



United International University

Internship Report On

Working Capital Management of Walton Group

Course Details

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Executive Summary

This report analyzes working capital management & my working experience as an intern at Walton Group, which is a well-known manufacturing company in Bangladesh. Established by S.M. Nazrul Islam in 1977, Walton Group is a retailing company with a major national and worldwide presence that specializes in consumer electronics, home appliances, mobile phones, and automobiles.

This report evaluates how Walton Group manages its working capital, focusing on cash, receivables, and inventory over the past five years. I calculate all the necessary working ratios using secondary data and provide interpretations along with graphical representations for better understanding. Based on these calculations and insights, I will conclude how effectively Walton is managing its working capital.

During my internship in Audit Department, I worked undercover to assess customer service, gather insights, and suggest ways to improve. My training taught me how to observe discreetly, allowing me to help enhance customer experiences effectively. Also, I received practical knowledge of company's operational activities, financial performance, strategic decision-making.

Letter of transmittal

November 06, 2024

Mr. Mosabbir Uddin Ahmad

Assistant Professor

School of Business & Economics

United International University

Subject: Submission of Internship Report

Dear Sir,

With due respect and honor, it gives me immense pleasure to present to you my internship report as a part of my course INT 4399. I have tried my level best to follow your guidelines in every aspect of planning this report. I have tried to make this report as informative and useful as possible with the utmost sincerity, honesty, and dedication. I truly enjoyed the challenges of preparing this report, as it gave me the opportunity to enhance my knowledge regarding finance practices.

This course has given me exceptional experience that might have immense uses in my future endeavors, and I sincerely hope it will be able to fulfill all your expectations. I want to thank you for providing me with this valuable opportunity.

Sincerely Yours,

Nusrat Masud Suchi

ID-111 193 078

Declaration of the Student

I am Nusrat Masud Suchi (ID: 111 193 078) a student enrolled in the Bachelor of Business Administration undergraduate program, major in Finance at United International University, hereby declare that I have successfully completed a three-month internship at Walton Plaza of Walton Group. The internship took place from 03, January to 02, March during which I had the opportunity to work in Corporate Communications, and contribute to Financial Audit, Inspection and Behavioral Intelligence Branch (BIB).

I would like to express my gratitude to the entire team at Walton Plaza for providing me with an enriching learning experience. I hereby affirm that the information provided in this declaration is accurate and truthful to the best of my knowledge. Both primary and secondary information is included here

Sincerely

Nusrat Masud Suchi

ID: 111 193 078

Major: Finance

School of Business and Economics

United International University

Acknowledgement

I would like to express my sincere gratitude to Allah for giving me the strength and capability to complete and submit my internship report.

I would also like to express my gratitude to Mr. Mosabbir Uddin Ahmad, Assistant Professor, School of Business & Economics, United International University, for all of his helpful guidance and support over my academic journey so far. Without his invaluable guidance, assistance, and participation throughout the process, I would not have been successful in completing the report on time and with accuracy. In addition, I am happy about having the opportunity to complete my report under his supervision.

Finally, I would like to thank from my core of heart to all of my seniors, head of department and co-workers of Internal Audit & Compliance Department for their unconditional support and kindness for completing my report. Also, they all played the role of mentors, and I was delighted to assist whenever needed. Being selected as an Intern Audit at Walton made me proud, and the learnings from this experience will undoubtedly be the most effective part of the beginning of my corporate career.

I hope this report will meet the standard and expectation of my supervisor, my instructor and he will appreciate me for my effort and the quality of report.

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Chapter 1: Introduction

1.1 Background of the report:

Working capital management plays a crucial role in ensuring the smooth functioning and financial health of a company, emphasizing the effective utilization of available funds generated from robust cash flows, maintaining financial solvency, and implementing growth strategies. It essentially reflects a company's liquidity position, showcasing how well it manages its short-term assets and liabilities

This research report entitled “Working Capital Management of Walton Group”. This report will explain how Walton Group handles its daily business activities, how well the company is performing overall, how it manages to collect money owed to it, and its short-term financial health and liquidity. The primary goal of any organization is to invest, and working capital is a crucial investment to keep the business running efficiently. At Walton Group, a leading conglomerate in Bangladesh, working capital management stands as a cornerstone of its operational efficiency and financial stability. The company excels in optimizing its resources, particularly evident in its adept handling of inventory, debtors, cash balances, and working funds. One of the key indicators of Walton's sound working capital management is its ability to maintain a healthy balance between current assets and liabilities. When current assets exceed current liabilities, it signifies Walton's capability to sustain its operations seamlessly. Moreover, it indicates that the company possesses ample funds to meet its short-term debt obligations and upcoming operational expenses, thereby ensuring continuity and stability in its business operations.

1.2 Origin:

This report created as part of the BBA program requirements. I have done my internship at “Walton” and have done my report on “Working Capital Management of Walton Group.” I chose the topic as per consultation with my academic supervisor Mr. Mosabbir Uddin Ahmad.

1.3 Objective of the study:

This report focuses on Walton Group's management of working capital. Working capital is the portion of funds needed to keep the business running smoothly and cover daily expenses. The study looks at how Walton has managed its working capital by comparing how effectively the company has used it over the past years. It also calculates key metrics like the current ratio, cash ratio, and cash conversion cycle. This paper's primary goals are to identify their working capital management and to reveal

their working capital needs.

1.4 Methodology:

Methodology refers to the approach or methods that will be used to conduct the research. For this research, most of the information comes from secondary data sources. Walton Group is one of the renowned names in the manufacturing industry of Bangladesh. This research paper contains the analysis of five years data of Walton Group.

1.4.1. Data Sources:

The nature of this report is quantitative. For this report data is collected from primary and secondary sources Primary data is gathered directly from the organization through personal conversations with the finance manager and other staff members in the finance department. The secondary data was primarily gathered from the company's annual reports and previous studies on working capital management. I also referenced several websites while conducting this research. They are-

- Official Website of Walton Group
- Website of Dhaka Stock Exchange

1.4.2. Data Analysis:

As, this is a quantitative report, data has been organized into tables, analyzed, and interpreted using various financial ratios and statistical tools. Most of the calculations were completed using Microsoft Excel.

1.4.3. Graphs & chart:

Their working capital position has been determined through the use of numerous graphs. Their capacity to pay back their debts has been assessed using the current ratio. They can determine their available cash by examining the cash ratio. Working capital is determined by comparing a company's current assets to its current liabilities. To find out how long it takes to convert inventory into cash, the cash conversion cycle was used.

1.5. Limitations of the study:

The report encountered several issues during its preparation, which limited its effectiveness. The limitations are:

- Ensuring the confidentiality of information made it challenging to access necessary data.
- The three-month internship duration makes it difficult to gain real practical experience given the current global situation. Despite these limitations, I have done my best to contribute effectively.

Chapter 2 : Overview of Company

2.1 Introduction

Walton Group is the largest manufacturing company in Bangladesh and a leader in its industry. WHIPLC, their electrical and electronics division, is the first of its kind in Bangladesh and has a growing international presence. The company aims to improve lives through technology, making homes and organizations more connected and smart. With over 35,000 employees working in more than 40 countries, WHIPLC has served over 177 million people worldwide and offers more than 250 products both locally and internationally. Their mission is to enhance people's lives by responsibly using knowledge, technology, and skills. Walton Group strives for excellence by creating high-quality products, fostering innovation, and empowering its employees to ensure customer satisfaction. They focus on delivering consistently high-quality products and services that offer good value for money, aiming to lead in every business category they operate in. They prioritize employee development, encouraging empowerment and rewarding new ideas. Walton Group fosters a learning environment for personal growth and aims for high productivity by effectively using resources and adopting the right technologies. They also support their distributors and suppliers in improving efficiency to promote inclusive growth. The company is committed to achieving strong returns on investment by wisely managing resources and operating efficiently, leveraging their core strengths. Walton Group upholds a set of values that guide their operations: Quality, Customer Focus, Innovation, Fairness, Transparency, and Continuous Improvement.



2.2 Organizational Background

Walton Group began its journey in 1977, founded by S.K. Nazrul Islam, who took the initiative to create this well-known brand. Today, Walton is recognized as the largest multinational corporation in electrical and electronics manufacturing in Bangladesh. S.K. Nazrul Islam started his career with a small business, and after the liberation war, he launched a new company called R.B. Group, selling imported products like televisions. In 2008, Walton began manufacturing refrigerators under its new name.

In 2017, after the passing of S.K. Nazrul Islam, his eldest son, S.M. Nurul Alam Rezvi, took over as chairman. That same year, Walton opened its first factory in Chandra, Gazipur, Dhaka, starting with a compressor manufacturing unit. The following year, they added a computer assembly plant and made history by exporting locally made laptops to Nigeria. Over time, Walton expanded its exports to various products, including mobile phones and refrigerators, in different countries. Walton became the first Bangladeshi manufacturing giant to acquire rights to three reputable European electronics brands, along with their production plants, trademarks, patents, designs, and software. In 2022, Walton Group started developing a research and development center in South Korea to further enhance their innovation.

The key to Walton Group's rapid success lies in its wide range of products and the ability to customize designs based on the needs of various customer segments. Together with its sister brand, Marcel, Walton Group has established itself as a trusted and popular name in the market due to its quality products, fair pricing, strong distribution network, and excellent after-sales service. Both brands hold significant market shares in the electrical manufacturing industry, with Walton's refrigerators leading the market with a 75% share.

2.2.1. The market shares of Walton for different products

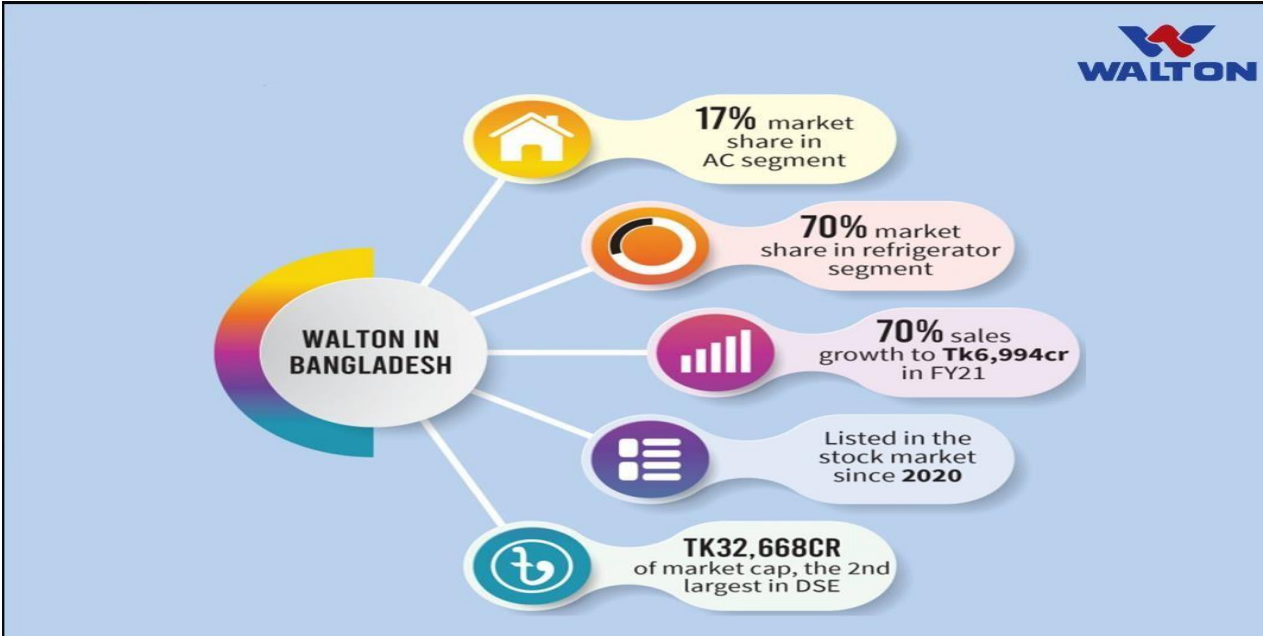


Figure: Walton shares in Bangladeshi market

2.2.2. Key Peoples



Figure: Alhaj SM Nazrul Islam the founder of Walton Group and his five sons joined in the business.



