

*ENTRY STRATEGIES
OF
MULTINATIONAL COMPANIES
INTO THE
CAPITAL MARKET
OF
BANGLADESH*





Internship Report

Submitted To

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30th September, 2010

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Subject: Submission of Internship Report on “Entry Strategies of Multinational Companies into the Capital Market of Bangladesh”

Dear Sir,

It is a great pleasure to present you my internship report on “Entry Strategies of Multinational Companies into the Capital Market of Bangladesh”. I had an energizing experience throughout the preparation of this report which further enhanced my knowledge about the capital market and experienced real life examples of strategies.

I have tried my level best to complete the study in a proper way despite having limitations. I hope this report will fulfill the requirements suggested by you and hope you will appreciate my effort put forth hereby.

Thank you for your kind consideration and guidance.

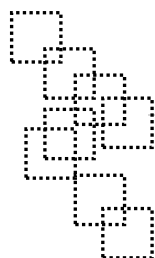
Sincerely

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Acknowledgement

At the very outset, I would like to solemnly thanking to the Almighty Allah.

I would like to convey my gratitude to my supervisor Anup Chowdhury faculty of BRAC Business School, BRAC University; who initially encouraged me to work on the selected topic and for providing me guideline, detailed feedback and technical advice for preparing this report. He always gave me his suggestions in making this study as flawless as possible. I am also extremely grateful to him for giving me such an opportunity that has enriched my area of knowledge vastly.

I am also thanking my parents who has made it possible for me to be a part of such educational organization and created the way for me to have excellence in education.

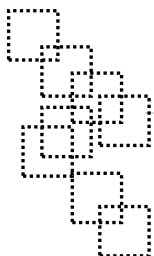


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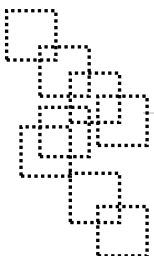
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Abstract

The main purpose of the report is to know the strategies that can be used by the Multinational Companies in order to enter into the capital market of Bangladesh. With a target of achieving the objective, I have worked for revealing the strategies that are used by the MNCs to enter into the capital market. Therefore I have discussed some strategies like 1: Share Pricing Strategies, 2: Strategy for Shareholding Pattern, 3: Few Legal Strategies and finally 4: Few Marketing Strategies. I have observed the strategies of two well know MNCs in Bangladesh and found that in the case of pricing strategies different companies have different approaches that are influenced by several factors. A similarity was found at the share holding pattern of the observed MNCs. However there were variations in marketing approaches based on the prospecting company's goal and mostly for the Legal Procedures the basic objective is to obey and made necessary amendments according to the pre defined rules and regulation.





CHAPTER- 1



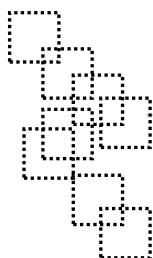
Introduction

A healthy and growing economy is considered as a heart for any developed country. Recently according to many researchers, capital market plays a role of an engine for the growth of the economy. While lending by commercial banks provides valuable initial support for corporate growth, a developed stock-market also contributes for moving into a more mature growth phase of the economy. Now a days Asia is considered to be one of the powerful economies in the world. As a result recent booming economies of India and China are attracting all other North American multinational companies to invest. Bangladesh is a South Asian country which always has the potential to be a developed country and favorable climate, cheap labor has made Bangladesh as one of the most attractive options for the foreign investors. Therefore in recent times we are witnessing many multination and big conglomerates are entering into Bangladeshi market. On the other side a steady capital market and investors' willingness to invest into the share market has also been observed. Many local companies, banks have entered and are entering into the capital market of Bangladesh. We have seen the biggest IPO in the history of Bangladesh by Grameenphone has also depicted a strong base for the multinational companies into the capital market. So now situation demands the existing multinational companies to enter into the capital market for a more developed capital market base in order to accelerate the economic growth of Bangladesh. For that purpose, here in this report I will discuss some important strategies that can be used by the multinational companies in order to enter into the Bangladeshi capital market. After an extensive search in different media, I didn't find out any form of research paper or any kind of analysis in the predefined topic. However for that reason my report is not able to make any literature review.

Theoretical Framework

Theoretically a firm can raise funds in many ways. Such as taking bank loans, issuing shares, bonds, mutual funds, preferred stock and so on. If a company wants to raise funds through issuing shares a company needs to submit some documents like:

- Memorandum of Association and Articles of Association
- A brief profile of the Company



- Certificates of Incorporation and Certificate of commencement of business
- Audited Financial Statement for last 5 years
- Members/shareholders list together with their shareholding position.
- Return of allotment(s) filed with the Registrar of Joint Stock Companies and Firms.
- Existing material agreements, including deed of mortgage (if any).
- Status of loan, including information concerning loan default, if any, of the company.
- VAT and Tax identification numbers.
- Due diligence certificate
- NOC from the lending bank (s)/financial institutions.
- Relevant resolution (s) and Board's resolution of the shareholders in the general meeting of the company.
- Credit rating report.

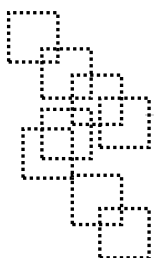
But security only can be offered for sale to the public in, it must first be registered and then approved by the Securities and Exchange Commission both for Private Placement Issue or a Public Offering. But as the topic suggested the major objective of these report is to find out the effective strategies that are followed by the MNC to enter into the capital market of Bangladesh, rather than discussed on the theories it will be more focused on applied strategies.

Objective

In terms of doing any work whether it is managerial or clerical, first it's vital to define some set of activities that has to be accomplished at the end of the day. These set of specified efforts or pre- defined activities are known as objective. So before going in depth to the project work, I have defined some objectives that will be fulfilled through out the report. So my desired end points are-

Specific Objectives:

- Stock Pricing Strategies
- Strategy behind the shareholding pattern
- Some legal Strategies
- Several Marketing Strategies



Methodology

Outline of Methodology

Methodology for this study regarding the entry strategies of the multinational companies in Bangladesh capital market will reveal the entire process that would be followed for the completion of the study successfully. This study will be carried out in several steps. Following methodology would be adopted to fulfill the objectives:-

Data Collection Method

This report is mostly descriptive, a few part consisting of analysis. As the over all report is on some strategies, so I have used both the primary and secondary source. These are as below:

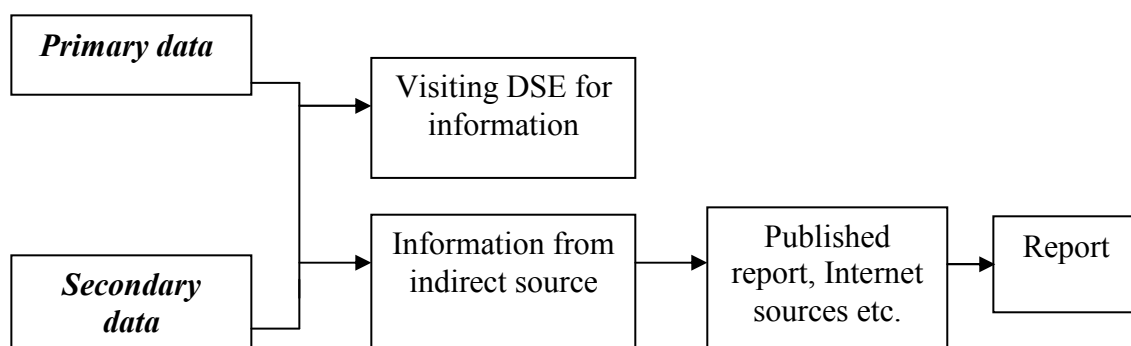
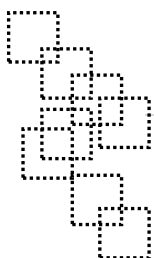
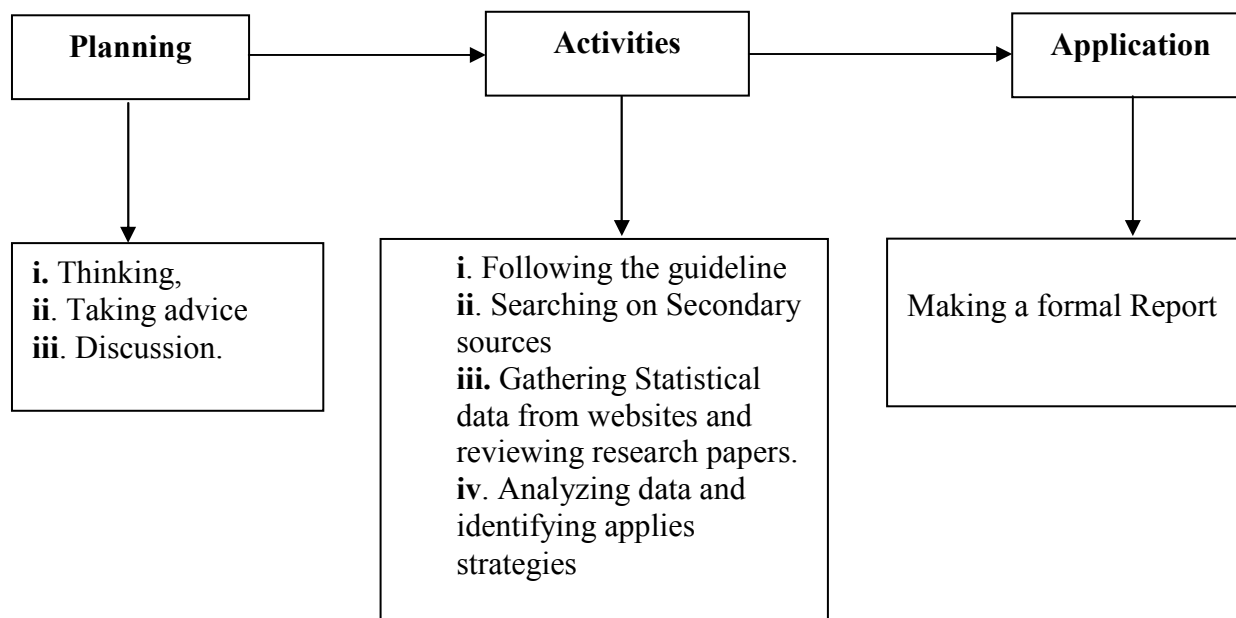


Fig: 1.1: Data Collation Method

The “**Secondary Data**” has been collected from different sources such as Websites, e-mail, various reports, prospectus, books, journal and publications. The entire methodology of the report is showing below for better clarity and easier understanding through a flowchart construction



The Flow chart construction:**Fig: 1.2: The Flow Chart Construction****Time Frame in Methodology**

2010	Eve of August	Mid August	End of August	Eve of September	Mid September	End of September
Gathering information	✓					
Organizing information		✓				
Analyzing information			✓			
Arranging contents				✓		
Writing the report					✓	
Report submission Presentation						✓

Fig: 1.3: Time Frame in Methodology

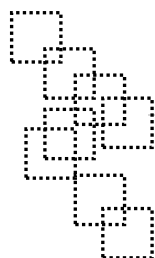
Scope

In the project, the range of views will be limited within few boundaries, which I define as my scope. So the scopes are as follows-

- This report will only be focused on few above mentioned strategies.
- To prepare the report, I have only accessed the information which is published in the prospectus of Grameenphone Bangladesh Limited and Marico Bangladesh Limited.

