

ILCL-ILSL MONTHLY Economy and Market Review

December : 2014 Issue : 16

Ceramic Industry: Growth & Export



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HAPPY NEW YEAR 2015



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Editorial

Happy New Year! Welcome to our December 2014 issue. Our vision is to establish ourselves as one of the leading Investment Banking solution providers in Bangladesh with high ethical standards and best practices. We started our first monthly publication "ILCL Monthly Economy and Market Review" with September, 2013 edition and seek every opportunity to make it more informative and beneficial for our readers that cover honorable business community, corporate clients and high net worth retail clients.

From January, 2014 edition we are publishing it jointly with our sister concern, International Leasing Securities Limited, with the title of "ILCL-ILSL Monthly Economy and Market Review". This edition covers **Ceramic Sector of Bangladesh** with a snapshot over a stocks defined under the sector in prime bourse.

We believe this publication will be enriched with contribution from ILSL research team and look forward to any advice or suggestions from our readers or any other corner to make it distinguished and complete. Please do not hesitate to contact us to convey your opinion. We are also committed to the readers for any assistance or explanation over any doubt or confusion arises from our publications.

Thanking You-



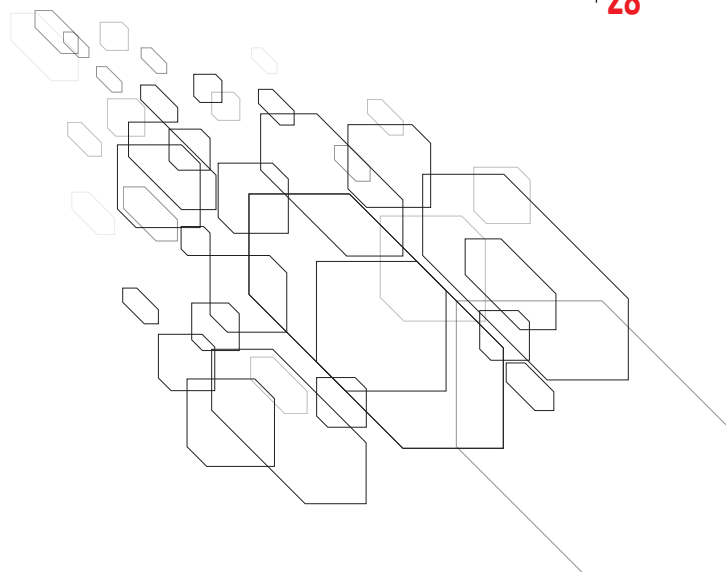
Nehal Ahmed FCA
Managing Director
IL Capital Limited

ILCL-ILSL MONTHLY

Economy and Market Review
December, 2014

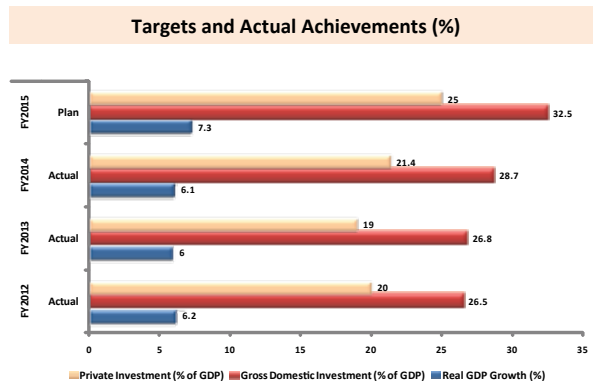
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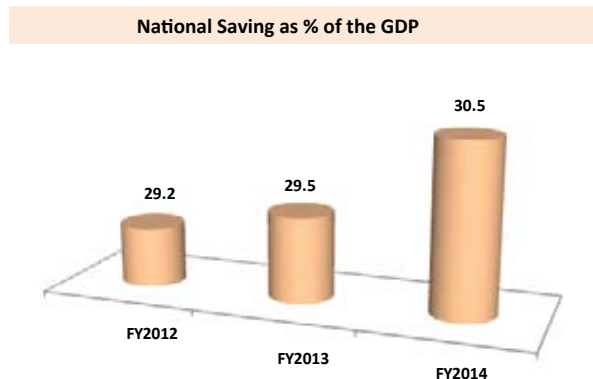
Economy Update

The current fiscal year till the end of December 2014 managed the strength to encounter some economic and political challenges, and brought sustainable improvement in acquiring stability in the arena. The gross domestic product (GDP) settled at 6.1% in FY2014 from 6% in FY2013. The overall **inflation** for the month of November decreased from 6.6% to 6.21% due to a drop in the Food inflation rate from 7.2% in October to 6.4% in the month November. In the Investment arena, the public investment increased from 6.6% of the GDP in FY2013 to 7.3% in FY2014. On the other hand, private investment declined to 21.4% of GDP in FY2014 which remained at 21.8% in the previous fiscal year.



Source: Bangladesh Bank, MoF and IL Capital Research

The demand for **national saving tools** increased from the previous fiscal year and stood at 30.5% of the GDP from 29.5% in FY2013.



Source: Bangladesh Bank, MoF and IL Capital Research

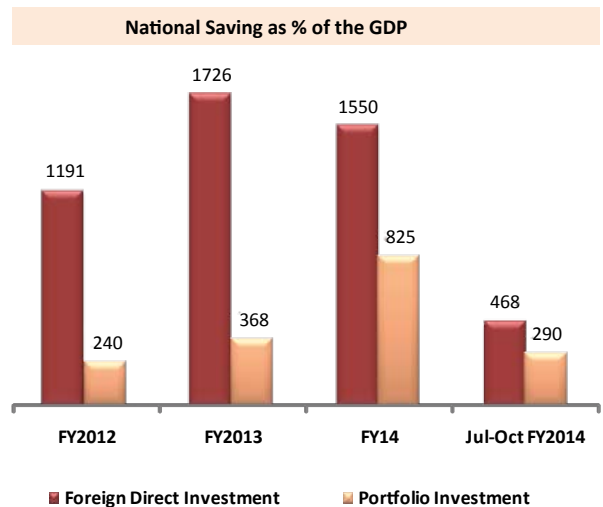
The banking sector over the period faced some troubled time which required it to strengthen its capital base. The banks were able to maintain 11% of risk weighted assets as capital. The **reserve** stood at USD 21.6 billion in November 2014 and classified loan was at 11.6% in the third quarter of FY2014.

Imports stood at USD 3.5 billion in October 2014, indicating a 14.3% y-o-y rise from October 2013. In general, the import figures shoot up to USD 37 billion in FY2014 from USD 23 billion of FY2009, and it is projected that for FY2015, import growth will be over 10%.

On the other hand, **export** earnings for the month of November 2014 remained at USD 2.4 billion, encountering a 9.4% growth over the year. The export figures stood at USD 30 billion in FY2014, against around USD 16 billion in FY2009.

The **remittance** during the first five months of FY2015 was approximately USD 6.2 billion, indicating a 11.4% growth from the previous year. The remittance for the month of November 2014 was USD 1.2 billion, which was USD 1.06 billion in November FY2013.

New investments have been on a declining trend due to the lingering issues of inadequate supply of power and gas. As investors sensed market instability, the **net foreign investment** in the Capital market fell 6.61% in November from October 2014.



Source: Bangladesh Bank and IL Capital Research

Oil Price Fall and Opportunities for Resilient Low Correlated Frontier Markets

Crude oil price is more than 50% down in January 2015 compared to the recent peak in June 2014. A combination of excess supply, slowing demand and strengthening of US dollar has contributed a major part of this fall. Although it had effect on sentiments towards frontier and emerging stock markets, some resilient and low correlated market remained unaffected. MSCI Frontier Markets Index was 11.5% down and MSCI Emerging Markets Index was 10.4% down from June 19, 2014 to January 5, 2015. By contrast Dhaka Stock Exchange, which is the primary bourse of Bangladesh, was 13.8% up during the same period.

Frontier markets are fundamentally more attractive than the emerging markets on the valuation perspective. According to the Bloomberg MSCI Consensus data, return on equity in the frontier market universe could be ca. 18% in 2014, which is almost double of the emerging markets as a whole. Looking forward, valuations could depend on the aggregate growth of the companies listed. As it can be observed from the table below, frontier markets have posted attractive investment opportunities considering the profitability along with valuations.

Indices	Return on Equity	Forward PE
MSCI FMI	18.3%	9.4x
MSCI EMI	9.5%	11.1x

MSCI FMI = MSCI Frontier Market Index
MSCI EMI = MSCI Emerging Market Index

Source: Bloomberg MSCI Consensus, accessed as at December 5, 2014.

Forward looking valuations could obviously depend on the macroeconomic condition of a country. Bangladesh was one of most resilient frontier economy which survived in the global economic slowdown in 2008. Bangladesh is benefited from the strong domestic consumer demands, low labor costs and trade relocation. Some promising and resilient industries posted splendid performance during the global financial crisis period like textiles, pharmaceuticals and leather. Although being an Exporter of RMG/Textiles to the Eurozone, Bangladesh successfully passed through the financial contagion during that period.

GDP Growth by Countries	2006	2007	2008
Bangladesh	6.6%	7.1%	6.0%
India	9.3%	9.8%	3.9%
Indonesia	5.5%	6.3%	6.0%
Malaysia	5.6%	6.3%	4.8%
Philippines	5.2%	6.6%	4.2%
Sri Lanka	7.7%	6.8%	6.0%
Thailand	5.1%	5.0%	2.5%
Vietnam	7.0%	7.1%	5.7%
Singapore	8.9%	9.1%	1.8%
Pakistan	6.2%	4.8%	1.7%

Source: World Bank Data

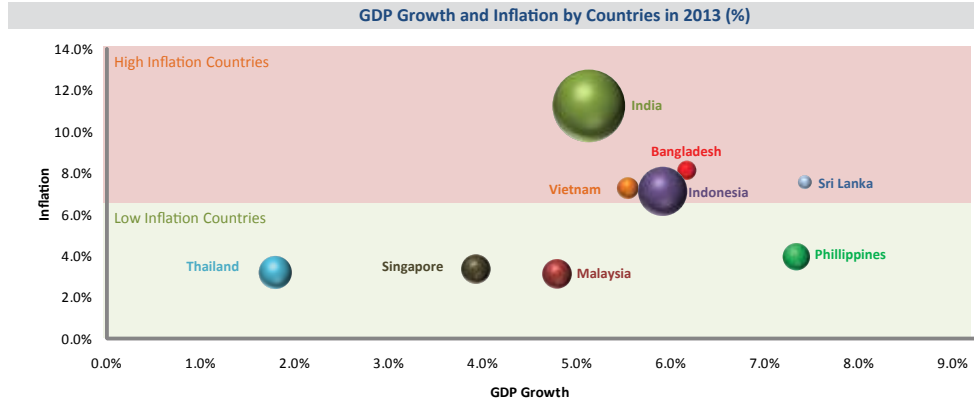
The table above shows that among the regional peers, only Bangladesh, Sri Lanka and Indonesia survived during the global financial crisis. However, this time the situation is a bit different considering the macroeconomic perspectives. The world is not facing a global financial meltdown now, although falling oil price could indicate that it could be a pre-crisis period. However, being a net oil importer Bangladesh could benefit significantly from the significant oil price fall. Reduced fuel cost could reduce the pressure on subsidy and Bangladesh could focus more on the development expenditures along with pragmatic revenue targets. One of the big advantages of the frontier markets is that they have low correlation with the major developed markets. Even if a major stock market correction occurs in the developed markets, some low correlated markets like Dhaka and Karachi could be very less affected.

Indices	MXAPJ	VININDEX	CSEALL	DHAKA	KSE100	S&P500
MXAPJ	1					
VININDEX	0.51	1				
CSEALL	0.38	0.34	1			
DHAKA	0.06	0.03	0.04	1		
KSE100	0.28	0.23	0.09	-0.02	1	
S&P500	0.88	0.51	0.32	0.05	0.29	1

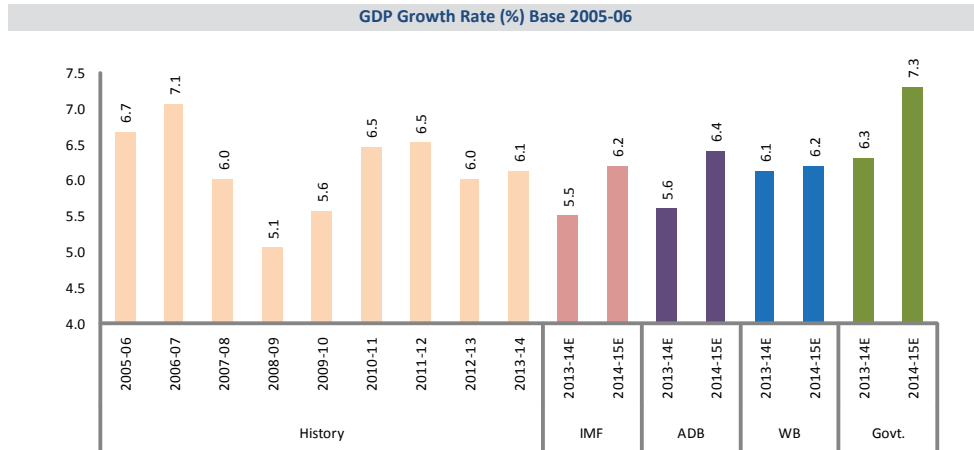
Note: Calculations were made on a monthly basis using data from March 29, 2008 to March 28, 2013
 MXAPJ = MSCI All Country Asia Pacific ex Japan Index
 VININDEX = Ho Chi Minh Stock Exchange
 CSEALL = Colombo Stock Exchange All Share Index
 DHAKA = Dhaka Stock Exchange General Index
 KSE100 = Karachi 100 Index
 S&P500 = S&P 500 Index
 Source: Bloomberg

ADB has predicted that due to oil price fall, GDP growth rate in developing Asia could increase by 50 basis points in the current fiscal year FY2015. As discussed depending on the strong domestic consumptions and low fuel subsidy, Bangladesh could outperform many emerging and developed markets. Since macroeconomic growth of Bangladesh in FY2015 is very positive which is projected by the major development organizations (IMF and ADB), the year 2015 could be a year of cheer for the investors.

