

Report On  
Key investment criteria of Prime Bank Investment Limited

By

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An internship report submitted to the BRAC Business School [BBS] in partial fulfillment  
of the requirements for the degree of  
Bachelor of Business Administration [BBA]

BRAC Business School  
Brac University  
April 2024

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## **Declaration**

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

**Student's Full Name & Signature:**

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**Nahiyan Rahman Firat**  
20104006

**Supervisor's Full Name & Signature:**

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**Dr. Nitai Chandra Debnath, FCMA**  
Associate Professor, BRAC Business School  
BRAC University

## **Letter of Transmittal**

Mr. Nitai Chandra Debnath  
Associate Professor,  
BRAC Business School  
BRAC University  
66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report on “Key investment criteria of Prime Bank Investment Limited”.

Dear Sir / Madam,

It is an honor for me to prepare and submit my report on “Key investment criteria of Prime Bank Investment Limited” using my knowledge gathered through experience as an intern at Prime Bank Investment Limited.

I have endeavored to complete the report with the essential data and recommended proposition in the best and a comprehensive manner. I believe that this report will meet your expectations and I am enthusiastic about justifications for any kind of queries regarding this report.

Sincerely yours,

---

Nahiyah Rahman Firat  
20104006  
BRAC Business School  
BRAC University  
Date: April 01, 2024.

## **Non-Disclosure Agreement**

I hereby declare that information (e.g: Marketing practices, management practices, key indicator range etc.) regarding the key criteria that I have accumulated during my tenure as an intern of the Research and Business Development department is disclosed in this report per the policies set by Prime Bank Investment Limited. I also declare that I will maintain the confidentiality of the sensitive information that I have collected as an intern and will not confer it with anyone.

**Student's Full Name & Signature:**

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**Nahiyah Rahman Firat**

20104006

**Organization Supervisor's Full Name & Signature:**

---

**Syed Reazul Haque**

Senior Executive Officer

Research and Business Development

Prime Bank Investment Limited

## **Acknowledgment**

In the beginning, I would like to express my gratitude to the Almighty Allah for making me capable of standing where I am right now. Again, I would like to express my deepest appreciation to my academic supervisor and co-supervisor, Associate Professor Dr. Nitai Chandra Debnath and Dr. Kausar Alam for their guidance and support and for being inspiring figures to me.

Moreover, I would like to extend my sincere appreciation to my onsite supervisor, Mr. Syed Reazul Haque for helping me to get accustomed to the practices of Prime Bank Investment Limited.

Again, special thanks to Mr. Samin Farhan for always helping me with my tasks. A big acknowledgment goes to Mr. Syed Enayet Hossain who gave me a lot of insights into the capital market of Bangladesh and its practices. Furthermore, I would like to thank all of my colleagues for making my internship journey memorable.

Lastly, I would like to thank my parents for their continuous support and guidance throughout my undergraduate program and my whole life.

## **Executive Summary**

This internship report is based on the insights, knowledge and experiences I have gathered as an intern at the Research and Business Development Department of Prime Bank Investment Limited (PBIL). This report has been created by using the knowledge I acquired from the academic courses offered by BRAC Business Schools as a student and my pragmatic experience in PBIL. This report titled “Key investment criteria of Prime Bank Investment Limited” tries to explain and elaborate some of the key indicators based on which an investment decision could be made, how the capital market is influenced by different occurrences around the world, which are the most commonly analyzed indicators of Bangladeshi financial managers, the risk of investment in the capital market.

The capital market of Bangladesh is a significant component of the country’s financial sector that consists of two automated stock exchanges: the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE) which are regulated by the Bangladesh Securities and Exchange Commission (BSEC) and it is the responsibility of investment banks to bridge the money of the investors to the market to and generate a result. The key indicators suggest that the capital market has a new favorite sector for investment banks where various reasons have transformed the Pharma & Chemical sector, engineering sector and textile sector into the top three sectors with the most turnover in the capital market in previous months replacing the banking sector. The data used in this report were collected from the annual reports, prospectus, brochures, discussions with the senior personnel and from previously conducted researchers.

**Keywords:** PBIL; Capital Market; Market Turnover; Pharma & Chemical sector; Engineering sector; Textile sector; Banking sector; Prospectus; Brochure.

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## List of Acronyms

PBIL	Prime Bank Investment Limited
(P/E)	Price Earnings
EPS	Earnings per share
NAVPS	Net Asset Value Per Share
BSEC	Bangladesh Securities and Exchange Commission
NAVPS	Net Asset Value Per Share
BDT	Bangladeshi Taka
BO	Beneficiary Owner
CP	Capital Protected Scheme
WM	Wealth Maximizer
ES	Equity Sharing
PS	Performance scheme
MIP	Monthly Investment Planning

# **Chapter 1**

## **Overview of Internship**

### **1.1 Student Information**

**Name:** Nahiyah Rahman Firat

**ID:** 20104006

**Program:** Bachelor of Business Administration (BBA)

**Majors:** Finance and Human Resource Management

## **1.2 Internship Information**

**1.2.1** My work life with Prime Bank Investment Limited (PBIL) started on January 19, 2024 as an intern in Research and Business Development. PBIL is located at Tajwar Center (5th Floor), Road 19/A, House 34 Kemal Ataturk Ave, Dhaka 1212.

**1.2.2** My on-site supervisor was Syed Reazul Haque; Senior Executive Officer of Research and Business Development Department.

**1.2.3** As an intern of the Research and Business Development Department my job responsibilities are:

### **I. Document Preparation**

One of my primary responsibilities is to prepare different types of documents like IPO notes (a note consisting of key ratios and analysis of a company that is going for IPO) for IPO application, ensure that the company financial statements and important ratios are being updated separately as per PBIL's template, noting down relevant news etc.

### **II. Market and Industry Research**

Collecting and researching the required information about the industry and related affairs is one of my core responsibilities. I require gathering data like the company's GDP growth rate, GDP of certain sectors of certain regions, foreign currency flow, daily commodity item price fluctuation etc. which needed to be presented in a simpler manner e.g. graphs and trends.

### **III. Creating Daily Report**

Another responsibility of mine is to create a daily 'Market Commentary' report based on the daily stock market performance which is easy for public to understand. Again, I make an internal daily report that depicts the stock

market performance of individual day that is focused more for the understanding of the professionals of PBIL only.

Additionally, I prepare the daily market update containing the summary of the Dhaka Stock Exchange (DSE) daily transaction.

#### **IV. Forecasting**

An important responsibility bestowed upon me was to forecast the near future performance of selected companies operating in different companies which required forecasted calculations of accounts ratios like revenue, NPAT, cost of goods sold, P/E ratio, probable EPS, probable cash outflow due to interest liabilities etc.

#### **V. Other Responsibilities**

Helping the Issue Management Department with relevant data, compile different financial indicators from monthly report by BSEC and Bangladesh Bank.

### **1.3 Internship Outcome**

#### **1.3.1 Contribution to the Company**

During my internship time of three months, I have efficiently and accurately updated the database that contains important accounts and indicators of more than 50 companies from 2023 December to current date. This database is crucial as this database is a more simplified and easier to visualize the numbers, ratios and other indicators for trade decision making. Also, from the database we analyzed reasonings behind the NPAT fluctuation and forecast the future. Again, as I took over the repetitive works like multiple daily report making and portfolio record forwarding, the senior managers could free up significant time and could focus on more important tasks.

### **1.3.2 Benefits of Student**

Through the internship at PBIL, my knowledge of finance, financial market and specially the capital market has enriched substantially which would help me in rational investment decision making. Moreover, the seniors helped me to understand different phenomenal by interpreting them to me. From discussion with the experts, I am well aware of how the capital market of Bangladesh is reactive to different global occurrences and decisions of far away countries. Again, through my daily tasks I had the chance to relate my academic learning with the practical world e.g. defining if a stock price is overrated or underrated through dividend valuation mode and NAV. I learned about the corporate ethics and values and their importance. Lastly, I have sharpened some good soft skillsets like time management, patience, teamwork, multitasking ability, effective communication and team work which I believe would help me a lot in my career.

