Working Capital Management at Partex Star Group

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This report is submitted to the school of Business and Economics, United International University as a partial requirement for the degree fulfillment of Bachelor of Business Administration

Working Capital Management at Partex Star Group

Submitted to:

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UNITED INTERNATIONAL UNIVERSITY

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Letter of Transmittal

30 December 2024

Ms. Zinnatun Nesa

Assistant Professor

United Internation University

United City, Madani Ave, Dhaka 1212.

Subject: Submission of Internship Report.

Dear Madam,

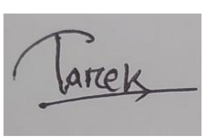
This is my pleasure to present my internship report entitled “Financial analysis of Partex Star Group.” I have done my internship program at Partex Star Group, Corporate Office, Shanta Western Tower, level 13, Bir Uttam Mir Shawkat Road, 186 Tejgaon I/A, Dhaka -1208, under your close supervision.

I believe that the knowledge and experience I have gathered during the internship will be helpful in my future professional life. I will be grateful to you if you accept the report.

Your support in this regard will be highly appreciated.

Thanking you.

Sincerely yours’



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Acknowledgment

All praise to Allah, the Almighty, and the merciful. Without his blessing and endorsement, this report would not have been accomplished. The successful completion of this report might never have been possible without the help of three people whose inspiration and suggestions made it happen.

First of all, I want to thank my faculty advisor, Ms. Zinnatun Nesa, for helping me complete my report on financial analysis at Partex Star Group.

I would also like to thank my company supervisor Raisur Rabbi, designated as Deputy Manager of the BAT & TAX at Partex Star Group, and my colleagues who helped me by providing informative instructions. I was closely attached to them during my internship tenure. Without them, this project would have been very difficult.

Lastly, I would like to thank all of the employees in Partex Star Group for sharing their experience, knowledge, and valuable time with me, and my heartfelt thanks to other people who were involved and helped directly or indirectly during the period of my internship

Executive Summary

This report is all about Partex Star Group's working capital management about its diversified portfolio, which includes businesses in consumer products, furniture, IT, and real estate. Its main strengths are the group's operational qualities, such as its high production capacity, well-managed inventory system, and efficient utilization of resources. Partex Star Group is a reliable partner to stakeholders and a leader in the industries it serves because of these elements and its emphasis on quality and customer satisfaction. Partex Star Group is well-positioned for future growth due to its strong financial base and strategic vision. I have collected financial information personally as it is a private limited company to carry the performance analysis and the internship experience with other officials have given me a strong insight to carry an assessment of working capital activities of the company.

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Chapter I: Introduction

I.1 Company Overview

Partex Star Group is one of the largest groups of private sectors in Bangladesh, founded by one of the leading industrialists of the country, Mr. M.A. Hashem. At the moment, it has more than 70 subsidiaries in the IT, textile, consumer goods, furniture, and cable industries. Partex Star Group is separated into two groups, Partex Holdings and Partex Star Group, to enhance the management of its subsidiaries. In practically every industry, including food and drink, plastics, textiles, cotton, sugar, paper, jute, shipping, furniture, real estate, media, education, services, IT, and more, Partex firms dominate the market. Mr. M.A. Hashem Hashem's missionary zeal and unwavering commitment to quality and ethics made it possible for the organization to achieve such heights.

Partex Star Group has become one of the most important companies in Bangladesh for continuous supply of visionary's dreams and hard work. M. A. Hashem was also a driving force behind the establishment and expansion of private banks and insurance companies in Bangladesh. MA Hashem is also a social worker, himself hailing from a humble home. He demonstrated his dedication to social welfare by establishing a hospital and a school as a non-profit organization. Partex Star Group quickly established its distinctive character as part of its evolution from Partex Group in 2010. Today with twenty manufacturing and service companies, it consistently delivers top products and services to deliver outstanding value to its clients. Consumer durables and food and beverages, including anything from different kinds of boards, doors, frames, and furniture to different dairy products, spices, tea, and confections, are the company's two primary areas of operation. With a top-to-bottom emphasis on operational quality, the organization is committed to delivering a great client experience. from recruiting staff to choosing goods, settling disputes with suppliers, building showrooms, drafting purchase orders, and shipping them to clients' residences. Partex Star Group is run by a dedicated board of directors, management, and an enthusiastic crew. 'Living on the legacy, presenting a new face' is the Group's motto, which is endorsed by the Group Chairperson, and its corporate strategy is focused on the market.

I.2 Partex Star Group Concerns

Partex Star Group is divided into two concerns which include different companies followed by Complex 1 and Complex 2.

Complex-1 (CX-1):

- Star Particle Board Mills Limited
- Partex Furniture Industries Limited
- Partex Laminates Limited
- Partex Builders Limited
- Ashley HomeStore
- Partex Agro Limited
- Star Adhesive Limited
- Partex Cables Limited

Complex-2 (CX-2):

- Danish Condensed Milk Bangladesh Limited
- Danish Milk Bangladesh Limited
- Rubel Steel Mills Limited
- Danish Foods Limited
- Danish Distribution Network Limited
- Danish Dairy Farm Limited
- Voice Tel Limited
- Shubornobhumi Housing Limited

I.3 Vision & Mission

I.3.1 Vision

To provide greater value to consumers, shareholders, employees, and society at large, turn Partex Star Group into a globally significant corporate firm.

I.3.2 Mission

To give customers the best value by combining strategic marketing with high-quality goods and services at affordable costs. Increase revenue through quality, dedication, product innovation, and excellent customer service.

I.4 Location

Corporate Office:

Shanta Western Tower, Bir Uttam Mir Shawkat Road, 186 Tejgaon I/A, Dhaka-1208

Sales Office:

Partex Star Group, 68 Tejgaon I/A, Dhaka-1208

Partex Furniture, 222, Tejgaon I/A, Dhaka-1208

Operating Office:

267, Tejgaon I/A, Dhaka-1208

Plant:

Complex-1: Madanpur, Bandar, Narayanganj

Complex-2: Shimrail, Siddirganj, Narayanganj

I.5 Board of Directors

- Mr. Aziz Al Kaiser, Chairman.
- Mr. Aziz Al Mahmood, Managing Director.
- Mr. Amman Al Aziz, Executive Director
- Ms. Fabiana Aziz, Deputy Managing Director
- Ms. Tabassum Kaiser, Chairman, Partex Agro Limited.
- Savera H. Mahmood, Managing Director, Partex Agro Limited.

I.6 Departments

- Finance & Accounts
- Supply Chain
- IT
- HR
- Admin
- Marketing
- Sales

CHAPTER II: INTERNSHIP EXPERIENCE

II.1 Position, Duties, and Responsibilities

During my internship program at Partex Star Group in the Finance Department, I held the position of an Intern Assistant. My primary duties and responsibilities included:

- Create Financial Statement
- Payroll Management.
- Assisting in preparing financial reports and statements.
- Supporting the team in data entry tasks, ensuring accuracy in financial records.
- Assisting in budget preparation and expense tracking.
- Coordinating with other departments to collect and verify financial information.

II.2 Skills Applied

Throughout the internship, I applied several skills that I had previously developed:

- **Analytical Skills**: Used for examining financial data and identifying patterns or discrepancies.
- **Time Management**: Managed multiple tasks and deadlines effectively.
- **Teamwork**: Collaborated with colleagues to ensure smooth departmental operations.
- **Communication Skills**: Maintained clear communication with team members and other departments.

II.3 New Skills Developed

The internship also allowed me to develop new skills:

- **Advanced Excel Skills**: Learned to use advanced formulas, pivot tables, and charts for data analysis.
- **Budgeting and Forecasting**: Gained experience in preparing and analyzing budgets.

- **Corporate Etiquette**: Improved my professional behavior and communication within a corporate setting.
- **Problem-Solving**: Learned to identify and resolve issues in financial records effectively.

These skills have enhanced my capabilities and will be invaluable in my future career.

II.4 Application of Academic Knowledge

My academic knowledge was directly applied during the internship in several areas:

- **Financial Accounting**: Concepts of balance sheets, income statements, and cash flow analysis were utilized in preparing reports.
- **Management Accounting**: Budget preparation and cost analysis were aligned with my academic learning.
- **Economics**: Understanding market trends and their impact on financial decision-making.
- **Business Communication**: Applied skills from academic courses to maintain professional interactions.

This practical application of theoretical knowledge bridged the gap between classroom learning and real-world experience, reinforcing my understanding of finance concepts.

Chapter III: Working Capital Management

III.1 Working Capital Management

The process of balancing a business's current assets and liabilities to guarantee short-term liquidity and operational effectiveness is known as working capital management. It involves managing cash coming in and going out to cover short-term obligations. Assets that can be turned into cash within a year are considered current assets, whereas debts that are due within that same year are considered current liabilities. Current liabilities are subtracted from current assets to determine working capital. The corporation has sufficient liquid assets to meet its short-term obligations if its working capital is positive. The goals of working capital management include maintaining sufficient liquidity, optimizing profitability, reducing risk, and improving operational efficiency.

Effective working capital management involves managing a company's short-term assets and obligations to ensure sufficient cash flow to meet its ongoing operating demands, aiming to maximize the gap between current assets and liabilities, thereby maximizing the company's working capital

III.2 Importance of Good Working Capital Management

Proper management of working capital is essential for a company’s financial health and operational success. Effective working capital management ensures that a business has sufficient funds to cover routine expenses, debts, unexpected costs, and the procurement of essential materials. Additionally, it minimizes unnecessary spending while maximizing returns on investments. By managing working capital efficiently, a company can improve its earnings and overall profitability.

Good working capital management ensures adequate cash flow to support daily operations and seize future investment opportunities. It enables businesses to meet payroll, pay bills, and purchase inventory or raw materials, ensuring smooth day-to-day operations.

Companies often rely on key performance ratios to monitor current capital, inventory levels, and cash flow to manage working capital effectively. These metrics help identify areas that need attention to maintain profitability. Proper management of working capital helps businesses avoid financial challenges, increase profitability, enhance overall business value, and sustain a competitive edge in the market.

III.3 Risks of Having Inadequate Working Capital

Some of the risks of having inadequate working capital are listed below.

