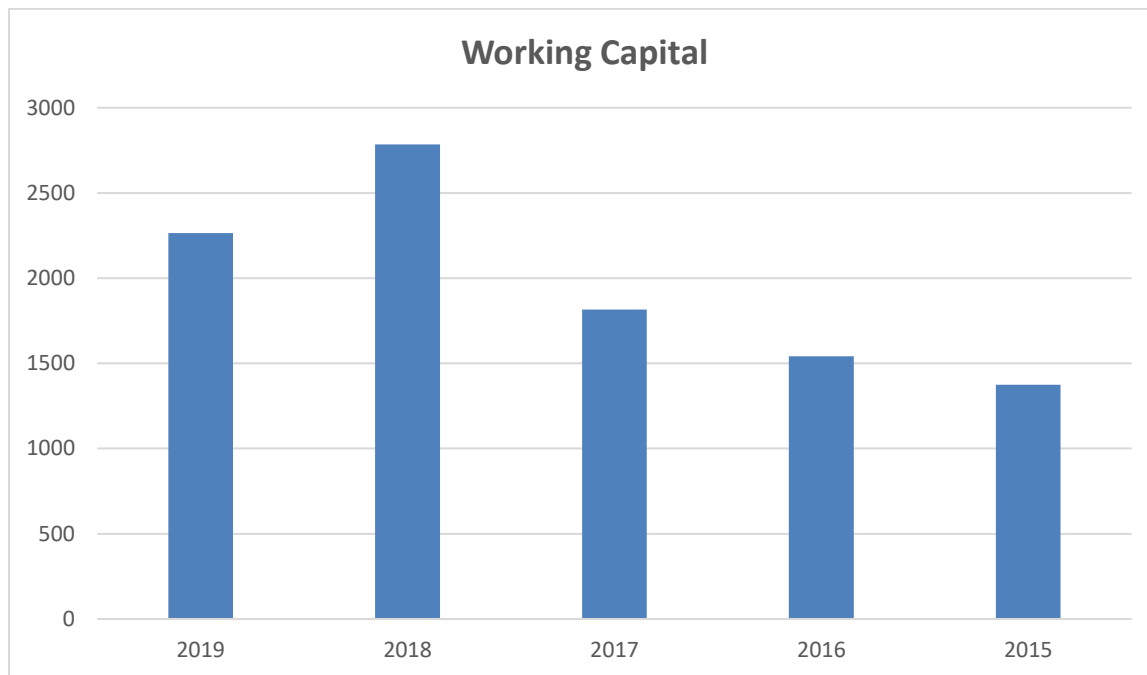
| Name          | Formula                                                    | 2019 | 2018 | 2017 | 2016 | 2015 |
|---------------|------------------------------------------------------------|------|------|------|------|------|
| Current Ratio | $\frac{\text{Current Assets}}{\text{Current Liabilities}}$ | 2.17 | 2.50 | 2.02 | 1.85 | 1.78 |



A company's ability to pay short-term obligations is measured by the current ratio which is a liquidity ratio. M.M. Isphani Limited year by year increases their current ratio. In 2015 and 2019 the current ratio was more than 1 that's why the company's short-term ability is good this year.

