

# AN INTERSHIP REPORT ON

**Financial performance analysis of the companies  
listed under the book-building method**



## **Internship Report on**

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listed under the book-building method

### **Prepared For**

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Submission Date: 29<sup>th</sup>, August 2016.

Dedicated  
To  
All those Martyrs who sacrificed their lives  
For  
Bangla & Bangladesh.

## *LETTER OF TRANSMITTAL*

August 29, 2016

Saif Hossain  
Senior Lecturer  
BRAC Business School  
BRAC University

Subject: Submission of Internship Report

Dear Sir,

I have the pleasure to submit my internship report on “Financial performance analysis of the companies listed under the book-building method”. I have committed full concentration and effort to the successful completion of my internship and prepared an in-depth report. It was my great opportunity to work on this new challenging project and to complete the report in time. I am grateful for your guideline and supervision.

I tried my best for the preparation of this report. Yet if any shortcomings or flaws arise, it will be my pleasure to answer any clarification and suggestion regarding this report.

Sincerely yours,  
Sazia Sultana

ID:14164088  
MBA Program  
BRAC University

## *Declaration*

I, Sazia Sultana , the student of MBA program, ID :14164088, like to solemnly declare here that presented report titled “Financial performance analysis of the companies listed under the book-building method” is uniquely prepared by me after completion of internship period in LankaBangla Investments Limited (LBIL), also confirm that, the report is only prepared to my academic requirement not for any other purpose. While preparing this report I did not breach any copyright act. I am further declaring that I did not submit this report anywhere for awarding any degree, diploma or certificate.

.....  
Sincerely yours,  
Sazia Sultana

ID:14164088

MBA Program

BRAC University

## *ACCEPTANCE*

This to certify that the internship report on “Financial performance analysis of the companies listed under the book-building method ”, has been prepared by Sazia Sultana, a student of MBA Program bearing Student ID: 14164088, BRAC University, under my supervision and guidance. In preparing this report she has spared much time and effort.

.....  
Saif Hossain  
Senior Lecturer  
BRAC Business School  
BRAC University

## ***ACKNOWLEDGEMENT***

At the very outset I would like to express my heartiest gratitude to the Almighty Allah for giving me the capacity to complete this task.

I would also like to place my humble gratitude to my respected supervisor Saif Hossain Senior Lecturer, BRAC Business School, BRAC University for his valuable time commitment, guidance, patience and stimulation.

Finally, a great deal of thanks goes to Mr. Iftekhar Alam, Md. Samsul Alam Khan Shajib, Muhammad Kabir Saddeq, Md. Khaled Hasan, Fariba fowzia, Kazi Md. Noor E Alam and Farhana Sharmin who helped me during my work tenure and without the help of whom this report probably wouldn't be completed in due time.

## *ACRONYMS*

BAB	Bangladesh Association of Banks
BEDL	Barakatullah Electro Dynamics Limited
BIA	Bangladesh Insurance Association
BLFCA	Bangladesh Leasing & Finance Companies Association
BMBA	Bangladesh Merchant Bankers' Association
BMRE	Balancing, Modernization, Rehabilitation and Expansion
BSEC	Bangladesh Securities and Exchange Commission
CDBL	Central Depository of Bangladesh Limited
CEO	Chief Executive Officer
CEPZ	Chittagong Export Processing Zone
DEPZ	Dhaka Export Processing Zone
DSE	Dhaka Stock Exchange
EII	Eligible Institutional Investors
EPS	Earnings per Share
GDP	Gross Domestic Product
HR	Human Resource
IAS	International Accounting Standard
IPA	Independent Portfolio Analysis
IPO	Initial Public Offering
IT	Information Technology
KPCL	Khulna Power Company Limited
LBIL	LankaBangla Investments Limited
M&A	Merger and Acquisitions
NBFI	Non-Banking Financial Institution
NRB	Non Resident Bangladeshi
OCF	Operating Cash Flow
PAT	Profit after Tax
SPPCL	Summit Purbanchol Power Company Limited
UPGDCL	United Power Generation & Distribution Company Limited



## *EXECUTIVE SUMMARY*

As part of the Internship Program arranged in the 8<sup>th</sup> Semester under the requirement of MBA curriculum of BRAC University, the author, a student of MBA Summer 2016, completed her internship at LankaBangla Investments Limited (LBIL), carried out a detailed study on the performance of the companies listed under book-building method in the primary market of Bangladesh and prepared a report titled “Financial Performance Analysis of the Companies Listed under the book-building method and the Aftermath”. The author has covered different aspects of book-building method in the six different chapters of the report.

The first and second chapters of this report cover introduction, origin, background, objective, methodology, benefits, and limitations of the report, discussion about LankaBangla Investments Limited (LBIL), and the functions of its different departments. LankaBangla Investments Limited (LBIL), is currently operating as one of the top merchant banks in Bangladesh and is involved with primary and secondary market operations. It also offers corporate and financial advisories. In the third chapter, the author discussed the background of book-building method in the stock market of Bangladesh. Bangladesh Securities & Exchange Commission (BSEC) introduced the system in 2009. Five companies have successfully completed book-building so far. The method drew severe criticism from stakeholders at the later part of the recent market crash. As a result, the government suspended the method and afterwards, BSEC introduced the revised book-building method in 2013 with a whole new process of efficient price discovery.

The fourth chapter illustrates the financial performance of the companies listed under the book-building method in two different section- horizontal and vertical financial performance analysis. Horizontal analysis indicated that sales of these companies got boosted in different times after getting listed in the stock market. It also indicated that the companies listed under book-building method historically attained operational efficiency in the listing year. In the vertical analysis, it is found that companies listed under book-building method outperformed its comparable companies in most of the cases in terms of revenue growth; profit after tax growth; equity growth; total assets growth and operating cash flows(OCF )growth.

The last chapter includes a case study on STS Holdings (Apollo Hospitals), Dhaka Regency Hotel and Resort Ltd, Bashudhara Paper Mills Ltd, Aman Cotton Fibrous Ltd, the maiden company in the process of issuing share under the revised book-building method highlighting recent financial performance of their peer companies.

In fine, the author concludes that though companies listed under book-building method outperformed its peers in terms of financial performance, these companies failed to continue their growth momentum afterward. So the above average financial performance of these companies throughout the listing year was unrealistic. So the criticism that higher financial performance of the companies listed under book-building method was partly responsible for the recent market crash was found realistic in large part and BSEC’s effort to refurbish the price discovery process in revised book-building method was the demand of time.

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## ***Chapter 1.0***

### ***Introduction***



#### ***This Section Covers-***

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##### ***1.1 Origin of the Report***

##### ***1.2 Background of the Report***

##### ***1.3 Objectives of the Report***

##### ***1.4 Scope of the Report***

##### ***1.5 Methodology***

##### ***1.6 Structure of the Report***

##### ***1.7 Benefits of the Report***

##### ***1.8 Limitation***

## *Chapter 1.0: Introduction*

### *1.1 Origin of the Report*

Internship program is a prerequisite for the completion of MBA program under Institute of BRAC Business School, BRACUniversity. It is an opportunity for the students to gain firsthand knowledge about the practical environment of the real business world. The author had the opportunity to work as an intern at the Primary Market Services department of LankaBangla Investments Limited (LBIL), one of the top merchant banks of Bangladesh. LankaBangla Investments Limited (LBIL) offers a wide selection of advisory and management consultancy services for institutional clients seeking to raise finances for business development, to merge with or acquire another business, or to re-structure for better performance. This report titled “Financial Analysis of the Companies Listed under the Book-building Method” is prepared on the basis of internship experience of the author.

### *1.2 Background of the Report*

During the tenure of internship program the author came to know that LankaBangla Investments Limited (LBIL), is in the process of issuing the common shares of United Power Generation & Distribution Company (UPGD), the maiden company to be listed under the revised book-building method. It created an opportunity for me to bridge the gap between my practical and theoretical business knowledge about the book-building method. Following this opportunity, I selected the topic and it was accepted by my internal supervisor, so that I can prepare an insightful report on the book-building method and the performance of the companies following this method.

### *1.3 Objectives of the report*

#### *Broad Objectives*

The broad objective of this report is to analyze the respective sectors, trend & growth of financial performance of last 5 IPOs under the book building method.

### *Specific Objectives*

To give an overview of the book-building method and identify the major market players;

- To analyze post IPO financial performance of the securities listed under book-building method;
- To find out the major changes in the revised book-building method and to state the role taken by LankaBangla Investments Limited (LBIL) as the pioneer of issuing securities under this method.

### *1.4 Scope of the Report*

The subject matter of the report is “Financial performance analysis of the companies listed under the book-building method”. The study has covered the process of book-building in short and showed the financial performance of the companies that got listed in the DSE through the book-building method.

### *1.5 Methodology*

- To analyze post IPO financial performance of the securities listed under book-building method I will collect some data from different sources. For Example, Published prospectus and annual reports of those companies, Websites of DSE & BSEC and those companies, different newspapers, magazines and journals.
- To find out the major changes in the revised book-building method and to state the role taken by LankaBangla Investments Limited (LBIL) I will need some personal observation and experience and face to face conversation with the officials.

