



Economy Update

"Maintaining an impressive track record on growth and development the economy of Bangladesh has grown at nearly 6% per year in the past few decades."



Market Update

"The benchmark index of Dhaka Stock Exchange (DSEX) was up by 1.7% in September 2015 and it was down by 0.3% Year-to-Date as on September 30 2015."



Industry Review

"Pharmaceutical industry is one of the fastest growing and most technologically advanced sectors in Bangladesh. The industry serves 97% of the local demand and contributes around 1% of the total GDP."

September : 2015 Issue : 25

ILGL-ILSL MONTHLY

Economy and Market Review

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PHARMACEUTICAL Industry in Bangladesh



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Editorial

Welcome to our September 2015 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.

This edition covers **Pharmaceutical Industry in Bangladesh** with a snapshot over the stocks defined under the sector in prime bourse.

We are looking forward to any advice or suggestions from our readers or any other concern 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 arising from our publications.

Thanking You-



Saad Faisal

Chief Operating Officer, IL Capital



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Chief Operating Officer, ILSL

ILCL-ILSL MONTHLY

Economy and Market Review

September, 2015

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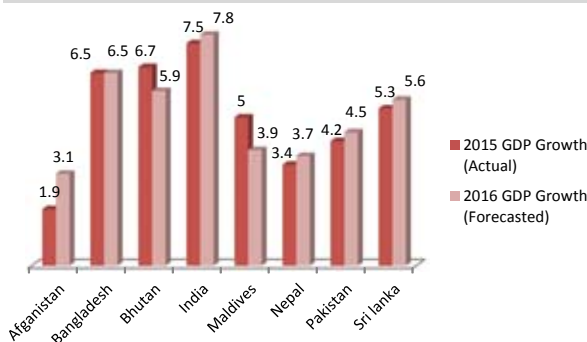
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Economy Update

Maintaining an impressive track record on growth and development the economy of Bangladesh has grown nearly 6% per year in the past few decades. Poverty dropped by nearly a third, coupled with increased life expectancy, literacy, and per capita food intake. More than 15mn Bangladeshis have moved out of poverty since 1992.

For 6th consecutive years, Bangladesh achieved Ba3 (Moody's) and BB-(Standard and Poor's) for stable macroeconomic condition. With stable real GDP growth and strong external balances have helped Bangladesh achieve BB- rating from Fitch Rating for the second time. Bangladesh's real GDP growth is high at a five-year average of 6.3% compared with the 'BB' category median of 4.3%. GDP growth has been remarkably stable over the years. Fitch expects growth to reach 6.5% by FY2016 and FY2017. Accelerating the growth of GDP in every decade with a consistent pattern, Bangladesh aimed to add 1.8 percentage points to GDP growth each year. The World Bank (WB) has also forecasted economic growth of Bangladesh for FY2016 at 6.5% on the basis of stronger consumption, export growth and political stability. Moreover, South Asia will maintain its leading position as the fastest growing region in the world, with economic growth rate of 7.4% in FY2016 compared with 7% in FY2015.

GDP Growth Rate in South Asian Countries

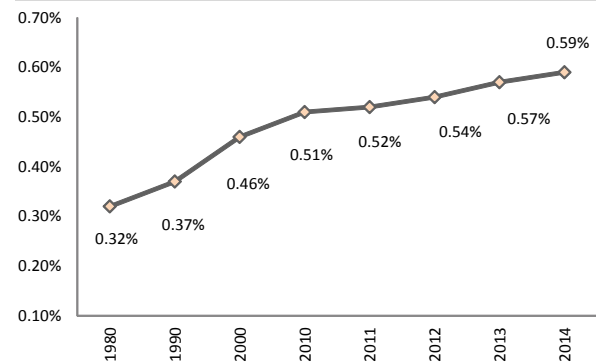


Source: World Bank, IL Capital Research

UN stated that Bangladesh has managed to achieve poverty alleviation target three years before the stipulated time with per capita GDP of USD 1300 among a young population of about 160mn. Bangladesh also experienced an upward trend in Human Development Index this year.

Now, Bangladesh is going forward to welcome the 17 new sustainable development goals which offer a bold, innovative and ambitious package. The country has graduated from the World Bank's low-income category to lower-middle income in the past two years and focused on being a developed country by 2041. The World Bank's Country Assistance Strategy for FY11-14 is supporting the government's vision of rapid poverty reduction through accelerated, sustainable, and inclusive growth, underpinned by stronger governance at central and local levels.

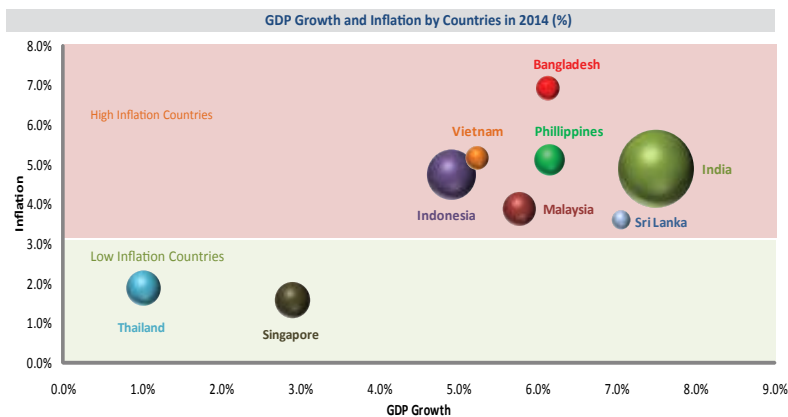
Human Development index of Bangladesh



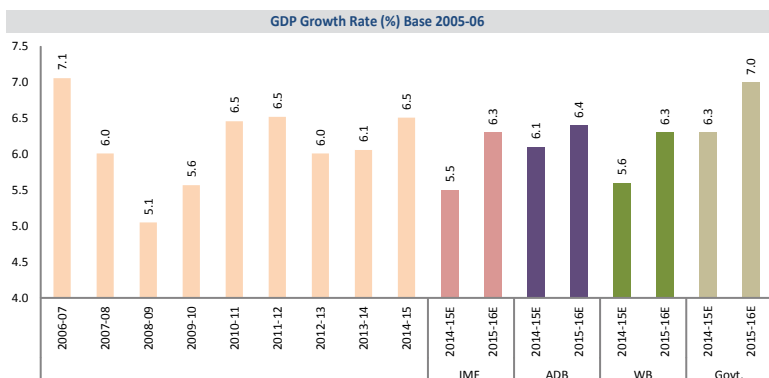
Source: UN, IL Capital Research

Considering the vision 2021 in September 2015, Bangladesh invited FDI from Malaysia and UK to exploit business potentials in this South Asian country with her large number of workable population. The current International Development Association (IDA) portfolio consists of 32 projects, with a total commitment of USD 7.5bn. Infrastructure investment and a more conducive business environment are needed to sustain and increase recent levels of private sector growth. A decision made on ECNEC (Executive Committee of National Economic Council) meeting in September, Bangladesh is going to invest USD 8bn over the next few years in infrastructure to improve the economy. Government has sanctioned BDT 4.2bn to set up a separate economic and industrial zone. The government planned to create jobs for 10mn people and increase export earnings by USD 40bn by setting up 100 economic zones within the next 15 years. The WB Stated **"With accelerating export and remittance growth Bangladesh aspires to be a middle-income country by 2021."**

GDP:

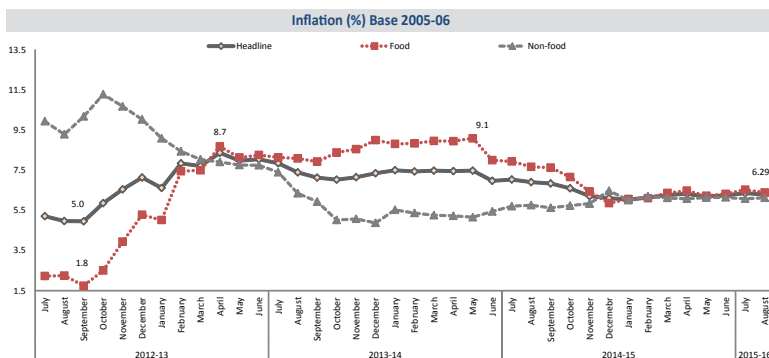


This year South Asian countries have taken upward position in Global Competitive Index for emerging markets stated by World Economic Forum. India has been found as one of the best bright market besides South Africa. The South Asian Association for Regional Cooperation (SAARC) countries, India led the way at 55th, followed by Sri Lanka (68th, up five), Nepal (100th, up two), Bhutan (105th, down two), Bangladesh (107th, up two), and Pakistan (126th, up three) all rank 100th or above. The most notable improvements are in basic drivers of competitiveness bodes well for the future, especially the development of the manufacturing sector.



The World Bank has optimistic action in projecting annual trends, overall growth, and shortfall as well as economic leadership position changes. India has replaced China as the perpetual economic growth leader. While Beijing is likely to maintain its respectable 7% growth rate, India has been upgraded to 7.5% for FY2015. With positive vibe, Bangladesh is maintaining average GDP growth rate of 6.5% from year 2010 and taking actions to achieve two digit GDP growth rate in coming years.

Inflation:



Inflation rate shows a decreasing trend in this year. Low prices of daily commodities in domestic market with low-edible oil and sugar price in international market have cooled down consumer prices. Non-food inflation slowed by 0.45 percentage points to 6.35% in August from July and food inflation slowed by 0.1 percentage point on a month-to-month basis to 6.06% in August FY 2016.

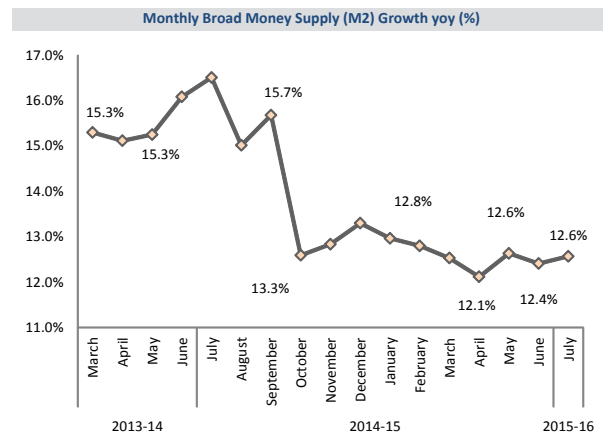
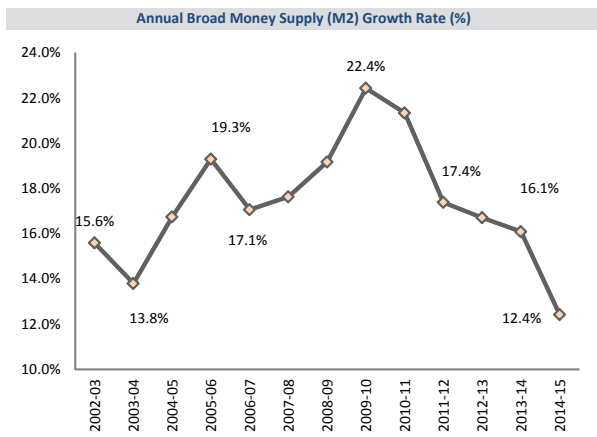
Source: United Nation: World Economic Situation and Prospects 2015, Bangladesh Bank and IL Capital Research

We offer:

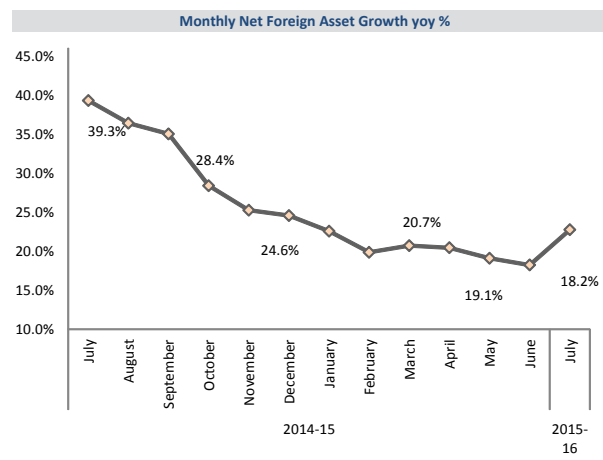
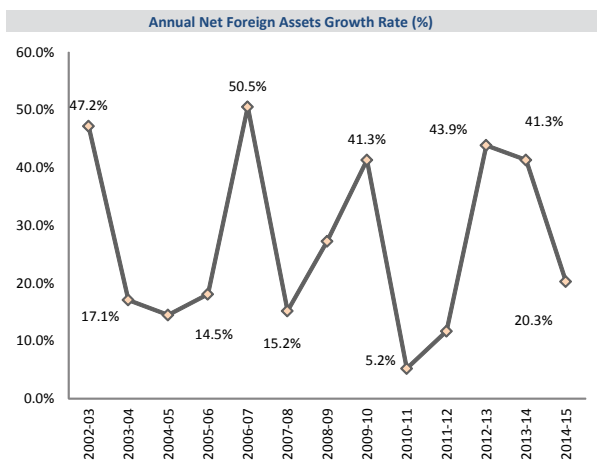
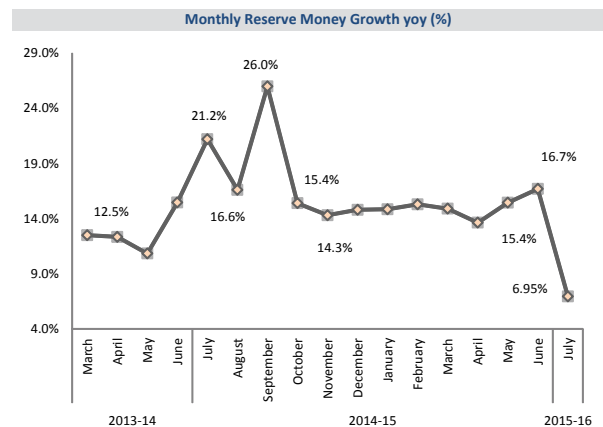
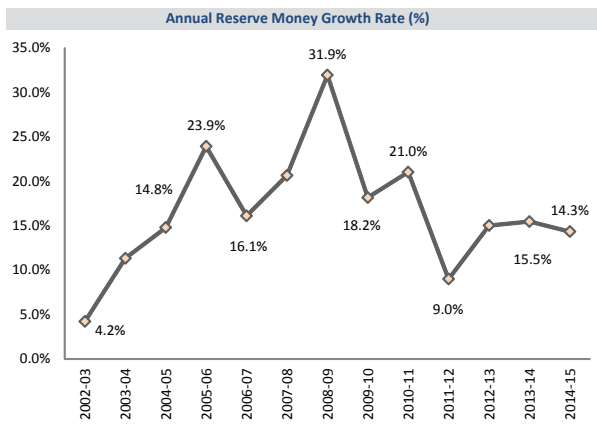
- Issue Management
- Underwriting
- Private Equity
- Capital Raising
- Loan Syndication
- Merger and Acquisition
- Bonds and Convertibles
- Margin Lending
- Non-Discretionary Investment Management
- Discretionary Investment Management



Money Supply:



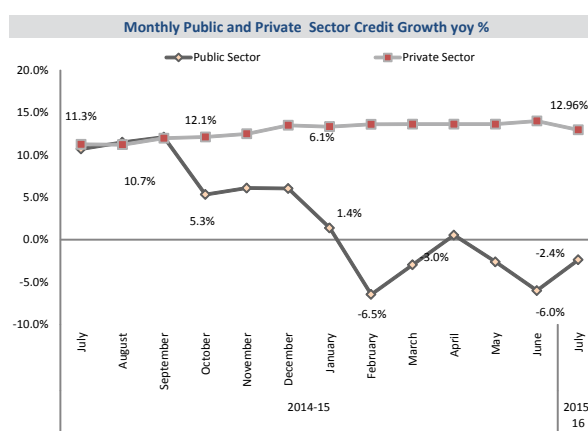
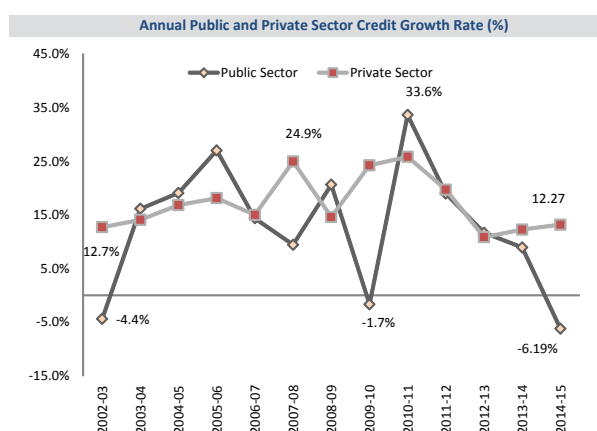
The economy experienced a downward trend in broad money supply growth rate with 12.4% in FY2015. On the contrary, it shows an increasing trend in July FY2016 with 12.6% compared to the previous month of June FY2015.



