
Internship Report

CREDIT MANAGEMENT

In

JAT Holdings Bangladesh (Pvt) Ltd.





MBA

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BUS 699: Internship Report

Credit Management Practice in JAT Holdings Bangladesh (Pvt) Ltd.

Submitted To:

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Letter of Transmittal

12th January, 2019
Mahmudul Haq.
Associate Professor.
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Subject: Submission of Internship Report on “Credit Management Practice”.

Dear Sir,

I am pleased to inform you that I have prepared my Internship Report that was assigned to me with the topic: “Credit Management Practice in JAT Holdings Bangladesh (Pvt) Ltd”. I have been working in JAT Holdings Bangladesh (Pvt) Ltd for more than two years now.

In this glorious two years, the knowledge and experience I gained is really priceless. As well as I have maintained the discipline and showed the best attitude. I have also reviewed my lessons with the practical arena. I think this is a great opportunity for me in learning the authentic Finance tools concerned with the organization perspective. I have given my best effort in evaluating the credit management practice of JAT Holdings Bangladesh (Pvt) Ltd.

I hope you will assess the report considering the limitations of the study and your kind advice will encourage me to perform better in future.

Sincerely yours,

Salman Karim

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Acknowledgement

At the very beginning I would like to thank our almighty Allah who gave me the physical ability and mental strength to complete the task within scheduled time. The path toward completion of a report is hard and often times it can seem quite difficult.

Firstly, I would like to express my sincere gratitude to my internship supervisor: Associate Professor, Mahmudul Haq Sir. His valuable suggestions and guidance helped me a lot to prepare this report in a well-organized manner. Without his support it would have been very difficult for me to complete this.

Moreover, I would also like to thank Md. Nazmul Hossain Araf (Senior Executive, Finance) my respected supervisor in JAT Holdings Bangladesh (Pvt) Ltd for his excellent support not only in making this report but also his sincere effort that helps me to learn many issues regarding Credit Management Practice. Along with him I would like to thank Md. Sajedul Islam (Assistant Manager, HR & Admin) for his excellent cooperation and incredible support in every aspect of my two years job experience in JAT Bangla.

Lastly I would like to thank my esteemed colleagues since they are my workmates and contributed greatly to complete this meaningful report.

Executive Summary

In JAT Holdings Bangladesh (Pvt) Ltd, I learned about the practical environment and situation of a multinational institution and also make up a bridge between the theoretical and practical aspects of financial tools and analysis. The internship report is prepared with respect to two years of knowledge in the practical and realistic work environment.

This report is composed of three chapters. The first chapter is Organizational Overview which consists of the organizational history, profile, vision, mission, organizational structure, products and SWOT analysis of the organization. Second chapter is regarding my job experience which emphasis on overview of my job responsibilities, my learning, outcomes and analysis of performance through financial analysis. It is the main and more descriptive part of the report where I tried to emphasize on credit management practice in JAT Holdings Bangladesh (Pvt) Ltd through both theoretical and practical aspects. I tried to emphasize in how the company implement their credit management policies, problems and challenges of the credit management. And in chapter three, the last chapter of the report where I showed the findings with conclusion and some sources of references at the end.

I tried to bridge up all the findings based on analysis and discussions. While preparing the report I always tried my best level to make it authentic and at the same time easily understandable. In spite of my heart and soul effort there may be some mistakes and unforeseen errors, which may arise due to my inexperience state.

Table of contents

Chapters & Topics	Page No.
Chapter 1: Overview of the Organization	7
1.1 – History	8
1.2 - Profile: Structure, Vision, Mission, Values, Corporate Governance	9
1.3 – Products & Brands	12
1.4 – JAT in Bangladesh - Projects, Growth & Organogram	14
1.5 – SWOT Analysis of JAT Bangla	17
Chapter 2: Job experience in Credit Management in JAT Holdings	21
2.1 – Departmental Overview	22
2.2 – Objectives, Methodology & Limitations of the Report	23
2.3 – Credit Management - Importance, Policies & Challenges	26
2.4 – My Role as an Officer - Credit Control	30
2.5 – My Key Achievements & Learnings	33
Chapter 3: Findings & Conclusion	35
3.1 – Findings of the Report	36
3.2 – Conclusion	42
3.3 - References	43

Chapter 1:

Overview of the Organization



1.1 – History:

JAT Holdings is a Sri Lankan based multinational paint company headquartered in Thalawathugoda, Sri Lanka. The company is engaged in the business of manufacturing, selling and distribution of paints, coatings and products related to home decor. As of 2016, it has the largest market share with 75% in the Sri Lankan paint industry.

The company was started in 1993 by Aelian Gunawardene and named the company from the initials of the three founding brothers. The company first became the principal agent of the Italian multinational company Sayerlack and introduced polyurethane coatings in Sri Lanka. In 2002, the company set up a large scale manufacturing plant in Kahathuduwa. In 2015, the company acquired Ceynox Networks, an information technology company and created the JAT Technologies. In 2017, the company signed cricketer Rangana Herath as their brand ambassador. In 2018 JAT Holdings partnered with takas.it, an e-Commerce platform to resell the JAT products. The company is also one of the major sponsor of sports in the country and has sponsored several events for cricket, tennis, golf and other major sports.

In 2016, JAT took further steps to reinforce its legacy with the announcement of a new corporate identity aimed at supporting the company's long-term growth strategy by increasing awareness and appealing to new markets, in line with JAT's own broadened international reach. This rebranding is a representation of JAT's successful and on-going transition well beyond its paints and coatings heritage into an integrated end-to-end solutions provider that utilizes design and construction to create and transform spaces in both domestic as well as corporate spheres.

JAT was the first to introduce to the wood finishing industry a range of colour shades, direct stain application system, special effects – mother of pearl, pearl marble, rustic finishes, crackled, leather finishes, antique finishes, white wash, PU pigmented finishes etc. This revolutionized the market from its basic NC coating offering.

