



## **Internship Report on**

**Portfolio Management Services Of IDLC Investments Ltd**

Ashphia Habib

Senior Lecturer

BRAC Business School

BRAC University

### **Prepared by:**

Md. Faiaz Mahmud

ID NO: 12104179

BBA

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## Letter of Transmittal

December 15, 2016  
Ashphia Habib  
Senior Lecturer  
BRAC Business School  
BRAC University

Subject: Submission of Internship Report.

Dear Madam,

I have pleasure in submitting the report on “IDLC Investments Limited” that was allotted in satisfaction of internship requirement.

This report is a reflection of real life work experience that I have faced during the working period in IDLC Investments limited. I believe, this report represents a brief idea about the organizations nature, working environment and my nature of work.

I would like to thank you for giving me the opportunity and encourage me to work on this topic. I therefore, pray and hope that you kindly accept my report and oblige there by.

Sincerely,

.....

Md. Faiaz Mahmud  
ID: 12104179  
BRAC Business School  
BRAC University

## Acknowledgement

All Praise to the almighty Allah, Beneficial and the Merciful. Without his blessing and endorsement this report would not have been accomplished. The successful completion of this report might never be possible in time without the help of some people who helped me and support me.

This is a matter of pleasure for me to acknowledge my deep sense of gratitude to my supervisor Mrs. Ashphia Habib, Senior Lecturer, BRAC Business School, BRAC University for her guidance.

I would also like to thank **Md.Nayeem Uddin**, Assistant Manager, DPM, for letting me complete my internship at IDLC Investments Limited.

Last but not the least, I like to thank, Makin Risalat Jitu (PO), Enam Ahmed (SEO), Abir Hussain Talukder (SEO), in DPM department for their support and guidance.

Finally, I like to thank, Rahmi karim Maliha (operations department), Uzma Liza (Accounts department), Abdullah Mashroor (intern DPM), Saadman Mahmud (Intern Operation). Without them this report cannot be fulfilled properly.

## **Executive Summary**

IDLC Investments Limited is a wholly owned subsidiary of IDLC Finance Limited. IDLC finance Limited is Non-Banking Financial Institute. They introduced IDLC Investments in the banner of Merchant banking. IDLC Investments Limited Started their activity from 1999. On that time this division's first activity was underwriting shares. In 2004 IDLCIL entered into non-discretionary portfolio management and later on in 2007 they entered into discretionary management service. In 2000, IDLC Finance limited separate IDLC Investments Limited according to SEC rules. On that time SEC came up with a law to make all financial institutions need to separate their merchant banking operation. As per requirement of the Securities & Exchange Commission (SEC), IDLC Finance limited formed a separate subsidiary on May 19, 2010 in the name of "IDLC Investments Limited". In this report I tried to focus on the mother organization's work nature as well as the subsidiary organization's nature of work, Activities And portfolio management analysis.



## Contents

<b>OVERVIEW OF ORGANIZATION .....</b>	<b>4</b>
<b>OVERVIEW OF IDLC FINANCE LIMITED:.....</b>	<b>5</b>
IDLC Finance Limited's VISION:.....	6
IDLC Finance Limited's MISSION: .....	6
IDLC Finance Limited's Strategic Objectives .....	6
Products:.....	6
Financial Strength of IDLC Finance .....	8
.....	8
Organizational Chart of IDLC Finance Limited:.....	9
<b>OVERVIEW OF IDLC SECURITIES LIMITED:.....</b>	<b>10</b>
Brokerage Services:.....	10
Custodial Services:.....	10
Full service Depository Participant (DP) of CDBL:.....	10
<b>OVERVIEW OF IDLC INVESTMENTS LIMITED:.....</b>	<b>11</b>
Departments of IDLC Investments Limited:.....	11
<b>JOB DESCRIPTION .....</b>	<b>12</b>
What DPM Do .....	13
My Contribution to the Organization: .....	13
File & Document Check:.....	13
Work Process In EASY Invest: .....	14
Account Input:.....	14
Contacting Relationship Managers:.....	15
Assisting the seniors:.....	15
Lessons Learned from the Internship: .....	15
Technical Skills:.....	15
Analytical Skills:.....	16
People Skills:.....	16
Customer Handling Skills:.....	16
Observations:.....	17
<b>PROJECT.....</b>	<b>18</b>
Overview of the report:.....	19
Objectives of the project:.....	19



<b>Methodology:</b> .....	19
<b>Limitations:</b> .....	19
<b>Products:</b> .....	20
<b>Non-discretionary portfolio account:</b> .....	20
<b>Major Services of Non-Discretionary Portfolio Account</b> .....	21
<b>Major Characteristics</b> .....	21
<b>Discretionary Portfolio Account:</b> .....	22
<b>MaxCap :</b> .....	23
<b>Capital Protected Scheme:</b> .....	24
<b>Profit-loss Sharing Scheme:</b> .....	25
<b>Easy Invest</b> .....	26
<b>Portfolio management of IDLC Investments Limited:</b> .....	28
<b>Fundamental analysis:</b> .....	28
<b>Discounted Cash flow Methods:</b> .....	29
<b>Dividend Growth Model for Fundamental Analysis:</b> .....	29
<b>Ratio analysis:</b> .....	32
<b>Technical Analysis:</b> .....	32
<b>FINDINGS AND ANALYSIS:</b> .....	34
<b>RECOMMENDATIONS:</b> .....	35
<b>Conclusion:</b> .....	35
<b>Bibliography</b> .....	36
<b>APPENDIX:</b> .....	37

Figure 1 Products of IDLC Finance limited .....	7
Figure 2 Total Asset of IDLC Finance Limited.....	8
Figure 3 operating income of IDLC Finance Limited .....	8
Figure 4 Net Profit of IDLC Finance Limited .....	8
Figure 5 Organizational Chart Of IDLC Finance Limited.....	9
Figure 6 Departments of IDLC Investments limited .....	11
Figure 7 Work Process In EASY Invest .....	14
Figure 8 Products of IDLC Investments Limited .....	20

Figure 9 Fees and Charges of CAP Account. ....	22
Figure 10 Discretionary portfolio managements products.....	22
Figure 11 Divident Growth Model .....	31
Figure 12 Trend Analysis.....	33
Figure 13 Support level and Resistance level.....	34
Figure 14 Ratio Analysis .....	37
Figure 15 Ratio Analysis .....	38
Figure 16 Ratio Analysis .....	39
Figure 17 Ratio Analysis .....	40

## OVERVIEW OF ORGANIZATION



## OVERVIEW OF IDLC FINANCE LIMITED:

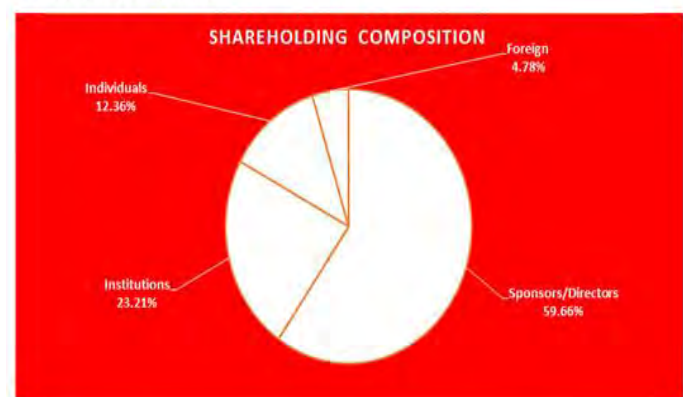
IDLC Finance Limited Started their operation in Bangladesh in 1985. They initially started with Lease Financing as their core product. Latter on them grow their Business in multi-product Non-Bank Financial Institution of Bangladesh, with almost equal focus in Corporate, Retail and SME sectors and changed the name from Industrial Development Leasing Company to IDLC Finance Limited in August, 2007.

