

# **Internship Report**

**On**

## **An In-depth Analysis of the Consumer Division & Performance Evaluation: IDLC**

**Submitted To:**

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**IDLC**  
Finance Limited

**Submitted by:**

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*financing happiness*

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## Letter of Transmittal

18<sup>th</sup> June, 2016

Md. Saif Hossain

Senior Lecturer

BRAC Business School

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**Subject:** Submission of Internship report on “An In-depth analysis of Consumer Division & Performance Evaluation: IDLC”.

Dear Sir,

With due respect I would like to say that it is a great privilege for me to submit my internship report on “An In-depth analysis of Consumer Division & Performance Evaluation: IDLC” to complete the BUS 400 course as a completion of my Bachelor’s degree.

The internal content of this report is based on a vivid analysis of the consumer division I have worked for during my internship period, and their performance evaluation according to NBFBI industry. During the whole preparation of making this report, I have tried to make it rich covering with all the concerning contents. I want to show my gratitude to you for your encouragement, effective guideline and valuable support. Kindly, accept my report and oblige thereby.

Sincerely yours,

Bushra Ashraf

ID: 12104030

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BRAC University

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## Acknowledgement

I would like to express heartfelt gratitude to every single person who has assisted me in the preparation of this internship report. I wish to thank them for their support, guidance and belief in every step.

Most importantly, I would like to take the opportunity and express my thankfulness towards Md. Saif Hossain, Senior Lecturer of BRAC Business School, BRAC University, sir for his constant support and necessary guidance to the cause of my report outcome from the starting to the end.

I must not forget to mention my appreciation to Ms. Saima Islam, Manager-In-Charge, CAD-CD, IDLC Finance Limited under whose supervision I went through my internship. Moreover, my thanks go to Mr. Riaz Uddin, Assistant Officer, CAD-CD, Jannatul Ferdous Munmun, Officer, CAD-CD and Anny Biswas, Officer, CAD-CD of IDLC Finance Limited for their kind support and most importantly for providing the learning opportunity for me during the internship tenure. At the same time, I would like to thank my other colleagues of IDLC who provided me with enormous insights and helped me to learn the situation of the real business world.

Lastly, I am grateful to BRAC University, BRAC Business School which is the reason I am standing here on the sheer drop of earning my bachelor degree successfully.

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## Executive Summary

IDLC Finance Limited is undoubtedly the number one financial institution in NBFIs industry of Bangladesh by having the best portfolio of the country. A detail history of IDLC Finance Limited with its various concerns has been comprised in the report along with the narrative and graphical presentation in terms of their five years performance evaluation along with interpreted comparison with LankaBangla was stated as second and most important objective of this report.

The in-depth analysis of Consumer Division I have worked for is stated as first objective from my personal working experience and knowledge I have gathered from both annual report as well as workplace.

Thirdly, the hypothesis test was the showcase of EPS affects the stock price of the company. In case of three months internship program in operation department under Consumer Division, my main work responsibility was from indexing of deposit files to archiving information's, maintaining day to day transactions, forming deposit transaction & filling up information's. And my motto was to meet up my supervisors expectations anyway possible by giving my best.

However, it also gives a clear picture what I have learnt during three months long internship at IDLC and how I was equally benefited for the organization and for myself. Lastly, with a recommendation I tried to produce this report as informative as possible with numerous information I have gathered.

## CHAPTER-1

# THE ORGANIZATION

### 1.1. Introduction

IDLC claims to have revolutionized Bangladesh’s Non-Banking Financial Institutions and one of the reasons for their claim is that, they have continuously published award winning Annual Report over the years. They have created a new and secured infrastructure for the rapidly growing banking and non-banking sector today.

While preparing this report I have used some practical information which I have gathered more or less from my assigned works in the company, mostly I have focused on the analysis of the activities, performances and major business affairs of the company. I was placed in the Operations Department of Consumer Division of IDLC Finance Ltd. This report will imply a brief rundown on various functions and operations of the department as well as their performance will also be evaluated through comparing their data’s.

Thus, to account for IDLC’s performance analysis and evaluation is done from 2010 to 2014 Annual Report, and latest years’ comparison in this industry with Lanka Bangla to show how effective they are on their position.

### 1.2. History:

IDLC Finance Limited, the first leasing company of Bangladesh, was established in 1985. Its birth was actually a collaborative effort between several local and multinational financial institutions e.g. International Finance Corporation (IFC), German Investment and Development Company (DEG), Kookmin Bank, Korea Development Financing Corporation, The Aga Khan Fund for Economic Development, The City Bank Limited, IPDC of Bangladesh Limited, Sadharan Bima Corporation. With the evolution of this company the initial foreign shareholding of 49% was gradually being withdrawn. The local sponsors were taking the shareholding positions of the company and finally in 2009 there was no foreign shareholding of the company.

### 1.3. About the company:

IDLC Finance Limited started its journey, in 1985, as the first leasing company of the country with multinational collaboration and the lead sponsorship of the International Finance Corporation (IFC) of the World Bank Group. Technical assistance was provided by Korean Development Leasing Corporation (KDLC), the largest leasing company of the Republic of South Korea.

IDLC which has now emerged as Bangladesh’s leading multi-products financial institution, has amongst its external share-holders, international development agencies such as Aga Khan Fund for Economic Development (AKFED) and German Investment and Development Company (DEG) besides the IFC. The other foreign sponsors including Kookmin Bank of the Republic of Korea in addition to KDLC and all these institutions together hold 47.3%% of the company’s shares.

Five Bangladeshi financial institutions- The City Bank Ltd, Sadharan Bima Corporation, Mercantile Bank Ltd, Eskayef Bangladesh Ltd, Reliance insurance Ltd and the general public hold the remaining 52.7%. IDLC is the listed member of Dhaka Stock Exchange.

The unique institutional shareholding structure comprising mostly of financial institutions helps the company to constantly develop through sharing of experience and professional approach at the highest policy making level.

IDLC offers a diverse array of financial services and solutions to institutional and individual clients to meet their diverse and unique requirements. The product offerings include Lease Finance, Term Finance, real estate Finance, Short term Finance, Corporate Finance, Merchant Banking, term Deposit Schemes, Debentures, and Corporate Advisory Services.

The vision of IDLC Finance Limited is to become the best performing and most innovative financial solutions provider in the country. To achieving this vision and goal it is important to taking due care of all of our constituents, particularly the shareholders, customers and workforces. The corporate philosophy is discharge their functions with proper accountability for actions and results and blind themselves to the highest ethical standards.



**Vision:** We will be the best financial brand in our country.

**Mission:** We will focus on quality growth, superior customer experience and sustainable business practices.

#### 1.4. Strategic Objectives:

- ❑ Grow and develop our talent pool
- ❑ Fully leverage the new core banking platform
- ❑ Optimize distribution point
- ❑ Grow and diversify funding sources
- ❑ Grow sales and service capabilities in the Consumer Division
- ❑ Aggressively grow the SME portfolio
- ❑ Focus on top-tier clients in the Corporate segment
- ❑ Consolidate capital market operations and enhance capabilities
- ❑ Embrace internationally-accepted corporate governance and sustainable business practices

#### 1.5. Core Values:

- ❑ Integrity
- ❑ Customer Focus
- ❑ Trust and Respect
- ❑ Equal Opportunity
- ❑ Eco-friendly
- ❑ Passion
- ❑ Simplicity

## 1.6. Description of the Project:

### 1.6.1. Objective of the Report:

- ✓ The main objective of the report is to show a complete analysis of the Consumer Division.
- ✓ To showcase a comparative performance evaluation between IDLC & Lanka Bangla.
- ✓ Hypothesis Test: EPS affects the stock price of the company.

### 1.6.2. Methodology:

In this report, from IDLC's Annual Report from 2010 to 2014 for the assessment of the profitability evaluation, of their performance. And to demonstrate both IDLC and Lanka Bangla's comparison latest years' data's will be collected and evaluated. The profitability and performance evaluation the ratios reflect using; Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin, Net Profit Margin, P\_E (Price to earnings) etc. the major study is to examine and evaluate their profitability and performance through five years. Initially, the tools that are going to be used are basic Ratio Analysis, Pearson Correlation Coefficients and Regression Analysis.

### 1.6.3. Limitation:

During my tenure I was able to learn a lot of things with all the good aspects there are also some barriers which did not enable me to put forward all the information that I was expecting to provide in the report.

- ✓ The time span was not sufficient enough to learn all the activities of the organization properly; therefore it was difficult to carry out the whole analysis.
- ✓ The information's which could have enriched this report could not be given because of the confidentiality the company has been imposed.

## 1.7. Business Overview:

The company accomplishes its diverse business through its four arms – SME, Consumer, Corporate and Capital Markets.

### a. SME

This division is dedicated to provide specialist lending to small and medium-sized businesses across a broad range of industries including steel, cement, light engineering, plastics and textiles, among others, geographically spread across Bangladesh. This division provides a broad range of services e.g. term loans, working capital loans and lease financing to satisfy diversified customer requirements. Moreover this division customizes their services if necessary. The division also supports and encourages women entrepreneurship by providing them loans at attractive covenants.

	2014	2013
Portfolio Size (In Taka)	17,905 million	14,334 million
Disbursements (In Taka)	12,053 million	10,392 million
Income from Operations (In Taka)	1,224 million	844 million
Client Base	7,619	6,638

### b. Consumer

The Consumer division is focused in offering retail financial services. Its financial products encompass Home Loan, Car Loan, and a small portion of Personal Loan and Loans against Deposits. This division is currently enjoying highest market shares and growth rates within the Home Loan industry of Bangladesh. This arm of the company is also actively engaged in mobilizing deposits through multiple retail savings products with varying interest rates and maturities.

