Internship Report on

Credit Performance Analysis: A Study on Dream71 Bangladesh Ltd.

Submitted by:

Easin Hossain

ID: BBA2102023081

Program: BBA

Major: Finance

Department of Business Administration

Sonargaon University (SU)

Submitted to:

Md. Shahbub Alam

Lecturer

Department of Business Administration

Faculty of Business

Sonargaon University (SU)

Submitted for the partial fulfillment of the degree of BBA in Finance

Date of Submission: August 30, 2025

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Internship Certificate



Dream71

Dream71 Bangladesh Ltd

Hyatt Rose Park (Level-5), House-16, Block-A, Bashundhara Main Road, Bashundhara R/A, Dhaka 1229, Bangladesh.
Email: info@dream71.com phone :8809678-711971

Ref: D71/HR/IS/25/08/002

Date: 24-Aug-2025

TO WHOM IT MAY CONCERN

This is to certify that Mr. Easin Hossain, conducted the Digitization Operator Internship at Dream71 Bangladesh Ltd from 13 May, 2025 to 12 Aug 2025.

During his internship as a Digitization Operator, Mr. Easin Hossain shouldered multiple responsibilities and completed tasks of various natures in UNDP ISPAT Project at NGO Affairs Bureau. Mr. Easin Hossain delivered document scanning, data entry, prepare documentation works which assisted the team to produce the professional business job. Mr. Easin Hossain is a great team player that engages actively in the team discussion and project planning. He also demonstrated great work ethics and high productivity throughout his internship. We found him very honest, punctual and dedicated to his work.

We wish him very best for the future career and are thankful for him contribution to this company.

Dream 71 Bangladesh Ltd. Dhaka

Rashad Kabir
Managing Director
Dream71 Bangladesh Ltd
Dhaka, Bangladesh.
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Letter of Transmittal

Date: 30 August, 2025

To
Md. Shahbub Alam
Lecturer
Department of Business Administration
Sonargaon University

Subject: Internship Report on Credit Performance Analysis: A Study on Dream71 Bangladesh Ltd.

Dear sir,

I am pleased to share with you the internship report I created for you as a requirement for my BBA degree on the topic of **Credit Performance Analysis: A Study on Dream71 Bangladesh Ltd.**

I've put forth a great deal of work to make it as accurate and helpful as possible. I'm appreciative that Dream71 provided me with the chance to investigate company procedures in the finance department. A fantastic opportunity has presented itself for me to use what I have learned in class and learn more about the stages involved in transaction modes and reception procedures. The data used to create the information for this report came from the firm, mostly from the finance department and the internet.

Sincerely, I hope you will think over my report and heed the recommendations that follow. Please don't hesitate to get in contact with me if there's anything you'd like to know more about or want to clarify. I'm counting on you to acknowledge the work I've put in and to overlook any mistakes I've made.

Sincerely Yours,

Easin Hossain

ID:BBA2102023081

BBA (Major in Finance)

Faculty of Business Administration

Department of Business Administration

Sonargaon University

DECLARATION

My name is Easin Hossain and my student ID number is BBA2102023081. I am now enrolled in the Bachelor of Business Administration programme. I am a student at Sonargaon University in Bangladesh who is majoring in finance, and I am pleased to let you know that I recently completed a report for my internship on the "Credit Performance Analysis: A Study on Dream71 Bangladesh Ltd." with a great deal of thoroughness.

Easin Hossain

ID:BBA2102023081

BBA (Major in Finance)

Faculty of Business Administration

Department of Business Administration

Sonargaon University

CERTIFICATE

This is to confirm that an internship report on "Credit Performance Analysis: A Study on Dream71 Bangladesh Ltd.", agreed out by Easin Hossain, ID BBA2102023081 under my supervision, was completed for partial fulfilment of the degree of Bachelor of Business Administration (BBA) major in Finance from the Sonargaon University, Bangladesh. The report was on "Credit Performance Analysis of First Security Islami Bank Limited".

I hope that he has nothing but continued success throughout his life.

_____

Md. Shahbub Alam

Lecturer

Faculty of Business Administration

Department of Business Administration

Sonargaon University, Bangladesh

Acknowledgment

To begin, I want to give appreciation to Allah, the Almighty, for allowing me the endurance to conclude my report. In order for me to successfully complete the report for my internship, I need the assistance of a few notable individuals as well as their guidance. Because of the constraints imposed by the complex's limited area, we are unable to identify each individual. I would like to thank everyone who assisted me in completing this research since I couldn't have done it without you. I've learned a ton of new things as a result of it.

I would like to express my gratitude to the person who oversees my work**, Md. Shahbub Alam, who is an Lecturer in the department of Business Administration at Sonargaon University**.He has been very helpful in pointing me on a dependable and proper path throughout the process of producing this report, which has resulted in a report that is totally rich in edifications. I would also like to express my gratitude to my honourable supervisor,**Shumaya Shuly, Senior Executive Officer of Dream71 Bangladesh Ltd.**, for the opportunity to confer with him and for the great cooperation he provided. Now that I have his direction, I can make the necessary adjustments to the report so that it is more appropriate. I am also thankful that **Wahid Khan, Admin of HRM of Dream71 Bangladesh Ltd.**, provided me with all of the information I required regarding investment distribution and the financial report on the official website.

Last but not least, as a consequence of the insightful comments that the members of the investment team made on this plan, I was able to make some improvements to my report. I would like to express my gratitude to everyone who assisted me in putting together the report for my internship, regardless of whether they were directly engaged.

Executive Summary

This internship report presents a comprehensive Credit Performance Analysis of Dream71 Bangladesh Ltd., a leading software and IT service provider, conducted during the internship period. The primary objective of the study was to evaluate the company's effectiveness in managing its accounts receivable, assess associated risks, and understand the impact on its overall financial health.

The analysis is based on the company's audited financial statements from the fiscal years 2019 to 2022. Key financial ratios were calculated to measure liquidity, leverage, profitability, and, most critically, credit management efficiency. The findings reveal a tale of two contrasting financial narratives.

On one hand, Dream71 Bangladesh Ltd. demonstrates exceptional profitability and growth. The company's Return on Equity (ROE) and Return on Assets (ROA) reached phenomenal levels of 87.3% and 80.9% in 2021, respectively, normalizing to still-impressive figures of 36.3% and 34.8% in 2022. Furthermore, the company maintains a robust, low-risk financial structure with minimal debt dependency, as evidenced by a Debt-to-Equity ratio of only 0.046.

On the other hand, the analysis uncovers a significant critical challenge in credit management. The most salient finding is the severe elongation of the cash conversion cycle. The Days Sales Outstanding (DSO) ratio stood at approximately 191 days in 2022, indicating it takes the company over six months on average to collect payments from its customers. This has resulted in a substantial portion of the company's assets (over 47%) being locked in accounts receivable, creating a major constraint on cash flow. This issue is compounded by a high concentration of credit risk with a few large clients.

The report concludes that while Dream71 is highly profitable and financially stable, its reliance on long credit periods poses a threat to its operational liquidity and long-term sustainability. To mitigate this risk, key recommendations include implementing stricter credit control procedures, diversifying the client base, renegotiating payment terms with major clients, and leveraging banking instruments to secure timely payments.

In essence, this report finds that Dream71 Bangladesh Ltd.'s path to enduring success hinges on mastering its credit management to ensure that its impressive profitability is seamlessly converted into robust financial liquidity.

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Dream71

Chapter - 1
Introduction

1.1 Introduction

The technology sector is experiencing growth and is playing an increasingly important role in today's economy. Both conventional and Dream71 Bangladesh has been practiced in Bangladesh, however, there have been some notable contrasts between the two. So, a technology organization that takes deposits from a wide variety of sources can be described as a "nutshell" version of the following:

Dream71 earns revenue through contracts with both government and international organizations, particularly in digital platform development:

Government and e-Governance Projects: They've developed various digital systems for Bangladesh government agencies, including solutions for Biman Bangladesh Airlines, the Ministry of Land (Smart Bhumipedia), Ministry of Commerce, LGED, and PKS.

