IDLC
FINANCE LIMITED

AN APPRISAL
OF
IDLC FINANCE LTD.

PROJECT WORK (BUS 498)

Submitted By:

Ahmed Anis Uz Zaman Bhuiyan

ID: 2007-1-10-122

Department of Business Administration

East West University

Supervised By:

Dr. Tanbir Ahmed Chowdhury
Professor
East West University

Date Of Submission: December 21, 2010.

December 21, 2010

Dr. Tanbir Ahmed Chowdhury
Professor
East West University
Dhaka

Subject: **Submission of the** Project Report.

Dear Sir

Here is my project report on *"An Appraisal Of IDLC Finance Ltd."*. I have prepared my project report on IDLC Finance Ltd. by appraising their activities and performance during the financial period 2005-06 to 2009-10.

In this report I have presented a brief overview of IDLC Finance Ltd., the principal activities of the firm and finally I have analyzed the financial performance of IDLC Finance Ltd. during this period and forecast their performance in the year 2010-11.

The opportunity of conducting this report has increased my knowledge about some specific operating and financial aspects of financial institutions. In this regard, I am really grateful to you. Thank you sir.

Yours Sincerely,

Ahmad Anis Uz Zaman Bhuiyan
ID: 2007-1-10-122
Department Of Business Administration
East West University
Dhaka

Acknowledgement

Note To The Readers

This report *"An Appraisal Of IDLC Finance Ltd."* is prepared to fulfill the Bachelor Of Business Administration (BBA) degree requirement at East West University. The report provides an insight about the firm's overall performance during the financial period 2005-06 to 2009-10. It includes a brief overview of the firm, its principal activities, analysis of financial performance during this period and at last problems are highlighted and suggestions are given to the management to avoid these problems. Some regression and trend analyses have been made to forecast the bank's performance in the year 2010-11. However, this forecast will not reflect the actual performance of the bank in 2010-11. The actual performance may deviate from the forecasted value due to various micro and macro economic factors.

Finally, I would like to say that I have prepared this report with an extensive effort and applied my knowledge to provide a realistic analysis of the financial institution's performance.

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Executive Summary

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 2007-08, 2008-09, 2009-10, the bank has increased its paid up capital by issuance 500,000 bonus share each year. The number of branches opened by the firm and the number of employees recruited during the period 2005-06 to 2009-10 shows an increasing trend. The deposit and investing operation of IDLC Finance Ltd. from the year 2005-06 to 2009-10 has been shown in the report. IDLC Finance Ltd. deposit mix is a combination of Personal product, Annual profit Term Deposit, Double / Triple Money Deposit, Millionaire / Multi millionaire Scheme, Multimillionaire Scheme, Monthly / Quarterly Earner Deposit etc. 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. IDLC Finance Ltd. 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 expenditure of the bank shows a lower growth rate than the operating income over the year 2005-06 to 2009-10, which had impact on its net income. As a result, the profit indicating ratios (ROE, ROA, EPS, dividend payout ratio) and market ratios (Price/earnings ratio and Market/ Book ratio) are also affected. However, the solvency ratios show that the bank gradually increases proportion of debt compared to its total assets and total equity. Also 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

Chapter Objectives

- To provide an idea about
- Objective of the study
- Scope of the study
- Sources of data and methodology
- Limitations of the study
- Report preview

1.0 INTRODUCION:

1.1 Origin of the Report:

This report is the outcome of the three-month long project work conducted on IDLC Finance Ltd.. The preparation and submission of this report is a fundamental requirement for the completion of the Bachelor of Business Administration (BBA) degree al East West University.

1.2 Objectives of the 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;

- To present an overview of IDLC Finance Ltd.
- To discuss the principal activities of IDLC Finance Ltd.
- To appraise the financial performance of IDLC Finance Ltd.
- To identify problems of IDLC Finance Ltd.
- To provide suggestions for the development of IDLC Finance Ltd.

1.3 Scope of the 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 2005-06 to 2009-10.

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

1.4 Sources of Data and Methodology

1.4.1 Sources and Collection of Data:

The data used in this report has been collected both from the primary and secondary 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.
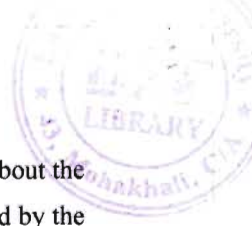
No formal questionnaires were used to take the interviews of the executives. After getting clear picture about the products and operating procedure of the respective department, a write-up is prepared and that is checked by the same executive with whom the interview was conducted.

However, the annual reports of 2005-06 to 2009-10, some other written documents and web site of IDLC Finance Ltd. also work as the main secondary sources for this report.

1.4.2 Analysis of Data and Presentation of Financial Facts:

In the appraisal of the principal activities, a brief appraisal of the core activities of IDLC Finance Ltd. is presented. Tables are prepared showing the total deposits, loans and advances portfolio, investment, leasing and other activities. Growth rates of each of these activities are calculated along with graphs and charts. Some regression and trend analyses along with their coefficient of determination and coefficient of correlation have been calculated to show the degree of association between these activities. In this case, amount of deposits work as the independent variable and loans and advances, investments volume work as dependent variable.

In the performance analysis part, last five years performances are compared. Moreover, total thirteen important ratios of each of these five years are compared with one another. In this section, growth rate, trend analysis, regression, coefficient of determination, is 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.

1.5 Limitations

While preparing this report, the following limitations are faced:

- Some information required to prepare this report are highly confidential and IDLC Finance Ltd. did not permit full disclosure of those data.
- 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.
- 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. Hence, a scarcity of secondary sources prevailed in this case.
- There was some time constraint, as the report has to be submitted within three months duration of the semester.
  Hence some parts are discussed very briefly.

1.6 Report Preview

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. how they conduct those activities and the dependence of the activities with one another are described.

In the fourth chapter, an appraisal of financial performance of IDLC Finance Ltd. during the period 2005-06 to 2009-10 is done through a deep analysis of some important ratios with one another.

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

Finally, in appendix, the calculations of regression and trend analyses have been given. Also a list of documents and references used to prepare this paper are mentioned in the bibliography.

CHAPTER 2: An Overview Of IDLC Finance Ltd.

Chapter Objective

- Historical background of the bank
- Capital structure of the bank
- Comparative shareholding analysis of year 2001 and year 2005
- Number of branches of the bank
- Number of employees of the bank

2.0 An Overview of IDLC Finance Ltd.

2.1 Historical Background:

IDLC Finance Limited (Industrial Development Leasing Company of Bangladesh) is a multi-national joint venture public limited company and the first leasing and multi-product non-banking Financial Institution in Bangladesh. It was established at Dhaka in May 23, 1985.in March 20, 1993 it is listed on the Dhaka Stock Exchange. In 1995, IDLC Financed Ltd. was licensed as a Financial Institution by the country's central bank, Bangladesh Bank, following the enactment of the Financial Institution Act 1993. Over the last two decades, IDLC Financed Ltd. has grown in tandem with the country's transition into a developing country and has emerged as Bangladesh's leading multi product financial institution. To encapsulate the evolving nature of the company, IDLC Financed Ltd. has changed its name to IDLC Financed Ltd Finance Limited from earlier Industrial Development Leasing Company of Bangladesh Limited in August 2007.

Since 1985, when IDLC Financed Ltd was formed as the pioneering leasing company in Bangladesh, the company continues to evolve as an innovative financial solutions provider. Now IDLC Financed Ltd is able to offer their customers, integrated and customized financial solutions all under one roof. Their 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 a complete suite of merchant banking and capital market services.

2.2 Capital

Capital is essential to run any kinds of operation or business. For banking industry, it is also an important requirement for smooth running of operations. In the following few paragraphs, the authorized, issued, subscribed and paid-up capital of IDLC Finance Ltd. is given along with the classification of shares:

2.2.1 Authorized Capital:

The Authorized capital of IDLC Finance Ltd. during the period 2005-06 to 2009-10 is given below:

Figures In Million Taka.

Year	Authorized Capital
2005-06	1,000 (10,000,000 ordinary shares of Tk.100 each)
2006-07	1,000 (10,000,000 ordinary shares of Tk.100 each)
2007-08	1,000 (10,000,000 ordinary shares of Tk.100 each)
2008-09	1,000 (10,000,000 ordinary shares of Tk.100 each)
2009-10	1,000 (10,000,000 ordinary shares of Tk.100 each)

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

From the table 2.1 we can see the Authorized capital was Tk. 1,000 million (10,000,000 ordinary shares of Tk.100 each) and remain same over the years.

2.2.2 Issued, Subscribed And Paid-up Capital:

The issued, subscribed and paid --up capital of the bank during the period 2005-06 to 2009-10 were as follows:

Table 2.2: Paid-up Capital

Year	Paid-up Capital
2005-06	150,000,000 (1,500,000 ordinary shares of Tk.100 each)
2006-07	150,000,000 (1,500,000 ordinary shares of Tk.100 each)
2007-08	200,000,000 (2,000,000 ordinary shares of Tk.100 each)
2008-09	250,000,000 (2,250,000 ordinary shares of Tk.100 each)
2009-10	300,000,000 (3,000,000 ordinary shares of Tk.100 each)

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

From the table 2.2 we can see that the firm has increased its paid up capital has been increased continuously from 2007-08 to 2009-10.

2.3 Shareholders' Equity:

The shareholder's equity (capital and reserves) of IDLC Finance Ltd. during the period 2005-06 to 2009-10 were as follows:

Table 2.3: Shareholders Equity   **Figures In Million Taka**

Year	Shareholders' Equity	Growth rate
2005-06	851	
2006-07	952	12%
2007-08	1,247	31%
2008-09	1,611	29%
2009-10	2,393	49%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

Graph 2.1(a): Shareholders' Equity	Graph 2.1(b): Shareholders' Equity growth rate.

Figures In Million Taka
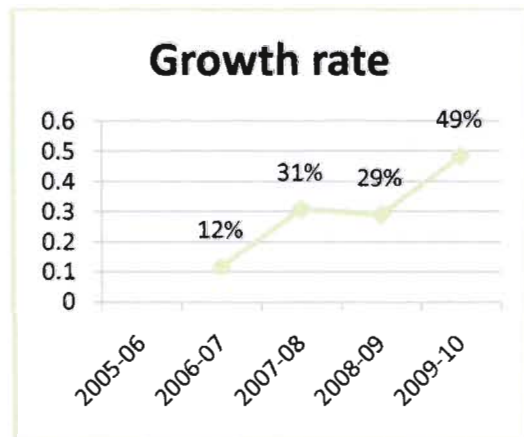
Source: Annual Report- 2005-06 & 2009-10, IDLC Finance Ltd.

From the table 2.3 and graph and 2.1(a) and2.1 (b) we can see that In the year 2005-06 shareholder's equity was Tk.851 million. In the next year it grew up to 12% and continues to increase every year. But the growth rate reduced to 0% in the year 2008-09. Finally IDLC Finance Ltd. managed to increase its term deposit growth up to 49% in 2009-10 over the year 2008-09.

If we make a trend analysis about the term deposits of IDLC Finance Ltd. based on the information above, we get

$$Yt = 287.9 + 374.3\,t$$

As per the trend forecast, the shareholder's equity of IDLC Finance Ltd. in the year 2011 will be Tk. 2533.7 million.

$$r = 0.95 \qquad r^2 = 0.9$$

From the above trend analysis it can be said the term deposits of IDLC Finance Ltd. in the year 2010-11 will be Tk. 2533.7 million. Since the coefficient of determination (r2) is 0.9, we can conclude that it explains 90% of the degree of association of between years and the term deposits. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.95, we can conclude that positive relationship is associated between years and the shareholder's equity, i.e. as the years go, their amount of shareholder's equity also increases.

Graph 2.2: Comparison

Figures In Million Taka
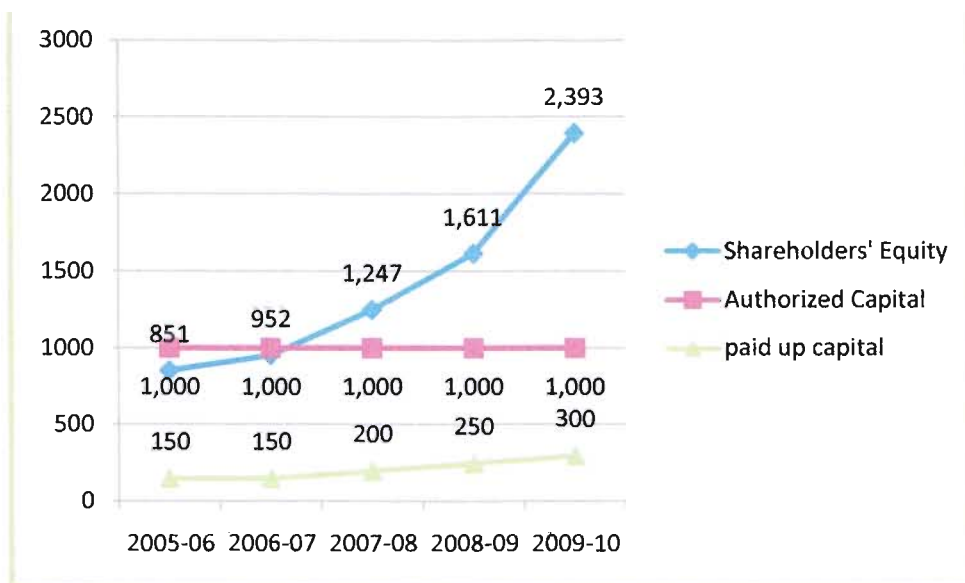
Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

From the table 2.1, 2.2 and 2.3 and graph 2.2, it can be said that the banks authorized capital remain same for past 5 years. Consequently its paid up capital increased. Because of its good performance the shareholder's equity also increased tremendously form 2006-07.

2.3 Distribution of shareholders

Classification of shareholders by holdings as on 31'c December 2005 and 31'" December 2009 were as follows:

Table 2.4: Distribution of Shareholder.

Holding	2005-06		2009-10	
	Number Of Shareholding	% Of Shareholders	Number Of Shareholding	% Of Shareholders
1-500	1454	7.79	2,034 167,761	5.59
501-5,000	37	3.31	125198,000	6.60
5,001-10,000	-	-	14 93,658	3.12
10,001-20,000	1	1.32	9118,155	3.94
20,001-30,000	1	1.55	5133,600	4.45
30,001-40,000	2	4.97	139,600	1.32
40,001-50,000	-	-	282,327	2.74
50,001-100,000	2	8.73	2110,956	3.70
100,001-300,000	7	72.33	72,055,943	68.53
	1504	100	141560711	100

Source: Annual Report- 2005-06 & 2009-10, IDLC Finance Ltd.

From the above table it can be seen that. In 2005-06 72.33% shareholders hold in between 100,001-300,000 shares. However, in 2009-10, the percentage of shareholders decreases to near about 68.53% who holds shares in between 100,001-300,000; while the percentage of shareholders who hold in between 1 to 500 shares has been decreased from 7.79% in 2005-06 to 5.59% in the year 2009-10. This indicates that most of the shareholders hold large number of shares of IDLC Finance Ltd. but in compare to 2005-06 it can be seen that % of shareholding is slightly diversified. As a result, percentage of shareholdings increased from 0% in the year 2005-06 to 3.12% in the year 2009-10 who holds shares in between 5,001 to 10,000 and 40,001 to 50,000 shares.

2.4 Number of Branches:

IDLC Finance Ltd. is always committed to provide services to their valued customers through extensive branch network at all commercially important places across the country. The numbers of branches during the last five years were as follows:

Table 2.5: Number of Branches

Year	Branches	Growth rate
2005-06	9	
2006-07	9	0%
2007-08	9	0%
2008-09	9	0%
2009-10	13	44%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

Graph 2.3(a): No. of Branches	Graph 2.3(a): Number of Branches growth rate
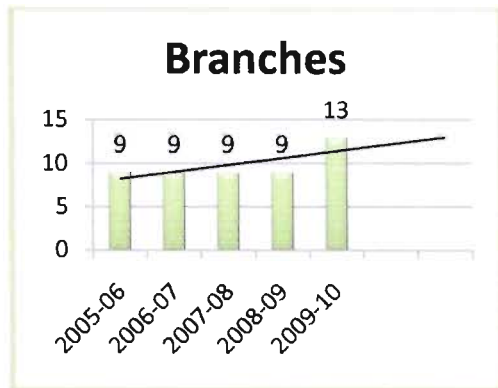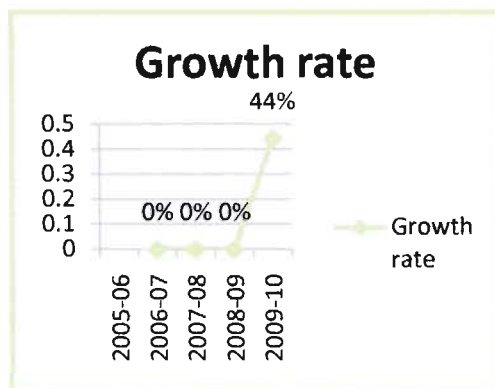
Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

From the Table 2.5 and graphs 2.3 (a) and 2.3 (b), it can be seen that IDLC Finance Ltd. had 9 branches in the year 2005-06. In 2006-07 to 2008-9the figure remain same but in 2009-10 they opened 4 new branches. Now there total number of branches is 13 which represent the growth of 44% then 2008-09. Overall, the number of branches that IDLC Finance Ltd. opened during the period 2005-06 to 2009-10 shows an increasing trend.

If we make a trend analysis about the number of branches of IDLC Finance Ltd. based on the information of last five years, we get,

$$Y_t = 7.4 + 0.8t$$

As per the trend forecast, the number of branches of IDLC Finance Ltd. during the year 2010-11 will be 13.

$$r= 0.707 \qquad r^2=0.5$$

2008 will be 36. Since the coefficient of determination is 0.5, we can conclude that it explains 50% of the degree of association of between rears and the number of branches. It indicates the equation is well fitted between the independent and dependant variable. Since R is positive, i.e. 0.707, we can conclude that positive relationship is associated between years and the number of branches, i.e. as the years go, the number of branches also increases.

