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**INFORMATION MEMORANDUM**

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**FOR STRATEGIC PARTNER**

**Updated Version**

**DECEMBER 30, 2020**

**CHITTAGONG STOCK EXCHANGE LIMITED**

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## **EXECUTIVE SUMMARY**

Chittagong Stock Exchange (CSE) was established on 1<sup>st</sup> 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\$ 117.65 mn
- Paid-Up Share Capital  
634,524,840 shares of BDT 10 each = BDT 6.35 bn equivalent to US\$ 74.65 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\$ 74.65 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\$ 44.79 mn

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25% of Paid-up Capital: 158,631,210 Ordinary Shares of BDT 10 each = BDT 1.59 bn equiv. to US\$ 18.66 mn  
(maximum size reserved for strategic partners)

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### Bangladesh – Economic Highlights

Sl. No.	Indicators	2015-16	2016-17	2017-18	2018-19	2019-20(p)
1	GDP at current market prices (BDT bn)	17,329	19,758	22,505	25,425	27,964
2	GDP Growth (%)	7.11	7.28	7.86	8.15	5.20
3	National Budget Size (BDT bn)	2,408.07	2,772.36	3,218.62	3,916.90	5,015.77
4	Annual Development Program – ADP (BDT bn)	903.09	1,195.38	1,472.87	1,929.21	2,051.45
5	Annual Exports (USD mn)	34,257.18	34,846	36,668.17	40,535.04	33,674.09
6	Foreign Exchange Reserve (USD mn)	30,176	33,493	32,943	32,717	32,987

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)

	2015-16	2016-17	2017-18	2018-19	2019-20
Total Assets (BDT mn)	7,618.26	8,091.60	8,377.62	8,218.51	8,025.29
Total Liabilities (BDT mn)	518.64	644.35	963.62	731.10	536.33
Net Assets (BDT mn)	7,099.62	7,447.24	7,414.00	7,487.41	7,488.95
Revenue (BDT mn)	206.49	282.51	315.13	346.78	342.76
EBITDA (BDT mn)	(19.30)	58.30	86.83	104.23	113.81
Operating Profit (BDT mn)	(72.55)	6.91	36.52	53.76	64.17
Net Profit After Tax (BDT mn)	332.15	347.62	347.47	390.67	318.81
<b>NAV Per Share (BDT)</b>	<b>11.19</b>	<b>11.74</b>	<b>11.68</b>	<b>11.80</b>	<b>11.80</b>
<b>EPS (BDT)</b>	<b>0.52</b>	<b>0.55</b>	<b>0.55</b>	<b>0.62</b>	<b>0.50</b>

**Projected Financial Highlights of CSE (2020-21 to 2024-25)**

	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Total Assets (BDT mn)	8,322.47	8,700.85	9,099.61	9,568.89	9,783.33
Total Liabilities (BDT mn)	579.02	638.18	706.72	777.66	777.87
Net Assets (BDT mn)	7,743.45	8,062.67	8,392.89	8,791.23	9,005.46
Revenue (BDT mn)	471.11	555.89	624.86	723.57	812.45
EBITDA (BDT mn)	230.70	303.47	359.82	445.26	520.23
Operating Profit (BDT mn)	185.43	263.96	310.92	396.47	471.44
Net Profit After Tax (BDT mn)	385.21	449.94	524.39	592.50	721.85
<b>NAV per share (BDT)</b>	<b>12.20</b>	<b>12.71</b>	<b>13.23</b>	<b>13.85</b>	<b>14.19</b>
<b>EPS (BDT)</b>	<b>0.61</b>	<b>0.71</b>	<b>0.83</b>	<b>0.93</b>	<b>1.14</b>

**Summary: Indicative Value of CSE**

<b>Valuation Methods</b>	<b>Value Per Share (BDT)</b>	<b>Value Per Share (USD) [BDT Tk 85 per USD]</b>
Discounted Cash Flow - DCF Perpetuity (Considering discount rate 15% and growth rate 7.5%)	19.34	0.23
P/E Ratio of Similar Stock Exchanges	19.98	0.24
P/B Ratio of Similar Stock Exchanges	65.86	0.77

**Existing Features and Products of Capital Market**

Mainly equity securities and mutual funds are traded in both the bourses of Bangladesh. As on 30 December 2020, existing Products of CSE are as follows:

Number of Listed Securities: 338  
Number of Equity: 299  
Number of Mutual Fund: 37  
Number of Corporate Bond: 2

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 & 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. Platform for Small Capital Companies
2. Exchange Traded Fund (ETF)
3. Clearing Corporation (under the supervision of BSEC) – operation to start soon
4. CSE Training Institute
5. Commodity Exchange
6. Derivatives Market

### **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 recourses for the upcoming development projects and bringing in new products and services of international standard to the capital market of Bangladesh. CSE is inviting the Expression of Interest for the sale of 158,631,210 ordinary shares of BDT 10 each being 25% of the shareholding of the Exchange as reserved for the Strategic Investor at a reasonable premium.

## **1. Background**

Chittagong Stock Exchange ('CSE' or 'Exchange') was demutualised in the year of 2013. On and after the date of demutualization, the entire paid -up capital of CSE as worked out after the revaluation of assets and liabilities has been equally allotted to initial shareholders who were previously the members of the Exchange. These initial shareholders retain 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**

The COVID-19 pandemic has spread with astonishing speed to every part of the world and infected millions. The health and human toll is already large and continues to grow, with hundreds of thousands of deaths and many more suffering from diminished prospects and disrupted livelihoods. The pandemic represents the largest economic shock the world economy has witnessed in decades, causing a collapse in global activity. Various mitigation measures – such as lockdowns, closure of schools and non-essential business, and travel restrictions – have been imposed by most countries to limit the spread of COVID-19 and ease the strain on health care systems. The pandemic and associated mitigation measures have sharply curbed consumption and investment, as well as restricted labor supply and production. The cross-border spillovers have disrupted financial and commodity markets, global trade, supply chains, travel, and tourism.

Financial markets have been extremely volatile, reflecting exceptionally high uncertainty and the worsening outlook. Fight to safety led to a sharp tightening of global and EMDE financial conditions. Equity markets around the world plunged, spreads on riskier categories of debt widened considerably, and EMDEs experienced large capital outflows in much of March and April that bottomed out only recently. Commodity prices have declined sharply as a result of falling global demand, with oil particularly affected.

Many countries have provided large-scale macroeconomic support to alleviate the economic blow, which has contributed to a recent stabilization in financial markets. Central banks in advanced economies have cut policy rates and taken other far-reaching steps to provide liquidity and to maintain investor confidence. In many EMDEs, central banks have also eased monetary policy. The fiscal policy support that has been announced already far exceeds that enacted during the 2008-2009 global financial crisis.

In all, the pandemic is expected to plunge a majority of countries into recession this year, with per capita output contracting in the largest fraction of countries since 1870. Advanced economies projected to shrink by 7 percent in 2020, as widespread social-distancing measures, a sharp tightening of financial conditions, and a collapse in external demand depress activity. Assuming that the outbreak remains under control and activity recovers later this year.

Due to the negative spillover from weakness in major economies, alongside the disruptions associated with their own domestic outbreaks, EMDE GDP forecasted to contract by 2.5 percent

in 2020. This would be well below the previous though in EMDE growth of 0.9 percent in 1982, and the lowest rate since at least 1960, the earliest year with available aggregate data.

As per the World Bank's projection, the global economy is expected to shrink by 5.2 percent this year. This would be the deepest global recession since World War II, and almost three times as steep as the 2009 global recession. The forecast assumes that the pandemic recedes in such a way that domestic mitigation measures can be lifted by mid-year, adverse global spillovers ease during the second half of the year, and dislocations in financial markets are not long-lasting. Although a moderate recovery is envisioned in 2021, with global growth reaching 4.2 percent, output is not expected to return to its previously expected levels.

### **South Asia**

As COVID-19 continues to spread in South Asia, the sub regional economy is projected to contract in 2020 but resume growth in 2021. Aggregate GDP in South Asia is projected to contract by 6.8% in 2020, the forecast downgraded from 4.1% made by Asian Development Bank. If the pandemic dissipated before the end of 2020, the sub regional economy projected to grow in 2021 by 7.1% stronger 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 2020 revised up from 4.1% to 5.2% to accommodate a higher inflation forecast of 4.5% for India following elevated inflation in April – July. The forecast for average sub regional inflation in 2021 is revised slightly higher, from 4.4% to 4.5%, as economies normalize and demand recovers.

## **4. Bangladesh - Economic Outlook**

After years of steady advances, GDP growth declined in fiscal year 2020 as the COVID-19 pandemic upended economic activity globally. Disruption to supply chains pushed inflation slightly higher but remained under control, and the current account deficit narrowed. Assuming prudent macroeconomic management and proper implementation of timely announced stimulus packages to mitigate the impact of COVID-19, GDP growth is expected to pick up, inflation to moderate, and current account deficit to narrow further in FY2021.

GDP grew by 5.2% in FY2020, according to preliminary official estimates. This is significantly down from less than the projection and down from 8.2% growth achieved in FY2019. The spread of COVID-19 globally, especially in major trade partners, affected the Bangladesh economy in the final quarter of FY2020. Containment measures enforced by the government from 26 March limited the movement of people and goods within the country and across borders, further

impairing economic performance. Exports and imports contracted significantly, and remittances, which grew by more than 20% in the first 8 months, were hit hard in March-May 2020. Moreover, mobility constraints substantially cut back consumer demand. Consumers' uncertainty and lack of confidence scuttled plans for business expansion and investment, further constraining domestic demand.

