



# INFORMATION MEMORANDUM FOR STRATEGIC PARTNER



Platform Partners



International Affiliations



# INFORMATION MEMORANDUM FOR STRATEGIC PARTNER

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## **CHITTAGONG STOCK EXCHANGE LIMITED**

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## BOARD OF DIRECTORS

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**Mr. Md. Ghulam Faruque**

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## EXECUTIVE SUMMARY

Chittagong Stock Exchange (CSE) was established on 1st April, 1995 as a company limited by guarantee and as a not-for-profit organization. Initially the founding members were 70 which were gradually increased to 148. CSE was established with the broad objectives to create an effective, efficient and transparent market atmosphere of international standard to save and invest in Bangladesh in order to facilitate the competent entrepreneurs to raise funds and accelerate industrial growth for overall benefit of the economy. Since then, CSE revolutionized the entire capital market of Bangladesh. It spearheaded many rules and regulations, implemented automation, innovated new concepts, and led the whole capital market as the vanguard of development.

### Demutualization and its consequences

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

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

### Post Demutualization Capital Structure

- Authorized Share Capital  
1,000,000,000 shares of BDT 10 each = BDT 10 bn equivalent to US\$ 116.55 mn
- Paid-Up Share Capital  
634,524,840 shares of BDT 10 each = BDT 6.35 bn equivalent to US\$ 73.95 mn
- Number of Shareholders = 148

### Restructuring of Share Holding

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

Paid up Capital: 634,524,840 Ordinary Shares of BDT 10 each = BDT 6.35 bn equivalent to US\$ 73.95 mn

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Size of Blocked Shares: 380,714,904 Ordinary Shares of BDT 10 each = BDT 3.81 bn equiv. to US\$ 44.37 mn

25% of Paid-up Capital: 158,631,210 Ordinary Shares of BDT 10 each = BDT 1.59 bn equiv. to US\$ 18.49 mn  
(Maximum size reserved for strategic partners)

### Bangladesh – Economic Highlights

Sl. No.	Indicators	2016-17	2017-18	2018-19	2019-20	2020-21 (p)
1	GDP at current market prices (BDT bn)	19,758	22,505	25,425	27,393	30,111
2	GDP Growth (%)	7.28	7.86	8.15	3.51	5.47
3	National Budget Size (BDT bn)	2,772.36	3,218.62	3,916.90	4,201.60	5,389.83
4	Annual Development Program – ADP (BDT bn)	1,195.38	1,472.87	1,929.21	1,553.80	1,976.43
5	Annual Exports (USD mn)	34,846	36,668.17	40,535.04	33,674.09	38,758.30
6	Foreign Exchange Reserve (USD mn)	33,493	32,943	32,717	36,037	46,391

Source: Ministry of Finance; Bangladesh Bank, Bangladesh Bureau of Statistics and Bangladesh Investment Development Authority.

Note: (p) denotes provisional

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

BDT in Million

	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue	282.51	315.13	346.78	342.76	369.59
EBITDA	58.30	86.83	104.23	113.81	133.77
Operating Profit	6.91	36.52	53.76	64.17	87.63
Net Profit	347.62	347.47	390.67	318.81	283.49
Total Assets	8,091.60	8,377.62	8,218.51	8,025.29	8,146.88
Total Liabilities	644.35	963.62	731.10	536.33	691.70
Current Assets	5,688.40	5,932.09	5,232.02	5,101.91	5,202.56
Current Liabilities	491.95	809.61	579.31	389.61	577.53
Net Assets	7,447.24	7,414.00	7,487.41	7,488.95	7,455.18
<b>Financial Ratios &amp; Performance</b>					
Operating Profit Margin	2.45%	11.59%	15.50%	18.72%	23.71%
Net Profit Margin	123.05%	110.26%	112.65%	93.01%	76.70%
Return on Equity (ROE)	4.78%	4.68%	5.24%	4.26%	3.79%
Return on Assets (ROA)	4.43%	4.22%	4.71%	3.93%	3.51%
Current Ratio	11.56	7.33	9.03	13.10	9.01
NAV per Share (BDT)	11.74	11.68	11.80	11.80	11.75
Earnings Per Share (BDT)	0.55	0.55	0.62	0.50	0.45
No. of Ordinary Shares (in million)	634.52	634.52	634.52	634.52	634.52

**Projected Financial Information for Next Five Years**
**BDT in Million**

	2021-22	2022-23	2023-24	2024-25	2025-26
Revenue	427.33	471.15	544.13	629.98	691.20
EBITDA	179.72	211.16	271.15	343.34	390.23
Operating Profit	139.10	162.29	222.38	294.58	341.46
Net Profit	473.96	1,358.69	1,644.80	1,010.60	835.02
Total Assets	8,563.61	10,777.18	12,796.77	14,042.85	14,351.07
Total Liabilities	1,015.19	2,314.23	3,133.19	3,876.28	3,857.10
Current Assets	5,755.03	7,417.46	9,485.82	10,780.67	11,137.65
Current Liabilities	448.39	843.92	758.46	596.16	570.54
Net Assets	7,548.43	8,462.95	9,663.59	10,166.57	10,493.97
<b>Financial Ratios &amp; Performance</b>					
Operating Profit Margin	32.55%	34.45%	40.87%	46.76%	49.40%
Net Profit Margin	110.91%	288.38%	302.28%	160.42%	120.81%
Return on Equity (ROE)	6.32%	16.97%	18.15%	10.19%	8.08%
Return on Assets (ROA)	5.67%	14.05%	13.95%	7.53%	5.88%
Current Ratio	12.83	8.79	12.51	18.08	19.52
NAV per Share (BDT)	11.90	13.34	15.23	16.02	16.54
Earnings Per Share (BDT)	0.75	2.14	2.59	1.59	1.32
No. of Ordinary Shares (in million)	634.52	634.52	634.52	634.52	634.52

**Summary: Indicative Value of CSE**

Valuation Methods	Value Per Share (BDT)
Discounted Cash Flow - DCF Perpetuity (Considering discount rate 15% and growth rate 7.5%)	<b>23.87</b>

**Existing Features and Products of Capital Market**

Mainly equity securities and mutual funds are traded in both the bourses of Bangladesh. As on 28 February 2022, existing Products of CSE are as follows:

Number of Listed Securities	:	374
Number of Equity	:	327
Number of Mutual Fund	:	36
Number of Corporate Bond	:	11

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

### **International Affiliations**

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

### **Future Products and Services of Capital Market**

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

1. Commodity Exchange
2. Exchange Traded Fund (ETF)
3. Clearing Corporation (under the supervision of BSEC) – operation to start soon
4. CSE Training Institute
5. Derivatives Market
6. Bond Market

### **Commodity Exchange**

It is obvious that through the prolific leadership and rational strategical approaches, Bangladesh has triggered outstanding progress in ensuring food security, domestic production and reducing poverty supported by the sustained economic growth. Aligned with its sustainable economic evolution, massive macroeconomic growth and immense infrastructural development; establishment of an automated and structured market place for trading the underlying commodities is very significant and overdue issue for Bangladesh. Taking the instances of few neighboring and regional exchanges, the establishment of a structured and automated commodity market with acceptable governance practice immensely assists in the development of a functional value chain which must have a reliable contribution/impact in the GDP growth by the side of benefitting numerous stakeholders – from the farmers/producers to the end users.

Chittagong Stock Exchange (CSE) has been instrumental and keenly working for the establishment of a commodity derivatives/futures exchange in Bangladesh since long. Based on its empirical research, functional development of hypothesis, intense study and knowledge sharing with neighboring established commodity exchanges; CSE developed a basic 'Concept' for founding commodity futures exchange in Bangladesh. Considering its preceding role in initiating innovative ideas and noteworthy structural reformations for the development of

capital market, CSE has recently obtained approval from the Bangladesh Securities and Exchange Commission (BSEC) to move forward in establishing the first ever Commodity Exchange in Bangladesh.

**Concluding Remarks**

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

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

## 1. Background

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

## 2. Objective

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

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

## 3. Global Economic Outlook

Following a 3.5 percent contraction caused by the COVID-19 pandemic in 2020, global economic activity has gained significant momentum; however, it remains well below pre-pandemic projections. The ongoing pandemic continues to shape the path for global economic activity, with severe outbreaks continuing to weigh on growth in countries. The most recent wave of COVID-19 is now centered in some emerging market and developing economies, where more transmissible and virulent strains are spreading and where vaccine access remains limited.

After declining in the first half of 2020, global inflation has rebounded quickly on recovering activity. While global inflation is likely to continue rising in the remainder of this year, inflation is expected to remain within target bands in most inflation-targeting countries.

Amid continued vaccination, economic activity is firming across major advanced economies – most notably in the United States, where the recovery is being powered by substantial fiscal support. Growth in China remains solid but has moderated as authorities have shifted their



focus from buttressing activity to reducing financial stability risks. Many other countries, primarily EMDEs, are experiencing subdued pickups alongside surges of COVID-19 cases, even if recent waves of infections appear to be less disruptive to economic activity than previous ones. Global manufacturing activity has firmed, with industrial production surpassing its pre-pandemic level, services activity-especially travel and tourism-remains soft.

Global financial conditions have tightened somewhat, partly reflecting a rise in U. S. bond yields amid increased inflation pressures. Nevertheless, they remain generally supportive, reflecting continued extraordinary policy accommodation by major central banks. Commodity prices have increased markedly, owing to the improving global outlook as well as commodity-specific supply factors. The recovery in global activity and in commodity prices is contributing to an increase in inflation, especially in some EMDEs that have experienced currency depreciation.

As per the World Bank, the world economy is experiencing an exceptionally strong but highly uneven recovery. Global growth is set to reach 5.6 percent in 2021 – its strongest post-recession pace in 80 years. The recovery is underpinned by steady but highly uneven global vaccination and the associated gradual relaxation of pandemic-control measures in many countries, as well as rising confidence. A substantial share of this rebound is due to major economies, with many EMDEs lagging behind. The United States and China were each expected to contribute over one-quarter of global growth in 2021, with the U.S. contribution nearly triple its 2015-19 average. Vaccination progress is a key determinant of near-term forecast revisions. Despite the strong pickup, the level of global GDP in 2021 was expected to be 3.2 percent below pre-pandemic projections. The recovery is envisioned to continue into 2022, with global growth moderating to 4.3 percent. Still, by 2022, global GDP is expected to remain 1.8 percent below pre-pandemic projections.

### **South Asia**

Developing Asia continues to grapple with the COVID-19 pandemic. Renewed outbreaks are a cause for concern, amid uneven progress on vaccination. The region's output was forecast to expand by 7.1% in 2021 and 5.4% in 2022, supported by a broad recovery in exports. Regional growth paths are diverging, with economies that have successfully contained the pandemic or are making good progress on vaccination programs forging ahead.

