

Report On
Equity Research on Grameen Phone

Submitted By
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ID-17104210

An Internship Report Submitted to the
BRAC Business School in partial fulfillment of the required for the degree of Bachelor of
Business Administration

BRAC Business School
BRAC University
September 13, 2021

Declaration

It is hereby declared that

1. The internship report submitted is my own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

Student's Full Name & Signature:

Faisal Rahman Chowdhury

17104210

Supervisor's Full Name & Signature:

Dr. M. Mujibul Haque

Professor & Associate Dean,

BRAC Business School BRAC University

Letter of Transmittal

Dr. M. Mujibul Haque

Professor & Associate Dean,

BRAC Business School

BRAC University,

66 Mohakhali, Dhaka-1212

Subject: Submission of internship report on “Equity Research of Grameenphone”.

Dear Sir,

With due respect, I am hereby submitting my internship report on Grameenphone as a requirement of the BBA Program of BRAC University. I have prepared the report with the help of your guidance and in accordance with the guidelines of BRAC Business School. I have briefly discussed my experiences working as an intern in BRAC EPL Stock Brokerage LTD. and conducted an

equity research report on Grameenphone. I have tried my best to provide sufficient and supportive data needed for the report and hope that the report fulfils the desired requirements.

Therefore, I pray and hope that you would be kind enough to accept my internship report.

Sincerely yours,

Faisal Rahman Chowdhury

17104210

Non-Disclosure Agreement

This agreement is made and entered into by and between BRAC EPL Stock Brokerage Ltd and the undersigned student at BRAC University.

Faisal Rahman Chowdhury

Acknowledgement

It has been a great pleasure working as an intern and preparing my internship report as per requirement for the degree of Bachelor of Business Administration. It would not have been possible without the continuous support and guidance provided by others, who have contributed in preparing my internship report.

Firstly, I would like to express my gratitude to Allah Almighty, for giving me the ability and capacity to finish my internship report. In addition, in providing me with the proper attitude and patience in completing my internship and preparing my internship report.

For the preparation of this report, I would firstly like to thank my internship supervisor Mr. Salim Afzal Shawon, CFA and my mentor MD. Mahirul Quaddus who has lent me continuous support through my internship and helped me understand the customs of BRAC EPL Stock Brokerage Ltd. while I had been an intern. I would also sincerely thank him for allowing me to gather all necessary resources towards the making of this report through him.

I would also wish to extend my heartiest gratitude to my colleagues, Mr. Sadman Sakib, Ms. Anika Mafiz, and Mr. Nazmus Saadat, CFA for sharing their knowledge and experience whenever they could to make sure I understood all my responsibilities correctly, and for that I am indebted to them.

Finally, I wish to sincerely thank Dr. M. Mujibul Haque, Professor & Associate Dean of BRAC Business School at BRAC University, my Internship Supervisor, for continuously giving me

important insights and instructions towards the successful formulation of the report, and her unrelenting support through my time at this university.

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Executive Summary

This internship report reflects my experiences as an intern in the research department of the head office in BRAC EPL Stock Brokerage LTD. The report also discusses the overview of the company and my project “Equity Research on Grameen Phone”.

The report thoroughly analyzes the organizational structure of the company and its policies. Moreover, the report looks at the products and services offered by the company. Financial performance of the company is analyzed and compared with last 5 years performances. It will be seen that due to the covid pandemic, the company’s financial performance has been low compared to last few years’ performance. Furthermore, a strategic analysis of the company has been conducted, exploring the company’s strengths, weaknesses, opportunities and threats. The company’s main strength has been observed to be its dominant market share of over 55% in the foreign portfolio investment execution segment and the biggest weakness of BESL is comparatively less presence in the retail investment than other brokerage houses.

A nation's economic development and growth are dependent on well-productive investments. However, it would be impossible to achieve without securing the availability of long-term funding and their effective and efficient applications. Stock market plays a significant role in this matter. Alile (1984) argued that overall growth of an economy depends on how efficiently a stock market is working in channeling funds into productive economic units. Economic growth in emerging economies is strongly depending on stock market (Mauro, 2000). A capital market can play an important role in capital formation and allocation because it provides a platform for

investment opportunities with a competitive pricing mechanism, which in turn influences investors' sentiment to save and invest domestically. However, the success of a capital market is largely determined by how investors react to information about capital markets while making investment decisions.

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Bangladesh, as a developing country, continues to offer domestic and foreign investors numerous potential investment opportunities in the capital market. The Dhaka Stock Exchange (DSE), the largest of Bangladesh's two stock exchanges, has emerging market characteristics. DSE has recently experienced a remarkable shift in its operations. The Dhaka Stock Exchange's (DSE) benchmark index DSEX crossed 6,400 points for the first time in its history. On 25th July, DSEX rose 0.29% to reach 6,424 points, earlier the DSEX's highest position was 6338 points on 26 November, 2017 since its launching in 2014.

Grameenphone Limited (GP) is the largest service provider in the telecommunication sector in Bangladesh. Telenor Mobile Communications AS is the immediate parent of GP and Telenor ASA is the ultimate parent, both of these companies were incorporated in Norway. Grameenphone has a very efficient management that accelerating solid growth in subscriber acquisition, net profit with well controlled OP-EX even in a difficult business environment. Grameenphone has been maintaining a strong brand image and active subscribers base have positioned the company leading of its competitors. The purpose of this report is to provide an investment recommendation on Grameenphone.

Grameenphone was listed in 2009 in Dhaka Stock Exchange (DSE) with launching the biggest IPO during that time since the independent in 1971. It has an authorized capital of 40,000,000,000 and a paid-up Capital of 13,503,000,000. The sponsor group Norway's telecom giant Telenor & directors holding the 90% of the share, while 4.66%, 3.16% & 2.18% of the shares are held by Institutions, Foreign and General Public, respectively (as of 19th July, 2021).

It has positioned in A category of the market and AAA credit rating score that reflects its high quality of earnings.

The board of directors places a high value on excellent corporate governance and is committed to ensuring the Company's business and operations' long-term viability by incorporating good

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governance ethics and business integrity into the company's plans and operations. Individually, the present board of directors and management committee are highly competent and have extensive expertise in several fields. Mr. Yasir Azman was appointed as CEO of Grameenphone in 2020. He was previously the Deputy Chief Executive Officer of Grameenphone. He also worked for Grameenphone as the Chief Marketing Officer. Mr. Azman formerly worked as the Telenor Group's Head of Distribution and eBusiness, where he was responsible for all of Telenor's operations. In addition, Grameenphone's senior management and board of directors have extensive expertise in their respective areas as well as in-depth understanding of the business in order to preserve Grameenphone's competitive advantage as a market leader.

Bangladesh had seen an increase in mobile internet penetration in last 10 years and increase in data usage for the adoption to mobile broadband technologies that facilitate an unprecedented data revenue growth in the telecommunication sector in Bangladesh hence the revenue growth of Grameenphone since Grameenphone alone holds the 40% market share in the industry. However, during last year, Grameenphone faced few restrictions imposed by Bangladesh Telecommunication Regulatory Commission (BTRC) that had a huge impact on Grameenphone year-on-year revenue growth. Bangladesh will experience unprecedented rise in data revenue. The increase will be fueled by both an increase in data subscribers and an increase in data usage. We breakdown Grameenphone revenue into two sources: Data Revenue and Voice & Other revenues. We estimated data revenue will growth at CAGR of 15% and voice & other revenues will grow at CAGR 4% for next 4 years.

Investment risk is categorized into three parts. These are market risk, financial risk and operational risk. Transformation/ Modernization Risk is the market risk, operational risk consists of network risk, cyber-attacks risk, and regulatory risk, financial risks are credit risk, liquidity risk, exchange

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rate risk and interest rate risk. Financial risk is low to medium for Grameenphone as

Grameenphone is not exposed to any kind of financial risk, Market risk is low to medium since Bangladesh are already adopting with new technology and operation risk is medium to high since there might be regulatory changes from BRTC.

To perform valuation till now FCF model have been used. In the FCFE model, the WACC (Weighed Average Cost of Capital) was calculated 8.65%, where as the cost of equity was calculated following the CAPM model which is 13.4% and after-tax cost of debt was calculated which is 5.4%. With the FCF model we got a fair value of BDT 407 for Grameenphone. I am yet to perform the Relative valuation for Grameenphone with its peer companies from local and oversea. It will be done by the submission of second draft. After that I will be able to get a weightage price from both valuation method.

GP's valuation was based on the macro, sector and company analysis. The market price on 12 September, 2021 was BDT 387.8. So, from the FCF valuation it can be deducted that GP will have a 5% price upside in December 2021. So, this report provides a BUY recommendation on Grameenphone.

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Chapter 1

Overview of Internship

Student Information

I am Faisal Rahman Chowdhury, a student of the BRAC Business School of BRAC University and my student ID is ID: 17104210. I started my undergraduate studies in the spring of 2017 with a major in finance and a minor in management information systems (MIS).

Internship Information

BRAC EPL Stock Brokerage Ltd provided me with the chance to complete my internship (BESL). The company started as a securities brokerage house regulated by the Bangladesh Securities and Exchange Commission in the year 2000. It offers domestic and international clients with a wide range of equity services.

The period of my internship lasted three months long, beginning from the month of June 14,2021 and ending on September 13,2021. In addition, my internship was operated in the head office with the Research department of BESL, under the supervision of the Head of Research. The head office is located at Symphony (3rd Floor) SE (F) -9, Road No. - 142, Gulshan Avenue, Dhaka Bangladesh.

Company Supervisor's Information

As I already mentioned, my internship was under the supervision of the Head of Research, Mr. Salim Afzal Shawon, CFA. His role is to overlook the research team that operates different

requirement. Additionally, he is also one of the active members of the company's management.

Job Scope

During my internship, I was responsible for assisting the company's research team. My responsibilities included daily market updates, database management, and any assistance needed from any of my team members.

In my first month, at the beginning I was introduced to the team members of research department. I was assigned to a mentor by my supervisor from research team who could guide me regarding my roles and responsibilities. My first task was to develop a dividend database based on the listed stocks of DSE. In my first month, I was assigned to another task which is daily market update. Besides, minutes data, price chart also some of the tasks I was assigned in my first month.

During my second month, there was an upsurge in Covid infection, so we had to relocate to the home office for everyone's safety. So, for a while, I had to face some challenges because I was new to the industry and needed some training to get a good foothold in my learning. So, I kept doing my regular task of market updating during that time. However, after a week or two, we can get our communication back on track and begin working efficiently from home. My team members delegated several responsibilities to me. For example, when our research team was working on a report on COVID, I was assigned some tasks that would help us finish the report. Moreover, I performed a DCF valuation on LafargeHolcim Bangladesh Limited (LHBL) during my second month.