On the supply side, mobility restrictions disrupted the production and supply of goods and services. Growth in agriculture slowed to 3.1% in FY2020 as farmers faced a shortage of seasonal workers for the harvest, and as pandemic-induced export restrictions hampered poultry, crab, shrimp, and fish production. Industry growth declined sharply to 6.5%, tracking lower garment exports during a global economic slowdown before the pandemic and, with the onset of the pandemic, the postponement or cancellation of export orders from key destinations. Growth in services slowed to 5.3% as wholesale and retail trade and transport services struggled under mobility restrictions.

Consumer inflation accelerated from 5.5% year on year in June 2019 to 6.0% in June 2020 with food inflation rising from 5.4% to 6.5% but nonfood inflation slowing from 5.7% to 5.2%. Overall inflation remained under control, though marginally above from projections, at an average of 5.7% in FY2020. Supply chain disruption created some upward pressure on nonfood inflation in the third quarter of the fiscal year, and pushed up food inflation in the fourth quarter, but these pressures were countered by a bumper food crop and substantially lower international commodity prices.

Exports fell by 17.1% in FY2020, reflecting weaker income and trade globally in the first 8 months of the fiscal year, followed by a sharper pandemic-induced trade downturn. Garment exports, accounting for about 83% of all exports, declined sharply by 18.1%. Other exports including leather and leather products fell by 10.6%, the decline mitigated by raw jut and jute products.

While, Imports declined by 8.6%, notably reflecting sharply reduced imports of capital goods, garment industry inputs, and fertilizer. Moreover, the government declaration of a general holiday from 26 March to 30 May prompted the idling of nearly all industries and construction projects, which curtailed import requirements. Rice imports were small following a good harvest.

Remittance growth was strong from the beginning of FY2020 until February 2020, contracted in March – May under the COVID-19 pandemic, and recovered in June to reach a record inflow of \$18.2 billion, up by 10.9% from FY2019. This strong result was driven mainly by a 2% cash incentive for remittances from the start of FY2020 and the relaxation of documentation

requirements late in the fiscal year. Buoyant remittances take most of the credit for narrowing the current account deficit from \$5.1 billion in FY2019, or 1.7% of GDP, to \$4.8 billion in FY2020, or 1.5% of GDP.

GDP growth is projected at around 8% in FY2021, little lower than projected earlier. With cautious reopening of the economy since May 2020 and subdued global economic conditions, recovery is expected to be gradual in the first 2 quarters of FY2021. Then a strong manufacturing base will enable more rapid recovery in tandem with projected strengthening of growth in the advanced economies and import demand from them. As factories gradually accelerate production, growth in exports and imports will revive. After the slowdown in March-April 2020, remittances started to recover, firming private consumption. The restoration of consumer confidence, along with government stimulus packages, will boost private and public investment. The main downside risk to the forecast would be a prolonged pandemic in Bangladesh or the export markets.

The government announced a stimulus package in April 2020 amounting to Tk. 1.03 trillion, equal to 3.7% of GDP, that includes support for health care, cash and food transfers for vulnerable, comprehensive support for agriculture, wage support for export industries, subsidies on interest payments for working capital loans, strengthened export facilitation, and liquidity support for refinance schemes to implement stimulus packages.

Monetary policy, as published by Bangladesh Bank, will continue to be expansionary and accommodative in FY2021 toward achieving the government growth target while containing inflation. As part of expansionary policy, Bangladesh Bank reduced its main policy repo rate by 50 basis points to 4.75% in its FY2021 Monetary Policy Statement.

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 and crossed 8 percent in FY 2018-19. 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 & 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
- 353 Depository participants (DPs)
- 63 Registered Merchant Banks
- 48 Asset Management Companies
- 11 Security 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:

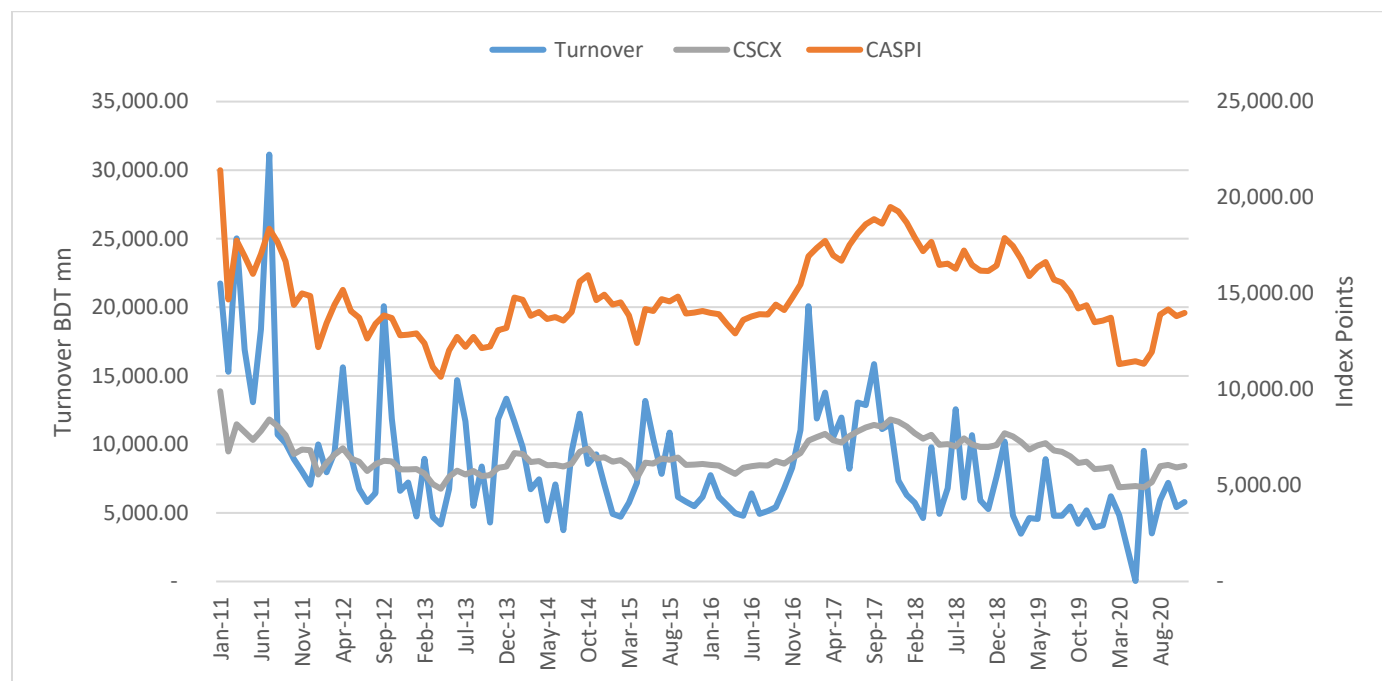
- Restructuring and strengthening the Bangladesh Securities and Exchange Commission (BSEC).
- Strengthening the rules and regulations pertaining to the capital market.
- Ensuring operational and financial independence and the accountability of BSEC.
- Demutualization of the Exchanges.
- Establishing 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 and other market intermediaries to introduce financial

literacy program for the investors and gradually for other stakeholders. Meantime, the Bangladesh Bank has extended its policy support to the capital market through redefining the bank's capital market investment policy.



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

- Years shown in calendar year

#### KEY HIGHLIGHTS – JAN TO DEC 2020

TURNOVER	BDT mn	Date	BDT mn	
HIGHEST	2,518.36	28-Jun-20	Issued Capital of listed Securities	809,294
LOWEST	0.29	19-Mar-20		
CSCX	Index Points	Date	Market Capitalization of Listed Securities	3,754,948
HIGHEST	9,403.55	30-Dec-20		
LOWEST	6,746.29	19-Mar-20		



## **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 148 CSE TREC Holders, 120 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 Over the Counter (OTC) markets outside trading system of CSE and DSE. Approved non-listed securities are traded here without intermediaries. The OTC market operates under the Securities and Exchange (Over-the Counter) Rules, 2001.

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

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

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

A Clearing and Settlement Company already been formed in the name of “Central Counterparty Bangladesh Limited” -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).

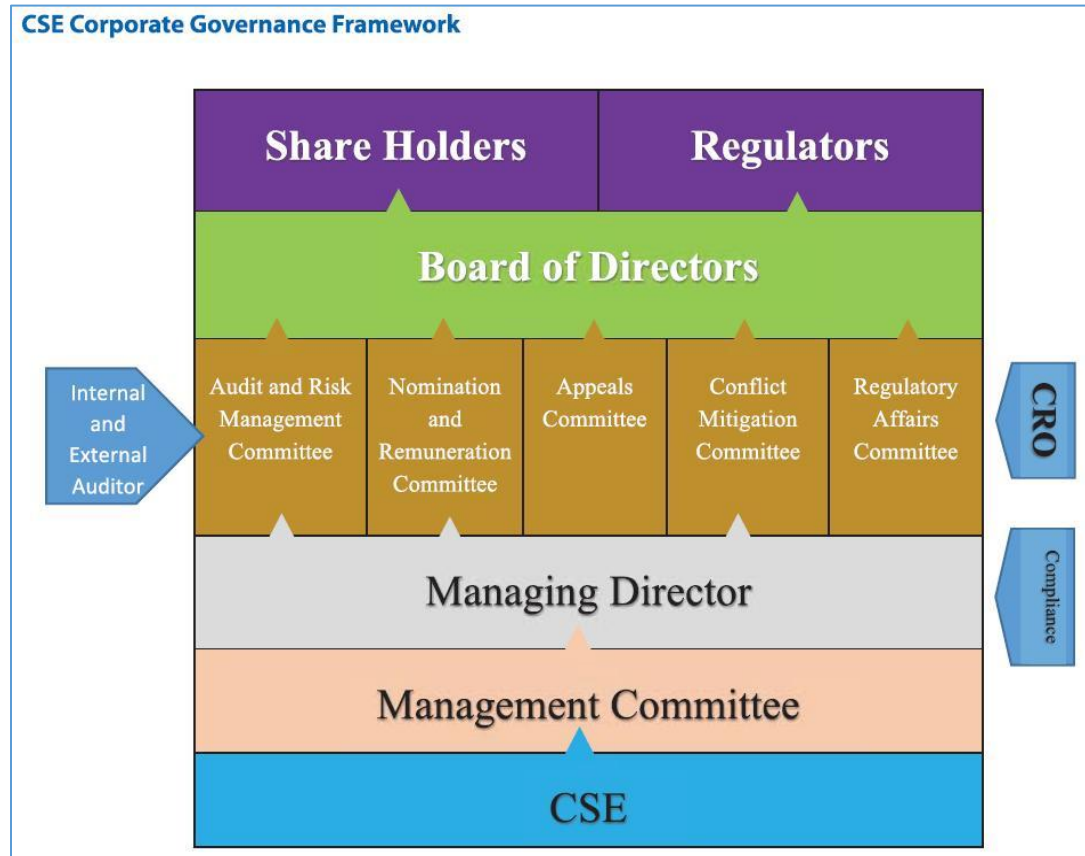
To be on the competitive edge, CSE always try to stay ahead - being responsive to its stakeholders including trading members and investors through continuous innovations, use of advanced technology and skilled human resources, improved delivery mechanism ensuring quality, efficiency and transparency 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

