

Original Article

# Theory and Actual Business Strategies of ACI Ltd. and Its Impact on Financial Performances and Stock Price

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**Abstract:** This report has been written based on the study of research articles of different business scholars on growth, expansion, and finance, and a close study of ACI Limited's financial activities. Trying to get the crown of the Bangladesh's biggest conglomerates, one of the fastest-growing economies, is not an easy task. ACI Limited has been hard at work for the past 20 years or so to achieve this goal, and they have been contributing heavily to our economy in the process. They have been growing their number of subsidiaries and joint ventures at an alarming rate (twenty subsidiaries and joint ventures in total) and financing most of this growth through borrowed capital, which gave rise to this research work. The study is based on secondary data collected from ACI Ltd. Annual report for the period from 2006 to 2024. The study represents the position where the company stands in terms of existence, performance, profitability, as well as its size, and so forth, in relation to the share price from the background of its actual business strategies. ACI Ltd. mostly acts in an administrative manner with a high debt model of business expansion instead of a bootstrap financing strategy, which hurts EPS. We need to find out where this rapid growth takes ACI in the long run, in order to come to a reasonable conclusion for this research.

**Keywords:** Managerial Behavior, Theories, Business Strategies, Financial Performance, Share Price, ACI Ltd.

## I. INTRODUCTION

Advanced Chemical Industries Limited (ACI) is a leading conglomerate in Bangladesh with a portfolio of businesses including pharmaceuticals, consumer brands, agribusiness, and infrastructure development. The company was founded in the 1970s and has since established itself as a key player in the country's economy, known for its innovative products and services, strong corporate governance, and commitment to sustainability. British multinational company named British Imperial Chemical Industries opened a branch in what was then East Pakistan. After Bangladesh gained independence in 1971, the company was founded on January 24, 1973, with the name ICI Bangladesh Manufacturers Limited, and it was established as a Public Limited Company. On May 5, 1992, it sold its stake to the management in Bangladesh, renaming itself Advanced Chemical Industries (ACI) Limited. In 2015, the business transferred to SC Johnson & Son's ownership of its insect control, air care, and toilet care brands.

ACI's pharmaceutical division, ACI Pharmaceuticals, is one of the largest producers of generic drugs in Bangladesh, with a significant market share in the country. The company's consumer brand division offers a range of products, including food and beverages, personal care items, and home care products. ACI's agribusiness division is focused on improving agricultural productivity using modern technologies and techniques, while the infrastructure development division is involved in large-scale projects such as power generation, roads and highways, and real estate development.

One of the biggest corporations in Bangladesh with a history in international commerce, ACI Limited, operates via four strategically diversified business units throughout the nation. The goal of the "Health Care Division" is to enhance the health of Bangladeshis by introducing cutting-edge and dependable pharmaceutical products. With its offerings in the areas of electrical, electronic, mobile, salt, flour, foods, rice, tea, edible oil, paints, home care, hygiene, and overseas enterprises, the "Consumer Brands Division" improves the quality of consumers' daily lives. "Agribusinesses Division" is the largest integrator in Bangladesh for agriculture, livestock, fishery, farm mechanization, infrastructure development services, and motorcycles. Bangladesh's biggest retail chain, "Retail Chain Division," serves more than 60,000 consumers daily through its 450 SHWAPNO outlets across 62 districts nationwide, including 50 recently opened express stores.

Over the past three decades, ACI Limited has incorporated 22 total new ventures, 17 subsidiaries, and 5 joint ventures, spanning pharmaceuticals, consumer goods, agribusiness, logistics, technology, and aviation. The journey began with ACI Formulations Ltd in 1995 (53.48% ownership), followed by key ventures such as ACI Salt Ltd (2004, 77.67%), ACI Foods Ltd (2006, 99.30%), and ACI Motors Ltd (2007, 48.10%). The company continued expanding with ACI Logistics Ltd (2008, 76%) in retail, ACI HealthCare Ltd (2013, 92.94%) for regulated pharmaceutical markets, and ACI Premio Plastics Ltd (2022, 87.32%)



in consumer plastics. The most recent addition is ACI Avionics and Airlines Services Ltd (2023, 77%), marking its entry into aviation services. On the joint venture front, ACI partnered with global leaders to form ACI Godrej Agrovet Pvt. Ltd (2004, 50%) with Godrej Agrovet (India), ACI CO-RO Bangladesh Ltd (2020, 49.90%) with CO-RO (Denmark), and in 2024, launched Colgate-Palmolive ACI Bangladesh Pvt. Ltd (24%) and Pladis ACI Bangladesh Ltd (49%) with Colgate-Palmolive (Singapore) and United Biscuits (UK) respectively. Advanced Chemical Industries (ACI) Limited is a leading conglomerate in Bangladesh with diversified businesses in Pharmaceuticals, Consumer Brands, Agribusiness, and Health Care. It's possible that the company has diversified into different subsidiaries to better manage its various business operations and to provide more focused attention to each individual business unit.

For the fiscal year ending on June 30, 2024, ACI Limited and its subsidiaries and joint ventures' total revenue was BDT 40,491 million, compared to BDT 29,931 million in the previous fiscal year. This year, the gross profit margin decreased to 37.61%, down from 39.70% in the previous year. The change in product mix and the merger of the gadget business of Premiaflex Plastics Limited impacted the gross profit margin. The operating profit for the current year was BDT 5,155 million, and the net profit after tax was BDT 3,630 million, resulting in earnings per share (EPS) of BDT 43.98.

The Board of Directors has recommended a 20% cash dividend (i.e., BDT 2.00 per share) and a 15% stock dividend for the financial year ending 30 June 2024. This dividend will be applicable to those shareholders whose names appear in the Company's Share Register or in the CDBL depository list on the record date, which is Sunday, 17 November 2024. No interim dividend was declared during the year.

In recent years, ACI has expanded its operations into international markets, with a presence in several countries across the region. The company is committed to making a positive impact in the communities in which it operates and is actively involved in various social and environmental initiatives. For the financial year ended 30 June 2024, the ACI and its affiliates contributed Taka 7,404 million, which is equivalent to 18.29% of its total sales revenue in corporate tax, customs duty, and value-added tax to the National Exchequer for FY 2023–2024.

This research attempts to identify the relationship between ACI LIMITED's rapid expansion strategy and its impact on their financial and operational activities, how these events affect their presence in the stock exchanges, as well as how on or off the line they are with the traditional knowledge of growth, expansion, and portfolio management. This study will also help create role models for other concerns in formulating their strategies and making policies.

The objective of this study can be broken down into two categories: Broad Objective and Specific Objective.

Broad Objective:

To find out if ACI Limited is following the way shown by the scholars for their growth strategy, or if they are going against the conventional knowledge, and how this might affect the financial performance and stock prices of the company.

Specific Objectives:

- To study the existing knowledge on "Growth Strategy" suggested by the scholars.
- To find out what strategies the company (ACI Ltd.) is following and if there is any significant difference between the Suggested and the Company's strategy.
- To study the financial performance and historical stock performance of ACI Limited over time.
- To look for any significant impact of their growth strategy on these performances.

## **II. LITERATURE REVIEW**

As mentioned in the "Objective of this report," the researcher would attempt to compare between what the scholars or conventional knowledge suggest we do in terms of organizational growth and how our company, in discussion, ACI Limited, is behaving in relation to their growth. Business strategy refers to the set of decisions and actions that a company makes to accomplish its long-term goals and objectives. It involves analyzing the internal and external environments of the organization, highlighting its strengths and weaknesses, and developing plans to leverage its strengths while addressing its weaknesses. An effective business strategy is crucial for companies to succeed in today's competitive market. It enables companies to differentiate themselves from their competitors, identify new opportunities, and make informed decisions about how to allocate resources. Entrepreneurship should not be noted as an all-or-none trait that some people, managers, or organizations might have, and some might not; rather, it should be measured in the context of the behaviors of the management of the organization, describing two extreme behavioral sides of managers/organizations, which are: Promoter/Entrepreneurial and Trustee/Administrative. Most of the cases would fall anywhere between these two extremes. And where a management system stands on the spectrum can be determined by the checklist provided in exhibit (ii) of the article, which the researcher will be using later in the analysis part (Stevenson & Gumpert, 1985). Often, entrepreneurs/startups seek funds from external investors or venture capitalists with the hope of starting big. But it is easier said than done. Most of the time, it is impossible to convince the investors due to a lack of proper presentation, a convincing strategy, or the lack of the founder's credibility. For better or worse, it is always a better option

to finance a startup on its own funding, in other words, "Bootstrap Financing". To get the best out of bootstrap finance, the author suggests a few methods to raise funds internally, which will be discussed in detail in the analysis section (Bhide, 1995). In a fast-growing business, funding is one of the most critical aspects. To fund their rapid growth, managers often opt for bank loans and other loans as their primary source of funds, as they mostly determine the required amount of funds based on the analysis of income statements. But there is a very effective source of funds available right at their fingertips in the form of accounts receivable, accounts payable, and inventory of completed goods.

