



## INFORMATION MEMORANDUM FOR STRATEGIC PARTNER



Platform Partners



International Affiliations



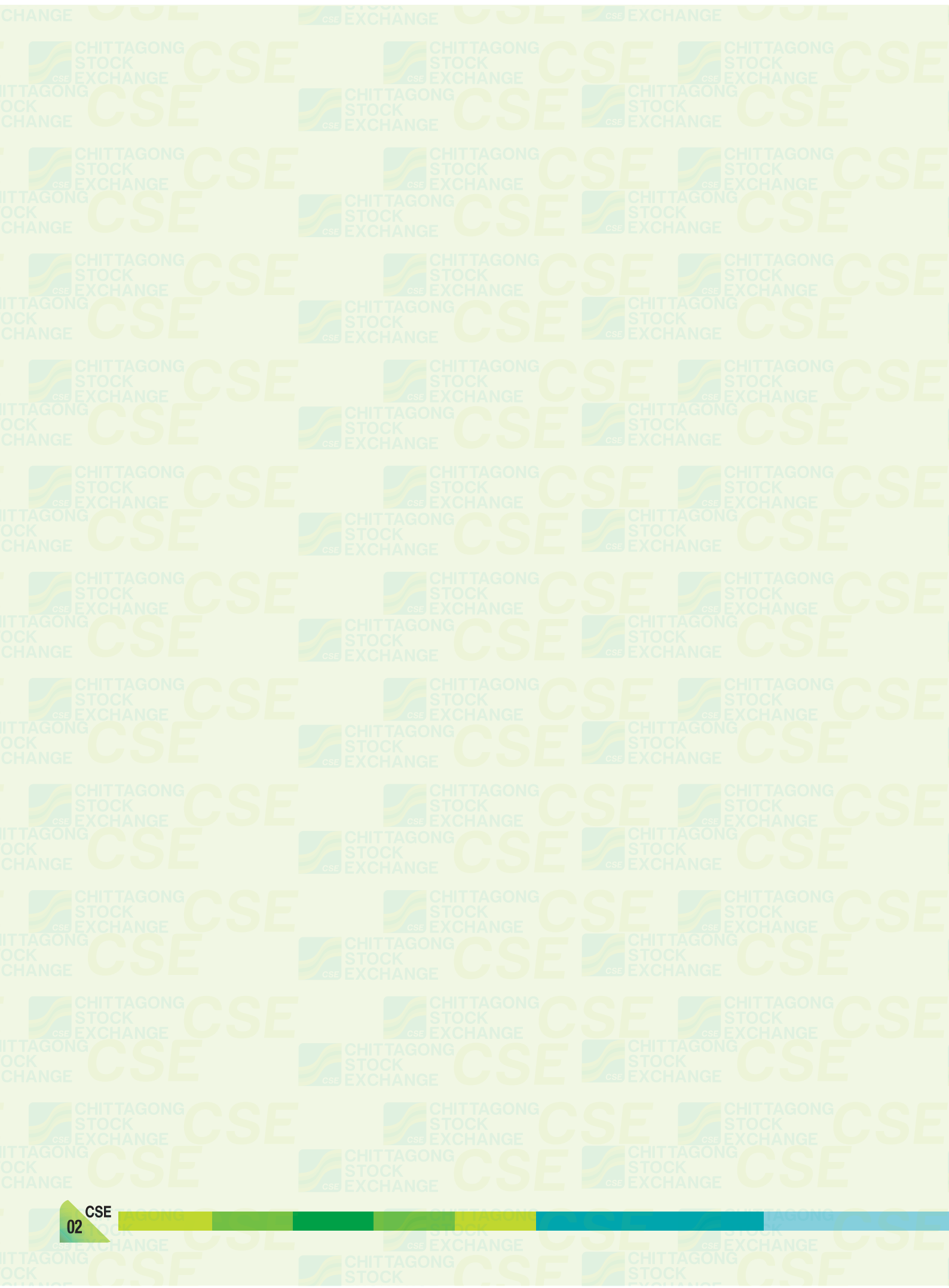
Sustainable  
Stock Exchanges  
Initiative



# INFORMATION MEMORANDUM FOR STRATEGIC PARTNER

Updated up to June 2018





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## EXECUTIVE SUMMARY

Chittagong Stock Exchange (CSE) was established on 10th October, 1995 as a company limited by guarantee and as a not-for-profit organization. Initially the founding members were 70 which were gradually increased to 148. CSE was established with the broad objectives to create an effective, efficient and transparent market atmosphere of international standard to save and invest in Bangladesh in order to facilitate the competent entrepreneurs to raise funds and accelerate industrial growth for overall benefit of the economy. Since then CSE revolutionized the entire capital market of Bangladesh. It spearheaded many rules and regulations, implemented automation, innovated new concepts, and led the whole capital market as the vanguard of development.

### Demutualization and its consequences

In the year 2013 CSE was converted into a demutualized Exchange as per the Exchanges Demutualization Act, 2013. The main consequences of demutualization of CSE are as follows:

- Conversion from Not-for-Profit status to For-Profit organization.
- Separation of Management from the Ownership.
- Separation of Shareholding and TREC (Trading Right Entitlement Certificate) holding.

### Post Demutualization Capital Structure

- Authorized Share Capital  
1,000,000,000 shares of BDT 10 each = BDT 10 bn equivalent to US\$ 125 mn
- Paid-Up Share Capital  
634,524,840 shares of BDT 10 each = BDT 6.35 bn equivalent to US\$79.32 mn
- Number of Shareholders = 148

### Restructuring of Share Holding

With the demutualization, the entire paid-up capital of CSE, as worked out after the revaluation of assets and liabilities, has been equally allotted to initial shareholders who were previously the members of the Exchange. These initial shareholders retain up to 40 percent shares as allotted to them. As per Exchanges Demutualization Act 2013 of Bangladesh and Demutualization Scheme of CSE, 60 percent shares of initial shareholders have been kept in a separate blocked account and will be allotted to a strategic investor, general public and financial institutions. CSE is in a position to transfer a maximum of 25 percent of its paid up capital out of this blocked shares to potential Strategic Investors. The size of the Capital of CSE is as follows:

Paid up Capital: 634,524,840 Ordinary Shares of BDT 10 each = BDT 6.35 bn equivalent to US\$ 79.32 mn

Size of Blocked Shares: 380,714,904 Ordinary Shares of BDT 10 each = BDT 3.81 bn equiv. to US\$ 47.59 mn

25% of Paid up Capital: 158,631,210 Ordinary Shares of BDT 10 each = BDT 1.59 bn equiv. to US\$ 19.83 mn  
(maximum size reserved for strategic partners)

### Bangladesh – Economic Highlights

Sl.	Indicators	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
1	GDP at current market prices (BDT bn)	9148	11989	13437	15158	17296	19561
2	GDP Growth (%)	6.1	6.0	6.1	6.6	7.1	7.28
3	National Budget Size (BDT bn)	1635.89	1917.38	2224.91	2505.06	2951.00	3406.05
4	Annual Development Program – ADP (BDT bn)	460.00	550.00	658.70	803.15	970.00	1233.46
5	Annual Exports (USD mn)	24301.90	27027.36	30186.62	31208.94	34257.18	34846.84
6	Foreign Exchange Reserve (USD mn)	10364.00	15315.23	21507.99	25025.50	30168.22	33492.95

Source: Ministry of Finance; Bangladesh Bank; Internet

### Financial Highlights of CSE (last five years)

Sl.	Description	2014*	2015*	2015-16**	2016-17**	2017-18**
1	Total Income/ Total Revenue (BDT mn)	702.87	663.86	689.30	694.13	726.92
2	Operating Income (BDT mn)	166.87	171.76	206.49	282.51	304.79
3	Finance & Other Income (BDT mn)	536.00	492.10	482.81	411.62	422.13
4	Operating Profit/(loss) BDT mn	(106.89)	(110.87)	(72.55)	6.91	25.84
5	Net Profit After Tax (BDT mn)	425.47	248.51	332.15	347.62	329.91
6	EPS	0.67	0.39	0.52	0.55	0.52
7	NAV per share	11.08	11.47	11.19	11.74	11.66

\* Financial Year ended on 31st December

\*\* Financial Year ended on 30th June

### Projected Financial Highlights of CSE (2018-19 to 2024-25)

Sl.	Description	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1	Total Income/ Total Revenue (BDT mn)	889.41	983.60	1,095.88	1,147.43	1,205.69	1,296.12	1,383.00
2	Operating Income (BDT mn)	347.64	392.15	504.26	554.53	612.34	678.96	756.24
3	Finance & Other Income (BDT mn)	541.77	591.45	591.62	592.90	593.34	617.16	626.76
4	Operating Profit/(loss)BDT mn	49.94	87.27	190.63	232.51	267.56	319.68	381.64
5	Net Profit After Tax (BDT mn)	410.20	488.69	562.09	592.51	617.49	671.31	722.03
6	EPS	0.65	0.77	0.89	0.93	0.97	1.06	1.14
7	NAV per share	13.28	14.24	14.91	14.84	14.82	14.88	15.01

## Valuation Highlights of CSE Share

		<i>Pershare Value (BDT)</i>
1	Based on DCF Perpetuity	20.65
2	Based on DCF Multiple	19.00
3	Based on comparable P/E	16.70
4	Based on comparable P/B	52.24

\*Considering discount rate @15% and growth rate @ 7.5%

## Existing Features and Products of Capital Market

Mainly equity securities and mutual funds are traded in both the bourses in Bangladesh. As on 28 June, 2018, existing Products of CSE are as follows:

Number of Listed Securities:	312
Number of Equity:	274
Number of Mutual Fund:	37
Number of Corporate Bond:	1

CSE Next Generation Trading System (NGTS) launched on October 20, 2011 supports multi asset class and multi-channel trading facilities. CSE integrated "Millennium Exchange" from Millennium IT (MIT) – a member of the London Stock Exchange Group (LSEG) to introduce a powerful real time online trading platform.

## International Affiliations

CSE is an affiliated member of the World Federation of Exchanges (WFE), the founding member of the South Asian Federation of Exchanges (SAFE), member of the OIC Member States' Stock Exchanges Forum and a partner exchange of the United Nations Sustainable Stock Exchanges Initiative. CSE is maintaining wide exposure to international and regional exchanges through these forums.

## Future Products & Services of Capital Market

CSE is working to introduce new products and services in the Bangladesh capital market. Some potential products and services under the planning are listed below:

1. Small Capital Companies market	-	by the end of 2018
2. Exchange Traded Fund (ETF)	-	by the end of 2018
3. Clearing Corporation (under the supervision of BSEC)	-	by the end of 2018
4. CSE Training Institute	-	by the end of 2019
5. Commodity Exchange	-	by the end of 2020
6. Derivatives Market	-	by the end of 2020

## Concluding Remarks

The objective of this Information Memorandum is to provide a fair view to the potential strategic investors about the state-of-affairs of the Chittagong Stock Exchange and the economic, business and regulatory environment for their analysis and decision making. CSE is a debt free organization. The financials, projections and valuations presented in this paper used combined methodology, based on – market analysis, income and asset analysis, discounted cash flow (DCF) method, etc.

CSE is looking for a suitable strategic partner to consorting with its internal strengths and resources for the upcoming development projects and bringing in new products and services of international standard to the capital market of Bangladesh. CSE is inviting the Expression of Interest for the sale of 158,631,210 ordinary shares of BDT 10 each being 25% of the shareholding of the Exchange as reserved for the Strategic Investor at a reasonable premium.



## 1. Background

Chittagong Stock Exchange ('CSE' or 'Exchange') was demutualised in the year of 2013. On and after the date of demutualization, the entire paid -up capital of CSE, as worked out after the revaluation of assets and liabilities, has been equally allotted to initial shareholders who were previously the members of the Exchange. These initial shareholders retain upto 40% shares as allotted to them whereas the 60% stake has been mandatorily retained by the Exchange. As per the provisions of Exchanges Demutualization Act 2013 and Scheme framed there-under, upto 60% of these reserved shares may be allotted to a strategic investor, general public and financial institutions. The proceeds to be received from such allotment are to be disbursed amongst 148 shareholders on pro-rata basis.

## 2. Objective

Demutualization converted CSE from a "not for profit" organization to a "for profit" organization. It implies that the ownership, management and trading right at CSE is legally separated and will be in different hands gradually. To ensure the big step forward to the next level of reducing the shareholdings of TREC holders into minority, CSE is now in the process to divest their shares to some Strategic Investors to the tune of 25% as envisaged under the Act.