Limitation

As the report is all about discovering the strategies to enter into the capital market of Bangladesh for Multinational Companies, there were some limitations behind it. The study and findings of the report is only concern about the strategies that will be followed by the Multinational Companies. Almost every company is unwilling to disclose their strategies. Therefore rather than analyzing all the multinational companies in capital market, this report has been prepared with the help of the information that are available in the prospectus of two big multinational companies; Grameenphone Bangladesh Limited and Marico Bangladesh Limited. Apart from that as we all know entering into the capital market requires a lengthy process to pass which also involves many strategic decisions by the issuers. So due to the limitation, this report will only be focusing on some of the strategies which has been defined in the objective. Apart from that, two different stock exchanges of Bangladesh have started their operations in the late 1990s. So in order to make this report most up to date, recent information of some recent IPOs will be considered.





CHAPTER - 2



Capital Market

¹To understand the strategies in order to enter into the capital market properly, firstly it is required to understand the capital market. Capital market in very simple terms is a market where companies, other organizations and government can raise long term funds by issuing securities. In other sense capital market is the group of interrelated markets in which capital in financial form is lends or borrowed for medium and long term and in cases such as equities for unspecified periods. As already mentioned main function of capital market is to raise funds and this fund raising is regulated by the performance of the stock and bond markets as both the stock and bond markets are parts of the capital markets. Broadly capital market is consists of Primary markets which deals with the newly issued stocks and Secondary market handles the previously issued securities and most high liquid in nature.

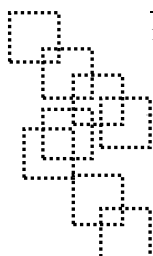
Mainly capital market is consider as a growth engine for an economy, and performs a critical role in acting as an intermediary between savers and companies. Companies enter into the capital market with an objective of raising additional funds for business expansion. Vibrant capital is likely to support a healthy economy. While lending by commercial banks provides valuable initial support for corporate growth, a developed stock-market is an important pre-requisite for moving into a more mature growth phase.

An overview of Capital Market in Bangladesh

Dhaka Stock Exchange

Bangladesh Capital market is one of the smallest in Asia but third largest in South Asia Region. It has started its journey in 8 April, 1954 when the East Pakistan Stock Exchange Association Ltd. was established under the name of Dhaka Stock Exchange (DSE). It has formed and managed under the Company Act 1994, Security Exchange Commission Act 1993, Security and Exchange Commission Regulation 1994 and Security Exchange (inside Trading) regulation 1994. But formally it has begun its trading in 1956. The trading was suspended during the liberation war of Bangladesh in 1971. With a change in government in policies Capital market of Bangladesh

¹<http://www.thedailystar.net/forum/2008/may/potential.htm>



again started its trading in 1976 after the liberation war. At that time there were only 9 companies were listed with total paid up capital of Tk.0 .138 billion and market capitalization of Tk. 0 .147. Since then the stock exchange continued its journey of growth. A small summary of its performance as of 2006-2009 is given below.

Dhaka Stock Exchange – Performance at a glance²

Year	2006	2007	2008	2009
No. of Securities	310	350	412	443
No. of Securities in mm	1546.05	2081.00	2759.00	3136.00
Market Capitalization (Tk. mm)	323367.94	742195.87	1059530	1312773
Turnover of listed Securities (Tk. mm)	65079.11	322867.07	667964.82	565038.22
Daily Avg. Transaction ((Tk. mm)	285.43	1362.31	2818.42	4520.31
No. of IPO's	7	14	12	4

Table: 2.1: Performance of DSE

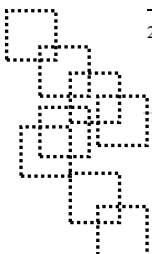
Chittagong Stock Exchange

In the year of 1995, Bangladesh got its second stock exchange in Chittagong named Chittagong Stock Exchange (CSE). It was incorporated as a company in April, 1994, but formally started trading from 10 October, 1994. Currently there are 234 companies are listed with CSE.

Security Exchange Commission & Central depository Bangladesh Limited

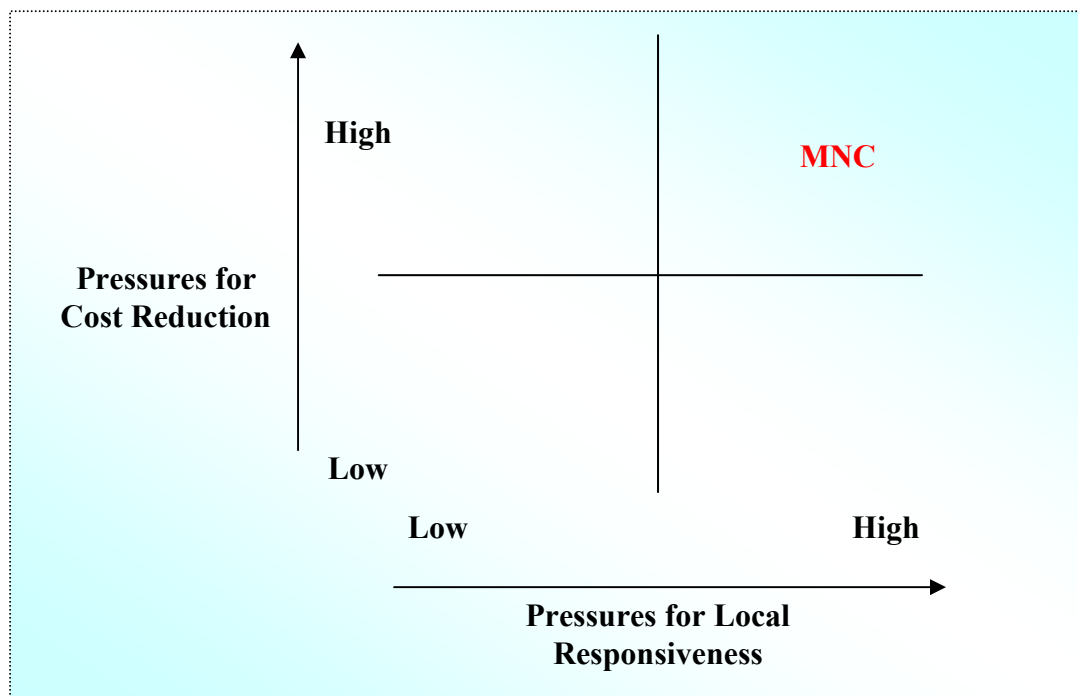
However in a purpose of implementing more regulations, gaining a more control over the operation of the stock exchange, protect the interests of securities investors, develop and maintain fair, transparent and efficient securities markets the government of Bangladesh established the Securities and Exchange Commission of Bangladesh on 8th June, 1993 under the Securities and Exchange Commission Act, 1993. Apart from that Central depository Bangladesh Limited (CBDL) was also incorporated as a public limited company in the year of 2000 in a purpose of operating and maintaining the Central depository System of Electronic Book Entry, recording and maintaining securities accounts and changing the ownership without any physical movement and execution of transfer instruments.

² <http://www.dsebd.org/mglc.php> -- Date: 06/09/2010



Multinational Company

³Multinational companies are simple termed as the business enterprises which are having its manufacturing, sales or services subsidiaries in more than one foreign country. It is also known as transnational company or Multinational Enterprise. Two well known researchers Christopher Bartlett and Sumantra Ghoshal has argued that in today's global environment companies need to face intense competition and simultaneously faces both strong cost pressure and strong pressure for local responsiveness. According to them today's MNCs do not reside in their home country but can develop in any of the firm's worldwide operation. So for multinational companies maintain the flow of skills and products offerings should not be all one way from home country to foreign subsidiary, rather the flow should be also from foreign subsidiary to the home country. The basic operational strategy of a multinational company is depicted below.



Graph: 2.1: Multinational Companies

So a multinational company equally focused on the low cost and also the local responsiveness in order to place their product in other foreign country.

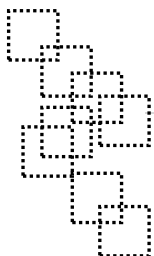
³ From the book of -- International Business by Charles W. L. Hill
http://www.icmab.org.bd/component/option,com_docman/task,doc_download/gid,272/Itemid,1/

Multinational Companies in Bangladesh

As we all know the economy of Bangladesh is growing rapidly and some initiatives by the governments making it is easy for more FDI. Cheap labor, Less rules and regulations, Steady economic development and most importantly a huge customer base making Bangladeshi market lucrative for the multinational companies. So starting from the prior liberation war period to till now there are many unknown, well known multinationals are operating in Bangladesh. Some of them are

- British American Tobacco Bangladesh Limited (FMCG)
- Unilever Bangladesh (FMCG)
- Reckitt Benckiser Bangladesh Limited (FMCG)
- Nestle Bangladesh (FMCG)
- Marico Bangladesh Limited (FMCG)
- Berger Paints Bangladesh Limited (Paint Industry)
- Chevron (Petroleum Industry)
- Mobil (Petroleum Industry)
- Grameenphone Bangladesh Limited (Telecommunication Industry)
- Nokia Siemens (Joint Venture of Nokia and Siemens)
- Youngone (Garments Industry)
- HSBC (Banking Industry)
- Standard Chartered Bank (Banking Industry)

So these are the list of few multinational companies in Bangladesh. However not every yet entered into the capital market of Bangladesh. Among them Reckitt Benckiser Bangladesh Limited, Marico Bangladesh Limited, Grameenphone Bangladesh Limited, Berger Paints Bangladesh Limited are already started their trade into different stock exchange. In order to make this report more fruitful, we are only focusing on the strategies of Grameenphone which they have used for entering into the capital market of Bangladesh.



Multinational Companies in Dhaka Stock Exchange

In Dhaka Stock Exchange there are total 22 different industries where around 461 companies are listed as of 9th September, 2010. A summarized form of it is given below:

No.	Industry	Listed Org.	No.	Industry	Listed Org.
1	Bank	30	12	Jute	3
2	Cement	7	13	Miscellaneous	11
3	Ceramics Sector	5	14	Mutual Funds	26
4	Corporate Bond	2	16	Pharmaceuticals & Chemicals	21
5	Debenture	8	17	Services & Real Estate	4
6	Engineering Financial Institutions	22	18	Tannery Industries	5
7	Food & Allied	21	19	Telecommunication	1
8	Fuel & Power	23	20	Textile	28
9	Insurance	11	21	Travel & Leisure	3
10	IT Sector	44	22	Treasury Bond	179
11		5		⁴ Total Listed Org.	178

Table: 2.2: Companies listed in DSE

Among the above list, a few numbers of companies are multinationals which are listed in Dhaka Stock Exchange. They are

Industry	Listed MNC's	Name of the Company
Cement	1	Heidelberg Cement Bangladesh Limited
Engineering	2	SINGER Bangladesh, Renwick Jajneswar
Miscellaneous	1	Berger Paints Bangladesh Ltd.
Tannery Industries	1	Bata Shoe
Telecommunication	1	Grameenphone Bangladesh Limited
Pharmaceuticals & Chemicals	3	Glaxo SmithKline, Marico Bangladesh Limited, Reckitt Benckiser Bangladesh Limited
Total	9	-

Table: 2.3: Multinational Companies in DSE

⁴ http://www.dsebd.org/by_industrylisting1.php

Multinational Companies in Chittagong Stock Exchanges

In Chittagong Stock Exchange, there are total 7 companies are listed which are

Industry	Listed MNC's	Name of the company
Cement	1	HEIDELBER Cement Bangladesh limited
Lather Industries	1	Bata shoe
Miscellanies	1	British American Tobacco Bangladesh Co. Ltd.
Telecommunication	1	Grameenphone Bangladesh Limited
Pharmaceuticals & Chemicals	3	Berger Paints Bangladesh Ltd., Marico Bangladesh Limited, Reckitt Benckiser Bangladesh Limited
Total	7	

Table: 2.4: Multinational Companies in CSE

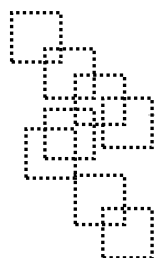
Comparison of two Multinational Company's IPO

To understand the entry strategy of the multinational companies in Bangladesh Capital market, here I have analyzed some basic information of two IPO's by two renowned multinational companies in Bangladesh.