### Working Capital = Current Assets – Current Liabilities

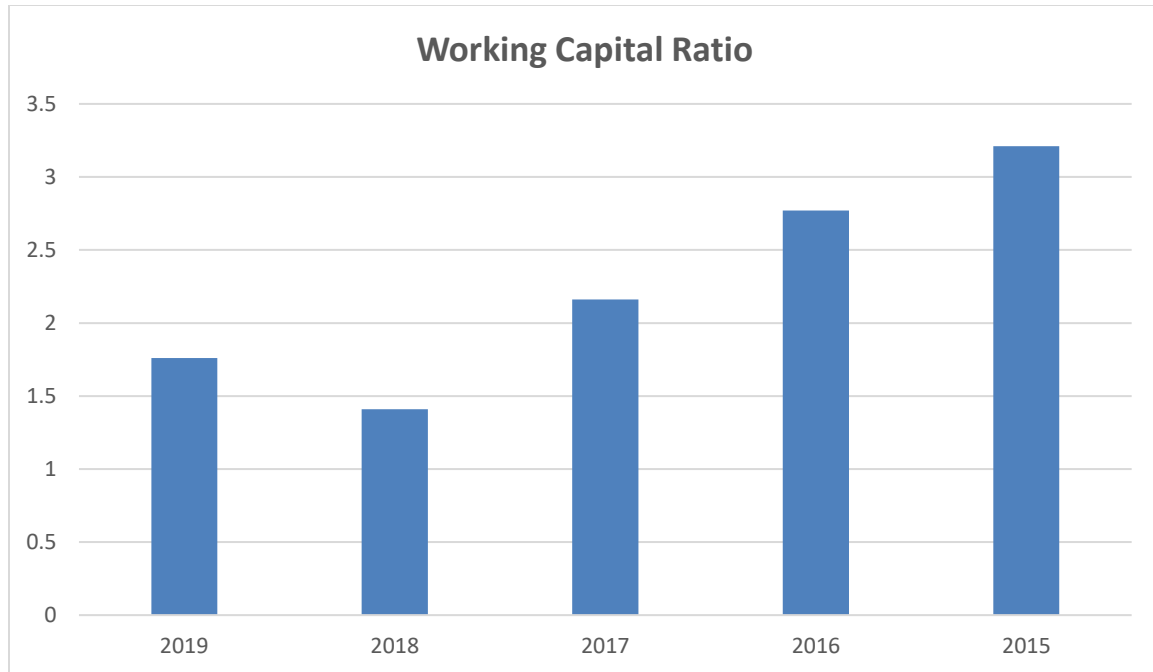
| Name            | Formula                              | 2019 | 2018 | 2017 | 2016 | 2015 |
|-----------------|--------------------------------------|------|------|------|------|------|
| Working Capital | Current Assets – Current Liabilities | 2265 | 2784 | 1815 | 1541 | 1374 |



Difference between company's current assets and current liabilities is called working capital. Positive working capital of a company can maintain current operations while investing in future activities and growth. In 2015 to 2019 M.M. Ispahani Limited year by year increased their working capital positively which is good for company.

$$\text{Working Capital Ratio} = \frac{\text{Credit Sales}}{\text{Working Capital}}$$

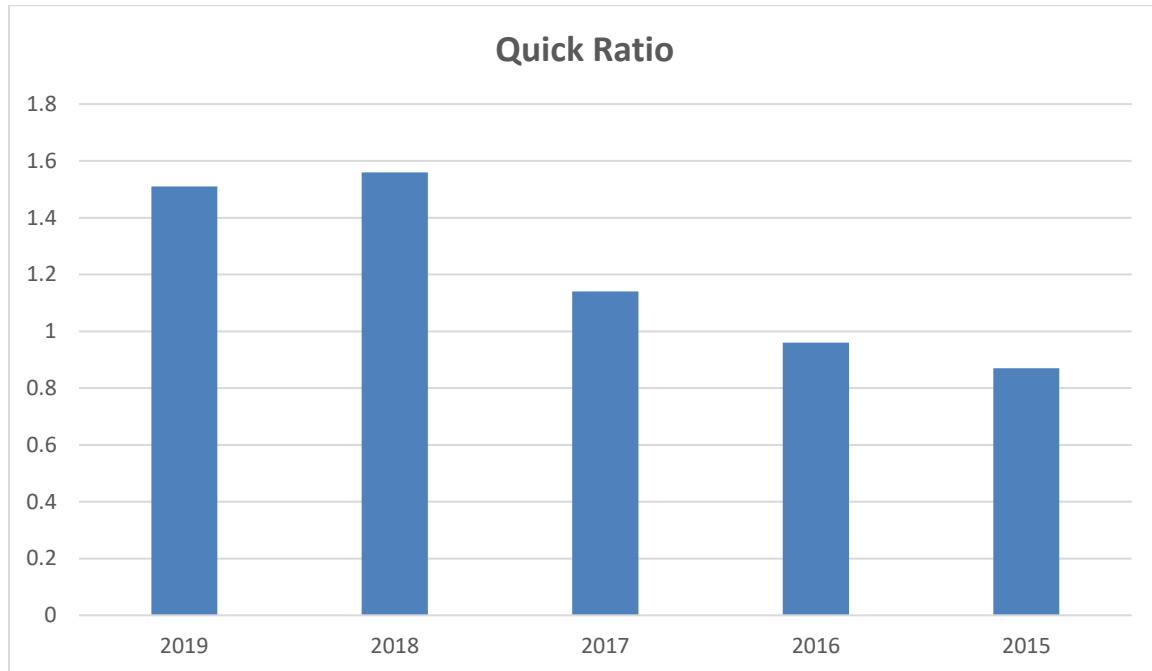
| Name                  | Formula                                              | 2019 | 2018 | 2017 | 2016 | 2015 |
|-----------------------|------------------------------------------------------|------|------|------|------|------|
| Working Capital Ratio | $\frac{\text{Credit Sales}}{\text{Working Capital}}$ | 1.76 | 1.41 | 2.16 | 2.77 | 3.21 |