When they started their operation they collaborate with different organization and formed this organization. Such as:

- International Finance Corporation (IFC) of the World Bank.
- German Investment and Development Company (DEG).
- Kookmin Bank.
- Korean Development Leasing Corporation of South Korea.
- The Aga Khan Fund for Economic Development.
- The City Bank Limited.
- IPDC of Bangladesh Limited,
- Sadharan Bima Corporation.

Their majority of shares hold by sponsor or Directors (59.66%), on the other hand, individual takes 12.36% shares, institutions and foreign stake holders are also involved with this organization their Holding shares are 23.21% and 4.78% accordingly.

Shareholding Structure



SHAREHOLDING COMPOSITION OF IDLC FINANCE LIMITED  
As on October 31, 2016



### **IDLC Finance Limited's VISION:**

“We will be the best financial brand in the country.”

### **IDLC Finance Limited's MISSION:**

“We will focus on quality growth, superior customer experience and sustainable business practices.”

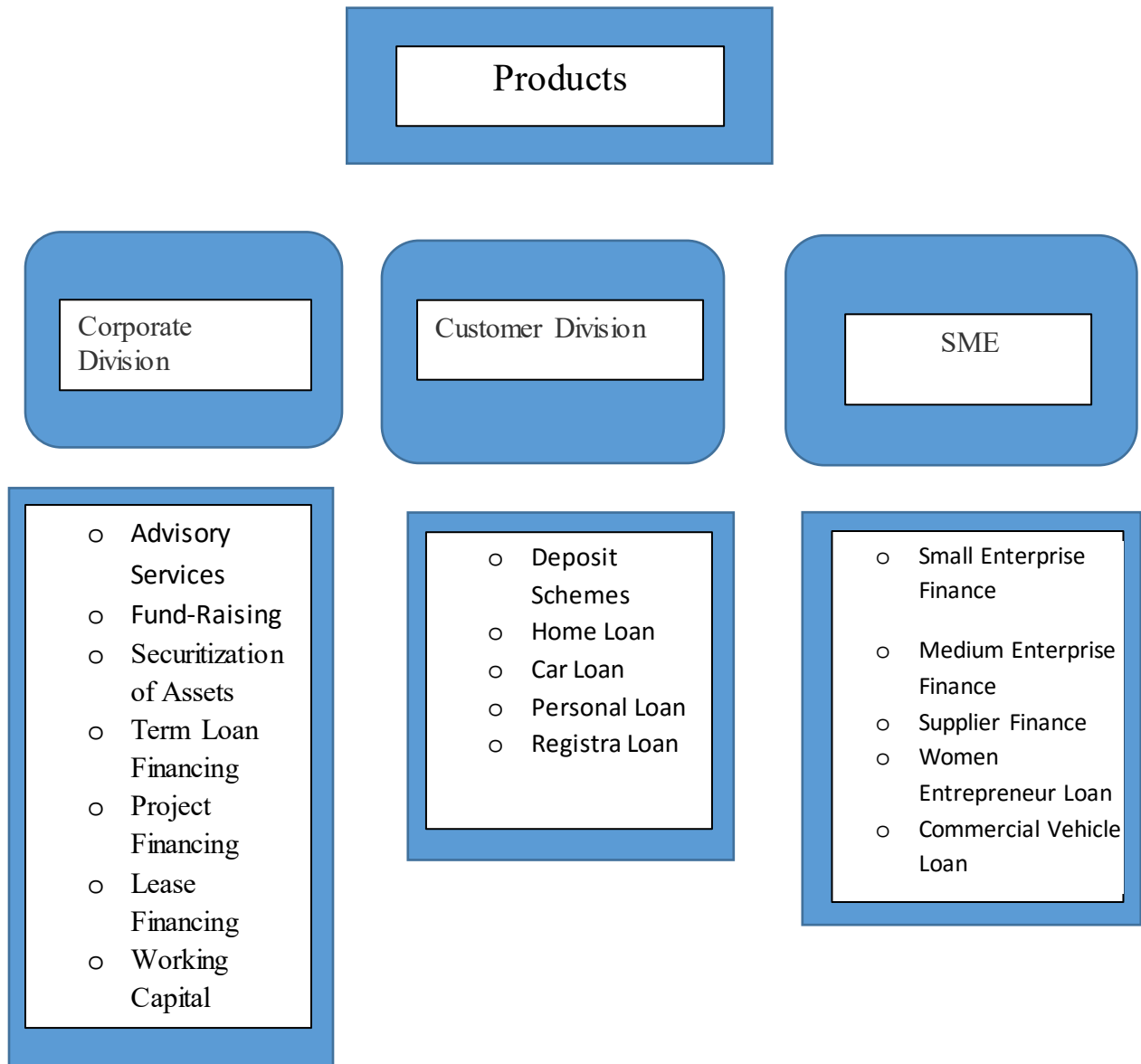
### **IDLC Finance Limited's Strategic Objectives:**

- Grow and develop our talent pool.
- Fully leverage new core banking platform.
- Optimize distribution points.
- Focus on top tier clients in corporate
- Embrace internationally accepted corporate
- Aggressively grow SME Portfolio.
- Consolidate capital market operations and enhance capabilities.
- Grow and Diversify funding sources
- Grow Sales and Service Capabilities in Consumer Division



### **Products:**

IDLC Finance has Three types of product line those are Corporate Division, Customer Division and SME Division. In corporate division they provide corporate finance and structured finance. In corporate finance the products are Lease Financing, Term Loan Financing, Working Capital Financing, Project Financing, Specialized product. In Structured Finance their products are Fund-Raising, Securitization of Assets, and Advisory Services.



*Figure 1 Products of IDLC Finance limited*

In customer division they provide deposit scheme, home loan, Car loan, personal loan and registrar loan. They have different charges for the different product. IDLC finance also invested in small enterprise financing, medium enterprise financing, supplier financing, women enterprise loan and commercial enterprise loan.

## Financial Strength of IDLC Finance:

Their financial strength has been increased over the years. In 2011 they have 31,165 million Taka of total Asset. In 2012 it increased into 37,784 million taka. It also increased 2013 to 2014.

In 2014 they have 58,927 million Taka and in 2015 it has increased 24.62%.