Company Name	GP	Marico
Authorized Capital *mn	40000	400
Paid up Capital*mn	13503	315
Number of Shares for IPO	69439400	1492100
Issue Price Per (+ Premium)	70	90
Premium	60	80
Opening Date of subscription	4th October, 2009	2nd August, 2009
Closing Date of subscription	8th october,2009	6 th August, 2009
Credit rating: Short term	ST-1	ST-1
Long term	AAA	AA+
Managers to Issue	Citigroup Global Markets BD. Ltd	IDLC Finance Limited Equity Partners Limited
Underwriters	IDLC Finance Limited Citigroup Global Markets BD. Ltd Eastern Bank Limited Green delta Insurance co. Ltd. IFIC Bank Limited The City bank Limited Trust Bank Limited	ICB Capital Management Limited Prime Finance & Investment Limited Green Delta Insurance Company Limited Lanka Bangla Finance Limited IDLC Finance Limited Equity Partners Limited

Note: Information are Collected from DSE

Table: 2.5: Comparison between two





CHAPTER - 3



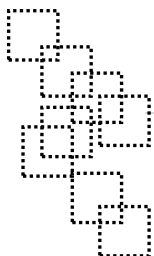
IPO Process

In order to explore the strategies that are used by multinational companies to enter into the Bangladesh capital market, firstly here I will focus on the actual steps which are required by each and every company to follow before entering into capital market. Usually a new or existing company which is not listed on the exchange starts issuing shares by inviting the public to buy shares which is called initial public offering or in short IPO. IPO is such a process where a company offers a percentage of its ownership, or equity, to new investors who acquire a stake in the company by buying its shares. The issuing company receives a capital boost from the funds raised and the investors receive a share of the future performance of the company. It is mainly a mutually beneficial arrangement.

As a basic idea of issuing shares for raising capital or raising funds from public, so IPO is also referred to as “Going Public”. In a much summarized form to enter into the capital market of Bangladesh, Multinational Companies need to go through the steps like:

- Need help from the underwriter or investment bankers for issuing shares.
- Underwriters determine the valuation of the Company.
- Register with SEC.
- Present the IPO fact file and prospectus to the investors usually via Road show.

However, before going for the IPO, as a rule each company needs to take consent from the SEC which requires a series of actions where MNCs' applied different strategies. Consequently, all the prior and afterward steps of getting consent from SEC are the legal procedures that a company is bound to follow which are described below:



Steps Prior Attaining the Consent from SEC

1. Advisors Selection:

For any company, before obtaining the consent from the security exchange commission, company needs to select or appoint a legal advisor. Basic activity of a Legal Adviser is to work on favor of the company and responsible for ensuring security of internal information of the company. Usually in Bangladesh all the local company appoints one local advisor. But for the multinational company it requires to appoint two advisors.

2. Valuation of Assets and restructuring:

One of the most important tasks for the MNC before entering into the capital market is to valuation of the asset. It is mandatory as it proves to the SEC that whether the prospecting company has the strength. Another important process is changing organization employee management and also restructuring and obtaining Reports thereon. Listed Organization's all top level employee usually has to follow by the Auditor.

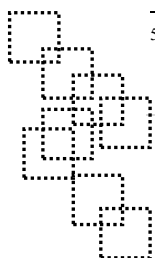
3. Selection of Bankers to the Issue:

The selection process relies on the investment banker's reputation as expertise, quality of research coverage in the company's specific industry. The selection strategy varies from different issuer. For example if issuer would like to see its securities held more on by institutional investors that by individual, then the company will select that Bankers who has more expertise on institutional investors. Apart from those other functions of Bankers Letter is to confirm the opening of separate accounts for IPO and accepting their appointment⁵.

4. Selection of underwriters:

Selection of underwriters & completing underwriting agreement is another essential process of IPO listing procedure. Underwriters are liable for successful float of all the shares. Public offerings can be managed by soul managed or multiple managers (underwriter) which merely

⁵ Rule -18 of Public Issue Rules 2006



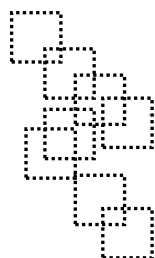
depends on the size of the offering. Main functions of the underwriter is to make all the arrangements for the due diligence process, pricing and distribution of stock.

After selecting the underwriter, company needs to get some clearance report and follow some mediatory course of actions in order to step forward towards the IPO. They are

- **Collection of NOC from Lenders:** Collection of No Objection Certificates (NOC) from lenders is a mandatory to get IPO approval. Lender should issue a letter stated no objection of Company's changed capital structure. If the company have loan from several banks, then it is necessary to collect NOC from all the lenders.
- **⁶Audit of Accounts:** Organization should have Audit of their accounts by authorized Auditor. The audited account shall not be older than 120 days of the end of the period for which the Financial Statement is prepared. 10 copies of Financial Statement have submitted to SEC, one copy each to DSE and CSE.
- **⁷Credit Rating Report:** Generally it takes at least two months to complete the Credit Rating after the Annual Audit is completed and credit report is mandatory for IPO listing process. For getting a good response from the investors, the strategy is usually focused towards getting a good credit rating.
- **Agreement with CDBL:** Before submission of Application to SEC, it is mandatory to complete agreement with Central Depository Bangladesh Limited (CDBL). CDBL maintain online transaction of securities by taking some fees and they listed all the investor in Stock Market.

⁶ Audited report should be duly signed on each page, by the issuer's chief executive officer/managing director, chief financial officer and issue manager according to the Rule -3 of Public

⁷ Rule 18 (21) of the Public Issue Rules 2006 says that the application for consent shall be accompanied by some exhibits including Credit Rating Report. No issue of shares at a premium or issue of right shares shall be made by a public company unless the issue is rated by a credit rating company and declaration about such rating is given in the prospectus or right offer document (Sec.3 of Credit Rating Companies Rule 1996).



- **Approval from Sponsors:** It is necessary for the company to take approval from the sponsor for documentation the process, undertaking and information.
- **Refund warrant guarantee:** Company also needs to open a separate Bank Account for refund warrant purpose. It also called Mother Accounts for Refund Warrant.

5. Draft Prospectus:

In this stage, upon receiving the consent from the SEC, the draft prospectus is prepared for disclosing all the information to the general investors. This prospectus is also known as RED HERRING. It usually contains the financial and statistical data, general information, declarations and Due Diligence Certificates, description of business, ownership structure, lock in provision, determination of public offering price and so on.

6. Application Submission:

Application has to submit to SEC for consent to Issue with approved Prospectus and deposit the Govt. Fees of BDT 10,000. ⁸If the application is incomplete the SEC shall inform the applicant within 28 days of receipt of application and if the issuer fails to remove incompleteness within 30 days of communication, it shall file fresh application.

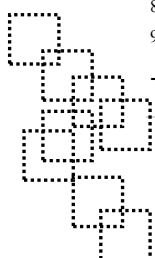
7. Consent from SEC:

SEC will issue a Letter of Consent if the application and information, documents are provided by the company are reliable. ⁹It usually issued within 60 days of receipt of complete application. If the application submitted by the applicant is fresh and correct then usually it takes 45 days to get IPO consent.

⁸ (Rule -17 of Public Issue Rules 2006)

⁹ (Rule -17(4) of Public Issue Rules 2006)

-- http://www.sb.iub.edu.bd/intern_report_asaduz_zaman.pdf



Steps after Obtaining the Consent from SEC¹⁰

After getting the approval from SEC, a company needs to complete few more requirements which are described below. It is also important to mention that the following rules are specified for every company where company gets little scope of implementing their own strategies.

1. Submission of prospectus:

The Company will submit the abridged version of prospectus in SEC for approval, usually before 10- 15 days prior to opening of subscription. The company also has to submit signed copy of the Prospectus with Registrar of Joint Stock Company (RJSC).

2. Announcement for the investor:

Company will have to Publish of abridged version of prospectus in 4 newspapers (2 English + 2 Bengali) within 3 working days of the issuance of. A paper clipping of published Abridged Version of Prospectus has to submit to SEC within 24 hours of publication in newspapers.

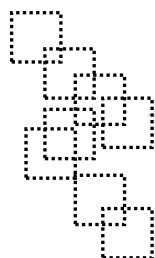
3. Provide full prospectus:

Issuer Company will have to submit 40 copies of printed prospectus to SEC and also printed copies of abridged version Prospectus and application forms to Bangladesh Embassies by EMS.

4. Application for listing:

At this point Applicant should apply to all Stock Exchanges in Bangladesh and submit the vetted prospectus to the Stock Exchanges within 7 working days from the date of issuance of the Consent Letter

¹⁰ (Section 138 of Companies Act 1994)
(Rule 5(1) of Public Issue Rules 2006)
(Rule 6(2) of Public Issue Rules 2006).
(Rule 17 of the Public Issue Rules 2006).
(Rule - 5 of Public Issue Rules 2006)
(Regulation 3 (2) of DSE Listing Regulations).
(Regulation 3(3) of DSE Listing Regulations)



5. Subscription period:

Subscription List shall be opened and sale of securities commence after 25 days of publication of Abridged Version of Prospectus. Subscription List shall be closed after shall remain open for 5 consecutive banking days.

6. Transaction rate:

To apply spot buying rate (TT Clean) in US \$ and UK pound and Euro of Sonali Bank for subscription of NRB"s. Spot buying rate to be collected from Sonali Bank on the date of opening of subscription.

7. Application to Stock Exchanges for Listing:

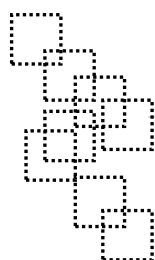
For application for Listing issuer has to submit it to SEC attested copies of applications filed with Stock Exchanges within 7 working days of issuance of consent letter¹¹.

8. Approval of listing:

Final step is granting of listing applications by DSE and CSE for issuing the share. The Exchange shall decide the question of granting permission within a maximum period of 6 weeks from closure of subscription lists.

This was a very precise view of taking consent from the SEC for issuing shares. But in reality issuing shares requires further more condition which is under Section 2CC of the Security and Exchange Ordinance, 1969. As my main concentration is to find out the entry strategy into the capital market of Bangladesh only, so I have mainly focused on some predefine strategies. However the Conditions Under Section 2CC of the Security and Exchange Ordinance, 1969 is given in the appendix part.

¹¹ Application shall be made by the Company at least 10 days prior to issue of first Prospectus
--<http://www.thedailystar.net/forum/2008/may/potential.htm>
--<http://english.peopledaily.com.cn/90001/90778/90858/90863/6857439.html>



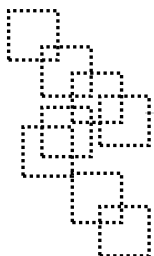


CHAPTER - 4



Strategies of MNCs in Bangladesh

When Grameenphone has started their IPO a new history has made by them. And once again in the year of 2009 when Grameenphone Bangladesh Limited has first entered into the capital market, the history of capital market in Bangladesh has experienced a new era. A new era where capital market got its highest peak, volume of traded shares left all the histories behind. These were some remarkable events happen when GP has entered into the capital market of Bangladesh. If we look aside one more success story can be seen. One of the big MNCs in, Marico Bangladesh Limited has also entered into the capital market of the Bangladesh in the same year as of GP. And since then both of them are really performing outstanding which can be witnessed by looking at their shear price, trading volume and demand by the investors for their shears. Now what was happen to GP and MBL so that they were able to make such bunches of histories. No doubt the answer would be the strategies that they followed before and after entered into the capital market of the Bangladesh. However thinking about the selected topic to make the findings more generalized two previously mention MNCs has taken under consideration to come up some strategies that are used by them to enter into the capital market of Bangladesh. Therefore in order to reveal some helpful strategies, here in this part of my report I have discussed and come up with the strategies like Share Pricing strategy, Shareholding Strategies, Marketing Strategies and some Legal Strategies which also can be implemented by other MNCs in future to enter into the capital market of Bangladesh.