	2014	2013
Portfolio Size (In Taka)	17,519 million	12,950 million
Disbursements (In Taka)	8,587 million	6,258 million
Income from Operations (In Taka)	975 million	660 million
Client Base	13,757	12,694

Total Deposit Base (In Taka)	35,241 million	29,164 million
Total Deposit Customer Base	6,355	6,681

### c. Corporate

The principal function of the Corporate Division is to provide quality service to financial institutions across the country in financial matters. Amongst its diversified array of services lease financing, term loans and financing options for capital expenditure etc. are mentionable. In addition to these this division of the company also offers Structured Finance (SF) solutions which include corporate bond issuance and debt syndication.

	2014	2013
Portfolio Size (In Taka)	9,595 million	10,213 million
Disbursements (In Taka)	5,421 million	6,504 million
Income from Operations (In Taka)	385 million	354 million
Client Base	244	248

### d. Capital Markets

IDLC Finance Ltd. accomplishes its capital market operations through two of its wholly-owned subsidiaries – IDLC Securities Ltd. and IDLC Investments Ltd. These two subsidiaries provide all sorts of trading services to their customers. Their robust trading facilities enable them to offer best execution experience to their broad and diversified client base. Underwriting, primary issuance and merchant banking are its other major services. The division has recently initiated Discretionary Portfolio Management services. They are paying extra attention to grow this portfolio especially with their Consumer Division via inter-divisional synergistic opportunities.

IDLC Securities Ltd.		
	2014	2013
Income for Operations (In Taka)	176 million	132 million
Profit After Tax (In Taka)	39 million	60 million

IDLC Investments Ltd.		
	2014	2013
Income for Operations (In Taka)	79 million	-92 million
Profit After Tax (In Taka)	53 million	-213 million

### 1.8. Organogram of IDLC

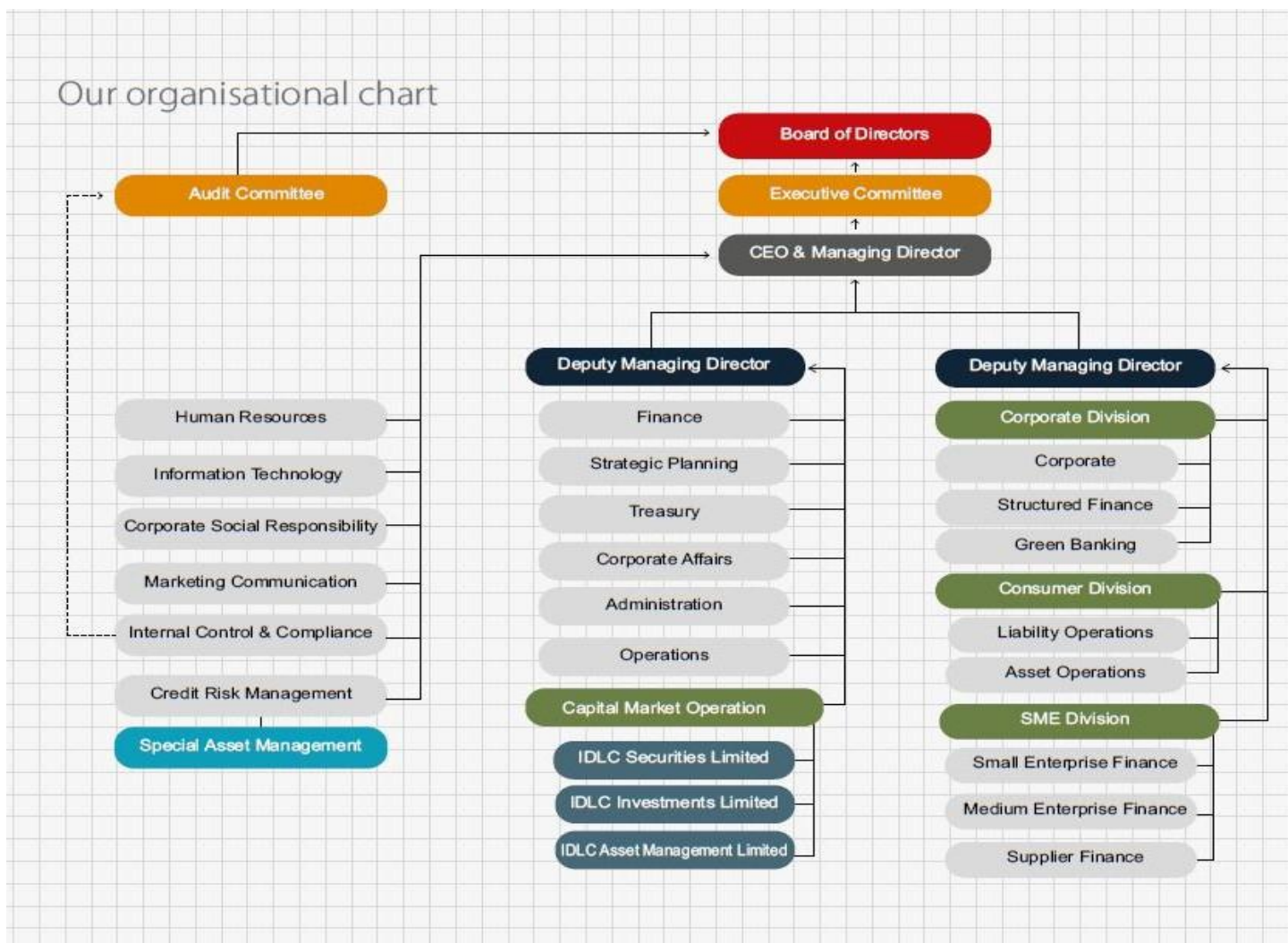


Figure 1: IDLC Finance Limited Organogram

The Board of Directors of IDLC shaped two sub-panels of the Board: Executive Committee and Audit Committee. The matter identified with conventional business operations of the

Company and the matters that the Board of Directors every now and then, approves are vested on Executive Committee. The Audit Committee is engaged, in addition to other things, to look at any matter identifying with the money related issues of the Company and to survey all review and assessment programs, interior control frameworks and techniques, bookkeeping strategies and adherence to compliance requirements, etc.

### 1.8.1. Organogram of IDLC Securities Limited:

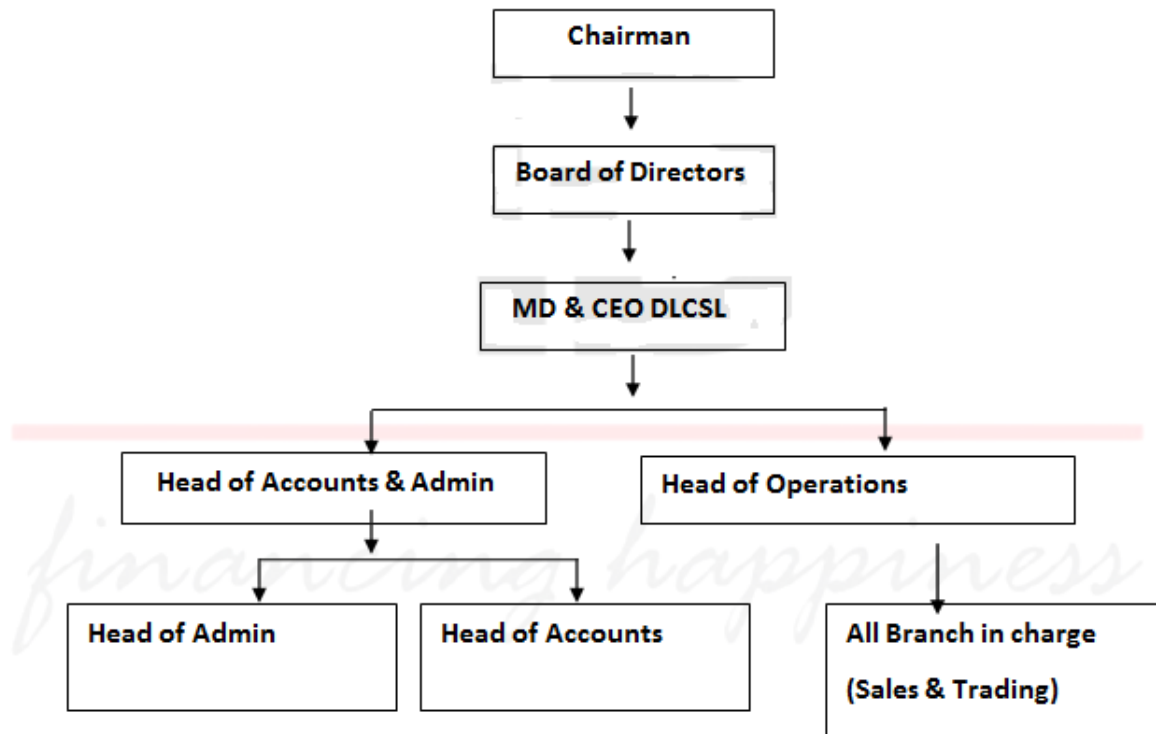


Figure 2: IDLC Securities limited Organogram

IDLC securities are a completely owned subsidiary of IDLC Finance Limited. The administration board of trustees is verging on same as IDLC. MD is capable to keep up every one of the exercises through the hierarchy of leadership in Head of Admin and Head of operations. Here head of operations primarily manages deals and exchanging related exercises. Each Branch predominantly runs the deals and exchanging office. They additionally get backing of Merchant Bank division in their Branch.