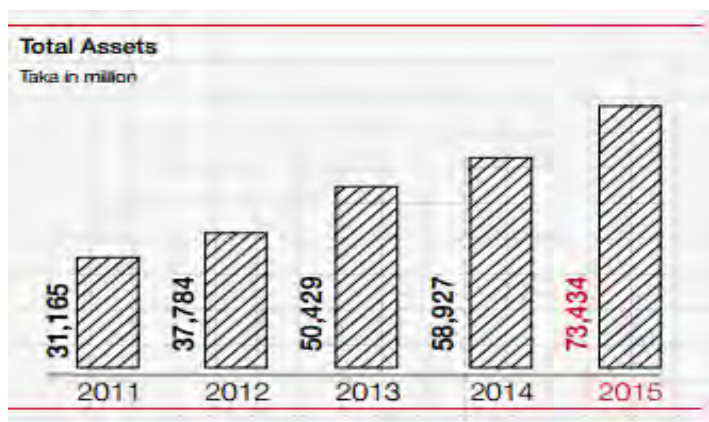


Figure 2 Total Asset of IDLC Finance Limited

Their operating income also increased over the years. In 2011 they have 2,160 million Taka of operating income. In 2012 it increased into 2,403 million taka. It also increased 2013 to 2014. In 2014 they have 3,658 million Taka and in 2015 it has increased 25.43%.

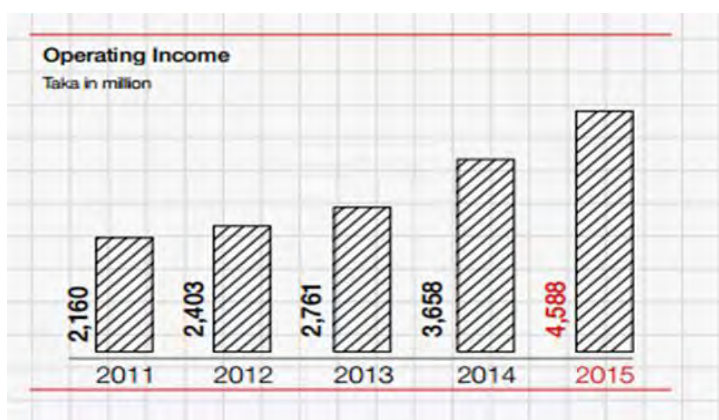


Figure 3 operating income of IDLC Finance Limited

In 2011 they have 500 million Taka of Net Profit. In 2012 it increased into 713 million taka.

It also increased 2013 to 2014. In 2014 they have 1,246 million Taka and in 2015 it has increased 24.62%.

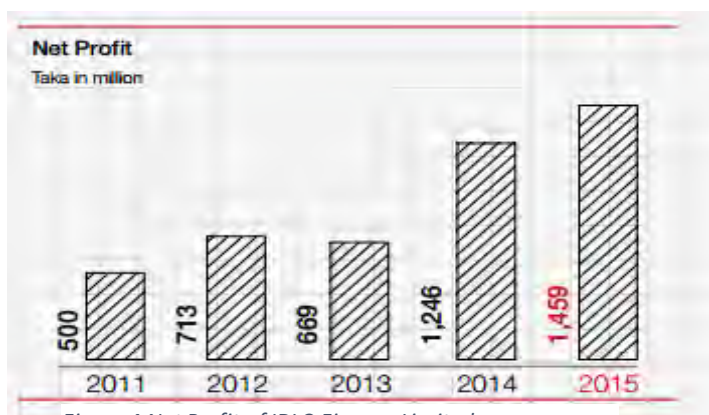


Figure 4 Net Profit of IDLC Finance Limited

## Organizational Chart of IDLC Finance Limited:



Figure 5 Organizational Chart Of IDLC Finance Limited





## **OVERVIEW OF IDLC SECURITIES LIMITED:**

IDLC Securities limited started their operation in 2006 as an wholly onwed subsidiary of IDLC Finance limited. They become one of the leading brokerage institution of the country. IDLC Stock Securities limited got the license to trade both Dhaka stock exchange (DSE) and Chittagong Exchange (CSE). They provide different services to their Clients Such As,

### **Brokerage Services:**

- Trade Execution in Dhaka and Chittagong Stock Exchange Limited.
- Appointment of dedicated and skilled sales representative.
- Opportunities for trading through different financial instruments.
- Trade Execution in Dhaka and Chittagong Stock Exchange Limited.
- Appointment of dedicated and skilled sales representative.
- Appointment of dedicated and skilled sales representative.
- Opportunities for trading through different financial instruments.

### **Custodial Services:**

- Safe keeping of securities.
- Exclusive arrangement for clients to keep their shares in safe custody in our vaults.

### **Full service Depository Participant (DP) of CDBL:**

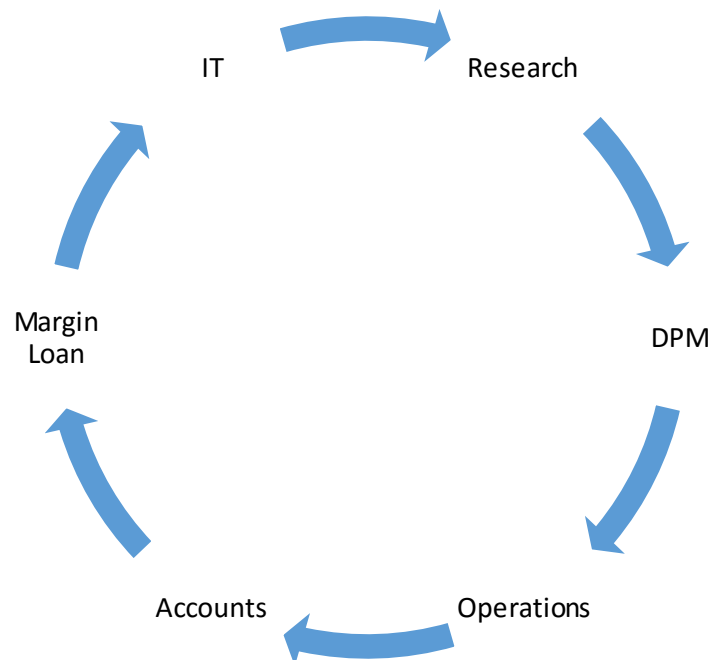
- ✓ Beneficial Owner (BO) account opening and maintenance.
- ✓ Dematerialization – the process of converting physical scripts to script-less shares to the CDBL part of the Company register.
- ✓ Re-materialization.
- ✓ Transfers and multiple accounts movemen.
- ✓ Pledging, un-pledging and confiscation.
- ✓ International Securities Identification Number (ISIN) balances and master maintenance inquiry.

## OVERVIEW OF IDLC INVESTMENTS LIMITED:

IDLC Investments Limited Started their activity form 1999 as a wholly owned Subsidiary of IDLC Finance. In 2000, IDLC Finance limited separate IDLC Investments Limited according to SEC rules. On that time SEC come up with a law to make all financial institution needs to separate their merchant banking operation. As per requirement of the Securities & Exchange Commission (SEC), IDLC Finance limited formed a separate subsidiary on May 19, 2010 in the name of “IDLC Investments Limited”,

### Departments of IDLC Investments Limited:

IDLC Investments have six different Divisions. These department works co-ordinate themselves regularly. Portfolio department mostly relay on the Research team. Research team do the research on the market and give feedback to portfolio Department (DPM) which share to buy or Sell. On the other hand, Operations department co-ordinate to DPM and Accounts Department.



*Figure 6 Departments of IDLC Investments limited*



# **JOB DESCRIPTION**





**What DPM Do:** Discretionary portfolio management department Handle client Phone calls to convince the customer or Face to face meeting, Collect Customer Form, Open Client Account in Their internal software, Allocate all the Check /cash/Deposit received to the Accounts Department. IDLCIL has a research team who analyze the Current Share market and give Indication to DPM department, According to the indication DPM department manage the portfolio.