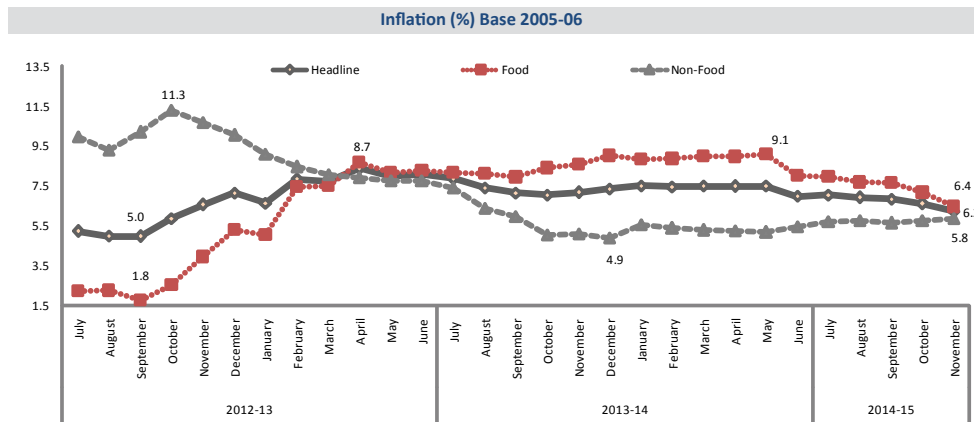
GDP:



Note: Size of the ball represents GDP size (USD in bn) for the respective countries.
 Source: World Bank Data and IL Capital Research



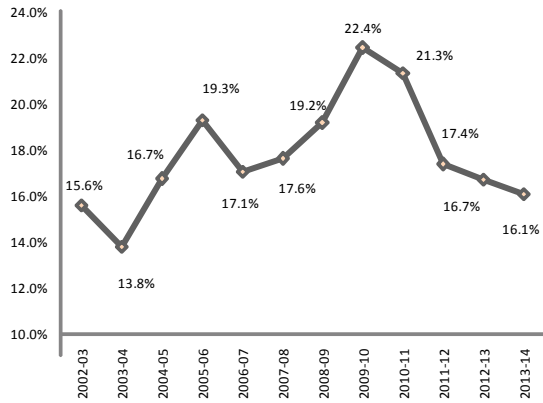
Inflation:



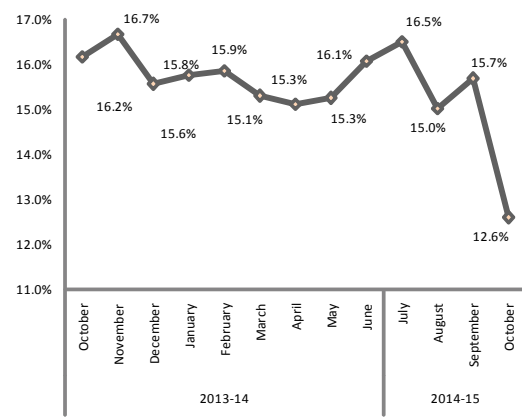
Source: Bangladesh Bank and IL Capital Research

Money Supply:

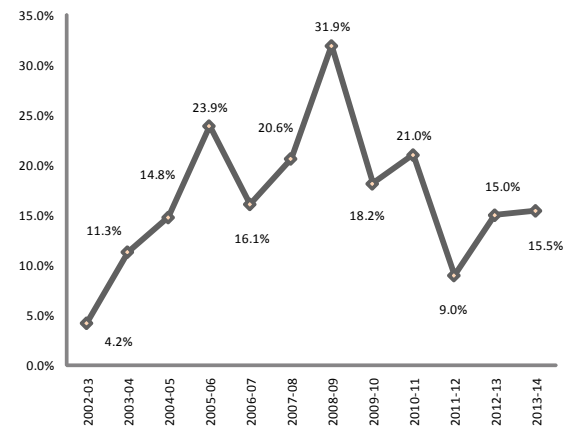
Annual Broad Money Supply (M2) Growth Rate (%)



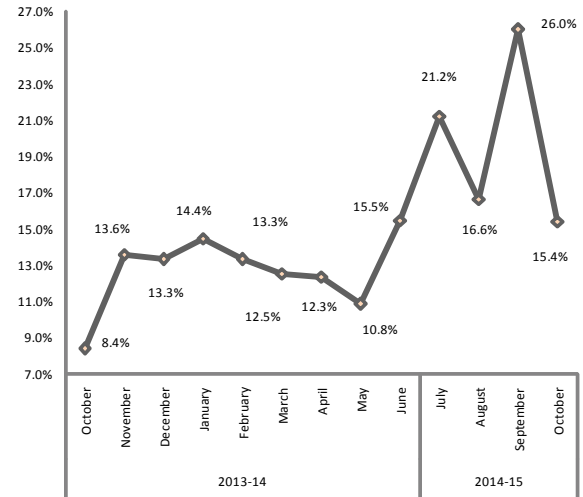
Monthly Broad Money Supply (M2) Growth yoy (%)



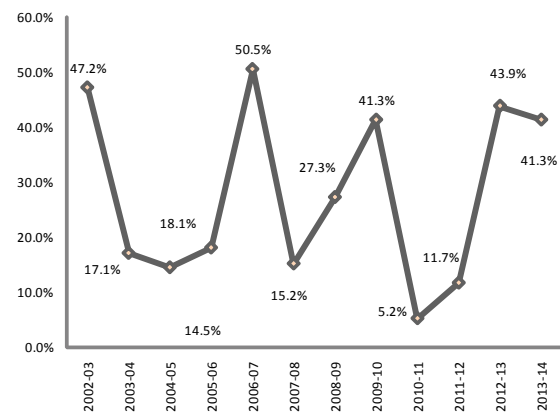
Annual Reserve Money Growth Rate (%)



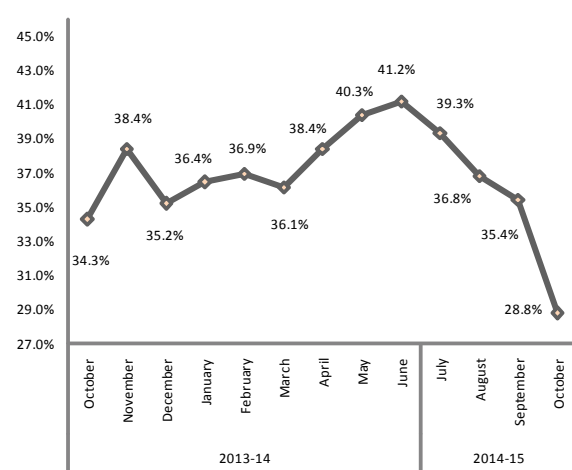
Monthly Reserve Money Growth yoy (%)



Annual Net Foreign Assets Growth Rate (%)

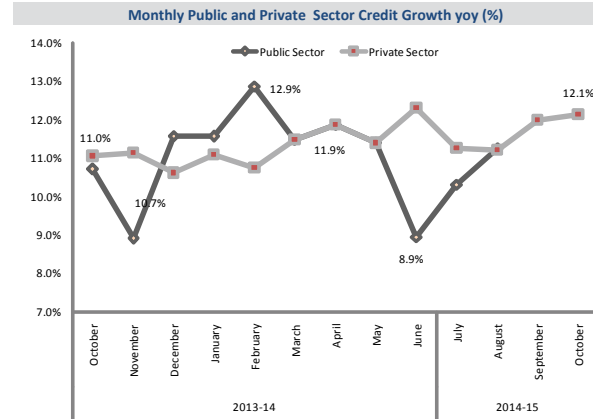
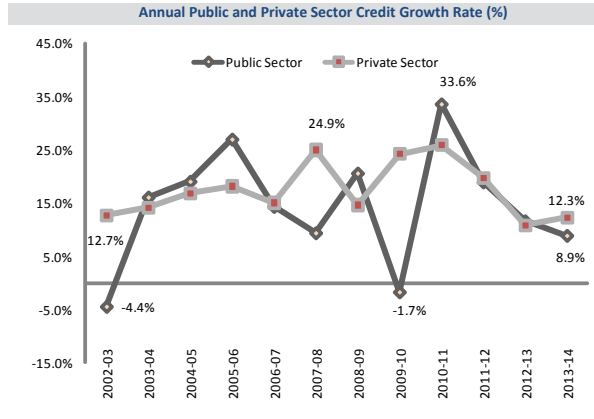


Monthly Net Foreign Asset Growth yoy %



Source: Bangladesh Bank and IL Capital Research

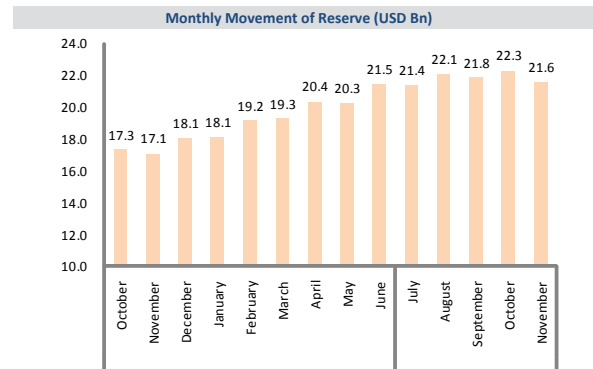
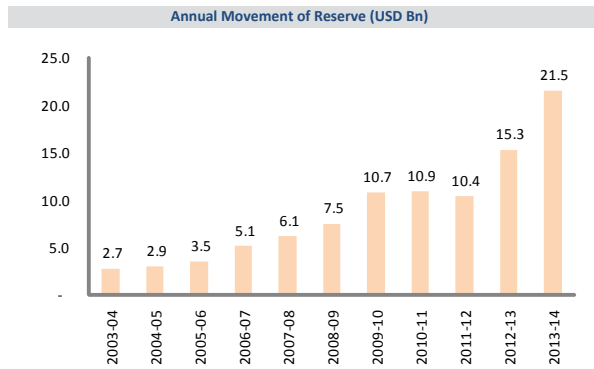
Money Supply (Continued):



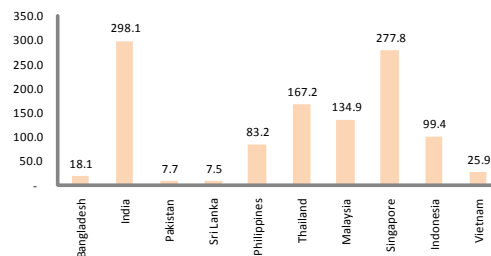
Monetary Aggregates Y-o-Y Growth (%)

Items	Actual			Program		
	FY11	FY12	FY13	May.14	Dec-14	Jun-15
Net Foreign Assets	6.2	7.2	50.4	39.1	30.3	16.8
Net Domestic Assets	24.7	19.3	11.0	9.9	12.4	16.4
Domestic Credit	28.2	19.2	10.9	10.1	13.8	17.3
Credit to the Public Sector (incl. Govt.)	38.3	17.4	11.1	5.3	12.9	24.8
Credit to the private sector	25.8	19.7	10.8	11.4	14.0*	15.5
Broad money	21.4	17.4	16.7	15.2	16.0	16.5
Reserve money	21.0	9.0	15.0	10.8	15.5	16.0

Reserve:

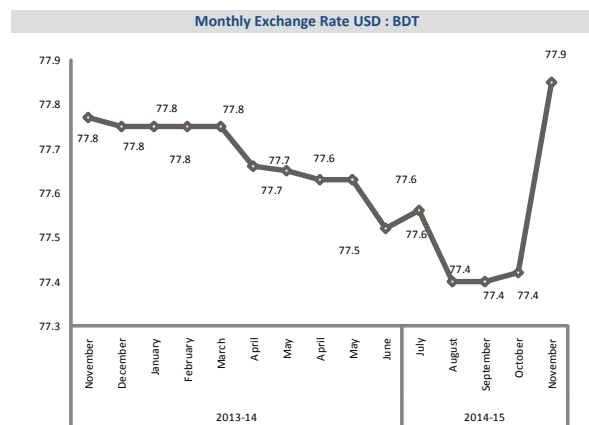
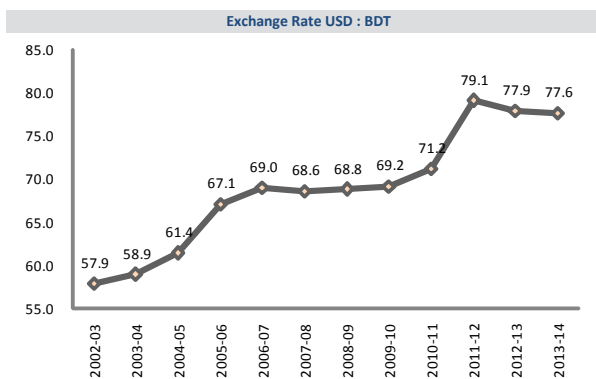


Gross Regional Foreign Exchange Reserve (USD Bn) in 2013

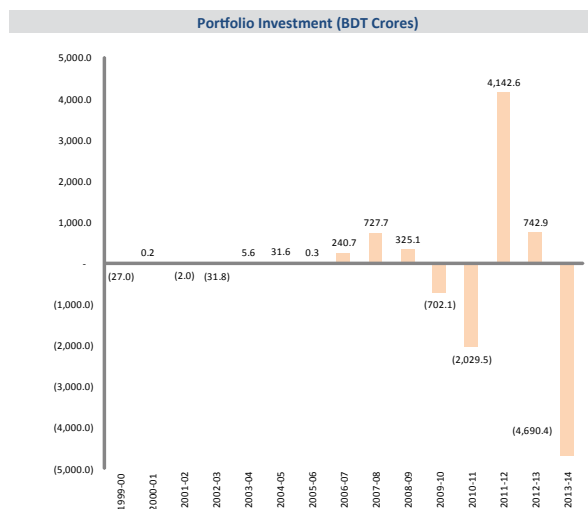
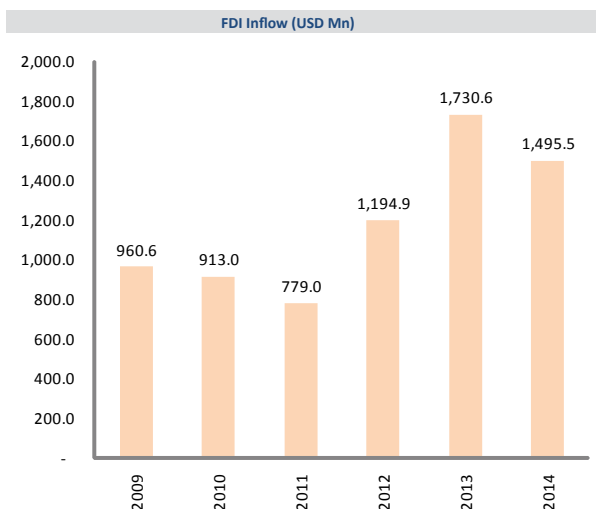


Source: Bangladesh Bank and IL Capital Research

Exchange Rate:

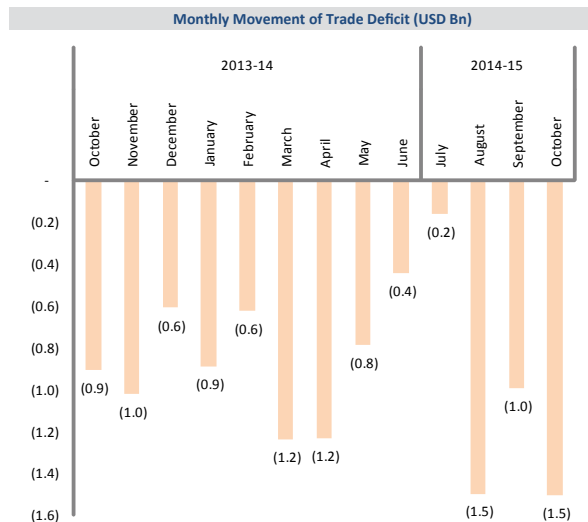
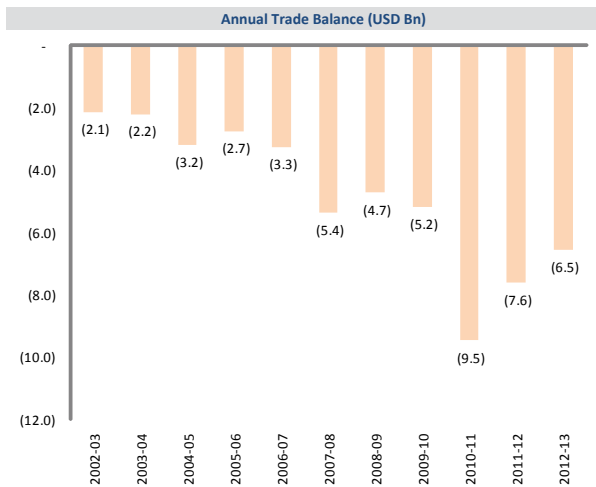


FDI Inflow and Portfolio Investment:



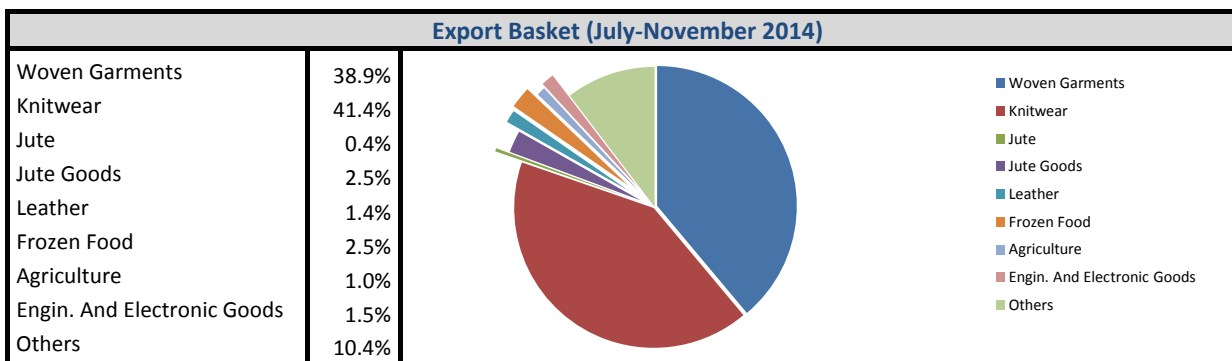
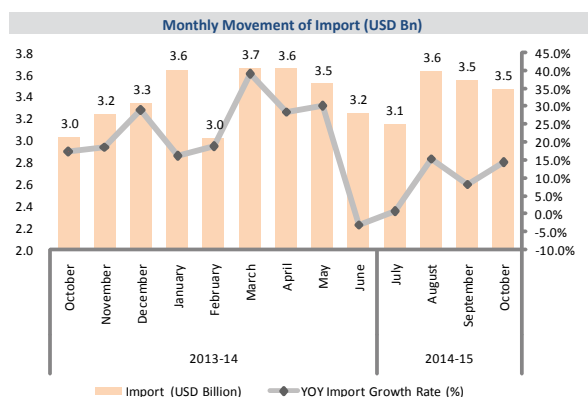
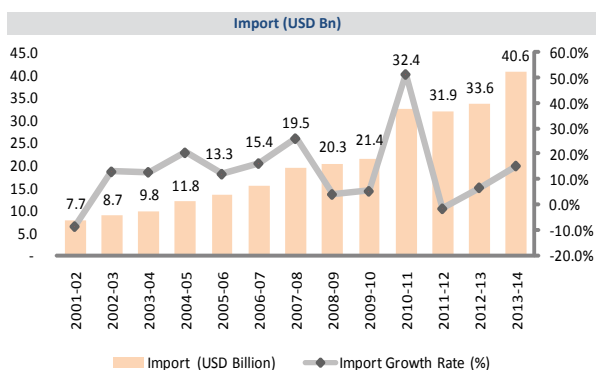
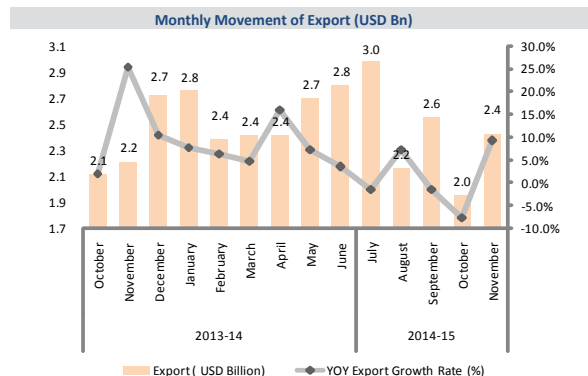
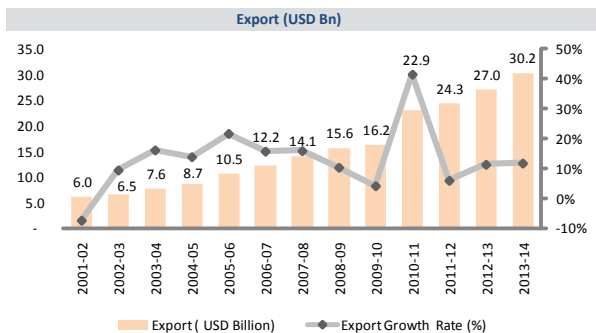
Source: Bangladesh Bank and IL Capital Research.

International Trade:

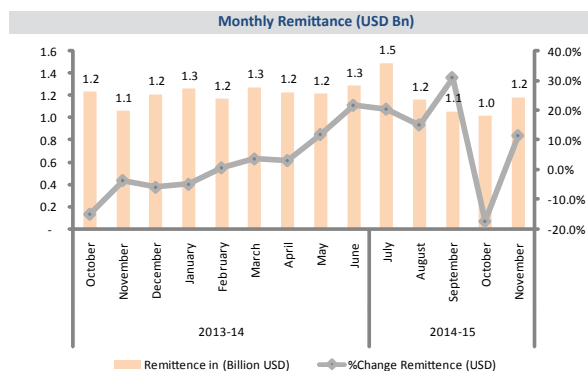
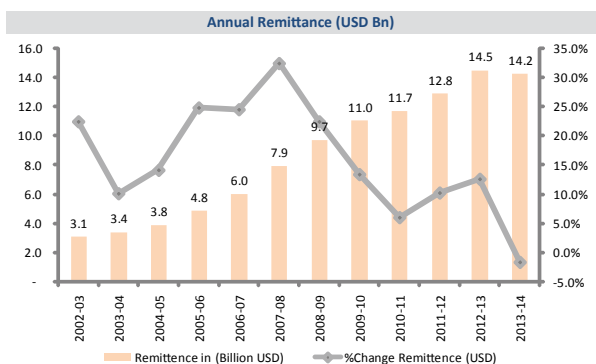


Source: Bangladesh Bank and IL Capital Research

International Trade (Continued):

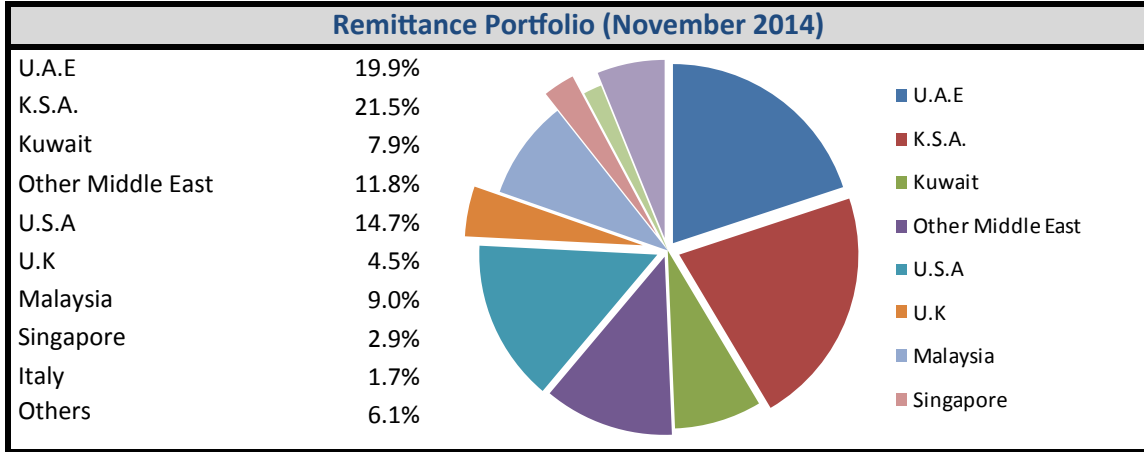


Remittance:

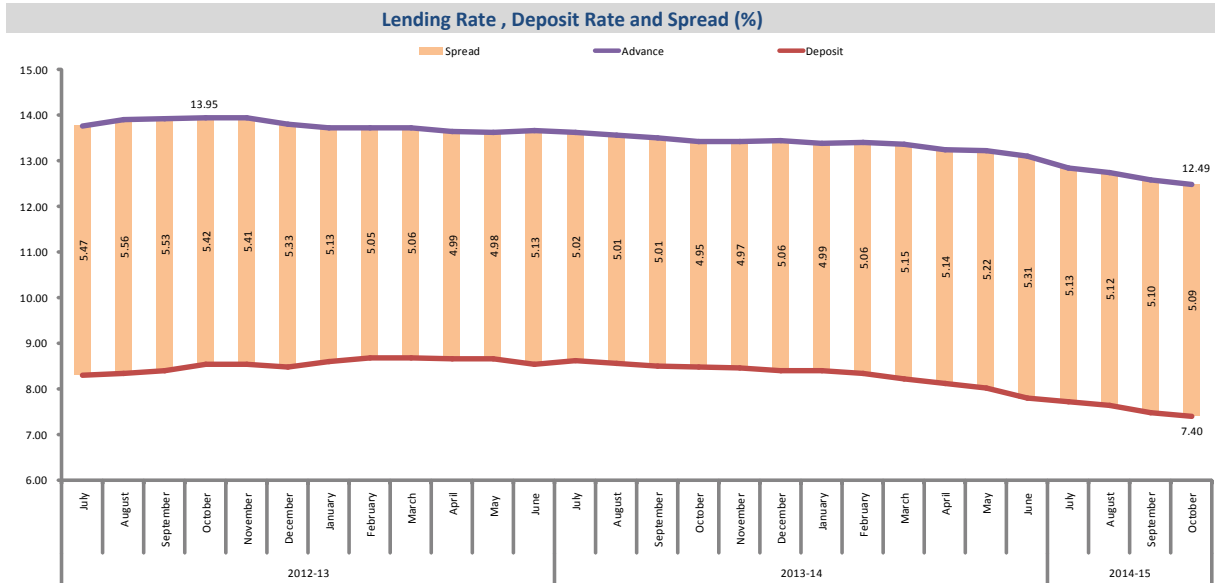
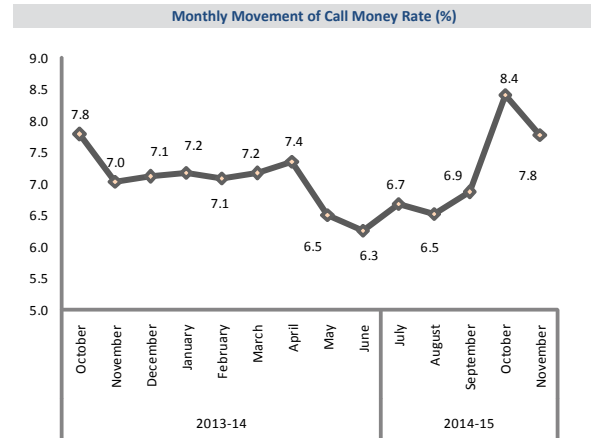
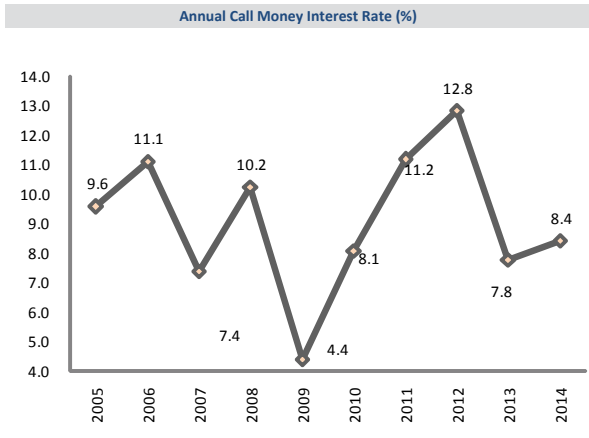


Source: Bangladesh Bank and IL Capital Research

Remittance (Continued):

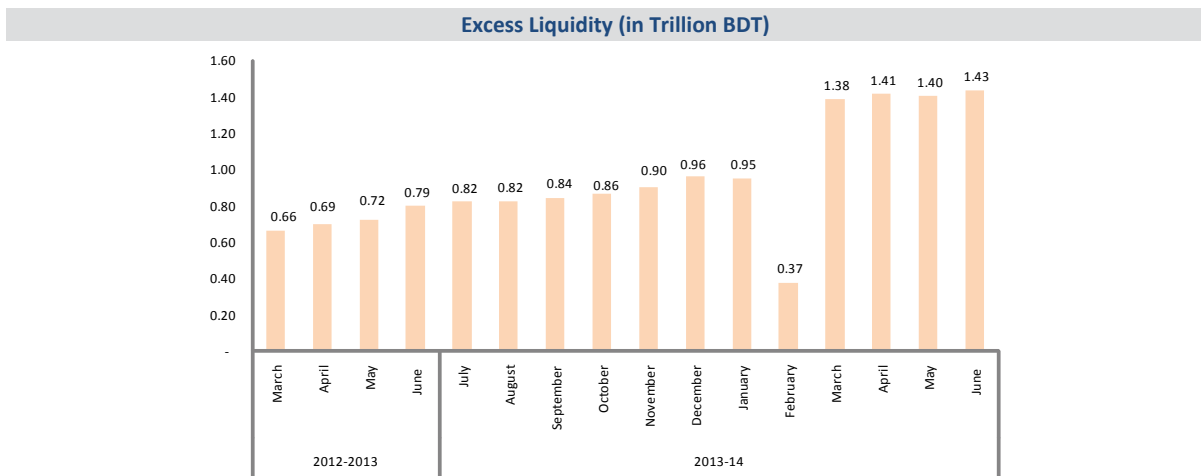
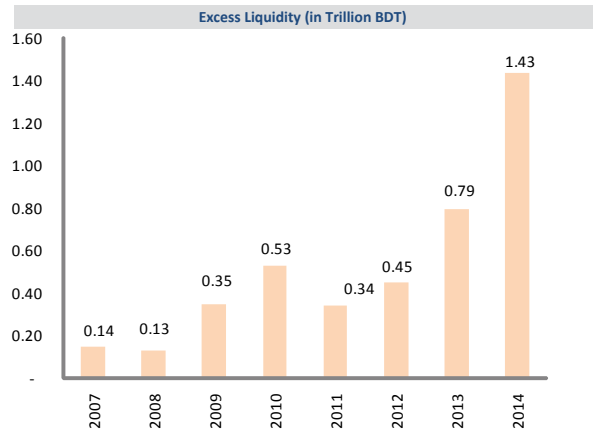


Interest Rate:



Source: Bangladesh Bank and IL Capital Research

Excess Liquidity :



Source: Bangladesh Bank and IL Capital Research



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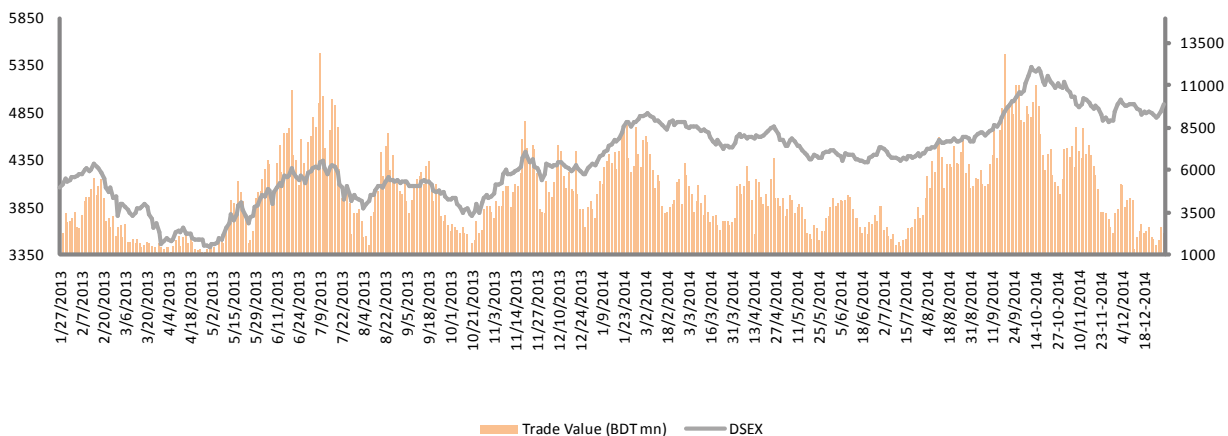
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MARKET UPDATE:

- The benchmark index of Dhaka Stock Exchange (DSEX) gained 14.0% in last twelve months.
- During the month of December 2014, Market (DSEX) closed up by 2%, mainly driven by the up-trend in share prices of Telecommunication, Cements, Ceramics, ITs and Textiles.
- The major sectors that gained during the month of December 2014 were Telecommunication (12.8%), Cements (9.7%) and Ceramics (6.7%).
- On the other hand, the major loser sectors were Foods (-2.0%), Engineering (-1.8%), General Insurance (-1.2%) and NBFIs (-0.8%) in December 2014.
- Among the companies traded in the Dhaka Stock Exchange (DSE), QSMRDYCELL (30.5%), PREMIERLEA (24.4%), ALLTEX (23.9%), JUTESPINN (23.0%) and SHYAMPSUG (22.5%) were the top gainers in December 2014.
- On the other hand, major loser companies were SONALIANSH (-21.9%), KBPPWBIL (-19.6%), KEYACOSMET (-18.2%) and SAIFPOWER (-15.7%) in December 2014.
- During the month of December 2014 the average daily turnover of Dhaka Stock Exchange was down by 51.2% to BDT 2.79bn from BDT 5.72bn in November 2014. Average daily turnover of IT sector increased by 4.5% in December 2014. However, average daily turnover of Fuel & Power, Engineering, Foods and Pharma & Chemicals sector declined by 68.2%, 67.8%, 55.2% and 50.6% respectively in the same period.
- There are sectors who have outperformed DSEX Year-To-Date namely Cements by 100.1%, Real Estate & Services by 67.6%, Telecommunications by 56.7%, Foods by 42.6% and Pharma & Chemical by 29.3% as of December 30, 2014.
- On the other hand, Travel & leisure, Textiles, Insurance, Mutual Funds and Banks have underperformed DSEX Year-To-Date as of December 30, 2014 by 38.1%, 35.4%, 30.8%, 28.0% and 17.6% respectively.
- Market capitalization of DSE increased by 3.2% to BDT 2.69 trillion (USD 34.58 billion) as of December 30, 2014 from BDT 2.60 trillion (USD 33.49 billion) in November 2014.