## *1.6 Structure of the Report*

The report contains mainly two parts. The organizational part gives introduction to LankaBangla Investments Limited (LBIL), its vision, mission, business credo, services offered, organizational chart, its clients and business nature. The project part includes a short overview of the book-building process. This is followed by the main project part, consisting of the financial performance of the respective companies and their peer companies, and an overview of the forthcoming companies to get listed through the revised book-building method. The author's point of view has been expressed through conclusion and recommendation part at the end of the report.

## *1.7 Benefits of the Report*

From the report, the author can gather practical knowledge about-

- The process of book-building
- Price and demand discovery procedure
- Evaluation of pre and post IPO financial and market performance of the securities listed under the book-building method
- Identifying major functions of LankaBangla Investments Limited (LBIL), as the pioneer to bring STS Holdings (Apollo Hospitals), Dhaka Regency Hotel and Resort Ltd, Bashudhara Paper Mills Ltd, Aman Cotton Fibrous Ltd - the maiden companies to be listed under the revised book-building method in DSE.

## *1.8 Limitations*

I was faced different constraints while preparing this report. The main problem faced was different companies' strict IT policy due to which I was unable to transfer necessary document to use in this report. Secondly, three months are not enough to know pros and cons about the stock market operations. Lack of experience and inability to access some necessary secondary data from LankaBangla Investments Limited (LBIL), database due to some management privacy policies were other obstacles in preparing a well informative report.



## ***Chapter 2.0***

### ***Organization Overview***



#### ***This Section Covers-***

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***2.1 About LankaBangla Investments Limited***

***2.2 What LankaBangla Investments Does***

***2.3 Organizational Structure***

***2.4 Services of LBIL***

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## *Chapter 2.0: Organization Overview*

### *2.1 About LankaBangla Investments Limited (LIBL)*

LankaBangla Investments Limited (LBIL) was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSCF), vide registration no. C 83568/10 dated 29 March 2010 as a Private Limited Company under the Companies Act, 1994. LankaBangla Investments Limited (LBIL) inherited its merchant banking operation from its parent company, LankaBangla Finance Limited, which was the first merchant bank to offer discretionary portfolio management services back in 1997. During the period of 1999-2005, its operation became stagnant due to the market condition. At the end of 2006, its merchant banking operation started again with a nondiscretionary portfolio product along with issue management and underwriting services. By the end of 2010, it became one of the top merchant banks.

In 2010, to respond to the regulatory desire to spin off its merchant banking operation under a separate company to bring more transparency and regulatory control, LankaBangla Investments Limited (LBIL), was formed as a fully owned subsidiary and it obtained full-fledged merchant banking license from SEC on January 02, 2011 and officially started its operation on January 16, 2011 taking ownership of the entire merchant banking obligations of LankaBangla Finance Limited.

### *2.2 What LankaBangla Investments Limited (LIBL) Does*

#### *2.2.1 Clients*

LBIL strives to build trusted, long-term relationships with its clients by taking a holistic and forward-looking view on their relationships, and thus clients can achieve their most important business objectives.

### 2.2.2 Business

#### *Primary Market related business:*

- Arrangement for equity raising
- Issue management
- Underwriting
- Mezzanine Financing/ Bridge Financing

#### *Secondary market related business:*

- Discretionary Portfolio management ( Alpha plus)
- Non-discretionary portfolio management
- Margin Loan Facilities
- Profit Sharing
- 

#### *Corporate & Financial Advisory:*

- Merger & Acquisitions
- Divestiture

### 2.2.3 Strategy

#### *Vision*

To develop into as the finest investment bank in Bangladesh by achieving the benchmark in service quality, corporate governance, human capital, knowledge, market insight and use of technology.

### *Mission Statement*

To support the aspirations of customers, employees and stakeholders with objectivity, knowledge, insight and experience by:

- Delivering exclusive and flexible equity and investment solutions to customers to meet the unique needs of each individual or corporate body.
- Building capacity through recruitment and development of highly qualified personnel and through effective utilization of state-of-the-art technology.
- Ensuring excellence in corporate governance and strong ethical conduct.
- Creating long-term value for clientele and stakeholders and the community as a whole.

### *2.3 Organizational Structure*



Figure 1.1: Organogram of LBIL Organizational Structure

## *2.4 Services of LankaBangla Investments Limited (LIBL)*

### *2.4.1 Primary Market Services*

#### *Primary Market Services*

LBIL offers a wide selection of advisory and management consultancy services for institutional clients seeking to raise finances for business development, to merge with or acquire another business, or to re-structure for better performance.

#### *Equity Placement*

Raising capital through a private placement of a company's securities is an effective and timely alternative to debt financing. LBIL provides end-to-end advisory solutions like transaction feasibility analysis, deal structuring, capital raising, pricing & valuation, negotiating with investors, and effective project management to successful closing.

#### *Issue Management*

LBIL helps companies with good growth potential and excellent business ideas raise fund through initial public offering. They manage issues for Initial Public Offering (IPO), Repeat Public Offering (RPO), Bonds, and Preference Shares. Their services include: consultancy services, regulatory compliance fulfillment, valuation of securities, price discovery and book building, underwriting cooperation, and effective project management to successful closing.

#### *Underwriting*

LBIL provides underwriting services for public issues to create efficiencies in the capital markets and reduce risk for new, repeat and right issues. LBIL has underwritten a large number of issues in various industries.

### *Mezzanine Financing / Bridge Financing*

LBIL carries out Mezzanine Debt Financing for clients to leverage on debt as an instrument to raise capital for various requirements including new projects, expansions, and modernizations. LBIL can arrange a deal, lead it, or act as the sole investor and will structure the product according to the needs of the clients.

### *2.4.2 Corporate and Financial Advisory*

LBIL helps the clients to undertake the right decision in the right way to make their business more competitive and profitable by providing integrated and objective advisory services.

### *Mergers and Acquisitions*

LBIL acts as the financial advisor for the total merger or acquisition transaction whether the client is the bidder or the target.

### *Divestiture*

A divestiture is the activity of completely or partially selling an investment in an internal trading partner to an "external organization", that is to a company that does not belong to the subgroup or consolidated group. LBIL as a part of advisory activity engages in counseling for divestiture procedures.

### *2.4.3 Secondary Market Services*

By combining portfolio management expertise with knowledge of the market, objective advice, continuous market access, fast execution of trades and the best research team LBIL can bring out the best solutions for each individual with different investment objectives.

### *Portfolio Management*

Portfolio management refers to investment in different kinds of securities such as different types of equity securities issued by different companies and government securities. Two types of accounts are available in LBIL. One of them is discretionary portfolio account, AlphaPlus, (managed by Investment Team of LBIL) and another one is Non Discretionary portfolio account (Managed by clients).

### *Non-Discretionary Portfolio (IPA Scheme)*

LankaBangla Investments provides comprehensive non-discretionary services including trade execution and margin loan under its Investors Portfolio account called ‘IPA Scheme’.

### *Discretionary Portfolio Management Service*

LBIL offers you the unique opportunity to invest in its discretionary i.e. managed portfolio service named as AlphaPlus which is operated by a highly capable portfolio management team supported by a full-fledged research team.

### **2.4.4 Research Analysis**

#### *Industry & Economy Analysis*

LBIL performs top-down analysis while taking any investment decision. Thus, macroeconomic and industry analysis are the key to the analysis. For macroeconomic analysis, they closely observe different macroeconomic indicators like GDP, inflation, interest rate and analyze the impact of these indicators’ current and forecasted values and incorporating them into fundamental analysis.

## *Securities Analysis*

By security we mean any financial instrument or asset that can be traded in the market. Depending on what kind of investor you are, LBIL provides securities analysis based on economic, fundamental, and technical indicators. They have experienced and skilled professionals devoted to maintain a detailed database that is updated regularly to capture the day to day market scenario as well as the traded securities fundamentals (LankaBangla Investments).



## ***Chapter 3.0***

### ***Book-building Method in the Primary Market Of Bangladesh***



#### ***This Section Covers-***

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##### ***3.1 Introduction to Book-building Method***

##### ***3.2 Book-building Vs other Mechanisms***

##### ***3.3 Book-building Method in the Capital Market of Bangladesh***

##### ***3.4 Improper Use of Book-building Method***

##### ***3.5 Revised Book-building Method***

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## *Chapter 3.0: Book-building Method in the Primary Market of Bangladesh*

### *3.1 Introduction to Book-building Method*

Capital Market mainly refers to the Stock and Share market of the country. When the banking system cannot totally meet up the need for funds in the economy, capital market stands up to supply it. Companies and the government can raise funds for long-term investments via the capital market. The capital market includes the stock market, the bond market, and the primary market. Securities trading on organized capital markets are monitored by the government; new issues (IPO) are approved by authorities of financial supervision and monitored by participating banks. Thus, organized capital markets are able to guarantee sound investment opportunities.

Capital Market of Bangladesh is still highly speculative and lacks transparency due to poor regulatory framework. In Bangladesh, Financial sector was historically driven by banks and capital market had fewer rules to play as people had mixed perception about the risk pattern in capital market that discouraged them mostly to invest there. But in the mid of ninetieths of last century capital market started to show vibrant behavior that made people interested about the stock exchanges.