### 1.8.2. Organogram of IDLC Investment Limited:

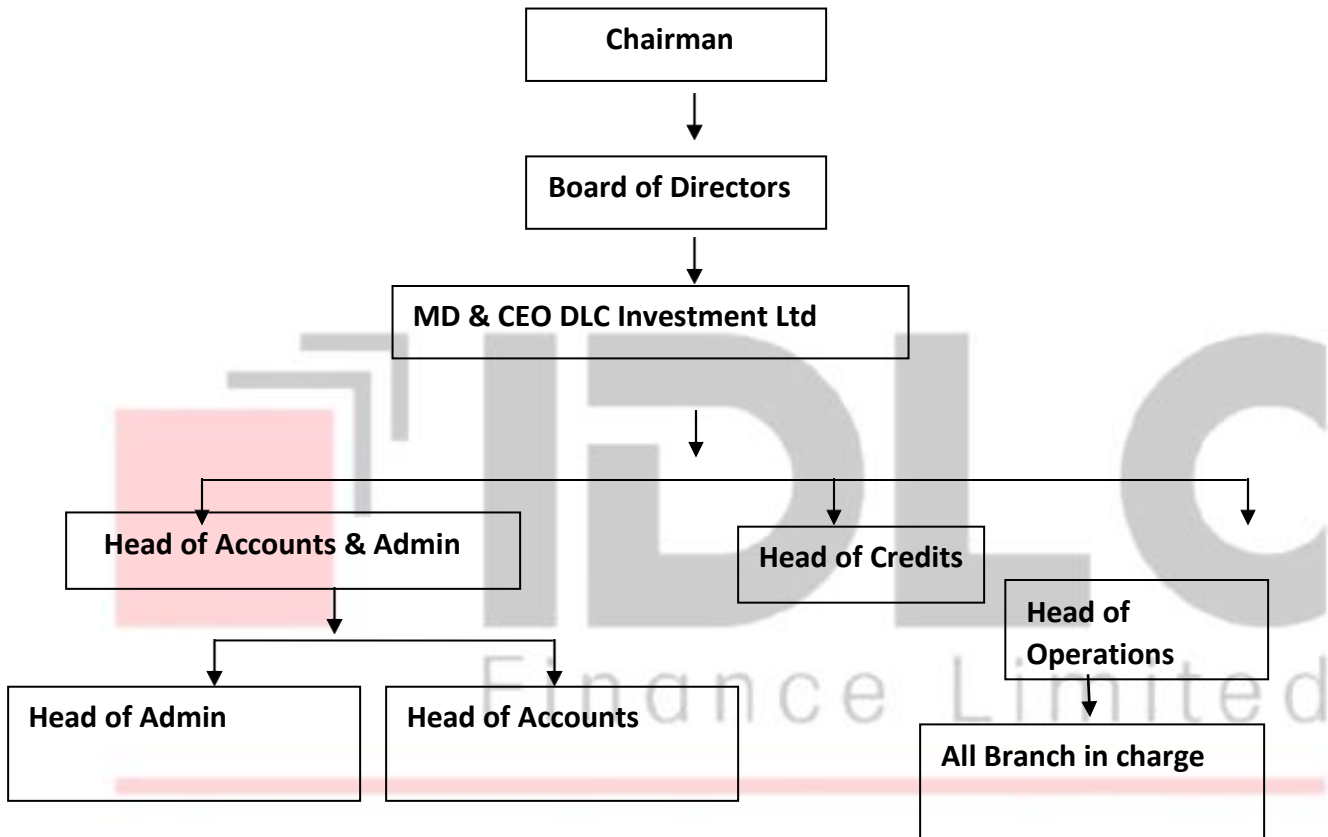


Figure 2: IDLC Investment Ltd Organogram

The Credit Advisory group is enabled, in addition to other things, to break down the business sector change and favor the edge advance for the financial specialist. Head of Accounts and Administrator are essentially in charge of the financial related exchange and controlling administration. Head of operation controls the record opening and record looks after exercises.



## 1.9. IDLC Code of Conduct and Ethics:

In accordance with approved agreed code and conduct, IDLC employees shall:

- Act with integrity, competence, dignity and ethical manner when dealing with customers, prospects, colleagues, agencies and public.
- Act and encourage others to behave in professional and ethical manner that will reflect positively on IDLC employees, their profession and on IDLC, at large.
- Strive to maintain and improve the competence of all in the business.
- Use reasonable care and exercise independent professional judgment.
- Not restrain others from performing their professional obligations.
- Maintain knowledge of and comply with all applicable laws, rules and regulations.
- Disclose all conflicts of interest.
- Deliver professional services in accordance with IDLC policies and relevant professional and technical standards.
- Respect the confidentiality and privacy of customers, people and others with whom they do business.
- Not engage in any professional conduct involving dishonesty, fraud, deceit or misrepresentation or commit any act that reflects adversely on their honesty, trustworthiness or professional competence.

IDLC employees have an obligation to know and understand not only the guidance contained in the Code of Conduct, but also the spirit on which it is based.



## 1.10. Shareholding Structure:

The shareholders of IDLC Finance Ltd. can be divided into two broad categories – Sponsors/ Directors and General Investors. General Investors can be subdivided into two different categories – Institutional Investors and Individual Investors.

### Our shareholding composition

As on December 31, 2015

Sl.No	Name of Shareholders	Number of Shares	% of shares
1	Sponsors/Directors:		
	The City Bank Limited (CBL)	60,854,056	24.21
	Transcom Group	33,515,443	13.33
	Eskayef Bangladesh Limited	20,109,375	8.00
	Transcraft Limited	10,088,022	4.01
	Bangladesh Lamps Limited	3,318,046	1.32
	Sadharan Bima Corporation (SBC)	19,151,663	7.62
	Mercantile Bank Limited	18,852,538	7.50
	Reliance Insurance Co. Limited	17,595,702	7.00
	<b>Sub-Total</b>	<b>149,969,402</b>	<b>59.66</b>
2	General		
	Institutions other than Sponsors/Directors:		
	Bangladesh Fund	8,040,750	3.20
	ICB	5,813,612	2.31
	LR Global	2,873,900	1.14
	Other Institutions/Corporates	34,291,599	9.4
	Subtotal	51,019,861	16.05
	Individuals:		
	General Public (Individuals)	50,377,924	23.50
	Sub total	50,377,924	23.50
	<b>Total Holdings</b>	<b>251,367,187</b>	<b>100</b>

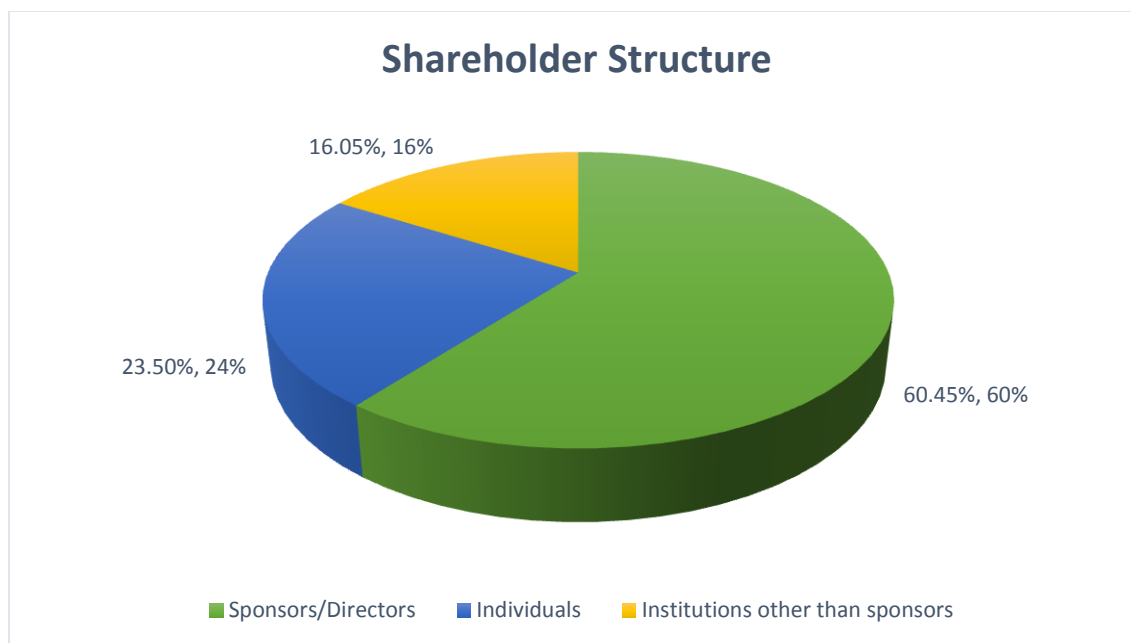


Figure 3: Shareholding Composition Percentage

### 1.11. Key corporate milestones

1985 23 May	Incorporation of the Company
1986 22 Feb	Commencement of the leasing business
1990 1 Oct	Establishment of a branch in Chittagong, the main port city of Bangladesh
1993 20 Mar	Listed on the Dhaka Stock Exchange Limited
1995 7 Feb	Licensed as a Non-Banking Financial Institution under the Financial Institutions Act, 1993
1996 25 Nov	Listed on the Chittagong Stock Exchange Limited
1997	

27 May	Commencement of home finance and short term finance operations
1998 22 Jan	Licensed as a merchant banker by the Bangladesh Securities and Exchange Commission
1999 15 Jan	Commencement of corporate finance and merchant banking operations
2004 29 Jan	Opening of the first retail focused branch at Dhanmondi
2004 29 Jun	Opening of the Gulshan Branch
2004 22 Nov	Launched investment management services, ‘Cap Invest’
2006 2 Jan	Opening of the first SME-focused branch at Bogra
2006 6 Apr	Opening of the Uttara branch
2006 1 Jul	Relocation of the Company’s Registered and Corporate Head Office at own premises at 57, Gulshan Avenue
2006 18 Sep	Commencement of operations of IDLC Securities Limited, a wholly-owned subsidiary of
2007 14 Mar	Launching of discretionary portfolio management services under ‘Managed Cap Invest’
2007 5 Aug	Company name changed to ‘IDLC Finance Limited’ from ‘Industrial Development Leasing Company of Bangladesh Limited’
2009 6 Jan	Opening of the Sylhet branch
2009	