### **My Contribution to the Organization:**

I had the opportunity to work in the Head Office of IDLC Investments Ltd. Since it is a merchant/investment bank most of its operation is done in the head office. Before joining the organization for internship I had little idea about how the works get done. I knew about investment banking and portfolio management but now I had the opportunity to look at their operations closely. Moreover the amicable environment of the office helped to adjust to the corporate life. I was assigned as an intern for the Discretionary Portfolio Management department. Since there workload increased due to the high promotion of “Easy Invest” product I made my contributions mainly to that work. The contributions I made to the organizations are given below:

### **File & Document Check:**

After joining the organization the first task my supervisor gave me to know about the products our department has been providing. So in the first few days I had to know about the products MaxCap, Easy Invest, Capital Protected Scheme and Profit Loss Sharing. After knowing about the products my supervisor told me about the Easy Invest product in details and told me what are the documents needed for opening an account. So then I had to learn what are the requirements needed for Easy Invest account. I was tasked with the responsibility to check the Easy Invest files daily and check whether all the documents required are given. If all the documents required are given then I used to send it to the operations department where they input the information in to the software to make an account. If all the documents are not given then I used to contact with the relationship managers. I also used to keep track of the daily incoming files of ‘Easy Invest’ by inputting the information in excel.

## Work Process In EASY Invest:

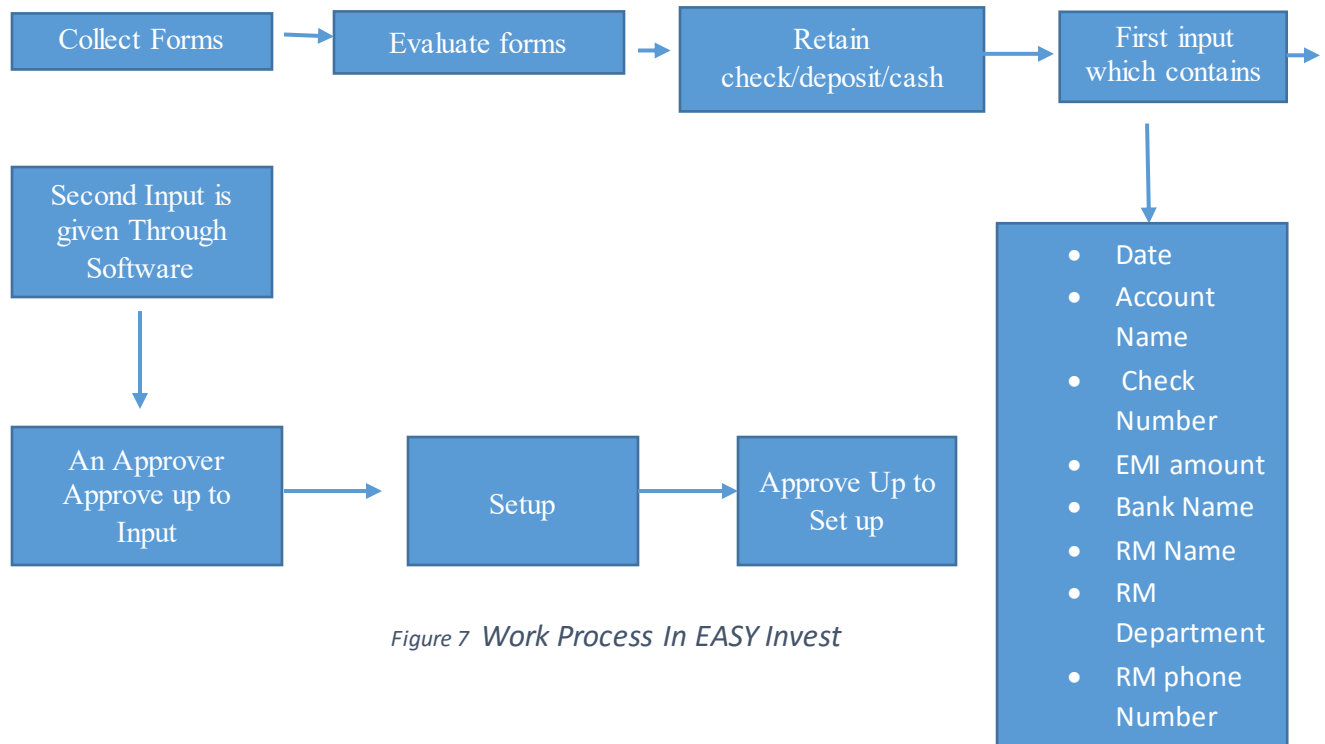


Figure 7 Work Process In EASY Invest

## Account Input:

After few weeks of my internship a new intern was also taken in our department due to the heavy workload. Due to his arrival my work responsibility changed. He was given to check the files and documents and I was shifted to a more sophisticated work. As mentioned above that if all the required documents are okay then I used to send it to the operations department to input it on the software. But due to heavy workload I was given the task to do the account input part to reduce the stress on the operations team. 'Rasalas' is the software that is used to make profiles for the approved 'Easy Invest' account holders. To create a profile there are basically three steps: Account Input, Account Setup and Cash Collection part. In account input all the basic information's like name, address, e-mail, mobile and bank information are inputted in to the system. In account set-up information like the tenure and monthly installment of the clients are inputted. In cash collection the entry of check or cash collection for the opening of account are made. In Account Input there are again two parts. First the basic information and the other part is Customer Relatives. In this part we put the information of the nominee. I was assigned to give inputs of Account Input part in the software for the 'Easy Invest' account holders.

### **Contacting Relationship Managers:**

Another responsibility I had in my internship is to contact with the relationship managers whenever there is a problem with their client's file. Most of the files of Easy Invest are sent through courier so instant checking is not possible. So whenever we found any lack of information in the file or any documents then I had to contact with the relationship manager regarding the needed documents & information. It was also my duty to keep record of the pending documents in the excel file.

### **Assisting the seniors:**

Whenever any senior needed me for help I had to assist him. There were some work I had to do which was not in my direct responsibility but I did it to assist my seniors in the department. I assisted them in mandate fill-up. Mandate paper is the part of the form in which bank information of the client's information are written and are sent to Standard Chatered Bank, Chennai Branch. These papers were hence extremely sensitive. So I assisted my seniors my filling out the information of the client's in the paper and had to check whether all the forms are okay or not. I also assisted them in insurance paper. I had to check and recheck the information given in the insurance paper and had to keep track of any mistakes in that paper.

### **Lessons Learned from the Internship:**

The three month long internship taught me a lot of lessons. These are discussed below:

#### **Technical Skills:**

During my internship tenure I got to learn a lot of technical stuffs in the investment banking world. First I got to know how a Discretionary Portfolio Management department works. They make different products based on risk and returns and tries to sell it to the clients. I also learnt how the whole banking system works. Mainly in the banking system it is all about direct marketing. The banking and investment banking side depends entirely on the effort of the relationship managers. I also got to know what are the documents requirements in order to open an account in the portfolio management department and why it is needed. The banking system is the most regulated sector in Bangladesh. Hence proper documentation is needed whenever any client is interested to open an account. I also got know about the software 'rasalas' where input is given for Easy Invest account.