Figure: Managing Director of Walton Hi-Tech (Golam Murshed)

2.2.3. Mission

Being updated and innovative with the changing demand of market and consumer behavior. Responding to the changing customer demand by inventing new features, updating quality and services maintaining top standards.

2.2.4. Vision

Achieve the position of being the leader of Electrical industry in Bangladesh and take place within top 5 global electrical brands and hold the position with sustainability.

2.2.5. Values

- Consider all the stakeholders as like family.
- Customers are the major component.
- Standard innovative brilliance.
- Popular brand image and demand.
- Forwarding quality assurance.

2.2.6 Corporate Culture

- Work in a team with showing respect to all teammates.
- Updated and motivated.
- Be socially responsive.
- Try to find out own efficient level, Be intuitive and ingenious.
- Try to be helpful and kind to others.

2.2.7 Objectives of Walton Group

The ultimate objective of Walton is to increase more market shares by providing diversified and good quality products to customers which will provide a sustainable service.

- a) Aim to become a top player in the electronics industry.
- b) Try to achieve more profitability.
- c) Good corporate citizenship.
- d) Enhancement with sustainability.

2.2.8 Way of Business Operation

Walton basically follows 3 ways for their business process. These are-

1. Corporate Network
2. Showroom Network
3. Dealer network

2.2.9 Products/Services Offered by Walton Group

Walton Hi-Tech industries manufacture wide range of products in different models, colors, designs, shapes, sizes, prices et cetera. All the products served by Walton are mainly divided into six major categories. The six categories are:

- 1) Refrigerator & Freezer
- 2) Air Conditioner
- 3) Television
- 4) Electronic Appliances
- 5) Home Appliances
- 6) Elevator



Figure: Products offered by Walton Hi-Tech Industries

After manufacturing these products by Walton Hi-Tech, they sell these products to Walton Plaza. Finally, Walton Plaza distribute to dealers, sub-dealers, other distributors, international distributors, exclusives, and final consumer.



Figure: Walton Hi-Tech Products (Mobile Set & Refrigerator)

2.2.10 Organizational Structure

Organization Chart

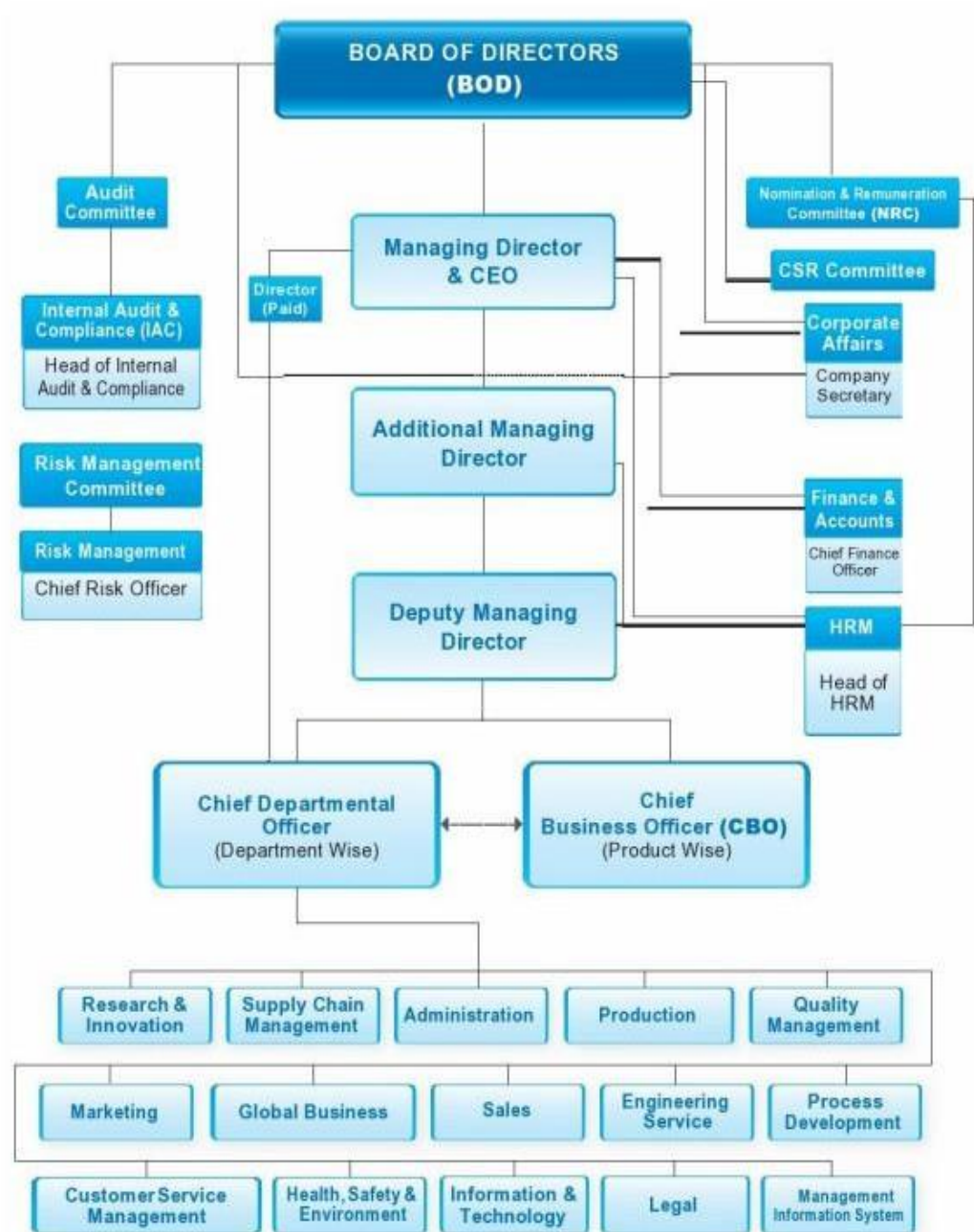


Figure: Organization Chart of Walton

2.2.11 Operational Units of Walton

Human Resource Department

The HRM department is placed on the ground floor in the corporate office. Every type of process and workings related to recruitment, training, salaries, leave procedure et cetera handled by this department. The department head Md. Faysal Ahmed ensuring smooth process of recruitment and best candidate selection for every position. The employees of this department basically monitor each and every worker movement, their performance, increment, capability et cetera.

Marketing & Sales department

The marketing and sales department is also located on the ground floor of corporate office. This is a very huge and diversified department. Under this major department, there are some sub- departments. Those are admin, branding, online monitoring, strategic business development et cetera. Under this department, employees of sales department work on selling products and circulating information related to products, offers to enhance sales number of their products. They work outside of office for these activities and get some allowances for these duties. In branding, they involved in all the advertisement, settlements, media related promotion, social platform promotion of products et cetera. Basically, they handle all the aspects of 4 Marketing Mix (Product, Price, Place, Promotion) through these sub-departments under marketing department.

Supply-Chain department

This is a very important and key department because as a manufacturing company, Supply-chain plays a vital role for overall operational process. Under this department, there are sub-departments such as corporate purchase zone, inventory maintenance, procurement et cetera. In this department, they keep in track all the raw-materials, inventory, stock, office supplies. They count all the products, their condition, safety stock, number of raw materials needed for next production and update the data in software on a daily basis. The supply-chain department always try to reduce costs in internal process which will result in low production costs per unit of products. This helps Walton to offer their products at reasonable price and increasing the quantity of selling products. There work depends on the production process and other relevant thing in the Walton factory.

Research & Development

In this sector, the engineers and researchers work for products development. They research for updated technology, new design, features, market demand and so on. They try to invent something new which will provide a top-notch service with new updated features, looks aligned with changing market demand. The engineers of Walton always try to refine existing products by researching, updating designs, experimenting, testing and so on which will help to add more demand and curiosity in consumer's mind. That results in higher unit of sales of products and increases more profitability.

Finance & Accounts department

There is various work done by this department. This is one of the major and vital department because all of the operational work depends on funding, and this is the department which is maintaining fund related decision. As Walton group divided into two major sectors (Walton Plaza & Walton Hi-Tech), there are two Finance & Accounts departments for both plaza & Hi-Tech. They perform task such as:

- Tax and Vat management
- Financial strategic planning
- Financial modelling
- Investment and capital related decision making
- Fund management for each operation
- Employee fund management
- Reducing cost and increasing profitability
- Financial reporting
- Provident fund management

Internal Audit & Compliance department

As like Finance & Accounts department, there are two Internal Audit & Compliance department for plaza & Hi-Tech. Through this department, they are ensuring risk minimization, fraud minimization, checking accounts of every dealer and customer and overview the risk related to money, stock, products everything. The sectors or sub-department under this department are:

- Risk management
- Bill verification
- Inspection of Walton Plaza/Hi-Tech
- BIB (Behavioral Intelligence Branch) of Walton Plaza
- Audit of Walton Plaza/ Hi-Tech
- Accounts verification
- Stock, cash & product verification unit in every Plaza.

External Audit & Compliance Department

External auditors check the inspect clients whether any discrepancies happened or not. Apart from these main and leading departments, there are also many more departments in Walton Group. Every department maintain their own roles very efficiently. This is one of the key factors behind Walton Group's success.

2.3. Management Practices

2.3.1. Leadership style

Imagine a company is like a big team with many people involved. Corporate governance is like the team's rulebook. It sets the guidelines on how decisions are made, how money is handled, and how everyone works together. The rulebook considers everyone who has a stake in the company's success, like the people who own parts of the company (shareholders), the employees, the people who buy the company's products (customers), and even the surrounding community. It helps make sure things are done fairly and efficiently for everyone involved. The rulebook also includes things like making plans to achieve goals, checking for risks, and keeping track of how things are going. This keeps the company focused and prevents issues. These rules are called corporate governance. They help Walton consider the interests of everyone involved, like shareholders (people who own parts of the company), employees, customers, and the community.

2.3.2. Responsibilities of Corporate Governance in a Brief

- **Shareholders:** They get to vote on big decisions at meetings.
- **Board of Directors:** These are the big bosses who make the main decisions and look out for the shareholders' interests.
- **External Auditors:** They check the company's financial records to make sure everything is correct and follows the rules.
- **Audit Committee:** This group oversees the financial planning and makes sure the audits are done properly.
- **Nomination and Remuneration Committee:** They help the board pick and pay top executives.
- **Risk Management Committee:** They watch out for risks to the company and make plans to deal with them.
- **CEO and Managing Director:** They're in charge of running the company day-to-day and making sure it meets its goals.
- **Management Committee :**They help the CEO manage the company's operations.

- **Internal Audit and Compliance (IAC):** This team checks that everything is being done right within the company.
- **CSR Committee:** They make sure the company is doing good things for the community.
- **Regulators:** These are the government agencies that make sure the company follows the rules.
- Each of these groups has a specific role in making sure the company runs smoothly and ethically.