26 Aug	Opening of the Gazipur SME booth
2010 3 Feb	Commencement of operations at Narayanganj
2010 24 Feb	Inauguration of the Savar branch
2010 8 Aug	Inauguration of a second branch in Chittagong at Nandankanon
2010 27 Oct	IDLC entered Comilla
2010 23 Dec	IDLC inaugurated its Narsingdi branch
2010 27 Dec	Opening of the Keraniganj branch
2011 15 Jun	IDLC started operations at Mirpur
2011 9 Aug	Opening of the Tongi branch
2011 16 Aug	Commencement of operations of IDLC Investments Limited, a wholly-owned subsidiary of IDLC
2012 18 Jan	Opening of the Jessore branch
2012 11 Mar	Change of logo and rebranding of IDLC
2014 8 Jun	Opening of the Khulna Branch
2014	

18 Oct

Opening of the Bhulta Branch

2014

10 Nov

Opening of the Natore Branch

2015

21 Dec

Soft opening of Kushtia Branch

2015

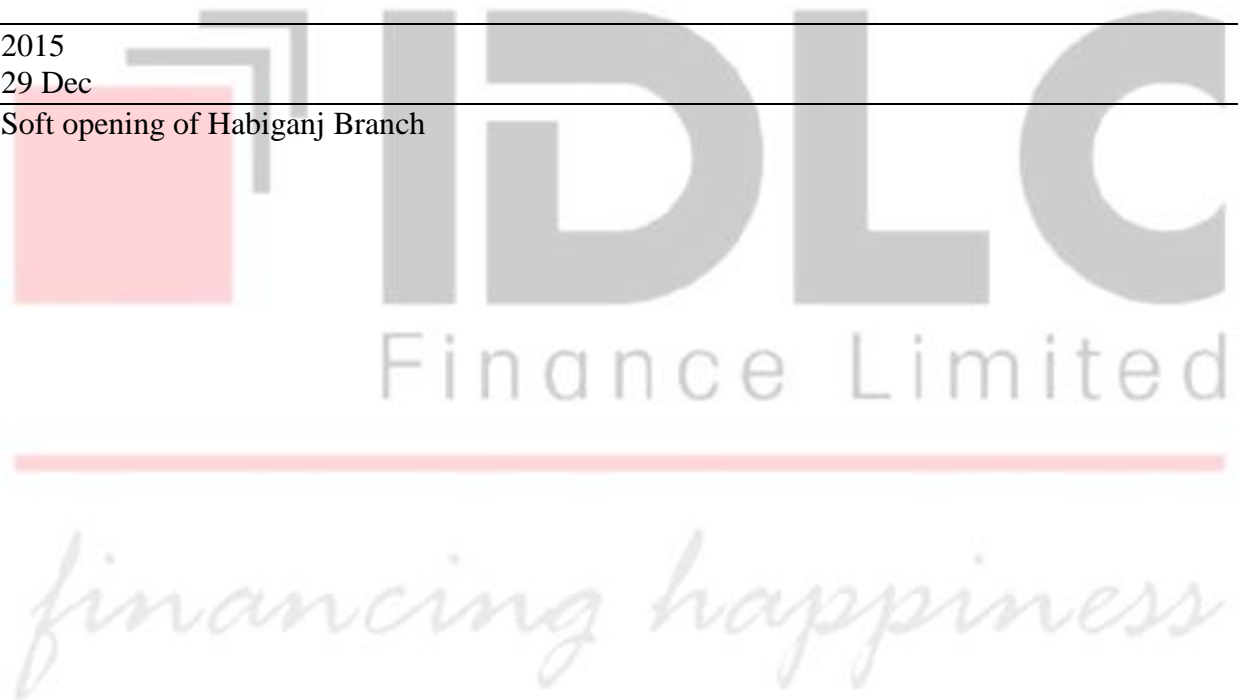
28 Dec

Soft opening of Mymensingh Branch

2015

29 Dec

Soft opening of Habiganj Branch



## CHAPTER-2

### JOB

#### 2.1. Internship Experience:

I have finished my internship from IDLC Finance Ltd & I am very much pleased to say that I have functioned for the Dhanmondi Branch for the entirety of my internship. I have assembled tons of useful learning from award winning NBFIs showcase of Bangladesh, those exercises of NBFIs Institutes & their diverse attempting technique orderly. This gained knowledge will make exact valuable previously, future and aggregation. I have attempted to acquire individual knowledge to serve the branch to the best of my abilities.

In Bangladeshi perspective, IDLC mostly performs issue management, underwriting, portfolio oversee and corporate advising. My services during the internship was required for the Credit & Operations section and Customer Relationship Management. In this transformation, beginning from opening an account, giving every day portfolio of the customers, changing of rates, re-writing transaction that have been accounted for one day and similar tasks. I was additionally attached with different departments to know how they worked and tried to gather relevant information. I also helped in main operational work before audit and assisted other interns for indexing, auditing, and conducting customer relationship management.

#### 2.2. Specific Responsibilities of the job:

As an intern I was assigned the following tasks

- Working in Customer Relationship Management by maintaining their files, account opening, giving overall portfolio of their accounts and maintaining client management.
- Indexing of deposit files.
- Archiving information before going for disbursement under observation of my supervisor.
- Maintaining day to day accounts and transactions and create filing for different aspects and customers.

- Forming deposit transactions and filling up information. Dealing with files was a major responsibility I had to deal with.
- Filling up the client CIB (Credit Administration Bureau) form.
- Conducting Cheque Print based on EMI (Equated Monthly Installment) and Residual cheques.
- Aiding the data, containing four types of loan documents.
- Co-coordinating projects of file-indexing.

- **Managing the Registrar Book:**

As an intern I had to maintain a register book of operation department. All the sanctioned, rejected and backed files were sent to their respective sales channel. Sometimes the RMs used to take the sanctioned files from the department. Sometimes we used to send the files to our respective clients if any requirement did not achieve before disbursement clearance. Sometimes I had to send them for credit analysis and observed keeping record of those.

- **Working with the Sales Team:**

During my tenure, I got the opportunity to work with the Sales Team of the company. They gave me a list of potential clients who can be approached for loan applications. I had to prepare one presentation under assistance of the RM.

## CHAPTER-3

### CONSUMER DIVISION

The Consumer Division of IDLC Finance Limited is focused on Asset Operations and Liability Operations providing a range of successful financial products. The company being the oldest NBFIs of the country, their retail-finance products have been widely accepted and considerably profitable in the Bangladesh financial markets.

The Consumer Division has several sub-divisions operating under its wing in providing retail products and supporting the smooth marketing and sales/business of its major products.

#### 3.1. DEPARTMENT OF MARKETING AND SALES/ BUSINESS:

One of the core and profitable departments of the organization, this department is in charge of the promotional campaigns and achieving the sales targets of IDLC Finance Limited. The department is assigned to strategize and focus on the promotion and sale of five important retail products of the company.

The four products under the Marketing and Sales/ Business Department are:

1. Home Loan – One of the most popular products, IDLC Finance Limited focuses on providing personal Home Loan solutions/financing aiding consumers in the heavy presence of real-estate boom in Bangladesh. They provide competitive rates and lucrative packages in selling home loans depending on their segmentation of clients.
2. Car Loan – Along with Home Loans, another important retail product is the IDLC Finance Limited Car Loan. A large portion of the financing for a new car can be obtained as a loan from the company.
3. Commercial Spaces Loan – IDLC Finance Limited also provides financing for obtaining spaces or land for use in commercial purposes, be it of small vendor shops to large supermarkets.
4. Personal Loans – Personal Loans can be taken out from the company to meet unavoidable and urgent needs that are hard to specify or do not fall under a category.



Relationship Managers (RM) are at the helm of reaching the targets of sales of the department. They acquire the prospective customers, communicate all the requirements and needs of taking out a loan with the company, collect all the required documents as per Bangladesh Bank rules and transfer these documents to the credit team for assessment of the loans.

### 3.2. Detailed overview of retail-assets products of IDLC Finance Limited:

#### Retail Asset Products of IDLC Finance Limited

- **Home Loan**
- **Home Equity Loan**
- **Car Loan**
- **Personal Loan**
- **Balance Transfer** (existing loan A/C with other Bank/Financial Institution)
- **Loan against Deposit**

#### FOCUS – IDLC Home Loan

#### IDLC Finance Limited provides financing services for:

- **Purchase** of Apartments/ Houses/ Commercial Spaces/ Approved Housing Plots
- **Renovation** or **extension** of Residential Buildings
- **Home Equity Loan** against **Mortgage** of property
- **Construction** of Residential/ Commercial buildings
- **Project finance** for reputed developers

#### Features of IDLC Home Loan:

- **Loan Amount:**
  - ❖ **Apartments:** 70% of the property value (property price + registration cost)
  - ❖ **Construction Loan:** 80% of construction cost
  - ❖ **Land Loan:** 50% of the land value
  - ❖ **Commercial Loan:** 70% of the property value (property price + registration cost)
- **Loan Term:**

- ❖ **Household Loans:** A maximum loan term of 20 years, but not beyond the 60<sup>th</sup> birthday of the applicant
- ❖ **Land Loans:** 15 years
- ❖ **Commercial Loans:** A maximum term of 7 years
- **Interest Rates:** IDLC has options for both fixed and variable interest rates, which are low and market competitive
- **Fees:** The fees are 1.50% (+VAT)
- **Security of Loan:** Equitable/Registered Mortgage of property or any other equivalent security.
- **Repayment Mode:** EMI payable through post dated cheques
- **Pre-payment Option:** Partial or full pre-payment after payment of 6<sup>th</sup> EMI
- **Cash Security & Personal Guarantor:** Cash security is not required. Personal Guarantor may be required in few cases.
- **Jurisdiction of Finance:** City Corporation Area of Dhaka, Sylhet, Narayangonj, Comilla and other Municipality Areas under coverage of IDLC Branches.
- **Mode of Disbursement:** Either in installment or at one go, subject to completion of own contribution and corresponding work in progress of property
- **NRB Loan:** Best financial solution of Non Resident Bangladeshis (NRBs)
- **Home Loan Shield by Metlife ALICO:** dedicated and supportive service both before and after the disbursement

#### The Target Customers of IDLC Finance Limited:

- ✓ **Salaried Executives/Professionals of:**
  - Large local and multinational organizations, banks and financial institutions
  - Multilateral bodies having at least 3 years of operation
  - Individuals comprising of FCA, CFA, ACA, FCMA, CMA, FCCA, ACCA
  - Local corporate (mid-segment, small-segment) organizations
  - Government/semi-government organizations
  - Corporations
  - Autonomous Bodies

- NGOs having 10 years of operation in the country
- Businesses (corporate segment)
- ✓ **Landlords having rental income**
- ✓ **Existing Home Loan customers of IDLC with minimum of one year of payment track record**
- ✓ **Physicians**
- ✓ **Dentists**
- ✓ **Faculty members of renowned universities**
- ✓ **Teachers and other professionals**
- ✓ **Marine Engineers**
- ✓ **Professional/executive/employed/Businessmen(mid & small segment) NRBs**

Car Loans, Commercial Spaces Loans and Personal Loans require documents that are not much more detailed than this and Home Loans are the major money churners of the company.

