

CREDIT MANAGEMENT PRACTICE
IN
BERGER PAINTS BANGLADESH LIMITED



BERGER
Trusted Worldwide

Internship Report
On
Credit Management Practice
In
Berger Paints Bangladesh Limited



Submitted to
Jabir Al Mursalin
Assistant Professor
BRAC Business School
BRAC University

Submitted by
Milton Kanti Das
ID-12364015
Program: MBA

Submission Date: 24.12.14

December 24, 2014

Jabir Al Mursalin
Assistant Professor
BRAC Business School
BRAC University

Subject: Submission of Internship Report.

Dear Sir:

I am pleased to inform you that I have prepared my Internship Report that is assigned to me in the topic of **“Credit Management Practice in Berger Paints Bangladesh Limited”**. I had been working in Berger Paints Bangladesh Limited for three months. As this is my MBA requirement so I have finished my internship smoothly. I have learnt a lot of things that are practical oriented. As well as I have maintained the discipline and showed my 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. It will help in building a radiant job career as a whole.

I have given my best effort in evaluating the credit management practice of Berger Paints Bangladesh Limited. I hope you will assess Internship Report considering the limitations of the study. Your kind advice will encourage me to perform better in future. I will be available for any further query and clarification regarding the report.

Thanking you

Sincerely yours

Milton Kanti Das
ID-12364015
Program: MBA
BRAC Business School
BRAC University

Acknowledgement

To prepare this internship report considerable thinking and information input from various sources were involved. But at the beginning I would like to convey my sincere appreciation to the Almighty Creator for giving me the strength and the ability to finish the task within the planned time. Then I would like to express my gratitude to everyone who contributed towards preparing and making the report this report finally.

First of all, I would like to thank my honorable internship supervisor **Jabir Al Mursalin (Assistant Professor, BRAC Business School)** for his kind patience, guidance and support for the preparation of this report. I will always be grateful to him for his valuable suggestions and the time he had spent for guiding me through the report.

I would also like to thank **Md. Meer Rahat (Manager, Credit Management)** my respected supervisor in Berger Paints Bangladesh Limited for his excellent support not only in making this report but also his sincere effort to me that helps me to learn many issues regarding Credit Management Practice during the internship time. Along with him I would like to thank all the employees of Treasury and Financial Accounting Department for their excellent cooperation during my internship.

Finally, my peers and colleagues had also been very helpful and my internship more enjoyable and eventful.

Executive Summary

In Berger Paints Bangladesh limited, the internship program helped me a lot to learn about the practical environment and situation of a multinational institution and also make up a bridge between the theoretical and practical aspects and also to implement me.

The internship report is prepared with respect to the three months internship program theoretical knowledge in the practical and realistic work environment.

This report is composed of four chapters. In the first chapter, Organizational Overview which consists of the organizational profile, vision, mission, management and organizational structure, product and services, and SWOT analysis of the organization.

Second chapter is regarding my internship which emphasis on overview of the department, my job responsibilities during internship, my learning outcomes and analysis departmental performance through ratio analysis.

In chapter three, is the main and more descriptive part of the report where I tried to emphasize on credit management practice in Berger Paints Bangladesh Limited through both in theoretical and practical aspects. In this chapter I tried to emphasize in how the company implement their credit management policies, problems and challenges of the credit management practice in Berger and findings regarding their credit management policies.

Finally chapter four is a last chapter of the report where I want to give some concluding remark through conclusion and give some sources of references.

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

CHAPTER # 01.....	8
ORGANIZATIONAL OVERVIEW	8
1.1 # History:	9
1.2 # Berger As a Paints Company in Bangladesh:	10
1.3 # Business principles	10
1.4# Products	11
1.5 # People	11
1. 6 # Organizational Setup	12
1.7# SWOT Analysis of Berger Paints Bangladesh Limited	13
CHAPTER # 02.....	19
INTERNSHIP EXPERIENCE	19
2.1# Departmental Overview:	20
2.2# My Activities in Financial and Treasury Department:	21
2:3# Department and Financial Health of the Berger through Ratio Analysis:	21
2.3# Learning outcomes:.....	32
2:4#My observations regarding the Department:.....	32
CHAPTER # 03.....	33
CREDIT MANAGEMENT PRACTICE IN BERGER PAINTS BANGLADESH LIMITED	33
3.1# Introduction to Project:	34
3.1.1# Objectives of the report:	34
3.1.2 # Methodology of the report:	34
3.1.2.1 # Sources of Data:	35
3.1.3# Limitation of the Report:	36
3.2# Theoretical Aspect of Credit Management:	36
3.2.1# Introduction to Credit Management:	36
3.2.2 # Importance of Credit Management:	37
3.2.3# Challenges of Credit management:	38
3.3# Practical Aspect of Credit Management Practice in Berger Paints Bangladesh Limited:	40

3.3.1# Issuing Credit Limits and Credit Days to Dealers:	40
3.3.2# Analyzing the Credit Proposal of Dealers:	41
3.3.3# Preparation of receivable aging schedule:	42
3.3.4#Ensuring an adequate allowance for doubtful accounts is kept by the company:	44
3.3.5#Providing RPRS (Regular Payment Regular Rebate) and TOC (Turn over Rebate) to the dealers:	44
3.3.6# Disburse several incentives to the dealers based on provisions:	45
3.3.7# Preparation of cheque received and bounced report for every month:	46
3.3.8# Preparation of Month-end Debtors' Reports:	48
3.3.9 # Calculation of DSO:	49
3.3.9# Problems and Challenges of Credit Management Practice in Berger:	49
3.3.10 # Findings of the Project:	51
CHAPTER 4	52
CONCLUSION	52
4.1# Conclusion:	53
4.2 # References:	53

CHAPTER # 01

ORGANIZATIONAL OVERVIEW



1.1 # History:

Since 1760 Berger is one of the oldest names in paints industry in worldwide. Lewis Berger, a German national, who founded dye & pigment making business in England in 1760. Later Lewis Berger & Sons Limited grew rapidly with a strong reputation for innovation and entrepreneurship culminating in perfecting the process of making Prussian blue, a deep blue dye, a color widely used for many European armies' uniform. Production of dyes & pigments evolved into production of paints & coatings, which till today, remains the core business of Berger.

Berger grew rapidly by establishing branches the world over and through merging with other leading paint & coating companies.

Berger has been involved in the paint business in this part of the world since 1970, when paints were first imported Berger UK subsequently from Berger Pakistan. In 1970, Berger Paints Bangladesh Laminated erstwhile J&N had set up its paint factory in Kalurghat industrial area in Chittagong. The Company was introduced on 6th June 1973 as a private limited company by shares registered under the Company Act. The shareholders were J&N, Duncan Macneil & Co. limited & Dada Group. Duncan Macneil subsequently sold their shares to majority shareholders J&N group. The Dada group's shareholders ultimately vested with government of peoples' Republic Bangladesh after the independence of the country in 1971. The name of the company was changed from J&N (BD) limited to Berger Paints Bangladesh Limited on January 1, 1980. In August 2000, J&N investment (Asia) purchased the government shareholding. In December 2005, company issued 5% shares to the public and listed with DSE & CSE. Currently BPBL's number of shares is 23188940. Its Authorized capital is Taka 400 Million and its paid up capital is Taka 232 million.

With its strong distribution network, BPBL has reached almost every corner of Bangladesh. The national wide dealer network is supported by eleven sales offices. It has been enable them to strategically cater to all parts of the country. BPBL, yet, it is one of the most technologically advanced companies in the country. It is constantly striving for innovating superior quality products and services.

1.2 # Berger As a Paints Company in Bangladesh:

Berger Paints Bangladesh Limited (member of worldwide Berger group), the only multinational paint industry in Bangladesh established its first plant at Kalurghat Heavy Industrial Area, Chittagong. Since then it has continued its effort to be the premier customer-oriented company by providing best quality, new state of the art products and obviously the best after sale service, utilizing its access to the group's highly developed international research and development facility, Berger has always been able to one step ahead of the competition in providing the best quality and the best technology to the customers. As a result of their Berger currently market leader in Bangladesh and capturing more than 50% market share.