In 2015 to 2019 M.M.I Limited year by year decreased their working capital ratio. But every year the Working Capital Ratio is more than 1, showing that it is clearly capable of repaying companies' debt. While a ratio of 1 is considered safe, in order to pay company's debt, it has to sell all of its assets.

$$\text{Quick Ratio} = \frac{\text{Current Asset} - \text{Inventories}}{\text{Current Liabilities}}$$

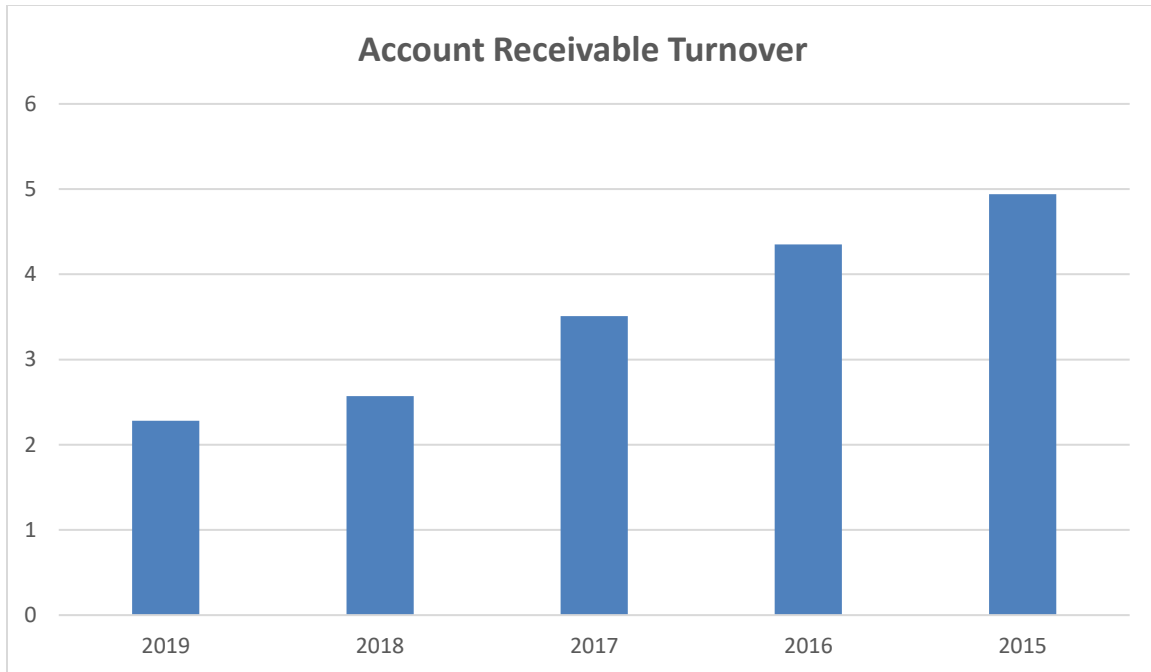
| Name        | Formula                                                                        | 2019 | 2018 | 2017 | 2016 | 2015 |
|-------------|--------------------------------------------------------------------------------|------|------|------|------|------|
| Quick Ratio | $\frac{\text{Current Asset} - \text{Inventories}}{\text{Current Liabilities}}$ | 1.51 | 1.56 | 1.14 | 0.96 | 0.87 |