DSEX and Turnover movement in DSE

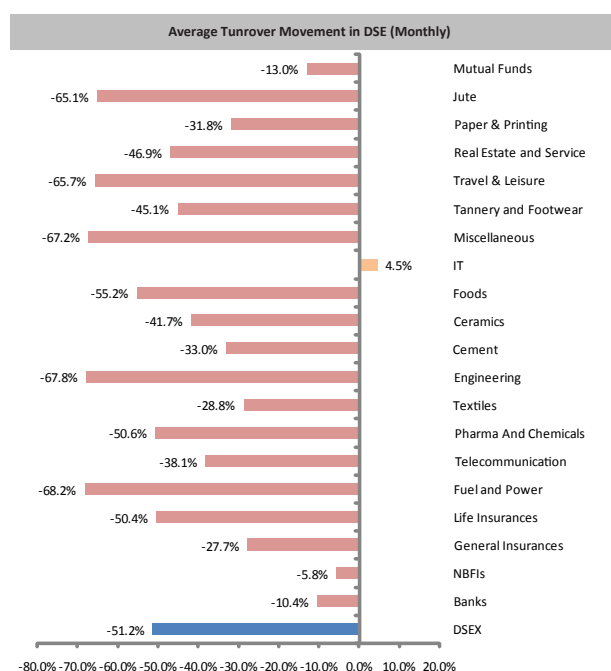
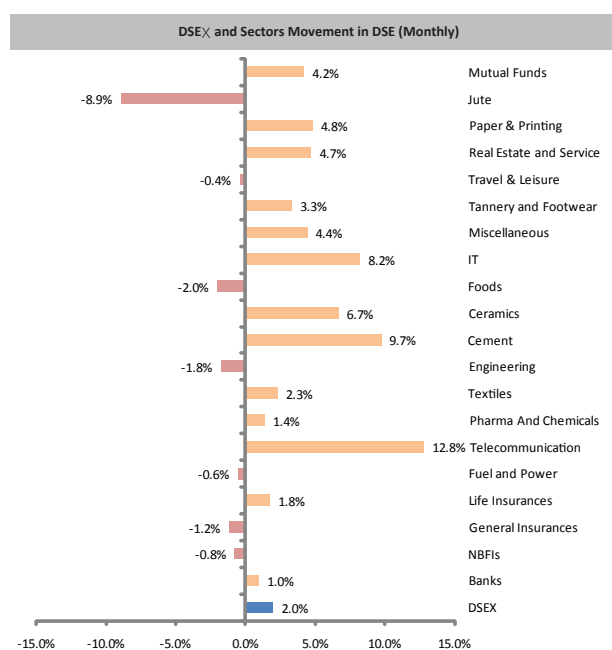


Sources: DSE and IL Capital Research

Market Capitalization of DSE							
Instruments	30-Dec-14			30-Nov-14			Change (%)
	BDT mn	USD mn	Weight (%)	BDT mn	USD mn	Weight (%)	
Equity	2,657,694.1	34,182.6	98.9%	2,574,491.5	33,112.4	98.9%	3.2%
Mutual Fund	30,559.5	393.0	1.1%	29,323.2	377.1	1.1%	4.2%
Total	2,688,253.6	34,575.6	100.0%	2,603,814.7	33,489.6	100.0%	3.2%

Note: Exchange Rate USD 1 : BDT 77.75

Source: DSE and IL Capital Research



Note: Sector movement considers changes in Market Capitalization of the sectors

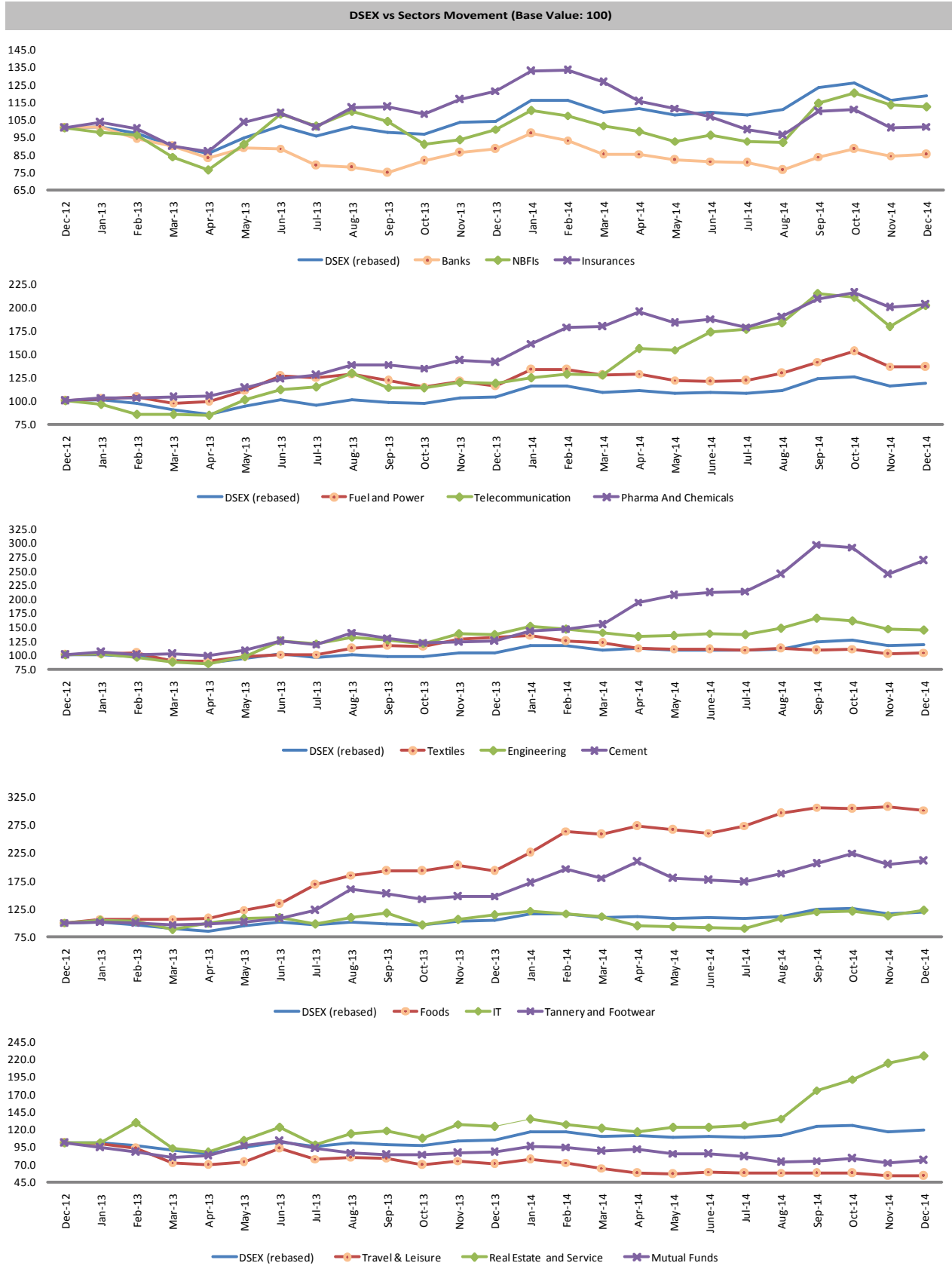
Note: Average Turnover excludes Block and Oddlot Market transaction

Source: DSE and IL Capital Research

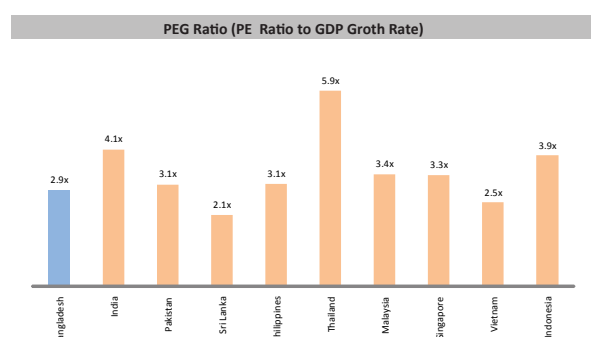
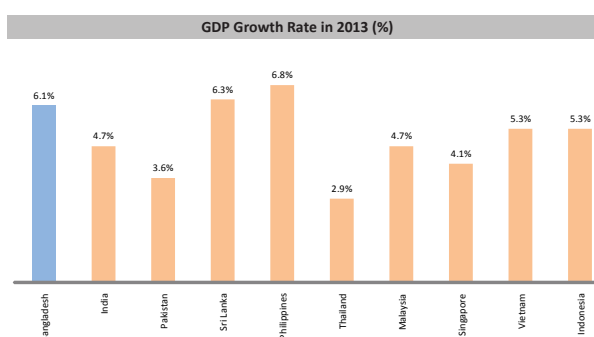
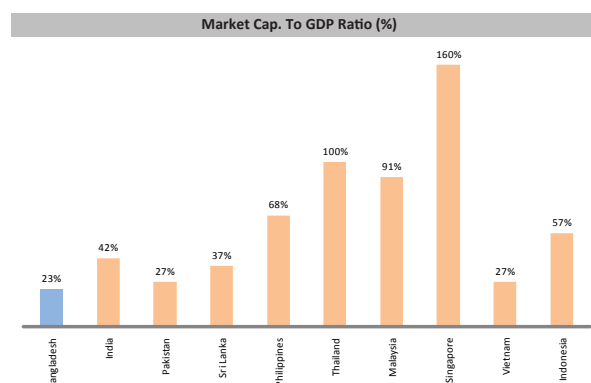
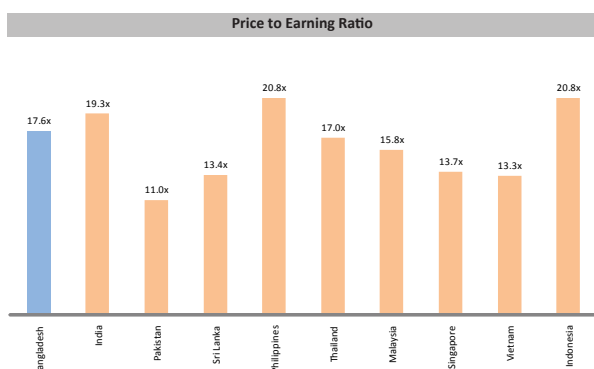
Top Gainers This Month	
1 QSMRYCELL	30.5%
2 PREMIERLEA	24.4%
3 ALLTEX	23.9%
4 JUTESPINN	23.0%
5 SHYAMPSUG	22.5%
6 BEACONPHAR	21.6%
7 BERGERPBL	20.8%
8 MHSML	20.7%
9 ANWARGALV	20.4%
10 MEGCONMILK	20.0%

Top Losers This Month	
1 SONALIANS	-21.9%
2 KBPPWBIL	-19.6%
3 KEYACOSMET	-18.2%
4 SAIFPOWER	-15.7%
5 WMSHIPYARD	-12.6%
6 RSRMSTEEL	-12.5%
7 SHURWID	-11.3%
8 SAFKOSPINN	-9.7%
9 AFTABAUTO	-9.7%
10 ICB1STNRB	-9.5%

Source: DSE and IL Capital Research



Note: The sector Indices are market capitalization weighted indices. Should you require any further clarification over index calculation methodology, please don't hesitate to contact IL Capital Research Team.



PEG ratio = PE ratio of the major stock exchange of the country /GDP Growth of the country in 2013. We assume that listed companies' aggregate earnings growth is reflected in GDP growth rate of the country.

Sources: www.bloomberg.com, www.imf.org, wikipedia.com, DSE and IL Capital Research

- As on December 30, 2014, Bangladesh (DSE) is trading at P/E 17.6x which is lower than that of Philippine (20.8x) India (19.5x) and Indonesia (20.8x). However, Bangladesh (DSE) is trading higher than that of Singapore (13.7x), Sri Lanka (13.4x) and Malaysia (15.8x).
- The PEG (Price Earning Growth) Ratio of Bangladesh as on December 2014 is 2.9x which is lower than that of Singapore (3.3x), Malaysia (3.4x), Indonesia (3.9x) and India (4.1x).

Regional Market Comparables							
Country	Index Symbol	Index Point	52-Week Low	52-Week High	PE Ratio	PEG Ratio	M. Cap (USD bn)
Bangladesh	DSEX	4,865	4.27K	5.37K	17.6x	2.9x	34.6
India	SENSEX	27,482	19.96K	28.82K	19.3x	4.1x	730.1
Pakistan	KSE100	32,315	25.22K	32.32K	11.0x	3.1x	63.6
Sri Lanka	CSEALL	7,298	5.83K	7.56K	13.4x	2.1x	23.9
Philippines	PCOMP	7,230	5.84K	7.41K	20.8x	3.1x	183.8
Thailand	SET	1,497	1.21K	1.60K	17.0x	5.9x	425.5
Malaysia	FBMKLCI	1,761	1.67K	1.90K	15.8x	3.4x	308.9
Singapore	FSSTI	3,365	2.95K	3.39K	13.7x	3.3x	431.0
Vietnam	VNINDEX	545	0.50K	0.65K	13.3x	2.5x	45.8
Indonesia	JCI	5,226	4.16K	5.26K	20.8x	3.9x	493.1

Sources: www.bloomberg.com, www.imf.org, wikipedia.com, DSE and IL Capital Research

We Dig Through The Bottom...



ILSL Research

Dedicated and Qualified Research Team

Uphold Professional and Ethical Manner

Ensure Loyalty and Fair Dealing to Clients

Conduct Investors' Awareness Program on Regular Basis

Exercise Diligence, Independence and Thoroughness in Analysis

CERAMICS INDUSTRY OF BANGLADESH

Bangladesh Ceramic industry took a formal start in this country in 1958. But it started to grow from the late 1990's. In fact, the industry is a development of indigenous pottery arts. Bangladesh achieved tremendous glory for pottery art before being introduced with the ceramic age. However, the industry has passed a long way and now became a huge potential sector for growth.

