

An Internship Report  
On  
Portfolio Management Strategies of IDLC Investments Limited

An Internship Report Presented to The Faculty of Business Administration in Partial Fulfillment  
of the Requirement for the Degree of Bachelor of Business Administration.

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**United International University**

# **Portfolio Management Strategies of IDLC Investments Limited**

## Letter of Transmittal

Date: June 25, 2018

Md. Kaium Hossain  
Assistant Professor  
School of Business and Economics  
United International University

Subject: Submission of Internship Report on **“Portfolio Management Strategies of IDLC Investments Limited”**.

Dear Sir,

With due respect I would like to say that it was a honorable and great pleasure for me to submit my internship report titled “Portfolio Management Strategies of IDLC Investments Limited” which has been prepared as a part of my BBA program.

The time to preparation of the report, I have tried my best to make it good covering that all concerning matter are fully covered. I believe the report will at least give you a clear scenario about the topic which also show that I have gather the valuable experiences through this internship under you supervision .

Thank you for motivating me for working on this interesting topic .Kindly accept my report an oblige thereby.

Sincerely yours,

.....

MD. Rahat bin kashem

ID. 111-132-188

## Acknowledgement

Firstly, I want to thank Allah for everything. With the help of Allah and my parent's blessing finally I have successfully completed my 3 month internship period at IDLC investments limited.

I must remind to say my pleasure to the helpful faculty member for his untried support, inspiration and motivating during this internship program. This report has been prepared and presented to his assessment and final evaluation of this course.

I must mention my appreciation I am also thankful to Mohammad Nayem Uddin, Assistant Manager in DPM. Help me to complete my internship program at IDLC investments limited.

I must mention name of some people who trained and help me much during the internship program and also helm me preparing this by sharing their views with me –

Abir Hossain Talukder, Senior business development officer, DPM

MD.Mahmudur Rahman, Business Development officer, DPM

Ashraful Islam, Assistant business development officer, DPM

Makin Rishalat jitu, senior executive officer, Discretionary Portfolio Management.

Lastly, I thank to everyone else at IDLC Investments limited who were nice to me and help me during internship program.

At last but not least, I am very grateful to my university which is the reason I get opportunity to working here added a value of my experience and help to completed my bachelor degree successfully.

## **Executive Summary**

Merchant Banking is one of the vital capital market activities that were provide by IDLC finance limited. IDLC is the first financial institution that got license for merchant bank activities in January 1998.They started their Merchant bank operation in 1999.Under the merchant wing the service such as issue management, portfolio management and corporate advisory service are provided. During 2010 BSEC came up with the law which required all the financial institutions to make the merchant banking operation separate. As per requirement of the Bangladesh securities & Exchange Commission (BSEC), IDLC formed a separate subsidiary on May 19, 2010 in the name of “IDLC Investments Limited”, in order to transfer its existing merchant banking activities to the newly formed entity. IDLC applied to BSEC to transfer the existing merchant banking license of IDLC finance limited to IDLC Investments Limited. Accordingly, IDLC Investments Limited has started its operation from August 16, 2011 to offer merchant banking service to both our individual and institutional clients. Lastly this report contains of investments, Job description, analysis and finding, detailed study on the portfolio management strategies of IDLC Investments Limited.

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# Chapter One-

# Introduction



## **1.1 Introduction**

The IDLC group has become the biggest multi-product multi segment non-banking financial institution in Bangladesh and one of the blue-chip companies on local stock markets. The single product leasing which started in 1986 with five staff member has today originate into a multi-product \$750 million business has diversified into the corporate, SME, Consumer and Capital market segments. Today, IDLC marks its presence over 20 cities, represented by 38 branches and booths with over 1400 employees, serving over 45000 clients. However, it would be constricting to say that we are merely in the financing business, they try to do something more.

## **1.2 Origin of the Report**

I have been deigning to work on this project which has been designated by my course mentor. My report is based on the portfolio management of IDLC Investment Limited. I have basically included the overview of the company, the marketing scenario analysis, which are consumer buying process, competitive analysis, market completion analysis, another vital area includes segmentation, targeting, positioning, product strategy, and channel strategy .this report also enlace the service which I personally worked at a very close near and was my major job responsibility within the organization and how it could be better furnished not only my department but the entire division

## **1.3 Overview of the Report**

This report is on the portfolio management service help the clients to maintain proper Taxation. This report detailed the entire IDLC Investment Limited as example their service, maintenance, client handling, investment criteria, adjustment with stock market, portfolio evaluation and other things. This report also furnished with some recommendation which help them for the future development.

## 1.4 Objectives of the Report

- To analyze the portfolio management strategies of IDLC Investments Limited.
- To know the investment criteria and post evaluation process.
- To provide the formation of Tax certificate.

## 1.5 Limitations

- The reason of confidentiality some important numbers are could not present into the report.
- Another limitation is that I have learned a lot of things in the intern period but it could not possible all the aspect described in depth and detail.
- Every organization has some own policy that they want to reviled it, IDLC Investment Limited is not exceptional to this. Our superior boss or responsible person in the organization did not share enough information with us sake of confidentiality of the organization.
- Time is not enough for collect all information because of internship period.
- Theoretical knowledge about taxation.

## 1.6 Methodology

I have followed 2 type of methodology for the arranging of the report. Those help me to make the report with a strategic view. The two ways in which I have collected information:

- **Primary Data**

I have collected this data with the help of company supervisor and training session, client visit, also discuss with the sales team and work with DPM department.

- **Secondary Data**

My secondary method of data collection from different sources. Those are:

1. Going through the websites.
2. Annual report of IDLC finance limited.
3. Investment Knowledge Council by Bangladesh Securities & Exchange Commission

I will also include various figure and aspect which will properly show the various fact which encompasses the operation Division and how it function along with some analysis represented through some charts acquire through some calculations down with the help of tools like Microsoft Excel , Word.

# Chapter -Two

## Company Overview

## 2.1 Historical Background

IDLC Limited, the first leasing company of Bangladesh, was established in 1985. Its birth was actually a collaborative effort it start its journey with a collaborative effort between several local and multinational financial institution example- International Finance Corporation (IFC), German Investment and Development Company (DEG), Kookmin bank, Korea Development Financing Corporation, The Aga Khan Fund for Economic Development, The City Bank Limited, IPDC of Bangladesh Limited, Sadharan Bima Corporation. The expression of this company the initial foreign shareholding of 49% was gradually being transfer. The local sponsors were taking the shareholding position of the company and finally in 2009 there was no foreign shareholding of the company.