In July FY2016, net foreign assets is increased by BDT 34,199 crore while net domestic assets decreased by BDT 24083.90 crore. Lower credit demand by government from central bank was the vital cause of this decreasing trend. On the contrary, reserve money multiplier stood at 5.17x at the end of July FY2016 from 5.30x of June FY2016.

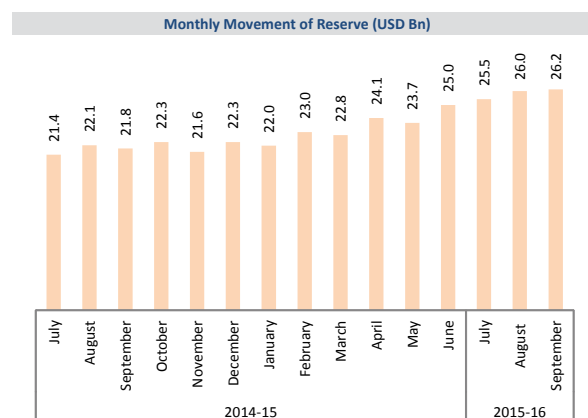
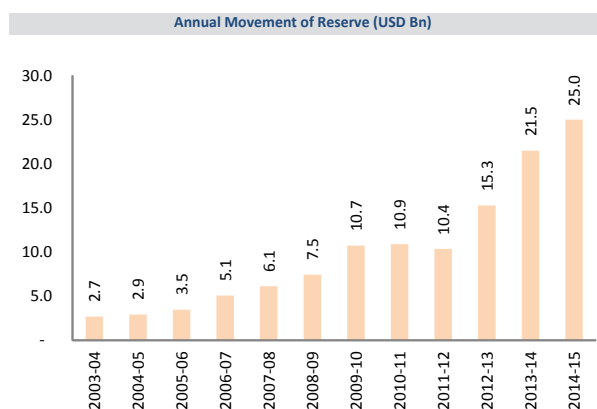
Source: Bangladesh Bank and IL Capital

Money Supply (Continued):



With the participation of private sector, Government of Bangladesh has expanded investment activities throughout the FY2015. Thus, Private sector credit growth shows an upward trend with 12.27% in FY2015 compared to previous fiscal year. Public sector credit growth decreased by 6.19% during the same period. Government corrective actions in utilizing public fund in recent times, brings this rate 3.6% up in the month of July FY2016 whereas private sector credit growth stood on 12.96%.

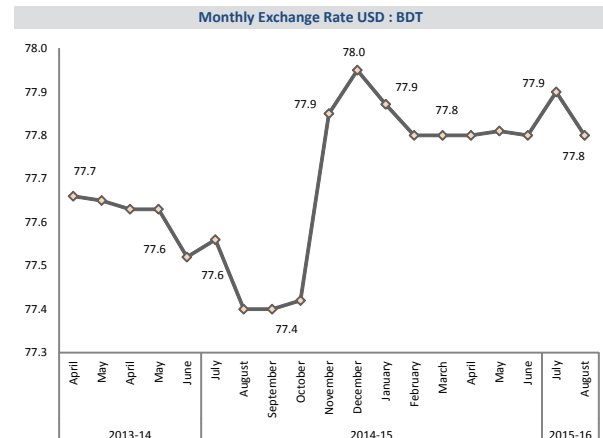
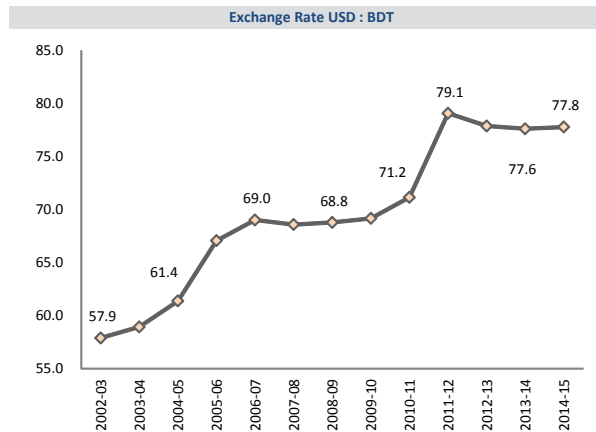
Reserve:



Bangladesh's foreign exchange reserve hit an all-time high of USD 26.2bn at the end of September FY2016 which actually represents the strength of the economy. Forex reserve stood at USD 26,175mn on September 31, FY2016. Bangladesh's foreign exchange reserves touched the USD 26bn mark for the first time. The country will be able to settle more than seven months' import bills with the existing forex reserve. Steady growth of both export earnings and inward remittances has contributed to enhancing the country's forex-reserve position. Bangladesh achieved the highest foreign currency reserve fund, which is on the second position among Southeast SAARC countries. The reserve soared further because of higher inflow of remittance in September. Beside the rising trend in remittance, the steady export growth and the fall in import cost also contributed to the historical high reserve position, which is well enough to meet the country's seven months' import requirements.

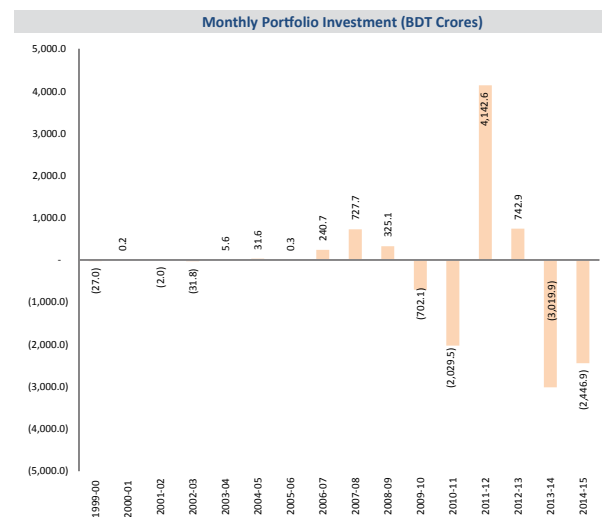
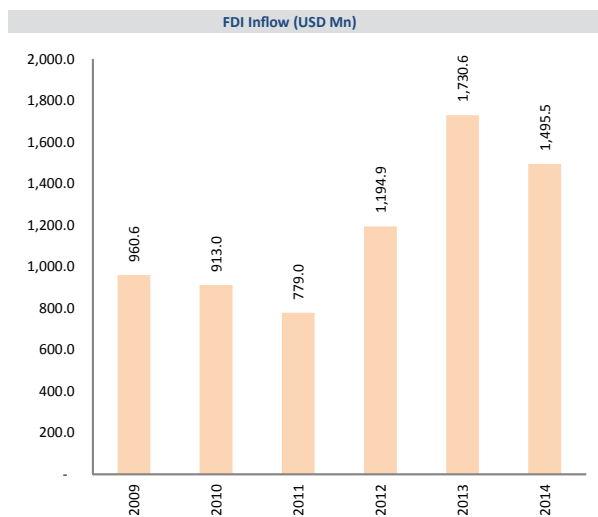
Source: Bangladesh Bank and IL Capital Research

Exchange Rate:



Average daily inter-bank USD/BDT transaction volume was about USD 76.66mn in July against USD 60.22mn in August and USD/BDT exchange rate was BDT 77.8 in August FY2015. The USD/BDT selling rates for importers of major foreign and private banks hovered between BDT 77.90-78.50, while US buying rates from exporters hit between the range of BDT 76.90-77.50.

FDI Inflow and Portfolio Investment:

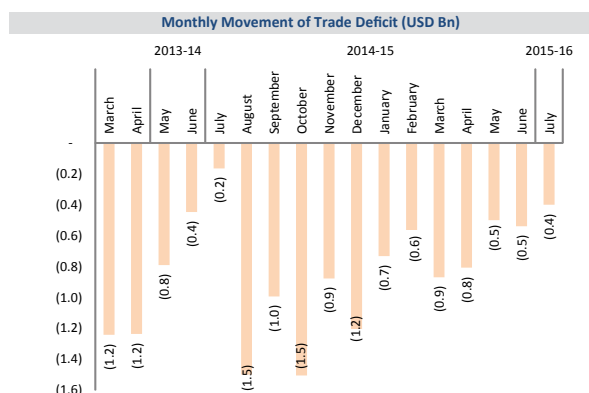
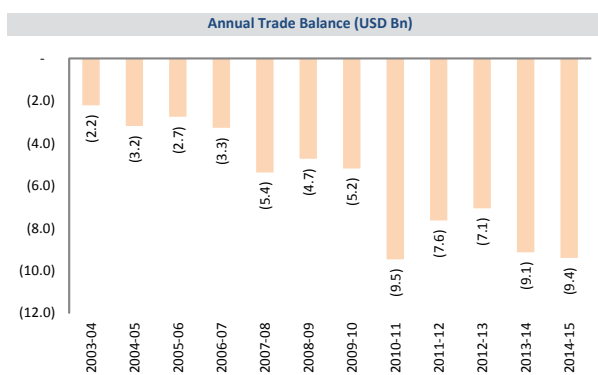


Foreign Direct and portfolio investment are in the positive trend in FY2015 compared to FY2014. Participation of private sector investors worked as one of the strong drivers for this growth. This year portfolio investment stood at BDT 2446.9 crores.

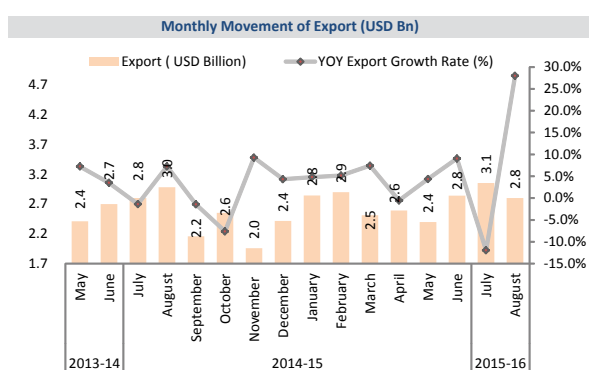
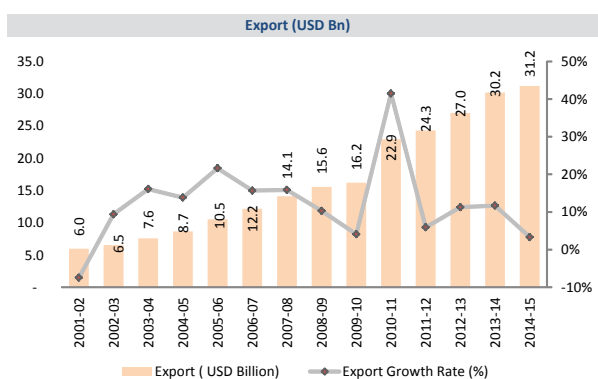
Bangladesh Enterprise Institute stated that GDP growth should be in the 8% to 10% range. The country should improve in areas mainly on infrastructure. Foreign direct investments should be far higher than the current USD 1.5bn per annum.

Source: Bangladesh Bank and IL Capital Research.

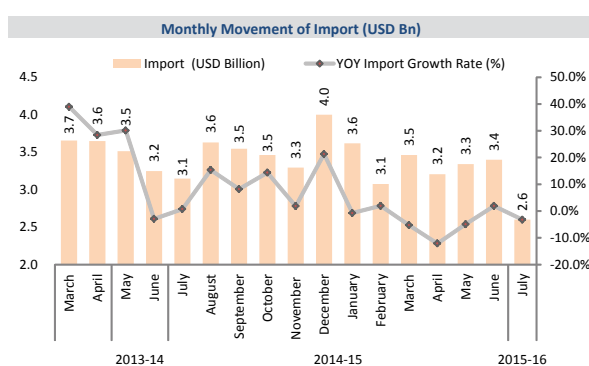
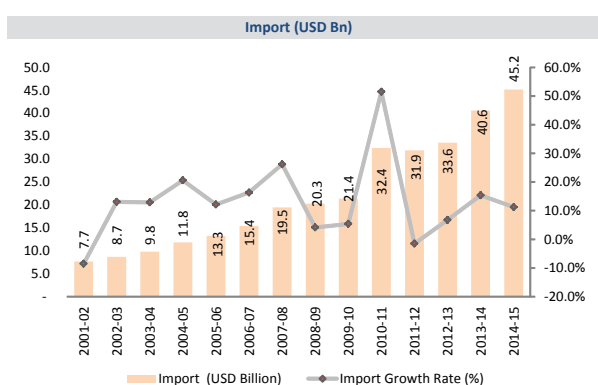
International Trade:



Bangladesh exported goods worth USD 2.76bn in August FY2016, a 28% rise from a year earlier, driven by an increase in garment shipments. Readymade garments, comprising knitwear and woven items, fetched USD 4.5bn in July-August FY2016 compared to USD 4.2bn in the same period of FY2015. In FY2015 Bangladesh earned some USD 31.22bn by exporting goods. The amount was 3.31% more than FY2014.