2.5 Number Of Employees

The number of employees engaged in IDLC Finance Ltd. during the last five years was as follows:

Table 2.6: Number of employees.

Year	Employees	Growth rate
2005-06	146	
2006-07	154	5%
2007-08	168	9%
2008-09	207	23%
2009-10	253	22%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

Graph 2.4(a): No. of employees	Graph 2.4(b): Growth rate no. of employees
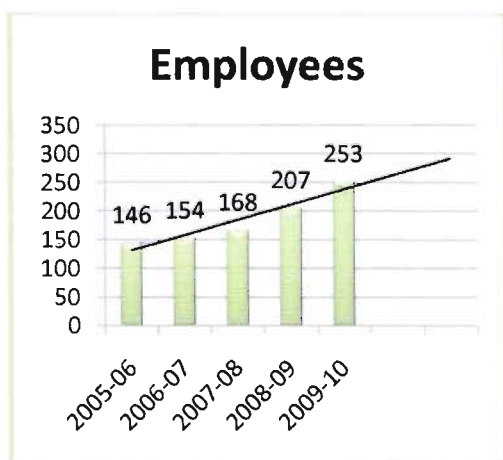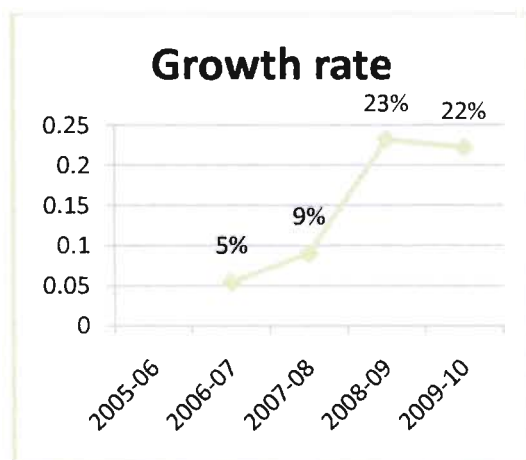
Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

From the table 2.6 and graphs 2.4 (a) and 2.4 (b), it can be seen that the number of employees worked in 2005-06 at IDLC Finance Ltd. was 146. The firm recruited 10 new employees in 2006-07, so the total numbers of employees in 200607 were 154; which represents a growth rate of 5%. In 2009-10, they recruited the highest number of employees and the total number of employees worked for IDLC Finance Ltd. increases to 253 which represent a growth rate of 22%. Overall, the number of employees that IDLC Finance Ltd. recruits during the period 2005-06 to 2009-10 shows an increasing trend.

If we make a trend analysis about the number of employees recruited at IDLC Finance Ltd. based on the information of last five years, we get

$$Y_t = 105.5 + 26.7t$$

As per the trend forecast, the number of employees of IDLC Finance Ltd. during the year 2010-11 will be 266.

$$r=0.95 \qquad r^2=0.905$$

From the above trend analysis it can be said the number of employees of IDLC Finance Ltd. in the year 2010 will be 266. Since the coefficient of determination is 0.905, we can conclude that it explains 90.5% of the degree of association of between years and the number of employees. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.95, we can conclude that positive relationship is associated between years and the number of employees, i.e. as the years go, the number of employees recruited at IDLC Finance Ltd. also increases.

Summary: An Overview Of IDLC Finance Ltd.

The summary of trend equations that have been calculated in this chapter is given below:

Summary of Trend Equations:

	Trend Equation $Y_t=a+mt$	r^2	r
Shareholders' Equity	$Y_t=54774.4+3244.2t$	0.95	0.9
Number Of Branches	$Y_t= 7.4+0.8t$	0.707	0.5
Number of employees	$Y_t=105.5+26.5t$	0.95	0.905

In the above table, a summary of trend equations that have been calculated in this chapter is given along with their respective r and r^2. Three trend equations have been calculated for dependant variables, which were Shareholders' Equity, number of branches and number of employees of IDLC Finance Ltd. In each case, year was the independent variable. Each of the equations have coefficient of determination (r^2) more than or equal 50%. It indicates that these equations are well fitted between the independent and respective dependent variable. Both the trend equations have positive relationship between the independent and dependant variable. It indicates that, as the years goes, the Shareholders' Equity, the number of branches and the number of employees of IDLC Finance Ltd. will also increases.

IDLC
FINANCE LIMITED

CHAPTER 3: An Appraisal Of The Principal Activities Of IDLC Finance Ltd.

Chapter Objectives

- To provide an idea about
- Deposit base of the Firm
- Loans and advances of the Firm
- Investment made by the Firm
- international trade conducted by the Firm
- Products and services offered by the Firm
- Corporate social responsibility performed by the Firm

CHAPTER 4: An Appraisal Of The Principal Activities Of IDLC Finance Ltd.

Chapter Objectives

- To make Comparison and analysis of firm's financial performance
- To make Comparison and analysis of firm's operational performance
- To make Comparison and analysis of firm's financial ratios

IDLC Finance Ltd. is a high- performing private sector financial company, which further consolidated its position in the market in terms of quality service to the customers and value addition to the shareholders. IDLC Finance Ltd. 's unique institutional shareholding structure, comprising mostly of financial institutions, helps the company to constantly develop through sharing of experience and professional approach at the highest policy making level. The principal activities of IDLC Finance Ltd. are:

IDLC Finance Ltd.'s product and service offerings include:

- Offering Debt Products:
- Providing Investment Products:
- Providing Liability Products:
- Offering Corporate Services:
- Taking Deposits:
- Offering Merchant Banking and Portfolio Management Services:
- Risk Management
- Corporate Social Responsibility

3.1. Term deposits:

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:

Table3.1: Term deposit   **Figures In Million Taka**

Year	Term deposits	Growth rate
2005-06	4,487	-
2006-07	5,610	25%
2007-08	8,257	47%
2008-09	8,249	0%
2009-10	9,780	19%

Graph 3.1(a): Term deposits	Graph 3.1(b): Growth rate of Term deposits
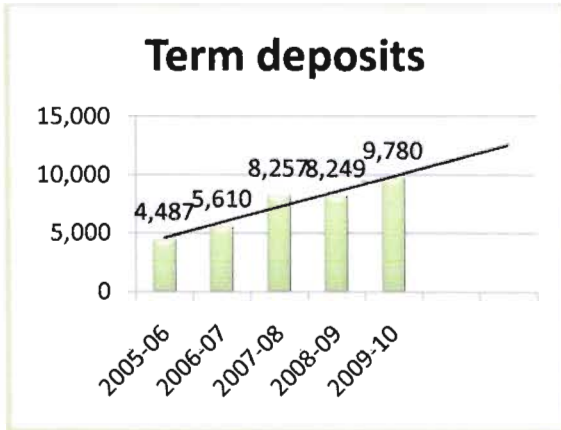
Term deposits

4,487 5,610 8,257 8,249 9,780

2005-06 2006-07 2007-08 2008-09 2009-10

Growth rate

25% 47% 0% 19%

2005-06 2006-07 2007-08 2008-09 2009-10
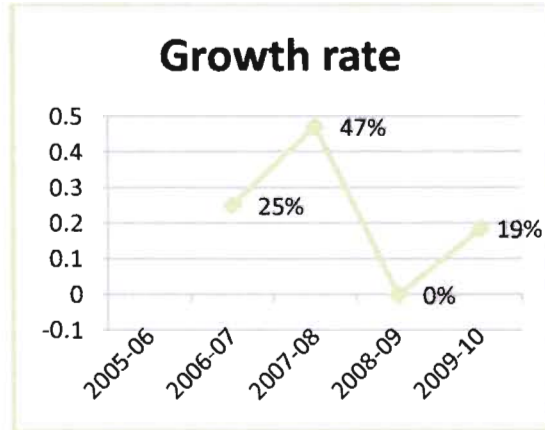
From the table 3.1 and the graph 3.1(a) and(b) se can see that, in the year 2005-06 the term deposit balance was 4,487 million. In the next year it grew up to 25% and continues to increase 2007-08. But the growth rate reduced to 0% in the year 2008-09. Finally IDLC Finance Ltd. managed to increase its term deposit growth up to 19% in 2009-10 over the year 2008-09.

If we make a trend analysis about the term deposits of IDLC Finance Ltd. based on the information above, we get

$$Y_i = 3309.1 + 1322.5t$$

As per the trend forecast, the term deposits of IDLC Finance Ltd. during the year 2010-11 will be Tk.11244.1 million.

$$r = 0.966 \qquad r^2 = 0.934$$

From the above trend analysis it can be said the term deposits of IDLC Finance Ltd. in the year 2010-11 will be Tk.11244.1 million. Since the coefficient of determination (r^2) is 0.934, we can conclude that it explains 93.4% of the degree of association of between years and the term deposits. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.966, we can conclude that positive relationship is associated between years and the amount of deposits, i.e. as the years go, their amount of term deposits also increases.

3.2 Lease and Term loans executed:

Investing in lease and term loan is one of the important tasks for IDLC Finance Ltd. Investing in Lease and Term loans executed during the period 2005-06 to2009-10 were shown below:

Figures In Million Taka

Year	Lease and Term loans executed	Growth rate
2005-06	2,564	
2006-07	2,875	12%
2007-08	2,977	4%
2008-09	3,411	15%
2009-10	3,750	10%

Graph 3.2(a): Lease and Term deposits	Graph 3.2(b): Growth rate of Lease and Term deposits

Lease and Term loans executed

5000
4000   2564 2875 2977 3411 3750
3000
2000
1000
0
    2005-06 2006-07 2007-08 2008-09 2009-10

Growth rate

0.16   15%
0.14   12%
0.12
0.1
0.08
0.06   4%   10%
0.04
0.02
0
    2005-06 2006-07 2007-08 2008-09 2009-10
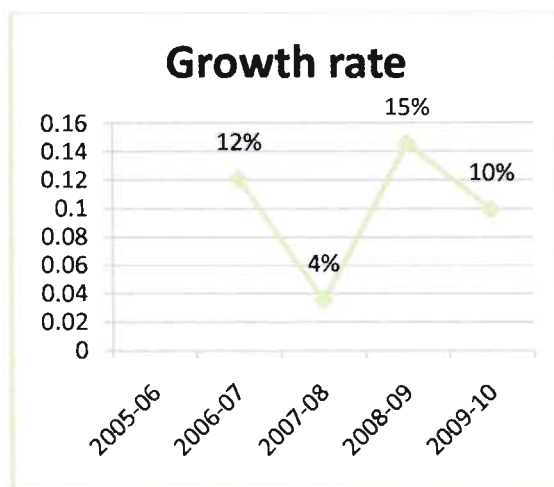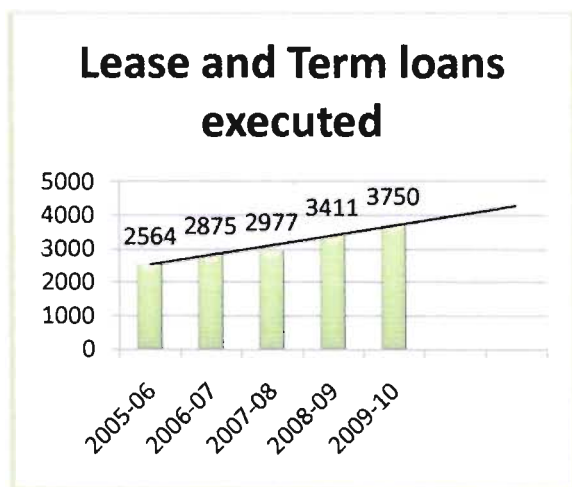
From the table2.3 and graph and 3.2(a) and3.2 (b) we can see that In the year 2005-06 the total lease and term loans executed by IDLC Finance Ltd. was 1564 million which tend to increase up to 2009-20. The growth rate of lease and term loans declined 12% to 4% in the tear 2007-08. However the growth rate has increased 15% and 10% in the following two years.

If we make a trend analysis about the lease and term loans of IDLC Finance Ltd. based on the information above, we get

$$Y_t = 2243 + (-290.8)t$$

As per the trend forecast, the total lease and term loans IDLC Finance Ltd. during the year 2010-11 will be Tk.3987.8 million.

$$r = 0.985 \qquad r^2 = 0.97$$

From the above trend analysis it can be said the total lease and term loans of the year 2010-11 will be Tk, Tk.3987.8 million. Since the coefficient of determination (r^2) is 0.97, we can conclude that it explains 97% of the degree of association of between years and the deposits. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.985, we can conclude that a strongly positive relationship is associated between years and the amount of lease and term loans, i.e. as the years go, their amount of lease and term loans also increases.

3.3 Housing finance disbursement:

IDLC Finance Ltd. also offers housing finance to facilities housing to its customers. The housing finance disbursement during the period 2005-06 to2009-10 were shown below:

Table 3.3: Housing Finance Disbursement   **Figures In Million Taka**

Year	Housing finance disbursement	Growth rate
2005-06	898	
2006-07	1205	34%
2007-08	1255	4%
2008-09	1612	28%
2009-10	1839	14%

Graph 3.3(a): Housing finance Disbursement	Graph 3.3(b): Growth rate of Housing finance Disbursement
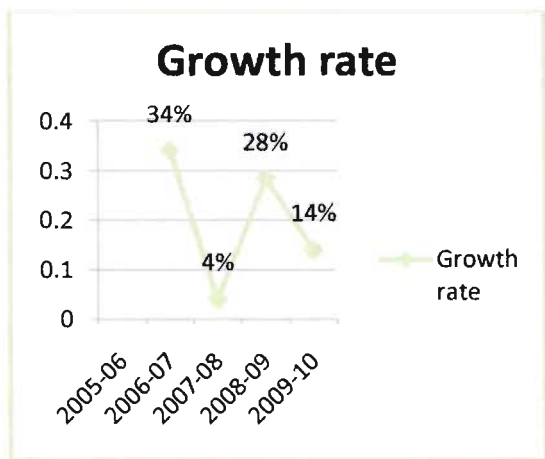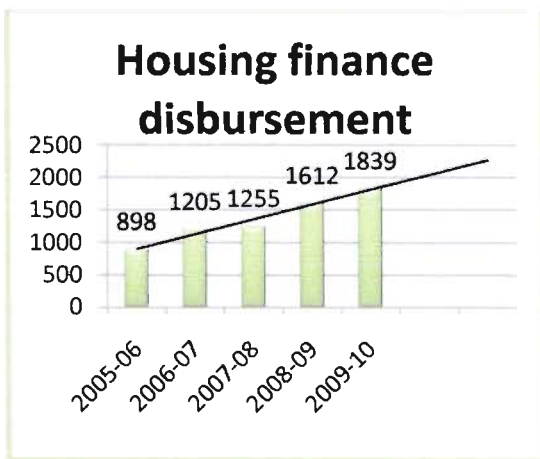
From the table 3.3 and the graph 3.3(a) and(b), it can be seen that the housing finance disbursement was 898 million in the year 2005-06 and the figure is growing in every year in the year 2009-10 the total housing finance disbursement was maximum that is Tk. 1839 million. The growth rate of housing finance disbursement was

little bit fluctuate. In the year 2006-07 it was 34% and reduced 4% and then climbed up to 28% finally it reduced to 14% in the year of 2009-10.

If we make a trend analysis about the housing finance disbursement of IDLC Finance Ltd. based on the information above, we get

$$Y_t = 675.1 + 228.9t$$

As per the trend forecast, housing finance disbursement IDLC Finance Ltd. during the year 2010-11 will be Tk.2048.5 million.

$$r = 0.98 \qquad r2 = 0.97$$

From the above trend analysis it can be said the total housing finance disbursement of the year 2010-11 will be Tk.2048.5 million. Since the coefficient of determination (r2) is 0.97, we can conclude that it explains 97% of the degree of association of between years and the deposits. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.98, we can conclude that a strongly positive relationship is associated between years and the amount of housing finance disbursement, i.e. as the years go, their amount of housing finance disbursement also increases.

3.4 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 2005-06 to2009-10 were shown below:

Table 3.4: Short Term Finance Portfolio.   **Figures In Million Taka**

Year	Short term finance portfolio	Growth rate
2005-06	355	
2006-07	426	20%
2007-08	213	-50%
2008-09	336	58%
2009-10	317	-6%

Graph 3.4(a): Short term Finance Portfolio	Graph 3.4(b): Growth rate of Short term Finance Portfolio

Graph 3.4(a): Short term finance portfolio

Graph 3.4(b): Growth rate
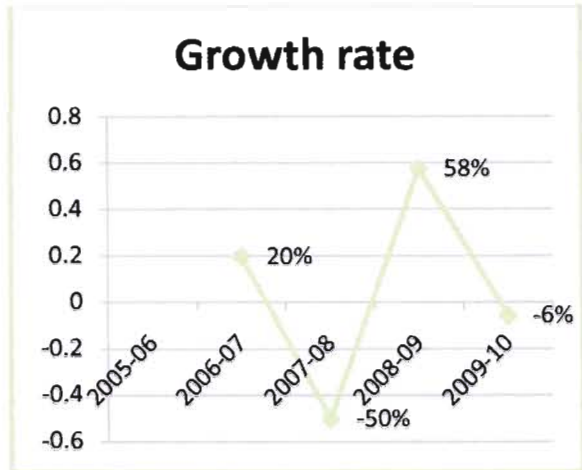
From the cable 3.4 and graphs 3.4(a) and 3.4(b), we can see that, the amount of Short term finance decreases every year from 2006-07 to year 2009-10, However, the growth rate of loans and advances is not same during these years. The Short term finance portfolio growth rate was near about -50% compared to the year 2006-07 as the economy was dull due to economical recession. Bur in year 2008-09, it has a huge jump in growth rate, near about 58% however it declined up to-6% in the year 2009-10. This jump was caused because they have decreased their interest on Short term finance and makes the agreements more flexible.

If we make a trend analysis about the Short term finance portfolio of IDLC Finance Ltd. based on the information above, we get

$$Y_t = 379.2 + (-16.6)t$$

As per the trend forecast, Short term finance portfolio IDLC Finance Ltd. during the year 2010-11 will be Tk. 279.6 million.

$$r = -0.34 \qquad r^2 = 0.11$$

From the above trend analysis it can be said the Short term finance portfolio of the year 2010-11 will be Tk. 279.6 million. Since the coefficient of determination (r^2) is 0.11, we can conclude that it explains 11% of the degree of association of between years and the deposits. It indicates the equation is well fitted between the independent and dependant variable. Since r is negative, i.e. -0.34, the degree of association is not sufficient enough to validate this result. We can conclude that the equation is not well fitted between years and Short term

finance portfolio. Instead, Short term finance portfolio ratio is dependent on other factors, like the country economy, company's strategy etc.