Initial public offering (IPO), also referred to simply as a "public offering" or "flotation," is when a company issues common stock or shares to the public for the first time. When companies are on the look out to raise money for their business operations, they use various means for the same. Two of the most popular means to raise money are Initial Public Offer (IPO) and Repeat Public Offer (RPO), where RPO means further issuance of security through public offering by an issuer which has raised capital through IPO earlier. During the IPO or RPO, the company offers its shares to the public either at fixed price or offers a price range, so that the investors can decide on the right price. IPOs generally involve one or more investment banks known as "issue managers". The company offering its shares, called the "issuer", also enters a contract with a lead underwriter to sell its shares to the public. The underwriter then approaches investors with offers to sell these shares. Initial Public Offering can be made through the Fixed Price Method, Book Building Method or a Direct Listing Method. According to Securities and Exchange Commission (Public

Issue) Rules-2006, to minimize the risk and attract more investor to the market, IPOs have three parts; 10% shares are reserved for mutual funds; another 10% shares are restricted for Non Resident Bangladeshi (NRB); and rest of the 80% shares are allocated for the general public. The method of offering shares by providing a price range is called as book-building method.

The book-building method was introduced in 2009 in Bangladesh so that a company can discover the share price under an initial public offering based on the biddings made by institutional investors. The method drew severe criticism from stakeholders at the later part of the recent market crash as a number of companies had been allowed to float shares with the price-earnings ratio standing at more than 50, although the ideal P/E ratio for any issue is considered to be 15 (Mohammad, 2011).

### *3.2 Book-building Vs Other Mechanisms*

There is a growing literature, both theoretical and empirical, that studies and compares the methods for marketing and pricing IPOs. At the center of this literature are two commonly used methods (e.g., book-building and fixed price) that differ mainly in whether or not a “price-discovery” effort is undertaken prior to setting the offer price.

Fixed price offerings are priced without first soliciting investor demand, with price discovery taking place mainly in the aftermarket. In contrast, book-building involves road shows and one-to-one meetings with potential investors that allow the underwriter to ‘discover’ investor valuations prior to setting the offer price. However, fixed price method has some similarities to book-building. For example, in both the methods, underwriter judges market conditions and underwriter/issuer set offering price. Both book-building and auction appear to be equivalent in terms of their expected proceeds, but the apparent similarities mask two key differences. First, the issuer/underwriter has substantial control over information acquisition through book-building, but little or no control in an auction. Second, the expected number of shares sold is higher for book-building, because there is a greater chance of under subscription in an auction. The auction rules are explicit, whereas the book-building rules are implicit and provide considerable latitude for exercising human judgment (Beneveniste and Wilhelm, 1997). The riskiness of auctions, relative to book-

building, is a major factor in their lack of popularity. Book-building allows the underwriter to coordinate the number of both informed and uninformed investors, ensuring that enough investors have an incentive to participate in and scrutinize the issue, and preventing random free riders from overwhelming the process. The reduced risk of book-building may be attractive even if it comes at the cost of greater under pricing. Under pricing is an almost universal feature of the IPO market. In effect, IPO under pricing appears to be an obligatory cost to the issuer. However, some positive amount of under pricing appears to have positive benefits (Habib and Ljungqvist, 2001). Finally in a regime where all methods are available, every issuer may select book-building even though collectively they would prefer an auction regime (Islam, et al., 2006).

### *3.3 Book-building Method in the Capital Market of Bangladesh*

Book Building is essentially a process used by companies raising capital through Public Offerings- both Initial Public Offers (IPOs) and Repeat Public Offers (RPOs) to aid price and demand discovery. The stock market regulatory body of Bangladesh introduced book-building method on 5th march 2009 to ensure fair price in the initial public offerings (IPOs) for the entrepreneurs whose companies will go public (BSEC).

Book-building method is a relatively new phenomenon of modern pricing mechanism for IPOs, which encourages companies to enlist with stock exchanges as it ensures fair pricing of initial public offerings (IPO). While in some of the developed countries and in emerging countries, the practice of following a book-building method for raising fresh capital by companies has been in existence and finding more takers over the years, the relative nascent markets like Bangladesh have tried to introduce this system for greater participation of retail/ institutional investors in price discovery only over the past two years. It is still not mandatory, but only optional for companies in Bangladesh, to choose between conventional methods of pricing of IPO without offering much of price discovery leverage to investors (BDStock.com-Amir, 2011).

So far three companies successfully completed book-building process and listed in the two bourses of Bangladesh. RAK Ceramics is the maiden company to get listed in this process. It came to the market in 2010. In 2011, two more companies got clearance from Bangladesh Securities and

Exchange Commission (BSEC) to come in the market under this method. RAK Ceramics went for an IPO of 34.51 million equity shares of 10 Taka each at a price range between 40 Taka and 48 Taka each in April, 2010. In Bangladesh, at the outset, the book-building method for IPO pricing was initially encouraged for companies offering securities worth Tk 30 crore or more. However, subsequent to RAK Ceramics, since then, in the year 2010, the other companies to have successfully tried out raising fresh funds through the platform of book-building were M.I. Cement Factory Limited, which offered its IPO of 30 million shares at an indicative price of Taka 93-111 each; and MJL Bangladesh Limited, which offered its IPO of 40 million shares at an indicative price of Taka 127-152.40 each initially (Dhaka Stock Exchange Ltd.). Recent dwindling market raised questions about the feasibility of the-book building method in the Bangladesh stock market. After sever criticism from different concerned parties, BSEC turned the light red from companies interested to get listed under book-building method and took steps to revise the existing book-building rules. In 2013, BSEC cleared the way for companies to get listed in the stock market under the revised book-building method. One company namely United Power Generation and Distribution Company (UPGD) is in the process of getting listed in the stock market under the revised book-building rules. LankaBangla Investments is the issue manager of the company.

### *3.4 Improper Use of Book-building Method*

In the book-building method introduced in 2009, a company sets its share price for initial public offering for general investors based on the price set through the price quoted by institutional investors at the road show. At the time of its operation it was anticipated that book-building method will ensure fair pricing of a stock to woo prospective large local and foreign profitable firms enlisting in the stock exchanges, enhance the depth of our local market, and strengthen the corporate governance, would make disclosure and reporting to public more transparent and credible and more importantly, help accelerate the pace of industrialization. Paradoxically, the method has been found to be used as a mechanism to raise money from capital market by inflating the stock price even before trade started on the same in the stock exchanges. After the share market debacle in 2010-11, the BSEC as per a government directive suspended the book-building system in January 2011 till October 2011. The book-building method was highly criticized for allowing floatation of over-priced shares which created bubble in the stock market in late 2010. The BSEC

amended the book-building method in September 2011 by tightening the price quoting by the institutional investors. It should be properly investigated whether the book-building method is itself faulty or getting misused. If it is really faulty, then why it has been being used successfully in both developed and developing countries, even in our neighboring country like India (Rashida, 2013). To put it in the right perspective, capital market must be allowed to operate on its own mechanism where like any other market; the price of a particular security should be determined matching the demand for, and supply of, the same.

### ***3.5 Revised Book-building Method***

Securities and Exchange Commission (SEC) of Bangladesh initiated to develop book-building method in collaboration with Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE) and Central Depository of Bangladesh Limited (CDBL) for the efficient, fair and transparent price discovery and allocation of securities using book-building method at the time of initial public offerings. In this context, SEC already made required modifications in the rules and regulations and thus the revised book-building method was developed.

As the book-building method was highly criticized for allowing floatation of over-priced shares; the Chittagong Stock Exchange made a series of recommendations about the book-building method to make the price discovery system of a company's shares effective. The government suspended the method in January 2011 following criticisms that companies misused the system to list on the capital market. On August 17, 2011 the SEC approved the revised the book-building method, following widespread allegations of abuse of the method, which was partly blamed for the recent stock market debacle (Bangladesh Securities and Exchange Commission, 2011).

#### ***3.5.1 Prerequisites of an Issuer for Becoming Eligible for Revised Book-building Method***

According to BSEC, an issuer may determine issue price of its security being offered following book-building method (i.e. price discovery process) subject to compliance with the following:

- a. The issuer-
- b. Must have at least Tk. 30 crore net-worth;
- c. Shall offer at least 10% shares of paid up capital (including intended offer) or Tk. 30 crore at face value, whichever is higher;
- d. Shall be in commercial operation for at least immediate last three years;
- e. Shall have profit in two years out of the immediate last three completed financial year;
- f. Shall have no accumulated loss at the time of application;
- g. Shall be regular in holding annual general meeting;
- h. Shall audit at least its latest financial statements by a firm of chartered accountants from the panel of auditors of the Commission;
- i. Shall appoint separate person as issue manager and registrar to the issue for managing the offer;
- j. Shall comply with all requirements of these Rules in preparing prospectus.
- k. The Commission, if it deems appropriate for the interest of investor or development of capital market, may exempt or relax any of the above prerequisites (Karim, 2010, p. 348).

### *3.5.2 Procedures to be Followed for Determining Price under Revised Book-building Method*

Book-building method provides an opportunity to the market to discover the price for securities. A company planning an IPO/RPO appoints a merchant bank as a book runner. A particular time frame is fixed as the bidding period. The book runner then builds an order book that collates bids from various investors. Potential investors are allowed to revise their bids at any time during the bidding period. The determination of final price is based on demand at various prices.