International Development Projects: Dream71 has repeatedly won UNDP-led tenders, such as creating a job portal for East Timor with Android and iOS apps (part of the UNDP YESS initiative).

Dream71 also offers bespoke development services for custom digital needs: These include mobile app development (iOS & Android), web application development, game development, multimedia content creation, AI-powered business automation, and e-governance solutions.

Dream71's export business is significant in its revenue structure: They export software to over 12–15 countries, including markets like Japan, Netherlands, UAE, Cameroon, East Timor, Nigeria, Mozambique, South Korea, Turkey, Bhutan, Lithuania, UK, and Afghanistan

the Holy Quran, which state that charging interest is an abominable sin and that business practices need to be acceptable for the benefit of humanity.

Dream71's revenue model is diversified, combining contracted government projects, proprietary product offerings, custom services, and international exports. This diversified mix allows them to sustain growth both locally and globally.

If you're curious about their major revenue proportions, market-specific pricing, or financial figures, such data is typically not publicly disclosed for private tech firms in Bangladesh. Let me know if you'd like help finding related metrics or comparable benchmarks

1.2 Origin of the report

I was given the opportunity to complete the criteria for my internship by conducting research and writing about the activities of Dream71 Bangladesh Limited. I completed my internship at the Dream71 Bangladesh Limited., which lasted a total of three months. With participation in this internship program, students will have the opportunity to put the skills and information they have gained in the classroom to use in the real world. I was able to write this report because of the day-to-day work experience I have.

As part of the requirements for this internship, I was required to prepare a report, and I worked on it under the supervision of Md. Shahbub Alam Lecturer Department of Business Administration at Sonargaon University. Shumaya Shuly, Senior Executive Officer of Dream71 Bangladesh Ltd. on the other hand, assisted me in creating my internship report within the company and also my internship supervisor.

1.3 Objectives of the study

The main objectives of this internship report are:

- To analyze the credit performance of Dream71 Bangladesh Ltd. based on its audited financial statements.
- To assess the company's financial health concerning credit risk, including the management of receivables and short-term borrowings.
- To identify strengths and weaknesses in the company's credit management practices.
- To provide recommendations for improving credit performance and financial stability.

1.4 Scope of the study

This study focuses on the credit performance of Dream71 Bangladesh Ltd. over the last three financial years (2020-2021, 2021-2022, and 2022-2023). It includes detailed analysis of the company's credit-related financial data, including accounts receivables, short-term loans, income tax liabilities, and cash flow related to credit activities.
The study also reviews trends in revenue, operating expenses, and financial expenses to understand the company's credit risk exposure and management effectiveness. The insights and recommendations provided aim to benefit the company's finance and credit departments for better decision-making and risk mitigation.

1.5 Methodology of the study

The word "methodology" refers to an organized and methodical strategy for gathering data. The analysis of the bank's investment performance is going to be presented in this report. First Security Islami Bank Ltd. In order to write my report for my internship, I drew from a variety of primary and secondary sources of information.

Data are being collected in two ways

1. Primary Source
2. Secondary source

1. Primary Source:

I observed the finance personnel during my three-month internship. The benefit of my superiors is that they assisted me as much as they could, and the majority of the vital knowledge I learned was from face-to-face conversations. The First Security Islami Bank Ltd. government's annual budget inspired me.

2. Secondary source:

When it came to gathering secondary data, the official website of the bank was the primary resource I used, in addition to several articles and other publications on internship projects.

1.6 Limitation

Following limitations that I suffered during the report

- **Insufficient data**: Our inquiry was motivated in large part by the lack of information supplied by a variety of financial institutions.
- **Shortage of time:** Because this is such a vast business, it is quite challenging to cover everything in such a short period, as I have already mentioned.
- **Data Complexity:** When it comes to the verification of data, interviewing multiple people at once produces a significant amount of additional complexity. This is yet another challenge.

Chapter - 2

Literature Review

2.1 Introduction to the Literature Review

A literature review is a critical analysis of existing research and publications on a specific topic. This chapter aims to establish the theoretical framework for credit performance analysis by reviewing relevant literature on credit management, working capital management, and key financial ratios. This foundation is essential for understanding the principles that will be applied in the subsequent analysis of Dream71 Bangladesh Ltd.'s financial health.

2.2 Theoretical Concepts of Credit Management

Credit management is a core function of corporate finance, crucial for maintaining liquidity and ensuring sustainable growth. It involves the process of granting credit, setting credit terms, recovering cash, and managing the associated risks.

- **Importance of Credit Management:** Researchers like Brigham and Ehrhardt (2016) emphasize that effective credit management is a balancing act. While liberal credit policies can stimulate sales, they also increase the risk of bad debts and tie up capital in receivables. Conversely, restrictive policies may safeguard cash flow but can inhibit sales growth. The optimal policy maximizes the value of the firm by finding a trade-off between these two extremes.
- **The Credit Policy:** Pandey (2015) outlines the key components of a firm's credit policy:
    1. **Credit Standards:** The criteria for selecting customers who are eligible for credit.
    2. **Credit Period:** The length of time customers are given to pay their invoices.
    3. **Cash Discounts:** Incentives offered for early payment.
    4. **Collection Policy:** The procedures followed to collect receivables. The study argues that a well-designed credit policy is instrumental in reducing the average collection period and minimizing defaults.

2.3 The Role of Working Capital Management

Working capital management is intrinsically linked to credit management, as it deals with a company's short-term assets and liabilities.

- **Liquidity and Profitability Trade-off:** A seminal concept in finance is the inherent trade-off between liquidity and profitability. Smith (1980) noted that by reducing investment in current assets (like receivables), a firm can increase its return on investment. However, this also increases the risk of illiquidity. Effective working capital management strives to find an optimal level that balances this risk and return.
- **Cash Conversion Cycle (CCC):** Gitman (1974) introduced the Cash Conversion Cycle model, which measures the time lag between the expenditure for purchases and the collection from sales. The CCC is calculated as:
    - CCC = Days Inventory Outstanding + Days Sales Outstanding - Days Payable Outstanding
      A shorter CCC indicates a more efficient company, as it means less time is spent between spending cash and receiving cash. A lengthy DSO, a key component of CCC, is a major drag on this efficiency.

2.4 Key Financial Ratios in Credit Analysis

Financial ratios are the primary tools for quantifying and evaluating a company's credit performance.

- **Liquidity Ratios:** Ratios like the Current Ratio and Quick Ratio are standard measures of short-term financial health. However, Ross, Westerfield, and Jordan (2018) caution that a very high current ratio can be misleading if it is caused by slowly moving inventories or old receivables, which is a key insight relevant to this report.
- **Activity or Efficiency Ratios:** The Accounts Receivable Turnover Ratio and its derivative, Days Sales Outstanding (DSO), are the most direct measures of credit performance. Van Horne and Wachowicz (2008) state that a low turnover (and thus a high DSO) indicates inefficiency in collecting receivables and a relaxation of credit terms. They recommend comparing a firm's DSO to its credit terms; if DSO is significantly higher, it suggests a poor collection effort.
- **Profitability Ratios:** While Return on Asset (ROA) and Return on Equity (ROE) measure overall efficiency and return, they can be influenced by credit policy. Gitman and Zutter (2012) link high profitability to efficient asset management, which includes the swift collection of receivables. Stagnant receivables can inflate the asset base, artificially depressing ROA.

2.5 The Impact of Client Concentration

A specific risk factor in credit management is client concentration.

- **Risk of Dependency:** Research by Bae et al. (2019) on SMEs highlights that reliance on a major customer can significantly increase financial vulnerability. Payment delays or the loss of a key client can immediately trigger a severe liquidity crisis, regardless of the company's overall profitability. This underscores the need for diversification in a client portfolio.