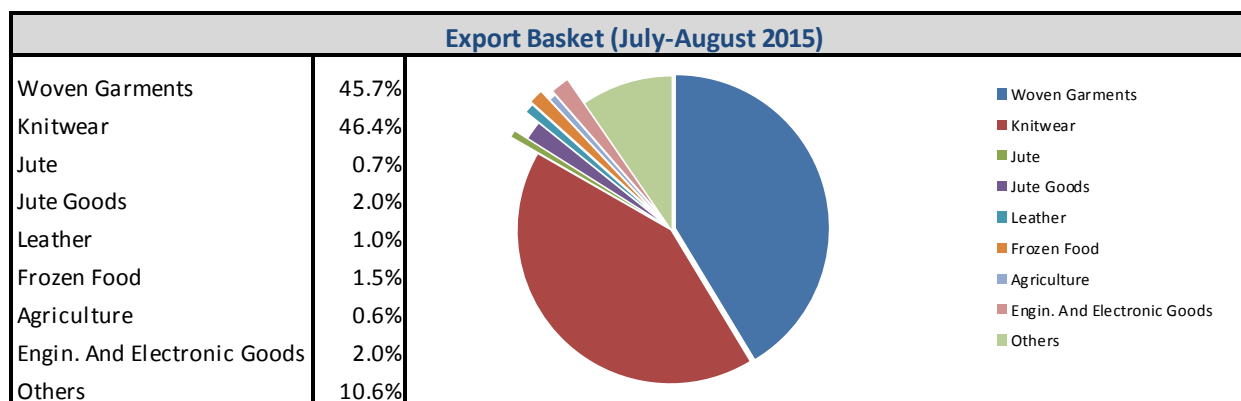


With the beginning of FY2016, import payments decreased in the first month. The growth of import payments was 11.18% in FY2015 compared to FY2014. Import payments in July FY2015 decreased by 3.24% and stood at USD 2.6bn compared to the USD 3.1bn in July FY2014. Opening of import LCs in July 2015 decreased by 17.62% and stood at USD 3.01bn compared to USD 3.66bn in July 2014. Opening of import LCs and probable liabilities of banks against back to back LCs have been projected by the scheduled banks at USD 10.04bn and USD 3.59bn respectively during August-October FY2016.

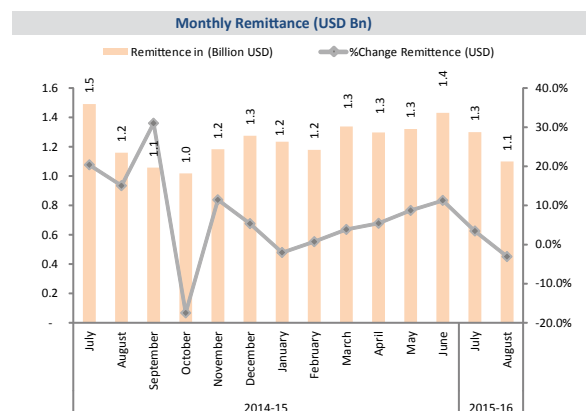
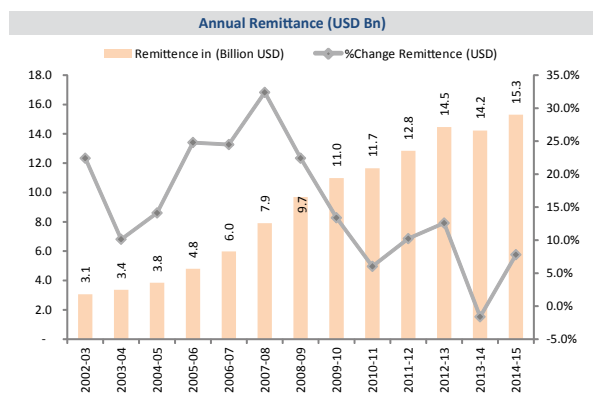


Source: Bangladesh Bank and IL Capital Research

International Trade (Continued):

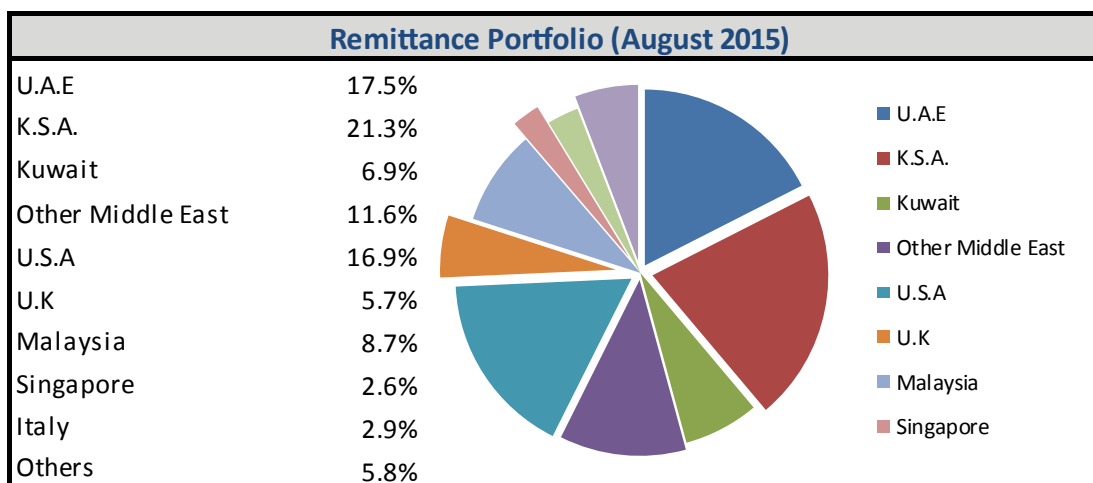


Remittance:



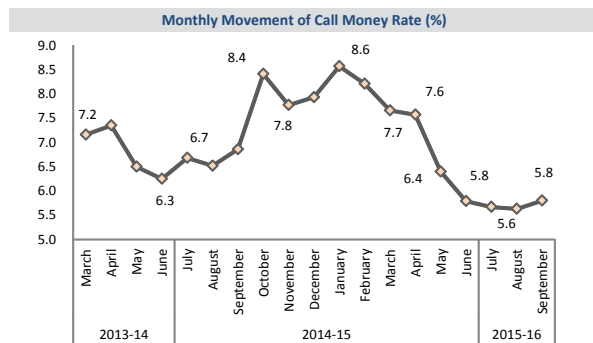
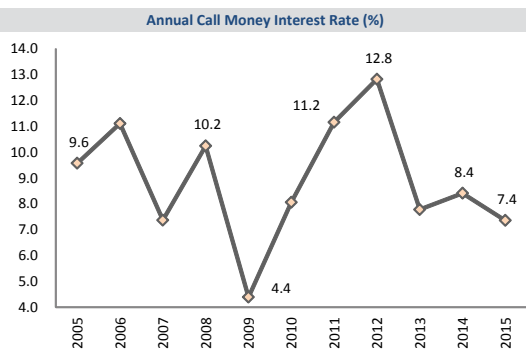
Remittance receipts in August FY2016 increased by 1.8% and stood at USD 1.20bn compared to the same month of FY2015. On the other hand, remittance receipts were lower by 14% (m-o-m) in August 2016 compared to the month of July FY2016.

In FY2014, the inflow of remittance decreased by 1.61% to USD 14.23bn due to political turmoil and static trend in manpower export. But in FY2015, Remittance reached USD 15.31bn, a record in the country's history, with a 7.6% growth over the previous fiscal year.



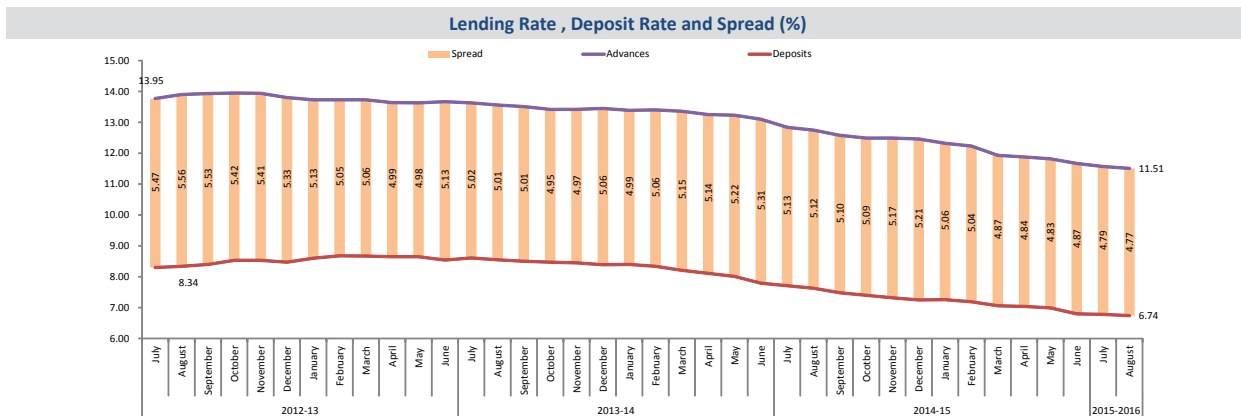
Source: Bangladesh Bank and IL Capital Research

Interest Rate (Continued):



Call money rate stood at 5.8% in the month of September FY2016. The call rate remained in the range of 5.25% to 6.50%. Most of the deals were settled at rates varying between 5.50% and 6.0%. Considering the celebration of Eid Festival, the call money rate raised to 5.8% as there was higher withdrawal of cash demand.

The spread between the weighted average advances and weighted average deposit rate of all banks decreased to 4.77% in August FY2016 which was 4.79% in July FY2016. The spread of NBFIs decreased to 4.14% in August FY2016 from 4.16% of July FY2016.



Source: Bangladesh Bank and IL Capital Research



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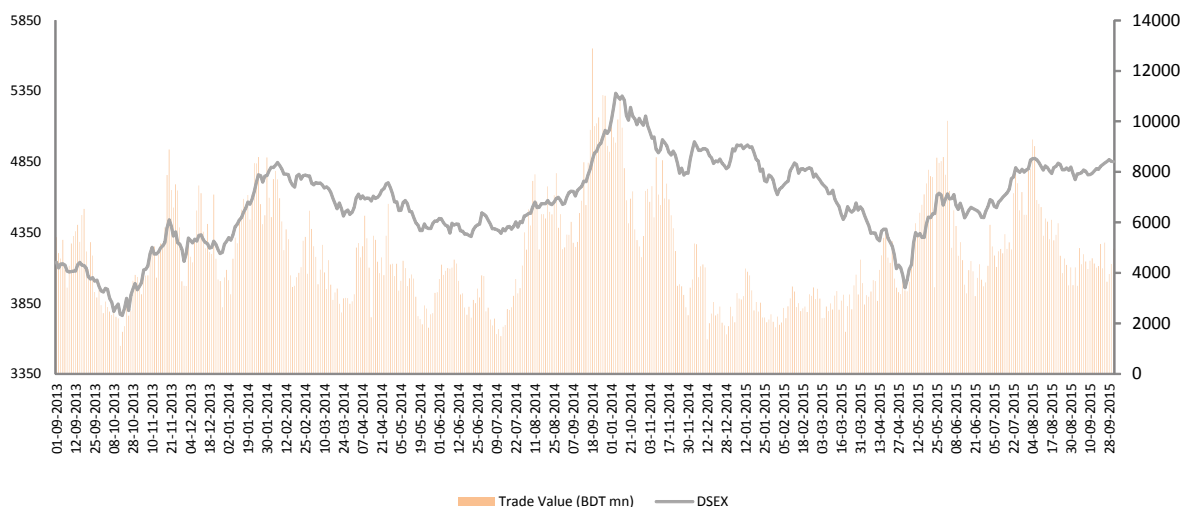


Market Update



- The benchmark index of Dhaka Stock Exchange (DSEX) was up by 1.7% in September 2015 and it was down by 0.3% Year-to-Date as on September 30 2015.
- During the month of September 2015, Market (DSEX) witnessed bullish trend mainly driven by the up-trend in share prices of Paper & Printing, Real Estate and Service, Engineering, Pharmaceuticals and Chemicals, NBFI, Life Insurance.
- The major sectors that gained during the month of September 2015 were Paper & Printing (-13.8%), Real Estate and Service (8.8%), Engineering (7.3%), and NBFI (4.7%), Pharmaceuticals and Chemicals (3.1).
- On the other hand, the sectors that set backed were Telecommunication, Jute, Foods, cement, Textile in September, 2015.
- Among the companies traded in the Dhaka Stock Exchange (DSE), MODERNDYE (73.5%), AIBL1STIMF (34.6%) and ARAMIT (28.9%) were the top gainers in September 2015.
- On the other hand, the major loser companies in September 2015 were NFML (-19.6%), ICB1STNRB (-19.5%) and JUTESPINN (-17.1%).
- During the month of September 2015 the average daily turnover in the public market of Dhaka Stock Exchange was up by 50.2% and it reached to BDT 4.67 bn from BDT 3.11 bn in September 2015.
- Average daily turnover of Real Estate and Service sector increased by 523.7% followed by NBFI 454.9, Telecommunication (251.3%) in September 2015 than that of August 2015.
- However, in Dhaka Stock Exchange the average daily turnover of Jute sector declined by 51.5% in September 2015 followed by Tannery & Footwear (23.9%), Miscellaneous (19.9%).
- There are sectors that have outperformed DSEX Year-To-Date namely Pharma & Chemicals by 30.4%, Food by 14.5%, Engineering by 10.4% and Tannery and Footwear by 8.5% as of September 30 2015.
- On the other hand, Telecommunication, Insurance, Travel & Leisure, and Textile have underperformed DSEX Year-To-Date as of September 30 2015 by 20.2%, 19.2%, 15.6%, and 10.0% respectively.
- Market capitalization of DSE increased by 0.2% to BDT 2.79 trillion (USD 35.68 billion) as of September 30st 2015 from BDT 2.78 trillion (USD 35.61 billion) in August 31th 2015.
- AMANFEED was listed in DSE in September 2015; the other two securities that have been listed in August 2015 are Tosrifa Industries Limited and Olympic Accessories Limited.