Stagnation of Growth: Insufficient working capital can impede the growth potential of a business, as it may be unable to invest in profitable ventures. Without adequate working capital, a company may struggle to undertake lucrative projects that could directly impact its revenue and profitability. This highlights the importance of maintaining sufficient working capital to meet the needs of the business and facilitate its growth and prosperity.

Difficulty in Meeting Targets: Insufficient working capital can make it challenging for businesses to achieve their targets, as they may face a shortage of funds when they need them the most. This can hinder the growth potential of a company and result in it missing its business targets. To avoid this, it's essential to maintain a sufficient amount of working capital that can support the business in meeting its targets and ensure that funds are available when needed.

Operating Inefficiency: Insufficient working capital can cause operational inefficiencies for businesses as they struggle to meet their daily expenses without adequate funds. This can lead to disruptions in smooth operations, potentially leading to reduced productivity and decreased profits. In severe cases, a lack of working capital may even force a company to resort to taking out loans or other forms of financing to meet basic expenses, further adding to its financial burden. Without sufficient working capital, a business may even face the risk of bankruptcy and significant financial losses. Therefore, maintaining adequate working capital is crucial for ensuring the smooth functioning and financial stability of a business.

Deterioration of Profitability: When a company experiences a shortage of working capital, it may not be able to utilize its fixed assets efficiently. This can lead to a decline in profitability, as the company is not able to optimize its operations and generate as much revenue as it could if it had adequate working capital. To remain competitive and maintain profitability, it is crucial for a company to have sufficient working capital to effectively use its fixed assets.

Missing Attractive Opportunities: Insufficient working capital can cause a business to miss out on attractive opportunities, such as credit options. When a company is struggling to meet its targets due to a lack of funds, it may not have the resources to take advantage of potentially profitable opportunities. Instead, it must prioritize increasing its working capital in order to keep the business running. As a result, low working capital can prevent a business from benefiting from opportunities that could help it grow and prosper.

Loss of Reputation: When a firm lack working capital, it may struggle to maintain a positive financial reputation and meet the expectations of lenders. This can lead to more stringent credit restrictions, making it challenging to secure funding for operations. As a result, the firm's reputation can suffer, and it may find itself in a difficult cycle of financial troubles. It is essential for businesses to prioritize maintaining adequate working capital to avoid these issues and maintain a positive reputation in the market.

So, Adequate working capital is crucial for the smooth functioning and competitiveness of a business firm. It is the responsibility of the management to determine the appropriate amount of working capital required to sustain the organization and ensure that it is readily available. This enables the business to meet its day-to-day expenses, pay salaries and wages, fulfill short- term liabilities, and undertake profitable projects. Having enough working capital also helps a business to seize attractive opportunities, maintain its financial reputation, and avoid the risk of bankruptcy. Therefore, it is imperative for a business to maintain a proper amount of working capital at all times.

III.4 Policies in Working Capital Management

Among the three WCM policies, Partex Star Group agrees to the moderate one. Striking a balance between aggressive and conservative programs is the goal of a moderate policy. Partex Star Group maintains reasonable levels of short-term liabilities and current assets under this policy. Their goal is to guarantee that their business has enough working capital to cover its ongoing operating expenses while maintaining some leeway to pursue expansion investment possibilities and satisfy its long-term strategic goals. Generally speaking, this approach fits them well because they work in sectors with somewhat variable demand.

II.5 Cash Management Scenario

Partex Star Group in Bangladesh includes many departments and a sizable workforce, each with its own expenses and revenue streams. They have recently experienced a dip in their profits due to increased competition and rising expenses. The procedure used by businesses to gather, handle, and finance or invest funds for short periods of time is known as cash management. It is essential to ensure the financial security and solvency of a business. To address this situation, Partex Star Group can take several steps to improve its cash management:

- **Analyze Expenses:** The first step is to identify areas where the company can bring down expenses without affecting its operations. They can use financial software to identify the areas of the company that are bleeding money and take action to address those issues.
- **Increase Revenue:** The second step is to identify areas where the company can increase its revenues. Partex Star Group can explore new markets or find ways to improve its sales and marketing approach. They can also explore new revenue streams such as adding new products or services to their portfolio.
- **Improve Collections:** Partex Star Group must make sure that they are collecting revenues from customers on time. The company can start by improving its cash management by making sure its invoices are accurate, up-to-date, and sent on time. They can also consider offering incentives to customers who pay early.
- **Leverage Technology:** Partex Star Group can invest in financial technology to improve its cash management. For example, they can use well-organized accounting software to improve their billing processes and cash flow. Additionally, by utilizing analytics, the company can monitor their cash flows in real-time.
- **Cash Reserve Fund:** Partex Star Group can create a cash reserve fund to ensure that they always have enough cash to cover unexpected expenses, and to take

advantage of new opportunities. By setting aside a portion of the profits for a rainy day, the company can better manage its cash flow and avoid cash crunches.

By analyzing the reports and some internal information we can conclude that Partex Star Group using the miller orr model because in their working system they use several time investments and several time outflow. By analyzing whole report and internal information we figure out that they using miller orr model.

Overall, by implementing these steps, Partex Star Group can better manage its cash flow and avoid any cash management crises.

Chapter IV: Receivables & Inventory Management

IV.1 Receivables Management

III.1.1 Credit Granting Decision

Every manufacturing company deals with credit customers as it wishes to accelerate its sales and when we are talking about a giant company like Partex Star Group, it is an obvious thing. As firms allow credit sales, they must also analyze the candidates to determine whom to allow credit sales and whom to not. And for this, first firms need to collect information which they usually collect from sources like:

- **Prior relationship with the client:** If the firm had some prior transaction with a client, it can easily make some assumptions about the client's future transaction pattern as it is easier to drag information of an existing client.
- **Credit agency ratings and reports:** The client's credit rating by a certified rating agency can provide enough backup for the company to decide whether to grant credit to the customer or not.
- **Applicant's financial statement analysis:** Big companies deal with a variety of clientele, and occasionally additional businesses join them as clients. Additionally, businesses typically release an annual report that aids in gathering data on the buyer's payment habits and other matters.
- **Applicant's bank detail:** Though it is very difficult for a company to collect such confidential information, if somehow the firm manages to collect an applicant's banking information through personal sources, it helps the firm take more accurate decisions than with the help of any other sources.
- **Customer visit:** Firms sometimes visit the customer's business site by themselves to collect information or to confirm the given information as firms sometimes try to falsify information regarding business activities.

After collecting information from their preferred sources, they gather all the information to evaluate 5 Cs of the credit seeker and those 5 Cs are:

- **Capital:** Firms evaluate the seeker's capital structure- the portion of debt and equity to determine the credibility.

- **Character:** Credit seeker's character toward payment & transaction work as a big hint.
- **Collateral:** Though it is very rare for a credit seeker to keep something as collateral against purchase of products but if someday it happens, firms do give a nice check of the condition of the collateral- whether it is rightly owned, whether the asset is in good condition for resale or not, etc.
- **Capacity:** Firms check the management capacity- whether the right person is sitting on the right position or not, and production capacity- whether the seeker has enough ability for production or not, before granting credit sale.
- **Condition:** Here, firms check the seeker's firm-specific condition and economic condition before granting credit because it may happen that despite good economic condition the firm is not performing well and vice versa..

IV.1.2 Terms of Sales

Being one of the largest conglomerates in Bangladesh, Partex Star Group deals with different sorts of customers and allows credit sales toward many of its customers thus the

No. of Days	Amount				
	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19
0-90	49,165,612	26,129,688	35,839,909	45,094,139	65,045,513
91-180	81,942,688	7,369,912	40,056,369	61,009,718	85,059,518
181-270	136,571,147	20,099,760	27,406,989	55,704,525	130,091,028
271-365	278,605,139	13,399,840	107,519,729	103,451,262	220,154,047
Total	546,284,587	669,992,000	210,822,999	265,259,645	500,350,107

Table 1: Terms of Sales

company doesn’t follow any particular terms of sales. However, through the analysis based on its financial report, it can be stated that the company has collected most of its cash within 271-365 days. However, an exception can be traced in 2022 where the company collected most of its cash during the first 90 days. And no information regarding discounts was mentioned in the annual report of this company.

IV.2 Inventory Management

Effectively managing inventory is crucial for successful inventory management. Inventory can be generated through production, extracted from natural resources, or procured directly from suppliers. These three sources are instrumental in compiling and maintaining accurate inventory records. Now let's explore the current condition of Partex Cables Limited overall inventory management system as an entire concept. Partex Cables Limited typically produce its inventory by directly buying raw materials and active ingredients from suppliers. They do not typically extract materials from natural resources or produce them directly.

Partex Star Group maintains an efficient inventory system to optimize costs and ensure timely availability of raw materials. They:

- Monitor stock levels of raw materials.
- Forecast demand based on production schedules.
- Coordinate with suppliers to replenish stock as needed.
- Negotiate favorable terms with suppliers to minimize costs.
- Implement just-in-time inventory practices to reduce holding costs.
- Regularly review inventory turnover rates and adjust procurement strategies accordingly

IV.3 Economic Order Quantity of the total inventory quantity

Managing inventory incurs costs; excessive holdings lead to higher carrying costs, while insufficient inventory results in increased ordering expenses. Partex Company’s primary goal is cost minimization; we do this as an assumption due to limited access to internal information for precise calculations.

Total cost of inventory = Total carrying cost + Total ordering cost

Economic Order Quantity, often known as EOQ, refers to whether or not maintaining periodic inventory is optimal. We can reduce costs if we maintain an ideal level of inventory.

Let's determine the Economic Order Quantity for Partex Star Group.

We know,

EOQ = $\sqrt{2TF/H}$

Here,
T= Total Demand
F= Fixed cost / Per Order Cost
H= Holding Cost

Here,

Total demand of Partex Star Group = 4500000 units Per order cost = 50

Holding cost = 0.75

By substituting the values,

∴ EOQ = $\sqrt{2TF/H}$

$= \sqrt{(2*4500000*50)/0.75}$

$= \sqrt{600000000}$

= 24494.90

= 24495 units

The optimal order quantity for minimizing total costs is 24,495 units per order. The result, 24,495 units per order, means that the company should order 24,495 units of inventory each time they place an order to achieve the lowest possible total cost of inventory management.