2.3.3. Recruitment and Selection Process

Identify the Need: Walton's HR team figures out when there's a job opening and how many people they need to hire.

Write the Job Description: They make a document that explains everything about the job, like what the person will do, where they'll work, and what skills they need.

Advertise the Job: They put the job ad on Walton's website, online job sites, and in newspapers. They also let current employees know about it and like to hire people who are recommended.

Collect Applications: People apply for the job by sending in their resumes. Walton's HR team manages and monitors all job applications.

Shortlisting the best: The recruitment team carefully reviews all applications and picks the most qualified candidates to move forward.

Tests and Interviews: Shortlisted candidates take tests and participate in interviews. The interviews ask a mix of planned questions and open-ended ones to assess the candidate's skills, experience, and communication abilities. They also check references during this stage. There might be an extra computer skills test and a final presentation before a senior management committee

Final Decision: After all the tests and interviews, the management team makes the final decision. If someone is chosen, they're offered the job, and if they accept, they fill out some paperwork and get ready to start working at Walton.

2.3.4. Initiatives for training and development

Walton Group believes in training its staff well and offers various opportunities for long-term growth. They understand the importance of having a balanced work and personal life. Regular training programs are held to make sure employees have the right skills. Apart from the main offices and factories, they have a special place for technical training. Training and Development is about making employees better at their jobs by teaching them new skills, giving them more knowledge, and helping them understand things better. It's an ongoing process that aims to improve productivity and performance. Effective training helps employees become better at their jobs, which helps the company grow overall.

2.3.5. Performance Appraisal

Walton Group uses an employee evaluation system to set clear standards for how well employees should work and behave. They look at things like skills, quality of work, attitude, leadership, teamwork, consistency, decision-making, and talents. Then, they compare how well each employee is doing against these standards. Evaluating performance helps the company understand its employees better and give them feedback to improve. Some people think performance evaluations are pointless, but if done right, they can really help the company and its employees.

2.4. Marketing Practices

2.4.1 Marketing Strategy

Walton Group wants to become the top brand for electrical and electronic products in Bangladesh and worldwide. Achieving this requires a dedicated marketing and branding team to work hard day and night. Luckily, Walton has an excellent marketing team working to make this global ambition a success.

2.4.2 Market Segmentation

Market segmentation is super important in marketing. It's all about dividing up the market into different groups of consumers. This can be based on things like age, income, where they live, how

they behave, and what they're interested in. Walton mostly focuses on demographics, which means they look at things like age and income. They divide people into three age groups: young, adult, and older. And they split the economic group into two categories: low to middle-income.

2.4.3. Marketing Mix

Like other companies, Walton uses the traditional Four Ps of marketing: Product, Price, Place, and Promotion. This marketing mix covers many areas instead of just one, which helps reach more people. Keeping the Four Ps in mind helps marketers focus on what's most important. When introducing new products or changing old ones, using the marketing mix helps companies make wise choices.

Product

Walton's products are distinguished by their strong branding and high-quality labels. They use two main product strategies: the core product and the added-value product. The core product is the physical item, like a Walton Mobile, appreciated for its design, features, and brand reputation. The added-value product includes extra perks such as customer support, warranties, and software upgrades.

Price

Pricing plays a crucial role in marketing because it's the most adaptable part. It helps a company position itself effectively in the market. Some common pricing strategies are competition-based, cost-based, value-based, and demand-based. Walton follows a value or customer-focused pricing approach for their mobile phones. Additionally, they apply "new product pricing strategies" when entering new markets.

Place

Walton has a diverse product line that enables them to sell their products in many outlets while their profit margins are still on the high side. However, it's pretty tough to distribute so many varieties of products without a proper distribution network. Walton has been distributing their products through different sales centers all over the country and has expanded their network over time.

Promotion

Walton uses different advertising and promotion techniques to expand its market share. While TV ads are a major part of their strategy, they also focus on offering special packages, discounts, digital marketing, and personalized ads to draw in more customers.

2.4.4 Marketing channels

Walton has a widespread presence across the country with more than 21,000 Point of Sale (POS) locations. They use various distribution channels like Walton Plaza, Walton E-Plaza, Exclusive Distributors, Dealers, Sub-Dealers, Corporate Sales, ODM (Original Design Manufacturer), OEM (Original Equipment Manufacturer), and International Business Unit. Their distribution system is efficient and practical, which is one of the company's key strengths. They have around 5,100 authorized dealers and 16,000 sub-dealers who buy products from Walton and sell them to end-users or other retailers. Walton Plaza, with its 382 locations, also plays a significant role in selling Walton products to sub-dealers and consumers. Corporate sales are another way Walton markets its products, fulfilling orders from businesses according to their requirements.

2.5 Operations Management & Information system practices

Operations management focuses on ensuring a business runs smoothly and efficiently. It involves planning and overseeing all company processes to maximize profit while controlling costs. Managers ensure that resources, labor, and technology are used effectively to achieve results. They also handle areas like product design, forecasting, and supply chain management. A well-functioning HR department is key to a company's success. HR managers monitor employee activities and use systems like the Human Resources Information System (HRIS) to do so. Walton uses an HRMS system to manage employee records, track attendance, handle leave requests, and manage equipment. This system helps Walton manage its workforce of over 30,000 employees and allows for better planning by forecasting future manpower needs.

2.6 Industry and competitive Analysis

1. Analysis of Porter's Five Forces Model

Porter's five forces analysis helps us understand the market better and gives us a competitive edge. Walton Hi-Tech Industries Limited stands out from the competition across all five forces.

➤ **Threat of New Entrants:**

There aren't many obstacles for big global brands to start manufacturing locally. This means there's a fairly high risk of new global brands entering the market. However, because of Walton's strong financial backing, impressive research and innovation, and loyal customer base, the risk of new domestic competitors is low.

Position of Walton:

Walton has created barriers to competition by:

- Investing significant resources like money and manpower.
- Having a system for quick decision-making.
- Building strong brand recognition.
- Building a dependable supply chain throughout the country.

2. Substitute Products:

In the Electrical and Electronic (E&E) industry, the chance of substitute products is very low due to the constant innovation in this field.

Position of Walton:

Walton takes advantage of this by:

- Possessing improved research and development (R&D) facilities.
- Adapting creatively to new technological developments.
- Operating a fully functional production facility.

3. Suppliers' Bargaining Power:

As essential components are mostly sourced from outside Bangladesh, suppliers have significant leverage over local E&E producers. However, Walton Hi-Tech Industries Limited keeps a close watch on its supply chain.

Position of Walton:

- Establishing multiple sources for each component.
- Utilizing regional inventory variations to negotiate effectively with suppliers.

4. Customers' Bargaining Power:

In Bangladesh's Electrical and Electronic (E&E) industry, customers have significant bargaining power due to the presence of numerous market players offering competitive prices. However, Walton maintains a competitive advantage by providing high-quality products and ensuring customer satisfaction.

Position of Walton:

- Walton has considerable influence over its customers thanks to:
- Offering competitive prices through advanced technology.
- Having a wide network of 21,000 sales locations across the country.
- Providing diverse product options and personalized services.

5. Intensity of Competitive Rivalry:

In the current market, there is strong competition among established firms due to rapid technological advancements. Despite this, Walton holds the leading position among domestic and imported brands.

Position of Walton:

- Competitive pricing due to efficient manufacturing facilities.
- Economies of scale achieved in production.
- Strong collaboration and backward integration in the production process.
- Advanced research and innovation facilities.
- Providing high-quality products at affordable prices.
- Reliable and efficient after-sales service.
- Significant investment funds.
- A loyal customer base.

Chapter 03: Working Capital Management

Working capital is the money that a company has available for its day-to-day operations. It's a measure of how easily a company can cover its short-term expenses and debts. This includes cash, inventory, accounts receivable, short-term loans, and other short-term assets. Working capital reflects how well a company manages its inventory, debts, revenue collection, and payments to suppliers. Positive working capital means a company has more short-term assets than liabilities.

3.1. Aspects of Working Capital Management

There are two main things to consider when it comes to managing a company's working capital effectively: We'll explore them below:

Current assets

- Current assets are items that can be converted into cash within a year. These assets are essential for meeting day-to-day business needs. Effective working capital management focuses on handling current assets. Typically, current assets include cash or assets that can be quickly converted into cash, like short-term loans, cash in bank accounts, money owed by customers (receivables), prepaid expenses, short-term investments, and various types of inventories such as finished goods, raw materials, and work in progress.
- Cash is the most liquid form of assets and a crucial part of working capital. Every business needs to maintain an optimal level of cash on hand, regardless of other assets. Cash plays a vital role throughout the product life cycle, helping to bridge any gaps between sales and distribution cycles.
- Accounts receivable is the money that customers owe to a business for the products they have purchased. Efficient collection of accounts receivable from customers is essential for a company's financial health. Marketable securities, like commercial papers and treasury bills, are easily traded assets with short maturities, allowing companies to invest extra cash and maintain liquidity.

- Inventory is a key component of working capital, representing a company's primary assets that are converted into sales revenue. The speed at which inventory is sold and restocked is crucial for business success. Inventory includes raw materials, work in progress, and finished goods. Maintaining an optimal level of inventory turnover indicates efficiency in purchasing and production processes. Too little inventory can lead to missed sales opportunities, while excessive inventory ties up working capital inefficiently.

Current Liabilities

Current liabilities are basically money the company owes to others that needs to be paid back within a year. These are like short-term loans the company takes out to keep things running. These may include things like payments to suppliers for goods received, short-term borrowings, taxes and wages payable, accrued expenses, advances received against sales, and other obligations due within a year.

- **Accounts Payable**

Accounts payable, which is the money a company owes to others in the short term, is another important aspect of working capital management. Typically, companies balance cash flow by delaying payments as long as possible while maintaining good credit relationships with banks and suppliers. Usually, the time it takes for a company to pay its bills is shorter than the time it takes for customers to pay them.

- **Income Tax Payable**

Income tax payable is a specific type of accrued expense, representing taxes owed to government entities but not yet paid. These taxes are usually paid in lump sums when they become due, according to various tax schedules at the federal, state, and local levels. Typically, companies manage their tax payments to maximize cash flow while complying with tax regulations.

- **Short-Term Notes Payable**

Short-term notes payable represent money borrowed from banks or financial institutions that must be repaid within the next year.

- **Repayment of Long-Term Debt**

This represents a portion of a company's long-term debts that need to be repaid within a given year or quarter. Although classified as "long-term," this repayment is considered a current liability.

3.2. Importance of good working capital management:

Effective working capital management is essential for any business, ensuring smooth operations, reducing financial risks, and preparing the company to seize future opportunities. It guarantees that a business has the funds needed for daily expenses, such as paying suppliers, employees, and covering administrative costs. This, in turn, helps keep the company liquid and financially secure. By efficiently managing working capital, companies can lower their financial costs by relying more on internal funds rather than expensive external financing with high interest rates. Good management of working capital also boosts the company's reputation and credit ratings. It creates avenues for growth and allows investment in new projects.

Advantages of Having Adequate Working Capital:

- **Business Solvency:** Adequate working capital guarantees that the company stays financially healthy, enabling continuous production without interruptions.
- **Good Reputation:** Timely payments help build goodwill and maintain a positive reputation in the market.
- **Access to Loans:** Adequate working capital improves liquidity and creditworthiness, making it easier to secure loans on favorable terms.
- **Cash Discounts:** Having enough funds allows the company to take advantage of cash discounts on purchases, lowering overall costs.
- **Reliable Supply Chain:** Adequate capital ensures a steady supply of raw materials, supporting consistent production.
- **Employee Satisfaction:** Timely salary payments boost employee morale and productivity, reducing waste and increasing efficiency.
- **Market Opportunities:** With sufficient working capital, a business can capitalize on market conditions by purchasing in bulk when prices are low and selling when they rise.
- **Crisis Management:** Adequate working capital helps a company navigate unexpected

challenges effectively.