1.3 # Business principles

Berger has some business principles based on those the company operating their business with continuous growth and prosperity since 1970 in Bangladesh. Their business principles are as follows:

- ▶ **Vision:** “We shall remain as the benchmark in the Paint industry by being an innovative and technology driven Company consistently delivering world-class products ensuring best consumer satisfaction through continuous value added services provided by highly professional and committed team.”
- ▶ **Mission:** We shall increase our turnover by 100% in the next five years. We shall remain socially committed ethical company.
- ▶ **Spirit:** Our customers are our partners, our people are our strength, our shareholders are our foundations, and we proudly bring inspiration, strength and color to communities through affiliation with our customers.
- ▶ **Corporate objectives:** Our aim is to add value to life, to outperform the peers in terms of longevity, customer services, revenue growth, earnings and cash generation. We will be the employer of choice for all existing and future employees
- ▶ **Strategy:** Our strategy is to build long term- partnership with the customer/consumer. With their support we aim to maximize the potential of our business-through a

combinations of enhanced quality of product, service, creative marketing, competitive price, and cost efficiency.

1.4# Products

Berger has very diversified area of operation like -

- 🔥 Regular Coatings
- 🔥 Industrial Paints
- 🔥 Marine Paints
- 🔥 Outdoor Paints Protective
- 🔥 Color Bank
- 🔥 Textured Coatings
- 🔥 Heat Resistant Paints
- 🔥 Roofing Compounds and Epoxies
- 🔥 Powder Coatings
- 🔥 Home Décor
- 🔥 Auto Refinish

1.5 # People

The Company is operating through well-defined management structure headed by the Managing Director. Under the Managing Director there are various Departmental heads, senior and mid-level Managers, Officers and staffs. Managing Director and the policy makers meet with regular interval to review various business, operational and administrative issues. The list of Board of Directors of the company is given below:

Chairman : Mr. Gerald K. Adams

Managing Director : Ms. Rupali Chowdhury

Directors : Mr. K. R. Das, Mr. Anil Bhalla, Mr. Subir Bose, Mr. Jean-Claude Loutreuil, Mr. M. AzizulHuq, Mrs. RishmaKaur, Mr. Abdul Khalek

Company Secretary : Mr. Abdul Khalek, FCA

1.6 # Organizational Setup

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:

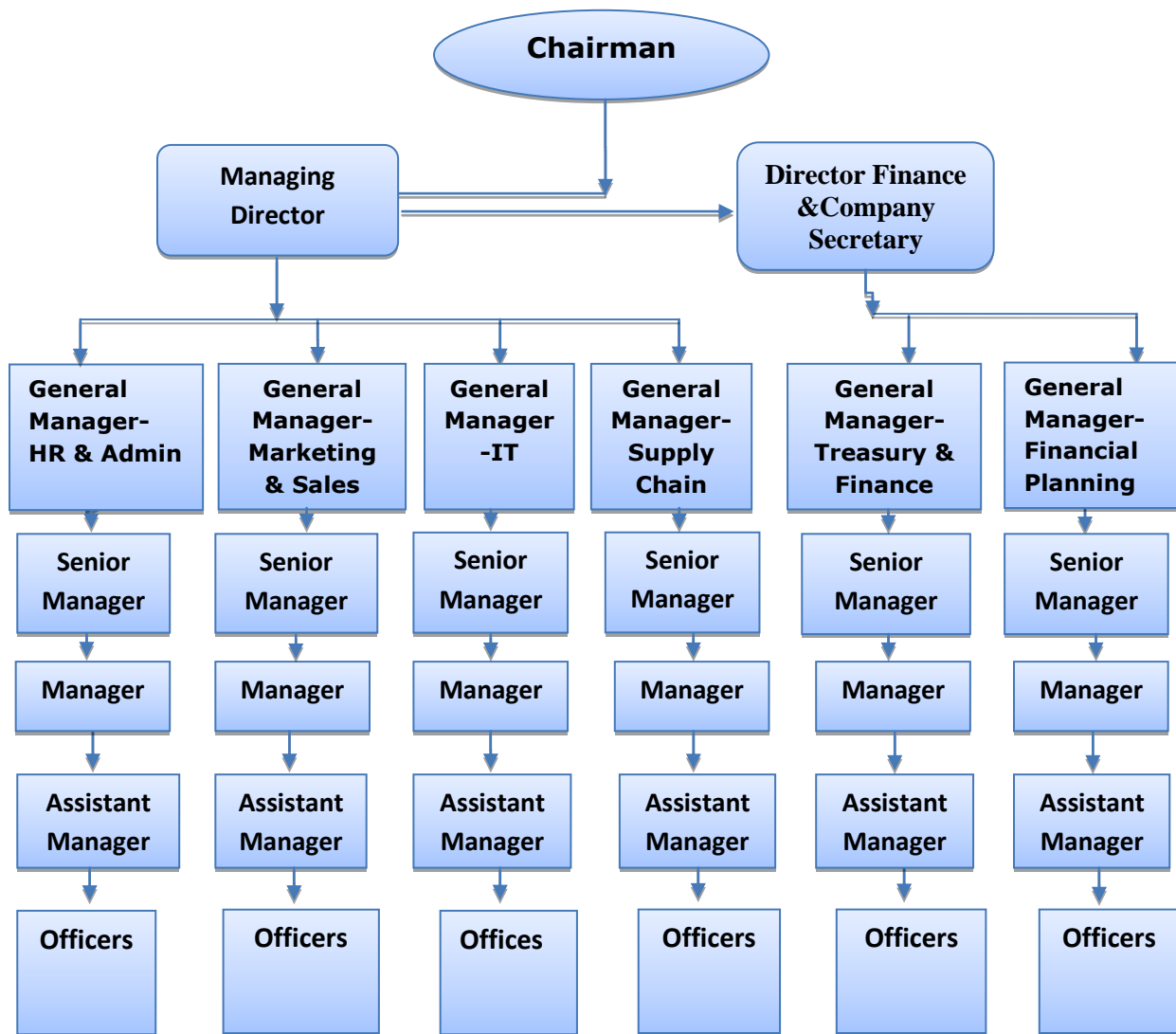


Figure 01: Organizational Structure of BPBL

1.7# SWOT Analysis of Berger Paints Bangladesh Limited

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**.

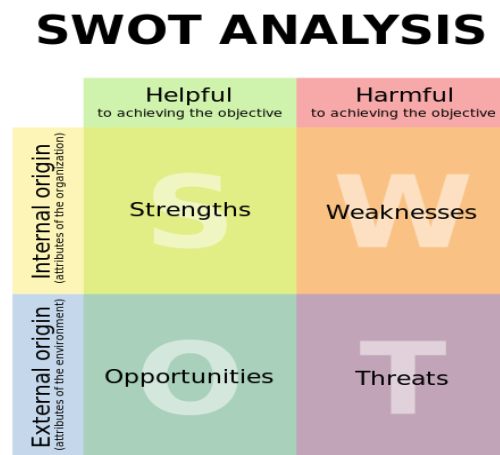


Figure-02: SWOT Analysis.

- 🔥 **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.

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. The following diagram shows how a SWOT analysis fits into an environmental scan.