3.5 Lease Finance:

IDLC Finance Ltd.'s one of the main function is to lease financing. Every year they invest huge amount in this sector. The Lease Finance during the period 2005-06 to 2009-10 was shown below:

Table 3.5: Lease Finance.   **Figures In Million Taka**

Year	Lease Finance	Growth rate
2005-06	4711	
2006-07	5001	6%
2007-08	4571	-9%
2008-09	4724	3%
2009-10	4389	-7%

Graph 3.5(a): Lease Financing	**Graph 3.5(b): Growth rate of Lease Financing**
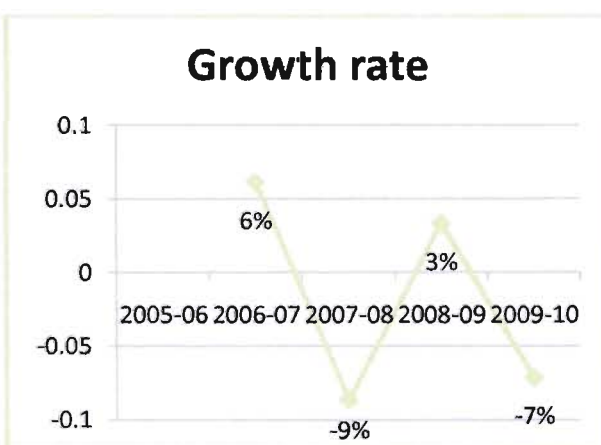
From the cable 3.5 and graphs 3.5(a) and 3.5(b), we can see that the amount of Lease Finance is in fluctuate situation. In the year 2005-06 the amount was 4711 million and it increased to 5001 million in the next year which growth tare was 6% and the next year 2007-08 in decline to -9%. And remain fluctuating situation till now. In the year the Lease Finance was lowest among these years; that is 4389 million.

If we make a trend analysis about the Lease Finance of IDLC Finance Ltd. based on the information above, we get

$$Y_t = 4955.5 + (-92.1) \, t$$

As per the trend forecast, Lease Finance IDLC Finance Ltd. during the year 2010-11 will be Tk. 4402.9 million.

$$r = 0.65 \qquad r^2 = 0.42$$

From the above trend analysis it can be said the total housing finance disbursement of the year 2010-11 will be Tk.4402.9 million. Since the coefficient of determination (r^2) is 0.42, we can conclude that it explains 42% of the degree of association of between years and the deposits. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.65, we can conclude that a positive relationship is associated between years and the amount of Lease Finance, i.e. as the years go, their amount of Lease Finance also increases.

3.6 Housing finance assets:

The Housing finance assets during the period 2005-06 to 2009-10 was shown below:

Table 3.6 Housing Finance Assets.   **Figures In Million Taka**

Year	Housing finance assets	Growth rate
2005-06	1943	
2006-07	2441	26%
2007-08	3056	25%
2008-09	3915	28%
2009-10	4789	22%

Graph 3.6(a): House Finance Assets	Graph 3.6(b): Growth rate of House Finance Assets
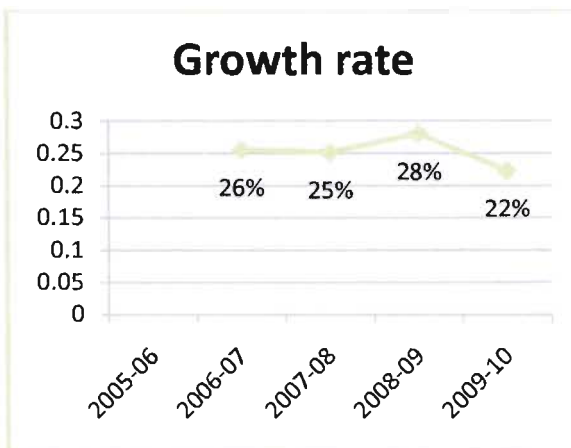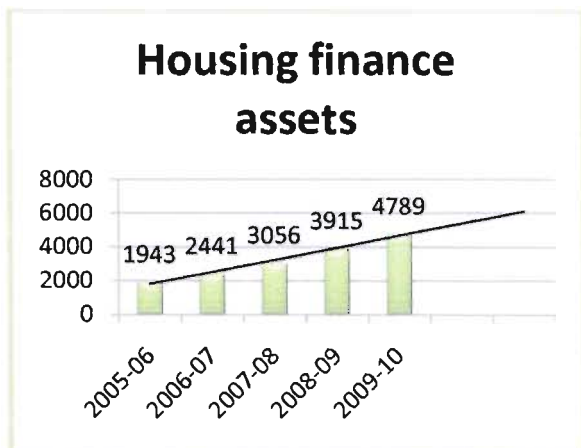
From the cable 3.6 and graphs 3.6(a) and 3.6(b), we can see that the amount of Housing finance assets increases every year from 2006-07 to year 2009-10, in indicates that management are more focusing on this segment. In However, the growth rate of Housing finance assets is almost stable during these years. The Housing finance assets growth rate was near about 26% compared to the year 2005-06. However in the year 2009-10 the growth rate has decline to 22%.

If we make a trend analysis about the Housing finance assets of IDLC Finance Ltd. based on the information above, we get

$$Y_t = 1079 + 716.6t$$

As per the trend forecast, Housing finance assets IDLC Finance Ltd. during the year 2010-11 will be Tk. 5378.6 million.

$$r = 0.99 \qquad r^2 = 0.98$$

From the above trend analysis it can be said the total housing finance disbursement of the year 2010-11 will be Tk. 5378.6 million. Since the coefficient of determination (r^2) is 0.98, we can conclude that it explains 98% of the degree of association of between years and the deposits. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.99, we can conclude that a positive relationship is associated between years and the amount of Housing finance assets , i.e. as the years go, their amount of Housing finance assets also increases.

3.7 Risk Management:

Risk is the element of uncertainty or possibility of loss that prevail in any business transaction in any place, in any mode and at any time. Risk is an integral part of financing business. Risk management entails the adoption of several measures to strengthen the ability of an organization to cope with the vagaries of the complex business environment in which it operates IDLC Finance Ltd. always concentrates on delivering high value to its stakeholders through appropriate tradeoff between risk and return. A well structured and proactive risk management system is in place within the Company to address risks relating to credit, market, liquidity and operations. Risk grading is assigned at the inception of lending considering the industry, business, financial and management risk associated with the financing. The Company has different committees for risk management and appropriate internal control measures are also in place to mitigate risk. In addition to the industry best practices for assessing, identifying and measuring risks, IDLC Finance Ltd. also considers guidelines for managing core risks of financial institutions issued by the Country's Central Bank, Bangladesh Bank; vide FID Circular No. 10 dated September 18, 2005 for management of risks.

3.7.1 Credit Risk:

Credit risk is the possibility that a borrower or counter party will fail to meet agreed obligations. Thus managing credit risk for efficient management of a financial institution (FI) has become the most crucial task. Given the fast changing, dynamic global economy and the increasing pressure of globalization, liberalization, and consolidation it is essential that FIs have robust credit risk management policies and procedures that are sensitive and responsive to these changes. At IDLC Finance Ltd., credit risk may arise in the following forms:

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

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

- Multilayer approval process
- Policy for maximum sector and group exposure limit
- Policy for customers maximum asset exposure limit
- Mandatory search for credit report from Credit Information Bureau

- Looking into payment performance of customer before financing
- Annual review of clients
- Adequate insurance coverage for funded assets
- Vigorous monitoring and follow up by Special Assets Management Team
- Strong follow up of compliance of credit policies by Operational Risk Management Department
- Taking collateral
- Seeking external legal opinion
- Maintaining neutrality in politics and following arm's

Length approach in related party transactions Regular review of market situation and industry exposure The Credit Evaluation Committee (CEC) regularly meets to review the market and credit risk related to lending and recommend and implement appropriate measures to counter associated risks. The CEC critically reviews projects from risk point of view. An independent Credit Risk Management Department is in place, at IDLC Finance Ltd., to scrutinize projects from a risk-weighted point of view and assist the management in creating a high quality credit portfolio and maximize returns from risk assets.

3.7.2 Market Risk

Market risk refers to the risk of fluctuation in a variety of markets such as interest rates, prices of securities where the values of assets and liabilities can change and there exists the risk of incurring losses. The Asset Liability Committee (ALCO) of the Company regularly meets to assess the changes in interest rate, market conditions, carry out asset liability maturity gap analysis, re-pricing of products and thereby takes effective measures to monitor and control interest rate risk. To encounter market risk they are negotiating for a facility that matches the maturity structure with ideal interest rate, maintaining a balanced diversification in investments and maintaining prudent provisioning policies. IDLC Finance Ltd. has also strong access to money market and credit lines at a competitive rate through good reputation, strong earnings, financial strength and credit rating. However, in order to mitigate any adverse effect that results from fluctuating interest rate in future, they are planning to issue bonds and fixed rate long term loans to raise funds.

3.7.3 Liquidity Risk:

Liquidity risk arises when a company is unable to meet the short term obligation to its lenders and stakeholders. This arises from the adverse mismatch of maturities of assets and liabilities. Liquidity requirements are managed on a day-to-day basis by the Treasury Division which is responsible for ensuring that sufficient funds are available to meet short term obligations, even in a crisis scenario, and for maintaining a diversity of funding sources. Treasury Division maintains liquidity based on historical requirements anticipated funding requirements from operation, current liquidity position, collections from financing, available sources of funds and risks and returns. The Asset Liability Committee also oversees the asset liability maturity position and recommend and implement appropriate measure to encounter liquidity risk.

3.7.4 Operational Risk:

Operational risk is the potential loss arising from a breakdown in company's systems and procedures, internal control, compliance requirements or corporate governance practices that results in human error, fraud, failure, damage of reputations, delay to perform or compromise of the company's interests by employees. Operational risk may also arise from the following:

- Turnover of trained staff
- Risk of insider dealings
- Leakage of sensitive information
- Shortcomings of organizational structure
- Risk of falling in credit ratings
- Money laundering
- Changes in statutory requirements
- Technological obsolescence

Appropriate internal control measures are in place, at IDLC Finance Ltd., to address operational risks. IDLC Finance Ltd. has also established an internal control & compliance department (ICCD) to address operational risk and to frame and implement policies to encounter such risks. This department assesses operational risk across the Company as a whole and ensures that an appropriate framework exists to identify, assess and mange operational risk. The function of ICCD is to constant vigilance against leakage of Shareholders value by identify, assess, measure, manage and transfer operational risk resulting from inadequate or failed internal processes, people and system or from external events. ICCD also develops policies, processes and procedures for managing operational risk in all of the company products, activities, processes and systems by identifying and assessing the operational risk inherent in all their products, activities, processes and systems. In particular, the following risk management measures are present at IDLC Finance Ltd. to address operational risk:

Effective internal audit function throughout the organization with direct access of Chief Internal Auditor to the Audit Committee and Board

- Suitable delegated authority level
- Awareness throughout the organization on "Know Your Customer" policy
- Maintenance of assets through maintenance agreement with vendor
- Proper risk transfer measure by taking insurance coverage for all assets of the Company
- Infusing organizational values and ethics in employees
- Strict compliance of Employees Code of Conducts
- Regular compliance audit in relation to reporting requirements to regulatory bodies and other stakeholders
- Creating conducive working environment for the staff
- Implementation of computer based MIS system
- Implementation of proper backup system

- Regular upgrading of hardware and software to keep it up to state of the art level

Business volume risks At IDLC Finance Ltd., business volume risk may arise in the form of risk of falling business volumes and market share, risk of being overtaken and losing leadership position and risk of over trading which may affect profitability due to volatile revenues and reduced spread earnings, credit rating and reputation. Risk of over trading may lead to insufficient capital. To encounter and mitigate business volume risk the following risk mitigation measures are in place, at IDLC Finance Ltd.:

- Regular review of global economic situation and taking appropriate measure
- Innovative and convenient financial products and services
- Taking prompt action on customer complaints
- Frequent assessment of clients satisfaction
- Regular review of performance against budget and targets
- Review and analysis of competitors performance
- Assessment of the riskiness of the operation

IDLC Finance Ltd. estimate their risk exposure based on their own assessment of the operations as well as the market perception to be as follows:

Table 3.7 Types of Risk Taking:

Type of Risk Rating	
Credit Risk	Moderate
Market Risk	Moderate
Liquidity risk	Low
Operational risk	Low
Business volume risk	Moderate

3.8 Corporate Social Responsibility (CSR):

An institution is only as good as the community it grows up in. IDLC Finance Ltd.'s policy is to constantly harness their social capital and provide opportunities for this to grow. IDLC Finance Ltd. believes that CSR does not mean just doling out largesse. Rather it means the strategic use of money and other resources, to empower communities, and to help people help them. They have made it a point to inculcate a deeper sense of responsibility and a stronger awareness among our staff on this issue. They have created a strong culture of corporate social responsibility, at all levels, and labored the point that IDLC Finance Ltd. has a significant role to play as a leading corporate citizen. Their branch network and increased SME focused operation enabled us not only to reach remote areas and many more lives, but also provide the small entrepreneurs with new leases of life, which will help in sustainable economic and social development. They remain ever conscious of our social responsibilities as an integral element of their corporate culture. With a view to contributing to poverty reduction and sustainable development in Bangladesh by supporting the development of SMEs that are close to being ready to invest and/or export, that will benefit the poor, through the creation of better jobs, and ultimately sustainable livelihood, IDLC Finance Ltd. established the Local Enterprise Investment Centre (LEIC) in 2005. The LEIC, a pilot project, managed by IDLC Finance Ltd. and funded by the Canadian International Development Agency (CIDA) was designed for a life span of forty months, which ended on March, 2009. Half of their total population is female and they believe that they have the potential to contribute to the society and economy. Keeping this in mind, they have started Women Entrepreneur Loan Scheme at a low rate, in 2007, to support women and which will help them to be self dependent.

Environmental issues

IDLC Finance Ltd. believes in development that meets the needs of their present generation, without compromising the possibilities of future generations to meet their needs IDLC Finance Ltd.'s products and services are not environmentally harmful. However as the Company is committed to the society, environmental issues related with projects are dealt with regularly in the process of project appraisal. Their relationship managers investigate all related environmental issues at the appraisal stage of projects. Extra efforts are given in analyzing the implications of environmental issues for projects, which may have critical environment implications. IDLC Finance Ltd., generally, avoids investments where environmental risks are considered high. In all the investment projects, their appraisal team always checks whether the client is complying with the Environmental Conservation Act 1995 and Environmental Conservation Rules 1997.

3.9 Offering various products and services:

IDLC Finance Ltd. always believes that customers are dynamic and they always try to meet the continuous changing need of their valued customers. A brief description is given bellow:

3.9.1 Deposit Mix:

IDLC Finance Ltd. has deigned their deposit mix and continuously enriched their offer for the customer. Their deposit product's brief description is given bellow:

3.9.1.1 Personal product of IDLC:

The deposit amount will mature to a lump sum amount on completion of the term. Under this scheme, the interest will be accumulated and thereby will help to meet the account holder's substantial future requirements.

Features of the deposit:

Minimum Amount: BDT 10,000

Minimum term: 12 months

Interest Rate:

Term	Interest Rate
1 year	9.50%
2 years	10.00%
3 years-5 years	10.25%

3.9.1.2 Annual profit Term Deposit:

Under this scheme account holder will receive interest every year of the deposit. This annual distribution of the interest will help account holder to maintain a regular income flow while keeping the deposit amount intact.

Features of the deposit

Minimum Amount: BDT 10,000

Minimum term: 12 months

Interest Rate:

Term	Interest Rate
1 year	9.50%
2 years	10.00%
3 years-5 years	10.25%

3.9.1.3 Double / Triple Money Deposit:

Under this scheme, the deposit amount will double/ triple on completion of the term, helping to meet the account holder's substantial future requirements.

Features of the deposit

Minimum Amount: BDT 10,000

Minimum term: 12 months

Interest Rate:

        For double: 6 years 10 months

        For triple: 10 years 10 months

3.9.1.4 Millionaire / Multi millionaire Scheme:
Under this scheme, account holder will be able to deposit on monthly basis and on completion of the term; account holder will get a substantial amount of return with interest.

Minimum Initial Amount: Nil

Minimum term: 36 months

3.9.1.5 Multimillionaire Scheme:
IDLC Multi-Millionaire Scheme is account holder's unique monthly deposit scheme that account holder will decide.

- Initial fixed deposit size
- Monthly deposit size
- Duration (from 3 years to 10 years)
- Maturity Value (minimum BDT 500,000)

3.9.1.6 Monthly / Quarterly Earner Deposit

Account holder will receive a fixed monthly / quarterly return against the deposit. This is an ideal scheme for senior citizens who wish to preserve their retirement funds and at the same time want to earn interest to meet recurring expenses.

Features of the deposit

Minimum Amount: BDT 10,000

Minimum term: 12 months

Interest Rate:

Term	Interest Rate	Monthly Return per BDT 100,000 (Before Tax)
1 year	9.50%	TK. 792/-
2 years	10.50%	TK. 875/-
3 years & above	10.75%	TK. 895/-

Quarterly Return

Term	Interest Rate	Quarterly Return per BDT 100,000 (Before Tax)
1 year	9.50%	TK. 2,394/-
2 years	10.75%	TK. 2,711/-
3 years & above	11.00%	TK. 2,775/-

3.9.2 Home loan:

The leading home loans provider in the country offers the most convenient home loans to suit the needs of the borrower.

Home loan for NBR

IDLC Finance Ltd. has been a part of a 10 years journey in the real estate financing arena with more than four thousand customers. IDLC offers maximum loan amount and terms for NRB customers and extend all possible cooperation to fulfill their dream to build up asset in their home land.