DSEX and Turnover movement in DSE



Sources: DSE and IL Capital Research

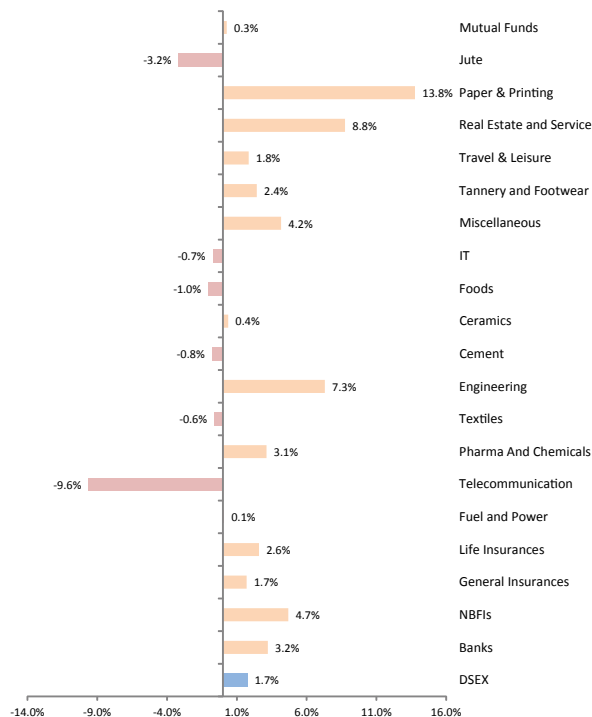
Market Capitalization of DSE

Instruments	30-Sep-15			31-Aug-15			Change (%)
	BDT mn	USD mn	Weight (%)	BDT mn	USD mn	Weight (%)	
Equity	2,760,796.3	36,230.9	98.9%	2,755,792.9	36,165.3	98.9%	0.2%
Mutual Fund	31,045.7	407.4	1.1%	30,960.0	406.3	1.1%	0.3%
Total	2,791,842.0	36,638.3	100.0%	2,786,752.9	36,571.6	100.0%	0.2%

Note: Exchange Rate USD 1 : BDT 76.20

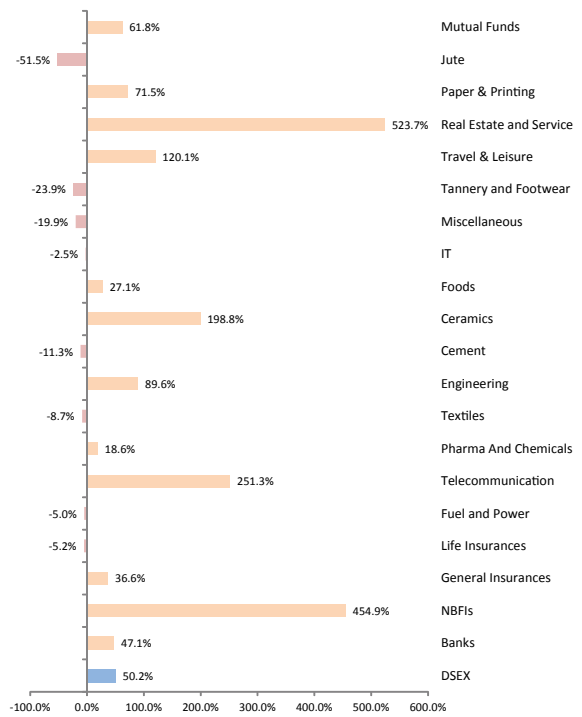
Source: DSE and IL Capital Research

DSEX and Sectors Movement in DSE (Monthly)



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

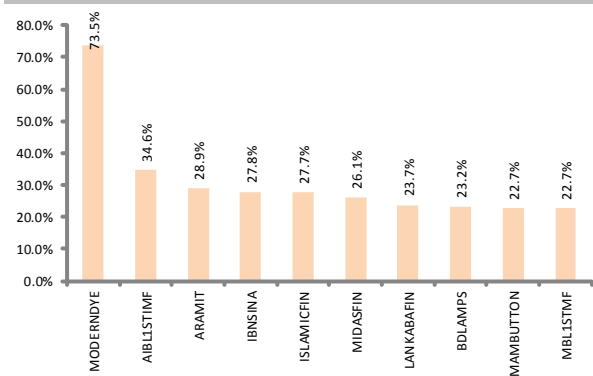
Average Turnover Movement in DSE (Monthly)



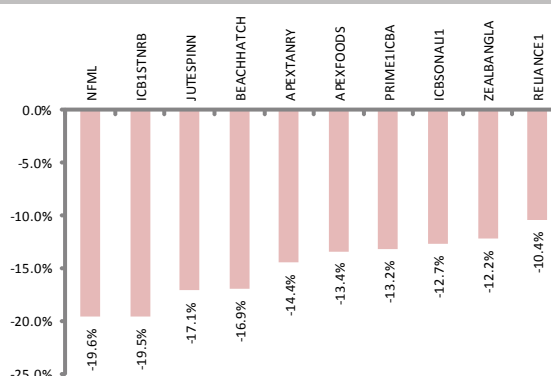
Note: Average Turnover excludes Block and Oddlot Market transaction

Source: DSE and IL Capital Research

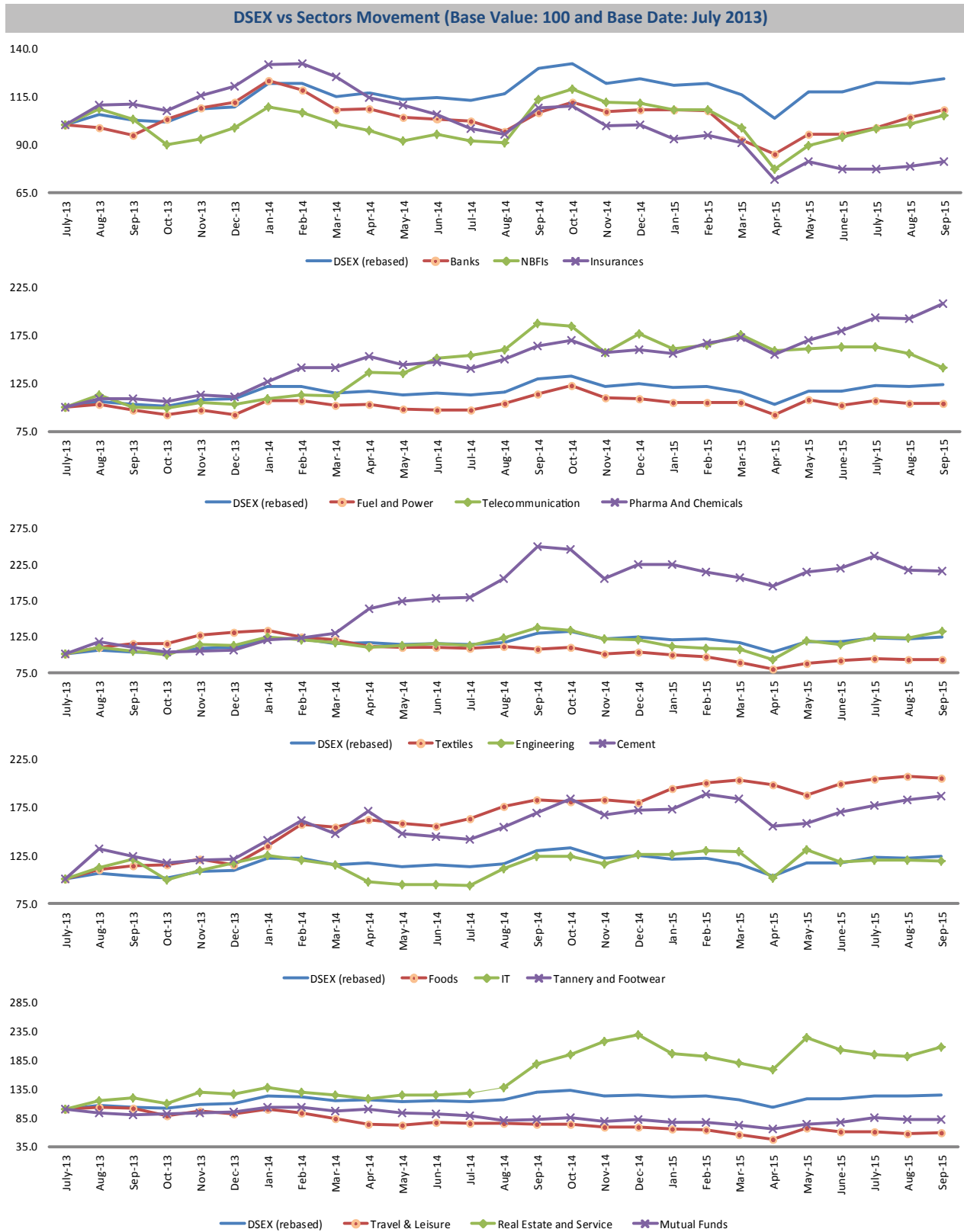
Top Gainers This Month



Top Losers This Month

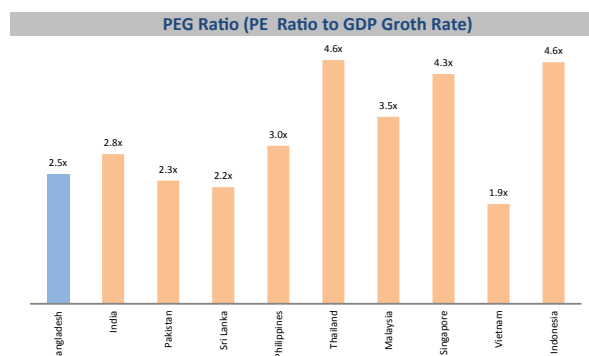
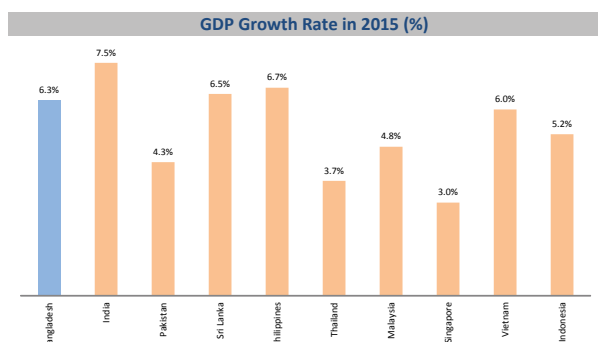
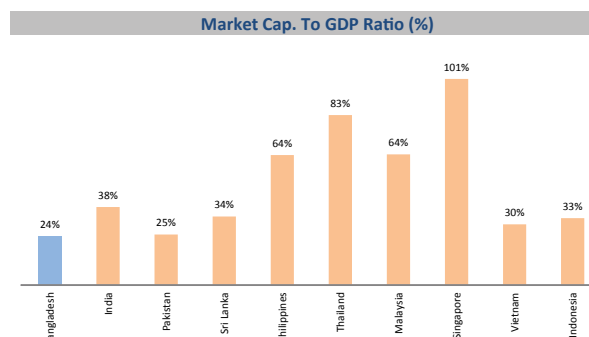
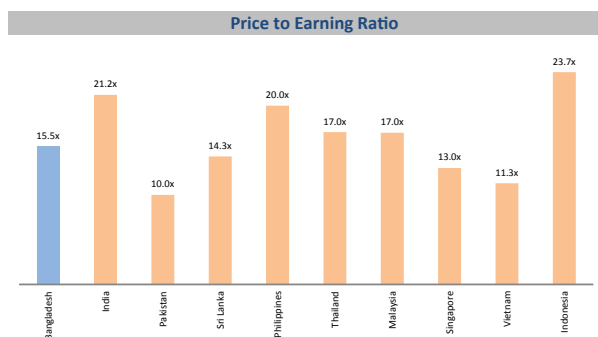


Source: DSE and IL Capital Research



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.

Source: DSE and IL Capital Research



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

- As on September 30, 2015, Bangladesh (Dhaka Stock Exchange) is trading at 15.5x PE, which is lower than that of Philippine (20.0x), India (21.2x) and Indonesia (23.7x). However, Bangladesh (DSE) is trading higher than that of Pakistan (10.0x) and Vietnam (11.3x).
- The PEG (Price Earning Growth) Ratio of Bangladesh as on September 30, 2015 is 2.5x which is lower than that of Singapore (4.3x), Malaysia (3.5x), Indonesia (4.6x) and India (2.8x). However, it is higher than that of Srilanka (2.2x) and Vietnam (1.9x).

Regional Market Comparables							
Country	Index Symbol	Index Point	52-Week Low	52-Week High	PE Ratio	PEG Ratio	M. Cap (USD bn)
Bangladesh	DSEX	4,852	3.96K	5.37K	15.5x	2.5x	36.6
India	SENSEX	26,947	24.83K	30.02K	21.2x	2.8x	671.1
Pakistan	KSE100	33,111	28.65K	36.47K	10.0x	2.3x	58.5
Sri Lanka	CSEALL	7,092	6.76K	7.67K	14.3x	2.2x	21.8
Philippines	PCOMP	7,055	6.60K	8.14K	20.0x	3.0x	173.3
Thailand	SET	1,368	1.29K	1.62K	17.0x	4.6x	353.6
Malaysia	FBMKLCI	1,662	1.50K	1.87K	17.0x	3.5x	217.5
Singapore	FSSTI	2,897	2.74K	3.55K	13.0x	4.3x	272.5
Vietnam	VNINDEX	581	0.51K	0.64K	11.3x	1.9x	50.5
Indonesia	JCI	4,445	4.03K	5.52K	23.7x	4.6x	283.8

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

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INDUSTRY REVIEW: PHARMACEUTICALS INDUSTRY IN BANGLADESH

In recent times, spending on medicine and healthcare has increased globally. IMS institute for Healthcare Information projected that, in 2014 global spending on medicine will exceed one trillion U.S Dollar for the first time and expected to reach USD 1.2 trillion by 2017. In its November 2013 issue IMS Institute for Healthcare Informatics projected that, in the next five years growth in the pharmaceutical industry will split between developed pharmaceutical market and high growth pharmaceutical market or 'pharmerging' market.

According to IMS assessment, developed markets – North America, Europe and Japan, may grab very modest single digit growth because of combination of economic and healthcare austerity measures and the savings realized from the growing availability of lower cost generic versions of brands following their patent expiry. On the other hand, a combination of economic growth, demographic and epidemiologic changes and improved state and private insurance funding for healthcare and medicines will help many of the leading 'pharmerging' markets i.e., China, India, Pakistan etc. to achieve double digit growth.

Bangladesh Outlook

In case of Bangladesh, pharmaceutical industry has achieved remarkable transformation. Only 20 years back, the Country had to import around 75% pharmaceutical products while now 97% demands are met by local production. The industry contributes about 1% of the total GDP. According to IMS report 2014, the growth rates of pharmaceutical industry of the Country in the last six years were as follows –

Year	Pharma Sector Growth Rate
2009	16.83%
2010	23.80%
2011	22.30%
2012	11.91%
2013	8.12%
2014	11.36%

Source: IMS Report 2014

There are some major factors which drive the pharmaceutical industry of the country to flourish. These are –

- Large local market due to high population growth which confirms sustainable demand
- Increasing income level helps the overall population to avail better medical facility
- Government put more effort on healthcare service to achieve Millennium Development Goals
- Emerging private health care sector in recent times
- Extension of TRIPS issue under general transitional period until July 01, 2021 for the LDCs has enhanced the export opportunity

Industry Condition

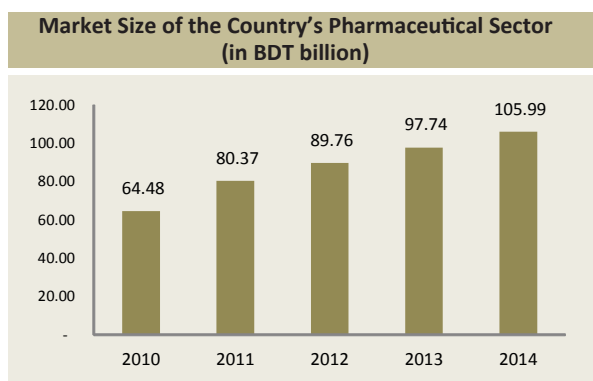
Since the Country's pharmaceutical industry portrays many untapped potentials it is vital to apprehend the underlying features of the industry.

