

CASE STUDY

July-August 2024

Total marks: 100

Time allowed: 4:30 hours.

Instructions:

1. Check that your question paper contains all the exhibits as mentioned in page 3. The consecutive page numbering may be found under the base line at the foot of each page.
2. Use the answer script provided by the Institute. Write your name, roll no., registration no. and name of the subject on the upper portion of the cover page of the answer script.
3. Candidates are asked not to write any particulars of identification in any other place of the answer script and additional pages if taken.
4. Questions must be answered in English.
5. The answer should be referenced to the relevant workings.
6. Answer script and additional page(s) taken to write answer, used or unused, must not be removed or taken away from the Examination Hall.

Requirements & Marks Allocation:

You are Farukh Hassan working as Senior Manager of advisory department at Ahmed Karim & Co., Chartered Accountants (AKC), a partnership firm of chartered accountants registered under Institute of Chartered Accountants of Bangladesh (ICAB) and Financial Reporting Council (FRC). Your report to Mr. Monjurul Karim FCA, Partner of AKC. Mr. Karim have forwarded you an email (**Exhibit-1**) from Mr. Joyal Abedin FCA, Director- Finance & Accounts of Marvel Pet Care Limited (Marvel). Mr. Abedin on his email requested advice on several matters and shared some information. Mr. Karim have assigned you the advisory engagement with Marvel and asked you to prepare a draft report for Marvel covering all the requirements stated in Mr. Abedin's email. In addition to email from Marvel, Mr. Karim also some business reports and news clips (**Exhibit-7** and **Exhibit-8**) which he wants you to consider during preparation of the report.

Requirements:

You are required to prepare a draft report for Mr. Monjurul Karim FCA which should comprise the following elements:

- ❖ An executive summary
- ❖ Your responses to the detailed requirements (a), (b) and (c) set out in Exhibit-1.
- ❖ State clearly of any assumptions used in preparing the report.

Marks Allocation:

All of the marks in the Case Study are awarded for the demonstration of professional skills, allocated broadly as follows:

Requirements	Professional Skills					Total
	Assimilating and using information	Structuring problems and solutions	Applying judgment	Conclusions and making recommendations	Integrative & multidisciplinary skills	
Executive Summary	4	4	2	3	2	15
Requirement (a) (i)	3	4	3	3	2	15
(ii)	4	2	2	2	0	10
Requirement (b) (i)	3	3	3	2	2	13
(ii)	3	4	2	2	2	13
(iii)	2	2	2	2	0	8
(iv)	2	2	2	2	0	8
Requirement (c) (i)	2	2	2	2	2	10
(ii)	2	2	2	2	0	8
Total	25	25	20	20	10	100

In planning your report, you should be aware that not attempting one of the requirements, including an executive summary, will have a significantly detrimental effect on your chances of success. In addition, as indicated above, all skills areas will be assessed under each element of your report.

You should be clear that marks are awarded for demonstrating your professional skills, not for reproducing facts from the case. To be successful, you will need to:

- Demonstrate your knowledge of the
- case material and make use of your analysis.
- Carryout relevant analysis of the problems and structure your proposed solutions.
- Apply your judgment based on the analysis that you have carried out.
- Draw conclusions from your analysis and judgment in developing practical commercial recommendations.
- Ethical issues may cover the following topic-
 - Lack of professional independence or objectivity
 - Conflict of interest among stakeholders
 - Doubtful accounting or commercial practice or market competition or Market proximity
 - Inappropriate pressure to achieve a reported result.
 - Compliance of local laws and regulations
- Integrative & multidisciplinary skills may cover the following areas-
 - Depletion and wastage of natural resources and its impact on environment and climate change.
 - Impact on pollution, on the public health and productivity and on the national health budget.
 - Social impacts, e.g., social unrest for allowing use of alcohol, bar, etc.
 - Economic impacts, e.g., on employment generation and improvement in connectivity using ICT.

LIST OF EXHIBITS

Exhibit	Description	Page reference
1	E-mail from Mr. Joynal Abedin FCA, Director-Finance & Accounts, Marvel Pet Care Limited to Mr. Monjurul Karim FCA, Partner of AKC, requesting an advisory report addressed to the Marvel's Board of Directors.	4
2	A brief note on Marvel Pet Care Limited and its operation.	5 - 7
3	Summary and Extracts of Financial Statements of the Marvel Pet Care Limited	8 - 9
4	A brief note on Pet Care Industry in Bangladesh.	10 – 11
5	E-mail from Head of Financial Reporting on accounting & compliance issues.	12
6	E-mail from Operations Director regarding strategic investment options and financing alternatives.	13 – 14
7	Article on “Environmental, Health and Ethical Issues on pet care industry”	15
8	News clips and articles about Marvel and pet care industry	16

List of persons in the Case and their Roles

SL.	Names	Roles
1	Farukh Hassan (You)	Senior Manager at AKC
2	Monjurul Karim FCA	Partner at AKC
3	Samsul Arefin	Managing Director & Chairman of Marvel board,
4	Shirajus Salekin	Director of Administration & Operations
5	Joynal Abedin FCA	Director, Finance & Accounts
6	Shamim Ahmed	Director, Market & Communication
7	Junayed Ahmed	Director, Human Resource
8	Shahadat Hossain	Head of Financial Reporting

E-MAIL

From : Mr. Joynal Abedin FCA, Director-Finance, Marvel Pet Care Limited
To : Mr. Monjurul Karim FCA, Partner, AKC
Subject : Appointment for advisory engagement and request for advisory report on several matters.
Date : 14 July 2024

Dear Mr. Karim,

I am writing today to inform your that board of Marvel Pet Care Limited (Marvel) have accepted your proposal and appointed you as for advisory service agreement with following scope of work but not limited to:

- Assessing and analyzing business operations and performance for formulating business strategies.
- Evaluating strategic options and viability of financing for investment opportunities considering past performances & prospects of the company and related business issues.
- Assisting us in raising funds through initial public offering (IPO) of shares, issuance of Bond and perform necessary evaluation of investment options, Risk Management, Governance, Due Diligence, Restructuring, etc.
- Reviewing and advising on various Accounting, Tax, financial and internal control related issues of the company.
- Supporting on various regulatory and secretarial matters as and when solicited.
- Modelling a range of scenarios to help evaluate the viability of proposed initiatives.