- Quick Returns on Investments: Sufficient funds allow for regular and timely dividend payments, boosting investor confidence and attracting more investments in the future.

3.3.Challenges of Insufficient Working Capital

Working capital is crucial for any business to function effectively and handle daily operations. When a company lacks enough working capital, it can lead to disruptions in production, resulting in unhappy customers and insufficient stock. Additionally, being unable to pay short-term debts can harm relationships with suppliers and cause missed opportunities for discounts. Long-term financial instability can damage a company's reputation, lower its market value, and negatively impact its credit rating, which may lead to higher borrowing costs in the future due to perceived risks. Insufficient working capital can also limit growth opportunities by preventing investments in profitable projects. Moreover, failing to meet financial obligations to creditors can result in legal issues and the need to sell off long-term assets. Thus, finding the right balance of working capital is essential; too little poses significant risks, while having too much can also be problematic.

Chapter 4: Policies in Working Capital Management

Walton Group follows a moderate Working Capital Management (WCM) policy among the three policy options. This approach seeks to strike a balance between aggressive and conservative strategies. Under this policy, Walton maintains moderate levels of both current assets and short-term liabilities. The goal is to ensure that the company has enough working capital to cover its daily operational requirements while retaining flexibility to invest in growth opportunities and pursue long-term strategic goals. This policy is particularly suitable for Walton as it operates in industries with moderate demand variability.

Chapter 5: Cash Management Scenario

There are 3 categories of cashflow management models that can be used to identify the type of cash management a particular firm practice. These are the Baumol Model, the Beranek model, and the Millar-Orr model.

Walton Group often follows irregular cash inflows and outflows due to the nature of its business operations. Walton invests significantly in research and development, particularly in the electronics and consumer goods sectors, to innovate and introduce new products to the market. These investments lead to irregular cash outflows, as the success and progress of these projects can vary, impacting the timing and amount of expenditures. Moreover, Walton experiences peaks in revenue when it launches new products or expands its market presence, leading to substantial cash inflows during these periods. However, the timing and magnitude of these inflows can be unpredictable, depending on various factors such as consumer demand, market competition, and economic conditions. Given the unpredictable nature of cash outflows in research and development and the variability in revenue generation, the Miller-Orr Model is relevant to explain Walton's cash management scenario. This model provides a framework for managing cash balances efficiently while ensuring that the firm maintains a target cash balance to meet its operational needs and seize investment opportunities when they arise.

Chapter 6: Receivables Management

6.1 Credit Granting Decision:

Walton Group, like any manufacturing business, deals with customers who purchase on credit. To decide which customers should be allowed to buy on credit, sells things on credit to some customers. This means the customer gets the product now and pays for it later. But Walton can't just sell to anyone on credit. They need to be sure the customer will be able to pay back the money they owe. And every manufacturing company deals with credit customers. As firms allow credit sales, they must also analyze the candidates to determine whom to allow credit sales and whom to not. For Walton, we didn't get any specific model that they follow to make the credit granting decision. But we know some key aspects that involved in credit granting decisions. In that case, First the company need to collect information which they usually collect from sources like:

1. **Credit Reports:** Walton can get credit reports from credit bureaus. In Bangladesh, the Credit Information Bureau (CIB) serves as a key resource for gathering and maintaining credit data.
2. **Credit Agency Ratings and Reports:** Ratings from certified credit agencies can help Walton decide if a customer is reliable enough for credit.
3. **Financial Statements:** Walton can request for financial documents from customers, such as income statements, balance sheets, and cash flow statements, to assess their financial condition.
4. **Trade References:** Walton can contact other businesses that the customer has dealt with to learn about their payment history and reliability.
5. **Bank References:** Walton can reach out to the customer's bank to check their financial status and payment history, including account balances and loan history.
6. **Legal Records:** Walton can check for legal issues like court judgments, liens, or bankruptcies that might indicate potential risks in the customer's financial background.

After gathering information from their preferred sources, Walton Company evaluates the 5 Cs of credit granting to make a decision. These 5 Cs are:

1. **Character:** This is the first step where Walton looks at the reputation, integrity, and reliability of the potential borrower. They check the customer's financial history, business practices, and ethical standards. A good character assessment ensures a trustworthy and reliable business relationship.
2. **Capacity:** Walton examines the borrower's ability to repay the credit. They review financial statements, cash flow, and overall financial health to see if the customer can meet their repayment obligations without risking their financial stability.
3. **Capital:** Walton assesses the financial strength and stability of the borrower. They look at how much equity the borrower has invested in their business and their overall financial structure. This helps Walton determine if the borrower can handle financial shocks and repay debts.
4. **Collateral:** Walton assesses the assets that can serve as collateral for obtaining credit. They carefully check the quality and marketability of the collateral offered by the borrower. This ensures that if the borrower defaults, there are tangible assets that can be sold to recover the debt.
5. **Conditions:** Walton considers external factors that might affect the borrower's ability to repay the credit. They assess the economic, industry-specific, and market conditions that could impact the borrower's financial situation. This helps Walton understand the potential risks involved with the credit arrangement.

6.2 Default Rate in Accounts Receivables

The default rate in Walton Group's accounts receivables refers to the percentage of sales that Walton expects it won't be able to collect from its customers. This rate is determined based on various factors like past payment history, customer creditworthiness, and economic conditions. While Walton Group may not explicitly disclose the exact default rate, it likely assesses and manages the risk of defaults through measures such as setting aside provisions for bad debts and closely monitoring customer

payments.

6.3 Controlling and monitoring account receivables:

Accounts receivables are the money customers owe the company for goods or services bought on credit. This makes it very important to control and monitor them closely. Managing these receivables well ensures the company gets paid on time and keeps a healthy cash flow. Walton hasn't given detailed information on how they manage and control their receivables. However, they have explained how they record the value of these receivables in their financial reports. This means they regularly update their records to show the accurate amount owed by customers.

Turnover method and payment pattern method, which one is applicable for your organization?

Walton Company has a credit risk policy, but it doesn't specify particular methods like the "Turnover method" or "Payment pattern method." Instead, they state that they continuously evaluate and review their credit risk exposure. This means they regularly check how reliable their customers are in paying

49.01.01 Credit Risks

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company has allowed to debtors with the terms & conditions and the exposure to credit risk is monitored on an ongoing basis to ensure collection within stipulated time. Debtors are categorized according to their risk profile-i.e. frequency of payment, legal status, financial condition etc. Trade and other receivables consist of Trade Receivables-local, Trade Receivables-export, Trade Receivables-Others and Other Receivable. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

their bills, look for any changes in their financial situation, and adjust credit terms or take other steps to reduce risk when necessary.

Chapter 7: Inventory Management

7.1 Overall Inventory management Condition:

Good inventory management is important for most businesses. There is a reason for this. First, inventory is valuable, and second, it affects how smoothly a business runs day-to-day. For example, a regular manufacturing company has different kinds of inventory like raw materials, work-in-progress, and finished products, as well as tools, supplies, and spare parts for machines. If a company doesn't manage its inventory well, it can end up with too little or too much stock. When a business manages its inventory well, it can make more money or spend less while keeping customers happy by having products available when they need them. Successful inventory management means finding the right balance between how much inventory costs and how much profit it brings in. To achieve this, a company must:

1. Keep stock levels low without affecting service or performance.
2. Sell inventory quickly without affecting service.
3. Buy inventory in bulk for cheaper prices without ending up with stock that doesn't sell.

The inventory management approach of Walton Group reflects how they handle their stock of goods, from procurement to distribution. While specifics about Walton Group's methods may not be readily available, they likely employ strategies to streamline the flow of goods, minimize excess inventory, and ensure products are available when customers need them. This may involve implementing inventory tracking systems, optimizing procurement processes, and monitoring demand trends to forecast future needs accurately. Overall, Walton Group's inventory management is likely aimed at balancing stock levels efficiently to meet customer demands while controlling costs and maximizing profitability.

7.2 Inventory Management System of Walton

Walton, a leading electronics company, relies on a variety of essential items to ensure smooth operations. These include finished products, work-in-progress items, parts and materials, packaging,

spare parts, lab chemicals, and samples for testing. The company keeps these items ready for customers to purchase, such as TVs, refrigerators, and washing machines. They also keep spare parts on hand for repairs and maintain a stock of lab chemicals for testing products. By having the right amount of these items, Walton ensures they have the necessary resources to produce high-quality products and maintain customer satisfaction.

Walton uses the fixed-order quantity method but relying only on this approach in today's economy is challenging. While the fixed-order quantity method usually means keeping order quantities consistent, Walton's order quantities actually vary.

Type of Inventory System

The purchasing department at Walton pays close attention to every purchase, whether it's machinery, packaging materials, or raw supplies. The planning team creates import authorization forms for these purchases, which are then sent to the Director (Commercial) for approval. Once a Letter of Credit (L/C) is opened, the buying department keeps track of all details in a "Purchase Consignment (PC)" folder, which is essential for monitoring the status of each L/C.

Here's how the department handles overseas supplies:

- Find the supplier or source.
- Collect requirements from various departments.
- Sign a contract with the vendor.
- Open an L/C in favor of the vendor.
- Manage shipment details and send documents to the bank.
- Collect documents from the bank.
- Work with the clearing agent.
- Move materials to the warehouse.
- Receive and inspect materials in the store.

Lead time or Creation Lag

Lead time is the amount of time it takes to get an item after you've placed an order. At Walton, the production department prepares the purchase order while the procurement department estimates when the order will arrive. After reviewing the details, the procurement team places the order and decides the timeline for the supplier. The purchasing department also takes care of tasks like opening the L/C, arranging insurance, and setting a deadline for receiving raw or packaged materials. Walton determines lead time based on the specific requirements of each item.

Ordering and Carrying Cost

Once the supplier is chosen, Walton places the order and manages both ordering and carrying costs. Walton sources materials locally or imports them. For imported goods, Walton first secures insurance, then opens a Letter of Credit (L/C) with the bank. The bank charges a margin and additional fees for opening documents and courier services, while the remaining payment is made when the documents are retrieved.

After the order arrives, it's sent to the production facility. The Carrying and Forwarding (C&F) agent takes care of customs and transportation to the manufacturing site. There are fixed percentages for VAT, customs duties, and shipping costs for each product, which are applied as a total rather than individually. The C&F agent pays all company invoices and transports the supplies to the manufacturing facility. At the end of their contract, the C&F agents bill Walton for the total expenses, including their commission.