According to BSEC, procedures to be followed for determining price under book-building method are-

**a.** The issuer/issue manager shall issue invitation to the eligible institutional investors, both in writing and through publication in at least 5 widely circulated national dailies, giving at least 10 working days time, to the road show/presentation/seminar indicating time and venue of such event. The invitation letter shall accompany an Information Memorandum (IM) containing all relevant information covering the proposed issue of the issuer and 5 years audited financial statements of the issuer or such shorter period during which the issuer was in commercial operations. The eligible institutional investors shall submit indicative price to the issuer/issue manager, signed jointly by the Chief Executive

Officer (CEO) and the Financial Analyst, highlighting the factors taken into consideration in support of the indicative price, within the next 3 working days of the said road show/presentation/seminar;

[aa. Representatives from the stock exchanges shall participate in the road show as observers;]

**b.** The issuer, in consultation with the issue manager, shall quote its own indicative price in the draft prospectus based on the indicative prices so obtained from the eligible institutional investors; Provided that the issuer and the issue manager shall send the Information Memorandum to eligible institutional investors (EIIs) without mentioning the indicative price. The Indicative Price should be disclosed by the issuer and after the quotation received from the EIIs. The said indicative price should be supported by at least 20 EIIs including at least 3 quotations



from each of the following category: Merchant Bankers, Commercial Banks, Asset Management Companies, Non-Banking Financial Institutions (NBFIs), Insurance Companies and Stock Dealers.

**c.** The draft prospectus shall simultaneously be submitted to the Commission and the stock exchanges along with the due diligence statements issued by all concerned;

**d.** Rationale for the indicative price must be included in the prospectus *i.e.* the issuer is required to disclose in detail about the qualitative and quantitative factors justifying the indicative price;

**e.** The indicative price shall be the basis for formal price building with an upward and downward band of 20% of indicative price within which eligible institutional investors shall bid for the allocated amount of security;

**f.** Eligible institutional investors bidding shall commence after getting consent from the Commission for this purpose;

**g.** If institutional quota is not cleared at 20% below indicative price, the issue will be considered cancelled unless the floor price is further lowered within the face value of security; Provided that, the issuer's chance to lower the price shall not be more than once;

**h.** Prospectus will have to be posted on the Websites of the Commission, stock exchanges, issue manager and issuer at least two weeks prior to the start of the bidding to facilitate investors to know about the company and all aspect of offering;

Provided that hard copy of Information Memorandum without mentioning the indicative price shall physically be sent to the following institutions/associations at least 5 working days prior to the road show: Stock Exchanges, Bangladesh Merchant Bankers' Association (BMBA), Bangladesh Association of Banks (BAB), Bangladesh Leasing & Finance Companies Association (BLFCA), Bangladesh Insurance Association (BIA) and Association of Asset Management Companies.

Associations shall ensure dissemination of hard copy of draft prospectus among their respective members;]

**i.** No institutional investor shall be allowed to quote for more than 5% of the total security offered for sale, subject to maximum of 5 bids;

**j.** Institutional bidding period will be 48 hours which may be changed with the approval of the Commission;

**k.** The company and The Issue Manager shall submit the status of bidding and the Cut Off price along with the final draft prospectus, simultaneously to the Commission and the stock exchanges within 5 working days from the closing day of the bidding;]

**l.** The bidding will be handled through a uniform and integrated automated system of the stock exchanges, or any other organization as decided by the Commission, especially developed for book building method;

**m.** The volume and value of bid at different prices will be displayed on the monitor of the said system without identifying the bidder;

**n.** The institutional bidders will be allotted security on pro-rata basis at the weighted average price of the bids that would clear the total number of securities being issued to them;

**o.** Institutional bidders shall deposit their bid with 20% of the amount of bid in advance to the designated bank account and the rest amount to settle the dues against security to be issued to them shall be deposited within 5 working days prior to the date of opening subscription for general investors;

**p.** In case of failure to deposit remaining amount that is required to be paid by institutional bidders for full settlement of the security to be issued in their favor, the Commission shall forfeit 50% of bid money deposited by them. The securities earmarked for the bidder who defaulted in making payment shall be added to the general investor quota.

**q.** General investors, which include mutual funds and NRBs, shall buy at the cut-off price;

**r.** There shall be a time gap of 25 working days or as may be determined by the Commission between closure of bidding by eligible institutional investors and subscription opening for general investors;

**s.** Subscription for general investors shall remain open for the period as specified by the Commission;

**t.** General investors shall place their application through banker to the issue; and

**u.** All application money shall be kept in a separate escrow account opened with a designated bank with prior intimation to the Commission. Issuer will not be allowed to utilize such money until all the process of issue is completed and Commission's consent to this effect is obtained (Karim, 2010, p. 350).

## ***Chapter 4.0***

### ***Financial Performance Analysis of The Companies Listed Under the Book-building Method***



#### ***This Section Covers-***

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#### ***4. Financial Performance Analysis***

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## Chapter 4.0: Financial performance analysis of the companies listed under the book-building method

### 4.1 Financial Performance Analysis

#### 4.1.1 Horizontal Analysis

Comparison of a company's two or more year's financial data is known as horizontal analysis, or trend analysis. This analysis has analyzed the three companies' (listed under book- building method) sales growth, Profit after tax (PAT) growth, operating profit margin the previous years.

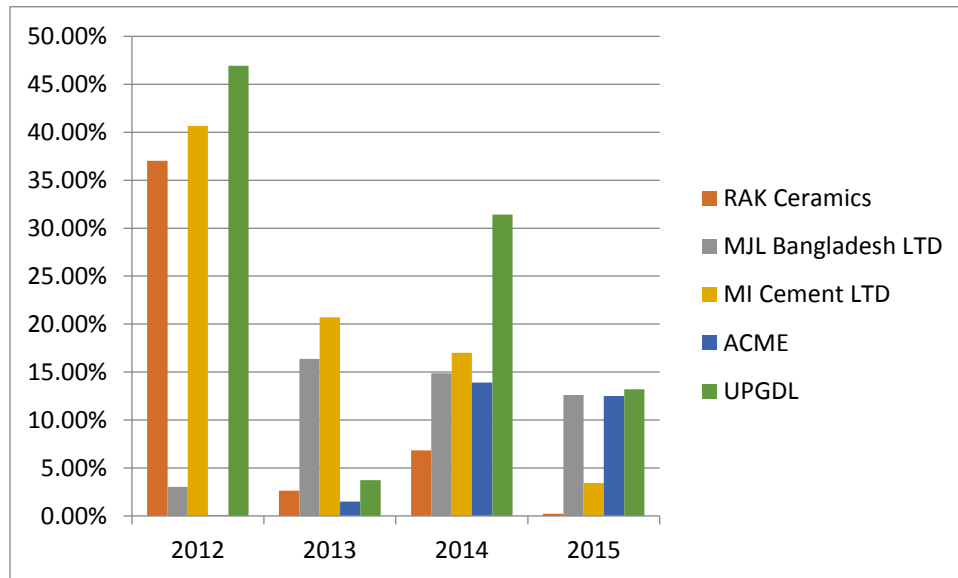


Figure 4.1: Year by Year Sales Growth

Source: Self calculation

As shown in Figure 4.1, it is quite apparent that sales performance of the companies listed under the book-building method was mixed in the listing year or afterward. One possible reason for the mixed performance might be that all of the companies went for bridge financing before getting listed in the stock exchange. They might have undertaken production capacity expansion project with the fund received from bridge financing and finished the expansion with the fund received from book-building. New capacity came into full operation

in different times based on the BMRE (Balancing, Modernization, Rehabilitation and Expansion) completion for different companies. Resultantly sales got boosted in different times after getting listed in the stock market.

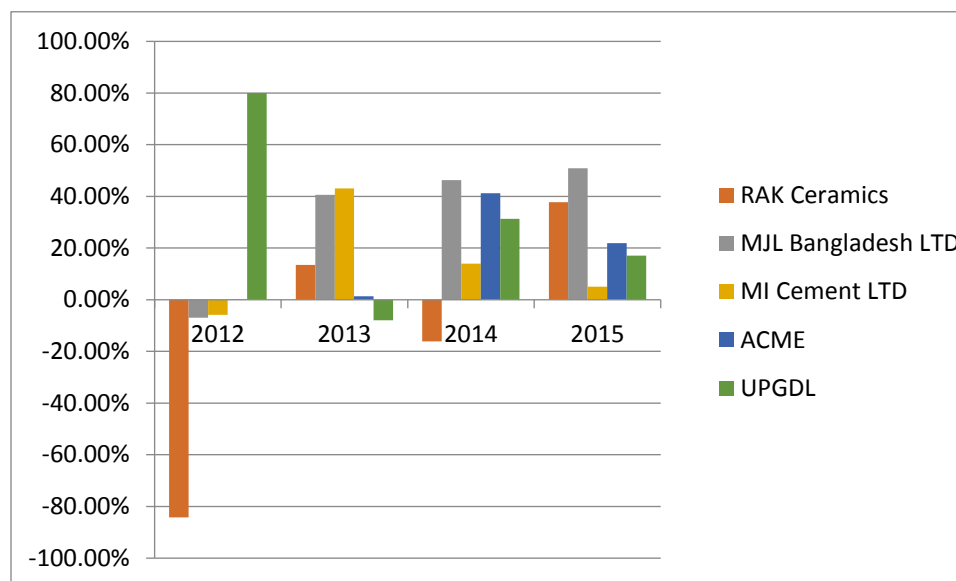


Figure 4.2: Year by Year PAT Growth

Source: Self calculation

As shown in Figure 4.2, growth pattern in profit after tax of all the five companies did not maintain similar growth pattern to sales implying considerable operating and financial risk. However, profit after tax of RAK Ceramics fell drastically in 2012 due to some internal problems. So the performance in that year can be taken out of consideration in our horizontal analysis.