The quick ratio means acid test ratio. Immediate short-term liquidity of a company is measured by the quick ratio. M.M. Isphani Limited year by year increases their current ratio. In 2015 to 2016 the quick ratio is less than 1 and it's not good because if a company's quick ratio is less than 1 then in short-term the company may not be able to fulfill their current liabilities but in 2017 to 2019 the quick ratio is more than 1 and it's good for the company.

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

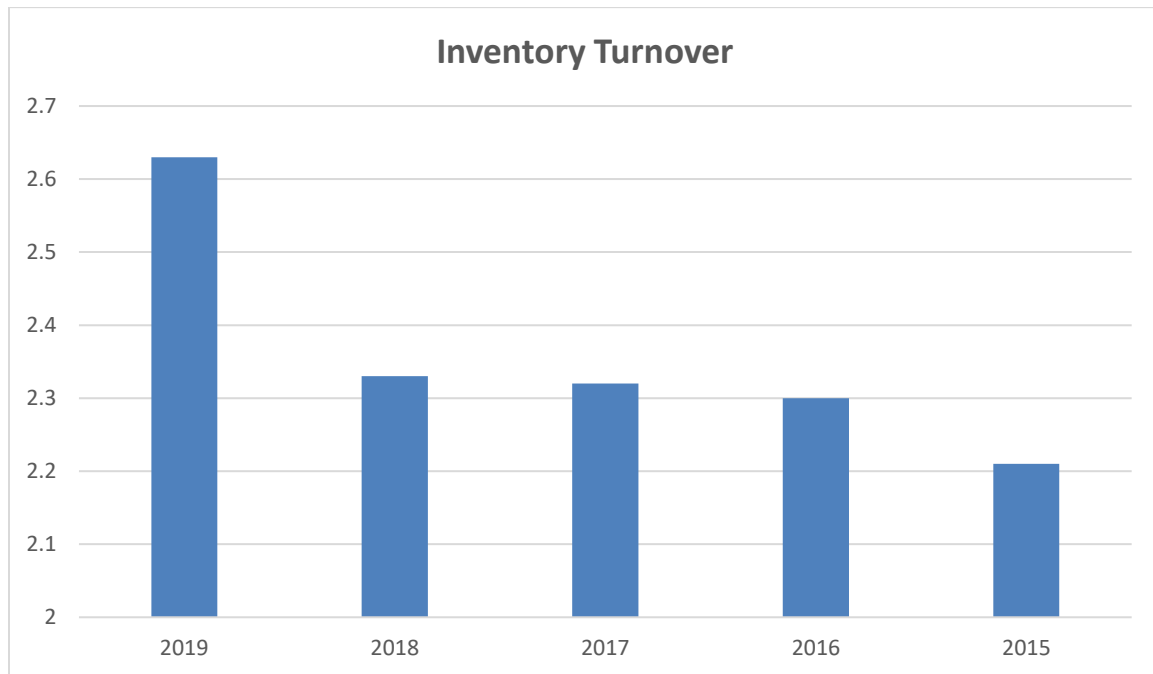
| Name                           | Formula                                              | 2019 | 2018 | 2017 | 2016 | 2015 |
|--------------------------------|------------------------------------------------------|------|------|------|------|------|
| Account Receivable<br>Turnover | $\frac{\text{Credit Sales}}{\text{Avg. Receivable}}$ | 2.28 | 2.57 | 3.51 | 4.35 | 4.94 |