Ceramics are useful and decorative objects produced from clay by shaping and handing in high temperature. In broader term, ceramics are products that made from a non-metallic mineral hardened at high temperatures. Ceramic products includes but not limited to porcelain, glass, earthenware and white-ware, porcelain enamels, brick tiles and terracotta tiles, refractories, certain abrasives etc.

The ceramics sector of Bangladesh can be categorized into three major subsectors: Ceramic Tableware, Tiles and Sanitaryware. Bangladesh Tableware segment is mostly export oriented but Tiles & Sanitaryware segments mainly serving domestic markets.

To ensure proper quality and standard all ceramic tableware producing units use high quality raw materials in Bangladesh. The machinery and equipment are also modern and conform to the latest technology and standard.

Bangladesh is rightly positioned to expand in ceramics business. Labor intensive nature of the industry makes it difficult for the developed country players to sustain in this competitive market and this is why they started to search for alternative. Availability of skilled labor forces with cheap wages is a blessing for Bangladesh. The country is also enriched in gas. So, the country emerged as a perfectly placed one to be a strategic partner in the production and supply of ceramic ware products to the top branded companies in developed countries like Europe, USA etc.

Production & Consumption

In Bangladesh, currently about 54 tiles & sanitary ware and tableware ceramic manufacturers are now in operation. The modern technological developments in ceramics are now being utilized. High quality bone china is now produced in Bangladesh transferring the technology from Japan.

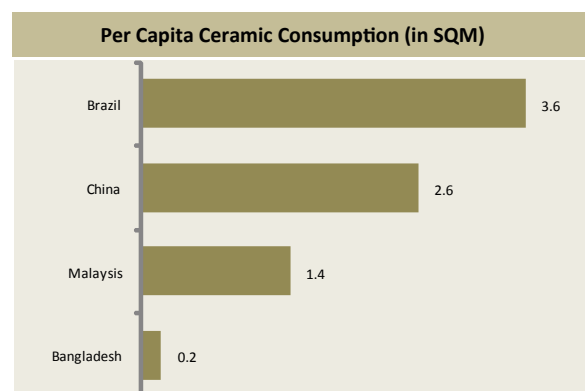
Investment in this sector by local as well as foreign investors already exceeded BDT 50 billion and the market size of ceramic industry currently worth BDT 20 billion.¹

Nearly 75,000 tons of ceramicwares and 40 million square meter tiles are produced by local manufacturers.⁵ Up to FY 2012, domestic table-ware industry had the capacity to serve the BDT 3.0 billion indigenous market. At present, total yearly production capacity of ceramic tableware manufacturing companies stands at 222 million pieces, for ceramic tiles it is 68.7 million square meters and for sanitary ware it is 114 thousand metric tonnes.⁶

In Bangladesh, ceramic tiles manufacturers mainly cater to domestic demands but ceramic tableware manufacturers are mostly export oriented.

On the face of robust growth in demand all the major industry players in both segment like RAK Ceramics, Shinepukur, Monno Ceramic have been expanding their production capacity.

Globally, ceramic products comprising Stone, Porcelain and Bone China Tableware, Tiles and Sanitary ware worth more than USD 41.3 billion out of which Bangladesh possess only 0.97% share. Per capita consumption of ceramics tiles in Bangladesh is miniscule at 0.20 sqm which is enormously low compared to 3.6 sqm in Brazil, 2.6 sqm in China, and 1.4 sqm in Malaysia.



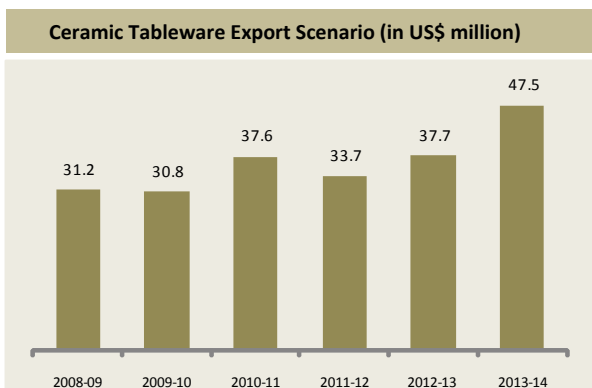
Data Source: Ceramic World Review, WB and Credit Suisse

However, in Bangladesh, the industry is considered to expand promptly in this global market with its skilled and creative human resource base, high quality products and low production cost ratio.

Export Scenario

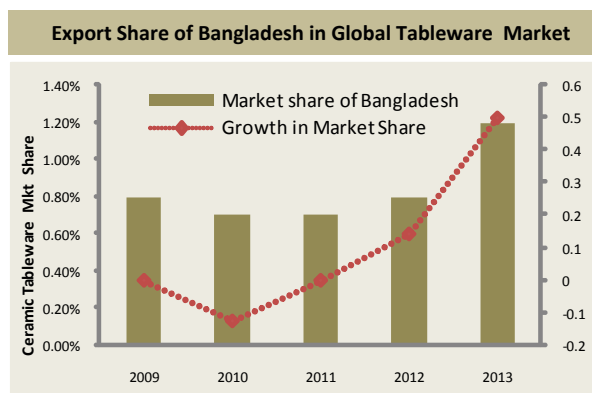
Though the country's entry into ceramic export market is not that old, it has already achieved a good name for its quality products with elegant outfit and design. Competitive advantage in production facility is pushing Bangladesh ahead in the export market.

Bangladesh is now witnessing the industry as a vastly prospective sector for its growing export performances. Total ceramics export stood at USD 47.5 million (BDT 3.7 billion) in FY 2013-14. Whereas it was only USD 1.0 million in 1991 which means that ceramic products registered an average annual growth (CAGR) of 18.3% during the last two decades (from



Source: Export Promotion Bureau & ILSL Research

However, China still holds the lion's share (56.3%) in the ceramics tableware export, followed by Germany (9.1%), UK (3.06%), and France (2.64%) and Indonesia (2.23%) among the top exporters. Bangladesh exports only 1.24% of the total global tableware export. However, the export market share for the country is uprising over the year.¹¹



Source: International Trade Centre & ILSL Research

Ceramic Tableware mainly introduced the country to the international market as an exporter of ceramic products. Of the products manufactured, ceramic tableware are being exported to about 50 countries. Currently, the largest portion of the export goes to Turkey. The US is second to Turkey.³ Besides these, Bangladeshi ceramic ware also exported to UK, Germany, Canada, France, Turkey, Italy, Sweden, Switzerland, Norway, U.A.E, India etc.

Top Importing Countries for Ceramics exported by Bangladesh (In USD '000)			
Importers	FY-2011	% of Total	Growth Over FY-2010
USA	7,191	21.33%	36.92%
Italy	4,021	11.93%	8.47%
UK	3,768	11.18%	15.02%
Turkey	2,989	8.87%	-14.08%
Other Countries	15,742	46.70%	23.63%
Total	33,708		18.49%

Source: International Trade Centre (ITC) & ILSL Research

The US and Canada mainly buys tableware, India, Nepal and Bhutan imports ceramic tiles while Middle East, specially the UAE purchases Sanitaryware from Bangladesh.

Raw Materials for Ceramic Industry

In ceramic manufacturing 35-40% of the total production cost is spent on raw materials. White clay and sand are the prime raw materials of ceramic products. Raw materials for ceramic ware also includes - China clay, ball clay, fire clay, feldspar, aluminum oxide, aluminum hydro oxide, zinc oxide, quarter's plaster of Paris, coloring items and liquid gold.

In Bangladesh, The largest deposit of white clay was first discovered in 1957 at Bijoypur of Mymensingh. Total reserve of white clay from this region is approximately 2.57 million tons. Clay was also found in Jafalong of Sylhet but there is no clay or sand treatment plant at these places.³

There is an acute shortage of raw materials for ceramic goods in Bangladesh and the manufacturers are mostly dependent on import of raw materials from abroad. Other manufacturing countries have their own raw materials which work as a backward linkage to their local industry. Nearly 95% of required raw materials for producing quality and exportable ceramic products are imported. Raw materials are purchased mainly from Japan, Germany, South Korea, New Zealand, India, China, Rumania, Indonesia, Sweden, Finland, Spain, Italy, U.K, France and Germany.

Segment wise Review

A. Ceramic Table-ware

Ceramic tableware sub-sector took a formal start in this country in 1965. The ceramic tableware business in Bangladesh started to boost in Bangladesh from the late 1990's. All the manufacturing operations were set up as an export oriented business.

The products that are being marketed now are: dinner sets, tea sets, coffee sets, soup sets, fruit sets, flower vases, plates, bowls, mugs and various types of souvenir items. Most Bangladeshi ceramic tableware products of are often ovenproof, chill-proof and dishwasher-proof and free from any chemical hazards.

A small number of Ceramic Table-ware manufacturers are now operating in the segment producing high quality products for the international brands. Latest technological advancements and pool of skilled manpower in ceramics are also being utilized. Tajma Ceramic Industries Ltd. was the first ceramic manufacturer in Bangladesh followed by Peoples Ceramic Industries. Bengal Fine Ceramics Ltd. was the first industry in Bangladesh to produce soft porcelain known as 'stoneware'. However, significant breakthrough in international market for Bangladeshi tableware happened in late 1980's by the successful introduction of porcelain tableware by Monno Ceramic Industries Ltd. Now, Shinepukur Ceramics Limited is the leading tableware ceramic producers in Bangladesh holding around 23% of the market share. Other Key players in the tableware sectors are FARR ceramics (with 20 million pieces annual capacity), Paragon Ceramics (21 million pieces annual capacity), Protik Ceramics (15 million pieces annual capacity), Artizan Ceramics (15 million pieces annual capacity), Standard ceramics (4000 MT annual capacity) etc.

B. Ceramic Tiles & Sanitaryware

The country has been experiencing a striking growth in ceramic tiles consumption due to the development of real estate sector and infrastructural facilities. Ceramic tiles once considered as being luxury products in Bangladesh now became a necessary products for Bangladeshi households.

As per the BCWMA data, Currently 20 companies are producing Ceramic Tiles and 16 companies are producing Sanitaryware products on commercial basis in Bangladesh. However, A few ceramic manufacturers dominate the segment producing high quality products.

State-owned enterprise Bangladesh Insulator & Sanitaryware Factory (BISF), which was set up by Bangladesh Chemical Industries Corporation, started producing ceramic tiles and sanitary ware for the first time in Bangladesh since 1977. Madhumati Ceramics Ltd. made the first private investment in this sector during 1993 followed by Taiwan based Fu-Wang Ceramics, UAE based RAK Ceramics. In FY 2013-14, total investment in the ceramic tiles sector was BDT 25 billion.

RAK Ceramics (Bangladesh) Ltd. brought a drastic change in the tiles industry and now owns one-fourth of the domestic market share. The plant's standard capacity is 8.03 million square meter tiles per annum and 1.10 million sanitary-ware pieces per annum. Other major players in the tiles segments are Great Wall Ceramics (7.5 million sqm annual capacity), Mir Ceramics (7.25 million sqm annual capacity), Star Ceramics (22,500 square meter per day), Akij Tiles (7.5 million sqm annual capacity), X-Ceramics (5.0 million sqm annual capacity), China-Bangla Ceramics (4.5 million sqm annual capacity), Fu-Wang Ceramics (4.37 million sqm annual capacity with 53% utilization), Hua-Thi Ceramics (3.0 million sqm annual capacity) etc.⁷

As per the BCWMA data, total sales of tiles were BDT 24.25 billion in 2013-14, within which BDT 18.5 billion (76.3%) were from domestic producers. Sales of imported tiles were BDT 5.75 billion which is 23.7% of total sales in the same financial year.

Industry Characteristics

- High capital expenditure is a critical feature of the industry. A medium scale ceramic plant needs around one billion taka in initial investment, and that is why Bangladesh has only few such tableware manufacturers.
- 24 hours high voltage (380 degree temperature) uninterrupted power and gas supply is required in a ceramic tableware factory. Temperature reduces in low power voltage or gas pressure. If the temperature falls it takes at least 12 hours to bring back to the preceding level. A low heat in any plant causes fault to color and quality.
- To harness power during the shortfall period manufacturers use diesel-run generators, but due to high oil prices it became very expensive. For running high cost generators, the prices of the products also rise and thus the industry loses competitiveness in world market.

Competitive Structure of the Industry

The threat of new entrants in the industry: The capital requirement for ceramics industry is often high. Moreover, the industry players still cannot utilize full capacity. Since products are diversified in nature, design, quality and utilization, its switching cost for the customer is low. So, the chance of entering new participants in the sector in near future is quite **low**.

Bargaining power of buyers: The local manufacturer's aims at competitive pricing to attract and retain customers from low-priced imported ceramic goods. Most ceramic manufacturers have focused on exports. As the number of buyers, both in local and international market is growing, the bargaining power of buyers is **weakening**.

Bargaining power of suppliers: Nearly all the raw materials for ceramics business are imported. Since in Bangladesh, there is a shortage of raw materials, equipment and machineries for ceramic industry, it gives the supplier more leverage in bargaining the price. But the supplier base of ceramic sector is moderately large enough to **weaken** the supplier power.

Threat of substitute products: The demand for low-priced, attractive and convenient substitutes of ceramic tableware such as melamine wares, aluminum wares, steel kitchen wares, glass wares and plastic wares are rising, which is increasing the threat for substitute products in tableware segment. However, the tiles industry is still in growing stage in Bangladesh and taking place of Mosaic. Hence, the availability and low cost of substitutes is not exerting competitive pressure and for this reason threat of substitute products is quite **low**.

Degree of competitiveness within the industry: The competing local manufacturers are active in making fresh moves to improve their market standing and business performance. However, increment in the number of new plants, capacity development, product development and market expansion by ceramic ware manufacturers are still low compared to the robust growth in demand both in export and local market. Plenty growth opportunities in this industry makes the rivalries among the existing companies **weak**.

Ceramics Industry Prospect in Bangladesh

- **Export growth potential:** As demand for ceramic goods is going up globally, country's big players are now eyeing the export market. High quality of products has rewarded Bangladesh a niche market in the developed world. Ceramic units are having robust growth performances (12%-15% per year) belying all earlier speculations.⁹
- **Cheap labor price drives the growth:** Labor intensive nature of the industry makes it difficult for the global economics to remain competitive in the ceramics industry due to rising labor cost and increasing financial instabilities. Bangladesh, with its positioning as a cheap labor-cost economy, is poised to grasp the growth potential among the emerging economies.
- **Availability of natural gas:** The country is enriched in gas. The natural gas that is used in the kilns (boilers for ceramics) of the Bangladeshi ceramic industry does not contain any Sulphur and that is why the country's ceramic products look brighter.
- **Product diversity:** Bangladesh has been manufacturing tableware for the last five decades, but the country has diversified the industry with its famous pottery, a heritage of more than two millenniums.
- **Demographic factors:** Bangladesh is a country of 160 million people. According to the World Bank data, the annual population growth of Bangladesh in 2013 was 1.2% and death rate per 1000 people was 5.7 as of 2012. Therefore, with the growth in population and their purchasing power the demand for every type of ceramics products are growing as well.

Impediments to the Growth of Ceramics Industry in Bangladesh

Despite having a prosperous future ahead, the ceramics industry faces several obstacles coming its way.

- **Power shortage leading to low productivity and export loss:** Looming gas crisis seems to deprive the sector of a smooth rise. Low voltage of electricity and low gas pressure results in decline of output consequently resulting to loss of export earnings. Shortage of gas hits the production of the ceramic industry.

Uncertainty of getting uninterrupted power supply is biggest threat to this industry which is discouraging foreign investment as well.