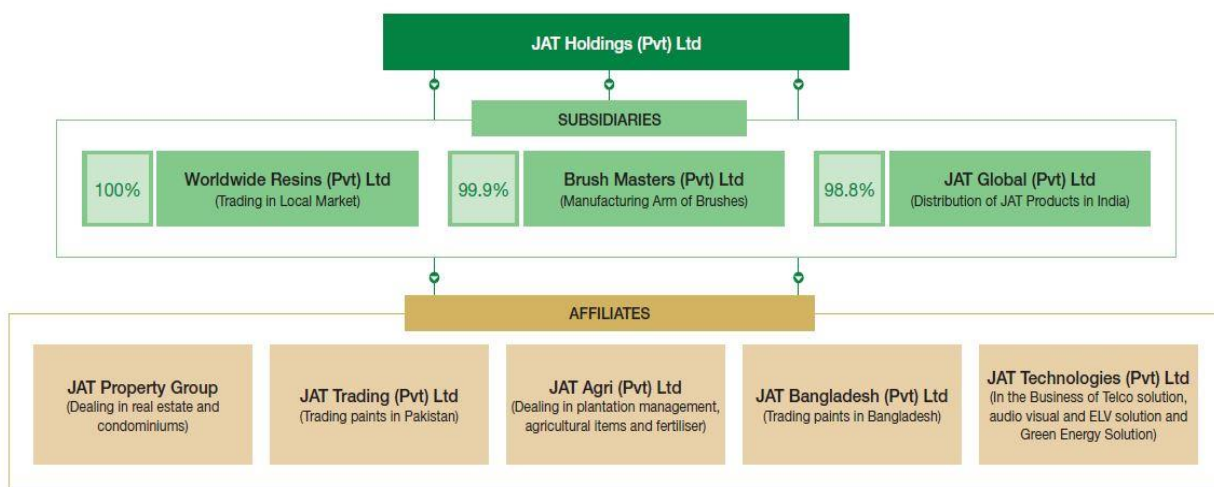
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1.2 – Profile - Structure, Vision, Mission, Values, Corporate Governance:

Since its establishment in 1993, JAT Holdings has risen in corporate reputation, financial strength and brand recognition. Becoming one of the Top Strongest Conglomerate Brands in Sri Lanka in 2015, the company is now diversifying and expanding confidently, following best practices and earning credit for its green efforts. Holding proud, their portfolio of products and services, they endeavor to surpass expectations in customer service.

Group Structure

GROUP STRUCTURE



Vision

Be the brand of choice to the finishing, living and furnishing industries in South Asia.

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Mission

- Committed to building long-term relationships based on integrity, performance, value, and exceeding customer satisfaction.
- Continue to meet the changing needs of our clients with our highest quality and Innovative solutions delivered by the most qualified people.
- More than a conglomerate and a dedicated team striving to bring growth to our community, helping to maintain existing businesses and assisting our clients in making their dreams become a reality.

Values

The employees at JAT are required to practice four values in order to achieve this Mission and Vision:

- In depth knowledge of the entire business.
- Complete customer satisfaction.
- Leadership at all levels.
- Continuous improvement and innovation.

Corporate Governance

JAT's corporate governance is driven by a committed team of leaders who consider the company's long term initiatives and strategic direction in their efforts to take the company to greater heights. Catering to the needs of an expanding organization, JAT's operations are governed by its own corporate values as well as national and international policies and legal requirements. Our experienced panels of leaders ensure that the company makes every effort in offering both Sri

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Lankan and international partners as well as customers the best in services and solutions, while up keeping the company's high standards.

1.3 – Products & Brands:

JAT Holdings business is diversified into four branches – Paints, Furnishing, Living and Technologies.

Paints - JAT holdings, founded in 1993 with the primary objective of providing successfully dominated the timber coating market, and has expanded its total timber coating solutions to the Sri Lankan furniture industry. Product offering to include a more comprehensive range of products portfolio includes decorative, exterior and interior wall paints, over the past 23 years, now known as JAT paints, the company has for a wider range of surfaces and construction needs. The product solvent based and water based enamel paint, maintainers, putties & plasters, and paint brushes

Furnishing - JAT furnishing delivers innovative furnishing products and accessories for commercial and residential needs. We provide innovative and modern solutions for seating, desk and storage, together with all flooring and ceiling requirements, specialized doors and partitioning, and finally state of the art kitchens. JAT offers world-renowned brands including Herman Miller, Daso, Rebo, Armstrong, Schaefer, Hörmann and also with the aim of catering different consumer needs in providing customized solutions.

Living - JAT living was incorporated with a clear focus on the real estate development sector to design and build ‘homes’ and residencies’ with exclusivity. Thanks to the powered backing of its parent flagship, ‘JAT holdings’, JAT living is poised to usher a new world of exciting projects promising to deliver upon their stringent vision to facilitate immaculate construction and development solutions as a reliable and trusted developer with a number of pristine residencies on offer.

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Technologies - JAT technologies is recognized as one of the fastest growing technology companies in Sri Lanka with expertise in telecommunication infrastructure services, it system integration, smart infrastructure solutions, audio visual solutions, Elv solutions and Finishing Projects. Established in 2013 as Ceynox Networks (Pvt) Ltd by experienced and capable professionals in the field, JAT technologies came in to being in May 2015 with the acquisition of Ceynox Networks by JAT Holdings (Pvt) ltd.

1.4 – JAT in Bangladesh: Projects, Growth & Organogram:

Setting up in Bangladesh in 2001, JAT Holdings started marketing Wood Coating Materials on being appointed as a distributor to the country's topmost furniture manufacturers.

- JAT Holdings introduced Sayerlack to the Bangladesh market in 2001.
- JAT entered into the Bangladesh market by supplying a revolutionizing wood coatings range directly with Akthar, Hatil, Autobe, Hartex, Brothers Furniture and Legacy group of companies.
- In 2009, JAT Holdings Bangladesh (Pvt) Ltd was set up as a Joint Venture between JAT Holdings and Akthar group and is currently responsible to supplying roughly 80% of the large scale furniture manufactures in the country.
- JAT Transformed the industry, taking it from a hand polish market into the highest end in PU and UV Coatings.

