"An Analysis of the Financial Performance of Daffodil Computers Ltd"

Prepared For:

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Letter of Transmittal

Date: July 02, 2024

Professor Dr. Mohammed Masum Iqbal
Department of Business Administration
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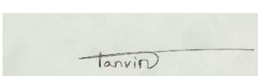
Daffodil International University

Subject: Requested to accept the internship Report.

Honorable Sir,

I’m glad to have completed my internship report entitled **“An Analysis of the Financial Performance of Daffodil Computers Ltd”**. It was a fantastic journey for me, and I also enjoyed working on it. I have followed all of your instructions in writing this report. Even with my greatest care, mistakes might happen. If you could consider it an excuse, that would be greatly appreciated.

Sincerely Yours,



Mehedi Hasan Tanvir
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Declaration

As a student of Daffodil International University's BBA program, I'm **Mehedi Hasan Tanvir**, **ID:191-11-808**, hereby declare that I independently prepared the internship report entitled "**An Analysis of the Financial Performance of Daffodil Computers Ltd**" under the supervision and guidance of **Professor Dr. Mohammed Masum Iqbal**, **Department of Business Administration, Faculty of Business & Entrepreneurship**, Daffodil International University.

I also certify that the report was created mainly to fulfil my academic need and for no other reason. It might not be executed in the organization's opposition party's best interests.

tanvir

Mehedi Hasan Tanvir

ID: 191-11-808

BBA Program

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Letter of Acceptance

This confirms that Mehedi Hasan Tanvir, ID:191-11-808. Completed the internship report entitled **‘An analysis of the Financial Performance of Daffodil Computers Ltd’**. As required by the BBA program of Department of Business Administration and Faculty of Business and Entrepreneurship at Daffodil International University.

The report is recommended for submission.

I wish him every success in life.

Professor Dr. Mohammed Masum Iqbal
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Executive Summary

This report provides a comprehensive analysis of the financial performance of Daffodil Computers Ltd., a leading player in the IT sector. The analysis encompasses a detailed review of the company's financial statements, key financial ratios, and overall financial health over the past five years. The objective is to assess the company's profitability, efficiency, and market position to provide strategic recommendations for future growth.

To achieve these objectives, various financial metrics and ratios were utilized, including liquidity ratios, profitability ratios, leverage ratios, and efficiency ratios. Data was collected from DCL's financial statements, primarily focusing on income statements, balance sheets, and cash flow statements. Additionally, industry benchmarks and trends were referenced to provide context and comparative analysis.

The methodology involved in-depth financial statement analysis, ratio calculation, and interpretation to gain insights into DCL's financial performance. The results of this analysis reveal key strengths and areas for improvement within DCL's financial operations, providing valuable recommendations for enhancing overall financial health and competitiveness.

Table of Content

Chapter 1
Introduction

1.1 Introduction

The report focuses on Financial Performance Analysis, reflecting the field of study in finance. Gratitude is extended to the supervisor for the opportunity. The internship at DCL commenced following approval, emphasizing the importance of an internship program for students to gain firsthand experience in a professional setting.

Based on its understanding of Daffodil Computers Ltd.'s financial activities, the DCL Financial Performance Analysis supports the report. These internship program provide chances to learn the skills required to become successful management those who organize.

Every employee was really cooperative and helpful during the internship. During that time, working with them was an amazing experience.

1.2 Background of study

It is essential of DIU BBA student of complete an internship program after finishing all prerequisite courses. Thus, in internship at DCL was finished.

The internship program is led by professor Dr. Mohammed Masum Iqbal of the Department of Business Administration and faculty of Business and Entrepreneurship at Daffodil International University.

Under the supervisor's guidance, the internship at DCL Financial Performance Analysis got underway. It was inspiring, instructive, and entertaining, offering knowledge of DCL's internal workings and the chance to become proficient in all financial duties. DCL has shown strong financial success overall.

1.3 Scope of study

Throughout the course of the studies, all information regarding Daffodil Computers Ltd.'s financial performance was acquired. But there were also a couple disadvantages mentioned. The supervisor was notified that more information was required, and help was given. I've learnt enough about DCL's financial performance analysis as an intern. The organizational structure, operations, and results are the main subjects of the study:

1. DCL’s most recent cash flow performance.

2. To obtain direct work experience with an IT firm like DCL.

3. To improve as a professional in this area.

1.4 Objective of study

The following are the study's objectives:

- To evaluate Daffodil Computers Ltd.'s ultimate achievements;
- To figure out the issues that impact Daffodil Computers Ltd.'s financial performance;
- To provide suggestions for improving the issues;

1.5 Methodology of study

1.5.1 Research Design:

The research methodology employed for analyzing the financial performance of Daffodil Computers Limited involved collecting financial data from sources like financial statements and annual reports. Key variables examined included current ratio, liquidity ratio, profit margin, ROE, ROA, fixed assets turnover, and current assets turnover. Quantitative techniques such as ratio analysis were applied to analyze the data. Limitations, such as data availability and accuracy, were acknowledged, along with ethical considerations. This methodology ensured a comprehensive assessment aligned with the study's objectives.

Data Collection Process:

Primary Data: Financial reports were directly obtained from Daffodil Computers Limited, including their annual financial statements for the last five years.