### **1.3.3 Challenges**

The biggest challenge was the limited access to the information of an intern. Due to confidentiality policies, as an intern I did not have access to any other folders of the system except for two specific folders. Additionally, the internet access had some restrictions regarding access to some websites which made the data transfer and research work for the internship report difficult unto some extend.

### **1.3.4 Recommendations**

Some modifications of policy could be undertaken to grant an intern access to more resources. A job rotation program could be introduced for interns so that they can adapt to the uncertainty of future career placement quickly.



## **Chapter 2**

### **Prime Bank Investment Limited**

#### **2.1 Introduction**

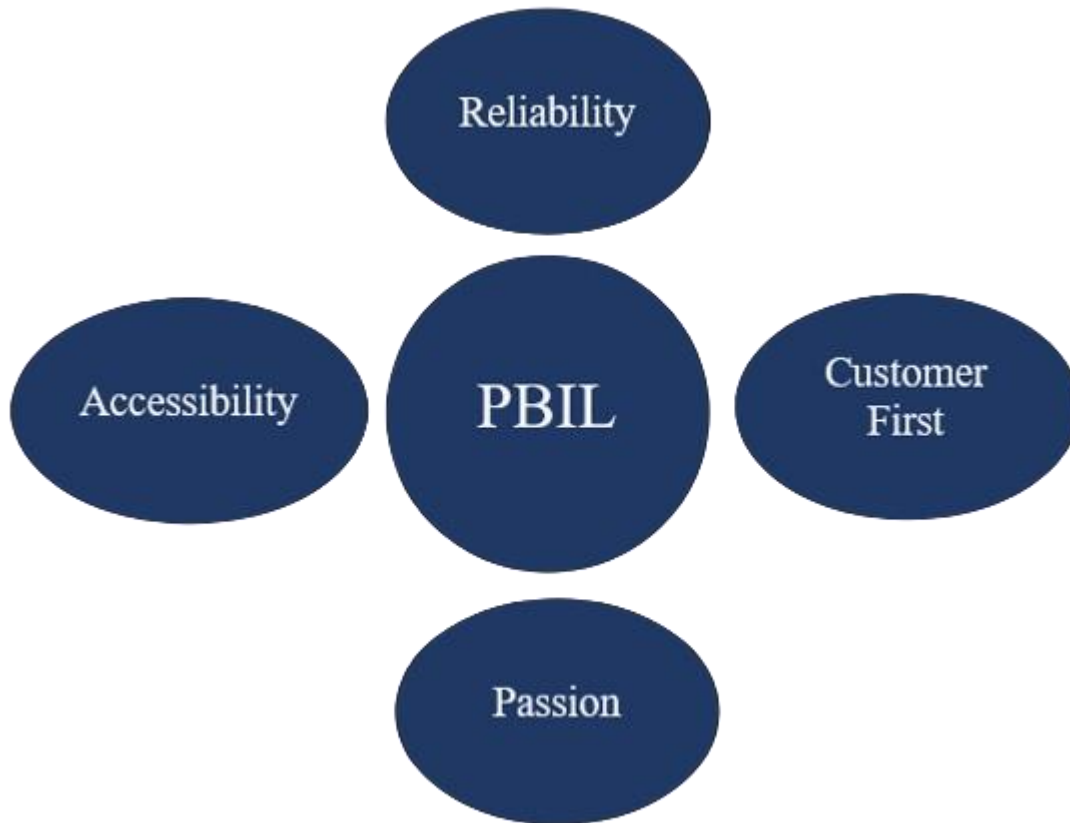
Prime Bank Investment Limited is one of the leading merchant banks of 67 merchant banks in Bangladesh which focuses on the capital market of Bangladesh. PBIL has been operating since 1996 as a division of Prime Bank PLC., one of the prominent banks of Bangladesh. In 2001, to expand and enrich the capital market operation PBIL acquired merchant banking license from BSEC and started operating as a separate entity and wholly owned subsidiary of Prime Bank Investment Limited. PBIL was incorporated as a public limited company on April 28, 2010, with the Registrar of Joint Stock Companies, Dhaka and started curating capital from individual and organizational investors and invested those with the intention of maximize and increase the investor's capital at the same date. Today, the paid-Up capital of PBIL has exceed 3,000 million BDT and its portfolio has a 9,674 million BDT market valuation.

The options of investment offered by PBIL are very dynamic. The options are catered by PBIL according to the client's demand whether it's an individual or an organization. The different offerings ensure the flexibility of both investor and PBIL in terms of regulation, investment tenure, fees and exit benefit, tax exemption etc.

PBIL has a significant impact on the merchant banking sector. For instance, PBIL was one of the early banks who recovered from a negative marginal account value to a positive number in marginal account value meaning that the loans PBIL has been providing to investors to invest through marginal accounts have increased in value through the prudent investment decision of the managers and surpassed the loaning amount positively.

## 2.2 Overview of the Company

### 2.2.1 Core Value



*Figure 1: Core values of PBIL*

PBIL has been serving the individual and the organizational institutes since its inception. Their service has always been oriented with the abovementioned core values which has thrived them to become one of the best merchant banks in Bangladesh.

### 2.2.2 Vision of Prime Bank Investment Limited

“Our vision is to be the leading investment bank, driving economic prosperity through innovative financial solutions. As architects of capital, we aim to propel businesses forward with integrity, expertise, and enduring partnerships, becoming the trusted catalyst for sustainable success in capital markets and creating lasting value for clients and communities” (PBIL, n.d.).

### 2.2.3 Products and Services

PBIL offers non-discretionary portfolio as their main product. The portfolio is actively managed by discreet management team to ensure profit (Wilcox, J. 2003). The 2 types of portfolio management offerings of PBIL are:

Portfolio Type	Accounts Name
Discretionary Portfolio	
Non-Discretionary Portfolio	<ul style="list-style-type: none"> <li>• Margin account</li> <li>• Non-margin account</li> </ul>

*Figure 2: Different types of portfolios of PBIL*

Currently there are 4 types of plans being offered under the brand ‘PrimeInvest’ Discretionary portfolio to the clients:

Plans	Description
Monthly Investment Plan (MIP)	Initial investment from BDT 3000/- and monthly installment of pre agreed amount.
Wealth Maximizer	Start with a lump sum investment of BDT 5 Lacs only against a hefty return.
Equity Sharing	Capital investment and profit/loss will be shared between you and us on a 70:30 basis.
Performance Scheme	Charges applicable only if a profit is generated.
Capital Protected	Guaranteed capital return on loss

*Figure 3: Non-Discretionary investment schemes*

These 5 plans are further to PerimeInvest Women, Primeinvest Probashi, PrimeInvest Shariah, Primeinvest Youth. These 3 products have their own distinct characteristics and each product are crafted carefully keeping in mind the needs of their targeted customers. This is the very first time in Bangladesh that youth population are getting chance to engage in capital

market and in a very lucrative and affordable plan where the initial investment amount is BDT 500/- only and minimum monthly installment is BDT 500/- only which could be invested upto 7 years. Additional service offerings are:

<p><b>Equity Capital services</b></p>	<ul style="list-style-type: none"> <li>● Initial public offering (IPO)</li> <li>● Repeat public offering (RPO)</li> <li>● Rights offer</li> <li>● Initial qualified investor offer (IQIO)</li> <li>● Private Equity &amp; Venture Capital (Local &amp; Foreign)</li> <li>● Preference Shares (Listed &amp; Non-listed)</li> <li>● Underwriting Services</li> </ul>
<p><b>Debt Capital services</b></p>	<ul style="list-style-type: none"> <li>● Fixed Income Securities</li> <li>● Placement Agent</li> <li>● Foreign Loans</li> <li>● Islamic Financing Solutions</li> <li>● Trustee Services</li> </ul>
<p><b>Advisory services</b></p>	<ul style="list-style-type: none"> <li>● Mergers &amp; Acquisitions Advisory</li> <li>● Startup Advisory</li> <li>● Foreign Direct Investment (FDI) Advisory</li> <li>● Listing Advisory</li> <li>● Business Valuation &amp; Feasibility Analysis</li> <li>● Capital Structuring</li> <li>● Other Bespoke Advisory</li> </ul>

*Figure 4: Service offerings of PBIL*

## **2.2.4 Sister Concerns**

### **I. Prime Bank PLC.**

Prime Bank PLC, is a top-tier second generation local commercial bank in Bangladesh established in 1995. Headquartered in the heart of Dhaka's bustling financial hub Motijheel, the Bank's operational footprint is spread all over the country with 146 branches and 151 ATMs at 138 locations of Bangladesh. It was incorporated under the Companies Act of 1994.