During my final month, we began going to the office, which provided me with additional learning opportunities. Daily, I had some routing-related tasks. In addition, I was assigned to manage daily

news, which is also a routine-based task. In addition, for my internship report, I learned in-depth valuation for Grameenphone and began working on my report with the assistance of my mentor.

Furthermore, a new task was assigned based on the requirements of our department.

Internship Outcomes

As I already mentioned, my internship was under the supervision of the Head of Research. So, my responsibilities were to assist the research team in the regular deliveries. I helped them creating database, preparing necessary reports per their need to make further decision on different issues. Furthermore, I communicate with them regarding financial analysis to get better learning of the stock market.

Market Update

The most essential duty I had was to keep track of market comments. Every day after the DSE closed, I was requested to prepare a market update. We already have a format in the market update. My job was to get data from the DSE website and enter it into our format so that we could analyze the results. Some daily market information is included in the market update. For example, if the market closed in the green or red, how many points did it rise or fall, how did large-cap sectors perform (Engineering, Pharmaceutical, Bank, Food & Allied, NBF, Telecommunication, and Fuel & Power), what were the top 10 gainers and losers, block trades, daily DSE news, Top 20 Market Capital, most traded shares, and last but not least, if any upcoming events such as record date.

COVID Report

I have learned a lot during this project. Here, our team find out Dhaka stock market react sometimes with the Covid news. So, they were to determine to prepare a thorough report where it can be analyzed how market react to COVID and what are the outcomes. I was asked to prepare a

background of COVID from the beginning, about the vaccines, vaccines progress such as the consignments arrived in Bangladesh from different countries, lockdown map and lastly a database

of stimulus packages granted from government to mitigate the economic losses due to COVID pandemic. I will briefly discuss the part I have covered

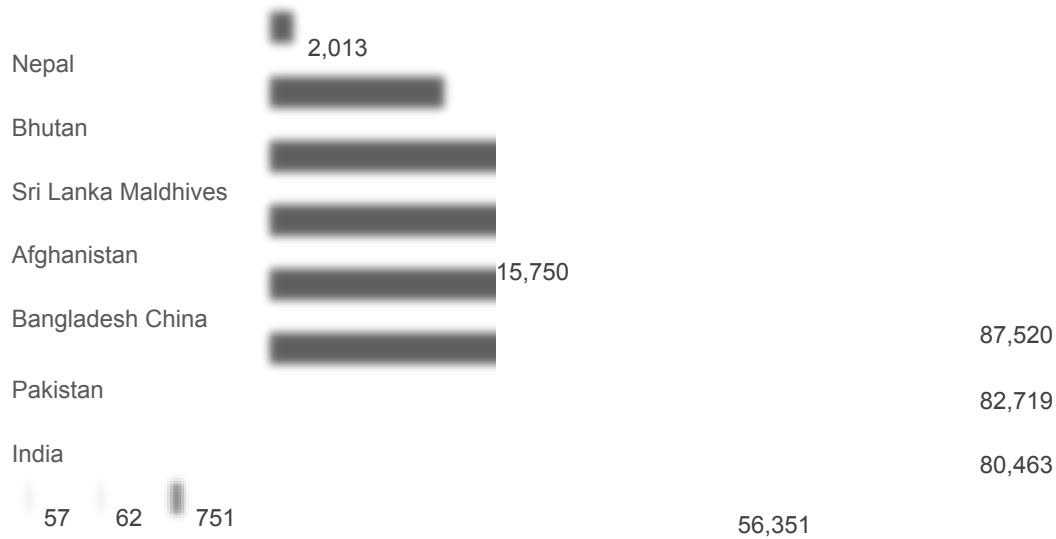
COVID Background

The first verified COVID-19 test in Bangladesh reported on March 8 2020, it reached 100 cases on April 9, and within next two (2) days exceeded to 200 cases (Case Doubling Time). The case doubling of new cases continued for 14 days, and then on the 15th day after reaching 100 cases, the case doubling switched to three-day schedule and lasted till 04 May 2020. Bangladesh reported its first COVID-19 death on March 18, 10 days after the first COVID case was confirmed.

Bangladesh ranked the worst in South Asia after 100 days of Covid-19. On the eve of the 100th day, June 15 2020, total confirmed Covid-19 cases stood at 87,520 which is 55% higher than

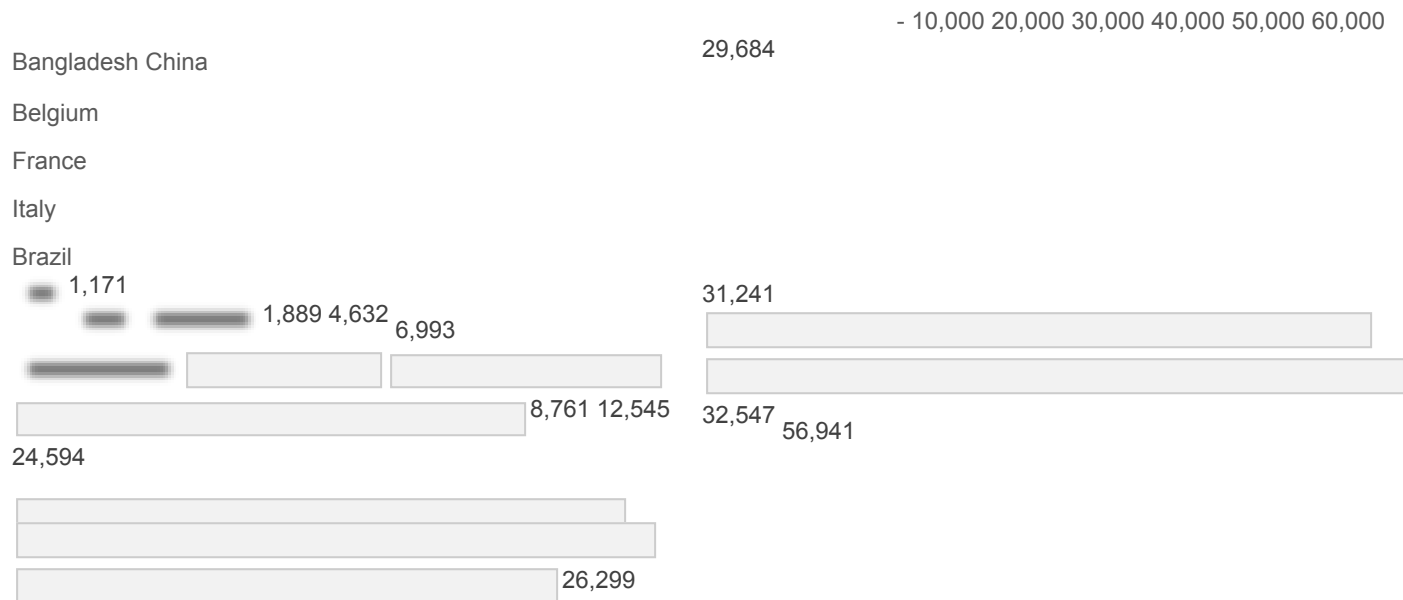
India

Total Number of Confirmed Cases in South Asia Countries just before the 100TH Day



where total confirmed case around 56,351 on their 99th day (First Covid-19 case was reported in India on January 30,2020, according to WHO).

Total Number of Death in Different Countries just before the 100TH Day



Government and institution measures in response to COVID-19

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In response to Covid government had announced some stimulus packages to help the economy by giving liquidity support. I have developed a table of government allocation and disbursement of stimulus package

			Allocation			Disbursement		
Name of the Package	Date	Type	Amount (in billion BDT)	As Share of total Covid Funding	As Share of GDP	Amount (in billion BDT)	Share of Funds Disbursed (in%)	Number of Recipients

Special Funding for Salary support to export Oriented manufacturing industry workers	31 March,2020	Liquidity Support	50	3.81 %		50	100%	3,500,000 persons
Working capital loans to affected		Liquidity	400	30.46 %		303.1	75.78%	2549 entities

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industries sector 0
and service October,2020 Support

Working capital loans provided to SMEs, cottage industries	13 April,2020	Liquidity Support	200	15.23 %		144.6	72.30%	91427 firms
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Expansion of Export Development Fund (EDF)	1 April,2020	Liquidity Support	127.5	9.71 %		91.32	71.62%	2,379 entities
Pre-Shipments Credit Refinance Scheme	13 April,2020	Liquidity Support	50	3.81 %		1.36	2.72%	
Special honorarium for doctors, nurses, medical workers		Fiscal Stimulus	1	0.08 %		N/A		

Health insurance 8 0.57 %
insurance and life Fiscal Stimulus 0.15 2% 42 Persons

Free food distribution		Fiscal Stimulus	25	1.90 %		10.75	43%	234000 persons
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Distribution of rice at BDT 10 per KG		Fiscal Stimulus	7.7	0.59 %		7.7	100%	
A cash transfer to targeted poor people VIA MFS		Fiscal Stimulus	12.58	0.96 %		8.8	70%	3497353 households
Expansion of allowance programs for the poor		Fiscal Stimulus	8.15	0.62 %		0.2	3%	156218 persons
Subsidy for the construction of homes for		Fiscal Stimulus	21.30	1.62 %		N/A		9039 households

homeless
people

Additional procurement of paddy/rice (200 thousand metric tons)		Fiscal Stimulus	8.60	0.65 %		N/A		
Support for farm mechanization		Fiscal Stimulus	32.20	2.45 %		1.6	5%	N/A
Subsidy for agriculture (on fertilizer)		Fiscal Stimulus	95	7.23 %		72.2	76%	N/A
Agriculture Refinance Scheme		Liquidity Support	50	3.81 %		34.66	69%	
Refinance scheme for lower-income earning		Liquidity Support	30	2.28 %		14.29	47.6%	

professionals,
farmers, and
small traders

Low-interest loans to rural poor farmers, expatriate migrant workers and trained youth and unemployed youth		Liquidity Support	32	2.44 %		9.92	31%	
Safety net program for export-oriented industry's distressed workers		Fiscal Stimulus	15	1.14 %				
Subsidy for commercial bank's		Liquidity	20	1.52 %		13.9	69.5%	

suspended April-May 2020
interest during for Support

Credit risk sharing scheme for SME sector		Liquidity Support	20	1.52 %		0	0.0%	
Cottage, micro, small and medium enterprises (CMSMEs)			15	1.14 %		0		
Disadvantaged elderly people, widows and female divorcees in 150 poverty stricken upazilas			12	0.91 %		0		

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Revolving 10 0.76 %

Refinance

Scheme for CMSME

Startup Fund	March 29,2021		5	0.38 %				
Low-interest Credit to Poor Farmers			2	0.15 %				
Refinance Scheme for Green products			4	0.30 %				
Refinance Schemes of BB for CMSMEs								
Refinance scheme for New Entrepreneur in Cottage, Micro and SME sector			0.5	0.04 %				

7 0.53 %

Processing

Industries in rural areas

Small Enterprise Refinance Scheme			8.50	0.65 %				
Refinance Scheme for Shariah Based financing in Argo-based Industry, Small Entrepreneurs and New Entrepreneurs in Cottage,			3.75	0.29 %				

Micro and

Small

Enterprise

Sector

Total Refinance Scheme for CMSME			19.75			14.742	74.64%	
Five new financial packages to help low income groups			32	2.44 %				
TOTAL			1,313.28	100%		779.3525	59.34%	

Based on this stimulus packages allocation I divide them in 5 sectors

Export Oriented Industry (In Bn BDT)	CMSME (In Bn BDT) Industry	Agriculture (In Bn BDT) Industry	Health & Social (In Bn BDT)	Other (In Bn BDT)
243	265	183	198	425

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Total	1,313
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Lockdown Map We obtained lab test results and confirmed cases from the DGHS (Directorate General of Health Services) and calculated a positive case rate. We've also noted the government

positive rate so that the next lockdown may be predicted and prepared for.