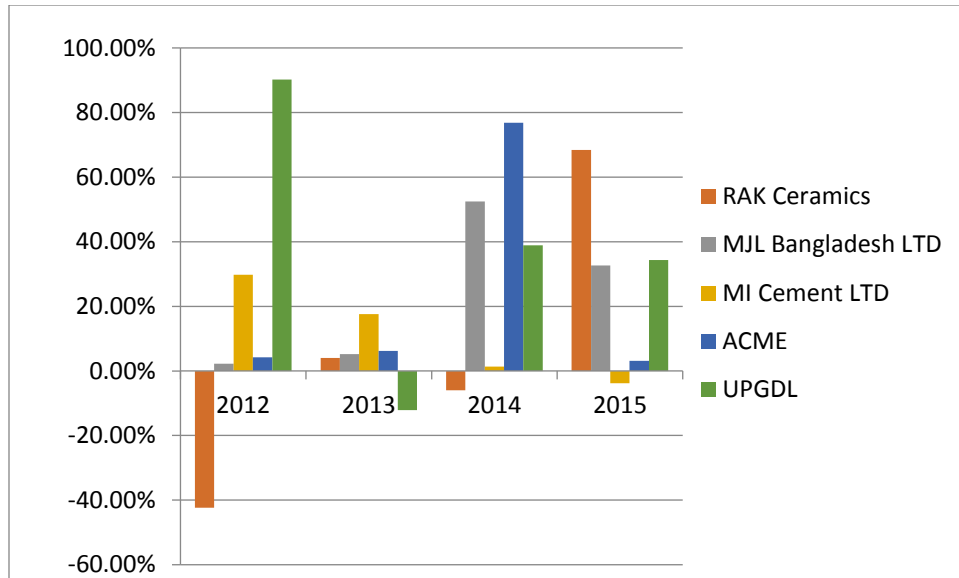


Figure 4.3: Year by Year Operating Profit Margin

Source: Self calculation

As shown in Figure 4.3, ACME Laboratories found operational efficiency after getting listed in the stock market as indicated by improved operating profit margin. On the other hand, RAK Ceramics, MJL Bangladesh Ltd, United Power Generation & Distribution Company Limited (UPGDCL) and MI Cement LTD operating profit margin of deteriorated in the listing year, as cost of production of the company increased considerably due to historically highest clinker price in the market. On the other hand, cement price in the local market gradually decreased from 2012 to 2015. So MI Cement suffered in the market

#### 4.1.2 Vertical Analysis

Under the vertical analysis, company's financial data is compared with that of its peer companies in the same year. Here, at first, the author has compared the financial performance of RAK Ceramics, MJL Bangladesh Limited, MI Cement Factory Limited and UPGDCL (listed under book-building method) with their respective peer companies within the same sector. Following those companies on, the author has also compared the financial performance of those companies with the respective peer companies listed under fixed price method during the same time span.

### *Comparison within the Sector*

Table 4.1: Financials of RAK Ceramics vs. Comparable

Company Name	Revenue Growth	PAT Growth	Equity Growth	Total Assets Growth	OCF Growth
RAK Ceramics	37.04%	-42.31%	6.97%	6.64%	-31.90%
Fuwang Ceramics	36.9%	852.7%	5.6%	0.8%	-4.3%

Source: Self calculation

As shown in Table 4.1, RAK Ceramics gained the highest equity and assets growth compared to its peer companies in the ceramics sector after getting listed in the Dhaka Stock Exchange (DSE). Its equity went up by 6.97% in the listing year whereas total assets increased by 6.64% at the same time period. In both cases, the two other peer companies in the same industry are lagging far behind. The top financial line-revenue saw 37.04% increase in that period, though it was more than the others. However, operating cash flow (OCF) declined in that period, but the decline in the percentage was considerably less than the other peer company



Table 4.2: Financials of MJL Bangladesh vs. Comparables

Company Name	Revenue Growth	PAT Growth	Equity Growth	Total Assets Growth	OCF Growth
MJL Bangladesh	3.04%	2.27%	4.9%	8.5%	56.15%
Meghna Petroleum	2.06%	-61.6%	4.7%	7.5%	25.1%
Jamuna Oil	1.52%	1.26%	4.5%	1.0%	-17.2%
Padma Oil	2.60%	05.5%	3.2%	3.5%	9.6%

Source: Self calculation

As shown in Table 4.2, MJL Bangladesh witnessed the highest revenue, equity, and total assets in comparison with its peer companies in the fuel & power sector after getting listed in the DSE. Its equity saw a 4.9% increase in the listing year whereas total assets increased by 8.5% at the same time period. Top financial line-revenue went up by 3.04% in that period. All Other things being equal, a company that is able to continually grow its revenue should see equivalent increase in net income. On the other hand, operating cash flow (OCF) increased drastically in that period. The company also over performed its peer companies in the growth in profit after tax. However, investors could still be optimistic of the company as it generated the highest revenue growth driven by profit increase. Other peer companies considerably underperformed the company at the same time period.

Table 4.3: Financials of MI Cement vs. Comparables

Company Name	Revenue Growth	PAT Growth	Equity Growth	Total Assets Growth	OCF Growth
MI Cement	40.66%	29.7%	7.40%	41.65%	1.24%
Heidelberg Cement	9.7%	-24.9%	5.3%	6.0%	16.5%
Confidence Cement	30.4%	-17.7%	-3.4%	15.5%	-59.2%

Source : Self calculation

As shown in Table 4.3, MI Cement generated the highest revenue PAT, equity and assets growth compared to its peer companies in the cement sector after getting listed in the Dhaka Stock Exchange (DSE). Its PAT went up by 29.7%, equity went up by 7.4% in the listing year whereas total assets increased by 41.65.

Table 4.4: Financials of UPGDCL vs. Comparable

Company Name	Revenue Growth	PAT Growth	Equity Growth	Total Assets Growth	OCF Growth
UPGDCL	46.95%	90.20%	33.82%	50%	114.25%
Summit Power	28.16%	-19.05%	25.14%	5.99%	104.25%

Source : Self calculation

As shown in Table 4.4, UPGDCL generated the highest revenue, PAT, equity and assets growth compared to its peer company in the cement sector after getting listed in the Dhaka Stock Exchange (DSE). Its PAT went up by 90.20%; equity went up by 33.82% in the listing year.

#### Comparison with other Companies Listed under Fixed Price Method

Table 4.5: Financials of RAK Ceramics and UPGCDL vs. Fixed Price IPOs Listed in 2012

Company Name	Revenue Growth	PAT Growth	Equity Growth	Total Assets Growth	OCF Growth
RAK Ceramics	4.4%	-42.37%	6.97%	6.64%	-31.90%
UPGDCL	46.95%	90.20%	33.82%	50%	114.25%
Active Fine	638.7%	1472.1%	88.8%	70.4%	-129.0%
Beacon Pharma	58.0%	92.6%	137.5%	22.7%	-120.5%

Source: Self calculation

As shown in Table 4.4, RAK ceramics and UPGDCL underperformed other companies listed under fixed price method in terms of financial performance in the listing year. Almost every other peer companies performed better in different financial categories than RAK Ceramics and UPGDL.

Table 4.6: Financials of MJL and MI Cement vs. Fixed Price IPOs Listed in 2012

Company Name	Revenue Growth	PAT Growth	Equity Growth	Total Assets Growth	OCF Growth
MJL Bangadesh	3.04%	2.27%	4.9%	8.5%	56.15%
MI Cement	40.66%	29.7%	7.40%	41.65%	1.24%
Zahin Tex	68.4%	22.9%	0.8%	18.9%	1685.6%
Barkatullah	49.1%	60.8%	190.0%	405.7%	266.8%

Source: Self calculation

As shown in Table 4.5, in 2012, companies listed under book-building method witnessed mixed financial performances in the listing year. Among the companies listed under book-building method in 2012, MI cement showed satisfactory financial performances in the listing year though it experienced a severe decline in OCF during the year. A rapidly growing company may have negative operating cash flows as it expands its inventory, pays its increasing bills and provide more credit to customers, but eventually this figure needs to turn positive. However, companies listed under fixed price method remained steady in achieving above average positive.

