Internship Report

On

"Performance Evaluation of IDLC Finance Limited"

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"Performance Evaluation of IDLC Finance Limited"

Course: Bus 499

Prepared for:

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LETTER OF TRANSMITTAL

15 April, 2015

Dr. Tanbir Ahmed Chowdhury

Professor

Department of Business Administration,

East West University

Subject: Submission of Internship Report

It is my great pleasure to submit the internship report on **"Performance Evaluation of IDLC Finance Limited"** as a requirement for BBA program.

I have made sincere efforts to study and examine relevant records, related materials, documents, and practically observed some operational and financial performance of IDLC Finance Ltd. for preparing this report.

In this report I have presented a brief overview of IDLC Finance Ltd., the principal activities of the firm and finally I have analyzed and evaluated the financial performance of IDLC Finance Ltd. during the period for 2009 to 2013. I have also identified some problems and provided some suggestion for their betterment. The opportunity of conducting this report has enhanced my knowledge about some specific operating and financial aspects of financial institutions.

I will be glad to clarify any further queries you may have regarding this report.

Sincerely yours,

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ACKNOWLEDGEMENT

The successful accomplishment of this Internship Report is the outcome of the contribution and involvement of a number of people, especially those who share their thoughtful guidance and suggestions to improve the report. First of all I am grateful to Almighty Allah. Then I would like to express my gratitude to my University Supervisor **Dr. Tanbir Ahmed Chowdhury**, Professor, Department of Business Administration, East West University for all of his kind cooperation to the successful end of this internship report.

I would like to give special thanks to, **M. Ataur Rahman Chowdhury,** Deputy General Manager & Head of Operations, **Md. Masud Sajjad,** Assistant General Manager, Branch in Charge Dilkusha, **Imran Parvez**, Manager, Credit Risk Management, **Wayesh Kuruni Azad**, Manager, Finance & Admin, **Towhidur Rahman Chowdhury**, Assistant Manager, Consumer Division, for helping me in all phases of the report preparation.

I am also grateful to **Tareq Ahmed**, Senior Manager, Operation, and **Md. Tariqul Islam**, Senior Executive Officer, Service Delivery and Operation for giving me the valuable opportunity to do my internship in their department and supporting me with knowledge and resources.

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EXECUTIVE SUMMARY

The IDLC Finance Limited is a very well-known non-banking financial institution in Bangladesh. The IDLC Finance Ltd. was incorporated in Bangladesh as a public limited company with a limited liability as on May 13, 1985 and commenced leasing operation on 22 February 1986. The firm has been listed in Dhaka Stock Exchange on 20 March 1993. In the year 2011 the company has increase its authorized capital from Tk. 1000 million to Tk. 4000 million. It is the sign of expansion of their business. Each and every year their issued and paid up capital is increasing and it reached to Tk. 1,608,750,000 up to the year 2013. The number of branches opened by the firm and the number of employees recruited during the period 2009 to 2013 shows an increasing trend. IDLC Finance Limited has two wholly own subsidies named IDLC Investments Limited and IDLC Securities Limited. The analysis and evaluation of performances cover whole IDLC Finance Limited. The financial and operational performances of IDLC Finance Ltd. from the year 2009 to 2013 have been shown in the report. The report has also covered the core activities of IDLC Finance Limited. The deposits growth rate shows an increasing trend during the period. The firm has a diversified advance and investment portfolio, which shows a positive association with the amount of deposits of the firm. The risk management of firm covers five core risk areas of banking sector, mainly credit risk management, Market Risk, Liquidity risk , Operational risk, Business volume risk. IDLC Finance Ltd. has introduced a variety of product and services for their customers. The firm also performed CSR activities as it thinks it is an important responsibility of them toward the society. By analyzing the financial performance of IDLC Finance Ltd., it has been found that the operating and financing expenditure of the bank shows a higher growth rate than the operating income over the year 2009 to 2013, which had impact on its net income. As a result, the profit indicating ratios (ROE, ROA, EPS, dividend payout ratio) are also affected. When profitability goes down it also affect market that means investors and creditors. However, the solvency ratios show that the bank gradually increases proportion of debt compared to its total assets and total equity. The risk ratios shows that the bank performed better during the period, it has been able to reduce the non performing loan as a proportion, decreases the amount of loan / deposit ratio. The current ratio shows a decreasing trend over the period, also its growth rate is declining. Finally some problems have been identified and suggestions have been given to the management to overcome the problems. At the end of the report, a conclusion has been given on the overall performance of IDLC Finance Ltd.

CHAPTER-1: INTRODUCTION

1.1 Introduction

IDLC Finance Limited, a leading financial institution of the country achieved significant growth in all areas of business in the year ended, 2013. IDLC began its operation in 1985 as the first leasing company in Bangladesh. In 1995, IDLC was licensed as a Financial Institution by the country's central bank and during the last two decades, the company has grown in tandem with the country's growing economy. The company's wide array of products and services range from retail products, such as home and car loans, corporate and SME products including lease and term loans, structured finance services ranging from syndications to capital restructuring and capital market services. The company also strengthened its presence in the country's growing stock market with launching a subsidiary-IDLC Securities Limited and IDLC Investment Limited. IDLC Finance Limited was awarded the First Position as the Best Corporate in the Non-Banking Financial Institution Sector in consecutive years of 2013 and 2014 by Institute of Cost and Management Accountant Bangladesh.

1.2 Origin of the Report

Since practical report is an integral part of the Bachelor of Business Administration degree requirement, I was deputed by the Department of Business Administration of East West University, Bangladesh to IDLC Securities Limited to take real life experience of the activities of the organization as a financial institution.

This report named "Performance Evolution of IDLC Finance Limited" is the outcome of the three-month long project work conducted on IDLC Finance Limited. I hope the report will give a clear idea about the activities and role of IDLC Finance Limited.

1.3 Objectives of Study

This report is prepared primarily to fulfill the Bachelor of Business Administration (BBA) degree requirement at East West University, Dhaka.

The secondary objectives of this study are

I) To present an overview of IDLC Finance Ltd.

II) To present the major activities of IDLC Finance Ltd.

III) To apprise the financial performance of IDLC Finance Ltd.

IV) To identify the problems of IDLC Finance Ltd.

V) To suggests remedial measures of IDLC Finance Ltd.

1.4 Scope of Study

This report covers a brief overview of IDLC Finance Ltd. and description about their major activities. This report also highlights the financial performance of IDLC Finance Ltd. for five years. The financial time period under the study is 2009 t0 2013.

Finally, efforts were given to identify the factors that led to the success or failure of IDLC Finance Ltd. in the non-banking industry. Some suggestions to management have also been provided in this regard.

1.5 Methodology of Study

To prepare a report it requires to collects sufficient data, and then the collected data need to be organized and those require analysis. Then those are presented and communicated to its users. Here is the mythology which deals with how the report has been prepared especially data collection, analysis, evaluation and presentation.

1.5.1 Sources of Data

1.5.1.1 Primary Sources:

Primary data has been obtained by conducting interviews. The executives of different departments of IDLC Finance Ltd. were interviewed to obtain a clear idea about their principal activities. Mainly, the interviews were oral and informal. No formal questionnaires were used to take the interviews of the executives.

1.5.1.2 Secondary Sources:

The annual reports of 2009 to 2013, monthly reviews and web site of IDLC Finance Ltd. also work as the main secondary sources for this report.

1.5.2 Analysis of Data and Presentation of Financial Facts

In this report, a brief appraisal of the core financial activities of IDLC Finance Limited as the group including its two subsidiaries has been presented. Tables are prepared showing the financial performance, operational performance and equity statistics, financial ratios of IDLC Finance Limited. Growth rates of each of these activities are calculated and presented along with graphs and charts. In analysis here Microsoft Excel has been used.

In the performance analysis part, last five years performances are compared. In performance evaluation part, total fourteen important ratios of each of these five years are compared with one another. In this section growth rates have been calculated to compare the degree of fluctuation in the ratios.

Lastly, it can be said that this report is prepared through extensive and effective discussions with the concerned executives of IDLC Finance Ltd.

1.6 Limitations of the Study

While preparing this report, the following limitations are faced:

- There was time constraint, as the report has to be submitted within three months duration of the semester. Hence some parts are discussed very briefly.

- Some information required to prepare this report are highly confidential and IDLC Finance Ltd. did not permit full disclosure of those data.

- Though, there are available resources to know about the products of IDLC Finance Ltd. but no or very few written documents are available for the operating procedures.

- There are some departments at IDLC Finance Ltd., which are regarded as intellectual asset of the firm. In those departments, proper access to get information about their principal activities or how they work cannot be managed.

1.7 Report Preview

The first chapter deals with introduction of the reports, objectives, Scope and methodology and limitation of the study.

Since this study deals with the appraisal of IDLC Finance Ltd. understanding the whole company is of great importance. Considering this fact, a brief overview of IDLC Finance Ltd. is included in the second chapter of this report.

In the third chapter, the principal activities of IDLC Finance Ltd. has been highlighted, their principal divisions, how they conduct those activities, some financial facts of their core activities.

The fourth chapter deals with a deep analysis of core financial data of IDLC Finance Ltd. during the period 2009 to 2013 and data are presented through tables, graphs and charts.

The fourth chapter deals with the evaluation of financial performance of IDLC Finance Ltd. here about 13 financial ratios are analyzed and presented during the period 2009 to 2013.

The sixth and last chapter of this report includes the problems, which are associated with IDLC Finance Ltd. and some suggestions have been provided to improve their performance.

At the end of the reports important references, important documents ,appendix. and bibliography have been shown

CHAPTER-2: AN OVERVIEW OF IDLC FINANCE LIMITED

IDLC

Finance Limited

financing happiness

2.1 Historical Background of IDLC

IDLC Finance Limited was established in Bangladesh in 1985, as the first-ever leasing company of the country, through the collaboration of International Finance Corporation (IFC), German Investment and Development Company (GIDC), Kookmin Bank and Korean Development Finance Corporation, the Aga Khan Fund for Economic Development, the City Bank Limited, IPDC of Bangladesh Limited, and Sadharan Bima Corporation. As the company evolved over the years, the foreign shareholding gradually moved out and the last foreign shareholding was bought out by local sponsors in 2009.

IDLC's strong focus on revenue diversification has led to the establishment of different client segments in the Corporate, Retail, SME and Capital Markets of Bangladesh. The current product portfolio consists of Corporate and Structured Finance solutions for local and multinational corporate houses; Personal financing products such as deposits, home loans, car loans, personal loans etc.; financing facilities for Small and Medium Enterprises; Merchant Banking solutions such as Portfolio Management and Investment Banking (IPO, RPO, Bond Issuance, Rights Shares Offering etc.); and Brokerage services. With this diversified array of products, IDLC Finance Limited is at present the largest multi-product Non-Bank Financial Institution in Bangladesh, having two wholly-owned subsidiaries, IDLC Investments Limited and IDLC Securities Limited for carrying out its capital market operations. The Group is represented by over 609 employees working in 26 branches in the major cities of the country.

IDLC is highly respected by its clients, peers, employees and regulators for its professional pool of resources, its progressive and enabling work environment, and its strong ethical practices. With significant growth in its business and profit over the last few years, the company has consistently demonstrated exemplary corporate governance and strict statutory compliance, and is a standard bearer in this regard in the financial sector of Bangladesh.

Moreover, starting from 2010, its silver jubilee year, IDLC has decided to step up its commitment to sustainable business practices, with particular focus on environmental and social development. It has subscribed to a number of leading local and international sustainability initiatives including the

Bangladesh CSR Centre, the UN Global Compact (UNGC) and the UN Environment Program Finance Initiative (UNEP FI), and IDLC is the first company to become a member of UNEP FI from Bangladesh. As part of this commitment, IDLC is now active in promoting responsible practices among its stakeholder groups, mostly its employees and clients, while it is streamlining its own policies and practices to emerge as a truly responsible brand.

2.2 Subsidiaries

2.2.1 IDLC Investments Limited

As required by the Bangladesh Securities & Exchange Commission (BSEC), the Company formed a separate subsidiary on May 19, 2010 in the name and style "IDLC Investments Limited" to transfer its merchant banking activities. The Company obtained license from BSEC on August 02, 2011 and commenced its business on August 16, 2011. The main businesses of the company are portfolio management, issue management, underwriting of securities and advisory services.

2.2.2 IDLC Securities Limited

IDLC Securities Limited, a fully owned subsidiary of IDLC, offers full-fledged international standard brokerage service for retail and institutional clients. It has seats on both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. It is also a Depository Participant (DP) of Central Depository Bangladesh Limited (CDBL)

2.3 Philosophy, Value and Guidance Principles

2.3.1 Vision

Become the best financial brand in the country.

2.3.2 Mission

Focus on quality growth, superior customer experience and sustainable business practices.

2.3.3 Strategic Objectives

- Grow and develop our talent pool
- Fully leverage new core banking platform
- Optimize distribution points
- Grow and diversify funding sources

- Grow sales and service capabilities in Consumer Division
- Aggressively grow SME portfolio
- Focus on top-tier clients in Corporate
- Consolidate capital market operations and enhance capabilities
- Embrace internationally accepted corporate governance and sustainable business practices

2.3.4 Guiding Principles

I. **Customer first:** IDLC has grown with its customers, who are believed to be the center of all actions. As the crux of IDLC's corporate philosophy, customer service gets the highest priority.

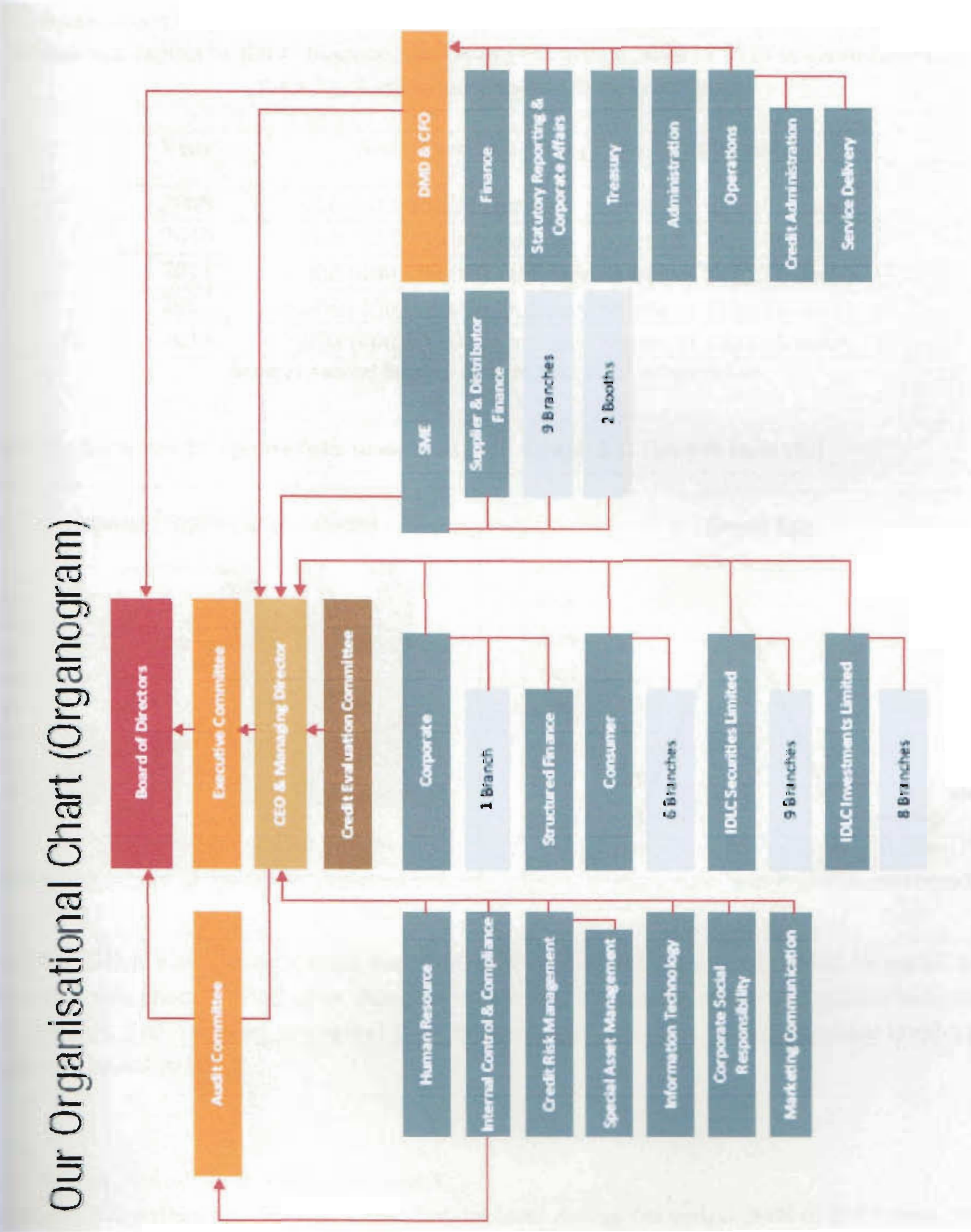
II. **Innovation:** IDLC has continuously introduced new financial products for meeting the needs of the entrepreneurs in a complex & challenging business environment. The concept of innovation is in-built into the working culture.

III. **Professional Knowledge:** IDLC is staffed with qualified professionals and innovative minds in the country. Years of operational experience, large industrial database and competent workforce have gives them unparalleled advantages.

IV. **Professional ethics:** The professional at IDLC maintain the highest degree of financial and business ethics in all transactions with the clients. Over the last two decades, IDLC have put in bets efforts to meet the expectations of the clients and investors.

V. **One stop solution:** Work at IDLC begins with the idea generation, and then goes on into the feasibility study followed by arrangement of financing to implement the project. IDLC advises the clients, finance them and even arrange financing for them via different financing modes, namely: lease financing, term loan, bridge loan, syndication, bridge loan, syndication, ordinary shares, preferred shares and debentures.

2.4 Organogram



Source: Annual Report 2013 of IDLC Finance Ltd

2.5 Capital Structure

2.5.1 Authorized Capital

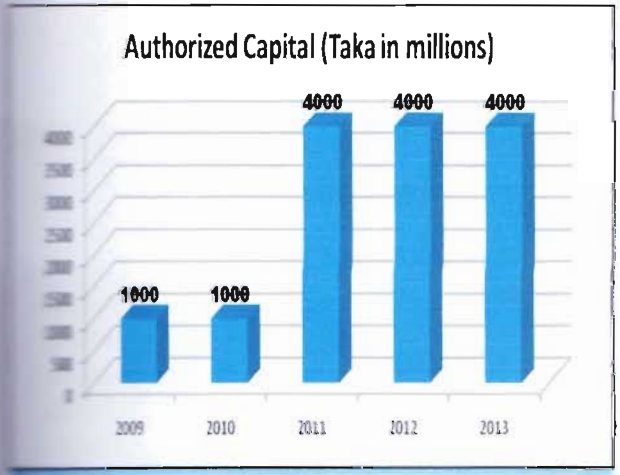
The Authorized capital of IDLC Finance Ltd. during the period 2009 to 2013 is given below:

Table 2.1: Authorized Capital (Taka in millions)

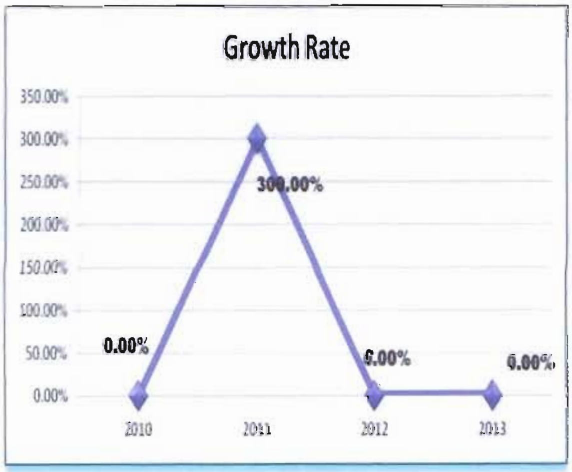
Year	Authorized Capital (Taka in millions)
2009	1.000 (10,000,000 Ordinary Shares of Taka 100 each)
2010	1.000 (10,000,000 Ordinary Shares of Taka 100 each)
2011	4,000 (400,000,000 Ordinary Shares of Taka 10 each)
2012	4,000 (400,000,000 Ordinary Shares of Taka 10 each)
2013	4,000 (400,000,000 Ordinary Shares of Taka 10 each)

Source: Annual Report- 2009 to 2013 IDLC Finance Ltd.

Graph 2.1: Authorized Capital (Taka in millions)



Graph 2.1: Growth Rate (%)



Up to 2010 IDLC's authorized capital was 1000 million. In 2011 authorized capital increased to 4000 million that was about 300% higher than previous years. Increase in authorized capital indicates that IDLC Finance Ltd. is going to expand their business and activities. It will increase confidence of investors to invest in IDLC.