Home loan shield:

IDLC now provides complete protection to its home loan borrowers. Now home loans borrowers of IDLC can avail life insurance coverage equivalent to the amount of the outstanding home loan. Home Loan Shield is a specially designed Group Life Insurance Scheme, which protects borrower's family in borrower's unfortunate death. The shield takes over the outstanding principal amount of home loan with IDLC thus protecting your beloved family from burden of repayment. This scheme is designed for middle and lower middle class customers to purchase or construct new apartment for own dwelling with in the area of 6 city corporation areas (Dhaka, Chittagong, Rajshahi, Khulna, Sylhet, Barishal) and municipality areas of Tongi, Gazipur, Savar and Narayangonj.

3.9.3 Car loan:

Owning car is no longer a luxury anymore; rather it is a useful investment that improves the quality of life. The family car is increasingly becoming a vital part of our everyday life. With IDLC Car Loan, borrower can own car and add excitement.

3.9.4 SME product of IDLC:

3.9.4.1 Small business loan:

Small Business is a loan facility designed to finance small scale trading, manufacturing and service ventures, especially to help small and medium entrepreneurs to meet their short-term cash flow shortages and bridge the fund-flow gaps.

Loan Limit:

From BDT 3 lac to BDT 50 lac

Interest Rate

@ 10% Lowest interest rate in the market

3.9.4.2 Medium business loan

SME-Mid segment offers mid and longer term financial solutions to a wide range of clienteles who are in their journey to emerge as promising corporate houses in near future. The portfolio comprises of various private limited companies, partnership and proprietorship concerns with promising business opportunities. IDLC Finance Ltd. offer a range of financial services which includes, but not limited to-

- Lease Financing
- Sale & Lease Back
- Term Loan
- Project Financing - Fixed cost
- Bridge Financing
- Refinancing of Existing Liabilities
- Long Term Finance for Real Estate Developers
- Loan to corporate houses to procure commercial space

3.9.4.3 Factoring:

Factoring of Accounts Receivable is a mode of financing receivables arising out of supply of goods or delivery of services on credit. This revolving short term financing facility enables the suppliers/ service providers to realize the maximum portion of the payment soon after the delivery is made to the buyer. In addition to financing, factoring offers value added services like:

Sales ledger administration

Follow up and physical collection of payments

Monthly reporting

3.9.5 Corporate product of IDLC:

3.9.5.1 Corporate division:

To cater mid and longer term financial needs in order to meet diversified requirements of the broad spectrum of clientele comprising Local Corporate Houses and Multinational Companies operating in Bangladesh, IDLC Finance ltd. offers a range of financial services which includes, but not limited to:

- Lease Financing

- Sale & Lease Back

- Term Loan

- Project Financing - Fixed cost

- Bridge Financing

- Refinancing of Existing Liabilities

- Long Term Finance for Real Estate Developers

- Loan to corporate houses to procure commercial space

3.9.5.2 Advisory division

The Structured Finance Department can offer a range of advisory services to corporate clients to meet their specific requirements. The Fund Raising and Advisory Services can also complement each other in satisfying the unique needs of the clients. IDLC Finance ltd. offers Advisory Services for:

Merger & Acquisition

Joint-Venture Matchmaking

Feasibility Study

3.9.5.3 Syndicate and fund raising:

As a trusted partner of the leading corporate houses of Bangladesh, the Structured Finance Department is equipped with the knowledge, expertise and network to offer customized fund-raising services in a variety of modes:

Loan Syndication
Private Placement of Equity
Project Finance
Foreign-Currency Loan & Special Funds

3.9.6 Capital market products

3.9.6.1 Merchant banking decision:

Capital market differs from other markets in many aspects and, hence, the investment process in capital market is also unique and complex. Therefore, professional portfolio management services are required for ensuring optimum performance of the investment portfolio.

3.9.6.2 Security brokerage:

IDLC is dedicated to providing a high level of professional and personalized services to its domestic and international clients. The company intends to offer high quality product and service at a competitive rate to all clients. It has proven reputation in serving customers by maintaining strong compliance practices and extreme ethical standard.

3.9.6.3 Issue management:

The Issue Management Team is capable of devising innovative solution for raising capital - debt and equity - from the market suiting the unique needs and constraints of the corporate clients. Issue Management services of Merchant Banking Division include Public Issue Management of Initial Public Offering, Repeat Public Offering, Bond Issuance, Rights Share Offering, Corporate Advisory Service in various matters. The team is staffed with some of the most qualified, experienced and innovative personnel in the sector to offer corporate clients the best solution in terms of managing public offers.

Summary: An Appraisal Of Principal Activities Of IDLC Finance Ltd.

Summary Of Regression Equations

	Regression Equation Y_t	r2	r
Term deposits	$Y_t = 3309.1 + 1322.5t$	0.934	0.966
Lease and Term loans executed	$Y_t = 2243 +- 290.8t$	0.97	0.985
Housing finance disbursement	$Y_t = 675.1 + 228.9t$	0.97	0.98
Short term finance portfolio	$Y_t = 675.1 + 228.9t$	0.11	-0.34
Lease Finance	$Y_t = 4955.5 + (-92.1)t$	0.42	0.65
Housing finance assets	$Y_t = 1079 + 716.6t$	0. 98	0.99

In the above table, a summary of regression equations that have been calculated to forecast the Term deposits, Lease and Term loans executed, Housing finance disbursement, Short term finance portfolio, Lease Finance, Housing finance assets of IDLC Finance Ltd. in the year 2010-11 is given along with their respective r and r^2. Total two regression equations have been calculated where die amount of deposits is the independent variable and total volume of loans and advances and total investments arc dependant variable. All the equations have coefficient of determination (r^2) more than 90% except Short term finance portfolio and Lease Finance. It indicates that these equations are well fitted between the independent and respective dependent variable. All the regression equations have positive relationship between the independent and dependant variable. It indicates that with an increase in independent variable, the respective dependant variable also increases except Short term finance portfolio and Lease Finance. These factors are depending on external factors like country economical factor.

IDLC FINANCE LIMITED

CHAPTER 4: An Appraisal Of The Principal Activities Of IDLC Finance Ltd.

Chapter Objectives

- To make Comparison and analysis of firm's financial performance
- To make Comparison and analysis of firm's operational performance
- To make Comparison and analysis of firm's financial ratios

4.0 Financial performance of IDLC Finance Ltd.

In this chapter a thorough analysis of the financial performance of IDLC during the period 2005-06 to 2009-10 has been done. The analysis has been done in three segments. Firstly, there is a comparison made among the operating income and expenditure of IDLC during the period 2005-06 to 2009-10. Then a comparison has been made among the net income of IDLC during this period. Thirdly, a detailed analysis of some of the ratios indicating the bank's performance during this period has been made. In each, trend analysis has been made. Also the coefficient of determination (r^2) and coefficient of correlation (r) has been found to predict the strength of the trend equations.

4.1 Comparison between Operating Income and operating Expenditure:

In the following table a comparison between the operating income and operating expenditure of idlc during the period 2005-06 to 2009-10 has been made:

Table 4.1: Comparison between Operating Income and Operating Expenditure   **Figures In Million**

Year	Operating Income	Operating Income growth rate (%)	Operating Expenditure	Operating Expenditure growth rate (%)	Difference between Operating income and Operating expenditure
2005-06	476	-	152	-	324
2006-07	479	1%	197	30%	282
2007-08	883	84%	272	38%	611
2008-09	1,179	34%	352	29%	827
2009-10	1,913	62%	489	39%	1424

Source: Annual Report- 2005-06 to 2009-10, **IDLC Finance Ltd.**

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

In the table 4.1 and graph 4.1, it is seen that the growth rate of operating income of 2005-06 is comparatively less than these 5 years which is only 1% but it has been increased the following years. The growth rate has been maximized to 62% in 2009-10. The trend of growth rate is promising which indicates that the firms operating income will increase more in the distance future. . As the difference between operating income and operating expenditure is increasing day by day the operating expense is also increasing but not as much as operating income; which indicates IDLC finance Ltd. has gained efficiency in overall operations and as a result they achieved higher operating income with less operating expenses

4.2 Total asset:

Total asset movement of IDLC during the period 2005-06 to 2009-10 was as follows:

Table 4.2 Total assets   **Figures In Million Taka.**

Year	Total asset	Growth rate
2005-06	9,291	
2006-07	11,680	26%
2007-08	15,056	29%
2008-09	17,342	15%
2009-10	22,681	31%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

Graph 4.2(a): Total Asset	Graph 4.2(b): Growth rate of Total Asset
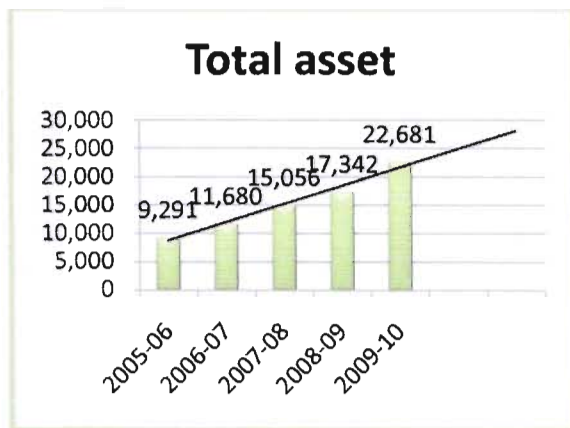
Total asset
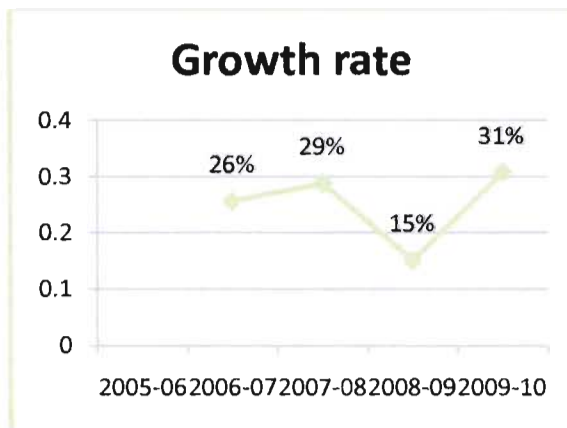
Growth rate

From the table 4.2 and graph and 4.2(a) and 4.2 (b) it can be seen that in the year 2005-06 the total asset was Tk. 9,291 million. In the next year it grew up to 26% and continues to increase up to 2009-10. But the growth rate reduced to 15% in the year 2008-09. Finally IDLC managed to increase its total assets growth up to 31% in 2009-10 over the year 2008-09.

If we make a trend analysis about the total assets of IDLC based on the information above, we get

$$Y_t = 5477.4 + 3244.2t$$

As per the trend forecast, total assets of IDLC in the year 2011 will be Tk. 24942.6 million.

$$r = 0.99 \qquad r^2 = 0.98$$

From the above trend analysis it can be said the total asset of IDLC in the year 2010-11 will be Tk.24942.6 million. Since the coefficient of determination (r^2) is 0.98, we can conclude that it explains 98% of the degree of association of between years and the term deposits. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.99, we can conclude that positive relationship is associated between years and the amount of total asset, i.e. as the years go, their amount of total asset also increases.

4.3 Market Capitalization:

The market capitalization movement of IDLC during the period 2005-06 to 2009-10 was as follows:

Figures In Million Taka.

Year	Market Capitalization	Growth rate
2005-06	1,511	
2006-07	1,176	-22%
2007-08	3,038	158%
2008-09	5,723	88%
2009-10	11,109	94%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

Graph 4.3(a): Market Capitalization	Graph 4.3(b): Growth rate of Market Capitalization
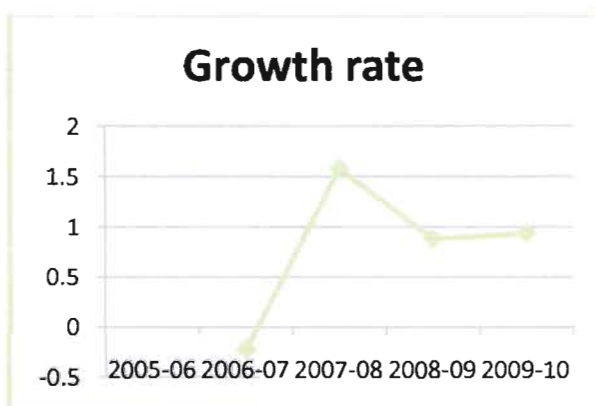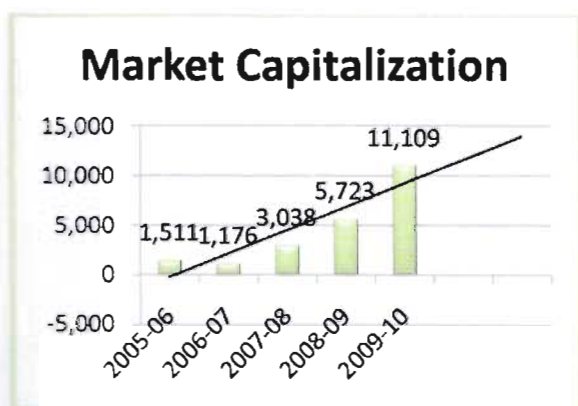
From the table 4.3 and graph and 4.3(a) and 4.3(b) it can be seen that the market capitalization of IDLC is in increasing trend though the growth rate is stable after huge jump in 2007-08. It 2005-06 the market capital of idlc was Tk. 1511 million then it declined to Tk. 1176 million. Finally in the figure reached maximum in the year 2009-10 that is Tk. 11109 million.

If we make a trend analysis market capitalization of IDLC Finance Ltd. based on information above, we get:

$$Y_t = -2611.5 + 2374.3t$$

As per the trend forecast, the market capitalization of IDLC in the year 2011 will be Tk. 11634.3 million.

$$r = 0.92 \qquad r^2 = 0.84$$

From the above trend analysis it can be said the market capitalization of the year 2011 will be Tk. 11634.3 million. Since the coefficient of determination is 0.84, we can conclude that it explains 84% of the degree of association of between years and the net income. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.92, we can conclude that a strongly positive relationship is associated between years and the market capitalization, i.e. other Things held constant, as the years go, their market capitalization also increases.

4.4 Book value:

Book value represents the actual current share value of a firm. The more the book value is the more the valuable the firm is. The book value movement of IDLC during the period 2005-06 to 2009-10 was as follows:

Table 4.4: Book Value   **Figures In Million Taka.**

Year	Book value	Growth rate
2005-06	284	
2006-07	317	12%
2007-08	416	31%
2008-09	537	29%
2009-10	798	49%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

Graph 4.4(a): Book Value	Graph 4.4(b): Growth Rate of Book Value
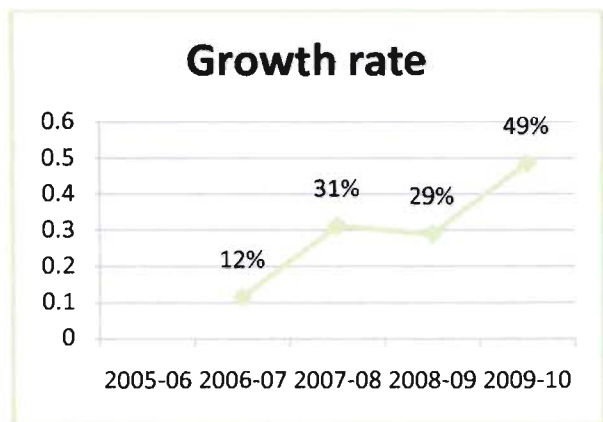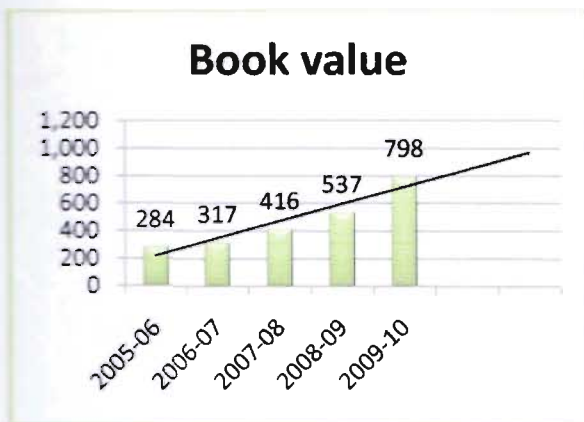
From the table 4.4 and graph and 4.4(a) and 4.4(b) it can be seen that the firm's book value is in increasing trend. Book value of IDLC was Tk. 284 in 2005-06.though the growth rate of book value was declined in 2008-09 at 29% but in 2009-10 it reached maximum that is Tk. 798.

If we make a trend analysis book value of IDLC Finance Ltd. based on information above, we get:

$$Y_t = 96 + 124.8\,t$$

As per the trend forecast, the book value of IDLC in the year 2011 will be Tk. 844.8

$$r = .95 \qquad r^2 = 0.9$$

From the above trend analysis it can be said the book value of the year 2011 will be Tk. 844.8. Since the coefficient of determination is 0.9, we can conclude that it explains 90% of the degree of association of between

years and the book value. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.95, we can conclude that a strongly positive relationship is associated between years and the book value, i.e. other Things held constant, as the years go, their book value also increases.