A little bit of attention, a little bit of adjustment to these accounts can deliver the management a good amount of funding to finance their next endeavor. By doing cash-days analysis and adjusting the different cash days, a good deal of funds can be freed up for investments (Mullins & Churchill, 2004). Every business requires cash to grow. And a critical question that needs to be answered is how much money is needed to grow and how fast? If the business is looking to fund its growth completely on its internally generated funds, then measuring the growth rate is straightforward. The company's operating cash cycle, the amount of cash required to finance each dollar of sales, and the amount of cash generated by each dollar of sales are examined to calculate the self-financing growth (SFG) rate. If the company's growth rate is below the SFG rate, then it can easily sustain a self-financed growth, but if the growth rate is higher than the SFG rate, then it would need external funding or go bankrupt. Also, if a company wishes to improve its growth rate while remaining self-financed, it can attempt to improve its SFG rate by pulling the three growth levers: Speeding Cash Flow, Reducing Cost, and Raising Prices (Churchill & Mullins, 2001). A model proposed by Churchill & Lewis, (1983) named "The Five Stages of Small Business Growth" in May 1983 questioned conventional wisdom about small business growth, which had solely taken the size of a developing business into account : (i) "existence," (ii) "survival," (iii), "success," (iv), "take-off," and (v) "resource maturity." According to their argument, each stage requires different organizational dynamics regarding: (a) management style, (b) organizational structure, (c) systems development, and (d) owner involvement, and is accomplished based on a combination of factors, including size, diversity of operations, and business complexity.

The pursuit of future growth is supported by operational strategies, and financial performance can be seen as a predictor of future financials and an indicator of operational results. Although profitability is crucial for a company's performance, focusing on any short-term financial metric can compromise a company's long-term viability (Lo & Liao, 2021). According to entrepreneurs, the operating margin has the greatest influence, but the growth rate has the greatest range, and there is a strong correlation between external leverage indicators and return on equity (Villarreal Archila & Pardo Pérez, 2020). (Jermias, 2008) investigated how business strategy and competitive intensity affected the linkage between financial leverage and performance and discovered that these factors did have an impact. As a result, the relationship between financial leverage and performance was found to be less detrimental for cost leaders than for product differentiators. The findings support the idea that debt financing and/or debt covenants give cost leaders increased efficiency in addition to tax benefits because of the restrictions placed by debt holders (Jensen, 1986). Dalwai & Salehi (2021) found a negative relationship between corporate strategy and return on equity (ROE), indicating that defender-type strategy improves firm performance. Banks' competitive strategies have an impact on their financial success, but they have also been able to improve that performance over time by creating new products and services that cater to clients' wants. The study findings concluded that commercial banks' financial performance is significantly boosted by differentiation, focus, cost leadership, organizational strengths, and innovation (Otieno, 2016). Tariq Hassan Alzahrani (2021) discovered that neither the cost leadership strategy nor the product differentiation strategy had any financial influence on the financial performance of Saudi industrial enterprises. Leverage has a bad influence on financial performance, company life has a negative impact on financial performance, but the size of the company has a good impact on the rate of return on ownership.

The management of a company could predict certain organizational performance outcomes from the application of certain management accounting systems, business strategies, and organizational goals. Both the financial and non-financial performance of the large firms was statistically influenced by corporate strategies and corporate aims (Visedsun & Terdpaopong, 2021). When the firm has poor internal control quality, there is also a significant joint impact on financial performance. In this regard, business strategy and accounting conservatism have a good correlation with financial performance (Li, 2020). There are a lot of strategies, such as mergers and acquisitions, product differentiation, cost leadership, etc., that affect the share price of an organization. Acquisitions and mergers are regarded as one of the most effective business growth and expansion methods. These tactics are frequently used in underdeveloped nations, despite being widely adopted in affluent ones. (Rahman et al., 2018) looked into how mergers and acquisitions affected the banking sector's stock price behavior and discovered that the market had a negative reaction to the phenomenon of mergers and acquisitions in Pakistan's banking industry. This is also supported by a study of Abhishek & Suresh (2019). ACI Ltd. has a system of bureaucratic structure that is now suitable for this type of business based on our examination of its management structure, financial strength, marketing strategy, and distribution channel. In addition to having a well-diversified product portfolio, its financial soundness is also excellent. Most of the items have very strong growth potential in the future, which guarantees the company's viability (Ahmed, 2012). Though there are mixed findings observed in different

literature, this study critically analyzes the business strategy followed by ACI Ltd. from different perspectives and tries to find out its ultimate effects on its financial performance and share price.

**III. METHODOLOGY**

The present study is based on the analysis of the theories devised by various business scholars. Data were collected, tabulated, processed, and analyzed critically to make the process more informative, fruitful, and purposeful; there are many tables and figures in this report that are based on secondary data, as the collection of primary data is not possible due to the current situation with the pandemic and the employment of new interns.

Secondary data was collected mostly using various publicly available online sources, such as:

- Annual Reports of ACI Limited
- Reports from the Dhaka Stock Exchange
- Scholarly articles published in reputed journals.

**IV. RESULT AND DISCUSSION**

In this part of our discussion, we will dive deep and try to analyze different managerial behaviors and actions to find out if ACI Limited is following the scholars’ suggestions or is going against them. There will be references to different articles discussed in the literature study here in the analysis section, and their reference number and titles will be mentioned at the beginning of each analysis to make things easier.

**A) Managerial Behavior: The Heart of Entrepreneurship**

In this analysis, the researchers have examined the different behaviors mentioned in the article to determine if a company is entrepreneurial or administrative and will try to relate them to ACI Limited based on their historical behavior to determine their managerial characteristics.

**Table 1: The Entrepreneurial Culture Vs the Administrative Culture**

	Entrepreneurial Focus		Administrative Focus		ACI’s Position
	Characteristics	Pressures	Characteristics	Pressures	
A. Strategic orientation	Driven by the perception of opportunity	Diminishing opportunities. Rapidly changing technology, consumer economics, social Values, and political rules.	Driven by controlled resources.	Social contracts. Performance measurement criteria. Planning systems and cycles	Mostly Administrative Making huge bank loans to increase the number of resources they control.
B. Commitment to seize opportunities	Revolutionary, with short duration	Action orientation Narrow decision windows Acceptance of reasonable risks Few decision constituencies	Evolutionary, with long duration	Acknowledgment of multiple constituencies Negotiation about strategic course Risk reduction Coordination with existing resource base	Administrative Most of their investments are long-term investments.
C. Commitment of resources	Many stages, with minimal exposure at each stage	Lack of predictable resource needs Lack of control over the environment Social demands for the appropriate use of resources Foreign competition Demands for more efficient resource use	A single stage, with complete commitment out of decision	Need to reduce risk Incentive compensation Turnover in managers Capital budgeting systems Formal planning systems	In between. Invested in around 20 different ventures, most of which are very large investments.

D. Control of resources	Episodic use or rent of the required resources	Increased resource specialization Long resource life compared with need Risk of obsolescence Risk inherent in the identified opportunity Inflexibility of permanent commitment to resources	Ownership or employment of required resources	Power, status, and financial rewards Coordination of activity Efficiency measures Inertia and cost of change Industry structures	Administrative
E. Management structure	Flat, with multiple informal networks	Coordination of key noncontrolled resources Challenge to hierarchy Employees' desire for independence	Hierarchy	Need for a clearly defined authority and responsibility Organizational culture Reward systems Management theory	Administrative

This illustration shows that ACI Limited mostly acts in an administrative manner instead of an entrepreneurial way. A company being less entrepreneurial and more administrative means less flexibility for innovation, decision-making, and well-organized growth. Then again, the sheer size of ACI Limited requires it to be more administrative than entrepreneurial.

**B) Managerial Behavior: Bootstrap Finance**

In the table below, there is an attempt to discuss the different methods of bootstrap financing and see if ACI Limited is following those methods for its ever-growing number of subsidiaries.

**Table 2: ACI Limited and Bootstrap Financing**

SN	Suggested Methods	Behavior of ACI Ltd.
01	Get operational quickly: Start with a copycat idea targeted to a small market. Get the business afloat as soon as possible.	Following. Most of their projects are in already populated markets, so it can be said that they are following this step.
02	Look for quick break-even cash-generating projects: A business that is making money, elegantly or not, builds credibility in the eyes of suppliers, customers, and employees as well as self-confidence in the entrepreneur.	Not following. Most of the investments made by ACI Ltd. are long-term investments. A lot of them have yet to break even, such as Swapno (ACI Logistics Limited) and ACI HealthCare Limited.
03	Offer high-value products or services that can sustain direct personal selling: In order to overcome customer inertia towards already established alternatives in the market, it is advised to offer products with some tangible advantages or concrete performance characteristics over the competition.	In between. Offering a wide range of products with both tangible and intangible characteristics. But ACI, being the giants they are and a very old, well-reputed company, doesn't necessarily suffer that much from customer inertia.
04	Forget about the crack team: Bootstrappers cannot afford a management team with high credentials and six-figure salaries; rather, they need to find diamonds in the rough.	Not Following. ACI, being a huge company, already owns a serious crack team.
05	Keep growth in check: Expand only at the speed you can afford to.	Not Following. Expanding fast with borrowed capital.
06	Focus on cash, not on profits, market share, or anything else: Know when to spend and when to go cheap, manage the cash flow, and gain a positive cash flow.	Not Following Negative net operating cash flow, mostly focused on market share, with a goal to become the largest conglomerate in Bangladesh.
07	Cultivate the banks before the business becomes creditworthy: Maintain a good relationship with the bank. Let it familiarize itself with your business even before the business gains its creditworthiness.	Not Following. Using ACI's reputation to get large bank loans to fund new subsidiaries and joint ventures.

