

**Analysis of Credit Proposal for Corporate Banking Division of  
BRAC Bank Limited**



**BRAC University, Dhaka  
15 September, 2014**

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**An Internship report presented in partial fulfillment of the  
requirements for the degree  
Bachelor of Business Administration**



# **Analysis of Credit Proposal for Corporate Banking Division of BRAC Bank Limited**

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**Submission Date: 15 September, 2014**

## Letter of Transmittal

Sayla Sowat Siddiqui

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### **Sub: Submission of the Internship Report.**

Dear Mam,

I have the pleasure to submit my Internship report on “Analysis of Credit Proposal for Corporate Banking Division of BRAC Bank Limited” as requirement for my graduation. You are aware that I completed my internship program in BRAC Bank Ltd. (BBL) 12th May, 2014 to 10th August, 2014, in the local corporate banking unit of Corporate Banking Division in the head office, located in Tezgaon-Gulshan link road. I feel most privileged to be associated with an experienced, efficient and professional team in one of the most reputed Bank of Bangladesh. I strongly believe that this report will satisfy your requirements and expectations.

I have tried my best to make this report as informative, practical, reliable and relevant as possible. In preparation of this report, I have reviewed few books, journals, articles from internet, taking few interviews and on the basis of this available information I drew a set of recommendation which I believe will help the Local Corporate (LC) department to improve their competence.

I appreciate your kind advice, cooperation, patience and suggestions regarding this report, which will definitely help me to follow as a guideline in future accomplishments.

I will be available for any further query and clarification regarding this report whenever necessary.

Sincerely,

Ayesha Siddika Shatu

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## **Acknowledgement**

Firstly, I would like to thank my honorable faculty, Sayla Sowat Siddiqui for her kind patience, guidance and support for the preparation of this report. I will always be indebted to her for the valuable suggestion and the time that she had spent for guiding me through the report.

I would also like to acknowledge my great appreciation toward Mr. Mahmoodun Nabi Chowdhury, Head of Corporate Banking Division; Shahbaj Talat, Head of Local Corporate for being patient and supporting me throughout my 3-month long internship program. They have provided their time and effort to direct me throughout my time at BBL.

My peers and colleagues at the bank had also been very kind and helpful and they made my internship a more comfortable one. I would like to specially thank Abdur Rahim Oman, Fatema Tuz Johora, Sarmin Akter, Syed Numair Rahman, Samia Mahjabeen Khan, and Md. Mahmudul Haque Razib for being there whenever I needed their support.

Last but not the least, I also want to thank all the clients that I have come across over the phone and being patient in taking part in the survey that has been so crucial for my report.

## **Executive Summary**

**BRAC Bank Limited**, one of the latest generation of commercial banks started its journey on July 04, 2001 which is an affiliate of BRAC, the world's largest non-governmental development organization founded by Sir Fazle Hasan Abed in 1972. Though is the pioneer of SME loan in Bangladesh but the Corporate Banking Division of **BRAC Bank** enhanced its footprint day by day with a superior consciousness. The report is all about the analysis of Credit Proposal for a particular client of Local Corporate of Corporate Banking Division where it mentioned all the important aspect of the deal between the **BRAC Bank** and their client. Basically, a Credit Proposal is prepared by **BRAC Bank** before starting a lender borrower relationship with their new or existing client where they include all the information provided by the client, which also evaluate by **BRAC Bank**. Besides, the report is containing a brief idea about the Local Corporate of Corporate Banking Division, such as, their product, customer segments, their working process, rules followed by them etc. Worked as an intern I have gathered different experiences in **BRAC Bank** which also include in this report with my job duties and responsibilities. Finally, the report has a findings part which I have got after conducting a survey between some clients of Local Corporate about their satisfaction level after getting the services from **BRAC Bank**.

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## Chapter 1

# ORGANIZATION PROFILE & OVERVIEW

## **1.1 Overview of the Banking Sector in Bangladesh**

There is no denying the fact that the financial system plays a significant role in the economic development of a country. The importance of an efficient financial sector lays in the fact that, it ensures domestic resources mobilization, generation of savings, and investments in productive sectors. In fact, it is the system by which a country's most profitable and efficient projects are systematically and continuously directed to the most productive sources of future growth.

Financial sector in Bangladesh, like most in developing countries, is dominated by banking institutions. With recent gains in financial fronts Bangladesh's financial sector is now comparable with most of the countries in South and East Asia in terms of financial deepening. Bangladesh, like other developing countries, still has an underdeveloped financial system and is facing serious problems with the operation of its financial system and poor financial intermediation presents significant disincentives to foster economic growth.

Nevertheless, the banking sector occupies an important place in Bangladesh because of its intermediary role; it ensures allocation and relocation of resources and keeps up the momentum of economic activities. It plays a pivotal role in the economic development of the country and forms the core at the money market.

Banks can be defined in various ways. In Bangladesh, any institution which accepts for the purpose of lending or investment, deposits of money from the public, repayable on demand or otherwise, and is transferable by checks, draft order or otherwise, can be termed as a bank. The purpose of banking is thus to ensure transfer of money from surplus unit to deficit units or in other words, to work as the repository of money.

## **1.2 History of BRAC Bank**

BRAC Bank Limited, one of the latest generation of commercial banks started its journey on July 04, 2001. It is an affiliate of BRAC, the world's largest non-governmental development organizations founded by Sir Fazle Hasan Abed in 1972. It has been the fastest growing Bank in 2004 and 2005. The Bank operates under a "double bottom line" agenda where profit and social responsibility go hand in hand as it strives towards a poverty-free, enlightened Bangladesh. BRAC Bank Limited, with institutional shareholdings by BRAC, International Finance

## **Analysis of Credit Proposal for Corporate Banking Division**

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Corporation (IFC) and Shore Cap International, has been the fastest growing Bank in Bangladesh for the last three consecutive years. In the recent past the bank has gone public with price of shares reaching impressive heights, further showing promising future.

A fully operational Commercial Bank, BRAC Bank Ltd. focuses on pursuing unexplored market niches in the Small and Medium Enterprise Business, which hitherto has remained largely untapped within the country. In the last five years of operation, the Bank has disbursed over BDT 1,500 crore in loans to nearly over 50,000 SMEs. The management of the Bank believes that this sector of the economy can contribute the most to the rapid generation of employment in Bangladesh. Since inception in July 2001, the Bank's footprint has grown to 157 branches, over 421 SME unit offices and 322 ATM sites across the country, and the client base has expanded to over 200,000 deposit and 45,000 advance accounts through 2006. The Bank is constantly coming up with new products. Recently BBL has introduced Visa Silver and Visa Gold both Local and International credit cards; and further more the Bank is in the process of introducing VISA Debit card. In the years ahead BRAC Bank expects to introduce many more services and products as well as add a wider network of SME unit offices, Retail Branches and ATMs across the country.

### **1.3 About BRAC Bank Limited**

BRAC Bank Limited is a full service scheduled commercial bank. It has both local and International Institutional shareholder. The bank is primarily driven with a view of creating opportunities and pursuing market niches not traditionally meet by conventional banks. BRAC Bank has been motivated to provide “best-in-the-class” services to its diverse assortment of customers spread across the country under an on-line banking dais.

Today, BRAC Bank is one of the fastest growing banks in the country. In order to support the planned growth of its distribution, network and its various business segments, BRAC Bank is currently looking for impressive goal oriented, enthusiastic, individuals for various business operations.

The bank wants to build a profitable and socially responsible financial institution. It carefully listen to the market and business potentials, It is also assisting BRAC and stakeholders to build a progressive, healthy, democratic and poverty free Bangladesh. It helps make communities and

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economy of the country stronger and to help people achieve their financial goals. The bank maintains a high level of standards in everything for our customers, our shareholders, our acquaintances and our communities upon, which the future affluence of our company rests.

### 1.4 The shareholding structure of BRAC Bank Limited

Shareholders of BBL	
BRAC	43.77%
General Public through IPO	45.95%
IFC	5.36%
Mutual funds through IPO	3.68%
Shore Cap International	0.86%
Non-Residents Bangladeshis	0.38%
Total	100%

Table: Shareholding structure of BRAC Bank

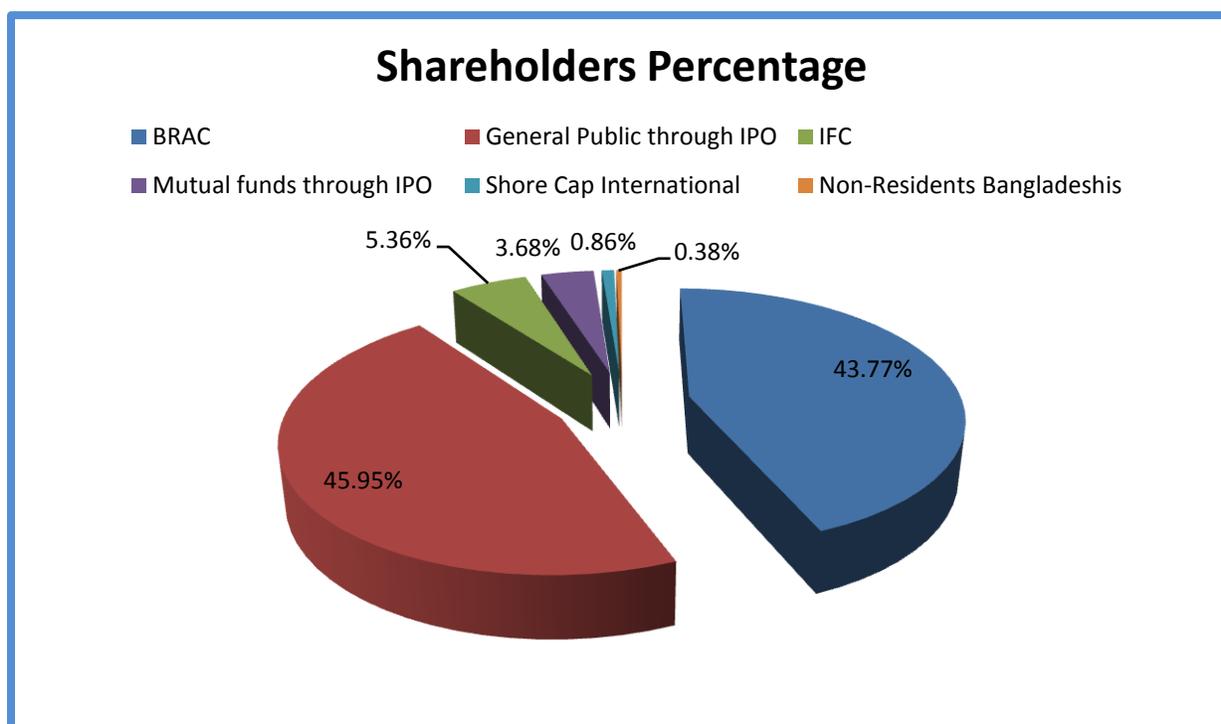


Figure: Shareholder's percentage of BRAC Bank.

## **1.5 Corporate Mission**

BRAC Bank Limited wants to be the absolute market leader in the number of loans given to small and medium sized enterprises, service holders, teachers, students, immigrants and people belong to all income and professional groups throughout Bangladesh. It tries to be a world-class organization in terms of service quality and establishing relationships that help its customers to develop and grow successfully. It wants to become the Bank of choice both for its employees and its customers, the model bank in this part of the world.

The missions that BBL follows are-

- Continuous endeavor to increase fee based income
- Sustained growth in 'Small & Medium Enterprise' sector
- Keep our Debt Charges at 2% to maintain a steady profitable growth
- Continuous low cost deposit growth with controlled growth in Retained Assets
- Corporate Assets to be funded through self-liability mobilization.
- Growth in Assets through Syndications and Investment in faster growing sector
- Achieve efficient synergies between the bank's Branches, SME Unit Offices and BRAC field offices for delivery of Remittance and Bank's other products and services
- Manage various lines of business in a fully controlled environment with no compromise on service quality
- Keep a diverse, far flung team fully motivated and driven towards materializing the bank's vision into reality.

