

# IPO Underpricing In Bangladesh



# IPO Underpricing in Bangladesh

## Internship Report

**Submitted To**  
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## Letter of Transmittal

10 December 2016

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Associate Professor  
BRAC Business School  
BRAC University  
66 Mohakhali, Dhaka-1212

Subject: Submission of the internship report on **IPO Underpricing in Bangladesh**

Dear Sir,

It gives me immense pleasure to be able to successfully submit my internship report to you on **IPO Underpricing in Bangladesh** as per requirement of my MBA program. I have tried my heart and soul to make this report informative and free from error. Also, it was a great experience for me to work under your guidance. I express my special gratitude to you for dedicating your valuable time and helping me whenever needed.

I, therefore, pray and hope that, you would be kind enough to accept my internship report on the given topic. I would be available in case of any further clarification or elaboration regarding the topic.

Sincerely yours,

---

Md. Shakilun Nabi  
ID No: 14364024  
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## Acknowledgement

It takes a lot of effort to prepare a report on such a dynamic topic as underpricing. So, I would like to thank Almighty Allah for granting me the ability to accomplish this difficult task. There are also some other people who have contributed relentlessly to make this report a good one. Without their support this report could never have been completed in time.

First of all, I would like to take this opportunity to express my gratitude & heartfelt thanks to my honorable supervisor **Dr. Md. Mamun Habib**, Associate Professor of BRAC Business School, BRAC University, who grant me to do my internship report on IPO Underpricing in Bangladesh. I also express my deep sense of gratitude to him for constant supervision, moral support, valuable instruction & helpful advice during the research work. His direction, comments, generous patience greatly helped me in improving the research capability writing skills. It would have been quite impossible to carry on the dissertation & give it a final shape without his encouragement. However, the responsibilities of errors and omissions in the report, if any, lie with me.

Next, I would like to thank the **LankaBangla Investments** authority to give me the opportunity to join as an intern. In this regard I express my extreme gratitude to **Farhana Sharmin**, Senior Executive, Human Resource Department, for selecting me as an intern.

I am greatly indebted to **Mr. Mohsin Ahammad**, Head of Credit Administration department, **Mr. Sayed Saniat Ahmmad**, Assistant manager, Credit Administration department LankaBangla Investments Limited, for his valuable time, guidelines, suggestions and comments, which helped me very much during the internship period in the branch. Many thanks to other employees as well for their kind help and motivation.

## Executive Summary

When a company or issuing firm offers to sell shares of their business to the public for the first time with the expectation to develop liquid market is called Initial Public Offering (IPO). The main reason of a company to be listed in stock exchange is raise equity capital from stock market.

When the offering price of a stock in primary market is lower than the first day closing price of that stock in secondary market then it is called IPO underpricing. Generally, the issuing firm set the offering price at a level so that the first day return in secondary market show positive. The main reason of IPO underpricing is information asymmetry. Managers of companies don't care about their share price underpricing because they give focus on their increase of capital and higher return. Actually investment bankers make information asymmetry because they know the pros and cons of stock market very well. Based on the investment banker's expertise and issuing firm expectation they make information asymmetry and ensure maximum amount of raising fund from primary market for issuing firm.

The main focus of this study is IPO underpricing and initial return from underpricing beside that market efficiency and effect on capital structure. Through the study it's found that IPO underpricing is a common phenomenon in all major stock exchanges. In case of Bangladesh from 2006 to 2015, 140 IPOs are examine for the study. Through the study it found that 127 companies IPO is underpriced 12 companies IPO is overprices and only one company IPO is remain same. The percentage of IPO underpricing is 91 percent, overpricing is 8.5 percent, and .50 percent remain same. The only IPO correctly priced was EBL NRB Mutual Fund in 2011.

Maximum return was 1531 percent which was gained on Padma Islami Life Insurance which hit the market in 2012. In the year of 2010 and 2011, 14 companies are listed and among them 11 companies are underpriced. In 2007, 2009, 2013 and 2014 all the listed companies IPO is underpriced. The highest degree of underpricing recorded in 2009 with mean return 371.63 percent and standard deviation of 328.02 percent. Sector basis Pharmaceuticals sector records highest underpricing with mean return 514.21 percent with standard deviation 356.10 percent.

There are some reasons of underpricing such as the market feedback hypothesis, the bandwagon hypothesis, the investment banker's monopoly power hypothesis, the due diligence hypothesis, the signaling hypothesis, problem of "Winner's Curse", the ownership dispersion hypothesis and underpricing as a dynamic strategy. Based on the overall observations it's clear that a long time is required to overcome from the IPO underpricing.

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# **CHAPTER 1**

## **ORGANIZATION OVERVIEW**



## **1.1 Company Information**

LankaBangla Investments Limited (LBIL) a fully owned subsidiary of LankaBangla Finance Limited, one of the leading Non-Banking Financial Institutions in Bangladesh. LBIL is engaged in providing investment banking services and Investment Management Services for its clients.

LBIL has positioned itself prominently in investment banking through its wide range of investment banking product services and broad client base.

With substantial expertise and long track record of operational experience in the capital market of Bangladesh, LBIL made itself a major force in investment banking business of Bangladesh.

LBIL has competent human resources with a combination of experience, diversified knowledge, and knowledge on regulations. Its human resources are well capable of providing optimum financial solutions for their clients. LBIL values on long term sustainable business operation and relationship with clients. It provides tailored financial solution for client with in-depth analysis.

As a stakeholder of the capital market of Bangladesh, LBIL values the importance of development of capital market of Bangladesh. LBIL always try to create value addition in the market by introducing new products, maintaining global standard in services we offer, standardizing the operational procedures for providing international standard service.

## **1.2 Company Background**

LankaBangla Investments Limited (LBIL) was incorporated in Bangladesh with the Registrar of Joint Stock Companies and Firms (RJSCF) on 29 March 2010 as a Private Limited Company under the Companies Act, 1994. This Company is a fully owned subsidiary of LankaBangla Finance 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. The Company has obtained Merchant Banking license from the Securities and Exchange Commission on 2 January 2011. 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 was formed as a fully owned subsidiary and it obtained full-fledged merchant banking license from SEC on 02, January, 2011 and officially started its operation on 16th January, 2011 taking ownership of the entire merchant banking of LankaBangla Finance Limited.

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.

### 1.3 Vision

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

### 1.4 Objectives

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.
- Create long-term value for clientele and stakeholders and the community as a whole.

### 1.5 Key Strengths

LankaBangla Investments Limited takes pride in the quality of its people and the collective track record they represent. From the time of its inception LBIL has made the best effort to attract and retain the best minds in the business and investments, with broad-ranging expertise in primary market operation, equity analysis, portfolio management, private equity, leveraged finance, restructuring, M&A, corporate advisory and many other disciplines.

- **Support**  
LBIL is able to harness investment banking opportunities for our clients and add value to their pursuit of competitive advantage, productivity and profitability at a domestic and regional level. We will stay focused and relentlessly pursue our promise of excellence. Staying on the course in good times and bad times to achieve our goals, we will stay strong in the face of new challenges by being flexible - continuously adapting and improving. As a subsidiary of LankaBangla Finance, LBIL is backed by its wide range of financial service providing expertise. LBIL sees opportunities in corporate, institutional and investment banking via the building of synergistic alliances among businesses with that of the LankaBangla Finance and taking brokerage service from LankaBangla Securities Limited, the top broker in country.

- **Integrity**

LBIL practices uncompromising integrity and ethics in all of its dealings. Backed by LBIL's rigorously specified and documented code of ethics and professional conduct, LBIL employees are always properly aware about the most updated laws and regulations regarding capital market and other operations. LBIL truly believes that acting ethically is imperative to build an efficient and well-structured capital market and it's mandatory for the employees of LBIL to be properly aware and abide by the rules and regulations of governing body as well as act according to the code of conduct of LBIL.