2.6 Summary and Conceptual Framework

The reviewed literature establishes that:

1. Credit management is a critical strategic function that directly impacts a firm's liquidity, profitability, and risk.
2. Effective management requires a careful balance between liberal and restrictive credit policies.
3. Financial ratios, particularly Days Sales Outstanding (DSO) and the composition of current assets, are vital diagnostic tools for assessing credit performance.
4. A high concentration of receivables in a few clients represents a significant financial risk.

Conceptual Framework:
Based on this literature, the conceptual framework for this study is built on the principle that a company's financial health is a function of its **profitability**, **liquidity**, and **risk management**. This report will analyze Dream71 Bangladesh Ltd. by examining:

- **Profitability** through ROA and ROE.
- **Liquidity and Leverage** through Current, Quick, Cash, Debt, and Debt-to-Equity ratios.
- **Credit and Risk Management** through Days Sales Outstanding (DSO), Receivables Turnover, and the analysis of client concentration.

Chapter - 3

Profile of Dream71 Bangladesh Ltd.

3.1 Overview of Dream71 Bangladesh Ltd.

Dream71 Bangladesh Ltd. is a private limited company incorporated on July 9, 2014, under the Companies Act of 1994 (Registration No. C-117022/14). Headquartered at 16, Main Road, Block-A, Bashundhara R/A, Dhaka, it is a dynamic IT enterprise specializing in software development, e-governance solutions, business automation, apps and games development, freelancing, and IT consultancy. Over the years, Dream71 has expanded its operations to over 12 countries, providing innovative and customized technology solutions to governmental bodies, multinational organizations, and private sector clients. The company has successfully executed more than 37 government projects and developed software platforms for both local and international markets.

3.2 Vision of Dream71

Dream71 envisions becoming a leading global ICT solution provider recognized for delivering innovative, reliable, and scalable technology solutions that empower organizations to achieve digital transformation and sustainable growth.

3.3 Mission of Dream71

- To deliver state-of-the-art software and ICT solutions with a focus on quality, efficiency, and customer satisfaction.
- To foster innovation by integrating emerging technologies such as Artificial Intelligence, blockchain, and big data analytics.
- To build strategic partnerships with government and international organizations for lasting social and economic impact.
- To nurture talent and create a vibrant work environment that encourages creativity, collaboration, and excellence.

3.4 Objectives of Dream71

- To develop and supply innovative software products and services tailored to client needs.
- To expand the company's presence in both domestic and international markets.
- To maintain financial strength with sustainable growth in revenues and profitability.
- To uphold high standards of corporate governance and social responsibility.
- To enhance operational efficiency through continuous process improvement and technology adoption.

3.5 Corporate Information of Dream71

- **Name:** Dream71 Bangladesh Ltd.
- **Legal Form:** Private Limited Company
- **Incorporation Date:** July 9, 2014
- **Registration Number:** C-117022/14
- **Registered Office:** 16, Main Road, Block-A, Bashundhara R/A, Dhaka, Bangladesh
- **Nature of Business:** Software development, Data processing and printing, IT consultancy, App and game development, Freelancing, System design, Networking equipment, Training.
- **Auditors:** Chowdhury Hossain Rashid & Co., Chartered Accountants (2022-2023), Akhter Abbas Khan & Co. (2021-2022), A. Matin & Company (2020-2021).
- **Authorized Capital:** Tk. 10,000,000 divided into 100,000 ordinary shares of Tk. 100 each.
- **Issued Capital:** Tk. 1,500,000 (15,000 shares issued and fully paid).
- **Key Shareholders:** Engr. Md. Ashraful Kabir (6.67%), Engr. Rashad Kabir (93.33%).

3.6 Organizational Chart of Dream71

Note: The exact organizational chart is not given in the documents but can be structured as below based on standard company hierarchy.

- **Chairman:** Engr. Md. Ashraful Kabir
- **Managing Director:** Engr. Rashad Kabir
- **Departments:**
    - Software Development
    - Project Management
    - Finance & Accounts
    - Marketing & Sales
    - HR & Administration
    - Research & Development
    - IT Support

3.7 Principal Activities of Dream71

Dream71 engages in a wide range of ICT activities, including but not limited to:

- Developing customized software solutions for government and private sectors.
- Implementing e-Governance projects to streamline public administration.
- Creating business automation systems powered by artificial intelligence and blockchain.
- Providing IT consultancy and digital content development.
- Expanding the international market through exports to countries such as Japan, Netherlands, UAE, Nigeria, Cameroon, Mozambique, and East Timor.
- Managing large-scale government projects in collaboration with ministries and development partners like UNDP, World Bank, and JICA.

3.8 SWOT Analysis of Dream71

Strengths	**Weaknesses**
Strong portfolio in government and international projects.	High receivables which may affect liquidity.
Expertise in emerging technologies (AI, blockchain).	Limited diversification beyond ICT solutions.
Experienced leadership and skilled workforce.	Some audit qualification related to investment valuation.
Expansion in 12+ countries with global partnerships.	

Opportunities	**Threats**
Growing demand for digital transformation globally.	Intense competition in the ICT solutions sector.
Potential to expand product offerings and services.	Exchange rate fluctuations affecting international business.
Increasing government focus on e-governance projects.	Risks related to delayed collections impacting credit performance.
Partnerships with universities for advanced technology development.	Possible regulatory changes affecting software exports.

Chapter - 4

Loans (Investment)

4.1 Investment

Investment refers to the allocation of resources, usually in the form of funds, into financial instruments or assets with the expectation of generating returns or profit over time. For Dream71 Bangladesh Ltd., investments form an essential part of the company's financial strategy to grow wealth and support business operations.

As per the audited financial statements of Dream71 Bangladesh Ltd., the company has invested in securities, particularly in unquoted shares of CoKreates Limited, amounting to Taka 3,000,000. This investment represents the company's commitment to expanding its financial portfolio and exploring opportunities beyond its core software business.

4.2 Types of Investment

Generally, investments can be classified into the following types, applicable in the context of Dream71:

- **Equity Investments:** Ownership stakes in companies or projects, such as the 30,000 shares in CoKreates Limited held by Dream71.
- **Fixed Income Investments:** Debt instruments such as bonds or fixed deposits that provide regular interest income.
- **Operational Investments:** Capital expenditures in property, plant, equipment, and software, which contribute to business capability rather than direct financial return.
- **Strategic Investments:** Investments made to support business alliances or long-term business growth.

Dream71's primary investment reflected in financial statements is equity in CoKreates Limited, classified under long-term unquoted securities.

4.3 Documentation of Investment

Proper documentation is crucial in investment for legal compliance, audit, and management control. Dream71 maintains detailed records of all investments, including purchase agreements, share certificates, valuation reports, and accounting entries consistent with International Financial Reporting Standards (IFRS).

For example, the investment in CoKreates Limited is supported by share acquisition documents. The audit reports highlight the need for fair valuation as per IFRS 7 and IFRS 13, indicating the company's commitment to accurate and transparent financial reporting regarding investments.

4.4 How Investment Performance Analysis Works

Investment performance analysis evaluates the returns generated by invested funds relative to the associated risks and benchmarks. It includes:

- **Return on Investment (ROI):** Measuring gains or losses on an investment relative to the amount invested.
- **Valuation Assessments:** Comparing book value to market or fair value, as noted in the audit-qualified opinion regarding the undervaluation of CoKreates Limited shares.
- **Risk Assessment:** Identifying uncertainties affecting the value and income from investments.
- **Trend Analysis and Monitoring:** Tracking investment performance over time to inform strategic decisions.

Dream71's audit review brought attention to the gap between investment book value and net asset value, an important aspect of performance analysis indicating potential impairment or revaluation needs.