Benefits to the Students

My internship with BESL has been a worthwhile experience. During my internship, I learned about the company culture and environment, how to perform analysis from scratch, and how to create and present financial reports. I learnt a lot about the stock market, including how it reacts, how it moves, and how to analyze it. Furthermore, I have learnt how to choose information for companies; knowing which information is important is crucial for a successful company valuation. I learnt how to do a valuation for a company while working with Lafarge Holcim valuation and in-depth valuation of Grameenphone.

During my internship, I learned about several key human qualities that are necessary when working in a company, such as punctuality, sincerity, discipline, transparency, and so on. Another important lesson I learned here is how to operate under pressure and maintain a high level of performance. BESL's work schedule is usually hectic because the company is a brokerage firm and the stock market was in great shape during my internship. As a result, I found myself working in such an environment.

Difficulties Faced During Internship

As I already stated, there was a nationwide lockdown during my internship, forcing us to work from home. So, there was a period when my learning opportunities were limited, and all I did was focus on the daily tasks that I was assigned. Nevertheless, I had a great time working at BESL and gained valuable knowledge that will benefit me in my future career.

Recommendations

Working under pressure will lead to the development of required abilities. During my internship at BESL, I gained a lot of experience and was able to notice some significant observations, therefore I believe I will be able to give some essential recommendations.

The company is required to keep track of its event and task scheduling on a time management board. Furthermore, the company intends to include more modern technology into their work, so getting this set up as quickly as possible will be a top priority. The website and hiring procedure for the company should be more active. It will make the recruiting process more streamlined, and the development of a website will allow them to reach out to more retail and overseas investors.

Chapter 2

Company Part

Introduction

Overview of the Company

BRAC EPL Stock Brokerage Limited (BESL) is a third leading stockbroker in Bangladesh with a dominant market share of over 55% in the foreign portfolio investment execution segment. It offers a wide variety of financial services to domestic and international clients. Previously known as Equity Partners Securities Limited (EPSL) was established in 2000 as a securities brokerage house

licensed by the Bangladesh Securities and Exchange Commission. In 2009, 51% of the company was acquired by BRAC Bank Limited. The bank then became the majority owner of the firm in 2011, taking total ownership of 90%.

BRAC EPL Stock Brokerage Limited is a member of both the Dhaka Stock Exchange and the Chittagong Stock Exchange.

BESL has a team of seasoned analysts with diverse expertise in various industries and sectors. The team is dedicated to developing their clients' expectations and providing them with unbiased reports.

With offices in the country, BESL is one of the largest and most prominent stockbrokers in

Bangladesh. It provides a wide range of brokerage services to domestic and foreign institutions. It also pioneered the foreign portfolio investment industry in the country. From its 8 branches and 106 staff, the company serves a universe of over 20,000 clients, including local institutions, retail investors, non-resident Bangladeshis (NRBs), and 60 overseas institutional clients.

BESL has a team of seasoned analysts with diverse expertise in various industries and sectors. Their goal is to formulate a comprehensive research report that provides detailed analysis and unbiased recommendations for clients.

BESL is an award-winning research firm that consists of a team of seasoned analysts with decades of combined experience in the stock market. The team is focused on developing detailed research reports and recommending stocks.

About Sponsors

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With a goal to provide a better life for its customers, employees, and communities, BRAC Bank is a fast-growing bank that operates under a double bottom line philosophy. It is focused on the Small and Medium Enterprises (SMEs) segment.

Mission, Vision, and Values

Mission: Develop a long-term growth strategy that will lead to market leadership through advanced technology and exceptional customer service. BRAC EPL always strives to create a truly visible brand that will enable them to develop a diverse talent pool and achieve rapid growth.

Vision: BRAC EPL aspires to be the ideal broker for all investors by offering unrivalled level of investment expertise and customer service.

The mission & vision prove that BRAC EPL's commitment to provide the best investment expertise to the investors and always aspire to become the brokerage of choice for all the investors in Bangladesh.

Values: BESL revolves the company and their operation concentrating four core values. They have integrated these values by providing quality investment strategy to the retail and foreign investors. The values are:

i. Customer Focus: BESL concentrates their efforts and makes efficient use of their time in order to provide their customers with the greatest investment solution on time. Time is very crucial essence in the stock market, and BESL maintains this essence with the finest professionalism.

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ii. Innovation: BESL consistently considers the long term, not only the short-term efficiency of their operations. BESL strives to improve the quality of its services in order to become the country's premier brokerage business.

iii. Integrity: BESL conducts its research and operations with the utmost integrity toward its partners, investors, employees, and the industry.

iv. Team Work: BESL believes in instilling a sense of ownership in everyone on the team, and they want everyone to contribute to the company's success. Transparency, effective communication, and teamwork have helped them develop new concepts for providing active financial intermediation services through high-class equity investment brokerage.

Products and Service of BESL

Equity

BESL provides a one-stop solution for all kind of capital market investment solutions. While brokerage is sometimes thought of as a transaction-only in the industry, we think we owe our valued customers considerably more. We've built a dynamic team of relationship managers, traders, and analysts around this concept to provide you with comprehensive, individualized services.

BESL Provides:

- Opening Beneficiary Accounts (BO) for individuals
- Providing margin lending
- Trading for institutional investors, both domestic and international

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- Providing stop-gap liquidity support, especially to foreign institutional investors •

Assisting to create and follow an investment strategy

- Providing corporate finance advisory services
- Facilitating investment by the Non-resident Bangladeshis (NRBs)

BESL PROBASHI BINIYOG

Non-Resident Bangladeshis (NRBs) can participate in the Bangladeshi capital market through a Beneficiary Owner's (BO) account, which is funded by a Non-Resident Investor's Taka Account (NITA). BRAC Bank Limited will hold both the BO account and the NITA.

- NRBs from all over the globe can invest in the Bangladeshi capital market.

- BRAC EPL Stock Brokerage Limited will help you arrange purchases and sells of stocks of your choice.
- Capital, dividend, and investment earnings can be repatriated in their whole.
- Through BRAC Bank Limited, NRBs can apply for IPOs as well as purchase and sell shares on the Secondary Market. They can send trading orders to BRAC Bank Limited through e-mail, fax, or phone.

BESL Full DP Service

BRAC EPL Stock Brokerage Limited is a comprehensive financial intermediary at Central Depository Bangladesh Limited (CDBL) and offers all needed services. The following are the services:

- BO Account Open and Maintain
- Dematerialization
- Re-materialization
- Transfer
- Transmission
- Pledge
- Unpledged
- Change of Ownership

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EFT/BFTN/RTGS

BRAC EPL Stock Brokerage Limited provides investors with the quickest and most convenient

means of transferring funds in a variety of methods.

- BEFTN: Bangladesh Electronic Fund Transfer Network
- EFTN: Electronic Fund Transfer Network
- RTGS: Real Time Gross Settlement.

Retail Brokerage Service

Any Bangladeshi over the age of 18 and any Bangladeshi institution qualifies as a local investor.

BO A/C Opening

Bangladeshi National

- Set of Account openings form (PDF)
- Passport size photograph (3 copy)
- NID/Passport/Employee Photo ID/ Ward Commissioners certificate
- Photograph of Nominee/Authorized/ POA (One Copy)

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Bangladeshi Institutions

- Set of Account openings form (PDF)
- Copy of Trade license
- Copy of Memorandum and Articles Associations
- Board regulations
- Passport size photograph of authorized persons (3 copy)

Depository Service

We provide comprehensive depository services, including BO account establishment and management, instrument dematerialization and re-materialization, instrument transfer and transmission, and pledging through CDBL.

Trading Services

We have focused all of our efforts to establishing a robust trading infrastructure since we aim to be one of the country's leading brokerage firms. We have already made significant efforts toward success by constructing a vast trading floor, female trading booths, several VIP Trading booths, and distinct Tele-trading booths, all predicated on the desire to be the industry leader.

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Margin facility

We also work with BRACEPL Investments to offer margin facilities for our clients. In a word, BRAC EPL Stock Brokerage Limited is available to every investor who wishes to trade on margin.

Institutional help desk

BRAC EPL Stock Brokerage Limited offers tailored client assistance to any institution or major investor through a dedicated institutional support desk.

Tele/E-mail Trading

Since it is not always feasible for an investor to attend and submit their order in person, we

enable orders to be placed over the phone or by email.

Female trading booth

To make trading easier for women investors, BRAC EPL Stock Brokerage Limited maintains separate female trading booths.

VIP trading Booth

Since institutional clients want privacy when making investments, BRAC EPL Stock Brokerage Limited has set up a separate VIP Trading booth in each of its locations.

Client Services

"Quality sells a product, but salesmanship sells a resale," we believe. We have created a fine-tuned customer service team comprised of a mix of fresh business school graduates and seasoned

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customer care professionals who are pleasant, efficient, and attentive to customers' inquiries, based on this philosophy.

Fees & Charges

- BO A/C opening charge “BDT 500 only”
- Annual Account Maintenance Fee “BDT 450 only”
- Service Charge “BDT 250 only” (Annually)
- Brokerage commissions are included in the settlement and transaction expenses. ▪

Brokerage commission: 0.40%

Tax Impact

	Bangladeshi Individual	Bangladeshi Company
Cash Dividend*	10% (if No TIN 15%)	20%
Capital Gain	0%	10%

NRB Brokerage Service

Non-Resident Bangladeshis (NRB) will be able to subscribe to IPOs and trade shares on the secondary market with BRAC EPL through BRAC Bank/HSBC.

Eligibility

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NITA is available to all Bangladeshi citizens (Bangladeshi passport holders) working or residing abroad. Foreign passport holders with a Bangladeshi ancestor are also welcome to open an account.

Fees & Charges

Custodian Fee: Charge 300 + (15% VAT) annually for account maintenances

Brokerage Commission: .40% per transaction

In addition, BRAC EPL provides SMS Service, Online BO application and most importantly enabling Bkash (one of the MFS on Bangladesh) payment.