Pricing Strategies

¹²One of the crucial parts of the IPO is pricing the IPO. It is considered as the most significant as the pricing of the IPO only can determine the future capital base of the prospecting company. In simple terms pricing or valuation has been constantly seen as a debate between what is worth verses what the market thinks its worth versus what a strategic buyers thinks it worth. Usually a company planning for IPO needs to appoint lead managers in order to find out the appropriate price at which the shares should be issued. However a company can float its shares in many ways, but the pricing of the shares tend to be influenced by the size of the company, its risks and demand of the shares. So before enter into the capital market of Bangladesh, pricing strategies of shares of the multinational companies is determined by using several pricing methods. Very brief discussions about all the methods are given below.

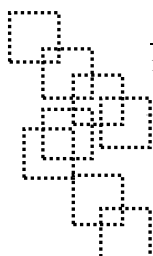
Fixed Price Method:

By its own terms, fixed price method is price at which the securities are offered and would be allotted is made known in advance to the investors. Here the investment bank consultation with the firm, values the company and fixes the price which investors can subscribe to. For example on the Dubai Financial Market, IPOs are usually sold at AED 1 per share.

The price of the shares could be at par value or at a premium above par value. Usually demand for the securities offered is known only after the closure of the issue. In Fixed Price method, offerings in some cases are high oversubscription levels. Of course, these IPOs are often viewed as a success and the method is popular with investors due to the immediate returns it often generates in the first few days of trading.

Conversely, fixed pricing method can lead to an undervaluing of the issuing company as the price of the company's shares at IPO is often lower than a "fair" market value. As a result, the low price attracts investors and the share price often rises dramatically in the first few days of trading after the IPO, as investors positively revalue the company. Consequence for the company, and its pre-IPO shareholders is, they may have given away substantial value.

¹² <http://www.sec bd.org/Prospectus-GP.pdf>



¹³**Book Building Method:**

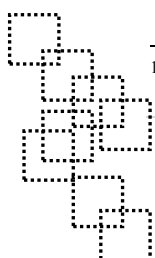
In contrast with Fixed price Method, in Book Building method the issuing company does not fix the share price in advance rather gives a price band to the investors within which are can bid. IPO's final price is then determined on the basis of all the bid prices. In short the process of Book Building method is

- The issuer or Company nominated the merchant bank first
- The concerned company announces the total number of IPO shares with the price range.
- Investors bid for these issues shares within fixed time period and place their preferences through broker.
- Brokers then place all these bids through electronic media.
- Then merchant bank and IPO issuing company evaluates these bids based on their own fixed criteria.
- A cut-off price is then decided by accepting the lowest price at which all the IPO securities can be disposed off.
- IPOs are then allotted to those investors whose bid prices are above the cut-off mark
-

Dutch Auction Method:

The third method of IPO pricing is Dutch Auction Method. For IPOs, however, auctions are surprisingly rare. This method challenges the traditional book building and fixed price methods because the role of underwriters in pricing IPOs are less significant here. Moreover, information asymmetries between underwriters and issuing firms are greatly reduced under the Dutch auction method. It should be noted here that the IPO under pricing is considerably less under the Dutch auction method. However the rarity of IPO auctions is not due to unfamiliarity but relative risk compare to book building is a major factor in their lack of popularity. In contrast with other methods, auctions require allocations which are based on current bids, without considering any past relationship between certain bidders and the auctioneer, and they are usually open to everyone.

¹³ <http://finance.mapsofworld.com/ipo/book-building.html>



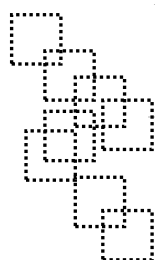
IPO Pricing Strategies in Bangladesh

At the early stage, all the pricing of the IPOs in Bangladesh was conducted through fixed pricing method. However according to the Chairman of SEC Mr. Faruq Ahmad Siddiqi in a workshop session of BBM (Book Building Method), this method of pricing IPOs (FPM) does not encourage the successful entrepreneurs as it is mostly under price the IPO which was reflected in many previous IPOs of Bangladesh. Also under this system, the leading companies cannot set appropriate price for their shares. So highlighting the fundamental weakness of the existing IPO pricing method (FPM), on March 5, 2009 the SEC has approved the Book Building Method of pricing Initial Public Offerings (IPOs) for both domestic and foreign companies. But in order to use this book building method of IPO pricing, a company has to fulfill some pre requisites. All these pre requisites are so profound that it will highly influenced the share pricing strategies by any local, national and multinational company. The full version of these pre conditions are given in appendix, but a very briefly listed below¹⁴.

- The company should have been in operation for at least last immediate 5 years.
- The company shall have net profit in immediate last 3 years with steady growth in earnings.
- The company shall have no accumulated loss at the time of application
- The Company shall have minimum rating of ‘Investment Grade’
- Holding annual general meeting
- The Company shall offer at least 10 % shares of paid up capital (including intended offer) or Tk 30 crore whichever is higher.
- Shall be required to conduct independent audit of last 5 years annual report by a firm of Chartered Accountants who satisfies the requirements of Securities and Exchange Rules, 1987/ (SEC Panel of auditors)
- However, Commission, if deems appropriate for the interest of investor or development of capital market, may exempt all or any of the requirements.

So in the light of above discussion, to enter into the capital market in Bangladesh, MNCs can use any of the pricing methods for pricing their shares. However it is wise for the big MNCs to use

¹⁴ http://www.dsebd.org/pdf/work_shop.pdf



the Book Building Method as this method allows the issuer to price their shares at an exact value provided following all the conditions of SEC.

Pricing Strategy of Grameenphone

As GP has offered price of Taka 70.00 share is at a premium to the par value per share of Taka 10.00 per share, 4 alternative methods for valuating the share prices using the Enterprise Value to LTM EBITDA method.

Share Price Based on NAV: In order to price the shares, one of the alternatives is valuing the shares based on the net asset value of the company. The total shareholders' equity and net asset value per shares as of December 31, 2008 is presented below.

	par Value
No. of shares outstanding (in Millions)	1215
Par value per share (TK)	10
Paid up Capital	12152
Share premium	14
Retained Earnings	13267
Capital Reserve	14
Deposits from shareholders	2
General reserve	2140
Total	15436
Shareholder Equity	27588
Less intangible and deferred cost of connection revenue	-8554
Net tangible assets	19034
No. of Shares outstanding	1215
Net tangible assets per shares of Tk 1 each	15.66
NAV per share	22.7

Table: 4.1: NAV per share of GP

However NAV per share number fails to capture a significant part of the true value by underestimating the intrinsic value of the intangible assets which are consider to be the strength of GP.

Share Price based on Book building Method:



GP also has conducted the book building method to price their shares. End of this process, 47 institutional investors and 3948 of the GP's employees have participated in the offering. They have paid Tk. 7.40 per share for approximately 553.8 million shares for a total of Tk 4097.8 million. But in interest of the general investors, GP has offered price of Tk. 7.00 per share in the Public Offering which represent a discount of 5.4% to the share price. Subsequent to effecting a change in par value from Tk. 1.00 to 10.00 per share, the offer price in the placement has been revised to taka 74.00 per share. The public offering price similarly has been changed to Taka 70.00 per share.

Share Price based on Historical EPS:

EPS valuation method is considered being the best for mature telecom operators which have achieved their long term steady state. In that point of view the share price valuation of GP based on EPS is given below.

Based on five years historical average EPS, average EPS of GP is

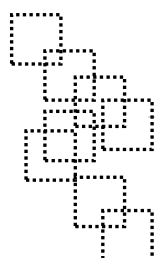
	Par value
Average Net Income for (2004-2008)	5,436,809,603
Current shares outstanding (million)	1215
Average EPS	4.47

Table: 4.2 Average EPS of GP

The average P/E ratio for all the companies listed on the DSE during same five years from 2004-2008:

	2004	2005	2006	2007	2008
Average Market P/E (yearly)	12.27	15.01	12.8	18.76	21.33
5 years Average	16.03				

Table: 4.3: Average Market P/E



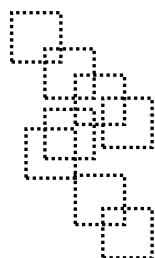
So at par value of Tk 10.00, offer price for GP is

$$\begin{aligned}\text{Offer price} &= (5 \text{ Years historical average EPS}) \times (\text{DSE P/E Ratio}) \\ &= (4.47) \times (16.03) \\ &= 71.73\end{aligned}$$

So GP's offer price is Tk. 70.00 per share at a discount to this implied price.

Share Price based on projected EPS:

Another way of valuation the share price is to projecting the future EPS. The share price calculation using this method is based on several assumptions. These assumptions are merely on the risk factor and uncertainty. A number factors like change of market condition, regulatory policy, regional and global economic trends, political environment and other factors affecting this pricing method. This pricing method also considers the future outlook and business performances. So therefore using this pricing method GP also can assume what would be the share price in the year of 2011.



Pricing Strategy of Marico Bangladesh Limited

¹⁵As we all know Marico Bangladesh Limited is also enlisted in the stock exchange in Bangladesh. In order to reveal the actual strategies of pricing the shares before IPO, here I have also analyzed their pricing strategy. Mainly they have followed a weighted average method where they have calculated NAV from historical cost, Weighted Average Historical EPS, Projected EPS and Average market price of other stocks. The calculation method is also under the ¹⁶SEC Rules. The pricing calculation is given below:

Particulars	a NAV (Tk)	b Weight	a X b
NAV at Historical cost	29.53	25%	7.38
Weighted Avg. Historical EPS	52	25%	13
Projected EPS	121	25%	30.25
Average Market Price of Similar Stocks	158	25%	39.5
Average Price			90.13

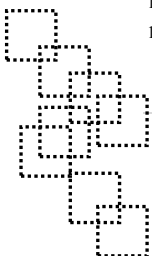
Table: 4.4: Average Share Price of Marico Bangladesh Limited

Based on the above calculation, Marico Bangladesh Limited has set the Offer Price at Tk 90/- (Taka Ninety Only), in association with IDLC Finance Limited and Equity Partners Limited, the Joint Managers.

From the above discussion I can state that in the case of MBL, they have set the price of the shares on a weighted average method. Apart from them, GP also analyzed the many pricing methods and justified their pricing strategy. According to them NAV method is highly applicable to the company who are actually in the stage of introduction or growth. Being a mature company mainly they have priced their stock using market P/E ratio and their historical EPS. But their pricing method is mainly derived from BBM and EPS. So in the conclusion of share pricing strategy, I can state that there are many pricing strategies which also have its own merits and demerits. But which strategy is needed to use again depends on the company's position the life cycle, market situation, industry situation, market price of other stocks and so on.

¹⁵ http://www.maricobd.com/investor_relations/Marico_Prospectus.pdf

¹⁶ Clause No. 16 (b) of the SEC (Public Issue) Rules, 2006



Ownership of the Company's Structure

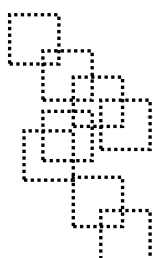
One of the major reasons for entering into the capital market is to fund collection or rising fund. Company is allowed to raising fund by selling the ownership which is basically the main objective of being public limited company. After entering into the capital market or offering shares to the general people, general people or investors become the owner of the company. Now at the time of IPO, company firstly needs to decide at what portion or percentage of their ownership they will sell to general people. Now this kind of decision varies from company to company. Sometimes many companies sell their maximum shares or more than 50% ownership to the investors. So fixing on the ownership structure of the company is a strategic decision. Here I have analyzed the ownership structure of Grameenphone prior and post IPO which was also influenced by the regulations of SEC.