4.5 Modes of Investment

Dream71 engages in the following modes of investment:

- **Direct Equity Purchase:** Acquisition of shares in private companies, such as CoKreates Limited.
- **Capital Expenditure on Fixed Assets:** Investment in property, plant, equipment, and software to enhance operational capacity.
- **Strategic Partnerships and Joint Ventures:** Though not explicitly detailed, such modes potentially complement investment strategy.

These modes balance financial growth and operational advancement to sustain competitiveness.

4.6 Life Cycle of Investment

The life cycle of an investment typically includes the following phases:

- **Initiation:** Identifying investment opportunities, evaluating feasibility, and approval.
- **Acquisition:** Purchasing the investment and recording it in the company books.
- **Holding:** Managing and monitoring the investment for performance and risks.
- **Valuation and Adjustment:** Periodic assessment for impairment, revaluation, or appreciation.
- **Disposal or Maturity:** Selling or otherwise realizing the investment returns.

Dream71's investment in CoKreates Limited reflects being in the holding and periodic evaluation stage, with auditors recommending fair value adjustment consideration.

Chapter - 5

Credit Performance Analysis

5.1 What is Credit Performance Analysis?

Credit Performance Analysis is a critical financial assessment tool used to evaluate a company's effectiveness in managing its accounts receivable and credit policies. It involves measuring how efficiently a company collects revenue from its customers and manages the risk associated with extending credit. This analysis focuses on the liquidity of receivables, the average time taken to convert sales into cash, and the overall impact of credit management on the company's financial health and working capital.

5.2 Why We Do Credit Performance Analysis?

We conduct credit performance analysis to:

- **Assess Liquidity & Cash Flow:** To determine the speed at which credit sales are converted into cash, which is vital for meeting operational expenses and obligations.
- **Evaluate Collection Efficiency:** To measure the effectiveness of the company's credit and collection departments and policies.
- **Identify Risk Exposure:** To pinpoint potential bad debts and assess the risk of customer defaults.
- **Inform Strategic Decisions:** To provide management with data-driven insights to refine credit terms, improve collection processes, and optimize working capital management.
- **Ensure Financial Stability:** Effective credit management is fundamental to maintaining solvency and supporting sustainable growth.

5.3 How Credit Performance Analysis Works?

Credit performance analysis works by extracting key data from a company's financial statements—primarily the Balance Sheet (for receivables and debt levels) and the Income Statement (for sales and profits). Key financial ratios are calculated from this data to create quantifiable metrics. These ratios are then analyzed over time (trend analysis) to identify improvements or deteriorations in performance. The notes to the financial statements are also reviewed to understand the context, such as client concentration and credit terms.

Financial Performance Overview of Dream71 Bangladesh Ltd. (2019-2022)

To facilitate a comprehensive credit performance analysis, the following tables summarize the key financial data extracted from the audited financial statements of Dream71 Bangladesh Ltd. for the fiscal years ending June 2019, 2020, 2021, and 2022.

Table 4.1: Statement of Financial Position (Balance Sheet) Key Items (Amount in BDT)

Particulars	As of 30 June 2019	As of 30 June 2020	As of 30 June 2021	As of 30 June 2022
Total Assets	3,159,616	6,840,202	57,993,203	88,311,665
Non-Current Assets	3,626,608	4,104,051	26,418,094	31,911,572
Property, Plant & Equipment	3,626,608	4,104,051	23,418,094	28,911,572
Investment	0	0	3,000,000	3,000,000
Current Assets	0	2,736,151	31,575,109	56,400,093
Advance, Deposit & Prepayments	0	0	0	497,603

Accounts Receivable	0	0	26,899,580	43,479,510
Cash & Bank Balances	0	2,736,151	4,675,529	12,422,981
Total Equity	3,159,616	6,840,202	53,761,738	84,465,083
Paid-up Capital	1,500,000	1,500,000	1,500,000	1,500,000
Retained Earnings	1,659,616	5,340,202	52,261,738	82,965,083
Total Liabilities	0	0	4,231,465	3,846,582
Short-Term Borrowings	0	0	4,231,112	3,846,499
Income Tax Payable	0	0	353	83

Table 4.2: Statement of Comprehensive Income Key Items (Amount in BDT)

Particulars	**FY 2019-2020**	**FY 2020-2021**	**FY 2021-2022**
Revenue (Turnover)	9,272,592	70,163,760	52,918,923
Less: Operating Expenses	(9,219,467)	(23,099,164)	(21,873,222)
Operating Profit	53,125	47,064,596	31,045,701
Add: Other Income	960	1,762	1,298
Less: Financial Expenses	0	(144,013)	(343,265)
Profit Before Tax	54,085	46,922,345	30,703,734
Less: Provision for Income Tax	(107)	(810)	(389)
Net Profit After Tax	**53,978**	**46,921,535**	**30,703,346**

Key Observations from the Financial Data (2019-2022):

1. **Exponential Growth:** The company experienced massive growth between 2020 and 2021, with Total Assets increasing by **748%** and Revenue growing by **657%**. This growth momentum continued into 2022.
2. **Profitability:** Dream71 was highly profitable during this period, generating significant net profits (BDT 46.9 million in 2021 and BDT 30.7 million in 2022), which were largely retained in the business, as seen in the soaring retained earnings.
3. **Low Leverage:** The company's reliance on debt (liabilities) is minimal compared to its equity base. The debt was used sparingly, likely for managing short-term cash flow needs.
4. **Critical Shift in Asset Composition:** A pivotal change occurs in the structure of Current Assets:
    - **In 2019 & 2020,** Current Assets were almost entirely **Cash**.
    - **In 2021,** a huge portion (85%) of Current Assets shifted to **Accounts Receivable** (BDT 26.9 million).
    - **In 2022,** this trend continued, with Receivables (BDT 43.5 million) constituting over 77% of Current Assets.
    - This indicates a transition from a cash-based operation to one heavily reliant on credit sales to large clients, such as government agencies and NGOs (as seen in the 2023 report notes).

5.4 Debt Ratio

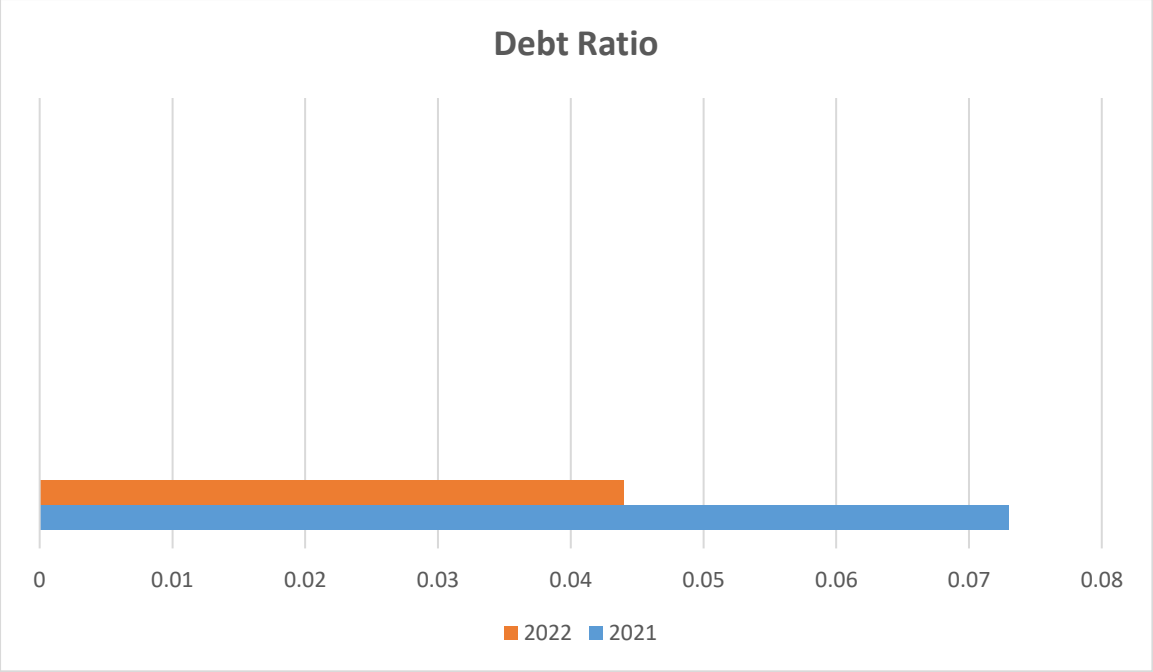
A financial measure called the debt ratio shows what proportion of a company's assets is financed by debt.