### **Analytical Skills:**

The investment banking sector required strong analytical skills to succeed. Presence of mind is required to carry out banking job smoothly. I had to use my analytical ability whenever I faced a problem. Most of the problems I faced were on the required documents and information lacked in any account. As mentioned earlier that these files come through courier hence I had to contact with the relationship managers to eradicate the problem. The supervisor instructed me and my fellow intern that whenever a problem arises regarding the forms we had autonomy to contact with the relationship managers and find a way to eradicate the problem. We just needed to give a report to him at the end of the day about those things. His autonomy towards this responsibility gave us the chance to use our analytical ability to solve problems.

### **People Skills:**

Mostly my interpersonal skills developed a bit due to my internship tenure in the organization. As mentioned earlier that I had to contact with the relationship managers regarding the forms issue. So I had to learn from my seniors how to communicate with them. I had to do this duty from the entire three months of my internship and hence I have developed an interpersonal communication skill. I had also improved my intellectual skills and some of the situation required to use my intelligence to get the work done. My supervisor told me during the briefing of my responsibility that I might have to use my own intelligence to get some work done and I should not bother the seniors for that.

### **Customer Handling Skills:**

Since it is a service oriented company it is imperative to have the customer handling skills. Regarding the documents sometimes I had to directly contact the clients. It required a good customer handling skills to do so. Although the task at the start was daunting but with time the communication with the clients seemed easy. Hence I can say that my customer handling skills improved drastically due to the internship experience.



### Observations:

IDLC Investments is a friendly working place. Where we interns called our seniors Brother and sister and they treat us their little brother. We have some regular duties and responsibilities without that we need to do some extra work which is not assigned by my Supervisor. Overall they are very helpful.

**PROJECT**



## Overview of the report:

This report will represent the portfolio management services of IDLC Investments Limited. IDLC Investments Limited has different products. Through these product they collect fund and manage portfolio of the clients. As an intern it won't be possible to know all process and techniques how they manage portfolio but I tried my best to know how they manage portfolio. I tried to write an overall process or overview, how IDLC investments especially DPM department run their business.

## Objectives of the project:

How Discretionary portfolio management Department manage portfolio and run their department.

## Methodology:

To collect information about the organization I depends on primary and secondary sources. In primary sources, the supervisor provided me some information. I talked with the senior and junior executive to collect information. My observation is also takes an important role to collect primary data. In secondary data collection I need to depend on the website about the organizations history, Branches, Product features, Mission and vision. I also got help from different website to learn more about IDLC Investments and their nature of operation.

## Limitations:

- Organization will not reveal the process how actually they manage the portfolio.
- They have different access level in their PC according to the employee position of the organization.

## Products:

IDLC Investments provide two categories of product. First one is CAP, this product is under the Non-discretionary portfolio management and under the discretionary portfolio management they have Maxcap, Easy Invest, Capital Protected Scheme, Profit-loss sharing.

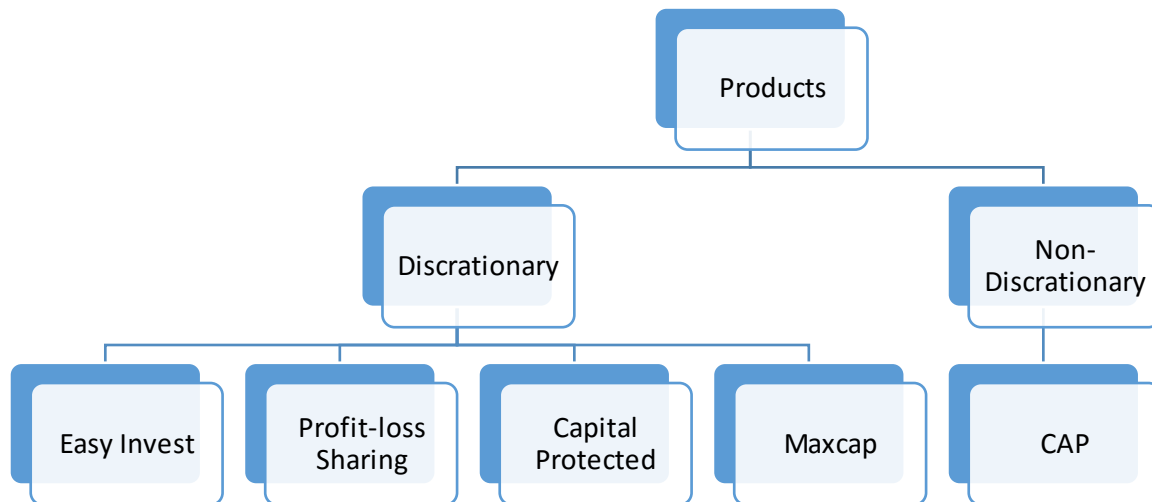


Figure 8 Products of IDLC Investments Limited

## Non-discretionary portfolio account:

In Non-Discretionary portfolio account IDLC Investments offers the product named CAP investment. CAP investment is the only product that IDLC investments provides to their customer under the Non-Discretionary portfolio management. Till now IDLC Investments limited opened 6023 Account. They send Daily Trade Data to the panel broker through email within 9.45 AM.

In Cap investment IDLC Investment provide fifty percent amount of margin loan on the principles total amount of money. In this account investor manage their portfolio which gives them authority to choose their wanted shares buying the shares and selling them. In Cap account if the equity to debt ratio is more than 50% then investor have the freedom to buy and sell their preffered stocks.





If equity to debt ratio is less than 50% then IDLC investments sent them margin call letter to improve the ratio. If Equity to Debt ratio is lower than 30% they can buy securities that is approved by IDLC Investments.

## **Major Services of Non-Discretionary Portfolio Account**

- Extending margin loan facilities to enable investors to earn enhanced return
- Registering the securities, and collecting dividends and bonus shares
- Subscribing to the rights issues
- Keeping the securities in safe custody
- IPO Application

## **Major Characteristics**

- Cap Invest clients will have absolute discretionary power to make their own investment decisions. IDLC, the Portfolio Manager, will provide all support for efficient execution of the trades.
- Clients will be allowed to invest only in the securities carefully selected and approved by the Portfolio Manager.
- The Portfolio Manager will extend Margin Loan to the clients to facilitate enhancement of their return on investments through leveraging.
- All the securities purchased for the clients shall remain in lien in favor of the Portfolio Manager.
- Clients will have access to various research materials on market, industry and companies prepared by the independent research team of the Portfolio Manager.
- Investment in "Cap Invest" will be considered allowable investment for obtaining tax rebate. Additionally, capital gains from investments are currently completely tax-exempt.
- Clients can place Trade Orders through Internet/SMS/Mobile Application.

**Fees and Charges:** Client need to invest Minimum Amount: Taka 1 Lac taka up to 80 million Taka. IDLC Investments have some fees and charges to opening and processing this account those are:

- 500 Taka Opening amount.
- Settlement Fee: 0.35% on Transaction Value.
- Others are:

Client's Equity Level	Management Fee	Interest on Margin	Applicable Interest Rate
Taka 10 Million and above	Below Taka 10 Million	Taka 30 Million and above	At 14.25% pa, charged quarterly Below
At 1.00% pa, charged quarterly	At 1.50% pa, charged quarterly	Below Taka 30 Million	At 14.75% pa, charged quarterly

Figure 9 Fees and Charges of CAP Account.