Management

Board of Directors

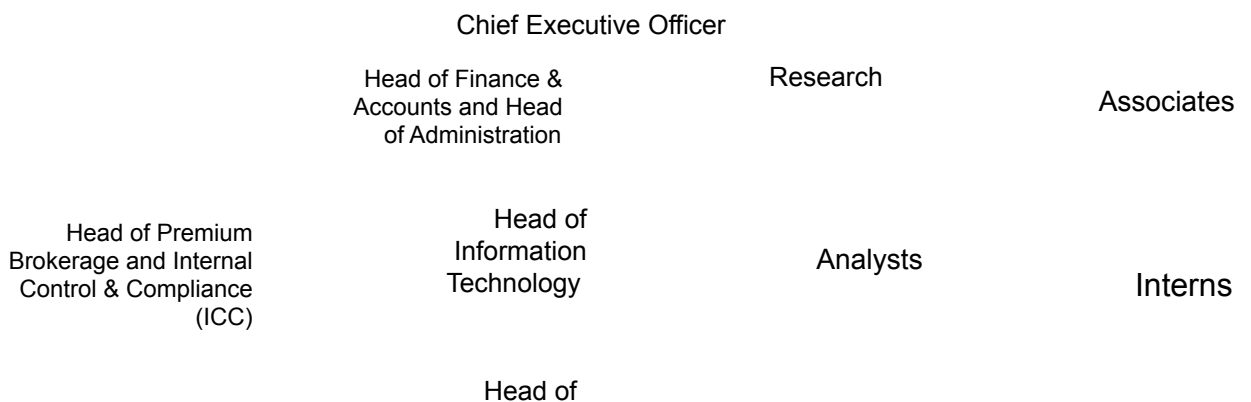
There are seven directors on the board of BESL including one independent director on the Board of the holding company (BRAC Bank). The board holds the utmost decision maker position regarding the operation and services of BRAC EPL Stock Brokerage.





Besides, BESL also has its own senior management structure, which is overseen by the board of directors. BESL's top management is in charge of the company's day-to-day operations and is accountable for the company's all kind of activities such as research, IT, marketing, trading and hiring.

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HR Management Practices

The HR department is an important element of every business since it is responsible for the

employees' well-being. BRAC EPL HR staff is likewise concerned about this issue. The department deals with the HR issues such as planning, process, compensation and benefits of the employees of the head quarter and other branches in Bangladesh as well.

HR Planning and process

BRAC EPL HR prefer to do their HR Planning a year ahead to estimate the requirements of people in the company. They follow company's target align process to estimate the number of people. The business development department sets a target for the company's revenue and turnover for

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coming years, based on that HR decides how many people will be required next years in the company. This way HR execute their planning mostly year ahead. Sometimes, when stock market in Bangladesh is in good shape company may require to open new branches in the country, during the period HR maintain an instant planning for the particular project. Sometimes, HR do inside transfer for other branches, redesign job roles for any particular project, internal promotion based on preformation, this way BESL HR maintain the planning and process very efficient for the company.

Recruitment and Selection Process

BESL has a very flexible recruitment process. In general, BESL business executive sets company's target year ahead. Depending on the target if any department of the company feels they require more people to reach the target they apply for requisition, a formal request to obtain more man power in the department. This requisition has to be approved by CEO, afterwards HR starts their work to promote the job circular in different social media portals. HR targets a CV pool and do the initial screening. Candidates has to go through a test organized by the particular department, qualified candidates will go through an interview with the department head. Department head will then select the right candidate for the team and selected candidate has to sit

for a final interview with HR and CEO of the company.

Compensation Process

Candidates must have a physical assessment at a BESL-sponsored prescription point after completing the recruiting procedure. Candidates are required at least three references for HR to conduct a thorough background check. Following that, candidates are offered a salary based on the company's policies and their expertise. Candidates are given a certain amount of time to

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consider and accept the offer. Finally, HR assists the employee in opening a company bank account. Employees get their remuneration through their separate bank accounts at the end of each month.

Employee Benefits

BESL employees get lucrative benefits from the company. Such as:

- i. Provident fund (Maturity 2 years)
- ii. Gratuity Fund (Maturity 5 years)
- iii. Earn Leave- (2 days monthly)
- iv. Wedding Gift- BDT 10,000 or its equivalent
- v. New Born- BDT 5,000 or its equivalent
- vi. Mobile Bill- (With Ceiling depending on employee position)
- vii. Conveyance allowance
- viii. Car Loan

BESL HR has a fairly standard employee policy, and they pay close attention to their employees'

well-being.

Training and Development Initiatives

BESL continues to provide on-the-job training. Employees learn more and refine their skills as a result of day-to-day operations. In-house training is sometimes organized by HR based on the skill set required in the firm at the moment. HR also organizes customized Psychometric assessments for counseling and employment in order to match an employee's skills and personality to a suitable

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career or job. Furthermore, BESL traders must complete a “Authorized Representatives (AR) course by DSE” provided by BESL.

Performance Appraisal System

Employees at BESL are subject to a target appraisal policy. Normally, they provide a performance bonus once a year; but, if the stock market remains steady, employees may be eligible for appraisal bonuses twice a year, once every six months and again at the end of the year.

Marketing

According to the company's organizational chart, BESL does not currently have a marketing department. BESL is more brokerage house oriented, with a primary focus on Bangladesh's equities market. Furthermore, the head-office is primarily responsible for all day-to-day trading activities and duties. I was able to obtain some information from my company's top executives concerning BESL's marketing process-I will discuss them below

BESL's marketing strategy is mostly based on online social media marketing and word-of-mouth referrals from current investors. Furthermore, the commercial division plays a critical part in the company's marketing operations for attracting international and retail investors. The firm also

takes part in different financial literacy programs to educate individuals about the country's stock market.

The marketing process of BESL can be explained by the 4Ps of marketing. They are discussed below-

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Products

For investors, the firm provides all of the essential premium services. BESL guarantees that if an investor wishes to invest in the country's stock market, he will be provided with specific services that will make his investment plan much more efficient, resulting in greater returns on his investment. Because of their daily quality services and in-depth market analysis, investors prefer to obtain a greater return when they collaborate with BESL.

Place

BESL has succeeded to establish itself in all of the country's corporate locations. Company now has eight branches open and operating, through which they may attract potential investors. They also intend to open other brokerage houses in the future if the market continues to grow. They have recently launched a new brunch in Bashundhara R/A.

Price

As we already discussed above, BESL maintain a standard industry approved price separately for retails, institutional and foreign investors. They provide marginal loan of 40% of the current portfolio to their investors so that investors can develop a proper strategy for higher yields.

Promotion

BESL focuses on equity-oriented investment in Bangladesh, as previously mentioned. They communicate with investors through social media (Facebook and LinkedIn) by posting regular stock market information such as forthcoming AGMs, EGMs, and earnings. In addition, BESL has held roadshows in the United Kingdom, the United States, Dubai, Singapore, and Denmark to inform international investors about Bangladesh's stock market and the possibility of gaining new

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foreign clients in the process. In addition, every month end, “Maasranga Television” broadcasts a market update show in which they discuss how the stock market did over the previous month. This show is hosted by a BESL analyst.

Financial Performance & Account Practices

Financial and Accounting Practices

BESL is a stock-oriented company that operates a brokerage house and provides vital services to domestic and international investors. Their financial procedures differ significantly from those of other businesses. The company's business development department establishes an objective for the year ahead, based on which they plan and practice. They contact international clients to increase income and do road shows in other places to raise knowledge of Bangladesh's stock market. Furthermore, BESL is striving to attract retail investors by opening additional branches around the country, which would allow them to collect more income from the retail sector, therefore assisting in the expansion of the company. I'll explain the firm's accounting operation in the operations section, where I'll go through the day-to-day operations and what key software the company is using to improve efficiency.

Straight Line Depreciation

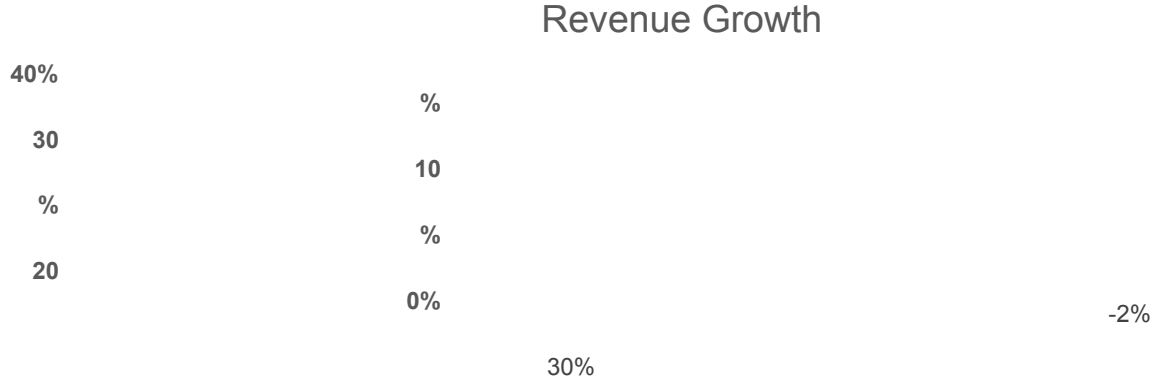
BESL accounting team use straight line depreciation to work out the loss of value of an asset over time. The company has number of assets for example- software, computer accessories, office space, vehicles etc. They use straight line method to calculate the depreciated value for each asset and use weighted average to calculate the overall depreciation of the company every year.

Financial Performance of BESL

In this section, I will focus on BESL's financial performance. I gathered data from BRAC Bank's annual report for the last five years (2016-2020) and performed some analysis of the company's revenue, return on assets, return on equity, and other ratios that I felt would be beneficial in highlighting the company's financial performance.

Revenue Growth

Over the previous few years, BESL's revenue growth has been less than adequate. There might be several reasons for this, including an unstable financial market and a COVID-19 pandemic in 2020. However, the stock market has been rising in recent months, and BESL should be able to recover its revenue growth from 2021.



-10% -20% -30%

2017A 2018A 2019A 2020A

-18%

-12%

Total Net Profit Growth

BESL's net profit growth had been unsatisfactory during the last three years. They experienced a huge loss in 2019, which might have been due to their investment income, which they were able

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to recover by 2020. BESL will be able to generate positive net profit growth in the coming years as the stock market rises.