Expanding Market Size

Pharmaceutical Industry of Bangladesh has come a long way in the past four decades. It is now one of the fastest growing and most technologically advanced sectors in the country with an annual average growth rate of 17.2% over the last five years and 13.1% over the last decade. In 1970, the market size of pharmaceuticals sector was only BDT 3 billion which in 2014, as per IMS Report, stood at BDT 106 billion. It is to be noted that, IMS excludes institutional sales and exports to estimate market size. Industry experts presume that by 2015 the market size of the Country's pharmaceutical sector will exceed BDT 150 billion.

According to a market study report prepared by the USA-based Fast Market Research (FMR), market size of the Country's pharma sector was BDT 421.33 billion which was BDT 376.11 billion in the year 2013. The sector is the second highest contributor to the national exchequer and it is the largest white-collar intensive employment sector in Bangladesh generating around 115,000 jobs.

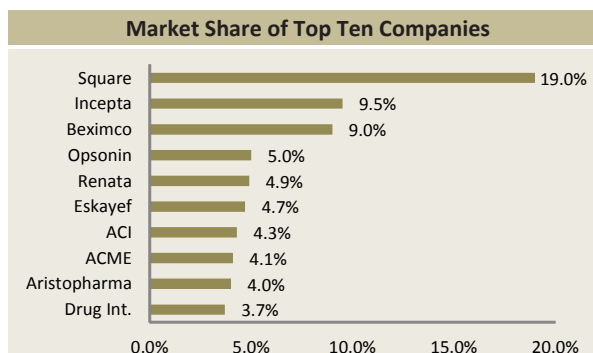
According to IMS definition i.e., excluding institutional sales and exports, the Country's pharma sector's market size is illustrated here –



Source: IMS Report 2014

Influential players

There are more than 275 registered small, medium, large, local and multinational companies operating in the country. Out of these firms 209 are currently in operation. Top 10 pharmaceuticals companies grab around 68% market share. Meanwhile, local manufacturers dominate the industry with 90% market share while multinationals hold little over 10%. Data from Directorate General of Drug Administration (DGDA) showed that, there are total 824 drug manufacturing unit in the country of which 275 are Allopathic, 201 are Ayurvedic, 275 are Unani, 41 are Homeopathic & Biochemic and 32 are Herbal.



Source: UK Trade & Investment and ILSL Research

Sustainable Growing Demand

The sustainable product demand due to higher population of the Country helps the industry to construct a strong base. In 20 years back 75% pharmaceutical products were imported while now-a-days around 98% of the total demand of the Country is being met by local manufactures. The rest 2% is imported— basically specialized products like vaccines, anti-cancer products and hormone drugs. About 85% of the drugs sold in Bangladesh are generics and 15% are patented drugs.

In recent times, pharmaceuticals companies are engaging in toll or contract manufacturing. Toll manufacturing is an arrangement in which a company with specialized equipment processes raw materials or semi-finished goods for another company. This is an excellent opportunity as companies with excess volume can utilize their unused capacities whereas others can get the product without fresh investment. Around 30 drug makers engaged in toll manufacturing for their local counterparts or even multinational companies. The global market for pharmaceutical toll manufacturing is worth around USD 50-60 billion, with India being a prime destination for multinationals.

Raw Material – Relying on Import

The backward linkage of the sector is not strong enough. About 80% of the Active Pharmaceutical Ingredients (APIs) are imported. There are only a few local companies (usually the leading ones) that are engaged in manufacturing APIs. According to Directorate General of Drug Administration (DGDA), there are 2803 valid sources for importing raw materials.

Most of the required factors for producing API and laboratory reagents are locally available. Therefore, local producers are more likely to compete successfully against their international competitors in producing APIs. Bangladesh has significant competitive advantage in terms of cheap human resource and lower energy cost.

Meanwhile, newspaper report disclosed that, construction of 200-acre API Park at Munshiganj is in progress. A total of 42 industries would be set up under the project; expected total cost was BDT 3.32 billion. Once the park is up and running the raw material imports are expected to come down to 30%.

Effective Distribution Channel

According to DGDA, there are 106,189 drug-shops or pharmacies in the country. These pharmacies played vital role to distribute the products to the end customers. Apart from these pharmacies there are also public and private hospitals which provide medicines to the patients.

Drug Price – the Government’s feeble attempt

Bangladesh Government controls the drug price, to some extent, considering the public health and price affordability. However, out of 1268 generic drugs the Government controls only 117 drugs price.

According to some wholesalers, more than 50% of price controlled drugs are not available in the market due to low profit margin and backdated status compared to new generation drugs.

Meanwhile, the Government does not interfere over prices of the imported generic drugs. For locally produced drugs the existing rules direct that, if a drug company wants to increase prices of medicines, it applies to the DGDA. Then a committee headed by the health secretary scrutinizes the appeal and approves it after receiving logical justification. Recent data shows that, the prices of the locally-manufactured and imported generic drugs have risen by 70% to 100% during the last two years.

Export – A Promising Window of Growth

Export is a promising but untapped segment for the Country's pharma sector. According to DGDA Bangladesh exports drugs to 87 countries. In FY 2014-15, the Country exported USD 72.64 million pharmaceutical products which were 4.91% higher than that of FY 2013-14. According to Export Promotion Bureau the Export target for FY 2015-16 is USD 80 million. So far up to August of 2015-16, export earnings from pharmaceuticals product was USD 12.88 million exceeding same period of the previous year's performance by 1.18%.

The export prospects are promising due to higher demand for generic drugs throughout the world. The World Trade Organization's (WTO) Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement permits Bangladesh to reverse-engineer patented generic pharmaceutical products to sell locally and export to markets around the world without paying patent cost. This advantage of TRIPS agreement is going to extinct in 2016. However, the general transitional period under the TRIPS has already been extended till 2021. It is expected that the facility will also be extended for pharmaceutical products. Historical export scenario is given below –



Source: Export Promotion Bureau & ILSL Research

Achieved Accreditation

So far, the Country's leading pharmaceutical companies are exporting at different countries of the world. Exporting medicine in different market requires regulatory approval from respective countries. Unsurprisingly, approval from developed markets is more stringent than that of underdeveloped markets. The Country's pharmaceutical manufacturers achieved several developed markets' accreditation. The US FDA is the most prestigious one. Besides US FDA, the country's drug manufacturers received accreditation from Australia (TGA), Canada (Health Canada), UK (UKMHRA), Austria (AGES), Taiwan (Taiwan FDA), Brazil (ANVISA) etc.

Regulatory Condition

The Directorate General of Drug Administration (DGDA) is the regulatory body of the Country's pharmaceutical industry. It supervises and implements all prevailing Drug Regulations in the country and regulates all activities related to import, procurement of raw and packing materials, production and import of finished drugs, export, sales, pricing, etc. of all kinds of medicines.

Currently the Country's pharmaceutical sector is governed by the following regulations –

- The Drug Act 1940
- The Drug Rules 1945 and their amendments
- The Drug Rules 1946 and their amendments
- The Drug (Control) Ordinance 1982 and its amendments
- The Drug (Control) Ordinance Amendment Act 2006 and
- National Drug Policy 2005

The Government offers several incentives for the sector like VAT exemption, TAX exemption on import of raw material etc. In the National Budget 2015-16, prescribed incentives were as follows –

- Exemption of VAT has been offered on both at the domestic production and trade level for the medicines for acute liver related diseases.
- Withdrew of all taxes on import of raw materials for cancer medications, hepatitis-C preventives and herbal medicine.
- VAT exemption threshold on the export of sample medicines has been increased from BDT 30,000 to BDT 100,000.

Competitive structure of pharmaceuticals industry

To get the better understanding we analyzed the sector through Porter's five forces model. Details are given here –

The threat of new entrants in the industry

Increasing market size, sustainable product demand and economic profit opportunity will certainly fascinate new players. However, significant capital requirement, economies of scale of production, brand identity and access to distribution channels creates discouragement. Therefore, the threat of new entrants in the industry is moderately low.

The threat of substitute products

Switching cost of the product is low. However, in our country people are not aware of substitute of medicine like, balanced nutrition, workout, meditation etc. Therefore buyers' propensity to substitute the medicine is less likely. Consequently, the threat of substitute products is low.

The bargaining power of buyers

For pharmaceuticals industry, substantial portion of the market is dominated by retail customers indicating buyers are not concentrated. Sometimes customer shows price insensitivity due to brand image. These features results low bargaining power of buyers.

The bargaining power of suppliers

Most of the companies import raw materials mainly from China and India. Switching cost from these countries to Europe is also high. Therefore supplier concentration and high switching cost imply that the bargaining power of suppliers is quite high.

The degree of rivalry among existing competitors

Population growth and export opportunity create enough room for everyone to expand operation in the industry. Although several companies are listed in the sector yet substantial chunk of market shares are controlled by few large companies. As a result, the degree of rivalry among existing competitors is moderately high.

Challenges for the sector

Pharmaceutical industry of Bangladesh has obtained many achievements. However, compared to pharma sector of other neighboring countries like India and China, Bangladesh pharma sector has long way to go. As a knowledge-driven and technology-intensive industry, success prescription is quite different from other labor intensive industry like RMG.

Experts identified several issues that need to be addressed to attain the sector's sustainable growth. Some of these issues are described below –

Import dependent backward linkage

Active Pharmaceutical Ingredients (APIs) are the prime raw material for the sector. So far the sector is mostly dependent on import. To ensure sustainable growth the country's pharma sector needs its own raw materials sources. An API Park in Munshiganj is under progress. The Government should take immediate steps to complete the project at quickest possible time.

Absence of central bioequivalence and drug testing laboratory

Bioequivalence testing is conducted to see if the generic version of the drug is identical to its originator brand. Currently, Bangladesh does not have any such facilities for drug testing and biochemical studies. Establishing a central bioequivalence and drug testing laboratory would be a big leap for the country's pharma sector.

Nonexistence of Special Economic Zone (SEZ)

The Country's pharma sector has immense untapped export opportunity. Yet, there is no Special Economic Zone for the sector. Establishing a Special Economic Zone (SEZ) for particularly pharma industry could assist to seize the prospect. Both China and India have successfully established several SEZs.

Underdeveloped biosimilar capabilities

A biosimilar is a biologic medicine designed with the intent to treat a patient in the same way as an existing biologic therapy. Biosimilars made by different manufacturers will differ from the reference product and from each other, making each biosimilar a unique therapeutic option for patients. Several products have been expired every year in this category. This is a huge opportunity for generic manufacturers. The major players of the Country's pharma sector should concentrate to build biosimilar capabilities with appropriate regulatory guidelines.

Feeble effort on R&D activities and weak collaboration with universities

The sector players failed to put required effort on R&D activities. At the same time, the knowledge sharing link between different universities with the pharma companies is also weak.

Lack of proper regulatory environment

The sector suffered setback of weak regulatory environment. There is so much scope to work on this issue.

Pharmaceuticals sector in the Capital Market

The pharmaceuticals sector represents 12.5% of total market capitalization in Dhaka Stock Exchange (DSE). 27 pharmaceuticals companies are currently listed to the country's prime bourse.

Stock Listed in the DSE's Pharmaceutical Sector	
Ticker	Product Type
ACI	Pharmaceuticals, consumer brands, agribusinesses
ACIFORMULA	Consumer brands, agribusinesses
ACTIVEFINE	APIs, laboratory reagents
AFCAGRO	Bio-pharmaceuticals, biochemical
AMBEEPHA	Tablet, capsule, liquid syrup, tube, injection
BEACONPHAR	Biotech
BXPHARMA	Pharmaceuticals formulation Products
BXSYNTH	Partial Oriented Yarn (POY), Draw Texturized Filament Yarn (DTFY)
CENTRALPHL	Tablets
FARCHEM	Textile chemicals
GHCL	Caustic Soda, Hydrochloric Acid, Bleaching Powder, Chlorine, Sodium Hypochlorite & Chlorinated Paraffin Wax (CPW)
GLAXOSMITH	Pharmaceuticals, vaccines and consumer healthcare
IBNSINA	Syrup, tablet, injection, capsule, eye drops
IMAMBUTTON	Logo, horn, fancy, chalk and pearl buttons
JMISMDL	Syringes and medical devices
KEYACOSMET	Personal hygiene and detergent products
KOHINOOR	Personal hygiene and cleaning products
LIBRAINFU	Intravenous fluids
MARICO	Coconut oil and hair products
ORIONINFU	Fluids
ORIONPHARM	Tablets and injections
PHARMAID	Neutral Glass Ampoules
RECKITBEN	Hygiene and healthcare
RENATA	Pharmaceuticals, animal health and consumer goods
SALVOCHEM	Chemicals/Acids
SQURPHARMA	Pharmaceuticals, herbal and agrochemical
WATACHEM	Fluids

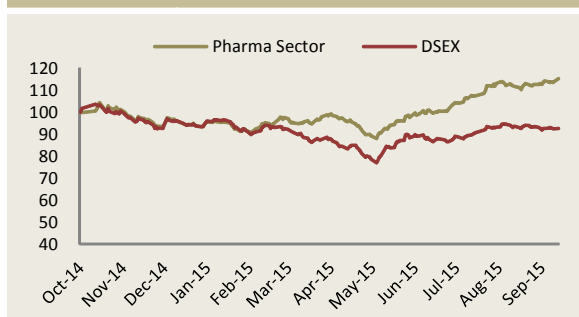
Source: DSE Website, Companies' Website and ILSL Research

Pharmaceutical Sector in the DSE (as on 30 Sep 2015)

No. of Listed Firms	27
Sector's Mkt. Cap	421,131
Sector's Mkt. weight (based on Mkt. Cap)	15.1%
3 Months Avg. Turnover	919
3 Months Return	11.7%
Sector's forward P/E	18.6
Sector's Trailing P/E	27.5
Sector's P/B	3.5

Source: DSE Website and ILSL Research

Performance of DSE's Pharma Sector and DSEX (Rebased)



Source: DSE Website and ILSL Research

The pharmaceutical sector possesses significant importance in the capital market of Bangladesh not only because it represents a considerably large segment of DSE but also because it is one of the major economic sectors of the country. With the ever increasing population of the country and the continuous development within this industry, the pharmaceutical companies can expect to grow in the years to come.

In this issue we covered Square Pharmaceuticals Limited (DSE: **SQURPHARMA**). The Company is the market leader in the pharmaceuticals sector. Therefore, we covered this firm in more detail.

References: Website of Directorate General of Drug Administration (DGDA), BAPI, DSE Website, Companies' Annual Reports, Newspaper Reports and ILSL Research

EQUITY INSIGHT: SQUARE PHARMACEUTICALS LIMITED

Square Group is one of the largest conglomerates in Bangladesh. The flagship company of this group is Square Pharmaceuticals Ltd. (SPL). It was established on November 10, 1964. The Company is primarily engaged in manufacturing and marketing of pharmaceuticals drugs and medicines. It also produces Basic Chemicals, AgroVet Products, Pesticide Products, small volume Parental Ophthalmic Products and Insulin Products through separate divisions. Since 1985, the firm has been continuously in the 1st position among all national and multinational pharmaceutical companies in the Country. Currently Square pharmaceutical is holding 19.18% of market share.

As on 31 March 2014, the Company has 738 presentations in the form of tablet, capsule, liquid, injectable, infusion etc. Some of the flagship products are Ace®, Ace Plus®, Ceporin®, Dermasol®, Ermox®, Imotil®, Tusca® etc.