## **1.6 Corporate Vision**

The vision of BBL is to build a profitable and socially responsible financial institution focused on Markets and Business with growth potential, thereby assisting BRAC and stakeholders build a just, enlightened, healthy, democratic and poverty free Bangladesh. They want to focus on 3ps (People, Planet and Profit).

### **1.7 Special Features of BRAC Bank Limited**

BRAC Bank Limited possesses a number of special features. BRAC Bank will attach special emphasis to the target group strategy of development. The Bank emphasizes on the creation of self managed institutions for its clients. These institutions will be based at the clients' localities. A special feature of BRAC Bank will be the provision of training for its clients. The aim of the training will be to increase the capability of the borrower to utilized loans effectively. The Bank will encourage the use of new and improved technologies in order to increase employment opportunities and productivity of the poor. The credit activities will be structured in such a way that the use of appropriate technology is ensured and the poor can benefit from improved technology.

BRAC Bank will provide credit without security. The poor who do not have resources to offer as collateral have, so far, been denied access to formal credit. However, BRAC Bank will not normally seek collateral for providing credit and will use peer pressure to ensure timely repayment which has already proved effective. BRAC Bank will provide service at the doorsteps of the customers. Unlike the traditional banking system, BRAC Bank worker go to the villages regularly to collect savings and loan repayments. BRAC Bank also intends to attach special attention to women in development.

### **1.8 Management Aspects**

Like any other business organization, the Top management makes all the major decisions at BRAC Bank Limited. The Board of directors being at the highest level of organizational structure plays an important role on the policy formulation. The Board of directors is not directly concerned with the day-to-day operation of bank. They have delegated their authority to its management committee, which is called MANCOM. Now there are 5 directors in the Top management of the bank. All the directors have good academic background and have huge experience in business. Mr. Fazle Hasan Abed is the Chairman of the bank. The board of directors holds meetings on a regular basis.

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The Management Hierarchy of BRAC Bank Limited is given below:



## **1.9 Departments of BRAC Bank LTD**

The BRAC Bank Limited has 26 departments in three different criteria. The Departments are-

**Business:** These sectors basically deal with the valuable customers of the bank and interact with them on daily basis. The daily transactions for the bank are handled by these departments.

**Operations:** These sectors basically deal with the technicalities of the relevant sectors and ensure smooth functioning of the business for the bank.

**Support:** These sectors provide support to the business by ensuring the proper functioning of the various resources, risk management, and banking regulations.

<b>Business</b>	<b>Operations</b>	<b>Support</b>
<ul style="list-style-type: none"> <li>• SME Banking.</li> <li>• Retail Banking.</li> <li>• Retail Distribution.</li> <li>• NFB and Secured Assets.</li> <li>• ADC.</li> <li>• Unsecured Assets.</li> <li>• Liability.</li> <li>• Service Quality / Business Intelligence.</li> <li>• Collections.</li> <li>• Cross Selling.</li> <li>• Regional Distribution.</li> <li>• Corporate Banking.</li> <li>• Probashi Banking.</li> <li>• International Distribution.</li> <li>• Cards.</li> <li>• Treasury &amp; Financial Institution.</li> <li>• Marketing and Corporate Affairs.</li> </ul>	<ul style="list-style-type: none"> <li>• Retail Banking Operations.</li> <li>• SME Banking Operations.</li> <li>• Wholesale Banking Operations.</li> <li>• Probashi Banking Operations.</li> <li>• Card Operations.</li> <li>• Business solutions.</li> <li>• Technology.</li> <li>• General Infrastructure Services.</li> <li>• Central Operations.</li> <li>• Call Center.</li> <li>• PSO &amp; MIS.</li> </ul>	<ul style="list-style-type: none"> <li>• Company Secretariat &amp; Regulatory &amp; Internal Control.</li> <li>• Enterprise Risk Management.</li> <li>• Credit.</li> <li>• Human Resource Division.</li> <li>• Financial Administration.</li> <li>• Impaired Assets Management.</li> <li>• Complaint Handling Cell.</li> <li>• Credit Inspector.</li> </ul>

### **1.10 Target Customers**

As the main product of BRAC Bank Ltd is SME, BRAC Bank has a strong SME focus and has developed a wide range of SME business products, these are customized for specific localized small and medium business across the country. The SME loan products cover a range of rural, semi-urban and urban financial needs in the market. Besides them, industries, transport business, education institutions, medical centers, marine business, any other high worth companies, individuals, etc are also the main customers of the bank. The bank has the ATM card and Credit card facility, so the users of the same are also in target.

### **1.11 Employee**

The BRAC Bank Limited has in different employee's criteria. There are different types of employees working in different places inside BRAC Bank. The types of employees are-

#### **Regular Employee**

The permanent stuffs are known as regular employees. The regular employees are allowed to get the bonus, incentives and other allowances with their basic salaries. And these types of employees also have the benefit of gating extra facilities the BRAC Bank limited is providing for their employees.

#### **HR Staff**

HR temporary contract are for those categories whose Job description is such, where he/she needs to be under the direct supervision of Bank's authority, whose performance is monitored by the Bank Management. They might be specialist, consultant, and specially assigned staff. Staff under HR contract are those people who directly or indirectly deals with customer, has access to Bank's confidential data's & valuable properties (car, etc), deals with sensitive areas, also where staff need to deal with customer as a representative of BRAC Bank directly. The HR Stuffs salaries are fixed and they won't get any allowances with their salary.

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### **Outsourced Staff**

Other contractual employees are not entitled for any service agreement. They will be recruited through outsource agencies. The requirement of any support staff through outsource agency must come through HR signed by the Division Head. HR will send the requirement to provide staff by the Outsource Agency. Outsource Staff recruitment depends on the budgeted requisition of the staff from the respective departments. However, for non-budgeted requisition it will go through after the approval process of MANCOM. The bank reserves the right to terminate the contract with the Outsource Agency without assigning the reason whatsoever. The Outsource Staffs salaries are fixed and they won't get any allowances with their salary.

### **Intern**

To encourage and help human resource development in the financial industry the Bank may decide to offer internship programs to individuals or educational institutions. The decision to enter such an engagement will be decided by the MD& CEO on the recommendation of the Department Head. The HRD will prepare the proposal of such engagement with individual/institution and forward it to the MD& CEO for consideration with the recommendation of the Head of HR. Individuals engaged as Internees will be paid a consolidated Honorarium of Tk. 5000/- per month, as decided by the MD/MANCOM and will not be entitled to any other benefits. Managing Director and CEO will determine and analyze the necessity of intern on the basis of yearly budget and also requirement of special projects. As per requirements Department Head will make the intern requisition and after receiving intern requisition HR will take 15 days for an intern to join. All Internships program will be for a three months. Prior approval by MD& CEO internship program can be extended for a maximum period of six months.

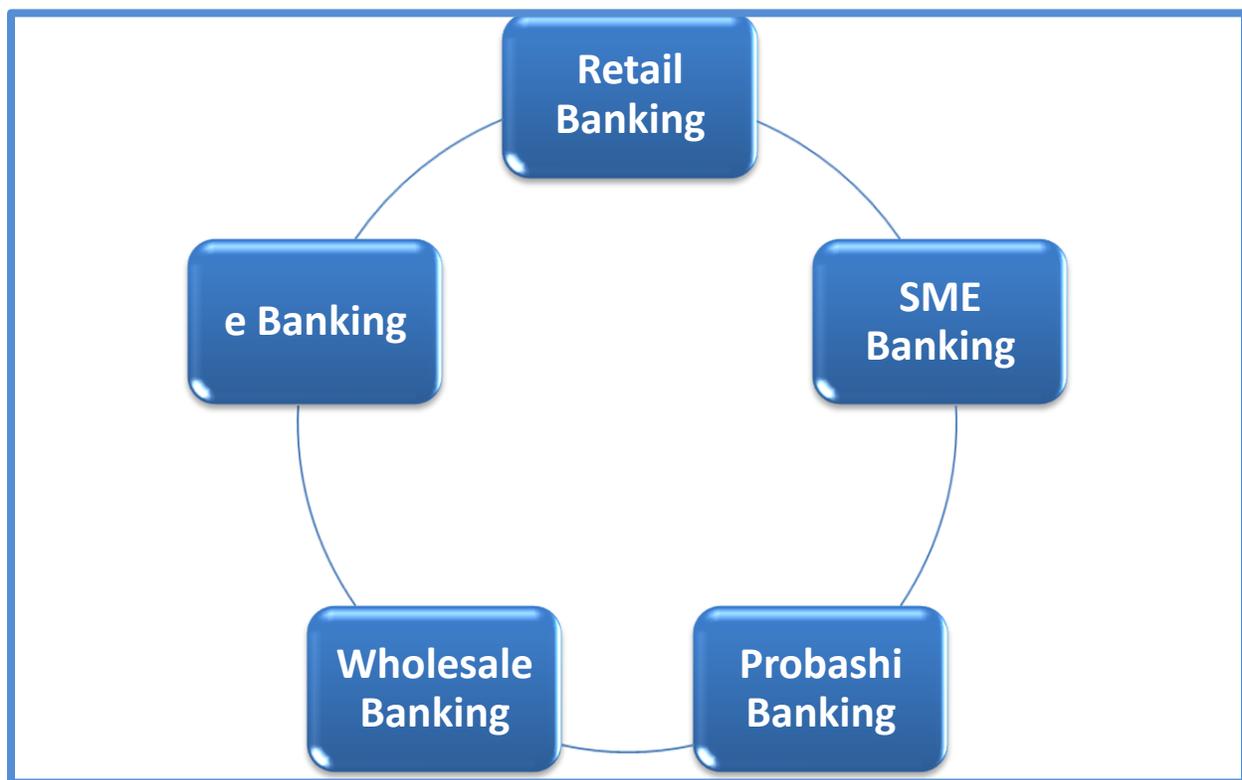
### **Management Trainee Officer (MTO)**

Management Trainee Officers highly qualified students of BRAC Bank Limited. The MTO's are regular employee but they have to learn as a student inside BRAC Bank for the period of one year. After one year if they can complete their learning period successfully they will become a senior officer directly from the MTO.

## **1.12 Business and Support Activities**

BRAC Bank operations consist of two sets of activities. One is the business segment and the other is the support segment. The business segment represents the business activities of the bank – their products, services and solutions that they offer their clients and the support segment represents the services that the bank provides the business segment internally and helps them operate efficiently. BRAC Bank offers a full array of Financial Services to Corporations and Institutions. Having access to the deepest end of the country, BRAC Bank is there to assist businesses in Bangladesh. With BRAC Bank have the power of local knowledge with the capabilities of global standard.

The services fall under the following business segments:



## Chapter 2

# MY JOB RESPONSIBILITIES

## **Job Description and Responsibilities**

BRAC Bank has a long history of success built on the client-centric approach. For my internship program, I got the opportunity to work in one of the client relationship segments of the BRAC Bank – Local Corporate. Local Corporate falls under the functional department of Orientation and Client Coverage (OCC), a division under Wholesale Banking. I have been fortunate enough to work under this segment and therefore detailed overview of the particular department is discussed further.

My internship program was from 12th May 2014 - 10th August 2014 on the Head Office of BRAC Bank Limited (BBL) on Local Corporate Unit of Corporate Banking Division.