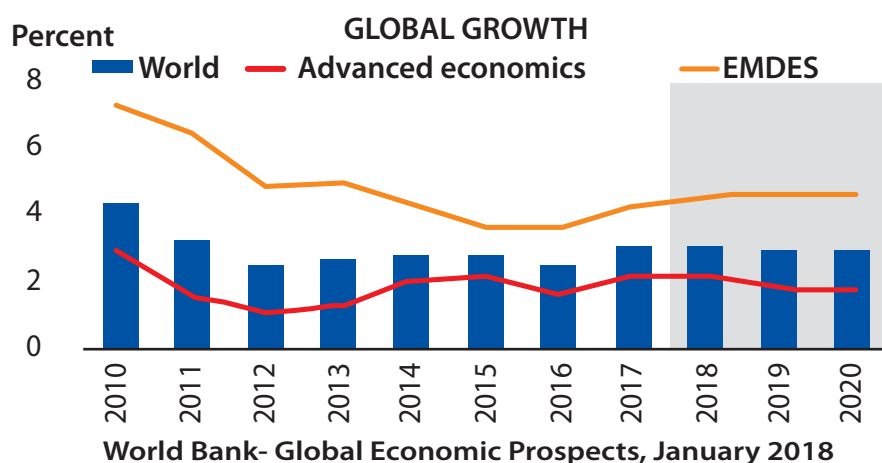
In this regard, CSE is inviting the Expression of Interest for the Sale of 158,631,210 ordinary shares of Tk.10/- each being 25% of the shareholding of the Exchange as reserved for the Strategic Investor at a reasonable premium.



### 3. Global Economic Outlook

The International Monetary Fund forecasts global economic activity continues to strengthen. The pickup in growth has been broad based, with notable upside surprises in Europe and Asia. Global growth forecasts for 2018 and 2019 have been revised upward by 0.2 percentage point to 3.9 percent, reflecting increased global growth momentum and the expected impact of the recently approved U.S. tax policy changes.

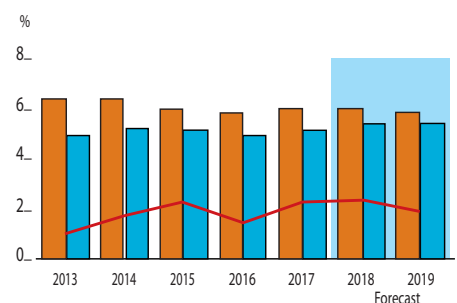
On the other hand, the World Bank forecasts global economic growth to edge up to 3.1 percent in 2018 after a much stronger-than-expected 2017, as the recovery in investment, manufacturing, and trade continues. Growth in advanced economies is expected to moderate slightly to 2.2 percent in 2018.



Growth in emerging market and developing economies as a whole is projected to strengthen to 4.5 percent in 2018, as activity in commodity exporters continues to recover amid firming prices.

#### GDP growth outlook for developing Asia and the industrial economies

 Developing Asia  
 Developing Asia excluding NIEs  
 Major industrial economies



Notes: The major industrial economies are the euro area, Japan, and the United States. The newly industrialized economies (NIEs) are Hong Kong, China; the Republic of Korea; Singapore; and Taipei, China.

Sources: US Department of Commerce, Bureau of Economic Analysis, <http://www.bea.gov>; Eurostat, <http://epp.eurostat.ec.europa.eu>; Economic and Social Research Institute of Japan, <http://www.esri.cao.go.jp>; Consensus Forecasts; Asian Development outlook database; ADB estimates.

Major advanced economies are at different stages in their post-crisis recovery. Major macroeconomic realignments are affecting prospects differentially across countries and regions. These include the slowdown and rebalancing in China; a further decline in commodity prices, especially for oil, with sizable redistributive consequences across sectors and countries; a related slowdown in investment and trade; and declining capital flows to emerging market and developing economies. These realignments – together with a host of noneconomic factors, including geopolitical tensions and political discord – are generating substantial uncertainty.

According to Asian Development Bank (ADB), the GDP in Developing Asia is projected to grow 6 percent in 2018. As per the Asian Development Outlook, solid growth in India and a pickup in aggregate growth in the South Asia and Southeast Asia will help balance continued growth moderation in the People's Republic of China (PRC).

Despite the slight dip, the region will contribute around 60 percent of global growth in the next 2 years, close to its contribution in the past 5 years.

## 4. Bangladesh-Economic Outlook

According to World Bank – Bangladesh’s growth in FY2016/17 (July-June) was 7.2 percent, owing to higher-than-expected outturns in the manufacturing and services sectors. Activity in Bangladesh will grow at an average of 6.7 percent a year over FY2018-2020, benefiting from strong domestic demand and strengthening exports. Low interest rates and improved infrastructure are expected to lift investment. Remittances are expected to rebound as the growth firms in Gulf Cooperation Council (GCC) countries and support private consumption. It is expected that Bangladesh’s GDP growth will be 7.65 percent in FY2017/18. By any standards, Bangladesh economy has been doing well.

According to ADB, Developing Asia enjoyed a stellar performance in 2017 as most of the region’s large economies comfortably exceeded growth expectations.

**GDP growth rate and inflation, % per year**

	Growth rate of GDP					Inflation				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
South Asia	7.4	6.7	6.4	7.0	7.2	4.9	4.5	4.0	4.7	5.1
Afghanistan	1.3	2.4	2.5	2.5	2.5	0.7	4.4	5.0	5.0	5.0
Bangladesh	6.6	7.1	7.3	7.0	7.2	6.4	5.9	5.4	6.1	6.3
Bhutan	6.2	7.3	7.5	7.1	7.4	6.6	3.3	4.3	4.6	5.4
India	8.2	7.1	6.6	7.3	7.6	4.9	4.5	3.7	4.6	5.0
Maldives	2.2	6.2	6.5	6.7	6.8	1.0	0.5	2.8	3.1	3.0
Nepal	3.0	0.0	6.9	4.9	5.5	7.2	9.9	4.5	5.5	6.0
Pakistan	4.1	4.5	5.3	5.6	5.1	4.5	2.9	4.2	4.5	4.8
Sri Lanka	5.0	4.5	3.1	4.2	4.8	3.8	4.0	7.7	5.2	5.0

Asian Development Outlook 2018

Bangladesh to see continued moderate growth benefitting from sustained progress toward macroeconomic and structural reforms.

Bangladesh scores stable outlook on the Country Risk Index of the Business Monitor International (BMI)-a Fitch Group research company. BMI’s Country Risk Index scores countries on a 0-100 scale, evaluating short-term and long-term political stability, short-term economic outlook, long-term economic potential and operational barriers to doing business.

**BMI Country Risk 2017**
**RISK INDEX TABLE**

	Short Term		Long Term		Operational	Country
	Political	Economic	Political	Economic	Risk	Risk
India	75.0	68.8	73.4	70.3	49.3	64.5
Srilanka	68.1	58.1	66.1	59.4	50.3	58.7
Bangladesh	60.0	66.5	60.4	62.8	37.9	54.2
Pakistan	48.3	50.0	53.3	56.6	35.1	46.3
Bhutan	60.4	42.1	57.6	40.9	52.1	50.9
Nepal	44.0	52.9	49.5	51.6	37.9	45.7
Regional Average	59.3	56.4	60.1	56.9	43.9	53.4
Global Average	63.4	53.0	62.2	54.5	49.9	55.3

Source BMI

On other hand, Standard & Poor's (S&P) credit rating for Bangladesh stands at BB- with stable outlook. Moody's credit rating for Bangladesh was last set at Ba3 with stable outlook. Fitch's credit rating for Bangladesh was last reported at BB- with stable outlook.

Bangladesh has already met several Millennium Development Goals (MDG) targets and many of these improvements have been achieved using domestic resources. At the same time, sustained accelerated growth is the fact over the country's development policy, which is aligning with three dimensions of the Sustainable Development Goals: promoting inclusive economic growth, protecting the environment and promoting social progress. Bangladesh has all the potentials for further graduations.

**Timely implementation of infrastructure projects, focusing on connectivity and energy will drive private investments**

Name of the project	Project detail	Estimated project cost (USD bn)	Expected date of completion	Impact
Four lane Dhaka-Chittagong highway	192 km road connecting Dhaka and Chittagong	0.44	Implemented	Commute time for goods and passenger will be halved post project implementation
Padma MultiPurpose Bridge	6.15 km bridge connecting South-west region of the country, which covers nearly 27% area of Bangladesh and houses 25% of the population.	3.7	Dec-18	<ul style="list-style-type: none"> <li>• Annual GDP growth will increase by 1.7% in southwest region, 0.56% nationally</li> <li>• Poverty to drop by 1% in the region, 0.8% nationally</li> <li>• Savings of USD 670 mn every year</li> <li>• Travel time will reduce by 25%</li> <li>• The bridge will facilitate regional connectivity by joining with Asian Highway and Trans-Asian Railway Network.</li> </ul>
Dhaka City Elevated Expressway	26 km long elevated expressway	1.6	Dec-18	Ease traffic congestion in the capital and around.
Metro Rail/Mass Rapid Transit Line	20.1 km metro rail line with 16 stations	2.5	Dec-2019 (partial opening)	<ul style="list-style-type: none"> <li>• Travel time from Uttara to Motijheel will go down from 2 hours to 38 minutes.</li> <li>• A total of 24 trains would carry 60,000 passengers every hour to both directions which will drastically cut the number of private cars on the streets.</li> </ul>
Rooppur Nuclear Power Plant	Two power plants with a capacity of 1,200 MW each	12.7	First power plant 2022, Second power plant 2023	<ul style="list-style-type: none"> <li>• Alternative energy source.</li> <li>• Significant contribution towards increasing national electricity generation capacity to 24,000 MW in 2021</li> </ul>

Source : Internet/Govt. Web portals

The current government has a broader outlook and set a goal to see Bangladesh as a developed economy by 2041 will be a very ambitious target. Bangladesh has already highlighted the way forward through investment-led growth in its Sixth and Seventh Five Year Plan. Its strategy for increasing public, private and foreign investment in Bangladesh is ambitious and calls for modernizing the country's infrastructure and connectivity; increasing the availability and affordability of energy; and boosting the country's overall competitiveness.

## 4.1 Bangladesh – Next Investment Destination: Why Bangladesh?

- ❖ Bangladesh is a rapidly growing market. The size of economy is currently US\$ 270 billion which according to IMF will rise to US\$322 billion by 2021 creating enormous economic opportunities.
- ❖ Bangladesh offers the most liberal FDI regime in South Asia, allowing 100 percent foreign equity with unrestricted exit policy, remittance of royalty and repatriation of equity and dividend.
- ❖ Bangladesh is strategically located near the emerging economic giants like India and China, and near to the ASEAN markets.
- ❖ Bangladesh has its own comparatively large Domestic market with inhabitants of over 160 millions. It has access to regional market of about 3(three) billion people through regional and bilateral integration in South Asia and South East Asia via BIMSTEC and BCIM-EC as well as preferred market access (global reach) to large developed markets.
- ❖ Energy prices and labor costs in Bangladesh are still most competitive in the region. It has proven export competitiveness. Bangladesh enjoys tariff-free access to the European Union, Canada and Japan.
- ❖ Bangladesh offers export-oriented industrial enclaves, Export Processing Zones (EPZ) with infrastructural facilities and logistic support for foreign investors. Bangladesh has recently embraced a more flexible and competitive economic zones regime in line with the Economic Zones Act 2010.
- ❖ Tax holidays available based on selected sectors and location: 5 to 7 years for selected sectors; up to 10 years for infrastructure; up to 12 years for Economic Zones (EZ).
- ❖ Policy Support & Services: One-Stop-Services and dedicated institutional supports are made available to the intending foreign investors through Bangladesh Investment Development Authority (BIDA) under the Prime Minister's Office ([www.bida.gov.bd](http://www.bida.gov.bd)).





## 5. Bangladesh Capital Market Overview

Bangladesh Capital Market consists of the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE) which were incorporated in 1954 & 1995 respectively. The Bangladesh Securities and Exchange Commission (BSEC) supervises activities of the bourses and its members (TREC holders) as the main regulator. Both the Exchanges provide automated trading facilities since 1998 while the Central Depository Bangladesh Limited (CDBL) – the only securities depository of the country introduced its first electronic book entry in 2004. In line with the promulgation of Bangladesh Securities and Exchange Commission (Clearing and Settlement) Rules, 2017 published on June 13, 2017, DSE, CSE and CDBL have taken initiative to form Clearing and Settlement Company in the name of “National Clearing Company of Bangladesh Limited (NCCBL)”. Currently the Market Intermediaries include –

- 250 members of DSE and 148 members of CSE
- 488 Depository participants (DPs)
- 60 Registered Merchant Banks
- 36 Asset Management Companies
- 13 Security Custodians
- 8 Credit Rating Companies

According to Asian Development Bank (ADB), the development partner of Bangladesh Government, the country has made significant strides toward strengthening the capital market as set out in its capital market master plan (2012–2022). Reforms have been rolled out, and the market is building confidence as the new policies and regulatory incentives under the Second Capital Market Development Program (CMDP 2) and ongoing Third Capital Market Development Program (CMDP 3) gain traction. The CMDP 2 addressed structural deficiencies in Bangladesh’s capital markets by boosting economic growth and deregulating the financial system to better support the real economy by promoting private sector investment. The CMDP 2 was based on a two-track approach that sought to put firewalls in place to support market stabilization following the 2010 stock market debacle while planting the seeds for key reforms leading to sustainable market development. Developing stable, resilient financial markets is not a goal on its own but rather a process that can support development and growth in an economy. The ongoing CMDP 3 is enhancing sustainability of structural reforms under the CMDP 2 by deepening and broadening the outreach of the second program reforms by (i) extending the government yield curve and, therefore, promoting a more liquid government bond market and eventually corporate bond market; (ii) catalyzing institutional investor demand by broadening, deepening, and diversifying the investor base; and (iii) enhancing the supply of alternative financial instruments.