In this connection I would like to inform you that we have prepared draft financial statements of Marvel for 30 June 2024. Th board is currently reviewing the draft financials and discussing several strategic options available at hand. Board has requested your input in evaluation of those strategic options. Our board meeting is forthcoming, and we need your analysis and advice on our financial positions and strategic alternatives as early as possible. I have attached with this email a brief background of Marvel including its operations & plans (**Exhibit 2**). I have also attached the extracts of our latest draft financial statements (**Exhibit 3**) and a recent article published in a business magazine regarding prospect of pet care industry in Bangladesh (**Exhibit 4**). In addition, you will receive emails from our Finance Director (**Exhibit 5**) and Operations Director (**Exhibit 6**) regarding accounting & compliance issues and prospective investment options. We expect you to consider other relevant information available (**Exhibits 7 & 8**) while drawing your conclusion and sharing recommendations for the requirements stated below.

We expect a **draft report** along with your workings (where applicable) addressing to the board. Your report should include an **Executive Summary** and cover:

- (a) (i) Make a schedule of adjustments required for reporting and compliance issues stated in **Exhibit-5**. Evaluate adjusted financial performance & position taking non-financial information into consideration.
- (ii) Perform a SWOT analysis on Marvel's business and operations.
- (b) (i) Analyze the investment options using NPV method and recommend to the board with justifications the option to be selected. Comment whether the selected option is compatible with Marvel's missions & vision statement.
- (ii) Determine the number of new shares Marvel needs to issue if it accepts offer from Sigma. Using the NPV method, determine the value of the enterprise (Marvel) considering the selected investment option and recommend to the board whether Marvel should accept Sigma's offered share price.
- (iii) Determine the best financing option.
- (iv) Discuss the non-financial factors to be considered if financing option from venture capitalist is selected.
- (c) (i) Comment on the ethical issues of Marvel's existing and planned business; and appropriateness of TMC's last year audit report.
- (ii) Assess Human, Social, Economic and Environmental sustainability in Marvel's business operations.

I look forward to receiving your draft report on or before 21 July 2024.

Yours sincerely,

Joynal Abedin

Director, Finance, Marvel Pet Care Limited

A brief note on Marvel Pet Care Limited and its business operations.

About Marvel Pet Care Limited

Marvel Pet Care Limited is a privately owned company and engaged in providing pet care and grooming services. It is located in Banani, Dhaka and currently providing service to its customers covering Dhaka only. It was founded in 2020 by Mr. Samsul Arefin, a passionate animal lover and advocate for pet welfare. The company is providing high-quality, personalized care to pets, ensuring their health, happiness, and overall well-being. The company started as a small neighbourhood pet grooming shop and became a renowned brand in the pet care industry of Bangladesh within a very short time.

Mr. Arefin developed this business idea from his love for pet animals. When he was a university student, he adopted a cat and soon after a dog as his pet. He used to bathe and feed his pets in the parking space of his Apartment in Banani. Gradually, his neighbours started to ask Mr. Arefin to help him with his pets and offered compensation. Mr. Arefin found this as potential business opportunity. He rented a small space near to his house and started Marvel Pet Care as a small pet care shop with his brother Shirajus Salekin who helped him with opening and managing various social media pages including Facebook and Instagram. Because of social media posts, Marvel started to get attention of different community of pet care. After university graduation, he and his brother fully engaged with the pet care shop. During Covid-19 pandemic, the brothers took care of street animals and cared for them. This also brought lot of attention to the brothers and their pet shop. As the business grew, they recruited employees to assist them in the business. They also felt it necessary to incorporate the business into company. The brothers conducted extensive research on the best practices in pet care, visiting numerous pet care centres to gather insights and ideas. Accordingly, Marvel Pet Care Limited was incorporated in 2020 with a goal to create a pet care centre that stood out in terms of quality and innovation. At present Marvel provides services including grooming services, healthcare and training service. Furthermore, Marvels runs a retail store where it sells high-quality pet products.

Mission & Vision

As mission, Marvel Pet Care Limited has set its aims “to enhance the quality of life for pets and their owners by offering exceptional grooming services, innovative pet care solutions, and a loving, stress-free environment”. Furthermore, it has vision “to be the leading pet care provider, recognized for our commitment to excellence, compassion, and innovation in the pet grooming and care industry”.

Board of Directors and Key Management Personnel

Marvel’s board is chaired by Mr. Samsul Arefin, Managing director and majority shareholder of Marvel. Other members of the board and Key Management Personnel (KMP) includes:

Persons	Ownership %	Position
Samsul Arefin	60%	Managing Director and Chairman of the board
Shirajus Salekin	40%	Director of Administration & Operations
Joynal Abedin FCA	0%	Director of Finance & Accounts
Shamim Ahmed	0%	Director of Marketing & Communication
Junayed Ahmed	0%	Director of Human Resource
Shahadat Hossain	0%	Head of Financial Reporting

Target Customers

Marvel’s primary target customers are high-income individuals or families of Dhaka who are willing to spend more on premium grooming, spa treatments, and specialized pet care services. In addition, it intends to serve pet enthusiasts who are passionate about their pets and prioritize their health, grooming, and overall well-being; senior pet owners and busy professionals who may need assistance with pet care due to physical limitations or busy schedules. Furthermore, Marvel intends to serve new pet owners who have recently adopted or purchased a pet and need guidance on proper pet care, grooming, and training.

Marvel’s health and wellness service also targets pet owners with special need pets. These special need pets have specific health conditions or special needs requiring specialized grooming and care services. Although not targeted, marvel also helps community and animal welfare organizations that need grooming and care services for animals awaiting adoption. Marvel retail trading service aims to fulfil requirements of retail customers who regularly buy pet products, such as food, toys, and grooming supplies.

Business Model

Marvel's business model consists of primary activities and support activities. Primary activities are revenue streams which include Pet care service and retail trading. These revenue activities are supported by support services activities which includes Supply Chain department, Human Resource Management, Facility & Technology Management, Marketing & Communication, Financial Management.