IV.4 Credit Risk Grading of Partex Star Group

Lenders and financial institutions grade credit risk as a way of determining a borrower's or counterparty's creditworthiness. The process includes assessing the possible risk of loan default or credit facility non-repayment. A borrower or counterparty is given a credit risk grade or score using the credit risk grading system based on a set of predetermined criteria. The grade represents the chance of default or non-repayment. Higher grades indicate reduced risk, while lower grades indicate higher risk.

Credit risk grading usually involves looking into the borrower's financial statements, credit history, cash flow estimates, collateral, management quality, and industry risks. The lender determines a credit risk grade based on these criteria, which influence the interest rate, loan amount, and other loan or credit facility terms and conditions.

The Principal Risk Components of credit risk grading are:

1. **Financial Risk**: Risk of the counterparty failing to meet obligations due to financial difficulties. This component evaluates the borrower's capacity to generate enough cash flow to pay back the loan or credit facility. It assesses the borrower's financial accounts, income, assets, liabilities, and cash flow estimates.

2. Business Risk: The possibility that an adverse industrial environment or negative business condition will have an influence on borrowers' ability to satisfy obligations. The borrower's industry, market, competition, and management quality all are evaluated in this component. It looks at the borrower's company strategy, prospects for growth, and operational efficiency.

3. Management Risk: The risk that counterparties will fail as a result of weak managerial abilities, including management experience, succession planning, and teamwork. This component assesses the borrower's management team's capacity to carry out the business strategy and manage the risks associated with the loan or credit facility. It evaluates the borrower's managerial expertise, talents, and integrity.

4. Security Risk: This component assesses the borrower's collateral or security offered to secure the loan or credit facility. It evaluates the collateral's or security's worth, quality, and marketability.

5. Relationship Risk: This component assesses the borrower's relationship with the lender, including previous repayment behavior, credit history, and general creditworthiness. It evaluates the borrower's willingness to repay the loan or credit facility, as well as the lender's competency to manage the borrower's account.

All of these components are critical in calculating a borrower's or counterparty's overall credit risk rating. These components are used by lenders to calculate the best interest rate, loan period, and loan amount for a borrower or counterparty.

Chapter V: Analyzing performance

V.1 Working Capital Turnover Ratio

Working capital turnover ratio represents the effectiveness of working capital in terms of generating sales. Working capital turnover, sometimes referred to as net sales to working capital, measures the connection between the resources required to finance a business's operations and the revenues a business needs to earn in order to stay in business and make a profit. In general, a high working capital turnover ratio is favorable as it shows that the business is making a lot of sales in comparison to the amount of working capital it has invested. On the other side, a low working capital turnover ratio can mean that the business is not using its working capital to its fullest potential and may be carrying too much inventory or accounts receivable. Increased carrying costs or bad debt write-offs, could lead to decreased profitability.

Working Capital Turnover Ratio = Net Sales / Average Net Working Capital.

Year	2023	2022	2021	2020	2019
Working Capital Turnover Ratio	0.67	0.48	0.34	0.26	0.79

Table 2: Working Turnover Ratio

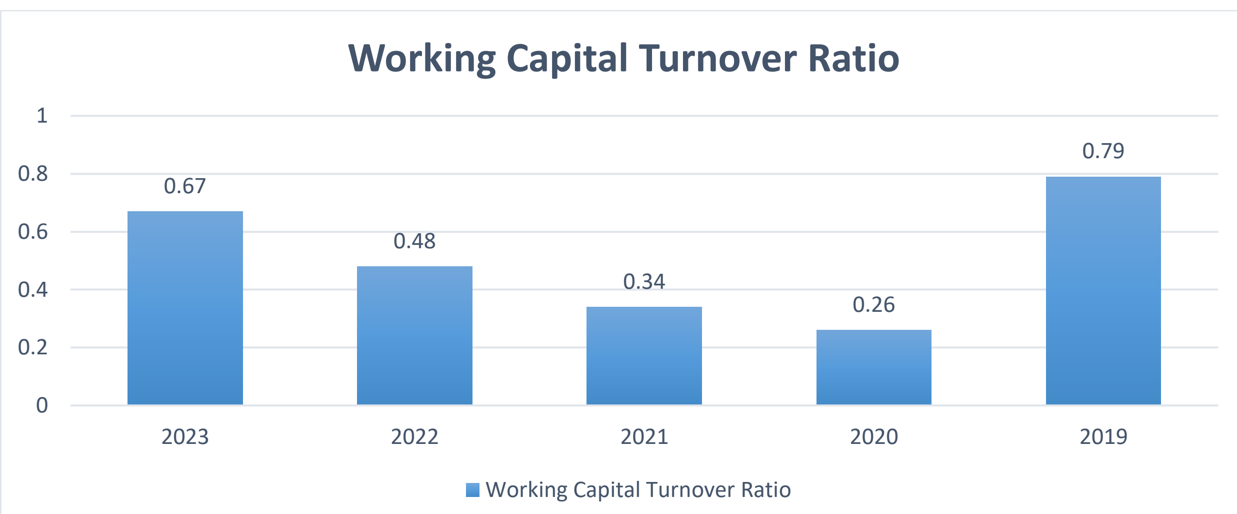

Figure 1: Working Capital Turnover Ratio

In 2019 Partex Star Group had the highest working capital turnover ratio which is 0.79. It indicates management is being extremely efficient in using a firm short-term assets and liabilities to support sales. In 2020 Partex Star Group had the lowest working capital turnover ratio which is 0.26. It indicates that the company is not generating enough sales revenue relative to its working capital.

V.2 Current Assets Turnover Ratio

Current Asset Turnover is a ratio used to measure how well a company can generate sales using its current assets. Current asset turnover measures how frequently current assets change hands during a fiscal year. This indicator displays the amount of revenue generated for every dollar spent on current assets. Companies that have a greater current asset turnover ratio are better at generating revenue from their current assets. A lower ratio shows that a business could not be utilizing its resources as effectively.

Current Assets Turnover ratio = Cost of Goods Sold / Average Current Assets.

Year	2023	2022	2021	2020	2019
Current Assets Turnover ratio	0.17	0.15	0.31	0.09	0.12

Table 3: Current Assets Turnover Ratio

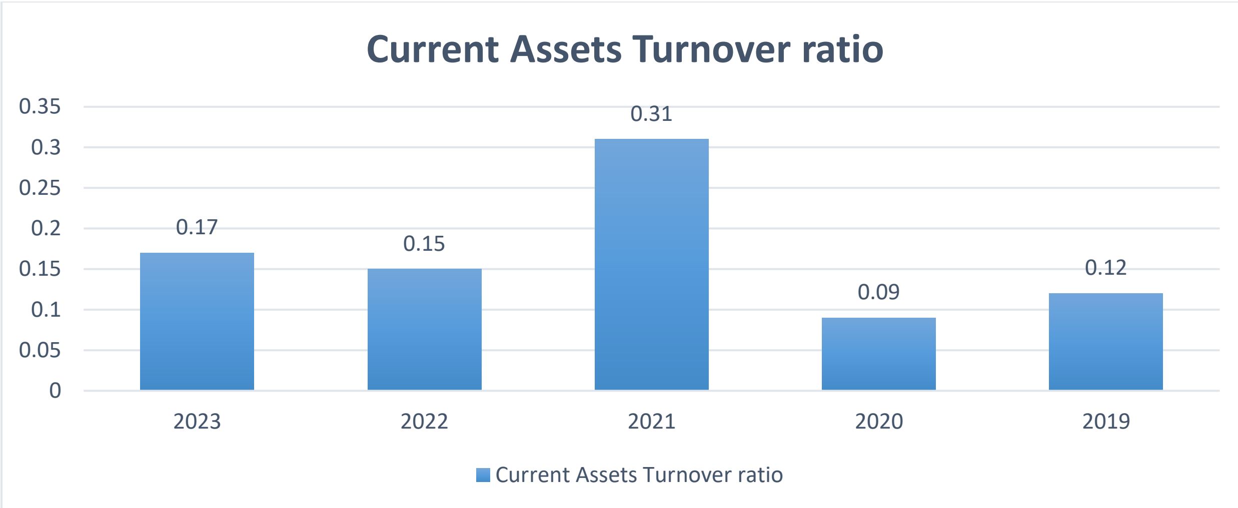

Figure 2: Current Assets Turnover Ratio

In 2021, Partex Star Group, Current Assets Turnover ratio 0.31 which was highest. Which indicates that the company is generating a significant amount of sales revenue relative to its current assets. In 2020 Partex Star Group had the lowest Current Assets Turnover ratio which was 0.09. It indicates that the company has excess current assets that are not being utilized effectively or that the company's current assets are not generating sufficient sales.

V.3 Inventory Turnover Ratio

Inventory turnover is a ratio that shows us how many times inventory gets turnover in terms of the cost of goods sold over some time. A key indicator of a company's performance is how quickly it can turn through its inventory. Strong sales are indicated by a high ratio of inventory turnover. A low inventory turnover ratio could indicate low sales or overstocking. It may be a sign of poor marketing or an issue with a retail chain's merchandising plan.

Inventory Turnover = Cost of Goods Sold / Average Inventory.

Year	2023	2022	2021	2020	2019
Inventory Turnover	0.52	0.49	0.42	0.25	0.36

Table 4: Inventory Turnover Ratio

Figure 3: Inventory Turnover Ratio

In 2023, Partex Star Group was inventory turnover of 0.52 which was highest. The higher the inventory turnover, the more liquid the asset. In 2020, Partex Star Group, was inventory turnover 0.25 which was lowest. It indicates that the company is not selling its inventory quickly enough. This could be a sign that the company is holding onto too much inventory, which could lead to increased storage and carrying costs, obsolescence, or spoilage.

V.4 Average Inventory Holding Period

The average inventory period is a usage ratio that shows us the inventory turnover in terms of days which represents products held as inventory over a specific period before being sold. A low average inventory period suggests that the product is moving more quickly. A high average inventory period shows that the product is taking longer to sell.

Average Holding Period = 365 / Inventory Turnover.