Secondary Data:

1. Industry reports
2. Financial databases
3. Research articles

The data collection process involved obtaining annual financial reports, quarterly statements, and any other relevant financial documents from DCL. Additionally, interviews with key personnel within the company may have been conducted to gain insights into specific financial practices or strategies. The collected data were meticulously organized and analyzed using the selected financial analysis methods and tools to derive meaningful conclusions about DCL's financial performance.

Chapter 2
Profile of Daffodil Computers Ltd

2.1 Historical Background of Daffodil Computers Ltd

In 1990, Mr. Md. Sabur Khan, earlier president of both Bangladesh Computer Society (BCS) and the Dhaka Chamber of Commerce and Industries (DCCI), founded Daffodil Computers as a sole proprietorship. Daffodil Computers Limited (DCL) was the name given to the company upon its incorporation as a Private Limited Company in 1998. The company was first publicly listed in 2003 on the Dhaka Stock Exchange (DSE) as a solely IT-based company. It was also listed on the Chittagong Stock Exchange (CSE) in 2006. DCL has become Bangladesh's largest computer assembly, marketing, and sales company.

While the manufacturing and sale of computers was Daffodil Computers' primary activity, the company also ventured into software development and computer training, establishing a software development wing in 1998 and a computer training wing (operate by a sister corporation) in 1997. Subsequently, these two wings were founded as independent companies, Daffodil Software Limited and Daffodil Institute of Information Technology, respectively.

Daffodil Computers Limited, the original venture of the Daffodil Group, was founded in 1990 and initially operated as a traditional ICT teaching and trade firm. The venture was created with the goal of familiarizing Bangladeshi IT with the sector and employing local human resources. With the passage of time and the ingenuity of the founder, the little initiative has grown into a massive one. In 1997, DCL registered as a limited company with Joint Stock Company Limited. In 2002, it underwent a share conversion to become a public limited company.

2.2 Mission of Daffodil Computers Ltd

• Achieve Leadership in ICT Markets

• Constant Pursuit with Clients and Partners

• Deliver ICT Services

• Strategic Focus in Five Key Areas

2.3 Vision of Daffodil Computers Ltd

To achieve the top of the ICT industry, support the national economy both locally and globally, and guarantee that everyone in the country receives a real education. Reaching the services' ultimate goal is to approach the global market and grow beyond the borders of the country. Enhancing human resources and adjusting make them competitive in global markets.

Chapter 3
Financial Performance of DCL

3.1 Financial Performance Assessment

Analysis of financial performance evaluates how effectively a business uses its resources. It gauges profitability and overall financial health over a specific period. By comparing individual companies within an industry, you can gauge industry trends. Ratio analysis, examining financial statements, is a key technique for this evaluation. We studied at the following ratios in this paper:

1. Ratio of Liquidities

2. Ratio of Activity

3. Return on Investment Ratio

3.2 Ratio of Liquidities

A key element for all organizations, particularly IT companies, is an asset’s liquidity, which is measured by how quickly it can be turned into cash. Various liquidity ratios help assess an organization's liquidity status. For IT companies, these ratios indicate their capability to fulfill short-term commitments.

3.2.1 Current Ratio:

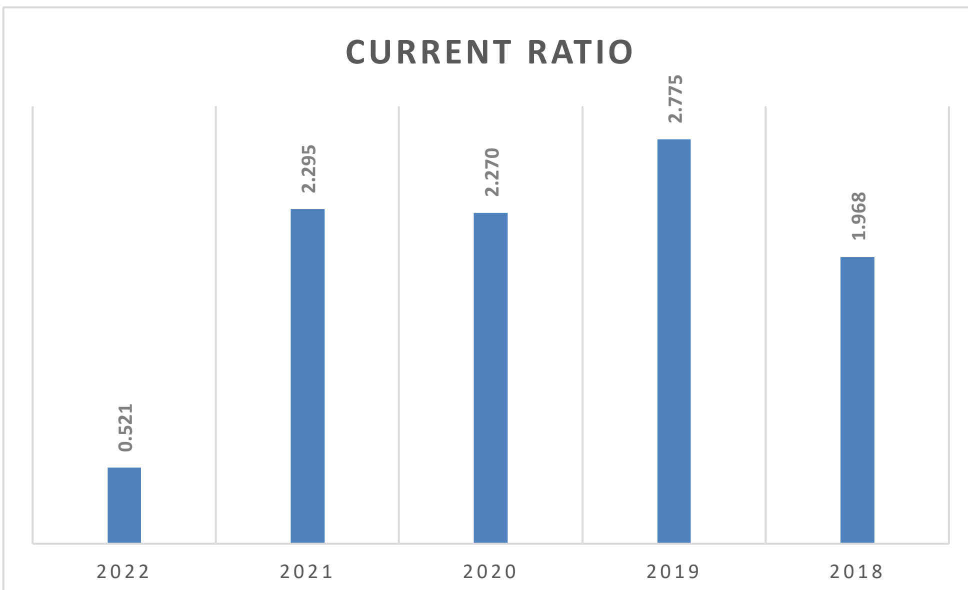
The current ratio shows how much of a company's current assets may be used to pay off its short-term loans and liabilities. The formula is used to compute it:

Current Ratio = Current Assets / Current Liabilities

Table 3.1 Current Ratio

Year	2022	2021	2020	2019	2018
Current Assets	291,065,461	284,807,424	307,015,520	271,732,168	342,755,435
Current Liabilities	558,816,569	124,101,573	135,237,177	97,931,777	174,172,104
Current Ratio	**0.521**	**2.295**	**2.270**	**2.775**	**1.968**

Visual Representation:



Interpretation:

Since 2019 the current ratio has been declining. Indicating that in 2022 the company took on a sizable amount of short-term loans against its current assets.