Primary Activities:

Pet Care Service:

At present Marvel's care service is provided to pet animals like Cat, Dogs, birds, and fishes. Service wing of Marvel operation includes providing grooming service, health care service and Training services. As part of grooming service, Marvel offers a wide range of grooming services, including bathing, haircuts, de-shedding treatments, nail trimming, and ear cleaning. The grooming team is trained to handle pets of all breeds and sizes with care and precision. Marvel also offers Health & Wellness service which includes consultations with veterinary professionals, nutrition advice, and preventive care services to keep pets healthy and active. It also offers training programs and behavior modification sessions to help pets develop good habits and improve their behavior.

Although, most of Marvel's customers bring their pets to Marvel's care center, Marvel also offers on call home service under which Marvel's staff visits customers' premises and provides the grooming, training, and healthcare service. However, healthcare consultation with veterinary professional can only be provided from Marvel's care center where veterinary professionals are available twice a week. Pet owners need to pre-schedule the consultation before visiting Marvel's care center. Marvel's pet grooming services price ranges from BDT 2,000 to BDT 30,000 per animal based on the size & type of the animal, type of service requested, types of care materials used for service provision. Marvel charges BDT 2,000 for each consultation service sessions. Marvel has also arrangement with other veterinary practitioners who refers Marvel to pet owners for grooming service.

Retail Trading

Retail trading business is simple. The on-site retail store stocks a variety of high-quality pet products, including food, toys, grooming supplies, and accessories. Marvel sources its retail inventories from local and international sources. Marvel itself doesn't import retail products but purchases from the importers. Depending on products, Marvel charges 30% to 500% margins on the products it sells.

Support Activities:

Support activities are essential for ensuring the smooth operation and continued success of Marvel. These activities provide the necessary infrastructure, resources, and services that enable the company to deliver high-quality pet care and grooming services.

Procurement and Supply Chain Management

Procurement and supply chain department (SCM) is responsible for building and maintaining strong relationships with suppliers to ensure a steady supply of high-quality products, including grooming supplies, pet food, and accessories. It negotiates favorable terms with suppliers to optimize costs while maintaining product quality. This department is also responsible for implementing efficient inventory control practices to manage stock levels, reduce waste, and prevent stockouts or overstocking. SCM department is responsible to keep track of retail products, supplies, and equipment, ensuring availability and reducing waste.

Facility & Technology Management

Facility & Technology Management is done under Administration & operation department. The department regularly maintains the facility to ensure a clean, safe, and welcoming environment for employees, customers, and pets. Furthermore, it implements measures to control temperature, humidity, and ventilation within the facility to create a comfortable environment for pets and staff. It ensures grooming equipment and other tools are regularly serviced and in good working condition to prevent breakdowns and ensure safety.

In addition, admin department is also responsible for maintaining technologies used by Marvel including the online booking system. It maintains and updates an efficient online booking system and mobile app to facilitate easy appointment scheduling and service access for customers. Marvel has developed its own Customer Relationship Management (CRM) software to manage customer information, track service history, and enhance customer interactions. Admin department is responsible for ensuring the protection of customer and company data through robust cybersecurity measures and regularly updating the CRM software and the inventory management system.

Marketing & Communication

Marketing & communications department develops and maintains a strong brand identity that reflects the company's values and commitment to quality pet care. It creates and executes marketing campaigns to attract new customers and retain existing ones through various channels, including social media, email marketing, and local advertising. Marketing & communication department also collecting and analyzing customer feedback on regular basis to improve services, address concerns, and enhance overall customer satisfaction.

Human Resource Management

HR Department is primarily responsible for attracting, hiring, and retaining skilled and experienced staff, including groomers, trainers, wellness consultants, and support personnel. It is also responsible for designing and arranging training and development programs to enhance the skills and knowledge of employees, ensuring they are up to date with the latest industry practices and safety standards. It also introduces and review of various employee welfare programs to promote employee well-being, such as health benefits, wellness initiatives, and a supportive work environment. HR Department is also responsible for preparing and maintaining service schedule based on customer request. It also has the responsibilities of establishing clear performance metrics and conducting regular evaluations to ensure staff are meeting company standards and objectives.

Financial Management

Finance and accounts department is responsible for managing, recording, and reporting Marvel's financial transactions. This department creates and manages budgets to ensure financial stability and support strategic planning, ensure timely filling of TDS, VAT, Income tax and statutory returns. It maintains accurate financial records, managing accounts payable and receivable, and ensuring timely financial reporting. It regularly conducts financial analysis to identify trends, assess performance, and make informed business decisions. Based on its financial analysis it reports to the board of directors for formulating strategic business decisions. In addition to other responsibilities, this finance department implements measures to control costs and optimize resource allocation without compromising service quality.

Financial reporting & Auditing

Marvel prepares its financial statement in accordance with International Financial Reporting Standards (IFRSs). Its financial year has recently ended on 30 June 2024. Accounts department has prepared its draft financial statements (**EXHIBIT - 3**) which are to be shared with Auditor Tahsin Moin & Co., Chartered Accountants. (TMC). Mr. Moin Uddin, Partner of TMC is cousin of Mr. Samsul Arefin who helped to incorporate Marvel as company. TMC remains as auditor since incorporation. TMC often guides Marvel on various IFRS and legal compliance. In its prior year audit report, TMC has included an emphasis of matter paragraph regarding unlicensed veterinary practice and sale of some pet food not approved by Bangladesh Veterinary Council.

Investing & financing strategy

Marvel has plan to expand its business within Dhaka and other large cities across the country either through franchising or organic growth. It is also planning to introduce day care center for pets. It is also considering to introduce microchipping and pet name tags. As for financing, Marvel is open to any financing options including IPOs.

Health & Safety policy

As part of Marvel's Health and safety policy, it has regular training program for its employees on health and safety policies, proper handling of pets, use of equipment, and emergency procedures. Employees are instructed to use gloves, masks, and aprons, when handling pets and using chemicals. Staffs are trained in safe handling techniques to minimize stress and prevent injuries to pets and themselves. Marvel makes sure to clean and disinfect the facilities regularly to prevent the spread of diseases and ensure a hygienic environment. Emergency procedures, including evacuation plans and first aid, are clearly communicated to all staff and customers. Measures has been implemented in Marvel's facility to reduce energy and water consumption, such as using energy-efficient equipment and fixtures.