Country Projects

- Dhaka Regency
- Grand Sultan
- Hossain & Co
- Hotel Sarina
- Hotel Six Season
- Radisson Blu Dhaka Water Garden
- Royal Park
- The Westin

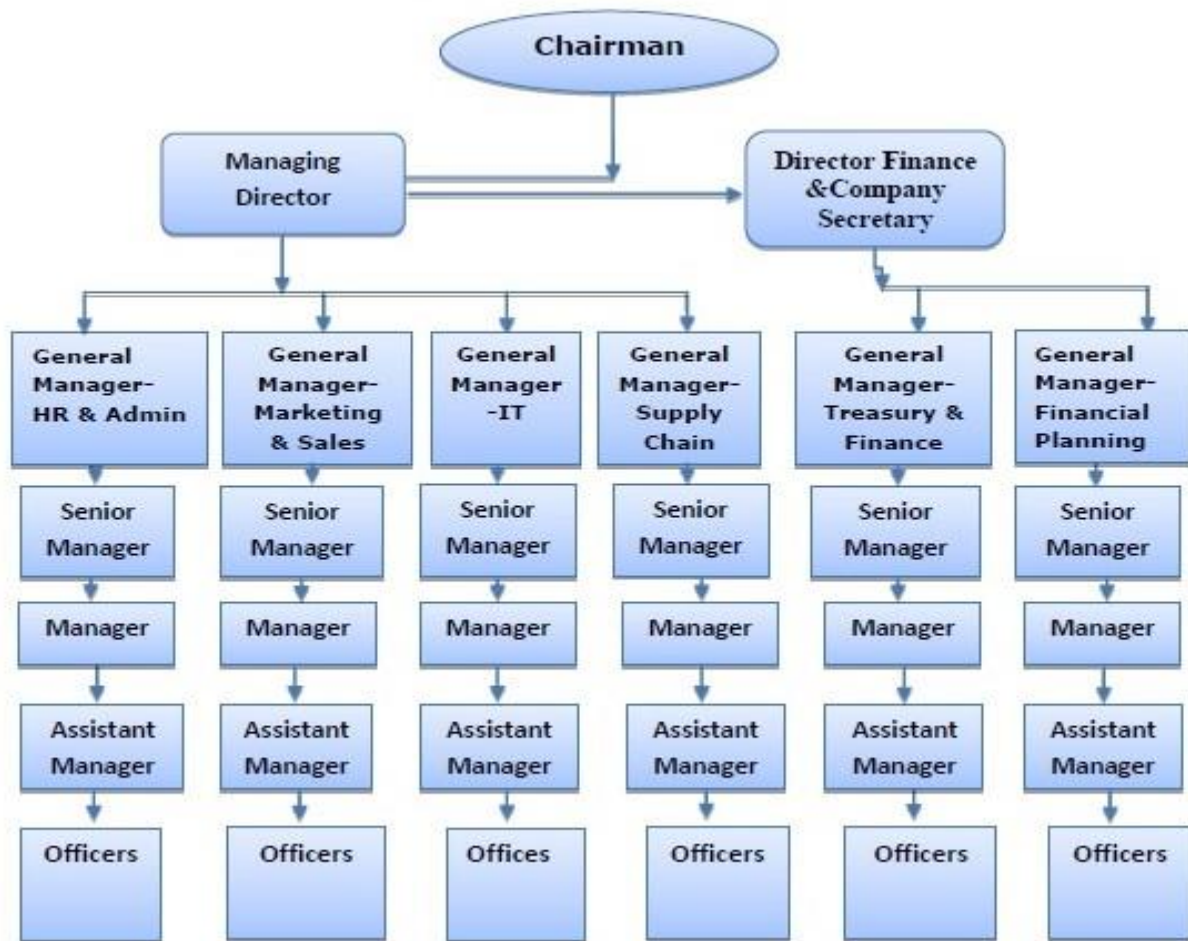
Growth in the Market

- Introducing more UV lines in into the market.
- Getting into different territories/regions in the country.
- Increasing sales through quality, pricing and service.
- Improving Technical department in every aspect.
- Built an international standard four-stored Warehouse of 14,000 sqft in Singair, Manikganj.
- Building new Technical Lab for more trainers.
- Significant rise in market share and market power in the last few years.
- Leading the furnishing industry for a long time.
- Also competing in the paint industry at a greater extent.
- Organizing Wood EXPO Exhibition in BICC every year.
- From Bangladesh they aim to move into Nepal.

Organogram

The organizational setup is basically follow Tall organizational structure in which officer is at the bottom and chairman is on top position. The Managing Director is assisted by several senior executives who heading different departments of the company and help the Managing Director to formulate the company's plans and policies. Managers and Officers who remain responsible for efficient execution of various tasks set by their supervisors assist these executives. The positional hierarchy of the company is as follows:

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1.5 – SWOT Analysis of JAT Bangla:

A scan of the internal and external environment is an important part of the company analysis. Environmental factors internal to the company usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T). Such an analysis of the strategic environment is referred to as the SWOT analysis. The SWOT analysis provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates. As such, it is instrumental in strategy formulation and selection.

	Helpful in achieving organization's objective	Harmful to achieving organization's objective
Internal Factors	S Strengths	W Weaknesses
External Factors	O Opportunities	T Threats

- **S-O strategies** pursue opportunities that are a good fit to the company's strengths.
- **W-O strategies** overcome weaknesses to pursue opportunities.
- **S-T strategies** identify ways that the firm can use its strengths to reduce its vulnerability to external threats.
- **W-T strategies** establish a defensive plan to prevent the firm's weaknesses from making it highly susceptible to external threats.

Strengths of JAT Bangla

Strong Brand Image - Throughout the years, JAT Holdings Bangladesh (Pvt) Ltd has successfully positioned itself as provider of reliable and superior quality paint/furnishing/chemical products. The company has always taken care in strategically positioning itself as a superior class of its own in Bangladesh. As a result, its products are more recognized and appreciated than any other in paint industry in Bangladesh.

Wide Distribution Network - JAT Holdings Bangladesh (Pvt) Ltd has been able to establish a distribution network that can efficiently deliver the products to the ultimate customers at lower cost and within reasonable time frame throughout whole Bangladesh. It's well-designed distribution network ensures product delivery to key market segments within a short period of time.

Experience in Bangladeshi Paint Market – JAT Holdings (Pvt) Ltd has been involved in the paint business for over twenty five years. And has been operating in Bangladesh for eighteen years since 2001. Catering to the needs of the Bangladeshi market provides the company with profound and unmatched experience regarding the paint/furnishing industry in Bangladesh.