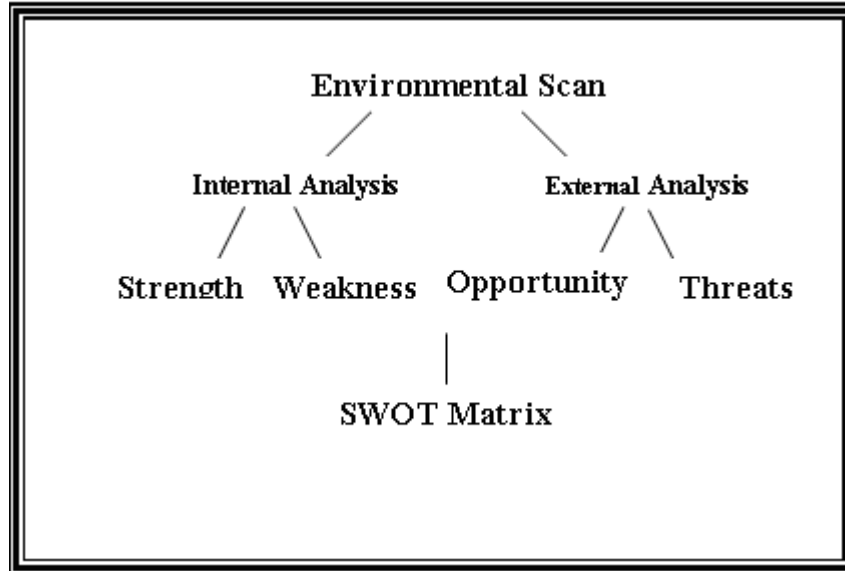


Figure-03:SWOT Analysis Framework

❖ **Strengths of BPBL**

☑ **Strong brand image**

Throughout the years, BPBL has successfully positioned itself as provider of reliable and superior quality paint 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**

Berger Paints Bangladesh 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. It's well designed distribution network ensures product delivery to key market segments within a short period of time.

☑ **Experience in Bangladeshi paint market**

Berger has been involved in the paint business for over two hundred years. BPBL has been operating in Bangladesh since 1970. Catering to the needs of the Bangladeshi

market for over three decades provides the company with profound and unmatched experience regarding the paint industry in Bangladesh.

☑ **Strong presence in all major segments**

BPBL is the only company operating in Bangladesh that has a strong presence in decorative, industrial and marine paints. The company has an almost unchallenged grip on the marine paint segment of the market. It is currently the market leader in the paint industry- occupying more than 50% market share based on annual sales turnover.

☑ **Technology Orientation**

Berger has always been the most technologically oriented paint company of the country. It has the most modern state-of-the-art production facilities installed in its Dhaka factory. Its Research and Development (R&D) and Quality Control (QC) departments are equipped with the best technologies in the country. Such technology driven strategy will definitely assist the future business growth of the country.

☑ **Market Responsiveness**

Berger has always tried to respond promptly to market feedback. As a result, Berger enjoys competitive advantage over its competitors. It is expected that Berger will enjoy more growth in the future, if it continues to be so market responsive.

☑ **Strong in Management Information System (MIS)**

Berger has invested huge money on MIS they are using SAP ERP software which is one of the most reliable ERP system throughout the world more than 90% MNC using this software to handle their data management properly.

❖ **Weaknesses of BPBL**

✗ **Low distribution of authority**

Most of the authority of BPBL is centered in its head quarter. Its regional offices and production units 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.

✘ **Centralized decision making process**

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 Berger. As a result, their valuable inputs are unnoticed which means that chances of improvement are neglected.

✘ **Failure to communicate product information**

Starting from Exterior Emulsion to Gloss Coatings, BPBL offers a wide range of 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 Berger, 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 Berger to properly communicate the complicated product information to the end users. Consequently, this phenomenon is bleeding money out of the company.

❖ **Opportunities for BPBL**

☑ **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 of exterior emulsion**

The market is experiencing very high growth rate in the exterior emulsion category for the last couple of years. As Berger has the best product offering for this segment, it will enjoy a positive impact from the growth.

☑ **Continuous increase of customer awareness**

As a result of continuous awareness building by Berger and other paint companies, customers are becoming more conscious about choosing paints. Being the most

strategically aware company in this field, Berger will enjoy the best benefit of this increase of customer awareness.

❖ **Threats to BPBL**

✘ **Dependence on imported raw materials**

More than half of the raw material used by BPBL is imported from various countries mentioned earlier. These raw materials are essential for the production of every category of products that the company offers. Hence, a major disruption of supply of these materials could spell disaster for the company.

✘ **Higher bargaining power of a few dealers**

Even though most of the times BPBL 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 Berger Paints thus affecting revenue.

✘ **Price instability of raw materials**

Most of the raw materials used in paint production are petro-chemical in nature. Due to the unstable nature of oil prices all over the world, the price and availability of raw materials are subject to moderate fluctuation, making it very difficult to prepare accurate forecasted budget.

✘ **Instability of dollar rate**

Since BPBL is excessively dependent on imported raw materials, instable dollar rate often causes problem for the company. Since the company does not have any long term contract with any of its suppliers, dollar rate fluctuation makes it hard for the company to have a constant marginal cost of production.

✘ **Entrance of low quality substitutes**

Taking advantage of trade liberalization, low priced and naturally low quality products are coming in from China and South East Asia. These low quality substitutes pose a threat to the company.

CHAPTER # 02

INTERNSHIP EXPERIENCE

Credit Management Practice in BPBL

In this chapter I would like to mention my observations that I faced during the internship period. I was in the Financial Accounting and Treasury Department and my work associated with credit management of the department. Here the following will describe the departmental overview:

2.1# Departmental Overview:

BPBL's treasury and financial 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 maintaining with proper smooth coordination with other functional departments. 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. Correct accounting transaction is important for the credit management because of the potential effect on organization's financial results. An efficient and effective credit management can manage and control various risks i.e. market risk, credit risk and liquidity risk.

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 BPBL Finance and Treasury team by ensuring good corporate governance and practice.

2.2# My Activities in Financial and Treasury Department:

During my internship I was assigned several works those are basically related to credit management which are given as following:

Month & Date	Supervisor	Activities
01 September 2014- 30 November 2014	Md. Meer Rahat Manager, Credit Management	1. Analysis Credit Proposal of Dealers. 2. Assist supervisor to prepare aging schedule. 3. Prepare monthly cheque received and bounced report. 4. Handling of AIT certificate provided by dealers and posting of them in SAP. 5. Checking of shop boy incentive Boucher whether the incentive disbursed or not properly by the sales depot. 6. Disburse several monthly incentives like RPRS and TOC through SAP 7. Provide credit and debit notes in SAP regularly.

2:3# Department and Financial Health of the Berger through Ratio Analysis:

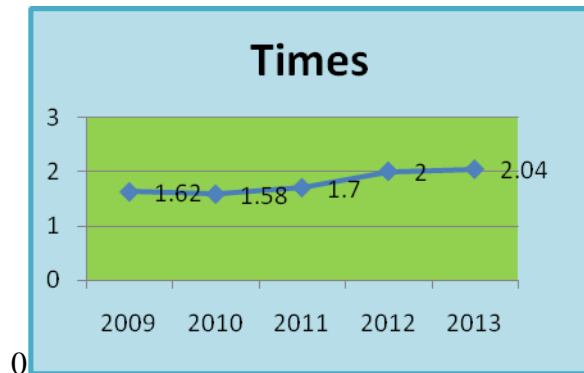
The performance of any department can be measured based on its contribution to the company the contribution of the finance department lies in what degree the financial position is favorable to Berger. Here I tried to draw financial health of the Berger through financial ratio analysis.

Liquidity Ratio:

Current ratio (times):

Current assets

Current liabilities



Current ratio is a **liquidity ratio** that measures whether or not a firm has enough resources to pay its short term obligations.

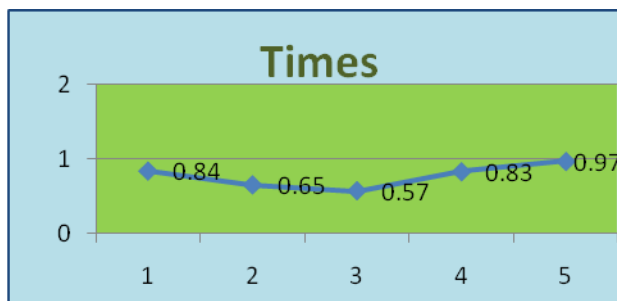
The ratio mainly used to give an idea of the company’s ability to pay back its short-term liabilities (debts and payables) with its short-term assets (cash, inventory, receivables).

In 2013, Berger’s current asset is 2.04 times of their current liabilities. It means that for Tk. 1 of current liabilities the company has Tk. 2.04 of Current Assets. The Company is capable enough to cover its Current Liabilities. The Current Ratio has been increased over the last five years.