Innovative Practices

Marvel prides itself on staying ahead of industry trends and adopting innovative practices. The company uses eco-friendly grooming products, state-of-the-art equipment, and maintains strict hygiene standards. Additionally, they have implemented an online booking system for customer convenience, allowing pet owners to schedule appointments and access services with ease.

Community Engagement

Marvel Pet Care Limited is deeply committed to the local community. The company regularly participates in and sponsors community events, pet adoption drives, and educational workshops on responsible pet ownership. They also collaborate with local animal shelters and rescue organizations to provide grooming services to animals in need.

Summary and Extracts of Draft Financial Statements of the Marvel Pet Care Limited**Statement of Financial Position**

As of 30 June 2024

	2024	2023
Assets		
Non-current Assets		
Property, plant, and equipment	30,894,720	32,792,320
Intangible assets	13,930,080	19,834,320
Other non-current assets	9,492,240	8,014,560
	54,317,040	60,641,200
Current Assets		
Inventories	19,456,720	17,242,320
Other financial assets	8,128,800	7,292,800
Trade and other receivables	5,510,880	5,987,840
Cash and cash equivalents	4,842,720	4,785,920
	37,939,120	35,308,880
Total Assets	92,256,160	95,950,080
Equity and liabilities		
Equity		
Share capital (Face Value @ BDT 10)	16,500,000	16,500,000
Retained earnings	5,836,503	4,235,183
	22,336,503	20,735,183
Non-current liabilities		
Interest bearing loans and borrowings	12,302,240	18,534,497
Other payables	9,486,320	12,496,000
Other financial liabilities	11,829,937	10,827,280
	33,618,497	41,857,777
Current liabilities		
Trade and other payables	12,866,640	13,908,480
Provisions	9,228,840	8,066,800
Income tax provisions	4,819,040	4,710,480
Other financial liabilities	9,386,640	6,671,360
	36,301,160	33,357,120
Total equity & liabilities	92,256,160	95,950,080

Statement of Changes in Equity

As of 30 June 2024

Particulars	Sharing Capital	Retained earnings	Total
Balance on 01 July 2022	16,500,000	1,947,695	18,447,695
Profit for the year		2,287,488	2,287,488
Balance on 30 June 2023	16,500,000	4,235,183	20,735,183
Profit for the year		1,601,320	1,601,320
Balance on 30 June 2024	16,500,000	5,836,503	22,336,503

Marvel Pet Care Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2024

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Revenue	1	60,883,120	55,913,920
Cost of sales	2	(39,500,000)	(34,291,440)
Gross profit		21,383,120	21,622,480
Administrative expenses		(17,152,320)	(16,758,560)
Selling expenses		(1,660,320)	(1,253,840)
Operating profit		2,570,480	3,610,080
Financial Income		46,160	54,800
Financial expenses		(329,040)	(397,040)
Profit before tax		2,287,600	3,267,840
Tax expenses @ 30%		(686,280)	(980,352)
Net profit for the year		1,601,320	2,287,488
Other comprehensive income		-	-
Total comprehensive income		1,601,320	2,287,488

Notes to the financial statements

Note 1 Revenue

Grooming Service Revenue	34,155,430	28,795,669
Healthcare & Training Service Revenue	8,340,987	9,337,625
Trading Revenue	18,386,703	17,780,626
	60,883,120	55,913,920

Note 2 Cost of Sales

Grooming Service Revenue	21,146,000	17,008,554
Healthcare & Training Service Revenue	7,077,500	6,446,791
Trading Revenue	11,276,500	10,836,095
	39,500,000	34,291,440

4 Year Financial Highlights

Figures in BDT

Financial highlights	2024	2023	2022	2021
Revenue	60,883,120	55,913,920	19,569,872	4,892,468
Gross Profit	21,383,120	21,622,480	8,610,744	2,690,857
Profit Before Tax	2,287,600	3,267,840	1,948,357	834,064
Profit After Tax	1,601,320	2,287,488	1,363,850	583,845
Shareholder's Equity	22,336,503	20,735,183	18,447,695	17,083,845
Total Assets	92,256,160	95,950,080	54,360,756	24,462,340
Total Current Assets	37,939,120	35,308,880	23,918,733	15,655,898
Total Current Liabilities	36,301,160	33,357,120	13,913,061	5,378,495
Total Non-Current Liabilities	33,618,497	41,857,777	22,000,000	2,000,000

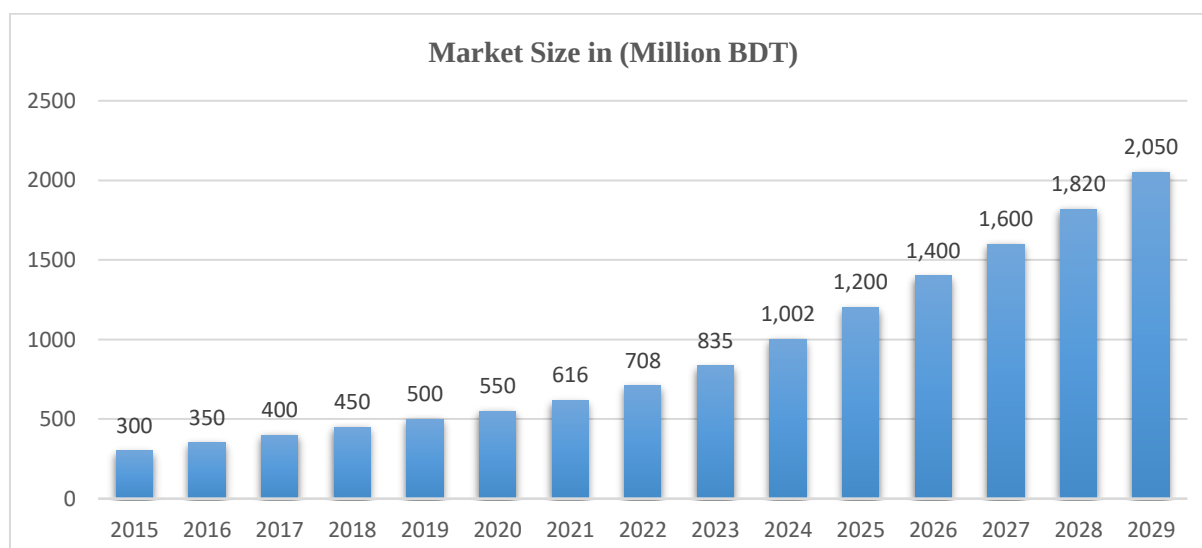
A brief note on Pet Care industry in Bangladesh.