Weaknesses of JAT Bangla

Low distribution of authority - Most of the authority of JAT Bangla is centered in its head quarter in Dhaka. Its regional offices do not have the necessary authority to make decisions that that would directly concern them. Such low delegation of authority often results in lower sense of responsibility among the employees.

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Centralized Decision Making - Involvement of external value chain members in the decision making process has often resulted in better and appropriate decision making process; however, it is ignored at JAT Bangla. As a result, their valuable inputs are unnoticed which means that chances of improvement are neglected.

Failure to Communicate Product Information - Starting from Exterior Wood Coatings to Gloss Coatings, JAT Bangla offers a wide range of wood-chemical products most of which were first introduced in Bangladesh by the company and later offered by others. Even though these products represent the pinnacle of technology employed by JAT Holdings, except for a few, most of these “specialized” products could not appeal to the Bangladeshi consumers as they did to the international consumers. One prime reason is the failure on the part of JAT Bangla to properly communicate the complicated product information to the end users. Consequently, this phenomenon is bleeding money out of the company.

Opportunities for JAT Bangla

Increasing Urbanization - The country is enjoying increasing urbanization trend over the last decade. It is expected that this trend will continue in the coming years. Such growth will have a positive impact on the company’s growth.

Growth in Demand of Exterior Wood Coating - The market is experiencing very high growth rate in the exterior wood coating category for the last couple of years. As JAT Holdings has the best product offering for this segment, it will enjoy a positive impact from the growth in demand.

Continuous Increase of Customer Awareness - As a result of continuous awareness building by the paint companies, customers are becoming more conscious about choosing paints and furnishing products. Being a strategically aware company in this field, JAT Bangla will enjoy huge benefit of this increase of customer awareness.

Threats to JAT Bangla

Complete Dependence on Import – All the products/chemicals distributed by JAT Bangla is imported from various countries mentioned earlier and which are the raw materials to manufacture and maintain furniture. These products/chemicals are essential for the production of all kinds of furniture that is produced by the clients of JAT. Hence, a major disruption of supply of these chemicals could spell disaster in the furnishing industry.

Higher Bargaining Power of a Few Dealers - Even though most of the times JAT Bangla has higher bargaining power than its dealers, a few of its dealers however, do exercise higher bargaining power over the company. Even though few in number, due to the volume of business they bring to the company they can influence the price of the products offered by JAT Holdings thus affecting revenue.

Price Instability of Products/Chemicals - These raw materials used in furniture production are petro-chemical in nature. Due to the unstable nature of oil prices all over the world, the price and availability of these products/chemicals are subject to moderate fluctuation, making it very difficult to prepare accurate forecasted budget.

Instability of Dollar & Euro Rate - Since JAT Bangla is completely dependent on imported products/materials, both instable dollar and euro rate often causes problem for the company. Since the company does not have any long term contract with any of its suppliers, dollar and euro rate fluctuation makes it hard for the company to have a constant marginal cost of distribution.

Chapter 2:

Job Experience in Credit

Management in JAT Holdings



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In this chapter I would like to mention my observations that I faced during the job period. I would like to discuss everything regarding credit management practice in JAT Holdings Bangladesh (Pvt) Ltd. The discussion will be consists of making of the reports, theoretical aspect of credit management and the practical aspect of credit management practice in JAT Bangla.

2.1 – Departmental Overview:

I work in the Finance & Accounts Department and my work associated with credit management of the department. Here the following will describe the departmental overview:

JAT's finance & accounts team is responsible to deal with all the financial transactions complying all policies and practices of the company and generate required number of external and internal reports for all stakeholders. The team is basically associated with credit management, payable management and treasury operation that drive to minimize the corporate risk as much as possible. The responsibility of credit management is the management and control of current and future cash inflows, utilization of credit facilities given to dealers thus sales of the company increases and as well as help the company to reduce inventories. An efficient and effective credit management can manage and control various credit risks. Handling all these areas, ensure us a better Working Capital management and efficient financial management on day to day basis. Minimizing risk and maximizing net return of all stakeholders are the key focus of JAT Bangla's Finance and Accounts team by ensuring good corporate governance and practice.

2.2 – Objective, Methodology & Limitations of the Report:

Objective of the Report

Main Objective - To evaluate the Credit Management Practice in JAT Holdings Bangladesh (Pvt) Ltd based on their performance.

Specific Objectives –

- To study the overview of the company.
- To find out their strategy in terms of credit management.
- To measure their credit management performance by ratio analysis (DSO/ACP) and other financial analysis.

Methodology of the Report

A report requires systematic procedures and plans from selection of the topic to final report preparation. This report is basically descriptive in nature with qualitative information. Some quantitative approaches are also followed to serve the report purpose from Finance Department of JAT Bangla.

Sources of Data - This report has been completed by taking information from different relevant sources. Some accounts have been taken by observing and working with the company itself. The actual information provided in this report was collected from two different sources, namely primary and secondary source.

Primary Data Sources - Primary data is the data which the researcher collects through various methods like interviews, surveys, questionnaires etc., to support the secondary data. Primary data collection process includes:

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- In-depth interview with my Supervisor.
- Practical desk works experience at Finance & Accounts Department, JAT Bangla.
- Face to face conversations with the sales members.
- Personal observations.

Secondary Data Sources - Common sources of secondary data for social science includes censuses, surveys, organizational records and data collected through qualitative methodologies or qualitative research. Secondary data collection process includes:

- JAT Holdings Bangladesh (Pvt) Ltd, Annual Reports.
- JAT Holdings Bangladesh (Pvt) Ltd Corporate Profile.
- JAT Bangla's Database.
- Website of JAT Holdings (Pvt) Ltd.

Limitation of the Report

To conduct the actual level of evolution of credit management practice in JAT Holdings Bangladesh (Pvt) Ltd is not an easy task. It's involved several confidential issues of the company.

While conducting this study following limitations are encountered:

Fear of Information Leakage - It is the main obstacle of getting accurate response from the respondents as most of the employees did not provide appropriate answer to the questions because they think it will be disclosed to others.

Busy Schedule - Because of the busy schedule, most of the cases respondents were unable to give time for personal interview.

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Time Constraint - The study could have been better and the results could have been more precise than it is now. Due to limited time, I could not implement properly.

Resources - It was projected that more magazines and printed materials would be consulted for the study but enough resources were not available.