Quick Ratio:

Current Assets-Inventories-Advances

Current liabilities



Quick ratio is a liquidity ratio that measures the extent to which a firm can meet its short-term obligations without relying upon the sale of its inventories. It’s also known as the acid test ratio.

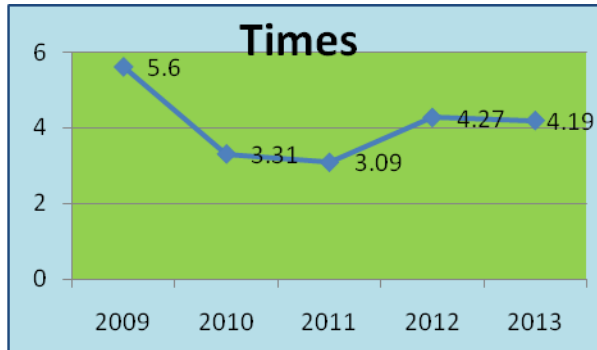
In 2013, Barger’s quick ratio is 0.97 which means that Berger has Tk. 0.97 of liquid assets available to cover each Tk. 1 of current liabilities which is also better compared to last year. So, this year Berger has improved their convertibility ability to meet their current liabilities.

Asset Management Ratio

Inventory Turnover Ratio:

COGS

Inventory



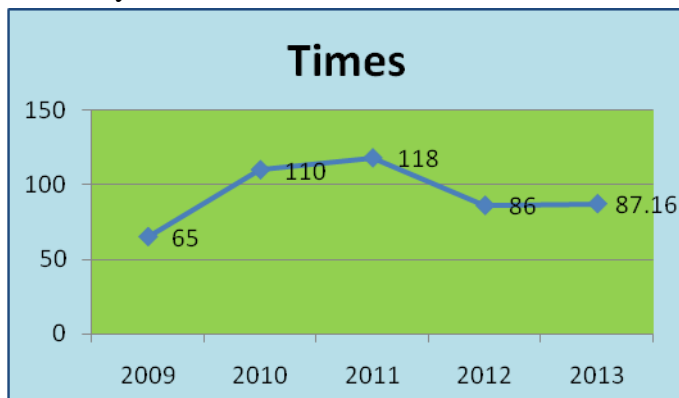
A ratio showing **how many times a company's inventory is sold and replaced over a period**. A low turnover implies poor sales and, therefore, excess inventory. A high ratio implies either strong sales or ineffective buying.

In 2013, Berger sold out and restocked their inventory 4.19 times. Relative change in COGS is less than the relative change in inventory.

Inventory Days:

No. of days

Inventory turnover



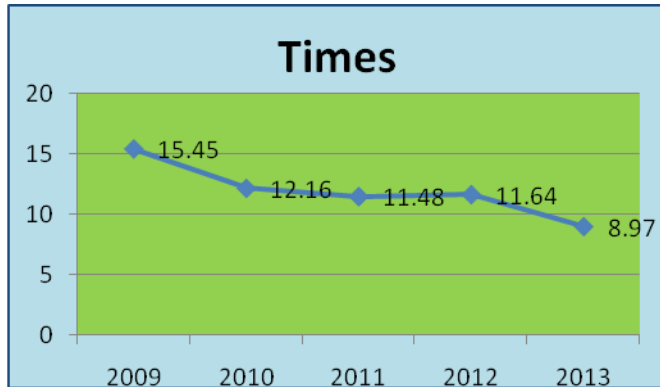
This refers to **how quickly a company is converting their inventory into sales**. A slower turn around on sales may be a warning sign that there are problems internally, such as brand image or the product, or externally, such as an industry downturn or the overall economy.

In 2013, the Inventory day's ratio is 87.16 Days which was 86 days in 2012. So Berger has slightly down here compared to last year now they can convert its inventory to sales within 87.16 days instead of 86 days.

Accounts receivable turnover (times):

Credit sales

Account Receivable



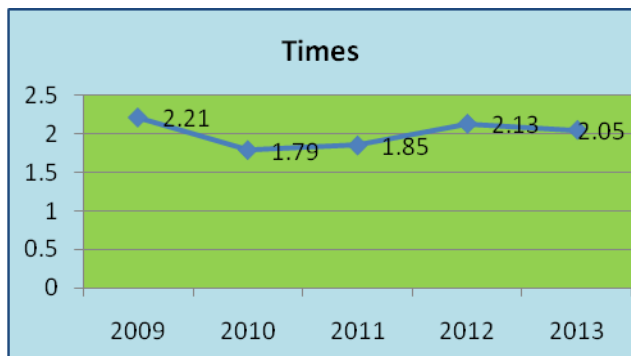
An **accounting measure** used to quantify a firm's effectiveness in extending credit as well as collecting debts. The receivables turnover ratio is an activity ratio, measuring how efficiently a firm uses its assets. By maintaining accounts receivable, firms are indirectly extending interest-free loans to their clients. A high ratio implies either that a company operates on a cash basis or that its extension of credit and collection of accounts receivable is efficient.

In 2013, Berger’s Account receivable turnover ratio is 8.97 times which is lower from last year. And time to time it’s getting lower and lower.

Total assets turnover (times):

Net sales revenue

Total assets



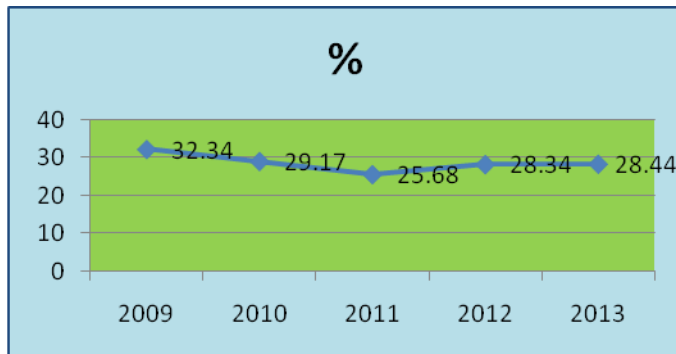
The **amount of sales or revenues** generated per dollar of assets. The Asset Turnover ratio is an indicator of the efficiency with which a company is deploying its assets. The higher the ratio, the better it is, since it implies the company is generating more revenues per dollar of assets.

In 2013, the company’s every 1 Taka worth of total assets has generated 2.05 Taka worth of sales. Relative change in total asset is less than the relative change in sales from the last year.

Asset utilization ratio (%):

Operating profit
Operating assets

(assumed that all assets are operating assets)



The **asset utilization ratio** calculates the total revenue earned for every dollar of assets a company owns. It’s an analysis tool that identifies whether company is wasting its assets or putting them to good use.

In 2013, Berger’s Asset Utilization ratio was 28.44% which is better compare to last year which indicates that Berger has managed to earn tk.0.2844 for tk.1.

Portfolio Ratio:

Gross profit margin (%):

Gross profit
Net sales revenue

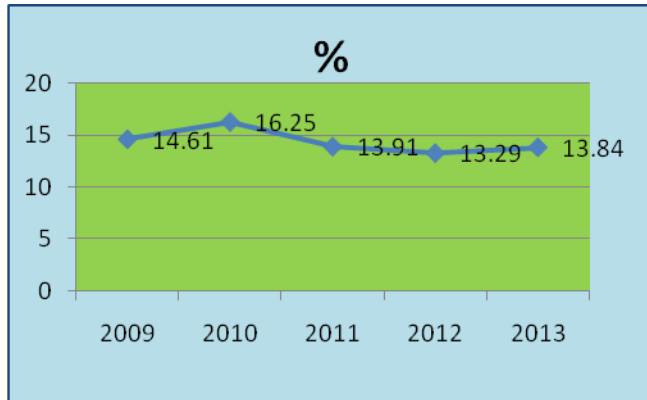


A **ratio of profitability** measures how much out of every dollar of sales a company actually keeps in earnings. Profit margin is very useful when comparing companies in similar industries. A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors.

In 2013, the company made a gross profit of tk.33.71 for every tk. 100 sales. Therefore the Cost of Goods Sold is Tk. 66.29 for every tk. 100 sales. In 2012, the company had a gross profit margin of 33.17%. Thus the company has improved here this year.