Aggregate GDP in South Asia was projected to expand by 8.8% in 2021, less than the forecast made by Asian Development Bank. The sub regional economy is projected to grow by 7.0% in 2022, more than earlier projection.

Inflationary pressures in South Asia appear to be rising, largely because of food prices forced up by supply chain disruption. The projection for sub regional average inflation in 2021 is revised up from 5.5% to 5.8%, largely reflecting supply chain disruption and a delayed monsoon sustaining FY 2021 inflation in India at 5.5%.

## 4. Bangladesh - Economic Outlook

GDP growth in Bangladesh is accelerating gradually. But the COVID-19 pandemic severely affected the economy. According to the provisional estimate of BBS, the GDP growth stood at 5.47 percent in FY 2020-21, which was 3.51 percent in previous fiscal year. Among the 3 broad sectors, growth of agriculture sector decreased to 3.45 percent, which was 4.59 percent in previous fiscal year. According to the provisional data, growth of broad industry sector increased to 6.12 percent in FY 2020-21; which was 3.25 percent in preceding fiscal year. The growth rate of broad service sector has increased from 4.16 percent in previous fiscal year to 5.61 percent in FY 2020-21. According to the provisional data sectoral share of broad agriculture, industry and service stood at 13.47 percent, 34.99 percent and 51.53 percent respectively; which were 13.74 percent, 34.78 percent and 51.48 percent respectively in previous fiscal year. In demand side, the consumption expenditure stood at 75.83 percent in FY 2020-21. Gross domestic savings increased to 24.17 percent of GDP in FY 2020-21, from 23.77 percent a year earlier. However, national savings as percent of GDP increased to 30.39 percent in FY 2020-21 from 28.67 percent in FY 2019-20. On the other hand, investment-GDP ratio decreased to 29.92 percent in FY 2020-21, from 30.47 percent in previous fiscal year.

The government of Bangladesh has so far announced 28 stimulus packages worth of Taka 1.35 trillion which is approximately 4.9 percent of FY20's current price GDP, for mitigating the adverse impact of the outbreak of COVID-19 on Bangladesh economy and facilitating faster economic recovery. Bangladesh Bank has also appropriately adopted a range of policy measures for ensuring uninterrupted banking and mobile/digital financial services even in the lockdown situation, injecting sufficient loanable funds for the banks and other non-bank financial institutions, reducing the cost of loanable funds, establishing the funds for promoting new entrepreneurs, and enhancing the productivity of export sectors, and extending the refinance facilities for the priority sectors including agriculture, CMSMEs, large industries, export-oriented industries and services sector.

The Government has set a target of real GDP growth at 7.2 percent for FY22 considering that the ongoing corona situation will improve especially with the implementation of mass-scale vaccination programs, strengthening the recovery process in the coming days.

Bangladesh Bank undertook a range of investment and employment enhancing policy measures throughout the FY21, some of which are relaxations of various policy interest rates, and purchasing extra government securities from the banks' holdings for supporting their longer-term liquidity need, the introduction of various low-cost refinance schemes, allowing moratorium facilities and extended time for realizing export receipts and import payments, and introduction of a new credit guarantee scheme for making easy access to credit at a lower cost by CMSMEs.

The business confidence is gradually regaining and the disrupted supply chains of agricultural and manufacturing products have already been reframed. As a result, Bangladesh economy has

started demonstrating its resilience. And hence the turnaround. We must give well deserved admiration to the strong leadership provided by the Hon'ble Prime Minister to keep the economic boat floating despite many hurdles including the stubborn presence of infections.

Sovereign ratings for Bangladesh has been steady and positive, according to both Moody's and S&P, who have labelled the country as a mobile economy rising to the next level with performance much stronger than sovereigns at similar income levels. Goldman Sachs lists Bangladesh among its "Next 11" countries for its potential in becoming a major economy.

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

The current government has a broader outlook and set a goal to see Bangladesh as a developed economy by 2041. Bangladesh has already highlighted the way forward through investment-led growth in its Sixth and Seventh Five Year Plan. Its strategy for increasing public, private and foreign investment in Bangladesh is ambitious and calls for modernizing the country's infrastructure and connectivity; increasing the availability and affordability of energy; and boosting the country's overall competitiveness. Consistent and inclusive growth over a decade has put Bangladesh on a path to prosperity. Already established as a lower-middle income country, Bangladesh is ready to emerge as a middle-income country by 2024.

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

- ❖ Bangladesh is one of the fastest growing economies in the world. There is political stability under a democratic system. Inflation is steady because of good monetary and fiscal management. Bangladesh has never defaulted, not even for a dollar.
- ❖ Bangladesh, growing rapidly for more than a decade, is called the next Asian Tiger. GDP growth is steadily on the rise. Inflation is reined in amid long-term stability. Double-digit growth is well within reach as Bangladesh aspires to become a developed nation by 2041.
- ❖ Bangladesh offers the most liberal FDI regime in South Asia, allowing 100 percent foreign equity with unrestricted exit policy, remittance of royalty and repatriation of equity and dividend.
- ❖ Bangladesh is strategically located near the emerging economic giants like India and China, and near to the ASEAN markets.

- ❖ Bangladesh has its own comparatively large Domestic market with inhabitants of over 160 million. It has access to regional market of about 3(three) billion people through regional and bilateral integration in South Asia and South East Asia via BIMSTEC and BCIM-EC as well as preferred market access (global reach) to large developed markets.
- ❖ Energy prices and labor costs in Bangladesh are still most competitive in the region. It has proven export competitiveness. Bangladesh enjoys tariff-free access to the European Union, Canada and Japan.
- ❖ Bangladesh offers export-oriented industrial enclaves, Export Processing Zones (EPZ) with infrastructural facilities and logistic support for foreign investors. Bangladesh has recently embraced a more flexible and competitive economic zones regime in line with the Economic Zones Act 2010.
- ❖ Tax holidays available based on selected sectors and location: 5 to 7 years for selected sectors; up to 10 years for infrastructure; up to 12 years for Economic Zones (EZ).
- ❖ Policy Support & Services: One-Stop-Services and dedicated institutional supports are made available to the intending foreign investors through Bangladesh Investment Development Authority (BIDA) under the Prime Minister's Office ([www.bida.gov.bd](http://www.bida.gov.bd)).



## 5. Bangladesh Capital Market Overview

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

Currently the Market Intermediaries include –

- ❖ 250 members of DSE and 148 members of CSE
- ❖ 369 Depository participants (DPs)
- ❖ 66 Registered Merchant Banks
- ❖ 52 Asset Management Companies
- ❖ 13 Securities Custodians
- ❖ 8 Credit Rating Agencies

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

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

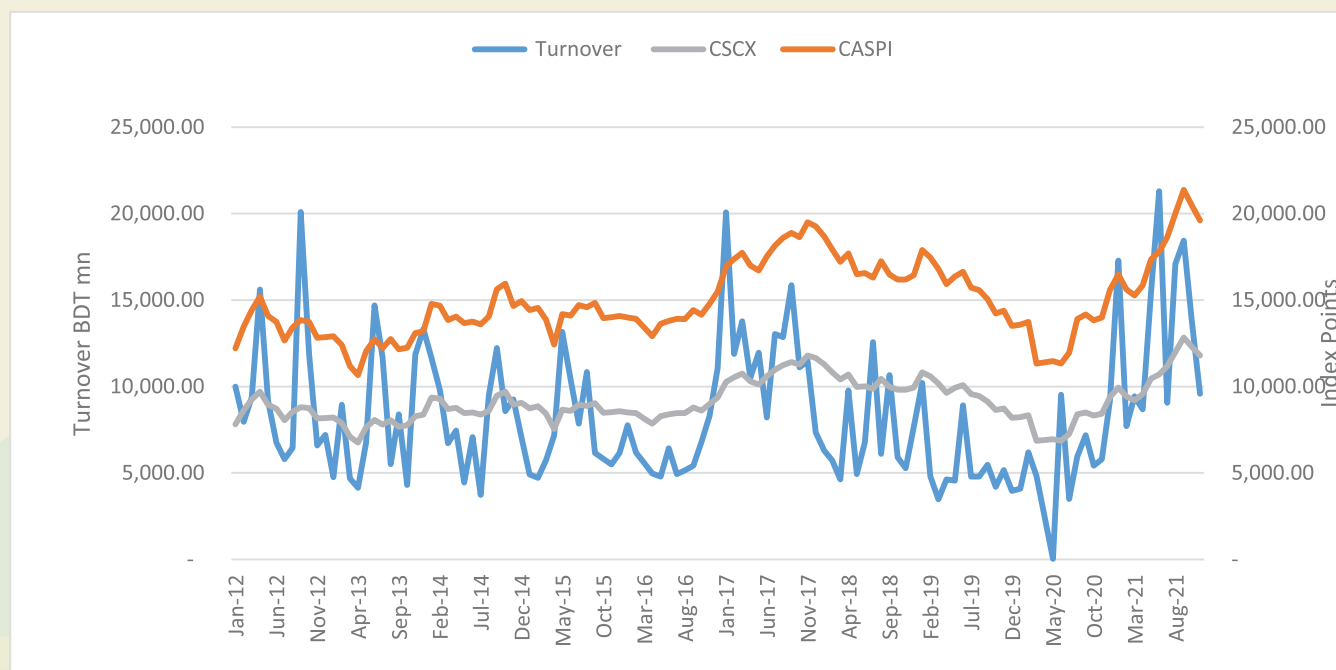
- ❖ Restructuring and strengthening the Bangladesh Securities and Exchange Commission (BSEC).
- ❖ Strengthening the rules and regulations pertaining to the capital market.
- ❖ Ensuring operational and financial independence and the accountability of BSEC.
- ❖ Demutualization of the Exchanges.
- ❖ Establishing a special Capital Market Tribunal.
- ❖ Creating an Independent Financial Reporting Council.
- ❖ Strengthening BSEC’s Information and Internal Control Systems - establishing a state-of- the-art Surveillance System for BSEC.

- ❖ Enhancing the Corporate Governance Guidelines for the listed companies.
- ❖ Establishing a Central Clearing Corporation.
- ❖ Reducing Settlement cycle from T+3 to T+2.
- ❖ Developing the Bond Market.
- ❖ Introducing New Products in the capital market like Derivatives, etc.

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

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

Regaining investors' confidence was the major challenge at the policy level. In this line of action, BSEC is working closely with the bourses & other market intermediaries and introduced financial literacy program for the investors and for other stakeholders. Meantime, the Bangladesh Bank has extended its policy support to the capital market through redefining the bank's capital market investment policy.