Shareholding Pattern of Grameenphone

¹⁷Before entering into the capital market of Bangladesh, GP was mainly owned by the Telenor Mobile Communications and Grameen Telecom. Both of them have ownership of 62% and 38% respectively. Other profitable and non profitable institutions like Nye Telenor Mobile - II AS, Nye Telenor Mobile - III AS, Telenor Asia PTE Ltd., Grameen Kalyan, Grameen Shakti are also engaged with Grameenphone. But according to SEC, in order to enter into the capital market or floating the shares and getting the publicly listed company, that company should have 7 different owners. As a result Grameen Telecom (GTC) sells some of the share to the other five subsidized company owned by them.

After getting consent from Securities and Exchange Commission there was a change of around 10% in existing Share holder structure. Shares will be deducted from two major share holders

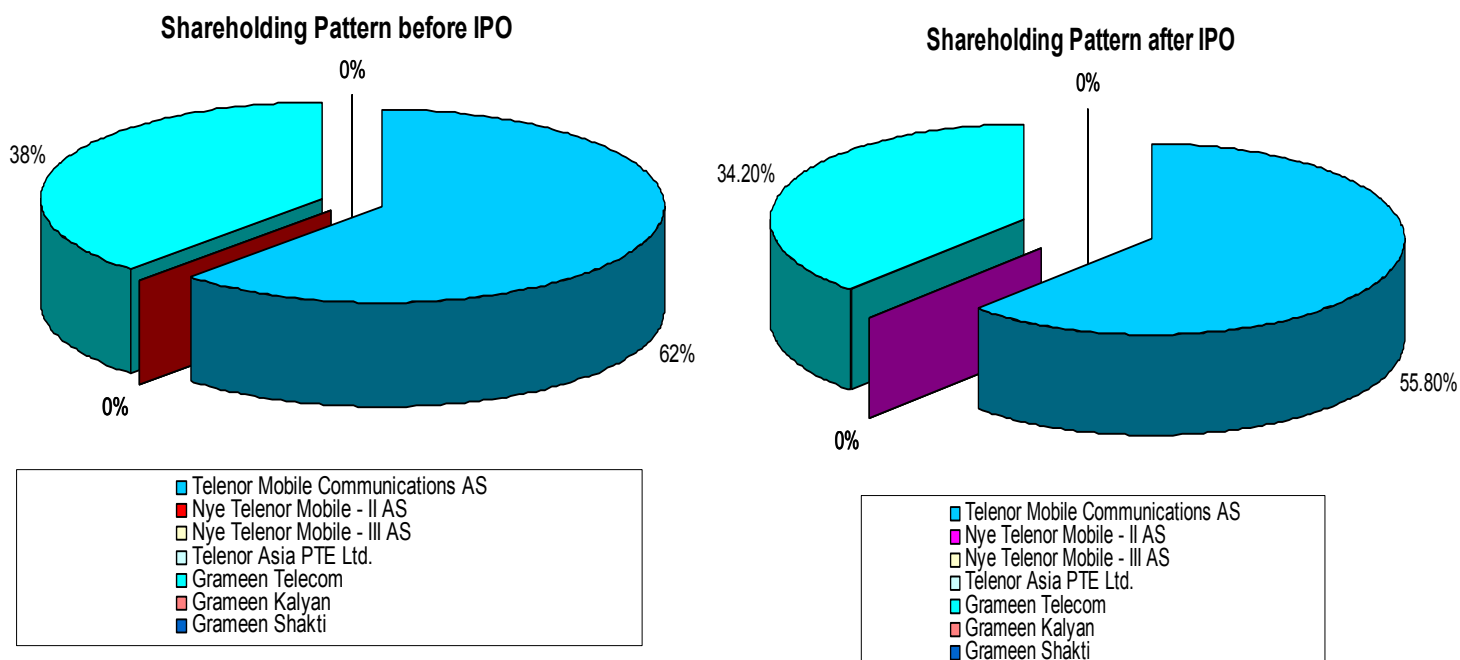
-
- ¹⁷ Nye Telenor Mobile –II AS & III AS – Subsidiary of Telenor Mobile Holdings AD and an affiliate of Telenor.
 - Telenor Asia PTE-- Subsidiary of TMC and an affiliate of Telenor.
 - Grameen Telecom- Non profitable organization
 - Grameen Kalyan -- Non profitable organization
 - Grameen Shakti-- Non profitable organization



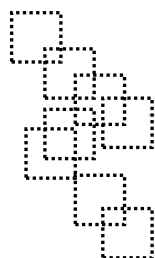
Telenor AS and Grameen Telecom (GTC). After Private placement and Initial Public Offer these two Major share holders will have Telenor 55.80% and Grameen Telecom (GTC) 34.20%. This amendment can be shown below.

Name	Num of Ordinary shares held	Percentage Before Offerings	Percentage After Offerings
Telenor Mobile Communications AS	753407724	62%	55.80%
Nye Telenor Mobile - II AS	215	0%	0%
Nye Telenor Mobile - III AS	215	0%	0%
Telenor Asia PTE Ltd.	215	0%	0%
Grameen Telecom	461766409	38%	34.20%
Grameen Kalyan	22	0%	0%
Grameen Shakti	22	0%	0%
Total	1215174822	100%	90.00%

Table: 4.5: Ownership structure of Grameenphone



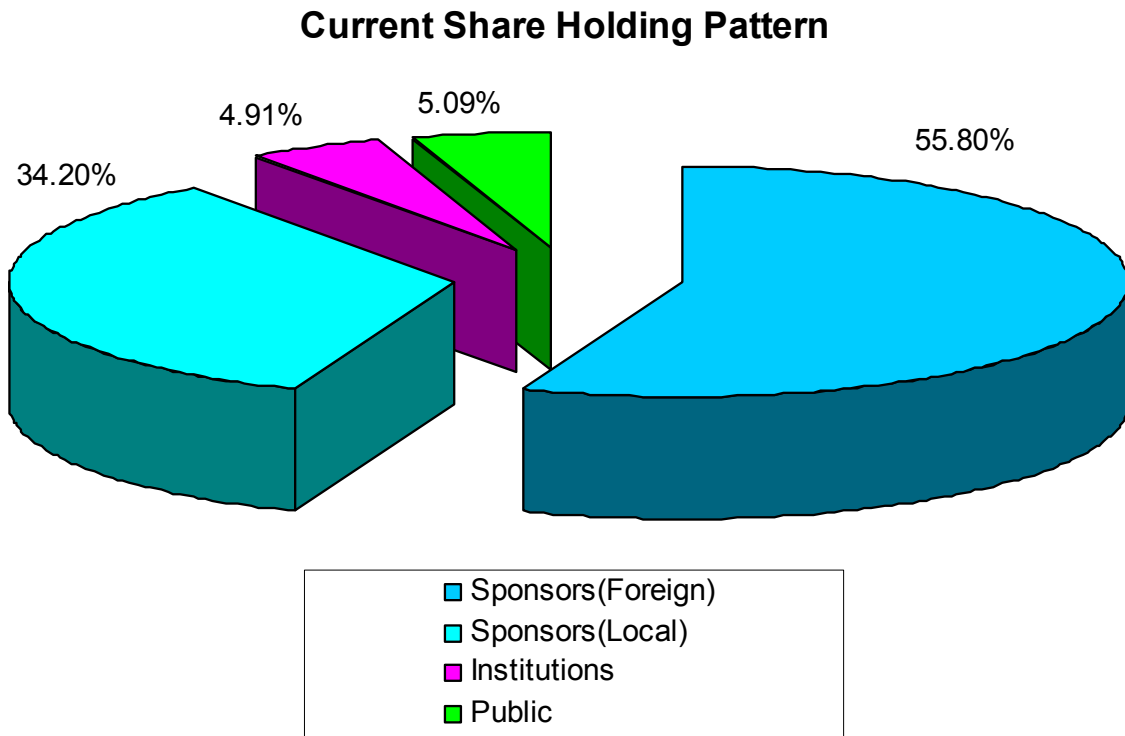
Graph: 4.1: Ownership structure of GP (prior and after IPO)



So from the above analysis, it's clear to state that GP has restructured their ownership pattern by selling 10% of their shares to the general investors. Among this 10% shares around 4.91% hold by institutions and 5.09% in publicly hold.¹⁸ A summary of them is given below.

Shareholders	No. of Shares	No. of Shareholders	% of Total
Sponsors(Foreign)	453408369	4	55.80%
Sponsors(Local)	461766453	3	34.20%
Institutions	66325021	550	4.91%
Public	68800179	189842	5.09%
Total Shares	1050300022	190399	100.00%

Table: 4.6: Shareholding Pattern of Grameenphone



Graph: 4.2: Existing Shareholding Pattern of GP

Furthermore In total 312,501 shares were allocated with 277,757 for resident Bangladeshis, 34,720 allocated to Non-resident Bangladeshis and 24 to Mutual Funds.

So it's easy to understand the basic strategy of GP's restructuring their ownership pattern.

- Firstly they have decided to sell 10% of their ownership to the general public.

¹⁸ <http://investor-relations.grameenphone.com/Major-Shareholdings.html>

- The major sponsor Telenor Mobile Communications and Grameen Telecom has sold out a very small percentage of their ownership to the other five institutions in order to comply with the SEC rules.
- Most importantly their main objective was to hold the majority of the shares by the parent company Telenor Mobile Communications.

Shareholding Pattern of Marico Bangladesh Limited

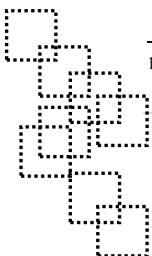
¹⁹Apart from the GP's shareholding pattern, if we look at the shareholding pattern of one of the biggest MNCs in Bangladesh, Marico Bangladesh limited, then we will have a clear view of the strategies behind the ownership of the company's structure followed by the Big publicly listed MNCs in Bangladesh.

From the very beginning of Marico Bangladesh Operation, we have observed that Marico Limited, India has hold 100% shares of the company, however there were 6 more nominee shareholders who basically owned only 1 share which is 0% of the total shares.