Operating profit margin (%):

Operating profit
Net sales revenue

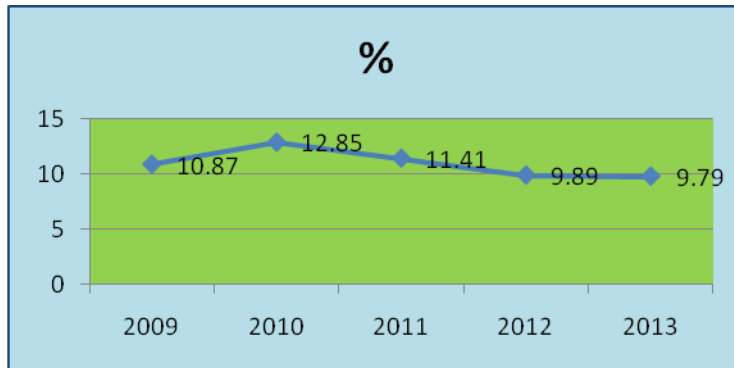


Operating margin is a measurement of what proportion of a company's revenue is left over after paying for variable costs of production such as wages, raw materials, etc. A healthy operating margin is required for a company to be able to pay for its fixed costs, such as interest on debt. Operating margin gives analysts an idea of how much a company makes (before interest and taxes) on each dollar of sales.

In 2013, the company made 13.84% as their operating profit margin, which means that it makes tk0.1384 (before interest and taxes) for every taka of sales which has improved here from last year.

Net profit margin (%):

Net profit
Net sales revenue



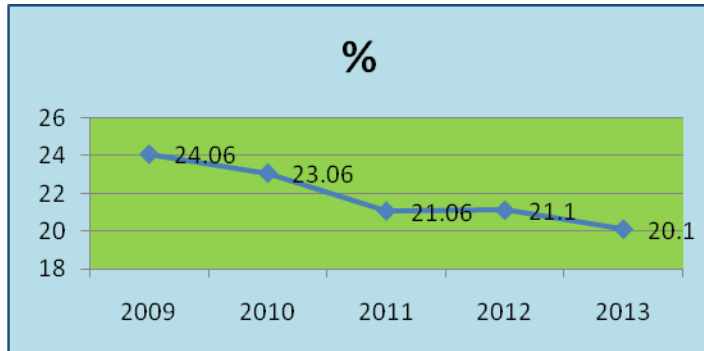
A **ratio of profitability** calculated as net income divided by revenues, or net profits divided by sales. It measures how much out of every dollar of sales a company actually keeps in earnings. Profit margin is very useful when comparing companies in similar industries. A higher profit margin indicates a more profitable company that has better control over its costs compared to its competitors.

In 2013, the net profit margin is 9.79% which indicates Berger has a net income of Tk.0.0979 for each taka of sales. The company had a decreased performance in case of net profit since the net profit margin has fall from 9.89% to 9.79%.

Return on assets (%):

Net profit

Total assets



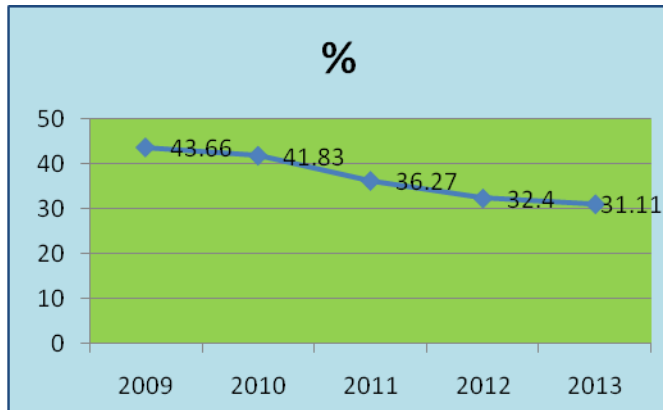
An **indicator of how profitable** a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment". ROA tells what earnings were generated from invested capital (assets).

In 2013, every tk. 100 worth of asset generated tk.20.10 made a moderate profit. In 2012, return on assets was 20.10% compare to last year performance of the company has declined here.

Return on equity (%):

Net profit

Shareholders' equity



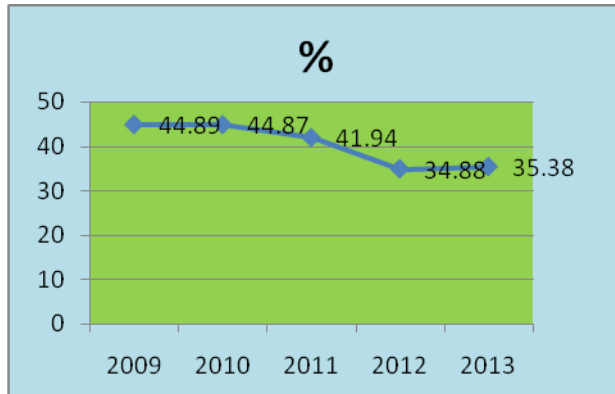
The **amount of net income** returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

In 2013, Berger earns Tk. 31.11 by investing Taka 100 compare to last four years which is lowest it may dissatisfy the shareholders.

Debt Equity Ratio:

Debt ratio (%):

Total debt
Total assets



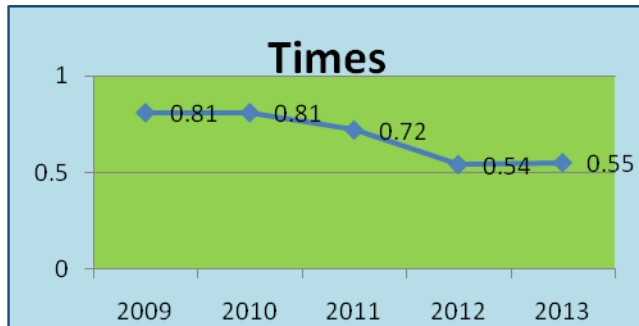
The **debt ratio** is defined as the ratio of total debt to total assets, expressed in percentage, and can be interpreted as the proportion of a company’s assets that are financed by debt.

The higher this ratio, the more leveraged the company and the greater its financial

In 2013, Berger’s 35.38 % of Total Assets were financed by debt. Compare to last year the performance of Berger has declined here.

Debt-equity ratio (times):

Total debt
Total equity

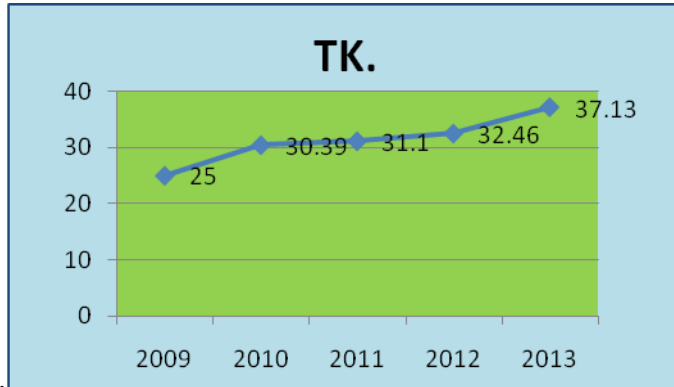


A **measure of a company’s financial leverage** that calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets. Sometimes only interest-bearing, long-term debt is used instead of total liabilities in the calculation. Debt to equity ratio is a long term solvency ratio that indicates the soundness of long-term financial policies of the company.

The debt to equity ratio of Berger in 2012 is 0.55 times or 0.55: 1. It means the creditors of the Company provide Taka 0.55 of assets for each 1 Tk. of assets provided by stockholders. Here also Berger has declined slightly compare to last year and yet majority portion of assets are financed by creditors.