2.3 – Credit Management – Importance, Policies & Challenges:

Credit management is the process of controlling and collecting payments from customers. This is the function within a bank or company to control credit policies that will improve revenues and reduce financial risks.

Credit management is a term used to identify accounting functions usually conducted under the umbrella of Accounts Receivables. Essentially, this collection of processes involves qualifying the extension of credit to a customer, monitors the reception and logging of payments on outstanding invoices, the initiation of collection procedures, and the resolution of disputes or queries regarding charges on a customer invoice. When functioning efficiently, credit management serves as an excellent way for the business to remain financially stable. Companies have traditionally viewed credit management as a basic function. They are beginning to realize, however, that improving the process can lead to significant financial gain for the company. Fewer outstanding account balances mean fewer bad-debt write-offs -- and enhanced profitability. As companies that apply best practices seek to wring the most efficiency from their credit management process, they constantly evaluate their systems and procedures from all angles. Not only do they explore technological innovations, they also scrutinize the business decisions that form the foundation of each process. Companies dealing with commercial accounts typically have fewer customers with larger invoice amounts, while companies dealing with consumer accounts interact with an increased volume of customers and smaller invoice amounts. The basic processes in the accounts receivable function, however, remain the same. Although this report refers primarily to commercial accounts, it includes consumer references as appropriate. The three basic processes that make up the accounts receivable function are:

Remittance Processing - including payment methods and automated processing.

Credit Management - including communication of credit policies, credit checks and approvals, and credit maintenance.

Collections - including methods to monitor and motivate internal and external collections agents, collections techniques, and technology.

Importance of Credit Management

Credit management always has some impact on the business operation. How credit management play role in organization are given as follows:

- Controlling bad debt exposure and expenses, through the direct management of credit terms on the company's ledgers.
- Maintaining strong cash flows through efficient collections. The efficiency of cash flow is measured using various methods, most common of which is Days Sales Outstanding (DSO).
- Ensuring an adequate Allowance for Doubtful Accounts is kept by the company.
- Monitoring the Accounts Receivable portfolio for trends and warning signs.
- Enforcing the "stop list" of supply of goods and services to customers.
- Determine credit ceilings.
- Setting credit-rating criteria.
- Setting and ensuring compliance with a corporate credit policy.
- Obtaining security interests where necessary. Common examples of this could be PPSA's, letters of credit or personal guarantees.
- Initiating legal or other recovery actions against customers who are delinquent.

Policies of Credit Management

Handling a huge amount of credit sales involves lots of activities to be done by the credit management personnel because any dispute from this sector can occur huge lose to the company in term of working capital management as well as long term financial solvency of the company. Any dispute in here has significant impact on the profitability of the company. For example if collection is getting slow then the cost of the company will goes up as a result of which profit of the company can be hampered. Managing these huge amount of credit require both operational excellence and analytical observation. From doing so the finance team of JAT Bangla established the following policies for an efficient credit management:

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- Issuing Credit Limits and Credit Days to Dealers.
- Analyzing the credit proposals of dealers.
- Preparation of receivable aging schedule.
- Ensuring an adequate allowance for doubtful accounts is kept by the company.
- Providing RPRS (Regular Payment Rebate Scheme) and TOR (Turn over Rebate) to the dealers.
- Disburse several incentives to the dealers based on provisions.
- Preparation of cheque received and bounced report for every month.
- Preparation of debtors' month end report.
- Calculation of DSO.

Challenges of Credit Management

The Better Payment Practice Group quotes:

'Cash flow is the life blood of every business and should be protected as a priority. A good credit management policy will include a strategy for credit checking customers, a well-planned collection process, and a system for dealing with queried invoices'.

This Group identifies some early warning signals to help improve your business credit management policy.

Hitting the overdraft Limit - Regularly hitting or breaching the banks credit facility means organization should review your asset management policies in general. Also, address credit management in particular.

Extended Aged-Debtors List - If debtors continually pay outside the agreed credit period, then organization need to assess the collection methods used. Identify areas for improvement.

Good Payers Slowing Up - If normally prompt payer begin to slow they may have notice organization's collection system is sluggish.

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Quality of Complaints - An inefficient system can cause customers to take advantage and use spurious complaints and queries to get credit extended. This can improve their cash flow at organizational expense.

Administrative Excuses - 'Computer Failure' and excuses similar may be a sign the customer knows organization's system is lax and easy to exploit.

Customer Insolvencies - Credit insurance is recommended, or a strong internal credit risk assessment, can protect company. Especially if it relies too heavily on one customer, or a range of customers with vulnerable cash flow.

Supplier Stops - Inevitably, a supplier will halt service to business if the business has a history of exceeding organization's credit with them.

Credit Ratings and Market Rumors - Both damage business reputation and will make it harder to attract new business, further restricting organization's cash flow.

Low Staff Morale - If business shows signs of distress, employees will follow suit. Difficulties in cash flow can have serious repercussions even to the event of losing staff, which compact the problems.

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2.4 – My Role as an Officer - Credit Control:

In JAT Holdings Bangladesh (Pvt) Ltd, my main and primary objective is to look after the Total Outstanding or Accounts Receivables of the company. All my activities and decisions are directed towards one goal that is to control the total outstanding along with the increasing sales. Therefore in order to do that I need to perform the following responsibilities in JAT Bangla:

- Reduce the Overdue and Control the Outstanding with Sales.
- Recover Bad Debt (Phone Calls, Customer Visits & Legal Action).
- Monitor overall Collection & Deposit.
- Checking of shop boy incentive Boucher whether the incentive disbursed or not properly by the sales depot.
- Determine Credit Worthiness.
- Analysis Credit Proposal of Dealers.
- Handling of AIT certificate provided by dealers and posting of them in SAP.
- Review all Sales Order before approval.
- Follow Up every Commitments.
- Prepare monthly cheque received and bounced report.
- Disburse several monthly incentives like RPRS and TOC through SAP.
- Provide credit and debit notes in SAP regularly.
- Produce various Credit Analysis.
- Assist supervisor to prepare aging schedule.

Now let's briefly discuss the most significant duties those have crucial impact on credit management and the overall financial condition of the company:

Issuing Credit Limits and Credit Days to Dealers - One of the most primary and regular activities is issuing credit value limit and days limit to dealers. Before selling any products to dealers on credit dealers must have the credit value limit as well as the days limit which is approved

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by the higher authority and approval must be given according to the policy of the JAT Holdings.