The various other sub-divisions that act as the spine in the smooth running of the Consumer Division are described below:

### **3.3. LIABILITY OPERATIONS DEPARTMENT:**

IDLC Finance Limited offers a number of liability products and this department is at the helm of providing these products. Under its Liability Operations wing, IDLC Finance Limited has a wide range of deposit solutions with different packages and tenures to suit the needs of different clients.

The products under the Liability Operations Department are listed below:

1. Cumulative Term Deposit
2. Annual Earner Deposit
3. Monthly Earner Deposit
4. Quarterly Earner Deposit
5. Double Money Deposit
6. Triple Money Deposit
7. Millionaire Scheme

The objective of this department can be said to acquire funds for the sustenance of liquidity of the company, a pre-condition for any financial institution to continue operations. The products are designed to provide minimal-risk returns to its clients. The deposit schemes are convenient and easy to open with minimal paperwork requiring authentic customer identification, usually a travel document or passport or the National Identity Card, issued by the government and tax information in the form of TIN certificates or E-tin certificates. Photographs for identity of the customers are required and usually a bank instruction in the form of Bangladesh Electronic Fund Transfer Network (BEFTN) form is required to be filled, and the process is complete.

### 3.4. CREDIT ADMINISTRATION (CAD):

The Credit Administration Department, CD plays the most vital role in the issuance of loans. After the RMs collect approval from the management and all the required documents from the clients for loan assessment, the documents are transferred to this department, after that CAD starts its process of assessing and disbursement of the loans.

#### CAD Process Flow:

1. **Issuance of Sanction Letter**- Firstly, an appraisal letter of the loan is created and approved by the department. Secondly, it prepares a sanction letter in favor of the client and sends it to the Business Unit. Finally, sanction letter is handed over to the client.
2. **Documentation** – CAD maintains control over all security documentation i.e. if terms and conditions are followed, legal vetting of documentation or if the documentation is authentic and lists any document that is pending.
3. **Disbursement** – Prior to disbursement, it has to be checked that full financial data is available, full set of security documents are in place and any deviation or deferral memo is approved by management. Disbursement entry is entered into the company software, the disbursement memo is approved and the approval memo is forwarded to the Accounts and Taxation Department for cheque preparation. After all this is done, the cheque is handed over.
4. **Execution** – Client information is entered into the company software. Any receivable dues are created in the system. Signed lease/loan agreement is forwarded to client along with payment schedule.

5. **Expiry/Foreclosure** – CAD closes contracts upon expiry. It gets “to be expired” list from company software, prepares receivable calculations and gets it approved by the Accounts and Taxation Department. Receivable Letter (if any) is forwarded to client via Customer Services Department. The respective RM is notified for “collection” in the Business Unit. Client pays receivable amount and CAD prepares “closure memo”. The approved memo is forwarded to Accounts for adjustments and closing. Any payables are refunded to client. Any NOCs and post-dated cheques are returned to clients.

6. **Issuance of final settlement Letter**

### **3.5. ACCOUNTS AND TAXATION DEPARTMENT:**

The Accounts and Taxation Department is in charge of recording all financial transactions of IDLC Finance Limited. The department acquires all cheques from different departments and proceeds towards the clearing process. Additionally, all financial transaction data is communicated with the corporate division to aid the drawing of financial performance reports.

### **3.6. CUSTOMER SERVICES DEPARTMENT:**

Customer Services department deals with communicating with and catering to the needs of all walk-in clients and all other after-sales services of existing clients. Customer Services ensures smooth disbursement of loans to the clients. The tasks of this department includes communicating the terms and conditions of the loans, collecting relevant service fees and ensuring all documents required are present, collecting post-dated cheques for EMIs and the disbursement of loan amounts through Account-payee cheques.

### **3.7. CREDIT EVALUATION DEPARTMENT:**

The most important department of Consumer Division assesses the eligibility of potential customers. The department assesses potential customers on the basis of appraisal reports that highlight the clients’ cash flow over the loan term, sustainability of income and financial behavior. Different segments of clients have different credit appraisal guidelines. Managing risk of credit is a crucial task of the department.

Risk is assessed on the following basis:

- Default risk
- Exposure risk
- Recovery risk
- Counter party risk
- Related party risk
- Legal risk
- Political risk.

To encounter and mitigate the credit risk the following control measures are in place at IDLC Finance.

- Multilayer approval process.
- Policy for maximum sector and group exposure limit
- Policy for customers' maximum asset exposure limit
- Mandatory search for credit report from credit information bureau
- Looking into payment performance of customer before financing
- Annual review of clients
- Adequate insurance coverage for funded asset
- Vigorous monitoring and follow up by Special Assets Management Team
- Strong follows up of compliance of credit policies by Operational Risk Management Department.
- Taking collateral
- Seeking external legal opinion
- Maintaining neutrality in politics and following arm's length approach in related party transactions
- Regular review of market situation and industry exposure.

### **3.8. COLLECTION DEPARTMENT:**

The task of the Collection Department is to request and remind the clients who fail to make due payments on time, to avoid making deferment in payment and avoid any legal action. If the department fails to get any positive response from the client, legal action is taken as per rules.

### **3.9. IT DEPARTMENT:**

The IT Department is integral in providing all the day to day support to all departments, keeping servers and software working smoothly and providing seamless communication internally and externally throughout the business activities.

### **3.10. SERVICES:**

IDLC Finance Limited provides some distinctive services. As-

- Financial solutions for individual and corporate clients.
- Arrange developer executive training
- Opportunity for risk free investment as deposit.
- Provide educational development learning and employee development skill and training.
- Appoint dedication skilled CRO for clients specially.
- Undertake poverty reduction programs, donations etc. as CSR activity.



## CHAPTER-4

### Performance Evaluation and Hypothesis Testing

#### 4.1 Comparative performance evaluation between IDLC & Lanka Bangla.:

The profitability and performance evaluation the ratios reflect using; Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin, Net Profit Margin, P\_E (Price to earnings), Operating Profit Margin etc. Hence in the ratio analysis result we can see that throughout five years IDLC’s profit margin was fluctuating, whereas; when it comes to comparing, LankaBangla was far behind in terms of profitability. Only Operating Profit Margin was 52.67% which indicates their sales was better in the year of 2014 than IDLC. Through this comparative performance evaluation we can see that IDLC is eye-catching and profitable for attracting customers.

IDLC’s performance evaluation result and comparison are briefly discussed below:

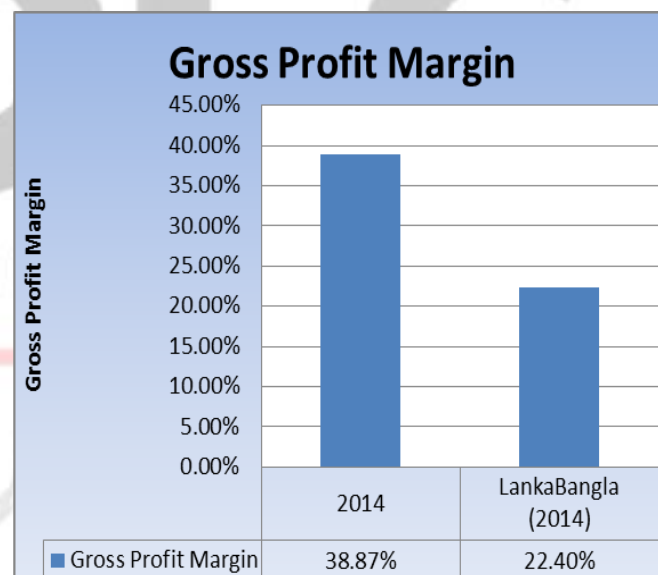
Profitability Ratios of IDLC							
Ratios	Formula	2010	2011	2012	2013	2014	LankaBangla (2014)
Gross Profit Margin	Gross Profit/Net Sales	40.93%	40.02%	36.07%	33.43%	38.87%	22.40%
Operating Profit Margin	Operating Income/Net Sales	98.78%	54.79%	49.51%	44.44%	49.22%	52.67%
Net Profit Margin	Net Profit/Net Sales	43.02%	12.69%	14.69%	10.77%	16.76%	8.79%
Return on Assests	Net Profit/Total Assets	4.93%	1.61%	1.89%	1.33%	2.11%	0.83%
Return on Equity	Net Profit/Average Common Shareholders Equity	35.96%	12.57%	15.19%	12.48%	19.08%	6.72%