## 6.3 Corporate Governance

### Corporate Governance Practices



### Code of Ethics and Conduct

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

The objective of the Code is to ensure that:

- high standards of corporate and individual behavior are observed by all CSE directors and employees in the context of their employment and activities with CSE;
- directors and employees are aware of their responsibilities to CSE under their contract of employment; and

- c. 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><u>13</u></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 30 December 2020, existing Products of CSE are as follows:

Number of Listed Securities:	338
Number of Equity:	299
Number of Mutual Fund:	37
Number of Corporate Bond:	2

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 & 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:

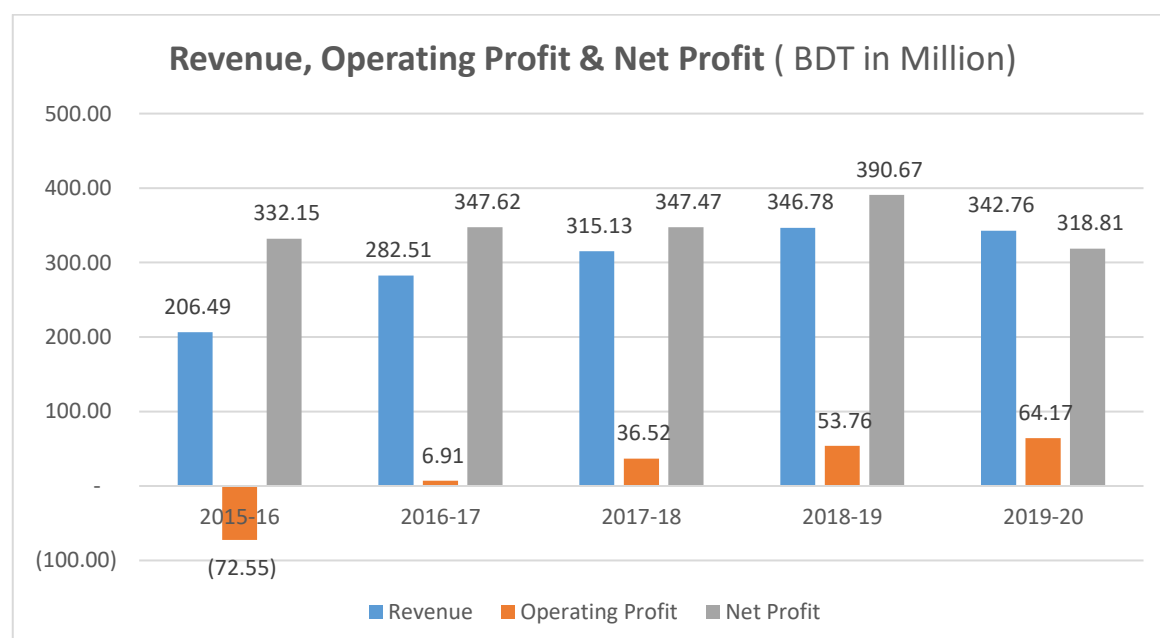
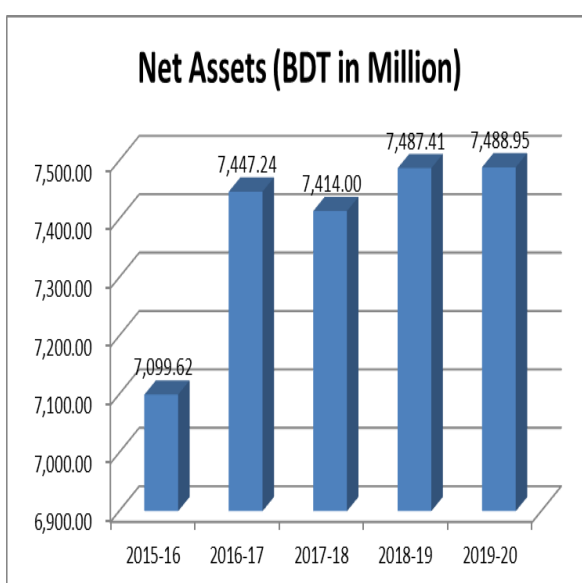
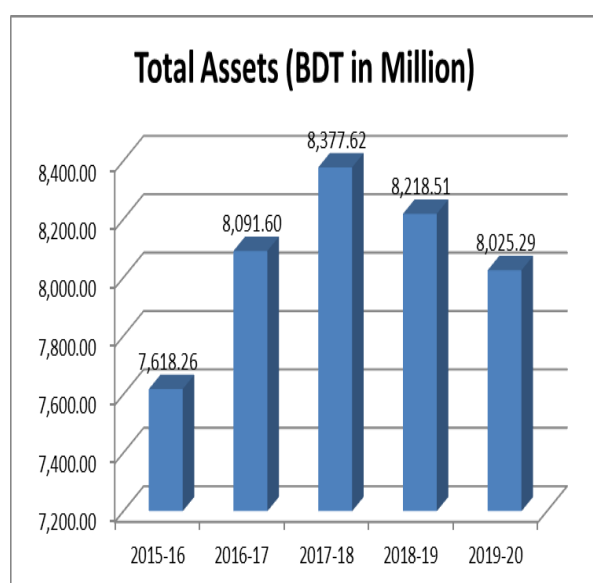
1. Platform for Small Capital Companies
2. Exchange Traded Fund (ETF)
3. Clearing Corporation (under the supervision of BSEC) – operation to start soon
4. CSE Training Institute
5. Commodity Exchange
6. Derivatives Market

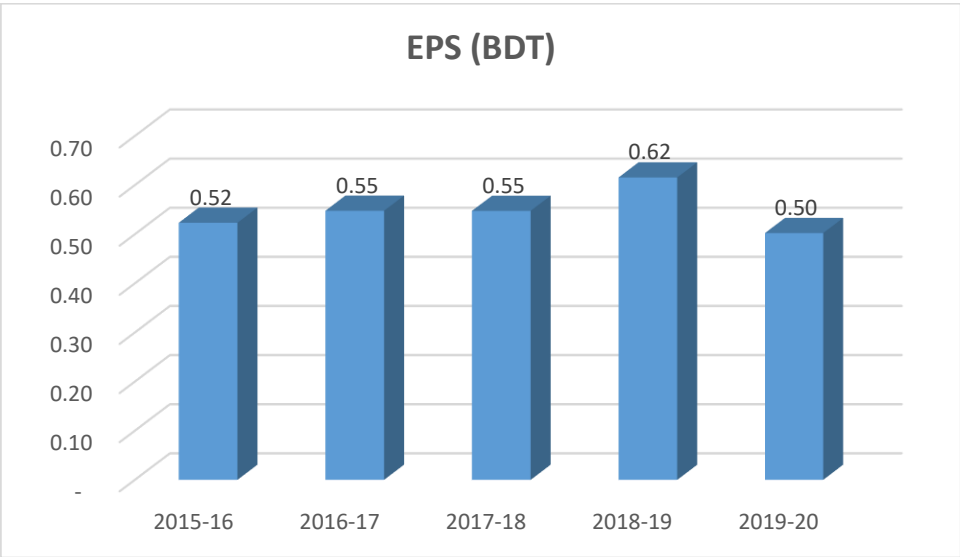
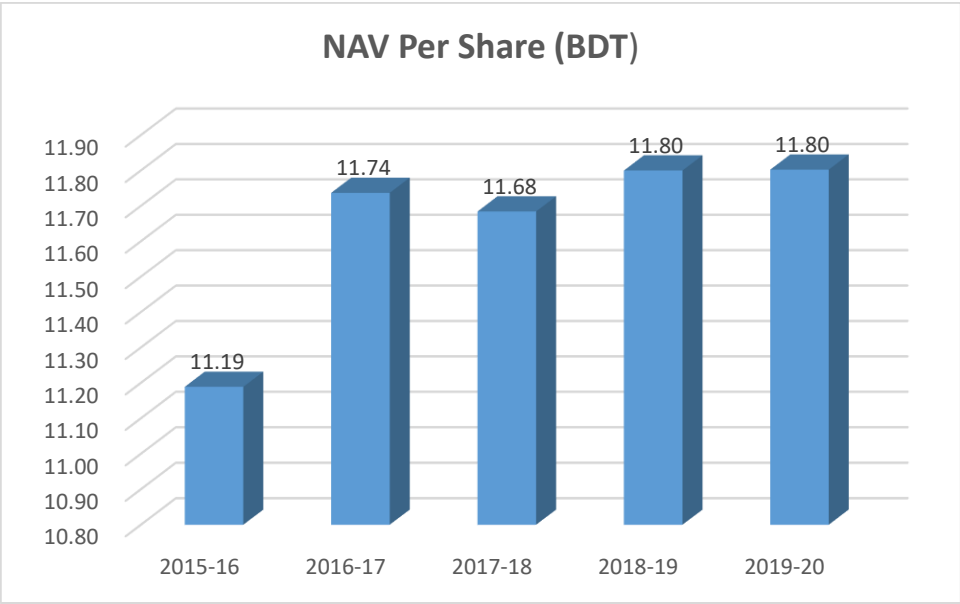
## **7. FINANCIAL INFORMATION & INDICATIVE VALUATION**