### **II. Prime Exchange Co. Pte Ltd.**

Prime Exchange Co. Pte Ltd (PEC), the first fully owned overseas exchange company of Prime Bank PLC., started its journey in Singapore in 2006 through a single branch

with license from Monetary Authority of Singapore (MAS). Prime Exchange Co. Pte Ltd is also the first ever fully owned Exchange Company in Singapore established by any private commercial bank of Bangladesh.

### **III. Prime Bank Securities Limited**

PBS Limited was established in 2010 as a subsidiary of Prime Bank which is fully licensed to work as a stock broker, stock dealer, and full-service depository participant. Our services include the following:

- Providing stock brokering services to –
  - Non-discretionary clients
  - Discretionary clients
- Offering Margin loans to eligible clients.
- Provide Depository Participant (DP) services

### **IV. PBL Finance(Hong Kong) Limited**

A foreign commercial banking Branch of Prime Bank PLC situated in Kowloon, Hong Kong.

## **2.3 Management Practices**

### **2.3.1 Leadership Style**

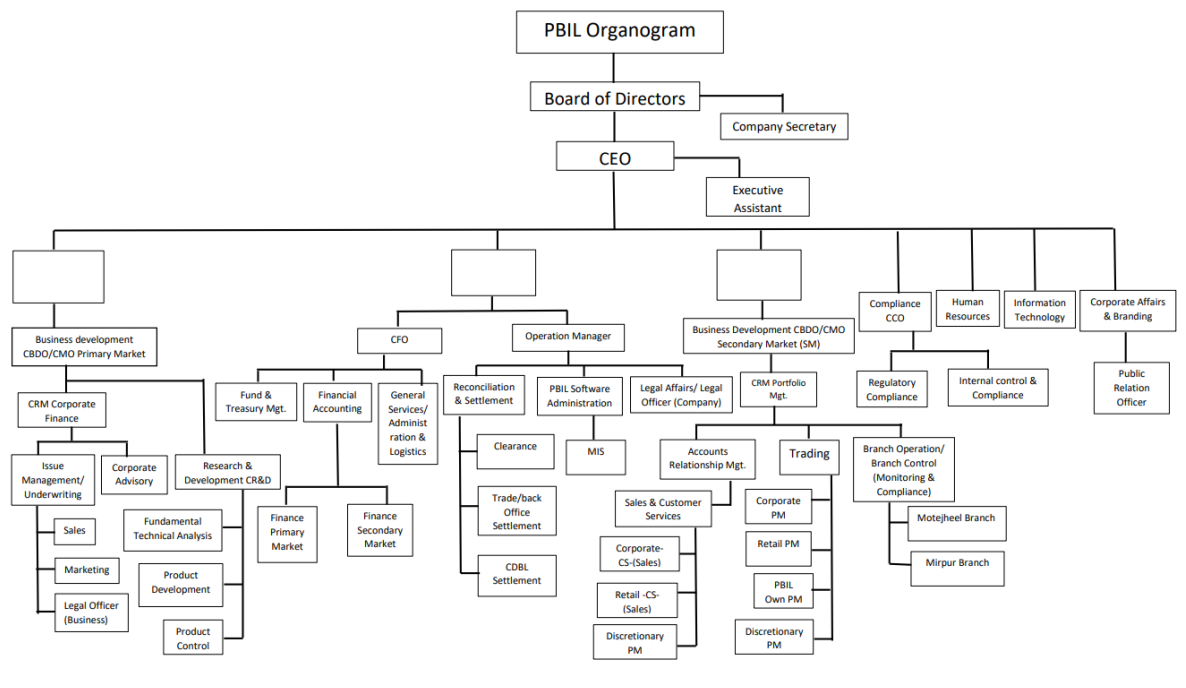


Figure 5: PBIL Organogram.

## 2.3.2 Department of Prime Bank Investment Limited

### I. CRM Corporate Finance

- Consulting corporates and help them taking financial decisions e.g. merger & acquisition.
- Research & business development.

### II. Issue Management Department

- Providing underwriting services.
- Sales services.
- Maintaining good relations with the stakeholders and clients.
- Driving marketing team

### III. Research & Business Development

- Conducting fundamental and technical financial analysis.
- Product development.
- Conducting trade on secondary market.

#### **IV. Finance Department**

- Controlling the funds of clients and managing the treasury.
- Managing and controlling financial accounts.
- Financing primary and secondary market.

#### **V. Administration**

- Managing the vehicles and its availability upon required.
- Messenger individual management.
- Supervising the office devices.
- Allocating requisition for maintenance and purchase.

#### **VI. Human Resources**

- Resolving conflict.
- Crafting remuneration structure and bonus.
- Planning and executing recruitment campaign.
- Designing and executing training programme.

#### **VII. Information Technology (IT)**

- Administering PBIL software and web portal.
- Administering management information system (MIS).

### **2.4 Marketing Practices**

#### **2.4.1 Marketing Strategy**

The STP model is crucial as it allows to allocate resources efficiently, tailor marketing efforts to specific customer groups, and create a unique and favorable brand image and helps narrow down the potential customers (Kotler, P., & Armstrong, 2018).



*Figure 6: STP Marketing Model*

Referring to the STP marketing model, PBIL segments its clients based on demographic factors (e.g. Occupation, Income level etc.), psychographic factors in consideration like risk aversion, and behavioral factors such as investment preference (e.g. Shariah investors).

The segmented client base is further stratified for more specific clients through targeting people and entities based on the level of wealth they possess, how solid their stance is against risk and their desired return from investment.

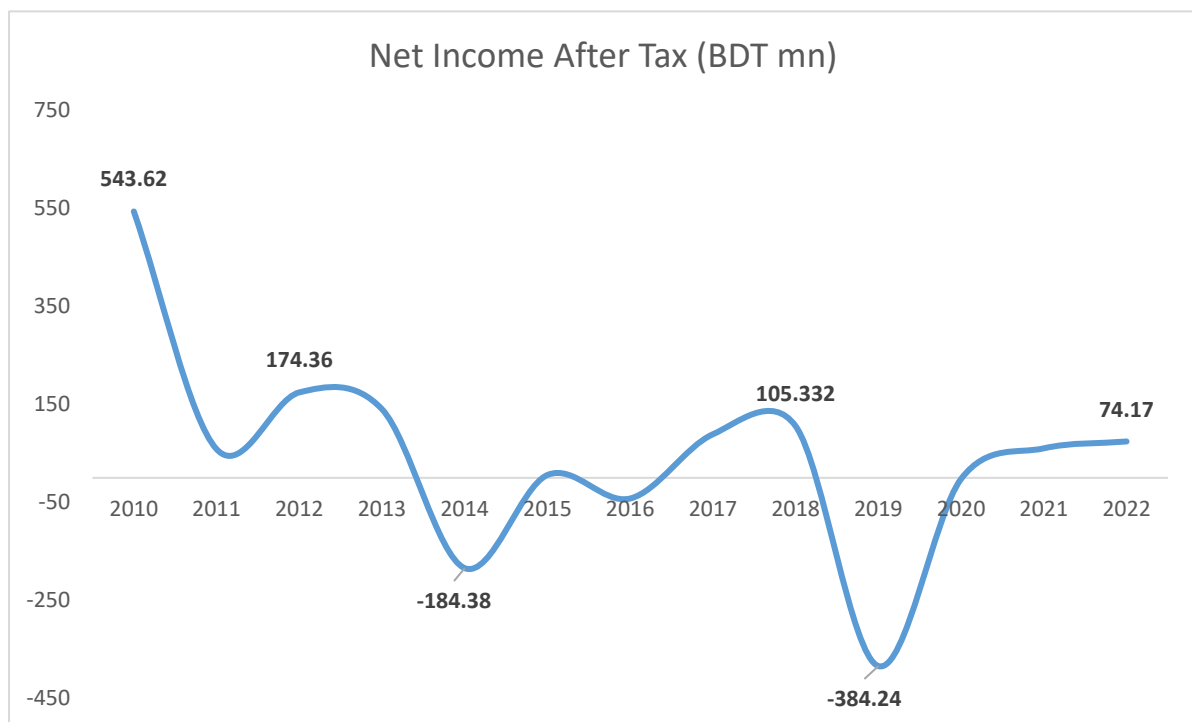
After deciding on the actual targeted customer base PBIL designs its products according to the preferences of different customer base. For example, if an investor has a big amount of money to be used as capital and which the investor can invest at once and the investor is resilient of high risk then wealth maximizer is more suitable for that specific investor. Again, if an investor is capable of investing a small amount and wants to contribute to the capital in small investment then the MIP scheme is more suitable for him. In addition, PBIL not only suggests the suitable product for an investor but also take feedback as a gesture of client appreciation.