Though, I was appointed in Local Corporate Unit but I used to perform tasks of different units as well. Through the 1st day of my internship program, I was under the supervision of Fatema Tuz Johora, Financial Analyst of Local Corporate. She provided me some basic knowledge about their work. Initially, it was a bit difficult for me to understand these things such as when I first saw credit proposal I thought what it is? Then gradually I came to know all those things which I considered to be difficult. All other employees in my department were very helpful to me. They helped me in every step when I did not understand any work or any document.

As an intern, I got opportunities to learn a lot of things which I believe will definitely help me in the long run. Every day I got to learn something new from my work.

I have done different type of task there; between those here I am describing some of the major work that I did frequently.

### **Activities:**

1. **Financial Spread Sheet (FSS):** I prepared Financial Spread Sheet for many companies. For preparing those at first I go through the Audited or Management Report of a company financial from which I got all the financial information of a company such as Balance Sheet, Income Statement, Cash flow etc. Basically FSS provide four years financial calculation of a company. There were particular format for doing the FSS in a Microsoft excel sheet, where the entire instructions are already given. By putting the data from the financial report of a company I could easily calculated the financial ratios such as Growth Ratios, Profitability Ratios, Coverage Ratios, Activity Ratios, Liquidity Ratios and Leverage Ratios. I also found

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the Cash Conversion Cycle (CCC), Working Capital etc. It was really a very good experience for me to do those FSS for different company because it is very interesting for its solid calculation part which I like most.

2. **Statement Generation:** I generated statements of many companies. BBL uses two softwares FINACLE and XCRV. FINACLE is an “In-house” software used commonly in BRAC Bank. It is part of an initiative to improve the end-to-end credit process. It aims to improve the quality of data, ensure compliance to credit policies, and create standardized processes across customer segments and geographies. The improved processes translate to improved work-life for all. The system covers spreading, grading, pricing, Business Credit Application- BCA (preparation and approval) and issuance of BFLs.

### **Key advantages:**

- **Simplicity:** One single system that automates streamlines and consolidates all work of the department. It also provides simplification of the credit initiation and approval process.
- **Faster turnaround time:** Across all credit applications and approvals, therefore, drives better client service.
- **Solid data integrity:** Across all our businesses.
- Replacement of multiple systems with one integrated, global system.

I learned how to use these softwares and can find out the account details of the customers and put those information in a Microsoft excel sheet from which I could find out the due date, settlement date, interest rate of the loan etc.

3. **Management Information System (MIS):** I prepared MIS for Augere Wireless Broadband Limited (AWBBL), Bangla Trac Communications Limited and Qubee. For this, I had to log in to the software, enter Customer Identification Form (CIF) number, then from Customer limit tree details I had to take all the necessary information. By this time I got to know some small terms such as Revolving loan, PAD, Due Date, Loan Disbursement Debit, RL Date etc.
4. **Customer Identification Bureau (CIB):** CIB form needs to be prepared for having a companies’ and its member’s updated information. Three steps need to be filled up for preparing CIB form. Individual details in form 1 and company details in form 2 and 3 had to fill up. All these necessary information (TIN, Name, Address, NID, DOB, Passport information, Personal information etc.) was available on CIB Undertakings.

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5. **Customer Information Update (CIU):** It's a project where all the customers' Money Laundering information needs to be updated. Bangladesh Bank sends notice to all the banks for Money Laundering Prevention Act 2012, so that the currency which is to be exported and imported has a record and passes through proper channel.
6. **Filing:** I used to make files for various companies where I got a full knowledge of which documents will be kept under which section. In a file basically there were ten parts under which all the documents were kept; those are BBL Correspondent, Clint Correspondent, Other Correspondent, Sanction Letter, Credit Proposal, Financials, CIB, Company Profile, Stock Report and Other docs. Sometime it varies company wise and the name could change or kept documents could change.
7. I prepared Delivery Sheet for many company several time. It's basically a list where corporate people mention the name of different documents, in future which they send to the corporate documentation department for systematic check. After sending the documents they get back the delivery sheet with seal and sign to make sure that all the documents are received by other department properly.
8. I collected data from the web-site of PRAN-RFL Group and wrote about company profile and also about the industry for which I searched in Google; it needed for the Credit Proposal. Moreover, I observed the Credit Proposal carefully and prepare Data Collection Check List, Sector Environmental Due-Diligence Checklist and General Environmental Due-Diligence Checklist.
9. Prepared database on Microsoft excel and did different type of calculation and analysis.
10. I have typed legal documents in Microsoft Word which enhanced my typing speed than before. I also prepare some diagram, table, chart, graph for some company's information and data.
11. I my internship period, an important project work has started on DIRD Group. Sometime I helped in that work from different way. Such as formatting, editing, making flow chart, preparing data table, calculating ratios from their financials etc.
12. In addition, all the interns got three days training as well in their three months internship time. The training program conducts by BRAC Bank which is so helpful and also very important. On the first day, we were given an overview of BBL. At the end of the session, we were divided into small groups for visiting branches in the next day according to our

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convenient location for observing the activities of branches that how it's happen actually. On the following day, I had to visit Mirpur Branch of BBL with my six group members. Our work was to observe the tasks of branch members. I monitored and questioned them many things about their work. They all were so friendly to us so they answered every question very constructively. In the last day of our training we had SME (Small Medium Enterprise) Unit office attachment for half day in Mirpur. At early morning we went to the SME Unit Office and collect major information about the SME Loan for which BRAC Bank is the pioneer in Bangladesh. They told us about their products and also their facility which they are offering to their customer with the products. After that we went to the Head Office a sat for an exam by which BRAC Bank can evaluate us that how much attentive we were and know about our caliber. I got eighteen out of twenty in that exam.

Overall my internship experience was excellent in BRAC Bank. I really enjoyed my office time because my fellows were very much helpful to me. I learned many things in that three months time period which will help me in my future career life in fact I want to build my career in Banking Sector. I really like the environment of BRAC Bank. All are so much sincere about their own duty and responsibility. They know how to utilize their time properly and how to organize their job carefully. I experienced that corporate job life is far different from a government job. There was not any word called 'Tiredness'. I like their attitude, working style and also their life style. It was really a great opportunity for me that I have completed my internship from BRAC Bank.

# Chapter 3

## CORPORATE BANKING DIVISION

### **3.1 Corporate Banking**

BRAC Bank's Corporate Banking Division provides banking services and financial partnership to different corporate bodies and institution of the country. With the expertise and dedication, Corporate Banking Division aims to provide the best possible services to the customers to achieve success in every business endeavor they have.

CBD operates in a centralized structure through on-line banking system. At every stage of its involvement, CBD hold to strict internal control guidelines and other legal and statutory compliance.

In addition to traditional industries like RMG, Steel, Pharmaceuticals, Textiles, Ship Breaking & Trading sector; CBD has enhanced its footprints into Packaging, Food, Power, Construction, Aviation, Glassware, Edible Oil Refinery, Healthcare, Renewable Energy, Plastic Polymer, Telecommunications, Ocean-Going Vessel financing, Agro-Business (Poultry, Food Processing), etc.

CBD expertise covers areas like Project financing, Trade Financing, Working Capital Financing, etc. It divided into 2 (two) Corporate Banking wings, one in Dhaka and the other in Chittagong, is an integrated & specialized area of the bank, which meets the diverse financial needs of the corporate customers by designing customized and structured solutions for their business.

### **3.2 Objectives of Corporate Banking Division**

- To provide wide range of financial services professionally, efficiently and competitively to achieve pre-eminent position in chosen market.
- Diversify revenue stream through product innovation.
- A Well-diversified credit portfolio, which produces a reliable and consistent return to investment.

### **3.3 Corporate Banking Business Segments**

Corporate Banking comprises of broadly 5 units detailed as follows:

1. **Structured Finance Unit (SFU):** It drives loan syndication, corporate advisory and structured trade solutions business stream. In real meaning, SFU is engaged in raising funds through debt or equity instruments for large scale investment by arranging funds from financial institutions and multi lateral agencies. Syndicated financing diversifies the total risk of financing large scale projects and also enables the bank to earn big ticket non funded income (NFI) for the bank. The Structured Finance wing caters to this segment of the financing industry by taking the role of Lead Arranger, Co-Arranger, Participant Lender or Agent. Apart from arranging conventional project financing, SFU also arranges equity participation through investment instruments.
2. **Corporate Institutions:** It provides multinational and large wallet size local clients engaged in the business sectors covering energy, telecom, infra structure, commodity, trading, agriculture and diverse manufacturing base. Large NBFIs (mainly leasing, insurance and investors) and leading micro financing units fall under the purview of this unit.
3. **Local Corporate:** It furnish to the growth aspiration on existing and new to the bank names where BRAC Bank Ltd aspires to attain significant share of mind. This unit particularly focuses on expanding the business on commodity trading entities, service providers, and manufacturing businesses engaged in textiles & garments, construction materials, consumables, and other high growth manufacturing sectors.
4. **Emerging Corporate:** It caters to middle market clients and clients transitioning from medium enterprises to middle market segment. This unit largely focuses on building the portfolio comprising of converting non-borrowing customers and increasing relationship penetration by promoting cash, trade and FX products to these transitioning clients. This unit is largely built on the supplier and buyer base of the large & local corporate clients. This unit is entrusted to nurture middle market clients and facilitate their transition to large and local corporate segment.

## **Analysis of Credit Proposal for Corporate Banking Division**

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5. **Regional Corporate (Chittagong):** This unit provides to all corporate businesses located and originating in greater Chittagong area. It has the same objective as the Large and Local Corporate units. It also assists the Emerging Corporate in the Chittagong Region.

### **3.4 Business Concentration and Target Market**

#### **1. Business Concentration**

Corporate Banking Division operates in a centralized structure, and runs its business through all parts of the country. Operations and processes are centrally managed in the Head Office located in Dhaka with a regional presence in Chittagong.

#### **2. Target Market**

- Pharmaceuticals, toiletries, chemicals and pesticides
- Power Generation, oil exploration, industrial and household gases
- Edible Oil
- Bulk Trading – Essential Commodities, Industrial Raw Materials, Agricultural Inputs
- Cement
- Garments, Textiles and related backward linkages industries including spinning, knitting, yarn, garments accessories etc.
- Food Processing and Beverage Industries
- Cable and Cable wire
- Information Technology
- Telecommunication
- Leasing Companies / Non Banking Financial Institutions
- Non Governmental Organization (N.G.O) and other International Development Organizations
- Importers/dealers of machinery, industrial, electrical equipment
- Bone china, ceramics, melamine, plastic products
- Manufacturing and Trading of Consumer Durables.
- Contractor Finance

## **Analysis of Credit Proposal for Corporate Banking Division**

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- Air Lines, Shipping Lines, Freight Forwarders, Testing and Inspection agencies
- Footwear and Leather
- Tea
- Any other sector that is not declared as discouraged sector and found to be commercially feasible.

### **3.5 Discouraged Industries**

CBD avoids lending in sectors that have adverse effects on society or are against social values and ethics, and those that may be harmful to the environmental and health. CBD also alert in lending to sectors where liquidation may be difficult, socially harmful, or at the expense of the general public. Following are few of the discouraged industries:

Manufacturers/Service Providers that are environmentally threatening,

- Tobacco Products
- Alcoholic Beverages
- Ship Breaking
- Military Equipment/ Weapons Finance
- Industries using child labor
- Mining/Logging

### **3.6 Product Offerings**

Corporate Banking Division offers a variety of products which ranges from Term Lending to Working Capital Facilities such as Trade Finance, Bank Guarantees, Post Import Finance, Local Bill Purchases etc. It also offers versatile products tailored to the borrowers under certain parameters. In addition to providing tailor made products, the wing helps clients with their business strategies and provides guidance for long term sustenance.

The financial facilities offered may be divided into Funded and Non Funded Facilities. Funded facilities are those credit facilities that involve the Bank making payments in monetary terms, to

## **Analysis of Credit Proposal for Corporate Banking Division**

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or on behalf of the customer. Non Funded Facilities involve the Bank's conditional agreement to make payment on behalf of the customer in a specific scenario in a future date.