3.2.2 Net Working Capital:

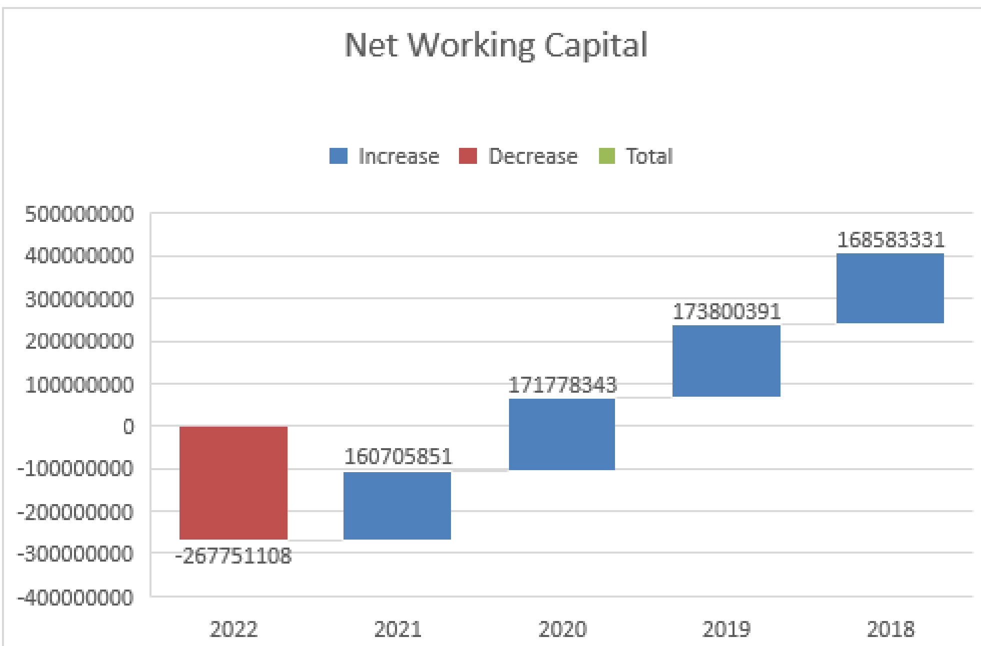
The company's current debts are deducted from current assets to calculate its net working capital. This number represents the company's capacity to fulfill short-term commitments while maintaining operational effectiveness. The Net Working Capital equation is:

Net Working Capital = Current Assets – Current Liabilities

Table 3.2 Net Working Capital

Year	2022	2021	2020	2019	2018
Current Assets	291,065,461	284,807,424	307,015,520	271,732,168	342,755,435
Current Liabilities	558,816,569	124,101,573	135,237,177	97,931,777	174,172,104
Net Working Capital	**-267751108**	**160705851**	**171778343**	**173800391**	**168583331**

Visual Representation:



Interpretation:

In net working capital calculation, it's evident that the company took a significant amount of short-term loans. This results in a negative value for net working capital in 2022.

3.2.3 Cash Ratio

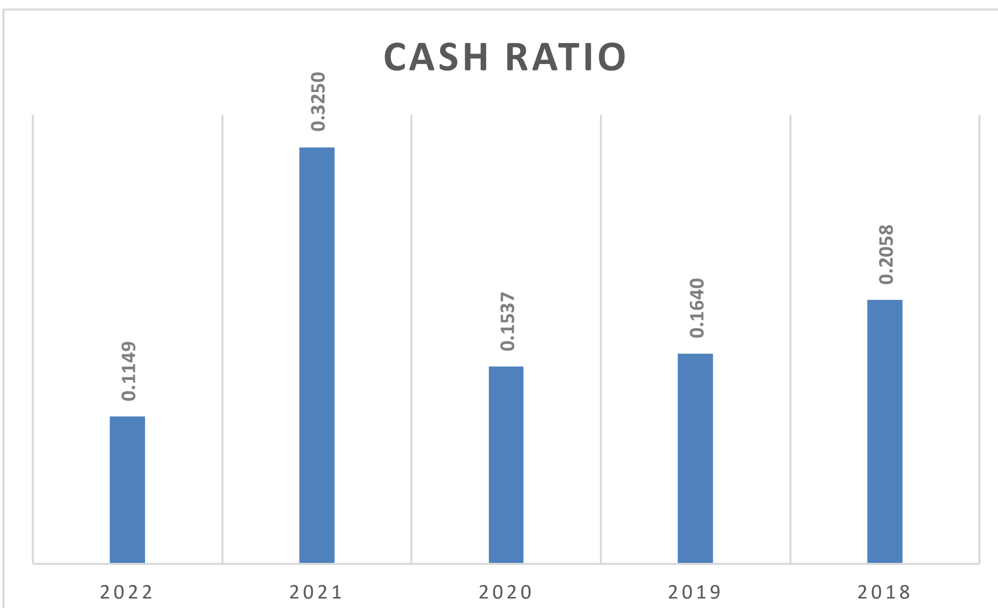
A company's ability to fulfill its short-term liabilities with cash and cash equivalents is shown by its cash ratio. It evaluates how easily a business can fulfil these responsibilities. Cash Ratio formula is as follows:

Cash Ratio = Current Liabilities / Cash and Cash Equivalents

Table 3.3 Cash Ratio

Year	2022	2021	2020	2019	2018
Cash and Cash Equivalents	64,217,360.00	40,329,551.00	20,783,299.00	16,063,106.00	35,847,374.00
Current Liabilities	558,816,569	124,101,573	135,237,177	97,931,777	174,172,104
Cash Ratio	**0.1149**	**0.3250**	**0.1537**	**0.1640**	**0.2058**

Visual Representation:



Interpretation:

Cash ratio reflects the liquidity available to cover short-term liabilities. The decrease observed in 2022 indicates a lower liquidity position due to increased short-term borrowing.

3.3 Ratio of Activity

Activity ratios show how well a business uses its resources to produce revenue. These indicators identify how well assets are used, which helps in determining production and operational efficiency.

3.3.1 Turnover of Total Assets

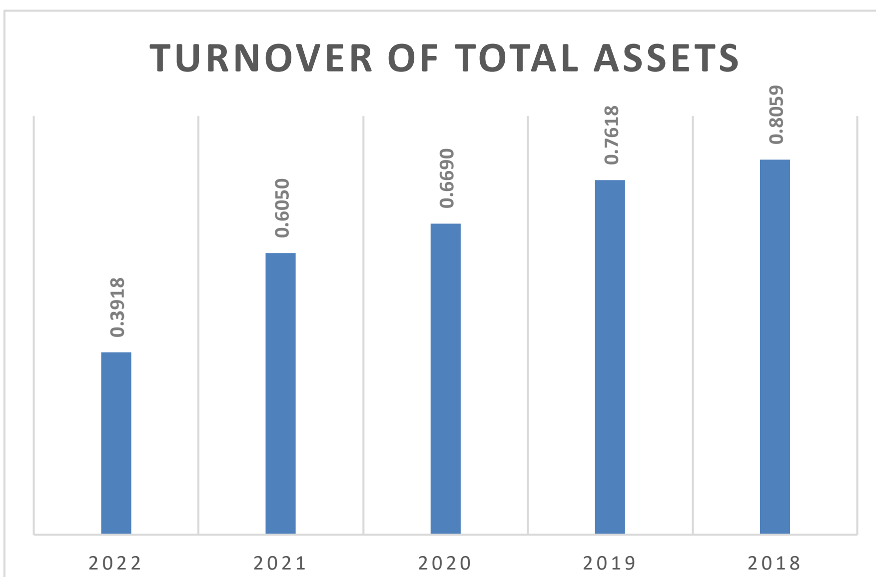
Total assets turnover is an essential indicator for evaluating a firm's success since it shows how well the company uses its total assets to create net investment income. For total assets turnover, the formula is:

Total Assets Turnover = Net Sales / Total Assets

Table 3.4 Turnover of Total Assets

Year	2022	2021	2020	2019	2018
Net Sales	483,492,679.00	481,436,014.00	550,893,570.00	601,207,033.00	690,103,533.00
Total Assets	1,234,006,199.00	795,771,511.00	823,510,876.00	789,200,910.00	856,273,496.00
Turnover of Total Assets	**0.3918**	**0.6050**	**0.6690**	**0.7618**	**0.8059**

Visual Representation:



Interpretation:

Total assets turnover compares net sales to total assets. The graph shows a gradual decrease, implying declining net sales each year except 2022. The rise in total assets in 2022 resulted in a lower total asset turnover for that year.