It is clearly visible from the above discussion that ACI Ltd. is not using the bootstrap financing strategy at all. But then again, they are not a start-up at all. They are already a fully functional corporation, and they might not need bootstrap finance to fund their new ventures; they can use self-finance or find external sources. We will find out more about their financing behavior in the later discussions.

### C) Cash-days analysis of ACI Ltd

Managerial Behavior: Managing Cash: What a Difference the Days Make!

A cash-days analysis assesses a company's working capital accounts. In most companies, working capital consists largely of three items:

1. Accounts receivable
2. Accounts payable
3. Inventory to support tomorrow's sales

This analysis attempts to determine how long the working capital is held up on average and if the company is putting any effort into improving those cash days to generate funds internally for their growth or not.

A calculation of the Cash-days for Accounts Receivable, Accounts Payable, and Inventory for the fiscal year 2023-2024 is shown: Revenue = 124,315,921,225.00 Taka

$$\text{Daily sales rate} = \frac{\text{Revenue}}{365} = \frac{124,315,921,225.00}{365} = 340,591,565 \text{ Taka/Day}$$

$$\text{Cash-Days for Accounts Receivable} = \frac{\text{AR}}{\text{Daily Sales Rate}} = \frac{17,639,829,809.00}{340,591,565.00} = 51.79 \approx 52 \text{ Days}$$

Cost of goods sold = 94,568,985,201.00 Taka

$$\text{Daily rate of COGS} = \frac{\text{COGS}}{365} = \frac{94,568,985,201.00}{365} = 259,093,110.10 \text{ Taka/Day}$$

$$\text{Cash-Days for Accounts Payable} = \frac{\text{AP}}{\text{DR of COGS}} = \frac{7,424,166,740.00}{259,093,110.10} = 28.65 \approx 29 \text{ Days}$$

$$\text{Cash-Days for Inventory} = \frac{\text{Inventory}}{\text{DR of COGS}} = \frac{21,290,152,451.00}{259,093,110.10} = 82.17 \approx 83 \text{ Days}$$

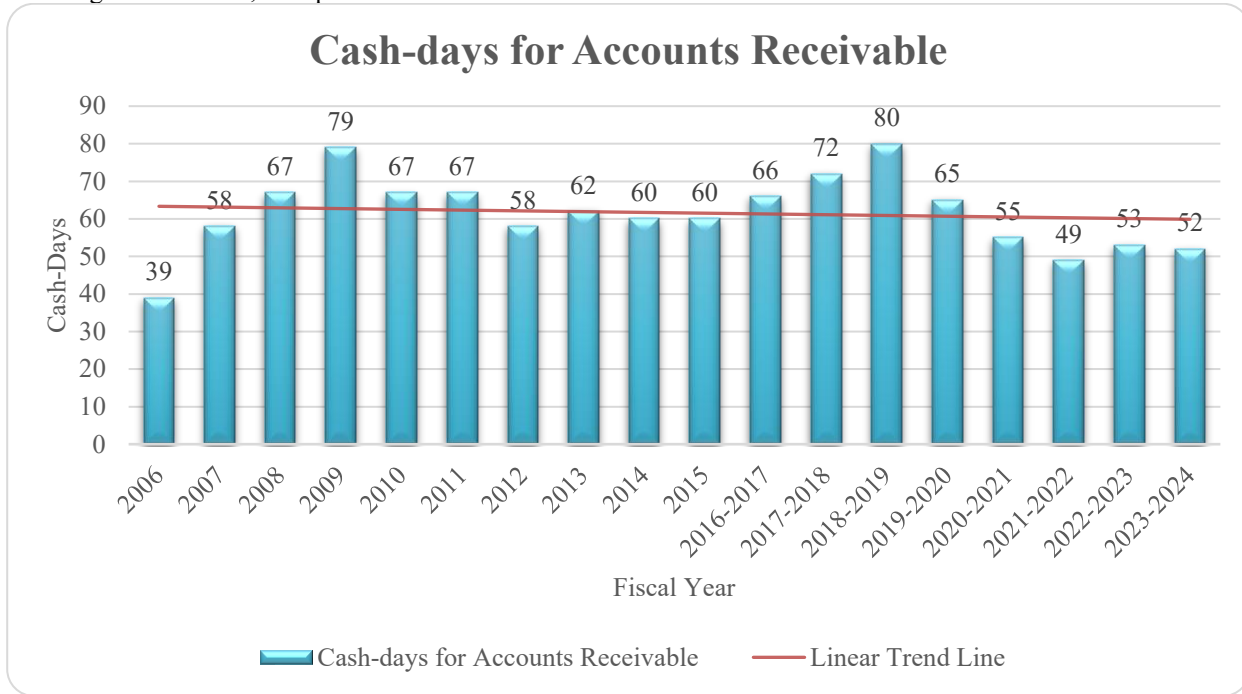
The above calculation shows the cash-days for accounts receivable (CD-AR) of ACI Ltd. is 52 days, for accounts payable (CD-AP) is 29 days, and inventory (CD-Inv.) is 83 days. If the CD-AR or CD-Inv. could be reduced or CD-AP increased by a little, which would mean a good amount of cash would be freed up for investment sooner.

The table below shows the historical cash days of ACI Ltd. from 2006 to 2024:

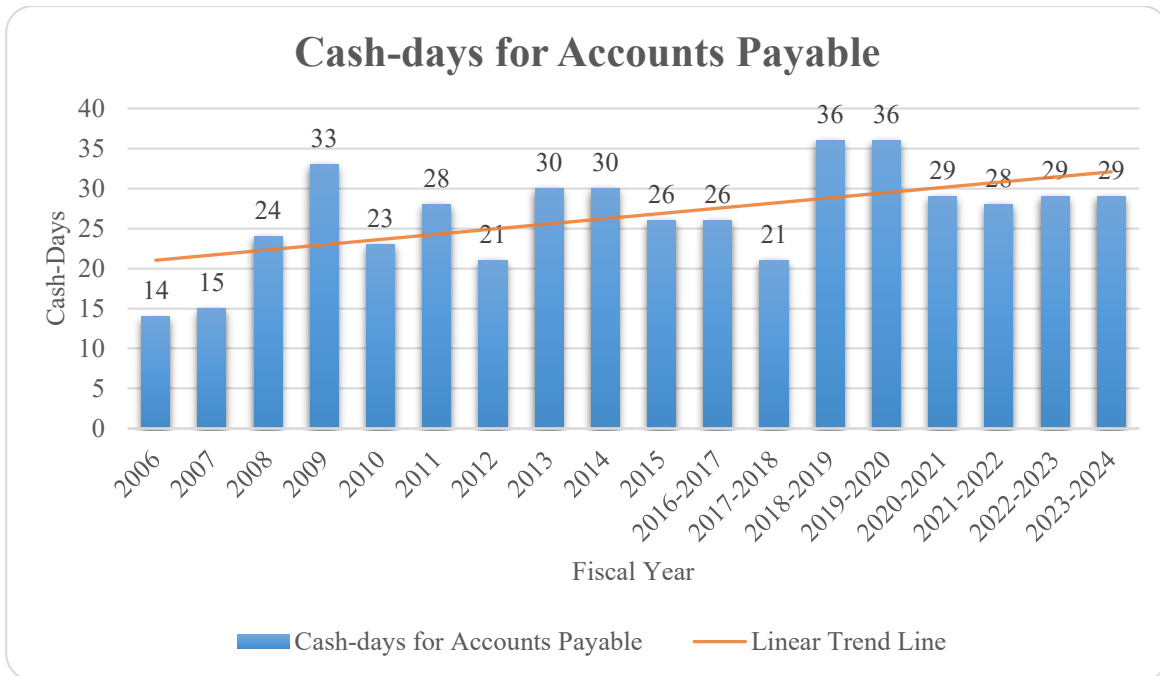
**Table 3: Cash-Days Analysis of ACI Ltd**

Fiscal Year	Cash Days		
	Accounts Receivable	Accounts Payable	Inventory
2006	39	14	164
2007	58	15	155
2008	67	24	158
2009	79	33	117
2010	67	23	116
2011	67	28	108
2012	58	21	100
2013	62	30	127
2014	60	30	127
2015	60	26	131
2016-2017	66	26	115
2017-2018	72	21	107
2018-2019	80	36	111
2019-2020	65	36	92
2020-2021	55	29	108
2021-2022	49	28	103
2022-2023	53	29	89
2023-2024	52	29	83