2.5.2 Issued, Subscribed, Paid-up Capital

The Issued, Subscribed and Paid-up Capital of the bank during the period 2009 to 2013 were as follows:

Table 2.2(a): Issued, Subscribed, Paid-up Capital (Taka)

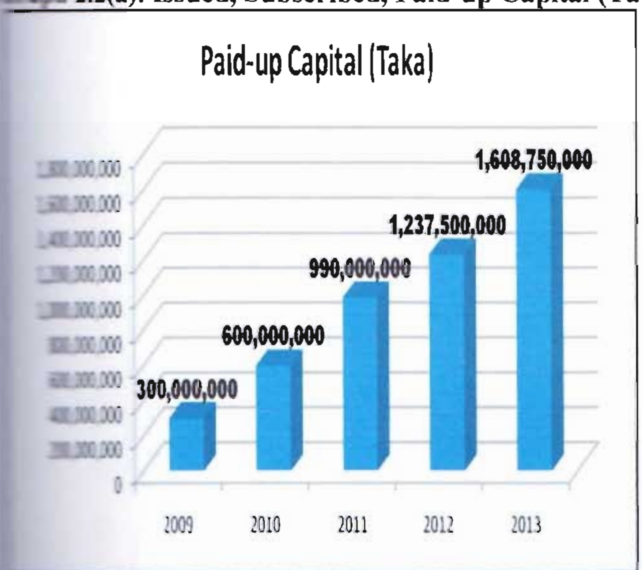
Year	Issued, Subscribed, Paid-up Capital (Taka)
2009	300,000,000(3,000,000 Ordinary Shares of Taka 100 each)
2010	600,000,000 (6,000,000 Ordinary Shares of Taka 100 each)
2011	990,000,000 (99,000,000 Ordinary Shares of Taka 10 each)
2012	1,237,500,000 (123,750,000 Ordinary Shares of Taka 10 each)
2013	1,608,750,000 (160,875,000 Ordinary Shares of Taka 10 each)

Source: Annual Report- 2009 to 2013 IDLC Finance Ltd

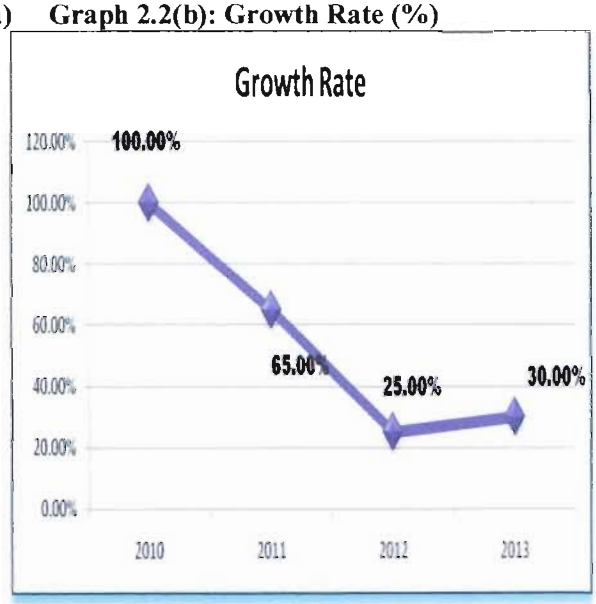
Table 2.2(b): Issued, Subscribed, Paid-up Capital and Growth Rate (Taka)

Year	Issued, Subscribed, Paid-up Capital (Taka)	Growth Rate
2009	300,000,000	--
2010	600,000,000	100.00%
2011	990,000,000	65.00%
2012	1,237,500,000	25.00%
2013	1,608,750,000	30.00%

Graph 2.2(a): Issued, Subscribed, Paid-up Capital (Taka)



Graph 2.2(b): Growth Rate (%)

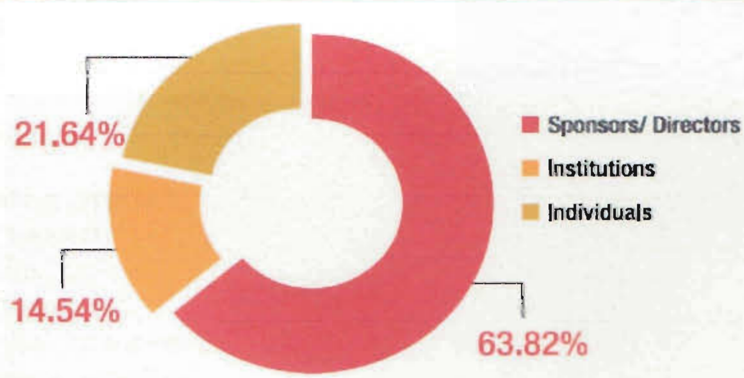


In each and every year IDLC's Paid-up capital is increasing. In 2010 growth rate was 100%, in 2011 it was 65%, in 2012 it was 25% and in 2013 growth rate was 30%. To compliance with Basel Agreement Capital Requirement need to increase its issued, subscribed and paid up capital.

2.6 Shareholding Structure

Shareholding Composition
As on December 31, 2013

Sl.No.	Name of Shareholders	No.of Shares	%
1	**Sponsors/ Directors:**		
	The City Bank Limited	45,634,598	28.37
	Transcom Group	21,449,885	13.33
	Eskayef Bangladesh Limited	12,870,000	8.00
	Transcraft Limited	6,456,335	4.01
	Bangladesh Lamps Limited	2,123,550	1.32
	Sadharan Bima Corporation	12,257,065	7.62
	Mercantile Bank Limited	12,065,625	7.50
	Reliance Insurance Co. Limited	11,261,250	7.00
	Sub-Total	**102,668,423**	**63.82**
2	**General**		
	Institutions:		
	Bangladesh Fund	5,145,910	3.20
	Pubali Bank Limited	2,566,100	1.60
	Marina Apparels Limited	1,608,750	1.00
	Other institutions	14,069,269	8.75
	Sub-Total	**23,390,029**	**14.54**
	Individuals:		
	General Public	34,816,548	21.64
	Sub-Total	**34,816,548**	**21.64**
	Total Holdings	**160,875,000**	**100**



Source: Annual Report 2013 of IDLC Finance Ltd

2.7 Products & Service Basket

2.7.1 Small and Medium Enterprise (SME)

- **Small Enterprise Finance**
  - Small Enterprise Loan/ Lease
  - Seasonal Loan
  - Women Entrepreneur Loan
  - SME Shachal Loan
  - SME Surakkha
  - SME Deposit

- **Medium Enterprise Finance**
  - Medium Enterprise Lease/ Loan
  - Commercial Vehicle Finance
  - Machinery Lease
  - Healthcare Finance
  - Revolving Short Term Loan
  - SME Deposit

- **Supplier & Distributor Finance**
  - Factoring of Accounts Receivable
  - Bill/Invoice Discounting
  - Work Order Financing
  - Distributor Financing

2.7.2 Consumer Finance

- Home Loan
- Flexible Term Deposit Package
- Car Loan
- Regular Earner Package
- Personal Loan
- Loan Against Deposit

2.7.3 Corporate Division

- Project Financing Appraisal
- Specialized Products
- Lease Financing
- Term Loan Financing
- Working Capital Arrangement

- **Structured Finance Solutions**
  - Loan/ Lease Syndication
  - Private Placement of Equity
  - Preference Shares

- Project/ Infrastructure Finance
- Bond
- Foreign Currency Loan
- Refinancing of Special Funds
- Mergers & Acquisitions
- Joint Venture Matchmaking
- Balance Sheet Restructuring
- Feasibility Study
- Securitization of Assets
- Structured Solutions

2.7.4 Treasury

- Common Equity Investments
- Term Placement
- Call Placement
- Zero Coupon Bonds
- Debenture

2.7.5 Capital Market

- **IDLC Securities Limited**
  - Brokerage Service
  - CDBL Service

- **IDLC Investments Limited**
  - Margin Loan Operations (Cap Invest)
  - Discretionary Portfolio Management (MAXCAP)
  - Corporate Advisory
  - Issue Management
  - Underwriting
  - Research

CHAPTER-3: ACTIVITIES OF IDLC FINANCE LIMITED

3.1 Small and Medium Enterprises (SME) Division

IDLC SME (Small and Medium Enterprises) business vertical was established in the year 2006.The traditional banking network has usually avoided financing SMEs in Bangladesh due to a variety of reasons including their perceived delinquency risks, their dispersed location and their typical unorganized way of doing business. However, through prudent business policies and practices, IDLC has proved that the SME market segment is indeed a financially viable one. Over the last eight years, IDLC SME business has moved from strength to strength by enhancing its ability to serve a large section of the economy. It focus on setting up a world class operational platform, customer centric business model and ever evolving, forward looking strategies has made our SME business a role model in the country. Its exceptionally strong asset quality and phenomenal growth in SME business is a reflection of its commitment for this sector which holds enormous potential.

IDLC initially commenced financing SMEs through term loans, working capital loans and lease financing and over time, have introduced a variety of products to cater to specific needs of its clients. It has been continuously investing on distribution network, technology, capacity development and new processes to build a robust, yet lean business model.

3.1.1 Key Competence Drivers:

- Quick Turnaround Time (TAT): For small loans, turnaround time can be as low as five working days, enabling us to build stronger and loyal customer relationships.
- Prudent Customer Selection: They have a unique credit risk management model which enables them to make quick, informed and prudent credit decisions. This reflects in the quality of their asset portfolio.
- Robust Internal Processes and MIS: Leveraging the power of the state-of-the-art core banking system Flexcube, their on-ground team is ideally positioned to take advantage of business intelligence and insights.
- Customer-centric: They believe in taking banking to the doorsteps of their customers. Their processes are designed to provide superior customer experience.

3.1.2 Key Financials

SME Disbursement:

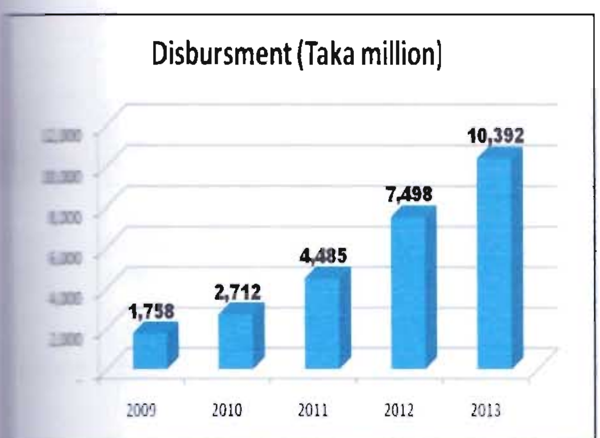
SME Disbursement movement of IDLC during the period 2009 to 2013 was as follows:

Table 3.1: SME Disbursement and Growth Rate of Disbursement

Year	Disbursement (Taka million)	Growth Rate
2009	1,758	--
2010	2,712	54.27%
2011	4,485	65.38%
2012	7,498	67.18%
2013	10,392	38.60%

Source: Annual Report- 2009 to 2013 of IDLC Finance Ltd

Graph 3.1(a): SME Disbursement (Taka million)



Graph 3.1(b): Growth Rate(%)

From the Table-3.1 and Graph-3.1(a) and 3.1(b) it can be seen that in the year 2009 the SME disbursement was Tk. 1,758 million. In the next year 2010 it increased to Tk. 2,712 million which was about 54.27% higher than year 2009 and continued to increase up to 2013. In the year 2011 SME disbursement grew at increasing rate that was 65.38%, in the year 2012 it grew at increasing rate that was 67.18%. In 2013 IDLC's SME disbursement grew up at an decreasing rate that was 38.60% and reached to Tk. 10,389 million.

SME Assets:

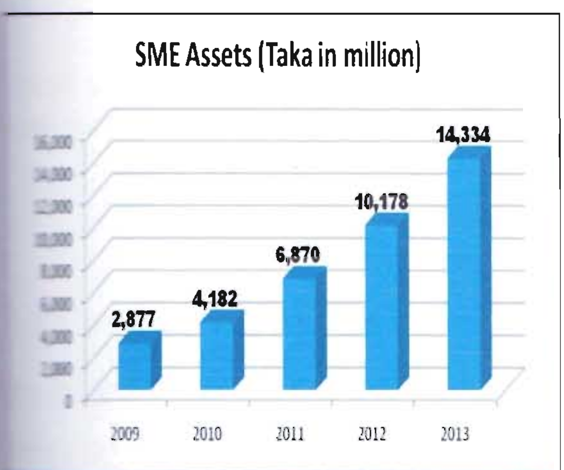
SME assets movement of IDLC during the period 2009 to 2013 was as follows:

Table 3.2: SME Assets and Growth Rate of Assets

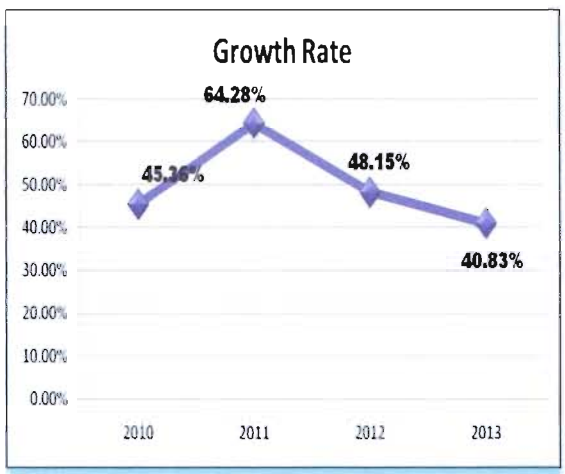
Year	SME Assets (Taka in million)	Growth Rate
2009	2,877	--
2010	4,182	45.36%
2011	6,870	64.28%
2012	10,178	48.15%
2013	14,334	40.83%

Source: Annual Report- 2009 to 2013 of IDLC Finance Ltd

Graph 3.2(a): SME Assets (Taka in million)



Graph 3.2(b): Growth Rate (%)



From the Table-3.2 and Graph-3.2(a) and 3.2(b) it can be seen that in the year 2009 the SME assets were Tk. 2,877 million. In the next year 2010 it increased to Tk. 4,182 million which was about 45.36% higher than year 2009 and continued to increase up to 2013. In the year 2011 SME assets grew at increasing rate that was 64.28%, in the year 2012 it grew at decreasing rate that was 48.15%. In 2013 IDLC's SME assets also grew up at an decreasing rate that was 40.83% and reached to Tk.14,334 million.

3.1.3 Key Business Trends and Opportunities

Stable GDP Growth: A stable GDP growth has led to sustainable demand for consumer goods and services, resulting in the emergence and growth of various new enterprises and unleashing the spirit of entrepreneurship in the country

Sector-specific Stimuli: Sector-specific stimuli driven by the government and other multi-lateral agencies

3.1.4 Key Risks Impacting Business and Mitigation

Political Unrest: While SMEs are now perceived as being the leading growth vehicle in the economy, encompassing a multiplier effect on employment, GDP growth as well as having a sufficient and positive impact on poverty reduction), an extended political crisis could hamper much of the economic progress achieved in this segment. As a financier in the segment, they work with a diverse set of customers thereby mitigating risks to some extent.

Credit Risk: They embrace a proactive approach towards delinquency and credit risk management with the result that our NPLs (non performing loans) in this segment are the lowest in the country.

3.2 Consumer Division

IDLC's Consumer division was established in 1997 as part of the Company's diversification towards the establishment of an alternative cost-effective source of funds for providing financial services to customers. At present, the Consumer division is the second largest business segment of IDLC in terms of asset portfolio and the largest with regards to funds under management (advances and deposits).The significance of the division can be gauged from the fact that it works as a brand ambassador of the Company for the retail segment by reaching at the doorstep of the targeted market with its wide range of lending (home loans, car loans and personal loans) and deposit products (flexible term deposit packages and regular earner packages). The Consumer division contributes 77% to the entire funding basket of IDLC and holds 91% deposits (in volume terms) in the entire deposit bucket of IDLC at the close of 2013.

3.2.1 Key Competence Drivers

- Skilled and Experienced Resources: Large pool of professional and experienced members enables business growth through embracing quick on-ground decisions and building and sustaining customer loyalty.

- Strong Relationship Management/ Customer-Centricity: Strong customer orientation enables them to take quick decisions that are in the best interest of customers. This explains why the enjoyed an average of 25 million disbursements every day in 2013 as compared with 16 million daily disbursements in 2012.

- Wide Product Range: They possess a wide basket of products that can be customized and are flexible enough to design these products suit a diverse range of customer needs and requirements.

- Large Branch Network: Their network of 14 consumer based branches is spread strategically across Bangladesh, enhancing customer and client accessibility and enabling them to remain close to their requirements, thereby building strong comfort levels.

- Quick Turnaround Time (TAT): They enjoy a faster turnaround time from application-to-disbursement which has considerably improved over the years.

- Transparent Pricing: Their well-documented processes and practices including their robust creditworthiness checks enable them to create transparent pricing propositions to our customers.

- Large deposit base: The deposit base of over 5,500 customers repose their faith and trust in it products with average ticket size of between Taka 1-1.5 million.

- Diversified Deposit Products: They offer a wide variety of customer-centric deposit products including regular term deposits, 500-day term deposits, double money deposits and triple money deposits, among others.

- Strong Reputation and Brand Value Proposition: They strong brand equity and recall centered around the financing happiness proposition enhances the faith and trust of our clients and customers.

3.2.2 Key Financial

➤ **Home Loan Assets**

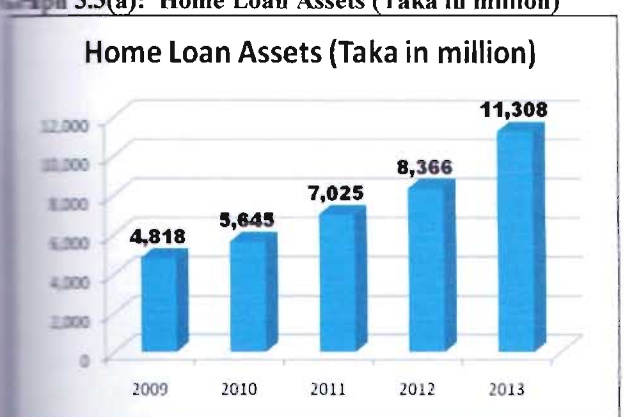
Home Loan Assets movement of IDLC during the period 2009 to 2013 was as follows:

Table 3.3: Home Loan Assets and Growth Rate

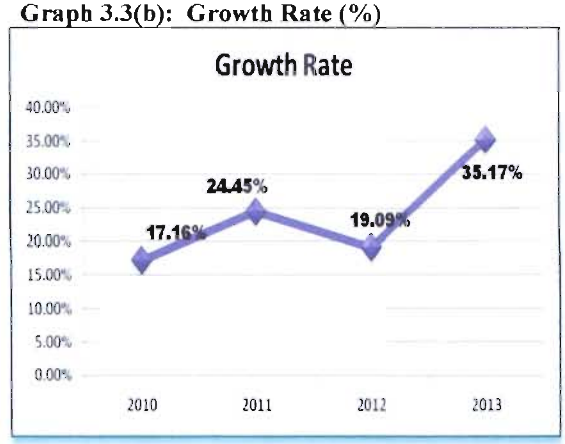
Year	Home Loan Assets (Taka in million)	Growth Rate
2009	4,818	--
2010	5,645	17.16%
2011	7,025	24.45%
2012	8,366	19.09%
2013	11,308	35.17%

Source: Annual Report- 2009 to 2013 of IDLC Finance Ltd

Graph 3.3(a): Home Loan Assets (Taka in million)



Graph 3.3(b): Growth Rate (%)



From the Table-3.3 and Graph-3.3(a) and 3.3(b) it can be seen that in the year 2009 the home loan assets was Tk. 4,818 million. In the next year 2010, it increased to Tk. 5,645 million which was about 17.16% higher than year 2009 and continued to increase up to 2013. In the year 2011, home loan assets grew at increasing rate that was 24.45%, in the year 2012 it grew at decreasing rate that was 19.09%. In 2013 IDLC's home loan assets grew up at an increasing rate that was 35.17% and reached to Tk. 11,308 million.

- ## Car Loan Assets

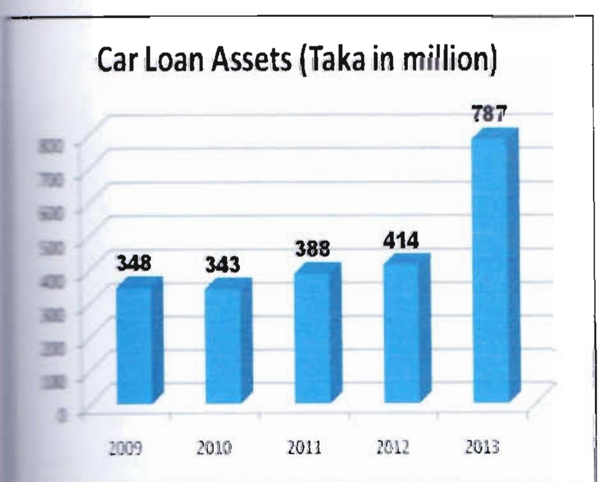
Car Loan Assets movement of IDLC during the period 2009 to 2013 were as follows:

Table 3.4: Car Loan Assets and Growth Rate

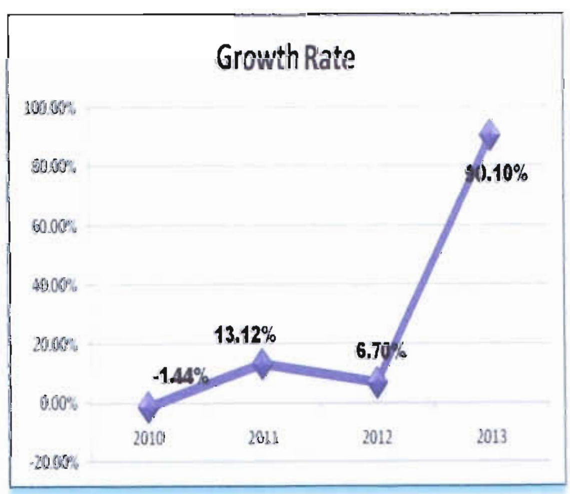
Year	Car Loan Assets (Taka in million)	Growth Rate
2009	348	--
2010	343	-1.44%
2011	388	13.12%
2012	414	6.70%
2013	787	90.10%

Source: Annual Report-2013 of IDLC Finance Ltd

Graph 3.4(a): Car Loan Assets (Taka in million)



Graph 3.4(b): Growth Rate (%)



From the Table-3.4 and Graph-3.4(a) and 3.4(b) it can be seen that in the year 2009 the car loan assets was Tk. 348 million. In the next year 2010 it decreased to Tk. 343 million which was about 1.44% lower than year 2009. Then it continued to increase up to 2013. In the year 2011 car loan assets grew at increasing rate that was 13.12%, in the year 2012 it grew at decreasing rate that was 6.70%. In 2013 IDLC's car loan assets jumped up to Tk. 787 million and growth rate was 90.10%.

➢ Personal Loan Assets

Personal Loan Assets movement of IDLC Finance Ltd. during the period 2009 to 2013 was as follows:

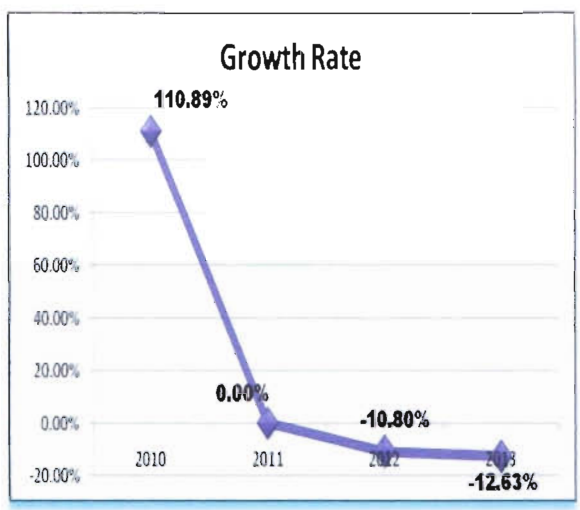
Table 3.5: Personal Loan Assets and Growth Rate

Year	Personal Loan Assets (Taka in million)	Growth Rate
2009	101	--
2010	213	110.89%
2011	213	0.00%
2012	190	-10.80%
2013	166	-12.63%

Source: Annual Report- 2009 to 2013 of IDLC Finance Ltd

Graph 3.5(a): Personal Loan Assets (Taka in million)

Graph 3.5(b): Growth Rate (%)



From the Table-3.5 and Graph-3.5(a) and 3.5(b) it can be seen that in the year 2009 the personal loan assets was Tk. 101 million. In the next year 2010 it increased to Tk. 213 million which was about 110.89% higher than year 2009. Later it continued to decrease. In the year 2011 personal loan assets did not increase that means growth rate was 0%, in the year 2012 personal loan assets decreased and growth rate became negative that was -10.80%. In 2013 IDLC's personal loan assets again decreased to Tk. 166 million and growth rate became negative that was -12.63%.