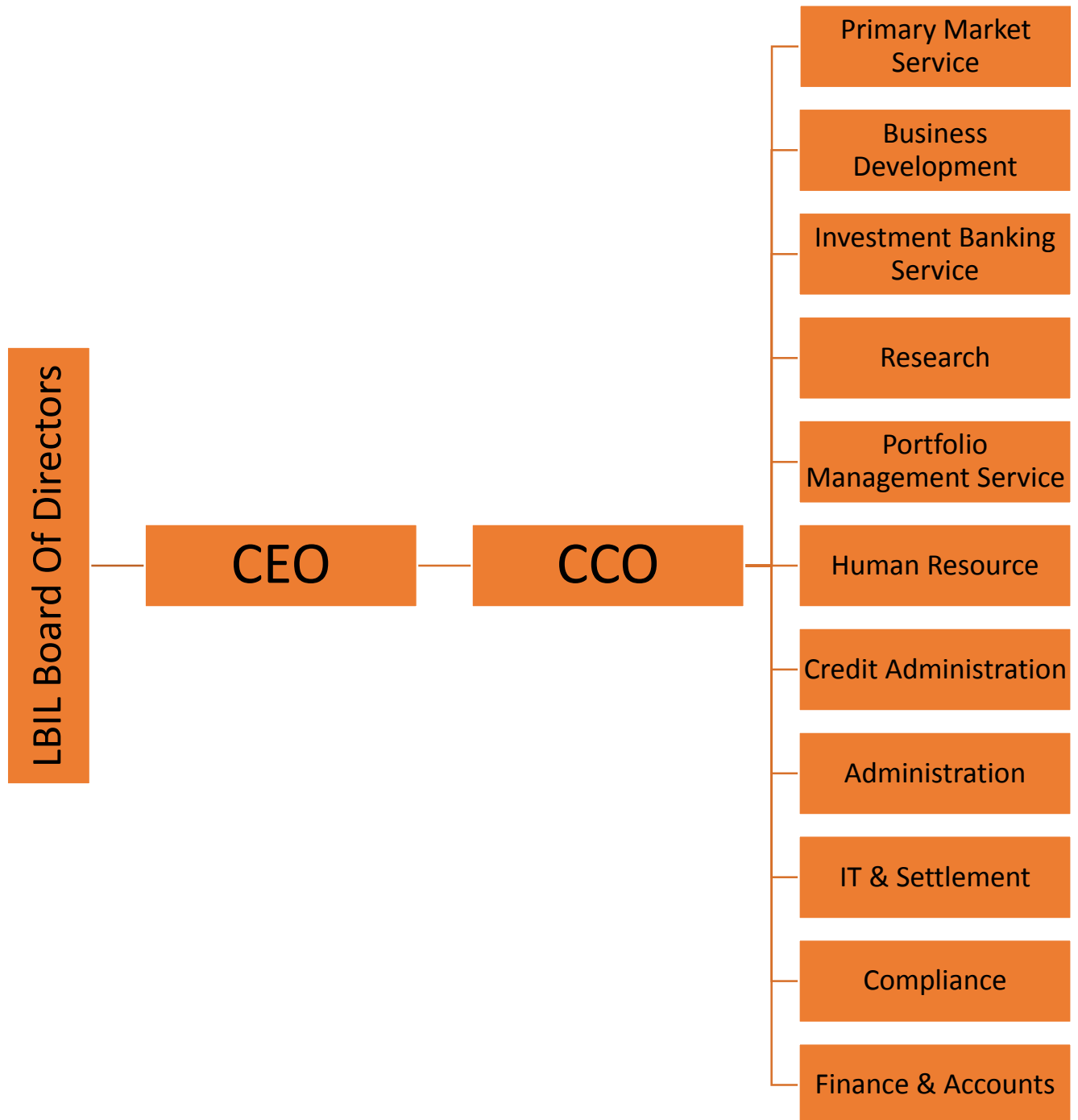
- **Trust**

By orienting our interests with those of our clients, LBIL has become a trusted partner for retail investors, institutional investors and business partners. Many of the top institutions in country value and trust LBIL as their prime business partner and corporate-financial advisor. Advisory clients recognize that we bring a deep understanding of their strategic objectives and a commitment to provide effective solutions to all assignments.

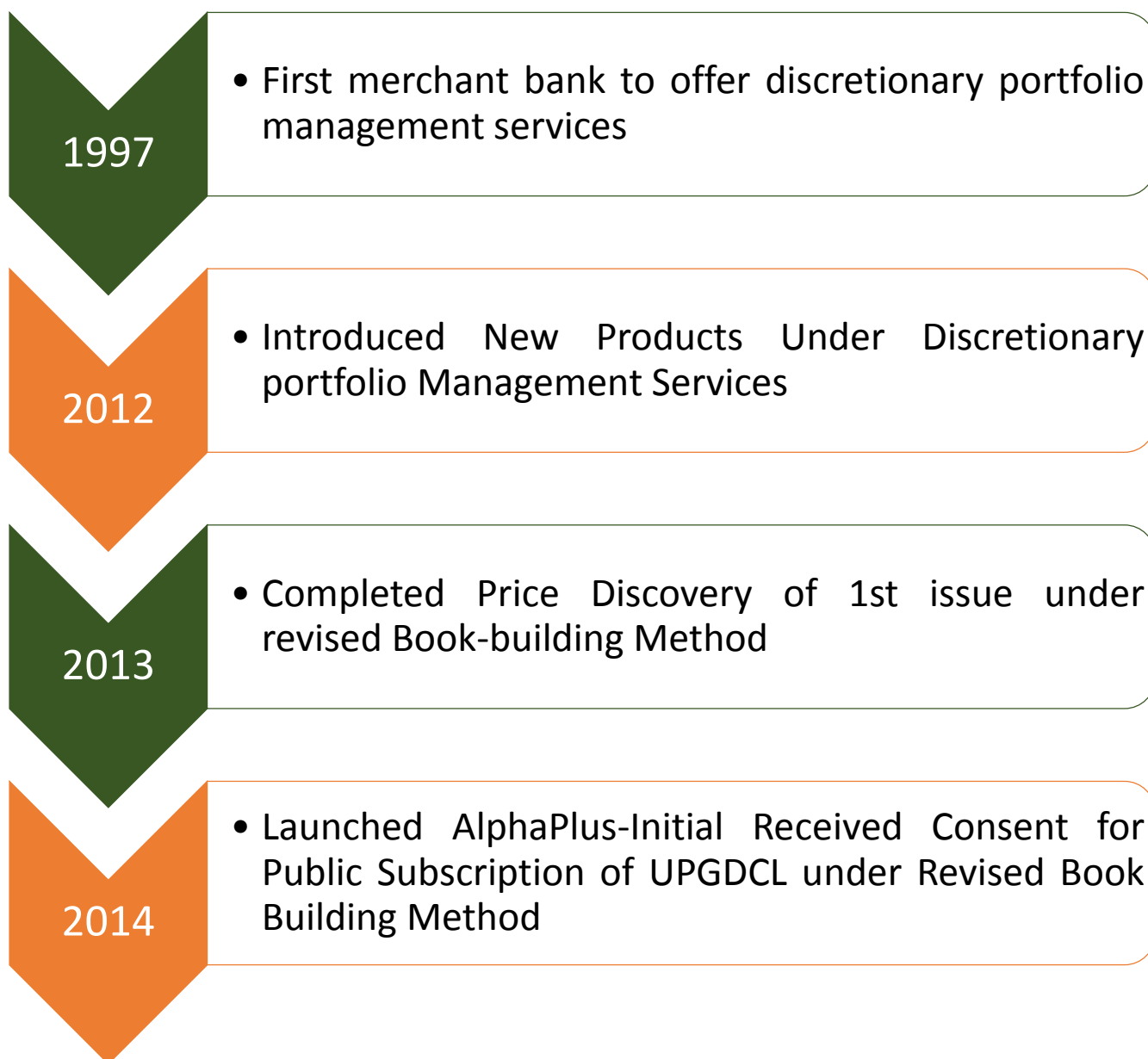
- **Clients First**

From its earliest days, LBIL has come to believe that client's interest comes before everything else. Clients first stand for professionalism, trust and a devotion to excellence. It's the clients for which we are here all time and it's the most important motto of LBIL to serve our clients in a way that maintains their best interest.

## 1.6 LankaBangla Investments Limited Organogram

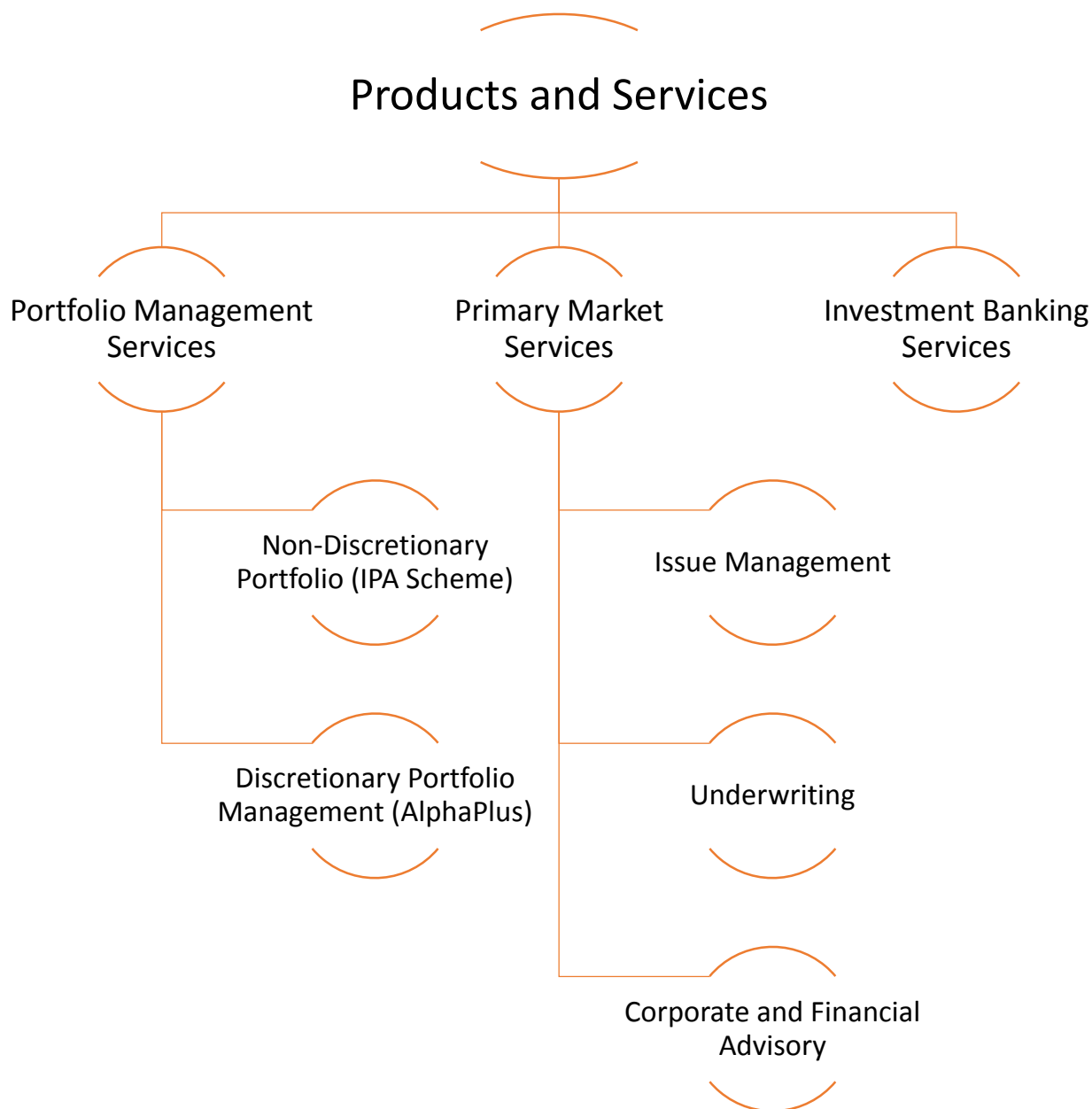


## 1.7 Milestones



## 1.8 Products and Services

LankaBangla investments Limited provides different types of products and services to their clients. It helps their clients to take better investment decision and ensure superior return. The chart of product and services shown bellow