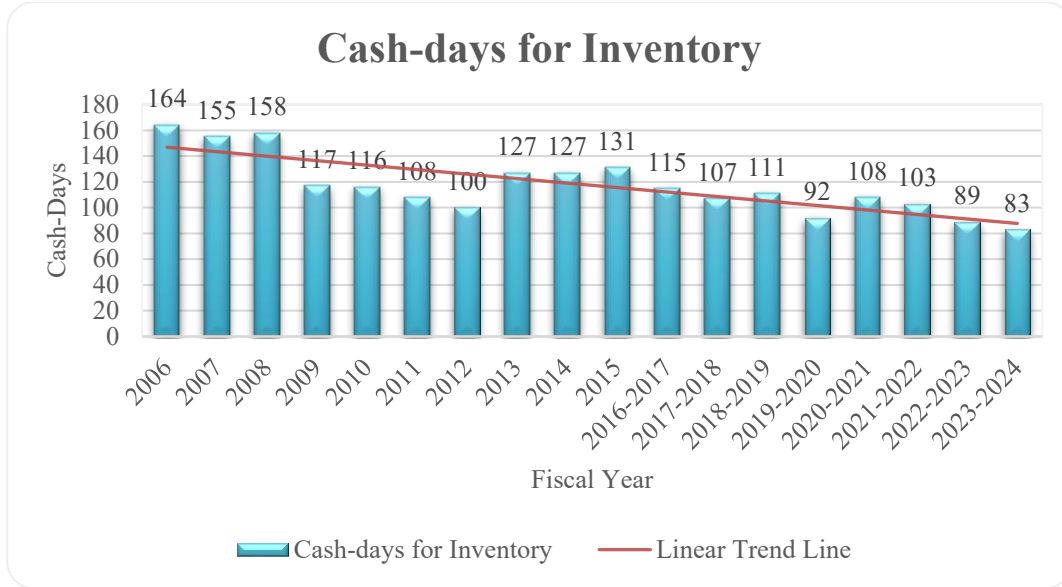
To make things even clearer, let's put this information into charts:



**Figure 1. Cash-days for Accounts Receivable**



**Figure 2. Cash-days for Accounts Payable**



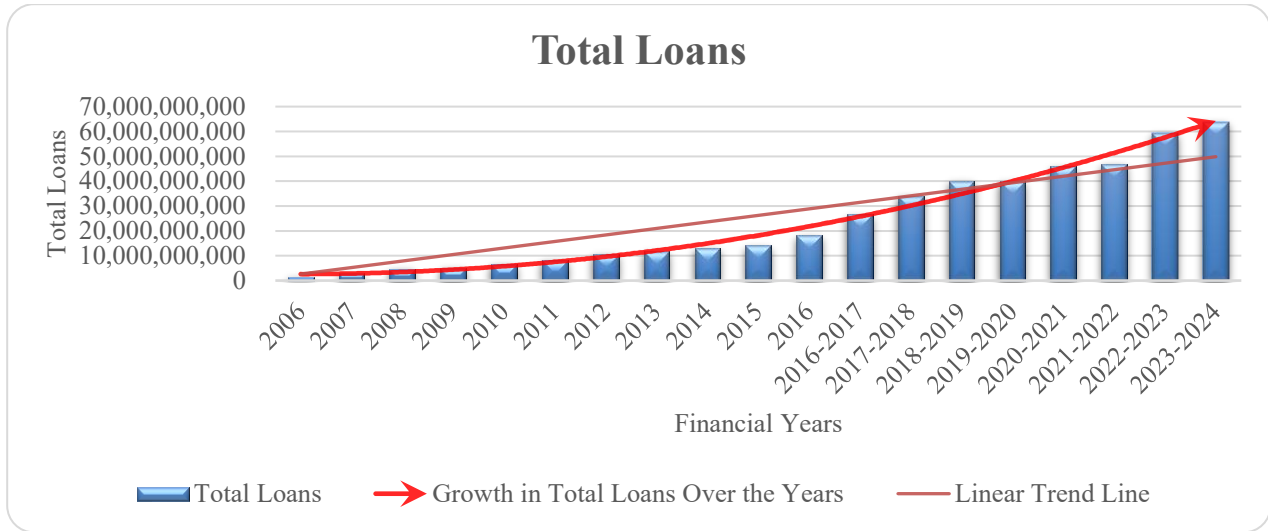
**Figure 3. Cash-days for Inventory**

The figures and the cash-days data for ACI Ltd. from 2006 to 2024 reveal that inventory days (Figure 3) have generally declined over the period, indicating improved inventory management. Accounts payable days (Figure 2) increased steadily until 2018–2020, reflecting a strategy to delay payments and manage cash flow, but have since declined, possibly due to changes in supplier terms or payment practices. In contrast, accounts receivable days (Figure 1) have remained relatively flat over the years, showing limited improvement in cash collection efficiency. These trends collectively suggest that ACI Ltd. has not significantly optimized its internal cash cycle and continues to rely more on external financing, such as long-term and current loans, to support its investments and expansion activities.

**Table 4: Loans Taken by ACI Ltd. Over the Years**

Year	Bank Overdraft	Current Loans	Long-term Loan - Current Portion	Long Term Loans	Loan from Other Sources - Unsecured	Bonds (ZCB) - Long Term	Total Loans
2006	166,139,092	1,178,656,452	46,247,311	44,543,168	55,701,953	-	1,491,287,976
2007	314,191,451	1,915,031,415	154,804,698	281,191,990	55,631,573	-	2,720,851,127
2008	1,209,590,748	2,870,816,761	232,920,021	313,348,442	55,631,573	-	4,682,307,545
2009	709,318,981	3,109,281,460	397,336,001	818,538,910	55,631,573	-	5,090,106,925
2010	387,536,623	3,911,060,043	600,988,955	819,551,746	55,631,573	824,254,495	6,599,023,435
2011	1,116,708,457	5,154,801,386	690,766,349	607,996,736	215,245	658,437,268	8,228,925,441
2012	1,603,593,173	6,446,311,725	1,141,573,149	1,076,356,384	-	460,500,200	10,728,334,631
2013	1,024,269,722	7,996,384,252	1,084,139,980	1,378,771,429	-	241,750,570	11,725,315,953
2014	818,454,318	10,319,229,675	875,918,287	1,042,773,576	-	-	13,056,375,856
2015	1,195,598,119	9,781,023,571	1,146,245,892	1,955,234,872	-	-	14,078,102,454
2016	2,167,878,566	11,879,482,998	1,328,849,774	2,740,906,073	-	-	18,117,117,411
2016–2017	1,696,737,293	17,894,163,049	1,781,487,620	5,151,447,744	-	-	26,523,835,706
2017–2018	4,159,153,500	18,367,259,672	3,566,345,407	7,972,367,343	-	-	34,065,125,922
2018–2019	4,618,176,594	22,842,587,452	4,421,329,343	8,079,177,445	-	-	39,961,270,834
2019–2020	4,440,893,673	22,822,007,267	4,466,281,007	8,271,767,701	-	-	40,000,949,648
2020–2021	3,543,943,716	32,274,988,314	2,241,433,061	7,843,747,173	-	-	45,904,112,264
2021–2022	5,177,125,582	33,242,130,835	2,029,464,280	6,408,915,381	-	-	46,857,636,078

2022–2023	8,427,735,948	42,450,096,530	2,435,393,446	6,047,143,695	-	-	59,360,369,619
2023–2024	8,697,868,202	43,934,228,642	4,086,107,431	6,943,562,218	-	-	63,661,766,493



**Figure 4. Loans Taken by ACI Ltd. Over the Years**

Table 4 and Figure 4 show a consistent upward trend in ACI Ltd.'s borrowing over the years, indicating aggressive financial leveraging to support expansion and operational costs. The steady increase in total loans from approximately 1.5 billion BDT in 2006 to over 63.6 billion BDT in 2024 reflects that ACI Ltd. increasingly depends on both long-term and short-term financing. Particularly, the rapid growth in current loans and bank overdrafts in recent periods indicates a higher need for liquidity due to rising production and operational costs or strategic investments. Also, the table shows their aggressive shift of interest from bonds and other unsecured loans towards bank loans, indicating their “Bank Cultivation” over time.

Self-financeable growth (SFG) rate vs. actual growth rate:

Just like the previous analysis, we can again analyze ACI Ltd.’s SFG rate to find out its dependence on self-finance for its growth. A deep view of their SFG rate and if they are trying to improve it over time, or not, as well as a comparison between their SFG rate and actual growth rate, can show us a better picture of their financing methods.

A calculation of the SFG rate and Actual Growth rate for the fiscal year 2023-2024 based on the previous period (FY 2022-2023) is shown as an example:

**Table 5: SFG Rate Calculation (for the FY 2023-2024)**

<b>Duration Cash is Tied Up (in days)</b>	
Accounts Receivable (Cash Days)	53
Inventory (Cash Days)	89
Operating Cash Cycle (OCC)	142
Accounts Payable	(29)
Cost of sales	113
Operating Expenses (50% of OCC)	71
<b>Proportions for each Taka of Sales</b>	
Sales	Tk. 1.0000
Cost of Sales	(0.7757)
Operating Expenses (including tax)	(0.2369)
Profit/Cash Generated per Sales Taka	Tk. -0.0124
Cost of Sales	$0.7607 \times (106 \div 135) = 0.6173$
Operations	$0.2290 \times (68 \div 135) = 0.1183$
Cash required for each OCC	Tk. 0.7356
<b>SFG Rate Calculation</b>	
OCC SFG rate	$Tk. -0.0124 \div Tk. 0.7356 = -1.6857\%$
OCCs per year	$365 \div 142 = 2.5704$
Annual SFG Rate	$-1.6857\% \times 2.5704 = -4.3329\%$

The above calculation shows us how much ACI Ltd. can afford to grow solely by self-finance in the fiscal year 2021-2022 based on how they performed in the previous years using the framework provided in the article. And the negative rate indicates they cannot afford to grow on self-finance at all; rather, they need to scale down their operations if they want to stay self-financed, or they would need external funding sources to finance their growth.