- **Cheap foreign goods and heavy import duty on raw materials are hindering the growth:** Although local ceramic industry has carved a niche in the world market, its domestic market share for tableware segment is shrinking day by day, due to pervasive import of low-priced foreign goods. Hefty duty on imported raw materials, comparatively lower duty on imported finished products and high price of gas are the main obstacles to the growth of domestic ceramic industry.
- **Heavy tariff on gas and duty on raw materials:** As per Ceramic Asia report in 2012, average gas tariff is Tk 2/cubic metre for fertilizer factories, Tk 5.13/cubic metre for ceramics factories and Tk 3.5/cubic metre for gas-based power plants. Import duty on purchase of certain raw materials is also high. The industry players urged the government to lower the import duty on ceramic raw materials.

Suspension of GSP facility

The GSP facility for Bangladesh exports in US market has been suspended in June 2013. Around 35-40% of the country's export is destined to the US market. Bangladesh used to export ceramic table wares, furniture, toys, plastic materials, tents, tobacco products etc., under the GSP facility meant for the least developed and developing countries.

However, exports of ceramic goods moved up by 26% in FY 2014 as it showed resilience even after the suspension of Generalized System of Preferences (GSP) by the government of US. Diversified product base coupled with competitive prices aided the sector boost export to the US, the European Union and other countries as well.

Demand of Bangladeshi ceramic products in the US, the EU and other countries has been increasing progressively, helping export to rise. Outstanding performance in foreign markets helped the country raise export, despite nominal growth in US. Exports will increase more in the coming years as the government has reduced import duty on a few raw materials.

Ceramics Sector in the Capital Market

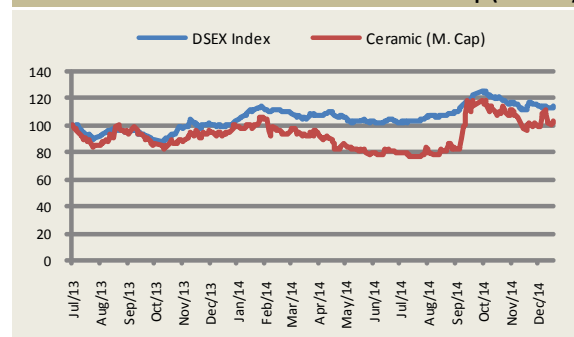
The Ceramics sector represents 0.8% of total market capitalization in Dhaka Stock Exchange (DSE). 5 Ceramics (Tiles, Sanitary & Tableware) companies are currently listed to the country's prime bourse.

Ceramics sector in DSE		
Ticker	Product type	Sectorial Weight
RAKCERAMIC	Tiles & Sanitary ware	82.61%
SPCERAMICS	Porcelain & Bone China	8.55%
FUWANGCER	Floor Tiles and Glazed wall tiles	4.68%
MONNOCERA	Porcelain, Bone China & Ivory China	2.93%
STANCERAM	Stoneware & Tableware	1.23%

Ceramics sector in DSE	
Market Capitalization of Sector (BDT bn)	23.9
Market weight of Sector (based on Market Cap)	0.77
3-month Average Turnover (BDT mn)	66
3-month Return	-14.2
Ceramics Sector Trailing P/E	32.2
Ceramics Sector Forward P/E	34.9
Ceramics Sector P/B	1.6
Ceramics Sector ROE	4.60%
No of Listed Stocks	5

Source: ILSL Research

Movement of DSEX & Ceramics Sector Market Cap (rebased)



Source: DSE & ILSL Research

With the ever increasing population of the country, infrastructure and purchasing power of the people and the continuous development within this industry, the Ceramics companies can expect to grow further in the years to come.

Sources: 1 Daily Prothom Alo, 2. Ceramics Asia, 3 Export Promotion Bureau (EPB) statistics, 4. Company annual reports, 5. Business Outlook BD, 6. Dhaka Tribune, 7. Company Website, 8. The Daily star, 9 The Financial Express., 10. BCWMA, 11. ITC, 12. Banglapedia.

RAK Ceramics (Bangladesh) Limited

Company Overview

RAK Ceramics (Bangladesh) Limited, was incorporated in 1998 as a UAE-Bangladesh joint venture private company. It started its commercial production on 12 November, 2000. It is engaged in manufacturing and marketing of ceramics tiles, bathroom sets, gres porcellanato and all types of sanitaryware.

RAK's products include varieties of ceramic wall and floor tiles, decors, listellos, pencils, cappings, border and corners. The company has over 1000 models active in the ceramic and porcelain tile business and has over 40 models of sanitaryware of various bathroom utility and luxury products. The plant standard capacity is 22,000 square meter tiles per day & 8.03 million sqm per annum and 3,400 pieces of sanitaryware per day and 1.10 million pcs per annum.

Revenue for RAK Ceramics comes mainly from Ceramic and Gres Porcelain tiles (63%), and Sanitarywares (35.3%). Décor/Border also contributes 1.7% of RAK's revenue. Currently the company has two subsidiaries namely RAK Pharmaceuticals Pvt. Ltd (holding 55% share) and RAK Power Pvt. Ltd (holding 57% share). RAK ceramics also has three associates where it holds 47% share in RAK Paints Pvt. Ltd., 35% in RAK Security Services (Pvt.) Ltd. and 20% share in RAK-Mosly (Bangladesh) Pvt. Ltd.

According to its latest annual report it is the market leader in the ceramic tiles and sanitaryware products holding 25% & 67% market share respectively. About 99.6% production is consumed in local market and rest 0.4% is exported. About 90% of raw materials are imported.

The company was listed in DSE and CSE in 2010 under Book building method. At present, 77.82% of total shares of RAKCERAMIC are held by the sponsors/directors 10.45% by institutional investors and rest 11.73% by general public.

Investment Insight

- RAK Ceramics plans to increase annual capacity by 3.5 million sqm of tiles from the current 8.03 million sqm (43.58% escalation) and by 0.35 million pieces of sanitaryware from 1.1 million (31.82% enhancement). For implementing these plans RAK envisaged capex of BDT 1,800 million for the tiles plant and BDT 270 million for the sanitaryware facility within next two years. These capacities are expected to come on stream within the next two year as expressed in the company's annual report 2013.
- The BoD has approved the divestment of its 55% shareholding of RAK Pharmaceuticals Pvt. Ltd. at Bdt 7 per share. The concern incurred BDT 277.1 million net loss in 2013 compared to BDT 291.2 million net loss in year 2012. (Source: DSE News)
- As per the news published in DSE news in May 2014, the Company has decided to purchase two new polishing machine and two sets of new mold for replacement of the old ones with an estimated cost of BDT 23.42 million (USD 300,000) and BDT 4.91 million (EURO 45,000) respectively.
- About 90% of raw materials are imported. High dependency on imported raw material creates input sourcing risk.

DSE: RAKCERAMIC
BLOOMBERG: RAKC:BD

Company Fundamentals as of December 30, 2014

Market Cap (BDT mn)	19,436.3
Market weight	0.7%
No. of Share Outstanding (in mn)	336.9
Free-float Shares	22.2%
Paid-up Capital (BDT mn)	3,369.0
3-month Average Turnover (BDT mn)	52.9
3-month Return	-15.4%
Current Price (BDT)	57.7
52-week price range (BDT)	40.4-71.1
Sector's Forward P/E	35.5

	2011	2012	2013	2014 (9M ann)
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Financial Information (BDT mn):

Sales	4,580	4,908	5,169	5,554
Operating Profit	995	925	971	931
Profit After Tax	757	608	682	566
Assets	7,742	8,290	8,990	9,078
Long Term Debt	168	140	113	112
Equity	5,497	5,660	5,842	5,753
Dividend (C/B)%	15/10	15/10	15/10	-

Margin:

Gross Profit	41.2%	39.6%	40.6%	40.7%
Operating Profit	21.7%	18.8%	18.8%	16.8%
Pretax Profit	21.0%	17.5%	18.3%	16.8%
Net Profit	16.5%	12.4%	13.2%	10.2%

Growth:

Sales	14.2%	7.2%	5.3%	7.4%
Gross Profit	25.4%	3.0%	7.9%	7.9%
Operating Profit	32.1%	-7.0%	4.9%	-4.0%
Net Profit	24.8%	-19.7%	12.2%	-17.1%

Profitability:

ROA	10.2%	7.6%	7.9%	6.3%
ROE	14.3%	10.9%	11.9%	9.8%

Leverage:

Debt Ratio	5.6%	4.9%	5.4%	4.9%
Debt-Equity	7.9%	7.2%	8.2%	7.7%
Int. Coverage	16.2	22.9	21.7	21.4

Valuation:

Price/Earnings	25.7	32.0	28.5	34.3
Price/BV	3.5	3.4	3.3	3.4
EPS (BDT)	2.2	1.8	2.0	1.7
NAVPS (BDT)	16.3	16.8	17.3	17.1

Price Movement (BDT) Since Listing



Source: Annual Report, the Financial Express, the Daily Star, ILSL Research

Fu-Wang Ceramics Industry Limited

Company Overview

Fu-Wang Ceramics Industry Limited was incorporated in 1995 as a private limited company and converted as public limited company in 1998. It is engaged in manufacturing and marketing of floor tiles and glazed wall tiles.

The company generates revenue only from tiles sales. In 2013-14, 99.7% of the revenue derived from local sales and only 0.3% of the revenue generated from export sales. Fu-Wang Ceramics has 76 distributors all over the country. The company has annual production capacity of 47 million square feet and 53% of the capacity has been utilized in year 2013-14.

The company was listed in DSE and CSE in 1998. At present, 19.35% of total shares of Fu-Wang Ceramics are held by the sponsors/directors, 28.39% by institutional investors, 0.02% by foreign investors and rest 52.24% by general public.

Investment Insight

- The company purchased a digital printing machine for modernization of production and quality improvement of tiles. Annual production of the machine is approximately 8 million sqf tiles and annual increase in sales will be BDT 16 million. The cost of the machine is EURO 250,000. The company has already started trial production of the machine. As per the DSE news on September 2014, the company has decided to sign a contact with a Spanish company for import of another digital printing machine at a cost of EURO 250,000 as CNF Value.
- The company introduced 16 different sizes, designs, and colors of tiles during the FY 2013-14.
- As per the annual report of the company, GoB has not yet lifted the embargo on extracting clay from the company's leasehold mine. However, as per High Court's order the company is extracting clay from its own mine.
- Revenue as well as net profit decreased from 2011-12 to 2013-14 as the company could not increase sales price since July 2011, though annual average cost increased in all types of input by around 10-15%.
- The company has exposure to foreign exchange risk with purchase of its raw materials.

DSE:FUWANGCER
BLOOMBERG:FUWC:BD

Company Fundamentals as of December 30, 2014

Market Cap (BDT mn)	1,422
Market weight	0.04%
No. of Share Outstanding (in mn)	93.1
Free-float Shares	81%
Paid-up Capital (BDT mn)	931
3-month Average Turnover (BDT mn)	9.8
3-month Return	-5.0%
Current Price (BDT)	14.6
52-week price range (BDT)	12.9 - 21.5
Sector's Forward P/E	35.5

	2011-12	2012-13	2013-14	2014-15 (Q1 Ann)
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Financial Information (BDT mn):

Sales	744	739	693	568
Operating Profit	116	84	67	45
Profit After Tax	110	55	41	39
Assets	1,312	1,420	1,396	1,427
Long Term Debt	42	51	66	73
Equity	1,019	1,074	1,115	1,125
Dividend (C/B)%	0/10	0/10	0/10	-

Margin:

Gross Profit	28.1%	24.7%	23.7%	27.8%
Operating Profit	15.6%	11.3%	9.7%	8.0%
Pretax Profit	19.1%	10.9%	7.8%	9.4%
Net Profit	14.7%	7.4%	5.9%	6.8%

Growth:

Sales	22.4%	-0.7%	-6.3%	-18.0%
Gross Profit	18.5%	-12.9%	-9.9%	-3.7%
Operating Profit	21.5%	-27.9%	-19.9%	-32.2%
Net Profit	62.2%	-49.8%	-25.3%	-5.8%

Profitability:

ROA	9.0%	4.0%	2.9%	2.7%
ROE	11.4%	5.3%	3.8%	3.5%

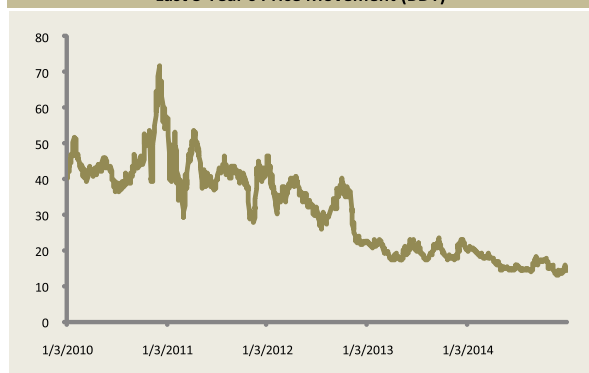
Leverage:

Debt Ratio	12.9%	13.6%	14.9%	16.6%
Debt-Equity	16.6%	18.0%	18.7%	21.1%
Int. Coverage	11.6	10.9	3.9	-

Valuation:

Price/Earnings	12.4	24.7	33.1	35.1
Price/BV	1.3	1.26	1.22	1.21
EPS (BDT)	1.2	0.59	0.44	0.42
NAVPS (BDT)	11.0	11.5	12.0	12.1

Last 5 Year's Price Movement (BDT)



Source: Annual Report, the Financial Express, the Daily Star, ILSL Research

Shinepukur Ceramics Limited

Company Overview

Shinepukur Ceramics Limited was incorporated in 1997 as a private limited company under the umbrella of Beximco Group. It started its commercial operation on 1999 and converted into a public company on May 2008. It is engaged in manufacturing and marketing of high quality Porcelain and high value added Bone China Tableware, which it sells in the local as well as international markets.

Export sales remained as the key revenue driver with 90% of the total revenue contribution in 2013. The client portfolio of the company now includes world renowned tableware companies in USA, Canada, UK, Germany, France, Italy, Japan, Sweden, Norway, Denmark, Finland, Spain, Poland, Mexico, Brazil, Chile, UAE, Australia, New Zealand, Turkey, India, Egypt, Russia etc.

Porcelain Plant has a capacity of 15 MT per day production that sum up to 18 million pieces annual production. The company is located inside the Beximco Industrial Park – spread across 21 acres of land area – near to DEPZ in the outskirts of the capital city of Dhaka.

The company was listed in DSE and CSE in 18 November 2008 under the DSE and CSE direct Listing regulation 2006. At present, 50% of total shares of SPCERAMICS are held by the sponsors/directors, 8.68% by institutional investors and rest 41.33% by general public.

Investment Insight

- The Company made Investment of BDT 817.92 million (US\$ 10 million) up to year 2013 to expand its Bone China Unit. Total investment in this project will be BDT 1,100 million. After implementation of the project the production of Bone China will increase by 4.5 MT per day and turnover will enhance by BDT 750 million.
- Shinepukur was the first company in the entire sub-continent to introduce Bone China technology and products and that became possible with the direct technology transfer from NIKKO Company of Japan, the leading Bone China producer.
- The company received the prestigious “Asia’s Most Promising Brand 2013” award at the Asian Brand & Leadership Summit 2013, Dubai.
- SPCERAMICS is an export oriented company. High reliance on export earnings creates exposure to foreign exchange risk.
- Current market condition allowed increased competition that could lead to downward pressure on sales prices and profit margins, if the company becomes unable to mitigate the competitiveness by efficient production, continuous innovation and wider distribution.