There are some of the products that BRAC Bank offers to their corporate clients,

### **Funded Facilities**

1. **Term Loan:** Loans with maturity of 1 to 5 years
2. **Short Term Loan:** Loans with maturity within 360 days such as
  - ***Demand/Revolving Loan:*** Facilitated to finance client's local procurement, duty and VAT payment and other related working capital requirement.
  - ***Loan against Trust Receipt (LTR):*** Facilitated to retire documents received against any L/C opened.
  - ***Overdraft:*** It's an approved fund tagged with client's current account to meet their daily usage.
  - ***Work Order Financing:*** Financing projects won through tender participation
  - ***Lease Financing***
  - ***Channel Financing***

### **Non Funded Facilities**

- **Letter of Credit:** is a document issued by the bank, assuring payment to a seller of goods and/or services. The seller then seeks reimbursement from the buyer or from the buyer's bank. The document serves essentially as a guarantee to the seller that it will be paid by the issuer of the letter of credit regardless of whether the buyer ultimately fails to pay. In this way, the risk that the buyer will fail to pay is transferred from the seller to the letter of credit's issuer. There are two types of L/C;
  1. ***Sight L/C:*** It is a kind of credit that the announcer bank after observing the carriage documents from the seller and checking all the documents immediately pays the required money.
  2. ***Deferred L/C:*** It is kind of credit that won't be paid and assigned immediately after checking the valid documents but paying and assigning it requires an indicated duration which is accepted by both of the buyer and seller. In reality, seller will give

## **Analysis of Credit Proposal for Corporate Banking Division**

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an opportunity to the buyer to pay the required money after taking the related goods and selling them.

- **Letter of Guarantee:** A contract issued by the bank on behalf of a customer who has entered a contract to purchase goods from a supplier and promises to meet any financial obligations to the supplier in the event of default.

### **3.7 Corporate Banking Procedure**

#### **Approval process**

The Relationship Manager (RM) makes customer call to potential clients and discuss regarding the credit facility requirement, negotiating terms and conditions/facilities to be provided. As per collected business, market and other related information from client, RM conducts detailed quantitative and qualitative business analysis and send offer letter to client comprising details of pricing, tenor and facility offered. Once the client agrees with the offer letter they provide an excepted copy of it along with some basic required documents such as;

- 3 years audited/management financials
- CIB undertaking form of all the directors
- Stock Report (if a manufacturing/trading concern)
- Credit Rating of the client
- Other bank liability position
- Write up on present industry scenario
- Business Profile including nature of business, highlights of last five years business performance, Future business plan etc
- Other relevant certificates and licenses such as TIN, TAX certificate, IRC, ERC, COI, MOA, Schedule X, Form XII, etc.

With the documents provided by client, RM conducts credit analysis and prepares credit proposal which is then verified by credit department. The credit proposal is a report with reflection of

- Details of the facilities offered along with tenor, rate and purpose
- Feasibility of the client's business

## Analysis of Credit Proposal for Corporate Banking Division

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- It's management structure
- Detailed analysis of the industry
- Comparison of the business with peers in the industry
- Financial analysis of the company
- Justification of the facilities offered
- Collateral agreed against the facilities offered
- Risk involved with the business and it's mitigates.

After both parties, i.e. CBD and CRM come to agreement, the proposal is placed on the Credit Committee Meeting, chaired by the Managing Director who has a certain approval Limit of BDT 250 million. If the facility is beyond the MD's approval limit then a Board Memo is prepared and proposal is placed on the monthly Board Meeting for approval. Once approved, the sanction letter is issued and sent to the client for acceptance along with security documents. After the accepted copy of the Sanction is received from the client together with related security and charge documents, the limit is uploaded into FINACLE and is live for client's usage.

### 3.8 Supporting Tools for Credit Proposal

Along with credit proposal, few other spreadsheets and forms are filled up to support justification of the facility offered to a client.

- **Financial Spread Sheet (FSS):** This is a Bangladesh Bank prescribed spreadsheet known as Financial Spread Sheet (FSS) in BRAC Bank Limited. For this we require last 3 years financial reports, audited or management. The financial data are put on the spreadsheet to generate ratios and cash flow situation of a client. Purpose of the exercise is to extract true financial position of a client which they mostly try to conceal through financial manipulation.
- **Credit Risk Grading (CRG) Score Sheet:** Credit Risk Grading (CRG), the spreadsheet that helps to evaluate risk involved with a client. Risk grading is done based on five criteria;

## Analysis of Credit Proposal for Corporate Banking Division

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1. **Financial Risk:** Ratios from 4 principles, namely, leverage, liquidity, profitability and interest coverage, generated with FSS are evaluated on weighted average parameter to obtain risk grading score.
  2. **Business/Industry Risk:** Evaluate business/industry risk based on factors such as size and age of business, business outlook, industry growth, etc.
  3. **Management Risk:** Is to evaluate management related risk based on management's experience, succession plan and team work's efficiency.
  4. **Security Risk:** Weighs the risk based on the collateral received against facility.
  5. **Relationship Risk:** Based on the relationship client maintains with BRAC Bank Limited. Applicable for existing client.
- **Deal Analyzer:** Deal Analyzer, the in house developed spreadsheet which extracts income to be generated from proposed loan facilities from inputs such as utilization possibility, interest rate, commission rate, etc.
  - **Environment Due Diligence:** It's a Bangladesh Bank requirement to keep tab on environmentally hazardous issues by seeking for availability of permission from Department of Environment, effective ETP and such.

### 3.9 Security

The security structure is unique for each client, varying from a range of possible combinations based on the credit facilities enjoyed by the client, their financial strength, type of organization and business etc. BRAC Bank's corporate finance puts more emphasis on the cash flow of the business rather than collateral.

- Registered Mortgage
- Cash Equivalents such as FDR or Lien on Deposits
- Charge Registered with Registrar of Joint Stock Companies RJSC Over
  1. Present and Future Plant and Machineries
  2. Stocks and Inventories
  3. Present and Future Book Debts and Receivables
- Fire and R&SD Insurance Coverage on Plant, Machineries, Stocks, and Inventories etc (usually the sum of the Funded Facility Amount + 10% Markup)

## Analysis of Credit Proposal for Corporate Banking Division

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- Corporate Guarantee
- Cross-Corporate Guarantee
- Personal Guarantee
- A Basic Set of Charge Documents which include
  1. DP Note
  2. Letter of Continuity
  3. Letter of Arrangement
  4. General Loan Agreement

### 3.10 Policy compliance

Corporate Bodies that have a financial relationship with BRAC Bank must comply not only with external Regulatory Guidelines set by Bangladesh Bank but also with Internal Compliance of BRAC Bank, including Environmental, Socioeconomic and Health standards. All proposals that are placed on the Board are verified to be compliant with the following:

#### **Lending Guideline**

- Credit Policy
- Environmental Policy

Depending on the nature of the industry, following are few of the compliance documents that clients must submit:

- **Certificate from Department of Environment (DOE):** required for dying plant, power plant, chemical, pharmaceutical and other related industries that may be harmful to the environment
- **Certificate from Bangladesh Energy Regulation Commission (BERC):** required for power plants
- **Certificate of Fire and Civil Defense:** required for production plants and factories
- **Certificate Drug Administration:** required for pharmaceuticals and medicine
- **Certificate of Agriculture:** required for food processing firms

## Analysis of Credit Proposal for Corporate Banking Division

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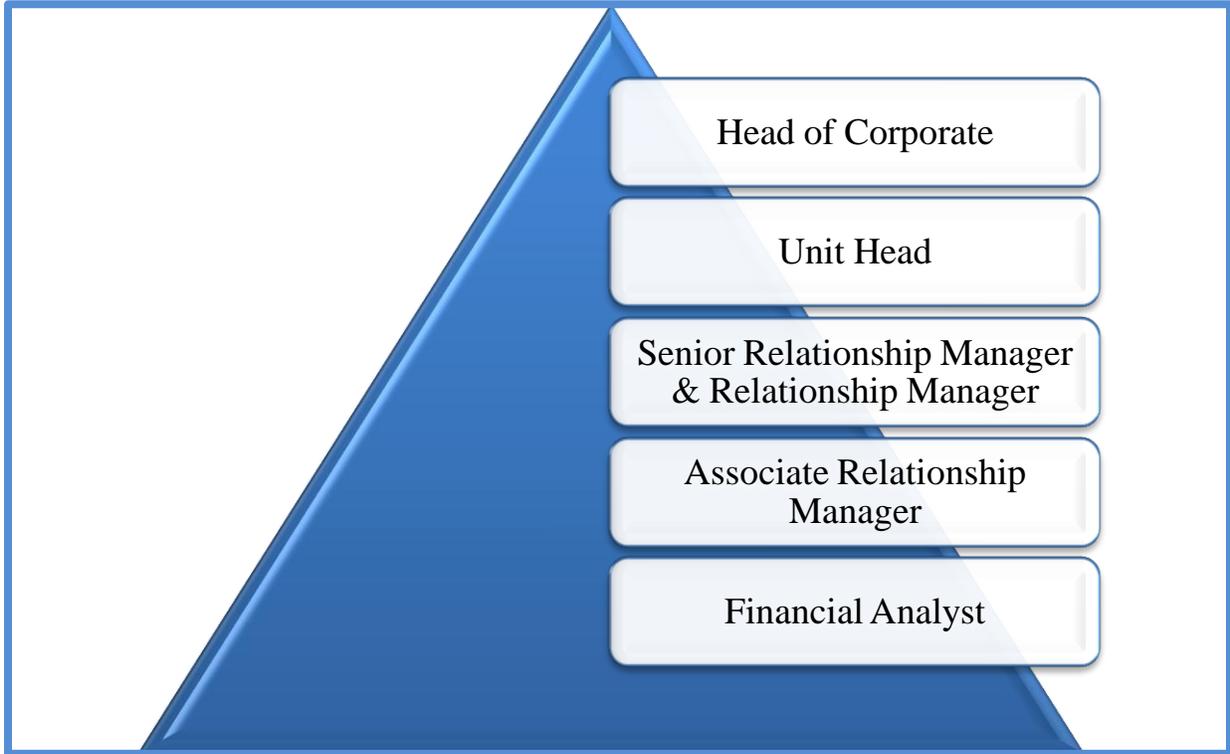
- **Certificate from Bangladesh Standards and Testing Institute (BSTI):** required for all manufacturing industries

### Lending Caps

In order to minimize risk in specified sector, certain lending caps are strictly maintained with regard to sectors, nature of facility and the maturity of the facility. All corporate lendings are guided by the Single Borrower Limit imposed by Bangladesh Bank which is currently 35% of Bank's total capital. BRAC Bank's policy is to take a total exposure to any single/ group borrower up to 30 % of its total capital. Funded facilities are not to exceed 15% of the total capital.

According to BRAC Bank policy on Loan Portfolio mix, term facilities for industrial section shall not exceed 30% of total funded facilities. There is also a sector wise lending cap, which demands that exposure to a specific sector, shall not be more than 20%.

**3.11 Designations in Corporate Banking Division**



# Chapter 4

## CREDIT PROPOSAL

## **4.1 Credit Proposal**

BRAC Bank's local corporate mainly work on the front line so that they need to contact and deal with their customers about their transaction. The Civil Engineers Limited (TCEL) is one of their important client with whom they have lender borrower relationship for business purpose. Before execute their transaction at first they make a "Credit Proposal" where they mention every necessary thing related to their business, business deal and also about the loan facility. Here I am explaining a credit proposal prepared by BRAC Bank where The Civil Engineers Ltd. (TCEL) is the primary obligor and Transworld Sweaters Ltd. (TSL) is the co-borrower. BRAC Bank has prepared a credit proposal to response the application of TCEL and TSL for credit facility of BDT 2,500 million on May 11, 2014 where the approval authority is Board, not Managing Director and CEO. TCEL and TSL are two big companies which known as woven garments and these companies are under the Standard Group. They are private limited companies which lay under the Ready Made Garment industry. They have a new relationship with BRAC Bank that means they were not their client before.