Year	2023	2022	2021	2020	2019
Average Holding period	696.67	748.17	878.18	1457.86	1002.76

Table 5: Average Inventory Holding Period

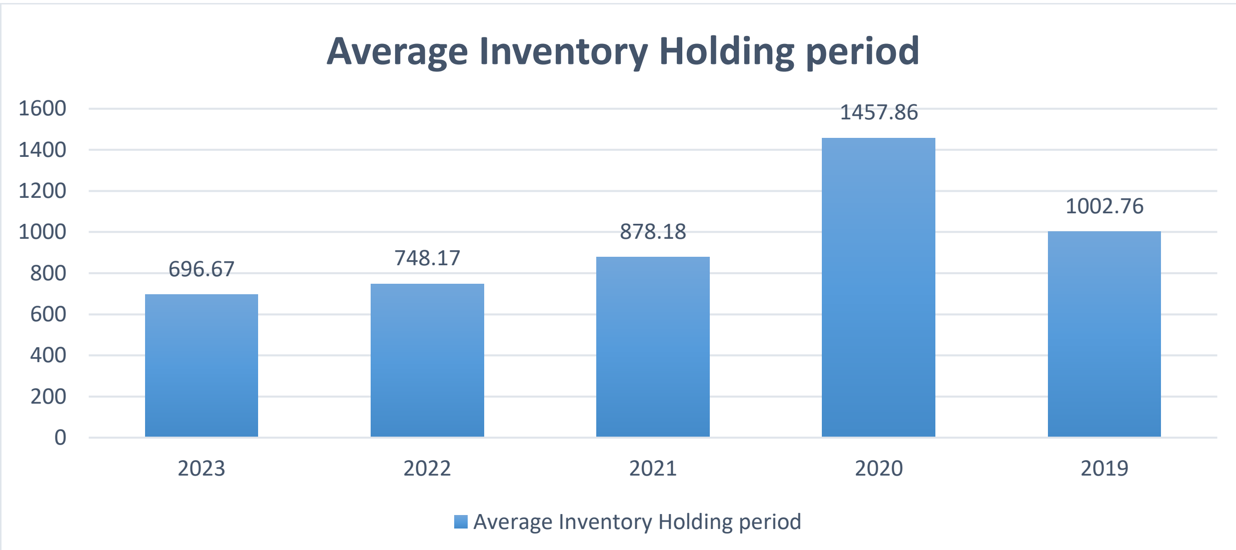

Figure 4: Average Inventory Holding Period

Here we can see that products held in inventory have been decreasing over the years. From 2020 to 2023, which could suggest that businesses or investors are now focusing on faster turnover and perhaps a shorter investment horizon. The significant spike in 2020 likely represents the impact of the pandemic on investor behavior, while subsequent years reflect changes in market dynamics and investor strategies.

V.5 Cash Turnover Ratio

The cash turnover ratio indicates how many times a company went through its cash balance over an accounting period and the efficiency of a company's cash in the generation of revenue. A higher cash turnover ratio is desirable, as it indicates a greater frequency of cash replenishment through revenue. A lower ratio says that the firm takes more time to convert its cash in an accounting period.

Cash Turnover Ratio = Revenue / Average Cash Balance during the Year.

Year	2023	2022	2021	2020	2019
Cash Turnover Ratio	0.46	0.19	0.23	0.20	0.25

Table 6: Cash Turnover Ratio

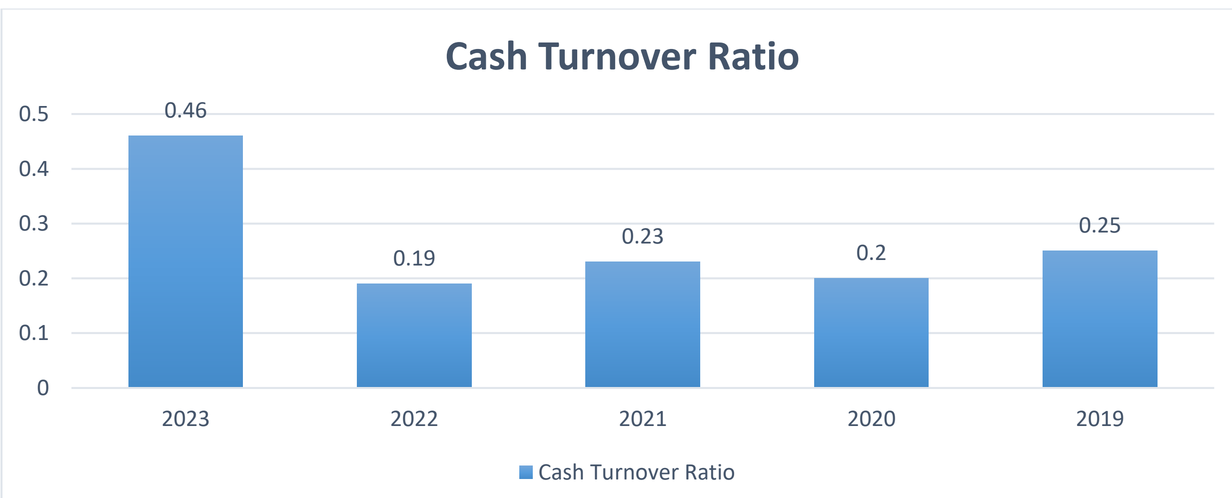

Figure 5: Cash Turnover Ratio

We can see that cash turnover ratio for Partex Star Group is 0.46 for the year 2023. It has slightly decreased in 2022. A decrease in the cash turnover ratio usually signals that a company is not effectively using its available cash to generate sales. This could indicate potential inefficiencies, but it could also reflect a strategic shift to hold more cash for future opportunities or as a safety buffer.

V.6 Current Ratio

The current ratio is a liquidity ratio. It refers to the company's ability to satisfy its short-term obligations, which means those that are due within one year. It shows how much current assets a firm has to pay off its current liabilities and other payables. The current ratio is the most common ratio that a firm checks to measure its liquidity. A too above 1.00 ratio indicates the firm is holding too many current assets that could have gone for further investments. A ratio of 1.00 or a little over 1.00 (based on the industry average) shows the firm can meet its short-term liabilities using current assets. A below 1.00 ratio indicates the firm is lacking in current assets and thus may not be able to pay off its current liabilities and other payables.

Current Ratio = Total Current Assets / Total Current Liabilities

Year	2023	2022	2021	2020	2019
Current Ratio	1.37	1.53	1.67	2.26	1.39

Table 7: Current Ratio

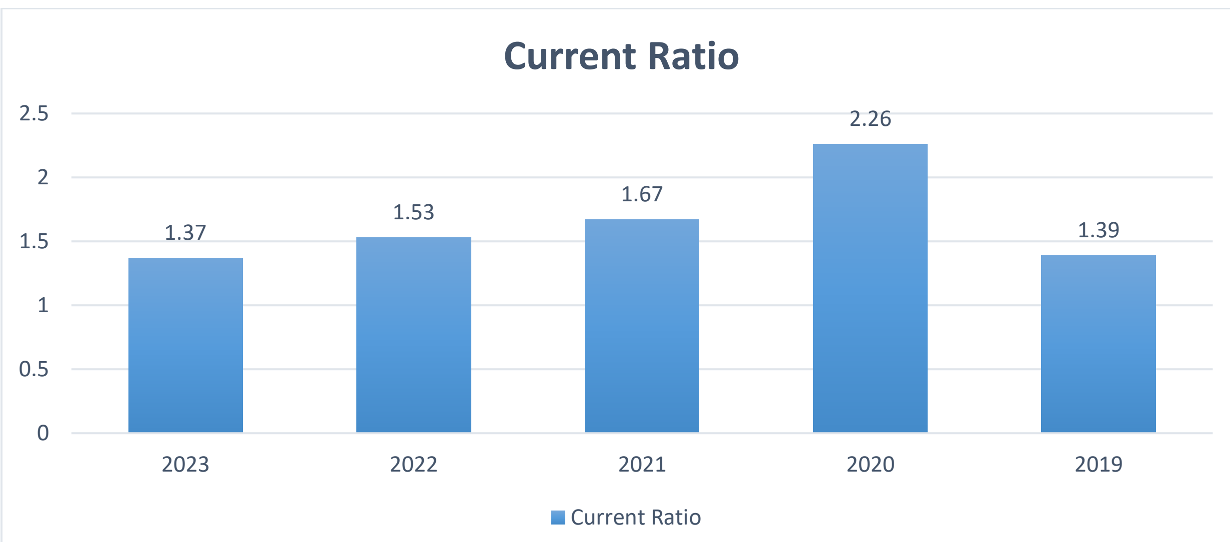

Figure 6: Current Ratio

Current ratio of Partex Star Group was 1.37 in 2023, 1.53 in 2022, 1.67 in 2021 and 1.39 in 2019. That means from 2021 to 2023 the ratio was almost same throughout the year. In 2020, Partex Star Group has the highest current ratio, which was 2.26. It indicates strong solvency position and it is considered better.

V.7 Acid Test Ratio

The quick ratio is also known as the acidity or acid-test ratio. The only difference between the current ratio and the quick ratio is that it subtracts inventories from current assets. And that subtraction is because the firm wants to check whether the firm can pay off its short-term liabilities using its most liquid assets. Inventories are known to be a slow current asset in terms of liquidity as it takes much more time than any other current asset items to convert into cash. A quick ratio over 1.00 means the firm can instantly get rid of its suddenly arising liabilities. A quick ratio below 1.00 means the firm may not be able to pay off its sudden arising liabilities as it doesn't hold a sufficient amount of liquid assets.

Quick Ratio = (Total Current Assets- Inventories) / Total Current Liabilities.