Throughout history, animals have played a key role in human life. People have come to depend on animals for food, clothing, and transportation. At many times throughout history, and in many cultures around the world, animals were also the focus of religious worship. Although animals still maintain many of those traditional uses around the world, the role of animals in society has also changed. In the last several hundred years, there has been a massive increase in the number of animals kept purely for companionship and pleasure. Pet keeping in its present form is probably a 19th century Victorian invention. At this time, it was perceived as a link with the natural world. It also allowed a visible demonstration of man's domination over nature. The practice of pet keeping in Victorian times also reflected other social attitudes of the time. Pet keeping was not considered appropriate for the 'lower classes'.

Historically, pet ownership in Bangladesh was primarily utilitarian. Farmers use to keep dogs for security, and cats for pest control. However, these dogs and cats were not seen as companion or member of family rather had practical utility. The concept of pets as companions was limited and often seen in affluent households. The market for pet care products was nearly non-existent, with most pet care being home-based and using general household products. Starting in the early 2000s, Bangladesh saw gradual urbanization and globalization, which began to influence cultural attitudes towards pets. Exposure to international lifestyles through media and travel contributed to the growing trend of keeping pets for companionship. As more and more people started to adopt pets, The emergence of pet clubs and online communities also played a role in fostering a pet-friendly culture.

As number of pet owners grew, the market for pet care product and accessories also grew. Revenue in the Pet Food Market is projected to reach BDT 9.8 billion in 2024. Revenue is expected to show an annual growth rate (CAGR 2024-2029) of 13.90%, resulting in a projected market volume of BDT 21 billion by 2029. The Pet Food market covers food that has been specifically created to meet the nutritional requirements of domesticated animals, including dogs, cats, as well as feed products for other less common house pets such as rodents and reptiles. Various components that supply vital nutrients for the animal's health and wellness are often included in pet food.

Bangladesh pet care products market is segmented into pet grooming products, pet food, veterinary products, and others. Pet food account for the largest share of the market. Pet food is the largest segment within the pet care market. It includes dry food which is the most popular due to its affordability and convenience. However, wet foods are also gaining popularity for its taste and nutritional benefits. Demand for specialized diets including organic and dietary-specific foods tailored to pet health needs are also in raise. Pet Healthcare segment covers Veterinary services which is increasing in urban areas with more clinics and hospitals. Pet healthcare segment also includes medications and preventive Care products. As awareness and demand for pet wellbeing is growing, vaccines, supplements, and preventive treatments are more and more available. Pet Accessories and Grooming segment includes grooming products like Shampoos, conditioners, brushes, and other grooming tools. Whereas accessories include collars, leashes, toys, and fashion products for pets.



Bangladesh Pet Care Products Market is estimated to grow steadily in coming years. The major drivers of the market are the increasing pet ownership and rising awareness about animal welfare. Furthermore, the increasing per capita income and changing lifestyles of people are expected to boost the market growth in the years to come. However, the high cost of pet care products and lack of awareness about these products are some of the major restraints hindering the Bangladesh Pet Care Products Market growth. However, many households in Bangladesh are becoming increasingly aware of the need to take care of their pets and are willing to spend on pet care products. Moreover, with the rise in number of nuclear families and working women, the demand for pet care services is also increasing in the country.

According to data identified by market researchers, the Bangladesh Pet Care Products Market is expected to grow at a higher growth rate during the 2023-2029. The increasing trend of pet ownership and growing e-commerce industry are some of the major opportunities for the market players. Furthermore, the increasing demand for organic pet food products is expected to create lucrative opportunities for the market players. The major drivers for the market growth are the increasing number of pet ownership and the rise in per capita income. Moreover, manufacturers can leverage digital marketing and social media platforms to promote their products and reach out to a wider customer base. With the increasing pet ownership, there is a growing demand for pet care products. The Bangladesh government has also introduced policies to promote pet ownership and breeding. Thereby, proliferating the demand for pet care products such as pet food, pet grooming products, and others. Additionally, the growing trend of pet adoption is further expected to drive the pet care products market in Bangladesh. Furthermore, companies operating in the market are focusing on expanding their distribution networks by increasing their presence in offline retail outlets and launching online stores. The online sales of pet care products have increased during the pandemic as people are avoiding going to physical stores. This has led to an increase in e-commerce platforms offering pet care products.

Key Players in market includes international Brands like Mars Petcare which is known for its premium pet food products like Pedigree and Whiskas. Another international brand like Nestlé Purina offers a range of pet food under brands like Purina ONE and Friskies. International pharmaceutical company like Elanco is also present in the market with their medicines and vaccinations for pets and livestock. Apart from that there many reputed local companies are also emerging & offering more affordable products tailored to the local market.

Government have introduced act various laws and compliance requirements including prohibition of animal cruelty, petting wild animals. Government has also established Bangladesh Veterinary Council sets and upholds standards for professional responsibilities in the field of veterinary medicine in Bangladesh. However, there is still a need for a more robust regulatory framework to ensure the quality and safety of pet care products. The current regulatory environment is not well-defined, leading to potential issues with product standards. While veterinary services are improving, they are still not uniformly available across the country, particularly in rural areas. This limits access to essential healthcare for pets in less developed regions.

Despite changing perceptions, traditional attitudes towards pets still persist, which can limit market growth. Efforts to educate the public about the benefits of pet ownership and proper pet care are ongoing but need to be intensified. In many regions, pets are still primarily viewed as utilitarian animals rather than companions, leading to lower investment in their well-being. Additionally, cultural, and religious beliefs sometimes discourage pet ownership, further impacting market penetration. To address these challenges, collaboration between veterinarians, pet care companies, and animal welfare organizations is crucial in reshaping public attitudes and promoting a more compassionate approach to pet ownership.