## **4.2 Standard Group at a Glance**

Standard Group established in 1984 which is one of the longest running garment manufacturing companies in Bangladesh. Over the years, the company has grown substantially in both size and customer base. It has one of the largest woven garments manufacturing facility in Bangladesh (Current woven capacity averages at 150,000 pieces per day) including sweater production facility. In addition, the accompany has its own in house garment washing, printing, embroidery, apparel design, garment testing and various accessories production facilities; 12 production locations and 21 factories situated near and around the capital. Standard Group has one of the most comprehensive and technical manufacturing system in the country which has vertically integrated facilities. It has over 40,000 full time employees throughout the company.

## **4.3 The Civil Engineers Limited (TCEL)**

The Civil Engineers Limited is one of the flagship concerns of Standard Group which incorporated in 8 January, 1977 and started business in RMG segment from 1991. The concern

## Analysis of Credit Proposal for Corporate Banking Division

operates in different areas like, real estate, construction, Garments, Washing etc. The Garments, Sweater and Woven units are 100% Export Oriented factory.

### 4.4 Transworld Sweaters Limited (TSL)

Transworld Sweaters Limited is 100% Export Oriented Sweater factory, established on 13 April 2002. The company is manufacturing all kind of Sweaters, Pullover, Cardigan, Vest, Tank Top, Knitted Polo Shirt, Knitted Blouse, Knitted Bottoms, Knitted Scarf for Men’s, Ladies and Children. The total export of the company stood at USD \$ 3,786,362 in 2013. Transworld Sweaters Limited is planning to convert into a 100% export oriented woven factory with 12 lines of machinery on the same premises. The existing sweater production facilities will be shifted to their other concerns.

### 4.5 Capital Structure

Here the capital structure of these two companies by which BRAC Bank can predict the position of the company which is very important to know before making a deal.

Particulars	TCEL	TSL
Authorized Capital	BDT 250 million	BDT 50 million
Paid-Up Capital	BDT 20.76 million as on Dec - 13	BDT 17.09 million as on June - 13
Net Worth	BDT 1,533.57 million as on Dec - 13	BDT 314 million as on June - 13

### 4.6 Proposed Facilities

The purpose of the request is to make a new lender borrower relationship so that the companies can get the credit facility from the bank. The proposed facilities are-

1. New composite credit facility of BDT 2,500 million in the form of,
  - a. Revolving back to back letter of credit of BDT 1,400 million
  - b. Revolving letter of credit – 2 of BDT 100 million
  - c. Revolving letter of credit – 3 of BDT 100 million
  - d. Revolving demand loan of BDT 150 million
  - e. Overdraft of BDT 50 million
  - f. Term loan facility of USD 10 million (equivalent to BDT 800 million)

## Analysis of Credit Proposal for Corporate Banking Division

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2. Six (06) months deferral from facility activation date to completion of mortgage formalities and complete pari-passu documentation of Transworld Sweater Limited.

Here the detail of these proposed facilities.

1. a) The nature of facility is revolving back to back letter of credit (Usance – Local/Foreign) with a limit of BDT 1,400 million where the tenor is maximum 180 days and the expiry date is one year from sanction. The margin of pricing is nil here and the LC commission is 0.10% per quarter. The purpose of the facility is for import (local and foreign) of raw materials, accessories etc. which are related to production up to 75% of Fob value of master L/C / contract value.

There are six parts of the loans which are explained here one after another.

- i. The nature of facility is revolving acceptance (inner of facility a) with the limit of BDT 1,400 million where the tenor and expiry date are same as facility 'a', its 180 days and one year from sanction. The acceptance commission is 0.10% flat where the purpose is to retire import documents against Usance LC under facility 'a'.
- ii. The nature of facility is revolving Sight Letter of Credit Export Development Fund (EDF - local and foreign) (inner of facility a) where the limit is BDT 900 million, tenor is maximum 180 days and expiry date is one year from sanction. The margin of pricing is nil here and the LC commission is 0.10% per quarter where the purpose of the facility is to open LC under EDF facility.
- iii. The nature/ name of the facility is Export Development Fund (under the facility ii) with the limit of BDT 900 million where the tenor is 180 days which may be extended up to 270 days subject to BB approval and expiry date is one year from sanction. The interest rate is fix by as per Bangladesh Bank Circular, for example, at present LIBOR+1.50% or as guided by Bangladesh Bank from time to time. The purpose is to finance EDF LCs (local and foreign) opened through BRAC Bank Limited. Refinancing is subject to available of fund from Bangladesh Bank. If fund is not obtained from Bangladesh Bank, EDF will be converted LATR liability.
- iv. The nature of facility is revolving Letter of Trust Receipts (inner the facility iii) with the limit of BDT 400 million where tenor is 120 days and expiry date is one year from sanction.

## Analysis of Credit Proposal for Corporate Banking Division

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Interest rate for OBU: LIBOR+5% p.a or as revised by ALCO from time to time and for Local: 12% p.a or as revised by ALCO from time to time. The purpose is to retire sight LCs opened under Facility ii.

- v. The nature of facility is revolving Bank Guarantee (inner of facility a) with the limit of BDT 50 million where the expiry date is one year from sanction and the commission is flat 0.10%. The margin of pricing is for up to 1 year 50%, >1 and up to 3 years 10%, >3 years 20%. For open ended and more than 5 years 100% cash/ BBL FDR. The purpose is to issue Guarantee favoring Customs and other regulatory bodies or any other Govt. semi Govt. or private institutes for various purpose.
- vi. The nature of the facility is revolving FDBP/FBD (inner of facility iii) with the limit of BDT 150 million where the tenor is for sight bill, maximum 30 days and for usance bill maximum 120 days. Here the expiry date is one year from the date of sanction and the interest rate for FDBP: LIBOR+5.00% p.a or interest rate of 11% p.a for local currency or as revised by ALCO. For FBD: At prevailing counter rate. Interest will be applicable after 21 days. The purpose of the facility is to purchase/discount export documents up to 90% of each document value. At the time BP creation outstanding acceptance, EDF, BTB Liability, DL and RL to be adjusted first or equivalent amount to be kept at separate margin account.
- 1. b) The nature of the facility is revolving letter of credit (sight/Usance-local/foreign)-Washing unit with the limit of BDT 100 million where tenor maximum 180 days and expiry date one year from sanction. Pricing margin is nil here, LC commission is 0.10% per quarter (Acceptance) and commission is flat 0.10%. The facility proposed for import of raw materials related to washing production process like chemical, related accessories. Client will retire this LC mainly through cash generated from its operation.
  - i. Revolving acceptance facility has a limit of BDT 100 million with tenor of maximum 180 days and expiry one year from sanction where the commission is flat 0.10%. The purpose is to retire import documents against Usance LC under facility b.
  - ii. Revolving LATR facility has a limit of BDT 60 million where tenor is 120 days and expiry date is one year from sanction. Interest rate is 11% p.a to be changed quarterly or as revised by ALCO from time to time. The purpose is to retire sight LCs opened under facility b and

## Analysis of Credit Proposal for Corporate Banking Division

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settlement of acceptance liability under (i) with combined tenor of 120 days (Acceptance tenor + LATR tenor)

1. c) The nature of facility is revolving letter of credit (sight/deferred/UPAS) with the limit of BDT 100 million, tenor maximum 180 days and expiry one year from the sanction. The pricing margin is 5% for sight and nil for deferred LC and LC commission is 0.10% per quarter. The facility basically proposed for import of machineries, spare parts, equipments etc for increasing / upgrading of capacity.
1. d) The name of the facility is revolving demand loan where the limit is BDT 150 million, tenor 120 days and expiry is as usual one year from sanction. Interest rate is 11% p.a to be changed quarterly or as revised by ALCO. The purpose is local purchase of accessories / raw materials / packing materials against invoice. DL will be maximum 10% of export LC.
1. e) It is an overdraft facility where the limit is BDT 50 million, tenor on demand and expiry one year from the date of sanction. Interest rate 12.00% p.a to be changed quarterly or as revised by ALCO. Purpose is to meet day to day operational expenses.
1. f) The last one is a term loan facility with USD 10 million (Equivalent to BDT 800 million) where the tenor is 5 years including 6 months principal only moratorium from the date of 1<sup>st</sup> disbursement. Interest rate is LIBOR + 5.00% p.a. Interest to be charged quarterly or as revised by ALCO. Repayment principal on equal quarterly installment and interest on calendar quarter basis. Interest will pay during moratorium period. Purpose is to pay other bank's OBU liability, refinancing capital machinery and / or to meet local term financing needs.

Total funded facility is BDT 2,050 million and non – funded facility is BDT 1,500 million. Above facility will be used by Garment Unit, Woven unit and washing unit of The Civil Engineers Limited and Transworld Sweaters Limited.

### **4.7 Repayment Arrangement**

TCEL and TSL have three different ways to make the settlement of the loan amount.

- Primary – From export proceed / Operational Cash-flow.
- Secondary – Sale of mortgaged property; sale of hypothecated assets of TCEL and TSL.
- Tertiary – Legal Enforcement and calling PG & CG.

### **4.8 Justification of Proposed Pricing**

The interest rate has been fixed considering present market scenario and according to the BRAC Bank guideline.

- Acceptable credit grade of Primary Obligor.
- Good transaction performance with existing banks of the company.
- Well established group in the garments industry with 30 years of experience in the same line of business.
- Experienced management.
- Strong net worth position of the sponsors.

Projected income from the facility is BDT 55.388 million, break-up of which is given below:

Name	TCEL		TSL		Total
	OBU	Offshore	OBU	Offshore	
Interest Income	23,614.04	8,715.00	2,623.78	3,735.00	38,688
Commission Income	10,162.00	-	3,993.00	-	14,155
FX Income	1,818.18	-	727.27	-	2,545
<b>Total Income</b>	<b>35,594.23</b>	<b>8,715</b>	<b>7,344.06</b>	<b>3,735</b>	<b>55,388</b>
<b>Yield</b>	<b>8.29%</b>	<b>11.32%</b>	<b>15.39%</b>	<b>11.32%</b>	

### **4.9 Peer Group Analysis**

In a credit proposal they also include a part called peer group analysis where they mention some particulars like sales, Net profit after tax, Current Asset, Fixed Asset, Total Asset, Total Liabilities, Net Worth, Current Ratio and Debt to Equity of some other company of same group.

## Analysis of Credit Proposal for Corporate Banking Division

So that it become easier for them to compare the position of the company in the group which is important to know before permit them the loan amount.