3.3.2 Fixed Assets Turnover

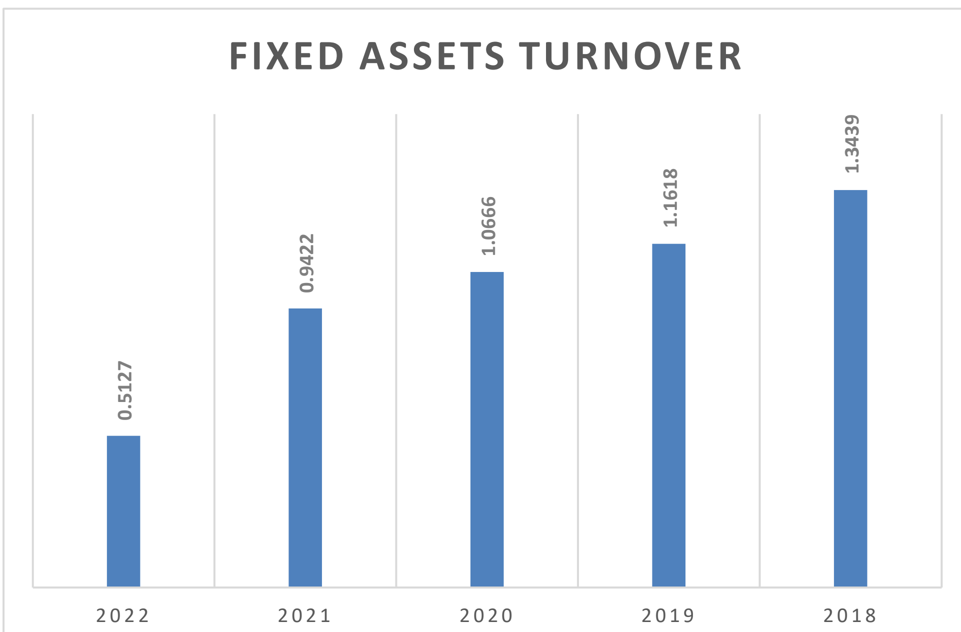
This indicator shows how well a business uses its fixed assets to produce net investment income. For the fixed asset turnover ratio, use the following formula:

Fixed Assets Turnover = Net Sales / Fixed Assets

Table 3.5 Fixed Assets Turnover

Year	2022	2021	2020	2019	2018
Net Sales	483,492,679.00	481,436,014.00	550,893,570.00	601,207,033.00	690,103,533.00
Fixed Assets	942,940,738.00	510,964,087.00	516,495,356.00	517,468,742.00	513,518,061.00
Fixed Assets Turnover	**0.5127**	**0.9422**	**1.0666**	**1.1618**	**1.3439**

Visual Representation:



Interpretation:

Fixed assets turnover compares net sales to fixed assets. The graph depicts a gradual decrease, indicating declining net sales annually except in 2022. The increase in fixed assets in 2022 resulted in a lower fixed asset turnover for that year.

3.3.3 Equity Turnover

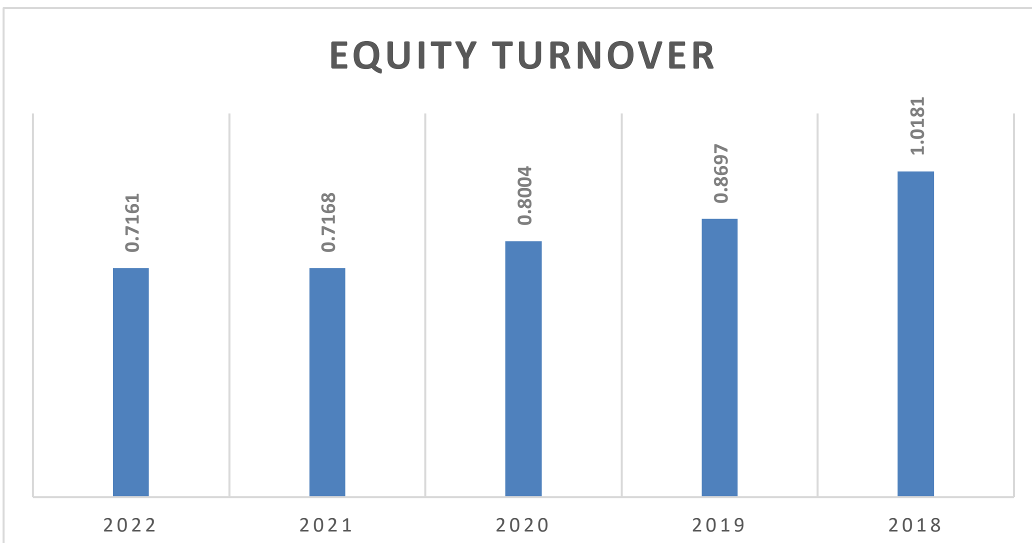
Equity turnover is a measure of how well a business generates in investment income using its equity capital. For equity turnover, use this formula:

Equity Turnover = Net Sales / Total Equity

Table 3.6 Equity Turnover

Year	2022	2021	2020	2019	2018
Net Sales	483,492,679.00	481,436,014.00	550,893,570.00	601,207,033.00	690,103,533.00
Total Equity	675,189,630.00	671,669,938.00	688,273,699.00	691,269,133.00	677,867,598.00
Equity Turnover	**0.7161**	**0.7168**	**0.8004**	**0.8697**	**1.0181**

Visual Representation:



Interpretation:

Equity turnover compares net sales to total equity. The graph displays a gradual decrease, indicating declining net sales annually except for 2022. The increase in equity in 2022 led to a lower equity turnover for that year.