4.5 Market price of share:

Market price of share is the price in which rate the share of that company is traded in market. The Market price of share movement of IDLC Finance Ltd. during the period 2005-06 to 2009-10 was as follows:

Table 4.5: Market Price of Share   **Figures In Million Taka.**

Year	Market price of share	Growth rate
2005-06	1,007	
2006-07	784	-22%
2007-08	1,519	94%
2008-09	2,289	51%
2009-10	3,703	62%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

Graph 4.5(a): Market Price Of Share	Graph 4.5(b): Growth Rate Of Market Price Of Share
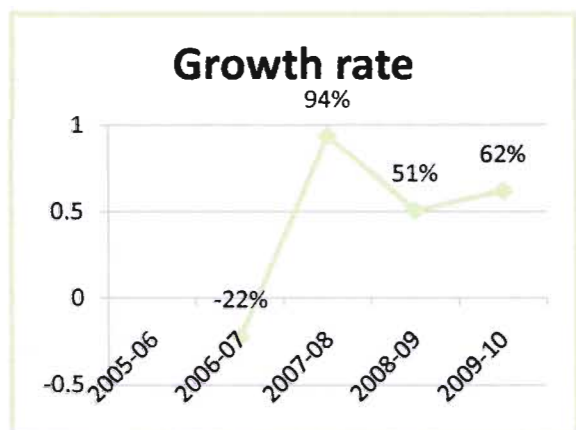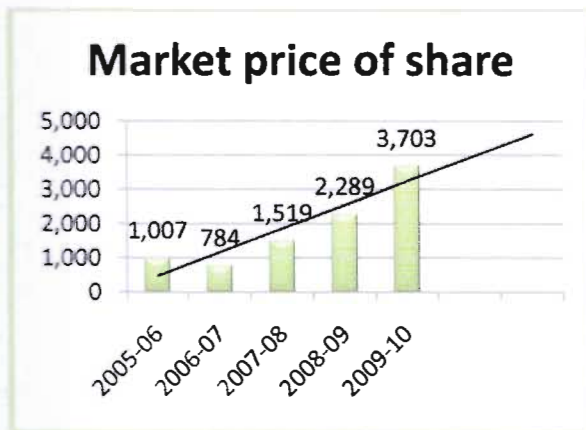
From the table 4.5 and graph and 4.5(a) and 4.5(b) it can be seen that the firm's market price per share is in increasing trend. Market price per share of IDLC was Tk. 1007 in 2005-06 but in the year 2006-07 it reduced to Tk. 784 beacause of bearesh market condition. After that the price is continuously increasing till now. In 2009-10 it reached maximum that is Tk. 3703.

If we make a trend analysis Market price of shares IDLC Finance Ltd. based on information above, we get:

$$Y_t = -208.7 + 689.7\,t$$

As per the trend forecast, the Market price of share of IDLC in the year 2011 will be Tk. 3929.5.

$$r = .92 \qquad r^2 = 0.85$$

From the above trend analysis it can be said the Market price per share of the year 2011 will be Tk. 3929.5. Since the coefficient of determination is 0.85, we can conclude that it explains 85% of the degree of association of between years and the Market price per share. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.92, we can conclude that a strongly positive relationship is associated between years and the Market price per share, i.e. other Things held constant, as the years go, their Market price per share also increases.

4.6 Comparison between Book value per share Market price of share:

Book value per share and Market price of share **movement of IDLC during the period 2005-06 to 2009-10 was as follows:**

Graph 4.6: Comparison between Book value and Market Price Of Share
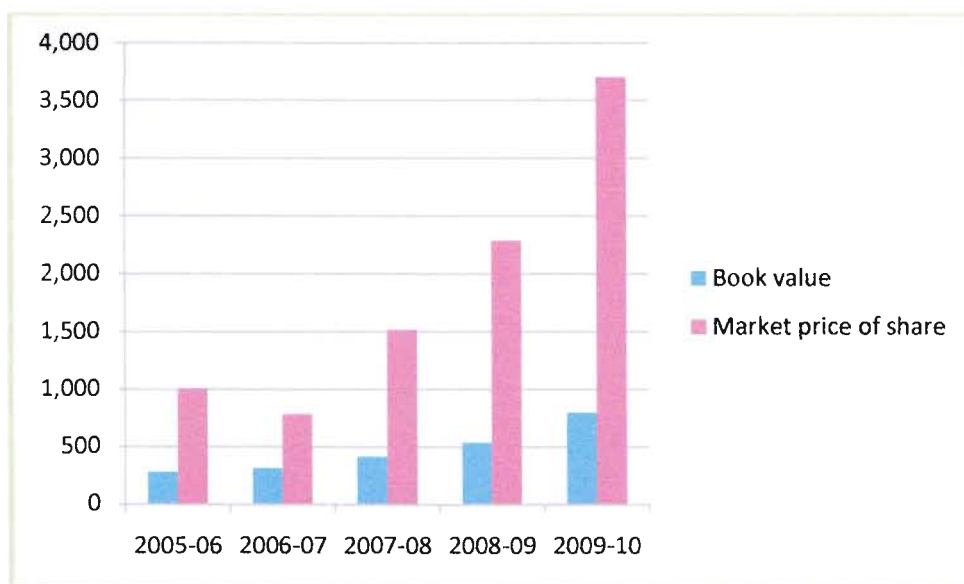
Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

In the chart we can see that the difference between Book value per share and Market price per share was minimum in the year 2006-07 due to bearish market condition. But after that this difference is increasing till now. The difference indicates that the investors are treading the share more than the actual price. We can say that the company is over valuated in the market.

4.7 Comparison Net Income:

IDLC has earned a satisfactory amount of net income during the period 2005-06 to 2009-10 through their various activities. The net incomes of IDLC during the period are presented below:

Table 4.6: Comparison of Net income   **Figures In Million Taka.**

Year	Net income	Growth rate (%)
2005-06	153	
2006-07	157	3%
2007-08	303	93%
2008-09	406	34%
2009-10	822	102%

Source: Annual Report- 2005-06 to 2009-10, **IDLC Finance Ltd.**

Graph 4.7: Growth rate Of Net Income

Taka in million

Growth rate of net Income
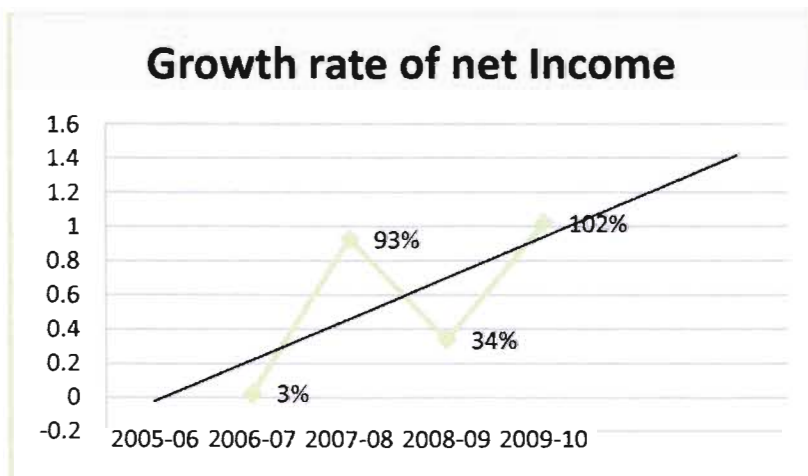
Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

From the table 4.6 and graph 4.7, we can see that the net income of IDLC was minimum 3% in 2005-06. It is because in that particular year, they had made huge investment for introducing some new products for their personal banking service. For this reason, their operating expenses were also increased to maintain ALL THE service. But they managed to overcome. The immediate year their growth of net income reached to 93%. Though the growth has declined to 34% they cover up the growth in the year 2009-10 which reached to 102%. From the trend line it can be easily forecast that the net income will increase furthermore.

If we make a trend analysis of net income IDLC Finance Ltd. based on information above, we get:

$$Y_t = -107.9 + 158.7t$$

As per the trend forecast, the net income of IDLC in the year 2011 will be Tk.844.3 million.

$$r=0.92 \qquad r^2=0.83$$

From the above trend analysis it can be said the net income of the year 2011 will be Tk. 844.3 million   Since the coefficient of determination is 0.83, we can conclude that it explains 83% of the degree of association of between years and the net income. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.92, we can conclude that a strongly positive relationship is associated between years and the net income, i.e. other Things held constant, as the years go, their net income also increases.

4.8 Ratio analysis:

In the following part, some ratios are used for analyzing of IDLC's financial performance during the period 2009-10. In each case, growth rate has been calculated and a trend analysis has been done to forecast the performance of the bank in the year 2011.

4.8.1 Profitability ratios:

Under profit ratio, five important ratios have been calculated to analyze the performance of idlc. These four ratios are:

- Return On Equity (ROE)
- Return On Asset (ROA)
- Earnings Per Share (EPS)
- Dividend Payout Ratio

A brief analysis of each of these ratios is given in the following pages:

4.8.1.1 ROE:

ROE measures the return earned on common stockholder's investment in the firm The ROE of idlc during the period 2005-06 to 2009-10 were as follows:

Year	ROE (%)	Growth
2005-06	19	
2006-07	17.45	-8%
2007-08	27.59	58%
2008-09	28.43	3%
2009-10	41.05	44%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.
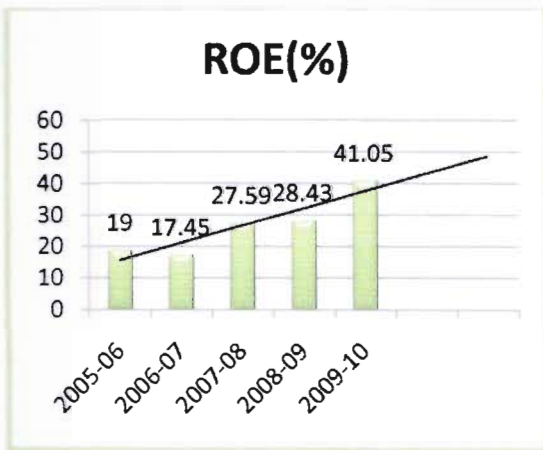
Graph 4.8(a): ROE	Graph 4.8(b): Growth Rate of ROE
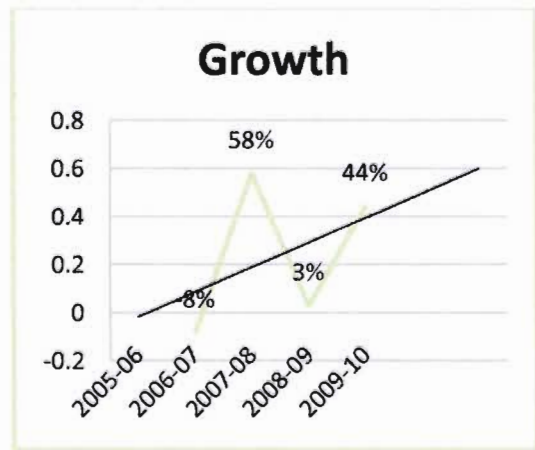
From the table 4.7 and graph 4.8(a) and (b), we can see that the ROE growth rate of IDLC Finance Ltd. was negative (-8%) in 2006-07. It is because in that particular year, their growth rate of operating income was less than their operating expenditure. However their growth rate of ROE has been maximized the next year to 58%. Though in 2008-09 the growth has declined up to 3% they cover up the growth in the year 2009-10 which reached to 44%. From the trend line it can be easily forecast that the ROE will increase furthermore.

If we make a trend analysis of net income of IDLC Finance Ltd. based on information above, we get:

$$Y_t = 10.18 + 5.508_t$$

As per the trend forecast, the ROE of Dhaka Bank in the year 2010-11 will be 43.228 million taka..

$$r = 0.925 \qquad r^2 = 0.856$$

From the above trend analysis it can be said the net income of the year 2010-11 will be Tk. 43.228% since the coefficient of determination is 0.856, we can conclude that it explains 85.6% of the degree of association of between years and the ROE. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.925, we can conclude that a strongly positive relationship is associated between years and the ROE, i.e. other Things held constant, as the years go, their ROE also increases.

ROA measures the overall effectiveness of management in generating profits with its available assets. The ROA of Dhaka Bank Limited during the period 2005-06 to 2009-10 was as follows:

Taka in million

Table 4.8: ROA

Year	ROA (%)	Growth
2005-06	1.96	
2006-07	1.57	-20%
2007-08	2.37	51%
2008-09	2.5	5%
2009-10	4.11	64%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.
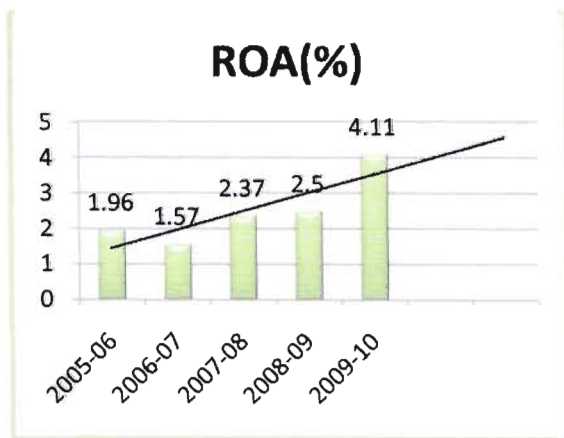
Graph 4.9(a): ROA	Graph 4.9(b): Growth Rate Of ROA
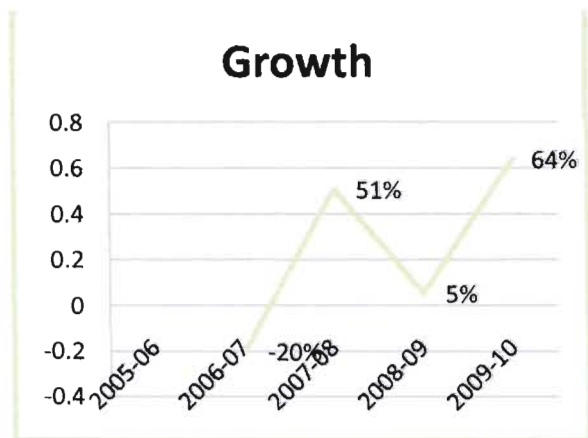
From the table 4.8 and graphs 4.9 (a) and 4.9 (b), we can see that the ROA of IDLC in the year 2005-06 was 1.96%, indicating that IDLC has earned a return of 1.52% of each taka of their real and financial resources investment. However, die ROA was decreased to 1.57% in the year 2006-07, having a negative growth rate of-20%. It is due to the decrease in die net income in that particular year. In the year 2007-08, the ROA of IDLC increased to 2.37% which 51% more than previous year. In the year 2008-09, their ROA increased to 2.5% with having a decreased growth rate of 5%. It is because they purchased some new assets for the operation of their business, for which their total amount of assets increased, but net income was not increased proportionately. In the year 2009-10, their ROA again increased to 64% which was maximum of these years.

If we make a trend analysis of ROA of Dhaka Bank based on die information above, we get,

$$Y_t = 0.933 - 0.523t$$

As per the trend forecast, the ROA of Dhaka Bank in die year 2010-11 will be 4.071%

$$r=0.85 \qquad r^2=0.726$$

From the above trend analysis it can be said the ROA of Dhaka bank in the year 2010-11 will be 4.071%. However, the coefficient of determination is *0.726*, which indicates that it explains only *72.6%* of the degree of association of between years and ROA. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.8.5, we can conclude that a positive relationship is associated between years and the ROA, i.e. other things held constant, as the years go, their ROA also increases.

4.8.1.3 EPS:

The EPS represents the amount earned on behalf of each share of common stock. The EPS of Dhaka Bank Limited during the period 2005-06 to 2009-10 were as follows:

Table 4.9: EPS

Year	EPS	Growth
2005-06	50.86	
2006-07	52.33	3%
2007-08	101	93%
2008-09	135.46	34%
2009-10	273.96	102%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.
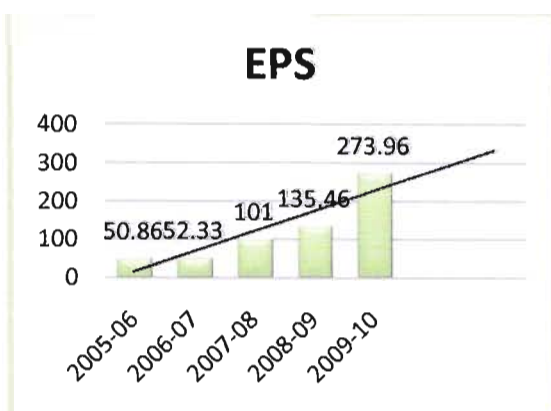
Graph 4.10(a): EPS	Graph 4.10(b): Growth rate of EPS
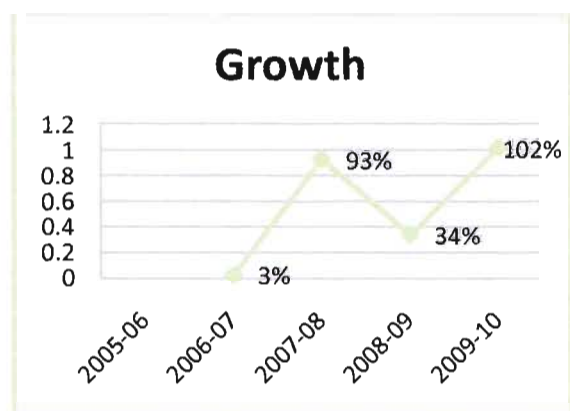
From the table 4.9 and graphs 4.10(a) and 4.10(b), we can see that the EPS of IDLC in the year 2005-06 was Taka 50.86, indicating that the shareholders IDLC have earned a return of Tk. 50.86 on each outstanding shares of common stock. The EPS was increased to Tk.52.33 in the year 2006-07, having

a growth rate of 3%. It is due to the decrease in the net income in that particular year. In the year 2007-08, the EPS has drastically increased, having a growth rate of 93%. In the year 2008-09, their EPS increased, having a growth rate of 34%. In the year 2005, their EPS has maximized to Tk. 273.96 because of their overall efficiency which growth rate was 102%.

If we make a trend analysis of EPS of IDLC based on die information above, we get,

$$Y_t = -36.077 - 52.933t$$

As per the trend forecast, the EPS of IDLC in the year 2010-11 will be TK 281.521

$$r = 0.85 \qquad r^2 = 0.726$$

From the above trend analysis it can be said the EPS IDLC in the year 2010-11 will be Tk. 281.521. Since the coefficient of determination is 0.726, we can conclude that it explains 72.6% of the degree of association of between years and the deposits. It. indicates that the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.85, we can conclude that positive relationship is associated between years and the EPS, i.e. other things held constant, as the years go, the EPS of IDLC also increases.