## Discretionary Portfolio Account:

IDLC Finance is offering four product in Discretionary portfolio management. In Discretionary portfolio management they manage clients fund and make clients individual portfolio. To some instance client can date decision to buy their own shares but most of the time portfolio manager take decision which share is to buy or sell. IDLC Investment sent to portfolio statement to the client quarterly. Their products are

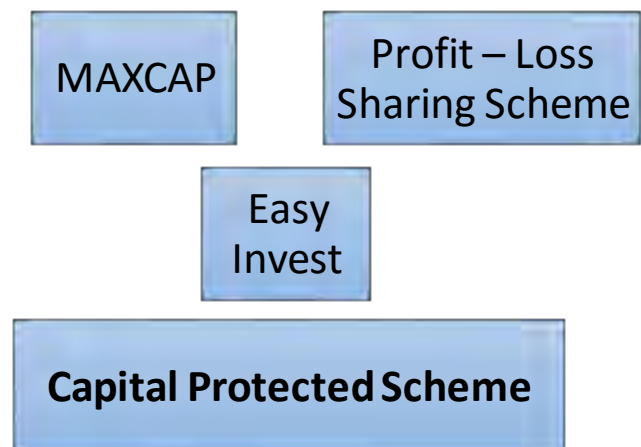


Figure 10 Discretionary portfolio managements products



## MaxCap :

Maxcap is discretionary portfolio management service, Where IDLCIL manage clients fund and take Management decision. People who want fund manager expertise are the target client of this Product. Maxcap in a long term investment process where client need to invest minimum capital of 10,00,000 for minimum two years investment horizon. The investment Approach of Maxcap is top down approach. The portfolio manager will focus on long-term return form this product.

The features of this product is Investment of total asset will not exceed 30% in a single security and 60% in a single industry. Secondly, not more than 30% of total asset will be invested in IPO. Thirdly, fund May be invested in Debt securities when appropriate. Fourthly, No investment will be made in Private venture capital. Fifthly, the fund is invested in securities only. Finally, the client can get margin loan facilities as their preference.

According to the Risk Factor IDC Investments will not bear the loss if loss occurs in different circumstance. On the other hand, client will get quarterly portfolio statements.

### Investment Process:

- Independent professional judgment and responsibility in each area of decision making.
- Elimination of all sorts of conflicts of interest.
- Fair dealing and objectivity in every transaction.
- Compliance of law and other fiduciary duties.

### Fees and Charges for Cap Invest:

The minimum tenure to enter this product for a client is two years. If client want to exit early IDLCIL will charge .5% of invested amount. There is an account opening fees which contain 500BDT (Non-refundable). Other fees and charges are given below:



- Management Fee: 2.50% p.a. on the value of the securities, charged on a quarterly basis.
- Settlement Fee: 0.35% on the transaction value.
- Early Exit Fee (within 1st year of investment): 0.50% on the withdrawal/closing amount.
- Annual CDBL account renewal fees: BDT 500.

### **Capital Protected Scheme:**

*Maxcap and capital protected Scheme are quite similar unless Capital Protected scheme are providing the capital protection whereas the Maxcap are not offering the capital protection. Capital Protected Scheme is also offering potentially higher return than the fixed deposit. The minimum amount Investment amount are 10.00,000 and Tenure are 6 year 3 month.*

In this product customer do not need to think about the capital amount. In Maxcap customer need to think about the capital as the entire loss will be charged upon them. In this product the capital is protected. If other gain accrued the client will get the amount. IDLCIL mainly do a fixed deposit of the 80% capital of the client and another 20% they invest. In this product client will not get any margin loan facilities.

#### **Risk Aspect**

Prospective investors of “Capital Protected Scheme” account should appreciate that portfolio investment in capital market is subject to certain risk factors, as detailed below, which are not necessarily exhaustive or mutually exclusive:

- Portfolio return is significantly dependent on the macro economic situation and the capital market in particular.
- Lack of liquidity and extreme price volatility may significantly impact portfolio performance. Due to lack of adequate number of securities, the portfolio may not be optimally diversified. Moreover, strong positive correlation among the equity securities also greatly limits the diversification benefits.

- Appropriate balancing between different asset classes may not be achieved due to absence of an active debt market.
- Despite careful selection of stocks, the companies may fail to provide expected dividend or make timely disbursements.
- The value of the portfolio assets may be affected by uncertainties such as political or social instability, adverse climatic condition, and change in any law or regulations of the territory etc. Such risk exposure may limit your portfolio's ability to achieve its stated return objective.

#### **Fees and Charges :**

- Documentation Fee: BDT 500 (one off).
- Management Fee: 1.5% p.a. on the market value of the securities, charged quarterly.
- Settlement Fee: 0.35% on the transaction value.
- Early Exit Fee (within tenor): 2% on the withdrawal/closing amount.
- Annual CDBL account renewal fees: BDT 500.

#### **Profit-loss Sharing Scheme:**

For investing in profit loss sharing scheme a client need to invest minimum 10, 00,000 BDT for the 2 years tenure. The main features of this product is IDLCIL will share profit as well as loss with the client. In Maxcap and Capital protected Scheme IDLCIL will take the profit if profit earns but they will not share the loss with the client. In this Scheme they will share profit-loss at 70:30 ratio. The features of this product is Investment of total asset will not exceed 30% in a single security and 60% in a single industry. Secondly, not more than 30% of total asset will be invested in IPO. Thirdly, fund May be

Invested in Debt securities when appropriate. Fourthly, No investment will be made in Private venture capital. Fifthly, the fund is invested in securities only. Finally, the client can get margin loan facilities as their preference.

#### Risk Control Measures :

To control volatile portfolio performance, your Portfolio Manager will judiciously apply various risk control measures. The primary paradigm of risk control has been described below:

- First, the Portfolio Manager will set appropriate limits on downside shortfall in securities, industry and portfolio levels.
- Second, the Portfolio Manager will try to minimize risk by selecting fundamental and potential securities and achieving adequate diversification.
- Finally and most importantly, the Portfolio Manager will continuously monitor the performance of your portfolio and the capital market conditions. Your portfolio will be actively balanced in line with the changed market scenario, if it is deemed prudent.

#### Easy Invest

Easy invest is a brand new product of IDLCIL with modified concept. It will build a platform over a longer time horizon with small investment. It makes investors life easier. Earlier days if any investor wants to invest in IDLCIL, they need to invest big amount of money. But in Easy invest client can invest minimum 3,000 BDT per month. The installment amount can be taken through Auto debit. In this product client can select their favorable tenure, the tenure includes three, five and ten years. Easy invest is discretionary portfolio management service. IDLCIL invested in Blue chip Stock and manage the customer's portfolio. They claim that customer will get 15% return from their investment. They are also offering the insurance facilities for the customer which charges 74 BDT per year. Client will get up to 1,00,00 BDT insurance coverage.





## Features

- Easy Invest can be started with very small amount of money, so it is affordable.
- Reduces risk because of cost averaging over a long time horizon.
- Long term financial solutions for children's education, marriage etc.
- Disciplined and systematic approach of investment.
- "Auto Debit" instruction facility to eliminate need for physical submission of cheques.
- Opportunity to get rebate on income tax and tax exemption for individual on capital gain.
- Accidental Death and Disability Insurance Coverage up to BDT 1 Lac per year.