Stock Market Ratios of IDLC							
Ratios	Formula	2010	2011	2012	2013	2014	LankaBangla (2014)
Earning Per Share (EPS)	(Net Profit After Tax-Preferred Dividend)/ Total Number of Common Stock Outstanding	22.12	5.05	5.76	4.16	6.19	1.92
Price to Earning Ratio (P/E)	Market Price Per Share/ EPS	21.01	27.41	15.95	15.12	12.06	22.87

### 4.1.1. Profitability Ratios:

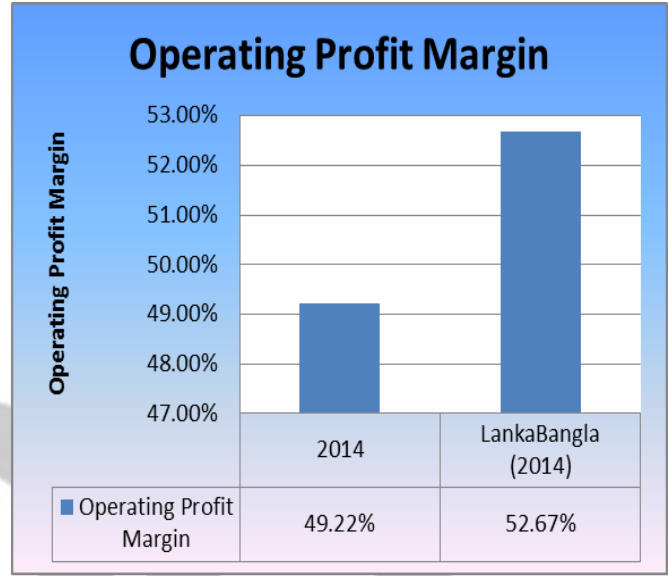
#### I. Gross Profit Margin:



#### Interpretation:

In 2014, IDLC has earned 40.93 taka of gross profit from every 100 taka sales. IDLC’s gross profit increased from last year’s, because they have managed to increase their interest income significantly. Between IDLC Finance and LankaBangla Finance, IDLC has more than 1.5 times gross profit margin than LankaBangla’s. LankaBangla’s gross profit margin was 22.40% in year 2014.

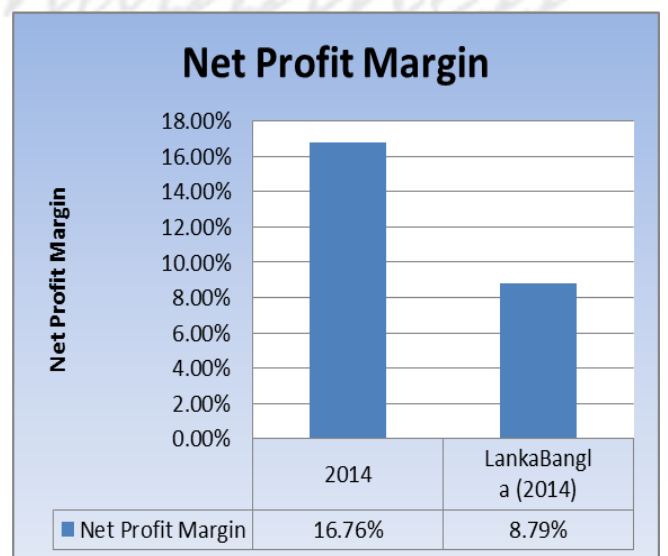
II. Operating Profit Margin:



**Interpretation:**

In year of 2014, IDLC has earned 49.22 taka of operating profit from every 100 taka of sales; it has increased from last years. However, the operating profit margin of IDLC has been fluctuating in past recent years. In terms of operating profit margin, LankaBangla has better operating profit margin of 52.67% in year of 2014 than IDLC.

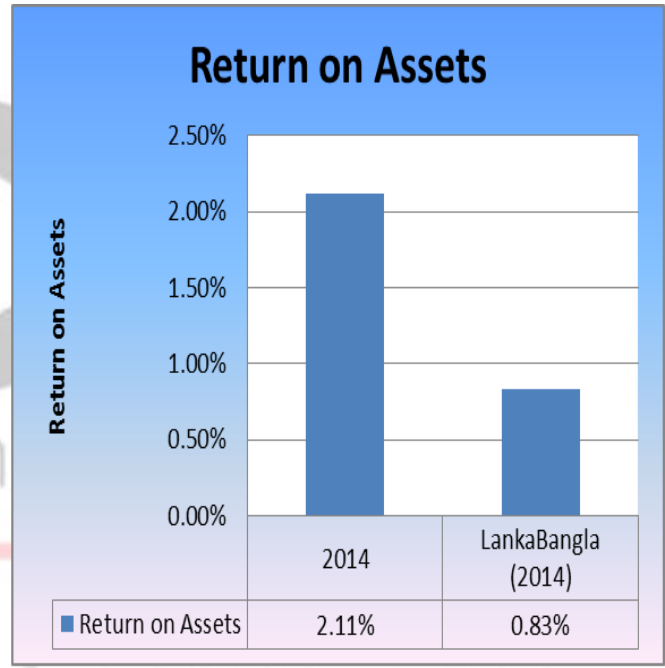
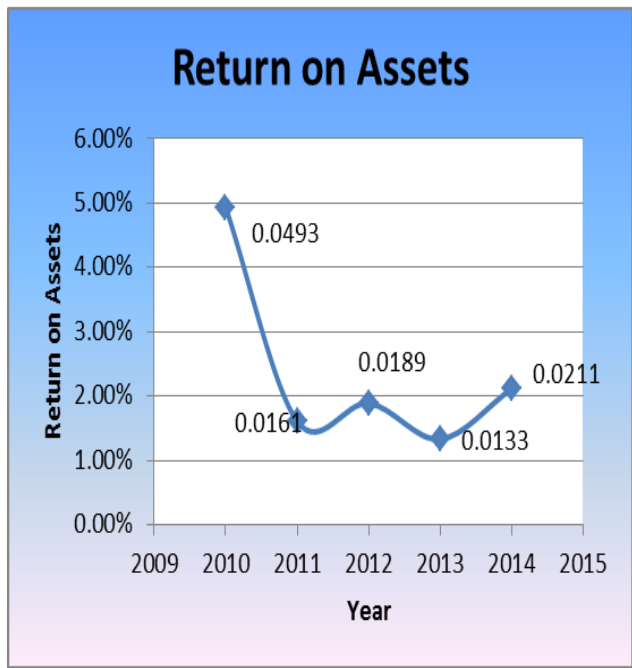
III. Net Profit Margin:



**Interpretation:**

IDLC has earned 16.76 taka net profit from every 100 taka sales in year of 2014. The net profit margin of IDLC has been unstable for last five years, though it has increased from last year’s. IDLC also has better net profit margin than LankaBangla Finance in year of 2014 as the managed to keep down their operating expenses.

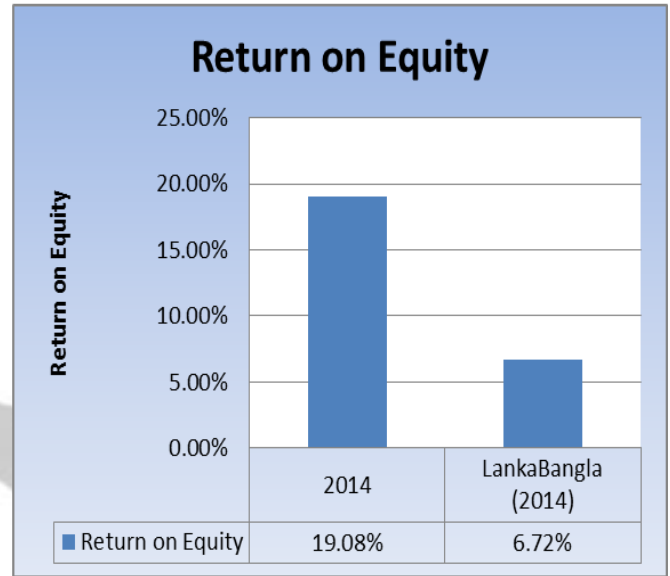
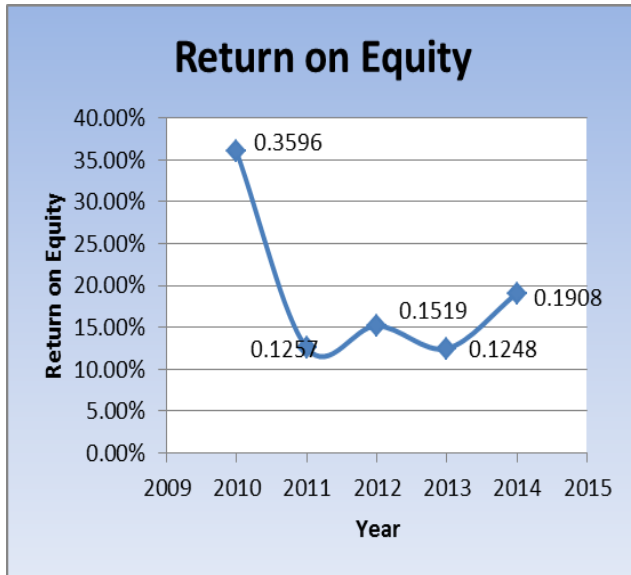
IV. Return on Assets:



**Interpretation:**

In 2014, from every 100 taka worth of total assets IDLC has generated 2.11 taka net profit. Return on Assets ratio has been also unstable in recent years. However, IDLC has better ROA in 2014 than Lankabangla. LankaBangla’s ROA in 2014 was 0.83%.