	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
No. of Trading Days	238	238	238	245	241	248	242	237	208	240
Addition of Listed Securities	14	17	20	15	9	9	14	12	6	23
Number of Listed Securities	255	269	287	299	300	308	320	329	338	368
Yearly Market Turnover (BDT mn)	116905.20	99037	97482	88472	77376	148105	86357	64986	61728	158886.59
Daily Average Turnover (BDT mn)	491.20	416.10	409.60	361.10	321.10	597.20	356.85	274.20	296.77	662.03

Years shown in calendar year

#### KEY HIGHLIGHTS – JAN TO DEC 2021

TURNOVER	BDT mn	Date
HIGHEST	2,140.83	27-Jun-21
LOWEST	140.89	12-Apr-21
CSCX	Index Points	Date
HIGHEST	12,926.10	6-Oct-21
LOWEST	8,878.37	4-Apr-21

	BDT mn
Issued Capital of listed Securities	958,536
Market Capitalization of Listed Securities	4,700,249

## 5.1 Regulatory Framework of Capital Market of Bangladesh

### 5.1.1 Overview of Securities Regulator

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

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

#### 5.1.1.2 Stock Exchange

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

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

#### 5.1.1.3 Stock Exchange Brokers / Dealers

Presently brokers act as agent of their clients, while dealers can perform transactions on their own accounts. Out of total 161 CSE TREC Holders, 123 TREC Holders have both broker and

dealer license, 22 TREC Holders have only broker license and 3 TREC Holders have only dealer license. All are corporate entities and range in size from small independent firms to large subsidiaries of giant commercial and investment banks. The license to operate a stock broker, dealer is granted by the Bangladesh Securities and Exchange Commission after granting Trading Right Entitlement Certificate (TREC) from the Exchange.

There are Small Capital Platform for Small Capital Companies in CSE and DSE.

#### **5.1.1.4 Clearing and the Central Securities Depository**

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

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

A Clearing and Settlement Company already been formed in the name of “Central Counterparty Bangladesh Limited (CCBL)” -which operation is in the process under the guidance of BSEC.

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

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

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

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

#### **5.1.1.7 Other Intermediaries**

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

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

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

- The Companies Act, 1994
- The Securities and Exchange Commission Act, 1993
- Securities and Exchange Ordinance, 1969
- Depository Act, 1999
- Exchanges Demutualization Act, 2013
- The Securities and Exchange Rules, 1987
- Securities and Exchange Commission (Meeting Related) Rules, 1994
- Securities and Exchange Commission (Appeal) Regulations, 1995
- Securities and Exchange Commission (Prohibition of Insider Trading) Rules, 1995
- Securities and Exchange Commission (Merchant Banker and Portfolio Manager) Rules, 1996
- Credit Rating Companies Rules, 1996
- Margin Rules, 1999
- Securities and Exchange Commission (Stock Dealer, Stock Broker and Authorized Representative) Rules, 2000
- Securities and Exchange Commission (Market Maker) Rules, 2017
- Securities and Exchange Commission (Mutual Fund) Rules, 2001
- Securities and Exchange Commission (Issue of Capital) Rules, 2001
- Securities and Exchange Commission (Over-The-Counter) Rules, 2001
- Securities and Exchange Commission (Acquisition of Substantial Share and Takeover) Rules, 2018
- Securities and Exchange Commission (Security Custodial Service) Rules, 2003
- Securities and Exchange Commission (Private Placement of Debt Securities) Rules, 2012
- Securities and Exchange Commission (Asset Backed Securities) Rules, 2004
- Securities and Exchange Commission (Rights Issue) Rules, 2006
- Depository Rules, 2000
- Depository (User) Rules, 2003
- Bangladesh Securities and Exchange Commission (Research Analysis) Rules, 2013
- Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015
- Bangladesh Securities and Exchange Commission (Exchange Traded Fund) Rules, 2016
- Bangladesh Securities and Exchange Commission (Clearing and Settlement) Rules, 2017
- Bangladesh Securities and Exchange Commission (Qualified Investor Offer by Small Capital Companies) Rules, 2016
- Bangladesh Securities and Exchange Commission (Alternative Investment) Rules, 2015
- Notifications, Orders, Directives and Guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) under the Ordinance
- Chittagong Stock Exchange (Trading Regulations), 1998
- Chittagong Stock Exchange (TREC Holder's Margin) Regulations, 2013

- Chittagong Stock Exchange (Settlement of Transactions) Regulations, 2013
- Chittagong Stock Exchange (Settlement Guarantee Fund) Regulations, 2013
- Chittagong Stock Exchange (Trading Right Entitlement Certificate) Regulations, 2013
- Chittagong Stock Exchange (Board and Administration) Regulations, 2013
- Chittagong Stock Exchange (Investors' Protection Fund) Regulations, 2014
- Chittagong Stock Exchange (Listing Regulations) ,2015
- Chittagong Stock Exchange (Internet Based Trading Services) Regulations, 2002
- Demutualization Scheme of Chittagong Stock Exchange Limited
- Corporate Governance Code
- Bangladesh Securities and Exchange Commission (Short-Sale) Rules, 2019
- Bangladesh Securities and Exchange Commission (Alternative Trading System) Rules, 2019
- Bangladesh Securities and Exchange Commission (Exchange Traded Derivatives) Rules, 2019.
- Bangladesh Securities and Exchange Commission (Risk Based Capital Adequacy) Rules, 2019.
- Bangladesh Securities and Exchange Commission (Investment Sukuk) Rules, 2019.
- Chittagong Stock Exchange (Listing of Small Capital Companies) Regulations, 2019

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

<http://www.sec.gov.bd>

## **6. BUSINESS**

### **6.1 Overview**

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

### **6.2 History**

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

In 1998, CSE pioneered in launching fully automated real-time online trading system on wide area network (WAN) connecting multiple cities of Bangladesh. In its long journey, CSE has taken

various remarkable initiatives for utmost development of Bangladesh Capital Market. CSE took the initiatives and played significant role in the establishment of Central Depository Bangladesh Limited (CDBL) – paving the way for trading in dematerialized format. To educate the investors and the market participants, CSE took the initiatives and played significant role in setting-up the Bangladesh Institute of Capital Market (BICM).

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

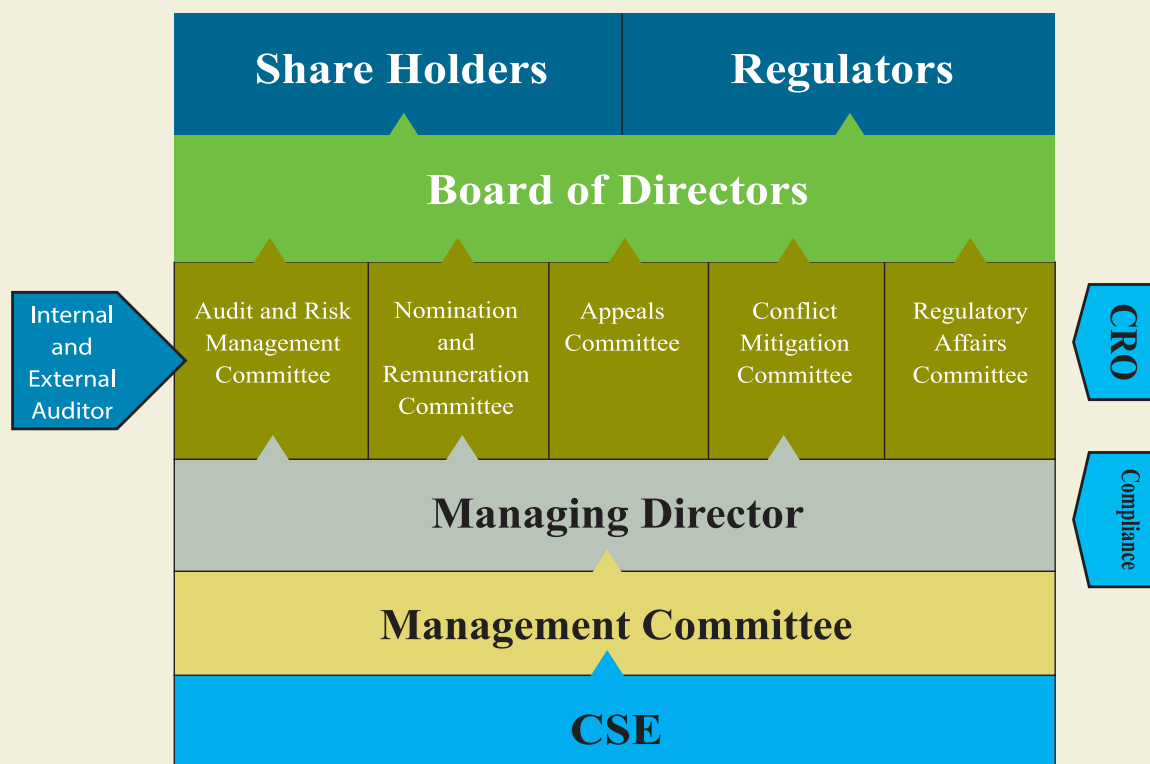
## CSE Milestones

12th February 1995	Received approval of Bangladesh Government
1st April 1995	Incorporated as a limited company
10th October 1995	Introduced Floor Trading
1st January 1996	Became corresponding member of World Federation of Exchanges (Former FIBV)
2nd June 1998	Introduced Automated Trading on WAN
16th January 2000	Convened South Asian Federation of Exchanges (SAFE)
26th January, 2004	Central Depository Bangladesh Ltd. (CDBL) formed
30th May, 2004	Internet Trading Service launched (ITS)
4th July, 2004	Introduced Over-the-Counter (OTC) market
14th July, 2004	CSE initiates the idea of Securities Institute by raising formal proposal
14th Dec, 2005	Organises Capital Market Fair- First of its kind in the country
10th March, 2007	Introduced Comprehensive Training Program on Stock Market for investors, professionals and others. First of its kind in the country
12th June, 2007	Submission to BSEC of draft Regulatory Framework on Financial Derivatives
18th October, 2008	CSE became a member of OIC Member States' Stock Exchanges Forum
28th Nov, 2010	CSE signed a contract with Millennium IT Software Ltd. and Polaris Software Lab Ltd. for Next Generation Trading System
13th Jan, 2011	Execution of trade of Short Sell under the Regulations
11th Sep, 2011	Signing of agreement for launching electronic fund transfer through Bangladesh Electronic Fund Transfer Network
20th October, 2011	Introduced Next Generation Trading System (NGTS) and the new website
22nd July, 2012	CSE launched Disaster Recovery System (DRS)
28th October, 2013	Became affiliate member of World Federation of Exchanges (WFE)
3rd November, 2013	Settlement Cycle reduced to T+2 from T+3
21st November 2013	CSE started its new journey as a demutualized exchange
15th February, 2014	1st Board Meeting of CSE as a demutualized exchange was held
12th October, 2014	CSE launched CSE Shariah Index and CSE-50 Benchmark Index
22-23 October, 2014	Organised Internet Trade Fair- First of its kind in the country
1 June 2015	Introduced mobile based trading system (CHITRA) for the first time in Bangladesh
31 January 2017	CSE became Partner Exchange of United Nations Sustainable Stock Exchanges Initiative
28 October 2021	CSE obtained approval from the Bangladesh Securities and Exchange Commission (BSEC) to establish the first ever Commodity Exchange in Bangladesh.