Account's receivables turnover is known as how many times a company collects their average accounts receivables within a year. The number of times a company collects its average accounts receivable in a year is known as accounts year, which not good enough.

$$\text{Inventory Turnover} = \frac{\text{Cost of good sold}}{\text{Avg. Inventory}}$$

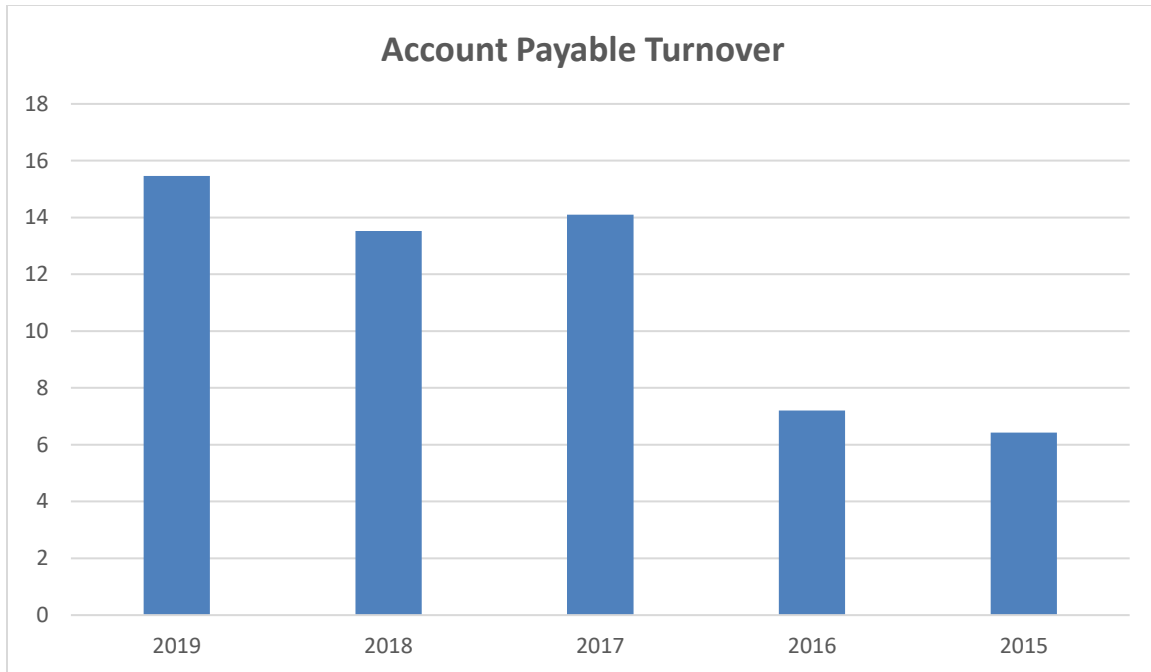
| Name               | Formula                                                  | 2019 | 2018 | 2017 | 2016 | 2015 |
|--------------------|----------------------------------------------------------|------|------|------|------|------|
| Inventory Turnover | $\frac{\text{Cost of good sold}}{\text{Avg. Inventory}}$ | 2.63 | 2.33 | 2.32 | 2.30 | 2.21 |



Inventory Turnover measures liquidity of inventory. On an average how many times inventory is created or acquired and sold during the financial period is measured by inventory turnover ratio. In 2015 to 2019 Inventory Turnover of M.M.I Limited is increased year by year, which means its ability to sell inventory is relatively come up.

$$\text{Account Payable Turnover} = \frac{\text{Total Purchase}}{\text{Avg. Payable}}$$