DSE: SPCERAMICS
BLOOMBERG:SCL:BD

Company Fundamentals as of December 30, 2014

Market Cap (BDT mn)	1,969
Market weight	0.07%
No. of Share Outstanding (in mn)	147
Free-float Shares	50.0%
Paid-up Capital (BDT mn)	1,470.0
3-month Average Turnover (BDT mn)	2.2
3-month Return	7.5%
Current Price (BDT)	14.4
52-week price range (BDT)	9.5 - 20.8
Sector's Forward P/E	35.5

	2011	2012	2013	2014 (9M Ann)
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Financial Information (BDT mn):

Sales	1,901	1,942	1,705	1,704
Operating Profit	532	568	370	344
Profit After Tax	168	90	-11	56
Assets	7,154	7,120	6,874	6,544
Long Term Debt	1,005	803	629	299
Equity	4,500	4,544	4,488	4,499
Dividend (C/B)%	0/15	0/15	0/0	-

Margin:

Gross Profit	34.4%	34.7%	28.0%	30.3%
Operating Profit	28.0%	29.3%	21.7%	20.2%
Pretax Profit	11.3%	9.0%	-1.7%	4.0%
Net Profit	8.9%	4.6%	-0.7%	3.3%

Growth:

Sales	-1.3%	2.2%	-12.2%	0.0%
Gross Profit	-0.9%	3.2%	-29.1%	8.1%
Operating Profit	-6.6%	6.7%	-34.9%	-6.9%
Net Profit	-33.4%	-46.5%	-113.1%	577.8%

Profitability:

ROA	2.7%	1.3%	-0.2%	0.8%
ROE	4.7%	2.0%	-0.3%	1.3%

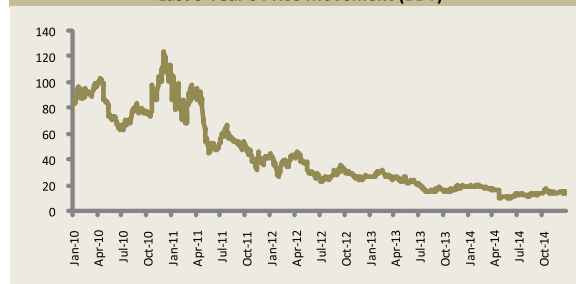
Leverage:

Debt Ratio	30.0%	29.8%	27.8%	24.8%
Debt-Equity	47.6%	46.7%	42.6%	36.0%
Int. Coverage	1.7	1.6	0.9	1.3

Valuation:

Price/Earnings	12.5	23.4	-179.3	37.5
Price/BV	0.5	0.5	0.5	0.5
EPS (BDT)	1.1	0.6	-0.1	0.4
NAVPS (BDT)	30.6	30.9	30.5	30.6

Last 5 Year's Price Movement (BDT)



Source: Annual Report, the Financial Express, the Daily Star, ILSL Research

MUTUAL FUND: MONTHLY UPDATE

Performance of Mutual Funds

Mutual Fund Sector of DSE posted 0.37% gain over the month (**27 November - 24 December, 2014**), while the prime index of the bourse, DSEX, increased by 1.1%. Price of 11 Mutual Funds increased, 9 Mutual Funds remain unchanged and 20 Mutual Fund decreased over the period. On the other hand, NAV @ Market Price of 32 Mutual Funds increased and 8 Mutual Funds decreased. Out of 40 Mutual Funds, 39 were traded below their respective NAV. Green Delta Mutual Fund had the lowest Price/NAV ratio (43.5%) whereas 1STPRIMFMF was traded at highest Price/NAV ratio (143.4%). Price of LR Global Mutual Fund gained 10.6% against increase in NAV by 5.9%.

Name of Fund	NAV Per Unit @		Price 24 Dec, 2014	Close Price/ NAV per Unit	% Change in NAV		% Change in Price	52-Week Price Range	Avg Monthly Turnover (BDT mn)	Year of Redemption	Asset Manager	
	Market Price	Cost Price			↑	↓						
AIMS1STMF	36.5	13.08	27.8	76.2%	↑	1.0%	↑	9.0%	24.7 - 48.4	8.22	30/Jun/15	AIMS
GRAMEEN1	30.34	11.39	22.6	74.5%	↑	2.8%	↓	-4.6%	22.3 - 51.6	3.40	4/Sep/15	AIMS
GRAMEENS2	18.57	10.72	12.0	64.6%	↑	2.4%	↓	-5.5%	11.7 - 20	5.13	2/Sep/23	AIMS
RELIANCE1	12.42	11.23	7.0	56.4%	↑	0.4%	↔	0.0%	6.8 - 10.3	0.45	7/Jul/21	AIMS
1STICB	1516.37	222.83	1125.5	74.2%	↓	-0.9%	↑	9.5%	841 - 1170	0.73	31/Mar/15	ICB
2NDICB	294.86	98.88	278.0	94.3%	↑	0.4%	↓	-1.1%	235.7 - 329	0.03	30/Jun/15	ICB
3RDICB	322.33	67.34	236.0	73.2%	↓	-7.4%	↓	-0.7%	188 - 251	0.08	30/Sep/15	ICB
4THICB	283.88	76.86	209.0	73.6%	↑	1.5%	↓	-0.9%	185.9 - 235	0.03	31/Dec/15	ICB
5THICB	246.89	58	190.0	77.0%	↑	0.2%	↑	2.7%	140 - 205	0.06	31/Mar/16	ICB
6THICB	60.83	26.89	56.1	92.2%	↑	1.5%	↓	-0.7%	49.8 - 72.4	0.27	30/Jun/16	ICB
7THICB	108.45	38.09	91.9	84.7%	↑	2.1%	↓	-3.8%	80 - 105	0.07	30/Sep/16	ICB
8THICB	72.62	32.73	64.1	88.3%	↑	0.7%	↓	-2.0%	52.1 - 75	0.17	31/Dec/16	ICB
1STPRIMFMF	11.58	16.76	16.6	143.4%	↓	-0.5%	↓	-1.2%	15.8 - 28.6	1.93	17/Mar/16	ICB AMCL
ICB1STNRB	24.88	33.47	21.0	84.4%	↓	-0.1%	↓	-2.8%	20 - 31.9	0.17	28/Mar/17	ICB AMCL
ICB2NDNRB	11.13	14.73	7.8	70.1%	↓	-0.7%	↓	-2.5%	7.7 - 12	0.76	27/Jul/18	ICB AMCL
ICB3RDNRB	7.82	11.2	4.3	55.0%	↓	-0.3%	↓	-2.3%	4.3 - 6.4	0.82	24/May/20	ICB AMCL
ICBAMCL2ND	8.82	12.85	4.7	53.3%	↑	0.7%	↓	-4.1%	4.5 - 7.8	0.47	28/Oct/19	ICB AMCL
ICBEPMF1S1	8.3	11.56	4.5	54.2%	↑	0.4%	↔	0.0%	4.3 - 7.4	0.25	18/Jan/20	ICB AMCL
ICBSONAL1	9.84	10.84	6.3	64.0%	↓	-0.6%	↔	0.0%	6.1 - 10.5	0.17	12/Jun/23	ICB AMCL
IFILISLMF1	9.69	11.21	5.5	56.8%	↓	-1.1%	↔	0.0%	5 - 8	0.43	22/Nov/20	ICB AMCL
PF1STMF	7.96	11.3	4.4	55.3%	↑	0.4%	↓	-2.2%	4.4 - 7	0.25	9/May/20	ICB AMCL
PRIME1ICBA	8.42	11.51	4.3	51.1%	↑	0.1%	↓	-4.4%	4.3 - 6.9	0.13	2/Feb/20	ICB AMCL
AIBL1STIMF	10.05	10.72	4.4	43.8%	↑	0.3%	↓	-8.3%	4.4 - 9	0.13	10/Jan/21	LR Global
DBH1STMF	10.02	10.78	4.5	44.9%	↑	0.7%	↓	-2.2%	4.4 - 7.2	0.22	7/Feb/20	LR Global
GREENDELMF	10.11	10.4	4.4	43.5%	↑	0.6%	↔	0.0%	4.3 - 6.8	0.29	28/Sep/20	LR Global
LRGLOBMF1	10.35	10.94	4.7	45.4%	↑	5.9%	↑	10.6%	4.4 - 8.2	0.87	19/Sep/21	LR Global
MBL1STMF	10.04	10.65	4.4	43.8%	↑	0.6%	↔	0.0%	4 - 8.9	0.82	8/Feb/21	LR Global
NCCBLMF1	10.51	11.02	5.6	53.3%	↑	0.8%	↑	3.7%	5.2 - 13	0.57	24/May/22	LR Global
1JANATAMF	10.56	11.02	5.1	48.3%	↑	1.8%	↔	0.0%	5.1 - 7.4	0.37	20/Sep/20	RACE
ABB1STMF	11.77	10.7	6.0	51.0%	↑	1.5%	↔	0.0%	5.8 - 8.3	0.74	29/Jan/22	RACE
EBL1STMF	10.11	11.42	5.2	51.4%	↑	1.6%	↓	-1.9%	5.1 - 7.9	0.43	19/Aug/19	RACE
EBLNRBMF	10.36	10.71	4.7	45.4%	↑	2.0%	↓	-7.8%	4.1 - 8.7	0.74	23/May/21	RACE
EXIM1STMF	10.81	10.49	6.6	61.1%	↑	1.9%	↑	4.8%	5.9 - 9.3	0.00	16/Jul/23	RACE
FBFIF	10.75	10.51	6.8	63.3%	↑	1.4%	↑	4.6%	6.2 - 10	0.02	19/Mar/22	RACE
IFIC1STMF	10.68	10.94	5.2	48.7%	↑	2.3%	↑	4.0%	4.9 - 7.9	0.22	1/Apr/20	RACE
PHPMF1	10.21	11.29	4.6	45.1%	↑	2.6%	↔	0.0%	4.5 - 6.8	0.74	29/Nov/20	RACE
POPULAR1MF	10.82	11.3	4.9	45.3%	↑	2.4%	↑	2.1%	4.8 - 7.1	1.04	19/Oct/20	RACE
TRUSTB1MF	10.64	10.68	5.3	49.8%	↑	1.7%	↓	-1.9%	5.1 - 8.4	1.02	27/Jan/20	RACE
NLI1STMF	12.52	12.1	7.8	62.3%	↑	1.0%	↑	2.6%	6.7 - 10.3	0.68	27/Feb/22	VIPB
SEBL1STMF	12.21	11.64	7.4	60.6%	↑	1.2%	↑	2.8%	6.6 - 9.4	0.44	23/May/21	VIPB

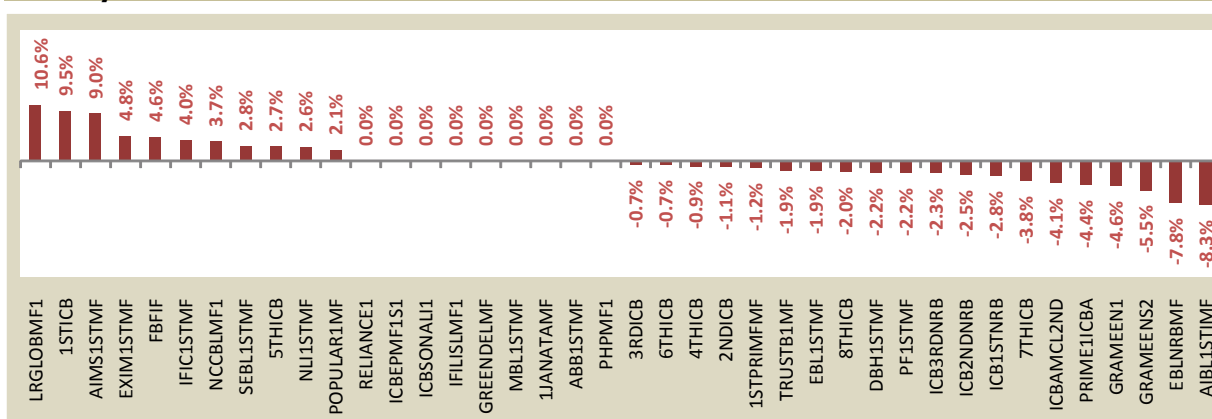
Source: DSE, ILSL Research

MUTUAL FUND: MONTHLY UPDATE

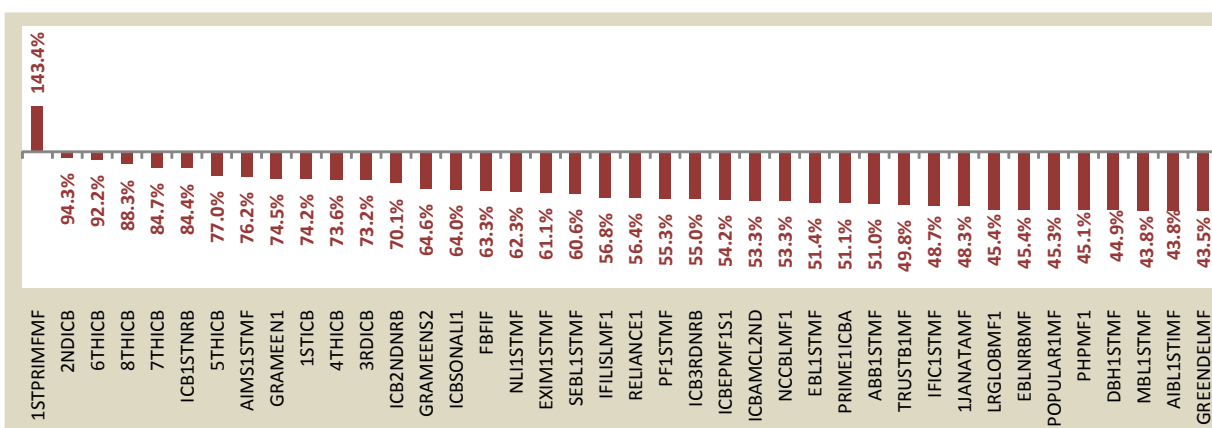
Monthly Top 10 Analysis

Highest Return	% Change in NAV	Lowest Return	% Change in NAV	Turnover Leader	Avg Turnover (BDT mn)
LRGLOBMF1	5.9%	3RDICB	-7.4%	AIMS1STMF	8.2
GRAMEEN1	2.8%	IFILISLMF1	-1.1%	GRAMEENS2	5.1
PHPMF1	2.6%	1STICB	-0.9%	GRAMEEN1	3.4
GRAMEENS2	2.4%	ICB2NDNRB	-0.7%	1STPRIMFMF	1.9
POPULAR1MF	2.4%	ICBSONALI1	-0.6%	POPULAR1MF	1.0
IFIC1STMF	2.3%	1STPRIMFMF	-0.5%	TRUSTB1MF	1.0
7THICB	2.1%	ICB3RDNRB	-0.3%	LRGLOBMF1	0.9
EBLNRBMF	2.0%	ICB1STNRB	-0.1%	ICBISLAMIC	0.8
EXIM1STMF	1.9%	PRIME1ICBA	0.1%	ICB3RDNRB	0.8
1JANATAMF	1.8%	5THICB	0.2%	MBL1STMF	0.8

Monthly Price Return



Mutual Funds Trading at Premium/Discount



Performance of Asset Managers

Asset Manager	Assets Under Management (AUM) (BDT mn)	% of Total AUM	Monthly Return on Portfolio	NAV @ Market Price/ Cost Price	Paid-Up Capital (BDT in mn)
AIMS	6,963	13.5%	1.8%	1.95	3,140
ICB	3,254	6.3%	-0.5%	3.78	178
ICB AMCL	6,893	13.3%	-0.3%	0.76	7,250
LR Global	9,088	17.6%	2.4%	0.95	8,896
RACE	23,710	45.8%	1.8%	0.99	22,181
VIPB	1,849	3.6%	1.1%	1.04	1,501

Source: DSE, ILSL Research



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Business Newsflash

Economy

Revenue collection falls BDT 1,400cr short of target in July-Oct 2014

New Age, December 02, 2014

Revenue collection by the National Board of Revenue fell short of target by BDT 1,391 crore in the first four months of the current financial year 2014-15. Tax officials managed to collect BDT 38,040 crore in income tax, value-added tax and customs duty against the target of BDT 39,431 crore set by the revenue board for the July-October period. Despite a significant gap between target and collection, the revenue collection grew by 14.24% in the period compared with that of the last year.