Eventually, the market observed a series of major reforms both at the legal/ regulatory, structural and operational fronts. On October 2012, BSEC declared a 10-year master plan titled: “Bangladesh Capital Market Development Master Plan 2012-2022”. The main highlights of the reform plans are:

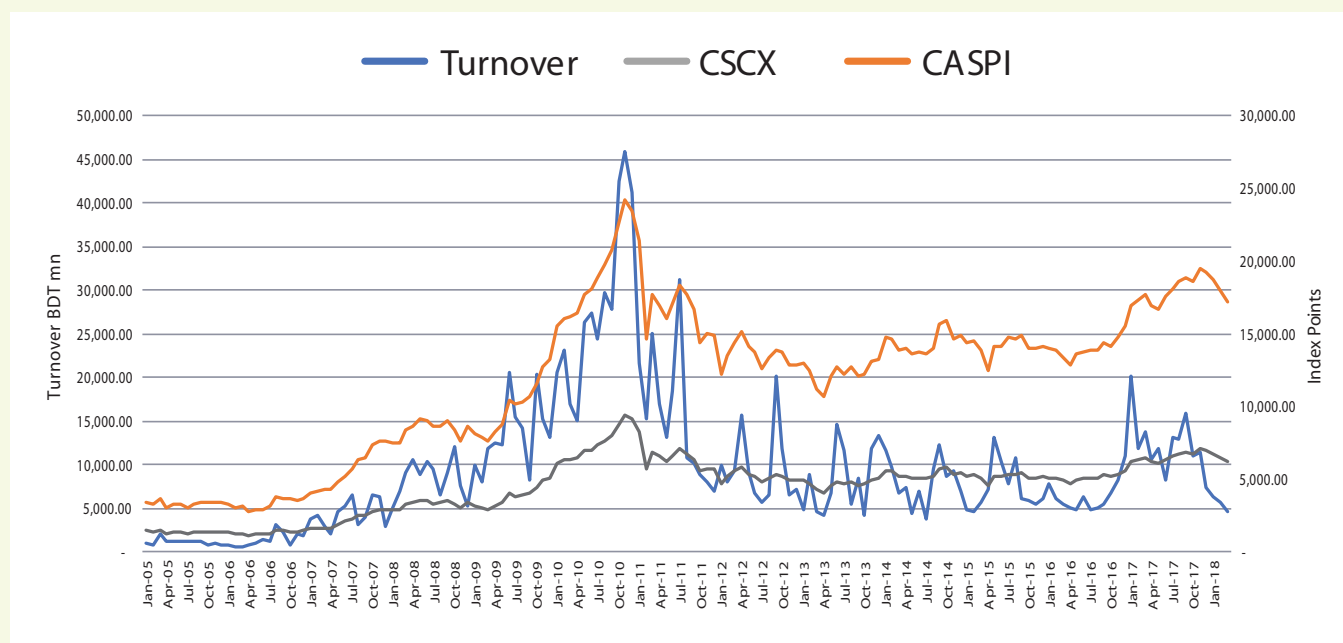
- Restructuring and strengthening the Bangladesh Securities and Exchange Commission (BSEC).
- Strengthening the rules and regulations pertaining to the capital market.
- Ensuring operational and financial independence and the accountability of BSEC.
- Demutualization of the Exchanges.
- Establishing a special Capital Market Tribunal.
- Creating an Independent Financial Reporting Council.
- Strengthening BSEC’s Information and Internal Control Systems - establishing a state-of-the-art Surveillance System for BSEC.
- Enhancing the Corporate Governance Guidelines for the listed companies
- Establishing a Central Clearing Corporation
- Reducing Settlement cycle from T+3 to T+2
- Developing the Bond Market
- Introducing New Products in the capital market like Derivatives, etc.

On April 29, 2013, The Exchange Demutualization Act 2013 was passed by the Bangladesh Parliament, gazetted on May 2, 2013.

After initial delays, the new Financial Reporting Act which includes provisions for setting up an independent Financial Reporting Council has been approved by Parliament in September 2015. Both the Securities and Exchange Commission Act 1993 and Securities and Exchange Ordinance 1969 have been amended. In the operational front, new surveillance software was installed in BSEC in order to maintain transparency and accountability of the markets through closer scrutiny of transactions. Very recently Corporate Governance Guidelines has been amended again.

Regaining investors’ confidence was the major challenge at the policy level. In this line of action, BSEC is working closely with the bourses and other market intermediaries to introduce financial literacy program for the investors and gradually for other stakeholders. Meantime, the Bangladesh Bank has extended its policy support to the capital market through redefining the bank’s capital market investment policy under the revised definition in order that capital provided by banks to their subsidiary companies will not come into the calculation of their total capital market investment. We are expecting this policy support from Bangladesh Bank will help bringing some dynamism in the market.

During 2015-16, Bangladesh capital market witnessed certain decisive steps by the government – corporate income tax for listed companies was lowered and rules for new stock and mutual fund issues were revised. A second silver lining was the fall of short and long-term interest rates in the economy. The depositors’ rate is below double-digit after being above double-digit in 2013 and 2014. The money market has idle funds as evidenced by some of the lowest call money rates in recent history and the savings rate on national savings instruments has also declined.



	2010	2011	2012	2013	2014	2015	2016	2017
No. of Trading Days	244	235	238	238	238	245	241	248
Addition of Listed Securities	23	14	14	17	20	17	12	9
Number of Listed Securities	225	241	255	269	287	299	300	308
Yearly Market Turnover (BDT mn)	340929	186337	116905	99037	97482	88472	77376	148105
Daily Average Turnover (BDT mn)	1397.30	792.90	491.20	416.10	409.60	361.10	321.10	597.20

• Years shown in calendar years

#### KEY HIGHLIGHTS - JAN TO DEC 2017

TURNOVER	BDT mn	Date
HIGHEST	3,119.07	23-May-17
LOWEST	193.37	21-Dec-17
CSCX	Index Points	Date
HIGHEST	11861.45	26-Nov-17
LOWEST	9457.98	1-Jan-17

	BDT mn
Issued Capital of listed Securities	632,054.94
Market Capitalization of Listed Securities	3,528,911.08

## 5.1 Regulatory Framework of Capital Market of Bangladesh

### 5.1.1 Overview of Securities Regulator

#### 5.1.1.1 Bangladesh Securities and Exchange Commission (BSEC)

The Bangladesh Securities and Exchange Commission has overall responsibility to formulate securities legislation and to administer as well. It was established on 8th June, 1993 as the regulator of the country's capital market through enactment of the Securities and Exchange Commission Act 1993. The Commission consists of a Chairman and four Commissioners who are appointed for fulltime by the government for a period of four years.

#### 5.1.1.2 Stock Exchange

The Capital market of Bangladesh is one of the smallest in Asia, but the third largest in the South Asia region. It has two full-fledged automated stock exchanges namely – Chittagong Stock Exchange Limited (CSE) and Dhaka Stock Exchange Limited (DSE). Both the Stock Exchanges are public limited company having share capital. The Exchanges are profit oriented organization dealing in Ordinary shares, bond, Mutual Fund and government's securities.

The license to operate a stock exchange is granted by the Bangladesh Securities and Exchange Commission according to the Securities and Exchange Ordinance, 1969.

#### 5.1.1.3 Stock Exchange Brokers / Dealers

Presently brokers act as agent of their clients, while dealers can perform transactions on their own accounts. Out of total 148 CSE TREC Holders, 112 TREC Holders have both broker and dealer license, 30 TREC Holders have only broker license and 3 TREC Holders have only dealer license. All are corporate entity and range in size from small independent firms to large subsidiaries of giant commercial and investment banks. The license to operate a stock broker, dealer is granted by the Bangladesh Securities and Exchange Commission after getting Trading Right Entitlement Certificate (TREC) from the Exchanges.

There are Over the Counter (OTC) markets outside trading system of CSE and DSE. Approved non listed securities are traded here. The OTC market operates under the Securities and Exchange (Over-the Counter) Rules, 2001.

#### 5.1.1.4 Clearing and the Central Securities Depository

Both the stock exchanges operate their own separate clearing houses for settlement of securities. All securities of the listed companies are handled by the stock exchange clearing houses.

Central Depository Bangladesh Limited (CDBL), incorporated on 20th August 2000, has been providing the central securities depository services in Bangladesh. Chittagong Stock Exchange is one of the major sponsors of the company. CDBL has been acting as National Numbering Agency for International Securities Identification Number (ISIN) as partner in Bangladesh of Association of National Numbering Agencies (ANNA) based in Germany since 14th February 2003.

Formation of Clearing and Settlement Company in the name of “National Clearing Company of Bangladesh Limited (NCCBL)” is in the process under the guidance of BSEC.

### **5.1.1.5 Supervision of Stock Exchanges**

The stock exchanges in Bangladesh are Self-Regulatory Organizations under the supervision of the Bangladesh Securities and Exchange Commission (BSEC). CSE activities are regulated by its own regulations and by-laws, along with the rules, orders and notifications of the Bangladesh Securities and Exchange Commission.

### **5.1.1.6 Supervision of Clearing and the Central Securities Depository**

Legal basis for CDBL's operations is set out in the Depositories Act 1999, Depositories Regulations 2000, Depository (User) Regulations 2003, and the CDBL by-laws. CDBL and Depository Participants are regulated by the Bangladesh Securities and Exchange Commission (BSEC).

### **5.1.1.7 Other Intermediaries**

The Commission is responsible for monitoring Manager to the Issue, Underwriter, Portfolio Managers, Mutual Funds, Stock Brokers/Dealers, Issuer, Credit Rating Agency, and all other intermediaries. Participants are regulated by the Bangladesh Securities and Exchange Commission (BSEC).

### **5.1.1.8 Laws related to Capital Market**

Major acts, rules and regulations relating to capital market includes but not limited to followings:

- The Companies Act, 1994
- The Securities and Exchange Commission Act, 1993
- Securities and Exchange Ordinance, 1969
- Depository Act, 1999
- Exchanges Demutualization Act, 2013
- The Securities and Exchange Rules, 1987
- Securities and Exchange Commission (Meeting Related) Rules, 1994
- Securities and Exchange Commission (Appeal) Regulations, 1995
- Securities and Exchange Commission (Prohibition of Insider Trading) Rules, 1995
- Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules, 1996
- Credit Rating Companies Rules, 1996
- Margin Rules, 1999
- Securities and Exchange Commission (Stock Dealer, Stock Broker and Authorized Representative) Rules, 2000
- Securities and Exchange Commission (Market Maker) Rules, 2017
- Securities and Exchange Commission (Mutual Fund) Rules, 2001
- Securities and Exchange Commission (Issue of Capital) Rules, 2001
- Securities and Exchange Commission (Over-The-Counter) Rules, 2001
- Securities and Exchange Commission (Acquisition of Substantial Share and Takeover) Rules, 2018



- Securities and Exchange Commission (Security Custodial Service) Rules, 2003
- Securities and Exchange Commission (Private Placement of Debt Securities) Rules, 2012
- Securities and Exchange Commission (Asset Backed Securities) Rules, 2004
- Securities and Exchange Commission (Rights Issue) Rules, 2006
- Depository Rules, 2000
- Depository (User) Rules, 2003
- Bangladesh Securities and Exchange Commission (Research Analysis) Rules, 2013
- Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015
- Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015
- Bangladesh Securities and Exchange Commission (Exchange Traded Fund) Rules, 2016
- Bangladesh Securities and Exchange Commission (Clearing and Settlement) Rules, 2017
- Bangladesh Securities and Exchange Commission (Qualified Investor Offer by Small Capital Companies) Rules, 2016
- Notifications, Orders, Directives and Guidelines issued by BSEC under the Ordinance
- Chittagong Stock Exchange (Trading Regulations), 1998
- Chittagong Stock Exchange (TREC Holder's Margin) Regulations, 2013
- Chittagong Stock Exchange (Settlement of Transactions) Regulations, 2013
- Chittagong Stock Exchange (Settlement Guarantee Fund) Regulations, 2013
- Chittagong Stock Exchange (Trading Right Entitlement Certificate) Regulations, 2013
- Chittagong Stock Exchange (Board and Administration) Regulations, 2013
- Chittagong Stock Exchange (Investors' Protection Fund) Regulations, 2014
- Chittagong Stock Exchange (Listing Regulations), 2015
- Chittagong Stock Exchange (Internet Based Trading Services) Regulations, 2002
- Chittagong Stock Exchange (Short-Sale) Regulations, 2005
- Scheme of Demutualization
- Dhaka Stock Exchange (Trading Right Entitlement Certificate) Regulations, 2013
- Dhaka Stock Exchange (Board and Administration) Regulations, 2013
- Dhaka Stock Exchange (TREC Holder's Margin) Regulations, 2013
- Dhaka Stock Exchange (Investors' Protection Fund) Regulations, 2014
- Dhaka Stock Exchange Automated Trading Regulations, 1999
- Dhaka Stock Exchange (Short-Sale) Regulations, 2005
- Dhaka Stock Exchange (Settlement Guarantee Fund) Regulations, 2013
- Dhaka Stock Exchange (Settlement of Transactions) Regulations, 2013
- Dhaka Stock Exchange (Listing Regulations), 2015

<http://www.cse.com.bd>  
<http://www.secdb.org>

CSE

CHITTAGONG  
STOCK  
EXCHANGE

## 6. BUSINESS

## 6.1 Overview

The principal activity of the Exchange is to conduct, regulate, and control transactions of securities. It is also involved in disseminating information to investors through online broadcasting and also by publishing necessary publications. The Exchange is also involved in research and development activities regarding capital market.