Total Net Profit Growth

200%

100% 0%

-100% -200% -300% -400% -500%

-455%

116%

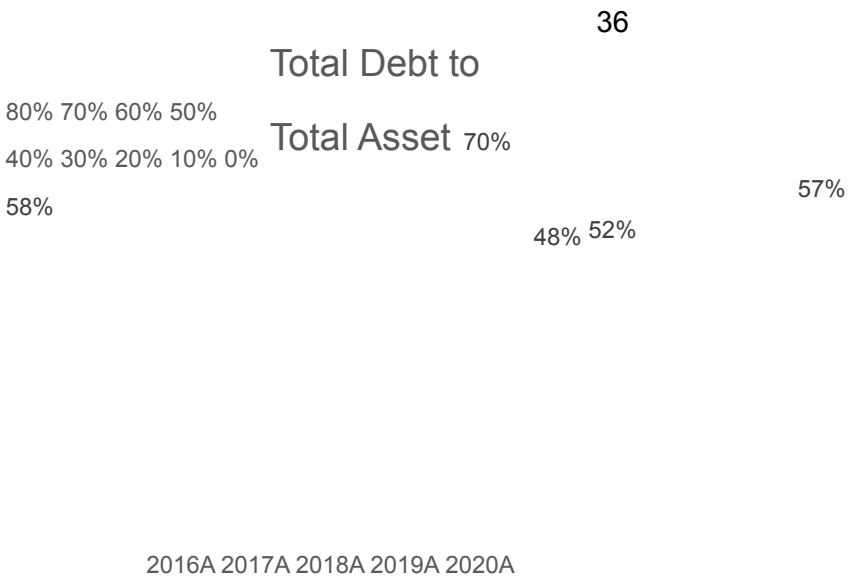
2017A 2018A 2019A 2020A -88%

-290%

Total Debt to Total Assets

This ratio depicts the financial status of a company in terms of its debts. In other words, what

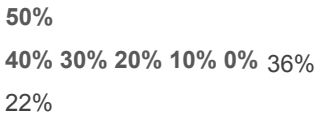
percentage of the company's loans are used to fund it. It can be observed that BESL's total debt to total assets is always greater than 50%, which is normal in the business, since debt ratios between .3 and .6 are common. However, BESL had a debt-to-equity ratio of 70% in 2017, which is extremely risky for a company, but they were able to recover it the following year because to their expertise. In 2020, the debt ratio grew once more, because to the Covid-19 epidemic, which affected all companies, leading in reduced revenues and higher losses. As a result, the debt-to-ratio rose again in 2020, which the firm manages to keep it below 60%.



Net Profit Margin

Net profit determines the percentage of net profit of its revenue. BESL on average maintain a good profit margin as we can see from the figure. As previously mentioned, the profit margin in 2019 was negative due to a significant loss in investment income, which they recovered

immediately **Net Profit Margin**



41%

5%

-20%

-30%

the next year.

2016A 2017A 2018A 2019A 2020A -21%

-10%

Return on Assets

Return on assets (ROA) is a key financial statistic that demonstrates a company's earnings in terms of the percentage of its assets. This ratio also demonstrates how efficient a company's management

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is at converting its assets into earnings. BESL got same scenario in the ROA chart that shows 2019 had a fall in its ROA which rebound in 2020.

Return on Asset

8%

6% 4% 2% 0%

6%

5%

7%

1%

2016A 2017A 2018A 2019A 2020A -2%

-4%

-4%

-6%

Return on Equity

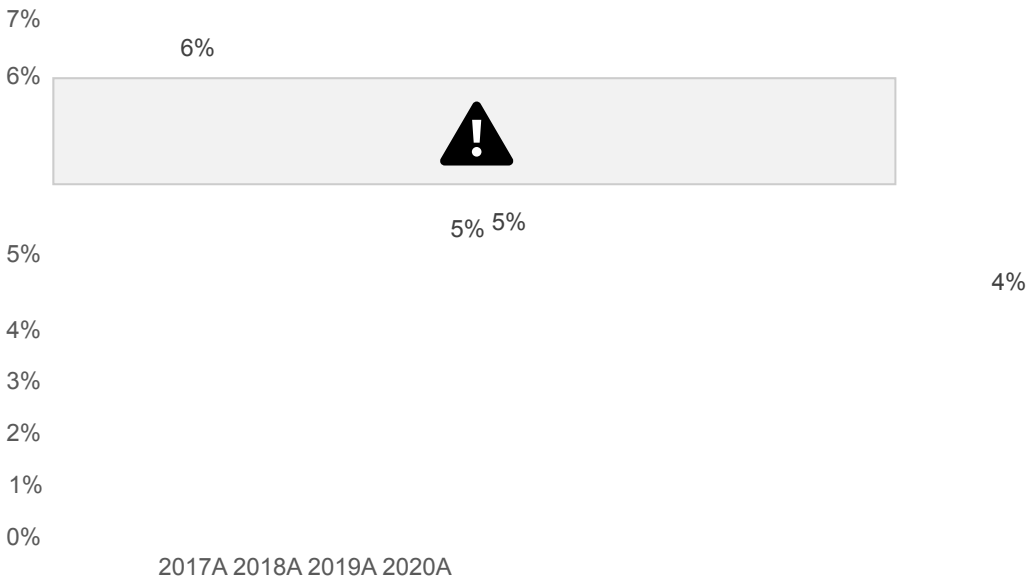
Return on assets (ROA) is a key financial statistic that demonstrates a company's earnings in terms of the percentage of its equity. The scenario of ROE is quite same as ROA however BESL is very good at maintain their ROE until last couple of years due to instability in financial market and COVID pandemic. It will be in the track soon since the market is growing high and the risk of pandemic is also evading gradually.



Total Assets Turnover

Total assets turnover shows how efficiently **BESL** uses its assets to generate revenue. BESL turnover is around 5% on average for last few years.

Total Assets Turnover



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Analysis & Feedback on the Financial Performance of BESL Finally,

BESL's financial performance in the brokerage industry has been extremely favorable. Despite the fact that several key figures such as sales and net profit have declined in recent years, resulting in a drop in some key ratios, they are not in a precarious position or at risk of failing. However, as seen above, the BESL debt ratio is greater than 50%, indicating that the company is relying on debt to create income, thus it would be prudent to keep the debt ratio below 50% in the long run.

Operations Management and Information System Practices To get a proper understand of the companies' operations I have discussed with the Head of Finance & Accounts and Head of Administration Prottay Kundu, he enlightens me about some of the operation

regarding trading and how they manage their clients' profiles and portfolio every day. I will discuss them below

FlexTrade

A global leader in high performance multi-asset execution management and order management solutions for stocks, fixed income, forex, futures, and options. FlexTrade Systems was founded in 1999 by a group of former IBM employees.

To date, FlexTrade has established itself as a market leader by introducing FlexTRADER, the world's first broker-neutral execution management trading system. FlexTRADER allows clients to completely customize their execution workflows through a comprehensive ability to search/access liquidity while maintaining the confidentiality of trading strategies.

In Dhaka Stock Exchange, Trading engine TESA and trading terminal MSA plus were replaced by FlexTrade systems created by NASDAQ OMX, one of the major US-based exchange

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companies, in 2014. Because BESL is one of the country's major brokerage firms with a license, DSE offers the FlexTrade platform for easy day-to-day trading. As we all know, the Dhaka stock market is open from 10 a.m. to 2:30 p.m., and all BESL trading takes place on the FlexTrade platform during this time. When the market is closed, the platform will automatically generate a file including all of the trade data.

Back Office

The back-office software processes the file generated by FlexTrade, which contains all of the trade data. Back-office software helps with financial and accounting reporting, project management, billing, HR, and supply chain operations, among other things. The primary aim is to improve operational efficiency and profitability by optimizing and automating processes across all of these activities. BESL's accounting department oversees the company's back-office

operations in order to increase efficiency. It takes all of the information from the file generated by FlexTrade and

calculates each client's portfolio and generates data for each client separately.

Sage Accpac- Accounting Software

Finally, additional accounting software is used to determine profit-and-loss, balance-sheet, number of trades, fees, and taxes for each trading day. It enables the company to produce all of the essential records fast and efficiently. After that, they transmit the daily portfolio to each client's email address.

We can see everyday operation cycle below-

Clients

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**Analysis
FlexTrade**

Sage
Accpac

**Back
Office**

Industry and Competitive



I have conducted a SWOT (Strength, Weakness, Opportunities and Threats) analysis for BESL with the information I could avail from the industry and during my internship period.

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Strength: One of the strengths of BRAC EPL Stock Brokerage Limited (BESL) is a third leading stockbroker in Bangladesh with a dominant market share of over 55% in the foreign portfolio investment execution segment. In terms of foreign trade City Brokerage Ltd. is in the second position but with a lot less market share than BESL. Additionally, BESL has tremendous human resource which is best in the industry. At present the company's research team consists with 5 professional analysts, including two CFA charter-holder and two CFA Level three candidates. This deepens BESL's investment research capabilities and builds clients trust in the investment advisory services. The research team's recommended investment composite generated 47 per cent return in 2020, outperforming the benchmark index by a substantial 26 percentage points. The

team was bestowed with the prestigious award of the “Best Research House” in Bangladesh in 2019 by International Finance Publications.

Weaknesses: The biggest weakness of BESL is comparatively less presence in the retail investment than other brokerage houses. BESL always focus on the equity investment in Bangladesh, and they vested their most times on bringing foreign investment in the country. However, BESL is working on to attract potential investors around the country

Opportunities: BESL has an opportunity to have more influence and a strong foothold in the retail trade in the country. Recently, they have launched a brunch in Bashundhara R/A and Sylhet which show they want to target the investors all over Bangladesh. Since, market is growing up gradually so BESL will be able to obtain more retail investors in the future.

Threats: Due to lack of proper rules and regulations new entrants’ barrier is very low in the industry. So new brokerage houses are launching, and the numbers will rise if market keeps growing. Currently, there are 250 TREC (Trading Right Entitlement Certificate) holders in DSE. Another biggest threat of BESL is any existing brokerage house going after foreign trade. As I

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mentioned already, BESL is leading brokerage house with a dominant market share of over 55% in the foreign portfolio investment execution segment. So, any existing brokerage house intervening in the current market share will be a biggest threat for BESL.

Effect of COVID-19

COVID-19 has affected every business and companies all over the world. BESL is no different. BESL was greatly affected in the year 2020 because Dhaka stock market was closed due to country wide lockdown for nearly two months. So, all the service offered by BESL was shut down and no revenue was generated at this period thus it has been reflected in the financial statement. Revenue was decreased by 2%. However, BESL had done a tremendous job in the

investment income all credit to their in-depth analysis as a result when market reopened BESL made a good profit to which their Net profit was not affected due to COVID-19 pandemic.

Summary and Conclusion

BESL has come a long way previously known as Equity Partners Securities Limited (EPSL) was established in 2000 as a securities brokerage house licensed by the Bangladesh Securities and Exchange Commission. BESL provides a one-stop solution for all kind of capital market investment solutions and being third leading stockbroker in Bangladesh with a dominant market share of over 55% in the foreign portfolio investment execution segment. It has always focused on bringing foreign investors in country's financial market. Besides, it has recently start operating more actively to attract retail investors of our country. In dept research, market analysis, regular economic and financial news provides to the investors to help them make their investment strategy efficient. In 2021 till of august, BESL research team has successfully make a return of 12% for the company which is very extra-ordinary in only 6 months.