3.3.4 Current Assets Turnover

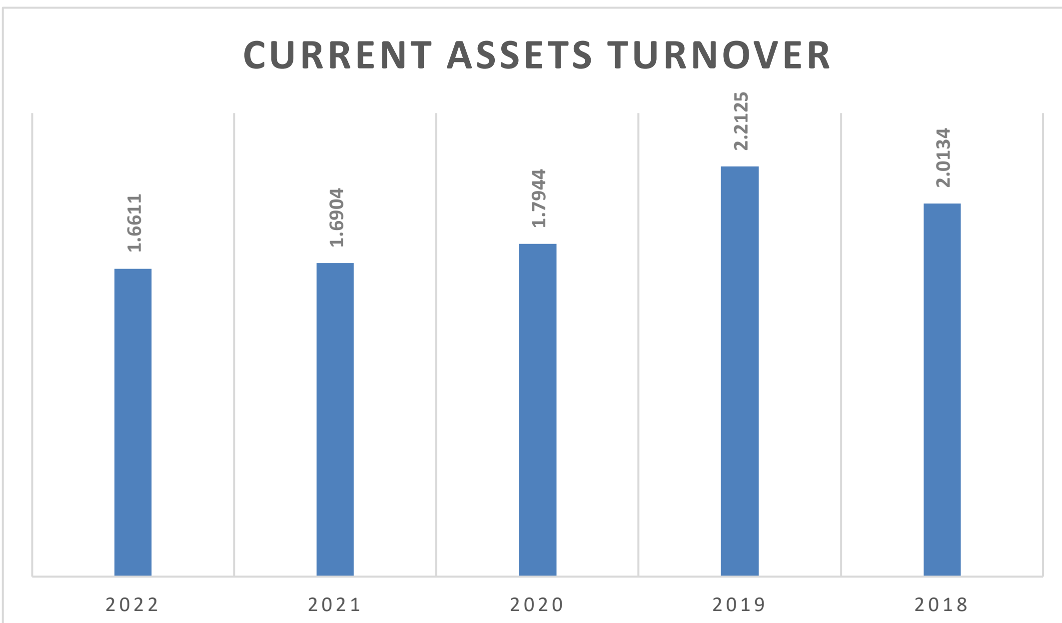
This ratio shows the effectiveness with which a business generates net investment income from its current assets. The current assets turnover ratio can be computed using the following formula:

Current Assets Turnover = Net Sales / Total Current Assets

Table 3.7 Current Assets Turnover

Year	2022	2021	2020	2019	2018
Net Sales	483,492,679.00	481,436,014.00	550,893,570.00	601,207,033.00	690,103,533.00
Total Current Assets	291,065,461.00	284,807,424.00	307,015,520.00	271,732,168.00	342,755,435.00
Current Assets Turnover	**1.6611**	**1.6904**	**1.7944**	**2.2125**	**2.0134**

Visual Representation:



Interpretation:

Net sales and total current assets are compared to determine current assets turnover. With the exception of 2022, the graph indicates a consistent decline in net sales annually. A decrease in the current assets turnover in 2022 was caused by an increase in current assets.

3.3.5 Debt Ratio

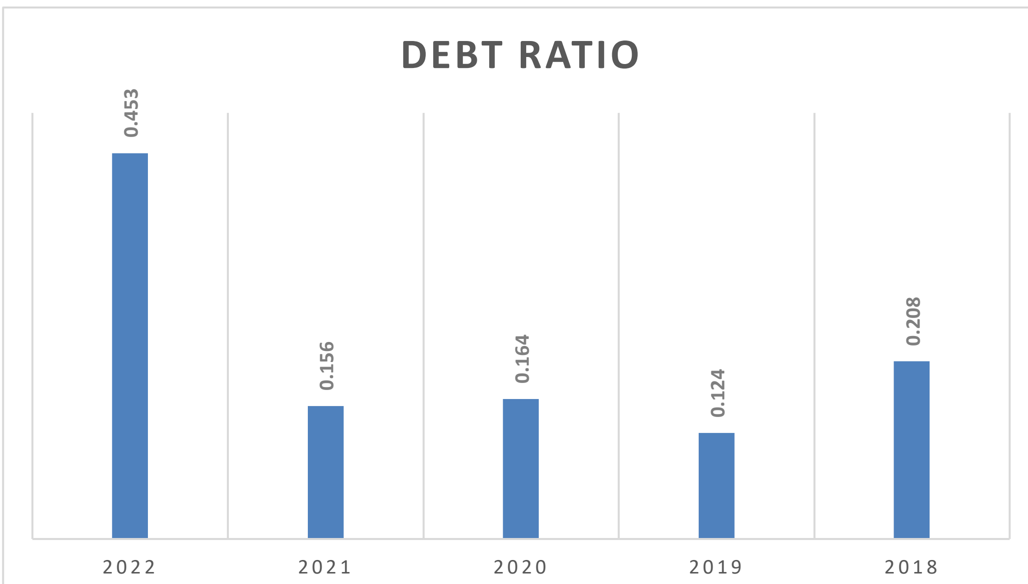
The debt ratio highlights the percentage of debt used to finance a company's total assets. A reduced debt ratio indicates a less dependent business on borrowing, indicating stability in its finances and reduced risk. The debt ratio is computed using the following formula:

Debt Ratio = Total Liabilities or Total Debt / Total Assets

Table 3.8 Debt Ratio

Year	2022	2021	2020	2019	2018
Total Liabilities	558,816,569	124,101,573	135,237,177	97,931,777	178,405,900
Total Assets	1,234,006,199	795,771,511	823,510,876	789,200,910	856,273,496
Debt Ratio	**0.453**	**0.156**	**0.164**	**0.124**	**0.208**

Visual Representation:



Interpretation:

The debt ratio measures a company's leverage, indicating how much liabilities it has against its total assets. The graph shows a higher debt ratio compared to previous years due to increased loans taken in 2022.