## ***Chapter 5.0***

### ***A Case Study on the Companies Going to Be Listed under Revised Book-building Method***



#### ***This Section Covers-***

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***5.1 STS Holdings LTD (Apollo Hospitals)***

***5.2 Dhaka Regency Hotel & Resort LTD***

***5.3 Bashundhara Paper Mills LTD***

***5.4 Aman Cotton Fibrous LTD***

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## Chapter 5.0: A case study on the company going to be listed under revised book-building method

### 5.1 STS Holdings LTD (Apollo Hospitals):

Apollo Hospitals Dhaka is the pioneering and flagship venture of STS Holdings Limited. STS Holdings Limited (Apollo Hospitals Dhaka) has signed an Issue Management Services Agreement with ICB Capital Management Limited and AFC Capital Limited for the prospective Initial Public Offering (IPO) under book-building method for the expansion of business. Lanka Bangla Investments Limited has been appointed as the Registrar to the Issue. The Agreement Signing Ceremony was held on March 1 at the Board Room of Investment Corporation of Bangladesh (ICB).

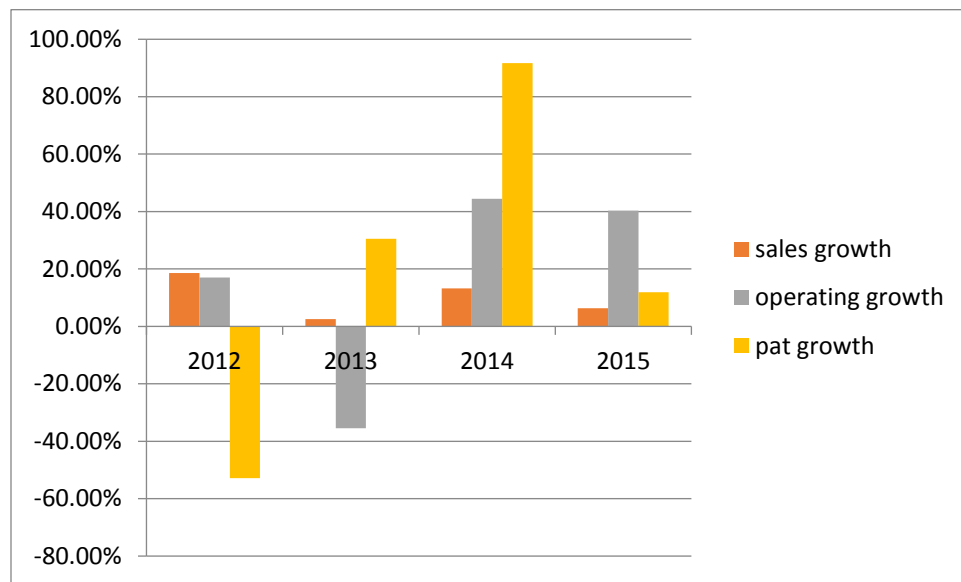


Figure : 5.1 Financial performance of STS Holdings Limited (Apollo Hospitals Dhaka)

Source : Self calculation

Figure 5.1 shows that sales growth is gradually decreased year by year. In 2014 operating growth is comparatively higher than other years and profit after tax is so much higher. In 2015 PAT growth is gradually decreased. Overall the financial performance is not good of STS Holdings Limited (Apollo Hospitals Dhaka).

## 5.2 Dhaka Regency Hotel & Resort Ltd:

Dhaka Regency Hotel and Resort Limited, a new generation business class hotel organized a road-show for eligible investors at its Celebration Hall for the initial public offering (IPO) under book-building method. The Managing Director, Directors and top management of Dhaka Regency Hotel and Resort Limited, representatives from the Dhaka Stock Exchange (DSE) and the Chittagong Stock Exchange (CSE), officials from Issue Managers Lanka Bangla Investments Limited and Banco Finance & Investment Limited attended.

Officials from ICB Capital Management Limited and representatives from banks, NBFIs, merchant bankers, stock brokers, asset management companies were present in the event held on Tuesday. Dhaka Regency expects to collect a fund worth Tk 60 crore from IPO. The fund raised from IPO will be utilized to expand its business by setting up an international standard hotel in Cox's Bazar, renovation of its existing products and services, and to repay existing loan.

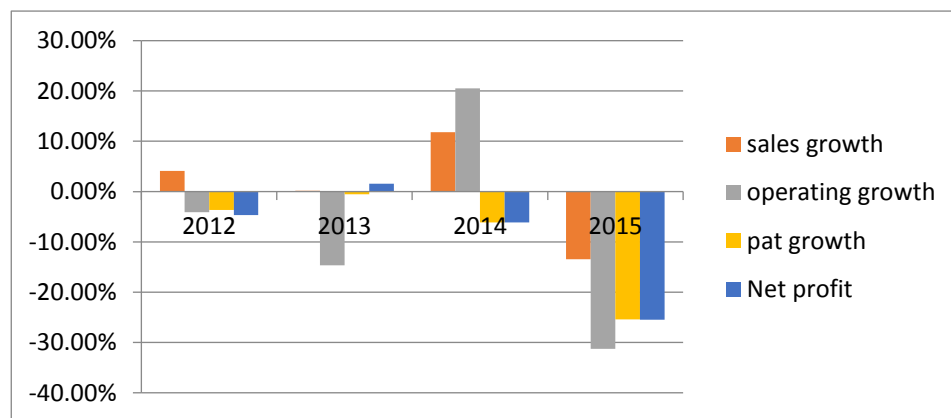


Figure : 5.1 Financial performance of Dhaka Regency Hotel and Resort Limited

Source : Self calculation

In figure 5.2 Dhaka Regency Hotel and Resort Limited Shows the negative financial performance. All the financial determinants shows the negative percentage.

### 5.3 Bashundhara Paper Mills Ltd:

The Bashundhara Paper Mills, a sister concern of the Bashundhara Group, has moved to go public under the book building method. Bashundhara Paper Mill Limited organized a road show for floating initial public offering (IPO) under the book-building method for raising Tk 200 crore.

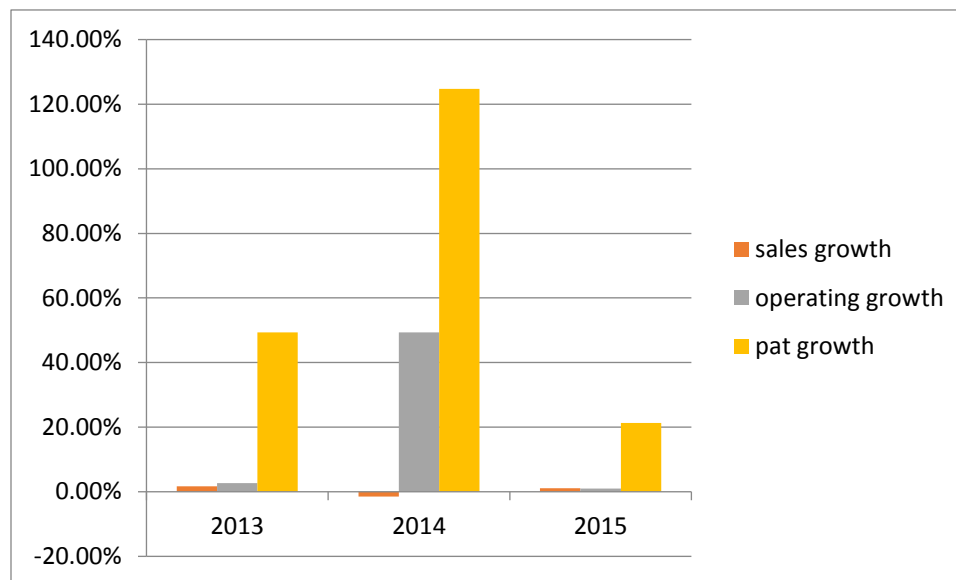


Figure :5.3 Financial performance of Bashundhara Paper Mills

Source : Self calculation

In figure 5.3 shows that in 2014 operating profit growth and profit after tax growth shows the higher rate but it gradually decreased in 2015.

### 5.4 Aman Cotton Fibrous Ltd:

Aman Cotton Fibrous Limited is primarily engaged in manufacturing of high quality yarn in Bangladesh and marketing and selling of product in the global and domestic Market. The installation of a high capacity air conditioning and filtration plant has enabled the mill to meet the international standards. The Company manufactures 100% cotton Carded; Combed & Semi combed ring spun grey yarn for knitting as well as weaving. From the beginning of operation of ACFL, it has managed to comply with the international standards of management, which was



reflected in the attainment of ISO 9001:2000 Certificate that was conferred for fulfilling the norms of ISO standard in every step of its management of the plant. The factory is situated in the village Boiragirchala in the Sreepur UpaZilla of Gazipur district. It has 116,000 sft. main factory building with another 20,000 sft. covered area for quality control, utility, store, workshop, dormitory, office & others. Aman Cotton Fibrous Limited possesses an installed capacity of 30,960 spindles capable of producing 5,631,624 Kgs of cotton yarn per year. All the machinery imported from Germany, Switzerland, Italy, Japan & China are contemporary, high-tech and hi-speed most modern machines to spin the finest quality cotton yarn conforming to global standards.