### 1.8.1 Portfolio Management Services

LBIL offers two types of Portfolio Management Services. 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'. We are capable of executing proper and efficient trades through our designated sister concern 'LankaBangla Securities Ltd', the largest stock broker of the country. Feature of IPA Scheme given bellow

- Clients have absolute discretionary power to make their buy and sell decisions from the securities approved by the portfolio manager.
- All the securities purchased by the clients shall remain in line in favor of portfolio manager.
- Portfolio manager will administer the investment of the clients and also provide the total custodian services.
- Clients will enjoy trading facility in both the Dhaka and Chittagong Stock Exchange.
- To facilitate the clients to enhance their return on investments through leveraging, the portfolio manager will extend margin loan to the clients.
- No restriction on capital withdrawal by the clients.
- Fund management fee is one of the lowest in the industry.
- No trigger selling without discussing with the client.

- **Discretionary Portfolio Management (AlphaPlus)**

In the ever changing capital market, managing investment has become an increasingly complex and time consuming process for a company or an individual to handle in isolation. For effective investment, client has to go through the hassle of following tons of financial data and market information continuously. To relieve investors from this never ending process, LBIL here with, their very own discretionary portfolio management service exclusively designed for clients' investment needs where:

- Dedicated investment managers will look after clients investments with their best judgment and market outlook.
- Investment policy will be specially designed to attain client individual goals and objectives.
- All the market related data and information will be closely monitored on the behalf of clients.
- Appropriate securities will be identified according to clients investment needs.
- Forecasting and judging possible market movements will take place with proper scrutiny.
- Investment process will be highly professional with strict risk analysis.

- Rebalancing of client's portfolio will be done according to market scenario and future predication.

For the business entities who want to grow and diversify their assets through capital market investments to achieve goals like

- Growing funds for future capital expansion & future working capital needs.
- Growing funds to hedge against any future obligation.
- Taking tax benefits through capital market investments.
- Diversifying investments of foreign companies through capital market of Bangladesh.

### **1.8.2 Primary Market Services**

LankaBangla Investments Limited provides distinguish primary market services for their clients. Services are issue management, underwriting, corporate and financial advisory.

- **Issue Management**

LBIL helps companies with good growth potential and excellent business ideas raise fund through initial public offering. Through LBIL's issue management services it not only aid clients to increase the value of their company but also aid in increasing the supply of quality shares in the capital market. LBIL manage issues for Initial Public Offering (IPO), Repeat Public Offering (RPO), Bonds, and Preference Shares. The Issue Management Team has wide experience in managing the different types of issues across various industries, leading to in-depth knowledge of the regulatory issues and processes. Their services include: consultancy services, regulatory compliance fulfillment, valuation of securities, price discovery and book building, underwriting cooperation, public offer and subscription management, and Right Issue/Offer management into successful completion.

- **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.

- **Corporate and Financial Advisory**

In today's environment of complex transactions and competitive markets, increasing the value of business requires skills and experience. Thus LBIL helps clients to undertake the right decision the right way to make their business more competitive and profitable by providing integrated and objective advisory services. They provide assistance in due diligence, support the creation of financial



models, act as financial advisors, aid in overall project management and provide solutions on financial and corporate matters. Whatever the size, nature or location of a company or deal - they can play a critical role throughout the deal lifecycle. LBIL also provides restructuring advisory services to underperforming companies and companies experiencing liquidity problems, in all sectors and in all markets. They provide a prompt and strategic review of the situation and then develop and implement a tailored strategy to help turn around business performance.

- **Mergers and Acquisitions**

LankaBangla Investments Ltd acts as the financial advisor for the total Merger or Acquisition transaction whether the client is the bidder or the target. LankaBangla Investments Ltd acts as the financial advisor for the total merger or acquisition transaction whether the client is the bidder or the target. The experienced M&A advisors at LBIL help companies steer through profitable opportunities starting from origination to closure. Their work includes identification of the business to be acquired, strategic planning of the acquisition, valuations, transaction structuring, negotiation with parties, advice on financing, supervising due diligence, legal and other issues to work towards successful completion.

- **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 like: whether to divest slowly over time or in a chunk, analysis of divestiture on capital market, financial reporting adjustments, determination of realistic price expectation, prepare marketing documents, Discreetly locate multiple qualified buyers, Negotiate on behalf of the sellers to obtain the best selling price, arrange financing to make the transaction a reality and so on.

### **1.8.3 Investment Banking Services**

LBIL covers all possible Investments Banking services for its clients. One stop service solution, diversified service offering and high team morale leads LBIL to attain client's confidence and provide better experience for its clients.



# **CHAPTER 2**

## **PROJECT OVERVIEW**

## 2.1 Introduction

Companies need to make investment for the consistent growth in business. The companies required internal and external financing for their investments. Companies have different alternative options of collecting fund internally and externally. Companies can use retained earnings as an internal financing. For external financing, they can collect loan from creditors, issue debt securities, and involve partners.

By selling share to public through capital market a company can raise their fund. When a company offers share to public through capital market, the company become listed or public company. At first company has to sell their share in primary market and after that the company become able to trade in secondary market (capital market). This process is called as initial public offering (IPO).

The selling price of shares in primary market is predetermined but the prices of share in secondary market are determined based on market mechanism or demand for and supply of shares. There is a problem in IPO of primary market. The problem is underpricing of stock in IPO. The IPO underpricing is the focus point of this study. When the offering price of a stock in primary market is lower than the first day closing price of that stock in secondary market then it is called IPO underpricing. Underpricing mainly occur due to information asymmetry between investors and owners.

## 2.2 Problem Statement

Initial Public Offering (IPO) means when a company or issuing firm offers to sell its share to public and collect fund from the market. Before trading in secondary market companies need sell share in primary market through IPO. But there is a problem in IPO, it is called underpricing of stock. When the offering price of a stock in primary market is lower than the first day closing price of that stock in secondary market then it is called IPO underpricing.

## 2.3 Objective of the Report

By the preparation of the report on IPO underpricing in Bangladesh the following objective is fulfilled

- Gain knowledge about the stock market of Bangladesh.
- Get idea about the IPO process
- Finding out IPO underpricing and initial return of Bangladesh and other different stock exchanges.
- Determining the reasons behind underpricing in Bangladesh

## 2.4 Limitation of the Report

To prepare the report effectively and efficiently, I have tried my best give up to the mark output. But due to lack of experience, extensive knowledge and lack of information accessibility etc there has some limitation in the report.

- Data collecting, analyzing, integrating and presenting is time consuming.
- Unavailability of preceding and latest data
- Due to maintain the confidentiality of the organization, unable to collect data.
- Secondary sources of data are not available regarding the report study topic. Such as Journals, Articles and so on.
- Mainly secondary sources of data are used.
- The analyzing and findings of the study is based on short term work experience which may arise the question about the quality of report.

## 2.5 Methodology

### 2.5.1 Sample

For the purpose of the study, chose 140 IPOs as sample from following sectors and which are listed in DSE.

|                              |
|------------------------------|
| • Bank                       |
| • Cement                     |
| • Ceramics                   |
| • Engineering                |
| • Corporate Bond             |
| • Financial Institution      |
| • Food & Allied              |
| • Fuel & Power               |
| • Insurance                  |
| • IT                         |
| • Miscellaneous              |
| • Mutual Fund                |
| • Paper & Printing           |
| • Pharmaceuticals & Chemical |
| • Service & Real Estate      |
| • Telecommunication          |
| • Textile                    |
| • Travel & Leisure           |

### **2.5.2 Time Period**

IPOs which issued during the period of 2006 to 2015 take as sample for the purpose of study.

### **2.5.3 Computation**

To calculate IPO underpricing or overpricing, Offer price of a stock is subtract from closing price and divide by offer price.

$$R_{j,t} = [P_{j,t} - P_{j,0}] / P_{j,0}$$

Where  $R_{j,t}$  is the return of stock  $j$  in the period  $t$ ,  $P_{j,t}$  is the price of stock  $j$  at the period  $t$ , and  $P_{j,0}$  is the offer price of stock  $j$ .

### **2.5.4 Source of Data**

Gathering information of 140 IPOs and 2006-2015 time period is selected as a time series for the study. The offer price and the first day closing price of trading is used as critical sources of data. The main source of information is Dhaka Stock Exchange. Information are collected from secondary sources and the sources are given bellow

- Dhaka Stock Exchange
- Website of World Bank
- Website of International Monetary Fund (IMF)
- LankaBangla Investment Limited Library
- Different Journals, Books, Periodicals, News Papers etc.

## 2.6 Evidence from Major Stock Exchanges

In 1978 the researcher Reilly did a research on IPO underpricing of different stock exchanges across the world. He took 1972 to 1975 as a sample time period for the research. The objective of his research was that all stock exchange follow the same underpricing issues. The research showed that on an average new issued share provide higher return in the first week when it's traded in secondary market but the return is mixed within a year.