BDT '000

Company	The Civil Engineers Ltd	DIRD Composite Textile Limited	Fakhruddin Textile Mills Limited	Refat Garments Limited	Graphics Textile Limited
Industry	Garments	Composite	Composite	Garments	Composite
Particulars	31-Dec-13	30-Jun-13	30-Jun-13	31-Dec-12	30-Jun-13
Sales	4,679,613	3,535,087	2,521,464	10,219,330	2,409,945
NPAT	334,133	373,296	203,743	1,209,990	174,638
Current Asset	1,306,050	2,092,017	1,334,027	10,380,202	1,441,259
Fixed Asset	2,921,200	981,657	962,094	109,993	910,218
Total Asset	4,998,519	3,090,754	2,350,689	10,539,900	2,385,531
Total Liabilities	3,464,949	2,267,361	1,289,167	6,189,935	1,844,580
Net worth	1,533,570	823,393	1,061,522	4,349,965	540,951
Current Ratio (x)	0.87	1.32	1.03	1.68	1.11
Debt to Equity (x)	2.26	2.75	1.21	1.42	3.41

### 4.10 Competitive Position of the Client

Standard group has for long been a well established name in the RMG industry. With the growth of the country's garments industry this group has also put itself forth as a highly competitive player of the market. It has been dealing with its buyers for a considerable time period to render their relationship into more of a partnership. Some of the highlights of ESL's merit are listed below:

- Business performance – In the year of 2013 this group has earned USD 332 million of export.
- Management – A long term going concern managed by a team of expert and experienced professionals.
- Account History – Client has been in this business with a long track record and profitable history. The group is well established as a leading RMG manufacturing company and

## **Analysis of Credit Proposal for Corporate Banking Division**

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maintains regular business transactions and good credit standing with their existing bankers.

- Buyer – Long relationship with major internationally renowned buyers.
- Country’s largest after affect (Washing) Plant.
- Diversified business portfolio of the management.
- 21 factories located in 12 different locations.
- Stable financial performance.

### **4.11 Current Incident of Standard Group and recovery plan to overcome**

Recently, one of the 10-storied buildings of Standard Group at Gazipur’s, Konabarhi has been burned down by ‘agitated workers’ following a rumor of two labors being shot to death. In addition, around 31 vehicles, including the seven covered vans carrying clothes ready for exporting, were torched. Bangladesh Garment Manufacturers and Exporters Association (BGMEA) have termed the fore incident at Standard Group as “sabotage”. The total estimated loss during the vandalism was around BDT 3,368 million. However, the group has already taken corrective measures to overcome the situation, as they have already placed 70% of the above mentioned workers to different units of the group.

At the time of fire incidents, the client has total Back to Back liabilities outstanding of USD 10 million (appx) and EDF outstanding of USD 22 million with different banks in the name of following concerns. Out of BTB OS of USD 10 million, the client has already fully settled entire BTB outstanding amount from their regular cash flow. For EDF outstanding amount of USD 22 million, Bangladesh Bank has already extended tenor of EDF facility from 270 days to 2.50 years for smoother settlement of due liabilities. However, the client has already settled USD 7 million out of USD 22 million from their own sources and rest will be adjusted within the stipulated time frame. There were some insurance claimed by different units by which they can try to recover the loss incidences through fire incident.

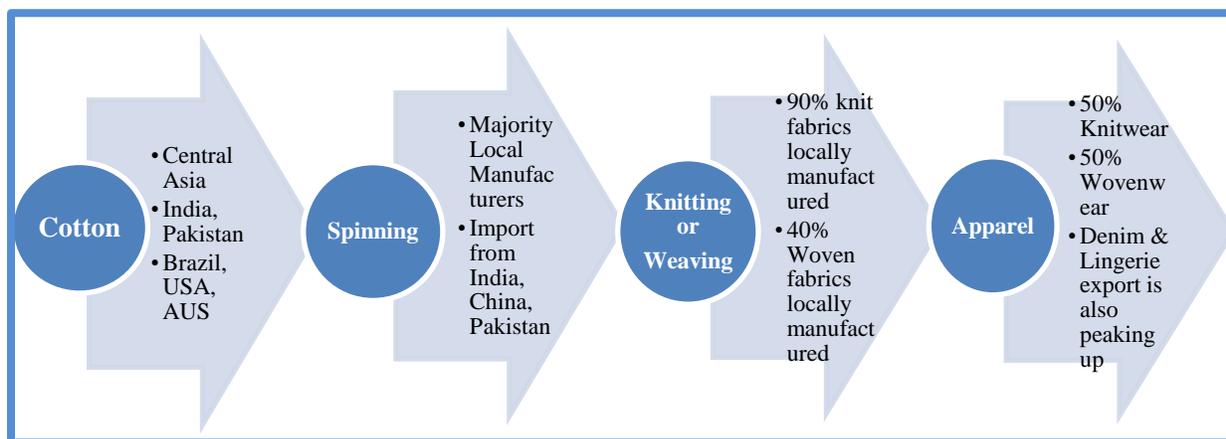
### **4.12 Industry Overview**

Bangladesh apparel sector experienced 26% YoY growth last year. Global orders are shifting more to Bangladesh as larger retailers are following ‘China plus one strategy’ and thus

**Analysis of Credit Proposal for Corporate Banking Division**

Bangladesh become the obvious choice. Bangladeshi exporters are also exploring new markets and introducing lingerie and other high end products. Bangladeshi Apparel manufacturers follow a low margin, low cost, mass production strategy. However, this low cost strategy sometimes fails to cover labor welfare. We have witnesses a few labor right violation issues and a couple of factory accidents. To improve the labor welfare and working condition, Wal-Mart and other international buyers have agreed to provide funding. Government and other local NGOs are also working to address these issues. Bangladesh has also enacted a new labor law to protect the right of worker.

Textile and Apparel is the largest manufacturing sector of Bangladesh in terms of GDP contribution as well as employment generation. The country has established itself as a reliable supplier globally and gradually moving into high end market. Moreover exporters are reaching beyond the traditional export destination like EU and North America region, and exploring other market opportunity in Japan and South America. The sector generated around 79.6% of the total export receipt of the country. Bangladesh exported around USD 21.52 billion in the FY'13, positioning itself as the second largest apparel exporter in the world. The country is the largest exporter of cotton t-shirt and second largest exporter of cotton pullover and jeans in the EU region; it is also the second largest exporter of cotton trousers to the US by volume. The industry value chain is provided below:



Although cost of Bangladeshi yarn is relatively expensive in comparison to international yarn price, local spinning manufacturers have an edge due to lower power cost along with the fact that imported fabrics stretches the lead time for fabric and apparel manufacturers. In terms of quality,

## **Analysis of Credit Proposal for Corporate Banking Division**

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Bangladeshi spinning mills is also superior in comparison to other neighboring countries. As a whole the Textile and Apparel industry is around 19.0% of the country's GDP and the industry employs around 4.0 million people.

Bangladesh is currently exporting 5.0% of the total apparel market of the world worth USD 400.0 billion. The country seconds to China in terms of volume. At the same time China is gradually producing more high end products or investing in other capital intensive industries and we are seeing low end orders shifting to Bangladesh. Over the years India, Pakistan, Vietnam and Turkey remain the core competitors for Bangladesh. However, many of these competitors produce cotton in their backyard, whereas Bangladesh has to import the cotton. On the other hand in terms of labor cost, quality and scale of operation Bangladesh holds the advantage.

Traditionally Bangladesh caters to the EU and North American region. However, the exporters are trying to expand the diversity of their cliental portfolio and recently Russia, Japan, Australia have emerged as new export destinations. Some of the Chinese manufacturers are considering outsourcing the Garments from Bangladesh as well. India can also emerge as another export destination soon. Bangladesh has started exporting more to India as the country granted duty free access of 46 RMG export items.

### **4.13 Future Outlook**

Bangladesh's apparel exports could triple by 2020 as European and US buyers are planning to strengthen their presence in the country which is seen as 'next China', according to McKinsey & Company, a global management consulting firm. Recent study conducted by McKinsey to review Bangladesh's RMG growth formula, reveals China starting to lose its attractiveness due to rise in costs of doing business. The sourcing caravan is moving on to the next hot spot like Bangladesh. Costs have also increased significantly in other key sourcing markets, leading buyers to question their current sourcing strategies.

### **4.14 Financial Performance**

Financial analysis is done based on audited and management financial. As they are now preparing audited financial of all the concerns of the group, BRAC Bank obtained management

## Analysis of Credit Proposal for Corporate Banking Division

financial which will be updated at the time of next review on the basis of audited financial. Management financial may vary with audited financial.

### The Civil Engineers Limited (Primary Obligor)

BDT' 000

Particulars	31-Dec-11	31-Dec-12	31-Dec-13
	12 Months	12 Months	12 Months
	Audited	Audited	Management
Gross Sales	1,353,527	4,232,129	5,262,481
Growth %	-	212.72	24.35
COGS	1,153,025	3,669,109	4,358,462
Gross Profit	200,302	563,020	904,019
GP Margin %	14.80	13.30	17.18
Operating Profit	139,112	389,596	465,612
OP Margin %	10.28	9.21	8.85
Net Profit	87,682	324,828	359,804
NP Margin %	6.48	7.68	6.84
Total Asset	2,446,031	3,522,992	4,998,519
Total Liabilities	1,597,092	2,349,225	3,464,948
Net Worth	848,939	1,173,767	1,533,571
Debt to Equity (x)	1.88	2.00	2.26
Bank Debt to Equity ( : )	56:44	60:40	63:37
Current Ratio (x)	0.92	0.72	0.91
Interest Coverage (x)	10.15	16.52	12.24
DSCR (x)	13.41	19.42	13.89
Asset Turnover (x)	0.55	1.20	1.05

**Table: Financial Spread Sheet (FSS) of TCEL**

**Revenue:** The company has 07 business units – Construction, Real-Estate, Garments (Woven), Sweater, Packaging, Washing and Woven units. Out of the 07 units except washing and woven unit, rest units are fully functional in 2013. Revenue of TCEL grew at Compound Annual Growth Rate (CAGR) of 43% (appx) from 2011 to 2013. Most of the revenue generated from Garments Unit (69.80%) followed by Sweater Unit (17.90%). As mentioned earlier that Standard Group is more focused on Woven product, woven unit's share of revenue increased from 4.80% to 69.80% from 2011 to 2013. Due to more concentration on woven unit, other units share has gone down. Revenue from construction unit varies from year to year since its revenue depends on work order basis. Revenue from washing unit and woven unit started from early of 2014.

## Analysis of Credit Proposal for Corporate Banking Division

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Woven unit is still under construction which production capacity will be 36 lines by end of July 2014 and expecting to increase to 48 lines by end of this year. And washing unit is the largest processing facility within Standard Group and one of the largest in the industry. So considering these two units revenue, client is expecting higher growth in upcoming years.

**Profitability:** Stable COGS relative to sales from 2011 to 2013 helped the client to achieve stable profitability position. The client could be able to maintain gross profit margin from 14% to 16% for last three years.

**Leverage:** Leverage ratio is quite high i.e. 2.26x due to intercompany liabilities. It needs to mention that the client did not have any long term liability with any bank/FI. So excluding these intercompany liabilities, their leverage stood at 0.43x which is quite acceptable. The client availed this liability from its sister concerns due to its higher investment in new project for washing and woven units.

**Liquidity:** In 2013, TCEL's current ratio improved from 2012 due to decrease in short term bank liabilities. But still current ratio was below 1 which suggests a tight liquidity position. However, this is basically mostly due to advances received as apartment sales (i.e. BDT 674.99 million in 2013) contributed from their Real Estate Business and Construction units.

**Coverage:** TCEL could be able to maintain satisfactory coverage position in last couple of years due to improved operating performances which resulted in EBIT/Interest of 13.89 times in the year 2013.

Besides, the credit proposal also include the cash flow of TCEL for 2011, 2012 and 2013, where it shows that NCAO was negative due to changes in payable and taxes paid. Financing surplus is negative due to (increase) in fixed assets. The client has incurred significant amount of investment for increase in assets (construction of factory building at saver and capital machinery for their washing unit) for last couple of years continued in 2013. The credit proposal also shoes the average Cash Conversion Cycle of TCEL which is 168 days. Stock and Accounts Receivable of TCEL also present here for January, February and March 2014.

Moreover, the credit proposal also presents the projected Financials and projected Cash Flow of TCEL for 2014, 2015, 2016 and 2017 from which BRAC Bank can gather a clear idea about the

## Analysis of Credit Proposal for Corporate Banking Division

future financial condition of the company which is important for them before giving the approvals for the proposal. TCEL has projected high growth in revenue considering start of commercial operation of their new two projects.