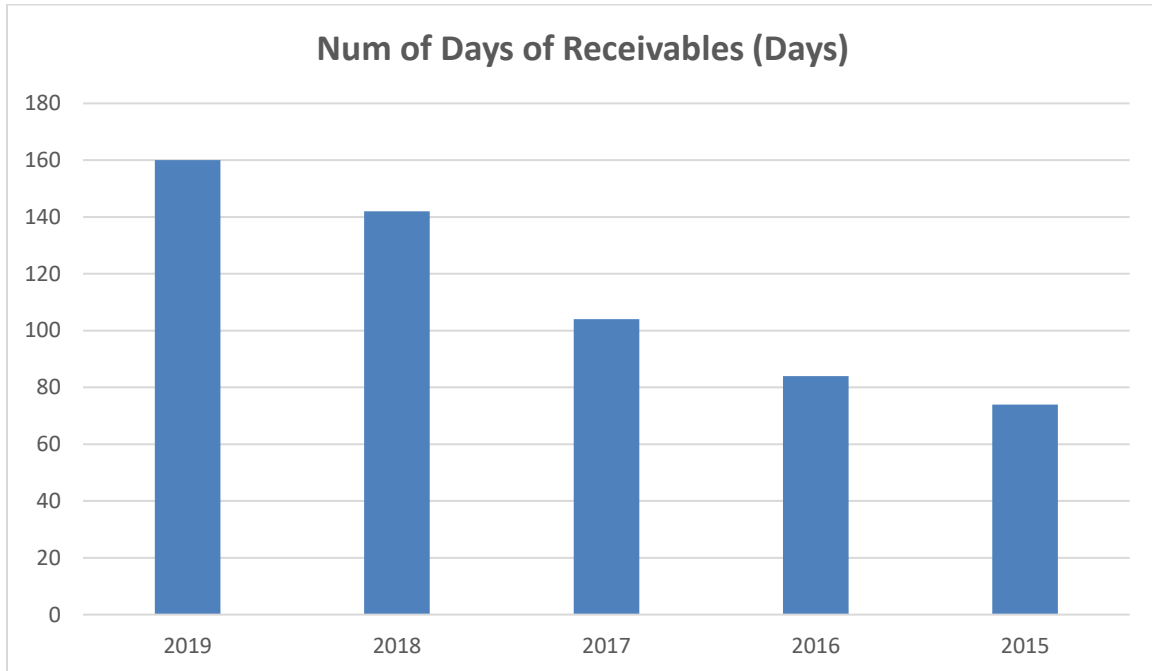
| Name                        | Formula                                             | 2019  | 2018  | 2017  | 2016 | 2015 |
|-----------------------------|-----------------------------------------------------|-------|-------|-------|------|------|
| Account Payable<br>Turnover | $\frac{\text{Total Purchase}}{\text{Avg. Payable}}$ | 15.46 | 13.53 | 14.10 | 7.20 | 6.43 |



How quickly a company pays its vendors is measured by the account's payable turnover ratio. Accounts payable turnover means in a given period how many times a company's accounts payable are paid off. To figure out the account's payable turnover, we will need to estimate total purchase based on the company's cost of goods sold and inventory beginning and ending balances to figure out the account's payable turnover. In 2015 to 2019 accounts payable turnover of M.M. Ispahani Limited is increased year by year, this is good enough. An increasing accounts payable turnover ratio can mean that the company is efficiently managing its debts and cash flow.

$$\text{Number of Days of Receivables} = \frac{365}{\text{Rec. Turnover Ratio}}$$