There are some criteria for getting the value limits and days limits most majors are as followings:

- Dealers must have potentiality in his/her existing business areas.
- Dealers must have ongoing business with JAT.
- Dealers must have bank solvency.

The job never end only by issuing credit limit to dealers, credit management also try to find out what portion of their credit limits being utilized or underutilized. More utilization of credit limit is considered as good for the company because it increases sales along with decreasing inventories. So, credit management tries to provide credit limit to those dealers who actually require the limits.

Analyzing the Credit Proposal of Dealers - Every day several types of credit proposals are submitted from dealers through sales officer many of them for extension of value limits and also for days limit. In case of new dealers analysis only requires to examine that they are potential, or they have continuous business with JAT and whether they have enough bank solvency or not. In case of existing dealers the following criteria will be analyzed based on their information which will be collected from system:

First of all, it's observed that whether the value limit of dealers that is mentioned in proposal to extent is within norms or not. Being within norms the proposal limit will be less than the average collection of the dealers. If collection amount is less than the proposed amount than the dealer is TK.100,000 and days limit is 30 days then six month average collection of the dealer must be equal or less than to TK.200,000.

Second, it's examined that whether the dealer has any outstanding or not.

Third, it's examined that whether the dealer has overdue or not.

Fourth, what is the highest bill age of the dealer?

Finally, is the dealer is converting from cash to credit or credit to cash.

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Preparation of Receivable Aging Schedule - Preparation of receivable aging schedule is one of the major concerns under credit management because credit management is responsible for collecting receivable from the dealers. Collections of receivables require a schedule that also helps credit manager to classify receivable according to the time period. Basically here in JAT most of the working of aging schedule prepared by the SAP although credit management team requires to submit an aging schedule beginning of the every month.

Ensuring an Adequate Allowance for Doubtful Accounts is kept by the Company - Every year there are some dealers who cannot able to clear their debt. In such cases if any dealer remains unsuccessful to pay their debt above 360 days the dealer is considered as doubtful account and JAT has a practice of keeping provision for these types of dealer. The concern for the credit management in here is that whether the allowance for doubtful accounts is adequate or not to cover the all doubtful accounts successfully. Allowance for doubtful accounts is not static every year it is increasing as sales of the company increases.

Preparation of Cheque Received and Bounced Report for Every Month - Credit management of JAT Bangla is responsible for cash inflow to the company and doing it credit management team prepares cheque received and bounced report in every month and provide information to top management what amount of cash inflow occurred in the month. The following ways credit management prepares the cheque report based on both location wise and product division wise:

Preparation of Month-End Debtors' Reports - Credit management of JAT Holdings is the face of debtors' position. Every month credit management team prepares a debtor report that describes debtors' position in terms of amount, growth percentage compare to last month and debtors' movement along with sales over the periods.

2.5 – My Key Achievements & Learnings:

The experience and knowledge I had for the last two years is really priceless and invaluable. In such fine working environment in JAT Bangla and with such wonderful colleagues, the whole experience is a series of mistakes and learnings and improving every day and at every aspect that made me able to achieve and accomplish few goals that had never been achieved by anyone in JAT Bangla before since I am empowered with high authority and control in terms of sales, collection and deposits of the company and is supported by my superiors and colleagues of every departments of JAT Bangla. Few of my important achievements in the last two years in JAT Bangla is described below:

- Suggested & Implemented strict & efficient Credit Management policies.
- Recovered Bad Debt of more than TK 1.6 Million through regular Phone Calls & Client Visits.
- Built & Maintained a strong Customer Relationship in overall Bangladesh.
- Reduced the gap between growths of monthly Sales & Total Outstanding significantly.
- Ensured proper monitoring & analysis of monthly Sales/Collections/Deposits.
- Developed various Credit Analysis & Reports for management's decision making.
- Gathered fundamental knowledge regarding the SAP software and having opportunities to work on this software.
- Focused more on Slow-Moving Customers to reduce & control overdue.
- Established effective payment practices for bad customers.
- Learned how to handle large database through using Microsoft Excel.
- Prepared & Presented findings & analysis of "Overall Growth in Credit Management".
- Analyzed credit proposal and Prepared of receivable aging schedule.

Credit Management - JAT Holdings Bangladesh (Pvt) Ltd

The above achievements are described more elaborately in Chapter 3's Findings section with reports of graphs and analysis which was prepared by myself to present the "Growth in Credit Management of JAT Holdings Bangladesh (Pvt) Ltd" to the top management at the Sales Conference of 2018.

Chapter 3:

Findings & Conclusion



3.1 – Findings from the Report:

After working in credit management in JAT Holdings Bangladesh (Pvt) Ltd I have developed some observation regarding their credit management. My findings are as follows:

- Credit is simply the trap of a sales target which is inevitable.
- There is a strong relationship between credit limit extension and sales revenue.
- Growth of debtors“ is higher than the growth of sales.
- Bad debt is increasing every year.
- There is a strong relationship between RPRS (Regular payment and regular rebate) and DSO (day sales outstanding).
- In some cases it's very difficult to implement policies after considering competition, sales volume of any particular dealer and achievement of sales target.

The following is a demonstration of my findings and achievements through graphs and analysis to show the Growth in Credit Management of JAT Bangla through a presentation:

The Presentation was on the topic – Credit Management that consists of 9 Slides with the following headlines:

- **Overall Performance Analysis -2018 (6 Months)**
- **Sales-Collection Difference**
- **Sales-Deposit Difference**
- **Sales-Outstanding Difference**
- **Overdue Analysis -2018 (6 Months)**
- **Over 180Analysis -2018 (6 Months)**
- **DSO/ACP of Top 20 Customers**
- **Recommendations**