Name of Member	Shareholding status	No of Shares	Shareholding (Tk)	Percentage
Marico Limited, India	Sponsor	28349993	283499930	100.00%
H.C. Mariwala	Nominee shareholder of Marico India	1	10	0.00%
Milind S.Sarwate	Nominee shareholder of Marico India	1	10	0.00%
Vijay Subramaniam	Nominee shareholder of Marico India	1	10	0.00%
Debashish Neogi	Nominee shareholder of Marico India	1	10	0.00%
Kunal Gupta	Nominee shareholder of Marico India	1	10	0.00%
K.S. Balaji	Nominee shareholder of Marico India	1	10	0.00%
Soumendra S. Das	Nominee shareholder of Marico India	1	10	0.00%
Total		28350000	283500000	100.00%

Table: 4.7: Ownership Structure of Marico Bangladesh Limited

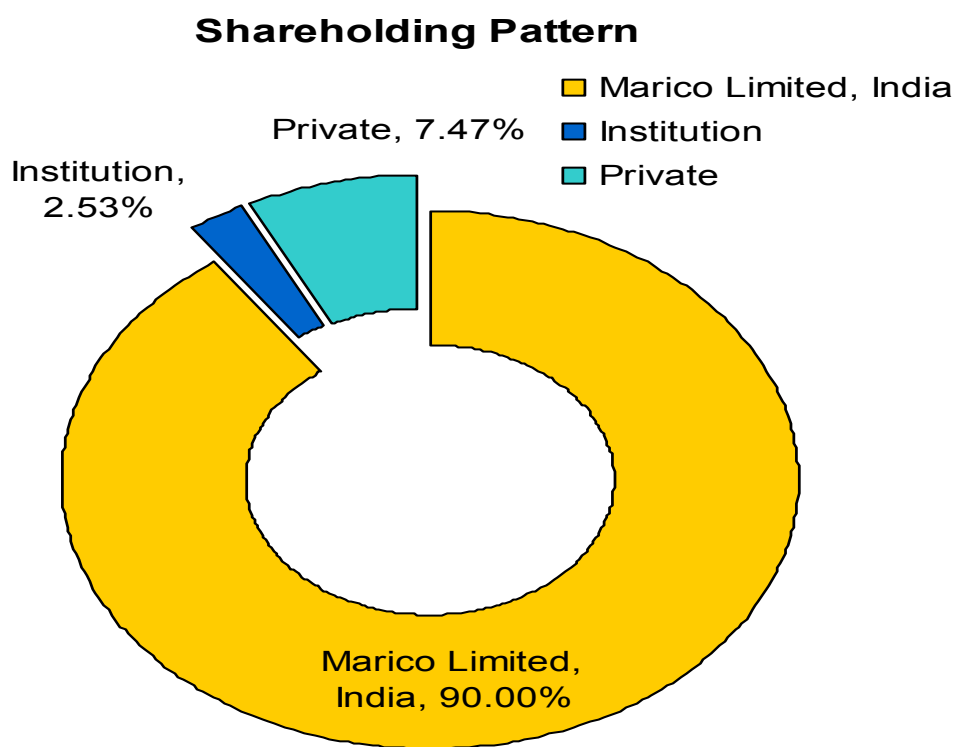
¹⁹ http://www.maricobd.com/investor_relations/Marico_Annual_Report_PDF_FINAL.pdf



However after listed in the capital market of Bangladesh, Marico Bangladesh Limited has also followed the same strategy which we have observed in Grameenphone Bangladesh Limited. Among the total number of the shares they have issued 2.53% shares to institutions and 7.47% shares hold by public. Therefore the company's ownership is 10% hold by the external investors and rest of the 90% is still hold by the company itself, Marico Limited.

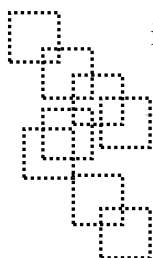
Name of Member	No of shares	Percentage
Marico Limited, India	28350000	90.00%
Institution	798350	2.53%
Private	2351650	7.47%
Total	31500000	100.00%

Table: 4.8: Existing Shareholding Pattern of Marico Bangladesh Limited



Graph: 4.3: Existing Shareholding Pattern of Marico Bangladesh Limited

So from this analysis we can say that maximum multinational companies which have been listed in stock exchange have structured their ownership in such a way that maximum shares remains in the hand of the company.



Marketing Strategy

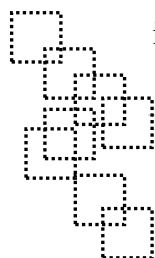
Buzz Marketing:

“Buzz marketing” the term itself explains its meaning. Main objective of the Buzz Marketing is creating create Buzz among the target customer. In many cases we have seen this Buzz Marketing strategy. Many companies have created Buzz among their target market or customer before launching their product into the market. Similarly before entering into the capital market, one of the strongest strategies is to create the Buzz. Now as far we all know the purpose behind going public is to collect fund from many institutional and general investors. So to attain the attention of the investors, multinational companies can use this buzz marketing strategy. For example, at the early stage of IPO of Grameenphone Bangladesh Limited, they have created a Buzz among the investors. At that time people were eagerly waiting for the GP to come into the market. Therefore a total number of 11, 23,140 investors have applied for the primary shares of Grameenphone Limited (GP), which is 3.55 times over than the total lot of GP shares. Local investors submitted 11, 83,502 applications totaling Tk, 1,657.97 corer registering 3.79 times oversubscription. As a result GP was able to create history in Capital Market of Bangladesh.

Selecting Issue Managers:

In many cases selecting the manager to issue is also a weapon of marketing strategy. For many institutional investors, it is important who is managing the share of the prospecting company. The brand image of the Managing Company itself can increase the market value and demand for the shares of the issuer company. Therefore I have observed the same phenomena for selecting the managers. In my analysis of the multinational companies, two prospecting company or Issuer Grameenphone Bangladesh Limited and Marico Bangladesh Limited also followed this marketing strategy. However, selecting the Issue Managers has also influenced by the company’s purpose of attracting the category of investors.

In the case of Grameenphone Bangladesh Limited, they intended to attracted more quality investors. Even in very specific terms they were willing to attract more foreign investors to invest into their company. As a result Citigroup Global Markets Bangladesh Private Limited has



been appointed as the Global Coordinator, Issue Manager [and Lead Underwriter] for the IPO²⁰. So here I have discovered that the Brand name of Citigroup Global Markets has also increased the Brand value and credibility among the investors, specially the foreign investors.

If we look at Marico Bangladesh Limited, they have assigned IDLC Finance Limited as their Issue Manager. Basic objective behind was to attract more local investors to invest in their company and IDLC similarly has increased the trustworthiness among the investors by being the main Issue Manager of Marico Bangladesh Limited.

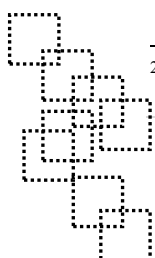
Selection of Underwriter:

Now strategy of selecting the underwriters again varies from company to company. These strategies could be influenced for example if the shares under subscribed bellow the whole offer, then underwriter will have to buy and hold that particular amount of shares. Other factors that determine the strategy of selecting underwriters are size of offering, reputation of the underwriter, expertise of the underwriter and amount of the compensation that needs to be given to the underwriter by the issuing company. Similarly, selecting the underwriter is also can be one of the marketing strategies. For example in both the cases of Grameenphone and Marico, we have observed a good numbers of underwriters and specially the renowned underwriters. It has also increased the image of both the companies and simultaneously worked as a marketing tactic.

Using Brand Name:

Finally the point I will be focusing is the Brand Name. Brand Name works dramatically in the mind of consumer. In many cases companies get more benefited through their brand name rather the offered product or service. So before enter into the capital market, using the Brand Name will also be a marketing strategy for any multinational company. Many critics may ask what makes the Grameenphone Bangladesh Limited a biggest IPO in the history of Bangladesh. A good and justified answer is their Brand Name. For example if any XYZ Company is entering into the capital market. So inventors will pay less attention and less willingness to invest in that company compare with any Branded Company. The reason behind this act is psychological factor that affects the investment decision. So in this case multinational companies can use this factor as their marketing strategy before entering into the capital market of Bangladesh.

²⁰ <http://www.thedailystar.net/story.php?nid=47143>



Legal Procedure

The above mentioned legal procedure is compulsory to follow for any issuer before going for IPO. But different MNCs implement their strategies which again a matter of clandestine and consider as know how. Therefore I have analyzed some factors that influence the strategies and which are discussed below.

Selecting Advisor:

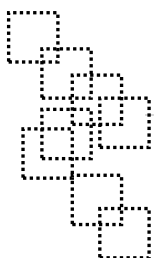
The strategy or reason behind selecting two advisors for MNC is the local advisor will better serve in order to follow the local rule of the SEC. But the foreign advisor will serve in favor of the MNC. For example in order to enter into the capital market of Bangladesh, Grameen phone one of the leading multinational companies has appoint Barrister Ishtiaq as Local advisor and City group Legal House as Foreign legal advisor.

Management Structure:

Legal issues for being listed into the capital market, sometimes requires the company to change their Organogram structure. The basic idea behind it is to design the Organogram of the company which will ensure credibility, accountability, transparency, well-understood policies, procedures, efficiency, meeting all stakeholders' interests. Therefore each and every company needs to follow the Corporate Governance in order to guiding the Company towards the goal set by the Shareholders. As a result a company need to form their management structure in such a way which abide by SEC rules and regulation

Management Structure of Grameenphone:

By enlisting in the Capital market, GP also has changed their Organogram. The previous Organogram is given below:



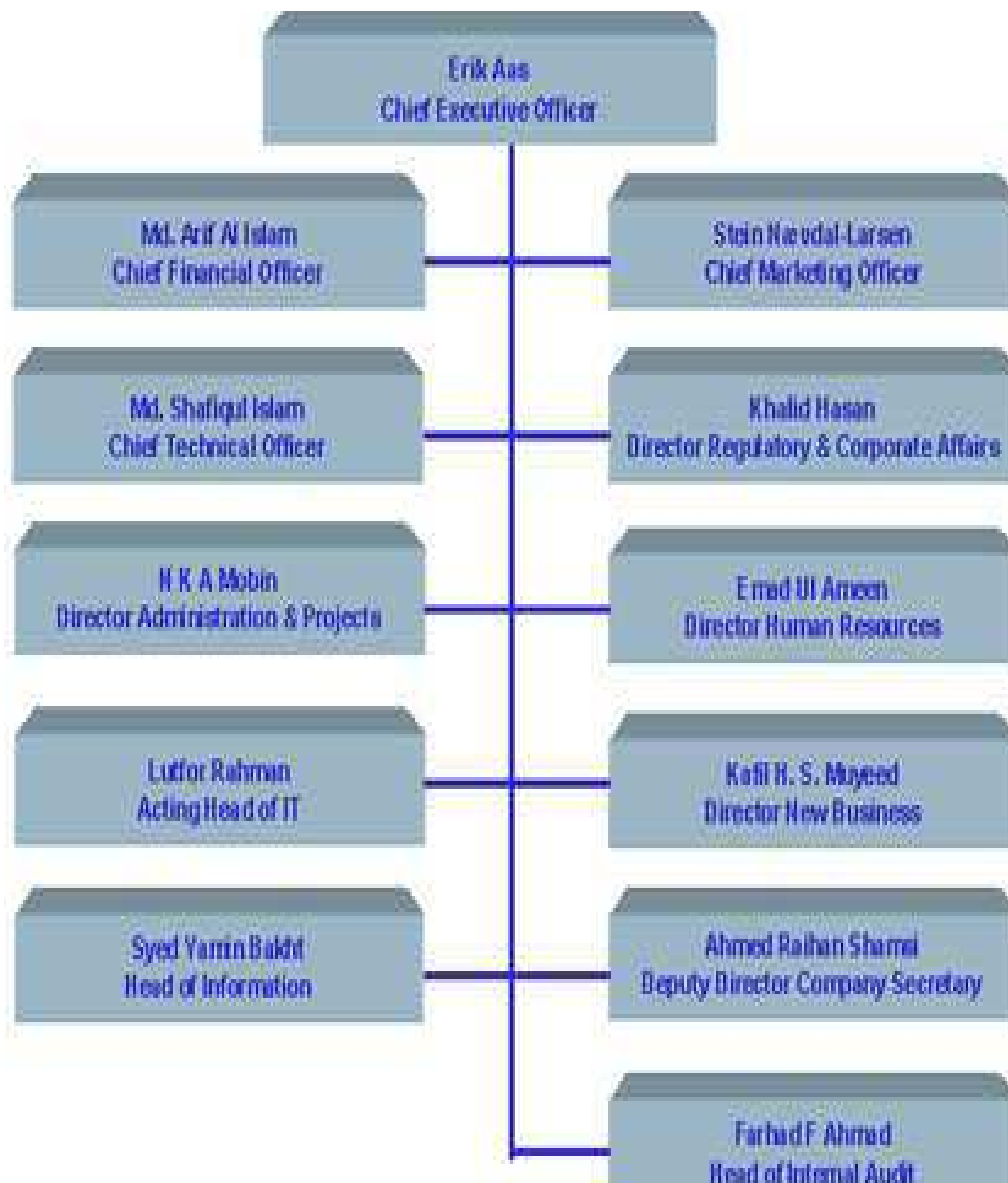
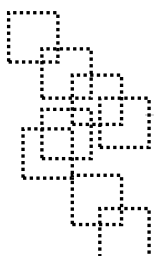


Fig: 4.1: Previous Organogram of Grameenphone

As of 12th June, 2007

Overhear we can see previously GP has a Vertical Management structure, where CEO plays a vital role and authority of operating business in his own hand, each and every Departmental Head is accountable to CEO. There was no audit committee or Board of directors who are directly linked in the management structure

However for being listed in the capital market GP has done tremendous change in their management structure.