➤ **LAD (Loan Against Deposit)**

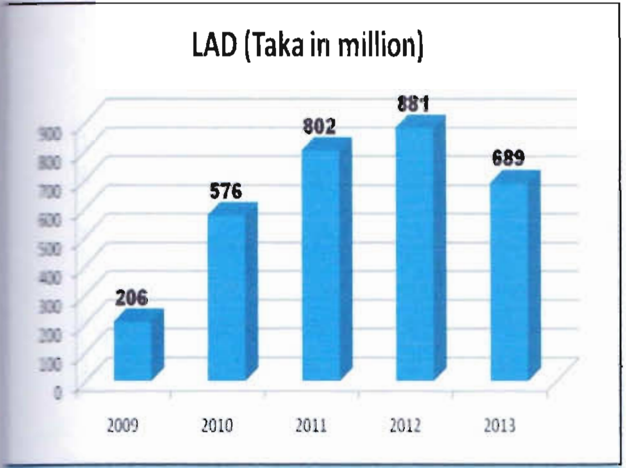
Loan against Deposit movement of IDLC during the period 2009 to 2013 was as follows:

Table 3.6: Loan against Deposit and Growth Rate

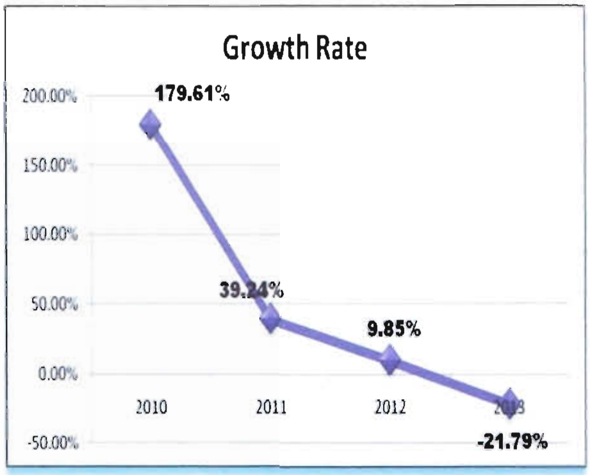
Year	LAD (Taka in million)	Growth Rate
2009	206	--
2010	576	179.61%
2011	802	39.24%
2012	881	9.85%
2013	689	-21.79%

Source: Annual Report- 2009 to 2013 of IDLC Finance Ltd

Graph 3.6(a): Loan against Deposit (Taka in million)



Graph 3.6(b): Growth Rate (%)



From the Table-3.6 and Graph-3.6(a) and 3.6(b) it can be seen that in the year 2009 the loan against deposit was Tk. 206 million. In the next year 2010, it increased to Tk. 576 million which was about 179.61% higher than year 2009. In the year 2011 loan against deposit grew at decreasing rate that was 39.24%, in the year 2012 it grew by the rate of 9.85%. In 2013 IDLC's loan against deposit decreased to Tk. 689 and growth rate became negative that was -21.79%.

3.2.3 Key Business Trends and Opportunities

- As they face an unstable political situation and tight liquidity, they are effectively embracing transformation to drive more customer value with leaner operations and fewer resources at their disposal. They are doing so through focusing on the 3 Ps – purpose, processes and people.
- Vulnerable real estate markets and a challenging car loan business have compelled to remain focused and vigilant on opportunities as and when they arise.
- They are focused on improving employee profitability and productivity through robust performance management policies.
- They are also enhancing their focus on garnering a larger share of household deposits and increase business relationships with corporate houses.

3.2.4 Key Risks Impacting Business and Mitigation

- Political unrest and violent law and order situation: They realize that this is an external condition and beyond our control; however they are tightening Their ship towards creating greater efficiency across their operations.
- Market Trend of Deposit Interest Rates: They witnessed downward movement in deposit interest rates due to enhanced liquidity in the system. Their brand image as a trustworthy financial partner will continue to enable us to mobilize funds and they will actively benchmark deposit interest rates in line with the broader market.
- Growing Competition In Home Loan Products: They expect to counter rising competition in the home loan segment through leveraging their first mover's advantage in the business. their widespread network, their quick processing and disbursement timeframes and their strong approach to relationship-building.
- Retention of Deposits in Uncertain Economic Conditions: They will continue to remain as the preferred financial partner, ensuring the security of client deposits. At the same time. they will maintain adequate liquidity at all times.
- Uncertain Change In Policy/ Process and Guidelines by External Stakeholders: They will continue to monitor the external situation vigilantly and take decisions which are in the best interest of their operations.

3.3 Corporate Division

IDLC started its wholesale lending business mainly with long-tenor products and subsequently launched short-term products. In 2000, it shifted focus from the tenor of products to various business segments. At the end of 2003, the corporate division was formally created to cater to the financial needs of large organizations in the country. Since then, the division started its journey as a full-fledged business unit.

Earlier, the corporate division handled only one product – leasing, term loans and working capital products such as factoring, inter-corporate deposits (ICD) and other short-term loans were an insufficient part of the portfolio. However, this portfolio was soon rebalanced to reflect the effects of transformation post 2003.

3.3.1 Key Competence Drivers

The Corporate division has created its own market niche despite having a limited offering. Over the years, it has strongly demonstrated the capability to survive, adapt and excel in the country's ever-changing and dynamic industry environment. Some of the key strengths of this division include:

- High Standards of Corporate Governance: The division upholds the highest standards of Corporate Governance and regulatory compliance. Though IDLC has undergone changes in the management and sponsorship, it has sustained the tradition of these standards, which has created strong brand equity to its customers.

- Strong Resource Base: The Corporate division enjoys a strong and motivated talent pool sourced from the best business schools and reputed banks on lateral entry. Moreover, continuous training and development helps sharpen skills and aids in business growth.

- Quick Turnaround Time (TAT): The division embraces quick financing decisions; it usually takes three to five working days to get back to customers with its analysis of the financing requirements, enabling them to plan quickly in advance. This is one of the major USPs for IDLC's business proposition.

- Diversified Portfolio: The division possesses a well-diversified portfolio across the sectors of food and beverages, apparels and accessories, building and construction, pharmaceuticals and healthcare, telecom, textiles, financial services and iron and steel. This balanced portfolio helps mitigate concentration risks.

- Strong Clientele: Some of the division's top clients are prominent business houses of the country who possess solid credit ratings. This clientele helps create a low risk portfolio.

- Low NPLs: The division's gross NPLs stood at 3.31% in 2013, which is lower than the industry average.

- Synergies: On account of the Structured Finance Department's (SFD) robust loan syndication business, the corporate division receives additional business out of the transactions of the SFD.

3.3.2 Key Financials

- **Corporate Disbursement**

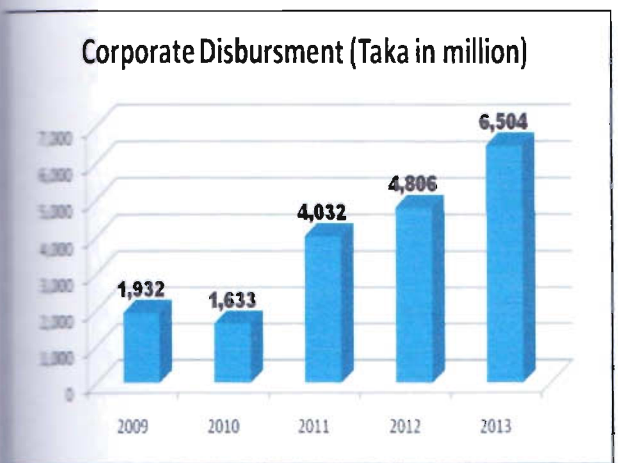
Corporate disbursement movement of of IDLC during the period 2009 to 2013 was as follow:

Table 3.7: Corporate Disbursement and Growth Rate

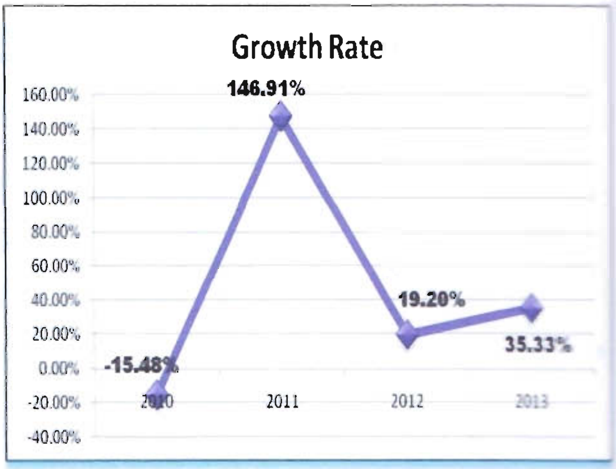
Year	Corporate Disbursement (Taka in million)	Growth Rate
2009	1,932	--
2010	1,633	-15.48%
2011	4,032	146.91%
2012	4,806	19.20%
2013	6,504	35.33%

Source: Annual Report- 2009 to 2013 of IDLC Finance Ltd

Graph 3.7(a): Corporate Disbursement (Taka in million)



Graph 3.7(b): Growth Rate (%)



From the Table-3.7 and Graph-3.7(a) and 3.7(b) it can be seen that in the year 2009 the corporate disbursement was Tk. 1,932 million. In the next year 2010 it decreased to Tk. 1,633 million which was about 15.48% lower than year 2009. In the year 2011 corporate disbursement grew at increasing rate that was 146.91% and and continued to increase up to 2013. In the year 2012 it grew at decreasing rate that was 19.20%. In 2013 IDLC's corporate disbursement grew up at an increasing rate that was 35.33% and reached to Tk. 6,504 million.

Corporate Customer Assets

Corporate Customer Assets movement of of IDLC during the period 2009 to 2013 was as follow:

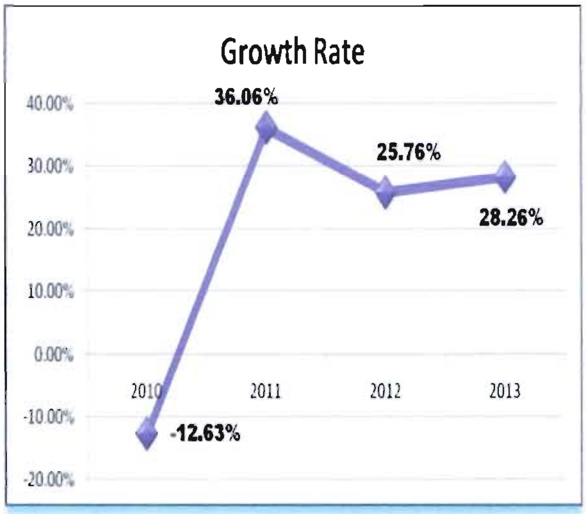
Table 3.8: Corporate Customer Assets and Growth Rate

Year	Corporate Customer Assets (Taka in million)	Growth Rate
2009	5,327	--
2010	4,654	-12.63%
2011	6,332	36.06%
2012	7,963	25.76%
2013	10,213	28.26%

Source: Annual Report- 2009 to 2013 of IDLC Finance Ltd

Graph 3.8(a): Corporate Customer Assets (Taka in million)

Graph 3.8(b): Growth Rate (%)



From the Table-3.8 and Graph-3.8(a) and 3.8(b) it can be seen that in the year 2009 the corporate customer assets was Tk. 5,327 million. In the next year 2010 it decreased to Tk. 4.654 million which was about 12.63% lower than year 2009. Then it continued to increase up to 2013. In the year 2011 corporate customer assets grew at increasing rate that was 36.06%, in the year 2012 it grew at decreasing rate that was 25.76%. In 2013 IDLC's corporate customer assets grew up at an increasing rate that was 28.26% and reached to Tk. 10,213 million.

3.3.3 Key Business Trends and Opportunities

Being an emerging economy, Bangladesh continues to build on its economic trajectory and hence, industrial and corporate financing have become one of the key drivers of the economic growth.

- Rapid industrialization has led to the increasing requirement for capital equipment and working capital. This trend enables financial institutions to participate in organic and inorganic projects and together with IDLC's strong structured financing team, the division participates in projects of several mid and large-sized business houses throughout the country. Moreover, the corporate division's strategic alliances with renowned financial institutions have also aided in its business growth.

- Market liquidity directly affects fund flows – from savers to borrowers. During a cash crunch, borrowers find it difficult to fund their capital requirements. Such situations raise borrowing costs and only liquid FIs can benefit from such scenarios. The Corporate division has leveraged its strengths and has prudently taken advantage of these market developments.

- Corporate division also taps funds from the Bangladesh Bank's refinancing windows, which not only enables pass on of lower credit costs to borrowers but also helps build portfolio and asset book.

- The division has been approved of offshore financing / foreign currency facilities with credit lines from multilateral agency, enabling to provide customers with a greater choice for tapping low-cost funds.

- With each passing year, the division has widened its geographic coverage, especially in projects located in remote areas of the country.

3.3.4 Key Risks Impacting Business and Mitigation

- Credit Risks: To address this risk, the corporate division possesses a strong team of relationship personnel who have built strong bonds with clients. It is also committed to continuously improve the loan underwriting process through regular training on effective credit analysis. In addition, IDLC has a strong credit risk management department as a second layer to filter poor quality credit.

- Business Risks: Being an NBFI, IDLC suffers from an inherent weakness of higher funding costs when compared with banks. Nevertheless, the business units are focusing on improving service levels, finding new niche areas and are constantly adopting innovative and attractive credit solutions to remain competitive.

- Market risks: Though for an NBFI it is tougher to match interest rates during volatility, the division has been successful in matching interest rates during cyclicality with the help of its strong credit pool. Moreover, the division has little or no foreign exchange exposure.
- Operational risks: The division's structure helps mitigate operational risks. Its robust reporting hierarchy helps proper supervision and enables the staff to understand and perform their tasks timely and accurately. Moreover, the software inputs are mainly handled by IT professionals and trained personnel.

3.4 Structured Finance (Part of the corporate division)

IDLC's Structured Finance Department (SFD) was established in 2000.The department commenced operations through loan syndication on the back of increasing demand for large industrial and infrastructure project financing. Over the years, the department continued to arrange syndication deals in the form of term loans and working capital facilities.

Presently, the SFD is involved in deals that require various modes of financing. Being one of the leading structured finance solution providers, the department arranges financing through a wide range of products that include term-loans (both local and foreign currency), working capital facilities, infrastructure financing and subordinated bonds for Tier-II regulatory capital requirements of commercial banks, among others. The department also provides financial advisory services to the business houses.

3.4.1 Key Competence Drivers

Over the years, the SFD has emerged as a strong player and earned a solid reputation in the financial markets for its creditable performance. Several strengths have played a key role behind this success:

- Initial backing of IDLC management coupled with a strong Corporate Governance framework has enabled IDLC to establish a strong brand image in the market. The reputation of IDLC contributes immensely for booking loan syndication deals from large corporate houses of Bangladesh.

- Experienced team members possessing thorough knowledge of the industry. Besides, continuous development of our human resource has enabled the creation of several innovative customer-centric financial solutions.
- Strong management support provides comfort to the team towards the procurement of a larger pipeline of business deals and enhances the success of transactions.
- The sustenance of strong relationships with syndication partners and other stakeholders enables successful booking and execution of syndication deals. IDLC's strategic relationship is not limited to local financial institutions but also extends to multi-lateral agencies, which aids in acquiring diverse and often low-cost source of funds.
- Innovative and low-cost solution for the complex transaction of the high-end corporate clients.
- Focused efforts on diversifying the portfolio through booking deals is ensured across multiple sectors like real estate, steel, power and hospitality, among others.
- Strong network with corporate houses and in-house industry research helps in the selection of the right clientele, which ensures growth and profitability as well as the maintenance of a quality portfolio.

3.4.2 Key Financials:

- **Total Funds Raised**

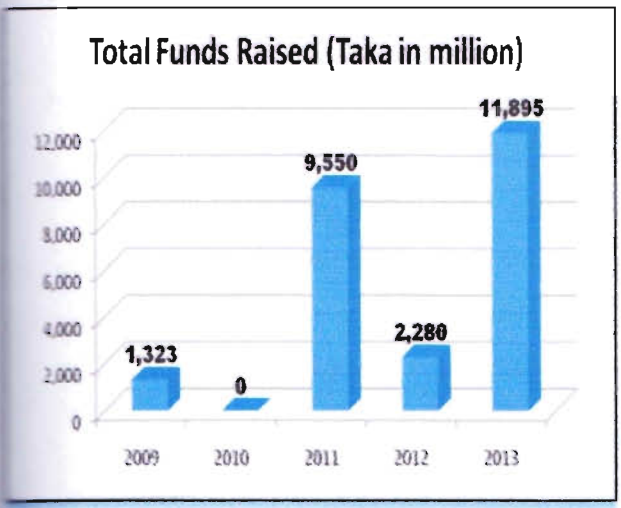
Funds Raised movement of of IDLC during the period 2009 to 2013 was as follow:

Table 3.9: Total Funds Raised and Growth Rate

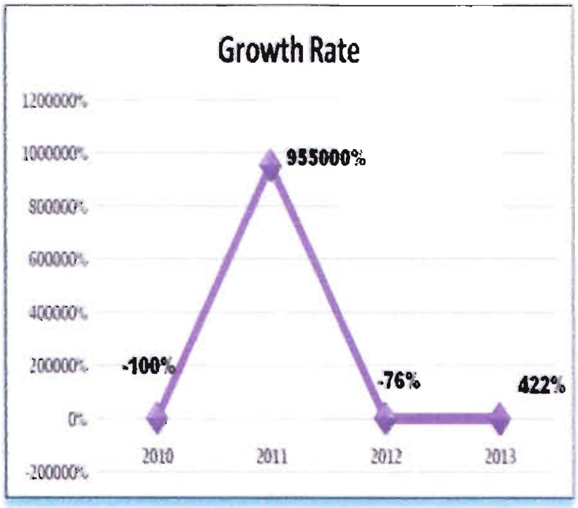
Year	Total Funds Raised (Taka in million)	Growth Rate
2009	1,323	–
2010	0	-100%
2011	9,550	955000%
2012	2,280	-76%
2013	11,895	422%

Source: Annual Report- 2009 to 2013 of IDLC Finance Ltd

Graph 3.9(a): Total Funds Raised



Graph 3.9(b): Growth Rate (%)



From the Table-3.9 and Graph-3.9(a) and 3.9(b) it can be seen that in the year 2009 the total funds raised value was Tk. 1,323 million. In the next year 2010 IDLC did not need to raise any fund. In the year 2011 total funds raised value was Tk. 9,550 million. In the year 2012 it was about Tk. 2,280 million which was 76% lower than the previous year. In 2013 IDLC's total funds raised value increased to Tk.11,895 million and the growth rate was 422%.

3.4.3 Key Business Trends and Opportunities

- Socio-economic Environment: The socio-economic environment of Bangladesh is one of the most important factors that drives business in the country. As one of the members of the LDC (least developed countries) group, the country's GDP growth remains consistent despite an unstable political situation, corruption and Corporate Governance issues, among others. However being an emerging economy, Bangladesh is continuing on its growth path and hence, industrial and large project financing has become one of the key drivers of this transition. Bottlenecks created due to socio-economic challenges have resulted in a negative impact on various projects undertaken by the public sector, thereby indirectly affecting the private sector as well. For example, a delay in government approvals may delay overall project implementation. It is imperative that socio-economic conditions contribute positively to the overall infrastructure development of the country.

- Large Infrastructure Projects: With growing urbanization in recent decades, the demand for large infrastructure projects – transport, communication, water and energy, among others – is increasing rapidly. Large-scale financing is required for such projects and they provide opportunities to the SFD, enabling us to participate in the economic growth and business development. The public-private partnership (PPP) projects also play a vital role in the demand for syndicated financing of large infrastructure projects.

- Market liquidity: Liquidity in the financial markets plays a significant role in investment opportunities for financial institutions. High liquidity supports financing of projects and results in increasing investments in large projects. Liquidity in the financial market is an important factor for the SFD to procure deals that result in successful fund arrangements.

- Different financing modes: Economic development has created an appetite for large-scale projects. Currently, the large size and scale of projects require various forms of financing collaborations for the successful arrangement of funds. The incorporation of Islamic Financing (HPSM), IPFF (Bangladesh Bank/ World Bank) and foreign currency financing in loan syndication has helped the SFD to structure diversified modes of financing. In addition, a vibrant capital market is essential for structuring different products such as coupon bearing bonds, zero coupon bonds and convertible bonds, among others.

- Increasing Demand in Advisory Services: With a growing economy, institutions require corporate advisory services. Providing advisory services has been an added source of business development for the SFD team. Various services include preparation of feasibility studies, business plans, mergers and acquisitions and valuation, among others. This service not only expands the opportunity of business but also opens up a different income-earning possibility.

3.4.4 Key Risks Impacting Our Business and Their Mitigation

- Changes in Government Policies: Major changes in government policies create an adverse effect on businesses. Due to a change in the political situation, different projects face difficulties during implementation and operation. In addition, changes in tax and duty structures impact businesses which indirectly affect the business of SFD.As part of the mitigation measure, the SFD continuously monitors the trends in government policies and works together with large corporate houses to better assess the situation and find appropriate mitigation measures.

- Lack of Availability of Required Infrastructure: Unavailability of proper infrastructure hampers business growth. As a mitigation measure, the SFD actively engages in due diligence to ensure availability of the required infrastructure well before undertaking the fund arrangement process for such projects.

- Selection of Equipment Supplier: Most projects face implementation challenges on account of inappropriate selection of equipment suppliers. To mitigate the risk, the SFD engages an independent engineer/ consultant for projects. Hence, the department ensures constant project monitoring and provides a third eye view to lenders through the independent engineer/ consultant.

- Interest Rate Fluctuations: Fluctuation in interest rates creates a significant project risk, more so, as rising interest rates compel companies to resist taking large syndicated loans. In order to mitigate the risk, upper and lower bands for interest rates are structured to give adequate cushion to both client and lenders against fluctuations, thus creating a mutually-beneficial situation.

3.5 Capital Market

The Capital Market businesses under IDLC Securities Limited (IDLC-SL) and IDLC Investments Limited (IDLC-IL) have suffered since the market collapsed in end-2010, similar to all other players in the market. Revenues have shrunk as trading volumes have declined dramatically while provisions have been made in line with BSEC regulations for those parts of the margin loan portfolio which have suffered impairment. Importantly, IDLC has also de-recognized all income generated from such impaired assets, in line with the most conservative international accounting practices. As a result, IDLC Investments Limited suffered a net loss of Taka 213 million during the year under review.

3.5.1 Brokerage Services

IDLC's brokerage business operates under its fully-owned subsidiary, IDLC Securities Limited. The Company commenced operations in the year 2006 and is engaged in providing investors access to capital markets through state-of-the-art infrastructure in terms of online trading platform and terminals. IDLC Securities operates 59 terminals spread across ten offices in Bangladesh.