V. Return on Equity:

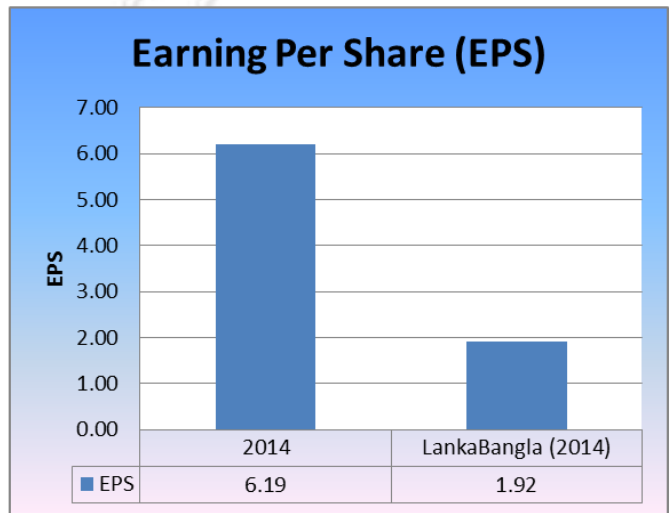
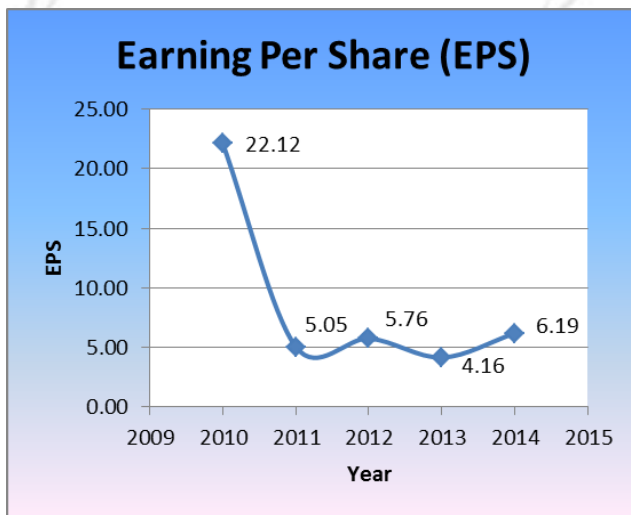


**Interpretation:**

In year 2014, the common shareholders of IDLC Finance Limited have earned 19.08 taka of net profit from every 100 taka they invested into the company. ROE of IDLC also has been fluctuating in last 5 years, though it has increased from previous years. But, IDLC has better ROE in 2014 than Lankabangla. Lankabangla has a ROE of 6.72% in year of 2014.

**4.1.2. Stock Market Ratios:**

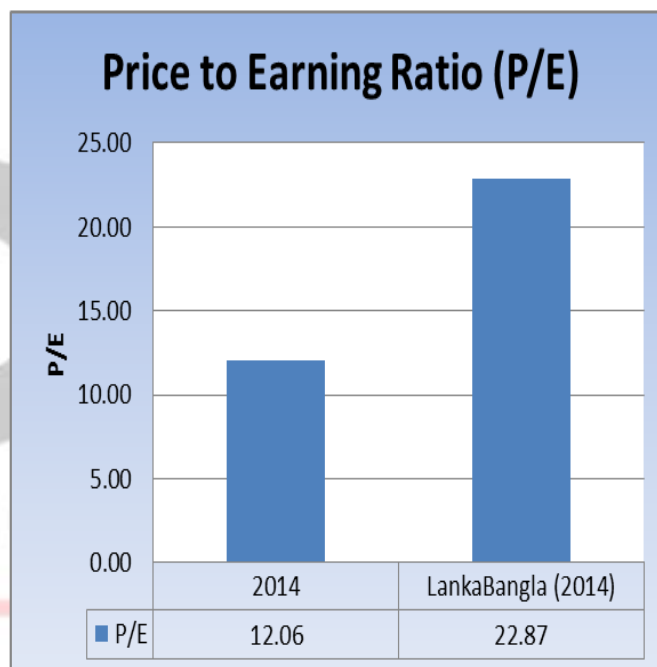
I. Earnings per Share (EPS):



**Interpretation:**

In year of 2014, the common shareholders of IDLC have earned 6.19 taka on every share they held. EPS has increased in 2014 from previous years. IDLC also has higher EPS than LankaBangla in 2014. So, from investor IDLC has higher priority over LankaBangla.

II. Price to Earnings Ratio (P/E):



**Interpretation:**

In 2014, the common shareholders of IDLC were willing to pay 12.06 taka for every taka of reported earnings. P/E ratio has improved from last years, previous year P/E was higher. Shareholders needed to pay 15.12 taka for every taka reported earnings. For investors IDLC will be more attractive as LankaBangla had higher P/E than IDLC which was 22.87 in 2014.

## 4.2 Hypothesis test: EPS affects stock price of the company

### 4.2.1. Hypothesis Testing

Hypothesis is a supposition or proposed explanation made on the basis of limited evidence as a starting point for further investigation. To conduct a hypothesis test we need a null hypothesis and an alternative hypothesis.

SUMMARY OUTPUT									
<i>Regression Statistics</i>									
Multiple R	0.73542971								
R Square	0.540856858								
Adjusted R Square	0.515348906								
Standard Error	91.82434626								
Observations	20								
<i>ANOVA</i>									
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>				
Regression	1	178781.4416	178781.4416	21.20346046	0.000219954				
Residual	18	151770.7902	8431.710566						
Total	19	330552.2318							
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>	
Intercept	116.8491722	22.81344884	5.121942457	0.000071359	68.91989473	164.7784497	68.91989473	164.7784497	
EPS	2.084347884	0.452654491	4.604721539	0.000219954	1.133356087	3.03533968	1.133356087	3.03533968	

### Hypothesis: EPS affects the stock price of the company

**Step-1: Null Hypothesis:** EPS does not affect stock price of the company

**Alternative Hypothesis:** EPS affects the stock price of the company

**Step-2:** Here we used 5% level of significance. So, our  $\alpha = .05$

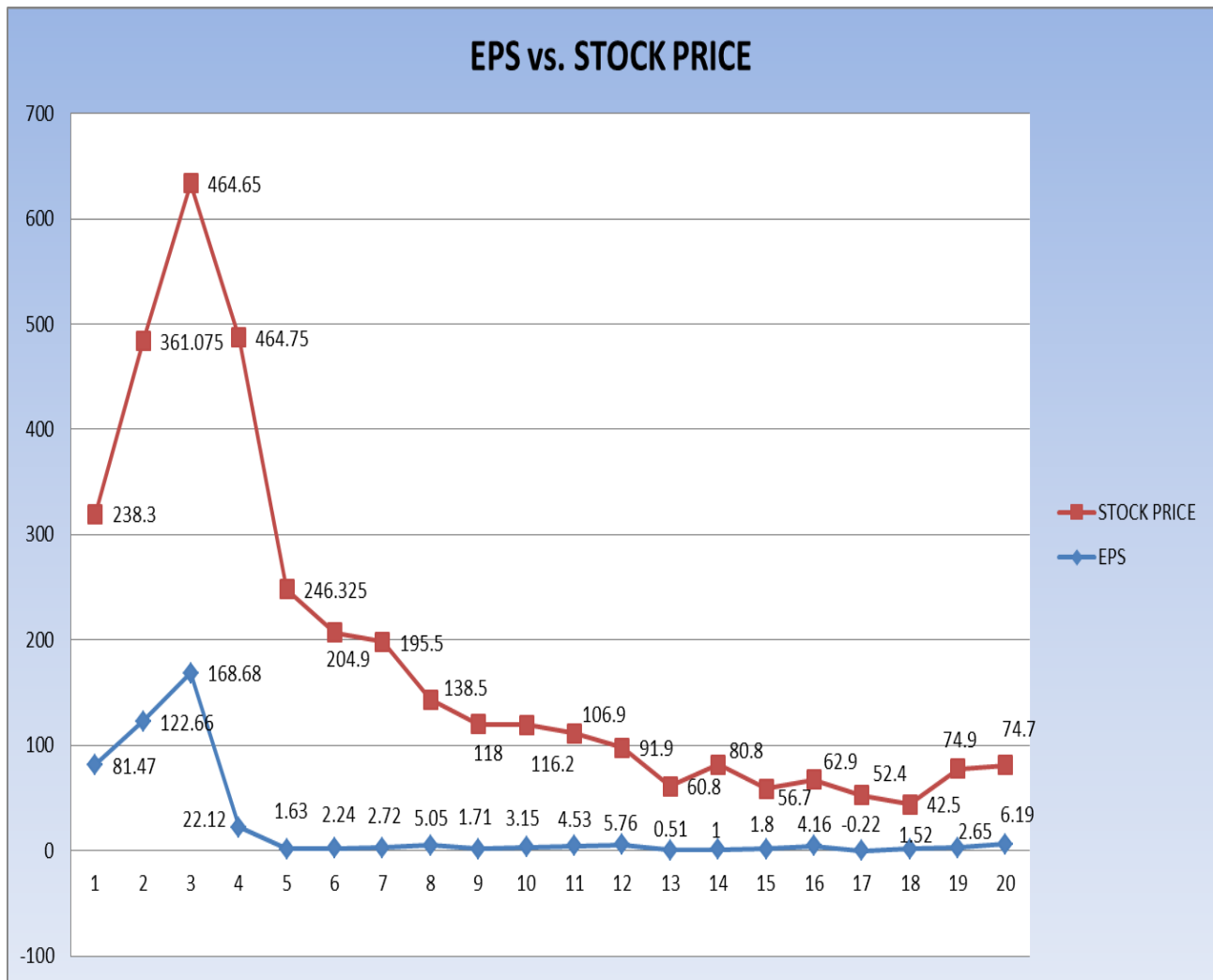
**Step-3:** To find p-value we have conducted a regression analysis. In our regression analysis we used stock price as a dependent variable and EPS as an independent variable. Through regression analysis our calculated p-value is 0.000219954

**Step-4:** From our knowledge from research methodology we know if p-value become greater than  $\alpha$  then we have to accept null hypothesis. On the other hand if p-value becomes less than  $\alpha$

then we have to reject null hypothesis. In our hypothesis test we have found that our p-value is 0.000219954 which is less than  $.05(\alpha)$ . So have to reject null hypothesis.