Earnings per share (EPS) [Taka]:

Net income attributable to equity shareholders
No. of shares outstanding

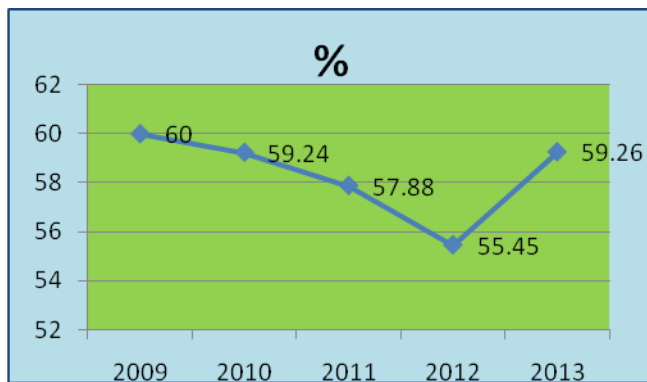


The **portion of a company's profit** allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability. Earnings per share generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

In 2013, the EPS of Berger Is Taka 37.13. According to time series we can see EPS is increased over the last five years which is good for Berger.

Dividend payout ratio (%):

Dividend per share
Earnings per share

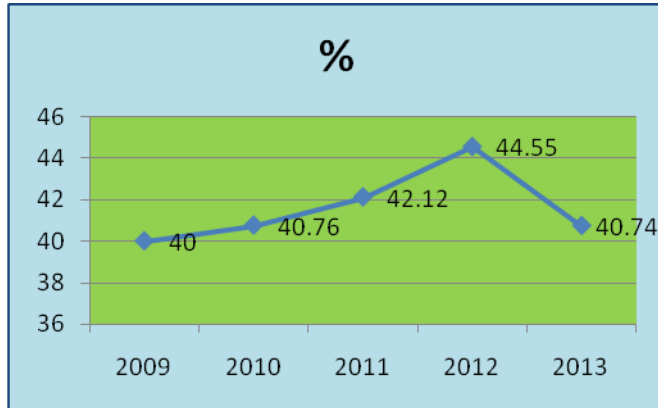


The **percentage of earnings** paid to shareholders in dividends. The payout ratio provides an idea of how well earnings support the dividend payments. More mature companies tend to have a higher payout ratio. . If the payout ratio is more than 100%, it means that the company is paying out all of its current year profits and also some retained profits

In 2013, there is a improvement in dividend payment which is 59.26% which was 55.45 in 2012. So, the company prefers to distribute majority of earnings to shareholders thus shareholder remain happy.

Retention ratio (%):

100% minus dividend payout %



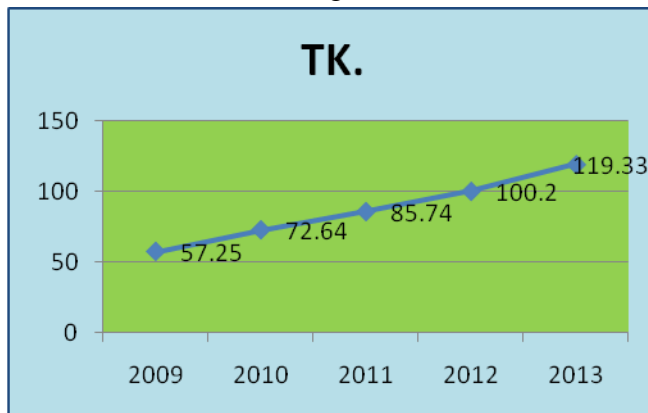
The **proportion of earnings** kept back in the business as retained earnings. The retention ratio refers to the percentage of net income that is retained to grow the business, rather than being paid out as dividends. It is the opposite of the payout ratio, which measures the percentage of earnings paid out to shareholders as dividends. It's Also known as "plowback ratio."

In 2013, Berger Retained 40.74% as retained earnings after paying the dividend to its shareholders. Compare to last year they has decreased the portion of retained earnings.

Book value/Net assets value per share (Taka):

Net assets

No. of shares outstanding

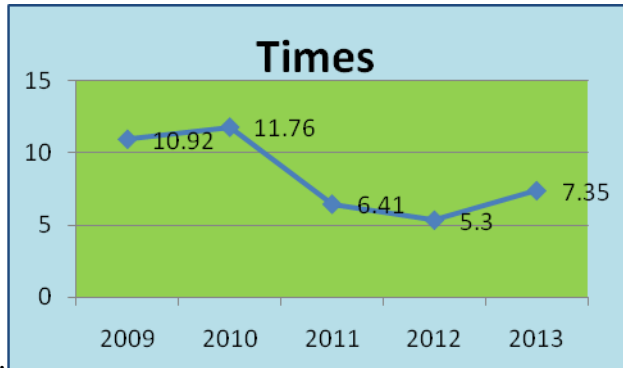


An **expression for net asset value** that represents a fund's (mutual, exchange-traded, and closed-end) or company's value per share. It is calculated by dividing the total net asset value of the fund or company by the number of shares outstanding. NAVPS is the value of a single unit, or share, of a fund. This figure for a mutual fund is the price at which shares are bought and sold. It's also referred to as "book value

In 2013, NAVPS was tk.119.33 has improved compare to last four years. Which indicates that the company has improved the ability to increase the wealth of it's shareholders.

Market value to Book value ratio (times):

Market value per share
Book value per share

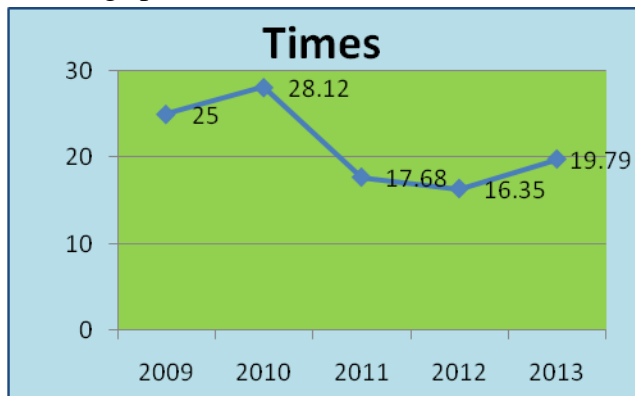


The **market to book financial ratio**, also called the price to book ratio, measures the market value of a company relative to its book or accounting value. The market value of the company is its value at any point in time as determined by the financial marketplace. The book value, or historical value, is almost always lower than the market value since some assets may be off-balance sheet items.

In 2013, market value of Berger was 7.35 times relative to its book value which means that market price of the Berger is overvalued.

Price-earnings ratio (times):

Market value per share
Earnings per share



A **valuation ratio of a company's current share price** compared to its per-share earnings. Also sometimes known as "price multiple" or "earnings multiple." In general, a high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E. However, the P/E ratio doesn't tell us the whole story by itself.

In 2013, the P/E Ratio of Berger is 19.79 Times but it was 16.35 times in 2012 so it is a good sign for Berger which indicates that currently investors are willing to pay tk. 19.79 for tk.1 earning compare to last year tk.16.35 for tk.1.

2.3# Learning outcomes:

After three months of internship I came to gather some knowledge regarding following issues:

- Analysis of credit proposal
- Preparation of receivable aging schedule
- Able to gather fundamental knowledge regarding the SAP software and having opportunities to work on this software
- Able to know how to handle large database through using Microsoft Excel

2:4#My observations regarding the Department:

I have some observations regarding the department after doing my internship in the department. My observations are as follows:

A great scope of learning:

As a young learner and a student of finance it was a great scope to me to work in the Treasury and Financial Accounts Department. Here I had lots of opportunities to exercise of my academic learning. On the other hand most of the employees full of experiences in their field that also inspires me to work with them.

Friendly and Cooperative Working Environment:

The working environment of the department was very friendly and cooperative especially employees of the department were so helpful to me in every aspect of my activities.

Similar types of skills in Department:

The department is full of similar type of skilled people and most of them having CA background. As a result there is an excellent understanding among the employees in terms of their regular activities.

Integrated Department:

The department has to perform maintaining relation with other functional departments like Supply Chain, Cost and Planning, Marketing, Sales, Human Resource and Production as a result the department is integrated department and doing all the activities maintaining a strong relationship with all other departments.

There should have more scope for the Female employees:

Currently the department is largely dominated by male employees and ratio of the female employees very insignificant compare to male employees though scenario is changing now department is recruiting female employees too.