Key Competence Drivers

- Cutting-edge Technology: The Company provides its customers cutting edge technology in terms of robust trading platforms, redundancies and high uptime.
- Customer Services: The Company provides wide ranging capital market access through phone trades (placing trades via the telephone), i-trade (trading through the Internet), m-trade (via mobile phones through a particular application) and SMS trade (placing a trade via a pre-formatted SMS sent from the customer's registered mobile number).These provide our customers the freedom and convenience to trade as per their requirements.
- Strong Brand Equity: The Company enjoys brand equity through a strong lineage (association with IDLC).This ensures high levels of customer trust and loyalty; the result was that it achieved 20% growth in customer base last year.

3.5.2 Merchant Banking

IDLC's investment banking operations were commenced in the year 1999 with the primary activity being participating in underwriting shares. The Company managed its first Initial Public Offer (IPO) as the issue manager of Bank Asia Limited in the year 2003, mobilizing a cumulative Taka 200 million. Another landmark was achieved in the capital market history of Bangladesh when IDLC Investments managed the first -ever IPO under the book-building method in the year 2010 for RAK Ceramics (Bangladesh) Limited, raising a cumulative Taka 1,656 million with a share subscription of over 10 times.

Key Competence Drivers

- Showpiece Portfolio: As of 31 December 2013, the Company managed seven IPOs as issue manager and has helped raise Taka 5,200 million; some of companies for which it has managed IPOs/ bonds include Bank Asia Limited, Berger Paints Bangladesh Limited, Marico Bangladesh Limited, RAK Ceramics (Bangladesh) Limited, GBB Power Limited, Paramount Textile Limited and Matin Spinning Mills Limited.

- Diversified Services: IDLC has managed multiple private placements and capital raising activities. Until 31 December 2013, it has provided underwriting services to 48 issuers and have also managed the repeat public offering of subordinated convertible bond of BRAC Bank Limited and the rights offer of The City Bank Limited. IDLC has also completed private placement (equity) of Taka 1,205 million for Energypac Power Generation Limited and for Tosrifa Industries Limited amounting to Taka 60 million. It have also provided corporate advisory services to Runner Automobiles Limited to help raise capital through foreign direct investment (FDI) to the tune of Taka 1,050 million.
- Healthy Mobilization: By managing IPO, RPO, rights, placement and capital raising activities, IDLC Investment has helped raise Taka 14,336 million for our clientele.
- Innovative Approach: In September 2013, IDLC conducted a road show for the IPO of Energypac Power Generation Limited under the book-building method (a process in which a company attempts to determine the price to offer its security based on demand from institutional investors), which is an innovative funds mobilization approach in Bangladesh.

3.6 Risk Exposure and Risk Management

IDLC defines 'risk' as the level of potential losses or profits foregone due to internal or external factors. Risk is an integral part of the financing business and risk management entails our adoption of several measures to strengthen our ability to cope with the dynamics of a complex business environment in which it operates.

IDLC's risk management capabilities are woven around a strong management structure and information system, an effective risk-rating system and robust policies. The primary objective of risk management is to protect the Company's financial strength and reputation and ensure efficient capital deployment to support business activities and enhance shareholder value. Effective risk management coupled with the adoption of BASEL-II recommendations benefit IDLC by augmenting capitalization and optimizing costs to risk and funding.

Risk Types

At IDLC, we possess a comprehensive risk management framework that enables us to monitor, evaluate and manage the risks we assume in conducting our day-to-day activities. These include credit, market, liquidity and operational risk exposures.

3.6.1 Credit Risk:

The risk of loss arising from the failure of a client or counter-party to meet their contractual obligations. At IDLC, credit risk may arise on account of the following:

- Default risk
- Credit concentration risk
- Recovery risk
- Counter-party risk
- Related-party risk
- Environmental risk

Credit risk Management

IDLC employs various credit risk mitigation techniques to organize credit exposure and reduce losses. These techniques are used consistently and reviewed periodically to meet operational management risk requirements for their legal, practical and timely enforcement.

A key focus of IDLC's credit risk management approach is to avoid undue concentrations in the credit portfolio whether in terms of counter-party, groups, sectors or products. The Company's portfolio management supports a comprehensive assessment of concentrations within its credit risk portfolio for provision of subsequent risk-mitigating actions and diversification across geographical boundaries, sectors, borrower groups and products. The analysis is also used to determine strategies for both portfolio and individual counter-parties within the portfolio based on their risk/ reward profile and potential.

The use and approach to credit risk mitigation varies by product type, customer and business strategy. Mitigation techniques used include:

- **Credit Limits (Individual and Group):** IDLC possesses a set of Board-approved prudential limits to address counter-party concentration risks. These allow higher exposure to better-rated customers and lower exposure to lower-rated customers. Excesses beyond tolerance limits are considered on a case-by-case basis at the time of credit sanctioning and are reported quarterly to the Board.
- **Sustainable Cash Flow:** An important aspect of IDLC's credit review is a deep focus on the asset to be financed and the expected cash flow in order to minimize the probability of losses from late and delinquent payments. Hence, borrower credit-worthiness is determined on the basis of their reliability and ability to make timely payments.

Measures of reliability include credit payment history, references from current and past suppliers and qualitative character of the management/ owners. Projected cash flows are also used to demonstrate the ability of the applicant to generate enough revenue and cash flow to make payments within the prescribed terms and conditions. This includes evidence that the business continues to operate successfully and has been responding to its liabilities on time.

- **Collateral :** Collateral is security in the form of an asset or third-party obligation that serves to mitigate inherent risks of credit loss due to exposure by either substituting the borrower default risk or improving recoveries in the event of a default.

  The principle types of collateral taken comprise cash and cash equivalent instruments, properties (residential, commercial and industrial), capital funds, plant and equipment.

  Realizable value of the collateral is computed on a conservative view of current market prices, suitably discounted for price volatility and the lack of a ready market for assets. All realization costs are taken into account as well.

  Collaterals taken by IDLC are well-documented to ensure that credit risk mitigation is legally effective and enforceable.

- **Risk Transfer:** In some cases, IDLC holds guarantees, letters of credit (LC) and similar instruments from third parties, which enable it to claim the settlement in the event of default on the part of the counter-party.

  Guarantor counter-parties include banks, parent companies, shareholders and associated counter-parties. Credit-worthiness is established for the guarantor for counter-party credit approvals.

3.6.2 Market Risk:

The risk of loss arising from changes in market variables such as interest rates, security prices, equity index levels, exchange rates, commodity prices and general credit spreads.

Market Risk Management

The Company's Asset Liability Management Committee (ALCO) regularly meets to assess prevailing market risks. ALCO members analyze the changes in interest rates and market conditions and conduct an analysis on the asset liability maturity gap and product reprising, thereby taking effective measures to monitor and control interest rate risks.

IDLC clearly defines policies and procedures for limiting and controlling interest rate risks by delineating responsibility and accountability and defining authorized instruments and position-taking opportunities. ALCO ensures that the Company embraces the policies and procedures that enable effective interest rate risk management. These include maintaining:

- An interest rate risk management review process.
- Appropriate limits on risk taking.
- Adequate systems of risk measurement.
- A comprehensive interest rate risk reporting system and effective internal controls.

3.6.3 Liquidity Risk:

The liquidity risk means the risk of being unable to either meet payment obligations on maturity or to borrow funds from the market at an acceptable price to fund actual or proposed commitments.

Liquidity Risk Management

Liquidity is of critical importance to financial institutions. Insufficient liquidity has been the cause behind most recent failures of financial institutions. IDLC possesses a comprehensive and conservative set of liquidity and funding policies to address both firm-specific and broader industry/ market liquidity events. Our principal objective is to create a well-capitalized firm with a strong inherent ability of our core businesses to continue to generate revenue, even under adverse circumstances.

IDLC manage liquidity risks according to the following principles:

- **Asset-liability management:** IDLC assess anticipated holding periods for our assets and their expected liquidity in a stressed environment. It manages maturities and diversity of our funding across markets, products and counter-parties and seeks to maintain liabilities of appropriate tenor relative to our asset base.

- **Excess liquidity:** IDLC maintain substantially excess liquidity to meet a broad range of potential cash outflows and collateral needs in a stressed environment. IDLC invests its liquid funds in a manner which emphasizes the need for security and liquidity.

3.6.4 Operational Risk:

The operational risk means the risk of loss arising from inadequate or failed internal processes, people and systems, or the risk of loss resulting from external causes, whether deliberate, accidental or natural. Other related operational risks include:

- Legal risk
- Reputational risk
- Compliance risk
- Strategic risk

Operational Risk Management

Operational risks arise from inadequate or failed internal processes, human errors and system failures or from external causes (deliberate, accidental or natural). Such events may cause direct financial losses or manifest indirectly as revenue forgone due to suspension of business. They may also damage our reputation, causing longer term financial implications. Operational risks are inevitable consequences of being in business and managing it is a core element of our business activities.

Managing operational risks requires timely and accurate information as well as a strong control culture. IDLC seek to manage operational risks through:

- Training, supervision and development of our human resource.
- Active participation of the senior management in identifying and mitigating key operational risks.
- Independent control and support functions that monitor operational risks on a daily basis; we have instituted extensive policies and procedures and implemented controls designed to prevent the occurrence of events leading to operational risks.
- Proactive communication between our revenue-producing units and our independent control and support functions.
- Building a network of systems throughout the firm to facilitate the collection of data used in analyzing and assessing our operational risk exposure.

3.6.5 Business Volume Risk:

Business volume risk may arise from declining business volumes and market share, from competitive pressures and loss of leadership position and from over-trading, which may affect profitability due to revenue volatility and reduced earning spreads, credit rating and reputation. Risk of over-trading may lead to insufficient capital.

Business volume risk management

To encounter and mitigate business volume risks, the following risk mitigation measures are in place:

- Regular review of the impact of the global economic meltdown and taking appropriate measures.
- Innovate convenient financial products and services.

- Take prompt action on customer complaints.
- Undertake frequent assessment to client satisfaction.
- Review performance against budgets and targets.
- Review and analysis competitor performance.

3.6.6 Risk Exposure Based On Operational Assessment as well as Market Perception:

Table 3.10: Risk Rating

Types of Risks	Rating
Credit Risk	**Moderate**
Market Risk	**Moderate**
Liquidity Risk	**Low**
Operational Risk	**Low**
Business Volume Risk	**Low**

Chapter-4: Financial Analysis of IDLC Finance Limited

4.1 Financial Performance

4.1.1 Total Assets

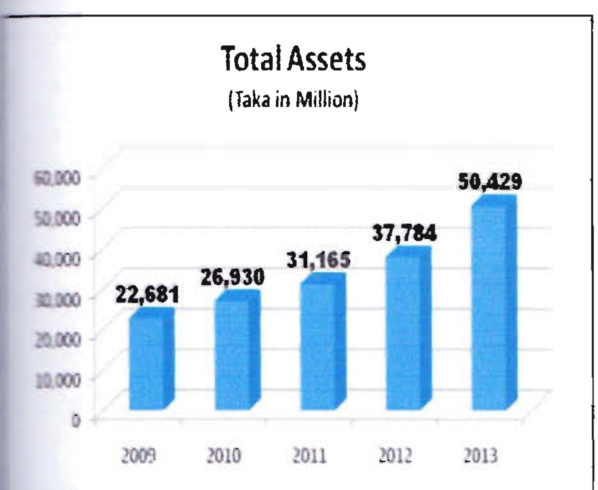
Total assets movement of IDLC during the period 2009 to 2013 was as follows:

Table 4.1: Total Assets and Growth Rate

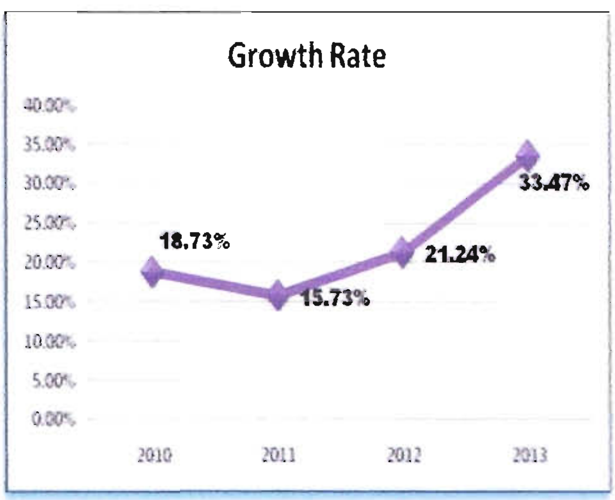
Year	Total Assets (Taka in million)	Growth Rate
2009	22,681	--
2010	26,930	18.73%
2011	31,165	15.73%
2012	37,784	21.24%
2013	50,429	33.47%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 4.1(a): Total Assets (Taka in million)



Graph 4.1(b): Growth Rate of Total Assets (%)



From the Table-4.1 and Graph-4.1(a) and Graph-4.1(b) it can be seen that in the year 2009 the total asset was Tk. 22,681 million. In the next year 2010 it increased to Tk. 26,930 million which was about 18.73% higher than year 2009, in the year 2011total assets grew at decreasing rate that was 15.73%, in the year 2012 assets grew at increasing rate that was 21.24% and continued to increase up to 2013. In 2013 IDLC's total assets grew up by 33.47% and reached to Tk. 50,429 million that was Tk. 37,784 million in 2012. It is the good sign for IDLC Finance Ltd. The higher value of assets indicates that company will generate more cash flow in future which increases the confidence of investors and creditors.

4.1.2 Long Term Liabilities

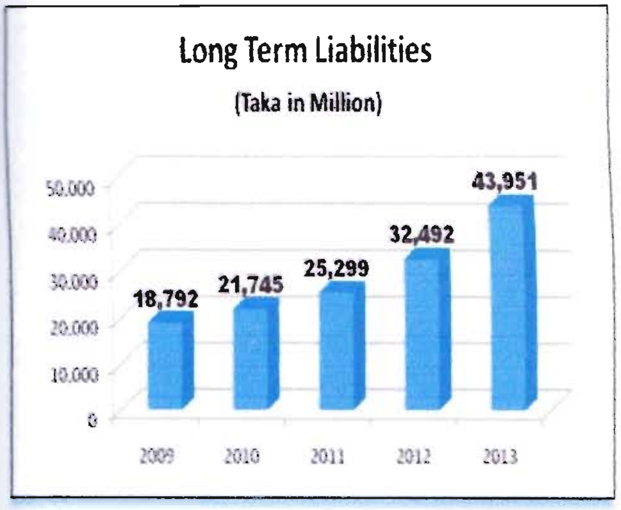
Long-term liabilities are company obligations that extend beyond the current year, or alternately, beyond the current operating cycle. Long Term Liabilities movement of IDLC Finance Ltd. during the period 2009 to 2013 was as follows:

Table 4.2: Long Term Liabilities and Growth Rate

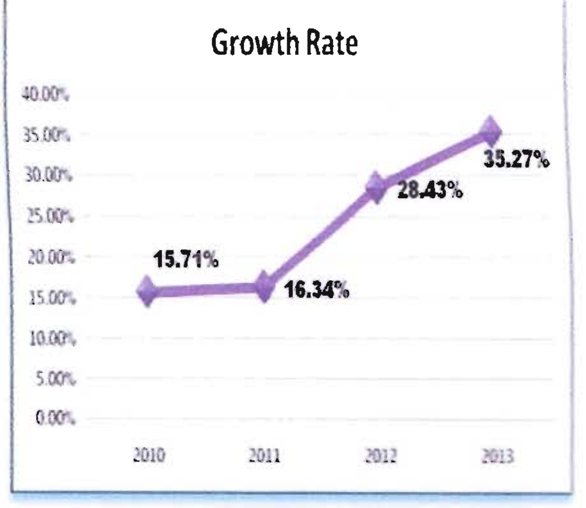
Year	Long Term Liabilities (Taka in million)	Growth Rate
2009	18,792	--
2010	21,745	15.71%
2011	25,299	16.34%
2012	32,492	28.43%
2013	43,951	35.27%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 4.2(a): Long Term Liabilities (Taka in million)



Graph 4.2(b): Growth Rate of Long Term Liabilities (%)



From the Table-4.2 and Graph-4.2(a) and Graph-4.2(b) it can be seen that in the year 2009 the long term liabilities was Tk. 18,792 million. In the next year 2010 it reached to Tk. 21,745 million which was about 15.71% higher than year 2009 and continued to increase up to 2013. In the year 2011 long term liabilities grew at increasing rate that was 16.34%, in the year 2012 long term liabilities grew up by 28.43%. In 2013 IDLC's total long term liabilities grew up by 35.27% and reached to Tk. 43,951 million that was Tk. 32,492 million in 2012. It is expected that IDLC's long term liabilities continued to increase. Increase in long-term liability indicates company may prefer more debt in their capital structure.

4.1.3 Term Deposit Balance

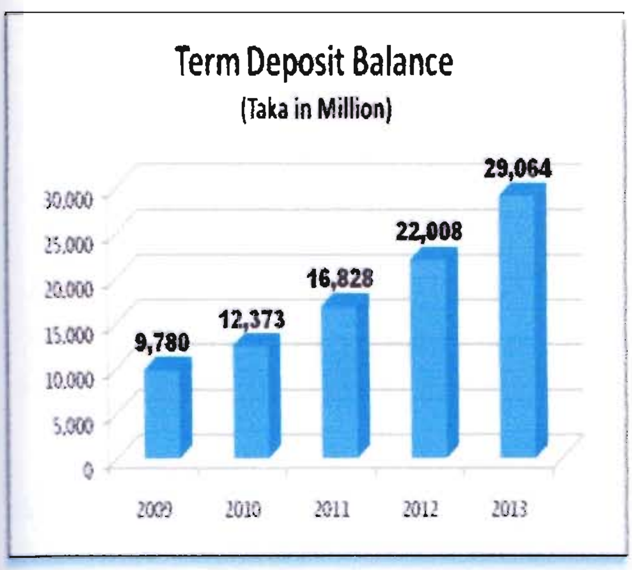
IDLC Finance Ltd. offers various term deposits to its customers. A strong deposits base is critical for success of any financial institutions. Deposits from customers are the main source of funds for making any kinds of investment. The performances of term deposit of IDLC Finance Ltd. during the period were shown below:

Table 4.3: Term Deposit Balance and Growth Rate

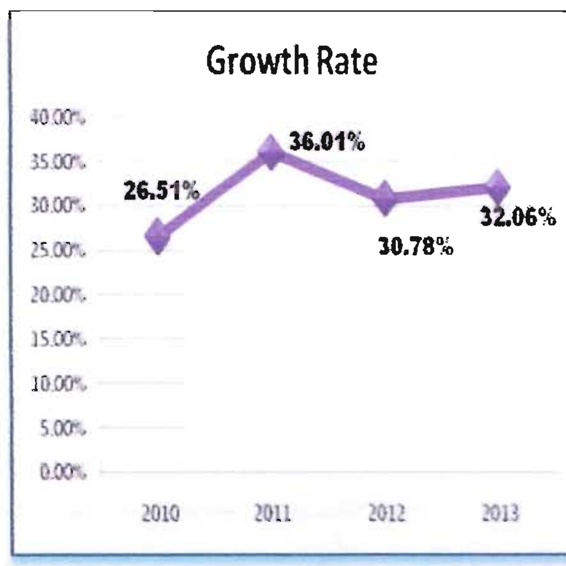
Year	Term Deposit (Taka in million)	Growth Rate
2009	9,780	--
2010	12,373	26.51%
2011	16,828	36.01%
2012	22,008	30.78%
2013	29,064	32.06%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 4.3(a): Term Deposit Balance (Taka in million)



Graph 4.3(b): Growth Rate (%)



From the Table-4.3 and Graph-4.3(a) and Graph-4.3(b) it can be seen that in the year 2009 the term deposit balance was Tk. 9,780 million. In the next year 2010 it grew up by 26.51% from the year 2009 and continued to increase up to 2013. In the year 2011 it grew at increasing rate that was 36.01%, in the year 2012 growth rate decreased to 30.78%. In 2013 IDLC's term deposit balance grew up at an increasing rate by 32.47% and reached to Tk. 29,064 million that was Tk. 22,008 million in previous year. Increase in deposit balance indicates that company has more available funds for investment.

4.1.4 Total Loans, Advances and Leases

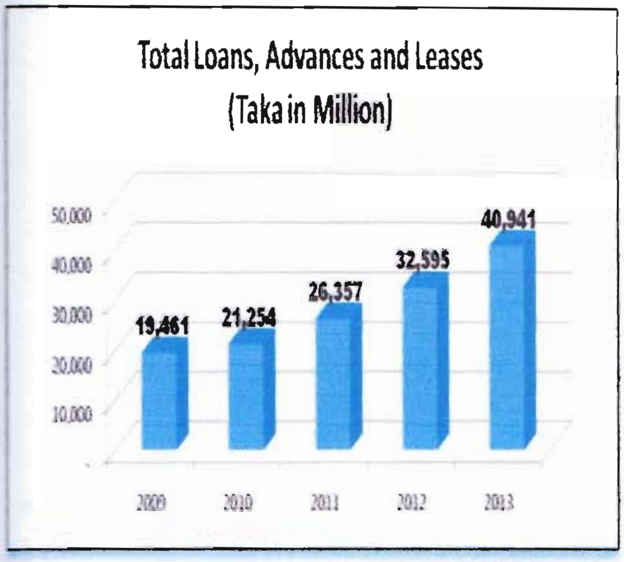
Total Loans, Advances and Leases movement of IDLC Finance Ltd. during the period 2009 to 2013 was as follows:

Table 4.4: Total Loans, Advances and Leases and Growth Rate

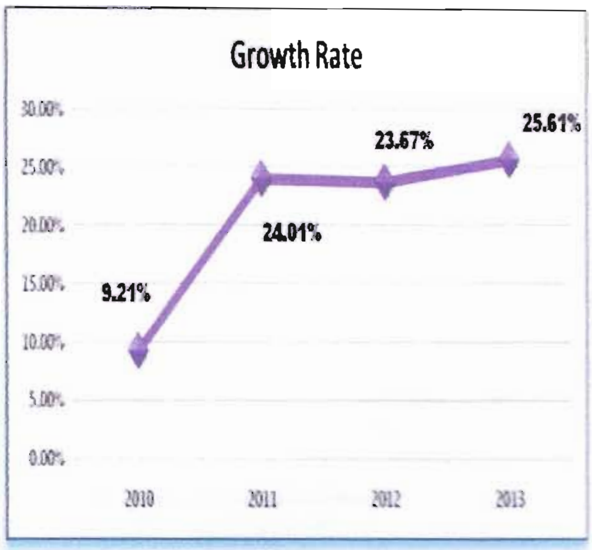
Year	Total Loans, Advances and Leases (Taka in Million)	Growth Rate
2009	19,461	--
2010	21,254	9.21%
2011	26,357	24.01%
2012	32,595	23.67%
2013	40,941	25.61%

Source: Annual Report 2009 to 2013 of IDLC Finance Ltd

Graph 4.4(a): Total Loans, Advances and Leases



Graph 4.4(b): Growth Rate (%)



From the Table-4.4 and Graph-4.4(a) and Graph-4.4(b) it can be seen that in the year 2009 the Total Loans, Advances and Leases balance was Tk. 19,461 million. In the next year 2010 it grew up by 9.21% from the year 2009 and continued to increase up to 2013. In the year 2011 the growth rate jumped up to 24.01%, in the year 2012 growth rate slightly decreased to 23.67%. In 2013 IDLC's Total Loans, Advances and Leases balance grew up at an increasing rate by 25.61% and reached to Tk. 40,941 million. The increasing trend indicates that IDLC is going to invest more.