Chapter 8 : Credit Risk Grading of Walton

8.1.Z score analyzing

We've assessed Walton's creditworthiness by calculating its Z score. Since Walton is a private company, we used the Z score formula specifically tailored for private companies.

$$Z \text{ score} = 0.717 \frac{\text{Working Capital}}{\text{Total Asset}} + 0.847 \frac{\text{Retained Earnings}}{\text{Total Asset}} + 3.107 \frac{\text{EBIT}}{\text{Total Asset}} + 0.42 \frac{\text{Market Value of Equity}}{\text{Total Liability}} + 0.998 \frac{\text{Sales}}{\text{Total Asset}}$$

$Z < 1.23$ means 'Financial Distress'

$1.23 < Z < 2.99$ means 'Gray Area'

$Z > 2.99$ means 'Financially Solvent'

Z score calculation:

ITEMS	2019	2020	2021	2022	2023
Working Capital	19,827,000,000	21,091,000,000	30,889,000,000	32,551,000,000	34,120,000,000
Total Asset	103,428,109,766	116,421,004,490	134,449,307,647	159,556,933,960	145,939,570,587
EBIT	16,182,000,000	16,170,000,000	18,485,000,000	16,770,000,000	15,213,000,000
Retained Earnings	38,588,000,000	44,983,000,000	59,096,000,000	66,120,000,000	69,404,000,000
Non-current Liabilities	7,078,903,507	5,239,722,538	3,856,992,540	6,404,227,604	3,308,352,737
Current Liabilities	23,371,000,000	30,826,000,000	36,202,000,000	54,864,000,000	35,411,000,000
No. of shares	303,928,343	303,928,343	302,928,343	300,928,343	300,928,343
Mkt price of the share	609.50	874.80	1340	1093	1047
Total sales	51,773,000,000	41,079,000,000	69,950,000,000	81,682,000,000	66,374,000,000

Here are the calculated Z scores for Walton from 2019 to 2023:

- **2019:** Walton's Z score was 3.99, showing it was in a strong and healthy financial position.
- **2020:** The Z score increased to 4.34, indicating even stronger financial health.
- **2021:** Walton reached a peak Z score of 5.74, reflecting excellent financial stability and growth.
- **2022:** The Z score dipped slightly to 3.59, but Walton still remained financially solid.
- **2023:** The score rose again to 4.77, showing Walton successfully managed challenges and strengthened its financial position.

Over these five years, Walton consistently maintained a Z score well above 2.99, indicating strong financial health throughout the period. The company demonstrated resilience, effective management, and an ability to navigate financial challenges while maintaining and even improving its financial stability. This suggests that Walton was financially solvent, with a low risk of facing financial distress.

Chapter 9: Analyzing Performance

9.1. Ratio Analysis:

We looked at various ratios to understand how Walton is performing and how much of the market they are capturing. After calculating and reviewing 18 different ratios, we assessed Walton's financial health and stability. This analysis also helped us see how efficiently they are operating and how effective their operations are.

9.1.1. Current Ratio

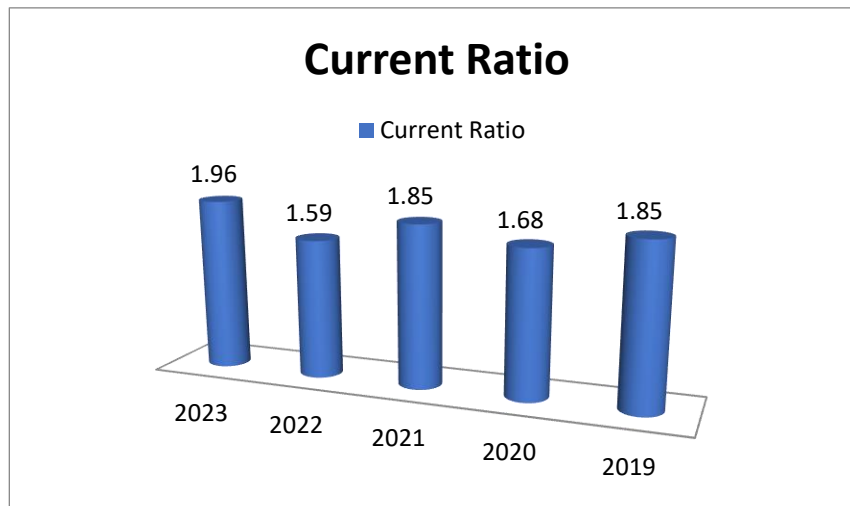
The current ratio measures a company's ability to pay its short-term debts (those due within a year) using its current assets. It's a common way to check a company's liquidity.

- If the ratio is much higher than 1.00, it means the company has more current assets than necessary, which could be used for other investments.
- A ratio of 1.00 or slightly above it (depending on the industry) shows the company can cover its short-term debts with its current assets.
- A ratio below 1.00 suggests the company might not have enough current assets to pay its short-term debts.

Current Ratio = Total Current Assets / Total Current Liabilities.

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19
Item	Taka	Taka	Taka	Taka	Taka
Current Asset	69531000000	87415000000	67091000000	51917000000	43198000000
Current Liabilities	35411000000	54864000000	36202000000	30826000000	23371000000
Current Ratio	1.96	1.59	1.85	1.68	1.85

From 2019 to 2023, Walton's current ratio showed its ability to pay off short-term debts with short-term assets. The ratio was 1.96 in 2019, 1.59 in 2020, 1.85 in 2021, and 1.85 in 2023, indicating consistent strength in covering short-term obligations. In 2022, it was 1.68, a slightly lower but still healthy ratio. Overall, Walton's current ratio was stable and good, indicating its strong position to handle short-term debts.



9.1.2. Acid Test Ratio

The quick ratio, also called the acid-test ratio, is similar to the current ratio but doesn't include inventory. It focuses on a company's ability to pay its short-term debts using its most liquid assets. This is because inventory takes longer to convert into cash compared to other assets.

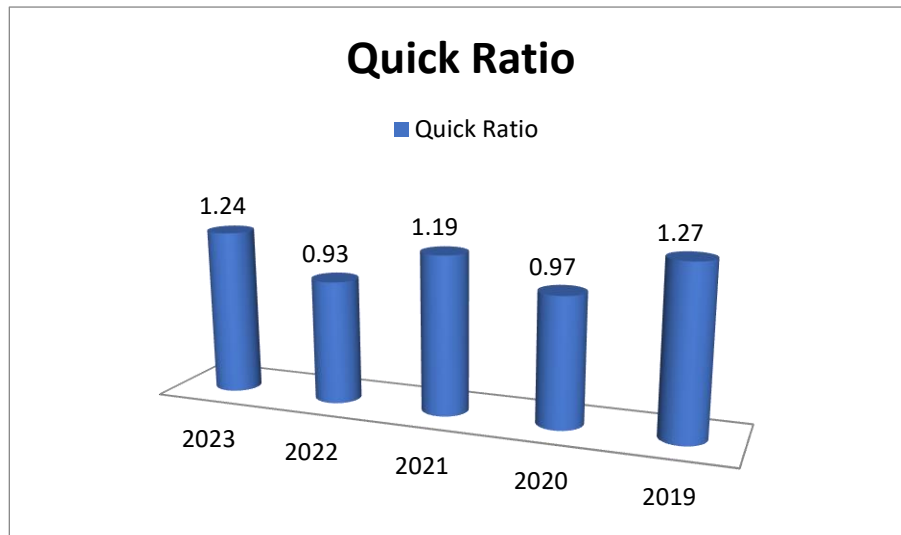
- A quick ratio over 1.00 means the company can quickly handle any unexpected debts.
- A quick ratio below 1.00 means the company might struggle to cover sudden debts since it doesn't have enough easily accessible assets.

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

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19
Item	Taka	Taka	Taka	Taka	Taka
Current Asset	69531000000	87415000000	67091000000	51917000000	43198000000
Inventories	25573533341	36197619159	24130561864	21933256222	13530290768
Current Liabilities	35411000000	54864000000	36202000000	30826000000	23371000000
Quick Ratio	1.24	0.93	1.19	0.97	1.27

Walton's quick ratio shows, how well it can pay off its short-term debts using its most liquid assets. In 2019, 2021, and 2023, the company had strong liquidity, meaning it could easily cover its short-term obligations. However, in 2020 and 2022, the quick ratio dropped below 1, suggesting Walton had

some difficulty covering its short-term debts without relying on inventory. Overall, Walton's financial health was solid in most years, but it faced challenges in 2020 and 2022.



9.1.3. Cash Ratio

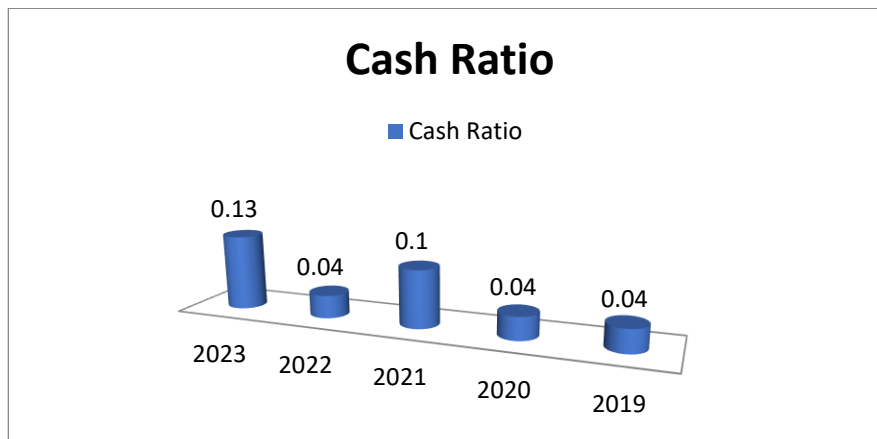
The cash ratio is a way to measure a company's ability to pay off its short-term debts. It's a more cautious measure than other liquidity ratios because it only looks at the company's cash and cash equivalents. The cash ratio shows how well a company could cover its immediate debts using just its cash and assets that can quickly be turned into cash.

- If the cash ratio is above 1.00, it means the company has enough cash to pay off all its short-term debts and would still have some left over.
- If the cash ratio is below 1.00, it indicates the company doesn't have enough cash and equivalents to cover its short-term debts, suggesting it might struggle to meet these obligations.

$$\text{Cash Ratio} = (\text{Cash} + \text{Cash Equivalents}) / \text{Total Current Liabilities}.$$

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19
Item	Taka	Taka	Taka	Taka	Taka
cash and marketable Securities	4603430000	2,32,13,65,627	3,70,38,25,657	1,46,69,79,288	1,02,99,02,851
Current Liabilities	35411000000	54864000000	36202000000	30826000000	23371000000
Cash Ratio	0.13	0.04	0.10	0.04	0.04

This indicates that for every 1 unit of current liabilities, the company had 0.04 units of cash and cash equivalents. Walton's cash ratio reveals that it had low cash reserves to cover its short-term debts during 2019 to 2023. In 2023 and 2021, there was a slight improvement, but cash availability was still low, meaning Walton relied on other assets, like receivables, to meet obligations. In 2022, 2020, and 2019, cash reserves were very limited, making it harder for Walton to cover its short-term liabilities with cash alone.



9.1.4 Current Assets Turnover Ratio

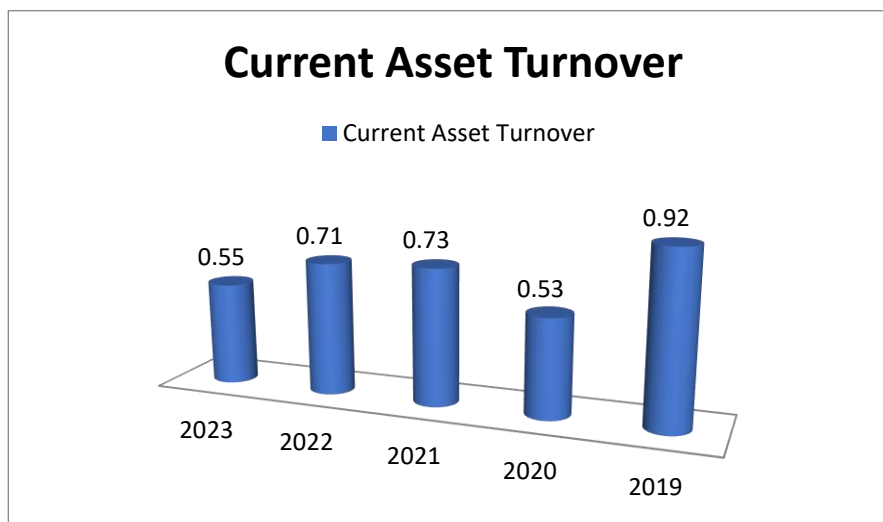
Current Asset Turnover is a ratio that shows how well a company uses its current assets (like cash, inventory, and money owed to it) to make sales. It tells you how often these assets are used to generate revenue in a year.