Future trends in the pet care industry indicate significant growth and transformation. E-commerce is set to see a substantial rise, driven by the increasing penetration of smartphones and internet access. Platforms like Daraz and Chaldal are expanding their pet care product lines, making it easier for pet owners to purchase products online. Alongside this, there is a growing trend towards health and wellness products for pets, including organic and natural pet food, supplements, and grooming products, reflecting global movements towards healthier lifestyles. Additionally, while still in its infancy, the concept of pet insurance is slowly gaining traction. As awareness grows, pet insurance could provide significant support for pet owners in managing the cost of veterinary care, further boosting the market.

E-mail on Reporting and Compliance issues

From : Shahadat Hossain, Head of Financial Reporting
To : Mr. Monjurul Karim FCA, Partner, AKC
Subject : Accounting, reporting and compliance issues.
Date : 14 July 2024

Dear Mr. Karim

Welcome to Marvel Pet Care family. I am sure you will be our valuable business partner. We have prepared draft financial statements (EXHIBIT-3) for the year ended 30 June 2024 which are to be shared with our auditors. However, few issues are yet to be incorporated in the draft. We require your assistance to make appropriate adjustments in accordance with IFRSs.

Advance for behavioral training:

In the beginning of June 2024, Marvel started multiple batches for dog training. The training program is scheduled for two months. Marvel received BDT 2,000,000 as advance training fee. No adjustment has been made at the year-end as training program is not yet completed. Advance amount has been reported within other financial liability.

Long outstanding receivables:

Last year our auditor raised question regarding collectability of our long outstanding trade receivables from our customers. We have assured our auditors that all the outstanding receivables will be collected. Auditor issued a management letter to implement control to review the collectability of outstanding trade receivables. Accordingly, we have reviewed our receivables and identified that 3 of our customers have changed their residence and stopped visiting our pet care center. We are trying to contact with them over phone. Receivables outstanding from these customer amounts to BDT 165,000.

Cost for mobile apps:

During the year Marvel developed a mobile app for its existing and prospective customers in which they could register themselves, book services and make payment. Marvel spent total of 1,400,000 for developing the mobile app. It further spent BDT 100,000 for testing the app and training its employees. Entire expense has been recognized as administration expense. We estimate that the mobile app can be used for next two years without significant change.

Claim by VAT Authority:

Marvel didn't submit VAT return until 2022. In 2023 VAT authority inspected Marvel and instructed to pay off the missed VAT amount. Upon instruction Marvel paid off the evaded VAT. However, by end of 2023 VAT authority neither closed the case nor notified about any penalty. In 2023 audited financial statement Marvel disclosed a contingent liability estimating a probable outflow of BDT 300,000. On June 2024, VAT authority finalized the case and sent a claim for BDT 250,000 as penalty for non-submission of return and delayed payment of VAT. Marvel is currently reviewing whether it will file appeal against the claim or pay off the amount to settle the claim.

Legal action by Bangladesh Veterinary Council:

As part of healthcare service, Marvel offers veterinary consultation service and necessary facility for perform minor surgical procedures. However, we have not obtained license from Bangladesh Veterinary Council (BVC) to operate medical procedures on animals. BVC has completed their investigation and sealed our room for surgical procedures. However, they have allowed us to continue consultation by registered veterinary. Although BVC has not yet issued letter charging fine, but we are expecting a fine of BDT 500,000 under section 30 of Bangladesh Veterinary Council Act 2019. Marvel has already applied for necessary license from BVC in May 2024. It is expected to be completed by August 2024.

Referral Commission:

Marvel has referral arrangement with various veterinary practitioners who refers Marvel's grooming services to their client. When these practitioners' client request service from Marvel, practitioners receive 5% commission. Furthermore, referred clients receives 10% discount on the first service they booked. During the year Marvel allowed BDT 1,000,000 as sales commission and further BDT 2,000,000 as sales discount. Both of these amounts have been adjusted with grooming service revenue.

E-Mail on Strategic investment options and financing alternatives

From : Shirajus Salekin, Director of Administration & Operations, Marvel Pet Care Limited
To : Mr. Monjurul Karim FCA, Partner, AKC
Subject : Strategic investment options and financing alternatives.
Date : 15 July 2024

Congratulations on winning advisory engagement with Marvel. As part of your ongoing engagement, we are requesting your input on the investing and financing decisions that our Board members are considering. Right now, our board is considering two investment options which are mutually exclusive. For analysis purpose, the board disregards any tax effect unless explicitly mentioned. It is also assumed that all cash flows, other than initial cash outflow, accrue at the year end. For apprising the investment options, board requires the discount rate be determined considering applying Capital Asset Pricing Model (CAPM). Earlier Six months Moving Average Rate of Treasury bill (SMART) was considered to be risk free rate. As government discontinued SMART, Marvel believes 91 days T-bill is a good option to determine risk free rate. As of 30 June 2024, relevant information was as below:

91 days T-Bill interest rate: up to 11%	Market Return : 13%	Current Market beta : 1.5
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Option 1: The Furry Lounge

First investment option is to set up a pet day care with the brand name “*The Furry Lounge*”. We have noticed that pet owners often face difficulties with their pets when they travel. They either leave their pets alone at home or leave with relatives who are not expert in pet care. Furthermore, many service holders leave their pets at home during the time they visit their workplace. The Furry Lounge aims to take care of the pets of these out of home pet owners.

Our marketing team and finance team have jointly performed market research which revealed that in order to run a facility for serving 100 pets per day and designing it a pet friendly with accessories and equipment, Marvel will require BDT 10 million. Marvel expects to serve average 400 pets per month in the first year which would increase by 200 pets per month in each of the subsequent 4 years. Marvel expects to charge BDT 300 per animal per day in the first year and increase the charge by BDT 100 every year for next 4 years. It also assumes that cost per pet per day would be BDT 250 to cover pet food cost, employee cost and other variable cost. Market research assumes that Marvel will require to pay annual rent of BDT 600,000 for a facility for a capacity of serving 100 pets per day. Annual rent is likely to increase by BDT 50,000 in every two years. After 5th year, cash flows are expected to grow at 3% perpetually.