## 6.2 History

Chittagong Stock Exchange (CSE) was established in 1995 with the mission to create an effective, efficient and transparent market atmosphere of international standard to save and invest in Bangladesh in order to facilitate the competent entrepreneurs to raise funds and accelerate industrial growth for overall benefit of the economy. Since then CSE revolutionized the entire capital market of Bangladesh. It spearheaded many rules and regulations, innovated new concepts, and led the whole capital market as the vanguard of development.

In 1998, CSE pioneered in launching fully automated real-time online trading system on wide area network (WAN) connecting multiple cities of Bangladesh. In its long journey, CSE has taken various remarkable initiatives for utmost development of Bangladesh Capital Market. CSE took the initiatives and played significant role in the establishment of Central Depository Bangladesh Limited (CDBL) – paving the way for trading in dematerialized format. To educate the investors and the market participants, CSE took the initiatives and played significant role in setting-up the Bangladesh Institute of Capital Market (BICM).

To be on the competitive edge, CSE always try to stay ahead - being responsive to its stakeholders including trading members and investors through continuous innovations, use of advanced technology and skilled human resources, improve delivery mechanism ensuring quality, efficiency and transparency in the capital market and uphold compliance standards. CSE Next Generation Trading System (NGTS), introduced in 2011, supports multi asset class and multi channel trading facilities.

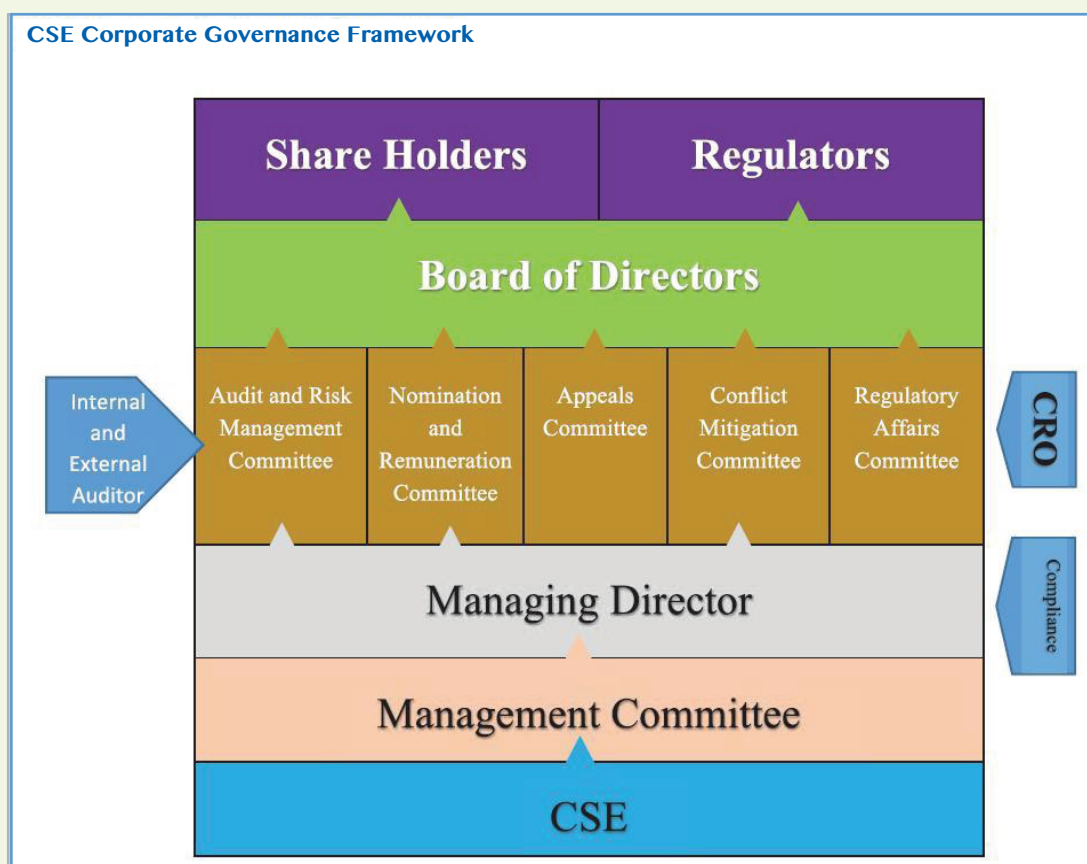


## CSE Milestones

12th February 1995	Received approval of Bangladesh Government
1st April 1995	Incorporated as a limited company
10th October 1995	Introduced Floor Trading
1st January 1996	Became corresponding member of World Federation of Exchanges (Former FIBV)
2nd June 1998	Introduced Automated Trading on WAN
16th January 2000	Convened South Asian Federation of Exchange (SAFE)
26th January, 2004	Central Depository Bangladesh Ltd. (CDBL) formed
30th May, 2004	Internet Trading Service launched (ITS)
4th July, 2004	Introduced Over-the-Counter (OTC) market
14th July, 2004	CSE initiates the idea of Securities Institute by raising formal proposal
14th Dec, 2005	Organises Capital Market Fair- First of its kind in the country
10th March, 2007	Introduced Comprehensive Training Program on Stock Market for investors, professionals and others. First of its kind in the country
12th June, 2007	Submission to BSEC of draft Regulatory Framework on Financial Derivatives
18th October, 2008	CSE became a member of OIC Member States' Stock Exchange Forum
28th Nov, 2010	CSE signed a contract with Millennium IT Software Ltd. and Polaris Software Lab Ltd for Next Generation Trading System
3th Jan, 2011	Execution of trade of Short Sell under the Regulations
11th Sep, 2011	Signing of agreement for launching electronic fund transfer through Bangladesh Electronic Fund Transfer Network
20th October, 2011	Introduced Next Generation Trading System (NGTS) and the new website
22nd July, 2012	CSE launched Disaster Recovery System (DRS)
28th October, 2013	Became affiliate member of World Federation of Exchanges(WFE)
3rd November, 2013	Settlement Cycle reduced to T+2 from T+3
21st November 2013	CSE started its new journey as a demutualized exchange
15th February, 2014	1st Board Meeting of CSE as a demutualized exchange was held
12th October, 2014	CSE launched CSE Shariah Index and CSE-50 Benchmark Index
22-23 October, 2014	Organised Internet Trade Fair- First of its kind in the country
1 June 2015	Introduced mobile based trading system (CHITRA) for the first time in Bangladesh
31 January 2017	CSE became Partner Exchange of United Nations Sustainable Stock Exchanges Initiative
07 September 2017	CSE and The Stock Exchange of Thailand renewed the MoU to promote knowledge and expertise sharing regarding the products and services of the Exchanges' securities markets and to encourage co-operation between the Exchanges.

## 6.3 Corporate Governance

### Corporate Governance Practices



### Code of Ethics and Conduct

CSE is committed to conducting its business in a way that is open and accountable to shareholders and the wider marketplace. In CSE we believe our corporate governance practices as a public company are of a high standard. The Code of Ethics and Conduct applies to both directors and employees of CSE.

The objective of the Code is to ensure that:

- high standards of corporate and individual behavior are observed by all CSE directors and employees in the context of their employment and activities with CSE;
- directors and employees are aware of their responsibilities to CSE under their contract of employment; and
- all persons dealing with CSE whether it be directors, employees, Shareholders, suppliers, customers or competitors can be guided by the stated values and policies of CSE.



The Code covers such areas as:

- CSE's responsibilities to Shareholders;
- Care and Diligence;
- Conflicts of Interest;
- Confidentiality;
- Fair Dealing;
- Use of Company Assets;
- Dealing Rules;
- Privacy;
- Monitoring and reporting of the Code.

## Board Composition and size

The Board oversees CSE's affairs and accountable to Shareholders for the management of CSE and its performance. CSE maintains size of the Board and each Board Committee and the skills and core competencies of its members as set out in the Chittagong Stock Exchange (Board and Administration) Regulations, 2013 to ensure an appropriate balance and diversity of skills and experience.

CSE Board Structure		
Independent Directors	-	7
Shareholder Directors (including 1 post reserved for Strategic Investor)	-	5
Managing Director (with voting right)	-	1
Total		<u>13</u>

## Independent Judgment

All directors exercise due diligence and independent judgment and make decisions objectively in the best interests of CSE. In determining the independence of directors, our definition of independence adheres to the requirements under Chittagong Stock Exchange (Board and Administration) Regulations, 2013. To be independent under Chittagong Stock Exchange (Board and Administration) Regulations, 2013, a director must be independent from management and business relationships with CSE, and also be independent from any substantial Shareholder of CSE.

## Delegation by the Board

Board Committees, namely the Audit and Risk Management Committee, Nomination and Remuneration Committee, Appeals Committee, Conflict Mitigation Committee and Regulatory Affairs Committee, have been constituted to assist the Board in the discharge of specific responsibilities of each committee in line with Chittagong Stock Exchange (Board and Administration) Regulations, 2013.

## Chairman and Managing Director

The roles of Chairman and Managing Director (MD) are separate to ensure a clear division of responsibility and greater capacity of the Board from independent decision-making. The Chairman is not anyway related to the Managing Director. The division of responsibilities and functions between the two has been demarcated with the concurrence of the Board.

The Chairman manages the business of the Board and monitors the translation of the Board's decisions and wishes into executive action. He exercises control over the quality and quantity of the information as well as the timeliness of the flow of information between the Board and management. In addition, the Chairman provides close oversight, guidance and leadership to the MD and management. At AGM and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management.

The MD manages and develops the business of CSE and implements the Board's decisions. MD takes measures to protect the interest of investors and shareholders of the Exchange and ensure free, fair, transparent and efficient management and operation of the Exchange.

## 6.4 Products and Services :

### 6.4.1 Existing Products and Services:

Mainly equity securities and Mutual Funds are traded in both the bourses in Bangladesh. As on 28 June, 2018, existing Products of CSE are as follows:

Number of Listed Securities	:	312
Number of Equity	:	274
Number of Mutual Fund	:	37
Number of Corporate Bond	:	1

### 6.4.2 Future Products & Services

CSE has the plan to seek permission separately from Bangladesh Securities and Exchange Commission (BSEC) to introduce derivative products as a pilot plan and to assist BSEC in preparing the regulatory frameworks.

Future products:

- |  |   |                    |
|--|---|--------------------|
| 1. Small Capital Companies market                          | - | by the end of 2018 |
| 2. Exchange Traded Fund (ETF)                              | - | by the end of 2018 |
| 3. Clearing Corporation<br>(under the supervision of BSEC) | - | by the end of 2018 |
| 4. CSE Training Institute                                  | - | by the end of 2019 |
| 5. Commodity Exchange                                      | - | by the end of 2020 |
| 6. Derivatives Market                                      | - | by the end of 2020 |

## 7. FINANCIAL PROJECTION

## 7.1 Assumptions on Financial Projection

### Transaction fee

- Average number of trading days considered as 245 days based on the historical trends in trading days.
- The management assumed 15 new companies will be listed in each and every year.
- The management of the exchange assumed that Clearing Corporation, an associate company of CSE, will be in operation from 2020-21.
- Total 100 new TRECs at the rate of BDT20,000,000 would be issued in 2018-19, 2019-20 and 2020-2021.
- Clearing Corporation and New TREC will uplift CSE's Turnover to BDT 70 Crore in 2018-19, BDT 85 Crore in 2019-20, BDT 105 Crore in 2020-21 and 20% increase onward.
- The Trade Commission income has been calculated as 0.034% ( $0.017 \times 2$ ) of Average Turnover for each year. Contract charges have also been calculated as BDT 4 ( $2 \times 2$ ) per contract for each year.