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During COVID pandemic Bangladesh stock market was closed for two months which has a great impact on BESL financial performance. However, since the market was reopened, the company has bounced back and it's back on the track again to maintain a financial performance and contributing to the country's economy.

The company is dedicated to providing the finest equity-related services to investors and is always striving to introduce new innovations that can have a significant influence on their business's efficiency while also assisting clients in easily understanding the market.

Recommendation

Despite the fact that BESL has been operating very well and consistently in their business, it still has certain drawbacks. During my internship, I saw certain areas where the company might excel.

The most important recommendation is implementing proper time management routine, I have seen my team to have hard time bringing a time management routine. So, if the whole company could maintain a time management dashboard it will bring more efficiency to their operation. BESL is already intending to adopt more advanced technology in their operations, so putting them in place quickly will be a beneficial move for the company. Last but not least, I have yet to learn whether the company is interested in investing time or money in the environment and society. As we all know, BRAC Bank, a prominent bank in Bangladesh, has a lot of ESG policies in place. Their subsidiary BESL already has a big influence on the country's economy, so if it can implement some ESG policies, it will have an impact on the environment and society as well.

Chapter 3

Project Part:

Introduction

Background

A nation's economic development and growth are dependent on well-productive investments. However, it would be impossible to achieve without securing the availability of long-term funding and their effective and efficient applications. Stock market plays a significant role in this matter. Alile (1984) argued that overall growth of an economy depends on how efficiently a stock market is working in channeling funds into productive economic units. Economic growth in emerging economies is strongly depending on stock market (Mauro, 2000). A capital market

can play an important role in capital formation and allocation because it provides a platform for investment opportunities with a competitive pricing mechanism, which in turn influences investors' sentiment to save and invest domestically. However, the success of a capital market is largely determined by how investors react to information about capital markets while making investment decisions.

Bangladesh, as a developing country, continues to offer domestic and foreign investors numerous potential investment opportunities in the capital market. The Dhaka Stock Exchange (DSE), the largest of Bangladesh's two stock exchanges, has emerging market characteristics. DSE has recently experienced a remarkable shift in its operations. The Dhaka Stock Exchange's (DSE) benchmark index DSEX crossed 6,400 points for the first time in its history. On 25th July, DSEX rose 0.29% to reach 6,424 points, earlier the DESX's highest position was 6338 points on 26 November, 2017 since it's launching in 2014.

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Origin Of the Report

The third part of this report based on “Equity Research on Grameenphone”. I have worked at BRAC EPL Stock Brokerage Ltd. And this report was written in accordance with my job duties at the company.

Objectives

Broad Objective

To provide an investment recommendation on Grameenphone Limited

Specific Objectives

- a) To identify and analyze the macro factors related to the telecommunication sector and
Grameenphone

- b) To analyze the telecommunication sector based on its past and possible future condition
- c) To analyze corporate governance of Grameenphone
- d) To analyze the business strategy of Grameenphone
- e) To identify the risk of investing in Grameenphone
- f) To perform a financial analysis on Grameenphone
- g) To perform a valuation on Grameenphone

Macro Factors

GDP Growth: Bangladesh's average GDP growth has been 6% over the last 10 years. However, Bangladesh's economic growth slowed dramatically in the 2020 calendar year, falling to 3.8 percent from 8.2% in 2019 due to COVID-19 pandemic. Despite the fall, Bangladesh was able to

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attain a real GDP growth rate of 5.2 percent, the highest in Asia in the previous fiscal year (FY) 2020-2021. According to IMF, Bangladesh is prepared to leave behind its neighbor countries in terms of GDP per capita in 2020 despite economic fallout due to Corona virus pandemic. Government of Bangladesh has taken fiscal and monetary measures to tackle the great depression and balance the overall economy in the country. According to the varies Bangladesh Bank Report, government has announced Tk 1.31 trillion worth of stimulus packages consist of expanding government spending, giving low-interest loans, expanding social safety net programs, and boosting the money supply. Balanced economy of the nation is likely to turn into higher revenues for the telecommunication industry

Real GDP Growth

9 8 7 6 5 4 3 2

6.46^{6.52} 6.01 6.066.557.11 7.287.86 8.2 5.57

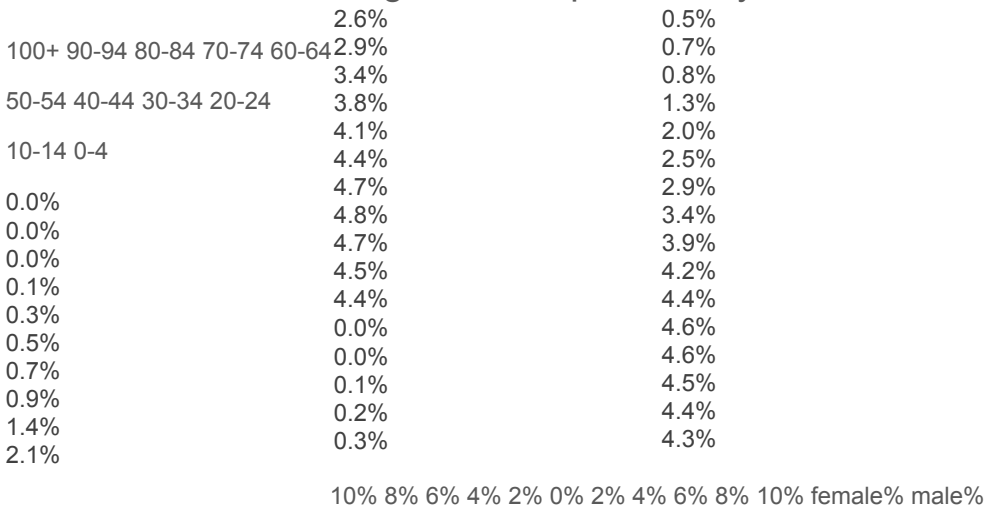
2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 **Source: Bangladesh Bank**



Source: IMF

Population Pyramid: The median age of Bangladesh is 27.6 that means majority of the population is young. Young people are very attractive market for the for the mobile networking operators. It can drive the sector growth exponentially.

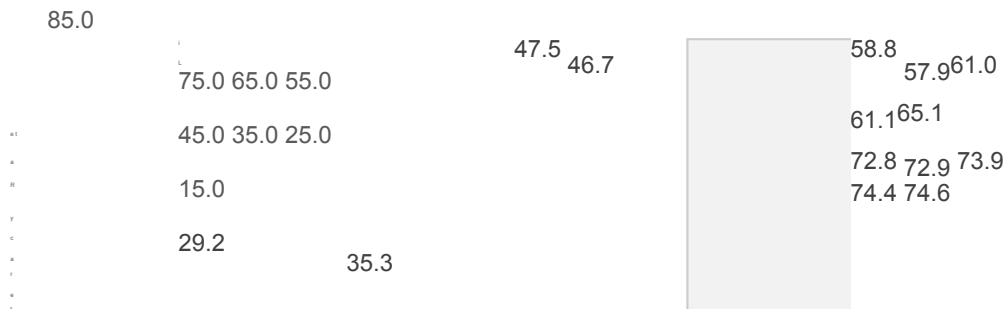
Bangladesh Population Pyramid-2020



Source: PopulationPyramid.net

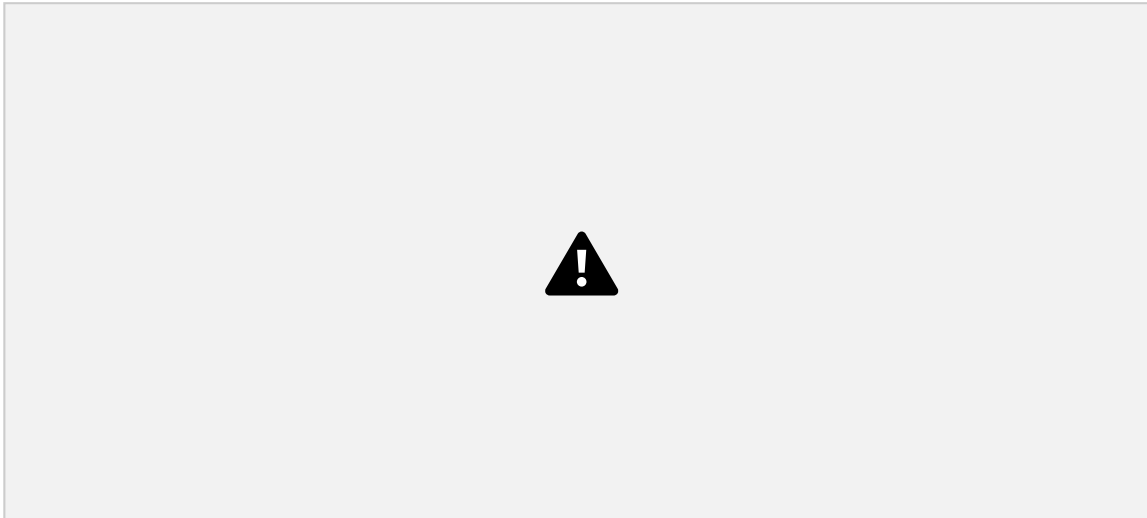
Literacy Rate: Bangladesh has made considerable improvement in the education sector. Currently, Bangladesh has ranked 128th in the world in terms of literacy, with 72.8% of the population aged 15 and above being literate, compared to the global average of 86%. Higher literacy rate reflects the higher digital skills and more access to smart phones. Having the skills to go online had been a challenge to Bangladesh for many years which is reducing gradually which will accelerate the telecommuting sector by adopting mobile internet widely.

Literacy Rate



Women Empowerment: Bangladesh sees women's participation as a critical issue on the road to women's empowerment, which is one of the key drivers of the country's transition from low- to middle-income status. In the FY19 budget, which accounts for about 30% of the entire budget, women's empowerment has been prioritized through access to education, health, the labor market, employment, and social protection. Over the last few years, women have become increasingly conscious of the mobile internet. In 2020, it was at 66 percent, up from 34 percent in 2017.

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Source: Daily Star

Urbanization: Urbanization is the movement of people from rural to urban areas, allowing cities and towns to expand. It can also be described as a gradual increase in the population of towns and cities. It is heavily inspired by the idea that cities and towns have exceeded rural areas in terms of

economic, political, and social outcomes. A develop society has demand for digitization hence will create a demand for mobile operating networks. Urban population of Bangladesh was around 38.2% in 2020. Urban population growth of Bangladesh is 3.3% higher than other neighboring countries.