## 2.2 About the company

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

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

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

**2.3** The company accomplishes its diverse business through its four areas – SME, Consumer, Corporate and Capital Market.

### 2.3.1 SME

This division provides specialist lending to small and medium sized business across broad range of industries including steel, cement, light engineering, plastic and textile among other, geographically spread across Bangladesh. This division provides a broad range service example –team loans, working capital and loans and lease financing to satisfy diversified customer requirement. This division customizes their service if necessary. The division also support and encourage women entrepreneurship by providing them loans at attractive covenants.

	2017	2016
Portfolio Size (In Taka)	30,851 million	26,054 million
Disbursement (In Taka)	22,756 million	18,708 million
Asset portfolio growth	18.41 %	16.48 %
Asset portfolio five year CAGR	30.55 %	30.55 %
Client Base	12,582	10,812

### 2.3.2 Consumer

The division is actually worked for offering retail financial service. Its financial product encloses Home Loan, Car Loan, and small portion Personal Loan and Loans against Deposits. These divisions now consume largest market shares and growth rates within the Home Loan industry of Bangladesh. This part of the company also attract in solidarity deposit through multiple retail saving product with dissimilar interest rates and maturities.

	2017	2016
Portfolio Size ( In Taka)	24,152 million	21,415 million
Disbursement (In Taka)	9,228 million	7,641 million
Asset portfolio growth	12.78 %	3.79 %
Asset portfolio five year CAGR	19.64 %	20.50 %
Clients Base	8,600	8,015
Deposit Portfolio	48,325 million	47,564 million
Number of deposit customer	7,345	6,620

### 2.3.3 Corporate

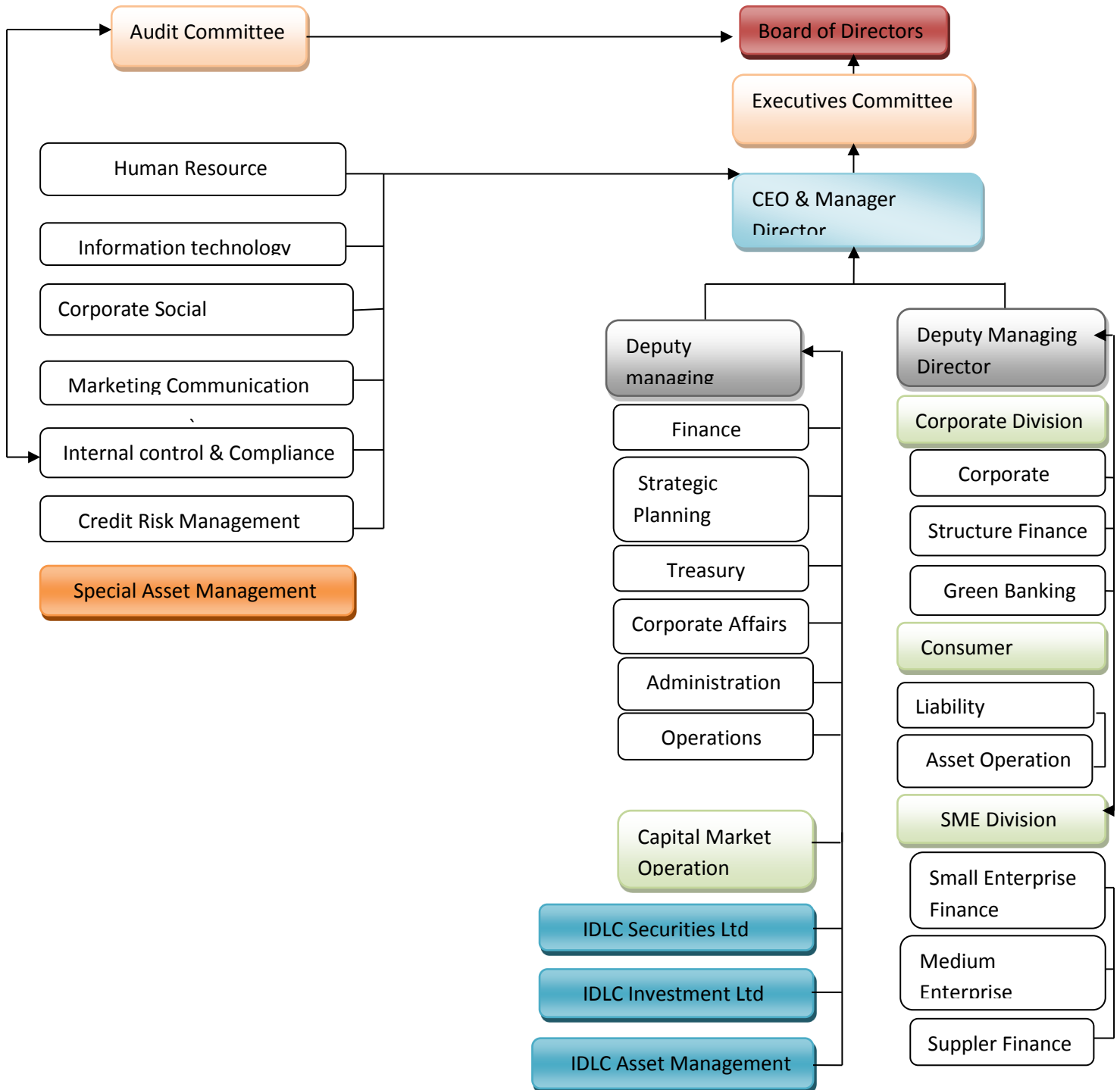
The main activity of the Corporate Division is to deliver superior service to financial institutions across the country in financial matters. Among its variant range of services lease financing, term loans and financing options for capital expenditure etc. In addition to these this division of the company also offers Structure Finance (SF) solutions which include corporate bond issuance and syndication.

	2017	2016
Portfolio Size (In Taka )	14,432 million	13,406 million
Disbursement (In Taka)	12,755 million	11,099 million
Client Base	239	257

<b>IDLC Securities Ltd.</b>		
	2017	2016
Income for operation (In Taka)	821 million	344 million
Profit After Tax (In Taka)	379 million	103 million
<b>IDLC Investment Ltd.</b>		
	2017	2016
Income for operation (In Taka)	539 million	322 million
Profit After Tax (In Taka)	276 million	170 million

## 2.4 Organogram of IDLC

Our Organizational Chart



## 2.5 Overview on IDLC Finance Limited

Industrial Development Leasing Company (IDLC) started its journey in 1985 as the initial leasing company of this country. Through IDLC was introduced as a leasing company, it extended its working area and changed the name from Industrial Development Leasing Company to IDLC Finance Limited in August 2007.