## 7.1 HISTORICAL FINANCIAL INFORMATION

### HIGHLIGHTS OF KEY HISTORICAL FINANCIAL INFORMATION (2015-16 to 2019-20)

	2015-16	2016-17	2017-18	2018-19	2019-20
Total Assets (BDT in Million)	7,618.26	8,091.60	8,377.62	8,218.51	8,025.29
Total Liabilities (BDT in Million)	518.64	644.35	963.62	731.10	536.33
Net Assets (BDT in Million)	7,099.62	7,447.24	7,414.00	7,487.41	7,488.95
Revenue (BDT in Million)	206.49	282.51	315.13	346.78	342.76
EBITDA (BDT in Million)	(19.30)	58.30	86.83	104.23	113.81
Operating Profit (BDT in Million)	(72.55)	6.91	36.52	53.76	64.17
Net Profit After Tax (BDT in Million)	332.15	347.62	347.47	390.67	318.81
NAV Per Share (BDT)	11.19	11.74	11.68	11.80	11.80
EPS (BDT)	0.52	0.55	0.55	0.62	0.50





## CSE - HISTORICAL FINANCIAL INFORMATION

### Statement of Financial Position

Amount in BDT

ASSETS	2015-16	2016-17	2017-18	2018-19	2019-20
Property, Plant and Equipment	1,575,493,847	1,556,540,958	1,561,648,299	1,544,085,897	1,527,560,555
Automation	260,507,572	229,187,076	199,361,104	172,462,778	143,464,420
Investment with CDBL	612,564,975	612,564,975	612,564,975	612,564,975	612,564,975
Investment in Subsidiaries/Associates	-	-	-	600,000,000	600,000,000
Investment in Zero Coupon Bond- Non-Current Portion	-	-	67,207,327	52,347,592	36,261,932
Advance against Car Scheme (Long Term)	2,075,000	4,900,000	4,750,000	5,025,000	3,525,000
<b>Non-current assets</b>	<b>2,450,641,394</b>	<b>2,403,193,009</b>	<b>2,445,531,705</b>	<b>2,986,486,242</b>	<b>2,923,376,882</b>
Trade receivables-clearing	92,590,346	99,514,648	230,475,925	169,200,472	20,143,475
Other Receivables	165,947,837	158,193,604	192,783,393	272,481,472	232,273,270
Advances, deposits and pre-payments	40,859,183	37,739,615	40,666,932	37,753,591	37,360,292
Advance Income Tax	11,932,154	36,414,551	81,140,181	120,505,206	144,491,921
Investment in FDRs	4,655,000,000	5,065,000,000	4,905,000,000	4,460,000,000	4,515,000,000
Investment in Zero Coupon Bond- Current Portion	-	-	13,727,240	14,859,735	16,085,660
Cash and cash equivalents	201,293,361	291,540,335	468,295,967	157,224,258	136,554,029
<b>Current Assets</b>	<b>5,167,622,881</b>	<b>5,688,402,753</b>	<b>5,932,089,638</b>	<b>5,232,024,734</b>	<b>5,101,908,647</b>
<b>TOTAL ASSETS</b>	<b>7,618,264,275</b>	<b>8,091,595,762</b>	<b>8,377,621,343</b>	<b>8,218,510,976</b>	<b>8,025,285,529</b>
<b>EQUITY</b>					
Share capital	6,345,248,400	6,345,248,400	6,345,248,400	6,345,248,400	6,345,248,400
Provision for Settlement Guarantee Fund	227,511,655	298,438,542	371,718,107	450,190,971	525,029,201
Retained earnings	526,863,005	803,556,617	697,034,063	691,967,072	618,675,591
<b>Total equity</b>	<b>7,099,623,060</b>	<b>7,447,243,559</b>	<b>7,414,000,569</b>	<b>7,487,406,443</b>	<b>7,488,953,192</b>
<b>LIABILITIES</b>					
Deferred tax liability	89,563,761	82,580,848	75,794,901	64,835,612	51,149,064
Gratuity Payable	62,622,113	69,816,731	78,218,680	86,954,622	95,578,206
<b>Non- Current Liabilities</b>	<b>152,185,874</b>	<b>152,397,579</b>	<b>154,013,581</b>	<b>151,790,234</b>	<b>146,727,270</b>
Trade payable - clearing	155,054,577	276,375,597	482,981,187	241,254,408	50,526,138
Liability for expenses	24,428,990	26,939,698	23,899,861	22,490,880	25,470,459
Liability for other finance	173,867,343	118,804,065	173,762,231	106,514,366	81,397,107
Deferred revenue	242,440	-	-	-	-
Dividend payable	12,861,990	12,861,990	29,738,431	47,779,235	65,430,870
Liabilities for income tax	-	56,973,271	99,225,480	161,275,409	166,780,492
<b>Current Liabilities</b>	<b>366,455,340</b>	<b>491,954,621</b>	<b>809,607,190</b>	<b>579,314,298</b>	<b>389,605,066</b>
<b>Total Liabilities</b>	<b>518,641,214</b>	<b>644,352,200</b>	<b>963,620,771</b>	<b>731,104,532</b>	<b>536,332,336</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,618,264,274</b>	<b>8,091,595,759</b>	<b>8,377,621,341</b>	<b>8,218,510,975</b>	<b>8,025,285,529</b>
<b>NAV per share</b>	<b>11.19</b>	<b>11.74</b>	<b>11.68</b>	<b>11.80</b>	<b>11.80</b>

## CSE - HISTORICAL FINANCIAL INFORMATION

### Statement of profit and Loss

Amount in BDT

Operating Income/Net Revenue	2015-16	2016-17	2017-18	2018-19	2019-20
Transaction fee	51,520,196	77,895,175	68,981,856	69,525,112	61,608,144
Listing fee	138,154,329	184,314,104	213,126,184	221,321,047	196,100,164
TREC renewal fee	7,350,000	7,350,000	7,350,000	7,325,000	7,300,000
Service fee and commission	4,308,203	5,897,263	7,508,420	40,567,958	70,266,652
Trader Certificate and Renewal Income	5,157,080	7,051,440	18,161,500	8,045,000	7,490,000
IT Charge	-	-	-	-	-
<b>Net Revenue</b>	<b>206,489,808</b>	<b>282,507,982</b>	<b>315,127,960</b>	<b>346,784,117</b>	<b>342,764,960</b>
<b>Operating Expenditures</b>					
HR Cost	120,596,294	118,143,885	123,948,768	131,959,697	130,076,422
Annual Maintenance Charge	54,265,154	58,546,074	64,495,976	66,492,410	65,447,564
General Maintenance & Operation	40,972,288	41,822,840	31,163,045	33,020,381	31,385,281
Promotion	9,955,724	5,690,633	8,692,838	11,083,253	2,050,010
<b>Operating expenditure</b>	<b>225,789,460</b>	<b>224,203,432</b>	<b>228,300,627</b>	<b>242,555,741</b>	<b>228,959,277</b>
<b>EBITDA</b>	<b>(19,299,652)</b>	<b>58,304,550</b>	<b>86,827,333</b>	<b>104,228,376</b>	<b>113,805,683</b>
Depreciation & Amortization	53,254,436	51,390,224	50,302,364	50,466,611	49,639,736
<b>EBIT</b>	<b>(72,554,088)</b>	<b>6,914,326</b>	<b>36,524,969</b>	<b>53,761,765</b>	<b>64,165,947</b>
Other Income	41,966,651	40,520,906	42,008,394	41,875,262	39,944,882
Finance Income	440,844,913	371,102,512	387,057,933	473,820,251	392,653,783
<b>Pre-Tax income</b>	<b>410,257,476</b>	<b>418,537,744</b>	<b>465,591,296</b>	<b>569,457,277</b>	<b>496,764,612</b>
Workers Profit Participation Fund	20,512,874	20,926,887	23,279,565	28,472,864	24,838,231
<b>PRE-Tax income after deduction of WPPF</b>	<b>389,744,602</b>	<b>397,610,856</b>	<b>442,311,731</b>	<b>540,984,414</b>	<b>471,926,382</b>
Income Tax (Current)	-	56,973,271	101,625,764	161,275,409	166,803,760
Income Tax (Deferred)	57,599,507	(6,982,913)	(6,785,947)	(10,959,289)	(13,686,548)
<b>Net Profit After Tax</b>	<b>332,145,095</b>	<b>347,620,498</b>	<b>347,471,914</b>	<b>390,668,294</b>	<b>318,809,170</b>
<b>EPS</b>	<b>0.52</b>	<b>0.55</b>	<b>0.55</b>	<b>0.62</b>	<b>0.50</b>