Calculation of actual growth rate (FY 2023-2024):

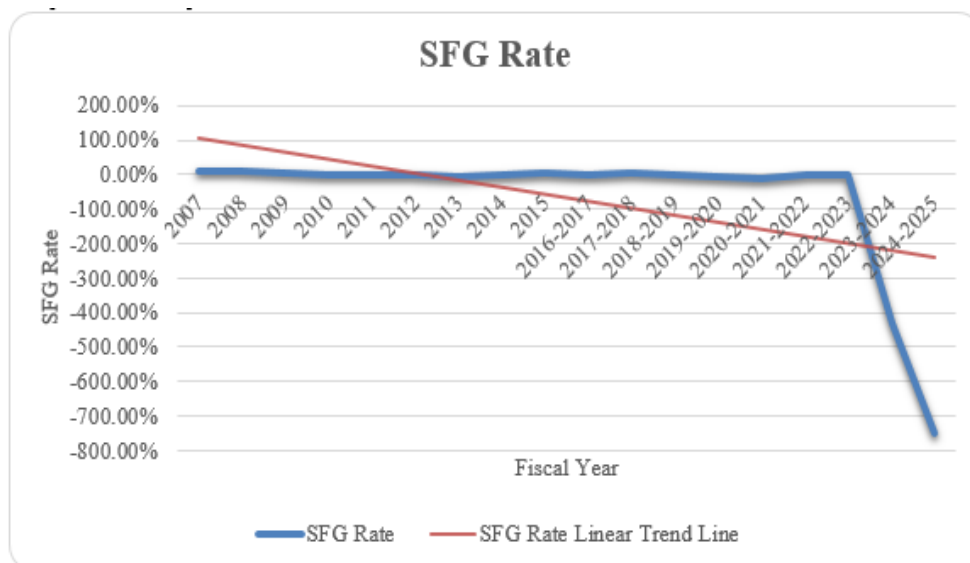
$$\text{Growth Rate (revenue)} = \frac{\text{Revenue 2024} - \text{Revenue 2023}}{\text{Revenue 2023}} \times 100 = \frac{124,315,921,225 - 115,355,397,105}{115,355,397,105} \times 100 = 7.77\%$$

This calculation shows how much they actually grew in the fiscal year 2023-2024, which is 7.77%, way more than the suggested -4.33% SFG rate, which can imply they had to rely on external funding sources. To get a better comparison, let’s look into their historical performance in the table below.

**Table 6: Comparison between SFG Rate and Growth Rate (Revenue)**

Year	SFG Rate	Growth Rate (Revenue)
2007	8.25%	35.84%
2008	7.68%	79.64%
2009	4.63%	18.94%
2010	-1.44%	17.87%
2011	-0.91%	20.43%
2012	0.39%	25.87%
2013	-4.71%	0.87%
2014	-0.21%	16.49%
2015	3.05%	21.54%
2016-2017	0.08%	51.89%
2017-2018	2.29%	17.74%
2018-2019	-1.52%	12.51%
2019-2020	-4.42%	10.03%
2020-2021	-9.20%	16.23%
2021-2022	-1.30%	19.60%
2022-2023	0.33%	19.45%
2023-2024	-4.33%	7.77%
2024-2025	-7.52%	-

If we go through the column “SFG Rate” in Table 6, we can see that their suggested SFG rate is 8.25% in 2007, and if they wished to grow any faster than that then they would need to improve their SFG rate over time but that did not happen rather their SFG rate dropped over time, and it maintained a downward trend all the way into negative values. To give it a better view, a graphical presentation is provided below:



**Figure 5: ACI Ltd.'s SFG rate over the Years**

As we can see, the SFG rate is following a very steep downward trend instead of improving, but if we compare it to their actual growth rate for those exact periods, we can see that ACI Ltd. grew at a rapid rate compared to their SFG rate. A graphical presentation for that observation is also included below.

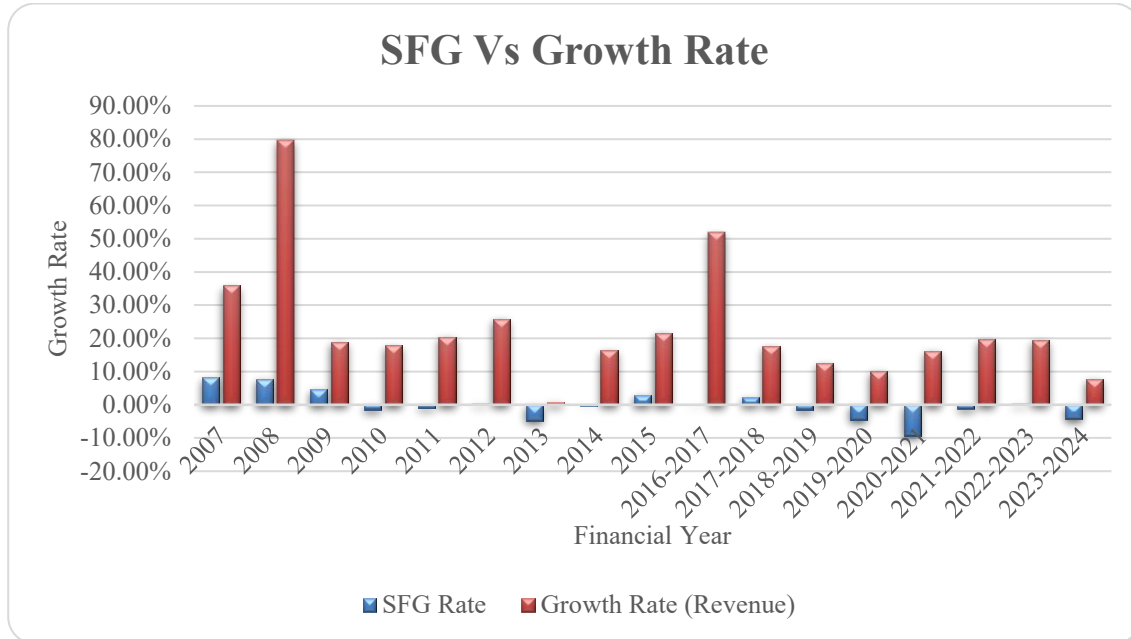


Figure 6: SFG rate vs. Actual Growth rate (Revenue)

Here, it is clearly visible that their actual growth rate has always been really very high compared to their self-financed growth rate. Overall, their zero attempts to improve the SFG rate and an alarmingly high difference between SFG rate and realized growth rate indicates the company’s dependency on external capital to fund their ventures which again in relation to the previous analysis of their increase in bank loans over the years strengthens our observation instead of relying on internal sources or self-financing ACI Ltd. is heavily dependent on borrowed capital for their rapid growth.

**D) Effect of rapid growth on performance:**

In this part of the analysis, researchers will investigate different financial indicators of ACI Limited and try to find their impact on their profitability and stock performance.

**a. Growth and Loan.**

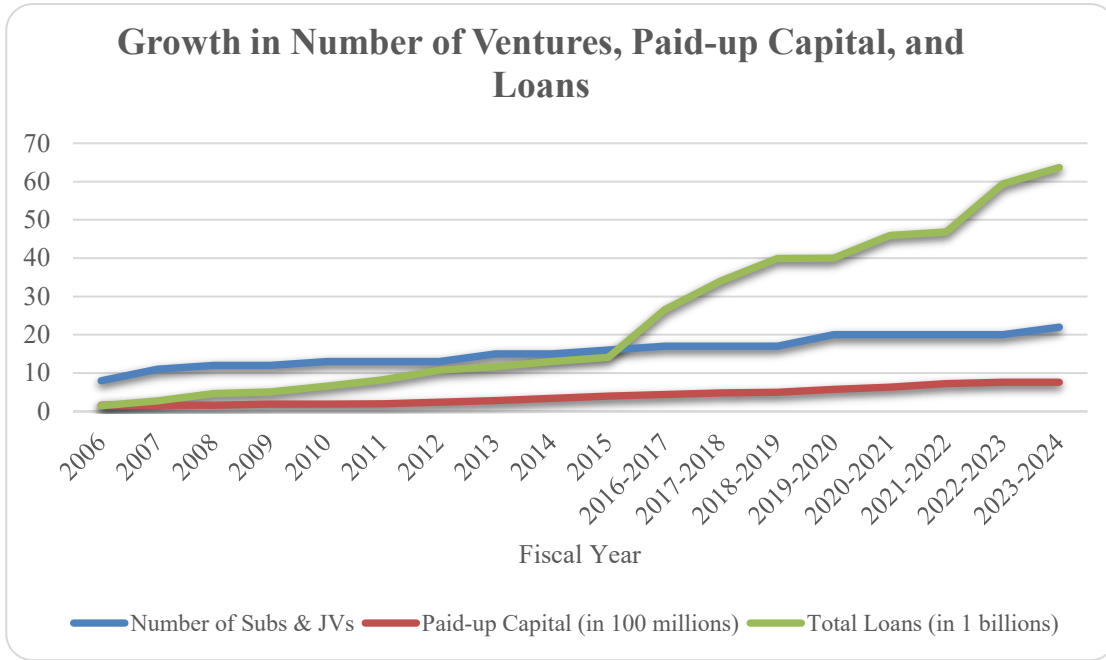
First, let’s look into their growth in the number of subsidiaries and joint ventures, and loans.