## Key Information :

### Monthly investment amount:

- Individual/Institutions : BDT 3,000 & in multiple of BDT 1,000
- Investment Tenure : 3, 5 & 10 years

## Fees & Charges:

Account Opening Fees	: BDT 500/-
Management Fees	: 3.0% p.a on market value of securities
Transaction Fees	: 0.50% on transaction amount
Early Exit Fees	: 5% before 1 year and 1% after 1 year on withdrawal amount
Insurance Fee (Optional)	: BDT 74 per year

## **Portfolio management of IDLC Investments Limited:**

IDLC Investments provides two types of portfolio management services. Those are discretionary portfolio management and Non-discretionary portfolio management services. But in both category they need to select the stock.

Generally two approaches is there to select the stock those are top-down approaches and bottom-up approaches. In top down approach organization first analyze the economy, secondly, analyze the industry by PASTEL and other analysis. Thirdly, analyze the organization and finally, analyze the shares. In bottom-up approach organization first analyze the shares then analyze the organization, industry, economy accordingly. IDLC Investments follow the Bottom-up approached for managing the portfolio.

Two types of analysis is also there when they select stocks. First one is Fundamentals analysis and Technical Analysis.

- Fundamental analysis: for long term projection. ( Maxcap,profit-loss sharing, capital protected scheme)
- Technical analysis: for short term projection. ( Easy Invest)

## **Fundamental analysis:**

It's a Health check of company. It's a 360 check of various parameters financial check, the quality of its management, company's actual business and its future prospects, overall economy and the industry condition that might impact the performance of the company. There are two types of fundamental analysis:

- Quantitative – expressed in numerical terms.
- Qualitative – related to or based on the quality or character of something - things such as the quality of a company's board members and key executives, its brand-name recognition, patents.





There are different methods of fundamental analysis that IDLC Investments follows.

- Dividend Growth
- Discounted Cash flow Method.
- Ratio analysis.

### Discounted Cash flow Methods:

Is a valuation method use to estimate of attractiveness of investment opportunity. It projects the future cash flow and discounts them to find the present value estimate, is higher than the current cost of investment than investor can buy the shares and if the value is lower than IDLC Investments ignore the share.

### Dividend Growth Model for Fundamental Analysis:

The valuation of the stock by using a predicted dividend and discounted back to the present called dividend discount model. This is one of the models IDLC Investments uses for valuation of the stock for long term Investments. Since Discretionary Portfolio Management has two different products named **Easy Invest & MaxCap** where customers invest their money and IDLC has to manage their money with efficient and expert fund manager in capital market to generate higher return. So they need to find more reliable stocks to generate more return in long term for their clients through valuation process.

For dividend growth model we need expected dividend which is estimated for the higher growth period. If the value obtained from the DDM is higher than what the shares are currently trading at, then the stock is undervalued. If the stock is valued under the market rate, it means that particular stock has more potential to be increased in the long. But if the stock is valued over the market rate, it signifies the stock value will more likely to decrease over years, and might not be a good idea to invest in that particular stock.

This model has a big bug which is, it won't work for those companies who do not pay any dividend.

For example, a company is paying a dividend of Tk. 1.5 per share this year with an expectation of dividend growth 6% per year in perpetuity. If we assume the cost of equity of that company is 7%,

the estimated dividend for next year is  $D(1) = D(0) \times (1+g) = 1.5 \times (1+.06) = 1.59$

The value of the stocks would be  $D(1) / (r-g) = \text{Tk. } 1.59 / (7\% - 6\%) = \text{Tk. } 159$

### **Some assumptions for valuation**

1. The firm is assumed to be in an extraordinary growth phase currently.
2. This extraordinary growth is expected to last for an initial period that has to be specified.
3. The growth rate declines linearly over the transition period to a stable growth rate.
4. The firm's dividend payout ratio changes consistently with the growth rate.

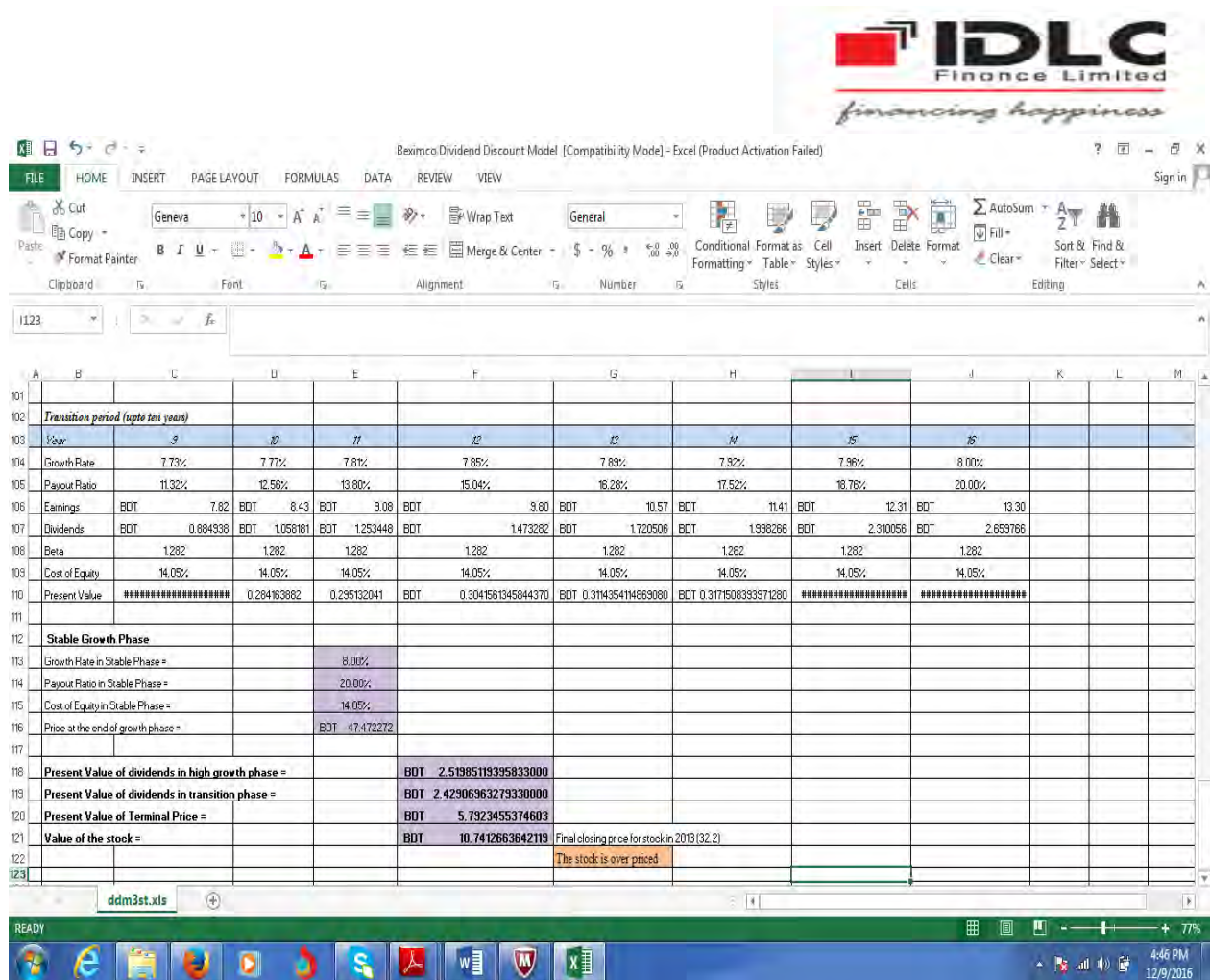


Figure 11 Divident Growth Model

The length of the growth rate is 10 years and in the input function we need to choose net income, book value of equity, current earnings per share, Book Value of Equity, Current Earnings per share, Current Dividends per share, Number of shares outstanding, Beta of the stock, Risk free rate, Risk Premium of the company to fund out the valuation of the stock. We also need dividend payout ratio to find out the growth rate of the company. In the input function, there is also stable growth rate, which is 8%. On the other hand, Stable payout ratio from fundamentals is 20.00% and we do not want to change the payout ratio. In the stable growth period we change, the beta which is 1.282 and that is why we use the risk premium in stable period is 5.50%.