## CSE - HISTORICAL FINANCIAL INFORMATION

### Statement of Cash Flows

Amount in BDT

	2015-16	2016-17	2017-18	2018-19	2019-20
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	-	-	-	-	-
<b>Net Profit Before Tax</b>	<b>389,744,602</b>	<b>397,610,856</b>	<b>442,311,731</b>	<b>540,984,414</b>	<b>471,926,382</b>
<b>Adjustment to reconcile net Income to net cash provided by operating activities:</b>					
Depreciation and amortization	53,254,436	51,390,224	50,302,364	50,466,611	49,639,736
Gain/(Loss) on disposal of Fixed Assets	124,020	(1,127,260)	(392,375)	89,530	(78,901)
Provision for Gratuity	62,622,113	8,114,177	10,073,123	9,091,694	8,789,904
	<b>505,745,171</b>	<b>455,987,997</b>	<b>502,294,843</b>	<b>600,632,249</b>	<b>530,277,120</b>
<b>(Increase)/Decrease in current assets</b>					
Trade receivables-clearing	(21,717,977)	(6,924,302)	(130,961,277)	61,275,453	149,056,997
Other Receivables	(16,251,608)	7,754,233	(34,589,789)	(79,698,079)	40,208,202
Advances, deposits and pre-payments	(3,651,680)	3,119,568	(2,927,317)	2,913,341	393,299
Investment in FDRs	(145,000,000)	(410,000,000)	160,000,000	445,000,000	(55,000,000)
	(186,621,265)	(406,050,501)	(8,478,383)	429,490,715	134,658,498
<b>Increase/(Decrease) in Current Liabilities</b>					
Trade payable - clearing	(44,318,736)	121,321,020	206,605,590	(241,726,779)	(190,728,270)
Liability for expenses	(47,585,150)	2,510,708	(3,039,837)	(1,408,981)	2,979,579
Liability for other finance	148,847,384	(55,063,278)	54,958,166	(67,247,865)	(25,117,259)
Deferred revenue	(105,380)	(242,440)	-	-	-
	<b>56,838,118</b>	<b>68,526,010</b>	<b>258,523,919</b>	<b>(310,383,625)</b>	<b>(212,865,950)</b>
	<b>375,962,024</b>	<b>118,463,506</b>	<b>250,045,536</b>	<b>119,107,090</b>	<b>(78,207,452)</b>
Gratuity Paid	-	(919,559)	(1,671,174)	(355,752)	(166,320)
Income Tax Paid	(11,902,154)	(24,482,397)	(104,099,185)	(138,590,505)	(185,285,392)
<b>Net cash flows from operating activities</b>	<b>364,059,870</b>	<b>93,061,551</b>	<b>646,570,020</b>	<b>580,793,082</b>	<b>266,617,956</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of Property, plant and equipment	(1,796,146)	(442,265)	(23,572,490)	(875,287)	(961,600)
Acquisition of Intangible Assets	(4,279,740)	(1,001,000)	(2,810,993)	(5,222,126)	(3,168,518)
Advance against Car Loan	(2,075,000)	(2,825,000)	150,000	(275,000)	1,500,000
Disposal of Property, plant and equipment	-	1,453,688	1,192,125	2,000	92,981
Investment in subsidiaries/Associates	-	-	-	(600,000,000)	-
Investment in zero Coupon Bond	-	-	(80,934,567)	13,727,240	14,859,735
<b>Net cash used in investing activities</b>	<b>(8,150,886)</b>	<b>(2,814,577)</b>	<b>(105,975,925)</b>	<b>(592,643,173)</b>	<b>12,322,598</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-	-	-	-	-
Dividend	(367,852,914)	-	(363,838,463)	(299,221,616)	(299,610,785)
TREC Issue	-	-	-	-	-
<b>Net cash flows from financing activities</b>	<b>(367,852,914)</b>	<b>-</b>	<b>(363,838,463)</b>	<b>(299,221,616)</b>	<b>(299,610,785)</b>
<b>NET CASH FLOWS</b>	<b>(11,943,930)</b>	<b>90,246,974</b>	<b>176,755,632</b>	<b>(311,071,707)</b>	<b>(20,670,231)</b>
<b>Opening Balance</b>	<b>213,237,291</b>	<b>201,293,361</b>	<b>291,540,335</b>	<b>468,295,965</b>	<b>157,224,258</b>
<b>Closing Balance</b>	<b>201,293,361</b>	<b>291,540,335</b>	<b>468,295,965</b>	<b>157,224,258</b>	<b>136,554,027</b>



## **7.2 FINANCIAL PROJECTION**

## Assumptions on Financial Projection

### Transaction & Listing Income from Main Board or Equity Market

- 245 trading days in each year is considered for the projection based on the historical trends.
- BDT 800 million daily average turnover is projected in 2020-21 and thereafter 20% yearly growth has been considered for the projection.
- 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.  
BDT 45 million capacity charges (the minimum annual charges for using CSE trading infrastructure by TREC Holders) for 2020-21 and thereafter 20% yearly reduction have also been considered as transaction income.
- Initial and annual listing fees have been considered to be increased by 10% in each year.

### Transaction and Listing Income from SME, ATB and BOND/SUKUK Market

- It has been considered that SME, ATB and Bond/Sukuk Market will be introduced in the stock exchanges soon and will significantly contribute to exchange's income in the form of transaction and listing income. Projected income of the exchanges in this respect for the next five years are given below.

Amount in BDT						
	2020-21	2021-22	2022-23	2023-24	2024-25	For Detail
Transaction Income from SME Market	110,400	294,400	570,400	938,400	1,306,400	Table – 1
Transaction Income from ATB Market	747,270	1,582,391	2,417,512	3,252,632	4,087,753	Table - 2
Transaction Income from Bond/Sukuk Market	6,900,000	23,460,000	42,780,000	68,540,000	97,980,000	Table -3

Amount in BDT						
	2020-21	2021-22	2022-23	2023-24	2024-25	For Detail
Listing Income from SME Market	360,000	660,000	1,060,000	1,510,000	1,710,000	Table -4
Listing Income from ATB Market	1,566,725	491,820	253,095	253,095	253,095	Table-5
Listing Income from Bond/Sukuk Market	49,200,000	61,800,000	70,800,000	74,400,000	99,200,000	Table-6

**Table-1: Transaction Income from SME Market**

	2020-21	2021-22	2022-23	2023-24	2024-25
No. of SME Companies projected to be listed	3	4	6	8	8
Paid up Capital of each Company	80,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Total Paid up Capital ( Cumulative)	240,000,000	640,000,000	1,240,000,000	2,040,000,000	2,840,000,000
Yearly Market Turnover (200 % of Issued Capital)	480,000,000	1,280,000,000	2,480,000,000	4,080,000,000	5,680,000,000
Percentage of Commission on Transaction	0.023%	0.023%	0.023%	0.023%	0.023%
<b>Transaction Income</b>	<b>110,400</b>	<b>294,400</b>	<b>570,400</b>	<b>938,400</b>	<b>1,306,400</b>

**Table -2: Transaction Income from ATB Market**

	2020-21	2021-22	2022-23	2023-24	2024-25
No. of Companies in ATB	4	4	-	-	-
Total Paid up Capital of 4 Companies (Cumulative)	1,624,500,000	1,815,480,000	1,815,480,000	1,815,480,000	1,815,480,000
Yearly Market Turnover (200 % of Issued Capital)	3,249,000,000	6,879,960,000	10,510,920,000	14,141,880,000	17,772,840,000
Percentage of Commission on Transaction	0.023%	0.023%	0.023%	0.023%	0.023%
<b>Transaction Income</b>	<b>747,270</b>	<b>1,582,391</b>	<b>2,417,512</b>	<b>3,252,632</b>	<b>4,087,753</b>

**Table -3: Transaction Income from Bond/Sukuk Market**

	2020-21	2021-22	2022-23	2023-24	2024-25
No. of BOND/SUKUK	3	6	6	8	8
Size of each BOND/SUKUK	5,000,000,000	6,000,000,000	7,000,000,000	7,000,000,000	8,000,000,000
Total Size of BONDS/SUKUKs	15,000,000,000	51,000,000,000	93,000,000,000	149,000,000,000	213,000,000,000
Yearly Market Turnover (200 % of Issued Capital)	30,000,000,000	102,000,000,000	186,000,000,000	298,000,000,000	426,000,000,000
Percentage of Commission on Transaction	0.023%	0.023%	0.023%	0.023%	0.023%
<b>Transaction Income</b>	<b>6,900,000</b>	<b>23,460,000</b>	<b>42,780,000</b>	<b>68,540,000</b>	<b>97,980,000</b>

**Table – 4: Listing Income from SME Market**

	2020-21	2021-22	2022-23	2023-24	2024-25
No. of Companies	3	4	6	8	8
Total Paid up Capital	240,000,000	400,000,000	600,000,000	800,000,000	800,000,000
Initial Listing fee @ 0.125%	300,000	500,000	750,000	1,000,000	1,000,000
Annual Listing fee @ 0.025%	60,000	160,000	310,000	510,000	710,000
<b>Total Listing Income</b>	<b>360,000</b>	<b>660,000</b>	<b>1,060,000</b>	<b>1,510,000</b>	<b>1,710,000</b>

**Table – 5: Listing Income from ATB Market**

	2020-21	2021-22	2022-23	2023-24	2024-25
No. of Companies	4	4	-	-	-
Total Paid up Capital	1,624,500,000	190,980,000	-	-	-
Initial Listing fee @ 0.125% up to 10 Crore and 0.075% for the rest	1,361,375	238,725	-	-	-
Annual Listing fee @ 0.025%	205,350	253,095	253,095	253,095	253,095
<b>Total Listing Income</b>	<b>1,566,725</b>	<b>491,820</b>	<b>253,095</b>	<b>253,095</b>	<b>253,095</b>

**Table-6: Listing Income from Bond/Sukuk Market**

-	2020-21	2021-22	2022-23	2023-24	2024-25
No. of BOND/SUKUK	3	6	6	8	8
Size of each BOND/SUKUK	5,000,000,000	6,000,000,000	7,000,000,000	7,000,000,000	8,000,000,000
Initial Listing fee @ 0.25% up to 10 Crore and 0.15% for the rest	22,800,000	54,600,000	60,000,000	80,000,000	80,000,000
Annual Listing fee @ 0.05% up to 100 Crore and 0.02% for the rest	1,800,000	5,400,000	9,000,000	13,800,000	18,600,000
Total	24,600,000	60,000,000	69,000,000	93,800,000	98,600,000

**TREC Issue Assumption**

It has been assumed that 25 New TREC will be issued in each year during next four years with a value of BDT 10,000,000 each TREC.