Table 7: Company Growth vs. Total Loans

Year	Subsidiaries Incorporated	JVs Formed	Total Number of Subs and JVs at the year-end	Paid-up apital	Total Loans
2006	3	0	8	161,700,000.00	1,491,287,976.00
2007	3	0	11	161,700,000.00	2,720,851,127.00
2008	1	0	12	161,700,000.00	4,682,307,545.00
2009	0	0	12	194,040,000.00	5,090,106,925.00
2010	1	0	13	194,040,000.00	6,599,023,435.00
2011	0	0	13	197,147,560.00	8,228,925,441.00
2012	0	0	13	237,738,330.00	10,728,334,631.00
2013	2	0	15	285,820,824.00	11,725,315,953.00
2014	0	0	15	343,944,021.00	13,056,375,856.00
2015	1	0	16	398,367,290.00	14,078,102,454.00
2016-2017	1	0	17	438,204,010.00	26,523,835,706.00
2017-2018	0	0	17	482,024,411.00	34,065,125,922.00
2018-2019	0	0	17	498,895,266.00	39,961,270,834.00
2019-2020	1	2	20	573,729,556.00	40,000,949,648.00
2020-2021	0	0	20	631,102,500.00	45,904,112,264.00
2021-2022	0	0	20	725,767,870.00	46,857,636,078.00

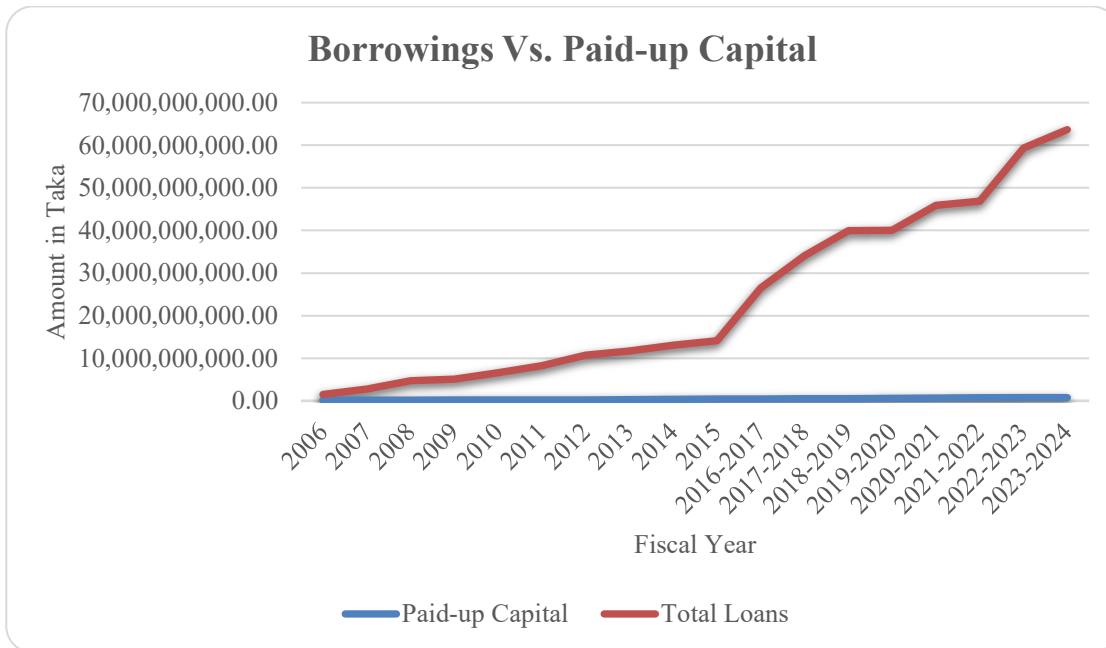
2022-2023	0	0	20	762,056,260.00	59,360,369,619.00
2023-2024	2	0	22	762,056,260.00	63,661,766,493.00

Again, let's put this information into bar charts along with their trend lines to get a better view of the situation.



**Figure 7. Growth in Number of Ventures, Paid-up Capital, and Loans**

Here we can see that as the total number of subsidiaries and joint ventures grew over time in a consistent manner (Indicated by the blue line), their paid-up capital (Indicated by the orange line) grew at a parallel rate, but their loan or the amount of borrowed capital, indicated by the gray line, shows a much faster increase over that same span of time. Again, showing their high reliance on loans. Their reliance on borrowed capital grew to the point where only a few percentages of their total capital is from paid-up capital in comparison to borrowed capital, as can be seen in the chart below,



**Figure 8. Comparison in Amounts of Borrowings and Paid Capital**

Here we can clearly see how ACI Limited's borrowings completely overshadowed its paid-up capital over the years. This certainly is not a picture an investor would love to see. This again establishes the fact that ACI Limited is mostly funding its constant growth in subsidiaries and joint ventures through loans instead of self-finance.

#### b. Profitability and Stock Prices

In this section of my analysis, the researchers are going to focus on ACI Limited's performance. For this analysis, first the researchers would calculate their "Employed Capital" and then use it to compare with their profitability, EPS, and Stock Prices.

**Table 7: Calculation of Capital Employed (CP)**

Year	Total Assets	Current Liabilities	Capital Employed (Total Assets - Current Liabilities)	CP in Proportion to Total Assets
2006	3,716,306,002.00	2,133,811,798.00	1,582,494,204.00	42.58%
2007	5,912,361,279.00	3,481,942,045.00	2,430,419,234.00	41.11%
2008	9,409,329,631.00	5,971,551,755.00	3,437,777,876.00	36.54%
2009	11,693,232,681.00	7,162,233,600.00	4,530,999,081.00	38.75%
2010	14,259,426,177.00	7,237,665,803.00	7,021,760,374.00	49.24%
2011	16,075,870,945.00	9,606,976,372.00	6,468,894,573.00	40.24%
2012	18,134,878,997.00	11,783,117,304.00	6,351,761,693.00	35.03%
2013	20,051,669,744.00	13,698,757,058.00	6,352,912,686.00	31.68%
2014	22,009,047,332.00	15,945,796,641.00	6,063,250,691.00	27.55%
2015	31,036,233,900.00	17,687,587,536.00	13,348,646,364.00	43.01%
2016-2017	46,970,018,468.00	29,667,165,429.00	17,302,853,039.00	36.84%
2017-2018	55,445,714,848.00	35,079,855,052.00	20,365,859,796.00	36.73%
2018-2019	63,777,508,600.00	44,913,527,164.00	18,863,981,436.00	29.58%
2019-2020	61,562,822,805.00	43,453,474,842.00	18,109,347,963.00	29.42%
2020-2021	72,099,655,810.00	50,528,739,398.00	21,570,916,412.00	29.92%
2021-2022	75,618,425,028.00	54,036,942,472.00	21,581,482,556.00	28.54%
2022-2023	90,908,122,246.00	70,200,705,508.00	20,707,416,738.00	22.78%
2023-2024	94,094,730,855.00	74,086,385,782.00	20,008,345,073.00	21.26%

Here we can see that even though the capital employed grew at a decent rate over time, its proportion to the total assets decreased at a consistent rate, mostly due to a significant increase in current loans and other liabilities.