4.1.5 Short-Term Finance Portfolio

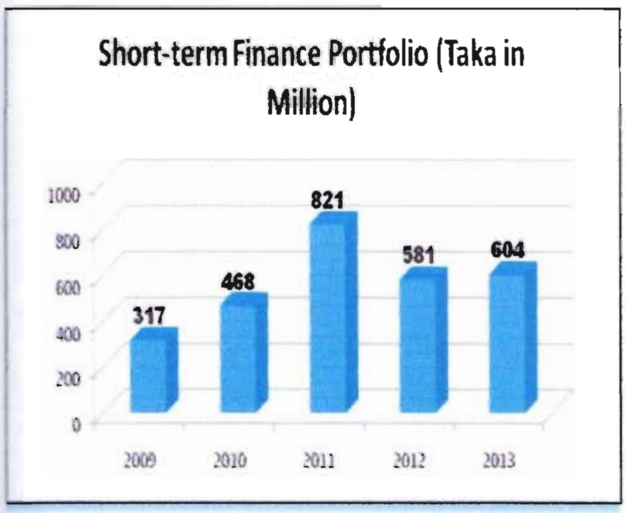
IDLC Finance Ltd. provides short term financing to gain interest at a short period of time as well as to maintain liquidity reserve. The Short term finance portfolio during the period 2009 to 2013 is shown below:

Table 4.5: Short-term Finance Portfolio and Growth Rate

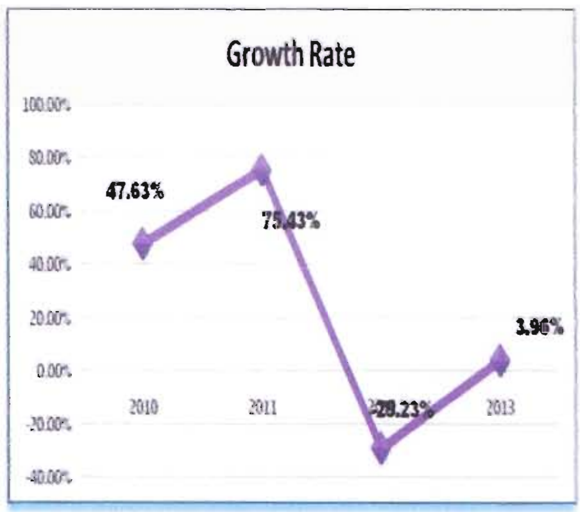
Year	Short-term Finance Portfolio (Taka in Million)	Growth Rate
2009	317	--
2010	468	47.63%
2011	821	75.43%
2012	581	-29.23%
2013	604	3.96%

Source: Annual Report 2009 to 2013 of IDLC Finance Ltd

Graph 4.5(a): Short-Term Finance Portfolio



Graph 4.5(b): Growth Rate (%)



From the Table-4.5 and Graph-4.5(a) and Graph-4.5(b) it can be seen that in the year 2009 the Short-term Finance Portfolio value was Tk. 317 million. In the next year 2010 it grew up by 47.63% from the year 2009. In the year 2011 the growth rate jumped up to 75.43%, in the year 2012 short-term finance portfolio value went down and there was negative growth rate -29.23%. Finally In 2013 IDLC Finance Ltd. could manage to increase its short-term finance portfolio value by 18.68% and reached to Tk. 604 million. The trend of movement of short-term finance portfolio value indicates that short-term portfolio is very volatile and inconsistent.

4.2 OPERATIONAL PERFORMANCE

4.2.1 Net Interest Income

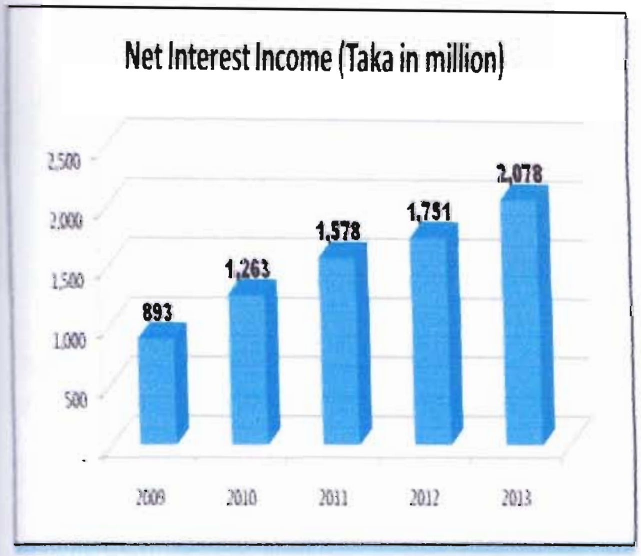
Net Interest Income movement of IDLC Finance Ltd. during the period 2009 to 2013 was as follows:

Table 4.6: Net Interest Income and Growth Rate

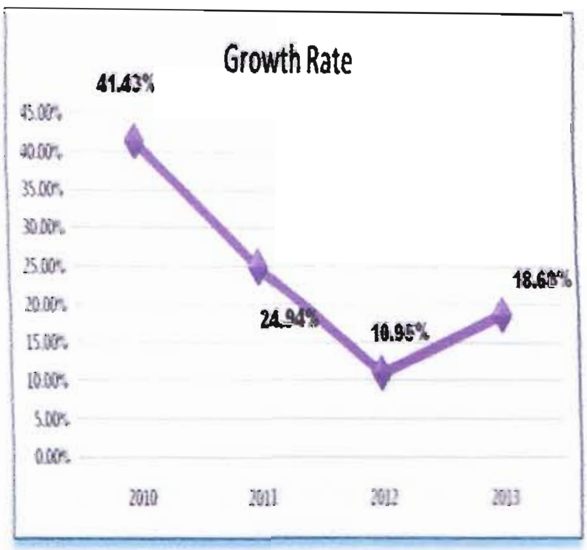
Year	Net Interest Income (Taka in million)	Growth Rate
2009	893	--
2010	1,263	41.43%
2011	1,578	24.94%
2012	1,751	10.96%
2013	2,078	18.68%

Source: Annual Report 2009 to 2013 of IDLC Finance Ltd

Graph 4.6(a): Net Interest Income



Graph 4.6(b): Growth Rate (%)



From the Table-4.6 and Graph-4.6(a) and Graph-4.6(b) it can be seen that in the year 2009 the net interest income was Tk. 893 million. In the next year 2010 it grew up by 41.43% from the year 2009 and continued to increase up to 2013. In the year 2011 the growth rate decreased to 24.94%, in the year 2012 growth rate again decreased and reached to 10.96%. Finally in 2013 IDLC Finance Ltd. could be able to increase its net interest income to 18.68% and reached to Tk. 2,078 million. The trend of net interest income indicates that it will continue to increase. As interest is the main revenue source of IDLC finance limited , increase in net interest income indicates high profit earing opportunity.

4.2.2 Operating Income

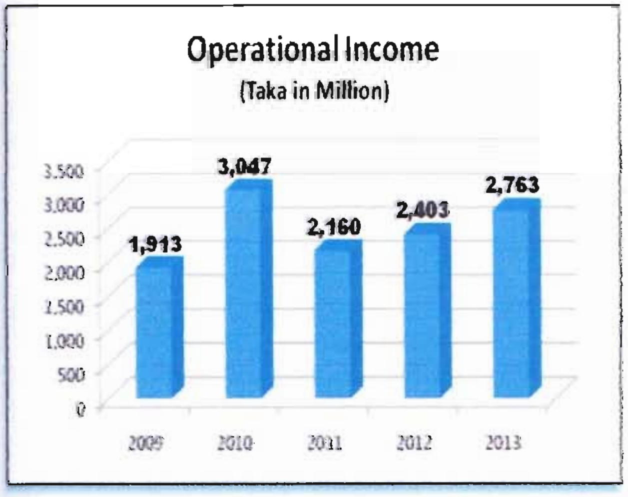
Operational Income movement of IDLC Finance Ltd. during the period 2009 to 2013 was as follows:

Table 4.7: Operational Income and Growth Rate

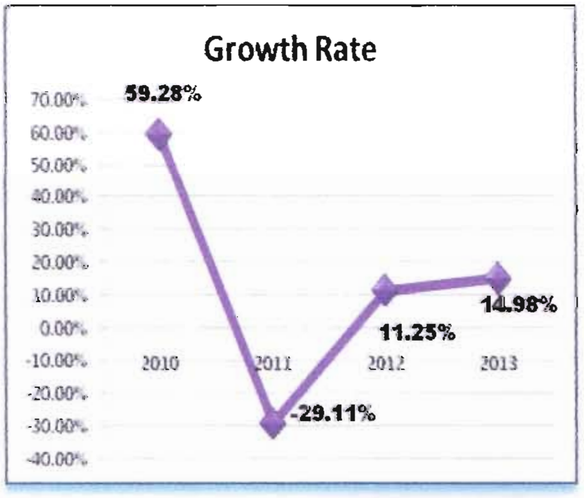
Year	Operational Income (Taka in Million)	Growth Rate
2009	1,913	--
2010	3,047	59.28%
2011	2,160	-29.11%
2012	2,403	11.25%
2013	2,763	14.98%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 4.7(a): Operational Income



Graph 4.7(b): Growth Rate (%)



From the Table-4.7 and Graph-4.7(a) and Graph-4.7(b) it can be seen that in the year 2009 the operational income was Tk. 1,913 million. In the next year 2010 it grew up by 59.28% from the year 2009. In the year 2011 the operational income sharply decreased and growth rate fall down to -29.11%. In the year 2012 operational income grew up by 11.25%. Finally in 2013 IDLC Finance Ltd. could manage to increase its operational income by 14.98% and reached to Tk. 2763 million. By observing the trend of operating income indicates that growth of operating income is very slow.

4.2.3 Operating Expenses

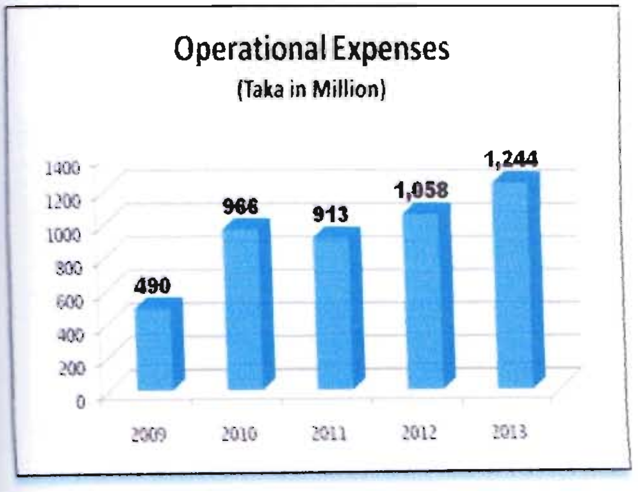
Operational Expenses movement of IDLC Finance Ltd. during the period 2009 to 2013 was as follows:

Table 4.8: Operational Expenses and Growth Rate

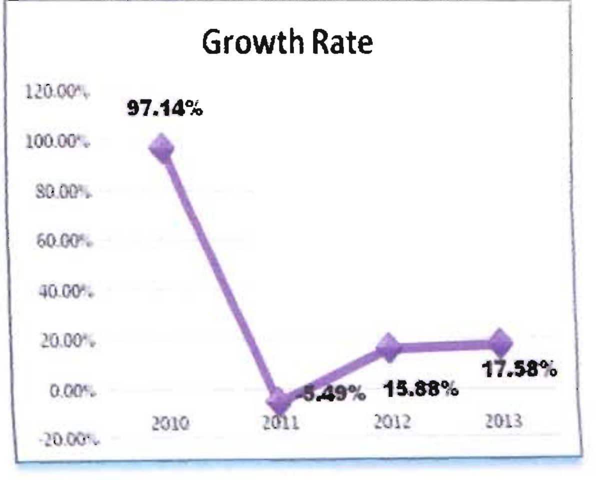
Year	Operational Expenses	Growth Rate
2009	490	--
2010	966	97.14%
2011	913	-5.49%
2012	1,058	15.88%
2013	1,244	17.58%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 4.8(a): Operational Expenses



Graph 4.8(b): Growth Rate (%)



From the Table-4.8 and Graph-4.8(a) and Graph-4.8(b) it can be seen that in the year 2009 operational expenses was Tk. 490 million. In the next year 2010 it sharply increased to Tk. 966 million and growth rate jumped up by 97.14% from the year 2009. In the year 2011 it sharply decreased and growth rate fall down to -5.49%. From the year 2012 operating expenses keep increasing. In 2012 growth rate was 15.88% . In 2013 IDLC's operational expenses grew up by 17.58% and reached to Tk. 1,244 million. Operating expenses are in growing trend but growth rate is very slow. So this is satisfactory. But high operating expenses may reduce profitability.

4.2.4 Financial Expenses

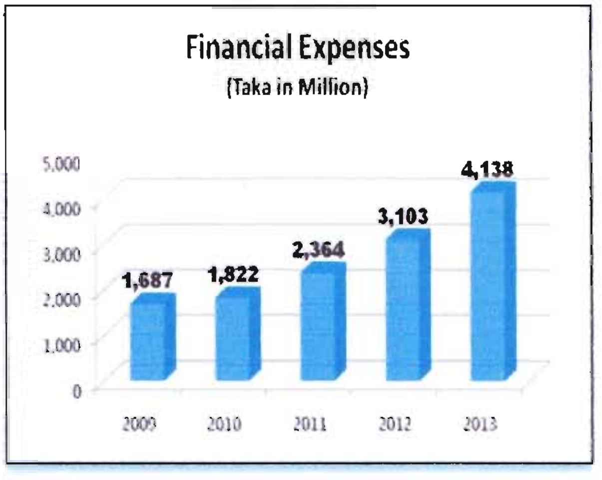
Financial Expenses movement of IDLC Finance Ltd. during the period 2009 to 2013 was as follow:

Table 4.9: Financial Expenses and Growth Rate

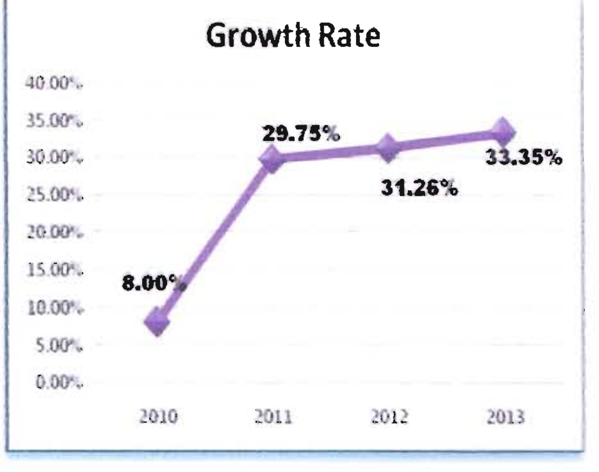
Year	Financial Expenses (Taka in Million)	Growth Rate
2009	1,687	--
2010	1,822	8.00%
2011	2,364	29.75%
2012	3,103	31.26%
2013	4,138	33.35%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 4.9(a): Financial Expenses



Graph 4.9(b): Growth Rate (%)



From the Table-4.9 and Graph-4.9(a) and Graph-4.9(b) it can be seen that in the year 2009 financial expenses was Tk. 1,687 million. In the next year 2010 it grew up by 8.00% from the year 2009 and continued to increase up to 2013. In the year 2011 it grew at increasing rate that was as much as 29.75%, in the year 2012 financial expenses' growth rate increased to 31.26%. In 2013 IDLC's financial expenses grew up at an increasing rate by 33.35% and reached to Tk. 4,138 million. By observing the trend of movement of financial expences it is expected that IDLC's financial expences will keep increasing. Increase in financing expenses indicates that interest expenses associated with deposit and borrowing money is increasing. As a result, their profitability may be lower.

4.2.5 Net Profit After Tax

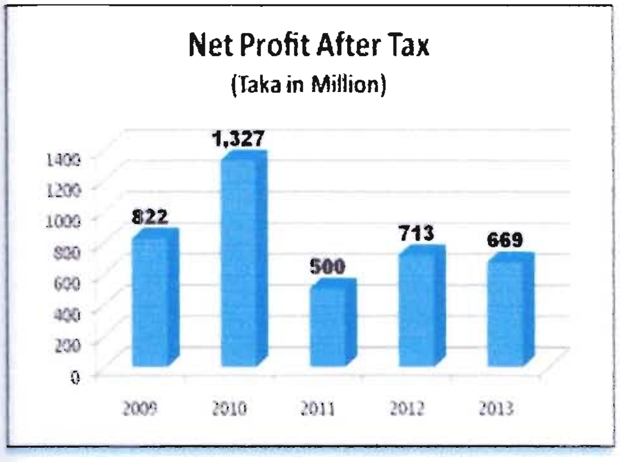
Movement of net profit after tax of IDLC Finance Ltd. during the period 2009 to 2013 was as follow:

Table 4.10: Net Profit after Tax and Growth Rate

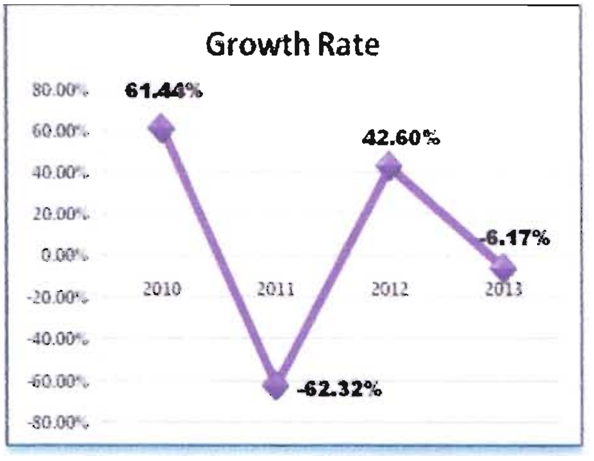
Year	Net Profit After Tax	Growth Rate
2009	822	--
2010	1,327	61.44%
2011	500	-62.32%
2012	713	42.60%
2013	669	-6.17%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 4.10(a): Net Profit after Tax



Graph 4.10(b): Growth Rate (%)



From the Table-4.10 and Graph-4.10(a) and Graph-4.10(b) it can be seen that in the year 2009 net profit after tax was Tk. 822 million. In the next year 2010 it increased to Tk. 1,327 million which was about 61.44% higher than year 2009. In the year 2011 net profit after tax sharply decreased to Tk.500 million and growth rate jumped down to -62.63%. The reason behind negative growth was that IDLC needed to charge higher provision for diminution in value of investments. In the year 2012 net profit after tax grew at increasing rate that was 21.24%. In 2013 IDLC's net profit after tax faced negative growth rate that was -6.17% and it reached to Tk. 669 million that was Tk. 713 million in 2012. IDLC's trend of net profit is very inconsistent. So it is very difficult to predict net profit. Decrease in net profit indicates poor performance of the company and it provides a negative signal to the market. It may affect investors' and creditors's decisions.

4.3 Equity Statistics

4.3.1 Number of Shares (No.)

Movement of number of shares of IDLC Finance Ltd. during the period 2009 to 2013 was as follow:

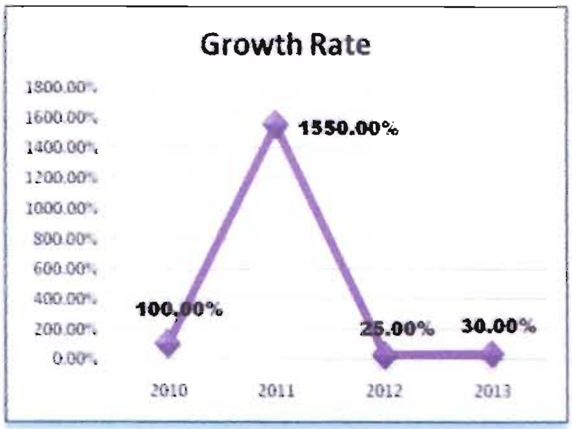
Table 4.11: Number of Shares and Growth Rate

Year	Number of Shares (No.)	Growth Rate
2009	3,000,000	--
2010	6,000,000	100.00%
2011[1]	99,000,000	1550.00%
2012	123,750,000	25.00%
2013	160,875,000	30.00%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 4.11(a): Number of Shares

Graph 4.11(b): Growth Rate (%)



From the Table-4.11 and Graph-4.11(a) and 4.11(b) it can be seen that in the year 2009 Number of Shares was 3,000,000. In the next year 2010 it grew up by 100% from the year 2009 and continued to increase up to 2013. In the year 2011[1] it sharply grew and jumped up by the rate as much as 1550%, in the year 2012 shares' growth rate was 25%. In 2013 IDLC's number of shares grew up by 30% and reached to 160,875,000. By observing the trend of movement of number of shares, it is expected that IDLC's number of shares will keep increasing

[1] As per Securities and Exchange Commission's Order No. SEC/CMRRCD/2009-193/109 dated Sep 15, 2011, denomination of face value of share converted to BDT 10 from BDT 100 per share.