Country	Urban Growth
Bangladesh	3.3%
India	2.3%
China	2.2%
Malaysia	2.0%
Pakistan	2.7%

Source: World Bank

Telecommunications is regarded as a promising career option as the industry continues to adapt and grow in response to the quick advancement of new technology. Wireless technology enables more dependable services, and companies compete to give the quickest internet and the most incredible deals. According to BTRC, there are four mobile phone operators in Bangladesh operating under Banglalink, Grameenphone, Robi, and TeleTalk. According to AMTOB Grameenphone Ltd. is the largest mobile telecommunications operator in Bangladesh in terms of

Market Share Based on Subscribers



21% 2%
47%
30%

Grameenphone Robi Banglalink Teletalk

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revenue, coverage and subscriber base. At the end of July 2021, the total number of mobile phone subscribers has reached 176.94 million where Grameenphone has 82.48 million subscribers, Robi has 51.81 million subscribers, Banglalink has 36.57 subscribers and Teletalk has 6.09 million subscribers.

Mobile Network Experience Report

According to Open-signal, they have analyzed consumer mobile experience on wireless network.

In this part, some of the key finding areas will be described.

Video Experience in Bangladeshi networks rates Fair: With 49.4 points, Grameenphone won the title in Video Experience category, followed by Banglalink with 48 points. On 100-point scale, all four national operators in Bangladesh received a Fair Video Experience rating (40-55). This means that, regardless of operator, our users in Bangladesh experienced lethargic video load times, as well as stops and stutters in the middle of the video, to different degrees, especially at higher resolutions.

Download Speed Experience: Users on both networks witnessed average download speeds of 7.2 Mbps, putting Grameenphone and Banglalink in a tight race. Users on Airtel's network had the second-best Download Speed Experience, with the operator only 1 Mbps behind the leaders.

Voice App Experience: Banglalink leads the unique measure of Voice App Experience, which assesses the quality of customers' experiences with over-the-top (OTT) voice services via apps like WhatsApp, Skype, and Facebook Messenger, with a score of 71.5 out of 100. Depending on the operator, the typical Voice App Experience in Bangladesh might vary from Very Poor to Poor. While Banglalink, Grameenphone, and Airtel received a Poor (66-74) rating, Robi was the sole company to achieve a Very Poor (60-66) rating with 63.6 points. A Poor rating indicates that many

users are dissatisfied and experience noticeable call quality impairments with distortions, whereas a Very Poor rating indicates that the majority of users are dissatisfied and experience significant call quality impairments with more frequent instances of distortion, clicking sounds, or silence during the call. Without repetition, it can be difficult to understand sections of a discourse.

Availability of 4G: The only operators in Bangladesh to score above 75% in 4G Availability were Airtel and Grameenphone, indicating that users were able to connect to 4G services more than 75% of the time on both networks. Robi, on the other hand, was just a fraction of a point shy of the 75% barrier, while Banglalink was even lower at 65.4 percent.

Upload Speed and Latency Experience: The Upload and Latency Experience honors went to Grameenphone. In both categories, the operator surpassed Banglalink, which was in second place. Its Upload Speed Experience score of 3 Mbps was more than 30% higher than its nearest competitor, while its Latency Experience score of 56.6 milliseconds was more than 6 milliseconds lower. While download speeds receive more attention, upload speeds are becoming increasingly crucial as consumers' behaviors shift from information consumption to content creation and sharing. As is the case with latency, which affects the mobile data experience in a variety of subtle ways: lower latencies translate to a better experience on a variety of mobile apps and services, including Voice-over-IP, live video streaming, and real-time multiplayer gaming.



According to previous discussion, it can be clearly seen that why Grameenphone has the largest consumer based in Bangladesh. They ensure quality to their customers and in reward of that they have become the market leaders in the market.

The Company

Grameenphone began its journey in 1997, in the purpose of empowering rural population of Bangladesh with the connectivity of network. Over the years, there has been some changes in the technology and infrastructure but Grameenphone's still remain on their commitment towards empowering societies. Grameenphone has the most 4G towers in Bangladesh, ensuring the country's fastest and most comprehensive internet service. This was done in order to address real world issues that people face on a daily basis. Its networking efforts do not end there; it has launched the Deep-Sea Network to improve the lives of vulnerable people such as fishermen, for whom finding a network in the middle of the sea can literally save lives. This is how Grameenphone wants to advance, using the potential of 4G to grow with the community.

The board of directors places a high value on excellent corporate governance and is committed to ensuring the Company's business and operations' long-term viability by incorporating good governance ethics and business integrity into the company's plans and operations. Individually, the present board of directors and management committee are highly competent and have extensive expertise in several fields. Mr. Yasir Azman was appointed as CEO of Grameenphone in 2020. He was previously the Deputy Chief Executive Officer of Grameenphone. He also worked for Grameenphone as the Chief Marketing Officer. Mr. Azman formerly worked as the Telenor Group's Head of Distribution and eBusiness, where he was responsible for all of Telenor's operations. In addition, Grameenphone's senior management and board of directors have extensive expertise in their respective areas as well as in-depth understanding of the business in order to preserve Grameenphone's competitive advantage as a market leader.

Shareholding Structure



Telenor Mobile Communication Grameen Telecom Institution Foreign Public

independent directors. In addition, in 2008, the Audit Committee was created as a sub-committee of the Board with jurisdiction over the whole Company. Two non-executive directors and one independent director comprise the Audit Committee. As required by the BSEC Corporate Governance Code, the company's Chair is an independent director. The Audit Committee helps the Board in conducting out its supervisory duties in the areas of internal control, financial reporting, risk management, auditing, and Grameenphone's own systems for monitoring compliance with applicable legal and regulatory requirements and the Code of Conduct. Furthermore, the Credit Grade Agency of Bangladesh Limited (CRAB) has retained Grameenphone Limited's AAA (Pronounced Triple A) credit rating for the long term. The assigned rating takes into account GP's market-leading position, consistent revenue growth ability, low leverage relative to EBITDA and equity, solid equity foundation, extremely comfortable coverage position, excellent bottom-line and EBITDA margin, and current positive cash flow generating capacity.

Business Strategy

For the past two decades and more, Grameenphone has been a key partner in Bangladesh's growth, and we expect that role to grow even more in the new Digital Bangladesh. The following is Grameenphone's Strategic Ambition for the years 2021-2023: Continue to be the top technology service provider to unlock Bangladesh's potential and increase shareholder value.

Our strategy's broad goals are supported by the following four main Value Drivers:

Grow Revenue

Their primary focus is on retaining market leadership while also expanding up growth sectors.

They focus on the greatest experience and service bundling for clients with significant use. Grameenphone focus for new data entrants is on 4G handsets, USIM conversion, and tailored offerings. They focus on coverage and individualized products to meet the needs of everyone.

Differentiate Data Network Experience

By making network investments, establishing a customer-centric operating style, and laying the groundwork for long-term success, we will be able to provide our customers with the best data network experience possible.

Drive Modernization

Grameenphone will establish an efficient operating model with an optimal amount of competent personnel, as well as modernized capabilities in the form of human resource training, digital channel scaling, retail transformation, and service modernization, to support its development ambitions.

Responsible Business

The cornerstone of Grameenphone's responsible business strategy is to continue to be a partner in country development, assuring completely compliant company growth, supporting modernization, and addressing pressing concerns.

Green Initiative

By reducing energy usage and boosting the use of renewable energy, Grameenphone hopes to make the earth greener and more livable for future generations. Grameenphone's first objective is

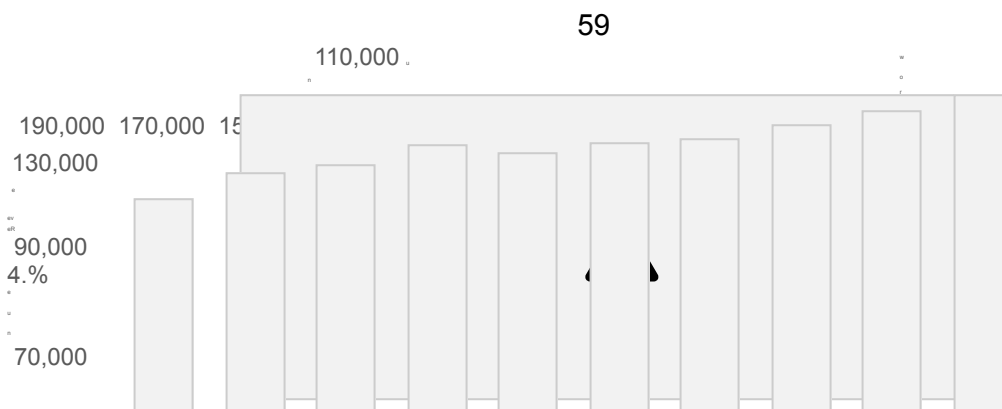
to own up to the extra CO₂ emissions created by its own activities. Grameenphone has established a goal of reducing carbon emissions (CO₂) by half by 2030, using 2019 as a baseline.

In 2010, the Company implemented an Environment Management System (EMS) in line with

ISO 14001 as part of its ongoing commitment to a greener future. Grameenphone took the major climate change initiatives such as: Hybrid BTS, E-waste Recycling, Battery Reuse & Recycling.

Financial Analysis:

Revenue Growth: Bangladesh had seen an increase in mobile internet penetration in last 10 years and increase in data usage for the adoption to mobile broadband technologies that facilitate an unprecedented data revenue growth in the telecommunication sector in Bangladesh hence the revenue growth of Grameenphone since Grameenphone alone holds the 40% market share in the industry. However, during last year, Grameenphone faced few restrictions imposed by Bangladesh Telecommunication Regulatory Commission (BTRC) that had a huge impact on Grameenphone year-on-year revenue growth. Bangladesh will experience unprecedented rise in data revenue. The increase will be fueled by both an increase in data subscribers and an increase in data usage. We breakdown Grameenphone revenue into two sources: Data Revenue and Voice & Other revenues. We estimated data revenue will growth at CAGR of 15% and voice & other revenues will grow at CAGR 4% for next 4 years.





Source: Annual Report

Gross Profit Margin: We estimated gross profit margin will face a mixed growth in next 4-5 years due to imposed restrictions by BRTC of asymmetric interconnection cost and widely reduce in the average price per MB (APPMB) in the telecommunication sector in Bangladesh. Grameenphone will continue paying 10 paisa to other operators if its consumers place a call to them, according to the BTRC. The country's three remaining operators, on the other hand, will pay Grameenphone three paisa less per minute, or seven paisa per minute. Currently, average price per MB is around BDT .02 in the third quarter (Q3) of 2021 from average BDT .03 at the end of the year 2020. We estimated it will reduce to BDT .01 for next 5 years following other operator's price reduction in their internet packages. However, Grameenphone will be able to maintain their COGS efficiently for next 5 years.