- If a company has a high current asset turnover ratio, it means it's good at making sales with the assets it has.
- If the ratio is low, it suggests the company isn't using its resources as efficiently.

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

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19
Items	Taka	Taka	Taka	Taka	Taka
Current Asset	69531000000	87415000000	67091000000	51917000000	43198000000
Cost of Goods Sold					
	43022875679	55146823463	43515489526	25423508810	30805628408
Current Asset Turnover	0.55	0.71	0.73	0.53	0.92

Walton's current asset turnover ratios show how efficiently the company used its assets to make sales. The current asset turnover ratios for Walton from 2023 to 2019 show that the company was most efficient in 2019, with a ratio of 0.92, meaning it effectively used its assets to generate sales. However, the ratio declined over the years, reaching a low of 0.53 in 2021, indicating reduced efficiency. By 2023, there was a slight improvement to 0.55, but it remained below the 2019 level.



9.1.5 Cash Turnover Ratio

An efficiency measure called the cash turnover ratio shows how frequently cash is handed over throughout an accounting period. Revenue divided by cash and cash equivalents yields the cash turnover ratio. For businesses who don't provide credit sales, the cash turnover ratio is perfect. Increased cash turnover ratios are preferable since they signify more frequent revenue-based cash replenishment.

Cash Turnover Ratio = Net Revenue / Average cash balance during the year

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19
Item	Taka	Taka	Taka	Taka	Taka
Net Revenue	66374000000	81,682000000	69,950000000	41,079000000	51,773000000
Cash and Cash Equivalents	2417232161	2321365628	3,703,825,657	1466979290	1029902851
Average cash balance during the year	66374000000	81,682,000,000	69,950,000,000	41,079,000,000	51,773,000,000
Cash turnover ratio	28.01	27.11	27.06	32.90	47.68

In the cash turnover ratio, we can see that, Walton's cash turnover ratio was highest in 2019 (47.68), showing the most efficient use of cash to generate revenue. Efficiency remained good in 2020 (32.90) but declined in 2021 (27.06), 2022 (27.11), and 2023 (28.01), indicating less efficient cash use in the later years. Overall, cash efficiency peaked in 2019 and gradually decreased.



9.1.6 Inventory Turnover Ratio

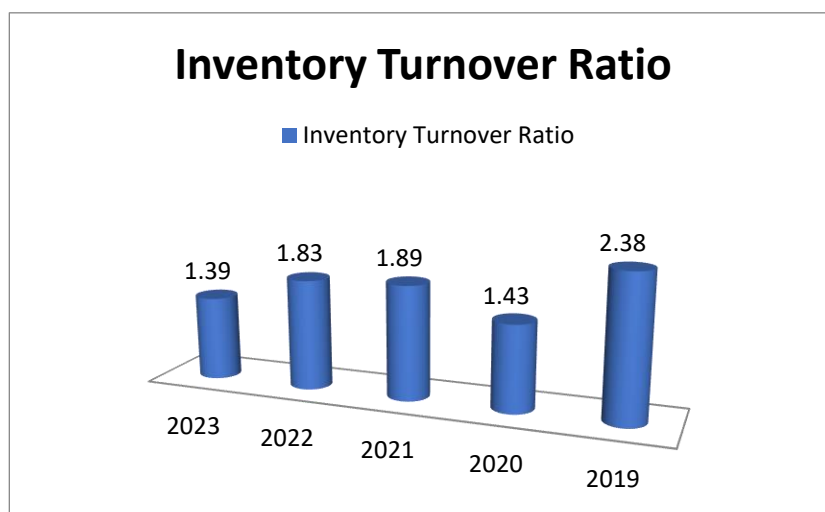
Inventory turnover tells us how often a business sells and replaces its inventory within a certain time, based on the cost of goods sold (COGS). This ratio helps businesses make better decisions about pricing, manufacturing, marketing, and buying inventory. It also shows how effectively a company is using its resources.

- **High Inventory Turnover:** This usually means strong sales, but it could also mean the business doesn't have enough stock. Ideally, a business should have enough inventory to keep up with strong sales without having to lower stock levels because of slow sales.
- **Low Inventory Turnover:** This might mean the business isn't selling well or has too much inventory. It could indicate problems with marketing or how products are displayed in stores.

Inventory Turnover = Cost of Goods Sold / Average Inventory.

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19
Items	Taka	Taka	Taka	Taka	Taka
Inventory	25573533341	36197619159	24,130,561,864	21933256222	13530290768
Cost of Goods Sold	43022875679	55146823463	43515489526	25423508810	30805628408
Inventory Turnover	1.39	1.83	1.89	1.43	2.38

From 2019 to 2023, Walton's inventory turnover ratios reveal how fast the company sold its products. A higher ratio means faster inventory turnover. In 2023, the turnover was lower (1.39), indicating that inventory was moving slower compared to 2019 (2.38), when it was moving much faster. The fluctuations suggest varying efficiency in managing stock levels over the years.



9.1.7 Working capital turnover ratio

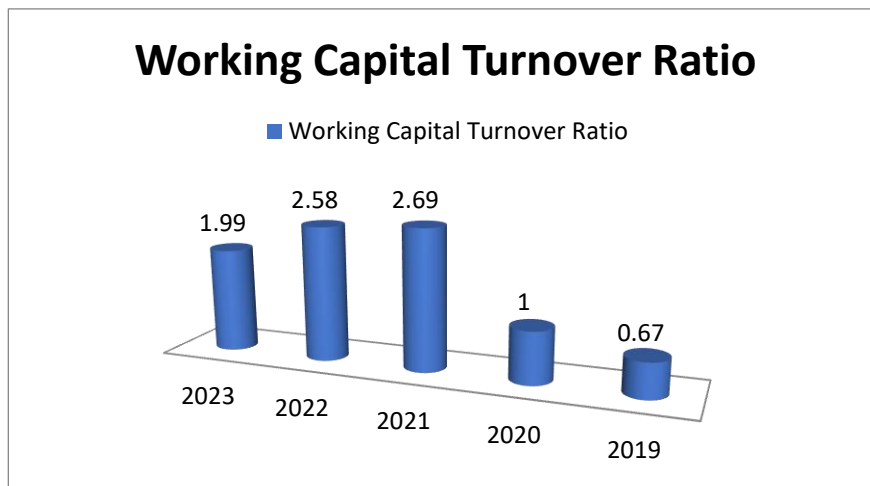
It means looking at how well a company is using its working capital to make sales and generate revenue.

- A higher turnover is a sign that the company is doing well.
- A lower turnover indicates that the company might not be using its resources efficiently.

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

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19
Items	Taka	Taka	Taka	Taka	Taka
Current Asset	69531000000	87415000000	67091000000	51917000000	43198000000
Current Liabilities	35411000000	54864000000	36202000000	30826000000	23371000000
NWC	34120000000	32551000000	30889000000	21091000000	19827000000
Net Sales	66374000000	81682000000	69950000000	41079000000	51773000000
Working capital Turnover Ratio	1.99	2.58	2.69	1	0.67

The working capital turnover ratios from 2023 to 2019 show how well Walton used its working capital to generate sales. The highest efficiency was in 2021, with a ratio of 2.69, meaning Walton generated almost 2.7 units of sales for each unit of working capital. In 2020, the ratio remained strong at 2.58, reflecting good resource management. However, by 2023, the ratio dropped to 1.99, indicating a decline in efficiency, and in 2019, the ratio was only 0.67, showing Walton struggled to generate sales from its working capital that year.



9.1.8 Raw Material Inventory Turnover

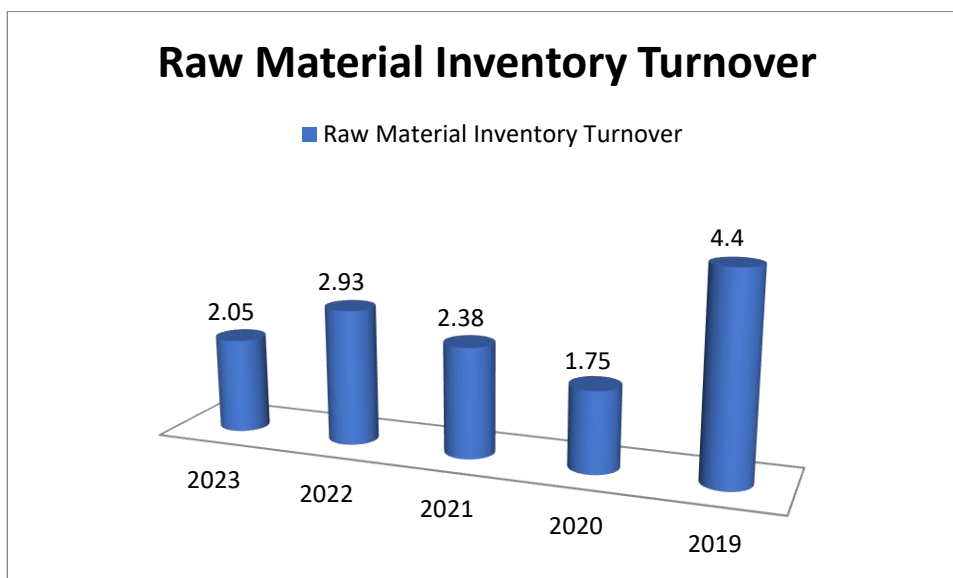
The Raw Material Inventory Turnover measures how effectively a company handles its raw materials. It indicates how quickly raw materials are used up and replaced.

- A low turnover ratio means that raw materials are being used up slowly, which might suggest lower sales.
- A high turnover ratio means raw materials are being used up quickly, indicating strong sales.

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

	30-Jun-2023	30-June-2022	30-Jun-2021	30-Jun-20210	30-Jun-2019
Items	Taka	Taka	Taka	Taka	Taka
Raw Material Consumed	32228534201	47,537,225,734	34,737,871,582	21302890154	22505033618
Average Raw Material	15720500000	16240500000	14620000000	12195500000	5115000000
Raw Material Inventory Turnover	2.05	2.93	2.38	1.75	4.40

From 2019 to 2023, the turnover was highest in 2019 at 4.40, demonstrating very efficient use of raw materials. The years 2021 (2.38) and 2022 (2.93) also showed relatively efficient usage. However, in 2023 (2.05) and 2020 (1.75), the turnover was lower, suggesting that raw materials were utilized more slowly during these years. Overall, Walton was most efficient in using its raw materials in 2019, while its efficiency declined in 2023 and 2020.



9.1.9 Average Inventory Holding Period

The average inventory holding period tells us how long it takes for a business to sell its stock. It's measured in days and helps show how quickly products are sold.