In last 30 years of business, they established themselves as the top financial institution in this industry. From last few years they offered several financial solutions. The company's products and services range from home loans, car loans, corporate and SME lease and term loan, structured finance service ranging from capital restructuring and a complete suite of merchant banking and capital market service.

IDLC Finance was established with the collaboration of reputed international development agencies such as:

- Korean Development Leasing Corporation (KDLC), South Korea.
- Kookmin Bank, South Korea
- International Finance Corporation (IFC)

## 2.6 Mission & Vision

**IDLC Finance Ltd.'s Vision** "We will be best financial brand in the country."

**IDLC Finance Ltd.'s Mission** "We will focus on quality growth, superior customer experience and sustainable business practices."

**IDLC Finance Ltd.'s Corporate Philosophy** "Discharge IDLC's functions with proper accountability for action and results and bind ourselves to the highest ethical standard."



**IDLC Finance Ltd.’s corporate philosophy**

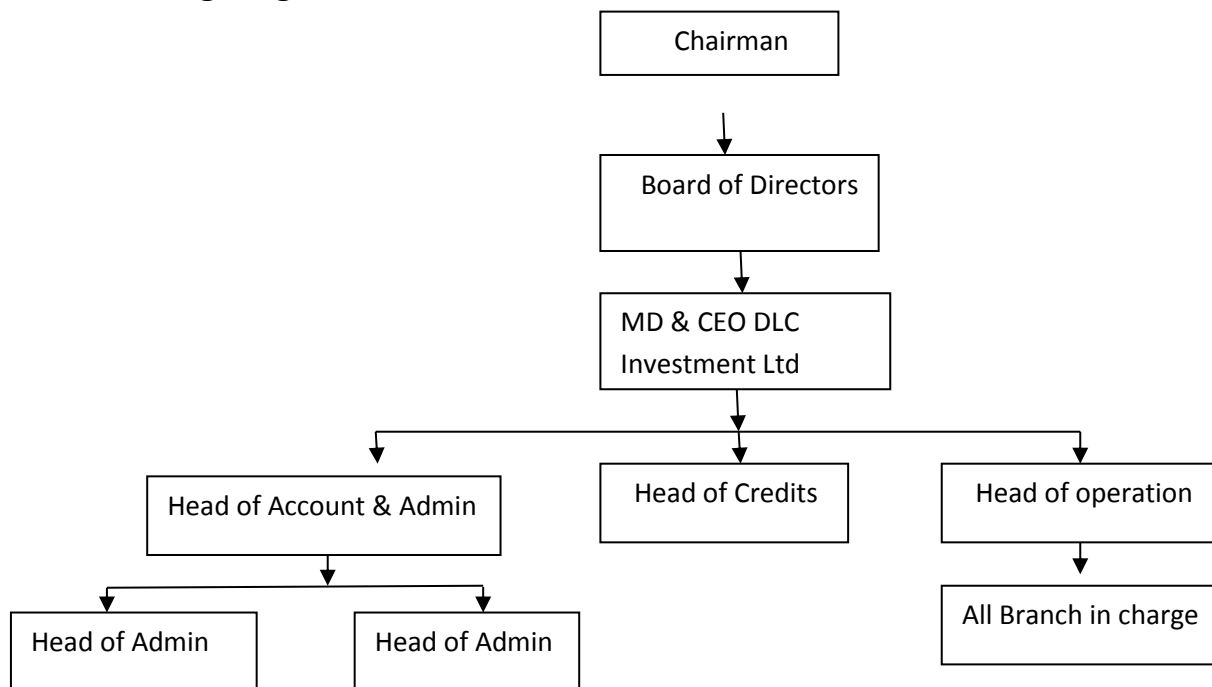
- Grow and develop our talent pool
- Fully leverage new core banking platform
- Optimize distribution points
- Grow and diversify funding sources

To extend the function of IDLC Finance management created two wholly owned subsidiaries. They are –

- ✚ IDLC Investment Limited
- ✚ IDLC Securities Limited

**2.7 Overview of IDLC Investments Ltd.**

**2.7.1 Organogram of IDLC Investment Limited**



Though IDLC’s primary activity is to construct, maintain and evaluate the portfolio they do supporting activity as well. Those are investment banking, research etc. They have Margin loan department to monitor the margin loan of Capital Invest Accounts they also have the finance and control department to assist with the internal and external audit. Sometime they also perform the functions of Human Resource department when it is required.

## 2.8 Department of IDLC Investments Limited

There are several department of IDLC Investments Limited but most of them work as a team. As example margin loan, operations and investment banking works together. On the other hand the whole organization structure is given below:

Portfolio Management			
Investment Banking		Research	
Settlement	Finance & control	Margin Loan	Operation

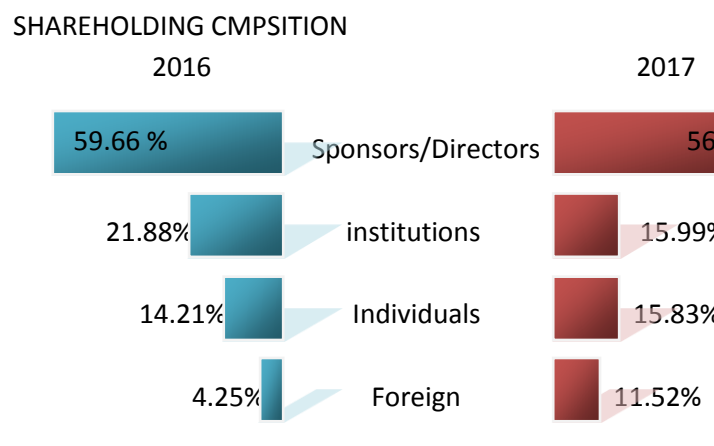
## 2.9 Shareholding Structure

Our Shareholding Composition

As on December 31, 2017

SL No. Name of Shareholders	Number of shares	% of total shares
<b>1. SPONSORS/DIRECTORS</b>		
<b>THE CITY BANK LIMITED (CBL) and its subsidiaries</b>	<b>87,510,575</b>	<b>23.21</b>
The City Bank Limited (CBL)	33,935,329	9.00
CITY Bank Capital Resource Limited (CBCRL)	37,328,028	9.90
City Brokerage Limited	16,247,218	4.31
<b>Transcom Group</b>	<b>50,273,164</b>	<b>13.33</b>
Eskafe Pharmaceuticals Limited	30,164,062	8.00
Transcraft Limited	15,132,033	4.01
Bangladesh Lamps Limited	4,977,069	1.32
<b>Sadharan Bima Corporation (SBC)</b>	<b>28,727,494</b>	<b>7.62</b>
<b>Reliance Insurance Limited</b>	<b>26,393,553</b>	<b>7.00</b>
<b>Mercantile Bank Limited</b>	<b>20,737,791</b>	<b>5.50</b>
<b>Sub-Total</b>	<b>213,642,577</b>	<b>56.66</b>
<b>2. GENERAL</b>		
<b>Institution:</b>		
Bangladesh Fund	6,330,000	1.68
Investment Corporation of Bangladesh (ICB)	5,251,913	1.39
Marina Apparels Limited	3,770,506	1.00
Other Institutions	44,930,605	11.92
<b>Sub –Total</b>	<b>60,283,024</b>	<b>15.99</b>
<b>Individuals:</b>		