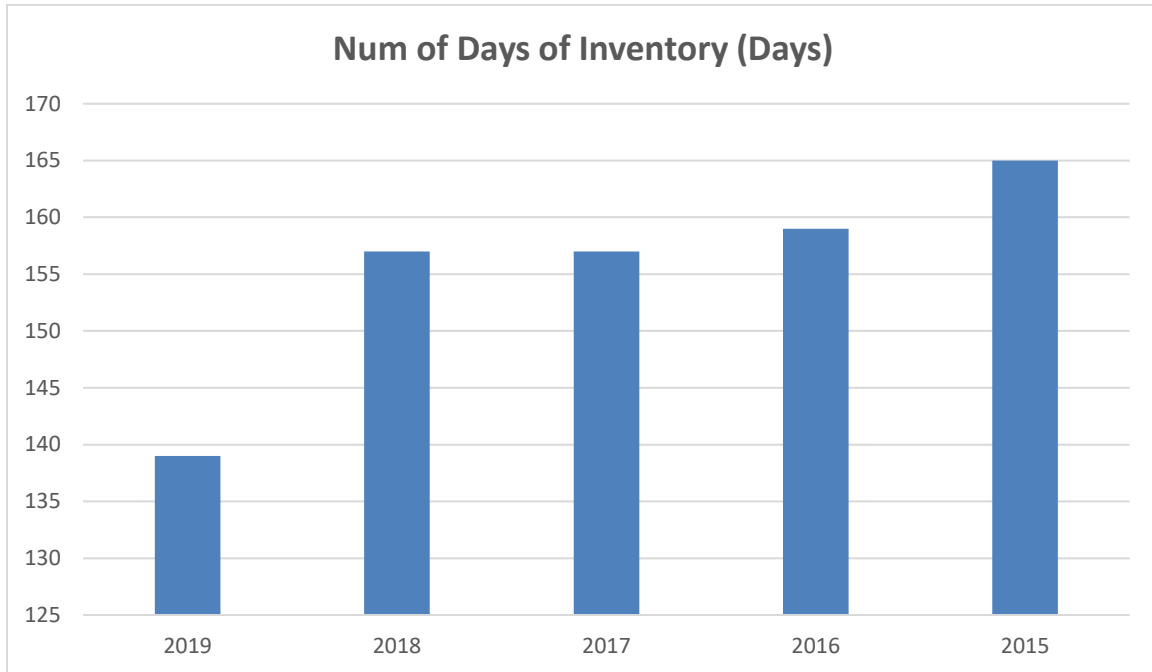
| Name                       | Formula                                  | 2019        | 2018        | 2017        | 2016       | 2015       |
|----------------------------|------------------------------------------|-------------|-------------|-------------|------------|------------|
| Num of Days of Receivables | $\frac{365}{\text{Rec. Turnover Ratio}}$ | 160<br>Days | 142<br>Days | 104<br>Days | 84<br>Days | 74<br>Days |



The number of day's accounts receivable referred take to clear its account is called the number of days of receivables. Let's say the number of days is 74, that means with in these 74 days customers make a purchase where the payment is due, send payment, have payment and have receivable accounts closed.

$$\text{Num of Days of Inventory} = \frac{365}{\text{Inventory Turnover Ratio}}$$

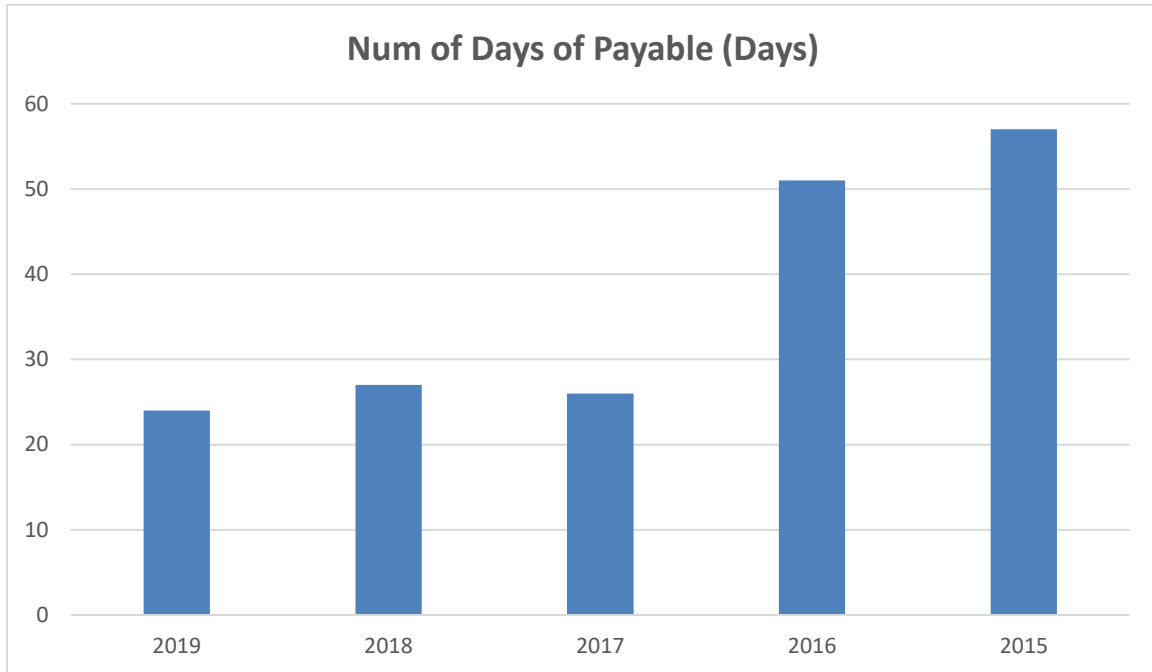
| Name                     | Formula                                       | 2019     | 2018     | 2017     | 2016     | 2015     |
|--------------------------|-----------------------------------------------|----------|----------|----------|----------|----------|
| Num of Days of Inventory | $\frac{365}{\text{Inventory Turnover Ratio}}$ | 139 Days | 157 Days | 157 Days | 159 Days | 165 Days |