1. Net Income of Beximco Pharma in 2013 is 1,406,104,399
2. Book Value of Equity is 19,775,552,465



3. Earnings per share in 2013 is 4.01

4. Dividends per share in 2013 is 0.1%

The pay-out ratio for higher growth phase is 10.08%. Therefore, after the calculation we have found out that the price at the end of growth phase is BDT 47.47. The value of the stock is 10.74, which is lower than the final closing price of 2013, which is BDT 32.2. So, we can say that the stock is overpriced.

### **Ratio analysis:**

IDLC Investments analyses the ratio to understand organizations financial statements by which they get quick indication about the organization. Some important ratios are: Earning/price to growth ratio, price earnings ratio debt to equity ratio, price to book ratio etc.

### **Technical Analysis:**

Technical Analysis signifies analyze the movement of the price of stocks apart from the valuation. It's basically a method of evaluating securities by analyzing the statistics generated by market activity such as prices and volumes. Technical analysis has different concepts.

- **Trend**

Trend is one of the most important concept. Trend signifies a general direction in which a security market is headed. IDLC Investments Limited uses trend for short term capital gain. Generally the price of stock are not moving on a straight line. It moves through encountering many ups and downs. In technical analysis, it is the movement of the highs and lows that constitutes a trend.



Figure 12 Trend Analysis

- **Support Level**

Support level is a price level which refers to the price of a stock which works as a floor by preventing the price of stocks from being pushed downwards. By identifying perfectly IDLC Investments Limited makes a perfect decision to protect consumer's wealth by selling or buying the stocks on time. Support level sets by observing Last one year/months trend.

- **Resistance Level**

Resistance level refers to the ceiling of the price of a stocks which works as a barriers from preventing the price of a stock from getting pushed in upwards. Sometimes to some extent, support level can become future resistance level.



Figure 13 Support level and Resistance level

## FINDINGS AND ANALYSIS:

My internship period in IDLC Investments was three months. In this three months I worked with a particular product named Easy Invest. Though easy invest launched in 2015 but in recent days they run some campaigns which increases their number of clients. During the period they improve them but I have some findings about the Discretionary portfolio department. Those are:

- They don't promote their product through digital channel.
- Relationship managers are not properly aware of the documentation part of the product.
- They don't promote themselves individually.
- Their work efficiency level is below average.
- Work distribution is not organized properly.
- Working process is manual rather than computerized.



## RECOMMENDATIONS:

- They need to promote their product in different marketing channel. Digital marketing needs to be preferred choice by which they can reach the potential clients.
- Educating relationship manager is important. They need to arrange seminars to educate relationship managers about the features of the product.
- IDLC Investments promote themselves under the light of IDLC Finance Limited. If they want themselves as an individual brand they need to promote themselves separately.
- Due to the lack of employee they can't able to handle the workload. To solve this problem they need to hire some people.
- Some work they do manually which can be switched into computerized. It will save the time and improve work efficiency.

## Conclusion:

IDLC Investments Limited is a wholly owned subsidiary of IDLC Finance Limited. They operate as a merchant banking activity in Bangladesh. In the merchant banking activity they provide discretionary portfolio management, Non-discretionary portfolio and IPO services. Initially their first activity underwriting shares. Gradually they entered into Discretionary portfolio and non-discretionary portfolio services. In this report I tried to focus on their portfolio management services as I did my internship in Discretionary portfolio management department. Apart from that I tried to focus on the business nature of IDLC Finance limited and IDLC Securities Limited.

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## APPENDIX:

Current Ratio				
	Current Asset	Current liabilities		Result
Ranata				#DIV/0!
Square				#DIV/0!
Quick ratio				
	Current Asset	Inventores	C. liabilities	
Ranata				#DIV/0!
Square				#DIV/0!
DSO				
	Accounts receivable	Salse		
Ranata				#DIV/0!
Square				#DIV/0!
Inventory turnover				
	COGS	Inventory		
Ranata				#DIV/0!
Square				#DIV/0!
Fixed Asset turn over				
	sales	Fixed Asset		
Ranata				#DIV/0!
Square				#DIV/0!
T. Assret Turnover				
	salse	T.Asst		
Ranata				#DIV/0!
Square				#DIV/0!

Figure 14 Ratio Analysis

Current Asset	5,296,370,085		7,768,068,298	
Current liabilities	5,214,178,551		3,416,619,593	
Inventories	2,760,765,470		2,345,389,488	
Accounts receivable	1,355,185,477		757,757,419	
Sale	4,086,775,028		24,193,356,807	
COGS	4,086,775,020		11,727,992,671	
Fixed Asset	9,197,198,644		18,781,466,580	
T.Asst	9,197,198,644		31,354,182,244	
T.Debt	5,214,178,551		3,416,619,593	
T.equity	7,750,713,063		22,277,516,628	
EBIT	4,086,775,028		5,504,459,836	
EAT	1,390,164,527		4,031,811,268	

Figure 15 Ratio Analysis

Debt to Asset			Result
	T.Debt	T.Asset	
Ranata			#DIV/0!
Square			#DIV/0!
Debt to Equity			
	T.Debt	T.equity	
Ranata			#DIV/0!
Square			#DIV/0!
Time Interest Earn			
	EBIT	Interest	
Ranata			#DIV/0!
Square			#DIV/0!
Return On Asset			
	EAT	T.Asset	
Ranata			#DIV/0!
Square			#DIV/0!
Return On Equity			
	EAT	T. Equity	
Ranata			#DIV/0!
Square			#DIV/0!
EPS	Profit	Divident	of Shares outshtand
Ranata			#DIV/0!
Square			#DIV/0!

Figure 16 Ratio Analysis

Ranata		Square	
Current Asset	5,296,370,085		7,768,068,298
Current liabilities	5,214,178,551		3,416,619,593
Inventores	2,760,765,470		2,345,389,488
Accounts receivable	1,355,185,477		757,757,419
Salse	4,086,775,028		24,193,356,807
COGS	4,086,775,020		11,727,992,671
Fixed Asset	9,197,198,644		18,781,466,580
T.Asst	9,197,198,644		31,354,182,244
T.Debt	5,214,178,551		3,416,619,593
T.equity	7,750,713,063		22,277,516,628

Figure 17 *Ratio Analysis*