Year	2023	2022	2021	2020	2019
Quick Ratio	1.15	1.26	1.01	1.66	1.27

Table 8: Acid Test Ratio

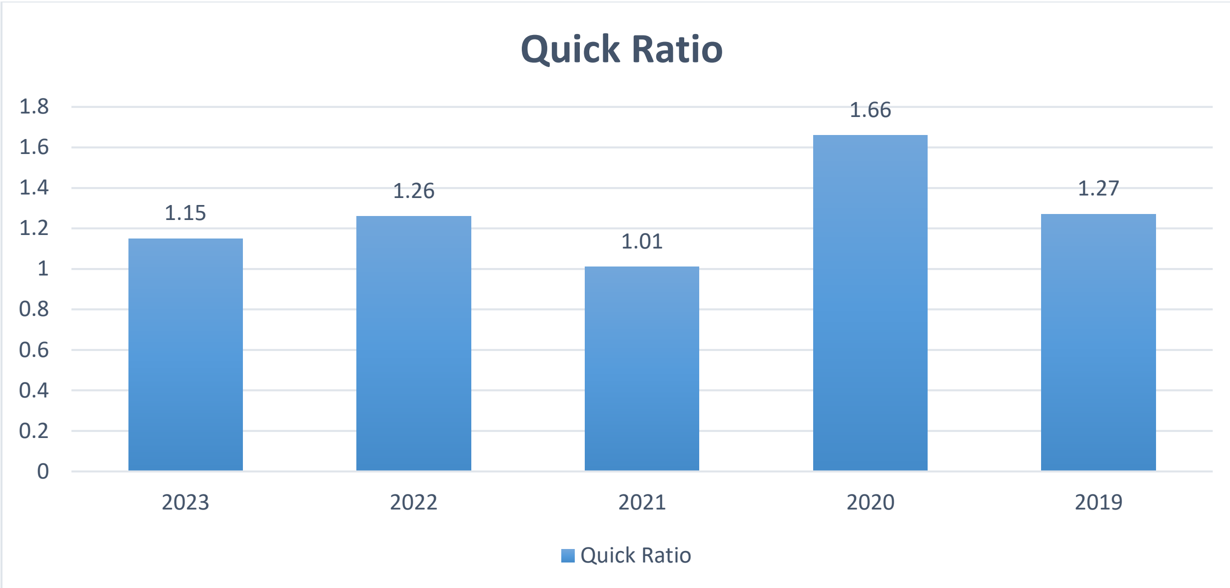

Figure 7: Acid Test Ratio

In 2020, Partex Star Group had quick ratio 1.66 which is the highest. It means that Partex Star Group is not facing difficulties. Also, higher Acid ratio is a good indicator of company's short term financing strength. In 2023, Partex Star Group had quick ratio 1.15 which is lower than 2022 year's quick ratio. It means that Partex Star Group is facing difficulties.

V.8 Cash Ratio

A cash ratio is also a ratio to measure liquidity. It is a more conservative ratio compared to other liquidity ratios as it only focuses on the cash and cash equivalents. It refers to how much cash and cash equivalents a firm has to pay for its current liabilities if asked to pay immediately. A cash ratio over 1.00 proves that the firm can pay off its current liabilities just by using its cash and cash equivalent and still has cash remaining in its hands. A cash ratio below 1.00 proves that the firm has more current liabilities than cash and cash equivalents mean insufficient cash on hand to meet the current liabilities needs.

Cash Ratio = (Cash + Cash Equivalents) / Total Current Liabilities

Year	2023	2022	2021	2020	2019
Cash Ratio	0.99	1.04	0.92	1.48	1.13

Table 9: Cash Ratio

Figure 8: Cash Ratio

Cash ratio is a liquidity ratio that measures a firm's ability to pay off its liabilities with only cash and cash equivalents. All year cash ratio is greater than 1 that means the Partex Star Group has enough cash and cash equivalents to cover for current liabilities.

V.9 Raw Material Inventory Turnover

Raw Material Inventory Turnover- measures the efficiency with which a company manages its raw material inventory. It shows the rate at which raw inventory is used and then replaced. A low ratio indicates slower raw material turnover hence lower sales. A high ratio shows the faster turning of raw materials hence strong sales.

Raw Material Inventory Turnover = Raw Material Consumed during the Year / Average Raw Material Inventory.

Year	2023	2022	2021	2020	2019
RM Inventory Turnover	1.07	1.24	1.01	1.12	0.89

Table 10: Raw Material Inventory Turnover

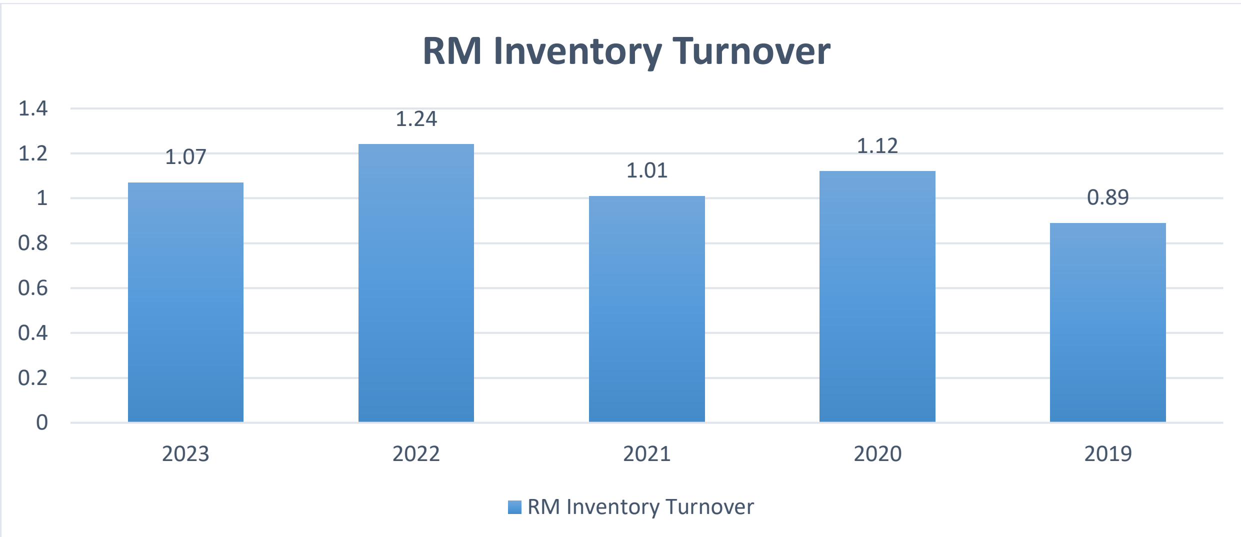

Figure 9: Raw Material Inventory Turnover

Partex Star Group’s raw material inventory turnover has fluctuated over the past five years, with a maximum turnover rate of 1.24 in 2022 and a minimum rate of 0.89 in 2019. The company's inventory turnover rate of 1.07 in 2023 indicates that the company was able to turn over its raw materials once during the year. This may suggest that the company is efficiently managing its raw material inventory, which could lead to cost savings and increased profitability.

V.10 No. of Days of Holding Raw Material

No. of Days of Holding RM- measures the average number of days a company holds its raw material inventory before converting it into finished goods. A low ratio is preferable as it indicates the firm is holding its raw material for a very short time. A high ratio, however, is not likable since it shows the firm is taking much time in converting its raw material to other types of inventories.

No. of Days of Holding Raw Material = 365 / Raw Material Inventory Turnover.

Year	2023	2022	2021	2020	2019
No. of Days Holding Raw Material	342.64	295.50	360.26	325.16	410.82

Table 11: No. of Days of Holding Raw Material

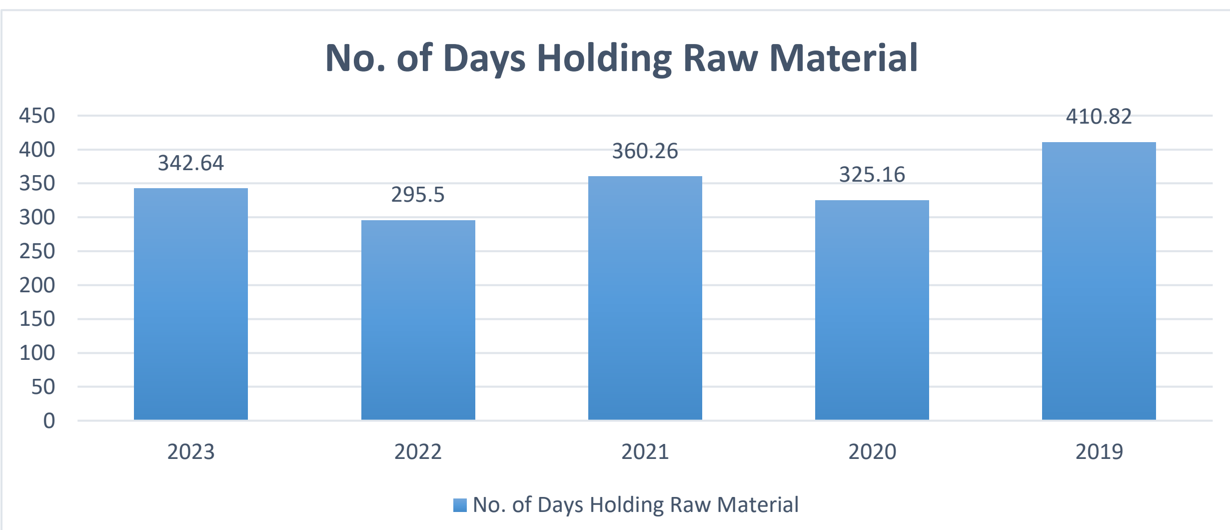

Figure 10: No. of Days of Holding Raw Material

Partex Star Group's number of days of holding raw materials has fluctuated over the past five years, ranging from a low of 295.5 days in 2022 to a high of 410.82 days in 2019, with an overall average of 346.48 days. A higher number of days of holding raw materials could suggest that the company is facing challenges in managing its raw material inventory levels, which could result in higher storage costs and reduced cash flow. On the other hand, a lower number of days of holding raw materials could indicate that the company is efficiently managing its raw material inventory, which could lead to cost savings and increased profitability.

V.11 Work-in-Process Inventory Turnover

Work-in-process inventory Turnover Ratio- measures the efficiency with which a company manages its work-in-process inventory. It shows the rate at which a firm's work-in-process materials turn to completion and are replaced. A low ratio indicates slower work-in-process inventory turnover hence lower sales. A high ratio shows the faster turning of work-in-process inventory hence strong sales.

Work-in-process Inventory Turnover = Cost of Goods Manufactured / Average Work-in-Process Inventory.