4.3.2 Net Asset Value Per Share (Taka)

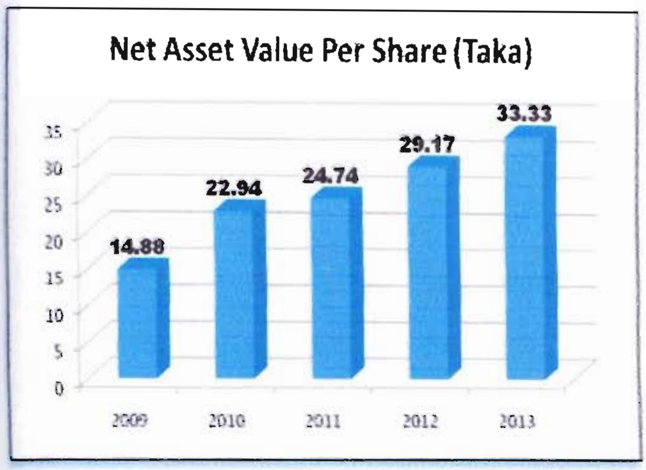
Net asset value per share represents a company's value per share. Net asset value per share movement of IDLC Finance Ltd. during the period 2009 to 2013 was as follow:

Table 4.12: Net Asset Value Per Share and Growth Rate

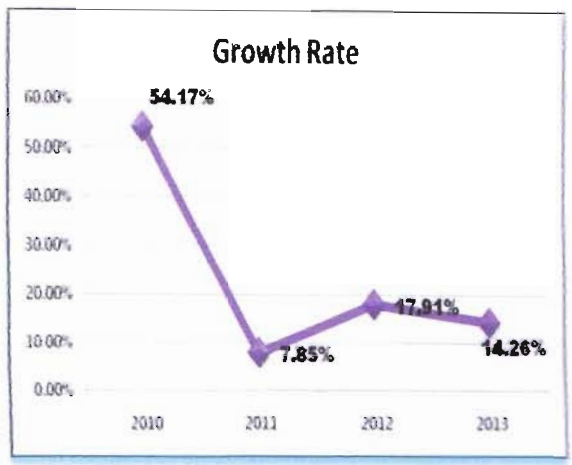
Year	Net Asset Value Per Share (Taka)	Growth Rate
2009	14.88	--
2010	22.94	54.17%
2011	24.74	7.85%
2012	29.17	17.91%
2013	33.33	14.26%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 4.12(a): Net Asset Value per Share



Graph 4.12(b): Growth Rate (%)



From the Table-4.12 and Graph-4.12 (a) and 4.12 (b) it can be seen that in the year 2009 net asset value per share was Tk. 11.88. In the next year 2010 it grew up by 54.17% from the year 2009. In the year 2011 the growth rate decreased to 7.85%, in the year 2012 net asset value per share grew up by 17.81%. Finally In 2013 IDLC's net asset value per share increased at a decreasing rate 14.26% and reached to Tk. 33.33. By observing the trend of movement of net asset value per share, it can be said that the growth of net asset value per share is slow.The higher the value of the ratio better for the firm. Increasing trend of net asset value per share indicates that assets of the company are increasing day by day. It is very good signal to the market.

4.3.3 Market Capitalization

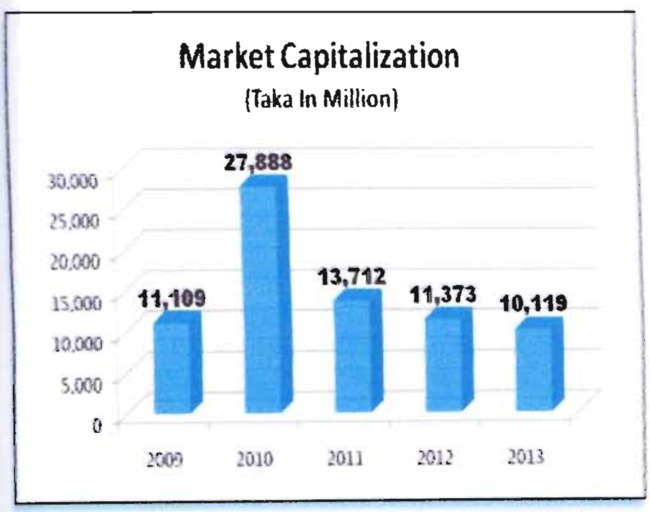
Market Capitalization means the total market value of all of a company's outstanding shares. Market capitalization movement of IDLC Finance Ltd. during the period 2009 to 2013 was as follow:

Table 4.13: Market Capitalization and Growth Rate

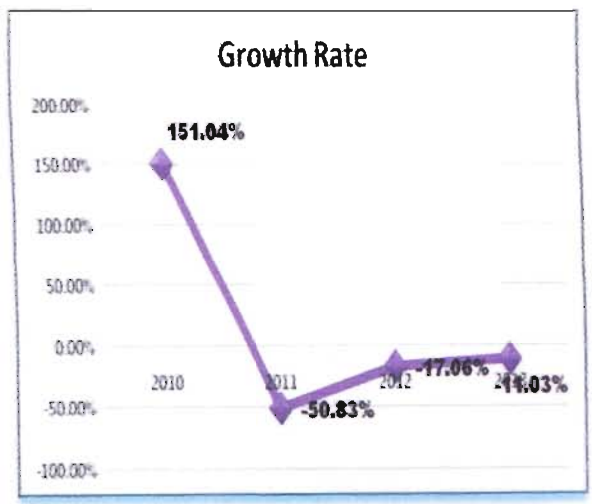
Year	Market Capitalization (Taka In Million)	Growth Rate
2009	11,109	–
2010	27,888	151.04%
2011	13,712	-50.83%
2012	11,373	-17.06%
2013	10,119	-11.03%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 4.13(a): Market Capitalization



Graph 4.13(b): Growth Rate (%)



From the Table-4.13 and Graph-4.13 (a) and 4.13 (b) it can be seen that in the year 2009 market capitalization was Tk. 11,109 million. In the next year 2010 it grew up by 151.04% from the year 2009. In the year 2011 the growth rate become negative that was -50.83%. In the year 2012 growth rate of market capitalization was -17.06%. Finally In 2013 IDLC's Market capitalization also decreased and growth rate was -11.03% and it reached to Tk. 10,119 million. The decreasing trend of market capitalization indicates that market value of outstanding stocks of the company is decreasing year by year.

4.3.4 Market Value Added

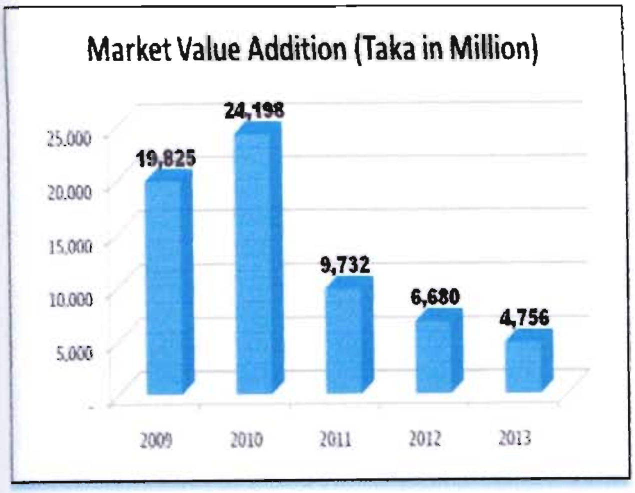
It shows the difference between the market value of a company and the capital contributed by investors. Market value addition movement of IDLC Finance Ltd. during the period 2009 to 2013 was as follow:

Table 4.14: Market Value Added and Growth Rate

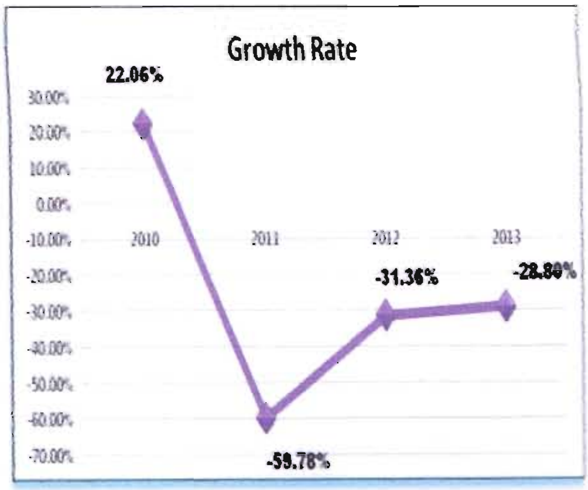
Year	Market Value Added (Taka in Millions)	Growth Rate
2009	19,825	---
2010	24,198	22.06%
2011	9,732	-59.78%
2012	6,680	-31.36%
2013	4,756	-28.80%

Source: Annual Report 2009 to 2013 of IDLC Finance Ltd

Graph 4.14(a): Market Value Added



Graph 4.14(b): Growth Rate (%)



From the Table-4.14 and Graph-4.14 (a) and 4.14 (b) it can be seen that in the year 2009 market value addition was Tk. 19,825 million. In the next year 2010 it grew up by 22.06%% from the year 2009. In the year 2011 the growth rate become negative that was -59.78%. In the year 2012 growth rate of market value addition was -31.36%. Finally In 2013 IDLC's market value addition also decreased and growth rate was -28.80% and it reached to Tk. 4,756 million. The decreasing trend of this value indicates company maynot create substantial wealth for the shareholders. But the higher the MVA, the better for the company.

4.3.5 Share Holder Equity

The shareholder's equity of IDLC Finance Ltd. during the period 2009 to 2013 was as follow:

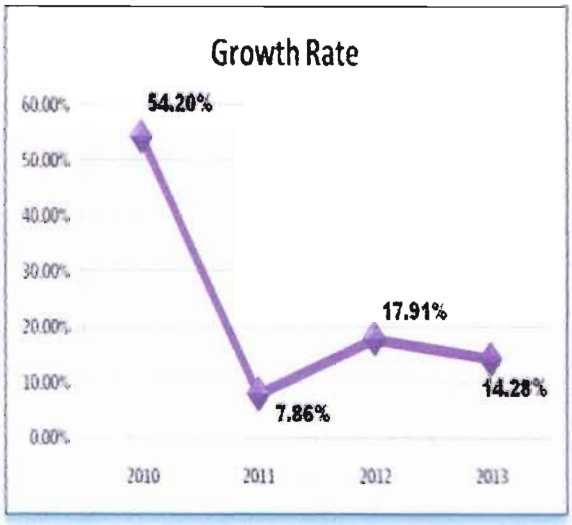
Table 4.15: Shareholders' Equity and Growth Rate

Year	Shareholders' Equity (Taka in Million)	Growth Rate
2009	2,393	--
2010	3,690	54.20%
2011	3,980	7.86%
2012	4,693	17.91%
2013	5,363	14.28%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 4.15(a): Shareholders' Equity

Graph 4.15(b): Growth Rate (%)



From the Table-4.15 and Graph-4.15(a) and Graph-4.15(b) we can see that in the year 2009 shareholder's equity was Tk.2, 393 million. In the next year 2010 it grew up by 54.20% and continues to increase every year. But the growth rate reduced to 7.86% in the year 2011. In the year 2012 shareholder's equity increased by 17.91%. %. Finally In 2013 IDLC's shareholder's equity increased at a decreasing rate that was 14.28% and reached to Tk. 5,363 million. Shareholders' Equity of IDLC finance is increasing year by year. The incresing trend of shareholders' equity indicates that company is substentially maximizing wealths of its shareholders.

Chapter: 5 Performance Evaluation of IDLC Finance Limited

5.1 PROFITABILITY RATIOS

5.1.1 Return on Assets

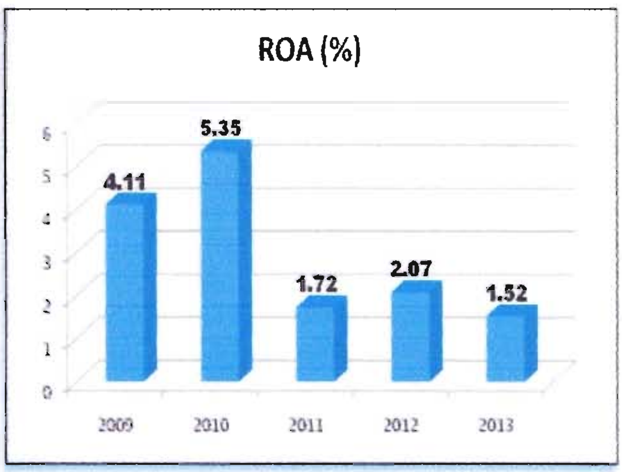
The Return on Assets measures how efficiently a company can manage its assets to produce profits during a period. The Return on Assets of IDLC Finance Limited during the period 2009 to 2013 was as follow:

Table 5.1: Return on Assets and Growth Rate

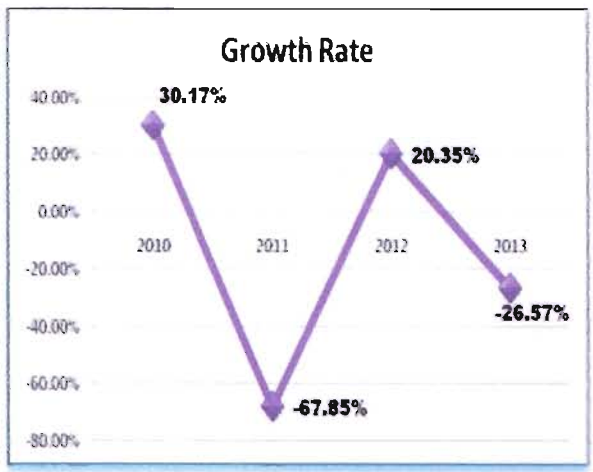
Year	ROA (%)	Growth Rate
2009	4.11	–
2010	5.35	30.17%
2011	1.72	-67.85%
2012	2.07	20.35%
2013	1.52	-26.57%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 5.1(a): Return on Assets



Graph 5.1(b): Growth Rate (%)



From the Table 5.1 and Graphs 5.1(a) and 5.1(b), it is found that the ROA of IDLC Finance Ltd. was 4.11% in the year 2009 which means company generated Tk. 0.0411 net profit from each Tk.1 investment in total assets. In the year 2010 ROA increased to 5.35% that was 30.17% more than that of 2009. In the year 2011, the ROA of IDLC decreased to 1.72% and the growth rate became negative which was -67.85%. It was due to the sharp decrease in net income in that particular year. In the year 2012, their ROA increased to 2.07% with having an increased growth rate of 20.35%. In the year 2013, their ROA again decreased to 1.52% which was 26.67% less than the previous year. The reason was they purchased some new assets for the operation of their business, moreover net income decrease in that particular year. The higher the value of ROA, the better for company. But the decreasing trend of return on assets of IDLC indicates the managements' inefficiency in using assets to generate profit. It is a bad signal for the company. As a result, Investors may be discouraged to invest in IDLC.

5.1.2 Return on Equity

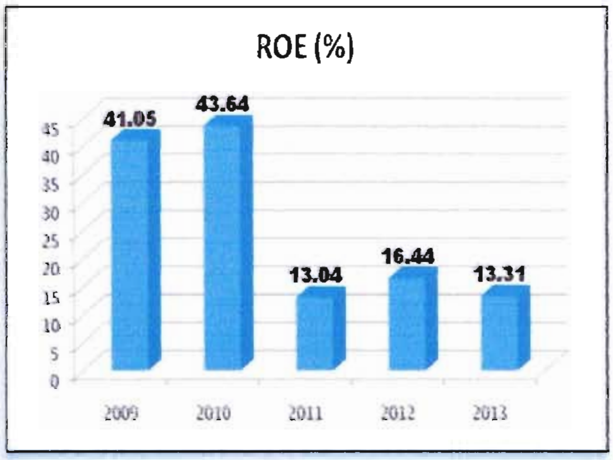
Return on Equity measures how efficiently a firm can use the money from shareholders to generate profits and grow the company. The Return on Equity of IDLC Finance Limited during the period 2009 to 2013 was as follow:

Table 5.2: Return on Equity and Growth Rate

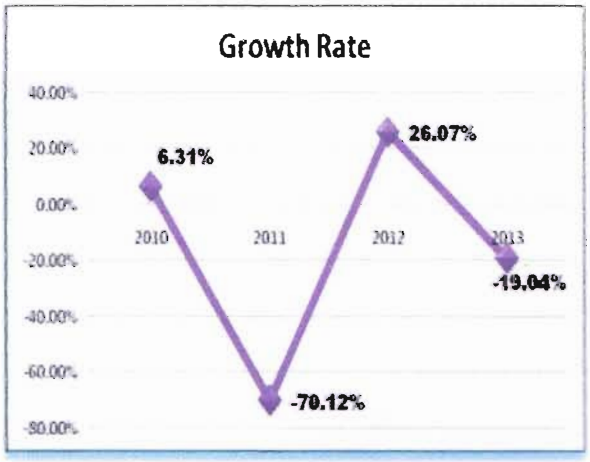
Year	ROE (%)	Growth Rate
2009	41.05	--
2010	43.64	6.31%
2011	13.04	-70.12%
2012	16.44	26.07%
2013	13.31	-19.04%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 5.2(a): Return on Equity (%)



Graph 5.2(b): Growth Rate (%)



From the Table 5.2 and Graphs 5.2(a) and 5.2(b), it is found that the ROE of IDLC Finance Ltd. was 41.05% in the year 2009 which means company generated Tk. .4105 net profit for each Tk. 1 common stockholders' equity. In the year 2010 ROE increased to 43.64% that was 6.31% more than that of 2009. In the year 2011, the ROE of IDLC decreased to 13.04% and the growth rate became negative which was -70.12%. It was due to the sharp decrease in net income in that particular year. In the year 2012, their ROI increased to 16.44% with having an increased growth rate of 26.07%. In the year 2013, their ROI again decreased to 13.31% which was 19.04% less than the previous year. The higher the value of ROE, the better for company. But the decreasing trend of return on equity of IDLC means that profitability of the company is deteriorating. It will adversely affect investors' decisions.

5.1.3 Return on Investment

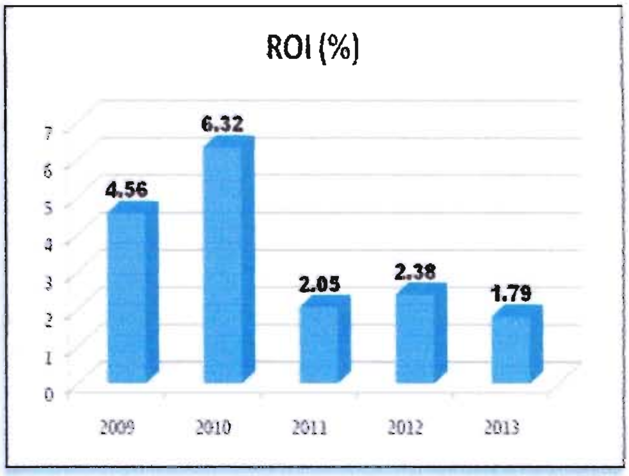
Return on Investment (ROI) measures the gain or loss generated on an investment relative to the amount of money invested. The Return on Investment of IDLC Finance Limited during the period 2009 to 2013 was as follow:

Table 5.3: Return on Investment and Growth Rate

Year	ROI (%)	Growth Rate
2009	4.56	--
2010	6.32	38.60%
2011	2.05	-67.56%
2012	2.38	16.10%
2013	1.79	-24.79%

Source: Annual Report 2009 to 2013 of IDLC Finance Ltd

Graph 5.3(a): Return on Investment



Graph 5.3(b): Growth Rate (%)

From the Table 5.3 and Graphs 5.3(a) and 5.3(b), it is found that the Return on Investment (ROI) of IDLC Finance Ltd. was 4.56% in the year 2009 which means from each Tk.1 investment company generated Tk. 0.0456 net profit. In the year 2010 ROI increased to 6.32% that was 38.60% more than that of 2009. In the year 2011, the ROI of IDLC decreased to 2.05% and the growth rate became negative which was -67.56%. It was due to the sharp decrease in net income in that particular year. In the year 2012, their ROI increased to 2.38% with having an increased growth rate of 16.10%. In the year 2013, their ROI again decreased to 1.79% which was 24.79% less than the previous year. It occurred due to decrease in net income in that particular year. Higher value of the ratio is better for the company. But the lower trend of IDLC's ROI indicates that the management is not efficient enough to generate return from its investments. It provides a bad alarm about the company.

5.1.4 Earnings per Share (EPS)

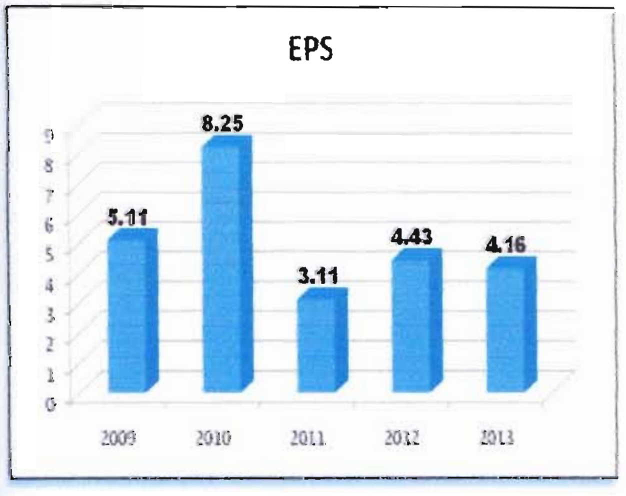
The Earnings per Share represents the amount earned on behalf of each share of common stock. The Earnings per Share of IDLC Finance Limited during the period 2009 to 2013 were as follow:

Table 5.4: Earnings per Share and Growth Rate

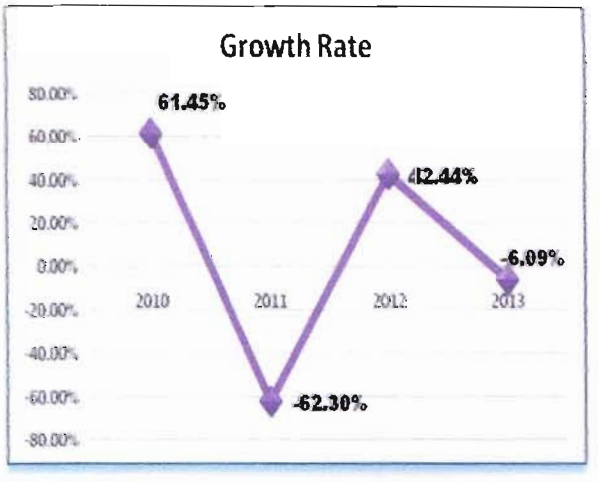
Year	EPS (Taka)	Growth Rate
2009	5.11	-
2010	8.25	61.45%
2011	3.11	-62.30%
2012	4.43	42.44%
2013	4.16	-6.09%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 5.4 (a): Earnings per Share (Taka)



Graph 5.4 (b): Growth Rate (%)



From the Table 5.4 and Graphs 5.4(a) and 5.4(b), it is found that the EPS of IDLC in the year 2009 was Tk. 5.11 indicating that the shareholders IDLC have earned a return of Tk.5.11 on each outstanding shares of common stock. The EPS was increased to Tk.8.25 in the year 2010, having a growth rate of 61.45%. In the year 2011 EPS dropped to Tk.3.11 and the growth rate became negative which was -62.30%. It was due to the decrease in the net income in that particular year. In the year 2012, the EPS has increased to Tk. 4.43, having a growth rate of 42.44%. Finally in the year 2013, their EPS slightly decreased to Tk. 4.16 which was 6.09% less than the previous year. It occurred due to decrease in net income in that particular year. The lower EPS indicates that the company has less profit to distribute to its stockholders. As a result, Investors may be discouraged to invest in IDLC's stocks.