## 6.3 Corporate Governance

### CSE Corporate Governance Framework



### Code of Ethics and Conduct

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

The objective of the Code is to ensure that:

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

The Code covers such areas as:

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

### **Board Composition and size**

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

#### ***CSE Board Structure***

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

### **Independent Judgment**

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

### **Delegation by the Board**

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

### **Chairman and Managing Director**

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

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

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

## **6.4 Products and Services:**

### **6.4.1 Existing Products and Services:**

Mainly equity securities and mutual funds are traded in both the bourses in Bangladesh. As on 28 February 2022, existing Products of CSE are as follows:

Number of Listed Securities	:	374
Number of Equity	:	327
Number of Mutual Fund	:	36
Number of Corporate Bond	:	11

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

### **6.4.2 Future Products and Services**

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

1. Commodity Exchange
2. Exchange Traded Fund (ETF)
3. Clearing Corporation (under the supervision of BSEC) – operation to start soon
4. CSE Training Institute
5. Derivatives Market
6. Bond Market

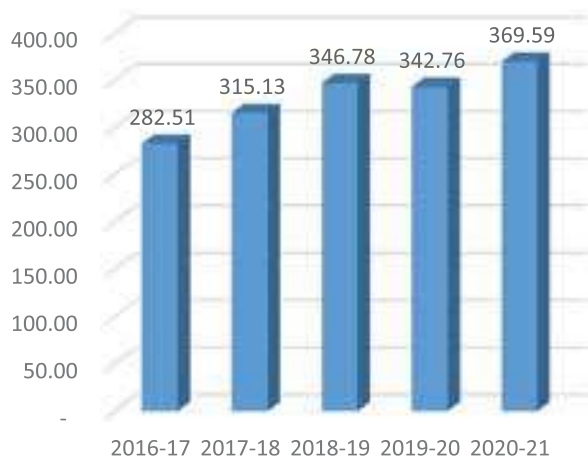
## **7. FINANCIAL INFORMATION & INDICATIVE VALUATION**

## 7.1 HISTORICAL FINANCIAL INFORMATION

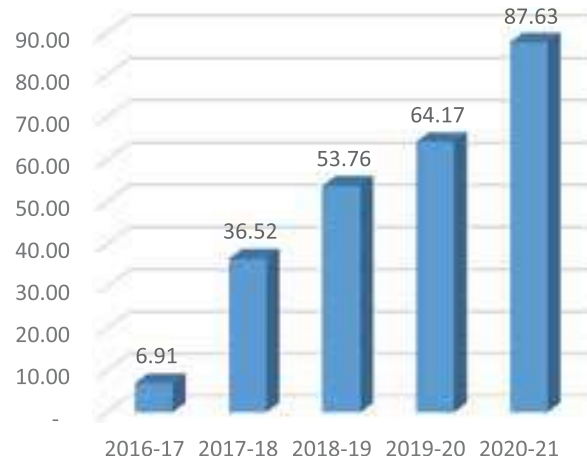
### HIGHLIGHTS OF KEY HISTORICAL FINANCIAL INFORMATION (2016-17 to 2020-21)

	BDT in Million				
	2016-17	2017-18	2018-19	2019-20	2020-21
Revenue	282.51	315.13	346.78	342.76	369.59
EBITDA	58.30	86.83	104.23	113.81	133.77
Operating Profit	6.91	36.52	53.76	64.17	87.63
Net Profit	347.62	347.47	390.67	318.81	283.49
Total Assets	8,091.60	8,377.62	8,218.51	8,025.29	8,146.88
Total Liabilities	644.35	963.62	731.10	536.33	691.70
Current Assets	5,688.40	5,932.09	5,232.02	5,101.91	5,202.56
Current Liabilities	491.95	809.61	579.31	389.61	577.53
Net Assets	7,447.24	7,414.00	7,487.41	7,488.95	7,455.18
<b>Financial Ratios &amp; Performance</b>					
Operating Profit Margin	2.45%	11.59%	15.50%	18.72%	23.71%
Net Profit Margin	123.05%	110.26%	112.65%	93.01%	76.70%
Return on Equity (ROE)	4.78%	4.68%	5.24%	4.26%	3.79%
Return on Assets (ROA)	4.43%	4.22%	4.71%	3.93%	3.51%
Current Ratio	11.56	7.33	9.03	13.10	9.01
NAV per Share (BDT)	11.74	11.68	11.80	11.80	11.75
Earnings Per Share (BDT)	0.55	0.55	0.62	0.50	0.45
No. of Ordinary Shares (in million)	634.52	634.52	634.52	634.52	634.52

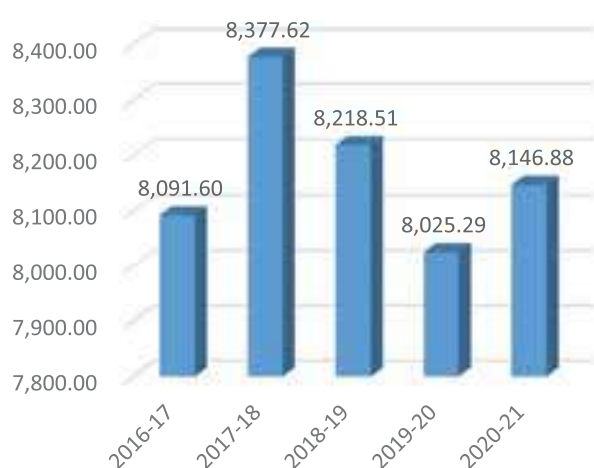
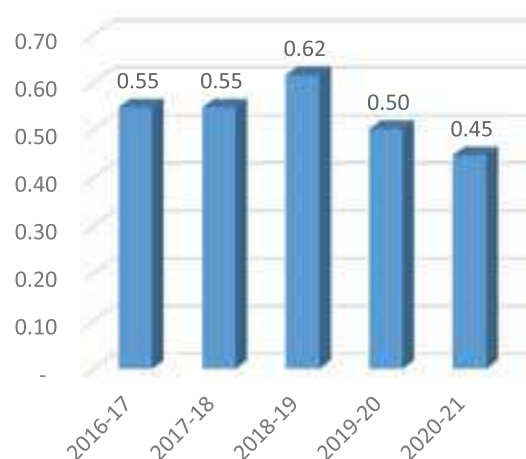
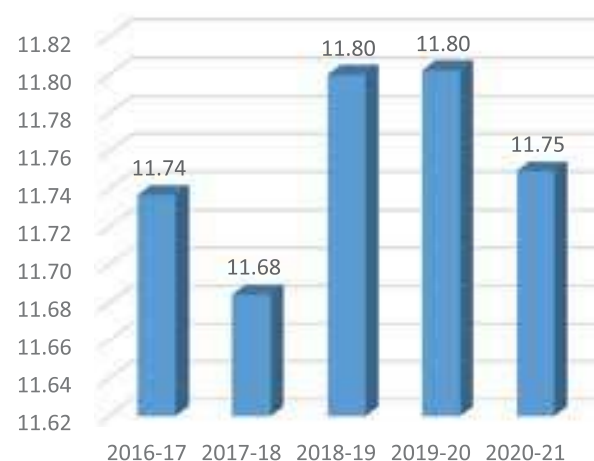
Revenue (BDT in million)



Operating Profit (BDT in million)



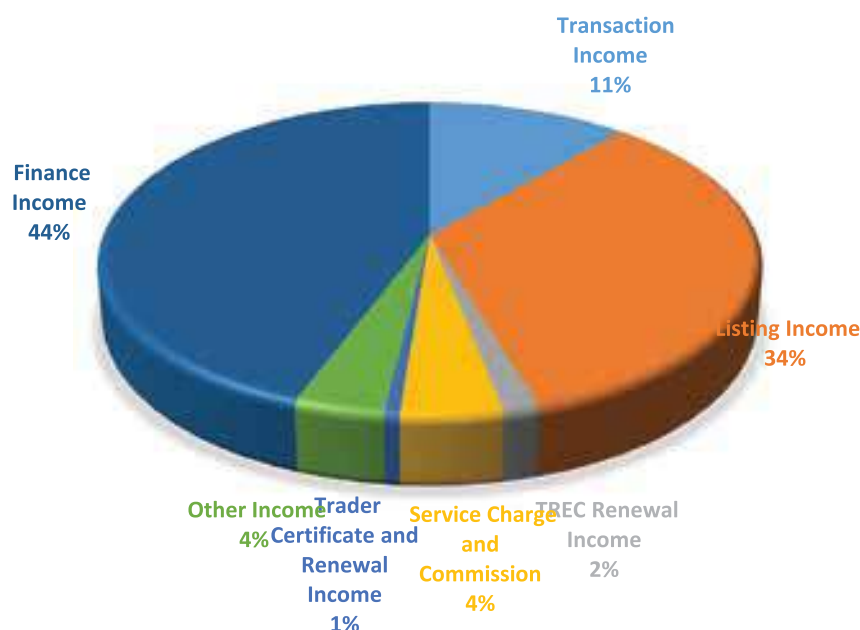
**Net Profit (BDT in million)**

**Total Assets (BDT in million)**

**Earnings Per Share (BDT)**

**NAV per Share (BDT)**

**Break-up of Total Income for the year 2020-21 (Audited)**

	BDT in Million	Percentage of Total Income
Transaction Income	81.24	11.41%
Listing Income	241.75	33.96%
TREC Renewal Income	10.99	1.54%
Service Charge and Commission	30.89	4.34%
Trader Certificate and Renewal Income	4.72	0.66%
Other Income	27.66	3.89%
Finance Income	314.61	44.20%
<b>Total Income</b>	<b>711.85</b>	<b>100.00%</b>