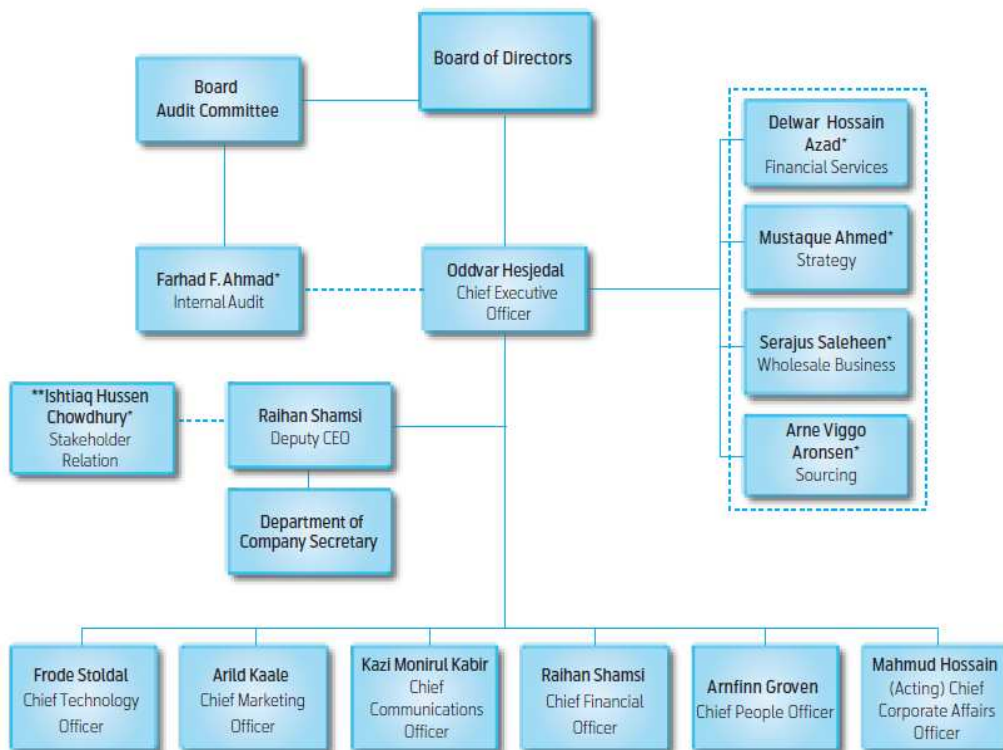


Fig: 4.2: Current Organogram of Grameenphone
²¹As of January, 2010

In contrast with the previous management structure, here we can see that GP has introduced Audit Committee, Board of Directors in their new Organogram. Here management is accountable for his work under the Audit committee and Board of Directors which ensures the trustworthiness of CEO in favor of shareholders. Furthermore in the Board of Directors they have newly included Audit Committee, Treasury Committee, Human Resources Committee and Health, Safety, Security and Environment Committee.

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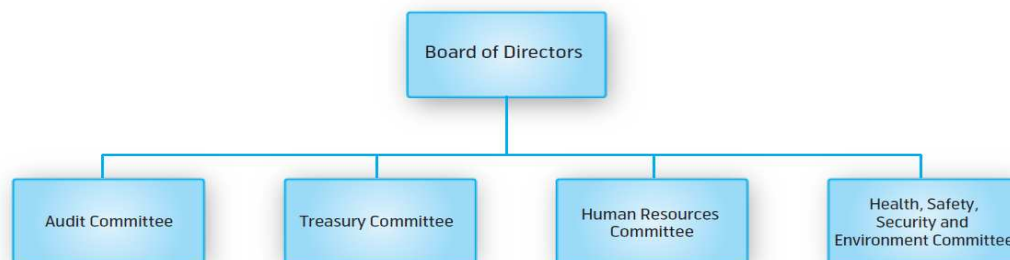


Fig: 4.3: Board of Directors of Grameenphone

²¹ <http://investor-relations.grameenphone.com/annualreport/GP%20Annual%20Report%202009%20Final.pdf>

²² <http://investor-relations.grameenphone.com/annualreport/GP%20Annual%20Report%202009%20Final.pdf>

²³ According to GP, the main function of the Board is

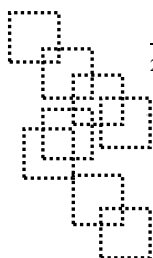
- The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to internal control, financial reporting, risk management, auditing matters and GP's processes of monitoring compliance with applicable legal & regulatory requirements and the Code of Conduct.
- All significant financial matters which concern the Board are discussed in this committee meeting in detail.
- The Committee supports the Board in fulfilling its oversight responsibilities with respect to Human Resources policy, including employee performance, motivation, retention, succession matters and Codes of Conduct.

Announcement for the Investors:

Selection of 4 different newspapers is also a strategic decision for the MNC. Usually issuer selects such kind of newspaper which is most popular and which contain mostly news of capital market. However big companies sometimes used or spread rumor into the market before starting the IPO. As a result it helps them to create huge demand inside the investors regarding the investing into the prospecting company. For example, before actually start trading into the stock market Grameenphone has also used this kin of rumor which resulted huge demand of their shares.

Apart from all these strategies sometimes multinational companies follows some unique strategies like minting good relation with the Bank in order to get a NOC letter. Sometimes companies brand value and good reputation may also used as strategic tool for the auditors and sponsors as well.

²³ <http://investor-relations.grameenphone.com/annualreport/GP%20Annual%20Report%202009%20Final.pdf>





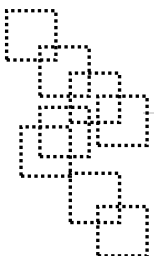
CHAPTER- 5



Findings

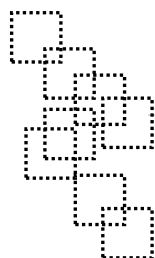
After analyzing numerous different aspects of IPO and methodology of entering into the Capital Market of Bangladesh, I have come up with some following findings. Such as

- In order to price the shares, several pricing methods are used. But in Bangladesh up to 2009, most popular way of pricing share was Fixed Pricing Method.
- Considering the short comings of FPM, SEC has decided to use Book Building Method. But issuers also need to concern about the pre requisites made by SEC.
- Apart from all these popular methods of pricing shares, there are some other methods. Such as Grameenphone has followed Historical EPS method, Marico Bangladesh used a weighted average method.
- However the main strategy behind pricing the shares is not price the shares such high which will distract the investors to invest into the company and also not to make too low which will cause under valuation of the prospecting company.
- In the shareholding pattern, I have discovered that both Grameenphone and Marico Bangladesh Limited have offered 10% of their shares to the general investors. Now this percentage may vary from company to company and sometimes even industry to industry.
- So basic idea behind shareholding pattern is to hold the maximum shares in the hand of the company in order to hold the ownership.
- Apart from all the strategy, there were some interesting findings for Marketing Strategies. A multinational company can use their Brand Name, different kinds of marketing approaches like “Buzz marketing”, selecting a well known Issue Manager and so on. But basic idea behind Marketing Strategy is to make the shares of the company maximum creditable and profitable in front of the investors compare to others in the industry.
- In my findings I have found out a lengthy procedure of IPO and listing requirements that has to be followed by each and every issuer. However sometimes company needs to change their management structure in order to comply with the corporate governance.

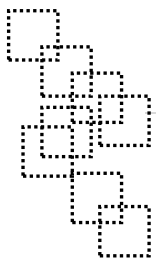


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- <http://investor-relations.grameenphone.com/annualreport/GP%20Annual%20Report%202009%20Final.pdf>



Appendix



Conditions Under Section 2CC of the Security and Exchange Ordinance, 1969

As per provision of the Depository Act, 1999 and regulations made there under, shares will only be issued in dematerialized condition. All transfer/transmission/splitting will take place in the Central Depository Bangladesh Ltd. (CDBL) system and any further issuance of shares (right/bonus) will be issued in dematerialized form only.

Conditions under section 2CC of the Securities and Exchange Ordinance, 1969

PART-A

01. The company shall go for Initial Public Offer (IPO) for “” Ordinary Shares of Tk. “” each at an issue price of Tk. “” per share (including a premium of Tk “” each) worth Taka “” only following the Securities and Exchange Commission (Public Issue) Rules, 2006, the Depository Act, 1999 and regulations made there under.

02. The abridged version of the prospectus, as approved by the Commission, shall be published by the issuer in four national daily newspapers (in two Bangla and two English), within 3 (Three) working days of issuance of consent letter. The issuer shall post the full prospectus, vetted by the Securities and Exchange Commission, in the issuer’s website and shall also put on the websites of the Commission, stock exchanges, and the issue managers, within 3 (Three) working days from the date of issuance of this letter and which shall remain posted till the closure of the subscription list. The issuer shall submit to SEC, the stock exchanges and the issue managers a diskette containing the text of the vetted prospectus in “MS -Word” format.

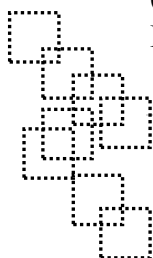
03. Sufficient copies of prospectus shall be made available by the issuer so that any person requesting a copy may receive one. A notice shall be placed on the front of the application form distributed in connection with the offering, informing that interested persons are entitled to a prospectus, if they so desire, and that copies of prospectus may be obtained from the issuer and the issue managers. The subscription application shall indicate in bold type that no sale of securities shall be made, nor shall any money be taken from any person, in connection with such sale until twenty five days after the prospectus has been published.

04. The company shall submit 40 (Forty) copies of the printed prospectus to the Securities and Exchange Commission for official record within 5 (Five) working days from the date of publication of the abridged version of the prospectus in the newspaper.

05. The issuer company and the issue managers shall ensure transmission of the prospectus, abridged version of the prospectus and relevant application forms for NRBs through e-mail, simultaneously with publication of the abridged version of the prospectus, to the Bangladesh Embassies and Missions abroad and shall also ensure sending of the printed copies of abridged version of the prospectus and application forms to the said Embassies and Missions within 5 (Five) working days of the publication date by Express Mail Service (EMS) of the postal department. A compliance report shall be submitted in this respect to the SEC jointly by the issuer and the issue managers within 2 (Two) working days from the date of said dispatch of the prospectus and the forms.

06. The paper clipping of the published abridged version of the prospectus, as mentioned at condition 2 above, shall be submitted to the Commission within 24 hours of the publication thereof.

07. The company shall maintain separate bank account(s) for collecting proceeds of the Initial Public Offering and shall also open FC account(s) to deposit the application money of the Non



Resident Bangladeshis (NRBs) for IPO purpose, and shall incorporate full particulars of said FC account(s) in the prospectus. The company shall open the above-mentioned accounts for IPO purpose; and close these accounts after refund of over-subscription. Non-Resident Bangladeshi (NRB) means Bangladeshi citizens staying abroad including all those who have dual citizenship (provided they have a valid Bangladeshi passport) or those, whose foreign passport bear a stamp from the concerned Bangladesh Embassy to the effect that no visa is required for travel to Bangladesh.