Subsidiary & Associates

As on 01 April 2015 SPL had one subsidiary and three associates which are involved in business of pharmaceuticals formulation, textile and hospital. Since 01 April 2014, Square Cephalosporins Ltd. (99.48%) has merged with SPL under the approval of the Hon'ble High Court of Jurisdiction. Current status of these firms is as follows –

Particulars	Name of the Company	Ownership
Subsidiary	Square Formulations Ltd.	99.50%
Associates	Square Textiles Ltd.	45.83%
	Square Fashions Ltd.	48.63%
	Square Hospitals Ltd.	49.94%

Source: Annual Report and ILSL Research

The Company uses equity method of accounting in preparation of consolidated financial statement.

Square Formulation reported BDT 433.9 million loss its first year of operation. Meanwhile, in 2014, Square Fashions Ltd. and Square Hospitals Ltd. registered 113.4% and 6.3% growth respectively in profit after tax than that of last year.

Production Facility & Capacity Utilization

There are three GMP (Good Manufacturing Practice) compliant production sites situated at Pabna, Gazipur and Tangail. Pabna Unit is the 1st manufacturing facility of the Company. Continual improvement, both qualitative and quantitative, was made in these plants to enhance the operational efficiency. In 2014-15, Square Pharmaceuticals Ltd. made investment of BDT 4.80 billion in this regard which was around 107.6% higher than that of last year. The Company primarily used internal fund for these investments.

The manufacturing units have been built as per the guideline of the US FDA and European regulatory requirements. On June 2015, the Company got approval from the US FDA.

Last 5 years installed capacity and actual production scenario is as follows –

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Installed (in million Pcs)					
Tablets	6,926	7,345	7,348	10,495	10,547
Capsules	898	934	1,151	2,220	2,228
Actual (in million Pcs)					
Tablets	3,811	4,091	4,862	6,087	5,446
Capsules	890	1,171	1,177	1,194	1,403
Utilization (in %)					
Tablets	55.0%	55.7%	66.2%	58.0%	51.6%
Capsules	99.1%	125.4%	102.3%	53.8%	63.0%

Source: Annual Reports and ILSL Research

In 2014-15, the Company made investment of BDT 2.91 billion in Plant & Machinery; this will enhance production capacity in the upcoming years. Moreover, it invested BDT 285.16 million in improving its laboratory facility.

Shareholding Structure

The firm was listed in the DSE and the CSE in 1995. As per 2014-15 annual report, the shareholding structure of the Company is as follows –

Particulars	No. of Shares	% of Holding
Sponsors	296,645,147	53.52%
Foreign Investors	87,851,861	15.85%
Institutional Investors	60,175,680	10.85%
General Investors	109,626,464	19.78%
Total	554,299,152	100.00%

Source: Annual Report

The Company has declared 12.5% stock dividend for the year ended 31 March 2015. Considering the stock dividend, the outstanding number of shares is (554,299,152*1.125) or 623,586,546.

Board of Directors

The Company's Board of Directors is consisted of following members –

Board of Directors	
Mr. Samuel S Chowdhury	Chairman
Mrs. Ratna Patra	Vice Chairman
Mr. Tapan Chowdhury	Managing Director
Dr. Kazi Harunar Rashid	Director
Mr. Anjan Chowdhury	Director
Mr. Kazi Iqbal Harun	Director
Mr. M Sekander Ali	Independent Director
Mrs. Nihad Kabir	Independent Director

Source: Annual Report

Corporate Governance

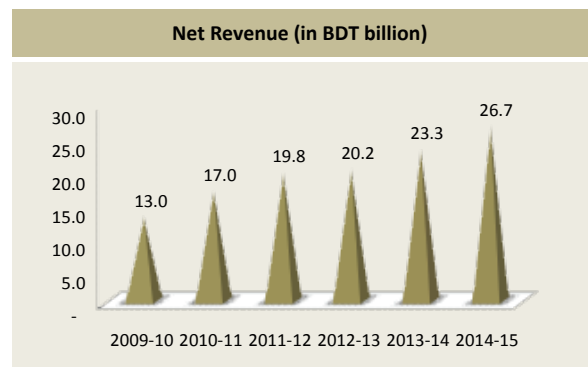
Square Pharmaceutical Ltd. implements effective corporate governance practices. Some of these practices are –

- The Chairman and the Chief Executive Officer are different persons. The role of the Chairman and the CEO are independent and separate.
- Independent directors are professionally qualified.
- For the post of CFO, Head of Internal Audit and Company Secretary three separate persons, each of different specialized discipline, have been appointed with their corresponding duties and responsibilities.

- Executive committee and audit committee are working within their respective responsibilities.
- The BSEC's guidelines are being strictly followed to appoint statutory auditors.

Revenue

Revenue of Square Pharmaceuticals Ltd. enjoyed growth over the years. Around 98.2% of consolidated income generated from Square Pharmaceuticals Ltd. In 2014-15, the Company has around 658 pharmaceutical products, 22 basic chemicals & pellets products, 63 agrovet products and 25 pesticide products. Revenue was 14.7% higher in 2014-15 compared to that of 2013-14. The net revenue of the Company in the last 6 years is illustrated below –



Source: Annual Reports and ILSL Research

Export

Currently, Square is exporting its product around 39 countries. Though the Company's revenue from export is presently trivial, it presents lucrative opportunity in future. In 2014-15, 3.76% revenue was generated from export sales. During this period export earnings increased by 34.46% compared to last year export.

On January 2015, the US FDA conducted Pre Approval Inspection (PAI) at the Company's manufacturing facilities and issued approval on June 2015 without any negative findings. This is a great opportunity for the Company to expand its footprints more strongly in the international market.

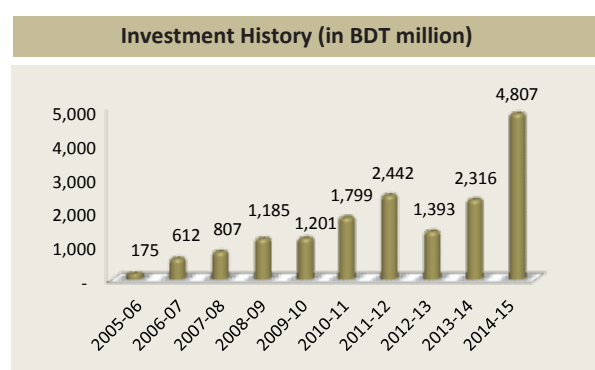
The Company expects that commercial supply to USA will commence from Q4 of 2015 on the approval of ANDAs (Abbreviated New Drug Application).

Raw Material

The Company is dependent on import for its raw materials. The Company imported 790 items in 2014-14 which was 949 items in 2013-14. In terms of value, around 84% of total raw materials are imported. Additionally, in 2014-15, the Company imported 4,109 items as packing materials. Of its total packaging material expenses around 37% packing materials are imported.

Internal Growth

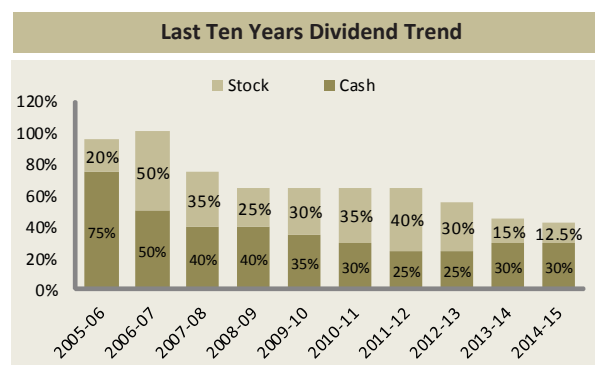
Square Pharmaceuticals Ltd. has prolifically displayed its longings for growth. Each year the Company invests considerable amount of money to upgrade its capacity, technological process, research and training. The major part of these investments is made from internal fund sources.



Source: Annual Reports and ILSL Research

Dividend Trend:

In the Country's capital market, Square pharma is one of the stable dividend paying companies. So far, the Company has paid handsome cash and bonus dividend conjointly. However, recent trend and market consensus indicate that may be the Company will stop paying bonus dividend and switch to cash dividend only.



Source: DSE Website and ILSL Research

Company Fundamentals (30 September, 2015)

Market Cap (BDT mn)	155,522.4
Market weight	5.6%
No. of Share Outstanding (in mn)	623.6
Free-float Shares (Institute + Foreign + Public)	45.8%
Paid-up Capital (BDT mn)	6,235.8
3-month Average Turnover (BDT mn)	175.5
3-month Return	7.8%
Current Price (BDT)	249.4
52-week price range (BDT)	234.2-287.7
Sector's Forward P/E	18.6

	2012-13	2013-14	2014-15	2015-16 (Q1 Ann)
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Financial Information (BDT mn):

Sales	20,202	23,268	26,685	29,401
Operating Profit	5,198	6,145	7,208	8,554
Profit After Tax	4,214	4,946	5,982	7,265
Assets	27,552	31,046	35,191	36,639
Long Term Debt	1,106	1,184	659	237
Equity	22,586	26,740	31,093	32,914
Dividend (C/B)%	25/30	30/15	30/12.5	-/-

Margin:

Gross Profit	44.0%	44.3%	44.0%	47.3%
Operating Profit	25.7%	26.4%	27.0%	29.1%
Pretax Profit	24.6%	25.4%	26.1%	28.8%
Net Profit	20.9%	21.3%	22.4%	24.7%

Growth:

Sales	2.0%	15.2%	14.7%	10.2%
Gross Profit	12.7%	15.9%	13.9%	18.4%
Operating Profit	12.6%	18.2%	17.3%	18.7%
Net Profit	16.4%	17.4%	20.9%	21.4%

Profitability:

ROA	16.2%	16.9%	18.1%	20.2%
ROE	20.1%	20.0%	20.7%	22.7%

Leverage:

Debt Ratio	10.7%	5.7%	2.6%	0.9%
Debt-Equity	13.1%	6.6%	2.9%	0.9%
Int. Coverage	14.6	34.7	45.4	151.1

Valuation:

Price/Earnings	20.9	29.9	24.4	21.4
Price/BV	5.0	5.5	4.7	4.7
Restated EPS (BDT)	6.8	7.9	9.6	11.7
DPS (BDT)	2.5	3.0	3.0	-/-
Restated NAVPS (BDT)	36.2	42.9	49.9	52.8

Investment Positives

- Square Pharma has got the approval from the US Food and Drug Administration (FDA) to export pharmaceutical products to their market. Meanwhile, the Government has increased the VAT exemption threshold on the export of sample medicines from BDT 30,000 to BDT 100,000 in the national budget 2015-16. These events are expected to swell the export opportunity for the Company.
- The Company is planning to set up a blood plasma fractionation plant for commercial purpose. Such initiative is the first of its kind in Bangladesh. According to newspaper report the Company has already placed a proposal before the drug office for setting up the plasma fractionation plant.
- Constant longing to introduce new products in local and international market along with several blockbuster ensured sustainability of profit margins. The firm expected commercial supply to USA from Q4 of 2015 on the approval of Abbreviated New Drug Application (ANDA). It would generate more export earnings for the Company.
- The Company has proven it's longing to achieve better operating efficiency throughout its journey. That is why the Company regularly invests on capacity building, upgrading technological process, research and training. In 2013-14, the company invested BDT 2.32 billion as capital expenditure (of which BDT 108.09 million for improving its laboratory) which was around 66% higher than that of last year.
- Square Pharmaceuticals Ltd. is the undisputed market leader in the Country's pharmaceuticals sector holding around 19% market share in the domestic market.
- Around 46% free float shares ensures liquidity of the stocks.
- The Company has established a handsome dividend (both cash & Stock) paying history over the years.

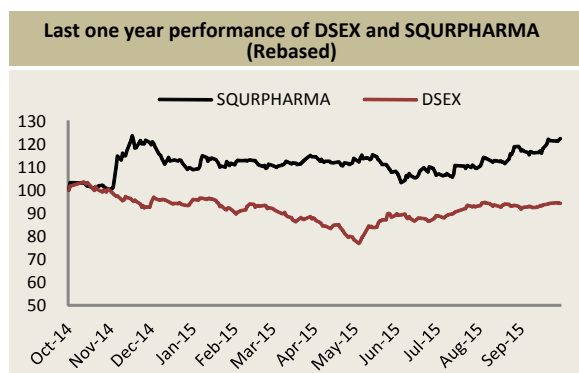
Investment Negatives

- The Company is exposed to foreign exchange risk as 84.02% of total values of raw materials are imported.

- Square Formulation Ltd., which started its commercial operation since 1 April 2014, is currently experiencing loss; so far in the first three months of 2015-16, it has incurred BDT 159.7 million losses. Such setback is slowing down the growth pace of Square Pharmaceuticals Ltd.
- Recently, the Directorate General of Drug Administration (DGDA) has cancelled registration of 51 medicines of 16 pharmaceuticals companies. 5 out of 51 products were registered by Square Pharma. However, it has totally cleared its position on banned products by issuing public announcement in daily newspapers and its website.

Technical indicators & performance in the DSE

In the Country's prime bourse Square Pharmaceutical Ltd. holds around 5.6% market capitalization and in the pharmaceutical sector of DSE it holds around 37% market capitalization. As it can be observed, in the last one year Square pharma has outperformed DSEX most of the time.



Source: DSE Website and ILSL Research

SQRPHARMA is a leading business house in this country. Financial performance over the years reflected its strong fundamental base in operation as well as seasoned management. The Company reported 13.0% and 23.5% growth in revenue and operating profit respectively in Q1 2015-16 than that of Q1 2014-15. The Company has also reported higher profit margins in its latest Q1 financials compared to those of Q1 2013-14. As a blue chip stock the firm offers, slowly but surely, handsome return to its investors.

Mutual Fund : Monthly Update

Performance of Mutual Funds

Mutual Fund Sector of DSE posted 0.19% loss over the month (27 August - 22 September, 2015), while the prime index of the bourse, DSEX, increased by 0.8%. Price of 29 Mutual Funds increased and 12 Mutual Funds decreased over the period. On the other hand, NAV @ Market Price of 37 Mutual Funds increased and 4 Mutual Funds decreased. Out of 41 Mutual Funds, 36 were traded below their respective NAV. PHPMF1 Mutual Fund had the lowest Price/NAV ratio (39.6%) whereas 6THICB was traded at highest Price/NAV ratio (111.7%). Price of LRGLOBMF1 Mutual Fund increased by 30.0% against increase in NAV by 6.0%.