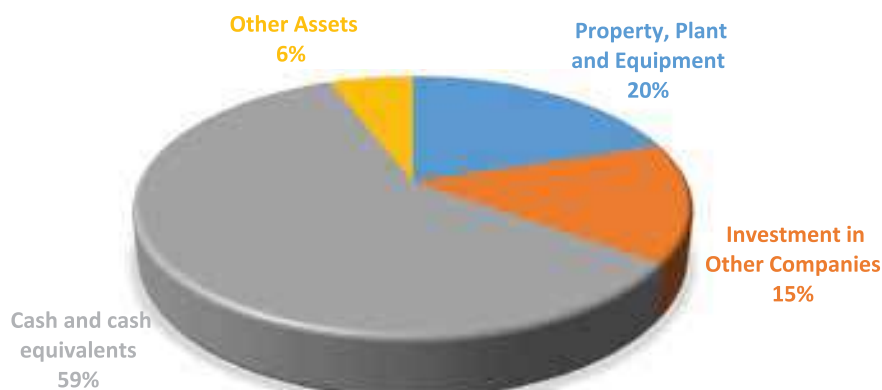
### BREAK-UP OF TOTAL INCOME FOR THE YEAR 2020-21



### Break-up of Total Assets for 2020-21

	BDT in Million	Percentage of Total Assets
Property, Plant and Equipment	1,636.65	20.09%
Investment in Other Companies	1,212.56	14.88%
Cash and cash equivalents	4,821.41	59.18%
Other Assets	476.26	5.85%
<b>TOTAL ASSETS</b>	<b>8,146.88</b>	<b>100.00%</b>

### BREAK-UP OF TOTAL ASSETS FOR 2020-21



**CSE - HISTORICAL FINANCIAL INFORMATION**  
**Statement of Financial Position**

BDT in Million

ASSETS	2016-17	2017-18	2018-19	2019-20	2020-21
Property, Plant and Equipment	1,556.54	1,561.65	1,544.09	1,527.56	1,519.07
Automation - Equipment	229.19	199.36	172.46	143.46	117.58
Investment with CDBL	612.56	612.56	612.56	612.56	612.56
Investment in CCBL	-	-	600.00	600.00	600.00
Investment in Commodity Exchange	-	-	-	-	-
Investment in Zero Coupon Bond- Non-Current Portion	-	67.21	52.35	36.26	93.34
Advance against Car Scheme (Long Term)	4.90	4.75	5.03	3.53	1.78
Non-current assets	<b>2,403.19</b>	<b>2,445.53</b>	<b>2,986.49</b>	<b>2,923.38</b>	<b>2,944.32</b>
Trade receivables-clearing	99.51	230.48	169.20	20.14	127.30
Other Receivables	158.19	192.78	272.48	232.27	203.75
Advances, deposits and pre-payments	37.74	40.67	37.75	37.36	29.32
Advance Income Tax	36.41	81.14	120.51	144.49	114.12
Investment in FDRs	5,065.00	4,905.00	4,460.00	4,515.00	4,457.00
Investment in Zero Coupon Bond- Current Portion	-	13.73	14.86	16.09	39.45
Cash and cash equivalents	291.54	468.30	157.22	136.55	231.62
Current Assets	<b>5,688.40</b>	<b>5,932.09</b>	<b>5,232.02</b>	<b>5,101.91</b>	<b>5,202.56</b>
<b>TOTAL ASSETS</b>	<b>8,091.60</b>	<b>8,377.62</b>	<b>8,218.51</b>	<b>8,025.29</b>	<b>8,146.88</b>
<b>EQUITY</b>					
Share capital	6,345.25	6,345.25	6,345.25	6,345.25	6,345.25
Provision for Settlement Guarantee Fund	298.44	371.72	450.19	525.03	596.52
Retained earnings	803.56	697.03	691.97	618.68	513.41
Total equity	<b>7,447.24</b>	<b>7,414.00</b>	<b>7,487.41</b>	<b>7,488.95</b>	<b>7,455.18</b>
<b>LIABILITIES</b>					
Deferred tax liability	82.58	75.79	64.84	51.15	51.72
Liability against Security Deposit by New TREC Holders	-	-	-	-	-
Gratuity Payable	69.82	78.22	86.95	95.58	62.45
Non- Current Liabilities	<b>152.40</b>	<b>154.01</b>	<b>151.79</b>	<b>146.73</b>	<b>114.17</b>
Trade payable - clearing	276.38	482.98	241.25	50.53	226.49
Liability for expenses	26.94	23.90	22.49	25.47	37.41
Liability for other finance	118.80	173.76	106.51	81.40	100.76
Dividend payable	12.86	29.74	47.78	65.43	89.30
Liabilities for income tax	56.97	99.23	161.28	166.78	123.58
Current Liabilities	<b>491.95</b>	<b>809.61</b>	<b>579.31</b>	<b>389.61</b>	<b>577.53</b>
Total Liabilities	<b>644.35</b>	<b>963.62</b>	<b>731.10</b>	<b>536.33</b>	<b>691.70</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,091.60</b>	<b>8,377.62</b>	<b>8,218.51</b>	<b>8,025.29</b>	<b>8,146.88</b>
NAV per share	<b>11.74</b>	<b>11.68</b>	<b>11.80</b>	<b>11.80</b>	<b>11.75</b>

**CSE - HISTORICAL FINANCIAL INFORMATION**
**Statement of profit and Loss**
**BDT in Million**

Revenue	2016-17	2017-18	2018-19	2019-20	2020-21
Capacity Charge/Transaction Income	77.90	68.98	69.53	61.61	81.24
Listing Income	184.31	213.13	221.32	196.10	241.75
TREC Renewal Income	7.35	7.35	7.33	7.30	10.99
Service Charge and Commission	5.90	7.51	40.57	70.27	30.89
Trader Certificate and Renewal Income	7.05	18.16	8.05	7.49	4.72
IT Charge	-	-	-	-	-
Income from Commodity Exchange	-	-	-	-	-
	<b>282.51</b>	<b>315.13</b>	<b>346.78</b>	<b>342.76</b>	<b>369.59</b>
Operating expenditure					
HR Cost	118.14	123.95	131.96	130.08	130.15
Annual Maintenance Charge	58.55	64.50	66.49	65.45	64.94
General Maintenance & Operation	41.82	31.16	33.02	31.39	35.27
Promotion	5.69	8.69	11.08	2.05	5.45
	<b>224.20</b>	<b>228.30</b>	<b>242.56</b>	<b>228.96</b>	<b>235.81</b>
EBITDA	<b>58.30</b>	<b>86.83</b>	<b>104.23</b>	<b>113.81</b>	<b>133.77</b>
Depreciation & Amortization	51.39	50.30	50.47	49.64	46.14
EBIT/ Operating Profit	<b>6.91</b>	<b>36.52</b>	<b>53.76</b>	<b>64.17</b>	<b>87.63</b>
Other Income	40.52	42.01	41.88	39.94	27.66
Finance Income	371.10	387.06	473.82	392.65	314.61
Pre-Tax income	<b>418.54</b>	<b>465.59</b>	<b>569.46</b>	<b>496.76</b>	<b>429.89</b>
Workers Profit participation fund 5%	20.93	23.28	28.47	24.84	21.49
PRE-Tax income after deduction of WPP	<b>397.61</b>	<b>442.31</b>	<b>540.98</b>	<b>471.93</b>	<b>408.40</b>
Income Tax (Current)	56.97	101.63	161.28	166.80	124.33
Income Tax (Deferred)	(6.98)	(6.79)	(10.96)	(13.69)	0.57
Net Profit	<b>347.62</b>	<b>347.47</b>	<b>390.67</b>	<b>318.81</b>	<b>283.49</b>
EPS	<b>0.55</b>	<b>0.55</b>	<b>0.62</b>	<b>0.50</b>	<b>0.45</b>

**CSE - HISTORICAL FINANCIAL INFORMATION**
**Statement of Cash Flows**

BDT in Million

	2016-17	2017-18	2018-19	2019-20	2020-21
<b>A CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net Profit Before Tax	397.61	442.31	540.98	471.93	408.40
<b>Adjustment:</b>					
Depreciation and amortization	51.39	50.30	50.47	49.64	46.14
Gain/(Loss) on disposal of Fixed Assets	(1.13)	(0.39)	0.09	(0.08)	(1.23)
Provision for Gratuity	8.11	10.07	9.09	8.79	11.63
	<b>455.99</b>	<b>502.29</b>	<b>600.63</b>	<b>530.28</b>	<b>464.95</b>
<b>(Increase)/Decrease in current assets</b>					
Trade receivables-clearing	(6.92)	(130.96)	61.28	149.06	(107.15)
Other Receivables	7.75	(34.59)	(79.70)	40.21	28.52
Advances, deposits and pre-payments	3.12	(2.93)	2.91	0.39	8.04
Investment in FDRs	(410.00)	160.00	445.00	(55.00)	58.00
	<b>(406.05)</b>	<b>(8.48)</b>	<b>429.49</b>	<b>134.66</b>	<b>(12.59)</b>
<b>Increase/(Decrease) in Current Liabilities</b>					
Trade payable - clearing	121.32	206.61	(241.73)	(190.73)	175.96
Liability for expenses	2.51	(3.04)	(1.41)	2.98	11.94
Liability for other finance	(55.06)	54.96	(67.25)	(25.12)	19.36
Deferred revenue	(0.24)	-	-	-	-
	<b>68.53</b>	<b>258.52</b>	<b>(310.38)</b>	<b>(212.87)</b>	<b>207.26</b>
	<b>118.46</b>	<b>250.05</b>	<b>119.11</b>	<b>(78.21)</b>	<b>194.66</b>
Gratuity Paid	(0.92)	(1.67)	(0.36)	(0.17)	(44.76)
Income Tax Paid	(24.48)	(104.10)	(138.59)	(185.29)	(137.16)
<b>Net cash flows from operating activities</b>	<b>93.06</b>	<b>646.57</b>	<b>580.79</b>	<b>266.62</b>	<b>477.69</b>
<b>B CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of Property, plant and equipment	(0.44)	(23.57)	(0.88)	(0.96)	(9.32)
Acquisition of Intangible Assets	(1.00)	(2.81)	(5.22)	(3.17)	(2.61)
Advance against Car Loan	(2.83)	0.15	(0.28)	1.50	1.75
Disposal of Property, plant and equipment	1.45	1.19	0.00	0.09	1.39
Investment in subsidiaries/Associates	-	-	(600.00)	-	-
Investment in zero Coupon Bond	-	(80.93)	13.73	14.86	(80.44)
<b>Net cash used in investing activities</b>	<b>(2.81)</b>	<b>(105.98)</b>	<b>(592.64)</b>	<b>12.32</b>	<b>(89.23)</b>
<b>C CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividend	-	(363.84)	(299.22)	(299.61)	(293.39)
TREC Issue	-	-	-	-	-
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>(363.84)</b>	<b>(299.22)</b>	<b>(299.61)</b>	<b>(293.39)</b>
<b>NET CASH FLOWS (A+B+C)</b>	<b>90.25</b>	<b>176.76</b>	<b>(311.07)</b>	<b>(20.67)</b>	<b>95.07</b>
<b>Opening Balance</b>	<b>201.29</b>	<b>291.54</b>	<b>468.30</b>	<b>157.22</b>	<b>136.55</b>
<b>Closing Balance</b>	<b>291.54</b>	<b>468.30</b>	<b>157.22</b>	<b>136.55</b>	<b>231.62</b>

## **7.2 FINANCIAL PROJECTION**

## Assumptions on Financial Projection Transaction & Listing Income

- 245 trading days in each year is considered for the projection based on the historical trends.
- Daily Average Turnover has been assumed to be increases @ 20% from 2021-22 and onward.
- It has been assumed that 15 new companies will be listed in each and every year.
- 0.023% commission on turnover has been considered as transaction income for the projection.