**Step-5:** Decision: EPS does not affect stock price of the company.

#### 4.2.2. EPS vs. Stock Price:



From the graph it is clear that EPS has significance effect on stock price. Graph indicating that when the EPS was higher, stock price was also higher and when the EPS decreased, stock price has also decreased.

### 4.3. Recommendation & Critical Observation:

In every aspect IDLC Finance Limited is the most fast growing and number one financial institution in NBFI industry. Hence, as a part of the organization as an intern there are few areas to improve:

- The Consumer Division can make effective power point presentation for sales & marketing team to become sufficiently clear about their requirements and policy.
- Sales & Marketing department can be more serious about to maintain the timeline and requirements and gather the elements before disbursement so that the efficiency can be increased towards upper slope.
- Each team should have one monitor so that he/she can look after every team member & can report regarding performances.
- As market is highly competitive, legal documentation and information can be collected once rather than having number of papers, as a result customers will also be less bothered. Even sales team will face less difficulty of collecting them.
- If possible they can bring fast electronic helping hands so that the employees can face less difficulty and work more proficiently for the sake of their organization.
- There can be variety of gifts so that clients can be more satisfied.
- If possible number of skill development programs can be increased for employees.
- In every division there can be sub-teams under every team so that works may have proper balance.
- Client service can be improved by providing bigger waiting room in each brunch.
- The authority should take extra care for each an individual in the organization. Every employee is an asset for them. Here every employee is self-motivated. If there is more praising and motivation I believe people can work harder from their own positions.



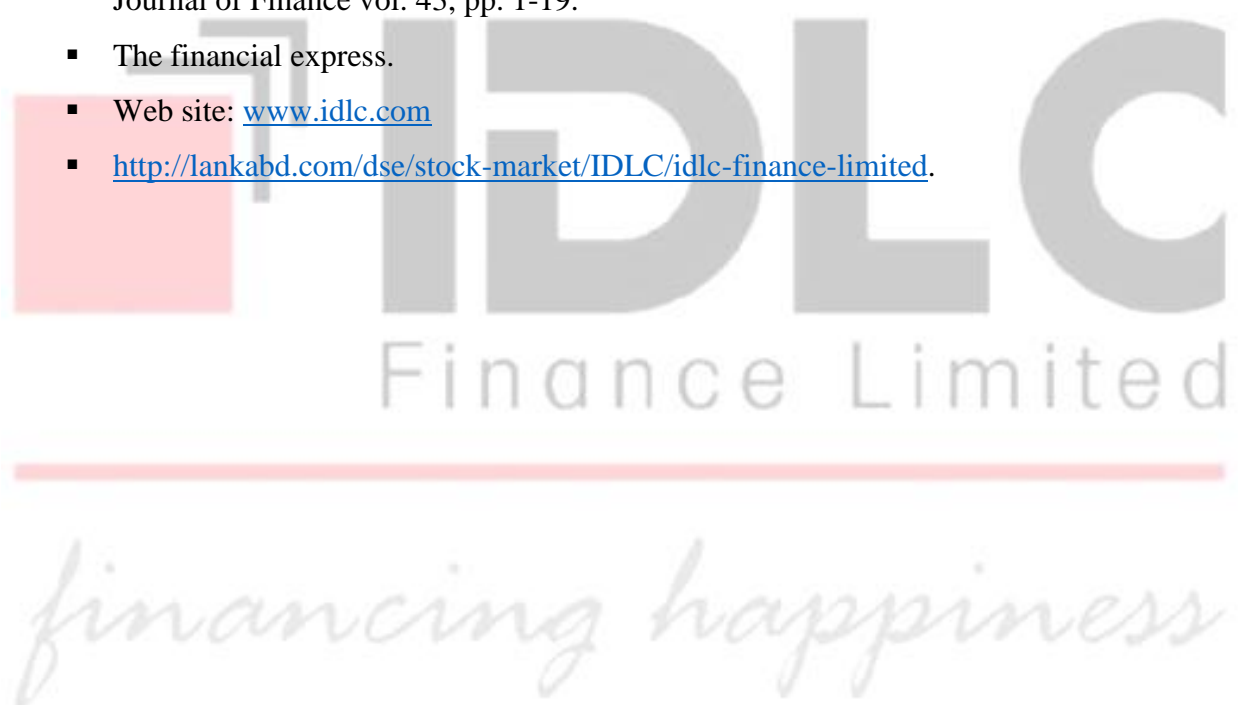
#### 4.4. Conclusion:

Having the number one position in NBFI industry IDLC Finance Limited is setting striking impressions in the financial advancement of the nation. The organization's business is encountering development in consistently. Among numerous different elements the expanding credit applications from buyer customer portion is additionally contributing in this development. Exceedingly talented, experienced, and able workers of the Operations and Credit Risk Management Department of Consumer Division guarantee snappy and legitimate conveyance of administrations. Because of this the organization is contending straight on with both neighborhood and multinational banks in this customer portion. At the same time this office is extremely strict in consenting to the tenets and directions set by Bangladesh Bank. As a result their performance, growth, sustainability are likely to be upwards. So CD has both the monetary and social commitment.

In view of these components, this branch of IDLC is a decent place for a Finance, Accounting and Economics graduate to do his/her understudy. One will get valuable chance to genuine issues managed by a budgetary organization by doing entry level position here. Likewise this gives a decent systems administration opportunity. In this way, I recommend graduates to do his/her internship program in this bureau of IDLC Finance Limited.

#### 4.5. References:

- Annual Report of IDLC Finance Limited from 2010-2014.
- Training materials IDLC Finance Limited.
- World Review of Business Research Vol. 2. No. 1. January 2012. Pp. 60 – 78.
- Titman, S and Wessels, R 1988, „The Determinants of Capital Structure Choice“, Journal of Finance vol. 43, pp. 1-19.
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- Web site: [www.idlc.com](http://www.idlc.com)
- <http://lankabd.com/dse/stock-market/IDLC/idlc-finance-limited>.



## Appendix

### Data and Calculations of Performance Analysis

#### Profitability Ratios:

Profitability Ratios			
Ratios	Formula	2010	2011
Gross Profit Margin	Gross Profit/Net Sales	1,262,631,448/3,084,689,228	1,577,711,733/3,942,101,471
Operating Profit Margin	Operating Income/Net Sales	3,046,920,087/3,084,689,228	2,159,874,824/3,942,101,471
Net Profit Margin	Net Profit/Net Sales	1,327,098,116/3,084,689,228	500,282,954/3,942,101,471
Return on Assests	Net Profit/Total Assets	1,327,098,116/26,929,990,229	500,282,955/31,164,540,454
Return on Equity	Net Profit/Average Common Shareholders Equity	1,327,098,116/3,690,187,739	500,282,956/3,980,471,006
Ratios	Formula	2012	2013
Gross Profit Margin	Gross Profit/Net Sales	1,750,890,445/4,853,769,697	2,078,241,237/6,215,848,512
Operating Profit Margin	Operating Income/Net Sales	2,403,239,834/4,853,769,697	2,762,513,057/6,215,848,512
Net Profit Margin	Net Profit/Net Sales	712,821,226/4,853,769,697	669,466,122/6,215,848,512
Return on Assests	Net Profit/Total Assets	712,821,226/37,783,865,737	669,466,122/50,429,383,474
Return on Equity	Net Profit/Average Common Shareholders Equity	712,821,226/4,693,292,060	669,466,122/5,362,758,115
Ratios	Formula	2014	LANKA BANGLA (2014)
Gross Profit Margin	Gross Profit/Net Sales	2,888,773,763/7,431,871,158	932,598,726 /3,965,489,195
Operating Profit Margin	Operating Income/Net Sales	3,657,723,096/7,431,871,158	2,067,127,533/3,965,489,195
Net Profit Margin	Net Profit/Net Sales	1,245,508,897/7,431,871,158	453,986,871/3,965,489,195
Return on Assests	Net Profit/Total Assets	1,245,508,897/58,926,588,248	453,986,871/39,128,786,504
Return on Equity	Net Profit/Average Common Shareholders Equity	1,245,508,897/6,527,829,412	453,986,871/6,946,730,196

## Stock Market Ratios:

Stock Market Ratios			
Ratios	Formula	2010	2011
EPS	(Net Profit After Tax-Preferred Dividend)/No. of share outstanding	(1,327,098,116-0)/60000000	(500,282,954-0)/99000000
P/E	Market Share Price/EPS	4647.5/22.12	138.5/5.05
Ratios	Formula	2012	2013
EPS	(Net Profit After Tax-Preferred Dividend)/No. of share outstanding	(712,821,226-0)/123750000	(669,466,122 -0)/160875000
P/E	Market Share Price/EPS	91.9/5.76	62.9/4.16
Ratios	Formula	2014	LANKA BANGLA (2014)
EPS	(Net Profit After Tax-Preferred Dividend)/No. of share outstanding	(1,245,508,897-0)/201093750	(453,986,871-0)/218,766,759
P/E	Market Share Price/EPS	74.74/6.19	44/2.08

## Data for regression analysis:

YEAR		EPS	STOCK PRICE
2010	Q1	81.47	238.30
	HY	122.66	361.08
	9M	168.68	464.65
	AN	22.12	464.75
2011	Q1	1.63	246.33
	HY	2.24	204.90
	9M	2.72	195.50
	AN	5.05	138.50
2012	Q1	1.71	118.00
	HY	3.15	116.20
	9M	4.53	106.90
	AN	5.76	91.90
2013	Q1	0.51	60.80
	HY	1.00	80.80
	9M	1.80	56.70
	AN	4.16	62.90
2014	Q1	-0.22	52.40
	HY	1.52	42.50
	9M	2.65	74.90
	AN	6.19	74.70