08. The issuer company shall apply to all the stock exchanges in Bangladesh for listing within 7 (Seven) working days from the date of issuance of this letter and shall simultaneously submit the vetted prospectus with all exhibits, as submitted to SEC, to the stock exchanges.

09. The following declaration shall be made by the company in the prospectus, namely: -

Declaration about Listing of Shares with the Stock Exchange(s):

“NONE OF THE STOCK EXCHANGE(S), IF FOR ANY REASON, GRANTS LISTING WITHIN 75 DAYS FROM THE CLOSURE OF SUBSCRIPTION, ANY ALLOTMENT IN TERMS OF THIS PROSPECTUS SHALL BE VOID AND THE COMPANY SHALL REFUND THE SUBSCRIPTION MONEY WITHIN 15 DAYS FROM THE DATE OF REFUSAL FOR LISTING BY THE STOCK EXCHANGES, OR FROM THE DATE OF EXPIRY OF THE SAID 75 (SEVENTY FIVE) DAYS, AS THE CASE MAY BE.

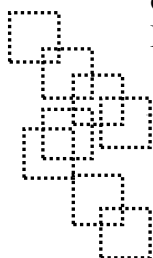
IN CASE OF NON-REFUND OF THE SUBSCRIPTION MONEY WITHIN THE AFORESAID 15 (FIFTEEN) DAYS, THE COMPANY DIRECTORS, IN ADDITION TO THE ISSUER COMPANY, SHALL BE COLLECTIVELY AND SEVERALLY LIABLE FOR REFUND OF THE SUBSCRIPTION MONEY, WITH INTEREST AT THE RATE OF 2% (TWO PERCENT) PER MONTH ABOVE THE BANK RATE, TO THE SUBSCRIBERS CONCERNED.

THE ISSUE MANAGERS, IN ADDITION TO THE ISSUER COMPANY, SHALL ENSURE DUE COMPLIANCE OF THE ABOVE MENTIONED CONDITIONS AND SHALL SUBMIT COMPLIANCE REPORT THEREON TO THE COMMISSION WITHIN 7 DAYS OF EXPIRY OF THE AFORESAID FIFTEEN DAYS TIME PERIOD ALLOWED FOR REFUND OF THE SUBSCRIPTION MONEY.”

10. The subscription list shall be opened and the sale of securities commenced after 25 (Twenty Five) days of the publication of the abridged version of the prospectus and shall remain open for 5 (Five) consecutive banking days.

11. A non-resident Bangladeshi shall apply either directly by enclosing a foreign demand draft drawn on a bank payable at Dhaka, or through a nominee by paying out of foreign currency deposit account maintained in Bangladesh or in Taka, supported by foreign currency encashment certificate issued by the concerned bank, for the value of securities applied for through crossed bank cheque marking “Account Payee only”. The NRB applicants shall send applications to the issuer company within the closing date of the subscription so as to reach the same to the company by the closing date plus 9 days. Applications received by the company after the above time period will not be considered for allotment purpose.

12. The company shall apply the spot buying rate (TT clean) in US Dollar, UK Pound Sterling and Euro of Sonali Bank, which shall be mentioned in the Prospectus, as prevailed on the date of opening of the subscription for the purpose of application of the NRBs and other non-Bangladeshi persons, where applicable.



13. The company and the issue managers shall ensure prompt collection/clearance of the foreign remittances of NRBs and other non-Bangladeshi(s), if applicable, for allotment of shares.

14. Upon completion of the period of subscription for securities, the issuer and the issue managers shall jointly provide the Commission and the stock exchanges with the preliminary status of the subscription within 5 (Five) working days, in respect of the following matters, namely: -

- (a) Total number of securities for which subscription has been received;
- (b) Amount received from the subscription; and
- (c) Amount of commission paid to the bankers to the issue.

15. The issuer and the issue managers shall jointly provide the Commission and the stock exchanges the list of valid and invalid applicants in electronic form in 2 (Two) CDs and final status of subscription to the Commission within 3 (Three) weeks after the closure of the subscription along with bank statement (original), branch-wise subscription statement. The list of valid and invalid applicants shall be finalized after examination with the CDBL in respect of BO accounts and particulars thereof.

16. The IPO shall stand cancelled and the application money shall be refunded immediately (but not later than 5 (Five) weeks from the date of the subscription closure), if any of the following events occur:

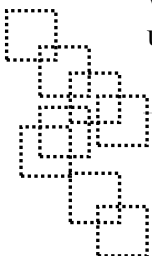
- (a) Upon closing of the subscription list it is found that the total number of valid applications (in case of under subscription including the number of the underwriter) is less than the minimum requirement as specified in the listing regulations of the stock exchange(s) concerned; or
 - (b) At least 50% of the IPO is not subscribed.
17. 10% of total public offering shall be reserved for Non-Resident Bangladeshis (NRBs) and 10% for mutual funds and collective investment schemes registered with the Commission and the remaining 80% shall be open for subscription by the general public. In case of under subscription under any of the 10% categories mentioned above, the unsubscribed portion shall be added to the general public category and, if after such addition, there is over subscription in the general public category, the issuer and the issue managers shall jointly conduct an open lottery of all the applicants added together.

18. All the applicants shall first be treated as applied for one minimum market lot of “” shares worth Tk “” (Taka Four Thousand Five Hundred Only). If, on this basis, there is over subscription, then lottery shall be held amongst the applicants allocating one identification number for each application, irrespective of the application money. In case of over-subscription under any of the categories mentioned hereinabove, the issuer and the issue managers shall jointly conduct an open lottery of all the applications received under each category separately in presence of representatives from the issuer, the stock exchanges and the applicants, if there be any.

19. An applicant cannot submit more than two applications, one in his/her own name and another jointly with another person. In case an applicant makes more than two applications, all applications will be treated as invalid and will not be considered for allotment purpose. In addition, whole or part of the application money may be forfeited by the Commission.

20. Lottery (if applicable) shall be held within 4 (Four) weeks from closure of the subscription date.

21. The company shall issue share allotment letters to all successful applicants within 5 (Five) weeks from the date of the subscription closing date. Within the same time, refund to the unsuccessful applicants shall be made in the currency in which the value of securities was paid



for by the applicants without any interest, through Account Payee Cheque/ refund warrants with bank account number, bank's name and branch as indicated in the securities application forms payable at Dhaka/ Chittagong/ Khulna/ Rajshahi/ Barisal/ Sylhet/ Bogra, as the case may be subject to condition 19 above. Refund money of the unsuccessful applicants shall be credited directly to their respective bank accounts, who have mentioned in the IPO application forms, bank account numbers with the bankers to the issue and other banks as disclosed in the prospectus. A compliance report in this regard shall be submitted to the Commission within 7 (Seven) weeks from the date of closure of subscription.

22. The company shall furnish the List of Allottees to the Commission and the stock exchange(s) simultaneously in which the shares will be listed, within 24 (Twenty Four) hours of allotment.

23. In the event of under-subscription of the public offering, the unsubscribed portion of securities shall be taken up by the underwriter(s) (subject to Para -16 above). The issuer must notify the underwriter to take up the underwritten shares within 10 (Ten) days of the subscription closing date on full payment of the share money within 15 (Fifteen) days of the issuer's notice. The underwriter shall not share any underwriting fee with the issue managers, other underwriters, issuer or the sponsor group.

24. All issued shares of the issuer at the time of according this consent shall be subject to a lock-in of 3 (Three) years from the date of issuance of prospectus or commercial operation, whichever comes later. Provided that the persons, other than directors and those who hold 5% or more shares, who have subscribed to the shares of the company within immediately preceding two years of according consent, shall be subject to a lock-in of 1 (One) year from the date of issuance of prospectus or commercial operation, whichever comes later.

25. Either a Jumbo Share (one for each of the existing Sponsors/ Directors/ Shareholders) in respect of the shares already issued shall be issued covering together respective total holding, which shall contain the expiry date of lock-in period or Sponsors/Directors/Promoters/Shareholders' shareholding shall be converted into demit form but shall be locked-in as per the condition delineated at para-24 above

26. In case of Jumbo Share Certificate issued to the existing Sponsors/ Directors/Shareholders, the said share certificates shall be kept under custody of a security custodian bank registered with SEC during the lock-in period. The name and branch of the bank shall be furnished to the Commission jointly by the issuer and the issue managers, along with a confirmation thereof from the custodian bank, within one week of listing of the shares with the stock exchange(s).

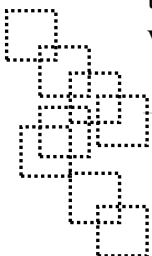
27. In case of dematerialization of shares held by the existing Sponsors/ Directors/Shareholders, the copy of dematerialization confirmation report generated by CDBL and attested by the Managing Director of the company along with lock-in confirmation shall be submitted to SEC within one week of listing of the shares with the stock exchange(s).

28. The company shall apply to the stock exchanges for listing within 7 (Seven) working days of issuance of his letter and shall simultaneously submit to the Commission attested copies of the application filed with the stock exchanges.

29. The company shall not declare any benefit other than cash dividend based on the financial statements for the period ended on December 31, 2008.

PART-B

01. The issuer and issue managers shall ensure that the abridged version of the prospectus and the full prospectus is published correctly and in strict conformity without any error/omission, as vetted by the Securities and Exchange Commission.



02. The issue managers shall carefully examine and compare the published abridged version of the prospectus on the date of publication with the copy vetted by SEC. If any discrepancy/inconsistency is found, both the issuer and the issue managers shall jointly publish a corrigendum immediately in the same newspapers concerned, simultaneously endorsing copies thereof to SEC and the stock exchange(s) concerned, correcting the discrepancy/inconsistency as required under 'Due Diligence Certificates' provided with SEC.
03. Both the issuer company and the issue managers shall, immediately after publication of the prospectus and its abridged version, jointly inform the Commission in writing that the published prospectus and its abridged version are verbatim copies of the same as vetted by the Commission.
04. The fund collected through Public Offering shall not be utilized prior to listing with stock exchanges and that utilization of the said fund shall be effected through banking channel, i.e. through account payee cheque, pay order or bank drafts etc.
05. The company shall furnish report to the Commission on utilization of IPO proceeds within 15 (Fifteen) days of the closing of each quarter until such fund is fully utilized, as mentioned in the schedule contained in the prospectus, and in the event of any irregularity or inconsistency, the Commission may employ or engage any person, at issuer's cost, to examine whether the issuer has utilized the proceeds for the purpose disclosed in the prospectus.
06. All transactions, excluding petty cash expenses, shall be effected through the company's bank account(s).
07. Proceeds of the IPO shall not be used for any purpose other than those specified in the prospectus. Any deviation in this respect must have prior approval of the shareholders in the General Meeting under intimation to SEC and stock exchanges.
08. Directors on the company's Board will be in accordance with the applicable laws, rules and regulations.

PART-C

01. All the above conditions imposed under section 2CC of the Securities and Exchange Ordinance, 1969 shall be incorporated in the prospectus immediately after the page of the table of contents, with a reference in the table of contents, prior to its publication.
02. The Commission may impose further conditions/restrictions etc. from time to time as and when considered necessary which shall also be binding upon the issuer company.

PART-D

01. As per provision of the Depository Act, 1999 and regulations made there under, shares will only be issued in dematerialized condition. All transfer/transmission/splitting will take place in the Central Depository Bangladesh Ltd. (CDBL) system and any further issuance of shares (Including rights/bonus) will be made in dematerialized form only.
An applicant (including NRB) shall not be able to apply for allotment of shares without Beneficial Owners (BO) account.
02. The issue managers shall also ensure due compliance of all the above.