3.4 Ratio of Profitability

A profitability ratio evaluates a business's profitability in relation to its equity, sales, and total assets. It is also referred to as an efficiency ratio and is examined using a variety of ratio analysis techniques.

3.4.1 Net Profit Margin

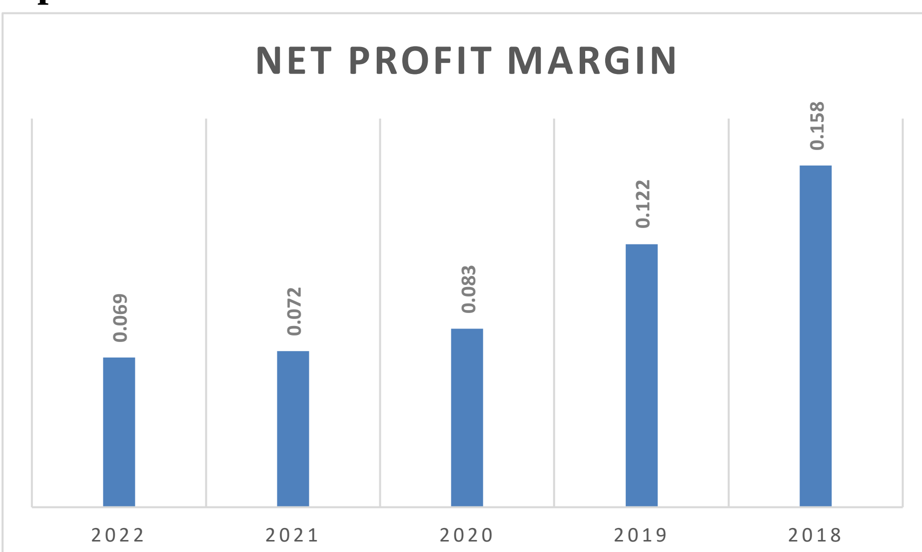
As a percentage of total investment income, net profit margin is indicated. Increased net profit margin is the outcome of increased net income.

Net Profit Margin = Net Profit or Net Income / Total Revenue

Table 3.9 Net Profit Margin

Year	2022	2021	2020	2019	2018
Net Profit	33,467,048	34,787,340.00	45,476,828.00	73,296,250.00	109,137,466.00
Total Revenue	483,492,679	481,436,014.00	550,893,570.00	601,207,033.00	690,103,533.00
Net Profit Margin	**0.069**	**0.072**	**0.083**	**0.122**	**0.158**

Visual Representation:



Interpretation:

The net profit margin expresses the amount of net profit as a percentage of revenue. Sales reductions are the reason for DCL's reducing net profit margin.

3.4.2 Return on Assets

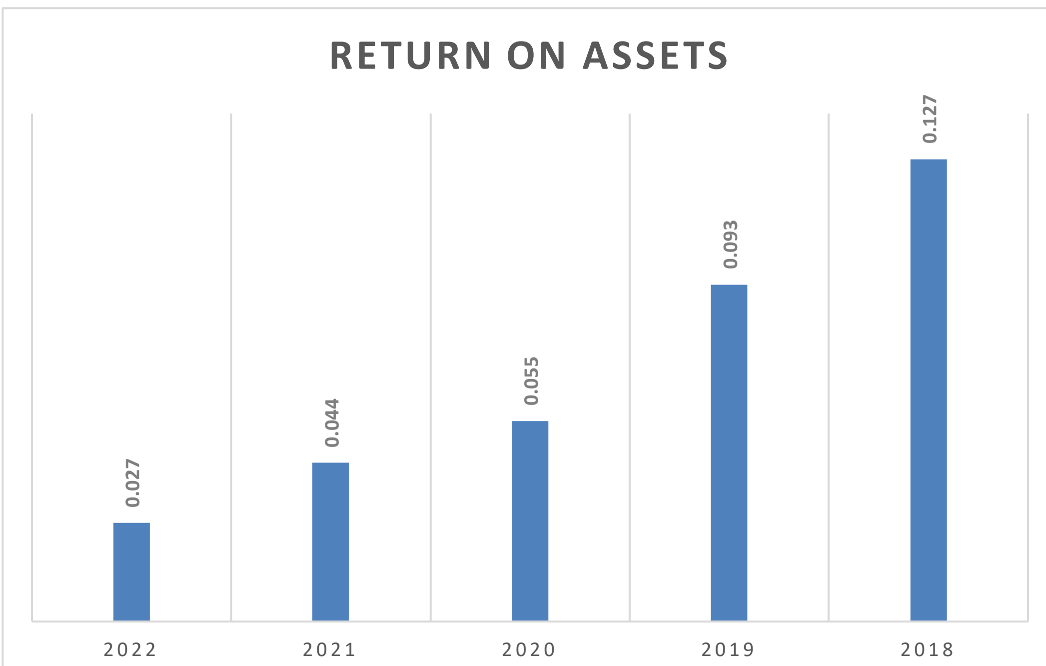
The profitability of an organization in relation to its total assets is evaluated by its return on assets. Investors, analysts, and corporate management analyses a company's ability to make profit by looking at its return on assets.