Name of Fund	NAV Per Unit @		Price 22 Sep, 2015	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	27.22	10.65	20.1	73.8%	-0.1%	-9.6%	20 - 45.5	9.12	31/Dec/15	AIMS
GRAMEEN1	25.7	10.25	19.0	73.9%	0.1%	-9.0%	16.9 - 48.5	3.78	31/Dec/15	AIMS
GRAMEENS2	17.38	10.33	10.4	59.8%	-0.1%	0.9%	8.7 - 17.9	5.41	2/Sep/23	AIMS
RELIANCE1	11.81	11.03	6.8	57.6%	0.5%	4.6%	5.6 - 9.6	1.43	7/Jul/21	AIMS
ATCSLGF	11.89	11.91	7.5	63.1%	1.7%	7.0%	5.7 - 9.6	0.37	30/Mar/25	AT CAPITAL
1STICB	1897.8	309.61	1500.0	79.0%	3.6%	-6.1%	855 - 1667.9	2.44	31/Dec/15	ICB
2NDICB	266.56	105.58	280.0	105.0%	0.3%	-4.8%	235.7 - 333.3	0.19	31/Jan/16	ICB
3RDICB	388.11	85.55	312.0	80.4%	6.3%	-3.3%	188 - 330	0.08	29/Feb/16	ICB
4THICB	273.6	76.38	227.5	83.2%	2.5%	-3.1%	185.9 - 246.6	0.09	31/Mar/16	ICB
5THICB	238.67	61.14	211.0	88.4%	2.5%	3.6%	160 - 215	0.19	30/Apr/16	ICB
6THICB	50.84	27.1	56.8	111.7%	3.6%	1.8%	49.8 - 72.4	0.43	30/Jun/16	ICB
7THICB	103.75	41.36	113.5	109.4%	3.6%	12.5%	75 - 118.2	0.06	30/Sep/16	ICB
8THICB	63.65	33.84	69.5	109.2%	3.2%	6.4%	53.2 - 75.3	0.31	31/Dec/16	ICB
1STPRIMFMF	10.64	16.14	10.7	100.6%	3.4%	-1.8%	9.1 - 20.7	1.55	15/Mar/16	ICB AMCL
ICB1STNRB	21.95	32.04	18.0	82.0%	2.2%	-7.2%	15.7 - 31.9	0.68	28/Mar/17	ICB AMCL
ICB2NDNRB	10.62	14.47	8.0	75.3%	3.2%	12.7%	5.7 - 11	3.18	27/Jul/18	ICB AMCL
ICB3RDNRB	7.64	11.32	4.2	55.0%	4.1%	7.7%	3.7 - 5.5	1.79	24/May/20	ICB AMCL
ICBAMCL2ND	8.58	12.94	4.5	52.4%	3.7%	4.7%	3.8 - 6.8	0.42	28/Oct/19	ICB AMCL
ICBPMF1S1	7.87	11.73	6.2	78.8%	3.3%	11.7%	3.6 - 6.8	2.88	18/Jan/20	ICB AMCL
ICBSONALI1	9.18	10.67	6.3	68.6%	1.7%	3.3%	4.7 - 9.5	0.87	12/Jun/23	ICB AMCL
IFILISLMF1	9.81	11.03	6.7	68.3%	3.9%	8.1%	4.8 - 8	7.78	22/Nov/20	ICB AMCL
PF1STMF	7.87	11.36	4.6	58.4%	3.8%	7.0%	4 - 6.3	0.61	9/May/20	ICB AMCL
PRIME1ICBA	8.26	11.38	4.6	55.7%	9.4%	7.0%	3.7 - 6.1	0.50	2/Feb/20	ICB AMCL
AIBL1STIMF	12.03	11.26	6.0	49.9%	1.0%	27.7%	3.7 - 9	3.89	10/Jan/21	LR Global
DBH1STMF	10.83	10.71	4.5	41.6%	-2.6%	4.7%	3.7 - 6.7	2.10	7/Feb/20	LR Global
GREENELMF	10.48	10.29	4.4	42.0%	-3.1%	2.3%	3.8 - 6.3	1.64	28/Sep/20	LR Global
LRGLOBMF1	11.27	11.22	5.2	46.1%	6.0%	30.0%	3.3 - 7	2.03	19/Sep/21	LR Global
MBL1STMF	11.48	11.22	5.0	43.6%	1.1%	13.6%	3.4 - 8.9	3.93	8/Feb/21	LR Global
NCCBLMF1	11.33	10.86	4.9	43.2%	4.0%	16.7%	3.3 - 7.5	4.62	24/May/22	LR Global
1JANATAMF	11.02	10.53	4.5	40.8%	1.5%	-1.0%	4.1 - 7.2	1.03	20/Sep/20	RACE
ABB1STMF	11.34	10.88	4.8	42.3%	0.1%	-0.6%	4.5 - 7.5	2.12	29/Jan/22	RACE
EBL1STMF	10.7	11.17	4.4	41.1%	1.2%	-2.6%	4 - 7	0.73	19/Aug/19	RACE
EBLNRBMF	10.79	10.54	4.5	41.7%	0.5%	12.8%	4 - 7.5	0.20	23/May/21	RACE
EXIM1STMF	10.81	10.4	5.1	47.2%	0.4%	-7.6%	4.5 - 7.3	0.00	16/Jul/23	RACE
FBFIF	10.93	10.46	6.9	63.1%	0.4%	6.1%	5.4 - 10	0.07	19/Mar/22	RACE
IFIC1STMF	10.79	10.56	4.5	41.7%	0.5%	1.8%	3.9 - 7.1	0.92	1/Apr/20	RACE
PHPMF1	10.86	11	4.3	39.6%	1.3%	4.2%	3.9 - 6.7	1.23	29/Nov/20	RACE
POPULAR1MF	10.99	10.84	4.4	40.0%	1.1%	0.9%	3.9 - 6.9	1.94	19/Oct/20	RACE
TRUSTB1MF	11.02	10.53	4.5	40.8%	1.0%	0.2%	4 - 7.9	2.29	27/Jan/20	RACE
NLI1STMF	12.66	12.32	8.7	68.7%	1.9%	4.8%	6.7 - 9.7	1.78	27/Feb/22	VIPB
SEBL1STMF	12.03	11.64	8.6	71.5%	1.9%	9.6%	6.6 - 9.4	6.56	23/May/21	VIPB

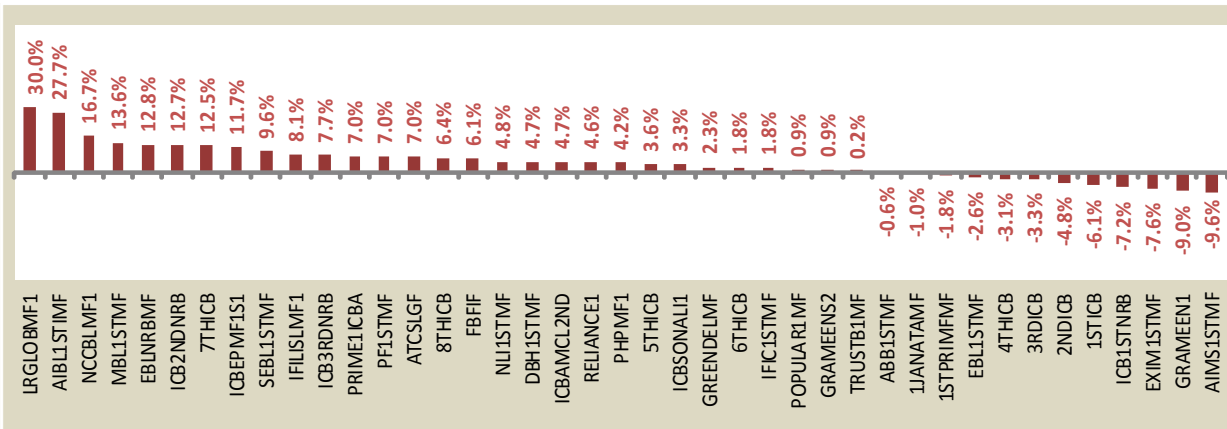
Source: DSE, ILSL Research

Mutual Fund : Monthly Update

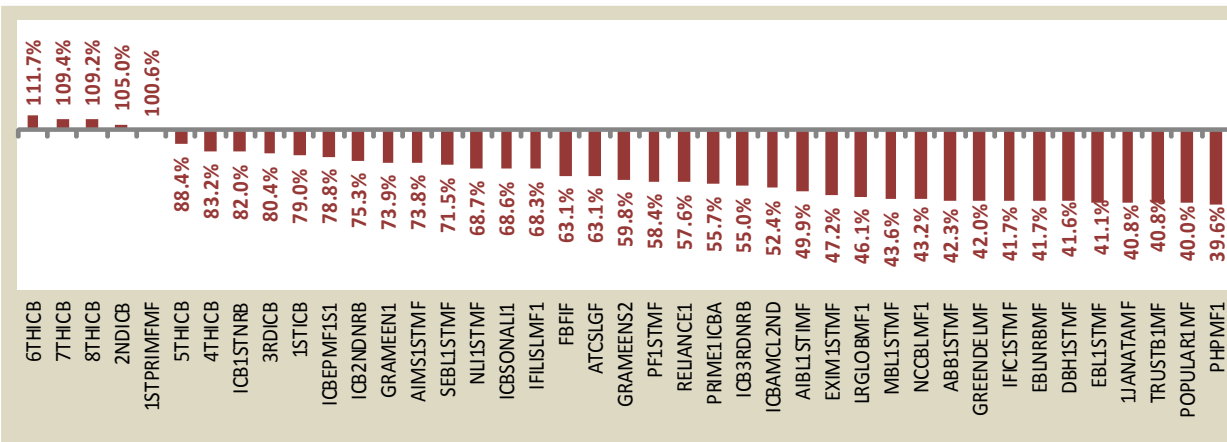
Monthly Top 10 Analysis

Highest Return	% Change in NAV	Lowest Return	% Change in NAV	Turover Leader	Avg Turnover (BDT mn)
PRIME1ICBA	9.4%	GREENDELMF	-3.1%	AIMS1STMF	9.1
3RDICB	6.3%	DBH1STMF	-2.6%	IFILISLMF1	7.8
LRGLOBMF1	6.0%	GRAMEENS2	-0.1%	SEBL1STMF	6.6
ICB3RDNRB	4.1%	AIMS1STMF	-0.1%	GRAMEENS2	5.4
NCCBLMF1	4.0%	GRAMEEN1	0.1%	NCCBLMF1	4.6
IFILISLMF1	3.9%	ABB1STMF	0.1%	MBL1STMF	3.9
PF1STMF	3.8%	2NDICB	0.3%	AIBL1STIMF	3.9
ICBAMCL2ND	3.7%	EXIM1STMF	0.4%	GRAMEEN1	3.8
7THICB	3.6%	FBFIF	0.4%	ICB2NDNRB	3.2
1STICB	3.6%	IFIC1STMF	0.5%	ICBEPMF1S1	2.9

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	7,192	12.9%	0.0%	1.89	3,140
AT CAPITAL	735	1.3%	1.7%	1.00	606
ICB	3,460	6.2%	3.5%	3.58	178
ICB AMCL	6,475	11.6%	4.0%	0.74	7,150
LR Global	9,958	17.8%	1.6%	1.02	8,896
RACE	26,231	46.9%	0.8%	1.03	22,181
VIPB	1,838	3.3%	1.9%	1.03	1,501

Source: DSE, ILSL Research



Addressing Your Financial Concerns

In today's competitive world, each of you is looking for growth opportunities. While some of you are considering expansion of your existing business, others are looking for expansion in a new field. Some may feel that working capital management is the priority while others need to focus on financial efficiency. Many have suffered from high interest burden in the past while others are looking for scope to minimize tax burden to safeguard a substantial profit. Few need hands-on assistance to explore business opportunities with major industry players while others require a strategic plan to make an acquisition successful.

Yes, we are talking about financial restructuring and investment alternatives. And a lot of questions come and wait in mind. Which type of financing is the best solution? Is it going to fit the long term strategy of the organization? Is it sustainable? Are you ready for this?

Faced with such dilemmas, what you need is an expert who can offer a wide array of financial services and benefits with comparative analyses of feasible alternatives.

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Business Newsflash**Economy****Remittance growth springs back in August**

The Daily Star, September 04, 2015

Remittance bounced back in August from a year earlier, much to the relief of the central bank. Remittance increased 1.71% year-on-year to USD 1.19 bn in August. However, August's amount is 14.39% lower than the sum received in the previous month. In July, inward remittance was 3.47% lower than the receipts in June. The flow of remittance increased 7.64% year-on-year last fiscal year. Eyeing the ensuing Eid-ul-Azha festival, migrant workers have already started sending in money to their relatives back home and it is expected to rise further in September.

BB launches floating rate for new short-term govt securities

New Age, September 20, 2015

Bangladesh Bank has introduced a floating interest rate for the first time in the country to facilitate issuance of short-term government securities as well as to encourage individual and corporate investors to invest in the instruments at the secondary bond market. The interest rate named 'Bangladesh Compounded Rate' (BCR) will act a reference rate for setting interest rate for the upcoming short-term government securities. The BCR will be set on the market demand on the daily basis. Under the BCR, banks, non-bank financial institutions and individual and corporate clients would enjoy floating interest rate of the instruments at the primary and secondary bond markets. Currently, the government issues eight types of bills and bonds with tenures of between 91 days and 20 years and the interest rate of the securities are set in line with the rate settled by the auction.

Investment in NSCs soars to BDT 4,600cr in July-Aug on depressing bank rates

New Age, September 30, 2015

The net investment in the national savings certificates and bonds increased by 6.90% in the first two months of the current financial year 2015-16 compared with the corresponding period last year. The net investment in the savings instruments increased to BDT 4,627.19 crore in July-August of the FY16 compared with that of BDT 4,328.48 crore during the same period of the FY15. The net investment in the

savings tools posted a record BDT 28,732.64 crore in the FY15 as the clients invested a lot in the tools due to lower rate of interest on the banks' deposit products. The net investment in the savings tools also increased by BDT 674.63 crore in August compared with that of BDT 1,976.28 crore in the previous month. Banks are now offering maximum 6% to 8% interest to their clients for the fixed deposit schemes.

International**Indian economy offers hope as China struggles**

Dhaka Tribune, September 01, 2015

For investors worried about the health of emerging economies, India's gross domestic product data for April-June should supply some cheer yesterday - the country is expected to remain the fastest growing major economy for a second straight quarter. However, with an economy only one-fifth the size of China's, India is in no position to support the global economy as its northern neighbour has. Blessed with a huge domestic market and a large cheap workforce, Asia's third-largest economy has an opportunity to get more investment. Lured by its prospects, iPhone maker Foxconn this month announced a USD 5bn investment in India.

Yuan depreciation may help BD gain in trade

The Financial Express, September 13, 2015

Economists say the devaluation of Chinese currency RMB, also known as yuan, against the US dollar will not harm Bangladesh's external trade rather help through cheaper import of raw materials from the giant economy. China weakened its currency mainly in order to boost exports after meticulously doing some economic arithmetic in a changing paradigm. Economists argue that Bangladesh imports nearly USD 8.0 bn worth of goods from China and most of the imports are industrial raw materials meant for garment shipment. They calculated that Bangladesh might gain around USD 350 mn a year, around 50% of Bangladesh's yearly export to China, as the imports from China have become cheaper than before. Overall exports to China have also been on the rise: USD 746.19 mn came in 2013-14, with a whopping 63% rise year-on-year. Bangladesh's imports from China amounted to USD .5 bn in the fiscal year 2013-2014 and exports fetched USD 746 mn during the same period.