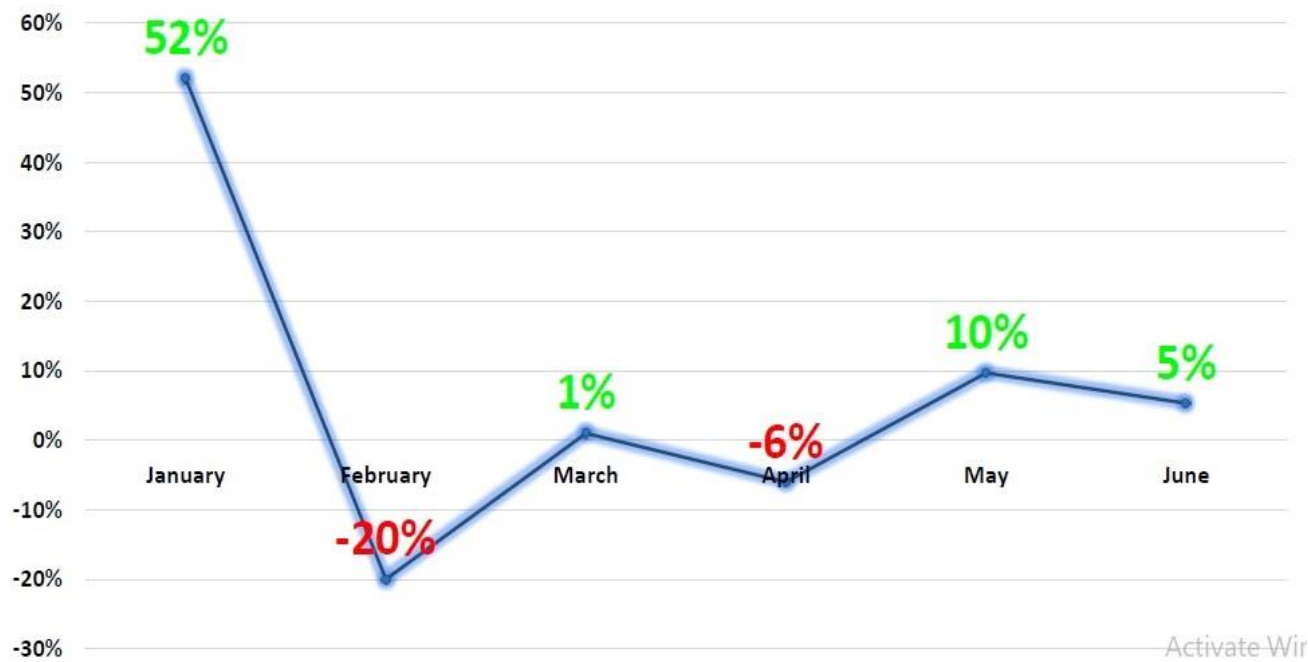


Overall Performance Analysis - 2018 (6 Months)

S.L.	Months	Sales	Sales- Collection Difference	Collections	Sales-Deposit Difference	Deposits	Sales- Outstanding Difference	Total Outstanding
1	January	61 M	52%	93 M	17%	71 M	330%	262 M
2	February	82 M	-20%	65 M	-15%	70 M	233%	273 M
3	March	85 M	1%	87 M	-14%	73 M	232%	282 M
4	April	84 M	-6%	79 M	-9%	76 M	245%	290 M
5	May	80 M	10%	88 M	2%	82 M	259%	287 M
6	June	50 M	5%	52 M	-9%	45 M	468%	284 M
	Total	442 M	5%	464 M	-6%	417 M		