## 2.4.2 Financial Performance and Accounting Practices of PBIL

Since initiating Prime Bank Investment in 2010 as an individual entity, the organization has faced ups and downs throughout its journey. PBIL considers these tough and easy situations as crucial experiences and its financial statements are the quantifying evidence of their experiences.

PBIL as a separate entity was already an experienced merchant bank entering the market. Since 2010, PBIL has been showing signs of an experienced merchant bank and they have tackled tough situations like the great stock market downfall in FY2014-15 with absolute prudence. This is because PBIL has operated since 1996 as an integrated division of Prime Bank PLC.



PBIL's profit figure depicts uncertainty and volatility. This uncertain scenario is very similar to the DSEX market index scenario. All of the years where PBIL had net loss were caused by either loss or very low gain on the sale of shares and a thorough analysis shows that the capital market was mostly bearish in the years PBIL had net loss.

PBIL follows the IFRS (International Financing Reporting Standards) strictly to maintain compliance with accounting standards as well as Companies Act, 1994, Securities and Exchange Commission Ordinance, 1969, Margin Rules, 1999, Securities and Exchange Commission (Issue of Capital) Rules, 2001 etc. Through audit, PBIL has been found transparent and free of manipulation in their statement and so, PBIL can claim on their fairness and discretion to its customers. The auditors from the last 5 years are:

Year	Auditor
2022	ACNABIN
2021	
2020	
2019	Hoda Vasi Chowdhury & Co.
2018	

*Figure 7: Auditors of PBIL (2018-2022).*

#### 2.4.2.1 Depreciation Method and Rate

The company uses IAS 16 Property, Plant and Equipment outlines the accounting treatment for their fixed assets depreciation. The rate of depreciation of different assets are as below mentioned:

Category of fixed assets	Rate
Land	NIL
Buildings	2.50%
Furniture and fixtures	10%
Office equipment	20%
Vehicles	20%
Furniture and fixtures (ATM)	10%
Office equipment (ATM)	20%

*Figure 8: Depreciation rate of fixed PBIL.*

### **2.4.3 Information Practice Services**

#### **2.4.3.1 Website**

PBIL website is a dynamic and one stop solution for both the account holders and interested visitors. PBIL website consists of detail description about the organization, its services and products, its management team and the journey of PBIL. This website has some unique utilizations for potential customers like people can open their B.O account online from here and the paper works further will be done further by PBIL team and delivered to the client. This website posts some important reports consisting of daily market commentary reports on DSEX, weekly mutual fund updates, macro-economics indicator data. Financial statement of PBIL etc. These reports aim to summarize and portray the situation of different prospects of the economy in an easy manner that is understandable to general people.

Website link: [Prime Bank Investment Limited PBIL](#)

#### **2.4.3.2 Web Portal**

PBIL is the first organization to avail an independent web portal for clients where clients can avail services without human interaction and at any time of the day and any day. Through this portal, clients can avail the below-mentioned services:

- Portfolio update
- Ledger update
- Money deposit and withdrawal
- Tax certificate withdrawal
- Dividend statement and calculation of future dividend
- IPO application.

Web Portal link: [PBIL web portal](#)

## **2.5 Industry and Competitive Analysis**

### **2.5.1 SWOT Analysis**

#### **Strengths**

- A comprehensive range of products to cater the diverse needs of clients.

- Online onboarding of BO Account & PrimeInvest.
- Prime Invest portal (Portfolio & ledger, Fund Deposit & Withdraw, IPO Application).
- Experienced Board & SMT Members.
- Strong brand recognition of Prime Bank PLC.
- Innovation and Adaptability.

### **Weaknesses**

- Lack of 360-degree investment banking knowledge by all the employees.
- Inter departmental communication Gap.
- Shortfall of resource in few dept. for smooth operation.

### **Opportunities**

- Limitless Opportunities: (BO-1.7 million, Market Cap to Gdp-17.6%, Only around 400 listed companies).
- M&A services.
- Render service on SME and Bond Market.
- Technological advancements for improving efficiency.

### **Threats**

- Easy to copy products.
- Vulnerability to market fluctuations & Economic Challenges.
- Market competition and pressure on fees.

## 2.5.2 Porter's Five Competitive Forces



*Figure 9: Porter's Five Forces Competitive Model.*

### 2.5.2.1 Threat of New Entrants

The threat of new entrants is moderate because of initial capital required for this business is high. So, if a new competition wants to set up an investment bank the first challenge they would be facing is the initial investment needed. On the other hand, it is easy for any big organization to expand its business in this sector nullifying the initial capital raising challenge.

### 2.5.2.2 Threat of Substitute

The threat of substitutes is high as the majority of people of Bangladesh prefer risk-free securities like FDR, treasury bonds, treasury bills etc. over the risky and more return yielded securities. Again, a lack of awareness about the slander of the stock market repels individual investors toward risk-free securities.

### **2.5.2.3 Competitive Rivalry**

Competition among the rivals is high in merchant banking and overall, the whole banking sector. According to BSEC, there are 67 merchant banks currently operating in the geography of Bangladesh. If the cost of investment such as the management fee cannot be kept to a certain level and enough flexibility in the investment scheme is not available then there are high chance the client will shift to another merchant bank.

### **2.5.2.4 Bargaining Power of Buyers**

The bargaining power of the customers is high because of the only 1.8 million BO account holders (Tribune Desk, 2023) taking service from only 67 merchant banks. As a result, the customers have the upper hand in choosing a service provider here.

### **2.5.2.5 Bargain Power of Sellers**

The bargaining power of sellers is low because of the small number of investor polls available to the merchant banks. If the customers are not satisfied with the products of PBIL, the investor then has 66 more options to choose from making the sellers inferior in terms of bargaining power.

## **2.6 Conclusion**

PBIL has positioned itself in a prestigious rank among the merchant banking sector through its adaptive management decision, discreet management team and innovation like PrimeInvest Youth. The innovative youth product has tapped into a new market and is resulting in an increased number of clients. PBIL has already received a significant amount of appreciation from the top heads of the banking sector for their innovation and resilience. Finally, PBIL is constantly working for its prosperity and toward its vision of becoming the top merchant Bank by creating value for the customers and propel businesses.

## **2.7 Recommendations**

- Use of efficient marketing strategies to create awareness of the products and services offered by PBIL in order to increase the client number and generate revenue.