Remittance inflow rises by 11% in July-Nov 2014

New Age, December 03, 2014

The country's inward remittance increased by 11.42% to USD6.19 bn in the first five months of the current financial year 2014-15 from USD5.56 bn in the corresponding period of the FY14. The inward remittance also increased by 10.11% to USD1.16 bn in November from USD1.06 bn in the same month of 2013. The price of dollar continued to increase against the taka in November which also encouraged the non-resident Bangladeshis to send more greenback. Besides, the Muslims celebrated Eid-ul-Fitr and Eid-ul-Azha in between July and October which also propelled the inflow of remittance in the first five months of the FY15.

BDT deflates further against USD

Financial Express, December 03, 2014

The Bangladesh Taka (BDT) depreciated further against the US dollar on Tuesday despite the central bank's intervention in the market through selling the greenback to the commercial banks. The BDT depreciated by 0.03% against the US dollar in a single day in the inter-bank foreign exchange (forex) market. The US dollar was quoted at BDT 77.72-BDT 77.77 in the forex market on the day against BDT 77.72 in the previous working day. On the other hand, the rate of greenback for BC (bills for collection) selling at customer level came down to maximum BDT 79.10 Tuesday from BDT 79.20 in the previous day.

The demand picked up recently mainly due to higher import payment pressures, particularly for petroleum products, fertilisers, capital machinery and scrap-vessels.

Inflation dips further to 6.21% in Nov

New Age, December 10, 2014

Overall point-to-point inflation continued to decline for the fifth month in a row and dropped to 2-year low to 6.21% in November. It is significantly below the government-set target to contain the rate to 6.50% in the current fiscal year. In October 2014, overall point-to-point inflation was 6.60%. Though overall and food inflation dropped in November, non-food inflation increased slightly by 0.10% points to 5.84% in November from 5.74% in October.

Foreign exchange reserves cross USD 22b again

The Daily Star, December 16, 2014

Foreign currency reserves crossed USD 22 bn for the third time in five months, buoyed by the release of funds from development partners and a steady inflow of remittances. In the first 12 days of December, remittances were USD 558 mn, the Asian Development Bank released USD 70 mn and the UN released USD 36 mn for peacekeepers. As the supply of greenbacks increased, the demand for foreign currency fell.

World Bank approves over USD 1bn for 3 projects in Bangladesh

New Age, December 18, 2014

The World Bank on Tuesday approved some USD1.1 bn for three projects in Bangladesh that would benefit almost 36 mn people, reports the United News of Bangladesh. The funds approved by the WB's Board of Executive Directors in Washington are USD400 mn in additional financing for the 'Third Primary Education Development Program'; USD375 mn for the 'Multipurpose Disaster Shelter Project'; and USD300 mn for the 'Income Support Program for the Poorest Project'. The credits are from the International Development Association (IDA), the World Bank's concessional lending arm, having 38 years to maturity with a six-year grace period and carry a service charge of 0.75%.

Trade deficit swells

The Daily Star, December 23, 2014

Trade deficit widened 92% in the first four months of the fiscal year, compared to the same period a year ago, on the back of lower exports and higher imports. Between July and October, it stood at USD3.71 bn in contrast to USD1.93 bn recorded a year ago. Imports grew 14.64% year-on-year, while exports slipped 0.98%. Meanwhile, the overall surplus of the balance of payments eroded 24% year-on-year in the first four months of the fiscal year to USD1.25 bn as a result of the widening trade deficit.

Savings tools investment tops BDT 10,500cr in Jul-Nov

New Age, December 28, 2014

The net investment in national saving certificates and bonds surpassed BDT 10,500 crore in just five months (July-November) of this financial year 2014-15 as clients continued to invest heavily in the NSCs due to low bank deposit rates and sluggish business climate. The net investment in the savings instruments increased by 212.88% to BDT 10,542.41 crore in the first five months of the FY15 from BDT 3,369.41 crore during the same period a financial year ago. The net investment in NSCs earlier crossed its annual target in just four months as the figure stood at BDT 9,077.60 crore between July and October of the FY15 against the fiscal target of BDT 9,056 crore.

Export earnings rise 14% in 11 months this year

Dhaka Tribune, December 28, 2014

Bangladesh earned USD27.5bn from January to November, 2014, which was USD24.17 for the same period in 2013. Bangladesh's export earnings rose by 14% to USD27.5bn in 11 months of the calendar year 2014 compared to the same period last year. Bangladesh has set USD33.2bn export target for the current fiscal year 2014-15, up from USD30.5bn in the previous fiscal year when total earnings stood at USD30.17bn.

Stock Market**ICB AMCL Islamic MF to be delisted on Dec 29**

New Age, December 02, 2014

The ICB AMCL Islamic Mutual Fund, a closed-end mutual fund managed by ICB Asset Management Company, will be de-listed from the Dhaka and Chittagong stock exchanges on December 29 due to its stipulated 10-year tenure completion. As per a DSE web post published on Monday, no trading of the mutual funds will take place from December 29. A special meeting of the mutual fund scheduled to be held in the city on January 6, 2015 to make a decision on conversion of the fund to open-end or liquidation. The trustee of the mutual fund has already proposed conversion of the closed-end mutual funds to an open-end one.

BB plans to float Islamic bond

The Financial Express, December 07, 2014

The central bank is actively considering introduction of 'Sukuk' Islamic bond to enhance the prospects of Islamic finance in the country. Sukuk, an Islamic equivalent to a bond, is a certificate representing ownership of tangible assets or assets of a particular project or special investment activity. Unlike the conventional bonds, which merely represent ownership of a debt, Sukuk grants the investor a share of an asset, along with the commensurate cash flows and risks.

BB to consider further exemption on provisioning against stock losses

Dhaka Tribune, December 17, 2014

Bangladesh Bank has assured bankers of considering a plea to extend the exemption by one more year of provisioning against the losses they incurred through investing in the capital market in 2010. The present exemption expires on December 31, and thereafter, the banks will have to adjust the provision shortfall in four quarters. The bankers also demanded allowing banks to offer cash dividend to the shareholders now prohibited as a pre-condition of the exemption. The dividend declaration capacity of banks fell gradually in last three years due to loss in stock market investment portfolio.

**'Inclusive capital market reforms' in offing
ADB to lend USD250m for the programme**

New Age, December 28, 2014

The government plans to embark on an 'inclusive capital market reform programme' with participation of pension and provident funds and introduction of Islamic bonds to energise the ailing stock business. Six broad areas of policy interventions are the salient features in the planned reforms under an ADB-financed programme. The programme is expected to kick-start from the beginning of next year. Asian Development Bank this month hinted to lend US\$ 250 mn for the programme called 'Third capital market development programme'. The areas of reforms to be implemented are: introducing corporate bond market, catalyzing institutional investors' demand, pension and provident fund participation in stock business, strengthening the insurance sector, promoting Islamic bond market development and encourage 'Sukuk' issuance, promoting private equity fund participation and mutual fund activity in the capital market and establishing a clearing house to promote development of derivatives.

Foreign funds in DSE scale new height

The Daily Star, December 29, 2014

The Dhaka stock market is on course to receive its highest flow of foreign investment this year, as the inflows in the first 11 months have already surpassed previous records. Net investment between January and November stood at BDT 2,388.09 crore, which is almost 23% higher than the last year's total. A comparatively better political situation, positive market outlook and favourable macroeconomic indicators have encouraged foreign investors to inject money into local securities. The market value of fundamentally strong shares was very lucrative to foreign investors, whose focus was mainly toward consumer-driven securities.

Nine listed companies rise more than BDT 19.80b through rights

The Financial Express, December 28, 2014

A total of nine listed companies raised more than BDT 19.80 bn, including premium, in the outgoing year from the stock market through right shares. The figure shows a whopping 998% growth compared to previous year. Nine companies issued over 775.31 mn rights shares and raised the said amount. In 2013, only six companies raised BDT 1.80 bn through issuing 155.15 mn rights shares.

Bank

Banks again cut rates for deposit products

New Age, December 07, 2014

Scheduled banks in October further cut rates of interest on their deposit products due to rising excess liquidity in the banking sector amid lower loan disbursement in the industrial sector. The weighted average interest rate on deposit in the banking sector declined to 7.40% points in October from 7.48% points in September of this year. The weighted average interest rate on lending also declined to 12.49% points in October from 12.58% points in September of this year. Against the backdrop, the interest spread rate, the gap between the interest rates on credit and deposit, slightly declined to 5.09% points in October from 5.10% points in September.

Banks asked to start Basel-III implementation from Jan 1

New Age, December 23, 2014

Bangladesh Bank has asked the scheduled banks to start implementation of international Basel-III guidelines by raising banks' capital base from January 1, 2015. The banks will have to implement the new guidelines for BASEL-III, a global, voluntary regulatory standard on banks' capital adequacy, stress testing and market liquidity risk, in five years. In 2016, the banks will have to maintain 10.625% minimum capital including capital conservation buffer against their RWA, 11.25% in 2017, 11.875% in 2018 and 12.50% in 2019. The banks will have to include their paid-up capital and the other capital of the investors under the common equity tier-1 and will have to preserve at least 4.50% capital against their RWA under the common equity tier-1 plus capital conservation buffer from 2015 and they will have to preserve 5.125% capital against RWA in 2016, 5.75% in 2017, 6.375% in 2018 and 7% in 2019. The banks would have to maintain the remaining capital against their RWA under the tier-2.

BRAC Bank gets USD70m FMO syndicated loan for SME financing

New Age, December 24, 2014

BRAC Bank has received USD70 mn (BDT 546 crore) syndicated loan from the Dutch development bank FMO to expand its SME financing. The transaction is the largest internationally-syndicated loan for any bank in Bangladesh. The syndicated facility with a tenor of five years will enable BRAC Bank to facilitate crucial trade finance support for SME and corporate entrepreneurs. The loan has been provided by The

Netherlands Development Finance Company FMO, which acted as mandated lead arranger. In addition to USD13.7 mn provided by FMO, participants include ACTIAM (USD3.8m), OFID (USD15m), OeB (USD10m), BIO (USD10m) and Responsibility (USD2.5m). Proparco has committed to follow in 2015 with an additional USD15 mn, which will bring the total to USD70 mn.

Textile

Shasha Denims set for expansion

The Daily Star, December 05, 2014

Export-oriented Shasha Denims plans to expand its production capacity by 10 lakh yards to 28 lakh yards in the next one and a half years, as it got regulatory approval in October to raise funds from public. The company will raise BDT 175 crore through the IPO, with 88% of the fund to be spent on the expansion project. The denim producer will offload five crore ordinary shares at an offer price of BDT 35, including a premium of BDT 25 for each BDT 10 share. The IPO subscription will begin on December 14 and end on December 21. Shasha has around 15% of Bangladesh's market share, after Partex Denims with 17%, followed by Envoy Denim with around 13%.

Hamid Fabrics to set up yarn dyeing unit

The Daily Star, December 05, 2014

Hamid Fabrics, a concern of Mahin Group, will invest BDT 70 crore to set up a yarn dyeing unit with a capacity of producing 15 tonnes of dye a day to meet the growing demand. The company will buy 50 Air Jet loom machine to set up the unit that will start production in the third quarter of 2015. The company raised BDT 105 crore from public in August, and after raising capacity it will spend the rest of the fund to pay bank loans. Using the fixed price method, the textile company floated three crore ordinary shares of BDT 10 each at an offer price of BDT 35, including BDT 25 as premium.

Power

Summit invests USD 319m to raise power production

The Financial Express, December 01, 2014

Bangladesh's leading private power producer plans to reach full capacity early next year at a 335-megawatt plant.

The power unit of conglomerate Summit Group is implementing a USD 319 mn project to raise electricity production from the current level of 210 megawatts. "The combined cycle project is almost in its completion stage and we hope to produce with full capacity by the end of February," ANM. Tariqur Rashid, deputy managing director of Summit Meghnaghat Power Co. Ltd (SMPCL). Bangladesh's current production capacity of 6,000 MW falls short of its demand of 7,000 MW, with only 65% of its 160 mn population having access to the national power grid. Summit has a 10% share in Bangladesh's national power generation, however this is expected to rise to almost 15%, contributing around 1,200 MW in 2015.

BPPL continues power generation

The Financial Express, December 01, 2014

Power generation continues uninterrupted in 50 MW Baraka Patenga Power Ltd (BPPL) after the plant started commercial production in the port-city in this May. Its total power production capacity is 55.872 MW with eight generators of 6.984 MW each. The company will be listed with the capital market next year, the process of which is on. BPPL is currently selling electricity to the government at the rate of BDT 15 per kilowatt, as its furnace oil cost from the government stands at around BDT 13. BPPL is a project of Barakatullah Electro Dynamics Ltd (BEDL), and the lone power generation plant, owned by the non-resident Bangladeshi (NRB) investors.

Spanish-S Korean consortium to build 383MW power plant

The Financial Express, December 14, 2014

A Spanish-South Korean consortium will build a new 383 megawatt (MW) combined cycle power plant project in Sylhet within the next three years. State-owned Bangladesh Power Development Board (BPDB) inked the deal with the joint venture of Isolux Ingenieria SA of Spain and Samsung C & T Corporation of South Korea to build the Bibiyana south power plant at a cost of BDT 25.08 bn (USD322.96 mn). The BPDB has appointed the JV firm as an engineering, procurement and construction (EPC) contractor. The Board will arrange the money from its energy development and maintenance fund.

Food and Allied

FUWANGFOOD goes for Chocolate production

DSE news, December 07, 2014

The Company has informed that the Company has decided to go for commercial operation of Fu-Wang Chocolate Bar and different types of Chocolate Coated Products from December 07, 2014. Its annual turnover is expected to be around BDT. 20.0 Crore.

Pharmaceutical

Amalgamation scheme of Keya Cosmetics approved

The Financial Express, December 11, 2014

The High Court has approved the proposed amalgamation scheme of Keya Cosmetics Limited recently with its three other associate companies - Keya Cotton Mills Limited, Keya Spinning Mills Limited and Keya Knit Composite Limited. According to financial year ended on June 30, 2013, the NAV of Keya Cosmetics, Keya Knit Composite Ltd, Keya Cotton Mills Ltd and Keya Spinning Mills Limited are BDT 21.54, BDT 18.19, BDT 25.85 and BDT 33.64 respectively. As per the valuation of the four companies disclosed earlier, Keya Cosmetics' share was valued at BDT 26, Keya Knit Composite's share at BDT 19, Keya Cotton Mills' at BDT 37 and Keya Spinning Mills' at BDT 41 against their face value of BDT 10 each.

Tannery

Leather sector aims for USD5b in exports

The Daily Star, December 12, 2014

Bangladesh will be able to churn USD 5 bn from exporting leather, leather goods and footwear in four years, riding on the back of product diversification and value addition. The sector will create 200,000 jobs in the period. The sector recorded USD 1.3 bn of exports in fiscal 2013-14 and set a target of USD 1.5 bn for this fiscal year. Leather exports accounted for 4.29% of the country's total exports worth USD 30.17 bn last fiscal year.

Orion steps into upmarket footwear business

The Daily Star, December 29, 2014

A new footwear company - Orion Footwear Ltd - is set to start its journey to cater to the middle- to high-income segments of the market. The company will showcase its own-brand products, which will be conceived by its in-house design team and manufactured by local suppliers, as well as those from leading brands from abroad. Prices will range from BDT 500 to BDT 10,000 a pair. By mid-January, it will open three stores, each spanning 2,500 square feet on average, in Gulshan, Banani and Wari. The company, a unit of Orion Group, plans to invest around BDT 150 crore in the next five years to build the business.

Note: Business Newsflash is a collection of news published in the top daily newspapers like The Daily Star, The Financial Express, The NewAge and Dhaka Tribune. IL Capital is not responsible for any discrepancy in the information provided in the news.



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