### Transworld Sweaters Ltd. (Co-Borrower)

BDT' 000

Particulars	31-Dec-11	31-Dec-12	31-Dec-13
	12 Months	12 Months	12 Months
	Audited	Audited	Management
Gross Sales	13,073	15,325	180,709
Growth %	-	17.23	1,079.18
COGS	1,704	6,037	144,332
Gross Profit	11,369	9,288	36,377
GP Margin %	86.97	60.61	20.13
Operating Profit	1,311	1,019	22,785
OP Margin %	10.03	6.65	12.61
Net Profit	(10,451)	(8,606)	14,397
NP Margin %	(79.94)	(56.16)	7.97
Total Asset	89,155	148,111	340,879
Total Liabilities	83,455	151,017	330,827
Net Worth	5,700	(2,906)	10,052
Debt to Equity (x)	14.64	(51.97)	32.91
Bank Debt to Equity ( : )	-	-	68:32
Current Ratio (x)	26.27	26.40	8.43
Interest Coverage (x)	-	-	57.02
DSCR (x)	-	-	88.66
Asset Turnover (x)	0.15	0.10	0.53

**Table: Financial Spread Sheet (FSS) of TSL**

**Revenue:** The revenue of TSL has been showing increasing trend for the last three years, TSL was taken over from the previous management in 2010 by Standard Group. Afterward the present management of TSL started operation by sub-contracting. In 2013, they started full-fledged operation by directly exporting toward EU & USA.

**Profitability:** Since till 2012 TSL was doing subcontracting their GP margin was high. But from 2013 they have started exporting directly. So their COGS gone up which resulted in lower Gross Profit margin however impact was lower on Operating Margin and Net Margin.

## **Analysis of Credit Proposal for Corporate Banking Division**

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**Current Ratio:** Current ratio streamlined significantly due to an increase in current liability in the form of Bank borrowings.

**DSCR and Interest Coverage:** DSCR and Interest coverage ratio was found healthy in 2013.

**Leverage Ratio:** TSL has high leverage ratio for the last four years due to loan from sister concerns for factory renovation and expansion. However, the loan is interest free. It needs to mention that so far TSL did not avail any long term liabilities from bank.

Moreover, the credit proposal contains the Cash Flow, Cash Conversion Cycle, Stock and Accounts Receivable of TSL where the Cash Conversion Cycle showing unusual figure till 2012. Up to 2012, basically TSL's source of revenue was from subcontracting bills from their other sister concerns. Hence there were only inventory items which were supplied by their beneficiary. However, TSL has started exporting directly from early of 2013. Since, they exporting from early of 2013, initially their receivables become very high because export precedes realization started mostly after June 2013. Receivable position showing here is on June 2013 and also realized totally by October 2013 (as per audit report). BRAC Bank is expecting to regularize this position by next year's financial statement.

### **4.15 Justification of Term Loan**

The Civil Engineers Limited and Transworld Sweater Limited applied for the Term Loan facility of USD 10 million (Equivalent to BDT 800 million) to BRAC Bank. The reasons for the Term Loan has described by the clients where they show the purpose of borrowing the loan amount, in which sites they are going to expend the Term Loan. Basically they are going to use the amount for buying machineries, land, building and equipments for washing and woven units which are their expansion project planning. The projects located under same premises at Hemayetpur, Savar, Dhaka. They also mentioned the percentages of refinancing and finally the debt to equity ratio which is 30.48%.

## Analysis of Credit Proposal for Corporate Banking Division

Figures '000

Particulars	Amount BDT	Amount USD	Existing Financing Sources	Proposed Refinancing (USD)	% of Refinancing
<b>For TCEL (Washing &amp; Woven Unit at Savar)</b>					
Refinancing of Capital Machinery for washing unit	468,000	6,000	Own	5,400	90.00%
Refinancing of Capital Machinery for woven unit	193,416	2,480	Own	2,232	90.00%
Refinancing of existing ETP, Generator, Lift etc	168,895	2,161	Own	1,368	63.31%
Total Bldg cost excluding ETP & utility expenses	1,074,459	13,749	Own	-	-
Land cost (212 decimal appx)	318,000	4,069	Own	-	-
<b>Sub - Total</b>	<b>2,222,771</b>	<b>28,459</b>		<b>9,000</b>	<b>31.62%</b>
<b>For TSL</b>					
Land cost	66,250	848	Own	-	-
Total Building Cost	120,323	1,540	Own	-	-
Refinancing of Capital Machinery	138,831	1,776	Own	1,000	56.29%
Equipments	14,473	185	Own	-	-
<b>Sub – Total</b>	<b>339,877</b>	<b>4,349</b>		<b>1,000</b>	<b>22.99%</b>
<b>Total</b>	<b>2,562,648</b>	<b>32,808</b>		<b>10,000</b>	<b>30.48%</b>
<b>Debt / Equity Ratio</b>					<b>30.48%</b>

### 4.16 Relationship (KYC) / Profitability (KYC means Know Your Customer)

- **Relationship:** New relationship with BRAC Bank.
- **Principal Products:** BTB LC, EDF, LATR, Rev. Foreign Bill Purchase, RL, OD & TL.
- **Expected Earning:** Projected income from the facility is BDT 55.39 million.
- **Overdue History:** There is not any overdue history between them.

**4.17 Repayment Source of Proposed Term Loan**

With the Justification of the Term Loan, the client also includes the repayment sources of proposed Term Loan. Here it is –

**Figures ‘000**

<b>Particulars</b>	<b>TCEL</b>	<b>TSL</b>	<b>Equivalent-USD</b>
Total Sales (Yearly)	6,011,915	1,475,812	
BTB limit proposed	1,000,000	400,000	
Utilization of limit @ 65%	650,000	260,000	
Yearly Rollover – 03 times	1,950,000	780,000	
Export proceeds realization – BBL portion only	2,593,500	1,037,400	
Fund build up for TL payment @ 5% from BBL export bills	129,675	51,870	2,357
Fund build up for TL payment @ 50% from total revenue	300,595	73,790	4,862
Yearly TL installment payment requirement (USD 10 million @ 5.50% p.a., 05 years)			2,301

**4.18 Status of the Accounts / Limits with other Bank**

The Civil Engineers Limited and Transworld Sweaters Limited also have lender borrower relationship with Prime Bank Ltd. and Shahjalal Islami Bank Ltd. TCEL has the limit of loan amount is BDT 310 million for RMG and BDT 900 million for construction from Prime Bank Ltd. where the outstanding loan amount is BDT 307 million for RMG and BDT 369 million for construction. Moreover, they have the limit of BDT 1,850 million for RMG and Construction from Shahjalal Islami Bank Ltd. where the outstanding loan amount is BDT 1,096 million. On the other hand, Transworld Sweaters Limited has the limit of BDT 206 million from Shahjalal Islami Bank Ltd where the outstanding loan amount is only BDT 103 million.

**4.19 Visit Report**

A team comprising Deputy Managing Director, Chief Credit Officer, Head of Local Corporate, Senior Manger – Corporate Credit Risk of Credit Risk Management, Senior Relationship Manager of Local Corporate visited the factory premises of The Civil Engineers Ltd at Tejgaon,

## **Analysis of Credit Proposal for Corporate Banking Division**

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Dhaka and Hemayetpur, Savar, Dhaka on April 17, 2014. It is important for them to take a look on TCEL's factory and other working process because if it does not seem good, that means it can be toughest for the company to pay back the borrowings. At the time of visit Mr. AKM Abu Naser (GM warehouse), MR. Ahmed Iqbal Ferdous (Senior Planning Manager), Mr. ANM Farukh (Senior Manager) and Finance of Standard Group were present there. BRAC Bank's members have discussed about the total production process, future business prospect and terms and condition to build banking relationship with BRAC Bank Limited.

### **4.20 Critical Risks and Mitigating Factors**

Before giving the approvals BRAC Bank investigate some critical risks and mitigating factors which can affect the company or Group to repay the loan amount. So it seems so important for BRAC Bank to thoroughly study the risk and then make their decision about giving the loan.

- **Labor Unrest** – Labor Conflict and worker strike are common problem in RMG sector in Bangladesh. Standard Group is known as an entity whose main driven force is it's human spirit. Through creating sense of trust and sharing across the group, this group is maintaining labor satisfaction from the beginning of the business. Therefore, since starting of the operational production of the company, no such hazards was carried out.
- **Industry Growth** – Recently Bangladesh has become world's second largest knitwear exporter after China, replacing India. Also China is starting to lose its attractiveness due to a rise in costs of doing business; the sourcing caravan is moving on to the next hot spot like Bangladesh, Vietnam etc.
- **Stiff International Competition** – The RMG industry of Bangladesh has been facing stiff competition from other countries specially India and China. However due to higher cost structure and other trade barrier like GSP facilities, buyer already shifting from those countries to the countries like Bangladesh, Vietnam etc. Basically Bangladesh is getting benefitted from its core competencies like lower labor and other costs and acceleration from GSP facilities from importing countries.
- **Timely delivery of goods and Quality Control** – Historically Standard Group has been able to achieve consistent growth trend, which in turn proves its capacity to manage growth and live up expectation of buyers. Standard gives utmost importance in

## Analysis of Credit Proposal for Corporate Banking Division

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maintaining quality control and delivery schedule. The company also accommodates compliance requirements of buyers from time to time. In addition, they are continuously pursuing to increase their efficiency level through practicing industrial engineering.

- **Price Volatility of Raw Materials** – Standard Group managed to overcome several turbulent cycles of volatility. The management has adequate experience, judgment and capability to predict to safeguard itself in price volatility. Besides, any price volatility in current scenario will affect the industry as a whole.
- **Management Expertise** – The group has been operating the RMG industry for 30 years and has established themselves as a leading competitor. The running of their regular operations is well vested within the different management tiers of the group.
- **Buyer and Demand Risk** – Standard Group has diversified customers based with reputed brands in world. They have been exporting to USA, EU, Canada and Asia region i.e. they are not bounded with specific region which helps them to get regular orders. In addition, Standard has maintained direct relationship with these buyers since long.
- **Supplier Risk** – Main raw materials of the company are fabrics and accessories which they have been sourcing from both local and foreign sources. Since they are doing business since 1984, they have maintained good relationship from their suppliers.
- **Foreign Exchange Rate Risk** – It is minimal because all receivables and payables are made through L/C which is denominated in foreign currency (majorly USD).
- **Default Risk** – Client has been operating in this sector for about 30 years. They have excellent payment terms with existing lenders. Net worth position of sponsors is good. In addition, the management have diversified business portfolio including Real Estate, Construction, Banking, Insurance etc.

### 4.21 Proposed Securities

Against the loan amount TCEL and TSL proposed some collateral to BRAC Bank which can make the deal secure.

- Mortgage of land and building located at plot # 129 (old) 26 (new), Road No – 02, Dhanmondi R/A, Dhaka with construction of building of 3,800 sft. The property is in the name of The Civil Engineers Ltd.

## **Analysis of Credit Proposal for Corporate Banking Division**

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**Total land area:** 33 decimals along with building construction of 3,800 sft.

**Market value:** BDT 700 million

**Forced Sale Value:** BDT 600 million

**Surveyor:** Jorip O Paridarshan Co. Ltd. Dated April 24, 2014.

- Available charge registered hypothecation with RJSC over stocks, book debts and receivables of The Civil Engineers Ltd. on pari-passu basis with other lenders for BDT 1,940 million.
- 1<sup>st</sup> charge registered hypothecation with RJSC over stocks, book debts and receivables of Transworld Sweaters Ltd. on pari-passu basis with others lenders for BDT 560 million.
- Personal guarantee of all Directors of the Company.
- Cross Corporate Guarantee.
- Corporate Guarantee of Amex Limited having net worth of BDT 396.75 million (as on June 12) and International Trading Services Limited having net worth of 263.39 million (as on June 13) favoring The Civil Engineers Limited.
- Fire and RSD, flood and cyclone insurance coverage on stocks and inventories to be taken in joint name of BRAC Bank and Borrower the nominated insurance company.
- Other basic charge documents (e.g. DP note, Letter of Continuity, Letter of Arrangement, General Loan Agreement, Letter of Trust Receipt etc).