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Sales-Collection Difference



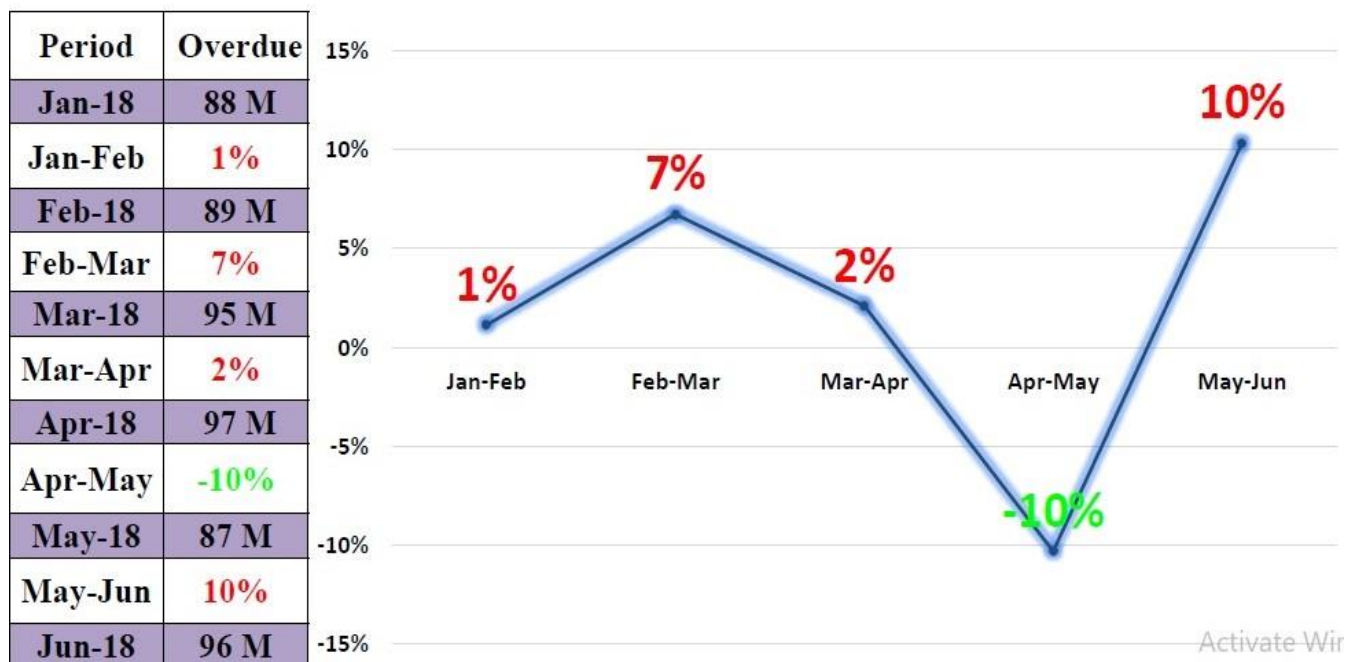
Sales-Deposit Difference



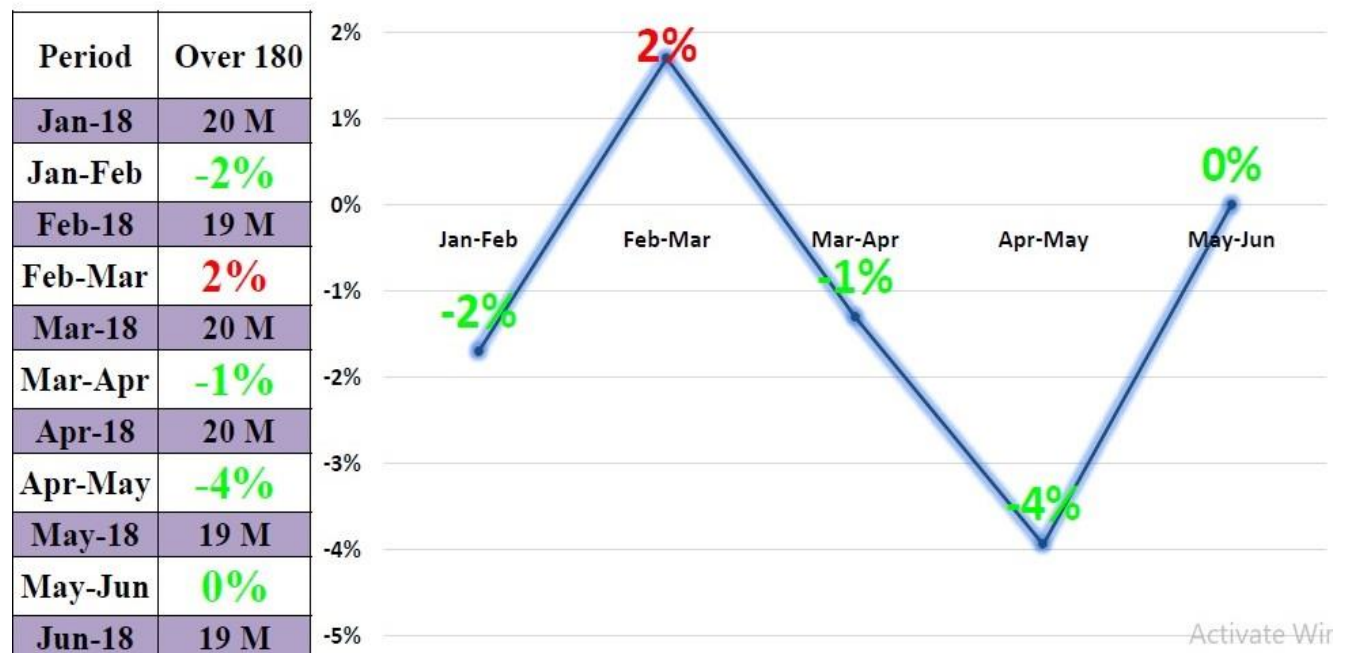
Sales-Outstanding Difference



Overdue Analysis - 2018 (6 Months)



Over 180 Analysis - 2018 (6 Months)



DSO/ACP of Top 20 Customers					
SN	REP	Customers	Total Sales	Average Outstanding	DSO/ACP (Days)
1	OFF	AAA Furnishers Ltd	81,916,092	56,012,986	246
2	KH	BBB Car Paint	18,422,840	2,768,309	54
3	BP	CCC Paint & Hardware	10,474,480	2,334,842	80
4	OFF	DDD Furnitures Ltd	53,488,808	31,882,125	215
5	SS	FFF Trading	72,243,957	12,133,839	60
6	BP	PPP Variety Stores	28,715,872	6,413,332	80
7	KH	AAA Furnishers Ltd	18,163,648	3,039,734	60
8	BP	BBB Car Paint	44,015,358	10,409,332	85
9	FY	CCC Paint & Hardware	21,206,800	3,686,654	63
10	KH	DDD Furnitures Ltd	14,596,928	2,417,957	60
11	BP	FFF Trading	10,943,307	3,086,389	102
12	BP	PPP Variety Stores	4,983,400	1,007,925	73
13	KH	AAA Furnishers Ltd	40,642,216	14,239,296	126
14	BP	BBB Car Paint	22,625,472	4,180,916	67
15	BB	CCC Paint & Hardware	12,255,329	3,053,187	90
16	KH	DDD Furnitures Ltd	58,077,837	5,233,558	32
17	ZN	FFF Trading	10,832,400	1,031,494	34
18	AH	PPP Variety Stores	13,197,792	1,673,611	46
19	KH	AAA Furnishers Ltd	12,763,108	3,018,478	85
20	KH	BBB Car Paint	10,524,286	2,604,836	89

$$ACP = \frac{\text{Average Outstanding}}{\text{Total Sales}/360}$$

The Highlighted ones are Over 90 Days

Recommendations:

- * Overdue must be managed more efficiently.**
- * Implement strict Credit Policy.**
- * Focus more on Slow-Moving customers to control overdue.**
- * Give equal importance to Collections & Deposits beside Sales.**
- * Establish effective payment practices for bad customers.**
- * Focus more on collection of PD CHQs.**
- * Visit the default customers regularly.**
- * Take Legal Action.**

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3.2 – Conclusion:

JAT Holdingss Bangladesh (Pvt) Ltd is a leading paints company in Bangladesh, has been operating since 2001 with glory and ensuring excellent quality in terms of products and services. The company has been the pioneer for many products in wood coating and chemical industry in Bangladesh. Currently the company has more than Tk. 120 cores sales turnover annually and controlling a greater portion of the furnishing industry in Bangladesh.

The success of the JAT largely depends on the dealers' performance. If dealers' perform well then the JAT Bangla also perform well because the wide network of dealers make possible to reach our product to every corner of the Bangladesh. In these circumstances credit management of JAT has lots of responsibilities to keep the things going as it was progressing by maintaining sales growth as well as reducing the financial risks those are occurring due to the liberalization of credit to dealers. In doing so credit management has been successful in some aspects and remains unsuccessful in some other aspects.

Finally, credit management in JAT Bangla has been very crucial for the company over the years. It has lots of challenges as competition increases in the market and also has lots of scope of developing in several areas. If challenges can be faced technically by maintaining continuous support to sales teams and customers, then the credit management practice can be more effective to the overall improvement of the company.

3.3 – References:

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2. https://en.wikipedia.org/wiki/JAT_Holdings
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