Yearly BDT 40 million capacity charges (the minimum annual charges for using CSE trading infrastructure by TREC Holders) has been considered as transaction income.

- Initial and annual listing fees have been considered to be increased by 10% in each year.
- SME and Bond/Sukuk Market have already introduced in CSE, which will significantly contribute to exchange's income.

## Investment in Commodity Exchange

Chittagong Stock Exchange (CSE) has been instrumental and keenly working for the establishment of a commodity derivatives/futures exchange in Bangladesh since long. Based on its empirical research, functional development of hypothesis, intense study and knowledge sharing with neighboring established commodity exchanges; CSE developed a basic 'Concept' for founding commodity futures exchange in Bangladesh. Considering its preceding role in initiating innovative ideas and noteworthy structural reforms for the development of capital market, CSE has recently obtained approval from the Bangladesh Securities and Exchange Commission (BSEC) to move forward in establishing the first ever Commodity Exchange in Bangladesh. In next five years' projection following investment and return for the commodity exchange has been estimated:

	2021-22	2022-23	2023-24	2024-25	2025-26
Estimated amount of Investment/BDT		500,000,000			
No. of TREC to be issued		50	50		
Registration Fee from issuing New TREC @ BDT 2 Crore each		1,000,000,000	1,000,000,000		
Operating Income from the Commodity Exchange /BDT			20,000,000	50,000,000	50,000,000

## TREC Issue Assumption

It has been assumed that 30 New TREC will be issued in each year during next three years with a value of BDT 40,000,000 each TREC [ BDT 10,000,000 for Reg. Fee and BDT 30,000,000 for the purpose of Security Deposit]



### Return from the strategic Investment in other Companies

- 6% annual return/ dividend on the investment in Investment in Central Depository Bangladesh Limited (CDBL) has been considered for the projection.
- And, 10% annual return/dividend on the investment in Investment in Central Counterparty Bangladesh Limited (CCBL) has been considered for the projection.

### Finance income

The following rate of interest on Fixed Deposit (FDR) have been considered for the projection of finance income of the exchange for next five years.

	2021-22	2022-23	2023-24	2024-25	2025-26
Rate of Interest on Fixed Deposit (FDR)	6.00%	6.00%	7.00%	7.00%	7.00%

### HR Cost

5% year on year increase in salary is considered in line with the rate of inflation.

### Annual Maintenance Charge

5% rise in Annual Maintenance Charge has been budgeted for each of the projected years based on inflation and past historical trends.

### General maintenance & operation charge and Promotion expenses

Management considered there will be a 5% increase in every year from 2021-22.

5% rise in General Maintenance Charge and Promotional Exchange has been budgeted for each of the projected years based on inflation and past historical trends.

### Trade Receivables and Trade Payables

20% of average trade is considered as Trade Receivables clearing and Trade Payable- clearing based on historical trend.

### Income tax

As a non-listed company, current applicable corporate tax rate for CSE is 30%. CSE has regulatory obligation for listing and possibly it will complete whole listing process by June 2023. Applicable corporate tax for listed companies in Bangladesh is 22.5 % which has been considered in the financial projection for CSE from FY 2023-2024 and onward.

### Dividend to CSE Shareholders

It is assumed that following rate of dividend on the Paid-up Capital will be distributed to the shareholders of CSE in next five years.

	2021-22	2022-23	2023-24	2024-25	2025-26
% Dividend on the Paid-up Capital of CSE	6.00%	6.00%	7.00%	7.00%	8.00%

## HIGHLIGHTS OF KEY PROJECTED FINANCIAL INFORMATION (2021-22 to 2025-26)

	BDT in Million				
	2021-22	2022-23	2023-24	2024-25	2025-26
Revenue	427.33	471.15	544.13	629.98	691.20
EBITDA	179.72	211.16	271.15	343.34	390.23
Operating Profit	139.10	162.29	222.38	294.58	341.46
Net Profit	473.96	1,358.69	1,644.80	1,010.60	835.02
Total Assets	8,563.61	10,777.18	12,796.77	14,042.85	14,351.07
Total Liabilities	1,015.19	2,314.23	3,133.19	3,876.28	3,857.10
Current Assets	5,755.03	7,417.46	9,485.82	10,780.67	11,137.65
Current Liabilities	448.39	843.92	758.46	596.16	570.54
Net Assets	7,548.43	8,462.95	9,663.59	10,166.57	10,493.97
Financial Ratios & Performance					
Operating Profit Margin	32.55%	34.45%	40.87%	46.76%	49.40%
Net Profit Margin	110.91%	288.38%	302.28%	160.42%	120.81%
Return on Equity (ROE)	6.32%	16.97%	18.15%	10.19%	8.08%
Return on Assets (ROA)	5.67%	14.05%	13.95%	7.53%	5.88%
Current Ratio	12.83	8.79	12.51	18.08	19.52
NAV per Share (BDT)	11.90	13.34	15.23	16.02	16.54
Earnings Per Share (BDT)	0.75	2.14	2.59	1.59	1.32
No. of Ordinary Shares (in million)	634.52	634.52	634.52	634.52	634.52

Revenue (BDT in Million)



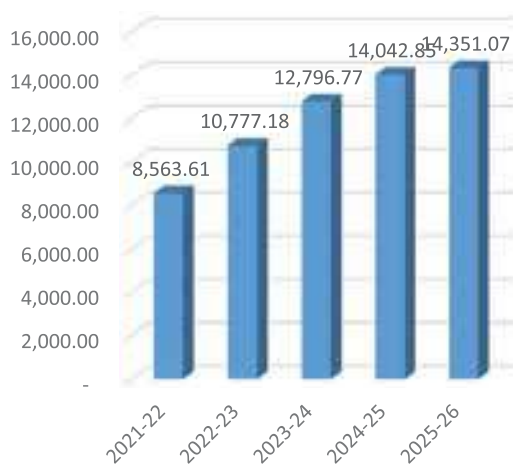
Operating Profit (BDT in Million)



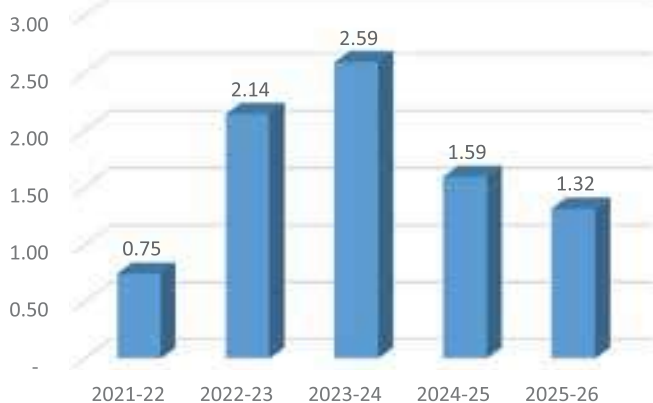
**Net Profit (BDT in Million)**



**Total Assets (BDT in Million)**



**Earnings Per Share (BDT)**



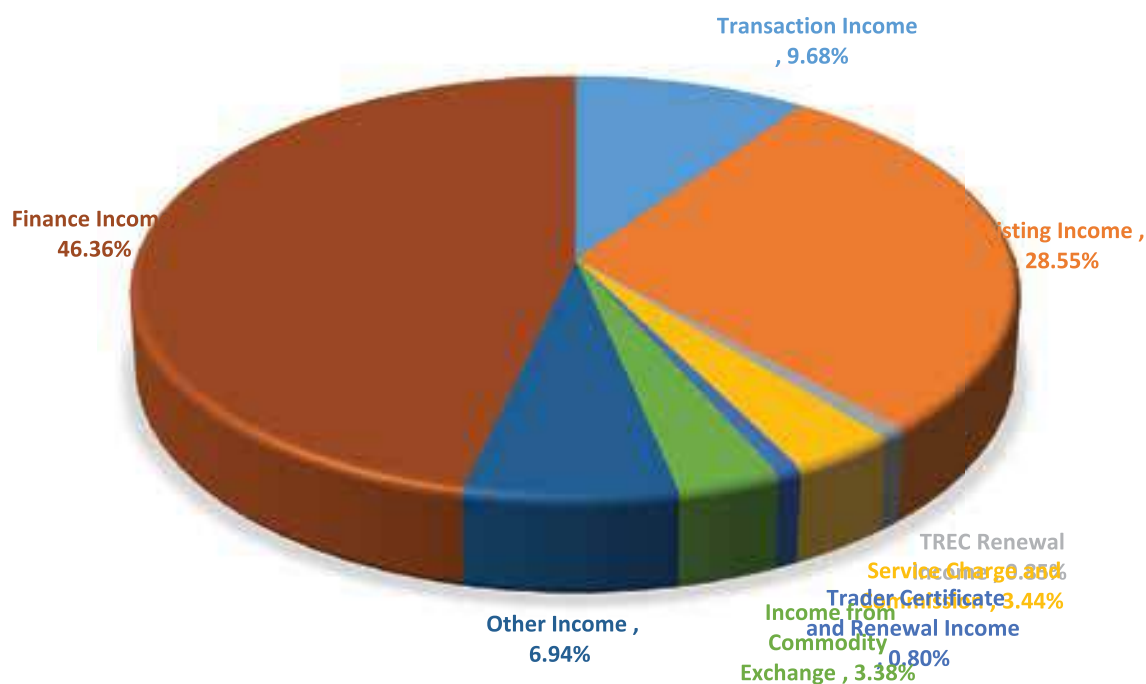
**NAV per Share (BDT)**



### Break-up of Projected Total Income for the year 2025-26

	BDT in Million	Percentage of Total Income
Transaction Income	143.25	9.68%
Listing Income	422.58	28.55%
TREC Renewal Income	12.60	0.85%
Service Charge and Commission	50.98	3.44%
Trader Certificate and Renewal Income	11.79	0.80%
Income from Commodity Exchange	50.00	3.38%
Other Income	102.73	6.94%
Finance Income	686.28	46.36%
<b>Total Income</b>	<b>1,480.21</b>	<b>100.00%</b>