Year	2023	2022	2021	2020	2019
Work-in-process Turnover	30.57	36.38	33.38	32.41	38.95

Table 12: Work-in-Process Inventory Turnover

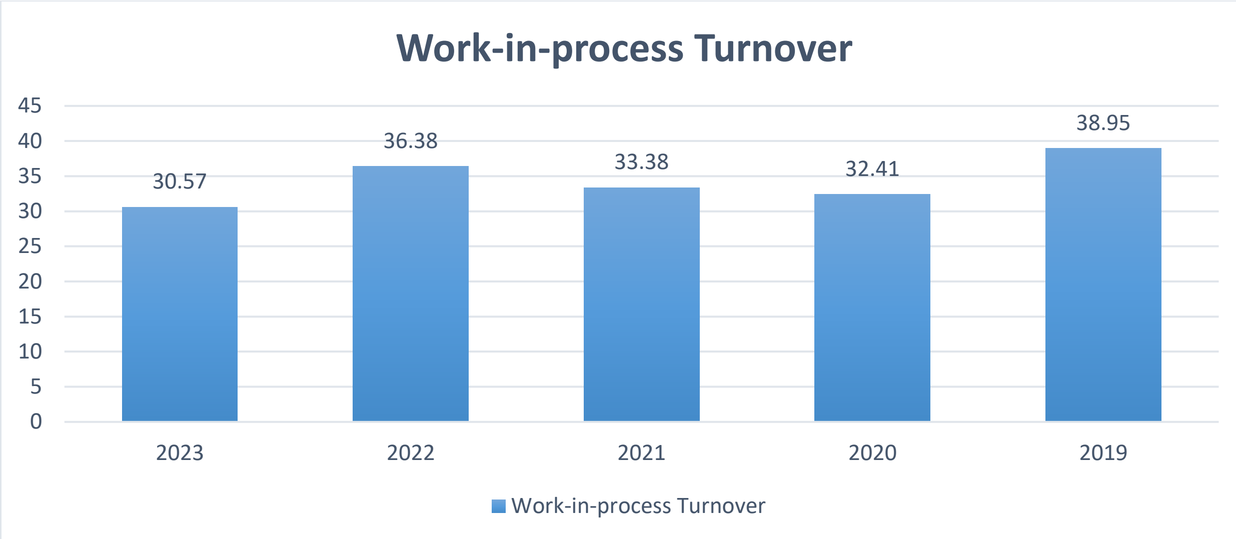

Figure 11: Work-in-Process Inventory Turnover

Partex Star Group's working-in process inventory turnover has fluctuated over the years, with a maximum turnover rate of 38.95 in 2019 and a lowest rate of 30.57 in 2023. This downward trend suggests that the company may be experiencing difficulty managing its working-in-process inventory, which could be due to a variety of factors such as changes in production processes or supply chain disruptions. To increase productivity, the company should evaluate its production procedures. However, it's important to note that inventory turnover rates can vary significantly between different industries and businesses, so it's crucial to compare Partex Star Group' turnover rate with industry benchmarks to determine.

V.12 Conversion Period

Conversion Period- measures the average number of days it takes for a company to convert its investments in inventory and accounts receivable into cash. It is the period at which a firm must invest its cash while it turns its materials into a sale. A high ratio shows the slow conversion of the cash cycle thus blockage of money. A low ratio indicates a fast conversion of the cash cycle that shows the smooth flow of money.

Conversion Period = Average WIP in Days / Cost of Goods Manufactured Per Day.

Year	2023	2022	2021	2020	2019
Conversion Period	0.03	0.03	0.03	0.03	0.03

Table 13: Conversion Period

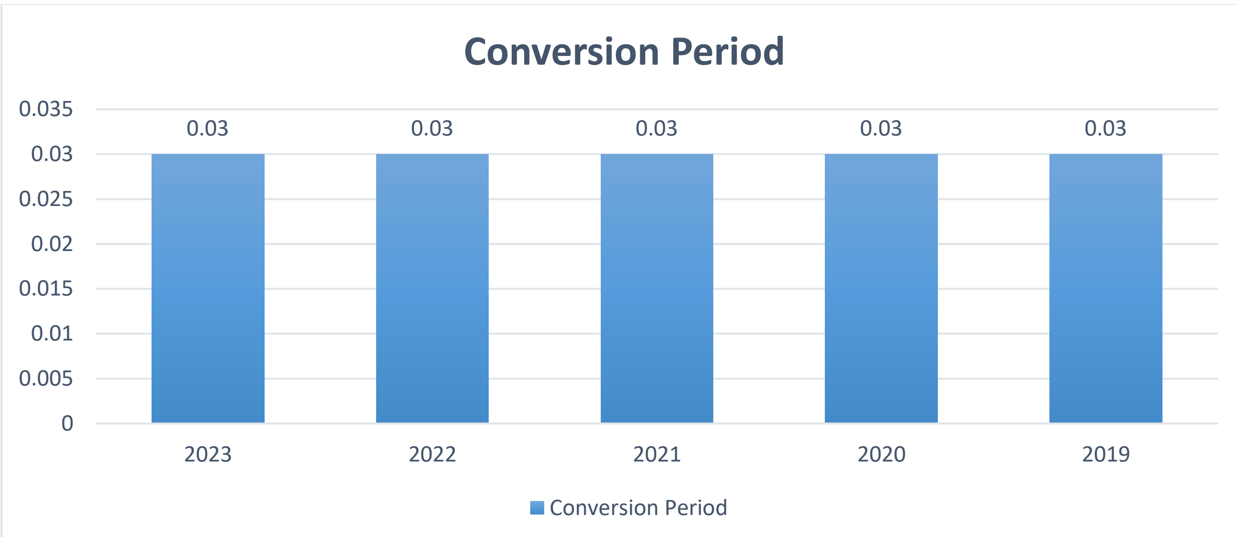

Figure 12: Conversion Period

Partex Star Group' conversion period has remained consistent at 0.03 days over the past five years. This suggests that the company has a highly efficient production and sales process, with minimal delays in converting raw materials into finished products and getting those products to market. A consistently low conversion period can lead to cost savings and increased profitability, as it indicates that the company is effectively managing its production and supply chain processes.

V.13 Finished-Goods Inventory Turnover

Days of Finished goods inventory turnover reflects the time it takes the company to sell the products it manufactures, and is calculated concerning the Cost of goods sold. Finished Goods Inventory Turnover measures the rate at which a company's inventory of finished goods is sold and replaced over a given period. A high ratio indicates that the goods are sold quickly and the company carries little to no excess inventory. A low ratio shows that the sales might be weak and there could be a large amount of excess stock.

Finished Goods Inventory Turnover = Cost of Goods Sold / Average Finished Goods Inventory.

Year	2023	2022	2021	2020	2019
Finished Goods Inventory turnover	0.33	0.33	0.25	0.16	0.33

Table 14: Finished-Goods Inventory Turnover

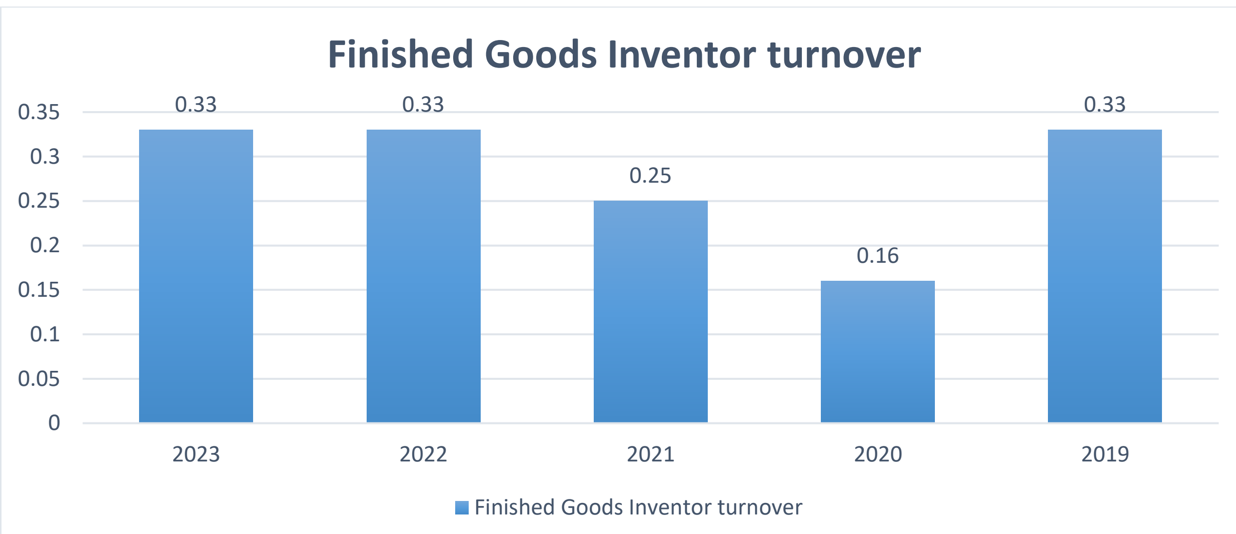

Figure 13: Finished-Goods Inventory Turnover

Partex Star Group finished goods inventory turnover was 0.16 in 2020 and it increased in 2021 to 0.25 which was a good side for them which measures their inventory is turning more quickly than the year 2020. After 2020 it just goes up which indicates sales might become strong and there could be a small amount of excess stock in their storage. That means their performance is good and efficient.

V.14 Finished Goods Storage Period

Finished goods inventory storage period measures a period of time that a company is taking to store his finished goods on stock. For this ratio at first, we need to know average finished goods inventory of the company and then we need to divide it with cost of goods sold per day. Higher value of finished goods storage period indicates a company is stocking more time his finished goods on stock which is not good as it increases operational cost. Lower value of finished goods storage period is good because it measures the company is more effective in sales that's why it is taking less time in storing inventory.

Finished Goods Storage Period = Average Finished Goods Inventory / Cost of Goods Sold Per Day.