Option 2: Marvel pet food line:

Second option that the board is considering is to start a production line for pet food for dogs and cats. Although there are some small local producers, pet foods in Bangladesh are mostly import dependent. Due to the Covid-19 pandemic and Russia-Ukraine war, Bangladeshi Taka faced significant devaluation against foreign currency. Furthermore, decline in foreign currency reserve in Bangladesh Bank has made it hard to open Letter of Credit for import. Under these circumstances import of pet food has reduced to insignificant amount. Demand for pet food has not reduced as local manufacturers do not have the capability of meeting the current demand. Due to shortage in supply cost of pet food has increased. Marvel board believes this is a high time to start own brand of pet food. Moreover, pet food from dried fish would be fairly in Bangladesh as there is easy sourcing. Marvel can also consider making pet food with invasive sucker fish which is reproducing rapidly and having a negative effect on the country's fish farming.

Marvel plans to set up a factory for manufacturing canned wet, dry, and semimoist pet foods for dogs and cats which include biscuits, kibble, meat, and fish-based food wet foods, shredded and dried meat and fish. We plan to make our packaging similar to international brands to boost our product demand and to convince our customer that our product quality is similar to international brands. We estimate that cost of setting the manufacturing plant with production capacity of 6000 KG per month would be BDT 35 million. Plant is expected to function at 75% efficiency. Market research shows that we can achieve a selling price of BDT 500 per KG in the first year and price increment of BDT 50 per KG in each of next 4 year. Our accounts team forecasts a variable cost of BDT 375 per KG in the first year and cost hike of BDT 25 per KG in each of next 4 years. We also forecast that pet food production line will incur annual fixed cost of 6 million for the first 5 year. Cash flows after 5th year is expected to grow at 4% perpetually.

Financing options:

Marvel has always preferred to be a geared company. Company's current capital structure (excluding working capital) includes approximately 60% gearing. Marvel board doesn't want the gearing to be more than 80% in the capital structure. Therefore, the board is currently prioritizing equity financing rather than debt financing. Recently marvel has been approached by Sigma Venture Capital Limited (Sigma) who has offered to buy 40% of ownership of marvel at BDT 15 per share subject the due diligence procedures. If Marvel agrees with Sigma's offer, Marvel will issue new shares to Sigma. The board is undecided on accepting the offer by Sigma and plans to perform valuation of the entire business to determine per share value. The board plans to perform valuation of the entire enterprise including the investment project selected for implementation. Board expects existing business to grow at 3% beyond 2029. The board has obtained below financial forecast of Marvel's current operation from finance department:

Item	2025 E	2026 E	2027 E	2028 E	2029 E
Earnings Before Interest & Tax	3,213,100	4,016,375	5,020,469	6,275,586	7,844,482
Less: Net Interest Expense / (Income)	311,168	342,285	376,513	414,165	455,581
Earnings Before Interest	2,901,932	3,674,090	4,643,955	5,861,421	7,388,901
Marginal Tax Rate at 30%	870,580	1,102,227	1,393,187	1,758,426	2,216,670
Earnings After Tax	2,031,352	2,571,863	3,250,768	4,102,995	5,172,231
Depreciation	1,490,016	1,490,016	1,490,016	1,490,016	1,490,016
Amortization of Intangibles	590,404	590,404	590,404	590,404	590,404
Change in Net Working Capital	376,560	451,872	542,246	650,696	780,835
Capital Expenditures	-	-	-	-	-
Unlevered Free Cash Flow	4,488,332	5,104,155	5,873,435	6,834,111	8,033,486

Although equity financing is in priority, Board has not discarded the option of debt financing entirely. Debt financing is still acceptable if it does not exceed gearing threshold. After abandoning the SMART, Bangladesh Bank have adopted fully market-based interest rate where banks can determine their lending rates based on relationship with their clients and market. Marvel has communicated with its bank which has offered 15% borrowing rate considering Marvel's gearing. Furthermore, it will impose covenant by limiting 80% gearing in capital structure and requiring quarterly reporting to the bank and nominating one of their representatives in Marvel's board.

For your reference, following 'Present Value Interest Factor' table has been attached which you may use.

Year / Rate	1	2	3	4	5	6	7	8	9	10
6%	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274	0.5919	0.5584
7%	0.9346	0.8734	0.8163	0.7629	0.7130	0.6663	0.6227	0.5820	0.5439	0.5083
8%	0.9259	0.8573	0.7938	0.7350	0.6806	0.6302	0.5835	0.5403	0.5002	0.4632
9%	0.9174	0.8417	0.7722	0.7084	0.6499	0.5963	0.5470	0.5019	0.4604	0.4224
10%	0.9091	0.8264	0.7513	0.6830	0.6209	0.5645	0.5132	0.4665	0.4241	0.3855
11%	0.9009	0.8116	0.7312	0.6587	0.5935	0.5346	0.4817	0.4339	0.3909	0.3522
12%	0.8929	0.7972	0.7118	0.6355	0.5674	0.5066	0.4523	0.4039	0.3606	0.3220
13%	0.8850	0.7831	0.6931	0.6133	0.5428	0.4803	0.4251	0.3762	0.3329	0.2946
14%	0.8772	0.7695	0.6750	0.5921	0.5194	0.4556	0.3996	0.3506	0.3075	0.2697
15%	0.8696	0.7561	0.6575	0.5718	0.4972	0.4323	0.3759	0.3269	0.2843	0.2472
16%	0.8621	0.7432	0.6407	0.5523	0.4761	0.4104	0.3538	0.3050	0.2630	0.2267
17%	0.8547	0.7305	0.6244	0.5337	0.4561	0.3898	0.3332	0.2848	0.2434	0.2080
18%	0.8475	0.7182	0.6086	0.5158	0.4371	0.3704	0.3139	0.2660	0.2255	0.1911
19%	0.8403	0.7062	0.5934	0.4987	0.4190	0.3521	0.2959	0.2487	0.2090	0.1756
20%	0.8333	0.6944	0.5787	0.4823	0.4019	0.3349	0.2791	0.2326	0.1938	0.1615

Article on “Environmental, Health and Ethical Issues on pet care industry”

The pet care industry in Bangladesh has been rapidly growing, with increasing numbers of pet owners seeking high-quality grooming, health, and wellness services for their pets. However, as the industry expands, it faces several environmental, health, and ethical challenges that need to be addressed to ensure sustainable growth and responsible practices.