Why We Use Debt Ratio:

- A debt ratio quantifies a company's indebtedness in terms of total debt to total assets.
- This ratio varies significantly among industries, with capital-intensive enterprises having significantly greater debt ratios than others.
- A debt ratio greater than 1.0, or 100 percent, shows that a corporation has more debt than assets, whereas a debt ratio lower than 100 percent indicates that a company has more assets than debt.

$$\text{Debt ratio} = \frac{\text{Total Asset}}{\text{Total Liabilities}}$$

- **Calculation & Analysis:**
  - **2020:** = 0 / 6,840,202 = **0.00%**
  - **2021:** 4,231,465 / 57,993,203 = **0.073 or 7.3%**
  - **2022:** 3,846,582 / 88,311,665 = **0.044 or 4.4%**



- **Interpretation:** Dream71 has an exceptionally low and decreasing debt ratio. This indicates a very conservative financial strategy where assets are almost entirely financed by equity (retained profits), signifying low financial risk.

5.5 Debt to Equity

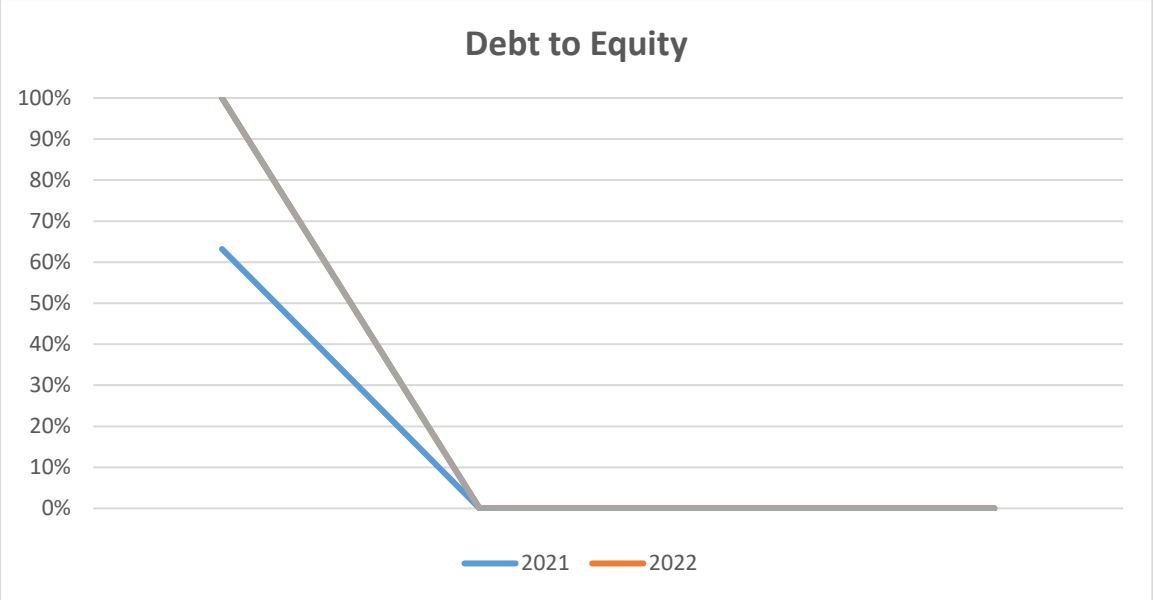
The debt-to-equity ratio is a financial statistic that indicates the proportion of equity to debt used to finance a company's assets. Risk, gearing, and leverage are other names for the ratio, which is closely related to leverage.

Why We Use Debt to Equity:

- The debt-to-equity (D/E) ratio compares a company's total liabilities to its shareholder equity and can be used to measure its debt reliance.
- D/E ratios differ by industry and are best used to compare direct competitors or to track changes in a company's debt dependency over time.
- Since long-term debt entails higher risk than short-term obligations, investors may often adjust the D/E ratio such that it only takes into account the former.

$$\text{Debt to Equity} = \frac{\text{Total Liabilities}}{\text{Common Stock Equity}}$$

- **Calculation & Analysis:**
  - **2020:** = 0 / 6,840,202 = **0.00**
  - **2021:** = 4,231,465 / 53,761,738 = **0.079**
  - **2022:** = 3,846,582 / 84,465,083 = **0.046**



- **Interpretation:** The ratio is very low and falling, confirming minimal reliance on debt. For every Taka of equity, the company used only 4.6 Poisha of debt in 2022. This is a very strong, low-risk equity position.

5.6 Current Ratio

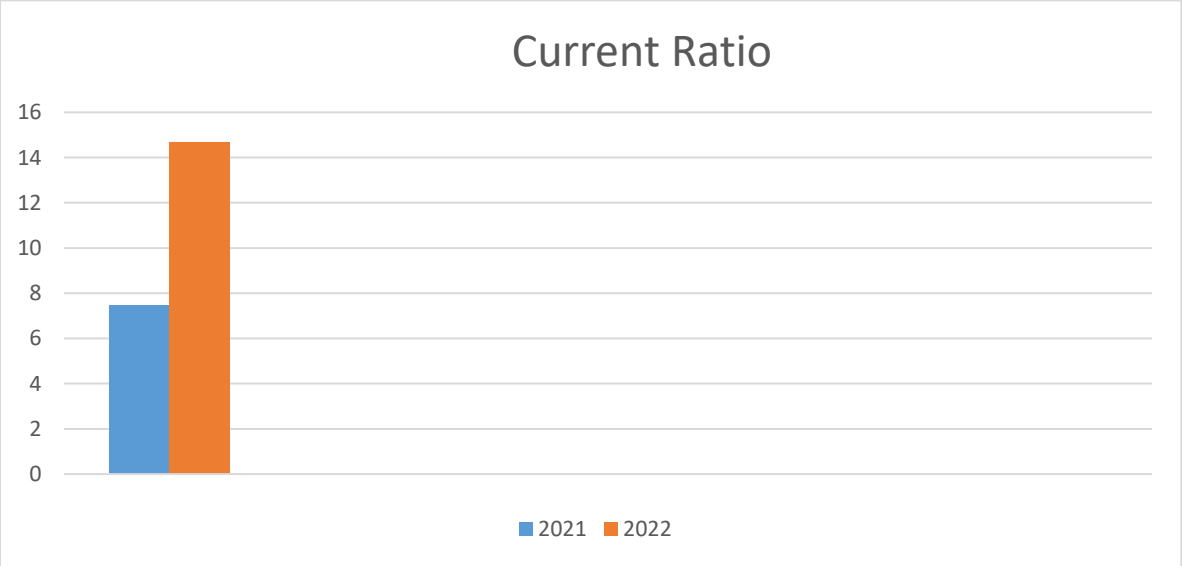
The current ratio is a liquidity ratio that indicates whether or not a company has sufficient liquid assets to satisfy its short-term obligations.