## **Chapter 3**

### **Key investment criteria of Prime Bank Investment Limited**

#### **3.1 Introduction**

The capital market is a crucial part of the financial system as it facilitates capital raising instruments for businesses and reduces pressure on commercial banks for loans significantly. The capital market was prominently established in 1976 through the reactivation of the Dhaka Stock Exchange (Bangladesh Bank, n.d.) and from then merchant banks like AAA Finance, PBIL emerged to develop this industry. However, choosing a proper instrument and company is essential to meet the desired return of investors and in the absence of key indicators and criteria investment could become futile and has the potential to cause huge financial damage. This report tries to explain some of the key criteria PBIL uses while making an investment decision, how these criteria have performed and finally how these comply with the laws, rules and regulations of the authority which are BSEC and Bangladesh Bank.

##### **3.1.1 Literature Review**

A capital market is a place where long-term financial debt and equity securities are traded (H. Adams, 2023). Capital markets can be accessed individually or through merchant banks where the professionals maintain portfolios for investment. In the case of merchant banking, the investment banks do not claim any ownership of the stocks or other securities rather they charge a management fee and some other types of fees and react to the market on behalf of an

investor to secure maximum return. The idea of stock issuance emerged in 1602 through the issuance of the Dutch East India Company's stock in the Amsterdam market (Petram, L. O., 2011). There are two types of investment management models discretionary and non-discretionary model. Some distinct characteristics are mentioned below:

Investment Services	Discretionary	Non-Discretionary
Involvement	Portfolio manager's involvement only.	Direct investor involvement.
Research	Both manager and investor contribution.	Portfolio managers only.
Fiduciary Responsibility Investment Provider	Higher as a result of increased decision making responsibilities.	Lower due to increased role of Investment Committee
Fees	Higher as a result of increased decision making responsibilities	Lower due to increased role of Investment Committee

Figure 10: Distinct characteristics of discretionary and non-discretionary management model.

### 3.1.2 Objectives

This report tries to depict an elaborate analysis of the criteria that indicated a good investment decision and how these criteria have guided toward potential and better performing stocks.

The objectives of this report are:

**I. Providing an in-depth description of the major 4 investment plans of PBIL**

The description of the investment plans offered by PBIL will help in understanding the target audience and how PBIL offers flexibility to investors.

**II. Analyzing 4 key criteria PBIL uses while making investment decisions.**

Net profit margin, price earnings ratio (P/E) ratio, Earnings per share (EPS) and Net asset value per share (NAVPS) are the 4 most common key indicators out of more



than 25 indicators which PBIL analyzes thoroughly before deciding on any investment made.

### **III. Comparing PBIL performance and DSEX performance**

PBIL's criteria of investment are good indicators only if their overall performance is symmetrical or better than the stock market as it is the most focused market for any merchant bank.

### **IV. Identifying risks associated with the investment schemes**

After reviewing their financial performance, we can identify the risks investors face while investing in the IDLC AML mutual funds.

### **VIII. Recommendation for the products offered**

With the financial performance and risks identified, further recommendations to make PBIL schemes more profitable as well as more accessible can be developed.

## **3.2 Methodology**

This report contains both the data from primary and secondary sources. The secondary data are curated for the products and plan descriptions and characteristics from the PBIL website. As interested clients are directed to the website for a piece of detailed knowledge about the products and schemes, the website is an adequate source of information.

The financial data which are mostly collected from the financial reports of PBIL and other relevant organizations are also accumulated through secondary research.

The primary data come from my experience of internship in the Research and Business Development Department as well as from the formal and informal conversations and discussions with the seniors, especially from the research team and also the head of the research and business development department. Their information and quotes were used to

analyze some of the companies that fit into the criteria for investment according to PBIL. The formula used for the calculation are:

### **I. Net Profit Margin**

The net profit margin calculates the percentage of total revenue which is left as profit after paying for all the expenses and tax.

$$\text{Formula} = (\text{net profit} / \text{revenue}) \times 100$$

### **II. P/E ratio**

P/E ratio indicates if a stock's price is higher or lower relative to earnings and possibly overvalued or undervalued.

$$\text{Formula} = (\text{price per share} / \text{earning per share})$$

### **III. EPS**

Eps indicates the earning of a shareholder against one share. This indicator decides how valuably a share has been earned over a certain period.

$$\text{Formula} = (\text{net income} / \text{total number of common share outstanding})$$

### **IV. Net Asset Value Per Share (NAVPS)**

The Net Asset Value Per Share (NAVPS) states the value of a share in context of net assets allocated for one common share. This indicates the amount of asset of the company that is owned by common shareholders calculated by a single share unit.

$$\text{Formula} = \left( \frac{\text{Total assets} - \text{total liabilities}}{\text{total number of share outstanding}} \right)$$

## **3.3 Findings and Analysis**

### **3.3.1 Description of 5 major investment plans**

#### **3.3.1.1 PrimeInvest Equity Sharing (ES)**

ES is a mixture of debt and equity securities and is catered to long-term investors who have a moderate tolerance for risk. The capital of investment, along with the profit or loss from the investment would be shared between the customer and PBIL on a 70:30 basis. This scheme is more prone to acquire investor trust and evident credibility that PBIL cares about customer's money just like their own money. The key features of this scheme are:

- Investment horizon of 3 years and more.
- Minimum investment amount for the ES scheme is BDT 5 lakhs only.
- Risk shared with the merchant bank which is PBIL.
- Tax rebate.

#### **3.3.1.2 PrimeInvest Monthly Investment Plan (MIP)**

MIP is also a debt and equity security mixture. MIP targets the customers with comparatively lower levels of income and who are risk avert. It is a medium or long-term investor focused plan where an investor can invest on a monthly fixed amount of installment deposition for a certain period and get a good return. The key features of MIP are:

- Compounding effect on return.
- Minimum investment amount is BDT 3000/-.
- Investment tenure of 3 years and above.
- Tolerance against the stock market volatility.
- Tax rebate.

### **3.3.1.3 Wealth Maximizer (WM)**

WM plan is for high-risk takers who have unused money to spare and want greater return. The investor has to initially invest a significant amount of money locked for a certain period to be invested. WM features are:

- Minimum lumpsum amount to be invested is BDT 5 lakhs.
- Investment tenure of 3 years and more.
- Tax rebate.

### **3.3.1.4 PrimeInvest Performance Scheme (PS)**

PS is comprised of debt and mostly equity securities and is the riskiest scheme which in return generates the highest gain. PS investors are financially stable investors again who have a significant amount of money to spare and can tolerate more risk than average investors. In return, this scheme generates the highest return of all the schemes. The key features of PS are:

- Investment horizon of minimum 3 years.
- Investment starts from BDT 5 lakhs.
- 0% management fee.
- Only fee for incremental profit.
- One-fifth profit sharing with the merchant bank which is PBIL.
- Tax rebate.

### **3.3.1.5 PrimeInvest Capital Protected Scheme (CP)**

CP comprises mostly debt and risk-free securities and some equity securities. CP confirms an average and stable return and bears the lowest risk. Investors who are at the highest point of risk aversion are the targeted customers of the CP scheme. The key features of CP are:

- Guaranteed return on investment.
- Initial capital security.
- Tax rebate.

### **3.3.2 Key Criteria of Investment Decision of PBIL**

Berger Paints Bangladesh Limited and Bank Asia are the two constant companies evaluated against the criteria for investment of PBIL.

#### **3.3.2.1 Net Profit Margin**

PBIL has set the criteria for net profit margin to a minimum of 12% to be eligible for the consideration of investment alongside the other criteria in consideration. It means that if a company after bearing every expense including tax can extract a minimum of 12% profit, then PBIL considers this as a result of good operation and profitable number. PBIL takes the average of 4 years of net profit margin and if the average value is below 12% then the stock should be declared as inefficient. Again, there has to be an upward trendline for the net profit margin.

For Berger Paints, the average net profit margin is 13% and has an upward trendline meaning that the net profit margin is expected to increase. Berger Paints Bangladesh passes this criterion.