Return on Assets = Net Profit or Net Income / Total Assets

Table 3.10 Return on Assets

Year	2022	2021	2020	2019	2018
Net Profit	33,467,048.00	34,787,340.00	45,476,828.00	73,296,250.00	109,137,466.00
Total Assets	1,234,006,199	795,771,511	823,510,876	789,200,910	856,273,496
Return on Assets	**0.027**	**0.044**	**0.055**	**0.093**	**0.127**

Visual Representation:



Interpretation:

An organization's profitability in relation to its total assets is shown by its return on assets. Because total assets increased in 2022, return on assets was low.

3.4.3 Return on Equity

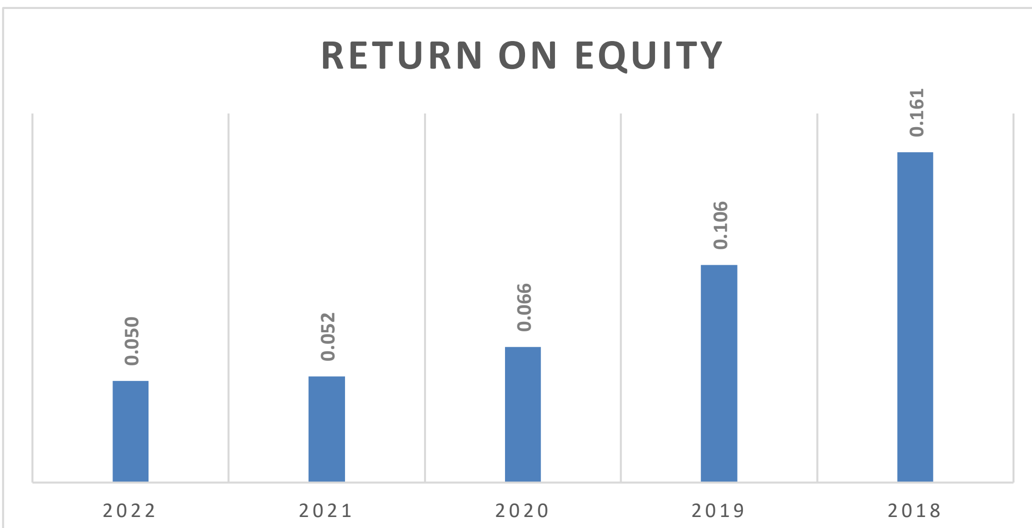
Ratio on net income to equity held by shareholders in known as return on equity. It evaluates how profitable the business is and how well it brings it money. A greater ROE indicates that the business is more successful at generating profits from equity financing.

Return on Equity = Net Profit or Net Income / Total Equity or Shareholders' Equity

Table 3.11 Return on Equity

Year	2022	2021	2020	2019	2018
Net Profit	33,467,048.00	34,787,340.00	45,476,828.00	73,296,250.00	109,137,466.00
Total Equity	675,189,630.00	671,669,938.00	688,273,699.00	691,269,133.00	677,867,598.00
Return on Equity	**0.050**	**0.052**	**0.066**	**0.106**	**0.161**

Visual Representation:



Interpretation:

In 2022, Return on equity was low because they increased total equity during that year.

Chapter 4
Problems, Recommendations

4.1 Problem Identified:

1. The current ratio has been decreasing since 2019. In 2022, it was 0.521, indicating an increase in short-term loans. A lower current ratio indicates a possible liquidity crisis for the company since it indicates that there are more short-term loans than short-term assets.

2. Total assets turnover is gradually decreasing, suggesting underutilization of resources and assets. This indicates that their assets are not being effectively utilized, resulting in low turnover.

3. Net profit margin is gradually decreasing, suggesting high costs and low turnover. As DCL is a listed company, lower profit margins may discourage investors from investing in DCL.

4. Return on equity of DCL is decreasing, meaning owners are receiving lower returns on their equity. This poses a significant issue, indicating that the company may not be operating optimally.

4.2 Recommendations

1. To decrease the current ratio, DCL should minimize its short-term loans. By increasing current assets, they can avoid liquidity issues and reduce the risk of bankruptcy.

2. To increase total asset turnover, DCL should utilize their resources effectively and focus on selling more products or services.

3. To increase net profit margin, DCL should produce products at lower costs and increase sales. They should reduce administrative expenses and allocate more resources to marketing, sales, and distribution to boost sales.

4. To increase return on equity, DCL should use their equity efficiently to generate more profit. They can achieve this by minimizing costs while maintaining product quality. By doing so, they can increase profit and consequently, return on equity.

Chapter 5
Conclusion

5. Conclusion: One of the leading companies in the IT sector Daffodil Computers Ltd is renowned for its creativity, tenacity and quality. Their focus on cybersecurity, strategic partnerships, and adaptability makes them a trusted solutions provider. To maintain success, they must invest in talent, emerging technologies, and proactive strategies in the dynamic IT landscape.

References:

Reports

DCL Annual Report

DCL’s 2018 Annual Report

DCL’s 2019 Annual Report

DCL’s 2020 Annual Report

DCL’s 2021 Annual Report

DCL’s 2022 Annual Report