A summary of average initial returns on IPOs across the major stock markets is shown in Table 1 as follows.

**Table 1: Average initial returns in Major**

| Country     | Sample Size | Time Period | Average Initial Return |
|-------------|-------------|-------------|------------------------|
| Australia   | 381         | 1976 - 1995 | 12.1%                  |
| Austria     | 76          | 1984 - 1999 | 6.5%                   |
| Belgium     | 28          | 1984 - 1990 | 10.1%                  |
| Brazil      | 62          | 1979 - 1990 | 78.5%                  |
| Canada      | 258         | 1971 - 1992 | 5.4%                   |
| Chile       | 55          | 1982 - 1997 | 8.8%                   |
| Denmark     | 117         | 1984 - 1998 | 6.4%                   |
| Finland     | 85          | 1984 - 1992 | 9.6%                   |
| France      | 187         | 1983 - 1992 | 4.2%                   |
| Germany     | 407         | 1978 - 1999 | 27.7%                  |
| Greece      | 79          | 1987 - 1991 | 48.5%                  |
| Israel      | 28          | 1993 - 1994 | 4.5%                   |
| Italy       | 135         | 1985 - 1998 | 20.3%                  |
| Mexico      | 37          | 1987 - 1990 | 33%                    |
| Netherlands | 143         | 1982 - 1999 | 10.2%                  |
| New Zealand | 201         | 1979 - 1999 | 23%                    |
| Nigeria     | 63          | 1989 - 1993 | 19.1%                  |
| Norway      | 68          | 1984 - 1996 | 12.5%                  |
| Poland      | 149         | 1991 - 1998 | 35.6%                  |
| Portugal    | 62          | 1986 - 1987 | 54.4%                  |
| Spain       | 71          | 1985 - 1990 | 35%                    |
| Sweeden     | 251         | 1980 - 1994 | 34.1%                  |
| Switzerland | 42          | 1983 - 1989 | 35.8%                  |

Source: Loughran et al (2000)

## 2.7 Evidence from Asian Stock Exchanges

Many researchers worked on IPO behavior and after market performance. The main focus point of this study is IPO underpricing, beside that the initial return and market efficiency.

In 1999 Md Sadequl Islam make research on Dhaka Stock exchange and find that during the period between 1994-1999, the average initial returns is 116.01 percent and the standard deviation is 261.94 percent. In 2002 another research which done by other researchers show that the IPO was largely underpriced. The percentage of underprice was 285.21 percent of IPO of DSE within the period of 1994 and 2001.

The IPO underpricing is so higher in China. Researchers Mok and Hui found that in 1998 the underpricing of a share in Shanghai is 289 percent. In 1999 the extensive research of Su and Fleisher showed that if the IPOs of earlier years were included as sample the underpricing percentage could go above 948 percent.

The average initial returns in Asian Stock Markets are shown below:

**Table 2: Average initial returns in Asian Stock Markets**

| Country     | Sample Size | Time Period | Average Initial Return |
|-------------|-------------|-------------|------------------------|
| Bangladesh  | 95          | 1994 - 1999 | 116.01%                |
| China       | 226         | 1990 - 1996 | 388 %                  |
| Hongkong    | 334         | 1980 - 1996 | 15.9%                  |
| India       | 500         | 1992-1996   | 96.56%                 |
| Japan       | 975         | 1970 - 1996 | 24%                    |
| Korea       | 347         | 1980 -1990  | 78.1%                  |
| Malaysia    | 401         | 1980 – 1998 | 104.1%                 |
| Philippines | 104         | 1987 - 1997 | 22.7%                  |
| Singapore   | 128         | 1973 - 1992 | 31.4%                  |
| Taiwan      | 241         | 1986 - 1995 | 34.6%                  |
| Thailand    | 32          | 1988 - 1989 | 58.1%                  |
| Turkey      | 138         | 1990 - 1996 | 13.6%                  |

## 2.8 Bangladesh Capital Market Brief Overview

The capital market of Bangladesh and the size of economy are quite small compared to other regional market. Generally a capital market of a country has two segments, one is the stock market and another is the debt market. But the Bangladesh capital market has only stock market in active operation and debt market is in prefatory stage. Although the stock market of Bangladesh has active operation but it is still small. Due to lack of incentive facilities, less interest of local business and complex regulatory regime over last 23 years, 287 companies of 22 sectors are listed in DSE.

Government tries their best to attract growing privet companies through different incentive time to time so that companies listed as public limited. But on an average only 15 companies are listed in stock market each year. Due to this reason market capital of listed companies as percentage of GDP is low compared to other countries.

**Table 3: Market capital of listed companies as percentage of GDP (As of December 2015)**

| Country       | 2011  | 2012  | 2013  | 2014  |
|---------------|-------|-------|-------|-------|
| Australia     | 86.2  | 90.2  | 87.3  | 88.6  |
| Bangladesh    | 33.23 | 26.27 | 25.51 | 24.13 |
| Canada        | 106.9 | 112.4 | 114.9 | 117.4 |
| Germany       | 31.5  | 42    | 51.7  | 44.9  |
| India         | 54.9  | 69    | 61.2  | 76.1  |
| Malaysia      | 132.8 | 148.4 | 154.8 | 135.8 |
| United States | 100.8 | 115.5 | 143.3 | 151.2 |

(Dhaka Stock Exchange, 2016)

Source: [www.devdata.worldbank.org](http://www.devdata.worldbank.org)

Capital market is a key source of capital in other countries of the world. In Bangladesh the industrialization has picked its pace almost three decades back but capital market cannot create attraction as a key source of capital towards our countries entrepreneurs. But on the other hand banking system of our country is highly attractive as a source of capital for entrepreneur. That is why the capital market of our country has lowest market capital as percentage of GDP compared to other country and our economy size can't expand yet.

There are two stocks in Bangladesh, one is Dhaka Stock Exchange DSC which established in 1954 and another one is Chittagong Stock Exchange CSE which established in 1995. Both stocks conduct their trading through Computerized Automated Trading System. Although both exchanges are self-regulated but their operating rules are approved by Securities and Exchange Commission SEC



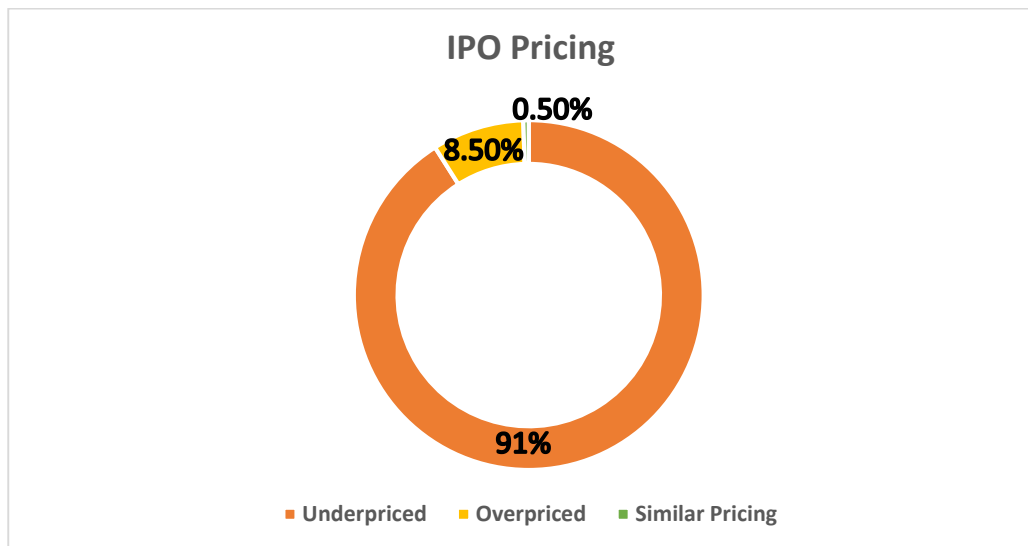
## Overview of Global Markets

| Overview of Global Markets  |                |                    |           |                         |   |                                  |               |                            |
|-----------------------------|----------------|--------------------|-----------|-------------------------|---|----------------------------------|---------------|----------------------------|
| Name of the Capital Markets | Indices Name   | Year ended Indices |           | Listed Companies (2015) | Market Capitalization in US\$ mn (2015) | Turnover value in US\$ mn (2015) | PE Ratio 2015 | Market Cap to GDP % (2015) |
|                             |                | 2014               | 2015      |                         |   |                                  |               |                            |
| <b>SAARC Countries:</b>     |                |                    |           |                         |   |                                  |               |                            |
| Colombo Stock Exchange      | CSE All Share  | 7,299.00           | 6,894.50  | 294                     | 20,804.11                               | 1,888.52                         | 17.98         | 26.16                      |
| Dhaka Stock Exchange        | DSEX           | 4,864.96           | 4,629.64  | 287                     | 40,118.81                               | 13,251.94                        | 15.23         | 20.88                      |
| Karachi                     | KSE 100        | 32,131.28          | 32,816.31 | 554                     | 67,025.15                               | 27,431.74                        | -             | 24.74                      |
| Bombay Stock Exchange       | SENSEX         | 27,499.42          | 26,117.54 | 5836                    | 1,516,216.71                            | 120,779.85                       | 19.88         | 69.47                      |
| <b>Regional:</b>            |                |                    |           |                         |   |                                  |               |                            |
| Philippines                 | PSE Composite  | 7,230.57           | 6,952.08  | 265                     | 238,819.94                              | 39,682.72                        | -             | 79.79                      |
| Bursa Malaysia              | KLSE Composite | 1,761.25           | 1,692.51  | 902                     | 382,976.65                              | 124,112.98                       | -             | 122.17                     |
| Singapore                   | STI            | 3,365.15           | 2,882.73  | 769                     | 639,955.90                              | 203,413.00                       | -             | 217.70                     |
| Stock Exchange of Thailand  | SET            | 1,497.67           | 1,288.02  | 639                     | 348,798.01                              | 285,754.94                       | 22.57         | 93.38                      |

As of 31 December 2015, the market capitalization of Dhaka Stock Exchange is USD 40,118.81 and turnover value is USD 13,251.94. According to the preceding table Bangladesh's stock market is weak not only in regional market but also in SAAR countries. Where the Karachi, Colombo and Bombay stock exchange has listed respectively 554, 294 and 5836 companies there Dhaka Stock Exchange listed only 287 companies. The turnover and market capital to GDP of those exchange are also higher than DSE.