Year	2023	2022	2021	2020	2019
Finished Goods Storage Period	1116.17	1094.94	1456.03	2283.34	1093.88

Table 15: Finished Goods Storage Period

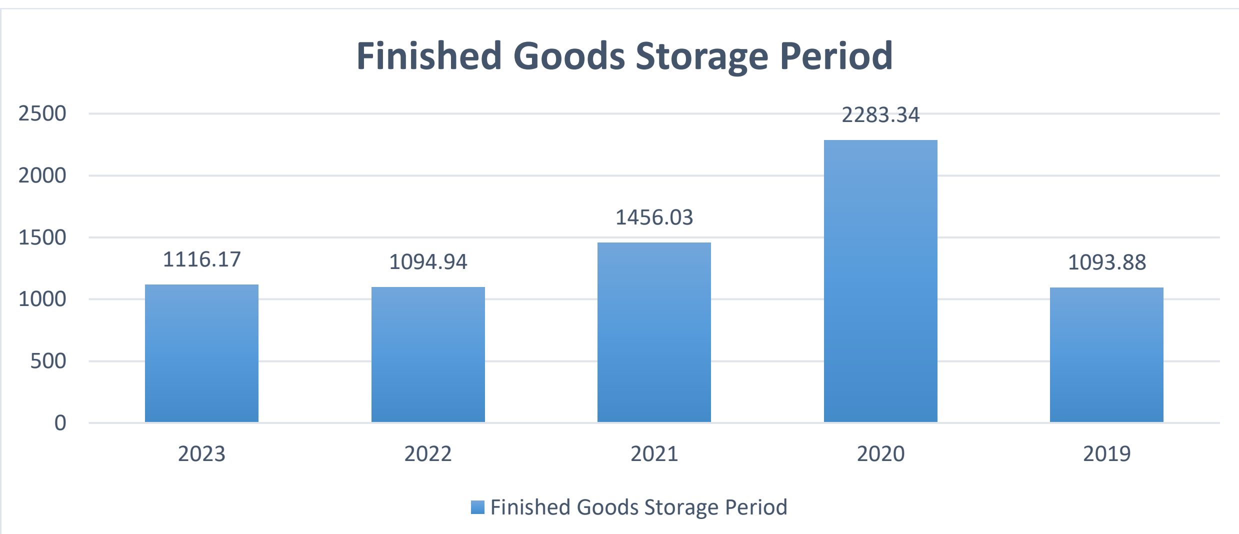

Figure 14: Finished Goods Storage Period

The "finished-goods-storage period" is the amount of time that Partex Star Group's finished products inventory can be held in storage before being sold or used. It is calculated by multiplying the result by 365, which is equal to the average finished goods inventory divided by the cost of goods sold. The finished goods storage periods for the years 2019-2023 show that the lowest storage period was in 2019, while the highest was 2283.34. In 2022, the storage period decreased compared to the previous year and continued to decreased in 2022.

V.15 Receivables Turnover

The accounts receivable turnover ratio is an accounting measure used to quantify how efficiently a company is in collecting receivables from its clients. The ratio measures the number of times that receivables are converted to cash during a certain period. A high ratio may indicate that corporate collection practices are efficient with quality customers who pay their debts quickly. A low ratio could be the result of inefficient collection processes, inadequate credit policies, or customers who are not financially viable or creditworthy.

Receivables Turnover = Total Sales or Credit Sales / Average Receivables.

Year	2023	2022	2021	2020	2019
Receivable turnover	0.46	0.39	0.23	0.13	0.25

Table 16: Receivables Turnover

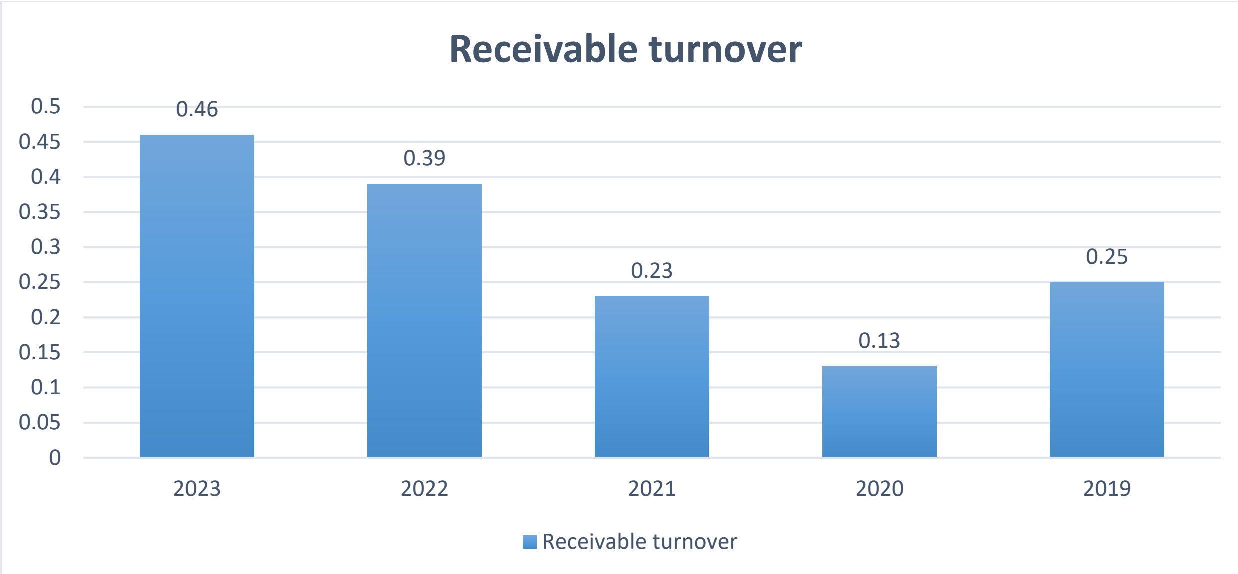

Figure 15: Receivables Turnover

In 2019, the receivables turnover was 0.25, which means that the company collected its average accounts receivable balance only 0.25 times during the year. This is relatively low and suggests that the company was facing difficulties in collecting payments from its customers. However, in 2022, the receivables turnover increased significantly to 0.39, indicating that the company was able to collect its average accounts receivable balance almost 2 times during the year. This is a positive trend as it suggests that the company was able to improve its collections process, resulting in faster and more frequent collections. Furthermore, in 2023, the receivables turnover increased even further to 0.46, indicating that the company continued to improve its collections process and was able to collect its average accounts receivable balance 2 times during the year.

V.16 Receivables Collection Period

The receivables collection period measures the number of days it takes, on average, to collect accounts receivable based on the average balance in accounts receivable. A receivables collection period is a measure of cash flow that is calculated by dividing average receivables by credit sales per day. The high value of the receivable collection period is not good as the high value indicates the company is taking more time to collect its receivables or to convert receivables to cash. The low value of the receivable collection period is preferable as a lower value indicates the company is taking less time to collect its receivables or converting its receivables to cash.

Receivables Collection Period = 365 / Account Receivables Turnover.

Year	2023	2022	2021	2020	2019
Receivable collection period	791.97	929.60	1587.40	2736.26	1487.16

Table 17: Receivables Collection Period

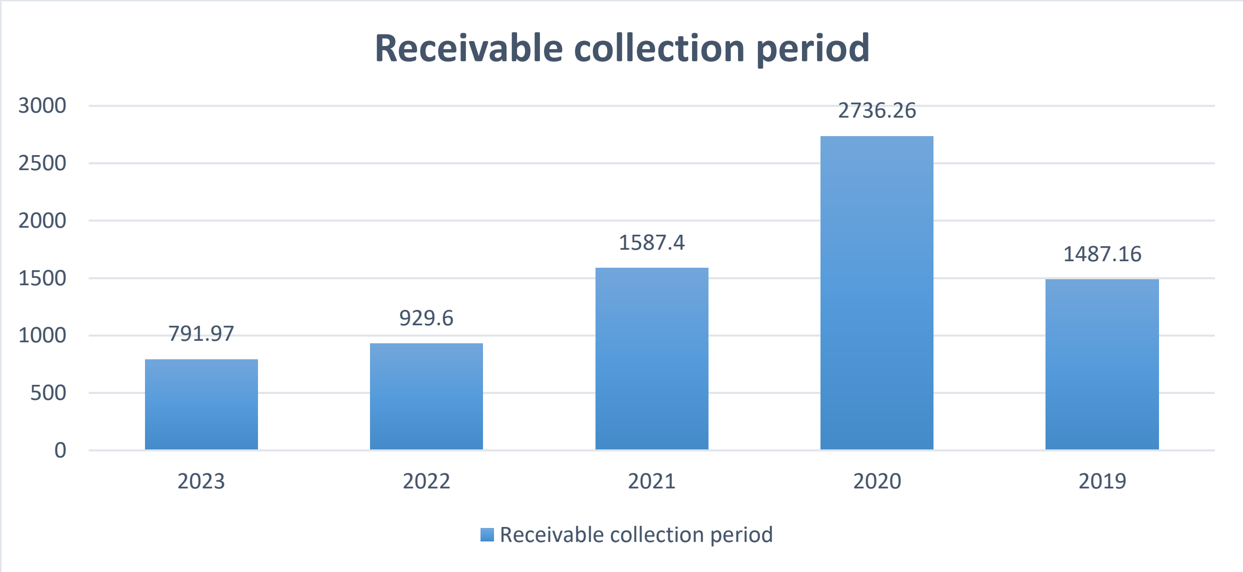

Figure 16: Receivables Collection Period

In the receivable collection period, we can see that it is following down-up trend from 2020 to 2023 which is not a good sign for the company because we know that if the receivable collection period increases the working capital cycle will increase and the Partex Star Group will be unable to run efficiently.

V.17 Payable Turnover Ratio

The accounts payable turnover ratio measures how quickly a business makes payments to creditors and suppliers that extend lines of credit. Accounting professionals quantify the ratio by calculating the average number of times the company pays its AP balances during a specified period. On a company's balance sheet, the accounts payable turnover ratio is a key indicator of its liquidity and how it is managing cash flow. A higher accounts payable turnover ratio indicates that a company pays its bills in a shorter amount of time than those with a lower ratio. Low accounts payable turnover ratios could indicate that a company is struggling to pay its bills, but that is not always the case. It could be using its cash strategically.

Payable Turnover Ratio = Annual Purchase / Average Payables.