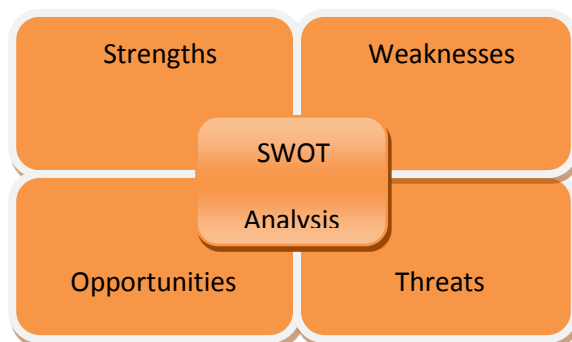
General Public (Individuals)	59,688,255	15.83
<b>Sub-Total</b>	<b>59,688,255</b>	<b>15.83</b>
<b>3. FOREIGN</b>		
Institutions & individuals	43,436,924	11.52
<b>Sub-Total</b>	<b>43,436,924</b>	<b>11.52</b>
<b>Total Holdings</b>	<b>377,050,780</b>	<b>100.00</b>



## 2.10 SWOT Analysis of IDLC Investment Limited

### An Overview of SWOT Analysis

The important things is to for a business to know and understand how it work and interacts with the environment on both internal (inside the business environment) and external (operation of the business outside)



### 1. Strengths

- ◆ Strong Corporate Identity

IDLC Finance Limited is a leading financial company in Bangladesh. It is the first and number one non-banking financial institution. IDLC finance won ICB award in 2002, 2003, 2005, 2006, and 2007. IDLC received first ICMAB National best corporate award 2007.

- ◆ Strong employee Bonding and Belongings

IDLC investment Limited employees are one of the basic assets of the company. The employees have the influencing power towards the company. Strong organizational culture of the company is main fact of this strength.

- ◆ Efficient Performance

IDLC Investment Limited provides hassle free customer service to its client comparing to other financial institutions in Bangladesh. Their client service is excellent.

- ◆ Empowered Work Force

Human resource of IDLC Investment Limited is very much active and perfect managed. As first the op management believes in empowered employees, where they refuse to put their figure in every part of the pie. This empowered environment makes IDLC Investment limited a better place for employees.

- ◆ Strict Adherence to Compliance Standard

The organization abides by all rules and regulations provide by the regulatory bodies. This strict adherence to standard an excellent strength for the organization.

- ◆ Goodwill

IDLC Investment Limited has acute goodwill in the market. There is no dilation against its service in the market. Its goodwill may make the company more competitive in the market.

## 2. Weaknesses

- ◆ More Innovation Service must be offered

In order to more competitive in the market IDLC Investment Limited should come up with more new and imposing package & service.

- ◆ Low paid up capital

The paid up capital of the company is relatively low. For widening the operation network and service more capital is required. In the long run his might turn into a negative issue.

- ◆ Limited score of investment

As Non-banking financial institution IDLC Investments has not enough scope invest less than 3 thousand.

## 3. Opportunities

- ◆ Countrywide network

IDLC Investments Limited has a good network of branches in the country though numbers of branches are few. By utilizing the goodwill & widening network IDLC Investments Limited might increase its profitability.

- ◆ Huge Market

Among the non-banking financial institution IDLC Investment Limited gas hug potentiality. Those who are big in financial market they are in institutional shareholder.

- ◆ Market Growth

The market is growing day by day. IDLC Investments Limited market growth rate is 28% in 2017. And it's continuously growing project of IDLC.

## 4. Threats

- ◆ NEW NBFI & Bank

New non-banking financial institutions and private banks possess a serious threat for IDLC Investment Limited. With the new entrance the intensity of competition will rise further and the company will have to develop strategies to complete the threats.

◆ Rivalry of existing competitor

A large number of bank and non-banking financial institutions increase rivalry because they are competing in the same market with almost same product. Competition among the existing service provider in the area of commission, interest rate and extending various facilities are also present.

◆ Similar service are offer by other banks and FIs

Today different private banks are offering the same service with the very competitive interest rate. So if all companies fight with same weapon, the natural outcomes are decreasing profit.

◆ Industrial Downward

Bangladesh is economically unstable country. Due to political instability our economy faces a huge challenge. This creates a downward pressure in all sectors business.

## **2.11 Job Responsibility of IDLC Investments Limited**

I was doing my internship program in IDLC Investment Limited as a DPM associate. And my work is very much motivating here. I start my internship by taken some training session from different department and topic .Firstly a stock market in Bangladesh summery, activities, rule and management information are brief. And we also attend a program named “Binioger prathomic darona” which is arranged by Bangladesh Security and Exchange Commission (BSEC).I did the following tasks as per my advisor’s requirement.

- Corporate visit
- Client meeting
- Reached the prospectus client
- Check the account opening form
- Follow-up visiting client
- Make phone calls
- Fill-up the daily visiting update
- Attend various training session

- Providing client portfolio statement
- Giving Account opening notification message
- Collect necessary document from client
- Providing Tax certificate
- Serving Regulatory Purpose:
  - ✓ Know your client (KYC): It is a part of audit checked by the regulatory commission. In the last audit in IDLC Investments limited audit committee gave new instruction. One of them was KYC .They gave the instruction based on 4 components.
    1. **Personal verification:** IDLC have to check the National Identification Card (NID) at first if NID is not available then passport if this is not available then driving license/Certificate given by local Union Parisad/City Corporation.
    2. **Address Verification:** Address should be verified by Bank statement/personal verification.
    3. **Source of Income:** Client's bank statement/IDLC will verify the source of income.
    4. **Report to Anti-Commission (ACC):** If IDLC thinks that source of fund mismatches the income then IDLC must notify to the Anti-Corruption Commission (ACC).
  - ✓ Discretionary Portfolio Management Audit Report: In 2014 Audit committee instructed IDLC to make investor's risk profile which shows how much risk they can take.
  - ✓ Change the investor Broker and other information as per client's request.
  - ✓ Block the investor's account when order book is not available and unblock when it is available.
  - ✓ Check every day's fund withdrawal requisition.
  - ✓ Account Opening.