4.8.1.4 Dividend payout ratio:

The dividend payout ratio shows the extent to which earnings arc paid to common shareholders in the form of cash dividend. The dividend payout ratio of IDLC during 2005-06 to 2009-10 was as follows:

Table 4.10 Dividend Payout Ratio

Year	Dividend payout ratio	Growth
2005-06	73.73	
2006-07	73.24	-1%
2007-08	39.6	-46%
2008-09	25.83	-35%
2009-10	40.15	55%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

Graph 4.11(a): Dividend Payout Ratio	Graph 4.11(b): Growth Rate Of Dividend Payout Ratio
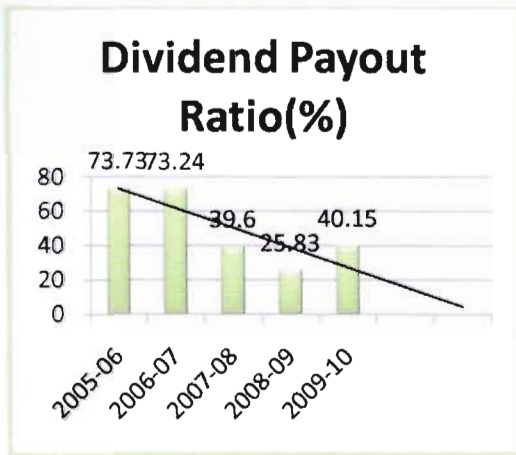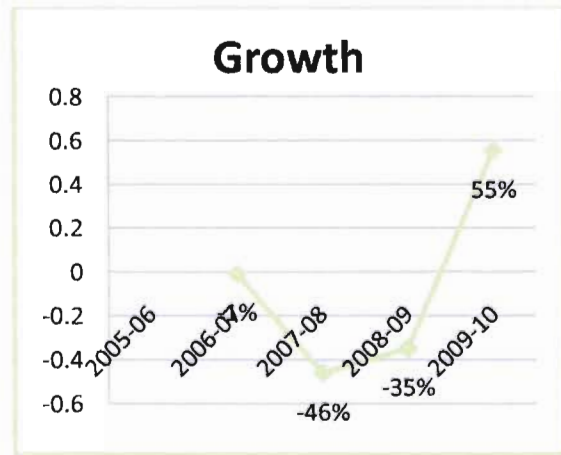
From the table 4.10 and graphs 4.11 (a) and 4.11 (b), we can see that the dividend payout ratio of IDLC in the year 2005-06 was 73.73% indicating that IDLC has paid 73.73% of its earnings as cash dividends to its shareholders. The dividend payout ratio decreased to 73.24% in the year 2006-07 having a negative growth rate of -1% and 39.6 in the year 2007-08, having a negative growth rate of -46% over the year 2006-07. It is because the management has decided to keep more amount of net income as retained earnings, which they will use for investment and expansion of their business. However, the dividend payout ratio was increased to 40.15% in the year 2009-10 having a growth rate of 55%.

If we make a trend analysis of dividend payout ratio of Dhaka Bank based on the information above, we get,

$$Y_t = 84.881 - 11.457t$$

As per the trend forecast, the dividend payout ratio at 2010-11 will be 16.139%

$$r = -0.83 \qquad r^2 = 0.694$$

From the above trend analysis it can be said the dividend payout ratio of IDLC in the year 2010-11 will be 16.139%, since the coefficient of determination is 0.694, we can conclude that it explains 69.4% of the degree of association of between years and the dividend payout ratio. Since r is negative, i.e. -0.83, the degree of association is not sufficient enough to validate this result. We can conclude that the equation is not well fitted between years and dividend payout ratio. Instead, dividend payout ratio is dependent on other factors, like the net income, EPS, bank management's decision, shareholders' expectation etc.

4.8.2 Solvency ratios:

Under solvency ratio, two important ratios have been calculated to analyze the performance of Dhaka Bank Limited. These two ratios are:

- Debt to Total Asset Ratio
- Debt to Total Equity Ratio

4.8.2.1 Debt to total asset ratio:

The debt to total asset ratio measures the proportion of total asset financed by firm's creditors. The debt to total asset ratio of IDLC Finance Ltd. during the period 2005-06 to 2009-10 were as follows:

Table 4.11: D/A Ratio

Year	Debt to asset ratio (%)	Growth rate
2005-06	73%	
2006-07	76%	3%
2007-08	79%	5%
2008-09	77%	-2%
2009-10	89%	16%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.
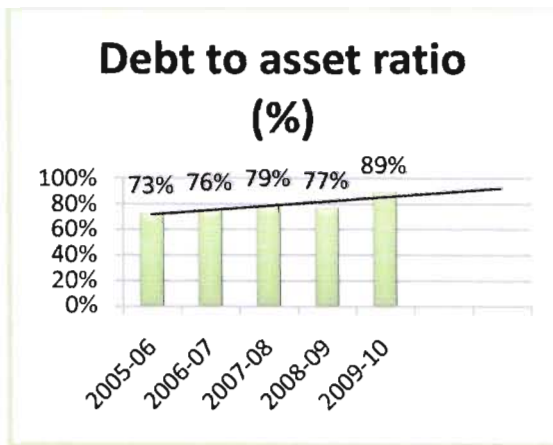
Graph 4.12(a): D/A Ratio	Graph 4.12(b): Growth Rate Of D/A Ratio
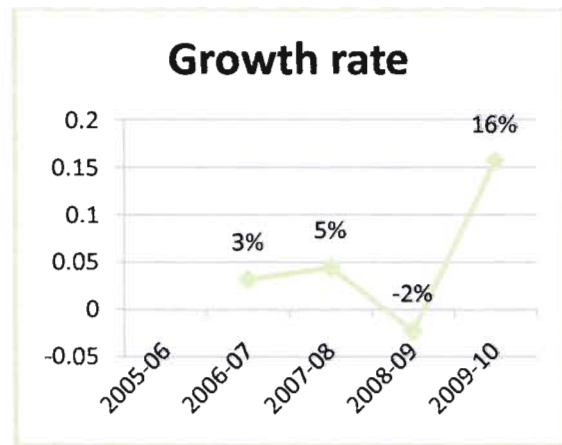
From the table 4(11) and graphs 4.12 (a) and 4.12 (b), it can be said that the debt to total asset ratio of IDLC was lowest in the year 2005-06, which was 73%. It indicates that about 73% of its assets are financed by creditors. They use more financial leverage to finance their assets. For banking industry, this ratio is usually high, because most of the banking operations are done *by* the deposits of the accounts holders'. However, there is a decreasing trend in the debt to total asset ratio, which means that bank is gradually increasing the use of equity funds to finance their assets.

If we make a trend forecast of debt to total asset ratio of Dhaka Bank based on the information above, we get,

$$Y_t = 0.687 + 0.034t$$

Thus, the debt to total asset ratio of Dhaka Bank in the year 2010-11 will be 89%

$$r = 0.861 \qquad r^2 = 0.74$$

From the above trend analysis it can be said the debt to total asset ratio at the year 2010-11 will be 89%. Since the coefficient of determination is 0.74, we can conclude that it explains 74% of the degree of association of between years and the deposits. Since r is positive, i.e. 0.861, we can conclude that positive relationship is associated between years and debt to asset ratio.

4.8.2.2 Debt equity ratio:

The debt to total Equity ratio measures the amount of total equity of the firm has to support its liabilities. The debt equity ratio of IDLC Finance Ltd. during the period 2005-06 to 2009-10 was as follows:

Table 4.12 D/E Ratio

Year	Debt to equity ratio(times)	Growth
2005-06	8	
2006-07	9.28	16%
2007-08	9.54	3%
2008-09	8.32	-13%
2009-10	8.48	2%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.
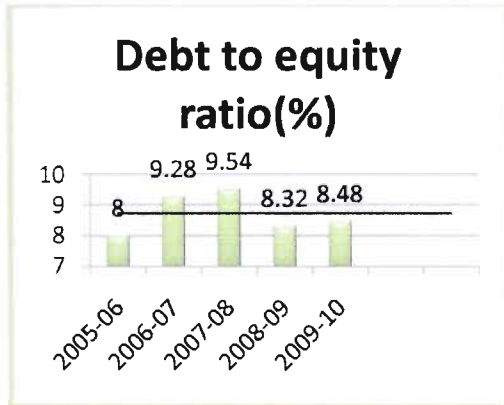
Graph 4.13(a): D/E Ratio	Graph 4.13(b): Growth Rate of D/E Ratio

Debt to equity ratio(%)

	9.28 9.54	
10		8.32 8.48
9	8	
8		
7		

2005-06 2006-07 2007-08 2008-09 2009-10

Growth

0.2	16%	
0.1		
0	3%	2%
-0.1		
-0.2	-13%	

2005-06 2006-07 2007-08 2008-09 2009-10
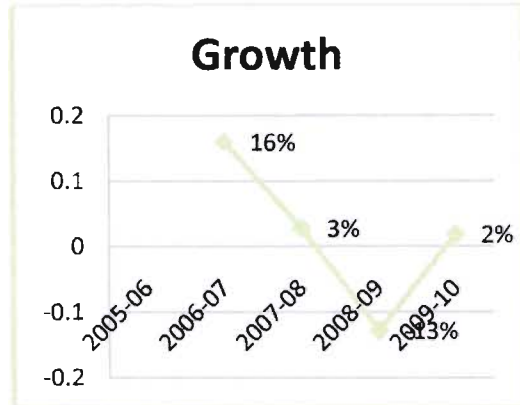
From the table 4.12 and graphs 4.13 (a) and 4.13 (b), we can see that the debt to equity ratio was 8% which indicates that for every Tk. 8 debt they have Tk. 100 equity to support it. . The Debt to Total Equity Ratio has increased to 9.28% in the year 2006-07 having a growth rate of 16%. It is because the total debt of that year was high and 9.54% in the year 2007-08, having further positive growth rate of 3% over the year 2006-07. The ratio is declined in the year to 8.32% with having a negative growth -13%. However, the Debt to Total Equity Ratio was increased to 8.48% in the year 2009-10 having a growth rate of 2%.

However, there is a decreasing trend in the debt to total equity ratio, it is because they may reduce some of their liabilities or debt or they issues more shares of common stock.

If we make a trend forecast of debt to total equity ratio of IDLC Finance Ltd. based on the information above, we get,

$$Y_t = 8.7242. + 0t$$

Thus, the debt to total equity ratio of Dhaka Bank in the year 2010-11 will be 8.7242%

$$r=0 \qquad r^2=0$$

From the above trend analysis it can be said the debt to total equity ratio at the year 2010-11 will be 8.7242%. Since the coefficient, of determination is 0, we can conclude that it explains there is no degree of association of between years and the debt to total asset ratio. Since r is neutral, i.e-0, we can conclude that neutral relationship is associated between years and the debt to total equity ratio, i.e. as the years go, the bank will reduce their debt or they may increase the equity to support their debt.

Under Market Ratio, two important ratios have been calculated to analyze the performance of Dhaka Bank Led. These two ratios are:

- Price/ earnings (P/E) Ratio

4.8.3.1 P/E ratio:

The P/E ratio measures the amounts of investors are willing to pay for each taka of firms earnings. The P/E ratio of IDLC during the period 2005-06 to 2009-10 was as follows:

Table 4.13: P/E Ratio

Year	P/E ratio(times)	Growth
2005-06	9.9	
2006-07	7.6	-23%
2007-08	10.02	32%
2008-09	16.89	69%
2009-10	13.52	-20%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.
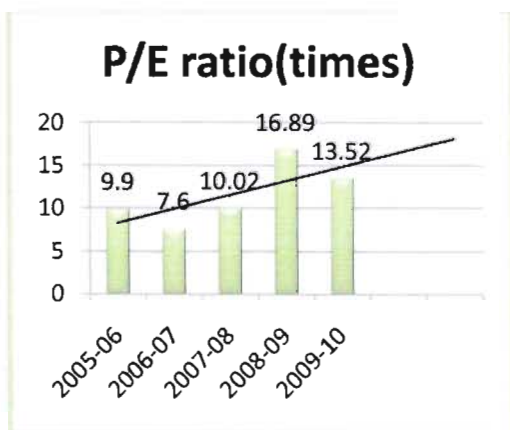
Graph 4.14(a): P/E Ratio	Graph 4.14(b): Growth Rate of P/E Ratio
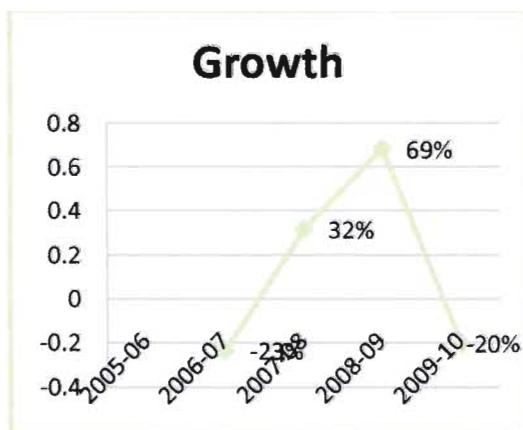
From the table 4.13 and graphs 4.14 (a) and 4.14 (b), we can see that the P/E ratio was 9.9 times which indicates that the investors are willing to pay Tk. 9.9 for each Tk. 1. The P/ E ratio was decline in the year 2006-07 to 7.6% with giving a negative growth of -23%. The P/E ratio was increased following 2 years and reached maximum at 16.89 which 69% growth over the year 2007-08. In that particular year, the market price was also very high at the end of the year, i.e. Tk. 2,289.00 per share; which leads to the highest P/E ratio in the year 2008-09, indicating greater confidence level of investors on idlc. The year of 2009-10 the P/E ratio

decreased to 13.52 because of the issuance of additional share 500,000. The growth rate of P/E ratio of that year was -20%. Overall P/E ratio shows increasing trend during the period 2005-06 to 2009-10.

If we make a trend forecast of P/E Ratio of Dhaka Bank based on the information above, we get,

$$Y_t = 6.627 + 1.653t$$

Thus, the P/E ratio of idlc in the year at 2010-11 will be 16.545 times.

$$r = 0.717 \qquad r^2 = 0.515$$

From the above trend analysis it can be said the P/E ratio of the year 2008 will be 16.545. Since the coefficient of determination is 0.515, we can conclude that it explains 51.5% of the degree of association of between years and the P/E ratio. Since r is positive, i.e. 0.717, we can conclude that positive relationship is associated between years and the P/E ratio, i.e. as the years go, P/E ratio increases, indicating more confidence level of investors.

4.8.4 Risk ratios:

Under risk ratio two important ratio has been calculated. Those are:

- Loan / deposit ratio
- Nonperforming loan ratio

4.8.4.1 Loan / deposit ratio:

Loan / deposit ratio is the amount of a bank's loans divided by the amount of its deposits at any given time. The higher the ratio, the more the bank is relying on borrowed funds, which are generally more costly than most types of deposits.

Table 4.14: Loan/ Deposit Ratio

Year	Loan/deposit ratio	Growth rate
2005-06	0.77	
2006-07	0.74	-5%
2007-08	0.36	-51%
2008-09	0.47	30%
2009-10	0.58	23%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

Graph 4.15(a): Loan/Deposit Ratio	Graph 4.15(b): Growth Rate of Loan/Deposit Ratio
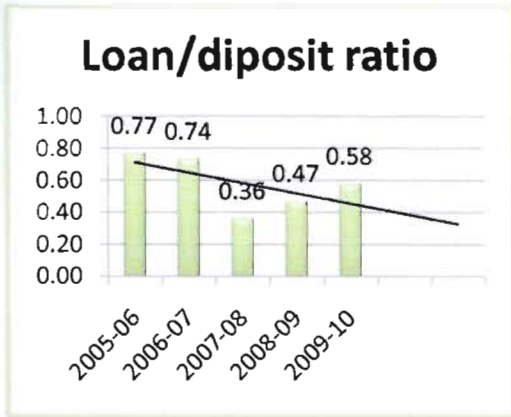
Loan/diposit ratio

0.77 0.74 0.36 0.47 0.58

Growth rate

-5% -51% 30% 23%
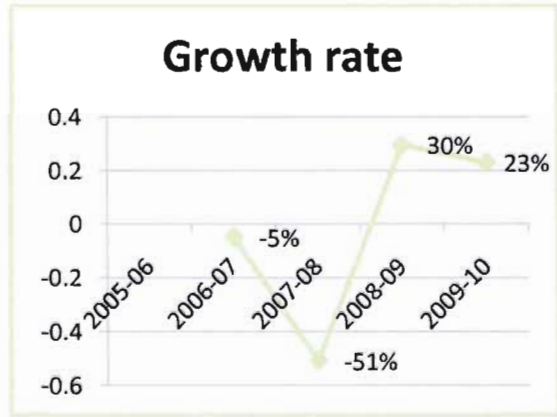
From the table 4.14 and graphs 4.15 (a) and 4.15 (b), we can see that the loan / deposit ratio was 0.77 times which indicates that the firm was relaying of the firm's loan 77% which is costlier then. The loan / deposit ratio was decline in the year 2006-07 up to .074 with giving a maximum negative growth of -51%. The loan / deposit ratio was increased following years and reached at 0.58 in 2009-10 which is 23% growth over the year 2008-09. If we make a trend forecast of loan / deposit ratio of IDLC based on the information above, we get,

$$Y_t = 0.78 + (-0.06)t$$

Thus, the loan / deposit ratio of IDLC in the year at 2010-11 will be 0.39

$$r = -0.59 \qquad r^2 = 0.35$$

From the above trend analysis it can be said the loan / deposit ratio of the year 2010-11 will be 0.39. Since the coefficient of determination is 0.35, we can conclude that it explains 35% of the degree of association of between years and the loan / deposit ratio. Since r negative, i.e. -0.59, we can conclude that negative relationship is associated between years and the loan/deposit ratio, i.e. as the years go, loan/deposit ratio increases, indicating less confidence level of investors. The degree of association is not sufficient to validate the result. It indicates that loan/deposit ratio is not that much dependant on years.