China Industrial Profits Fall Most Since 2011 as Growth Ebbs

Bloomberg News, September 28, 2015

Chinese industrial companies reported profits fell the most in at least four years, as the pillars of China's infrastructure-led growth model suffered from a devalued yuan, a tumbling stock market and weak demand. Industrial profits tumbled 8.8% in August from a year earlier, with the biggest drops concentrated in producers of coal, oil and metals, the National Bureau of Statistics said Monday in Beijing. It was the biggest decline since the government began releasing monthly data in October 2011, according to data compiled by Bloomberg. China's stock-market plunge and currency devaluation are adding new challenges for the world's second-largest economy as it struggles with excess capacity, sluggish investment and weaker manufacturing. The nation's official factory gauge slumped to a three-year low last month, while Bloomberg's monthly gross domestic product tracker remained below the government's 7% goal in August with a reading of 6.64%.

Stock Market

BDT 5.18 billion disbursed under cap market re-financing scheme

The Financial Express, September 16, 2015

Some BDT 5.18 bn has been disbursed so far under the capital market re-financing scheme, initiated by the government to help affected investors of 2010-11 stock market debacle. 30 merchant banks and brokerage firms have received the said amount from the state-run Investment Corporation of Bangladesh (ICB). As per the scheme guideline, the central bank earlier disbursed BDT 9.0 bn to ICB in three equal installments. Later, out of the amount, BDT 5.18 bn was received by 30 merchant banks and brokers from ICB for rescheduling their clients' margin accounts. Before receiving the fund under the capital market refinancing scheme, the merchant bankers and brokerage firms waived 50% of interest charged on margin loans. Of BDT 5.18 bn, 16 merchant banks received BDT 3.59 bn against the portfolios of 15,458 affected investors, whereas 14 stock brokers received BDT 1.58 bn against the portfolios of 5,462 affected investors. Among them, ICB Capital Management received BDT 1.58 bn in two phases, IDFC Securities BDT 200 mn, Janata Capital and Investment BDT 400 mn. Besides, Fareast Stocks and Bonds received BDT 180 mn, Prime Finance Capital Management BDT 160 mn, NCC Bank Securities and Financial Services BDT 114.4 mn, and Reliance Brokerage Services BDT 117.5 mn.

IPOs see sluggish activity in nine months

The Financial Express, September 28, 2015

The initial public offerings (IPOs) witnessed sluggish activity in the first nine months of 2015 compared to the same period a year ago, when a record number of IPOs hit the stock market. A total of BDT 5.38 bn has been raised by seven companies from the public through IPOs, including premium, in the first nine months (Jan-Sept) of 2015. Seven companies those raised funds through IPOs in nine months of 2015 are - United Power Generation & Distribution Company BDT 2.37 bn, Bangladesh Steels Re-rolling Mills BDT 612.50 mn, Tosrifa Industries BDT 638.72 mn, Olympic Industries BDT 200 mn, Aman Feed BDT 720 mn, KDS Accessories BDT 240 mn and Simtex Industries BDT 600 mn from the public. That is slower than the first three quarters of 2014 in terms of number of IPOs and raising fund. Market insiders attributed the slowed-down growth of IPOs to the "go-slow-strategy" by the Bangladesh Securities and Exchange Commission (BSEC), creating backlog in the IPOs.

BSEC issues first licence for alternative investment

New Age, September 30, 2015

Bangladesh Securities and Exchange Commission on Monday issued fund manager license to Strategic Equity Management Limited under the newly enacted Alternative Investment Rules that will allow the entity to pool funds from high net worth local and foreign investors. The commission at a recent meeting decided to issue the license to the entity following an application by the entity submitted to the commission on September 1. With the BSEC approval, the entity will be allowed to operate, manage and advise an alternative investment funds, he said. Alternative Investment Rules allow local and foreign fund managers to form alternative investment funds, which can invest in listed and non-listed entities, by taking BSEC approval to do the business.

- Merger and Acquisition
- Underwriting
- Issue Management
- Capital Raising
- Bonds and Convertibles
- Loan Syndication
- Private Equity
- Margin Lending

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Bank**IBBL for massive investment in SME**

The Financial Express, September 06, 2015

Islami Bank Bangladesh Limited (IBBL) has taken a move to turn the northern region of Bangladesh into an agro-based industrial zone of the country through massive investment in SME. The IBBL MD said the bank has invested a total of BDT 120 bn (12,000 crore) to develop the SME in north Bengal in the last five years. The SME units of the area are auto rice mills, husking mills, weaving factory, flour mills, oil mills, feed mills, cold storage, light engineering, RMG, weaving, sweetmeat, bakery, poultry, hatchery etc. There are 600 auto rice mills and 29 cold storage mills in the N-zone of Bangladesh.

Financial Institution**BSEC okays IDLC plan to issue BD 5.0 billin bond**

The Financial Express, September 03, 2015

The securities regulator has approved the proposal by the IDLC Finance Limited to issue BD 5.0 bn Infrastructure and Zero Coupon Bond, officials said. The tenure of the bond will be five years and banks, corporate houses, insurance companies, non-banking financial institutions, asset management companies, mutual funds, merchant banks and high net worth individuals will be allowed to purchase the bond through distribution of private placement. The characteristics of the bond will be fully redeemable. IDLC Finance Limited will utilise the fund for its ongoing development projects. The offer price of the units of the bond to be issued by IDLC Finance is BD 1.0 mn per unit.

NBFIs to cut in pvt banks' share***Deposits from government and autonomous bodies***

The Financial Express, September 03, 2015

At least 13 non-banking financial institutions (NBFIs) have been allowed to receive a part of the development and non-development funds of the government and autonomous bodies as deposits. The measure is expected to help the non-banks to cut down their dependence on bank loans and call money to meet their liquidity requirements. According to the notification, a maximum of 20% of development funds received by different autonomous and semi-autonomous bodies can now be deposited with the NBFIs. Besides, the government, semi-government, autonomous and semi-autonomous organisations are free to keep 25% of their respective funds with the private banks or 13 designated NBFIs or with both. The NBFIs that have

been selected for receiving the deposits are: Bay Leasing, DeltaBrac, First Finance, IDLC Finance, Industrial and Infrastructure Development Finance, Industrial Promotion and Development Co, Islamic Finance and Development Ltd, LankaBangla Finance, National Finance, National Housing Finance and Investment, Phoenix Finance, United Finance and Uttara Finance. Presently, the country's private commercial banks are only allowed to take 25% of the fund. Some 80% of ADP funds and 75% funds of the government, semi-government, autonomous and semi-autonomous organisations are kept in the state-owned banks.

BRAC plans to buy 40% stake in IPDC

Dhaka Tribune, September 14, 2015

BRAC – the world's largest non-government development organisation – plans to buy 40% stake in IPDC (Industrial Promotion and Development Company), a non-banking financial institution. In a share purchase agreement last week, IPDC majority shareholder and a Switzerland-based international development agency Aga Khan Fund For Economic Development (AKFED) has signed a deal with BRAC to sell its 40% out of 51% shares in IPDC. Of the 40% shares purchased, BRAC is expected to take control of 25%, its sister concern Ayesha Foundation 10% and RSA Capital 5%. With this agreement, BRAC is set to enter into non-banking business. Under the present shareholding structure of IPDC, the government of Bangladesh holds 21.88%, AKFED 51.05%, public 27.07% stakes in IPDC.

Fuel and Power**KPI scraps plan to build crude oil refinery in BD**

The Financial Express, September 01, 2015

Kuwait Petroleum International (KPI) has scrapped its plan to construct a 10 mn tonnes per year capacity crude oil refinery worth USD 6.0 bn in Bangladesh in a major setback for future energy security. The KPI, a subsidiary of state-run Kuwait Petroleum Corporation (KPC), is now keen to shift the site of its planned refinery to some other Asian countries. The Middle Eastern firm has called off its plan to build the refinery in Bangladesh despite the government's move to offer it some 1,000 acres of land on Moheshkhali Island in the Bay of Bengal to construct the crude oil refinery. The KPI had plans to build a refinery in the country with the capacity of 300,000 barrels per day. Currently, Eastern Refinery Ltd (ERL), the country's lone refinery and a wholly-owned subsidiary of the BPC, has a plant with the capacity of 1.5 mn tonnes per year which can refine 1.4 mn tonnes crude oil per year at its de-rated capacity.

BD, India set to establish JV firm next month

The Financial Express, September 06, 2015

Bangladesh and India are set to establish a joint venture (JV) firm next month to build the first-ever onshore pipeline for carrying petroleum products from Numaligarh refinery to Bangladesh. Bangladesh Petroleum Corporation (BPC) and India's state-run Bharat Petroleum Corporation Ltd (BPCL) in April this year inked a memorandum of understanding (MoU) to establish the JV firm for installing the cross-country oil-carrying pipeline. The JV firm between the two countries would be responsible to set up the pipeline and carry out its operation and maintenance. Both the state-owned petroleum companies of Bangladesh and India agreed earlier to build together the first cross-country oil import pipeline between the two countries that will see an initial 300,000 tonne per year of refined oil products to be transported from the BPCL's Numaligarh refinery to Bangladesh. The BPCL has 61.5% stakes with the 3.0 mn tonne per year capacity of Numaligarh refinery located near Bangladesh's north-eastern border. Oil India Ltd has 26% stakes and the government of Assam has 12.35% stakes in the refinery.

United Power to acquire two sister firms

The Financial Express, September 17, 2015

United Power Generation and Distribution Company Limited, a listed company, will acquire two of its sister concerns -- United Ashuganj Power Limited and Shajahanullah Power Generation Company Limited. The acquisition scheme will be completed within three months. To approve the above matters by the High Court Division, an application will be filed in due course under section 228 and 229 of the Companies Act, 1994 and an extra ordinary general meeting (EGM) will be held under the direction of the High Court, said the statement. United Power Generation and Distribution Company is a merchant power supplier with an existing capacity of 160MW. United Ashuganj Power, a 53 MW Natural gas fired Quick Rental Power Plant, located at Ashuganj, and Shajahanullah Power Generation Company is a 28 MW Gas fired power plant in Kumargaon, Sylhet.

Western Marine to deliver first container ship this month

The Financial Express, September 02, 2015

The first container ship, built by Western Marine Shipyard Limited for Bangladesh's inland use, had a successful sea trial. The company expects to handover the ship to its owner by this month. This is the first container ship, which will operate in the inland route

of Bangladesh carrying containers from Chittagong Port to Pangaon Inland Container Terminal in Dhaka. The ship, MV Harbour-1, will be operated by Neepa Paribahan Limited. It will be able to carry 176 TEUs of containers. Three similar ships will be delivered in next few months, which are under construction in Western Marine Shipyard.

Food and Allied

Processed food makers investing more in cold chain networks

The Daily Star, September 29, 2015

Local processed food makers are increasingly investing in building their cold chain networks to maintain the quality of products. Golden Harvest Agro Industries is setting up the country's largest cold chain network at a cost of more than USD 50 mn (about BDT 400 crore). Brac, Pran, Aftab, Kazi Farms, Bengal Meat and other processed food makers are also gradually putting their money forward in developing the cold chain network. A cold chain network is a logistics system, which helps maintain and provide a series of facilities to ensure ideal storage conditions for perishable items from the point of origin to the point of sales.

Textile

Readymade garments export bounces back in August

Dhaka Tribune, September 08, 2015

Country's export earnings from the readymade garments sector bounced back in August posting over 32% rise after suffering more than 12% decline in July, this year. Bangladesh earned USD 2.27 bn in August, which is 32.45% higher compared to USD 1.71 bn in same period a year ago. While, in July-August of the current fiscal year, RMG sector fetched USD 4.49 bn, which is nearly 6% higher compared to USD 4.23bn in the previous year. Meanwhile, overall exports grew up by 4.71% to USD 5.38 bn in July-August period of the current fiscal year. In July, the first month of current fiscal year Bangladesh registered an 11.96% decline to its export earnings, which was USD 2.63 bn in the same period a year ago.

CMC Kamal, Alif Unitex merger underway

The Financial Express, September 15, 2015

CMC Kamal Textile Mills Limited, a listed company on the stock market and non-listed Alif Unitex Limited, have decided to go for merger. The board of directors of the two companies under the same set of management has approved a draft scheme of such a tie-up, which will be amalgamated under the

provisions of sections 228 & 229 of the Companies Act, 1994. All the properties that include the title of land, building, other movable and immovable assets, rights, patents, interests, goodwill, licences, liabilities, obligations, claims etc. of every description of Alif Unitex will be transferred to and vested in the CMC Kamal Textile Mills as per procedures of the scheme of Amalgamation be sanctioned. A total of 76,050,000 ordinary shares of BDT 10 each of CMC-Kamal Textile Mills will be issued to the shareholders of Alif Unitex at an exchange ratio of 8.45 shares of the transferee company for one share of the transferor company subject to securities regulator's sanction.

Services

Summit Alliance receives three vessels from CPA

The Daily Star, September 03, 2015

The Chittagong Port Authority (CPA) yesterday handed three vessels to Summit Alliance Port Ltd to carry containers between the port and Pangaon inland container terminal in Narayanganj in the next five years. The port authority earlier appointed the private firm to operate the vessels: Pangaon Express, Pangaon Vision and Pangaon Success.

SAIFPOWER signs a contract for Appointment of Terminal Operator

DSE News, September 28, 2015

The Company has informed that they have signed a contract with Chittagong Port Authority (CPA) for Appointment of Terminal Operator for Handling of Container and Containerized Cargo at Berth No - 2 and 3 of New Mooring Container Terminal (NCT) for a period of 02 years. The value of the contract price is BDT. 49,87,33,000.00 only.

Telecommunication

Bangladesh cuts internet bandwidth prices by 41%

BDNews24, September 01, 2015

Internet bandwidth prices have been slashed by 41% in Bangladesh within a month of the prime minister's order to keep the cost within the people's reach. Bangladesh Submarine Cable Company Limited (BSCCL) announced the price cut on Monday, saying the internet gateways will get 1MBPS bandwidth at BDT 625 from Tuesday, down from BDT 1,068. However, it is up to the internet gateways and internet service providers (ISP) to reduce prices at the consumer level.

Internet subscribers cross 5 crore landmark

Dhaka Tribune, September 02, 2015

Bangladesh Telecommunication Regulatory Commission (BTRC) on Tuesday officially announced that the sector crossed the landmark of 5 crore internet subscribers. According to BTRC website, the telecommunication industry has made this achievement in July with the increased number of 5.07 crore internet users. A total of 5.07 mn subscribers used internet in the month compared to 4.83 crore at the end of June, 2015. The number of fixed-line internet users 12.93 lakh in July while the number of Wimax subscribers stand at 1.74 lakh compared to 1.8 lakh a month earlier. The total number of Bangladesh's mobile phone subscribers reached 12.87 crore at the end of July 2015. Grameenphone led the market with 5.39 crore mobile phone subscribers, compared to 5.31 crore, a month earlier. Banglalink's customer base inched up to 1.8 lakh from 3.22 crore while Robi ended June with 2.73 crore, up from 2.79 crore users in July.



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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- Valuation Report: Deliver extended fundamental analysis on particular stock
- IPO Note: Cover information regarding respective upcoming issue
- Performance of mutual fund: Contain information about NAV of all Mutual Funds with comparison of previous week.
- Corporate declaration: Includes information related to listed company (from DSE Website)
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