Why We Use Current Ratio:

- The current ratio contrasts the total current assets and liabilities of a business.
- These are often described as liabilities that will be paid in a year or less and assets that are cash or will be converted into cash in a year or less.
- The current ratio enables investors to compare a company's financial performance to that of its peers and competitors on an equal footing and to learn more about a company's ability to pay down short-term debt with current asset

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

- **Calculation & Analysis:**
  - **2020:** = 2,736,151 / 0 = **Not Meaningful (No Liabilities)**
  - **2021:** = 31,575,109 / 4,231,465 = **7.46**
  - **2022:** = 56,400,093 / 3,846,582 = **14.66**



- **Interpretation:** The current ratio is very high and increased significantly, indicating strong short-term liquidity. However, a ratio this high can also suggest that assets (primarily receivables) are not being utilized efficiently to generate more revenue.

5.7 Quick Ratio

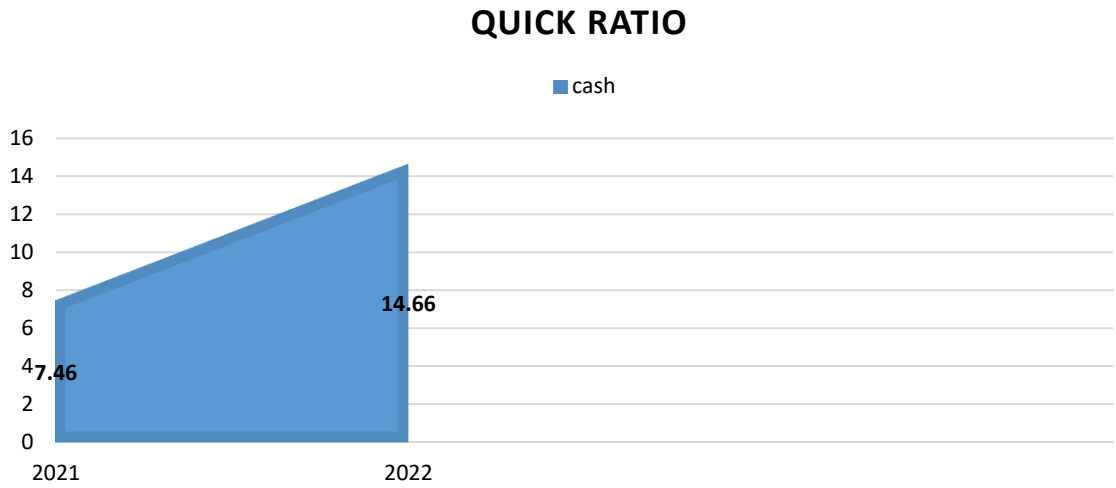
The fast ratio commonly referred to as the acid-test ratio, is a sort of liquidity ratio used in finance that gauges a company's capacity to use its near-cash or quick assets to rapidly pay off or retire its current liabilities.

Why We Use Quick Ratio:

- The quick ratio gauges a company's ability to cover its short-term obligations without having to sell goods or seek further funding.
- Compared to the current ratio, which counts all current assets as coverage for current obligations, the fast ratio is seen as a more cautious metric.
- A company's most liquid assets, such as cash, cash equivalents, marketable securities, and accounts receivable, are divided by all of its current liabilities to arrive at the quick ratio.

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

- **Calculation & Analysis:** (Dream71 holds no inventory, so the ratio is identical to the Current Ratio)
  - **2021:** = (31,575,109 - 0) / 4,231,465 = **7.46**
  - **2022:** = (56,400,093 - 0) / 3,846,582 = **14.66**



- **Interpretation:** The company can easily cover its short-term debts without relying on the sale of any inventory. The high value again points to a large balance of receivables and cash.

5.8 Cash Ratio

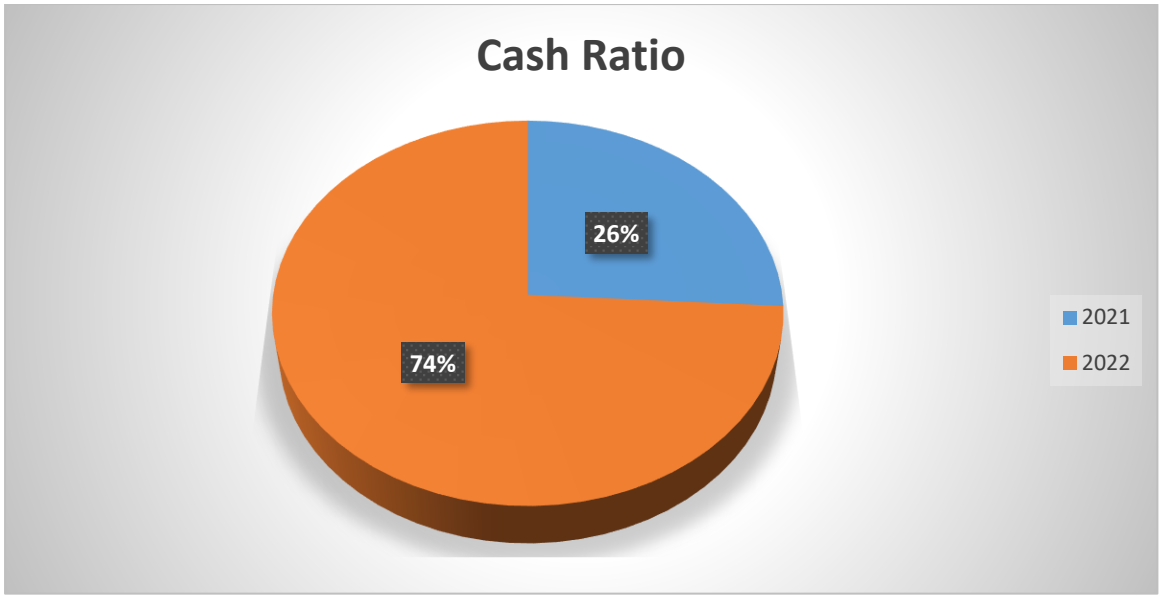
A measure of a company's liquidity is the cash ratio. It particularly determines the proportion of current liabilities to total cash and cash equivalents held by a corporation. The indicator assesses a company's capacity to pay off its short-term debt with cash or resources that can be converted into cash quickly, including readily tradable securities.

Why We Use Cash Ratio:

- A company's ability to meet its short-term obligations entirely with cash and cash equivalents is demonstrated by the cash ratio, which is a liquidity indicator.
- The cash ratio is calculated by multiplying a company's total current liabilities by the sum of its cash and near-cash securities reserves.
- Because it solely takes into account a company's most liquid assets, the cash ratio is more conservative than other liquidity ratios.

$$\text{Cash Ratio} = \frac{\text{Cash and Cash Equivalent}}{\text{Current Liabilities}}$$

- **Calculation & Analysis:**
  - **2020:** = 2,736,151 / 0 = **Not Meaningful**
  - **2021:** 4,675,529 / 4,231,465 = **1.10**
  - **2022:** 12,422,981 / 3,846,582 = **3.23**



- **Interpretation:** The cash ratio is strong and improved dramatically. In 2022, the company held enough cash to cover its short-term liabilities over three times. This indicates a very strong immediate liquidity position but may also suggest that excess cash could be invested for higher returns.

5.9 Gross Return on Assets

A company's gross return on assets, assuming that all current operational conditions remain unchanged, provides insight into its ability to earn profits over the long term.