**Investment & Income from subsidiaries/ associates**

- BDT 20,000,000 has been considered as new investment in Training Institute (Proposed Subsidiary of CSE) in the year 2021-22 with an expected annual return of 10%.
- 6% annual return/ dividend on the investment in CDBL is considered for the projection.
- And, 10% annual return/dividend on the investment in CCBL is 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.

	2020-21	2021-22	2022-23	2023-24	2024-25
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 2020-21.

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

32.5% Corporate Tax Rate (applicable rate for non-listed companies) has been considered in the projection up to the FY 2023-2024. And, 25% corporate tax rate (applicable rate for listed companies) has been considered in the projection from FY 2024-2025, assuming CSE as listed company from the FY 2024-2025.

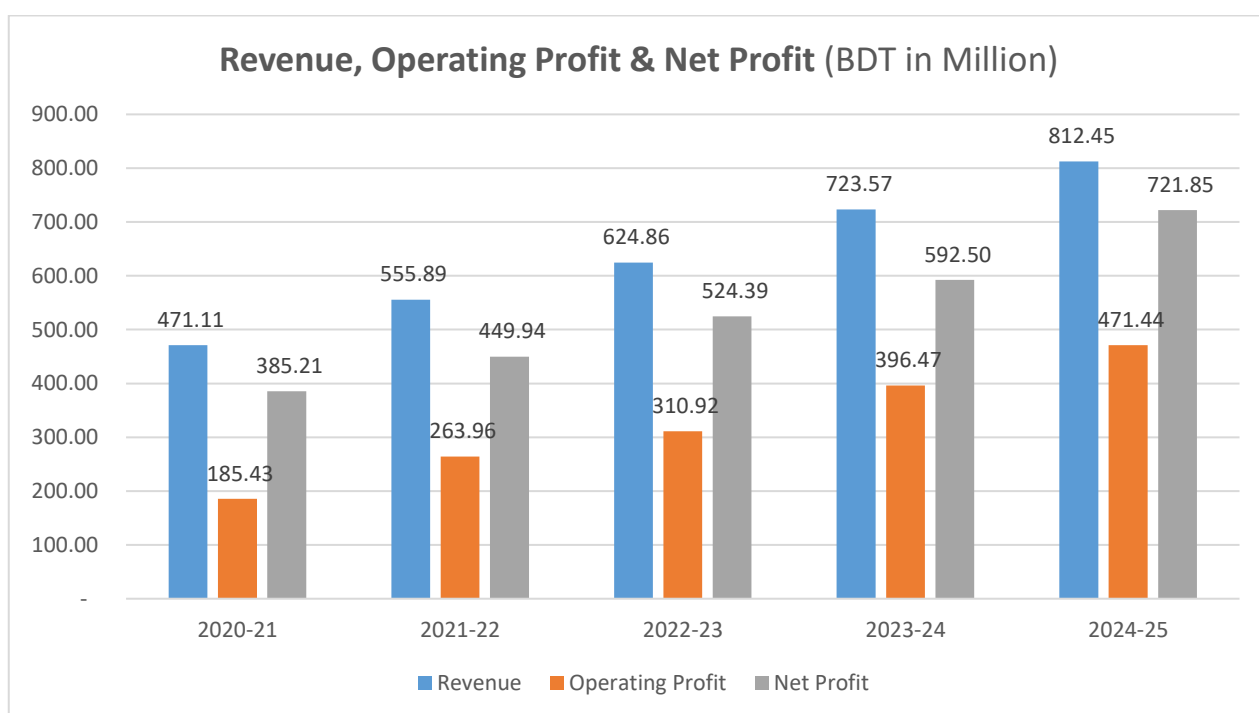
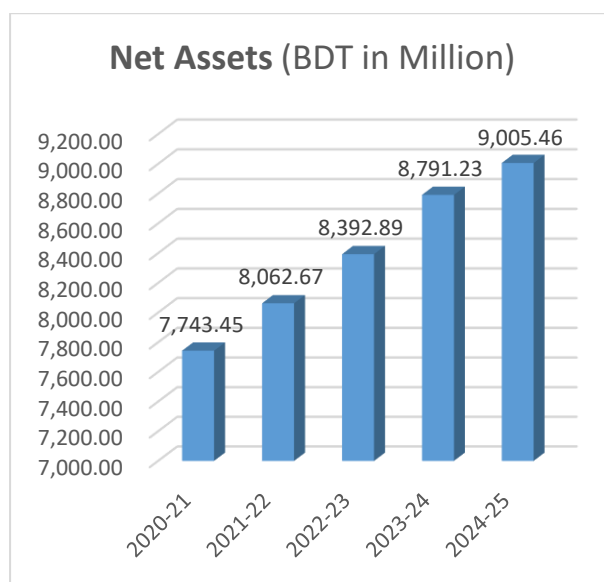
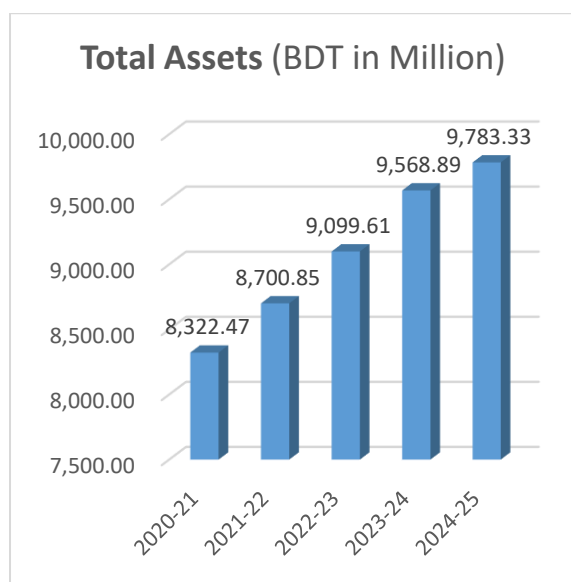
## Dividend to CSE Shareholders

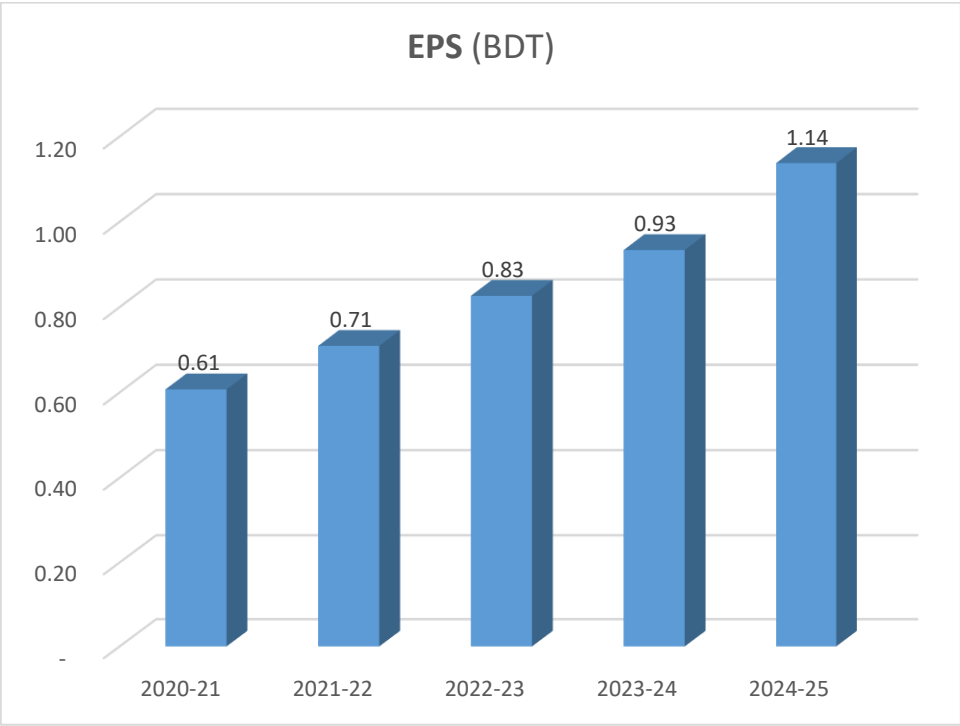
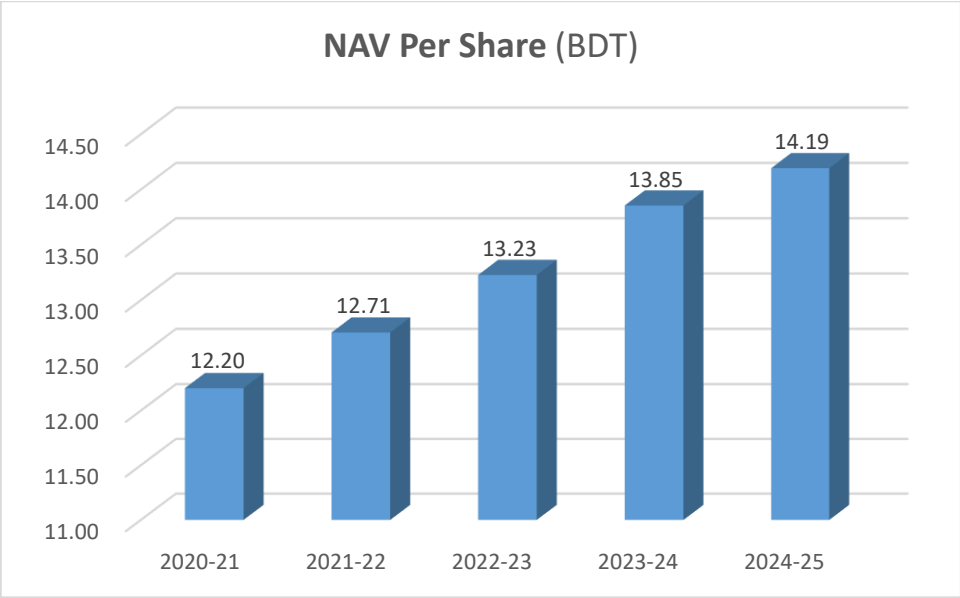
It is assumed that following rate of dividend on the Paid-up Capital will be distributed to the shareholders of CSE in next five years.