### Listing fee

Initial and annual listing fees have been considered to be increased by 10% with regards to historical growth in the listing fees and introduction of Small and Medium Companies market.

### Income from subsidiaries/ associates

Income from investment in Training Institute and Clearing Corporation would assumed to be minimum 12% over the years under consideration.

### Finance income

Management assumed a flat 8.5% FDR interest rate for all the years under consideration.

### HR Cost

It is expected to increase by 5% every year from 2018-19 onwards.

### Annual Maintenance Charge

It is expected to increase by 5% every year from 2018-19 onwards.

### General maintenance & operation charge and Promotion expenses

Management considered there will be a 5% increase in every year from 2018-19.

### Income tax

Rate of income tax has been considered from the year 2016-2017 to 2018-2019 as per SRO No-157/IT/2014 of NBR as follows:

2016-17	14%
2017-18	21%
2018-19	28%

From the year 2019-20 and onwards rate of income tax has been considered @ 25% (applicable rate for a listed Company).

## 7.2 HISTORICAL & PROJECTED STATEMENT OF PROFIT AND LOSS

FOR THE PERIOD FROM FY 2015-16 TO FY 2024-25

PROJECTED											
HISTORICAL											
	Notes	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Operating Income/Net Revenue											
Transaction fee	1	51,520,196	77,895,175	69,069,838	80,925,405	98,255,849	121,363,108	145,625,729	174,740,875	209,679,050	251,604,860
Listing fee	2	138,154,329	184,314,104	201,522,737	223,480,011	245,378,012	269,465,813	295,962,394	325,108,634	357,169,497	392,436,447
TREC renewal fee	4	7,350,000	7,350,000	7,350,000	9,850,000	11,100,000	12,350,000	12,350,000	12,350,000	12,350,000	12,350,000
Service fee and commission	5	4,308,203	5,897,263	7,458,600	13,688,714	13,916,747	5,181,126	5,488,098	5,845,026	6,260,593	6,745,044
Trader Certificate and Renewal Income	6	5,157,080	7,051,440	19,386,500	15,300,000	17,500,000	18,700,000	18,700,000	18,700,000	18,700,000	18,700,000
IT Charge	7	-	-	-	4,400,000	3,600,000	2,800,000	2,000,000	1,200,000	400,000	-
Income from subsidiaries/Associates	8	-	-	-	-	2,400,000	74,400,000	74,400,000	74,400,000	74,400,000	74,400,000
Net Revenue		206,489,808	282,507,982	304,787,675	347,644,130	392,150,608	504,260,047	554,526,221	612,344,535	678,959,140	756,236,351
Operating Expenditures											
HR Cost *		120,596,294	118,143,885	128,166,354	134,574,672	141,303,405	148,368,576	155,787,004	163,576,355	171,755,172	180,342,931
Annual Maintenance Charge **		54,265,154	58,546,074	57,045,325	59,897,591	62,892,471	66,037,094	69,338,949	72,805,897	76,446,191	80,268,501
General Maintenance & Operation ***		40,972,288	41,822,840	39,550,458	41,527,981	43,604,380	45,784,599	48,073,829	50,477,520	53,001,396	55,651,466
Promotion ****		9,955,724	5,690,633	3,892,953	4,087,601	4,291,981	4,506,580	4,731,909	4,968,504	5,216,929	5,477,776
Operating expenditure		225,789,460	224,203,432	228,655,090	240,087,845	252,092,237	264,696,849	277,931,691	291,828,276	306,419,689	321,740,674
EBITDA		(19,299,652)	58,304,550	76,132,585	107,556,285	140,058,372	239,563,198	276,594,530	320,516,259	372,539,451	434,495,677
Depreciation & Amortization		53,254,436	51,390,224	50,291,585	57,620,789	52,785,489	48,937,616	44,084,579	52,957,773	52,857,402	52,857,402
EBIT (Operating Profit)		(72,554,088)	6,914,326	25,841,000	49,935,496	87,272,882	190,625,582	232,509,952	267,558,487	319,682,049	381,638,276
Other Income	9	41,966,651	40,520,906	41,983,619	41,581,244	48,765,014	48,765,014	48,765,014	49,161,381	55,967,659	55,967,659
Finance Income	10	440,844,913	371,102,512	380,146,730	500,185,438	542,685,438	542,832,117	544,138,146	544,181,806	561,191,925	570,792,899
Pre Tax Income		410,257,476	418,537,744	447,971,349	591,702,178	678,723,334	782,242,713	825,413,112	860,901,674	936,841,634	1,008,398,833
Workers Profit participation fund 5%		20,512,874	20,926,887	22,398,567	29,585,109	33,936,167	39,112,136	41,270,656	43,045,084	46,842,082	50,419,942
PRE Tax income after deduction of WPP		389,744,602	397,610,856	425,572,781	562,117,069	644,787,168	743,130,577	784,142,456	817,856,590	889,999,552	957,978,891
Income Tax (Current) *****		-	56,973,271	99,950,996	157,392,779	161,196,792	185,782,644	196,035,614	204,464,147	222,499,888	239,494,723
Income Tax (Deferred)		57,599,507	(6,982,913)	(4,290,390)	(5,480,332)	(5,096,709)	(4,739,939)	(4,408,143)	(4,099,573)	(3,812,603)	(3,545,721)
Net Profit		332,145,095	347,620,498	329,912,175	410,204,622	488,687,084	562,087,872	592,514,985	617,492,016	671,312,267	722,029,890
EPS		0.52	0.55	0.52	0.65	0.77	0.89	0.93	0.97	1.06	1.14

\* HR cost is expected to increase by 5 % every year from 2018-19 to 2024-25

\*\* AMC is expected to increase by 5 % from 2018-19 onward

\*\*\* General Maintenance & Operation charge is expected to increase by 5 % every year from 2018-19 to 2024-25

\*\*\*\* Promitment expense is expected to increase by 5 % every year from 2018-19 to 2024-25

\*\*\*\*\* Rate of income tax has been considered from the year 2016-2017 to 2018-2019 as per SRO No-15/IT/2014 of NBR as follows:

2016-17	14%
2017-18	21%
2018-19	28%

From the year 2019-20 and onwards rate of income tax has been considered @ 25% (applicable rate for a listed Company)

## 7.3 HISTORICAL & PROJECTED STATEMENT OF FINANCIAL POSITION

		HISTORICAL					PROJECTED				
	Notes	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
ASSETS											
Property, plant and equipment		1,575,493,847	1,556,540,958	1,561,604,677	1,586,893,136	1,564,912,275	1,543,023,077	1,521,513,417	1,591,130,564	1,560,848,081	1,530,565,599
Automation		260,807,572	229,187,076	199,278,702	166,369,454	135,564,826	108,516,409	85,941,489	63,366,570	40,791,651	18,216,732
Investment with CDBL		612,564,975	612,564,975	612,564,975	612,564,975	612,564,975	612,564,975	612,564,975	612,564,975	612,564,975	612,564,975
Investment in Subsidiaries/Associates	8	-	-	-	-	20,000,000	620,000,000	620,000,000	620,000,000	620,000,000	620,000,000
Non-current assets		2,448,566,394	2,398,293,009	2,373,448,354	2,365,827,565	2,333,042,076	2,884,104,460	2,840,019,882	2,887,062,109	2,834,204,707	2,781,347,206
Trade receivables-clearing (20% of avr trade)	11	92,590,346	99,514,648	83,416,687	140,000,000	170,000,000	210,000,000	252,000,000	302,400,000	362,880,000	435,456,000
Other Receivables (38% of finance income)	12	165,947,837	158,193,604	194,715,129	190,070,467	206,220,467	206,283,804	206,772,495	206,789,086	213,252,932	216,901,301
Advances, deposits and pre-payments (73% of AMC+ 50% of insurance)	13	42,934,183	42,639,615	45,258,587	44,140,521	46,347,547	48,664,925	51,098,171	53,653,080	56,335,734	59,152,520
Advance Income Tax	14	11,932,154	36,414,551	81,198,613	56,824,821	62,436,077	62,452,745	62,581,348	62,585,714	65,647,981	66,608,078
Investment in FDRs/Zero Coupon Bond	15	4,655,000,000	5,065,000,000	4,994,534,567	5,884,534,567	6,384,534,567	6,386,495,492	6,401,625,245	6,402,138,890	6,602,257,945	6,715,210,571
Cash and cash equivalents		201,293,361	291,540,335	329,470,358	305,019,220	432,845,388	338,386,950	339,080,934	287,255,777	192,290,737	239,484,991
Current assets		5,169,697,881	5,693,302,753	5,728,593,940	6,620,599,596	7,302,384,046	7,252,283,916	7,313,158,193	7,314,822,546	7,492,665,328	7,732,813,462
TOTAL ASSETS		7,618,264,275	8,091,595,762	8,102,042,295	8,986,417,161	9,635,426,122	10,136,388,376	10,153,178,074	10,201,884,655	10,326,870,036	10,514,160,768
EQUITY											
Share capital		6,345,248,400	6,345,248,400	6,345,248,400	6,345,248,400	6,345,248,400	6,345,248,400	6,345,248,400	6,345,248,400	6,345,248,400	6,345,248,400
Provision for Settlement Guarantee Fund	16	227,511,655	298,438,542	366,666,409	446,251,518	530,187,685	619,299,821	710,570,476	803,615,560	850,457,642	900,877,383
TREC Issue Reserve					1,000,000,000	1,500,000,000	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Retained earnings	17	526,863,006	803,556,617	684,526,021	634,430,630	658,466,644	496,917,540	363,637,030	253,559,122	243,504,468	280,589,575
Total equity		7,099,623,061	7,447,243,559	7,396,440,830	8,425,930,548	9,033,902,729	9,461,465,761	9,419,455,906	9,402,423,082	9,439,210,509	9,526,715,559
LIABILITIES											
Deferred tax liability		89,563,761	82,380,848	78,290,458	72,810,126	67,713,417	62,973,478	58,565,334	54,465,761	50,653,158	47,107,437
Non- Current Liabilities		89,563,761	82,380,848	78,290,458	72,810,126	67,713,417	62,973,478	58,565,334	54,465,761	50,653,158	47,107,437
Trade payable - clearing (20% of avr trade)	18	155,054,577	276,375,597	300,000,000	140,000,000	170,000,000	210,000,000	252,000,000	302,400,000	362,880,000	435,456,000
Liability for expenses (99% of operating expenditure)	19	87,051,103	96,756,429	106,111,887	93,634,259	98,315,972	103,231,771	108,393,359	113,813,027	119,503,679	125,478,863
Liability for other finance	20	173,867,344	118,804,065	96,482,374	99,049,732	106,697,496	115,335,006	121,128,144	126,718,921	134,523,085	142,308,470
Deferred revenue		242,440									-
Dividend payable	21	12,861,990	12,861,990	27,166,033	-	-	-	-	-	-	-
Liabilities for income tax	22	-	56,973,271	97,550,712	154,992,495	158,796,508	183,382,360	193,635,330	202,063,863	220,099,604	237,094,439
Current Liabilities		429,077,454	561,771,352	627,311,006	487,676,487	533,809,976	611,949,137	675,156,833	744,995,812	837,006,368	940,337,772
Total liabilities		518,641,215	644,352,200	705,601,464	560,486,613	601,523,393	674,922,615	733,722,168	799,461,573	887,659,526	987,445,208
TOTAL EQUITY AND LIABILITIES		7,618,264,276	8,091,595,760	8,102,042,294	8,986,417,161	9,635,426,121	10,136,388,376	10,153,178,074	10,201,884,655	10,326,870,035	10,514,160,767
NAV per share		11.19	11.74	11.66	13.28	14.24	14.91	14.84	14.82	14.88	15.01