## 2.12 Observation



IDLC has a good environment for work. They treat interns as an employee. They give the work decision of interns on themselves. Advisors assign few responsibilities and regular work which make intern more responsible and dedicate toward their work. They were helpful when I was making this report.

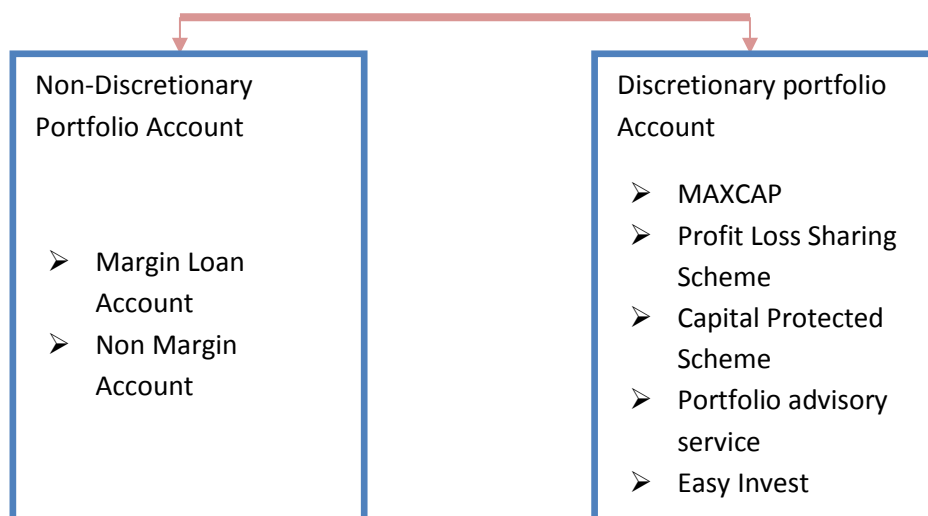
## **Chapter Three-**

# **Analysis and Findings**

IDLC Investment Limited mainly works with different type of portfolio account which is totally furnished with high quality capital market research. All those money they get from clients deposit invest in the capital market equity security and some fixed income securities.

There have two types of account that IDLC Investment Limited is managing in present day. Here 2 types of account and their detail are given below:

### 3.1 IDLC Investments Limited (Account Type)



## 3.2 Non-Discretionary Portfolio Account

There have one kind of account under Non-Discretionary Portfolio Account. IDLC giving its name CAP Invest. Cap invest is an investor's Discretionary Account that provides margin loan facilities to the investors. And in these account clients has right and scope to manage his own portfolio. Here client has power to buy and sell his own share at any time. Though in the margin loan account if Equity to Debt ratio is less than 50% then client must maintain some bindings and if Equity to Debt ratio is lower than 30% client can buy securities that is approved by IDLCIL

### 3.2.1 Major Service of Non-Discretionary Portfolio Account

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

### 3.2.2 Major Characteristics

- In the Cap Invest clients will have absolute discretionary power to take their own investment decision. IDLC, Portfolio Manager provides all back- up for efficient accomplishment of the trades.
- Clients will allow investing only in the securities carefully selected and approved by the portfolio Manager.
- The Portfolio Manager will extend Margin loan to the client to facilities increase of their return n investment through leveraging.
- The entire securities buy for the clients shell remain lien in favor of the Portfolio Manager.
- Clients have the various accesses to research materials on market, industry and companies prepared by the independent research team of the portfolio Manager.
- Investment in "Cap Invest" will be considered capable investment for obtaining tax rebate. In additionally those income is come from capital gain investment is also totally tax-exempt.
- Client can place trade orders through the SMS/Mobile application/Internet.

### 3.2.3 Policies

- Margin Call: In the event of the client's equity falling below 50% of the total debt liability, the portfolio Manager will call for extra margin deposit from the client to maintain the stipulated equity to debt ratio of the given loan ratio.
- Mark to Market (MTM): MTM is a gradual adjustment process to protect client's equity level. If equity level drops, deposit or partial sell will be required by the next working day to raise it. Any account having equity to Debt ratio (E/D ratio) below 30% will be auto adjusted through daily Mark-to-Market (MTM).

**Equity to Debt Ratio:** Total Equity /Total Liability

### 3.2.4 Fees and Charges

Particulars		Margin Loan A/C	Non Margin A/C
Management Fee (To be charged Quarterly)	Equity above 10 Million	1% on the asset value of portfolio	0.50% on the asset value of the portfolio
	Equity below 10 million	1.5 % on the asset value of portfolio	
Interest on Margin loan (to be charged quarterly)	Equity above 30 Million	16.25% on the loan amount	No loan Facility
	Equity below 10 million	16.25% on the loan amount	
Settlement Fee		0.35% on transaction value	0.35% on transaction value
Documentation Charge		TK.500	TK .500

**Netting-** Client can sell all security and can also buy another security with that amount. Netting is only applicable for non-discretionary portfolio account.

### 3.2.5 Settlement

- IDLCIL daily trade data will send to panel broker through email within 9.45 A.M.
- IDLCIL also send the Approved List of Securities (ALOS) t the panel broker, which are approved by IDLCIL Research team.
- Panel Broker will send executed trade data through email by 3.30 pm on every trading date.
- On the client's account, share will be matured on t+2 days.
- On the client's account, Fund will be matured on T+3 days.

## 3.3 Discretionary Portfolio Account

Present days IDLCIL managed 4 types of account under Discretionary Portfolio Account. 3 account managed by portfolio manager. Here investors cannot take decisions regarding buying new stock and selling existing stock but investor can check his/her portfolio when needed. Portfolio manager also responsible for sending quarterly portfolio report through the client email. All types of account and their description are given below-

### 3.3.1 MaxCap

MAXCAP is a discretionary portfolio management service for high net worth clients, where IDLC Investment Limited manages clients fund and take all investment decisions. Portfolio manager, follow a disciplined investment process and structure approach to build portfolio, tailored to specific needs and constrains. Here gains and losses will be pulled by the investors.

MAXCAP account is suitable for those investors, who want to manage his/her fund by a expertise fund manager .MAXCAP also allows experienced investors and institutions to achieve greater sector and style diversification in their investment portfolios. Institutions can invest 25% of the company's provident fund.