Year	2023	2022	2021	2020	2019
Payable turnover ratio	11.09	10.71	8.86	9.34	7.72

Table 18: Payable Turnover Ratio

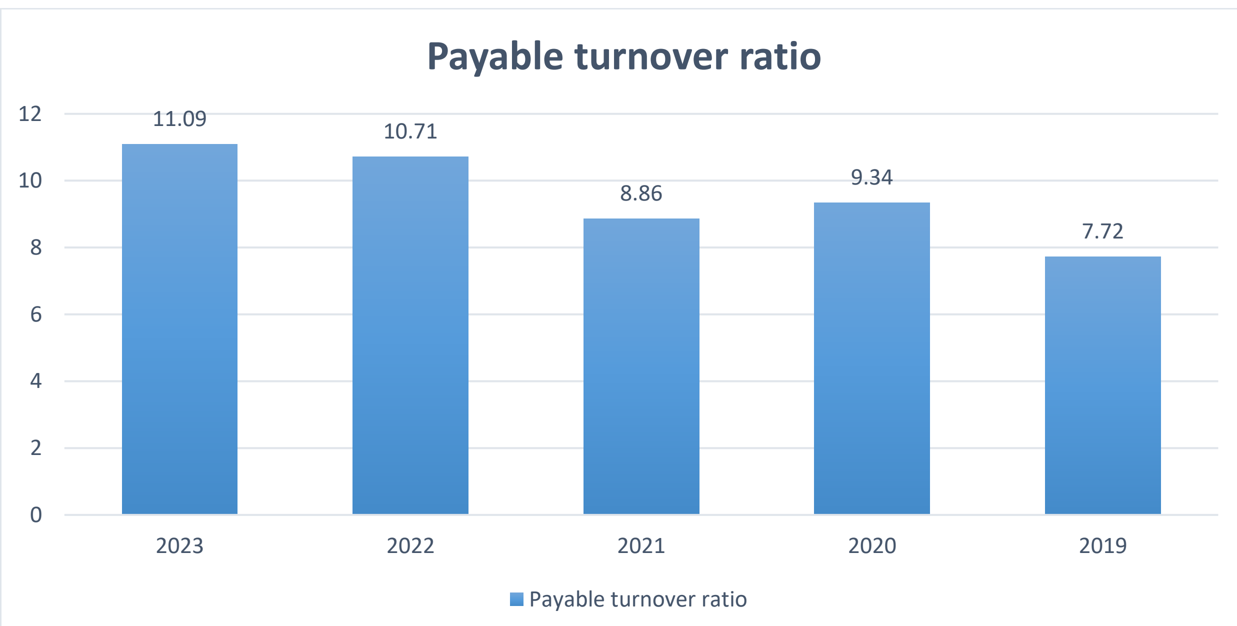

Figure 17: Payable Turnover Ratio

The payable turnover ratio has generally increased over the years, rising from 7.72 in 2019 to 11.09 in 2023. A higher ratio suggests that the company is paying its suppliers more quickly, indicating improved cash flow management or stronger supplier relationships. There was a slight dip in 2020 compared to 2019, likely reflecting challenges during the pandemic, but the ratio rebounded strongly afterward.

V.18 Average Payment Ratio

Average payment period is the average number of days a company takes to pay the amount payable to its supplier. By dividing payable turnover ratio with 365 days, we can measure our average payment period. Because payable turnover ratio indicating the number of times it takes to pay the payable and when we are dividing it with 365 then we will get the average payment period or average payment days. Higher value of average payment period is good for the organization because it will make shorter the working capital cycle and we know that the shorter the working capital cycle the firm will become more efficient. Lower value indicates the firm gets fewer time to pay its supply.

Average Payment Period = 365 / Payable Turnover Ratio.

Year	2023	2022	2021	2020	2019
Average payment period	64.81	8.11	207.01	129.94	152.30

Table 19: Average Payment Ratio

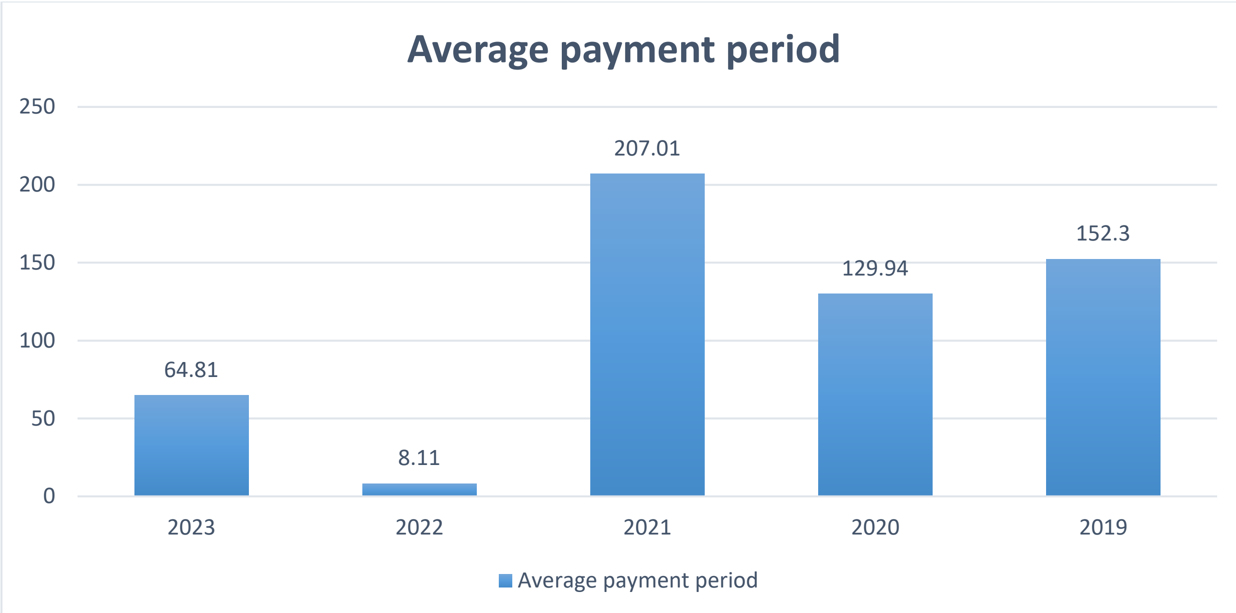

Figure 18: Average Payment Ratio

In the average payment period of Partex Star Group, we can see that the days of average payment are increasing from 2022 to 2023 which indicates they are delaying their accounts payable maybe they do not have enough cash to repay the loan or they invest their money to other sources for taking more advantage but in 2020 the scenario becomes to change the payable period become decrease it is not a good side for the company because their working capital cycle becoming higher for that and they are unable to take investment opportunities because they are paying their payables quickly.

Chapter VI: Conclusions and Key Facts

VI.1 How to Partex Star Group manage supplier finance.

1. Partex Star Group a leading private company in Bangladesh, employs over 5,000 people and is committed to improving our country by introducing innovative and reliable products. Here are some insights into how Partex Star Group manages suppliers' finance
2. Supply Chain Management Professionals: The company employs experts in supply chain management, such as M. A. Karim and Mamunur Rashid, who play key roles in coordinating supply chain activities with other functional areas, including finance.
3. Financial Reporting: Partex Star Group emphasizes financial reporting as part of its organizational overview. Financial reports are crucial for understanding and managing the financial aspects of the company, including supplier finances.
4. Effective Communication and Query Resolution: Partex Star Group maintains strong communication with suppliers, addressing queries related to bills, outstanding payments, and claims. They also collaborate with the factory to expedite the issuance of GRNs and resolve any problematic bills.
5. Supplier Bill Processing: Partex Star Group's supply chain executives play a crucial role in managing suppliers' finances. They:

- Check and process suppliers' bills related to raw materials (RM-PM) and promotional items.
- Receive Goods Receipt Notes (GRN) from the factory and bills from suppliers.
- Match GRN with the bill to ensure accuracy.
- Enter bill details into the software.
- Obtain authorization for bill payment.
- Forward bills to finance for payment.
- Follow up until the payment is received.
- Address queries from audit and finance regarding bills.
- Provide necessary documents like VAT challan, comparative statements, etc., as per audit requirements.
- Manage issues related to incomplete or partially fulfilled purchase orders.

- Handle rejections to avoid VAT problems.
- Maintain communication with suppliers and address their queries.
- Ensure timely issuance of GRNs from the factory.

Partex Star Group combines quality management, efficient bill processing, and strong supplier relationships to effectively manage their finances and ensure the availability of quality product both in Bangladesh and globally.

VI.2 Short term financing instruments used by Partex Star Group

Partex Star Group utilizes short-term financing instruments to manage its financial obligations. As of June 30, 2023, the company's short-term loans amount to 2723 million, indicating a significant reliance on short-term financing for its operational needs. Partex Star Group employs various short-term financing instruments to manage their financial operations effectively. Here are some of the key approaches they utilize:

Trade Credit: Partex Star Group often negotiates favorable payment terms with suppliers, allowing them to delay payments for raw materials and other goods. This trade credit helps manage short-term cash flow needs.

Bank Overdraft: Partex Star Group maintain a bank overdraft facility, which allows them to withdraw more funds than their account balance. It provides flexibility during cash shortages.

Revolving Credit Lines: Partex Star Group have revolving credit lines with banks. These lines of credit allow them to borrow funds as needed, repay, and borrow again within a specified limit.

Inventory Financing: Partex Star Group use inventory as collateral to secure short-term loans. This financing method helps optimize working capital.

Supplier Financing: Partex Star Group collaborates closely with suppliers to negotiate extended payment terms or early payment discounts. This helps manage cash outflows effectively.

Partex Star Group employs short-term financing instruments depend on their financial strategy, industry norms, and market conditions.

VI.3 Conclusion

Efficient working capital management is crucial for the success of manufacturing companies like Partex Star Group, one of the largest in the country. It plays a vital role in sustaining current operations and enhancing profitability. Partex Star Group encounters challenges in determining the optimal working capital management (WCM) guidelines due to the diverse inventory levels it maintains and the substantial management of cash, receivables, and payables.

To address these challenges, Partex Star Group can focus on reducing inventory periods, receivables period, and daily sales outstanding. By doing so, the company can ensure a more streamlined and effective WCM policy. One key strategy is to accelerate sales volume, which not only facilitates quicker turnover but also contributes to increased overall efficiency.

By implementing these measures, Partex Star Group can overcome the issues associated with working capital management and achieve a more efficient and profitable operation. This approach will not only enhance the company's financial performance but also contribute to its sustained growth in the competitive business landscape.

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