## 7.4 HISTORICAL & PROJECTED STATEMENT OF CASH FLOWS

		Notes	HISTORICAL					PROJECTED				
			2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
A	CASH FLOWS FROM OPERATING ACTIVITIES											
	Net Profit Before Tax		389,744,602	397,610,856	425,572,781	562,117,069	644,787,168	743,130,577	784,142,456	817,856,590	889,999,552	957,978,891
	Adjustment to reconcile net Income to net cash provided by operating activities:											
	Depreciation and amortization		53,254,436	51,390,224	50,291,585	57,620,789	52,785,489	48,937,616	44,084,579	52,957,773	52,857,402	52,857,402
	Loss on disposal of sign board		124,020	-	-	-	-	-	-	-	-	-
	Gain on disposal of NGTS Equipment			(1,127,260)	(392,375)							
	Provision for Gratuity- net											
			443,123,058	447,873,820	475,471,991	619,737,858	697,572,657	792,068,193	828,227,035	870,814,362	942,856,953	1,010,836,293
	(Increase)/ decrease in current assets excluding cash & cash equivalents	23	(55,598,419)	(23,357,898)	(67,826,598)	(26,446,794)	(53,968,282)	(42,397,383)	(45,050,540)	(52,975,865)	(72,688,767)	(80,001,254)
	Increase/ (decrease) in current liabilities	24	119,460,232	75,720,628	10,658,169	(169,910,269)	42,329,477	53,553,309	52,954,727	61,410,445	73,974,816	86,336,569
			506,984,871	500,236,551	418,303,563	423,380,794	685,933,852	803,224,119	836,131,221	879,248,942	944,143,002	1,017,171,608
	Income Tax Paid	22	-	-	(59,373,555)	(99,950,996)	(157,397,779)	(161,196,792)	(185,782,644)	(196,035,614)	(204,464,147)	(222,499,888)
	Net cash flows from operating activities		506,984,871	500,236,551	358,930,008	323,429,798	528,541,073	642,027,327	650,348,577	683,213,328	739,678,855	794,671,720
B	CASH FLOWS FROM INVESTING ACTIVITIES											
	Acquisition of Property, plant and equipment		(1,796,146)	(442,265)	(23,519,490)	(50,000,000)				(100,000,000)		
	Acquisition of Intangible Assets		(4,279,740)	(1,001,000)	(2,727,190)							
	Disposal of Property, plant and equipment			1,453,688	1,192,125							
	Investment in subsidiaries/Associates						(20,000,000)	(600,000,000)	-	-	-	-
	Investment in FDR	15	(145,000,000)	(410,000,000)	70,465,433	(890,000,000)	(500,000,000)	(1,960,925)	(15,129,753)	(513,645)	(200,119,055)	(112,952,626)
	Net cash used in investing activities		(151,075,886)	(409,989,577)	45,410,878	(940,000,000)	(520,000,000)	(601,960,925)	(15,129,753)	(100,513,645)	(200,119,055)	(112,952,626)
C	CASH FLOWS FROM FINANCING ACTIVITIES											
	Dividend	21	(367,852,914)	-	(366,410,861)	(407,880,937)	(380,714,904)	(634,524,840)	(634,524,840)	(634,524,840)	(634,524,840)	(634,524,840)
	TREC Issue					1,000,000,000	500,000,000	500,000,000				
	Net cash flows from financing activities		(367,852,914)	-	(366,410,861)	592,119,063	119,285,096	(134,524,840)	(634,524,840)	(634,524,840)	(634,524,840)	(634,524,840)
	NET CASH FLOWS (A+B+C)		(11,943,929)	90,246,974	37,930,025	(24,451,139)	127,826,169	(94,458,438)	693,984	(51,825,157)	(94,965,040)	47,194,254
	Opening Balance		213,237,291	201,293,362	291,540,335	329,470,358	305,019,220	432,845,388	338,386,950	339,080,934	287,255,777	192,290,737
	Closing Balance		201,293,362	291,540,335	329,470,358	305,019,220	432,845,388	338,386,950	339,080,934	287,255,777	192,290,737	239,484,991

## 7.5 Notes to the Projected Financial Statements

	Historical				Projected						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
No. of Trading Days	248	239	245	245	245	245	245	245	245	245	
Addition of Listed Securities.net	15	5	9	15	15	18	18	18	18	18	
Number of Listed Securities	298	307	325	340	355	373	391	409	427	445	
Yearly Market Turnover (BDT)	78,056,815,224										
Daily Average Turnover **	314,745,223	494,038,816	500,000,000	700,000,000	850,000,000	1,050,000,000	1,260,000,000	1,512,000,000	1,814,400,000	2,177,280,000	
Total Contract	3,485,301										
Average Daily contracts	14,111	16,251	16,447	23,026	27,960	34,539	41,447	49,736	59,683	71,620	
Commission Income (BDT)	26,539,317	23,493,117	41,650,000	58,310,000	70,805,000	87,465,000	104,958,000	125,949,600	151,139,520	181,367,424	
Contract Income	13,998,449	8,875,792	16,118,146	22,565,405	27,400,849	33,848,108	40,617,729	48,741,275	58,489,530	70,187,436	
	40,537,767	32,368,909	57,768,146	80,875,405	98,205,849	121,313,108	145,575,729	174,690,875	209,629,050	251,554,860	

\* Daily Average Turnover is assumed to be BDT 70 Crs. in 2018-19, BDT 85 Crs. in 2019-20, BDT 105 Crs. in 2020-21 and 20% increase onward.

\*\* Daily Average Turnover is assumed to be BDT 70 Crore in 2018-19, BDT 85 Crore in 2019-20, BDT 105 Crore in 2020-21 and 20% increase onward.

1	TRANSACTION FEE	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Commission Income	26,539,317	23,493,117	29,680,736	58,310,000	70,805,000	87,465,000	104,958,000	125,949,600	151,139,520	181,367,424
	Contract charges	13,998,449	8,875,792	11,380,562	22,565,405	27,400,849	33,848,108	40,617,729	48,741,275	58,489,530	70,187,436
	Fees against Gift of Share		290,090	43,539	50,000	50,000	50,000	50,000	50,000	50,000	50,000
	Capacity Charge	10,982,429	45,236,176	27,965,001							
	TOTAL TRANSACTION FEE	51,520,196	77,895,175	69,069,838	80,925,405	98,255,849	121,365,108	145,625,729	174,740,875	209,679,050	251,604,860

2	LISTING FEE	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Initial Listing fee (10% increase from 2018-	69,363,352	61,105,405	73,138,686	80,452,555	88,497,810	97,347,591	107,082,350	117,790,585	129,569,644	142,526,608
	Annual Listing fee (10% increase from 2018-	63,890,977	120,208,699	125,934,051	138,527,456	152,380,202	167,618,222	184,380,044	202,818,048	223,099,853	245,409,839
	Draft Prospectus Scrutiny Fee [18 new	2,100,000	1,400,000	1,050,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000
	IPO Application Data Transmission Fee [18	2,800,000	1,600,000	1,400,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
	new issues @ Tk. 2 lac]	138,154,329	184,314,104	201,522,737	223,480,011	245,778,012	269,465,813	295,962,394	325,108,654	357,169,497	392,436,447
	TOTAL LISTING FEE										

3	TREC Issue Assumption										
	year	Number of Trec	Rate	Taka							
	2018-19	50	20,000,000	1,000,000,000							
	2019-20	25	20,000,000	500,000,000							
	2020-21	25	20,000,000	500,000,000							

4	TREC ISSUE AND RENEWAL FEE	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	TREC renewal fee @ Tk. 50,000	7,350,000	7,350,000	7,350,000	7,350,000	7,350,000	7,350,000	7,350,000	7,350,000	7,350,000	7,350,000
	New TREC Issue Fee	-	-	-	2,500,000	3,750,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
		7,350,000	7,350,000	7,350,000	9,850,000	11,100,000	12,350,000	12,350,000	12,350,000	12,350,000	12,350,000

SERVICE FEE AND COMMISSION	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Depository Participant Income	1,949,633	1,662,156	1,045,312	1,219,984	1,424,581	1,664,352	1,945,485	2,275,282	2,662,362	3,116,901
TREC transfer fee	1,500,000	1,500,000	9,000,000	9,000,000	9,000,000	-	-	-	-	-
Name Share change fee	-	1,500,000	1,500,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Regulatory fees, data broadcasting fees and Bookbuilding System	458,570	1,185,507	952,500	468,730	492,167	516,775	542,614	569,744	598,231	628,143
DP operation through optical fiber [37 nos @ 400,000]	400,000	49,600	637,100	-	-	-	-	-	-	-
<b>TOTAL SERVICE FEE AND COMMISSION</b>	<b>4,308,203</b>	<b>5,897,263</b>	<b>7,458,000</b>	<b>13,688,714</b>	<b>13,916,747</b>	<b>5,181,126</b>	<b>5,488,098</b>	<b>5,845,026</b>	<b>6,260,593</b>	<b>6,745,044</b>

Calculation of Depository Participant Income	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
BO Account opening fee [123 A/c @ Tk. 150], 10% increase from 2018-19 and	33,600	18,450	24,840	27,324	30,056	33,062	36,368	40,005	44,006	48,406
Transaction fee and De-mat fee (15% increase from 2018-19 and onwards)	899,739	961,312	628,210	722,441	830,807	955,428	1,098,743	1,263,554	1,453,087	1,671,050
Account maintenance fee [661 nos A/c @ Tk. 100], 20% increase from 2018-19 and	762,600	661,050	568,500	682,200	818,640	982,368	1,178,842	1,414,610	1,697,532	2,037,038
Other Income (10% increase from 18-19 and	375,011	149,848	4,956	5,452	5,997	6,596	7,256	7,982	8,780	9,658
Sub total	<b>2,070,950</b>	<b>1,790,660</b>	<b>1,226,506</b>	<b>1,437,417</b>	<b>1,685,500</b>	<b>1,977,455</b>	<b>2,321,208</b>	<b>2,726,151</b>	<b>3,203,404</b>	<b>3,766,152</b>
D.P. Expenses (20% increase from 2018-19	(121,317)	(128,504)	(181,194)	(217,433)	(260,919)	(313,103)	(375,724)	(450,869)	(541,042)	(649,251)
<b>Total DP Income</b>	<b>1,949,633</b>	<b>1,662,156</b>	<b>1,045,312</b>	<b>1,219,984</b>	<b>1,424,581</b>	<b>1,664,352</b>	<b>1,945,485</b>	<b>2,275,282</b>	<b>2,662,362</b>	<b>3,116,901</b>

TRADER CERTIFICATE AND RENEWAL	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Authorized Representatives are charged @ Tk. 220 from 507 persons	159,280	245,740	-	-	-	-	-	-	-	-
Traders' Certificate fee [340 nos @ Tk. 10,000], Add 100 traders per year in 18-19.	2,650,000	4,210,700	6,461,500	4,400,000	5,400,000	5,400,000	5,400,000	5,400,000	5,400,000	5,400,000
Traders' Certificate renewal fee [519 nos @ 5,157,080]	2,347,800	2,595,000	12,925,000	10,900,000	12,100,000	13,300,000	13,300,000	13,300,000	13,300,000	13,300,000
	<b>5,157,080</b>	<b>7,051,440</b>	<b>19,386,500</b>	<b>15,300,000</b>	<b>17,500,000</b>	<b>18,700,000</b>	<b>18,700,000</b>	<b>18,700,000</b>	<b>18,700,000</b>	<b>18,700,000</b>

IT Charge :	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
13 TREC x Tk.4 lac from 2018-19 will reduce by two TREC from 2019-20	-	-	-	4,400,000	3,600,000	2,800,000	2,000,000	1,200,000	400,000	-

#### 8 Investment In Subsidiary /Associate

Investment Year	Name of the Subsidiary Company	Investment Amount
2019-20	Training Institute	20,000,000
2020-21	Clearing Corporation	600,000,000

Income from subsidiary /Associate companies:	Investment	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Clearing Corporation (income is assumed to be 12% of investment for all the projected years)	600,000,000	-	-	-	-	72,000,000	72,000,000	72,000,000	72,000,000	72,000,000
Training Institute (income is assumed to be 12% of investment for all the projected years)	20,000,000	-	-	-	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
<b>Total Income from subsidiary companies</b>					<b>2,400,000</b>	<b>74,400,000</b>	<b>74,400,000</b>	<b>74,400,000</b>	<b>74,400,000</b>	<b>74,400,000</b>