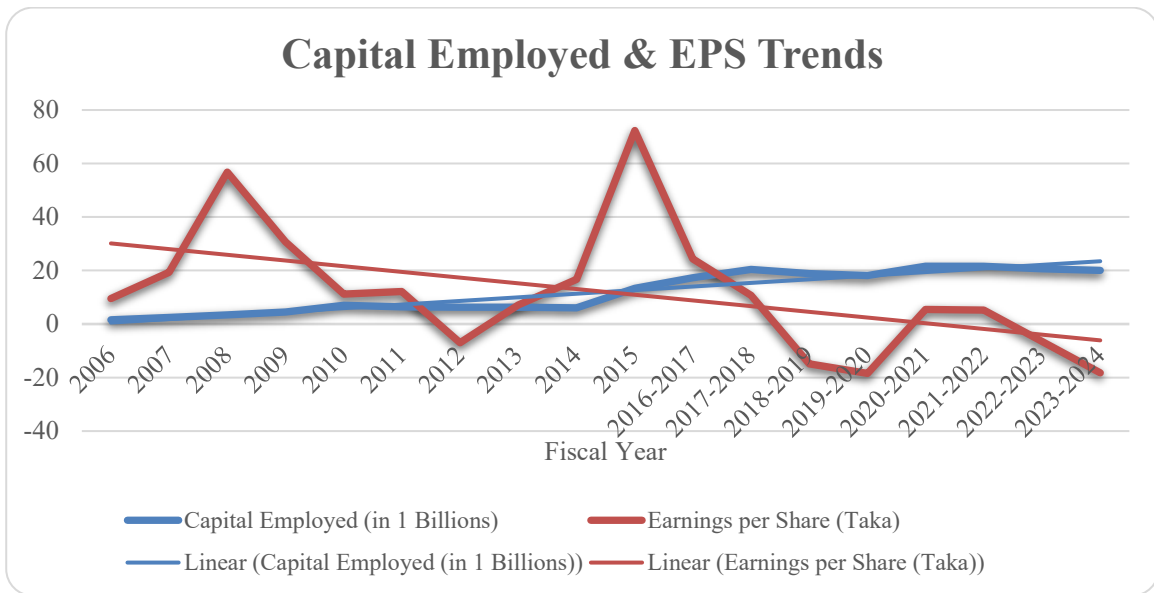
Now let's put these in a comparative table to find out the impact on performance,

**Table 8: Financial Behavior and Performance Analysis**

Year	Total Loans	Capital Employed	Earnings per Share (Taka)	Yearly Stock Closing Price (At the accounting period)
2006	1,491,287,976.00	1,582,494,204.00	9.51	70.2
2007	2,720,851,127.00	2,430,419,234.00	19.36	181.7
2008	4,682,307,545.00	3,437,777,876.00	56.77	521.3
2009	5,090,106,925.00	4,530,999,081.00	30.64	447.1
2010	6,599,023,435.00	7,021,760,374.00	11.14	372.6
2011	8,228,925,441.00	6,468,894,573.00	12.11	206.6
2012	10,728,334,631.00	6,351,761,693.00	-6.98	141.2
2013	11,725,315,953.00	6,352,912,686.00	7.13	171.5
2014	13,056,375,856.00	6,063,250,691.00	16.68	389.9
2015	14,078,102,454.00	13,348,646,364.00	72.33	561.6
2016- 2017	26,523,835,706.00	17,302,853,039.00	24.31	516.5
2017- 2018	34,065,125,922.00	20,365,859,796.00	10.73	347.8
2018- 2019	39,961,270,834.00	18,863,981,436.00	-14.87	274.7
2019- 2020	40,000,949,648.00	18,109,347,963.00	-18.45	204.2
2020- 2021	45,904,112,264.00	21,570,916,412.00	5.50	263.7

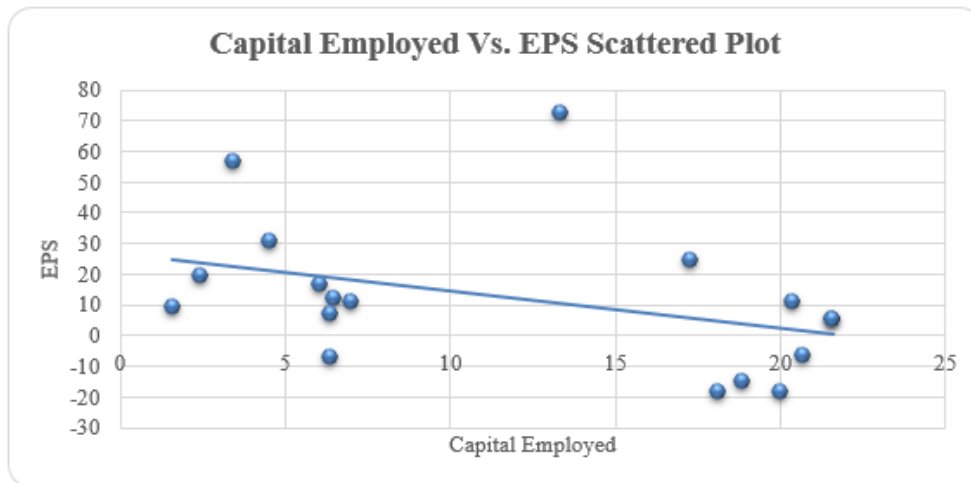
2021-2022	46,857,636,078.00	21,581,482,556.00	5.23	283.0
2022-2023	59,360,369,619.00	20,707,416,738.00	-6.47	260.3
2023-2024	63,661,766,493.00	20,008,345,073.00	-18.25	132.4

From the table, ACI Ltd. reveals strong financial growth from 2006 to 2008 with rising earnings per share (EPS) and stock prices, which indicate strong financial performance and positive investor confidence. However, from 2009 to 2013 and from 2019 onward, the company experienced a sharp decline, except from 2014 to 2018, where higher EPS and share price rose significantly, with EPS turning negative and stock prices falling, reflecting operational or financial difficulties. This downward trend, with continued losses and fluctuating capital and loan levels, suggests instability. By 2022, the company remained highly leveraged, with total loans far exceeding capital employed, pointing to ongoing financial stress and the need for strategic restructuring.



**Figure 9: Capital Employed & EPS Trends**

As we can see from the chart again, even though their capital employed has been on a decent growth, their earnings per share for most of the time have been on a downward slope. And to be honest, the increase in employed capital had little to no effect on their EPS, which can also be confirmed by a correlation coefficient of -0.29, as shown in the scattered plot between the shown below.



**Figure 10. Capital Employed Vs. EPS Scattered Plot**

This indicates a very weak opposite relationship among them, which is not something good. It would be a general expectation that as the capital employed increases, the EPS should also increase, indicating an increase in profitability. Instead, we are seeing a decrease in EPS as the employed capital grows. Now, this can happen due to multiple different factors, but in our case, it all boils down to two major facts: (i) an increase in the number of shares sold and (ii) investing borrowed capital in long-term projects with an expectation of a larger gain in the distant future.

It is certain that their issued stocks have increased 4.71 times in number over this period (from 161,700,000 in 2006 to 762,056,260 in 2024), but their borrowings have grown to a massive 42.70 times in the same period (from 1,491,287,976.00 to 63,661,766,493.00), which strongly indicates the second reason mentioned earlier. This effect can further be confirmed by the chart of two trend lines of Total Loans and EPS given below.

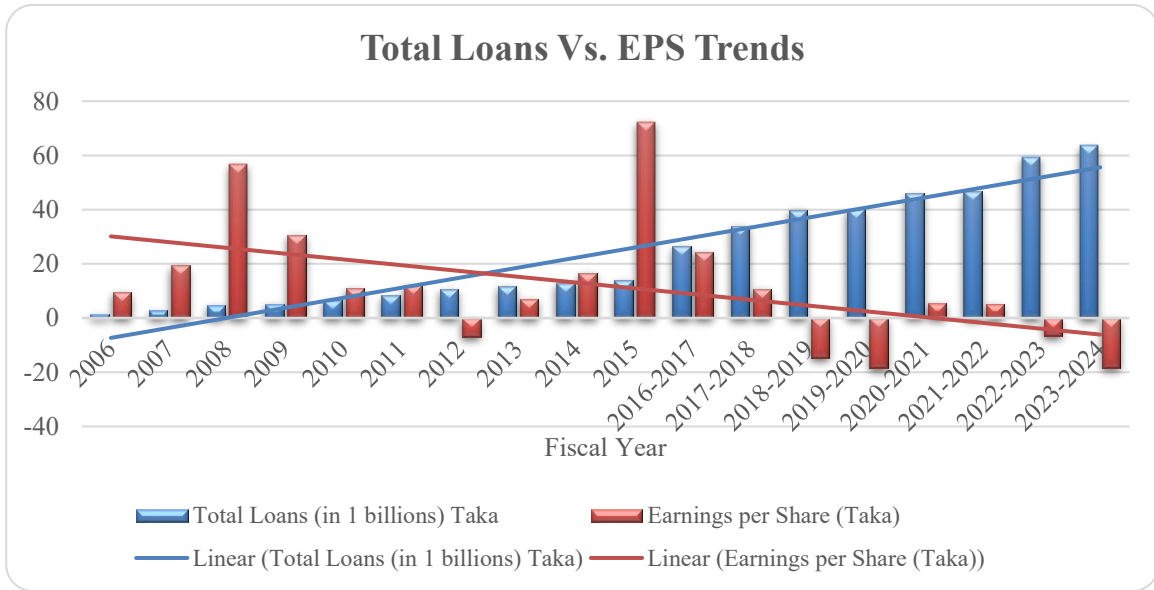


Figure 11. Total Loans vs. EPS Trends

As we can see from the path of the trend lines, as the borrowings grew over time, their EPS went the other way. This inverse relationship can be made clearer using a scatter diagram.