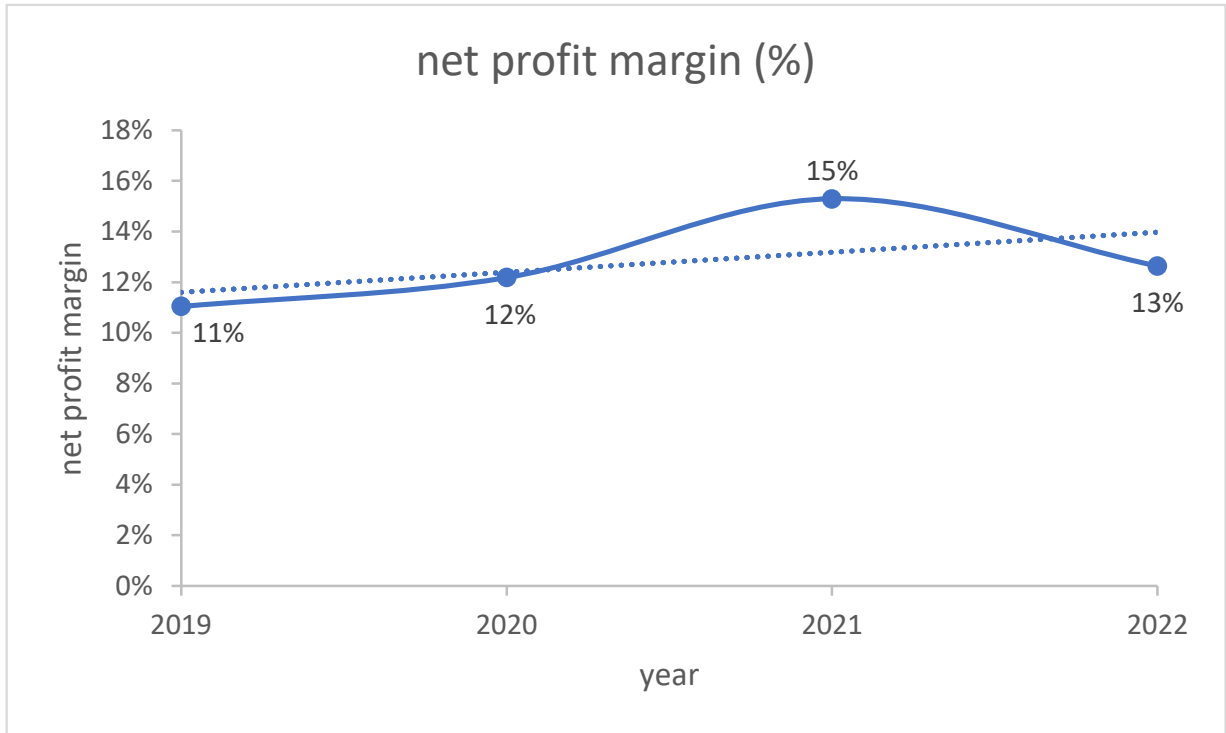


Figure 11: Net Profit Margin of Berger Paints Bangladesh.

Bank Asia also passes the criterion as the 4 years average net profit margin of Bank Asia is 14% which and the trendline is upward.

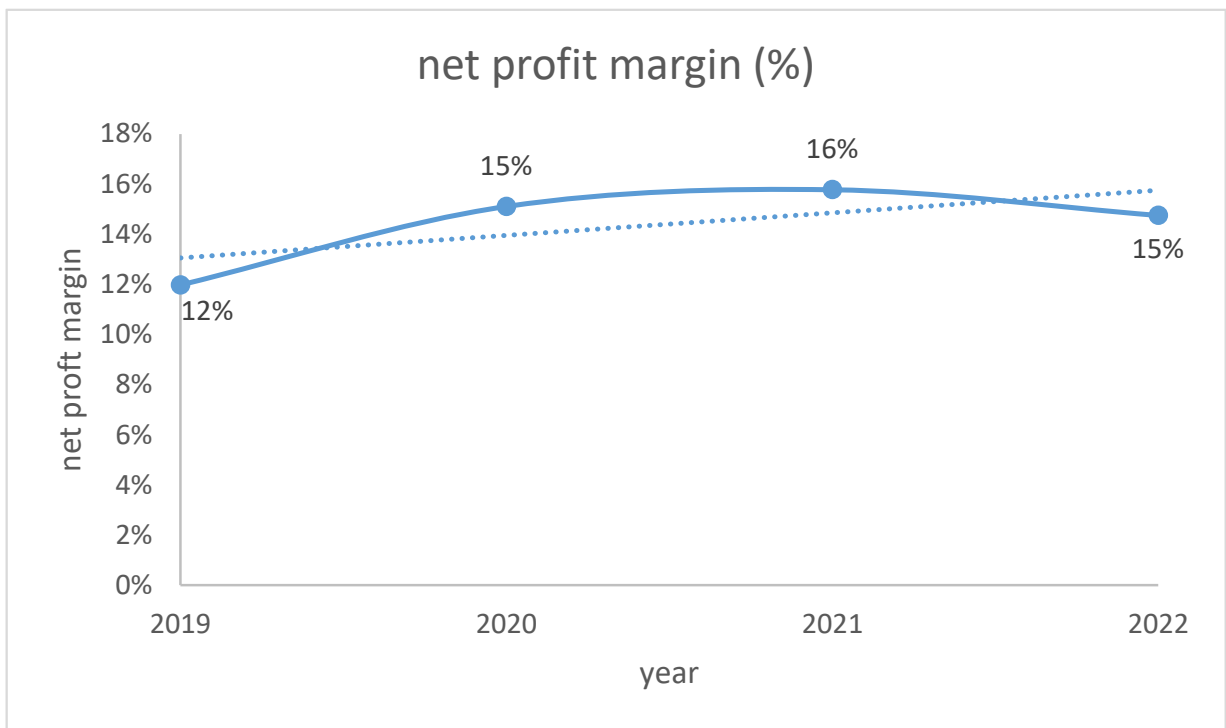


Figure 12: Net Profit Margin of Bank Asia.

Both of the stocks are eligible for investment for PBIL. However, as Bank Asia has a higher average net profit margin, if PBIL were to choose one of the stocks to invest judging from this criterion they would choose Bank Asia.

### **3.3.2.2 Price earnings (P/E) ratio**

PBIL follows a strict guideline of BDT 46 P/E number for their investible stocks where the BSEC suggestion of a maximum BDT 50 P/E is the ceiling for PBIL. BDT 50 P/E is considered a risky stock as this number defines that the stock has 50 taka invested to make one unit of earnings. With high risk comes high return and believing that PBIL is taking a risk to take up to BDT 46 evaluated stocks believing in the potential of these over-valuated stocks.

The audited P/E ratio of Berger Paints Bangladesh on March 21, 2024, was 27.62 which is between the acceptable range of PBIL. This means that Berger stocks are 27.34 times overvalued in terms of earning one unit of return. Historic records of Berger Paints Bangladesh's P/E ratio are:

Again, on March 21, 2024, Bank Asia's P/E ratio was 7.05. This means that Bank Asia stocks are only 7.05 times more highly priced against its return.

Bank Asia's P/E ratio is significantly lower than Berger Paints at the current time and historically. It indicates that Berger Paint is overvalued than it is for Bank Asia. So, the PBIL guideline suggests investing in Bank Asia stocks rather than Berger Paints Bangladesh.

### **3.3.2.3 Earning Per Share (EPS)**

EPS defines the amount of return a stock has earned per share in a certain period. Higher EPS is desired by the investors whereas lower EPS is less attractive. PBIL set the EPS limit of a minimum BDT 3 at a certain point with a positive growth rate.