	Historical				Projected							
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25		
<b>9 Other Income:</b>												
Rental Income (5% increase in every	5,390,621	5,342,258	7,549,856	7,549,856	7,977,349	7,977,349	7,977,349	8,323,716	8,323,716	8,323,716		
Dividend Income from CDBL	34,031,388	34,031,388	34,031,388	34,031,388	40,837,665	40,837,665	40,837,665	47,643,943	47,643,943	47,643,943		
Other (insurance)	2,544,643	20,000	10,000									
Disposal of assets/Obsolete item		1,127,260	392,375									
<b>Total other income</b>	<b>41,966,651</b>	<b>40,520,906</b>	<b>41,983,619</b>	<b>41,581,244</b>	<b>48,765,014</b>	<b>48,765,014</b>	<b>48,765,014</b>	<b>54,418,180,65</b>	<b>54,418,180,65</b>	<b>54,418,180,65</b>		
<b>Finance Income:</b>												
<b>Total Finance Income: (FDR Rate 8.5% from 2018-19 and onwards)</b>	<b>440,844,913</b>	<b>371,102,512</b>	<b>380,146,730</b>	<b>500,185,438.20</b>	<b>542,685,438.20</b>	<b>542,852,116.82</b>	<b>544,138,145.83</b>	<b>544,181,805.65</b>	<b>561,191,925.33</b>	<b>570,792,898.54</b>		
<b>11 Trade receivables-clearing</b>												
Daily Market Turnover (BDT Crore)	314,745,723	494,038,816	500,000,000	700,000,000	850,000,000	1,050,000,000	1,260,000,000	1,512,000,000	1,814,400,000	2,177,280,000		
Trade receivables-clearing (20% of average turnover from 2018-2019 and onwards)	92,590,346	99,514,648	83,416,687	140,000,000	170,000,000	210,000,000	252,000,000	302,400,000	362,880,000	435,456,000		
<b>12 Other Receivables (38% of finance Finance Income)</b>	<b>440,844,913</b>	<b>371,102,512</b>	<b>380,146,730</b>	<b>500,185,438</b>	<b>542,685,438</b>	<b>542,852,117</b>	<b>544,138,146</b>	<b>544,181,806</b>	<b>561,191,925</b>	<b>570,792,899</b>		
<b>Other Receivables</b>	<b>1,65,947,887</b>	<b>158,193,604</b>	<b>194,715,129</b>	<b>190,070,467</b>	<b>206,220,467</b>	<b>206,283,804</b>	<b>206,772,495</b>	<b>206,789,086</b>	<b>213,257,932</b>	<b>216,901,301</b>		
<b>13 Advances, deposits and pre-payments</b>												
Annual Maintenance Charge (AMC)	54,265,154	58,546,074	57,045,325	59,897,591	62,892,471	66,037,094	69,338,949	72,805,897	76,446,191	80,268,501		
73 % of AMC (AMC - Other Advance & General Maintenance & Operation Insurance (2% of GCMO)	41,727,523	40,916,693	44,863,082	43,725,242	45,911,504	48,207,079	50,617,433	53,148,304	55,805,720	58,596,006		
50% of Insurance from 18-19	826,231	1,667,295	791,009	830,560	872,088	915,692	961,477	1,009,550	1,060,028	1,113,029		
Advances, deposits and pre-payments	47,934,183	42,639,615	45,258,387	44,140,521	46,347,547	48,664,925	51,098,171	53,653,080	56,335,734	59,152,520		
<b>14 Advanced income Tax</b>												
Finance Income	440,844,913	371,102,512	380,146,730	500,185,438	542,685,438	542,852,117	544,138,146	544,181,806	561,191,925	570,792,899		
10 % of the Finance Income	5,125,877	29,608,273	74,392,335	50,018,544	54,268,544	54,265,212	54,413,815	54,418,181	56,119,193	57,079,290		
Dividend Income from CDBL	34,031,388	34,031,388	34,031,388	34,031,388	40,837,665	40,837,665	40,837,665	47,643,943	47,643,943	47,643,943		
20% of Dividend Income from CDBL	6,806,278	6,806,278	6,806,278	6,806,278	8,167,533	8,167,533	8,167,533	9,528,789	9,528,789	9,528,789		
<b>Total Advanced Income Tax</b>	<b>11,932,154</b>	<b>36,414,551</b>	<b>81,198,413</b>	<b>56,824,821</b>	<b>62,436,077</b>	<b>62,452,745</b>	<b>62,581,348</b>	<b>62,585,214</b>	<b>65,647,981</b>	<b>66,608,078</b>		
<b>15 Investment in FDRs &amp; Zero Coupon</b>												
Opening Balance	4,510,000,000	4,655,000,000	5,065,000,000	4,994,534,567	5,894,534,567	6,384,534,567	6,386,495,492	6,401,635,245	6,402,138,890	6,602,257,945		
Addition during the year	145,000,000	410,000,000	770,465,433	890,000,000	500,000,000	1,960,925	15,129,753	513,645	200,119,055	112,952,626		
<b>Closing Balance</b>	<b>4,655,000,000</b>	<b>5,065,000,000</b>	<b>4,994,534,567</b>	<b>5,884,534,567</b>	<b>6,384,534,567</b>	<b>6,386,495,492</b>	<b>6,401,635,245</b>	<b>6,402,138,890</b>	<b>6,602,257,945</b>	<b>6,715,210,571</b>		
<b>16 Provision for Settlement Guarantee Fund</b>												
Net Profit Before Charging WPPF	410,257,476	418,537,744	447,971,349	591,702,178	678,723,334	782,242,713	825,413,112	860,901,674	936,841,634	1,008,398,833		
Opening Balance of Settlement Guarantee	156,998,810	227,511,655	298,435,542	366,666,409	446,251,518	530,187,685	619,299,821	710,570,476	803,615,560	850,457,642		
Provision during the year	20,512,845	20,926,887	22,398,567	29,585,109	33,936,167	39,112,136	41,270,656	43,045,084	46,842,082	50,419,942		
Fixed amount Tk.5 crore	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000		
<b>Closing Balance of Settlement Guarantee</b>	<b>227,511,655</b>	<b>298,438,542</b>	<b>366,666,409</b>	<b>446,251,518</b>	<b>530,187,685</b>	<b>619,299,821</b>	<b>710,570,476</b>	<b>803,615,560</b>	<b>850,457,642</b>	<b>900,877,583</b>		

17	Retained earnings:	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	RE opening Balance	645,945,689	526,863,006	803,556,617	684,526,021	634,430,630	658,466,644	496,917,540	363,637,030	253,559,122	243,504,468
	Net Income	332,145,095	347,620,498	399,912,175	410,204,622	488,687,084	562,087,872	559,514,985	617,497,016	671,312,267	772,029,890
	Less: Fixed amount Tk. 5 crore	(50,000,000)	(50,000,000)	(45,829,300)	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)
	Less: Settlement Guarantee Fund @ 5% of Net Profit before charging WPPF	(20,512,874)	(20,926,887)	(22,398,567)	(29,585,109)	(33,936,167)	(39,112,136)	(41,270,656)	(43,045,084)	(46,842,082)	(50,419,942)
	Less: Dividend (5% upto 2019-20, 10% from 2020-21 and onwards)	(380,714,904)	-	(380,714,904)	(380,714,904)	(380,714,904)	(634,524,840)	(634,524,840)	(634,524,840)	(634,524,840)	(634,524,840)
	RE closing Balance	526,863,006	803,556,617	684,526,021	634,430,630	658,466,644	496,917,540	363,637,030	253,559,122	243,504,468	280,589,575
18	Trade payable - clearing	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Daily Market Turnover (BDT Crore)	314,745,223	494,038,816	500,000,000	700,000,000	850,000,000	1,050,000,000	1,260,000,000	1,512,000,000	1,814,400,000	2,172,280,000
	Trade payable - clearing (20% of average trade)	155,054,577	276,375,597	300,000,000	140,000,000	170,000,000	210,000,000	252,000,000	302,400,000	362,880,000	435,456,000
19	Liability for expenses	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Operating expenditure excluding dep & amortisation	225,789,460	224,203,432	228,655,090	240,087,845	252,092,237	264,696,849	277,931,691	291,828,276	306,419,689	321,740,674
	Liability for expenses 39% of Operating exp from 18-19	87,051,103	96,756,429	106,111,887	93,634,259	98,315,972	103,231,771	108,393,359	113,813,027	119,503,679	125,478,863
20	Liability for other finance	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	Deposits of BO Account Holders (5% increase from 2018-19 and onwards)	2,440,700	2,452,800	2,467,000	2,590,330	2,719,868	2,855,861	2,998,654	3,148,587	3,306,016	3,471,317
	Office Rent Payable (Security Deposit)	2,176,590	2,176,590	3,532,590	2,176,590	2,176,590	2,176,590	2,176,590	2,176,590	2,176,590	2,176,590
	Other Payable (Other Finance) (5% increase from 2018-19 and onwards)	96,616	159,719	200,000	210,000	220,500	231,525	243,101	255,256	268,019	281,420
	Payable to TRECCH Against Capacity Charge	18,675,919	2,439,224	5,000,000	-	-	-	-	-	-	-
	Tax Deducted at Source (20 % Dividend)	73,640,086	31,808	10,000	-	-	-	-	-	-	-
	Adv Received Against Advertisement in CSE Publication (5% increase from 2018-19 and onwards)	1,458,600	1,248,000	1,000,000	1,050,000	1,102,500	1,157,625	1,215,506	1,276,282	1,340,096	1,407,100
	Trade margin	590,000	19,190,000	590,000	-	-	-	-	-	-	-
	Cash Back Rebate (5% increase from 2018-19 and onwards)	201,513	201,513	201,513	211,589	222,168	233,276	244,940	257,187	270,047	283,549
	Claim Realised Against Hospitalization	38,755	10,000	-	-	-	-	-	-	-	-
	CSE Employees Welfare Council/WPPF (5% increase from 2018-19 and onwards)	98,150	183,604	62,184	65,293	68,558	71,986	75,585	79,364	83,333	87,499
	CSE Welfare Fund (5% increase from 2018-19 and onwards)	155,649	-	-	-	-	-	-	-	-	-
	Fees Received Against Listing-Awaiting Board Approval (5% increase from 2018-19 and onwards)	1,285,000	5,000	7,373,463	7,742,136	8,129,243	8,535,705	8,962,490	9,410,615	9,881,146	10,375,203
	Investors' Protection Fund - Liability (57.910)	(57,910)	587,563	10,000	-	-	-	-	-	-	-
	Listing Fee Received in Advance (5% increase from 2018-19 and onwards)	49,832,730	46,867,858	43,693,877	45,878,571	48,172,499	50,581,124	53,110,181	55,765,690	58,553,974	61,481,673
	Members' Clearing House Security Deposit (5% increase from 2018-19 and onwards)	6,271,359	7,296,359	7,346,359	7,713,677	8,099,361	8,504,329	8,929,545	9,376,023	9,844,824	10,337,065
	Payable to SEC	67,097	67,097	-	67,097	67,097	67,097	67,097	67,097	67,097	67,097
	Provident Fund - Employees Subscription (5% increase from 2018-19 and onwards)	366,322	286,964	300,000	315,000	330,750	347,288	364,652	382,884	402,029	422,130
	Provision for WPPF	14,216,454	33,327,199	22,398,567	29,585,109	33,936,167	39,112,136	41,270,656	43,045,084	46,842,082	50,419,942
	Security Deposit Against Issuance of Share	860,000	860,000	860,000	-	-	-	-	-	-	-
	Value Point Capital Limited	1,286,820	1,286,820	1,286,820	1,286,820	1,286,820	1,286,820	1,286,820	1,286,820	1,286,820	1,286,820
	VAT Deducted at Source (5% increase from 2018-19 and onwards)	166,893	215,947	130,000	157,500	165,375	173,644	182,326	191,442	201,014	211,065
	Others	-	-	-	-	-	-	-	-	-	-
	Total	173,867,344	118,804,065	96,482,374	99,049,732	106,607,496	115,335,006	121,128,144	126,718,921	134,523,085	142,308,470

**35** **CSE**



## **8. INDICATIVE VALUATION**

## 8.1 Discounted Cash Flow (DCF) Method

### INDICATIVE VALUE OF CSE

#### Based on Discounted Cash Flow (DCF)-Perpetuity Growth Method

	HISTORICAL					PROJECTED				
	2015-16	2016-2017	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
EBITDA			76,132,585	107,556,285	140,058,372	239,563,198	276,594,530	320,516,259	372,539,451	434,495,677
Profit Before Tax	389,744,402	397,610,856	425,572,781	562,117,069	644,787,168	743,130,577	784,142,456	817,856,590	889,999,552	957,978,891
Tax Paid	-	-	(59,373,555)	(99,950,996)	(157,392,779)	(161,196,792)	(185,782,644)	(196,035,614)	(204,464,147)	(222,499,888)
Add: Depreciation and Amortization	53,254,436	51,390,224	50,291,585	57,620,789	52,785,489	48,937,616	44,084,579	52,957,773	52,857,402	52,857,402
Add: New TREC Issue	-	-	-	1,000,000,000	500,000,000	500,000,000	-	-	-	-
Less: Changes in Non-Current Assets (Note: 26)	(6,075,886)	(1,443,265)	(26,246,680)	(50,000,000)	(20,000,000)	(600,000,000)	-	(100,000,000)	-	-
Less: Changes in Non-Cash Working Capital (Note: 27)	75,763,967	76,845,127	(12,384,366)	(220,730,855)	(6,027,549)	11,172,593	8,032,789	8,438,946	4,348,316	7,295,412
Free Cash Flow	512,687,119	524,402,942	377,859,765	1,249,056,007	1,014,152,328	542,043,995	650,477,180	583,217,694	742,741,122	795,631,817