#### Key Information

- Minimum investment amount  
(Individuals/Institutions): BDT 500,000
- Minimum Investment Horizon : 2 years

#### Fees & Charges

- Account Opening Fees : BDT 500
- Management Fees: 2.5% on the market value f portfolio
- Transaction Fees: 0.35% on transaction amount
- CDBL Charge: BDT 450 per year
- Early Exit Fees: 0.5% on withdrawal amount

#### Benefits of MaxCap

- A team of professional fund managers
- Dedicated research team
- Risk management based n client's risk appetite
- Stress free investment
- Private placement opportunity
- Liquid instruments
- Allow for rebate on income tax
- Lower transaction fee
- Capital gain in investment tax exempted for individual investors

#### Composition of the portfolio in MaxCap

Portfolio Manager will invest in capital market securities both debt and equity approved by the Securities and Exchange Commission or Bangladesh Bank. Fund will not be invested in private venture capital. Fund amount to more than 30% of total assets will not be invested in unlisted equity/debt

Securities, including IPO and pre- IPO private placements Fund more than 30 and 60% of total assets will not be allocated in a single security and single industry respectively.

### **3.3.2 Profit loss Sharing Scheme**

By the name of this account it is easily IDLCIL share the profit or loss with the client. Normally this sharing rate is client 70:30 IDLCIL. This account shows that how good they are in portfolio management.

#### **Key Information**

- Minimum investment amount: BDT 1,000,000
- Investment horizon: 2 year
- Investment & profit-loss sharing : 70:30(Ratio)

#### **Fees & Charges**

- Account opening Fees: BDT 500
- Management Fees 2.5%
- Transaction Fees : 0.35%
- Early exit Fees: 5%

#### **Benefits of profit-loss Sharing scheme**

- Year-end profit sharing opportunity
- Skilled professional service at the minimum cost
- Tax rebate opportunity for individuals
- Profit and loss will be shared proportionally

#### **Composition of the portfolio in profit-loss sharing scheme**

Portfolio Manager will invest only in capital market securities both debt and equity approved by the Securities and Exchange Commission or Bangladesh Bank. In order to protect the capital and increase the profit potential, funds may be invested, as a defense strategy, in quoted/unquoted debt securities, depository instrument, or fixed deposit account.

### 3.3.3 Capital Protected Scheme

This is secure and only the portfolio management service which ensures that the client will not have any loss in future. Even if the market falls dramatically they will not have any loss but they may not earn any profit.

#### Key Information

- Minimum Investment amount: BDT 1,000,000
- Investment horizon: 4 years 3 month

#### Fees & Charges

- Account opening Fees: BDT 500
- Management Fees: 1.5%
- Transaction Fees : 0.35%
- Early exit Fees: 2%

#### Benefits of capital protected scheme

- 100% CAPITAL PROTECTION
- Tax rebate opportunity for individuals
- Higher growth potential with the combination of both money market and equity market investments.
- Zero downside risk while unlimited upside potential
- Skilled professional service at a minimal cost

### 3.3.4 Easy Invest

Easy Invest is a discretionary portfolio management product that will build clients portfolio over time, with small investments at regular intervals. As client fund manager, IDLC will follow a disciplined and structured process, and reduce the risk of market volatility. Client's fund will be invested in Blue Chip companies having proven history, strong governance, and good prospect of business growth. The goal is to create long-term wealth for clients. It is also similar with banking DPS system.

#### Key Information

- Monthly Investment Amount: BDT 3,000 and in multiples of BDT 1,000
- Investment Horizon: 3, 5 and 10 years



## **Fees & Charges**

- Account Opening Fees: BDT 500
- Management Fees: 3.00% on market value of portfolio
- Transaction Fees: 0.50% on transaction amount
- Insurance Premium: BDT 74 per year(optional)
- CDBL Charge: BDT 450 per year
- Early Exit Fees: 3% within 6 month, 1% onward till maturity

## **Benefits of Easy Invest**

- Disciplined and systematic approach
- Flexible and affordable investment plan
- Auto Debit Facility
- Reduces risk because of cost averaging
- Accidental death and disability insurance coverage(up to 1 Lac)

## **3.4 Portfolio Management Service**

Portfolio management is the primary work of IDLC Investment Limited. And other department is working as a supporting hand of portfolio management. Suppose Research department, they work as a supportive department. They suggest portfolio manager to invest in a proper way.

Portfolio management work is to take decision where to invest and when to purchase or sell. He has also the accountability for downsizing value of portfolio to much.

### **3.4.1 Duty towards client**

- Buy and sell
- Send the portfolio through email
- Frequent communication
- Answer to the question
- Provide Tax Certificate
- Change Investment when necessary
- Tax advice
- Provide Transaction Statement

Here a format of portfolio statement which maintaining by IDLC Investment Limited. This portfolio is given without number and names of the shares because of confidentiality issue.

IDLC Investments Limited  
DR Tower (4<sup>th</sup> Floor), 65/2/2, Culvert Road, Purana Paltan, Dhaka-1000

**Portfolio Statement**

Trade date: 01-jan-18

Account Type: EI  
Account No. \*\*\*\*

Branch Motijheel  
Name

SI	Company Name	Quality		Average .cost	Total Cost	Market Rate	Market Value	Unreal. Gain	%Gain	%MKT Value
		Total	Saleable							
1		00	00	00	00	00	00	00	00	00
2		00	00	00	00	00	00	00	00	00
3		00	00	00	00	00	00	00	00	00
4		00	00	00	00	00	00	00	00	00
5		00	00	00	00	00	00	00	00	00
6		00	00	00	00	00	00	00	00	00
7		00	00	00	00	00	00	00	00	00
8		00	00	00	00	00	00	00	00	00
<b>Total:</b>					<b>00</b>		<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>

Current Balance	:	00	Mkt Val. Of Lock Free Securities	:	00
Receivables Sales	:	00	IPO & Placement	:	00
Accrued Fees & Charge	:	00	Right Share Application	:	0.00
Deposit	:	00	Right Share Order	:	0.00
Fund Transfer In	:	00	Fund Withdrawal Order	:	0.00
Share transfer In	:	00	Dividend Income	:	00
Withdrawal	:	00	Realized Gain / (Loss)	:	00
Fund transfer Out	:	00	Unrealized Gain / (Loss)	:	00
Share Transfer Out	:	00	Liq. Income of MF	:	00
<b>Net Inflow</b>	:	00	<b>Net Gain / (Loss)</b>	:	00
<b>Net Worth</b>	:	00			
<b>Time Weighted Rate of Return</b>			<b>Equity</b>	:	<b>00</b>
Year 2018	:	00%	<b>Purchase Power</b>	:	<b>00</b>
Year 2017	:	00%			
Year 2016	:	00%			
Year 2015	:	00%			

Bonus Share Receivable

SI	Company Name	Share
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### 3.5 Construction of the Portfolio

Construction of the portfolio considers few components. All the components and their classification are given below. Constructing the portfolio how it can help o build a Tax Certificate is also given below.