	2020-21	2021-22	2022-23	2023-24	2024-25
% Dividend on the Paid-up Capital of CSE	6.00%	6.00%	7.00%	7.00%	8.00%

## HIGHLIGHTS OF KEY PROJECTED FINANCIAL INFORMATION (2020-21 to 2024-25)

	2020-21	2021-22	2022-23	2023-24	2024-25
Total Assets (BDT in million)	8,322.47	8,700.85	9,099.61	9,568.89	9,783.33
Total Liabilities (BDT in million)	579.02	638.18	706.72	777.66	777.87
Net Assets (BDT in million)	7,743.45	8,062.67	8,392.89	8,791.23	9,005.46
Revenue (BDT in million)	471.11	555.89	624.86	723.57	812.45
EBITDA (BDT in million)	230.70	303.47	359.82	445.26	520.23
Operating Profit (BDT in million)	185.43	263.96	310.92	396.47	471.44
Net Profit After Tax (BDT in million)	385.21	449.94	524.39	592.50	721.85
<b>NAV Per Share (BDT)</b>	<b>12.20</b>	<b>12.71</b>	<b>13.23</b>	<b>13.85</b>	<b>14.19</b>
<b>EPS (BDT)</b>	<b>0.61</b>	<b>0.71</b>	<b>0.83</b>	<b>0.93</b>	<b>1.14</b>





## CSE - PROJECTED FINANCIAL INFORMATION

### Statement of Financial Position

Amount in BDT

ASSETS	2020-21	2021-22	2022-23	2023-24	2024-25
Property, Plant and Equipment	1,510,384,647	1,493,876,245	1,567,980,328	1,542,184,783	1,516,389,237
Automation	115,367,715	92,372,187	69,376,658	46,381,129	23,385,600
Investment with CDBL	612,564,975	612,564,975	612,564,975	612,564,975	612,564,975
Investment in Subsidiaries/Associates	600,000,000	620,000,000	620,000,000	620,000,000	620,000,000
<b>Non-current assets</b>	<b>2,838,317,338</b>	<b>2,818,813,406</b>	<b>2,869,921,961</b>	<b>2,821,130,887</b>	<b>2,772,339,812</b>
Trade receivables-clearing	80,000,000	96,000,000	115,200,000	138,240,000	165,888,000
Other Receivables	178,774,593	192,459,264	232,957,382	245,562,382	254,506,392
Advances, deposits and pre-payments	50,495,103	53,019,858	55,670,851	58,454,394	61,377,114
Advance Income Tax	37,146,545	39,427,324	46,177,010	48,277,843	49,768,512
Investment in FDRs	4,965,960,925	5,346,090,678	5,546,604,323	5,846,723,378	6,059,676,004
Cash and cash equivalents	171,772,403	155,039,349	233,079,661	410,499,519	419,777,230
<b>Current Assets</b>	<b>5,484,149,570</b>	<b>5,882,036,474</b>	<b>6,229,689,227</b>	<b>6,747,757,516</b>	<b>7,010,993,252</b>
<b>TOTAL ASSETS</b>	<b>8,322,466,907</b>	<b>8,700,849,880</b>	<b>9,099,611,188</b>	<b>9,568,888,403</b>	<b>9,783,333,064</b>
<b>EQUITY</b>					
Share capital	6,345,248,400	6,345,248,400	6,345,248,400	6,345,248,400	6,345,248,400
Provision for Settlement Guarantee Fund	604,785,682	689,609,310	780,255,833	826,230,252	876,698,431
TREC Issue Reserve	250,000,000	500,000,000	750,000,000	1,000,000,000	1,000,000,000
Retained earnings	543,411,510	527,815,810	517,390,277	619,750,331	783,512,186
Total equity	7,743,445,592	8,062,673,521	8,392,894,510	8,791,228,983	9,005,459,017
<b>LIABILITIES</b>	-	-	-	-	-
Deferred tax liability	47,568,630	44,238,825	41,142,108	38,262,160	35,583,809
Gratuity Payable	105,136,027	115,649,629	127,214,592	139,936,051	153,929,657
<b>Non- Current Liabilities</b>	<b>152,704,656</b>	<b>159,888,455</b>	<b>168,356,700</b>	<b>178,198,212</b>	<b>189,513,465</b>
Trade payable - clearing	80,000,000	96,000,000	115,200,000	138,240,000	165,888,000
Liability for expenses	24,040,724	25,242,760	26,504,898	27,830,143	29,221,650
Liability for other finance	73,122,062	76,601,640	80,255,196	84,091,431	88,119,477
Dividend payable	65,430,870	65,430,870	65,430,870	65,430,870	65,430,870
Liabilities for income tax	183,723,002	215,012,634	250,969,013	283,868,764	239,700,584
<b>Current Liabilities</b>	<b>426,316,658</b>	<b>478,287,904</b>	<b>538,359,977</b>	<b>599,461,208</b>	<b>588,360,581</b>
<b>Total Liabilities</b>	<b>579,021,314</b>	<b>638,176,359</b>	<b>706,716,677</b>	<b>777,659,419</b>	<b>777,874,046</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,322,466,907</b>	<b>8,700,849,880</b>	<b>9,099,611,187</b>	<b>9,568,888,402</b>	<b>9,783,333,064</b>
<b>NAV per share</b>	<b>12.20</b>	<b>12.71</b>	<b>13.23</b>	<b>13.85</b>	<b>14.19</b>



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

Amount in BDT

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>Operating Income/Net Revenue</b>					
Transaction fee	96,967,670	114,378,791	138,208,312	172,129,512	213,426,329
Listing fee	269,320,937	327,775,453	363,149,092	417,232,691	453,949,651
TREC renewal fee	8,600,000	9,850,000	11,100,000	12,350,000	12,350,000
Service fee and commission	80,264,067	87,959,761	96,423,489	105,731,978	115,969,622
Trader Certificate and Renewal Income	13,155,000	13,930,500	14,783,550	15,721,905	16,754,096
IT Charge	2,800,000	2,000,000	1,200,000	400,000	-
<b>Net Revenue</b>	<b>471,107,674</b>	<b>555,894,506</b>	<b>624,864,443</b>	<b>723,566,087</b>	<b>812,449,698</b>
<b>Operating Expenditures</b>					
HR Cost	136,580,243	143,409,255	150,579,718	158,108,704	166,014,139
Annual Maintenance Charge	68,719,942	72,155,939	75,763,736	79,551,923	83,529,519
General Maintenance & Operation	32,954,545	34,602,272	36,332,386	38,149,005	40,056,455
Promotion	2,152,511	2,260,136	2,373,143	2,491,800	2,616,390
Operating expenditure	240,407,241	252,427,603	265,048,983	278,301,432	292,216,504
<b>EBITDA</b>	<b>230,700,434</b>	<b>303,466,903</b>	<b>359,815,460</b>	<b>445,264,654</b>	<b>520,233,194</b>
Depreciation & Amortization	45,272,615	39,503,931	48,891,445	48,791,074	48,791,074
<b>EBIT</b>	<b>185,427,819</b>	<b>263,962,971</b>	<b>310,924,014</b>	<b>396,473,580</b>	<b>471,442,120</b>
Other Income	111,744,147	111,744,147	113,744,147	113,744,147	113,744,147
Finance Income	297,957,656	320,765,441	388,262,303	409,270,636	424,177,320
<b>Pre-Tax income</b>	<b>595,129,621</b>	<b>696,472,559</b>	<b>812,930,464</b>	<b>919,488,363</b>	<b>1,009,363,587</b>
Workers Profit Participation Fund	29,756,481	34,823,628	40,646,523	45,974,418	50,468,179
<b>PRE-Tax income after deduction of WPPF</b>	<b>565,373,140</b>	<b>661,648,931</b>	<b>772,283,940</b>	<b>873,513,945</b>	<b>958,895,407</b>
Income Tax (Current)	183,746,270	215,035,902	250,992,281	283,892,032	239,723,852
Income Tax (Deferred)	(3,580,434)	(3,329,804)	(3,096,718)	(2,879,948)	(2,678,351)
<b>Net Profit After Tax</b>	<b>385,207,304</b>	<b>449,942,832</b>	<b>524,388,378</b>	<b>592,501,860</b>	<b>721,849,907</b>
<b>EPS</b>	<b>0.61</b>	<b>0.71</b>	<b>0.83</b>	<b>0.93</b>	<b>1.14</b>