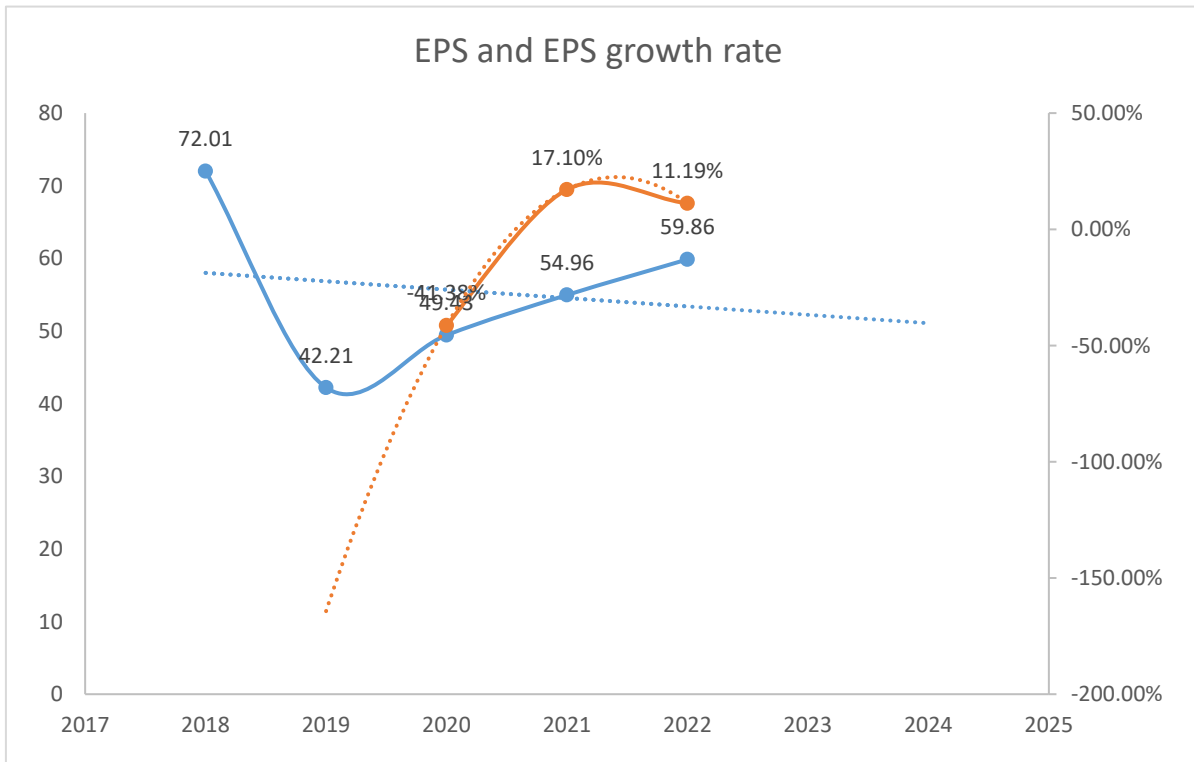


Figure 13: Berger Bangladesh EPS amount and EPS growth rate.

Berger Bangladesh has a history of high EPS. The EPS was affected by the pandemic in 2020 and dropped from 72.01 to 42.21 which resulted in a negative growth rate. However, the average situation has changed and an upward trend can be identified in the growth rate of EPS now the average EPS growth rate of Berger Bangladesh has increased substantially from -41.38% to 17.10% and continued the positive trend. So, PBIL can decide positively invest in this stock.



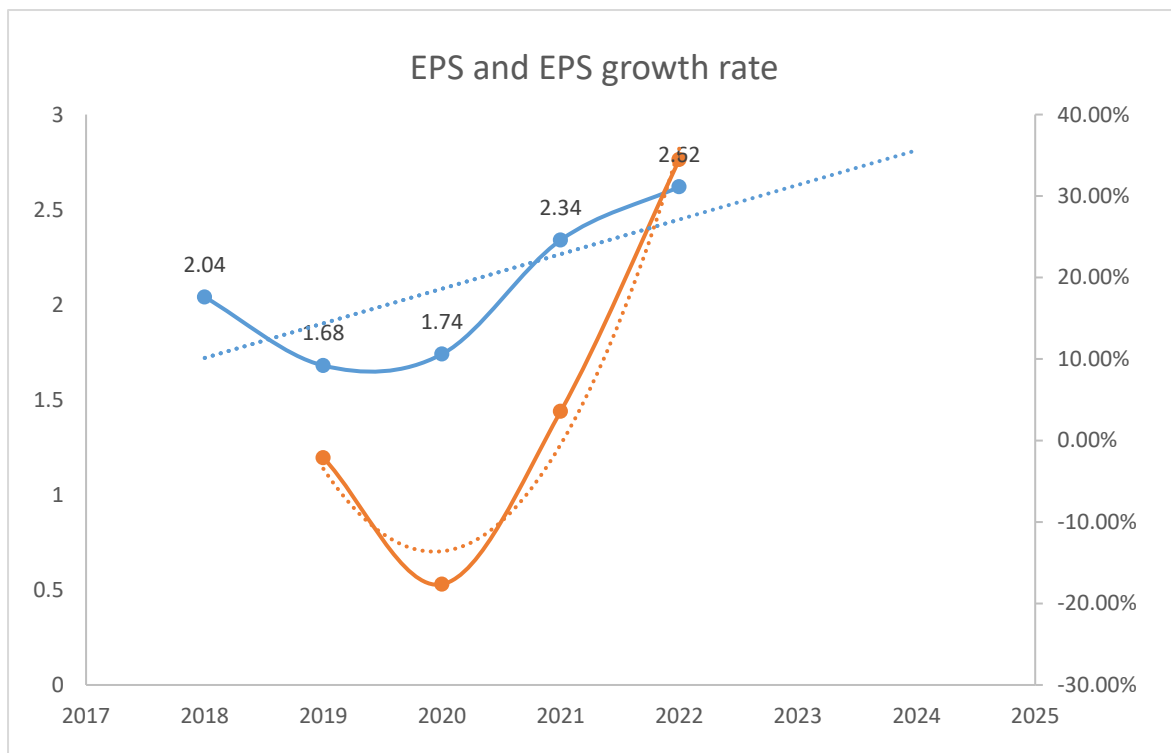


Figure 14: Bank Asia EPS amount and EPS growth rate.

Bank Asia does not meet the minimum requirement of BDT 3 of PBIL and even after a recovery trend from the year 2020, Bank Asia has an average EPS growth rate of the last 5 years is 5%. It is a potential stock for PBIL and in this case, PBIL would choose to wait and observe the stock for an extended time before concluding an investment decision.

#### 3.3.2.4 Net Asset Value Per Share (NAVPS)

Net asset per value indicates the amount of asset value a share holds. The higher the NAVPS, the higher the value of a share. PBIL sets its limit of minimum BDT 18 for the NAVPS which means that if a share is valued at BDT 18 against the company asset in the current market, then it is worth investing in. Remind that, the NAVPS value is the statement of a share's current intrinsic value.