Why We Use Gross Return on Assets:

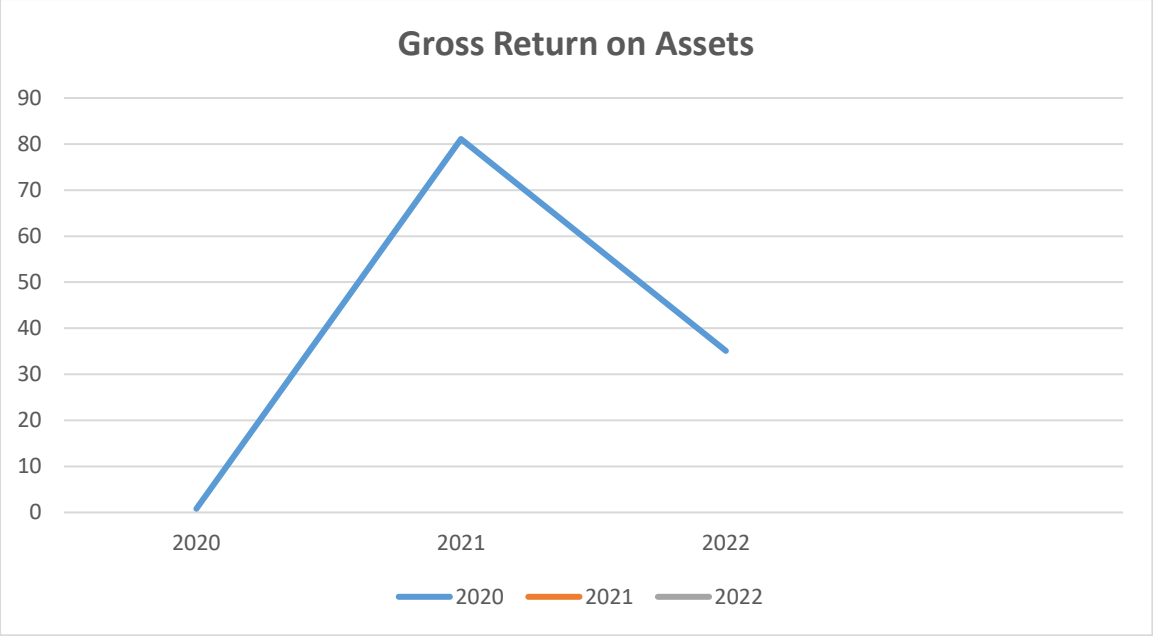
- A company is more successful at generating income from its assets if its gross return on assets ratio is higher.
- When EBIT is used in place of operating income, the ratio takes into account all income earned by the company, not just income from operating activity when EBIT is used in place of operating income. This offers a fuller picture of how the business generates revenue.
- Comparing businesses with various tax circumstances and levels of financial leverage is helpful with BEP.

$$\text{Gross Return on Assets} = \frac{\text{Earning Before Tax and Interest (EBIT)}}{\text{Total Assets}}$$

- **Interpretation:** Measures operating profitability relative to total assets, before the influence of tax and interest expenses.

- **Calculation:**

  - **2020:** = 54,086 / 6,840,202 = **0.008 or 0.8%**
  - **2021:** = 47,066,359 / 57,993,203 = **0.811 or 81.1%**
  - **2022:** = 31,046,999 / 88,311,665 = **0.351 or 35.1%**



- **Analysis:** The astronomical 81.1% ROA in 2021 reflects the year of explosive growth where profits surged while the asset base was still catching up. The normalization to 35.1% in 2022 is still an exceptionally strong return, indicating highly efficient use of assets to generate operating profit.

5.10 Return on Asset (ROA)

A financial ratio known as "return on assets" (ROA) measures a company's profitability in relation to its total assets. ROA can be used by corporate management, analysts, and investors to assess how effectively a company uses its resources to make a profit.

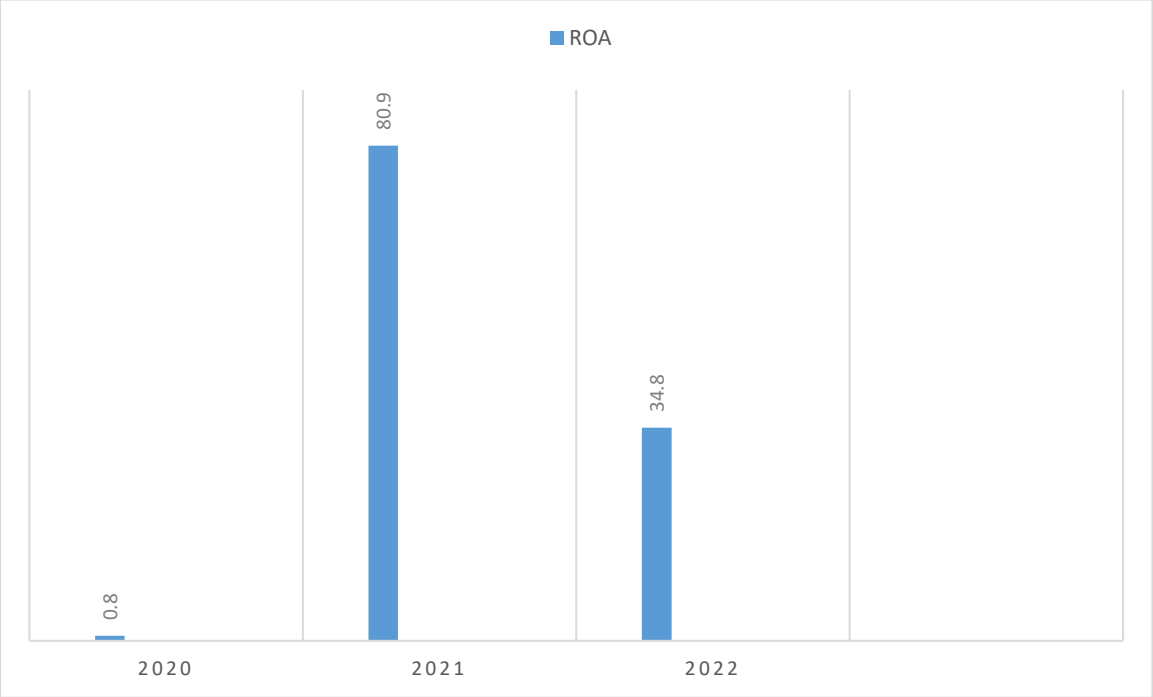
Why We do ROA:

- A measure of a company's profitability in relation to its total assets is called the return on assets.
- Management, analysts, and investors can use ROA to assess how effectively a company uses its resources to make a profit.
- By dividing a company's net income by all of its assets, you may get its ROA.

$$\text{Return on Assets (ROA)} = \frac{\text{Earning Available to Common Shareholder (EACSH)}}{\text{Total Assets}}$$

- **Calculation:**
  - **2020:** = 53,978 / 6,840,202 = **0.008 or 0.8%**
  - **2021:** = 46,921,536 / 57,993,203 = **0.809 or 80.9%**
  - **2022:** = 30,703,346 / 88,311,665 = **0.348 or 34.8%**

- **Analysis:** Mirrors the Gross ROA trend. The incredibly high ROA figures confirm that the company's business model is highly profitable and asset-efficient, particularly during its high-growth phase.