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

Amount in BDT

	2020-21	2021-22	2022-23	2023-24	2024-25
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net Profit Before Tax	565,373,140	661,648,931	772,283,940	873,513,945	958,895,407
Adjustment to reconcile net Income to net cash provided by operating activities:					
Depreciation and amortization	45,272,615	39,503,931	48,891,445	48,791,074	48,791,074
Provision for Gratuity	9,557,821	10,513,603	11,564,963	12,721,459	13,993,605
	<b>620,203,575</b>	<b>711,666,465</b>	<b>832,740,349</b>	<b>935,026,479</b>	<b>1,021,680,087</b>
<b>(Increase)/Decrease in current assets</b>					
Trade receivables-clearing	(59,856,525)	(16,000,000)	(19,200,000)	(23,040,000)	(27,648,000)
Other Receivables	53,498,677	(13,684,671)	(40,498,117)	(12,605,000)	(8,944,010)
Advances, deposits and pre-payments	(13,134,811)	(2,524,755)	(2,650,993)	(2,783,543)	(2,922,720)
Investment in FDRs	(450,960,925)	(380,129,753)	(200,513,645)	(300,119,055)	(212,952,626)
	(470,453,585)	(412,339,179)	(262,862,755)	(338,547,598)	(252,467,356)
<b>Increase/(Decrease) in Current Liabilities</b>					
Trade payable - clearing	29,473,862	16,000,000	19,200,000	23,040,000	27,648,000
Liability for expenses	(1,429,735)	1,202,036	1,262,138	1,325,245	1,391,507
Liability for other finance	(8,275,045)	3,479,578	3,653,557	3,836,234	4,028,046
	<b>19,769,082</b>	<b>20,681,614</b>	<b>24,115,695</b>	<b>28,201,479</b>	<b>33,067,553</b>
	<b>(450,684,503)</b>	<b>(391,657,565)</b>	<b>(238,747,060)</b>	<b>(310,346,119)</b>	<b>(219,399,803)</b>
Income Tax Paid	(59,458,385)	(186,027,049)	(221,785,589)	(253,093,114)	(285,382,701)
<b>Net cash flows from operating activities</b>	<b>110,060,688</b>	<b>133,981,850</b>	<b>372,207,700</b>	<b>371,587,246</b>	<b>516,897,583</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of Property, plant and equipment	-	-	(100,000,000)	-	-
Acquisition of Intangible Assets	-	-	-	-	-
Advance Against Car Loan	3,525,000	-	-	-	-
Disposal of Property, plant and equipment	-	-	-	-	-
Investment in subsidiaries/Associates	-	(20,000,000)	-	-	-
Investment in zero Coupon Bond	52,347,592	-	-	-	-
Net cash used in investing activities	55,872,592	(20,000,000)	(100,000,000)	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-	-	-	-	-
Dividend	(380,714,904)	(380,714,904)	(444,167,388)	(444,167,388)	(507,619,872)
TREC Issue	250,000,000	250,000,000	250,000,000	250,000,000	-
Net cash flows from financing activities	(130,714,904)	(130,714,904)	(194,167,388)	(194,167,388)	(507,619,872)
<b>NET CASH FLOWS</b>	<b>35,218,376</b>	<b>(16,733,054)</b>	<b>78,040,312</b>	<b>177,419,858</b>	<b>9,277,711</b>
<b>Opening Balance</b>	<b>136,554,027</b>	<b>171,772,403</b>	<b>155,039,349</b>	<b>233,079,661</b>	<b>410,499,519</b>
<b>Closing Balance</b>	<b>171,772,403</b>	<b>155,039,349</b>	<b>233,079,661</b>	<b>410,499,519</b>	<b>419,777,230</b>

### **7.3 INDICATIVE VALUATION**

## Summary: Indicative Value of CSE

Valuation Methods	Value Per Share (BDT)	Value Per Share (USD) [BDT Tk 85 per USD]	For Details
Discounted Cash Flow - DCF Perpetuity (Considering discount rate 15% and growth rate 7.5%)	19.34	0.23	Annexure-1
P/E Ratio of Similar Stock Exchanges	19.98	0.24	Annexure-2
P/B Ratio of Similar Stock Exchanges	65.86	0.77	Annexure-3

The indicative valuation has been prepared to ascertain the “Fair Market Value” of the ordinary shares of Chittagong Stock Exchange. We set out valuation under the methods/ basis of Discounted Cash Flows, Price to Earnings Ratio and Price-to-Book Value Ratio.

### Annexure- 1

#### 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 5.77 % (Cut off rate of BD Govt’s 10 years T-Bond; Source Bangladesh Bank Website, December 17, 2020) 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.)

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

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

$$\text{Or, } K_e = 5.77\% + (1 \times 5\%) + 4\% = 14.77\%$$

#### 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.

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

	A	+	B	=	C
	Discounted (b) Cash Flows		PV of Terminal Value as a Perpetual Growth Rate of (c)		Enterprise Value
Discount Rate	(2017-18 - 2024-25)		7.5%8.0%8.5%		7.5%8.0%8.5%
13.00%	2,636,243,294.5		7,609,971,124.18,409,902,972.59,387,597,453.9		10,246,214,418.611,046,146,267.012,023,840,748.4
14.00%	2,571,680,330.7		6,161,696,492.96,706,218,508.67,349,744,527.1		8,733,376,823.79,277,898,839.39,921,424,857.8
15.00%	2,509,610,770.4		5,111,960,043.65,502,574,930.65,953,284,415.7		7,621,570,814.08,012,185,701.18,462,895,186.1
16.00%	2,449,910,666.0		4,319,455,895.34,610,768,037.14,940,921,797.8		6,769,366,561.47,060,678,703.17,390,832,463.8
17.00%	2,392,463,440.7		3,702,414,189.83,926,281,094.34,176,485,281.7		6,094,877,630.56,318,744,535.06,568,948,722.4
	D	=	E		
	(Cash and Cash Equivalents - Interest bearing Debt) (d)		Total Equity Value		Value Per Diluted Share (e)
Discount Rate	6/30/2020		7.5%8.0%8.5%		7.5%8.0%8.5%
13.00%	4,651,554,029.0		14,897,768,447.615,697,700,296.016,675,394,777.4		23.4824.7426.28
14.00%	4,651,554,029.0		13,384,930,852.713,929,452,868.314,572,978,886.8		21.0921.9522.97
15.00%	4,651,554,029.0		12,273,124,843.012,663,739,730.113,114,449,215.1		19.3419.9620.67
16.00%	4,651,554,029.0		11,420,920,590.411,712,232,732.112,042,386,492.8		18.0018.4618.98
17.00%	4,651,554,029.0		10,746,431,659.510,970,298,564.011,220,502,751.4		16.9417.2917.68
			Terminal Value as a % of Enterprise Value		Implied EBITDA Multiple
Discount Rate			7.5%8.0%8.5%		7.5%8.0%8.5%
13.00%			74.3%76.1%78.1%		27.0x29.8x33.2x
14.00%			70.6%72.3%74.1%		22.8x24.8x27.2x
15.00%			67.1%68.7%70.3%		19.8x21.3x23.0x
16.00%			63.8%65.3%66.9%		17.4x18.6x19.9x
17.00%			60.7%62.1%63.6%		15.6x16.5x17.6x

(e) Based on 634524840 diluted shares outstanding as at 30 th June 2020.

## Annexure- 2

### Valuation based on P/E Ratio of Similar Stock Exchanges

The price to earnings ratio (PE Ratio) is the measure of the share price relative to the annual net income earned by the company per share. PE ratio shows current investor demand for a company share. A high PE ratio generally indicates increased demand because investors anticipate earnings growth in the future. The PE ratio has units of years, which can be interpreted as the number of years of earnings to pay back purchase price. PE ratio is often referred to as the "multiple" because it demonstrates how much an investor is willing to pay for one dollar of earnings. PE Ratios can be calculated using estimations of next year's earnings per share in the denominator.

### Valuation based on P/E Ratio of Similar Stock Exchanges

<b>Name of the Exchanges</b>	<b>P/E (For the year 2020)</b>
Bursa Malaysia	26.00
BSE Limited	15.06
Pakistan Stock Exchange Limited	118.18
Colombo Stock Exchange	10.68
National Stock Exchange of India Limited	28.89
<b>Total</b>	<b>198.81</b>
<b>Median</b>	<b>39.76</b>
<b>EPS of CSE for FY 2019-20/BDT</b>	<b>0.50</b>
<b>Value per Share of CSE based on P/E of the similar Stock Exchanges / BDT</b>	<b>19.98</b>

### Annexure- 3

#### Valuation based on P/B Ratio of Similar Stock Exchanges

Price to book value is a financial ratio used to compare a company's book value to its current market price. Book value is an accounting term denoting the portion of the company held by the shareholders at accounting value (not market value). In other words, book value is the company's total tangible assets less its total liabilities. The ratio has two calculation methods. In the first way, the company's market capitalization is divided by the company's total book value from its balance sheet. The second way, using per-share values, is to divide the company's current share price by the book value per share.

#### Valuation based on P/B Ratio of Similar Stock Exchanges

Name of the Exchanges	P/B (For the year 2020)
Bursa Malaysia	6.48
BSE Limited	0.69
Pakistan Stock Exchange Limited	11.72
Colombo Stock Exchange	1.14
National Stock Exchange of India Limited	7.87
<b>Total</b>	<b>27.90</b>
<b>Median</b>	<b>5.58</b>
<b>NAV of CSE for FY 2019-20/BDT</b>	<b>11.80</b>
<b>Value per Share of CSE based on P/B of the similar Stock Exchanges/ BDT</b>	<b>65.86</b>

## 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.

GDP grew by 5.2% in FY2020, according to preliminary official estimates. This is significantly down from less than the projection and down from 8.2% growth achieved in FY2019 due to impact of COVID-19 global pandemic. 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 combined methodology, based on – market analysis, income and asset analysis, discounted cash flow (DCF) method, etc. All the projections and analysis as appeared herein reveal a financially feasible and technically viable venture for the potential strategic investors as well as from the side of the Exchange.