4.8.4.2 Non performing loan ratio:

The Non performing loan ratio (Times) of IDLC during the period 2005-06 to 2009-10 was as follows:

Year	Nonperforming loan ratio (Times)	Growth rate
2005-06	5	
2006-07	4.74	-5%
2007-08	4.62	-3%
2008-09	4.5	-3%
2009-10	3.62	-20%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

Graph 4.16(a): Nonperforming loan Ratio	Graph 4.16(b): Growth Rate of Nonperforming loan Ratio
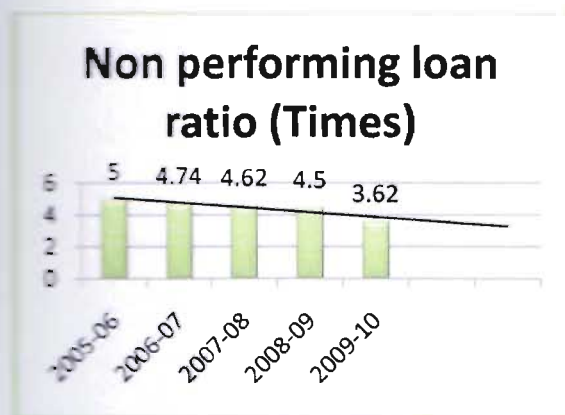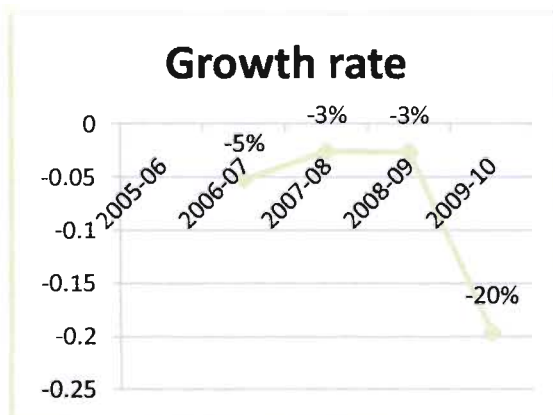
From the table 4.15 and graphs 4.16 (a) and 4.16 (b), we can see that the Non performing loan ratio (Times) was 5. The Non performing loan ratio is continuously declining till now. In 2009-10 the Non performing loan ratio was minimum which was 3.62 and that figure is 20% less than 2008-09. It indicates that the company is able to magnify its loan recovery capabilities.

If we make a trend forecast of Nonperforming loan ratio of IDLC based on the information above, we get,

$$Y_t = 5.4 + (-0.3)t$$

Thus, the Non performing loan ratio of IDLC in the year at 2010-11 will be 3.6 times

$$r = -0.9 \qquad r^2 = 0.82$$

From the above trend analysis it can be said the Non performing loan ratio of the year 2010-11 will be 3.6 times. Since the coefficient of determination is 0.82, we can conclude that it explains 82% of the degree of association of between years and the Nonperforming loan ratio. It. indicates that the equation is well fitted between the independent and dependant variable. Since r is negative, i.e. -0.9, we can conclude that a strongly negative e relationship is associated between years and the Non performing loan ratio, i.e. other things held constant, as the years go, the Nonperforming loan ratio of idlc also decreases.

4.8.5 Liquidity ratio:

Under Liquidity Ratio, one important ratio has been calculated to analyze the performance of idlc. This ratio is:

4.8.5 Current ratio:

The current ratio measures the ability of the firm to meet currently maturing obligations. The current ratio of IDLC during the period 2005-06 to 2009-10 was as follows:

Table 4.16: Current Ratio

Year	Current ratio(times)	Growth
2005-06	1.6	
2006-07	0.96	-40%
2007-08	1.2	25%
2008-09	1.21	1%
2009-10	1.04	-14%

Source: Annual Report- 2005-06 to 2009-10, IDLC Finance Ltd.

Graph 4.17(a): Current Ratio	Graph 4.17(b): Growth Rate of Current Ratio
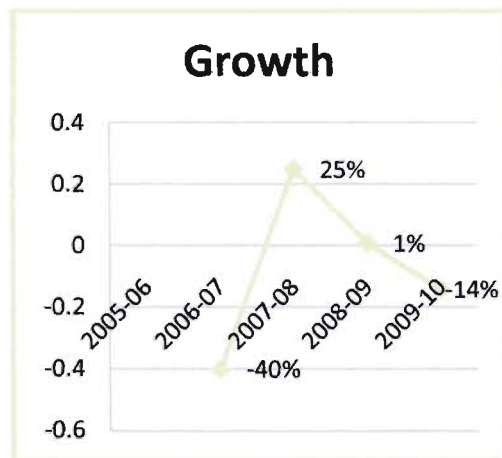
From the table 4.16 and graphs 4.17(a) and 4.17(b) we can see that the current ratio IDLC in the year 2005-06 was 1.6 times, which indicates that for every Tk. 1 of current liability IDLC has current assets of Tk. 1.6 which indicates that the firm is maintaining enough current asset to meet the current obligations; which is good for the firm to get more debt due to good liquidity position. It also indicates that the firm had given up some profitability. The current ratio is decreasing over the years, showing a decreasing trend. But

the growth rate is declining over the period. It indicates that their liquidity capacity is good to accommodate any current obligation. In the year 2006-07, the current ratio of IDLC shows a negative growth rate of -40%, it is because their current liabilities are increased compared to the current assets.

If we make a trend forecast current ratio of IDLC based on the information of last 5 years, we get,

$$Y_t = 1.463 + -0.087t$$

Thus, the Current Ratio of IDLC in the year 2010-11 will be 0.941 times

$$r = -0.557784 \qquad r^2 = 0.31$$

From the above trend analysis it can be said the current ratio of the year 2010-11 will be 0.941 times. Since the coefficient of determination is 0.31, we can conclude that it explains32% of the degree of association of between years and the current ratio. The degree of association is not sufficient to validate the result. It indicates that current ratio is not that much dependant on years. Rather it depends on current assets and current liabilities of the firm.

Summarizing All Ratios

From the above performance analysis, an in-depth insight from various dimensions about idlc's financial performance during the period 2005-06 to 2009-10 can be found. In the following few paragraphs, a summary of all the ratio analysis has been given:

Profit Ratios:

Under profit ratios, four important ratios have been calculated to analyze the performance of idlc, The ROE was satisfactory over the period; it shows an increasing trend though the growth rate was fluctuating. The ROE was highest in the year 2009-10. ROE has a positive growth rate in over the year 2005-06 to 2009-10. The ROA also shows a fluctuating trend. The ROA was highest in the year 2009-10, which is 64%. Shareholders of idlc have earned a satisfactory return over the period from each share of common stock as indicated by the EPS. The BPS also shows an increasing trend. In the year 2009-10, the EPS has maximum positive growth rate at 102%. The dividend payout ratio shows that Dhaka Bank has paid a non satisfactory percentage of its earnings as cash dividends to its shareholders. The dividend payout ratio was highest in the year 2005-06, which is 73.73%. But in allover, the dividend payout ratio shows a negative growth rate.

Solvency Ratios:

Under solvency ratios, two important ratios have been calculated to analyze the performance of IDLC. The debt to total asset ratio of IDLC was highest in the year 2009-10, which is 89%. For banking industry, this ratio is usually high, because most of the banking operators are done by the deposits of the accounts holders. There is an increasing trend in the debt to total asset ratio, which means that IDLC gradually increasing the use of debt funds to finance their assets. The debt to total equity ratio shows a declining trend over the period 2005-06 to 2009-10, it is because IDLC mostly relay on debt rather than equity.

Market Ratios:

Under Market Ratio, one important ratio have been calculated to analyze the performance of idlc. The Price/Earnings ratio shows increasing trend during the period 2005-06 to 2009-10, indicating greater confidence level of investors on IDLC. The F/E ratio shows the highest growth rate in the year 2008-09, which is 69%.

Risk Ratios:

Under Risk Ratio, two important ratios have been calculated to analyze the performance of idlc. The loan / deposit ratio shows the amount of money that idlc gave as loan from their loan than deposits. The loan/deposit

ratio is decreasing over the years. It indicates that the bank gradually decreased the proportion of loans disbursed from their deposits base. The percentage of non-performing loan is very small to the total advances. The percentage increases over the year 2005-06 to 2009-10.

Liquidity Ratio:

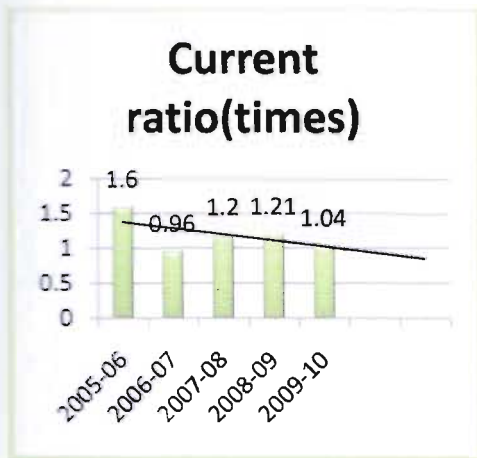Under Liquidity Ratio, one important ratio has been calculated to analyze the performance of IDLC. The current ratio of IDLC is decreasing over the years, showing an decreasing trend. It indicates that they are focusing profitability more than their liquidity. The growth rate of current ratio is declining over the period. The current ratio was highest in the year 2005-06, which is 1.60 times.

The summary of trend equations that have been calculated in this chapter is given below:

Summary Of Trend Equations

Ratios	Trend Equation Y_t	r^2	R
Total assets	$Y_t = 5477.4 + 3244.2t$	0.98	0.99
Market capitalization	$Y_t = -2611.5 + 2374.3t$	0.84	0.92
Book value	$Y_t = 96 + 124.8t$	0.90	0.95
Market price per share	$Y_t = -208.7 + 689.7t$	0.85	0.92
net income	$Y_t = -107.9 + 158.7t$	0.83	0.92
ROE	$Y_t = 10.18 + 5.508t$	0.86	0.93
ROA	$Y_t = 0.933 - 0.523t$	0.73	0.85
EPS	$Y_t = -36.077 - 52.933t$	0.73	0.85
dividend payout ratio	$Y_t = 84.881 - 11.457t$	0.69	-0.83
debt to total asset ratio	$Y_t = 0.687 + 0.034t$	0.74	0.86
Debt equity ratio	$Y_t = 8.7242 + 0t$	0.0	0.0
The P/E ratio	$Y_t = 6.627 + 1.653t$	0.51	0.72
loan / deposit ratio	$Y_t = 0.78 + (-0.06)t$	0.35	0.59
Nonperforming loan ratio	$Y_t = 5.4 + (-0.3)t$	0.82	-0.9
current ratio	$Y_t = 1.463 + -0.087t$	0.31	-0.56

In the above table, a summary of trend equations that have been calculated to forecast the performance of idlc in the year 2010-11 is given along with their respective r and r^2. total fifteen trend equations have been calculated for dependant variables were Total assets, Market capitalization, Book value, Market price per share, net income, ROE, ROA, EPS, dividend payout ratio, debt to total asset ratio, debt to total equity ratio, The P/E ratio, loan / deposit ratio, Nonperforming loan ratio, current ratio. In each case, year was the independent variable. Among these fifteen equations, twelve equations Y. (Total assets, Market capitalization, Book value, Market price per share, net income, ROE, ROA, EPS, dividend payout ratio, debt to total asset ratio, The P/E ratio, and Nonperforming loan ratio) have coefficient of determination (r^2) more than 50%. It indicates that these equations are well fitted between the independent and respective dependent variable. The other three equations Y_t (Debt equity ratio, loan / deposit ratio, current ratio) have r^2 less than 50%, which indicates that these

equations are not well fitted between the independent and respective dependant variable. Among fifteen trend equations, twelve equations have positive relationship between the independent and dependant variable, while three equations shows negative relationship between the independent and dependant variable.

CHAPTER 5: Problems And Suggestions

Chapter Objectives

- To identify problems about the overall performance of IDLC Finance Ltd. during the period 2005-06 to 2009-10
- To provide some suggestions to the bank management to improve their performance

5.0 Problems And Suggestions

The following problems have been identified by appraising the overall performance of IDLC Finance Ltd. and some suggestions are given to the management in this regard:

Problem: From the table of IDLC Finance Ltd.'s paid up capital we can see that after 2006-07 they are continuously increase their paid up capital that is each year 50,000,000. Though it is good for the firm but the share holders might be dissatisfied because of their portion of share decreases and it also decreases the EPS.

Suggestion: To avoid this problem IDLC Finance Ltd. should reluctant more and more issuance of paid up capital. It will help to increase EPS as well as shareholders confidence.

Problem: we till now IDLC Finance Ltd. has only 13 branches among those 4 of the branches has established in the year 2008-09. IDLC Finance Ltd.'s all branches are established in Dhaka, Chittagong, Sylhet, Gazipur, Narayanganj and Bogra. So a large portion of the country remains out of coverage. IDLC Finance Ltd. loses the opportunity to capture huge number of customer each year.

Suggestion: to gain more profit IDLC Finance Ltd. need to grab the untouchable potential customers by establishing more branches not only in selective zone rather than distance part of the country.

Problem: House financing is one of their main operations. Though it is in increasing trend but the growth rate of year 2009-10 is reduced down from 28% to 14%. They always gained competitive advantage in this sector but if they lose the advantage some other firm may grab this opportunity. So they will be in trouble.

Suggestion: the management needs to concentrate on this issue try to cover up the reduced growth rate by taking appropriate measures.

Problem: IDLC Finance Ltd. is having declining situation in short term financing sector. The trend indicates that their short term financing will reduce 16.6 million in every year. Short term financing may has less profit but it strengthen the liquidity base of the firm.

Suggestion: 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.

Problem: IDLC Finance Ltd.'s major profit is gained by leasing sector; which is declining at an alarming rate. Over the years they are investing less and less. The market share of this sector is being captured by rival firm; which is a huge threat for IDLC Finance Ltd.

Suggestion: The management gives more focus on lease financing sector and they should ensure that their investment in lease financing volume shows a consistent growth rate over the period.

Problem: The growth rate ROE of IDLC Finance Ltd. shows a fluctuating trend during the financial period 2005-06 to 2009-10. Because of the decrease in net income in 2006-07 and 2008-09, the ROE shows the minimum rate at 3% in 2006-07.

Suggestion: The bank management should be careful about the ROE as it is a major indicator of bank's performance. The management should try to increase the net income so that ROE also increases.

Problem: The growth rate of ROA also shows a fluctuating situation during the financial period 2005-06 to 2009-10. Because of the decrease in net income in 2006-07 and 2008-09, the ROA shows the minimum growth rate -20% in 2006-07. In 2007-08, it has slightly increased but again in 2008-09 it shows a reduced growth rate of 5%.

Suggestion: The bank management should try to increase their ROA by increasing their net income and investing in those assets, which gives a satisfactory return.

Problem: The growth rate of IDLC Finance Ltd. is fluctuating during the financial period 2005-06 to 2009-10. Because of the decrease in net income and issuance of new share, the EPS shows a reduced growth rate in 2006-07 and 2008-09. Finally, in the year 2009-10, their EPS increased, having a growth rate of 102%.

Suggestion: The bank management should be careful about EPS as it is a major indicator of the bank's performance. The management should try to increase the earnings available to common stockholders to gain the confidence of investors and increase the market price of the stocks.

Problem: The growth of price earnings ratio also shows a fluctuating trend during the period 2005-06 to 2009-10. Though the P/E ratio shows a highest growth rate of 69% in 2008-09, but it was not stable during the period.

Suggestion: The management should be careful to stable or 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. Their EPS should also be increased which will lead to higher market price. As a result, P/E ratio will increase which will lead to greater confidence level of investors.

Conclusion

As a concluding remark, it can be said that the IDLC Finance Ltd. is one of the most promising financial institution in Bangladesh. In this report, by appraising IDLC Finance Ltd., its overall performance during the period 2005-06 to 2009-10 has been evaluated. By analyzing its overall performance, various positive and negative sides of the firm have come into light. The firm's authorized capital from Tk. 1000 million over the time. The firm opened 4 new branches during the period and also recruited a good number of employees in this period. The firm's deposit base is good; it has a diversified advance and investment portfolio like leasing and various kinds of loans. The bank also offers various products and services to their customers. By analyzing the financial performance of IDLC Finance Ltd., it has been found that the bank's operating income shows a higher growth rate during the financial period 2005-06 to 2009-10, which affects its , its profit indicating ROA,ROE,EPS ratios. Its market ratios were also lifted for this reason. However, the solvency ratios were not pleasant, indicating the bank has increased its use of debt in proportion to its total equity and total assets. That may leads to bankruptcy. The risk ratios also indicate that the bank has been able to reduce their amount of non-performing loan, loan to deposit ratio etc. These problems, however, have been identified and suggestions have been given to the management of the bank to improve their performance in the future by which they can avoid these problems. Overall, the analysis shows that the bank performed better in the year 2009-10 compared to other years. 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.

IDLC

FINANCE LIMITED

Bibliography

Annual reports:

- Annual report of IDLC Finance Ltd. of 2005-06.
- Annual report of IDLC Finance Ltd. of 2006-07.
- Annual report of IDLC Finance Ltd. of 2007-08.
- Annual report of IDLC Finance Ltd. of 2008-09.
- Annual report of IDLC Finance Ltd. of 2009-10.

Books:

- The Analysis and Use of Financial Statements by Gerald I. White
- Principle of Managerial Finance by Lawrence J. Gitman.