CHAPTER # 03

CREDIT MANAGEMENT PRACTICE

IN

BERGER PAINTS BANGLADESH LIMITED



In this chapter I would like to discuss regarding credit management practice in Berger Paints Bangladesh Limited. The discussion will be in three sections in first section will be consists of making of the reports, second section will be consists of theoretical aspect of credit management and last section will be consists of practical aspect of credit management practice in BPBL.

3.1# Introduction to Project:

The internship project is a requirement of the MBA course BUS 699 in BRAC Business School, BRAC University. The primary goal of the project is to provide the student an on-the-job exposure and an opportunity for translation of theoretical concepts to the real-business situations. As an internee of Berger Paints Bangladesh Limited my proposed topic was “Credit Management Practice in Berger Paint Bangladesh Limited”. Berger Paints is the biggest player in the paint industry and has been conducting business in Bangladesh since 1950. Gradually the company became the most favorite paint solution provider of the citizen. Observing the great opportunity for growth in Bangladesh it was registered in SEC June, 2005 as a public limited company. While working in the department of Treasury and Financial Accounting at Berger, I have tried to gather practical knowledge regarding the credit management practice and strategy as much as possible.

3.1.1# Objectives of the report:

Main objective: To evaluate the Credit Management Practice in Berger Paints Bangladesh Limited 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 financial performance by ratio analysis and SWOT analysis.

3.1.2 # 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 BPBL.

3.1.2.1 # Sources of Data:

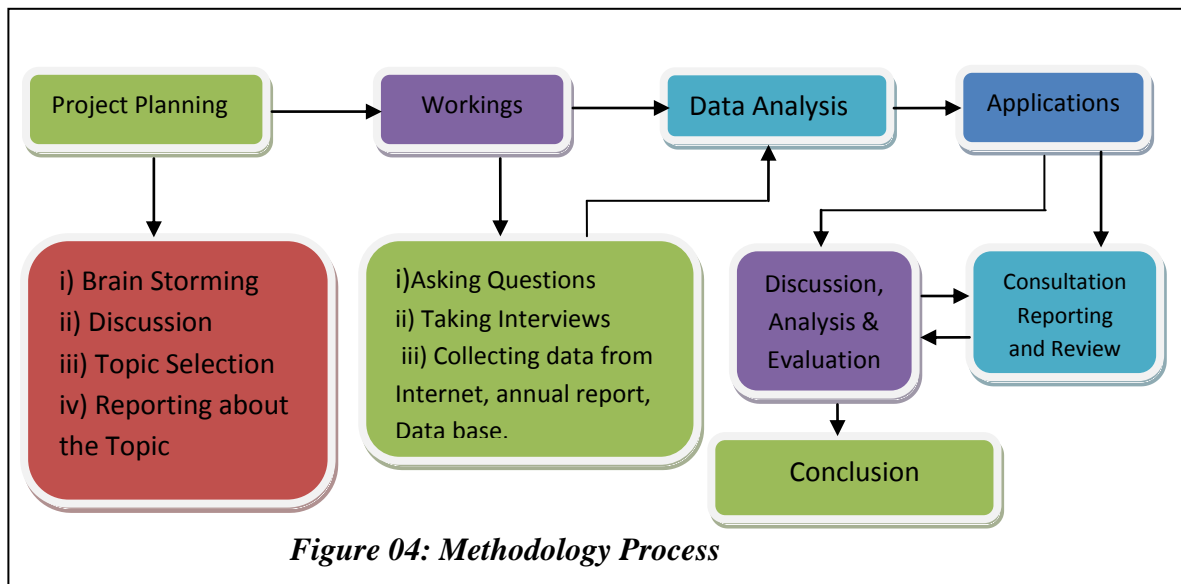
This report has been completed by taking information from different relevant sources. Some accounts have been taken by observing and working with the company itself. The actual information provided in this report was collected from two different sources, namely primary and secondary source.

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:

- ✚ In-depth interview with my Supervisor.
- ✚ Practical desk works experience at Treasury & Finance department BPBL
- ✚ Face to face conversation 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. Primary data, by contrast, are collected by the investigator conducting the research. Secondary data collection process includes:

- Berger Paints Bangladesh Limited, Annual Report 2009, 2010, 2011, 2012 & 2013.
- Berger Paints Bangladesh Limited’s Prospectus
- BPBL’s Database
- Website of Berger Paints Bangladesh Ltd



3.1.3# Limitation of the Report:

To conduct the actual level of evolution of credit management practice in Berger Paints Bangladesh Limited 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.
- **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.

3.2# Theoretical Aspect of Credit Management:

In this section I would emphasize on introduction to credit management, importance of credit management, importance of credit management and techniques of evaluating the credit management.

3.2.1# Introduction to Credit Management:

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.

3.2.2 # 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.

Credit Management Practice in BPBL

- ☑ 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.

3.2.3# 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.

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

Credit Management Practice in BPBL

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.

3.3# Practical Aspect of Credit Management Practice in Berger Paints Bangladesh Limited:

As of statement of comprehensive income of 2013 the net sales of Berger Paints is Tk. 8,796,778,000 and this is the 100% on credit. So from the sales figure it's easily realizable that the credit management practice in BPBL is not an easy task. Handling of this 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 BPBL 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 credit management of Berger Paints involves with the following activities:

- 🚩 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

3.3.1# 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 by the higher authority and approval must be given according to the policy of the Berger. 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 Berger.
- ▶ 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. The following figure will show the scenario of the credit utilization rate of the Berger Paints as of July, 2014.

	(Figures in ‘000 TK.)
Period	June 30,2013 to July, 2014
Total Credit Limit	1780377
Utilized credit limit	803,299
Credit Utilization (%)	49.7%

Figure: Credit Utilization

3.3.2# 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 Berger 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.

Credit Management Practice in BPBL

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.

The following figure will show the credit proposal analysis format:

Criteria	TK./Days	Remark
Proposed Value limit and Days limit		Within norms or beyond norms
Total Outstanding		TK....
Overdue (% of Total Outstanding)		.. %
Highest Bill Age		

Dealer Type	Cash/Credit/Project
Conversion from cash to credit	Yes / No
Conversion from credit to cash	Yes / No
Value limit will be reset	
Days limit will be reset	

3.3.3# 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 Berger 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.

The following will show how credit management prepares aging schedule product wise:

Particulars	Total	Days													
	Balance	0-30	%	31-40	%	41-60	%	61-90	%	91-180	%	181-360	%	<360	%
Product wise Gross Debtors aging															
Decorative:															
Dealers															
Institutional															
Total Decorative															
As a % of grand total															
Industrial:															
Dealers															
Institutional															
Total Industrial															
As a % of grand total															
Marine:															
Dealers															
Institutional															
Total Marine															
As a % of grand total															
Others:															
Dealers															
Institutional															
Total Others															
As a % of grand total															
Grand Total															

The aging schedule basically represents the product wise debtors aging end of the every month.

Credit management also prepares location wise aging schedule which also shown in below:

Particulars	Total	Days													
	Balance	0-30	%	31-40	%	41-60	%	61-90	%	91-180	%	181-360	%	<360	%
Location wise Gross Debtors aging															
Dhaka															
Chittagong															
Sylhet															
Comilla															
Rajshahi															
Bogra															
Khulna															
Mymensing															
Barisal															
Rangpur															
Feni															
Dhaka South															
Home Décor															
Grand Total															

3.3.4#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 Berger 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.

3.3.5#Providing RPRS (Regular Payment Regular Rebate) and TOC (Turn over Rebate) to the dealers:

Credit management of Berger always tries to realize its debts as much as possible for that they have developed some strategies to realize its debts as much as possible. RPRS (regular

payment regular rebate) and TOC (turnover rebate) are most effective two strategies followed by Berger very successfully.