## 2.9 Level of Underpricing/Overpricing

The following chart shows the overall IPO underpricing and overpricing level in Dhaka Stock Exchange. According to the chart there are 91 percent companies IPO price is underpriced and 8.5 percent companies IPO price is overpriced and only 0.50 percent of companies IPO price remain same.



Among 140 companies there are 127 companies are underpriced their IPO and only 12 companies overpriced their IPO. The underpriced IPO companies show mean return 241.39 percent with the standard deviation 274 percent. It means investors on an average earn 241.39 percent by investing in underpriced IPO with the standard deviation 274 percent.

**Table 4: Descriptive Statistics**

|                 | Number of companies | Mean Return | Maximum      | Minimum     | Standard Deviation |
|-----------------|---------------------|-------------|--------------|-------------|--------------------|
| Underpricing    | 127                 | 241.39%     | 1531%        | 1%          | 274%               |
| Overpricing     | 12                  | 22.16%      | 78.13%       | 0.42%       | 26.03%             |
| Similar Pricing | 01                  | 00          | 00           | 00          | 00                 |
| <b>Total</b>    | <b>140</b>          | <b>217%</b> | <b>1531%</b> | <b>.42%</b> | <b>272%</b>        |

The maximum return 1513% was gained from Padma Islami life Insurance. In 2012 this company hits the market. Second highest return 1527 percent was gained from Rupali Life Insurance in the year of 2009. The minimum return was 1 percent which earned from AB Bank Mutual Fund.

In the 10 years period, among the 140 IPOs 12 companies IPO is overpriced. The average overprice is 22.16 percent and standard deviation of 26.03 percent. The ACI Limited Zero coupon bond was most highly overpriced. The offer price was BDT 3743 and closing price was BDT 818.5. Due to this investors has to face loss of 78 percent. Lowest overpriced was done by Aamra Technologies. There offering price was BDT 24 and closing price was BDT 23.9. Among the 140 IPOs, EBL NRB Mutual Fund was accurately priced. Its offer price and closing price was BDT 10.

## 2.10 IPO Underpricing on Yearly Basis

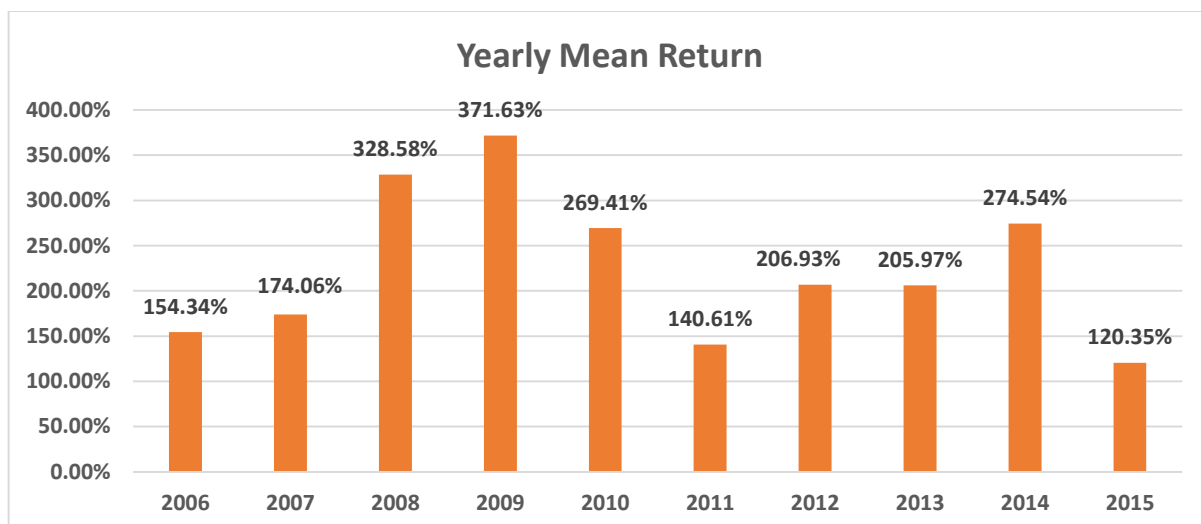
The highest degree of underpricing was recorded in the year of 2009 where the mean return was 371.63 percent with standard deviation of 328.02 percent. In this year 18 companies were listed in DSE. The second highest degree of underpricing was recorded in 2008. In that year mean return was 328.58 percent with standard deviation 299.10 percent and 12 companies were listed. The third highest degree of underpricing was recorded in 2014. In that year the mean return was 274.54 percent with standard deviation 221.85 percent and 17 companies were listed in DSE.

The lowest number of underpricing is recoded in 2015. In that year 16 companies were listed and mean return was 120.35 percent with standard deviation 121.70 percent. And the second lowest underpricing was recorded in 2011. In that year 14 companies were listed and mean return was 140.61 percent with standard deviation 236.48 percent.

**Table 5: Descriptive Statistics**

| Year | Number of Companies | Mean Return | Standard Deviation | Maximum  | Minimum |
|------|---------------------|-------------|--------------------|----------|---------|
| 2006 | 11                  | 154.34%     | 120.59%            | 354%     | 13.50%  |
| 2007 | 14                  | 174.06%     | 125.12%            | 466.17%  | 24.00%  |
| 2008 | 12                  | 328.58%     | 299.10%            | 829.00%  | 48.75%  |
| 2009 | 18                  | 371.63%     | 328.02%            | 1527.50% | 135.00% |
| 2010 | 14                  | 269.41%     | 405.69%            | 1262%    | 9%      |
| 2011 | 14                  | 140.61%     | 236.48%            | 640%     | 0%      |
| 2012 | 14                  | 206.93%     | 428.70%            | 1531.00% | 1.00%   |
| 2013 | 16                  | 205.97%     | 199.66%            | 721.00%  | 1.00%   |
| 2014 | 17                  | 274.54%     | 221.85%            | 673.00%  | 13.24%  |
| 2015 | 16                  | 120.35%     | 121.70%            | 377%     | 2%      |

(Dhaka Stock Exchange , 2016)



In 2010 and 2011, 14 companies were listed in DSE. Among 14 companies 11 companies were underpriced. In the year of 2007,2009,2013,2014 all the listed companies were underpriced. Among 10 years the highest underpricing is done by Padma Islami Life Insurance in 2012.

### 2.11 IPO Underpricing on Sector Basis

The highest degree of underpricing was recorded by pharmaceuticals sector. The sector has mean return 514.21 with standard deviation 356.10. In this sector Active Fine chemicals reported highest underpricing. The underpricing of Active Fine Chemicals provides return 1262 percent. The second highest degree of underpricing was recorded by miscellaneous sector. The sector provided average return 496 percent with standard deviation 241 percent. And the third highest degree of underpricing was recorded by insurance sector. It provides mean return of 422 percent with standard deviation 479 percent.

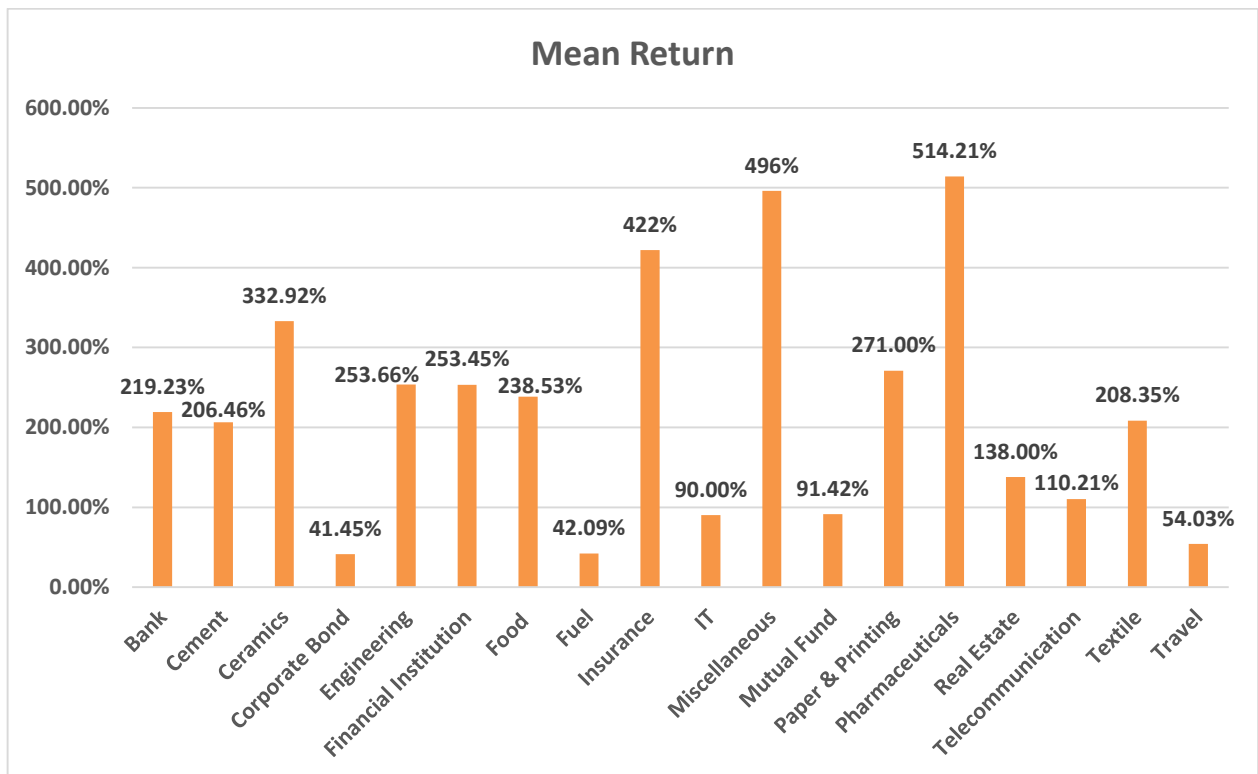
The ceramic industry shows an exceptional degree of underpricing. It reported fourth highest degree of underpricing but just only one company and that is RAK ceramics. This company has listed for a long run in DSE.