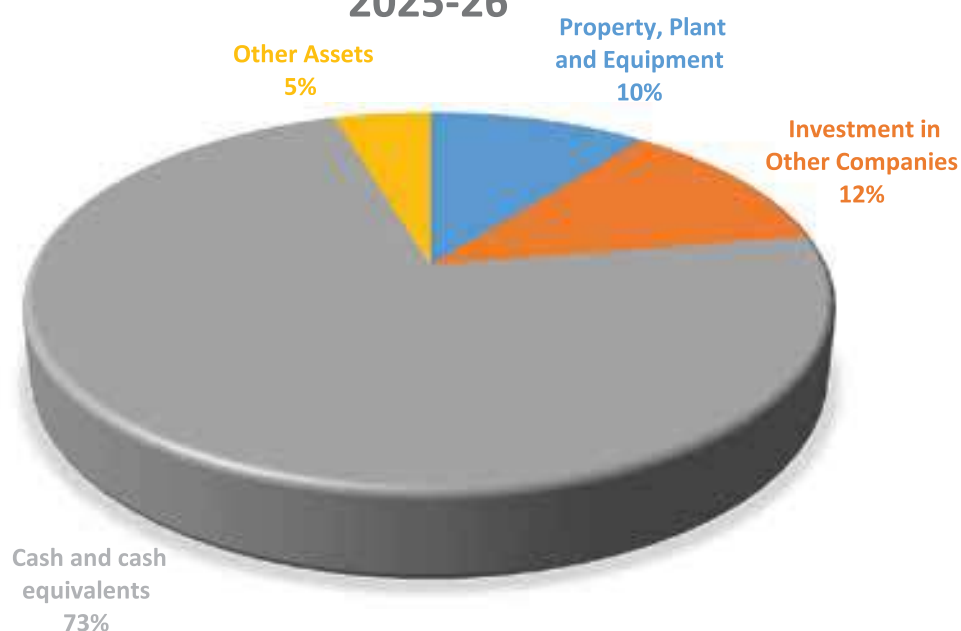
### BREAK-UP OF PROJECTED TOTAL INCOME FOR THE YEAR 2025-26



### Break-up of Projected Total Assets for 2025-26

	BDT in Million	Percentage of Total Assets
Property, Plant and Equipment	1,500.85	10.46%
Investment in Other Companies	1,712.56	11.93%
Cash and cash equivalents	10,471.18	72.96%
Other Assets	666.47	4.64%
<b>TOTAL ASSETS</b>	<b>14,351.07</b>	<b>100.00%</b>

### BREAK-UP OF PROJECTED TOTAL ASSETS FOR 2025-26



**CSE - PROJECTED FINANCIAL INFORMATION**  
**Statement of Financial Position**

BDT in Million

ASSETS	2021-22	2022-23	2023-24	2024-25	2025-26
Property, Plant and Equipment	1,502.68	1,576.81	1,551.04	1,525.26	1,499.49
Automation - Equipment	93.34	70.35	47.35	24.36	1.36
Investment with CDBL	612.56	612.56	612.56	612.56	612.56
Investment in CCBL	600.00	600.00	600.00	600.00	600.00
Investment in Commodity Exchange	-	500.00	500.00	500.00	500.00
Investment in Zero Coupon Bond- Non-Current Portion	-	-	-	-	-
Advance against Car Scheme (Long Term)	-	-	-	-	-
<b>Non-current assets</b>	<b>2,808.59</b>	<b>3,359.72</b>	<b>3,310.95</b>	<b>3,262.19</b>	<b>3,213.42</b>
Trade receivables-clearing	56.80	68.16	81.79	98.14	117.77
Other Receivables	189.27	283.84	362.80	402.83	411.77
Advances, deposits and pre-payments	50.15	52.65	55.29	58.05	60.95
Advance Income Tax	38.90	54.66	67.82	74.49	75.98
Investment in FDRs	5,257.51	6,758.03	8,638.15	9,591.10	9,804.05
Investment in Zero Coupon Bond- Current Portion	-	-	-	-	-
Cash and cash equivalents	162.40	200.13	279.98	556.06	667.13
<b>Current Assets</b>	<b>5,755.03</b>	<b>7,417.46</b>	<b>9,485.82</b>	<b>10,780.67</b>	<b>11,137.65</b>
<b>TOTAL ASSETS</b>	<b>8,563.61</b>	<b>10,777.18</b>	<b>12,796.77</b>	<b>14,042.85</b>	<b>14,351.07</b>
EQUITY					
Share capital	6,345.25	6,345.25	6,345.25	6,345.25	6,345.25
Provision for Settlement Guarantee Fund	681.89	833.79	945.28	1,013.71	1,070.24
Retained earnings	521.29	1,283.91	2,373.06	2,807.61	3,078.48
<b>Total equity</b>	<b>7,548.43</b>	<b>8,462.95</b>	<b>9,663.59</b>	<b>10,166.57</b>	<b>10,493.97</b>
LIABILITIES					
Deferred tax liability	48.10	44.73	41.60	38.69	35.98
Liability against Security Deposit by New TREC Holders	450.00	1,350.00	2,250.00	3,150.00	3,150.00
Gratuity Payable	68.70	75.57	83.13	91.44	100.58
<b>Non- Current Liabilities</b>	<b>566.80</b>	<b>1,470.30</b>	<b>2,374.73</b>	<b>3,280.13</b>	<b>3,286.56</b>
Trade payable - clearing	56.80	68.16	81.79	98.14	117.77
Liability for expenses	24.76	26.00	27.30	28.66	30.10
Liability for other finance	76.72	80.38	84.22	88.25	92.49
Dividend payable	89.30	89.30	89.30	89.30	89.30
Liabilities for income tax	200.82	580.09	475.86	291.80	240.88
<b>Current Liabilities</b>	<b>448.39</b>	<b>843.92</b>	<b>758.46</b>	<b>596.16</b>	<b>570.54</b>
<b>Total Liabilities</b>	<b>1,015.19</b>	<b>2,314.23</b>	<b>3,133.19</b>	<b>3,876.28</b>	<b>3,857.10</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,563.61</b>	<b>10,777.18</b>	<b>12,796.77</b>	<b>14,042.85</b>	<b>14,351.07</b>
<b>NAV per share</b>	<b>11.90</b>	<b>13.34</b>	<b>15.23</b>	<b>16.02</b>	<b>16.54</b>



**CSE - PROJECTED FINANCIAL INFORMATION**  
**Statement of Profit & Loss**

BDT in Million

Revenue	2021-22	2022-23	2023-24	2024-25	2025-26
Capacity Charge/Transaction Income	90.05	99.96	111.85	126.12	143.25
Listing Income	281.59	311.09	347.41	383.41	422.58
TREC Renewal Income	8.10	9.60	11.10	12.60	12.60
Service Charge and Commission	35.83	39.10	42.69	46.64	50.98
Trader Certificate and Renewal Income	9.76	10.20	10.68	11.21	11.79
IT Charge	2.00	1.20	0.40	-	-
Income from Commodity Exchange	-	-	20.00	50.00	50.00
	<b>427.33</b>	<b>471.15</b>	<b>544.13</b>	<b>629.98</b>	<b>691.20</b>
Operating expenditure					
HR Cost	136.66	143.49	150.67	158.20	166.11
Annual Maintenance Charge	68.19	71.60	75.17	78.93	82.88
General Maintenance & Operation	37.03	38.89	40.83	42.87	45.01
Promotion	5.73	6.01	6.31	6.63	6.96
	<b>247.61</b>	<b>259.99</b>	<b>272.98</b>	<b>286.63</b>	<b>300.97</b>
<b>EBITDA</b>	<b>179.72</b>	<b>211.16</b>	<b>271.15</b>	<b>343.34</b>	<b>390.23</b>
Depreciation & Amortization	40.63	48.87	48.77	48.77	48.77
<b>EBIT/ Operating Profit</b>	<b>139.10</b>	<b>162.29</b>	<b>222.38</b>	<b>294.58</b>	<b>341.46</b>
Other Income	252.73	1,402.73	1,402.73	402.73	102.73
Finance Income	315.45	473.06	604.67	671.38	686.28
<b>Pre-Tax income</b>	<b>707.28</b>	<b>2,038.08</b>	<b>2,229.78</b>	<b>1,368.68</b>	<b>1,130.47</b>
Workers Profit participation fund 5%	35.36	101.90	111.49	68.43	56.52
<b>PRE-Tax income after deduction of WPP</b>	<b>671.91</b>	<b>1,936.18</b>	<b>2,118.29</b>	<b>1,300.25</b>	<b>1,073.95</b>
Income Tax (Current)	201.57	580.85	476.61	292.56	241.64
Income Tax (Deferred)	(3.62)	(3.37)	(3.13)	(2.91)	(2.71)
<b>Net Profit</b>	<b>473.96</b>	<b>1,358.69</b>	<b>1,644.80</b>	<b>1,010.60</b>	<b>835.02</b>
<b>EPS</b>	<b>0.75</b>	<b>2.14</b>	<b>2.59</b>	<b>1.59</b>	<b>1.32</b>