### **4.22 Financial contracts and Other Conditions**

The credit proposal also encloses some financial covenants and some other conditions related to the loan agreement. Financial contracts say that minimum Current Ratio to be maintained at 1.25 x (excluding CMLTD) and minimum DSCR to be maintained at 1.50x. Other conditions are –

- The borrower shall provide the Bank with financial statements for full financial year within 120 days of Year-end and for half yearly periods within 60 days of half-year relating to its financial conditions.
- Borrower to provide month end stock and receivables statement to the Bank in Bank's format on a monthly basis.

## **Analysis of Credit Proposal for Corporate Banking Division**

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- Corresponding percentage of BBT liabilities to be realized from each export proceeds, 5% of each export to be build up for Term Loan adjustment, 5% of each export to build up for facility c & d , 2% of export proceed to build up for EQR.
- At the time of BP creation, outstanding BTB, Acceptance, EDF, LATR, RL and overdue TL installment to be adjusted first or equivalent amount to be kept at separate margin account.
- The borrower shall comply with Environment, social and labor regulation of Bangladesh and have to adopt proper monitoring system.

### **4.23 Basis for Recommendation**

#### **Corporate Banking Recommendation**

On the basis of above BRAC Bank recommend approval of the proposed credit facility on the following merits:

- It operates in a high growth industry.
- Significant export growth in last year.
- The Group has good track record in export oriented garment factory and is a leader in the field.
- The Group has good banking track record with their existing Banks.
- Sponsors of the company are educated, experienced and successful entrepreneurs.
- Strong base of buyers and good market reputation.
- Diversified business operation.
- Future business opportunity with the group.
- Projected income from the facility in BDT 52.56 million with a yield of 8.63 % (TCEL) and 13.54 % p.a. respectively.

#### **CRM Observation and Recommendation**

- Equity participation of the project is 69.52% and Banks financing will be for machinery only. Proposed Term Loan installment repayment will be from export proceeds through BRAC Bank Limited.

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- Satisfactory financial performance of TCEL, positive sales growth, Good coverage ratio, improving profit margin over the year.
- Strong Group support where present Group leverage is 0.68x.
- Long Experiences of the sponsors in the textile and printing industry.
- Diversified product range as well as business of the company.
- CRM recommends considering good financial performance, strong brand name, strong group capital base, good security coverage, good repayment history and utilization with existing Banks.

## Chapter 5

# THE LEVELS OF SATISFACTION OF LOCAL CORPORATE CLIENTS

## **FINDINGS**

For understanding the level of satisfaction of Local Corporate Clients I have conducted a survey between 10 corporate clients. I have asked them some question from which I can predict their satisfaction level about the services provided by BRAC Bank. A comprehensive analysis was done for the data gathered from the survey results of Local Corporate clients. Here I am discussing the findings.

- Most LC clients have been maintaining relationship with the Local Corporate segment of BRAC Bank for more than 5 years.
- They have a good knowledge about the services and solutions that LC offers them and thus they perceive their current awareness status and level of knowledge as sufficient.
- Most clients have rated LC services as reliable, but believe LC staff to be less responsive. Clients claimed that LC staff and services are easily accessible but the waiting time is pretty expensive. They also stated that LC staff can guarantee them service assurance, are consistently polite and courteous and shows empathy towards them. On the other hand, even if clients found LC rates to be in accordance with quality, they did not state it as reasonable. In fact, clients rated the overall quality and standard of LC services to be generally good.
- Majority of the clients have some complaints against the services of LC, mostly that LC staff is not supportive and efficient – but clients never share it with the relationship managers (RMs). Thus, they have rated the overall satisfaction level regarding the services of LC as moderate.
- Most clients did not want LC to add any other solution to their services, because they felt that existing solutions covered all aspects of a business. But those who wanted new solutions to be added to LC's range of services, requested for solutions relating to foreign exchange.
- Clients did not want LC to remove any solution from their offered services, because they felt that existing solutions were quite standard. However, those who wanted some solutions to be removed from LC's range of services voted against those solutions which are not much in use by the clients.
- Talking about changes in the Local Corporate segment, most clients want LC staff to make more frequent communication with the clients.

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- Factors like service assurance, responsiveness and courteousness of LC staff and the rates of LC services have a strong relationship with client satisfaction of the Local Corporate segment. Also, the rates of LC services strongly impact the clients' rating of the overall quality and standard of LC services but not the rating of their level of satisfaction.
- Other factors like reliability of LC services, accessibility of the staff and services and empathy shown by the staff have a weak relationship with LC client satisfaction.
- Factors of service reliability, staff responsiveness, service and staff accessibility, service assurance, staff empathy and courteousness, and even rates of the services have a weak relationship with the longevity of the relationship that clients share with the segment of LC. Even the clients' rating of the overall quality and standard of LC services and their own satisfaction level has a weak relationship with the longevity of the clients' relationship with LC.
- Finally, the rating of the clients' satisfaction level regarding LC services have a weak relationship with the clients' rating of the overall quality and standard of LC services and their choice of the mostly used LC service.
- Customers feel that LC services as reliable but are not said to be responsive except for LC keeps them informed about when services to be provided. LC services can be said to be easily accessible except for one part that is waiting time for the service is expensive for clients, other than this clients feel that LC is easily accessible. Customers also feel that LC employees have the knowledge to answer clients' queries and can keep company secrets safe. Clients do consider LC staffs as empathetic but not courteous. In general, customers rated LC services mostly as poor to good not beyond that.

## Chapter 6

# LIMITATION, RECOMMENDATION, CONCLUSION & REFERENCE

## **Limitations**

In the time of preparing the report I faced some problems for which I couldn't gathered or presented all the expected information that I wanted to collect. Now I am mentioning some of the limitations related to this report.

- Lack of knowledge about work pattern of Corporate Banking Division.
- Lack of available time for consult with the member of Corporate Division of BRAC Bank; it happened because whole day they were so busy with their own work. So they managed a little for me when they can help me to understand the whole things or the difficult terms.
- Unavailability of information about the Credit Proposal because they have some important information which they keep secret or not willing to discuss with me. Confidentiality of data acted as a barrier during the study, as banks have confidential data related to its operations and clients which they did not want to reveal.
- Time constraint was also one of the factors that curtailed the scope of the study.
- Lack of communication with the corporate clients. When I went for the survey of customer satisfaction about the services of Local Corporate, it was very difficult for me to explain them and contact with them for my survey. It happened because most of the corporate clients come in BRAC Bank for big deals and important meeting with the head of department, so talk with them and do the survey created a lot of trouble for me. The survey was limited to the local clients of the wholesale banking division only.
- Rush banking hours and hectic schedules of the banking staff was another obstacle to the scope of the study. The Relationship Mangers of the concerned department were busy meeting their targets and it was very difficult for me to get some practical ideas regarding their ideas, expectations and opportunities regarding my topic.
- Because of too much work pressure sometime I did not find extra time for doing my report work or quarry some important term for my internship report.

## **Recommendation**

- Since most clients share a relationship with Local Corporate for more than 5 years, Local Corporate should take special care to strengthen these relationships further and maintain their strong base of clients. For this, Local Corporate needs to continuously remind clients of their services and solutions through effective publicity and promotions. This can include billboards, brochures, leaflets and even web advertising.
- As cash management is the mostly used service by the local clients, the segment should invest more in the efficient utilization of the clients' cash assets in a manner which is consistent with the strategic objectives of Local Corporate. The segment should focus on providing international product quality and cross border capability to its clients. Local Corporate should concentrate on providing superior access to the world's fastest growing markets through their international network of branches, subsidiaries and alliances - supported by world-class electronic channels. They should try to develop comprehensive and integrated working capital solutions using leading-edge products and expertise - supported by consistent and seamless local service standards. Local Corporate can also include some local liquidity management solutions, multi currency cross border payments, trade ports and trade kiosks to its entire suite of transactional services and solutions.
- Since most clients have complaints against the staff of local corporate, the segment should employ more skilled, segment-aligned specialists with the experience and insights needed to provide trusted business advice to senior client executives of the local companies. Also, the segment should try to be responsive and make more client calls so as to communicate more frequently with the clients.
- As service assurance, responsiveness and courteousness of staff and the rates of services tend to have an impact upon client satisfaction of local corporate; the segment should focus on the enhancement and improvement of these factors. Local corporate should specially make its staff more responsive in providing services and attending clients and ensure that rates are reasonable for the local clients. For this, extensive training programs and attractive incentives can be useful to make the staff more responsive. Local corporate can also carry out a market survey to find out about the rates of the other banks of Dhaka and adjust their charges accordingly. As the rates strongly impact the clients' rating of the overall quality and

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standard of local corporate services, it should be cautiously charged. Although factors like service reliability, staff responsiveness, service and staff accessibility, service assurance, staff empathy and courteousness, and even rates of the services have a weak relationship with the longevity of the relationship that clients share with the segment – yet local corporate should take these factors into account.

- Staff training programs to speed up their ability to provide services can facilitate prompt services by local corporate and the staff can readily respond to the clients' requests. Clients are highly dissatisfied with the waiting time as it is time-consuming and costly for them. Therefore, local corporate can involve support staff to provide clients with services that require less time but for which clients have to wait longer – like statement printouts, signature verifications, etc. Also, call centers of the bank can hire teams to work and provide services to the local corporate clients specifically. In this way, a lot of trivial problems of clients will be solved without making them wait for long.
- Local Corporate can conduct surveys or telephone interviews or take suggestions from the clients during client calls to further improve and revamp their services and solutions. Relationship Managers (RMs) can play a vital role here as they are the intermediaries between the segment of the bank and the clients. It should be the RMs' responsibility to some extent to gather information about the services and solutions that clients are satisfied and dissatisfied with. Satisfactory services should be made consistent by the segment but the not so satisfied services and clients should be given special care and treatment. This is because a bit of negligence and ignorance on the part of the client relationship segment of local corporate can make them lose clients to their competitors.

## Conclusion

The relationship of clients with a bank is usually set for a long-term period. When clients come to a bank for services and solutions relating to their company or business, they would definitely expect a superior quality and standard for these services. It is thus the bank's responsibility and more specifically the client relationship segment's duty to make sure that the clients receive their expected quality of services.

Local Corporate needs to fulfill this responsibility with special care as they represent the client relationship segment for local clients and are dealing with local companies. This segment brings in the most revenue for the bank owing to its strong client base.

So to maintain relationships with this strong base of clients, Local Corporate should continuously improve their services and train their staff. They should understand clients' expectations and try to meet them – if possible, even surpass these expectations wherever feasible. They should prepare the Credit Proposal carefully where they can include all the essential things which can be important for their future deal with their corporate clients. Then only, local corporate can continue being the best client relationship segment of the Origination & Client Coverage (OCC) department and more importantly guarantee the satisfaction level of their local clients to a large extent.

Today, the banking industry in Bangladesh is a competitive field and to retain their position in the market, BRAC Bank needs to provide new and innovative solutions to their banking services for the local clients.

In this way, the bank can maintain a strong portfolio of local clients and stay in competition with other banks in the industry. To achieve this, client relationship segments should also be strengthened further – specially segments like Local Corporate. They should provide quality and prompt services and be more responsive to clients' requests. Only then, the satisfaction level of clients can be fully achieved.

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