The corporate bond and fuel sector reported minimum degree of underpricing. The corporate bond and fuel sectors provide average return 41.45 percent and 42.09 percent respectively.

All the IPOs which are listed with bank, cement, pharmaceuticals, engineering, food, telecommunication, travel, and fuel sector were underpriced. Among the 10 years period the highest underprice is recorded by Padma Islami life Insurance under insurance sector and the lowest underprice is recorded by First Bangladesh Fixed Income Fund under mutual fund sector.

**Table 6: Descriptive Statistics**

| Year                  | No of Companies | Mean Return | Standard Deviation | Max      | Minimum |
|-----------------------|-----------------|-------------|--------------------|----------|---------|
| Bank                  | 08              | 219.23%     | 136.67%            | 466.17%  | 93.25%  |
| Cement                | 02              | 206.46%     | 231.92%            | 370.45%  | 42.47%  |
| Ceramics              | 01              | 332.92%     |                    |          |         |
| Corporate Bond        | 03              | 41.45%      |                    |          |         |
| Engineering           | 13              | 253.66%     | 223.61%            | 673.00%  | 13.50%  |
| Financial Institution | 14              | 253.45%     | 230.41%            | 829.00%  | 71.63%  |
| Food                  | 03              | 238.53%     | 147.78%            | 400.00%  | 110.00% |
| Fuel                  | 05              | 42.09%      | 29.48%             | 86.94%   | 7.50%   |
| Insurance             | 18              | 422%        | 479%               | 1531%    | 24%     |
| IT                    | 02              | 90.00%      |                    |          |         |
| Miscellaneous         | 02              | 496%        | 241%               | 666%     | 325%    |
| Mutual Fund           | 31              | 91.42%      | 133.31%            | 616%     | 0%      |
| Paper & Printing      | 01              | 271.00%     |                    |          |         |
| Pharmaceuticals       | 09              | 514.21%     | 356.10%            | 1262.00% | 25.33%  |
| Real Estate           | 01              | 138.00%     |                    |          |         |
| Telecommunication     | 02              | 110.21%     | 60.91%             | 153.29%  | 67.14%  |
| Textile               | 21              | 208.35%     | 151.53%            | 531.00%  | 6.00%   |
| Travel                | 03              | 54.03%      | 71.36%             | 135.75%  | 4.00%   |



## 2.12 Reasons of Underpricing

- **The Market Feedback Hypothesis**

When a company use book building method the company tries to generate, capture and record investor demand for the share in IPO. Generally this function is done by investment banker on behalf of issuing firm. These information are collected in pre-issuing period of share in IPO. Based on the collected information, an investment bank set price for an IPO. To collect actual valuation from investor about new issue, investment banker provides real information about new issue to specific regular investor. Through underpricing investment banker ensure benefit for both issuing firm and investors.

- **The Bandwagon Hypothesis**

The bandwagon effects arise when the potential investors not only pay attention on their own information about a new issue but also whether other investors are purchasing. If an investor sees that no other investor want to buy a new share, he or she may decide not to buy that share even though he or she has favorable information. To prevent bandwagon effect, issuer may underprice a new issued share share and attract first few potential investors to buy. On the other hand the issuer also ensures that potential investor keep trust on their own information. By this demand for that share increases in the market.

- **The Investment Banker's Monopoly Power Hypothesis**

Other reason of underpricing is monopoly power of investment bankers over issuer. According to the Glass Steagall Act the commercial banks cannot participate in equity underwriting. So the investment banker enjoys less competition and strong monopoly power. The investment bankers have superior knowledge about market condition and they utilize that knowledge to underprice the new issue. By this they become able to attract investors to buy share and they have to give less effort in marketing. Through the underpricing a monopolist investment banker increase the probability of being able to sell the whole issue to investors, thereby minimizing his risk. And they become able to create a good image in market.

- **The Due Diligence Hypothesis**

According to the securities Act 1933, all participants who sign the prospectus are liable for any material omission from prospectus. After purchasing share from IPO and first day trading in secondary market, investor tries to find out why they face loss? Investors analyze that, is there any solid information omitted? If investors find that any vital information is omitted then investor can take legal action against investment banker and company director for publishing misleading information. This negative legal action makes adverse publicity about investment banker and the reputation of

investment banker is hampered in the market. To avoid this problem and ensure investors profit investment bankers underprice the stock price in IPO.

- **The Signaling Hypothesis**

When an investment bank issue a share for first time in underprice and investors earn expected or more than expected amount of return then a good test is creates in the market about the stock and that investment bank. If that investment bank issue shares of other firm or second issue of previous firm then it does not have to pay hard effort to attract investors.

- **Problem of “Winner’s Curse”**

This theory is described by Beatty and Ritter. There are two types of investors in IPO Market. One is informed and another one is uninformed. But the number of uninformed investor is high. The degree of underpricing is depends on the degree of information asymmetry. There are two type of IPO; one is good issue another one is bad issue. The informed investors expend their resource to collect information. And based on information informed investor bid for good issue. Through the research informed investors find the true value of IPO.

Uninformed investors don’t research to collect information about the value of IPO. However they bid for all type of issue, good issue or bad issue. On the other hand, the number of informed investor is minimum. So it’s not possible for informed investors to buy whole issue.

Let consider the good issue, here informed and uninformed investor bid for the issue. Due to both group invest for good issue so individual investor specially uninformed buyer get partial allotment of the issue.

And in the bad issue, the informed investors never invest. Only the uninformed investor invest in it. In case of this, due to the absence of informed investor the competition remains low. So any individual bidder will more likely to get full allotment and on the secondary market trading period they face loss. And for this, the uninformed investors face the problem of “winner’s curse”

Beatty and Ritter support IPO underpricing because uninformed investor face losses for lack of information about good issue and bad issue. On an average, if issues are underpriced then all investors attract for investment and uninformed investor able to gain their expected return.

- **The Ownership Dispersion Hypothesis**

Sometimes issuing firm intentionally underprice their share so that they can generate excess demand for the share. And by this the issuing firm becomes able to distribute their share to large number of small and big investors. If specific group of investors owe maximum number of shares then it would be threat for company ownership. Through underpricing issuing farm can avoid such problem.

- **Underpricing as a Dynamic Strategy**

Now a days underpricing is used as a dynamic strategy of the issuing firm. Through underpricing the companies try to persuade investors to collect information about the firm. When investors research on a company then he or she finds the real value of IPO. And by this investors become confident about getting higher return in secondary market if the stock is underpriced. Underpricing helps to build good image of the company and treat the issue as a good issue.

Generally good company tends to underprice their stocks more. Because when they can assure investors that their share gives higher return in secondary market then the issuing firm can make new issue at higher price. And by this the issuing firm reduces the cost of issue and run their business in the stock market for a long run with stable growth.

On the other hand bad companies tends to issue share at overprice. Because by the research if investors find that the company is bad then it will be difficult for them to further issue stocks. So the bad companies try to collect as much as possible liquid cash from their first issue.





# **CHAPTER 3**

## **Conclusion and Recommendations**

### 3.1 Conclusion

At the end of the study it is clear that the IPO underpricing is a common phenomenon in primary market. Through IPO underpricing investors can earn maximum amount of profit from their investments and issuing firm can raise maximum amount of capital from stock market. But underpricing is considered as a contradictory factor for market efficiency. In the field of finance, IPO underpricing is a well debated topic. The key reasons of IPO underpricing is information asymmetry between investors and owners.

Based on the study in Bangladesh among the 140 listed companies of Dhaka Stock Exchange, 127 companies IPO is underpriced and 12 companies IPO is overpriced and rest of the company's IPO remain same. The study shows that 91 percent companies stocks are underprice its share, 8.5 percent companies IPO is overpriced and .50 percent companies IPO is remain same. The IPO underpriced companies provide average return 241.39 percent with standard deviation 274 percent and maximum return from underpricing 1531 percent and minimum return form IPO underpricing is 1 percent. Maximum return was 1531 percent which was gained on Padma Islami Life Insurance which hit the market in 2012. The only IPO correctly priced was EBL NRB Mutual Fund in 2011.

In 2009 the highest degree of underpricing is recorded and 18 companies were listed. In that year average return from IPO underpricing was 371.63 percent with standard deviation 328.02 percent. The maximum degree of underpricing was 1527.50 percent. The lowest degree of underpricing was recorded in 2015. In that year mean return was 120.35 percent with standard deviation 121.70 percent and 16 companies were listed in DSE same year. The pharmaceutical sector has the highest degree of underpricing. It provides mean return from underpricing is 514.21 percent with standard deviation 356.10 percent.