**CSE - PROJECTED FINANCIAL INFORMATION**  
**Statement of Cash Flows**

BDT in Million

	2021-22	2022-23	2023-24	2024-25	2025-26
<b>A CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net Profit Before Tax	671.91	1,936.18	2,118.29	1,300.25	1,073.95
<b>Adjustment:</b>					
Depreciation and amortization	40.63	48.87	48.77	48.77	48.77
Gain/(Loss) on disposal of Fixed Assets	-	-	-	-	-
Provision for Gratuity	6.25	6.87	7.56	8.31	9.14
	<b>718.78</b>	<b>1,991.91</b>	<b>2,174.61</b>	<b>1,357.33</b>	<b>1,131.86</b>
<b>(Increase)/Decrease in current assets</b>					
Trade receivables-clearing	70.50	(11.36)	(13.63)	(16.36)	(19.63)
Other Receivables	14.48	(94.57)	(78.97)	(40.02)	(8.94)
Advances, deposits and pre-payments	(20.82)	(2.51)	(2.63)	(2.76)	(2.90)
Investment in FDRs	(800.51)	(1,500.51)	(1,880.12)	(952.95)	(212.95)
	<b>(736.36)</b>	<b>(1,608.95)</b>	<b>(1,975.35)</b>	<b>(1,012.10)</b>	<b>(244.43)</b>
<b>Increase/(Decrease) in Current Liabilities</b>					
Trade payable - clearing	(169.69)	11.36	13.63	16.36	19.63
Liability for expenses	(12.65)	1.24	1.30	1.36	1.43
Liability for other finance	(24.04)	3.66	3.84	4.03	4.24
Deferred revenue	-	-	-	-	0.00
	<b>(206.38)</b>	<b>16.26</b>	<b>18.77</b>	<b>21.76</b>	<b>25.30</b>
	<b>(942.73)</b>	<b>(1,592.69)</b>	<b>(1,956.57)</b>	<b>(990.34)</b>	<b>(219.13)</b>
Gratuity Paid	-	-	-	-	-
Income Tax Paid	(49.11)	(217.34)	(594.01)	(483.29)	(294.05)
<b>Net cash flows from operating activities</b>	<b>(273.06)</b>	<b>181.89</b>	<b>(375.98)</b>	<b>(116.30)</b>	<b>618.68</b>
<b>B CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of Property, plant and equipment	-	(100.00)	-	-	-
Acquisition of Intangible Assets	-	-	-	-	-
Advance against Car Loan	1.78	-	-	-	-
Disposal of Property, plant and equipment	-	-	-	-	-
Investment in subsidiaries/Associates	-	(500.00)	-	-	-
Investment in zero Coupon Bond	132.78	-	-	-	-
<b>Net cash used in investing activities</b>	<b>134.56</b>	<b>(600.00)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividend	(380.71)	(444.17)	(444.17)	(507.62)	(507.62)
TREC Issue	450.00	900.00	900.00	900.00	-
<b>Net cash flows from financing activities</b>	<b>69.29</b>	<b>455.83</b>	<b>455.83</b>	<b>392.38</b>	<b>(507.62)</b>
<b>NET CASH FLOWS (A+B+C)</b>	<b>(69.22)</b>	<b>37.72</b>	<b>79.86</b>	<b>276.08</b>	<b>111.06</b>
<b>Opening Balance</b>	<b>231.62</b>	<b>162.40</b>	<b>200.13</b>	<b>279.98</b>	<b>556.06</b>
<b>Closing Balance</b>	<b>162.40</b>	<b>200.13</b>	<b>279.98</b>	<b>556.06</b>	<b>667.13</b>

## 7.3 INDICATIVE VALUATION

## Indicative Value of CSE

Valuation Methods	Value Per Share (BDT)	For Details
Discounted Cash Flow - DCF Perpetuity (Considering discount rate 15% and growth rate 7.5%)	23.87	Annexure

The indicative valuation has been prepared to ascertain the “Fair Market Value” of the ordinary shares of Chittagong Stock Exchange.

### Annexure

#### Valuation under Discounted Cash Flow - DCF Perpetuity Method

Under Discounted Cash Flow methodology, forecasted cash flows of the business are discounted back to the present date, generating a net present value. A terminal value at the end of the explicit forecasted period is then determined and that value is also discounted back to the valuation date to give an overall value for the business. In a DCF analysis, the forecast period needs to be of such a length to enable the business to achieve a stabilized level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. The rate at which the future cash flows are discounted (“the discount rate”) needs to reflect not only the time value of money, but also the risk associated with the business’ future operations. The discount rate most generally employed is the Weighted Average Cost of Capital (“WACC”), reflecting an optimal as opposed to actual financing structure, which is applied to unlevered cash flows and results in an Enterprise Value for the business.

Since, equity capital is the only component in the capital structure of CSE, the discount rate used at arriving at present value of future cash flows of CSE was based on the estimated Cost of Equity of the business which was derived using the Capital Asset Pricing Model. The Cost of Equity of CSE has been estimated to be 14.77%. This includes an estimated Risk-Free Rate of 6.07 % (Cut off rate of BD Govt’s 20 years T-Bond; Source Bangladesh Bank Website, June 30, 2021) an Equity Risk premium of 5%, a Beta Factor of 1.00 (Assuming that the security's price will move with equal volatility in response to the movement in the market) and with other additional risk premium of 4% (Specific Risk Premium Company, Country etc.)

**Cost of Equity =  $K_e = R_f + \beta \times (R_m - R_f) + \alpha$ ,**

$R_f$  = Risk Free Rate;  $\beta$  = beta factor;  $R_m$  = Market returns;  $\alpha$  = alpha (specific risk factors Company, Country etc.) Or,  $K_e = 6.07\% + (1 \times 5\%) + 4\% = 15.07\%$

#### Terminal Value Growth Rate

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

INDICATIVE VALUE OF CSE Based on Discounted Cash Flow (DCF)-Perpetuity Growth Method												
	HISTORICAL						PROJECTED					
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	
Profit Before Tax	389,744,602	397,610,856	442,311,731	540,984,414	471,926,382	408,396,523	671,913,114	1,936,176,913	2,118,286,448	1,300,247,177	1,073,949,109	
Tax Paid	-	-	(59,373,555)	(99,225,480)	(161,298,677)	(167,538,888)	(124,334,561)	(201,573,934)	(580,853,074)	(476,614,451)	(292,555,615)	
Add: Depreciation and Amortization	53,254,436	51,390,224	50,302,364	50,466,611	49,639,736	46,144,265	40,625,081	48,867,992	48,767,621	48,767,621	48,767,621	
Add: New TREC Issue	-	-	-	-	-	-	450,000,000	900,000,000	900,000,000	900,000,000	-	
Less: Changes in Non-Current Assets (Note: 26)	(6,075,886)	(1,443,265)	(26,383,483)	(6,097,413)	(4,130,118)	(11,932,894)	-	(600,000,000)	-	-	-	
Less: Changes in Non Cash Working Capital (Note: 27)	15,216,853	72,475,509	90,045,536	(325,892,910)	(23,207,452)	136,663,719	(142,220,005)	(92,176,637)	(76,455,481)	(37,389,015)	(6,177,262)	
Free Cash Flow	452,140,005	520,033,324	496,902,593	160,235,222	332,929,870	411,732,725	895,983,629	1,991,294,334	2,409,745,514	1,735,011,332	823,983,853	

A			B			C		
Discounted (b) Cash Flows (2017-18 - 2024-25)			PV of Terminal Value as a Perpetual Growth Rate of (c)			Enterprise Value		
13.00%	5,533,796,305.7	8,741,224,186.6	9,660,069,147.6	10,783,101,877.8	15,193,865,453.4	16,316,898,183.5	7.5%	8.5%
14.00%	4,722,539,632.4	7,077,657,659.5	7,703,125,080.5	8,442,313,850.9	11,800,197,291.9	12,425,664,713.0	8.0%	8.5%
15.00%	4,585,216,240.7	6,838,264,281.9	7,320,555,004.5	7,838,264,281.9	10,457,089,871.4	10,905,771,245.2	8.5%	8.5%
16.00%	4,453,484,266.1	6,675,409,856.2	7,095,177,400.4	7,675,409,856.2	9,415,044,793.7	9,749,661,666.5	9.0%	9.5%
17.00%	4,327,060,874.1	6,509,938,698.2	6,939,938,698.2	7,367,336,523.5	8,579,853,944.8	8,836,999,572.3	9.5%	10.0%

D			E		
(Cash and Cash Equivalents - Interest bearing Debt) (d)			Total Equity Value		
6/30/2020			7.5%	8.0%	8.5%
4,688,623,313.8			18,963,643,806.1	19,882,488,767.2	21,005,521,497.3
4,688,623,313.8			16,488,820,605.6	17,114,288,026.7	17,853,476,797.1
4,688,623,313.8			15,145,713,185.2	15,594,394,559.0	16,112,103,836.4
4,688,623,313.8			14,103,668,107.4	14,438,284,980.2	14,817,517,436.0
4,688,623,313.8			13,268,477,258.5	13,525,622,866.1	13,813,020,940.4

Discount Rate			Terminal Value as a % of Enterprise Value		
13.00%	13.00%	61.2%	7.5%	8.0%	8.5%
14.00%	14.00%	60.0%	61.2%	63.6%	66.1%
15.00%	15.00%	58.2%	60.0%	62.0%	64.1%
16.00%	16.00%	56.2%	58.2%	58.0%	59.9%
17.00%	17.00%	54.3%	56.2%	54.3%	56.0%

Value Per Diluted Share (e)			Implied EBITDA Multiple		
7.5%	8.0%	8.5%	7.5%	8.0%	8.5%
29.89	31.33	33.10	98.8x	109.2x	121.8x
25.99	26.97	28.14	83.6x	91.0x	99.7x
23.87	24.58	25.39	72.4x	78.0x	84.4x
22.23	22.75	23.35	63.9x	68.2x	73.1x
20.91	21.32	21.77	57.2x	60.6x	64.5x

(a) All the projections are made by CSE internally.  
(b) Present values are calculated as at 30th June 2021.  
(c) Terminal Value is calculated based on terminal year's free cash flow i.e. BDT 792.90 Millions in FY 2025-2026; Formula, PV of terminal Value = [(Terminal year's cash flow (1+Growth Rate))/(Discount Rate - Growth Rate)] x Terminal Year's PV Factor  
(d) CSE has no interest bearing debt.  
(e) Based on 634524840 diluted shares outstanding as at 30th June 2021.

## 8. Closing Remarks

The economy of Bangladesh is growing rapidly. Bangladesh is strategically located near the two global economic giants India and China and close to the ASEAN markets. Sovereign ratings for Bangladesh has been steady and positive, according to both Moody's and S&P, who have labelled the country as a mobile economy rising to the next level with performance much stronger than sovereigns at similar income levels. Goldman Sachs lists Bangladesh among its "Next 11" countries for its potential in becoming a major economy.

The Government has set a target of real GDP growth at 7.2 percent for FY22 considering that the ongoing corona situation will improve especially with the implementation of mass-scale vaccination programs, strengthening the recovery process in the coming days. The current government has a broader outlook and set a goal to see Bangladesh as a developed economy by 2041. Consistent and inclusive growth over a decade has put Bangladesh on a path to prosperity. Already established as a lower-middle income country, Bangladesh is ready to emerge as a middle-income country by 2024.

With the growing economy, the capital market of Bangladesh is also growing at the same time. There are huge untapped opportunities in the capital market of Bangladesh. Currently the market is only equity based. There are opportunities to establish other products and services like derivatives market, commodities exchange, clearing corporation, development of the bond market, Exchange Traded Funds, etc. At present establishment of Clearing Corporation, ETF, Platform for Small Capital Companies, Bond and Sukuks are in the pipeline.

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

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

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

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