80,000 70,000 60,000 50,000
 40,000 30,000 20,000 10,000
Gross Profit Margin

2022E 2023E 2024E 2025E

Operational Profit %Growth

25% 20% 15% 10% 5%

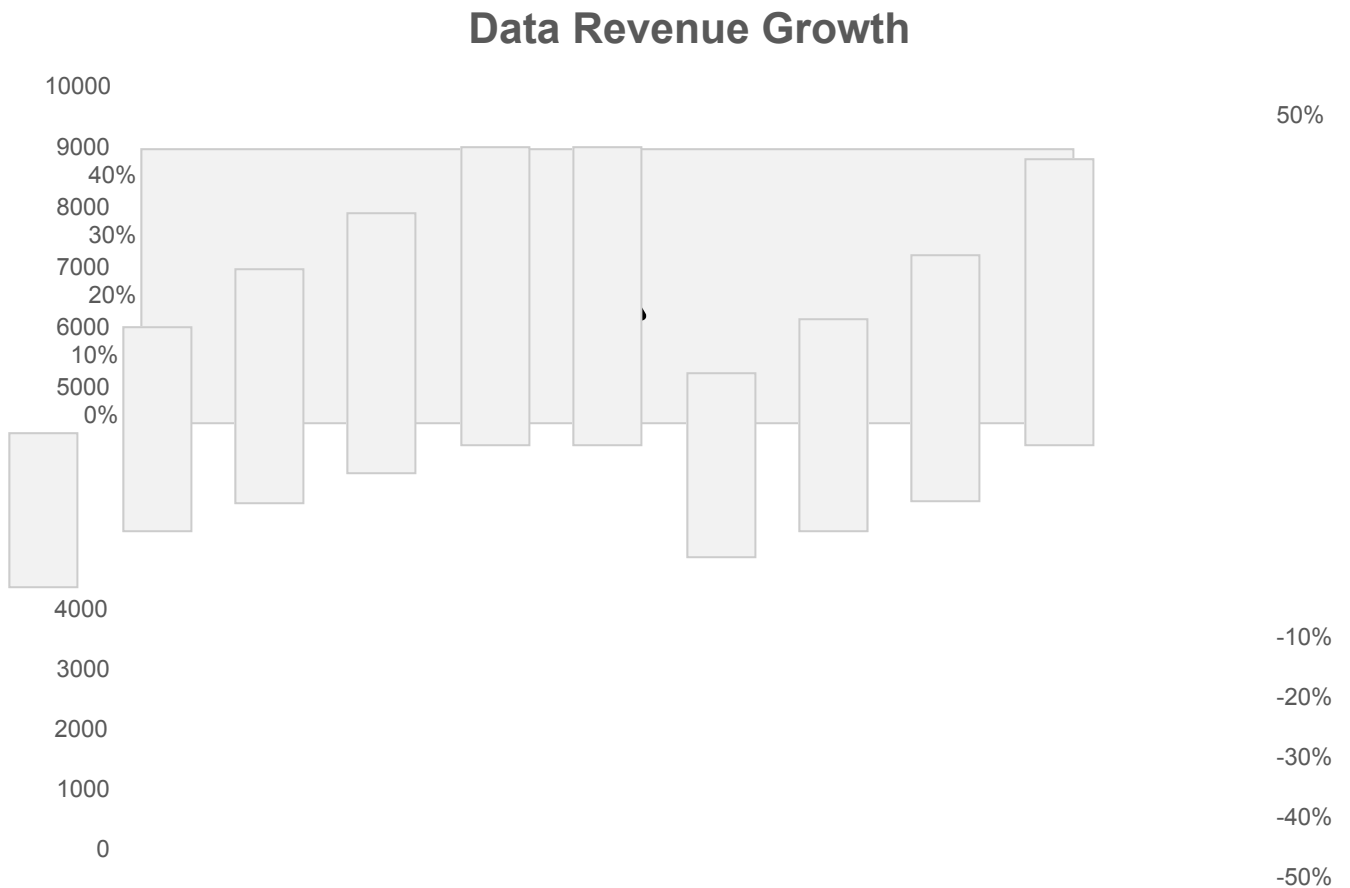
0%

-5% -10%

2016 2017 2018 2019 2020 2021E

Data Revenue Growth

Date revenue will keep contributing which indicates a good potential for Grameenphone. However, due to price cut of average price per mb (APPMB) to maintain the competitive position in the industry, data usage will grow but coming years data revenue will be lower compared to previous five years.



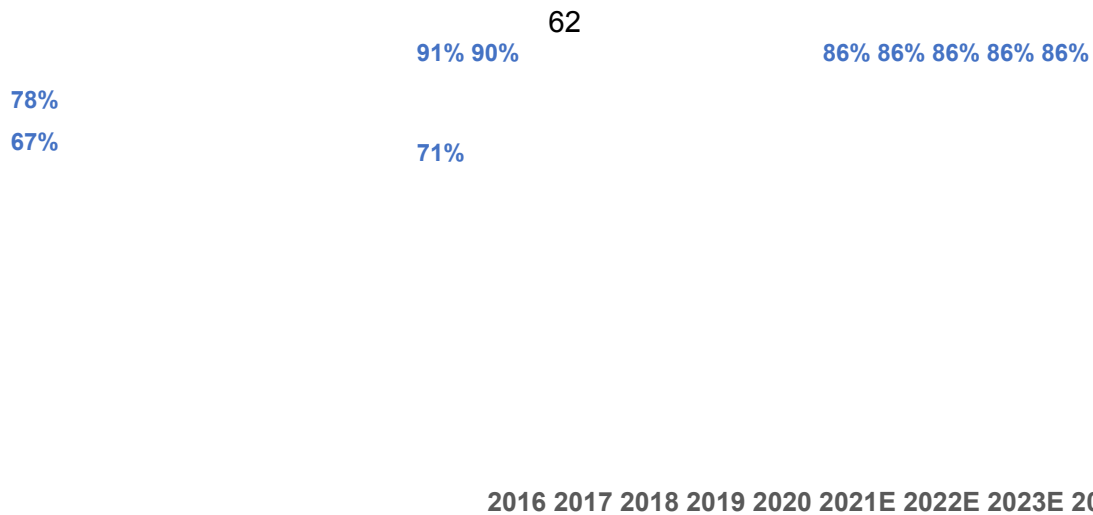
Return on Asset

In 2020, Grameenphone’s return on Asset was highest compare to previous four years. From 2016 return on asset of Grameenphone was inclining, afterwards it had faced a drop in 2019 but in 2020 it back on the track again. We assume Grameenphone will be able to maintain a stable return on assets for next forecasted years.



Return on Equity

In 2018, return on equity of Grameenphone was highest compared to others years. It had seen a great decline previous year in 2020 due to COVID-19. We assume it will bounce back and keep making a stable return on its equity.



Investment Risk

Market Risk

Transformation/ Modernization Risk

New business models emerge in the telecom sector as a result of new technologies, digitalization, and changing customer behavior, resulting in structural changes and new industry dynamics. Grameenphone has begun a critical transformation program in order to react properly. Failure to adapt to changing dynamics and drive a change agenda to satisfy mature and emerging market demands will have an impact on the Company's value chain position, service offerings, and profitability. Furthermore, the development and implementation of new goods, services, technologies, and applications are all factors that influence revenue growth. Grameenphone's

ability to attract and keep consumers may be harmed if such new releases are not technically or economically successful, or if restrictions in current or new services and products damage the customer experience.

Operational Risk

Network Risk

The stability of Grameenphone's network, as well as the networks of other service providers with whom it interconnects, determines the quality and dependability of its telecommunications services. These networks are subject to harm or service disruptions, including data breaches or outages caused by targeted cyber-attacks. Failures of the Company's network or IT systems on a regular, long-term, or catastrophic basis might harm the company's brand and financial performance, as well as its capacity to attract and retain users.

Cyber-Attacks Risk

Cyber-attacks have the potential to interrupt services and harm vital infrastructure. This might have a significant negative impact on the Company's image and financial success. Cyber-attacks, particularly advanced cyber threats, are becoming more common as technology advances and becomes more complicated.

Regulatory Risk

To deliver telecommunications services, the Company relies on licenses, spectrum access, and numbering resources. It is possible that our business strategy will be impacted if the Company is unable to obtain spectrum licenses or is required to pay higher rates than anticipated. Furthermore, unanticipated occurrences may interrupt roll-out plans, posing a risk of network quality degradation. In a word, every change in laws will have a good or negative impact on the Company's and industry's growth and sustainability.

Financial Risk

Credit Risk

Grameenphone's credit risk is largely based on trade receivables and bank balances, including short- and long-term deposits. Customer credit risk is evaluated using both qualitative and quantitative criteria, as needed. Outstanding trade receivables are reviewed on a regular basis, and an appropriate impairment charge is applied in accordance with the Company's policy. Grameenphone's trade receivables have been steadily declining over the previous five years, with a revenue margin of only 5.11% estimated that by the end of 2020.

Liquidity Risk

Grameenphone anticipates its cash flow needs and ensures that it has enough cash and cash equivalents, as well as credit facilities, to meet those needs over the following 12 months. The Company has a balanced maturity profile of debt obligations and keeps current surplus cash to a minimum.

Exchange Rate Risk

The risk of changes in the fair value or future cash flows of an exposure owing to changes in foreign exchange rates is known as foreign currency risk. The Company's foreign currency risk is largely related to its operating activities (consulting, roaming revenue and expenditure) and financing activities (borrowing in foreign currency). Grameenphone is mostly affected by changes in the USD and NOK exchange rates. The Company's foreign exchange risk for other currencies is not significant.

Interest Rate Risk

Grameenphone is most exposed to cash flow volatility as a result of variable rate borrowings. Grameenphone, on the other hand, is highly indifferent about the possibility of interest-bearing liabilities.

Valuation

Summary of Valuation

To calculate the target price for Grameenphone Free Cash Flow to Equity (FCFE) method was used under fundamental valuation. Later, relative valuation will be performed to take a different perspective and get an intrinsic value from the weighted average from both methods. Using, FCFE method the valuation for Grameenphone came up with a target price of BDT 407.

Cost of Equity & WACC

Cost of equity was calculated through Capital Asset Pricing Model (CAPM) where Risk Free-Rate was 5.7%, Market Risk Premium 8.2%, Beta for Grameenphone 0.7, and size premium 2%. That resulted in a cost of Equity (CoE) of 13.4%. After tax cost of debt was calculated 5.4%.

Terminal Growth Rate

Terminal growth was used 3.5% for the valuation. GP is already a matured company in the telecommunication industry. So, we assume the growth of GP will not be higher than the country's long term GDP growth which is around 4%. So, GP should have terminal growth of 3%-4%. So, we consider terminal growth of 3.5% as we expect GP to grow at this rate in the

long run.

Relative Valuation

Work in Under Progress

Conclusion & Recommendation

The telecommunications sector is well supported by macroeconomic factors. The telecommunications sector will benefit from increased GDP and GDP per capita, women's empowerment, the population pyramid, rising literacy rates, and urbanization. However, the adoption of new regulations may disrupt operations, preventing the company from meeting its growth targets.

We issue a BUY recommendation on GP with a target price of BDT 407 by December, 2021 using Free Cash Flow to Equity method. We are expecting a return of 5%.

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