Discount Rate	A		B		C	
	Discounted (b) Cash Flows (2017-18 - 2024-25)		PV of Terminal Value as a Perpetual Growth Rate of (c)		Enterprise Value	
14.00%	3,586,271,443.2		7.5%	5,723,355,044.7	7.5%	8,844,909,625.3
14.50%	3,538,312,174.0		8.0%	5,123,705,203.3	8.0%	9,309,626,487.9
15.00%	3,491,472,906.0			4,614,800,969.3		8,662,017,377.3
15.50%	3,445,719,259.4			4,178,310,830.9		8,114,690,406.5
16.00%	3,401,018,114.5			3,800,493,429.9		8,484,266,832.2
				4,072,627,527.4		7,344,750,633.8
						7,624,030,090.4
						7,943,206,612.2
						7,473,645,641.9

Discount Rate	ash and Cash Equivalents - Interest bearing Debt (d)		Total Equity Value		Value Per Diluted Share (e)	
	630/18		7.5%	8.0%	7.5%	8.0%
14.00%	5,324,004,925.2		14,168,914,550.5	14,633,631,413.1	22.33	23.06
14.50%	5,324,004,925.2		13,598,016,849.0	13,986,022,302.5	21.43	22.04
15.00%	5,324,004,925.2		13,102,684,904.5	13,430,278,800.5	20.65	21.17
15.50%	5,324,004,925.2		12,668,755,559.0	12,948,035,015.6	19.97	20.41
16.00%	5,324,004,925.2		12,285,398,148.4	12,525,516,469.6	19.36	19.74

Discount Rate	Terminal Value as a % of Enterprise Value		Implied EBITDA Multiple	
	7.5%	8.0%	7.5%	8.0%
14.00%	59.5%	61.5%	30.3x	33.0x
14.50%	57.2%	61.2%	28.1x	30.4x
15.00%	55.1%	56.9%	26.2x	28.3x
15.50%	53.1%	54.8%	24.6x	26.4x
16.00%	51.1%	52.8%	23.2x	24.7x

- (a) All the projections are made by CSE internally.
- (b) Present values are calculated as at 30 th June 2018.
- (c) Terminal Value is calculated Based on terminal year's free cash flow i.e BDT 795.63 Millions in FY 2024-2025 ; Formula,  $PV \text{ of terminal Value} = [(Terminal \text{ year's cash flow} (1+growth \text{ Rate})) / (Discount \text{ Rate} - Growth \text{ Rate})] \times Terminal \text{ Year's PV Factor}$
- (d) There is no interest bearing debt in the statement of financial position as at 30 th June 2018.)
- (e) Based on 634524840 diluted shares outstanding as at 30 th June 2018.

## 8.1 Discounted Cash Flow (DCF) Method

### INDICATIVE VALUE OF CSE

#### Based on Discounted Cash Flow (DCF) -EBITDA Multiple Method

	HISTORICAL					PROJECTED						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25		
EBITDA	(19,299,652)	58,304,550	76,132,585	107,556,285	140,058,372	239,563,198	276,594,530	320,516,259	372,539,451	434,495,677		
Profit Before Tax	389,744,602	397,610,856	425,572,781	502,117,069	644,787,168	743,130,577	784,142,456	817,856,590	889,999,552	957,978,891		
Tax Paid	-	-	(59,373,555)	(99,950,996)	(157,392,779)	(161,196,792)	(185,782,644)	(196,035,614)	(204,464,147)	(222,499,888)		
Add: Depreciation and Amortization	53,254,436	51,390,224	50,291,585	57,620,789	52,785,489	48,937,616	44,084,579	52,957,773	52,857,402	52,857,402		
Add: New TREC Issue	-	-	-	1,000,000,000	500,000,000	500,000,000	-	-	-	-		
Less: Changes in Non-Current Assets	(6,075,886)	(1,443,265)	(26,246,680)	(50,000,000)	(20,000,000)	(600,000,000)	-	(100,000,000)	-	-		
Less: Changes in Non-Cash Working Capital	75,763,967	76,843,127	(12,384,366)	(220,730,855)	(6,027,549)	11,172,593	8,032,789	8,438,946	4,348,316	7,295,412		
<b>Free Cash Flow</b>	<b>512,687,119</b>	<b>524,402,942</b>	<b>377,859,765</b>	<b>1,249,056,007</b>	<b>1,014,152,328</b>	<b>542,043,995</b>	<b>650,477,180</b>	<b>583,217,694</b>	<b>742,741,122</b>	<b>795,631,817</b>		

$$A + B = C$$

Discount Rate	PV of Terminal Value as a Multiple of 2024-25 EBITDA (c)		
	20.0%	20.5%	21.0%

14.00%	3,472,813,783	3,559,634,127	3,646,454,472
14.50%	3,368,038,514	3,452,239,477	3,536,440,440
15.00%	3,266,860,376	3,348,531,885	3,430,303,395
15.50%	3,169,141,030	3,248,369,556	3,327,598,082
16.00%	3,074,748,025	3,151,616,725	3,228,485,426

Enterprise Value	20.0%	20.5%	21.0%
	7,059,085,226	7,145,905,570	7,232,725,915

6,906,350,688	6,990,551,651	7,074,752,614
6,758,333,282	6,840,004,791	6,921,676,301
6,614,860,290	6,694,088,815	6,773,317,341
6,475,766,139	6,552,634,840	6,629,503,541

$$D + E =$$

Discount Rate	Total Equity Value		
	20.0%	20.5%	21.0%

14.00%	12,383,090,151	12,469,910,496	12,556,730,840
14.50%	12,230,355,613	12,314,556,576	12,398,757,539
15.00%	12,082,338,207	12,164,009,716	12,245,681,226
15.50%	11,938,865,215	12,018,093,741	12,097,322,266
16.00%	11,799,771,065	11,876,639,765	11,953,508,466

Value Per Diluted Share (c)

Value Per Diluted Share (c)	20.0%	20.5%	21.0%
	19.5	19.7	19.8
19.3	19.4	19.4	19.5
19.2	19.2	19.2	19.3
18.8	18.8	18.9	19.1
18.6	18.6	18.7	18.8

Terminal Value as a % of Enterprise Value

Terminal Value as a % of Enterprise Value	20.0%	20.5%	21.0%
	49.2%	49.8%	50.4%
48.8%	49.4%	50.0%	50.6%
48.3%	49.0%	49.6%	50.2%
47.9%	48.5%	49.1%	49.8%
47.5%	48.1%	48.7%	49.4%

Implied Perpetuity Growth Rate

Implied Perpetuity Growth Rate	20.0%	20.5%	21.0%
	4.4%	4.7%	4.9%
4.9%	5.1%	5.3%	5.5%
5.4%	5.6%	5.8%	6.0%
5.8%	6.0%	6.2%	6.4%
6.3%	6.5%	6.7%	6.9%

(a) All the projections are made by CSE internally.

(b) Present values are calculated as at 30 th June 2018.

(c) Terminal Value is calculated Based on terminal year's EBITDA i.e BDT 434.50 million in FY 2024-2025. Formula: PV of Terminal Value=(Terminal Year EBITDA \* Exit Multiple)/(1+ Discount Rate) ^7]

(d) There is no interest bearing debt in the statement of financial position as at 30 th June 2018.

(e) Based on 634,524,840 shares outstanding as at 30 th June 2018.

## Basis of DCF Valuation

### Enterprise Value and Equity Value

The Enterprise Value of a business is calculated by discounting the unlevered free cash flows projected over the projection period and the terminal value calculated at the end of the projection period to their present values using the Weighted Average Cost of Capital. Equity Value can be calculated by subtracting net debt from the computed Enterprise Value or by discounting the Free Cash Flow attributable to equity capital providers by the Cost of Equity.

### Cost of Equity

The discount rate used at arriving at present value of future cash flows of CSE was based on the estimated Cost of Equity of the business which was derived using the Capital Asset Pricing Model. The Cost of Equity of CSE has been estimated to be 14.99%. This includes an estimated Risk Free Rate of 5.69 % (Cut off rate of BD Govt's 5 years T-Bond; Source Bangladesh Bank Website, May 17, 2018) an Equity Risk premium of 10.81%, a Beta Factor of 0.86x and with no additional Company Specific Risk Premium.

$$\text{Cost of Equity} = K_e = R_f + \beta \times (R_m - R_f) \checkmark$$

$R_f$  = Risk Free Rate;  $\beta$  = beta factor;  $R_m$  = Market returns;  $\checkmark$  = alpha (Company specific risk factors)

$$\text{Or, } K_e = 5.69\% + 0.86 \times 10.81\% + 0\% = 14.99\%$$

### Terminal Value Growth Rate

At the end of the forecast period, it is assumed that the net profits and hence the corresponding cash flows generated by CSE will continue indefinitely. The most common approach to calculating terminal value is to apply a constant growth model and the results of this approach is then cross-checked for sensibility to the implied exit multiple at that date. In undertaking our analysis of CSE we have applied a nominal growth factor of 7.5%, taking into account the likely projected nominal growth rate of the Bangladesh economy, the sector in which the company operates, its position therein, its growth prospects and management views of growth during forecast period and upside or downside risks as regards those projections.

## 8.2 Relative Valuation Method

### Based on Global Industry Median

	P/B	P/E		2017-18
ICE (Former New York Stock Exchange)	2.40	16.15	Net asset value of CSE in Mn	7,396.44
Hong Kong Exchanges and Clearing Limited	7.98	39.80	Total shares outstanding in Mn	634.52
Bursa Malaysia	6.40	24.00	NAV per Share	11.66
Philippine Stock Exchange	5.88	16.28	Median P/B Ratio	4.48
BSE India Limited	1.70	23.12	Net Income in Mn	329.91
Pakistan Stock Exchange Limited	2.53	73.37	EPS	0.52
			Median P/E Ratio	32.12
<b>Median</b>	<b>4.48</b>	<b>32.12</b>	Value per Share Based on P/B	52.24
			Value per Share Based on P/E	16.70

### 8.3 Valuation Summary

		<i>Per share Value</i>
1	<b>Based on DCF Perpetuity</b>	20.65
2	<b>Based on DCF Multiple</b>	19.00
3	<b>Based on comparable P/E</b>	16.70
4	<b>Based on comparable P/B</b>	52.24

\*Considering discount rate @15% and growth rate @ 7.5%

## 9. CLOSING REMARKS

The economy of Bangladesh is growing rapidly. Bangladesh is strategically located near the two global economic giants India and China and close to the ASEAN markets. Bangladesh stands at 9th position among the world's 10 fastest growing economies according to IMF report. GDP growth surpassed 7.65 percent in FY 2017-18, according to preliminary official estimates. The size of economy is currently US\$ 270 billion which according to IMF will rise to US\$322 billion by 2021 creating enormous economic opportunities. With the growing economy, the capital market of Bangladesh is also growing at the same time. There are huge untapped opportunities in the capital market of Bangladesh. Currently the market is only equity based. There are opportunities to establish other products and services like derivatives market, commodities exchange, clearing corporation, development of the bond market, Exchange Traded Funds, etc. At present establishment of National Clearing Corporation, ETF and platform for Small and Medium Enterprises are in the pipeline.

Chittagong Stock Exchange has strengths in many areas. It is one of the highly automated and sophisticated bourses of Bangladesh. To be on the competitive edge, CSE always try to stay ahead through continuous innovations, use of advanced technology and skilled human resources, improve delivery mechanism ensuring quality, efficiency and transparency in the capital market and uphold compliance standards. CSE is maintaining wide exposure to international and regional exchanges through different forums. CSE is the pioneer of many new concepts in Bangladesh capital market which includes – automation of the trading system, establishment of central depository system, securities training institute, internet and mobile trading system, etc. It has huge networking opportunities.

CSE is looking for a suitable strategic partner to consorting with its internal strengths and resources for the upcoming development projects and bringing in new products and services of international standard to the capital market of Bangladesh. CSE is inviting the Expression of Interest for the sale of 158,631,210 ordinary shares of BDT 10 each being 25% of the shareholding of the Exchange as reserved for the Strategic Investor at a reasonable premium.

Bangladesh is a lucrative destination for global investment; especially its capital market has enormous potentials to grow with its growing economy. Chittagong Stock Exchange stands to be a better choice to invest because of its growing size and good fundamentals with all the scope for future development. Strategic investment in CSE will certainly lead to explore economic benefits to both the parties.

The objective of this Information Memorandum is to provide a fair view to the potential strategic investors about the state-of-affairs of the Chittagong Stock Exchange and the economic, business and regulatory environment for their analysis and decision making. CSE is a debt free organization. The financials, projections and valuations presented in this paper used combined methodology, based on – market analysis, income and asset analysis, discounted cash flow (DCF) method, etc. All the projections and analysis as appeared herein reveal a financially feasible and technically viable venture for the potential strategic investors as well as from the side of the Exchange.



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