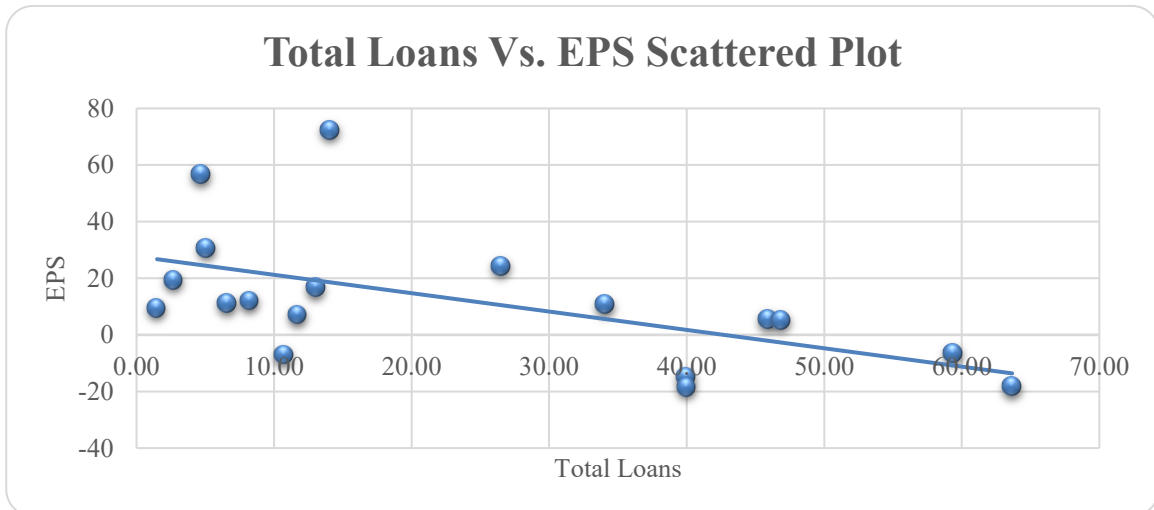
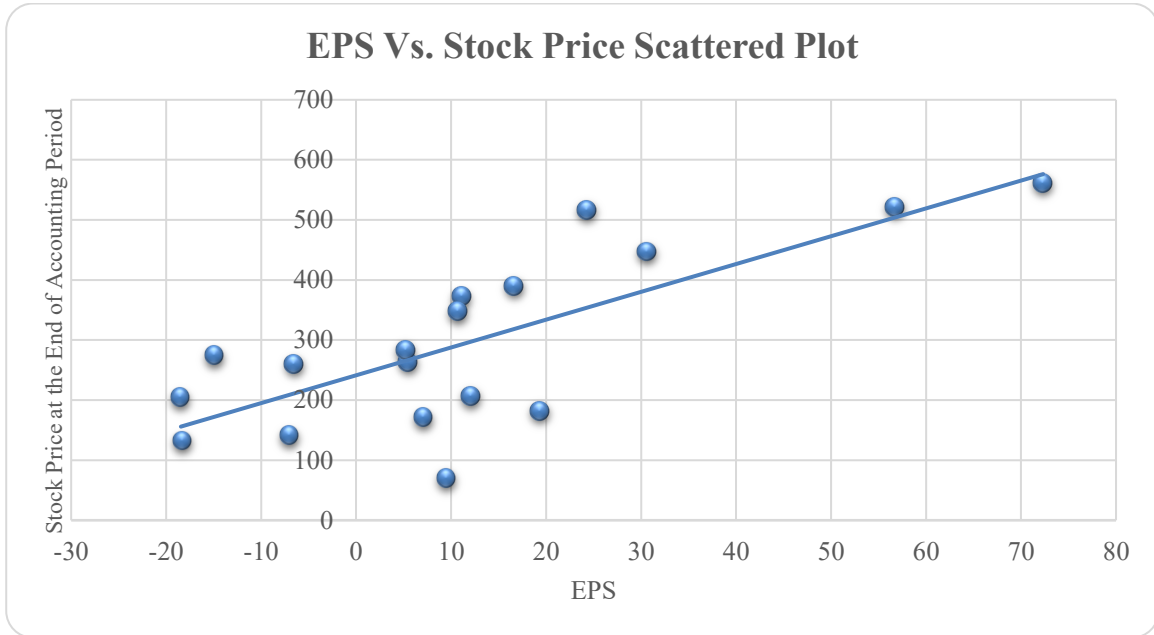


Figure 12. Total Loans vs. EPS Scattered Plot

The scattered diagram with a downward slope and a correlation coefficient of -0.45 clearly indicates an inverse relationship between the total loan and EPS in other words, except for a few outliers, as the total amount of loans grows, the EPS drops and vice versa.

Finally, if we compare EPS and Stock Prices, we can get a coefficient of correlation of 0.74, which indicates a highly positive relationship between these two factors, meaning if EPS improves, so would the stock price and vice versa. Again, a scattered plot is provided to illustrate this relation,



**Figure 13. EPS vs. Stock Price Scattered Plot**

To sum it all up, it is safe to say that due to the high increase in borrowings, the performance of ACI Limited is very underwhelming, which is hurting their stock prices in return.

After going through multiple research papers as well as analyzing the financial behavior of ACI Limited based on the available data over the past three months, these are my findings:

- Based on the study and analysis, we can say that ACI Ltd. mostly acts in an administrative manner instead of an entrepreneurial way. A company being less entrepreneurial and more administrative means less flexibility for innovation, decision-making, and well-organized growth. Then again, the sheer size of ACI Ltd. requires it to be more administrative than entrepreneurial.
- ACI Ltd. does not use a bootstrap financing strategy either. They, being a fully functional corporation, might not need bootstrap finance to fund their new ventures either.
- The cash-days analysis and SFG rate analysis clearly show that ACI Limited is not much dependent on self-financing, but rather they are heavily invested in borrowing money to finance their growth.
- ACI Limited is using its position to get bank loans, which they are again lending to their subsidiaries to fund their rapid growth, contradicting theories of growth strategies.
- Even though their employed capital grew, it did not grow as fast as their borrowings grew. And due to investing mostly in long-term projects, a lot of which have yet to break, even their earnings are getting hit hard as their borrowings increase.
- A noticeable decrease in profitability is impacting their Earnings Per Share and their overall stock performance and price, showing a serious drop in faith from their investors.
- ACI Limited's low capital, high debt model of business expansion so far seems to be biting back quite hard and has drawn some strong backlash from both analysts and investors.

## V. CONCLUSION

ACI Limited is growing at a very rapid pace, and they are funding their growth mostly through borrowing. ACI is exploiting its position in the industry as one of the oldest and largest companies to get huge bank loans and lend them to its subsidiaries to fund their endeavors. On paper, most of their expansion strategies contradict the suggestions of the scholars. Their large amount of loans is eating into their profitability and, in the process, hurting their investors badly as stock prices are on a downward trend. Even though ACI claims its subsidiaries are doing well, some of them might be, but their consolidated balance sheet says otherwise, as their profits for the past few years have been going down and have been at the negative end of the profitability spectrum for the past two fiscal years.

But if we look from the other end of the discussion, Bangladesh right now is growing fast. The rate of economic growth and the development of new infrastructure is nothing short of astonishing. ACI Limited, being one of the largest conglomerates in an economy such as Bangladesh, needs to grow at least as fast as the economy, if not faster, to maintain its position in the industry. If we investigate Table 6: Comparison between SFG Rate and Growth Rate (Revenue), we can see that their growth rate has always been multiple times higher than the suggested self-financeable growth rate, and that might be for a reason. It cannot be said for sure, but one of those reasons can be that they needed to be prepared to be able to survive and perform in the future economic state of Bangladesh, as it is on its way to becoming a developed nation. And with just self-finance, this type of growth would not have been possible, as we have already seen in my previous analysis. Also, most of their investments are in long-term projects, so it is safe to guess that even though they are conceding high losses right now, they might be planning on gaining high returns in the near future.

Nonetheless, what's going to happen to ACI Limited if they are going to keep borrowing and conceding losses? Or are they going to come back hard once every single one of their projects becomes operational? Is their strategy of growth going to backfire on them? Or are they going to prove all the analysts and researchers wrong?" is not in the scope of this discussion. We might just need to wait a few more years to find that out. As for us, we're more of an optimistic type. Even though logic does not support it, my hope is that once every one of their projects starts operating at their 100%, they might be the biggest winner, among others. The researchers might just continue observing them until that happens.

#### **A) Limitations of the Study**

This study mostly focuses on theoretical study and analysis, and most of the data analysis was presented to simply show the relationship between theoretical knowledge and ACI Limited's financial practice. Throughout the report, the reader might find quite a few limitations, which can be listed as follows:

- This study does not attempt to predict the future of ACI Limited.
- This study does not place any recommendations, as it is yet to be determined if the focus of this study is going to become a problem or a blessing for the company.
- This study should not be taken as a decision-making tool for investors who are planning to invest in ACI Limited shares, as it is not yet a completed study. Also, without knowing what the management is planning, any prediction made about their future performance is not suggested.
- This is a study based on historical data. The analysis is primarily done on past activities, mostly found by studying annual reports. The lack of current information and primary data is mainly due to the recent circumstances with the pandemic and employment situations. That is why it was designed to be conducted only using secondary data available online or through other sources.

#### **Interest Conflicts**

The author(s) declare(s) that there is no conflict of interest concerning the publishing of this paper.

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