There many reasons of underpricing are the market feedback hypothesis, the bandwagon hypothesis, the investment banker's monopoly power hypothesis, the due diligence hypothesis, the signaling hypothesis, problem of "Winner's Curse", the ownership dispersion hypothesis and underpricing as a dynamic strategy. Based on the observation it can say that the Bangladesh stock exchange as well as other stock exchanges in globe require long time to come out from the IPO underpricing trend.

## 3.2 Recommendations

Based on the study to avoid and reduce underpricing the following issues can be considered.

- The main reason of underpricing is information asymmetry between investors and owners. This information gap occurs due to investment banks and lack of sources to collect information. To overcome this problem Security Exchange Commission can offer a service where SEC can provide training facility for investor about how they can collect information and make investment decision.  
On the other hand sometimes issuing company or owner cannot identify the actual value of its share. Therefore, SEC can provide a service for issuing firm by which the firms can identify the actual value of its share then the problem may minimize.
- According to Glass Steagall Act commercial banks cannot participate in equity underwriting. So investment banks enjoy monopoly power in IPO (primary market). To solve this problem more investment bank can be permitted by SEC to operate their operation. When competition increases then monopoly power will reduce.
- Due to shaky condition of stock market, investors like to invest for a short run in the stock market and want to earn maximum profit. So to attract investor investment banker and issuing firm underprice IPO. If the stock market condition becomes stable then investor may think for long run investment and issuing company may not focus on IPO underpricing.

### 3.3 Learning Outcomes

I am attaching with credit admin department but also working with research, accounts and finance department. In the credit admin department the receipt of letter is checked with the LankaBangla Investments Limited record. The letters are send by LankaBangla Investments Limited. If the client gets the letter then give input that letter is received and if client does not get the letter then give input the letter back to LBIL. After that, try to find out the reason why the letter is backed by customer. Credit admin department collect information by contacting with client through mail and calling or through the courier company.

In the research department, make research on Dhaka Stock Exchange website and find out the company trading code which is listed in DSE. By using the code collect information regarding the company's shareholding ratio. After that, make a list of the companies that contains the shareholding structure and ratio. Generally this list is making sector basis. This research gives an idea about company condition. Another task of research department is study the annual report of individual company of a specific sector and from that find out earnings before tax, earnings after tax, earning per share, price earnings ratio of the company. After collecting that information make company and sector wise list.

In accounts and finance department, give input from the ledger of LankaBangla Investments Limited in excel sheet. They make monthly ledger and list every month. This list is an extensive record of all the transaction which conducted by LBIL. It works as a record which helps to make future decisions and solve the problems of past.

I am also working with human resource department. In this department by the supervision of human resource executive make employee information list. If any new employee is recruiting then his or her overall information is organized by the instruction of human resource executive.

Overall experience is very interesting because I am a student of finance but getting the idea about multiple departments. This helps me to understand the job responsibility and scope of every department. And this expand my knowledge about corporate function as well as due to work with different department getting idea about corporate culture.

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## Appendix

Table: Return and Underpricing/Overpricing Calculations

| Sl no | Name                                  | Offer Price | Closing Price | Return  | Underpriced/Overpriced |
|-------|---------------------------------------|-------------|---------------|---------|------------------------|
| 1     | Diffodil Computers Limited            | 10          | 19            | 90.00%  | Underpriced            |
| 2     | Asia Pacific General Insurance        | 100         | 59.25         | -40.75% | Overpriced             |
| 3     | Sonar Bangla Insurance                | 100         | 61            | -39.00% | Overpriced             |
| 4     | Pragati Life Insurance                | 100         | 439.25        | 339.25% | Underpriced            |
| 5     | Jamuna Bank Ltd.(20% premium)         | 120         | 245.75        | 104.79% | Underpriced            |
| 6     | S. Alam Cold Roled Stees Ltd.         | 100         | 113.5         | 13.50%  | Underpriced            |
| 7     | Lankabangla Finance                   | 10          | 21.4          | 114.00% | Underpriced            |
| 8     | BIFC                                  | 100         | 189.75        | 89.75%  | Underpriced            |
| 9     | IPDC (100% premium)                   | 200         | 343.25        | 71.63%  | Underpriced            |
| 10    | BRAC Bank Ltd (70% Premium)           | 170         | 531.5         | 212.65% | Underpriced            |
| 11    | Prime Islami Life Ins. Co.            | 100         | 453.5         | 353.50% | Underpriced            |
| 12    | Shahjalal Islami Bank                 | 100         | 278           | 178.00% | Underpriced            |
| 13    | ICB AMCL 1st NRB MF                   | 100         | 224.5         | 124.50% | Underpriced            |
| 14    | Golden Son                            | 10          | 19.2          | 92.00%  | Underpriced            |
| 15    | Premier Bank                          | 100         | 360.5         | 260.50% | Underpriced            |
| 16    | Union Capital Ltd                     | 10          | 33.7          | 237.00% | Underpriced            |
| 17    | BD Finance                            | 100         | 220.25        | 120.25% | Underpriced            |
| 18    | ILFSL(125% Premium)                   | 225         | 734.5         | 226.44% | Underpriced            |
| 19    | Phoenix Finance & Investments         | 100         | 424.25        | 324.25% | Underpriced            |
| 20    | Trust Bank(50% Premium)               | 150         | 849.25        | 466.17% | Underpriced            |
| 21    | Paramount Insurance                   | 100         | 124           | 24.00%  | Underpriced            |
| 22    | City General Insurance                | 100         | 159.75        | 59.75%  | Underpriced            |
| 23    | IBBL Mudaraba Perpetual Bond          | 1000        | 1,414.50      | 41.45%  | Underpriced            |
| 24    | Fidelity Assets & Securities Co. Ltd. | 100         | 325           | 225.00% | Underpriced            |
| 25    | Continental Insurance Limited         | 100         | 157.5         | 57.50%  | Underpriced            |
| 26    | Delta Brac Housing Finance Ltd.       | 210         | 1,563.25      | 644.40% | Underpriced            |
| 27    | ICB AMCL Second NRB Mutual Fund*      | 100         | 190           | 90.00%  | Underpriced            |
| 28    | Grameen One:Scheme Two**              | 100         | 43            | -57.00% | Overpriced             |
| 29    | First Security Bank Limited           | 100         | 193.25        | 93.25%  | Underpriced            |

|    |   |      |        |          |             |
|----|---|------|--------|----------|-------------|
| 30 | Summit Alliance Port Limited                            | 100  | 879.25 | 779.25%  | Underpriced |
| 31 | Takaful Islami Insurance Limited                        | 100  | 336.5  | 236.50%  | Underpriced |
| 32 | Standard Insurance Limited                              | 100  | 148.75 | 48.75%   | Underpriced |
| 33 | Northern General Insurance Company Limited              | 100  | 162    | 62.00%   | Underpriced |
| 34 | National Housing Finance & Investments Ltd.             | 100  | 929    | 829.00%  | Underpriced |
| 35 | Maksons Spinning Mills Limited                          | 10   | 42     | 320.00%  | Underpriced |
| 36 | Republic Insurance Co. Ltd.                             | 100  | 181.75 | 81.75%   | Underpriced |
| 37 | BSRM Steels Limited                                     | 100  | 529.5  | 429.50%  | Underpriced |
| 38 | Prime Finance First M.F                                 | 10   | 71.6   | 616.00%  | Underpriced |
| 39 | Bay Leasing & Investment Ltd                            | 250  | 784.75 | 213.90%  | Underpriced |
| 40 | Asia Insurance Ltd                                      | 100  | 404    | 304.00%  | Underpriced |
| 41 | Rupali Life Insurance                                   | 100  | 1627.5 | 1527.50% | Underpriced |
| 42 | EBL 1st MF  | 10   | 34.9   | 249.00%  | Underpriced |
| 43 | Marico Bangladesh Ltd.                                  | 90   | 351.5  | 290.56%  | Underpriced |
| 44 | Islami Insurance BD. Ltd.                               | 100  | 462    | 362.00%  | Underpriced |
| 45 | ICB AMCL 2nd M.F.                                       | 100  | 266    | 166.00%  | Underpriced |
| 46 | The Dacca Dyeing  | 10   | 63.1   | 531.00%  | Underpriced |
| 47 | Grameen Phone   | 70   | 177.3  | 153.29%  | Underpriced |
| 48 | Golden Son Limited (RPO)                                | 20   | 56.9   | 184.50%  | Underpriced |
| 49 | Provati Insurance Co. Ltd.                              | 100  | 559.25 | 459.25%  | Underpriced |
| 50 | ICB Employee Provident Mutual Fund One                  | 10   | 25     | 150.00%  | Underpriced |
| 51 | Trust Bank 1st Mutual Fund                              | 10   | 27     | 170.00%  | Underpriced |
| 52 | Prime Bank 1st ICB AMCL Mutual Fund                     | 10   | 23.5   | 135.00%  | Underpriced |
| 53 | DBH 1st Mutual Fund                                     | 10   | 28.6   | 186.00%  | Underpriced |
| 54 | R.N. Spinning Mills Ltd.                                | 100  | 514.5  | 414.50%  | Underpriced |
| 55 | Dhaka Insurance Ltd.                                    | 120  | 812.25 | 576.88%  | Underpriced |
| 56 | ACI Limited (ACI 20% Convertible Zero Coupon Bonds-RPO) | 3743 | 818.5  | -78.13%  | Overpriced  |
| 57 | IFIC Bank 1st Mutual Fund                               | 10   | 16.5   | 65.00%   | Underpriced |
| 58 | Phoenix Finance 1st Mutual Fund                         | 10   | 12.9   | 29.00%   | Underpriced |
| 59 | ICB AMCL 3rd NRB Mutual Fund                            | 10   | 12.7   | 27.00%   | Underpriced |
| 60 | RAK Ceramics (Bangladesh) Limited                       | 48   | 207.8  | 332.92%  | Underpriced |
| 61 | United Airways (BD) Limited :                           | 100  | 235.75 | 135.75%  | Underpriced |