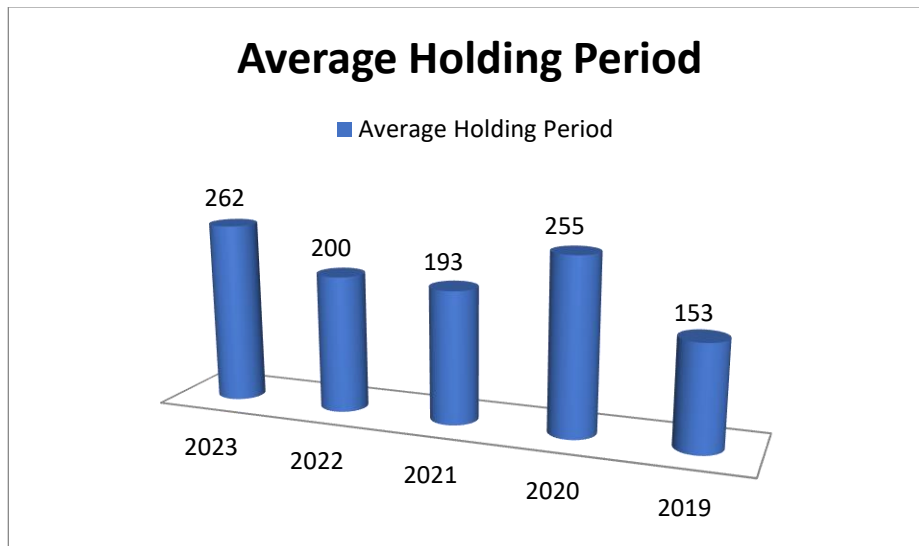
- If the average inventory period is short, it means products are selling quickly.
- If the average inventory period is long, it means products are taking more time to sell.

Average Holding Period = 365 / Inventory Turnover.

	30-Jun-23	30-Jun-22	30-Jun-21	30-Jun-20	30-Jun-19
Items	Taka	Taka	Taka	Taka	Taka
Inventory	25573533341	36197619159	24,130,561,864	21933256222	13530290768
Cost of Goods Sold	43022875679	55146823463	43515489526	25423508810	30805628408
Inventory Turnover	1.39	1.83	1.89	1.43	2.38
Average Holding Period	262	199	193	255	153

From 2023 to 2019, Walton's average holding period shows how long they kept their inventory before selling it. In 2023, it took 262 days to sell their stock, which means the inventory was moving slowly. In 2019, it only took 153 days, showing faster sales and better inventory management. Over the years, the holding period has

fluctuated, with some years being more efficient (like 2019) and others slower (like 2023).



9.1.10 No. of Days of Holding Raw Material

No. of Days of Holding Raw Materials measures how many days, on average, a company keeps its raw material inventory before turning it into finished products.

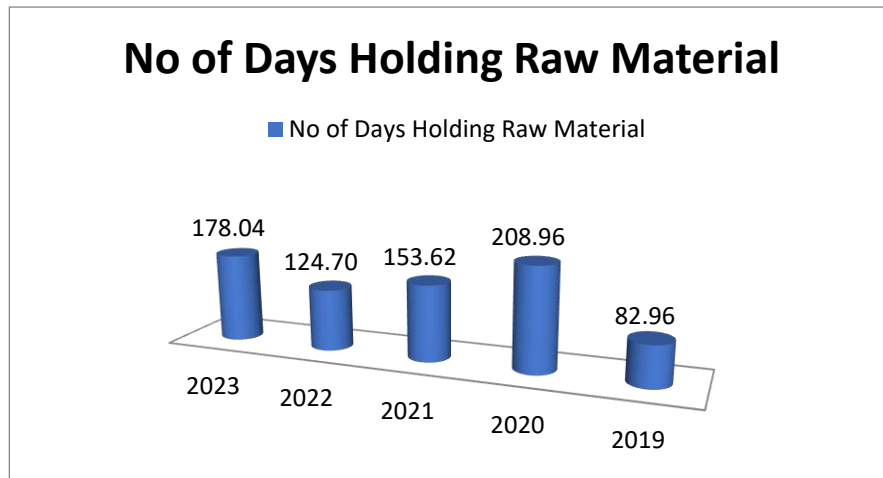
- A lower number is better because it means the company holds onto its raw materials for a shorter time.
- A higher number is less desirable because it indicates the company is taking longer to convert its raw materials into finished goods.

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

	30-Jun-2023	30-June-2022	30-Jun-2021	30-Jun-2020	30-Jun-2019
Raw Material Inventory Turnover	2.05	2.93	2.38	1.75	4.40
No of Days of Holding Raw Material	178.04	124.70	153.62	208.96	82.96

The number of days Walton holds raw materials shows how quickly it uses them. In 2019 (82.96 days), Walton was very efficient. However, in 2021 (124.70 days) and 2022 (153.62 days), it started taking longer to use its raw materials, which could mean slower production. The holding period increased even more in 2023 (178.04 days), indicating that raw materials were being kept for too long. 2020 (208.96 days) had the longest holding period, showing a significant struggle with efficiency.

Overall, Walton was efficient in 2019 but faced challenges with longer holding times in the following years.



9.1.11 Work-in-Process Inventory Turnover

WIP Inventory Turnover Ratio- measures how well a company manages its WIP inventory. It shows how quickly WIP materials are completed and replaced.

- A low turnover ratio means WIP inventory is moving slowly, which might indicate lower sales.
- A high turnover ratio means WIP inventory is moving quickly, suggesting strong sales.

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

Inventory.

	30-Jun-2023	30-June-2022	30-Jun-2021	30-Jun-2020	30-Jun-2019
Items	Taka	Taka	Taka	Taka	Taka
COGM	5810707663	6637053239	6139923561	5501734078	4458754473
AVG WIP	1315000000	1210500000	979000000	666000000	405500000
WIP Inventory Turnover	4.4	5.5	5.9	5.9	11

Walton's WIP (Work in Progress) inventory turnover measures how well it converts unfinished goods into finished products. In 2019, the turnover was highest at 11, indicating excellent efficiency. The turnover remained good in 2020 (5.9) and 2021 (5.9) but dropped slightly in 2022 (5.5) and further in 2023 (4.4), showing declining efficiency. Overall, Walton was most effective in managing its WIP

inventory in 2019, with a significant decrease in efficiency by 2023.



9.1.12 Finished-Goods Inventory Turnover

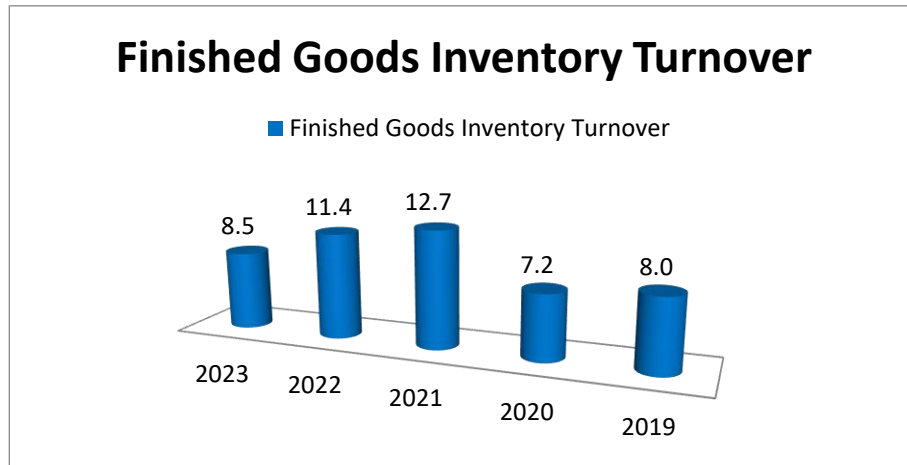
Days of Finished goods inventory Turnover shows how long it takes for a company to sell the products it makes. It's calculated based on the Cost of Goods Sold. This turnover rate tells us how quickly a company's finished goods are sold and restocked over a certain period.

- A high ratio means the products are selling quickly, and the company doesn't have much extra inventory.
- A low ratio suggests that sales might be slow, leading to a lot of unsold stock.

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

	30-Jun-2023	30-Jun-2022	30-Jun-2021	30-Jun-2020	30-Jun-2019
Item	Taka	Taka	Taka	Taka	Taka
Cost of Goods Sold	43022875679	55146823463	43515489526	25423508810	30805628408
Finished Goods Inventory	4139000000	5968000000	3665000000	3196000000	3909000000
Average Finished Goods Inventory	5053500000	4816500000	3430500000	3552500000	3859000000
Finished Goods Inventory Turnover	8.5	11.4	12.7	7.2	8.0

Finished goods inventory turnover shows how often Walton sells and replaces its finished products in a year, with higher ratios indicating better performance. In 2021, Walton had the highest turnover at 12.7, demonstrating strong sales efficiency, followed by 11.4 in 2022. Although 2023 (8.5) and 2019 (8.0) had lower turnover rates, they still reflect decent sales. 2020 had the lowest turnover at 7.2, indicating slower sales. Overall, Walton was most effective in selling finished goods in 2021, with a gradual decline in efficiency in 2020 and improvements in 2023 and 2019.



9.1.13 Finished Goods Storage Period

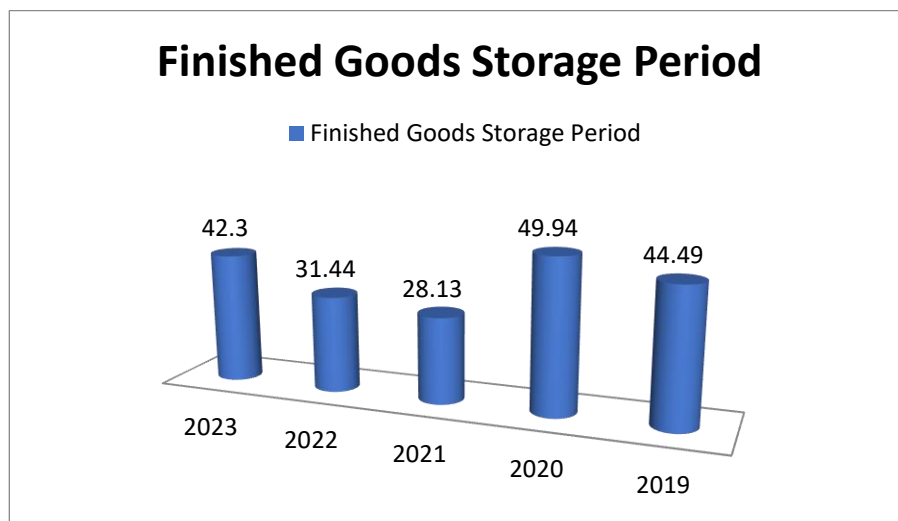
Finished goods inventory storage period measures how long a company keeps its finished products in stock. To calculate this, you first find the average finished goods inventory, then divide it by the cost of goods sold per day.

- A higher storage period means the company is holding onto its finished goods for longer, which can increase operational costs and isn't ideal.
- A lower storage period is better because it means the company is more efficient in sales, so the inventory doesn't sit in storage for long.

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

	30-Jun-2023	30-Jun-2022	30-Jun-2021	30-Jun-2020	30-Jun-2019
Item	Taka	Taka	Taka	Taka	Taka
Average Finished Goods Inventory	5053500000	4816500000	3430500000	3552500000	3859000000
Cost of Goods Sold Per Day	119465753.4	153175342.5	121972603	71128767	86731507
Finished Goods Storage Period	42.30	31.44	28.13	49.94	44.49

Walton's finished goods inventory storage period shows how long the company kept finished products before selling them. The finished goods storage period shows how long Walton keeps its products before selling them, with a shorter time indicating better sales efficiency. In 2021, Walton had the shortest storage period at 28.13 days, meaning products sold quickly. The storage period was slightly longer in 2022 (31.44 days) and increased further in 2023 (42.30 days). In 2019 (44.49 days) and 2020 (49.94 days), the storage periods were the longest, suggesting slower sales. Overall, Walton was most efficient in selling finished goods in 2021, with longer storage times in the following years



9.1.14 P/E Ratio

The P/E ratio (Price-to-Earnings ratio) tells you how much people are willing to pay for a company's stock compared to how much the company is earning.