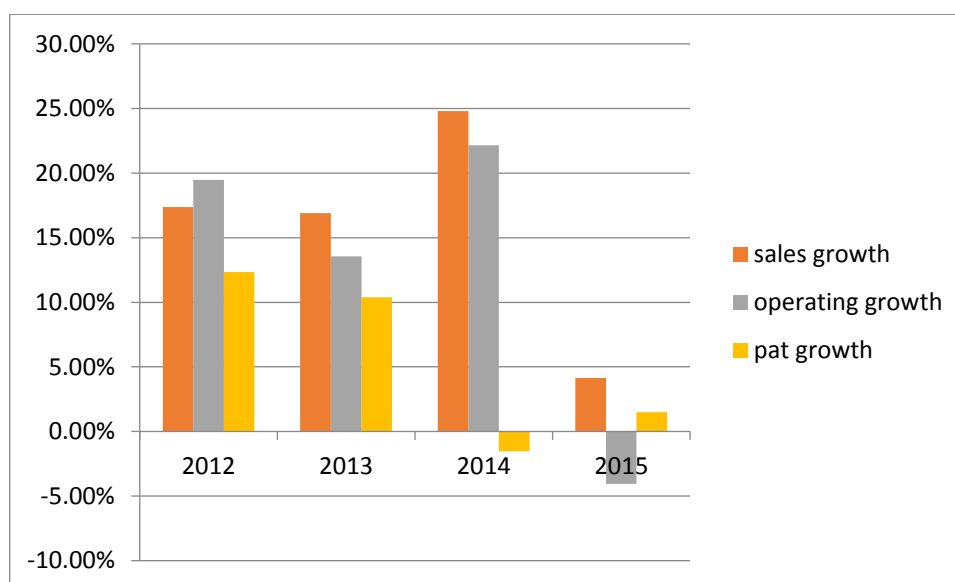


Figure : 5.1 Financial performance of Aman Cotton Fibrous Limited

Source : Self calculation

In figure 5.4 shows that financial performance of Aman Cotton Fibrous Limited in 2012, 2013 and 2014 was good but in 2015 it become decreased. Operating profit growth shows the negative percentage.

## ***Chapter 6.0***

### ***Conclusion & Recommendations***



#### ***This Section Covers-***

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##### ***6.1 Conclusion***

##### ***6.2 Recommendations***

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## *Chapter 6.0: Conclusion & Recommendations*

### *6.1 Conclusion*

Book-building method is apparently a sophisticated and widely used concept but unfortunately, this method is being misused in our stock market. The method failed to draw the attention of major corporate bodies to get listed in the stock market because of lack of clarity. On the other hand, investors got victim of the speculative investment in the stocks listed under book-building method. As depicted in the report, the financial performance of the companies listed under the book-building method got boosted in the listing year but afterwards failed to maintain their growth momentum. On the other hand, they get above average market valuation in the market place because of speculative investment. So the critic that book-building process failed to protect the interest of both investors and issuers was true in large part. Resultantly, BSEC forced to postpone the method and introduced revised one in 2013. BSEC focused on the fair price determination process of the companies interested to get listed under the revised book-building method. I would recommend the BSEC to remain vigilant on the pros and cons of the price discovery process and modify it according to the market condition in time to prevent ill market practice. In addition, BSEC should focus on investors' awareness program to avoid unrealistic market speculation and keep the share price realistic from the perspective of company fundamentals.

## *6.2 Recommendations*

From the report and problem analysis following recommendations can be given by the author from the perspective of an intern of LankaBangla Investments Ltd. for achieving better result:

1. Book-building is a vibrant method of price discovery for new companies to be listed in the stock exchange. Both issuers and investors find win-win situation in this process. But unscrupulous people would always find ways to misuse the process. So BSEC needs to be remain vigilant to find out the weakness of the rule and update it with changes in time keeping in mind the interest of both issuers and investors;
2. Book-building is a lengthy process requiring so much effort and time that companies need capital for profitable investment within shortest possible time may find it difficult to raise capital in this process;
3. Small but growth companies are not allowed to raise capital in the book-building method. But in the fixed price IPO method there is always a risk of getting poor issue price. So to encourage these lucrative small size companies to raise capital from stock market, BSEC needs to find ways to get these companies listed under book-building method;
4. Year by year sales and profit growth of companies already listed under book-building method was mixed in the issuing year or afterward. BSEC needs to be cautious about the nature of companies getting listed in the stock market under book-building method. They should focus on growth companies rather than value companies or companies in the declining stage of their product life cycle. It would preserve investors' risk appetite for the shares of new companies listed under book-building method;
5. However, companies listed under book-building method managed to maintain their operational efficiency after getting listed in the stock exchanges. BSEC needs to make the positive issues published among potential investors and issuers and encourage their active

participation for the overall improvement of the market;

6. Vertical financial analysis shows that companies listed under book-building method outperformed their peer companies and companies listed under fixed price IPO method financially. BSEC needs to focus on the financial health of the companies listed under fixed price IPO method also. They should find out the lacking of companies listed under fixed price IPO method and find some ways to bring them back on good financial health;

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## ***Chapter 7.0***

### ***Internship Experience***



#### ***This Section Covers-***

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##### ***7.1 Job responsibility***

##### ***7.2 Internship experience***

## **CHAPTER 7: Internship experience**

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## ***7.1 Job Responsibility***

I was attached to primary market services department of LankaBangla Investments Limited. During my placement there, the department worked as an issue manager of “aamra networks limited (ANL)” and a registrar to the issue of “STS Holdings Ltd.”. So, most of my job duties were related to initial public offer (IPO).

For IPO purpose an issue manager has to communicate with all the eligible investors of our country. So, primary market department wanted to create a database of eligible investors so that it could communicate with all the eligible investors. I was assigned to create a database of eligible investors (EI) under the supervision of a senior analyst of the department. Eligible investors are the institution who has business operation/ investment in Bangladesh and include merchant banks and portfolio manager, asset management companies, mutual funds, stock dealers, banks, financial institutions, insurance companies, alternative investment fund managers, alternative investment funds, foreign investors, recognized pension funds and provident funds and other institutions as approved by the Bangladesh Securities Exchange Commission (BSEC). Apart from these, I performed many other different duties in this department. This includes preparing documents checklists, IPO note etc. I also worked with the research department in making the valuation report of the IPO clients. I have also performed generic duties in Finance & Accounts Department like preparing power point presentation slide, excel files etc.

## ***7.2 Internship Experience***

I worked as an intern in LankaBangla Investments Limited for three months. In the internship period, I got a chance to experience corporate life and got familiar with corporate culture. I felt that experience was very important for me. The experience will help me when I will join workplace as an employee. I also was also familiar with the work environment, job nature and responsibilities which would help me in taking decision regarding my career in future.

Since, I was tagged to primary market services (PMS) department; I had the opportunity to learn a great deal about primary market. I believe, this has made my previous learning more fruitful. Real life exposure is very important to reinforce the theoretical knowledge.

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During my internship period, LankaBangla Investments Ltd. shifted its office. So, I also had an experience of office shifting related planning and execution of that planning. At the time of office shifting, I got the chance to help the employees of PMS department. I also learnt what actually happens at a time of office shifting and how all the things will be managed at that time. It was thrilling to experience something that I have been hearing in my life only.

Apart from professional activities, I have absolutely loved the working environment of LankaBangla Investments. Everyone was very helpful and friendly. They constantly guided me, taught me and answered all my little queries with patience. I was amazed at the cordial behavior of the top management. I never felt like just an intern and never felt left out. All these beautiful memories made it very difficult to leave the organization at the end of three months. All in all, I feel very lucky to do my internship at LankaBangla Investments Limited.

## APPENDIX 1

### Snapshots of the Companies Listed under Book-building Method

Table A-1: RAK Ceramics (Bangladesh) Limited

Nature of Business	The core business of RAK Ceramics (Bangladesh) Limited is to manufacture and sell of tiles and sanitary wares. The company has over 1000 models active in the ceramic and porcelain tiles business and regularly adds several new designs to the product portfolio.
Subscription open	April 25, 2012
Subscription Close	April 29, 2012
For Non-Resident Bangladeshi	April 25, 2012 to May 08, 2012
Bidding Period for EII	March 01, 2012 to March 03, 2012.
Listing Date	09.06.2012
Trading Date	13.06.2012
Reason for IPO	The company intends to use the net proceeds received from IPO (after adjusting for IPO expenses) to pay off the loans after listing and the balance amount for working capital, if there is any as determined by the Board of Directors.
Offer Price Per Share	Tk.48.00 (Cut-off Price)
Indicative Price	Tk. 40.000
Face Value Per Share	Tk.10.00

Market Lot (Shares)	200
Pre IPO Placement (Shares)	10,000,000
Sponsors Portion (Shares)	185,563,500
Pre-IPO paid up capital	Tk. 1,955,635,000.00 divided into 195,563,500 ordinary shares of Tk. 10.00 each.
Public Offer (Shares)	34,510,000 (Including Eligible Institutional offer of 6,902,000 ordinary shares)
Total Issued Shares (after IPO)	230,073,500
Total Paid up Capital (after IPO)	Tk. 2,300,735,000.00
EPS (as per prospectus)	Tk. 10.99 as on 30.06.2009, Half-yearly ( against face value of Tk. 100)
NAV per Share (as per Prospectus)	Tk. 12.62 (as on 30.06.2009)
Lead Issue Manager	IDLC Finance Limited
Joint Issue Manager:	BRAC EPL Investments Limited
Registrar to the Issue	Prime Finance & Investment Limited
Website	www.rakceramdbd.com

Source: Dhaka Stock Exchange

Table A-2: MJL Bangladesh Limited

Nature of Business	The company involves in the business of blending and marketing of lubricants and greases.
Bidding Period for EII	November 07, 2010 to November 10, 2010
Date of Publication of prospectus	December 05, 2012
Subscription Open	January 02, 2013
Subscription Close	January 06, 2013
Subscription for NRB	January 02, 2013 to January 15, 2013
Lottery Date	January 31, 2013
Listing Date	June 22, 2013
Trading Date	June 26, 2013
Authorized Capital	Tk. 10,000 million
Pre- IPO paid-up Capital	Tk. 1403.20 million
IPO size	Tk. 400 million (at face value)
Public Offer (Shares)	40,000,000 (Including Eligible Institutional offer of 8,000,000 Ordinary shares).
Total Paid-up Capital (after IPO)	Tk. 1803.20 million
Total Issued Shares (after IPO)	180,320,000
Face Value per Share	Tk. 10.00
Indicative Price	Tk. 127.00
Primary Offer Price Per Share (Cut	Tk. 152.40 (including a premium of Tk. 142.40).