The number of days of inventory indicates how well inventory collection, processing, and distribution are managed. Average days of time that inventory of business turns into sales are called the number of days in inventory. Because of difference in the production cycle of inventory, we expect difference in the number of days of inventory.

$$\text{Number of Days of Payable} = \frac{365}{\text{Payable Turnover Ratio}}$$

| Name                   | Formula                                     | 2019       | 2018       | 2017       | 2016       | 2015       |
|------------------------|---------------------------------------------|------------|------------|------------|------------|------------|
| Num of Days of Payable | $\frac{365}{\text{Payable Turnover Ratio}}$ | 24<br>Days | 27<br>Days | 26<br>Days | 51<br>Days | 57<br>Days |



Average time that a company takes to repay its debt to creditors is called number of days payable. In 2015 to 2019 accounts payable days of M.M. Ispahani Limited are decreased from period to period. Repayment of previous period's debts and purchasing new goods on credit means company's accounts payable days decrease.

## Chapter Four: Recommendation & Conclusion

### 4.1 Recommendations:

Following the research findings several suggestions have been compiled that can be very useful for the company's future prospects.

- M.M. Ispahani Limited maintains a secure level of current ratio and quick ratio. But this ratio is declining from 2018 to 2019.
- M.M. Ispahani Limited should take necessary steps to reduce risk of bad debts as well.
- M.M. Ispahani Limited needs to improve accounts receivable turnover that's why companies need to build a strong relationship and the company needs to mention their payment terms on their invoices that the payment should be clear within the next 30 days.
- M.M. Ispahani Limited identifies idle capital and cash equivalents, and these funds can be very useful in increasing overall profitability.
- M.M. Ispahani Limited need to decrease their Num of Days of Receivables if they don't decrease the days then the company faces a liquidity problem.

### 4.2 Conclusion:

In this report, we will try to know about the effectiveness of working capital management of 'M.M. Ispahani Limited'. We also will try to find whether they have any difficulties in management of inventory, accounts receivables, accounts payables, cash position and current liabilities. Comparison of the ratio of a company can be done by comparison over time for the same company and over time for the different company. In this study I tried to compare M.M. Ispahani Limited's current situation with their previous years. We can see that most of the ratio of M.M. Ispahani Limited's current situation is better than previous years. M.M. Ispahani Limited's accounts receivable turnover is decreasing yearly which is not a positive indication and also their inventory turnover ratio is less than 5 so their inventory turnover ratio is not good, it's also bad for the company.

In conclusion, from this study I can say that M.M. Ispahani Limited's working capital management practice is going well. It becomes stronger than its previous years. If we compare last five years scenario the current situation of M.M. Ispahani Limited is much better.

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