RPRS (Regular Payment Rebate Scheme):

RPRS is given to dealers based on their payment patterns. As I discussed that Berger issue credit days to dealers the standard credit terms to dealers is 40, 60 & 90 days and for these days RPRS days limit 30, 40 & 60. The following table will show payment patterns for under RPRS policy:

Dealers Days	RPRS Days
40	3/30, n/40
60	2.5/45, n/60
90	2/60, n/90

If we look at the RPRS policy we can see that if any dealer has the credit days for 40 days and the dealers able to clear its debt within 30 days then the dealers will be rebated for 3% and nothing will be counted for 40 days payment of its respective invoice, similarly 2.5% will be rebated for 45 days payment in case of 60 credit days limit and 2% will be rebated for 60 days payment in case of 90 credit day limit. All RPRS are provided to dealers as credit notes as a result terms as an expense of Berger. But it has positive effect on credit realization and booster cash inflow to Berger and ensures working capital management. So, considering all the outcome of RPRS it can be said that RPRS has been a successful to realize credit as early as possible.

TOR (Turn Over Rebate):

Turnover rebate is another expense for Berger that also disbursed by credit management in every month. TOR basically a scheme that is given to dealers based on their turnover. This scheme also given to dealers as credit notes thus it also reduces receivable to the company and help the company to increases its sales because through credit notes dealers are lowering their receivable and getting opportunities to buy more product from Berger based on their credit notes.

3.3.6# Disburse several incentives to the dealers based on provisions:

Along with RPRS and TOC credit management of Berger also disburse other several incentives to dealers for realizing credits and increasing sales as wells. Through these

incentives provide to dealers under several “Trade Promotion Scheme” but credit management team is responsible for disbursing these incentives to dealers. Because these trade promotion schemes are given to dealers as credit note as a result these schemes are considered as expense for the Berger also lowering the receivable of the Berger.

3.3.7# Preparation of cheque received and bounced report for every month:

Credit management of Berger is responsible for cash inflow to the Berger 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:

Location wise cheque received and bounced report:

Location	Cheque Received Quantiy	Cheque Received Amount	Cheque Bounced Quantity	Cheque Bounced Amount
Dhaka				
Chittagong				
Shylet				
Comilla				
Rajshahi				
Borga				
Khulna				
Mymensingh				
Barisal				
Rangpur				
Feni				
Dhaka South				
Total Company				

Product division wise cheque received and bounced report:

Location	Cheque Received Quantiy	Cheque Received Amount	Cheque Bounced Quantity	Cheque Bounced Amount
Decorative				
Industrial				
Marine				
Powder Coating				
Adhesive and Chemical				
Trading				
Auto Refinish				
Wood Coating				
Construction Chemical				
Total Company				

In case of cheque bounced dealers will be non-eligible for the RPRS facilities and dealers will fined for cheque bounced for each bounced dealers has to pay TK.500 for each.

3.3.8# Preparation of Month-end Debtors’ Reports:

Credit management of Berger 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. The following table will show how credit management analyzes its debtors' by month to month basis:

Product division wise debtors’ analysis:

<u>Business Line wise Debtors' Analysis</u>					
<u>Particulars</u>	<u>Decorative</u>	<u>Industrial</u>	<u>Marine</u>	<u>Others</u>	<u>Total</u>
<u>Actual:</u>					
YTD Gross Sales					
YTD Credit Sales					
No of YTD Days					
Per Day Gross Sales					
Per Day Credit Sales					
Gross Debtors					
Debtors Days on Gross Sales-current month					
Debtors Days on Gross Sales-last month					
Debtors Days on Credit Sales-last month					
Note: Debtors others include- adhesive, trading, powder coating, wood coating, vehicle refinish, home décor. YTD means year to date and MTD means month to date.					

3.3.9 # Calculation of DSO:

One of the major components of debtor's report is DSO (day's sales outstanding) of the company. DSO can be calculated as follows:

DSO= Accounts Receivable/Total Credit Sales*Number of days.

The following chart will show the last five years of DSO of the company:

All sales of the company are credit sales:

Period	Sales	Outstanding	DSO
2009	5,333,002	293,674	20
2010	5,483,619	353,693	24
2011	6,321,274	472,468	27
2012	7,611,213	499,686	24
2013	8,796,778	659,103	27

3.3.9# Problems and Challenges of Credit Management Practice in Berger:

Though credit management remains satisfied in various aspect but in some cases the credit management team facing challenges. The challenges are as follows:

- ✘ Some of the dealers have bargaining power over Berger
- ✘ Bad debt provision has increased over the years
- ✘ Competition from other paint giants increasing day by day
- ✘ No scale for credit rating of the company
- ✘ There is no proper agency to collect bad debt in Bangladesh

Some of the dealers have bargaining power over Berger:

There are some dealers who have bargaining power over Berger because of their sales turnover annually because of this reason in some cases the company cannot implement its policies as per rules and regulations. As a result some extent it's very difficult for credit management to have control over these dealers in case of their failure of payment in time and other issues.

Bad debt provision has increased over the years:

The following table will show the allowance for doubtful accounts for last three years:

Year	Amount	Increase (%)
2011	TK.3,055,000	
2012	TK.4,413,000	44.45
2013	TK.6,593,000	49.4

From the table it's clearly measurable that in last three years bad debt increasing more than 40% a year. So lowering these bad debts is a big concern for the credit management team in Berger.

Debtors' growth percentage is higher than the sales percentage

In last first five debtors growth percentage remain higher than the sales growth the following table will show the difference:

Year	Sales ('000)	Debtors ('000)	Sales Growth (%) (Current year sales- Last year sales/Last year sales)	Debtors Growth (%) (Current year debtors- Last year debtors/Last year debtors)
2009	5,333,002	293,674	-	-
2010	5,483,619	353,693	2.82%	20.44%
2011	6,321,274	472,468	15.28%	33.58%
2012	7,611,213	499,686	20.41%	5.76%
2013	8,796,778	659,103	15.58%	31.9%

From the table it's easily comparable that except year 2012 debtors' growth is higher than the sales growth. So, it's also a big challenge to credit management in Berger.

Competition from other paint giants increasing day by day

Currently paints market of Bangladesh welcoming the world's famous paint company so as a result there is some world leading Paints Company like Asian Paints, Akzonobel trying to expand their business in this country. So, considering this competition credit management cannot implement their policies in many cases.

No scale for credit rating of Dealers:

Here in Berger credit management does not follow any credit rating procedure to rate the dealers in terms of their credit performance. So in some cases it's very difficult to judge the dealers when the dealers applying for the credit limit and credit days.

There is no proper agency to collect bad debt in Bangladesh:

In Bangladesh there is no proper credit recover agency those are available in fast world country. Absence of proper credit recover agency when a dealer being default to clear his/her debt, credit management has very little scope to recover the dealer's debt properly. Until the development of this type of agency credit management has to face this type of problem.

3.3.10 # Findings of the Project:

After working in credit management in Berger I have developed some observation regarding their credit management. My findings are as follows:

- ✦ 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's sales outstanding).
- ✦ Credit utilization rate is not up to the mark.
- ✦ In some cases it's very difficult to implement policies after considering competition, sales volume of any particular dealer and achievement of sales target.

CHAPTER 4

CONCLUSION

4.1# Conclusion:

Berger Paints Bangladesh Limited, a leading paints giant in Bangladesh, has been operating since 1970 with glory and ensuring excellent quality in terms of products and services. The company has been the pioneer for many products in paints industry in Bangladesh. Currently the company has more than Tk. 1000 cores sales turnover annually and controlling the 55% of the paints market in Bangladesh.

The success of the Berger is largely depends on the dealers' performance. If dealers' perform well then the Berger also perform well because the wide network of dealers make possible to reach Berger's product to every corner of the Bangladesh. In these circumstances credit management of Berger 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 Berger 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.

4.2 # References:

- ✓ http://en.wikipedia.org/wiki/Credit_manager
- ✓ <http://www.wisegeek.com/what-is-credit-management.htm>
- ✓ <http://www.investopedia.com/terms/c/credit-control.asp>
- ✓ <http://www.juststartups.com/finance/35/credit-management-warning-signs.html>
- ✓ www.bergerpaints-bd.com
- ✓ Berger Paints Bangladesh Limited, Annual Report 2009, 2010, 2011, 2012 & 2013