Off Price)	
Revised Offer Price Per Share *	Tk. 115.00 (including a premium of Tk. 105.00 per share).
Market Lot (Shares)	100
Use of IPO Proceeds	The company intends to raise the fund to undertake a number of potential projects likely (1) LPG Terminal Plant, (2) Crude Oil Tanker, (3) Land & Corporate Head Office Building, (4) Anti-Freeze Manufacturing Plant, (5) White Oil Processing Plant.
NAV per share	The NAV per share of the Company was Tk. 10.85 for the year ended on 31 December 2009. The same was Tk. 45.84 as on 31.03.2011.
EPS	The EPS of the Company was Tk. 11.48 and Tk. 2.45 for the year ended on 31 December 2008 and 2009 respectively. The same was Tk. 1.71 as on 31.03.2011 (for 3 months).
Over subscription (by times)	4.86 (Excluding EII)
Issue Manager	Prime Finance & Investment Limited
Registrar to the Issue	Grameen Capital Management Limited
Auditors	ACNABIN
Website	www.mobilbd.com

Source: Dhaka Stock Exchange

\*The company refunds Tk. 37.40 per share as per SEC letter No. SEC/CI/IPO (Lottery)-129/2010/416 dated June 13, 2013.

Table A-3: M.I. Cement Factory Limited

Nature of Business	The principal activities of the company are manufacturing and marketing of Ordinary Portland Cement and Portland Composite Cement under “CROWN CEMENT” brand.
Bidding Period for EII	October 24, 2012 to October 26, 2012
Subscription Open	January 09, 2013
Subscription Close	January 13, 2013
For Non-Resident Bangladeshi	January 09, 2013 to January 22, 2013
Lottery Date	February 09, 2013
Listing Date	May 18, 2013
Trading Date	May 22, 2013
Authorized Capital	Tk. 5000.00 million
Pre- IPO paid-up Capital	Tk. 700.00 million
IPO size	Tk. 300.00 million (at face value)
Public Offer (Shares)	30,000,000 (Including Eligible Institutional offer of 6,000,000 ordinary shares)
Total Paid-up Capital (after IPO)	Tk. 1,000.00 million
Total Issued Shares (after IPO)	100,000,000
Face Value per Share	Tk. 10.00
Indicative Price	Tk. 93.00

Offer Price Per Share (Cut Off Price)	Tk. 111.60 (including a premium of Tk. 101.60)
Market Lot (Shares)	100
Use of IPO Proceeds	Estimated fund required for implementation of the expansion plan stands at Tk. 3,350,510,126.00 and the entire proceeds of the IPO shall be utilized for the proposed expansion.
NAV per share (considering face value of Tk. 10.00 per share)	The NAV per share of the Company was Tk. 37.01 as on June 30, 2009. The same was Tk. 15.77 as on December 31, 2011.
EPS (considering face value of Tk. 10.00 per share)	The EPS of the Company was Tk. 9.39 for the year ended on June 30, 2009. The same was Tk. 4.74 as on December 31, 2011 (six months).
Over subscription (by times)	6.10
Date of Publication of prospectus	December 07, 2012
Issue Manager	Alliance Financial Services Limited
Registrar to the Issue	Banco Trans World (BD) Limited
Auditors	ACNABIN
Website	<a href="http://www.crowncement.com">www.crowncement.com</a>

Source: Dhaka Stock Exchange



**Table A-4 : United Power Generation & Distribution Company Limited**

Nature of Business	<p>The principal activity of the Company is to generate electricity by two gas fired power plants, one at DEPZ with 88 MW capacity and the other at CEPZ with 72 MW capacity and to sell generated electricity to the export processing industries located inside DEPZ and CEPZ with the provision of selling surplus power outside the Export Processing Zones (EPZs) after fulfilling their requirement.</p>
Use of IPO Proceeds	<p>Proceeds from initial public offering (IPO) will be used for Full redemption of redeemable cumulative preference share (Tk. 1,490,000,000), Repayment of long-term loan (Tk. 792,000,000), Working Capital (Tk. 27,908,238) and IPO expenses (Tk. 66,091,762).</p>
Date of Road Show	April 17, 2013
Bidding Period for EII	May 18, 2014 to May 20, 2014
Subscription Open	January 18, 2015
Subscription Close	January 22, 2015
Subscription period for NRB	January 18, 2015 to January 31, 2015
Authorized Capital	<p>Tk. 10,000,000,000 (Ordinary Shares of Tk. 8,000,000,000 and Redeemable Preference Shares of Tk. 2,000,000,000)</p>
Pre- IPO paid-up Capital	Tk. 2,969,497,260
IPO size in shares	33,000,000 including 13,200,000 shares for EII
IPO size in Tk. at face value	Tk. 330,000,000
IPO size in Tk. at offer	Tk. 2,376,000,000

price	
Post IPO Paid-up Capital	Tk. 3,299,497,260
Face Value per share	Tk. 10.00
Indicative Price	Tk. 60.00
Offer Price (Cut-Off Price) per share	Tk. 72.00 (including premium of Tk. 62.00)
Market Lot (Shares)	100[Existing Market Lot is 1]
Listing Application Date	December 17, 2014
Listing Approval Date	March 19, 2015
Trading Date	April 05, 2015
Net Asset Value (NAV) per share	Tk. 23.64 as on December 31, 2013
EPS	Tk. 5.98 for the year ended on December 31, 2013
Issue Date of Prospectus	December 14, 2014
Lottery Date	February 19, 2015
Subscription (Times)	5.87 (Excluding EII)
Issue Manager	LankaBangla Investments Limited
Registrar to the Issue	ICB Capital Management Limited
Auditors	Hoda Vasi Chowdhury & Co.
Website	www.unitedpowerbd.com

Source : **Dhaka Stock Exchange**

Table A-5 : The ACME Laboratories Limited

Nature of Business	The Company is engaged in manufacturing, marketing and distribution of generic pharmaceuticals formulation products.	
Use of IPO Proceeds	Steroid & Hormone products project	135.80 crore ( 31.49%)
	Oncology project	114.10 crore (26.46%)
	Ayurvedic, Modern Herbal and Nutraceuticalsproject	174.55 crore (40.47%)
	IPO Expenses	6.83 crore (1.58%)
	<b>Total</b>	<b>431.28 crore (100.00%)</b>
Security Trading Code	ACMELAB	
Date of Road Show	October 13, 2014	
Bidding Period for EI	February 01, 2016 to February 03, 2016	
Consent date of BSEC	March 15, 2016	
Issue Date of Prospectus	March 16, 2016	
Listing Application Date	March 23, 2016	
Subscription Open	April 11, 2016	
Subscription Close	April 21, 2016	
Lottery Date	May 15, 2016	
Listing Approval Date	May 30, 2016	
Trading Date	June 07, 2016	
Authorized Capital	Tk. 5,000,000,000	

Pre- IPO paid-up Capital	Tk. 1,616,017,000
IPO size in shares	50,000,000 (25,000,000 shares for EIs, 5,000,000 shares for Mutual Funds, 12,000,000 shares for General Public, 3,000,000 shares for Affected Small Investors and 5,000,000 shares for NRBs)
IPO size in Tk. at face value	Tk. 500,000,000
IPO size in Tk. at offer price	Tk. 4,096,000,000
Post IPO Paid-up Capital	Tk. 2,116,017,000
Face Value per share	Tk. 10.00
Indicative Price	Tk. 71.00
Cut-Off Price per share	Tk. 85.20
Offer Price per share for General Public	Tk. 77.00
Market Lot (Shares)	100 [Existing Market Lot is 1]
Net Asset Value (NAV) per share	Tk. 70.37 (including revaluation surplus) and Tk. 37.45 (excluding revaluation surplus) as on 30 June, 2015
EPS	Tk. 5.70 for the year ended on 30 June, 2015
Subscription (Times)	6.74 (No. of Applicants: 1,271,102)

Issue Manager	ICB Capital Management Limited	
Registrar to the Issue	Prime Finance Capital Management Limited	
Auditor	Pinaki & Company	
Website	<a href="http://www.acmeglobal.com">www.acmeglobal.com</a>	

Source : Dhaka Stock Exchange