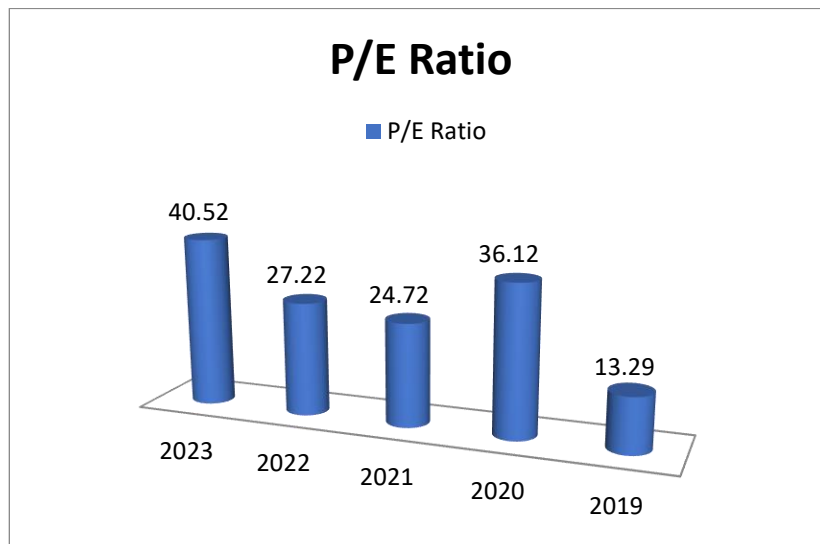
- **High P/E:** The stock may be expensive because people expect the company to grow a lot in the future.

- **Low P/E:** The stock may be cheap, which could mean it's undervalued or that people expect the company to grow slowly.

P/E Ratio = Price per share/Earnings per share (EPS)

	30-Jun-2023	30-June-2022	30-Jun-2021	30-Jun-2020	30-Jun-2019
Items	Taka	Taka	Taka	Taka	Taka
Price per Share	1047	1093	1340	874.8	609.5
EPS	25.84	40.16	54.21	24.22	45.47
P/E Ratio	40.52	27.22	24.72	36.12	13.29

Walton's P/E ratio increased from 2019 to 2023, indicating increased investor confidence. In 2019, the stock was cheaper, reflecting lower growth expectations. By 2020, it showed optimism. In 2021 and 2022, the ratio remained high but stable. In 2023, it peaked, indicating increased growth expectations, but this could also indicate the stock is overvalued.



9.1.15 P/B Ratio

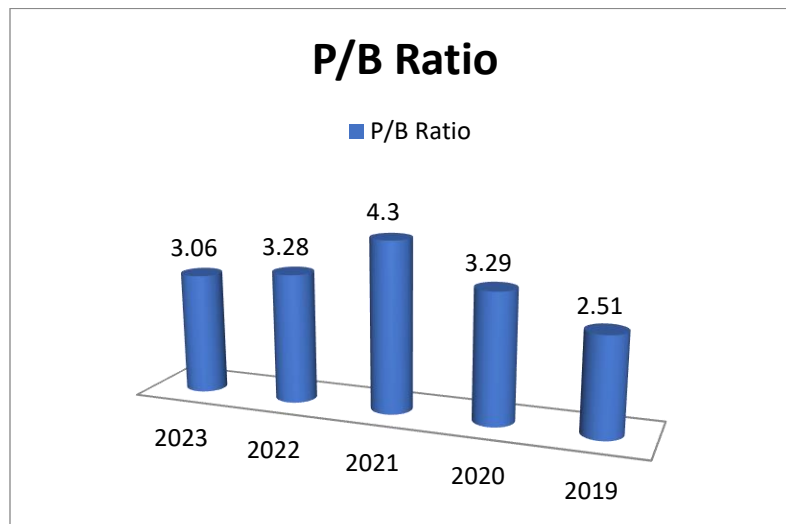
The Price-to-Book (P/B) Ratio is a simple way to compare a company's market value to the actual value of its assets. It tells you how much investors are paying for every dollar of the company's assets.

- If the P/B ratio is less than 1, it means the stock might be undervalued, suggesting that the company's market price is lower than the value of its assets.
- If the P/B ratio is greater than 1, investors are paying more than the actual value of the company's assets, possibly indicating that the stock is overvalued.

P/B Ratio = Price per Share / Book Value per Share

	30-Jun-2023	30-June-2022	30-Jun-2021	30-Jun-2020	30-Jun-2019
Items	Taka	Taka	Taka	Taka	Taka
Price per Share	1047	1093	1340	874.8	609.5
Book Value per Share	342.6	333.6	311.6	265.7	242.5
P/B Ratio	3.06	3.28	4.30	3.29	2.51

Walton's P/B ratio from 2019 to 2023 reflects changing investor perceptions of the company's value. In 2019, the ratio was 2.51, indicating the stock was affordable, while a rise to 4.30 in 2021 showed strong confidence but also suggested the stock might be overvalued. The ratios decreased slightly in 2022 and continued to fall to 3.06 in 2023, indicating that investors are becoming less willing to pay a premium for the company's assets. This trend suggests a shift in investor sentiment, reflecting growing caution about Walton's future prospects.



9.1.16 Earnings Yield

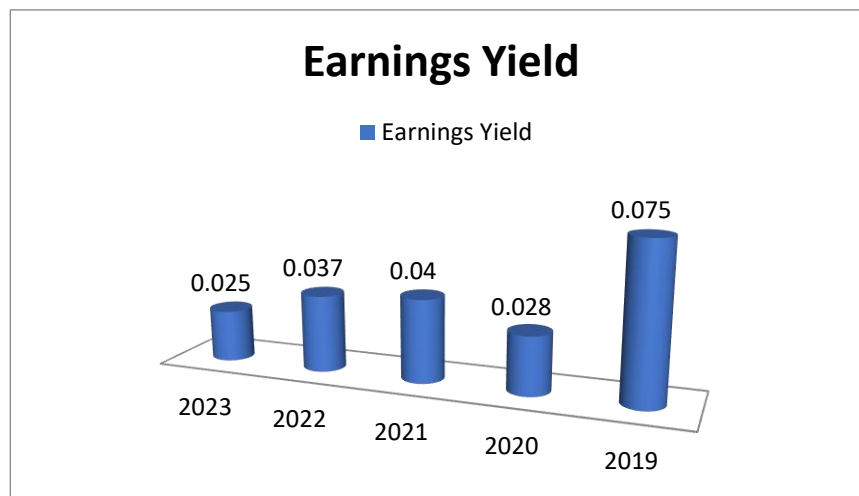
Earnings Yield shows how much a company earns for every dollar invested in its stock. Think of it as a way to see the return you're getting based on the company's earnings relative to its stock price.

- High Yield indicates strong earnings compared to stock price.
- Low Yield suggests high stock price compared to earnings.

$$\text{Earnings Yield} = \text{Earnings per Share} / \text{Price per Share}$$

	30-Jun-2023	30-June-2022	30-Jun-2021	30-Jun-2020	30-Jun-2019
Items	Taka	Taka	Taka	Taka	Taka
Price per Share	1047	1093	1340	874.8	609.5
EPS	25.84	40.16	54.21	24.22	45.47
Earnings Yield	0.025	0.037	0.040	0.028	0.075

Walton's Earnings Yield from 2019 to 2023 shows how much investors earn for every dollar they invest in the stock. In 2019, the yield was 0.075, which was the highest point, indicating strong earnings compared to the stock price. This suggests that the stock was a good investment at that time. However, the yield dropped to 0.025 in 2023, which is significantly lower, meaning investors are getting less return for their investment relative to the stock price. This decline may indicate that the stock is now more expensive or that the company's earnings growth has slowed, leading to potential concerns among investors about future performance.



Chapter 10: Internship Experiences at WALTON Group

Position, Duties and Responsibilities

I'm currently working as an evaluation intern in the Behavior Intelligence Department, which is part of the Internal Audit & Compliance Department. During my internship, my tasks involve visiting the shopping center as a customer and observing how the staff or management treat customers. I look at how they provide information, how friendly they are, and their overall approach. I fill out a survey form, take notes, and then prepare a report for my supervisor. The supervisor reviews the issues and shares them with the relevant teams. If a shopping center's report falls below standards, immediate actions, like reducing motivation or rewards, are taken.

Training Facilities

At first, they gave me one week of training. My training covered how to approach situations, improve myself, and dress in a way that the plaza staff or management wouldn't notice me, basically teaching me how to act like an undercover evaluator.

Contribution to Departmental Functions

As part of my role in the audit department, I helped identify the plaza's internal problems and how they regularly treat customers.

- But what about the real target audience?
- The goal is to attract potential customers to their products in 45 areas across Bangladesh.

Evaluation

The management team's effort is a smart move. It helps them reach their goals and build a strong impression in the customers' minds. Many companies offer products, but only a few truly focus on providing great service. Customers expect professional and friendly interactions, so I think this initiative to stand out in a competitive market is a positive step forward.

Application of Knowledge and Skills

My ability to investigate proved really useful in this situation. As I've grown in my role, I've realized how skilled I am at identifying issues and quickly addressing them. I always give my best when working, even going above and beyond on my days off, just like a full-time employee. In the end, I'm proud of the high-quality work I deliver, and I know my hard work is paying off.

Development of New Skills

I'm currently a business student with no prior experience in a business setting. During this time, I've learned how to approach and solve problems, how to behave as an employee, and how to complete tasks. I've made a lot of progress in improving myself, and I believe these skills will help me in my future career.

Chapter 11 : Conclusion

Overall, Walton Group's working capital management reflects a well-balanced approach between operational efficiency, financial stability, and growth potential. The company has implemented effective measures like the Miller-Orr Model for managing cash flow fluctuations and maintains a moderate working capital policy. Walton Group's liquidity ratios, including the current, acid test, and cash ratios, highlight its ability to meet short-term financial obligations comfortably. Although there is room to improve certain areas like finished goods turnover, Walton's overall strategy ensures a stable and efficient use of resources, positioning the company strongly for sustained growth. Walton follows a balanced working capital management strategy to support its daily operations and ensure financial stability. They manage assets like cash, inventory, and accounts receivable effectively to cover short-term expenses. Walton also uses the Miller-Orr model to handle cash flow fluctuations, which helps maintain liquidity while minimizing the need for external financing. With a moderate working capital policy, Walton is able to meet its operational needs and invest in growth when opportunities arise. However, there is potential to improve inventory turnover, especially for finished goods, to further optimize operation.

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Appendix

Annual Report

1. Annual Report of 2019-2020 From <https://cdn.waltonhil.com/doc/investor-info/Annual-Report-2019-2020.pdf>
2. Annual Report of 2020-2021 From <https://cdn.waltonhil.com/doc/investor-info/Annual%20Report-%202020-21%20PDF.pdf>
3. Annual Report of 2021-2022 From <https://cdn.waltonhil.com/doc/investor-info/Annual-Report-2021-2022-v2.pdf>
4. Annual Report of 2022-2023 From <https://cdn.waltonhil.com/public/1696828825975-40961443.pd>