|    |                                |    |       |          |             |
|----|--------------------------------|----|-------|----------|-------------|
| 62 | Malek Spinning Mills Limited   | 25 | 89.2  | 256.80%  | Underpriced |
| 63 | Beacon Pharmaceuticals Limited | 10 | 90.6  | 806.00%  | Underpriced |
| 64 | First Janata Bank Mutual Fund  | 10 | 12.6  | 26.00%   | Underpriced |
| 65 | Green Delta Mutual Fund        | 10 | 11.4  | 14.00%   | Underpriced |
| 66 | Popular Life First Mutual Fund | 10 | 10.9  | 9.00%    | Underpriced |
| 67 | IFIL Islamic Mutual Fund-1     | 10 | 9.3   | -7.00%   | Overpriced  |
| 68 | Active Fine Chemicals Limited  | 10 | 136.2 | 1262.00% | Underpriced |
| 69 | PHP First Mutual Fund          | 10 | 9.7   | -3.00%   | Overpriced  |
| 70 | AIBL 1st Islamic Mutual Fund   | 10 | 9.4   | -6.00%   | Overpriced  |

|    |  |       |       |          |                |
|----|--|-------|-------|----------|----------------|
| 71 | Deshbandhu Polymer Limited                                       | 10    | 74    | 640.00%  | Underpriced    |
| 72 | Subordinated 25% Convertible Bonds of BRAC Bank Limited          | 1,000 | 938.5 | -6.15%   | Overpriced     |
| 73 | MBL 1st Mutual Fund  | 10    | 10.9  | 9.00%    | Underpriced    |
| 74 | Salvo Chemical Industry Limited                                  | 10    | 68.7  | 587.00%  | Underpriced    |
| 75 | Barakatullah Electro Dynamics Limited                            | 60    | 72.8  | 21.33%   | Underpriced    |
| 76 | Southeast Bank 1st Mutual Fund                                   | 10    | 10.2  | 2.00%    | Underpriced    |
| 77 | EBL NRB Mutual Fund  | 10    | 10    | 0.00%    | Similar Priced |
| 78 | M.I. Cement Factory Limited                                      | 93    | 132.5 | 42.47%   | Underpriced    |
| 79 | MJL Bangladesh Ltd.  | 115   | 145.2 | 26.26%   | Underpriced    |
| 80 | Reliance One: The first scheme of Reliance Insurance Mutual Fund | 10    | 12.7  | 27.00%   | Underpriced    |
| 81 | LR Global Bangladesh Mutual Fund One                             | 10    | 9.8   | -2.00%   | Overpriced     |
| 82 | Rangpur Dairy & Food Products Limited                            | 18    | 37.8  | 110.00%  | Underpriced    |
| 83 | Zahintex Industries Ltd.   | 25    | 45.4  | 81.60%   | Underpriced    |
| 84 | AB Bank 1st Mutual Fund  | 10    | 10.1  | 1.00%    | Underpriced    |
| 85 | NLI First Mutual Fund  | 10    | 27.6  | 176.00%  | Underpriced    |
| 86 | First Bangladesh Fixed Income Fund                               | 10    | 10.1  | 1.00%    | Underpriced    |
| 87 | GSP Finance Company (Bangladesh) Limited                         | 25    | 52.3  | 109.20%  | Underpriced    |
| 88 | Padma Islami Life Insurance Limited                              | 10    | 163.1 | 1531.00% | Underpriced    |
| 89 | GPH Ispat Limited  | 30    | 72.9  | 143.00%  | Underpriced    |
| 90 | NCCBL Mutual Fund-1  | 10    | 10.2  | 2.00%    | Underpriced    |
| 91 | GBB Power Limited  | 40    | 43    | 7.50%    | Underpriced    |



|     |   |    |       |         |             |
|-----|---|----|-------|---------|-------------|
| 92  | Bangladesh Submarine Cable Company Limited    | 35 | 58.5  | 67.14%  | Underpriced |
| 93  | Saiham Cotton Mills Limited                   | 20 | 19.9  | -0.50%  | Overpriced  |
| 94  | Unique Hotel & Resorts Limited                | 75 | 78    | 4.00%   | Underpriced |
| 95  | Aamra Technologies Limited                    | 24 | 23.9  | -0.42%  | Overpriced  |
| 96  | Generation Next Fashions Limited              | 10 | 43.5  | 335.00% | Underpriced |
| 97  | Envoy Textiles Limited                        | 30 | 61.9  | 106.33% | Underpriced |
| 98  | Sunlife Insurance Company Limited             | 10 | 82.1  | 721.00% | Underpriced |
| 99  | Summit Purbanchol Power Co. Limited           | 40 | 57.5  | 43.75%  | Underpriced |
| 100 | Argon Denims Limited                          | 35 | 82    | 134.29% | Underpriced |
| 101 | Premier Cement Mills Limited                  | 22 | 103.5 | 370.45% | Underpriced |
| 102 | Golden Harvest Agro Industries Limited        | 25 | 76.4  | 205.60% | Underpriced |
| 103 | Global Heavy Chemicals Limited                | 20 | 99.4  | 397.00% | Underpriced |
| 104 | Orion Pharma Limited                          | 60 | 75.2  | 25.33%  | Underpriced |
| 105 | Bengal Windsor Thermoplastics Limited         | 25 | 55    | 120.00% | Underpriced |
| 106 | ICB AMCL Sonali Bank Limited 1st Mutual Fund  | 10 | 10.1  | 1.00%   | Underpriced |
| 107 | Familytex (BD) Limited                        | 10 | 48.5  | 385.00% | Underpriced |
| 108 | EXIM Bank 1st Mutual Fund                     | 10 | 11    | 10.00%  | Underpriced |
| 109 | Central Pharmaceuticals Limited               | 10 | 38.4  | 284.00% | Underpriced |
| 110 | Fareast Finance & Investment Limited          | 10 | 19    | 90.00%  | Underpriced |
| 111 | Bangladesh Building Systems Limited           | 10 | 47.2  | 372.00% | Underpriced |
| 112 | Paramount Textile Limited                     | 28 | 45.6  | 62.86%  | Underpriced |
| 113 | Appollo Ispat Complex Limited                 | 22 | 38.1  | 73.18%  | Underpriced |
| 114 | Mozaffar Hossain Spinning Mills Limited       | 10 | 45.3  | 353.00% | Underpriced |
| 115 | AFC Agro Biotech Ltd                          | 10 | 65    | 550.00% | Underpriced |
| 116 | Emerald Oil Industries Limited                | 10 | 50    | 400.00% | Underpriced |
| 117 | Matin Spinning Mills Ltd.                     | 37 | 41.9  | 13.24%  | Underpriced |
| 118 | Hwa Well Textiles (BD) Limited                | 10 | 44.1  | 341.00% | Underpriced |
| 119 | The Peninsula Chittagong Limited              | 30 | 36.7  | 22.33%  | Underpriced |
| 120 | FAR Chemical Industries Ltd                   | 10 | 52.6  | 426.00% | Underpriced |
| 121 | Shahjibazar Power Co. Ltd                     | 25 | 36.5  | 46.00%  | Underpriced |
| 122 | Khulna Printing & Packaging Limited           | 10 | 37.1  | 271.00% | Underpriced |
| 123 | Far East Knitting & Dyeing Industries Limited | 27 | 45.4  | 68.15%  | Underpriced |

|     |  |    |       |         |             |
|-----|--|----|-------|---------|-------------|
| 124 | Tung Hai Knitting & Dyeing Limited                     | 10 | 27.8  | 178.00% | Underpriced |
| 125 | Shurwid Industries Limited                             | 10 | 48.2  | 382.00% | Underpriced |
| 126 | Ratanpur Steel Re-Rolling Mills Limited                | 10 | 77.3  | 673.00% | Underpriced |
| 127 | Saif Powertec Limited                                  | 30 | 71.4  | 138.00% | Underpriced |
| 128 | Western Marine Shipyard Limited                        | 35 | 62.7  | 79.14%  | Underpriced |
| 129 | Khan Brothers PP Woven Bag Industries Limited          | 10 | 76.6  | 666.00% | Underpriced |
| 130 | Hamid Fabrics Limited                                  | 35 | 56.1  | 60.29%  | Underpriced |
| 131 | NATIONAL FEED MILL LIMITED                             | 10 | 42.5  | 325.00% | Underpriced |
| 132 | C & A TEXTILES LIMITED                                 | 10 | 22    | 120.00% | Underpriced |
| 133 | IFAD Autos Limited                                     | 30 | 67.7  | 125.67% | Underpriced |
| 134 | Shasha Denims Limited                                  | 35 | 37.1  | 6.00%   | Underpriced |
| 135 | Zaheen Spinning Limited                                | 10 | 24.3  | 143.00% | Underpriced |
| 136 | Asian Tiger Sandhani Life Growth Fund                  | 10 | 7.4   | -26.00% | Overpriced  |
| 137 | United Power Generation & Distribution Company Limited | 72 | 134.6 | 86.94%  | Underpriced |
| 138 | Bangladesh Steel Re-Rolling Mills Limited              | 35 | 78    | 122.86% | Underpriced |
| 139 | Tosrifa Industries Limited                             | 10 | 35.7  | 257.00% | Underpriced |
| 140 | Olympic Accessories Limited                            | 10 | 48.4  | 384.00% | Underpriced |