5.1.5 Dividend Payout Ratio

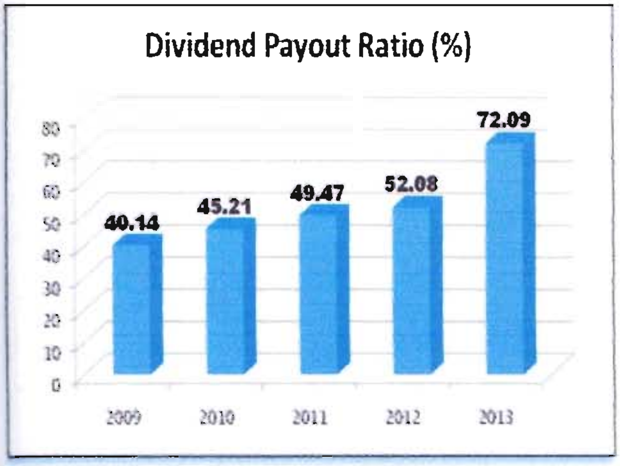
The dividend payout ratio measures the percentage of net income that is distributed to shareholders in the form of dividends during the year. The Dividend Payout Ratio of IDLC Finance Limited during the period 2009 to 2013 was as follow:

Table 5.5: Dividend Payout Ratio and Growth Rate

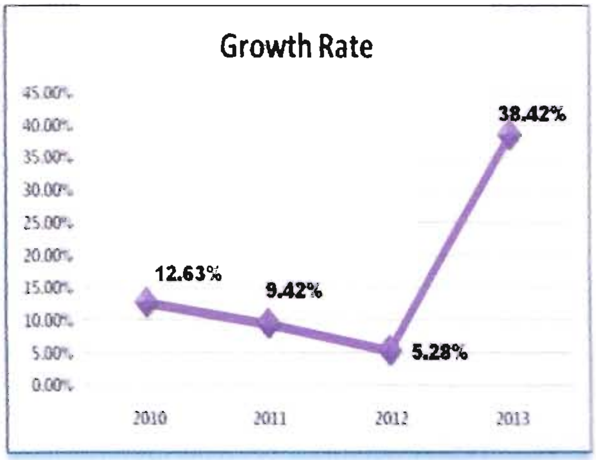
Year	Dividend Payout Ratio (%)	Growth Rate
3w2009	40.14	--
2010	45.21	12.63%
2011	49.47	9.42%
2012	52.08	5.28%
2013	72.09	38.42%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 5.5 (a): Dividend Payout Ratio



Graph 5.5(b): Growth Rate (%)



From the Table 5.5 and Graphs 5.5 (a) and Graphs 5.5 (b), we can see that the dividend payout ratio was 40.14% in the year 2009 indicating that IDLC has paid 40.14% of its earnings as cash dividends to its shareholders. In the year 2010 the dividend payout ratio increased to 45.21% having a growth rate of 12.63%. In the year 2011 dividend payout ratio increased to 49.47% but growth rate dropped to 9.42%. In 2012 dividend payout ratio increased to 52.08% and growth rate again dropped to 5.28%. Finally, in 2013 the dividend payout ratio increased to 72.09% which is the highest in last 7 years and it was 38.42% more than the previous year. From the trend of the dividend payout ratio, we can predict that it will keep increasing. The increasing trend of dividend payout ratio indicates that earnings are enough to support dividend payments. It will encourage investors to invest in IDLC.

5.2 Solvency Ratios

5.2.1 Debt to Total Assets

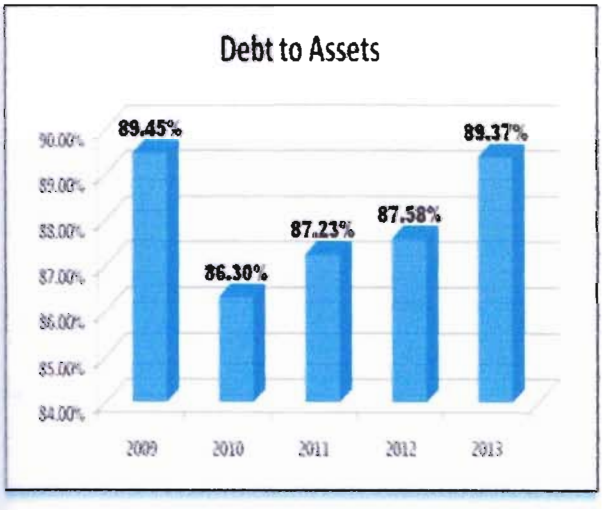
Debt to Total Assets ratio is a solvency ratio and it measures the portion of the assets of a business which are financed through debt. The Debt to Total Assets of IDLC Finance Limited during the period 2009 to 2013 was as follow:

Table 5.6: Debt to Total Assets Ratio and Growth Rate

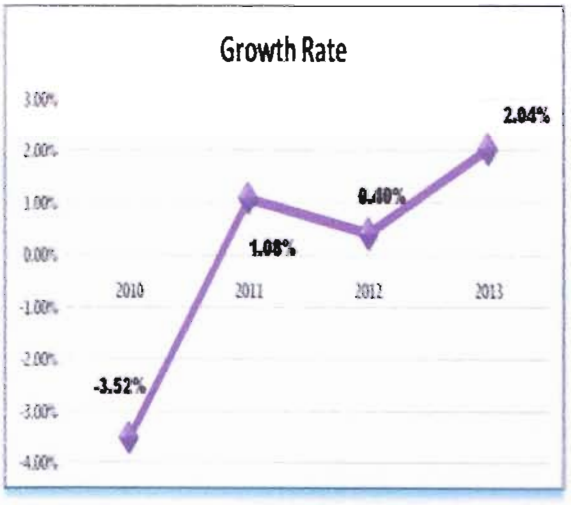
Year	Total Debt to Total Assets	Growth Rate
2009	89.45%	--
2010	86.30%	-3.52%
2011	87.23%	1.08%
2012	87.58%	0.40%
2013	89.37%	2.04%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 5.6(a): Debt to Assets Ratio (%)



Graph 5.6 (b): Growth Rate



From the Table 5.6 and Graphs 5.6(a) and 5.6(b), it is found that the debt to total asset ratio of IDLC was 89.45% in the year 2009 indicating that about 89.45% of its assets were financed by debt. The debt to total asset ratio was decreased to 86.30% in the year 2010, having a negative growth of -3.52%. In the year 2011 debt to total asset ratio increased to 87.23% having a growth rate of 1.08%. In the year 2012, the debt to total asset ratio again increased to 87.58%, growth rate is very little that is 0.40%. Finally in the year 2013, their debt to total asset ratio increased to 89.37% which was 2.04% more than the previous year. Lower value of debt assets ratio is favorable. But the a higher value of IDLC's debt to total assets indicates that higher portion of company's assets are claimed by its creditors which means higher risk in operation since the business would find it difficult to obtain loans for new projects.

5.2.2 Debt Equity Ratio

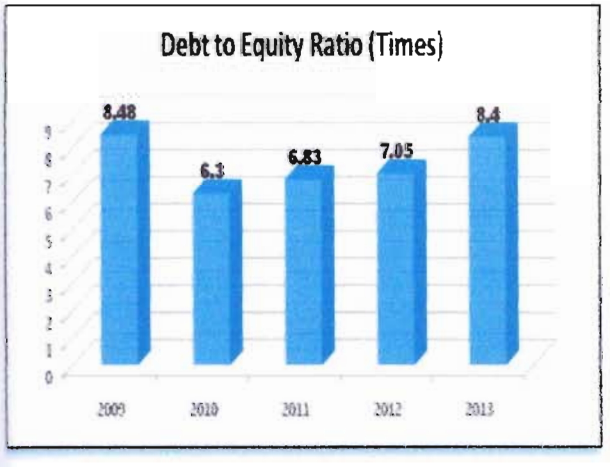
Debt Equity Ratio indicates the proportion of total debt relative to shareholder's equity of the company. The debt equity ratio of IDLC Finance Limited during the period 2009 to 2013 was as follow:

Table 5.7: Debt to Equity Ratio and Growth Rate

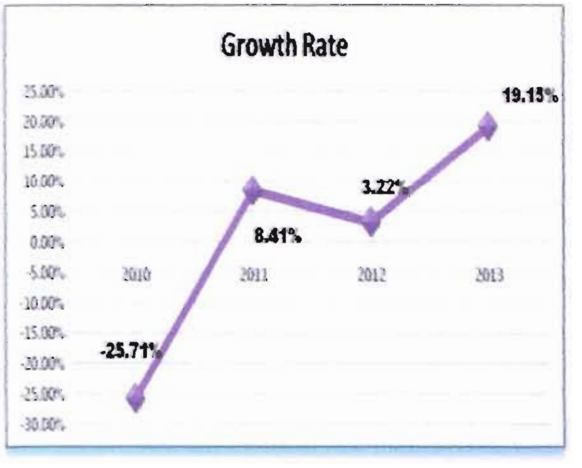
Year	Debt to Equity Ratio (Times)	Growth Rate
2009	8.48	--
2010	6.3	-25.71%
2011	6.83	8.41%
2012	7.05	3.22%
2013	8.4	19.15%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 5.7(a): Debt to Equity Ratio (%)



Graph 5.7(b): Growth Rate (%)



From the Table 5.7 and Graphs 5.7(a) and 5.7(b), we can see that the debt to equity ratio was 8.48 times in 2009 which means IDLC's total debt was 8.48 times of its total shareholders' equity. In 2010 it decreased to 6.3 times and which was 25.71% less than the previous year. In 2011 it increased to 6.83 times having a growth rate of 8.41%. In 2012 the ratio increased to 7.05 times having a growth rate of 3.22%. Finally in 2013 debt to equity ratio increase to 8.4 times and growth rate was 19.15%. It is found that the debt to equity ratio is increasing year by year. Higher debt-to-equity ratio is unfavorable because it means that the business relies more on external lenders thus it is at higher risk.

5.2.3 Financial Expenses Coverage Ratio (Times)

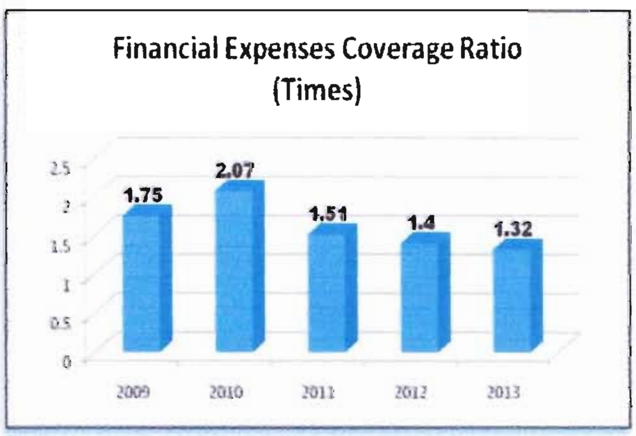
Financial Expenses Coverage Ratio indicates the firm's ability to meet is interest expenses by its EBIT (Earnings before Tax and Interest).The Financial Expenses Coverage Ratio of IDLC Finance Limited during the period 2009 to 2013 were as follow:

Table 5.8: Financial Expenses Coverage Ratio and Growth Rate

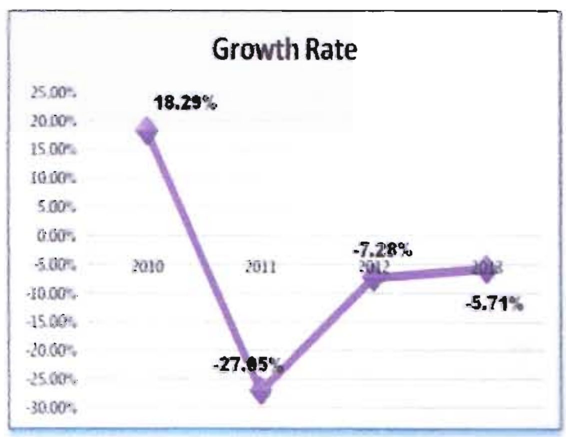
Year	Financial Expenses Coverage (Times)	Growth Rate
2009	1.75	--
2010	2.07	18.29%
2011	1.51	-27.05%
2012	1.4	-7.28%
2013	1.32	-5.71%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 5.8 (a): Financial Expenses Coverage Ratio



Graph 5.8 (b): Growth Rate (%)



From the Table 5.8 and Graphs 5.8(a) and 5.8(b), it is found that the Financial Expenses Coverage Ratio of IDLC was 1.75 times in the year 2009 indicating that this company's income is 1.75 times higher than its interest expense or for each Tk.1 interest expenses IDLC has Tk.1.75 of EBIT. The financial expenses coverage ratio was increased to 2.01 times in the year 2010, having a growth of 18.29%. In the year 2011, the ratio decreased to 1.51 times having a negative growth rate of -27.05%. In the year 2012, the ratio again decreased to 1.40 times, still having a negative growth rate of -7.28%. Finally in the year 2013, their financial expenses coverage ratio decreased to 1.32 times which was 5.71% less than the previous year. The trend of IDLC's financial expenses coverage ratio is downward. It indicates that their earnings are not increasing in same proportion to the increase in financial expenses. The larger ratios are considered more favorable than smaller ratios. But still IDLC has sufficient revenues to satisfy its financial expenses. Creditors would favor a company with a much higher times interest ratio because it shows the company can afford to pay its interest payments when they come due.

5.2.4 Capital Adequacy Ratio

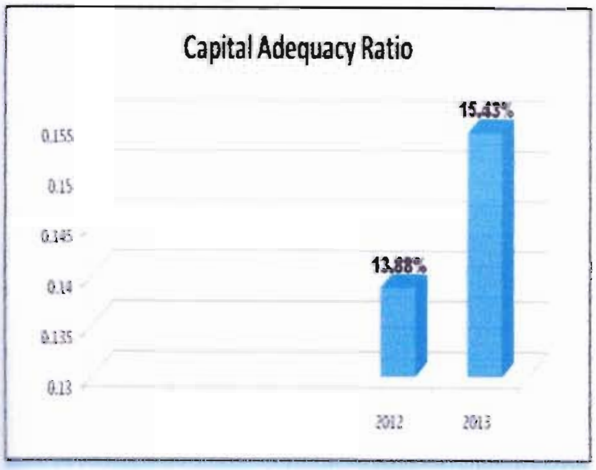
The capital adequacy ratio of IDLC Finance Limited during the period 2009 to 2013 was as follow:

Table 5.9: Capital Adequacy Ratio and Growth Rate

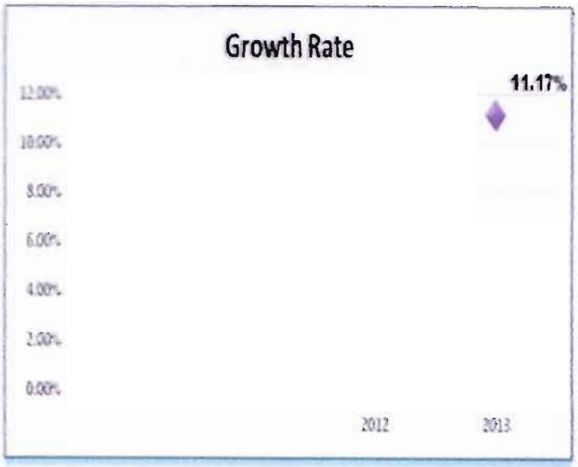
Year	Capital Adequacy Ratio	Growth Rate
2009	N/A	N/A
2010	N/A	N/A
2011	N/A	N/A
2012[2]	13.88%	N/A
2013	15.43%	11.17%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 5.9 (a): Capital Adequacy Ratio



Graph 5.9 (b): Growth Rate (%)



From the Table 5.9 and Graphs 5.9(a) and 5.9(b), It is found that capital adequacy ratio of IDLC Finance Limited was 13.88% in 2012. In 2013 it increased to 15.43% which is 11.17% higher than the previous year. As per CDMD guideline, financial institutions should maintain a capital adequacy ratio (CAR) of minimum 10%. So IDLC's capital adequacy ratio is very favorable in both years because their capital adequacy ratio is more than 10% in both the years. It indicates capital of IDLC Finance is enough to support their business.

[2] Basel Accord for Financial Institutions (BAFI) has started and the guidelines namely "Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions (CAMD)" have come fully into force from January 01, 2012 with its subsequent supplements/revisions.

5.3 Management Costs Ratios

5.3.1 Cost of Funds

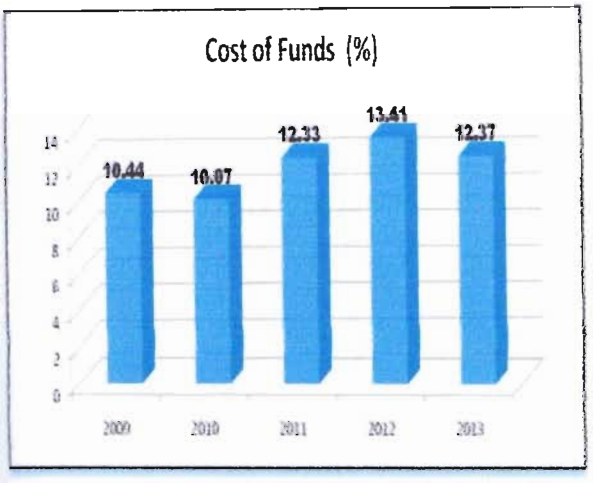
The cost of funds of IDLC Finance Limited during the period 2009 to 2013 was as follow:

Table 5.10: Cost of Funds and Growth Rate

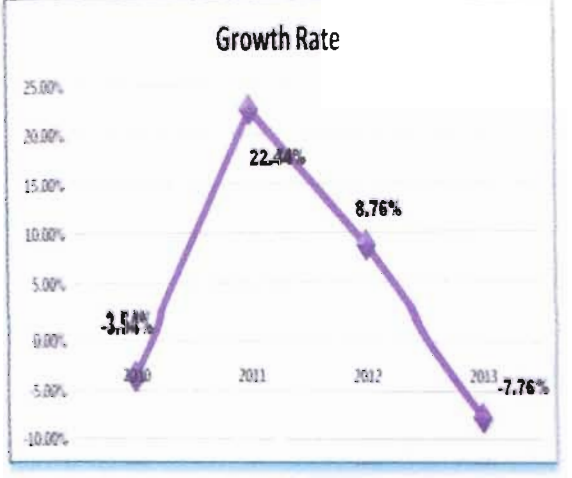
Year	Cost of Funds (%)	Growth Rate
2009	10.44%	–
2010	10.07%	-3.54%
2011	12.33%	22.44%
2012	13.41%	8.76%
2013	12.37%	-7.76%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 5.10 (a): Cost of Funds



Graph 5.10 (b): Growth Rate (%)



From the Table 5.10 and Graphs 5.10(a) and 5.10(b), it is found that the cost of funds of IDLC Finance Ltd. was 10.44% in the year 2009. In the year 2010 it decreased to 10.07% that was 3.54% less than that of 2009. In the year 2011, the cost of funds of IDLC increased to 12.33% and the growth rate was 22.44%. In the year 2012, it increased to 13.41% with having a growth rate of 8.76%. In the year 2013, their cost of funds decreased to 12.37% which was 7.76% less than the previous year. The trend of cost of funds of IDLC Finance Limited is all most consistent; it is fluctuating within in 10% to 13%. The lower value of the ratio is favorable for the business. The lower value indicates the management's efficiency to collect funds at lower costs that they deploy in their business. The higher value indicates management's inefficiency, which is unfavorable for business.

5.4 Market Ratios

5.4.1 Price/Earnings (P/E) Ratio

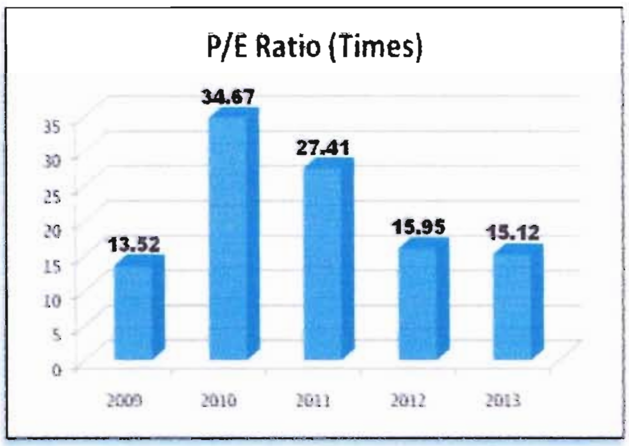
The Price/Earnings Ratio tells us the amounts that investors are willing to pay per Taka of earnings. The Price/Earnings Ratio of IDLC Finance Limited during the period 2009 to 2013 was as follow:

Table 5.11: Price/Earnings Ratio and Growth Rate

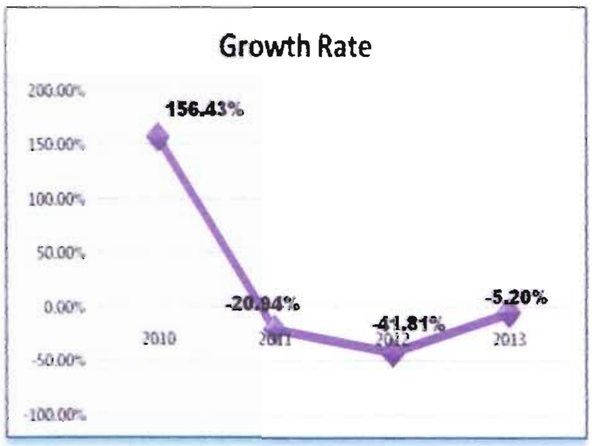
Year	P/E Ratio (Times)	Growth Rate
2009	13.52	--
2010	34.67	156.43%
2011	27.41	-20.94%
2012	15.95	-41.81%
2013	15.12	-5.20%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 5.11 (a): P/E Ratio (Times)



Graph 5.11 (b): Growth Rate (%)



From the Table 5.11 and Graphs 5.11(a) and 5.11(b), it is found that the P/E Ratio of IDLC Finance Ltd. was 13.52 times in the year 2009 which means that investors were willing to pay Tk.13.52 for every Tk. 1 of earnings. In the year 2010 it increased to 34.67 times that was 156.43% higher than that of 2009. In the year 2011, the P/E Ratio of IDLC increased to 27.41 times and the growth rate became negative that was 20.94%. In the year 2012, it decreased to 15.95 times with having a negative growth rate of -41.81%. In the year 2013, their P/E Ratio again decreased to 15.12 times which was 5.20% less than the previous year. The trend of P/E Ratio of IDLC Finance Limited is decreasing year by year. The higher P/E Ratio is better. But the lower trend of P/E Ratio of IDLC indicates that investors are expecting lower earnings growth in the future and they are willing to pay less for this company's shares.