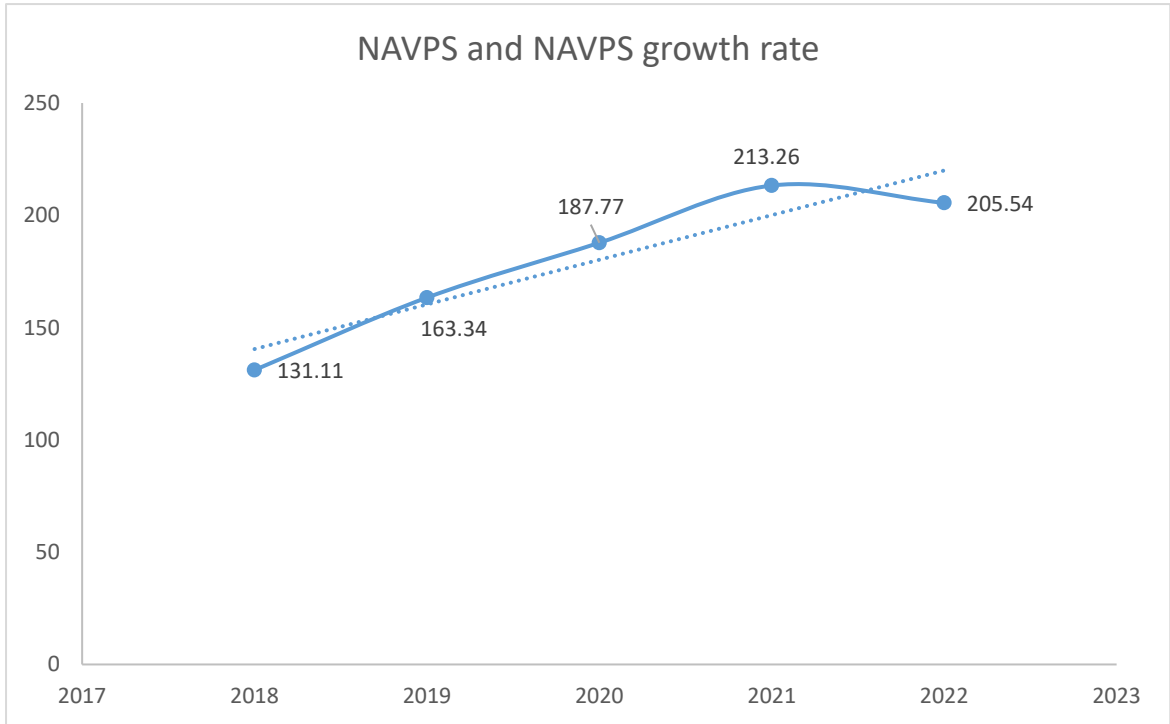


Figure 15: NAVPS and NAVPS growth rate of Berger Paints Bangladesh.

The average NAVPS growth rate of Berger Paints Bangladesh over the 5 years of timespan is 12% and its NAVPS kept growing over the years except for 2022 where due to currency fluctuation the asset value has decreased.

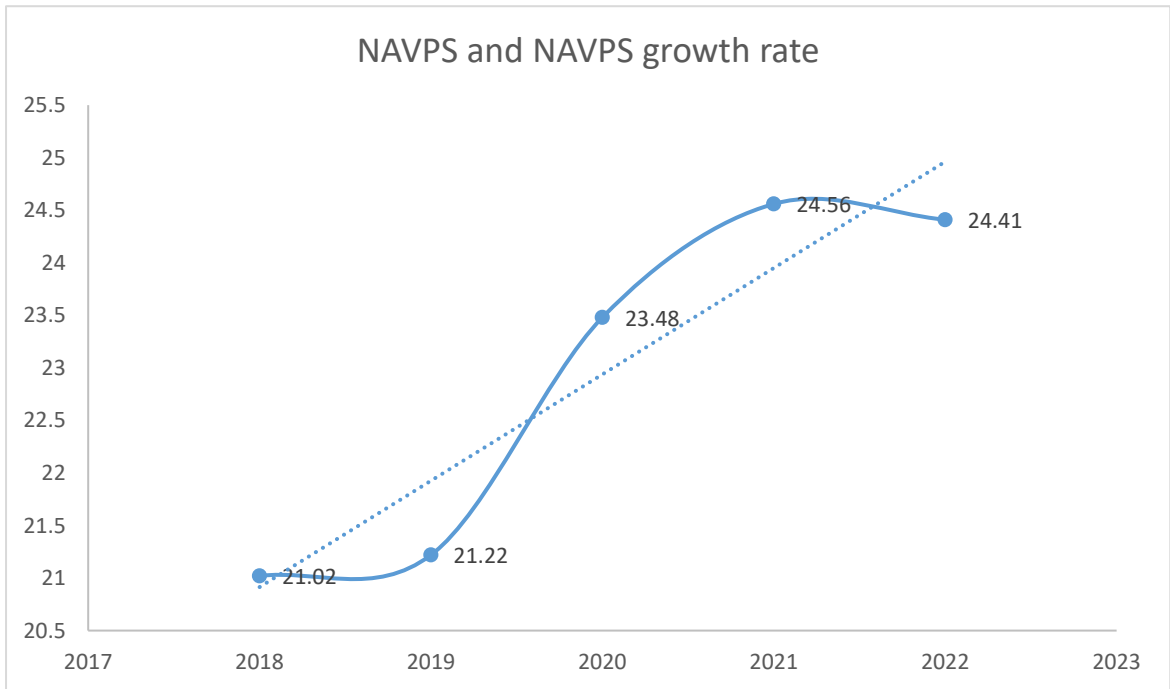


Figure 16: NAVPS and NAVPS growth rate of Bank Asia.

Bank Asia has a similar trend to Berger Paints Bangladesh where the NAVPS keeps increasing over time except for 2022 and has an average of 5 years NAVPS positive growth rate of 4%.

Both of the stock shows similar patterns in the case of NAVPS and NAVPS growth rates. However, the numbers they present are drastically different. Where the NAVPS growth rate of Berger Paints is 12%, Bank Asia's NAVPS growth rate is only 4%. Again, Berger had a NAVPS of BDT 205.54 in 2022 whereas Bank Asia's NAVPS was only BDT 24.41. In this case, PBIL guideline would choose to invest in that stock which is currently trading at the least inflated price. Again, the amount of capital to be invested is an important part of this decision.

### **3.3.3 Deciding on the stock**

Both BERGERPBL and BANKASIA are 'A' category stocks and are highly desired by investors. But, purchasing or selling these stocks is very situational meaning that the merchant banks and client's demand heavily affect the purchase decision of any of these stocks.

Currently, based on the abovementioned indicators, PBIL would prefer to purchase Bank Asia's new shares at the market price because of the potential indicators. Bank Asia shows some promising upward trends in the EPS and comparatively lower prices against the earnings it could get where Berger has a negative average EPS growth. Again, the positive net profit margin and P/E ratio indicate that the net income is expected to increase substantially over the year and Berger Paint is currently trading at an inflated price. However, holding Berger Paint shares for a very long time would result in substantial return so Bank Asia is a good choice to leverage its potential for short-term gain.

### **3.3.4 Risks associated with PBIL investment decision**

- **Volatility in Interest Rate**

If the interest rate increases above 12% on a risk-free rate and prevails for more than 6 months then investors might choose to divert their investment toward risk-free instruments like T-bills and T-bonds.

- **High volume of Trade**

A huge amount of redemption requests can lead to a liquidity crisis which can result in a halt to the new purchase of stocks and PBIL might need to sell a good portion of valuable stocks to cover up the liquidity.

- **Credit Risk**

As PBIL portfolio includes debt securities along with equity securities, it is possible that some may default.

- **Change of Law and Policy**

The government brings changes and amendments to the rules, regulations and laws to cater to some vision. These new rules could conflict with the vision of PBIL resulting in a short-term disturbance.

## **3.4 Conclusion**

The capital market is the most prominent investment field to secure an additional income source. However, the capital market has not reached its maturity stage and the infrastructure of Bangladesh needs revolutionary improvement to increase the efficiency of trading. Again, the general people of Bangladesh are not well aware of the capital market and have some level of superstition about the capital market being a waste of money.

From the report, we can see that the capital market is subject to risk and without proper expertise investors would not be able to see in future of the instruments. With proper expertise, PBIL portfolios can generate a return of 12% to 15%. However, just like any other merchant bank PBIL is also somewhat vulnerable to macro-economic factors. We can observe from the report that in 2020, both of these top category company stocks performed poor due to the pandemic and the performance of these companies was affected by other factors like the Russia-Ukraine war, the devaluation of the Taka against the Dollar etc. and so PBIL was also affected. In summary, general people need to be made aware of the reality of the capital market, its prospects, potential and great return with tax exemption and only then merchant banks can help prosper the economy faster and help people secure an auxiliary source of income.

### **3.5 Recommendations**

- PBIL should increase its efforts in marketing to reach more customers and create stronger brand value.
- PBIL should recruit more people to the research and business development team to maintain a larger portfolio.

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