IDLC FINANCE LIMITED

Appendix

No of Branches:

B7   =TREND(B2:B6,D2:D6,D7)

Year	brunches	Growth rate	t			slope	y intersep	r	r2
2005-06	9		1	treand					
2006-07	9	0%	2	8.2	0.8		7.4	0.707107	0.5
2007-08	9	0%	3						
2008-09	9	0%	4						
2009-10	13	44%	5						
2010-11	12.2		6						

Sheet1 Sheet2 Sheet3

Ready   100%

6:41 PM
12/20/2010

No. of employees

Cell reference: B7 — `=TREND(B2:B6,D2:D6,D7)`

Year	employees	Growth ra t			treand	slope	y intersep	r	r2
2005-06	146			1					
2006-07	154	5%		2	132.2	26.7	105.5	0.951317	0.905004
2007-08	168	9%		3					
2008-09	207	23%		4					
2009-10	253	22%		5					
2010-11	265.7			6					

Net Income of IDLC:

Excel spreadsheet (Book1 - Microsoft Excel), formula bar: `=TREND(B2:B6,D2:D6,D7)`

Year	Net income	Growth	t						
2005-06	153		1	treand	slope	y intersep	r	r2	
2006-07	157	3%	2		50.8	158.7	-107.9	0.912414	0.8325
2007-08	303	93%	3						
2008-09	406	34%	4						
2009-10	822	102%	5						
2010-11	844.3		6						

ROE of IDLC:

Year	ROE(%)	Growth	t						
2005-06	19		1	treand	slope	y intersept	r	r2	
2006-07	17.45	-8%	2	15.688	5.508	10.18	0.925016	0.855664	
2007-08	27.59	58%	3						
2008-09	28.43	3%	4						
2009-10	41.05	44%	5						
2010-11	43.228		6						

ROA:
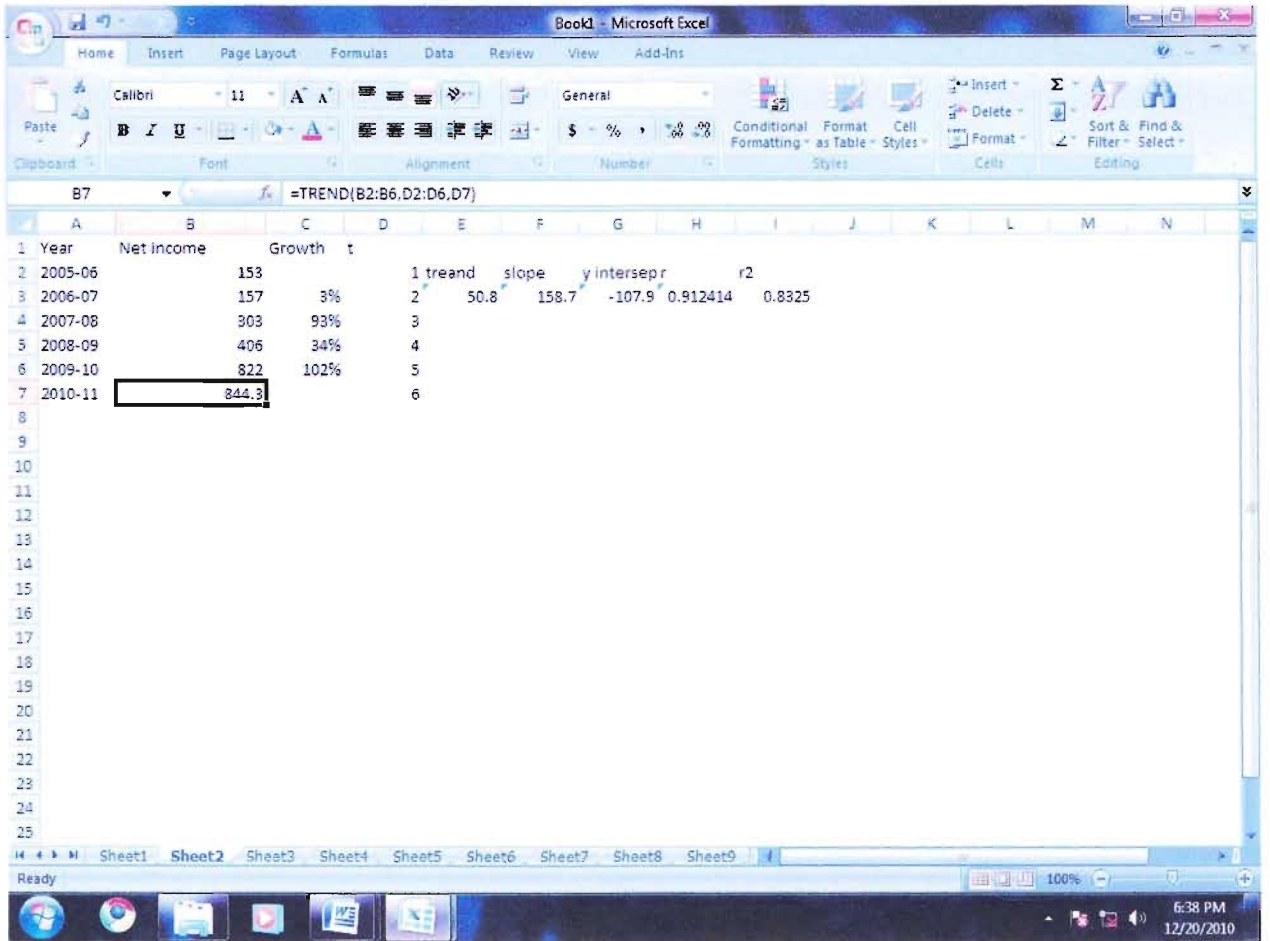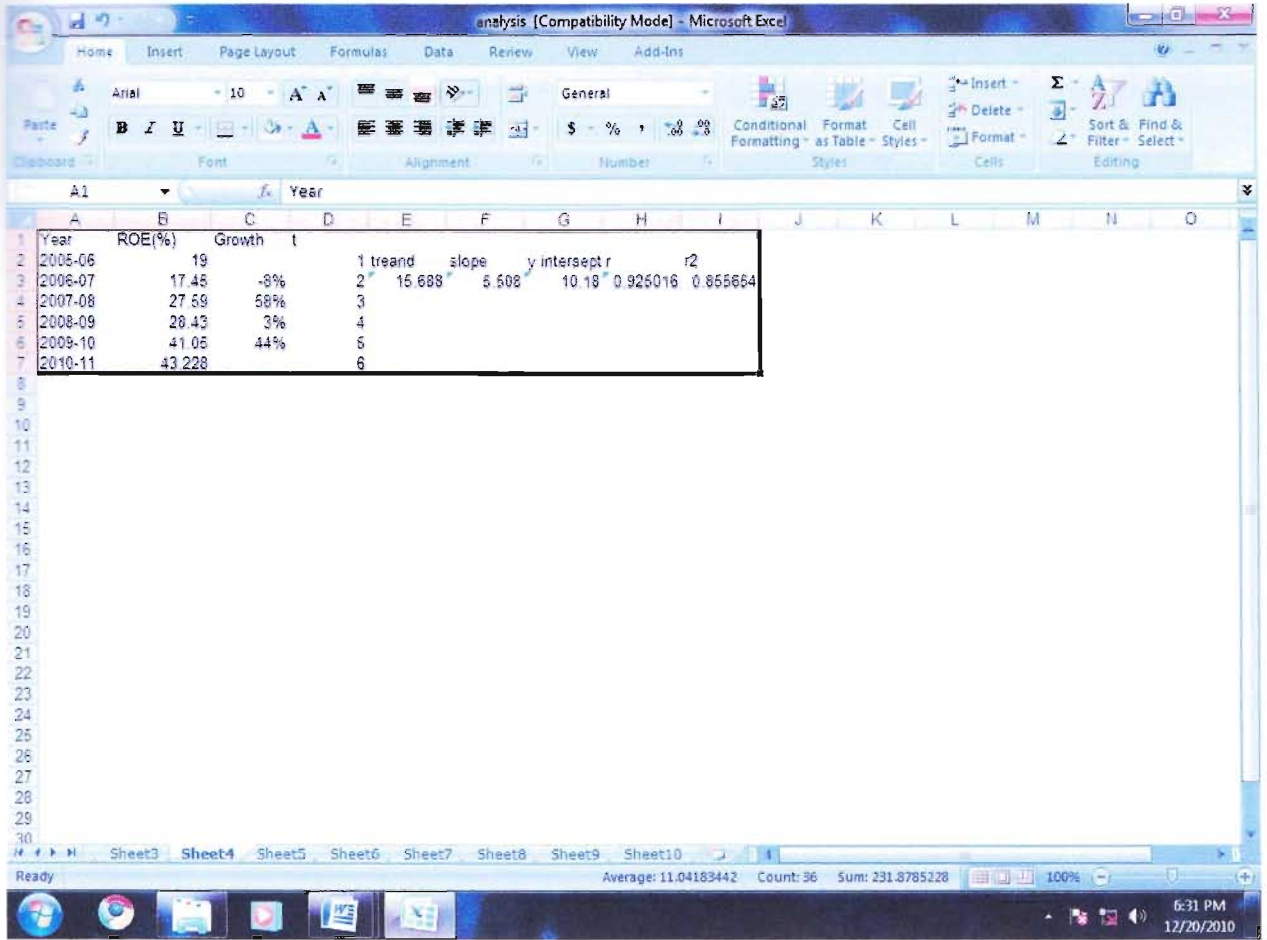
Year	ROA(%)	Growth	t		treand	slope	y intersept	r	r2
2005-06	1.96		1						
2006-07	1.57	-20%	2	1.456	0.523	0.933	0.852298	0.726412
2007-08	2.37	51%	3						
2008-09	2.5	5%	4						
2009-10	4.11	64%	5						
2010-11	4.071		6						

EPS:

Excel spreadsheet "analysis [Compatibility Mode] - Microsoft Excel"

Cell B7 formula: =TREND(B2:B6,D2:D6,D7)

Year	EPS	Growth	t					
2005-06	50.86		1	treand	slope	y intersept	r	r2
2006-07	52.33	3%	2	16.856	52.933	-36.077	0.912825	0.833249
2007-08	101	93%	3					
2008-09	135.46	34%	4					
2009-10	273.96	102%	5					
2010-11	281.521		6					

Dividend Payout Ratio:

Year	Dividend payout ratio	Growth	t		treand	slope	y intersept	r	r2
2005-06	73.73		1	1	73.424	-11.457	84.881	-0.83309	0.694042
2006-07	73.24	-1%	2	2					
2007-08	39.6	-46%	3						
2008-09	25.83	-35%	4						
2009-10	40.15	55%	5						
2010-11	16.139		6						

D/E Ratio:

A screenshot of Microsoft Excel in Compatibility Mode showing the following data:

Formula bar (cell B8): =TREND(B2:B6,D2:D6,D8)

Year	Debt to equity ratio	Growth	t		treand	slope	y intersept	r	r2
2005-06	8		1						
2006-07	9.28	16%	2		8.724	2.11E-16	8.724	4.28E-16	1.83E-31
2007-08	9.54	3%	3						
2008-09	8.32	-13%	4						
2009-10	8.48	2%	5						
2010-11	8.724		6						
	8.724		7						

P/E Ratio:

The formula bar shows: `=TREND(B2:B6,D2:D6,D7)`

Year	P/E ratio(times)	Growth	t		trend	slope	y intersept r		r2
2005-06	9.9		1						
2006-07	7.6	-23%	2		8.28	1.653	6.627	0.717639	0.515005
2007-08	10.02	32%	3						
2008-09	16.89	69%	4						
2009-10	13.52	-20%	5						
2010-11	16.545		6						

Current Ratio:

Excel screenshot — analysis [Compatibility Mode] - Microsoft Excel

Cell B7 formula: =TREND(B2:B6,D2:D6,D7)

	A	B	C	D	E	F	G	H	I	J
1	Year	Current ratio(times)	Growth	t						
2	2005-06	1.6		1	treand	slope	y intersept	r	r2	
3	2006-07	0.96	-40%	2	1.376	-0.087	1.463	-0.55778	0.311123	
4	2007-08	1.2	25%	3						
5	2008-09	1.21	1%	4						
6	2009-10	1.04	-14%	5						
7	2010-11	0.941		6						

D/A Ratio:

Year	Debt to asset rati	Growth rat			treand	slope	y intersep	r	r2
2005-06	73%		1						
2006-07	76%	3%	2		0.721343	0.034062	0.687281	0.860673	0.740757
2007-08	79%	5%	3						
2008-09	77%	-2%	4						
2009-10	89%	16%	5						
2010-11	89%		6						

B7 =TREND(B2:B6,D2:D6,D7)

D/E Ratio:

Year	Debt to equity ratio	asset	debt	equity	D/A (times)
2005-06	8	9,291	6808	851	0.732752
2006-07	9.28	11,680	8834.56	952	0.756384
2007-08	9.54	15,056	11900.5776	1,247.44	0.790421
2008-09	8.32	17,342	13406.0992	1,611.31	0.773042
2009-10	8.48	22,681	20293.4032	2,393.09	0.894731

Total assets:

Formula bar: `B7` `=TREND(B2:B6,D2:D6,D7)`

Year	Total asset	Growth rate	t		treand	slope	y intersep	r	r2
2005-06	9,291		1						
2006-07	11,680	26%	2		8721.6	3244.2	5477.4	0.987725	0.975602
2007-08	15,056	29%	3						
2008-09	17,342	15%	4						
2009-10	22,681	31%	5						
2010-11	24942.6		6						

Shareholder's Equity:

The spreadsheet shows the following data:

Cell B7 formula: `=TREND(B2:B6,D2:D6,D7)`

Year	Shareholders' E	Growth rate	t						
2005-06	851			1	treand	slope	y intersep r		r2
2006-07	952	12%		2	662.2	374.3	287.9	0.94904	0.900678
2007-08	1,247	31%		3					
2008-09	1,611	29%		4					
2009-10	2,393	49%		5					
2010-11	2533.7			6					
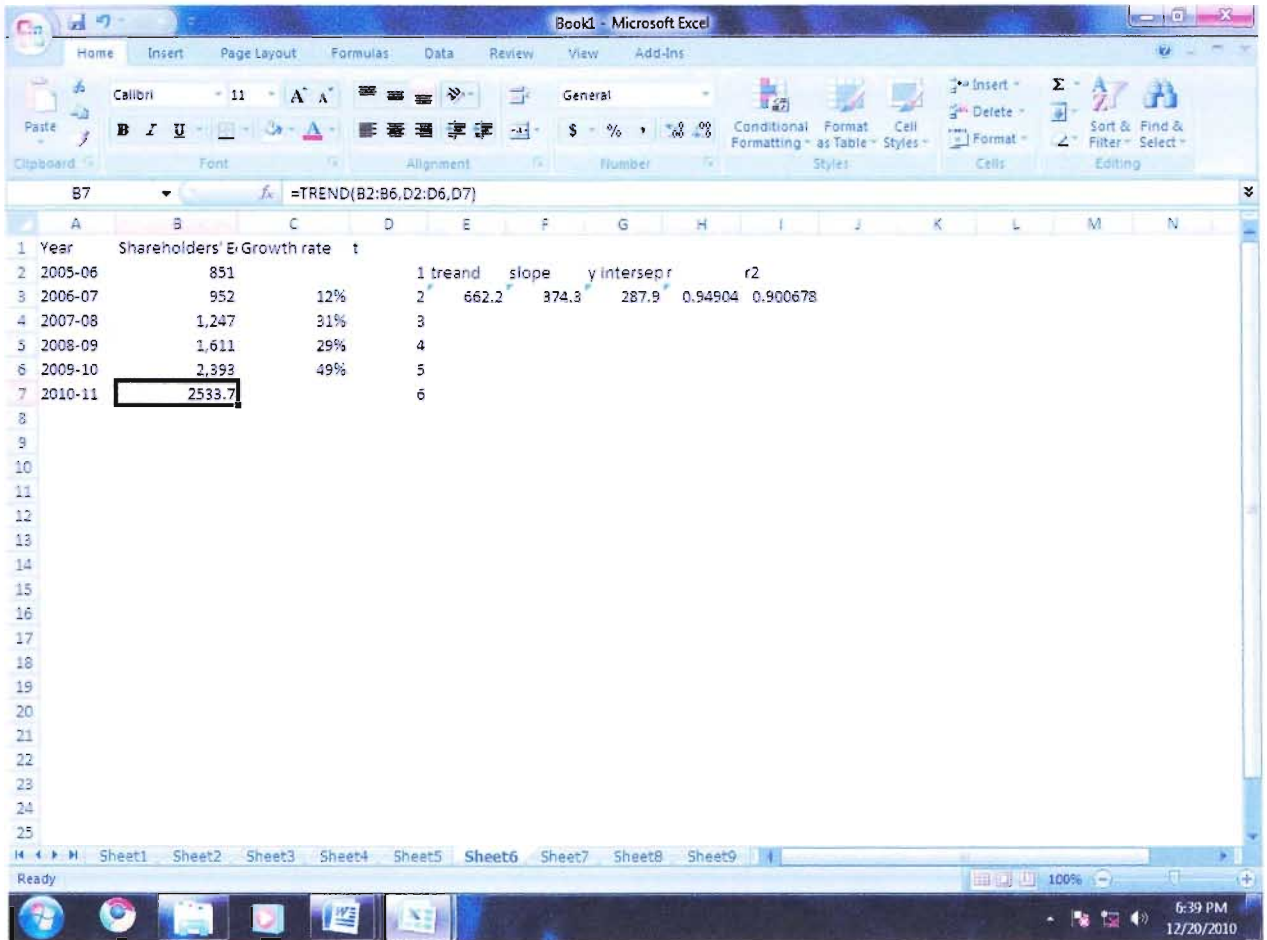
B7 | =TREND(B2:B6,D2:D6,D7)

	A	B	C	D	E	F	G	H	I
1	Year	Market Capitaliz	Growth ra t						
2	2005-06	1,511		1	treand	slope	y intersep	r	r2
3	2006-07	1,176	-22%	2	-237.2	2374.3	-2611.5	0.915263	0.837706
4	2007-08	3,038	158%	3					
5	2008-09	5,723	88%	4					
6	2009-10	11,109	94%	5					
7	2010-11	11634.3		6					

Sheet1 Sheet2 Sheet3 Sheet4 Sheet5 Sheet6 **Sheet7** Sheet8 Sheet9

Book1 - Microsoft Excel

B7   =TREND(B2:B6,D2:D6,D7)

	Year	Book value	Market price o t						
	2005-06	284	1,007	1	treand	slope	y intersep	r	r2
	2006-07	317	784	2	220.8	124.8	96	0.948855	0.900327
	2007-08	416	1,519	3					
	2008-09	537	2,289	4					
	2009-10	798	3,703	5					
	2010-11	844,8		6					

Sheet1 Sheet2 Sheet3 Sheet4 Sheet5 Sheet6 Sheet7 **Sheet8** Sheet9

B7 | =TREND(B2:B6,D2:D6,D7)

	A	B	C	D	E	F	G	H	I
1	Year	Book value	Growth ra t						
2	2005-06	284		1	treand	slope	y intersep	r	r2
3	2006-07	317	12%	2	220.8	124.8	96	0.948855	0.900327
4	2007-08	416	31%	3					
5	2008-09	537	29%	4					
6	2009-10	798	49%	5					
7	2010-11	844.8		6					