5.5 Risk Ratios

5.5.1 Loan to Deposit Ratio

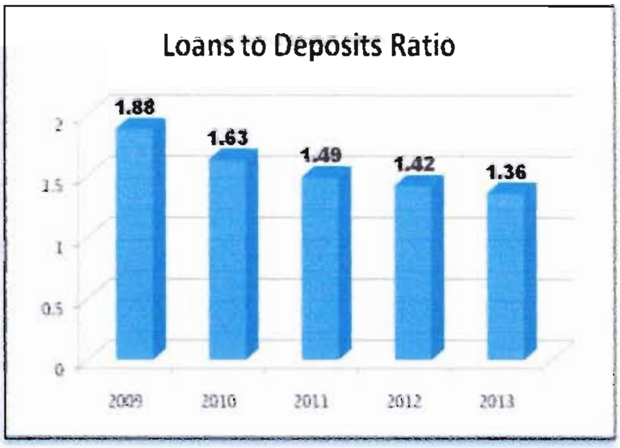
Loans to deposits ratio is used to determine the amount of loan that a bank has out versus the amount of deposit on hand at the same time. The Loans to deposits ratio of IDLC Finance Limited during the period 2009 to 2013 was as follow

Table 5.12: Loans to Deposits Ratio and Growth Rate

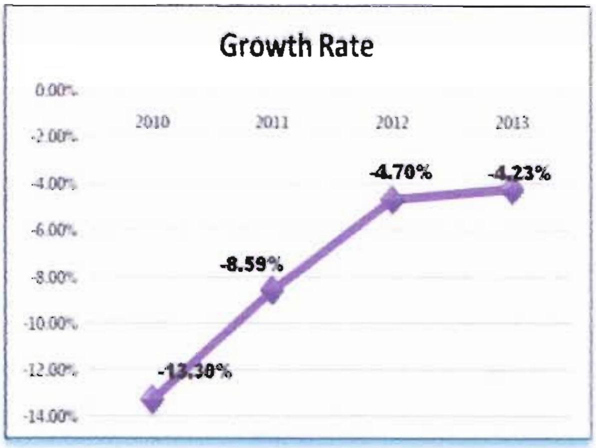
Year	Loans to Deposits Ratio (Times)	Growth Rate
2009	1.88	--
2010	1.63	-13.30%
2011	1.49	-8.59%
2012	1.42	-4.70%
2013	1.36	-4.23%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 5.12 (a): Loans to Deposits Ratio (Times)



Graph 5.12 (b): Growth Rate (%)



From the Table 5.12 and Graphs 5.12(a) and 5.12(b), it is found that loans to deposits ratio of IDLC Finance Ltd. was 1.88 times in the year 2009 which means total loan was 1.88 times of total deposit. In the year 2010 it decreased to 1.63 times that was 13.30% lower than that of 2009. In the year 2011, the loans to deposits ratio of IDLC decreased to 1.49 times having a negative growth rate of -8.59%. In the year 2012, it decreased to 1.42 times with having a negative growth rate of -4.70%. In the year 2013, their loans to deposits ratio again decreased to 1.36 times which was 4.23% less than the previous year. The loan to deposit ratio of IDLC is decreasing year by year. If the ratio is too high, it means that company might not have enough funds to cover any unforeseen fund requirements; if the ratio is too low, company may not be earning as much as they could be. Here IDLC's loans to deposits ratio is favorable and level of risk is also satisfactory.

5.5.2 Non-Performing Loan Ratios

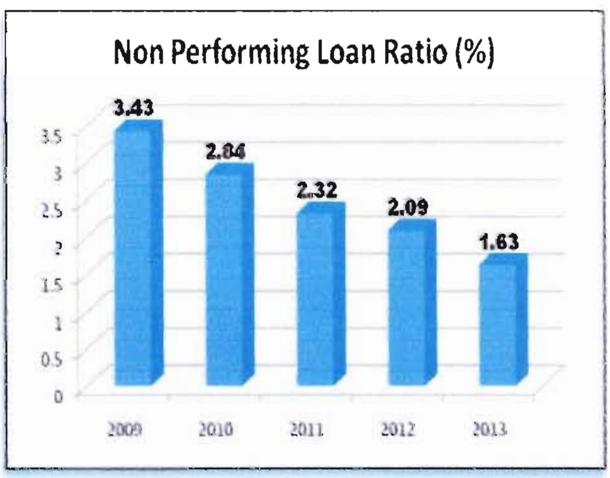
Non performing loan is a loan on which the borrower is not making any interest payments neither repaying the principal amount. The non performing loan ratio means the percentage of non-performing loans against total loan. The non performing loan ratio of IDLC Finance Limited during the period 2009 to 2013 was as follow:

Table 5.13: Non Performing Loan Ratio and Growth Rate

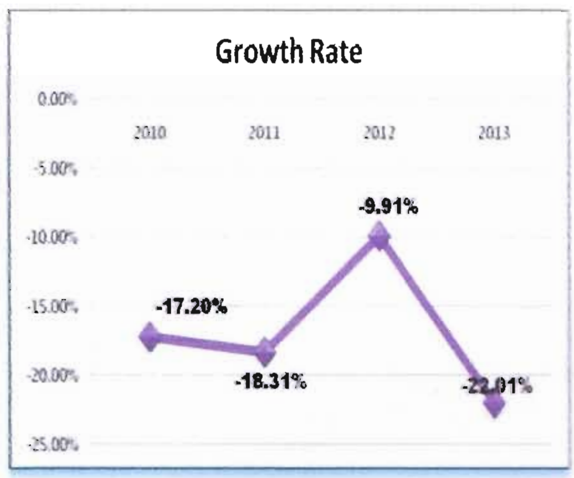
Year	Non Performing Loan Ratio (%)	Growth Rate
2009	3.43%	--
2010	2.84%	-17.20%
2011	2.32%	-18.31%
2012	2.09%	-9.91%
2013	1.63%	-22.01%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 5.13 (a): Non Performing Loan Rate



Graph 5.13 (b): Growth Rate (%)



From the Table 5.13 and Graphs 5.13(a) and 5.13(b), it is found that non performing loan ratio of IDLC Finance Ltd. was 3.43% in the year 2009 which means total non performing loan was 3.43% of total loans. In the year 2010 it decreased to 2.84% that was 17.20% lower than that of 2009. In the year 2011, the non performing loan ratio of IDLC decreased to 2.32% having a negative growth rate of -18.31%. In the year 2012, it decreased to 2.09% with having a negative growth rate of -9.91%. In the year 2013, their non performing loan ratio again decreased to 1.63% which was 22.01% less than the previous year. The non performing loan of IDLC is decreasing year by year. The lower value of non-performing loan ratio of IDLC Finance Ltd. indicates the lower credit risk of the company.

5.6 LIQUIDITY RATIO

5.6.1 Current Ratio (Times) :

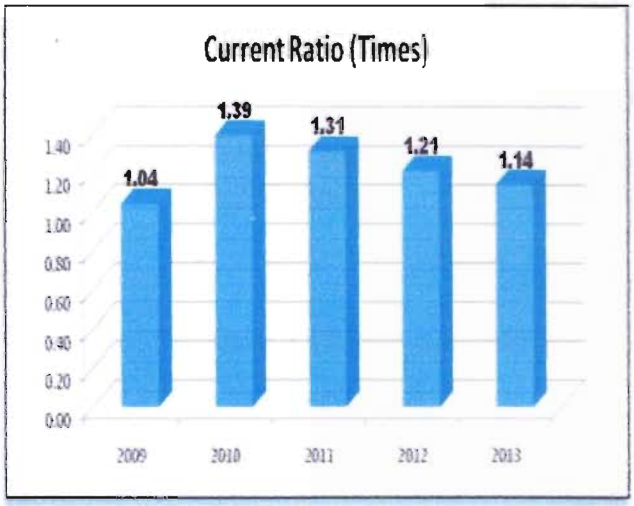
The current ratio helps investors and creditors understand the liquidity of a company and how easily the company will be able to pay off its current liabilities. The current ratio of IDLC Finance Limited during the period 2009 to 2013 was as follow:

Table 5.14: Current Ratio and Growth Rate

Year	Current Ratio (Times)	Growth Rate
2009	1.04	--
2010	1.39	33.65%
2011	1.31	-5.76%
2012	1.21	-7.63%
2013	1.14	-5.79%

Source: Annual Report 2013 of IDLC Finance Ltd

Graph 5.14 (a): Current Ratio (Times)



Graph 5.14 (b): Growth Rate (%)

From the Table 5.14 and Graphs 5.14(a) and 5.14(b), it is found that current ratio of IDLC Finance Ltd. was 1.04 times in the year 2009 which means for every Tk. 1.00 of current liability IDLC has current assets of Tk. 1.04. In the year 2010 it increased to 1.39 times that was 33.65% higher than that of 2009. In the year 2011, the current ratio of IDLC decreased to 1.31 times having a negative growth rate of -5.76%. In the year 2012, it decreased to 1.21 times with having a negative growth rate of -7.63%. In the year 2013, their current ratio again decreased to 1.14 times which was -5.79% less than the previous year. Current Ratio of IDLC Finance Ltd. is decreasing year by year. If current liabilities exceed current assets (the current ratio is below 1), then the company may have problems in meeting its short-term obligations. If the current ratio is too high, then the company may not be efficiently using its current assets. Here decreasing trend of current ratio of IDLC Finance Ltd. indicates that liquidity condition of IDLC is becoming poor.

Chapter-6: Problems and Suggestions

6.1 Problems

After analysis and evaluation of financial and operational data of IDLC Finance Limited some problems have been identified. Those are given below:

- IDLC Finance Ltd. has Total 19 branches all over the Bangladesh. IDLC Finance Ltd.'s all branches are established in Dhaka, Chittagong, Sylhet, Gazipur, Comilla, Khulna, Jessor, Sylhet, Narayanganj and Bogra. So many parts of the country especially Barishal and Rajshahi remain out of coverage. As a result, IDLC Finance Ltd. loses the opportunity to capture huge number of customer each year.
- In case of HRM, employees' compensation plans are not satisfactory especially for entry level and mid-level employees. So, employees' turnover is very high in IDLC Finance Ltd. As a result, they lose talented and experienced employees.
- In the year 2013 IDLC's corporate clients has reduced to 27.24% from 38.95% in 2012 in their total customer portfolio.
- Operating expenses and Financing expenses of IDLC Finance Ltd. are increasing year by year. Especially, every year financing expenses are increasing on an average 30%, which hamper profitability.
- Trend of net profit is very volatile. It is fluctuating every year. Moreover in 2013 net profit decreased to 669 million from 713 million in 2012, which provide a bad signal about IDLC Finance Limited.
- IDLC Finance Ltd. is having volatile situation in short term financing portfolio. The trend indicates that their short term financing has increased 3.96% in 2013 but in 2012 growth rate was -29.23%. Short term financing may have less profit but it strengthen the liquidity base of the firm.
- Trend of Market Capitalization is downward. From 2011 to 2013, market capitalization is continuously decreasing and have negative growth rate. It indicates that total market value of company's outstanding shares is decreasing.
- Market value addition of IDLC is decreasing year by year and has negative growth over last three years, because of decrease in the market value of shares outstanding.
- The growth rate of ROA also shows a fluctuating situation during the financial period 2009 to 2013. Because of the decrease in net income in 2011 and 2013, growth rate of ROA became negative in those years.

- The ROI of IDLC finance is in fluctuating trend during the period of 2009 to 2013. In 2013 ROI was 1.79% which was 24.79% lower than previous year.
- The growth rate ROE of IDLC Finance Ltd. shows a fluctuating trend during the financial period of 2009 to 2013. Because of the decrease in net income in 2011 and 2013, the ROE shows the minimum 13.04% in 2011 having a negative growth rate of -70.12%. But in 2012 growth rate increased but in 2013 growth rate again became negative that was -19.04%.
- The growth rate of EPS of IDLC Finance is fluctuating during the period of 2009 to 2013. In 2011 and 2013 EPS has negative growths that were consecutively -62.30% and -6.09%.
- Debt to Total Assets and Debt to Equity ratios are in increasing trend. Higher value of these two ratios indicates high solvency risks.
- Price/Earnings Ratio of IDLC Finance Ltd. is decreasing year by year during the financial period 2009 to 2013. It indicates investors are less confident about the future earnings growth of IDLC Finance Limited.
- Current ratio of IDLF Finance Ltd. is in decreasing trend. In 2013 current ratio reached to 1.14 times. It is very alarming. It indicates poor liquidity conditions.
- BASEL implementation information is not sufficient to clarify their implementation status.
- After 2011 IDLC has closed few of their products and services. Yet they cannot re-start those products and services.
- Information entry and filing process is very lengthy. Service requisition process is difficult and lengthy. Files need to send table to table for many reasons.

6.2 Suggestions

Some probable solutions to overcome the problems are discussed below:

- IDLC Finance Limited should establish more branches in different locations of the country especially in Barishal and Rajshahi to grab the potential customers whereby they can earn more profits.
- IDLC Finance Limited should offer an attractive compensation plans and motivational packages to their employees so that they can reduce employee turnover.
- IDLC should concentrate on increasing their corporate clients and offer them more attractive and customize packages. Because corporate clients are the main sources of earning higher profit.
- IDLC should control their growing operating and financing expenses and concentrate on maximizing profitability of the company.
- The management should try to increase their short term financing portfolio in such a way so that it shows an increasing growth rate over the period. They should offer new packages and more benefits to the borrower to encourage them.
- Market Capitalization and Market Value Addition these two items basically based on the current market value of outstanding shares. To improve these two indicators IDLC should improve their overall performances and also concentrate on their shareholders and provide proper information to the market. The management should also try to increase the earnings available to common stockholders to regain the confidence of investors and increase the market price of the stocks.
- To increase ROA the management should ensure more efficient use of their assets to increase net income.
- To increase ROI the management should try to make more efficient investment decision whereby they can earn higher return.
- The management should be careful about the ROE as it is a major indicator of the company's performance. The management should try to increase the net income so that ROE will increase.
- The bank management should be careful about EPS as it is a major indicator of the company's performance. To increase EPS management must concentrate on increasing profitability of the company.
- IDLC Finance Ltd. should create an optimal capital structure where debt and equity will be used in a balance between risk and return whereby they can ensure optimum return and minimum risks.
- The management should concentrate on increasing their price earnings ratio as it is a major indicator of financial institution's performance. The management should try to increase their

net income every year and also try to increase the earnings available to common stockholders. Then it will lead to greater confidence level of investors and P/E ratio will increase.

- IDLC should maintain adequate liquidity for unforeseen requirement of funds.
- Company should disclose more details information about BASEL implementation.
- IDLC should offer more diversified products and services to attract more customers.
- Filing process and Information entry process should be faster and service requisition process should be more flexible so that they can serve more customers.

Conclusion

In conclusion, it can be said that the IDLC Finance Ltd. is one of the most promising financial institution in Bangladesh. In this report overall performance of IDLC Finance Ltd. during the period 2009 to 2013 has been analyzed and evaluated. By analyzing its overall performance, various positive and negative sides of the firm have come into light. The analysis shows that IDLC Finance Ltd. performed poorly in the year 2013 compared to other years. Some problems have been identified and suggestions have been given to the management of the bank to improve their performance in the future. If the management of IDLC Finance Ltd. can take effective measures to solve these problems, then IDLC Finance Ltd. can become most preferable and leading financial institution in Bangladesh and can achieve their vision that is to be the best financial brand in Bangladesh. Besides, their core business they should perform more corporate social responsibilities that will provide them long-term sustainability.

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APPENDIX: Key Highlights of IDLC Group

Key Operating and Financial Highlights – IDLC Group

(Taka in million)

Particulars	2009	2010	2011	2012	2013	Growth
Financial Performance						
Total assets	22,681	26,930	31,165	37,764	50,429	33.47%
Long term liabilities	18,792	21,745	25,299	32,492	43,951	35.27%
Term deposit balance	9,780	12,373	16,828	22,008	29,064	32.06%
Operational Performance						
Operational income	1,913	3,047	2,160	2,403	2,763	14.95%
Operational expenses	490	966	913	1,058	1,244	17.61%
Financial expenses	1,687	1,822	2,364	3,103	4,138	33.35%
Profit before tax	1,273	1,956	1,217	1,252	1,325	5.83%
Net profit after tax	822	1,327	500	713	669	-6.08%
Average effective tax rate	35.46	32.16	58.88	43.07	49.48	14.88%
Financial Ratios						
Debt equity ratio (Times)	8.48	6.30	6.83	7.05	8.40	19.19%
Financial expenses coverage ratio (Times)	1.75	2.07	1.51	1.40	1.32	-5.93%
Return on total assets (%)	4.11	5.35	1.72	2.07	1.52	(0.55)
Non performing loan ratio (%)	3.43	2.84	2.32	2.09	1.63	(0.46)
Return on shareholders' equity (%)	41.05	43.64	13.04	16.44	13.31	(3.12)
Earnings per share*	5.11	8.25	3.11	4.43	4.16	-6.08%
Dividend per share	11.00	10.00	2.50	3.00	3.00	-
Dividend yield (%)	2.97	2.15	1.81	3.26	4.77	1.51
Dividend payout ratio (%)	40.14	45.21	49.47	52.08	72.09	20.01
Equity Statistics						
Number of shares (No.)	3,000,000	6,000,000	99,000,000	123,750,000	160,875,000	30.00%
Year end market price per share (Taka)	3,703.00	4,648.00	138.50	91.90	62.90	-31.56%
Net asset value per share (Taka)	14.88	22.94	24.74	29.17	33.33	14.26%
Market capitalization	11,109	27,888	13,712	11,373	10,119	-11.02%
Market value addition	346.13	427.53	98.29	44.49	29.57	-33.55%
Shareholders' equity	2,393	3,690	3,980	4,693	5,363	14.26%

Highlights as Required by the Bangladesh Bank

Taka in million

Sl no.	Particulars		2013	2012
1	Paid-up capital	Taka	1,609	1,238
2	Total capital	Taka	3,474	2,940
3	Surplus/(shortage) capital	Taka	609	238
4	Total assets	Taka	50,429	37,784
5	Total deposits	Taka	30,187	22,999
6	Total loans, advances and leases	Taka	40,941	32,596
7	Total contingent liabilities and commitments	Taka	1,104	732
8	Loans to deposit ratio (total loans/total deposits)	%	1.36	1.42
9	% of classified loans against total loans	%	1.63	2.09
10	Profit after tax and provision	Taka	669	713
11	Classified loans, advances and leases during the year	Taka	2,812	645
12	Provisions kept against classified loans, advances and leases	Taka	197	69
13	Provision surplus / (deficit) against classified loans, advances and leases	Taka	195	165
14	Cost of fund	%	12.37	13.41
15	Interest earning assets	Taka	49,584	36,864
16	Non-interest earning assets	Taka	846	920
17	Return on investment (ROI)	%	1.79	2.36
18	Return on assets (ROA)	%	1.52	2.07
19	Income from investment	Taka	53	58
20	Operating profit per share	Taka	9.44	8.36
21	Earnings per share	Taka	4.16	4.43
22	Price earning ratio	Times	15.12	15.85

GLOSSARY:

Terms:

Authorized Capital: The authorized capital of a company is the maximum amount of share capital that the company is authorized by its constitutional documents to issue (allocate) to shareholders.

Consolidated Financial Statements: Financial Statements of a Group presented as those of a single Company.

Finance Lease: A lease that transfers substantially all the risk and rewards incident to ownership of the asset to the lessee. Title may or may not eventually be transferred.

Interest Cost: The sum of monies accrued and payable to the sources of borrowed working capital.

Non-Performing Portfolio: Facilities granted to clients which are in default for more than the period recommended by Bangladesh Bank.

Paid up Capital: All amounts received by the Company or due and payable to the Company in respect of the issue of shares in respect of calls on shares.

Shareholders' Equity: Total of issued and fully paid ordinary share capital and reserves.

Subsidiary Company: Subsidiary is a company that is controlled (power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities) by another Company known as the parent.

Ratios:

1. **Return on Assets (ROA):** An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. ROA is displayed as a percentage.

   Return on assets is expressed as a percentage and calculated as:

$$\textbf{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

2. **Return on Equity (ROE):** The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

   ROE is expressed as a percentage and calculated as:

   ROE = Net Income/Shareholder's Equity

3. **Return on Investment (ROI):** A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio.

   ROI is expressed as a percentage and calculated as:

   Return on Investment = Net profit / Investment

4. **Earnings per Share (EPS):** The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

   Calculated as:

$$= \frac{\text{Net Income - Dividends on Preferred Stock}}{\text{Average Outstanding Shares}}$$

5. **Dividend Payout Ratio:** The percentage of earnings paid to shareholders in dividends.

   Ratio is expressed as a percentage and calculated as:

$$= \frac{\text{Yearly Dividend per Share}}{\text{Earnings per Share}}$$

or equivalently:

$$= \frac{\text{Dividends}}{\text{Net Income}}$$

6. **Debt to Total Assets Ratio:** Debt-to-assets ratio or simply debt ratio is the ratio of total liabilities of a business to its total assets. It is a solvency ratio and it measures the portion of the assets of a business which are financed through debt.

Debt-to-assets Ratio is expressed as a percentage and calculated as:

$$\text{Debt-to-assets Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

7. **Debt/Equity Ratio:** A measure of a company's solvency calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.

Debt-to-equity Ratio is expressed as times and calculated as

$$\text{Debt-to-Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Shareholders' Equity}}$$

8. **Financial Expenses Coverage Ratio (Times):** Financial Expenses Coverage Ratio indicates the firm's ability to meet is interest expenses by its EBIT (Earnings before Tax and Interest).

Calculated as :

$$\textbf{Financial Expenses Coverage Ratio} = \frac{\textit{EBIT}}{\textit{Interest Expenses}}$$

9. **Price/Earnings Ratio:** The Price/Earnings Ratio tells us the amounts that investors are willing to pay per Taka of earnings.

Calculated as:

P/E Ratio (Times) = *Market Value per Share / Earnings per Share (EPS)*

10. **Loan to Deposit Ratio:** Loans to deposits ratio is used to determine the amount of loan that a bank has out versus the amount of deposit on hand at the same time.

Calculated as:

$$\textbf{Loan to Deposit Ratio (Times)} = \frac{\text{Total Loans}}{\text{Total Deposits}}$$

11. **Market Value Added:** This shows the difference between the market value of a company and the capital contributed by investors. This reflects the Company's performance evaluated by the market through the share price of the company.

    Calculated as:

    Market Value Added = Market value of shares outstanding - Book value of shares outstanding

12. **Current Ratio:** A liquidity ratio that measures a company's ability to pay short-term obligations with its current assets.

    The Current Ratio formula is:

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

13. **Net Assets Value per Share:** An expression for net asset value that represents a company's value per share. It is calculated by dividing the total net asset value of the fund or company by the number of shares outstanding. It referred to as "book value per share."

    Calculated as:

$$\textbf{Net Assets Value per Share (TK.)} = \frac{\text{Net Assets}}{\text{Number of Shares Outstanding}}$$

14. **Market Capitalization:** The total market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures.
    Calculated as:

    Market Capitalization = Number of Shares Outstanding **X** Market Value Per share

15. **Non-performing loan Ratio:** Non performing loan is a loan on which the borrower is not making any interest payments neither repaying the principal amount. The non performing loan ratio means the percentage of non-performing loans against total loan.

Calculated as:

$$\textbf{Non-performing loan Ratio (\%)} = \frac{\text{Total Non-performing Loan}}{\text{Total Loan}}$$

---------The End--------