For example, the pet care industry generates a significant amount of waste, including grooming by-products, packaging materials, and pet waste. Key players of the industry are yet to implement effective waste management practices to minimize environmental impact. Improper disposal of waste can lead to pollution, harm local ecosystems, and pose health risks to both pets and humans. Furthermore, Grooming services, particularly those involving baths and spa treatments, consume considerable amounts of water and energy.

The use of grooming products and cleaning agents by the pet care centers often involves chemicals that can be harmful to the environment as well as for the pets on which these chemicals are applied. Although Marvel has started to adopt eco-friendly products but the industry as a whole is not prioritizing the use of biodegradable and non-toxic alternatives to reduce chemical runoff and environmental contamination.

Ensuring the health and safety of pets during grooming and boarding services is paramount. However, unlicensed veterinary practices by the pet care center pose serious risks to pet health. It is crucial for all pet care providers to adhere to strict health and safety standards, including proper handling techniques, regular health checks, and maintaining hygienic facilities.

The well-being of employees in the pet care industry is often overlooked. Workers are exposed to physical strain, potential injuries, and zoonotic diseases. The close interaction between pets and humans in grooming and boarding facilities necessitates stringent measures for disease prevention. Regular sanitation, vaccination checks, and health screenings are critical to preventing the spread of infectious diseases are often missed by many pet care centers. Furthermore, the employees of pet care centers often deal with stressed or sick animals. These impacts the emotional well-being of employees which remains ignored. Employees of these industry are often deprived of fair wages, reasonable working hours, and good working conditions that is essential for all employees. Because of this exploitation, staff turnover is very high in this industry.

Ethical treatment of animals is supposed to be a cornerstone of the pet care industry ensuring pets are treated with respect, kindness, and without undue stress. However, many players of industry are failing to comply with ethical practice starting from overbooking of service, rushing to complete the grooming service without properly taking care causing unrest and stress for animals. Customers entrust pet care providers with the well-being of their pets. But many pet centers often run unlicensed veterinary malpractice that often causes physical injury and stress of the pets.

Pricing of pet care items including foods and accessories has always a concern for pet owners. Price of pet foods and accessories are always in the rise. Furthermore, price for care and grooming service is also getting expensive. This is mostly due to the high margin charged by the pet care centers. Because of high cost of pet care and grooming, many pet owners are reducing the frequency of pet care sessions. Some pet owners have started to disown their pet because of the incremental costs.

The transportation of pets, supplies, and employees contributes to the carbon footprint of the pet care industry. Companies that are engaging in producing pet foods are producing millions of carbon dioxide. Furthermore, pet food industry is also helping in methane emissions that is trapping heat in the atmosphere. Furthermore, extensive use of plastic in packaging pet products and grooming supplies is a significant environmental concern. Almost none of the manufacturers of these pet food and grooming supplies are using recyclable or biodegradable packaging that could greatly reduce plastic waste.

News clips and articles about Marvel and pet care industry in Bangladesh**Market for pet food, accessories growing. (19 Sep 2023 on The Daily Star)**

A rise in the number of people who welcome pets into their homes and trends such as a humanisation of pets and ethical pet ownership have led to a boom in demand for pet food and related accessories. Pet humanisation reflects a person's mindset to treat the animals like members of the family, with owners now often attempting to provide animals with standards of living in tune with their own. That, combined with changing lifestyles and a spike in disposable income, has meant more demand for pet care products, including foods & accessories, than ever before.

Emerging pet industry. (22 May 2024 on The Financial Express Editorial)

The pet industry in Bangladesh is expanding rapidly, driven by an increasing number of pet owners and rising awareness of pet care. This booming industry comprises a wide range of products, from food and grooming supplies to accessories, toys, and healthcare products. Key growth drivers include urbanisation, increased disposable incomes, and the growth of middle-class families. Furthermore, During the COVID-19 lockdown, pet adoptions increased due to isolation and loneliness. As more individuals bring pets into their homes, the need for high-quality pet food, grooming products, healthcare supplies, and accessories has increased. This demand is not limited to typical pets such as dogs and cats but also includes birds, fish, and rabbits. The pet food and accessory industry generates annual sales of approximately Tk 2.0 billion in Bangladesh, with a significant annual growth rate of over 20 per cent.

Pet lovers relying on ready pet food. (18 Oct 2021 on The Business Post)

26% of working people of Dhaka city are dependent more on readymade food for their pets. With the breaking up of extended families and the increasing numbers of nuclear families, peoples' interest in owning pets has risen from 25% to 65% within 10 years. As urbanization started, people got used to city life leaving families in villages or small towns for job purposes. To avoid loneliness and depression, people prefer to own a pet.

Pet care center faces legal scrutiny regarding unlicensed veterinary practice. (19 Nov 2023 on The Pet News)

Marvel Pet Care Limited, a prominent pet care centre, faces regulatory scrutiny after authorities discovered the company has been operating an unlicensed veterinary practice. The investigation revealed that services were provided without the necessary licenses, potentially endangering pet health. As a result, Marvel may face significant fines and mandatory operational changes. Customers are urged to seek licensed veterinary services for their pets.

Vet hospitals thrive on growing pet culture. (16 Jun 2022 on The Business Post)

Riding on the growing pet culture in Bangladesh, the business of pet clinics in the private sector is thriving across the country, especially in the capital city and the port city of Chattogram. Just five years ago, there were hardly five to six treatment facilities for pet animals in Dhaka but now there are more than 50 of such private clinics. These clinics are providing consultancy, surgery and delivering medicine, pet food, and accessories. Most of the pet hospitals are established in upmarket areas of Dhaka such as Gulshan, Banani, Baridhara, Bashundhara, Dhanmondi, and Uttara where keeping pets is a common culture. Pet clinics are also present in middle-class dominated Mirpur and Khilgaon areas. However, only few of these clinics has taken approval from the Bangladesh Veterinary Council.

An Overview of the Animal Welfare Act 2019. (15 Oct 2019 on The Daily Star)

The Parliament of Bangladesh enacted the new Animal Welfare Act of 2019 which contains a more comprehensive enumeration of cruel and unjust treatment of animals and substantially raises the penalty for the same. This law is a substantial leap forward in the recognition of the need to treat animals with kindness. The law greatly focuses on the treatment of domesticated animals, specially farm and pet animals. It has been promulgated with the objective of ensuring proper treatment and responsible rearing of animals and of preventing cruel treatment.

---The End---