Portfolio statement is a confidential issue, so I am construct a portfolio with an example. I have taken a fictive person account but its share price is real (30 June).I have taken the date of 30<sup>th</sup> June because it is the last date of financial year. The all Tax Certificates are prepared be supportive by the portfolio.

#### **EXAMPLE**

Suppose Mr. "X" opened an EASY Invest Account in IDLC Investments Limited on 1<sup>st</sup> March 2017. He deposited 2,000,000 BDT in IDLCIL. He also received approved Securities list, Investment advice from the portfolio manager. He also earned 20,000 as dividend from IDLC Securities Limited January 2017.

We would like to see where he invested the capital, operation process, performance and evaluation of the portfolio on the June 2017 with the Tax Certificate.

### 3.6 Component of the portfolio with description and example

#### **Deposit**

Deposit is the summation of the fund clients has deposited when the account opening, total fund transfer in, realized gain (loss) & dividend income.

Here Deposit is 2,000,000

Total fund transfer in = Incoming of fund from another account of the respective investor (individual/joint account)

Total fund transfer out = Outgoing of fund to another account of the respective investor (individual / joint account)

#### **Withdrawal**

Withdrawal is the summation of the fund client has taken out when the account opening and total fund transfer out.

Here, Withdrawal=0.00

### **Current Deposit**

It is the left amount after separate total withdrawal and total fund transfer out total deposit.

Current Deposit= 2,089,882.00

### **Equity**

Indicates clients own fund on that specific date.

Equity = AV of securities + (Current assets) /-(Current Liability)

=1,727,820 + 380,177

=2,107,997

### **Equity to debt ratio**

It's simply the ratio between equity & current liability amount. It becomes zero when there is no liability.

Equity to Debt ratio = Equity / Current liability

As he has no liability in the current period so result is 0.

### **Current Balance**

Positive CB shows the left amount of client's equity to be used and negative shows loan amount being used against which the interest is being charged.

### **Receivables Sales**

The sold amount but not adjusted in the portfolio yet, the amount to be adjusted after T+4 days from sale occurs.

Receivable Sales =0

### **Receivable Dividend**

Any cash dividend receivable by the investor which is already added to the equity as well as Current Assets/ Current Liability.

Receivable Dividend from AB Bank = 25,200

### **Current Assets /Current liability**

Positive value of the clients Assets shows the left amount of client's equity to be used and negative value is client's Current liability that shows the receivable amount from client. Where any investor has

current Assets or Liability depends on current balance, receivable sales, receivable dividend & accrued fees & charge.

$$CB+RS+RD-AFC= CA /CL$$

$$362,002+0+25,200-7,025=380,177.00$$

CA= Current Assets

CL= Current liability

CB= Current Balance

RS= Receivables Sales

RD= Receivable Dividend

AFC= Accrued fees & charge

### **AV of the portfolio**

Average cost of securities or market value of securities, which is lower + current asset (if any)

$$1,637,998+380,177= 2,018,175$$

### **Loan ratio**

The rate at which client get the loan against each 1 taka (equity)

Not applicable for this account

### **IPO & Placement**

Applied by the investor to get the allotment of any forthcoming companies shares especially in case of private placement.

### **Right application**

Amount kept safe to purchase right or preference share issue by the company.

### **Right Order**

Any order given by the investor to purchase the right or preference share.

### **Fund Withdrawal Order**

Which order is given by the investor to withdrawal cash amount from the respective account by client or other party authorized by the account holder. It is calculated using format-

Withdrawal = Purchase Power / 1+loan ratio

### **Purchase Power**

Ability to withdrawal specific amount from respective account

Purchas power = Equity \*loan ratio +/- current asset/ liability

1,637,998+380,177= 2,018,175

### **Dividend Income**

Received dividend amount.

### **Realized Gain/ (Loss)**

Gain / (Loss) received after selling shares.

### **Unrealized Gain/ (Loss)**

Gain / (Loss) not received.

8988.00(if would have sold all the share on this date he could gain this amount)

### **Ne Gain / (Loss)**

Summation of dividend income, realized gain / (Loss) and unrealized gain / (Loss).

### **Bonus share / Preference share Receivable**

Any share (Bonus / preference) against those IDLC has received the amount needed to purchase without executing the transaction.

### **Fees & Charge**

Two types of fees and charge are applicable in margin portfolio, and they are given below-

- Interest –Interest is charge quarterly on the daily basis on daily current balance.  
{CB\*(interest rate /360)} Not applicable for this account.
- Management fee- Management fees are charged quarterly but also calculated on daily basis over daily market value of securities. Market value f the share \*(management fee 1.5 / 360)  
=7,025.00

### IDLC Investments Limited

DR Tower (4<sup>th</sup> Floor), Culvert Road, 665/2/2Purana Paltan, Dhaka 1000

Trade Date: \*\*\_\*\*\_\*\*\*\*

Account Type: IDA

Account NO. \*\*\*\*

Name: Mr.X

SI	Company Name	Quality		Average Cost	Total Cost	Market Rate	Market Value	Gain	% Gain
		Total	Saleable						
1	AB Bank	10,700.00	10,700	22.2	236,716	23.60	252,520	15,804	6.68
2	Appollo Ispat Complex Li	15,000.00	15,000	20.17	302,555	23.60	354,000	51,445	17.00
3	EXIM Bank	30,000.00	30,000	9.73	292,019	10.40	312,000	19,991	6.84
4	LankaBangla Fin.	10,000.00	10,000	28.62	286,248	27.80	278,000	-8,248	-2.88
5	Square Pharma	2,000	2,000	260.23	520,460	265.65	531,300	4,144	2.83
<b>Total:</b>					<b>1,637,998.00</b>		<b>1,727,820.00</b>	<b>89,882</b>	<b>5.48%</b>