5.11 Return on Equity (ROE)

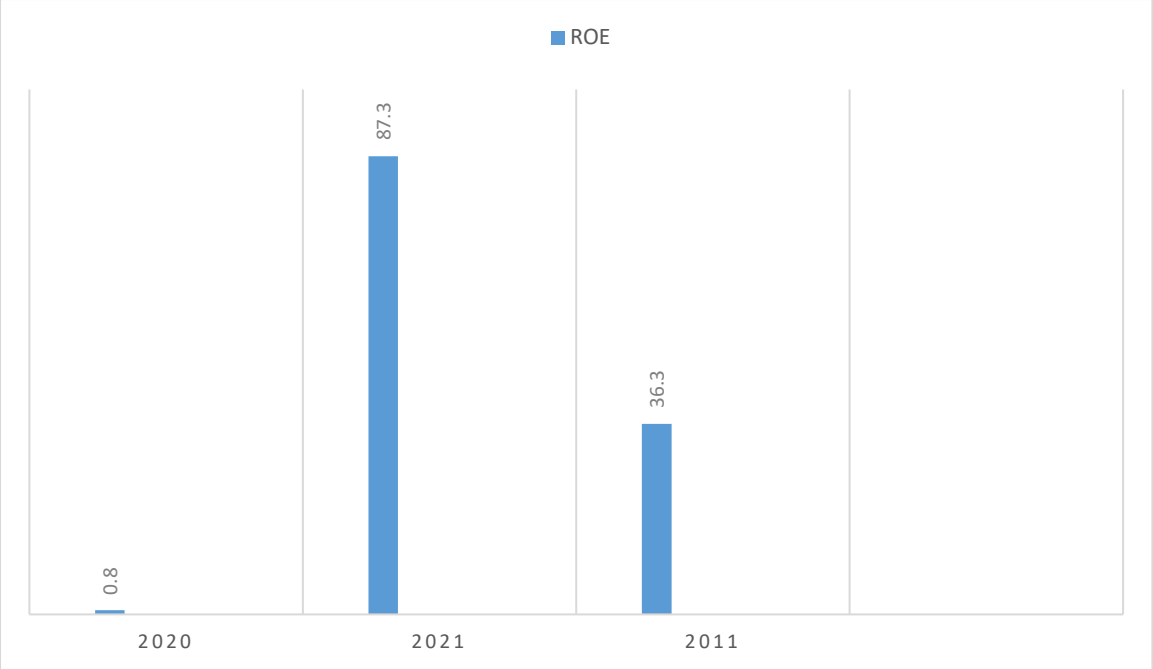
A metric of financial performance known as return on equity (ROE) is obtained by dividing net income by shareholders' equity. ROE is referred to as the return on net assets since shareholders' equity is determined by subtracting a company's debt from its assets.

Why We Use ROE:

- The ratio of a company's net income to the equity of its shareholders is known as the return on equity (ROE).
- A company's profitability and the effectiveness of its revenue generation are measured by its return on equity (ROE).
- The better a corporation is at turning its equity financing into profits, the higher its ROE.

$$\text{Return On Equity (ROE)} = \frac{\text{Earning Available to Common Shareholder (EACSH)}}{\text{Common Stock Equity}}$$

- **Calculation:**
  - **2020:** = 53,978 / 6,840,202 = **0.008 or 0.8%**
  - **2021:** = 46,921,536 / 53,761,738 = **0.873 or 87.3%**
  - **2022:** = 30,703,346 / 84,465,083 = **0.363 or 36.3%**



- **Analysis:** The ROE figures are outstanding. Shareholders saw phenomenal returns on their equity in 2021. Even with the moderation in 2022, a 36.3% ROE is far above most industry benchmarks, indicating extremely efficient use of shareholder capital to generate profits.

Summary of Ratio Analysis (2019-2022):

Ratio	2020	2021	2022	Trend & Implication
Debt Ratio	0%	7.3%	4.4%	**Low & Decreasing.** Minimal financial risk.
Debt-to-Equity	0.00	0.079	0.046	**Low & Decreasing.** Very low leverage.
Current Ratio	N/M	7.46	14.66	**Very High & Increasing.** Strong liquidity, but watch receivables.
Cash Ratio	N/M	1.10	3.23	**Strong & Improving.** Excellent immediate liquidity.
Gross ROA	0.8%	81.1%	35.1%	**Exceptional.** Highly efficient asset use for profit generation.
ROA	0.8%	80.9%	34.8%	**Exceptional.** Highly profitable relative to asset base.
ROE	0.8%	87.3%	36.3%	**Exceptional.** Superb returns for shareholders.

N/M = Not Meaningful due to zero liabilities.

Chapter - 6

Recommendation & Conclusion

6.1 Findings

The comprehensive analysis of Dream71 Bangladesh Ltd.'s financial statements from 2019 to 2022 has yielded several critical findings regarding its credit performance and overall financial health:

1. **Exceptional Profitability and Growth:** The company experienced exponential growth in revenue and profitability, particularly between 2020 and 2021. Return on Equity (ROE) and Return on Assets (ROA) reached extraordinarily high levels (87.3% and 80.9% in 2021, respectively), indicating a highly successful and efficient business model.

2. **Minimal Financial Leverage and Risk:** Dream71 operates with an exceptionally conservative capital structure. The Debt Ratio and Debt-to-Equity ratio are extremely low (4.4% and 0.046 in 2022), signifying that the company is funded almost entirely by shareholder equity and retained earnings, minimizing its financial risk.

3. **Superficially Strong Liquidity:** Liquidity ratios (Current and Quick Ratios) are very high, and the Cash Ratio improved significantly to 3.23 in 2022, suggesting a strong ability to meet short-term obligations.

4. **Critical Credit Management Challenge:** The primary finding of this analysis is the significant deterioration in **credit management efficiency**. A massive portion of the company's assets (over 77% of current assets in 2022) is tied up in **Accounts Receivable**. The calculated Days Sales Outstanding (DSO) of **191 days** for 2022 indicates an average collection period of over six months. This represents a major cash flow constraint.

5. **High Client Concentration Risk:** The notes to the financial statements reveal that receivables are concentrated with a few large clients, such as Bangladesh Computer Council and other government/ corporate entities.

This creates a high risk; any payment delays or defaults from these major clients could severely impact the company's cash flow and operations.

6. **Inefficient Working Capital Management:** The paradox of high profitability alongside a cripplingly long collection period points to inefficiency in working capital management. The company is generating profits on paper but is potentially struggling to convert those profits into usable cash in a timely manner.

6.2 Recommendation

Based on the findings of this report, the following recommendations are proposed to Dream71 Bangladesh Ltd. to improve its credit performance and ensure sustainable growth:

1. **Implement Stricter Credit Control Procedures:**
    - Establish a dedicated credit control team to actively manage and follow up on invoices.
    - Implement a systematic process for sending payment reminders, starting well before the due date.
    - Develop a clear policy for escalating overdue accounts, including involving senior management for key accounts.

2. **Diversify the Client Base:** While large projects are lucrative, the company should actively pursue a more diversified client portfolio to reduce its dependence on a few major entities. This would mitigate the risk associated with client concentration.

3. **Re-negotiate Payment Terms:** For ongoing and future contracts with major clients, especially government agencies, the company should attempt to negotiate more favorable payment terms, such as milestone-based payments or shorter credit periods, to improve cash flow timing.
4. **Leverage Banking Instruments:** For large-value contracts, the company could propose using bank guarantees or Letters of Credit (LCs) to ensure timely payment and reduce credit risk.

5. **Conduct Formal Customer Credit Checks:** Before entering into large contracts, perform formal credit assessments on new clients to understand their payment history and financial stability.

6. **Offer Early Payment Discounts:** Consider introducing small discounts for clients who pay their invoices early. This can incentivize quicker payments and improve cash inflow.

7. **Utilize Retained Earnings for Cash Flow Cushion:** The company's strong profitability and high retained earnings should be strategically used to maintain a robust cash buffer. This will help the company weather the long cash conversion cycles without jeopardizing its operational expenses or growth investments.

6.3 Conclusion

In conclusion, Dream71 Bangladesh Ltd. is a remarkably profitable and rapidly growing company with a solid, low-risk financial foundation. Its performance in terms of profitability and asset efficiency is exemplary. However, this analysis has uncovered a critical vulnerability: its credit and receivables management.

The company's success in securing large contracts has come at the cost of a severely elongated cash conversion cycle. The heavy reliance on a limited number of clients and the subsequent slow collection of receivables pose a significant threat to its liquidity and long-term operational sustainability. While the company is not at immediate risk due to its strong cash position and lack of debt, this issue could hinder its ability to fund new projects, invest in innovation, and navigate economic downturns.

Therefore, the key to unlocking Dream71's full potential and ensuring its continued success lies not in generating more sales, but in mastering the art of **efficient working capital and credit management**. By implementing the recommendations outlined above, Dream71 can transform its accounts receivable from a potential liability into a well-managed asset, ensuring that its impressive profitability is matched by equally impressive financial stability and resilience.

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