Current Balance	:	362,002.00	Market Value of Securities	:	1,727,820.00
Receivables Sales	:	0.00	IPO & exe. Right Appl.	:	0.00
Receivables Dividend	:	25,200.00	Right Application	:	0.00
Account Fees & charge	:	7,025.00	AV of the portfolio	:	2,018,175.00
Current Assets (Liability)	:	380,177.00	Equity	:	2,107,997.00
Equity to Debt Ratio	:	0.00%	Loan Ratio	:	0.00
			<b>Purchase Power</b>	:	<b>2,018,175.00</b>
Total Deposit	:	2,000,000.00			
Total Fund Transfer In	:	0.00	Dividend Income	:	0.00
Realized Gain / (Loss)	:	89,882.00	Realized Gain	:	0.00
Dividend Income	:	0.00	unrealized Gain	:	89882.00
<b>Deposit</b>	:	<b>2,089,882.00</b>			
			<b>Net Gain/ (Loss)</b>	:	<b>0.00</b>
Total Withdrawal	:	0.00			
Total Fund transfer out	:	0.00			
Total Withdrawal	:	0.00			
<b>Current Deposit</b>	:	<b>2,089,882.00</b>			

Required ED Ratio : 30.00

#### Cash Dividend Receivable

SI	Company Name	Amount
1	AB Bank	25,200.00

### **3.7 Composition and Component of Tax Certificate**

Every year clients want to tax certificate from the 1st July. Few things are very important in the tax certificate such as –

- Advance Income Tax
- Dividend Income
- Income Tax on dividend income
- Realized Gain
- Unrealized Gain
- Loan Amount
- Deposit during this period
- Locked Equity

Now I am construct a Tax Certificate for Mr. X, from the previous portfolio.



Dhaka, May 14, 2017

**To Whom It May Concern**

This is to certify that Mr. X S/D/W of Mr. Y / Mrs. Z, House#\*\*\*\*, Address, Dhaka, has been maintaining an investor Discretionary Investment Account in IDLC Investments Ltd.

His/her detail information is given below:

**A/C No.: IDA -\*\*\*\***

**Investment Period: July 01, 2016 –June 30, 2017**

<b>Opening equity</b>		<b>Closing equity</b>	<b>2,107,997.00</b>
<b>Deposit during this period</b>	<b>2,000,000.00</b>	<b>Withdrawal</b>	<b>0.00</b>
<b>Fees &amp; charge</b>	<b>7,025.00</b>	<b>Credit / (Loan) balance</b>	<b>0.00</b>
<b>Cost value of Securities</b>	<b>1,637,998.00</b>	<b>Market value of Securities</b>	<b>1,727,820.00</b>
<b>Dividend receivable</b>		<b>Unrealized Gain /Loss</b>	<b>89,882.00</b>
<b>Locked Equity</b>	<b>0.00</b>	<b>Marginable Equity</b>	
		<b>*Net Manual adjustment</b>	<b>500</b>

**Return Information:**

<b>Dividend Income</b>	<b>20,000.00</b>	<b>Income Tax on dividend at source</b>	<b>2,000.00</b>
<b>Realized Gain</b>	<b>0.00</b>	<b>Advance Income Tax</b>	<b>0.00</b>
<b>Loan</b>	<b>0.00</b>	<b>Investment</b>	<b>1,637,998.00</b>

(All figure in Bangladeshi Taka)

**Authorized Signature**

**\*Please refer to the transaction statement for details**

## 3.8 Findings

In the internship period I notice some issues where IDLC Investments Limited can improve them and find them in a more comfortable place. Those improvements actually help both IDLC and clients. Sometimes single information can satisfy both clients and organization employees. They can reduce their time, energy by practicing that information.

- Portfolio statement does not show the netting ability of the client.
- Portfolio statement also does not show the total withdrawal for this current period which is directly related to the tax certificate.
- In Easy Invest account brochure, there is no return assumption calculation which is very much helpful for the client to understand.
- Non-Discretionary portfolio Account which is maintained by the client has to write the order book. If the order book is available then IDLCIL give him message manually which is time consuming and costly.
- Another problem in Non-Discretionary portfolio Account is trade block or open. If order book is not available or if client overbuys from his account then IDLCIL block him from trade which takes a lot of time. For the client, it may cause a lot of financial damage.
- Know your client is done in a manual process which means it is maintained only in hardcopy. If there is any problem like fire, damage by insects before the audit then all this KYC has to be done again.
- Investments sales team are separate from IDLC finance Limited.
- In EASY Invest Account investment amount is less than 3 thousand.
- Tax rebate benefit is a little bit complex so it should be in an easy way.

## **Chapter Four-**

# **Conclusion and Recommendations**

## 4.1 Conclusion

IDLC does their Merchant Banking activities and Capital market operation through subsidiaries. IDLC is one of the non-banking financial institutions from last few years. Their subsidiaries help them to get the position they are holding.

IDLC Investments Limited running their operations fluently. They are having very huge individual and institutional client who are very much potential. In the last fifty initial public offering (IPO), IDLC introduce fourteen of them which indicated industrialists are also in a favor of them. After 2010, so many non-banking financial institutions could not run their as frequent as frequently they did before, IDLC Investments had some problem at that time but they recover very quickly. In that time, they earned a lot of loyal clients.

The capital market operation of IDLC Finance offered since 1999 but its activities started increasing gradually during 2007 onwards, and by 2010 this division becomes the most dominant contributor the revenue and profit of entire IDLC Finance Ltd. IDLC is indicated those service to improve in order to strengthen their position in capital market and contribute heavily in constructed this market efficient in the future.

## 4.2 Recommendations

During my three month attachment at the IDLC, I have observed and come up with some specific recommendations specifically concerning the IDLC.

- IDLC Investments is a finance based company. So they are keeping the local working environment. Employees are self -inspired and self-reliant. People can exploit the freedom softness, so the authority should take care of them.
- Marketing and sales unit can be separated from operational department and become a solid marketing and sales unit.
- There has adequate planetary for increasing the discussion room for clients waiting.
- Expert leader for sales team excluding head of sales. Leader should play an energetic role for prompting the team. He needs to know who is acting well and who is not. He needs to give the proper instruction.
- Sometimes prescribed job is some extent respected. A predetermined employee always seeks for a better and stable job. As a result he cannot give obligatory time and attention. He will job and adjustment to alternative. If there is any space prescribed job can be abolished.
- Reporting Advisor should allocate intern in different work so that they can acquire more.
- Client facility can be better-quality by providing more devotion.
- There can be frequent skill expansion program should be occupied.
- Credit section show instant replay for crucial files.
- There make assemble some gift items like pen, key ring etc. Which are not affluent but well-intentioned and creation clients pleased
- Custom-made services should be providing to the specific clients.
- People of our country collective day-by-day. Their demand is also collective. In near future there may necessitate new product or services.
- Like other company cloud energy is used by the company. But sometimes it used to go out order. Therefore, the company should pay some important to the cultivating this system.

## References

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